



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE QUARTERS ENDED SEPTEMBER 30 AND JUNE 30, 2011
AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 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 September 30, 2011 and 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 2.40 million barrels per day (average for the third quarter of 2011) and output of natural and associated gas is 3.00 billion cubic meters per quarter (data for the third quarter of 2011).

Rosneft processes part of the crude oil produced at its seven domestic refineries with total primary refining capacity of 1.0 million barrels per day. Rosneft's domestic refinery throughput is 1.0 million barrels per day (average for the third quarter of 2011) which equals 45% 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.

In May, 2011 Rosneft acquired a 50% stake in Ruhr Oel GmbH which owns stakes in four German refineries: Gelsenkirchen, MiRO, Bayernoil and PCK Schwedt. Net refining capacity of Ruhr Oel GmbH is 465,000 barrels per day. The Gelsenkirchen refinery has a petrochemical block with capacity of 3.9 million tonnes.

Part of the petroleum products produced by the Company at the domestic refineries is sold in Russia, both wholesale and through Rosneft's own retail network which comprises approximately 1,700 service stations in 41 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. Products produced at the German refineries are sold in Europe.

Financial and Operating Highlights

	<i>For 3 months ended</i>			<i>For 9 months ended</i>		
	September 30, 2011	June 30, 2011	<i>% change</i>	September 30, 2011	September 30, 2010	<i>% change</i>
Financial results						
Revenues (US\$ million)	24,627	23,274	5.8%	68,024	45,663	49.0%
EBITDA (US\$ million)	5,283	5,333	(0.9)%	17,269	13,826	24.9%
Adjusted net income (US\$ million) ¹	2,758	2,805	(1.7)%	9,419	7,485	25.8%
Capital expenditures	2,768	3,452	(19.8)%	8,981	6,163	45.7%
Adjusted free cash flow ²	69	1,730	(96.0)%	4,980	4,999	(0.4)%
Net Debt	13,991	12,445	12.4%	13,991	13,952	0.3%
Operational results						
Crude oil production (th. barrels per day)	2,399	2,368	1.3%	2,374	2,312	2.7%
Gas production (bcm)	3.00	3.06	(2.0)%	9.26	9.09	1.9%
Hydrocarbon production (th. boe per day)	2,591	2,566	1.0%	2,574	2,507	2.7%
Domestic production of petroleum products (mln tonnes)	12.16	11.69	4.0%	35.61	35.64	(0.1)%

¹ Net income for the three months ended September 30, 2011 and for the three months ended June 30, 2011 is adjusted for effect of the assets impairment and interest SWAP operations in the amount of income of US\$ 20 million and the amount of loss of US\$ 6 million, respectively. Net income for the nine months ended September 30, 2011 and for nine months ended September 30, 2010 is adjusted for effect of the assets impairment and interest SWAP operations in the amount of income of US\$ 41 million and in the amount of loss of US\$ 88 million, respectively.

² Free cash flow is adjusted for the effect of acquisition of Ruhr Oel GmbH in the second quarter of 2011.

Macroeconomic Factors Affecting Results of Operations

Main factors affecting Rosneft's results of operations are:

- Changes in crude oil, petroleum product and gas prices;
- RUB/US\$ exchange rate and inflation;
- Taxation including changes in mineral extraction tax, 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 (taking into account the needs of domestic market of motor fuel).

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. Domestic petroleum products prices are significantly influenced by the lack of supply of particular types of petroleum products, which results in deviations of domestic petroleum products prices from export netbacks.

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	September 30, 2011	June 30, 2011		September 30, 2011	September 30, 2010	
World market	(US\$ per barrel)			(US\$ per barrel)		
Brent (dated)	113.46	117.36	(3.3)%	111.93	77.13	45.1%
Urals (average CIF Med and NWE)	111.50	113.99	(2.2)%	109.22	75.92	43.9%
Urals (FOB Primorsk)	111.55	113.14	(1.4)%	108.35	74.59	45.3%
Urals (FOB Novorossiysk)	111.57	113.31	(1.5)%	108.59	74.47	45.8%
Dubai-Oman	107.29	110.92	(3.3)%	106.28	76.08	39.7%
	(US\$ per tonne)			(US\$ per tonne)		
Naphtha (av. FOB/CIF Med)	939.38	972.03	(3.4)%	933.61	671.39	39.1%
Naphtha (av. FOB Rotterdam/CIF NWE)	951.32	988.80	(3.8)%	948.02	684.15	38.6%
Naphtha (CFR Japan)	956.06	992.82	(3.7)%	954.91	697.36	36.9%
Fuel oil 3.5% (av. FOB/CIF Med)	631.22	625.75	0.9%	603.94	435.16	38.8%
Fuel oil 3.5% (av. FOB Rotterdam/CIF NWE)	628.81	623.54	0.8%	602.21	432.75	39.2%
High sulphur fuel oil 180 cst (FOB Singapore)	660.00	663.84	(0.6)%	640.42	462.20	38.6%
Gasoil 0.1% (av. FOB/CIF Med)	945.41	958.16	(1.3)%	928.45	652.16	42.4%
Gasoil 0.1% (av. FOB Rotterdam/CIF NWE)	943.95	963.03	(2.0)%	929.51	651.73	42.6%
Gasoil 0.5% (FOB Singapore)	926.67	967.30	(4.2)%	925.27	645.21	43.4%
Russian market (net of VAT, including excise tax)	(US\$ per tonne)			(US\$ per tonne)		
Crude oil	291.51	324.89	(10.3)%	305.92	214.09	42.9%
Fuel oil	330.98	304.18	8.8%	301.21	248.26	21.3%
Summer diesel	678.38	689.21	(1.6)%	661.98	457.18	44.8%
Winter diesel	697.87	684.07	2.0%	718.44	509.72	40.9%
Jet fuel	694.32	670.40	3.6%	676.66	474.17	42.7%
High octane gasoline	873.01	861.25	1.4%	831.65	678.70	22.5%
Low octane gasoline	773.29	781.99	(1.1)%	758.54	562.31	34.9%

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 Rosneft gas sale to Gazprom. Rosneft's average gas sale price was RUB 1,508 (excluding VAT) (US\$ 51.93 per thousand cubic meters) and RUB 1,394 (excluding VAT) (US\$ 49.80 per thousand cubic meters) in the third quarter of 2011 and second quarter of 2011, respectively. In the nine months of 2011 and 2010, Rosneft's average gas sale price was RUB 1,442 (excluding VAT) (US\$ 50.14 per thousand cubic meters) and RUB 1,269 (excluding VAT) (US\$ 41.94 per thousand cubic meters), respectively.

US\$/RUB Exchange Rate and Inflation

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

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

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2011	June 30, 2011	September 30, 2011	September 30, 2010
Rouble inflation (CPI) for the period	(0.3)%	1.2%	4.7%	6.2%
Change of the average invert exchange rate (RUB/US\$) compared to the previous period	(3.7)%	4.6%	5.2%	7.4%
US\$/RUB exchange rate at the end of the period	31.88	28.08	31.88	30.40
Average US\$/RUB exchange rate for the period	29.05	27.99	28.77	30.25
Real appreciation/(depreciation) of the RUB against the US\$ for the period	(3.5)%	6.2%	14.7%	14.3%

Taxation

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	September 30, 2011	June 30, 2011		September 30, 2011	September 30, 2010	
Mineral extraction tax			%			%
Crude oil (RUB per tonne)	4,547	4,466	1.8%	4,368	2,948	48.2%
Natural gas (RUB per th. cubic meters)	237	237	0.0%	237	147	61.2%
Associated gas (RUB per th. cubic meters)	—	—	—	—	—	—
Export customs duty						
Crude oil (US\$ per tonne)	442.5	446.5	(0.9)%	410.67	269.16	52.6%
East Siberian Crude oil* (US\$ per tonne)	442.5	368.9	20.0%	315.52	45.20	598.1%
Gasoline** (US\$ per tonne)	398.2	369.3	7.8%	333.96	193.64	72.5%
Light and middle distillates (US\$ per tonne)	296.4	299.2	(0.9)%	276.64	193.64	42.9%
Liquid fuels (fuel oil) (US\$ per tonne)	206.6	208.5	(0.9)%	188.82	104.32	81.0%

* For Verkhnechonsk and Vankor fields.

**Starting from May 1, 2011 the Russian Government introduced a special export duty on gasoline. Starting from June 1, 2011 the Russian Government introduced a special export duty on naphtha.

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 9 months ended</i>		<i>Change</i>
	<i>September 30, 2011</i>	<i>June 30, 2011</i>		<i>September 30, 2011</i>	<i>September 30, 2010</i>	
Mineral extraction tax						
Crude oil (US\$ per tonne)	156.56	159.58	(1.9)%	151.83	97.45	55.8%
Natural gas (US\$ per th. cubic meters)	8.16	8.47	(3.7)%	8.24	4.86	69.5%

Tax rates translated from tonnes to barrels:

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	<i>September 30, 2011</i>	<i>June 30, 2011</i>		<i>September 30, 2011</i>	<i>September 30, 2010</i>	
Mineral extraction tax on crude oil (US\$ per barrel)	21.40	21.82	(1.9)%	20.76	13.32	55.9%
Export duty on crude oil (US\$ per barrel)	60.49	61.04	(0.9)%	56.14	36.80	52.6%

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

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	<i>September 30, 2011</i>	<i>June 30, 2011</i>	<i>September 30, 2011</i>	<i>September 30, 2010</i>
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
Total revenues	24,627	23,274	68,024	45,663
Total taxes*	12,738	12,233	34,835	22,189
Effective tax burden, %	51.7%	52.6%	51.2%	48.6%

* 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 46.1% and 45.4% of Rosneft's total revenues in the third quarter of 2011 and in the second quarter of 2011, respectively. In the nine months of 2011 and 2010 the mineral extraction tax and the export customs duty accounted for approximately 44.0% and 41.0%, respectively, 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 to PSA projects;
- 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.

On August 6, 2011 accumulated production at the Vankor oil field reached 25 million tons. Since then zero MET rate was replaced by the standard one.

Rosneft has exploration projects in the Azov, Caspian and Black 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.

Starting from October 2011 the marginal export duty rate was reduced from 65% to 60%.

Export customs duty on Eastern Siberian crude oil (Vankor and Verkhnechonsk)

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. The zero export duty rate was applicable to the Vankor field starting from January 19, 2010.

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

Starting from May 1, 2011 the Vankor and Verkhnechonsk fields were excluded from the list of fields subject to the special export duties rate.

Export customs duty on crude oil export to CIS

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, exempted from customs duty.

Export Customs Duty on Petroleum Products

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

In 2010 the export customs duty on light petroleum products (gasoline, diesel, jet fuel) 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 (fuel oil, vacuum gasoil) was calculated using the following formula: $0.236 * (\text{Price} * 7.3 - 109.5)$.

Starting from February 2011 the export duty for light petroleum products was set at 67% of the export duty for crude oil, the export duty for dark petroleum products was set at 46.7% of the export duty for crude oil.

Starting from May 1, 2011 the Russian Government introduced a special export duty for gasoline equivalent to 90% of the export duty for crude oil. Starting from June 1, 2011 the Russian Government introduced a special export duty for naphtha equivalent to 90% of the export duty for crude oil.

