



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE QUARTERS ENDED MARCH 31, 2011 AND 2010 AND
FOR THE QUARTER ENDED DECEMBER 31, 2010**

*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, 2011, 2010 and December 31, 2010 (the "**Interim Consolidated Financial Statements**"). Such terms as "**Rosneft**," "**Company**" and "**Group**" in their different forms in this report mean Rosneft Oil Company and its consolidated subsidiaries and affiliated companies. This report presents Rosneft's financial condition and results of operations on a consolidated basis. This report contains forward-looking statements that involve risks and uncertainties. Rosneft's actual results may materially differ from those discussed in such forward-looking statements as a result of various factors.*

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

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

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

Overview

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

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

Rosneft is one of the world's largest publicly traded companies in terms of proved hydrocarbon reserves which as of December 31, 2010 amounted to 22.7 billion barrels of oil equivalent, including 18.1 billion barrels of oil and 791 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 2.36 million barrels per day (average for the first quarter of 2011) and output of natural and associated gas is over 3.20 billion cubic meters per quarter (data for the first quarter of 2011).

Rosneft processes part of the crude oil produced at its seven refineries with total primary refining capacity of 1.0 million barrels per day. Rosneft's refinery throughput is 1.0 million barrels per day (average for the first quarter of 2011) which equals 42% of the Company's crude oil output. Current utilization of the refining capacities is close to 100%. 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 (1,800 service stations including franchised agreements). The remaining volumes (mainly fuel oil, diesel and naphtha) are exported to Europe, CIS and Asia.

Financial and Operating Highlights

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 3 months ended</i>		<i>% change</i>
	March 31, 2011	December 31, 2010		March 31, 2011	March 31, 2010	
Financial results						
Revenues (US\$ million)	20,123	17,384	15.8%	20,123	14,761	36.3%
EBITDA (US\$ million)	6,653	5,377	23.7%	6,653	4,443	49.7%
Adjusted net income (US\$ million) ¹	3,856	2,958	30.4%	3,856	2,447	57.6%
Capital expenditures	2,761	2,768	(0.3)%	2,761	1,754	57.4%
Adjusted free cash flow	3,181	840	278.7%	3,181	1,351	135.5%
Net Debt	11,097	13,662	(18.8)%	11,097	18,534	(40.1)%
Operational results						
Crude oil production (th. barrels per day)	2,355	2,352	0.1%	2,355	2,288	2.9%
Gas production (bcm)	3.20	3.25	(1.5)%	3.20	3.27	(2.1)%
Hydrocarbon production (th. boe per day)	2,564	2,559	0.2%	2,564	2,501	2.5%
Production of petroleum products (million tonnes)	11.76	12.25	(4.0)%	11.76	12.06	(2.5)%

¹ Net income for the three months ended March 31, 2011 and for the three months ended December 31, 2010 is adjusted for effect of SWAP operations in the amount of US\$ 27 and US\$ 45 million. Net income for the three months ended March 31, 2010 is adjusted for the loss from SWAP operations in the amount of US\$ 16 million.

Macroeconomic Factors Affecting Results of Operations

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

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

Changes in Crude Oil, Petroleum Product and Gas Prices

World crude oil prices are highly volatile and fluctuate depending on the global balance of supply and demand and on numerous speculative factors. Crude oil exported by Rosneft via Transneft's (Russian pipeline monopoly) pipeline system is blended with crude oil of other producers that is of a different quality. The resulting Urals blend is traded at a discount to Brent. Crude oil exported via ESPO pipeline is sold at a special price which is linked to the price for "Dubai", but in particular cases the price is linked to "Urals" and "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, 2011	December 31, 2010		March 31, 2011	March 31, 2010	
	(US\$ per barrel)		%	(US\$ per barrel)		%
World market						
Brent (dated)	104.97	86.48	21.4%	104.97	76.24	37.7%
Urals (average CIF Med and NWE)	102.18	85.24	19.9%	102.18	75.26	35.8%
Urals (FOB Primorsk)	100.37	83.64	20.0%	100.37	73.37	36.8%
Urals (FOB Novorossysk)	100.89	83.64	20.6%	100.89	73.48	37.3%
Dubai-Oman	100.62	84.38	19.2%	100.62	76.02	32.4%
	(US\$ per tonne)			(US\$ per tonne)		
Naphtha (av. FOB/CIF Med)	889.43	779.61	14.1%	889.43	691.99	28.5%
Naphtha (av. FOB Rotterdam/CIF NWE)	903.93	790.96	14.3%	903.93	706.81	27.9%
Naphtha (CFR Japan)	915.84	803.33	14.0%	915.84	716.63	27.8%
Fuel oil 3.5% (av. FOB/CIF Med)	554.86	463.58	19.7%	554.86	440.65	25.9%
Fuel oil 3.5% (av. FOB Rotterdam/CIF NWE)	554.29	464.88	19.2%	554.29	441.43	25.6%
High sulphur fuel oil 180 cst (FOB Singapore)	597.44	494.80	20.7%	597.44	473.31	26.2%
Gasoil 0.1% (av. FOB/CIF Med)	881.78	732.69	20.3%	881.78	632.78	39.4%
Gasoil 0.1% (av. FOB Rotterdam/CIF NWE)	881.54	732.18	20.4%	881.54	632.69	39.3%
Gasoil 0.5% (FOB Singapore)	881.84	723.17	21.9%	881.84	629.87	40.0%
Russian market (net of VAT, including excise tax)	(US\$ per tonne)			(US\$ per tonne)		
Crude oil	301.35	246.59	22.2%	301.35	210.74	43.0%
Fuel oil	268.47	263.49	1.9%	268.47	238.20	12.7%
Summer diesel	618.36	506.24	22.1%	618.36	435.27	42.1%
Winter diesel	773.38	647.22	19.5%	773.38	532.01	45.4%
Jet fuel	665.26	538.87	23.5%	665.26	479.27	38.8%
High octane gasoline	760.68	704.18	8.0%	760.68	635.03	19.8%
Low octane gasoline	720.35	589.06	22.3%	720.35	538.65	33.7%

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 1,428 (excluding VAT) (US\$ 48.80 per thousand cubic meters) and RUB 1,347 (US\$ 43.85 per thousand cubic meters) in the first quarter of 2011 and fourth quarters of 2010, 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, 2011	December 31, 2010	March 31, 2010
Rouble inflation (CPI) for the period	3.8%	2.6%	3.2%
Change of the average invert exchange rate (RUB/US\$) compared to the previous period	4.9%	(0.3)%	(1.4)%
US\$/RUB exchange rate at the end of the period	28.43	30.48	29.36
Average US\$/RUB exchange rate for the period	29.27	30.71	29.89
Real appreciation/(depreciation) of the RUB against the US\$ compared to the previous period	9.3%	1.8%	1.4%

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, 2011	December 31, 2010		March 31, 2011	March 31, 2010	
Mineral extraction tax						
Crude oil (RUB per tonne)	4,090	3,453	18.4%	4,090	2,877	42.2%
Natural gas (RUB per th. cubic meters)	237	147	61.2%	237	147	61.2%
Associated gas (RUB per th. cubic meters)	—	—		—	—	
Export customs duty						
Crude oil (US\$ per tonne)	343.0	286.97	19.5%	343.0	263.77	30.0%
East Siberian Crude oil (US\$ per tonne)	135.2	96.30	40.4%	135.2	—	100.0%
Light and middle distillates and gasoil (US\$ per tonne)	234.3	205.63	13.9%	234.3	190.03	23.3%
Liquid fuels (fuel oil) (US\$ per tonne)	151.4	110.77	36.7%	151.4	102.37	47.9%

According to the legislation introduced in the end of 2010 the excise tax rates on the petroleum products were increased and linked to the environmental characteristics of the products.

Excise on petroleum products	2011	2012	2013
High octane gasoline (RUB per tonne)			
High octane gasoline below euro-3,4,5 (RUB per tonne)	5,995	7,725	9,511
High octane gasoline euro-3 (RUB per tonne)	5,672	7,382	9,151
High octane gasoline euro-4,5 (RUB per tonne)	5,143	6,822	8,560
Naphtha (RUB per tonne)	6,089	7,824	9,617
Diesel (RUB per tonne)			
Diesel below euro- 3,4,5 (RUB per tonne)	2,753	4,098	5,500
Diesel euro-3 (RUB per tonne)	2,485	3,814	5,199
Diesel euro-4,5 (RUB per tonne)	2,247	3,562	4,934
Lubricants (RUB per tonne)	4,681	6,072	7,509

In 2010 the excise tax rates on the petroleum products were as follows:

Excise on petroleum products	
High octane gasoline (RUB per tonne)	3,992
Low octane gasoline (RUB per tonne)	2,923
Naphtha (RUB per tonne)	4,290
Diesel (RUB per tonne)	1,188
Lubricants (RUB per tonne)	3,246

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, 2011	December 31, 2010		March 31, 2011	March 31, 2010	
			%			%
Mineral extraction tax						
Crude oil (US\$ per tonne)	139.72	112.42	24.3%	139.72	96.25	45.2%
Natural gas (US\$ per th. cubic meters)	8.10	4.79	69.1%	8.10	4.92	64.6%

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, 2011	December 31, 2010		March 31, 2011	March 31, 2010	
			%			%
Mineral extraction tax on crude oil (US\$ per barrel)	19.10	15.37	24.3%	19.10	13.16	45.2%
Export duty on crude oil (US\$ per barrel)	46.89	39.23	19.5%	46.89	36.06	30.0%

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

	<i>For 3 months ended</i>		
	March 31, 2011	December 31, 2010	March 31, 2010
	US\$ million	US\$ million	US\$ million
Total revenues	20,123	17,384	14,761
Total taxes ⁽¹⁾	9,864	8,118	7,219
Effective tax burden, %	49.0%	46.7%	48.9%

(1) Includes the following taxes: export customs duty, mineral extraction tax, excise tax, income tax and other taxes.

The mineral extraction tax and the export customs duty accounted for approximately 40.0% and 40.6% of Rosneft's total revenues in the first quarter of 2011 and fourth quarter of 2010, respectively. In the first quarter 2010 the mineral extraction tax and the export customs duty accounted for approximately 41.4% of Rosneft's total revenues.

Mineral Extraction Tax

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

The mineral extraction tax rate is calculated by multiplying the base rate of RUB 419 by the adjustment ratio of $((\text{Price} - 15) / 261) * \text{Exchange rate}$, where “Price” is the average Urals price per barrel and “Exchange rate” is the average RUB/US\$ exchange rate established by the Central Bank of Russia in the respective month.

According to changes in tax legislation introduced in the end of 2010 the base rate will be increased to RUB 446 from January 1, 2012 and to RUB 470 from January 1, 2013.

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

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

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

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

Export Customs Duty on Crude Oil

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

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

<i>Urals price (US\$ per tonne)</i>	<i>Export customs duty(US\$ per tonne)</i>
Below and including 109.5 (15 US\$ per barrel).....	Export customs duty is not levied
Above 109.5 to and including 146 (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 a specific export customs duty regime. In particular, zero export duty rate was applicable to the Verkhnechonsk field starting from December 1, 2009. Special favorable export duty rate was applicable to the Vankor field starting from January 19, 2010 till July 01, 2010.

