



ROSNEFT

O I L C O M P A N Y

OPEN JOINT STOCK COMPANY

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31 AND SEPTEMBER 30, 2009,
AND TWELVE MONTHS ENDED DECEMBER 31, 2009, 2008 AND 2007**

The following discussion of Rosneft's financial condition and results of operations is based on, and should be read in conjunction with, the Company's financial statements and the notes thereto for the periods ended December 31, 2009, 2008 and 2007 (the "Consolidated Financial Statements"). Such terms as "Rosneft", "Company" and "Group" in their different forms in this report mean Rosneft Oil Company and its consolidated subsidiaries and affiliated companies. This report presents Rosneft's financial condition and results of operations on a consolidated basis. This report contains forward-looking statements that involve risks and uncertainties. Rosneft's actual results may materially differ from those discussed in such forward-looking statements as a result of various factors.

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

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

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

Overview

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

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

Rosneft is one of the world's largest publicly traded companies in terms of proved hydrocarbon reserves which as of December 31, 2009 amounted to 22.86 billion barrels of oil equivalent, including 18.06 billion barrels of oil and 816 billion cubic meters of gas, on the basis of the standards set forth by the Society of Petroleum Engineers, Petroleum Reserves Management System ("PRMS").

Rosneft's crude oil production amounts to 2.28 million barrels per day (average for the fourth quarter of 2009) and output of natural and associated gas is over 12 billion cubic meters per year.

Rosneft processes part of the crude oil produced at its seven refineries with the total primary refining capacity of 1.1 million barrels per day. Rosneft's refinery throughput is 1.0 million barrels per day (average for 2009) which equals 45% of the Company's crude oil output. The remaining volumes of crude oil are mostly exported to Europe, Asia and CIS countries.

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

Financial and Operating Highlights

	<i>For 3 months ended</i>		<i>For 12 months ended December 31</i>		
	December 31, 2009	September 30, 2009	2009	2008	2007
Revenues (US\$ million)	14,567	13,048	46,826	68,991	49,216
EBITDA (US\$ million)	4,014	3,659	13,565	17,108	14,459
Adjusted net income (US\$ million) ¹	1,656	1,199	6,472	10,449	6,497
Crude oil production (th. barrels per day)	2,275	2,214	2,182	2,121	2,027
Gas production (bcm)	3.44	2.96	12.68	12.38	15.71
Hydrocarbon production (th. boe per day)	2,495	2,403	2,386	2,320	2,281
Production of petroleum products (million tonnes)	11.80	12.01	47.06	46.44	32.74

Main Factors Affecting Results of Operations

Main factors affecting Rosneft's results of operations are:

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

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

¹ Net income for 2009 and 2008 was adjusted for effect of the results of SWAP operations. Net income for 2007 was adjusted for the effect of income, tax income from Yukos bankruptcy proceeds and interests accrued in relation to Yugansk tax liabilities in 1999-2004. See "Key financial ratios".

Changes in Crude Oil, Petroleum Product and Gas Prices

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

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

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

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

	<i>For 3 months ended</i>		<i>change between 4 and 3 quarters</i>	<i>For 12 months ended December 31</i>			<i>change for 12 months ended December 31</i>	
	December 31, 2009	September 30, 2009	2009	2009	2008	2007	2009-2008	2008-2007
World market	(US\$ per barrel)		%	(US\$ per barrel)			%	
Brent (dated)	74.56	68.27	9.2%	61.51	96.99	72.52	(36.6)%	33.7%
Urals (average CIF Med and NWE)	74.26	68.00	9.2%	61.01	94.52	69.39	(35.5)%	36.2%
Urals (FOB Primorsk)	72.56	66.82	8.6%	59.51	92.27	68.01	(35.5)%	35.7%
Urals (FOB Novorossysk)	72.51	67.05	8.1%	59.60	91.74	67.85	(35.0)%	35.2%
Dubai-Oman	75.50	68.10	10.9%	61.80	93.80	68.27	(34.1)%	37.4%
	(US\$ per tonne)			(US\$ per tonne)				
Naphtha (av. FOB/CIF Med)	647.63	586.74	10.4%	520.59	769.51	656.85	(32.3)%	17.2%
Naphtha (av. FOB Rotterdam/CIF NWE)	659.36	596.12	10.6%	531.19	788.34	673.98	(32.6)%	17.0%
Naphtha (CF Japan)	679.96	609.11	11.6%	553.36	826.51	695.97	(33.0)%	18.8%
Fuel oil 3.5% (av. FOB/CIF Med)	438.26	402.22	9.0%	348.63	463.20	346.00	(24.7)%	33.9%
Fuel oil 3.5% (av. FOB Rotterdam/CIF NWE)	433.04	395.99	9.4%	344.00	457.39	337.82	(24.8)%	35.4%
High sulphur fuel oil (FOB Singapore)	461.10	422.03	9.3%	370.76	510.97	376.73	(27.4)%	35.6%
Gasoil 0.1% (av. FOB/CIF Med)	611.65	557.62	9.7%	520.65	932.45	- ¹	(44.2)%	-
Gasoil 0.1% (av. FOB Rotterdam/CIF NWE)	611.09	558.48	9.4%	518.92	923.56	-	(43.8)%	-
Gasoil 0.5% (FOB Singapore)	606.62	556.86	8.9%	512.55	888.08	632.09	(42.3)%	40.5%
Russian market (net of VAT, including excise tax)	(US\$ per tonne)			(US\$ per tonne)				
Crude oil	221.16	224.50	(1.5)%	182.49	285.47	236.36	(36.1)%	20.8%
Fuel oil	274.91	252.74	8.8%	207.89	283.43	185.95	(26.7)%	52.4%
Diesel	435.60	411.10	6.0%	397.96	724.85	497.59	(45.1)%	45.7%
High octane gasoline	686.64	709.57	(3.2)%	579.79	815.39	667.55	(28.9)%	22.1%
Low octane gasoline	607.83	614.62	(1.1)%	500.01	689.11	556.56	(27.4)%	23.8%

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

¹ The publication of prices started from October 2007.

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

The regulated price has affected, and is likely to continue to affect, the pricing of the gas Rosneft sells to Gazprom. Rosneft's average gas sale price was RUB 1,113 (US\$ 37.76) per thousand cubic meters and RUB 1,044 (US\$ 33.33) per thousand cubic meters in the fourth quarter of 2009 and in the third quarter of 2009, respectively.

In the twelve months of 2009 and 2008, Rosneft's average gas sale price was RUB 1,058 (US\$ 33.36) per thousand cubic meters and RUB 965 (US\$ 38.82) per thousand cubic meters, respectively.

US\$/RUB Exchange Rate and Inflation

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

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

	<i>For 3 months ended</i>		<i>For 12 months ended December 31</i>		
	December 31, 2009	September 30, 2009	2009	2008	2007
Rouble inflation (CPI) for the period	0.7%	0.6%	8.8%	13.3%	11.9%
Change of the average invert exchange rate (RUB/US\$) compared to the previous period	6.3%	2.8%	(21.6)%	2.9%	6.3%
US\$/RUB exchange rate at the end of the period	30.24	30.09	30.24	29.38	24.55
Average US\$/RUB exchange rate for the period	29.47	31.33	31.72	24.86	25.58
Real appreciation/(depreciation) of the RUB against the US\$ for the period ⁽¹⁾	0.2%	4.6%	5.7%	(5.3)%	20.0%
Real appreciation/(depreciation) of the RUB against the US\$ for the last twelve months ⁽¹⁾	5.7%	(7.1)%	5.7%	(5.3)%	20.0%

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

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

Taxation

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

	<i>For 3 months ended</i>		<i>% change between 4 and 3 quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2009	September 30, 2009	2009	2009	2008	2007	2009 - 2008	2008 - 2007
Mineral extraction tax								
Crude oil (RUB per tonne)	2,788	2,662	4.7%	2,299	3,329	2,470	(30.9)%	34.8%
Natural gas (RUB per th. cubic meters)	147	147	-	147	147	147	-	-
Associated gas (RUB per th. cubic meters)	0	0	-	0	0	0	-	-
Export customs duty								
Crude oil (US\$ per tonne)	247.63	224.40	10.4%	179.33	355.23	206.49	(49.5)%	72.0%
Light and middle distillates and gasoil (US\$ per tonne)	179.17	163.50	9.6%	133.13	251.63	151.45	(47.1)%	66.1%
Liquid fuels (fuel oil) (US\$ per tonne)	96.50	88.07	9.6%	71.71	135.57	81.57	(47.1)%	66.2%
Excise on petroleum products								
High octane gasoline (RUB per tonne)	3,629	3,629	-	3,629	3,629	3,629	-	-
Low octane gasoline (RUB per tonne)	2,657	2,657	-	2,657	2,657	2,657	-	-
Naphtha (RUB per tonne)	3,900	3,900	-	3,900	2,657	2,657	46.8%	-
Diesel (RUB per tonne)	1,080	1,080	-	1,080	1,080	1,080	-	-
Lubricants (RUB per tonne)	2,951	2,951	-	2,951	2,951	2,951	-	-

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

	<i>For 3 months ended</i>		<i>% change between 4 and 3 quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2009	September 30, 2009	2009	2009	2008	2007	2009-2008	2008-2007
Mineral extraction tax								
Crude oil (US\$ per tonne)	94.59	84.97	11.3%	72.47	133.94	96.56	(45.9)%	38.7%
Natural gas (US\$ per th. cubic meters)	4.99	4.69	6.4%	4.64	5.91	5.75	(21.5)%	2.8%
Excise on petroleum products								
High octane gasoline (US\$ per tonne)	123.14	115.83	6.3%	114.40	145.98	141.87	(21.6)%	2.9%
Low octane gasoline (US\$ per tonne)	90.16	84.81	6.3%	83.76	106.88	103.87	(21.6)%	2.9%
Naphtha (US\$ per tonne)	132.34	124.48	6.3%	122.95	106.88	103.87	15.0%	2.9%
Diesel (US\$ per tonne)	36.65	34.47	6.3%	34.05	43.44	42.22	(21.6)%	2.9%
Lubricants (US\$ per tonne)	100.14	94.19	6.3%	93.03	118.70	115.36	(21.6)%	2.9%

Tax rates per barrel:

	<i>For 3 months ended</i>		<i>% change between 4 and 3 quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2009	September 30, 2009	2009	2009	2008	2007	2009 - 2008	2008-2007
Mineral extraction tax on crude oil (US\$ per barrel)	12.93	11.62	11.3%	9.91	18.31	13.20	(45.9)%	38.7%
Export duty on crude oil (US\$ per barrel)	33.85	30.68	10.3%	24.51	48.56	28.23	(49.5)%	72.0%

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

	<i>For 3 months ended</i>				<i>For 12 months ended December 31</i>					
	December 31, 2009		September 30, 2009		2009		2008		2007	
	US\$ million	% of total revenue	US\$ million	% of total revenue	US\$ million	% of total revenue	US\$ million	% of total revenue	US\$ million	% of total revenue
Total revenues	14,567	100.0%	13,048	100.0%	46,826	100.0%	68,991	100.0%	49,216	100.0%
Export customs duty (for oil sales)	3,479	23.9%	2,905	22.3%	9,441	20.2%	17,200	24.9%	10,754	21.9%
Export customs duty (for petroleum prod. sales)	879	6.0%	835	6.4%	2,690	5.7%	4,806	7.0%	2,278	4.6%
Mineral extraction tax	2,078	14.3%	1,930	14.8%	6,502	13.9%	12,817	18.6%	9,323	18.9%
Excise tax	231	1.6%	245	1.9%	893	1.9%	1,120	1.6%	861	1.7%
Other taxes	138	0.9%	160	1.2%	666	1.4%	873	1.2%	706	1.5%
Income tax	779	5.3%	698	5.3%	2,000	4.3%	1,904	2.8%	4,906	10.0%
Total taxes	7,584	52.0%	6,773	51.9%	22,192	47.4%	38,720	56.1%	28,828	58.6%

The mineral extraction tax and the export customs duty accounted for approximately 40%, 50% and 45% of Rosneft's total revenues in the twelve months of 2009, 2008 and 2007, respectively.

Mineral Extraction Tax

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

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

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

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

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

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

Export Customs Duty on Crude Oil

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

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

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

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

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

Prior to January 1, 2007 export duties were not payable on crude oil exports to all CIS countries that were members of the Customs Union (Belarus, Kazakhstan, Kyrgyzstan and Tajikistan). Starting from 2007 export duties are payable on crude oil exports of crude oil to Belarus. In the periods analysed of 2009, 2008 and 2007 the export customs duties were levied on crude oil exports to Belarus at the fractional rate of 0.356, 0.335 and 0.293, respectively, applied to export customs duty as calculated pursuant to the table above.

Export Customs Duty on Petroleum Products

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

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

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

Changes in Transport Tariffs of Pipeline and Railway Monopolies

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

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

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

	<i>For 3 months ended</i>		<i>change between 4 and 3 quarters</i>	<i>For 12 months ended December 31</i>			<i>change for 12 months ended December 31</i>	
	December 31, 2009	September 30, 2009	2009	2009	2008	2007	2009–2008	2008–2007
	(RUB/tonne)		(%)		(RUB/tonne)		(%)	
CRUDE OIL								
Domestic								
<i>Pipeline</i>								
Yugansk – Samara refineries	545.01	545.01	-	531.57	417.75	325.92	27.2%	28.2%
Samara – Samara refineries	35.61	35.61	-	34.95	28.41	22.35	23.0%	27.1%
Yugansk – Angarsk refinery	740.49	740.49	-	726.74	587.42	512.48	23.7%	14.6%
Purpe – Tuapse refinery	1,136.78	1,136.78	-	1,110.14	877.62	685.58	26.5%	28.0%
Tomsk – Achinsk refinery	304.36	304.36	-	296.82	234.28	194.86	26.7%	20.2%
<i>Pipeline and railroad</i>								
Yugansk – Komsomolsk refinery	3,001.44	2,890.10	3.9%	2,851.54	2,690.56	2,262.91	6.0%	18.9%
Exports								
<i>Pipeline</i>								
Yugansk – Primorsk	1,070.35	1,070.35	-	1,052.07	853.56	694.92	23.3%	22.8%
Yugansk – Novorossysk	1,139.35	1,139.35	-	1,114.55	876.87	702.35	27.1%	24.8%
<i>Pipeline and railroad</i>								
Yugansk – China (through Meget)	2,567.01	2,574.00	(0.3)%	2,522.06	2,341.35	2,283.23	7.7%	2.5%
PETROLEUM PRODUCT EXPORTS								
Diesel								
Samara refineries – Ventspils	1,493.77	1,511.54	(1.2)%	1,473.09	1,256.34	1,102.23	17.3%	14.0%
Angarsk refinery – Nakhodka	3,299.00	3,299.00	-	3,206.08	2,896.85	2,391.27	10.7%	21.1%
Komsomolsk refinery – Nakhodka	1,293.66	1,293.66	-	1,256.94	1,125.26	927.75	11.7%	21.3%
Achinsk refinery – Tuapse	3,713.50	3,713.50	-	3,608.78	3,258.20	2,689.67	10.8%	21.1%
Fuel oil								
Samara refineries – Odessa	2,352.15	2,398.50	(1.9)%	2,338.62	1,951.22	1,837.53	19.9%	6.2%
Angarsk refinery – Nakhodka	3,355.16	3,355.16	-	3,257.66	2,877.00	2,363.72	13.2%	21.7%
Komsomolsk refinery – Nakhodka	1,256.66	1,256.66	-	1,220.14	1,077.54	885.21	13.2%	21.7%
Achinsk refinery – Nakhodka	4,138.84	4,138.84	-	4,018.57	3,549.01	2,915.87	13.2%	21.7%
Naphtha								
Samara refineries – Tuapse	1,586.33	1,586.33	-	1,541.66	1,385.04	1,143.20	11.3%	21.2%
Achinsk refinery – Tuapse	3,645.36	3,645.36	-	3,543.16	3,211.97	2,653.07	10.3%	21.1%
Angarsk refinery – Nakhodka	3,203.70	3,203.70	-	3,113.97	2,824.48	2,333.33	10.2%	21.0%
Komsomolsk refinery – Nakhodka	1,269.78	1,269.78	-	1,233.91	1,107.27	913.46	11.4%	21.2%

