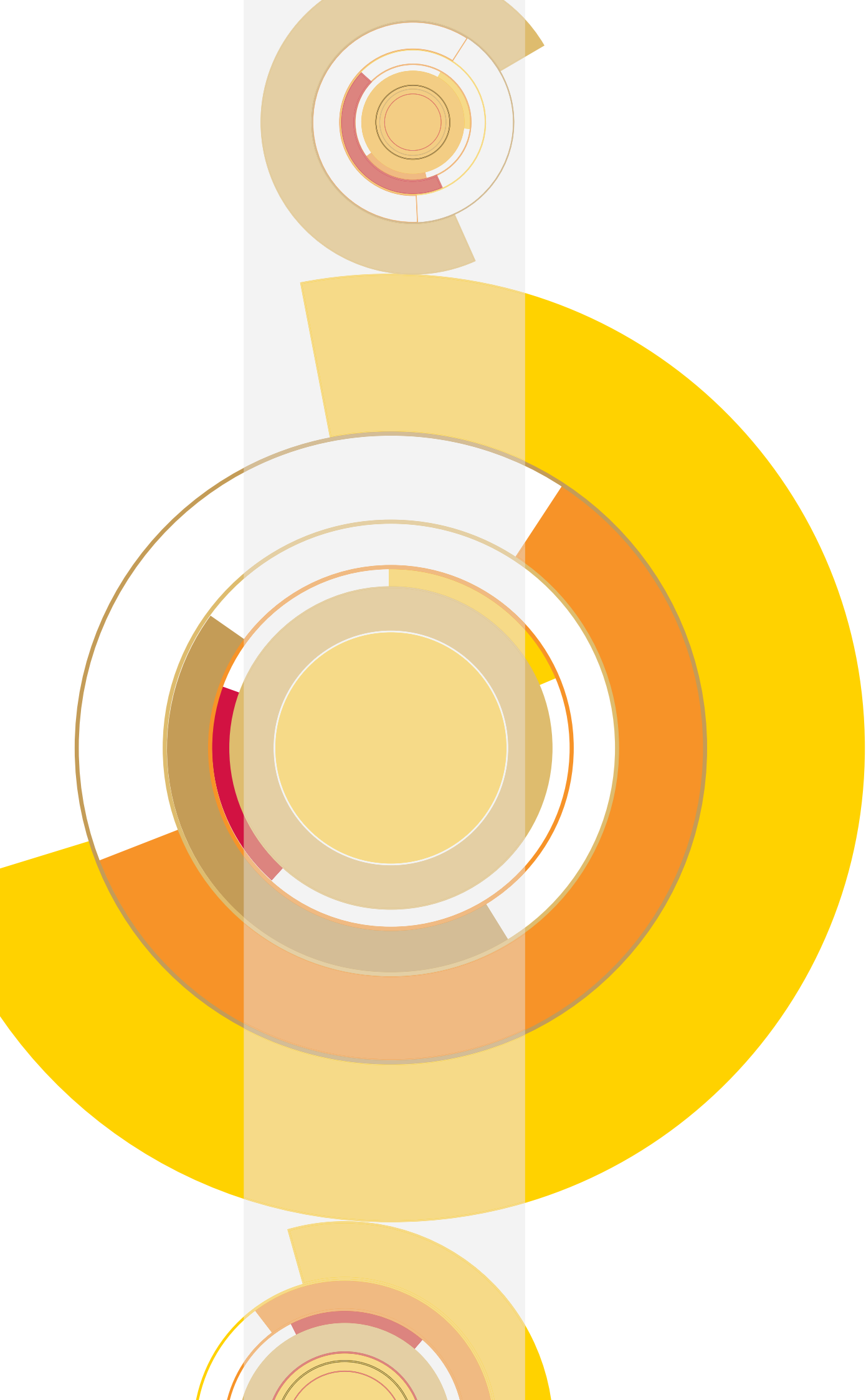




ROSNEFT

ANNUAL REPORT
2007

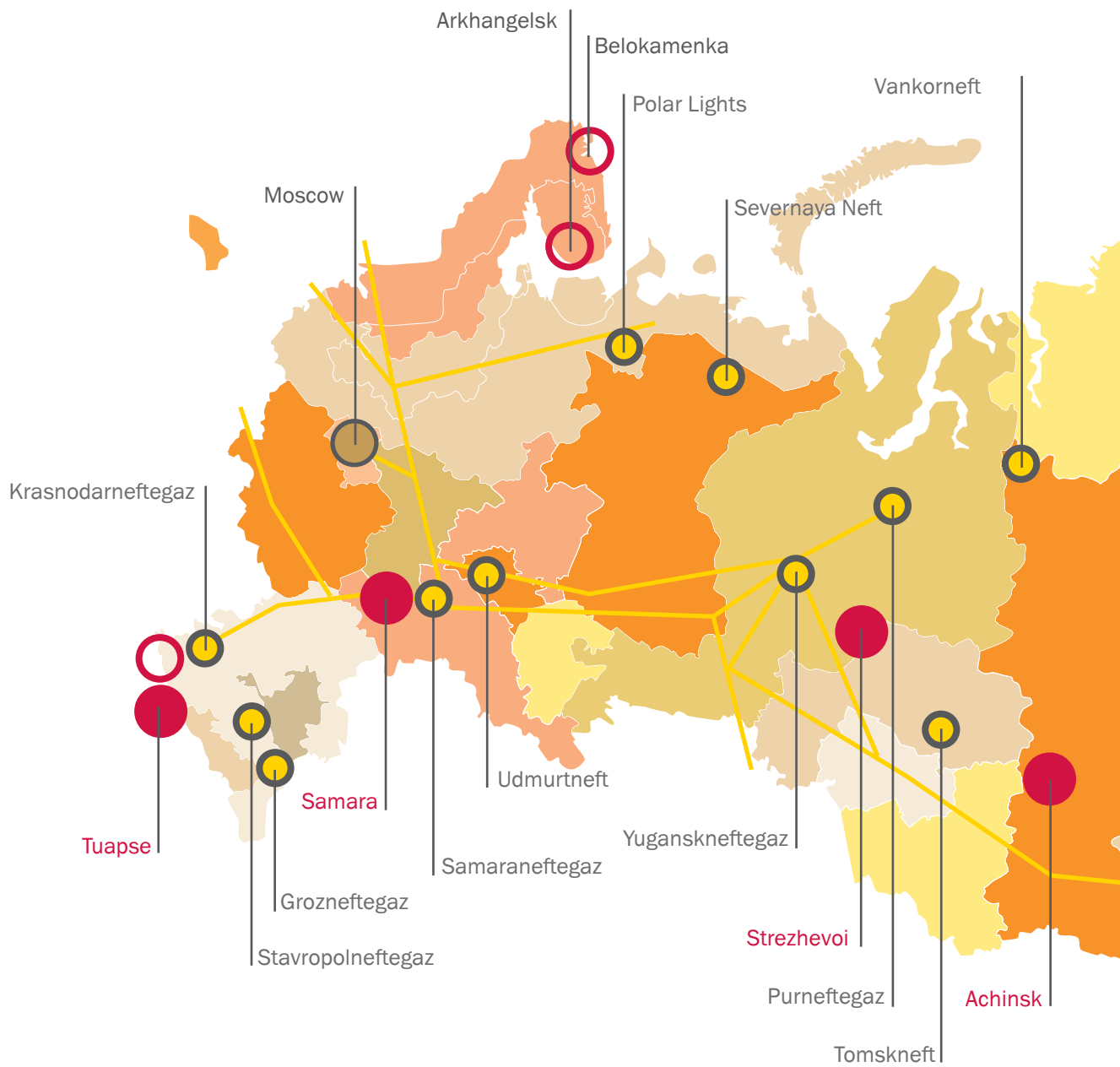
- Energy Security
- Technological Advancement
- Continuous Growth
- Sustainable Development
- Transparency



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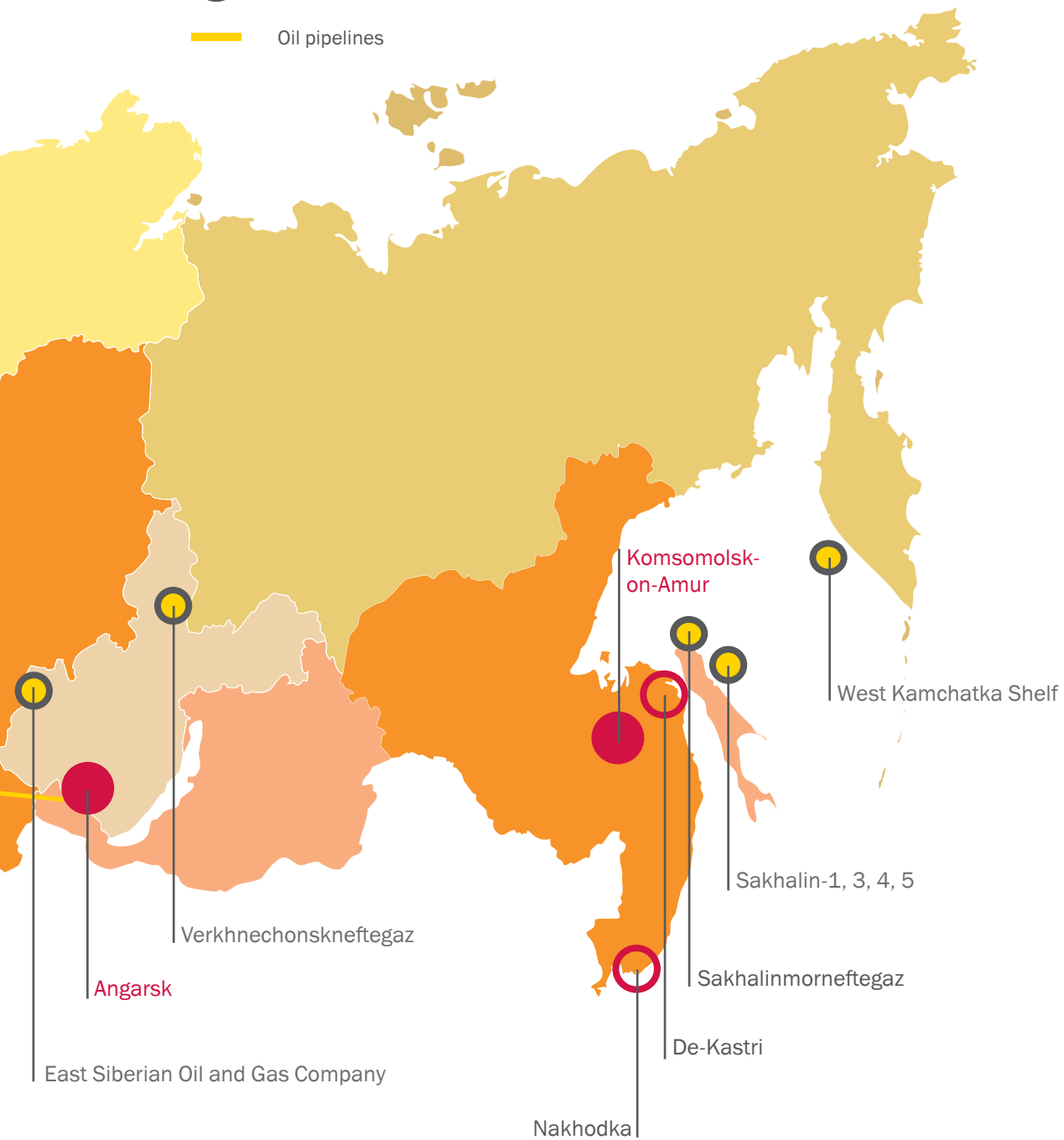
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Regions of Rosneft Operation



LEGEND

- Development and production
- Rosneft refineries
- Marine oil terminals
- Rosneft headquarters
- Oil pipelines



Rosneft's superb performance in 2007 is particularly gratifying as it dispels the common lack of confidence in a positive outlook for enterprises with majority state ownership



Message from the Chairman

In 2007, Rosneft gained the lead in the Russian fuel and energy industry in terms of crude output, added hydrocarbon reserves, unit operating costs and capital expenditures, as well as other key performance indicators. Furthermore, Rosneft has gradually evolved into a most dynamic global petroleum company.

A comprehensive exploration and development program at major upstream enterprises and the acquisition of new strategic assets enabled Rosneft to hit a record 100 mln tonne crude output. Steadily growing production at Yuganskneftegaz and Sakhalin-1 was also largely conducive to achieving this milestone.

Due to streamlined integration of new refining and marketing assets, the Company has become the largest national oil producer operating in 50 regions of the Russian Federation, and managed to better align its production and refining business segments. Rosneft's superb performance in 2007 is particularly gratifying as it dispels the common lack of confidence in a positive outlook for enterprises with majority state ownership.

Taking the Company public in 2006 allowed us to further extend Rosneft's development potential. As a result of the IPO, almost 200,000 companies and individuals became Rosneft shareholders. As a public company, we can build on more diverse fundraising options that ensure timely implementation of capital-intensive projects, and take advantage of stronger corporate culture, which is crucial to promoting communication with foreign partners.

Sustained development of upstream operations is further supported by a comprehensive portfolio of explo-

ration projects in the regions that will soon grow to replace traditional areas of hydrocarbon production. The Company has commenced full-scale exploration activities in East Siberia, and is developing strategic shelf projects in the Far East. Several exploration projects in Kamchatka are being implemented in collaboration with the largest global petroleum companies.

As the leading national oil company, Rosneft has been actively cooperating with major players in the international petroleum market and significantly contributing to the world's energy supply. Our goals are to set the standard not only with domestic performance, but also with the constantly increasing portfolio of international projects. I have every confidence that Rosneft will further strengthen its leadership in the national oil and gas industry, and deliver greater value to all its numerous shareholders. This will be possible due to continuous cost reduction, improved operating efficiency, higher quality of petroleum products and services, as well as ongoing introduction of innovative technology.

I am convinced that all these measures will enable Rosneft to deliver on its key strategic objectives, which include supporting Russia's long-term economic development and social stability, environmental protection, and efficient development of subsurface resources.



IGOR SECHIN

Chairman of the Board of Directors

The year 2007 was momentous for Rosneft as we became the leading national petroleum company in terms of market capitalization, crude output and throughput, and liquid hydrocarbon reserves



Message from the President

In 2007, Rosneft significantly expanded its business operations and became the national leader in terms of liquid hydrocarbon reserves, crude output and throughput, and the spread of service station network.

A comprehensive exploration and development program enabled Rosneft to hit a record 100 mln tonne output, which was a real milestone for the Company and the Russian petroleum industry at large. Overall, during 2007, Rosneft attained a 25% increase in crude output against 2006, which translates into a production growth rate far above the average of our domestic and international peers. Furthermore, we managed to maintain the top position among global public oil companies in terms of proved oil and gas condensate reserves, with the reserve replacement rate exceeding 300%.

In 2007, we also made major progress in downstream. Rosneft's refined product output grew 1.7 times against 2006. The Company is now uniquely positioned to gain the industry lead due to better-aligned production and refining operations and a more efficient corporate structure. In marketing, Rosneft substantially diversified its export destinations, whereas the Company's service station network grew to cover 36 regions of the Russian Federation.

Our national leadership by key production and financial indicators is compelling proof of a very optimistic outlook for the Company. We are confident that Ros-

neft will extend its dominance in the Russian petroleum market and become a top global energy company, rapidly building on improved production and refining performance, enhanced marketing, as well as higher net income and shareholder value.

The strong combination of state and private ownership enabled Rosneft to establish a solid basis for further business growth. With the above priorities and our strategic goals, we set new, and more challenging, objectives for the benefit of our shareholders.



SERGEY BOGDANCHIKOV
President of Rosneft

Key Events in 2007

- Rosneft became the first Russian oil company to hit a record crude output of 100 mln tonnes a year
- Fitch Ratings raised the Company's long-term credit rating to BBB- (positive), while Moody's upgraded Rosneft to Baa1 from Baa2
- Rosneft held the first shareholders' meeting as a public company
- New assets acquired in March–June 2007 were fully integrated into Rosneft's operating structure
- Rosneft completed its project aimed at optimizing consolidated financial reporting (financial statements are submitted on the 30th calendar day after the end of a reporting period)
- Sakhalin-1 project reached a maximum crude output of 34 thousand tonnes a day (250 thousand barrels)
- Rosneft and SIBUR launched a joint venture project to commence associated gas utilization at the Yuzhno-Balyk Gas Processing Plant owned by SIBUR
- Rosneft and the World Bank agreed to develop a gas flaring reduction program, under which emission reduction units could be bought by the World Bank. The program will be implemented in the framework of a Kyoto Protocol project currently underway at the Komsomolsk field
- In the framework of the Gas Utilization Program, a new compressor station was commissioned at the Priobskoye field
- Rosneft commenced international bunkering operations
- Rosneft and Sovkomflot agreed to establish a joint venture that will service the Company's shelf projects
- Rosneft announced a rebranding initiative for its service station business
- The Museum of Rosneft History was founded
- The 65th anniversary of Komsomolsk Refinery and the 40th anniversary of Udmurtneft.



Rosneft announced a rebranding initiative for its service station business

In 2007, Rosneft became the first Russian oil company to hit a record crude output of 100 mln tonnes a year



- 
- Global leadership in terms of liquid hydrocarbon reserves
 - Industry's best ratio of proved reserve replacement
 - Fastest growth in oil production among national petroleum companies
 - Lowest operating and administrative costs per unit of output
 - Highest market capitalization among Russian oil companies



Company Profile

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Company History

The 1990s were a very special period in Russian economic history. During that decade, major state assets were transferred to private investors through privatization auctions. In accordance with the adopted privatization program, numerous fuel and energy companies as well as many related-industry enterprises, which had been previously regulated by state authorities, were consolidated into vertically-integrated companies on the model of the world's largest corporations. These newly established companies were subsequently fully or partially sold. By the mid-1990s, the state-owned oil and gas assets included several production enterprises that had operated for over 50 years, the refineries built in the early 1930s and during World War II, as well as a relatively extensive marketing network. These assets were managed by the state enterprise Rosneft, which had been set up on the basis of the USSR Ministry of Oil Industry.

Open Joint-Stock Company (OJSC) Rosneft Oil Company was established by Resolution of the Russian Government No. 971 of September 29, 1995 to succeed the state enterprise Rosneft and the USSR Ministry of Oil Industry. OJSC Rosneft consolidated production, refining, and marketing assets that had not been integrated into the earlier created oil and gas corporations.

In its early days, Rosneft experienced significant difficulties in securing a favorable position in the new

competitive market. Poor operating and financial results of the first three years necessitated drastic changes in the Company's management. Moreover, the 1998 financial crisis was threatening to put Rosneft out of business. The situation was also complicated by the Company's general production downturn as its resource base was suffering from severe depletion, the refineries operated at extremely low capacity, and the marketing divisions were losing their positions in regional markets. Worn-out equipment and outdated technology were also among the key factors hindering Rosneft development. At the end of 1998, the Company was in dire financial straits and had little control over its assets, including key production divisions. As of the year end, the estimated value of Rosneft (30 large enterprises with a resource base ensuring over 60 years of interrupted operations) was under USD 500 mln.

At the end of 1998, a new management team was appointed at Rosneft to handle the situation, regain competitive market positions, and lay a basis for sustainable development.

The management's top priority was to promptly analyze the existing state of affairs and strengthen internal control procedures. By the end of 1999, a comprehensive asset audit and weakening disintegrative trends allowed the new management to gain control over major assets and implement a streamlined con-



Rosneft's history is virtually inseparable from the history of the national petroleum industry. The Company's core enterprises were established in Soviet times as 'Industrial Associations', when large-scale exploration and development of new oil and gas fields was commenced. Key exploration regions included remote locations of the Russian North and Siberia. Among major industrial associations were Yuganskneftegaz, Grozneft (currently OJSC Grozneftegaz), Dagneft (OJSC Dagneftegaz), Krasnodarneftegaz, Kuibyshevneft (OJSC Samaraneftegaz), Stavropolneftegaz, Tomskneft, Udmurtneft (OJSC Udmurtneft), and Sakhalinmorneftegaz. Industrial Association

Kuibyshevnefteorgsintez consisted of Novokuibyshevsk Refinery, Syzran Refinery, and Kuibyshev Refinery.

LIC — Rosneft-Krasnodarneftegaz currently operates in the region that pioneered commercial oil production in Russia. The Russian petroleum industry dates back to the mid-19th century when the first developments were commenced in oil and gas provinces of Kuban.

In August 1865, the renowned entrepreneur Ardalion Novosiltsev initiated the drilling of five wells on the left bank of the Kudako River, 42 km away from Anapa. Thanks to the sterling efforts of the drilling team led by Vladimir Peters, on February 15,

trol system. Centralized production and economic policies enabled Rosneft to post a profit in 1999.

In 2000, the Company significantly improved its market positions and saw a major increase in production and financial indicators. Despite a decline in the global and domestic prices of oil and refined products, in 2001, Rosneft managed to sustain and further improve its performance. The Company's average annual growth in crude output has exceeded 11% ever since. In 2002, Rosneft delivered the strongest performance since its establishment in 1995.

In 2001, the Board of Directors approved a long-term development strategy for OJSC Rosneft. The strategy envisaged rapid growth in output supported by the efficient exploration and development of new hydrocarbon resources, higher refining capacity and depth, as well as further development of the Company's marketing network.

Comprehensive analysis of Rosneft's development prospects, the trends in the global fuel and energy sector, and long-term business objectives clearly indicated that the Company could build on the already available resource base and production potential.

In 2001, the Company fully recovered and managed to restore its pre-crisis performance. This enabled Rosneft to start developing and implementing a long-term expansion strategy, which implied upgrading the existing infrastructure as well as acquiring new assets and mineral licenses, challenging new markets, participating in major investment projects, etc. Rosneft's strategic goal was to become a strong and well-balanced global petroleum corporation.

The Company believed that its long-term growth in production should primarily come from extensive exploration of untapped hydrocarbons, supported by implementing efficient and long-lasting infrastructural solutions. The focus on new developments was essentially explained by Rosneft's rather limited options for integrating the existing prospective assets.

In 2001, Rosneft became an official representative of the Russian Government in projects to be implemented under production sharing agreements (PSA). The same year, commercial reserves were discovered under the Sakhalin-1 project. The Company ranked first among Russian oil producers in terms of profit and investment per tonne of output. Furthermore, Rosneft was the first to place Eurobonds among major foreign investors since the 1998 economic crisis.

At the end of 2001, Rosneft and Gazprom signed an unprecedented agreement to commence joint exploration on the Arctic shelf of Russia, which was in line with the Company's key focus on intensifying operations in northern regions. In 2002, Rosneft started the development of the Prirazlomnoye field (the Barents Sea).

The Timan-Pechora oil and gas province, occupying the most of Russia's European North and stretching further to the Arctic shelf, became the key strategic region for Rosneft. In early 2003, Rosneft acquired Severnaya Neft Oil Company, thus significantly strengthening its competitive positions in Timan-Pechora. The same year, Rosneft and LUKOIL restructured their jointly owned assets through a mutually beneficial exchange. Inter alia, the Company obtained a 50% stake in Polar Lights, a joint venture between Rosneft and

1866, the first oil flow was pumped off a 123.5 ft-deep (37.6 m) well No. 1. "A stream of pure oil burst out with a great noise. The unassisted flow gave some 15,000–20,000 liters of crude daily", Vladimir Peters wrote.

The flow continued for 24 days, after which it faded out. Further drilling to 242 ft (73.8 m) yielded even a stronger flow that lasted for 29 days. It was calculated that the first well produced about 1,600 tonnes of oil.

Much later, the founder of Russian petroleum geology Academician Gubkin referred to the Kudako River valley as the "kiln of the Russian petroleum industry". In 1937, a

drilling rig monument was erected on the well site. Successful launch of production operations pushed forward the construction of pipelines and tank farms.

As far back as in 1920, the major importance of Kuban crude for sustained development of the Soviet economy was stressed in the Neftyanoe Khozyaistvo journal. In the article, On Oil Production in the Kuban-Black Sea Soviet Republic, it was said: "About 50 km away from Maikop, oil blocks of the Kuban-Black Sea region stretch to the southwest along the Caucasus Mountains, and reach Taman. The widely featured Maikop field continues into the notable fields of Ily-



ConocoPhillips. Since 2003, the Company has been consistently developing and expanding its Northwestern projects.

Another core objective for Rosneft was extending its international operations through oil and gas projects in North Africa and Algeria. In addition, the Company was entitled to represent the Russian Federation in the Kurmangazy project on Kazakhstan's Caspian shelf (later in 2005, Rosneft entered into a PSA for the Kurmangazy field development). In 2003, the Company commenced oil production at the Aday block near the Caspian Sea in Western Kazakhstan.

During 2002–2003, the Company was also expanding operations on the Sakhalin shelf. Thus, in 2002, the Sakhalin-1 project was launched and an exploration license to the Kaigansko-Vasyukansky block (Sakhalin-5 project) was obtained. In 2003, Rosneft obtained a license to the Veninsky block (Sakhalin-3 project).

East Siberia was also among the Company's major prospective regions. In 2003, Rosneft acquired Anglo-Siberian Oil Company (ASOC), which held licenses to the Vankor oil and gas block in the Krasnoyarsk region. The acquisition enabled the Company to promptly commence full-scale infrastructure development at Vankor. In 2003, the field's proved reserves approximated 40 mln tonnes. Currently, Vankor's C1+C2 oil reserves stand at about 500 mln tonnes, while its gas reserves exceed 100 bn cu. m. Vankor has gradually become a major resource pool ensuring the Company's uninterrupted production operations in the long run. Rosneft's plans envisage the field's stable annual

output of about 30 mln tonnes, which makes Vankor a truly unique project that is among the top 10 global oil and gas developments. Furthermore, licenses to several blocks adjacent to Vankor (the Vankor group of licensed blocks) secure Rosneft's long-term leadership in East Siberia.

Rosneft greatly benefited from its newly acquired assets steadily gaining in value and yielding higher returns, which was largely underpinned by the Company's extensive investment in production. Rosneft eventually established a firm foundation to build further on. As a result, in late 2004, Rosneft managed to acquire a controlling stake in the major national oil producer CJSC Yuganskneftegaz, which was the largest deal in Russian corporate history. To complete the acquisition, the Company resolved to sell its stake in CJSC Sevmorneftegaz, a promising joint venture with Gazprom focused on the Arctic shelf projects.

Nevertheless, Rosneft continued to pursue its business interests in Northwest Russia. At the beginning of 2005, the Company acquired a license to the Vorganusyursky block in Timan-Pechora, which allowed increasing production at Severnaya Neft as the company's facilities were located only about 80 km away from the block.

In addition, Rosneft commissioned an innovative oil export infrastructure, which combined pipeline and rail transportation systems, and included the Belokamenka floating transshipment oil terminal anchored in the Kola Bay.



inskoye, Kudakinskoye, etc. New fields neighboring the Kaluzhskaya village and early developments in Taman are also worth mentioning. Oil pipelines run from the Maikop production facilities to Tuapse (about 75 km) and Yekaterinodar [Krasnodar] (about 110 km), the political and economic center of the North Caucasus. This ensures uninterrupted rail transportation of crude oil from Maikop, notwithstanding the currently adverse situation in the transport industry.

Oil production infrastructure of the Kuban-Black Sea region is supported by two refineries, in Yekaterinodar and Novorossiysk.

Yekaterinodar Refinery processes the Maikop crude fed via a pipeline. The plant is strategically important as it provides the Republic with gasoline, kerosene, oils, aromatic hydrocarbons, and fuel oil. The output from Novorossiysk Refinery located on the Black Sea coast is exported".

In the 1930s, a gas lift recovery technique based on associated gas was implemented at oil production enterprises of the Krasnodar region. That large-scale project was led by Georgy Kipsar, later appointed Chief Engineer of Central Administration within the USSR Ministry of Oil Industry. Furthermore, Georgy Alekseevich Maksimovich introduced a

In the near future, the Company plans to commence all-out operations on the Arctic shelf. Accordingly, in 2006, Rosneft and the leading international oil and gas company British Petroleum signed a memorandum of understanding with respect to collaborative exploration of the Russian Arctic.

In 2005, the Company completed the integration of Yuganskneftegaz into its operating structure. As a result, Rosneft ranked third among Russian oil and gas companies by crude output, second by gas output, and became the national leader in terms of refining capacity utilization. During 2005, the Company produced about 75 mln tonnes of crude oil and gas condensate, and over 13 bn cu. m of gas.

In late 2005, Rosneft acquired a 26% stake in Verkhnechonskneftegaz, that enabling the Company to further expand its operations in East Siberia. Shortly afterwards, an exploration license to the East-Sugdinskoye field was obtained. Thus, Rosneft is rapidly progressing in establishing a cutting-edge oil and gas production infrastructure in the region.

2006 was a milestone year for Rosneft as the Company completed its Initial Public Offering (IPO). Rosneft floated USD 10.6 bn worth of stock, the fifth largest IPO in the global financial industry and the largest ever in Russia. The IPO attracted a number of oil and gas majors, such as Petronas (Malaysia), British Petroleum, China National Petroleum Corporation, etc. Rosneft's IPO was aimed not only at professional investors, but also at general public. As a result, over 155,000 residents of the Russian Federation became the Company's shareholders.

In addition, Rosneft consolidated 12 exploration, production, refining, and marketing assets, thus increasing its business transparency and improving management efficiency.

In 2006, Rosneft also concluded a number of crucial agreements. The Company together with the Chinese petrochemical corporation Sinopec acquired OJSC Udmurtneft (Rosneft holds a 51% stake). Furthermore, Rosneft and Sinopec signed a framework cooperation agreement. The Company also plans to actively collaborate with CNPC through joint ventures in exploration, production, refining, and marketing.

Rosneft and its another strategic partner, Gazprom, agreed to cooperate over various issues related to prospecting, exploration, production, transportation, and processing of hydrocarbon resources. Other key areas of focus include: purchasing and selling associated gas; generating and selling electricity and heat; producing field and power equipment; developing production and infrastructure facilities; providing scientific, information, environmental, and HR support. Rosneft and Gazprom plan to actively participate in tenders and auctions in order to acquire new mineral licenses, and jointly implement comprehensive oil and gas projects. This agreement will enable the Company to monetize a large portion of its gas reserves.

Rosneft also acquired Nakhodka Sea Port, a major trading hub on the Russian coast of the Pacific Ocean. In the framework of the Sakhalin-1 project, the Company commissioned a pipeline connecting the Chaivo field to the De-Kastri oil loading terminal. At the end of

water injection method of reservoir pressure maintenance.

Oil production was being developed in close ties with hydrocarbon storage techniques. In about 1905, the construction of a tank farm was commenced near the Krymskaya station, which was completed two years later.

The period of World War II saw two evacuations of personnel, machinery and equipment from the North Caucasus production sites. In autumn 1941, Nazi Germany was threatening to occupy a part of the North Caucasus, which would allow it to accumulate military and economic power as Germany pos-

sessed no petroleum technology and produced motor fuel by coal distillation. Accordingly, the Soviet Government was making every possible effort in order to protect the existing technological and resource base.

In October–November 1941, the State Committee for Defense resolved to dismantle and remove core process equipment of wells, pumping stations, and pipelines. Furthermore, the Committee ordered to evacuate the Krasnodar and Tuapse refineries within 10 days. To accomplish this arduous task, about 10,000 people participated in pipeline dismantling ev-



2006, test production was commenced at the Chaivo field.

In 2006, Rosneft became the second largest oil and gas condensate producer in Russia. It held production licenses to several relatively new and highly prospective fields, which, coupled with the application of advanced recovery techniques, resulted in consistently high flow rates. Sound research and development potential was also conducive to enhancing drilling and exploration techniques.

In 2006, Rosneft's crude output totaled 80.8 mln tonnes, an 8.3% increase against 2005, which translated into a growth rate far above the average of most of the Company's peers. Such superb results were supported by a unique combination of high production potential and innovation.

During 2007, Rosneft accomplished a great deal of work in order to sustain the accelerated business growth. The 'strengthening-of-the-muscles' period, as the press used to say, resumed. Rosneft acquired stakes in 146 Russian and foreign companies for a total of RUB 660 bn (including a 9.44% stake in Rosneft, previously held by YUKOS). The Company also integrated six oil and gas producers (Samaraneftegaz and Tomskneft are engaged in production operations, while the remaining four companies perform prospecting and exploration activities). In downstream, Rosneft acquired six refineries and will be able to process almost half of its crude output starting from 2008. Furthermore, the purchase of 44 oil product and fuel suppliers (including 15 terminals) resulted in the Company's fleet of service stations expanding more than twofold.

After several years of great effort and strong commitment to excellence, by 2007, Rosneft had grown to deliver well-balanced performance.

Rosneft's dominant position in hydrocarbon recovery is now supported by the feasible opportunity to gain the lead in the high-profit sectors of refined product production and marketing. Accordingly, the Company will focus on increasing refining capacities which entails constructing new facilities in Russia and abroad. In particular, Rosneft commenced the design and engineering stage under a new refinery project at the endpoint of the East Siberia – Pacific Ocean (ESPO) oil pipeline.

As of the beginning of 2008, Rosneft ranked first among global public oil companies by proved liquid hydrocarbon reserves (over 17 bn boe). The Company also strives to maintain hydrocarbon reserve additions exceeding annual production. In 2007, extensive exploration activities gave over 200 mln tonnes of C1 oil reserves.

Rosneft enjoys a diversified portfolio of exploration-stage projects. These developments cover a number of prospective regions that will soon evolve to replace tradition oil and gas producing areas. For example, the massive Vankor field set for commercial launch in late 2008, together with a group of adjacent blocks, is in fact a new and highly promising oil province.

In 2007, Rosneft's annual crude output exceeded 100 mln tonnes, another milestone both for the Company and the Russian oil and gas sector at large. It should be noted that almost 100% of Rosneft's crude was produced in Russia. All the Company's refineries



ery day. 415 rail cars were used to complete the first phase of refining equipment evacuation. Apart from the Krasnodar and Tuapse refineries, the comprehensive evacuation program covered an oil black plant, two cracking plants, a wax plant, two gasoline plants, etc. Thousands of rail cars were utilized to move production and petrochemical equipment to the East of Russia.

The remaining facilities were able to refine 13,000 tonnes of crude a day and produce 800 tonnes of aviation gasoline, 740 tonnes of motor vehicle gasoline, and 3,500 tonnes of fuel oil that were immediately sent to battlefields.

The December 1941 counterattack near Moscow allowed the Soviet Army to re-establish the situation in several key areas, thus significantly reducing the military threat in the North Caucasus. Accordingly, the Soviet Government resolved to suspend dismantling activities and restore production facilities, except for Tuapse Refinery and the Maikop oil black plant. That required arranging prompt and secure transportation of equipment from Baku, and a full-scale restoration of oilfield infrastructure was commenced.

However, in late June 1942, the situation in the North Caucasus

and service stations operate in the domestic market, which further confirms Rosneft's strong commitment to continuous development of the Russian petroleum industry.

Rosneft has grown to become the leading national oil and gas company, accounting for almost 1/4 of Russia's crude oil output. As a state-owned enterprise, Rosneft has plenty of room to further expand its resource base and give new momentum to the national petroleum sector. At the same time, being a public company, Rosneft enjoys diverse fundraising options ensuring timely implementation of strategic capital-intensive projects. Moreover, this is crucial to promoting communication with foreign partners and facilitating international cooperation.

Taking full advantage of the combined business model, the Company will be able to further strengthen its positions in overseas markets and rapidly evolve into a global energy leader by operating results, financial performance, and market capitalization.

Rosneft's sustained growth is strategically important for the Russian economy. The Company will continue making every effort to provide a significant and constant contribution to the national oil and gas market, as it is now exceptionally positioned to represent the Russian Government in flagship petroleum projects and ensure Russia's long-term energy security.

Rosneft's key strategic goal is to become the top Russian energy company demonstrating the best operating and financial results, as well as to significantly strengthen its positions among international rivals.

Ongoing development and introduction of innovative technology, efficient business management, and improved financial performance will all contribute to the Company's speedy achievement of its strategic objectives. As a result, Rosneft will be able to capitalize on the enhanced production and refining operations, as well as efficient oil product marketing both domestically and abroad.

became very tense, and equipment evacuation was resumed. On August 10–11, the Soviet Army left Maikop and Krasnodar. The Nazi occupiers planned to seize large reserves of fuel and lubricants in Maikop and fully restore oil production operations within 4–5 months. About 10,000 skilled oilfield workers followed the German army commanded by General List. However, the Germans failed to implement their plans as the Soviet forces had timely evacuated all fuel and lubricants reserves. All the wells were abandoned and filled with concrete, while the remaining equipment was either buried or destroyed.

Following the liberation of Krasnodar in February 1943, a comprehensive restoration of the North Caucasus oil industry was commenced. The region's oil production infrastructure was suffering staggering losses in World War II. Almost all tanks, pipelines, pumping stations, and other equipment were ruined by the Nazi forces. At the Krymsk tank farm, an obelisk on the first well site was destroyed in a bombing. As of April 1944, losses from destroyed and damaged petroleum infrastructure totaled RUB 139,117,017, while aggregate recovery and evacuation costs exceeded RUB 18 mln.



General Information about Rosneft

Full name:

Open joint-stock company Rosneft Oil Company.

Registered address:

26/1 Sofiyskaya Embankment,
Moscow 115035, Russia.

Date of State Registration and Certificate Number:

Date of state registration of a legal entity:

December 7, 1995.

Certificate number: 024537.

Date of entry into the Unified State Register of Legal Entities regarding a legal entity registered prior to July 1, 2002: August 12, 2002.

Details of the Certificate of Entry into the Unified State Register of Legal Entities Regarding a Legal Entity Registered Prior to July 1, 2002:

Series 77 No. 004856711.

Principal State Registration Number:

1027700043502.

Core Activities

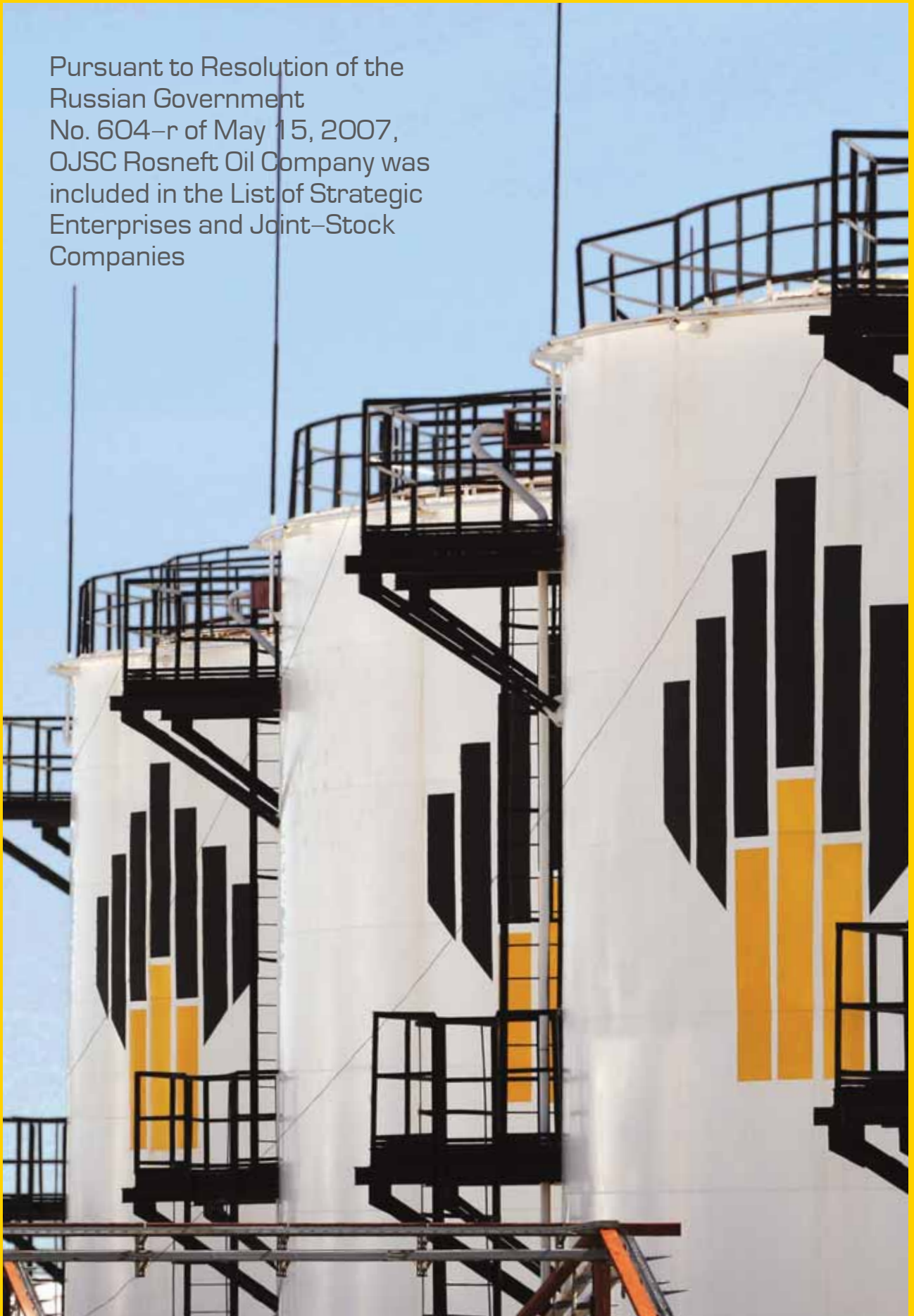
Prospecting and exploration of oil, gas, coal and other subsurface resources; production, transportation, and refining of oil, gas, coal and other subsurface resources, woodworking; production of refined products, petrochemicals, etc., including electricity, woodworking products, as well as consumer goods and services; storage and sales (both in the domestic and export markets) of oil and gas, refined products, coal, electricity, woodworking products, as well as other products of hydrocarbon and other feedstock processing.

Pursuant to Resolution of the Russian Government No. 604-r of May 15, 2007, OJSC Rosneft Oil Company was included in the List of Strategic Enterprises and Joint-Stock Companies.

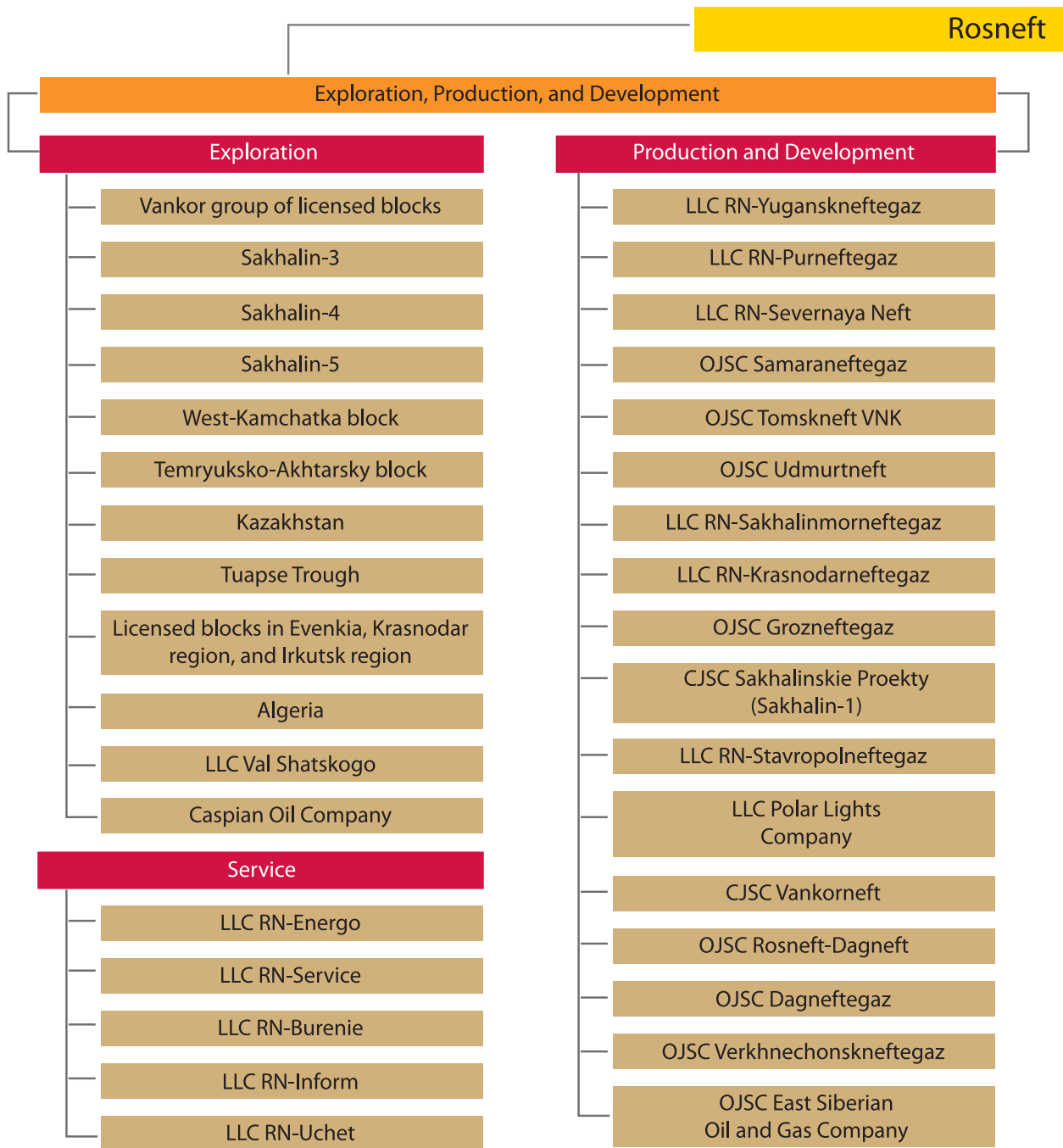


Rosneft headquarters:
26/1 Sofiyskaya
Embankment,
Moscow 115035, Russia

Pursuant to Resolution of the Russian Government No. 604-r of May 15, 2007, OJSC Rosneft Oil Company was included in the List of Strategic Enterprises and Joint-Stock Companies



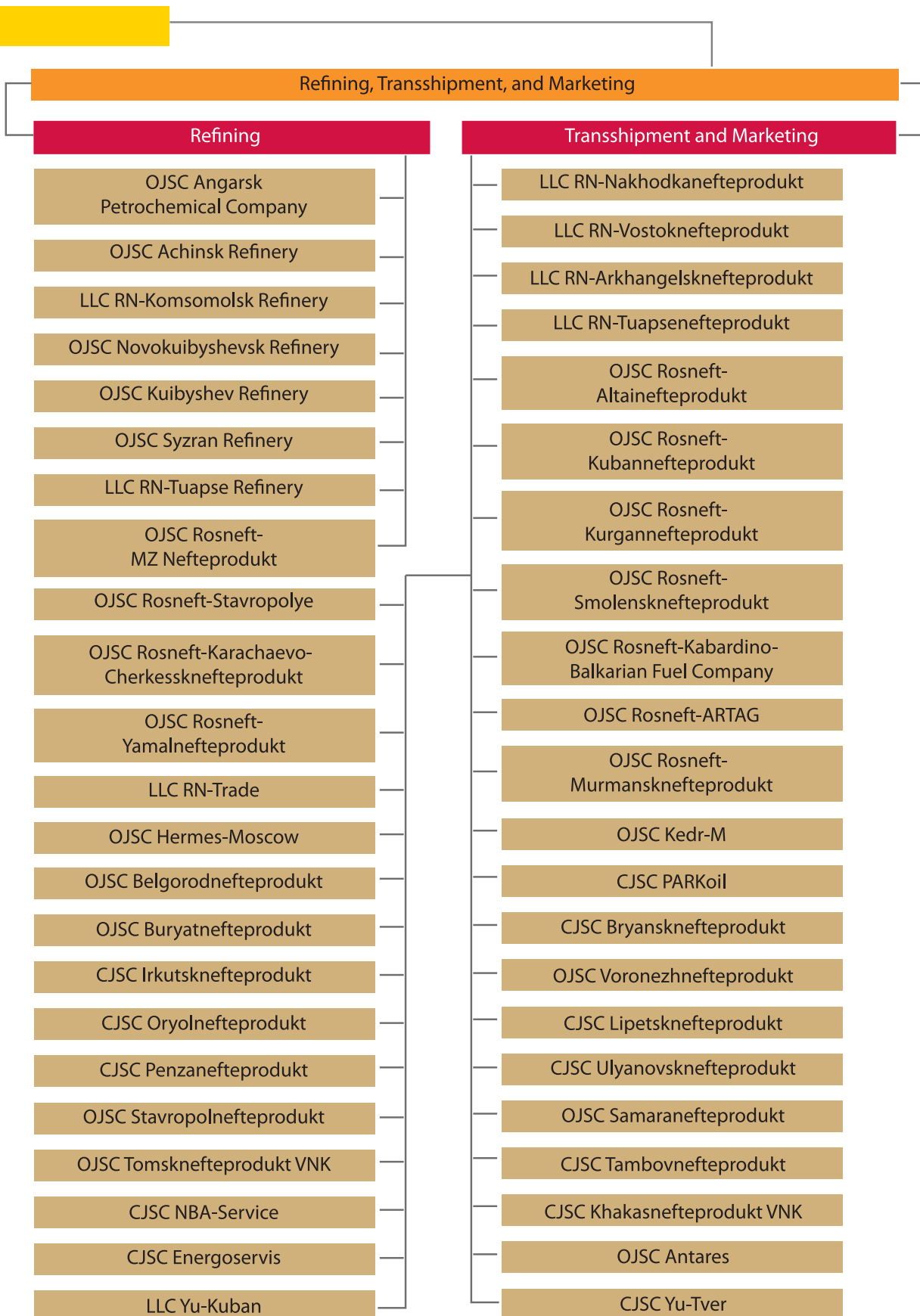
Rosneft Structure



Rosneft is among the largest vertically-integrated oil and gas companies in Russia. As of December 31, 2007, the Rosneft group consisted of 516 enterprises, including 17 production and seven major refining assets, four marine terminals, and a proprietary

network of 1,695 service stations throughout Russia.

Rosneft is currently implementing a major program aimed at optimizing the corporate structure by disposing of certain non-core and non-productive assets.



Rosneft Today

Rosneft is one of the leading oil and gas companies in Russia. Its key development priorities include:

- increasing oil and gas output through active development of hydrocarbon resources and improving the efficiency of field operations
- expanding the resource base and improving its structure through increased exploration in new oil and gas provinces
- continuous monitoring and implementation of new technology; strengthening the R&D portfolio
- increasing crude throughput and refining depth through comprehensive upgrades; raising the output of quality petroleum products that meet current environmental standards
- ongoing expansion and modernization of transport infrastructure; challenging new markets and diversifying the customer base
- further development of marketing assets; expanding the retail network in order to attain a higher value added
- enhancing corporate management and increasing transparency.

Rosneft is the top player in the Russian oil and gas market. In 2007, the Company became Russia's largest oil producer, with annual crude output exceeding 100 mln tonnes, and had the biggest proved oil and gas condensate reserves among the world's public petroleum companies. Rosneft also enjoyed superb reserves-to-production and replacement ratios, which were in fact the best in the global petroleum industry. The Company's sustained development is largely underpinned by the ongoing introduction of cutting-edge field development technology and advanced recovery methods. In 2006–2007, Rosneft's organic growth in oil and gas condensate production was the highest in national petroleum industry.

Long-term development of the Company is further supported by an extensive portfolio of exploration-stage projects. Rosneft is increasingly focused on the most promising regions of East Siberia, the Okhotsk Sea shelf, as well as shelves of the southern seas. Expanding exploration activities in these areas will enable the Company to commence full-scale development and production operations already in the short run.

Rosneft is also a leading national gas producer enjoying a unique resource portfolio, which ensures steady growth in gas output. As of year-end 2007, the Com-



Rosneft enjoys the largest proved oil and gas condensate reserves among all the world's public petroleum companies

pany had 711 bn cu. m of proved gas reserves (international classification), 470 bn cu. m of probable gas reserves, and 638 bn cu. m of possible gas reserves. Furthermore, Rosneft continued to implement a comprehensive gas program aimed at enhancing the utilization of associated petroleum gas, one of the Company's key strategic priorities. The Program envisages the construction of gas collection systems, booster compressor stations, underground storage facilities, as well as a set of measures to improve gas treatment. In 2007, Rosneft completed a gas compressor station at the Priobskoye field operated by LLC Rosneft-Yuganskneftegaz, which can handle about 700 mln cu. m of associated gas annually. The Company plans to achieve a target gas utilization ratio of 95% in the near future.

Furthermore, export terminals in Tuapse (Krasnodar region), De-Kastri (Khabarovsk region), Nakhodka (Primorsky region), and Arkhangelsk allow Rosneft to significantly reduce risks related to crude and refined product supplies, which is crucial to support successful business operations.

Rosneft was previously associated with a relatively low degree of vertical integration, which was largely due to unbalanced refining capacities. Prior to 2007, the Company had operated only two refineries with a combined capacity of under 11 mln tonnes a year. However, the acquisition of five new refineries in 2007 allowed Rosneft to bring its aggregate design capacity to over 52 mln tonnes a year. Moreover, favorable location of the new assets will enable the Company to substantially improve the efficiency of oil product supplies.

Rosneft has been delivering consistently high performance since its establishment in 1993. In 2007, Rosneft managed to maintain the lowest lifting costs and unit administrative expenses among all of its national peers.

Key Achievements in 2007

Rosneft's key achievements in 2007 include:

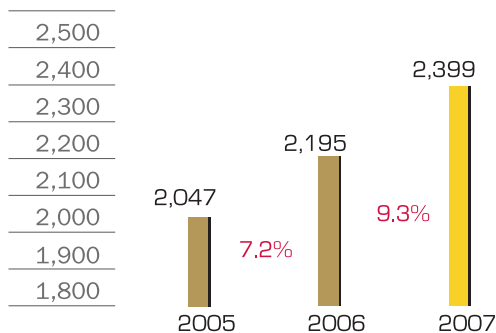
- leadership in terms of liquid hydrocarbon reserves among global public petroleum companies (including net of the effect from the 2007 acquisitions)
- industry's best ratio of proved reserve replacement, and a strong ratio of organic reserve replacement
- industry-leading proved reserve addition per exploration well
- lowest replacement cost per tonne of reserves
- fastest growth in oil production among all national petroleum companies (including net of the effect from the 2007 acquisitions)
- highest new well flow rates
- lowest lifting costs in Russia
- lowest administrative costs per unit of output in Russia
- highest market capitalization among Russian oil companies.

Own export terminals allow Rosneft to significantly reduce risks related to crude and refined product supplies, which is crucial to support successful business operations



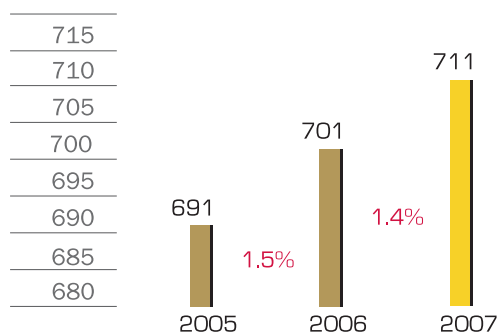
Key Production and Financial Indicators

Proved oil reserves
(SPE*, mln t)

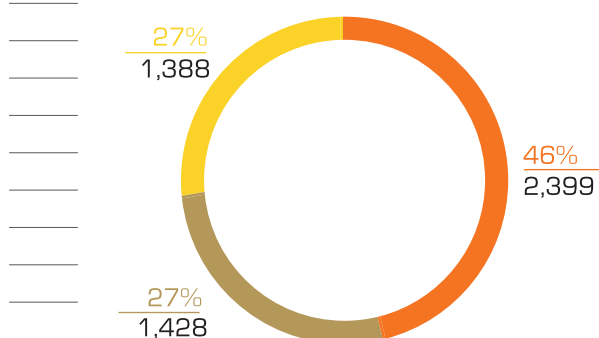


* Society of Petroleum Engineers

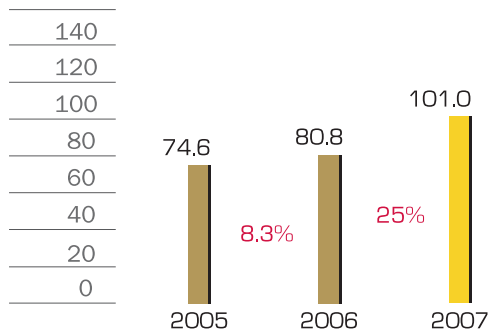
Proved gas reserves
(SPE, bn cu. m)



Structure of oil reserves
(SPE, %)

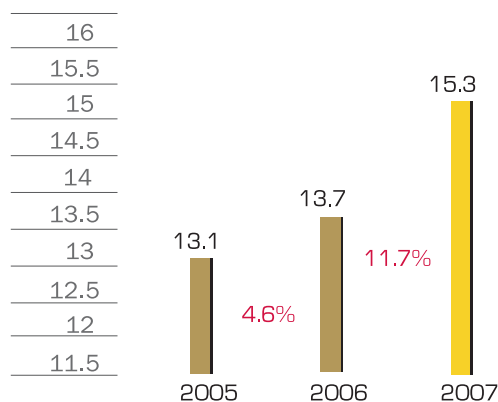


Crude oil output **
(mln t)

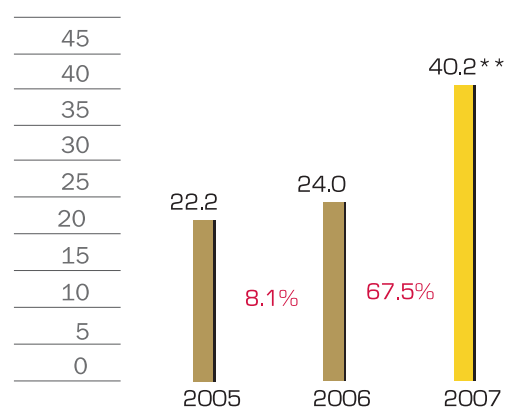


** Including cumulative share of new assets from June 1, 2007; Tomskneft – 50%

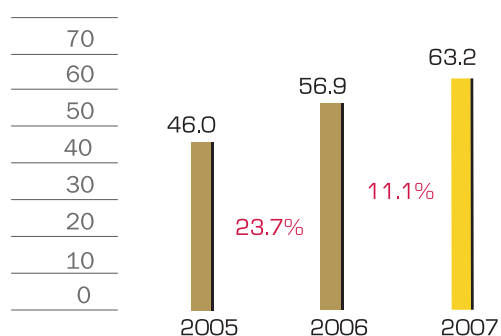
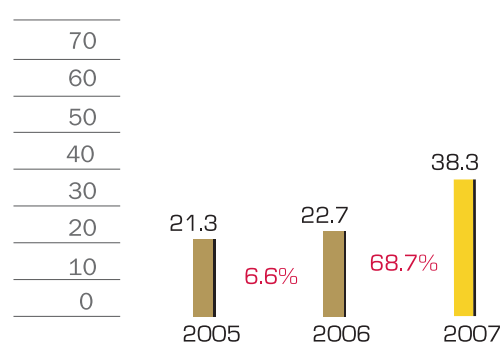
- Proved
- Probable
- Possible

Gas output *
(bn cu. m)


* Including cumulative share of new assets from June 1, 2007; Tomskneft – 50%

Own crude refined
(mln t)


** Excluding by-product mixture returned to Transneft trunk pipeline system

Crude oil exports
(mln t)

Own refined product output
(mln t)


| Operating results | 2005 | 2006 | 2007 | Change (2007/2006) |
|--|-------|-------|-------|-----------------------|
| Proved oil reserves, bn t | 2.047 | 2.195 | 2.399 | 9.3% |
| Proved gas reserves, bn cu. m | 691 | 701 | 711 | 1.4% |
| Crude oil output, mln t ** | 74.6 | 80.8 | 101.0 | 25.0% |
| Gas output, bn cu. m ** | 13.1 | 13.7 | 15.3 | 11.7% |
| Crude oil exports, mln t | 46.0 | 56.9 | 63.2 | 11.1% |
| Total own crude refined (including third-party throughput), mln t | 22.2 | 24.0 | 40.2 | 67.5% |
| Refined product output, mln t | 21.3 | 22.7 | 38.3 | 68.7% |
| Financial performance, RUB bn * | | | | |
| Revenue (net of VAT and export duties) | 519 | 652 | 1,067 | 63.7% |
| Pre-tax profit | 170 | 347 | 381 | 9.8% |
| Net income | 110 | 261 | 245 | - 6.1% |
| Net income adjusted for effect from recognition of YUKOS payables | 110 | 154 | 245 | 59.1% |

* According to consolidated RAS financial statements

** Including cumulative share of new assets from June 1, 2007; Tomskneft – 50%

Rosneft's Development and Strategy Outlook

Rosneft's strategic objective is to become the world's leading oil and gas company with the best production and financial indicators, building on the highest environmental and industrial security standards, improved social responsibility, and efficient corporate governance. The Company's management expects to achieve these goals in the near future by expanding production, processing, and marketing operations both domestically and worldwide. Ongoing development and application of new technology, enhanced management policies, and tighter financial discipline are also crucial to this strategy. All these measures will ensure continued growth in Rosneft's production and financial performance for the benefit of its numerous shareholders.

The Company's development strategy sets out the following key priorities:

Further Growth in Crude Oil and Gas Condensate Production

Provided the favorable economic conditions continue, Rosneft believes that it can increase its annual crude output to 130 mln tonnes by 2010 and up to 160 mln tonnes by 2015.

In the short term, growth will be driven primarily by further development of the Company's fields in West Siberia and Timan-Pechora.

East Siberia is crucial to the Company's medium-term development. Rosneft is completing production facili-

ties at the massive Vankor field in the Krasnoyarsk region, and plans to commence commercial development in 2008. The Vankor crude will be exported via the East Siberia – Pacific Ocean pipeline, which is currently under construction. Furthermore, Rosneft in cooperation with TNK-BP will participate in the development of the Verkhnechonsk field in the north of the Irkutsk region.

In addition, Rosneft holds licenses to several blocks adjacent to the Vankor and Verkhnechonsk fields, which ensure sustained development of the Company.

The Okhotsk Sea shelf will also greatly contribute to long-term expansion of the Company's operations. Although Rosneft's Sakhalin-3, Sakhalin-4, Sakhalin-5, and Kamchatka shelf projects are currently at an early exploration stage, they represent some of the most promising sources for stable growth in hydrocarbon production, thus enabling the Company to become a major player in the Far East energy market. All these projects are being implemented under joint financing agreements that ensure lower operating risks and capital expenditures.

Increasing Crude Throughput and Refining Depth

The acquisition of new assets in 2007 enabled Rosneft to substantially increase its refining capacity and the quality of petroleum products. The Company is also looking to further improve the efficiency of refining operations.

Rosneft is confident that comprehensive upgrades of its refining facilities will allow producing oil products in compliance with the most rigorous international standards. Better quality of petroleum products and increased refining depth will enhance the Company's profitability and improve the balance between production and refining operations.

In addition, Rosneft plans to expand and upgrade its network of service stations and related facilities in order to increase its share of oil products in the dynamic retail market.

Increasing the Company's Value by Improving Operational Efficiency

Rosneft consistently aims to improve its key performance indicators, such as upstream costs per tonne of output, upstream capital expenditures per tonne of output, return on average capital employed, and return on equity.

The Company has therefore introduced an advanced Total Production Management System™, which is based on geological and simulation models for major fields. TPMSYS™ enables Rosneft to identify wells enjoying the highest production potential, and efficiently allocate resources for drilling, hydraulic fracturing, and artificial lift operations. Furthermore, Rosneft's active cooperation with the world's leading service companies, such as Schlumberger, Halliburton, Baker Hughes, etc., facilitates the introduction of top-of-the-line drilling and workover technologies.

The attractiveness of Rosneft's capital-intensive projects is assessed on the basis of such key parameters as the net present value, internal rate of return, payback period, hydrocarbon reserves, and profitability index.

Comprehensive measures to improve operating efficiency, coupled with favorable geological conditions and the crude oil and gas properties at its major fields, help the Company to hold operating costs and capital expenditures per tonne of crude output below the industry average.

Commitment to the Highest Standards of Corporate Governance

Rosneft is committed to the highest standards of corporate governance. The Company's code of corporate governance includes provisions for:

- at least three independent directors on the Board of Directors
- committees of the Board of Directors, of which at least two (the Audit Committee and the HR and Remuneration Committee) are headed by independent directors
- prohibiting the use of insider information
- introducing internal control policies and procedures.

Rosneft also strives to constantly improve its information disclosure system. At the end of each quarter, the Company issues Management Discussion and Analysis statements (MD&A), which contain comprehensive data on the Company's operating and financing activities. Furthermore, Rosneft is among the few global petroleum companies that publish results of reserve audits under international standards.

During 2008, a new development strategy will be submitted for review to the Board of Directors.



— Leadership in terms of reserves added per well and replacement cost of reserves

— Rapidly growing portfolio of exploration assets

— Record-high crude output in the Russian petroleum industry

— A 69% rise in oil product output

— Diverse export destinations and increased sales of oil products via proprietary service stations



Performance Review

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Exploration

Exploration activities enable Rosneft to efficiently replace developed reserves and expand the reserve base in order to support rapidly growing production operations. The Company carries out extensive exploration drilling and seismic surveys, and implements exploration projects in close cooperation with Russian and foreign partners.

In 2007, Rosneft performed large-scale exploration activities both in Russia's major oil producing regions and abroad. The Company is implementing a number of flagship projects, which are currently at the exploration or test production stage, in its key priority areas of Russia's Far East, East Siberia, and the shelf of the Caspian, Black and Azov Seas, as well as in the traditional oil producing areas of West Siberia, Middle Volga, the North Caucasus, and Timan-Pechora.

In 2007, the Company carried out 97.4 thousand m of exploration drilling, including 17.6 thousand m within exploration-stage projects. Rosneft also shot a total of 9,852 linear km and 6,704 sq. km of 2D and 3D seismic, respectively (within exploration-stage projects – 5,305 linear km and 4,928 sq. km, respectively).

In 2007, Rosneft remained the industry leader in terms of reserves added per well and replacement cost of reserves. The Company also completed 42 prospecting and exploration wells. Overall, extensive exploration activities in 2007 gave over 200 mln t of C1 oil reserves. The cost of reserves did not exceed USD 2 per tonne of oil equivalent.

The application of optimized 2D and 3D seismic surveying, data processing and interpretation, and well location techniques allowed Rosneft to significantly expand its prospecting and exploration activities. As a result, eight fields and seven reservoirs were discovered in 2007.

Streamlined exploration operations and new acquisitions enabled the Company to maintain the highest growth rate in hydrocarbon reserves. Rosneft's proved reserves (SPE classification) totaled 2,399 mln t of

crude oil and 711 bn cu. m of gas, up 9.3% and 1.4% against the respective figures for 2006. The proved reserve replacement ratio hit a record high for global oil production, reaching 301%, while the organic reserve replacement ratio was 111%. Thus, in 2007, Rosneft remained the world's largest public oil company in terms of proved hydrocarbon reserves.

Rosneft also enjoys a significant portfolio of probable and possible reserves. In 2007, the Company's probable reserves stood at 1,428 mln t of crude oil and 470 bn cu. m of gas, while its possible reserves totaled 1,388 mln t of crude oil and 638 bn cu. m of gas.

According to DeGolyer and MacNaughton estimates, as of December 31, 2007, Rosneft's total potential resources were 7,260 mln t of oil and 4,928 bn cu. m of gas.

East Siberia

Increased exploration activities in East Siberia will significantly contribute to Rosneft's sustained accumulation of hydrocarbon reserves.

The Company has already commenced test production at several major fields (Yurubcheno-Tokhomskoye, Verkhnechonskoye, etc.), and is about to complete infrastructure development at the Vankor field, which has significant resource potential.

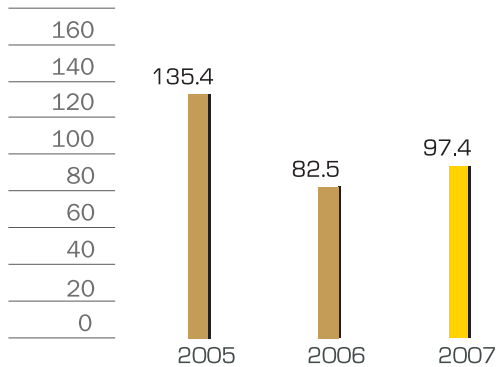
Newly acquired assets allowed Rosneft to significantly strengthen its positions in East Siberia. Since July 2007, the Company has held exploration, development, and production licenses to the Preobrazhensky, Verkhneichersky, and West-Chonsky blocks with total potential resources estimated at over 500 mln t of crude oil and gas condensate, and almost 490 bn cu. m of gas.

Since the East Siberia projects are associated with high exploration and economic risks, Rosneft and China National Petroleum Corporation (CNPC) established a joint venture, LLC Vostok Energy, which acquired licenses to the Verkhneichersky and West-Chonsky blocks. In 2008, it is planned to acquire historical seismic data

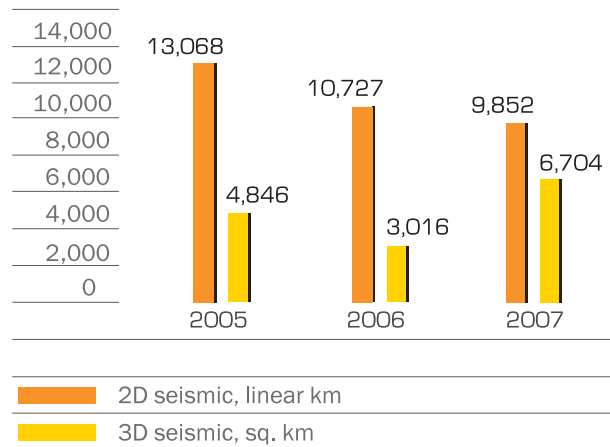


Extensive exploration activities enable Rosneft to efficiently replace developed resources and expand the resource base, which is essential for successful implementation of the Company's long-term business strategy

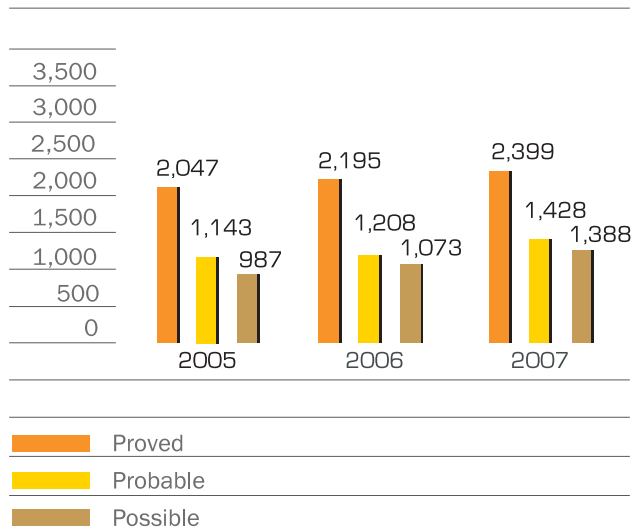
Exploration drilling (km)



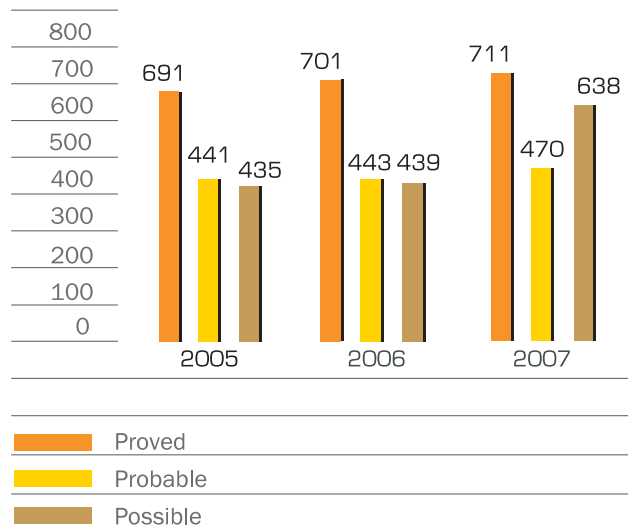
Seismic surveying



Oil reserves by category (mln t)



Gas reserves by category (bn cu. m)



for these blocks in order to more accurately assess their resource potential and decide upon further exploration activities.

In addition, the Company acquired licenses to five blocks neighboring the Yurubcheno-Tokhomskoye field in the Evenki Autonomous District, which is being developed by OJSC East Siberian Oil and Gas Company (VSNK), a subsidiary of Rosneft. Aggregate hydrocarbon resources of the blocks are estimated at about 190 mln t of oil and 700 bn cu. m of gas. For 2008, Rosneft has scheduled helium and geochemical monitoring at these blocks, as well as defining the blocks' short-term exploration programs.

Rosneft also continues to explore the earlier acquired blocks located in the Irkutsk region and the Evenki Autonomous District (East-Sugdinsky, Danilovsky, Mogdinsky, Sanarsky, and Kulindinsky). In 2007, the Company carried out helium monitoring, and commenced electrical and 2D seismic surveying at these blocks.

In July 2007, Rosneft acquired a license to the Preobrazhensky block in the Irkutsk region, which significantly contributed to the aggregate prospective resources under the Irkutsk projects.

Continued expansion of Rosneft's resource base will be largely possible due to comprehensive exploration

and development of the licensed blocks adjacent to the Vankor field in the Krasnoyarsk region (the Vankor group of licensed blocks). The project will greatly benefit from immediate access to the Vankor field infrastructure and, accordingly, lower operating costs.

According to the 2007 estimate, aggregate prospective resources of the Vankor group of licensed blocks amounted to more than 500 mln t of crude oil and gas condensate, and over 180 bn cu. m of gas.

To align and unify its interpretation activities, in 2007, the Company was extensively engaged in the processing and interpretation of the earlier obtained seismic data for the West-Lodochny, Sovetsky, Polyarny, Nizhnebaikhsky, Lebyazhy, Peschany, Baikalovsky, Protochny, Samoedsky, and North-Charsky licensed blocks. Overall, Rosneft shot 2,195 linear km of 2D seismic and drilled 4,447 m of exploration wells. In 2008, the Company plans to drill and test two exploration wells (Vankor-16 and Polyarnaya-1), as well as to continue 2D and 3D seismic surveying, geochemical research, and development of design and estimate documentation.

Far East

Rosneft believes that further growth in its hydrocarbon reserves will largely come from extensive development of offshore fields in Russia's Far East.

The Company has been successfully developing the onshore fields of Sakhalin Island for several decades. Currently, the most promising area in the Far East is the Okhotsk Sea shelf.

Rosneft is implementing four large-scale projects in the region:

- Sakhalin-3 (Veninsky block)
- Sakhalin-4 (West-Schmidt block)
- Sakhalin-5 (Kaigansko-Vasyukansky and East-Schmidt blocks)
- West-Kamchatka block.

These resource-intensive projects bear high seismic risks, and are therefore being developed in collaboration with the Company's foreign partners (BP, Sinopec, and Korea National Oil Company) on the basis of joint financing agreements. This allows Rosneft to significantly reduce engineering costs and geological risks.

In the framework of the above projects, in 2007, much of the seismic data obtained in 2005 – 2006 was processed and reinterpreted (about 9,500 linear km); the volume of new 3D seismic amounted to 4,304 sq. km. At the West-Schmidt block (Sakhalin-4), the Company drilled two exploration wells (already closed down), and is currently engaged in the analysis and interpretation of the obtained seismic data.

On March 13, 2007, Rosneft received a certificate to the Kaigansko-Vasyukanskoye-Sea field with total reserves estimated at 16.14 mln t of oil and gas condensate.

In the review period, the Company also carried out comprehensive measures to commence the drilling of several exploration wells in 2008 (one at the Veninsky block, the North-Veninskaya structure, and two on the West Kamchatka shelf, the North-Krutogorovskaya and West-Sukhanovskaya structures). In particular, Rosneft prepared all design documentation and obtained the required approvals, purchased the necessary equipment, signed core and auxiliary services agreements, and completed seismic surveying.

Furthermore, the Company extended the mineral licenses to the Veninsky (until 2010), Kaigansko-Vasyukansky (until 2012), and East-Schmidt (until 2010) blocks. In 2008, Rosneft plans to ascertain the prospects of the Okhotsk Sea shelf of Sakhalin Island, which entails drilling prospecting and exploration wells, consolidating the geological and geophysical data, and interpreting the seismic data.

Southern Federal District

Rosneft's exploration projects in the Southern Federal District include: the Tuapse Trough and Val Shatskogo (the Black Sea shelf), the Temryuksko-Akhtarsky block (the Azov Sea shelf), and the North Caspian project (the Caspian Sea).

Many of the Company's projects in the Southern Federal District are being developed in close cooperation with Rosneft's major Russian partners. The Val Shatskogo and North Caspian projects were launched in 2007.

In the review period, Rosneft shot 810 linear km and 624 sq. km of 2D and 3D seismic, respectively, acquired and reinterpreted over 880 linear km of historical seismic data, and completed exploration drilling. As a result, the Temryuksko-Akhtarskoye field was discovered (the Novaya structure, Temryuksko-Akhtarsky

licensed block), which gave an additional 3.12 mln t of oil reserves (under the Russian classification). The Company expects to further increase its hydrocarbon reserves in 2008, when the Gelendzhikskaya-1 well is completed and tested.

To build a strong asset base in the key regions of operation, in 2007, Rosneft acquired a 49.892% stake in the North Caspian project that envisages exploration and development of 11 prospective structures (West-Rakushechnaya, Karaiskaya, Ukatnaya, Zhestkaya, East-Ukatnaya, among others). Total potential resources of the block are estimated at over 300 mln t of oil and 60 bn cu. m of gas. In developing the North Caspian project, Rosneft actively collaborates with its partners, LUKOIL and Gazprom.

Major exploration activities performed in 2007 included interpreting 2D seismic data obtained in 2006, and preparing for extensive exploration drilling in 2008 (developing design documentation and obtaining the required approvals, purchasing the necessary equipment and signing agreements for core and auxiliary services). In 2008, two exploration wells will be drilled at the West-Rakushechnaya and Ukatnaya structures.

In 2007, Rosneft also acquired a 100% stake in the Val Shatskogo project (the West-Chernomorsky block). The licensed block comprises about 10 prospective structures, North-Chernomorskaya, Maria and Sklonovaya being the largest with combined potential resources of over 500 mln t. Total potential resources of the block are estimated at about 630 mln t of crude oil. Over the next five years, the Company plans to drill two exploration wells and perform about 1,000 sq. km of 3D seismic surveys at the West-Chernomorsky block.

The Tuapse trough bordering the West-Chernomorsky block is another top-priority exploration area for the Company. Under this project, in 2008, Rosneft plans to process and interpret 624 sq. km of 3D seismic data obtained in 2007. Moreover, the Company will carry out comprehensive measures to launch full-scale exploration drilling at the Tuapse trough in the years to follow. In particular, such measures will include contracting a drillship, preparing and submitting for approval design documentation, obtaining permits, etc.

Foreign Projects

Rosneft has been implementing a number of large-scale exploration projects abroad: the 245-South block in Algeria, the Kurmangazy structure and the Aday block in Kazakhstan, blocks 29–31 in Turkmenistan, etc.

Comprehensive exploration activities in Algeria enabled the Company to discover the West-Takuazet and East-Takuazet fields, with total expected resources of 56 mln t of oil and 24.6 bn cu. m of gas. In 2007, significant development potential of the fields was supported by the results of exploration drilling. The Company is currently in the process of registering a production license to the block.

Within the Aday block, Rosneft discovered several prospective structures on subsalt horizons. In 2008, the Company plans to commence seismic surveying in order to optimize drilling location.

Overall, in 2007, Rosneft performed 2,300 linear km of 2D seismic surveys in the framework of its foreign projects. Processing and interpretation of the obtained data is currently underway.



According to the 2007 estimate, total prospective resources of the Vankor group of licensed blocks amounted to more than 500 mln t of crude oil and gas condensate, and over 180 bn cu. m of gas

In 2007, Rosneft actively participated in the development of the Black Sea shelf projects



Licensing

As of December 31, 2007, the Rosneft group of companies held 529 exploration and production licenses. The majority of licenses are valid until 2013–2030. In compliance with the Russian Law On Subsurface Resources, mineral licenses can be extended by a subsurface user, provided there have been no violations of license terms.

Rosneft has always maintained the highest subsurface standards throughout its activities and strictly complied with its license obligations. In 2007, the Company carried out 16 license compliance and environmental protection inspections at its production subsidiaries. Based on the work performed, a set of documents was prepared and submitted to regulatory authorities. As of year-end 2007, Rosneft had no outstanding official claims from regulatory authorities.

The Company is focused on continuous expansion of its exploration asset portfolio through acquiring licenses in key strategic regions of operation. During 2007, much of Rosneft's licensing activity was concentrated in East Siberia.

In July 2007, the Company won an auction of an exploration and production license to the Preobrazhensky block in the Irkutsk region. The license, worth RUB 928 mln, was obtained in October 2007, and expires in September 2032. Furthermore, LLC Vostok Energy, a joint venture between Rosneft and China National Petroleum Corporation (CNPC), won an auction of exploration and production licenses to the West-Chonsky

and Verkhneichersky blocks. The blocks are located 90–120 km away from the East Siberia – Pacific Ocean pipeline, which is currently under construction. The licenses cost RUB 400 mln and 780 mln, respectively, and expire in September 2032.

In June 2007, Rosneft's subsidiary, OJSC Samaraneftgaz, won an auction of exploration and production licenses (RUB 932 mln in total) to the Sovetsky and Biryukovsky blocks in the Samara region. The licenses were obtained in June 2007, and expire in June 2027 and June 2032, respectively. As the existing fields of Samaraneftgaz are heavily depleted, the new licenses will enable the company to significantly expand its reserve base.

In December 2007, Rosneft won an auction of an exploration and production license to the South-Teplovsky block in the Khanty-Mansiysk Autonomous District. The 25-year license cost RUB 147 mln.

Rosneft's licensing activities in 2007 also included the following:

- 22 production licenses were extended for 25 years
- 17 applications for addendum agreements to the existing licenses were filed (extended exploration – 4 applications, rescheduling of exploration activities – 9 applications, license extension – 2 applications, and resetting the boundaries of a subsoil block – 2 applications).