Starting from July 01, 2010 the zero rate was replaced by a special rate calculated as $(\text{Price} - 50) * 0.45$, where “Price” is average Urals price used for the calculation of ordinary export duty.

The crude oil from Vankor field will be subject to ordinary export duty rate starting from May 01, 2011.

In 2010 export duties were not payable on crude oil exports to CIS countries that are members of the Customs Union except for Belarus. In January 2010, the exports of crude oil to Belarus were taxable at the ordinary export duty rate. On January 27, 2010 the Government of Russian Federation and the Government of Belarus signed an agreement on crude oil and petroleum product exports. In accordance with the agreement crude oil exports to Belarus within specific limits established by the Russian Ministry of Energy are exempted from export duty.

Starting from January 2011, all members of the Customs Union, including Belarus are exempt from customs duties. The Governments of Russian Federation and Belarus agreed on limitations of the export volumes of crude oil to Belarus for 2011.

Export Customs Duty on Petroleum Products

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

In 2010 the export customs duty on light petroleum products was 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 was calculated using the following formula: $0.236 * (\text{Price} * 7.3 - 109.5)$.

The Resolution by the Russian Government issued in the end of 2010 provides for the new formulas and gradual equalization of export duties for light and dark petroleum products by 2013. Starting from February 2011 the following formula is used for the export duty rates: “K”x Crude oil export customs duty rate, where “K” is a special coefficient for different petroleum products.

The table below presents “K”-coefficient for the petroleum products set for 2011-2013:

	2011	2012	2013
Light petroleum products	0.670	0.640	0.600
Dark petroleum products	0.467	0.529	0.600

Changes in Transport Tariffs of Pipeline and Railway Monopolies

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

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

The monopolies set tariffs for each separate route of the pipeline networks depending on the length of the relevant routes, transportation direction and other factors. Tariffs for railroad transportation depend on type and transportation route.

In 2010 Transneft increased its tariffs three times, in January, August and December, by 15.9%, 3.3% and 9.9%, respectively. In February 2010 tariffs for pipeline exports of petroleum products were increased by 10.4% and tariffs for transportation within Russia were raised by 2.2%. Transneft did not increase transportation tariffs in the first quarter of 2011.

In January 2010 tariffs for rail road transportation were raised by 9.4%. From January 2011 tariffs for rail road transportation were raised by another 8.0%.

Rosneft average transportation tariffs applied for major transportation routes denominated in RUB for the respective periods:

	<i>For 3 months ended</i>			<i>For 3 month ended</i>		
	March 31, 2011	December 31, 2010	Change	March 31, 2011	March 31, 2010	Change
	(RUB/tonne)		(%)	(RUB/tonne)		(%)
CRUDE OIL						
Domestic						
<i>Pipeline</i>						
Yugansk – Samara refineries	718.16	677.81	6.0%	718.16	633.42	13.4%
Samara – Samara refineries	45.51	42.94	6.0%	45.51	40.47	12.5%
Yugansk – Angarsk refinery	1,193.66	1,127.95	5.8%	1,193.66	1,062.89	12.3%
Purpe – Tuapse refinery	1,482.85	1,399.23	6.0%	1,482.85	1,310.65	13.1%
Tomsk – Achinsk refinery	326.81	310.06	5.4%	326.81	290.78	12.4%
<i>Pipeline and railroad</i>						
Yugansk – Komsomolsk refinery	3,917.18	3,644.26	7.5%	3,917.18	3,579.97	9.4%
Exports						
<i>Pipeline</i>						
Yugansk – Primorsk	1,289.75	1,206.17	6.9%	1,289.75	1,145.55	12.6%
Yugansk – Novorossysk	1,444.54	1,363.36	6.0%	1,444.54	1,278.53	13.0%
Vankor (Purpe)-Primorsk	1,640.65	1,539.09	6.6%	1,640.65	1,436.30	14.2%
Vankor (Purpe)-Kozmino	1,815.00	1,706.26	6.4%	1,815.00	1,598.00	13.6%
<i>Pipeline and railroad</i>						
Purneftegaz - KTK	2,058.40	1,970.25	4.5%	2,058.40	1,877.81	9.6%
PETROLEUM PRODUCT EXPORTS						
Diesel						
Samara refineries – Ventspils	1,704.43	1,619.53	5.2%	1,704.43	1,555.55	9.6%
Angarsk refinery – Nakhodka	3,890.15	3,615.65	7.6%	3,890.15	3,615.65	7.6%
Komsomolsk refinery – Nakhodka	1,525.31	1,419.03	7.5%	1,525.31	1,419.03	7.5%
Achinsk refinery – Tuapse	4,379.27	4,069.43	7.6%	4,379.27	4,069.43	7.6%
Fuel oil						
Samara refineries – Odessa	2,709.71	2,579.51	4.9%	2,709.71	2,560.16	5.8%
Angarsk refinery – Nakhodka	3,963.98	3,670.78	8.0%	3,963.98	3,670.78	8.0%
Komsomolsk refinery – Nakhodka	1,484.69	1,374.87	8.0%	1,484.69	1,374.87	8.0%
Achinsk refinery – Nakhodka	4,889.87	4,528.16	8.0%	4,889.87	4,528.16	8.0%
Naphtha						
Samara refineries – Tuapse	1,868.86	1,740.94	7.3%	1,868.86	1,740.94	7.3%
Achinsk refinery – Tuapse	4,297.44	3,995.98	7.5%	4,297.44	3,995.98	7.5%
Angarsk refinery – Nakhodka	3,776.55	3,512.37	7.5%	3,776.55	3,512.37	7.5%
Komsomolsk refinery – Nakhodka	1,496.64	1,393.50	7.4%	1,496.64	1,393.50	7.4%

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

The table below presents average tariffs applied for major transportation routes used by Rosneft primarily denominated in RUB and translated to US\$ at the average exchange rate for the respective periods:

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	March 31, 2011	December 31, 2010	<i>Change</i>	March 31, 2011	March 31, 2010	<i>Change</i>
	(US\$/tonne)		(%)	(US\$/tonne)		(%)
CRUDE OIL						
Domestic						
<i>Pipeline</i>						
Yugansk – Samara refineries	24.54	22.07	11.2%	24.54	21.19	15.8%
Samara – Samara refineries	1.55	1.40	10.7%	1.55	1.35	14.8%
Yugansk – Angarsk refinery	40.78	36.73	11.0%	40.78	35.56	14.7%
Purpe – Tuapse refinery	50.66	45.56	11.2%	50.66	43.85	15.5%
Tomsk – Achinsk refinery	11.17	10.10	10.6%	11.17	9.73	14.8%
<i>Pipeline and railroad</i>						
Yugansk – Komsomolsk refinery	133.83	118.66	12.8%	133.83	119.77	11.7%
Exports						
<i>Pipeline</i>						
Yugansk – Primorsk	44.06	39.27	12.2%	44.06	38.33	14.9%
Yugansk – Novorossysk	49.35	44.39	11.2%	49.35	42.77	15.4%
Vankor(Purpe)-Primorsk	56.05	50.11	11.9%	56.05	48.05	16.6%
Vankor(Purpe)-Kozmino	62.01	55.56	11.6%	62.01	53.46	16.0%
<i>Pipeline and railroad</i>						
Purneftegaz - KTK	70.33	64.15	9.6%	70.33	62.82	12.0%
PETROLEUM PRODUCT EXPORTS						
Diesel						
Samara refineries – Ventpils ¹	58.23	52.73	10.4%	58.23	52.04	11.9%
Angarsk refinery – Nakhodka	132.91	117.73	12.9%	132.91	120.96	9.9%
Komsomolsk refinery – Nakhodka	52.11	46.20	12.8%	52.11	47.47	9.8%
Achinsk refinery – Tuapse	149.62	132.50	12.9%	149.62	136.15	9.9%
Fuel oil						
Samara refineries – Odessa	92.58	83.99	10.2%	92.58	85.65	8.1%
Angarsk refinery – Nakhodka	135.43	119.52	13.3%	135.43	122.81	10.3%
Komsomolsk refinery – Nakhodka	50.72	44.77	13.3%	50.72	46.00	10.3%
Achinsk refinery – Nakhodka	167.06	147.44	13.3%	167.06	151.49	10.3%
Naphtha						
Samara refineries – Tuapse	63.85	56.69	12.6%	63.85	58.24	9.6%
Achinsk refinery – Tuapse	146.82	130.11	12.8%	146.82	133.69	9.8%
Angarsk refinery – Nakhodka	129.03	114.37	12.8%	129.03	117.51	9.8%
Komsomolsk refinery – Nakhodka	51.13	45.37	12.7%	51.13	46.62	9.7%

¹- tariff denominated in US\$

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

Rosneft operates proprietary transportation and transshipment facilities. This allows to optimise Company's netbacks. These facilities include: the Arkhangelsk, De-Kastri, Tuapse and Nakhodka export terminals, the Okha – Komsomolsk-on-Amur pipeline, Vankor-Purpe pipeline and the Caspian Pipeline Consortium pipeline. In Caspian Pipeline Consortium Rosneft has a stake through a joint venture "Rosneft Shell Caspian Ventures Ltd" (Cyprus).

Operating Results

Production of Crude Oil

Rosneft has twelve fully consolidated production and development enterprises, which produce crude oil in Western Siberia, Eastern Siberia, Timan Pechora, Central Russia, southern part of European Russia and the Russian Far East. The Company also has a 20% stake in the Sakhalin-1 project accounted for using proportionate consolidation method. In addition, Rosneft participates in four production joint ventures accounted for using the equity method: Tomskneft – 50.0%, Udmurtneft – 49.5%, Polar Lights – 50.0% and Verkhnechonskneftegaz – 25.94%.

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

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	March 31, 2011	December 31, 2010	Change	March 31, 2011	March 31, 2010	Change
	(million of barrels)		(%)	(million of barrels)		(%)
Yuganskneftegaz (Western Siberia)	120.20	123.54	(2.7)%	120.20	117.45	2.3%
Samaraneftegaz (Central Russia)	18.99	19.38	(2.0)%	18.99	18.48	2.8%
Purneftegaz (Western Siberia)	12.60	13.28	(5.1)%	12.60	13.00	(3.1)%
Vankorneft (Eastern Siberia)	25.12	24.02	4.6%	25.12	20.87	20.4%
Severnaya Neft (Timan Pechora)	6.78	7.17	(5.4)%	6.78	7.84	(13.5)%
Sakhalin-1 (Far East) (net of royalty and government share)	2.86	3.07	(6.8)%	2.86	2.35	21.7%
Other	8.13	8.45	(3.8)%	8.13	9.31	(12.7)%
Crude oil production by fully and proportionately consolidated enterprises	194.68	198.91	(2.1)%	194.68	189.30	2.8%
Tomskneft (Western Siberia)	9.26	9.53	(2.8)%	9.26	9.29	(0.3)%
Udmurtneft (Central Russia)	5.67	5.86	(3.2)%	5.67	5.68	(0.2)%
Polar Lights (Timan Pechora)	0.55	0.59	(6.8)%	0.55	0.68	(19.1)%
Verkhnechonskneftegaz (Eastern Siberia)	1.83	1.45	26.2%	1.83	0.93	96.8%
Total share in production of joint ventures	17.31	17.43	(0.7)%	17.31	16.58	4.4%
Total crude oil production	211.99	216.34	(2.0)%	211.99	205.88	3.0%
Daily crude oil production (th. barrels per day)	2,355	2,352	0.1%	2,355	2,288	2.9%

In the first quarter of 2011 Rosneft's average daily crude oil production reached 2,355 th. barrels per day, and remained practically unchanged compared with the fourth quarter of 2010. Daily production level has been retained due to crude oil production growth at Vankor and Verkhnechonsk fields, which was offset by insignificant natural decrease in crude oil production in Rosneft's traditional regions.

