



ROSNEFT

O I L C O M P A N Y

OPEN JOINT STOCK COMPANY

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED**

31 MARCH 2009 AND 2008

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 31 March 2009 and 2008 (the "Interim Condensed Financial Statements"). Such terms as "Rosneft," "Company" and "Group" in their different forms in this report mean OJSC Oil Company Rosneft 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.

Oil and gas reserves 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 where expressly indicated otherwise, references to crude oil and gas production include 100% of fully consolidated companies and the pro-rata share of proportionally consolidated companies. References to crude oil and gas production include the pro-rata share of equity consolidated companies, only when expressly noted.

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

Overview

Rosneft is a vertically integrated oil and gas company with upstream and downstream operations located principally in Russia. Rosneft is one of the world's largest publicly traded oil companies in terms of proved crude oil reserves and among the top ten in terms of crude oil production. According to DeGolyer and MacNaughton (“**D&M**”), Rosneft's independent reservoir engineers, as of 31 December 2008, on the basis of the standards set forth by the Society of Petroleum Engineers, Petroleum Reserves Management System (“**PRMS**”), Rosneft had proved reserves of approximately 22.30 billion barrels of oil equivalent (“**boe**”), including proved crude oil reserves of approximately 17.69 billion barrels (2.42 billion tonnes) and proved gas reserves of approximately 783.79 billion cubic metres (“**bcm**”). Also according to D&M, as of 31 December 2008, Rosneft had proved and probable crude oil reserves of approximately 28.55 billion barrels (3.90 billion tonnes) and proved and probable gas reserves of approximately 1,318.77 bcm. Rosneft's reserves are located in Western Siberia, the Russian Far East, Southern and Central Russia, Timan-Pechora and Eastern Siberia. Rosneft also has significant prospective crude oil and gas resources in Western Siberia, the Russian Far East, Southern Russia and Eastern Siberia.

Rosneft (including share in the affiliated companies) produced 2,110.00 thousand barrels of crude oil per day (25.96 million tonnes) in the first quarter of 2009 and 2,124.84 thousand barrels of crude oil per day (26.43 million tonnes) in the first quarter of 2008, respectively. Rosneft also produced 3.35 bcm of gas and 3.39 bcm of gas in the first quarters of 2009 and 2008, respectively.

In the first quarters of 2009 and 2008 Rosneft sold approximately 56.1% and 53.9%, respectively, of the crude oil produced, to customers outside Russia, including sales to other countries in the Commonwealth of Independent States (“**CIS**”) and exports to international markets other than the CIS. The remainder was refined in Russia at Rosneft's refineries, including LLC Rosneft-Tuapse refinery (“**Tuapse refinery**”) and LLC Rosneft-Komsomolsk refinery (“**Komsomolsk refinery**”), as well as OJSC Angarsk Petrochemical Company (“**Angarsk refinery**”), OJSC Achinsk refinery (“**Achinsk refinery**”), OJSC Kuibyshev refinery (“**Kuibyshev refinery**”), OJSC Novokuibyshevsk refinery (“**Novokuibyshevsk refinery**”) and OJSC Syzran refinery (“**Syzran refinery**”). Rosneft sells the petroleum products produced by these refineries in international and domestic markets. Rosneft has an integrated production, transportation, refining and marketing strategy and seeks to maximise netbacks by optimising its product mix, sales destinations and available transport routes.

Rosneft's total revenues decreased to US\$ 8,264 million in the first quarter of 2009 from US\$ 16,368 million in the first quarter of 2008, the decrease primarily resulting from lower crude oil and petroleum products prices following the global economic downturn.

Rosneft's net income decreased to US\$2,060 million in the first quarter of 2009 compared to US\$ 2,564 million in the first quarter of 2008.

Main Factors Affecting Results of Operations

The main factors that have affected Rosneft's results of operations during the periods being analysed, and that can be expected to affect its results of operations in the future, are:

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

Changes in prices, export customs duty and transport tariffs can have a significant impact on the mix of products and the sales channels the Company selects, as it seeks to maximise netback prices of the produced crude oil. Rosneft's net income was significantly affected by sustained decreases in crude oil, petroleum products and gas prices in the first quarter of 2009 compared to the same period of 2008.

Changes in Crude Oil, Petroleum Products and Gas Prices

World prices for crude oil are highly volatile and fluctuate depending on the global balance of supply and demand and on numerous speculative factors. The crude oil that Rosneft exports through the Transneft pipeline system is blended with crude oil of other producers that is of a different quality. The resulting Urals blend is traded at a discount to Brent.

Russian domestic market prices of crude oil are difficult to determine, mainly due to the significant intragroup turnover between upstream and downstream segments of the vertically integrated oil companies that dominate the market. Moreover, to the extent they exist, crude oil market prices in Russia can be significantly lower than they might otherwise be due to seasonal oversupply and regional imbalances.

The dynamics of petroleum product prices in the international and Russian markets are determined by a number of factors, the most important among them being the level of world prices for crude oil, supply and demand for petroleum products and competition in the different markets. The price dynamics is different for different type of petroleum products that is due to an uneven market changes.

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

	For 3 months ended 31 March		% Change for 3 months ended 31 March
	2009	2008	2009 - 2008
World market	(US\$ per barrel)		(%)
Brent	44.40	96.90	(54.2)%
Urals (average Med+NWE)	43.65	93.33	(53.2)%
Dubai-Oman	44.43	91.87	(51.6)%
	(US\$ per tonne)		
Premium gasoline (average NWE)	416.34	851.16	(51.1)%
Naphtha (average Med)	369.13	825.69	(55.3)%
Fuel oil (average Med)	228.90	445.13	(48.6)%
Jet (average NWE)	449.88	952.00	(52.7)%
Gasoil (average Med)	402.12	882.66	(54.4)%
Russian market⁽¹⁾	(US\$ per tonne)		
Crude oil	94.86	292.62	(67.6)%
Fuel oil	120.03	259.81	(53.8)%
Diesel fuel (Gasoil)	356.16	667.87	(46.7)%
High octane gasoline	402.00	770.92	(47.9)%
Low octane gasoline	341.92	663.46	(48.5)%

Sources: *Platts* (world market), *Kortex* (Russian market).

(1) Market prices net of VAT of 18% include relevant excise tax.

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 world levels. 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 977 (US\$ 28.78) per thousand cubic meters and RUB 999 (US\$ 41.20) per thousand cubic meters in the first quarters of 2009 and 2008, respectively.

RUB/US\$ Exchange Rate Movements and Inflation

The rouble–US dollar exchange rate and inflation trends in the Russian Federation affect Rosneft's results since most of Rosneft's revenues from sales of crude oil and petroleum products are denominated in US dollars, while a substantial portion of its expenses is denominated in Russian roubles. The rouble depreciated against the US dollar in real and nominal terms in the first quarter of 2009 which positively affected Rosneft's margins.

Whether the rouble appreciates or depreciates in real terms is a function of the relationship between movements in the nominal exchange rate and inflation.

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

	For 3 months ended 31 March	
	2009	2008
Rouble inflation (CPI) for the specified period ⁽¹⁾	5.4%	4.8%
Rouble/US dollar exchange rate at the beginning of the period ⁽¹⁾	29.38	24.55
Rouble/US dollar exchange rate at the end of the period ⁽¹⁾	34.01	23.52
Average rouble/US dollar exchange rate during the period ⁽¹⁾	33.93	24.26
Real appreciation/(depreciation) of the rouble against the US dollar for the period ⁽²⁾	(9.0)%	9.4%
Real appreciation/(depreciation) of the rouble against the US dollar, for the last twelve months ⁽²⁾	(21.2%)	20.8%

(1) Source: CBR, Federal State Statistics Service of Russia.

(2) Rosneft uses the following formula to determine the real appreciation of the rouble against the USD dollar: ratio of the CBR exchange rate in effect at the beginning of the period to the CBR exchange rate in effect at the end of the period multiplied by the inflation index minus 1.

Taxation, including changes in Mineral Extraction Tax and Export Customs Duty

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

	For 3 months ended 31 March			
	2009		2008	
	\$US million	% of total revenue	\$US million	% of total revenue
Total revenues	8,264	100.0%	16,368	100.0%
Export customs duty (for oil sales)	1,388	16.8%	3,450	21.1%
Export customs duty (for petroleum product sales)	454	5.5%	1,028	6.3%
Mineral extraction tax	986	11.9%	3,076	18.8%
Excise tax	185	2.2%	313	1.9%
Other taxes (including property tax)	176	2.1%	201	1.2%
Income tax	127	1.5%	836	5.1%
Total taxes	3,316	40.0%	8,904	54.4%

The mineral extraction tax and the export customs duty accounted for approximately 34.2% and 46.2% of Rosneft's total revenues during the first quarters of 2009 and 2008, respectively.

The table below provides information on the mineral extraction tax and the export customs duty rates for the periods indicated:

	For 3 months ended 31 March		% change between the three months ended 31 March 2009 and 2008
	2009	2008	2009-2008
Mineral extraction tax			(%)
Crude oil (RUB per tonne)	1,544	3,306	(53.3)%
Crude oil (US\$ per barrel)	6.22	18.63	(66.6)%
Gas (RUB per thousand cubic meters)	147	147	-
Export customs duty			
Crude oil (US\$ per tonne)	111.77	314.33	(64.4)%
Crude oil (US\$ per barrel)	15.28	42.97	(64.4)%
Light and middle distillates products (US\$ per tonne)	87.63	224.07	(60.9)%
Liquid fuels (fuel oil) (US\$ per tonne)	47.20	120.7	(60.9)%

Mineral Extraction Tax

The rate of mineral extraction tax for crude oil is based on the Urals price in the international market. It is denominated in roubles per tonne produced and changes every month. In the first quarter of 2009 the tax rate was calculated by multiplying the base rate of RUB 419 by the adjustment ratio of $(P - 15) * R_t / 261$, where “P” is the average Urals price per barrel and “R_t” is the average rouble/US dollar exchange rate established by the CBR in the respective month. In the first quarter of 2008 the base rate was the same and the adjustment ratio was $(P - 9) * R_t / 261$, since it was revised by the Government in July 2008 and came in force since January 2009.

