



**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 QUARTERS ENDED SEPTEMBER 30 AND JUNE 30, 2010  
AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009**

*The following discussion of Rosneft's financial condition and results of operations is based on, and should be read in conjunction with, the Company's financial statements and the notes thereto for the periods ended September 30, 2010 and 2009 (the "**Interim Condensed Financial Statements**"). Such terms as "**Rosneft**," "**Company**" and "**Group**" in their different forms in this report mean Rosneft Oil Company and its consolidated subsidiaries and affiliated companies. This report presents Rosneft's financial condition and results of operations on a consolidated basis. This report contains forward-looking statements that involve risks and uncertainties. Rosneft's actual results may materially differ from those discussed in such forward-looking statements as a result of various factors.*

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

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

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

## Overview

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

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

Rosneft is one of the world's largest publicly traded companies in terms of proved hydrocarbon reserves which as of December 31, 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 2.33 million barrels per day (average for the third quarter of 2010) and output of natural and associated gas is over 2.86 billion cubic meters per quarter (data for the third quarter of 2010).

Rosneft processes part of the crude oil produced at its seven refineries with total primary refining capacity of 1.1 million barrels per day. Rosneft's refinery throughput is 1.0 million barrels per day (average for the third quarter of 2010) 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 39 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>%<br/>change</i> | <i>For 9 months ended</i>     |                               | <i>%<br/>change</i> |
|---|-------------------------------|--------------------------|---------------------|-------------------------------|-------------------------------|---------------------|
|   | <i>September 30,<br/>2010</i> | <i>June 30,<br/>2010</i> |                     | <i>September 30,<br/>2010</i> | <i>September 30,<br/>2009</i> |                     |
| Revenues (US\$ million)                           | 15,471                        | 15,431                   | 0.3%                | 45,663                        | 32,259                        | 41.6%               |
| EBITDA (US\$ million)                             | 4,638                         | 4,745                    | (2.3)%              | 13,826                        | 9,551                         | 44.8%               |
| Adjusted net income (US\$ million) <sup>1</sup>   | 2,525                         | 2,513                    | 0.5%                | 7,485                         | 4,840                         | 54.6%               |
| Crude oil production (th. barrels per day)        | 2,332                         | 2,315                    | 0.7%                | 2,312                         | 2,151                         | 7.5%                |
| Gas production (bcm)                              | 2.86                          | 2.96                     | (3.4)%              | 9.09                          | 9.24                          | (1.6)%              |
| Hydrocarbon production (th. boe per day)          | 2,515                         | 2,506                    | 0.3%                | 2,507                         | 2,350                         | 6.7%                |
| Production of petroleum products (million tonnes) | 12.42                         | 11.16                    | 11.3%               | 35.64                         | 35.26                         | 1.1%                |

### 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.

<sup>1</sup> Net income for the three months ended, September 30, 2010 and June 30, 2010 is adjusted for effect of interests SWAP operations in the amount of US\$ 35 million and US\$ 37 million, respectively. Net income for the nine months of 2010 is adjusted for effect of interests SWAP operations in the amount of US\$ 88 million.

## 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. Crude oil exported via ESPO pipeline is sold at a special price which is linked to the price for Dubai grade.

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</i> | <i>For 9 months ended</i> |                           | <i>Change</i> |
|---|---------------------------|----------------------|---------------|---------------------------|---------------------------|---------------|
|   | <b>September 30, 2010</b> | <b>June 30, 2010</b> |               | <b>September 30, 2010</b> | <b>September 30, 2009</b> |               |
| <b>World market</b>   | <b>(US\$ per barrel)</b>  |                      |               | <b>(US\$ per barrel)</b>  |                           |               |
| Brent (dated)   | 76.86                     | 78.30                | (1.8)%        | 77.13                     | 57.15                     | 35.0%         |
| Urals (average CIF Med and NWE)                             | 75.56                     | 76.92                | (1.8)%        | 75.92                     | 56.59                     | 34.2%         |
| Urals (FOB Primorsk)  | 75.08                     | 75.31                | (0.3)%        | 74.59                     | 55.16                     | 35.2%         |
| Urals (FOB Novorossysk)                                     | 74.89                     | 75.05                | (0.2)%        | 74.47                     | 55.29                     | 34.7%         |
| Dubai-Oman  | 74.01                     | 78.21                | (5.4)%        | 76.08                     | 57.23                     | 32.9%         |
|   | <b>(US\$ per tonne)</b>   |                      |               | <b>(US\$ per tonne)</b>   |                           |               |
| Naphtha (av. FOB/CIF Med)                                   | 643.08                    | 679.09               | (5.3)%        | 671.39                    | 478.24                    | 40.4%         |
| Naphtha (av. FOB Rotterdam/CIF NWE)                         | 655.21                    | 690.44               | (5.1)%        | 684.15                    | 488.47                    | 40.1%         |
| Naphtha (CFR Japan)   | 665.71                    | 709.75               | (6.2)%        | 697.36                    | 511.16                    | 36.4%         |
| Fuel oil 3.5% (av. FOB/CIF Med)                             | 427.69                    | 437.14               | (2.2)%        | 435.16                    | 318.76                    | 36.5%         |
| Fuel oil 3.5% (av. FOB Rotterdam/CIF NWE)                   | 424.06                    | 432.77               | (2.0)%        | 432.75                    | 314.32                    | 37.7%         |
| High sulphur fuel oil 180 cst (FOB Singapore)               | 449.00                    | 464.31               | (3.3)%        | 462.20                    | 340.64                    | 35.7%         |
| Gasoil 0.1% (av. FOB/CIF Med)                               | 651.98                    | 671.72               | (2.9)%        | 652.16                    | 490.32                    | 33.0%         |
| Gasoil 0.1% (av. FOB Rotterdam/CIF NWE)                     | 651.71                    | 670.79               | (2.8)%        | 651.73                    | 488.19                    | 33.5%         |
| Gasoil 0.5% (FOB Singapore)                                 | 641.14                    | 664.62               | (3.5)%        | 645.21                    | 481.19                    | 34.1%         |
| <b>Russian market</b><br>(net of VAT, including excise tax) | <b>(US\$ per tonne)</b>   |                      |               | <b>(US\$ per tonne)</b>   |                           |               |
| Crude oil   | 220.97                    | 210.57               | 4.9%          | 214.09                    | 169.60                    | 26.2%         |
| Fuel oil  | 252.56                    | 254.00               | (0.6)%        | 248.26                    | 185.55                    | 33.8%         |
| Summer diesel   | 464.23                    | 472.05               | (1.7)%        | 457.18                    | 385.42                    | 18.6%         |
| Winter diesel   | 504.10                    | 493.04               | 2.2%          | 509.72                    | 435.81                    | 17.0%         |
| High octane gasoline  | 706.18                    | 694.88               | 1.6%          | 678.70                    | 543.18                    | 24.9%         |
| Low octane gasoline   | 572.50                    | 575.78               | (0.6)%        | 562.31                    | 464.07                    | 21.2%         |

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

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

The regulated price has affected, and is likely to continue to affect, the pricing of the gas Rosneft sells to Gazprom. Rosneft's average gas sale price was RUB 1,272 (excluding VAT) (US\$ 41.55 per thousand cubic meters) and RUB 1,250 (US\$ 41.35 per thousand cubic meters) in the third and second quarters of 2010, respectively. In the nine months of 2010 and 2009 Rosneft's average gas sale price was RUB 1,269 (US\$ 41.94 per thousand cubic meters) and RUB 1,031 (US\$ 31.74 per thousand cubic meters), respectively.

## US\$/RUB Exchange Rate and Inflation

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

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

|  | <i>For 3 months ended</i> |                      | <i>For 9 months ended</i> |                           |
|--|---------------------------|----------------------|---------------------------|---------------------------|
|  | <b>September 30, 2010</b> | <b>June 30, 2010</b> | <b>September 30, 2010</b> | <b>September 30, 2009</b> |
| Rouble inflation (CPI) for the period  | 1.8%                      | 1.2%                 | 6.2%                      | 8.1%                      |
| Change of the average invert exchange rate (RUB/US\$) compared to the previous period      | (1.2)%                    | (1.2)%               | 7.4%                      | (26.0)%                   |
| US\$/RUB exchange rate at the end of the period  | 30.40                     | 31.20                | 30.40                     | 30.09                     |
| Average US\$/RUB exchange rate for the period  | 30.62                     | 30.24                | 30.25                     | 32.48                     |
| Real appreciation/(depreciation) of the RUB against the US\$ for the period <sup>(1)</sup> | 4.5%                      | (4.7)%               | 5.6%                      | 5.5%                      |

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</i> | <i>For 9 months ended</i> |                           | <i>Change</i> |
|--|---------------------------|----------------------|---------------|---------------------------|---------------------------|---------------|
|  | <b>September 30, 2010</b> | <b>June 30, 2010</b> |               | <b>September 30, 2010</b> | <b>September 30, 2009</b> |               |
| <b>Mineral extraction tax</b>                            |                           |                      |               |                           |                           |               |
| Crude oil (RUB per tonne)                                | 2,989                     | 2,979                | 0.3%          | 2,948                     | 2,136                     | 38.0%         |
| Natural gas (RUB per th. cubic meters)                   | 147                       | 147                  | 0.0%          | 147                       | 147                       | 0.0%          |
| Associated gas (RUB per th. cubic meters)                | 0                         | 0                    | 0.0%          | 0                         | 0                         | 0.0%          |
| <b>Export customs duty</b>                               |                           |                      |               |                           |                           |               |
| Crude oil (US\$ per tonne)                               | 262.03                    | 281.66               | (7.0)%        | 269.16                    | 156.56                    | 71.9%         |
| Crude oil (US\$ per tonne) for Eastern Siberia           | 79.07                     | 0                    | 100.0%        | 79.07                     | 0                         | 100.0%        |
| Light and middle distillates and gasoil (US\$ per tonne) | 188.80                    | 202.10               | (6.6)%        | 193.64                    | 117.79                    | 64.4%         |
| Liquid fuels (fuel oil) (US\$ per tonne)                 | 101.73                    | 108.87               | (6.6)%        | 104.32                    | 63.44                     | 64.4%         |
| <b>Excise on petroleum products</b>                      |                           |                      |               |                           |                           |               |
| High octane gasoline (RUB per tonne)                     | 3,992                     | 3,992                | 0.0%          | 3,992                     | 3,629                     | 10.0%         |
| Low octane gasoline (RUB per tonne)                      | 2,923                     | 2,923                | 0.0%          | 2,923                     | 2,657                     | 10.0%         |
| Naphtha (RUB per tonne)                                  | 4,290                     | 4,290                | 0.0%          | 4,290                     | 3,900                     | 10.0%         |
| Diesel (RUB per tonne)                                   | 1,188                     | 1,188                | 0.0%          | 1,188                     | 1,080                     | 10.0%         |
| Lubricants (RUB per tonne)                               | 3,246                     | 3,246                | 0.0%          | 3,246                     | 2,951                     | 10.0%         |

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

|   | <i>For 3 months ended</i> |                      | <i>Change</i> | <i>For 9 months ended</i> |                           | <i>Change</i> |
|---|---------------------------|----------------------|---------------|---------------------------|---------------------------|---------------|
|   | <i>September 30, 2010</i> | <i>June 30, 2010</i> |               | <i>September 30, 2010</i> | <i>September 30, 2009</i> |               |
|   |                           |                      | <i>%</i>      |                           | <i>%</i>                  |               |
| <b>Mineral extraction tax</b>           |                           |                      |               |                           |                           |               |
| Crude oil (US\$ per tonne)              | 97.61                     | 98.50                | (0.9)%        | 97.45                     | 65.76                     | 48.2%         |
| Natural gas (US\$ per th. cubic meters) | 4.80                      | 4.86                 | (1.2)%        | 4.86                      | 4.53                      | 7.3%          |
| <b>Excise on petroleum products</b>     |                           |                      |               |                           |                           |               |
| High octane gasoline (US\$ per tonne)   | 130.37                    | 132.01               | (1.2)%        | 131.95                    | 111.73                    | 18.1%         |
| Low octane gasoline (US\$ per tonne)    | 95.46                     | 96.67                | (1.2)%        | 96.62                     | 81.80                     | 18.1%         |
| Naphtha (US\$ per tonne)                | 140.10                    | 141.87               | (1.2)%        | 141.80                    | 120.07                    | 18.1%         |
| Diesel (US\$ per tonne)                 | 38.80                     | 39.29                | (1.2)%        | 39.27                     | 33.25                     | 18.1%         |
| Lubricants (US\$ per tonne)             | 106.01                    | 107.34               | (1.2)%        | 107.30                    | 90.86                     | 18.1%         |

Tax rates translated from tonnes to barrels:

|   | <i>For 3 months ended</i> |                      | <i>Change</i> | <i>For 9 months ended</i> |                           | <i>Change</i> |
|---|---------------------------|----------------------|---------------|---------------------------|---------------------------|---------------|
|   | <i>September 30, 2010</i> | <i>June 30, 2010</i> |               | <i>September 30, 2010</i> | <i>September 30, 2009</i> |               |
|   |                           |                      | <i>%</i>      |                           | <i>%</i>                  |               |
| Mineral extraction tax on crude oil (US\$ per barrel) | 13.34                     | 13.47                | (0.9)%        | 13.32                     | 8.99                      | 48.2%         |
| Export duty on crude oil (US\$ per barrel)            | 35.82                     | 38.51                | (7.0)%        | 36.80                     | 21.40                     | 71.9%         |

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 9 months ended</i> |                           |                           |                           |
|---|---------------------------|---------------------------|----------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|   | <i>September 30, 2010</i> |                           | <i>June 30, 2010</i> |                           | <i>September 30, 2010</i> |                           | <i>September 30, 2009</i> |                           |
|   | <i>US\$ million</i>       | <i>% of total revenue</i> | <i>US\$ million</i>  | <i>% of total revenue</i> | <i>US\$ million</i>       | <i>% of total revenue</i> | <i>US\$ million</i>       | <i>% of total revenue</i> |
| <b>Total revenues</b>                           | <b>15,471</b>             | <b>100.0%</b>             | <b>15,431</b>        | <b>100.0%</b>             | <b>45,663</b>             | <b>100.0%</b>             | <b>32,259</b>             | <b>100.0%</b>             |
| Export customs duty (for oil sales)             | 3,229                     | 20.9%                     | 3,148                | 20.4%                     | 9,392                     | 20.6%                     | 5,962                     | 18.5%                     |
| Export customs duty (for petroleum prod. sales) | 883                       | 5.7%                      | 907                  | 5.9%                      | 2,759                     | 6.0%                      | 1,811                     | 5.6%                      |
| Mineral extraction tax                          | 2,259                     | 14.6%                     | 2,192                | 14.2%                     | 6,579                     | 14.4%                     | 4,424                     | 13.7%                     |
| Excise tax                                      | 290                       | 1.9%                      | 283                  | 1.8%                      | 824                       | 1.8%                      | 662                       | 2.1%                      |
| Other taxes (including property tax)            | 173                       | 1.1%                      | 211                  | 1.4%                      | 587                       | 1.3%                      | 528                       | 1.6%                      |
| Income tax                                      | 632                       | 4.1%                      | 763                  | 4.9%                      | 2,048                     | 4.5%                      | 1,221                     | 3.8%                      |
| <b>Total taxes</b>                              | <b>7,466</b>              | <b>48.3%</b>              | <b>7,504</b>         | <b>48.6%</b>              | <b>22,189</b>             | <b>48.6%</b>              | <b>14,608</b>             | <b>45.3%</b>              |

The mineral extraction tax and the export customs duty accounted for approximately 48.3% and 48.6% of Rosneft's total revenues in the third and second quarters of 2010, respectively. In the nine months of 2010 and 2009 the mineral extraction tax and the export customs duty accounted for approximately 48.6% and 45.3% of Rosneft's total revenues

### **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.

The mineral extraction tax rate is 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.

The 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 regions where the field is located).

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 ordinary 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<br>(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<br>(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 |

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.

Since the end of 2009, crude oil produced at a number of fields in Eastern Siberia has been subject to a specific export customs duty regime. In particular, zero export duty rate was applicable to the Verkhnechonsk field starting from December 1, 2009 and to the Vankor field starting from January 19, 2010. Starting from July 01, 2010 the zero rate was replaced by a special rate calculated as  $(\text{Price} - 50) * 0.45$ , where “Price” is average Urals price used for the calculation of ordinary export duty.

In 2009 and in the nine months of 2010 export duties were not payable on crude oil exports to CIS countries that are members of the Customs Union except for Belarus. In 2009 export customs duties were levied on crude oil exports to Belarus at the fractional rate of 0.356 of the ordinary rate.

In January 2010, the exports of crude oil to Belarus were taxable at the ordinary export duty rate. On January 27, 2010 the Government of Russian Federation and the Government of Belarus signed an agreement on crude oil and petroleum product exports. In accordance with the agreement crude oil exports to Belarus within specific limits established by the Russian Ministry of Energy are exempted from export duty.

### ***Export Customs Duty on Petroleum Products***

Export customs duty on petroleum products is set every month by the Government 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:  $0.236 * (\text{Price} * 7.3 - 109.5)$ .

### ***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, 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. Tariffs' indexation for railroad transportation is also set by FTS. The tariffs are set in rubles and are not linked to the RUB/US\$ exchange rate.