In the first quarter of 2011 Rosneft's average daily crude oil production was 2.9% higher than in the first quarter of 2010. The growth was driven primarily by commercial production growth at the Vankor field. Crude oil production also increased at Yuganskneftegaz due to higher volume of production drilling in the second half of 2010, efficient placement of new wells and well interventions. Other crude oil production growth drivers were Samaraneftegaz, Verkhnechonskneftegaz and Sakhalin-1.

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	December	Change	March	March	Change
	31, 2011	31, 2010		31, 2011	31, 2010	
	(bcm)		(%)	(bcm)	(%)	
Purneftegaz (Western Siberia)	0.90	0.91	(1.1)%	0.90	0.93	(3.2)%
Yuganskneftegaz (Western Siberia)	0.71	0.70	1.4%	0.71	0.70	1.4%
Krasnodarneftegaz (Southern Russia)	0.72	0.71	1.4%	0.72	0.73	(1.4)%
Samaraneftegaz (Central Russia)	0.13	0.14	(7.1)%	0.13	0.10	30.0%
Severnaya Neft (Timan Pechora)	0.07	0.07	(1.8)%	0.07	0.07	(0.1)%
Vankoroil (Eastern Siberia)	0.09	0.09	3.1%	0.09	0.06	50.0%
Sakhalin-1 (Far East) (net of royalty and government share)	0.10	0.07	42.9%	0.10	0.10	(2.1)%
Other	0.33	0.34	(2.9)%	0.33	0.40	(17.5)%
Gas production by fully and proportionately consolidated enterprises	3.05	3.03	0.7%	3.05	3.09	(1.3)%
Tomskneft (Western Siberia)	0.13	0.20	(35.0)%	0.13	0.16	(18.8)%
Udmurtneft (Central Russia)	0.01	0.01	2.0%	0.01	0.01	7.8%
Polar Lights (Timan Pechora)	0.01	0.01	3.0%	0.01	0.01	(7.2)%
Total share in production of joint ventures	0.15	0.22	(31.8)%	0.15	0.18	(16.7)%
Total gas production	3.20	3.25	(1.5)%	3.20	3.27	(2.1)%
Natural gas	1.25	1.21	3.3%	1.25	1.26	(0.8)%
Associated gas	1.95	2.04	(4.4)%	1.95	2.01	(3.0)%

* Production volume equals extracted volume minus flared volume.

In the first quarter of 2011 Rosneft's natural and associated gas production was 3.20 bcm, which was 1.5% lower than in the fourth quarter of 2010. The decrease resulted from required maintenance at the Luginetskaya compression station and lower number of days in the first quarter of 2011 compared to the fourth quarter of 2010.

In the first quarter of 2011 Rosneft's natural and associated gas production was 2.1% lower than in the first quarter of 2010, primarily as a result of a decrease in demand for gas produced by Krasnodarneftegaz and natural decrease in crude oil production at Purneftegaz, Grozneftegaz and other entities.

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

Petroleum Product Output

Rosneft processes produced and procured crude oil at its refineries: 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 six mini-refineries (in Western Siberia, Eastern Siberia, Timan-Pechora and the southern part of European Russia), as well as 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, 2011	December 31, 2010	Change	March 31, 2011	March 31, 2010	Change
	<i>(million of tonnes)</i>		<i>(%)</i>	<i>(million of tonnes)</i>		<i>(%)</i>
Crude oil processing at Rosneft's refineries	12.43	12.94	(3.9)%	12.43	12.76	(2.6)%
Product output:						
High octane gasoline	1.28	1.33	(3.8)%	1.28	1.23	4.1%
Low octane gasoline	0.11	0.39	(71.8)%	0.11	0.39	(71.8)%
Naphtha	0.96	0.74	29.7%	0.96	0.81	18.5%
Diesel	4.24	4.37	(3.0)%	4.24	4.22	0.5%
Fuel oil	4.21	4.45	(5.4)%	4.21	4.55	(7.5)%
Jet	0.24	0.25	(4.0)%	0.24	0.22	9.1%
Petrochemicals	0.15	0.12	25.0%	0.15	0.14	7.1%
Other	0.57	0.60	(5.0)%	0.57	0.50	14.0%
Total	11.76	12.25	(4.0)%	11.76	12.06	(2.5)%

In the first quarter of 2011, Rosneft's refinery throughput was 3.9% lower than in the fourth quarter of 2010, while daily crude oil throughput decreased by only 1.8%. The change was due to lower refinery throughput at the Tuapse refinery following the decommissioning of a crude distillation unit in the end of 2010, as well as planned turnarounds at Samara refineries. The decrease in low octane gasoline output and associated increase in output of naphtha was due to requirements of Technical regulations to quality of motor fuel.

In the first quarter of 2011 Rosneft's refinery throughput was 2.6% lower than in the first quarter of 2010. The change in structure of petroleum products output was due to a decrease in demand for particular products and requirements of Technical regulations to quality of motor fuel.

Results of Operations

The following table sets forth the statement of income information both in absolute values and respective changes over the analysed periods:

	<i>For 3 months ended</i>			<i>Change</i>	
	March 31, 2011	December 31, 2010	March 31, 2010	Change March 31, 2011 vs. March 31, 2010	Change March 31, 2011 vs. March 31, 2010
	<i>(US\$ million, except %)</i>			<i>%</i>	
Revenues					
Oil and gas sales	11,208	9,827	8,047	14.1%	39.3%
Petroleum products and petrochemicals sales	8,501	7,138	6,310	19.1%	34.7%
Support services and other revenues	414	419	404	(1.2)%	2.5%
Total revenues	20,123	17,384	14,761	15.8%	36.3%
Cost and expenses					
Production and operating expenses	1,328	1,393	1,084	(4.7)%	22.5%
Cost of purchased oil, gas and petroleum products	1,105	639	496	72.9%	122.8%
General and administrative expenses	389	472	350	(17.6)%	11.1%
Pipeline tariffs and transportation costs	1,873	1,763	1,764	6.2%	6.2%
Exploration expenses	87	218	58	(60.1)%	50.0%
Depreciation, depletion and amortisation	1,443	1,578	1,272	(8.6)%	13.4%
Accretion expense	32	27	25	18.5%	28.0%
Taxes other than income tax	3,654	2,930	2,582	24.7%	41.5%
Export customs duty	5,034	4,592	3,984	9.6%	26.4%
Total cost and expenses	14,945	13,612	11,615	9.8%	28.7%
Operating income	5,178	3,772	3,146	37.3%	64.6%
Other (expenses)/income					
Interest income	171	150	125	14.0%	36.8%
Interest expense	(120)	(83)	(162)	(44.6)%	(25.9)%
Loss on disposal of property, plant and equipment	(23)	(75)	(30)	(69.3)%	(23.3)%
Impairment loss	(2)	(31)	–	(93.5)%	(100.0)%
Gain on disposal of investments	1	9	10	(88.9)%	(90.0)%
Equity share in affiliates' profits/(loss)	53	(7)	32	857.1%	65.6%
Dividends and income from joint ventures	–	5	–	(100.0)%	–
Other (expenses)/income, net	(120)	(104)	29	15.4%	513.8%
Foreign exchange (loss)/gain	(20)	16	(5)	(225.0)%	300.0%
Total other (expenses)/ Income	(60)	(120)	(1)	(50.0)%	>100.0%
Income before income tax and minority interest	5,118	3,652	3,145	40.1%	62.7%
Income tax	(1,176)	(596)	(653)	97.3%	80.1%
Net income	3,942	3,056	2,492	29.0%	58.2%
Less: net income attributable to noncontrolling interests	(59)	(53)	(61)	(11.3)%	(3.3)%
Net income attributable to Rosneft	3,883	3,003	2,431	29.3%	59.7%
Other comprehensive income/(loss)	2	(1)	7	300.0%	(71.4)%
Comprehensive income	3,885	3,002	2,438	29.4%	59.4%

	<i>Key ratios (%)</i>		
	<i>For 3 months ended</i>		
	March 31, 2011	December 31, 2010	March 31, 2010
Operating income margin	25.7%	21.7%	21.3%
Portion of pipeline and transportation costs	9.3%	10.1%	12.0%
Net income margin	19.3%	17.3%	16.5%

Revenues

In the first quarter of 2011 revenues were 15.8% higher than in the fourth quarter of 2010 and amounted to US\$ 20,123 million. Revenue growth mainly resulted from increase in market prices of crude oil and petroleum products.

In the first quarter of 2011 revenues were 36.3% higher compared to the first quarter of 2010, which was driven by substantial increase in prices. Urals price increased by 35.8% and the world market prices for diesel and fuel oil rose by 39.4% and 25.9% respectively.

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, 2011		December 31, 2010		Change	March 31, 2011		March 31, 2010		Change
	% of total revenue		% of total revenue		%	% of total revenue		% of total revenue		%
(US\$ million, except %)										
Crude oil										
Export, excluding CIS	10,637	52.9%	9,276	53.4%	14.7%	10,637	52.9%	7,681	52.0%	38.5%
Europe and other direction	7,259	36.1%	6,326	36.4%	14.7%	7,259	36.1%	5,378	36.4%	35.0%
Asia	3,378	16.8%	2,950	17.0%	14.5%	3,378	16.8%	2,303	15.6%	46.7%
CIS	406	2.0%	359	2.1%	13.1%	406	2.0%	210	1.4%	93.3%
Domestic	43	0.2%	78	0.4%	(44.9)%	43	0.2%	43	0.3%	0.0%
Total crude oil	11,086	55.1%	9,713	55.9%	14.1%	11,086	55.1%	7,934	53.7%	39.7%
Gas	122	0.6%	114	0.7%	7.0%	122	0.6%	113	0.8%	8.0%
Petroleum products										
Export, excluding CIS	4,881	24.3%	3,672	21.1%	32.9%	4,881	24.3%	3,690	25.0%	32.3%
Europe and other direction	3,016	15.0%	2,170	12.5%	39.0%	3,016	15.0%	2,188	14.8%	37.8%
Asia	1,865	9.3%	1,502	8.6%	24.2%	1,865	9.3%	1,502	10.2%	24.2%
CIS	22	0.1%	42	0.2%	(47.6)%	22	0.1%	48	0.3%	(54.2)%
Domestic	3,264	16.2%	3,124	18.0%	4.5%	3,264	16.2%	2,348	15.9%	39.0%
Wholesale	2,072	10.3%	2,031	11.7%	2.0%	2,072	10.3%	1,519	10.3%	36.4%
Retail	1,192	5.9%	1,093	6.3%	9.1%	1,192	5.9%	829	5.6%	43.8%
Sales of bunker fuel to end-users	197	1.0%	199	1.1%	(1.0)%	197	1.0%	122	0.9%	61.5%
Total petroleum products	8,364	41.6%	7,037	40.4%	18.9%	8,364	41.6%	6,208	42.1%	34.7%
Petrochemical products	137	0.7%	101	0.6%	35.6%	137	0.7%	102	0.7%	34.3%
Support services and other revenues	414	2.0%	419	2.4%	(1.2)%	414	2.0%	404	2.7%	2.5%
Total sales	20,123	100.0%	17,384	100.0%	15.8%	20,123	100.0%	14,761	100.0%	36.3%