Starting from October 2011 the export duty for light petroleum products was lowered from 67% to 66% of export duty for crude oil, the export duty for dark petroleum products was raised from 46.7% to 66% of export duty for crude oil. Export duty for naphtha and gasoline remained at 90% of crude oil export duty.

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 by Transneft. 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 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 FTS sets tariffs for each separate route of the pipeline networks depending on the length of the relevant routes, transportation direction and other factors, alternatively tariffs may be set for the entire route of the pipeline network. Tariffs for railroad transportation, where these costs are not already incorporated in pipeline tariffs, often depend on type and transportation route.

Recent changes of Transneft transportation tariffs

In 2010 Transneft increased its tariffs for crude oil export 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%.

In January 2011 Transneft increased tariffs for export transportation of petroleum products by 9.5% and for domestic transportation of petroleum products by 5.9%, respectively. On year-on-year average basis, tariffs for pipeline transportation of petroleum products increased by 10.8% for export sales and by 6.2% for domestic sales.

In September 2011 Transneft increased tariffs for crude oil transportation by 2.85%. On year-on-year average basis, tariffs for pipeline transportation of crude oil for export and domestic supplies increased by 13.1%. Transneft is expected to increase crude oil transportation tariffs by 5% in November, 2011.

Recent changes of rail road transportation tariffs

Starting from January 1, 2011 tariffs for rail road transportation were raised by 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 9 month ended</i>		
	September 30, 2011	June 30, 2011	Change	September 30, 2011	September 30, 2010	Change
	(RUB/tonne)		(%)	(RUB/tonne)		(%)
CRUDE OIL						
Domestic						
<i>Pipeline</i>						
Yugansk – Samara refineries	723.74	718.16	0.8%	720.02	638.80	12.7%
Samara – Samara refineries	45.71	45.51	0.4%	45.57	40.74	11.9%
Yugansk – Angarsk refinery	1,201.53	1,193.66	0.7%	1,196.29	1,070.05	11.8%
Purpe – Tuapse refinery	1,493.00	1,482.85	0.7%	1,486.23	1,321.05	12.5%
Tomsk – Achinsk refinery	329.45	326.81	0.8%	327.69	293.20	11.8%
<i>Pipeline and railroad</i>						
Yugansk – Komsomolsk refinery	3,924.31	3,917.18	0.2%	3,919.56	3,594.06	9.1%
Exports						
<i>Pipeline</i>						
Yugansk – Primorsk	1,320.23	1,289.75	2.4%	1,299.91	1,149.60	13.1%
Yugansk – Novorossiysk	1,453.31	1,444.54	0.6%	1,447.46	1,288.27	12.4%
Vankor (Purpe)-Tuapse	1,505.48	1,495.44	0.7%	1,498.79	1,324.73	13.1%
Vankor (Purpe)-Kozmino	1,833.13	1,815.00	1.0%	1,821.04	1,609.84	13.1%
<i>Railroad and mixed</i>						
Purneftegaz - CPC*	-	2,044.25		-	1,864.14	
Stavropolneftegaz – CPC (railroad)	659.73	659.73	-	659.73	610.93	8.0%
PETROLEUM PRODUCT EXPORTS						
Diesel						
Samara refineries – Ventspils	1,747.35	1,689.06	3.5%	1,713.62	1,595.47	7.4%
Angarsk refinery – Nakhodka	3,890.15	3,890.15	-	3,890.15	3,615.65	7.6%
Komsomolsk refinery – Nakhodka	1,525.31	1,525.31	-	1,525.31	1,419.03	7.5%
Achinsk refinery – Tuapse	4,379.27	4,379.27	-	4,379.27	4,069.43	7.6%
Fuel oil						
Samara refineries – Odessa	2,537.78	2,674.60	(5.1)%	2,695.94	2,569.80	4.9%
Angarsk refinery – Nakhodka	3,963.98	3,963.98	-	3,963.98	3,670.78	8.0%
Komsomolsk refinery – Nakhodka	1,484.69	1,484.69	-	1,484.69	1,374.87	8.0%
Achinsk refinery – Nakhodka	4,889.87	4,889.87	-	4,889.87	4,528.16	8.0%
Naphtha						
Samara refineries – Tuapse	1,868.86	1,868.86	-	1,868.86	1,740.94	7.3%
Achinsk refinery – Tuapse	4,297.44	4,297.44	-	4,297.44	3,995.98	7.5%
Angarsk refinery – Nakhodka	3,776.55	3,776.55	-	3,776.55	3,512.37	7.5%
Komsomolsk refinery – Nakhodka	1,496.64	1,496.64	-	1,496.64	1,393.50	7.4%

* - oil transportation for Purneftegaz - CPC via Tikhoretskaya station was cut off at June, 2011

Source: Transneft, 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 9 month ended</i>		
	September 30, 2011	June 30, 2011	Change	September 30, 2011	September 30, 2010	Change
	(US\$/tonne)		(%)	(US\$/tonne)		(%)
CRUDE OIL						
Domestic						
<i>Pipeline</i>						
Yugansk – Samara refineries	24.92	25.66	(2.9)%	25.03	21.11	18.6%
Samara – Samara refineries	1.57	1.63	(3.7)%	1.58	1.35	17.0%
Yugansk – Angarsk refinery	41.37	42.65	(3.0)%	41.59	35.37	17.6%
Purpe – Tuapse refinery	51.40	52.99	(3.0)%	51.67	43.67	18.3%
Tomsk – Achinsk refinery	11.34	11.68	(2.9)%	11.39	9.69	17.5%
<i>Pipeline and railroad</i>						
Yugansk – Komsomolsk refinery	135.11	139.97	(3.5)%	136.25	118.80	14.7%
Exports						
<i>Pipeline</i>						
Yugansk – Primorsk	45.45	46.09	(1.4)%	45.19	38.00	18.9%
Yugansk – Novorossysk	50.03	51.62	(3.1)%	50.32	42.58	18.2%
Vankor(Purpe)- Tuapse	51.83	53.44	(3.0)%	52.10	43.79	19.0%
Vankor(Purpe)-Kozmino	63.11	64.85	(2.7)%	63.30	53.21	19.0%
<i>Railroad and mixed</i>						
Purneftegaz – CPC*	-	73.05		-	61.62	
Stavropolneftegaz – CPC(railroad)	22.71	23.57	(3.6)%	22.93	20.19	13.6%
PETROLEUM PRODUCT EXPORTS						
Diesel						
Samara refineries – Ventspils ¹	60.16	60.35	(0.3)%	59.57	52.74	13.0%
Angarsk refinery – Nakhodka	133.93	139.00	(3.6)%	135.23	119.51	13.2%
Komsomolsk refinery – Nakhodka	52.51	54.50	(3.7)%	53.02	46.90	13.0%
Achinsk refinery – Tuapse	150.77	156.48	(3.6)%	152.24	134.51	13.2%
Fuel oil						
Samara refineries – Odessa	87.37	95.57	(8.6)%	93.72	84.94	10.3%
Angarsk refinery – Nakhodka	136.47	141.64	(3.7)%	137.80	121.33	13.6%
Komsomolsk refinery – Nakhodka	51.12	53.05	(3.6)%	51.61	45.44	13.6%
Achinsk refinery – Nakhodka	168.35	174.73	(3.7)%	169.99	149.67	13.6%
Naphtha						
Samara refineries – Tuapse	64.34	66.78	(3.7)%	64.97	57.54	12.9%
Achinsk refinery – Tuapse	147.95	153.56	(3.7)%	149.39	132.08	13.1%
Angarsk refinery – Nakhodka	130.02	134.95	(3.7)%	131.28	116.10	13.1%
Komsomolsk refinery – Nakhodka	51.53	53.48	(3.6)%	52.03	46.06	13.0%

¹ - tariff denominated in US\$

* - oil transportation for Purneftegaz - CPC via Tikhoretskaya station was canceled in June, 2011

Source: Transneft, 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 ("CPC"). 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>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	<i>September 30,</i>	<i>June 30,</i>		<i>September 30,</i>	<i>September 30,</i>	
	<i>2011</i>	<i>2011</i>		<i>2011</i>	<i>2010</i>	
	<i>(million of barrels)</i>		<i>(%)</i>	<i>(million of barrels)</i>		<i>(%)</i>
Yuganskneftegaz (Western Siberia)	123.36	121.63	1.4%	365.19	359.69	1.5%
Samaraneftegaz (Central Russia)	19.65	19.47	0.9%	58.11	56.42	3.0%
Purneftegaz (Western Siberia)	13.02	12.65	2.9%	38.27	39.40	(2.9)%
Vankorneft (Eastern Siberia)	28.99	26.61	8.9%	80.72	68.88	17.2%
Severnaya Neft (Timan Pechora)	6.58	6.55	0.5%	19.91	22.70	(12.3)%
Sakhalin-1 (Far East) (net of royalty and government share)	2.33	2.50	(6.8)%	7.69	6.12	25.7%
Other	8.17	8.15	0.2%	24.45	26.95	(9.3)%
Crude oil production by fully and proportionately consolidated enterprises	202.10	197.56	2.3%	594.34	580.16	2.4%
Tomskneft (Western Siberia)	9.60	9.41	2.0%	28.27	28.14	0.5%
Udmurtneft (Central Russia)	5.88	5.78	1.7%	17.33	17.31	0.1%
Polar Lights (Timan Pechora)	0.57	0.56	1.8%	1.68	1.97	(14.7)%
Verkhnechonskneftegaz (Eastern Siberia)	2.58	2.16	19.4%	6.57	3.49	88.3%
Total share in production of joint ventures	18.63	17.91	4.0%	53.85	50.91	5.8%
Total crude oil production	220.73	215.47	2.4%	648.19	631.07	2.7%
Daily crude oil production (th. barrels per day)	2,399	2,368	1.3%	2,374	2,312	2.7%

In the third quarter of 2011 Rosneft's average daily crude oil production reached 2,399 th. barrels per day, which is an increase of 1.3% compared with the second quarter of 2011. Daily production level increased due to crude oil production growth at Vankor and Verkhnechonsk fields, which was accompanied by stable crude oil production in Rosneft's traditional regions. Production decline at Sakhalin-1 is attributed to the works on technical maintenance of oil production equipment.

In the nine months of 2011 Rosneft's average daily crude oil production was 2.7% higher than in the nine months of 2010 and reached 2,374 th. barrels per day. The growth was driven primarily by commercial production growth at the Vankor oil field after the launch of new wells and due to on-schedule capacity expansion of oil treatment unit at the Vankor field. Other growth contributors were the Verkhnechonsk field and Sakhalin-1 project.