The monopolies set tariffs for each separate route of the pipeline and railroad networks depending on the length of the relevant routes, transportation direction and other factors. In 2010 Transneft increased its tariffs twice, in January and August, by 15.9% and 3.3%, respectively. In January 2010 tariffs for rail road transportation were raised by 9.4%. In February 2010 tariffs for pipeline exports of petroleum products were increased by 10.4% and tariffs for transportation within Russia were raised by 2.2%. The increase in transportation tariffs by natural monopolies for all directions exceeded inflation level in 2010.

The table below presents tariffs applied for major transportation routes used by Rosneft:

|   | <i>For 3 months ended</i> |                  |        | <i>For 9 months ended</i> |                       |        |
|---|---------------------------|------------------|--------|---------------------------|-----------------------|--------|
|   | September 30,<br>2010     | June 30,<br>2010 | Change | September 30,<br>2010     | September 30,<br>2009 | Change |
|   | (RUB/tonne)               | (RUB/tonne)      | (%)    | (RUB/tonne)               | (RUB/tonne)           | (%)    |
| <b>CRUDE OIL</b>                              |                           |                  |        |                           |                       |        |
| <b>Domestic</b>                               |                           |                  |        |                           |                       |        |
| <i>Pipeline</i>                               |                           |                  |        |                           |                       |        |
| Yugansk – Samara refineries                   | 649.56                    | 633.42           | 2.5%   | 638.80                    | 526.94                | 21.2%  |
| Samara – Samara refineries                    | 41.26                     | 40.47            | 2.0%   | 40.74                     | 34.72                 | 17.3%  |
| Yugansk – Angarsk refinery                    | 1,084.36                  | 1,062.89         | 2.0%   | 1,070.05                  | 891.75                | 20.0%  |
| Purpe – Tuapse refinery                       | 1,341.83                  | 1,310.65         | 2.4%   | 1,321.05                  | 1,100.96              | 20.0%  |
| Purneftegaz (Barsukovskaya) – Tuapse refinery | 2,294.65                  | 1,327.76         | 72.8%  | 1,650.06                  | 1,115.13              | 48.0%  |
| Tomsk – Achinsk refinery                      | 298.05                    | 290.78           | 2.5%   | 293.20                    | 243.58                | 20.4%  |
| <i>Pipeline and railroad</i>                  |                           |                  |        |                           |                       |        |
| Yugansk – Komsomolsk refinery                 | 3,611.15                  | 3,591.07         | 0.6%   | 3,594.06                  | 2,983.45              | 20.5%  |
| <b>Exports</b>                                |                           |                  |        |                           |                       |        |
| <i>Pipeline</i>                               |                           |                  |        |                           |                       |        |
| Yugansk – Primorsk                            | 1,157.58                  | 1,145.55         | 1.1%   | 1,149.60                  | 1,058.13              | 8.6%   |
| Yugansk – Novorossysk                         | 1,307.43                  | 1,278.53         | 2.3%   | 1,288.27                  | 1,106.19              | 16.5%  |
| Vankor (Purpe)-Primorsk                       | 1,470.23                  | 1,436.30         | 2.4%   | 1,447.73                  | -                     | -      |
| Vankor (Purpe)-Kozmino                        | 1,633.14                  | 1,598.00         | 2.2%   | 1,609.84                  | -                     | -      |
| <i>Pipeline and railroad</i>                  |                           |                  |        |                           |                       |        |
| Yugansk – China (through Meget)               | 2,785.63                  | 2,831.03         | (1.6)% | 2,823.12                  | 2,507.00              | 12.6%  |
| <b>PETROLEUM PRODUCT EXPORTS</b>              |                           |                  |        |                           |                       |        |
| <b>Diesel</b>                                 |                           |                  |        |                           |                       |        |
| Samara refineries – Ventspils                 | 1,618.50                  | 1,586.30         | 2.0%   | 1,595.47                  | 1,466.12              | 8.8%   |
| Angarsk refinery – Nakhodka                   | 3,615.65                  | 3,615.65         | 0.0%   | 3,615.65                  | 3,178.65              | 13.7%  |
| Komsomolsk refinery – Nakhodka                | 1,419.03                  | 1,419.03         | 0.0%   | 1,419.03                  | 1,246.10              | 13.9%  |
| Achinsk refinery – Tuapse                     | 4,069.43                  | 4,069.43         | 0.0%   | 4,069.43                  | 3,577.86              | 13.7%  |
| <b>Fuel oil</b>                               |                           |                  |        |                           |                       |        |
| Samara refineries – Odessa                    | 2,579.51                  | 2,569.51         | 0.4%   | 2,569.80                  | 2,336.26              | 10.0%  |
| Angarsk refinery – Nakhodka                   | 3,670.78                  | 3,670.78         | 0.0%   | 3,670.78                  | 3,228.81              | 13.7%  |
| Komsomolsk refinery – Nakhodka                | 1,374.87                  | 1,374.87         | 0.0%   | 1,374.87                  | 1,209.33              | 13.7%  |
| Achinsk refinery – Nakhodka                   | 4,528.16                  | 4,528.16         | 0.0%   | 4,528.16                  | 3,982.98              | 13.7%  |
| <b>Naphtha</b>                                |                           |                  |        |                           |                       |        |
| Samara refineries – Tuapse                    | 1,740.94                  | 1,740.94         | 0.0%   | 1,740.94                  | 1,528.48              | 13.9%  |
| Achinsk refinery – Tuapse                     | 3,995.98                  | 3,995.98         | 0.0%   | 3,995.98                  | 3,512.99              | 13.7%  |
| Angarsk refinery – Nakhodka                   | 3,512.37                  | 3,512.37         | 0.0%   | 3,512.37                  | 3,087.48              | 13.8%  |
| Komsomolsk refinery – Nakhodka                | 1,393.50                  | 1,393.50         | 0.0%   | 1,393.50                  | 1,223.32              | 13.9%  |

Source: Transneft, Transnefteproduct, RZD, Rosneft. Tariffs include transshipment at non-Rosneft terminals. The data is provided for major routes at each direction.

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 periods:

|   | <i>For 3 months ended</i>     |                          |               | <i>For 9 months ended</i>     |                               |               |
|---|-------------------------------|--------------------------|---------------|-------------------------------|-------------------------------|---------------|
|   | <b>September 30,<br/>2010</b> | <b>June 30,<br/>2010</b> | <b>Change</b> | <b>September 30,<br/>2010</b> | <b>September 30,<br/>2009</b> | <b>Change</b> |
|   | <b>(US\$/tonne)</b>           | <b>(US\$/tonne)</b>      | <b>(%)</b>    | <b>(US\$/tonne)</b>           | <b>(US\$/tonne)</b>           | <b>(%)</b>    |
| <b>CRUDE OIL</b>                              |                               |                          |               |                               |                               |               |
| <b>Domestic</b>                               |                               |                          |               |                               |                               |               |
| <i>Pipeline</i>                               |                               |                          |               |                               |                               |               |
| Yugansk – Samara refineries                   | 21.21                         | 20.94                    | 1.3%          | 21.11                         | 16.22                         | 30.1%         |
| Samara – Samara refineries                    | 1.35                          | 1.34                     | 0.7%          | 1.35                          | 1.07                          | 26.2%         |
| Yugansk – Angarsk refinery                    | 35.41                         | 35.14                    | 0.8%          | 35.37                         | 27.45                         | 28.9%         |
| Purpe – Tuapse refinery                       | 43.82                         | 43.34                    | 1.1%          | 43.67                         | 33.90                         | 28.8%         |
| Purneftegaz (Barsukovskaya) – Tuapse refinery | 74.94                         | 43.90                    | 70.7%         | 54.54                         | 34.33                         | 58.9%         |
| Tomsk – Achinsk refinery                      | 9.73                          | 9.61                     | 1.2%          | 9.69                          | 7.50                          | 29.2%         |
| <i>Pipeline and railroad</i>                  |                               |                          |               |                               |                               |               |
| Yugansk – Komsomolsk refinery                 | 117.93                        | 118.74                   | (0.7)%        | 118.80                        | 91.85                         | 29.3%         |
| <b>Exports</b>                                |                               |                          |               |                               |                               |               |
| <i>Pipeline</i>                               |                               |                          |               |                               |                               |               |
| Yugansk – Primorsk                            | 37.80                         | 37.88                    | (0.2)%        | 38.00                         | 32.58                         | 16.6%         |
| Yugansk – Novorossysk                         | 42.70                         | 42.28                    | 1.0%          | 42.58                         | 34.06                         | 25.0%         |
| Vankor(Purpe)-Primorsk                        | 48.02                         | 47.49                    | 1.1%          | 47.85                         | -                             | -             |
| Vankor(Purpe)-Kozmino                         | 53.34                         | 52.84                    | 0.9%          | 53.21                         | -                             | -             |
| <i>Pipeline and railroad</i>                  |                               |                          |               |                               |                               |               |
| Yugansk – China (through Meget)               | 90.97                         | 93.61                    | (2.8)%        | 93.31                         | 77.18                         | 20.9%         |
| <b>PETROLEUM PRODUCT EXPORTS</b>              |                               |                          |               |                               |                               |               |
| <b>Diesel</b>                                 |                               |                          |               |                               |                               |               |
| Samara refineries – Ventspils                 | 52.86                         | 52.45                    | 0.8%          | 52.74                         | 45.14                         | 16.8%         |
| Angarsk refinery – Nakhodka                   | 118.08                        | 119.55                   | (1.2)%        | 119.51                        | 97.86                         | 22.1%         |
| Komsomolsk refinery – Nakhodka                | 46.34                         | 46.92                    | (1.2)%        | 46.90                         | 38.36                         | 22.3%         |
| Achinsk refinery – Tuapse                     | 132.90                        | 134.56                   | (1.2)%        | 134.51                        | 110.15                        | 22.1%         |
| <b>Fuel oil</b>                               |                               |                          |               |                               |                               |               |
| Samara refineries – Odessa                    | 84.24                         | 84.96                    | (0.8)%        | 84.94                         | 71.93                         | 18.1%         |
| Angarsk refinery – Nakhodka                   | 119.88                        | 121.38                   | (1.2)%        | 121.33                        | 99.40                         | 22.1%         |
| Komsomolsk refinery – Nakhodka                | 44.90                         | 45.46                    | (1.2)%        | 45.44                         | 37.23                         | 22.1%         |
| Achinsk refinery – Nakhodka                   | 147.88                        | 149.73                   | (1.2)%        | 149.67                        | 122.62                        | 22.1%         |
| <b>Naphtha</b>                                |                               |                          |               |                               |                               |               |
| Samara refineries – Tuapse                    | 56.86                         | 57.57                    | (1.2)%        | 57.54                         | 47.06                         | 22.3%         |
| Achinsk refinery – Tuapse                     | 130.50                        | 132.13                   | (1.2)%        | 132.08                        | 108.15                        | 22.1%         |
| Angarsk refinery – Nakhodka                   | 114.71                        | 116.14                   | (1.2)%        | 116.10                        | 95.05                         | 22.1%         |
| Komsomolsk refinery – Nakhodka                | 45.51                         | 46.08                    | (1.2)%        | 46.06                         | 37.66                         | 22.3%         |

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 through a joint venture “Rosneft Shell Caspian Ventures Ltd” (Cyprus).

## 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 four production joint ventures accounted for using the equity method (Tomskneft – 50.0%, Udmurtneft – 49.6%, Polar Lights – 50.0%, Verkhnechonskneftegaz – 25.94%).

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

|   | <i>For 3 months ended</i>     |                          |               | <i>For 9 months ended</i>     |                               |               |
|---|-------------------------------|--------------------------|---------------|-------------------------------|-------------------------------|---------------|
|   | <b>September 30,<br/>2010</b> | <b>June 30,<br/>2010</b> | <b>Change</b> | <b>September 30,<br/>2010</b> | <b>September 30,<br/>2009</b> | <b>Change</b> |
|   | <b>(million of barrels)</b>   |                          | <b>(%)</b>    | <b>(million of barrels)</b>   |                               | <b>(%)</b>    |
| Yuganskneftegaz (Western Siberia)   | 122.77                        | 119.47                   | 2.8%          | 359.69                        | 363.42                        | (1.0)%        |
| Samaraneftegaz (Central Russia)   | 19.25                         | 18.69                    | 3.0%          | 56.42                         | 54.98                         | 2.6%          |
| Purneftegaz (Western Siberia)   | 13.14                         | 13.26                    | (0.9)%        | 39.40                         | 43.03                         | (8.4)%        |
| Vankorneft (Eastern Siberia)  | 24.27                         | 23.74                    | 2.2%          | 68.88                         | 9.99                          | 589.5%        |
| Severnaya Neft (Timan Pechora)  | 7.32                          | 7.54                     | (2.9)%        | 22.70                         | 26.53                         | (14.4)%       |
| Sakhalin-1 (Far East)<br>(net of royalty and government share)                    | 1.61                          | 2.16                     | (25.5)%       | 6.12                          | 7.61                          | (19.6)%       |
| Other   | 8.85                          | 8.79                     | 0.7%          | 26.95                         | 30.37                         | (11.3)%       |
| <b>Crude oil production by fully and proportionately consolidated enterprises</b> | <b>197.21</b>                 | <b>193.65</b>            | <b>1.8%</b>   | <b>580.16</b>                 | <b>535.93</b>                 | <b>8.3%</b>   |
| Tomskneft (Western Siberia)   | 9.52                          | 9.33                     | 2.0%          | 28.14                         | 30.00                         | (6.2)%        |
| Udmurtneft (Central Russia)   | 5.85                          | 5.78                     | 1.2%          | 17.31                         | 17.20                         | 0.6%          |
| Polar Lights (Timan Pechora)  | 0.63                          | 0.66                     | (4.5)%        | 1.97                          | 2.58                          | (23.6)%       |
| Verkhnechonskneftegaz (Eastern Siberia)   | 1.35                          | 1.21                     | 11.6%         | 3.49                          | 1.41                          | 147.5%        |
| <b>Total share in production of joint ventures</b>                                | <b>17.35</b>                  | <b>16.98</b>             | <b>2.2%</b>   | <b>50.91</b>                  | <b>51.19</b>                  | <b>(0.5)%</b> |
| <b>Total crude oil production</b>   | <b>214.56</b>                 | <b>210.63</b>            | <b>1.9%</b>   | <b>631.07</b>                 | <b>587.12</b>                 | <b>7.5%</b>   |
| <b>Daily crude oil production (th. barrels per day)</b>                           | <b>2,332</b>                  | <b>2,315</b>             | <b>0.7%</b>   | <b>2,312</b>                  | <b>2,151</b>                  | <b>7.5%</b>   |

In the third quarter of 2010 Rosneft's average daily crude oil production reached 2,332 th. barrels per day, which is an increase of 0.7% compared with the second quarter of 2010. The increase was primarily driven by production growth at Yuganskneftegaz due to higher than expected flow rates of new wells, more wells drilled within the planned budget and more efficient well interventions. Other growth drivers were Verkhnechonskneftegaz, Samaraneftegaz and Tomskneft. In Q3 2010 daily production at Verkhnechonsk field in Eastern Siberia, which was launched in 2008, was 14% ahead of plan due to higher than expected flow rates. Samaraneftegaz and Tomskneft demonstrated production growth despite high level of reserve depletion due to efficient placement of new wells and application of advanced oil recovery methods. Crude oil production growth was tempered by production suspension at Sakhalin-1 due to planned maintenance works in August 2010.

In the nine months of 2010 Rosneft's average daily crude oil production was 2,312 th. barrels per day, an increase of 7.5% compared with the nine months of 2009. The growth was driven primarily by commercial production launch at the Vankor field in July 2009 as well as production growth at the Verkhnechonsk field and Samaraneftegaz fields.

## Production of Gas

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

|   | <i>For 3 months ended</i> |                 |               | <i>For 9 months ended</i> |                      |                |
|---|---------------------------|-----------------|---------------|---------------------------|----------------------|----------------|
|   | <b>September 30,</b>      | <b>June 30,</b> | <b>Change</b> | <b>September 30,</b>      | <b>September 30,</b> | <b>Change</b>  |
|   | <b>2010</b>               | <b>2010</b>     |               | <b>2010</b>               | <b>2009</b>          |                |
|   | <b>(bcm)</b>              |                 | <b>(%)</b>    | <b>(bcm)</b>              | <b>(%)</b>           |                |
| Purneftegaz (Western Siberia)   | 0.87                      | 0.89            | (2.2)%        | 2.69                      | 2.78                 | (3.2)%         |
| Yuganskneftegaz (Western Siberia)   | 0.64                      | 0.61            | 4.9%          | 1.95                      | 1.87                 | 4.3%           |
| Krasnodarneftegaz (Southern Russia)   | 0.62                      | 0.65            | (4.6)%        | 2.00                      | 2.18                 | (8.3)%         |
| Samaraneftegaz (Central Russia)   | 0.12                      | 0.11            | 9.1%          | 0.33                      | 0.28                 | 17.9%          |
| Severnaya Neft (Timan Pechora)  | 0.07                      | 0.07            | -             | 0.21                      | 0.22                 | (4.5)%         |
| Sakhalin-1 (Far East)<br>(net of royalty and government share)              | 0.04                      | 0.08            | (50.0)%       | 0.22                      | 0.18                 | 22.2%          |
| Other   | 0.35                      | 0.39            | (10.3)%       | 1.20                      | 1.16                 | 3.4%           |
| <b>Gas production by fully and proportionately consolidated enterprises</b> | <b>2.71</b>               | <b>2.80</b>     | <b>(3.2)%</b> | <b>8.60</b>               | <b>8.67</b>          | <b>(0.8)%</b>  |
| Tomskneft (Western Siberia)   | 0.14                      | 0.15            | (6.7)%        | 0.45                      | 0.54                 | (16.7)%        |
| Udmurtneft (Central Russia)   | 0.01                      | 0.01            | -             | 0.03                      | 0.02                 | 50.0%          |
| Polar Lights (Timan Pechora)  | 0.00                      | 0.00            | -             | 0.01                      | 0.01                 | -              |
| <b>Total share in production of joint ventures</b>                          | <b>0.15</b>               | <b>0.16</b>     | <b>(6.3)%</b> | <b>0.49</b>               | <b>0.57</b>          | <b>(14.0)%</b> |
| <b>Total gas production</b>   | <b>2.86</b>               | <b>2.96</b>     | <b>(3.4)%</b> | <b>9.09</b>               | <b>9.24</b>          | <b>(1.6)%</b>  |
| Natural gas   | 1.09                      | 1.11            | (1.8)%        | 3.46                      | 3.63                 | (4.7)%         |
| Associated gas  | 1.77                      | 1.85            | (4.3)%        | 5.63                      | 5.61                 | 0.4%           |

\* Production volume equals extracted volume minus flared volume.