Sales Volumes

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

	<i>For 3 months ended</i>					<i>For 3 months ended</i>				
	March 31, 2011		December 31, 2010		Change	March 31, 2011		March 31, 2010		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	107.97	52.5%	109.28	53.0%	(1.2)%	107.97	52.5%	102.56	52.3%	5.3%
Europe and other directions	71.69	34.9%	75.05	36.4%	(4.5)%	71.69	34.9%	72.35	36.9%	(0.9)%
Asia	36.28	17.6%	34.23	16.6%	6.0%	36.28	17.6%	30.21	15.4%	20.1%
CIS	7.02	3.4%	5.56	2.7%	26.3%	7.02	3.4%	4.83	2.5%	45.3%
Domestic	0.95	0.5%	2.34	1.1%	(59.4)%	0.95	0.5%	1.46	0.7%	(34.9)%
Total crude oil	115.94	56.4%	117.18	56.8%	(1.1)%	115.94	56.4%	108.85	55.5%	6.5%
Crude oil	mln tonnes		mln tonnes		%	mln tonnes		mln tonnes		%
Export, excluding CIS	14.76	52.5%	14.94	53.0%	(1.2)%	14.76	52.5%	14.02	52.3%	5.3%
Europe and other directions	9.80	34.9%	10.26	36.4%	(4.5)%	9.80	34.9%	9.89	36.9%	(0.9)%
Asia	4.96	17.6%	4.68	16.6%	6.0%	4.96	17.6%	4.13	15.4%	20.1%
CIS	0.96	3.4%	0.76	2.7%	26.3%	0.96	3.4%	0.66	2.5%	45.3%
Domestic	0.13	0.5%	0.32	1.1%	(59.4)%	0.13	0.5%	0.20	0.7%	(34.9)%
Total crude oil	15.85	56.4%	16.02	56.8%	(1.1)%	15.85	56.4%	14.88	55.5%	6.5%
Petroleum products										
Export, excluding CIS	6.62	23.5%	6.02	21.4%	10.0%	6.62	23.5%	6.64	24.8%	(0.3)%
Europe and other directions	4.17	14.8%	3.71	13.2%	12.4%	4.17	14.8%	4.02	15.0%	3.7%
Asia	2.45	8.7%	2.31	8.2%	6.1%	2.45	8.7%	2.62	9.8%	(6.5)%
CIS	0.03	0.1%	0.06	0.2%	(50.0)%	0.03	0.1%	0.10	0.4%	(70.0)%
Domestic	4.94	17.6%	5.40	19.2%	(8.5)%	4.94	17.6%	4.69	17.5%	5.3%
Wholesale	3.52	12.5%	3.98	14.1%	(11.6)%	3.52	12.5%	3.55	13.2%	(0.8)%
Retail	1.42	5.1%	1.42	5.1%	0.0%	1.42	5.1%	1.14	4.3%	24.6%
Sales of bunker fuel to end-users	0.41	1.5%	0.48	1.7%	(14.6)%	0.41	1.5%	0.31	1.2%	32.3%
Total petroleum products	12.00	42.7%	11.96	42.5%	0.3%	12.00	42.7%	11.74	43.9%	2.2%
Petrochemical products	0.25	0.9%	0.20	0.7%	25.0%	0.25	0.9%	0.18	0.6%	38.9%
Total crude oil and products	28.10	100.0%	28.18	100.0%	(0.3)%	28.10	100.0%	26.80	100.0%	4.9%
Gas	bcm		bcm			bcm		bcm		bcm
Sales volumes	2.50		2.60		(3.8)%	2.50		2.64		(5.3)%

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 sales terms):

	<i>For 3 months ended</i>					<i>For 3 months ended</i>				
	March 31, 2011		December 31, 2010		Change %	March 31, 2011		March 31, 2010		Change %
	(US\$/barrel)	(US\$/tonne)	(US\$/barrel)	(US\$/tonne)		(US\$/barrel)	(US\$/tonne)	(US\$/barrel)	(US\$/tonne)	
Average export prices										
Crude oil, excluding CIS	98.52	720.66	84.88	620.88	16.1%	98.52	720.66	74.89	547.86	31.5%
Europe and other directions	101.26	740.71	84.29	616.57	20.1%	101.26	740.71	74.33	543.78	36.2%
Asia	93.11	681.05	86.18	630.34	8.0%	93.11	681.05	76.23	557.63	22.1%
Crude oil, CIS	57.83	422.92	64.57	472.37	(10.5)%	57.83	422.92	43.48	318.18	32.9%
Petroleum products, excluding CIS		737.31		609.97	20.9%		737.31		555.72	32.7%
Europe and other directions		723.26		584.91	23.7%		723.26		544.28	32.9%
Asia		761.22		650.22	17.1%		761.22		573.28	32.8%
Petroleum products, CIS		733.33		700.00	4.8%		733.33		480.00	52.8%
Average domestic prices										
Crude oil	45.26	330.77	33.33	243.75	35.7%	45.26	330.77	29.45	215.00	53.8%
Petroleum products		660.73		578.52	14.2%		660.73		500.64	32.0%
Wholesale		588.64		510.30	15.4%		588.64		427.89	37.6%
Retail		839.44		769.72	9.1%		839.44		727.19	15.4%
Gas (US\$/thousand cubic meter)		48.80		43.85	11.3%		48.80		42.80	14.0%
Sales of bunker fuel to end-users		480.49		414.58	15.9%		480.49		393.55	22.1%
Petrochemical products		548.00		505.00	8.5%		548.00		566.67	(3.3)%

Crude Oil Export Sales to non-CIS

Revenues from crude oil exports to non-CIS countries in the first quarter of 2011 were US\$ 10,637 million which is an increase of 14.7% quarter-on-quarter. Average prices upturn of 16.1% (favourable impact on revenues of US\$ 1,473 million) was partially offset by sales volumes decrease of 1.2% (negative impact on revenues of US\$ 112 million).

The deviation between average sales prices on the Asian markets and world market prices in the first quarter of 2011 is due to start of deliveries to Transneft of 6 mln tonnes of crude oil per year under the contract signed in 2009. These volumes are sold to Transneft at price based on international crude oil prices (excluding the export duty) and are reflected as export sales in Company's sales structure. Crude oil sales to Transneft (approximately 1.5 mln tonnes) were the major factor of change in crude oil export sales structure. Excluding revenues from crude oil sales to Transneft (US\$ 764 million) in the first quarter of 2011 the average sales price on the Asian markets increased by 20.2% or US\$ 17.4 per barrel and amounted to US\$ 103.6 per barrel.

In the first quarter of 2011 revenues from crude oil exports to non-CIS countries increased by 38.5% compared to the first quarter of 2010, which was driven by a 31.5% increase in average export prices (positive impact on revenues of US\$ 2,551 million) and 5.3% increase in sales volumes (favourable impact on revenues of US\$ 405 million). Export sales volumes growth was due to increased production at Vankor.

Crude Oil Export Sales to CIS

In the first quarter of 2011 revenues from sales of crude oil to CIS were US\$ 406 million, 13.1% higher than in the previous quarter. Export duty cancellation for crude oil deliveries to Belarus led to 26.3% increase in sales volumes (favorable impact on revenues of US\$ 94 million) and to 10.5% downturn in average prices, which had a negative impact on revenues of US\$ 47 million.

In the first quarter of 2011 revenues from crude oil exports to CIS countries were US\$ 196 million higher in comparison with the first quarter of 2010, which is attributable to an average price increase of 32.9% and sales volumes growth of 45.3% (positive impact on revenues of US\$ 101 million and US\$ 95 million respectively).

Domestic Crude Oil Sales

In the first quarter of 2011 domestic crude oil sales were US\$ 43 million, 44.9% lower than in the fourth quarter of 2010. Sales volumes reduction of 59.4% (unfavourable impact on revenues of US\$ 46 million) was partially compensated by a 35.7% upturn in average prices (positive impact on revenues of US\$ 11 million). Sales volumes reduction was due to redirection of crude oil flows from the domestic market to China via sales to Transneft.

In the first quarter of 2011 revenues from crude oil sales on the domestic market remained practically unchanged compared to the first quarter of 2010. Sales volumes decrease of 34.9% was offset by average prices growth of 53.8%.

Petroleum Product Export Sales to Non-CIS

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

	<i>For 3 months ended</i>						% change		
	March 31, 2011			December 31, 2010					
	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne
High octane gasoline	142	0.17	835.66	45	0.05	881.44	215.6%	240.0%	(5.2)%
Low octane gasoline	76	0.09	807.95	28	0.04	768.72	171.4%	125.0%	5.1%
Naphtha	756	0.85	892.59	593	0.76	778.63	27.5%	11.8%	14.6%
Diesel (Gasoil)	2,078	2.40	866.82	1,427	1.96	727.38	45.6%	22.4%	19.2%
Fuel oil	1,755	3.02	580.52	1,509	3.12	483.38	16.3%	(3.2)%	20.1%
Jet fuel	2	0.00	922.89	0	0.00	470.34	—	—	96.2%
Other	72	0.09	835.44	70	0.09	751.22	2.9%	0.0%	11.2%
Total	4,881	6.62	737.31	3,672	6.02	609.97	32.9%	10.0%	20.9%

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\$ 4,881 million in the first quarter of 2011, which is an increase of 32.9% compared with the fourth quarter of 2010. A 20.9% increase in average prices (favourable impact on revenues of US\$ 843 million) was accompanied by 10.0% growth in sales volumes (positive impact on revenues of US\$ 366 million). Sales volumes growth was primarily driven by increased volume of diesel exports.

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

	<i>For 3 months ended</i>						<i>% change</i>		
	March 31,2011			March 31,2010			US\$ million	million of tonnes	Average price US\$/tonne
	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne			
High octane gasoline	142	0.17	835.66	31	0.04	766.12	358.1%	325.0%	9.1%
Low octane gasoline	76	0.09	807.95	44	0.07	675.87	72.7%	28.6%	19.5%
Naphtha	756	0.85	892.59	559	0.80	698.10	35.2%	6.3%	27.9%
Diesel (Gasoil)	2,078	2.40	866.82	1,519	2.47	615.73	36.8%	(2.8)%	40.8%
Fuel oil	1,755	3.02	580.52	1,486	3.18	467.33	18.1%	(5.0)%	24.2%
Jet fuel	2	0.00	922.89	6	0.01	686.99	(66.7)%	(100.0)%	34.3%
Other	72	0.09	835.44	45	0.07	613.95	60.0%	28.6%	36.1%
Total	4,881	6.62	737.31	3,690	6.64	555.72	32.3%	(0.3)%	32.7%

In the first quarter of 2011 revenues from the export of petroleum products to non-CIS countries were 32.3% higher compared to the first quarter of 2010 which was driven by a 32.7% increase in average prices (positive impact on revenues of US\$ 1,202 million). Sales volumes decrease of 0.3% had a negative impact on revenues of US\$ 11 million.