Production of Gas

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	<i>September 30,</i>	<i>June 30,</i>		<i>September 30,</i>	<i>September 30,</i>	
	<i>2011</i>	<i>2011</i>		<i>2011</i>	<i>2010</i>	
	<i>(bcm)</i>		<i>(%)</i>	<i>(bcm)</i>		<i>(%)</i>
Purneftegaz (Western Siberia)	0.89	0.88	1.1%	2.67	2.69	(0.7)%
Yuganskneftegaz (Western Siberia)	0.66	0.70	(5.7)%	2.07	1.95	6.2%
Krasnodarneftegaz (Southern Russia)	0.62	0.66	(6.1)%	2.00	2.00	0.0%
Samaraneftegaz (Central Russia)	0.13	0.12	8.3%	0.38	0.33	15.2%
Severnaya Neft (Timan Pechora)	0.07	0.06	16.7%	0.20	0.21	(4.8)%
Vankorneft (Eastern Siberia)	0.08	0.09	(11.1)%	0.26	0.19	36.8%
Sakhalin-1 (Far East) (net of royalty and government share)	0.04	0.07	(42.9)%	0.21	0.22	(4.5)%
Other	0.30	0.30	(0.0)%	0.93	1.01	(8.9)%
Gas production by fully and proportionately consolidated enterprises	2.79	2.88	(3.1)%	8.72	8.60	1.4%
Tomskneft (Western Siberia)	0.20	0.17	17.6%	0.50	0.45	11.1%
Udmurtneft (Central Russia)	0.01	0.01	0.0%	0.03	0.03	0.0%
Polar Lights (Timan Pechora)	0.00	0.00	0.0%	0.01	0.01	0.0%
Total share in production of joint ventures	0.21	0.18	16.7%	0.54	0.49	10.2%
Total gas production	3.00	3.06	(2.0)%	9.26	9.09	1.9%
Natural gas	1.09	1.13	(3.5)%	3.47	3.46	0.3%
Associated gas	1.91	1.93	(1.0)%	5.79	5.63	2.8%

* Production volume equals extracted volume minus flared volume.

In the third quarter of 2011 Rosneft's natural and associated gas production was 3.00 bcm, which was 2.0% lower than in the second quarter of 2011. The decrease primarily resulted from seasonal decrease in demand for gas produced by Krasnodarneftegaz and decrease in gas production by Yuganskneftegaz due to turnaround at Yuzhno-Balytsky gas processing plant owned by OJSC Sibur Holding. Production decline at Sakhalin-1 is attributed to the works on technical maintenance of production equipment.

In the nine months of 2011 Rosneft's natural and associated gas production was 1.9% higher than in the nine months of 2010, primarily, as a result of increased production of associated gas at Samaraneftegaz, Vankor and Yuganskneftegaz. Launch of new booster compression stations and gas preparations plants allowed to increase associated gas utilization rates. The increase was partially offset by the natural decline in production of crude oil and associated gas at Sakhalin-1, Severnaya Neft 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).

In May, 2011 Rosneft acquired a 50% stake in Ruhr Oel GmbH (the remaining 50% are held by BP). The joint venture has stakes in four refineries in Germany: Gelsenkirchen - 100%; MiRO - 24%; Bayernoil - 25%; and PCK Schwedt – 37.5%. The primary refining capacity of Ruhr Oel GmbH is approximately 23.2 million tonnes per year, thus, Rosneft's share in primary refining capacity comprises approximately 11.6 million tonnes per year. This corresponds to 22% all of the processing sector in Germany. The Gelsenkirchen refinery has a petrochemical block with capacity of 3.9 million tonnes.

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

	<i>For 3 months ended</i>			<i>For 9 months ended</i>		
	September 30, 2011	June 30, 2011	Change	September 30, 2011	September 30, 2010	Change
	<i>(million of tonnes)</i>		<i>(%)</i>	<i>(million of tonnes)</i>		<i>(%)</i>
Crude oil processing at Rosneft's own refineries	12.81	12.26	4.5%	37.50	37.55	(0.1)%
Crude oil processing at Ruhr Oel GmbH	2.82	1.63	73.0%	4.45	-	-
Total group crude oil processing	15.63	13.89	12.5%	41.95	37.55	11.7%
Product output:						
High octane gasoline	1.43	1.24	15.3%	3.95	3.59	10.0%
Low octane gasoline	0.08	0.08	0.0%	0.26	1.14	(77.2)%
Naphtha	0.87	0.96	(9.4)%	2.79	2.39	16.7%
Diesel	4.37	4.18	4.5%	12.79	12.47	2.6%
Fuel oil	4.20	4.11	2.2%	12.52	12.94	(3.2)%
Jet	0.33	0.32	3.1%	0.89	0.85	4.7%
Petrochemicals	0.08	0.15	(46.7)%	0.38	0.40	(5.0)%
Other	0.80	0.65	23.1%	2.03	1.86	9.1%
Product output at Rosneft's own refineries	12.16	11.69	4.0%	35.61	35.64	(0.1)%
Product output at Ruhr Oel GmbH	2.82	1.74	62.1%	4.56	-	-
Total group product output	14.98	13.43	11.5%	40.17	35.64	12.7%

In the third quarter of 2011, Rosneft's total refinery throughput was 12.5% higher than in the second quarter of 2011. The increase is primarily attributed to inclusion of ROG GmbH in the Group operations in May 2011. Processing of non-crude feedstocks at Ruhr Oel GmbH refinery was 0.38 and 0.22 million of tonnes in the third and second quarter of 2011 respectively.

Rosneft's refinery throughput in Russia was 4.5% higher than in the second quarter of 2011 while daily crude oil throughput increased by 3.4%. The growth resulted from processing recovery after its decrease in the second quarter due to turnarounds at Achinsk and Kuibyshev refineries. The change in structure of petroleum products output, in the third quarter of 2011 compared with the second quarter of 2011, was due to requirements of Technical regulations to quality of motor fuel and due to turnarounds at Angarsk polymer plant and Kuibyshev refineries in the third quarter of 2011.

The decrease in depth refining on ROG in the third quarter of 2011 is attributed to input into operations of refining units with relatively low depth of refining after turnarounds in the second quarter 2011, though overall refining volume on ROG increased in the third quarter 2011.

In the nine months of 2011 Rosneft's refinery throughput was 11.7% higher than in the nine months of 2010 due to the acquisition of ROG refinery facilities in May 2011. The decrease in low octane gasoline output and increase in naphtha output were due to necessity to meet the requirements of Technical regulations for quality of motor fuel introduced since January 2011.

Revenues

In the third quarter of 2011 revenues were 5.8% higher than in the second quarter of 2011 and amounted to US\$ 24,627 million. Revenue growth mainly attributed to increase in volumes and market prices of petroleum products.

In the nine months of 2011 revenues were 49.0% higher compared to the nine months of 2010, which was driven by substantial increase in prices. Urals price increased by 43.9% and the world market prices for diesel and fuel oil rose by 42.4% and 38.8% respectively.

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

	<i>For 3 months ended</i>			<i>For 9 months ended</i>						
	September 30, 2011	June 30, 2011	Change	September 30, 2011	September 30, 2010	Change				
	<i>% of total revenue</i>	<i>% of total revenue</i>	<i>%</i>	<i>% of total revenue</i>	<i>% of total revenue</i>	<i>%</i>				
(US\$ million, except %)										
Crude oil										
International Sales to non-CIS	11,485	46.6%	11,518	49.5%	(0.3)%	33,640	49.5%	23,443	51.3%	43.5%
Europe and other directions	8,478	34.4%	8,391	36.1%	1.0%	24,128	35.5%	16,569	36.3%	45.6%
Asia	3,007	12.2%	3,127	13.4%	(3.8)%	9,512	14.0%	6,874	15.0%	38.4%
International sales to CIS	547	2.2%	453	1.9%	20.8%	1,406	2.1%	1,004	2.2%	40.0%
Domestic	17	0.1%	14	0.1%	21.4%	74	0.1%	191	0.4%	(61.3)%
Total crude oil	12,049	48.9%	11,985	51.5%	0.5%	35,120	51.7%	24,638	53.9%	42.5%
Gas	121	0.5%	122	0.5%	(0.8)%	365	0.5%	302	0.7%	20.9%
Petroleum products										
International Sales to non-CIS	6,598	26.8%	5,900	25.3%	11.8%	17,379	25.5%	10,469	22.9%	66.0%
Europe and other directions	4,855	19.7%	3,851	16.5%	26.1%	11,722	17.2%	5,986	13.1%	95.8%
Asia	1,743	7.1%	2,049	8.8%	(14.9)%	5,657	8.3%	4,483	9.8%	26.2%
International Sales to CIS	101	0.4%	93	0.4%	8.6%	216	0.3%	130	0.3%	66.2%
Domestic	4,300	17.5%	3,833	16.5%	12.2%	11,397	16.8%	8,068	17.7%	41.3%
<i>Wholesale</i>	2,616	10.7%	2,261	9.7%	15.7%	6,949	10.3%	5,210	11.4%	33.4%
<i>Retail</i>	1,684	6.8%	1,572	6.8%	7.1%	4,448	6.5%	2,858	6.3%	55.6%
Sales of bunker fuel to end-users	407	1.7%	355	1.5%	14.6%	959	1.4%	540	1.2%	77.6%
Total petroleum products	11,406	46.4%	10,181	43.7%	12.0%	29,951	44.0%	19,207	42.1%	55.9%
Petrochemical products	694	2.8%	553	2.4%	25.5%	1,384	2.0%	315	0.7%	339.4%
<i>International sales</i>	636	2.6%	451	2.0%	41.0%	1,113	1.6%	98	0.2%	1,053.1%
<i>Domestic</i>	58	0.2%	102	0.4%	(43.1)%	254	0.4%	217	0.5%	17.1%
Support services and other revenues	357	1.4%	433	1.9%	(17.6)%	1,204	1.8%	1,201	2.6%	0.2%
Total sales	24,627	100.0%	23,274	100.0%	5.8%	68,024	100.0%	45,663	100.0%	49.0%