Rosneft maintains the highest subsurface standards throughout its activities and strictly complies with license obligations

Production

In 2007, Rosneft became the largest oil producer in Russia. As of the year end, the Company's output totaled 101 mln t of crude oil and gas condensate, and 15.3 bn cu. m of natural and associated gas, up 25.0% and 11.7% compared to the respective indicators for 2006. The significant increase in output was largely underpinned by Rosneft's new acquisitions and sustained organic growth. The increase in oil and gas recovery (excluding the 2007 acquisitions) was 6.4% and 5.8%, respectively. The new assets contributed another 15.6 mln t of crude oil and 0.8 bn cu. m of gas.

In 2007, Rosneft also became the first Russian oil company to hit a record crude output of 100 mln tonnes a year. The Company's superb performance was primarily due to continued development of the existing proved hydrocarbon reserves and consistent application of enhanced recovery methods.

The drilling of production wells grew 50% against 2006 to reach 2,132 thousand m. In the review period, the Company commissioned 658 new wells. The output of crude oil and gas condensate at new wells totaled 10.5 mln tonnes, while the average flow rate was 97.5 tonnes a day, close to 2006 levels. Average flow rate of the new well stock, net of effects from the 2007 acquisitions, was 101.1 tonnes a day, a 3.6% growth over 2006, which was largely attributable to further development of well design and construction techniques. The average oil and gas condensate flow rate inched down to 12.8 tonnes

a day. That was explained by lower well efficiency at the newly integrated enterprises. In 2007, Rosneft's average oil flow rate increased by 6% to 15.8 tonnes a day (net of effects from the 2007 acquisitions).

West Siberia

Khanty-Mansiysk Autonomous District (KhMAD)

In 2007, the Khanty-Mansiysk Autonomous District remained Rosneft's primary resource base. The Company's Priobskoye field located in KhMAD ranks first in terms of crude output and proved oil reserves.

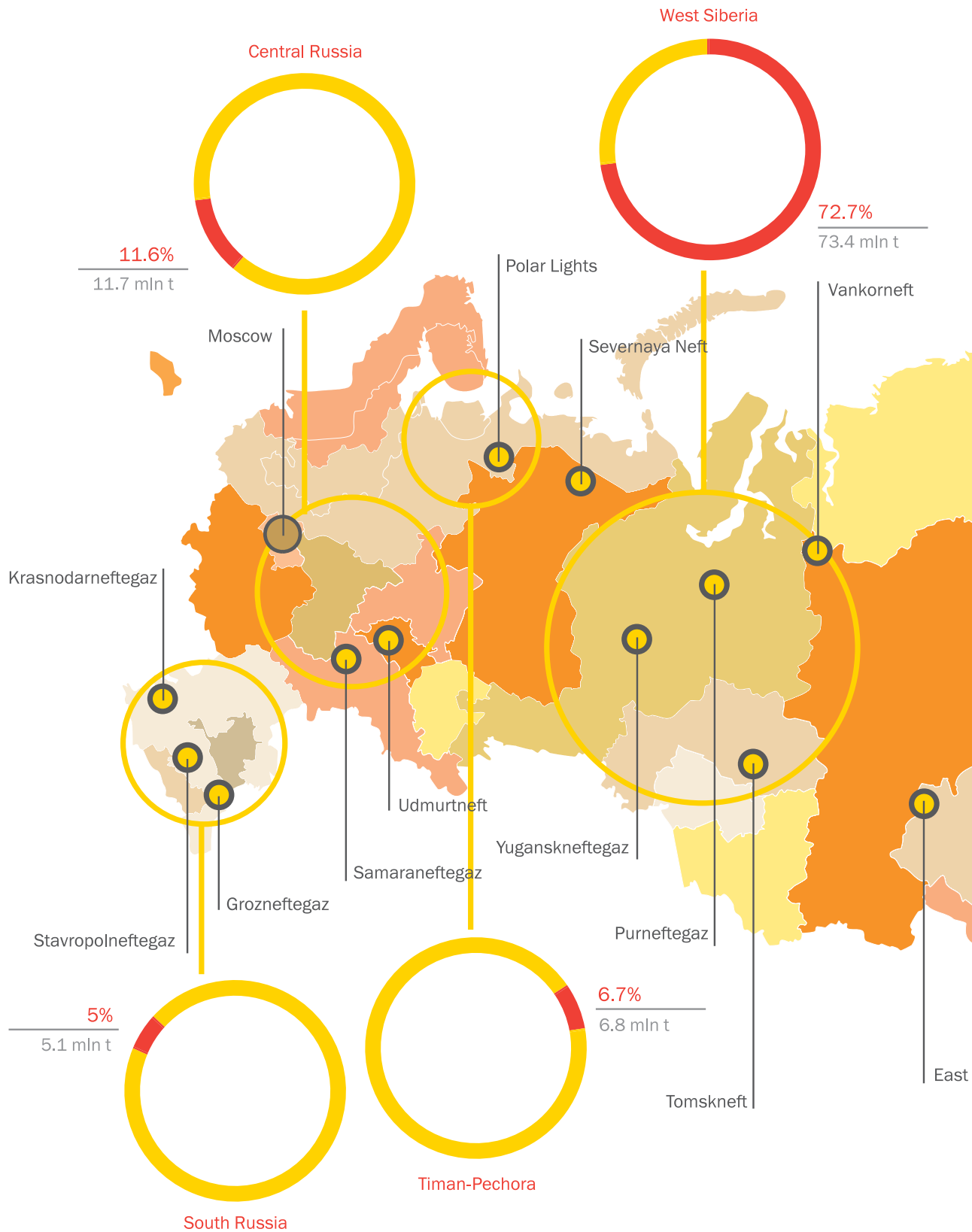
In the review period, Rosneft continued developing its proved hydrocarbon reserves in KhMAD. The drilling of production wells grew to 1,667 thousand m, up 37% against 2006. The Company also commissioned 530 wells, an increase of 46% over the prior year. It should be noted that the average flow rate of Rosneft's new well stock in KhMAD reached 105 tonnes a day, which was far above the industry average in Russia. The flow rate of a production well was approximately 21.5 tonnes a day. High flow rates and reserve concentration allow the Company to efficiently control unit production costs.

In 2007, Rosneft's total output in KhMAD was 60.4 mln t of crude oil and 1.5 bn cu. m of associated gas, up 8% and 1% against the respective prior-year figures.







The significant increase in output was largely underpinned by Rosneft's new acquisitions and sustained organic growth

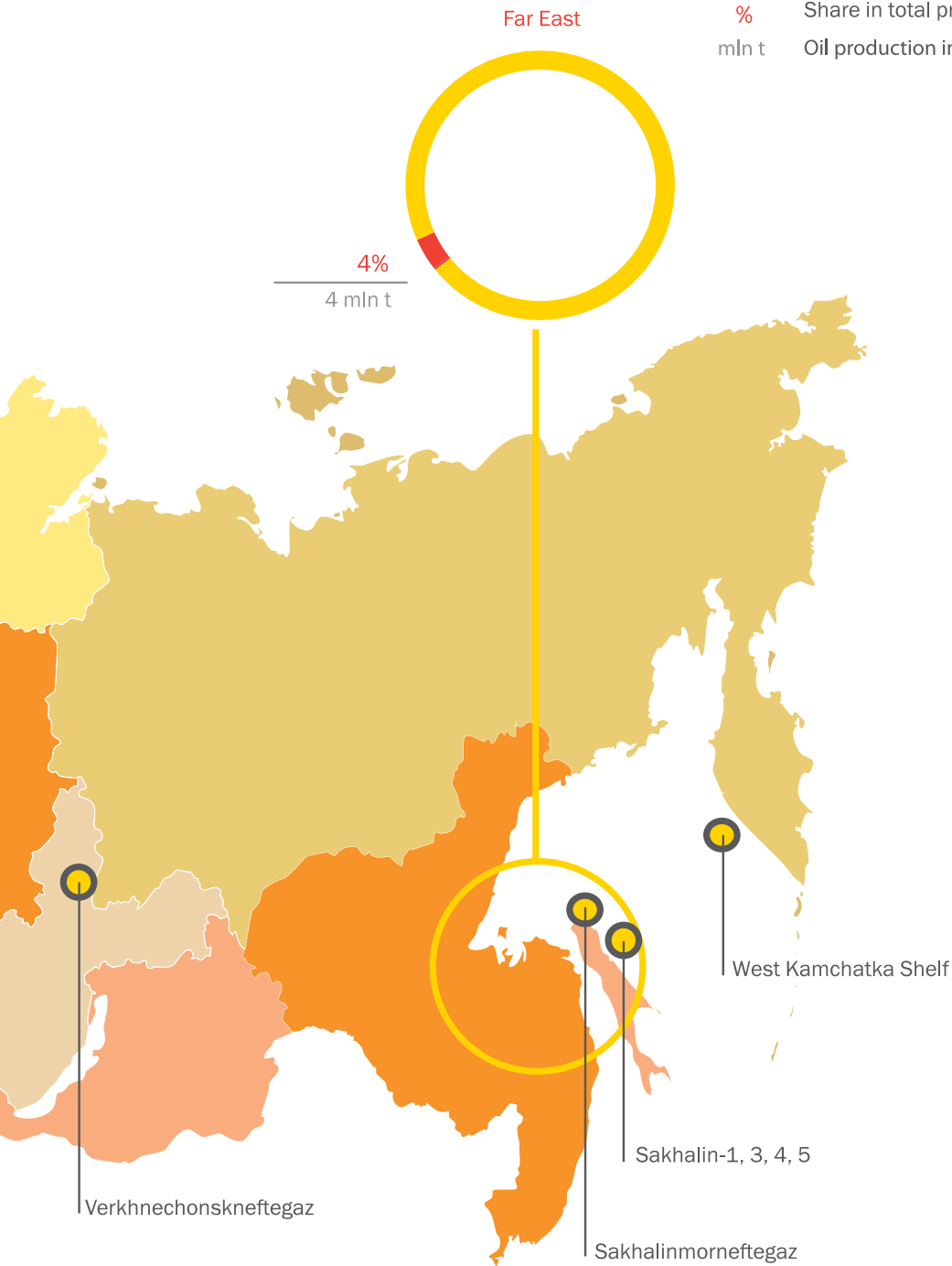


Rosneft's Regions of Oil Production

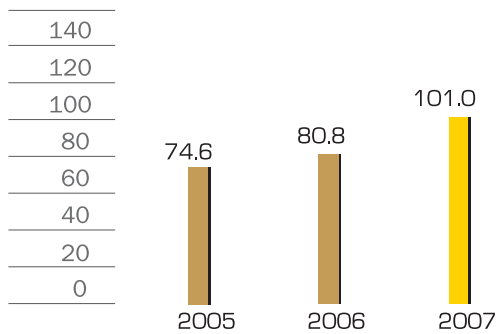


Legend

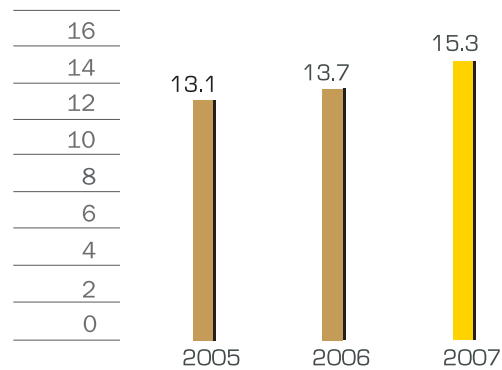
-  Share of the region in Rosneft's total crude output in 2007
-  Other output
-  Production and development
-  %
-  Share in total production
-  Oil production in 2007



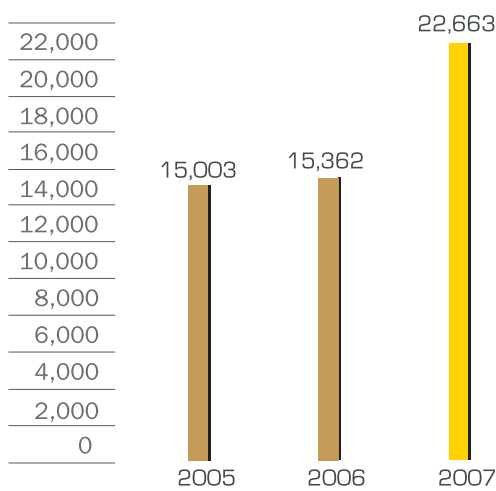
Oil and gas condensate production (mln t)



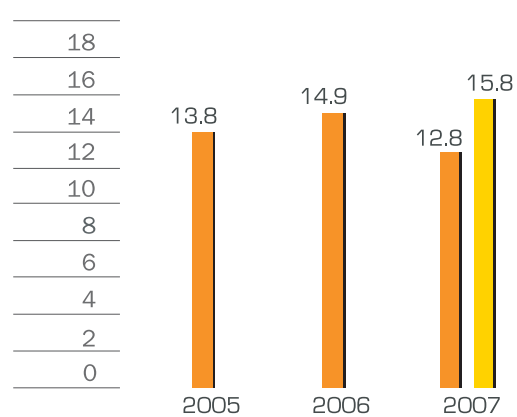
Gas production (bn cu. m)



Operating production wells (units)

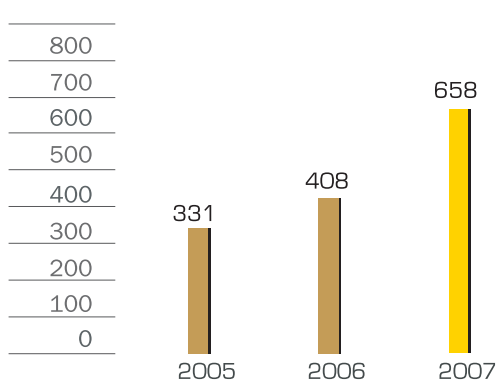


Average flow rate of production wells (tonnes a day)

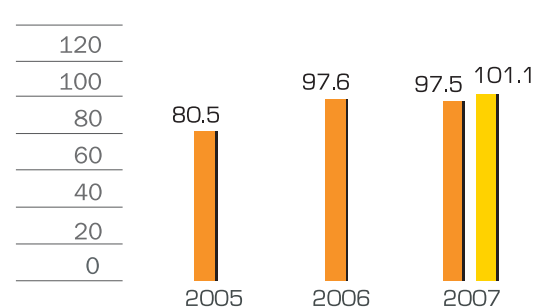


■ Total
■ Excluding new assets

New well stock (units)



Average flow rate of new wells (tonnes a day)



■ Total
■ Excluding new assets

Yamalo-Nenets Autonomous District (YaNAD)

In the Yamalo-Nenets Autonomous District, Rosneft intensified its effort to improve field exploration and production techniques, as well as to develop comprehensive solutions for associated gas utilization. Rosneft's principal achievements in 2007 include the implementation of an advanced system to efficiently employ idle wells, which resulted in an increased volume of sidetracking.

In 2007, the Company's total output in YaNAD was 9.2 mln t of crude oil and gas condensate, and 7.6 bn cu. m of natural and associated gas.

High concentration of Rosneft's reserves in YaNAD (the Komsomolskoye, Tarasovskoye, Barsukovskoye, and Kharampurskoye fields jointly account for over 70% of reserves) is conducive to cost-efficient field development and production.

Tomsk Region

In 2007, Rosneft acquired a 50% stake in OJSC Tomskneft VNK, which was founded in 1966 to develop oil and gas fields in the Tomsk region. During 7 months of 2007, the company produced 3.9 mln t of crude oil and 0.5 bn cu. m of gas (Rosneft's share). Its production facilities are located in proximity to Rosneft's Siberian refineries, which ensures lower transportation costs and more efficient supplies.

Timan-Pechora

In the Timan-Pechora oil and gas province, the Company operates via its subsidiary LLC Rosneft – Severnaya Neft, which has been developing the Val Gamburtseva and Baganskaya groups of fields in the Komi republic and the Nenets Autonomous District.

Despite gradual depletion of Rosneft's resources in Timan-Pechora, in 2007, the Company maintained an annual output of 5.6 mln tonnes (equals to the respective prior-year indicator). That was largely possible due to streamlined development and timely implementation of innovative exploration and production techniques.

In the north of the Timan-Pechora oil and gas province, LLC Polar Lights, a joint venture between Rosneft and ConocoPhillips, has been developing four

oilfields of the Ardalinskaya group (Ardalinskoye, East-Kolvinskoye, Oshkotynskoye, and West-Oshkotynskoye). In 2007, the company produced 1.2 mln tonnes of crude oil.

Sakhalin Island

In 2007, Rosneft's output in this region totaled 4.0 mln t of crude oil and 1.0 bn cu. m of gas. Due to commencement of full-scale operations at the Chaivo field (Sakhalin-1 project, where Rosneft holds a 20% stake), the Company more than doubled its crude output.

Rosneft's Sakhalin developments benefit from direct access to Komsomolsk Refinery, as well as the proximity to increasingly lucrative Asia Pacific markets.

Middle Volga, Udmurt Republic

In 2007, Rosneft acquired a 100% stake in OJSC Samaraneftegaz, which develops over 120 fields in the Samara region. Although the majority of fields have been in operation for some time, the region still enjoys huge development potential. Moreover, as the company's production facilities are located in close proximity to Russia's most important downstream hub, development of petroleum resources in the Samara region will remain economically efficient.

During 7 months of 2007, the company produced 5.5 mln t of crude oil and gas condensate, and 0.2 bn cu. m of gas.

OJSC Udmurtneft, a joint venture between the Chinese petrochemical corporation of Sinopec and Rosneft since late 2006, holds 57 subsurface licenses to blocks located in the Udmurt republic.

Despite severe depletion of its resource base, in 2007, the company made extensive use of the most recent advances in recovery methods, and managed to maintain its annual output at 6.1 mln t.

North Caucasus

As of year-end 2007, Rosneft held development and production licenses to over 150 oil and gas fields in the Southern Federal District of Russia. The Company's production facilities are located in the Krasnodar region, Chechen republic, Stavropol region, and Dagestan republic.

The fields of North Caucasus, Russia's oldest oil-producing region, enjoy a unique combination of quality crude oil and proximity to major ports of the Black Sea. In 2007, Rosneft commissioned the East-Chumakovskoye field (the Azov Sea), and was performing side-tracking operations at the North-Dzhalinskoye field (the Chechen republic).

Furthermore, the Company implemented a set of enhanced gas production techniques, which is crucial for continued development of the regional energy market. During 2007, the Company produced 5.0 mln t of crude oil and gas condensate, and 3.9 bn cu. m of gas in the North Caucasus.

East Siberia

In East Siberia, the Company has focused on comprehensive exploration and development of untapped hydrocarbon resources.

In 2007, Rosneft commenced full-scale infrastructure development at one of the largest fields in East Siberia, Vankor (north of the Krasnoyarsk region).

In the review period, the Company conducted 8,900 m of exploration drilling and completed the Vankor 13 and 15 exploration wells. Rosneft also continued drilling operations at the Khikiglinskaya 1 prospecting and appraisal well. Extensive exploration of Vankor in 2007 enabled the Company to add 35 mln t of proved reserves at this field (international classification).

In 2007, Rosneft drilled 78,400 m of production wells at Vankor, and completed a cementing infrastructure that will be commissioned in 2008. Furthermore, the Company started commercial operations at the Vankor

9 well, and began oil production to ensure adequate fuel supplies to drilling crews. In the review period, Rosneft's total output at Vankor was 2,500 t of oil and 45.5 mln cu. m of natural gas.

In addition, core equipment for Phase I of the gas turbine power station was delivered to Vankor. As part of this project, Rosneft also started construction of the main building, completed a cast-in-place footing for turbines and generators, and a tank farm, commissioned an electricity network, and completed a shift camp for 1,220 workers.

In 2007, Rosneft also acquired a controlling stake in OJSC East Siberian Oil and Gas Company, which holds a development license to a major Yurubcheno-Tokhomskoye oil and gas field. Despite its remote location from the existing infrastructure facilities, the field enjoys a competitive combination of high-quality crude and proximity to Rosneft's refining assets.

In the review period, Rosneft's output in East Siberia totaled 16,000 tonnes of crude oil, which were mostly used for various purposes of local field operation as well as housing and utilities companies.

Gas Program

Improving the utilization of associated gas has always been among Rosneft's top priorities. In 2007, the Company continued implementation of a major infrastructure program aimed at optimizing gas utilization.

Rosneft commissioned a compressor station and a pipeline that links the Priobskoye field with SIBUR's South Balyk Gas Processing Plant. This will allow the Company to increase gas supplies from the Priobskoye



In 2007, Rosneft produced 4.0 mln t of crude oil and 1.0 bn cu. m of gas on Sakhalin Island

field by approximately 700 mln cu. m. In addition, the Gas Program will enable Rosneft to expand its generating capacity, significantly reduce operational risks, and attain a target utilization ratio of 95%.

The Gas Program also envisages joint implementation projects, in accordance with Article 6 of Kyoto Protocol to the United Nations Framework Convention on

Climate Change. Thus, in 2007, the World Bank and Rosneft agreed to develop a gas flaring reduction program, under which emission reduction units could be bought by the World Bank's Carbon Finance Division. The program will be implemented in the framework of a gas utilization project currently underway at the Komsomolsk field (YaNAD).

Refining

Rosneft currently owns seven refineries (LLC Rosneft-Komsomolsk Refinery, LLC Rosneft-Tuapse Refinery, OJSC Angarsk Petrochemical Company, OJSC Achinsk Refinery, OJSC Kuibyshev Refinery, OJSC Novokuibyshevsk Refinery, and OJSC Syzran Refinery), with a combined design capacity of over 52 mln t a year.

Furthermore, the Company operates three mini-refineries (within LLC Rosneft-Purneftegaz, LLC Rosneft-Severnaya Neft, and Strezhevsk Refinery) with an aggregate capacity of 0.7 mln t a year.

In 2007, Rosneft's refineries handled 40.2 mln t of own crude, whereas the Company's total throughput reached 48.2 mln t. Acquisition of new refining assets enabled Rosneft to diversify its oil product mix and achieve a greater refining depth (65.4%).

Favorable location of the refineries ensures the Company's successful oil product marketing both domestically and abroad.

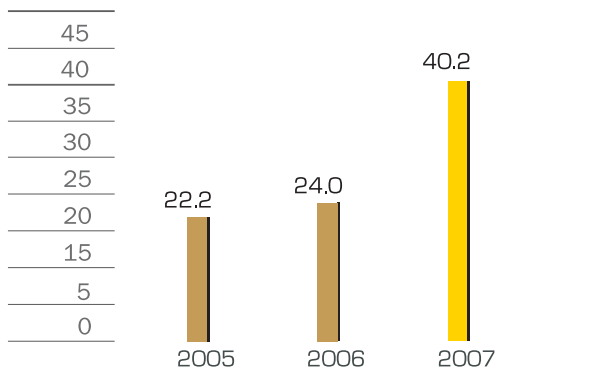
The Samara group of refineries (Kuibyshev, Novokuibyshevsk, and Syzran refineries) supplies oil products mainly to Central Russia. Oil and refined product transshipment facilities, access to the Transnefteprodukt pipeline system, as well as loading terminals on the Volga River allow rail, pipeline, and marine transportation of oil products to European markets.

Oil products from Angarsk Petrochemical Company, Achinsk Refinery, and Komsomolsk Refinery are sold in Siberia and Far East. Export markets for such products include Mongolia, China, and other fast-growing Asian economies.

Favorable location of Rosneft's refineries ensures successful oil product marketing both domestically and abroad



Crude throughput (mln t)



Tuapse Refinery (Krasnodar region) is a major refined product supplier to the rapidly developing Southern Federal District. The refinery's convenient location on the Black Sea coast enables efficient exporting of petroleum products.

The Company also owns the Moscow plant OJSC Rosneft-MZ Nefteprodukt, which produces specialty oils and lubricants, and OJSC Novokuibyshevsk Oils and Additives Plant. In 2007, these plants produced 7.3 and 317.5 thousand t of oils, lubricants, additives, etc., respectively.

Associated gas is processed at the Neftegorsk and Otradny gas processing plants, with an annual throughput of 273 and 274 mln cu. m, respectively. Key processing stages include gas treatment, compressing, stripping, and sweetening.

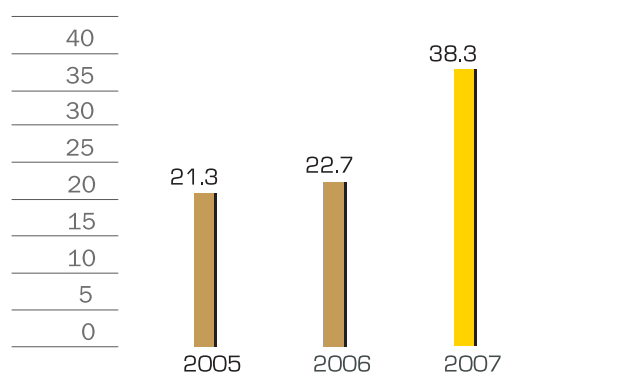
Angarsk Polymer Plant produces olefins, benzene, and polyethylene. The plant processes about 727 thousand t of straight-run gasoline and liquefied gas annually.

Komsomolsk Refinery

The Company has owned Komsomolsk Refinery since 1993. In 2007, the refinery operated at full capacity. Its crude runs totaled 7.0 mln t, a 7.9% increase over the previous year, whereas oil product output reached 6.8 mln t.

In the review period, Komsomolsk Refinery completed the upgrade of the ELOU-AVT-3 crude distillation unit to an annual capacity of 5 mln t. The unit was also shifted to a 3-year interrepair cycle.

Oil product output (mln t)



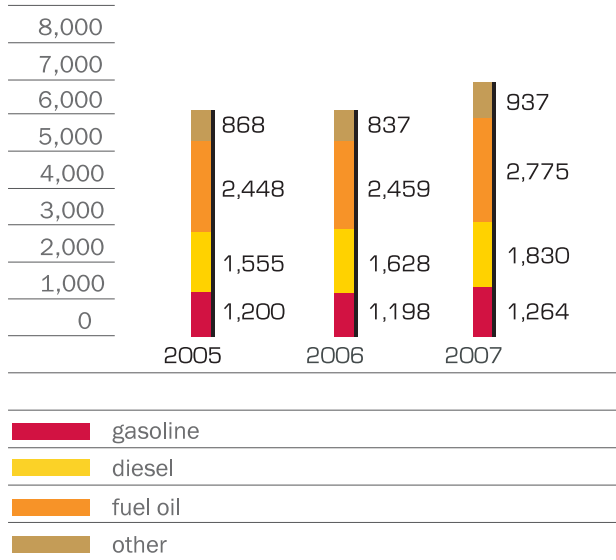
In 2007, the refinery launched the construction of a delayed coking facility, which will allow increasing refining depth from 60% in 2007 to 75% in 2009.

In addition, Komsomolsk Refinery started design activities under a comprehensive hydrocracking project. Commissioning of new hydrocracking facilities in 2012 will enable the plant to increase its refining depth (up to



In 2007, crude throughput at Komsomolsk Refinery totaled 7.0 mln t, a 7.9% increase over the previous year

Komsomolsk Refinery output by type of product (thousand t)



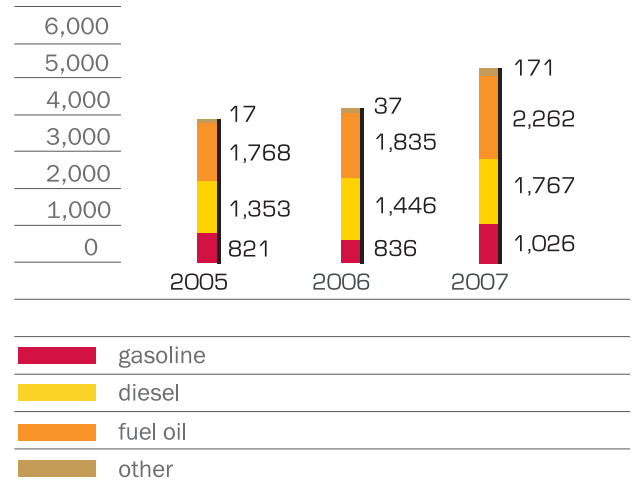
95%) and produce high-quality oil products complying with the Euro-4 and Euro-5 standards. Furthermore, the capacity of crude distillation units will reach 8 mln t a year.

Tuapse Refinery

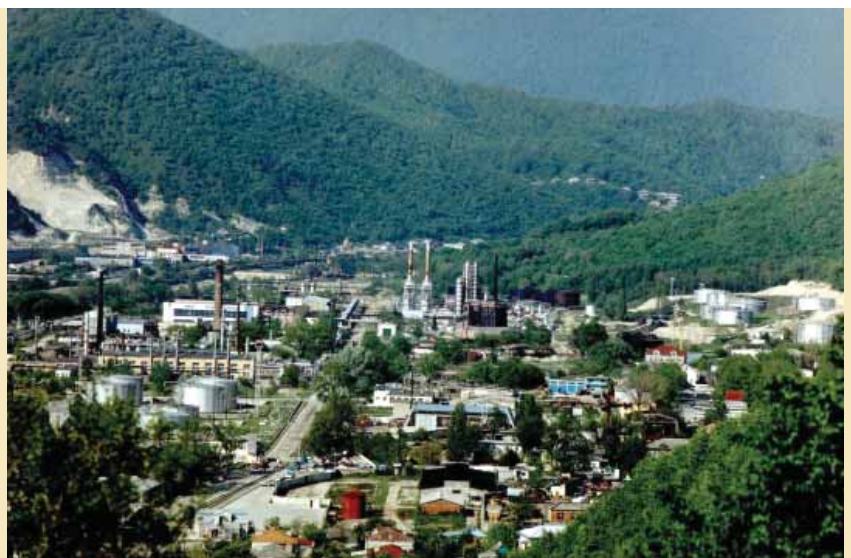
Tuapse Refinery, in the Krasnodar region, has been part of Rosneft since the Company's establishment. In 2007, the refinery's crude throughput totaled 5.2 mln t, a 21.7% increase over 2006, the average refining depth being 56%. The plant operated at full capacity and produced 5.2 mln t of oil products.

In 2007, the plant was actively engaged in the maintenance of its existing production facilities and the construction of a new refinery that would allow increasing annual throughput to 12 mln t and achieving a higher share of light products in total output (up to 95%). In particular, the company obtained the necessary licenses and started design and engineering activities under the following projects: hydrocracking of a mixture of vacuum gas oil and heavy coker gas oil, diesel fuel hydrotreatment, hydrogen production, naphtha isomerization and hydrotreatment, catalytic reforming, delayed coking and sulphur production. The refinery also completed the design and engineering stage of the ELOU-AVT-12 project (atmospheric and vacuum distillation units, and a naphtha hydrotreatment unit).

Tuapse Refinery output by type of product (thousand t)



Tuapse Refinery in the Krasnodar region has been part of Rosneft since the Company's establishment

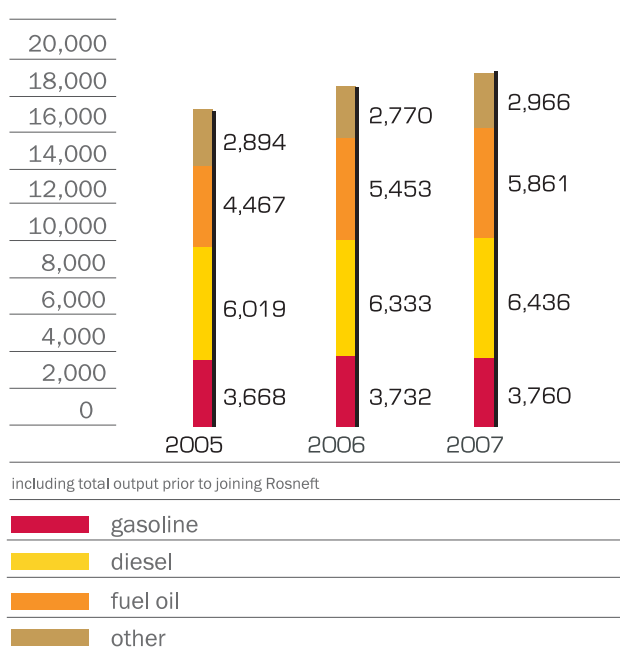


Novokuibyshevsk Refinery

Novokuibyshevsk Refinery started operations in 1951, and was acquired by Rosneft in 2007.

In 2007, the refinery operated at an average capacity of 92.8%. Its total crude runs were 7.43 mln t, 3.5% more than in 2006, the average refining depth being 77.4%. The plant's output amounted to 7.2 mln t.

Samara group of refineries,
output by type of product
(thousand t)



In 2007, Novokuibyshevsk Refinery handled 6.2 mln t of the Company's crude, including 4.57 mln t refined during the seven months when the plant operated as part of Rosneft.

In the review period, the plant switched to more efficient hydrotreatment catalysts, which allows producing diesel fuel in compliance with current European standards.

In order to reduce operating costs and increase output, the refinery upgraded its generating facilities to run on natural gas. In addition, the plant launched production of asphaltic road oils that can withstand repeated cycles of abrupt temperature changes.

Kuibyshev Refinery

The construction of Kuibyshev Refinery was commenced in 1943; first crude was produced in 1945. The refinery has been part of Rosneft since 2007.

In 2007, the refinery operated at an average capacity of 98.7%. Its crude throughput equaled 6.42 mln t, a 2% increase over the prior year, the average refining depth being 60.6%. The plant's output totaled 5.7 mln t.

In 2007, Kuibyshev Refinery handled 5.29 mln t of the Company's crude, including 3.7 mln t refined during the seven months when the plant operated as part of Rosneft.

In the review period, the plant continued construction of a hydrogen production facility with a short-cycle adsorption unit, and completed the upgrade of the diesel fuel hydrotreatment facility aimed at producing quality output under the Euro-3 and Euro-4 standards. Furthermore, the refinery launched an investment project which would allow shifting the generating facilities to natural gas and increasing production efficiency.

Syzran Refinery

The construction of Syzran Refinery (Samara region) was commenced before World War II. In 2007, the plant was integrated into OJSC Rosneft Oil Company.

In 2007, the refinery operated at an average capacity of 74.3%. Its crude throughput equaled 6.6 mln t, 5.3% more than in 2006, the average refining depth being 68.9%. The plant's output totaled 6.1 mln t.

In 2007, Syzran Refinery handled 5.19 mln t of the Company's crude, including 3.96 mln t refined during the seven months when the plant operated as part of Rosneft.

In the review period, the plant continued construction of an isomerization facility, a hydrogen production facility with a storage unit and a gas booster station, and a wet catalysis sulphuric acid facility that will allow significantly reducing environmental impacts.

Furthermore, the refinery constructed and commissioned a new Central Laboratory, which enjoys cutting-edge equipment and enables the plant to carry out comprehensive oil product analysis in compliance with GOST R.

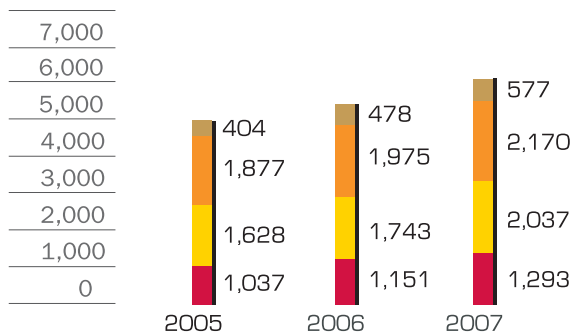
Syzran Refinery also completed the design and engineering stage of the reforming facility upgrade aimed at commencing gasoline production under the Euro-3 standard.

Achinsk Refinery

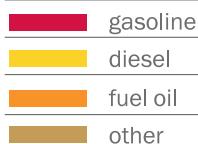
As the only refinery of the Krasnoyarsk region, the plant has a major role in local energy balance regulation. The refinery has been part of Rosneft since 2007.

In 2007, the refinery operated at full capacity. Its crude throughput equaled 6.41 mln t, up 13.7% against 2006, the average refining depth being 62.8%. The plant's output totaled 6.1 mln t.

Achinsk Refinery output
by type of product
(thousand t)



including total output prior to joining Rosneft



In 2007, Achinsk Refinery handled 4.69 mln t of the Company's crude, including 3.98 mln t refined during the seven months when the plant operated as part of Rosneft.

In the framework of commencing gasoline production under Euro-3, the plant commissioned a facility for low-temperature isomerization of the light gasoline fraction with a total annual capacity of 300 thousand t. Furthermore, the refinery continued construction of a hydrogen sulphide and sulphur prill handling facility, aimed at improving the environmental performance.

The plant also launched the construction of petroleum coke facilities that will allow it to significantly increase refining depth.

Angarsk Petrochemical Company

Angarsk Petrochemical Company is a major Russian refinery, which was integrated into Rosneft in 2007.

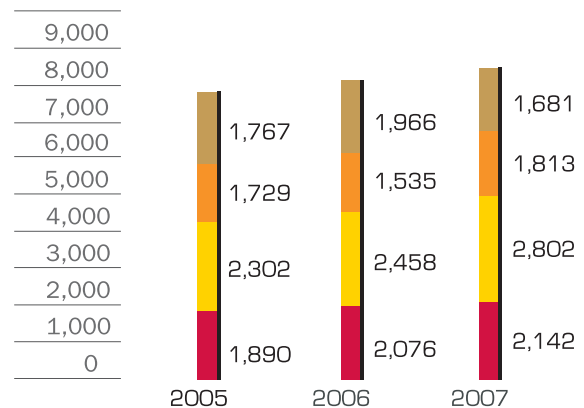
In 2007, the refinery operated at an average capacity of 84.1%. Its crude throughput equaled 9.25 mln t, an increase of 6.5% compared to 2006, the average refining depth being 76.0%. The company's output totaled 8.4 mln t.

In 2007, Angarsk Petrochemical Company handled 6.29 mln t of Rosneft's crude, including 5.35 mln t refined during the seven months when the plant operated as part of Rosneft.

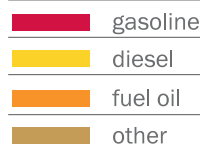
In the framework of commencing the production of Euro-3 gasoline and diesel fuel, the plant completed the upgrade of the GK-3 hydrocracking facility, the L-24/6 diesel fuel hydrotreatment facility, and the facility for hydrotreatment of catalytically cracked gasoline. Furthermore, the refinery upgraded the oils blending unit, which resulted in a more efficient production process.

In 2007, the plant also continued construction of isomerization facilities that will enable Euro-4 gasoline production.

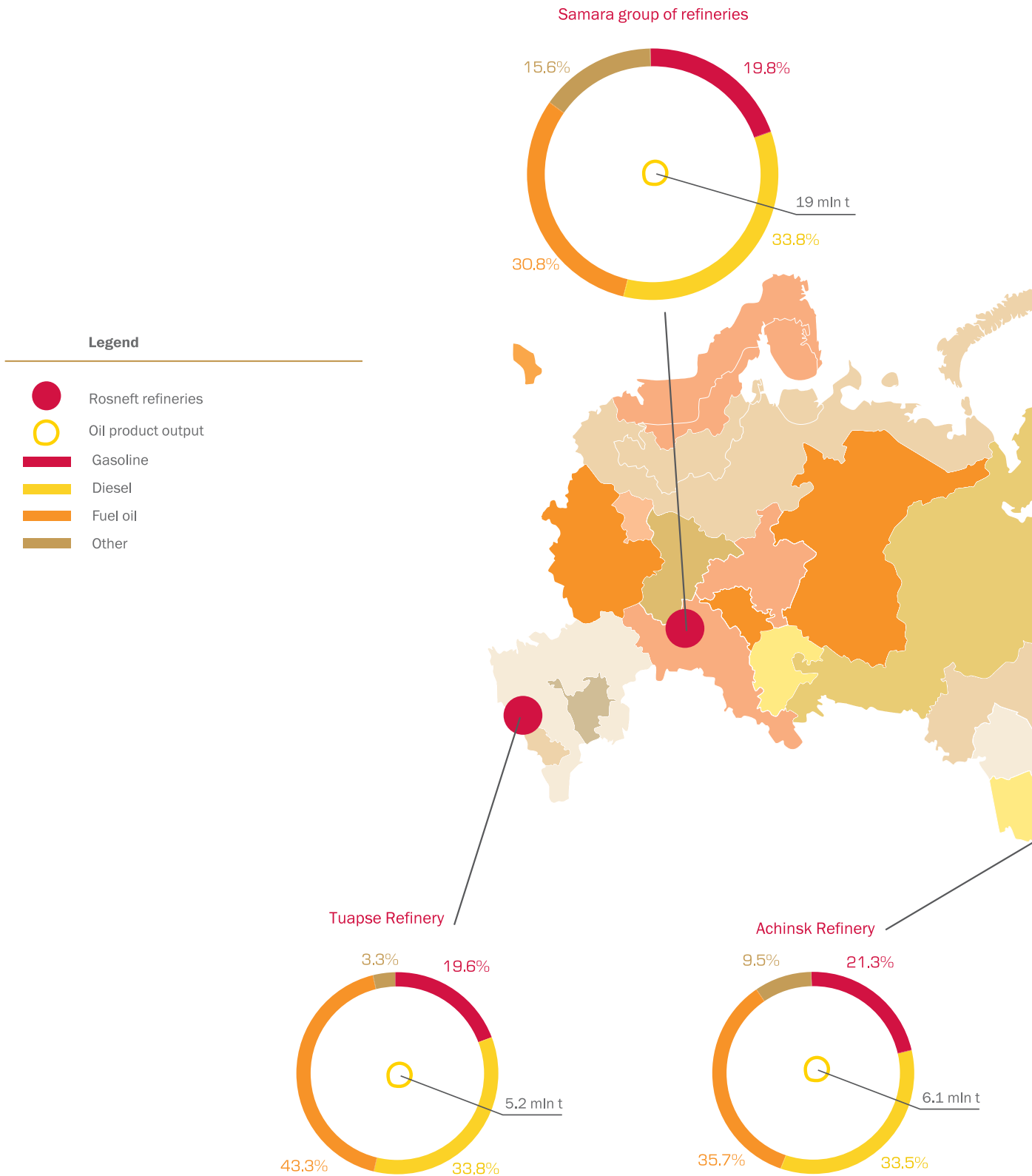
Angarsk Petrochemical Company,
output by type of product
(thousand t)



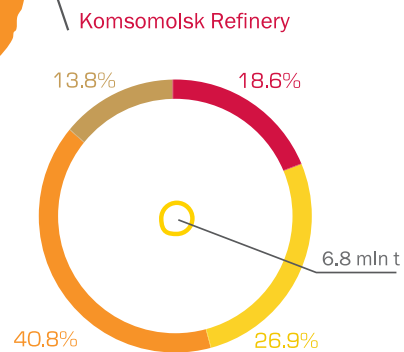
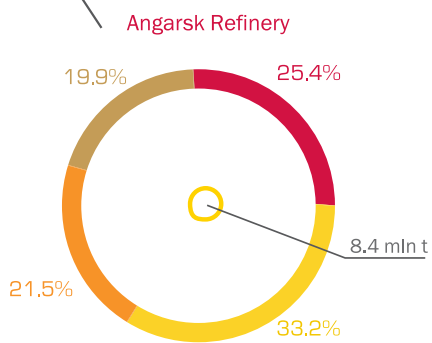
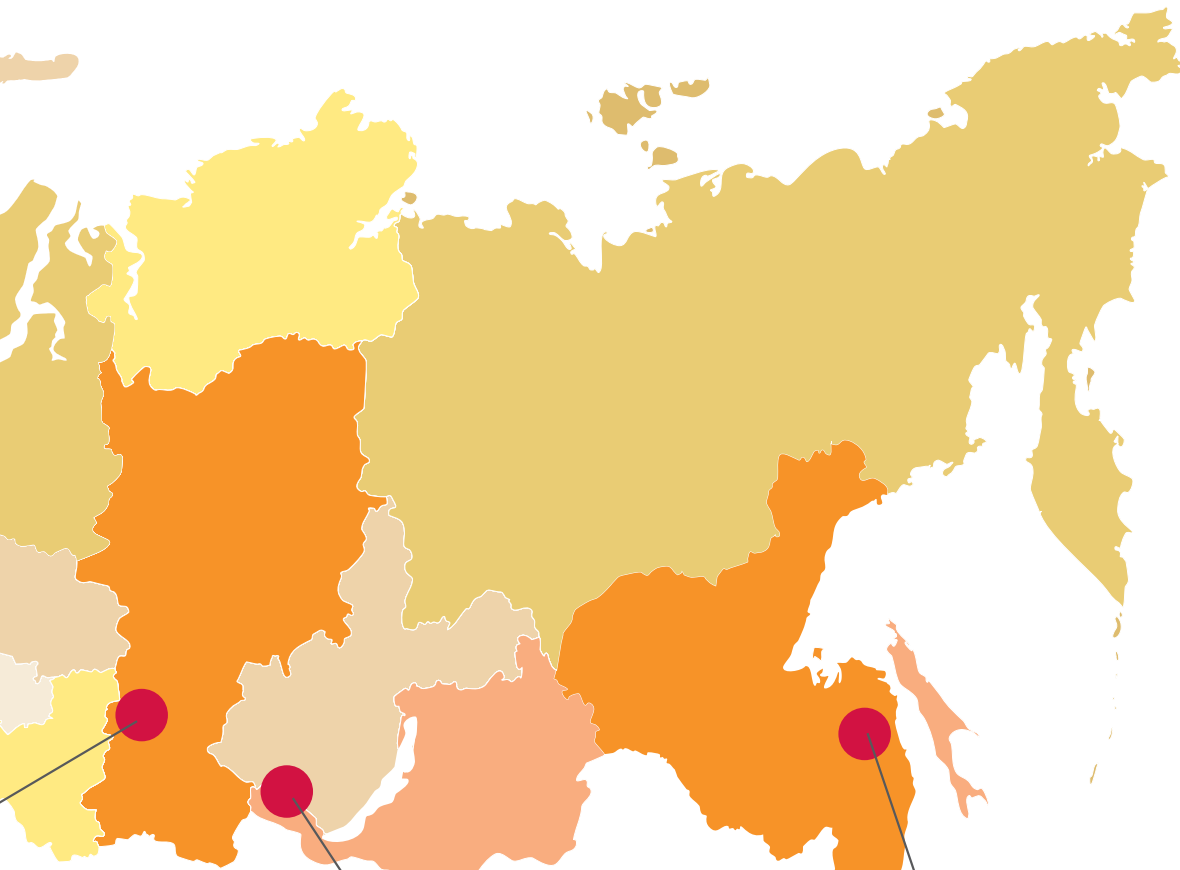
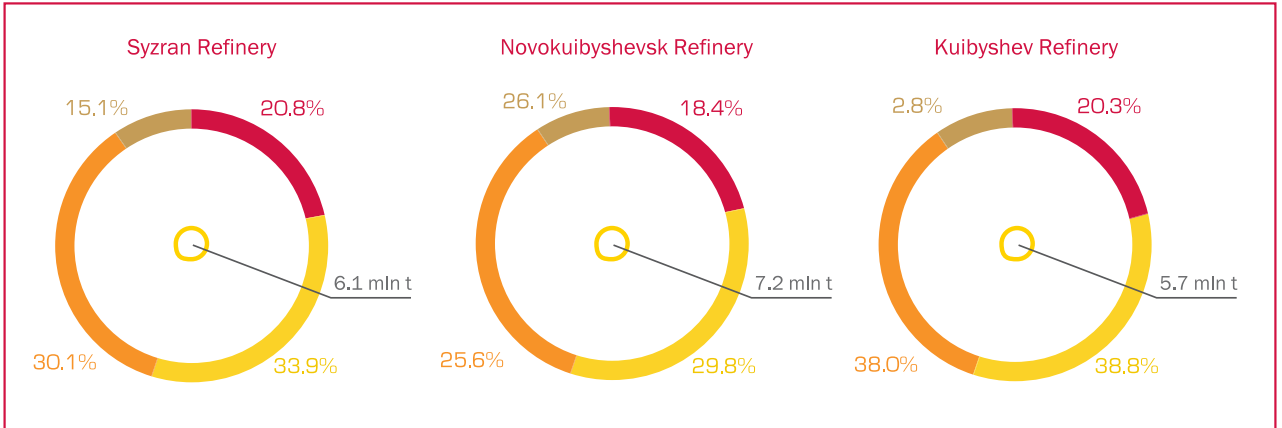
including total output prior to joining Rosneft



Rosneft's Refining Operations



Samara group of refineries



Marketing

Rosneft is focused on maximizing the efficiency of oil and petroleum product supplies. To accomplish this strategic objective, the Company has been implementing a comprehensive program aimed at expanding and improving its marketing infrastructure.

Rosneft believes that increased supplies can be achieved primarily through ongoing market monitoring, which ensures flexibility in future business planning. Furthermore, efficient use of proprietary marine terminals and transshipment facilities significantly contributes to the Company's export margins.

Rosneft's powerful network of oil product suppliers and service stations allows substantially increasing the volume and profitability of wholesale and retail operations.

Export of Oil and Gas Condensate

In 2007, Rosneft exported 63.2 mln t of crude oil and gas condensate (including crude oil purchased from third parties):

- 27.3 mln t (43.2%) were delivered to Western and Central Europe
- 17.8 mln t (28.2%) were delivered to the Mediterranean
- 11.3 mln t (17.8%) were delivered to the Asia-Pacific region
- 6.8 mln t (10.8%) were delivered to CIS countries.

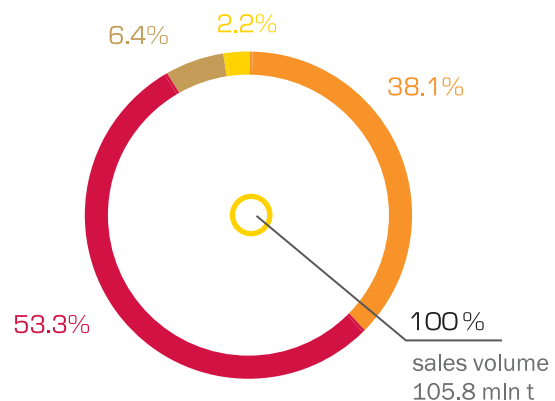
China remained the largest importer after purchasing 8.9 mln t of crude oil. Overall, China accounted for 14.1% of the Company's oil and gas condensate exports.

In 2007, the structure of Rosneft's exports was as follows:

- 41 mln t (64.9%) were delivered via marine terminals (Primorsk, Novorossiysk, the Belokamenka floating terminal, De-Kastri, and Yuzhny)
- 9.1 mln t (14.4%) were exported by rail to China and Belarus, including combined transportation by pipeline and rail

- 13.1 mln t (20.7%) were delivered to Belarus, Poland, the Czech Republic, Slovakia, and Kazakhstan by oil pipelines.

Crude oil supplies by destination (%)



- Supplies to refineries
- Export to the CIS
- Export to global market
- Domestic sales

In 2007, Rosneft exported 10.8% of its crude output to the CIS, and 89.2% to global markets. Crude oil was exported via Transneft's facilities, particularly via its pipeline network and ports, such as Primorsk and Novorossiysk.

The Company's export facilities include the transshipment terminal of its subsidiary Rosneft-Arkhangelsknefteprodukt, which handles the crude from Rosneft-Severnaya Neft. The De-Kastri port in the Russian Far East enables the Company to export Sakhalin-1's crude.

De-Kastri

De-Kastri's terminal is owned by the Sakhalin-1 project consortium, where Rosneft holds a 20% stake. In 2007, De-Kastri exported 2.4 mln t of the Company's crude oil.

Oil exports via De-Kastri are expected to gradually increase as Rosneft boosts Sakhalin-1 production and commences new shelf projects. As a result, the port

will become a major hub ensuring more efficient crude exports from Rosneft's production facilities in the Far East to the increasingly lucrative Asian market.

Rosneft-Arkhangelsknefteprodukt and Belokamenka

Rosneft's crude oil produced in Timan-Pechora is exported via the transshipment facilities of Rosneft-Arkhangelsknefteprodukt. Rosneft-Severnaya Neft's crude is transshipped via the rail oil loading facilities in Privodino in Northwest Russia from the Transneft pipeline system into rail tank cars going to the Arkhangelsk oil port, where crude is reloaded onto shuttle tankers.

Belokamenka is the end point in the transport chain. It is a massive floating transshipment oil terminal permanently anchored in the ice-free Kola Bay, where crude is shipped in by shuttle tankers. In 2007, Belokamenka handled 2.4 mln t of the Company's crude oil.

The above transport chain compensates for the absence of deep-water berths that would be able to accommodate supertankers.

Caspian Pipeline Consortium

The Caspian Pipeline Consortium (CPC) was established in 1992 to build a pipeline to pump Kazakh oil through Russia. The 1,510 km-long pipeline links the Tengiz oilfield in Western Kazakhstan with the port of Novorossiysk.

Rosneft participates in CPC through the joint venture of Rosneft Shell Caspian Ventures Ltd, which holds a 7.5% stake in the project.

Rosneft owns 51% shares in the joint venture, with Shell holding the remainder.

The Company has been exporting oil and gas condensate through the CPC pipeline since December 2004. In 2007, Rosneft's exports through CPC amounted to 5.2 mln t of oil and 0.7 mln t of gas condensate.

Export of Oil Products

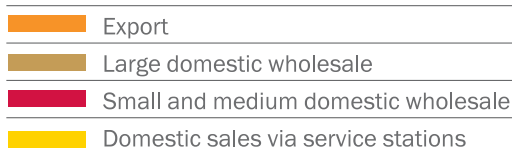
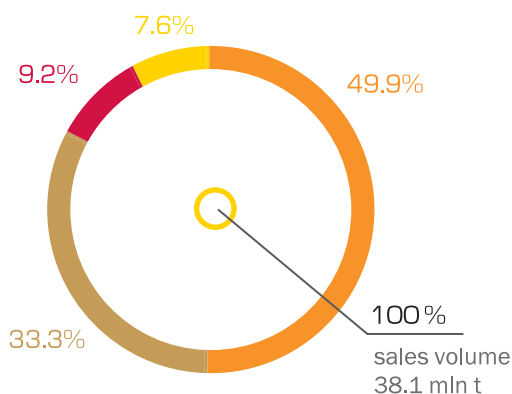
In 2007, Rosneft's oil product exports totaled 19.0 mln t, of which 0.7 mln t (3.7%) were delivered to the CIS and 18.3 mln t (96.3%), to global markets.

The structure of Rosneft's oil product exports was as follows:

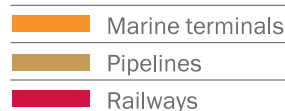
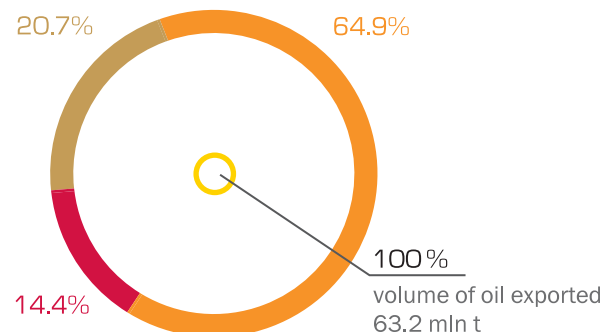
- 10.3 mln t (54.2%) were delivered by rail
- 4.7 mln t (24.7%) were delivered directly from Tuapse Refinery
- 2.3 mln t (12.1%) were delivered by pipeline and rail
- 1.7 mln t (8.9%) were delivered by sea.

Rosneft enjoys significant competitive advantages over other Russian oil companies as its two major refineries are located in close proximity to export markets: Tuapse

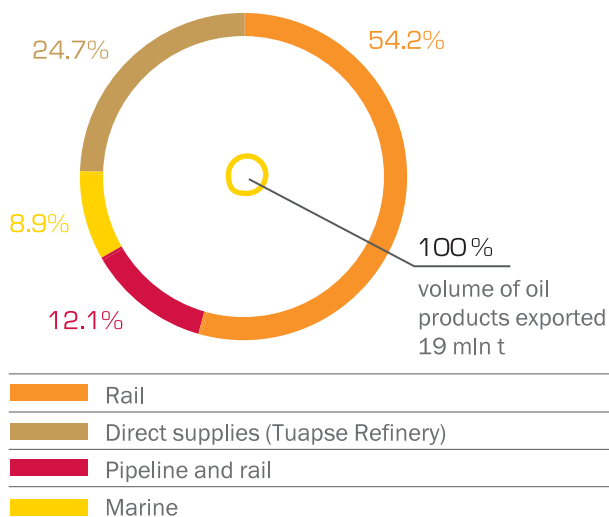
Oil product supplies by destination (%)



Crude oil exports by type of transport (%)



Oil product exports by type of transport (%)



The total does not add up to 100% because of rounding

Refinery is on the Black Sea coast, and Komsomolsk Refinery is near Russia's Pacific coast in the Far East.

The Company also has its own transshipment facilities in Tuapse and Nakhodka, which allow exporting oil products almost directly from production areas.

Rosneft-Nakhodkanefteprodukt

The Company's subsidiary Rosneft-Nakhodkanefteprodukt operates the largest export terminal of Russia's Far East. In 2007, the Nakhodka oil loading terminal in the Primorsky region handled 4.7 mln t of Rosneft's oil products, which makes up 24.7% of the Company's total petroleum product exports.

Rosneft-Tuapsenefteprodukt

The Tuapse oil loading terminal (Krasnodar region) is located close to Rosneft's Tuapse Refinery on the Black Sea coast. The terminal has an annual capacity of 10.2 mln t, and is operated by the Company's subsidiary Rosneft-Tuapsenefteprodukt.

In the review period, Rosneft-Tuapsenefteprodukt exported 6.9 mln t of oil products (36.3% of Rosneft's total refined product exports).

As part of its general development strategy, Rosneft is currently implementing a comprehensive upgrade

program at Rosneft-Tuapsenefteprodukt that will increase the oil terminal's capacity to 17 mln t a year by 2011. As a result, the company will be able to handle all deliveries from Tuapse Refinery, whose capacity will also substantially increase when the plant's upgrade is completed.

Domestic Sales of Oil Products

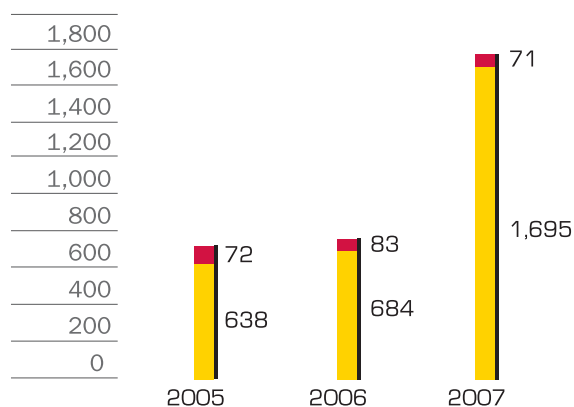
Rosneft has developed an extensive infrastructure to efficiently sell oil products in the domestic market. The Company operates a broad network of companies engaged in the wholesale, retail, storage, transportation, and transshipment of petroleum products.

In 2007, Rosneft sold 19.1 mln t of refined products in the domestic market, including 11.0 mln t through its subsidiaries, of which 2.9 mln t were sold via proprietary service stations. Overall, in the review period, the volume of Rosneft's domestic sales increased more than twofold against 2006.

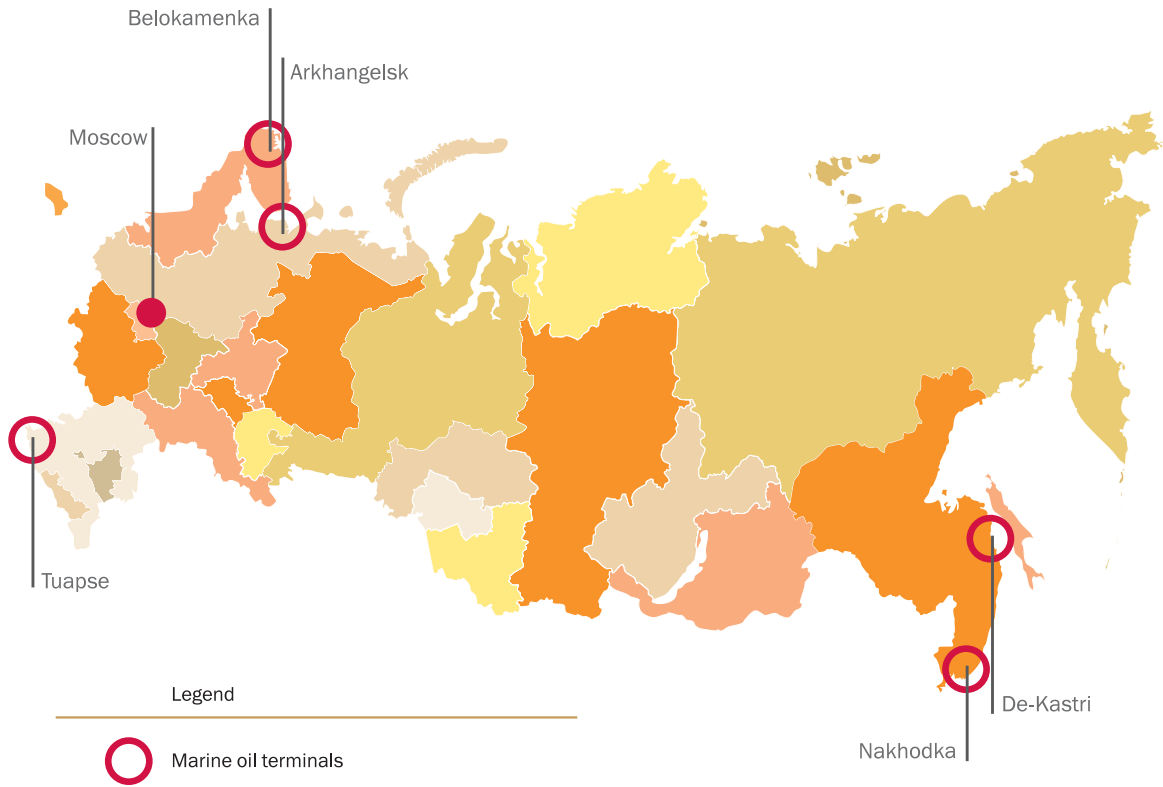
Wholesale purchasers of the Company's refined products are major end customers and independent distributors, public sector organizations, including the Russian Ministry of Defense, housing and utility companies, as well as agricultural enterprises. Main petroleum products supplied to the Company's wholesale customers include heating oil, diesel, and jet fuel.

During the review period, Rosneft substantially expanded its marketing network. In March–June 2007, the Company acquired new retail and storage assets in 23 regions of the Russian Federation, thus adding an-

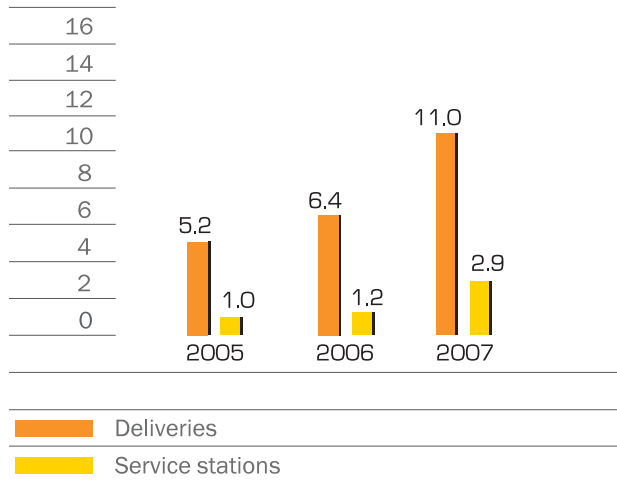
Rosneft's fleet of service stations, units (as of period end)



Proprietary
Franchised



Volume of direct oil product sales (mln t)



other 1,078 service stations (including 895 operating), 559 stores with an aggregate sales area of 29,100 sq. m, and 148 tank farms (including 65 operating).

At present, the Company's retail network covers 36 regions of the Russian Federation, from Murmansk in the north to the North Caucasus in the south, and from Bryansk in the west to Sakhalin Island in Russia's Far East.

As of December 31, 2007, Rosneft's marketing subsidiaries owned 155 tank farms with a total capacity of 3,020 thousand cu. m. The Company's retail network included 1,695 proprietary and leased service stations,

and 71 franchised service stations operating under the Rosneft brand.

As of December 31, 2007, the Company's proprietary and leased service stations operated 124 car washes, 732 stores, and 70 cafes. 128 proprietary and leased stations had garages for minor repairs and servicing of motor vehicles.

Rosneft will continue developing the service station network in areas close to its refineries and tank farms. In the Far East, such areas include the Khabarovsk region, the Primorsky region, Sakhalin Island, the Chita region, and the Krasnoyarsk region. In European Russia, a major expansion is planned in the Samara region.

During 2007, Rosneft also strengthened its presence in the rapidly developing markets of Moscow and St. Petersburg. As of the year end, the Company owned 113 and 10 service stations in Moscow and St. Petersburg, respectively.

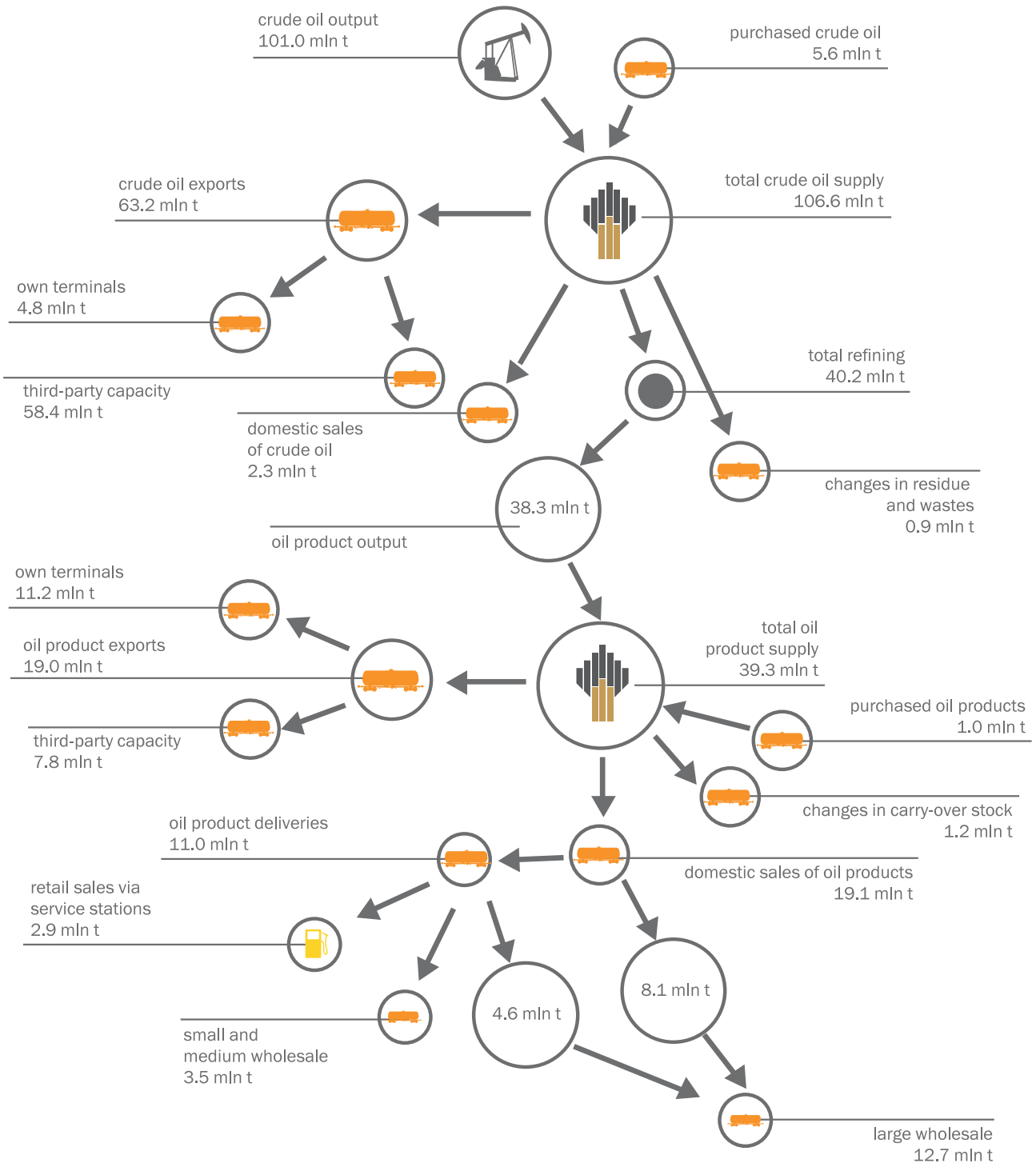
Bunkering Business

In 2007, Rosneft launched a large-scale program to develop bunkering operations. The Company's conveniently located refineries and modern transshipment infrastructure ensure environmentally safe year-round shipments and efficient sales of bunker fuel at the largest ports of the Far East, the Black Sea, and the Northwest region, as well as on major domestic sea routes.

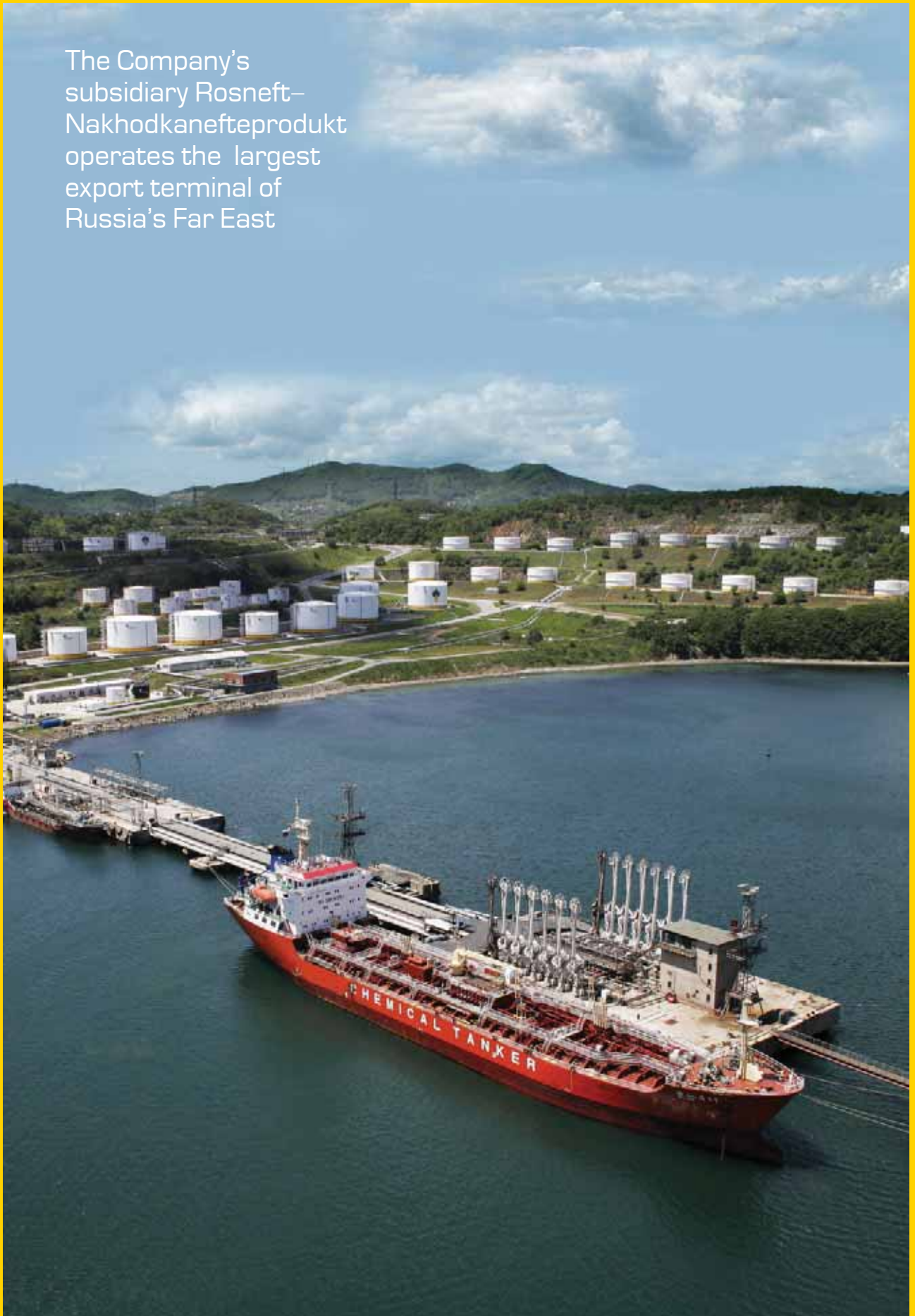
In November 2007, Rosneft started shipping bunker fuel to its own terminals in the bunkering centers of the Primorsky region, the White Sea, and the Barents Sea.

In 2007, the Company's export and domestic supplies of bunker fuel totaled 3.4 and 0.6 thousand t,

respectively. In the near future, Rosneft will significantly expand its bunkering operations to cover the ports of Tuapse, St. Petersburg, Primorsk, Ust-Luga, Syzran, Rostov, Samara, Yaroslavl, Nizhny Novgorod, Kazan, Chistopol, Kamskoye Ustye, Volgograd, and Azov.



The Company's subsidiary Rosneft-Nakhodkanefteprodukt operates the largest export terminal of Russia's Far East



Key Financial Results

According to Rosneft's consolidated financial statements for 2007 under Russian Accounting Standards (RAS), in the review period, the Company's total revenue reached RUB 1,067 bn, an increase of RUB 415 bn compared to 2006. Pre-tax profit grew 9.8% to RUB 381 bn from RUB 347 bn in 2006, primarily driven by the increased oil and gas production, crude throughput and refined product output, as well as the acquisition of new assets. The growth in pre-tax profit is also attributable to a RUB 123 bn decrease in net other income and expenses against 2006, which was mainly due to the following:

- elimination of fines and penalties in the amount of RUB 141 bn, which were recognized as YUKOS payables to Rosneft and included in the Company's profit for 2006
- currency translation gains of RUB 8 bn
- income of RUB 10 bn due to transfer of CJSC YUKOS-Mamontovo shares to Rosneft.

In 2007, Rosneft's net income totaled RUB 245 bn, down 6% from RUB 261 bn in 2006. Excluding YUKOS payables to Rosneft in 2006 and the related profits tax, the Company's net income grew 59.1% compared to 2006.

According to Rosneft's non-consolidated RAS financial statements for 2007, in the review period, the Company's revenue rose to RUB 816 bn, an increase of RUB 227 bn compared to 2006, while its pre-tax profit declined by 6.6% to RUB 242 bn from RUB 259 bn in 2006. Net of the effect from recognition of YUKOS payables to Rosneft in 2006, the Company's pre-tax profit grew by 105% in 2007.

In the review period, Rosneft's net income declined by 24% against the previous year, from RUB 213 bn to RUB 162 bn. Excluding YUKOS payables to Rosneft in 2006 and the related profits tax, the Company's net income increased 52.8% in 2007.

Rosneft's financial performance is driven primarily by the following macroeconomic factors:

- changes in oil and petroleum product prices
- RUB/USD exchange rate movements and inflation pattern
- changes in the mineral extraction tax rate and export duties.



Rosneft's total revenue reached RUB 1,067 bn, an increase of RUB 415 bn compared to 2006

Oil and petroleum product prices still remain the dominant factor shaping the Company's financial performance, which is directly linked to prices in the international and Russian commodity markets. Changes in oil prices are largely related to the global supply-demand balance.

Rosneft's sound financial performance in 2007 was essentially supported by a 13.2% growth in Urals price, from USD 61.3 to USD 69.4 per bbl.

An accurate analysis of domestic oil prices is hindered by the fact that the vast majority of transactions are performed within vertically-integrated groups that comprise production, refining, and marketing companies. Furthermore, due to sharp seasonal fluctuations in demand and unbalanced supply of crude oil in Russia, domestic oil prices are often much lower than they otherwise would be.

Petroleum product prices are influenced by an array of factors, the most important of which are: global oil prices, supply-demand patterns, competition, and proximity of export markets to major production and refining areas. Changes in export duties and transport tariffs also largely affect the Company's choice of the most efficient structure of petroleum product output and export routes, ensuring the highest prices of Rosneft's crude, given the existing prices of refined products.

The Company's financial performance is also determined by the RUB/USD exchange rate and inflation. This is mainly explained by the fact that a major portion of Rosneft's revenue is denominated in US dollars, while most of its expenses are RUB-denominat-

ed. As such, real appreciation of the ruble against the dollar has an adverse effect on the Company's operating profit and other key financial indicators. During 2007, the ruble appreciated against the dollar both in nominal and real terms. It should be noted that the RUB/USD real exchange rate is a function of nominal exchange rate and inflation.

During 2007, inflation in the Russian Federation increased from 9.0% to 11.9%, which negatively affected Rosneft's financial performance. Furthermore, in the review period, the ruble gained 5.9% against the dollar (average RUB/USD exchange rate was 25.6, compared to 27.2 in 2006).

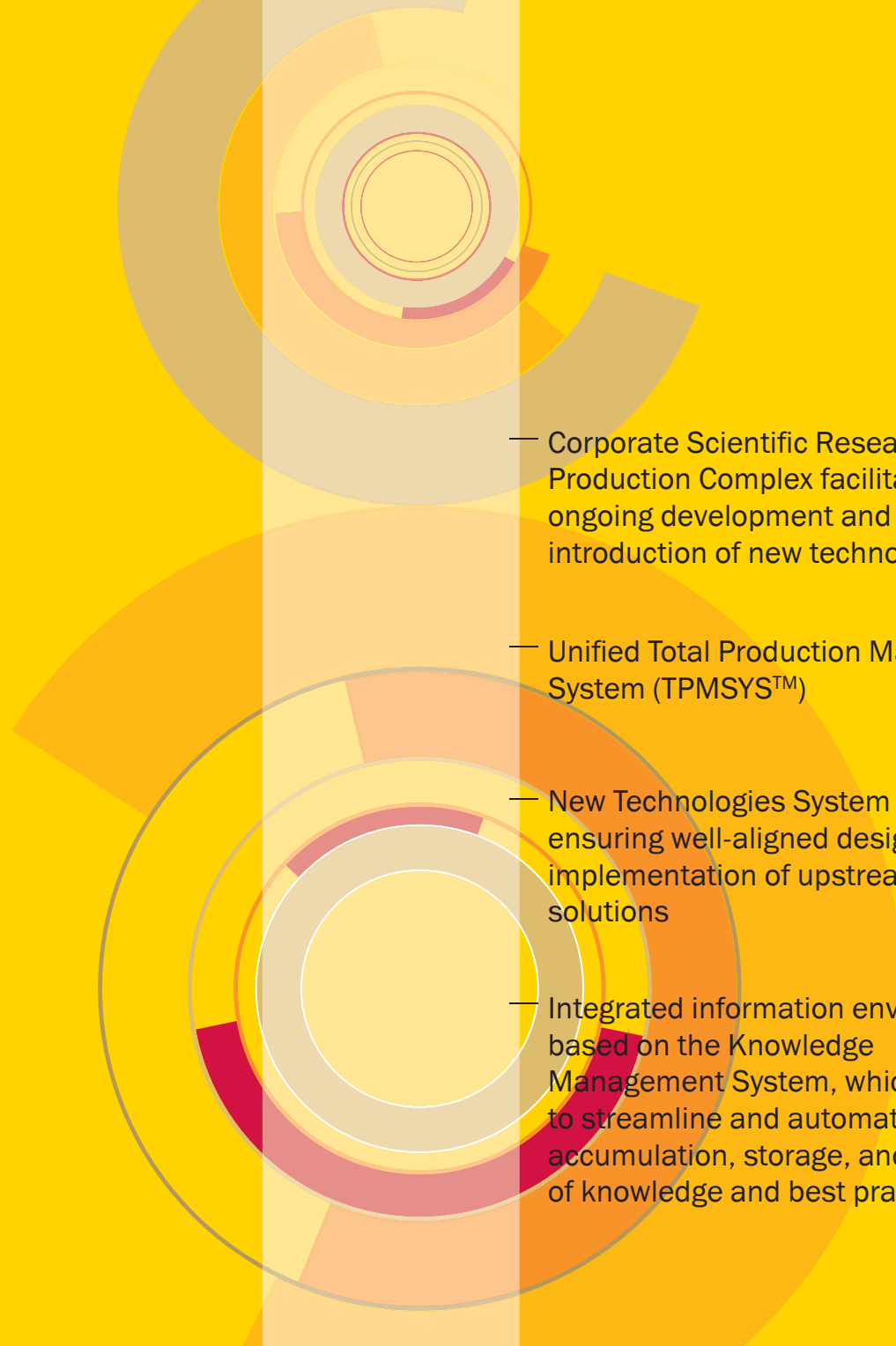
In accordance with current Russian legislation, the mineral extraction tax rate and export duties are changed subject to the global oil price dynamics. This partially offsets both positive and negative effects of oil price fluctuations. Provided that the volume of Rosneft's hydrocarbon supplies remains the same, current mineral extraction tax rate and export duties will ensure a reduced effect of export price fluctuations on the Company's net income.

In 2007, the following factors produced a negative effect on the Company's performance:

- a 4.6% growth in the average export duty
- a 5.4% growth in the average export duty for light and heavy oil products
- a 8.2% increase in the mineral extraction tax rate (from RUB 2,282 to RUB 2,470 per t).

In 2007, Rosneft's net income excluding non-recurring items grew 59% against 2006





— Corporate Scientific Research and Production Complex facilitating ongoing development and introduction of new technology

— Unified Total Production Management System (TPMSYS™)

— New Technologies System ensuring well-aligned design and implementation of upstream solutions

— Integrated information environment based on the Knowledge Management System, which aims to streamline and automate the accumulation, storage, and sharing of knowledge and best practice



Research and Innovation

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Sustained long-term growth of a modern oil and gas company largely depends on adequate scientific support of its production operations and establishment of an efficient corporate innovation system. Rosneft's innovation system is aimed at ongoing technology development and implementation, continuous monitoring and timely adoption of global best practice, as well as providing adequate training to the Company's specialists to ensure that they constantly develop their key competences.

Managing Research and Development

In order to streamline and facilitate introduction of new technology, the Company has established the Corporate Scientific Research and Production Complex (CSRPC), which comprises the Corporate Research and Development Center, as well as a number of regional research and development institutes.