In the third quarter of 2010 Rosneft's natural and associated gas production decreased to 2.86 bcm, or by 3.4% compared with the second quarter of 2010. The decrease resulted from seasonal demand fluctuations, as well as temporary production suspension at Sakhalin-1 due to planned maintenance works in August 2010.

In the nine months of 2010 Rosneft's natural and associated gas production decreased by 1.6% compared with the nine months of 2009, primarily as a result of required maintenance at Lugenetskaya compression station, as well as decrease in demand for gas produced by Krasnodarneftegaz and decrease in crude oil production at Purneftegaz. The decrease was partially offset by production growth at Yuganskneftegaz and Samaraneftegaz and due to the progress with associated gas utilization programme.

Rosneft is implementing a programme aimed at increasing associated gas utilisation rate. The programme envisages construction of gas gathering facilities, booster compression stations and underground storage facilities as well as gas power stations.

### ***Petroleum Product Output***

Rosneft processes 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 four mini-refineries (in Western Siberia, Eastern 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>For 9 months ended</i>     |                               |               |
|---|-------------------------------|--------------------------|---------------|-------------------------------|-------------------------------|---------------|
|   | <b>September 30,<br/>2010</b> | <b>June 30,<br/>2010</b> | <b>Change</b> | <b>September 30,<br/>2010</b> | <b>September 30,<br/>2009</b> | <b>Change</b> |
|   | <b>(million of tonnes)</b>    |                          | <b>(%)</b>    | <b>(million of tonnes)</b>    |                               | <b>(%)</b>    |
| <b>Crude oil processing at Rosneft's refineries</b> | <b>13.08</b>                  | <b>11.71</b>             | <b>11.7%</b>  | <b>37.55</b>                  | <b>37.32</b>                  | <b>0.6%</b>   |
| <b>Product output:</b>                              |                               |                          |               |                               |                               |               |
| High octane gasoline                                | 1.30                          | 1.06                     | 22.6%         | 3.59                          | 3.58                          | 0.3%          |
| Low octane gasoline                                 | 0.36                          | 0.39                     | (7.7)%        | 1.14                          | 1.03                          | 10.7%         |
| Naphtha   | 0.79                          | 0.79                     | -             | 2.39                          | 2.65                          | (9.8)%        |
| Diesel  | 4.34                          | 3.91                     | 11.0%         | 12.47                         | 12.79                         | (2.5)%        |
| Fuel oil  | 4.43                          | 3.96                     | 11.9%         | 12.94                         | 12.14                         | 6.6%          |
| Jet   | 0.35                          | 0.28                     | 25.0%         | 0.85                          | 0.85                          | -             |
| Petrochemicals                                      | 0.12                          | 0.14                     | (14.3)%       | 0.40                          | 0.33                          | 21.2%         |
| Other   | 0.73                          | 0.63                     | 15.9%         | 1.86                          | 1.89                          | (1.6)%        |
| <b>Total</b>  | <b>12.42</b>                  | <b>11.16</b>             | <b>11.3%</b>  | <b>35.64</b>                  | <b>35.26</b>                  | <b>1.1%</b>   |

In the third quarter of 2010, Rosneft ramped up its refinery throughput after April-June planned maintenance turnarounds. As a result, throughput increased by 11.7% over the second quarter of 2010, and output structure changed as detailed above. The increase in jet output resulted from the recovery of domestic demand for this product and seasonal decrease in demand for winter fuels. The decrease in output of petrochemicals and low octane gasoline was due to planned turnarounds at Angarsk refinery.

In the nine months of 2010 Rosneft's refinery throughput increased by 0.6% compared with the nine months of 2009. The increase in production of fuel oil was due to a decrease of potential light fractions content in the oil processed at Kuibyshev, Novokuibyshevsk, and Tuapse refineries, as well as decrease in demand for products produced from fuel oil.

## Results of Operations

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

|   | <i>For 3 months ended</i>         |                                   |               | <i>For 9 months ended</i>         |                                   |               |               |               |               |                |
|---|-----------------------------------|-----------------------------------|---------------|-----------------------------------|-----------------------------------|---------------|---------------|---------------|---------------|----------------|
|   | <b>September 30, 2010</b>         | <b>June 30, 2010</b>              | <b>Change</b> | <b>September 30, 2010</b>         | <b>September 30, 2009</b>         | <b>Change</b> |               |               |               |                |
|   | <b>%<br/>of total<br/>revenue</b> | <b>%<br/>of total<br/>revenue</b> | <b>%</b>      | <b>%<br/>of total<br/>revenue</b> | <b>%<br/>of total<br/>revenue</b> | <b>%</b>      |               |               |               |                |
|   | (US\$ million, except %)          |                                   |               |                                   |                                   |               |               |               |               |                |
| <b>Revenues</b>                                       |                                   |                                   |               |                                   |                                   |               |               |               |               |                |
| Oil and gas sales                                     | 8,289                             | 53.6%                             | 8,604         | 55.8%                             | (3.7)%                            | 24,940        | 54.6%         | 16,706        | 51.8%         | 49.3%          |
| Petroleum products and petrochemicals sales           | 6,758                             | 43.7%                             | 6,454         | 41.8%                             | 4.7%                              | 19,522        | 42.8%         | 14,651        | 45.4%         | 33.2%          |
| Support services and other revenues                   | 424                               | 2.7%                              | 373           | 2.4%                              | 13.7%                             | 1,201         | 2.6%          | 902           | 2.8%          | 33.1%          |
| <b>Total revenues</b>                                 | <b>15,471</b>                     | <b>100.0%</b>                     | <b>15,431</b> | <b>100.0%</b>                     | <b>0.3%</b>                       | <b>45,663</b> | <b>100.0%</b> | <b>32,259</b> | <b>100.0%</b> | <b>41.6%</b>   |
| <b>Cost and expenses</b>                              |                                   |                                   |               |                                   |                                   |               |               |               |               |                |
| Production and operating expenses                     | 1,161                             | 7.5%                              | 1,119         | 7.3%                              | 3.8%                              | 3,344         | 7.3%          | 2,884         | 8.9%          | 16.0%          |
| Cost of purchased oil, gas and petroleum products     | 617                               | 4.0%                              | 634           | 4.1%                              | (2.7)%                            | 1,747         | 3.8%          | 1,309         | 4.1%          | 33.5%          |
| General and administrative expenses                   | 438                               | 2.8%                              | 359           | 2.3%                              | 22.0%                             | 1,167         | 2.6%          | 1,024         | 3.2%          | 13.0%          |
| Pipeline tariffs and transportation costs             | 1,701                             | 11.0%                             | 1,752         | 11.4%                             | (2.9)%                            | 5,217         | 11.4%         | 3,833         | 11.9%         | 36.1%          |
| Exploration expenses                                  | 82                                | 0.5%                              | 81            | 0.5%                              | 1.2%                              | 221           | 0.5%          | 271           | 0.8%          | (18.5)%        |
| Depreciation, depletion and amortisation              | 1,399                             | 9.0%                              | 1,348         | 8.7%                              | 3.8%                              | 4,019         | 8.8%          | 3,140         | 9.7%          | 28.0%          |
| Accretion expense                                     | 26                                | 0.2%                              | 29            | 0.2%                              | (10.3)%                           | 80            | 0.2%          | 64            | 0.2%          | 25.0%          |
| Taxes other than income tax                           | 2,722                             | 17.6%                             | 2,686         | 17.4%                             | 1.3%                              | 7,990         | 17.5%         | 5,614         | 17.4%         | 42.3%          |
| Export customs duty                                   | 4,112                             | 26.6%                             | 4,055         | 26.3%                             | 1.4%                              | 12,151        | 26.6%         | 7,773         | 24.1%         | 56.3%          |
| <b>Total cost and expenses</b>                        | <b>12,258</b>                     | <b>79.2%</b>                      | <b>12,063</b> | <b>78.2%</b>                      | <b>1.6%</b>                       | <b>35,936</b> | <b>78.7%</b>  | <b>25,912</b> | <b>80.3%</b>  | <b>38.7%</b>   |
| <b>Operating income</b>                               | <b>3,213</b>                      | <b>20.8%</b>                      | <b>3,368</b>  | <b>21.8%</b>                      | <b>(4.6)%</b>                     | <b>9,727</b>  | <b>21.3%</b>  | <b>6,347</b>  | <b>19.7%</b>  | <b>53.3%</b>   |
| <b>Other (expenses)/income</b>                        |                                   |                                   |               |                                   |                                   |               |               |               |               |                |
| Interest income                                       | 148                               | 1.0%                              | 124           | 0.8%                              | 19.4%                             | 397           | 1.0%          | 342           | 1.1%          | 16.1%          |
| Interest expense                                      | (155)                             | (1.0)%                            | (180)         | (1.2)%                            | (13.9)%                           | (497)         | (1.0)%        | (444)         | (1.4)%        | 11.9%          |
| Loss on disposal of property, plant and equipment     | (26)                              | (0.2)%                            | (25)          | (0.2)%                            | 4.0%                              | (81)          | (0.2)%        | (94)          | (0.3)%        | (13.8)%        |
| Loss/gain on disposal of investments                  | (4)                               | 0.0%                              | 8             | 0.1%                              | (150.0)%                          | 14            | 0.0%          | (2)           | 0.0%          | 800.0%         |
| Equity share in affiliates' losses/(profits)          | (1)                               | 0.0%                              | 36            | 0.2%                              | (102.8)%                          | 67            | 0.1%          | 31            | 0.1%          | 116.1%         |
| Dividends and loss from joint ventures                | 12                                | 0.1%                              | (6)           | 0.0%                              | (300.0)%                          | 6             | 0.0%          | (7)           | 0.0%          | (185.7)%       |
| Other income/(expenses), net                          | 7                                 | 0.0%                              | (21)          | (0.1)%                            | (133.3)%                          | 15            | 0.0%          | (271)         | (0.8)%        | (105.5)%       |
| Foreign exchange gain                                 | 6                                 | 0.0%                              | 15            | 0.1%                              | (60.0)%                           | 16            | 0.0%          | 160           | 0.5%          | (90.0)%        |
| <b>Total other expenses</b>                           | <b>(13)</b>                       | <b>(0.1)%</b>                     | <b>(49)</b>   | <b>(0.3)%</b>                     | <b>(73.5)%</b>                    | <b>(63)</b>   | <b>(0.1)%</b> | <b>(285)</b>  | <b>(0.9)%</b> | <b>(77.9)%</b> |
| <b>Income before income tax and minority interest</b> | <b>3,200</b>                      | <b>20.7%</b>                      | <b>3,319</b>  | <b>21.5%</b>                      | <b>(3.6)%</b>                     | <b>9,664</b>  | <b>21.2%</b>  | <b>6,062</b>  | <b>18.8%</b>  | <b>59.4%</b>   |
| Income tax  | (632)                             | (4.1)%                            | (763)         | (4.9)%                            | (17.2)%                           | (2,048)       | (4.5)%        | (1,221)       | (3.8)%        | 67.7%          |
| <b>Net income</b>                                     | <b>2,568</b>                      | <b>16.6%</b>                      | <b>2,556</b>  | <b>16.6%</b>                      | <b>0.5%</b>                       | <b>7,616</b>  | <b>16.7%</b>  | <b>4,841</b>  | <b>15.0%</b>  | <b>57.3%</b>   |
| Less:   |                                   |                                   |               |                                   |                                   |               |               |               |               |                |
| net income attributable to noncontrolling interests   | (78)                              | (0.5)%                            | (80)          | (0.6)%                            | (2.5)%                            | (219)         | (0.5)%        | (1)           | 0.0%          | >100.0%        |
| <b>Net income attributable to Rosneft</b>             | <b>2,490</b>                      | <b>16.1%</b>                      | <b>2,476</b>  | <b>16.0%</b>                      | <b>0.6%</b>                       | <b>7,397</b>  | <b>16.2%</b>  | <b>4,840</b>  | <b>15.0%</b>  | <b>52.8%</b>   |
| Other comprehensive income/(loss)                     | 3                                 | 0.0%                              | (7)           | 0.0%                              | (142.9)%                          | 3             | 0.0%          | 11            | 0.0%          | (72.7)%        |
| <b>Comprehensive income</b>                           | <b>2,493</b>                      | <b>16.1%</b>                      | <b>2,469</b>  | <b>16.0%</b>                      | <b>0.9%</b>                       | <b>7,400</b>  | <b>16.2%</b>  | <b>4,851</b>  | <b>15.0%</b>  | <b>52.5%</b>   |

## Revenues

In the third quarter of 2010 revenues remained practically unchanged compared to the second quarter of 2010 and amounted to US\$ 15,471 million. Decrease in average prices was compensated by sales volumes growth.

In the nine months of 2010 revenues were 41.6% higher compared to the nine months of 2009, which was driven by substantial increase in average prices. For example, Urals price increased by 34.2% and the world market prices for diesel and fuel oil rose by 33.5% and 37.7% respectively. Sales volumes growth by 7.3% is attributable to increased production and refinery throughput.

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

|                                     | <i>For 3 months ended</i>         |               |                                   |               |               | <i>For 9 months ended</i>         |               |                                   |               |               |
|-------------------------------------|-----------------------------------|---------------|-----------------------------------|---------------|---------------|-----------------------------------|---------------|-----------------------------------|---------------|---------------|
|                                     | <b>September 30, 2010</b>         |               | <b>June 30, 2010</b>              |               | <b>Change</b> | <b>September 30, 2010</b>         |               | <b>September 30, 2009</b>         |               | <b>Change</b> |
|                                     | <b>%<br/>of total<br/>revenue</b> |               | <b>%<br/>of total<br/>revenue</b> |               | <b>%</b>      | <b>%<br/>of total<br/>revenue</b> |               | <b>%<br/>of total<br/>revenue</b> |               | <b>%</b>      |
|                                     | (US\$ million, except %)          |               |                                   |               |               |                                   |               |                                   |               |               |
| <b>Crude oil</b>                    |                                   |               |                                   |               |               |                                   |               |                                   |               |               |
| Export, excluding CIS               | 7,894                             | 51.1%         | 7,868                             | 51.0%         | 0.3%          | 23,443                            | 51.3%         | 15,488                            | 48.0%         | 51.4%         |
| Europe and other directions         | 5,840                             | 37.8%         | 5,351                             | 34.7%         | 9.1%          | 16,569                            | 36.3%         | 12,286                            | 38.1%         | 34.9%         |
| Asia                                | 2,054                             | 13.3%         | 2,517                             | 16.3%         | (18.4)%       | 6,874                             | 15.0%         | 3,202                             | 9.9%          | 114.7%        |
| CIS                                 | 249                               | 1.6%          | 545                               | 3.5%          | (54.3)%       | 1,004                             | 2.2%          | 930                               | 2.9%          | 8.0%          |
| Domestic                            | 55                                | 0.3%          | 93                                | 0.6%          | (40.9)%       | 191                               | 0.4%          | 42                                | 0.1%          | 354.8%        |
| <b>Total crude oil</b>              | <b>8,198</b>                      | <b>53.0%</b>  | <b>8,506</b>                      | <b>55.1%</b>  | <b>(3.6)%</b> | <b>24,638</b>                     | <b>53.9%</b>  | <b>16,460</b>                     | <b>51.0%</b>  | <b>49.7%</b>  |
| <b>Gas</b>                          | 91                                | 0.6%          | 98                                | 0.6%          | (7.1)%        | 302                               | 0.7%          | 246                               | 0.8%          | 22.8%         |
| <b>Petroleum products</b>           |                                   |               |                                   |               |               |                                   |               |                                   |               |               |
| Export, excluding CIS               | 3,328                             | 21.5%         | 3,451                             | 22.4%         | (3.6)%        | 10,469                            | 22.9%         | 8,185                             | 25.4%         | 27.9%         |
| Europe and other directions         | 1,812                             | 11.7%         | 1,986                             | 12.9%         | (8.8)%        | 5,986                             | 13.1%         | 4,674                             | 14.5%         | 28.1%         |
| Asia                                | 1,516                             | 9.8%          | 1,465                             | 9.5%          | 3.5%          | 4,483                             | 9.8%          | 3,511                             | 10.9%         | 27.7%         |
| CIS                                 | 56                                | 0.4%          | 26                                | 0.2%          | 115.4%        | 130                               | 0.3%          | 101                               | 0.3%          | 28.7%         |
| Domestic                            | 3,044                             | 19.7%         | 2,676                             | 17.3%         | 13.8%         | 8,068                             | 17.7%         | 5,914                             | 18.3%         | 36.4%         |
| Wholesale                           | 2,198                             | 14.2%         | 1,939                             | 12.5%         | 13.4%         | 5,862                             | 12.9%         | 4,197                             | 13.0%         | 39.7%         |
| Retail                              | 846                               | 5.5%          | 737                               | 4.8%          | 14.8%         | 2,206                             | 4.8%          | 1,717                             | 5.3%          | 28.5%         |
| Sales of bunker fuel to end-users   | 233                               | 1.5%          | 185                               | 1.2%          | 25.9%         | 540                               | 1.2%          | 308                               | 1.0%          | 75.3%         |
| <b>Total petroleum products</b>     | <b>6,661</b>                      | <b>43.1%</b>  | <b>6,338</b>                      | <b>41.1%</b>  | <b>5.1%</b>   | <b>19,207</b>                     | <b>42.1%</b>  | <b>14,508</b>                     | <b>45.0%</b>  | <b>32.4%</b>  |
| Petrochemical products              | 97                                | 0.6%          | 116                               | 0.8%          | (16.4)%       | 315                               | 0.7%          | 143                               | 0.4%          | 120.3%        |
| Support services and other revenues | 424                               | 2.7%          | 373                               | 2.4%          | 13.7%         | 1,201                             | 2.6%          | 902                               | 2.8%          | 33.1%         |
| <b>Total sales</b>                  | <b>15,471</b>                     | <b>100.0%</b> | <b>15,431</b>                     | <b>100.0%</b> | <b>0.3%</b>   | <b>45,663</b>                     | <b>100.0%</b> | <b>32,259</b>                     | <b>100.0%</b> | <b>41.6%</b>  |