Sales Volumes

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

	<i>For 3 months ended</i>					<i>For 9 months ended</i>				
	September 30, 2011		June 30, 2011		Change	September 30, 2011		September 30, 2010		Change
	mln bbls	% of total volume	mln bbls	% of total volume	%	mln bbls	% of total volume	mln bbls	% of total volume	%
Crude oil										
International Sales to non-CIS	108.84	46.7%	106.72	49.1%	2.0%	323.54	49.3%	311.18	51.4%	4.0%
Europe and other directions	76.95	33.0%	74.61	34.3%	3.1%	223.25	34.0%	221.79	36.6%	0.7%
Asia	31.89	13.7%	32.11	14.8%	(0.7)%	100.29	15.3%	89.39	14.8%	12.2%
CIS	10.17	4.3%	8.12	3.7%	25.2%	25.31	3.9%	18.95	3.1%	33.6%
Domestic	0.37	0.2%	0.22	0.1%	68.2%	1.54	0.2%	6.51	1.1%	(76.3)%
Total crude oil	119.38	51.2%	115.06	52.9%	3.8%	350.39	53.4%	336.64	55.6%	4.1%
Crude oil	mln tonnes		mln tonnes		%	mln tonnes		mln tonnes		%
International Sales to non-CIS	14.88	46.7%	14.59	49.1%	2.0%	44.23	49.3%	42.54	51.4%	4.0%
Europe and other directions	10.52	33.0%	10.20	34.3%	3.1%	30.52	34.0%	30.32	36.6%	0.7%
Asia	4.36	13.7%	4.39	14.8%	(0.7)%	13.71	15.3%	12.22	14.8%	12.2%
CIS	1.39	4.3%	1.11	3.7%	25.2%	3.46	3.9%	2.59	3.1%	33.6%
Domestic	0.05	0.2%	0.03	0.1%	68.2%	0.21	0.2%	0.89	1.1%	(76.3)%
Total crude oil	16.32	51.2%	15.73	52.9%	3.8%	47.90	53.4%	46.02	55.6%	4.1%
Petroleum products										
International Sales to non-CIS	8.19	25.7%	7.34	24.7%	11.6%	22.15	24.7%	19.49	23.6%	13.6%
Europe and other directions	6.09	19.1%	4.86	16.3%	25.3%	15.12	16.9%	11.68	14.1%	29.5%
Asia	2.10	6.6%	2.48	8.4%	(15.3)%	7.03	7.8%	7.81	9.5%	(10.0)%
International Sales to CIS	0.14	0.4%	0.12	0.4%	16.7%	0.29	0.3%	0.24	0.3%	20.8%
Domestic	5.79	18.2%	5.34	18.0%	8.4%	16.07	17.9%	15.08	18.2%	6.6%
Wholesale	4.08	12.8%	3.65	12.3%	11.8%	11.25	12.5%	11.24	13.6%	0.1%
Retail	1.71	5.4%	1.69	5.7%	1.2%	4.82	5.4%	3.84	4.6%	25.5%
Sales of bunker fuel to end-users	0.74	2.3%	0.68	2.2%	8.8%	1.83	2.1%	1.35	1.6%	35.6%
Total petroleum products	14.86	46.6%	13.48	45.3%	10.2%	40.34	45.0%	36.16	43.7%	11.6%
Petrochemical products	0.70	2.2%	0.53	1.8%	32.1%	1.48	1.6%	0.54	0.7%	174.1%
International sales	0.58	1.8%	0.34	1.2%	70.6%	0.95	1.0%	0.09	0.2%	955.6%
Domestic	0.12	0.4%	0.19	0.6%	(36.8)%	0.53	0.6%	0.45	0.5%	17.8%
Total crude oil and products	31.88	100.0%	29.74	100.0%	7.2%	89.72	100.0%	82.72	100.0%	8.5%
Gas	bcm		bcm			bcm		bcm		bcm
Sales volumes	2.33		2.45		(4.9)%	7.28		7.20		1.1%

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 9 months ended</i>				
	September 30, 2011		June 30, 2011		Change	September 30, 2011		September 30, 2010		Change
	(US\$/barrel)	(US\$/tonne)	(US\$/barrel)	(US\$/tonne)	%	(US\$/barrel)	(US\$/tonne)	(US\$/barrel)	(US\$/tonne)	%
Average prices on foreign markets										
Crude oil, excluding CIS	105.52	771.84	107.93	789.44	(2.2)%	103.97	760.57	75.34	551.08	38.0%
Europe and other directions	110.18	805.89	112.46	822.65	(2.0)%	108.08	790.56	74.71	546.47	44.7%
Asia	94.29	689.68	97.38	712.30	(3.2)%	94.84	693.80	76.90	562.52	23.3%
Crude oil, CIS	53.79	393.53	55.79	408.11	(3.6)%	55.55	406.36	52.98	387.64	4.8%
Petroleum products, non-CIS		805.62		803.81	0.2%		784.60		537.15	46.1%
Europe and other directions		797.21		792.39	0.6%		775.26		512.50	51.3%
Asia		830.00		826.21	0.5%		804.69		574.01	40.2%
Petroleum products, CIS		721.43		775.00	(6.9)%		744.83		541.67	37.5%
Average domestic prices										
Crude oil	46.71	341.71	52.75	385.88	(11.4)%	47.32	346.17	29.34	214.61	61.3%
Petroleum products		742.66		717.79	3.5%		709.21		535.01	32.6%
Wholesale		641.18		619.45	3.5%		617.69		463.52	33.3%
Retail		984.80		930.18	5.9%		922.82		744.27	24.0%
Gas (US\$/thousand cubic meter)		51.93		49.80	4.3%		50.14		41.94	19.6%
Sales of bunker fuel to end-users		550.00		522.06	5.4%		524.04		400.00	31.0%
Petrochemical products		991.43		1,043.40	(5.0)%		935.14		583.33	60.3%
<i>International sales</i>		1,096.55		1,326.47	(17.3)%		1,189.47		1,088.89	9.2%
<i>Domestic</i>		483.33		536.84	(10.0)%		479.25		482.22	(0.6)%

International Crude Oil Sales to non-CIS

Revenues from international crude oil sales to non-CIS countries in the third quarter of 2011 were US\$ 11,485 million which is a slight decrease quarter-on-quarter. Average prices downturn of 2.2% (unfavourable impact on revenues of US\$ 262 million) was partially compensated by sales volumes increase of 2.0% (positive impact on revenues of US\$ 229 million). Sales volumes growth was due to increased production at Vankor.

The deviation between average sales prices on the Asian markets and world market prices in the nine months 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 international sales in Company's sales structure. Crude oil sales to Transneft (approximately 4.49 mln. tonnes) were the major factor of change in international crude oil sales structure. Excluding revenues from crude oil sales to Transneft (US\$ 1,976 million) in the nine months of 2011 the average sales price on the Asian markets amounted to US\$ 111.74 per barrel.

In the nine months of 2011 revenues from international crude oil sales to non-CIS countries increased by 43.5% compared to the nine months of 2010, which was driven by a 38.0% increase in average prices (positive impact on revenues of US\$ 9,266 million) and 4.0% increase in sales volumes (favourable impact on revenues of US\$ 931 million). Sales volumes growth was largely due to increased production at Vankor.

Crude Oil Supplies to Ruhr Oel Refineries

In May 2011 Rosneft started supplies of its own crude oil to Ruhr Oel refineries. These supplies amounted to 1.08 million tonnes (7.93 million barrels) for the nine months of 2011 (Rosneft paid US\$ 499 million of export duties on this crude oil). This crude oil was fully processed and sold as of September 30, 2011.

Besides supplies of own crude oil Rosneft acquired 3.37 million tonnes (24.66 million barrels) of crude oil on the international market for US\$ 2,801 million to supply to Ruhr Oel refineries. These expenses are reflected in the cost of purchased oil, gas and petroleum products and refining costs in the consolidated statements of income and comprehensive income.

International Crude Oil Sales to CIS

In the third quarter of 2011 revenues from sales of crude oil to CIS were US\$ 547 million, 20.8% higher than in the previous quarter. A 25.2% increase in sales volumes (favorable impact on revenues of US\$ 114 million) was partially offset by 3.6% downturn in average prices, which had a negative impact on revenues of US\$ 20 million.

In the nine months of 2011 revenues from international crude oil sales to CIS countries were US\$ 402 million higher in comparison with the nine months of 2010, which is attributable to sales volumes growth of 33.6% and an average price increase of 4.8% (positive impact on revenues of US\$ 337 million and US\$ 65 million respectively). Sales volumes growth resulted from export duty cancelation for crude oil deliveries to Belarus.

Domestic Crude Oil Sales

In the third quarter of 2011 domestic crude oil sales were US\$ 17 million, US\$ 3 million higher than in the second quarter of 2011 which was a result of slight increase in sales volumes growth.

In the nine months of 2011 revenues from domestic crude oil sales were US\$ 117 million lower than in the nine months of 2010, which is attributable to a sales volumes reduction of 76.3% (negative impact on revenues of US\$ 146 million). This unfavourable impact was partially compensated by an average price upturn of 61.3% which had a positive impact on revenues of US\$ 29 million. Sales volumes decrease resulted from sales reduction after the start of deliveries to Transneft.

International Petroleum Product Sales to Non-CIS

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

	<i>For 3 months ended</i>						% change		
	September 30, 2011			June 30, 2011					
	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	81	0.07	1,087.60	199	0.23	877.07	(59.3)%	(69.6)%	24.0%
Low octane gasoline	40	0.04	1,071.07	72	0.08	940.80	(44.4)%	(50.0)%	13.8%
Naphtha	816	0.88	932.03	876	0.91	960.50	(6.8)%	(3.3)%	(3.0)%
Diesel (Gasoil)	1,181	1.26	938.88	1,120	1.18	946.85	5.4%	6.8%	(0.8)%
Fuel oil	2,296	3.60	637.46	2,191	3.44	637.38	4.8%	4.7%	0.0%
Jet fuel	6	0.01	1,095.59	7	0.01	1,054.92	(14.3)%	0.0%	3.9%
Other	64	0.07	887.53	53	0.05	1,065.67	20.8%	40.0%	(16.7)%
Total petroleum products exported to non-CIS	4,484	5.93	756.16	4,518	5.90	765.76	(0.8)%	0.5%	(1.3)%
<i>Petroleum products sold from ROG refineries</i>	<i>2,114</i>	<i>2.26</i>	<i>936.00</i>	<i>1,382</i>	<i>1.44</i>	<i>959.72</i>	<i>53.0%</i>	<i>56.9%</i>	<i>(2.5)%</i>
Total	6,598	8.19	805.62	5,900	7.34	803.81	11.8%	11.6%	0.2%

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

Revenues from the international sales of petroleum products to non-CIS countries, were US\$ 6,598 million in the third quarter of 2011, which is an increase of 11.8% compared with the second quarter of 2011. A 11.6% increase in sales volumes as well as 0.2% upturn in average prices led to revenues growth of US\$ 683 million and US\$ 15 million respectively. Increase in volumes of petroleum product sales was due to increased production at Ruhr Oel GmbH, attributable to Rosneft, in the third quarter of 2011 compared to the second quarter of 2011.

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

	<i>For 9 months ended</i>						% change		
	September 30, 2011			September 30, 2010					
	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne
High octane gasoline	421	0.45	935.28	82	0.10	814.28	413.4%	350.0%	14.9%
Low octane gasoline	188	0.20	926.59	112	0.16	700.90	67.9%	25.0%	32.2%
Naphtha	2,449	2.64	929.21	1,595	2.35	677.90	53.5%	12.3%	37.1%
Diesel (Gasoil)	4,379	4.84	905.12	3,960	6.27	631.66	10.6%	(22.8)%	43.3%
Fuel oil	6,241	10.06	620.33	4,572	10.39	440.07	36.5%	(3.2)%	41.0%
Jet fuel	15	0.01	1,054.90	12	0.01	792.89	25.0%	0.0%	33.0%
Other	190	0.25	771.99	136	0.21	661.66	39.7%	19.0%	16.7%
Total petroleum products exported to non-CIS	13,883	18.45	752.47	10,469	19.49	537.15	32.6%	(5.3)%	40.1%
<i>Petroleum products sold from ROG refineries</i>	3,496	3.70	945.15	–	–	–	–	–	–
Total	17,379	22.15	784.60	10,469	19.49	537.15	66.0%	13.6%	46.1%

In the nine months of 2011 revenues from international sales of petroleum products to non-CIS countries were 66.0% higher compared to the nine months of 2010 which was driven by a 46.1% increase in average prices (positive impact on revenues of US\$ 5,481 million) and 13.6% increase in sales volumes (positive impact on revenues of US\$ 1,429 million). Excluding sales from Ruhr Oel refineries sales volumes decrease resulted from petroleum products sales redirection to domestic market (high octane gasoline and diesel retail sales growth due to increased demand on domestic market)

International Petroleum Product 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>						% change		
	September 30, 2011			June 30, 2011					
	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	54	0.08	675.71	48	0.07	665.07	12.5%	14.3%	1.6%
Low octane gasoline	–	–	–	–	–	–	–	–	–
Naphtha	–	–	–	–	–	–	–	–	–
Diesel	30	0.04	781.86	35	0.04	906.10	(14.3)%	0.0%	(13.7)%
Fuel oil	–	–	–	–	–	–	–	–	–
Jet fuel	–	–	–	–	–	–	–	–	–
Other	17	0.02	772.50	10	0.01	800.43	70.0%	100.0%	(3.5)%
Total	101	0.14	721.43	93	0.12	775.00	8.6%	16.7%	(6.9)%

Revenues from sales of petroleum products to CIS countries in the third quarter of 2011 were 8.6% higher than in the second quarter of 2011 and amounted to US\$ 101 million. The increase was driven by sales volumes growth of 16.7% (positive impact on revenues of US\$ 16 million) and was partially offset by 6.9% downturn in average prices (negative impact on revenues of US\$ 8 million).