In the first quarter of 2009, the rate of mineral extraction tax for crude oil decreased by 53.3%, primarily due to a 53.2% decrease in average Urals price as compared to the first quarter of 2008.

The rate of mineral extraction tax for natural gas remained unchanged during the periods being analyzed and amounted to RUB 147 per thousand cubic meters of gas produced in the first quarters of 2009 and 2008. The rate of mineral extraction tax for associated gas was zero during the periods being analyzed.

The average actual mineral extraction tax rate (calculated on the base of total mineral extraction tax as stated in the financial statements divided by the volume of production) was US\$ 5.69 per barrel of crude oil produced and US\$ 5.14 per barrel of oil equivalent (“boe”) produced in the first quarter of 2009 and US\$ 17.44 per barrel of crude oil produced and US\$ 15.78 per boe produced in the first quarter of 2008. The actual mineral extraction tax rate is lower than official tax rate for the period, primarily, due to the reduced rates for crude oil produced at fields with reserve depletion of over 80%.

On July 22, 2008, the Russian Government adopted the Federal law No. 158-FZ, effective from January 1, 2009. The law introduced the following amendments to the mineral extraction tax regime:

- the untaxed minimum oil price used for calculation of the mineral extraction tax rate was raised from USD 9 to USD 15 per barrel, which gave USD 1.3 per barrel of mineral extraction tax savings to oil producers;
- tax holidays were introduced for crude oil produced offshore to the north of the Arctic Circle, as well as in the Azov and Caspian Seas, in the Nenetsky autonomous district and on the Yamal Peninsula;
- obstacles to use of remissions for depleted fields and fields with high-viscosity crude oil were removed.

Rosneft expects to benefit from these changes as the Group has material ‘brownfield’ interests that are over 80% depleted.

Export Customs Duty

The rate of export customs duty for crude oil is linked to the Urals price in the Northwest Europe and the Mediterranean and is denominated in US\$ per tonne.

The table below sets forth the calculation of the maximum export customs duty for crude oil in the periods analyzed:

<u>Urals price</u> (US\$ per tonne)	<u>Export customs duty</u> (US\$ per tonne)
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 for crude oil decreased by 64.4% to US\$ 111.77 per tonne (US\$ 15.28 per barrel) of crude oil in the first quarter of 2009 from US\$ 314.33 per tonne (US\$ 42.97 per barrel) in the first quarter of 2008.

Until October 2008, the export customs duty rate changed every two months: the rate for the next two-months period was based on the average Urals price in the previous two-months period (with one month between the periods). The considerable time lag led to a positive effect on cash flow for oil producers when the oil price was growing and a negative effect on cash flow when the price was falling. At the end of 2008, due to a drop in oil prices, the Government made three one-off export duty changes in order to reduce the disparity between tax levels and reduced prices. On December 3, 2008, the Russian Government adopted Federal law No. 234-FZ which reduced the time lag.

Starting from December 09, 2008 the export customs duty is changed every month and the duty for next month is based on the average Urals price in the period from the 15th day of the previous month to the 14th day of current month (inclusive), starting from October 15, 2008.

The actual average export customs duty rate for crude oil (calculated by dividing total export customs duty for crude oil as stated in the financial statements by the volume of exports subject to non-zero export duty) was US\$ 14.92 per barrel of crude oil exported in the first quarter of 2009 and US\$ 38.49 per barrel of crude oil exported in the first quarter of 2008. The actual average rate of customs duty is lower than official established rate for the period, primarily, due to the customs duty preference established for some countries (including CIS countries) and also due to the different monthly exports volume subject to the different official customs duties, established on a monthly basis.

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

Crude oil exports to Belarus were 6.72 million barrels in the first quarter of 2009 and 7.95 million barrels in the first quarter of 2008.

Crude oil sales to countries that are exempt from the export customs duty were US\$ 38 million (1.46 million barrels) for the three months ended 31 March 2009 and US\$ 116 million (2.34 million barrels) for the three months ended 31 March of 2008. Sales of crude oil produced pursuant to the Production Sharing Agreement ("PSA") "Sakhalin 1" are exempt from export customs duties. Crude oil sales within the Sakhalin-1 project were 2.75 million barrels in the first quarter of 2009 and 3.03 million barrels in the first of quarter of 2008.

Changes in Transport Tariffs of Pipeline and Railway Monopolies

The Company depends on the infrastructure of the country's transport monopolies, particularly its pipeline (owned and operated by Transneft and Transnefteproduct) and railway (owned and operated by RZD) networks, to ship its crude oil and petroleum products.

The monopolies set tariffs for each separate route in the pipeline and railroad networks depending on the length of the relevant routes. The table below presents ranges of tariffs applied for major transportation routes.

	For the three months ended 31 March		Change for the 3 months ended 31 March 2009 and 2008⁽¹⁾
	2009	2008	
CRUDE OIL			
Export sales⁽³⁾			
Transneft tariff (RUB per tonne)	53.95 – 1,215.70	415.05 – 822.56	27.3%
Transneft tariff (US\$ per tonne)	1.59 – 35.83	17.11 – 33.91	(9.0)%
Railroad tariff (RUB per tonne)	519.70 – 1,598.06	498.11 – 1,655.90	(0.4)% ⁽²⁾
Railroad tariff (US\$ per tonne)	15.32 – 47.10	20.53 – 68.26	(28.8)%
Transportation to refineries and domestic sales			
Transneft tariff (RUB per tonne)	462.01 – 1,293.04	354.36 – 996.63	28.6%
Transneft tariff (US\$ per tonne)	13.62 – 38.11	14.61 – 41.08	(8.0)%
Railroad tariff (RUB per tonne)	324.78 – 2,320.67	328.23 – 2,213.44	3.5% ⁽²⁾
Railroad tariff (US\$ per tonne)	9.57 – 68.39	13.53 – 91.24	(26.0)%
PETROLEUM PRODUCTS			
Export sales⁽³⁾			
Transnefteprodukt tariff (RUB per tonne)	320.00 – 1,456.82	274.43 – 1,207.70	32.5%
Transnefteprodukt tariff (US\$ per tonne)	9.41 – 42.86	11.31 – 49.78	(6.8)%
Railroad tariff (RUB per tonne)	564.79 – 4,876.99	168.20 – 4,149.35	14.3%
Railroad tariff (US\$ per tonne)	16.65 – 143.73	6.93 – 171.04	(18.3)%

Source: Transneft, Transnefteproduct, RZD, Rosneft.

- (1) The change is calculated based on the average tariff, which is the simple average of tariffs applied at major transportation routes, and does not account for share of each route. Change in cost per tonne transported is presented in section “—Results of Operations—Costs and Expenses—Pipeline Tariffs and Transportation Costs”.
- (2) Decrease and the low level of the tariff growth was due to introduction of reducing ratios for the tariffs on the major transportation routes used by Rosneft.
- (3) Transit share of the transporting tariffs over the territory of CIS-states (Belarus and Kazakhstan) at the corresponding directions of export to Poland, Belarus and Kazakhstan, expressed in Euro and US dollars, was recalculated to presentation currency using average exchange rates for each of the periods analyzed.

Rosneft transports most of its crude oil through the pipeline network owned and operated by Transneft, a state-owned oil pipeline monopoly, engaged in the transportation of crude oil through its pipeline network in Russia and abroad. The Federal Tariff Service (the “FTS”), a governmental body regulating natural monopolies, annually sets Transneft's base tariff for the transportation of crude oil via trunk pipelines, which includes a dispatch tariff, a pumping tariff, and loading, charge-discharge, transshipment and other tariffs. The tariff is set in roubles and is not linked to an exchange rate. The overall expense per tonne for the transport of crude oil depends on the length of the transportation route from the producing field to the ultimate destination and the number of Transneft “districts” through which the crude oil is transported. The transportation tariffs over CIS-states territories are set and regulated by the corresponding state authorities.

Rosneft seeks to utilise alternative means of transportation to optimise netbacks, including the Northern route via Rosneft's Belokamenka export transshipment facility, the Southern route via the Caspian Pipeline Consortium (“CPC”) pipeline, the Far Eastern route via Rosneft's pipeline Okha-Komsomolsk-on-Amur located on the Sakhalin Island and the Nakhodka export transshipment facility, through which the petroleum products are exported to Asia.

For detailed information on actual transportation cost per tonne transported through Transneft's and Transnefteprodukt's pipelines and by railroad, see section “—Results of Operations—Cost and Expenses—Pipeline Tariffs and Transportation Costs”.

Production of Crude Oil, Gas and Petroleum Products

Rosneft's ability to generate revenues depends on its production of crude oil and petroleum products. In addition, an important part of Rosneft's strategy is to expand its production and sale of natural and associated gas.

Production of Crude Oil

Rosneft produces crude oil at seven production Business Units and six fully consolidated production and development subsidiaries. The Company also has 20% stake in the Sakhalin-1 project consolidated under proportionate consolidation method. In addition, Rosneft participates in five crude oil production joint ventures (including Tomskneft), which Rosneft accounts for using the equity method.

The following table sets forth Rosneft's crude oil production for the three months ended 31 March of 2009 and 2008:

	For the three months ended 31 March		Change for 3 months ended 31 March
	2009	2008	2009- 2008
	(millions of barrels)		(%)
Yuganskneftegaz	118.91	118.72	0.2%
Samaraneftegaz	17.87	17.03	4.9%
Purneftegaz	14.13	15.54	(9.1)%
Severnaya Neft	9.14	9.99	(8.5)%
Sakhalin-1 (net of royalty and government share)	2.70	3.54	(23.7)%
Other	10.44	11.52	(9.4)%
Crude oil production by Business Units and fully and proportionately consolidated subsidiaries	173.19	176.34	(1.8)%
Tomskneft	9.89	10.39	(4.8)%
Udmurtneft	5.68	5.59	1.6%
Polar Lights	0.81	1.03	(21.4)%
Verkhnechonskneftegaz	0.33	-	-
Other	-	0.01	(100.0)%
Total share in production of joint ventures	16.71	17.02	(1.8)%
Total crude oil production	189.90	193.36	(1.8)%

In the first quarter of 2009 production of crude oil by Rosneft's subsidiaries and business units decreased by 1.8%, to 173.19 million barrels from 176.34 million barrels in the first quarter of 2008. The decrease was mainly due to the different number of days in the periods analyzed. Meanwhile, daily production decreased by 0.7% which was a result of abnormally low temperatures in Western Siberia in February of 2009, increase of government share in production of Sakhalin-1 in accordance with the PSA terms, as well as natural production decline at several fields. The decrease was partially offset by the increase in production at Samaraneftegaz fields by 4.9%.