## Sales Volumes

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

|                                     | <i>For 3 months ended</i> |                          |                      |                          |               | <i>For 9 months ended</i> |                          |                           |                          |               |
|-------------------------------------|---------------------------|--------------------------|----------------------|--------------------------|---------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------|
|                                     | <b>September 30, 2010</b> |                          | <b>June 30, 2010</b> |                          | <b>Change</b> | <b>September 30, 2010</b> |                          | <b>September 30, 2009</b> |                          | <b>Change</b> |
|                                     | <b>mln bbls</b>           | <b>% of total volume</b> | <b>mln bbls</b>      | <b>% of total volume</b> | <b>%</b>      | <b>mln bbls</b>           | <b>% of total volume</b> | <b>mln bbls</b>           | <b>% of total volume</b> | <b>%</b>      |
| <b>Crude oil</b>                    |                           |                          |                      |                          |               |                           |                          |                           |                          |               |
| Export, excluding CIS               | 105.04                    | 51.0%                    | 103.58               | 51.0%                    | 1.4%          | 311.18                    | 51.4%                    | 277.90                    | 49.3%                    | 12.0%         |
| Europe and other directions         | 77.83                     | 37.8%                    | 71.61                | 35.3%                    | 8.7%          | 221.79                    | 36.6%                    | 221.43                    | 39.3%                    | 0.2%          |
| Asia                                | 27.21                     | 13.2%                    | 31.97                | 15.7%                    | (14.9)%       | 89.39                     | 14.8%                    | 56.47                     | 10.0%                    | 58.3%         |
| CIS                                 | 4.91                      | 2.4%                     | 9.22                 | 4.5%                     | (46.7)%       | 18.95                     | 3.1%                     | 22.90                     | 4.0%                     | (17.2)%       |
| Domestic                            | 1.90                      | 0.9%                     | 3.15                 | 1.6%                     | (39.7)%       | 6.51                      | 1.1%                     | 2.05                      | 0.4%                     | 217.6%        |
| <b>Total crude oil</b>              | <b>111.85</b>             | <b>54.3%</b>             | <b>115.95</b>        | <b>57.1%</b>             | <b>(3.5)%</b> | <b>336.64</b>             | <b>55.6%</b>             | <b>302.85</b>             | <b>53.7%</b>             | <b>11.2%</b>  |
|                                     | <b>mln tonnes</b>         |                          | <b>mln tonnes</b>    |                          |               | <b>mln tonnes</b>         |                          | <b>mln tonnes</b>         |                          |               |
| <b>Crude oil</b>                    |                           |                          |                      |                          |               |                           |                          |                           |                          |               |
| Export, excluding CIS               | 14.36                     | 51.0%                    | 14.16                | 51.0%                    | 1.4%          | 42.54                     | 51.4%                    | 37.99                     | 49.3%                    | 12.0%         |
| Europe and other directions         | 10.64                     | 37.8%                    | 9.79                 | 35.3%                    | 8.7%          | 30.32                     | 36.6%                    | 30.27                     | 39.3%                    | 0.2%          |
| Asia                                | 3.72                      | 13.2%                    | 4.37                 | 15.7%                    | (14.9)%       | 12.22                     | 14.8%                    | 7.72                      | 10.0%                    | 58.3%         |
| CIS                                 | 0.67                      | 2.4%                     | 1.26                 | 4.5%                     | (46.7)%       | 2.59                      | 3.1%                     | 3.13                      | 4.0%                     | (17.2)%       |
| Domestic                            | 0.26                      | 0.9%                     | 0.43                 | 1.6%                     | (39.7)%       | 0.89                      | 1.1%                     | 0.28                      | 0.4%                     | 217.6%        |
| <b>Total crude oil</b>              | <b>15.29</b>              | <b>54.3%</b>             | <b>15.85</b>         | <b>57.1%</b>             | <b>(3.5)%</b> | <b>46.02</b>              | <b>55.6%</b>             | <b>41.40</b>              | <b>53.7%</b>             | <b>11.2%</b>  |
| <b>Petroleum products</b>           |                           |                          |                      |                          |               |                           |                          |                           |                          |               |
| Export, excluding CIS               | 6.47                      | 23.0%                    | 6.38                 | 23.0%                    | 1.4%          | 19.49                     | 23.6%                    | 20.75                     | 26.9%                    | (6.1)%        |
| Europe and other directions         | 3.73                      | 13.3%                    | 3.93                 | 14.2%                    | (5.1)%        | 11.68                     | 14.1%                    | 12.38                     | 16.0%                    | (5.7)%        |
| Asia                                | 2.74                      | 9.7%                     | 2.45                 | 8.8%                     | 11.8%         | 7.81                      | 9.5%                     | 8.37                      | 10.9%                    | (6.7)%        |
| CIS                                 | 0.10                      | 0.4%                     | 0.04                 | 0.1%                     | 150.0%        | 0.24                      | 0.3%                     | 0.27                      | 0.4%                     | (11.1)%       |
| Domestic                            | 5.53                      | 19.6%                    | 4.86                 | 17.5%                    | 13.8%         | 15.08                     | 18.2%                    | 13.27                     | 17.2%                    | 13.6%         |
| <i>Wholesale</i>                    | 4.43                      | 15.7%                    | 3.88                 | 14.0%                    | 14.2%         | 12.15                     | 14.7%                    | 10.59                     | 13.7%                    | 14.7%         |
| <i>Retail</i>                       | 1.10                      | 3.9%                     | 0.98                 | 3.5%                     | 12.2%         | 2.93                      | 3.5%                     | 2.68                      | 3.5%                     | 9.3%          |
| Sales of bunker fuel to end-users   | 0.59                      | 2.1%                     | 0.45                 | 1.6%                     | 31.1%         | 1.35                      | 1.6%                     | 0.91                      | 1.2%                     | 48.4%         |
| <b>Total petroleum products</b>     | <b>12.69</b>              | <b>45.1%</b>             | <b>11.73</b>         | <b>42.2%</b>             | <b>8.2%</b>   | <b>36.16</b>              | <b>43.7%</b>             | <b>35.20</b>              | <b>45.7%</b>             | <b>2.7%</b>   |
| <b>Petrochemical products</b>       | 0.17                      | 0.6%                     | 0.19                 | 0.7%                     | (10.5)%       | 0.54                      | 0.7%                     | 0.47                      | 0.6%                     | 14.9%         |
| <b>Total crude oil and products</b> | <b>28.15</b>              | <b>100.0%</b>            | <b>27.77</b>         | <b>100.0%</b>            | <b>1.4%</b>   | <b>82.72</b>              | <b>100.0%</b>            | <b>77.07</b>              | <b>100.0%</b>            | <b>7.3%</b>   |
| <b>Gas</b>                          | <b>bcm</b>                |                          | <b>bcm</b>           |                          |               | <b>bcm</b>                |                          | <b>bcm</b>                |                          |               |
| Sales volumes                       | <b>2.19</b>               |                          | <b>2.37</b>          |                          | <b>(7.6)%</b> | <b>7.20</b>               |                          | <b>7.75</b>               |                          | <b>(7.1)%</b> |

## 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):

|                                   | <i>For 3 months ended</i> |              |               |              |         | <i>For 9 months ended</i> |              |                    |              |        |
|-----------------------------------|---------------------------|--------------|---------------|--------------|---------|---------------------------|--------------|--------------------|--------------|--------|
|                                   | September 30, 2010        |              | June 30, 2010 |              | Change  | September 30, 2010        |              | September 30, 2009 |              | Change |
|                                   | (US\$/barrel)             | (US\$/tonne) | (US\$/barrel) | (US\$/tonne) |         | (US\$/barrel)             | (US\$/tonne) | (US\$/barrel)      | (US\$/tonne) |        |
| <b>Average export prices</b>      |                           |              |               |              | %       |                           |              |                    |              | %      |
| Crude oil, excluding CIS          | 75.15                     | 549.72       | 75.96         | 555.65       | (1.1)%  | 75.34                     | 551.08       | 55.73              | 407.69       | 35.2%  |
| Europe and other directions       | 75.04                     | 548.87       | 74.72         | 546.58       | 0.4%    | 74.71                     | 546.47       | 55.48              | 405.88       | 34.6%  |
| Asia                              | 75.49                     | 552.15       | 78.73         | 575.97       | (4.1)%  | 76.90                     | 562.52       | 56.70              | 414.77       | 35.6%  |
| Crude oil, CIS                    | 50.71                     | 371.64       | 59.11         | 432.54       | (14.1)% | 52.98                     | 387.64       | 40.61              | 297.12       | 30.5%  |
| Petroleum products, excluding CIS |                           | 514.37       |               | 540.91       | (4.9)%  |                           | 537.15       |                    | 394.46       | 36.2%  |
| Europe and other directions       |                           | 485.79       |               | 505.34       | (3.9)%  |                           | 512.50       |                    | 377.54       | 35.7%  |
| Asia                              |                           | 553.28       |               | 597.96       | (7.5)%  |                           | 574.01       |                    | 419.47       | 36.8%  |
| Petroleum products, CIS           |                           | 560.00       |               | 650.00       | (13.8)% |                           | 541.67       |                    | 374.07       | 44.8%  |
| <b>Average domestic prices</b>    |                           |              |               |              |         |                           |              |                    |              |        |
| Crude oil                         | 28.95                     | 211.54       | 29.52         | 216.28       | (2.2)%  | 29.34                     | 214.61       | 20.49              | 150.00       | 43.1%  |
| Petroleum products                |                           | 550.45       |               | 550.62       | 0.0%    |                           | 535.01       |                    | 445.67       | 20.0%  |
| Wholesale                         |                           | 496.16       |               | 499.74       | (0.7)%  |                           | 482.47       |                    | 396.32       | 21.7%  |
| Retail                            |                           | 769.09       |               | 752.04       | 2.3%    |                           | 752.90       |                    | 640.67       | 17.5%  |
| Gas (US\$/thousand cubic meter)   |                           | 41.55        |               | 41.35        | 0.5%    |                           | 41.94        |                    | 31.74        | 32.1%  |
| Sales of bunker fuel to end-users |                           | 394.92       |               | 411.11       | (3.9)%  |                           | 400.00       |                    | 338.46       | 18.2%  |
| Petrochemical products            |                           | 570.59       |               | 610.53       | (6.5)%  |                           | 583.33       |                    | 304.26       | 91.7%  |

## Crude Oil Export Sales to non-CIS

Revenues from crude oil exports to non-CIS countries in the third quarter of 2010 were US\$ 7,894 million which is an increase of 0.3% quarter-on-quarter. The slight increase in sales volumes by 1.4% which had a favourable impact on revenues of US\$ 111 million was offset by a decrease in average export prices (a negative impact on revenues of US\$ 85 million). The Company's crude oil exports to Asian markets decreased by almost 15% quarter-on quarter due to production suspension at Sakhalin-1 in August 2010 and a change in sales mix of crude oil sold through Kozmino terminal.

In the nine months of 2010 revenues from crude oil exports to non-CIS countries increased by 51.4% compared to the same period of 2009, which was driven by a 35.2% increase in average export prices (positive impact on revenues of US\$ 6,100 million) and a 12.0% increase in sales volumes (favourable impact on revenues of US\$ 1,855 million). Sales volumes growth was due to production launch at the Vankor field in Eastern Siberia.

## Crude Oil Export Sales to CIS

In the third quarter of 2010 revenues from sales of crude oil to CIS were US\$ 249 million, 54.3% lower than in the second quarter of 2010. A 46.7% decrease in sales volumes and an average price downturn of 14.1% led to revenues reduction of US\$ 255 million and US\$ 41 million, respectively. Sales volumes decrease was attributable to crude oil flows redirection from CIS markets to the Company's refineries.

In the nine months of 2010 revenues from crude oil exports to CIS countries were US\$ 74 million higher in comparison with the same period of 2009, which is mainly attributable to an average price increase of 30.5% (positive impact on revenues of US\$ 234 million). A 17.2% sales volumes decrease had an unfavourable impact on revenues of US\$ 160 million. In the first quarter of 2010 Russia and Belarus agreed to apply a standard export customs duty to crude oil exports to Belarus and defined fixed annual volumes exempted from export customs duty. This resulted in decreased crude oil deliveries to Belarus in the nine months of 2010 compared with the same period of 2009.

## Domestic Crude Oil Sales

In the third quarter of 2010 domestic crude oil sales were US\$ 55 million, 40.9% lower than in the second quarter of 2010. The revenue decline is mainly attributable to a 39.7% decrease in sales volumes which had an unfavourable impact on revenues of US\$ 37 million. Lower sales volumes resulted from redirection of crude oil flows from domestic market to the Company's refineries.

In the nine months of 2010 revenues from crude oil sales on domestic market were 354.8% higher compared to the same period of 2009. The growth was driven by a 217.6% increase in sales volumes (favorable impact on revenues of US\$ 91 million) as well as by a 43.1% increase in average prices (positive impact on revenues of US\$ 58 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> |                   |                          |               |                   |                          | % change      |                   |                          |
|----------------------|---------------------------|-------------------|--------------------------|---------------|-------------------|--------------------------|---------------|-------------------|--------------------------|
|                      | September 30, 2010        |                   |                          | June 30, 2010 |                   |                          |               |                   |                          |
|                      | US\$ million              | million of tonnes | Average price US\$/tonne | US\$ million  | million of tonnes | Average price US\$/tonne | US\$ million  | million of tonnes | Average price US\$/tonne |
| High octane gasoline | 27                        | 0.03              | 850.02                   | 24            | 0.03              | 842.96                   | 12.5%         | 0.0%              | 0.8%                     |
| Low octane gasoline  | 28                        | 0.04              | 769.91                   | 40            | 0.06              | 685.84                   | (30.0)%       | (33.3)%           | 12.3%                    |
| Naphtha              | 508                       | 0.79              | 647.52                   | 528           | 0.77              | 687.87                   | (3.8)%        | 2.6%              | (5.9)%                   |
| Diesel (Gasoil)      | 1,153                     | 1.83              | 629.00                   | 1,289         | 1.97              | 654.10                   | (10.6)%       | (7.1)%            | (3.8)%                   |
| Fuel oil             | 1,568                     | 3.72              | 421.85                   | 1,519         | 3.49              | 434.63                   | 3.2%          | 6.6%              | (2.9)%                   |
| Jet fuel             | 4                         | 0.00              | 712.13                   | 2             | 0.00              | 767.81                   | 100.0%        | 0.0%              | (7.3)%                   |
| Other                | 40                        | 0.06              | 660.31                   | 49            | 0.06              | 712.65                   | (18.4)%       | 0.0%              | (7.3)%                   |
| <b>Total</b>         | <b>3,328</b>              | <b>6.47</b>       | <b>514.37</b>            | <b>3,451</b>  | <b>6.38</b>       | <b>540.91</b>            | <b>(3.6)%</b> | <b>1.4%</b>       | <b>(4.9)%</b>            |

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\$ 3,328 million in the third quarter of 2010, which is a decrease of 3.6% compared with the second quarter of 2010. A 4.9% decline in average prices (unfavourable impact on revenues of US\$ 172 million) was partially compensated by 1.4% increase in sales volumes (positive impact on revenues of US\$ 49 million). Sales volumes grew following the increase of refinery throughput.