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

	<i>For 9 months ended</i>						<i>% change</i>		
	September 30, 2011			September 30, 2010			US\$ million	million of tonnes	Average price US\$/tonne
	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne			
High octane gasoline	105	0.16	667.00	8	0.02	403.25	1 212.5%	700.0%	65.4%
Low octane gasoline	–	–	–	3	0.01	300.00	(100.0)%	(100.0)%	–
Naphtha	–	–	–	–	–	–	–	–	–
Diesel	71	0.08	832.39	61	0.11	547.85	16.4%	(27.3)%	51.9%
Fuel oil	–	–	–	3	0.01	417.45	(100.0)%	(100.0)%	–
Jet fuel	–	–	–	–	–	–	–	–	–
Other	40	0.05	789.28	55	0.09	613.65	(27.3)%	(44.4)%	28.6%
Total	216	0.29	744.83	130	0.24	541.67	66.2%	20.8%	37.5%

Revenue increase of US\$ 86 million in the nine months of 2011 in comparison with the nine months of 2010 resulted from average prices growth (favourable impact on revenues of US\$ 59 million) and increase in sales volumes (positive impact on revenues of US\$ 27 million).

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>		
	September 30, 2011			June 30, 2011			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	1,714	1.71	999.55	1,466	1.55	947.61	16.9%	10.3%	5.5%
Low octane gasoline	30	0.03	876.12	33	0.04	796.55	(9.1)%	(25.0)%	10.0%
Naphtha	–	–	–	–	–	–	–	–	–
Diesel	1,915	2.79	686.43	1,788	2.58	693.81	7.1%	8.1%	(1.1)%
Fuel oil	108	0.32	345.04	104	0.33	316.47	3.8%	(3.0)%	9.0%
Jet fuel	239	0.32	757.93	216	0.30	712.40	10.6%	6.7%	6.4%
Other	294	0.62	468.17	226	0.54	421.52	30.1%	14.8%	11.1%
Total	4,300	5.79	742.66	3,833	5.34	717.79	12.2%	8.4%	3.5%

Revenues from sales of petroleum products on the domestic market were US\$ 4,300 million in the third quarter of 2011, which is an increase of 12.2% compared to the second quarter of 2011. Revenue growth was caused by 8.4% increase in sales volumes and a 3.5% upturn in average prices which had a favourable impact on revenues of US\$ 323 million and US\$ 144 million respectively. Sales volumes growth was due to seasonal increase in demand.

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

	<i>For 9 months ended</i>						<i>% change</i>		
	September 30, 2011			September 30, 2010					
	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne
High octane gasoline	4,402	4.69	937.74	3,037	4.01	757.37	44.9%	17.0%	23.8%
Low octane gasoline	178	0.24	742.93	587	1.01	583.66	(69.7)%	(76.2)%	27.3%
Naphtha	–	–	–	–	–	–	–	–	–
Diesel	5,108	7.36	693.68	3,074	6.11	503.49	66.2%	20.5%	37.8%
Fuel oil	417	1.39	300.30	428	1.73	247.79	(2.6)%	(19.7)%	21.2%
Jet fuel	616	0.84	731.43	386	0.73	527.53	59.6%	15.1%	38.7%
Other	676	1.55	437.29	556	1.49	370.23	21.6%	4.0%	18.1%
Total	11,397	16.07	709.21	8,068	15.08	535.01	41.3%	6.6%	32.6%

In the nine months of 2011 revenues from sales of petroleum products on the domestic market increased by 41.3% compared to the nine months of 2010. This resulted from a 32.6% upturn in average prices (positive impact on revenues of US\$ 2,799 million) and from a 6.6% increase in sales volumes (favourable impact on revenues of US\$ 530 million). Volumes growth is attributable to increased demand for petroleum products on the domestic market.

Sales of bunker fuel to end-users

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

Revenues from sales of bunker fuel in the third quarter of 2011 were US\$ 407 million, a increase of 14.6% in comparison with the previous quarter. Revenue growth was due to seasonal increase in demand for bunker fuel as well as to expansion of the Company's bunkering business.

Sales volumes increase of 35.6% (positive impact on revenues of US\$ 192 million) accompanied by 31.0% upturn in average prices (favorable impact on revenues of US\$ 227 million) led to revenues growth of 77.6% in the nine months of 2011 compared to the same period of 2010.

Petrochemical Product Sales

Revenues from sales of petrochemical products in the third quarter of 2011 were US\$ 694 million, up 25.5% compared to the second quarter of 2011. An increase in sales volumes of 32.1% (favourable impact on revenues of US\$ 177 million) was accompanied by average prices downturn of 5.0% (unfavourable impact on revenues of US\$ 36 million). Increase in volumes of petrochemical product sales was due to increased production at Ruhr Oel GmbH, attributable to Rosneft, in the third quarter of 2011 compared to the second quarter of 2011.

A 339.4% growth in revenues from sales of petrochemical products in the nine months of 2011 compared to the nine months of 2010 was mainly due to acquisition of Ruhr Oel refineries.

Gas Sales

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

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

	<i>For 3 months ended</i>			<i>For 9 months ended</i>		
	September 30, 2011	June 30, 2011	Change	September 30, 2011	September 30, 2010	Change
Revenue	(US\$ million)			(US\$ million)		
Western Siberia	35	34	2.9%	101	88	14.8%
South Russia	56	59	(5.1)%	175	147	19.0%
Far East	10	9	11.1%	33	24	37.5%
European part of Russia	20	20	–	56	43	30.2%
Total	121	122	(0.8)%	365	302	20.9%
Sales volumes	(bcm)			(bcm)		
Western Siberia	1.28	1.29	(0.8)%	3.84	3.91	(1.8)%
South Russia	0.65	0.70	(7.1)%	2.14	2.27	(5.7)%
Far East	0.15	0.15	0.0%	0.50	0.43	16.3%
European part of Russia	0.25	0.31	(19.4)%	0.80	0.59	35.6%
Total	2.33	2.45	(4.9)%	7.28	7.20	1.1%
Average price	(US\$/thousand of cubic metres)			(US\$/thousand of cubic metres)		
Western Siberia	27.53	26.53	3.8%	26.24	22.48	16.7%
South Russia	86.37	82.86	4.2%	81.89	64.80	26.4%
Far East	66.85	57.30	16.7%	62.43	56.29	10.9%
European part of Russia	77.71	66.48	16.9%	69.75	76.13	(8.4)%
Total	51.93	49.80	4.3%	50.14	41.94	19.6%

In the third quarter of 2011 revenues from gas sales remained at last quarter level and amounted to US\$ 121 million. A 4.3% upturn in average prices was offset by sales volumes decrease of 4.9%.

Revenue growth from gas sales of 20.9% in the nine months of 2011 in comparison with the nine months of 2010 was driven by increase in average prices of 19.6% (favourable impact on revenues of US\$ 60 million) as well as by sales volumes increase of 1.1% (positive impact on revenues of US\$ 3 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 the consolidated statements of income and comprehensive income.

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

	<i>For 3 months ended</i>			<i>For 9 months ended</i>		
	September 30, 2011	June 30, 2011	Change	September 30, 2011	September 30, 2010	Change
	%	%	%	%	%	%
	of total	of total		of total	of total	
	revenue	revenue		revenue	revenue	
	(US\$ million, except %)					
Drilling services	13	10	30.0%	30	45	(33.3)%
Sales of materials	109	92	18.5%	288	246	17.1%
Repairs and maintenance services	28	28	0.0%	81	80	1.3%
Rent services	21	24	(12.5)%	63	48	31.3%
Construction services	23	20	15.0%	62	68	(8.8)%
Transport services	71	76	(6.6)%	223	253	(11.9)%
Electric power sales and transmission	33	109	(69.7)%	261	291	(10.3)%
Other revenues	59	74	(20.3)%	196	170	15.3%
Total	357	433	(17.6)%	1,204	1,201	0.2%

Decrease in electric power sales and transmission quarter-on-quarter was due to disposal of electric power transmission entity.

Costs and Expenses

Production and Operating Expenses

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	September 30, 2011	June 30, 2011	%	September 30, 2011	September 30, 2010	%
(US\$ million, except %)						
Upstream	624	609	2.5%	1,808	1,614	12.0%
Downstream	1,036	793	30.6%	2,322	1,128	105.9%
<i>Including procurement of additives and materials for Ruhr Oel refineries</i>	350	241	45.2%	591	–	–
Other	210	290	(27.6)%	760	657	15.7%
Total	1,870	1,692	10.5%	4,890	3,399	43.9%

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

Upstream production and operating expenses in the third quarter of 2011 increased to US\$ 624 million or by 2.5% compared with the second quarter of 2011. The increase was primarily due to crude oil production growth, increased repair expenses and was partially offset by the real RUB depreciation against the US\$ by 3.5%.

In the nine months of 2011 upstream production and operating expenses increased to US\$ 1,808 million, or by 12.0% compared with the nine months of 2010, when these expenses were US\$ 1,614 million. The growth was due to the increase in crude oil production by consolidated enterprises by 2.4%, increase in tariffs for electricity and the real RUB appreciation against the US\$ by 14.7%, partially offset by cost optimisation initiatives.

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	September 30, 2011	June 30, 2011	%	September 30, 2011	September 30, 2010	%
(US\$ per bbl, US\$ per boe, except %)						
Expenses per bbl of crude oil produced	3.09	3.08	0.3%	3.04	2.78	9.4%
Expenses per boe of hydrocarbon produced	2.86	2.84	0.7%	2.80	2.56	9.4%

Rosneft's downstream operating expenses increased by 30.6% to US\$ 1,036 million in the third quarter of 2011 compared with US\$ 793 million in the second quarter of 2011. The increase resulted primarily from procurements of additives and other materials for refining process at Ruhr Oel GmbH for the amount of US\$ 350 million in the third quarter of 2011 compared with US\$ 241 million in the second quarter of 2011. Excluding this amount, downstream operating expenses increased by 24.3% due to increased volumes of wholesale and retail revenue, increased expenses for additives for refining and change in intragroup inventories.

