



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 MARCH 31, 2010 AND 2009 AND
FOR THE QUARTER ENDED DECEMBER 31, 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 March 31, 2010 and December 31, 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 2.29 million barrels per day (average for the first quarter of 2010) and output of natural and associated gas is over 3.27 billion cubic meters per quarter (for the first 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 first 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

	For 3 months ended		% change	For 3 months ended		% change
	March 31, 2010	December 31, 2009		March 31, 2010	March 31, 2009	
Revenues (US\$ million)	14,761	14,567	1.3%	14,761	8,264	78.6%
EBITDA (US\$ million)	4,443	4,014	10.7%	4,443	2,318	91.7%
Adjusted net income (US\$ million) ¹	2,447	1,656	47.8%	2,447	2,050	19.4%
Crude oil production (th. barrels per day)	2,288	2,275	0.6%	2,288	2,110	8.4%
Gas production (bcm)	3.27	3.44	(4.9)%	3.27	3.35	(2.4)%
Hydrocarbon production (th. boe per day)	2,501	2,495	0.2%	2,501	2,329	7.4%
Production of petroleum products (million tonnes)	12.06	11.80	2.2%	12.06	11.60	4.0%

Main Factors Affecting Results of Operations

Main factors affecting Rosneft's results of operations are:

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

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

¹ Net income for the three months ended March 31, 2010 and 2009, and December 31, 2009 is adjusted for effect of SWAP operations.

Changes in Crude Oil, Petroleum Product and Gas Prices

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

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

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

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 3 months ended</i>		<i>Change</i>
	March 31, 2010	December 31, 2009		March 31, 2010	March 31, 2009	
World market	(US\$ per barrel)			(US\$ per barrel)		
Brent (dated)	76.24	74.56	2.3%	76.24	44.40	71.7%
Urals (average CIF Med and NWE)	75.26	74.26	1.3%	75.26	43.65	72.4%
Urals (FOB Primorsk)	73.37	72.56	1.1%	73.37	41.90	75.1%
Urals (FOB Novorossysk)	73.48	72.51	1.3%	73.48	41.99	75.0%
Dubai-Oman	76.02	75.50	0.7%	76.02	44.43	71.1%
	(US\$ per tonne)			(US\$ per tonne)		
Naphtha (av. FOB/CIF Med)	691.99	647.63	6.8%	691.99	369.13	87.5%
Naphtha (av. FOB Rotterdam/CIF NWE)	706.81	659.36	7.2%	706.81	380.82	85.6%
Naphtha (CFR Japan)	716.63	679.96	5.4%	716.63	410.41	74.6%
Fuel oil 3.5% (av. FOB/CIF Med)	440.65	438.26	0.5%	440.65	228.90	92.5%
Fuel oil 3.5% (av. FOB Rotterdam/CIF NWE)	441.43	433.04	1.9%	441.43	227.33	94.2%
High sulphur fuel oil 180 cst (FOB Singapore)	473.31	461.10	2.6%	473.31	253.55	86.7%
Gasoil 0.1% (av. FOB/CIF Med)	632.78	611.65	3.5%	632.78	422.17	49.9%
Gasoil 0.1% (av. FOB Rotterdam/CIF NWE)	632.69	611.09	3.5%	632.69	418.53	51.2%
Gasoil 0.5% (FOB Singapore)	629.87	606.62	3.8%	629.87	395.18	59.4%
Russian market (net of VAT, including excise tax)	(US\$ per tonne)			(US\$ per tonne)		
Crude oil	210.74	221.16	(4.7)%	210.74	94.86	122.2%
Fuel oil	238.20	274.91	(13.4)%	238.20	120.03	98.5%
Summer diesel	435.27	435.60	(0.1)%	435.27	356.16	22.2%
Winter diesel	532.01	501.34	6.1%	532.01	432.20	23.1%
High octane gasoline	635.03	686.64	(7.5)%	635.03	402.00	58.0%
Low octane gasoline	538.65	607.83	(11.4)%	538.65	341.92	57.5%

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 1,279 (excluding VAT) (US\$ 42.80 per thousand cubic meters and RUB 1,113 (excluding VAT) (US\$ 37.76 per thousand cubic meters in the first quarter of 2010 and in the fourth quarter of 2009, 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>		
	March 31, 2010	December 31, 2009	March 31, 2009
Rouble inflation (CPI) for the period	3.2%	0.7%	5.4%
Change of the average invert exchange rate (RUB/US\$) compared to the previous period	(1.4)%	6.3%	(19.6)%
US\$/RUB exchange rate at the end of the period	29.36	30.24	34.01
Average US\$/RUB exchange rate for the period	29.89	29.47	33.93
Real appreciation/(depreciation) of the RUB against the US\$ for the period ⁽¹⁾	6.3%	0.2%	(9.0)%

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

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

Taxation

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 3 months ended</i>		<i>Change</i>
	March 31, 2010	December 31, 2009		March 31, 2010	March 31, 2009	
Mineral extraction tax						
Crude oil (RUB per tonne)	2,877	2,788	3.2%	2,877	1,544	86.3%
Natural gas (RUB per th. cubic meters)	147	147	-	147	147	-
Associated gas (RUB per th. cubic meters)	0	0	-	0	0	-
Export customs duty						
Crude oil (US\$ per tonne)	263.77	247.63	6.5%	263.77	111.77	136.0%
Light and middle distillates and gasoil (US\$ per tonne)	190.03	179.17	6.1%	190.03	87.63	116.9%
Liquid fuels (fuel oil) (US\$ per tonne)	102.37	96.50	6.1%	102.37	47.20	116.9%
Excise on petroleum products						
High octane gasoline (RUB per tonne)	3,992	3,629	10.0%	3,992	3,629	10.0%
Low octane gasoline (RUB per tonne)	2,923	2,657	10.0%	2,923	2,657	10.0%
Naphtha (RUB per tonne)	4,290	3,900	10.0%	4,290	3,900	10.0%
Diesel (RUB per tonne)	1,188	1,080	10.0%	1,188	1,080	10.0%
Lubricants (RUB per tonne)	3,246	2,951	10.0%	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 3 months ended</i>		<i>Change</i>
	March 31, 2010	December 31, 2009		March 31, 2010	March 31, 2009	
			%		%	
Mineral extraction tax						
Crude oil (US\$ per tonne)	96.25	94.59	1.8%	96.25	45.51	111.5%
Natural gas (US\$ per th. cubic meters)	4.92	4.99	(1.4)%	4.92	4.33	13.5%
Excise on petroleum products						
High octane gasoline (US\$ per tonne)	133.56	123.14	8.5%	133.56	106.96	24.9%
Low octane gasoline (US\$ per tonne)	97.79	90.16	8.5%	97.79	78.31	24.9%
Naphtha (US\$ per tonne)	143.53	132.34	8.5%	143.53	114.94	24.9%
Diesel (US\$ per tonne)	39.75	36.65	8.5%	39.75	31.83	24.9%
Lubricants (US\$ per tonne)	108.60	100.14	8.5%	108.60	86.97	24.9%

Tax rates translated from tonnes to barrels:

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 3 months ended</i>		<i>Change</i>
	March 31, 2010	December 31, 2009		March 31, 2010	March 31, 2009	
			%		%	
Mineral extraction tax on crude oil (US\$ per barrel)	13.16	12.93	1.8%	13.16	6.22	111.5%
Export duty on crude oil (US\$ per barrel)	36.06	33.85	6.5%	36.06	15.28	136.0%

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

	<i>For 3 months ended</i>				<i>For 3 months ended</i>			
	March 31, 2010		December 31, 2009		March 31, 2010		March 31, 2009	
	US\$ million	% of total revenue	US\$ million	% of total revenue	US\$ million	% of total revenue	US\$ million	% of total revenue
Total revenues	14,761	100.0%	14,567	100.0%	14,761	100.0%	8,264	100.0%
Export customs duty (for oil sales)	3,015	20.4%	3,479	23.9%	3,015	20.4%	1,388	16.8%
Export customs duty (for petroleum prod. sales)	969	6.6%	879	6.0%	969	6.6%	454	5.5%
Mineral extraction tax	2,128	14.4%	2,078	14.3%	2,128	14.4%	986	11.9%
Excise tax	251	1.7%	231	1.6%	251	1.7%	185	2.2%
Other taxes (including property tax)	203	1.4%	138	0.9%	203	1.4%	176	2.1%
Income tax	653	4.4%	779	5.3%	653	4.4%	127	1.5%
Total taxes	7,219	48.9%	7,584	52.0%	7,219	48.9%	3,316	40.0%

The mineral extraction tax and the export customs duty accounted for approximately 41.4% and 44.2% of Rosneft's total revenues in the first quarter of 2010 and the fourth quarter of 2009, respectively.

Mineral Extraction Tax

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

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.

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 export customs duty for crude oil:

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

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 specific export customs duty regime. In particular, zero export duty rate is applicable to the Verkhnechonsk field starting from December 1, 2009 and to the Vankor field starting from January 19, 2010.

In 2009 and in the first quarter 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. In 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.

In February and March 2010, exports of crude oil to Belarus were taxable at zero rate within specific limits (the volumes in excess of the limits were taxable at ordinary rate).

Export Customs Duty on Petroleum Products

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

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

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 roubles and are not linked to the RUB/US\$ exchange rate.