Petroleum Product Export Sales to CIS

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

	<i>For 3 months ended</i>						<i>% change</i>		
	March 31, 2011			December 31, 2010			US\$ million	million of tonnes	Average price US\$/tonne
	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne			
High octane gasoline	3	0.00	552.12	–	–	–	100.0%	100.0%	–
Low octane gasoline	–	–	–	–	–	–	–	–	–
Naphtha	–	–	–	–	–	–	–	–	–
Diesel	6	0.01	719.89	22	0.03	640.67	(72.7)%	(66.7)%	12.4%
Fuel oil	–	–	–	–	–	–	–	–	–
Jet fuel	–	–	–	–	–	–	–	–	–
Other	13	0.02	803.71	20	0.03	703.90	(35.0)%	(33.3)%	14.2%
Total	22	0.03	733.33	42	0.06	700.00	(47.6)%	(50.0)%	4.8%

Revenues from sales of petroleum products to CIS countries in the first quarter of 2011 were 47.6% lower than in the fourth quarter of 2010 and amounted to US\$ 22 million. The decrease was driven by sales volumes decrease of 50.0% (unfavourable impact on revenues of US\$ 21 million), which was partially compensated by 4.8% upturn in average prices (a positive impact on revenues of US\$ 1 million).

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, 2011			March 31, 2010			US\$ million	million of tonnes	Average price US\$/tonne
	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne			
High octane gasoline	3	0.00	552.12	8	0.02	433.30	(62.5)%	(100.0)%	27.4%
Low octane gasoline	–	–	–	3	0.01	389.63	(100.0)%	(100.0)%	–
Naphtha	–	–	–	–	–	–	–	–	–
Diesel	6	0.01	719.89	22	0.05	441.33	(72.7)%	(80.0)%	63.1%
Fuel oil	–	–	–	–	–	–	–	–	–
Jet fuel	–	–	–	–	–	–	–	–	–
Other	13	0.02	803.71	15	0.02	664.18	(13.3)%	0.0%	21.0%
Total	22	0.03	733.33	48	0.10	480.00	(54.2)%	(70.0)%	52.8%

Revenue decrease of US\$ 26 million in the first quarter of 2011 in comparison with the first quarter of 2010 resulted from strong decrease in sales volumes of 70.0% (negative impact on revenues of US\$ 34 million) which was partially offset by 52.8% upturn in average prices (positive impact on revenues of US\$ 8 million). Sales volumes decrease is attributable to the reduction of petroleum product deliveries to CIS countries due to the changes in customs legislation providing for levying of duties on petroleum product exports to these countries.

Domestic Sales of Petroleum Products

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

	<i>For 3 months ended</i>						<i>% change</i>		
	March 31, 2011			December 31, 2010			US\$ million	million of tonnes	Average price US\$/tonne
	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne			
High octane gasoline	1,223	1.43	853.14	1,122	1.43	786.86	9.0%	0.0%	8.4%
Low octane gasoline	115	0.16	701.44	220	0.35	622.83	(47.7)%	(54.3)%	12.6%
Naphtha	–	–	–	–	–	–	–	–	–
Diesel	1,405	2.00	703.66	1,267	2.16	587.85	10.9%	(7.4)%	19.7%
Fuel oil	205	0.75	274.28	215	0.78	275.93	(4.7)%	(3.8)%	(0.6)%
Jet fuel	161	0.22	719.78	145	0.25	585.36	11.0%	(12.0)%	23.0%
Other	155	0.38	409.75	155	0.43	347.30	0.0%	(11.6)%	18.0%
Total	3,264	4.94	660.73	3,124	5.40	578.52	4.5%	(8.5)%	14.2%

Revenues from sales of petroleum products on the domestic market were US\$ 3,264 million in the first quarter of 2011, which is an increase of 4.5% compared to the fourth quarter of 2010. Revenue growth was caused by a 14.2% upturn in average prices (favourable impact on revenues of US\$ 406 million) and was partially offset by sales volumes decrease of 8.5% which had an unfavourable impact on revenues of US\$ 266 million. Decrease in domestic sales volumes was due to lower refinery throughput of petroleum products and new regulations on motor fuel quality effective from January 1, 2011.

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

	<i>For 3 months ended</i>						% change		
	March 31, 2011			March 31, 2010					
	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne
High octane gasoline	1,223	1.43	853.14	874	1.23	709.62	39.9%	16.3%	20.2%
Low octane gasoline	115	0.16	701.44	171	0.32	540.68	(32.7)%	(50.0)%	29.7%
Naphtha	—	—	—	—	—	—	—	—	—
Diesel	1,405	2.00	703.66	829	1.62	513.00	69.5%	23.5%	37.2%
Fuel oil	205	0.75	274.28	244	0.98	247.72	(16.0)%	(23.5)%	10.7%
Jet fuel	161	0.22	719.78	37	0.08	457.19	335.1%	175.0%	57.4%
Other	155	0.38	409.75	193	0.46	416.65	(19.7)%	(17.4)%	(1.7)%
Total	3,264	4.94	660.73	2,348	4.69	500.64	39.0%	5.3%	32.0%

In the first quarter of 2011 revenues from sales of petroleum products on the domestic market increased by 39.0% compared to the first quarter of 2010. This resulted from a 32.0% upturn in average prices (positive impact on revenues of US\$ 791 million) and from a 5.3% increase in sales volumes (favourable impact on revenues of US\$ 125 million). Volumes growth was a result of increased demand for petroleum products on the domestic market.

Petroleum product sales through commodity exchanges

The Company sells a wide range of petroleum products via commodity exchanges. In the first quarter of 2011 1.06 mln tonnes were sold for US\$ 689 million, which is 43.5% (US\$ 209 million) higher than in the fourth quarter of 2010 and 47.9% (US\$ 223 million) higher than in the first quarter of 2010.

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 2011 were US\$ 197 million, a decrease of 1.0% in comparison with the previous quarter.

Sales volumes increase of 32.3% (positive impact on revenues of US\$ 39 million) accompanied by 22.1% upturn in average prices (favorable impact on revenues of US\$ 36 million) led to revenues growth of 61.5% in the first quarter of 2011 compared to the same period of 2010.

Petrochemical Product Sales

Revenues from sales of petrochemical products in the first quarter of 2011 were US\$ 137 million, up 35.6% compared to the fourth quarter of 2010. An increase in sales volumes of 25.0% (favourable impact on revenues of US\$ 25 million) was accompanied by average prices upturn of 8.5% (positive impact on revenues of US\$ 11 million). Sales volumes increase resulted from petrochemical production growth following the increased demand for petrochemical products.

A 34.3% growth in revenues from sales of petrochemical products in the first quarter of 2011 compared to the first quarter 2010 was mainly due volume growth of 38.9%.

Gas Sales

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

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

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	March 31, 2011	December 31, 2010	Change	March 31, 2011	March 31, 2010	Change
Revenue	(US\$ million)		%	(US\$ million)		%
Western Siberia	32	30	6.7%	32	31	3.2%
South Russia	60	51	17.6%	60	52	15.4%
Far East	14	13	7.7%	14	12	16.7%
European part of Russia	16	20	(20.0)%	16	18	(11.1)%
Total	122	114	7.0%	122	113	8.0%
Sales volumes	(bcm)			(bcm)		
Western Siberia	1.27	1.33	(4.5)%	1.27	1.35	(5.9)%
South Russia	0.78	0.77	1.3%	0.78	0.85	(8.2)%
Far East	0.20	0.23	(13.0)%	0.20	0.20	0.0%
European part of Russia	0.25	0.27	(7.4)%	0.25	0.24	4.2%
Total	2.50	2.60	(3.8)%	2.50	2.64	(5.3)%
Average price	(US\$/thousand of cubic metres)			(US\$/thousand of cubic metres)		
Western Siberia	25.43	22.32	13.9%	25.43	22.72	11.9%
South Russia	77.20	66.09	16.8%	77.20	61.37	25.8%
Far East	71.43	57.19	24.9%	71.43	59.91	19.2%
European part of Russia	64.65	69.09	(6.4)%	64.65	79.44	(18.6)%
Total	48.80	43.85	11.3%	48.80	42.80	14.0%

In the first quarter of 2011 revenues from gas sales were US\$ 122 million, 7.0% higher than in the fourth quarter of 2010. A 11.3% upturn in average prices (positive impact on revenues of US\$ 12 million) was accompanied by sales volumes decrease of 3.8% (unfavourable impact on revenues of US\$ 4 million). Sales volumes reduction resulted from a decrease in gas production.

Revenue growth from gas sales of 8.0% in the first quarter 2011 in comparison with the first quarter 2010 was driven by increase in average prices of 14.0% (favourable impact on revenues of US\$ 15 million). Sales volumes decrease of 5.3% led to revenue reduction of US\$ 6 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, 2011	December 31, 2010	Change	March 31, 2011	March 31, 2010	Change				
	% of total revenue	% of total revenue	%	% of total revenue	% of total revenue	%				
	(US\$ million, except %)									
Drilling services	7	1.7%	15	3.6%	(53.3)%	7	1.7%	10	2.5%	(30.0)%
Sales of materials	87	21.0%	95	22.7%	(8.4)%	87	21.0%	95	23.5%	(8.4)%
Repairs and maintenance services	25	6.0%	27	6.4%	(7.4)%	25	6.0%	24	5.9%	4.2%
Rent services	18	4.3%	20	4.8%	(10.0)%	18	4.3%	14	3.5%	28.6%
Construction services	19	4.6%	18	4.3%	5.6%	19	4.6%	31	7.7%	(38.7)%
Transport services	76	18.4%	72	17.2%	5.6%	76	18.4%	76	18.8%	0.0%
Electric power sales and transmission	119	28.7%	109	26.0%	9.2%	119	28.7%	81	20.0%	46.9%
Other revenues	63	15.3%	63	15.0%	0.0%	63	15.3%	73	18.1%	(13.7)%
Total	414	100.0%	419	100.0%	(1.2)%	414	100.0%	404	100.0%	2.5%

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, 2011	December 31, 2010	%	March 31, 2011	March 31, 2010	%
	(US\$ million, except %)					
Upstream	575	595	(3.4)%	575	519	10.8%
Land restoration program	-	111	(100.0)%	-	-	-
Downstream	494	454	8.8%	494	361	36.8%
Other	259	233	11.2%	259	204	27.0%
Total	1,328	1,393	(4.7)%	1,328	1,084	22.5%

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

In 2010 the Company adopted a special five-year land restoration program aimed at restoration of lands located in the territory of upstream activities of several subsidiaries of Rosneft and damaged before the acquisition of these subsidiaries by Rosneft. In accordance with the program Rosneft made a one-off accrual of land restoration expenses in the amount of US\$ 111 million in the fourth quarter of 2010. This amount does not include expenses on land restoration spent by the Company as a part of regular production activity.