These expenses increased by 105.9% in the nine months of 2011 compared with the same period of 2010. Excluding the effect of procurement of additives and other materials for refining process at Ruhr Oel GmbH downstream operating expenses increased by 53.5% due to the real RUB appreciation against the US\$ by 14.7%, higher electricity tariffs, increase in petroleum products and crude oil sales, particularly, domestic retail sales, increase in cost of materials and additives for refining and increase in expenses for refinery turnarounds.

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	September 30, 2011	June 30, 2011	%	September 30, 2011	September 30, 2010	%
Operating expenses (US\$ million)	254	206	23.3%	656	540	21.5%
Operating expenses per tonne of product output (US\$/tonne)	20.89	17.62	18.6%	18.42	15.15	21.6%
Operating expenses per tonne of crude oil throughput (US\$/tonne)	19.83	16.80	18.0%	17.49	14.38	21.6%

Operating expenses of Rosneft's refineries were US\$ 254 million in the third quarter of 2011, which is an increase of 23.3% compared with US\$ 206 million in the second quarter of 2011.

In the nine months of 2011 these expenses increased by 21.5% compared with US\$ 540 million in the nine months of 2010. The increase resulted from the real appreciation of the RUB against the US\$ by 14.7%, increase in cost of materials and additives for refining and higher electricity tariffs.

Operating expenses related to other activities decreased to US\$ 210 million in the third quarter of 2011, or by 27.6% compared with the second quarter of 2011. The decrease was primarily due to disposal of electric power transmission entity. In July 2011, real rouble depreciation compared to US\$ by 3.5% and seasonal factors.

In the nine months of 2011 these expenses increased by 15.7% compared with the nine months of 2010. The increase was primarily due to the real RUB appreciation against the US\$ by 14.7% and, higher volumes of other activities.

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

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	September 30, 2011	June 30, 2011	(%)	September 30, 2011	September 30, 2010	(%)
Cost of crude oil procured (US\$ million)	2,320	1,684	37.8%	4,678	1,118	318.4%
Volume of crude oil procured (million of barrels)	30.69	22.41	36.9%	68.78	39.07	76.0%
Cost of gas procured (US\$ million)	8	8	-	23	19	21.1%
Volume of gas procured (bcm)	0.15	0.12	25.0%	0.36	0.37	(2.7)%
Cost of petroleum product procured (US\$ million) ⁽¹⁾	599	648	(7.6)%	1,671	610	173.9%
Volume of petroleum product procured (million of tonnes)	0.63	0.73	(13.7)%	1.96	1.07	83.2%
Cost of refining of crude oil under processing agreements (US\$ million)	135	114	18.4%	249	-	-
Volumes of crude oil refined under processing agreements (million of tonnes)	2.82	1.63	73.0%	4.45	-	-
Total cost of procured oil, gas and petroleum products and refining costs (US\$ millions)	3,062	2,454	24.8%	6,621	1,747	279.0%

(1) In the third 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 9 months ended</i>		<i>Change</i>
	September 30, 2011	June 30, 2011	%	September 30, 2011	September 30, 2010	%
	(million bbl, except %)					
International market	16.21	8.45	91.8%	24.66	-	-
Tomskneft	8.95	9.80	(8.7)%	31.15	27.53	13.1%
Udmurtneft	2.73	2.02	35.1%	6.29	8.62	(27.0)%
Others	2.80	2.14	30.8%	6.68	2.92	128.8%
Total	30.69	22.41	36.9%	68.78	39.07	76.0%

Rosneft procures crude oil on the international market to supply it to Ruhr Oel refineries.

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 consolidated statements of income and comprehensive income. In the third quarter of 2011 these transactions were exercised with Gazpromneft, Bashneft, TNK-BP, Uralskaya NK and others.

The volume of crude oil swaps amounted to 20.01 million barrels and 13.89 million barrels in the third quarter of 2011 and in the second quarter of 2011, respectively. Rosneft’s estimated benefits from these transactions were US\$ 40 million in the third quarter of 2011.

In the nine months of 2011 and in the nine months of 2010 the volume of crude oil swaps amounted to 43.54 million barrels and 28.76 million barrels, respectively. Rosneft’s estimated benefits from these transactions were US\$ 66 million in the nine months of 2011.

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>		
	September 30, 2011			June 30, 2011			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	536	0.54	998.97	591	0.65	907.90	(9.3)%	(16.9)%	10.0%
Low octane gasoline	7	0.01	723.33	10	0.01	751.74	(30.0)%	-	(3.8)%
Diesel	40	0.06	681.83	34	0.05	680.00	17.6%	20.0%	0.3%
Fuel oil	-	-	-	-	-	-	-	-	-
Jet fuel	-	-	-	-	-	-	-	-	-
Other	16	0.02	722.88	13	0.02	615.12	23.1%	-	17.5%
Total	599	0.63	950.79	648	0.73	887.67	(7.6)%	(13.7)%	7.1%

The decrease in volumes of petroleum product purchases in the third quarter of 2011 in comparison to the second quarter of 2011 was due to 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 procured from third parties in the nine months of 2011 and 2010:

	<i>For 9 months ended</i>						% change		
	September 30, 2011			September 30, 2010					
	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne
High octane gasoline	1,334	1.47	910.95	331	0.48	679.51	303.0%	206.3%	34.1%
Low octane gasoline	40	0.06	671.21	24	0.04	573.98	66.7%	50.0%	16.9%
Diesel	256	0.37	689.25	213	0.45	473.96	20.2%	(17.8)%	45.4%
Fuel oil	-	-	-	2	0.01	300.21	(100.0)%	(100.0)%	(100.0)%
Jet fuel	-	-	-	-	-	-	-	-	-
Other	41	0.06	644.14	40	0.09	437.10	2.5%	(33.3)%	47.4%
Total	1,671	1.96	852.04	610	1.07	570.09	173.9%	83.2%	49.5%

The increase in volumes of petroleum product purchases in the nine months of 2011 in comparison to the nine months 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.

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 third quarter of 2011 were US\$ 487 million, 16.2% higher than in the second quarter of 2011. The increase resulted mainly from the increase in seasonal repairs and maintenance expenses, rent, vacation reserves, bad debt reserves, payment of bonuses on the results of operations in Rosneft subsidiaries and other administrative expenses. In the nine months of 2011 and 2010 general and administrative expenses were US\$ 1,295 million and US\$ 1,112 million respectively.

Pipeline Tariffs and Transportation Costs

Transportation costs are costs incurred by Rosneft to transport crude oil for refining and to end customers, and to deliver petroleum products from refineries to end customers (these may include pipeline tariffs and any additional railroad transportation costs, handling costs, port fees, sea freight and other costs).

In the third quarter of 2011 Rosneft's transportation costs decreased to US\$ 1,740 million, or by 11.5% compared with the second quarter of 2011. The decrease was mainly due to reduced crude oil supplies to the Komsomolsk refinery as a result of planned turnarounds as well as increased crude oil swap operations. This was also due to seasonal increase in FCA sales of petroleum products from Samara refineries.

In the nine months of 2011 Rosneft's transportation costs increased to US\$ 5,578 million, or by 6.9% compared with the nine months of 2010. The increase resulted from the start of crude oil supplies to Ruhr Oel GmbH, increase in transportation tariffs, which was partially offset by the change in structure of 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		
	September 30, 2011				June 30, 2011						
	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne sold, US\$/t	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne sold, US\$/t	Volume	Cost	Cost per tonne sold
CRUDE OIL											
International sales											
Pipeline	15.82	97.2%	821	51.90	15.10	96.2%	799	52.91	4.8%	2.8%	(1.9)%
Railroad and mixed	0.45	2.8%	12	26.67	0.60	3.8%	22	36.67	(25.0)%	(45.5)%	(27.3)%
Transportation to refineries											
Pipeline ⁽¹⁾	12.88		213	16.54	11.59		317	27.35	11.1%	(32.8)%	(39.5)%
Railroad and mixed	1.14		120	105.26	1.71		186	108.77	(33.3)%	(35.5)%	(3.2)%
PETROLEUM PRODUCTS											
International sales											
Pipeline ⁽²⁾	0.08	0.9%	5	61.22	0.13	1.6%	8	61.54	(38.5)%	(37.5)%	(0.5)%
Railroad and mixed	6.44	71.6%	333	51.71	5.98	73.8%	380	63.55	7.7%	(12.4)%	(18.6)%
Other transportation expenses ⁽³⁾			236				253			(6.7)%	
Total	36.81		1,740	47.27	35.11		1,965	55.97	4.8%	(11.5)%	(15.5)%

(1) Including crude oil purchased on international market, which was directed to Ruhr Oel GmbH.

(2) Rosneft exported 2.47 million tonnes (27.5% of total export volumes) and 2.00 million tonnes (24.6% of total export volumes) of petroleum products in the third quarter of 2011 and in the second quarter of 2011, respectively, through its own pipeline in the town of Tuapse, and under FCA conditions from Samara refineries, where Rosneft does not bear transportation expenses directly.

(3) Other transportation expenses include cost of railroad transportation of petroleum products from refineries to tank farms (in case if these costs are not included to pipeline tariff) and road transportation from tank farms to service stations as well as transportation expenses related to sales of bunker fuel. Other transportation expenses also include Rosneft expenses on crude oil swap deals excluding economy in price.

The decrease in crude oil pipeline transportation cost per tonne of international sales was 1.9%, which was due to decrease in tariffs from 1.4% to 3.1% in US\$ terms and due to nominal RUB depreciation against the US\$ by 3.7%, partially offset by change in structure of transportation routes.

The decrease in crude oil railroad and mixed transportation cost per tonne of international sales was 27.3%, which was mainly due to cease of supplies of oil produced by Purneftegaz via CPC. Respective volumes of crude oil were directed to processing to Rosneft own refineries.

The decrease in crude oil pipeline transportation cost per tonne of supplies to refineries was 39.5% quarter-on-quarter, which was primarily due to decrease of Rosneft's own crude oil supplies to Ruhr Oel GmbH as well as decreased transportation volumes to Achinsk and Angarsk refineries due to planned turnarounds.

The decrease in crude oil railroad and mixed transportation cost per tonne of domestic supplies was 3.2%, which was primarily due to a decrease in transportation tariffs in US\$ terms due to nominal RUB depreciation compared to US\$ by 3.7%. Decrease in transportation volumes was due to planned turnarounds at Komsomolsk refinery.

Pipeline transportation cost per tonne of petroleum product international sales decreased by 0.5%. The increase was due to decrease in transportation tariffs in US\$ terms.

Railroad and mixed transportation cost per tonne of petroleum product international sales decreased by 18.6%. The decrease was due to seasonal change in the structure of the transportation routes after start of river navigation, as well as the start of petroleum products sales on the local market of Germany, where transportation costs are low due to short transportation routes.