The monopolies set tariffs for each separate route of the pipeline and railroad networks depending on the length of the relevant routes, transportation direction and other factors. The latest increases in tariffs were in the middle of 2009 and from January 1, 2010. The table below presents tariffs applied for major transportation routes used by Rosneft:

	For 3 months ended			For 3 months ended		
	March 31, 2010	December 31, 2009	Change	March 31, 2010	March 31, 2009	Change
	(RUB/tonne)	(RUB/tonne)	(%)	(RUB/tonne)	(RUB/tonne)	(%)
CRUDE OIL						
Domestic						
<i>Pipeline</i>						
Yugansk – Samara refineries	633.42	545.01	16.2%	633.42	517.91	22.3%
Samara – Samara refineries	40.47	35.61	13.6%	40.47	34.27	18.1%
Yugansk – Angarsk refinery	1,062.89	916.21	16.0%	1,062.89	879.52	20.8%
Tomsk – Achinsk refinery	290.78	251.87	15.4%	290.78	239.44	21.4%
<i>Pipeline and railroad</i>						
Yugansk – Komsomolsk refinery	3,579.97	3,195.34	12.0%	3,579.97	2,933.17	22.1%
Exports						
<i>Pipeline</i>						
Yugansk – Primorsk	1,145.55	984.16	16.4%	1,145.55	951.95	20.3%
Yugansk – Novorossysk	1,278.53	1,123.70	13.8%	1,278.53	1,074.53	19.0%
Vankor (Purpe)-Primorsk	1,436.30	1,218.72	17.9%	1,436.30	–	100.0%
Vankor (Purpe)-Kozmino	1,598.00	–	100.0%	1,598.00	–	100.0%
<i>Pipeline and railroad</i>						
Yugansk – China (through Meget)	2,852.27	2,567.01	11.1%	2,852.27	2,473.22	15.3%
PETROLEUM PRODUCT EXPORTS						
Diesel						
Samara refineries – Ventspils	1,555.55	1,493.77	4.1%	1,555.55	1,456.26	6.8%
Angarsk refinery – Nakhodka	3,615.65	3,299.00	9.6%	3,615.65	3,113.78	16.1%
Komsomolsk refinery – Nakhodka	1,419.03	1,293.66	9.7%	1,419.03	1,219.85	16.3%
Achinsk refinery – Tuapse	4,069.43	3,713.50	9.6%	4,069.43	3,504.60	16.1%
Fuel oil						
Samara refineries – Odessa	2,560.16	2,352.15	8.8%	2,560.16	2,316.59	10.5%
Angarsk refinery – Nakhodka	3,670.78	3,355.16	9.4%	3,670.78	3,156.99	16.3%
Komsomolsk refinery – Nakhodka	1,374.87	1,256.66	9.4%	1,374.87	1,182.43	16.3%
Achinsk refinery – Nakhodka	4,528.16	4,138.84	9.4%	4,528.16	3,894.38	16.3%
Naphtha						
Samara refineries – Tuapse	1,740.94	1,586.33	9.7%	1,740.94	1,496.80	16.3%
Achinsk refinery – Tuapse	3,995.98	3,645.36	9.6%	3,995.98	3,442.23	16.1%
Angarsk refinery – Nakhodka	3,512.37	3,203.70	9.6%	3,512.37	3,025.45	16.1%
Komsomolsk refinery – Nakhodka	1,393.50	1,269.78	9.7%	1,393.50	1,197.81	16.3%

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 period:

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	March 31, 2010	December 31, 2009	Change	March 31, 2010	March 31, 2009	Change
	(US\$/tonne)	(US\$/tonne)	(%)	(US\$/tonne)	(US\$/tonne)	(%)
CRUDE OIL						
Domestic						
<i>Pipeline</i>						
Yugansk – Samara refineries	21.19	18.49	14.6%	21.19	15.26	38.9%
Samara – Samara refineries	1.35	1.21	11.6%	1.35	1.01	33.7%
Yugansk – Angarsk refinery	35.56	31.09	14.4%	35.56	25.92	37.2%
Tomsk – Achinsk refinery	9.73	8.55	13.8%	9.73	7.06	37.8%
<i>Pipeline and railroad</i>						
Yugansk – Komsomolsk refinery	119.77	108.42	10.5%	119.77	86.45	38.5%
Exports						
<i>Pipeline</i>						
Yugansk – Primorsk	38.33	33.39	14.8%	38.33	28.06	36.6%
Yugansk – Novorossysk	42.77	38.13	12.2%	42.77	31.67	35.0%
Vankor(Purpe)-Primorsk	48.05	41.35	16.2%	48.05	–	100.0%
Vankor(Purpe)-Kozmino	53.46	–	100.0%	53.46	–	100.0%
<i>Pipeline and railroad</i>						
Yugansk – China (through Meget)	95.42	87.10	9.6%	95.42	72.89	30.9%
PETROLEUM PRODUCT EXPORTS						
Diesel						
Samara refineries – Ventspils	52.04	50.68	2.7%	52.04	42.92	21.2%
Angarsk refinery – Nakhodka	120.96	111.93	8.1%	120.96	91.77	31.8%
Komsomolsk refinery – Nakhodka	47.47	43.89	8.2%	47.47	35.95	32.0%
Achinsk refinery – Tuapse	136.15	126.00	8.1%	136.15	103.29	31.8%
Fuel oil						
Samara refineries – Odessa	85.65	79.81	7.3%	85.65	68.27	25.5%
Angarsk refinery – Nakhodka	122.81	113.84	7.9%	122.81	93.04	32.0%
Komsomolsk refinery – Nakhodka	46.00	42.64	7.9%	46.00	34.85	32.0%
Achinsk refinery – Nakhodka	151.49	140.43	7.9%	151.49	114.77	32.0%
Naphtha						
Samara refineries – Tuapse	58.24	53.82	8.2%	58.24	44.11	32.0%
Achinsk refinery – Tuapse	133.69	123.69	8.1%	133.69	101.45	31.8%
Angarsk refinery – Nakhodka	117.51	108.70	8.1%	117.51	89.17	31.8%
Komsomolsk refinery – Nakhodka	46.62	43.08	8.2%	46.62	35.30	32.1%

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 and the Caspian Pipeline Consortium pipeline in which Rosneft has a stake.

Production of Crude Oil

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

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

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	March 31,	December 31,	Change	March 31,	March 31,	Change
	2010	2009		2010	2009	
	(million of barrels)			(million of barrels)		
			(%)			(%)
Yuganskneftegaz (Western Siberia)	117.45	121.98	(3.7)%	117.45	118.91	(1.2)%
Samaraneftegaz (Central Russia)	18.48	18.83	(1.9)%	18.48	17.87	3.4%
Purneftegaz (Western Siberia)	13.00	14.12	(7.9)%	13.00	14.13	(8.0)%
Vankorneft (Eastern Siberia)	20.87	16.64	25.4%	20.87	0.20	10,335.0%
Severnaya Neft (Timan Pechora)	7.84	8.28	(5.3)%	7.84	9.14	(14.2)%
Sakhalin-1 (Far East) (net of royalty and government share)	2.35	2.48	(5.2)%	2.35	2.70	(13.0)%
Other	9.31	9.80	(5.0)%	9.31	10.24	(9.1)%
Crude oil production by fully and proportionately consolidated enterprises	189.30	192.13	(1.5)%	189.30	173.19	9.3%
Tomskneft (Western Siberia)	9.29	9.75	(4.7)%	9.29	9.89	(6.1)%
Udmurtneft (Central Russia)	5.68	5.81	(2.2)%	5.68	5.68	–
Polar Lights (Timan Pechora)	0.68	0.76	(10.5)%	0.68	0.81	(16.0)%
Verkhnechonskneftegaz (Eastern Siberia)	0.93	0.83	12.0%	0.93	0.33	181.8%
Total share in production of joint ventures	16.58	17.15	(3.3)%	16.58	16.71	(0.8)%
Total crude oil production	205.88	209.28	(1.6)%	205.88	189.90	8.4%
Daily crude oil production (th. barrels per day)	2,288	2,275	0.6%	2,288	2,110	8.4%

In the first quarter of 2010 Rosneft's average daily crude oil production reached 2,288 th. barrels per day, which is an increase of 0.6% compared with the fourth quarter of 2009 and an increase of 8.4% compared with the first quarter of 2009. The growth was driven primarily by continuing production ramp up at the Vankor field, which gave additional average production of 51 th. barrels per day compared with the fourth quarter of 2009 and 230 th. barrels per day compared with the first quarter of 2009. Crude oil production at the Vankor field averaged 216 th. barrels per day, 228 th. barrels per day and 252 th. barrels per day in January, February and March 2010, respectively. Other daily production growth drivers in the first quarter of 2010 were Verkhnechonskneftegaz and Samaraneftegaz.

Production of Gas

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

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	March 31,	December 31,	Change	March 31,	March 31,	Change
	2010	2009		2010	2009	
	(bcm)		(%)	(bcm)	(%)	
Purneftegaz (Western Siberia)	0.93	0.98	(5.1)%	0.93	0.99	(6.1)%
Yuganskneftegaz (Western Siberia)	0.70	0.75	(6.7)%	0.70	0.65	7.7%
Krasnodarneftegaz (Southern Russia)	0.73	0.75	(2.7)%	0.73	0.82	(11.0)%
Samaraneftegaz (Central Russia)	0.10	0.11	(9.1)%	0.10	0.09	11.1%
Severnaya Neft (Timan Pechora)	0.07	0.07	–	0.07	0.08	(12.5)%
Sakhalin-1 (Far East) (net of royalty and government share)	0.10	0.08	25.0%	0.10	0.08	25.0%
Other	0.46	0.45	2.2%	0.46	0.44	4.5%
Gas production by fully and proportionately consolidated enterprises	3.09	3.19	(3.1)%	3.09	3.15	(1.9)%
Tomskneft (Western Siberia)	0.16	0.23	(30.4)%	0.16	0.19	(15.8)%
Udmurtneft (Central Russia)	0.01	0.01	–	0.01	0.01	–
Polar Lights (Timan Pechora)	0.01	0.01	–	0.01	0.00	–
Total share in production of joint ventures	0.18	0.25	(28.0)%	0.18	0.20	(10.0)%
Total gas production	3.27	3.44	(4.9)%	3.27	3.35	(2.4)%
Natural gas	1.26	1.27	(0.8)%	1.26	1.36	(7.4)%
Associated gas	2.01	2.17	(7.4)%	2.01	1.99	1.0%

* Production volume equals extracted volume minus flared volume.

In the first quarter of 2010 Rosneft's natural and associated gas production decreased to 3.27 bcm, or by 4.9% compared with the fourth quarter of 2009. The decrease resulted from unscheduled maintenance at Lugenetskaya compression station of Tomskneft, as well as from lower number of days in the first quarter of 2010 compared with the fourth quarter of 2009.

In the first quarter of 2010 Rosneft's natural and associated gas production decreased by 2.4% compared with the same period of 2009, primarily as a result of unscheduled maintenance at Lugenetskaya compression station, as well as decrease in demand for gas by Krasnodarneftegaz and Purneftegaz customers. The decrease was partially offset by production growth at Yuganskneftegaz and Samaraneftegaz fields.