In the first quarter of 2009 total production of crude oil by Rosneft's subsidiaries, business units and share in joint ventures decreased by 1.8%, to 189.90 million barrels from 193.36 million barrels in the first quarter of 2008. The decrease besides reasons mentioned above, was due to the natural decline in production by Tomskneft and by Polar Lights which was partially offset by the increase in production of Udmurtneft and the start of commercial production by Verkhnechonskneftegaz.

Production of Gas

The table below sets forth Rosneft's gas production for the periods indicated:

	For the three months ended 31 March		Change for 3 months ended 31 March
	2009	2008	2009- 2008
	(bcm)		(%)
Yuganskneftegaz	0.65	0.45	44.4%
Samaraneftegaz	0.09	0.08	12.5%
Purneftegaz	0.99	1.09	(9.2)%
Krasnodarneftegaz	0.82	0.86	(4.7)%
Severnaya Neft	0.08	0.10	(20.0)%
Sakhalin-1 (net of royalty and government share)	0.08	0.08	0.0%
Other	0.44	0.50	(12.0)%
Gas production by Business Units and fully and proportionately consolidated subsidiaries	3.15	3.16	(0.3)%
Tomskneft	0.19	0.22	(13.6)%
Udmurtneft	0.01	0.01	0.0%
Polar lights	0.00	0.00	0.0%
Other	0.00	0.00	0.0%
Total share in production of joint ventures	0.20	0.23	(13.0)%
Total gas production⁽¹⁾	3.35	3.39	(1.2)%

(1) Production of natural gas by Rosneft was 1.36 bcm and 1.59 bcm in the first quarter of 2009 and 2008 respectively. Production of associated gas by Rosneft was 1.99 bcm and 1.80 bcm in the first quarter of 2009 and 2008 respectively.

Gas production by Rosneft's subsidiaries and business units decreased to 3.15 bcm in the first quarter of 2009 compared to 3.16 bcm in the first quarter of 2008, a decrease of 0.3%. The decrease was primarily due to the different number of days in the periods analyzed. The production of associated gas by Purneftegaz decreased by 9.2%, by Krasnodarneftegaz decreased by 4.7%, by Severnaya Neft decreased by 20.0% and by other subsidiaries by 12.0%, which was offset by the increase of associated gas production by Samaraneftegaz by 12.5% and by Yuganskneftegaz by 44.4%. The increase of associated gas production by Yuganskneftegaz was mainly due to the launch of the first gas compression station at the Priobskoe field, enabling an increase of 700 mcm per year in the amount of usefully employed associated gas.

Rosneft's total gas production including share in joint ventures was 3.35 bcm in the first quarter of 2009 compared to 3.39 bcm in the first quarter of 2008, a decrease of 1.2%. The decrease was primarily due to the decrease in associated gas production at Tomskneft's fields and by the factors mentioned above.

Rosneft is implementing a programme aimed at increasing its associated gas utilisation rate. The programme envisages the construction of gas gathering facilities, booster compression stations and underground storage facilities and building power stations at Yuganskneftegaz, Purneftegaz and Krasnodarneftegaz.

Production of Petroleum Products

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

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

The following table sets forth Rosneft's petroleum products production and crude oil refining for the periods analyzed:

	For the three months ended 31 March		Change for the 3 months ended 31 March
	2009	2008	2009 and 2008
	(millions of tonnes)		(%)
High octane gasoline	1.15	1.18	(2.5)%
Low octane gasoline	0.31	0.53	(41.5)%
Naphtha	0.91	0.65	40.0%
Diesel fuel	4.19	4.21	(0.5)%
Fuel oil	4.11	4.11	0.0%
Jet fuel (kerosene)	0.31	0.35	(11.4)%
Petrochemicals	0.11	0.21	(47.6)%
Other	0.51	0.72	(29.2)%
Production of petroleum and petrochemical products at Rosneft's refineries	11.60	11.96	(3.0)%
Crude oil processing at Rosneft's refineries	12.26	12.80	(4.2)%

In the first quarter of 2009 the depth of refining ranged from 56.4% at the Tuapse refinery to 75.9% at the Angarsk refinery. In the first quarter of 2008 the depth of refining ranged from 56.7% at the Tuapse refinery to 76.3% at the Angarsk refinery.

Decrease in demand of the Russian agricultural enterprises and the Ministry of Defense which is the main consumers of low octane gasoline lead to overall decrease in demand for this petroleum product on the market. As a result, the Company decreased production of low octane gasoline and increased output of naphtha (which is exported) in the first quarter of 2009 compared to the first quarter of 2008.

Decrease in production of petrochemicals in the first quarter of 2009 compared to the first quarter of 2008 was primarily due to the fall in demand and prices for these products.

The overall decrease in volumes of crude oil processed and petroleum products output was due to the lower load of refineries in the first quarter of 2009 following the decrease in domestic demand as a result of economic downturn as well as planned turnaround at the Tuapse refinery.

Results of Operations

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

	For the three months ended 31 March				% change between the three months ended 31 March 2009 and 2008
	2009		2008		
		% of total revenue		% of total revenue	
(US\$ millions, except %)					
Revenues					
Oil and gas sales	4,188	50.7%	8,691	53.1%	(51.8)%
Petroleum products and processing fees	3,820	46.2%	7,365	45.0%	(48.1)%
Support services and other revenues	256	3.1%	312	1.9%	(17.9)%
Total revenues	8,264	100.0%	16,368	100.0%	(49.5)%
Cost and expenses					
Production and operating expenses	820	(9.9)%	1,020	(6.2)%	(19.6)%
Cost of purchased oil, gas and petroleum products	295	(3.6)%	769	(4.7)%	(61.6)%
General and administrative expenses	310	(3.7)%	358	(2.2)%	(13.4)%
Pipeline tariffs and transportation costs	1,252	(15.2)%	1,381	(8.4)%	(9.3)%
Exploration expenses	80	(1.0)%	74	(0.5)%	8.1%
Depreciation, depletion and amortisation	980	(11.9)%	954	(5.8)%	2.7%
Accretion expense	19	(0.2)%	40	(0.2)%	(52.5)%
Taxes other than income tax	1,347	(16.2)%	3,590	(21.9)%	(62.5)%
Export customs duty	1,842	(22.3)%	4,478	(27.4)%	(58.9)%
Total cost and expenses	6,945	(84.0)%	12,664	(77.4)%	(45.2)%
Operating income	1,319	16.0%	3,704	22.6%	(64.4)%
Other income/(expenses)					
Interest income	107	1.2%	74	0.5%	44.6%
Interest expense	(165)	(2.0)%	(339)	(2.1)%	(51.3)%
(Loss)/gain on disposal of property, plant and equipment	(15)	(0.2)%	4	0.0%	(475.0)%
Gain/(loss) on disposal of investments	5	0.1%	(1)	0.0%	(600.0)%
Equity share in affiliates' profits	42	0.5%	112	0.7%	(62.5)%
Dividends and income from joint ventures	-	0.0%	6	0.0%	(100.0)%
Other income/(expenses), net	121	1.4%	(2)	0.0%	6,150%
Foreign exchange gain/(loss)	798	9.7%	(152)	(0.9)%	625.0%
Total other income/ (expenses)	893	10.7%	(298)	(1.8)%	399.7%
Income before income tax and minority interest	2,212	26.7%	3,406	20.8%	(35.1)%
Income tax expense	(127)	(1.5)%	(836)	(5.1)%	(84.8)%
Net income	2,085	25.2%	2,570	15.7%	(18.9)%
Less: Net income attributable to noncontrolling interests	(25)	(0.3)%	(6)	0.0%	316.7%
Net income attributable to Rosneft	2,060	24.9%	2,564	15.7%	(19.7)%
Other comprehensive loss	(1)	(0.0)%	(9)	(0.1)%	(88.9)%
Comprehensive income	2,059	24.9%	2,555	15.6%	(19.4)%

Revenues

The table below presents revenues from sales of crude oil, gas, petroleum products and processing fees for the periods analysed.

	For 3 months ended 31 March				% change for 3 months
	2009		2008		2009-2008
		% of total revenue		% of total revenue	(%)
(US\$ million, except %)					
Crude oil					
Export, excluding CIS	3,835	46.4%	7,867	48.0%	(51.3)%
Europe and other directions	2,989	36.2%	6,010	36.7%	(50.3)%
Asia	846	10.2%	1,857	11.3%	(54.4)%
CIS	259	3.1%	631	3.9%	(59.0)%
Domestic	14	0.2%	76	0.5%	(81.6)%
Gas	80	1.0%	117	0.7%	(31.6)%
Total oil and gas	4,188	50.7%	8,691	53.1%	(51.8)%
Petroleum products					
Export, excluding CIS	2,123	25.7%	3,955	24.2%	(46.3)%
Europe and other directions	1,261	15.3%	2,388	14.6%	(47.2)%
Asia	862	10.4%	1,567	9.6%	(45.0)%
CIS	50	0.6%	190	1.2%	(73.7)%
Domestic	1,575	19.1%	3,055	18.6%	(48.4)%
Wholesale	1,120	13.6%	2,197	13.4%	(49.0)%
Retail	455	5.5%	858	5.2%	(47.0)%
Sales of bunker fuel to end-users	44	0.5%	33	0.2%	33.3%
Petrochemical products	28	0.3%	132	0.8%	(78.8)%
Total petroleum and petrochemical products	3,820	46.2%	7,365	45.0%	(48.1)%
Support services and other revenues	256	3.1%	312	1.9%	(17.9)%
Total sales	8,264	100.0%	16,368	100.0%	(49.5)%

The table below analyses crude oil, gas and petroleum products sales volumes for the periods analysed:

	For the three months ended 31 March				% change between the three months ended 31 March 2009 and 2008
	2009		2008		
	mln bbls	% of total sales	mln bbls	% of total sales	
Crude oil					
Export, excluding CIS	89.03	49.4%	84.71	46.9%	5.1%
Europe and other directions	70.30	39.0%	65.62	36.3%	7.1%
Asia	18.73	10.4%	19.09	10.6%	(1.9)%
CIS	8.19	4.5%	10.31	5.7%	(20.6)%
Domestic	0.95	0.5%	1.76	1.0%	(46.0)%
Total crude oil sales	98.17	54.4%	96.78	53.6%	1.4%
	mln tonnes	% of total sales	mln tonnes	% of total sales	
Export, excluding CIS	12.17	49.4%	11.58	46.9%	5.1%
Europe and other directions	9.61	39.0%	8.97	36.3%	7.1%
Asia	2.56	10.4%	2.61	10.6%	(1.9)%
CIS	1.12	4.5%	1.41	5.7%	(20.6)%
Domestic	0.13	0.5%	0.24	1.0%	(46.0)%
Total crude oil sales	13.42	54.4%	13.23	53.6%	1.4%
Petroleum products					
Export, excluding CIS	6.68	27.1%	5.99	24.3%	11.5%
Europe and other directions	4.00	16.2%	3.62	14.7%	10.5%
Asia	2.68	10.9%	2.37	9.6%	13.1%
CIS	0.14	0.6%	0.32	1.3%	(56.3)%
Domestic	4.05	16.5%	4.85	19.6%	(16.5)%
Wholesale	3.27	13.3%	4.00	16.2%	(18.3)%
Retail	0.78	3.2%	0.85	3.4%	(8.2)%
Sales of bunker fuel to end-users	0.19	0.8%	0.07	0.3%	171.4%
Total petroleum product sales	11.06	45.0%	11.23	45.5%	(1.5)%
Petrochemical products sales	0.16	0.6%	0.21	0.9%	(23.8)%
Total crude oil and petroleum and petrochemical product sales	24.64	100.0%	24.67	100.0%	(0.1)%
Gas					
	bcm		bcm		
Sales volumes	2.78		2.84		(2.1)%

Average Crude Oil and Petroleum Product Sales Prices

The unit prices in the following table may differ from unit prices of crude oil and petroleum products provided by information agencies due to the following factors:

- Seasonal and other production fluctuations;
- Different conditions of sales and supplies versus those cited in mass media;
- Different regional market factors;
- Discounts or mark-ups depending on crude oil or petroleum product quality, sales volume and timing of transactions; and
- Terms of individual contracts differ from average market prices.

The following table sets forth Rosneft's average export and domestic prices of crude oil, gas and petroleum products for the periods analysed.

	For the three months ended 31 March			
	2009		2008	
	(US\$/barrel)	(US\$/tonne)	(US\$/barrel)	(US\$/tonne)
Average export prices				
Crude oil, excluding CIS	43.08	315.12	92.87	679.36
Europe and other directions	42.52	311.03	91.59	670.01
Asia	45.17	330.47	97.28	711.49
Crude oil, CIS	31.62	231.25	61.20	447.52
Petroleum products, excluding CIS		317.81		660.27
Europe and other directions		315.25		659.67
Asia		321.64		661.18
Petroleum products, CIS		357.14		593.75
Average domestic prices				
Crude oil	14.74	107.69	43.18	316.67
Petroleum products		388.89		629.90
Wholesale		342.51		549.25
Retail		583.33		1,009.41
Gas (US\$/thousand cubic meter)		28.78		41.20
Sales of bunker fuel to end-users		231.58		471.43
Petrochemicals		175.00		628.57

Revenues were US\$ 8,264 million in the first quarter of 2009, a 49.5% decrease from US\$ 16,368 million in the first quarter of 2008. Revenues from the sale of crude oil and gas decreased by 51.8% and revenues from the sale of petroleum products fall by 48.1% for the three months ended 31 March 2009 compared with the three months ended 31 March 2008. This was primarily due to a significant decrease in market prices and also due to reduced sales volumes to CIS and on domestic market due to the economic downturn.

Crude Oil Export Sales to Non-CIS

In the first quarter of 2009 crude oil export revenues from exports to non-CIS countries were US\$ 3,835 million compared to US\$ 7,867 million in the first quarter of 2008, a decrease of US\$ 4,032 million or 51.3%. A 53.6% decrease in average prices had a negative effect on revenues of US\$ 4,433 million and was partially compensated by a 5.1% increase in sales volumes, which had a positive impact on revenues of US\$ 401 million.

Increase in volumes was due to decrease in domestic demand for petroleum products which resulted in the decrease of refinery throughputs and redirection of crude flows from refineries to exports.

Crude Oil Export Sales to CIS

In the first quarter of 2009 revenues from sales of crude oil to the CIS were US\$ 259 million compared to US\$ 631 million in the first quarter of 2008, a decrease of US\$ 372 million, or 59.0%. The decrease in revenues resulted from a 20.6% decrease in volumes, which had a negative impact on revenues of US\$ 130 million, and was accompanied by a 48.3% decrease in crude oil prices, which had a negative impact on revenues of US\$ 242 million.

Crude Oil Domestic Sales

In the first quarter of 2009 domestic crude oil sales were US\$ 14 million compared to US\$ 76 million in the first quarter of 2008, a decrease of 81.6% or US\$ 62 million. A 46.0% decrease in volumes, which caused reduction in revenues of US\$ 35 million, was accompanied by a 66.0% decrease in crude oil prices, which had a negative impact on revenues of US\$ 27 million. The Company sold crude oil to local customers located in the regions of the Company's oil producing facilities.

Petroleum Products Export Sales to Non-CIS

Average sales prices of petroleum products sales may vary significantly depending on the market mainly due to product mix. As a result average prices on the European markets differ from those on Asian markets.

The table below sets forth Rosneft's revenue and average price per tonne of petroleum products sold to non-CIS countries for the first quarters of 2009 and 2008:

	For the three months ended 31 March						% change between the three months ended 31 March 2009 and 2008		
	2009			2008			US\$ millions	millions of tonnes	Average price US\$/tonne
	US\$ millions	millions of tonnes	Average price US\$/tonne	US\$ millions	millions of tonnes	Average price US\$/tonne	US\$ millions	millions of tonnes	Average price US\$/tonne
High octane gasoline	39	0.10	399.95	32	0.04	897.30	21.9%	150.0%	(55.4)%
Low octane gasoline	13	0.03	388.05	35	0.04	845.35	(62.9)%	(25.0)%	(54.1)%
Naphtha	320	0.89	359.97	556	0.66	839.62	(42.4)%	34.8%	(57.1)%
Diesel fuel (Gasoil)	950	2.55	373.09	1,671	1.93	867.12	(43.1)%	32.1%	(57.0)%
Fuel oil	768	3.04	252.95	1,603	3.24	494.78	(52.1)%	(6.2)%	(48.9)%
Jet fuel (kerosene)	11	0.02	445.63	5	0.01	894.00	120.0%	100.0%	(50.2)%
Other	22	0.05	408.76	53	0.07	712.64	(58.5)%	(28.6)%	(42.6)%
Total	2,123	6.68	317.81	3,955	5.99	660.27	(46.3)%	11.5%	(51.9)%

Revenues from the export of petroleum products to non-CIS countries were US\$ 2,123 in the first quarter of 2009 compared to US\$ 3,955 million in the first quarter of 2008, a decrease of US\$ 1,832 million, or 46.3%. A 51.9% decrease in average price led to revenue decrease of US\$ 2,288 million, while a 11.5% increase in sales volumes led to a US\$ 456 million revenue growth. The considerable increase in volumes was mainly due to decrease in domestic demand and CIS sales profitability which resulted in product volumes redirection from the domestic market to exports as well as in change of product mix exported to non-CIS countries (the share of diesel fuel in total volumes increased from 32% in the first quarter of 2008 to 38% in the first quarter of 2009).

Petroleum Products Export Sales to CIS

The table below sets forth Rosneft's revenue and average price per tonne of petroleum products sold to CIS countries in the first quarters of 2009 and 2008:

	For the three months ended 31 March						% change between the three months ended 31 March 2009 and 2008		
	2009			2008			US\$ millions	millions of tonnes	Average price US\$/tonne
	US\$ millions	millions of tonnes	Average price US\$/tonne	US\$ millions	millions of tonnes	Average price US\$/tonne	US\$ millions	millions of tonnes	Average price US\$/tonne
High octane gasoline	7	0.02	323.12	46	0.08	593.01	(84.8)%	(75.0)%	(45.5)%
Low octane gasoline	2	0.01	213.70	—	—	—	—	—	—
Naphtha	2	0.01	354.46	—	—	—	—	—	—
Diesel fuel (Gasoil)	27	0.07	375.73	87	0.12	711.35	(69.0)%	(41.7)%	(47.2)%
Fuel oil	0	0.00	—	43	0.10	442.91	(100.0)%	(100.0)%	—
Jet fuel (kerosene)	4	0.01	419.82	2	0.00	729.29	100.0%	—	(42.4)%
Other	8	0.02	333.74	12	0.02	531.60	(33.3)%	0.0%	(37.2)%
Total	50	0.14	357.14	190	0.32	593.75	(73.7)%	(56.3)%	(39.9)%

Revenue from sales of petroleum products to the CIS countries were US\$ 50 million in the first quarter of 2009 compared to US\$ 190 million in the first quarter of 2008. US\$ 140 million of the revenue reduction was attributable to a 56.3% decrease in sales volume or US\$ 107 million, and a 39.9% or US\$ 33 million decrease in average prices. The decrease of volumes resulted from the redirection of flows from CIS to non-CIS markets due to the higher profitability.