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

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

	<i>For 3 months ended</i>		<i>change between 4 and 3 quarters</i>	<i>For 12 months ended December 31</i>			<i>change for 12 months ended December 31</i>	
	December 31, 2009	September 30, 2009	2009	2009	2008	2007	2009–2008	2008–2007
	(US\$/tonne)		(%)		(US\$/tonne)		(%)	(%)
CRUDE OIL								
Domestic								
<i>Pipeline</i>								
Yugansk – Samara refineries	18.49	17.40	6.3%	16.76	16.81	12.74	(0.3)%	31.9%
Samara – Samara refineries	1.21	1.14	6.1%	1.10	1.14	0.87	(3.5)%	31.0%
Yugansk – Angarsk refinery	25.12	23.64	6.3%	22.91	23.63	20.04	(3.0)%	17.9%
Purpe – Tuapse refinery	38.57	36.29	6.3%	34.99	35.31	26.80	(0.9)%	31.8%
Tomsk – Achinsk refinery	10.33	9.72	6.3%	9.36	9.43	7.62	(0.7)%	23.8%
<i>Pipeline and railroad</i>								
Yugansk – Komsomolsk refinery	101.84	92.25	10.4%	89.89	108.25	88.47	(17.0)%	22.4%
Exports								
<i>Pipeline</i>								
Yugansk – Primorsk	36.32	34.17	6.3%	33.16	34.34	27.17	(3.4)%	26.4%
Yugansk – Novorossysk	38.66	36.37	6.3%	35.13	35.28	27.46	(0.4)%	28.5%
<i>Pipeline and railroad</i>								
Yugansk – China (through Meget)	87.10	82.15	6.0%	79.50	94.20	89.27	(15.6)%	5.5%
PETROLEUM PRODUCT EXPORTS								
Diesel								
Samara refineries – Ventspils	50.68	48.25	5.0%	46.44	50.55	43.09	(8.1)%	17.3%
Angarsk refinery – Nakhodka	111.93	105.31	6.3%	101.06	116.55	93.49	(13.3)%	24.7%
Komsomolsk refinery – Nakhodka	43.89	41.29	6.3%	39.62	45.27	36.27	(12.5)%	24.8%
Achinsk refinery – Tuapse	126.00	118.54	6.3%	113.76	131.09	105.16	(13.2)%	24.7%
Fuel oil								
Samara refineries – Odessa	79.81	76.56	4.2%	73.72	78.50	71.84	(6.1)%	9.3%
Angarsk refinery – Nakhodka	113.84	107.10	6.3%	102.69	115.75	92.42	(11.3)%	25.2%
Komsomolsk refinery – Nakhodka	42.64	40.11	6.3%	38.46	43.35	34.61	(11.3)%	25.3%
Achinsk refinery – Nakhodka	140.43	132.11	6.3%	126.68	142.79	114.00	(11.3)%	25.3%
Naphtha								
Samara refineries – Tuapse	53.82	50.64	6.3%	48.60	55.72	44.70	(12.8)%	24.7%
Achinsk refinery – Tuapse	123.69	116.36	6.3%	111.69	129.23	103.73	(13.6)%	24.6%
Angarsk refinery – Nakhodka	108.70	102.26	6.3%	98.16	113.64	91.23	(13.6)%	24.6%
Komsomolsk refinery – Nakhodka	43.08	40.53	6.3%	38.90	44.55	35.71	(12.7)%	24.8%

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

Production of Crude Oil

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

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

	<i>For 3 months ended</i>		<i>% change between 4 and 3 quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2009	September 30, 2009	2009	2009	2008	2007	2009-2008	2008-2007
	(million of barrels, except %)							
Yuganskneftegaz (Western Siberia)	121.98	122.80	(0.7)%	485.40	480.29	441.77	1.1%	8.7%
Samaraneftegaz (Central Russia)	18.83	18.76	0.4%	73.81	70.27	43.86	5.0%	60.2%
Purneftegaz (Western Siberia)	14.12	14.40	(1.9)%	57.15	60.61	67.17	(5.7)%	(9.8)%
Vankorneft (Eastern Siberia)	16.64	9.54	74.4%	26.63	0.06	0.02	>1,000%	200.0%
Severnaya Neft (Timan Pechora)	8.28	8.55	(3.2)%	34.81	39.13	41.08	(11.0)%	(4.7)%
Sakhalin-1 (Far East) (net of royalty and government share)	2.48	2.45	1.2%	10.09	11.95	14.72	(15.6)%	(18.8)%
Tomskneft (before sale in 2007) (Western Siberia)	-	-	-	-	-	54.25	-	(100.0)%
Other	9.80	9.87	(0.7)%	40.17	45.37	49.96	(11.5)%	(9.2)%
Crude oil production by fully and proportionately consolidated enterprises	192.13	186.37	3.1%	728.06	707.68	712.83	2.9%	(0.7)%
Tomskneft (after sale in 2007) (Western Siberia)	9.75	9.98	(2.3)%	39.75	41.64	0.58	(4.5)%	7,079.3%
Udmurtneft (Central Russia)	5.81	5.80	0.2%	23.01	22.77	22.21	1.1%	2.5%
Polar Lights (Timan Pechora)	0.76	0.87	(12.6)%	3.34	3.89	4.27	(14.1)%	(8.9)%
Verkhnechonskneftegaz (Eastern Siberia)	0.83	0.67	23.9%	2.24	0.29	-	672.4%	-
Other	-	-	-	-	0.03	0.08	(100.0)%	(62.5)%
Total share in production of joint ventures	17.15	17.32	(1.0)%	68.34	68.62	27.14	(0.4)%	152.8%
Total crude oil production	209.28	203.69	2.7%	796.40	776.30	739.97	2.6%	4.9%
Daily crude oil production (th. barrels per day)	2,275	2,214	2.8%	2,182	2,121	2,027	2.9%	4.6%

In the fourth quarter of 2009 Rosneft's average daily crude oil production increased by 2.8% compared with the third quarter of 2009 and reached 2,275 th. barrels per day. The growth was driven primarily by continuing growth of production at the Vankor field, which gave additional average production of 77 th. barrels per day compared to the third quarter. Crude oil production at the Vankor field averaged 160 th. barrels per day, 178 th. barrels per day and 205 th. barrels per day in October, November and December 2009, respectively.

Other major production growth drivers in the fourth quarter of 2009 were Verkhnechonskneftegaz and Samaraneftegaz.

In 2009 Rosneft's average daily crude oil production was 2,182 th. barrels per day, which is 2.9% higher compared with 2008. Commercial production launch at the Vankor field in July 2009 and at the Verkhnechonsk field in the fourth quarter of 2008 made considerable contribution to the overall production increase.

Other main growth factors were Samaraneftgaz and Yuganskneftegaz. Yuganskneftegaz increased its average daily output by 1.3% despite abnormally low temperatures in Western Siberia in February 2009 hindering well workovers. Overall production growth was partially offset by the natural decline in production at the fields of Severnaya Neft, Purneftegaz, Tomskneft and a number of other producing enterprises.

In 2008 Rosneft's average daily crude oil production was 2,121 th. barrels per day, which is 4.6% higher compared with 2007. The increase resulted primarily from the acquisition of Samaraneftgaz and VSNK in 2007, growth in Yuganskneftegaz daily production by 8.4%, partially offset by the sale of 50% stake in Tomskneft in December 2007.

Production of Gas

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

	<i>For 3 months ended</i>		<i>% change between 4 and 3 quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2009	September 30, 2009	2009	2009	2008	2007	2009-2008	2008-2007
	(bcm, except %)							
Purneftegaz (Western Siberia)	0.98	0.89	10.1%	3.76	3.94	7.61	(4.6%)	(48.2%)
Yuganskneftegaz (Western Siberia)	0.75	0.71	5.6%	2.62	1.92	1.52	36.5%	26.3%
Krasnodarneftgaz (Southern Russia)	0.75	0.65	15.4%	2.93	3.02	2.90	(3.0%)	4.1%
Samaraneftgaz (Central Russia)	0.11	0.09	22.2%	0.39	0.33	0.17	18.2%	94.1%
Severnaya Neft (Timan Pechora)	0.07	0.07	-	0.29	0.32	0.34	(9.4%)	(5.9%)
Sakhalin-1 (Far East) (net of royalty and government share)	0.08	0.05	60.0%	0.26	0.26	0.22	-	18.2%
Tomskneft (before sale in 2007) (Western Siberia)	-	-	-	-	-	1.01	-	(100.0%)
Other	0.45	0.34	32.4%	1.61	1.68	1.88	(4.2%)	(10.6%)
Gas production by fully and proportionately consolidated enterprises	3.19	2.80	13.9%	11.86	11.47	15.65	3.4%	(26.7%)
Tomskneft (after sale in 2007) (Western Siberia)	0.23	0.15	53.3%	0.77	0.86	0.01	(10.5%)	8,500.0%
Udmurtneft (Central Russia)	0.01	0.01	-	0.03	0.03	0.03	-	-
Polar Lights (Timan Pechora)	0.01	-	-	0.02	0.02	0.02	-	-
Total share in production of joint ventures	0.25	0.16	56.3%	0.82	0.91	0.06	(9.9%)	1,416.7%
Total gas production	3.44	2.96	16.2%	12.68	12.38	15.71	2.4%	(21.2%)
Natural gas	1.27	1.09	16.5%	4.90	5.48	9.12	(10.6%)	(39.9%)
Associated gas	2.17	1.87	16.0%	7.78	6.90	6.59	12.8%	4.7%

* Production volume equals extracted volume minus flared volume.

In the fourth quarter of 2009 Rosneft's natural and associated gas production increased to 3.44 bcm, or by 16.2% compared with the third quarter of 2009. The increase was due to the seasonal raise in demand for gas and due to the increase in crude oil production, which resulted in increase in associated gas output.

In 2009 Rosneft's natural and associated gas production increased to 12.68 bcm compared with 12.38 bcm in 2008, which is an increase of 2.4%. Main growth factor was the launch of the first gas compression station at the Priobskoe field of Yuganskneftegaz at the end of 2008, enabling an increase in associated gas deliveries to the Yuzhno-Balyksky gas processing plant by 700 mcm per year and reduction of gas flaring by the same volume.

In 2008 Rosneft's total gas production decreased to 12.38 bcm or by 21.2% compared to 15.71 bcm in 2007. The decrease resulted primarily from a reduction in gas production by Purneftegaz in an effort to reduce flaring at the Kynskoye and Fakhirovskoye fields.

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

Production of Petroleum Products

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

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

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

	<i>For 3 months ended</i>		<i>% change between 4 and 3 quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2009	September 30, 2009	2009	2009	2008	2007	2009-2008	2008-2007
	(million of tonnes, except %)							
Crude oil processing at Rosneft's refineries	12.51	12.76	(2.0)%	49.83	49.57	35.05	0.5%	41.4%
Product output:								
High octane gasoline	1.24	1.25	(0.8)%	4.82	4.47	2.64	7.8%	69.3%
Low octane gasoline	0.34	0.34	-	1.37	1.77	1.34	(22.6)%	32.1%
Naphtha	0.75	0.85	(11.8)%	3.40	2.98	2.62	14.1%	13.7%
Diesel	4.22	4.39	(3.9)%	17.01	16.69	10.43	1.9%	60.0%
Fuel oil	4.33	4.04	7.2%	16.47	15.65	11.27	5.2%	38.9%
Jet	0.25	0.32	(21.9)%	1.10	1.63	1.10	(32.5)%	48.2%
Petrochemicals	0.15	0.11	36.4%	0.48	0.72	0.00	(33.3)%	-
Other	0.52	0.71	(26.8)%	2.41	2.53	3.34	(4.7)%	(24.3)%
Total	11.80	12.01	(1.7)%	47.06	46.44	32.74	1.3%	41.8%

In the fourth quarter of 2009 crude oil processing at Rosneft's refineries decreased by 2.0% compared with the third quarter which was a result of planned turnarounds at Komsomolsk, Syzran and Angarsk refineries. The output structure changed in line with demand dynamics. Particularly, the increase in output of fuel oil was due to the seasonal decrease in demand for tar and bitumen as well as due to turnarounds at the refineries. The decrease in jet output resulted from increased production of winter diesel and peculiarities of statutory regulations of the production of this product.

Decreased demand for low octane gasoline from its main consumers, Russian agricultural enterprises and the Ministry of Defence, together with regulatory limitations on retail sales of low octane gasoline led to overall decrease in this petroleum product output in 2009 compared with 2008. At the same time domestic demand for high octane gasoline was steadily growing in 2009 after the sharp decrease in the fourth quarter of 2008. Output of this product in the fourth quarter of 2009 was 10.7% higher than in the fourth quarter of 2008.

Decrease in production of petrochemicals in 2009 was primarily due to the fall in demand and prices for these products, which started to recover in the fourth quarter of 2009 and resulted in corresponding change in output structure.