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

|                      | <i>For 9 months ended</i> |                   |                          |                    |                   |                          | % change     |                   |                          |
|----------------------|---------------------------|-------------------|--------------------------|--------------------|-------------------|--------------------------|--------------|-------------------|--------------------------|
|                      | September 30, 2010        |                   |                          | September 30, 2009 |                   |                          |              |                   |                          |
|                      | US\$ million              | million of tonnes | Average price US\$/tonne | US\$ million       | million of tonnes | Average price US\$/tonne | US\$ million | million of tonnes | Average price US\$/tonne |
| High octane gasoline | 82                        | 0.10              | 814.28                   | 92                 | 0.17              | 533.02                   | (10.9)%      | (41.2)%           | 52.8%                    |
| Low octane gasoline  | 112                       | 0.16              | 700.90                   | 69                 | 0.12              | 568.50                   | 62.3%        | 33.3%             | 23.3%                    |
| Naphtha              | 1,595                     | 2.35              | 677.90                   | 1,254              | 2.63              | 475.94                   | 27.2%        | (10.6)%           | 42.4%                    |
| Diesel (Gasoil)      | 3,960                     | 6.27              | 631.66                   | 3,211              | 7.06              | 454.61                   | 23.3%        | (11.2)%           | 38.9%                    |
| Fuel oil             | 4,572                     | 10.39             | 440.07                   | 3,446              | 10.52             | 327.57                   | 32.7%        | (1.2)%            | 34.3%                    |
| Jet fuel             | 12                        | 0.01              | 792.89                   | 36                 | 0.07              | 523.15                   | (66.7)%      | (85.7)%           | 51.6%                    |
| Other                | 136                       | 0.21              | 661.66                   | 77                 | 0.18              | 438.39                   | 76.6%        | 16.7%             | 50.9%                    |
| <b>Total</b>         | <b>10,469</b>             | <b>19.49</b>      | <b>537.15</b>            | <b>8,185</b>       | <b>20.75</b>      | <b>394.46</b>            | <b>27.9%</b> | <b>(6.1)%</b>     | <b>36.2%</b>             |

In the nine months of 2010 revenues from the export of petroleum products to non-CIS countries were 27.9% higher compared to the same period of 2009 which was driven by a 36.2% increase in average prices (positive impact on revenues of US\$ 2,781 million). Sales volumes decrease of 6.1% had a negative impact on revenues of US\$ 497 million and resulted from an increased export sales volumes in the nine months of 2009 due to depressed demand for petroleum products on the domestic market.

### **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</i>     |                          |                                 |
|----------------------|---------------------------|--------------------------|---------------------------------|----------------------|--------------------------|---------------------------------|---------------------|--------------------------|---------------------------------|
|                      | <b>September 30, 2010</b> |                          |                                 | <b>June 30, 2010</b> |                          |                                 |                     |                          |                                 |
|                      | <b>US\$ million</b>       | <b>million of tonnes</b> | <b>Average price US\$/tonne</b> | <b>US\$ million</b>  | <b>million of tonnes</b> | <b>Average price US\$/tonne</b> | <b>US\$ million</b> | <b>million of tonnes</b> | <b>Average price US\$/tonne</b> |
| High octane gasoline | —                         | —                        | —                               | —                    | —                        | —                               | —                   | —                        | —                               |
| Low octane gasoline  | —                         | —                        | —                               | —                    | —                        | —                               | —                   | —                        | —                               |
| Naphtha              | —                         | —                        | —                               | —                    | —                        | —                               | —                   | —                        | —                               |
| Diesel               | 29                        | 0,05                     | 628,95                          | 10                   | 0,02                     | 652,28                          | 190,0%              | 150,0%                   | (3,6)%                          |
| Fuel oil             | 3                         | 0,01                     | 417,45                          | —                    | —                        | —                               | 0,0%                | 0,0%                     | 0,0%                            |
| Jet fuel             | —                         | —                        | —                               | —                    | —                        | —                               | —                   | —                        | —                               |
| Other                | 24                        | 0,04                     | 540,65                          | 16                   | 0,02                     | 627,64                          | 50,0%               | 100,0%                   | (13,9)%                         |
| <b>Total</b>         | <b>56</b>                 | <b>0,10</b>              | <b>560,00</b>                   | <b>26</b>            | <b>0,04</b>              | <b>650,00</b>                   | <b>115,4%</b>       | <b>150,0%</b>            | <b>(13,8)%</b>                  |

Revenues from sales of petroleum products to CIS countries in the third quarter of 2010 were 115.4% higher than in the second quarter of 2010 and amounted to US\$ 56 million. The growth was driven by sales volumes increase of 150% (favourable impact on revenues of US\$ 39 million), which was partially offset by 13.8% downturn in average prices (a negative impact on revenues of US\$ 9 million) mainly caused by the change in product mix.

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

|                      | <i>For 9 months ended</i> |                          |                                 |                           |                          |                                 | <i>% change</i>     |                          |                                 |
|----------------------|---------------------------|--------------------------|---------------------------------|---------------------------|--------------------------|---------------------------------|---------------------|--------------------------|---------------------------------|
|                      | <b>September 30, 2010</b> |                          |                                 | <b>September 30, 2009</b> |                          |                                 |                     |                          |                                 |
|                      | <b>US\$ million</b>       | <b>million of tonnes</b> | <b>Average price US\$/tonne</b> | <b>US\$ million</b>       | <b>million of tonnes</b> | <b>Average price US\$/tonne</b> | <b>US\$ million</b> | <b>million of tonnes</b> | <b>Average price US\$/tonne</b> |
| High octane gasoline | 8                         | 0.02                     | 403.25                          | 17                        | 0.05                     | 365.77                          | (52.9)%             | (60.0)%                  | 10.2%                           |
| Low octane gasoline  | 3                         | 0.01                     | 300.00                          | 2                         | 0.01                     | 224.04                          | 50.0%               | 0.0%                     | 33.9%                           |
| Naphtha              | —                         | —                        | —                               | 2                         | 0.01                     | 346.70                          | (100.0)%            | (100.0)%                 | —                               |
| Diesel               | 61                        | 0.11                     | 547.85                          | 44                        | 0.11                     | 399.64                          | 38.6%               | 0.0%                     | 37.1%                           |
| Fuel oil             | 3                         | 0.01                     | 417.45                          | —                         | —                        | —                               | 100.0%              | 100.0%                   | —                               |
| Jet fuel             | —                         | —                        | —                               | 5                         | 0.01                     | 401.00                          | (100.0)%            | (100.0)%                 | —                               |
| Other                | 55                        | 0.09                     | 613.65                          | 31                        | 0.08                     | 370.22                          | 77.4%               | 12.5%                    | 65.8%                           |
| <b>Total</b>         | <b>130</b>                | <b>0.24</b>              | <b>541.67</b>                   | <b>101</b>                | <b>0.27</b>              | <b>374.07</b>                   | <b>28.7%</b>        | <b>(11.1)%</b>           | <b>44.8%</b>                    |

Revenue increase of US\$ 29 million in the nine months of 2010 in comparison with the same period of 2009 resulted from 44.8% upturn in average prices (positive impact on revenues of US\$ 40 million) which was partially offset by 11.1% decrease in sales volumes (negative impact on revenues of US\$ 11 million). Sales volumes decrease is attributable to the reduction of petroleum product deliveries to Asian CIS countries due to the changes in customs legislation providing for levying of duties on petroleum product exports to these countries.

## Domestic Sales of Petroleum Products

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

|                      | <i>For 3 months ended</i> |                   |                          |               |                   |                          | % change     |                   |                          |
|----------------------|---------------------------|-------------------|--------------------------|---------------|-------------------|--------------------------|--------------|-------------------|--------------------------|
|                      | September 30, 2010        |                   |                          | June 30, 2010 |                   |                          |              |                   |                          |
|                      | US\$ million              | million of tonnes | Average price US\$/tonne | US\$ million  | million of tonnes | Average price US\$/tonne | US\$ million | million of tonnes | Average price US\$/tonne |
| High octane gasoline | 1,150                     | 1.46              | 787.76                   | 1,013         | 1.32              | 767.37                   | 13.5%        | 10.6%             | 2.7%                     |
| Low octane gasoline  | 200                       | 0.33              | 611.31                   | 216           | 0.36              | 602.39                   | (7.4)%       | (8.3)%            | 1.5%                     |
| Naphtha              | —                         | —                 | —                        | —             | —                 | —                        | —            | —                 | —                        |
| Diesel               | 1,203                     | 2.45              | 490.09                   | 1,043         | 2.03              | 513.11                   | 15.3%        | 20.7%             | (4.5)%                   |
| Fuel oil             | 98                        | 0.40              | 247.68                   | 86            | 0.35              | 244.59                   | 14.0%        | 14.3%             | 1.3%                     |
| Jet fuel             | 176                       | 0.34              | 522.45                   | 173           | 0.31              | 549.53                   | 1.7%         | 9.7%              | (4.9)%                   |
| Other                | 217                       | 0.55              | 386.88                   | 145           | 0.49              | 303.36                   | 49.7%        | 12.2%             | 27.5%                    |
| <b>Total</b>         | <b>3,044</b>              | <b>5.53</b>       | <b>550.45</b>            | <b>2,676</b>  | <b>4.86</b>       | <b>550.62</b>            | <b>13.8%</b> | <b>13.8%</b>      | <b>0.0%</b>              |

Revenues from sales of petroleum products on the domestic market were US\$ 3,044 million in the third quarter of 2010, which is an increase of 13.8% compared with the second quarter of 2010. Revenue growth was caused by a 13.8% increase in sales volumes which had a favourable impact on revenues of US\$ 368 million. Domestic sales volumes growth resulted from a seasonal increase in demand for petroleum products and increased sales to agricultural enterprises.

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

|                      | <i>For 9 months ended</i> |                   |                          |                    |                   |                          | % change     |                   |                          |
|----------------------|---------------------------|-------------------|--------------------------|--------------------|-------------------|--------------------------|--------------|-------------------|--------------------------|
|                      | September 30, 2010        |                   |                          | September 30, 2009 |                   |                          |              |                   |                          |
|                      | US\$ million              | million of tonnes | Average price US\$/tonne | US\$ million       | million of tonnes | Average price US\$/tonne | US\$ million | million of tonnes | Average price US\$/tonne |
| High octane gasoline | 3,037                     | 4.01              | 757.37                   | 2,242              | 3.55              | 632.23                   | 35.5%        | 13.0%             | 19.8%                    |
| Low octane gasoline  | 587                       | 1.01              | 583.66                   | 480                | 0.96              | 501.78                   | 22.3%        | 5.2%              | 16.3%                    |
| Naphtha              | —                         | —                 | —                        | —                  | —                 | —                        | —            | —                 | —                        |
| Diesel               | 3,074                     | 6.11              | 503.49                   | 2,290              | 5.36              | 427.14                   | 34.2%        | 14.0%             | 17.9%                    |
| Fuel oil             | 428                       | 1.73              | 247.79                   | 198                | 1.08              | 182.19                   | 116.2%       | 60.2%             | 36.0%                    |
| Jet fuel             | 386                       | 0.73              | 527.53                   | 175                | 0.38              | 465.14                   | 120.6%       | 92.1%             | 13.4%                    |
| Other                | 556                       | 1.49              | 370.23                   | 529                | 1.94              | 272.22                   | 5.1%         | (23.2)%           | 36.0%                    |
| <b>Total</b>         | <b>8,068</b>              | <b>15.08</b>      | <b>535.01</b>            | <b>5,914</b>       | <b>13.27</b>      | <b>445.67</b>            | <b>36.4%</b> | <b>13.6%</b>      | <b>20.0%</b>             |

In the nine months of 2010 revenues from sales of petroleum products on domestic market increased by 36.4% compared to the same period of 2009. This resulted from a 20.0% upturn in average prices (positive impact on revenues of US\$ 1,347 million) and from a 13.6% increase in sales volumes (favourable impact on revenues of US\$ 807 million). Volumes growth was due to the demand recovery after its decline in 2009 due to the financial crisis.

### *Petroleum product sales through commodity exchanges*

The Company sells a wide range of petroleum products via commodity exchanges. In the third quarter of 2010 0.94 million tonnes were sold for US\$ 523 million, which is 0.27 mln tonnes and US\$ 146 million higher than in the second quarter of 2010. During the nine month of 2010 2.59 million tonnes were sold for US\$ 1,366 million, which is 1.93 million tonnes and US\$ 1,060 million higher than for the nine month of 2009.

### Sales of bunker fuel to end-users

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

Revenues from sales of bunker fuel in the third quarter of 2010 were US\$ 233 million, an increase of 25.9% in comparison with the second quarter of 2010. Revenue growth was due to seasonal increase in demand for bunker fuel as well as to expansion of the Company's bunkering business.

Revenues from sales of bunker fuel in the nine months of 2010 were US\$ 540 million an increase of 75.3% compared to the same period of 2009.

### **Petrochemical Product Sales**

Revenues from sales of petrochemical products in the third quarter of 2010 were US\$ 97 million, down 16.4% compared to the second quarter of 2010. The price decline of 6.5% (negative impact on revenues of US\$ 7 million) was accompanied by a 10.5% decrease in sales volumes (unfavourable impact on revenues of US\$ 12 million). Sales volumes decrease was due to planned turnaround at Angarsk polymer plant.

A 120.3% growth in revenues from sales of petrochemical products in the nine months of 2010 compared to the same period in 2009 was due to price increase of 91.7% and volume growth of 14.9% following the recovery after the crisis.

### **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 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>For 9 months ended</i>              |                               |               |
|-------------------------|--|--------------------------|---------------|--|-------------------------------|---------------|
|                         | <b>September 30,<br/>2010</b>          | <b>June 30,<br/>2010</b> | <b>Change</b> | <b>September 30,<br/>2010</b>          | <b>September 30,<br/>2009</b> | <b>Change</b> |
| <b>Revenue</b>          | <b>(US\$ million)</b>                  |                          |               | <b>(US\$ million)</b>                  |                               |               |
| Western Siberia         | 26                                     | 31                       | (16.1)%       | 88                                     | 79                            | 11.4%         |
| South Russia            | 47                                     | 48                       | (2.1)%        | 147                                    | 109                           | 34.9%         |
| Far East                | 5                                      | 8                        | (37.5)%       | 24                                     | 25                            | (4.0)%        |
| European part of Russia | 13                                     | 11                       | 18.2%         | 43                                     | 33                            | 30.3%         |
| <b>Total</b>            | <b>91</b>                              | <b>98</b>                | <b>(7.1)%</b> | <b>302</b>                             | <b>246</b>                    | <b>22.8%</b>  |
| <b>Sales volumes</b>    | <b>(bcm)</b>                           |                          |               | <b>(bcm)</b>                           |                               |               |
| Western Siberia         | 1.20                                   | 1.35                     | (11.1)%       | 3.91                                   | 4.37                          | (10.5)%       |
| South Russia            | 0.68                                   | 0.74                     | (8.1)%        | 2.27                                   | 2.39                          | (5.0)%        |
| Far East                | 0.09                                   | 0.14                     | (35.7)%       | 0.43                                   | 0.43                          | 0.0%          |
| European part of Russia | 0.22                                   | 0.14                     | 57.1%         | 0.59                                   | 0.56                          | 5.4%          |
| <b>Total</b>            | <b>2.19</b>                            | <b>2.37</b>              | <b>(7.6)%</b> | <b>7.20</b>                            | <b>7.75</b>                   | <b>(7.1)%</b> |
| <b>Average price</b>    | <b>(US\$/thousand of cubic metres)</b> |                          |               | <b>(US\$/thousand of cubic metres)</b> |                               |               |
| Western Siberia         | 21.40                                  | 23.20                    | (7.8)%        | 22.48                                  | 18.16                         | 23.8%         |
| South Russia            | 68.47                                  | 65.35                    | 4.8%          | 64.80                                  | 45.57                         | 42.2%         |
| Far East                | 48.28                                  | 56.52                    | (14.6)%       | 56.29                                  | 57.90                         | (2.8)%        |
| European part of Russia | 70.48                                  | 78.82                    | (10.6)%       | 76.13                                  | 58.98                         | 29.1%         |
| <b>Total</b>            | <b>41.55</b>                           | <b>41.35</b>             | <b>0.5%</b>   | <b>41.94</b>                           | <b>31.74</b>                  | <b>32.1%</b>  |

In the third quarter of 2010 revenues from gas sales were US\$ 91 million, 7.1% lower than in the second quarter of 2010. A 7.6% decrease in sales volumes caused revenue reduction of US\$ 7 million. Sales volumes decrease was due to seasonal demand reduction and planned turnarounds on Sibur gas treatment plants.

Revenue growth from gas sales of 22.8% in the nine months of 2010 in comparison with the same period of 2009 was driven by increase in average prices of 32.1% (favourable impact on revenues of US\$ 73 million). Sales volumes decrease of 7.1% led to revenue reduction of US\$ 17 million. Decreased demand for gas in summer 2010 resulted in lower gas sales volumes year-on-year and as a result higher pipeline inventories.