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

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 3 months ended</i>		
	March 31, 2010	December 31, 2009	Change	March 31, 2010	March 31, 2009	Change
	(million of tonnes)		(%)	(million of tonnes)		(%)
Crude oil processing at Rosneft's refineries	12.76	12.51	2.0%	12.76	12.26	4.1%
Product output:						
High octane gasoline	1.23	1.24	(0.8)%	1.23	1.15	7.0%
Low octane gasoline	0.39	0.34	14.7%	0.39	0.31	25.8%
Naphtha	0.81	0.75	8.0%	0.81	0.91	(11.0)%
Diesel	4.22	4.22	–	4.22	4.19	0.7%
Fuel oil	4.55	4.33	5.1%	4.55	4.11	10.7%
Jet	0.22	0.25	(12.0)%	0.22	0.31	(29.0)%
Petrochemicals	0.14	0.15	(6.7)%	0.14	0.11	27.3%
Other	0.50	0.52	(3.8)%	0.50	0.51	(2.0)%
Total	12.06	11.80	2.2%	12.06	11.60	4.0%

In the first quarter of 2010 Rosneft's refinery throughput increased by 2.2% compared with the fourth quarter of 2009. The increase was due to planned turnarounds at a number of units of Angarsk, Syzran and Komsomolsk refineries in the fourth quarter 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, Syzran and Tuapse refineries. The decrease in jet output resulted from the lower domestic demand for this product.

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 3 months ended</i>				
	March 31, 2010		December 31, 2009		Change	March 31, 2010		March 31, 2009		Change
		%		%	%		%		%	%
	of total	of total	of total	of total		of total	of total	of total	of total	
	revenue	revenue	revenue	revenue		revenue	revenue	revenue	revenue	
(US\$ million, except %)										
Revenues										
Oil and gas sales	8,047	54.5%	8,114	55.7 %	(0.8)%	8,047	54.5%	4,188	50.7%	92.1%
Petroleum products and petrochemicals sales	6,310	42.8%	6,085	41.8 %	3.7%	6,310	42.8%	3,820	46.2%	65.2%
Support services and other revenues	404	2.7%	368	2.5 %	9.8%	404	2.7%	256	3.1%	57.8%
Total revenues	14,761	100.0%	14,567	100.0%	1.3%	14,761	100.0%	8,264	100.0%	78.6%
Cost and expenses										
Production and operating expenses	1,064	7.2%	1,140	7.8%	(6.7)%	1,064	7.2%	820	9.9%	29.8%
Cost of purchased oil, gas and petroleum products	496	3.3%	581	4.0%	(14.6)%	496	3.3%	295	3.6%	68.1%
General and administrative expenses	370	2.5%	392	2.7%	(5.6)%	370	2.5%	310	3.8%	19.4%
Pipeline tariffs and transportation costs	1,764	12.0%	1,581	10.9%	11.6%	1,764	12.0%	1,252	15.2%	40.9%
Exploration expenses	58	0.4%	54	0.4%	7.4%	58	0.4%	80	1.0%	(27.5)%
Depreciation, depletion and amortisation	1,272	8.6%	1,210	8.3%	5.1%	1,272	8.6%	980	11.9%	29.8%
Accretion expense	25	0.2%	23	0.1%	8.7%	25	0.2%	19	0.2%	31.6%
Taxes other than income tax	2,582	17.5%	2,447	16.8%	5.5%	2,582	17.5%	1,347	16.3%	91.7%
Export customs duty	3,984	27.0%	4,358	29.9%	(8.6)%	3,984	27.0%	1,842	22.3%	116.3%
Total cost and expenses	11,615	78.7%	11,786	80.9%	(1.5)%	11,615	78.7%	6,945	84.0%	67.2%
Operating income	3,146	21.3%	2,781	19.1%	13.1%	3,146	21.3%	1,319	16.0%	138.5%
Other (expenses)/income										
Interest income	125	0.8%	174	1.2%	(28.2)%	125	0.8%	107	1.3%	16.8%
Interest expense	(162)	(1.1)%	(161)	(1.1)%	0.6%	(162)	(1.1)%	(165)	(2.0)%	(1.8)%
Loss on disposal of property, plant and equipment	(30)	(0.2)%	(256)	(1.8)%	(88.3)%	(30)	(0.2)%	(15)	(0.2)%	100.0%
Gain on disposal of investments	10	0.1%	7	0.0%	42.9%	10	0.1%	5	0.1%	100.0%
Equity share in affiliates' profits	32	0.2%	81	0.6%	(60.5)%	32	0.2%	42	0.5%	(23.8)%
Dividends and (loss) from joint ventures	–	–	(1)	0.0%	(100.0)%	–	–	–	–	–
Other income/(expenses), net	29	0.2%	(79)	(0.5)%	(136.7)%	29	0.2%	121	1.5%	(76.0)%
Foreign exchange (loss)/gain	(5)	0.0%	(89)	(0.6)%	(94.4)%	(5)	0.0%	798	9.7%	(100.6)%
Total other (expenses)/income	(1)	0.0%	(324)	(2.2)%	(99.7)%	(1)	0.0%	893	10.8%	(100.1)%
Income before income tax and minority interest	3,145	21.3%	2,457	16.9%	28.0%	3,145	21.3%	2,212	26.8%	42.2%
Income tax	(653)	(4.4)%	(779)	(5.4)%	(16.2)%	(653)	(4.4)%	(127)	(1.5)%	414.2%
Net income	2,492	16.9%	1,678	11.5%	48.5%	2,492	16.9%	2,085	25.2%	19.5%
Less:										
net income attributable to noncontrolling interests	(61)	(0.4)%	(4)	0.0%	1,425.0%	(61)	(0.4)%	(25)	(0.3)%	144.0%
Net income attributable to Rosneft	2,431	16.5%	1,674	11.5%	45.2%	2,431	16.5%	2,060	24.9%	18.0%
Other comprehensive income/(loss)	7	0.0%	7	0.0%	0.0%	7	0.0%	(1)	(0.0)%	(800.0)%
Comprehensive income	2,438	16.5%	1,681	11.5%	45.0%	2,438	16.5%	2,059	24.9%	18.4%

Revenues

Revenues were US\$ 14,761 million in the first quarter of 2010, a 1.3% increase compared to the fourth quarter of 2009. The increase reflected higher crude oil prices and growth of petroleum product sales volumes, which was partially offset by a decrease in crude oil sales volumes and lower domestic petroleum product prices.

In the first quarter of 2010 revenues were 78.6% higher than in the first quarter of 2009, which was driven by substantial increase in average prices. The price for Urals increased by 72.4% and price for the fuel oil rose by 92.5%.

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

	<i>For 3 months ended</i>			<i>For 3 months ended</i>						
	March 31, 2010	December 31, 2009	Change	March 31, 2010	March 31, 2009	Change				
	% of total revenue	% of total revenue	%	% of total revenue	% of total revenue	%				
	(US\$ million, except %)									
Crude oil										
Export, excluding CIS	7,681	52.0%	7,531	51.7%	2.0%	7,681	52.0%	3,835	46.4%	100.3%
Europe and other directions	5,378	36.4%	5,989	41.1%	(10.2)%	5,378	36.4%	2,989	36.2%	79.9%
Asia	2,303	15.6%	1,542	10.6%	49.4%	2,303	15.6%	846	10.2%	172.2%
CIS	210	1.4%	383	2.6%	(45.2)%	210	1.4%	259	3.1%	(18.9)%
Domestic	43	0.3%	92	0.6%	(53.3)%	43	0.3%	14	0.2%	207.1%
Total crude oil	7,934	53.7%	8,006	54.9%	(0.9)%	7,934	53.7%	4,108	49.7%	93.1%
Gas	113	0.8%	108	0.8%	4.6%	113	0.8%	80	1.0%	41.3%
Petroleum products										
Export, excluding CIS	3,690	25.0%	3,437	23.6%	7.4%	3,690	25.0%	2,123	25.7%	73.8%
Europe and other directions	2,188	14.8%	2,053	14.1%	6.6%	2,188	14.8%	1,261	15.3%	73.5%
Asia	1,502	10.2%	1,384	9.5%	8.5%	1,502	10.2%	862	10.4%	74.2%
CIS	48	0.3%	43	0.3%	11.6%	48	0.3%	50	0.6%	(4.0)%
Domestic	2,348	15.9%	2,390	16.4%	(1.8)%	2,348	15.9%	1,575	19.1%	49.1%
Wholesale	1,725	11.7%	1,647	11.3%	4.7%	1,725	11.7%	1,120	13.6%	54.0%
Retail	623	4.2%	743	5.1%	(16.2)%	623	4.2%	455	5.5%	36.9%
Sales of bunker fuel to end-users	122	0.9%	118	0.8%	3.4%	122	0.9%	44	0.5%	177.3%
Total petroleum products	6,208	42.1%	5,988	41.1%	3.7%	6,208	42.1%	3,792	45.9%	63.7%
Petrochemical products	102	0.7%	97	0.7%	5.2%	102	0.7%	28	0.3%	264.3%
Support services and other revenues	404	2.7%	368	2.5%	9.8%	404	2.7%	256	3.1%	57.8%
Total sales	14,761	100.0%	14,567	100.0%	1.3%	14,761	100.0%	8,264	100.0%	78.6%