Domestic Sales of Petroleum Products

The table below sets forth Rosneft's revenue and average price per tonne of petroleum products sold within Russia during the first quarters of 2009 and 2008:

	For the three months ended 31 March						% change between the three months ended 31 March 2009 and 2008		
	2009			2008			US\$ millions	millions of tonnes	Average price US\$/tonne
	US\$ millions	millions of tonnes	Average price US\$/tonne	US\$ millions	millions of tonnes	Average price US\$/tonne			
High octane gasoline	553	1.03	539.65	843	1.00	838.86	(34.4)%	3.0%	(35.7)%
Low octane gasoline	116	0.28	407.90	303	0.43	700.05	(61.7)%	(34.9)%	(41.7)%
Naphtha	—	—	—	—	—	—	—	—	—
Diesel fuel	653	1.52	430.64	1,263	1.74	725.95	(48.3)%	(12.6)%	(40.7)%
Fuel oil	82	0.59	137.93	180	0.75	239.19	(54.5)%	(21.3)%	(42.3)%
Jet fuel (kerosene)	75	0.16	456.93	170	0.23	754.66	(55.9)%	(30.4)%	(39.5)%
Other	96	0.47	205.48	296	0.70	423.16	(67.6)%	(32.9)%	(51.4)%
Total	1,575	4.05	388.89	3,055	4.85	629.90	(48.4)%	(16.5)%	(38.3)%

Revenues from sales of petroleum products on the domestic market were US\$ 1,575 million in the first quarter of 2009 compared to US\$ 3,055 million in the first quarter of 2008, a decrease of US\$ 1,480 million, or 48.4%. This revenue reduction was attributable to a 16.5% decrease in sales volume, which had a negative impact on revenue of US\$ 504 million and a 38.3% decrease in average prices which led to revenue decrease of US\$ 976 million. The decrease in sales volumes was due to the fall in domestic demand which resulted from the economic downturn.

Sales of bunker fuel to end-users

Starting from December 2007 the Group sells bunker fuel (fuel oil and diesel fuel) to ships in the ports of Russian Federation. Geographically sales are performed in seaports of Far East, North and South of European part of Russia, as well as in river ports of Russian Federation.

Revenues from sales of bunker oil in the first quarter of 2009 were US\$ 44 million, an increase of US\$ 11 million or 33.3% in comparison with US\$ 33 million in the first quarter of 2008.

Petrochemical Products Sales

Revenues from the sale of petrochemical products in the first quarter of 2009 were US\$ 28 million in comparison with US\$ 132 million in the first quarter of 2008, a 78.8% or US\$104 million decrease. The decrease in revenues was due to the reduction of petrochemical production as a result of considerable decrease in demand and prices.

Gas Sales

Rosneft's gas sales have been limited to date, but the Company's strategy anticipates a significant increase in its gas business. Gazprom controls access to the Unified Gas Supply System (UGSS) and is the dominant supplier of gas in Russia and the only exporter of gas produced in Russia. In 2006 the Company and Gazprom entered into the Strategic Partnership Agreement in the context of which the Company is provided with access to the UGSS for gas sales to final consumers.

The table below sets forth Rosneft's average price of gas per thousand of cubic meters sold for the periods analysed:

	For the three months ended 31 March		% change between the three months ended 31 March 2009 and 2008
	2009	2008	
Revenue	(US\$ million)		
Western Siberia	25	34	(26.5)%
South Russia	36	56	(35.7)%
Far East	9	9	-
European part of Russia	10	18	(44.4)%
Total Rosneft	80	117	(31.6)%
Sales volumes	(bcm)		(%)
Western Siberia	1.50	1.41	6.4%
South Russia	0.92	1.00	(8.0)%
Far East	0.17	0.16	6.3%
European part of Russia	0.19	0.27	(29.6)%
Total Rosneft	2.78	2.84	(2.1)%
Average price	(US\$/thousand of cubic metres)		(%)
Western Siberia	16.89	24.11	(29.9)%
South Russia	39.11	56.00	(30.2)%
Far East	53.15	56.25	(5.5)%
European part of Russia	52.05	66.67	(21.9)%
Total Rosneft	28.78	41.20	(30.1)%

Revenues from the sale of gas were US\$ 80 million in the first quarter of 2009, compared to US\$ 117 million in the first quarter of 2008, a decrease of US\$ 37 million, or 31.6%. This reduction was attributable to a 2.1% decrease in sales volumes, from 2.84 bcm to 2.78 bcm, which decreased revenues by US\$ 2 million and a 30.1% decrease in prices which led to a US\$ 35 million decrease in revenue. Gas sales volumes reduction resulted from general decrease in gas industrial consumption in period of economic downturn. The cessation of the highly profitable gas trading at electronic exchange market caused prices decline in the first quarter of 2009.

Support Services and Other Revenues

Rosneft Group includes in its structure service companies which render drilling, construction, repairs and other services, most of which rendered to companies within the Group. The remaining part of services is rendered to third parties in the places where these companies are located and in this case such revenues are reported in consolidated Income Statement.

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

	For three months ended 31 March		% change between the three months ended 31 March 2009 and 2008
	2009	2008	
	US\$ million	US\$ million	(%)
Drilling services	0	11	(100.0)%
Sales of materials	93	100	(7.0)%
Repairs and maintenance services	25	39	(35.9)%
Rent services	11	13	(15.4)%
Construction services	12	28	(57.1)%
Transport services	47	43	9.3%
Electric power transmission	15	16	(6.3)%
Other revenues	53	62	(14.5)%
Total	256	312	(17.9)%

Other revenues in the first quarter of 2009 were US\$ 256 million compared to US\$ 312 million in the first quarter of 2008 which represent a decrease of US\$ 56 million or 17.9% due to the fall in prices and volumes.

Costs and Expenses

The following table sets forth Rosneft's costs and expenses for the periods analysed:

	For the three months ended 31 March				% change between the three months ended 31 March 2009 and 2008
	2009		2008		
	\$US million	% of total revenue	\$US million	% of total revenue	
Production and operating expenses	820	(9.9)%	1,020	(6.2)%	(19.6)%
Cost of purchased oil, gas, petroleum products and refining costs	295	(3.6)%	769	(4.7)%	(61.6)%
General and administrative expenses	310	(3.7)%	358	(2.2)%	(13.4)%
Pipeline tariffs and transportation costs	1,252	(15.2)%	1,381	(8.4)%	(9.3)%
Exploration expenses	80	(1.0)%	74	(0.5)%	8.1%
Depreciation, depletion and amortisation	980	(11.9)%	954	(5.8)%	2.7%
Accretion expense	19	(0.2)%	40	(0.2)%	(52.5)%
Taxes other than income tax	1,347	(16.2)%	3,590	(21.9)%	(62.5)%
Export customs duty	1,842	(22.3)%	4,478	(27.4)%	(58.9)%
Total costs and expenses	6,945	(84.0)%	12,664	(77.4)%	(45.2)%

Costs and expenses were US\$ 6,945 million in the first quarter of 2009, a 45.2% decrease from US\$ 12,664 million in the first quarter of 2008. This decrease was primarily driven by reduction of mineral extraction tax charge and export customs duty paid by Rosneft, costs of purchased crude oil and petroleum products, which was mainly the result of the decrease in crude oil and petroleum products prices. Costs and expenses accounted for 84.0% and 77.4% of Rosneft's total revenues in the first quarters of 2009 and 2008, respectively. Costs and expenses excluding export customs duties and taxes other than income tax amounted to 45.5% and 28.1% of Rosneft's total revenues in the first quarters of 2009 and 2008, respectively.

Production and Operating Expenses

In the first quarter of 2009, production and operating expenses were US\$ 820 million compared to US\$ 1,020 million in the first quarter of 2008, a decrease of US\$ 200 million, or 19.6% primarily due to the real rouble depreciation against the US dollar of 21.2% which was partially offset by additionally increased energy, and fuel cost, rent cost and other factors.

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 production and exploration business units and subsidiaries.

Downstream operating expenses include costs of services provided by third parties (such as transshipment and storage services), operating expenses of marketing companies and operating expenses of Rosneft's refineries.

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

	For the three months ended 31 March		% Changes between the three months ended 31 March 2009 and 2008
	2009	2008	
Exploration and production	410	563	(27.2)%
Refinery, marketing and distribution	282	302	(6.6)%
All other	128	155	(17.4)%
Total	820	1,020	(19.6)%

Upstream production and operating expenses decreased by US\$ 153 million in the first quarter of 2009 compared to the first quarter of 2008 due to the real rouble depreciation of 21.2%, decrease in the amount of workovers performed due to abnormally low temperature in February of 2009, decrease in fuel prices and implementation of cost-cutting efforts.

Upstream production and operating expenses in the first quarter of 2009 were US\$ 2.37 per bbl produced and US\$ 2.14 per boe produced. Upstream production and operating expenses in the first quarter of 2008 were US\$ 3.19 per bbl produced and US\$ 2.89 per boe produced. These measures are defined below under — "Key Financial Ratios".

Downstream and other operating expenses decreased by US\$ 47 million in the first quarter of 2009 compared to the first quarter of 2008 due to the real rouble depreciation of 21.2%, planned decrease in repair works and other cost-cutting efforts.

The table below sets forth Rosneft's petroleum products output, operating expenses and general and administrative expenses at the Company's refineries during the periods being analysed:

	For the three months ended 31 March		%
	2009	2008	Change for the three months ended 31 March 2009 and 2008
Operating expenses and general and administrative expenses (US\$ millions)	225	305	(26.2)%
Operating expenses and general and administrative expenses per tonne of output ¹ (US\$/tonne)	19.40	25.50	(23.9)%
Operating expenses and general and administrative expenses per tonne of throughput ² (US\$/tonne)	18.35	23.83	(23.0)%

Decrease in operating expenses and general and administrative expenses of the refineries in the first quarter of 2009 compared to the first quarter of 2008 was due to real rouble depreciation of 21.2% compared to US dollar, decrease in cost of maintenance performed and other cost-cutting efforts.

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

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

	For the three months ended 31 March		%
	2009	2008	change between the three months ended 31 March 2009 and 2008
Cost of procurement of crude oil from third parties by the downstream segment (US\$ millions)	207	610	(66.1)%
Procurement of crude oil from third parties by the downstream segment (millions of barrels) ⁽¹⁾	14.75	15.43	(4.4)%
Cost of procurement of gas (US\$ millions)	6	11	(45.5)%
Procurement of gas (bcm)	0.15	0.27	(44.4)%
Cost of procurement of petroleum products from third parties by the downstream segments ⁽²⁾ (US\$ millions)	82	146	(43.8)%
Procurement of petroleum products from third parties by the upstream and downstream segments ⁽³⁾ (millions of tonnes)	0.20	0.24	(16.7)%
Cost of refining of crude oil under processing agreements (US\$ millions)	0	2	(100.0)%
Volumes of crude oil refined under processing agreements (millions of tonnes)	0	0.03	(100.0)%
Refining fees per tonne (US\$) ⁽⁴⁾	0	63.17	(100.0)%
Total cost of purchased oil, gas, petroleum products and refining costs (US\$ millions)	295	769	(61.6)%

(1) The Company purchased crude oil from Udmurtneft of 0.48 million tonnes, Tomskneft of 1.18 million tonnes, Tomsk-Petroleum-und-Gaz of 0.06 million tonnes, from Surgutneftegaz of 0.26 million tonnes and from Verkhnechonskneftegaz of 0.04 million tonnes in the first quarter of 2009.