### **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>For 9 months ended</i> |                 |                           |                 |                 |
|----------------------------------|---------------------------|-----------------|----------------------|-----------------|-----------------|---------------------------|-----------------|---------------------------|-----------------|-----------------|
|                                  | <b>September 30, 2010</b> |                 | <b>June 30, 2010</b> |                 | <b>Change</b>   | <b>September 30, 2010</b> |                 | <b>September 30, 2009</b> |                 | <b>Change</b>   |
|                                  | <b>%</b>                  | <b>%</b>        | <b>%</b>             | <b>%</b>        | <b>%</b>        | <b>%</b>                  | <b>%</b>        | <b>%</b>                  | <b>%</b>        | <b>%</b>        |
|                                  | <b>of total</b>           | <b>of total</b> | <b>of total</b>      | <b>of total</b> | <b>of total</b> | <b>of total</b>           | <b>of total</b> | <b>of total</b>           | <b>of total</b> | <b>of total</b> |
|                                  | <b>revenue</b>            | <b>revenue</b>  | <b>revenue</b>       | <b>revenue</b>  | <b>revenue</b>  | <b>revenue</b>            | <b>revenue</b>  | <b>revenue</b>            | <b>revenue</b>  | <b>revenue</b>  |
|                                  | (US\$ million, except %)  |                 |                      |                 |                 |                           |                 |                           |                 |                 |
| Drilling services                | 20                        | 4.7%            | 15                   | 4.0%            | 33.3%           | 45                        | 3.7%            | 17                        | 1.9%            | 164.7%          |
| Sales of materials               | 167                       | 39.4%           | 141                  | 37.8%           | 18.4%           | 450                       | 37.5%           | 318                       | 35.3%           | 41.5%           |
| Repairs and maintenance services | 28                        | 6.6%            | 28                   | 7.5%            | 0.0%            | 80                        | 6.7%            | 77                        | 8.5%            | 3.9%            |
| Rent services                    | 19                        | 4.5%            | 15                   | 4.0%            | 26.7%           | 48                        | 4.0%            | 37                        | 4.1%            | 29.7%           |
| Construction services            | 25                        | 5.9%            | 18                   | 4.8%            | 38.9%           | 68                        | 5.7%            | 41                        | 4.5%            | 65.9%           |
| Transport services               | 84                        | 19.8%           | 87                   | 23.4%           | (3.4)%          | 253                       | 21.1%           | 196                       | 21.7%           | 29.1%           |
| Electric power transmission      | 25                        | 5.9%            | 28                   | 7.5%            | (10.7)%         | 87                        | 7.2%            | 45                        | 5.0%            | 93.3%           |
| Other revenues                   | 56                        | 13.2%           | 41                   | 11.0%           | 36.6%           | 170                       | 14.1%           | 171                       | 19.0%           | (0.6)%          |
| <b>Total</b>                     | <b>424</b>                | <b>100.0%</b>   | <b>373</b>           | <b>100.0%</b>   | <b>13.7%</b>    | <b>1,201</b>              | <b>100.0%</b>   | <b>902</b>                | <b>100.0%</b>   | <b>33.1%</b>    |

## *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</i> | <i>For 9 months ended</i> |                           | <i>Change</i> |
|--------------|---------------------------|--------------------------|---------------|---------------------------|---------------------------|---------------|
|              | <b>September 30, 2010</b> | <b>June 30, 2010</b>     | <b>%</b>      | <b>September 30, 2010</b> | <b>September 30, 2009</b> | <b>%</b>      |
|              |                           | (US\$ million, except %) |               |                           |                           |               |
| Upstream     | 537                       | 540                      | (0.6)%        | 1,587                     | 1,341                     | 18.3%         |
| Downstream   | 400                       | 354                      | 13.0%         | 1,107                     | 1,110                     | (0.3)%        |
| Other        | 224                       | 225                      | (0.4)%        | 650                       | 433                       | 50.1%         |
| <b>Total</b> | <b>1,161</b>              | <b>1,119</b>             | <b>3.8%</b>   | <b>3,344</b>              | <b>2,884</b>              | <b>16.0%</b>  |

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

Upstream production and operating expenses in the third quarter of 2010 decreased to US\$ 537 million or by 0.6% compared with the second quarter of 2010. The decrease was due to the nominal RUB depreciation compared to US dollar by 1.2% and was partially offset by the increased crude oil production.

In the nine months of 2010 upstream production and operating expenses increased to US\$ 1,587 million, or by 18.3% compared with the nine months of 2009, when these expenses were US\$ 1,341 million. The growth was due to the nominal appreciation of the RUB against the US\$ by 7.4%, launch of commercial production at the Vankor field and cost inflation, which was below CPI.

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

|  | <i>For 3 months ended</i> |  | <i>Change</i> | <i>For 9 months ended</i> |                           | <i>Change</i> |
|--|---------------------------|--|---------------|---------------------------|---------------------------|---------------|
|  | <b>September 30, 2010</b> | <b>June 30, 2010</b>                   | <b>%</b>      | <b>September 30, 2010</b> | <b>September 30, 2009</b> | <b>%</b>      |
|  |                           | (US\$ per bbl, US\$ per boe, except %) |               |                           |                           |               |
| Expenses per bbl of crude oil produced   | 2.72                      | 2.79                                   | (2.5)%        | 2.74                      | 2.50                      | 9.6%          |
| Expenses per boe of hydrocarbon produced | 2.52                      | 2.57                                   | (1.9)%        | 2.52                      | 2.28                      | 10.5%         |

Rosneft's downstream expenses increased by 13.0% to US\$ 400 million in the third quarter of 2010 compared with US\$ 354 million in the second quarter of 2010. The increase resulted from the increase in refineries costs due to higher volumes of crude oil processed, change in intragroup inventories and was partially offset by the nominal depreciation of the RUB against the US\$ by 1.2%.

These expenses decreased by 0.3% in the nine months of 2010 compared with the nine months of 2009.

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

|   | <i>For 3 months ended</i> |                      | <i>Change</i> | <i>For 9 months ended</i> |                           | <i>Change</i> |
|---|---------------------------|----------------------|---------------|---------------------------|---------------------------|---------------|
|   | <b>September 30, 2010</b> | <b>June 30, 2010</b> | <b>%</b>      | <b>September 30, 2010</b> | <b>September 30, 2009</b> | <b>%</b>      |
| <b>Operating expenses (US\$ million)</b>                          | <b>197</b>                | <b>186</b>           | <b>5.9%</b>   | <b>540</b>                | <b>519</b>                | <b>4.0%</b>   |
| Operating expenses per tonne of product output (US\$/tonne)       | 15.86                     | 16.66                | (4.8)%        | 15.15                     | 14.72                     | 2.9%          |
| Operating expenses per tonne of crude oil throughput (US\$/tonne) | 15.06                     | 15.88                | (5.2)%        | 14.38                     | 13.91                     | 3.4%          |

Operating expenses of Rosneft's refineries increased to US\$ 197 million in the third quarter of 2010 compared with US\$ 186 million in the second quarter of 2010. The increase resulted from higher volumes of crude oil processed and increase in cost of heat and electric power at a number of refineries due to increase in tariffs and other factors.

These expenses increased by 4.0% to US\$ 540 million in the nine months of 2010 compared to US\$ 519 million in the nine months of 2009. The increase resulted from the nominal appreciation of the RUB against the US\$ by 7.4%, which was partially offset by cost-cutting initiatives, lower cost of turnaround works at refineries and other factors.

Operating expenses related to other activities decreased to US\$ 224 million in the third quarter of 2010, or by 0.4% compared with the second quarter of 2010. The decrease was due to the nominal RUB depreciation compared to US\$ by 1.2%, partially offset by the increase in volume of other activities.

In the nine months of 2010 these expenses increased to US\$ 650 million compared with US\$ 433 million in the nine months of 2009. The increase was primarily due to higher volumes of other activities (particularly, increase in electric power transmission and other services rendered, as well as an increase in sales of other inventories), accompanied by the increase in other revenues by 32.6%, and other factors.

### **Cost of Purchased Crude Oil, Gas and Petroleum Products**

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</i> | <i>For 9 months ended</i> |                           | <i>Change</i> |
|---|---------------------------|----------------------|---------------|---------------------------|---------------------------|---------------|
|   | <b>September 30, 2010</b> | <b>June 30, 2010</b> | <b>%</b>      | <b>September 30, 2010</b> | <b>September 30, 2009</b> | <b>%</b>      |
| Cost of crude oil procured (US\$ million)                                     | 351                       | 394                  | (10.9)%       | 1 118                     | 1 050                     | 6.5%          |
| Volume of crude oil procured (million of barrels)                             | 12.30                     | 12.96                | (5.1)%        | 39.07                     | 43.30                     | (9.8)%        |
| Cost of gas procured (US\$ million)   | 5                         | 6                    | (16.7)%       | 19                        | 20                        | (5.0)%        |
| Volume of gas procured (bcm)  | 0.13                      | 0.10                 | 30.0%         | 0.37                      | 0.41                      | (9.8)%        |
| Cost of petroleum product procured (US\$ million) <sup>(1)</sup>              | 261                       | 234                  | 11.5%         | 610                       | 239                       | 155.2%        |
| Volume of petroleum product procured (million of tonnes)                      | 0.45                      | 0.41                 | 9.8%          | 1.07                      | 0.52                      | 105.8%        |
| <b>Total cost of procured oil, gas and petroleum products (US\$ millions)</b> | <b>617</b>                | <b>634</b>           | <b>(2.7)%</b> | <b>1 747</b>              | <b>1 309</b>              | <b>33.5%</b>  |

(1) In the third quarter and the nine months of 2010 the average procurement price of petroleum products from third parties was higher than the average selling price of petroleum products due to differences in the mix of procured and sold petroleum products.

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</i> | <i>For 9 months ended</i> |                           | <i>Change</i> |
|-------------------------|---------------------------|----------------------|---------------|---------------------------|---------------------------|---------------|
|                         | <b>September 30, 2010</b> | <b>June 30, 2010</b> | <b>%</b>      | <b>September 30, 2010</b> | <b>September 30, 2009</b> | <b>%</b>      |
|                         | (million bbl, except %)   |                      |               |                           |                           |               |
| Tomskneft               | 9.33                      | 9.72                 | (4.0)%        | 27.53                     | 25.14                     | 9.5%          |
| Udmurtneft              | 1.89                      | 2.32                 | (18.5)%       | 8.62                      | 9.84                      | (12.4)%       |
| Surgutneftegaz          | -                         | -                    | -             | -                         | 4.29                      | (100.0)%      |
| Tomsk-Petroleum-und-Gaz | -                         | -                    | -             | -                         | 1.24                      | (100.0)%      |
| Others                  | 1.08                      | 0.92                 | 17.4%         | 2.92                      | 2.79                      | 4.7%          |
| <b>Total</b>            | <b>12.30</b>              | <b>12.96</b>         | <b>(5.1)%</b> | <b>39.07</b>              | <b>43.30</b>              | <b>(9.8)%</b> |

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. In the third quarter and for the nine months of 2010 these transactions were exercised with Gazpromneft and Bashneft, the volume of crude oil swaps amounted to 9.55 million barrels in the third quarter of 2010 and 28.76 million barrels in the nine months of 2010, compared to 8.58 million barrels in the second quarter of 2010 and 30.98 million barrels in the nine months of 2009, respectively. Rosneft’s estimated benefits from these transactions were US\$ 11 million in the third quarter of 2010 and US\$ 39 million in the nine months of 2010.

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 tables below set forth Rosneft’s costs, volumes and average prices per tonne of petroleum products procured from third parties:

|                      | <i>For 3 months ended</i> |                          |                                 |                      |                          |                                 | <b>% change</b>     |                          |                                 |
|----------------------|---------------------------|--------------------------|---------------------------------|----------------------|--------------------------|---------------------------------|---------------------|--------------------------|---------------------------------|
|                      | <b>September 30, 2010</b> |                          |                                 | <b>June 30, 2010</b> |                          |                                 |                     |                          |                                 |
|                      | <b>US\$ million</b>       | <b>million of tonnes</b> | <b>Average price US\$/tonne</b> | <b>US\$ million</b>  | <b>million of tonnes</b> | <b>Average price US\$/tonne</b> | <b>US\$ million</b> | <b>million of tonnes</b> | <b>Average price US\$/tonne</b> |
| High octane gasoline | 144                       | 0.21                     | 675.49                          | 140                  | 0.20                     | 702.18                          | 2.9%                | 5.0%                     | (3.8)%                          |
| Low octane gasoline  | 13                        | 0.02                     | 561.55                          | 8                    | 0.01                     | 572.63                          | 62.5%               | 100.0%                   | (1.9)%                          |
| Diesel               | 84                        | 0.18                     | 454.33                          | 75                   | 0.17                     | 429.49                          | 12.0%               | 5.9%                     | 5.8%                            |
| Fuel oil             | -                         | -                        | -                               | -                    | -                        | -                               | -                   | -                        | -                               |
| Jet fuel             | -                         | -                        | -                               | -                    | -                        | -                               | -                   | -                        | -                               |
| Other                | 20                        | 0.04                     | 462.55                          | 11                   | 0.03                     | 413.75                          | 81.8%               | 33.3%                    | 11.8%                           |
| <b>Total</b>         | <b>261</b>                | <b>0.45</b>              | <b>580.00</b>                   | <b>234</b>           | <b>0.41</b>              | <b>570.73</b>                   | <b>11.5%</b>        | <b>9.8%</b>              | <b>1.6%</b>                     |

The increase in volumes of petroleum product purchases in the third quarter of 2010 was due to a seasonal increase in demand for petroleum products, which was not covered by supplies from own refineries.

The tables below set forth Rosneft's costs, volumes and average prices per tonne of petroleum products procured from third parties in the nine months of 2010 and 2009:

|                      | <i>For 9 months ended</i> |                   |                          |                    |                   |                          | % change      |                   |                          |
|----------------------|---------------------------|-------------------|--------------------------|--------------------|-------------------|--------------------------|---------------|-------------------|--------------------------|
|                      | September 30, 2010        |                   |                          | September 30, 2009 |                   |                          |               |                   |                          |
|                      | US\$ million              | million of tonnes | Average price US\$/tonne | US\$ million       | million of tonnes | Average price US\$/tonne | US\$ million  | million of tonnes | Average price US\$/tonne |
| High octane gasoline | 331                       | 0.48              | 679.51                   | 89                 | 0.16              | 557.97                   | 271.9%        | 200.0%            | 21.8%                    |
| Low octane gasoline  | 24                        | 0.04              | 573.98                   | 13                 | 0.03              | 507.67                   | 84.6%         | 33.3%             | 13.1%                    |
| Diesel               | 213                       | 0.45              | 473.96                   | 102                | 0.23              | 436.08                   | 108.8%        | 95.7%             | 8.7%                     |
| Fuel oil             | 2                         | 0.01              | 300.21                   | 17                 | 0.05              | 342.60                   | (88.2)%       | (80.0)%           | (12.4)%                  |
| Jet fuel             | -                         | -                 | -                        | 0                  | 0.00              | 842.24                   | -             | -                 | (100.0)%                 |
| Other                | 40                        | 0.09              | 437.10                   | 18                 | 0.05              | 400.53                   | 122.2%        | 80.0%             | 9.1%                     |
| <b>Total</b>         | <b>610</b>                | <b>1.07</b>       | <b>570.09</b>            | <b>239</b>         | <b>0.52</b>       | <b>459.62</b>            | <b>155.2%</b> | <b>105.8%</b>     | <b>24.0%</b>             |

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.

### **General and Administrative Expenses**

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

General and administrative expenses in the third quarter of 2010 were US\$ 438 million, 22.0% higher than in the second quarter of 2010. The increase resulted mainly from accrual of bad debt allowances and increase in audit and consulting fees and other expenses.

In the nine months of 2010 general and administrative expenses increased from US\$ 1,024 million to US\$ 1,167 million. The increase was mainly due to the nominal rouble appreciation of 7.4%.

## Pipeline Tariffs and Transportation Costs

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

In the third quarter of 2010 Rosneft's transportation costs decreased to US\$ 1,701 million, or by 2.9% compared with the second quarter of 2010. The decrease mainly reflected higher product volumes sold on FCA terms, as well as redirection of crude export volumes to domestic refineries and sale of additional product volumes on the domestic markets.

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> |                         |                 |                             |                     |                         |                 |                             | % change    |               |                     |
|--|---------------------------|-------------------------|-----------------|-----------------------------|---------------------|-------------------------|-----------------|-----------------------------|-------------|---------------|---------------------|
|  | September 30, 2010        |                         |                 |                             | June 30, 2010       |                         |                 |                             |             |               |                     |
|  | Volume, mln. tonnes       | Share in export volumes | Cost, mln. US\$ | Cost per tonne sold, US\$/t | Volume, mln. tonnes | Share in export volumes | Cost, mln. US\$ | Cost per tonne sold, US\$/t | Volume      | Cost          | Cost per tonne sold |
| <b>CRUDE OIL</b>                                       |                           |                         |                 |                             |                     |                         |                 |                             |             |               |                     |
| <b>Export sales</b>                                    |                           |                         |                 |                             |                     |                         |                 |                             |             |               |                     |
| Pipeline   | 11.60                     | 77.2%                   | 492             | 42.41                       | 12.04               | 78.1%                   | 503             | 41.78                       | (3.7)%      | (2.2)%        | 1.5%                |
| Railroad and mixed                                     | 3.43                      | 22.8%                   | 259             | 75.51                       | 3.38                | 21.9%                   | 265             | 78.40                       | 1.5%        | (2.3)%        | (3.7)%              |
| <b>Transportation to refineries and domestic sales</b> |                           |                         |                 |                             |                     |                         |                 |                             |             |               |                     |
| Pipeline   | 11.42                     |                         | 311             | 27.23                       | 10.28               |                         | 243             | 23.64                       | 11.1%       | 28.0%         | 15.2%               |
| Railroad and mixed                                     | 1.64                      |                         | 178             | 108.54                      | 1.75                |                         | 193             | 110.29                      | (6.3)%      | (7.8)%        | (1.6)%              |
| <b>PETROLEUM PRODUCTS</b>                              |                           |                         |                 |                             |                     |                         |                 |                             |             |               |                     |
| <b>Export sales</b>                                    |                           |                         |                 |                             |                     |                         |                 |                             |             |               |                     |
| Pipeline <sup>(1)</sup>                                | 0.30                      | 4.4%                    | 15              | 50.00                       | 0.28                | 4.2%                    | 14              | 50.00                       | 7.1%        | 7.1%          | 0.0%                |
| Railroad and mixed                                     | 3.76                      | 55.6%                   | 279             | 74.20                       | 4.32                | 65.6%                   | 332             | 76.85                       | (13.0)%     | (16.0)%       | (3.4)%              |
| <b>Other transportation expenses<sup>(2)</sup></b>     |                           |                         |                 |                             |                     |                         |                 |                             |             |               |                     |
|  |                           |                         | 167             |                             |                     |                         | 202             |                             |             | (17.3)%       |                     |
| <b>Total</b>   | <b>32.15</b>              |                         | <b>1,701</b>    | <b>52.91</b>                | <b>32.05</b>        |                         | <b>1,752</b>    | <b>54.66</b>                | <b>0.3%</b> | <b>(2.9)%</b> | <b>(3.2)%</b>       |

- (1) Rosneft exported 2.70 million tonnes (39.9% of total export volumes) and 1.99 million tonnes (30.2% of total export volumes) of petroleum products in the third quarter of 2010 and in the second quarter of 2010, respectively, through its own pipeline in the town of Tuapse and under purchasing agreements, pursuant to which Rosneft does not bear transportation expenses directly. Expenses of the Tuapse pipeline are reflected in Rosneft's financial statements as operating expenses.
- (2) Other transportation expenses include cost of railroad transportation of petroleum products from refineries to tank farms and road transportation from tank farms to service stations as well as transportation expenses related to sales of bunker fuel.