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 9 months ended</i>								% change		
	September 30, 2011				September 30, 2010						
	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne, US\$/t	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne, US\$/t	Volume	Cost	Cost per tonne
CRUDE OIL											
International sales											
Pipeline	45.76	96.0%	2,361	51.60	35.01	77.6%	1,475	42.13	30.7%	60.1%	22.5%
Railroad and mixed	1.93	4.0%	76	39.38	10.12	22.4%	788	77.87	(80.9)%	(90.4)%	(49.4)%
Transportation to refineries											
Pipeline ⁽¹⁾	35.40		778	21.98	32.65		686	21.01	8.4%	13.4%	4.6%
Railroad and mixed	4.46		475	106.50	5.01		468	93.41	(11.0)%	1.5%	14.0%
PETROLEUM PRODUCTS											
International sales											
Pipeline ⁽²⁾	0.57	2.4%	33	57.89	0.83	4.1%	42	50.60	(31.3)%	(21.4)%	14.4%
Railroad and mixed	17.81	74.4%	1,177	66.09	13.44	66.6%	1,040	77.38	32.5%	13.2%	(14.6)%
Other transportation expenses ⁽³⁾			678				718			(5.6)%	
Total	105.93		5,578	52.66	97.06		5,217	53.75	9.1%	6.9%	(2.0)%

(1) Including crude oil purchased on international market, which was directed to Ruhr Oel GmbH.

(2) Rosneft exported 5.55 million tonnes (23.2% of total export volumes) and 5.92 million tonnes (29.3% of total export volumes) of petroleum products in the nine months of 2011 and in the nine months of 2010, respectively, through its own pipeline in the town of Tuapse and under FCA conditions from Samara refineries, where Rosneft does not bear transportation expenses directly.

(3) Other transportation expenses include cost of railroad transportation of petroleum products from refineries to tank farms (in case if these costs are not included to pipeline tariff) and road transportation from tank farms to service stations as well as transportation expenses related to sales of bunker fuel. Other transportation expenses also include Rosneft expenses on crude oil swap deals.

Construction of Skovorodino - Daqing pipeline (branch of ESPO 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 international sales was 22.5%, which was due to an increase in tariffs by 18.2% – 19.0% 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 international sales was 49.4%, 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 supplies to refineries was 4.6%, which was primarily due an increase in transportation tariffs by 17.0% - 18.6% in US\$ terms, which was primarily offset by the start of crude oil supplies to Ruhr Oel GmbH, where transportation costs are low due to short transportation distances.

The increase in crude oil railroad and mixed transportation cost per tonne of domestic supplies was 14.0%, which was primarily due to an increase in transportation tariffs in US\$ terms by 14.7%, which was partially offset by the change in structure of transportation routes.

In the nine months of 2011 the increase in pipeline cost per tonne of petroleum product international sales was 14.4%, which was due to increase in tariffs by 10.3% - 13.6% in US\$ terms.

In the nine months of 2011 the decrease in railroad and mixed cost per tonne of petroleum product international sales and was 14.6%. The decrease was due to start of petroleum products sales on the local market of Germany, where transportation costs are low due to short transportation distances.

Exploration Expenses

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

In the third quarter of 2011 exploration expenses decreased to US\$ 60 million compared with US\$ 81 million in the second quarter of 2011. The decrease was due to decreased volumes of exploration works at various blocks.

In the nine months of 2011 exploration expenses increased by 3.2% compared with the nine months of 2010. The change in exploration expenses was due to increase in volumes of exploratory works at various 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\$ 1,549 million in the third quarter of 2011 compared to US\$ 1,385 million in the second quarter of 2011.

In the nine months of 2011 depreciation, depletion and amortisation increased to US\$ 4,377 million compared with US\$ 4,019 million in the nine months of 2010, which is an increase of 8.9%.

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 9 months ended</i>		<i>Change</i>
	September 30, 2011	June 30, 2011	%	September 30, 2011	September 30, 2010	%
	(US\$ million, except %)					
Mineral extraction tax	3,794	3,417	11.0%	10,157	6,579	54.4%
Excise tax	520	493	5.7%	1,434	824	74.2%
Social security tax	133	169	(21.3)%	471	321	46.7%
Property tax	91	97	(6.2)%	292	209	39.7%
Land tax	7	7	-	21	16	31.3%
Transportation tax	1	1	-	3	3	-
Interest, penalties and other payments	8	6	33.3%	20	38	(47.4)%
Total taxes other than income tax	4,554	4,190	8.7%	12,398	7,990	55.2%

Taxes other than income tax increased by 8.7% to US\$ 4,554 million in the third quarter of 2011, compared with US\$ 4,190 million in the second quarter of 2011 mainly due to the increase in mineral extraction tax (which resulted from the beginning of accruals of mineral extraction tax at Vankor field after reaching accumulated production of 25 million tonnes) and increase in the excise tax by 5.7%, (which resulted from increase in petroleum products sales and increase in share of petroleum products subject to excises taxes in total volume of petroleum product sales).

In the nine months of 2011 and 2010, taxes other than income tax amounted to US\$ 12,398 million and US\$ 7,990 million, respectively.

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	September 30, 2011	June 30, 2011	%	September 30, 2011	September 30, 2010	%
	(US\$, except %)					
Average enacted mineral extraction tax rate	21.40	21.82	(1.9)%	20.76	13.32	55.9%
Actual mineral extraction tax expense per barrel of crude oil produced	18.77	17.30	8.5%	17.09	11.34	50.7%
Actual mineral extraction tax expense per barrel of oil equivalent produced	17.36	15.93	9.0%	15.73	10.43	50.8%

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 was applied until accumulated production at the field reached 25 million tonnes in August, 2011.

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 9 months ended</i>		<i>Change</i>
	September 30, 2011	June 30, 2011	%	September 30, 2011	September 30, 2010	%
	(US\$ million, except %)					
Export customs duty for crude oil	6,068	5,652	7.4%	15,490	9,392	64.9%
Export customs duty for petroleum products	1,503	1,488	1.0%	4,255	2,759	54.2%
Total export customs duties	7,571	7,140	6.0%	19,745	12,151	62.5%

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	September 30, 2011	June 30, 2011	%	September 30, 2011	September 30, 2010	%
	(US\$ per barrel, except %)					
Average Urals price	111.50	113.99	(2.2)%	109.22	75.92	43.9%
Average enacted export customs duty	60.49	61.04	(0.9)%	56.14	36.8	52.6%
Hypothetical export customs duty calculated using the average Urals price for the period (i.e. without time lag)	60.23	61.84	(2.6)%	58.74	37.1	58.3%
Actual average customs duty on exports subject to regular duty	62.31	59.37	5.0%	56.93	37.02	53.8%

The actual average customs duty on exports subject to regular duty deviates from the enacted export customs duty due to different monthly export volumes. Starting from May 2011, export volumes from Vankor field are subject to regular customs duties.

Operating Income

As a result of the factors discussed above, operating income decreased by 5.5% to US 3,693 million, in the third quarter of 2011 compared with US\$ 3,910 million in the second quarter of 2011. As a percentage of total revenues, operating income was 15.0% and 16.8% in the third quarter of 2011 and in the second quarter of 2011 respectively. As a percentage of total revenues, operating income before taxes other than income tax and export customs duty was 64.2% and 65.5% in the third quarter of 2011 and in the second quarter of 2011, respectively.

Operating income increased to US\$ 12,781 million in the nine months of 2011 compared to US\$ 9,727 million in the nine months of 2010. As a percentage of total revenues, operating income before taxes other than income tax and export customs duty was 66.0% and 65.4% in the nine months of 2011 and 2010, respectively.

Other (Expenses)/Income, net

Interest Income

In the third quarter of 2011 interest income amounted to US\$ 155 million in comparison with US\$ 180 million in the second quarter of 2011.

The reduction was attributable to the decrease in investments in various types of liquid assets in the third quarter of 2011. In the nine months of 2011 and 2010 interest income amounted to US\$ 506 million and US\$ 397 million, respectively.

Interest Expense

In the third quarter of 2011 interest expense decreased by 41.2% to US\$ 67 million, mainly as a result of increase in interest capitalized and reduction of interest expenses from swap operations.

In the nine months of 2011 and 2010 interest expense amounted to US\$ 301 million and US\$ 497 million, respectively.

Loss on Disposal of Property, Plant and Equipment

From time to time, Rosneft disposes of property, plant and equipment. In the third quarter of 2011 and in the second quarter of 2011, Rosneft recorded a net loss of US\$ 104 million and US\$ 25 million on the disposal of property, plant and equipment, respectively.

In the nine months of 2011, Rosneft recorded a net loss of US\$ 152 million on the disposal of property, plant and equipment compared to the net loss of US\$ 81 million recorded in the nine months of 2010.

Impairment loss

In third quarter of 2011 impairment loss amounted to US\$ 41 million in comparison with US\$ 43 million in the second quarter of 2011.

In the nine months of 2011 impairment loss amounted to US\$ 86 million embraces impairment loss of the investment in OJSC Kubanenergo in the amount of US\$ 81, including loss amounted to US\$ 41 million for the third quarter of 2011.

Equity share in affiliates' profits

The equity share in affiliates' profits amounted to US\$ 213 million in the third quarter of 2011 compared with US\$ 119 million in the second quarter of 2011. 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\$ 385 million and US\$ 67 million in the nine months of 2011 and 2010, respectively.

Other (expenses)/income, net

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

In the third quarter of 2011, other losses, net, amounted to US\$ 79 million, compared to US\$ 235 million in the second quarter of 2011. Decrease in expenses in the third quarter 2011 is primarily attributed to one-off accrual in second quarter of expenses on agreements with regions and charity expenses for the whole 2011. Other factor affected decrease in expenses is related to reduction in bank allowances in accordance with changes in industrial structure of the loan portfolio for US\$ 35 million.

In the nine months of 2011 and 2010, other expenses, net, amounted to US\$ 434 million and other income, net, US\$ 15 million, respectively.

Foreign Exchange Loss/(Gain)

Foreign exchange loss was US\$ 358 million in the third quarter of 2011 compared with US\$ 64 million in the second quarter of 2011.

Foreign exchange loss was US\$ 442 million in the nine months of 2011 and foreign exchange gain was US\$ 16 million in the nine months of 2010.

Income Tax

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

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	<i>September 30,</i>	<i>June 30,</i>	<i>September 30,</i>	<i>September 30,</i>
	2011	2011	2011	2010
Effective income tax rate for Rosneft under US GAAP	18%	24%	22%	21%

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\$ 40 million in the third quarter of 2011 compared to US\$ 32 million in the second quarter of 2011. The change resulted, primarily, from the increase in the net income of certain Rosneft's subsidiaries related to minorities.

Net income attributable to noncontrolling interests was US\$ 131 million and US\$ 219 million, in the nine months of 2011 and 2010, respectively.

Net Income

As a result of the factors discussed above net income decreased by 0.8% to US\$ 2,778 million in the third quarter of 2011 from US\$ 2,799 million in the second quarter of 2011. As a percentage of revenues, net income was 11.3% and 12.0% in the third quarter of 2011 and second quarter of 2011, respectively.

The net income amounted to US\$ 9,460 million and US\$ 7,397 million in the nine months of 2011 and 2010, respectively.