Results of Operations

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

	<i>For 3 months ended</i>				
	December 31, 2009		September 30, 2009		Change
		% of total revenue		% of total revenue	%
	(US\$ million, except %)				
Revenues					
Oil and gas sales	8,114	55.7 %	6,822	52.2%	18.9%
Petroleum products and petrochemicals sales	6,085	41.8 %	5,898	45.3%	3.2%
Support services and other revenues	368	2.5 %	328	2.5%	12.2%
Total revenues	14,567	100.0%	13,048	100.0%	11.6%
Cost and expenses					
Production and operating expenses	1,140	7.8%	1,037	7.9%	9.9%
Cost of purchased oil, gas and petroleum products	581	4.0%	525	4.0%	10.7%
General and administrative expenses	392	2.7%	348	2.7%	12.6%
Pipeline tariffs and transportation costs	1,581	10.9%	1,330	10.2%	18.9%
Exploration expenses	54	0.4%	74	0.6%	(27.0)%
Depreciation, depletion and amortisation	1,210	8.3%	1,148	8.8%	5.4%
Accretion expense	23	0.1%	23	0.2%	0.0%
Taxes other than income tax	2,447	16.8%	2,335	17.9%	4.8%
Export customs duty	4,358	29.9%	3,740	28.7%	16.5%
Total cost and expenses	11,786	80.9%	10,560	80.9%	11.6%
Operating income	2,781	19.1%	2,488	19.1%	11.8%
Other income/(expenses)					
Interest income	174	1.2%	154	1.2%	13.0%
Interest expense	(161)	(1.1)%	(205)	(1.6)%	(21.5)%
Loss on disposal of non-current assets	(256)	(1.8)%	(44)	(0.3)%	481.8%
Gain/(loss) on disposal of investments	7	0.0%	(20)	(0.2)%	(135.0)%
Equity share in affiliates' profits/(loss)	81	0.6%	15	0.1%	440.0%
Dividends and (loss)/income from joint ventures	(1)	0.0%	(1)	0.0%	0.0%
Impairment loss	-	-	-	-	-
Other expenses, net	(79)	(0.5)%	(279)	(2.1)%	(71.7)%
Foreign exchange (loss)/gain	(89)	(0.6)%	(247)	(1.9)%	(64.0)%
Total other income/ (expenses)	(324)	(2.2)%	(627)	(4.8)%	(48.3)%
Income before income tax and minority interest	2,457	16.9%	1,861	14.3%	32.0%
Income tax	(779)	(5.3)%	(698)	(5.3)%	11.6%
Net income	1,678	11.5%	1,163	9.0%	44.3%
Less: net (income)/loss attributable to noncontrolling interests	(4)	0.0%	5	0.0%	(180.0)%
Net income attributable to Rosneft	1,674	11.5%	1,168	9.0%	43.3%
Other comprehensive income/(loss)	7	0.0%	5	0.0%	40.0%
Comprehensive income	1,681	11.5%	1,173	9.0%	43.3%

The table below provides information on the Results of Operations for the period 2009, 2008 and 2007:

	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	2009	2008	2007	2009 -2008	2008 -2007
	(US\$ million, except %)				
Revenues					
Oil and gas sales	24,820	36,102	29,902	(31.3)%	20.7%
Petroleum products and petrochemicals sales	20,736	31,470	18,531	(34.1)%	69.8%
Support services and other revenues	1,270	1,419	783	(10.5)%	81.2%
Total revenues	46,826	68,991	49,216	(32.1)%	40.2%
Cost and expenses					
Production and operating expenses	4,024	4,572	3,870	(12.0)%	18.1%
Cost of purchased oil, gas and petroleum products	1,890	2,942	1,610	(35.8)%	82.7%
General and administrative expenses	1,416	1,632	1,341	(13.2)%	21.7%
Pipeline tariffs and transportation costs	5,414	5,673	4,226	(4.6)%	34.2%
Exploration expenses	325	248	162	31.0%	53.1%
Depreciation, depletion and amortisation	4,350	3,983	3,286	9.2%	21.2%
Accretion expense	87	120	78	(27.5)%	53.8%
Taxes other than income tax	8,061	14,810	10,890	(45.6)%	36.0%
Export customs duty	12,131	22,006	13,032	(44.9)%	68.9%
Total cost and expenses	37,698	55,986	38,495	(32.7)%	45.4%
Operating income	9,128	13,005	10,721	(29.8)%	21.3%
Other income/(expenses)					
Interest income	516	375	214	37.6%	75.2%
Interest expense	(605)	(1,112)	(1,470)	(45.6)%	(24.4)%
Loss on disposal of non-current assets	(350)	(58)	(119)	503.4%	(51.3)%
Gain/(loss) on disposal of investments	5	22	36	(77.3)%	(38.9)%
Gain from Yukos bankruptcy proceedings	-	-	8,970	-	(100.0)%
Equity share in affiliates' profits/(loss)	112	(7)	23	1,700.0%	(130.4)%
Dividends and (loss)/income from joint ventures	(8)	(11)	18	(27.3)%	(161.1)%
Impairment loss	-	(108)	-	(100.0)%	(100.0)%
Other expenses, net	(350)	(135)	(195)	159.3%	(30.8)%
Foreign exchange gain/(loss)	71	1,148	(409)	(93.8)%	(380.7)%
Total other income/ (expenses)	(609)	114	7,068	(634.2)%	(98.4)%
Income before income tax and minority interest	8,519	13,119	17,789	(35.1)%	(26.3)%
Income tax	(2,000)	(1,904)	(4,906)	5.0%	(61.2)%
Net income	6,519	11,215	12,883	(41.9)%	(12.9)%
Less: net income attributable to noncontrolling interests	(5)	(95)	(21)	(94.7)%	352.4%
Net income attributable to Rosneft	6,514	11,120	12,862	(41.4)%	(13.5)%
Other comprehensive income/(loss)	18	(40)	-	145.0%	(100.0)%
Comprehensive income	6,532	11,080	12,862	(41.0)%	(13.9)%

Revenues

Revenues were US\$ 14,567 million in the fourth quarter of 2009, a 11.6% increase compared with the third quarter of 2009, which was mainly driven by the change in crude oil and petroleum product prices and a 1.9% increase in total crude oil and petroleum product sales volumes. Sales structure slightly changed both in USD and volume terms in the fourth quarter compared to the third quarter. The share of crude oil sales in total revenues increased by 3.3% at the cost of reduction of the petroleum products revenue.

Revenues were US\$ 46,826 million in 2009, a 32.1% decrease compared with 2008. The decrease was due to fall in average crude oil and petroleum product prices, which was partially offset by a 2.8% increase in total crude oil and product sales volumes. Sales structure remained practically unchanged both in USD and volume terms.

Revenues were US\$ 68,991 million in 2008, a 40.2% increase compared with 2007. The growth was mainly driven by an increase in average crude oil and petroleum products average prices. In 2008 the total sales volumes increased by 2.7% due to increased crude oil production. The share of petroleum products volume sales in total revenue increased by about 8% at the cost of reduction of crude oil volumes. In USD terms the changes in the revenue structure corresponded to the structure changes in volume terms.

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

	<i>For 3 months ended</i>		<i>change between 4 and 3 quarters</i>		<i>For 12 months ended December 31</i>						<i>change for 12 months ended December 31</i>					
	December 31, 2009		September 30, 2009		2009		2009		2008		2007		2009 – 2008		2008 – 2007	
	% of total revenue	% of total revenue	%	%	% of total revenue	% of total revenue	% of total revenue	% of total revenue	% of total revenue	% of total revenue	%	%	%	%	%	%
(US\$ million, except %)																
Crude oil																
Export, excluding CIS	7,531	51.7%	6,378	48.8%	18.1%	23,019	49.1%	33,463	48.5%	26,822	54.5%	(31.2)%	24.8%			
Europe and other directions	5,989	41.1%	5,133	39.3%	16.7%	18,275	39.0%	25,648	37.2%	20,567	41.8%	(28.7)%	24.7%			
Asia	1,542	10.6%	1,245	9.5%	23.9%	4,744	10.1%	7,815	11.3%	6,255	12.7%	(39.3)%	24.9%			
CIS	383	2.6%	353	2.7%	8.5%	1,313	2.8%	2,084	3.0%	2,220	4.5%	(37.0)%	(6.1)%			
Domestic	92	0.6%	8	0.1%	1,050.0%	134	0.3%	154	0.2%	521	1.0%	(13.0)%	(70.4)%			
Total crude oil	8,006	54.9%	6,739	51.6%	18.8%	24,466	52.2%	35,701	51.7%	29,563	60.0%	(31.5)%	20.8%			
Gas	108	0.8%	83	0.6%	30.1%	354	0.8%	401	0.6%	339	0.7%	(11.7)%	18.3%			
Petroleum products																
Export, excluding CIS	3,437	23.6%	3,226	24.7%	6.5%	11,622	24.8%	16,163	23.4%	9,350	19.0%	(28.1)%	72.9%			
Europe and other directions	2,053	14.1%	1,760	13.5%	16.6%	6,727	14.4%	9,607	13.9%	5,875	11.9%	(30.0)%	63.5%			
Asia	1,384	9.5%	1,466	11.2%	(5.6)%	4,895	10.4%	6,556	9.5%	3,475	7.1%	(25.3)%	88.7%			
CIS	43	0.3%	31	0.3%	38.7%	144	0.3%	743	1.1%	338	0.7%	(80.6)%	119.8%			
Domestic	2,390	16.4%	2,424	18.6%	(1.4)%	8,304	17.8%	13,707	19.8%	8,605	17.5%	(39.4)%	59.3%			
Wholesale	1,647	11.3%	1,686	12.9%	(2.3)%	5,844	12.5%	9,888	14.3%	6,877	14.0%	(40.9)%	43.8%			
Retail	743	5.1%	738	5.7%	0.7%	2,460	5.3%	3,819	5.5%	1,728	3.5%	(35.6)%	121.0%			
Sales of bunker fuel to end-users	118	0.8%	158	1.2%	(25.3)%	426	0.9%	453	0.7%	1	0.0%	(6.0)%	45,200%			
Total petroleum products	5,988	41.1%	5,839	44.8%	2.6%	20,496	43.8%	31,066	45.0%	18,294	37.2%	(34.0)%	69.8%			
Petrochemical products	97	0.7%	59	0.5%	64.4%	240	0.5%	404	0.6%	193	0.4%	(40.6)%	109.3%			
Support services and other revenues	368	2.5%	328	2.5%	12.2%	1,270	2.7%	1,419	2.1%	827	1.7%	(10.5)%	71.6%			
Total sales	14,567	100.0%	13,048	100.0%	11.6%	46,826	100.0%	68,991	100.0%	49,216	100.0%	(32.1)%	40.2%			

Sales Volumes

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

	For 3 months ended		change between 4 and 3 quarters			For 12 months ended December 31		change for 12 months ended		December 31		December 31			
	December 31, 2009		September 30, 2009		2009	2009		2008		2007		2009 - 2008		2008 - 2007	
	mln bbls	% of total volume	mln bbls	% of total volume	%	mln bbls	% of total volume	mln bbls	% of total volume	mln bbls	% of total volume	%		%	
Crude oil															
Export, excluding CIS	103.44	52.6%	95.25	49.3%	8.6%	381.33	50.1%	359.46	48.6%	385.94	53.6%	6.1%	(6.9)%		
Europe and other directions	82.88	42.2%	76.89	39.8%	7.8%	304.30	40.0%	280.68	37.9%	299.53	41.6%	8.4%	(6.3)%		
Asia	20.56	10.4%	18.36	9.5%	12.0%	77.03	10.1%	78.78	10.7%	86.41	12.0%	(2.2)%	(8.8)%		
CIS	7.68	3.9%	7.54	3.9%	1.9%	30.58	4.0%	36.72	5.0%	46.16	6.4%	(16.7)%	(20.5)%		
Domestic	2.93	1.5%	0.29	0.2%	910.3%	4.97	0.7%	3.88	0.5%	14.29	2.0%	28.1%	(72.8)%		
Total crude oil	114.05	58.0%	103.08	53.4%	10.6%	416.88	54.8%	400.06	54.1%	446.39	62.0%	4.2%	(10.4)%		
Crude oil	mln tonnes		mln tonnes			mln tonnes		mln tonnes		mln tonnes					
Export, excluding CIS	14.14	52.6%	13.02	49.3%	8.6%	52.13	50.1%	49.14	48.6%	52.76	53.6%	6.1%	(6.9)%		
Europe and other directions	11.33	42.2%	10.51	39.8%	7.8%	41.60	40.0%	38.37	37.9%	40.95	41.6%	8.4%	(6.3)%		
Asia	2.81	10.4%	2.51	9.5%	12.0%	10.53	10.1%	10.77	10.7%	11.81	12.0%	(2.2)%	(8.8)%		
CIS	1.05	3.9%	1.03	3.9%	1.9%	4.18	4.0%	5.02	5.0%	6.31	6.4%	(16.7)%	(20.5)%		
Domestic	0.40	1.5%	0.04	0.2%	910.3%	0.68	0.7%	0.53	0.5%	1.95	2.0%	28.1%	(72.8)%		
Total crude oil	15.59	58.0%	14.09	53.4%	10.6%	56.99	54.8%	54.69	54.1%	61.02	62.0%	4.2%	(10.4)%		
Petroleum products															
Export, excluding CIS	6.40	23.8%	6.93	26.3%	(7.6)%	27.15	26.2%	24.89	24.6%	18.46	18.8%	9.1%	34.8%		
Europe and other directions	4.00	14.9%	3.95	15.0%	1.3%	16.38	15.8%	15.43	15.2%	11.90	12.1%	6.2%	29.7%		
Asia	2.40	8.9%	2.98	11.3%	(19.5)%	10.77	10.4%	9.46	9.4%	6.56	6.7%	13.8%	44.2%		
CIS	0.09	0.3%	0.06	0.2%	50.0%	0.36	0.3%	1.05	1.0%	0.70	0.7%	(65.7)%	50.0%		
Domestic	4.33	16.1%	4.75	18.0%	(8.8)%	17.60	16.9%	18.97	18.7%	17.96	18.2%	(7.2)%	5.6%		
Wholesale	3.34	12.4%	3.77	14.3%	(11.4)%	13.93	13.4%	14.91	14.7%	15.65	15.9%	(6.6)%	(4.7)%		
Retail	0.99	3.7%	0.98	3.7%	1.0%	3.67	3.5%	4.06	4.0%	2.31	2.3%	(9.6)%	75.8%		
Sales of bunker fuel to end-users	0.29	1.1%	0.4	1.5%	(27.5)%	1.20	1.2%	0.85	0.9%	0.00	0.0%	41.2%	-		
Total petroleum products	11.11	41.3%	12.14	46.0%	(8.5)%	46.31	44.6%	45.76	45.2%	37.12	37.7%	1.2%	23.3%		
Petrochemical products	0.19	0.7%	0.15	0.6%	26.7%	0.66	0.6%	0.68	0.7%	0.33	0.3%	(2.9)%	106.1%		
Total crude oil and products	26.89	100.0%	26.38	100.0%	1.9%	103.96	100.0%	101.13	100.0%	98.47	100.0%	2.8%	2.7%		
Gas	bcm		bcm			bcm		bcm		bcm					
Sales volumes	2.86		2.49		14.9%	10.61		10.33		11.45		2.7%	(9.8)%		