The increase in crude oil pipeline transportation cost per tonne of export sales was 1.5%, which was due to a increase in tariffs by 0.9% - 1.1% in US\$ terms.

The decrease in crude oil railroad and mixed transportation cost per tonne of export sales was 3.7%, which was mainly due to tariffs decrease in US\$ terms by 2.8%.

The increase in crude oil pipeline transportation cost per tonne of domestic supplies was 15.2% quarter-on-quarter, reflecting introduction of investment tariff for crude oil for transportation from Purneftegaz to Tuapse refinery. The investment tariff is set at 4,181 RUB per tonne compared with standard tariff of 1,328 RUB per tonne. It will be applied from September 2010 to the end of Q1 2012 for a total of 7.2 million tonnes of crude oil. Its introduction is aimed at financing capacity expansion of pipeline to the Tuapse refinery as part of the refinery expansion

The decrease in crude oil railroad and mixed transportation cost per tonne of domestic supplies was 1.6%, which was primarily due to a decrease in transportation tariffs in US\$ terms by 0.7%.

The decrease in railroad and mixed transportation cost per tonne of petroleum product export sales was 3.4%, which was due to decrease in tariffs by 1.2% in US\$ terms followed by the nominal RUB depreciation and due to change in mix of transportation routes.

During the nine months of 2010 Rosneft's transportation costs increased to US\$ 5,217 million, or by 36.1% compared with the nine months of 2009. The increase resulted from higher transportation volumes due to increase in crude oil production at the Vankor field and increase in tariffs of natural monopolies by 16.6% – 30.1% in US\$ terms.

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 9 months ended</i> |                         |                 |                        |                     |                         |                 |                        | % change    |              |                |
|--|---------------------------|-------------------------|-----------------|------------------------|---------------------|-------------------------|-----------------|------------------------|-------------|--------------|----------------|
|  | September 30, 2010        |                         |                 |                        | September 30, 2009  |                         |                 |                        |             |              |                |
|  | Volume, mln. tonnes       | Share in export volumes | Cost, mln. US\$ | Cost per tonne, US\$/t | Volume, mln. tonnes | Share in export volumes | Cost, mln. US\$ | Cost per tonne, US\$/t | Volume      | Cost         | Cost per tonne |
| <b>CRUDE OIL</b>                                       |                           |                         |                 |                        |                     |                         |                 |                        |             |              |                |
| <b>Export sales</b>                                    |                           |                         |                 |                        |                     |                         |                 |                        |             |              |                |
| Pipeline   | 35.01                     | 77.6%                   | 1,475           | 42.13                  | 30.08               | 73.2%                   | 928             | 30.85                  | 16.4%       | 58.9%        | 36.6%          |
| Railroad and mixed                                     | 10.12                     | 22.4%                   | 788             | 77.87                  | 11.04               | 26.8%                   | 695             | 62.95                  | (8.3)%      | 13.4%        | 23.7%          |
| <b>Transportation to refineries and domestic sales</b> |                           |                         |                 |                        |                     |                         |                 |                        |             |              |                |
| Pipeline   | 32.65                     |                         | 809             | 24.78                  | 31.78               |                         | 563             | 17.72                  | 2.7%        | 43.7%        | 39.8%          |
| Railroad and mixed                                     | 5.01                      |                         | 552             | 110.18                 | 5.37                |                         | 453             | 84.36                  | (6.7)%      | 21.9%        | 30.6%          |
| <b>PETROLEUM PRODUCTS</b>                              |                           |                         |                 |                        |                     |                         |                 |                        |             |              |                |
| <b>Export sales</b>                                    |                           |                         |                 |                        |                     |                         |                 |                        |             |              |                |
| Pipeline <sup>(1)</sup>                                | 0.83                      | 4.1%                    | 42              | 50.60                  | 0.72                | 3.4%                    | 30              | 41.70                  | 15.3%       | 40.0%        | 21.3%          |
| Railroad and mixed                                     | 13.44                     | 66.6%                   | 1,040           | 77.38                  | 14.14               | 66.7%                   | 876             | 61.95                  | (5.0)%      | 18.7%        | 24.9%          |
| <b>Other transportation expenses<sup>(2)</sup></b>     |                           |                         |                 |                        |                     |                         |                 |                        |             |              |                |
|  |                           |                         | 511             |                        |                     |                         | 288             |                        |             | 77.4%        |                |
| <b>Total</b>   | <b>97.06</b>              |                         | <b>5,217</b>    | <b>53.75</b>           | <b>93.13</b>        |                         | <b>3,833</b>    | <b>41.16</b>           | <b>4.2%</b> | <b>36.1%</b> | <b>30.6%</b>   |

(1) Rosneft exported 5.92 million tonnes (29.3% of total export volumes) and 6.34 million tonnes (29.9% of total export volumes) of petroleum products in the nine months of 2010 and in the nine months of 2009, respectively, through its own pipeline in the town of Tuapse and under purchasing agreements, pursuant to which Rosneft does not bear transportation expenses directly. Expenses of the Tuapse pipeline are reflected in Rosneft's financial statements as operating expenses.

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

The increase in crude oil pipeline transportation cost per tonne of export sales was 36.6%, which was due to an increase in tariffs by 16.6% – 25.0% in US\$ terms and the change in transportation routes used (particularly, start of deliveries of Vankor crude oil to exports through ESPO, which is more expensive compared with the Yugansk - Primorsk route).

The increase in crude oil railroad and mixed transportation cost per tonne of export sales was 23.7%, which was due to tariffs growth in US\$ terms.

The increase in crude oil pipeline transportation cost per tonne of domestic supplies was 39.8%, which was due to tariffs growth by 26.2% - 30.1% in US\$ terms, introduction of investment tariff for crude oil pipeline transportation from Purneftegaz to Tuapse refinery starting from September 2010, and change in crude oil supplies structure.

The increase in crude oil railroad and mixed transportation cost per tonne of domestic supplies was 30.6%, which was primarily due to an increase in transportation tariffs in US\$ terms.

The increase in petroleum product pipeline cost per tonne of petroleum product export sales and railroad and mixed transportation cost per tonne of petroleum product export sales was 21.3% and 24.9%, respectively, which was due to increase in tariffs by 16.8% – 22.3% in US\$ terms.

### **Exploration Expenses**

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

In the third quarter of 2010 exploration expenses increased to US\$ 82 million, or by 1.2% compared with the second quarter of 2010. The increase was due to increased geophysical surveys at Krasnodarneftegaz, Yuganskneftegaz and Vankorneft, which was partially offset by lower exploration expenses at a number of blocks, not associated with writing-off dry exploratory wells.

In the nine months of 2010 exploration expenses decreased by 18.5% compared with the nine months of 2009. The change in exploration expenses was due to decrease in volumes of exploratory works at Samaraneftgaz fields, Kurmangazy project as well as decreased number of written-off dry wells.

### **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\$ 1,399 million in the third quarter of 2010 compared to US\$ 1,348 million in the second quarter of 2010. The increase in the depreciation resulted mainly from the putting of new fixed assets into operation. In the nine months of 2010 depreciation, depletion and amortisation was US\$ 4,019 million compared with US\$ 3,140 million in the nine months of 2009, which is an increase of 28.0%.

### **Taxes Other than Income Tax**

Taxes other than income tax include the mineral extraction tax, the excise 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</i> | <i>For 9 months ended</i> |                           | <i>Change</i> |
|--|---------------------------|----------------------|---------------|---------------------------|---------------------------|---------------|
|  | <b>September 30, 2009</b> | <b>June 30, 2010</b> | <b>%</b>      | <b>September 30, 2010</b> | <b>September 30, 2009</b> | <b>%</b>      |
|  | (US\$ million, except %)  |                      |               |                           |                           |               |
| Mineral extraction tax                   | 2,259                     | 2,192                | 3.1%          | 6,579                     | 4,424                     | 48.7%         |
| Excise tax                               | 290                       | 283                  | 2.5%          | 824                       | 662                       | 24.5%         |
| Social security                          | 86                        | 115                  | (25.2)%       | 321                       | 289                       | 11.1%         |
| Property tax                             | 69                        | 74                   | (6.8)%        | 209                       | 169                       | 23.7%         |
| Land tax                                 | 6                         | 5                    | 20.0%         | 16                        | 12                        | 33.3%         |
| Transportation tax                       | 1                         | 1                    | 0.0%          | 3                         | 3                         | 0.0%          |
| Interest, penalties and other payments   | 11                        | 16                   | (31.3)%       | 38                        | 55                        | (30.9)%       |
| <b>Total taxes other than income tax</b> | <b>2,722</b>              | <b>2,686</b>         | <b>1.3%</b>   | <b>7,990</b>              | <b>5,614</b>              | <b>42.3%</b>  |

Taxes other than income tax increased by 1.3% to US\$ 2,722 million in the third quarter of 2010, compared with US\$ 2,686 million in the second quarter of 2010, mainly due to the increase in mineral extraction tax by 3.1% and increase in the excise tax by 2.5%, partially compensated by the decrease in the social security expenses due to new social taxation system. The increase in mineral extraction tax resulted from the increase in crude oil production. The excise tax growth resulted from increase in share of petroleum products subject to excise taxes in total volume of petroleum product sales.

Taxes other than income tax increased by 42.3% to US\$ 7,990 million in the nine months of 2010 in comparison with the same period of 2009.

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</i> | <i>For 9 months ended</i> |                           | <i>Change</i> |
|--|---------------------------|----------------------|---------------|---------------------------|---------------------------|---------------|
|  | <b>September 30, 2010</b> | <b>June 30, 2010</b> | <b>%</b>      | <b>September 30, 2010</b> | <b>September 30, 2009</b> | <b>%</b>      |
|  | (US\$, except %)          |                      |               |                           |                           |               |
| Average enacted mineral extraction tax rate                              | 13.34                     | 13.47                | (0.9)%        | 13.32                     | 8.99                      | 48.2%         |
| Actual mineral extraction tax rate per barrel of crude oil produced      | 11.45                     | 11.32                | 1.1%          | 11.34                     | 8.25                      | 37.4%         |
| Actual mineral extraction tax rate per barrel of oil equivalent produced | 10.60                     | 10.43                | 1.6%          | 10.43                     | 7.54                      | 38.3%         |

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, which will be applied until accumulated production at the field reaches 25 million tonnes.

### **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</i> | <i>For 9 months ended</i> |                           | <i>Change</i> |
|--|---------------------------|----------------------|---------------|---------------------------|---------------------------|---------------|
|  | <b>September 30, 2010</b> | <b>June 30, 2010</b> | <b>%</b>      | <b>September 30, 2010</b> | <b>September 30, 2009</b> | <b>%</b>      |
|  | (US\$ million, except %)  |                      |               |                           |                           |               |
| Export customs duty for crude oil          | 3,229                     | 3,148                | 2.6%          | 9,392                     | 5,962                     | 57.5%         |
| Export customs duty for petroleum products | 883                       | 907                  | (2.6)%        | 2,759                     | 1,811                     | 52.3%         |
| <b>Total export customs duties</b>         | <b>4,112</b>              | <b>4,055</b>         | <b>1.4%</b>   | <b>12,151</b>             | <b>7,773</b>              | <b>56.3%</b>  |

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

|  | <i>For 3 months ended</i>   |                      | <i>Change</i> | <i>For 9 months ended</i> |                           | <i>Change</i> |
|--|-----------------------------|----------------------|---------------|---------------------------|---------------------------|---------------|
|  | <b>September 30, 2010</b>   | <b>June 30, 2010</b> | <b>%</b>      | <b>September 30, 2010</b> | <b>September 30, 2009</b> | <b>%</b>      |
|  | (US\$ per barrel, except %) |                      |               |                           |                           |               |
| Average Urals price  | 75.56                       | 76.92                | (1.8)%        | 75.92                     | 56.59                     | 34.1%         |
| Average enacted export customs duty  | 35.82                       | 38.51                | (7.0)%        | 36.80                     | 21.40                     | 71.9%         |
| Hypothetical export customs duty calculated using the average Urals price for the period (i.e. without time lag) | 36.87                       | 37.75                | (2.3)%        | 37.10                     | 24.53                     | 51.2%         |
| Actual average customs duty on exports subject to regular duty   | 36.46                       | 38.19                | (4.5)%        | 37.02                     | 20.64                     | 79.4%         |
| Actual average customs duty on all Rosneft exports (excluding Vankor)  | 34.57                       | 35.26                | (2.0)%        | 34.53                     | 19.82                     | 74.2%         |

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

### ***Operating Income***

As a result of the factors discussed above, operating income decreased by 4.6% to US\$ 3,213 million, in the third quarter of 2010 compared with US\$ 3,368 million in the second quarter of 2010. As a percentage of total revenues, operating income was 20.8% in the third quarter of 2010 and 21.8% in the second quarter of 2010. As a percentage of total revenues, operating income before taxes other than income tax and export customs duty was 64.9% and 65.5%, respectively, in the third quarter of 2010 and in the second quarter of 2010.

Operating income increased by 53.3% to US\$ 9,727 million, in the nine months of 2010 compared with US\$ 6,347 million in the same period of 2009. As a percentage of total revenues, operating income was 21.3% in the nine months of 2010 and 19.7% in the same period of 2009. As a percentage of total revenues, operating income before taxes other than income tax and export customs duty was 65.4% and 61.2% in the nine months of 2010 and 2009, respectively.

### ***Other (Expenses)/Income, Net***

#### **Interest Income**

Interest income increased by 19.4% in comparison with the second quarter of 2010 and amounted to US\$ 148 million in the third quarter of 2010, that resulted from the increase in the funds placed on deposits as of September 30, 2010.

Interest income increased to US\$ 397 million in the nine months of 2010 or by 16.1% compared with the nine months of 2009. The increase was due to increase in the funds placed on deposits in the nine months of 2010 compared with the same period of 2009.

### **Interest Expense**

In the third quarter of 2010, interest expense decreased by 13.9% to US\$ 155 million, which was mainly due to decrease in total debt and increase in interest capitalized. In the nine months of 2010, interest expense increased by 11.9% to US\$ 497 million, which resulted from increase in interest SWAP loss and decrease in interest capitalized. This was partially offset by the decrease in interest accrued according to loan agreements following the decrease in total debt and change in debt structure.

### **Loss/(Gain) on Disposal of Property, Plant and Equipment**

From time to time, Rosneft disposes of property, plant and equipment. In the third quarter of 2010 and in the second quarter of 2010, Rosneft recorded a net loss of US\$ 26 million and US\$ 25 million on the disposal of property, plant and equipment, respectively.

In the nine months of 2010, Rosneft recorded a net loss of US\$ 81 million on the disposal of property, plant and equipment compared to US\$ 94 million recorded in the nine months of 2009.

### **Equity share in affiliates' losses/(profits)**

The equity share in affiliates' losses amounted to US\$ 1 million in the third quarter of 2010 compared with profits of US\$ 36 million in the second quarter of 2010. The decrease in the equity share in affiliates' profits resulted from the decrease in income incurred by certain Rosneft's affiliates.

The equity share in affiliates' profits amounted to US\$ 67 million in the nine months of 2010 compared with profits of US\$ 31 million in the nine months of 2009.

### **Other Income/(expenses), Net**

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

In the third quarter of 2010, other income, net, amounted to US\$ 7 million, compared to losses of US\$ 21 million in the second quarter of 2010. The increase was primarily the result of writing off unclaimed promissory notes with limitation period expired in the third quarter 2010 and of insurance compensations.

In the nine months of 2010, other income, net, amounted to US\$ 15 million and in the same period of 2009 other losses, net, amounted to US\$ 271 million. In 2009 the loss was primarily due to the accruals of penalties under the Russian Federal Antimonopoly Service claims and social expenditures in the regions of Rosneft's operations.

### **Foreign Exchange Gain**

Foreign exchange gain was US\$ 6 million in the third quarter of 2010 compared with US\$ 15 million in the second quarter of 2010. Foreign exchange gain was US\$ 16 million in the nine months of 2010 compared with US\$ 160 million in the nine months of 2009.

### ***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 9 months ended</i>     |                               |
|---|-------------------------------|--------------------------|-------------------------------|-------------------------------|
|   | <b>September 30,<br/>2010</b> | <b>June 30,<br/>2010</b> | <b>September 30,<br/>2010</b> | <b>September 30,<br/>2009</b> |
| Effective income tax rate for Rosneft under US GAAP | 20%                           | 23%                      | 21%                           | 20%                           |

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 period is the best estimate of the annual tax rate based on the enacted tax rate (20%) adjusted for the estimated annual effect of permanent differences between US GAAP and Russian Tax Accounting Standards. The estimated tax rate may significantly depend on exchange rate fluctuations and vary significantly during the year.