(2) The upstream segment also purchases petroleum products from third parties for use in its own operations. These purchases are reflected in production and operating expenses and are included in upstream operating expenses to calculate the relevant key performance indicators mentioned below under — "Key Financial Ratios".

(3) In the first quarter of 2009 the average price of procurement of petroleum products from third parties by the downstream segments was higher than the average selling price of petroleum products due to differences in the mix of procured and sold petroleum products.

(4) Cost of processing of crude oil in January and February of 2008 at Strezhevskoy mini-refinery, a subsidiary Tomskneft, following Rosneft's sale of its 50.0% stake in Tomskneft on 27 December, 2007.

¹ Output is the volume of petroleum products produced.

² Throughput is the volume of crude oil directed to refining.

In the first quarter of 2009, the cost of purchased crude oil, gas, petroleum products and refining costs was US\$ 295 million, a 61.6% decrease from US\$ 769 million in the first quarter of 2008. The overall decrease was mainly due to the sharp fall in procurement prices.

In the first quarter of 2009, the volume of purchased crude oil was 14.75 million barrels at the cost of US\$ 207 million. In the first quarter of 2008, the volume of purchased crude oil was 15.43 million barrels at a cost of US\$ 610 million. Due to changes in the number of suppliers, structure of purchases, varying destinations and the decrease in world and domestic prices of crude oil, the average purchase price of a barrel of crude oil decreased in the first quarter of 2009 by the 64.5% compared to the first quarter of 2008.

Rosneft also performs oil swap operations in order to optimize its transportation costs. In particular, in the first quarter of 2009 the volume of crude oil swap operations between Rosneft and Gazprom Neft comprised 1.45 million tonnes compared to 0.58 million tonnes in the first quarter of 2008. Rosneft also performs oil swap operations with Samarainvestneft and ATEK. Revenues and costs of purchases related to these operations are shown on a net basis and only the margin is recognized in the income statement.

In certain circumstances, it may be more beneficial for Rosneft to purchase petroleum products from third parties to supply, together with its own petroleum products, Rosneft's marketing and transshipment subsidiaries. Purchase of petroleum products from third parties is exercised primarily to satisfy the needs of Rosneft's retail subsidiaries. The volume of petroleum products purchased from third parties was 0.20 million tonnes in the first quarter of 2009 and 0.24 million tonnes in the first quarter of 2008.

The table below sets forth Rosneft's average price per tonne of petroleum products procured from third parties during the first quarters of 2009 and 2008.

	For the three months ended 31 March						% change between the three months ended 31 March 2009 and 2008		
	2009			2008			US\$ millions	millions of tonnes	Average price US\$/tonne
	US\$ millions	millions of tonnes	Average price US\$/tonne	US\$ millions	millions of tonnes	Average price US\$/tonne			
High octane gasoline	12	0.03	381.18	35	0.05	765.42	(65.7)%	(40.0)%	(50.2)%
Low octane gasoline	4	0.01	356.01	9	0.01	697.20	(55.6)%	0.0%	(48.9)%
Diesel fuel	47	0.10	459.82	58	0.08	725.00	(19.0)%	25.0%	(36.6)%
Fuel oil	16	0.05	322.81	29	0.05	587.53	(44.8)%	0.0%	(45.1)%
Jet fuel (kerosene)	0	0.00	712.11	2	0.00	705.32	(100.0)%	-	1.0%
Other	3	0.01	430.75	13	0.05	260.00	(76.9)%	(80.0)%	65.7%
Total	82	0.20	410.00	146	0.24	608.33	(43.8)%	(16.7)%	(32.6)%

Rosneft's average price per tonne of petroleum products procured from third parties decreased in the first quarter of 2009 by 32.6% compared to the first quarter of 2008. The decrease was primarily due to the decrease in prices of petroleum products on the domestic market and also due to the change in mix of procured petroleum products.

The purchase price of petroleum products, particularly of fuel oil, may vary significantly depending on the regional markets, where the procurement is made (for example, the price of fuel oil in the Far East market exceeded the price in the Southern Russia market almost twice). Fuel oil procurement prices paid by the Company can be higher than the price at which the Company sells its fuel oil, due to the variation in price in the various domestic markets, where the procurement of petroleum products is made. Besides that like in case of kerosene the purchasing price may vary from period to period depending on the structure of Rosneft entities exercising procurements in particular period being analysed.

The purchase price of fuel oil procured from third parties significantly exceeding its sales price in the first quarter of 2009 was due to Rosneft continue to meet its obligations on fuel supplies to Asia. In the first quarter of 2009 and in the first quarter of 2008 Rosneft purchased approximately 50 thousand tonnes of a mixture of fuel oil and diesel fuel, which was exported to Asia. Rosneft purchased fuel oil from third parties as it currently does not produce fuel oil of sufficient quality and composition. Excluding this factor, the average purchase price of fuel oil amounted to US\$ 279.35 per tonne procured in the first quarter of 2009 and US\$ 182.95 per tonne procured in the first quarter of 2008.

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 2009 were US\$ 310 million, 13.4% lower than US\$ 358 million in the first quarter of 2008. The decrease is mainly due to the rouble depreciation of 21.2%.

Pipeline Tariffs and Transportation Costs

Pipeline tariffs and transportation costs include costs to transport crude oil for refining at owned and third-party refineries and to end customers, and to deliver petroleum products from refineries to end customers. Transportation costs include the cost of pipeline transportation, sea freight, railway tariffs, handling, port fees, customs and other costs.

Pipeline tariffs paid by Rosneft and transportation costs decreased to US\$ 1,252 million in the first quarter of 2009 from US\$ 1,381 million in the first quarter of 2008. This 9.3% decrease was mainly due to the increase in tariffs of natural monopolies in Russian roubles terms for a range of (0.4)% to 32.5% which was offset by the change in average rouble to US dollar exchange rate of 39.9%, by the increase in volume of crude oil exported to far abroad from resources previously directed to CIS and to domestic market; and also due to raise in export of petroleum products to far abroad, particularly to Asia, from resources previously directed to CIS and to domestic market.

The table below sets forth the cost per tonne of crude oil and petroleum products transported by pipeline, railway and a combination of pipeline and railway for the first quarter of 2009 and 2008:

	For the three months ended 31 March								% change between the three months ended 31 March 2009 and 2008		
	2009				2008				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	9.51	71.5%	287	30.18	9.56	73.6%	302	31.59	(0.5)%	(5.0)%	(4.5)%
Railroad and mixed	3.78	28.5%	225	59.52	3.43	26.4%	274	79.88	(10.2)%	(17.9)%	(25.5)%
Transportation to refineries and domestic sales											
Pipeline	10.18		167	16.40	12.27		223	18.17	(17.0)%	(25.1)%	(9.7)%
Railroad and mixed	1.76		142	80.68	1.48		159	107.36	18.9%	(10.7)%	(24.9)%
PETROLEUM PRODUCTS											
Export sales											
Pipeline	0.47 ⁽¹⁾	6.9%	19	40.43	0.42 ⁽¹⁾	6.6%	20	47.62	11.9%	(5.0)%	(15.1)%
Railroad and mixed	5.19	76.1%	303	58.38	4.80	75.6%	336	70.00	8.1%	(9.8)%	(16.6)%
Other transportation expenses⁽²⁾											
			109		-		67			62.7%	
Total transportation expenses											
	30.89		1,252	40.53	31.96		1,381	43.21	(3.3)%	(9.3)%	(6.2)%

(1) Rosneft exported 1.16 million tonnes (17.0% of total export volumes) and 1.13 million tonnes (17.8% of total export volumes) of petroleum products in the first quarter of 2009 and 2008, respectively, through its own pipeline in the town of Tuapse and by sea under free-carrier conditions pursuant to which Rosneft does not bear transportation expenses directly. Operating expenses for the pipeline in Tuapse are included in Rosneft's financial statements as operating expenses.

(2) Other transportation expenses include railroad tariffs, paid by Rosneft when petroleum products are transported from refineries to retail and marketing units.

Rosneft's crude oil export pipeline cost per tonne decreased by 4.5% in the first quarter of 2009 compared to the first quarter of 2008 primarily due to a decrease in the transportation tariffs (in dollar terms) charged by Transneft. Rosneft's crude oil domestic pipeline cost per tonne for transportation to refineries decreased by 9.7% in the first quarter of 2009 compared to the first quarter of 2008 due to a decrease in the transportation tariffs charged by Transneft for domestic routes by 8.0% in US dollar terms. Rosneft's petroleum products export pipeline cost per tonne decreased by 15.1% in the first quarter of 2009 compared to the first quarter of 2008, due to the decrease in Transnefteprodukt's tariffs (in US dollar terms).

Rosneft's cost per tonne for the export of crude oil through railway and using a combination of pipeline and railway decreased by 25.5% in the first quarter of 2009 compared to the first quarter of 2008 primarily due to a decrease in the transportation tariffs charged by RZD by 28.8% in US dollar terms.

Rosneft's cost per tonne for the domestic sales of crude oil through railway and using a combination of pipeline and railway for the transportation of crude oil to the refineries decreased by 24.9% in the first quarter of 2009 compared to the first quarter of 2008 due to a decrease in railway tariffs of natural monopolies by 26.0% (see section "Changes in Transport Tariffs of Pipeline and Railway Monopolies"). Rosneft's cost per tonne for the export of petroleum products through railway and using a combination of pipeline and railway decreased by 16.6% in the first quarter of 2009 compared to the first quarter of 2008 due to the use of new logistical schemes (particularly, reallocation of transportation volumes from "Byantsk-Ventspils" route to "Nikolskoe" route) and to decreased railway tariffs of natural monopolies by 18.3% in dollar terms.