Average Crude Oil and Petroleum Product Sales Prices

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

	December 31, 2009		September 30, 2009		% change between 4 and 3 quarters	2009		2008		2007		% change for 12 months ended December 31	
	(US\$/ barrel)	(US\$/ tonne)	(US\$/ barrel)	(US\$/ tonne)	2009	(US\$/ barrel)	(US\$/ tonne)	(US\$/ barrel)	(US\$/ tonne)	(US\$/ barrel)	(US\$/ tonne)	2009 - 2008	2008- 2007
Average export prices													
Crude oil, excluding CIS	72.81	532.60	66.96	489.86	8.7%	60.37	441.57	93.09	680.97	69.50	508.38	(35.2)%	33.9%
Europe and other directions	72.26	528.60	66.76	488.39	8.2%	60.06	439.30	91.38	668.44	68.66	502.25	(34.3)%	33.1%
Asia	75.00	548.75	67.81	496.02	10.6%	61.59	450.52	99.20	725.63	72.39	529.64	(37.9)%	37.0%
Crude oil, CIS	49.87	364.76	46.82	342.72	6.4%	42.94	314.11	56.75	415.14	48.09	351.82	(24.3)%	18.0%
Petroleum products, excluding CIS		537.03		465.51	15.4%		428.07		649.38		506.50	(34.1)%	28.2%
Europe and other directions		513.25		445.57	15.2%		410.68		622.62		493.70	(34.0)%	26.1%
Asia		576.67		491.95	17.2%		454.50		693.02		529.73	(34.4)%	30.8%
Petroleum products, CIS		477.78		516.67	(7.5)%		400.00		707.62		482.86	(43.5)%	46.5%
Average domestic prices													
Crude oil	31.40	230.00	27.59	200.00	15.0%	26.96	197.06	39.69	290.57	36.46	267.18	(32.2)%	8.8%
Petroleum products		551.96		510.32	8.2%		471.82		722.56		479.12	(34.7)%	50.8%
Wholesale		493.11		447.21	10.3%		419.53		663.18		439.42	(36.7)%	50.9%
Retail		750.51		753.06	(0.3)%		670.30		940.64		748.05	(28.7)%	25.7%
Gas (US\$/thousand cubic meter)		37.76		33.33	13.3%		33.36		38.82		29.61	(14.1)%	31.1%
Sales of bunker fuel to end-users		406.90		395.00	3.0%		355.00		532.94		438.59	(33.4)%	21.5%
Petrochemical products		510.53		393.33	29.8%		363.64		594.12		584.85	(38.8)%	1.6%

Crude Oil Export Sales to Non-CIS

Revenues from crude oil exports to non-CIS countries in the fourth quarter of 2009 were US\$ 7,531 million which is an increase of 18.1% compared with the third quarter of 2009. The growth reflected higher average export prices (a positive impact on revenues of US\$ 604 million), as well as a 8.6% increase in sales volumes which had a positive impact on revenues of US\$ 549 million. Sales volumes growth was mainly driven by overall growth of the Company's crude oil production due to the launch of the Vankor field.

In 2009 revenues from crude oil exports to non-CIS countries were US\$ 23,019 million or 31.2% down compared with 2008. The revenues were impacted by a substantial decrease in average export prices (a negative impact on revenues of US\$ 12,480 million), which was partially offset by a 6.1% increase in sales volumes (a favourable impact on revenues of US\$ 2,036 million). The growth of crude oil export volumes to non-CIS countries resulted from redirection of crude oil flows from the depressed CIS markets and growth in daily crude oil production.

In 2008, crude oil export revenues from exports to non-CIS countries were US\$ 33,463 million compared to US\$ 26,822 million in 2007, an increase of 24.8%. A 33.9% increase in average prices had a positive effect on revenues of US\$ 8,481 million. This positive effect was partially offset by a 6.9% decrease in sales volumes, which had a negative effect on revenue of US\$ 1,840 million.

Crude Oil Export Sales to CIS

In the fourth quarter of 2009 revenues from sales of crude oil to the CIS were US\$ 383 million, 8.5% higher than in the third quarter of 2009. The increase in revenues resulted from higher crude oil prices (a positive impact on revenues of US\$ 23 million), as well as from a 1.9% increase in sales volumes, leading to increase in revenues by US\$ 7 million. The growth of export volumes was due to demand recovery in Belarus.

In 2009 revenues from sales of crude oil to the CIS were US\$ 1,313 million, which is a decrease of 37.0% compared with 2008. The decrease was driven by a substantial reduction in average crude oil prices (a negative impact on revenues of US\$ 422 million) as well as by a 16.7% decrease in sales volumes which had an unfavourable impact on revenues of US\$ 349 million. The decrease in sales volumes resulted from significant fall in crude oil volumes exported to Kazakhstan and slight decrease in volumes delivered to Belarus.

In 2008, revenues from sales of crude oil to the CIS were US\$ 2,084 million compared to US\$ 2,220 million in 2007, a decrease of 6.1% or US\$ 136 million. A 20.5% decrease in sales volumes, which had a negative impact on revenues of US\$ 454 million, was partially offset by increase in prices of 18.0% (a positive effect of US\$ 318 million). In particular, export sales to Belarus decreased by 1.61 million tonnes.

Domestic Crude Oil Sales

In the fourth quarter of 2009 domestic crude oil sales were US\$ 92 million, 11.5 times higher than in the third quarter of 2009, which reflected sales volumes growth by nine times (favourable impact on revenues of US\$ 72 million) due to higher than planned production at Vankor and limited flexibility of the export schedule. The increase in prices led to revenue growth of US\$ 12 million.

In 2009 domestic crude oil sales were US\$ 134 million, which is a decrease of 13.0% compared with 2008. The decrease reflected a considerable reduction in average crude oil prices (a negative impact on revenues of US\$ 64 million). On the contrary a 28.1% increase in sales volumes, had a positive impact on revenues of US\$ 44 million. The major increase in sales volumes took place in the fourth quarter of 2009.

In 2008, domestic crude oil sales were US\$ 154 million, which is a decrease of 70.4% or US\$ 367 million compared to US\$ 521 million in 2007. The decrease resulted from a 72.8% reduction in sales volumes (a negative impact on revenues of US\$ 379 million), which was partially offset by an 8.8% increase in average sales prices (a positive impact of US\$ 12 million).

Petroleum Product Export Sales to Non-CIS

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

	<i>For 3 months ended</i>						<i>% change between 4 and 3 quarters of 2009</i>		
	December 31, 2009			September 30, 2009			US\$ million	million of tonnes	US\$/ tonne
	US\$ million	million of tonnes	US\$/ tonne	US\$ million	million of tonnes	US\$/ tonne			
High octane gasoline	34	0.04	865.24	30	0.03	879.95	13.3%	33.3%	(1.7)%
Low octane gasoline	38	0.05	763.77	24	0.03	728.53	58.3%	66.7%	4.8%
Naphtha	450	0.68	666.72	516	0.88	583.63	(12.8)%	(22.7)%	14.2%
Diesel (Gasoil)	1,354	2.29	591.45	1,192	2.23	535.32	13.6%	2.7%	10.5%
Fuel oil	1,498	3.24	462.12	1,417	3.67	386.38	5.7%	(11.7)%	19.6%
Jet fuel	10	0.02	596.36	11	0.02	556.80	(9.1)%	0.0%	7.1%
Other	53	0.08	582.72	36	0.07	534.51	47.2%	14.3%	9.0%
Total	3,437	6.40	537.03	3,226	6.93	465.51	6.5%	(7.6)%	15.4%

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

Revenues from the export of petroleum products to non-CIS countries were US\$ 3,437 in the fourth quarter of 2009, which is an increase of 6.5% compared with the third quarter of 2009. A 15.4% increase in average price led to revenue growth of US\$ 458 million, while a 7.6% decrease in sales volumes led to a US\$ 247 million revenue decrease. In the fourth quarter of 2009 the termination of river navigation caused the change in delivery basis from FCA Samara to FOB Ukraine for delivery of petroleum products from Samara refineries. As a result the volume of petroleum products in transit increased while the export sales volumes decreased.

The table below sets forth Rosneft's revenue and average price per tonne of petroleum products sold to non-CIS countries in the twelve months of 2009, 2008 and 2007:

	<i>For 12 months ended December 31</i>									<i>% change between 12 months ended December 31, 2009 and 2008</i>			<i>% change between 12 months ended December 31, 2008 and 2007</i>		
	2009			2008			2007			US\$ million	million of tonnes	US\$/tonne	US\$ million	million of tonnes	US\$/tonne
	US\$ million	million of tonnes	US\$/tonne	US\$ million	million of tonnes	US\$/tonne	US\$ million	million of tonnes	US\$/tonne						
High octane gasoline	127	0.21	595.06	121	0.12	1,000.70	82	0.11	747.23	5.0%	75.0%	(40.5)%	47.6%	9.1%	33.9%
Low octane gasoline	108	0.17	625.60	139	0.16	897.82	96	0.14	678.31	(22.3)%	6.3%	(30.3)%	44.8%	14.3%	32.4%
Naphtha	1,704	3.31	514.86	2,241	2.97	755.37	1,541	2.30	669.65	(24.0)%	11.4%	(31.8)%	45.4%	29.1%	12.8%
Diesel (gasoil)	4,565	9.35	488.11	7,521	8.71	863.96	3,988	6.18	645.31	(39.3)%	7.3%	(43.5)%	88.6%	40.9%	33.9%
Fuel oil	4,944	13.76	359.25	5,918	12.68	466.78	3,247	9.01	360.47	(16.5)%	8.5%	(23.0)%	82.3%	40.7%	29.5%
Jet fuel	47	0.09	546.31	51	0.05	1,008.27	28	0.03	790.68	(7.8)%	80.0%	(45.8)%	82.1%	66.7%	27.5%
Other	127	0.26	486.84	172	0.20	853.02	368	0.69	554.46	(26.2)%	30.0%	(42.9)%	(53.3)%	(71.0)%	53.8%
Total	11,622	27.15	428.07	16,163	24.89	649.38	9,350	18.46	506.50	(28.1)%	9.1%	(34.1)%	72.9%	34.8%	28.2%

Revenues from petroleum product exports to non-CIS countries were US\$ 11,622 million in 2009, which is a decrease of 28.1% compared with 2008. The decrease resulted from a reduction in average export prices (negative impact on revenues of US\$ 6,009 million), which was partially offset by a 9.1% increase in sales volumes leading to a US\$ 1,468 million revenue growth. The increase in volumes was mainly due to decreased domestic demand and low CIS sales profitability resulting in redirection of product volumes to non-CIS countries.

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

Revenues from petroleum products exports to non-CIS countries were US\$ 16,163 million in 2008, which is an increase of 72.9% compared to US\$ 9,350 million in 2007. The growth resulted from a 28.2% increase in average prices (a positive impact of US\$ 3,556 million), accompanied by a 34.8% increase in sales volume, (a positive impact of US\$ 3,257 million).

Petroleum Product Export Sales to CIS

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

	<i>For 3 months ended</i>						<i>% change between 4 and 3 quarters of 2009</i>		
	December 31, 2009			September 30, 2009			US\$ million	million of tonnes	US\$/tonne
	US\$ million	million of tonnes	US\$/tonne	US\$ million	million of tonnes	US\$/tonne			
High octane gasoline	11	0.02	529.84	4	0.01	566.16	175.0%	100.0%	(6.4)%
Low octane gasoline	1	0.00	371.45	—	—	—	—	—	—
Naphtha	—	—	—	—	—	—	—	—	—
Diesel	16	0.04	448.21	13	0.02	510.76	23.1%	100.0%	(12.2)%
Fuel oil	—	—	—	—	—	—	—	—	—
Jet fuel	2	0.00	0.00	—	—	—	—	—	—
Other	13	0.03	546.30	14	0.03	439.80	(7.1)%	0.0%	24.2%
Total	43	0.09	477.78	31	0.06	516.67	38.7%	50.0%	(7.5)%

Revenues from sales of petroleum products to CIS countries in the fourth quarter of 2009 were 38.7% higher than in the third quarter of 2009 and amounted to US\$ 43 million. Revenue growth was mainly attributable to an increase in sales volumes, which was partially offset by a 7.5% decrease in average prices.

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

	<i>For 12 months ended December 31</i>									<i>% change between 12 months ended December 31, 2009 and 2008</i>			<i>% change between 12 months ended December 31, 2008 and 2007</i>		
	2009			2008			2007			US\$ million	million of tonnes	US\$/Tonne	US\$ million	million of tonnes	US\$/Tonne
	US\$ million	million of tonnes	US\$/Tonne	US\$ million	million of tonnes	US\$/Tonne	US\$ million	million of tonnes	US\$/Tonne	US\$ million	million of tonnes	US\$/Tonne	US\$ million	million of tonnes	US\$/Tonne
High octane gasoline	27	0.07	415.36	84	0.14	610.44	67	0.09	722.62	(67.9)%	(50.0)%	(32.0)%	25.4%	55.6%	(15.5)%
Low octane gasoline	3	0.01	251.82	9	0.02	514.31	4	0.01	666.03	(66.7)%	(50.0)%	(51.0)%	125.0%	100.0%	(22.8)%
Naphtha	2	0.01	346.70	—	—	—	15	0.02	629.01	—	—	—	—	—	—
Diesel	60	0.14	411.59	420	0.50	836.21	122	0.22	564.18	(85.7)%	(72.0)%	(50.8)%	244.3%	127.3%	48.2%
Fuel oil	0	0.00	0.00	124	0.23	530.69	81	0.21	380.22	(100.0)%	(100.0)%	(100.0)%	53.1%	9.5%	39.6%
Jet fuel	7	0.02	414.10	71	0.09	825.85	—	—	—	(90.1)%	(77.8)%	(49.9)%	—	—	—
Other	45	0.11	410.35	35	0.07	479.86	49	0.15	331.58	28.6%	57.1%	(14.5)%	(28.6)%	(53.3)%	44.7%
Total	144	0.36	400.00	743	1.05	707.62	338	0.70	482.86	(80.6)%	(65.7)%	(43.5)%	119.8%	50.0%	46.5%

Revenues from sales of petroleum products to the CIS in the twelve months of 2009 were 80.6% lower than in 2008 and amounted to US\$ 144 million. Such a reduction was mainly attributable to a 65.7% decrease in sales volumes which had a negative impact on revenues of US\$ 488 million. The decrease in volumes resulted from the redirection of product flows from CIS to non-CIS markets due to higher profitability.

In 2008 revenues from sales of petroleum products to the CIS were US\$ 743 million compared to US\$ 338 million in 2007. This increase resulted from a 50.0% increase in volumes (a positive impact of US\$ 169 million), and a 46.5% increase in prices (a positive impact of US\$ 236 million).