***Net income attributable to noncontrolling interests***

Net income attributable to noncontrolling interests was US\$ 78 million in the third quarter of 2010 compared to US\$ 80 million in the second quarter of 2010. Net income attributable to noncontrolling interests was US\$ 219 million in the nine months of 2010 compared to US\$ 1 million in the nine months of 2009.

The change resulted, primarily, from the increase in the net income of certain Rosneft's subsidiaries related to minorities.

***Net Income***

As a result of the factors discussed above net income increased by 0.6% to US\$ 2,490 million in the third quarter of 2010 from US\$ 2,476 million in the second quarter of 2010. As a percentage of revenues, net income was 16.1% and 16.0% in the third quarter of 2010 and second quarter of 2010, respectively.

As a result of the factors discussed above net income increased by 52.8% to US\$ 7,397 million in the nine months of 2010 from US\$ 4,840 million in the nine months of 2009. As a percentage of revenues, net income was 16.2% and 15.0% in the nine months of 2010 and 2009, 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</i> | <i>For 9 months ended</i>     |                               | <i>Change</i> |
|--|-------------------------------|--------------------------|---------------|-------------------------------|-------------------------------|---------------|
|  | <b>September 30,<br/>2010</b> | <b>June 30,<br/>2010</b> | <b>times</b>  | <b>September 30,<br/>2010</b> | <b>September 30,<br/>2009</b> | <b>times</b>  |
|  | (US\$ million)                |                          |               |                               |                               |               |
| Net cash provided by operating activities              | 4,354                         | 4,895                    | (1.1)         | 11,536                        | 7,263                         | 1.6           |
| Net cash used in investing activities                  | (3,578)                       | (3,128)                  | 1.1           | (8,440)                       | (5,340)                       | 1.6           |
| Net cash used in/(provided by)<br>financing activities | (1,615)                       | 66                       | 25.4          | (2,750)                       | (2,341)                       | 1.2           |

#### **Net Cash Provided by Operating Activities**

Net cash provided by operating activities amounted to US\$ 4,354 million in the third quarter of 2010 as compared to US\$ 4,895 million in the second quarter of 2010. The operating cash flow includes operations with trading securities as part of the Company's efforts to manage cash resources (net outflow of US\$ 32 million in the third quarter 2010 and US\$ 115 million in the second quarter of 2010). The adjusted net cash provided by the operating activity amounted to US\$ 4,386 million in the third quarter of 2010 and US\$ 5,010 million in the second quarter of 2010. The decrease in the operating cash flow resulted primarily from the collection of frozen export receivables related to Yukos Capital S.a. r.l. litigation in the second quarter of 2010.

In the third quarter of 2010, the working capital decreased by US\$ 240 million due to the following factors:

- Increase in trade liabilities by US\$ 174 million due to increase in current purchases of materials and goods;
- VAT cash returns from budget;
- Increase in the tax liabilities (particularly mineral extraction tax and VAT) by US\$ 66 million.

This was partially offset by the following factors:

- Increase in trade receivables by US\$ 218 million which was mainly due to deliveries made at the end of September 2010 that are to be collected in October 2010;
- Decrease in current interests payable by US\$134 million

In the nine months of 2010 and 2009, the adjusted net cash provided by the operating activity amounted to US\$ 11,188 million and US\$ 7,478 million, respectively.

#### **Net Cash Used in Investing Activities**

Net cash used in investing activities was US\$ 3,578 million in the third quarter of 2010 compared to US\$ 3,128 million in the second quarter of 2010. The increase resulted mainly from the increase in capital expenditures and placements on bank deposits.

Net cash used in investing activities was US\$ 8,440 million in the nine months of 2010 compared to US\$ 5,340 million in the nine months of 2009.

#### **Net Cash (Used in)/Provided by Financing Activities**

Net cash used in financing activities was US\$ 1,615 million in the third quarter of 2010 compared to US\$ 66 million of net cash provided by financing activities in the second quarter of 2010. The increase in cash used in financial activity in the third quarter of 2010 mainly resulted from repayment of debt to Yukos S.A.R.L.

Net cash used in financing activities was US\$ 2,750 million in the nine months of 2010 compared to US\$ 2,341 million in the nine months of 2009.

## Capital Expenditures

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

|  | <i>For 3 months ended</i> |                      | <i>Change</i>     | <i>For 9 months ended</i> |                           | <i>Change</i>  |
|--|---------------------------|----------------------|-------------------|---------------------------|---------------------------|----------------|
|  | <i>September 30, 2010</i> | <i>June 30, 2010</i> |                   | <i>September 30, 2010</i> | <i>September 30, 2009</i> |                |
|  | <i>(US\$ million)</i>     |                      | <i>(%)</i>        | <i>(US\$ million)</i>     | <i>(%)</i>                |                |
| Yuganskneftegaz                                  | 693                       | 642                  | 7.9%              | 1,840                     | 1,565                     | 17.6%          |
| Vankorneft                                       | 471                       | 551                  | (14.5)%           | 1,498                     | 1,937                     | 22.7%          |
| Purneftegaz                                      | 118                       | 129                  | (8.5)%            | 285                       | 152                       | 87.5%          |
| Severnaya Neft                                   | 22                        | 33                   | (33.3)%           | 78                        | 59                        | 32.2%          |
| Samaraneftegaz                                   | 49                        | 65                   | (24.6)            | 143                       | 117                       | 22.2%          |
| Other <sup>1</sup>                               | 218                       | 241                  | (9.5)%            | 609                       | 348                       | 75.0%          |
| <b>Total upstream segment</b>                    | <b>1,571</b>              | <b>1,661</b>         | <b>(5.4)%</b>     | <b>4,453</b>              | <b>4,178</b>              | <b>6.6%</b>    |
| The Company                                      | 31                        | 1                    | >100%             | 51                        | 46                        | 10.9%          |
| Tuapse refinery                                  | 219                       | 151                  | 45.0%             | 458                       | 124                       | 269.3%         |
| Komsomolsk refinery                              | 33                        | 32                   | 3.1%              | 79                        | 75                        | 5.3%           |
| Angarsk refinery                                 | 24                        | 20                   | 20.0%             | 57                        | 48                        | 18.8%          |
| Achinsk refinery                                 | 30                        | 33                   | (9.0)%            | 82                        | 26                        | 215.4%         |
| Syzran refinery                                  | 42                        | 18                   | 133.3%            | 69                        | 46                        | 50.0%          |
| Novokuibyshevsk refinery                         | 45                        | 20                   | 125.0%            | 86                        | 34                        | 152.9%         |
| Kuibyshev refinery                               | 33                        | 36                   | (8.3)%            | 89                        | 36                        | 147.2%         |
| Marketing Business Units and others <sup>2</sup> | 206                       | 109                  | 88.9%             | 378                       | 220                       | 71.8%          |
| <b>Total downstream</b>                          | <b>663</b>                | <b>420</b>           | <b>57.9%</b>      | <b>1,349</b>              | <b>655</b>                | <b>106.0%</b>  |
| <b>Other activities<sup>3</sup></b>              | <b>74</b>                 | <b>82</b>            | <b>(9.8)%</b>     | <b>300</b>                | <b>212</b>                | <b>41.5%</b>   |
| <b>Subtotal capital expenditures</b>             | <b>2,308</b>              | <b>2,163</b>         | <b>6.7%</b>       | <b>6,102</b>              | <b>5,045</b>              | <b>21.0%</b>   |
| Change in materials in capital expenditures      | 10                        | (72)                 | >100%             | 61                        | 111                       | (45.0)%        |
| <b>Total capital expenditures</b>                | <b>2,318</b>              | <b>2,091</b>         | <b>10.9%</b>      | <b>6,163</b>              | <b>5,156</b>              | <b>19.5%</b>   |
| <b>Licence acquisition costs</b>                 | <b>23</b>                 | <b>3</b>             | <b>&gt;100.0%</b> | <b>26</b>                 | <b>78</b>                 | <b>(66.7)%</b> |

<sup>1</sup> Including: Krasnodarneftegaz, Stavropolneftegaz, Sakhalin-1, Grozneftegaz, VSNK and Dagneftegaz.

<sup>2</sup> Relating to companies providing processing and storage services.

<sup>3</sup> Relating to other services companies.

In the third quarter of 2010, Rosneft's total capital expenditures including material purchases increased by 10.9% to US\$ 2,318 million in the third quarter of 2010 compared to the second quarter of 2010. The increase in capital expenditures resulted from planning, budgeting and seasonal factors.

Upstream capital expenditures in the third quarter of 2010 decreased by 5.4% compared with the second quarter of 2010 and amounted to US\$ 1,571 million. In the nine months of 2010 the upstream capital expenditures increased by 6.6% compared with the same period of 2009.

Downstream capital expenditures increased by US\$ 243 million or by 57.9% compared with the second quarter of 2010. Main works are carried out as part of the project for primarily and secondary capacity upgrade and expansion at refineries and Tuapse terminal. In the nine months of 2010 downstream expenditures increased by 106.0%.

Capital expenditures for other activities decreased by 9.8%, to US\$ 74 million, in the third quarter of 2010, compared with US\$ 82 million in the second quarter of 2010. In the nine months of 2010 the capital expenditures for other activities were US\$ 300 million.

Since the fourth quarter of 2006, the Company's subsidiaries have been purchasing construction materials and selling such materials to contractors that provide construction and drilling services at subsidiaries' fields. The net increase in unused construction materials included in capital expenditures was US\$ 10 million in the third quarter of 2010 compared to net decrease of US\$ (72) million in the second quarter of 2010.

In 2010 the licence acquisition costs refer to the acquisition of the exploration licence at the Shikhansky, Mojarovsky blocks in Samara region and at a block in the Russian Far East.

## **Debt Obligations**

Rosneft's total loans and borrowings decreased to US\$ 20,538 million as of September 30, 2010 from US\$ 22,180 million as of June 30, 2010.

Long-term loans are generally secured by oil export contracts. As of September 30, 2010 and June 30, 2010, 84.3% and 83.5% respectively, of Rosneft's borrowings were secured by crude oil export contracts (excluding export to the CIS). As of September 30, 2010 and June 30, 2010, pledged oil exports constituted 38.7% and 45.7%, respectively, of the total crude oil export sales for the analysed period (excluding export to the CIS).

Rosneft adjusted net debt amounted to US\$ 13,952 million as of September 30, 2010 compared to US\$ 15,810 million as of June 30, 2010.

The calculation of the adjusted net debt as of September 30, 2010, is disclosed in the following table:

|  | <b>September 30,<br/>2010</b> | <b>June 30,<br/>2010</b> | <b>December 31,<br/>2009</b> |
|--|-------------------------------|--------------------------|------------------------------|
| <b>As of the date</b>  |                               |                          |                              |
| Short term debt  | 5,853                         | 6,866                    | 7,838                        |
| Long term debt   | 14,685                        | 15,314                   | 15,669                       |
| <b>Total debt</b>  | <b>20,538</b>                 | <b>22,180</b>            | <b>23,507</b>                |
| Cash and cash equivalents  | (2,336)                       | (3,134)                  | (1,997)                      |
| Short-term bank deposits   | (1,314)                       | (1,389)                  | (1,184)                      |
| Structured deposits  | (2,774)                       | (1,732)                  | (529)                        |
| Short term promissory notes and other short-term liquid securities | (162)                         | (115)                    | (475)                        |
| <b>Total net debt</b>  | <b>13,952</b>                 | <b>15,810</b>            | <b>19,322</b>                |
| Medium term deposits   | —                             | —                        | (833)                        |
| <b>Adjusted net debt</b>   | <b>13,952</b>                 | <b>15,810</b>            | <b>18,489</b>                |

## Key Financial Ratios

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

|   | For 3 months ended |               | For 9 months ended |                    |
|---|--------------------|---------------|--------------------|--------------------|
|   | September 30, 2010 | June 30, 2010 | September 30, 2010 | September 30, 2009 |
| EBITDA margin                               | 30.0%              | 30.7%         | 30.3%              | 29.6%              |
| Adjusted net income margin                  | 16.3%              | 16.3%         | 16.4%              | 15.0%              |
| Net debt to capital employed ratio          | 0.21               | 0.24          | 0.21               | 0.30               |
| Net debt to annualised EBITDA               | 0.75               | 0.83          | 0.76               | 1.48               |
| Current ratio                               | 1.45               | 1.36          | 1.45               | 0.91               |
|   | <b>US\$/bbl</b>    |               |                    |                    |
| EBITDA/bbl                                  | 23.52              | 24.50         | 23.83              | 17.82              |
| Upstream capital expenditure/bbl            | 7.97               | 8.58          | 7.68               | 7.80               |
| Upstream operating expenses/bbl             | 2.72               | 2.79          | 2.74               | 2.50               |
| Adjusted free cash flow before interest/bbl | 10.37              | 8.28          | 8.62               | 4.19               |
|   | <b>US\$/boe</b>    |               |                    |                    |
| EBITDA/boe                                  | 21.76              | 22.58         | 21.92              | 16.27              |
| Upstream capital expenditure/boe            | 7.37               | 7.91          | 7.06               | 7.12               |
| Upstream operating expenses/boe             | 2.52               | 2.57          | 2.52               | 2.28               |
| Adjusted free cash flow before interest/boe | 9.59               | 7.63          | 7.93               | 3.82               |

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

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

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

### Upstream Measures

|  | For 3 months ended |               | For 9 months ended |                    |
|--|--------------------|---------------|--------------------|--------------------|
|  | September 30, 2010 | June 30, 2010 | September 30, 2010 | September 30, 2009 |
| Upstream capital expenditures (US\$ million) | 1,571              | 1,661         | 4,453              | 4,178              |
| Upstream operating expenses (US\$ million)   | 537                | 540           | 1,587              | 1,341              |
| Barrels of crude oil produced (million)      | 197.21             | 193.65        | 580.16             | 535.93             |
| Barrels of oil equivalent produced (million) | 213.15             | 210.12        | 630.75             | 586.94             |

### Calculation of Adjusted Free Cash Flow

|   | For 3 months ended |               | For 9 months ended |                    |
|---|--------------------|---------------|--------------------|--------------------|
|   | September 30, 2010 | June 30, 2010 | September 30, 2010 | September 30, 2009 |
|   | (US\$ million)     |               |                    |                    |
| Net cash provided by operating activities | 4,354              | 4,895         | 11,536             | 7,263              |
| Capital expenditures                      | (2,318)            | (2,091)       | (6,163)            | (5,156)            |
| <b>Free cash flow</b>                     | <b>2,036</b>       | <b>2,804</b>  | <b>5,373</b>       | <b>2,107</b>       |
| Trading securities operations             | 32                 | 115           | (348)              | 215                |
| One-off receivables change                | -                  | (1,313)       | -                  | -                  |
| License acquisition costs                 | (23)               | (3)           | (26)               | (78)               |
| <b>Adjusted free cash</b>                 | <b>2,045</b>       | <b>1,603</b>  | <b>4,999</b>       | <b>2,244</b>       |

### *Calculation of EBITDA Margin*

|  | For 3 months ended       |               | For 9 months ended |                    |
|--|--------------------------|---------------|--------------------|--------------------|
|  | September 30, 2010       | June 30, 2010 | September 30, 2010 | September 30, 2009 |
|  | (US\$ million, except %) |               |                    |                    |
| Operating income                         | 3,213                    | 3,368         | 9,727              | 6,347              |
| Accretion expense                        | 26                       | 29            | 80                 | 64                 |
| Depreciation, depletion and amortisation | 1,399                    | 1,348         | 4,019              | 3,140              |
| <b>EBITDA</b>                            | <b>4,638</b>             | <b>4,745</b>  | <b>13,826</b>      | <b>9,551</b>       |
| Total revenues                           | 15,471                   | 15,431        | 45,663             | 32,259             |
| <b>EBITDA margin</b>                     | <b>30.0%</b>             | <b>30.7%</b>  | <b>30.3%</b>       | <b>29.6%</b>       |

### *Calculation of Adjusted Net Income Margin*

|                                   | For 3 months ended       |               | For 9 months ended |                    |
|-----------------------------------|--------------------------|---------------|--------------------|--------------------|
|                                   | September 30, 2010       | June 30, 2010 | September 30, 2010 | September 30, 2009 |
|                                   | (US\$ million, except %) |               |                    |                    |
| <b>Net income</b>                 | <b>2,490</b>             | <b>2,476</b>  | <b>7,397</b>       | <b>4,840</b>       |
| Effect from the interest SWAP     | 35                       | 37            | 88                 | -                  |
| <b>Adjusted net income</b>        | <b>2,525</b>             | <b>2,513</b>  | <b>7,485</b>       | <b>4,840</b>       |
| Sales revenues                    | 15,471                   | 15,431        | 45,663             | 32,259             |
| <b>Adjusted net income margin</b> | <b>16.3%</b>             | <b>16.3%</b>  | <b>16.4%</b>       | <b>15.0%</b>       |

### *Current ratio*

|                      | For 3 months ended           |               |
|----------------------|------------------------------|---------------|
|                      | September 30, 2010           | June 30, 2010 |
|                      | (US\$ million, except ratio) |               |
| Current assets       | 18,581                       | 18,464        |
| Current liabilities  | 12,849                       | 13,574        |
| <b>Current ratio</b> | <b>1.45</b>                  | <b>1.36</b>   |