In 2007, six new institutes were integrated into CSRPC. Currently, the Complex includes 10 institutes in various regions of Russia: Krasnodar, Ufa, Izhevsk, Samara, Tomsk, Krasnoyarsk, Novokuibyshevsk,

Angarsk, and Sakhalin Island. Three of the ten institutes focus on scientific and design support of refining and petrochemical processes, which is a new research field for the Company.

CSRPC headcount grew from 1,500 in 2006 to 4,000 in 2007. The Complex employs 192 researchers holding postgraduate degrees. Building on rapid growth in personnel, CSRPC saw a massive surge in the total number of projects currently being developed or already implemented, from 185 to 1,150.



Rosneft's Corporate Scientific Research and Production Complex currently employs 4,000 people, 2,500 more than in 2006. This year, CSRPC saw a massive surge in the total number of projects currently being developed or already implemented, from 185 to 1,150

Rosneft's Technology Development Trends

Exploration

Technological advances in exploration enable the Company to minimize geological risks and ensure more accurate determination of prospective structures. In 2007, Rosneft accomplished a number of projects using innovative exploration techniques, such as:

- basin modeling, which allows reducing geological risks by 30–40% as well as significantly cutting field prospecting and exploration costs
- proprietary method of spectral analysis (enhanced 3D seismic data processing), enabling the Company to continuously optimize well location.

Efficient use of top-of-the-line exploration technology gave an additional 256.8 mln t of oil and gas condensate resources, 1.5 times more than in 2006.

Development

To facilitate technological advances in development, the Company has established the Project Center, a joint effort of experts working at Rosneft and its oil producing subsidiaries, corporate scientific research and design institutes, as well as leading Russian and foreign specialists.

In 2007, Rosneft focused on implementing comprehensive engineering solutions, and introduced an integrated development approach based on a uniform field model,

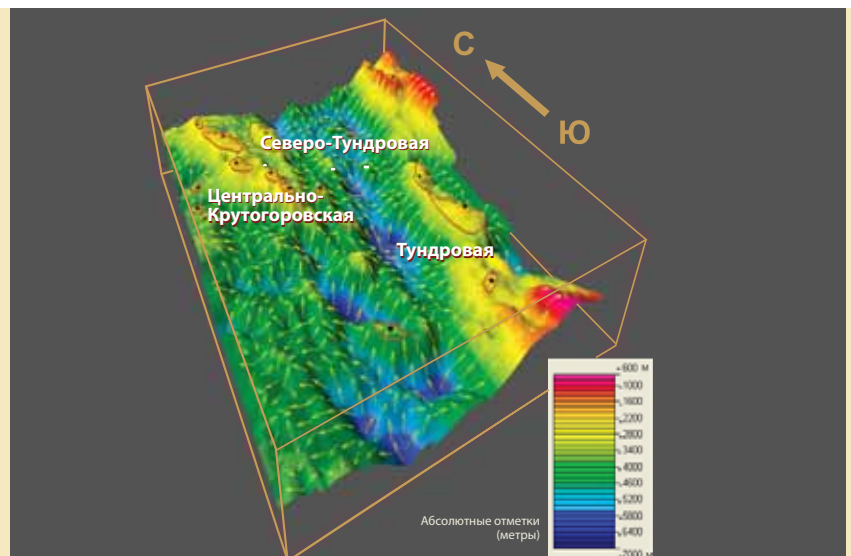
which implies a comprehensive analysis of reservoirs and wells, infrastructure development matters, as well as relevant economic parameters. The Company's business strategy envisages streamlined development operations in strict compliance with the above approach by 2010. In the review period, Rosneft carried out five integrated projects at its key fields: Vankor, Val Gamburtseva, Prirazlomnoye, Komsomolsk, and Osoveyskoye.

To mitigate major risks frequently incurred in implementing complex field development projects and improve operating efficiency, Rosneft is establishing the Drilling Support Center, and the Well Design and Engineering Center, which will benefit from ongoing cooperation with the Company's corporate research institutes.

Production

In 2007, Rosneft registered the TPMSYS™ trademark. TPMSYS™ (Total Production Management System) is a unified production management system enabling Rosneft's specialists to monitor the operation of any well (a detailed design and geophysical analysis, etc.), and to control operating and equipment parameters in real time. In 2007, Total Production Management System was further enhanced with an integrated planning and recovery factor analysis module, which facilitates ongoing production planning as well as comprehensive analysis of target performance indicators. Efficient application of TPMSYS™ at the Priobskoye field gave over 500 thousand t of additional crude.

Technological advances in exploration allow minimizing geological risks and ensure more accurate determination of prospective structures



TPMSYS™ is being developed in close ties with the WellView project, another key priority for Rosneft. WellView is an intellectual well management system allowing real-time control over current parameters of downhole pumping equipment and starting up or stopping well operations when necessary. The system is based on surface equipment, downhole equipment, measuring equipment, and special-purpose software. WellView enables the Company to increase crude output as well as to reduce production costs and associated risks by selecting the optimal operation mode for individual wells and equipment items.

Refining and Petrochemicals

In 2007, Rosneft consistently worked on enhancing its refining and petrochemical processes. Top priorities in this area include:

- upgrading production facilities (in particular, a new pipe still was commissioned at Komsomolsk Refinery, which significantly increased light product output and reduced production costs)
- optimizing core processes (in particular, switching Novokuibyshevsk Refinery to more effective catalysts resulted in Euro-4 diesel fuel output growing threefold, and gasoline octane number increasing by 2–3 points)
- diversifying product mix (i.e., the Company has launched production of an electric motor and pump oil; a new antiwear diesel fuel additive has been developed that allows meeting the Euro-4 and Euro-5 standards)
- improving resource management and environmental policies.

Innovative Development

To maintain its competitive edge and deliver greater performance, the Company has designed and implemented a set of innovative development systems:

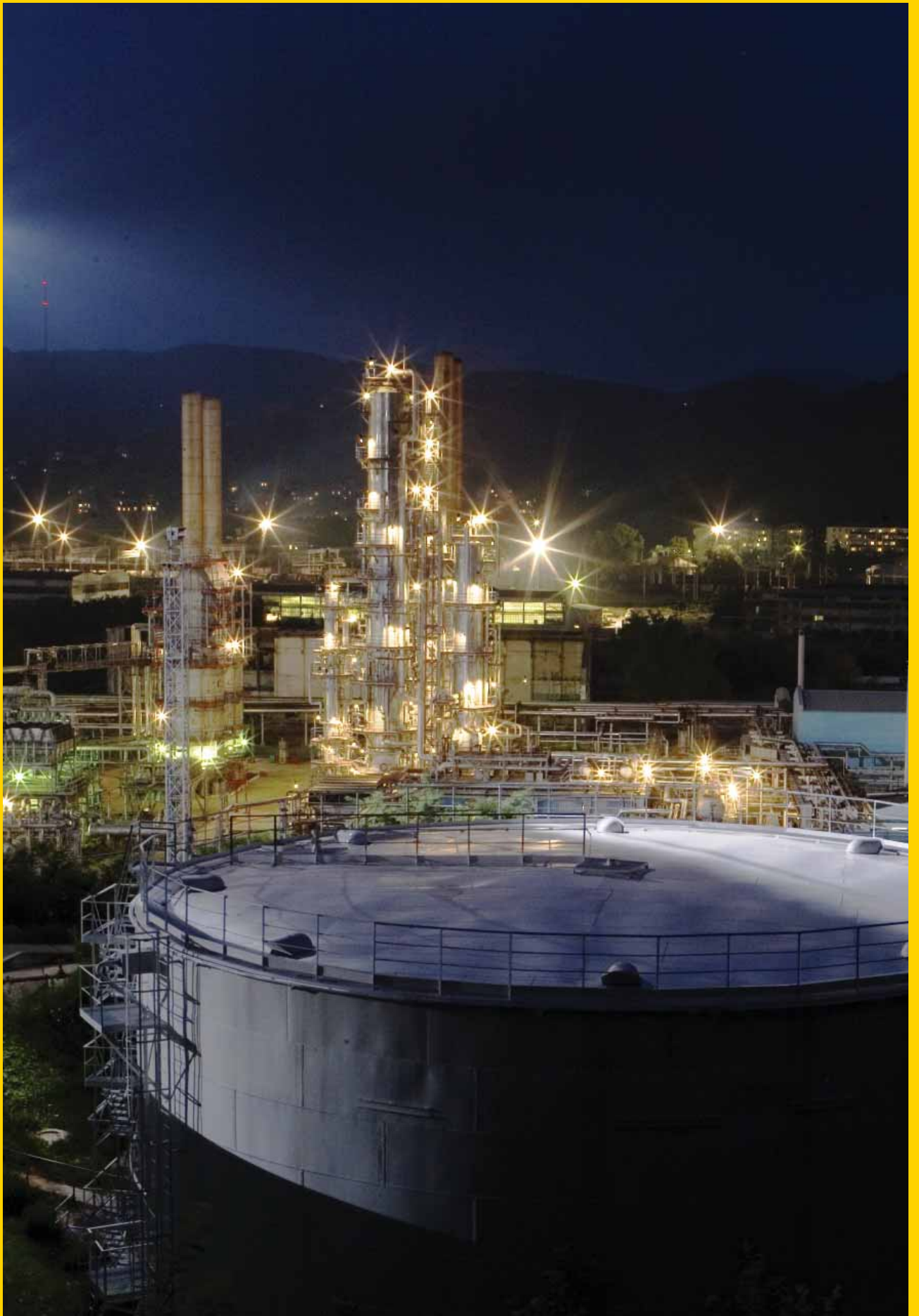
- New Technologies System
- System for Cooperation with Educational Establishments and R&D Centers
- Corporate Training System
- Knowledge Management System
- Quality Management System.

New Technologies System

The New Technologies System (NTS) primarily deals with ongoing design and well-aligned implementation of efficient solutions, as an indispensable part of the Company's production operations. This is crucial to ensure continuous accumulation of reserves, growth in crude output, and cost reduction. Furthermore, NTS has been largely conducive to creating a core of highly skilled specialists. NTS unites several workgroups dedicated to identifying and researching priority areas for the Company.



The WellView intellectual well management system allows Rosneft to increase crude output and reduce production costs



In 2007, comprehensive research and engineering support of advanced recovery operations at LLC RN-Yuganskneftegaz gave an additional 164.9 thousand t of crude oil (economic effect – RUB 360 mln).

System for Cooperation with Educational Establishments and R&D Centers

Growing production operations and increasingly diverse business projects necessitated the launch of the Technological Challenge research and development program, which is being implemented in close cooperation with leading national and foreign experts. In 2007, major efforts were concentrated on introducing advanced solutions for field development design, modeling, and monitoring.

Rosneft continues to collaborate with the world's top education and research centers, including: Stanford University (modeling techniques, streamtube simulation techniques), University of Tulsa (IT solutions for downhole and surface equipment), Institut Francais du Petrole (hydrocarbon formation modeling), University of Calgary (computer modeling of hydraulic fracturing and other processes); Golder & Associates, Seattle (advanced techniques of fractured reservoir development), SRT Group, Norway (advanced field development technique based on controlling and adjusting fluid velocity profile).

Corporate Training System

In order to efficiently utilize the potential of new technology and consistently develop key competences of the Company's personnel, Rosneft has established the Corporate Training System.

In 2007, Rosneft conducted 66 courses devoted to exploration, development, and production, attracting the best lecturers from leading Russian and foreign educational establishments. The Company's experts also actively participate in delivering lectures and seminars. Rosneft's professional development system is in line with the adopted research and innovation strategy, and covers all the Company's business processes.

Rosneft is also implementing a Master's program for graduates of leading Russian universities (Lomonosov Moscow State University, Moscow Institute of Physics and Technology, Russian State University of Oil and

Gas, Moscow State Institute of International Relations, etc.), which is a collaborative effort of educational establishments and the Company. In 2007, seven graduates joined Rosneft's subsidiaries after successful completion of the program.

Knowledge Management System

Rosneft has established and is further developing an integrated information environment that includes the RN-Expert Knowledge Management System (KMS), which aims to streamline and automate the accumulation, storage, and sharing of knowledge and best practice throughout the Company.

In 2007, Rosneft implemented a comprehensive knowledge management strategy, the Technology Database (contains data on over 250 technologies used worldwide), and started developing an Innovation Warehouse.

As of year-end 2007, the Company and its subsidiaries registered 240 items of intellectual property, including invention and utility model patents, and software certificates, with the Federal Service for Intellectual Property, Patents and Trademarks.

To ensure sustainable knowledge sharing, transfer of specialist expertise, as well as to seek and discuss the best solutions to critical issues, Rosneft's specialists conduct seminars, workshops, and knowledge sharing sessions in the key regions of the Company's operation. During 2007, Rosneft held several academic and practitioner conferences that gathered experts from leading Russian and foreign research and service companies.

Quality Management System

Increasing labor efficiency is among the key national priorities set by President Putin. Accordingly, Rosneft has been actively implementing long-term solutions aiming to align and optimize business processes. By 2020, the Company plans to increase the CSRPC efficiency almost fourfold. In 2007, application of innovative reengineering methods led to a 5% gain in efficiency.

To fully utilize the potential of innovative development, Rosneft is implementing the Quality Management System and integral R&D tools ensuring sustained busi-

ness operations. In 2007, QMS covered 10 corporate research and design institutes. Rosneft will also continue upgrading CSRPC, and plans to certify the Complex to ISO 9001.

Unified quality requirements, improved quality policies, and refined business processes will enable Rosneft to attain a 30–40% reduction in design costs by 2012.

Information Support

Information support is among the key factors driving the Company's overall performance and operating results. Successful implementation of integrated design and comprehensive engineering solutions heavily depends on the establishment of a unified information environment.

Further development and enhancement of the corporate information system based on SAP R/3 is aimed at real-time information support of all specialists involved in accounting, reporting, and managing the Company's financial data.

In 2007, within the framework of developing the corporate information system, Rosneft integrated its new assets into the IT environment. This initiative involved creating consolidated databases for the Company's fixed assets, construction in progress, intangible assets, exploration assets, and R&D activities. At present, the Regulatory Support Database contains over 2,500 documents. Business regulation allows formalizing, unifying, and controlling current production processes and management policies.

As part of developing time-efficient mechanisms of consolidated reporting (RosA Project), the Company has designed and implemented solutions to facilitate data collection, reconciliation, and adjustment within its subsidiaries. Over 250 Rosneft's enterprises have been equipped with RosA workstations.

Another high priority for Rosneft is upgrading and refining the automated management and reporting environment for the pipeline system.

Targeted and comprehensive information exchange is supported by consistent integration of the following systems:

- Production Monitoring System that allows retrieving current indicators of Rosneft's production companies and operating well stock data, assessing well-work efficiency, monitoring drilling operations, field pipelines, as well as selected parameters. Key functionalities of PMS have already been implemented throughout the Company's upstream subsidiaries
- Information and Telecommunications System Supporting Field Infrastructure Design, which is aimed at facilitating operations of the Company's field design divisions. Its key benefits include: higher-quality and faster design activities, easy access to project documentation, as well as reduced costs of infrastructure development and operation due to regular information updates.

The Company also carries out full-fledged metrological support of production and construction activities. Thus, in 2007, accurate and precise measurement of oil reserves was performed at licensed blocks under preferential tax treatment. The Company's total benefits from such measures (35 licensed blocks) were approximately RUB 1.73 bn.

— Rosneft's employees work in almost every region of the Russian Federation

— Integrated management system for industrial safety, labor and environmental protection

— A policy of high social responsibility to the employees and their families, the people in the regions where Rosneft operates, and to society at large

Sustainable Development

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| Health, Safety and Environmental Protection | 74 |
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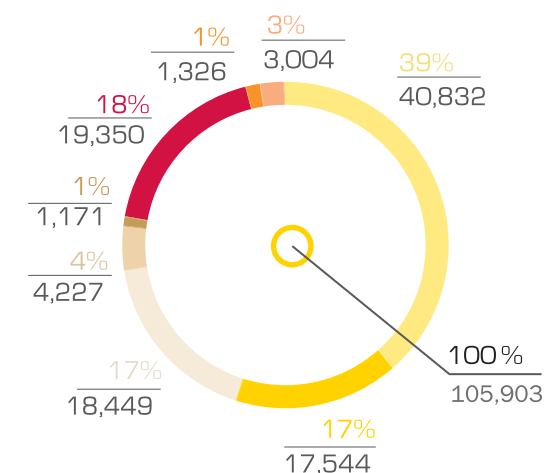
Personnel

In 2007, Rosneft employed an average of 106,000 people, including 86,500 at subsidiaries, and 19,500 at companies controlled by subsidiaries. The Company's employees work in almost every region of the Russian Federation.

In 2007, the average age of Rosneft employees was 41. The Company employed 11,150 executives and hired 33,455 new staff during 2007.

During the review period, 62,582 employees took part in professional development courses, three times more than in 2006. In 2008, Rosneft plans to provide training to another 74,745 employees.

Personnel structure by area of activity (people)

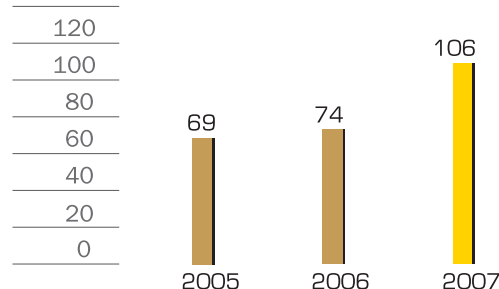


| | |
|--|--------------------------------------|
| ■ | Production |
| ■ | Refining |
| ■ | Sales |
| ■ | Service functions |
| ■ | Other |
| ■ | Companies controlled by subsidiaries |
| ■ | Head office |
| ■ | Unconsolidated affiliates |

Securing a Sustainable Future

Further development of the Company essentially depends on the continuous inflow of human capital. Therefore, Rosneft is focused on attracting highly motivated and talented young employees. Looking to the future, the Company's major objective is to provide academic and social support to people who will join Rosneft in five or ten years.

Average headcount (thousand people)



The Company has established a pre-higher education program for future professionals through specialized Rosneft classes, to give them a solid foundation in core subjects and the opportunity to gradually familiarize themselves with key areas of the Company's operations. Students are offered vocational training, which is complemented by visits to Rosneft's enterprises, as well as meetings with distinguished oil and gas specialists and young employees. Students also become familiar with the business processes used in oil exploration and production.

In 2007, Rosneft set up 34 pre-higher education classes in 18 cities and towns where it operates, which provided training to 846 students. On September 1, 2008, another 1,125 students are expected to join 45 classes introduced in 22 localities. The classes provide

Rosneft is focused on attracting highly motivated and talented young employees. Looking to the future, the Company's major objective is to provide comprehensive support to people who will join Rosneft in five or ten years



students with a solid basis for further study at higher education establishments.

Rosneft also conducts training courses for teachers and psychologists working in Rosneft classes.

The Company closely cooperates with Gubkin Russian State University of Oil and Gas, Lomonosov Moscow State University, Moscow Institute of Physics and Technology (State University), Moscow State Institute of Foreign Relations (University) under the Russian Ministry of Foreign Affairs, Ufa State Oil Technical University, Tyumen State Oil and Gas University, Kuban State Technological University, Tomsk Polytechnic University, Udmurt State University, Samara State Technical University, and other leading Russian educational establishments.

Rosneft consistently supports its partners in improving their educational and technological infrastructure. Furthermore, the Company provides sponsorship and conducts training for the partner universities' teaching staff at Rosneft's enterprises. Teachers are also offered corporate grants on a competitive basis.

Rosneft has developed a corporate and social scholarship program, which significantly contributes to the Company's long-term objective of creating a pool of talented specialists. In 2007, corporate scholarships were awarded to 28 students. The most promising students and graduates are offered internships with Rosneft's enterprises and may be subsequently employed on a full-time basis.

During 2007, the Company's subsidiaries and corporate research institutes offered internship to 2,400 people and hired 900 of them.

In 2007, Rosneft also held 25 competitions and training sessions at the partner educational establishments, as well as regional and interregional workshops and conferences that attracted about 3,500 participants.

The Company devotes special attention to ongoing professional development of its young specialists. Rosneft has therefore established councils for 2,250 young specialists it currently employs, as well as a coaching and mentoring system that helps them to get accustomed to working in the Rosneft environment. This integrated approach enables the Company to design and deploy efficient work practices and ensure broader career opportunities for its young professionals.

The 2nd Interregional Research Conference held in June 2007 attracted 89 young specialists from various enterprises of the Company. Rosneft intends to further encourage the participation of its young staff in research and development activities, training sessions, etc. In 2008, the Company plans to hold several scientific and research conferences devoted to business processes in the oil and gas industry, as well as to introduce a host of new professional development programs.

Training and Professional Development of Personnel

Rosneft offers equal opportunities to all of its employees to continuously improve their key competences and skills.

A key aspect of the Company's personnel policy is a corporate professional development system aimed at:



Professional development policy covers all the Company's business processes, which is largely possible due to Rosneft's active cooperation with leading national and foreign educational establishments and research centers

- increasing the educational level of different categories of employees
- flexible professional development of managers, based on a comprehensive assessment of their core competences
- monitoring the efficiency of training and professional development programs.

Corporate training programs developed in close cooperation with Russian and foreign institutes and business schools are open to all categories of employees.

Rosneft offers the International Oil and Gas Business MBA program, which has been a joint effort of the Company, Norway's Bodo Graduate School of Business, and MGIMO. During the review period, 22 managers enrolled in this program, while another five employees took the Oil and Gas MBA at the Stockholm School of Economics (SSE).

30 employees completed the Oil and Gas Manager and Drilling Supervisor programs developed by Rosneft and Gubkin Russian State University of Oil and Gas.

The professional development policy covers all the Company's business processes. This is largely pos-

sible due to Rosneft's active cooperation with leading national and foreign educational establishments and research centers, including: Gubkin Russian State University of Oil and Gas, Ufa State Oil Technical University, The Russian-Canadian Oil and Gas Technology Training Center, University of Tulsa, University of Houston, Stanford University, Next, IHS Energy, Colorado School of Mines, University of Alberta, Baker Hughes, etc.

Rosneft has also launched a project to create a Corporate Education and Training Center. In 2007, the Company was engaged in the construction of new educational facilities, as well as in the renovation and technical upgrade of the existing professional development infrastructure.

Furthermore, Rosneft is carrying out comprehensive training courses for specialists that will lead its strategic projects in the near future. In particular, a major professional development program is being implemented at CJSC Vankorneft. The Company is also focused on enhancing its coaching and mentoring system.

All these measures enable Rosneft to attract, motivate, and retain qualified professionals, thus constantly increasing labor efficiency.

In 2007, Rosneft set up 34 pre-higher education classes, which provided training to 846 students



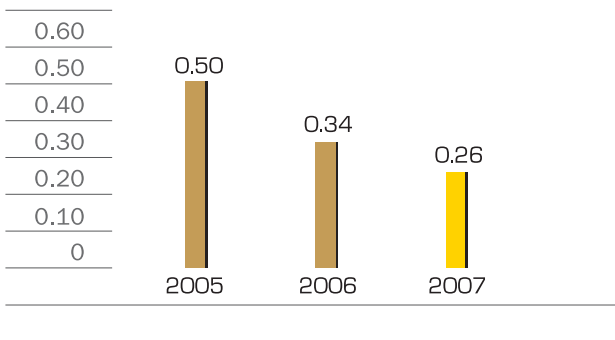
Health, Safety and Environmental Protection

Rosneft strictly adheres to Russian and international legislation on labor safety, health and environmental protection. The Company applies cutting-edge technology and enhanced production methods to create a safe and healthy working environment, as well as to minimize the risk of industrial accidents and other emergency situations.

Rosneft's policy on industrial safety, labor and environmental protection contains the following key provisions:

- reducing industrial injuries and adverse environmental impacts
- improving industrial and environmental safety to meet current international standards

Number of industrial accidents
(per million of hours worked)



- establishing and maintaining an efficient management system for industrial safety, labor and environmental protection
- reducing industrial risks from newly commissioned facilities.

The Company has implemented an integrated management system for industrial safety, labor and environmental protection. To ensure its efficient operation and continuous improvement, Rosneft has introduced corporate standards stipulating key areas for further development.

In 2007, Rosneft intensified its effort to enhance and extend the policy for industrial safety, labor and environmental protection. The Company continued to develop its systems for environmental management, monitoring, and audit in compliance with internationally accepted standards.

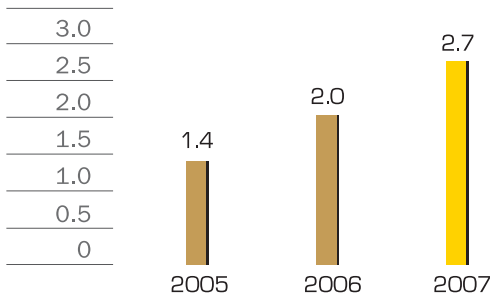
The environmental, health and safety audit program confirms that the Company's integrated management system is fully operational, has been continuously upgraded, and generally meets all the evaluation criteria. Currently, Rosneft's subsidiaries hold ISO 14001 and OHSAS 18001 certificates to 27 production sites.

The Company's employees regularly participate in training programs to share knowledge and experience on labor safety and environmental protection.



Rosneft has implemented and is actively developing an integrated management system for industrial safety, labor and environmental protection

Environmental spending
(RUB bn)



In 2007, total spending on industrial and labor safety at Rosneft and its subsidiaries was over RUB 1.9 bn, an increase of 2.7 times compared to 2006.

The Company also develops comprehensive health-care programs. Rosneft's social package includes medical insurance, illness prevention, and rehabilitation benefits. During 2007, the Company spent a total of RUB 512 mln on medical insurance for over 87,000 employees.

Improving industrial safety has always been among Rosneft's top priorities. In 2007, the overall accident rate per million of hours worked decreased to 0.26, down 24% against 2006.

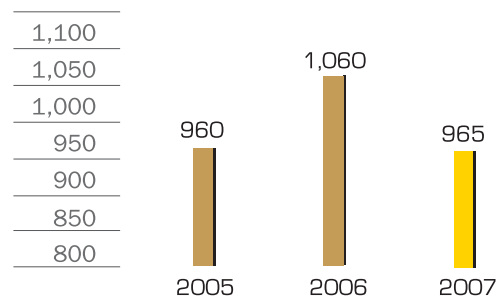
Rosneft pursues a policy of responsible and safe development of subsurface resources. A major goal of the Company's subsidiaries is to ensure continued reduction of adverse environmental impacts and industrial threats. Regular equipment upgrades and more stringent process requirements are crucial to achieving this objective.

Rosneft strictly complies with the terms of its environmental license agreements, paying particular attention to efficient land use and reclamation. In its environmental and reclamation activities, Rosneft closely collaborates with specialized companies that use top-of-the-line technology and equipment.

In 2006, Rosneft launched the Environmental Program aimed at improving the ecological situation in all regions where the Company operates. The Program is set to run through 2010 and envisages the following:

- construction of landfills, treatment and reclamation facilities, etc.
- establishment of emergency clean-up stations in order to minimize the adverse effects of spilled oil and refined products
- purchase of modern environmental equipment.

Gross emission of pollutants
(thousand t)



In 2007, the Company was implementing extensive environmental protection measures that included

In 2007, total spending on industrial and labor safety at Rosneft and its subsidiaries was over RUB 1.9 bn, up 2.7 times compared to 2006



ecological evaluation and planning, geoecological research, contaminant source inventories, and obtaining environmental permits. Furthermore, Rosneft was actively involved in purchasing and upgrading oilspill recovery and other equipment, oil sludge utilization and recycling, as well as constructing new treatment and reclamation facilities.

These measures allowed Rosneft to reduce its gross emission of pollutants by 10% compared to 2006 and 30% against the target for 2007.

In 2007, the Company's environmental spending soared by 36% compared to 2006 to reach RUB 2.7 bn.

Social Responsibility

Rosneft pursues a policy of high social responsibility to its employees and their families, the people in the regions where it operates, and to society at large.

The Company has been implementing a comprehensive set of social welfare and charitable activities aimed at creating safe and comfortable labor conditions, housing assistance, improving the quality of life and professional development of the employees, supporting the veterans and retirees, regional social and economic development, etc.

In 2007, Rosneft and its subsidiaries were nominated in recognition of their achievements in several categories at the 7th National Competition, The Enterprise of High Social Efficiency, which is sponsored by the Russian Government. LLC Rosneft – Purneftegaz won the Social Programs award, LLC Rosneft – Severnaya Neft and LLC Rosneft – Nakhodkanefteprodukt took the second place in the Compensation and Charity cat-

egories, respectively, whereas LLC Rosneft – Krasnodarneftegaz won an industry award.

Key Areas of Social Policy

Rosneft's social policy is integral part of its corporate strategy. The policy is intended to provide comfortable and safe labor conditions for the employees, and improve the quality of life of their families.

The Company's social policy envisages the following:

- housing assistance
- providing comfortable conditions for work and recreation
- health protection, promoting a healthy lifestyle
- private pension coverage
- developing social infrastructure



Rosneft launched a comprehensive environmental program, which is set to run through 2010

- participating in regional socioeconomic development
- charitable activities in healthcare and education.

Rosneft's social measures are in line with the housing, educational, and healthcare national projects currently being implemented by the Russian Government.

During 2007, the Company invested RUB 14.2 bn in its social programs, which in terms of their scope are on a par with those of the world's largest corporations.

Housing Construction and Mortgage Lending

Rosneft has implemented and is constantly developing housing construction and mortgage lending programs to improve the living conditions of its employees. The Company's leading specialists are provided with corporate apartments.

During 2007, Rosneft provided 74,000 sq. meters of residential space to over 1,150 employees, up 40% compared to 2006. Furthermore, 90 corporate apartments were purchased to accommodate the Company's specialists from various regions of Russia.

Rosneft is actively engaged in housing construction in Siberia, the Far East, the Chechen Republic, Dagestan, and the Stavropol region. Last year, 933 employees took part in the Company's long-term mortgage lending program, 1.5 times more than in 2006. Rosneft's most talented employees are granted interest-free loans to finance down payments on their new apartments.

In 2007, the Company spent over RUB 600 mln on mortgage benefits, a 70% growth against 2006, which was driven by the increased number of mortgage program

participants and higher residential prices (in some regions, residential prices rose more than 1.5 times).

In addition, Rosneft invested about RUB 1.8 bn in the Comprehensive Housing Program. During 2008 – 2012, over another RUB 6.3 bn will be spent on the program, which will help 4,850 employees to significantly improve housing conditions.

Improving Working Conditions and Social Infrastructure

Rosneft has consistently focused on creating comfortable and safe working conditions to ensure maximum labor efficiency. The Company has therefore adopted the Social and Production Standards for Shift Workers and operates in strict compliance with these regulatory requirements. In 2007, Rosneft invested a total of RUB 3.92 bn in its social infrastructure development program.

In particular, RUB 1.3 bn were spent on further development of the existing shift camps and respective infrastructure, as well as on the construction and renovation of other social facilities. During the review period, Rosneft's subsidiaries completed the construction of three dormitories, and participated in the refurbishment and renovation of over 200 catering, accommodation, sports facilities, etc. At the Vankor field, Rosneft is currently developing a modern shift camp that will accommodate 700 workers.

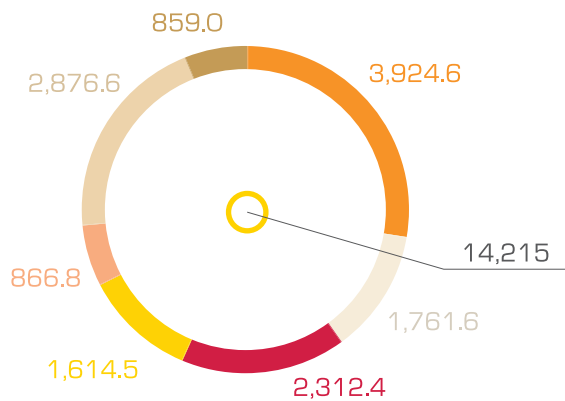
Local Infrastructure Development

Rosneft actively collaborates with local governments on comprehensive social development programs. The Company has been largely contributing to the

Rosneft's social policy aims to provide comfortable and safe labor conditions for the employees, and improve the quality of life of their families



Expenditures on core social programs (RUB mln)

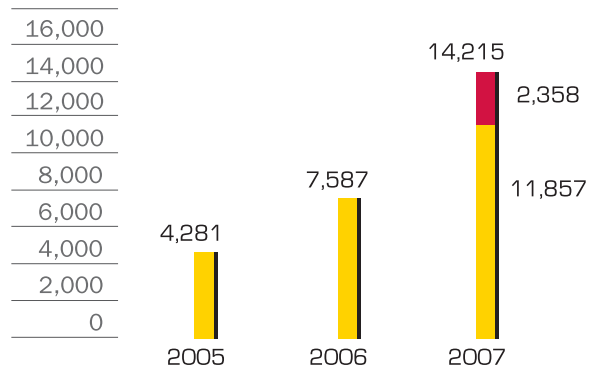


- private pension coverage
- housing assistance
- regional, social and economic development
- charitable contributions
- health protection, promoting a healthy lifestyle
- creating optimal work conditions
- developing social infrastructure

continuous improvement of regional infrastructure, including healthcare, recreation, and sports facilities, libraries, etc.

In the framework of current social development agreements, in 2007, Rosneft invested a total of RUB 2.9 bn, an increase of RUB 1.6 bn compared to 2006.

Social expenditure (RUB mln)



- existing assets
- new assets

During the review period, the Company was involved in the construction and renovation of five schools, eight kindergartens, six cultural centers and sports arenas, nine healthcare centers, and four churches. In addition, Rosneft made substantial investments in the construction of roads, pipelines, utility systems, as well as in other major infrastructure developments in most regions of its operation.

Private Pension Coverage

Rosneft has implemented and is constantly improving a private pension coverage program. As part of the program, Rosneft pays out corporate pensions, which are subject to regular indexing. Retirees also receive state pensions.



During 2007, Rosneft provided 74,000 sq. m of residential space to over 1,150 employees, up 40% compared to 2006

Currently, over 100,000 employees participate in the private pension program. In 2007, Rosneft and its subsidiaries contributed about RUB 1.6 bn to a private pension fund managed by Neftegarant. Furthermore, over 19,000 retirees are entitled to lifetime corporate pensions. In the near future, Rosneft will significantly expand the lifetime pension coverage program.

In 2007, the average corporate pension was RUB 1,400. In October 2007, the Company initiated a series of measures to enhance the existing system of private pension coverage.

Rosneft is also implementing an individual pension coverage system with three complementary parts:

- state pension
- corporate cumulative pension contributed by Rosneft
- pension from employees' voluntary contributions to a private pension fund managed by Neftegarant.

As part of its social responsibility policy, Rosneft consistently supports its veterans and retirees through supplementary private pensions and financial benefits.

In 2007, together with the funding of supplementary pension coverage for veterans and retirees, the Company allocated over RUB 160 mln to payments for medical services and health resort vouchers.

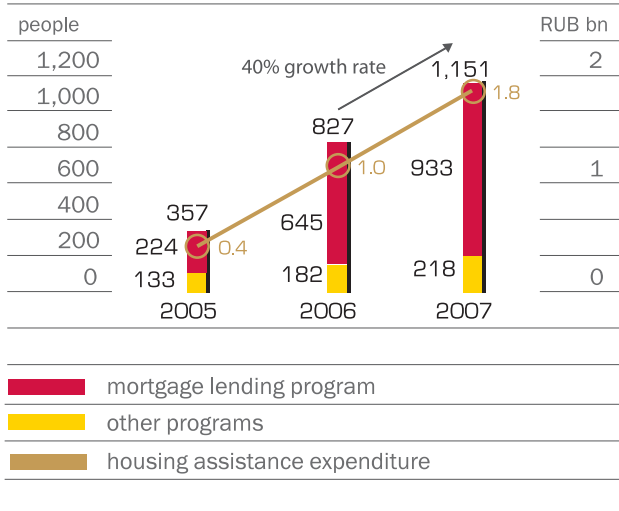
Charities

Rosneft actively participates in charitable activities and renders financial support to educational establishments, healthcare organizations, etc. Overall, in 2007, the Company spent RUB 860 mln on charitable activities.

Investing in education is among the Company's top priorities. Rosneft provides schools, universities, and partner educational establishments with modern computers and digital equipment, laboratory equipment, etc. This ongoing support is crucial to ensure a dynamic inflow of human capital. In 2007, Rosneft's total investments in education were RUB 96 mln.

Health protection and promotion of a healthy lifestyle is another key focus of the Company. Rosneft's investments in healthcare in 2007 amounted to RUB 30 mln.

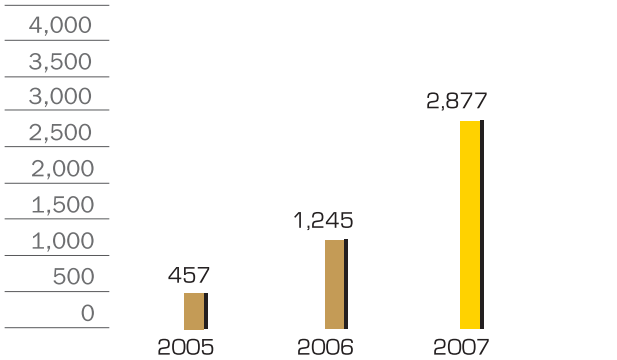
Housing assistance



Providing comfortable conditions for work and recreation to its employees is among Rosneft's top priorities

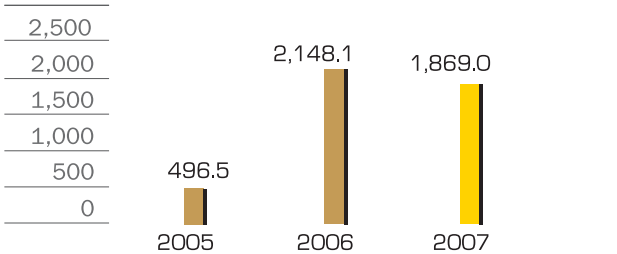


Regional development agreements (RUB mln)



Rosneft also supports social and not-for-profit organizations, as well as several indigenous communities of the Russian North. The Company is involved in the construction of schools, healthcare and other facilities, comprehensive development of public infrastructure, etc. These localities are provided with modern machinery, equipment, and fuel; the Company finances summer recreation programs for children, exhibitions, contests, and other events.

Pension contributions (RUB mln)

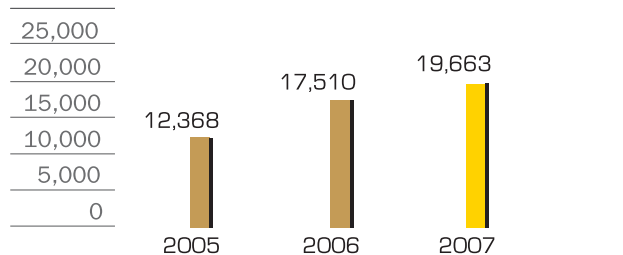


Support for Education, Culture, and Sports

During 2007, Rosneft financed RUB 15.8 mln of education loans obtained by 369 employees of its subsidiaries.

The Company also held the 3rd Sports Tournament, which attracted over 11,000 employees. Rosneft's total investment in the tournament was RUB 117.2 mln. Rosneft takes pride in the success of many of its specialists both on national and international sports venues. In December 2007, Ivan Schekotov and Yuri Shtertser of Altainefteprodukt won their respective weight categories at Veterans' World Kettlebell Lifting Championship in San Diego (USA). Mr. Schekotov and Mr. Shtertser also took championship in the kettlebell lifting contest at the 3rd Sports Tournament.

Number of retirees and veterans entitled to corporate pensions (people)



Later this year, finalists of the 4th Sports Tournament will meet in Sochi for a tournament expected to attract some 15,000 employees representing 66 subsidiaries of Rosneft.



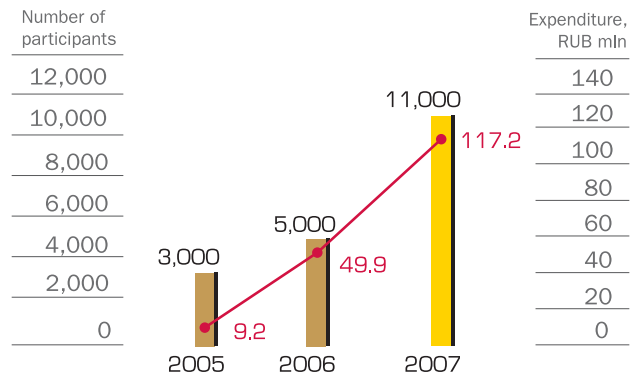
Rosneft has been largely contributing to the continuous improvement of regional infrastructure, including healthcare, recreation, and sports facilities, libraries, etc.

Social Infrastructure Maintenance

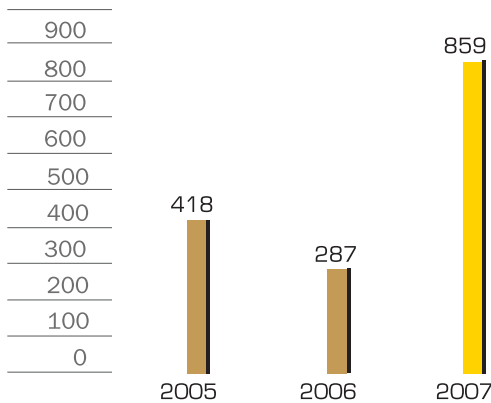
The acquisition of new assets in 2007 enabled Rosneft to considerably expand its social infrastructure, adding 250 new facilities (healthcare and recreation centers, sports facilities, dormitories, etc.). The Company's total maintenance expenditure was RUB 870 mln, an increase of 3.5 times against 2006.

Rosneft is currently implementing a large-scale program to spin off certain non-core assets and establish Wellness Centers on the basis of social facilities in areas of outstanding natural beauty (Baikal Lake, Volga River, etc.). These centers will ensure higher corporate healthcare standards and help the Company to reduce its costs of social infrastructure maintenance.

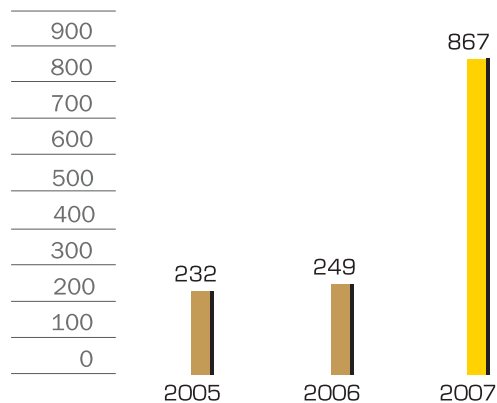
Number of participants and Rosneft's expenditure on Sports Tournaments



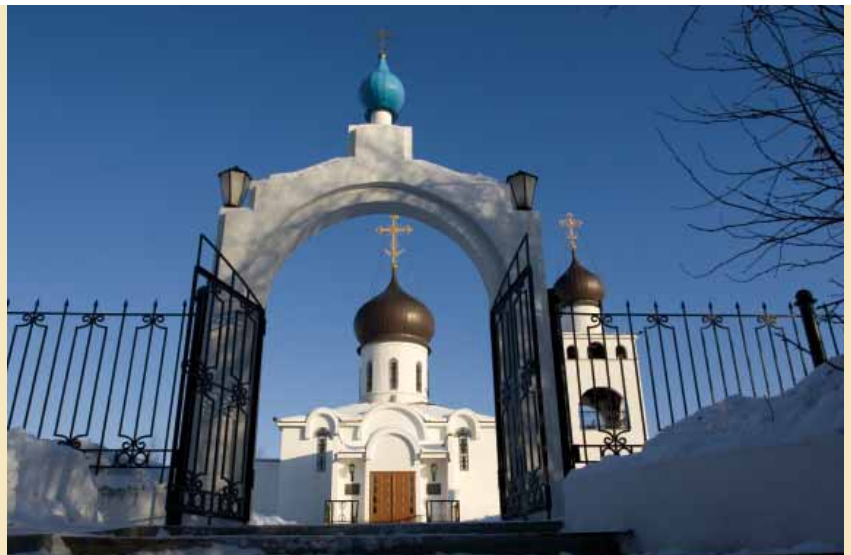
Charitable activities (RUB mln)

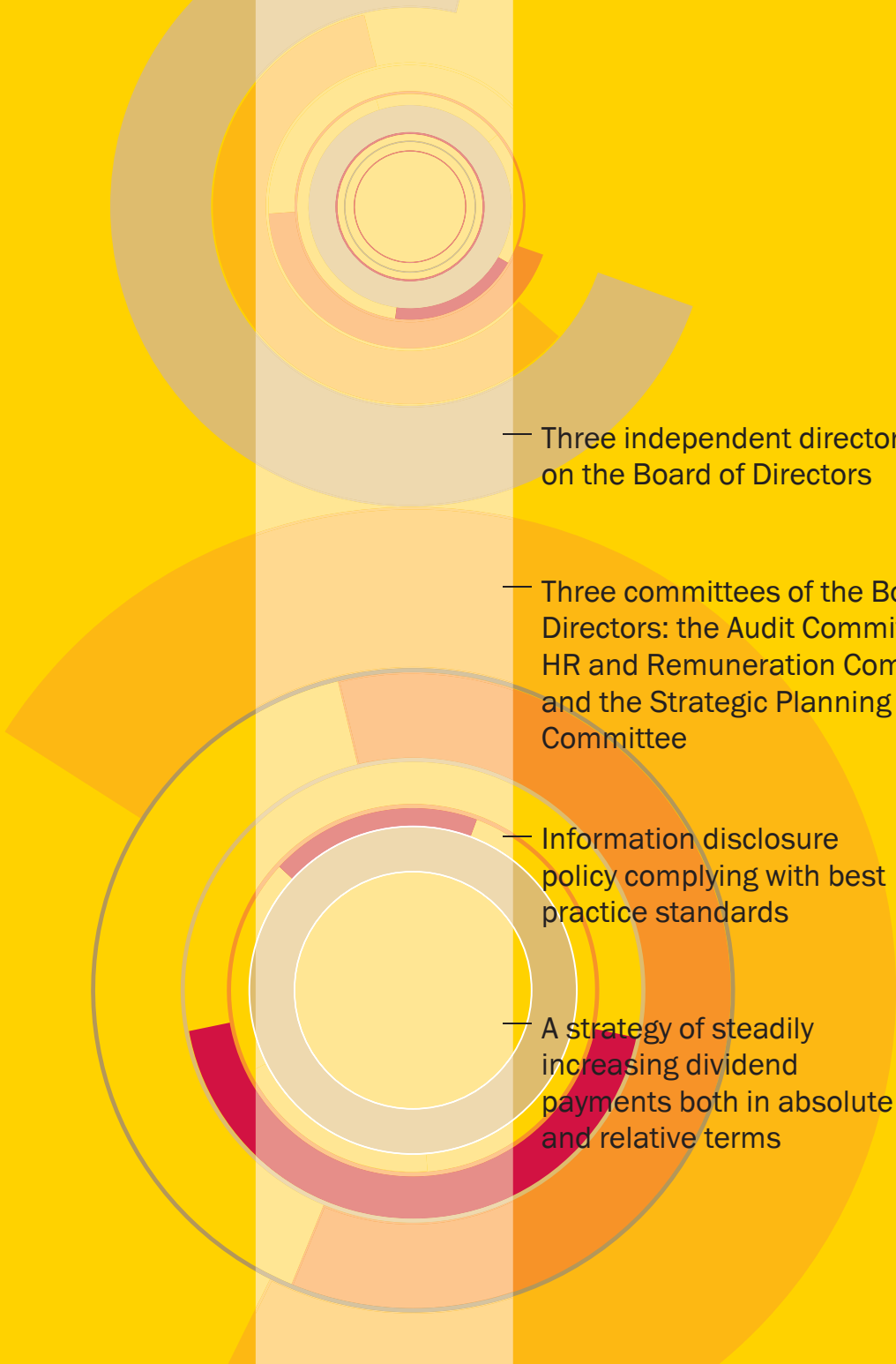


Rosneft's expenditure on social infrastructure maintenance (RUB mln)



In 2007, Rosneft was actively involved in the construction and renovation of five schools, eight kindergartens, six cultural centers and sports arenas, nine healthcare centers, and four churches





— Three independent directors on the Board of Directors

— Three committees of the Board of Directors: the Audit Committee, the HR and Remuneration Committee, and the Strategic Planning Committee

— Information disclosure policy complying with best practice standards

— A strategy of steadily increasing dividend payments both in absolute and relative terms



Corporate Governance

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Corporate Governance

Rosneft continuously improves its corporate governance system to comply with current international standards and global best practice. The Company strives to enhance the efficiency and transparency of its relationships with institutional investors and shareholders to maintain competitive edge, increase investment attractiveness, reduce the cost of borrowing, and consequently attain a higher market capitalization.

The Board of Directors of Rosneft, with the exception of the Company President, includes non-executive directors, three of whom are also independent directors. In 2007, the Board of Directors included three committees: the Audit Committee, the HR and Remuneration Committee, and the Strategic Planning Committee. All Committees are headed by independent directors.

To secure shareholder rights, the Annual General Shareholders' Meeting of Rosneft held on June 7, 2006 approved the following internal regulatory documents:

- Regulation on the General Shareholders' Meeting
- Regulation on the Board of Directors
- Regulation on the collegial executive body (Management Board)
- Regulation on the sole executive body (President)
- Regulation on the Internal Audit Committee.

A number of internal regulatory documents were approved by the decision of the Board of Directors as of May 17, 2006 (Minutes No. 6):

- Regulation on the formation and activities of the Committees of the Board of Directors
- Regulation on the Audit Committee of the Board of Directors

- Regulation on the HR and Remuneration Committee of the Board of Directors
- Regulation on the Strategic Planning Committee of the Board of Directors
- Code of Corporate Governance
- Regulation on the Corporate Secretary
- Regulation on dividend policy
- Regulation on insider information
- Regulation on information disclosure policy
- Regulation on internal control of operating and financial activities
- Regulation on the Counting Commission.

To ensure strict compliance with the provisions of the Corporate Governance Code, approved at the Russian Government session as of November 28, 2001 (Minutes No. 49), on May 22, 2007, the Company's Board of Directors resolved to broaden the scope of responsibility of the Corporate Secretary in the area of supporting the Board of Directors' activities; all relevant amendments and supplements were introduced to the Corporate Governance Code and the Regulation on the Corporate Secretary.

Rosneft's Charter and the above-mentioned documents are available on the Company's website at <http://www.rosneft.ru/Investors/information/charter/>.

Information on observation of Rosneft's Corporate Governance Code is presented in appendixes to this annual report.

Information transparency is a key principle underlying the Company's corporate governance policies and procedures. In the review period, Rosneft intensified its effort to ensure higher transparency of the infor-

mation environment, which is confirmed by the following achievements:

- award for the Best Information Disclosure for Investors on Website by RTS and Securities Market Magazine
- according to Standard & Poor's research, Rosneft is one of the ten most transparent companies among 80 largest Russian issuers.

The Company has been consistently improving its policy for communication with shareholders (including minority shareholders) and investors. Rosneft holds regular press conferences and meetings with shareholders and investors both in Russia and global financial centers to efficiently share business information.

In 2007, based on recommendations of a Big Four advisor, the Company implemented comprehensive measures to further strengthen its internal control system.

On June 30, 2007, Rosneft held the first Annual General Shareholders' Meeting as a public company, which

was dedicated to the results of fiscal year 2006. The Company's management successfully implemented all decisions taken at the meeting.

Following the results of the Annual General Shareholders' Meeting, several meetings with the minority shareholders were scheduled in order to tackle the most relevant matters of company law and shareholders' rights. Furthermore, in November 2007, Rosneft held a seminar dedicated to general principles of dividend declaration and payment at joint-stock companies, as well as to the dividend history of Rosneft. At several meeting scheduled for 2008, the Company plans to cover a number of issues related to the registrar and nominee holders, information disclosure policy, shareholders' rights, management functions, and development plans of Rosneft.

During 2007, Rosneft implemented a set of measures that enabled reducing tariffs for depositary services to individuals, as well as cancellation of payment for equity securities registration services and depositary-to-register transfer of shares and vice versa.

Board of Directors

The Board of Directors of Rosneft is responsible for general management of the Company within its authority, as stipulated by the Federal Law "On Joint-Stock Companies" and the Charter of Rosneft.

The Board of Directors is a key element of Rosneft's corporate governance system, ensuring both efficient management of the Company and control over its executive bodies, continuous and dynamic interaction

among all corporate functions, as well as protection of the shareholders' rights and privileges.

The Company strives to constantly improve the efficiency of the Board of Directors' activity, which is assured by high qualification of the members of the Board of Directors, their strong commitment to high personal and corporate responsibility, as well as a balanced combination of executive, non-executive and independent members.

The Board of Directors of Rosneft consists of nine members, three of whom are independent directors.

The Board of Directors as of December 31, 2007



Igor Sechin

Chairman of the Board of Directors of Rosneft

Born in 1960. In 1984, graduated from Leningrad State University. PhD in Economics.

From 2003 to 2004 – Deputy Head of the Executive Office of the President of the Russian Federation.

From 2004 – Deputy Head of the Executive Office of the President of the Russian Federation, Aide to the President of the Russian Federation.

From 2004 – member of the Board of Directors of Rosneft.



Sergey Bogdanchikov

Member of the Board of Directors, President of Rosneft

Born in 1957. In 1981, graduated from Ufa Petroleum Institute with honors. Doctor of Engineering and author of several scientific publications.

From 1993 – General Director of Sakhalinmorneftegaz. From 1997 – Vice-President of Rosneft. On October 14, 1998, appointed President of Rosneft by the Russian Government's Resolution.

From 1995 – member of the Board of Directors of Rosneft.



Hans-Joerg Rudloff

Independent member of the Board of Directors of Rosneft, Chairman of the Audit Committee, member of the HR and Remuneration Committee

Born in 1940. In 1965, graduated from Berne University (Economics).

From 2003 – Chairman of the Management Board of Barclays Capital.

From 2006 – member of the Board of Directors of Rosneft.

Andrey Kostin

Independent member of the Board of Directors of Rosneft, Chairman of the HR and Remuneration Committee, member of the Audit Committee

Born in 1956. In 1978, graduated from Lomonosov Moscow State University with honors (Economics). PhD in Economics.

From 2003 – President – Chairman of the Management Board of VTB Bank.

From 2006 – member of the Board of Directors of Rosneft.



Alexander Nekipelov

Independent member of the Board of Directors of Rosneft, Chairman of the Strategic Planning Committee

Born in 1951. In 1973, graduated from Lomonosov Moscow State University (Economics). PhD in Economics.

From 2003 – Vice-President of the Russian Academy of Sciences.

From 2006 – member of the Board of Directors of Rosneft.



Kirill Androsov

Member of the Board of Directors of Rosneft, member of the Audit Committee

Born in 1972. In 1994, graduated from Saint-Petersburg Naval Technical University (Engineering, Economics). PhD in Economics.

In 2005, received an MBA from the Graduate Business School, University of Chicago.

From 2003 to 2004 – First Deputy General Director of Lenenergo.

From 2004 to 2005 – Director of Department of State Regulation of Tariffs and Infrastructure Reforms of the Ministry of Economic Development and Trade of the Russian Federation.

From 2005 – Deputy Minister of Economic Development and Trade of the Russian Federation.

From 2004 – member of the Board of Directors of Rosneft.



Sergey Naryshkin

Deputy Chairman of the Board of Directors of Rosneft, member of the HR and Remuneration Committee

Born in 1954. In 1978, graduated from Leningrad Mechanical Institute. Received his second higher education at Saint-Petersburg International Institute of Management (Economics). PhD in Economics.

From 2003 to 2004 – Chairman of the Foreign Economic and International Relations Committee of the Leningrad region government.

In 2004 – Deputy Head of the Economics Department of the President of the Russian Federation.

In 2004 – Deputy Head of the Executive Office of the President of the Russian Federation.

From 2004 to 2007 – Head of the Executive Office of the President of the Russian Federation – Minister of the Russian Federation.

From 2007 – Deputy Prime Minister of the Russian Federation – Head of the Executive Office of the President of the Russian Federation.

From 2004 – member of the Board of Directors of Rosneft.



Gleb Nikitin

Deputy Chairman of the Board of Directors of Rosneft, member of the Strategic Planning Committee

Born in 1977. In 1999, graduated from Saint-Petersburg University of Economics and Finance. In 2004, graduated from Saint-Petersburg State University (Law). PhD in Economics.

From 2003 to 2004 – Head of State Property Management Department, Saint-Petersburg Committee for State Property Management.

From 2004 to 2007 – Head of Department for Commercial Sector Property Management, Federal Agency for Federal Property Management.

From 2007 – Deputy Head of the Federal Agency for Federal Property Management.

From 2006 – member of the Board of Directors of Rosneft.



Andrey Reus

Member of the Board of Directors of Rosneft, member of the Strategic Planning Committee

Born in 1960. In 1983, graduated from Lomonosov Moscow State University. PhD in Economics.

From 2002 to 2004 – Head of Office of Deputy Prime Minister of the Russian Federation.

From 2004 to 2007 – Deputy Minister of Industry and Energy of the Russian Federation.

From 2007 – General Director of OBORONPROM.

From 2004 – member of the Board of Directors of Rosneft.

In 2007, no changes took place in the composition of the Board of Directors of Rosneft.

Board of Directors' Activity in 2007

Activity of the Board of Directors and the Committees of the Board of Directors

Attendance at meetings in 2007

| Full name | Board of Directors | Audit Committee | HR and Remuneration Committee | Strategic Planning Committee |
|---------------------|--------------------|-----------------|-------------------------------|------------------------------|
| Igor Sechin | 9/9 | | | |
| Sergey Bogdanchikov | 9/9 | | | |
| Hans-Joerg Rudloff | 9/9 | 11/11 | 5/5 | |
| Andrey Kostin | 9/9 | 11/11 | 5/5 | |
| Alexander Nekipelov | 9/9 | | | 3/3 |
| Kirill Androsov | 9/9 | 11/11 | | |
| Sergey Naryshkin | 9/9 | | 5/5 | |
| Gleb Nikitin | 9/9 | | | 3/3 |
| Andrey Reus | 9/9 | | | 3/3 |

Note: the first figure shows the number of meetings which a member of the Board of Directors attended, the second one shows the total number of meetings which the member could have attended

In 2007, the Board of Directors of Rosneft issued 11 instructions to the Company's Management Board. All of them were carried out.

In 2007, the Board of Directors held 9 meetings (6 – in presence form, 3 – in absence form) where the following key issues were discussed and decisions made:

Operating and Financial Performance

The Board of Directors approved preliminary operating and financial results of the Company for 1H 2007, and amended the 2007 business plan accordingly. The Board of Directors also reviewed the Company's operating and financial results for 12M 2007, and approved an operating and financial plan for 2008. In addition, various issues of regulating Rosneft's relations with budget at all levels were discussed.

Accounts Payable

With respect to the Company's fundraising activities, the Board of Directors approved the respective transactions as well as the issue and placement of Rosneft's bonds.

Enhancement of the Corporate Governance System

The Board of Directors introduced amendments and supplements to the Code of Corporate Governance and the Regulation on Corporate Secretary.

The Board of Directors also recommended the Annual General Shareholders' Meeting to make decisions on the amounts of bonuses to the independent members of the Board of Directors, and compensations to the members of the Board of Directors.

Management Board

The Management Board of Rosneft consists of 8 members.

The Management Board as of December 31, 2007



Sergey Bogdanchikov

President of Rosneft, Chairman of the Management Board of Rosneft

Born in 1957. In 1981, graduated from Ufa Petroleum Institute with honors. Doctor of Engineering and author of several scientific publications.

From 1993 – General Director of Sakhalinmorneftegaz. From 1997 – Vice-President of Rosneft. On October 14, 1998, appointed President of Rosneft by the Russian Government's Resolution.



Sergey Kudryashov

First Vice-President of Rosneft

Born in 1967. In 1991, graduated from Kuibyshev Polytechnic Institute.

In 2006, received an MBA from Stockholm School of Economics.

From 2003 to 2005 – General Director of Yuganskneftegaz, Vice-President of CJSC YUKOS EP.

From 2005 – First Vice-President of Rosneft, responsible for production operations.



Anatoly Baranovsky

Vice-President of Rosneft

Born in 1942. In 1967, graduated from Bauman Moscow High Technical College. PhD in Economics.

From 2003 – Vice-President of Rosneft, responsible for treasury and budget issues, current assets, and fiscal regulation.



Stepan Zemlyuk

Vice-President of Rosneft

Born in 1959. In 1984, graduated from Lvov Polytechnic Institute.

From 2003 to 2004 – Vice-President of Rosneft – General Director of Purneftegaz.

From 2004 – Vice-President of Rosneft, responsible for construction projects.

Changes took place in the composition of Rosneft's Management Board in 2007. Deputy Chairman of the Management Board Nikolay Borisenko resigned effective March 16, 2007 to take another job. Early termination of employment was approved at the

meeting of the Company's Board of Directors as of May 22, 2007 (Minutes No. 4); Rosneft's Vice-President Sergey Karaganov was elected to the Management Board.



Sun Ne Kim

Chief Accountant of Rosneft

Born in 1951. In 1972, graduated from Irkutsk Institute of National Economy.
From 2003 – Chief Accountant of Rosneft.



Peter O'Brien

Vice-President of Rosneft

Born in 1969. In 1991, received a Bachelor's degree from Duke University.
In 2000, received an MBA from Columbia University.
From 2003 to 2005 – Vice-President of Morgan Stanley (Moscow).
From 2005 to 2006 – Executive Director, Co-Head of Investment Banking in Russia, Head of CIS Fuel and Energy Group at Morgan Stanley (Moscow).
From 2006 – Vice-President of Rosneft, responsible for strategic investment projects, debt and equity fundraising.



Rizo Tursunov

Vice-President of Rosneft

Born in 1947. In 1970, graduated from Moscow Institute of Electromechanics.
From 2003 – Vice-President of Rosneft.



Sergey Karaganov

Vice-President of Rosneft

Born in 1958. In 1981, graduated from Khabarovsk Polytechnic Institute. In 1998, received the second higher education at Khabarovsk State Technical University.
From 2003 to 2006 – HR Director at Rosneft.
From 2006 – Vice-President of Rosneft, responsible for HR and social policies, corporate culture, and internal communications.

Information on the Shares Held by the Members of the Board of Directors and the Management Board (as of December 31, 2007)

| Members of the Board of Directors and Management Board of Rosneft Oil Company | Number of ordinary shares | Share in authorized capital, % |
|---|-------------------------------------|--------------------------------|
| Kirill Androsov | - | - |
| Sergey Bogdanchikov | 126,672 | 0.0012% |
| Andrey Kostin | - | - |
| Sergey Naryshkin | - | - |
| Alexander Nekipelov | - | - |
| Gleb Nikitin | - | - |
| Andrey Reus | - | - |
| Hans-Joerg Rudloff | 662,500 | 0.0063% |
| Igor Sechin | - | - |
| Anatoly Baranovsky | 265,695 | 0.0025% |
| Peter O'Brien | 50,000 (global depository receipts) | |
| Stepan Zemlyuk | 168,000 | 0.0016% |
| Sergey Karaganov | - | - |
| Sun Ne Kim | 66,423 | 0.0006% |
| Sergey Kudryashov | 132,847 | 0.0013% |
| Rizo Tursunov | - | - |

Committees of the Board of Directors

In 2007, the Committees of the Board of Directors for Audit, HR and Remuneration, and Strategic Planning were engaged in the preliminary consideration of the most significant issues and preparation of respective recommendations to the Board of Directors.

The formation and activities of the Committees of the Board of Directors are carried out in compliance with the Regulation on the Procedure of Formation and Operation of the Committees of the Board of Directors of Rosneft, the Regulation on the Audit Committee of the Board of Directors of Rosneft, the Regulation on the HR and Remuneration Committee of the Board of Directors of Rosneft, and the Regulation on the Strategic Planning Committee of the Board of Directors of Rosneft.

The Committees comprise non-executive members of the Board of Directors and are headed by independent directors.

Composition of the Committees for the review period was approved by the respective decisions of the Board of Directors of Rosneft in June 2006 and in June 2007.

Audit Committee of the Board of Directors

Members of the Audit Committee:
Hans-Joerg Rudloff – Chairman
Kirill Androsov
Andrey Kostin.

The Committee is responsible for evaluation of Rosneft's nominee auditors, audit reports, and the efficiency of internal control procedures. It also drafts proposals on improvement of internal control procedures.

In addition, the Audit Committee evaluates the quality of audit services provided to Rosneft and the auditor's compliance with independence requirements, controls the accuracy and integrity of statutory and management accounting, and performs other functions as stipulated by the Regulation on the Audit Committee of the Board of Directors of Rosneft.

The Audit Committee ensures ongoing interaction among the Board of Directors, Rosneft auditors, the Internal Audit Committee, executive bodies, financial management, and internal control functions.

HR and Remuneration Committee of the Board of Directors

Members of the HR and Remuneration Committee:

Andrey Kostin – Chairman

Sergey Naryshkin

Hans-Joerg Rudloff.

The main functions of the HR and Remuneration Committee are: HR policy formation, regulation of compensation and performance incentive matters, development of principles and criteria of establishing the amount of remuneration and compensation to the members of the Board of Directors and the Management Board of Rosneft, and development of long-term remuneration programs for the Company's employees (bonuses and optional forms of remuneration).

The members of the HR and Remuneration Committee may not participate in the evaluation of their own performance and decision-making regarding their remuneration.

To ensure continuous cooperation of the Board of Directors with the structural division responsible for implementation of the Company's HR policy, the Committee and Rosneft's HR department perform preliminary evaluation of candidates to the positions of Vice-President, Chief Accountant, Financial Director, R&D Director as well as preliminarily approve forms and amounts of bonuses, compensations and other payments to such persons.

Strategic Planning Committee of the Board of Directors

Members of the Strategic Planning Committee:

Alexander Nekipelov – Chairman

Gleb Nikitin

Andrey Reus.

The Strategic Planning Committee determines strategic objectives and key development areas for Rosneft. The Committee's main function is preliminary approval of short- and long-term operating and financial plans for the Company.

The Strategic Planning Committee together with the Company's executive bodies elaborate and submit for approval to the Board of Directors policies aimed at increasing Rosneft's capitalization, establish the Company's investment, marketing, dividend, credit, holding policies and the policy regarding Rosneft's non-core assets, as well as evaluate the efficiency of interaction between the Company and its investors.

Activities of the Committees of the Board of Directors of Rosneft in 2007

Audit Committee

In the review period, the Audit Committee operated in accordance with its plan for 2007.

The Audit Committee held 11 meetings in 2007.

The Audit Committee reviewed the project to establish an integrated system of performance indicators, financial reporting and reference data; the corporate risk management system; the opinions of the Internal Audit Committee of Rosneft on the results of audit of the Company's financial and economic activities in 2006, on the results of audit of the annual financial statements of Rosneft for 2006, and on the reliability of data presented in the Company's annual report for 2006.

The Audit Committee also evaluated the opinion of Rosneft auditor, reviewed the Company's consolidated financial statements for 2006 under US GAAP and interim consolidated financial statements of Rosneft for 3 months and 6 months of 2007 under US GAAP, reviewed the results of the audit tender held by Rosneft and approved auditors to audit the 2006 statutory accounts of Rosneft and its subsidiaries under RAS and US GAAP as well as the respective fees.

In addition, the Audit Committee approved the schedule for implementing measures aimed at improving the efficiency of the Company's internal control system and reviewed progress in the implementation of such measures, reviewed progress in the development of the project of financial reporting fast-close, and approved the concept of restructuring the Company's accounting function.

The Audit Committee made a number of recommendations to the Board of Directors with respect to the following:

- determining prices of related-party transactions and approving such transactions
- determining prices of material transactions and approving such transactions
- preliminary approval of the Company's annual report for 2006 and annual financial statements for 2006, including the profit and loss statement
- recommendations to the General Shareholders' Meeting on the amount of dividends and payment procedure, as well as profit distribution based on performance in fiscal year 2006

- the corporate risk management system.

HR and Remuneration Committee

In the review period, the HR and Remuneration Committee operated in accordance with its plan for 2007.

The HR and Remuneration Committee held five meetings in 2007.

The HR and Remuneration Committee prepared recommendations to the Board of Directors with respect to the payment procedure and amounts of compensations and bonuses to the independent members of the Board of Directors, on early termination of employment of a Management Board member and election of a Management Board member, on the Management Board members holding positions at other legal entities, on the amount of performance bonuses in 1H 2007 to the President, First Vice-President, Vice-Presidents including the Vice-President for Finance, Chief Accountant, Financial Director, and R&D Director of Rosneft.

Furthermore, the HR and Remuneration Committee approved salary increases for the Vice-Presidents, Chief Accountant, and Financial Director of Rosneft based on their performance in 2006, as well as programs to develop the system of corporate pension coverage in 2006 and the years to follow.

Strategic Planning Committee

In the review period, the Strategic Planning Committee operated in accordance with its plan for 2007.

The Strategic Planning Committee held three meetings in 2007.

The Strategic Planning Committee prepared recommendations to the Board of Directors on approval of

the plan of the Company's financial and economic activities in 2008, on amending Rosneft's business plan for 2007, on the issue of bonds, and on the regulation of Rosneft's relations with budgets of all levels.

In addition, the Strategic Planning Committee approved the policy for cooperation with the Company's shareholders and investors in 2008.

The activities of the Committees for Audit, HR and Remuneration, and Strategic Planning in 2007 were positively evaluated by the Board of Directors (Minutes No. 1 dated March 05, 2008).

Bonuses to Members of the Board of Directors and the Management Board

On June 30, 2007, the Annual General Shareholders Meeting of Rosneft resolved to pay the following bonuses to independent members of the Company's Board of Directors for 2006:

- Andrey Kostin – USD 200 thousand
- Alexander Nekipelov – USD 185 thousand
- Hans-Joerg Rudloff – USD 200 thousand.

Furthermore, a decision was made to reimburse the members of the Board of Directors for expenses attributable to their activities on the Board of Directors of Rosneft.

The members of the Board of Directors of Rosneft, who are government officials, are not compensated for their service on the Board of Directors.

The members of Rosneft's Management Board receive salaries as stipulated by the respective labor contracts, and are not entitled to bonuses for their service on the Management Board.

Authorized Capital

The authorized capital of Rosneft as of December 31, 2007 is RUB 105,981,778.17 and is divided into 10,598,177,817 ordinary shares with a par value of RUB 0.01.

The state registration number of issue of ordinary shares of the Company is 1-02-00122-A.

The date of state registration of issue of ordinary shares of the Company is September 29, 2005.

The number of shareholders registered in the shareholder register of Rosneft as of December 31, 2007 is 36,964 (including 20 nominee shareholders). The number of nominee shareholders has not changed as compared to December 31, 2006.

As of December 31, 2007, Rosneft had no preferred shares.

Structure of Rosneft Equity

| List of the Largest Shareholders of Rosneft | | | | |
|---|-------------------------|-----------------------------|-------------------------|-----------------------------|
| Shareholders | As of December 31, 2006 | | As of December 31, 2007 | |
| | Number of shares | Share in authorized capital | Number of shares | Share in authorized capital |
| ROSNEFTEGAZ | 7,965,816,383 | 75.16 | 7,965,816,383 | 75.16 |
| NK YUKOS | 1,000,000,000 | 9.44 | - | - |
| RN-Razvitie | - | - | 1,000,000,000 | 9.44 |
| Sberbank of Russia (nominee shareholder) | 1,034,133,827 | 9.76 | 1,210,564,190 | 11.42 |
| Vneshekonombank (nominee shareholder) | 332,119,664 | 3.13 | - | - |
| Non-profit partnership National Depository Center (nominee shareholder) | - | - | 228,681,153 | 2.16 |
| Other legal entities holding less than 1% of shares | 197,126,186 | 1.86 | 129,897,225 | 1.22 |
| Individuals | 68,981,757 | 0.65 | 63,218,866 | 0.60 |

In 2006 and 2007, the Russian Government's direct share in Rosneft's equity was 0.000000009%.

Rosneft's management has no information about any shareholders with equity stakes exceeding 5% (shareholders of Rosneft with equity stakes exceeding 5% of total issue), other than those listed above.

No issues and/or placements of additional shares of the Company were carried out in the review period.

Rosneft's shares are traded on the RTS and MICEX stock exchanges.

At the beginning of 2007, in compliance with the established decision-making procedure in the securities market, Rosneft's shares were promoted from Quotation List C to Quotation List B both on RTS and MICEX

Rosneft's securities also circulate outside Russia. In July 2006, Rosneft carried out a Global Depositary Receipts program. The depositary bank is J.P. Morgan Europe Limited. GDRs are traded on the London Stock Exchange and certify the rights with respect to Rosneft's registered common shares. One GDR is equivalent to one registered common share of Rosneft.

Dynamics of Rosneft share quotes in 2007 (USD per share)

GDR quote dynamics, London Stock Exchange



Share quote dynamics, RTS

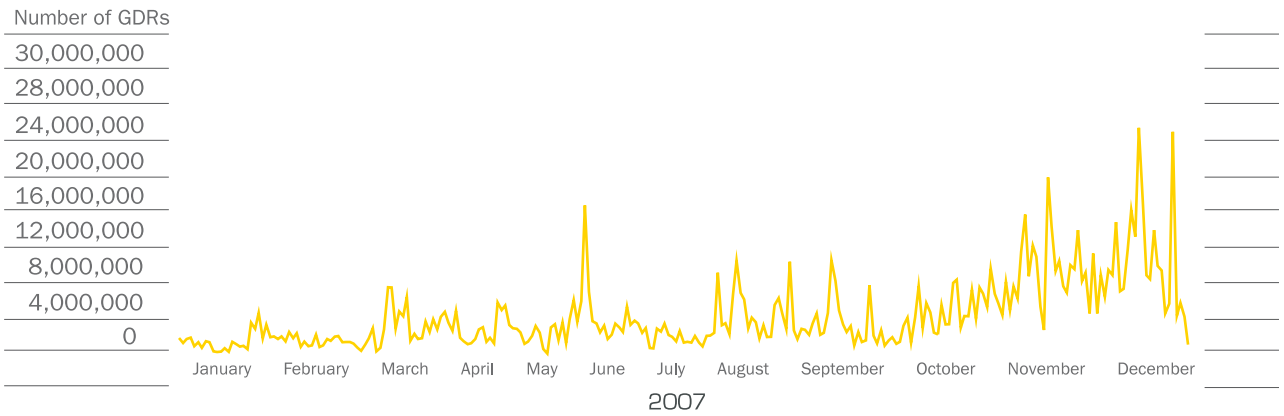


Share quote dynamics, MICEX

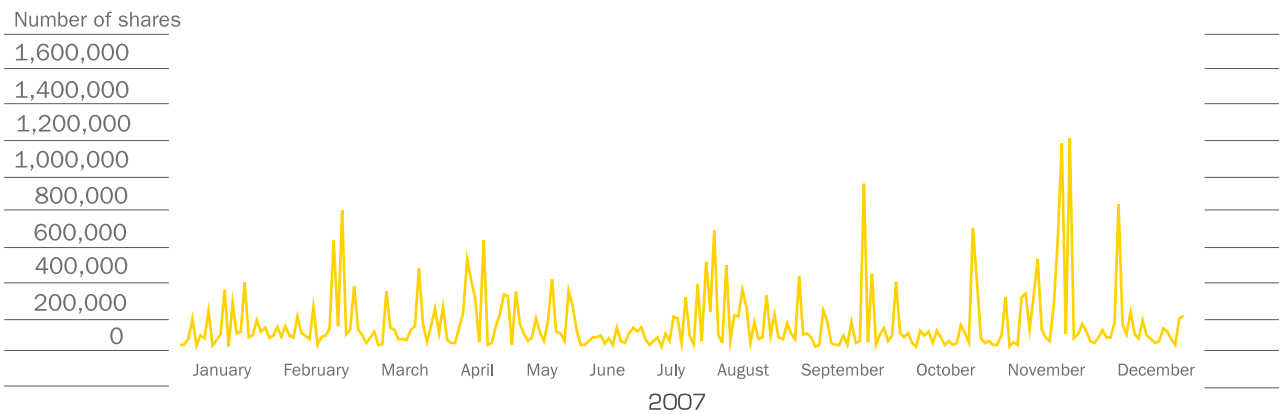


GDR and share trade volumes in 2007

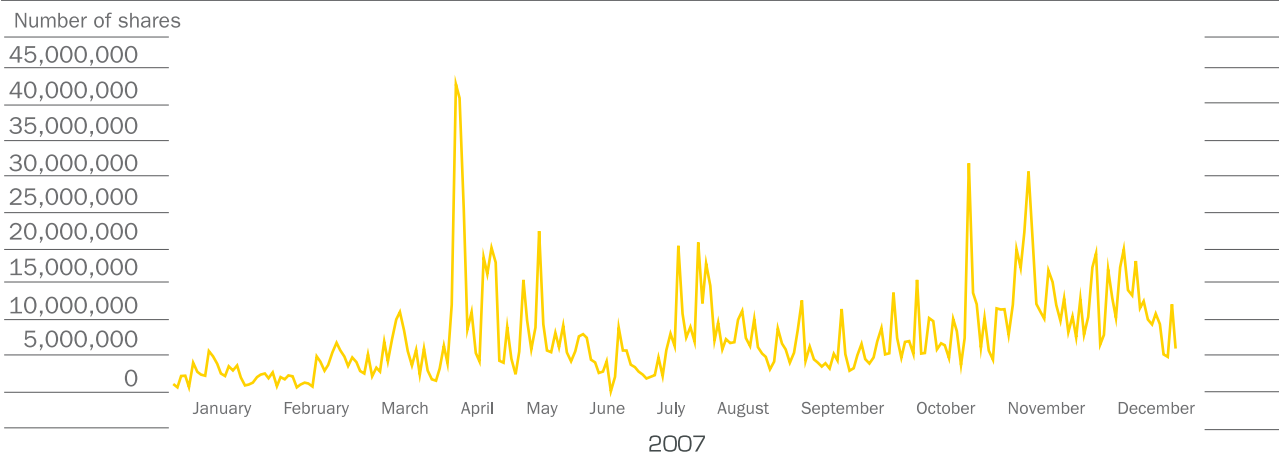
London Stock Exchange



RTS



MICEX



Dividend Policy

In May 2006, Rosneft's Board of Directors voted to adopt the Regulation on Dividend Policy, developed in accordance with Russian legislation, the Company's Charter, and the Code of Corporate Governance. The Regulation sets out the main principles of Rosneft's dividend policy, decision-making on declaring and paying out dividends as well as calculation of their amount.

Rosneft pursues a well-balanced strategy aimed at continuously increasing dividend payments both in absolute and relative terms.

In establishing the amount of dividends to be paid, the following are taken into consideration: the scale of investment programs, including investments in produc-

tion expansion, the need to constantly enhance the Company's investment attractiveness and increase capitalization, as well as strict observance of shareholders' rights as stipulated by applicable legislation of the Russian Federation.

The Board of Directors recommends the amount of dividend payments to the Annual General Shareholders' Meeting on the basis of the Company's annual financial results under RAS.

Rosneft informs the shareholders of its dividend policy by placing information for download on the corporate website: www.rosneft.ru (Russian version) and www.rosneft.com (English version).

Dividend history of Rosneft

| Year | Total amount of dividends (declared and paid), RUB mln | Dividends per share, RUB | Dividend payout ratio, RAS |
|------|--|--------------------------|----------------------------|
| 1999 | 200 | 2.21 | 3.4% |
| 2000 | 800 | 8.87 | 5.3% |
| 2001 | 1,100 | 12.19 | 11.0% |
| 2002 | 1,500 | 16.63 | 16.8% |
| 2003 | 1,500 | 16.50 | 8.1% |
| 2004 | 1,755 | 19.31 | 10.0% |
| 2005 | 11,336 | 1.25 | 20.0% |
| 2006 | 14,096/14,072 | 1.33 | 19.5%* |

* dividend payout ratio was determined on the basis of net income excluding effect of proceeds from the Yukos bankruptcy.



The Board of Directors recommends the amount of dividend payments to the General Shareholders' Meeting on the basis of Rosneft's annual financial results

Information Disclosure

In the field of information disclosure, Rosneft is governed by the requirements of the Federal Law “On Securities Market”, the Federal Law “On Joint-Stock Companies”, the regulation on information disclosure by issuers of securities, approved by the Order of the Federal Financial Markets Service dated October 10, 2006 No. 06-117/pz-n, and other regulatory acts.

Rosneft’s information disclosure policy is based on the principles of regularity, efficiency, accessibility, integrity, and meaningfulness.

In May 2006, the Company’s Board of Directors adopted the Regulation on Information Disclosure Policy, based on which information is accessible to shareholders and all individuals concerned, regardless of reasons for obtaining such information, by following a procedure ensuring that all required data are made available.

The main disclosure mechanism is Rosneft’s website, which contains relevant information on key facts and events, management structure, as well as the Company’s operating and financial results.

Rosneft’s website also contains the Company’s Charter and internal regulations, annual and quarterly reports, financial statements (consolidated and interim), information on affiliates and other data that can affect the value of the Company’s securities.

Rosneft also provides information in brochures, booklets, press conferences, and press releases, as well as at meetings with shareholders and other individuals.

The Company strictly complies with legislative requirements concerning shareholders’ access to required information.

Rosneft holds regular press conferences and meeting with shareholders and others to efficiently share business information



Code of Corporate Governance

In May 2006, Rosneft's Board of Directors voted to adopt the Code of Corporate Governance, which sets out key principles of the Company's corporate governance system. The Code was developed in accordance with the Federal Law "On Joint-Stock Companies", the sample Code of Corporate Governance recommended by the Federal Financial Markets Service, the Principles of Corporate Governance of the Organization for Economic Cooperation and Development (OECD), and Rosneft's Charter.

The Code's provisions reflect global best practice in the area of corporate governance, including the pro-

tection of rights and equal treatment of all shareholders; timely disclosure of relevant information, including the Company's financial position, performance indicators, ownership structure and governance; strategic management of the Company and efficient control over activities of its executive bodies; accountability of the Company's Board of Directors to the General Shareholders' Meeting, etc.

In May 2007, Rosneft's Board of Directors approved amendments and supplements to the Code of Corporate Governance concerning the Corporate Secretary's support of the Board of Directors' activities.

Internal Control

Control over Rosneft's operating and financial performance is exercised by the Internal Audit Committee, the Audit Committee, and the Audit Department.