Domestic Sales of Petroleum Products

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

	<i>For 3 months ended</i>						<i>% change between 4 and 3 quarters of 2009</i>		
	December 31, 2009			September 30, 2009			US\$ million	million of tonnes	US\$/tonne
	US\$ million	million of tonnes	US\$/tonne	US\$ million	million of tonnes	US\$/tonne	US\$ million	million of tonnes	US\$/tonne
High octane gasoline	952	1.22	780.19	948	1.27	747.04	0.4%	(3.9)%	4.4%
Low octane gasoline	174	0.28	621.33	201	0.31	641.76	(13.4)%	(9.7)%	(3.2)%
Naphtha	—	—	—	—	—	—	—	—	—
Diesel	852	1.66	512.07	891	2.00	445.99	(4.4)%	(17.0)%	14.8%
Fuel oil	157	0.54	289.85	69	0.25	276.62	127.5%	116.0%	4.8%
Jet fuel	53	0.11	489.52	50	0.10	488.06	6.0%	10.0%	0.3%
Other	202	0.52	375.87	265	0.82	322.71	(23.8)%	(36.6)%	16.5%
Total	2,390	4.33	551.96	2,424	4.75	510.32	(1.4)%	(8.8)%	8.2%

Revenues from sales of petroleum products on the domestic market were US\$ 2,390 million in the fourth quarter of 2009, which is a decrease of 1.4% compared with the third quarter of 2009. Revenue reduction was caused by a decrease in sales volumes of 8.8% (unfavourable impact on revenues of US\$ 214 million), which was partially offset by average prices upturn of 8.2% (positive impact on revenues of US\$ 180 million). The decrease in volumes was mainly due to the seasonal factor.

The table below sets forth Rosneft's revenue and average price per tonne of petroleum products sold within Russia in the twelve months of 2009, 2008 and 2007:

	<i>For 12 months ended December 31</i>									<i>% change between 12 months ended December 31, 2009 and 2008</i>			<i>% change between 12 months ended December 31, 2008 and 2007</i>		
	2009			2008			2007			US\$ million	million of tonnes	US\$/Tonne	US\$ million	million of tonnes	US\$/Tonne
	US\$ million	million of tonnes	US\$/Tonne	US\$ million	million of tonnes	US\$/Tonne	US\$ million	million of tonnes	US\$/Tonne						
High octane gasoline	3,194	4.77	670.09	4,071	4.39	926.72	2,262	3.18	712.32	(21.5)%	8.7%	(27.7)%	80.0%	38.1%	30.1%
Low octane gasoline	654	1.24	528.86	1,238	1.63	760.54	998	1.68	594.82	(47.2)%	(23.9)%	(30.5)%	24.0%	(3.0)%	27.9%
Naphtha	—	—	—	—	—	—	2	0.01	389.34	—	—	—	(100.0)%	(100.0)%	(100.0)%
Diesel	3,142	7.03	447.25	5,473	6.81	803.39	3,008	5.74	524.47	(42.6)%	3.2%	(44.3)%	81.9%	18.6%	53.2%
Fuel oil	354	1.63	218.04	556	2.01	277.47	675	3.41	197.83	(36.3)%	(18.9)%	(21.4)%	(17.6)%	(41.1)%	40.3%
Jet fuel	228	0.48	470.56	912	1.11	819.20	530	1.04	510.51	(75.0)%	(56.8)%	(42.6)%	72.1%	6.7%	60.5%
Other	732	2.45	294.61	1,457	3.02	483.32	1,130	2.90	372.03	(49.8)%	(18.9)%	(39.0)%	28.9%	4.1%	29.9%
Total	8,304	17.60	471.82	13,707	18.97	722.56	8,605	17.96	479.12	(39.4)%	(7.2)%	(34.7)%	59.3%	5.6%	50.8%

Revenues from sales of petroleum products on the domestic market were US\$ 8,304 million in 2009 which is a decrease of 39.4% compared with 2008. Revenue reduction was a result of a decrease in average prices (negative impact on revenue of US\$ 4,413 million) as well as of a 7.2% decrease in sales volumes leading to revenue decrease of US\$ 990 million. Decrease in sales volumes was the outcome of falling domestic demand due to the economic downturn.

Revenue from sales of petroleum products on the domestic market were US\$ 13,707 million in 2008, which is an increase of 59.3% compared to US\$ 8,605 million in 2007. The growth resulted from a 50.8% increase in average prices, which had a positive effect on revenues of US\$ 4,618 million, accompanied by a 5.6% increase in sales volumes (a positive impact of US\$ 484 million).

Sales of bunker fuel to end-users

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

Revenues from sales of bunker fuel in the fourth quarter of 2009 were US\$ 118 million, 25.3% lower than in the third quarter of 2009. The decrease was attributable to termination of river navigation and ice condition in the sea ports.

In 2009 revenues from sales of bunker fuel decreased to US\$ 426 million from US\$ 453 million in 2008. The decrease was driven by fall in average prices partially offset by a 41.2% increase in sales volumes. The revenues from sales of bunker fuel were US\$ 1 million in 2007.

Petrochemical Product Sales

Revenues from sales of petrochemical products in the fourth quarter of 2009 were US\$ 97 million, up 64.4% compared to the third quarter of 2009. The price upturn of 29.8% (positive impact on revenues of US\$ 22 million) was accompanied by a 26.7% increase in sales volumes (favourable impact on revenues of US\$ 16 million). The growth in volumes was attributable to the demand recovery.

In 2009 revenues from sales of petrochemical products were US\$ 240 million, 40.6% down compared to 2008. The fall in revenues was mainly due to the price decline of 38.8% (negative impact on revenues of US\$ 152 million) as well as to a 2.9% decrease in volumes (negative impact of US\$ 12 million). The decrease in volumes resulted from the depressed demand for petrochemical products in 2009.

The revenues from the sale of petrochemical products were US\$ 404 million in 2008 compared to US\$ 193 million in 2007. The Group started selling petrochemical products in May 2007 following the acquisition of petrochemical assets.

Gas Sales

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

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

	<i>For 3 months ended</i>		<i>% change between 4 and 3 quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2009	September 30, 2009	2009	2009	2008	2007	2009 – 2008	2008- 2007
Revenue	(US\$ million, except %)							
Western Siberia	35	28	25.0%	114	112	124	1.8%	(9.7)%
South Russia	48	37	29.7%	157	184	143	(14.7)%	28.7%
Far East	11	6	83.3%	36	30	25	20.0%	20.0%
European part of Russia	14	12	16.7%	47	75	47	(37.3)%	59.6%
Total	108	83	30.1%	354	401	339	(11.7)%	18.3%
Sales volumes	(bcm, except %)							
Western Siberia	1.61	1.50	7.3%	5.98	5.16	6.22	15.9%	(17.0)%
South Russia	0.85	0.68	25.0%	3.24	3.35	3.55	(3.3)%	(5.6)%
Far East	0.19	0.12	58.3%	0.62	0.59	0.60	5.1%	(1.7)%
European part of Russia	0.21	0.19	10.5%	0.77	1.23	1.08	(37.4)%	13.9%
Total	2.86	2.49	14.9%	10.61	10.33	11.45	2.7%	(9.8)%
Average price	(US\$/thousand of cubic metres, except %)							
Western Siberia	21.76	18.36	18.5%	19.13	21.74	19.98	(12.0)%	8.8%
South Russia	56.52	54.07	4.5%	48.44	55.03	40.40	(12.0)%	36.2%
Far East	57.68	52.97	8.9%	57.83	51.81	41.28	11.6%	25.5%
European part of Russia	75.78	64.02	18.4%	62.74	59.83	43.04	4.9%	39.0%
Total	37.76	33.33	13.3%	33.36	38.82	29.61	(14.1)%	31.1%

Revenues growth of 30.1% in the fourth quarter of 2009 resulted from average prices upturn (favourable impact on revenues of US\$ 13 million) as well as from volumes growth due to the seasonal increase in demand (positive impact on revenues of US\$ 12 million).

In 2009 revenues from gas sales decreased by 11.7% and amounted to US\$ 354 million. The reduction was mainly attributable to decreased prices, which was partially offset by a 2.7% increase in sales volumes.

Revenue from the gas sale was US\$ 401 million in 2008, which is an increase of 18.3% compared to US\$ 339 million in 2007. The growth was attributable to a 31.1% increase in prices (positive impact of US\$ 95 million), which was partially offset by a 9.8% decrease in sales volume (a negative impact on revenues of US\$ 33 million).

Support Services and Other Revenues

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

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

	<i>For 3 months ended</i>		<i>change between 4 and 3 quarters</i>			<i>For 12 months ended December 31</i>				<i>change for 12 months ended December 31</i>			
	December 31, 2009		September 30, 2009		2009	2009		2008		2007	2009–2008	2008–2007	
	% of total revenue		% of total revenue		%	% of total revenue		% of total revenue		% of total revenue	%		
(US\$ million, except %)													
Drilling services	8	2.2%	6	1.8%	33.3%	25	2.0%	38	2.7%	56	6.8%	(34.2)%	(32.1)%
Sales of materials	124	33.6%	117	35.7%	6.0%	442	34.8%	460	32.4%	130	15.7%	(3.9)%	253.8%
Repairs and maintenance services	27	7.3%	26	7.9%	3.8%	104	8.2%	170	12.0%	37	4.5%	(38.8)%	359.5%
Rent services	14	3.8%	13	4.0%	7.7%	51	4.0%	57	4.0%	36	4.3%	(10.5)%	58.3%
Construction services	22	6.0%	16	4.9%	37.5%	63	5.0%	110	7.7%	70	8.5%	(42.7)%	57.1%
Transport services	73	19.8%	74	22.6%	(1.4)%	269	21.2%	243	17.1%	169	20.4%	10.7%	43.8%
Electric power transmission	23	6.2%	18	5.5%	27.8%	68	5.4%	49	3.5%	32	3.9%	38.8%	53.1%
Other revenues	77	21.1%	58	17.6%	32.8%	248	19.4%	292	20.6%	297	35.9%	(15.1)%	(1.7)%
Total	368	100.0%	328	100.0%	12.2%	1,270	100.0%	1,419	100.0%	827	100.0%	(10.5)%	71.6%

Other revenues in the fourth quarter of 2009 were US\$ 368 million, 12.2% up compared to the third quarter of 2009. Other revenues were US\$ 1,270 million in 2009, 10.5% down compared with 2008.

Other revenues were US\$ 1,419 million in 2008, which is an increase of 71.6% compared to US\$ 827 million in 2007. The growth resulted from the acquisition of service companies during auctions held in the third quarter of 2007.

Costs and Expenses

Production and Operating Expenses

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

	<i>For 3 months ended</i>		<i>% change between 4 and 3 quarters</i>			<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>			
	December 31, 2009		September 30, 2009		2009	2009		2008		2007	2009 – 2008	2008–2007
(US\$ million, except %)												
Upstream	528	489	8.0%	1,869	2,414	2,482	(22.6)%	(2.7)%				
Downstream	391	398	(1.8)%	1,501	1,451	1,020	3.4%	42.3%				
Other	221	150	47.3%	654	707	368	(7.5)%	92.1%				
Total	1,140	1,037	9.9%	4,024	4,572	3,870	(12.0)%	18.1%				

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

Upstream production and operating expenses in the fourth quarter of 2009 increased to US\$ 528 million or by 8.0% compared with the third quarter of 2009. This growth was due to the nominal appreciation of the RUB against US\$ by 6.3% quarter-on-quarter and continued production growth at the Vankor field. Vankor production and operating expenses per barrel decreased quarter-on-quarter but were above the Rosneft's average. These expenses are expected to decrease in the next quarters following further growth in production volumes.

In 2009 upstream production and operating expenses decreased by US\$ 545 million compared with 2008 which was driven by the nominal depreciation of the RUB against US\$ by 21.6% year-on-year and cost-cutting initiatives.

Upstream production and operating expenses decreased by US\$ 68 million in 2008 compared to 2007 due to the effect of excluding the Tomskneft from consolidated financial statements in 2008 and consolidation of service entities, partially offset by increases in electricity consumption and tariffs, increased costs of well workovers performed by external service providers, additional accruals for polluted lands at Yuganskneftegaz and other producing subsidiaries and entities.

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

	<i>For 3 months ended</i>		<i>% change between 4 and 3 quarters</i>		<i>For 12 months ended December 31</i>		<i>% change for 12 months ended December 31</i>	
	December 31, 2009	September 30, 2009	2009	2009	2008	2007	2009 - 2008	2008 - 2007
	(US\$ per bbl and US\$ per boe, except %)							
Expenses per bbl of crude oil produced	2.75	2.62	5.0%	2.57	3.41	3.48	(24.6)%	(2.0)%
Expenses per boe of hydrocarbon produced	2.50	2.41	3.7%	2.34	3.11	3.08	(24.8)%	1.0%

Rosneft's downstream expenses decreased to US\$ 391 million in the fourth quarter of 2009 compared with US\$ 398 million in the third quarter of 2009, despite nominal RUB appreciation against the US\$ of 6.3%. The decrease resulted from the decrease in rental costs, decrease in the payroll due to optimization of headcount, growth in intragroup inventories and other factors.

In 2009 downstream operating expenses were US\$ 1,501 million, which is an increase of 3.4% compared with 2008. The increase was primarily due to the increase in rental costs, increase in costs in line with the CPI, which was partially offset by the nominal RUB depreciation against the US\$.

In 2008 downstream operating expenses were US\$ 1,451 million, which is an increase of 42.3% compared with 2007. The increase was due to the additional operating expenses of acquired assets consolidated for the full year and higher procurement prices of liquid fuel for transport and energy supplies as well as indexation of wages.

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

	<i>For 3 months ended</i>		<i>% change between 4 and 3 quarters</i>		<i>For 12 months ended December 31</i>		<i>% change for 12 months ended December 31</i>	
	December 31, 2009	September 30, 2009	2009	2009	2008	2007	2009 - 2008	2008 - 2007
Operating expenses (US\$ million)	166	181	(8.3)%	685	847	562	(19.1)%	50.7%
Operating expenses per tonne of product output (US\$/tonne)	14.07	15.07	(6.6)%	14.56	18.24	17.17	(20.2)%	6.2%
Operating expenses per tonne of crude oil throughput (US\$/tonne)	13.27	14.18	(6.4)%	13.75	17.09	16.03	(19.5)%	6.6%

Operating expenses of Rosneft's refineries decreased to US\$ 166 million in the fourth quarter of 2009 compared with US\$ 181 million in the third quarter of 2009, despite nominal RUB appreciation against the US\$ of 6.3%. The decrease resulted from the decrease in refinery throughput followed by the refineries turnarounds in the fourth quarter of 2009 and due to the increase in intragroup petroleum product inventories and other factors.

In 2009 refining operating expenses were US\$ 685 million, which is a decrease of 19.1% compared with 2008. The decrease was primarily due to the nominal depreciation of the RUB against US\$ of 21.6%, which was partially offset by the increase in cost of fuel and raw materials used in production and by other factors.

In 2008 refining operating expenses were US\$ 847 million, which is an increase of 50.7% compared to 2007 due to the acquisition of five Russian refineries in 2007 and higher procurement prices of liquid fuel for transport and energy supplies as well as indexation of wages.

Operating expenses related to other activities increased to US\$ 221 million in the fourth quarter of 2009, or by 47.3% compared with the third quarter of 2009. The increase was primarily due to seasonal fluctuations, increase in revenues related to other activities, particularly, increase in wells workovers, electric power transmission and other services rendered, as well as increase in sales of other inventories and other factors.