Liquidity and Capital Resources

Cash Flows

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	<i>September 30,</i>	<i>June 30,</i>		<i>September 30,</i>	<i>September 30,</i>	
	2011	2011	times	2011	2010	times
	(US\$ million)			(US\$ million)		
Net cash provided by operating activities	2,864	3,328	(0,86)	12,244	11,536	1,06
Net cash used in investing activities	(2,206)	(2,450)	(0,90)	(9,478)	(8,440)	1,12
Net cash used in financing activities	(1,440)	(594)	2,42	(2,839)	(2,750)	1,03

Operating Cash Flow

Net cash provided by operating activities amounted to US\$ 2,864 million in the third quarter of 2011 compared to US\$ 3,328 million in the second quarter of 2011. In the second quarter of 2011 the operating cash flow includes the effect from the acquisition of Ruhr Oel GmbH in the amount of US\$ 1,886 million and operations with trading securities as part of the Company's efforts to manage cash resources (net outflow of US\$ 33 million in the third quarter 2011 and net inflow of US\$ 16 million in the second quarter of 2011). For the management analysis the operating cash flow provided by the operating activity was adjusted for the effects mentioned above. The adjusted net cash provided by operating activity amounted to US\$ 2,897 million in the third quarter of 2011 and US\$ 5,198 million in the second quarter of 2011.

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>	<i>For 9 months ended</i>		<i>Change</i>
	September 30, 2011	June 30, 2011	Times	September 30, 2011	September 30, 2010	Times
	(US\$ million)			(US\$ million)		
Cash from operations before changes in working capital	3,787	4,306	(0,9)	13 592	11 258	1,2
(Increase)/decrease in working capital	(923)	(978)	(0,9)	(1 348)	278	–
Net cash provided by Operating activity	2,864	3,328	(0,9)	12 244	11 536	1,1
Effect of Ruhr Oel GmbH acquisition	–	1,886	–	1 886	–	–
Effect from operation with trading securities	33	(16)	–	32	(348)	–
Adjusted net cash provided by operating activity	2,897	5,198	(0,6)	14 162	11 188	1,3

The decrease in the adjusted operating cash flow primarily resulted from the increase in the working capital by US\$ 923 million.

In the third quarter of 2011, the working capital increased due to the following factors:

- Increase in trade receivables by US\$ 929 million due to increase in volume of export and due to temporary changes in payment terms for main foreign debtors;
- Decrease in taxes payable (mainly VAT) by US\$ 368 million.

This was partially offset by the following factors:

- Decrease in the prepaid expense by US\$ 81;
- Decrease in the inventory by US\$ 45 million due to seasonal and supplying fluctuation;
- Decrease in other assets by US\$ 19.

In the nine months of 2011 net cash provided by the operating activity (adjusted for the result of the net inflow from the operations with trading securities of US\$ 32 million and effect in working capital due to Ruhr Oel GmbH acquisition) amounted to US\$ 14,162 million compared to US\$ 11,188 million in the nine months of 2010.

Capital Expenditures

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	September 30, 2011	June 30, 2011		September 30, 2011	September 30, 2010	
	(US\$ million)		(%)	(US\$ million)		(%)
Yuganskneftegaz	869	789	10.1%	2,243	1,840	21.9%
Vankorneft	499	933	(46.5%)	2,130	1,498	42.2%
Purneftegaz	141	115	22.6%	310	285	8.8%
Severnaya Neft	43	57	(24.6%)	128	78	64.1%
Samaraneftegaz	83	73	13.7%	207	143	44.8%
Other ¹	269	223	20.6%	687	609	12.8%
Total upstream segment	1,904	2,190	(13.1%)	5,705	4,453	28.1%
The Company	1	14	(92.9%)	19	51	(62.7%)
Tuapse refinery	506	435	16.3%	1,369	458	198.9%
Komsomolsk refinery	76	32	137.5%	129	79	63.3%
Angarsk refinery	32	22	45.5%	66	57	15.8%
Achinsk refinery	35	51	(31.4%)	117	82	42.7%
Syzran refinery	46	15	206.7%	74	69	7.2%
Novokuibyshevsk refinery	25	45	(44.4%)	96	86	11.6%
Kuibyshev refinery	55	48	14.6%	132	89	48.3%
Marketing Business Units and others ²	130	205	(36.6%)	489	378	29.4%
Total downstream	906	867	4.5%	2,491	1,349	84.7%
Other activities³	119	97	22.7%	320	300	6.7%
Subtotal capital expenditures	2,929	3,154	(7.1%)	8,516	6,102	39.6%
Change in materials in capital expenditures	(161)	298	(154.0%)	465	61	662.3%
Total capital expenditures	2,768	3,452	(19.8%)	8,981	6,163	45.7%
Licence acquisition costs	60	16	275.0%	201	26	673.1%

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 third quarter of 2011 Rosneft's total capital expenditures including material purchases decreased by 19.8% to US\$ 2,768 million compared with US\$ 3,452 million in the second quarter of 2011. The decrease in capital expenditures was due to the real depreciation of the RUB against the US\$ as well as seasonal planning budgetary factors. In the nine months of 2011 capital expenditures increased to US\$ 8,981 million compared with US\$ 6,163 million in the nine months of 2010.

Upstream capital expenditures in the third quarter of 2011 decreased by 13.1% compared with the second quarter of 2011 and amounted to US\$ 1,904 million. The decrease was mainly due to the seasonal fluctuations of construction work on Vankor fields. In the nine months of 2011 the upstream capital expenditures amounted to US\$ 5,705 million compared with US\$ 4,453 million in the nine months of 2010.

Downstream capital expenditures increased by US\$ 39 million or by 4.5% compared with the second quarter of 2011. In the nine months of 2011 downstream capital expenditures amounted to US\$ 2,491 million compared with US\$ 1,349 million in the same period of 2010. The increase in capital expenditures was mainly driven by continued program for capacity upgrade and expansion at the refineries, including modernization of the Tuapse and Komsomolsk refineries.

Capital expenditures for other activities increased by 22.7%, to US\$ 119 million, in the third quarter of 2011, compared with US\$ 97 million in the second quarter of 2011. In the nine months of 2011 capital expenditures for other activities amounted to US\$ 320 million compared with US\$ 300 million in the nine months of 2010.

Since the fourth quarter of 2006, the Company's subsidiaries have been purchasing construction materials and selling the materials to contractors that provide construction and drilling services at subsidiaries' fields. The net decrease in unused construction materials included in capital expenditures was US\$ 161 million in the third quarter of 2011. In the nine months of 2011 net increase in unused construction materials was US\$ 465 million.

In the third quarter of 2011 the licence acquisition costs of US\$ 60 million refer to the licence for exploration and extraction of hydrocarbon reserves in the sea of Okhotsk and at Padovsky block in Samara region.

Debt Obligations

Rosneft adjusted net debt increased to US\$ 13,991 million as of September 30, 2011 compared to US\$ 12,445 million as of June 30, 2011. Net debt increased due to dividend payments for 2010 and acquisition of securities, with maturity date starting from the first quarter of 2012.

Rosneft's total loans and borrowings decreased to US\$ 21,452 million as of September 30, 2011 from US\$ 22,310 million as of June 30, 2011. The decrease resulted from the scheduled maturity of long term loans in the third quarter of 2011.

Long-term loans are generally secured by oil export contracts. As of September 30, 2011 and June 30, 2011 84.9% and 84.3% respectively, of Rosneft's borrowings were secured by crude oil export contracts (excluding export to the CIS). As of September 30, 2011 and June 30, 2011, pledged oil exports constituted 20.2% and 20.3%, 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	September 30, 2011	June 30, 2011	December 31, 2010
Short term debt	4,960	5,448	5,498
Long term debt	16,492	16,862	18,057
Total debt	21,452	22,310	23,555
Cash and cash equivalents	(3,969)	(5,076)	(4,154)
Short-term bank deposits	(139)	(300)	(1,321)
Structured deposits	(2,263)	(3,193)	(3,791)
Short term promissory notes and other short-term liquid instruments	(1,090)	(1,296)	(627)
Adjusted net debt	13,991	12,445	13,662

Key Financial Ratios

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

	For 3 months ended		For 9 months ended	
	September 30, 2011	June 30, 2011	September 30, 2011	September 30, 2010
EBITDA margin	21.5%	22.9%	25.4%	30.3%
Adjusted net income margin	11.2%	12.0%	13.8%	16.4%
Net debt to capital employed ratio	0.18	0.17	0.18	0.21
Net debt to annualised EBITDA	0.66	0.58	0.41	0.76
Current ratio	1.78	1.68	1.78	1.45
	US\$/bbl			
EBITDA/bbl	26.14	26.99	29.06	23.83
Upstream capital expenditure/bbl	9.42	11.09	9.60	7.68
Upstream operating expenses/bbl	3.09	3.08	3.04	2.78
Adjusted free cash flow before interest/bbl	0.34	8.76	8.38	8.62
	US\$/boe			
EBITDA/boe	24.18	24.86	26.75	21.92
Upstream capital expenditure/boe	8.71	10.21	8.84	7.06
Upstream operating expenses/boe	2.86	2.84	2.80	2.56
Adjusted free cash flow before interest/boe	0.32	8.07	7.71	7.93

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 3 months ended		For 9 months ended	
	September 30, 2011	June 30, 2011	September 30, 2011	September 30, 2010
Upstream capital expenditures (US\$ million)	1,904	2,190	5,705	4,453
Upstream operating expenses (US\$ million)	624	609	1,808	1,614
Barrels of crude oil produced (million)	202.10	197.56	594.34	580.16
Barrels of oil equivalent produced (million)	218.51	214.50	645.64	630.75

Calculation of Adjusted Free Cash Flow

	For 3 months ended		For 9 months ended	
	September 30, 2011	June 30, 2011	September 30, 2011	September 30, 2010
	(US\$ million)			
Net cash provided by operating activities	2,864	3,328	12,244	11,536
Effect from the acquisition of Ruhr Oel GmbH in working capital*	–	1,886	1,886	–
Capital expenditures	(2,768)	(3,452)	(8,981)	(6,163)
Free cash flow	96	1,762	5,149	5,373
Trading securities operations	33	(16)	32	(348)
License acquisition costs	(60)	(16)	(201)	(26)
Adjusted free cash flow	69	1,730	4,980	4,999

*Consolidated net cash provided in operating activity is adjusted for the effect of acquisition of Ruhr Oel GmbH in the second quarter of 2011.

Calculation of EBITDA Margin

	For 3 months ended		For 9 months ended	
	September 30, 2011	June 30, 2011	September 30, 2011	September 30, 2010
	(US\$ million, except %)			
Operating income	3,693	3,910	12,781	9,727
Accretion expense	41	38	111	80
Depreciation, depletion and amortisation	1,549	1,385	4,377	4,019
EBITDA	5,283	5,333	17,269	13,826
Total revenues	24,627	23,274	68,024	45,663
EBITDA margin	21.5%	22.9%	25.4%	30.3%

Calculation of Adjusted Net Income Margin

	For 3 months ended		For 9 months ended	
	September 30, 2011	June 30, 2011	September 30, 2011	September 30, 2010
Net income	2,778	2,799	9,460	7,397
Effect from the assets impairment and interests SWAP	(20)	6	(41)	88
Adjusted net income	2,758	2,805	9,419	7,485
Sales revenues	24,627	23,274	68,024	45,663
Adjusted net income margin	11.2%	12.0%	13.8%	16.4%

Current ratio

	For 3 months ended	
	September 30, 2011	June 30, 2011
	(US\$ million, except ratio)	
Current assets	24,807	25,775
Current liabilities	13,947	15,304
Current ratio	1.78	1.68