Structure and Authority of the Internal Audit Committee

Control over Rosneft's operating and financial performance is carried out by the Internal Audit Committee, which is selected by the General Shareholders' Meeting for one year and consists of five members. Members of the Internal Audit Committee may not at the same time serve as members of the Board of Directors or hold other positions in the Company's management bodies. Audits of Rosneft's operating and financial performance are mandatory and performed based on the Company's annual results, and additionally at the discretion of the Internal Audit Committee, the General Shareholders' Meeting, and the Board of Directors or at the request of shareholders holding at least 10% of the voting shares. The authority of the Internal Audit Committee on issues not stipulated by the Company's Charter is governed by the Regulation on the Internal

Audit Committee, which was approved by the General Shareholders' Meeting of Rosneft on June 7, 2006. The Internal Audit Committee shall perform an annual audit of the Company within 60 days after the end of the respective fiscal year.

The Internal Audit Committee is responsible for:

- auditing the Company's financial documents and statutory accounts; inspecting official opinions of the Property Inventory Commission; comparing financial documents with original accounting data
- analyzing accuracy and consistency of statutory, management, tax, and statistical accounting
- verifying the Company's compliance with the operating and financial plans approved by the Board of Directors
- verifying the Company's compliance with the profit distribution procedure for the respective accounting period, approved by the General Shareholders' Meeting



- analyzing the Company's financial position, solvency and liquidity, leverage, net assets and authorized capital; identifying opportunities to improve the Company's performance; developing recommendations for the Company's management bodies
- verifying the timeliness and accuracy of payments to suppliers, payments to the budget and non-budget funds, accrual and payment of dividends and bond interest, as well as settlement of other liabilities
- confirming the accuracy of data contained in the Company's annual report(s), annual accounting statements, and reports prepared for tax authorities, statistics services, and governmental agencies
- verifying the legitimacy of the Company's sole executive body entering into agreements on behalf of Rosneft
- verifying the legitimacy of decisions made by the Board of Directors, the sole executive body, the Liquidation Committee; verifying the compliance of such decisions with the Company's Charter and resolutions of General Shareholders' Meetings
- verifying the compliance of resolutions of General Shareholders' Meetings with applicable legislation and the Company's Charter.

The Internal Audit Committee is also authorized to:

- request that explanations be provided by any member of the Company's Board of Directors or any Rosneft employee with respect to issues within the authority of the Internal Audit Committee
- raise issues within Rosneft's management bodies with respect to responsibility of the Company's officers and other employees in cases of violation of the Charter, internal procedures and instructions, as well as other regulations of the Company

In accordance with the adopted plan, the Internal Audit Committee performed four audits of the Company and prepared a confirmation of the accuracy of data contained in the Annual Report for the Annual General Shareholders' Meeting.

Members of the Internal Audit Committee:

Andrey Kobzev – Chairman of the Internal Audit Committee
Year of birth: 1971

Education: higher
Organization: Federal Energy Agency of the Russian Federation
Position: Deputy Head of Fuel and Energy Sector Legal Support and Property Affairs Division

Victoria Oseledko – Member of the Internal Audit Committee
Year of birth: 1976
Education: higher
Organization: Ministry of Industry and Energy of the Russian Federation
Position: Deputy Director of State Industrial Policy Department

Yury Pisarev – Secretary of the Internal Audit Committee
Year of birth: 1953
Education: higher
Organization: OJSC Rosneft Oil Company
Position: Head of Audit Department

Natalya Radkova – Member of the Internal Audit Committee
Year of birth: 1963
Education: higher
Organization: Ministry of Industry and Energy of the Russian Federation
Position: Head of Accounting and Reporting Section of Department for Budget Policy and Finance

Lev Feodosiev – Member of the Internal Audit Committee
Year of birth: 1976
Education: higher
Organization: OJSC NOVATEK
Position: Head of Business Development and Strategic Planning Department

Audit Committee

Within the authority delegated by the Board of Directors, the Audit Committee:

- ensures constant interaction of the Board of Directors with an auditor, an independent appraiser, the Internal Audit Committee, the Audit Department, executive bodies, and financial management
- determines the amount of audit fees, evaluates the quality of audit services and the auditor's compliance with independence requirements

- controls the accuracy and integrity of Rosneft's tax, statutory, and management accounting
- makes recommendations to the General Shareholders' Meeting with respect to distribution of profit and loss based on the fiscal year results, as well as the amount of dividends and their payment procedure
- evaluates the property of the Company, as well as placement and repurchase of securities as provided by the Federal Law "On Joint-Stock Companies"
- approves material transactions as provided by Chapters 10 and 11 of the Federal Law "On Joint-Stock Companies"
- develops and approves internal control procedures in close cooperation with the Company's executive bodies and the structural unit responsible for internal control
- reviews the results of audits and inspections of the Company's operating and financial performance
- reviews proposals and recommendations on crisis management.

Structure and Authority of the Audit Department

Rosneft's Audit Department is responsible for:

- establishment of an integrated system of comprehensive control over financial and economic activities of Rosneft's divisions, representative offices, and subsidiaries
- performance of comprehensive and targeted audits of production and financial activities of the Company's divisions, representative offices, and subsidiaries with participation of relevant experts and members of internal audit committees and audit subdivisions
- facilitation of quality and timely implementation of decisions made by the Company's Board of Directors, the Management Board, and the President; review of applications from Rosneft's subsidiaries and

structural divisions on the issues within the authority of the Audit Department, as well as control over execution of the respective decisions

- assessment, classification, and minimization of potential risks arising in the course of the Company's operations
- cooperation with the Audit Committee and provision of information on the state of the Company's internal control
- methodological support of control and internal audit committees as well as other relevant divisions of Rosneft's subsidiaries.


The Audit Department reports to the Audit Committee of the Board of Directors and the Companies' executive bodies, which is in line with global best practice and current international requirements to audit activities. This ensures independence of the Audit Department in executing its tasks and authority.

The results of audits and inspections are submitted for review to Rosneft President as the Chairman of the Management Board and a member of the Company's Board of Directors. Recommendations on the best ways to address the identified violations and drawbacks as well as to mitigate associated risks are developed in close collaboration with heads of the Company's divisions.

The Audit Department reports on its performance and measures to improve internal control to the Company's Management Board on an annual basis.

Head of the Audit Department participates in all meetings of the Audit Committee and presents quarterly reports on the Department's activities and performance, as well as the overall state of internal control.

The Audit Department actively cooperates with independent auditors in order to ensure higher efficiency of Rosneft's audit and control procedures.



— Rosneft performs ongoing monitoring of legal risks, mitigates the probability of their occurrence, and actively protects its rights and legal interests within the framework of applicable legislation

— Administrative and economic reforms carried out in the Russian Federation improve the economic situation in the country and largely contribute to long-term social and political stability

— The Company pursues a balanced policy in utilizing both its own and borrowed funds and enjoys high credit ratings by Moody's (Baa1), Fitch (BBB-), and S&P (BB+)



Risk Analysis

| | |
|-----------------|-----|
| Legal Risks | 106 |
| Industry Risks | 110 |
| Financial Risks | 116 |



Legal Risks

Legal risks related to changes in exchange regulation

Rosneft operates on global markets and some of the Company's assets and liabilities are denominated in foreign currency, therefore any change in government instruments of exchange regulation may affect the business operations of the Company.

Exchange legislation of the Russian Federation has recently been liberalized, in line with the government's policy aimed at achieving full convertibility of the ruble.

In accordance with legislative amendments coming into effect on January 1, 2007, to the Federal Law On Exchange Regulation and Exchange Control (No. 173-FZ from December 10, 2003), the following regulations were cancelled:

- Regulation by the Central Bank of the Russian Federation of foreign exchange operations, including the following requirements:
 - use of a special account
 - cash provision in committing exchange operations
 - mandatory sale by residents of exchange proceeds on the domestic exchange market of the Russian Federation.
- Prior to January 1, 2007, the following restrictions on exchange operations were lifted:
 - regulation by the Government of the Russian Federation of foreign exchange operations involving capital flow
 - provisions for guaranteeing foreign exchange operations with capital flow

- restrictions on transfers by residents of funds to their accounts (deposits) opened with banks outside of the Russian Federation, from their accounts (deposits) in the authorized banks
- restrictions on transactions of debiting and/or crediting cash funds and domestic and foreign securities to/from a special account.

Rosneft believes that the trend of exchange regulation liberalization reduces the risks of any changes in having adverse effects on the Company's operations. During the accounting period, no material changes in the legislation related to exchange regulation and exchange control were introduced.

Legal risks related to changes in customs legislation

As a company involved in cross-border trade, Rosneft incurs certain risks related to legislative changes to governmental regulation of foreign trade, and in customs legislation governing the procedures for movement of goods across customs borders, establishment and application of customs treatments, and establishment, implementation and collection of customs charges.

Customs regulations are applied in accordance with the requirements of the Customs Code of the Russian Federation (No. 61-FZ from May 28, 2003), other Federal Laws passed in accordance with the Customs Code of the Russian Federation (acts of customs legislation), the Federal Law on Customs Tariffs (No. 5003-I from May 21, 1993), other federal acts and legislation adopted relating to governmental regulation of foreign economic activity, and with the treaties of the Russian Federation in the area of customs operations.

At present, in accordance with the Federal Law on the Fundamentals of State Regulation of Foreign Trade Activities (No. 164-FZ from December 8, 2003), oil export operations are not subject to quantitative restrictions or licensing. Quantitative restrictions are possible at the discretion of the Government of the Russian Federation in certain exceptional cases as specified in this law.

The procedure for establishing the rates of customs duties on crude oil (TN VED of Russia Code 2709 00) and certain categories of goods produced from oil as defined by the Government of the Russian Federation, is stipulated in subparagraph 4 of the Federal Law on Customs Tariffs (No. 5003-I from May 21, 1993).

The rates of export customs duties for crude oil and oil products are established based on the average price of Urals crude oil on global markets (Mediterranean and Rotterdam) during the last monitoring period and become effective on the first day of the second calendar month following the monitoring period.

Activities related to execution of customs operations, payment of customs duties and other acts associated with the observation of the oil export customs treatment and representation of Rosneft's interests in relation to customs control are performed using the services of professional organizations and customs brokers acting on behalf and by commission of the Company. The involvement of customs brokers in customs operations does not shield Rosneft from the potential risk of incurring administrative liabilities in the event of customs legislation violations, which Rosneft takes measures to prevent through active communication with and oversight of customs brokers.

Despite possible changes in customs duty rates for some goods, this risk is common for all participants of the respective business segment and should not be viewed as significant for Rosneft.

No significant changes were introduced to Russian customs legislation in 2007.

Thus, the dynamics and nature of changes introduced in the customs legislation indicate that it is one of the most stable areas of legislation in the Russian Federation, which in turn allows for the assessment of legal risks related to changes in customs control regulations and customs charges (including duties) payment procedure as marginal.

Legal risks related to changes in legislation for subsoil resource use and licensing

The development of new subsoil resource legislation is based on detailed regulation of processes of subsoil resource use on the part of the state, the need to enhance rational use of subsoil areas and thorough observation of environmental legislation.

Rosneft conducts its business in license areas with due regard of the strict requirements of Russian subsoil resource legislation, ensuring license agreements are duly updated as the applicable legislation changes.

The Federal Law on Subsoil Resources has been amended with regard to the transfer and renewing licenses for of subsoil area use rights. Subsoil area use rights now may be transferred from a holding company to a subsidiary, from a subsidiary to a holding company and between subsidiaries controlled by the same holding company. A legal entity to which the right of use is transferred, must comply with the requirements established for a subsoil resource user in Russian legislation.

The above changes may be generally assessed as positive, as the provisions included in Russian legislation regarding the transfer of a license within a group provide Rosneft opportunities for optimizing its license management system.

The new law on subsoil resources encourages financing of exploration work by the subsoil resource user. In view of Rosneft's projects in the area of geological exploration, the mechanisms of obtaining licenses for the right of subsoil resource use without an auction or tender procedure by the subsoil resource user who has completed the exploration and prospecting work for both onshore and offshore projects in Russia seem to be topical. Further improvement of such procedures based on subordinate legislations will allow for the optimization of the process of obtaining licenses for hydrocarbon production.

Changes in the Federal Law on Subsoil Resources (No. 118-FZ from June 26, 2007) aimed at bringing it in line with land-use legislation protect the interests of a subsoil resource user who acquires the right to use subsoil resources through an auction or tender procedure, in so much as a subsoil resource user is guaranteed that consent of the land owners is in place to transfer the land for the purposes of carrying

out work on the subsoil area. However, this situation can complicate the procedure of conducting auctions and tenders, including with respect to the Company's prospective areas.

Material changes in the provisions of the applicable legislation on licensing of certain types of business, particularly, the changes introduced through the Governmental Decree on Changes to the Provision on Licensing Business for Operation of Fire-Hazardous Industrial Facilities (Decree No. 632 from October 2, 2007), establish that business licenses do not cover facilities intended for retail sales of gasoline and diesel fuel. These changes have been adopted as part of an effort to streamline licensing practices in this area.

Rosneft ensures compliance of its operations with safety requirements and implements measures to guarantee that safety standards at retail facilities are observed, in accordance with legislative provisions regarding the operation of extremely dangerous industrial facilities and requirements concerning industrial safety and environmental protection.

The Federal Law on the State Cadastre of Real Estate, which came into effect on March 1, 2008, defines the procedure and key features of cadastral accounting of land, buildings, structures, premises and projects under construction, which will favorably affect operations of the Company with regards to registering property rights and consolidating efforts in this area.

Recent amendments to the Federal Law on Enforcement of the Forest Code are aimed at eliminating administrative barriers that previously arose in the process of bringing contracts of lease of forest fund areas and contracts of unlimited use of forest fund areas concluded before January 1, 2007, into compliance with the New Forest Code. The relevant changes in the legislation are viewed by the Company as positive, as a regulatory framework is provided to resolve a number of issues in conducting business operations in forested areas and in the course of obtaining corresponding permits. Conversely, inclusion in the Forest Code of provisions introducing the category of "unexploited forest" and ban against any activities on the areas – in view of the absence of a legal framework for transition of such lands and forest areas to other categories – significantly impedes prospecting, exploration and production operations on the Company's licensed territories where "unexploited forest" areas are present.

Rosneft continuously reviews and analyzes legislative initiatives of relevant ministries and departments in the area of legislation on subsoil resources and licensing of certain types of business. The proposed and discussed amendments to existing laws may, in general, favorably affect the system of subsoil resource use and operations of licensed business in the Russian Federation.

Legal risks related to changes in licensing requirements for Rosneft's core business may produce adverse effects only to a minor extent, as the Company has all the necessary fixed assets and equipment at its disposal, performs its operations in strict observance of the standards and requirements of applicable Russian legislation, monitors any changes in applicable legislation of the Russian Federation and gives them due regard.

Legal risks related to changes in tax legislation

In 2007 a number of amendments were introduced to tax legislation that came into effect on January 1, 2008, changing the procedure of tax and duty charges and payment. The following may be viewed as the most critical risks affecting Rosneft's business.

Profit tax

Zero tax rate was introduced with respect to dividends distributed from a subsidiary, with the zero rate application possible only in the case that certain conditions are met. The tax rate was decreased from 15% to 9% with respect to income in the form of dividends received by a Russian legal entity from a foreign legal entity.

VAT

The tax period duration was increased from one month to one quarter. Application of VAT exemption in the course of sale of nonferrous scrap and waste metal is now mandatory, and the sale of ferrous scrap and waste is charged with VAT in accordance with the general practice. The list of operations exempted from taxation was enlarged to include operations related to the sale in the Russian Federation of exclusive rights and rights of use of the specified intellectual activity products on the basis of a license contract; performance by organizations of R&D and engineering works associated with the creation of new products and processes or improvement

of existing products and processes; operations of assignment (acquisition) of creditor rights (claims) on liabilities arising from cash loan contracts and/or credit agreements.

The period for collection of documents to confirm a rate of 0% and tax deductions was extended to 180 days for entities that render works and services associated with production and distribution of goods under the export customs treatment.

In settlements for products/works/services purchased through one's own assets, taxpayers are granted the right of a tax deduction provided that VAT was not paid in cash under a payment order.

The taxable base for VAT purposes does not include payment and partial payment received by a taxpayer against pending deliveries of goods/works/services taxable at a rate of 0%, exempted from taxation.

Legislative drafts that may be approved and passed during 2008, and the general direction of tax policy in the Russian Federation for 2008-2010 approved by the Government of the Russian Federation, provide for the following changes.

The most significant of the planned innovations is the procedure of regulation of transfer pricing which materially alters and supplements provisions of Articles 20 and 40 of the Tax Code of the Russian Federation: the number of formal grounds for recognizing the related entities has been increased; the scope of control over pricing levels now includes interest rates under credit agreements, loan agreements and other debentures, and transactions involving interests, information and intellectual property; a formula has been introduced to calculate the market-price interval for the purposes of taxation; the list of specific sources of information has been established to be used to determine market prices for the purposes of taxation; new methods has been added to the existing methods of market price determination; the list of controlled transactions has been extended; the list of foreign countries and territories with which transactions of residents are controlled has been provided; it has been envisaged to allow major taxpayers to conclude interim agreements with respect to the procedure to determine prices for the purposes of taxation.

With respect to the mineral extraction tax, it has been envisaged to maintain a fixed tax rate in the medium

term until 2017, to transfer to a maximally broad application of specific tax rates with respect to coal, metals, turf, salts, widespread mineral resources, and mineral waters; the possibility has been considered to introduce tax holidays for companies investing in development of new fields on the Northern seas' continental shelf; it is expected that the annual rate of the mineral extraction tax for natural gas production will be indexed by a ratio materially exceeding the forecast inflation level, with an opportunity to differentiate rates depending on production conditions.

With respect to the profit tax, it has been proposed to introduce consolidated tax statements involving a procedure to consolidate incomes, losses and to disclose income by a holding or a group of taxpayers; to introduce taxation of foreign-controlled companies which provides, if certain conditions are met, for taxation of profit obtained by foreign companies controlled by Russian taxpayers; to introduce the institution of tax residence of legal entities for the purposes of taxation of income of organizations registered in offshore zones.

With respect to excises, it is envisaged to cancel the rate indexation in 2008, and to gradually introduce indexing rates for oil products as applied to fuel types that do not meet Euro 2, Euro 3, and Euro 4 standards.

With respect to VAT, it is planned to amend the list of documents which confirm the right of application of the 0% rate and tax deductions, a special register of tax returns will be introduced to replace paper media with special marks by tax authorities; the public system of registration of VAT payers with assignment of individual Taxpayer Identification Number will be introduced; automated methods of tax control and selection of taxpayers for the purpose of conducting tax audits with respect to VAT will be implemented; the current schedule of operations exempted from VAT taxation will be changed; the procedure for determining the taxable base will be detailed in the course of transactions with property of closed unit investment trusts.

The nature of changes both introduced and proposed is viewed by the Company as positive, as they are aimed at observation of common taxation standards established by the Constitution of the Russian Federation and the Russian Tax Code, as well as intensification of tax control measures.

Rosneft constantly monitors changes introduced into tax legislation, and analyzes and forecasts the degree

of potential influence of such changes on its business. The Company charges and pays taxes and duties in strict compliance with legislative requirements. For these reasons, the probability of the occurrence of risks related to effective or possible changes in tax legislation are assessed by the Company as immaterial.

Legal risks related to changes in practice

Decisions of the Constitutional Court of the Russian Federation, enactments of the Plenary Session of the

Supreme Court of Arbitration of the Russian Federation and the Supreme Court of the Russian Federation are of great importance for proper dispute resolution.

Rosneft regularly monitors decisions of the higher courts as well as at the level of the district courts, actively applying and using them not only to protect its rights and legal interests, but also to resolve legal issues that arise in the course of business operations. Therefore, any risks related to changes in legal practices are assessed as insignificant.

Industry Risks

The influence of possible deterioration of the industry situation on the Company's activity and execution of its securities obligations.

Rosneft believes that the most significant potential changes in the industry (domestic and foreign markets), and relevant actions to be taken, are as follows:

Rosneft is engaged in the production and processing of hydrocarbon feedstock and the sale of oil products.

Over the last several years, the financial results of Russian oil and gas companies have essentially improved due to rising prices of oil, gas and petroleum products, as well as increasing production and processing volumes. This has been largely conducive to further development of the Russian economy, especially due to the prevailing share of raw materials in GDP. The situation in the Russian oil industry is expected to remain favorable, provided that growth in prices of oil and petroleum products continues.

Risks related to crude oil, natural gas and oil products prices

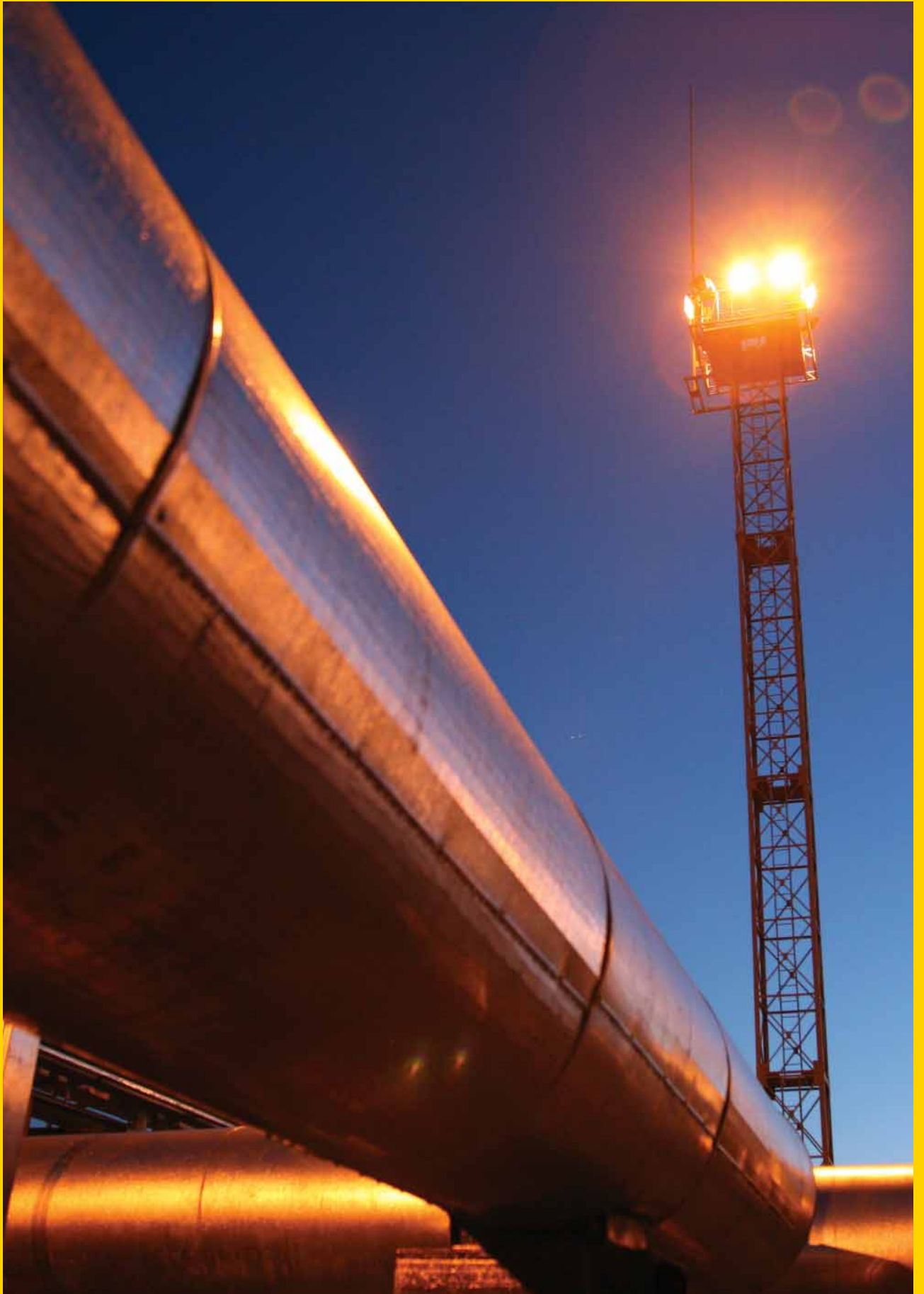
Prices of crude oil, natural gas and oil products are the key driver of the financial and, indirectly, operating performance of Rosneft. The Company is unable to control the prices of its products, which mostly depend on global trends and supply/demand patterns in Russian regions. For the past few years, prices of crude oil and

oil products have remained stable and at the high end. Prices of oil, gas and petroleum products can potentially remain at the current level in the future, whereas a downward trend in such prices could adversely affect the operating results and financial position of Rosneft. A price reduction could result in lower commercial production, which, in turn, may lead to a decrease in the Company's reserves or lower economic efficiency of exploration programs.

The issuer does not predict deterioration of the industry situation. Rosneft has sufficient opportunities to redistribute commodity streams in case of a significant price differences between international and domestic markets. Rosneft is implementing a program to decrease capital and operational expenses, which ensures due performance of the Company's obligations in case of sharp oil and gas price reductions.

Dependence on monopolistic providers of services for transportation of oil and oil products and respective tariffs

Rosneft depends on monopolistic providers, responsible for transportation of oil and oil products and has no control over the infrastructure which they use and tariffs which they set. OJSC Transneft (Transneft) is a governmental monopoly operating oil pipelines. On the whole, Transneft has avoided serious failures in transportation of oil via its pipeline system, and to date Rosneft has not incurred significant losses due to break-



ages or leakages in the Transneft pipeline system. Any serious failure in the operations of Transneft or restrictions on access to its capacities could nevertheless lead to severe disruptions in oil supplies that would negatively affect the Company's operating results and financial position.

The Company, along with all other Russian oil producers, is obliged to make payments to Transneft for transportation services. The amount of payments charged by Transneft is regulated by the Federal Service for Tariffs (hereafter "FST"). Failure to make the stipulated payments could lead to termination or suspension of the Company's access to Transneft's system that could negatively impact the operating results and financial position of Rosneft. Transneft periodically raises payments for using its network, which leads to higher expenses of Rosneft and, accordingly, adversely affects its operating results and financial position.

Using the pipeline system of OJSC Transnefteproduct (hereafter "Transnefteproduct") has similar risks. Rosneft did not use the Transnefteproduct pipeline system prior to acquisition of OJSC Yuganskneftegaz and the Samara group of refineries located in proximity to receiving terminals of Transnefteproduct; instead the Company previously relied mainly on rail transportation. Currently, a significant portion of the Company's refined products is transported via the Transnefteproduct pipeline system.

Serious failures in the Transnefteproduct system or periodic increases in tariffs for its services could negatively affect the operating results and financial position of Rosneft.

The issuer also largely depends on railway transportation of its oil and oil products, including a significant portion of the crude oil delivered to China. OJSC Russian Railways (hereinafter "RR") is a governmental monopoly engaged in the provision of rail transportation services. Use of railway services subjects Rosneft to risks, such as potential failure of deliveries due to deterioration of the RR's infrastructure. Incompatibility of the Russian wide tracks with the tracks used in the majority of other countries leads to additional expenses and imposes logistic restrictions on opportunities for the Company to export its products by rail. Moreover, notwithstanding the fact that the tariffs of RR are subject to antimonopoly control, traditionally they tend to increase. A further increase in RR transportation tariffs will lead to higher costs of crude oil and refined product transportation, which, in turn, may negatively impact the Company's operating and financial results.

Risks related to geographical and climatic conditions

The regions of Rosneft's operations have a stable climate and basically are not subject to natural hazards and disasters. However, abnormally low temperatures during winter in a number of northern regions could complicate the work of oil production facilities of the Company.

Rosneft directs a part of its oil exports through its own sea terminals in Murmansk (Belokamenka) and De-Kastri (Khabarovsk region), and terminals controlled by Transneft in Primorsk (Leningrad region) and Novorossiysk (Krasnodar region). Oil products are exported through the Company's own terminals in Tuapse (Krasnodar region) and Nakhodka (Primorsky region).



Rosneft has sufficient opportunities for redistributing commodity streams in case of significant price differences between the international and domestic markets

Exports through the Black Sea terminals to Mediterranean ports could be limited by the throughput capacity of the Bosphorus Strait and also by weather conditions (storm winds) during autumn on the Black Sea. Export terminals on the Baltic Sea and in De-Kastri can also be closed during the winter period in the event of heavy ice conditions.

Any major delay in the work of export terminals could negatively impact the Company's operating results and financial performance.

Risks related to gas production

Rosneft is exposed to several risks in connection with sales of gas. The Unified Gas Supply System (UGSS), which is owned and operated by OJSC Gazprom, handles the transportation of all gas in Russia. Under existing regulations, Gazprom should provide access to UGSS to all internal independent suppliers on an equal basis since Gazprom does not fully utilize the UGSS capacity. However, OJSC Gazprom could fail to observe the principle of equal access in the future. Moreover, OJSC Gazprom has considerable freedom to decide on granting access to UGSS to third parties, as it has the priority right to use UGSS capacity.

OJSC Gazprom is a monopolistic supplier of gas in Russia. The Russian Government regulates prices of gas sold by OJSC Gazprom in Russia. Despite the growth in regulated prices in Russia, which are expected to gradually approach net export prices, the domestic price of gas is still far below the average on international markets. Regulated prices affect, and will probably continue to affect, the price of gas that Rosneft will sell to OJSC Gazprom. If regulated prices increase

slower than expected, this may adversely impact the Company's operating results and financial position.

Further growth in gas output as well as increasing gas sales to independent regional traders and industrial consumers will depend on sufficient access to the UGSS capacity.

Estimates of oil and gas are associated with considerable uncertainty, and therefore may significantly differ from actual facts.

Estimated data on oil and gas reserves presented in this report are mainly based on the assumptions and internal analytical procedures performed by D&M, an independent adviser of Rosneft regarding oil production.

Oil recovery is a largely subjective process of assessing the volume of subsurface oil and gas reserves, an accurate quantification of which is virtually impossible. Estimates of value and volume of commercial oil and gas reserves, output, net present value of future cash flows, and the terms of investment in hydrocarbon development essentially depend on an array of variables and assumptions.

Many of the assumptions used in estimating hydrocarbon reserves do not depend on the Company and may eventually appear incorrect. Reserve estimates and the application of alternative assessment methods under the Russian classification are inevitably associated with a high degree of uncertainty. The accuracy of reserve and/or resource estimates depends on the quality of available information and interpretation of data on oil recovery technology, as well as respective geological data. Any exploration drilling, seismic data

Abnormally low temperatures during winter in a number of northern regions may complicate operations of the Company's upstream divisions



interpretation, and test and commercial production activities performed after the relevant estimate date can require significant upward or downward adjustments to data on the Company's hydrocarbon reserves and resources. Furthermore, different experts may have different opinions regarding the amount of reserves and future cash flows, based on the same underlying data. Actual output as well as incomes and expenses attributable to hydrocarbon reserves and resources will differ from the corresponding estimates, and such differences may be material.

The Russian system of hydrocarbon reserve classification is also associated with considerable uncertainty, as it primarily deals with geological factors and fails to consider the feasibility aspects of reserve development.

Exploration drilling is connected with numerous risks, including that of oil and gas companies being unable to discover commercial oil and gas reserves.

Rosneft performs exploration activities in various regions, including areas with adverse climate conditions, where costs of exploration will inevitably be higher than the industry average. Costs of well drilling, infrastructure development and operation are often uncertain. As a result, Rosneft can incur additional expenses or may be compelled to reduce, suspend or terminate its drilling operations due to many factors, including unforeseen conditions for carrying out drilling operations, reservoir pressure or heterogeneity of geological formations, equipment breakdowns, adverse weather conditions, requirements of environmental protection legislation and governmental agencies, as well as shortage and untimely delivery of drilling rigs and other equipment.

In the event that Rosneft fails to perform economically efficient exploration activities or increase its proved reserves through new acquisitions, its existing reserve base will gradually decrease in the course of production operations and field depletion. The Company's sustained output largely depends on successful exploration, purchase and development of hydrocarbon reserves. Should Rosneft fail to achieve these objectives, it may be unable to reach the target level of crude oil production. This will lead to a decrease in the Company's total proved reserves and crude output, which, in turn, will adversely affect the Company's operating results and financial position.

Risks related to competition

The Russian oil and gas industry is characterized by intense competition. Rosneft's rivals are mainly represented by other leading national oil and gas companies.

Major areas of competition are:

- purchase of exploration and production licenses at auctions held by the Russian Government
- acquisition of other Russian companies that may already own mineral licenses or other relevant assets
- attraction of leading independent service companies that may have limited opportunities for rendering core services
- purchase of equipment for capital projects, which may be in short supply
- employment of highly skilled and experienced staff



Further growth in gas output as well as increasing gas sales to independent regional traders and industrial consumers will depend on sufficient access to UGSS capacity

- purchase of existing retail assets and land plots to develop new retail space
- purchase of or gaining access to oil refining facilities.

Rosneft is one of the leading national and international petroleum companies, which gives it a strong competitive advantage. Furthermore, the Company enjoys a comprehensive portfolio of promising projects that ensures its long-term sustainable development.

When selling its products in the domestic and international markets, Rosneft could face risks related to heightening competition. To minimize risks inherent in domestic sales of oil products in the conditions of increasingly tough competition, the following measures are being implemented:

- to prevent overstocking of certain kinds of oil products, utilization of the Company's refining capacity is planned based on market forecasts.
- in view of the current structure of crude oil refining and production of petroleum products, as well as the availability of its own oil product supply enterprises and contractors covering practically all the regions of the Russian Federation, timely redistribution of regional commodity streams in the domestic market and timely redistribution of volumes between domestic and export markets are ensured.

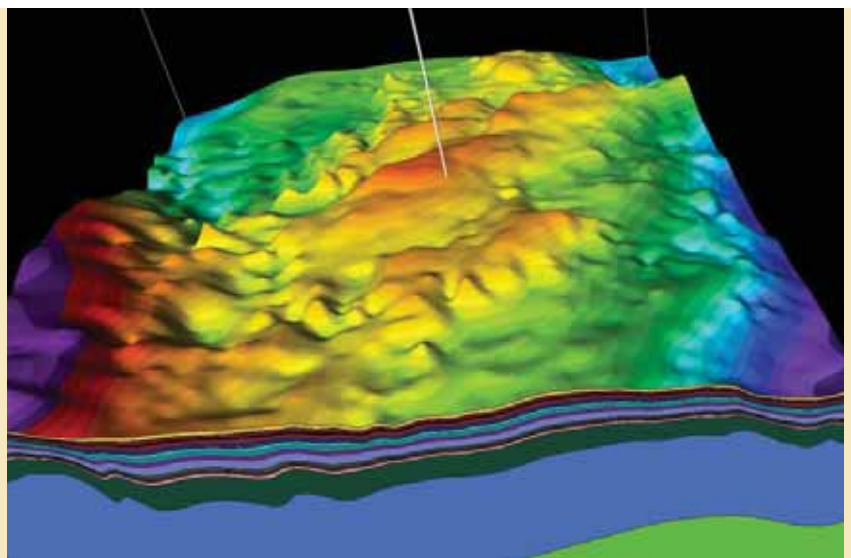
In case of urgent necessity, the availability of Rosneft's four sea terminals in ports of Arkhangelsk, Nakhodka, De-Kastri and Tuapse makes it possible to redistribute the Company's products between export and domestic market by increasing the export share:

- to meet the growing demand for high-octane gasoline and oil products with low sulfur content, the reconstruction plans for oil refining facilities are envisaged to allow for an increase in the volume and depth of refining
- particular attention is paid to the development of Rosneft's network of gasoline stations and complexes meeting current European requirements, as it is the most stable sector for domestic sales of petroleum products and is less subject to price fluctuations and decreases in demand. Additionally, to win new clients, primarily corporate clients, a system of selling oil products through gas stations based on electronic payment cards and service systems accepting cards of other market participants are widely used.

Geographic diversification ensuring efficient redistribution of commercial product supplies from one region to another is among the most effective measures allowing the Company to mitigate the risks of toughening competition in the international market for crude oil and petroleum products.

For example, the Arkhangelsk – Murmansk direction and rail shipments of crude oil to China give the Company a valuable opportunity to more efficiently regulate its exports. As a result, Rosneft is now able to strengthen its positions in the markets of the Far East, Southeast Asia and the United States due lower export flows through the ports of the Black and Baltic Seas and Transneft's Druzhba pipeline system, oriented towards Europe. Increased pipeline-to-railway shipment capacities with the commissioning of the East Siberia – Pacific Ocean oil pipeline (ESPO) will enable the Company to further improve the efficiency of its export flows.

Steady growth in the Company's output largely depends on successful exploration, acquisition and development of additional reserves



Country and regional risks

The risks related to political and economic situation in the country (countries) and regions of Rosneft's tax residence and/or where the the Company performs its core activities, provided such core activities account for at least 10% of income received in the last completed accounting period, preceding the end of the last accounting quarter:

Administrative and economic reforms in the Russian Federation are improving the economic situation in the country and greatly contributing to long-term social and political stability. These reforms resulted in Russia's GDP growing at a rate significantly above the world average, improved quality of life, increasing gold and foreign currency reserves of the Central Bank, and the accumulation of a substantial budget stabilization fund. All these positive changes are re-

flected in the continual improvement of the sovereign credit rating of the Russian Federation.

Rosneft operates in all federal districts of the Russian Federation. Social and economic risks and development prospects of these districts are stated in the Medium-Term Program of the Russian Federation's Socio-economic Development. Risks of military conflicts, civil unrest, strikes, and emergency states in the regions of the Company's operations are immaterial.

In addition, the Company is exposed to risks related to its international operations. Currently, Rosneft participates in two exploration projects in Kazakhstan and one project in Algeria. Similarly to Russia, these are developing economies and more prone to political, economic, social and legal risks compared to developed countries. Overall, the risks related to performing business activities in these countries are comparable or higher than those related to business operations in Russia.

Financial Risks

In the event that one or several risks indicated below materialize, Rosneft will make its best endeavors to minimize the negative consequences, using the most appropriate measures in each particular case. Notwithstanding the above, Rosneft cannot guarantee that such measures will be completely effective, as the specified factors are beyond the reasonable control of Rosneft.

The Company is continuing to expand its business activity, using both its own and borrowed funds. The current financial position of the Company and the market situation confirm that the liquidity risk is insignificant.

Susceptibility of Rosneft to risks related to changes in interest rates and foreign currency exchange rates, as related to the Company's hedging activities aimed at reducing adverse impacts of the said risks; dependence of Rosneft's financial position, liquidity, sources of financing, and operating results on currency exchange rate movements (currency risks):

A major portion of the Company's gross revenue is attributable to export operations – sales of crude oil and petroleum products. Accordingly, the ruble exchange rate fluctuations directly affect the results of the Company's financial and economic activities, which is a currency risk factor.

The Company's expenses denominated in foreign currency significantly mitigate the currency risk. Rosneft is a major borrower in the international debt capital market, with the bulk of its loans and servicing obligations denominated in US dollars.

The optimized foreign currency structure of revenue and liabilities is an efficient hedging mechanism, where different factors offset each other.

The balanced structure of foreign currency claims and liabilities minimize the influence of currency risks on the Company's operating and financial activities.

The Company hedges the unbalanced portion of claims and liabilities by forward ruble sales of a portion of its revenue denominated in foreign currency.

Prospective actions of the issuer in case of negative influence of exchange rate movements and changes in interest rates the issuer's business operations:

As a major borrower, Rosneft is exposed to risks associated with changes in interest rates. The Company's primary source of debt financing is the international debt capital market. The majority of its debt portfolio is represented by USD-denominated loans that mostly carry LIBOR/EURIBOR-based interest rates. Accordingly, an increase in LIBOR/EURIBOR rates can lead to higher costs of debt servicing, which, in turn, may adversely affect the Company's solvency and liquidity.

The Company pursues a well-balanced policy in managing the said risk. Transactions with derivative financial instruments are used for this purpose, thus enabling the Company to fix an interest rate for a part of its credit portfolio. Striving to timely deliver on all its obligations, Rosneft also employs a comprehensive set of internal controls to mitigate financial risks.

The Company adheres to a streamlined policy in utilizing its own and borrowed funds, and has high credit ratings assigned by Moody's (Baa1), Fitch (BBB-), and S&P (B+). The ruble and foreign currency credit rating of Rosneft assigned by Moody's corresponds to

the sovereign credit rating of the Russian Federation. Steady development and higher solvency of Rosneft are further supported by its constantly improving credit ratings. Coupled with regular upgrades of Russia's sovereign credit rating, this ensures lower costs of borrowing for the Company and, accordingly, easier access to hedging instruments.

The influence of inflation on securities payments, the issuer's opinion on the threshold inflation level and prospective actions to cope with the specified risk:

Changes in Russia's consumer price index influence the Company's financial position. However, current and forecast inflation rates are far from the respective threshold level for the Company and industry at large. Rosneft's threshold inflation level has been accepted at three times the inflation rate forecast by MEDT for the current year. Rosneft considers the said risk to be almost immaterial, and therefore does not undertake any specific measures to reduce it.

Financial indicators that mostly depend on the specified financial risks. Type of risk, probability of occurrence, and respective impact on financial statements: The specified risks are most likely to affect the Company's Profit and Loss Statement. Reduction in oil prices is the key factor that may negatively affect the Company's revenue and net income.

The issuer considers the said risks to be remote.

The present Annual Report has been
preliminarily ratified by the Board of
Directors of OJSC Rosneft Oil Company

**President of OJSC
Rosneft Oil Company**



S.M. Bogdanchikov

**Chief Accountant of OJSC
Rosneft Oil Company**



S.N. Kim

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Rosneft Oil Company

Abbreviated Name

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Corporate Website

Information on the Company and the results of its
activity:

Russian version: www.rosneft.ru

English version: www.rosneft.com



| | | | | | |
|---|------|------|-----|------|--------|
| 1 | .130 | .140 | 619 | .135 | SILVER |
| 0 | .780 | .850 | 50 | .000 | SILVER |
| 1 | .200 | .210 | 37 | .000 | SILVER |
| 0 | .165 | .190 | 2 | .000 | SNI-L |
| 0 | .160 | .165 | 333 | .160 | SOP-W |
| 0 | .000 | .000 | 0 | .000 | SPSET |
| 0 | .435 | .180 | 200 | .000 | SSTEE |
| 0 | .305 | .400 | 100 | .000 | SUNCI |

Appendix 1

List of Major Transactions and Related-Party Transactions Completed by Rosneft in 2007

122

| | | | | | |
|-------|-----|------|------|-----|------|
| WA | 220 | .050 | .200 | 10 | .000 |
| R-LA | 0 | .000 | .000 | 0 | .000 |
| R-WA | 300 | .150 | .160 | 3 | .160 |
| R-WB | 200 | .135 | .170 | 100 | .000 |
| A | 100 | .315 | .600 | 100 | .000 |
| A | 20 | 3.34 | 3.90 | 10 | 3.3 |
| IA-WB | 400 | .560 | .565 | 467 | .56 |
| L-LA | 20 | 2.03 | .000 | 0 | .000 |
| TY-WA | 400 | 2.00 | 4.00 | 100 | 2.00 |

Major Transactions

1. OJSC Rosneft Oil Company raised facility based on loan contract and agreements related thereto for payment of fees and commissions and/or other contracts (agreements) (hereinafter collectively – Credit Documents), concluded between the Company as borrower, and ABN AMRO Bank N.V., Barclays Bank PLC, BNP Paribas, Calyon, Citigroup Global Markets Limited, Goldman Sachs International, J.P. Morgan plc and Morgan Stanley Bank International Limited and/or their affiliates and other financing institutions, specified in the Credit Documents as authorized lead arrangers, and ABN AMRO Bank N.V. (London Branch), Barclays Bank PLC, BNP Paribas, Calyon, Citibank, N.A. (London Branch), Goldman Sachs International Bank, JPMorgan Chase Bank, N.A. and Morgan Stanley Senior Funding, Inc. and/or their affiliates and other financing institutions, specified in the Credit Documents as creditors, and Barclays Bank PLC and/or its affiliates and/or other financing institutions, specified in the Credit Documents as the agent(s) under the Loan, as well as other entities specified in the Credit Documents, under the following material terms and conditions:

- 1) Total value of Facility: not exceeding 13 000 000 000 (thirteen billion) US dollars;
- 2) Final maturity term (repayment) of the Loan: not later than in 1 year from the effective date of the Loan Contract;
- 3) Interest rate under the Loan: not exceeding LIBOR+0.5% per annum.

The transaction was approved by the Board of Directors of OJSC Rosneft Oil Company on 15 March 2007 (Minutes №2).

2. OJSC Rosneft Oil Company granted suretyship under the loan contract and agreements related thereto for payment of fees and commissions and/or other contracts (agreements) (hereinafter collectively – Credit Documents), concluded between OJSC Rosneft Oil Company (hereinafter – the Company) as surety, LLC RN-Razvitie (hereinafter Borrower) as borrower, and ABN AMRO Bank N.V., Barclays Bank PLC, BNP Paribas, Calyon, Citigroup Global Markets Limited, Goldman Sachs International, J.P. Morgan plc and Morgan Stanley Bank International Limited and/or their affiliates and other financing institutions, specified in the Credit Documents

as authorized lead arrangers, and ABN AMRO Bank N.V. (London Branch), Barclays Bank PLC, BNP Paribas, Calyon, Citibank, N.A. (London Branch), Goldman Sachs International Bank, JPMorgan Chase Bank, N.A. and Morgan Stanley Senior Funding, Inc. and/or their affiliates and other financing institutions, specified in the Credit Documents as creditors, and Barclays Bank PLC and/or its affiliates and/or other financing institutions, specified in the Credit Documents as the agent(s) under the Loan, made available to the Borrower under the Loan, based on the Credit Documents, as well as other entities specified in the Credit Documents, in accordance with which the Company undertakes to the creditors of the Borrower under the Credit Documents to ensure the Borrower's fulfilling all its obligations under the Credit Documents, under the following material terms and conditions:

- 1) Total value of Facility: not exceeding 9 000 000 000 (nine billion) US dollars;
- 2) Final maturity term (repayment) of the Loan: not later than in 18 months from the effective date of the Loan contract;
- 3) Interest rate under the Loan: not exceeding LIBOR+0.5% per annum.

The transaction was approved by the Board of Directors of OJSC Rosneft Oil Company on 15 March 2007 (Minutes №2).

3. OJSC Rosneft Oil Company granted an interest free loan to LLC Neft-Aktiv of up to 350 bln RUR with maturity up to 5 years for acquisition of assets and replenishment of floating capital.

The transaction was approved by the Board of Directors of OJSC Rosneft Oil Company on 11.05.2007 (Minutes № 3)

Related Party Transactions

| Name of the Contracting Party (Counterparty) | Subject Matter and Material Terms | Transaction Value | Interested Party |
|---|--|---|--|
| Transactions approved by the Board of Directors of OJSC Rosneft Oil Company (hereinafter – the Company) on 22.05.2007: | | | |
| OJSC Rosneft Oil Company-Dagneft | 1. The Counterparty assigned the access rights to the system of oil-trunk pipelines of OJSC AK Transneft on a grant basis for oil export supplies in Q1 2007 in the volume of 25 thousand tons | 1. No fee to be paid by the Company | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company extended the maturity of promissory notes issued by the Company for redemption of fixed assets of the Counterparty, in the amount of 208 799.52 thousand RUR (0.03% of book value of the Company assets as of 31.03.2007) | 2. The Value of the Company notes with maturity extended by the Company – 208 799.52 thousand RUR | |
| | 3. The Company extended the maturity dates for the indebtedness of the Counterparty under the loans granted by the Company for financing of operations of the Counterparty, in amount of 69 000 thousand RUR (0.009% of book value of the Company assets as of 31.03.2007) | 3. The value of interest free loans of the Company with extended maturity – 69 000 thousand RUR | |
| | 4. The Company leased fixed assets to the Counterparty against the royalty in amount of 13 926.72 thousand RUR (0.002% of book value of the Company assets as of 31.03.2007) | 4. Rentals or royalty received by the Company - 13 926.72 thousand RUR | |
| LLC RN-Krasnodarneftegaz | 1. The Counterparty rendered services to the Company in production of oil and gas condensate in the volume of 1 727.3 thousand tons and gas in the volume of 2 891.17 mscm at oil and gas deposits, the licenses for development of which belong to the Company, and transfer of the Company hydrocarbons so produced for further sales with total value of 5 679 066 thousand RUR (0.71 % of book value of the Company assets as of 31.03.2007) | 1. Value of services paid by the Company – 5 679 066 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company sold gas to the Counterparty in the volume of 616 mscm with total value of 903 461 thousand RUR (0.11% of book value of the Company assets as of 31.03.2007) | 2. The Value of gas sold by the Company – 903 461 thousand RUR | |

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| | 3. The Counterparty rendered services to the Company in selling the Company gas in the volume of 207 mscm with total value of 290 416 thousand RUR (0.04% of book value of the Company assets as of 31.03.2007) | 3. Value of services paid by the Company – 290 416 thousand RUR | |
| | 4. The Counterparty rendered services to the Company in transporting oil in the volume of 46 thousand tons with total value of 17 000 thousand RUR (0.002% of book value of the Company assets as of 31.03.2007) | 4. Value of services paid by the Company – 17 000 thousand RUR | |
| | 5. The Company sold petroleum products to the Counterparty in the volume of 28 thousand tons with total value of 459 186 thousand RUR (0.06% of book value of the Company assets as of 31.03.2007) | 5. Value of petroleum products sold by the Company – 459 186 thousand RUR | |
| | 6. The Company obtained interest free loans from the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities in amount of 875 600 thousand RUR (0.11% of book value of the Company assets as of 31.03.2007) | 6. Value of interest free loans obtained by the Company – 875 600 thousand RUR | |
| | 7. The Counterparty extended the maturity dates for the indebtedness of the Company under the loans granted by the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities, in amount of 1 122 178.72 thousand RUR (0.14% of book value of the Company assets as of 31.03.2007) | 7. Value of interest free loans obtained by the Company with extended maturity terms – 1 122 178.72 thousand RUR | |
| | 8. The Counterparty (as the agent) utilized capital investments of the Company (as the Principal) targeted for construction of production facilities in the amount of 2 962 588 thousand RUR against the agent's fee in amount of 38 513.64 thousand RUR (0.005% of book value of the Company assets as of 31.03.2007) | 8. Agent's Fee paid by the Company – 38 513.64 thousand RUR | |
| | 9. The Company leased fixed assets to the Counterparty against the royalty in amount of 910 854.92 thousand RUR (0.11% of book value of the Company assets as of 31.03.2007) | 9. Rentals or royalty received by the Company – 910 854.92 thousand RUR | |
| | 10. The Company sold material and technical resources to the Counterparty with total value of 967 800 thousand RUR (0.12% of book value of the Company assets as of 31.03.2007) | 10. Value of material and technical resources sold by the Company – 967 800 thousand RUR | |

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| | 11. The Counterparty rendered R&D services to the Company for total value of 1 000 thousand RUR (0.0001% of book value of the Company assets as of 31.03.2007) | 11. Value of services paid by the Company – 1 000 thousand RUR | |
| | 12. The Company rendered IT services to the Counterparty with total value of 7 724 thousand RUR (0.001% of book value of the Company assets as of 31.03.2007) | 12. Value of services rendered by the Company – 7 724 thousand RUR | |
| | 13. The Counterparty rendered services to the Company related to organization of working seminars for introduction and development of IT system Legal support of business in subsidiaries of the Company with total value of 1 350 thousand RUR (0.0002% of book value of the Company assets as of 31.03.2007) | 13. Value of services paid by the Company – 1 350 thousand RUR | |
| LLC RN-Purneftegaz | 1. The Company sold crude oil to the Counterparty in the volume of 25 thousand tons with total value of 145 696 thousand RUR (0.02% of book value of the Company assets as of 31.03.2007) | 1. Value of crude oil sold by the Company – 145 696 thousand RUR | OJSC ROSNEFT-GAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company sold gas to the Counterparty in the volume of 138 mscm with total value of 105 853 thousand RUR (0.01% of book value of the Company assets as of 31.03.2007) | 2. The Value of gas sold by the Company – 105 853 thousand RUR | |
| | 3. The Counterparty rendered services to the Company in selling the Company gas in the volume of 44 mscm with total value of 33 380 thousand RUR (0.004% of book value of the Company assets as of 31.03.2007) | 3. Value of services paid by the Company – 33 380 thousand RUR | |
| | 4. The Counterparty rendered services to the Company related to transshipment of gas condensate in the volume of 1 001 thousand tons with total value of 167 719 thousand RUR (0.02% of book value of the Company assets as of 31.03.2007) | 4. Value of services paid by the Company – 167 719 thousand RUR | |
| | 5. The Counterparty rendered services to the Company related to processing of 328 thousand tons of the Company crude oil, with total value of 545 700 thousand RUR (0.07% of book value of the Company assets as of 31.03.2007) | 5. Value of services paid by the Company – 545 700 thousand RUR | |
| | 6. The Company sold petroleum products to the Counterparty in the volume of 104 thousand tons with total value of 1 440 000 thousand RUR (0.18% of book value of the Company assets as of 31.03.2007) | 6. Value of petroleum products sold by the Company – 1 440 000 thousand RUR | |

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| | 7. The Company obtained interest free loans from the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities in amount of 600 000 thousand RUR (0.08% of book value of the Company assets as of 31.03.2007) | 7. Value of interest free loans obtained by the Company, – 600 000 thousand RUR | |
| | 8. The Counterparty extended the maturity dates for the indebtedness of the Company under the loans granted by the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities, in amount of 2 606 609.98 thousand RUR (0.33% of book value of the Company assets as of 31.03.2007) | 8. Value of interest free loans obtained by the Company with extended maturity terms – 2 606 609.98 thousand RUR | |
| | 9. The Counterparty (as the agent) utilized capital investments of the Company (as the Principal) targeted for construction of production facilities in the amount of 11 833 543 thousand RUR against the agent's fee in amount of 237 854.21 thousand RUR (0.03% of book value of the Company assets as of 31.03.2007) | 9. Value of agent's fee paid by the Company – 237 854.21 thousand RUR | |
| | 10. The Company leased fixed assets to the Counterparty against the royalty in amount of 4 790 099.9 thousand RUR (0.6% of book value of the Company assets as of 31.03.2007) | 10. Rentals or royalty received by the Company – 4 790 099.9 thousand RUR | |
| | 11. The Company sold material and technical resources to the Counterparty with total value of 3 807 800 thousand RUR (0.48% of book value of the Company assets as of 31.03.2007) | 11. Value of material and technical resources sold by the Company – 3 807 800 thousand RUR | |
| | 12. The Counterparty rendered R&D services to the Company for total value of 1 000 thousand RUR (0.0001% of book value of the Company assets as of 31.03.2007) | 12. Value of services paid by the Company – 1 000 thousand RUR | |
| | 13. The Company rendered IT services to the Counterparty with total value of 4 724 thousand RUR (0.0006% of book value of the Company assets as of 31.03.2007) | 13. Value of services rendered by the Company – 4 724 thousand RUR | |
| CJSC Komsomolskneft | 1. The Counterparty assigned the access rights to the system of oil-trunk pipelines of OJSC AK Transneft on a grant basis for oil export supplies in Q1 2007 in the volume of 10 thousand tons. | 1. No fee to be paid by the Company | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |

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| | 2. The Company obtained interest free loans from the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities in amount of 5 551.76 thousand RUR (0.0007% of book value of the Company assets as of 31.03.2007) | 2. Value of interest free loans obtained by the Company, – 5 551.76 thousand RUR | |
| LLC RN-Sakhalin-morneftegaz | 1. The Counterparty rendered services to the Company in production of oil and gas condensate in the volume of 1 953.5 thousand tons and gas in the volume of 931.74 mscm at oil and gas deposits, the licenses for development of which belong to the Company, and transfer of the Company hydrocarbons so produced for further sales with total value of 5 354 827 thousand RUR (0.67% of book value of the Company assets as of 31.03.2007) | 1. Value of services paid by the Company – 5 354 827 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company sold crude oil to the Counterparty in the volume of 1 thousand tons with total value of 3 002 thousand RUR (0.0004% of book value of the Company assets as of 31.03.2007) | 2. Value of crude oil sold by the Company – 3 002 thousand RUR | |
| | 3. The Company sold gas to the Counterparty in the volume of 249 mscm with total value of 213 527 thousand RUR (0.03% of book value of the Company assets as of 31.03.2007) | 3. The Value of gas sold by the Company – 213 527 thousand RUR | |
| | 4. The Counterparty rendered services to the Company in selling the Company gas in the volume of 665 mscm with total value of 5 646 thousand RUR (0.0007% of book value of the Company assets as of 31.03.2007) | 4. Value of services paid by the Company – 5 646 thousand RUR | |
| | 5. The Counterparty rendered services to the Company related to transportation of gas in the volume of 915 mscm with total value of 101 793 thousand RUR (0.01% of book value of the Company assets as of 31.03.2007) | 5. Value of services paid by the Company – 101 793 thousand RUR | |
| | 6. The Counterparty rendered services to the Company in transporting oil in the volume of 1 940 thousand tons with total value of 624 952 thousand RUR (0.08% of book value of the Company assets as of 31.03.2007) | 6. Value of services paid by the Company – 624 952 thousand RUR | |
| | 7. The Company granted interest free loans to the Counterparty for financing of production activities in amount of 398 170.6 thousand RUR (0.05% of book value of the Company assets as of 31.03.2007) | 7. Value of interest free loans granted by the Company – 398 170.6 thousand RUR | |

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| | 8. The Counterparty (as the agent) utilized capital investments of the Company (as the Principal) targeted for construction of production facilities in the amount of 1 748 326 thousand RUR against the agent's fee in amount of 34 966.52 thousand RUR (0.004% of book value of the Company assets as of 31.03.2007) | 8. Value of agent's fee paid by the Company – 34 966.52 thousand RUR | |
| | 9. The Company leased fixed assets to the Counterparty against the royalty in amount of 898 666.56 thousand RUR (0.11% of book value of the Company assets as of 31.03.2007) | 9. Rentals or royalty received by the Company – 898 666.56 thousand RUR | |
| | 10. The Company sold material and technical resources to the Counterparty with total value of 390 300 thousand RUR (0.05% of book value of the Company assets as of 31.03.2007) | 10. Value of material and technical resources sold by the Company – 390 300 thousand RUR | |
| | 11. The Counterparty rendered R&D services to the Company for total value of 1 000 thousand RUR (0.0001% of book value of the Company assets as of 31.03.2007) | 11. Value of services paid by the Company – 1 000 thousand RUR | |
| | 12. The Company rendered IT services to the Counterparty with total value of 6 944 thousand RUR (0.0009% of book value of the Company assets as of 31.03.2007) | 12. Value of services rendered by the Company – 6 944 thousand RUR | |
| LLC RN-Stavropolneftegaz | 1. The Counterparty rendered services to the Company in production of oil and gas condensate in the volume of 1 298 thousand tons and gas in the volume of 111.4 mscm at oil and gas deposits, the licenses for development of which belong to the Company, and transfer of the Company hydrocarbons so produced for further sales with total value of 3 947 354 thousand RUR (0.5% of book value of the Company assets as of 31.03.2007) | 1. Value of services paid by the Company – 3 947 354 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company sold gas to the Counterparty in the volume of 77 mscm with total value of 113 215 thousand RUR (0.01% of book value of the Company assets as of 31.03.2007) | 2. The Value of gas sold by the Company – 113 215 thousand RUR | |
| | 3. The Company sold petroleum products to the Counterparty in the volume of 17 thousand tons with total value of 295 637 thousand RUR (0.04% of book value of the Company assets as of 31.03.2007) | 3. Value of petroleum products sold by the Company – 295 637 thousand RUR | |

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| | 4. The Company obtained interest free loans from the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities in amount of 142 664 thousand RUR (0.02% of book value of the Company assets as of 31.03.2007) | 4. Value of interest free loans obtained by the Company, – 142 664 thousand RUR | |
| | 5. The Counterparty extended the maturity dates for the indebtedness of the Company under the loans granted by the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities, in amount of 275 464 thousand RUR (0.03% of book value of the Company assets as of 31.03.2007) | 5. Value of interest free loans obtained by the Company with extended maturity terms – 275 464 thousand RUR | |
| | 6. The Counterparty (as the agent) utilized capital investments of the Company (as the Principal) targeted for construction of production facilities in the amount of 1 593 185 thousand RUR against the agent's fee in amount of 20 711.41 thousand RUR (0.003% of book value of the Company assets as of 31.03.2007) | 6. Value of agent's fee paid by the Company – 20 711.41 thousand RUR | |
| | 7. The Company leased fixed assets to the Counterparty against the royalty in amount of 363 919.94 thousand RUR (0.05% of book value of the Company assets as of 31.03.2007) | 7. Rentals or royalty received by the Company – 363 919.94 thousand RUR | |
| | 8. The Company sold material and technical resources to the Counterparty with total value of 1 098 900 thousand RUR (0.14% of book value of the Company assets as of 31.03.2007) | 8. Value of material and technical resources sold by the Company – 1 098 900 thousand RUR | |
| | 9. The Counterparty rendered R&D services to the Company for total value of 1 000 thousand RUR (0.0001% of book value of the Company assets as of 31.03.2007) | 9. Value of services paid by the Company – 1 000 thousand RUR | |
| | 10. The Company rendered IT services to the Counterparty with total value of 6 024 thousand RUR (0.0008% of book value of the Company assets as of 31.03.2007) | 10. Value of services rendered by the Company – 6 024 thousand RUR | |
| LLC RN-Northern Oil | 1. The Counterparty rendered services to the Company in production of oil and gas condensate in the volume of 5 691 thousand tons and gas in the volume of 334.89 mscm at oil and gas deposits, the licenses for development of which belong to the Company, and transfer of the Company hydrocarbons so produced for further sales with total value of 8 412 422 thousand RUR (1.06% of book value of the Company assets as of 31.03.2007) | 1. Value of services paid by the Company – 8 412 422 thousand RUR | OJSC ROSNEFT-GAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTGAZ and the party of transaction) |

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| 2. The Company sold crude oil to the Counterparty in the volume of 37 thousand tons with total value of 213 892 thousand RUR (0.03% of book value of the Company assets as of 31.03.2007) | 2. Value of crude oil sold by the Company – 213 892 thousand RUR |
| 3. The Company sold gas to the Counterparty in the volume of 330 mscm with total value of 311 141 thousand RUR (0.04% of book value of the Company assets as of 31.03.2007) | 3. The Value of gas sold by the Company – 311 141 thousand RUR |
| 4. The Counterparty rendered services to the Company related to processing of 135 thousand tons of the Company crude oil, with total value of 80 880 thousand RUR (0.01% of book value of the Company assets as of 31.03.2007) | 4. Value of services paid by the Company – 80 880 thousand RUR |
| 5. The Company sold petroleum products to the Counterparty in the volume of 30 thousand tons with total value of 510 000 thousand RUR (0.06% of book value of the Company assets as of 31.03.2007) | 5. Value of petroleum products sold by the Company – 510 000 thousand RUR |
| 6. The Company obtained interest free loans from the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities in amount of 777 250 thousand RUR (0.1% of book value of the Company assets as of 31.03.2007) | 6. Value of interest free loans obtained by the Company, – 777 250 thousand RUR |
| 7. The Company extended the maturity dates for the indebtedness of the Counterparty under the loans granted by the Company for financing of operations and investment programs of the Counterparty, in amount of 164 900 thousand RUR (0.02% of book value of the Company assets as of 31.03.2007) | 7. Value of interest free loans granted by the Company with extended maturity terms – 164 900 thousand RUR |
| 8. The Counterparty extended the maturity dates for the indebtedness of the Company under the loans granted by the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities, in amount of 777 250 thousand RUR (0.1% of book value of the Company assets as of 31.03.2007) | 8. Value of interest free loans obtained by the Company with extended maturity terms – 777 250 thousand RUR |

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| | 9. The Counterparty (as the agent) utilized capital investments of the Company (as the Principal) targeted for construction of production facilities in the amount of 5 773 920 thousand RUR against the agent's fee in amount of 173 217.6 thousand RUR (0.02% of book value of the Company assets as of 31.03.2007) | 9. Value of agent's fee paid by the Company – 173 217.6 thousand RUR | |
| | 10. The Company leased fixed assets to the Counterparty against the royalty in amount of 2 573 825.2 thousand RUR (0.32% of book value of the Company assets as of 31.03.2007) | 10. Rentals or royalty received by the Company – 2 573 825.2 thousand RUR | |
| | 11. The Company sold material and technical resources to the Counterparty with total value of 1 806 800 thousand RUR (0.23% of book value of the Company assets as of 31.03.2007) | 11. Value of material and technical resources sold by the Company – 1 806 800 thousand RUR | |
| | 12. The Counterparty rendered R&D services to the Company for total value of 1 000 thousand RUR (0.0001% of book value of the Company assets as of 31.03.2007) | 12. Value of services paid by the Company – 1 000 thousand RUR | |
| | 13. The Company rendered IT services to the Counterparty with total value of 8 254 thousand RUR (0.001% of book value of the Company assets as of 31.03.2007) | 13. Value of services rendered by the Company – 8 254 thousand RUR | |
| LLC RN- Yuganskneftegaz | 1. The Company sold crude oil to the Counterparty in the volume of 53 thousand tons with total value of 307 139 thousand RUR (0.04% of book value of the Company assets as of 31.03.2007) | 1. Value of crude oil sold by the Company – 307 139 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company sold gas to the Counterparty in the volume of 248 mscm with total value of 228 441 thousand RUR (0.03% of book value of the Company assets as of 31.03.2007) | 2. The Value of gas sold by the Company – 228 441 thousand RUR | |
| | 3. The Company sold petroleum products to the Counterparty in the volume of 76 thousand tons with total value of 1 372 367 thousand RUR (0.17% of book value of the Company assets as of 31.03.2007) | 3. Value of petroleum products sold by the Company – 1 372 367 thousand RUR | |
| | 4. The Company obtained interest free loans from the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities in amount of 1 669 200 thousand RUR (0.21% of book value of the Company assets as of 31.03.2007) | 4. Value of interest free loans obtained by the Company, – 1 669 200 thousand RUR | |

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| | 5. The Counterparty (as the agent) utilized capital investments of the Company (as the Principal) targeted for construction of production facilities in the amount of 59 151 000 thousand RUR against the agent's fee in amount of 1 204 314.36 thousand RUR (0.15% of book value of the Company assets as of 31.03.2007) | 5. Value of agent's fee paid by the Company – 1 204 314.36 thousand RUR | |
| | 6. The Company sold material and technical resources to the Counterparty with total value of 15 888 000 thousand RUR (1.99% of book value of the Company assets as of 31.03.2007) | 6. Value of material and technical resources sold by the Company – 15 888 000 thousand RUR | |
| | 7. The Counterparty rendered R&D services to the Company for total value of 1 000 thousand RUR (0.0001% of book value of the Company assets as of 31.03.2007) | 7. Value of services paid by the Company – 1 000 thousand RUR | |
| | 8. The Company rendered IT services to the Counterparty with total value of 17 848 thousand RUR (0.002% of book value of the Company assets as of 31.03.2007) | 8. Value of services rendered by the Company – 17 848 thousand RUR | |
| OJSC Grozneftegaz | 1. The Counterparty rendered services to the Company related to production of crude oil in the volume of 2 106.3 thousand tons and gas in the volume of 454.91 mscm at oil and gas deposits in Chechen Republic, the licenses for development of which belong to the Company, and transfer of the Company hydrocarbons so produced for further sales with total value of 6 299 035 thousand RUR (0.79% of book value of the Company assets as of 31.03.2007) | 1. Value of services paid by the Company – 6 299 035 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company sold crude oil to the Counterparty in the volume of 2.4 thousand tons with total value of 14 400 thousand RUR (0.002% of book value of the Company assets as of 31.03.2007) | 2. Value of crude oil sold by the Company – 14 400 thousand RUR | |
| | 3. The Company sold gas to the Counterparty in the volume of 450 mscm with total value of 64 688 thousand RUR (0.008% of book value of the Company assets as of 31.03.2007) | 3. The Value of gas sold by the Company – 64 688 thousand RUR | |
| | 4. The Company sold petroleum products to the Counterparty in the volume of 90.21 thousand tons with total value of 1 396 402 thousand RUR (0.18% of book value of the Company assets as of 31.03.2007) | 4. Value of petroleum products sold by the Company – 1 396 402 thousand RUR | |
| | 5. The Company leased fixed assets to the Counterparty against the royalty in amount of 742.32 thousand RUR (0.00009% of book value of the Company assets as of 31.03.2007) | 5. Rentals or royalty received by the Company – 742.32 thousand RUR | |

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| | 6. The Company sold material and technical resources to the Counterparty with total value of 467 500 thousand RUR (0.06% of book value of the Company assets as of 31.03.2007) | 6. Value of material and technical resources sold by the Company – 467 500 thousand RUR | |
| LLC RN-Komsomolskiy Refinery | 1. The Counterparty rendered services to the Company related to processing of 7 000 thousand tons of the Company crude oil, with total value of 5 579 397 thousand RUR (0.7% of book value of the Company assets as of 31.03.2007) | 1. Value of services paid by the Company – 5 579 397 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company granted interest free loans to the Counterparty for financing of its investment programs in amount of 93 639.1 thousand RUR (0.01% of book value of the Company assets as of 31.03.2007) | 2. Value of interest free loans granted by the Company – 93 639.1 thousand RUR | |
| | 3. The Company obtained interest free loans from the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities in amount of 143 400 thousand RUR (0.02% of book value of the Company assets as of 31.03.2007) | 3. Value of interest free loans obtained by the Company, – 143 400 thousand RUR | |
| | 4. The Counterparty extended the maturity dates for the indebtedness of the Company under the loans granted by the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities, in amount of 20 263 thousand RUR (0.003% of book value of the Company assets as of 31.03.2007) | 4. Value of interest free loans obtained by the Company with extended maturity terms – 20 263 thousand RUR | |
| | 5. The Counterparty (as the agent) utilized capital investments of the Company (as the Principal) targeted for construction of production facilities in the amount of 3 255 130 thousand RUR against the agent's fee in amount of 48 826.95 thousand RUR (0.006% of book value of the Company assets as of 31.03.2007) | 5. Value of agent's fee paid by the Company – 48 826.95 thousand RUR | |
| | 6. The Company leased fixed assets to the Counterparty against the royalty in amount of 752 168.4 thousand RUR (0.09% of book value of the Company assets as of 31.03.2007) | 6. Rentals or royalty received by the Company – 752 168.4 thousand RUR | |
| | 7. The Company sold material and technical resources to the Counterparty with total value of 224 100 thousand RUR (0.03% of book value of the Company assets as of 31.03.2007) | 7. Value of material and technical resources sold by the Company – 224 100 thousand RUR | |

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| OJSC Rosneft Oil Company-MZ Nefteproduct | 1. The Company granted interest free loans to the Counterparty for financing of its investment programs in amount of 11 865 thousand RUR (0.001% of book value of the Company assets as of 31.03.2007) | 1. Value of interest free loans granted by the Company – 11 865 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company extended the maturity dates for the indebtedness of the Counterparty under the loans granted by the Company for financing of operations of the Counterparty, in amount of 10 423.82 thousand RUR (0.001% of book value of the Company assets as of 31.03.2007) | 2. Value of interest free loans granted by the Company with extended maturity terms – 10 423.82 thousand RUR | |
| | 3. The Counterparty (as the agent) utilized capital investments of the Company (as the Principal) targeted for construction of production facilities in the amount of 133 560 thousand RUR against the agent's fee in amount of 1 335.6 thousand RUR (0.0002% of book value of the Company assets as of 31.03.2007) | 3. Value of agent's fee paid by the Company – 1 335.6 thousand RUR | |
| | 4. The Company leased fixed assets to the Counterparty against the royalty in amount of 1 098, thousand RUR (0.0001% of book value of the Company assets as of 31.03.2007) | 4. Rentals or royalty received by the Company – 1 098 thousand RUR | |
| | 5. The Company sold material and technical resources to the Counterparty with total value of 23 200 thousand RUR (0.003% of book value of the Company assets as of 31.03.2007) | 5. Value of material and technical resources sold by the Company – 23 200 thousand RUR | |
| LLC RN-Tuapse Refinery | 1. The Counterparty rendered services to the Company related to processing of 5 000 thousand tons of the Company crude oil, with total value of 2 098 245 thousand RUR (0.26% of book value of the Company assets as of 31.03.2007) | 1. Value of services paid by the Company – 2 098 245 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company obtained interest free loans from the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities in amount of 98 454.6 thousand RUR (0.01% of book value of the Company assets as of 31.03.2007) | 2. Value of interest free loans obtained by the Company, – 98 454.6 thousand RUR | |

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| | <p>3. The Counterparty (as the agent) utilized capital investments of the Company (as the Principal) targeted for construction of production facilities in the amount of 6 588 110 thousand RUR against the agent's fee in amount of 79 057.32 thousand RUR (0.01% of book value of the Company assets as of 31.03.2007)</p> | <p>3. Value of fees payable by the Company – 79 057.32 thousand RUR</p> | |
| | <p>4. The Company leased fixed assets to the Counterparty against the royalty in amount of 448 547.2 thousand RUR (0.06% of book value of the Company assets as of 31.03.2007)</p> | <p>4. Rentals or royalty received by the Company – 448 547.2 thousand RUR</p> | |
| | <p>5. The Company rendered IT services to the Counterparty with total value of 350 thousand RUR (0.00004% of book value of the Company assets as of 31.03.2007)</p> | <p>5. Value of services rendered by the Company – 350 thousand RUR</p> | |
| OJSC Rosneft Oil Company-Altainefteproduct | <p>1. The Company sold petroleum products to the Counterparty in the volume of 280 thousand tons with total value of 4 873 410 thousand RUR (0.61% of book value of the Company assets as of 31.03.2007)</p> | <p>1. Value of petroleum products sold by the Company – 4 873 410 thousand RUR</p> | <p>OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction); S.V. Karaganov – member of the Board of OJSC Rosneft Oil Company, Chairman of the Board of Directors of OJSC Rosneft Oil Company-Altainefteproduct, which is the party of transaction</p> |
| | <p>2. The Company extended the maturity of promissory notes issued by the Company for redemption of fixed assets, in the amount of 2 715.55 thousand RUR (0.0003% of book value of the Company assets as of 31.03.2007)</p> | <p>2. The Value of the Company notes with maturity extended by the Company – 2 715.55 thousand RUR</p> | |
| | <p>3. The Company extended the maturity dates for the indebtedness of the Counterparty under the loans granted by the Company for financing of operations and investment programs of the Counterparty, in amount of 537 100 thousand RUR (0.07% of book value of the Company assets as of 31.03.2007)</p> | <p>3. Value of interest free loans granted by the Company with extended maturity terms – 537 100 thousand RUR</p> | |
| | <p>4. The Company leased fixed assets to the Counterparty against the royalty in amount of 6 165.72 thousand RUR (0.0008% of book value of the Company assets as of 31.03.2007)</p> | <p>4. Rentals or royalty received by the Company – 6 165.72 thousand RUR</p> | |
| | <p>5. The Company rendered IT services to the Counterparty with total value of 1 240 thousand RUR (0.0002% of book value of the Company assets as of 31.03.2007)</p> | <p>5. Value of services rendered by the Company – 1 240 thousand RUR</p> | |

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| OJSC Rosneft Oil Company-Artag | 1. The Company sold petroleum products to the Counterparty in the volume of 61 thousand tons with total value of 1 109 375 thousand RUR (0.14% of book value of the Company assets as of 31.03.2007) | 1. Value of petroleum products sold by the Company – 1 109 375 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company granted interest free loans to the Counterparty for financing of its investment programs in amount of 28 300 thousand RUR (0.004% of book value of the Company assets as of 31.03.2007) | 2. Value of interest free loans granted by the Company – 28 300 thousand RUR | |
| | 3. The Company extended the maturity dates for the indebtedness of the Counterparty under the loans granted by the Company for financing of operations and investment programs of the Counterparty, in amount of 49 973.09 thousand RUR (0.006% of book value of the Company assets as of 31.03.2007) | 3. Value of interest free loans granted by the Company with extended maturity terms – 49 973.09 thousand RUR | |
| | 4. The Company leased fixed assets to the Counterparty against the royalty in amount of 4 074.6 thousand RUR (0.0005% of book value of the Company assets as of 31.03.2007) | 4. Rentals or royalty received by the Company – 4 074.6 thousand RUR | |
| | 5. The Company rendered IT services to the Counterparty with total value of 30 thousand RUR (0.000004% of book value of the Company assets as of 31.03.2007) | 5. Value of services rendered by the Company – 30 thousand RUR | |
| LLC RN-Arkhangelsknefteproduct | 1. The Company sold petroleum products to the Counterparty in the volume of 319 thousand tons with total value of 4 996 992 thousand RUR (0.63% of book value of the Company assets as of 31.03.2007) | 1. Value of petroleum products sold by the Company – 4 996 992 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Counterparty rendered services to the Company related to transshipment of crude oil through railway oil-loading complex Privodino in the volume of 3 200 thousand tons with total value of 460 800 thousand RUR (0.06% of book value of the Company assets as of 31.03.2007) | 2. Value of services paid by the Company – 460 800 thousand RUR | |
| | 3. The Counterparty rendered services to the Company related to transshipment of crude oil for export through Arkhangelsk Terminal with the use of storage tanker in the volume of 3 200 thousand tons with total value of 75 456 thousand US dollars. (0.25% of book value of the Company assets as of 31.03.2007) | 3. Value of services paid by the Company – 75 456 thousand US dollars. | |

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| | 4. The Company extended the maturity dates for the indebtedness of the Counterparty under the loans granted by the Company for financing of operations of the Counterparty, in amount of 28 816.66 thousand RUR (0.004% of book value of the Company assets as of 31.03.2007) | 4. Value of interest free loans granted by the Company with extended maturity terms – 28 816.66 thousand RUR | |
| | 5. The Counterparty (as the agent) utilized capital investments of the Company (as the Principal) targeted for construction of production facilities in the amount of 635 600 thousand RUR against the agent's fee in amount of 12 712 thousand RUR (0.002% of book value of the Company assets as of 31.03.2007) | 5. Value of agent's fee paid by the Company – 12 712 thousand RUR | |
| | 6. The Company leased fixed assets to the Counterparty against the royalty in amount of 357 269.96 thousand RUR (0.04% of book value of the Company assets as of 31.03.2007) | 6. Rentals or royalty received by the Company – 357 269.96 thousand RUR | |
| | 7. The Company sold material and technical resources to the Counterparty with total value of 51 000 thousand RUR (0.006% of book value of the Company assets as of 31.03.2007) | 7. Value of material and technical resources sold by the Company – 51 000 thousand RUR | |
| | 8. The Company rendered IT services to the Counterparty with total value of 1 093 thousand RUR (0.0001% of book value of the Company assets as of 31.03.2007) | 8. Value of services rendered by the Company – 1 093 thousand RUR | |
| OJSC Rosneft Oil Company-Kabardino-Balkarian Fuels Company | 1. The Company sold crude oil to the Counterparty in the volume of 72 thousand tons with total value of 468 000 thousand RUR (0.06% of book value of the Company assets as of 31.03.2007) | 1. Value of crude oil sold by the Company – 468 000 thousand RUR | OJSC ROSNEFTGAS – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTGAS and the party of transaction) |
| | 2. The Company granted interest free loans to the Counterparty for financing of its investment programs in amount of 85 000 thousand RUR (0.01% of book value of the Company assets as of 31.03.2007) | 2. Value of interest free loans granted by the Company – 85 000 thousand RUR | |
| | 3. The Company extended the maturity dates for the indebtedness of the Counterparty under the loans granted by the Company for financing of its investment programs, in amount of 403 447.8 thousand RUR (0.05% of book value of the Company assets as of 31.03.2007) | 3. Value of interest free loans granted by the Company with extended maturity terms – 403 447.8 thousand RUR | |
| | 4. The Company leased fixed assets to the Counterparty against the royalty in amount of 3 344.64 thousand RUR (0.0004% of book value of the Company assets as of 31.03.2007) | 4. Rentals or royalty received by the Company – 3 344.64 thousand RUR | |

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| OJSC Rosneft Oil Company-Karachayevo-Cherkessknefte-product | 1. The Company sold petroleum products to the Counterparty in the volume of 112 thousand tons with total value of 2 004 172 thousand RUR (0.25% of book value of the Company assets as of 31.03.2007) | 1. Value of petroleum products sold by the Company – 2 004 172 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company granted interest free loans to the Counterparty for financing of its investment programs in amount of 114 491 thousand RUR (0.01% of book value of the Company assets as of 31.03.2007) | 2. Value of interest free loans granted by the Company – 114 491 thousand RUR | |
| | 3. The Company extended the maturity dates for the indebtedness of the Counterparty under the loans granted by the Company for financing of operations, in amount of 40 000 thousand RUR (0.005% of book value of the Company assets as of 31.03.2007) | 3. Value of interest free loans granted by the Company with extended maturity terms – 40 000 thousand RUR | |
| | 4. The Counterparty (as the agent) utilized capital investments of the Company (as the Principal) targeted for construction of production facilities in the amount of 114 500 thousand RUR against the agent's fee in amount of 916 thousand RUR (0.0001% of book value of the Company assets as of 31.03.2007) | 4. Value of agent's fee paid by the Company – 916 thousand RUR | |
| | 5. The Company leased fixed assets to the Counterparty against the royalty in amount of 20 008.8 thousand RUR (0.003% of book value of the Company assets as of 31.03.2007) | 5. Rentals or royalty received by the Company – 20 008.8 thousand RUR | |
| OJSC Rosneft Oil Company-Kubannefteproduct | 1. The Company granted interest free loans to the Counterparty for financing of its investment programs in amount of 830 300.3 thousand RUR (0.10% of book value of the Company assets as of 31.03.2007) | 1. Value of interest free loans granted by the Company – 830 300.3 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction); S.V. Karaganov – member of the Board of OJSC Rosneft Oil Company, member of the Board of directors OJSC Rosneft Oil Company-Kubannefte-product, which is the party of transaction |