In 2009 these expenses decreased to US\$ 654 million, or by 7.5% compared to 2008, primarily due to the nominal rouble depreciation to US\$ of 21.6%, which was partially offset by the raise in costs in line with CPI and increase in volume of services rendered to third parties. In 2008 these expenses were US\$ 707 million, which is an increase of 92.1% compared with 2007 primarily due to the additional operating expenses of the assets acquired in 2007.

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

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

	<i>For 3 months ended</i>		<i>% change between 4 and 3 quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2009	September 30, 2009	2009	2009	2008	2007	2009 – 2008	2008-2007
Cost of crude oil procured (US\$ million)	463	436	6.2%	1,513	2,284	934	(33.8)%	144.5%
Volume of crude oil procured (million of barrels)	14.31	13.79	3.8%	57.61	56.54	29.54	1.9%	91.4%
Cost of gas procured (US\$ million)	9	6	50.0%	29	46	36	(37.0)%	27.8%
Volume of gas procured (bcm)	0.18	0.11	63.6%	0.59	0.74	1.10	(20.3)%	(32.7)%
Cost of petroleum product procured (US\$ million) ⁽¹⁾	109	83	31.3%	348	610	442	(43.0)%	38.0%
Volume of petroleum product procured (million of tonnes)	0.19	0.15	26.7%	0.71	0.82	0.88	(13.4)%	(6.8)%
Cost of refining of crude oil under processing agreements (US\$ million) ⁽²⁾	-	-	-	-	2	198	(100.0)%	(99.0)%
Volumes of crude oil refined under processing agreements (million of tonnes)	-	-	-	-	0.03	5.24	(100.0)%	(99.4)%
Total cost of procured oil, gas and petroleum products and refining costs (US\$ millions)	581	525	10.7%	1,890	2,942	1,610	(35.8)%	82.7%

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

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

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

	<i>For 3 months ended</i>		<i>% change between 4 and 3 quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended 31 December</i>	
	December 31, 2009	September 30, 2009	2009	2009	2008	2007	2009 – 2008	2008-2007
	(million bbl, except %)							
Udmurtneft	3.06	2.89	5.9%	12.90	8.58	22.06	50.3%	(61.1)%
Verhnechonskneftegaz	0.85	0.70	21.4%	2.26	-	-	-	-
Tomskneft	8.32	8.66	(3.9)%	33.46	42.40	-	(21.1)%	-
Surgutneftegaz	1.65	1.02	61.8%	5.94	2.08	0.73	185.6%	184.9%
Others	0.43	0.52	(17.3)%	3.05	3.48	6.75	(12.4)%	(48.4)%
Total	14.31	13.79	3.8%	57.61	56.54	29.54	1.9%	91.4%

Rosneft performs oil swap operations in order to optimize transportation costs of deliveries to refineries. Revenues and costs related to these operations are shown on a net basis in the "Pipeline tariffs and Transportation Costs" line of the income statement. These transactions are exercised with Gazprom Neft, Samarinvestneft and ATEK.

In the fourth quarter of 2009 the volume of crude oil swaps amounted to 10.35 million barrels compared with 10.63 million barrels in the third quarter of 2009, and reached 41.33 million barrels in 2009 compared with 40.36 million barrels in 2008. Rosneft's estimated benefits from these transactions were US\$ 9 million in the fourth quarter of 2009 and US\$ 35 million in 2009.

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

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

	<i>For 3 months ended</i>						<i>% change between 4 and 3 quarters</i>		
	December 31, 2009			September 30, 2009			US\$ million	million of tonnes	US\$/tonne
	US\$ million	million of tonnes	US\$/tonne	US\$ million	million of tonnes	US\$/tonne			
High octane gasoline	62	0.09	727.02	57	0.09	635.15	8.8%	0.0%	14.5%
Low octane gasoline	8	0.01	557.58	7	0.01	592.17	14.3%	0.0%	(5.8)%
Diesel	27	0.06	434.97	11	0.03	421.99	145.5%	100.0%	3.1%
Fuel oil	0	0.00	214.55	1	0.00	240.76	(100.0)%	-	(10.9)%
Jet fuel	-	-	-	-	-	-	-	-	-
Other	12	0.03	384.02	7	0.02	329.35	71.4%	50.0%	16.6%
Total	109	0.19	573.68	83	0.15	553.33	31.3%	26.7%	3.7%

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

	<i>For 12 months ended December 31</i>									<i>% change for 12 months ended December 31, 2009 and 2008</i>			<i>% change for 12 months ended December 31, 2008 and 2007</i>		
	2009			2008			2007			US\$ million	million of tonnes	US\$/ tonne	US\$ million	million of tonnes	US\$/ tonne
	US\$ million	million of tonnes	US\$/ tonne	US\$ million	million of tonnes	US\$/ tonne	US\$ million	million of tonnes	US\$/ tonne						
High octane gasoline	151	0.25	615.14	182	0.21	868.07	194	0.28	687.26	(17.0)%	19.0%	(29.1)%	(6.2)%	(25.0)%	26.3%
Low octane gasoline	21	0.04	533.65	39	0.05	751.37	47	0.08	594.08	(46.2)%	(20.0)%	(29.0)%	(17.0)%	(37.5)%	26.5%
Diesel	129	0.29	432.00	246	0.30	800.95	133	0.26	520.26	(47.6)%	(3.3)%	(46.1)%	85.0%	15.4%	54.0%
Fuel oil	17	0.05	342.60	90	0.16	545.48	42	0.20	210.91	(81.1)%	(68.8)%	(37.2)%	114.3%	(20.0)%	158.6%
Jet fuel	-	-	-	2	0.00	709.59	6	0.01	505.81	(100.0)%	(100.0)%	(100.0)%	(66.7)%	(100.0)%	40.3%
Other	30	0.08	385.06	51	0.10	492.85	20	0.05	433.77	(41.2)%	(20.0)%	(21.9)%	155.0%	100.0%	13.6%
Total	348	0.71	490.14	610	0.82	743.90	442	0.88	501.81	(43.0)%	(13.4)%	(34.1)%	38.0%	(6.8)%	48.2%

Average petroleum product procurement prices may deviate from average sales prices mainly due to different mix of regions where procurement and sales are effected and different product quality. For example, price of fuel oil procured from third parties significantly exceeded its average sales price in 2009 due to purchase of 50 thousand tonnes of a special fuel oil (mixture of fuel oil and diesel) to meet obligations on fuel oil supplies to Asia. Rosneft made these purchases as it currently does not produce products with the required characteristics. Excluding this factor, the average purchase price of fuel oil amounted to US\$ 249.43 per tonne in 2009.

General and Administrative Expenses

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

General and administrative expenses in the fourth quarter of 2009 were US\$ 392 million, 12.6% higher than in the third quarter of 2009. The increase resulted from the increase in audit fees, payments for consulting and other information services, nominal appreciation of the RUB against the US\$ by 6.3%, compensated by a reversal in bad debt allowance.

In 2009, 2008 and 2007 general and administrative expenses were US\$ 1,416 million, US\$ 1,632 million and US\$ 1,341 million, respectively. The decrease in general and administrative expenses in 2009 compared to 2008 was mainly due the real rouble depreciation of 21.6%. In 2009 there was also a significant reduction of general and administrative expenses related to the construction activities at Vankor due to the launch of the Vankor – Purpe - pipeline, and decrease in compensation payments as part of cost reducing efforts.

Pipeline Tariffs and Transportation Costs

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

In the fourth quarter of 2009 Rosneft's transportation costs increased to US\$ 1,581 million, or by 18.9% compared with the third quarter of 2009, which resulted from increased transportation volumes followed by the increased production at Vankorneft, change in tariffs by (1.9)% - 3.9% in RUB terms compared to the third quarter of 2009, change in structure of transportation routes used due to termination of navigation period, as well as from the nominal appreciation of the RUB against US\$ of 6.3%.

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

	<i>For 3 months ended</i>								<i>(%) change between</i>		
	December 31, 2009				September 30, 2009				<i>4 and 3 quarters of 2009</i>		
	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne, US\$/t	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne, US\$/t	Volume	Cost	Cost per tonne
CRUDE OIL											
Export sales											
Pipeline	11.46	75.4%	427	37.26	10.54	75.0%	349	33.11	8.7%	22.3%	12.5%
Railroad and mixed	3.73	24.6%	266	71.31	3.51	25.0%	237	67.52	6.3%	12.2%	5.6%
Transportation to refineries and domestic sales											
Pipeline	10.83		216	19.94	10.91		209	19.16	(0.7)%	3.3%	4.1%
Railroad and mixed	1.62		161	99.38	1.77		156	88.14	(8.5)%	3.2%	12.8%
PETROLEUM PRODUCTS											
Export sales											
Pipeline ⁽¹⁾	0.13	1.9%	6	46.15	0.13	1.8%	6	46.15	-	-	-
Railroad and mixed	4.84	73.6%	368	76.03	4.12	58.1%	275	66.75	17.5%	33.8%	13.9%
Other transportation expenses⁽²⁾											
			137				98			39.8%	
Total	32.61		1,581	48.48	30.98		1,330	42.93	5.3%	18.9%	12.9%

- (1) Rosneft exported 1.62 million tonnes (24.5% of total export volumes) and 2.84 million tonnes (40.1% of total export volumes) of petroleum products in the fourth quarter of 2009 and in the third quarter of 2009, respectively, through its own pipeline in Tuapse, as well as under free-carrier conditions pursuant to which Rosneft does not bear transportation expenses directly. Operating expenses of the Tuapse pipeline are reflected in Rosneft's financial statements as operating expenses.
- (2) Other transportation expenses include cost of railroad transportation of petroleum products from refineries to tank farms and road transportation from tank farms to service stations as well as transportation expenses related to sales of bunker fuel.

The increase in crude oil pipeline export cost per tonne was 12.5%, which was due to an increase in tariffs by 6.3% in US\$ terms, increase in Sakhalin-1 transportation costs, change in structure of transportation routes used (particularly, increase in deliveries of Vankor crude oil to Novorossiysk and Primorsk, which is 13% and 20% more expensive compared with the Yugansk - Novorossiysk and Yugansk – Primorsk routes, respectively, as well as supplies of the first barrels via ESPO to Kozmino).

The increase in crude oil railroad and mixed export cost per tonne was 5.6%, which was due to tariffs growth in US\$ terms.

The increase in crude oil pipeline domestic cost per tonne was 4.1%, which was due to tariffs growth for 6.3% in US\$ terms, partially offset by the decreased supplies of Yuganskneftegaz oil to Komsomolsk refinery (transportation cost at this route is above average for the Company) and due to increase in supplies of Tomskneft oil to Achinsk and Angarsk refineries after the corresponding decrease in the third quarter of 2009.

The increase in crude oil railroad and mixed domestic cost per tonne was 12.8%, which was primarily due to an increase in transportation tariffs in US\$ terms.

Petroleum product pipeline export cost per tonne remained practically unchanged, as the increase in transportation tariffs was fully offset by the change in structure of transportation routes used.

The increase in petroleum product railroad and mixed export cost per tonne was 13.9%, which was due to increase in tariffs in US\$ terms and change in mix of transportation routes due to the termination of river navigation period.

In 2009 Rosneft's transportation costs decreased to US\$ 5,414 million, or by 4.6% compared with 2008. This decrease resulted from a fall in average US\$/RUB exchange rate by 21.6%, partially offset by an increase in tariffs of natural monopolies by 6.0% - 27.2% in RUB terms and change in structure of transportation routes used.

In 2008 Rosneft's transportation costs increased to US\$ 5,673 million, or by 34.2% compared with 2007. This decrease resulted from an increase in tariffs of natural monopolies by 2.5% - 28.2% in RUB terms, raise in average US\$/RUB exchange rate by 2.9% and change in structure of transportation routes used.

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

	For 12 months ended December 31												% change between the twelve months ended December 31, 2009 and 2008			% change between the twelve months ended December 31, 2008 and 2007			
	2009				2008				2007				Volume, mln. tonnes	Cost, mln. US\$	Cost per tonne	Volume, mln. tonnes	Cost, mln. US\$	Cost per tonne	
	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne							
CRUDE OIL																			
Export sales																			
Pipeline	41.54	73.8%	1,355	32.62	38.99	72.2%	1,258	32.26	41.48	70.2%	1,024	24.68	6.5%	7.7%	1.1%	(6.0)%	22.9%	30.7%	
Railroad and mixed	14.77	26.2%	961	65.06	15.04	27.8%	1,163	77.33	17.62	29.8%	1,192	67.62	(1.8)%	(17.4)%	(15.9)%	(14.6)%	(2.4)%	14.4%	
Transportation to refineries and domestic sales																			
Pipeline	42.61		779	18.28	41.71		819	19.64	38.51		656	17.03	2.2%	(4.9)%	(6.9)%	8.3%	24.8%	15.3%	
Railroad and mixed	6.99		614	87.84	5.48		606	110.58	5.24		466	88.92	27.6%	1.3%	(20.6)%	4.6%	30.0%	24.4%	
PETROLEUM PRODUCTS																			
Export sales																			
Pipeline ⁽¹⁾	0.85	3.1%	36	42.35	1.70	6.6%	79	46.47	1.50	7.8%	60	40.31	(50.0)%	(54.4)%	(8.9)%	13.3%	31.7%	15.3%	
Railroad and mixed	18.98	68.3%	1,244	65.54	16.51	63.6%	1,194	72.32	10.42	58.0%	541	51.88	15.0%	4.2%	(9.4)%	58.4%	120.7%	39.4%	
Other transportation expenses⁽²⁾			425				554				287			(23.3)%				93.0%	
Total	125.74		5,414	43.06	119.43		5,673	47.50	114.76		4,226	36.82	5.3%	(4.6)%	(9.3)%	4.1%	34.2%	29.0%	

(1) Rosneft exported 7.96 million tonnes (28.6% of total export volumes), 7.72 million tonnes (29.8% of total export volumes) and 6.55 million tonnes (34.2% of total export volumes) of petroleum products in 2009, 2008 and 2007, respectively, through its own pipeline in Tuapse, as well as under free-carrier conditions pursuant to which Rosneft does not bear directly transportation expenses. Operating expenses for the pipeline in Tuapse are included in Rosneft's financial statements as operating expenses.

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

Launch of commercial production at the Vankor field in 2009 was one of the drivers of transportation expenses growth. In 2009 Vankorneft produced 26.63 million barrels of crude oil, of which 3.78 million barrels were exported through the port of Novorossiysk, 15.65 million barrels were exported through the port of Primorsk, 0.51 million barrels and 0.44 million barrels were exported through CPC and ESPO, respectively, and 2.83 million barrels were delivered to Rosneft's refineries for processing. Remaining volumes were used for technological needs and to fill oil treatment facilities, in-field pipelines and Vankor – Purpe pipeline as well as remained in Transneft system as inventories.