Upstream production and operating expenses in the first quarter of 2011 decreased to US\$ 575 million or by 3.4% compared with the fourth quarter of 2010. The decrease was primarily due to lower number of days in the first quarter of 2011 compared with the fourth quarter of 2010, decrease in repair expenses due to abnormally low temperature in January and February of 2011 and other factors. These factors were materially offset by a significant increase in electricity tariffs.

In the first quarter of 2011 upstream production and operating expenses increased to US\$ 575 million, or by 10.8% compared with the first quarter of 2010, when these expenses were US\$ 519 million. The growth was due to oil production increase by 2.8% (consolidated subsidiaries), increase in tariffs for electricity and the real RUB appreciation against the US\$ by 9.7%.

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, 2011	December 31, 2010	%	March 31, 2011	March 31, 2010	%
	(US\$ per bbl, US\$ per boe, except %)					
Expenses per bbl of crude oil produced	2.95	2.99	(1.3)%	2.95	2.74	7.7%
Expenses per boe of hydrocarbon produced	2.70	2.75	(1.8)%	2.70	2.50	8.0%

Rosneft's downstream expenses increased by 8.8% to US\$ 494 million in the first quarter of 2011 compared with US\$ 454 million in the fourth quarter of 2010. The increase resulted primarily from change in intragroup inventories following the increase in export sales of petroleum products.

These expenses increased by 36.8% in the first quarter of 2011 compared with the first quarter of 2010 primarily due to the real RUB appreciation against the US\$ by 9.7%, increase in petroleum products and crude oil sales, particularly, domestic retail sales, change in intragroup inventories and increase in cost of materials and additives for refining.

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, 2011	December 31, 2010	%	March 31, 2011	March 31, 2010	%
Operating expenses (US\$ million)	196	198	(1.0)%	196	157	24.8%
Operating expenses per tonne of product output (US\$/tonne)	16.67	16.16	3.2%	16.67	13.02	28.0%
Operating expenses per tonne of crude oil throughput (US\$/tonne)	15.77	15.30	3.1%	15.77	12.30	28.2%

Operating expenses of Rosneft's refineries were US\$ 196 million in the first quarter of 2011 and remained practically unchanged compared with US\$ 198 million in the fourth quarter of 2010.

In the first quarter of 2011 these expenses increased by 24.8% compared with US\$ 157 million in the first quarter of 2010. The increase resulted from the real appreciation of the RUB against the US\$ by 9.7%, increase in cost of materials and additives for refining and higher electricity tariffs.

Operating expenses related to other activities increased to US\$ 259 million in the first quarter of 2011, or by 11.2% compared with the fourth quarter of 2010. The increase was primarily due to the real appreciation of the RUB against the US\$ by 9.3%.

In the first quarter of 2011 these expenses increased by 27.0% compared with the first quarter of 2010. The increase was primarily due to the real RUB appreciation against the US\$ by 9.7%, higher volumes of other activities, increase in cost of procured energy and materials for drilling and construction and other factors.

Cost of Purchased Crude Oil, Gas and Petroleum Products

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 3 months ended</i>		<i>Change</i>
	March 31, 2011	December 31, 2010	(%)	March 31, 2011	March 31, 2010	(%)
Cost of crude oil procured (US\$ million)	674	336	100.6%	674	373	80.7%
Volume of crude oil procured (million of barrels)	15.68	9.60	63.3%	15.68	13.81	13.5%
Cost of gas procured (US\$ million)	7	7	0,0%	7	8	(12.5)%
Volume of gas procured (bcm)	0.09	0.14	(35.7)%	0.09	0.14	(35.7)%
Cost of petroleum product procured (US\$ million) ⁽¹⁾	424	296	43.2%	424	115	268.7%
Volume of petroleum product procured (million of tonnes)	0.60	0.48	25.0%	0.60	0.21	185.7%
Total cost of procured oil, gas and petroleum products and refining costs (US\$ millions)	1,105	639	72.9%	1,105	496	122.8%

(1) In the first quarter of 2011 the average procurement price of petroleum products from third parties was higher than the average selling price of petroleum products due to differences in the mix of procured and sold petroleum products.

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 3 months ended</i>		<i>Change</i>
	March 31, 2011	December 31, 2010	%	March 31, 2011	March 31, 2010	%
	(million bbl, except %)					
Tomskneft	12.40	6.61	87.6%	12.40	8.47	46.4%
Udmurtneft	1.54	1.46	5.5%	1.54	4.40	(65.0)%
Others	1.74	1.53	13.7%	1.74	0.94	85.1%
Total	15.68	9.60	63.3%	15.68	13.81	13.5%

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 2011 these transactions were exercised with Gazpromneft, Bashneft and Uralskaya NK, the volume of crude oil swaps amounted to 9.64 million barrels and 9.73 million barrels in the first quarter of 2011 and in the fourth quarter of 2010 respectively. Rosneft's estimated benefits from these transactions were US\$ 20 million and US\$ 17 million in the first quarter of 2011 and fourth quarter of 2010 respectively.

Petroleum products from third parties are purchased primarily to cover current needs of Rosneft's retail subsidiaries. Procurement of petroleum products is exposed to seasonal fluctuations of volumes and mix. Procurement prices may significantly vary depending on regional markets.

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, 2011			December 31, 2010			US\$ million	million of tonnes	Average price US\$/tonne
	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne			
High octane gasoline	207	0.28	747.52	151	0.21	741.17	37.1%	33.3%	0.9%
Low octane gasoline	23	0.04	629.57	19	0.03	620.20	21.1%	33.3%	1.5%
Diesel	182	0.26	687.99	112	0.21	529.18	62.5%	23.8%	30.0%
Fuel oil	-	-	-	-	-	-	-	-	-
Jet fuel	-	-	-	-	-	-	-	-	-
Other	12	0.02	589.47	14	0.03	452.55	(14.3)%	(33.3)%	30.3%
Total	424	0.60	706.67	296	0.48	616.67	43.2%	25.0%	14.6%

The increase in volumes of petroleum product purchases in the first quarter of 2011 in comparison to the fourth quarter of 2010 was due to a seasonal increase in demand on petroleum products and change in structure of petroleum product output at Rosneft own refineries.

The tables below set forth Rosneft's costs, volumes and average prices per tonne of petroleum products in comparison with the first quarter of 2011 and the first quarter of 2010:

	<i>For 3 months ended</i>						<i>% change</i>		
	March 31, 2011			March 31, 2010			US\$ million	million of tonnes	Average price US\$/tonne
	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne			
High octane gasoline	207	0.28	747.52	47	0.07	648.49	340.4%	300.0%	15.3%
Low octane gasoline	23	0.04	629.57	3	0.01	481.36	666.7%	300.0%	30.8%
Diesel	182	0.26	687.99	54	0.10	544.51	237.0%	160.0%	26.4%
Fuel oil	-	-	-	2	0.01	305.58	(100.0)%	(100.0)%	(100.0)%
Jet fuel	-	-	-	-	-	-	-	-	-
Other	12	0.02	589.47	9	0.02	414.61	33.3%	0.0%	42.2%
Total	424	0.60	706.67	115	0.21	547.62	268.7%	185.7%	29.0%

Average petroleum product procurement prices may deviate from average sales prices depending on particular regions and product quality.

General and Administrative Expenses

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

General and administrative expenses in the first quarter of 2011 were US\$ 389 million, 17.6% lower than in the fourth quarter of 2010. The decrease resulted mainly from the decrease in the accrual of bad debt allowance and consulting fees in the first quarter of 2011 and from the termination benefits accruals estimated at the end of 2010.

In the first quarter of 2010 general and administrative expenses were US\$ 350 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 2011 Rosneft's transportation costs increased to US\$ 1,873 million, or by 6.2% compared with the fourth quarter of 2010. The increase mainly reflected the increase of transportation tariffs by Transneft by 9.9% in December 2010, increase of railroad tariffs by 8.0% from January 2011 and usage of longer distance routes for transportation of crude oil to Achinsk, Angarsk and Komsomolsk refineries.

In the first quarter of 2011 Rosneft's transportation costs increased to US\$ 1,873 million, or by 6.2% compared with the first quarter of 2010. The increase resulted from the increase in transportation tariffs by 8.1% - 16.6% in US\$ terms, partially offset by the change in structure of crude oil export transportation routes.

The table below sets forth comparison on quarter-to-quarter basis for 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, 2011				December 31, 2010				Volume	Cost	Cost per tonne sold
	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			
CRUDE OIL											
Export sales											
Pipeline	14.84	94.4%	741	49.93	12.43	79.2%	541	43.52	19.4%	37.0%	14.7%
Railroad and mixed	0.88	5.6%	42	47.73	3.27	20.8%	255	77.98	(73.1)%	(83.5)%	(38.8)%
Transportation to refineries and domestic sales											
Pipeline	10.93		248	22.69	11.28		219	19.41	(3.1)%	13.2%	16.9%
Railroad and mixed	1.61		169	104.97	1.53		142	92.81	5.2%	19.0%	13.1%
PETROLEUM PRODUCTS											
Export sales											
Pipeline ⁽¹⁾	0.36	5.3%	20	55.56	0.27	4.3%	15	55.56	33.3%	33.3%	-
Railroad and mixed	5.39	78.9%	464	86.09	4.57	73.1%	360	78.77	17.9%	28.9%	9.3%
Other transportation expenses⁽²⁾			189				231		(18.2)%		
Total	34.01		1,873	55.07	33.35		1,763	52.86	2.0%	6.2%	4.2%

(1) Rosneft exported 1.08 million tonnes (15.8% of total export volumes) and 1.41 million tonnes (22.6% of total export volumes) of petroleum products in the first quarter of 2011 and in the fourth quarter of 2010, respectively, through its own pipeline in the town of Tuapse, where 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.

Construction of Skovorodino - Daqing pipeline was completed in the end of 2010. Rosneft replaced railroad deliveries of crude oil to China by pipeline supplies, which changed the structure of the transportation routes and allowed the Company to benefit from economies on transportation expenses.

The increase in crude oil pipeline transportation cost per tonne of export sales was 14.7%, which was due to increase in tariffs by 11.2% and 12.2% in US\$ terms and due to change in structure of transportation routes following the increased volumes of transportation through ESPO.

The decrease in crude oil railroad and mixed transportation cost per tonne of export sales was 38.8%, which was mainly due to change in structure of transportation routes used.

The increase in crude oil pipeline transportation cost per tonne of domestic supplies was 16.9% quarter-on-quarter, which was primarily due to an increase in transportation tariffs by 10.6% - 11.2% in US\$ terms as well as usage of longer distance routes for crude oil supplies to refineries.

The increase in crude oil railroad and mixed transportation cost per tonne of domestic supplies was 13.1%, which was primarily due to an increase in transportation tariffs in US\$ terms by 12.8%.