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| | 2. The Company leased fixed assets to the Counterparty against the royalty in amount of 29 850.6 thousand RUR (0.004% of book value of the Company assets as of 31.03.2007) | 2. Rentals or royalty received by the Company – 29 850.6 thousand RUR | |
| | 3. The Company rendered IT services to the Counterparty with total value of 615 thousand RUR (0.00008% of book value of the Company assets as of 31.03.2007) | 3. Value of services rendered by the Company – 615 thousand RUR | |
| OJSC Rosneft Oil Company-Kurganefteproduct | 1. The Company sold petroleum products to the Counterparty in the volume of 114 thousand tons with total value of 2 050 975 thousand RUR (0.26% of book value of the Company assets as of 31.03.2007) | 1. Value of petroleum products sold by the Company – 2 050 975 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company extended the maturity of promissory notes issued by the Company for redemption of fixed assets, in the amount of 12 556.33 thousand RUR (0.002% of book value of the Company assets as of 31.03.2007) | 2. The Value of the Company notes with maturity extended by the Company – 12 556.33 thousand RUR | |
| | 3. The Counterparty (as the agent) utilized capital investments of the Company (as the Principal), targeted for reconstruction of acquired filling stations, in the amount of 3 500 thousand RUR against the agent's fee in amount of 35 thousand RUR (0.000004% of book value of the Company assets as of 31.03.2007) | 3. Value of agent's fee paid by the Company – 35 thousand RUR | |
| | 4. The Company leased fixed assets to the Counterparty against the royalty in amount of 10 727.76 thousand RUR (0.001% of book value of the Company assets as of 31.03.2007) | 4. Rentals or royalty received by the Company – 10 727.76 thousand RUR | |
| | 5. The Company rendered IT services to the Counterparty with total value of 900 thousand RUR (0.0001% of book value of the Company assets as of 31.03.2007) | 5. Value of services rendered by the Company – 900 thousand RUR | |
| OJSC Rosneft Oil Company-Murman-sknepfteproduct | 1. The Company sold petroleum products to the Counterparty in the volume of 206 thousand tons with total value of 3 160 377 thousand RUR (0.39% of book value of the Company assets as of 31.03.2007) | 1. Value of petroleum products sold by the Company – 3 160 377 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |

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| | 2. The Company granted interest free loans to the Counterparty for financing of its investment programs in amount of 173 366 thousand RUR (0.02% of book value of the Company assets as of 31.03.2007) | 2. Value of interest free loans granted by the Company – 173 366 thousand RUR | |
| | 3. The Company extended the maturity of promissory notes issued by the Company for redemption of fixed assets, in the amount of 14 032 thousand RUR (0.002% of book value of the Company assets as of 31.03.2007) | 3. The Value of the Company notes with maturity extended by the Company – 14 032 thousand RUR | |
| | 4. The Company extended the maturity dates for the indebtedness of the Counterparty under the loans granted by the Company for financing of operations and investment programs of the Counterparty, in amount of 33 196.5 thousand RUR (0.004% of book value of the Company assets as of 31.03.2007) | 4. Value of interest free loans granted by the Company with extended maturity terms – 33 196.5 thousand RUR | |
| | 5. The Company leased fixed assets to the Counterparty against the royalty in amount of 6 694.08 thousand RUR (0.0008% of book value of the Company assets as of 31.03.2007) | 5. Rentals or royalty received by the Company – 6 694.08 thousand RUR | |
| LLC RN-Nakhodkanefteproduct | 1. The Company sold petroleum products to the Counterparty in the volume of 49 thousand tons with total value of 687 619 thousand RUR (0.09% of book value of the Company assets as of 31.03.2007) | 1. Value of petroleum products sold by the Company – 687 619 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company obtained interest free loans from the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities in amount of 50 000 thousand RUR (0.006% of book value of the Company assets as of 31.03.2007) | 2. Value of interest free loans obtained by the Company, – 50 000 thousand RUR | |
| | 3. The Company extended the maturity dates for the indebtedness of the Counterparty under the loans granted by the Company for financing of operations, in amount of 45 000 thousand RUR (0.006% of book value of the Company assets as of 31.03.2007) | 3. Value of interest free loans granted by the Company with extended maturity terms – 45 000 thousand RUR | |
| | 4. The Counterparty (as the agent) utilized capital investments of the Company (as the Principal) targeted for construction of production facilities in the amount of 295 600 thousand RUR against the agent's fee in amount of 4 906.96 thousand RUR (0.0006% of book value of the Company assets as of 31.03.2007) | 4. Value of agent's fee paid by the Company – 4 906.96 thousand RUR | |

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| | 5. The Company leased fixed assets to the Counterparty against the royalty in amount of 96 557.18 thousand RUR (0.01% of book value of the Company assets as of 31.03.2007) | 5. Rentals or royalty received by the Company – 96 557.18 thousand RUR | |
| | 6. The Company sold material and technical resources to the Counterparty with total value of 31 100 thousand RUR (0.004% of book value of the Company assets as of 31.03.2007) | 6. Value of material and technical resources sold by the Company – 31 100 thousand RUR | |
| | 7. The Company rendered IT services to the Counterparty with total value of 4 554 thousand RUR (0.0006% of book value of the Company assets as of 31.03.2007) | 7. Value of services rendered by the Company – 4 554 thousand RUR | |
| OJSC Rosneft Oil Company-Smolensknefteproduct | 1. The Company sold petroleum products to the Counterparty in the volume of 339 thousand tons with total value of 5 845 126 thousand RUR (0.73% of book value of the Company assets as of 31.03.2007) | 1. Value of petroleum products sold by the Company – 5 845 126 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction); S.V. Karaganov – member of the Board of OJSC Rosneft Oil Company, member of the Board of directors OJSC Rosneft Oil Company-Smolensknefteproduct, which is the party of transaction |
| | 2. The Company granted interest free loans to the Counterparty for financing of its investment programs in amount of 241 393.5 thousand RUR (0.03% of book value of the Company assets as of 31.03.2007) | 2. Value of interest free loans granted by the Company – 241 393.5 thousand RUR | |
| | 3. The Company leased fixed assets to the Counterparty against the royalty in amount of 21 364.68 thousand RUR (0.003% of book value of the Company assets as of 31.03.2007) | 3. Rentals or royalty received by the Company – 21 364.68 thousand RUR | |
| | 4. The Company rendered IT services to the Counterparty with total value of 3 000 thousand RUR (0.0004% of book value of the Company assets as of 31.03.2007) | 4. Value of services rendered by the Company – 3 000 thousand RUR | |
| LLC RN-Tuapsenefteproduct | 1. The Company sold petroleum products to the Counterparty in the volume of 147 thousand tons with total value of 1 920 949 thousand RUR (0.24% of book value of the Company assets as of 31.03.2007) | 1. Value of petroleum products sold by the Company – 1 920 949 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |

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| | 2. The Counterparty rendered services to the Company for transshipment of petroleum products to domestic market in the volume of 300 thousand tons with total value of 23 718 thousand RUR (0.003% of book value of the Company assets as of 31.03.2007) | 2. Value of services paid by the Company – 23 718 thousand RUR | |
| | 3. The Counterparty rendered services to the Company for transshipment of petroleum products for export in the volume of 6 700 thousand tons with total value of 45 900 thousand US dollars. (0.15% of book value of the Company assets as of 31.03.2007) | 3. Value of services paid by the Company – 45 900 thousand US dollars. | |
| | 4. The Company obtained interest free loans from the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities in amount of 461 095.8 thousand RUR (0.06% of book value of the Company assets as of 31.03.2007) | 4. Value of interest free loans obtained by the Company, – 461 095.8 thousand RUR | |
| | 5. The Counterparty extended the maturity dates for the indebtedness of the Company under the loans granted by the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities, in amount of 524 095.8 thousand RUR (0.07% of book value of the Company assets as of 31.03.2007) | 5. Value of interest free loans obtained by the Company with extended maturity terms – 524 095.8 thousand RUR | |
| | 6. The Counterparty (as the agent) utilized capital investments of the Company (as the Principal) targeted for construction of production facilities in the amount of 2 710 825 thousand RUR against the agent's fee in amount of 29 819.08 thousand RUR (0.004% of book value of the Company assets as of 31.03.2007) | 6. Value of agent's fee paid by the Company – 29 819.08 thousand RUR | |
| | 7. The Company leased fixed assets to the Counterparty against the royalty in amount of 780 398.26 thousand RUR (0.09% of book value of the Company assets as of 31.03.2007) | 7. Rentals or royalty received by the Company – 780 398.26 thousand RUR | |
| OJSC Rosneft Oil Company-Yamalnefteproduct | 1. The Company sold petroleum products to the Counterparty in the volume of 20.02 thousand tons with total value of 381 768.5 thousand RUR (0.05% of book value of the Company assets as of 31.03.2007) | 1. Value of petroleum products sold by the Company – 381 768.5 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |

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| | 2. The Company extended the maturity of promissory notes issued by the Company for redemption of fixed assets, in the amount of 48 874.31 thousand RUR (0.006% of book value of the Company assets as of 31.03.2007) | 2. The Value of the Company notes with maturity extended by the Company – 48 874.31 thousand RUR | |
| | 3. The Company leased fixed assets to the Counterparty against the royalty in amount of 7 498.2 thousand RUR (0.0009% of book value of the Company assets as of 31.03.2007) | 3. Rentals or royalty received by the Company – 7 498.2 thousand RUR | |
| LLC RN-Vostoknefteproduct | 1. The Company granted interest free loans to the Counterparty for financing of its investment programs in amount of 967 656 thousand RUR (0.12% of book value of the Company assets as of 31.03.2007) | 1. Value of interest free loans granted by the Company – 967 656 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company leased fixed assets to the Counterparty against the royalty in amount of 10 556.16 thousand RUR (0.001% of book value of the Company assets as of 31.03.2007) | 2. Rentals or royalty received by the Company – 10 556.16 thousand RUR | |
| | 3. The Company sold material and technical resources to the Counterparty with total value of 3 000 thousand RUR (0.0004% of book value of the Company assets as of 31.03.2007) | 3. Value of material and technical resources sold by the Company – 3 000 thousand RUR | |
| | 4. The Company rendered IT services to the Counterparty with total value of 4 600 thousand RUR (0.0006% of book value of the Company assets as of 31.03.2007) | 4. Value of services rendered by the Company – 4 600 thousand RUR | |
| OJSC Rosneft Oil Company-Stavropolye | 1. The Company sold petroleum products to the Counterparty in the volume of 386 thousand tons with total value of 6 618 918 thousand RUR (0.83% of book value of the Company assets as of 31.03.2007) | 1. Value of petroleum products sold by the Company – 6 618 918 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction); S.V. Karaganov – member of the Board of OJSC Rosneft Oil Company, Chairman of the Board of Directors of OJSC Rosneft Oil Company-Stavropolye, which is the party of transaction |

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| | 2. The Company granted interest free loans to the Counterparty for financing of operations and investment programs in amount of 1 504 600 thousand RUR (0.19% of book value of the Company assets as of 31.03.2007) | 2. Value of interest free loans granted by the Company – 1 504 600 thousand RUR | |
| | 3. The Company extended the maturity dates for the indebtedness of the Counterparty under the loans granted by the Company for financing of operations and investment programs of the Counterparty, in amount of 118 328.7 thousand RUR (0.01% of book value of the Company assets as of 31.03.2007) | 3. Value of interest free loans granted by the Company with extended maturity terms – 118 328.7 thousand RUR | |
| | 4. The Company leased fixed assets to the Counterparty against the royalty in amount of 350.76 thousand RUR (0.00004% of book value of the Company assets as of 31.03.2007) | 4. Rentals or royalty received by the Company – 350.76 thousand RUR | |
| | 5. The Company rendered IT services to the Counterparty with total value of 677 thousand RUR (0.00008% of book value of the Company assets as of 31.03.2007) | 5. Value of services rendered by the Company – 677 thousand RUR | |
| OAO Nakhodka Oil Loading and Trade Port | 1. The Company granted interest free loans to the Counterparty for financing of operations and investment programs in amount of 130 000 thousand RUR (0.02% of book value of the Company assets as of 31.03.2007) | 1. Value of interest free loans granted by the Company – 130 000 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company obtained interest free loans from the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities in amount of 26 000 thousand RUR (0.003% of book value of the Company assets as of 31.03.2007) | 2. Value of interest free loans obtained by the Company, – 26 000 thousand RUR | |
| LLC Rosneft International Ltd. | 1. The Company granted interest free loans to the Counterparty for financing of production activities in amount of 2 850 000 thousand RUR (0.36% of book value of the Company assets as of 31.03.2007) | 1. Value of interest free loans granted by the Company – 2 850 000 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company extended the maturity dates for the indebtedness of the Counterparty under the loans granted by the Company for financing of operations of the Counterparty, in amount of 4 341 077.97 thousand RUR (0.54% of book value of the Company assets as of 31.03.2007) | 2. Value of interest free loans granted by the Company with extended maturity terms – 4 341 077.97 thousand RUR | |

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| CJSC Sakhalin Projects | 1. The Company granted interest free loans to the Counterparty for financing of operations and investment programs in amount of 245 800 thousand RUR (0.03% of book value of the Company assets as of 31.03.2007) | 1. Value of interest free loans granted by the Company – 245 800 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company extended the maturity dates for the indebtedness of the Counterparty under the loans granted by the Company for financing of operations of the Counterparty, in amount of 78 067.31 thousand RUR (0.009% of book value of the Company assets as of 31.03.2007) | 2. Value of interest free loans granted by the Company with extended maturity terms – 78 067.31 thousand RUR | |
| | 3. The Company leased fixed assets to the Counterparty against the royalty in amount of 585 thousand RUR (0.00007% of book value of the Company assets as of 31.03.2007) | 3. Rentals or royalty received by the Company – 585 thousand RUR | |
| | 4. The Company rendered IT services to the Counterparty with total value of 18 000 thousand RUR (0.002% of book value of the Company assets as of 31.03.2007) | 4. Value of services rendered by the Company – 18 000 thousand RUR | |
| CJSC Zapad-Schmidt Neftegaz | 1. The Company granted interest free loans to the Counterparty for financing of its investment programs in amount of 2 270 678.6 thousand RUR (0.28% of book value of the Company assets as of 31.03.2007) | 1. Value of interest free loans granted by the Company – 2 270 678.6 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company extended the maturity dates for the indebtedness of the Counterparty under the loans granted by the Company for financing of its investment programs of the Counterparty, in amount of 67 928.59 thousand RUR (0.008% of book value of the Company assets as of 31.03.2007) | 2. Value of interest free loans granted by the Company with extended maturity terms – 67 928.59 thousand RUR | |
| CJSC Vostok-Schmidt Neftegaz | 1. The Company granted interest free loans to the Counterparty for financing of its investment programs in amount of 2 772 238.5 thousand RUR (0.35% of book value of the Company assets as of 31.03.2007) | 1. Value of interest free loans granted by the Company – 2 772 238.5 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company extended the maturity dates for the indebtedness of the Counterparty under the loans granted by the Company for financing of its investment programs of the Counterparty, in amount of 745 708.53 thousand RUR (0.09% of book value of the Company assets as of 31.03.2007) | 2. Value of interest free loans granted by the Company with extended maturity terms – 745 708.53 thousand RUR | |

| | | | |
|--|--|--|--|
| LLC Venineft | <p>1. The Company granted interest free loans to the Counterparty for financing of its investment programs in amount of 4 517 020 thousand RUR (0.57% of book value of the Company assets as of 31.03.2007)</p> <p>2. The Company extended the maturity dates for the indebtedness of the Counterparty under the loans granted by the Company for financing of its investment programs of the Counterparty, in amount of 1 730 197.5 thousand RUR (0.22% of book value of the Company assets as of 31.03.2007)</p> | <p>1. Value of interest free loans granted by the Company – 4 517 020 thousand RUR</p> <p>2. Value of interest free loans granted by the Company with extended maturity terms – 1 730 197.5 thousand RUR</p> | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| LLC RN-Kazakhstan | 1. The Company granted interest free loans to the Counterparty for financing of its investment programs in amount of 717 930 thousand RUR (0.09% of book value of the Company assets as of 31.03.2007) | 1. Value of interest free loans granted by the Company – 717 930 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| OJSC Russian Regional Development Bank | 1. The Company granted interest free loans to the Counterparty for financing of its investment programs in amount of 826 000 thousand RUR (0.10% of book value of the Company assets as of 31.03.2007) | 1. Value of interest free loans granted by the Company – 826 000 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction); S.M. Bogdanchikov – member of the Board of directors, Chairman of the Board, President of OJSC Rosneft Oil Company, Chairman of the Supervisory Board of OJSC Russian Regional Development Bank, which is the party of transaction A.I. Baranovskiy – member of the Board of OJSC Rosneft Oil Company, member of the Supervisory Board of OJSC Russian Regional Development Bank, which is the party of transaction |

| | | | |
|----------------|--|---|--|
| | 2. The Company obtained bankers guarantee of the Counterparty in amount of 106 000 thousand RUR под 1.5 % per annum (0.01% of book value of the Company assets as of 31.03.2007) | 2. Value of bankers guarantee received by the Company – 106 000 thousand RUR | |
| | 3. The Counterparty rendered services to the Company related to brokerage of operations with securities for total value of 12 000 000 thousand RUR for a fee of 2 400 thousand RUR (0.0003% of book value of the Company assets as of 31.03.2007) | 3. Value of fees payable by the Company – 2 400 thousand RUR | |
| LLC RN-Burenie | 1. The Company granted interest free loans to the Counterparty for financing of operations and investment programs in amount of 4 140 172.3 thousand RUR (0.52% of book value of the Company assets as of 31.03.2007) | 1. Value of interest free loans granted by the Company – 4 140 172.3 thousand RUR | OJSC ROSNEFT-GAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company obtained interest free loans from the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities in amount of 746.8 thousand RUR (0.00009% of book value of the Company assets as of 31.03.2007) | 2. Value of interest free loans obtained by the Company, – 746.8 thousand RUR | |
| | 3. The Counterparty extended the maturity dates for the indebtedness of the Company under the loans granted by the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities, in amount of 174 090.1 thousand RUR (0.02% of book value of the Company assets as of 31.03.2007) | 3. Value of interest free loans obtained by the Company with extended maturity terms – 174 090.1 thousand RUR | |
| | 4. The Company leased fixed assets to the Counterparty against the royalty in amount of 12 172.44 thousand RUR (0.002% of book value of the Company assets as of 31.03.2007) | 4. Rentals or royalty received by the Company – 12 172.44 thousand RUR | |
| | 5. The Company sold material and technical resources to the Counterparty with total value of 5 322 000 thousand RUR (0.67% of book value of the Company assets as of 31.03.2007) | 5. Value of material and technical resources sold by the Company – 5 322 000 thousand RUR | |
| | 6. The Company rendered IT services to the Counterparty with total value of 621 thousand RUR (0.00008% of book value of the Company assets as of 31.03.2007) under loans granted by the Company for financing of production activities of the Counterparty, in amount of 10 000 thousand RUR (0.001% of book value of the Company assets as of 31.03.2007) | 6. Value of services rendered by the Company – 621 thousand RUR | |

| | | | |
|--|---|---|--|
| LLC RN-Energo | 1. The Company extended the maturity dates for the indebtedness of the Counterparty under the loans granted by the Company for financing of operations of the Counterparty, in amount of 10 000 thousand RUR (0.001% of book value of the Company assets as of 31.03.2007) | 1. Value of interest free loans granted by the Company with extended maturity terms – 10 000 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| LLC RN-Trade | 1. The Company obtained interest free loans from the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities in amount of 20 000 thousand RUR (0.003% of book value of the Company assets as of 31.03.2007) | 1. Value of interest free loans obtained by the Company, – 20 000 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company rendered IT services to the Counterparty with total value of 379 thousand RUR (0.00005% of book value of the Company assets as of 31.03.2007) | 2. Value of services rendered by the Company – 379 thousand RUR | |
| OJSC Okhinskaya heat and power station | 1. The Company granted interest free loans to the Counterparty for financing of production activities in amount of 1 534 thousand RUR (0.0002% of book value of the Company assets as of 31.03.2007) | 1. Value of interest free loans granted by the Company – 1 534 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| LLC NK Rosneft NTS | 1. The Company granted interest free loans to the Counterparty for financing of its investment programs in amount of 50 000 thousand RUR (0.006% of book value of the Company assets as of 31.03.2007) | 1. Value of interest free loans granted by the Company – 50 000 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company obtained interest free loans from the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities in amount of 326 200 thousand RUR (0.04% of book value of the Company assets as of 31.03.2007) | 2. Value of interest free loans obtained by the Company, – 326 200 thousand RUR | |
| | 3. The Company leased fixed assets to the Counterparty against the royalty in amount of 7 784.28 thousand RUR (0.001% of book value of the Company assets as of 31.03.2007) | 3. Rentals or royalty received by the Company – 7 784.28 thousand RUR | |
| | 4. The Counterparty rendered R&D services to the Company for total value of 51 076 thousand RUR (0.006% of book value of the Company assets as of 31.03.2007) | 4. Value of services paid by the Company – 51 076 thousand RUR | |

| | | | |
|------------------------------|--|--|--|
| | 5. The Company rendered IT services to the Counterparty with total value of 1 970 thousand RUR (0.0002% of book value of the Company assets as of 31.03.2007) | 5. Value of services rendered by the Company – 1 970 thousand RUR | |
| LLC RN-Sakhalin-NIPIImorneft | 1. The Company granted interest free loans to the Counterparty for financing of its investment programs in amount of 55 000 thousand RUR (0.007% of book value of the Company assets as of 31.03.2007) | 1. Value of interest free loans granted by the Company – 55 000 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Counterparty rendered R&D services to the Company for total value of 18 000 thousand RUR (0.002% of book value of the Company assets as of 31.03.2007) | 2. Value of services paid by the Company – 18 000 thousand RUR | |
| | 3. The Company rendered IT services to the Counterparty with total value of 2 787 thousand RUR (0.0003% of book value of the Company assets as of 31.03.2007) | 3. Value of services rendered by the Company – 2 787 thousand RUR | |
| LLC RN-UfaNIPIneft | 1. The Company granted interest free loans to the Counterparty for financing of its investment programs in amount of 50 710.5 thousand RUR (0.006% of book value of the Company assets as of 31.03.2007) | 1. Value of interest free loans granted by the Company – 50 710.5 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company obtained interest free loans from the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities in amount of 14 300 thousand RUR (0.002% of book value of the Company assets as of 31.03.2007) | 2. Value of interest free loans obtained by the Company, – 14 300 thousand RUR | |
| | 3. The Counterparty extended the maturity dates for the indebtedness of the Company under the loans granted by the Counterparty for reallocation of funds for implementation of investment programs and repayment of financial liabilities, in amount of 27 300 thousand RUR (0.003% of book value of the Company assets as of 31.03.2007) | 3. Value of interest free loans obtained by the Company with extended maturity terms – 27 300 thousand RUR | |
| | 4. The Counterparty rendered R&D services to the Company and consultancies for total value of 104 410 thousand RUR (0.01% of book value of the Company assets as of 31.03.2007) | 4. Value of services paid by the Company – 104 410 thousand RUR | |
| | 5. The Company rendered IT services to the Counterparty with total value of 4 642 thousand RUR (0.0006% of book value of the Company assets as of 31.03.2007) | 5. Value of services rendered by the Company – 4 642 thousand RUR | |

| | | | |
|------------------|--|--|---|
| LLC Caspoil | 1. The Company extended the maturity dates for the indebtedness of the Counterparty under the loans granted by the Company for financing of operations and investment programs of the Counterparty, in amount of 399 900 thousand RUR (0.05% of book value of the Company assets as of 31.03.2007) | 1. Value of interest free loans granted by the Company with extended maturity terms – 399 900 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| OJSC ROSNEFTEGAZ | 1. The Company leased fixed assets to the Counterparty against the royalty in amount of 913.32 thousand RUR (0.0001% of book value of the Company assets as of 31.03.2007) | 1. Rentals or royalty received by the Company – 913.32 thousand RUR | I.I. Sechin – Chairman of the Board of Directors of OJSC Rosneft Oil Company, Chairman of the Board of Directors of OJSC ROSNEFTEGAZ, which is the party of transaction; S.M. Bogdanchikov – member of the Board of directors, Chairman of the Board, President of OJSC Rosneft Oil Company, member of the Board of directors OJSC ROSNEFTEGAZ, which is the party of transaction; S. Nikitin – Deputy Chairman of the Board of directors of OJSC Rosneft Oil Company, member of the Board of directors OJSC ROSNEFTEGAZ, which is the party of transaction |

**Transaction approved by the Board of Directors of OJSC Rosneft Oil Company
(hereinafter – the Company) on 13.07.2007:**

| | | | |
|--------------------|---|--|---|
| OJSC VTB Bank | The Company obtained the loan for financing of its current business in amount of 8 400 000 thousand RUR at 6.75% per annum with maturity up to 12 months (0.9% of book value of the Company assets as of 01.07.2007) | Value of loan obtained by the Company – 8 967 000 thousand RUR | K.G. Androsov – member of the Board of directors OJSC Rosneft Oil Company, member of the Board of directors OJSC VTB Bank, which is the party of transaction; A.L. Kostin – member of the Board of directors OJSC Rosneft Oil Company, member of the Board of directors, Chairman of the Board – President of OJSC VTB Bank, which is the party of transaction |
| LLC RN-Purneftegaz | 1. The Counterparty rendered services to the Company in production of oil and gas condensate in the volume of 14 963.3 thousand tons and gas in the volume of 11 691.6 mscm at oil and gas deposits, the licenses for development of which belong to the Company, and transfer of the Company hydrocarbons so produced for further sales with total value of 29 981 507.4 thousand RUR (3.76% of book value of the Company assets as of 31.03.2007) | 1. Value of services paid by the Company – 29 981 507.4 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |

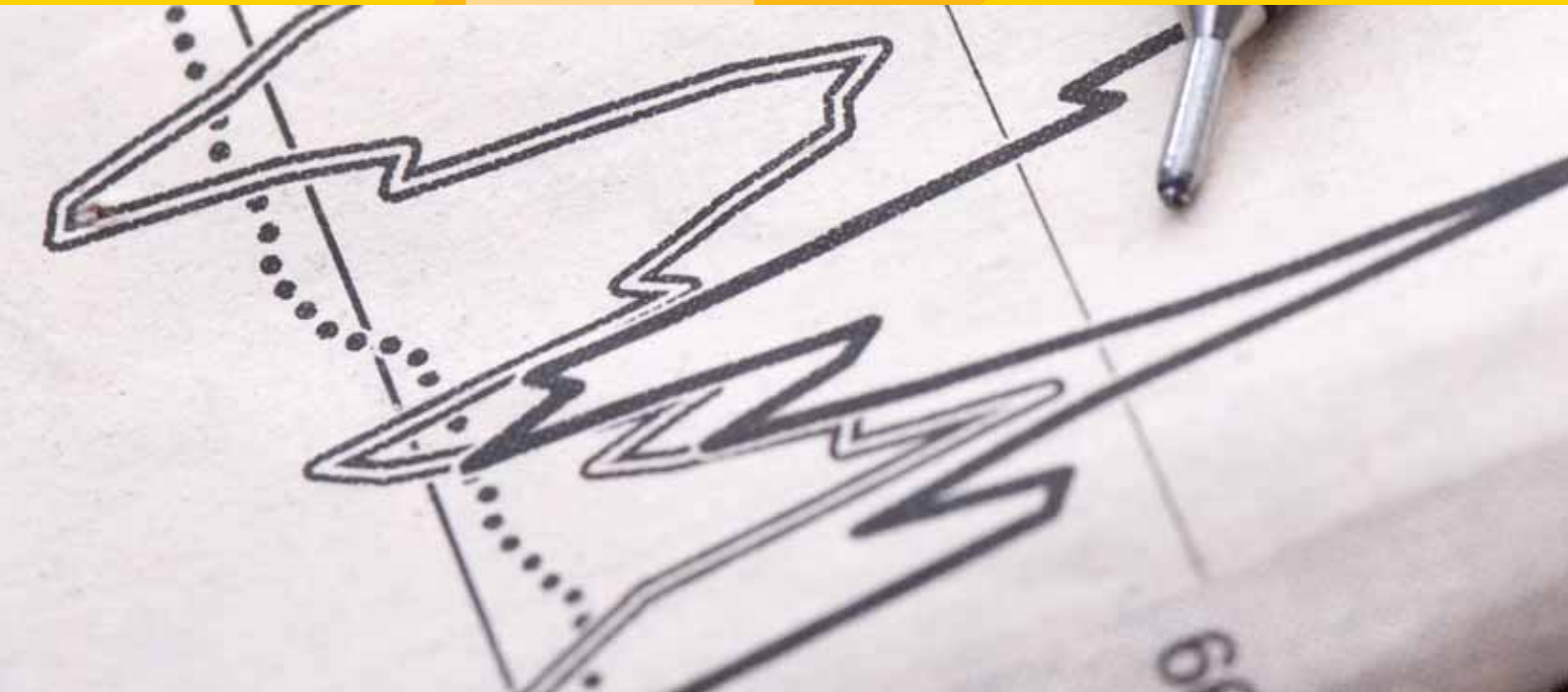
**Transactions approved by the General Meeting of Shareholders of OJSC Rosneft Oil Company
30.06.2007:**

| | | | |
|------------------------|--|---|--|
| LLC RN-Yuganskneftegaz | 1. The Counterparty rendered services to the Company in production of oil and gas condensate in the volume of 91 500.0 thousand tons and gas in the volume of 2 520.0 mscm at oil and gas deposits, the licenses for development of which belong to the Company, and transfer of the Company hydrocarbons so produced for further sales with total value of 107 952 798.5 thousand RUR (13.55% of book value of the Company assets as of 31.03.2007) | 1. Value of services paid by the Company – 107 952 798.5 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| | 2. The Company leased fixed assets to the Counterparty against the royalty in amount of 26 890 725.4 thousand RUR (3.37% of book value of the Company assets as of 31.03.2007) | 2. Rentals or royalty received by the Company – 26 890 725.4 thousand RUR | |

| | | | |
|--|---|--|--|
| OJSC Rosneft Oil Company-Kabardino-Balkarian Fuels Company | 1. The Company sold petroleum products to the Counterparty in the volume of 1 650.0 thousand tons with total value of 28 050 000.0 thousand RUR (3.52% of book value of the Company assets as of 31.03.2007) | 1. Value of petroleum products sold by the Company – 28 050 000.0 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |
| OJSC Rosneft Oil Company-Kubannefteproduct | 1. The Company sold petroleum products to the Counterparty in the volume of 1 534.5 thousand tons with total value of 24 756 919.5 thousand RUR (3.11 % of book value of the Company assets as of 31.03.2007) | 1. Value of petroleum products sold by the Company – 24 756 919.5 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction); S.V. Karaganov – member of the Board of OJSC Rosneft Oil Company, member of the Board of directors OJSC Rosneft Oil Company-Kubannefteproduct, which is the party of transaction |
| LLC RN-Vostoknefteproduct | 1. The Company sold petroleum products to the Counterparty in the volume of 2 839.5 thousand tons with total value of 45 822 382.5 thousand RUR (5.75% of book value of the Company assets as of 31.03.2007) | 1. Value of petroleum products sold by the Company – 45 822 382.5 thousand RUR | OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction) |

| | | | |
|---|---|---|--|
| <p>OJSC Russian Regional Development Bank</p> | <p>1. Joint purchase and sales of foreign currency between the Company and the Counterparty at the exchange rate approved between the parties for total value of 103 000 000.0 thousand RUR (12.93% of book value of the Company assets as of 31.03.2007)</p> | <p>1. Value of hard currency engaged in the Company operations – 103 000 000.0 thousand RUR</p> | <p>OJSC ROSNEFTEGAZ – shareholder of OJSC Rosneft Oil Company, possessing over 20% of voting stock of the Company (The Counterparty is an affiliate of OJSC ROSNEFTEGAZ and the party of transaction); S.M. Bogdanchikov – member of the Board of directors, Chairman of the Board, President of OJSC Rosneft Oil Company, Chairman of the Supervisory Board of OJSC Russian Regional Development Bank, which is the party of transaction A.I. Baranovskiy – member of the Board of OJSC Rosneft Oil Company, member of the Supervisory Board of OJSC Russian Regional Development Bank, which is the party of transaction</p> |
|---|---|---|--|

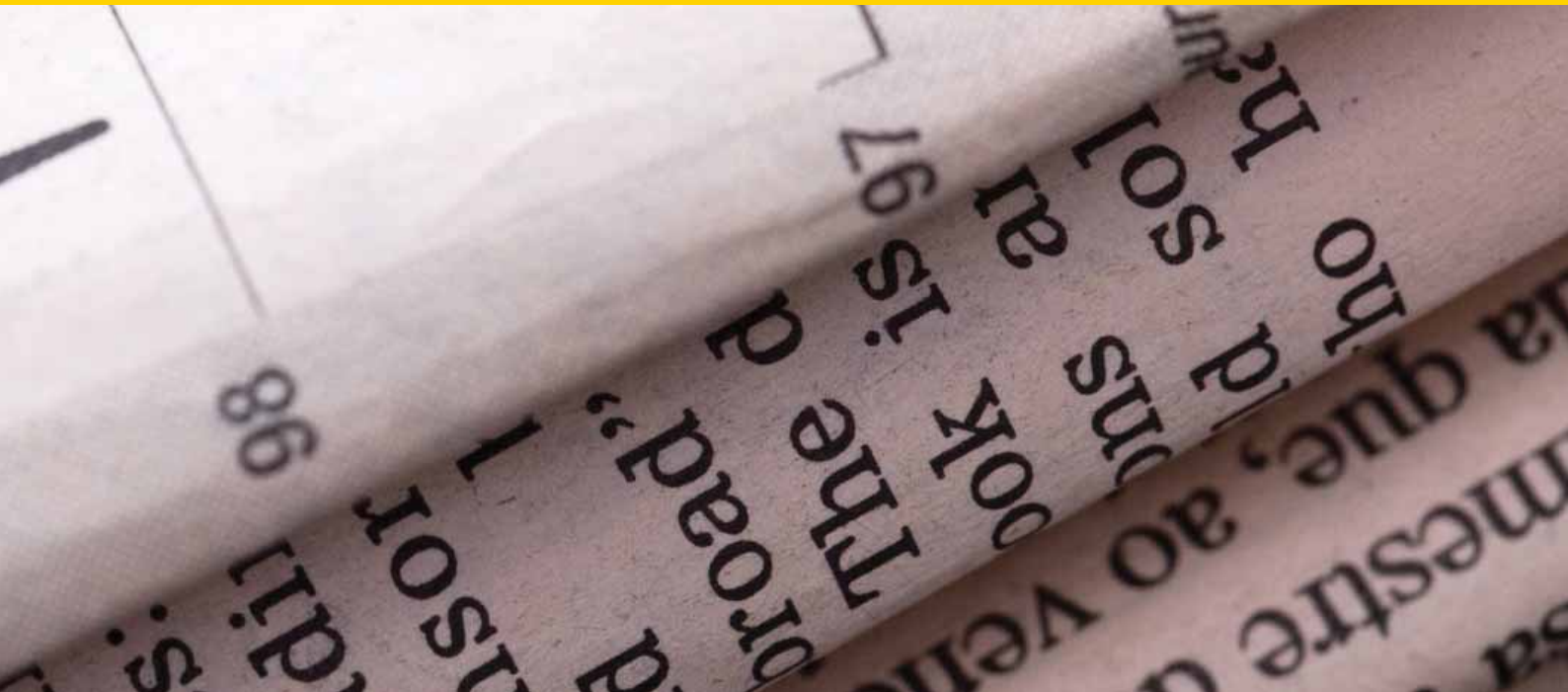
All Related Party Transactions of OJSC Rosneft Oil Company in 2007 were concluded and realized in accordance with competitive market terms.



Appendix 2

Non-Consolidated Financial Statements of Rosneft for 2007

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Audit Report

On Financial (Accounting) Statements of Open Joint Stock Company – Rosneft Oil Company for the Period from January 01, 2007 to December 31, 2007 Presented to the Executive Body of Open Joint Stock Company – Rosneft Oil Company

AUDITOR:

Full name: Closed Stock Company – Audit & Consulting Group for Business Systems Development.

Abbreviated (Russian) name: CJSC AKG RBS.

Number and date of State Registration Certificate: No. 970.567 of 20.07.2001.

Location: 107045, Moscow, Ananievsky Side-Street, 4/2, bldg. 1.

Address for correspondence: 115093, Moscow, Lyusinovskaya str., 27, bldg. 3.

Tel: (495) 967-68-38, 967-68-40.

Fax: (495) 967-68-43.

Audit License:

- The Audit License of 25.06.02 No. E 000440 issued pursuant to the Order of the Ministry of Finance of the Russian Federation, approved by Order of 25.06.02 No. 123, valid through 25.06.2012.

Membership in international associations of audit and consulting firms:

- Business Partner of Horwath Business Alliance based on an agreement of 21.05.2007.

Membership in accredited professional auditor associations:

- Institute of Professional Accountants and Auditors of Russia and Territorial institute of Professional Accountants, Certificate of 29.09.04 No. 00386/77.

Membership in other professional associations:

- Association of Russian Banks, Certificate of 19.04.02 No. 1315;
- Moscow Banks Union, Certificate of 30.05.02 No. 398

AUDITED COMPANY:

Full name: Open Joint Stock Company – Rosneft Oil Company.

Abbreviated name: OAO Rosneft Oil Company

Number and date of State Registration Certificate: No. 024537 of 07.12.1995

Location: 115035 Russian Federation, Moscow, Sofiyskaya Embankment, 26/1.

1. We have completed the audit of the attached financial (accounting) statements of OAO Rosneft Oil Company for the period from January 01, 2007 to December 31, 2007 inclusive. OAO Rosneft Oil Company financial (accounting) statements comprise the following:

- Form No. 1 Accounting Balance Sheet;
- Form No. 2 Profit and Loss Statement;
- Form No. 3 Capital Statement;
- Form No. 4 Cash Flow Statement;
- Form No. 5 Attachment to Balance Sheet;
- Information Note.

These statements have been prepared by OAO Rosneft Oil Company Executive Body in accordance with the regulations established by:

- The Federal Law of the Russian Federation of 21.11.1996 No. 129-FZ on accounting (with further amendments and additions);
- Regulation on accounting and accounting statements in the Russian Federation, approved by the Order of the Ministry of Finance of 29.07.1998 No. 34n (with further amendments and additions);
- Regulation on accounting – “Accounting In Organizations” PBU 4/99 (approved by the Order of the Ministry of Finance of the Russian Federation of 06.07.1999 No. 43n);
- Order of the Ministry of Finance of the Russian Federation of 22.06.2003 No. 67n on the forms of organizations accounting statements;

- Accounting Policy of OAO Rosneft Oil Company and other internal accounting regulations.

OAO Rosneft Oil Company financial (accounting) statements shall be viewed as the aggregate of the above forms and Information Note.

2. Executive Body of OAO Rosneft Oil Company is responsible for preparation and presentation of the said financial (accounting) statements. Our responsibility is to express an opinion on reliability of all material aspects of the said statements and compliance of accounting with the applicable laws of the Russian Federation based on the completed audit.

3. We have completed the audit in accordance with:

- the Federal Law of 07.08.2001 No. 119-FZ on audit operations (with further amendments and additions);
- Federal Rules (Standards) of Audit, approved by the Decree of the Government of the Russian Federation of 23.09.2002 No. 696 (with further amendments and additions);
- CJSC AKG RBS rules (standards) of audit.

4. The audit was planned and performed so that we acquire reasonable confidence in the fact that financial (accounting) statements do not contain material misstatements. The audit was performed on selective basis and it included the following:

- testing-based study of evidence supporting the numeric indicators and disclosure of information on financial and economic activity of the audited company in its financial (accounting) statements;
- assessment of compliance with principles and rules of accounting applied for preparation of financial (accounting) statements;
- review of principal assessment indicators obtained by the audited company management during preparation of financial (accounting) statements;
- assessment of presented financial (accounting) statements.

5. We believe the said audit provides sufficient grounds for expression of our opinion on reliability of financial (accounting) statements and compliance of accounting process with the applicable laws of the Russian Federation.

6. In our opinion, OAO Rosneft Oil Company financial (accounting) statements accurately reflects in all material aspects the financial situation as of December 31, 2007 and the results of financial and economic performance for the period from January 01, 2007 to December 31, 2007 inclusive.

Attached: Accounting Statements of OAO Rosneft Oil Company for the period from January 01, 2007 to December 31, 2007 on 33 pages:

1. Accounting Balance Sheet (Form No. 1) – 3 pages.
2. Profit and Loss Statement (Form No. 2) – 2 pages.
3. Capital Statement (Form No. 3) – 5 pages.
4. Cash Flow Statement (Form No. 4) – 2 page.
5. Attachment to Balance Sheet (Form No. 5) – 7 pages.
6. Information Note – 20 pages.

Audit Report Date: February 15th, 2008

Deputy General Director

(Skill Certificate No. K 010671, unlimited term)

R.N. Rakshaev

Audit Leader

(Skill Certificate No. K 019100, unlimited term)

L.N. But

| Accounting Balance Sheet for 2007 | Codes | |
|---|-----------------------|---|
| Form N1 | OKATO | 45286596000 |
| | OKOGU | 41114 |
| Company: OJSC Rosneft Oil Company | OKPO | 00044428 |
| Taxpayer Identification Number | INN | 7706107510 |
| Type of activity: Industrial | OKVED | 11.10.11 23.20 11.10.2 63.40 60.30.11 51.70 74.14 |
| Legal status and ownership | OKOPF | 47 |
| Stated in: thou. RUR | OKFS | 12 |
| Place of residence (address): 115035, Moskow, Sofiyskaya emb.,26/1 | | |
| | Approved as of | |
| | Sent (received) as of | |

| ASSETS | Code of line | Opening balance | Closing balance |
|--|--------------|--------------------|----------------------|
| 1 | 2 | 3 | 4 |
| I. NON-CURRENT ASSETS | | | |
| Intangible assets* | 110 | 3 465 315 | 3 319 970 |
| Fixed assets | 120 | 142 126 180 | 196 804 121 |
| Construction in progress | 130 | 34 961 039 | 45 808 663 |
| Long-term financial investment | 140 | 146 701 900 | 496 516 832 |
| Deferred tax assets | 145 | 294 569 | 1 376 647 |
| Geological prospecting assets | 147 | 25 705 194 | 27 241 901 |
| Other non-current assets | 150 | 5 595 618 | 9 175 092 |
| TOTAL under Section 1 | 190 | 358 849 815 | 780 243 226 |
| II. CURRENT ASSETS | | | |
| Stocks | 210 | 12 724 458 | 24 971 420 |
| including: | | | |
| feedstock, raw materials and other similar assets | 211 | 1 181 928 | 3 807 621 |
| costs of production in progress (distribution costs) | 213 | 344 817 | 2 811 184 |
| finished goods and goods for resale | 214 | 8 023 997 | 13 077 581 |
| shipped goods | 215 | 1 189 257 | 2 997 472 |
| prepaid expenses | 216 | 1 984 459 | 2 277 562 |
| Input Value Added Tax, Excise tax | 220 | 14 698 686 | 9 824 806 |
| Accounts receivable (due in more than 12 months after the accounting date) | 230 | 439 704 | 497 455 |
| Accounts receivable (due within 12 months after the accounting date) | 240 | 330 917 737 | 208 116 386 |
| including: | | | |
| purchasers and clients | 241 | 65 372 642 | 83 990 362 |
| Short-term financial investments | 250 | 28 395 100 | 34 758 445 |
| Cash | 260 | 3 503 396 | 6 009 103 |
| Other current assets | 270 | | |
| Section II, Total | 290 | 390 679 081 | 284 177 615 |
| BALANCE (lines 190+290) | 300 | 749 528 896 | 1 064 420 841 |

| LIABILITIES | Code of line | Opening balance | Closing balance |
|---|--------------|-----------------|-----------------|
| 1 | 2 | 3 | 4 |
| III. EQUITY | | | |
| Charter capital | 410 | 105 982 | 105 982 |
| Own shares bought back from shareholders | 411 | | |
| Capital surplus | 420 | 113 276 400 | 113 276 386 |
| Capital reserves | 430 | 5 299 | 5 299 |
| reserves, formed under constituent documents | 432 | 5 299 | 5 299 |
| retained profit of the previous periods | 460 | 174 837 294 | 160 741 732 |
| retained profit (loss) of the accounting period | 470 | | 162 021 670 |
| TOTAL under Section III | 490 | 288 224 975 | 436 151 069 |
| IV. Long-term liabilities | | | |
| Loans and borrowings | 510 | 317 517 571 | 285 967 384 |
| Deferred tax liabilities* | 515 | 2 670 715 | 5 883 221 |
| Other long-term liabilities | 520 | 107 332 | 42 428 984 |
| TOTAL under Section IV | 590 | 320 295 618 | 334 279 589 |
| V. Short-term liabilities | | | |
| Loans and borrowings | 610 | 38 790 845 | 181 164 315 |
| Accounts payable* | 620 | 98 971 722 | 109 353 861 |
| including: | | | |
| suppliers and contractors | 621 | 18 087 593 | 31 241 084 |
| payroll payable | 624 | 123 398 | 7 617 |
| payables to state budget funds | 625 | 130 | 1 506 |
| taxes payable | 626 | 46 429 011 | 40 593 476 |
| other accounts payable | 628 | 34 331 590 | 37 510 178 |
| Dividends payable to members (founders)* | 630 | | 31 181 |
| Deferred income | 640 | 3 557 | 3 519 |
| Provision for future expenses and charges | 650 | | 212 145 |
| Other short-term liabilities* | 660 | 3 242 179 | 3 225 162 |
| Total under Section V | 690 | 141 008 303 | 293 990 183 |
| BALANCE (lines 490+590+690) | 700 | 749 528 896 | 1 064 420 841 |

Statement of Valuables Recorded off Balance Sheet

| ITEM | Code of line | Opening balance | Closing balance |
|---|--------------|-----------------|-----------------|
| 1 | 2 | 3 | 4 |
| Rented fixed assets* | 910 | 8 699 718 | 10 265 073 |
| Goods and material values accepted for storage under obligation | 920 | 2 387 518 | 780 923 |
| Goods accepted for commission | 930 | 50 | 2 954 286 |
| Bad debt written off to losses | 940 | 858 126 | 803 429 |
| Securities for liabilities and payment received | 950 | 113 105 089 | 476 664 167 |
| Securities for liabilities and payment issued | 960 | 44 626 596 | 272 466 591 |
| Wear of housing stock | 970 | 3 525 | 4 516 |
| Wear of outdoor infrastructure and similar assets | 980 | 915 | 1 728 |

Vice-President S.I.Makarov
Senior Deputy Chief Accountant N.N.Vovk
February, 15 2008

| Profit and Loss Statement for 2007 | | Codes |
|--|-------|--|
| Form N2 | OKATO | 45286596000 |
| Date (yy,mm,dd) | | |
| Company: OJSC Rosneft Oil Company | OKPO | 00044428 |
| Taxpayer Identification Number | INN | 7706107510 |
| Type of activity: Industrial | OKVED | 11.10.11 23.20 11.10.2 63.40 60.30.11 51.70.74.14 |
| Legal status/ownership: Public Joint Stock Company | OKOPF | 47 |
| | OKOGU | 41114 |
| Stated in: thou. RUR | OKFS | 12 |

| Item | Code of line | Accounting Period | Corresponding Prior Period |
|--|--------------|-------------------|----------------------------|
| 1 | 2 | 3 | 4 |
| I. Operating revenues and expenses (Net) proceeds from the sale of goods, products, works and services (Exclusive of value added tax, excise duties and similar charges)* | 10 | 816 303 533 | 589 010 932 |
| Cost of sold goods, products, works and services | 20 | (475 207 650) | (405 941 469) |
| Gross profit | 29 | 341 095 883 | 183 069 463 |
| Sales expenses | 30 | (76 274 594) | (61 872 851) |
| Administrative expenses | 40 | (9 549 537) | (7 061 156) |
| Sales profit (loss) (lines (010-020-030-040)) | 50 | 255 271 752 | 114 135 456 |
| II. Other revenues and expenses | | | |
| Interest receivables | 60 | 954 562 | 1 792 564 |
| Interest payable | 70 | (26 244 523) | (20 889 057) |
| Revenues from the shareholdings | 80 | 1 000 938 | 4 065 400 |
| Revenues from sales or other retirement of other assets | 90 | 39 690 002 | 12 537 498 |
| Expenses for selling or other retirement of other assets | 100 | (39 617 819) | (12 854 459) |
| Taxes paid | 110 | (2 728 859) | (1 298 817) |
| Other revenues* | 120 | 57 250 982 | 175 923 793 |
| Other expenses | 130 | (43 236 674) | (14 487 093) |
| Profit (loss) before tax (lines (050+060-070+080+090-100-110+120-130)) | 140 | 242 340 361 | 258 925 285 |
| Deferred tax assets | 150 | 1 107 189 | 68 367 |
| Deferred tax liabilities | 151 | (3 235 220) | (2 287 970) |
| Cost of sold goods, products, works and services | 152 | (78 190 660) | (44 810 571) |
| Profit (loss) from activities (140+150-151-152) | 160 | 162 021 670 | 211 895 111 |
| Amount of profit, derived from writing down reassessment sums of added capital | 161 | | 41 |
| Amount of profit, changed as a result of changes in articles of incorporation | 162 | | 1 321 464 |

| Item | Code of line | Accounting Period | Corresponding Prior Period |
|--|--------------|-------------------|----------------------------|
| 1 | 2 | 3 | 4 |
| Net profit (surplus profit (loss) for the accounting period) (lines (160+161+170-180)) | 190 | 162 021 670 | 213 216 616 |
| For reference only: | | | |
| Permanent tax liabilities (assets) | 201 | -27 001 144 | 14 394 327 |
| Basic earnings (loss) per share | 202 | 15,29 | 20,12 |
| Diluted earnings (loss) per share | 203 | | |

Breakdown of Certain Profit and Loss Items

| Item | Code of line | Accounting Period | | Corresponding Period for the Previous Year | |
|---|--------------|-------------------|-----------------|--|---------------|
| | | gain | loss | gain | loss |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Income from sale (purchase) of foreign currency (cost of sold (purchased foreign currency)) | 204 | 1 526 977 474 | (1 523 498 171) | 764 614 401 | (765 100 276) |
| Exchange rate differences on foreign currency transactions | 205 | 39 204 291 | (18 926 397) | 30 435 324 | (7 816 675) |
| Banking services | 206 | | (1 785 568) | | (1 223 457) |
| Profit (loss) of the previous years | 207 | 1 008 239 | (2 411 693) | 681 290 | 1 677 510 |
| Fines, penalties and forfeits acknowledged of paid under court decree (arbitration court) | 208 | 56 608 | (11 367 794) | 141 039 966 | (275 494) |
| Write-off of accounts receivable and payable unrecoverable due to expired limitation period | 209 | 1 052 896 | (303 160) | 893 | (48 764) |

Vice-President S.I.Makarov
Senior Deputy Chief Accountant N.N.Vovk
February, 15 2008

Capital Statement for 2007

| | | | | |
|-----------------------------------|--------------------------|--|----|----|
| | | CODES | | |
| | | Form №3 OKUD | | |
| Date (yy, mm, dd) | | | | |
| Company | OJSC Rosneft Oil Company | OKPO 00044428 | | |
| Taxpayer Identification Number | | INN 7706107510 | | |
| Type of activity | Industry | OKVED 11.10,11.23,20.11.10.20.63 40 60 30.11 | | |
| Legal status and ownership | OJSC | | | |
| | | OKOPF/OKFS | 47 | 12 |
| Stated in | thou. RUR | OKEI 384 | | |

I. Changes in Capital

| Indicator | | Charter capital | Additional capital | Reserve capital | Retained profit (uncovered loss) | Total |
|---|--------------|-----------------|--------------------|-----------------|----------------------------------|--------------|
| Description | Code of line | | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Balance as of the December 31, of the year preceding the previous one | 3010 | 90 922 | 151 756 291 | 1 326 763 | 68 964 747 | 222 138 723 |
| 2006 (previous year) Change in accounting policy | 3011 | X | X | X | | |
| Results of fixed assets revaluation | 3012 | X | | X | | |
| Balance as of January 1st of the previous year | 3013 | 90 922 | 151 756 291 | 1 326 763 | 68 964 747 | 222 138 723 |
| Result of revaluation of foreign currency | 3014 | X | | X | X | |
| Net income | 3015 | X | X | X | 213 216 616 | 213 216 616 |
| Dividends | 3016 | X | X | X | (11 335 500) | (11 335 500) |
| Assessments to the reserve fund | 3017 | X | X | | | |
| Increase of capital due to: | 3018 | 15 060 | 85 035 350 | | | 85 050 410 |
| additional emission of shares | 3019 | 15 060 | X | X | X | 15 060 |
| increase in securities nominal value | 3020 | | X | X | X | |
| restructuring of legal entity | 3021 | | X | X | | |
| Increase in shares value, having its market price | 3022 | X | 26 929 807 | X | X | 26 929 807 |
| Completion, equipping, reconstruction | 3023 | X | | X | X | |
| Retained profit. Profit allocated to capital outlay (entry of fixed assets) | 3024 | X | | X | X | |

| Indicator | | Charter capital | Additional capital | Reserve capital | Retained profit (uncovered loss) | Total |
|---|--------------|-----------------|--------------------|-----------------|----------------------------------|---------------|
| Description | Code of line | | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| emission revenue from part of difference between nominal and selling value of a share | 3025 | X | 58 105 543 | X | X | 58 105 543 |
| Other sources of emission revenue | 3026 | X | | X | X | |
| Other growth | 3027 | | | X | | |
| Decrease in the capital due to: | 3028 | | (123 515 241) | (1 321 464) | (96 270 127) | (221 106 832) |
| decrease in share nominal value | 3029 | | X | X | X | |
| decrease in securities number | 3030 | | X | X | X | |
| Legal entity rearrangement | 3031 | | X | X | (96 270 127) | (96 270 127) |
| adjustment of shares, having its market value | 3032 | X | | X | X | |
| increase in value of written-off fixed assets | 3033 | X | (41) | X | X | (41) |
| Increase in charter capital | 3034 | X | | X | X | |
| foreign exchange loss being part of charter capital | 3035 | X | | X | X | |
| Cover of losses | 3036 | X | | | X | |
| decrease of production development fund with putting of fixed assets into operation | 3037 | X | X | X | | |
| other decrease | 3038 | | (123 515 200) | (1 321 464) | | (124 836 664) |
| Balance of December 31 of the previous year | 3039 | 105 982 | 113 276 400 | 5 299 | 174 575 736 | 287 963 417 |
| 2007 (reporting year) Changes in accounting policy | 3040 | X | X | X | | |
| Results from fixed assets revaluation | 3041 | X | | X | | |
| Financial result of revaluation in CU during transition period | 3042 | X | | | 261 558 | 261 558 |
| Balance as of January 1, of the register period | 3043 | 105 982 | 113 276 400 | 5 299 | 174 837 294 | 288 224 975 |
| Result from foreign currency exchange | 3044 | X | | X | X | |
| Net profit | 3045 | X | X | X | 162 021 670 | 162 021 670 |

| Indicator | | Charter capital | Additional capital | Reserve capital | Retained profit (uncovered loss) | Total |
|---|--------------|-----------------|--------------------|-----------------|----------------------------------|--------------|
| Description | Code of line | | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Dividends | 3046 | X | X | X | (14 095 576) | (14 095 576) |
| Allocation to reserve fund | 3047 | X | X | | | |
| Increase in the capital due to additional emission of shares | 3048 | | | | 14 | 14 |
| growth of nominal price of shares | 3049 | | X | X | X | |
| reorganisation of legal entity | 3050 | | X | X | | |
| increase in security nominal value | 3051 | | X | X | | |
| Completion, equipping, reconstruction | 3052 | | | X | X | |
| Retained profit. Profit allocated to capital outlay (entry of fixed assets) | 3053 | | | X | X | |
| emission revenue from part of difference between nominal and selling value of a share | 3054 | | | X | X | |
| Other sources of emission revenue | 3055 | | | X | X | |
| other growth | 3056 | | | X | X | |
| | 3057 | | | X | 14 | 14 |
| | 3058 | | | | | |
| Decrease of capital due to: | 3059 | | (14) | | | (14) |
| drop of nominal value of shares | 3060 | | X | X | X | |
| decrease of quantity of shares | 3061 | | X | X | X | |
| reorganisation of legal entity | 3062 | | X | X | | |
| drop of value of shares, having market price | 3063 | X | | X | X | |
| increase in value of written-off fixed assets | 3064 | X | (14) | X | X | (14) |
| increase in charter capital | 3065 | X | | X | X | |
| foreign exchange loss being part of charter capital | 3066 | X | | X | X | |
| cover of losses | 3067 | X | | | X | |
| decrease of production development fund with putting of fixed assets into operation | 3068 | X | X | X | | |
| For capital investment, industrial and social development | 3069 | | | | | |
| | 3070 | | | | | |
| Balance as of December 31, of the reporting period | 3071 | 105 982 | 113 276 386 | 5 299 | 322 763 402 | 436 151 069 |

| II. Reserves | | | | | |
|--|--------------|-----------|-----------|-----------|---------|
| Indicator | | Balance | Incoming | Outgoing | Balance |
| title | Code of line | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Reserves formed as re-quires by the law Reserve fund (title of re-serve) | 3072 | | | | |
| Data of the previous year | | | | | |
| Data of the reporting year | 3073 | | | | |
| (title of reserve) | 3074 | | | | |
| Data of the previous year | | | | | |
| Data of the reporting year | 3075 | | | | |
| Reserves formed as re-quired by Articles of Asso-ciation Reserve fund (title of reserve) | 3076 | 1 326 763 | | 1 321 464 | 5 299 |
| Data of the previous year | | | | | |
| Data of the reporting year | 3077 | 5 299 | | | 5 299 |
| Valuation reserves: Data of the previous year | 3078 | 234 286 | 427 522 | 295 340 | 366 468 |
| Data of the reporting year | 3079 | 366 468 | 959 600 | 430 468 | 895 600 |
| Prvisions for future expenses data of the previous year | 3080 | | 850 239 | 850 239 | |
| data of the reporting year | 3081 | | 1 366 355 | 1 154 209 | 212 146 |

| References | | | | | |
|--|--------------|---|-----------------------|-----------------------------------|-----------------------|
| Index | | Balance as of the beginning of the year | | Balance as of the end of the year | |
| title | Code of line | | | | |
| 1 | 2 | 3 | | 4 | |
| 1) Net assets | 3082 | 288 228 532 | | 436 154 588 | |
| | | From budget | | From non-budget funds | |
| | | for accounting year | for the previous year | for accounting year | for the previous year |
| | | 3 | 4 | 5 | 6 |
| 2) Received for: operational activi-ties – total | 3083 | | | | |
| including | 3084 | | | | |
| | 3085 | | | | |
| | 3086 | | | | |

| | | From budget | | From non-budget funds | |
|--|------|---------------------|-----------------------|-----------------------|-----------------------|
| | | for accounting year | for the previous year | for accounting year | for the previous year |
| | | 3 | 4 | 5 | 6 |
| Capital investment in non-current assets | 3087 | | | | |
| including: | 3088 | | | | |
| | 3089 | | | | |
| | 3090 | | | | |

Vice-President S.I.Makarov
Senior Deputy Chief Accountant N.N.Vovk
15 February 2008

| Cash Flow Statement for the year 2007 | | Codes | |
|---------------------------------------|----------------------------|--------------------------|---|
| Company | OJSC Rosneft Oil Company | OKUD Form No. 4 | 0710004 |
| Type of activity | Industry | Date (yy, mm, dd) | |
| Legal status and ownership | Public Joint Stock Company | OKPO | 00044428 |
| Stated in | thou. RUR | INN | 7706107510 |
| | | OKVED | 11.10.11 23.20 11.10.2 63.40 60.30.11 51.70.74.14 |
| | | OKOPF | 47 |
| | | OKFS | 12 |
| | | OKEI | 384 |

| Item Description | Code of line. | Accounting period | Corresponding Previous Period |
|--|------------------|-------------------|----------------------------------|
| 1 | 2 | 3 | 4 |
| Opening cash balance | 4010 | 3 503 315 | 13 710 194 |
| Cash flow from operating activities— total: including | 4020 | 2 963 570 551 | 1 707 632 656 |
| Received from purchasers, clients | 4210 | 1 104 975 956 | 884 225 026 |
| Other revenues | 4030 | 1 858 594 595 | 823 407 630 |
| Cash allocated for— total: including | 4040 | (2 640 235 448) | (1 695 961 457) |
| Payment for acquired goods, works, services, raw materials and other current assets | 4050 | (736 044 541) | (1 524 099 466) |
| payroll | 4060 | (3 633 816) | (2 995 400) |
| payment of dividends and interest | 4070 | (35 611 045) | (28 594 553) |
| payment of taxes | 4080 | (293 066 097) | (112 869 390) |
| other expenses | 4085 | (1 571 879 949) | (27 402 648) |
| Net cash flow from operating activities | 4090 | 323 335 103 | 11 671 199 |
| Cash flow from investment activities— total: including | 4110 | 2 344 337 625 | 870 013 627 |
| Proceeds from the sale of fixed assets and other non-current assets | 4111 | 947 038 | 2 810 348 |
| Proceeds from the sale of securities and other financial investments | 4120 | 2 215 672 211 | 818 700 248 |
| Dividends received | 4130 | 963 211 | 1 676 915 |
| Interest received | 4140 | 849 318 | 935 789 |
| Repayment of loans issued to other entities | 4150 | 109 672 674 | 45 639 640 |
| Other | 4151 | 16 233 173 | 250 687 |
| Spent for investment activities— total: | 4052 | (2 776 804 699) | (989 011 368) |
| Acquisition of subsidiaries | 4160 | (28 456 285) | (5 749 449) |
| Acquisition of fixed assets, incom-bearing investment in tangible assets and intangible assets | 4170 | (95 755 222) | (43 295 661) |
| Acquisition of securities and other financial investments | 4180 | (2 212 994 241) | (816 590 381) |
| Loans issued to other entities | 4190 | (438 594 990) | (123 375 877) |

| Item Description | Code of line. | Accounting period | Corresponding Previ- ous Period |
|---|------------------|-------------------|------------------------------------|
| 1 | 2 | 3 | 4 |
| Other investments | 4191 | (1 003 961) | |
| Net cash flow from investment activities | 4200 | (432 467 074) | (118 997 741) |
| Cash flow from financial activities – total: including | 4210 | 801 106 705 | 474 422 659 |
| Proceeds from issue of shares and other equity securities | 4220 | | 58 108 394 |
| Proceeds from loans granted to other entities | 4230 | 113 077 337 | 40 390 706 |
| Proceeds from credits granted to other entities | 4250 | 687 864 368 | 373 645 028 |
| Other | 4260 | 165 000 | 2 278 531 |
| Spent for financial activities— total: including | 4280 | (689 468 946) | (377 302 915) |
| Repayment of loans (net of interest) | 4290 | (46 280 083) | (22 832 156) |
| Repayment of credits (net of interest) | 4300 | (631 626 341) | (341 824 705) |
| repayment of financial lease | 4310 | | |
| other | 4340 | (11 562 522) | (12 646 054) |
| Net cash flow from financial activities | 4350 | 111 637 759 | 97 119 744 |
| Net increase (decrease) in cash and cash equivalents | | 2 505 788 | (10 206 798) |
| Closing cash balance | 4010 | 6 009 103 | 3 503 396 |
| Effect of foreign currency/rouble exchange rate movement | 4010 | (53 666) | (610 409) |

Vice-President S.I.Makarov
Senior Deputy Chief Accountant N.N.Vovk
15 February 2008

| Attachment to Balance Sheet for 2007 | | CODES | |
|---------------------------------------|----------------------------|-----------------------|--|
| | | OKUD form No 5 | 0710005 |
| Date (yy, mm, dd) | | | |
| Company | OJSC "Rosneft Oil Company" | OKPO | 00044428 |
| Taxpayer Identification Number | | INN | 7706107510 |
| Type of activity | Industrial | OKVED | 11.10, 11.23, 20.11.10.20.63 40 60 30.11 |
| Legal status and ownership | Public Joint-Stock Company | OKOPF/OKFS | 47 12 |
| Stated in | thou. RUR | OKEI | 384 |

| Intangible Assets | | | | | |
|---|--------------|-----------------|----------|----------|-----------------|
| Item | | Opening Balance | Received | Disposed | Closing Balance |
| Description | Code of line | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Intellectual property items (exclusive rights to the subject matter of intellectual property) | 5100 | 470 | 1 807 | (265) | 2 012 |
| Including: | 5101 | 406 | 4 | (265) | 145 |
| Items of a patent holder in relation to an invention, industrial design, utility model | | | | | |
| of a software or database right holder | 5102 | | | | |
| of an integrated circuit topography rights holder | 5103 | | | | |
| of a holder of a trademark, service mark, geographical indication rights | 5104 | 64 | 1 803 | | 1 867 |
| Of a holder of a breeder's rights | 5105 | | | | |
| Administrative expenses | 5106 | | | | |
| Goodwill | 5107 | | | | |
| Other | 5108 | 3 762 207 | 1 067 | (48) | 3 763 226 |

| Item | | Opening balance | Closing balance |
|--|--------------|-----------------|-----------------|
| Description | Code of line | | |
| 1 | 2 | 3 | 4 |
| Intangible assets amortization – total | 5109 | 297 362 | 445 268 |
| including: (exclusive entitlements for results of intellectual property) | 5110 | 9 | 110 |
| Administrative expenses | 5111 | | |

| Fixed Assets | | | | | |
|--|--------------|--------------------|-------------------|--------------------|--------------------|
| Item | | Opening balance | Received | Discharged | Closing balance |
| Description | Code of line | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Buildings | 5113 | 15 780 331 | 5 423 641 | (700 765) | 20 503 207 |
| Installations and transmission units | 5114 | 165 259 941 | 55 306 219 | (420 696) | 220 145 464 |
| Plant and machinery | 5115 | 24 417 368 | 9 488 273 | (788 560) | 33 117 081 |
| Vehicles | 5116 | 3 553 538 | 370 116 | (78 600) | 3 845 054 |
| Production and household inventory | 5117 | 596 646 | 189 480 | (25 125) | 761 001 |
| Working livestock | 5118 | | () | | |
| Productive livestock | 5119 | | () | | |
| Perennial plants | 5120 | | () | | |
| Other fixed assets | 5121 | 59 463 | 18 730 | (6 338) | 71 855 |
| Land plots and natural assets | 5122 | 157 063 | 305 328 | (670) | 461 721 |
| Capital investment in land reclamation | 5123 | | () | | |
| Total | 5124 | 209 824 350 | 71 101 787 | (2 020 754) | 278 905 383 |

| Item | | Opening balance | Closing balance |
|--|--------------|-----------------|-----------------|
| Description | Code of line | | |
| 1 | 2 | 3 | 4 |
| Amortization of fixed assets – total | 5125 | 67 698 170 | 82 101 262 |
| Including: | 5126 | 55 716 009 | 68 103 266 |
| Building and installation | | | |
| Plant, machinery, vehicles | 5127 | 11 619 544 | 13 567 918 |
| Other | 5128 | 362 617 | 430 078 |
| Leased out fixed assets – total | 5129 | 172 759 673 | 241 612 215 |
| Including: | 5130 | 11 762 817 | 15 382 030 |
| Buildings | | | |
| Installation | 5131 | 140 578 929 | 198 118 907 |
| Mothballed fixed assets | 5132 | 11 695 829 | 12 504 640 |
| Fixed assets taken on lease – total | 5133 | 8 699 718 | 10 265 073 |
| Including: buildings, vehicles | | | |
| Real estate accepted into operation in the process of the state registration | 5134 | 45 945 989 | 12 665 958 |
| For reference only | Code of line | Opening balance | Closing balance |
| | 2 | 3 | 4 |
| Item | | Opening balance | Closing balance |
| Description | Code of line | | |
| 1 | 2 | 3 | 4 |
| Effect from revaluation of fixed assets | 5135 | | |
| Historical (replacement) cost | 5136 | | |
| Amortization | 5137 | | |

| Changes in the fixed assets value as a result of additional construction, equipping, revamping, partial liquidation | Code of line | Opening balance | Closing balance |
|---|--------------|-----------------|-----------------|
| | 2 | 3 | 4 |
| | 5138 | 1 123 042 | 4 463 493 |

| Income-Bearing Investments in Tangible Assets | | | | | |
|--|--------------|-----------------|-----------------|-------------|-----------------|
| Item | | Opening balance | Received | Disposed of | Closing balance |
| Description | Code of line | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Assets to be transferred under lease arrangements | 5139 | | () | | |
| Assets to be transferred under rent arrangements | 5140 | | () | | |
| Other | 5141 | | () | | |
| Total | 5142 | | () | | |
| | Code of line | Opening balance | Closing balance | | |
| 1 | 2 | 3 | 4 | | |
| Amortization of income-bearing investment in tangible assets | 5143 | | | | |

| Expenses Associated with Research, Development and Engineering Activities | | | | | |
|--|--------------|-----------------|----------|-----------------|-----------------|
| Activity | | Opening Balance | Received | Written-off | Closing balance |
| Description | Code of line | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Total | 5144 | | | () | |
| Including: | | 20 531 | 13 347 | (20 531) | 13 347 |
| | | | | () | |
| | | | | () | |
| For reference only | | | Code | Opening balance | Closing Balance |
| | | | 2 | 3 | 4 |
| Expenses associated with research, development and engineering | | | 5145 | 20 531 | 13 347 |
| Expenses associated with research, development and engineering activities which did not pay off and are written-off to non-sale expenses | | | 5146 | 20 531 | |

| Expenses Associated with Natural Resources Development | | | | | |
|--|--------------|-----------------|------------|-----------------|-----------------|
| Item | | Opening Balance | Received | Written-off | Closing Balance |
| Description | Code of line | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Expenses associated with natural resources development – total | 5147 | 30 212 126 | 10 262 441 | (4 957 012) | 35 517 555 |
| Including: | | | | () | |
| Geological prospecting work | | 4 506 932 | 8 238 859 | (4 470 137) | 8 275 654 |
| Geological exploration assets | | 25 705 194 | 2 023 582 | (486 875) | 27 241 901 |
| | | | Code | Opening Balance | Closing Balance |
| For reference only | | | 2 | 3 | 4 |
| Expenses associated with subsoil plots not completed with exploration evaluation of reserves, prospecting and (or) hydro geological surveys and similar activities | | | 5148 | 4 506 932 | 8 275 654 |
| Expenses associated with natural resources development written-off to non-sales expenses in the accounting period as not paying off | | | 5149 | | 820 368 |

| Financial Investments | | | | | |
|---|--------------|-----------------|-----------------|-----------------|-----------------|
| Item | | Long-term | | Short-term | |
| Description | Code of line | Opening balance | Closing balance | Opening balance | Closing balance |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Interest in charter (share) capital of other entities total | 5150 | 60 084 112 | 97 914 984 | | 102 401 |
| Including subsidiaries | 50 566 071 | 88 479 957 | | | |
| Associates | 51511 | 8 912 362 | 9 116 450 | | |
| Other organizations | 51512 | 605 679 | 318 577 | | 102 401 |
| State and municipal securities | 5152 | 3 369 | 1 013 | | |
| Including interest bearing securities | | 3 369 | 1 013 | | |
| Non-interest bearing securities | | | | | |
| Securities of other entities – total | 5153 | 4 260 406 | 119 098 | 1 398 858 | 2 169 231 |
| including debt securities (bonds and bills of exchange) | 51541 | 2 678 185 | | | |
| | 51542 | 1 582 221 | 119 098 | 1 398 858 | 2 169 231 |
| Loans issued | 5155 | 81 949 422 | 398 516 600 | 9 401 167 | 19 808 239 |
| Deposits | 5156 | | | 1 448 210 | 9 257 760 |
| Investments in joint ventures | 51561 | 487 891 | 487 891 | | |
| Other | 5157 | | | 16 146 865 | 3 531 848 |

| Item | | Long-term | | Short-term | |
|---|--------------|-----------------|-----------------|-----------------|-----------------|
| Description | Code of line | Opening balance | Closing balance | Opening balance | Closing balance |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Total | 5158 | 146 785 200 | 497 039 586 | 28 395 100 | 34 869 479 |
| Of the total amount, financial investments quoted at current market value: | 5159 | 482 357 | | | |
| Interest in charter (share) capital of other entities total | | | | | |
| Including subsidiaries and associates | 5160 | | | | |
| State and municipal securities | 5161 | | | | |
| Securities of other entities – total | 5162 | 2 678 185 | | | |
| Including debt securities (bonds and bills of exchange) | 5163 | 2 678 185 | | | |
| Other | 5164 | | | | |
| Total | 5165 | 3 160 542 | | | |
| For reference only: | 5166 | (16 536) | | | |
| For financial investments quoted at current market value, effect of value adjustment | | | | | |
| For debt securities, difference between historical cost and nominal value posted to financial result to the accounting period | 5167 | | | | |

Accounts Receivable and Payable

| Item | | Opening balance | Closing balance |
|---------------------|--------------|-----------------|-----------------|
| Description | Code of line | | |
| 1 | 2 | 3 | 4 |
| Accounts receivable | 5168 | 331 200 906 | 208 285 452 |
| Short-term – total | | | |
| Including: | 5169 | 65 372 339 | 83 994 113 |
| Trade receivables | | | |
| Advances paid | 5170 | 11 107 135 | 22 468 586 |
| Other | 5171 | 254 721 432 | 101 822 753 |
| Long – term – total | 5172 | 439 704 | 590 202 |
| Including: | 5173 | | |
| trade receivables | | | |
| Advance paid | 5174 | | |
| Other | 5175 | 439 704 | 590 202 |
| Total | 5176 | 331 640 610 | 208 875 654 |
| Accounts payable | | | |

| Item | | Opening balance | Closing balance |
|--------------------|--------------|-----------------|-----------------|
| Description | Code of line | | |
| 1 | 2 | 3 | 4 |
| Short-term – total | 5177 | 141 004 746 | 293 743 338 |
| Including: | 5178 | 18 087 593 | 31 241 084 |
| Trade payables | | | |
| Advances received | 5179 | 5 849 546 | 7 341 321 |
| Taxes payable | 5180 | 46 429 011 | 40 594 982 |
| loans | 5181 | 35 554 715 | 105 205 063 |
| Borrowings | 5182 | 3 236 130 | 75 959 252 |
| Other | 5183 | 31 847 751 | 33 401 636 |
| Long-term – total | 5184 | 317 624 903 | 328 396 368 |
| Including: | 5185 | 278 735 895 | 248 367 252 |
| Loans | | | |
| Borrowings | 5186 | 38 781 676 | 37 600 132 |
| Other | | 107 332 | 42 428 984 |
| Total | 5187 | 458 629 649 | 622 139 706 |

Operating Expenses (by expense items)

| Item | | Accounting year | Previous year |
|--|--------------|-----------------|---------------|
| Description | Code of line | | |
| 1 | 2 | 3 | 4 |
| Material expenses | 5188 | 367 877 929 | 225 083 148 |
| Payroll expenses | 5189 | 2 682 056 | 2 453 405 |
| Social charges | 5190 | 192 757 | 157 589 |
| Amortization | 5191 | 15 475 096 | 5 648 374 |
| Other expenses | 5192 | 174 803 943 | 63 962 362 |
| Total for expense items | 5193 | 561 031 781 | 297 304 878 |
| Movement (increase [+], decrease [-]) of: production in progress | 5194 | 2 466 367 | 85 895 |
| deferred expenses | 5195 | 293 103 | 237 381 |
| Provision for deferred expenses | 5196 | (212 145) | |

Cover funds

| Item | | Opening balance | Closing balance |
|---------------------------------------|--------------|-----------------|-----------------|
| Description | Code of line | | |
| 1 | 2 | 3 | 4 |
| Received – total | 5197 | 113 105 089 | 476 664 167 |
| Including : | 5198 | 113 086 017 | 476 645 095 |
| Bills of exchange | | | |
| Things in pawn | 5199 | | |
| From that: | 5200 | | |
| Fixed assets | | | |
| Securities and other financial assets | 5201 | | |
| Other | 5202 | | |
| Issued – total | 5203 | 44 626 596 | 272 466 591 |

| Item | | Opening balance | Closing balance |
|---------------------------------------|--------------|-----------------|-----------------|
| Description | Code of line | | |
| 1 | 2 | 3 | 4 |
| including: bills of exchange | 5204 | 13 893 824 | 6 000 |
| Things in pawn | 5205 | | |
| From that: Fixed assets | 5206 | | |
| Securities and other financial assets | 5207 | | |
| Other | 5208 | | |

| Government assistance | | | | | |
|--|--------------|-------------------------------------|------------------------------------|---------------------------------|------------------|
| Item | | Accounting period | | Corresponding Previous Period | |
| Description | Code of line | | | | |
| 1 | 2 | 3 | | 4 | |
| Received during the accounting period budgeting funds | 5209 | | | | |
| Including: | | | | | |
| | | beginning of reporting period | received in reporting period | repaid in re- porting period | end of period |
| Budget credits | 5210 | | | | |

Vice-President S.I.Makarov
Senior Deputy Chief Accountant N.N.Vovk
15 February 2008

Information Note to Financial Statements of OJSC Rosneft Oil Company for 2007

This Information note makes an integral part of financial statements of **OJSC Rosneft Oil Company** (hereinafter referred to as the "Company") for 2007, prepared in accordance with the effective legislation of the Russian Federation.

1. Organization and area of activity

OJSC Rosneft Oil Company was established as an open joint stock company on 07.12.1995 by means of reorganization of the state enterprise Rosneft. All assets and liabilities previously managed by Rosneft were transferred to the parent Company at the balance sheet value as of the date of establishment together with ownership rights of the Government of the Russian Federation (hereinafter referred to as the State) in any other privatized oil and gas enterprises. Assets and liabilities were transferred in accordance with Order of the President of the Russian Federation № 327 On

priority measures for improvement of activities of oil companies dated 01.04.1995 and in accordance with the Decree of the Government of the Russian Federation № 971 On reorganization of state enterprise Rosneft into Rosneft Oil Company dated 29.09.1995. This transfer involves reorganization of assets controlled by the State, and accordingly, the book value of assets was used for respective records.

Legal address of the Company

Legal address of OJSC Rosneft Oil Company: 115035, Moscow, Sofiyskaya Embankment, 26/1.

Composition of the Board of Directors of the Company

| | |
|-------------------------------------|---|
| 1. Sechin Igor Ivanovich | Deputy Head of Administration of the President of the Russian Federation – Assistant to the President of the Russian Federation, Chairman of the Board of Directors |
| 2. Androsov Kirill Genadievich | Deputy Minister for Economic Development and Trade of the Russian Federation |
| 3. Bogdanchikov Sergei Mikhajlovich | President of OJSC Rosneft Oil Company |
| 4. Kostin Andrey Leonidovich | Chairman – President of OJSC Bank VTB |
| 5. Narishkin Sergei Evgenievich | Deputy Chairman of the Government of the Russian Federation-Head of the Government Office of the Russian Federation |
| 6. Nekipelov Aleksander Dmitrievich | Vice-President of the Russian Academy of Sciences |
| 7. Nikitin Gleb Sergeevich | Deputy Head of Federal Agency for Management of Federal Property |
| 8. Reus Andrey Georgievich | CEO of OJSC OBORONPROM |
| 9. Hans-Joerg Rudloff | Chairman of the Board of Barclays Capital |

B In accordance with the Regulations on the Board of Directors of OJSC Rosneft Oil Company, members of the Board of Directors shall be remunerated in accordance with the decision of the General Meeting of the Company Shareholders based on results of the Company performance for the year.

In accordance with the decision of the annual General Meeting of Shareholders of OJSC Rosneft Oil Company (Minutes n/n dated 30.06.2007) the following remuneration was established for independent members of

the Board of Directors of OJSC Rosneft Oil Company for 2006, which was paid in 2007:

- Kostin Andrey Leonidovich – 200 thousand USD;
- Nekipelov Aleksander Dmitrievich – 185 thousand USD;
- Hans-Joerg Rudloff – 200 thousand USD.

Members of the Board of Directors of OJSC Rosneft Oil Company, who are government officials, receive no remuneration for their work in the Board of Directors of the Company.

| Composition of the Company Audit Committee: | |
|---|--|
| 1. Kobzev Andrey Nikolaevich | Head of Department for Legal Support and Property Relations in Fuel-and-Power Sector of Federal Power Agency |
| 2. Oseledko Victoria Vladimirovna | Deputy Director of Department of Ministry of Industry and Energy of Russia |
| 3. Pisarev Yury Borisovich | Head of Control and Internal Audit Department of OJSC Rosneft Oil Company |
| 4. Radkova Natalia Vladimirovna | Head of Accounting and Reporting Department of Budget Policy Agency and Ministry of Industry and Energy of Russia |
| 5. Feodosiev Lev Vladimirovich | Head of Department of OJSC NOVATEK |
| Executive Body of the Company: | |
| 1. Bogdanchikov Sergei Mikhailovich | President of OJSC Rosneft Oil Company |
| Management Board of the Company: | |
| 1. Bogdanchikov Sergei Mikhailovich | President, Chairman of the Board |
| 2. Baranovsky Anatoly Ivanovich | Vice-President |
| 3. Zemlyuk Stepan Vasilievich | Vice-President |
| 4. Karaganov Sergei Vasilievich | Vice-President |
| 5. Kudryashov Sergei Ivanovich | First Vice President |
| 6. Kim Sun Ne | Chief Accountant |
| 7. Tursunov Rizo Sharipovich | Vice President |
| 8. O' Brien Peter Lloyd | Head of the Group of Financial Advisers to the President of OJSC Rosneft Oil Company in the rank of Vice-President of OJSC Rosneft Oil Company |

Members of the Board of OJSC Rosneft Oil Company are paid salaries provided for under the labor agreement, they are paid no supplementary fee for performance of functions of members of the Board.

Information on executive and supervisory bodies is represented as of the date of signature of financial statements for 2007.