The increase in crude oil pipeline export cost per tonne was 1.1% in 2009 compared to 2008, which was primarily due to the change in structure of transportation routes (particularly, start of deliveries of Vankor crude oil to Novorossiysk and Primorsk, as well as supply of first barrels via ESPO to Kozmino), and was partially offset by the decrease in tariffs by 0.4% - 3.4% in US\$ terms. The increase in crude oil transportation cost per tonne was 30.7% in 2008 compared to 2007 and was primarily due to the increase in transportation tariffs by 26.4% - 28.5% in US\$ terms and due to the change in structure of transportation routes used.

The decrease in crude oil railroad and mixed export cost per tonne was 15.9% in 2009 compared to 2008, which was primarily due to the decrease in tariffs in US\$ terms. The increase in crude oil railroad and mixed export cost per tonne was 14.4% in 2008 compared to 2007, which was primarily due to the increase in tariffs in US\$ terms and due to the change in structure of transportation routes used.

The decrease in crude oil pipeline domestic cost per tonne was 6.9% in 2009 compared to 2008, which was primarily due to the decrease in tariffs by 0.3% - 3.5% in US\$ terms and due to the change in structure of transportation routes (particularly, decreased supplies of crude oil from Purneftegaz to Tuapse).

The increase in crude oil pipeline domestic cost per tonne was 15.3% in 2008 compared to 2007, which was primarily due to the increase in tariffs by 17.9% - 31.9% in US\$ terms and due to the change in structure of transportation routes.

The decrease in crude oil railroad and mixed domestic cost per tonne was 20.6% in 2009 compared to 2008, which was primarily due to the decrease in tariffs in US\$ terms. The increase in crude oil railroad and mixed domestic cost per tonne was 24.4% in 2008 compared to 2007, which was primarily due to the increase in tariffs in US\$ terms.

The decrease in petroleum product pipeline export cost per tonne and petroleum product railroad and mixed export cost per tonne was 8.9% and 9.4%, respectively, in 2009 compared to 2008, which was primarily due to the decrease in tariffs by 6.1% - 13.6% in US\$ terms at the routes from Rosneft's refineries to transshipment ports. The increase in petroleum product pipeline export cost per tonne and petroleum product railroad and mixed export cost per tonne was 15.3% and 39.4%, respectively, in 2008 compared to 2007, which was primarily due to the increase in tariffs by 9.3% - 25.3% in US\$ terms at the routes from Rosneft's refineries to transshipment ports.

Exploration Expenses

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

In the fourth quarter of 2009 exploration expenses decreased to US\$ 54 million, or by 27.0% compared with the third quarter of 2009. These expenses decreased due to the seasonal decrease in geophysical expenses at Samaraneftgaz and Purneftgaz fields.

In 2009 exploration expenses increased to US\$ 325 million, or by 31.0% compared with 2008. This was the result of writing off the costs of dry wells under the Kurmangazy project, at Terskaya area and other, as well as increased costs of exploratory works performed at Samaraneftgaz fields. The increase was partially offset by the decrease in cost of exploratory works under the Kurmangazy project and Val Shatskogo block, as well as decrease in cost of geophysical surveys at Yuganskneftgaz fields.

In 2008 exploration expenses increased to US\$ 248 million, or by 53.1% compared with 2007. The increase was due to start of exploratory works performed at Val Shatskogo block and Kurmangazy project, as well as the increase in cost of geophysical surveys at Yuganskneftgaz and Samaraneftgaz fields.

Depreciation, Depletion and Amortisation

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

Depreciation, depletion and amortisation were US\$ 1,210 million in the fourth quarter of 2009 compared to US\$ 1,148 million in the third quarter of 2009. In 2009, 2008 and 2007 the depreciation, depletion and amortisation were US\$ 4,350 million, US\$ 3,983 million and US\$ 3,286 million, respectively. The increase in the depreciation in 2009 compared with 2008 resulted mainly from the launch of the Vankor field. The increase in the depreciation in 2008 compared with 2007 resulted mainly from the acquisition of assets in 2007.

Taxes Other than Income Tax

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

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

	<i>For 3 months ended</i>		<i>% change between 4 and 3 quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	<i>December 31, 2009</i>	<i>September 30, 2009</i>	<i>2009</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2009 - 2008</i>	<i>2008- 2007</i>
	(US\$ million, except %)							
Mineral extraction tax	2,078	1,930	7.7%	6,502	12,817	9,323	(49.3)%	37.5%
Excise tax	231	245	(5.7)%	893	1,120	861	(20.3)%	30.1%
Social security	72	80	(10.0)%	361	430	291	(16.0)%	47.8%
Property tax	67	62	8.1%	236	261	186	(9.6)%	40.3%
Land tax	4	1	300.0%	16	23	15	(30.4)%	53.3%
Transportation tax	1	1	0.0%	4	5	4	(20.0)%	25.0%
Interest and penalties and other payments	(6)	16	-	49	154	210	(68.2)%	(26.7)%
Total taxes other than income tax	2,447	2,335	4.8%	8,061	14,810	10,890	(45.6)%	36.0%

Taxes other than income tax increased by 4.8% to US\$ 2,447 million in the fourth quarter of 2009, compared with US\$ 2,335 million in the third quarter of 2009, mainly due to the increase in the mineral extraction tax rate by 11.3% and nominal rouble appreciation.

Taxes other than income tax decreased by 45.6% to US\$ 8,061 million in 2009 compared to US\$ 14,810 million in 2008. The reduction in taxes resulted mainly from a decrease in mineral extraction tax rate by 45.9% and from the rouble depreciation, as well as from the decrease in payments of penalties in 2009.

Taxes other than income tax increased by 36.0% in 2008 to US\$ 14,810 million, compared to US\$ 10,890 million in 2007. The growth in taxes resulted mainly from an increase in mineral extraction tax per barrel by 38.7% due to increase in average crude oil prices.

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

	<i>For 3 months ended</i>		<i>% change between 3 and 4 quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	<i>December 31, 2009</i>	<i>September 30, 2009</i>	<i>2009</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2009 - 2008</i>	<i>2008- 2007</i>
	(US\$ million, except %)							
Average enacted mineral extraction tax rate	12.93	11.62	11.3%	9.91	18.31	13.20	(45.9)%	38.7%
Actual mineral extraction tax rate per barrel of crude oil produced	10.82	10.36	4.4%	8.93	18.11	13.08	(50.7)%	38.5%
Actual mineral extraction tax rate per barrel of oil equivalent produced	9.85	9.51	3.6%	8.15	16.53	11.58	(50.7)%	42.7%

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

In the fourth of 2009 the Company’s benefits from the reduced and zero mineral extraction tax rate were US\$ 307 million (including benefits of US\$ 215 million related to Vankor production). In the third quarter of 2009 the Company’s benefits from the reduced and zero mineral extraction tax rate were US\$ 194 million (including benefits of US\$ 113 million related to Vankor production).

In 2009 the total amount of Rosneft’s benefits from the reduced and zero mineral extraction rate was US\$ 597 million (including benefits of US\$ 315 million related to Vankor production).

In 2008 and 2007 the total amount of Rosneft’s benefits from the reduced and zero mineral extraction rate was US\$ 116 million and 87 million, respectively.

Export Customs Duty

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

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

	<i>For 3 months ended</i>		<i>% change between 4 and 3 quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2009	September 30, 2009	2009	2009	2008	2007	2009–2008	2008–2007
	(US\$ million, except %)							
Export customs duty for crude oil	3,479	2,905	19.8%	9,441	17,200	10,754	(45.1)%	59.9%
Export customs duty for petroleum products	879	835	5.3%	2,690	4,806	2,278	(44.0)%	110.9%
Total export customs duties	4,358	3,740	16.5%	12,131	22,006	13,032	(44.9)%	68.9%

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

	<i>For 3 months ended</i>		<i>% change between 4 and 3 quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2009	September 30, 2009	2009	2009	2008	2007	2009 - 2008	2008–2007
	(US\$ per barrel, except %)							
Average Urals price	74.26	68.00	9.2%	61.01	94.52	69.39	(35.5)%	36.2%
Average enacted export customs duty	33.85	30.68	10.3%	24.51	48.56	28.23	(49.5)%	72.0%
Hypothetical export customs duty calculated using the average Urals price for the period (i.e. without time lag)	36.02	31.95	12.8%	27.40	49.19	32.88	(44.2)%	49.6%
Actual average customs duty on exports subject to regular duty	33.73	30.58	10.3%	24.89	48.50	28.27	(48.7)%	71.6%
Actual average customs duty on all Rosneft exports	32.36	29.27	10.6%	23.82	46.17	25.34	(48.4)%	82.2%

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

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

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

	<i>For 3 months ended</i>		<i>% change between 4 and 3 quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2009	September 30, 2009	2009	2009	2008	2007	2009 – 2008	2008–2007
	(million bbl, except %)							
Exports subject to regular duty	100.89	92.72	8.8%	370.37	345.82	368.95	7.1%	(6.3)%
Exports to Belarus (reduced duty)	6.63	6.54	1.4%	26.01	26.69	38.44	(2.5)%	(30.6)%
Exports to Kazakhstan (zero duty)	1.05	1.02	2.9%	4.57	10.03	7.72	(54.4)%	29.9%
Sakalin-1 exports (zero duty)	2.55	2.51	1.6%	10.96	13.64	16.99	(19.6)%	(19.7)%
Total exports	111.12	102.79	8.1%	411.91	396.18	432.10	4.0%	(8.3)%

Operating Income

As a result of the factors discussed above, operating income increased by 11.8% to US\$ 2,781 million in the fourth quarter of 2009 compared with US\$ 2,488 million the third quarter of 2009. As a percentage of total revenues, operating income was 19.1% in the fourth and third quarters of 2009. As a percentage of total revenues, operating income before taxes other than income tax and export customs duty was 65.8% and 65.6% in the fourth and third quarters of 2009, respectively.

As a result of the factors discussed above, operating income decreased by 29.8% to US\$ 9,128 million in 2009 compared with 2008. As a percentage of total revenues, operating income was 19.5% in 2009 and 18.9% in 2008, respectively. As a percentage of total revenues, operating income before taxes other than income tax and export customs duty was 62.6% and 72.2% in 2009 and 2008, respectively.

Other Income/ (Expenses)

Interest Income

Interest income increased by 13.0% to US\$ 174 million in the fourth quarter of 2009 from US\$ 154 million in the third quarter of 2009. Interest income increased by 37.6% to US\$ 516 million in 2009 from US\$ 375 million in 2008.

The increase in interest income was, primarily, due to the growth of the funds placed on deposits in the fourth quarter and twelve months of 2009 compared with 2008.

Interest Expense

Interest expense decreased by 21.5% to US\$ 161 million in the fourth quarter of 2009 from US\$ 205 million in the third quarter of 2009. The decrease was mainly due to the decrease in the estimation of the fair value of SWAP liabilities.

Interest expense decreased by 45.6% to US\$ 605 million in the twelve months of 2009 from US\$ 1,112 million in 2008. The decrease mainly resulted from a decrease in LIBOR rate and an increase in interests capitalized from US\$ 279 million in 2008 to US\$ 354 million in 2009.

Loss on Disposal of Non-Current Assets

From time to time, Rosneft disposes of property, plant and equipment. In the fourth quarter of 2009, Rosneft recorded a net loss of US\$ 256 million on the disposal of non-current assets compared to US\$ 44 million recorded in the third quarter of 2009.

In 2009, 2008 and 2007 net loss on the disposal of non-current assets was US\$ 350 million, US\$ 58 million and US\$ 119 million, respectively.

Equity share in affiliates' profits/(loss)

The equity share in affiliates' profits amounted to US\$ 81 million in the fourth quarter of 2009 compared with US\$ 15 million in the third quarter of 2009. The increase in the equity share in affiliates' profits resulted from an increase in income incurred by certain Rosneft's affiliates, primarily, Tomskneft.

In 2009, 2008 and 2007 the equity share in affiliates' profit was US\$ 112 million, US\$ 7 million (loss) and US\$ 23 million, respectively.

Other (Expenses)/Income, Net

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

In the fourth quarter of 2009, other expenses, net, amounted to US\$ 79 million, compared to US\$ 279 million in the third quarter of 2009. The decrease was primarily due to the accruals of penalties under the Russian Federal Antimonopoly Service claims for US GAAP purposes in the third quarter of 2009.

In 2009, 2008 and 2007 other expenses amounted to US\$ 350 million, US\$ 135 million and US\$ 195 million, respectively.

Foreign Exchange (Loss)/Gain

Foreign exchange loss was US\$ 89 million in the fourth quarter of 2009 compared with the loss of US\$ 247 million in the third quarter of 2009. In the twelve months of 2009, 2008 and 2007 the foreign exchange gain was US\$ 71 million, US\$ 1,148 million and USD\$ 409 million (loss), respectively.

Income Tax

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

	<i>For 3 months ended</i>		<i>For 12 months ended December 31</i>		
	December 31, 2009	September 30, 2009	2009	2008	2007
Effective income tax rate for Rosneft under US GAAP	32%	37%	23%	15%	28%

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

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

Net (income)/loss attributable to noncontrolling interests

Net income attributable to noncontrolling interests was US\$ 4 million in the fourth quarter of 2009 compared to US\$ 5 million of loss in the third quarter of 2009. The change resulted, primarily, from the increase in the net income of certain Rosneft's subsidiaries in which the Company does not own 100% share.

Net income attributable to minority interests was US\$ 5 million in 2009 compared to US\$ 95 million in 2008 and US\$ 21 million in 2007.

Net Income

As a result of the factors discussed above net income increased by 43.3% to US\$ 1,674 million in the fourth quarter of 2009 from US\$ 1,168 million in the third quarter of 2009. As a percentage of revenues, net income was 11.5% and 9.0% in the fourth and third quarters of 2009, respectively.

As a result of the factors discussed above, net income decreased by 41.4% to US\$ 6,514 million in 2009 from US\$ 11,120 million in 2008. As a percentage of revenues, net income was 13.9%, 16.1% and 26.1% in 2009, 2008 and 2007, respectively.

Liquidity and Capital Resources

Cash Flows

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

	<i>For 3 months ended</i>		<i>% change between 4 and 3 quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2009	September 30, 2009	2009	2009	2008	2007	2009 – 2008	2008- 2007
	(US\$ million)		times	(US\$ million)			times	
Net cash provided by operating activities	3,056	2,521	1.2	10,319	14,393	17,110	(1.4)	(1.2)
Net cash used in investing activities	(3,448)	(2,024)	1.7	(8,788)	(10,822)	(20,095)	(1.2)	(1.9)
Net cash used in financing activities	1,464	(573)	3.6	(877)	(3,074)	3,440	(3.5)	(2.1)

Net Cash Provided by Operating Activities

Net cash provided by operating activities amounted to US\$ 3,056 million in the fourth quarter of 2009 as compared to US\$ 2,521 million in the third quarter of 2009. The operating cash flow includes operations with trading securities as part of the Company's efforts to manage cash resources (net outflow of US\$ 257 million in the fourth quarter of 2009 and inflow of US\$ 90 million in the third quarter of 2009, net outflow of US\$ 472 million in the twelve months of 2009). The adjusted net cash provided by the operating activity amounted to US\$ 3,313 million in the fourth quarter of 2009 and US\$ 2,431 million in the third quarter of 2009. The increase in the operating cash flow resulted primarily from the increase in net income by 43.3% and changes in working capital. In the fourth quarter of 2009 the working capital decreased by US\$ 389 million due to the following factors:

- Decrease in trade receivables by US\$ 844 million due to the settlements of the trade receivables under sales contracts for crude oil and oil products deliveries by the end of the year;
- The increase in other trade and other liabilities by US\$ 140 million;
- The increase in the tax liabilities (mainly mineral extraction tax and income tax) by US\$ 205 million.