In the first quarter of 2009, Rosneft transported approximately 71.5% of crude oil exports through the Transneft pipeline system compared to 73.6% in the first quarter of 2008.

In the first quarter of 2009 and 2008, Rosneft exported approximately 6.9% and 6.6%, respectively, of its petroleum products through the pipeline system owned and operated by OJSC AK Transnefteprodukt ("Transnefteprodukt").

Transnefteprodukt is a state-owned petroleum products pipeline monopoly and a subsidiary of Transneft, engaged in the transportation of petroleum products through its pipeline network in Russia and abroad. The overall expense per tonne for the transport of petroleum products depends on the length of the transportation route to the ultimate destination point.

Rosneft also depends on railway transportation. Railway transportation services are provided by RZD, a state-owned monopoly. In the first quarter of 2009, Rosneft transported 28.5% of its crude oil exports and 76.1% of its petroleum product exports by rail (including railway transportation used in combination with other means of transport). In the first quarter of 2008, Rosneft transported 26.4% of its crude oil exports and 75.6% of petroleum product exports by rail, respectively.

The change in the share of railway transportation volumes of crude oil and petroleum product exports in the first quarter of 2009 resulted from the use of new logistical schemes and transportation routes and from the restricted capacity of the pipeline system.

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 2009, exploration expenses increased to US\$ 80 million from US\$ 74 million in the first quarter of 2008, or by 8.1%. This was the result of the increase in volumes and costs of exploratory services performed at Samaraneftegaz and Vankorneft fields, partially offset by the decrease in the volume and cost of exploratory services performed for Val Shatskogo project and RN-Kazakhstan fields and other factors.

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\$ 980 million in the first quarter of 2009 compared to US\$ 954 million in the first quarter of 2008. Depreciation, depletion and amortisation increased in the first quarter of 2009 as a result of the increase in fixed assets due to the construction of wells and supporting infrastructure, as well as downstream and service facilities.

Taxes Other than Income Tax

Taxes other than income tax include the mineral extraction tax, the excise tax, the unified social tax, the property tax and other taxes. The basis for calculation of mineral extraction tax is described under “—Main Factors Affecting Results of Operations—Changes in Mineral Production Tax and Export Customs Duty” above. Taxes other than income tax decreased in the first quarter of 2009 mainly due to the decrease in the mineral extraction tax.

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

	For the three months ended 31 March		% change between the three months ended 31 March 2009 and 2008
	2009	2008	
	(million US\$)		
Mineral extraction tax	986	3,076	(67.9)%
Excise tax	185	313	(40.9)%
Social security	109	115	(5.2)%
Property tax	48	64	(25.0)%
Land tax	6	7	(14.3)%
Transportation tax	1	1	0.0%
Other taxes and payments	12	14	(14.3)%
Total taxes other than income tax	1,347	3,590	(62.5)%

Taxes other than income tax decreased by 62.5% to US\$ 1,347 million in the first quarter of 2009, compared to US\$ 3,590 million in the first quarter of 2008. The reduction in taxes resulted mainly from a decrease in mineral extraction tax per barrel by 66.6%.

In February and March 2008 the Company received signed resolutions of the Government of the Russian Federation and relevant regional and local authorities regarding the restructuring of the respective tax liabilities. Under the tax restructuring plan, the outstanding tax liabilities shall be repaid quarterly within five years starting from March 2008.

In accordance with restructuring plan, the Company’s quarterly payments excluding interest amounted to RUB 1,342 million (US\$ 40.3 million at the CBR official exchange rate as of the payment dates) and RUB 1,162 million (US\$ 49.4 million at the CBR official exchange rate as of the payment dates) for the three months ended March 31, 2009 and 2008, respectively. The Company intends to comply with all requirements of the restructuring plan.

Export Customs Duty

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

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

	For the three months ended 31 March		% change between the three months ended 31 March 2009 and 2008
	2009	2008	
	(US\$ millions)		
Export customs duty for crude oil	1,388	3,450	(59.8)%
Export customs duty for petroleum products	454	1,028	(55.8)%
Total export customs duties	1,842	4,478	(58.9)%

The following table sets forth certain information about the export customs duty for the periods indicated.

	For the three months ended 31 March	
	2009	2008
	(US\$ per barrel, except %)	
Average Urals price	43.65	93.33
Hypothetical export customs duty if calculated per formula in customs legislation, but using the average Urals price in the indicated period (i.e. without effect of time lag)	16.12	48.42
Average price of crude oil sold by Rosneft to non-CIS Countries	43.08	92.87
Hypothetical export customs duty as a percentage of average Urals prices as calculated	36.9%	51.9%
Actual customs duty to non CIS exports paid by Rosneft during the period	15.70	40.83
Actual customs duty to non CIS exports paid by Rosneft during the period as a percentage of average Urals prices	36.0%	43.7%
	(US\$ million, except %)	
Crude oil export customs duties	1 388	3 450
Crude oil export sales subject to non zero export duties	3 922	8 064
Export customs duty as a percentage of crude oil export sales	35.4%	42.8%

The impact of export customs duties on Rosneft's margins varies from period to period depending both on the average Urals price during each period and on the timing and direction of price movements within each period. This is due to the more rapid impact of price changes on Rosneft's revenue determined under US GAAP than on the amount of export customs duty determined under the formula. The effect of this timing factor can be seen in the relative movements over time of "hypothetical export customs duty as percentage of average Urals prices, as calculated" and "actual export customs duty paid by Rosneft during the period as a percentage of average Urals prices" in the preceding table. However, following the latest changes in legislation, the rate of export custom duty starting from October 15, 2008 is calculated in accordance with one month price monitoring period instead of two months period settled previously, which leads to decrease of time lag in settlement of export customs duty and consequently to decrease of overpayment while crude oil export prices are falling.

In the first quarter of 2009, compared to the first quarter of 2008 hypothetical export customs duties decreased as a percentage of average Urals prices as calculated, and actual customs duty decreased as a percentage of the average Urals price. Export customs duties were US\$ 1,388 million in the first quarter of 2009 compared to US\$ 3,450 million in the first quarter of 2008. This decrease was primarily due to a decrease in the rate of the export customs duty by 64.4%.

Operating Income

As a result of the factors discussed above, operating income decreased by 64.4% in the first quarter of 2009 compared to the first quarter of 2008. As a percentage of total revenues, operating income was 16.0% in the first quarter of 2009 and 22.6% in the first quarter of 2008, respectively. As a percentage of revenues, operating income before taxes other than income tax and export customs duty was 54.5% and 71.9% in the first quarters of 2009 and 2008, respectively.

Other Income/(Expenses)

Interest Income

Interest income increased by 44.6% to US\$ 107 million in the first quarter of 2009 from US\$ 74 million in the first quarter of 2008, which was mainly due to the growth in the funds placed on deposits.

Interest Expense

Interest expense decreased by 51.3% to US\$ 165 million in the first quarter of 2009 from US\$ 339 million in the first quarter of 2008. The decrease mainly resulted from the decrease in LIBOR rate to 0.50% as of March 31, 2009 compared to 2.70% as of March 31, 2008, accompanied by a decrease in principal amounts of loans and borrowings outstanding during the period, and the positive effect from interest swap operations in the first quarter of 2009 (net income of US\$ 10 million compared to the net loss of US\$76 million in the first quarter of 2008).

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

From time to time, Rosneft disposes of property, plant and equipment. In the first quarter of 2009, Rosneft recorded a net loss of US\$ 15 million on the disposal of property, plant and equipment compared to a net gain of US\$ 4 million recorded in the first quarter of 2008.

Gain/(Loss) of the equity share in affiliates

The equity share in affiliates decreased to US\$ 42 million in the first quarter of 2009 compared to the net income of US\$ 112 million in the first quarter of 2008. The decrease resulted from the net losses incurred by some of Rosneft's affiliates, primarily, Veninneft.

Other Income/(Expenses), Net

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

In the first quarter of 2009, other income, net, amounted to US\$ 121 million, compared to US\$ 2 million of other expenses, net, in the first quarter of 2008. The change is primarily due to the writing off of unclaimed promissory notes for which the statutory limitations expired in the first quarter of 2009 in the amount of US\$ 141 million that was compensated by US\$ 23 million of other expenses.

Foreign Exchange Gain/(Loss)

Foreign exchange gain was US\$ 798 million in the first quarter of 2009 compared to the loss of US\$ 152 million in the first quarter of 2008. The change resulted from considerable nominal depreciation of the rouble in the first quarter of 2009 compared with modest appreciation in the first quarter of 2008. Net negative rouble-denominated monetary position of Rosneft decreased from RUB 175 billion as of March 31, 2008 to RUB 169 billion as of March 31, 2009.

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 31 March	
	2009	2008
Effective income tax rate for Rosneft under US GAAP	6%	25%

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 the Russian tax code.

The US GAAP effective income tax rate was 6% and 25% for the first quarters of 2009 and 2008, respectively. The change is due to the impact of foreign exchange gain determined under US GAAP in the first quarter of 2009 compared to the same period of 2008, due to the change of tax rate from 24% to 20% in Russian tax legislation (this effect was recorded in 4 quarter of 2008).

Income tax expense was US\$ 127 million in the first quarter of 2009 compared to the income tax expense of US\$ 836 million in the first quarter of 2008. Current income tax expense was US\$ 198 million in the first quarter of 2009 compared to US\$ 1,103 million in the first quarter of 2008, while deferred income tax benefit decreased to US\$ 71 million from US\$ 267 million in the first quarter of 2008.

Net income attributable to minority interests

Net income attributable to minority interests was US\$ 25 million in the first quarter of 2009 compared to US\$ 6 million in the first quarter of 2008. In the first quarter of 2009 the change resulted from the increase in share of minority interests and from the increase in profit relating to some of Rosneft's subsidiaries in which the Company does not own 100% share.

Net Income

As a result of the factors discussed above, net income decreased by 19.7% to US\$ 2,060 million in the first quarter of 2009 from US\$ 2,564 million in the first quarter of 2008. As a percentage of revenues, net income was 24.9% and 15.7% in the first quarters of 2009 and 2008, respectively.