Railroad and mixed transportation cost per tonne of petroleum product export sales increased by 9.3%. The increase was due to increase in transportation tariffs by up to 13.3% in US\$ terms.

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

	<i>For 3 months ended</i>								% change		
	March 31, 2011				March 31, 2010				Volume	Cost	Cost per tonne
	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			
CRUDE OIL											
Export sales											
Pipeline	14.84	94.4%	741	49.93	11.37	77.5%	480	42.22	30.5%	54.4%	18.3%
Railroad and mixed	0.88	5.6%	42	47.73	3.31	22.5%	264	79.76	(73.4)%	(84.1)%	(40.2)%
Transportation to refineries and domestic sales											
Pipeline	10.93		248	22.69	10.95		216	19.73	(0.2)%	14.8%	15.0%
Railroad and mixed	1.61		169	104.97	1.62		153	94.44	(0.6)%	10.5%	11.1%
PETROLEUM PRODUCTS											
Export sales											
Pipeline ⁽¹⁾	0.36	5.3%	20	55.56	0.25	3.7%	13	52.00	44.0%	53.8%	6.8%
Railroad and mixed	5.39	78.9%	464	86.09	5.36	78.4%	429	80.04	0.6%	8.2%	7.6%
Other transportation expenses⁽²⁾											
			189				209		(9.6)%		
Total	34.01		1,873	55.07	32.86		1,764	53.68	3.5%	6.2%	2.6%

(1) Rosneft exported 1.08 million tonnes (15.8% of total export volumes) and 1.23 million tonnes (18.0% of total export volumes) of petroleum products in the first quarter of 2011 and in the first quarter of 2010, respectively, through its own pipeline in the town of Tuapse where 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 18.3%, which was due to an increase in tariffs by 14.9% – 16.6% in US\$ terms and the change in transportation routes used (particularly, start of deliveries of Vankor and Yugansk crude oil to China via ESPO).

The decrease in crude oil railroad and mixed transportation cost per tonne of export sales was 40.2%, which was due to the cease of supplies of crude oil to China by mixed transport.

The increase in crude oil pipeline transportation cost per tonne of domestic supplies was 15.0% quarter-on-quarter, which was primarily due to an increase in transportation tariffs by 14.7% - 15.8% in US\$ terms.

The increase in crude oil railroad and mixed transportation cost per tonne of domestic supplies was 11.1%, which was primarily due to an increase in transportation tariffs in US\$ terms by 11.7%.

In the first quarter of 2011 the increase in petroleum product pipeline cost per tonne of petroleum product export sales and railroad and mixed transportation cost per tonne of petroleum product export sales was 6.8% and 7.6%, respectively, which was due to increase in tariffs by 8.1% - 10.3% in US\$ terms and due to the change in structure of transportation routes.

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 2011 exploration expenses decreased to US\$ 87 million compared with US\$ 218 million in the fourth quarter of 2010. The decrease was due to the writing-off of dry exploratory wells in Eastern and Western Siberia in the fourth quarter of 2010.

In the first quarter of 2011 exploration expenses increased by 50% compared with the first quarter of 2010. The change in exploration expenses was due to increase in volumes of exploratory works at Samaraneftgaz fields and 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\$ 1,443 million in the first quarter of 2011 compared to US\$ 1,578 million in the fourth quarter of 2010. The decrease in the depreciation resulted mainly from increased proved reserves volume, partially offset by putting of new fixed assets into operation.

In the first quarter of 2011 depreciation, depletion and amortisation increased to US\$ 1,443 million compared with US\$ 1,272 million in the first quarter of 2010, which is an increase of 13.4%.

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 “—Macroeconomic 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 (excluding export 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, 2011	December 31, 2010	%	March 31, 2011	March 31, 2010	%
	(US\$ million, except %)					
Mineral extraction tax	2,946	2,472	19.2%	2,946	2,128	38.4%
Excise tax	421	281	49.8%	421	251	67.7%
Social security	169	75	125.3%	169	120	40.8%
Property tax	104	75	38.7%	104	66	57.6%
Land tax	7	6	16.7%	7	5	40.0%
Transportation tax	1	2	(50.0)%	1	1	-
Interest, penalties and other payments	6	19	(68.4)%	6	11	(45.5)%
Total taxes other than income tax	3,654	2,930	24.7%	3,654	2,582	41.5%

Taxes other than income tax increased by 24.7% to US\$ 3,654 million in the first quarter of 2011, compared with US\$ 2,930 million in the fourth quarter of 2010, mainly due to the increase in mineral extraction tax, which resulted from the increase in mineral extraction tax rate by 24.3% in USD terms, increase in social security tax by 125.3% and excise tax by 49.8%, compensated by the decrease in interest, penalties and other payments. The increase in social security expenses in the first quarter of 2011 is mainly due to the increase in social tax rate. The increase in excise duties resulted from the increase in excise rates and share of petroleum products subject to excises taxes in total volume of petroleum product sales.

In the first quarter taxes other than income tax amounted to US\$ 2,582 million.

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, 2011	December 31, 2010	%	March 31, 2011	March 31, 2010	%
	(US\$, except %)					
Average enacted mineral extraction tax rate	19.10	15.37	24.3%	19.10	13.16	45.2%
Actual mineral extraction tax rate per barrel of crude oil produced	15.13	12.43	21.7%	15.13	11.24	34.6%
Actual mineral extraction tax rate per barrel of oil equivalent produced	13.86	11.40	21.6%	13.86	10.26	35.1%

The actual mineral extraction tax rate is lower than enacted tax rate for the period, primarily, due to the reduced rates for crude oil produced at fields with reserve depletion of over 80% and the zero rate for crude oil produced at the Vankor field, which will be applied until accumulated production at the field reaches 25 million tonnes. It is expected that the zero rate for crude oil produced at the Vankor field will be cancelled in the second half of 2011, resulting in the significant increase in the actual mineral extraction tax rate.

Export Customs Duty

Export customs duties include crude oil and petroleum product export customs duties. The export customs duties are also discussed above under “—Macroeconomic 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, 2011	December 31, 2010	%	March 31, 2011	March 31, 2010	%
	(US\$ million, except %)					
Export customs duty for crude oil	3,770	3,639	4.0%	3,770	3,015	25.0%
Export customs duty for petroleum products	1,264	953	32.6%	1,264	969	30.4%
Total export customs duties	5,034	4,592	9.6%	5,034	3,984	26.4%

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, 2011	December 31, 2010	%	March 31, 2011	March 31, 2010	%
	(US\$ per barrel, except %)					
Average Urals price	102.18	85.24	19.9%	102.18	75.26	35.8%
Average enacted export customs duty	46.89	39.23	19.5%	46.89	36.06	30.0%
Hypothetical export customs duty calculated using the average Urals price for the period (i.e. without time lag)	54.17	43.16	25.5%	54.17	36.67	47.7%
Actual average customs duty on exports subject to regular duty	46.62	39.14	19.1%	46.62	36.18	28.9%
Actual average customs duty on all Rosneft exports (ex. Vankor)	37.97	36.53	3.9%	37.97	33.43	13.6%

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

Operating Income

As a result of the factors discussed above, operating income increased by 37.3% to US\$ 5,178 million, in the first quarter of 2011 compared with US\$ 3,772 million in the fourth quarter of 2010. As a percentage of total revenues, operating income was 25.7% and 21.7% in the first quarter of 2011 and in the fourth quarter of 2010 respectively. As a percentage of total revenues, operating income before taxes other than income tax and export customs duty was 68.9% and 65.0% in the first quarter of 2011 and in the fourth quarter of 2010 respectively.

Operating income increased to US\$ 3,146 million, in the first quarter of 2010. As a percentage of total revenues, operating income was 65.8% in the first quarter of 2010.

Other (Expenses)/Income, Net

Interest Income

In the first quarter of 2011 interest income amounted to US\$ 171 million in comparison with US\$ 150 million in the fourth quarter of 2010. The growth was attributable to the increase in the funds placed on deposits in the first quarter of 2011.

In the first quarter of 2010 interest income amounted to US\$ 125 million.

Interest Expense

In the first quarter of 2011 interest expense increased by 44.6% to US\$ 120 million, as a result of change in the loan structure, the decrease in interest capitalized and positive effect from interests SWAP operations in the fourth quarter 2010.

In the first quarter of 2010 interest expense amounted to US\$ 162 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 2011 and in the fourth quarter of 2010, Rosneft recorded a net loss of US\$ 23 million and US\$ 75 million on the disposal of property, plant and equipment, respectively. The decrease in losses resulted from the writing off of property, plant and equipment as a result of the stock-take procedures performed at the end of the year 2010.

In the first quarter of 2010, Rosneft recorded a net loss of US\$ 30 million on the disposal of property, plant and equipment.

Impairment loss

The Company signed an agreement of intent to hand over its interest in a number of associates and one subsidiary in exchange for noncontrolling interest in a company not controlled by Rosneft group. The Company measured disposal group at the lower of its carrying amount or fair value less cost to sell and recognized impairment loss of US\$ 2 million as of March 31, 2011 and US\$ 31 million as of December 31, 2010.

Equity share in affiliates' profits/(losses)

The equity share in affiliates' profits amounted to US\$ 53 million in the first quarter of 2011 compared with US\$ 7 million of losses in the fourth quarter of 2010. The increase in the equity share in affiliates' profits resulted from the increase in profits incurred by certain Rosneft's affiliates.

The equity share in affiliates' profits amounted to US\$ 32 million in the first quarter of 2010.

Other (expenses)/income, Net

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

In the first quarter of 2011, other losses, net, amounted to US\$ 120 million, compared to US\$ 104 million in the fourth quarter of 2010. The increase in losses was primarily the result of increase in bank allowances in accordance with new requirements of Russian legislation, writing off of non production assets and penalties accrued for the damaged equipment.

In the first quarter 2010, other income, net, amounted to US\$ 29 million.

Foreign Exchange Loss/(Gain)

Foreign exchange loss was US\$ 20 million in the first quarter of 2011 compared with the gain of US\$ 16 million in the fourth quarter of 2010. Foreign exchange loss was US\$ 5 million in the first quarter of 2010.

Income Tax

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

	For the three months ended March 31, 2011	For the twelve months ended December 31, 2011
Effective income tax rate for Rosneft under US GAAP	23%	16%

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

Net income attributable to noncontrolling interests

Net income attributable to noncontrolling interests was US\$ 59 million in the first quarter of 2011 compared to US\$ 53 million in the fourth quarter of 2010. The change resulted, primarily, from the decrease in the net income of certain Rosneft's subsidiaries related to minorities as well as from the increase in Company's control share in a subsidiary.

Net income attributable to noncontrolling interests was US\$ 61 million in the first quarter of 2010.

Net Income

As a result of the factors discussed above net income increased by 29.3% to US\$ 3,883 million in the first quarter of 2011 from US\$ 3,003 million in the fourth quarter of 2010. As a percentage of revenues, net income was 19.3% and 17.3% in the first quarter of 2011 and fourth quarter of 2010, respectively.

The net income amounted to US\$ 2,431 million in the first quarter of 2010.