The decrease was partially offset by the following factors:

- Increase in inventories by US\$ 189 million (mainly crude oil) due to the launch of Vankor field and increase in mineral extraction tax rate;
- Increase in customs prepayments and other prepayments (mainly, prepayments for transport services) by US\$ 746 million due to growth in volumes and long-term holidays in January 2010.

In 2009 net cash provided by the operating activity (adjusted for the result of the operations with trading securities of US\$ 472 million) amounted to US\$ 10,791 million. The decrease in the operating cash flow compared with 2008 resulted primarily from the decrease in the net income by 41.4%.

Net Cash Used in Investing Activities

Net cash used in investing activities was US\$ 3,448 million in the fourth quarter of 2009 compared to US\$ 2,024 million in the third quarter of 2009. The increase resulted mainly from the increase in the short-term deposits placed with banks compared to 2008 and the increase in capital expenditures.

Net cash used in investing activities was US\$ 8,788 million in 2009 compared to US\$ 10,822 million in 2008. The decrease was primarily due to a decrease in capital expenditures and difference in the margin call deposit dynamics. In 2007 net cash used in investing activities amounted to US\$ 20,095 million, which almost two times higher compared with 2008 due to the acquisition of major upstream and downstream assets.

Net Cash Used in Financing Activities

Net cash provided by financing activities was US\$ 1,464 million in the fourth quarter of 2009 compared to US\$ 573 million of net cash used in financing activity in the third quarter of 2009. The change was primarily due to drawing down another tranche of US\$ 3.0 billion of the long-term China Development Bank loan and decrease in repayment of other loans following early repayments of some loans.

Net cash used in financing activities was US\$ 877 million in 2009 compared to US\$ 3,074 million in 2008. The decrease was primarily due to drawing US\$ 10.0 billion (out of US\$ 15.0 billion) of the long-term China Development Bank loan in 2009.

Capital Expenditures

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

	For 3 months ended		% change between 4 and 3 quarters	For 12 months ended December 31			% change for 12 months ended December 31	
	December 31, 2009	September 30, 2009	2009	2009	2008	2007	2009 – 2008	2008-2007
	(US\$ million, except %)							
Yuganskneftegaz	687	515	33.4%	2,252	2,866	2,185	(21.4)%	31.2%
Vankorneft	594	671	(11.5)%	2,531	2,433	1,009	4.0%	141.1%
Purneftegaz	124	67	85.1%	276	491	423	(43.8)%	16.1%
Severnaya Neft	17	14	21.4%	76	181	212	(58.0)%	(14.6)%
Samaraneftegaz	39	39	-	156	195	115	(20.0)%	69.6%
Tomskneft	-	-	-	-	-	233	-	(100.0)%
Other ¹	228	131	74.0%	576	311	432	85.2%	(28.0)%
Total upstream segment	1,689	1,437	17.5%	5,867	6,477	4,609	(9.4)%	40.5%
The Company	3	32	(90.6)%	49	122	99	(59.8)%	23.2%
Tuapse refinery	85	42	102.4%	208	137	106	(51.8)%	29.2%
Komsomolsk refinery	17	22	(22.7)%	92	73	61	26.0%	19.7%
Angarsk refinery	32	13	146.2%	79	83	80	(4.8)%	3.4%
Achinsk refinery	28	13	115.4%	54	44	62	22.7%	(29.0)%
Syzran refinery	31	22	40.9%	77	78	31	(1.3)%	151.6%
Novokuibyshevsk refinery	22	13	69.2%	56	54	44	3.7%	22.7%
Kuibyshev refinery	31	21	47.6%	69	55	52	25.5%	5.8%
Marketing Business Units and others ²	188	112	67.9%	409	488	458	(16.2)%	6.6%
Total downstream	437	290	50.7%	1,093	1,134	993	(3.6)%	14.2%
Other activities³	112	62	80.6%	325	543	329	(40.1)%	65.0%
Subtotal capital expenditures	2,238	1,789	25.1%	7,285	8,154	5,931	(10.7)%	37.5%
Change in materials in capital expenditures	(142)	(20)	(>100.0)%	(33)	578	309	(>100.0)%	87.1%
Other former Yukos assets ⁴	-	-	-	-	-	540	-	(100.0)%
Total capital expenditures	2,096	1,769	18.5%	7,252	8,732	6,780	(16.9)%	28.8%
Licence acquisition costs	18	78	(76.9)%	96	47	90	104.3%	(47.8)%

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

2. Relating to companies providing processing and storage services.

3. Relating to other services companies.

4. Assets acquired in lots # 17-18 during Yukos banking proceedings.

Rosneft's total capital expenditures including construction materials purchases increased by 18.5% or by US\$ 327 million to US\$ 2,096 million in the fourth quarter of 2009 compared to US\$ 1,769 million in the third quarter of 2009. The growth was partially due to the RUB appreciation quarter-on-quarter.

In 2009 the Company's capital expenditures decreased to US\$ 7,252 million, or by 16.9%, compared with US\$ 8,732 million in 2008. The decrease in capital expenditures was primarily attributable to rouble depreciation year-on-year.

The amount of capital expenditures includes interests capitalized in the amount of US\$ 55 million and US\$ 39 million in the fourth and third quarters of 2009, respectively. In the twelve months of 2009 and 2008 the amount of interests capitalized was US\$ 354 million and US\$ 279 million, respectively.

Upstream capital expenditures increased to US\$ 1,689 million, or by 17.5% compared with the third quarter of 2009. In 2009 upstream capital expenditures were US\$ 5,867 million compared to US\$ 6,477 million in 2008.

Downstream capital expenditures increased to US\$ 437 million, or by 50.7% compared with the third quarter of 2009. The growth resulted from the start of implementation of major refinery upgrade projects mainly aimed at complying with the new Technical regulations on motor fuel quality, which require changeover to Euro-3 fuels from 2011 and Euro-4 fuels from 2012, and provides for changeover to Euro-5 fuels from 2015.

In 2009 downstream capital expenditures decreased by US\$ 41 million to US\$ 1,093 million compared with US\$ 1,134 million in 2008.

Capital expenditures of other activities increased by US\$ 50 million, to US\$ 112 million in the fourth quarter of 2009 compared with US\$ 62 million in the third quarter of 2009, mainly due to the completion of some capital works by the end of the year. In 2009 capital expenditures of other activities decreased by US\$ 218 million compared with 2008.

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

The net change in unused construction materials included in capital expenditures amounted to US\$ (142) million in the fourth quarter of 2009 compared to US\$ (20) million in the third quarter of 2009. In 2009 and 2008 the net change in unused construction materials amounted to US\$ (33) million and US\$ 578 million, respectively.

The licence acquisition costs in 2009 were attributable to the acquisition of licences for the exploration and production at Labagansky Block, Rudnikovsky, Baykalsky, Mnogopolsky and North-Kolendinsky Blocks. The licence acquisition costs in 2008 were attributable to the acquisition of a licence for the exploration and production in Umotkinsky Block.

Debt Obligations

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

Rosneft's total loans and borrowings decreased to US\$ 23,507 million as of December 31, 2009 from US\$ 24,165 million as of December 31, 2008.

Long-term loans are generally secured by oil export contracts. As of December 31, 2009 and December 31, 2008, 84.6% and 60.4% respectively, of Rosneft's borrowings were secured by crude oil export contracts (excluding export to the CIS). As of December 31, 2009 and 31 December 2008, pledged oil exports constituted 49.5% and 46.3%, respectively, of the total crude oil export sales for the analysed period (excluding export to the CIS).

Rosneft's adjusted net debt amounted to US\$ 18,489 million as of December 31, 2009 compared to US\$ 21,283 million as of December 31, 2008.

The estimation of the adjusted net debt as of December 31, 2009, is disclosed in the following table:

As of the date	December 31, 2009	September 30, 2009	December 31, 2008
	US\$ million		
Short term debt	7,838	7,713	14,084
Long term debt	15,669	13,646	10,081
Total debts	23,507	21,359	24,165
Cash and cash equivalents	(1,997)	(938)	(1,369)
Short-term bank deposits	(1,184)	(248)	-
Structured deposits and reverse repurchase agreements	(529)	(78)	(983)
Short term promissory notes and other short-term liquid securities	(475)	(216)	(530)
Total net debt	19,322	19,879	21,283
Medium term deposits of excess operating cash	(833)	(1,017)	-
Adjusted net debt	18,489	18,862	21,283

Key Financial Ratios

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

	For 3 months ended		For 12 months ended December 31		
	December 31, 2009	September 30, 2009	2009	2008	2007
EBITDA margin	27.6%	28.0%	29.0%	24.8%	29.4%
Adjusted net income margin	11.4%	9.2%	13.8%	15.1%	13.2%
Net debt to capital employed ratio	0.29	0.30	0.29	0.35	0.48
Net debt to annualised EBITDA	1.15	1.29	1.36	1.24	1.82
Current ratio	1.13	0.91	1.13	0.68	0.68
	US\$/bbl				
EBITDA/bbl	20.89	19.63	18.63	24.17	20.29
Upstream capital expenditure/bbl	8.79	7.71	8.06	9.15	6.47
Upstream operating expenses/bbl	2.75	2.62	2.57	3.41	3.48
Adjusted free cash flow before interest/bbl	6.24	3.13	4.73	7.93	2.62
	US\$/boe				
EBITDA/boe	19.03	18.04	17.00	22.07	17.96
Upstream capital expenditure/boe	8.01	7.08	7.35	8.36	5.73
Upstream operating expenses/boe	2.50	2.41	2.34	3.11	3.08
Adjusted free cash flow before interest/boe	5.69	2.88	4.32	7.24	2.32

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

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

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

Upstream Measures

	For 3 months ended		For 12 months ended December 31		
	December 31, 2009	September 30, 2009	2009	2008	2007
Upstream capital expenditures (US\$ million)	1,689	1,437	5,867	6,477	4,609
Upstream operating expenses (US\$ million)	528	489	1,869	2,414	2,482
Barrels of crude oil produced (million)	192.13	186.37	728.06	707.68	712.83
Barrels of oil equivalent produced (million)	210.90	202.84	797.83	775.16	804.90

Calculation of Adjusted Free Cash Flow

	For 3 months ended		For 12 months ended December 31		
	December 31, 2009	September 30, 2009	2009	2008	2007
Net cash provided by operating activities	3,056	2,521	10,319	14,393	17,110
Capital expenditures	(2,096)	(1,769)	(7,252)	(8,732)	(6,780)
Free cash flow	960	752	3,067	5,661	10,330
Trading securities operations	257	(90)	472	-	-
License acquisition costs	(18)	(78)	(96)	(47)	(90)
Adjustments on cash received from Yukos bankruptcy	-	-	-	-	(8,371)
Adjusted free cash	1,199	584	3,443	5,614	1,869

Calculation of EBITDA Margin

	For 3 months ended		For 12 months ended December 31		
	December 31, 2009	September 30, 2009	2009	2008	2007
Operating income	2,781	2,488	9,128	13,005	10,721
Accretion expense	23	23	87	120	78
Depreciation, depletion and amortisation	1,210	1,148	4,350	3,983	3,286
Interests accrued in relation to Yuganskneftegaz tax liabilities 1999-2004	-	-	-	-	374
EBITDA	4,014	3,659	13,565	17,108	14,459
Total revenues	14,567	13,048	46,826	68,991	49,216
EBITDA margin	27.6%	28.0%	29.0%	24.8%	29.4%

Calculation of Adjusted Net Income Margin

	For 3 months ended		For 12 months ended December 31		
	December 31, 2009	September 30, 2009	2009	2008	2007
Net income	1,674	1,168	6,514	11,120	12,862
Effect from the assets impairment and interests SWAP	(18)	31	(42)	285	14
Effect from the interests rate change	-	-	-	(956)	-
Effect from Yukos bankruptcy proceeds and interests to Yugansk tax liabilities	-	-	-	-	(6,379)
Adjusted net income	1,656	1,199	6,472	10,449	6,497
Sales revenues	14,567	13,048	46,826	68,991	49,216
Adjusted net income margin	11.4%	9.2%	13.8%	15.1%	13.2%

Current ratio

	For 12 months ended December 31		
	2009	2008	2007
	(US\$ million, except ratio)		
Current assets	15,169	12,807	14,968
Current liabilities	13,443	18,697	22,124
Current ratio	1.13	0.68	0.68

Calculation of Capital Employed and Related Indicators

	For 12 months ended December 31		
	2009	2008	2007
	(US\$ million)		
Short-term loans and current portion of long-term debt	7,838	14,084	15,550
Long-term debt	15,669	10,081	11,723
Cash and cash equivalents ⁽¹⁾	(5,018)	(2,882)	(998)
Net debt	18,489	21,283	26,275
Shareholders' equity	44,831	38,903	28,440
Minority interest in subsidiaries' earnings	706	695	277
Equity	45,537	39,598	28,717
Capital employed	64,026	60,881	54,992
Average equity, including minority interest⁽²⁾	42,568	34,158	25,409
Average capital employed⁽³⁾	62,454	57,937	45,208

(1) The net debt estimation is set presented in "Debt obligations" section.

(2) Average equity including minority interest is calculated as a simple average of the equity including minority interest at the start and end of the given period.

(3) Average capital employed is calculated as a simple average of the capital employed at the start and the end of the given period.

Calculation of Return on Average Capital Employed (ROACE)

	For 12 months ended December 31		
	2009	2008	2007
		(US\$ million, except %)	
Operating income	9,128	13,005	10,721
Income tax expense	(2,000)	(1,904)	(4,906)
Effect from the income tax rate change	-	(956)	-
Income tax from Yukos bankruptcy proceeds	-	-	2,153
Interest accrued in relation to Yuganskneftegaz tax liabilities for 1999-2004	-	-	438
Return used for calculation of ROACE	7,128	10,145	8,406
Average capital employed	62,454	57,937	45,208
ROACE	11.4%	17.5%	18.6%

Calculation of Return on Average Equity (ROAE)

	For 12 months ended December 31		
	2009	2008	2007
		(US\$ million, except %)	
Net income	6,472	10,449	6,497
Average equity, including minority interest	42,568	34,158	25,409
ROAE, annualized where appropriate	15.2%	30.6%	25.6%