Structure of authorized capital

As of December 31, 2007, shares of OJSC Rosneft Oil Company were held by the following persons:

OJSC ROSNEFTEGAZ held 7 965 816 383 ordinary shares of OJSC Rosneft Oil Company equal to 75.16 % of the total number of ordinary shares and the authorized capital of the Company,

Russian Federation represented by Federal Agency for Management of Federal Property held 1 ordinary share OJSC Rosneft Oil Company equal to 0.000000009 % of the total number of ordinary shares and the authorized capital of the Company,

LLC RN-Razvitie held 1 000 000 000 ordinary shares of OJSC Rosneft Oil Company equal to 9.44 % of the total

number of ordinary shares and the authorized capital of the Company,

Joint Stock Commercial Savings Bank of the Russian Federation was the nominal holder of 1 210 564 190 ordinary shares of OJSC Rosneft Oil Company equal to 11.42 % of the total number of ordinary shares and the authorized capital of the Company,

Nonprofit Partnership National Depository Center was the nominal holder of 228 681 153 ordinary shares of OJSC Rosneft Oil Company equal to 2.16 % of the total number of ordinary shares and the authorized capital of the Company,

corporate entities holding at least 1% of shares were holders and nominal holders of 129 897 224 ordinary shares of OJSC Rosneft Oil Company equal to 1.22 % of

the total number of ordinary shares and the authorized capital of the Company,

individuals held 63 218 866 ordinary shares of OJSC Rosneft Oil Company equal to 0.60 % of the total number of ordinary shares and the authorized capital of the Company.

Description of activity

The Company carries out the following basic types of activity:

- geological – prospecting and exploration works;
- production, preparation and transportation of oil, gas and gas condensate;
- refining of oil and production of oil products;
- sale of oil, gas, gas condensate and oil products;
- investment activity;
- any other types of activity.

The Company gains a considerable share of proceeds from sale of products in US dollars. Besides, a considerable part of financial activity and liabilities is also denominated in US dollars. A major part of operating and investment expenses, other liabilities as well as tax obligations are denominated in the Russian rubles. In connection with fall in exchange of US dollar against rouble the Company is subject to a relevant currency risk. However to a considerable extent this risk is leveled by a rise of oil prices.

List of subsidiary and dependent companies specifying their share in the authorized capital and share in voting stock

The table below represents a list of subsidiary and dependent companies specifying their share in the authorized capital and share in voting stock in their total number as of 31.12.2007:

| Name of organization | | Company participatory interest | |
|---|--|--------------------------------|-------------------|
| | | % in AC | % of voting stock |
| Oil production enterprises | | | |
| 1. | LLC RN— Severnaya Neft | 100.00 | |
| 2. | LLC RN— Yuganskneftegaz | 100.00 | |
| 3. | LLC RN— Krasnodarneftegaz | 100.00 | |
| 4. | LLC RN— Purneftegaz | 100.00 | |
| 5. | LLC RN— Stavropolneftegaz | 100.00 | |
| 6. | LLC RN— Sakhalinmorneftegaz | 100.00 | |
| 7. | CJSC Komsomolskneft | 100.00 | 100.00 |
| 8. | OJSC Rosneft Oil Company-Dagneft | 68.70 | 91.60 |
| 9. | OJSC Grozneftegaz | 51.00 | 51.00 |
| 10. | LLC Company Polar Lights | 50.00 | |
| 11. | OJSC Dagneftegaz | 40.00 | 40.00 |
| 12. | OJSC Verkhnechonskneftegaz | 25.94 | 25.94 |
| Oil refineries | | | |
| 13. | LLC RN-Tuapse Refinery | 100.00 | |
| 14. | LLC RN-Komsomolsk Refinery | 100.00 | |
| 15. | OJSC Rosneft Oil Company-MZ Nefteproduct | 65.42 | 87.23 |
| Enterprises for supply of oil products | | | |
| 16. | LLC RN-Nakhodkanefteproduct | 100.00 | |
| 17. | LLC RN-Arkhangelsknefteproduct | 100.00 | |
| 18. | LLC RN-Tuapsenefteproduct | 100.00 | |
| 19. | LLC RN-Vostoknefteproduct | 100.00 | |

| | Name of organization | Company participatory interest | |
|--------------------------------|--|--------------------------------|-------------------|
| | | % in AC | % of voting stock |
| 20. | OJSC Rosneft Oil Company-Stavropolie | 100.00 | 100.00 |
| 21. | OJSC Nakhodka Oil-Loading Commercial Port | 97.51 | 97.51 |
| 22. | OJSC Rosneft Oil Company-Kubannefteproduct | 89.50 | 96.61 |
| 23. | OJSC Rosneft Oil Company— Kabardino-Balkarian Fuel Company | 88.66 | 92.91 |
| 24. | OJSC Rosneft Oil Company-Kurgannefteproduct | 83.32 | 90.33 |
| 25. | OJSC Rosneft Oil Company— Karachayevo-Cherkessnefteproduct | 85.99 | 87.46 |
| 26. | OJSC Rosneft Oil Company-Smolensknefteproduct | 66.67 | 86.97 |
| 27. | OJSC Rosneft Oil Company-Altainefteproduct | 64.18 | 78.59 |
| 28. | OJSC Rosneft Oil Company-Yamalnefteproduct | 49.52 | 66.03 |
| 29. | OJSC Rosneft Oil Company-Murmansknefteproduct | 45.38 | 60.51 |
| 30. | OJSC Rosneft Oil Company-ARTAG | 38.00 | 50.67 |
| 31. | LLC Yu-Kuban | 49.00 | |
| Other organizations | | | |
| Group of Sakhalin projects | | | |
| 32. | CJSC Sakhalin Projects | 100.00 | 100.00 |
| 33. | CJSC Vostokshelf | 100.00 | 100.00 |
| 34. | West Kamchatka Holding B.V. | 60.00 | 60.00 |
| 35. | LLC RN-Kajgannedtegaz | 100.00 | |
| 36. | CJSC Vostok-Shmidt Neftegaz | 99.00 | 99.00 |
| 37. | CJSC Zapad— Shmidt Neftegaz | 99.00 | 99.00 |
| 38. | CJSC RN-Astra | 100.00 | 100.00 |
| 39. | LLC Vostok-Shmidt Invest | 99.00 | |
| 40. | LLC Zapad— Shmidt Invest | 99.00 | |
| 41. | OJSC Rosneft-Sakhalin | 55.00 | 55.00 |
| Management of foreign projects | | | |
| 42. | KOO Rosneft International Ltd | 100.00 | 100.00 |
| 43. | LLC RN-Kazakhstan | 99.996 | |
| 44. | KOO Rosneft Shell Caspian Ventures Ltd | 51.00 | 51.00 |
| Group of service enterprises | | | |
| 45. | LLC RN-Burenie | 100.00 | |
| 46. | LLC RN-Energo | 100.00 | |
| 47. | LLC Dubininskoe | 100.00 | |
| 48. | CJSC YUKOS-Mamontovo | 100.00 | 100.00 |
| 49. | LLC RN-Inform | 100.00 | |
| 50. | OJSC Purnefteotdacha | 61.54 | 61.54 |
| 51. | LLC Komsomolskneftezavodremstroy | 100.00 | |
| 52. | LLC KNPZ-Service | 100.00 | |
| Group of financial institutes | | | |
| 53. | OJSC All-Russian Bank for Regional Development | 76.47 | 76.47 |
| 54. | LLC Okhabank | 33.40 | |
| Science Group | | | |
| 55. | LLC SakhalinNIPImorneft | 100.00 | |
| 56. | LLC RN-UfaNIPIneft | 100.00 | |
| 57. | LLC Rosneft Oil Company-NTC | 100.00 | |

| Name of organization | | Company participatory interest | |
|--------------------------------------|---------------------------------------|--------------------------------|-------------------|
| | | % in AC | % of voting stock |
| Logistics and Transport Group | | | |
| 58. | LLC RN-Trade | 99.9999 | |
| 59. | CJSC Rosnefteflot | 51.00 | 51.00 |
| 60. | OJSC Moscow Gas Company | 50.00 | 50.00 |
| 61. | LLC TK Burgas – Aleksandropulis | 33.33 | |
| 62. | OJSC Daltransgaz | 25.00 | 25.00 |
| Group of other organizations | | | |
| 63. | CJSC Sakhalinmorneftegaz-Shelf | 100.00 | 100.00 |
| 64. | CJSC Sakhalinmorneftegaz-AMK | 100.00 | 100.00 |
| 65. | CJSC Ordalia 2000 | 100.00 | 100.00 |
| 66. | LLC FTT Service | 100.00 | |
| 67. | LLC Private Security Firm SKB | 100.00 | |
| 68. | LLC Accounting and Reporting | 100.00 | |
| 69. | OJSC Okha TPP | 91.04 | 91.04 |
| 70. | LLC Vostok-Energy | 51.00 | |
| 71. | LLC Pursatcom | 49.00 | |
| 72. | CJSC Rosshelf | 26.42 | 26.42 |
| 73. | CJSC Publishing House Oil Facilities | 25.00 | 25.00 |
| 74. | CJSC Ros&Neft | 25.00 | 25.00 |
| 75. | LLC Neftyanik Kubany Resort | 71.50 | |
| 76. | LLC Private Security Firm KNPZ-Strazh | 100.00 | |
| 77. | LLC PSO Lastochka | 81.00 | |
| 78. | CJSC East Oil-Loading Terminal | 100.00 | 100.00 |
| 79. | LLC Caspoil | 75.10 | |
| 80. | OJSC VARUST | 60.25 | 60.25 |

2. Production figures

In 2007, the Company produced 80 558 thousand tons of oil, exceeding figure of the previous year by 59 245 thousand tons or 3.8 times. Such growth was conditioned by transfer of licenses for production of hydro-carbon raw stuff at field of affiliated subsidiaries after consolidation from October 1, 2006.

In comparison with 2006, in 2007, proceeds from sale of products, performance of works and rendering services (with the deduction of the value added tax, customs duties) increased by 227 292.6 million rubles, the growth of figures was 138.6%.

Based on performance of 2007 profits on sales of products, performance of works, rendering services of the Company amounted to 255 271.75 million rubles. In respect to the level of 2006 (114 135.45 million rubles) the growth of figures was 123.7%.

In 2007, the total volume of initial processing of the Company oil at the Russian refineries amounted to 34.4 million tons, including 25.4 processed at own refineries (including mini-refineries), other refineries processed – 9 million tons. Thus, the total volume of initial processing of oil was increased by 144.5% in comparison with 2006.

Own oil products were sold to the amount of 31.75 million tons, including oil products for export – 16.82 million tons exceeding figures of 2006 by 43% and 26.95%, accordingly. The volume of sales at the internal market including sales to selling subsidiary companies increased from 9 million tons in 2006 to 14.92 million tons in 2007 – the growth amounted to 65.8%. The total volume of sales to selling subsidiary companies amounted to 8.85 million tons (155.3 % to the level of 2006).

In 2007, the Company obtained 1 new license for geological survey, exploration and production of hydrocarbon raw stock of Preobrazhencky area on the territory of Katagansk district of Irkutsk region.

Based on performance for 2007, the average staffing number of the Company amounted to 1 252 people.

3. Methods for preparation of financial statements

Normative base for preparation of financial statements

Accounting statements of the Company were prepared in accordance with requirements of the legislation of the Russian Federation on accounting and regulations governing the procedure for drawing up of accounting statements provided for under local regulatory documents of the Company.

Changing of entrance balance sheet surpluses

For comparability of figures as well as in accordance with RAS 3/2006, the opening balance surpluses were adjusted, including.

- In accordance with the Accounting Policy of the Company advances issued for capital construction are recorded on line 130 of the balance sheet Construction-in-progress (amount on line 240 is reduced).
- In accordance with the Accounting Policy of the Company amounts of deferred tax assets and deferred tax liabilities are recorded in the balance sheet of the Company in details (line 145, 515).
- Changes of surpluses on line 240, 620 were made in accordance with changes of RAS 03/2006 Accounting of assets and liabilities, which value is denominated in foreign currency having come into effect from 01.01.2007, with regard to sum differences on re-assessment of liabilities in conventional units, as well as on line 460 with regard to change of financial result from re-assessment within the transition period.

On line 910, surpluses were changed with regard to recording of leased land plots in the amount established according to assessment under lease agreements.

| | | | thou. RUR |
|---|----------------|-------------|----------------|
| Assets | as of 31.12.06 | changes | as of 01.01.07 |
| 130 construction-in-progress | 33 316 382 | + 1 644 657 | 34 961 039 |
| 145 deferred tax assets | 0 | + 294 569 | 294 569 |
| 240 accounts receivable, including. | 332 310 966 | – 1 644 657 | 330 917 737 |
| | | + 251 428 | |
| TOTAL | | + 545 997 | |
| liabilities | | | |
| 460 undistributed profit for previous years | 174 575 736 | + 261 558 | 174 837 294 |
| 515 deferred tax liabilities | 2 376 146 | + 294 569 | 2 670 715 |
| 620 accounts payable, including | 98 981 852 | – 10 130 | 98 971 722 |
| 621 suppliers and contractors | 18 087 980 | – 387 | 18 087 593 |
| 628 other creditors | 34 341 333 | – 9 743 | 34 331 590 |
| TOTAL | | + 545 997 | |
| off balance sheet accounts | | | |
| 910 Leased fixed assets | 91 809 | + 8 607 909 | 8 699 718 |

4. Information on accounting policy

The accounting policy of the Company was formed in accordance with principals established under the Regulations on business accounting policy of organizations RAS 1/98, approved under Order of the Ministry of Finance of the Russian Federation dated 9.12.1998 № 60n:

- assumptions of property disintegration (assets and liabilities are recorded separately from assets and liabilities of any other enterprises);
- assumptions of continuity of enterprise activity;
- assumptions of sequence of application in practical activity of the adopted accounting policy;
- assumptions of temporary determinacy of facts of business activity.

Important methods for maintenance of business accounting provided for under accounting policy in 2007:

1. The structure of fixed assets includes assets used in manufacture of products, performance of works, rendering services or for managerial needs within the useful service lasting over 12 months.

In accordance with the Regulations on business accounting of fixed assets RAS 6/01, approved under Order of the Ministry of Finance of the Russian Federation dated 30.03.2001, № 26n (in the version of Order dated 27.11.2006), fixed assets in business accounting are recorded at their initial (replacement) value with the deduction of amounts of amortization accrued for the period of operation.

Acceptance as an object of fixed assets for business accounting is effected as of the date of readiness of an object for commissioning. In this regard, based on the principal of priority of the content before the form, constructed objects actually operated are also recorded in the structure of fixed assets irrespective of the fact of submission of documents for their state registration.

Amortization of fixed assets is charged by the linear method, with the exception of motor vehicles accepted for accounting before 01.01.2002 and on which in accordance with the Decree of the Council of Ministers of the USSR № 1072 dated 22.10.1990, amortization is charged by the method for value adjustment posting in percentage of the value of a motor vehicle for 1000 of running. On objects valued up to 10000 rubles com-

missioned after 01.01.2002 and before 01.01.2006, amortization was charged in full at the time of acceptance of an object for accounting, after 01.01.2006, amortization was charged by the linear method.

Fixed assets in stock are recorded in accounting and reporting in the structure of fixed assets and amortization is charged on them in accordance with the generally established procedure.

2. Intangible assets are accepted for business accounting at their initial value determined in accordance with RAS 14/2000 Accounting of intangible assets, approved under Order of the Ministry of Finance of the Russian Federation dated № 91n. The initial cost of intangible assets shall be repaid by the linear method depending on the useful life established by order of a special commission.

Licenses for use of subsurface within a mining lease – mining operations are recorded in accounting and reporting as intangible assets.

3. Inventories are accepted for business accounting at their actual cost, calculated based on the amount of actual expenses for acquisition, with the exception of the value added tax and any other refundable taxes (with the exception of cases provided for under the effective legislation of the Russian Federation).

4. Accounts payable and accounts receivable, credit and loan debts are recorded in accounting and reporting in accordance with conditions of contracts concluded. Transfer of indebtedness from long – term to short term is not effected.

5. Interest amounts payable on loans and credits obtained are charged on a monthly basis.

6. Proceeds from sale of products, performance of works and rendering of services are recorded in accounting as far as products are shipped, works are performed and services are rendered and purchasers (customers) are presented payment documents.

7. Business accounting includes permanent and temporary differences between accounting profit and taxable profit for the reporting period. Permanent and temporary differences calculated by means of comparison of figures of business and tax accounting on income and expenditure items for the reporting period result in formation of Permanent tax liabilities and assets and Deferred tax liabilities and assets.

8. Use of profits is recorded in reporting and accounting for the year following the reporting year in accordance with the decision of the meeting of shareholders. A part of profit distributed for capital investments in accordance with the decision of shareholders is included in the line Undistributed profit and does not reduce a balance of undistributed profit.

9. Re-assessment of shares circulating at the organized market at the current market value is effected as of the end of the reporting year referring results of re-assessment to the item of the additional capital if sale or any other retirement of shares is not expected within a period of time exceeding 12 months from the reporting date.

10. Geological exploration assets (rights to use sub-soil use, results of geological exploration, technologic project documents) are recorded as non-current assets on account 06 Exploration assets. Exploration assets referring to geographical segments, where production of oil and gas has been started are amortized proportionately to the volume of oil and gas production beginning from a month following a month of acceptance of assets for accounting: by licenses for geological exploration of subsurface – based on the term of a license, by technological project documents on a licensed site – based on the term of a technological project document, by other exploration assets – based on the term of 3 years.

11. Provision for doubtful debts is formed on settlements with other enterprises and individuals for products, goods, works and services, issued advances and other debts receivable referring the provision amount to financial results in the structure of other expenses.

12. Unprofitable investments made inside the Group of Companies Rosneft Oil Company for development of production and gaining economic benefit in the form of dividends are recorded in accounting in the structure of financial investments.

Information on changes in accounting policy introduced from 01.01.2008

At repayment of debts receivable against which a provision was earlier formed, the provision amount is adjusted as of the last day of a month, in which a relevant debt was repaid. Accounting policy for 2007 provided for writing off a part of the provision for financial results at the end of a reporting year, following the year of formation of the provision for doubtful debt, unless this

provision in any part is used due to the fact that this debt ceases to be doubtful.

5. Fixed assets and assets under construction

Fixed assets include buildings, structures, machinery, equipment, measurement and control instruments and devices, computer facilities, transport vehicles, instruments, production and household inventory, etc. The structure of fixed assets owned by the Company includes land plots and nature management objects. At determination of the structure and group of fixed assets the Company applies the Russian classifier of fixed assets approved under Decree of State Committee of the Russian Federation for standardization, methodology and certification dated 26.12.1994, № 359.

Fixed assets are recorded in the accounting balance sheet at their depreciated book value. In business accounting fixed assets are recorded at the initial cost of their purchase, construction and production. In the reporting year, fixed assets were not re-evaluated.

The value of fixed assets was repaid by means of charging amortization on them within established service lives. Service lives of objects of fixed assets are determined at exception of objects for accounting on the basis of Decree of the Government of the Russian Federation №1 dated 01.01.2002 and by basic groups of fixed assets are as follows:

| | |
|-------------------------|-----------------------|
| Buildings | from 30 to 100 years. |
| Structures | from 10 to 15 years; |
| Machinery and equipment | from 5 to 7 years. |

Objects of fixed assets, consumer properties of which do not change with the course of time (reservation, nature management objects, etc.) shall not be subject to amortization. Amortization shall not be charged on objects of housing facilities stock (dwelling houses, residential hotels, appartments, etc.) and objects of external improvement accepted for accounting before 01.01.2007, with the exception of cases of use of objects of housing facilities stock for deriving of income. By objects of housing facilities stock and objects of external improvement accepted for accounting from 01.01.2007 amortization is charged in accordance with the established procedure.

| thou. RUR | | | | |
|--|---|-----------------------------|-------------------------------------|-----------------------------|
| Group of objects of fixed assets | Initial (replacement) cost as of 01.01.07 | Amortization as of 01.01.07 | Initial (replacement) cost 31.12.07 | Amortization as of 31.12.07 |
| Buildings | 15 780 331 | 3 368 823 | 20 503 207 | 4 243 998 |
| Structures and transfer mechanisms | 165 259 941 | 52 347 186 | 220 145 464 | 63 859 268 |
| Machinery, equipment, transport vehicles | 27 970 906 | 11 619 544 | 36 962 135 | 13 567 918 |
| Production and household stock | 596 646 | 346 455 | 761 001 | 409 972 |
| Other types of fixed assets | 216 526 | 16 162 | 533 576 | 20 106 |
| Total | 209 824 350 | 67 698 170 | 278 905 383 | 82 101 262 |

As of December 31, 2007, the initial value of fixed assets amounted to 278 905 million rubles and increased in comparison with 2006 due to commissioning of new objects. Objects of fixed assets were commissioned to the amount of 71 102 million rubles.

In 2007, the volume of performed works on capital construction of objects amounted to 67 827 million rubles, excluding VAT. The volume of investments in acquisition of equipment requiring and not requiring assem-

blage, included and not included in the budget of constructions, objects of capital construction-in-progress and fixed assets amounted to 10 903 million rubles, excluding VAT (including of the value of not completed objects of capital construction – 3 035 million rubles).

Assets under construction are recorded in the accounting in view of objects by types of expenses.

| thou. RUR | | |
|---|--------------------------|--------------------------|
| Type of expenses | Balance as of 01.01.2007 | Balance as of 31.12.2007 |
| Equipment for installation requiring and not requiring assemblage, included and not included in the budget of constructions | 463 216 | 389 305 |
| Asset under construction | 32 750 864 | 40 298 904 |
| Completely constructed objects requiring registration actually not operated | 6 095 | 133 685 |
| Acquisition of land plots and intangible assets | 597 | 725 |
| Advances made | 1 740 267 | 4 986 044 |
| Total | 34 961 039 | 45 808 663 |

6. Intangible assets

The structure of intangible assets includes: trademarks, licenses for the right to use subsurface, patents, others.

In the balance sheet accounting intangible assets are recorded at their residual value. In business account-

ing intangible assets are recorded at their initial acquisition cost and costs connected with their bringing to their state. The cost of intangible assets is repaid within the useful service by means of charging of amortization by the linear method.

| thou. RUR | | | | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Group of objects of intangible assets | Initial cost as of 01.01.07 | Amortization as of 01.01.07 | Initial cost as of 31.12.07 | Amortization as of 31.12.07 |
| Licenses for the right to use subsurface | 3 761 503 | 296 626 | 3 762 522 | 444 455 |
| Trade mark | 64 | 9 | 1867 | 19 |
| Other | 1 110 | 727 | 849 | 794 |
| Total | 3 762 677 | 297 362 | 3 765 238 | 445 268 |

The value of intangible assets was mainly increased due to acquisition of trade marks.

7. Inventories

The table below represents the structure of inventories:

| thou. RUR | | |
|--|------------------|------------------|
| Type of inventories | As of 01.01.2007 | As of 31.12.2007 |
| Raw stock and materials | 1 181 928 | 3 807 621 |
| Expenses connected with production in progress | 344 817 | 2 811 184 |
| Finished products | 8 023 997 | 13 077 581 |
| Shipped goods | 1 189 257 | 2 997 472 |
| Deferred expenses | 1 984 459 | 2 277 562 |
| Total | 12 724 458 | 24 971 420 |

Materials, fuel, replacement components and any other material resources are recorded in accounting by their actual purchase cost.

Incomplete production and finished products were recorded by their actual cost, goods – by purchase cost.

In accordance with the accounting policy in the structure of expenses for future periods the Company recorded expenses made by it within the reporting period, however referring to the following reporting periods such as: expenses connected with obtainment of licenses for types of activity, introduction and adaptation of software, insurance of employees and property of the Company.

The stocking cost increased mainly due to increase of volumes of oil processing. At the end of 2007, monthly volume of processing of hydrocarbon raw stock in OJSC Rosneft Oil Company increased on an average 1.5 times resulting in increase of inventories in comparison with the beginning of the reporting year.

8. Financial investments

The cost of long – term financial investments as of December 31, 2007 amounts to 496 516 832 thousand rubles, including:

| thou. RUR | | |
|---|------------------|------------------|
| Type of investments | As of 01.01.2007 | As of 31.12.2007 |
| Participatory interests and shares of enterprises | 60 070 187 | 97 797 671 |
| Granted loans | 81 880 047 | 398 111 159 |
| Including interest-free loans granted to subsidiaries | 79 047 746 | 395 174 534 |
| Others | 4 751 666 | 608 002 |
| Including interest-free promissory notes | 427 188 | 119 098 |
| Total | 146 701 900 | 496 516 832 |

Financial investments were increased due to acquisition of new assets and increase of a share of OJSC Rosneft Oil Company in voting stocks of subsidiaries and other companies by 27 953.3 million rubles, recorded in the balance sheet in accordance with the decision of the court on the ground of universal legal succession

of OJSC Rosneft Oil Company of 100% share in the authorized capital of CJSC YUKOS-Mamontovo to the amount of 9 952.1 million rubles, as well as granting of a loan to LLC Neft-Aktiv for acquisition of assets in the amount of 289 532 million rubles.

The following assets acquired and created:

| acquired: | | |
|---|--------------------------------|--|
| Assets | Share in authorized capital, % | Actual value of investments, thousand rubles |
| Share in authorized capital of LLC Dubinskoe | 100 | 26 015 000 |
| Shares of OJSC Okha TPP | 91.04 | 771 308.6 |
| Share in authorized capital of LLC Neftyanik Kubany Resort | 71.5 | 363 732.4 |
| Stocks in CJSC Vancorneft | 0.84 | 302 560 |
| Share in authorized capital of LLC KNG-Kuban UTT | 0.83 | 2 884.7 |
| Share in authorized capital of FTT Service | 100 | 2 324.6 |
| Share in authorized capital of LLC Mineralny Resort | 1 | 1 189.6 |
| Share in authorized capital of LLC KNG-Remont | 0.34 | 860.4 |
| Stocks in CJSC Ordalia 2000 | 100 | 819.6 |
| Share in authorized capital of LLC Izumrudny Resort | 1 | 422.3 |
| Share in authorized capital of LLC KNG-STs | 0.78 | 346.8 |
| Share in authorized capital of LLC KNG-Pitanie Service | 1 | 138.9 |
| Share in authorized capital of LLC RN-Energo | 100 | 43 |
| Share in authorized capital of LLC Oil and Gas Production Expedition | 1 | 1 |
| Stocks in OJSC Kujbishevnefteorgsintez | 0.002 | 0.3 |
| Share in authorized capital of LLC Accounting and reporting | 100 | 0.0003 |
| Stocks in CJSC Rus | 90.07 | 0.0001 |
| Share in authorized capital of LLC Private Security Firm Corporate Security Service | 100 | 0.0001 |

| created: | | |
|-------------------------------|--------------------------------|--|
| Assets | Share in authorized capital, % | Actual value of investments, thousand rubles |
| LLC RN-Inform | 100 | 10 000 |
| LLC TK Burgas-Aleksandropulos | 33.33 | 3 033.03 |
| LLC RN-Service: | | |
| as of 30.06.2007 | 100 | 10 |
| as of 31.12.2007 | 0.0059 | 10 |

Shares and investments were increased in the following companies:

OJSC Verkhnechonskneftegaz increase of actual investments by 201 372 126.00 rubles, a share was not

increased in connection with proportionate distribution of additional shares among shareholders; OJSC RN-Stavropolie increase of actual investments by 5 200 638.64 rubles, a share was increased by 2.21% to 100%;

LLC RN-Krasnodarneftegaz increase of actual investments by 989 669 595.00 rubles, a share was not changed (100% subsidiary);

LLC RN-Kajganneftegaz increase of actual investments by 445.40 rubles, a share was increased by 0.004% to 100%.

In the reporting year the following blocks of shares (shares in the authorized capital) were sold: CJSC Rosnefttrans – 10 %, OOO Venineft – 99.0 %; OJSC ANET-Ivest – 16.53 %; OAO KGN-Mashzavodservice – 96.67%; LLC SK Neftepolis – 14.90 %.

In 2007, the following subsidiary companies were liquidated: CJSC Rus, LLC Rosnefttrans, LLC Baykalfinancegroup, OAO Rosnefteimpex Rosneft Oil Company, CJSC Sibsta.

Investments in projects in Russia

Similarly to the previous years, in 2007 OJSC Rosneft Oil Company participated in development and implementation of a number of projects located on the territory of the Russian Federation.

A major project, in which OJSC Rosneft Oil Company has been participating since the end of 2005 is Verkhnechonskoe Field (participatory interest is 25.94%) jointly with OJSC TNK-BR (share of participation is 62.7%) and Administration of Irkutsk region (share of participation is 11.29%). In 2007, share participation in the project was financed under the agreement on loan granted by Rosneft-International Limited. The amount of the loan is 2 317.51 million rubles. In 2007, at Verkhnechonskoe field the following works has been performed: commissioning of the first turn of motorway to Talakinskoe field, commencement of works on construction of oil pipe line and main pumping facilities, completion of construction of 14 operating well, drilling of two wells. At the Verkhnechonskoe field the Company continue complex works on development of the field infrastructure and organization of commencement of commercial production of oil from September 1, 2008.

Project Yurubcheno-Tokhomskoe field. In May 2007, within the framework of bankruptcy proceedings OJSC Rosneft Oil Company acquired 70.78% of shares in OJSC Vostsibneftegaz, which in its turn holds a license for geological survey and production of hydrocarbons for a period of time till 2021, at Yurubcheno-Tokhomskoe oil and condensate gas field and practically immediately commenced implementation of measures

on accelerated commissioning of the field in production. Exploratory works were commenced at the field. For financing of a share participation in the project of OJSC Vostsibneftegaz a loan was granted to Rosneft – International Limited in the amount of 710.82 million rubles.

North – Caspian project. In July 2007, within the framework of the bankruptcy proceedings OJSC Rosneft Oil Company acquired 49.892% of the share participation in the authorized capital of LLC Caspian Oil Company (LLC COC) – project operator. In 2007, for financing of the share participation in the project a loan was granted to LLC Caspian Oil Company in the amount of 231.66 million rubles. The Company carries out construction of a special floating platform (SFP) of pontoon type for usage of drilling unit MBU– 160 in the course of construction of prospect evaluation well Zapadno-Rakushechnaya – 1 in 2008. The Company also carried out preparatory works for drilling in 2008 at structures of Zapadno-Rakushechnaya and Ukatnaya.

Within the framework of the project Temryuksko – Akhtarsky Site, Azov shelf in 2007, the Company completed exploration drilling from shore of the slant well on the prospective Novaya structure partially located at sea (bottom for 3840 m) commenced in 2006. The inflow of light oil with recovery rate was about 170 t/a day and gas factor was about 700 cubic m/t. The Company completed conservation of well and exportation of primary equipment in connection with necessity to solve questions on obtainment of a permission for production of hydrocarbons. The project has been developed since 2003 jointly with OJSC LUKOIL through LLC Oil Company Priazovneft with equal shares of participation – 42.5% (Administration of Krasnodar Territory – 15%). In 2007, the Company allocated for financing of the project 250.69 million rubles, of which for granting of loans to LLC Oil Company Priazovneft in the amount of 243.98 million rubles and 6.71 million rubles to LLC RN-Burenie.

Within the framework of the project Sakhalin-3 (Veninsky Block) the program of works for 2007 was performed. Works on collection of ZD data at Veninsky group of structures within the framework of preparation for drilling in 2008. Results of drilling of Yuzhno-Ajashsk well №1 were analyzed, a final report based on results of drilling in 2006 was drawn up. The volume of financing of the Company share of participation in the project through granting of loans amounts to 176.04 million rubles.

Besides, long-term loans are granted for financing of such projects as Zapadno-Chernomorsky Area, Val Shatskogo, Maintenance Expenses of JV KNNK (connected with development of Zapadno-Chonskoe and Verkhneichersky Areas of Irkutsk regions), project Inzerbeft. In 2007, the amount of investments was 46.92 million rubles.

Projects of near and far abroad

For implementation of the projects Adajsky Block, Kazakhstan and Structure Kurmangazy, shelf Kazakhstan, located on the territory of Kazakhstan, as well as the project Shelf of Turkmenistan, blocks 29-31, located on the territory of Turkmenistan, in 2007, OJSC Rosneft Oil Company granted to LLC RN— Kazakhstan loans in the amount of 456.59 million rubles. This amount included 451.44 million rubles was allocated for financing of projects on the territory of Kazakhstan and 5.15 million rubles for financing of the project on the Territory of Turkmenistan.

22 568 tons of oil were produced for 2007 under the project Adaisky Block, Kazakhstan within the framework of test operation (a share of OJSC Rosneft Oil Company is 11 284 tons of oil). 2D seismic processing in the volume of 935 linear kilometers was completed.

Within the framework of the project Structure of Kurmangazy, shelf of Kazakhstan processing, reprocessing and interpretation of all available seismic materials worked out within the structure in 1996, 2001, 2006 and 2007 in the volume of 4000 linear kilometers was completed. Within the contract area the following works have been performed: 5700 linear kilometers of gravity and magnetic survey, completion of data obtained, submission of results to Oil and Gas Geology for complex interpretation. DNME method electrical prospecting on the area of 1000 linear kilometers was carried out. Results of processing were also submitted to Oil and Gas Geology for compilation. Works were completed on I – IV stages of complex interpretation of all

available geological – geophysical materials for issue of location of exploratory well №2 in February 2008. Since 2004, OJSC Rosneft Oil Company has been participating in the project Shelf of Turkmenistan, blocks 29 – 31 with 37% share of participation jointly with CJSC Zarubezhneft (26%) and MGK ITERA (37%). In 2007, the Company resumed negotiations with the State Agency for Management and Use of Hydrocarbon Resources of the President of Turkmenistan on the text of the Product Sharing Agreement for offshore blocks 29-31, and submitted an application to the Turkmenistan party for obtainment of a license for geological survey of blocks 21 – 22 on the Caspian Sea shelf.

Since 2001, in far abroad OJSC Rosneft Oil Company has been participating in the project Block 245-South, Algeria (a share of participation is 50%) through the company – operator Rosneft-Storytransgaz LTD, working on a contract basis with Algerian state oil and gas company SONATRACH for prospecting, development and production of carbohydrates on the territory of block 245— South Gara Tesselit in Algerian People's Democratic Republic. OJSC Rosneft Oil Company finances the participation share in the project under loan agreements. In 2007, a loan was granted to Rosneft-Stroytransgaz LTD in the amount of 119.32 million rubles (4.561 million USD).

In 2007, outpost well TEN-2 was drilled. All types of well logging were carried out. Well development through hydraulic fracturing resulted in faint gas and condensate discharge. The well was liquidated in 19.03.07. Adjusted final reports on openings of fields East, West Takuazet and North Tesselit in SONATRACH were submitted to Alnaft for obtainment of licenses for operation phase. A framework agreement was signed with SONATRACH concerning sale of gas from North Tesselit field.

The cost of short – term financial investments as of December 31, 2007, amounts to 34 758 445 thousand rubles:

| Type of investments | thou. RUR | |
|--|------------------|------------------|
| | As of 01.01.2007 | As of 31.12.2007 |
| Granted loans | 9 401 167 | 19 808 239 |
| Including interest-free loans issued to subsidiaries | 9 401 167 | 19 662 239 |
| Others, including: | 18 993 933 | 14 950 206 |
| Interest-free promissory notes | 243 968 | 214 699 |
| Total | 28 395 100 | 34 758 445 |

The cost of short – term financial investments increased due to granting of a the loan to LLC RN-Razvitiye in the amount of 7 670.5 million rubles and to KOO Rosneft International Ltd in the amount of 2 996.1 million rubles for purchase of assets and replenishment of operating assets.

9. Credits and loans obtained, other liabilities, guarantees issued

As of 31.12.2007, credit debts amounted to 353 572.3 million rubles (as of 01.01.2007 – 314 290.6 million rubles), loan debts amounted to 113 559.4

million rubles (as of 01.01.2007 – 42 017.8 million rubles), other liabilities – 45 654.1 million rubles (as of 01.01.2007 – 3 349.5 million rubles).

Credit resources attracted in 2007 were used to finance activities carried out by the Company:

- Acquisition of new profiled assets;
- Refinancing of existing debt;
- Implementation of investment programs;
- Replenishment of circulating funds.

| | thou. RUR | | | |
|---|-----------------------------|-------------|-------------|-----------------------------|
| | Balance as of 01.01.2007 | Obtained | Repaid | Balance as of 31.12.2007 |
| Long-term credits | 278 735 895 | 155 538 485 | 185 907 128 | 248 367 252 |
| Long— term loans | 38 781 676 | 1 971 416 | 3 152 960 | 37 600 132 |
| Other long-term liabilities, including: | 107 332 | 42 324 983 | 3 331 | 42 428 984 |
| Taxes and dues liabilities (re- structuring) | - | 42 324 983 | - | 42 324 983 |
| Own long-term promissory notes | 107 332 | - | 3 331 | 104 001 |
| Short-term credits | 35 554 715 | 591 995 362 | 522 345 014 | 105 205 063 |
| Including overdrafts | 5 486 687 | 139 705 718 | 145 192 405 | 0 |
| Short-term loans | 3 236 130 | 112 440 886 | 39 717 764 | 75 959 252 |
| Own short-term promissory notes | 3 242 179 | 298 984 | 316 001 | 3 225 162 |

In accounting statements as of 31.12.2007 credit debts were recorded subject to interest charged. The value of the credit portfolio of financial liabilities of OJSC Rosneft Oil Company at the weighted average rate of attraction changed in comparison with 2006 from 6.06% to 5.38% (without guarantees and project financing). LIBOR grew from 01.01.06 to 31.12.07 decreased from 5.32% to 4.6%, and the weighted average margin slightly increased from 0.74% to 0.78 %.

These credits are mainly guaranteed by export deliveries of oil. As of 31.12.2007, the value of issued guarantees amounted to 272 466.6 million rubles. Distribution of issued guarantees by subjects of pledge amounted to as follows:

| Subjects of pledge (security) | Share in the total amount % |
|---|--------------------------------|
| Proceeds from sale of oil and oil products | 7.7 |
| Sureties | 92.3 |

10. Assets and liabilities denominated in foreign currency

Changes in the rate of foreign currencies especially that of USD influence considerably on results of financial and business activity of the Company. The table below includes information on dynamics of the exchange RUR – USD rate:

| As of December 31 | Exchange rate |
|-------------------|---------------|
| 2007 | 24.55 |
| 2006 | 26.33 |
| 2005 | 28.78 |

Exchange differences having arising within the year on operations with assets and liabilities denominated in foreign currency as well as at their re-calculation as of reporting date referred to the account of other (non-operating) incomes and expenses. For 2007, the amount of the positive exchange rate difference was 37 842 million rubles, that of the negative exchange rate difference – 18 811 million rubles (in 2006, accordingly, 30 399 million rubles and 7 768 million rubles).

11. Taxes payable

Tax liabilities of the Company are recorded in accounting based on the principal of temporal establishment of facts of business activity.

Rates of basic taxes payable in 2007 were as follows:

- Profit tax – 24%
- Value added tax – 18%.

As of 31.12.2007, the debt of the Company on taxes payable in the budget based on accounting figures amounted to 82 918.4 million rubles. The Company

debt increased in comparison with the previous year by 36 489.4 million rubles due to:

- charging of penalty due to remission by the tax authority of suspension of sanction on attached tax liability of OJSC Yuganskneftegaz by 11 191.0 million rubles;
- increase of charging of current payments on mineral extraction tax, profit tax and other taxes connected with growth of production volumes and sale as well as prices for exported products by 25 298.4 million rubles.

On 29.12.07, the Government of the Russian Federation adopted a resolution on restructuring of the Company debt on taxes, fines and penalties to the federal budget in the amount of 42 325.0 million rubles for 5 years.

In accordance with provisions of chapter 14 Tax control of the Tax Code of the Russian Federation cameral and field checks of tax payers, payers of contributions and tax agents may be conducted 3 calendar years prior to a year of the check. The management of the Company believes that tax liabilities are calculated in accordance with requirements of the tax legislation.

12. Accounts receivable and accounts payable

Accounts receivable

| Name of item | thou. RUR | |
|---------------------------|------------------|------------------|
| | As of 01.01.2007 | As of 31.12.2007 |
| Purchasers and customers | 65 372 339 | 83 990 362 |
| Advances made | 11 088 036 | 13 421 284 |
| Other debtors, including: | 254 897 066 | 111 202 195 |
| Total | 331 357 441 | 208 613 841 |

As of 01.01.2007, receivables of the Company amounted to 331 357.4 million rubles. For 2007, receivables decreased by 122 743.6 million rubles and amounted to 208 613.8 million rubles as of 31.12.2007. Receivables were mainly decreased due to repayment of receivables of OJSC Oil Company YUKOS to the amount of 263 693.4 million rubles.

Other receivables as of 31.12.2007 amounted to 111 202.2 million rubles, including:

- VAT on export operations subject to refund from the budget – 47 468.1 million rubles,

- settlements with customs authorities for execution of temporary declarations – 18 298 million rubles,
- VAT on advances obtained – 1 111.6 million rubles.
- acquisition in 2007 from OJSC Oil Company YUKOS of stocks and shares of subsidiaries not registered in accordance with the established procedure in connection with current encumbrance – 9 046.9 million rubles

In accordance with the accounting policy the Company creates reserves on doubtful debts. Based on results of the inventory of receivables conducted, taking into ac-

count financial standing (paying capacity) of the debtor and having assessed the probability of the debt repayment a reserve in the amount of 261.8 million rubles was formed, including:

- suppliers and contractors in the amount of 3.8 million rubles,
- advances issued to the amount of 0.4 million rubles,

- long-term receivables in the amount of 92.7 million rubles,
- other receivables in the amount of 164.9 million rubles.

In the balance sheet of the Company receivables are shown with the deduction of the formed reserve.

Accounts payable

| Name of item | thou. RUR | |
|---|------------------|------------------|
| | As of 01.01.2007 | As of 31.12.2007 |
| Suppliers and contractors | 18 087 593 | 31 241 084 |
| Arrears to personnel of enterprises | 123 398 | 7 617 |
| Debts to budget and extra-budgetary funds | 46 429 141 | 40 594 982 |
| Advances obtained | 5 849 546 | 7 341 321 |
| Other creditors | 28 482 044 | 30 168 857 |
| Total | 98 971 722 | 109 353 861 |

As of 01.01.2007, payables of the Company amounted to 98 971.7 million rubles. For 2007, payables increased by 10 382.1 million rubles and amounted to 109 353.8 million rubles as of 31.12.2007.

In comparison with 31.12.2007, payables increased in general due to increase of production processes in 2007 in comparison with 2006.

13. Capital

Authorized capital

As of 31.12.07, the authorized capital of OJSC "Oil Company "Rosneft" amounted to 105 981 778.17 rubles and divided into 10 598 177 817 pieces of ordinary shares of the nominal value equal to 1 (one) kopek each.

Reserve and additional capital

The capital of the Company also includes amounts of additional and reserve capitals.

The reserve capital of the Company represents reserve capital formed in accordance with constituent documents (5% of the authorized capital). As of 31.12.2007, the reserve capital was fully formed and amounts to 5 299 thousand rubles.

As of 31.12.2007, the additional capital of the Company amounted to 113 276.4 million rubles. In comparison with 2006, the additional capital underwent no significant changes (as of 31.12.2006, the additional capital amounted to 113 276.4 million rubles).

Undistributed profit

As of 31.12.2007, the value of undistributed profit for previous years amounted to 160 741.7 million rubles, as of 01.01.2007 – 174 837.3 million rubles. The value of profit for previous years changed due to dividends charged for 2006 in the amount of 14 095.6 million rubles.

The value of undistributed profit for the reporting year amounted to 162 021.7 million rubles, including sales profit amounted to 255 271.8 million rubles. The value of undistributed profit for the reporting year was also affected by the following incomes and expenses:

Incomes from sale or retirement of other assets

| | thou. RUR | |
|--|------------|------------|
| Name of items | 2006 | 2007 |
| Total: | 12 537 498 | 39 690 002 |
| including: | | |
| Proceeds from sale of commodities and material valuables | 36 575 | 30 257 |
| Proceeds from sale of fixed assets | 2 451 619 | 846 049 |
| Proceeds from sale of long-term promissory notes | 571 127 | 1 501 358 |
| Proceeds from sale of short-term promissory notes | 9 257 606 | 26 529 690 |
| Proceeds from sale of stocks, shares | 23 962 | 696 322 |
| Proceeds from sale of bonds | - | 2 697 667 |

Expenses from sale or retirement of other assets

| | thou. RUR | |
|---|------------|------------|
| Name of items | 2006 | 2007 |
| Total: | 12 854 459 | 39 617 819 |
| Including: | | |
| Net book value of sold fixed assets | 2 342 244 | 662 525 |
| Cost of sold commodities and material valuables | 36 394 | 29 633 |
| Cost of sold of long-term promissory notes | 571 127 | 1 498 561 |
| Cost of sold of short-term promissory notes | 9 166 072 | 26 182 527 |
| Cost of sold stocks, shares | 7 205 | 762 640 |
| Cost of sold bonds | - | 2 678 185 |

Different other incomes

| | thou. RUR | |
|--|-------------|------------|
| Name of items | 2006 | 2007 |
| Total: | 175 923 793 | 57 250 982 |
| Including: | | |
| Exchange rate and sum differences | 30 435 324 | 39 204 291 |
| Shares of CJSC YUKOS-Mamontovo in accordance with the court decision | | 9 952 145 |
| Profits for previous years revealed in the current year | 681 290 | 1 008 239 |
| Penalties, fines, forfeits at law | 141 039 966 | 56 608 |
| Writing of debt with expired term based on results of inventory | 893 | 1 052 896 |
| Excise repayment | - | 1 094 284 |

Different other expenses

| | thou. RUR | |
|--|------------|------------|
| Name of items | 2006 | 2007 |
| Total: | 14 487 093 | 43 236 674 |
| Including: | | |
| Exchange rate differences | 7 816 675 | 18 926 388 |
| Bank services | 1 223 457 | 1 785 553 |
| Expenses connected with implementation of agreements with administrations and investment contracts | 1 262 513 | 1 179 402 |
| Loss for previous years revealed in the reporting year | 1 677 510 | 2 411 692 |
| Fines on taxes and dues (Yuganskneftegaz) | - | 11 191 047 |

Net assets

As of December 31, 2007, net assets of the Company amounted to 436 154.6 million rubles. In comparison with the beginning of 2007 (288 228.5 million rubles), the growth of net assets amounted to 147 926.1 million rubles or 51.3 % and mainly connected with gained profits of the reported year. As of 31.12.2007, net assets of the Company exceeded its authorized capital by 436 048.6 million rubles.

14. Earnings per one share, payment of dividends

Net profit of OJSC Rosneft Oil Company for 2007 amounted to 162 021 670 thousand rubles. Earnings per one share of OJSC Rosneft Oil Company for 2007 amounted to 15.29 rubles/share.

Recommendations to the General Meeting of Shareholders with regard to the amount of dividends on shares of OJSC Rosneft Oil Company for 2007 will be preliminary determined by the Board of Directors of the Company in April 2008.

15. Events occurred after reporting date

On January 21, 2008, Inter-District Inspectorate of Federal Tax Service № 22 of Krasnoyarsk Territory registered LLC RN-Krasnoyarsknefteproduct – 100 % subsidiary of OJSC Rosneft Oil Company.

In January 2008, the Court of Amsterdam sustained the application of Yukos Capital S.a.r.l. for security seizure on shares of West Kamchatka Holding B.V., owned by OJSC Rosneft Oil Company, for the purpose to secure the application for recognition and enforcing of the below Decisions made by the International Commercial Arbitration Court of the Chamber of Commerce and Industry of the Russian Federation.

16. Conventional facts of business activity

1. On 19.09.2006, the International Commercial Arbitration Court of the Chamber of Commerce and Industry of the Russian Federation collected under 4 loan agreements from OJSC Yuganskneftegaz (legal successor of OJSC Rosneft Oil Company) in favor of

the company Yukos Capital S.a.r.l. at 4 suits: 11 233 000.0 thousand rubles – amount of loan; 1 702 858.5 thousand rubles – charged interest; 857 507.26 USD – arbitration fee and legal costs. OJSC Rosneft Oil Company filed an application in the Moscow Arbitration Court an application for revocation of decisions of the International Commercial Arbitration Court of the Chamber of Commerce and Industry of the Russian Federation. In accordance with decisions of Moscow Arbitration Court dated 23.05.2007, rulings of the Federal Arbitration Court of the Moscow district dated 13.08.2007 remaining in effect, decisions of the International Commercial Arbitration Court of the Chamber of Commerce and Industry of the Russian Federation dated 19.09.2006 were recalled. In accordance with rulings of Supreme Arbitration Court of the Russian Federation dated 10.12.2007, Yukos Capital S.a.r.l. was refused referral of cases to the Presidium of the Supreme Arbitration Court of the Russian Federation for reconsideration in the order of supervision of the above Decisions of the Moscow Arbitration Court dated 23.05.2007 and Rulings of the Federal Arbitration Court of the Moscow district dated 13.08.2007.

The term for repayment of loans in accordance with conditions of loans agreement is 31.12.2007.

Shareholder of OJSC Rosneft Oil Company filed a suit against OJSC Rosneft Oil Company and Yukos Capital S.a.r.l. in the Moscow Arbitration Court for recognition of the above loans to be invalid. The decision is expected in the next reporting period.

Yukos Capital S.a.r.l. referred to the Netherlands Court with the application for recognition and enforcing of the above Decisions of the International Commercial Arbitration Court of the Chamber of Commerce and Industry of the Russian Federation. Decisions are expected after the reporting date.

2. In May 2007, the Amsterdam Court sustained an application of Glendale Group Ltd for security seizure on monetary assets and property, which are owned by Yukos Finance B.V. and which Yukos Finance B.V. has to transfer to OJSC Rosneft Oil Company within the framework of current and future legal relations between them. This application was filed for the purpose to secure claims of Glendale Group Ltd to OJSC Rosneft Oil Company on the basis of promissory notes issued by OJSC Yuganskneftegaz in 2003 in the amount of about EURO 130 million currently held by Glendale Group Ltd. Hearings on this case were not conducted within the reporting period.

3. Within the reporting period applications of OJSC Rosneft Oil Company for contestation of a number of decisions made by tax authorities, the Company refused to compensate VAT paid to the total amount of 2 876 million rubles were pending in arbitration courts of various instances. Suits of the Company to the amount of 2 207 million rubles were affirmed by arbitration courts, however were appeal against by tax authorities in superior courts or they may be appealed against in the next reporting period. Position of OJSC Rosneft Oil Company to the amount of 205 million rubles was not affirmed by the arbitration court. However the Company filed an appeal against this decision of the court. Suits to the amount of 464 million rubles were not considered in substance within the reporting period.

4. In November 2007, Inter-regional Inspectorate of the Federal Tax Service of the Russian Federation for major tax payers №1 made a decision based on results of the field tax inspection of OJSC Rosneft Oil Company and affiliated subsidiaries of the Company for 2006. In accordance with this decision the inspectorate charged 354.3 million rubles of taxes as well as 55.4 million rubles of fines payable to its opinion to budgets of various levels. In connection with filing of an appeal to the Federal Tax Service the decision did not come into legal force. The Company intends to appeal against the decision made by judicial means.

5. In December 2007, Inter-regional Inspectorate of the Federal Tax Service of the Russian Federation for major tax payers №1 draw up a certificate based on results of the field tax inspection of OJSC Rosneft Oil Company and affiliated subsidiaries of the Company for 2004-2006. The Company was offered to additionally pay 1 689.8 million rubles of taxes and 326 million rubles of fines in budgets of various levels.

Based on results of consideration of objections with regard to the inspection certificate the Inspectorate reduced the amount of claims by 143.4 million rubles. The decision with regard to the inspection certificate was received on 01.02.2008. The Company prepared a petition of appeal in the Federal Tax Service of Russia, and due to this fact the above decision did not come into legal force. The Company intends to appeal against the decision made by judicial means.

6. In December 2007, Republic of Mordovia represented by the State Organization Property Fund of Republic of Mordovia filed two suits to the Moscow Arbitration Court for collection of a debt in the total amount of 1 464 million rubles on two promissory notes issued by OJSC Yuganskneftegaz in 2003. As of the date of these statements the cases have not been considered.

17. Affiliated persons

Affiliated persons of the Company are mainly subsidiary and dependent companies as well as members of the Board of Directors and members of the Board (the collegiate executive body).

Within 2007, the following operations were conducted with affiliated persons including the largest ones:

Acquisition of services on production and oil processing of hydrocarbon raw stock

In the total prime cost of sold goods, products (performed works, rendered services) the percent of cost of production and processing services acquired from affiliated persons in 2007 amounted to 25.53%, including on basic ones:

| № | Organization | % in prime cost of selling goods, performance of works, rendering services |
|---|-------------------------------|--|
| 1 | LLC RN-Yuganskneftegaz | 11.93 |
| 2 | LLC RN-Purneftegaz | 3.68 |
| 3 | LLC RN-North Oil | 1.55 |
| 4 | LLC RN— Grozneftegaz | 1.15 |
| 5 | LLC RN— Krasnodarneftegaz | 0.95 |
| 6 | LLC RN— Sakhalinmorneftegaz | 0.93 |
| 7 | OJSC An PCC | 0.88 |
| 8 | OJSC Novokujbishevsk Refinery | 0.79 |
| 9 | OJSC Syzran Refinery | 0.73 |

Sale of goods, products (performance of works, rendering of services)

In the total proceeds of goods, products (performance of works, rendering of services) the percent of proceeds on affiliated persons for 2007 amounted to 20.34%, including on basic ones:

| Nº | Organization | % |
|----|--|------|
| 1 | Trumpet Limited | 6.61 |
| 2 | LLC RN— Vostoknefteprodukt | 2.74 |
| 3 | OJSC Rosneft Oil Company – Kubanefteprodukt | 2.22 |
| 4 | LLC Oil Company -Yuganskneftegaz | 1.15 |
| 5 | OJSC Rosneft Oil Company— Kabardino-Balkarian Fuel Company | 0.92 |
| 6 | OJSC Rosneft Oil Company -Smolensknefteprodukt | 0.69 |

18. Figures by segments

In accordance with RAS 12/2000 Information by segments when segregating information by segments generally economic, currency, credit, price risks, which the enterprise may be subject to.

| Proceeds (net) (million rubles) | |
|---------------------------------|----------------|
| Oil | 427 120 |
| Gas | 9 407 |
| Oil products | 329 377 |
| Other sale | 50 399 |
| TOTAL | 816 303 |

| Proceeds (net) (million rubles) | | |
|---------------------------------|-----------------|----------------|
| | Internal market | Export |
| Oil | 4 414 | 422 706 |
| Gas | 9 407 | |
| Oil products | 167 283 | 162 094 |
| Other sale | 50 399 | |
| TOTAL | 231 503 | 584 800 |

Within 2007, export of products of the total proceeds (net) amounted to 71.6%.

19. Other aspects of activities carried out by the Company

Questions of environmental protection

Activities carried out by enterprises of oil and gas industry are always subject to the risk of environmental damage. The management of the Company believes that its activities comply with requirements of the environmental legislation and therefore the Company has no risk of incurring of considerable obligations.

Insurance

The Company continues to insure property, cargoes, transportations and construction and assembling operations. However as a rule at the Russian market of insurance services the risk of suspension of activities of the enterprise is not an object of insurance.

February 15, 2008
 Vice-President S.I. Makarov
 First Deputy Chief Accountant N.N. Vovk



Appendix 3

Consolidated Financial Statements of Rosneft for 2007

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Audit Report

On consolidated financial statements of Open Joint Stock Company Rosneft Oil Company for the period from January 01, 2007 through December 31, 2007.

This report has been prepared for the management of Open Joint Stock Company Rosneft Oil Company.

AUDITOR:

Full name: Closed Joint Stock Company Audit and Consulting Group for Business Systems Development.

Abbreviated name: CJSC AKG RBS.

Number and date of State Registration Certificate:

No. 970.567 of July 20, 2001.

Registered address: 4/2 Ananievsky Side-Street, bldg. 1, Moscow 107045.

Mailing address: 27 Lyusinovskaya st., bldg. 3, Moscow 115093.

Tel: (495) 967-68-38, 967-68-40.

Fax: (495) 967-68-43.

License:

- Audit License No. E 000440 of June 25, 2002 issued by the Ministry of Finance of the Russian Federation, Order No. 123 of June 25, 2002, valid until June 25, 2012.

Membership in international associations of audit and consulting firms:

A Horwath Business Alliance Associate, Agreement of May 21, 2007.

Membership in certified professional audit associations:

- Institute of Professional Accountants of Russia and Territorial Institutes of Professional Accountants, Certificate of September 29, 2004 No. 00386/77.

Membership in other professional associations:

- Association of Russian Banks, Certificate of April 19, 2002 No. 1315;
- Moscow Banking Union, Certificate of May 30, 2002 No. 398.

AUDITED COMPANY:

Full name: Open Joint Stock Company Rosneft Oil Company.

Abbreviated name: OJSC Rosneft Oil Company.

Number and date of State Registration Certificate: No. 024537 of December 07, 1995.

Registered address: 26/1 Sofiyskaya Embankment, Moscow 115035, Russia.

1. We have audited the attached consolidated financial statements of OJSC Rosneft Oil Company for the period from January 01, 2007 through December 31, 2007. OJSC Rosneft Oil Company's consolidated financial statements comprise the following:

- Form No. 1, Consolidated Balance Sheet;
- Form No. 2, Consolidated Profit and Loss Statement;
- Form No. 3, Consolidated Statement of Changes in Equity;
- Form No. 4, Consolidated Statement of Cash Flows;
- Form No. 5, Appendix to Consolidated Balance Sheet;

- Notes to consolidated financial statements as of December 31, 2007.

These financial statements have been prepared by the management of OJSC Rosneft Oil Company in compliance with the following provisions and regulations:

- Regulation on Accounting and Reporting in the Russian Federation, approved by Order of the Ministry of Finance of the Russian Federation as of July 29, 1998 No. 34n (with amendments and supplements);
- Regulation on Corporate Accounting and Financial Statements PBU 4/99, approved by Order of the Ministry of Finance of the Russian Federation of July 06, 1999 No. 43n;

- Order of the Ministry of Finance of the Russian Federation of June 22, 2003 No. 67n, On Corporate Accounting Forms;
- Recommendations on preparation and presentation of consolidated financial statements, approved by Order of the Ministry of Finance of the Russian Federation of December 30, 2006 No. 112.
- OJSC Rosneft Oil Company's accounting policy for 2007 and other internal regulations.

The consolidated financial statements of OJSC Rosneft Oil Company contain data from individual financial reports prepared by the Rosneft subsidiaries listed in Notes to consolidated financial statements as of December 31, 2007.

All accounting forms and Notes specified above are integral part of the attached consolidated financial statements and, accordingly, shall be construed and interpreted as a whole.

2. Solely the management of Rosneft Oil Company shall be held responsible for preparation and presentation of the consolidated financial statements. The Auditor's responsibility under this assignment is limited to providing an opinion on the reliability of these financial statements in all material aspects and their compliance with applicable laws of the Russian Federation, based on the audit performed.

3. The audit has been conducted pursuant to the following regulatory documents:

- Federal Law of August 07, 2001 No. 119-FZ, On Auditing (with amendments and supplements);
- Federal Auditing Standards approved by Resolution of the Russian Government of September 23, 2002 No. 696 (with amendments and supplements);
- Auditing standards of CJSC AKG RBS.

4. We have developed and carried out audit procedures in order to confirm the absence of material deviations and inconsistencies in the consolidated financial statements of Rosneft Oil Company. In particular, the following procedures have been performed on a selective basis:

- researching into facts supporting and substantiating the numeric data as well as disclosure of relevant

information about Rosneft Oil Company's operating and financial results in the consolidated financial statements;

- assessing compliance with the accounting principles applied in preparing the consolidated financial statements;
- reviewing key estimates and assumptions of Rosneft Oil Company's management underlying the consolidated financial statements;
- assessing the presentation of the consolidated financial statements.

5. Based on the audit performed, we have concluded that the consolidated financial statements of Rosneft Oil Company are accurate and correct.

6. We believe that the consolidated financial statements reflect all material aspects of Rosneft Oil Company's financial position as of December 31, 2007, as well as its operating and financial results in the period from January 01, 2007 through December 31, 2007.

Attached: consolidated financial statements of Rosneft Oil Company for the period from January 01, 2007 through December 31, 2007 on 57 pages:

1. Consolidated Balance Sheet (Form No. 1) – 3 pages.
2. Consolidated Profit and Loss Statement (Form No. 2) – 2 pages.
3. Consolidated Statement of Changes in Equity (Form No. 3) – 3 pages.
4. Consolidated Cash Flow Statement (Form No. 4) – 2 pages.
5. Appendix to Consolidated Balance Sheet (Form No. 5) – 6 pages.
6. Notes to Consolidated Financial Statements as of December 31, 2007 – 41 pages.

Audit Report Date:

March 31, 2008

Deputy General Director

(Certificate No. K 010671, unlimited term)

R.N. Rakshaev

Audit Leader

(Certificate No. 025710, unlimited term)

I.K. Gavriilyuk

Consolidated (Summary) Accounting Balance Sheet as of December 31, 2007

Organization: Rosneft Oil Company

Unit of measurement: million roubles

| ASSETS | Code of line | As of beginning of reporting year | As of end of reporting period |
|---|--------------|-----------------------------------|-------------------------------|
| 1 | 2 | 3 | 4 |
| I. NON-CURRENT ASSETS | | | |
| Intangible assets | 110 | 4639.23 | 4490.33 |
| Business reputation | | 89608.94 | 391865.96 |
| Fixed Assets | 120 | 202678.4 | 364191.99 |
| Construction-in-progress | 130 | 62650.16 | 117686.92 |
| Income-bearing investments in material valuables | 135 | 152.25 | 552.5 |
| Long-term financial investments | 140 | 53009.91 | 53512.19 |
| Deferred tax assets | 145 | 3890.99 | 4755.37 |
| Other non-current assets | 150 | 27014.34 | 48915.41 |
| TOTAL of section I | 190 | 443644.22 | 985970.67 |
| II. CURRENT ASSETS | | | |
| Reserves, including: | 210 | 51154.13 | 94474.1 |
| feedstock, materials and other valuables | 211 | 17549 | 30267.79 |
| rearsers and fatteners | 212 | 1.29 | 1.46 |
| costs in incomplete production | 213 | 8785.3 | 12107.65 |
| finished products and goods for re-sale | 214 | 19492.85 | 40301.86 |
| shipped goods | 215 | 872.05 | 5553.42 |
| deferred expenses | 216 | 4453.06 | 6241.92 |
| other stocks and expenses | 217 | | |
| Value added tax on acquired valuables, excise duty | 220 | 16705.73 | 16871.12 |
| Accounts receivable (payments are expected in over 12 months after reporting date) including: | 230 | 1789.45 | 4539.71 |
| buyers and customers | 231 | 727.07 | 412.82 |
| Accounts receivable (payments are expected within 12 months after reporting date) including: | 240 | 339156.18 | 249749.49 |
| buyers and customers | 241 | 61328.28 | 91227.13 |
| Short-term financial investments | 250 | 33827.83 | 34888.82 |
| Monetary assets | 260 | 13383.10 | 22594.55 |
| Other current assets | 270 | 245.43 | 0.14 |
| Total of Section II | 290 | 456261.85 | 423117.93 |
| BALANCE (sum of lines 190+290) | 300 | 899906.07 | 1409088.6 |

| LIABILITIES | Code of line | As of begin- ning of report- ing year | As of end of reporting period |
|---|--------------------|---|-------------------------------------|
| 1 | 2 | 3 | 4 |
| III. CAPITAL AND RESERVES | | | |
| Authorized capital | 410 | 105.98 | 105.98 |
| Own shares bought out by subsidiaries | | | (10) |
| Additional capital | 420 | 115781.37 | 118906.46 |
| Reserve capital including: | 430 | 277.86 | 564.98 |
| reserves formed in accordance with the legislation | 431 | 13.51 | 47.79 |
| reserves formed in accordance with constituent documents | 432 | 264.35 | 517.18 |
| Undistributed profit | | 327882.4 | 464241.00 |
| Uncovered loss | | 19537.95 | 220918.19 |
| Result of writing off business reputation | | -96144.19 | |
| Total of Section III | 490 | 325365.49 | 362890.23 |
| Share of majority | 491 | 13874.73 | 41629.01 |
| IV. LONG-TERM LIABILITIES | | | |
| Loans and credits | 510 | 395329.78 | 375517.60 |
| Deferred tax liabilities | 515 | 5969.73 | 16471.19 |
| Other long-term liabilities | 520 | 324.68 | 67706.63 |
| Total of Section IV | 590 | 401624.19 | 459695.42 |
| V. SHORT-TERM LIABILITIES | | | |
| Loans and credits | 610 | 41839.89 | 339862.98 |
| Accounts payable including: | 620 | 111997.73 | 171132.52 |
| suppliers and contractors | 621 | 20897.41 | 28040.83 |
| Indebtedness to personnel of organization | 624 | 2367.54 | 3710.47 |
| Indebtedness to state off-budget funds | 625 | 688.54 | 791.88 |
| Taxes and dues liabilities | 626 | 49892.99 | 72788.83 |
| Other creditors | 628 | 38151.25 | 65800.51 |
| Indebtedness to participants (founders) on payment of incomes | 630 | 94.90 | 111.88 |
| Deferred income | 640 | 185.56 | 445.71 |
| Reserves for future expenses | 650 | 381.93 | 2845.34 |
| Other short-term liabilities | 660 | 4541.65 | 30475.51 |
| Total of Section V | 690 | 159041.66 | 544873.94 |
| BALANCE (sum of lines 490+590+690) | 700 | 899906.07 | 1409088.6 |

Statement on Valuables Accounted for on Off-Balance Sheet Accounts

| Name of off-balance sheet account | Code of line | As of beginning of reporting period | As of end of reporting year |
|---|--------------|-------------------------------------|-----------------------------|
| 1 | 2 | 3 | 4 |
| Fixed assets under lease | 910 | 27471.22 | 47 434.41 |
| Inventory holdings under responsible custody | 920 | 7147.84 | 13 709.36 |
| Goods accepted for commission | 930 | 42.94 | 9.91 |
| Indebtedness of insolvent debtors written off at a loss | 940 | 1156.3 | 4 055.94 |
| Security of liabilities and payments received | 950 | 28135.87 | 39 586.76 |
| Security of liabilities and payments issued | 960 | 138687.37 | 572 147.69 |
| Deterioration of housing stock | 970 | 238.73 | 277.02 |

Director
Chief Accountant

Consolidated (Summary) Profit and Loss Statement for 2007

Form № 2

Organization: Rosneft Oil Company

Unit of measurement: mln. roubles

| Name of item | Code of line | For reporting period | For similar period of previous year |
|---|--------------|----------------------|-------------------------------------|
| 1 | 2 | 3 | 4 |
| I. Income and expense on ordinary activities Net proceeds from selling goods, products, works, services (VAT, excise duties and similar compulsory payments are excluded) | 2010 | 1 066 718.15 | 652.241.90 |
| Prime cost of sold goods, products, works, services including the following from the above as sold: | 2020 | (589515.64) | (358 483 .61) |
| Gross profit | 2029 | 477202.51 | 293.758.29 |
| Commercial expenses | 2030 | (89620.51) | (70 131. 69) |
| Administrative expenses | 2040 | (30003.89) | (17 496. 26) |
| Profit (loss) from sales (lines (010-020-030-040)) | 2050 | 357 578.11 | 206.130.34 |
| II. Other income and expenses | | | |
| Interest receivable | 2060 | 6 757.29 | 3.514.84 |
| Interest payable | 2070 | (48762.07) | (24 713. 85) |
| Income from participation in other organization | 2080 | 425.09 | 444.79 |
| Income from sale and other retirement of other property | 2090 | 140 346.37 | 113.749.04 |
| Expenses from sale and other retirement of other property | 2100 | (121458.97) | (113769.59) |
| Tax payments | 2110 | (6292.54) | (3 594. 62) |
| Other income | 2120 | 157961.16 | 345.767.81 |
| Other expenses | 2130 | (105334.07) | (180746.13) |
| Profit (loss) before taxes lines (050+060-070+080+090-100+120-130)) | 2140 | 381 220.38 | 346.782.62 |
| Deferred tax assets | 2150 | (4051.64) | (61. 44) |
| Deferred tax liabilities | 2151 | (4326.98) | (2 932. 45) |
| Current profit tax | 2152 | (114991.20) | (67 607. 99) |
| Profit (loss) from ordinary activities (140+150-151-152) | 2160 | 257 850.55 | 276.180.74 |
| Amount of profit formed due to writing off amounts of re-evaluation of additional capital | 2170 | | 2.546.87 |
| Share of minority | 2180 | (12696.86) | (17 424. 90) |
| Net profit (undistributed profit (loss) for reporting period) (lines (160+161) | 2190 | 245 153.69 | 261.302.71 |

Decoding of Individual Other Profits and Losses

| Name of item | Code of line | For reporting period | | For similar period of previous year | |
|---|--------------|----------------------|------------|-------------------------------------|--------------|
| | | Profit | Loss | Profit | Loss |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Proceeds from sale (purchase) of foreign currency (value of sold (purchased) foreign currency) | 2210 | 33 664.53 | (30223.46) | 145 637.63 | (147 637.63) |
| Exchange rate differences on foreign currency operations | 2220 | 62 077.10 | (30226.46) | 34 106.20 | (9 840.41) |
| Banking services | 2230 | | (2702.07) | | (1 335. 11) |
| Profit (loss) of previous years revealed (recognized) in reporting period | 2240 | 4 922.35 | (4534.98) | 1 260.86 | (33. 62) |
| Penalties, fines and forfeits recognized or given court judgment (arbitration court judgment) on their imposition | 2250 | 191.83 | (11833.39) | 152 577.58 | (3 408. 26) |
| Writing off accounts receivable and payable with expired limitation period | 2260 | 1 629.61 | (1721.78) | 50.63 | (1 24 .66) |
| | 2270 | | | | |

Director
Chief Accountant

Statement of Changes in Capital for 2007

Form № 3

Organization: Rosneft Oil Company

Unit of measurement: mln. roubles

| I. Changes in Capital | | | | | | |
|--|--------------|--------------------|--------------------|-----------------|---------------------------------------|-------------|
| Item Name | Code of line | Authorized capital | Additional capital | Reserve capital | Undistributed profit (uncovered loss) | Total |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Balance as of 31.12.2005 | 3010 | 90.92 | 154587.71 | 1608.98 | 149217.59 | 305505.2 |
| Changes in accounting policy | 3011 | | | | | |
| Result from revaluation of fixed assets | 3013 | | | | | |
| Balance as of 01.01.2006 | 3014 | 90.92 | 154587.71 | 1608.98 | 149217.59 | 305505.2 |
| Result from re-calculation of foreign currencies | 3015 | | | | | |
| Net profit | 3016 | | | | 261302.71 | 261302.71 |
| Dividends | 3017 | | | | (23.6) | (23.6) |
| Reserve fund allocations | 3018 | | | (1331.13) | | (1331.13) |
| Increase in amount of capital through – total: including | 3019 | 15.06 | 83641.57 | | | 83656.63 |
| additional issue of shares | 3020 | 15.06 | | | | 15.06 |
| increase in nominal value of shares | 30201 | | | | | |
| reorganization of corporate entity | 3021 | | | | | |
| other increase | 30211 | | 83641.57 | | | 83641.57 |
| Decrease in amount of capital through – total: including | 3022 | | (122447.9) | | (201296.43) | (323744.33) |
| reduction of the nominal value of shares | 30221 | | | | | |
| reduction of a number of shares | 3023 | | | | | |
| reorganization of corporate entity | 3024 | | | | (96144.19) | (96144.19) |
| other reduction | 30241 | | | | (105152.24) | (105152.24) |
| Balance as of end of 31.12.2006 | 3025 | 105.98 | 115781.37 | 277.86 | 209200.27 | 325365.48 |

| Item Name | Code of line | Authorized capital | Additional capital | Reserve capital | Undistributed profit (uncovered loss) | Total |
|--|--------------|--------------------|--------------------|-----------------|---------------------------------------|------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Changes in accounting policy | 3026 | | | | | |
| Result from re-valuation of objects of fixed assets | 3028 | | | | | |
| Balance as of 01.01.2007 | 3029 | 105.98 | 115781.37 | 277.86 | 209200.27 | 325365.48 |
| Result from re-valuation of foreign currencies | 3030 | | | | | |
| Net profit | 3031 | | | | 251324.7 | 251324.7 |
| Dividends | 3032 | | | | | |
| Reserve fund allocations | 3033 | | | 287.12 | (287.12) | 0 |
| Increase in amount of capital through – total: including | 3034 | | 3213.04 | | 100051.41 | 103264.45 |
| additional issue of shares | 3134 | | | | | |
| increase in nominal value of shares | 3035 | | | | | |
| reorganization of corporate entity | 3036 | | | | | |
| other increase | 30361 | | 3213.04 | | 100051.41 | 103264.45 |
| Decrease in amount of capital through – total: including | 3037 | | | | (317064.4) | (317064.4) |
| reduction of the nominal value of shares | 3137 | | | | | |
| reduction of a number of shares | 3038 | | | | | |
| reorganization of corporate entity | 3039 | | | | | |
| result of writing off of business reputation | | | | | | |
| other decrease | 30391 | | 0 | | (317064.4) | (317064.4) |
| Balance as of 31.12.2007 | 3040 | 105.98 | 118994.41 | 564.98 | 243224.86 | 362890.23 |

| II. Reserves | | | | | |
|---|--------------|---------|----------|-----------|---------|
| Name of item | Code of line | Balance | Received | Used | Balance |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Provision for costs and payments to be incurred | 3100 | | | | |
| 2006 | 3101 | 3840.84 | 1544.53 | (5003.44) | 381.93 |
| 2007 | 3102 | 381.93 | 4657.62 | (2194.21) | 2845.34 |
| Assessed reserves – total | 3118 | | | | |
| 2006 | 3119 | 1476.4 | 710.68 | (661.89) | 1525.19 |
| 2007 | 3120 | 1525.19 | 3919.01 | (2232.04) | 3212.16 |
| including: | | | | | |
| Provision for doubtful debts | 3121 | | | | |
| 2006 | 3122 | 582.6 | 744.95 | (587.29) | 740.26 |
| 2007 | 3123 | 740.26 | 2494 | (1744.71) | 1489.55 |
| Other provisions | 3124 | | | | |
| 2006 | 3125 | 893.8 | 316.84 | (425.71) | 784.93 |
| 2007 | 3126 | 784.93 | 1465.47 | (527.79) | 1722.61 |

| References | | | | | |
|---|--------------|---|---------------------------------------|-----------------------|-------------------|
| Name of item | Code of line | Balance as of beginning of reporting year | Balance as of end of reporting period | | |
| 1 | 2 | 3 | 4 | | |
| 1) Net assets | 3150 | 339425.78 | 404964.97 | | |
| | | From budget | | From off budget funds | |
| | | for reporting year | for previous year | for reporting year | for previous year |
| | | 3 | 4 | 5 | 6 |
| 2) Received for: ordinary types of activities – total | 3160 | 3.14 | 0.15 | 1.33 | |
| Capital investments in non-circulating assets | 3170 | | | | |
| including: | 3171 | | | | |
| | 3172 | | | | |

Director
Chief Accountant

Summary (Consolidated) Cash Flow Statement for 2007

Form N4

Organization: Rosneft Oil Company

Unit of measurement: million roubles

| Name of item | Code of line | For reporting year | For similar period of previous year |
|---|--------------|----------------------------|-------------------------------------|
| 1 | 2 | 3 | 4 |
| Cash balance as of beginning of reporting year | 4010 | 13380.85 | 25901.09 |
| Flow of cash on current activities – receipts – total: including | 4020 | 5109709.37 | 3005280.69 |
| funds received from buyers, customers | 40201 | 1439428.33 | 978371.52 |
| other revenues | 4030 | 3670281.04 | 2026909.18 |
| Cash on current activities allocated for – total: including for | 4040 | (4715465.63) | (3019678.52) |
| payment of purchased goods, works, services, raw materials and other current assets | 4050 | (775401.62) | (1565931.65) |
| payment of labour | 4060 | (52423.54) | (15938.75) |
| interest and dividends payments | 4070 | (44425.58) | (46422.22) |
| taxes and dues payments | 4080 | (459830.92) | (163952.38) |
| other expenses | 4085 | (3383383.97) | (1227433.52) |
| Net funds from current activity | 4090 | 394243.74 | (14397.82) |
| Flow of funds on investment activities – total: including | 4110 | 2692603.49 | 1017307.05 |
| Proceeds from sale of objects of fixed assets and other non- circulating assets | 4111 | 799.19 | 508.58 |
| Proceeds from sale of securities and other financial invest- ments | 4120 | 2299259.62 | 818401.53 |
| Dividends received | 4130 | 250.69 | 1216.16 |
| Interest received | 4140 | 1946.85 | 1228.47 |
| Proceeds from repayment of loans granted to other organizations others | 4150 4151 | 249427.93 140919.21 | 151575.52 44376.82 |
| Funds allocated on investment activity – total: including | 4052 | (3360602.9) | (1162340.6) |
| Acquisition of subsidiary organizations | 4160 | (221868.55) | (94780.85) |
| Acquisition of objects of fixed assets, income bearing invest- ments in material valuables and intangible assets | 4170 | (87196.24) | (75779.4) |
| Acquisition of securities and other financial investments | 4180 | (2655082.32) | (831808.05) |
| Loans granted to other organizations others | 4190 4191 | (267969.22) (128486.57) | (159842.13) (130.16) |
| Net funds from investment activities | 4200 | (667999.41) | (145033.54) |
| Flow of funds from financial activity – total: including | 4210 | 982282.99 | 583383.06 |
| Issue proceeds | 4220 | 11.28 | 58108.57 |

| Name of item | Code of line | For reporting year | For similar period of previous year |
|---|--------------|--------------------|-------------------------------------|
| 1 | 2 | 3 | 4 |
| Loans obtained | 4230 | 17552.99 | 49689.75 |
| credits | 4250 | 964718.72 | 471800 |
| other receipts | 4260 | | 3785 |
| Funds retired on investment activity-total: including | 4280 | (699305.32) | (436471.93) |
| repayment of loans | 4290 | (8426.65) | (76703.36) |
| repayment of credits | 4310 | (675913.03) | (346789) |
| repayment of liabilities on financial lease | 4330 | (2845.33) | (243.52) |
| others | 4340 | (12120.31) | (12736.05) |
| Net funds from financial activity | 4360 | 282977.67 | 146911.13 |
| Amount of influence of changes in foreign exchange rate to rouble established by CB | | (215.75) | (685.12) |
| Balance of funds as of end of reporting period | 4350 | 22387.10 | 13380.85 |

Director
Chief Accountant

Attachment to Summary (Consolidated) Balance Sheet for 2007

Form № 5

Organization: Rosneft Oil Company

Unit of measurement: mln. roubles

| 1. Intangible Assets | | | | | |
|--|--------------|-----------------------------------|-----------|-----------|-------------------------------|
| Name of item | Code of line | As of beginning of reporting year | Acquired | Retired | As of end of reporting period |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Intellectual property objects (exclusive rights to results of intellectual property) | 5100 | 39.68 | 113.82 | (1.42) | 152.08 |
| including: | | | | | |
| holder of patent for invention, industrial sample, useful model | 5101 | 39.21 | 3.94 | (16.93) | 26.22 |
| right possessor to computer programs, data bases | 5102 | 0.41 | 4.45 | | 4.86 |
| right possessor to topologies of integrated microcircuits | 5103 | | | | |
| owner's of trade and service marks, appellation of origin | 5104 | 0.06 | 2.28 | | 2.34 |
| holder of patent for selection achievements | 5105 | | | | |
| Organizational expenses | 5106 | 0.03 | | (0.03) | |
| Business reputation | 5107 | 89608.94 | 310101.74 | (7844.72) | 391865.96 |
| Others | 5108 | 4988.82 | 5.95 | (43.45) | 4951.32 |

| Name of item | Code of line | As of beginning of reporting year | As of end of reporting period |
|--|--------------|-----------------------------------|-------------------------------|
| 1 | 2 | 3 | 4 |
| Amortization of intangible assets – total | 5109 | 389.29 | 613.07 |
| including: | | | |
| Intellectual property objects (exclusive rights to results of intellectual property) | 5111 | 9.71 | 613.07 |
| Organizational expenses | 5112 | | |

| 2. Fixed Assets | | | | | |
|------------------------------------|--------------|-----------------------------------|-----------|-----------|-------------------------------|
| Name of item | Code of line | As of beginning of reporting year | Acquired | Retired | As of end of reporting period |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Buildings | 5113 | 25963.77 | 29976.14 | (2110.84) | 53829.07 |
| Facilities and transfer mechanisms | 5114 | 215878.55 | 159214.59 | (6099.35) | 368993.79 |

| Name of item | Code of line | As of beginning of reporting year | Acquired | Retired | As of end of reporting period |
|--|--------------|-----------------------------------|------------------|-------------------|-------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Machinery and equipment | 5115 | 60953.07 | 83802.23 | (8605.6) | 136149.7 |
| Transportation vehicles | 5116 | 7411.04 | 6571.12 | (894.75) | 13087.41 |
| Production equipment and household equipment | 5117 | 1424.3 | 2165.92 | (311.06) | 3279.16 |
| Beasts of draught | 5118 | | | | |
| Productive livestock | 5119 | | | | |
| Perennial plants | 5120 | | | | |
| Other types of fixed assets | 5121 | 1273.38 | 2801.61 | (381.29) | 3693.7 |
| Land lots and nature management objects | 5122 | 194.39 | 937.67 | (13.38) | 1118.68 |
| Capital investments in radical changes of land | 5123 | | | | |
| Total | 5124 | 313098.5 | 285469.28 | (18416.27) | 580151.51 |

| Name of item | Code of line | As of beginning of reporting year | As of end of reporting period |
|---|--------------|-----------------------------------|----------------------------------|
| 1 | 2 | 3 | 4 |
| Amortization of fixed assets | 5125 | 110420.1 | 215959.52 |
| including: | | | |
| Buildings and structures | 5126 | 87277.31 | 126347.77 |
| Machinery and equipment, transportation vehicles | 5127 | 21723.73 | 62929.01 |
| Others | 5128 | 1419.06 | 26682.74 |
| Objects of fixed assets leased out – total | 5129 | 2722.84 | 8600.17 |
| including: | | | |
| Buildings | 5130 | 1040.33 | 4921.67 |
| Structures | 5131 | 260.9 | 1336.72 |
| Objects of fixed assets removed from operation to standby | 5132 | 12322.18 | 9564.61 |
| Objects of fixed assets taken on lease – total | 5133 | 26924.86 | 47434.41 |
| Real estate objects put in operation and those in the process of state registration | 5134 | 60426.77 | 8639.23 |
| Reference | Code of line | As of beginning of reporting year | As of beginning of previous year |
| 1 | 2 | 3 | 4 |
| Result of re-evaluation of fixed assets items: | 5135 | | |
| historical (replacement) value | 5136 | | |
| amortization | 5137 | | |
| | Code of line | As of beginning of reporting year | As of end of reporting period |
| 1 | 2 | 3 | 4 |
| Changes in cost of objects of fixed assets due to finishing, re-equipment, re-construction, partial liquidation | 5138 | 866.65 | 11600.12 |

Income-Bearing Investments in Material Valuables

| Name of item | Code of line | As of beginning of reporting year | Acquired | Retired | As of end of reporting period |
|--|--------------|-----------------------------------|-------------------------------|-----------------|-------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Property for leasing | 5139 | | | | |
| Property provided under hiring contract | 5140 | | | | |
| Others | 5141 | 242.5 | 756.37 | (258.41) | 740.46 |
| Total | 5142 | 242.5 | 756.37 | (258.41) | 740.46 |
| | Code of line | As of beginning of reporting year | As of end of reporting period | | |
| 1 | 2 | 3 | 4 | | |
| Amortization of income bearing investments in material valuables | 5143 | 90.24 | 187.93 | | |

Expenses for Scientific – Research, Development and Technological Works

| Types of work, name | Code of line | As of beginning of reporting year | Acquired | Written off | As of end of reporting period |
|--|--------------|-----------------------------------|-------------------------------|-----------------|-------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Total | 5144 | 62.79 | 224.55 | (134.95) | 152.39 |
| Reference | Code of line | As of beginning of reporting year | As of end of reporting period | | |
| 1 | 2 | 3 | 4 | | |
| Amount of expenses for unfinished scientific and research, development and technological works | 5145 | 62.79 | 152.39 | | |
| | Code of line | As of beginning of reporting year | As of end of reporting period | | |
| 1 | 2 | 3 | 4 | | |
| Amount of expenses given no positive results on unfinished scientific and research, development and technological works referred to non-operating expenses | | 88.5 | 14.79 | | |

| Expenses for Development of Natural Resources | | | | | |
|---|--------------|-----------------------------------|-------------------------------|-------------|-------------------------------|
| Name of item | Code of line | As of beginning of reporting year | Acquired | Written off | As of end of reporting period |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Expenses for development of natural resources | 5147 | 34655.79 | 16703.67 | (4647.62) | 46711.84 |
| Reference | Code of line | As of beginning of reporting year | As of end of reporting period | | |
| 1 | 2 | 3 | 4 | | |
| Amount of expenses on subsoil zones, unfinished in search and assessment of fields, exploration and (or) hydrological surveying and other similar works | 5148 | 8950.59 | 18332.84 | | |
| Amount of expenses for development of natural resources referred to non-operating expenses as ineffective | 5149 | 5.63 | 820.37 | | |

| Financial Investments | | | | | |
|---|--------------|-----------------------------------|-------------------------------|-----------------------------------|-------------------------------|
| Name of item | Code of line | Long-term | | Short-term | |
| | | As of beginning of reporting year | As of end of reporting period | As of beginning of reporting year | As of end of reporting period |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Contribution to the authorized (reserve) capitals of other organizations – total including: | 5150 | 9411.61 | 23614.24 | | |
| subsidiary companies | 5151 | | | | |
| dependent companies | 51511 | 8407.94 | 20521.68 | | |
| other organizations | 51512 | 1003.67 | 3092.56 | | |
| State and municipal securities | 5152 | 1309.53 | 84.46 | 919.25 | 922.82 |
| Securities of other organizations – total including: | 5153 | 3657.97 | 2465.64 | 2420.07 | 1861.86 |
| shares | 5154 | | | 544.97 | 620.45 |
| bonds | 51541 | 2213.89 | 1.44 | 649.49 | 626.69 |
| promissory notes | 51542 | 1444.08 | 2464.2 | 1225.61 | 614.72 |
| Granted loans | 5155 | 6114.17 | 14451.24 | 11126.77 | 16356.79 |
| Deposits | 5156 | | | 2261.72 | 10102.7 |
| Contributions in joint activity | 51561 | 1049.06 | 2251.88 | | |
| Other investments | 5157 | 31467.57 | 10644.73 | 17100.02 | 5644.65 |
| Total | 5158 | 53009.91 | 53512.19 | 33827.83 | 34888.82 |

Accounts Receivable and Payable

| Name of item | Code of line | As of beginning of reporting year | As of end of reporting period |
|---|--------------|-----------------------------------|-------------------------------|
| 1 | 2 | 3 | 4 |
| Receivables: short-term – total | 5168 | 339156.18 | 249737.73 |
| including: settlements with buyers and customers | 5169 | 61328.28 | 91227.13 |
| advances made | 5170 | 14947.93 | 21424.12 |
| others | 5171 | 262879.97 | 137086.48 |
| Long-term – total | 5172 | 1789.45 | 4539.71 |
| including: settlements with buyers and customers | 5173 | 727.07 | 412.82 |
| advances made | 5174 | 24.70 | 178.26 |
| others | 5175 | 1037.68 | 3948.63 |
| Total | 5176 | 340945.63 | 254277.44 |
| Payables: short-term – total | 5177 | 153837.62 | 510995.5 |
| including: settlements with suppliers and contractors | 5178 | 20897.41 | 28040.83 |
| Advances obtained | 5179 | 1144.02 | 10596.25 |
| Taxes and dues payments | 5180 | 4989.29 | 73580.7 |
| Credits | 5181 | 37125.12 | 326932.45 |
| Loans | 5182 | 4714.77 | 12930.53 |
| Others | 5183 | 84967.01 | 58914.73 |
| Long-term – total | 5184 | 395654.47 | 459695.41 |
| including: credits | 5185 | 373966.54 | 347616.23 |
| loans | 5186 | 21363.24 | 27901.36 |
| Total | 5187 | 549492.08 | 970690.91 |

Expenses for Ordinary Types of Activity (Cost Elements)

| Name of item | Code of line | For reporting year | For previous year |
|--|--------------|--------------------|-------------------|
| 1 | 2 | 3 | 4 |
| Material costs | 5188 | 97466.77 | 44525.42 |
| Labor costs | 5189 | 52662.77 | 22703.88 |
| Social deductions | 5190 | 10247.29 | 4628.44 |
| Amortization | 5191 | 39409.86 | 20303.11 |
| Other expenses | 5192 | 463782.79 | 330309.17 |
| Total of cost elements | 5193 | 663569.48 | 422470.02 |
| Change of balances (increase (+), decrease (-)): incomplete production | 5194 | 3322.35 | (1642.54) |
| deferred costs | 5195 | 1788.86 | (85.97) |
| reserves for future expenses | 5196 | 2463.41 | (3458.91) |

| Securities | | | |
|-----------------------------|--------------|---|---------------------------------------|
| Name of item | Code of line | Balance as of beginning of reporting year | Balance as of end of reporting period |
| 1 | 2 | 3 | 4 |
| Received – total including: | 5197 | 28135.87 | 39586.76 |
| promissory notes | 5198 | 4148.99 | 3339.48 |
| securities | 51981 | | |
| property | 51982 | 10.76 | 25199.61 |
| others | 51984 | 23976.12 | 11047.67 |
| Issued – total including: | 5203 | 138687.37 | 572147.69 |
| promissory notes | 5204 | 14033.82 | 300.55 |
| securities | 52041 | 3.76 | |
| property | 52042 | | 568.1 |
| others | 52044 | 124649.78 | 571279.04 |

| Government Aid | | | | | |
|---|--------------|-----------------------------------|-------------------------------------|-------------------------------|-------------------------------|
| Name of item | Code of line | For reporting period | For similar period of previous year | | |
| 1 | 2 | 3 | 4 | | |
| Budget funds received in reporting year – total | 5209 | 3.14 | 0.5 | | |
| | | As of beginning of reporting year | Received for reporting period | Returned for reporting period | As of end of reporting period |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Budget credits – total | 5210 | | | | |

Director
Chief Accountant

Explanatory Note to Consolidated Accounting Statements of the OJSC OC Rosneft Group of Companies for 2007

This explanatory note is an integral part of the summary accounting reports of companies of the Group of OJSC OC Rosneft for 2007 prepared in compliance with the effective legislation of the Russian Federation.