Liquidity and Capital Resources

Cash Flows

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

	For the three months ended 31 March		change between
	2009	2008	the three months ended 31 March 2009 and 2008
	(US\$ millions)		times
Net cash provided by operating activities	2,366	4,505	(1.9)
Net cash used in investing activities	(2,364)	(1,773)	1.3
Net cash (used in)/provided by financing activities	419	(2,578)	7.2

Net Cash Provided by Operating Activities

Net cash provided by operating activities amounted to US\$ 2,366 million in the first quarter of 2009 as compared to US\$ 4,505 million in the first quarter of 2008. The decrease in net cash from operating activities resulted mainly from the decrease in net income for the period being analyzed by 19.7%, compensated by the decrease in working capital by US\$ 1,033 million.

The decrease in working capital in the first quarter of 2009 is primary attributable to:

- a decrease in receivables of US\$ 602 million due to
 - a decrease in income tax receivable of US\$ 442 million, mainly due to the profit tax recovered in the first quarter of 2009. The profit tax receivable was settled through cash payments and a legal offset against current tax liabilities in the total amount of RUB 8.4 billion (US\$ 247.5 million at the average exchange rate in the first quarter of 2009);
 - a decrease in VAT receivable in the amount of US\$ 74 million, mainly due to the settlements through a legal offset in the amount of US\$ 30.8 made in first quarter of 2009; and others tax payments.
- a decrease in other current assets of US\$ 923 million, mainly customs prepayments made by the Company and banking loans to customers of US\$ 226 million.

The decrease in receivables was partially offset by the decrease in trade payable of US\$ 463 million, mainly due to the rouble depreciation.

Net Cash Used in Investing Activities

Net cash used in investing activities was US\$ 2,364 million in the first quarter of 2009 compared to US\$ 1,773 million in the first quarter of 2008. The increase in the first quarter of 2009 resulted mainly from the short-term deposits placed in February 2009 in the amount of US\$ 1,300 million with maturity in April and June 2009, and a decrease in capital expenditures.

Net Cash (Used in)/Provided by Financing Activities

Net cash provided by financing activities was US\$ 419 million in the first quarter of 2009 compared to net cash used in financing activities of US\$ 2,578 million in the first quarter of 2008.

The increase in cash provided by financing activities in the first quarter of 2009 compared to the corresponding period of 2008 was primarily due to the significant repayments of the short term banking loans in the first quarter of 2008.

Capital Expenditures

The table below sets forth Rosneft's total capital expenditures by types of activities as well as its licence acquisition costs, for the periods analysed:

	For the three months ended 31 March		% change between the three months ended 31 March 2009 and 2008
	2009	2008	
	(US\$ millions)		
Yuganskneftegaz	431	567	(24.0)%
Vankor field	535	514	4.1%
Purneftegaz	28	79	(64.6)%
Severnaya Neft	22	31	(29.0)%
Samaraneftegaz	28	24	16.7%
Other ¹	27	79	(65.8)%
Total upstream segment	1,071	1,294	(17.2)%
The Company	7	17	(58.8)%
Tuapse refinery	26	29	(10.3)%
Komsomolsk refinery	30	8	275.0%
Angarsk refinery	7	9	(22.2)%
Achinsk refinery	3	4	(25.0)%
Syzran refinery	6	7	(14.3)%
Novokuibyshevsk refinery	5	8	(37.5)%
Kuibyshev refinery	5	6	(16.7)%
Primorsky refinery	6	-	100.0%
Marketing Business Units and others ²	29	71	(59.2)%
Total downstream segment	124	159	(22.0)%
Other activities³	68	54	25.9%
Subtotal capital expenditures	1,263	1,507	(16.2)%
Net increase (decrease) in construction materials	(31)	241	(112.9)%
Total capital expenditures and capex acquisition	1,232	1,748	(29.5)%
Licence acquisition costs	-	9	(100.0)%

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

2 Relating to companies providing processing and storage services

3 Relating to other services companies

Rosneft's total capital expenditures including material purchases decreased by 29.5% or by US\$ 516 million to US\$ 1,232 million in the first quarter of 2009 compared to US\$ 1,748 million in the first quarter of 2008. The decrease in capital expenditures resulted, primarily, from real rouble depreciation and cost-cutting efforts.

The decrease in the first quarter of 2009 was driven by the upstream segment in which the capital expenditures decreased by US\$ 223 million, or by 17.2%, compared with the first quarter of 2008. The decrease was throughout all the upstream projects except for the Vankor which is currently in the final pre-production stage.

The decrease in the downstream segment was 22.0%, or US\$ 35 million. The expenditures decreased throughout all the downstream projects except for Komsomolsk refinery where a delayed coking unit is under construction within a major refinery upgrade project.

Capital expenditures for other activities increased by 25.9%, or by US\$ 14 million, in the first quarter of 2009, compared to US\$ 54 million in the first quarter of 2008. The increase was attributable to the service companies, RN – Stroy, RN – Burenie.

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

The net decrease in unused construction materials amounting to US\$ 31 million in the first quarter of 2009 and net increase in unused construction materials amounted to US\$ 241 million in the first quarters 2008, respectively, is included in capital expenditures.

The licence acquisition costs in the first quarter of 2008 were attributable to the acquisition of a licence for the exploration and production in Umotkinsky Block.

Debt Obligations

Over the past few years, Rosneft has raised significant amounts of funds through the additional short-term debt and long-term loans to supplement the net cash generated by operating activities. These funds have been used to finance the capital expenditures required to develop Rosneft's upstream and downstream operations and to purchase new assets and licences. Most of the loans obtained were used to finance the acquisition of new assets in 2007.

Rosneft's total loans and borrowings decreased to US\$ 23,530 million as of March 31, 2009 from US\$ 24,165 million as of December 31, 2008.

As of 31 March 2009, the bank loan raised to finance the acquisition of Yuganskneftegaz was comprised of a long-term loan obtained through a government-owned bank at a rate of LIBOR plus 0.7% per annum repayable in equal monthly instalments. It is scheduled for full repayment in 2011 and is secured by pledging the Company's receivables under a long-term contract for the supply of crude oil.

Long-term loans are generally secured by oil export contracts. As of March 31, 2009, 61.6% of Rosneft's borrowings were secured by crude oil export contracts (excluding export to the CIS) and 2.5% of borrowings were secured by petroleum products export contracts. As of December 31 2008, 60.4% of Rosneft's borrowings were secured by crude oil export contracts (excluding export to the CIS). As of March 31, 2009 pledged oil exports constituted 57.0% of total crude oil export sales for the period in question (excluding export to the CIS) and pledged petroleum products exports constituted 20.7% of total petroleum products export sales for the period in question. As of December 31, 2008 pledged oil exports constituted 46.3% of total crude oil export sales for the period in question (excluding export to the CIS).

The amount of Rosneft net debt amounted to US\$ 19,239 million as of March 31, 2009 compared to US\$ 21,283 million as of December 31, 2008.

The calculation of the net debt as of March 31, 2009, is disclosed in the following table:

As of March 31, 2009	US\$ millions
Short term debt	14,388
Long term debt	9,142
Total debts	23,530
Cash and cash equivalents	(1,693)
Bank short-term deposits	(1,414)
Structured deposit (on repurchase obligation)	(715)
Short term promissory notes	(469)
Total net debt	19,239

In April – May 2009, Rosneft repaid loans received from international banks and banks under state control in total amount of US\$ 2.37 billion, including US\$ 577.4 million as early repayment.

In February 2009, Rosneft secured and agreed principle terms of a long-term floating rate loan from a foreign bank in the amount of up to US\$ 15 billion. The loan is repayable within 20 years and secured by oil export contracts. Recently, Rosneft completed necessary procedures to facilitate initial drawdowns of this loan and received part of the first tranche in the amount of US\$ 0.8 billion. Full drawdown of the loan is planned during the second half of 2009 and 2010 and following approval of the transaction by Rosneft's shareholders. Such vote planned for Rosneft's shareholders meeting scheduled for June 19, 2009.

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 the three months ended 31 March	
	2009	2008
EBITDA margin	28.0%	28.7%
Adjusted net income margin	24.8%	16.1%
Net debt to capital employed ratio	0.32	0.43
Net debt to adjusted EBITDA ratio, annualised	2.07	1.25
Current ratio	0.68	0.68
	(US \$)	
EBITDA/bbl	13.38	26.64
EBITDA/boe	12.09	24.10
Upstream capital expenditure/bbl	6.18	7.34
Upstream capital expenditure/boe	5.59	6.64
Upstream operating expenses/bbl	2.37	3.19
Upstream operating expenses/boe	2.14	2.89
Adjusted free cash flow /bbl	6.54	15.58
Adjusted free cash flow /boe	5.91	14.10

The Company considers EBITDA/bbl, upstream operating expenses/bbl, upstream operating expenses/boe 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 the three months ended 31 March	
	2009	2008
Upstream capital expenditures (US\$ millions)	1,071	1,294
Upstream operating expenses (US\$ millions)	410	563
Barrels of crude oil produced (millions)	173.19	176.34
Barrels of oil equivalent produced (millions)	191.72	194.93

Calculation of Adjusted Free Cash Flow

	For the three months ended 31 March	
	2009	2008
	(US\$ millions)	
Net cash provided by operating activities	2,366	4,505
Capital expenditures	(1,232)	(1,748)
Free cash flow	1,134	2,757
Licence acquisition costs	-	(9)
Adjusted free cash flow	1,134	2,748

Calculation of EBITDA Margin

	For the three months ended 31 March	
	2009	2008
	(US\$ millions, except %)	
Operating income	1,319	3,704
Accretion expense	19	40
Depreciation, depletion and amortisation	980	954
EBITDA	2,318	4,698
Total revenues	8,264	16,368
EBITDA margin	28.0%	28.7%

Calculation of Adjusted Net Income Margin

	For the three months ended 31 March	
	2009	2008
	(US\$ millions, except %)	
Net income	2,060	2,564
Effect of interest swap operations	(10)	76
Adjusted net income	2,050	2,640
Total revenues	8,264	16,368
Adjusted net income margin	24.8%	16.1%

Current ratio

	For three months ended 31 March	
	2009	2008
	(US\$ million, except ratio)	
Current assets	12,596	13,974
Current liabilities	18,411	20,569
Current ratio	0.68	0.68