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, 2011	December 31, 2010		March 31, 2011	March 31, 2010	
	(US\$ million)			(US\$ million)		
Net cash provided by operating activities	6,052	3,636	1.7	6,052	2,287	2.6
Net cash used in investing activities	(4,822)	(3,999)	1.2	(4,822)	(1,734)	2.8
Net cash (used in) /provided by financing activities	(805)	2,192	(2.7)	(805)	(1,201)	(1.5)

Operating Cash Flow

Net cash provided by operating activities amounted to US\$ 6,052 million in the first quarter of 2011 as compared to US\$ 3,636 million in the fourth quarter of 2010. The operating cash flow includes operations with trading securities as part of the Company's efforts to manage cash resources (net outflow of US\$ 15 million in the first quarter 2011 and US\$ 86 million in the fourth quarter of 2010). The adjusted net cash provided by the operating activity amounted to US\$ 6,067 million in the first quarter of 2011 and US\$ 3,722 million in the fourth of 2010. The increase in the operating cash flow primarily resulted from the decrease in working capital (see the table below) and increase in income.

Net cash provided by operating activity through the presented periods is given in the table below:

	<i>For 3 months ended</i>		<i>Change</i> times	<i>For 3 months ended</i>		<i>Change</i> times
	March 31, 2011	December 31, 2010		March 31, 2011	March 31, 2010	
	(US\$ million)			(US\$ million)		
Cash from operations before changes in working capital	5,499	4,395	1.3	5,499	4,093	1.3
Decrease in working capital	553	(759)	1.4	553	(1,806)	3.3
Net cash provided by Operating activity	6,052	3,636	1.7	6,052	2,287	2.6

In the first quarter of 2011, the working capital decreased by US\$ 553 million due to the following factors:

- Increase in trade payables by US\$ 1,092 which resulted from increase in operating and construction activity;
- Increase in taxes payable by US\$ 695 million which was mainly due to increase in the mineral extraction tax and excises;
- Decrease in advances by US\$ 343 million which resulted from the decrease in prepayments of customs duties and prepayments for transportation services, energy and other utilities in comparison with the same prepayments made in December 2010 for maintaining operating activity during January holidays.

This was partially offset by the following factors:

- Increase in the trade receivables by US\$ 784 million resulted from the significant increase in oil and petroleum product prices;
- Increase in the inventories by US\$ 511 million due to the prices growth and relevant upturn in mineral extraction tax;
- Decrease in current interests payable by US\$ 88 million.

In the first quarter of 2010 net cash provided by the operating activity (adjusted for the result of the net inflow from the operations with trading securities of US\$ 495 million) amounted to US\$ 1,792 million.

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, 2011	December 31, 2010		March 31, 2011	March 31, 2010	
	(US\$ million)		(%)	(US\$ million)		(%)
Yuganskneftegaz	585	661	(11.5)%	585	504	16.1%
Vankorneft	698	624	11.9%	698	476	46.6%
Purneftegaz	54	236	(77.1)%	54	37	45.9%
Severnaya Neft	28	33	(15.2)%	28	22	27.3%
Samaraneftegaz	51	73	(30.1)%	51	30	70.0%
Other ¹	195	262	(25.6)%	195	151	29.1%
Total upstream segment	1,611	1,889	(14.7)%	1,611	1,220	32.0%
The Company	4	17	(76.5)%	4	19	(78.9)%
Tuapse refinery	481	296	62.5%	481	87	452.9%
Komsomolsk refinery	21	36	(41.7)%	21	15	40.0%
Angarsk refinery	12	44	(72.7)%	12	12	-
Achinsk refinery	31	39	(20.5)%	31	20	55.0%
Syzran refinery	13	42	(69.0)%	13	10	30.0%
Novokuibyshevsk refinery	26	31	(16.1)%	26	21	23.8%
Kuibyshev refinery	28	47	(40.4)%	28	19	47.4%
Marketing Business Units and others ²	154	198	(22.2)%	154	66	133.3%
Total downstream	770	750	2.7%	770	269	186.2%
Other activities³	104	176	(40.9)%	104	143	(27.3)%
Subtotal capital expenditures	2,485	2,815	(11.7)%	2,485	1,632	52.3%
Change in materials in capital expenditures	276	(47)	>100%	276	122	126.2%
Total capital expenditures	2,761	2,768	(0.3)%	2,761	1,754	57.4%
Licence acquisition costs	125	114	9.6%	125	—	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.

In the first quarter of 2011 Rosneft's total capital expenditures including material purchases decreased by 0.3% to US\$ 2,761 million compared with US\$ 2,768 million in the fourth quarter of 2010. The decrease in capital expenditures driven by budgeting and seasonal factors.

Upstream capital expenditures in the first quarter of 2011 decreased by 14.7% compared with the fourth quarter of 2010 and amounted to US\$ 1,611 million. The decrease was incurred by all upstream subsidiaries mainly due to the seasonal factors, except for Vankor field. The increase at Vankor field of 11.9% was mainly due to the planned construction works and installation of equipment at the gas power station. In the first quarter of 2010 the upstream capital expenditures amounted to US\$ 1,220 million.

Downstream capital expenditures increased by US\$ 20 million or by 2.7% compared with the fourth quarter of 2010 that was mainly due to the continued refinery upgrade investments including payments for expansion of pipeline capacity to the Tuapse refinery. In the first quarter of 2010 the downstream capital expenses amounted to US\$ 269 million.

Capital expenditures for other activities decreased by 40.9%, to US\$ 104 million, in the first quarter of 2011, compared with US\$ 176 million in the fourth quarter of 2010. The decreased resulted mainly from the planned acquisition of drilling, transportation and other equipment at the end of the previous year. In the first quarter of 2010 capital expenditures for other activities amounted to US\$ 143 million.

Since the fourth quarter of 2006, the Company's subsidiaries have been purchasing construction materials and selling such materials to contractors that provide construction and drilling services at subsidiaries' fields. The net increase in unused construction materials included in capital expenditures was US\$ 276 million in the first quarter of 2011 compared to net decrease of US\$ (47) million in the fourth quarter of 2010. In the first quarter of 2010 net change in unused construction materials were US\$ 122 million.

In the first quarter of 2011 the licence acquisition costs refer to the prepayment for the licence for exploration at Naulsky block of US\$ 125 million. In April 2011, the Company won an auction for the right to explore and produce hydrocarbons in Naulsk oil field located in the Nenets Autonomous District.

In the fourth quarter of 2010 the licence acquisition costs mainly refer to the acquisition of three licences for exploration in the Kara sea and the licence for exploration in the Barents sea for US\$ 108 million and licences for exploration at Zimarny, Gnesdensky and Shirokinsky blocks in Samara region for US\$ 6 million.

Debt Obligations

Rosneft adjusted net debt fell to US\$ 11,097 million as of March 31, 2011 compared to US\$ 13,662 million as of December 31, 2010.

Rosneft's total loans and borrowings decreased to US\$ 22,771 million as of March 31, 2011 from US\$ 23,555 million as of December 31, 2010. The decrease resulted from the scheduled maturity of long term loans in the first quarter of 2011.

Long-term loans are generally secured by oil export contracts. As of March 31, 2011 and December 31, 2010 85.3% and 86.5% respectively, of Rosneft's borrowings were secured by crude oil export contracts (excluding export to the CIS). As of March 31, 2011 and December 31, 2010, pledged oil exports constituted 20.2% and 38.2%, respectively, of the total crude oil export sales for the analysed period (excluding export to the CIS).

The calculation of the net debt is disclosed in the following table:

As of the date	March 31, 2011	December 31, 2010	March 31, 2010
Short term debt	5,363	5,498	7,438
Long term debt	17,408	18,057	14,774
Total debt	22,771	23,555	22,212
Cash and cash equivalents	(4,808)	(4,154)	(1,382)
Short-term bank deposits	(1,587)	(1,321)	(931)
Structured deposits	(4,407)	(3,791)	(516)
Short term promissory notes and other short-term liquid instruments	(872)	(627)	—
Total net debt	11,097	13,662	19,383
Medium term deposits	—	—	(849)
Adjusted net debt	11,097	13,662	18,534

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, 2011	December 31, 2010	March 31, 2011	March 31, 2010
EBITDA margin	33.1%	30.9%	33.1%	30.1%
Adjusted net income margin	19.2%	17.0%	19.2%	16.6%
Net debt to capital employed ratio	0.16	0.20	0.16	0.28
Net debt to annualised EBITDA	0.42	0.64	0.42	1.04
Current ratio	1.98	1.97	1.98	1.20
	US\$/bbl			
EBITDA/bbl	34.17	27.03	34.17	23.47
Upstream capital expenditure/bbl	8.28	9.50	8.28	6.44
Upstream operating expenses/bbl	2.95	2.99	2.95	2.74
Adjusted free cash flow before interest/bbl	16.33	4.22	16.33	7.14
	US\$/bbl			
EBITDA/boe	31.29	24.81	31.29	21.41
Upstream capital expenditure/boe	7.58	8.71	7.58	5.88
Upstream operating expenses/boe	2.70	2.75	2.70	2.50
Adjusted free cash flow before interest/boe	14.96	3.88	14.96	6.51

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, 2011	December 31, 2010	March 31, 2011	March 31, 2010
Upstream capital expenditures (US\$ million)	1,611	1,889	1,611	1,220
Upstream operating expenses (US\$ million)	575	595	575	519
Barrels of crude oil produced (million)	194.68	198.91	194.68	189.30
Barrels of oil equivalent produced (million)	212.62	216.76	212.62	207.48

Calculation of Adjusted Free Cash Flow

	For 3 months ended		For 3 months ended	
	March 31, 2011	December 31, 2010	March 31, 2011	March 31, 2010
	(US\$ million)			
Net cash provided by operating activities	6,052	3,636	6,052	2,287
Capital expenditures	(2,761)	(2,768)	(2,761)	(1,754)
Free cash flow	3,291	868	3,291	533
Trading securities operations	15	86	15	(495)
One-off receivables growth*	—	—	—	1,313
License acquisition costs	(125)	(114)	(125)	—
Adjusted free cash	3,181	840	3,181	1,351

*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, 2011	December 31, 2010	March 31, 2011	March 31, 2010
	(US\$ million, except %)			
Operating income	5,178	3,772	5,178	3,146
Accretion expense	32	27	32	25
Depreciation, depletion and amortisation	1,443	1,578	1,443	1,272
EBITDA	6,653	5,377	6,653	4,443
Total revenues	20,123	17,384	20,123	14,761
EBITDA margin	33.1%	30.9%	33.1%	30.1%

Calculation of Adjusted Net Income Margin

	For 3 months ended		For 3 months ended	
	March 31, 2011	December 31, 2010	March 31, 2011	March 31, 2010
Net income	3,883	3,003	3,883	2,431
Effect from the assets impairment and interests SWAP	(27)	(45)	(27)	16
Adjusted net income	3,856	2,958	3,856	2,447
Sales revenues	20,123	17,384	20,123	14,761
Adjusted net income margin	19.2%	17.0%	19.2%	16.6%

Current ratio

	For 3 months ended	
	March 31, 2011	December 31, 2010
	(US\$ million, except ratio)	
Current assets	26,671	23,343
Current liabilities	13,489	11,693
Current ratio	1.98	1.97