Sales Volumes

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

	<i>For 3 months ended</i>					<i>For 3 months ended</i>				
	March 31, 2010		December 31, 2009		Change	March 31, 2010		March 31, 2009		Change
	mln bbls	% of total volume	mln bbls	% of total volume	%	mln bbls	% of total volume	mln bbls	% of total volume	%
Crude oil										
Export, excluding CIS	102.56	52.3%	103.44	52.6%	(0.9)%	102.56	52.3%	89.03	49.4%	15.2%
Europe and other directions	72.35	36.9%	82.88	42.2%	(12.7)%	72.35	36.9%	70.30	39.0%	2.9%
Asia	30.21	15.4%	20.56	10.4%	46.9%	30.21	15.4%	18.73	10.4%	61.3%
CIS	4.83	2.5%	7.68	3.9%	(37.1)%	4.83	2.5%	8.19	4.5%	(41.0)%
Domestic	1.46	0.7%	2.93	1.5%	(50.2)%	1.46	0.7%	0.95	0.5%	53.7%
Total crude oil	108.85	55.5%	114.05	58.0%	(4.6)%	108.85	55.5%	98.17	54.4%	10.9%
	mln tonnes		mln tonnes		%	mln tonnes		mln tonnes		%
Crude oil										
Export, excluding CIS	14.02	52.3%	14.14	52.6%	(0.9)%	14.02	52.3%	12.17	49.4%	15.2%
Europe and other directions	9.89	36.9%	11.33	42.2%	(12.7)%	9.89	36.9%	9.61	39.0%	2.9%
Asia	4.13	15.4%	2.81	10.4%	46.9%	4.13	15.4%	2.56	10.4%	61.3%
CIS	0.66	2.5%	1.05	3.9%	(37.1)%	0.66	2.5%	1.12	4.5%	(41.0)%
Domestic	0.20	0.7%	0.40	1.5%	(50.2)%	0.20	0.7%	0.13	0.5%	53.7%
Total crude oil	14.88	55.5%	15.59	58.0%	(4.6)%	14.88	55.5%	13.42	54.4%	10.9%
Petroleum products										
Export, excluding CIS	6.64	24.8%	6.40	23.8%	3.8%	6.64	24.8%	6.68	27.1%	(0.6)%
Europe and other directions	4.02	15.0%	4.00	14.9%	0.5%	4.02	15.0%	4.00	16.2%	0.5%
Asia	2.62	9.8%	2.40	8.9%	9.2%	2.62	9.8%	2.68	10.9%	(2.2)%
CIS	0.10	0.4%	0.09	0.3%	11.1%	0.10	0.4%	0.14	0.6%	(28.6)%
Domestic	4.69	17.5%	4.33	16.1%	8.3%	4.69	17.5%	4.05	16.5%	15.8%
Wholesale	3.84	14.3%	3.34	12.4%	15.0%	3.84	14.3%	3.27	13.3%	17.4%
Retail	0.85	3.2%	0.99	3.7%	(14.1)%	0.85	3.2%	0.78	3.2%	9.0%
Sales of bunker fuel to end-users	0.31	1.2%	0.29	1.1%	6.9%	0.31	1.2%	0.19	0.8%	63.2%
Total petroleum products	11.74	43.9%	11.11	41.3%	5.7%	11.74	43.9%	11.06	45.0%	6.1%
Petrochemical products	0.18	0.6%	0.19	0.7%	(5.3)%	0.18	0.6%	0.16	0.6%	12.5%
Total crude oil and products	26.80	100.0%	26.89	100.0%	(0.3)%	26.80	100.0%	24.64	100.0%	8.8%
Gas	bcm		bcm			bcm		bcm		
Sales volumes	2.64		2.86		(7.7)%	2.64		2.78		(5.0)%

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 3 months ended</i>				
	March 31, 2010		December 31, 2009		Change	March 31, 2010		March 31, 2009		Change
	(US\$/barrel)	(US\$/tonne)	(US\$/barrel)	(US\$/tonne)		(US\$/barrel)	(US\$/tonne)	(US\$/barrel)	(US\$/tonne)	
Average export prices										
Crude oil, excluding CIS	74.89	547.86	72.81	532.60	2.9%	74.89	547.86	43.08	315.12	73.9%
Europe and other directions	74.33	543.78	72.26	528.60	2.9%	74.33	543.78	42.52	311.03	74.8%
Asia	76.23	557.63	75.00	548.75	1.6%	76.23	557.63	45.17	330.47	68.7%
Crude oil, CIS	43.48	318.18	49.87	364.76	(12.8)%	43.48	318.18	31.62	231.25	37.6%
Petroleum products, excluding CIS		555.72		537.03	3.5%		555.72		317.81	74.9%
Europe and other directions		544.28		513.25	6.0%		544.28		315.25	72.7%
Asia		573.28		576.67	(0.6)%		573.28		321.64	78.2%
Petroleum products, CIS		480.00		477.78	0.5%		480.00		357.14	34.4%
Average domestic prices										
Crude oil	29.45	215.00	31.40	230.00	(6.5)%	29.45	215.00	14.74	107.69	99.6%
Petroleum products		500.64		551.96	(9.3)%		500.64		388.89	28.7%
Wholesale		449.22		493.11	(8.9)%		449.22		342.51	31.2%
Retail		732.94		750.51	(2.3)%		732.94		583.33	25.6%
Gas (US\$/thousand cubic meter)		42.80		37.76	13.3%		42.80		28.78	48.7%
Sales of bunker fuel to end-users		393.55		406.90	(3.3)%		393.55		231.58	69.9%
Petrochemical products		566.67		510.53	11.0%		566.67		175.00	223.8%

Crude Oil Export Sales to non-CIS

Revenues from crude oil exports to non-CIS countries in the first quarter of 2010 were US\$ 7,681 million which is an increase of 2.0% compared to the fourth quarter of 2009. The growth reflected higher average export prices (a positive impact on revenues of US\$ 214 million), which was partly cancelled out by a 0.9% decrease in sales volumes (a negative impact on revenues of US\$ 64 million). In the first quarter of 2010 the Company redirected Vankor crude oil from Primorsk to Kozmino due to higher prices and better netbacks of deliveries through the ESPO.

In the first quarter of 2010 revenues from crude oil exports to non-CIS countries increased by 100.3% compared to the first quarter of 2009, which was driven by a 73.9% increase in average export prices (positive impact on revenues of US\$ 3,263 million) and a 15.2% increase in sales volumes (favourable impact on revenues of US\$ 583 million). Sales volumes growth was due to production launch at the Vankor field in Eastern Siberia.

Crude Oil Export Sales to CIS

In the first quarter of 2010 revenues from sales of crude oil to CIS were US\$ 210 million, 45.2% lower than in the fourth quarter of 2009. A 37.1% decrease in sales volumes and a 12.8% decline in average prices led to revenues reduction of US\$ 142 million and US\$ 31 million respectively. In the first quarter of 2010 Russia and Belarus agreed to apply an ordinary export customs duty for crude oil exports to Belarus and defined fixed annual volumes exempted from export customs duty. This resulted in decreased crude oil deliveries to Belarus and lower average price of such deliveries.

In the first quarter of 2010 revenues from crude oil exports to CIS countries were US\$ 49 million lower in comparison with the first quarter of 2009, which is mainly attributable to a 41.0% sales volumes fall (unfavourable impact on revenues of US\$ 106 million). Average price increase of 37.6% had a positive impact on revenues of US\$ 57 million.

Domestic Crude Oil Sales

In the first quarter of 2010 domestic crude oil sales were US\$ 43 million, a 53.3% lower than in the fourth quarter of 2009. The decrease is attributable to a 50.2% reduction in sales volumes and a 6.5% decrease in average prices, which had an unfavourable impact on revenues of US\$ 46 million and US\$ 3 million, respectively. The Company redirected crude oil flows from domestic market to refineries in order to maximize netbacks.

In the first quarter of 2010 revenues from crude oil sales on domestic market were 207.1% higher compared to the first quarter of 2009. The growth was driven by a 99.6% increase in average prices (positive impact on revenues of US\$ 21 million) as well as by a 53.7% increase in sales volumes (favorable impact on revenues of US\$ 8 million). Sales volumes increase was due to the redirection of crude flows from CIS markets to domestic market.

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 in first quarter of 2010 and in the fourth quarter of 2009:

	<i>For 3 months ended</i>						% change		
	March 31, 2010			December 31, 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	31	0.04	766.12	34	0.04	865.24	(8.8)%	0.0%	(11.5)%
Low octane gasoline	44	0.07	675.87	38	0.05	763.77	15.8%	40.0%	(11.5)%
Naphtha	559	0.80	698.10	450	0.68	666.72	24.2%	17.6%	4.7%
Diesel (Gasoil)	1,519	2.47	615.73	1,354	2.29	591.45	12.2%	7.9%	4.1%
Fuel oil	1,486	3.18	467.33	1,498	3.24	462.12	(0.8)%	(1.9)%	1.1%
Jet fuel	6	0.01	686.99	10	0.02	596.36	(40.0)%	(50.0)%	15.2%
Other	45	0.07	613.95	53	0.08	582.72	(15.1)%	(12.5)%	5.4%
Total	3,690	6.64	555.72	3,437	6.40	537.03	7.4%	3.8%	3.5%

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\$ 3,690 in the first quarter of 2010, which is an increase of 7.4% compared with the fourth quarter of 2009. A 3.5% increase in average price as well as a 3.8% increase in sales volumes led to revenue growth of US\$ 124 million and US\$ 129 million, respectively. An increase in refinery throughputs together with limited demand for gasoline and diesel on the domestic market led to increase in naphtha and diesel exports.

The table below sets forth Rosneft's revenue and average price per tonne of petroleum products sold to non-CIS countries in the first quarter of 2010 and 2009:

	<i>For 3 months ended</i>						% change		
	March 31, 2010			March 31, 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	31	0.04	766.12	39	0.10	399.95	(20.5)%	(60.0)%	91.6%
Low octane gasoline	44	0.07	675.87	13	0.03	388.05	238.5%	133.3%	74.2%
Naphtha	559	0.80	698.10	320	0.89	359.97	74.7%	(10.1)%	93.9%
Diesel (Gasoil)	1,519	2.47	615.73	950	2.55	373.09	59.9%	(3.1)%	65.0%
Fuel oil	1,486	3.18	467.33	768	3.04	252.95	93.5%	4.6%	84.8%
Jet fuel	6	0.01	686.99	11	0.02	445.63	(45.5)%	(50.0)%	54.2%
Other	45	0.07	613.95	22	0.05	408.76	104.5%	40.0%	50.2%
Total	3,690	6.64	555.72	2,123	6.68	317.81	73.8%	(0.6)%	74.9%

In the first quarter of 2010 revenues from the export of petroleum products to non-CIS countries were 73.8% higher compared to the first quarter of 2009 which was driven by a 74.9% increase in average prices (positive impact on revenues of US\$ 1,580 million). Sales volumes in the first quarter of 2010 remained practically unchanged compared to the first quarter of 2009.