The present explanatory note uses the following terms and definitions:

Parent Company – OJSC OC Rosneft.

Group – combination of the interconnected organizations considered an organic whole. At the base of such interaction lies participation of the Parent Company OJSC OC Rosneft in subsidiary and dependent companies and/or possibility of controlling their activities.

Group Company – members of the Group, which are, on the one part, the **Parent Company** – OJSC OC Rosneft and, on the other part, subsidiary and dependent companies. OJSC OC Rosneft acts as the main (parent) company in relation to subsidiary companies and as prevailing or participating company in relation to dependent companies.

Subsidiary company – a business company, whose decisions may be determined by the Parent Company due to prevailing participation in the charter capital (more than 50% of the voting shares of the joint-stock company or more than 50% of the charter capital of the limited liability company) or due to the contracts concluded or due to any other reasons.

Dependent company – a business company, if the Parent Company has more than 20% of the voting shares of the joint-stock company or 25% of the charter capital of the limited liability company.

Consolidated accounting reports – the reports of the Group, showing the financial position as of the reports date and financial results for the reports period of the group of the interconnected companies formed in compliance with the established rules. The rules for formation of the summary reports specify exclusion of general clauses, representing the operations between members of the Group, along with summation

of all assets, obligations, incomes and expenses of the companies of the Group. Thus, the term “consolidated accounting reports of interconnected organizations”, used in the normative documents of the Russian accounting system, is used for reports compiled according to the rules of consolidated reports.

1. Organization and sphere of activities

Description of the Parent Company

Oil company OJSC OC Rosneft (hereinafter referred to as “Parent Company”) was established as an open joint-stock company on December 7, 1995. All assets and liabilities, which had been under control of state enterprise “Rosneft”, were transferred to the Parent Company at the book value as of the date of the establishment together with the ownership rights belonging to the Government of the Russian Federation (hereinafter referred to as the “State”) in other privatized oil-and-gas enterprises. The assets and liabilities were transferred according to Resolution No. 327 of the President of the Russian Federation: “On primary measures for improvement of activities of oil companies” dated April 1, 1995, and in compliance with Resolution No. 971 dated September 29, 1995, of the Government of the Russian Federation “On reorganization of state enterprise “Rosneft” to an open joint-stock company “Oil company “Rosneft”. Such transfer represents the reorganization of assets, being under control of the state and, naturally, the book value of the assets was used to display this reorganization.

Legal address of Parent Company

Legal address of OJSC OC Rosneft: 115035, Moscow, Sofiyskaya naberezhnaya, 26/1.

Executive and supervisory bodies of the Parent Company

Board of directors – body of the Parent Company responsible for the governance of the Parent Company during intervals between General shareholders' meetings. It is composed of:

| | |
|--|---|
| 1. Sechin Igor Ivanovich | Deputy Head of the Administration of the President of the Russian Federation – assistant to the President of the Russian Federation Chairman of the Board of directors |
| 2. Androsov Kirill Gennadevich | Deputy Minister of Ministry of economic development and trade of the Russian Federation |
| 3. Bogdanchikov Sergei Mikhailovich | President of OJSC OC Rosneft |
| 4. Kostin Andrei Leonidovich | President of VTB Bank OJSC |
| 5. Nekipelov Alexander Dmitrevich | Vice-president of the Russian Academy of sciences |
| 6. Naryshkin Sergei Evgenevich | Deputy chairman of the Government of the Russian Federation – Head of the Office of the Government of the Russian Federation |
| 7. Nikitin Gleb Sergeevich | Chief of department of Federal agency for management of federal property |
| 8. Reus Andrei Georgievich | Deputy Minister of Ministry of industry and power engineering of the Russian Federation |
| 9. Hans-Joerg Rudloff | Chairman of Barclays Capital |

In compliance with the Provision on the Board of directors of OJSC OC Rosneft, the reward to the members of the Board of directors of the Parent company is paid on the basis of the decision of the general shareholders' meeting according to the results of the work of the Company for the year. In 2006 payments were not made to the members of the Board of directors.

The reward was established to the following independent members of the Board of directors of OJSC OC Rosneft and paid in 2007 by the decision of the an-

nual shareholder meeting of OJSC OC Rosneft (protocol without number dated June 30, 2007):

- Kostin Andrei Leonidovich – 200 thou. USD;
- Nekipelov Alexander Dmitrevich – 185 thou. USD;
- Hans Joerg Rudloff – 200 thou. USD.

The members of the Board of directors of OJSC OC Rosneft are state employees; they are not paid for their work in the Board of directors of the Company.

Internal Audit commission of the Parent Company consists of:

| | |
|--|---|
| 1. Kobzev Andrei Nikolaevich | Deputy Chief of division of Department for legal security and property relations in fuel and energy complex of Federal agency for power engineering |
| 2. Oseledko Victoria Vladimirovna | Deputy director of Department of Minpromenergo of Russia |
| 3. Pisarev Yury Borisovich | Head of Supervision and auditing division of OJSC OC Rosneft |
| 4. Radkova Natalya Vladimirovna | Chief of accounting and reporting division of Department for budget policy and finances |
| 5. Feodosev Lev Vladimirovich | Head of Department of OJSC "NOVATEK" |

Executive body of the Parent Company:

| | |
|---|------------------------------|
| Bogdanchikov Sergei Mikhailovich | President of OJSC OC Rosneft |
|---|------------------------------|

The **Managing Board** of the Parent Company includes:

| | |
|--|---|
| 1. Bogdanchikov Sergei Mikhailovich | President of OJSC OC Rosneft Chairman of the Managing Board |
| 2. Karaganov Sergei Vasilevich | Vice-president of OJSC OC Rosneft |
| 3. Kudryashov Sergei Ivanonoch | First vice-president of OJSC OC Rosneft |
| 4. O'Brien Peter Lloyd | Head of the group of financial advisers of president of OJSC OC Rosneft in the rank of Vice-president of OJSC OC Rosneft" |
| 5. Baranovsky Anatoliy Ivanovich | Vice-president of OJSC OC Rosneft |
| 6. Zemlyuk Stepan Vasilevich | Vice-president of OJSC OC Rosneft |
| 7. Kim Sun Ne | Chief accountant of OJSC OC Rosneft |
| 8. Tursunov Rizo Sharipovich | Vice-president of OJSC OC Rosneft |

The members of the Board of the Parent Company receive wages specified by the labor contract, no additional rewards for performance of functions of members of the Board are paid.

The information about the executive and supervisory bodies of the Parent Company is given as of December 31, 2007.

Structure of the charter capital

As of December 31, 2007, 10 598 177 817 shares of the Parent Company belonged to the following owners:

- the owner of 7 965 816 383 of common shares of OJSC OC Rosneft, i.e. 75.16% of the total number of common shares and charter capital of the Company, was OJSC "ROSNEFTEGAZ";
- the owner of 1 common share of OJSC OC Rosneft", i.e. 0.000000009% of the total number of common shares and charter capital of the Company, was the Russian Federation represented by the Federal Agency for federal property management;
- the owner of 1 000 000 000 common shares of OJSC OC Rosneft, i.e. 9.44% of the total number of common shares and charter capital of the Company, was LLC "PN-Razvitiye";
- the nominal share holder of 1 210 564 190 common shares of OJSC OC Rosneft, i.e. 11.42% of the total number of common shares and charter capital of the Company, was OJSC Sberbank;
- the nominal share holder of 228 681 153 common shares of OJSC OC Rosneft, i.e. 2.16% of the total number of the common shares and charter capital

of the Company, was the non-commercial partnership "National depository Center";

- the owners and nominal share holders of 129 897 224 common shares of OJSC OC Rosneft, i.e. 1.22% of the total number of common shares and charter capital of the Company, were legal entities, owning less than 1% of shares;
- the owners of 63 218 866 common shares of OJSC OC Rosneft, i.e. 0.60% of the total number of common shares and charter capital of the Company, were natural persons.

Number of shares of the Companies of the Group, which were issued but not paid for, nominal value of Shares of the Companies of the Group on their own balance sheet

There are no shares of the Companies of the Group, which were issued but not placed.

The nominal value of shares of Companies of the Group, which were at their own balance, as of December 31, 2007 totaled 10 mln. Roubles. In the reports, the own shares bought from shareholders are given at their nominal value, the sum total of acquisition expenses was 197 213.28 mln roubles and was allocated to expenses. The revaluation amount of shares, quoted on

the free market, stood at 37330.61 mln roubles and is displayed under "Additional capital".

Description of activities of the Group

The main types of activities of the Group are:

- Performance of geological exploration and prospecting works;
- Production, treatment and transportation of oil, gas and gas condensate;
- Oil refining, production of oil and petrochemical products;
- Sale of oil, gas, gas condensate and refined products;
- Investment activities;
- Other types of activity.

The Parent Company receives a considerable share of the profit from marketing of products in US\$. Besides, the considerable part of the financial and investment activity and obligations are also expressed in US\$. However, the greater part of incurred operational and investment expenditure, other obligations, as well as tax obligations, are expressed in Russian roubles. Due to the decline of the US dollar value vs. the rouble, the Parent Company runs a certain currency risk, but this risk is essentially neutralized by the rise in the price oil.

List of subsidiary, dependent and other enterprises with respective charter capital and voting stock shares.

A list of subsidiary, dependent and other companies of the Group with charter capital shares and shares of the total number of voting stock belonging to the Parent Company as of December 31, 2007, is given in the following Table:

| No. | Organization | Parent Company's participation share | |
|---------------------------------------|---|--------------------------------------|-------------------|
| | | % of charter capital | % of voting stock |
| Oil producing enterprises | | | |
| 1 | OOO "RN-Severnaya neft" | 100.00 | |
| 2 | CJSC "Komsomolskneft" | 100.00 | 100.00 |
| 3 | OOO "RN_Krasnodarneftegaz" | 100.00 | |
| 4 | OAo "NK "Rosneft"-Dagneft" | 68.70 | 91.60 |
| 5 | OOO "RN-Purneftegaz" | 100.00 | |
| 6 | OOO "RN-Stavropolneftegaz" | 100.00 | |
| 7 | OOO "RN_Sakhalinmorneftegaz" | 100.00 | |
| 8 | OOO "RN-Yuganskneftegaz" | 100.00 | |
| 9 | OAo "Grozneftegaz" | 51.00 | 51.00 |
| 10 | OOO "Polar Lights Company" | 50.00 | |
| 11 | OAo "Dagneftegaz" | 40.00 | 40.00 |
| 12 | OAo "Verkhnechonskneftegaz" | 25.94 | 25.94 |
| 13 | OOO "Kaspoil" | 75.10 | |
| 14 | CJSC "Vankorneft" | 0.84 | 0.84 |
| Oil refining enterprises | | | |
| 15 | OOO "RN-Tuapse NPZ" | 100.00 | |
| 16 | OAo "NK "rosneft"-MZ "Nefteproduct" | 65.42 | 87.23 |
| 17 | OOO "RN-Komsomolsky NPZ" | 100.00 | |
| Oil product supply enterprises | | | |
| 18 | OOO "RN-Vostoknefteprodukt" | 100.00 | |
| 19 | OAo "NK "Rosneft"-Stavropole" | 100.00 | 100.00 |
| 20 | OAo "NK "Rosneft"- Kubannefteprodukt" | 89.50 | 96.61 |
| 21 | OAo "NK "Rosneft"-Kabardino-Balkarskaya Fuel Company" | 88.66 | 92.91 |

| | | | |
|-------------------------------------|--|--------|--------|
| 22 | ОАО "НК "Rosneft" -Kurganнеfteородукт" | 83.32 | 90.33 |
| 23 | ОАО "НК "Rosneft" -Karachaevo-CherkesskNP" | 85.99 | 87.46 |
| 24 | ОАО "НК "Rosneft" -Smolenskнеfteпродукт" | 66.67 | 86.97 |
| 25 | ООО "PN-Arkhangelskнеfteпродукт" | 100.00 | |
| 26 | ОАО "НК "Rosneft" -Altaineftеподукт" | 64.18 | 78.59 |
| 27 | ОАО "НК "Rosneft" -Yamalнеfteпродукт" | 49.52 | 66.03 |
| 28 | ОАО "НК "Rosneft" -Murmanskнеfteпродукт" | 45.38 | 60.51 |
| 29 | ООО "RN-Nakhodhanrftпродукт" | 100.00 | |
| 30 | ОАО "НК "Rosneft" -ARTAG" | 38.00 | 50.67 |
| 31 | LLC "RN-Trade" | 99.99 | |
| 32 | OJSC Moscow Gas Company | 50.00 | 50.00 |
| 33 | ООО "RH-Tuapseneftеподукт" | 100.00 | |
| 34 | ОАО "Nakhodkinsky oil-loading marine trade port" | 97.51 | 97.51 |
| 35 | ООО "Yu-Kuban" | 49.00 | |
| Other organizations | | | |
| Group of Sakhalin projects | | | |
| 36 | CJSC "Sakhalin projects" | 100.00 | 100.00 |
| 37 | CJSC "Vostokshelf" | 100.00 | 100.00 |
| 38 | "West Kamchatka Holding B.V." | 60.00 | 60.00 |
| 39 | ООО "RN-Kaiganneftegaz" | 100.00 | |
| 40 | ZAO "Vostok-Shmidt Neftegaz" | 99.00 | 99.00 |
| 41 | CJSC "Zapad-Shmidt Neftegaz" | 99.00 | 99.00 |
| 42 | CJSC "RN-Astra" | 100.00 | 100.00 |
| 43 | ООО "Vostok-Shmidt Invest" | 99.00 | |
| 44 | ООО "Zapad-Shmidt Invest" | 99.00 | |
| 45 | ОАО "Rosneft-Sakhalin" | 55.00 | 55.00 |
| 46 | ZAO "Sakhalinmorneftegaz-Shelf" | 100.00 | 100.00 |
| 47 | ZAO "Sakhalinmorneftegaz-AMK" | 100.00 | 100.00 |
| Overseas project management | | | |
| 48 | ООО "Rosneft International Ltd" | 100.00 | 100.00 |
| 49 | ООО "RN-Kazakhstan" | 99.99 | |
| 50 | KOO "Rosneft Shell Caspian Ventures Ltd" | 51.00 | 51.00 |
| Group of service enterprises | | | |
| 51 | ООО "RN-Drilling" | 100.00 | |
| 52 | ООО "RN-Service" | 0.0059 | |
| 53 | ООО "RN-Energo" | 100.00 | |
| 54 | ООО "Dubininskoe" | 100.00 | |
| 55 | ZAO "YUKOS-Mamontovo" | 100.00 | 100.00 |
| 56 | ООО "RN-Inform" | 100.00 | |
| 57 | ОАО "Purnefteotdacha" | 61.54 | 61.54 |
| 58 | ООО "Komsomolskнеfteзаводремстroi" | 100.00 | |
| 59 | ООО "KNPZ-Sevice" | 100.00 | |
| 60 | ООО "YUNG-Teploneft" | 1.00 | |
| 61 | ООО "YUNG-Energoneft" | 1.00 | |
| 62 | ООО "YUNG-Negtekhimservice" | 1.00 | |
| 63 | ООО "Base complex" | 1.00 | |

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|--------------------------------------|--|--------|--------|
| 64 | 000 "YUNG-Service" | 1.00 | |
| 65 | 000 "Krasnodarneftegaz-Repair" | 0.34 | |
| 66 | 000 "Oil and gas expedition" | 1.00 | |
| 67 | 000 "KNG-KUTT" | 0.83 | |
| 68 | 000 "KNG-STs" | 0.78 | |
| 69 | 000 "KNG-Pitanie Service" | 1.00 | |
| Research and Development | | | |
| 70 | 000 "SakhNIPImorneft" | 100.00 | |
| 71 | 000 "RN-UfaNIPIfeft" | 100.00 | |
| 72 | 000 "NK "Rosneft-NTTs" | 100.00 | |
| Logistics and transport | | | |
| 73 | CJSC "Rosnefteflot" | 51.00 | 51.00 |
| 74 | 000 "Daltransgaz" | 25.00 | |
| 75 | 000 "TK "Burgaz-Alexanderupolis" | 33.33 | |
| 76 | CJSC "Eastern Oil Terminal" | 100.00 | 100.00 |
| Group of financial institutes | | | |
| 77 | 0AO Russian regional development bank | 76.47 | 76.47 |
| 78 | 000 "Okhabank" | 33.40 | |
| 79 | 0AO "AB "Kubanbank" | 0.58 | 0.62 |
| Group of ther organizations | | | |
| 80 | CJSC "Rosshelf" | 26.42 | 26.42 |
| 81 | CJSC "Publishing house "Oil industry" | 25.00 | 25.00 |
| 82 | ZAO "Ros&Neft" | 25.00 | 25.00 |
| 83 | 000 "Pursatkom" | 49.00 | |
| 84 | 000 "Vostok Energy" | 51.00 | |
| 85 | 000 "ChOP "KNPZ-Strazh" | 100.00 | |
| 86 | 000 "PSO "lastochka" | 81.00 | |
| 87 | CJSC "Ordaliya 2000" | 100.00 | 100.00 |
| 88 | 000 "FTT Service" | 100.00 | |
| 89 | 000 "ChOP "SKB" | 100.00 | |
| 90 | 000 "ChOP "Granit" | 100.00 | |
| 91 | 000 "Accounting and reports" | 100.00 | |
| 92 | 0AO "Okhinskaya TETs" | 91.04 | 91.04 |
| 93 | 000 "Sanatorium "Mineralny" | 1.00 | |
| 94 | 000 "Sanatorium " Izumrudny" | 1.00 | |
| 95 | 000 "Sanatorium "NeftyaniK Kubani" | 71.50 | |
| 96 | 000 "Tuapsenefteprodukt-Trade and restaurant business" | 1.00 | |
| 97 | 000 "Tuapsenefteprodukt-Avtoservice" | 1.00 | |
| 98 | 000 "Tuapsenefteprodukt-Sanatorium "Smena" | 1.00 | |
| 99 | ZAO "Chernomorneftegaz" | 0.10 | 0.10 |
| 100 | 0AO "KuibySshefteorgsynthesis" | 0.002 | 0.002 |
| 101 | 0AO "Varust" | 60.25 | 60.25 |
| 102 | ZAO SP "Kapitelli" | 16.59 | 16.59 |
| 103 | 0AO "KhantyMansiiskintersport" | 15.00 | 15.00 |
| 104 | E000 "Orion" | 9.50 | |

Besides, the Parent Company takes part in the non-state pension fund "Neftegarant". Long-time financial investments into this organization, made in December 2005, were written off, but the Parent Company remains its founder.

1. Production indicators of the Group

As to the results of 2007 the profit on sales of products, works (services) by the Group was in the amount of 357 578.1 mln roubles. Relatively to the level of 2006 (206 130.3 mln roubles) the indicator rose 73 %.

In 2007 112.5 mln tons of oil and gas condensate was produced by the Group (including LLC "Polar Lights" – 1.2 mln tons and OJSC "Udmurteft" – 6.1 mln tons), which is 24.6 mln tons more than in 2006 (86.1 mln tons) and 16.5 bln cubic m of gas. Thus, the planned indicators were met 109 % and 110 %, respectively.

The gas production as compared to 2006 (13.7 bln cubic m) increased 20.4 % or by 2.8 bln cubic m.

As to the Group, the volume of capital investments in the amount of 155 041 mln roubles was utilized (with VAT paid to suppliers and contractors), which is 90 % of the annual plan or 179.9 % vs. 2006. The Commissioning of the fixed assets with VAT was at least 117 941 mln roubles with the plan being 110 225 mln roubles (107 % to the plan) or 154 % to 2006.

Number of operating oil wells of the Group increased in 2007 by 26.8 %, totaling 26.9 thou. wells as of December 31, 2007. Were drilled and put in operation 659 oil wells (4100 - in 2006).

In 2007 the companies of the Group acquired 17 new licenses for geological survey, prospecting and production of hydrocarbons in Irkutsk region, Krasnoyarsky territory, Yamalo-Nenetsky autonomous area, Samara region, Khanty-Mansiysky autonomous area, Tomsk region, Okhotsk see off-shore and the Black Sea.

The Parent Company and companies of the Group are involved in programs for development of fields and geological prospecting on the licensed sections of the Parent Company, on territories of subsidiary companies and on territories, where the Group and its subsidiary companies take part in joint projects. Expenses are financed mainly from own funds. Besides, the

Group looked for other sources of financing. The management believes that the Group will get the entire required financing for successful completion of the said programs.

In 2007, a total of 50.1 mln tons was sent by the Group for refining at the Russian oil refineries, including 40.6 mln tons - to the own plants (including mini oil refineries). Thus, the volume of primary crude refining was increased 105% vs. 2006 levels.

45.5 mln tons of oil products was sold, 98 % more than in 2006. Exports in 2007, however, stood at 21.1 mln tons (-21 % less than in 2006). Domestic sales of purchased oil products, including sales via the Group's marketing companies, increased from 9.6 mln tons in 2006 to 24.4 mln tons in 2007, or 155 %. Gas stations sold 2.9 mln tons of oil products or 264 % vs. 2006 levels.

According to 2007 results, average number of personnel working in the companies of the Group, totaled 106.0 thou. 2007 number stood at 184.3 % vs. the 2006 figure (a 48.5 thou. growth). The said increase in the personnel numbers is due to integration of newly acquired subsidiaries into the Group, growth in production and scopes of work.

2. Methods of preparation of consolidated reports

Normative base for preparation of consolidated reports

Consolidated accounting reports of the Group are prepared in compliance with the following normative documents:

- Provision for bookkeeping and accounting reports in the Russian Federation approved by Order No. 34Н dated July 29, 1998, of the Ministry of Finance of the Russian Federation (as amended by Order No. 107Н dated December 30, 1999, No. 31Н dated March 24, 2000, No. 116Н dated September 18, 2006, No. 26Н dated March 26, 2007 of the Ministry of Finances of the Russian Federation with changes introduced by decision of the Supreme Court of the Russian Federation No. ГКПИ 00-645 dated August 23, 2000);
- Order No. 67Н dated July 22, 2003, of the Ministry of finances of the Russian Federation "On forms of

bookkeeping in an organization” (as amended by Orders No. 135H dated December 31, 2004 and No. 115H dated September 18, 2006, of the Ministry of Finances of the Russian Federation);

- Provisions for accounting reports “Accounting reports in an organization” (ПБУ 4/99), approved by Order No. 43H dated July 6, 1999, of the Ministry of Finances of the Russian Federation (in edition of Order No. 115H dated September 18, 2006, of the Ministry of Finances of the Russian Federation);
- Methodical recommendations for compilation and presentation of consolidated accounting reports approved by Order No. 112H dated December 30, 1996, of the Ministry of Finances of the Russian Federation (in edition of Order No.36H dated May 12, 1999, of the Ministry of Finances of the Russian Federation) – hereinafter referred to as “Methodical recommendations for compilation of consolidated reports”;
- International standards of financial reports (as pertains consolidation provisions not specified in the Methodical recommendations for compilation of consolidated reports).

Key consolidated reports requirements

The consolidated accounting reports of the Group combine accounting reports of the Parent Company and its Subsidiary companies, as well as includes data on Dependent companies, which are legal entities by law of place of their state registration.

The consolidated accounting reports include accounting reports of Subsidiary companies which comply with criteria established by the Methodical recommendations for compilation of consolidated reports.

Consolidated accounting reports are compiled in accordance with procedure, scope and forms established by the Parent Company, based on the Accounting Provision: “Bookkeeping in an organization” (RAS 4/99). The standard forms of accounting reports, however, are supplemented by clauses and data, which may be required by concerned users of the consolidated accounting reports.

Prior to compiling consolidated accounting reports all mutual settlements and other financial mutual relations of the Parent Company and Subsidiary companies were verified and normalized, as well as those amongst Subsidiary companies themselves.

Consolidated accounting reports are sent to the founders (participants) of the Parent Company. Consolidated accounting reports are presented to other concerned if this is required by the Russian law or decided so by the Parent Company.

Rules for preparation of consolidated reports

The consolidated accounting reports of the Group has been prepared in compliance with procedures established by the Methodical recommendations for compilation of consolidated reports and International financial reports standards (hereinafter referred to as IFRS) (as pertains to consolidation provisions not specified in the Methodical recommendations for compilation of consolidated reports). Indicators of the accounting reports of the Parent Company and Subsidiary companies were consolidated, based on the following key rules:

1. Use of a single accounting policy with respect to similar clauses of property and obligations, profits and expenses.
2. Compilation of accounting reports by companies of the Group for the same period and same reports date.
3. The following was not included into the consolidated accounting reports:
 - (1) financial investments of the Parent Company in charter capitals of Subsidiary companies and, respectively, charter capitals of Subsidiary companies where they belong to the Parent Company;
 - (2) indicators of accounts and payable and receivable between the Parent Company and Subsidiary companies, as well as amongst Subsidiary companies themselves;
 - (3) profit on sales of products (goods, works, services) between the Parent Company and Subsidiary companies, as well as amongst Subsidiary companies, and relevant sales expenses;
 - (4) any other profits and expenses occurring as a result of operations between the Parent Company and Subsidiary companies, as well as amongst Subsidiary companies;
 - (5) profits and losses from operations between the Parent Company and Subsidiary companies, as well as amongst Subsidiary companies;
 - (6) dividends paid by Subsidiary companies to the Parent Company or other Subsidiary companies of the Group, as well as by the Parent Company to its

Subsidiary companies. The consolidated accounting reports will display dividends payable to organizations and persons not included in the Group.

4. In compliance with the IFRS principles, the charter capital of Companies of the Group, i.e. the part that does

not belong to the Parent Company is displayed under the "Minority share" (as one of components of net assets of the Subsidiary companies which are used in calculations of the minority share as of the reporting date). Therefore, the "Charter capital" line displays solely the value of the charter capital of the Parent Company.

Consolidation sphere

The consolidated accounting reports for 2007 include the following Subsidiary companies of the Group.

| Name | Main activity |
|----------------------------------|-----------------------|
| 000 "RN-Yuganskneftegas" | Operatorship services |
| including: | |
| 000 "YUNG-Teploneft" | Services |
| 000 "YUNG-Energoneft" | Power |
| 000 "YUNG-Neftekhimservice" | Services |
| 000 "Base complex" | Services |
| 000 "YUNG-Service" | Services |
| 000 "RN-Service" | Services |
| including: | |
| 000 "Usinsk-Neftepromremont" | Services |
| 000 "Usinsk-Snabservice" | Services |
| 000 "Usinsk – KRS" | Services |
| 000 "Usinsk – Municipal service" | Services |
| 000 LUsinskoe UTT" | Services |
| 000 "PNG-Municipal service" | Services |
| 000 "PNG – KRS" | Services |
| 000 "PNG – Neftepromservice" | Services |
| 000 "PNG- ORS" | Services |
| 000 "PNG – Depot" | Services |
| 000 "PNG –Spetstransport" | Services |
| 000 "PNG – Transport" | Services |
| 000 "Okhinsky mechanical plant" | Services |
| 000 "Geophysical office" | Services |
| 000 "Sakhalin-Depot" | Services |
| 000 "Sakhalin UTT" | Services |
| 000 "Samaraneftepromservice" | Services |
| 000 "Neftegorskoe UTT" | Services |
| 000 "Bezenchugskoe UTT" | Services |
| 000 "Samara PRS" | Services |
| 000 "Otradnenskoe UTT" | Services |
| 000 "Momontovskoe PRS" | Services |
| 000 "Poikovskoe UTT" | Services |
| 000 "Strezhneftepromservice" | Services |
| 000 "Strezhecology" | Services |
| 000 "Sterzhnevskoe UTT" | Services |

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|---|---------------------------|
| 000 "Yugansknefrepromservice" | Services |
| 000 "Strezhnevskoe PRS" | Services |
| 000 "Pyt-Yukhsкое UTT" | Services |
| 000 "Yuganskoe UTT" | Services |
| 000 "Strezhenergoneft" | Services |
| 000 "Sukhodolskoe UTT" | Services |
| 000 "Samaraenergoneft" | Services |
| 000 "RN-Sakhalinmorneftegaz" | Operatorship services |
| including: | |
| OAO "Sakhalinmorneftefontazh" | Services |
| 000 "RN-Krasdonarneftegaz" | Services |
| including: | |
| 000 "KNG-Remont" | Services |
| 000 "Oil and gas production expedition" | Services |
| OAO "NGT-Energy" | Services |
| 000 "KHG-Kuban Department of technological transport" | Services |
| 000 "KNG-Special Technological Service" | Services |
| 000 "KNG-Pitanie Service" | Services |
| 000 "Sanatorium Izumrudny" | Spa Services |
| 000 "Sanatorim "Meneralny" | Spa Services |
| 000 "Sanatorium "Neftyanyk Kubani" | Spa Services |
| OAO "KNG-"Mashzavodservice" | Services |
| 000 "RN –Purneftegaz" | Operatorship services |
| 000 "Purneftepererabotka" | Services |
| 000 "RH-Stavropolneftegaz" | Operatorship services |
| 000 "RN-Severnaya neft" | Operatorship services |
| OAO "Grozneftegaz" | Operatorship services |
| 000 "Polar Light Company" | Oil and gas production |
| OAO "NK-RN-Dagneft" | Oil and gas production |
| OAO "Dagneftegaz" | Oil and gas production |
| ZAO "Komsomolskneft" | Oil and gas production |
| 000 "RN-Komsomolsky NPZ" | Oil and gas processing |
| 000 "RN-Tuapsinsky NPZ" | Oil and gas processing |
| OAO "NK "Rosneft" -Moscow OPZ Nefteprodukt | Oil and gas processing |
| 000 RN-Tuapsenefteprodukt" | Marketing of oil products |
| including: | |
| 000 "TNP-Trade and restaurant business" | Public catering |
| 000 "TNP-Avtoservice" | Vehicle services |
| 000 "TNP-Smena" | Spa services |
| CJSC "Yug-Oil" | Services |
| OAO "NK "RN-Kubannefteprodukt" | Marketing of oil products |
| including: | |
| 000 "Tesko" | Marketing of oil products |
| 000 "Kuban-Service" | Services |
| OAO "NK "RN-Altaineftteprodukt" | Marketing of oil products |

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|---|--|
| including: | |
| OOO "Adalin" | Marketing of oil products |
| OOO "RN-Nakhodkanefteprodukt" | Marketing of oil products |
| OOO "RN-Arkhangelsknefteprodukt" | Marketing of oil products |
| OOO "RN-Vostoknefteprodukt" | Marketing of oil products |
| OAO "NK "RN-Kabardino-Balkarskaya TK" | Marketing of oil products |
| OAO "NK "RK-Kurgannefteprodukt" | Marketing of oil products |
| OAO "NK "RN-Smolensknefteprodukt" | Marketing of oil products |
| OAO "NK "RN-Karachaevo-Cherkessknefteprodukt" | Marketing of oil products |
| including: | |
| OOO "Oktan Service" | Marketing of oil products |
| OAO "NK "RN-Yamalnefteprodukt" | Marketing of oil products |
| OAO "NK "RN-Murmansknefteprodukt" | Marketing of oil products |
| including: | Marketing of oil products |
| OOO "Exponeft" | Marketing of oil products |
| OAO "NK "RN-Artag" | Marketing of oil products |
| OAO "NK "RN-Stavropole" | Marketing of oil products |
| including: | Marketing of oil products |
| OOO "Smart-Transit" | Marketing of oil products |
| including: | Marketing of oil products |
| OOO "Smart-Rostov" | Marketing of oil products |
| OOO "RS Service" | Marketing of oil products |
| OOO "Rokada-Market" | Marketing of oil products |
| OAO "Nakhodka oil-filling marine trade port" | Marketing of oil products |
| CJSC "Vostokshelf" | Investment project management |
| OOO "RN-Enegro" | Power |
| CJSC "Sakhalin projects" | Investment project management |
| OOO "RN-Kaiganneftegaz" | Investment project management |
| CJSC "RN-AStra" | Investment project management |
| OAO "RN-Sakhalin" | Investment project management |
| OOO "Venineft" | Exploration |
| CJSC "Vostok-Shmidt Neftegaz" | Exploration |
| CJSC "Zapad-Shmidt Neftegaz" | Exploration |
| OOO "Vostok-Shmidt-Invest" | Investment activity |
| OOO "Zapad-Shmidt-Invest" | Investment activity |
| OOO "RN-Kazakhstan" | Overseas projects management |
| including: | |
| OOO "RN-Kaspmor" | Exploration, prospecting, well logging |
| OOO "RN-Shelf-Yug" | Oil and gas production |
| CJSC "Rosnefteflot" | Logistics and transport |
| including: | |
| OOO "Marine agency "Shelf-Flot" | Marine agency services |
| Shelf Crewing Services Ltd | Crewing services |
| OOO "RN-Trade" | Sales of petroleum products |
| including: | |

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|--|---|
| OOO "RN-Razvitie" | Consulting in matters of commercial activity and management |
| OOO "Neft-Active" | Consulting in matters of commercial activity and management |
| OOO "Neft Trade Group" | Consulting in matters of commercial activity and management |
| OOO "Neft Invest-NK" | Consulting in matters of commercial activity and management |
| OOO "Traiding" | Marketing of oil products |
| OAO "Moscow gas company" | Marketing of oil products |
| OOO "RN-Drilling" | Services |
| OOO "Komsomolskneftezavodremstroi" | Services |
| OOO "KNPZ-Service" | Services |
| OOO "CHOP"KNPZ-Strazh" | Security services |
| OAO "Purnefteotdacha" | Services |
| OAO "Sakhalinmorneftegaz-AMK" | Services |
| OOO "SakhalinNIPImorneft" | Research and development |
| CJSC "Sakhalinmorneftegaz-Shelf" | Project management |
| OOO "Kaspoil" | Production of oil and gas |
| OOO "NK "Rosneft-NTTs" | Research and development |
| including: | |
| DOJSC "KOE UPNP&KRS" | Services |
| OAO "All-Russian Bank of Development of Regions" | Banking |
| including: | |
| OOO "OkhaBank" | Banking |
| OOO "Rosneft International Ltd" | Investment activity |
| including: | |
| Skayline Asset Management Ltd | Tenancy of real estate |
| Shelf Support Shiphold Limite | Tenancy of real estate |
| RN-Shipping Limited | Performance of contractual obligations for "Ispolin" vessel |
| Trampet Limited | Export of hydrocarbons |
| Rubio Holdings LTD | Lease of tankers |
| RN-Holdings Ltd. | Investment activity |
| Venin Holding Ltd. | Investment activity |
| OAO "SP Antares" | Marketing of oil products |
| Oxoil Limited | Marketing of oil products |
| including: | |
| CJSC "Company "PARKoil" | Marketing of oil products |
| including: | |
| OOO "Vega" | Lease of property |
| OOO "PARKoil-Ramene" | Wholesale trade |
| OOO "PARKoil-Ramenskoe" | Lease of property |
| OOO "Park-Service" | Lease of property estate |
| RN Vankor BV | Investment activity |
| CJSC Vankorneft | Production of oil and gas |

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|--|---|
| <i>Taihu Limited</i> | Investment activity |
| including: | |
| <i>CJSC "Promleasing"</i> | Investment activity |
| including | |
| <i>OAO "Udmurtneft"</i> | Production of oil and gas |
| including: | |
| <i>CJSC "Technological transport"</i> | services |
| <i>CJSC "Well workovers"</i> | services |
| <i>OOO "Accounting Center"</i> | Accounting services |
| <i>CJSC "Udmurtneft-Drilling"</i> | Services |
| <i>OOO"TK "New region"</i> | Television broadcasting |
| <i>OOO "Udmurtneft-Snabzhenie"</i> | Logistical support |
| <i>OOO "Mechanic"</i> | Services |
| <i>OOO "Neftebytservice"</i> | Services |
| <i>OOO "Neftruboprovodservice"</i> | Services |
| <i>OOO "Oil-Telecom"</i> | Electronic communications services |
| <i>OOO "Special technological transport"</i> | Services |
| <i>OOO "Udmurtenergoneft"</i> | Power |
| <i>CJSC "INNTs"</i> | Research and development |
| <i>OOO "CHOP "Garant-Izhevsk"</i> | Security services |
| <i>OOO "RTsSU-Izhevsk"</i> | Services in the field of economics and management |
| <i>OOO "KUIK"</i> | Lease of property |
| <i>ANO "UTs "Neftyanik"</i> | Educational services |
| Rosneft Investments | Investment activity |
| including: | |
| <i>Anglo Siberian Oil Cyprus Ltd (ASOC)</i> | Investment activity |
| including: | |
| <i>OOO "Eniseineft"</i> | Geological prospecting of oil and gas |
| <i>OOO "Taimyrneft"</i> | Geological prospecting of oil and gas |
| <i>Sakhalinskaya Drilling</i> | Investment activity |
| <i>Kurilskaya Drilling</i> | Investment activity |
| <i>Transshelf Drilling</i> | Investment activity |
| <i>Ekhabys Drilling</i> | Investment activity |
| <i>Okha Drilling</i> | Investment activity |
| <i>Anglo Siberian Oil Services (ASOS)</i> | Investment activity |
| <i>Anglo Siberian Oil Company (ASOCC)</i> | Investment activity |
| <i>Losiem Commerci</i> | Investment activity |
| <i>Asoc Holdings</i> | Investment activity |
| <i>OOO "YUKOS-Mamontovo"</i> | Services |
| <i>OOO "Okhinskaya TETs"</i> | Power |
| <i>OOO "PSO Lastochka"</i> | Spa services |
| <i>OOO "Vostok-Energy"</i> | Exploration |
| <i>OOO "RN-UfaNIPINeft"</i> | Research and development |
| <i>OAO "Tomskneft"</i> | Oil and gas production |
| including: | |

| | |
|--|--|
| OOO "Pechatkin" | Publishing activity |
| OOO "Information technology center" | IT services |
| OAO "TomskNIPIneft" VNK | Research and design |
| CJSC "Tomsk-Petroleum and Gas" | Oil and gas production |
| CJSC "Vasyugan" | Lease of property |
| OOO CHOP "Kron" | Security services |
| OAO "East-Siberian oil company" | Oil and gas production |
| including: | |
| OAO "Eniseineftegaz" | Well construction and testing |
| including: | |
| OOO "URSEniseineftegaz" | Agency services, procurement of consumer, production and technical goods |
| CJSC "TPTU communications Eniseineftegaz" | Communication services |
| CJSC "Krasnoyarskgeophysika" | Geophysical exploration |
| OAO "Samaraneftegaz" | Oil and gas production |
| including: | |
| OOO "Samaraneftegaz-Service" | Services |
| OOO "Samaraneftegaz-Depot" | Services |
| OOO "Serviceecology" | Nature protection services |
| OOO "Samaranefteavtomatika" | Services |
| OAO "Angarsk petrochemical company" | Oil refining |
| including: | |
| OAO "Vostoksibmash" | Manufacture of specialized equipment |
| OAO "AZK & OS" | Manufacture of catalysts and petrochemical goods |
| OAO "AUES" | Power |
| OAO "Achinsky NPZ VNK" | Oil refining |
| including: | |
| OOO "SKAN" | Spa services |
| OAO "Angarsk polymer plant" | Oil refining |
| OOO "Strezgnevsky NPZ" | Oil refining |
| OAO "Novokuibushevsky NPZ" | Processing |
| including: | |
| OOO "Novokuibysky catalyst plant" | Production and repair of catalysts |
| OOO "Novokuibyshevsky plant of oils and additives" | Processing of oil refined products and production of oils and additives |
| OOO "Otel Vesta" | Spa services |
| OOO "Repair mechanical plant" | Production of heat-exchanging devices |
| OOO "SOK "Health" | Spa services |
| OOO "Service-Center" | Services |
| OAO "Syzransky NPZ" | Processing of oil and gas |
| ZAO "Otradnensky gas-processing plant" | Processing of gas |
| ZAO "Neftegorsky gas-processing plant" | Processing of gas |
| OAO "Samaranefteprdukt" | Marketing of oil products |
| including: | |
| OAO AZS-Service | Services |
| OOO "Samara-Terminal" | Oil products storage and transshipment services |

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|---|--|
| ОАО "Томскнефтепродукт" ВНК | Marketing of oil products |
| ЗАО "Иркутскнефтепродукт" | Marketing of oil products |
| including: | |
| ООО "Иркутск-Терминал" | Oil products storage and transshipment services |
| ООО "MAGIS" | Marketing of oil products |
| ЗАО "Khakasнефтепродукт" ВНК | Marketing of oil products |
| ОАО "Бурятнефтепродукт" | Marketing of oil products |
| including: | |
| ООО "Byuryat-Терминал" | Oil products storage and transshipment services |
| ООО "Recreation center Enkhaluk" | Spa services |
| ООО "ASSET" | Marketing of oil products |
| ОАО "Kantymansisiskнефтепрвод" | Marketing of oil products |
| ООО "Khakas-Терминал" | Oil products storage and transshipment services |
| ООО "Tomsk-Терминал" | Oil products storage and transshipment services |
| СЗАО "Achinsk-Терминал" | Oil products storage and transshipment services) |
| СЗАО "Novokuibyshevsk-Терминал" | Lease of property |
| СЗАО "Kuibyshev-Терминал" | Lease of property |
| СЗАО "Syzran-Терминал" | Lease of property |
| ООО "EPU-Service" | Hire, installation, servicing, repair of electrical submersible equipment and plants, transport services |
| ООО "MNU" | Services |
| ООО "Property-Service-Strezhevoi" | Services |
| ООО "Property-Service-Nefteyugansk" | Lease of property |
| ООО "YuganskEPUservice" | Lease of property |
| ООО "Mamontov EPUservice" | Lease of property |
| СЗАО "MANOIL" | Lease of property |
| ООО "Outsourcing" | Bookkeeping services |
| ООО "Recreation and sports center" | Spa services |
| ООО "YUKOS Kart" | Issue of plastic cards |
| ООО "Samara-Electro-Service" | Services |
| ООО "Service Center" | Services |
| including: | |
| ОАО "ANKhRS" | |
| Services | |
| ООО "Property-Service-Samara" | Lease of property |
| ОАО "Kuibyshevsky NPZ" | Processing of oil and gas |
| including: | |
| ООО "Office" | Services |
| ООО "Samara engineering-technical center" | Research and development |
| ООО "Kinelsky depot" | Lease of property |
| ООО "Centr Uchet" | Bookkeeping services |
| ООО Yuganskneftegeophysics-GEOFIMP" | Research and development |
| ООО "YuganskNIPIneft" | Research and development |
| ОАО "Angarskнефтеkhimproekt" | Research and development |
| ОАО "Tomskнефтеgeophysics" ВНК | Research and development |
| ОАО НПФ "Geofit" ВНК | Research and development |

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| OAO "Samaraneftegeofisika" | Research and development |
| including: | |
| OOO "BPTO OAO Samaraneftegeophysics" | Lease of property |
| OAO "Srednevolzhsky scientific institute for oil refining" | Research and development |
| OAO "Samaraneftekhimproekt" | Research and development |
| OOO "SamaraNIPIneft" | Research and development |
| OOO "Penza-Terminal" | Oil products storage and transshipment services |
| OOO "Ulyanovsk-Terminal" | Oil products storage and transshipment services |
| CJSC "Ulyanovsknefteprodukt" | Oil products storage and transshipment services |
| OAO "Belgorodnefteprodukt" | Oil products storage and transshipment services |
| ZAO "Belgorod-Terminal" | Oil products storage and transshipment services |
| ZAO "Bryansknefteprodukt" | Oil products storage and transshipment services |
| ZAO "Bryansk-Terminal M" | Oil products storage and transshipment services |
| OAO "Voronezhnefteprodukt" | Oil products storage and transshipment services |
| ZAO "Voronezh-Terminal" | Oil products storage and transshipment services |
| ZAO "Lipetsknefteprodukt" | Oil products storage and transshipment services |
| ZAO "Lipetsk-Terminal M" | Oil products storage and transshipment services |
| ZAO "Prioksky-Terminal" | Oil products storage and transshipment services |
| OOO "Rostov-Terminal" | Oil products storage and transshipment services |
| ZAO "Tambovnefteprodukt" | Oil products storage and transshipment services |
| OOO "Tambov-Terminal" | Oil products storage and transshipment services |
| OAO "Germes-Moscow" | Marketing of oil products |
| OAO FPK "Kedr-M" | Marketing of oil products |
| ZAO "NBA-Service" | Marketing of oil products |
| ZAO "Mytishchy fuel company" | Marketing of oil products |
| OOO "Aviaterminal" | Marketing of oil products |
| ZAO "Contract Oil" | Marketing of oil products |
| including: | Marketing of oil products |
| OOO "Contract Oil P" | Marketing of oil products |
| ZAO "Contract Oil R" | Marketing of oil products |
| ZAO "Yu-Tver" | Marketing of oil products |
| including: | Marketing of oil products |
| OOO "Podolsknefteprodukt" | Marketing of oil products |
| OOO "Yukos-Petroleum" | Marketing of oil products |
| OOO "Yukos-Ladoga" | Marketing of oil products |
| ZAO "AgroNefteProdukt" | Marketing of oil products |
| ZAO "Energoservice" | Services |
| ZAO "Orelnefteprodukt" | Marketing of oil products |
| OOO "Yukos Aviation Marketing" | Marketing of oil products |
| ZAO "Penzanefteprodukt" | Marketing of oil products |
| ZAO "YUOS-M" | Management services |
| including: | |
| OOO "Company VAO R.Prim" | Marketing of oil products |
| including: | |
| OOO "Yug-Oil" | Marketing of oil products |
| OOO "YUG-Terminal" | Oil products storage and transshipment services |

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|-------------------------------------|---|
| 000 "YUG-MiniOil" | Marketing of oil products |
| ZAO "YUKOS-Petroleum" | Marketing of oil products |
| including: | |
| ZAO <i>Interneft</i> " | Marketing of oil products |
| 000 "Service-M" | Marketing of oil products |
| ZAO "YUKOS-RM" | Information and consulting services |
| ZAO "YUKOS-Moscow" | Information and consulting services |
| ZAO "YUKOS-EP" | Production organization and management services |
| 000 "Dubininskoe" | Lease of property |
| ZAO "YUKOS-FBTs" | Bookkeeping services |
| 000 "Trade House "YUKOS-M" | Marketing of oil products |
| including: | |
| 000 "YUKOS-Baltika" | Marketing of oil products |
| 000 "YU-Kuban" | Marketing of oil products |
| 0AO "Stavropolnefteprodukt" | Marketing of oil products |
| including: | |
| 000 "Stavropol-Terminal" | Oil products storage and transshipment services |
| 000 "Val Shatskogo" | Services |
| ZAO "Ordaliya 2000" | Services |
| ZAO "Neftepromstroiservice" | Investment activity |
| including: | |
| 000 "Duoma" | Investment activity |
| 000 "Altsiona" | Investment activity |
| including: | |
| 000 "TsPU-Samara" | Management services |
| 000 "Samara-Remmash-Service" | Services |
| 000 "Transport-Vezenchuk" | Services |
| 000 "Transport-Neftegorsk" | Services |
| 000 "URS-Samara" | Services |
| 000 "Transport-Otradny-2" | Services |
| 000 "Drilling-Sukhodol" | Services |
| 000 "Transport-Sukhodol" | Services |
| 000 "Energoneft-Samara" | Services |
| 000 "TsPU-Strezhevoi" | Management services |
| 000 "Strezhevskaya Service-Ecology" | Services |
| 000 "UTT-4" | Services |
| 000 "UTT-2" | Services |
| 000 "Neftepromremont" | Services |
| 000 "Energoneft-Tomsk" | Services |
| 000 "PRS" | Services |
| 000 "Strezhevskoe DRSU" | Services |
| 000 "TsPU-Nefteyugansk" | Management services |
| 000 "YUKORT" | Services |
| 000 "Pyt-Yakhavtotrans-3" | Services |
| 000 "Poikovospetsavtotrans-2" | Services |

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|-------------------------------------|----------------------|
| 000 "YuganskSpetsStroi" | Services |
| 000 "Yuganskneftepromburservice" | Services |
| 000 "Mamontovsky KRS" | Services |
| 000 "Yuganskavtotrans-1" | Services |
| 000 "Pyt-Yakhskoe YAT" | Services |
| 000 "CHOP-Abb" | Security services |
| ZAO "Service technology" | Management services |
| 000 "Transport-Boğuchany" | Services |
| 000 "FTT Service" | Services |
| OAO "Samaraneftekhimavtomatika" | Project activities |
| OAO "Samaranefteprodukt-Avtomatika" | Services |
| 000 "RN-Inform" | Information services |

All the above companies except for LLC "Rosneft International Ltd group of companies" are registered in the Russian Federation.

The accounting reports of Russian regional development bank are included into the consolidated accounting reports according to the general rules with preliminary conversion of the banking reports to industrial ones.

According to Item 2.7 of the Methodical recommendations for compilation of consolidated reports, bookkeeping indicators of a subsidiary are included in

consolidated accounting reports from day one of the month following the month of acquisition of a respective number of shares by parent organization, a share in the charter capital of the subsidiary or any other possibility of determining decisions taken by the subsidiary. At the end of December 2007, 50 % of Tomskneft VNK shares were sold. The consolidated reports for 2007 include OJSC "Tomskneft" VNK reports' indicators, fully including its subsidiary companies.

Tomskneft Group Bookkeeping balance sheet as of December 31, 2007 (items with available indicators).

2007 Accounting Balance Sheet of "Tomskneft"

| ASSETS | Line code | As of end of reporting period (mln roubles) |
|---|------------|---|
| 1 | 2 | 4 |
| I. FIXED ASSETS | | |
| Intangible assets | 110 | 0.94 |
| Fixed assets | 120 | 38279.78 |
| Incompleted construction | 130 | 7271.91 |
| Income-bearing investments in material values | 135 | 47.93 |
| Long term financial investments | 140 | 2788.28 |
| Deferred tax assets | 145 | 321.18 |
| Other non current assets | 150 | 666.92 |
| TOTAL acc. to Section 1 | 190 | 49376.94 |
| II. CURRENT ASSETS | | |
| Inventory | 210 | 3578.71 |
| Value-added tax for acquired values, excise tax | 220 | 391.54 |
| Accounts receivable (payments on which are expected in at least 12 months after reporting date) | 230 | 18.96 |
| Debit indebtedness (payments on which are expected within 12 months after reports date) | 240 | 14901.58 |
| Short-term financial investments | 250 | 5265.21 |
| Cash | 260 | 367.56 |
| TOTAL for Section II | 290 | 24523.56 |
| BALANCE (sum of lines 190+290) | 300 | 73900.5 |

| LIABILITIES | Line code | By end of reports period |
|--|------------|--------------------------|
| 1 | 2 | 4 |
| III. CAPITAL AND RESERVES | | |
| Incremental capital | 420 | 12754.91 |
| Undistributed profit of past years | 460 | 3289.93 |
| Uncovered loss of past years | 465 | |
| Undistributed profit of the reporting year | 470 | 9024.45 |
| Uncovered loss of the reporting year | 475 | |
| Total for Section III | 490 | 22007.45 |
| Minority share | 491 | 0.8 |
| IV. LONG-TERM OBLIGATIONS | 510 | |
| Deferred tax obligations | 515 | 3430.91 |
| Other long-term obligations | 520 | |
| Total for Section IV | 590 | 3430.91 |
| V. SHORT-TERM OBLIGATIONS | | |
| Loans and credits | 610 | 7226.73 |
| Accounts payable | 620 | 18425.09 |
| Debt to participants (founders) as to disbursement of earnings | 630 | 1530.92 |

| | | |
|--------------------------------------|-----|----------|
| Deferred revenue | 640 | 114.25 |
| | 650 | |
| Other short-term obligations | 660 | 21164.35 |
| Total for Section V | 690 | 48461.34 |
| BALANCE (sum of lines (490+590+690)) | 700 | 73900.5 |

2007 Profits and loss account of "Tomskneft" (mln rur.)

| Indicator | Line code | For the reporting period |
|--|-----------|--------------------------|
| 1 | 2 | 3 |
| I. Profits and expenses in normal business: revenue (net) from sale of goods, products, works, services (net of VAT, excise tax and similar mandatory charges) | 2010 | 73 869 |
| Cost of sold goods, products, works, services including of those sold | 2020 | (51535.59) |
| Gross profit | 2029 | (2233340) |
| Commercial expenses | 2030 | (3190.09) |
| Managerial expenses | 2040 | (2134.44) |
| Profit (loss) from sales | 2050 | 17 009 |
| II. Other profits and expenses | | |
| Interest receivable | 2060 | 2 321 |
| Interest payable | 2070 | (613.91) |
| Revenue from sale and other property retirements | 2090 | 2 066 |
| Expenses from sale and other property retirements | 2100 | (2047.03) |
| Tax payments | 2110 | (762.49) |
| Other profits | 2120 | 17037.01 |
| Other expenses | 2130 | (3861.07) |
| Profit (loss) before tax | 2140 | 31 148.48 |
| Deferred tax assets\obligations | 2150 | 3445.045 |
| Current income tax | 2152 | (3043.28) |
| Profit (loss) from normal business | 2160 | 24 660 |
| Minority share | 2180 | (3.79) |
| Net profit (undistributed profit (loss) of the reporting period) | 2190 | 24 656 |

The long-term investments in dependent companies are displayed in the consolidated reports as part of other financial investments on actually incurred expenses. The investment in dependent companies totaled 20 521.7 mln roubles. Most significant dependent companies are listed in the Table given below.

| Company | Participation share, % | Actual investment, mln roubles |
|-----------------------------------|------------------------|--------------------------------|
| ZAO SP "Afgan-Rosneft" | 50 | 1.5 |
| ZAO "Vlakra" | 50 | 2 790 |
| TOO "Adai Petroleum Company" | 50 | 59.6 |
| OOO "Siberian Internet company" | 48.98 | 633.8 |
| ZAO "Kaspy-1" | 45 | 103.9 |
| OOO "TK "Burgas-Alexanderupolice" | 33.33 | 3.03 |
| OAO "Neftemarket" | 34.34 | 200.3 |
| OAO "NGK "Stavropole" | 31.81 | 6.4 |
| OAO "Kubanenergobyt" | 26.26 | 92.3 |
| OAO "Kuban generating company" | 26.26 | 955.3 |
| ZAO "Rosshelf" | 26.42 | 248.3 |
| OAO "Verkhnechonskneftegaz" | 25.94 | 6 838.5 |
| OAO "Tomsk distribution company" | 25.88 | 657.5 |
| OAO "Tomsk trunk networks" | 25.88 | 272.5 |
| ZAO "Ekza" | 25.07 | 166.9 |
| OAO "Daltransgaz" | 25 | 1571.3 |

The capitalised earnings on dependent companies are not included in the consolidated reports due to the fact that the consolidated reports of the OJSC OC Rosneft group is compiled earlier than reports of such dependent companies.

3. Information on accounting policy

In compliance with the requirements of the Methodical recommendations for compilation of consolidated accounting reports of the Group, a single accounting policy should be used in respect to similar accounting objects. To comply with this requirement, starting from 2002 the accounting policy of the Group's subsidiaries was by and large brought in line with the accounting policy of the Parent Company.

The accounting policy of Subsidiary companies of the Group is based on principles established by the Provision for accounting titled "Accounting policy of an organization" ПБУ 1/98 approved by Order No. 60H dated December 9, 1998, of the Ministry of Finances of the Russian Federation:

- property insulation principle: assets and obligations of one company are recorded separately from assets and obligations of other companies;
- continuous business principle;
- principle of consecutive application of accepted accounting policy in business operations;

- principle of temporal determination of economic activity facts.

Essential methods of bookkeeping as provided by the accounting policy in 2007

1. The fixed assets include assets which are supposed to be used in production, in performing works, rendering of services or for managerial purposes of the Group during the period of its useful use of over 12 month duration (for fixed assets commissioned before January 01, 2001 it a cost criterion was assumed of more than 100 minimum monthly wages per unit).

In compliance with the Bookkeeping Provision titled "Accounting of fixed assets" ПБУ 6/01 approved by Order No. 26H dated March 30, 2001, of the Ministry of Finances of the Russian Federation (as amended by Orders No. 45H dated May 18, 2002, No. 147H dated December 12, 2005, No. 116H dated September 18, 2006 and No. 156H dated November 27, 2006, of the Ministry of Finances of the Russian Federation), the fixed assets of the Group are shown in the consolidated accounting reports at their initial (restored) cost minus depreciation accumulated during its operation.

Depreciation of fixed assets for accounting purposes is charged, using the linear method:

- for facilities commissioned before January 01, 2002, using depreciation deduction rules established by Resolution No. 1072, dated October 22, 1990, of the Council of Ministers of the USSR;
- for facilities commissioned after January 01, 2002, using rules calculated on the basis of a useful use period established by Resolution No.1 dated JANUARY 01, 2002, of the Government of the Russian Federation;
- facilities, costing more than 10000 roubles, which were commissioned after January 01, 2002 and before January 01, 2006, may be written off upon their entry into accounting records, after January 01, 2006 depreciation is charged, using the linear method.

All fixed assets on inventory are depreciated under the common procedure.

Useful use period of a fixed asset is defined by the company upon its entry into accounting record.

Not subject to depreciation are fixed asset facilities, whose consumer properties are not changeable with time (land plots, nature-use facilities, museum objects and museum collectibles etc.).

Initial value of a fixed asset facility upon its entry into accounting records may be changed in the following cases: (a) assets were modernized, reequipped (b) key assets were reevaluated; (c) assets were partially liquidated; (d) construction of assets was finalized.

Capital construction facilities are recorded at their actual production cost. Actual cost of such capital construction facility equals the sum total of all physical expenses of the Company, spent on its construction and confirmed by documents, except for VAT and other recoverable taxes.

Results of works performed under construction contracts are recorded based on account 08 debit side: "Investments in noncurrent assets" either as a whole for the construction facility or, if so specified by the contract and design and estimate documentation, stage-wise, based on duly issued primary documents.

Based on premise of priority of content over the form, the principle of principle of matching revenue and ex-

pense, as well as meeting the terms of fixed assets recognition, completed construction facilities, which are actually been operated, are recorded as fixed assets facilities as of the date their actual operation is confirmed, irrespective of the fact whether documents are submitted for their state registration.

2. Intangible assets are recorded at their initial value as by ПБУ 14/2000: "Accounting of intangible assets" approved by Order No. 91н dated October 16, 2000, of the Ministry of Finances of the Russian Federation. Initial value of intangible assets is repaid, using the linear method depending on their method of useful use as established by a special commission's order. In consolidated accounting reports intangible assets are shown at their initial value minus depreciation charges.

Licenses on use of natural resources within mine allotments, i.e. extraction of mineral resources are recorded in accounts and reports as intangible assets.

Research and development expenses are recorded as other costs, as (based on definition of research and development) they are works of theoretical nature and it is assumed that based on such works' results no assets can be generated that, if used, will generate economic benefits and whose use in production and management can be demonstrated. Therefore, research and development do not meet criteria used in recognizing expenses as research and development expenses.

3. Production inventories are recorded at their actual production costs based on actual procurement expenses, except for VAT and other recoverable taxes (except for cases specified by the legislation of the Russian Federation).

When inventories (except for goods recorded at their selling value) are used in production or retired in any other way, they are evaluated in any of the following ways:

- according to production cost of each unit;
- according to average production cost;
- at production cost of first in inventories (FIFO method);

Preferred method of evaluating inventories, when released for production or retired in any other way, is the average production cost method.

Special work clothing, when issued, is recorded separately as part of materials. The cost of such clothing is

repaid, using the linear method over the whole normal period of its use.

4. Accounts receivable and payable, debt on loans and credits are recorded, based on terms of signed contracts. Long to short term debt conversion is not done.

5. Interests payable on loans and credits are charged monthly. Interests on loans and credits related to acquisition of investment assets are capitalized. Interests on loans and credits taken to procure inventories are included in the cost of inventories before being recorded.

6. Revenue for sale of products, works and services is recorded as products are shipped, works are completed and services are provided and buyers, customers are handed transaction papers after transfer of ownership titles.

7. Bookkeeping and accounting reports show permanent and temporary difference between book profits and taxable profit from the accounting period. Permanent and temporary difference calculated by way of comparing bookkeeping and tax accounting data within the expense and revenue items of the reporting period, results in "Permanent tax obligations and assets" as well as "Deferred tax obligations and assets".

8. Use of profits is shown in accounts for the year following the reporting one, as decided by the shareholders' meeting. The portion of income that shareholders decide not to distribute as dividends is displayed in the "Undistributed profit" line. The use of this profit for capital investments is shown in the accounts by means of analytical notes for Account 84 "Undistributed profit", and does not reduce the balances under "Undistributed profit" line in the accounts.

9. The Company takes assets for accounting as financial investments if the following conditions are met: (a) availability of duly executed documents confirming the right of the Company on financial investments and to receive cash and other assets, emanating from this right; (b) transfer of financial risks, related to financial investments, to the Company (risk of price change, risk of insolvency of debtor, liquidation risk, etc.); (c) ability to generate economic benefits to the Company in the future (additional cash, control and participation in management of other Companies, etc.).

Financial investments are recorded on the basis of their primary cost.

Financial investments, on which it is possible to determine the current market cost, are shown in accounting reports at the end of the reporting period, based on current market cost by adjusting their evaluation for the previous reporting date. The said adjustment is made quarterly.

Results of the revaluation of shares of subsidiary companies, with current market value, are displayed in the accounts, whereby increases in their value are allocated to additional capital, provided no sale or another retirement of shares is expected during the period in excess of 12 months from the reports date.

According to paragraph 68 of the "Provision on bookkeeping and bookkeeping accounting in the Russian Federation", as approved by Order No. 34H dated July 29, 1998, of the Ministry of Finances of the Russian Federation with changes, the increased value of fixed assets, capital construction and other material items of Company's property with usage period of over 12 months, as duly conducted, the amounts received in excess of nominal value of shares placed and similar amounts are recorded as additional capital and displayed on the balance sheet separately. It is also possible to record under Account 83 "Additional capital", as specified in the manual on how to use Chart of accounts in bookkeeping accounting (Ministry of Finance Order No. 94n). As stated in explanations to Account No. 83 "Additional capital", value increase in noncurrent assets, as established during reevaluation, is displayed under liabilities of Account 83, , which

In compliance with Item 20 of RAS 19/02 "Accounting financial investments", noncurrent assets include long term financial investments, which is also in line with the IFSR requirements

Financial investments without a determined current market value, are subject to be displayed in the bookkeeping accounts as of reporting date and based on their initial value.

Short term debt on issued loans is not converted in long term one if changes are made in the terms of contracts, according to which debt repayment date is postponed to a period not exceeding 365 days after such changes are made.

Long term debt on issued loans is not converted in short if, based on terms of the loan, it is less than 365 days till repayment of the principle debt is due.

Debt securities and loans are not recorded on their discounted value.

If assets, to be recorded as financial investments and having a current market value, are to be retired, value of such assets is determined by the Company based on their last valuation.

When being retired, financial investments with no current market value determined are evaluated as follows:

- investments in charter capitals of other companies (except for shares of joint stock companies), loans granted to other entities, deposits with credit institutions, accounts payable acquired on the basis of a transfer based on initial value of the retired unit;
- other financial investments with no defined current market value are evaluated on the basis of their average initial value;

For Financial investments with no determined market value as of 31 December of the Reporting period, a financial investments devaluation reserve is created.

10. Geological reserves (subsoil use rights, exploration work results, process design documentation) are recorded as noncurrent assets on Account 06 "Geologic assets". Depreciation of geological assets relating to geographic sectors, where oil and gas production has already commenced, is done by way of write offs in proportion to oil and gas production volumes, starting from the month following the month the asset was recorded: on geologic licenses - based on the license validity period; on process design documents for a license area - based on validity period of the process design document, on other geological assets - based on a 3 year period.

At industrial operation stage of fields, all exploration costs (except for exploration drilling and process design documents) are recognized as normal business expenses and included in oil and gas lifting costs.

Annually, at the end of reporting period, geological asset should be checked for evaluation (decrease in the cost of assets).

Exploration assets are recorded in the accounting balance sheet under the line "other noncurrent assets".

11. Bad debt provisions are created for transactions

with other companies and citizens for products, goods, works and services, advances issued and other accounts payable with the provision amount being allocated to financial results as part of other expenses.

12. Earnings from the reporting period but relating to future reporting periods are recorded under a separate "Deferred revenue" and are included in business results come the reporting period to which they are related.

13. Expenses incurred by the Company during a reporting period but relating to future reporting periods are reflected as part of "Deferred expenses". The writing off of deferred expenses may be made in full upon coming of the period to which they relate or evenly, if the said expenses relate to several periods. On certain deferred expenses, a special writing off method can be used, i.e in proportion to production volumes.

14. "General running costs", administration costs recorded under Account 26 are recognized as current period's costs and at each month's end are written off on Account 90 "SALES" debit side. In the bookkeeping accounts, Form 2 "Profit and loss account", this type of expenses are displayed under "Administration expenses".

Sales expenses related to own products and purchased goods sold are written off to Account 90 debit side. The portion of sales expenses relating to shipped but not realized goods in bookkeeping reports, form 1 "Bookkeeping balance sheet", is shown under "Shipped goods".

Costs of transporting goods to warehouse are distributed between goods sold and ending inventory as of end of month

15. Other expenses are defined as follows:

- expense amount related to sale, retirement and other writings off of fixed and other assets other than cash (except for foreign currency), goods, products, as well as participation in other entities' charter capitals, with temporary hiring (temporary ownership and use) of assets of other entities, rights emanating from invention patents, industrial samples and other types of intellectual property (when this is not a subject of company activities), interests paid by such an organization for cash granted to it, as well as expenses related to payments for services rendered by credit institutions are defined in the same

way as the one used for recognition of expenses under normal business operations;

- fines, penalties, contractual forfeits, as well as damages are recorded in the amounts as awarded by cassation courts or recognized by the Company;
- fines and penalties payable to the budget and non budgetary funds, additionally charged taxes, including on the basis of reports drawn up by field (office) inspections are recorded in bookkeeping accounts on the basis of their actual recognition by the Company or if decided by courts of final instance;
- accounts receivable with lapsed statutes of limitation, other debts impossible to be collected are recorded as expenses in the same amounts as were recorded in the Bookkeeping accounts of the Company;
- asset write downs are defined under the rules established for revaluation of assets;
- and are included in business results come the reporting period which they relate to.

Notice about changes in the reporting policy introduced from 01.01.2008

In order to improve reliability of accounting reports in 2008 the following changes are being introduced:

1. When accounts receivable with earlier formed reserves are repaid, the provision amount will be adjusted as of last day of the month when the relevant

accounts receivable were repaid. The 2007 accounting policy had a rule for writing off a part of reserve for financial results at the end of reporting period following the year the bad debt reserve was established, if the said reserve or some part of it is not used because the debt ceases to be bad.

2. All companies of the Group have to build up vocational reserves. The 2007 policy this was optional.

4 Fixed assets and incomplete capital construction

In the consolidated reports of the Group fixed assets comprise buildings, structures, machines, equipment, measuring and control instruments and devices, computing equipment, transport facilities, tools, production and household tools, etc. The fixed assets belonging to the Group comprise land plots and natural use assets. When determining composition and groups of the fixed assets, the Russian fixed assets classifier approved by Resolution No. 359 dated December 26, 1994, of the State Committee of the Russian Federation for standardization, methodology and certification is used.

Fixed assets are recorded in the accounting balance sheet at their remaining book Accounting reports record fixed assets at their initial acquisition, construction and manufacturing value. No revaluation of fixed assets occurred in the reporting year. The value of the fixed assets was repaid by depreciation charges over the established period of their useful use.

| (mln roubles) | | | | |
|---|---|-------------------------------------|--|--------------------------------------|
| Fixed asset groups | Initial (restored) value as of January 01, 2007 | Depreciation as of January 01, 2007 | Initial (restored) value as of December 31, 2007 | Depreciation as of December 31, 2007 |
| Buildings and structures | 241 842.3 | 87 277.3 | 422 822.9 | 126 347.8 |
| Machines, equipment, transport vehicles | 68 364.1 | 21 723.7 | 149 237.1 | 62 929.0 |
| Other types (land plots, tools, etc.) | 2 892.1 | 1 419.1 | 8 091.5 | 26 682.7 |
| Total | 313 098.5 | 110 420.1 | 580 151.5 | 215 959.5 |

The increase in the remaining book value of the fixed assets occurred mainly due to the commissioning of the constructed facilities, acquisition of new equipment and transportation vehicles.

Value of fixed assets leased out by the Group as of the start of the year stood at 27 471.2 mln roubles and by the year end the value totaled 47 434.4 mln roubles. Payments for fixed assets leased by the Group in 2007 were 5 319.5 mln roubles. Value of pledged property averaged 568.1 mln roubles.

In the reporting period uncompleted capital construction increased 88 % or by 55 036.8 mln roubles (from 62 650.2 mln roubles to 117 686.9 mln roubles). The increase was due to the rise in the drilling program scopes and construction of new wells, 3 tanker construction projects, the funding of the Vankor license area and upgrading the Tuapse refinery.

5. Intangible assets and goodwill

Intangible assets comprise: gas fill stations standard projects, trade marks, subsoil use licenses, patents, etc.

In the accounting balance sheet, intangibles are displayed on their remaining book value. In bookkeeping, intangibles are recorded at their initial purchasing value. Value of intangibles is repaid during the period of their useful use by depreciation charges, using the linear method.

| (mln rub.) | | | |
|---|------------|--------------|----------------------|
| Intangible assets (goodwill not included) | Book value | Depreciation | Remaining book value |
| As of 01.01.2007 | 5 028.5 | 389.3 | 4 639.2 |
| As of 31.12.2007 | 5 103.4 | 613.1 | 4 490.3 |

Goodwill, displayed in the bookkeeping balance sheet under separate line, has increased considerably: from 89 608.9 mln rub. as of 01.01.2007 to 391866 mln rub. as of 1.12.2007 (an increase of by 302257.15 mln rub.). It is calculated as a difference between the book value of financial investments in Subsidiaries of the Parent Company and shares belonging to the Par-

ent Company in net assets (capital) of the Subsidiaries (disregarding the non-distributed profits of the reporting period) as of the date of share purchase transaction. The growth in the goodwill was to the following factor:

| Factor | Impact on goodwill , % |
|--|------------------------|
| Growth in goodwill due to increase (purchase) in stock and participation shares of the Parent Company in Subsidiaries, recorded as part of financial investments, changes in the structure or participation shares in Subsidiaries of the second level of subordination, etc. (320 companies). | +337 |

6. Material and production stores

Structure of inventories is given in the table below.

| (mln rub.) | | |
|--|------------------|------------------|
| Description | As of 01.01.2007 | As of 31.12.2007 |
| Feedstock and materials | 17 549.6 | 30 267.8 |
| Expenses for construction in progress | 8 785.3 | 12 107.7 |
| Finished products and goods for resale | 19 492.8 | 40 301.9 |
| Shipped goods | 872.0 | 5 553.4 |
| Deferred expenses | 4 453.1 | 6 241.9 |
| Miscellaneous inventories | 1.3 | 1.5 |
| Total | 51 154.1 | 94 474.1 |

Key inventories of feedstock and materials are:

- pipes;
- construction materials;
- chemical products;
- spare parts (of power units, special equipment, miscellaneous equipment);
- cables;
- equipment (shutoff valves, instrumentation, etc.);
- oil products for own consumption;
- coveralls.

Most part of these material and production inventories have storage term of up to 3 months.

In compliance with the accounting policy, deferred expenses include expenses incurred by the Company during current and past periods, but related to the next accounting periods, such as the expenses related to purchase of operation licenses, with introduction and adaptation of software products, insurance of employees and corporate property.

7. Financial investments

Investments in financial assets are estimated in the reports of the Group of Companies by the sum of actual expenses. The sum of long-term financial investments as of 31.12.2007 amounted to 53 512.19 mln rubles and increased vs. the beginning of the year by 502.28 mln rubles or by 94.8 % (according to the consolidation rules, this index does not include the financial investments made by the Parent Company in Subsidiaries).

Description of the largest investments in Subsidiaries involved in consolidation.

OOO "RN-Severnaya neft" was established in 2005 on the basis of "Severnaya neft" and carries out production operation on the territory of the Nenets Autonomous Area (NAA) and the Komi Republic. The share of property of the Parent Company in this company amounts to 100.00 %. The charter capital of the company amounts to 6 249.9 mln rubles.

OOO "RN-Purneftegaz" (oil-and-gas company) was established in 2005 on the basis of "NK Rosneft –

Purneftegaz" and is located in the Yamalo-Nenets Autonomous Area near the town of Gubkinski. The share of property of the Parent Company in this company amounts to 100.00 %. The charter capital of the company amounts to 8 527.2 mln rubles.

OOO "RN-Yuganskneftegaz" (oil-and-gas company) is developing 25 fields in the Western Siberia and in the Khanty-Mansi Autonomous Area. The share of property of the Parent Company in this company amounts to 100.00 %. The charter capital of the company amounts to 14 166.2 mln rubles.

OOO "RN-Sakhalinmorneftegaz" (oil-and-gas company) is located on the island of Sakhalin. The charter capital of the company is 2 879.4 mln rubles. The share of property of the Parent Company in this company amounts to 100.00 %.

The history of this company started with the Trust Sakhalinneft which had been developing the oil fields in the north of Sakhalin since 1928. At present, "RN-Sakhalinmorneftegaz" is the largest oil-producing enterprise in the Far East of Russia.

OOO "RN-Krasnodarneftegaz" was established in 2005 on the basis of OAO "NK Rosneft – Krasnodarneftegaz". The share of property of the Parent Company in this company amounts to 100.00 %. The charter capital of the company amounts to 1 9868 mln rubles.

OOO "RN-Stavropolneftegaz" (oil-and-gas company) was established in 2005 on the basis of OAO "NK Rosneft – Stavropolneftegaz". The share of property of the Parent Company in this company amounts to 100.00 %. The charter capital of the company amounts to 3 355.1 mln rubles.

OAO "Dagneftegaz" was established in 2003. The share of property of the Parent Company in this company amounts to 100.00 % (including 60% of ownership via OJSC "NK Rosneft – Dagneft"). The charter capital of the company is equal to 329.6 mln rubles. OAO "Tomskneft" VNK (Eastern oil company) was established in 1993. The company is producing oil and gas on the territory of Tomsk Region and the Khanty-Mansi Autonomous Area. The share of property of the Parent Company in this company amounts to 50 % (ownership via OOO "Neft-Activ"). The charter capital of the company is equal to 60 594 mln rubles.