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>		
	March 31, 2010			December 31, 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	8	0.02	433.30	11	0.02	529.84	(27.3)%	0.0%	(18.2)%
Low octane gasoline	3	0.01	389.63	1	0.00	371.45	200.0%	—	4.9%
Naphtha	—	—	—	—	—	—	—	—	—
Diesel	22	0.05	441.33	16	0.04	448.21	37.5%	25.0%	(1.5)%
Fuel oil	—	—	—	—	—	—	—	—	—
Jet fuel	—	—	—	2	0.00	0.00	—	—	—
Other	15	0.02	664.18	13	0.03	546.30	15.4%	(33.3)%	21.6%
Total	48	0.10	480.00	43	0.09	477.78	11.6%	11.1%	0.5%

Revenues from sales of petroleum products to CIS countries in the first quarter of 2010 were 11.6% higher than in the fourth quarter of 2009 and amounted to US\$ 48 million. The growth is mainly attributable to a 11.1% increase in sales volumes (positive impact on revenues of US\$ 5 million). Sales volumes growth was due to increased deliveries of petroleum products to Ukraine.

The table below sets forth Rosneft's revenue and average price per tonne of petroleum products sold to CIS countries in the three months of 2010 and 2009:

	<i>For 3 months ended</i>						<i>% change</i>		
	March 31, 2010			March 31, 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	8	0.02	433.30	7	0.02	323.12	14.3%	0.0%	34.1%
Low octane gasoline	3	0.01	389.63	2	0.01	213.70	50.0%	0.0%	82.3%
Naphtha	—	—	—	2	0.01	354.46	(100.0)%	(100.0)%	—
Diesel	22	0.05	441.33	27	0.07	375.73	(18.5)%	(28.6)%	17.5%
Fuel oil	—	—	—	—	—	—	—	—	—
Jet fuel	—	—	—	4	0.01	419.82	(100.0)%	(100.0)%	—
Other	15	0.02	664.18	8	0.02	333.74	87.5%	0.0%	99.0%
Total	48	0.10	480.00	50	0.14	357.14	(4.0)%	(28.6)%	34.4%

Revenue decrease of US\$ 2 million in the first quarter of 2010 in comparison with the first quarter of 2009 resulted from a 28.6% reduction in sales volumes (negative impact on revenues of US\$ 14 million). Reduction was partially offset by a 34.4% increase in average prices (positive impact on revenues of US\$ 12 million). Sales volumes decrease is attributable to the reduction of petroleum product deliveries to Kazakhstan.

Domestic Sales of Petroleum Products

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

	<i>For 3 months ended</i>						<i>% change</i>		
	March 31, 2010			December 31, 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	874	1.23	709.62	952	1.22	780.19	(8.2)%	0.8%	(9.0)%
Low octane gasoline	171	0.32	540.68	174	0.28	621.33	(1.7)%	14.3%	(13.0)%
Naphtha	—	—	—	—	—	—	—	—	—
Diesel	829	1.62	513.00	852	1.66	512.07	(2.7)%	(2.4)%	0.2%
Fuel oil	244	0.98	247.72	157	0.54	289.85	55.4%	81.5%	(14.5)%
Jet fuel	37	0.08	457.19	53	0.11	489.52	(30.2)%	(27.3)%	(6.6)%
Other	193	0.46	416.65	202	0.52	375.87	(4.5)%	(11.5)%	10.8%
Total	2,348	4.69	500.64	2,390	4.33	551.96	(1.8)%	8.3%	(9.3)%

Revenues from sales of petroleum products on the domestic market were US\$ 2,348 million in the first quarter of 2010, which is a decrease of 1.8% compared with the fourth quarter of 2009. Revenue reduction was caused by a 9.3% decrease in average prices (unfavourable impact on revenues of US\$ 241 million), which was partially offset by a 8.3% increase in sales volumes (favourable impact on revenues of US\$ 199 million). Domestic sales volumes increase was due to the redirection of fuel oil from international markets to domestic as a result of logistical constrains in Ukraine and Far East. Petroleum products average price decreased as a result of an increase in sales volumes of fuel oil.

The table below sets forth Rosneft's revenue and average price per tonne of petroleum products sold within Russia in the three months of 2010 and 2009:

	<i>For 3 months ended</i>						<i>% change</i>		
	March 31, 2010			March 31, 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	874	1.23	709.62	553	1.03	539.65	58.0%	19.4%	31.5%
Low octane gasoline	171	0.32	540.68	116	0.28	407.90	47.4%	14.3%	32.6%
Naphtha	—	—	—	—	—	—	—	—	—
Diesel	829	1.62	513.00	653	1.52	430.64	27.0%	6.6%	19.1%
Fuel oil	244	0.98	247.72	82	0.59	137.93	197.6%	66.1%	79.6%
Jet fuel	37	0.08	457.19	75	0.16	456.93	(50.7)%	(50.0)%	0.1%
Other	193	0.46	416.65	96	0.47	205.48	101.0%	(2.1)%	102.8%
Total	2,348	4.69	500.64	1,575	4.05	388.89	49.1%	15.8%	28.7%

In the first quarter of 2010 revenues from sales of petroleum products on domestic market increased by 49.1% compared to the first quarter of 2009 which resulted from a 28.7% increase in average prices (positive impact on revenues of US\$ 524 million) and a 15.8% increase in sales volumes (favourable impact on revenues of US\$ 249 million).

Sales of bunker fuel to end-users

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

Revenues from sales of bunker fuel in the first quarter of 2010 were US\$ 122 million, an increase of 3.4% in comparison with the fourth quarter of 2009 and an increase of 177.3% compared to the first quarter of 2009.

Petrochemical Product Sales

Revenues from sales of petrochemical products in the first quarter of 2010 were US\$ 102 million, up 5.2% compared to the fourth quarter of 2009. The price upturn of 11.0% (positive impact on revenues of US\$ 10 million) was partially offset by a 5.3% decrease in sales volumes (negative impact on revenues of US\$ 5 million). Sales volumes decrease was a result of decrease in petrochemical product output.

A 264.3% growth in sales of petrochemical products in the first quarter of 2010 compared to the same period in 2009 was due to price increase of 223.8%.

Gas Sales

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

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

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	March 31, 2010	December 31, 2009	Change	March 31, 2010	March 31, 2009	Change
Revenue	(US\$ million)			(US\$ million)		
Western Siberia	31	35	(11.4)%	31	25	24.0%
South Russia	52	48	8.3%	52	36	44.4%
Far East	12	11	9.1%	12	9	33.3%
European part of Russia	18	14	28.6%	18	10	80.0%
Total	113	108	4.6%	113	80	41.3%
Sales volumes	(bcm)			(bcm)		
Western Siberia	1.35	1.61	(16.1)%	1.35	1.50	(10.0)%
South Russia	0.85	0.85	0.0%	0.85	0.92	(7.6)%
Far East	0.20	0.19	5.3%	0.20	0.17	17.6%
European part of Russia	0.24	0.21	14.3%	0.24	0.19	26.3%
Total	2.64	2.86	(7.7)%	2.64	2.78	(5.0)%
Average price	(US\$/thousand of cubic metres)			(US\$/thousand of cubic metres)		
Western Siberia	22.72	21.76	4.4%	22.72	16.89	34.5%
South Russia	61.37	56.52	8.6%	61.37	39.11	56.9%
Far East	59.91	57.68	3.9%	59.91	53.15	12.7%
European part of Russia	79.44	75.78	4.8%	79.44	52.05	52.6%
Total	42.80	37.76	13.3%	42.80	28.78	48.7%

In the first quarter of 2010 revenues from gas sales were US\$ 113 million, 4.6% higher than in the fourth quarter of 2009. A 13.3% increase in average prices which led to revenue increase of US\$ 13 million was partially offset by a 7.7% decrease in sales volumes (negative impact on revenues of US\$ 8 million). The decrease in sales volumes was caused by reduction in gas production.

Revenue growth from gas sales of 41.3% in the first quarter of 2010 in comparison with the first quarter of 2009 was mainly driven by increase in average prices of 48.7% (favourable impact on revenues of US\$ 37 million). Sales volumes decrease of 5.0% led to revenue reduction of US\$ 4 million.

Support Services and Other Revenues

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

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

	<i>For 3 months ended</i>					<i>For 3 months ended</i>				
	March 31, 2010		December 31, 2009		Change	March 31, 2010		March 31, 2009		Change
		%		%	%		%		%	%
	of total revenue		of total revenue			of total revenue		of total revenue		
	(US\$ million, except %)									
Drilling services	10	2.5%	8	2.2%	25.0%	10	2.5%	—	—	100.0%
Sales of materials	142	35.1%	124	33.6%	14.5%	142	35.1%	93	36.3%	52.7%
Repairs and maintenance services	24	5.9%	27	7.3%	(11.1)%	24	5.9%	25	9.8%	(4.0)%
Rent services	14	3.5%	14	3.8%	0.0%	14	3.5%	11	4.3%	27.3%
Construction services	31	7.7%	22	6.0%	40.9%	31	7.7%	12	4.7%	158.3%
Transport services	76	18.8%	73	19.8%	4.1%	76	18.8%	47	18.4%	61.7%
Electric power transmission	34	8.4%	23	6.2%	47.8%	34	8.4%	15	5.9%	126.7%
Other revenues	73	18.1%	77	21.1%	(5.2)%	73	18.1%	53	20.6%	37.7%
Total	404	100.0%	368	100.0%	9.8%	404	100.0%	256	100.0%	57.8%

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 3 months ended</i>		<i>Change</i>
	March 31, 2010	December 31, 2009	%	March 31, 2010	March 31, 2009	%
	(US\$ million, except %)					
Upstream	510	528	(3.4)%	510	410	24.4%
Downstream	353	391	(9.7)%	353	282	25.2%
Other	201	221	(9.0)%	201	128	57.0%
Total	1,064	1,140	(6.7)%	1,064	820	29.8%

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 first quarter of 2010 decreased to US\$ 510 million or by 3.4% compared with the fourth quarter of 2009. The decrease was due to the nominal depreciation of the RUB against US\$ by 1.4% as well as decrease in the volume of well workovers due to extremely low temperatures.

Upstream production and operating expenses in the first quarter of 2010 increased by 24.4% compared with the first quarter of 2009, when these expenses were US\$ 410 million. The growth was due to the nominal appreciation of the RUB against US\$ by 13.5%, launch of commercial production at the Vankor field, cost inflation in line with CPI, which was offset by cost-cutting initiatives.

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 3 months ended</i>		<i>Change</i>
	March 31, 2010	December 31, 2009	%	March 31, 2010	March 31, 2009	%
	(US\$ per bbl, US\$ per boe, except %)					
Expenses per bbl of crude oil produced	2.69	2.75	(2.2)%	2.69	2.37	13.5%
Expenses per boe of hydrocarbon produced	2.46	2.50	(1.6)%	2.46	2.14	15.0%

Rosneft's downstream expenses decreased to US\$ 353 million in the first quarter of 2010 compared with US\$ 391 million in the fourth quarter of 2009. The decrease resulted from the decrease in cost of work and materials for refineries turnarounds, decrease in fuel consumption, nominal depreciation of the RUB against the US\$ by 1.4% and other factors.

These expenses increased by 25.2% in the first quarter of 2010 compared to the first quarter of 2009. The increase was driven by the nominal appreciation of the RUB against the US\$ by 13.5%, increase in volumes of crude oil processed, petroleum product output and sales, as well as by costs growth in line with the CPI, which was offset by the cost-cutting initiatives.

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 3 months ended</i>		<i>Change</i>
	March 31, 2010	December 31, 2009	%	March 31, 2010	March 31, 2009	%
Operating expenses (US\$ million)	133	166	(19.9)%	133	150	(11.3)%
Operating expenses per tonne of product output (US\$/tonne)	11.03	14.07	(21.6)%	11.03	12.93	(14.7)%
Operating expenses per tonne of crude oil throughput (US\$/tonne)	10.42	13.27	(21.5)%	10.42	12.23	(14.8)%

Operating expenses of Rosneft's refineries decreased to US\$ 133 million in the first quarter of 2010 compared with US\$ 166 million in the fourth quarter of 2009. The decrease resulted from lower volumes of turnaround works at refineries, decrease in fuel consumption, nominal depreciation of the RUB against the US\$ by 1.4% and other factors.

These expenses decreased by 11.3% in the first quarter of 2010 compared to US\$ 150 million in the first quarter of 2009. The decrease resulted from cost-cutting initiatives, lower volumes of turnaround works at refineries and other factors.

Operating expenses related to other activities decreased to US\$ 201 million in the first quarter of 2009, or by 9.0% compared with the fourth quarter of 2009. The decrease was primarily due to the seasonal fluctuations, nominal RUB depreciation against US\$ by 1.4% and other factors. These expenses increased by 57.0% compared with US\$ 128 million in the first quarter of 2009. The increase was primarily due to the increase in revenues related to other activities (particularly, increase in electric power transmission and other services rendered, as well as increase in sales of other inventories), nominal RUB appreciation against the US\$ and other factors.

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

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 3 months ended</i>		<i>Change</i>
	March 31, 2010	December 31, 2009	%	March 31, 2010	March 31, 2009	%
Cost of crude oil procured (US\$ million)	373	463	(19.4)%	373	207	80.2%
Volume of crude oil procured (million of barrels)	13.81	14.31	(3.5)%	13.81	14.75	(6.4)%
Cost of gas procured (US\$ million)	8	9	(11.1)%	8	6	33.3%
Volume of gas procured (bcm)	0.14	0.18	(22.2)%	0.14	0.15	(6.7)%
Cost of petroleum product procured (US\$ million) ⁽¹⁾	115	109	5.5%	115	82	40.2%
Volume of petroleum product procured (million of tonnes)	0.21	0.19	10.5%	0.21	0.20	5.0%
Total cost of procured oil, gas and petroleum products and refining costs (US\$ millions)	496	581	(14.6)%	496	295	68.1%

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

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 3 months ended</i>		<i>Change</i>
	March 31, 2010	December 31, 2009	%	March 31, 2010	March 31, 2009	%
	(million bbl, except %)					
Tomskneft	8.47	8.32	1.8%	8.47	8.66	(2.2)%
Udmurtneft	4.40	3.06	43.8%	4.40	3.47	26.8%
Verhnechonskneftegaz	0.85	0.85	—	0.85	0.33	157.6%
Surgutneftegaz	—	1.65	(100.0)%	—	1.87	(100.0)%
Others	0.09	0.43	(79.1)%	0.09	0.42	(78.6)%
Total	13.81	14.31	(3.5)%	13.81	14.75	(6.4)%

Rosneft performs oil swap operations in order to optimize transportation costs of deliveries to refineries. Revenues and costs related to these operations are shown on a net basis in the “Pipeline tariffs and Transportation Costs” line of the income statement. In the first quarter of 2010 these transactions were exercised with Gazpromneft and Bashneft, the volume of crude oil swaps amounted to 10.64 million barrels compared with 10.35 million barrels in the fourth quarter of 2009 and 11.82 million barrels in the first quarter of 2009. Rosneft’s estimated benefits from these transactions were US\$ 16 million in the first quarter of 2010, US\$ 9 million in the fourth quarter of 2009 and US\$ 8 million in the first quarter of 2009.

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

The 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>						<i>% change</i>		
	March 31, 2010			December 31, 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	47	0.07	648.49	62	0.09	727.02	(24.2)%	(22.2)%	(10.8)%
Low octane gasoline	3	0.01	481.36	8	0.01	557.58	(62.5)%	—	(13.7)%
Diesel	54	0.10	544.51	27	0.06	434.97	100.0%	66.7%	25.2%
Fuel oil	2	0.01	305.58	0	0.00	214.55	—	—	42.4%
Jet fuel	—	—	—	—	—	—	—	—	—
Other	9	0.02	414.61	12	0.03	384.02	(25.0)%	(33.3)%	8.0%
Total	115	0.21	547.62	109	0.19	573.68	5.5%	10.5%	(4.5)%

	<i>For 3 months ended</i>						<i>% change</i>		
	March 31, 2010			March 31, 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	47	0.07	648.49	12	0.03	381.18	291.7%	133.3%	70.1%
Low octane gasoline	3	0.01	481.36	4	0.01	356.01	(25.0)%	—	35.2%
Diesel	54	0.10	544.51	47	0.10	459.82	14.9%	—	18.4%
Fuel oil	2	0.01	305.58	16	0.05	322.81	(87.5)%	(80.0)%	(5.3)%
Jet fuel	—	—	—	0	0.00	712.11	—	—	—
Other	9	0.02	414.61	3	0.01	430.75	200.0%	100.0%	(3.7)%
Total	115	0.21	547.62	82	0.20	410.00	40.2%	5.0%	33.6%

Average petroleum product procurement prices may deviate from average sales prices mainly due to different mix of regions where procurement and sales are effected and different product quality. For example, price of fuel oil procured from third parties significantly exceeded its average sales price in the first quarter of 2009 due to purchase of 50 thousand tonnes of a special fuel oil (mixture of fuel oil and diesel) to meet obligations on fuel oil supplies to Asia. Rosneft made these purchases as it currently does not produce products with the required characteristics. Excluding this factor, the average purchase price of fuel oil amounted to US\$ 279.35 per tonne in the first quarter of 2009.

General and Administrative Expenses

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

General and administrative expenses in the first quarter of 2010 were US\$ 370 million, 5.6% lower than in the fourth quarter of 2009. The decrease resulted mainly from rouble depreciation and reduced G&A expenses related to audit and consulting services, information and other services. In the first quarter of 2009 G&A expenses amounted to US\$ 310 million.

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 first quarter of 2010 Rosneft's transportation costs increased to US\$ 1,764 million, or by 11.6% compared with the fourth quarter of 2009, which resulted from an increase in tariffs of natural monopolies by 2.7%-16.2% in USD terms, higher transportation volumes due to increase in crude oil production at the Vankor field, growth of refinery throughput, petroleum product output and sales.

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		
	March 31, 2010				December 31, 2009						
	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
CRUDE OIL											
Export sales											
Pipeline	11.37	77.5%	480	42.22	11.46	75.4%	427	37.26	(0.8)%	12.4%	13.3%
Railroad and mixed	3.31	22.5%	264	79.76	3.73	24.6%	266	71.31	(11.3)%	(0.8)%	11.8%
Transportation to refineries and domestic sales											
Pipeline	10.95		255	23.29	10.83		216	19.94	1.1%	18.1%	16.8%
Railroad and mixed	1.62		181	111.73	1.62		161	99.38	—	12.4%	12.4%
PETROLEUM PRODUCTS											
Export sales											
Pipeline ⁽¹⁾	0.25	3.6%	13	52.00	0.13	1.9%	6	46.15	92.3%	116.7%	12.7%
Railroad and mixed	5.36	78.4%	429	80.04	4.84	73.6%	368	76.03	10.7%	16.6%	5.3%
Other transportation expenses⁽²⁾											
			142				137			3.6%	
Total	32.86		1,764	53.68	32.61		1,581	48.48	0.8%	11.6%	10.7%

- (1) Rosneft exported 1.23 million tonnes (18.0% of total export volumes) and 1.62 million tonnes (24.5% of total export volumes) of petroleum products in the first quarter of 2010 and in the fourth quarter of 2009, respectively, through its own pipeline in the town of Tuapse. 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 13.3%, which was due to an increase in tariffs by 12.2%-16.2% in US\$ terms and the change in transportation routes used (particularly, increase in deliveries of Vankor crude oil via ESPO to Kozmino, which is more expensive than pipeline export routes to Primorsk and Novorossiysk, but enables to sell Vankor crude oil at a premium to Urals and thus to get better netbacks).

The increase in crude oil railroad and mixed transportation cost per tonne of export sales was 11.8%, which was due to tariffs growth in US\$ terms.

The increase in crude oil pipeline transportation cost per tonne of domestic supplies was 16.8%, which was due to tariffs growth by 11.6%-14.6% in US\$ terms as well as due to an increase in crude oil supplies to the Company's eastern refineries (transportation cost at these routes are above average for the Company).

The increase in crude oil railroad and mixed transportation cost per tonne of domestic supplies was 12.4%, which was primarily due to an increase in transportation tariffs in US\$ terms.