ОАО “Samaraneftegaz” (oil-and-gas company) was established in 1994. The company has licenses for additional exploration and development of 112 oil and gas fields. The largest fields are Zapadno-Kommunarnoye, Belozersko-Chubovskoye, Ozerkinskoye, and Yuzhno-Neprikovskoye. The share of property of the Parent Company in this company amounts to 100% ownership via OOO “Neft-Aktiv”). The charter capital of the company is equal to 104 031.9 mln rubles.

ОАО “Vostochno-Sibirskaya neftegazovaya kompaniya” (Eastern Siberia oil-and-gas company) was established in 1994. The VSNK has licenses for geological exploration and development of rather perspective fields within the Yuribchenski block of the Yurubcheno-Tokhomskeye oil-and-gas fields and for prospecting of the Agaleevskoye gas-and-condensate field in the Eastern Siberia. The share of property of the Parent Company in this company amounts to 70.78% (ownership via OOO “Neft-Aktiv”). The charter capital of the company is equal to 893 mln rubles.

Oil refining:

ООО “RN-Komsomolsk NPZ” (oil refinery) was established in 2005 on the basis of ОАО “NK Rosneft – Komsomolsk NPZ”). The share of property of the Parent Company in this company amounts to 100.00 %. The charter capital of the company is equal to 573.4 mln rubles.

ООО “Achinsk NPZ” (oil refinery) was established in 1982. The share of property of the Parent Company in this company amounts 100.00 % (ownership via OOO “Neft-Aktiv”). The charter capital of the company is equal to 13 627.6 mln rubles.

ОАО “Novokuibyshev NPZ” (oil refinery) was established in 1951. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via OOO “Neft-Aktiv”). The charter capital of the company is equal to 16 724.7 mln rubles.

ОАО “Kuibyshev NPZ” (oil refinery) was established in 1945. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via OOO “Neft-Aktiv”). The charter capital of the company is equal to 12 238.6 mln rubles.

ОАО “Syzran NPZ” (oil refinery) was established in 1942. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via OOO “Neft-Aktiv”). The charter capital of the company

is equal to 11 577.8 mln rubles.

ОАО “Angarsk neftekhimicheskaya kompaniya” (petrochemical company) was established in 1955. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via OOO “Neft-Aktiv”). The charter capital of the company is equal to 26 229 mln rubles.

ОАО “Angarsk zavod polimerov” (polymers plant) was established in 1997. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via OOO “Neft-Aktiv”). The charter capital of the company is equal to 3 507.2 mln rubles.

Oil products supply companies:

ООО “RN-Nakhodkanefteprodukt” was established in 2005 on the basis of ОАО “NK Rosneft - Nakhodkanefteprodukt” and is the largest oil terminal in the Russian Far East engaged in transfer, storage, sale and marketing of refined products. The share of property of the Parent Company in this company amounts to 100.00 %. The charter capital of the company is equal to 514.4 mln rubles.

ООО RN-Arkhangel'sknefteprodukt” was established in 2005 on the basis of ОАО “NK Rosneft – Arkhangel'sknefteprodukt” and is the largest supplier of oil products of the north-west area of Russia engaged in transfer, storage, sale and marketing of refined products. The share of property of the Parent Company in this company amounts to 100.00 %. The charter capital of the company is equal to 546.5 mln rubles.

ООО “RN-Tuapsenefteprodukt” was established in 2005 on the basis of ОАО “NK Tosneft – Tuapsenefteprodukt” and is engaged in transfer, storage, sale and marketing of the refined products. The share of property of the Parent Company in this company amounts to 100.00 %. The charter capital of the company is equal to 2 048.2 mln rubles.

СJSC “Buryatnefteprodukt” was established in 1999. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via LLC “Neft-Aktive”). The charter capital of the company is equal to 929 mln rubles.

СJSC “Irkutsknefteprodukt” was established in 1994. The share of property of the Parent Company

in this company amounts to 100.00 % (ownership via LLC "Neft-Aktive"). The charter capital of the company is equal to 1 901 mln rubles.

OOO "Inkutsk-Terminal" was established in 2002. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via LLC "Neft-Aktive"). The charter capital of the company is equal to 377 mln rubles.

OAO "Tomsknefteprodukt" VNK was established in 1994. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via LLC "Neft-Aktive"). The charter capital of the company is equal to 344 mln rubles.

OOO "Khakas terminal" was established in 2002. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via LLC "Neft-Aktive"). The charter capital of the company is equal to 175.9 mln rubles.

OAO "Samaranefteprodukn" was established in 1996. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via LLC "Neft-Aktive"). The charter capital of the company is equal to 272 mln rubles.

OOO "Samara-Terminal" was established in 1999. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via LLC "Neft-Aktive"). The charter capital of the company is equal to 1 465.7 mln rubles.

OAO "Belgorodnefteprodukt" was established in 1993. The share of property of the Parent Company in this company amounts 100.00 % (ownership via LLC "Neft-Aktive"). The charter capital of the company is equal to 291 mln rubles.

CJSC "Belgorod-Terminal" was established in 1999. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via LLC "Neft-Aktive"). The charter capital of the company is equal to 704 mln rubles.

CJSC "Bryansknefteprodukt" was established in 1996. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via LLC "Neft-Aktive"). The charter capital of the company is equal to 687 mln rubles.

OAO "Voronezhnefteprodukt" was established in 1996. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via LLC "Neft-Aktive"). The charter capital of the company is equal to 732 mln rubles.

CJSC "Boronezh-Terminal" was established in 1999. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via LLC "Neft-Aktive"). The charter capital of the company is equal to 914.6 mln rubles.

CJSC "Lipetsknefteprodukt" was established in 1993. The share of property of the Parent Company in this company amounts 100.00 % (ownership via LLC "Neft-Aktive"). The charter capital of the company is equal to 813 mln rubles.

CJSC "Lipetsk-Terminal M" was established in 1999. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via LLC "Neft-Aktive"). The charter capital of the company is equal to 914.6 mln rubles.

ZAO "Orelnefteprodukt" was established in 1993. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via LLC "Neft-Aktive"). The charter capital of the company is equal to 694 mln rubles.

ZAO "Priokski Terminal" was established in 1999. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via LLC "Neft-Aktive"). The charter capital of the company is equal to 735 mln rubles.

ZAO "Tambovnefteprodukt" was established in 1997. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via LLC "Neft-Aktive"). The charter capital of the company is equal to 379 mln rubles.

OOO "Tamvov-Terminal" was established in 2002. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via LLC "Neft-Aktive"). The charter capital of the company is equal to 731 mln rubles.

ZAO "Penzanefteprodukt" was established in 2002. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via LLC "Neft-Aktive"). The charter capital of the company is equal to 945 mln rubles.

ZAO “Ulyanovsknefteproducts” was established in 1994. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via LLC “Neft-Aktive”). The charter capital of the company is equal to 162 mln rubles.

OOO “Ulyanovsk-Terminal” was established in 2002. The share of property of the Parent Company in this company amounts 100.00 % (ownership via LLC “Neft-Aktive”). The charter capital of the company is equal to 225 mln rubles.

OAo FPK “Ked-M” was established in 1993. The share of property of the Parent Company in this company amounts 100.00 % (ownership via LLC “Neft-Aktive”). The charter capital of the company is equal to 2 905 mln rubles.

ZAO “NBA-Servis” was founded in 2000. The Parent Company holds a 100% stake in ZAO “NBA-Servis” via LLC “Neft-Aktive”. The company’s charter capital is equal to 444 mln rubles.

OAo “Germes-Moskva” was established in 1993. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via LLC “Neft-Aktive”). The charter capital of the company is equal to 599 mln rubles.

ZAO “Yu-Tver” was established in 1996. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via LLC “Neft-Aktive”). The charter capital of the company is equal to 463 mln rubles.

OOO “Rostov-Terminal” was established in 1996. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via LLC “Neft-Aktive”). The charter capital of the company is equal to 163 mln rubles.

OOO “Yukos Aviation Marketing” was established in 2004. The share of property of the Parent Company in this company amounts 100.00 % (ownership via LLC “Neft-Aktive”). The charter capital of the company is equal to 570 mln rubles.

CJSC “Stavropolnefteprodukt” was established in 1995. The share of property of the Parent Company in this company amounts to 100.00 % (ownership via LLC “Neft-Aktive”). The charter capital of the company is equal to 1 025 mln rubles.

OOO “Torgovy Dom YUKOS-M” was established in 1998. The share of property of the Parent Company in this company amounts to 100.00 %. The charter capital of the company is equal to 55 000 mln rubles.

Miscellaneous companies:

OOO “RN-Bureniye” is engaged in drilling. The share of property of the Parent Company in this company amounts to 100.00 %. The charter capital of the company is equal to 4 374.9 mln rubles.

OOO “RN-Service” is engaged in rendering services. The share of property of the Parent Company in this company amounts to 100.00 % (including 81% of ownership via LLC “RN-Yuganskneftegaz”). The charter capital of the company is equal to 171 mln rubles.

OOO “Dudinskoye” is engaged in leasing out property. The share of property of the Parent Company in this company amounts to 100.00 %. The charter capital of the company is equal to 2 665 mln rubles.

CJSC “YUKOS Manontovo” is engaged in rendering services. The share of property of the Parent Company in this company amounts to 100.00 %. The charter capital of the company is equal to 9 952 mln rubles.

CJSC “YUKOS Moskva” is engaged in rendering consulting services. The share of property of the Parent Company in this company amounts to 100.00 %. The charter capital of the company is equal to 195 mln rubles.

CJSC “YUKOS-M” is engaged in trade and brokerage. The share of property of the Parent Company in this company amounts to 100.00 %. The charter capital of the company is equal to 6 300 mln rubles.

OOO “Kinelski sklad” is engaged in leasing out property. The share of property of the Parent Company in this company amounts to 100.00 %. The charter capital of the company is equal to 13 017 mln rubles.

OOO “Imushchestvo-Service Nefteyugansk” is engaged in leasing out property. The share of property of the Parent Company in this company amounts to 100.00 %. The charter capital of the company is equal to 13 017 mln rubles.

OOO Imushchestvo-Service Samara” is engaged in leasing out property. The share of property of the Par-

ent Company in this company amounts to 100.00 %. The charter capital of the company is equal to 642.6 mln rubles.

OOO "Samaro-Elektro-Service" is engaged in rendering services. The share of property of the Parent Company in this company amounts to 100.00 %. The charter capital of the company is equal to 504 mln rubles.

OOO "Samaraneftegeofizika" is engaged in carrying out scientific and research work. The share of property of the Parent Company in this company amounts to 100.00 %. The charter capital of the company is equal to 341 mln rubles.

OOO "Sanatorium "Neftyanik Kubani" is engaged in providing medical treatment and recreation services. The share of property of the Parent Company in this company amounts to 71.5 %. The charter capital of the company is equal to 508.7 mln rubles.

Participation in joint projects and production sharing contracts (including projects financed by foreign partners)

Russian projects

In 2007, OJSC OC Rosneft, as in the previous years, participated in working-out and developing a number of projects located on the Russian territory.

One of the important projects, in which Rosneft has taken part since the end of 2005, is the **Verkhnechonskoye field project** (participation share 25.94%) developed jointly with OAO "TNK-BP" (participation share 62.7%) and with the Administration of Irkutsk Region (share of participation 11.29%). The participating stake in the project is financed by Rosneft under a loan agreement via Rosneft International Limited. In 2007, a loan was granted to Rosneft International Limited in the amount of 2317.51 mln rubles.

In 2007 at the Verkhnechonskoye field, the first part of a motor highway to the Talakanskoye field was commissioned, construction was started on a pipeline and main pumping structures, construction of 14 development wells was completed, two wells are being drilled. Within the framework of pilot development of the oil field, 37 thou tons of oil were produced. The work is under way for construction of surface facilities. The aim is to begin commercial production from September 1, 2008.

The **Yurubcheno-Tokhomskeye field project** emerged in May 2007 as a consequence of OAO NK YUKOS property bankruptcy proceeding. Rosneft purchased 70.78% of the capital stock of OAO "Vostsibneftegaz", which in its turn has a license for geological survey and production of hydrocarbons for a period till 2021 on the Yurubcheno-Tokhomskeye oil-and-condensate field and practically immediately started bringing the field into development. Exploration activities were commenced as well. Within the framework of pilot development, 39 thou tons of oil were produced. The delivery of oil to external organizations amounted to 29.518 thou tons. To finance the participating stake, a loan was granted to Rosneft International Limited in the amount of 710.82 mln rubles.

North-Caspian project. In July 2007, as part of OAO NK YUKOS bankruptcy proceeding, Rosneft" purchased 49.892% of the participating stake in the charter capital of OOO Kaspiystaya neftyanaya kompaniya (OOO KNK), the project operator. In 2007, loans were granted to OOO KNK for project share financing purposes in the amount of 231.66 mln rubles .

Tenryuksko-Akhtarski area on the Azov Sea off-shore. In 2007 exploration drilling of a deviated well from the shore that started in 2006 was finished. The drilling targeted a prospective Novaya structure (bottom hole at 3840m), which is partly located in the sea. The well flowed light oil at about 170 tons/day with a gas factor of about 700 m³/ton. The well was suspended and key removed because of the need to obtain a hydrocarbons production permit.

The project has been utilized since 2003 by OAO "NK Rosneft" jointly with OAO "LUKOIL" via OOO "NK Priazovneft" with equal shares of participation of 42.5% (the Administration of Krasnodar Territory has 15 %.). In 2007, for financing the project, loans were

Tuapse trough, Black sea off-shore. This project is developed by Rosneft with a 100-% participation share since 2004 via its OOO RN-Shelf-Yug subsidiary. In 2007 Rosneft spent 575.98 mln rubles on the project, of which, under a construction contract – 20.03 mln rubles, under an agency contract – 555.95 mln rubles (338.5 mln rubles were spent on seismic acquisitions, 5.4 mln rubles were paid out as agent's commission, and 212.04 mln rubles – as advance payment to OOO "RN-Shelf-Yug").

The seismic established around 20 most high potential structures. In 2007, the volume of 3-D seismic operations reached 624 km².

Projects in the CIS and non-CIS countries

In 2007 for purposes of implementing **Adaiski block, Kazakhstan, Kurmangazy structure, Kazakhstan shelf** projects located on the territory of Kazakhstan, and **Shelf of Turkmenia, blocks 29-31** located on the territory of Turkmenistan, Rosneft" gave loans to OOO RN-Kazakhstan" in the amount of 456.59 mln rubles, including 451.44 mln rubles for the Kazakhstan projects and 5.15 mln rubles for the Turkmenistan project.

On **Adaiski block, Kazakhstan**, as a trial operation, 22 568 tons of oil were produced in 2007 (the share of Rosneft - 11 284 tons). 935 running km of 2-D seismic data was processed.

Kurmangazy structure, Kazakhstan shelf completed processing and interpreting all the seismic materials obtained for the structure in 1996, 2001, 2006, and 2007, a total of 4000 running km. Within the contract territory, 5700 running km of gravity and magnetic surveys was carried out, the data obtained was processed and the results were handed over to the GNG (oil and gas geology department) for integrated interpretation. The electric exploration was performed, using a differentially-normalized method on a total of 1000 running km, and the data was also handed over to the GNG to be integrated. Works for stages I to IV of integrated interpretation of all the geologic and geophysical materials available were completed in order to identify the point for drilling a wild cat No. 2 in February 2008.

Since 2004, Rosneft" has been a partner on **Shelf of Turkmenia, blocks 29-31 project**, with a 37-% share together with CJSC "Zarubezhneft" (26%) and MGK "ITERA" (37%). In 2007, talks were resumed with the State Agency for Control and Use of Hydrocarbon Resources under the President of Turkmenistan, concerning the PSA text in respect to 29-31 off-shore blocks, a request was also sent to the Turkmenistan side for obtaining a license on geological survey of 21-22 blocks on the Caspian Sea offshore. Talks are underway about blocks 29-31 and 21-22.

Since 2001, in the non-CIS countries, Rosneft is taking part in **Unit 245-south, Algeria project** (participating stake 50%) via its Rosneft-Stroitrans Ltd

operator, which operates under a contract with the Algerian state owned oil-and-gas Sonatrach on exploration, development and production of hydrocarbons within the 245-south Gara Tisselit block in the People's Democratic Republic of Algeria. This participation is financed by the Rosneft holding under loan agreements. In 2007, a loan was granted to Rosneft-Stroitrans Ltd in the amount of 119.32 mln rubles (4.561 mln US dollars); as a result of revaluation as of 31.12.07, the sum of the loan declined to 111.96 mln rubles.

In 2007, a delineation TEN-2 well was drilled. All types of well logging operations were complete. The well produced a weak flow of gas and condensate when subjected to fracturing. The well was abandoned on 19.03.07. Final reports were adjusted and submitted to Sonatrach on discoveries of Eastern, Western Takuazet, and North Tisselit, including all supplements. Final reports on discovered Eastern Taukuzet, Western Taukuzet, North Tesselit fields were handed over to Alnaft in order to obtain production licenses.

A framework agreement was signed with Sonatrach regarding the sale of gas from the North Tesselit field.

Purchase and retirement of core assets, alteration of shares in charter capitals owned in subsidiaries

During 2007, the Parent Company purchased new core assets, having increased its share in voting shares of Subsidiaries and other companies.

Financial investments were increased due to purchase of new assets and increase in Rosneft share in voting stock of subsidiaries and other companies by 27 953.3 mln rubles. They also grew because a 100-% share in the charter capital of CJSC YUKOS-Mamontovo for a total amount of 9 952. 1 mln rubles was displayed on the balance sheet as a result of a court's decision and because a loan was granted to OOO Neft-Aktiv for it to purchase a total of 289 532 mln rubles worth of assets.

The following assets were purchased and established:

| purchased | | |
|---|-----------------------------|--|
| Asset | Share in charter capital, % | Actual value of investments, thou rubles |
| Share in charter capital of OOO "Dubininskoye" | 100 | 26 015 000 |
| Capital stock of OAO "Okhinskaya TETs" | 91.04 | 771 308.6 |
| Share in charter capital of OOO "Sanatorium "Neftyanik Kubani" | 71.5 | 363 732.4 |
| Capital stock of CJSC "Vankorneft" | 0.84 | 302 560 |
| Share in charter capital of OOO "KNG-Kubanskoye UTT" | 0.83 | 2 884.7 |
| Share in charter capital of OOO "FTT Service" | 100 | 2 324.6 |
| Share in charter capital of OOO "Sanatorium "Mineralny" | 1 | 1 189.6 |
| Share in charter capital of OOO "KNG-Remont" | 0.34 | 860.4 |
| Capital stock of CJSC "Ordaliya 2000" | 100 | 819.6 |
| Share in charter capital of OOO "Sanatorium "Izumrudny" | 1 | 422.3 |
| Share in charter capital of OOO "KNG-STs" | 0.78 | 346.8 |
| Share in charter capital of OOO "KNG-Pitanie service" | 1 | 138.9 |
| Share in charter capital of OOO "RN-Energo" | 100 | 43 |
| Share in charter capital of OOO "Neftegazovaya proizvodstvennaya ekspeditsiya" | 1 | 1 |
| Capital stock of OAO "Kuibyshevnefteorgsintez" | 0.002 | 0.3 |
| Share in charter capital of OOO "Uchet i otchyetnost" | 100 | 0.0003 |
| Capital stock of CJSC "Rus" | 90.07 | 0.0001 |
| Share in charter capital of OOO ChOP (private security form) "Corporate security service" | 100 | 0.0001 |

| established: | | |
|----------------------------------|-----------------------------|--|
| Asset | Share in charter capital, % | Actual value of investments, thou rubles |
| OOO "RN-Inform" | 100 | 10 000 |
| OOO "TK "Burgas-Aleksandropulos" | 33.33 | 3 033.03 |
| OOO "RN-Service": | | |
| as of 30.06.2007 | 100 | 10 |
| as of 31.12.2007 | 0.0059 | 10 |

Shares and investments in the following companies have increased:

OAO "Verkhnechonskneftegaz", actual investments increased by 201.37 mln rubles, the share did not increase due to proportional distribution of additional capital stock among the share holders;

OAO "PN-Stavropolye", actual investments increased by 5.2 mln rubles, the share increased by 2.21% up to 100%;

OOO "Kransnodarneftegaz", actual investments increased as a result of additional emission by 989.67 mln rubles, the share did not change (100-% subsidiary);

OOO "RN-Kaiganneftegaz", actual investments increased by 445.40 rubles, the share increased 0.004% to 100%.

In the reporting year, stakes of shares were sold (shares in charter capitals):

in ZAO "Rosneftetrans" – 10 %, OOO "Venineft" – 99.0 %; OAO "ANTEK-Invest" – 16.53 % in OOO CK "Neftepolis" – 1490 %.

In 2007, the following companies were liquidated: CJSC "Rus", OOO "Rosneftetrans", OOO "Baikalfinansgrup", OAO "Rosnefteinpeks NK Rosneft", CJSC "Sibsta".

In 2007, the Company purchased, as part of the YUKOS assets auction, a number of NK YUKOS assets via its Neft-Aktiv subsidiary, which were duly included in the consolidated accounting statements.

8. Long and short-term credits and loads, securities issued

As of 31.12.2007, the short-term credit indebtedness of the Group amounted to 326 932.4 mln rubles (as of 01.01.2007, 37 227.7 mln rubles), long-term credit indebtedness of the Group amounted to 347 616.2 mln rubles (as of 01.01.2007, 373 966.5 mln rubles).

Credit resources attracted in 2007 were directed at financing the activities of the companies of the Group:

- purchase of new core assets;
- refinancing of existing indebtedness;
- implementation of investment programs;
- replenishment of current assets.

In the accounting statement as of 31.12.2007, the credit indebtedness was shown with accrued interest. As of 31.12.2007, the short-term indebtedness in loans of the Group amounted to 12 930.5 mln rubles (as of 01.01.2007, 4 714.8 mln rubles), long-term indebtedness in loans of the Group amounted to 27 901.4 mln rubles (as of 01.01.2007, the long-term indebtedness was equal to 21 363.4 mln rubles).

In the accounting statement as of 31.12.2007, the indebtedness in loans was shown accrued interests.

The weighted-average nominal interest rate of non-consolidated credit portfolio of the group changed, as compared with 2006, from 6.06% to 5.38% (disregarding guarantees and project financing). The LIBOR rate decreased, during the period from 01.01.06 to 31.12.07, from 5.32% to 4.6%, and the weighted-average margin increased insignificantly from 0.74% to 0.78 %.

The cost of issued collaterals amounted, as of 31.12.2007, to 572 147.7 mln rubles. Collaterals were distributed as follows:

| Collateral | Share in the total sum |
|------------------|------------------------|
| Guaranties | 52% |
| Cash | 44% |
| Export contracts | 4% |

9. Assets and liabilities in terms of foreign currency

Variation of the foreign exchange rate, especially of the US dollar, has a considerable influence on the results of financial and economic activity of the Group. The table given below shows the dynamics of the rate of exchange of ruble to US dollar.

| As of December 31 | Rate of exchange |
|-------------------|------------------|
| 2007 | 24.55 |
| 2006 | 26.33 |
| 2005 | 28.78 |
| 2004 | 27.75 |

Translations differences emerging over the year on operations with assets and liabilities denominated in foreign currencies, and also after they have been recalculated as of the accounting date, were allocated to miscellaneous revenue and expense. For 2007 total positive translation difference for the group amounted to 62 077.1 mln rubles, while negative difference totaled 23 576.3 mln rubles (2006 these figures were 34 106.2 and 8404 mln rubles, respectively).

10. Taxes payable

The companies of the group are independent tax payers. Tax liabilities of the companies of the Group are shown in the reporting forms, based on the principle of temporal identification of business facts.

2007 tax rates were as follows:

- income tax – 24% (companies located in remote regions have tax discounts, up to 20 %);
- value added tax – 18%.
- The profit and loss account, under "Current income tax", apart from 2007 income tax displays the following:

- temporary income tax (28.1 mln rubles);
- recoveries on income taxes accrued in past reporting periods (941.7 mln rubles).

As of 31.12.2007, tax indebtedness of the Group to the State budget in accordance with the accounting statement amounted to 72 788.8 mln rubles; the indebtedness to state off-budget funds amounted to 791.9 mln rubles.

On 29.12.07 the Russian Government adopted a resolution on restructuring the indebtedness of Rosneft in respect to taxes, penalties, and fines payable to the Federal budget, for the total amount of 42 325.0 mln rubles for a period of 5 years.

In accordance with the provisions of Chapter 14, Tax control, of the Russian Tax Code, desk and field audits of tax payers, deposit payers and tax agents may be performed during 3 calendar years preceding the year of the audit performed. The Group management believes that the calculation of tax liabilities by the enterprises of the Group are performed in compliance with the requirements of the tax legislation. The fact that the tax declarations for a certain period of time have been checked by tax authorities does not mean that these papers could not be rechecked again within the 3-year period.

11. Accounts receivable and payable

Accounts receivable of the Group as of 01.01.2007 amounted to 340 945.6 mln rubles. During 2007, they decreased by 86 656.4 mln rubles (-26%) down to 254 289.2 mln rubles as of 31.12.2007 (lines 230 and 240 in the accounting balance sheet). The accounts receivable also display VAT on export operations, which is recoverable from the Budget.

Advances for construction in progress are displayed under "Construction in progress" line.

For debts, which in the opinion of the Group management are bad, a reserve was created, based on results of an audit of receivables and payables. The consolidated balance sheet of the Group displays accounts receivable minus the relevant reserve.

As of 01.01.2007, the Group's accounts payable stood at 111 997.7 mln rubles. During 2007, this debt rose 59 134.8 mln rubles (53%) to 171 132.5 mln rubles as of 31.12.2007 (line 620 of the accounting balance sheet).

To decrease the risk of non-payment, a number of agreements were concluded for cross-cancellation of debts, where goods, services employed in production, as well promissory notes were used as means of debt repayment.

12. Capital

Charter capital

The charter capital of the Group is represented by the capital of the parent Company.

As of December 31, 2007, the charter capital of Rosneft amounted to 105 981 778.17 rubles and is divided in 10 598 177 817 ordinary shares with a nominal value of 0.01 ruble each.

Reserve and additional capital

The group capital also comprises additional and reserve capital.

The reserve capital of the Group is a consolidated reserve capital (a collection of reserve capitals) formed in compliance with constituent documents of the companies of the Group less the minority share.

The additional capital of the Group is a consolidated additional capital of the companies of the Group less the minority share.

Undistributed profit

The consolidated accounting balance sheet has separate lines for undistributed profit and uncovered loss of the accounting year. As of 31.12.2007, total value of past years' undistributed profit and of the previous years minus uncovered loss of the previous years amounted to 195 372.4 mln rubles. As of 31.12.2007 the total value of undistributed profits of the reporting year minus losses of the reporting year amounted to 245 153.7 mln rubles.

The amount of the undistributed profit was influenced by miscellaneous incomes and expenses which included:

Incomes:

- revenues connected with participation in the charter capitals of other organizations (including the interest and other returns on securities);
- revenues from sale of fixed and miscellaneous assets;
- interest on loans granted;
- interest on Group's cash used by banks;
- accounts payable with lapsed statutes of limitations;
- fines and penalties received under economic agreements;
- income of past years revealed during reporting years;
- positive exchange differences;
- miscellaneous incomes.

Expenses:

- expenses connected with sales, disposal and other instances of writing off fixed and other assets;
- taxes within operating expenses;
- interest paid for using borrowed funds;
- expenses connected with payment for services provided by credit organizations;
- accounts receivable with lapsed statutes of limitations;
- fines, penalties, forfeits and other sanctions for violation of contractual terms;
- losses of past years revealed during the reporting year;
- negative exchange differences;
- miscellaneous expense.

Share of other shareholders in subsidiaries

The Minority share item of the consolidated (consolidated) accounting balance sheet shows capital

value of subsidiary companies which belongs to minority shareholders. The minority share was determined based on capital value of subsidiaries as of 31.12.2007 and share of the charter capital which does not belong to the Parent Company. So, in calculating the minority share, subsidiaries use percentage of ordinary and preferred shares which do not belong to the Parent Company, because both of them verify the right of the holder to a part of the joint stock company property (Article 32 of Law No. 208-F3 "On joint stock companies" dated December 6, 1995).

In calculating minority share, value of subsidiary's capital is assumed to be sum total of the "Equity and reserves" line minus revaluation totals on subsidiaries' freely quoted shares. The minority share calculation is based on total change within the "Equity and reserves" structure of the Bookkeeping balance sheet, occurred after the acquisition date.

Net assets

Net assets of the Group amounted to 636 535.0 mln rubles by the end of 2007. The increase in the net assets as compared with the beginning of 2007 (339 425.8 mln rubles) amounted to 297 109.2 mln rubles or 88%. The net assets of the Group as of 31.12.2007 exceed its charter capital by 636 429.0 mln rubles.

13. Income per one share, payment of dividends

Number and nominal cost of shares

Joint-stock capital of the Parent Company is the capital of the Parent Company in accordance with charter documents. Owners of ordinary shares have one vote at the meeting of shareholders per each purchased share.

Net income of the Group in 2007 amounted to 245 153.7 mln rubles. Net income per one share of the Parent Company in 2007 is expected to reach 23.13 rubles/share.

Amount of dividends

Dividends on shares are determined by the Board of Directors of the Parent Company and approved at the an-

nual general meeting of shareholders. The size of dividends on shares of the Parent Company for 2007 will be preliminarily determined by the Board of Directors of the Company at the end of April 2008.

On the results of 2006, the Parent Company paid out the dividends in the amount of 14 095.6 mln rubles, or 1.33 rubles per share.

Remuneration paid to the members of the Board of Directors and Audit Commissions of the subsidiary and dependent companies for 2007 totaled 97.4 mln rubles.

14. Events which took place after the reporting date

In January 2008, the Amsterdam Court granted the application of Yukos Capital S.a.r.l. for laying security arrest on capital stock of West Kamchatka Holding B.V. belonging to Rosneft in order to ensure the application for recognition and enforcement of the below-said Decisions of the International Commercial Arbitration Court under the Chamber of Commerce and Industry (CCI) of the RF. Taking into consideration the refusal of the Amsterdam Court, according to its ruling as of 28.02.08, to recognize and enforce on the territory of Holland the above-said Decisions of the International Commercial Arbitration Court under the CCI of the RF, the arrests are subject to cancellation.

In St. Petersburg, in January 2008 one of the Subsidiaries purchased through an auction a 3 year lease right (103.0 mln rubles at the official rate of the Central Bank of the RF as of 31 December 2007) on 9 land plots on which gas stations will be built.

In the 1Q 2008 via auction the Company acquired a right to conduct exploration and production of hydrocarbons on the Umotkinsky area of the Irkutsk oblast. The price of the license totaled 1.12 billion rub (46 million USD at Central bank rate as at 31 December 2007) and was paid for in cash.

In February 2008 the Company acquired a syndicated loan totaling 3 billion USD from a group of international banks. The Loan was granted for 5 years at LIBOR plus 0.95% annual and is secured with export contracts for sale of crude oil. The loan was used to refinance the current credit debt.

In February 2008 the Company acquired 237 572 common registered shares from the additional issue

of OJSC Verkhnechonskneftegaz for 285 million rubles (11.7 million USD at Central Bank rate), having thus retained its participation share in the OJSC Verkhnechonskneftegaz charter capital at 25.94%.

In March 2008 the Company repaid part of its short term bridge loan in the total amount of 2,2 billion USD.

In the first quarter 2008 the Company utilized its right to obtain a 6 month extension of the remaining part of the short term bridge loan acquired from a group of international banks for a total amount of 6.5 billion USD, which implies a change in the interest by LIBOR plus 0.50% annual.

15. Conventional Business activities

1. In May 2007, the Amsterdam court satisfied application by Glendale Group Limited for attachment of cash and property owned by Yukos finance B.V. and supposed to be transferred to Rosneft within the framework of existing and future legal relations between them. This application was filed in order to guarantee a claim filed by Glendale Group Limited against Rosneft on promissory notes issued by OAO Yuganskneftegaz in 2003 in the total amount of about 130 mln Euros, which are currently held by Glendale Group Limited. There was no hearing regarding this case during the reporting period.

2. Currently Rosneft is disputing in court a number of tax authorities' decisions about extra charges and a refusal to have VAT totaling 11 583 million rubles recovered. The Company's claims totaling 9838 million rubles have been supported by various court instances. A total of 774 million rubles in claims have not been supported by court instances. However, the Company has claims totaling 774 million rubles and intends to appeal. A total of 971 million in claims are currently being reviewed in court.

3. As of December 31, 2007, the Subsidiaries of the Company acquired in the course of auctions have various unsettled disputes with tax authorities for a total amount of 5 469 mln rubles, 3 360 of which were recognized as part of tax liabilities and other taxes as conditional liabilities emerged prior to the acquisition date.

4. In December 2007, the Republic of Mordovia, in the name of the State Fund of property of the Republic of Mordovia, appealed to the Arbitration court of the city of Moscow with two claims for collection of debts in the

total amount of 1 464 mln rubles on two promissory notes issued by OAO Yuganskneftegaz in 2003. As of the date of the present report this case has not been reviewed.

5. As of 31 December 2007 the Company had the following liabilities:

| Beneficiary | Borrower | Agreement valid until | Total principle amount under agreement | Total amount of collateral as at 31 December 2007 |
|-----------------------------|---------------|-----------------------|--|---|
| Moravel Investments Limited | OJSC NK Yukos | 29 May, 2009 | 1 600 662 | — |

In May 2005 Moravel Investments Limited, an affiliate of OJSC NK Yukos, filed a claim against OJSC Yuganskneftegaz at London International Arbitration about recovery of 656 million USD, as part Yuganskneftegaz security on OJSC NK Yukos loan totaling 1600 million USD from Societe General S.A. (the bank's rights were reassigned to Moravel Investments Limited). On August 16, 2007 the London International Arbitration overruled the claim by Moravel Investments International against OJSC Yuganskneftegaz. On 17 March 2006 the Moscow Arbitration court declared invalid the OJSC Yuganskneftegaz security agreement in respect to Moravel Investments Limited on OJSC NK Yukos loan for a total amount of 1 600 million USD. This award was subsequently upheld in court when an appeal was reviewed and remained in force at the cassation instance. Therefore, by legal force of the court's decision the above security agreement was deemed invalid.

Currently, the Company's subsidiary is actively contesting in Russian arbitration courts the security agreements of OJSC Samaraneftgaz and OJSC Tomskneft VNK in respect to Moravel Investments Limited on the above OJSC NK Yukos loan, under the similar terms and similar circumstances as the above described guaranty. The Company management believes that payments under these guaranties are unlikely to be made. On 5 December 2007 the Samara Arbitration court declared the OJSC Samaraneftgaz security agreement invalid. On 2 April 2008 11th Arbitration Court of appeal will review an appeal of Moravel Investments Limited against the above court decision. On 25 December 2007 the Arbitration court of the Tomsk oblast also declared OJSC Tomskneft VNK guaranties invalid. On 25 March 2008 the above decision was upheld unchanged by a Decree of the 7th Arbitration court

of appeal, adopted after the appeal of Moravel Investments Limited had been reviewed.

YUKOS International UK B.V. declared that on 14 March 2008 it had fully repaid the OJSC NK Yukos debt to Moravel Investments Limited and acquired rights of Moravel Investments Limited as a OJSC NK Yukos creditor. Grounds for such a repayment by YUKOS International UK B.V of the OJSC NK Yukos debt have been not disclosed as yet. Therefore, sustainability of the YUKOS International UK B.V claim about the transfer to it of the Moravel Investments Limited creditor right cannot be properly assessed.

6. YUKOS Capital S.a.r.l, a OJSC NK Yukos subsidiary, initiated arbitration against OJSC Yuganskneftegaz at the International Arbitration Court of the Chamber of Commerce and Trade of the Russian Federation (further IAC), claiming default on 4 ruble loans. On September 19, 2006, IAC decided in favor of YUKOS Capital S.a.r., ordering that the principle loan, interest and arbitration costs be recovered from Rosneft in the total amount of 12 937 million rub (approximately 527 million USD at current exchange rate as at 31 December 2007). The Company appealed the IAC decision at the Arbitration court of Moscow. On 23 May 2007 the Moscow Arbitration court upheld the Company's claim about nullifying the IAC decisions and cancelled the IAC decisions. YUKOS Capital S.a.r.l appealed the first instance court's decision at the court of cassation.

On 13 August 2007 the court of cassation upheld the lower instance court's decisions. On 10 December 2007 the Supreme Arbitration of the Russian Federation upheld the lower instance courts' decisions and did not allow YUKOS Capital S.a.r.l to apply to the Presidium of the Supreme Arbitration Court of the Russian Federation for it to review the above decisions

in the exercise of supervisory powers. Following on the Yukos Capital S.a.r.l request that the above decisions by IAC be enforced in the Netherlands, on 19 December 2006 the Court of Amsterdam ordered attachment of some of Rosneft accounts receivable as a security of the application. On 11 December 2007 the Court of Amsterdam reviewed the Yukos Capital S.a.r.l application about the enforcement of the IAC decisions in the Netherlands, and on 28.02.2008 refused the enforcement the above IAC decisions in the Netherlands.

Meanwhile, Yukos Capital S.a.r.l started arbitration proceedings against OAO Tomskneft VNK at the International Arbitration Court of the Chamber of Commerce and Trade of the Russian Federation (further IAC), accusing the Company of having defaulted on 3 ruble denominated loans. On 12 February 2007 the IAC decided in favor of Yukos Capital S.a.r.l and ordered a recovery of 275 million USD including the principle, interest and arbitration costs. The court also decreed a 9% interest charge until the debt is repaid. As yet, however, no execution proceedings have been initiated by the claimant either in Russia or elsewhere.

In January 2006, Yukos Capital S.a.r.l started arbitration proceedings against OAO Samaraneftegaz at the International Arbitration Court of the Chamber of Commerce and Trade of the Russian Federation (further IAC), accusing the Company of having defaulted on 3 ruble denominated loans. On 15 August 2007 the IAC decided in favor of Yukos Capital S.a.r.l and ordered recovery of 121 million USD including principle, interest and arbitration costs. The court also decreed a 9% interest charge until the debt is repaid. As yet, however, no execution proceedings have been initiated on the IAC decision by the claimant either in Russia or elsewhere.

A Rosneft subsidiary, owning Tomskneft VNK and OJSC Samaraneftegaz shares, filed a claim in order to have the transactions on these Yukos Capital S.a.r.l loans null and void under the Russian law. Preliminary hearings on this Rosneft subsidiary's claim concerning the Yukos Capital S.a.r.l and OJSC Tomskneft VNK case are scheduled for summer 2008. Preliminary hearings on the Rosneft subsidiary's claim concerning the Yukos Capital S.a.r.l and OJSC Samaraneftegaz case are scheduled for 28 May 2008.

A Rosneft shareholder filed a claim for OJSC Yuganskneftegaz and Yukos Capital S.a.r.l loan

transactions to be declared null and void under the law of the Russian Federation. Preliminary hearings on the Rosneft shareholder's claim concerning the Yukos Capital S.a.r.l and Rosneft case were adjourned until April 9, 2008.

The Company believes that an award of payments in excess of the current debt is unlikely.

7. The Company is a defendant in a legal dispute taking place in the US and concerning the acquisition of OAO Yuganskneftegaz. The aim of the proceedings was to review a claim filed by some owners of OJSC NK Yukos ADRs, on which they demanded compensation in view of the decline in the market value of the latter. On July 13, 2006 the claimants filed a corrected complaint. The corrected complaint was aimed at recovery of the alleged losses, which emerged as a result of the events surrounding OAO NK Yukos, including additional Russian tax charges on OJSC NK Yukos and attachment of company assets as a security of tax payments. The defendants pleaded that the claim be dismissed on several grounds. On November 26 the Federal district court of Columbia DC upheld the motion to stop proceedings against Rosneft, its executives and other defendants under this case. The relevant appeal time period is already over.

8. The Company also happens to be a defendant in a case being reviewed by the Moscow Arbitration court in respect to acquisition by the Company of OJSC Yuganskneftegaz common shares through auctions. The case is being reviewed as part of the OAO NK Yukos case. The claimant demands that all common OJSC Yuganskneftegaz shares be returned to his ownership and damages totaling 388 billion rub (15.8 billion USD at official Central Bank rate as of 30 December 2007) be paid. In February 2007 the Arbitration court of Moscow dismissed the OJSC NK Yukos claim, a decision upheld in the Court of appeal on 30 May 2007. On 12 October 2007 the cassation instance upheld the earlier court decisions without alteration. On 21 November 2007 OJSC NK Yukos was liquidated, hence the chances of this court proceedings to continue being minimal.

9. In September 2007, Ecolnat Prim, a company registered in Moldova, acting on behalf and on instructions of New Century Securities Management Anstalt ('New Century Securities', Lichtenstein), filed a claim against OAO Angarsk Petrochemical company, Fericire-Faleshti SRL and Metmar LLC in the District economic court of Kishenev in respect to debt recovery

on a promissory note for a total amount of 446 mln USD. In the opinion of New Century Securities the promissory note had been allegedly issued by OAO Angarsk Petrochemical Company in 1996 but is not, however, recognized by OAO Angarsk Petrochemical Company. Currently, the law enforcement agencies of the Russian Federation are investigating a criminal case filed by OAO Angarsk Petrochemical Company, concerning various instances of fraud related to manufacture of the above promissory note. New Century Securities had earlier filed claims against OAO Angarsk Petrochemical Company and AKB Rostrbank in respect to payment of principle debt, interest and penalties on the promissory note in the Russian Federation. In spite of the fact that in 2005 the first instance court decided in favor of New Century Securities, the courts of appeal and cassation, as well as the Supreme court of arbitration resolved to dismiss the New Century Securities claim relating to years 2006-2007, as the claimant had failed to produce an original copy of the promissory note to the first instance court. On July 17, 2007, the Constitutional court of the Russian Federation dismissed the New Century Securities complaint about noncompliance of certain normative and process acts with the Constitution of the Russian Federation. On 24 December 2007, the Ecolnat Prim SRL claim in respect to the debt under OAO Angarsk Petrochemical Company promissory note was dropped

because the claimant had failed to pay the State duty. This decision may be appealed. In case the appeal should be granted, Rosneft intends to actively contest the Ecolnat Prim claim in court and believes that risks of a negative outcome are negligible.

The Company and its subsidiaries are involved in a number of legal disputes, which emerge in the course of their normal operations. In the opinion of the Company's management, the end result of these disputes will not have any significant impact on business results and financial status of the Company.

15. Affiliated entities

During 2007, the main volume of operations with affiliated entities of the Parent Company was connected with inter-group operations, which are excluded from the consolidation. The operations with other affiliated entities are minimal in scope.

16. Indicators by segment

According to RAS 12/2000 "Information by segment", the emphasis was made on general economic, currency, credit, price risks which might affect the organization.

| Revenues (gross) (mln rub.) | |
|-----------------------------|--------------------|
| Oil | 811 357.4 |
| Gas | 10 663.8 |
| Oil products | 604 664.2 |
| Petrochemical products | 8 370.0 |
| Miscellaneous marketing | 43 989.8 |
| TOTAL | 1 479 045.2 |

| Revenues (gross) (mln rub.) | | |
|-----------------------------|------------------|--------------------|
| | Internal market | Export |
| Oil | 16 102.6 | 795 254.8 |
| Gas | 10 663.8 | |
| Oil products | 337 945.3 | 266 718.9 |
| Petrochemical products | 6 531.2 | 1 838.8 |
| Miscellaneous marketing | 42 991.9 | 997.9 |
| TOTAL | 414 234.8 | 1 064 810.4 |

| Revenues (gross) export (per directions of sales) (mln rub.) | |
|---|--------------------|
| Oil | 795 254.8 |
| including : | |
| western direction | 555 926.9 |
| eastern direction | 159 975.8 |
| CIS and other directions | 79 352.1 |
| Oil product | 266 718.9 |
| including: | |
| western direction | 104 838.3 |
| eastern direction | 94 940.0 |
| CIS and other directions | 66 940.6 |
| Petrochemical products | 1 838.8 |
| including: | |
| eastern direction | 1 838.8 |
| Miscellaneous marketing | 997.9 |
| including: | |
| western direction | 522.8 |
| eastern direction | 436.2 |
| CIS and other directions | 38.9 |
| TOTAL | 1 064 810.4 |

During 2007, the Company exported 98.0% of the total amount of oil sold and 44.1% of the total volume of oil products sold.

The Item "Miscellaneous marketing" included: marketing of material assets, processing services, transshipment services, leasing, construction services, scientific-and-research and geological exploration works.

17. Other aspect of the Group activities

Environmental protection

Production of oil and gas is always running the risk of inflicting damage on environment. The Group management believes that the companies of the group carry

out their activities in full compliance with the acting legislation on environmental protection and that there is no risk of emergence of serious problems in this respect.

Insurance

The Group insures itself against material risks and losses resulting from interruptions in production operation of key processing assets. There are also voluntary and mandatory kinds of liability insurance, including liability insurance of directors, employees, and the Company (D&O), insurance of employees as a part of the social policy of the Company. In some instances, the Company insures property, cargo, construction, installation and drilling works.

Chief Accountant



Appendix 4

Information on Observation of the Corporate Governance Code of Rosneft

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Information on Observation of the Corporate Governance Code of Rosneft

(prepared in compliance with the Resolution No. 03-849/p dated April 30, 2003, of the Federal Agency for Securities Market “On methodical recommendations on composition and form of presentation of information regarding observation of the Corporate Governance Code in annual reports of joint-stock companies”)

| № | Provision of the Corporate Governance Code | Observed or not observed | Remarks |
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| General Shareholders Meeting | | | |
| 1. | Notification of shareholders on holding of the General Shareholders Meeting at least 30 days before the date of its holding irrespective of matters included into the agenda, if legislation does not specify longer period | Observed | <ul style="list-style-type: none"> * Item 12.11 (Information on holding of the General Shareholders Meeting, Section 12 General Shareholders Meeting) of the Charter of Rosneft Oil Company; * Item 1, Clause 13 (Call and preparation for holding of the General Shareholders Meeting, Chapter 3 General Shareholders Meeting) of the Corporate Conduct Code of Rosneft Oil Company |
| 2. | Shareholders have an opportunity to get familiar with the list of persons, having the right to take part in the General Shareholders Meeting, beginning from the day of information on holding of the General Shareholders Meeting and up to closing of the General Shareholders Meeting in presence form, and in case of the General Shareholders Meeting in absence form – up to the date of stopping the reception of the voting bulletins | Observed | <ul style="list-style-type: none"> * Item 8.10 (Voting shares, Section 8 Shares of the Company) of the Charter of Rosneft Oil Company; * Clause 23 (Familiarization with the list of persons, having the right to take part in General Shareholders Meeting, Section 6 Compiling the list of persons, having the right to take part in the General Shareholders Meeting) of the Provision for General Shareholders Meeting of Rosneft Oil Company |
| 3. | Shareholders have an opportunity to get familiar with the information (materials) to be presented when preparing for holding of the General Shareholders Meeting by means of electronic aids, including by means of the Website | Observed | <ul style="list-style-type: none"> * Items 12.11, 12.12 (Information on holding of the General Shareholders Meeting, Section 12 General Shareholders Meeting) of the Charter of Rosneft Oil Company; * Item 3, Clause 6 (Placing the information on the website) Provision on information policy of Rosneft Oil Company; * Item 2, Clause 13 (Call and preparation for holding of the General Shareholders Meeting, Chapter 3 General Shareholders Meeting) of the Corporate Governance Code of Rosneft Oil Company |

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| 4. | A Shareholder has an opportunity to introduce a question into the agenda of the General Shareholders Meeting or demand to call the General Shareholders Meeting without presentation of the extract from the register of shareholders provided his right to shares is accounted in the shareholder register keeping system and in case if his right to shares is accounted in stock deposit account – sufficiency of the extract from the stock deposit account to perform the above rights | Observed | <p>* Item 4, Clause 5 (Introducing question(s) into the agenda of the shareholder annual general meeting and nomination of candidates to the bodies of the Company for election on the shareholder annual general meeting, Section 3 Offers on introducing the questions into the agenda of the shareholder annual general meeting. Offers on nomination of candidates to the bodies of the company for election on the shareholder annual general meeting), Item 2, Clause 11 (Call of extraordinary General Shareholders Meeting, Section 4 Extraordinary General Shareholders Meeting) of the Provision for General Shareholders Meeting of Rosneft Oil Company;</p> <p>* Item 5, Clause 13 (Call and preparation for holding of the General Shareholders Meeting, Chapter 3 General Shareholders Meeting) of the Corporate Governance Code of Rosneft Oil Company</p> |
| 5. | The Charter or internal documents of the Joint Stock Company contain the requirements for obligatory presence of the General Director, members of the Management Board, members of the Board of Directors, members of the Internal Audit Committee and auditor of the Joint Stock Company in the General Shareholders Meeting | Observed | <p>* Item 2, Clause 28 (Persons present on General Shareholders Meeting, Section 9 Procedure for participation of shareholders and their authorized representatives in General Shareholders Meeting) of the Provision on General Shareholders Meeting of Rosneft Oil Company;</p> <p>* Item 2, Clause 14 (Holding of the General Shareholders Meeting, Chapter 3 General Shareholders Meeting);</p> <p>Item 1, Clause 19 (Duties of executive bodies, Chapter 4 Executive bodies of Company), Item 3, Clause 27 (Auditor of the Company. Auditing inspection, Chapter 5 Inspection for financial/economic activity of the Company) of the Corporate Governance Code of Rosneft Oil Company;</p> <p>* Item 1, Clause 6 (Duties of a member of the Board of Directors, Section 2 Members of the Board of Directors) of the Provision on the Board of Directors of Rosneft Oil Company;</p> <p>* Item 1, Clause 8 (Duties of a member of Management Board, Section 2 Members of Management Board) of the Provision on the collegial executive body of the Company (Management Board) of Rosneft Oil Company;</p> <p>* Item 1, Clause 9 (Duties of President) of the Provision on the personal executive body (President) of Rosneft Oil Company;</p> <p>* Item 2, Clause 2 (Duties of Internal Audit Committee) of the Provision on the Internal Audit Committee of Rosneft Oil Company</p> |

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| 6. | Obligatory presence of candidates when considering on the General Shareholders Meeting the matters on election of members of the Board of Directors, General Director, members of the Management Board, members of the Internal Audit Committee, as well as the matter on approval of the auditor of the Joint Stock Company | Observed | Executed in practice. In compliance with the Provision on the General Shareholders Meeting of Rosneft Oil Company present on the General Shareholders Meeting may be candidates introduced into the voting bulletins for election of the bodies of the Company (Item 1, Clause 28 (Persons present on the General Shareholders Meeting, Section 9 Procedure for participation of shareholders and their authorized representatives in the General Shareholders Meeting)) |
| 7. | The internal documents of the Joint Stock Company contain the procedure for registration of participants of the General Shareholders Meeting | Observed | * Section 13 (Registration of participants of the shareholder meeting held in the form of the joint presence) of the Provision on the General Shareholders Meeting of Rosneft Oil Company; * Item 1, Clause 14 (Holding of the General Shareholders Meeting) of the Corporate Governance Code of Rosneft Oil Company |

Board of Directors

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| 8. | Presence of the authority of the Board of Directors for annual approval of financial and economic plan of the Joint Stock Company in the Charter of the Joint Stock Company | Observed | Item 13.2 (Competence of the Board of Directors, Section 13 Board of Directors of the Company) of the Charter of Rosneft Oil Company |
| 9. | Presence of the procedure of risk control in the Joint Stock Company approved by the Board of Directors | Not observed | The Audit Committee of the Board of Directors of Rosneft Oil Company considered in October 2007 the Conception for development of the risk control system of Rosneft Oil Company and the recommendations to the Board of Directors of the Company on its approval are adopted |
| 10. | Presence of the right of the Board of Directors to make the decision to suspend the authorities of the General Director appointed by the General Shareholders Meeting in the Charter of the Joint Stock Company | Not observed | |

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| 11. | Presence of the right of the Board of Directors to establish the requirements for qualification and amount of bonus to the General Director, members of the Management Board, heads of the main structural divisions of the Joint Stock Company in the Charter of the Joint Stock Company | Partially observed | <p>Specific requirements for professional qualification of the executive bodies are established by the internal documents of the Company (Item 2, Clause 16 of the Corporate Governance Code of Rosneft Oil Company), namely:</p> <ul style="list-style-type: none"> * Clause 4 (Requirements for the President) of the Provision on the personal executive body (President) of Rosneft Oil Company; * Clause 4 (Requirements for members of Management Board, Section 2 Members of the Management Board) of the Provision on the collegial executive body (Management Board) of Rosneft Oil Company. <p>Additional criteria of selection of candidates of the said persons shall be determined by the HR and Remuneration Committee of the Board of Directors of the Company (Item 3 of Clause 3 of the Provision on the HR and Remuneration Committee of the Board of Directors of Rosneft Oil Company)</p> <p>The Board of Directors approves the contract, including the conditions for awarding to the President of the company, members of the Management Board (Item 13.2 of the Charter of Rosneft Oil Company).</p> <p>The HR and Remuneration Committee of the Board of Directors of the Company shall work out the principles and criteria of determination of the amount of the awarding of the said persons (Item 5, Clause 3 of the Provision on the HR and Remuneration Committee of the Board of Directors of Rosneft Oil Company)</p> |
| 12. | Availability of the right of the Board of Directors to approve the terms of contracts with the General Director and members of the Management Board in the Charter of the Joint Stock Company | Observed | Item 13.2 (Competence of the Board of Directors, Section 13 Board of Directors of company) of the Charter of Rosneft Oil Company |
| 13. | Presence in the Charter or internal documents of the Joint Stock Company of the requirement for the fact that during approval of the terms of the contracts with the General Director (managing organization, manager) and members of the Management Board the votes of members of the Board of Directors who are the General Director and members of the Management Board, are not taken into account when counting the votes | Not observed | |

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| 14. | Presence of at least 3 independent directors in the Joint Stock Company, who meet the requirements of the Corporate Governance Code | Observed | <p>* Item 1, Clause 7 (Independent members of the Board of Directors, Chapter 2 Board of Directors) of the Corporate Governance Code of Rosneft Oil Company;</p> <p>* Item 1, Clause 33 (Ratio of number of executive and independent members in the Board of Directors, Section 10 Conflict of interests on members of the Board of Directors with interests of the Company) of the Provision on the Board of Directors of Rosneft Oil Company</p> |
| 15. | Absence in the Board of Directors of the Joint Stock Company of the persons, who are faulty in crimes in the field of economic activities or crimes against the state authority, interests of the state service and service in the local self-government bodies or to whom the administrative actions were applied for the law violation in the field of the business activity or in the field of finances, taxes, dues or securities market | Observed | Executed in practice |
| 16. | Absence in the Board of Directors of the Joint Stock Company of the persons, who are a participant, General Director (manager), member of the managerial body or employee of the legal entity competing with the Joint Stock Company | Observed | Executed in practice |
| 17. | Presence of the requirement in the Charter of the Joint Stock Company for election of the Board of Directors by cumulative voting | Observed | Item 13.7 (Election of the Board of Directors, Section 13 Board of Directors of Company) of the Charter of Rosneft Oil Company |
| 18. | Presence in the internal documents of the Joint Stock Company of the obligation of members of the Board of Directors to abstain from actions, which will result or may potentially result in occurrence of the conflict between their interests and interests of the Joint Stock Company and in case of such conflict – the obligation to disclose the information on this conflict to the Board of Directors | Observed | <p>* Item 3, Clause 6 (Board of Directors in the Corporate Governance System (management) of the Company, Chapter 2 Board of Directors) of the Corporate Governance Code of Rosneft Oil Company;</p> <p>* Item 1, Clause 6 (Duties of a member of the Board of Directors, Section 2 Members of the Board of Directors), Section 10 (Conflict of interests of members of the Board of Directors with interests of the Company) of the Provision on the Board of Directors of Rosneft Oil Company</p> |

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| 19. | Presence in the internal documents of the Joint Stock Company of the obligation of members of the Board of Directors to inform in written the Board of Directors on intention to make transactions with securities of the Joint Stock Company, the members of the Board of Directors or of subsidiary (dependent) companies of which they are, as well as to disclose the information on making such transactions with the securities by them | Observed | <p>* Item 4, Clause 6 (Board of Directors in the Corporate Governance system (management) of the Company, Chapter 2 Board of Directors) of the Corporate Governance Code of Rosneft Oil Company;</p> <p>* Item 1, Clause 6 (Duties of a member of the Board of Directors, Section 2 Members of the Board of Directors) of the Provision on the Board of Directors of Rosneft Oil Company</p> |
| 20. | Presence in the internal documents of the Joint Stock Company of the requirement for holding of the meetings of the Board of Directors at least once every six weeks | Not observed | The meetings of the Board of Directors are held as required but at least once a quarter (Item 1, Clause 22 of the Provision on the Board of Directors of Rosneft Oil Company) |
| 21. | Holding of meetings of the Board of Directors of the Joint Stock Company within the year, during which the annual report of the Joint Stock Company is made with intervals of at least once every six weeks | Observed | Meetings of the Board of Directors of Rosneft Oil Company were held in each quarter of the reporting period (9 meetings were held in total) |
| 22. | Presence of the procedure for holding of meetings of the Board of Directors in the internal documents | Observed | <p>* Items 13.15 – 13.21 (Meeting of the Board of Directors, Section 13 Board of Directors of the Company) of the Charter of Rosneft Oil Company;</p> <p>* Section 6 (Meeting of the Board of Directors) of the Provision on the Board of Directors of Rosneft Oil Company</p> |
| 23. | Presence in the internal documents of the Joint Stock Company of the provision on necessity in approval of transactions of the Joint Stock Company by the Board of Directors for amount of 10 and more per cent of the cost of the assets of the Company except for transactions made in the process of the usual economic activities | Observed | Item 13.2 (Competence of the Board of Directors, Section 13 Board of Directors of the Company) of the Charter of Rosneft Oil Company |

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| 24. | Presence in the internal documents of the Joint Stock Company of the right of members of the Board of Directors to get the information required for performance of his functions from executive bodies and heads of structural subdivisions of the Joint Stock Company, as well as the responsibility for failure to present such information | Observed | Clause 8 (Duties of officials of the Company for performance of requirements of members of the Board of Directors, Section 2 Members of the Board of Directors) of the Provision on the Board of Directors of Rosneft Oil Company |
| 25. | Presence of the Strategic Planning Committee of the Board of Directors or imposition of the functions of the said committee upon another committee (except for Audit Committee and HR and Remuneration Committee) | Observed | During the reporting period the Strategic Planning Committee of Rosneft Oil Company continued its activity, was formed by the decision of the Board of Directors of the Company in June 2006 and in June 2007, on the basis of the Provision on procedure for forming and operation of Committees of the Board of Directors of the Company and Provision on the Strategic Planning Committee of the Board of Directors of the Company |
| 26. | Presence of the committee of the Board of Directors (Audit Committee), which recommends to the Board of Directors the auditor of the Joint Stock Company and interacts with it and the Internal Audit Committee of the Joint Stock Company | Observed | During the reporting period the Audit Committee of Rosneft Oil continued its activity, was formed by the decision of the Board of Directors of the Company in June 2006 and in June 2007, on the basis of the Provision on procedure for forming and operation of Committees of the Board of Directors of the Company and Provision on the Audit Committee of the Board of Directors of the Company |

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| 27. | Presence of only independent and non-executive directors in the composition of the Audit Committee | Not observed | <p>The Audit Committee of the Board of Directors of Rosneft Oil Company includes:</p> <ol style="list-style-type: none"> 1. Hans-Joerg Rudloff – Chairman of the Committee (an independent non-executive director). 2. Androssov Kirill Gennadevich (a non-executive director). 3. Kostin Andrey Leonidovich (an independent non-executive director). <p>Internal documents of the Company specify that the Audit Committee shall consist only of the members of the Board of Directors, who are not executive directors of the Company and be headed by the independent director, namely:</p> <ul style="list-style-type: none"> * Item 4, Clause 9 (Audit Committee of the Board of Directors, Chapter 2 Board of Directors) of the Corporate Governance Code of Rosneft Oil Company; * Item 3, Clause 35 (Forming of committees of the Board of Directors, Chapter 11 Committees of the Board of Directors) of the Provision on the Board of Directors of Rosneft Oil Company; * Item 4, Clause 2 (Forming of committees of the Board of Directors) of the Provision on forming and operation of Committees of the Board of Directors of Rosneft Oil Company; * Item 2, Clause 2 (General provisions on committees) of the Provision on the Audit Committee of the Board of Directors of Rosneft Oil Company |
| 28. | Management of the Audit Committee by the non-executive director | Observed | <p>Hans-Joerg Rudloff is the Chairman of the Audit Committee of the Board of Directors of Rosneft Oil Company (an independent director).</p> <p>This provision is contained in the following internal documents of the Company:</p> <ul style="list-style-type: none"> * Item 4, Clause 9 (Audit Committee of the Board of Directors, Chapter 2 Board of Directors) of the Corporate Governance Code of Rosneft Oil Company; * Item 4, Clause 35 (Forming of committees of the Board of Directors, Chapter 11 Committees of the Board of Directors) of the Provision on the Board of Directors of Rosneft Oil Company; * Item 4, Clause 2 (Forming of committees of the Board of Directors) of the Provision on procedure of forming and operation of Committees of the Board of Directors of Rosneft Oil Company; * Item 2, Clause 2 (General provisions on committees) of the Provision on the Audit Committee of the Board of Directors of Rosneft Oil Company |

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| 29. | Presence in the internal documents of the Joint Stock Company of the right of access of all members of the Audit Committee to any documents and information of the Joint Stock Company in case of non-disclosure of the confidential information | Observed | <p>* Item 2, Clause 8 (Provision of activities of committees of the Board of Directors) of the Provision for procedure of formation and operation of Committees of the Board of Directors of Rosneft Oil Company;</p> <p>* Clause 6 (Interaction of Committee with executive bodies of Company) of the Provision on the Audit Committee of the Board of Directors of Rosneft Oil Company</p> |
| 30. | Organization of Committee of the Board of Directors (HR and Remuneration Committee), the function of which is to determine criteria for selection of candidates to members of the Board of Directors and to work out the policy of the Joint Stock Company in the award field | Observed | During the reporting period the HR and Remuneration Committee of Rosneft Oil Company continued its activity, was formed by decisions of the Board of Directors of the Company in June 2006 and in June 2007, on the basis of the Provision on procedure for formation and operation of Committees of the Board of Directors of the Company and Provision on the HR and Remuneration Committee of the Board of Directors of the Company |
| 31. | Management of the HR and Remuneration Committee by an independent director | Observed | <p>Andrey Lenidovich Kostin is the Chairman of the HR and Remuneration Committee of the Board of Directors of Rosneft Oil Company (an independent director). This provision is specified in the following internal documents of the Company:</p> <p>* Item 4, Clause 10 (HR and Remuneration Committee of the Board of Directors, Chapter 2 Board of Directors) of the Corporate Governance Code of Rosneft Oil Company;</p> <p>* Item 4, Clause 35 (Forming of committees of the Board of Directors, Chapter 11 Committees of the Board of Directors) of the Provision on the Board of Directors of Rosneft Oil Company;</p> <p>* Item 4, Class 2 (Forming of committees of the Board of Directors) of the Provision on procedure of formation and operation of Committees of the Board of Directors of Rosneft Oil Company;</p> <p>* Item 2, Clause 2 (General provisions on committee) of the Provision on the HR and Remuneration Committee of the Board of Directors of Rosneft Oil Company</p> |

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| 32. | Absence of officials of the Joint Stock Company in the composition of HR and Remuneration Committee | Observed | <p>The HR and Remuneration Committee of the Board of Directors of Rosneft Oil Company includes:</p> <ol style="list-style-type: none"> 1. Kostin Andrey Leonidovich – President – Chairman of the Committee (a non-executive director). 2. Naryshkin Sergey Evgenievich (a non-executive director). 3. Hans-Joerg Rudloff (a non-executive director). <p>This provision is specified in the following internal documents of the Company:</p> <ul style="list-style-type: none"> * Item 4, Clause 10 (HR and Remuneration Committee of the Board of Directors, Chapter 2 Board of Directors) of the Corporate Governance Code of Rosneft Oil Company; * Item 4, Clause 35 (Forming of committees of the Board of Directors, Chapter 11 Committees of the Board of Directors) of the Provision on the Board of Directors of Rosneft Oil Company; * Item 4, Clause 2 (Forming of committees of the Board of Directors) of the Provision on procedure for formation and operation of committees of the Board of Directors of Rosneft Oil Company; * Item 2, Clause 2 (General provisions on committees) of the Provision on the HR and Remuneration Committee of the Board of Directors of Rosneft Oil Company |
| 33. | Organization of the committee of the Board of Directors for risks or imposition of functions of the said committee to another committee (except for Audit Committee and HR and Remuneration Committee) | Not observed | <p>This function is imposed upon the Audit Committee of the Board of Directors of Rosneft Oil Company:</p> <ul style="list-style-type: none"> * Item 1, Clause 2 (General provisions on the committee), Item 2, Clause 3 (Functions of the committee), Item 3, Clause 7 (Interaction of the committee with structural subdivision, performing the functions of the internal inspection of the Company) of the Provision on the Audit Committee of the Board of Directors of Rosneft Oil Company |
| 34. | Organization of the committee of the Board of Directors for control of corporate conflicts or imposition of functions of the said committee on another committee (except for Audit Committee and HR and Remuneration Committee) | Not observed | <p>Rosneft Oil Company has no Committee of the Board of Directors for corporate conflicts. Provision is made for organization of such committee for prevention and effective pre-trial settlement of corporate conflicts with participation of the Company and its shareholders (Item 6, Clause 12 of the Corporate Governance Code of Rosneft Oil Company)</p> |
| 35. | Absence of the officials of the Joint Stock Company in composition of the Committee for control of corporate conflicts | Not observed | <p>Rosneft Oil Company contains no Committee of the Board of Directors for control of corporate conflicts</p> |
| 36. | Management of the Committee for control of corporate conflicts by an individual director | Not observed | <p>Rosneft Oil Company contains no Committee of the Board of Directors for control of corporate conflicts</p> |

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| 37. | Availability of internal documents of the Joint Stock Company, specifying the procedure for formation and operation of committees of the Board of Directors, which are approved by the Board of Directors | Observed | The following documents are approved by the decisions of the Board of Directors of Rosneft Oil Company in May, 2006: 1. Provision on procedure for formation and operation of Committees of the Board of Directors of Rosneft Oil Company. 2. Provision on the Audit Committee of the Board of Directors of Rosneft Oil Company. 3. Provision on the HR and Remuneration Committee of the Board of Directors of Rosneft Oil Company. 4. Provision on the Strategic Planning Committee of the Board of Directors of Rosneft Oil Company |
| 38. | Presence in the Charter of the Joint Stock Company of the procedure for determination of the quorum of the Board of Directors, making it possible to ensure the obligatory participation of independent directors in the meetings of the Board of Directors | Not observed | The quorum for holding of the meeting of the Board of Directors is considered achieved subject to: presence and (or) availability of the written opinion of more than one half of the number of elected members of the Board of Directors (Item 13.18 of the Charter of Rosneft Oil Company) |
| Executive bodies | | | |
| 39. | Presence of the collegial executive body (Management Board) of the Joint Stock Company | Observed | Section 14 (Executive bodies of the Company) of the Charter of Rosneft Oil Company |
| 40. | Presence in the Charter or internal documents of the Joint Stock Company of the provision on that the Board shall approve the transactions with real estate, getting the credits by the Joint Stock Company if the said transactions are not related to large transactions and their performance is not related to the common economic activity of the Joint Stock Company | Observed | Item 14.9 (Section 14 Executive bodies of the Company) of the Charter of Rosneft Oil Company: approval of transactions connected with purchase, disposal or possible disposal directly or indirectly of the property by the Company, the cost of which is above 5 and up to 10 per cent of the book value of assets of the Company determined according to the date of its accounting reporting on the last reporting date, except for transactions made in the process of the usual economic activity of the Company, transactions connected with placing by subscription (realization) of common shares of the Company and transactions connected with placing of emission securities converted to the common shares of the Company |
| 41. | Presence in the internal documents of the Joint Stock Company of the procedure for coordination of operations, which are out of the framework of financial and economic plan of the Joint Stock Company | Observed | Item 13.2 (Competence of the Board of Directors, Section 13 Board of Directors of Company) of the Charter of Rosneft Oil Company: approval of transactions connected with purchase, disposal or possible disposal directly or indirectly of the property by the Company, the cost of which is above 10 and up to 25 per cent of the book value of the assets of the Company determined according to its accounting reporting on the last reporting date, except for transactions made in the process of the usual economic activity of the Company |

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| 42. | Executive bodies contain no persons being a participant, General Director (manager), member of managerial body or a worker of a legal entity, competing with the Joint Stock Company | Observed | <ul style="list-style-type: none"> * Item 1, Clause 6 (Conflict of interests of members of the Board with interests of the Company) of the Provision on the collegial executive body (Management Board) of Rosneft Oil Company; * Item 1, Clause 7 (Conflict of interests of the President with interests of the Company) of the Provision on the personal executive body (President) of Rosneft Oil Company |
| 43. | Absence in the Board of Directors of the Joint Stock Company of the persons, who are faulty in crimes in the field of economic activities or crimes against the state authority, interests of the state service and service in the local self-government bodies or to whom the administrative actions were applied for the law violation in the field of the business activity or in the field of finances, taxes, dues, securities market. If the functions of the sole executive body are performed by the managing organization or manager – conformity of the General Director and members of the Board of the managing organization or of the manager to the requirements imposed upon the General Director and members of the Management Board of the Joint Stock Company | Observed | <ul style="list-style-type: none"> * Clause 4 (Requirements for members of the Management Board) of the Provision on collegial executive body (Management Board) of Rosneft Oil Company; * Clause 4 (Requirements for President) of the Provision for the personal executive body (President) of Rosneft Oil Company |
| 44. | The Charter or internal documents of the Joint Stock Company have the prohibition to the managing organization (manager) to perform similar functions in competing company, as well as to be in any property relations with the Joint Stock Company except for rendering of services to the managing organization (manager) | Not observed | The Charter of the Company does not specify the provision for the managing organization (manager) |

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| 45. | Presence in the internal documents of the Joint Stock Company of the duty of executive bodies to abstain from actions, which will result or may potentially result in occurrence of the conflict between their interests and interests of the Joint Stock Company and in case of such conflict – the obligation to disclose the information on this conflict to the Board of Directors | Observed | <ul style="list-style-type: none"> * Item 1, Clause 19 (Duties of executive bodies, Chapter 4 Executive bodies of the Company) of the Corporate Governance Code of Rosneft Oil Company; * Item 1, Clause 8 (Duties of members of the Board, Section 2 Members of the Board) of the Provision on the collegial executive body (Management Board) of Rosneft Oil Company; * Item 1, Clause 9 (Duties of the President) of the Provision on the personal executive body (President) of Rosneft Oil Company |
| 46. | Presence in the Charter or internal documents of the Joint Stock Company of criteria for selection of managing organization (manager) | Not observed | The Charter of the Company does not provide provisions on managing organization (manager) |
| 47. | Presentation of monthly reports of its work to the Board of Directors by the executive bodies of the Joint Stock Company | Not observed | Provision is made for annual presentation of reports on its activity to the Board of Directors by executive bodies and at the request of the Board of Directors – other reports (Item 3, Clause 19 of the Corporate Governance Code of Rosneft Oil Company), Clause 25 of the Provision on the collegial executive body (Management Board) of Rosneft Oil Company |
| 48. | Responsibility for violation of provisions on use of the confidential and service information, which is established in contracts concluded by the Joint Stock Company with the General Director (managing organization, manager) and members of the Management Board | Observed | Clause 7 (Duties for keeping the service (professional) secret with respect to the inside information) of the Provision on Inside Information of Rosneft Oil Company |

Secretary of company

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| 49. | Presence in the Joint Stock Company of a special official person (Secretary of the Company), the task of which is to ensure the observation of the procedure requirements, guaranteeing the realization of rights and legal interests of the Joint Stock Company by the bodies and officials of the Joint Stock Company | Not observed | <p>In compliance with the Provision on the Corporate Secretary of Rosneft Oil Company (approved by the decision of the Board of Directors of Rosneft Oil Company in May, 2006) the Company provides for a special official person – Corporate Secretary (for the purpose of observing the procedures to ensure the rights and legal interests of shareholders).</p> <p>The Board of Directors of Rosneft Oil Company plans to consider the matter on approval of the Corporative Secretary of Rosneft Oil Company</p> |
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| 50. | Presence in the Charter or internal documents of the Joint Stock Company of the procedure for appointment (election) of the Secretary of the Company and duties of the Secretary of the Company | Observed | <ul style="list-style-type: none"> * Item 13.2 (Competence of the Board of Directors, Section 13 Board of Directors of the Company) of the Charter of Rosneft Oil Company; * Chapter 4 (Corporate Secretary of the Company) of the Corporate Governance Code of Rosneft Oil Company; * Clauses 3, 6-11 of the Provision on the Corporate Secretary of Rosneft Oil Company |
| 51. | Presence in the Charter of the Joint Stock Company of the requirements for the candidate to the Secretary of the Company | Not observed | Requirements for the candidate to the Secretary of the Company are specified in the Clause 5 (Requirements for Corporate Secretary) of the Provision for Corporate Secretary of Rosneft Oil Company |
| Essential corporate actions | | | |
| 52. | Presence in the Charter or internal documents of the Joint Stock Company of the requirement for approval of large transactions before its performance | Not observed | |
| 53. | Obligatory attraction of independent evaluator for evaluation of the market cost of the property, which is a subject of a large transaction | Observed | Executed in practice |
| 54. | Presence in the Charter of the Joint Stock Company of the prohibition to take, when acquiring the large package of shares of the Joint Stock Company (take-over), any actions directed at protection of interests of executive bodies (members of these bodies) and members of the Board of Directors of the Joint Stock Company, as well as worsening the position of the shareholders as compared to the existing one (particularly, prohibition to take by the Board of Directors before completion of the supposed term of acquisition of shares the decision to issue the additional shares, to issue the securities converted to the shares or securities, giving the right to acquire the shares of the company even if the right of taking such decision is granted to it by the Charter). | Not observed | |

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| 55. | Presence in the Charter of the Joint Stock Company of the requirements for obligatory attraction of the independent evaluator for evaluation of the current market cost of shares and possible changes of their market cost as a result of take-over | Not observed | |
| 56. | Absence in the Charter of the Joint Stock Company of the excuse of the acquirer from the obligation to offer to shareholders to sell the belonging common shares of the company (emission securities converted to common shares) during take-over | Not observed | |
| 57. | Presence in the Charter or internal documents of the Joint Stock Company of the requirements for obligatory attraction of the independent estimator for determination of the ratio of conversion of shares during reorganization | Not observed | |
| Disclosure of information | | | |
| 58. | Presence of the internal document approved by the Board of Directors, which determines the rules and approaches of the Joint Stock Company to disclosure of the information (Provision on information policy) | Observed | Provision on information policy of Rosneft Oil Company (approved by the decision of the Board of Directors of Rosneft Oil Company in May, 2006) |
| 59. | Presence in the internal documents of the Joint Stock Company of the requirements for disclosure of the information on the purpose of placing the shares, on the persons who are going to acquire the shares to be placed including large packages of shares, as well as on whether the top officers of the Joint Stock Company will take part in acquisition of the shares of the company to be placed | Not observed | The information is disclosed in compliance with the requirements of the Russian Law and Provision on information policy of Rosneft Oil Company |
| 60. | Presence in the internal documents of the Joint Stock Company of the list of information, documents and materials, which shall be submitted to shareholders to solve matters raised on the General Shareholders Meeting | Observed | Item 12.12 (Information on holding of the General Shareholders Meeting, Chapter 12 General Shareholders Meeting) of the Charter of Rosneft Oil Company |

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| 61. | Presence of the Joint Stock Company website and regular disclosure of information on the Joint Stock Company on this website | Observed | http://www.rosneft.ru/ Information on the Company is disclosed also by placing it on the website (Clause 4 of the Provision on information policy of Rosneft Oil Company) |
| 62. | Presence in the internal documents of the Joint Stock Company of the requirement for disclosure of information on transactions of the Joint Stock Company with persons related according to the Charter to the higher officials of the Joint Stock Company, as well as on transactions of the Joint Stock Company with organizations, in which 20 and more per cent of the authorized capital of the Joint Stock Company belong directly or indirectly to the higher officials, on which such persons may exert great effect | Observed | The information is disclosed in compliance with requirements of the Russian Law and Provision on information policy of Rosneft Oil Company |
| 63. | Presence in the internal documents of the Joint Stock Company of the requirement on disclosure of the information on all transactions, which may exert effect on the market cost of the shares of the Joint Stock Company | Observed | The information is disclosed in compliance with requirements of the Russian Law and Provision on information policy of Rosneft Oil Company |
| 64. | Presence of the internal document approved by the Board of Directors on use of essential information on activities of the Joint Stock Company, shares and other securities of the Company and transactions and transactions with them, which is not accessible to public and disclosure of which may exert essential effect on the market cost of shares and other securities of the Joint Stock Company | Observed | Provision on Inside Information of Rosneft Oil Company (approved by the decision of the Board of Directors of Rosneft Oil Company in May, 2006) |

Inspection of financial and economic activity

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| 65. | Presence of procedures of Internal Inspection of financial and economic activities of the Joint Stock Company, which are approved by the Board of Directors | Observed | Provision of Internal Control of Financial and Economic Activities of Rosneft Oil Company (approved by the decision of the Board of Directors of Rosneft Oil Company in May, 2006) |
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| 66. | Presence of the special subdivision of the Joint Stock Company, ensuring the observation of procedures for Internal Inspection (supervision and auditing service) | Observed | Rosneft Oil Company has Control and Auditing Department, which is specified in the following internal documents of the Company: * Item 2, Clause 24 (Control system for Financial and Economic Activities of the Company) of the Corporate Governance Code of Rosneft Oil Company; * Item 1, Clause 4 (Organization of internal control) of the Provision of Internal Control of Financial and Economic Activities of Rosneft Oil Company |
| 67. | Presence in the internal documents of the Joint Stock Company of the requirement for determination of the structure and composition of the supervision and auditing service of the Joint Stock Company by the Board of Directors | Observed | The organizational structure and composition of Control and Auditing Department of Rosneft Oil Company are determined in Provision of Internal Control of Financial and Economic Activities of Rosneft Oil Company taken by the decision of the Board of Directors of the Company (Clause 7 Organizational structure of Control and Auditing Department) |
| 68. | Absence in the supervision and auditing service of the persons, who are faulty in crimes in the field of economic activities or crimes against the state authority, interests of the state service and service in the local self-government bodies or to whom the administrative actions were applied for the law violation in the field of the business activity or in the field of finances, taxes, dues, securities market | Observed | Requirements of Clause 7 (Organizational structure of Control and Auditing Department) of the Provision of Internal Control of Financial and Economic Activities of Rosneft Oil Company is executed in practice |
| 69. | Absence in the supervision and auditing service of the persons, who are members of executive bodies, as well as who are a participant, General Director (manager), member of the managerial body or employee of the legal entity competing with the Joint Stock Company | Observed | Requirements of Clause 7 (Organizational structure of Control and Auditing Department) of the Provision of Internal Control of Financial and Economic Activities of Rosneft Oil Company is executed in practice |
| 70. | Presence in the internal documents of the Joint Stock Company of the time of presentation to the supervision and auditing service of the documents and materials for estimation of financial/economic operations made, as well as the responsibility of officials and workers of the Joint Stock Company for their failure to present the said documents in due time | Not observed | |

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| 71. | Presence in the internal documents of the Joint Stock Company of the duties of the supervision and auditing service to report the revealed violations to the Audit Committee, and in case of its absence to the Board of Directors of the Joint Stock Company | Observed | Item 2, Clause 12 (Taking measures to eliminate violations and faults detected by the inspection (revision) of the Provision of Internal Control of Financial and Economic Activities of Rosneft Oil Company) |
| 72. | Presence in the Charter of the Joint Stock Company of the requirement for preliminary estimation by the supervision and auditing service of the expediency of making operations not specified by the financial and economic plan of the Joint Stock Company (non-standard operations) | Not observed | |
| 73. | Presence in the internal documents of the Joint Stock Company of the procedure for coordination of non-standard operations with the Board of Directors | Not observed | |
| 74. | Presence of the internal document approved by the Board of Directors, which determines the procedure to perform inspections of financial and economic activities of the Joint Stock Company by the Internal Audit Committee | Observed | Provision on the Internal Audit Committee of Rosneft Oil Company (approved by the General Shareholders Meeting of Rosneft Oil Company in June, 2006) |
| 75. | Evaluation of the audit conclusion by the Audit Committee before its submission to shareholders on the General Shareholders Meeting | Observed | *Item 1, Clause 9 (Audit Committee of the Board of Directors, Chapter 2 Board of Directors) of the Corporate Governance Code of Rosneft Oil Company; * Item 1, Clause 3 (Functions of committee) of the Provision on the Audit Committee of the Board of Directors of Rosneft Oil Company |
| Dividends | | | |
| 76. | Presence of the internal document approved by the Board of Directors, to which the Board of Directors adheres when taking recommendations on the size of dividends (Provision on dividend policy) | Observed | Provision on Dividend Policy of Rosneft Oil Company (approved by the decision of the Board of Directors of Rosneft Oil Company in May, 2006) |

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| 77. | Presence in the Provision on dividend policy of the procedure for determination of the minimum share of the net income of the Joint Stock Company aimed at payment of dividends and conditions, at which the dividends on preference shares are not paid or paid partially, the size of dividends on which is determined in the Charter of the Joint Stock Company | Observed | * Item 2, Clause 4 (Principles of dividend policy of the Company) of the Provision on Dividend Policy of Rosneft Oil Company; *Charter of the Company does not specify placing of preference shares |
| 78. | Publication of the information on dividend policy of the Joint Stock Company and changes introduced into it in periodical publication specified by the Charter of the Joint Stock Company for publication of messages on holding of the General Shareholders Meetings, as well as placing the said information on the website of the Joint Stock Company. | Observed | Information on Dividend Policy of Rosneft Oil Company and changes introduced into it are placed on the website of the Company |