The increase in petroleum product pipeline, railroad and mixed transportation cost per tonne of petroleum products export sales was 12.7% and 5.3% respectively, which was due to increase in tariffs by 2.7%-8.2% in US\$ terms and change in mix of transportation routes.

In the first quarter of 2010 Rosneft's transportation costs increased to US\$ 1,764 million, or by 40.9% compared with the first quarter of 2009. The increase resulted from higher transportation volumes due to increase in crude oil production at the Vankor field, growth of refinery throughput, petroleum product output and sales, and increase in tariffs of natural monopolies by 21.2% – 38.9% in USD 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 3 months ended</i>								% change		
	March 31, 2010				March 31, 2009						
	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne, US\$/t	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne, US\$/t	Volume	Cost	Cost per tonne
CRUDE OIL											
Export sales											
Pipeline	11.37	77.5%	480	42.22	9.51	71.5%	279	29.34	19.6%	72.0%	43.9%
Railroad and mixed	3.31	22.5%	264	79.76	3.78	28.5%	225	59.52	(12.4)%	17.3%	34.0%
Transportation to refineries and domestic sales											
Pipeline	10.95		255	23.29	10.18		167	16.40	7.6%	52.7%	42.0%
Railroad and mixed	1.62		181	111.73	1.76		142	80.68	(8.0)%	27.5%	38.5%
PETROLEUM PRODUCTS											
Export sales											
Pipeline ⁽¹⁾	0.25	3.7%	13	52.00	0.47	6.9%	19	40.43	(46.8)%	(31.6)%	28.6%
Railroad and mixed	5.36	78.4%	429	80.04	5.19	76.1%	303	58.38	3.3%	41.6%	37.1%
Other transportation expenses⁽²⁾											
			142				117			21.4%	
Total	32.86		1,764	53.68	30.89		1,252	40.53	6.4%	40.9%	32.4%

(1) Rosneft exported 1.23 million tonnes (18.0% of total export volumes) and 1.16 million tonnes (17.0% of total export volumes) of petroleum products in the first quarter of 2010 and in the first quarter 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 43.9%, which was due to an increase in tariffs by 35.0%-36.6% 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 34.0%, which was due to tariffs growth in US\$ terms.

The increase in crude oil pipeline transportation cost per tonne of domestic supplies was 42.0%, which was due to tariffs growth by 33.7%-38.9% in US\$ terms and increase in crude oil supplies to the Achinsk refinery (transportation cost at this route is above average for the Company).

The increase in crude oil railroad and mixed transportation cost per tonne of domestic supplies was 38.5%, which was primarily due to an increase in transportation tariffs in US\$ terms.

The increase in petroleum product pipeline, railroad and mixed transportation cost per tonne of petroleum products export sales was 28.6% and 37.1% respectively, which was due to increase in tariffs by 21.2%-32.1% 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 first quarter of 2010 exploration expenses increased to US\$ 58 million, or by 7.4% compared with the fourth quarter of 2009. The increase reflected higher volumes of exploratory works at a number of blocks.

In the first quarter of 2010 exploration expenses decreased by 27.5% compared with the first quarter of 2009. The change in exploration expenses was due to decrease in volumes of exploratory works at Samaraneftgaz fields and at a number of other blocks.

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\$ 1,272 million in the first quarter of 2010 compared to US\$ 1,210 million in the fourth quarter of 2009. The increase in the depreciation resulted mainly from the putting of new fixed assets into operation. In the first quarter of 2009 depreciation, depletion and amortisation was US\$ 980 million.

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 3 months ended</i>		<i>Change</i>
	March 31, 2010	December 31, 2009	%	March 31, 2010	March 31, 2009	%
	(US\$ million, except %)					
Mineral extraction tax	2,128	2,078	2.4%	2,128	986	115.8%
Excise tax	251	231	8.7%	251	185	35.7%
Social security	120	72	66.7%	120	109	10.1%
Property tax	66	67	(1.5)%	66	48	37.5%
Land tax	5	4	25.0%	5	6	(16.7)%
Transportation tax	1	1	—	1	1	—
Interest, penalties and other payments	11	(6)	283.3%	11	12	(8.3)%
Total taxes other than income tax	2,582	2,447	5.5%	2,582	1,347	91.7%

Taxes other than income tax increased by 5.5% to US\$ 2,582 million in the first quarter of 2010, compared with US\$ 2,447 million in the fourth quarter of 2009, mainly due to the increase in the mineral extraction tax rate by 1.8%, re-estimation of mineral extraction tax relating to 2009 (effect US\$ 19 million) and increase in social security expenses. Starting from January 1, 2010 new social taxation system is effective instead of unified social tax.

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 3 months ended</i>		<i>Change</i>
	March 31, 2010	December 30, 2009	%	March 31, 2010	March 31, 2009	%
	(US\$, except %)					
Average enacted mineral extraction tax rate	13.16	12.93	1.8%	13.16	6.22	111.5%
Actual mineral extraction tax rate per barrel of crude oil produced	11.24	10.82	3.9%	11.24	5.69	97.5%
Actual mineral extraction tax rate per barrel of oil equivalent produced	10.26	9.85	4.2%	10.26	5.14	99.6%

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

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 3 months ended</i>		<i>Change</i>
	March 31, 2010	December 31, 2009	%	March 31, 2010	March 31, 2009	%
	(US\$ million, except %)					
Export customs duty for crude oil	3,015	3,479	(13.3)%	3,015	1,388	117.2%
Export customs duty for petroleum products	969	879	10.2%	969	454	113.4%
Total export customs duties	3,984	4,358	(8.6)%	3,984	1,842	116.3%

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 3 months ended</i>		<i>Change</i>
	March 31, 2010	December 31, 2009	%	March 31, 2010	March 31, 2009	%
	(US\$ per barrel, except %)					
Average Urals price	75.26	74.26	1.3%	75.26	43.65	72.4%
Average enacted export customs duty	36.06	33.85	6.5%	36.06	15.28	136.0%
Hypothetical export customs duty calculated using the average Urals price for the period (i.e. without time lag)	36.67	36.02	1.8%	36.67	16.12	127.5%
Actual average customs duty on exports subject to regular duty	36.13	33.73	7.1%	36.13	15.70	130.1%
Actual average customs duty on all Rosneft exports	28.07	31.31	(10.3)%	28.07	14.27	96.7%

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

The actual average rate of export customs duty is lower than the enacted rate due to the customs duty preferences for exports to Belarus and Kazakhstan, preferences established for the crude oil export from the Vankor field starting from January 19, 2010, and export duty exemption for Sakhalin-1.

Operating Income

As a result of the factors discussed above, operating income increased by 13.1% to US\$ 3,146 million, in the first quarter of 2010 compared with US\$ 2,781 million the fourth quarter of 2009. As a percentage of total revenues, operating income was 21.3% in the first quarter of 2010 and 19.1% in the fourth quarter of 2009.

As a percentage of total revenues, operating income before taxes other than income tax and export customs duty was 65.8% in the first quarter of 2010 and in the fourth quarters of 2009. In the first quarter of 2009 the operating income was US\$ 1,319 million.

Other Income/ (Expenses)

Interest Income

Interest income decreased to US\$ 125 million in the first quarter of 2010 or by 28.2% compared with the fourth quarter of 2009. The reduction was due to decrease in the funds placed on deposits in the first quarter of 2010 compared with the fourth quarter of 2009. In the first quarter of 2009 the interest income was US\$ 107 million.

Interest Expense

Interest expense increased by 0.6% to US\$ 162 million in the first quarter of 2010 from US\$ 161 million in the fourth quarter of 2009. In the first quarter of 2009 the interest expense was US\$ 165 million.

Loss on Disposal of Property, Plant and Equipment

From time to time, Rosneft disposes of property, plant and equipment. In the first quarter of 2010, Rosneft recorded a net loss of US\$ 30 million on the disposal of property, plant and equipment compared to a net loss of US\$ 256 million recorded in the fourth quarter of 2009. In the first quarter of 2009 the loss on disposal of property, plant and equipment was US\$ 15 million.

Equity share in affiliates' profits

The equity share in affiliates' profits amounted to US\$ 32 million in the first quarter of 2010 compared with profits of US\$ 81 million in the fourth quarter of 2009. The decrease in the equity share in affiliates' profits resulted from the decrease in income incurred by certain Rosneft's affiliates. In the first quarter of 2009 the equity share in affiliates' profits amounted to US\$ 42 million.

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 first quarter of 2010, other income, net, amounted to US\$ 29 million, compared to loss of US\$ 79 million in the fourth quarter of 2009. The increase mainly resulted from recognizing gain of unclaimed promissory notes in the amount of US\$ 119 million for which statutory limitations expired in the first quarter of 2010. In the first quarter of 2009 other income, net amounted to US\$ 121 million.

Foreign Exchange (Loss)/Gain

Foreign exchange loss was US\$ 5 million in the first quarter of 2010 compared with the loss of US\$ 89 million in the fourth quarter of 2009. Foreign exchange gain in the first quarter of 2009 was US\$ 798 million, resulted from considerable rouble depreciation.

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>		
	<u>March 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>	<u>March 31,</u> <u>2009</u>
Effective income tax rate for Rosneft under US GAAP	21%	32%	6%

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 vary significantly during the year.

Net income attributable to noncontrolling interests

Net income attributable to noncontrolling interests was US\$ 61 million in the first quarter of 2010 compared to US\$ 4 million in the fourth quarter of 2009. The change resulted, primarily, from the increase in the net income of certain Rosneft's subsidiaries in which the Company does not own 100% share.

Net Income

As a result of the factors discussed above net income increased by 45.2% to US\$ 2,431 million in the first quarter of 2010 from US\$ 1,674 million in the fourth quarter of 2009. As a percentage of revenues, net income was 16.5% and 11.5% in the first quarter of 2010 and fourth quarter of 2009, respectively. In the first quarter of 2009 the net income was US\$ 2,060 million.

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> times	<i>For 3 months ended</i>		<i>Change</i> times
	March 31, 2010	December 31, 2009		March 31, 2010	March 31, 2009	
	(US\$ million)					
Net cash provided by operating activities	2,287	3,056	(1.3)	2,287	2,366	(1.0)
Net cash used in investing activities	(1,734)	(3,448)	(2.0)	(1,734)	(2,364)	(1.4)
Net cash (used in)/provided by financing activities	(1,201)	1,464	(1.2)	(1,201)	419	(2.9)

Net Cash Provided by Operating Activities

Net cash provided by operating activities amounted to US\$ 2,287 million in the first quarter of 2010 as compared to US\$ 3,056 million in the fourth quarter of 2009. The operating cash flow includes operations with trading securities as part of the Company's efforts to manage cash resources (net inflow of US\$ 495 million in the first quarter 2010 and net outflow of US\$ 257 million in the fourth quarter of 2009). The adjusted net cash provided by the operating activity amounted to US\$ 1,792 million in the first quarter of 2010 and US\$ 3,313 million in the fourth quarter of 2009. The decrease in the operating cash flow resulted primarily from an increase in working capital by US\$ 1,806 million.

The increase in working capital in the first quarter of 2010 was due to the following factors:

- Increase in trade receivables by US\$ 2,250 million was mainly due to delay in collection of the export revenue due to Yukos Capital S.a.r.l. litigation, export overdue receivables in the amount of US\$ 1.3 billion were collected in April 2010;
- Increase in inventories due to the increase in prices and relevant increase in mineral extraction tax;

The increase was partially offset by the following factors:

- Increase in the tax liabilities (particularly income tax) by US\$ 339 million resulted from the one-off decrease in the tax liabilities in the fourth quarter of 2009 due to regional income tax preference accrued for 2009;
- Increase in trade liabilities by US\$ 372 million, resulted from the increase in the purchase of materials and other services.

Net Cash Used in Investing Activities

Net cash used in investing activities was US\$ 1,734 million in the first quarter of 2010 compared to US\$ 3,448 million in the fourth quarter of 2009. The decrease resulted mainly from the decrease in returns of short-term deposits placed with banks in 2010 and a decrease in capital expenditures.

Net Cash Used in(Provided by) Financing Activities

Net cash used in financing activities was US\$ 1,201 million in the first quarter of 2010 compared to US\$ 1,464 million of net cash provided by financing activities in the fourth quarter of 2009. In the fourth quarter of 2009 the Company drew US\$ 4.0 billion of debt including US\$ 3.0 billion tranche of the long-term China Development Bank loan, and in the first quarter of 2010 Rosneft drew US\$ 100 million of debts.

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 3 months ended</i>		<i>Change</i>
	March 31, 2010	December 31, 2009		March 31, 2010	March 31, 2009	
	(US\$ million)		(%)	(US\$ million)		(%)
Yuganskneftegaz	504	687	(26.6)%	504	431	16.9%
Vankorneft	476	594	(19.9)%	476	535	(11.0)%
Purneftegaz	37	124	(70.2)%	37	28	32.1%
Severnaya Neft	22	17	29.4%	22	22	—
Samaraneftegaz	30	39	(23.1)%	30	28	7.1%
Other ¹	151	228	(33.8)%	151	27	459.3%
Total upstream segment	1,220	1,689	(27.8)%	1,220	1,071	13.9%
The Company	19	3	>100.0%	19	7	171.4%
Tuapse refinery	87	85	2.4%	87	26	234.6%
Komsomolsk refinery	15	17	(11.8)%	15	30	(50.0)%
Angarsk refinery	12	32	(62.5)%	12	7	71.4%
Achinsk refinery	20	28	(28.6)%	20	3	566.7%
Syzran refinery	10	31	(67.7)%	10	6	66.7%
Novokuibyshevsk refinery	21	22	(4.5)%	21	5	320.0%
Kuibyshev refinery	19	31	(38.7)%	19	5	280.0%
Marketing Business Units and others ²	66	188	(64.9)%	66	35	88.6%
Total downstream	269	437	(38.4)%	269	124	116.9%
Other activities³	143	112	27.7%	143	68	110.3%
Subtotal capital expenditures	1,632	2,238	(27.1)%	1,632	1,263	29.2%
Change in materials in capital expenditures	122	(142)	>100.0%	122	(31)	>100.0%
Total capital expenditures	1,754	2,096	(16.3)%	1,754	1,232	42.4%
Licence acquisition costs	—	18	(100.0)%	—	—	—

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

2 Relating to companies providing processing and storage services.

3 Relating to other services companies.

Rosneft's total capital expenditures including material purchases decreased by 16.3% or by US\$ 342 million to US\$ 1,754 million in the first quarter of 2010 compared to US\$ 2,096 million in the fourth quarter of 2009. The decrease in capital expenditures in the first quarter occurs annually and results from planning, budgeting and seasonal factors.

Upstream capital expenditures decreased in the first quarter of 2010 by 27.8% compared with the fourth quarter of 2009 and amounted to US\$ 1,220 million.

Downstream capital expenditures decreased by US\$ 168 million or by 38.4% compared with the fourth quarter of 2009. Main works are carried out as part of the project for capacity expansion at Tuapse refinery.

Capital expenditures for other activities increased by 27.7%, to US\$ 143 million, in the first quarter of 2010, compared with US\$ 112 million in the fourth quarter of 2009. The increase was mainly due to construction works performed and equipment purchased by some of Company's subsidiaries.

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\$ 122 million in the first quarter of 2010 compared to US\$ (142) million in the fourth quarter of 2009.

Debt Obligations

Rosneft's total loans and borrowings decreased to US\$ 22,212 million as of March 31, 2010 from US\$ 23,507 million as of December 31, 2009.

Long-term loans are generally secured by oil export contracts. As of March 31, 2010 and December 31, 2009, 83.8% and 84.6% respectively, of Rosneft's borrowings were secured by crude oil export contracts (excluding export to the CIS). As of March 31, 2010 and December 31, 2009, pledged oil exports constituted 47.3% and 49.5%, respectively, of the total crude oil export sales for the analysed period (excluding export to the CIS).

Rosneft adjusted net debt amounted to US\$ 18,534 million as of March 31, 2010 compared to US\$ 18,489 million as of December 31, 2009.

The calculation of the adjusted net debt as of March 31, 2010, is disclosed in the following table:

As of the date	March 31, 2010	December 31, 2009
Short term debt	7,438	7,838
Long term debt	14,774	15,669
Total debts	22,212	23,507
Cash and cash equivalents	(1,382)	(1,997)
Short-term bank deposits	(931)	(1,184)
Structured deposits and reverse repurchase agreements	(516)	(529)
Short term promissory notes and other short-term liquid securities	—	(475)
Total net debt	19,383	19,322
Medium term deposits of excess operating cash	(849)	(833)
Adjusted net debt	18,534	18,489

Following collection of overdue trade receivables in connection with Yukos Capital S.a.r.l. litigation adjusted net debt decreased to approximately US\$ 16.4 billion as of April 30, 2010.

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 3 months ended	
	March 31, 2010	December 31, 2009	March 31, 2010	March 31, 2009
EBITDA margin	30.1%	27.6%	30.1%	28.0%
Adjusted net income margin	16.6%	11.4%	16.6%	11.4%
Net debt to capital employed ratio	0.28	0.29	0.28	0.32
Net debt to annualised EBITDA	1.04	1.15	1.04	2.07
Current ratio	1.20	1.13	1.20	0.68
	US\$/bbl			
EBITDA/bbl	23.47	20.89	23.47	13.38
Upstream capital expenditure/bbl	6.44	8.79	6.44	6.18
Upstream operating expenses/bbl	2.69	2.75	2.69	2.37
Adjusted free cash flow before interest/bbl	7.14	6.24	7.14	6.54
	US\$/boe			
EBITDA/boe	21.41	19.03	21.41	12.09
Upstream capital expenditure/boe	5.88	8.01	5.88	5.59
Upstream operating expenses/boe	2.46	2.50	2.46	2.14
Adjusted free cash flow before interest/boe	6.51	5.69	6.51	5.91

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 3 months ended	
	March 31, 2010	December 31, 2009	March 31, 2010	March 31, 2009
Upstream capital expenditures (US\$ million)	1,220	1,689	1,220	1,071
Upstream operating expenses (US\$ million)	510	528	510	410
Barrels of crude oil produced (million)	189.30	192.13	189.30	173.19
Barrels of oil equivalent produced (million)	207.48	210.90	207.48	191.72

Calculation of Adjusted Free Cash Flow

	For 3 months ended		For 3 months ended	
	March 31, 2010	December 31, 2009	March 31, 2010	March 31, 2009
	(US\$ million)			
Net cash provided by operating activities	2,287	3,056	2,287	2,366
Capital expenditures	(1,754)	(2,096)	(1,754)	(1,232)
Free cash flow	533	960	533	1,134
Trading securities operations	(495)	257	(495)	—
One-off receivables growth*	1,313	—	1,313	—
License acquisition costs	—	(18)	—	—
Adjusted free cash	1,351	1,199	1,351	1,134

*One-off effect refers to overdue trade receivables in the amount of US\$ 1.3 billion in connection with Yukos Capital S.a. r.l. litigation, that were collected in April 2010.

Calculation of EBITDA Margin

	For 3 months ended		For 3 months ended	
	March 31, 2010	December 31, 2009	March 31, 2010	March 31, 2009
	(US\$ million, except %)			
Operating income	3,146	2,781	3,146	1,319
Accretion expense	25	23	25	19
Depreciation, depletion and amortisation	1,272	1,210	1,272	980
EBITDA	4,443	4,014	4,443	2,318
Total revenues	14,761	14,567	14,761	8,264
EBITDA margin	30.1%	27.6%	30.1%	28.0%

Calculation of Adjusted Net Income Margin

	For 3 months ended		For 3 months ended	
	March 31, 2010	December 31, 2009	March 31, 2010	March 31, 2009
	(US\$ million, except %)			
Net income	2,431	1,674	2,431	2,060
Effect from the interest SWAP	16	(18)	16	(10)
Adjusted net income	2,447	1,656	2,447	2,050
Sales revenues	14,761	14,567	14,761	8,264
Adjusted net income margin	16.6%	11.4%	16.6%	24.8%

Current ratio

	For 3 months ended	
	March 31, 2010	December 31, 2009
	(US\$ million, except ratio)	
Current assets	16,450	15,169
Current liabilities	13,711	13,443
Current ratio	1.20	1.13