



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE QUARTERS ENDED JUNE 30 AND MARCH 31, 2011
AND FOR THE SIX MONTHS ENDED JUNE 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 June 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 2.37 million barrels per day (average for the second quarter of 2011) and output of natural and associated gas is over 3.06 billion cubic meters per quarter (data for the second 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 second 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.

On May 1, 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 6 months ended</i>		
	June 30, 2011	March 31, 2011	<i>% change</i>	June 30, 2011	June 30, 2010	<i>% change</i>
Financial results						
Revenues (US\$ million)	23,274	20,123	15.7%	43,397	30,192	43.7%
EBITDA (US\$ million)	5,333	6,653	(19.8)%	11,986	9,188	30.5%
Adjusted net income (US\$ million) ¹	2,805	3,856	(27.3)%	6,661	4,960	34.3%
Capital expenditures	3,452	2,761	25.0%	6,213	3,845	61.6%
Adjusted free cash flow*	1,730	3,181	(45.6)%	4,911	2,954	66.2%
Net Debt	12,445	11,097	12.1%	12,445	15,810	(21.3)%
Operational results						
Crude oil production (th. barrels per day)	2,368	2,355	0.6%	2,362	2,301	2.7%
Gas production (bcm)	3.06	3.20	(4.4)%	6.26	6.23	0.5%
Hydrocarbon production (th. boe per day)	2,566	2,564	0.1%	2,565	2,504	2.4%
Domestic production of petroleum products (mln tonnes)	11.69	11.76	(0.6)%	23.45	23.22	1.0%

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

¹ Net income for the three months ended June 30, 2011 and for the three months ended March 31, 2011 is adjusted for effect of SWAP operations in the amount of loss of US\$ 6 million and the amount of income of US\$ 27 million, respectively. Net income for the six months ended June 30, 2011 and for six months ended June 30, 2010 is adjusted for the loss from SWAP operations in the amount of income of US\$ 21 million and in the amount of loss of US\$ 53 million, respectively.

Macroeconomic Factors Affecting Results of Operations

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

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

Changes in Crude Oil, Petroleum Product and Gas Prices

World crude oil prices are highly volatile and fluctuate depending on the global balance of supply and demand and on numerous speculative factors. Crude oil exported by Rosneft via Transneft's (Russian pipeline monopoly) pipeline system is blended with crude oil of other producers that is of a different quality. The resulting Urals blend is traded at a discount to Brent. Crude oil exported via ESPO pipeline is sold at a special price which is linked to the price for "Dubai", but in particular cases the price is linked to "Urals" and "Brent".

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

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

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 6 months ended</i>		<i>Change</i>
	June 30, 2011	March 31, 2011		June 30, 2011	June 30, 2010	
World market	(US\$ per barrel)			(US\$ per barrel)		
Brent (dated)	117.36	104.97	11.8%	111.16	77.27	43.9%
Urals (average CIF Med and NWE)	113.99	102.18	11.6%	108.09	76.09	42.1%
Urals (FOB Primorsk)	113.14	100.37	12.7%	106.75	74.34	43.6%
Urals (FOB Novorossysk)	113.31	100.89	12.3%	107.10	74.27	44.2%
Dubai-Oman	110.92	100.62	10.2%	105.77	77.11	37.2%
	(US\$ per tonne)			(US\$ per tonne)		
Naphtha (av. FOB/CIF Med)	972.03	889.43	9.3%	930.73	685.54	35.8%
Naphtha (av. FOB Rotterdam/CIF NWE)	988.80	903.93	9.4%	946.37	698.63	35.5%
Naphtha (CFR Japan)	992.82	915.84	8.4%	954.33	713.19	33.8%
Fuel oil 3.5% (av. FOB/CIF Med)	625.75	554.86	12.8%	590.30	438.89	34.5%
Fuel oil 3.5% (av. FOB Rotterdam/CIF NWE)	623.54	554.29	12.5%	588.91	437.10	34.7%
High sulphur fuel oil 180 cst (FOB Singapore)	663.84	597.44	11.1%	630.64	468.81	34.5%
Gasoil 0.1% (av. FOB/CIF Med)	958.16	881.78	8.7%	919.97	652.25	41.0%
Gasoil 0.1% (av. FOB Rotterdam/CIF NWE)	963.03	881.54	9.2%	922.29	651.74	41.5%
Gasoil 0.5% (FOB Singapore)	967.30	881.84	9.7%	924.57	647.25	42.8%
Russian market (net of VAT, including excise tax)	(US\$ per tonne)			(US\$ per tonne)		
Crude oil	324.89	301.35	7.8%	313.12	210.66	48.6%
Fuel oil	304.18	268.47	13.3%	286.33	246.10	16.3%
Summer diesel	689.21	618.36	11.5%	653.79	453.66	44.1%
Winter diesel	684.07	773.38	(11.5)%	728.72	512.52	42.2%
Jet fuel	670.40	665.26	0.8%	667.83	475.44	40.5%
High octane gasoline	861.25	760.68	13.2%	810.97	664.95	22.0%
Low octane gasoline	781.99	720.35	8.6%	751.17	557.22	34.8%

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 1,394 (excluding VAT) (US\$ 49.80 per thousand cubic meters) and RUB 1,428 (US\$ 48.80 per thousand cubic meters) in the second quarter of 2011 and first quarter of 2011, respectively. In the six months of 2011 and 2010, Rosneft's average gas sale price was RUB 1,411 (excluding VAT) (US\$ 49.29 per thousand cubic meters) and RUB 1,266 (US\$ 42.12 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 6 months ended</i>	
	June 30, 2011	March 31, 2011	June 30, 2011	June 30, 2010
Rouble inflation (CPI) for the period	1.2%	3.8%	5.0%	4.4%
Change of the average invert exchange rate (RUB/US\$) compared to the previous period	4.6%	4.9%	5.1%	10.0%
US\$/RUB exchange rate at the end of the period	28.08	28.43	28.08	31.20
Average US\$/RUB exchange rate for the period	27.99	29.27	28.62	30.07
Real appreciation/(depreciation) of the RUB against the US\$ for the period	6.2%	9.3%	15.1%	17.2%

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 6 months ended</i>		<i>Change</i>
	June 30, 2011	March 31, 2011	%	June 30, 2011	June 30, 2010	%
Mineral extraction tax						
Crude oil (RUB per tonne)	4,466	4,090	9.2%	4,278	2,928	46.1%
Natural gas (RUB per th. cubic meters)	237	237	-	237	147	61.2%
Associated gas (RUB per th. cubic meters)	-	-	-	-	-	-
Export customs duty						
Crude oil (US\$ per tonne)	446.5	343.0	30.2%	394.8	272.7	44.8%
East Siberian Crude oil (US\$ per tonne)	368.9	135.2	172.9%	252.1	-	100.0%
Gasoline* (US\$ per tonne)	369.3	234.3	57.6%	301.8	196.1	53.9%
Light and middle distillates (US\$ per tonne)	299.2	234.3	27.7%	266.8	196.1	36.1%
Liquid fuels (fuel oil) (US\$ per tonne)	208.5	151.4	37.7%	179.9	105.6	70.4%

*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 6 months ended</i>		<i>Change</i>
	June 30, 2011	March 31, 2011		June 30, 2011	June 30, 2010	
Mineral extraction tax			%			%
Crude oil (US\$ per tonne)	159.58	139.72	14.2%	149.45	97.38	53.5%
Natural gas (US\$ per th. cubic meters)	8.47	8.10	4.6%	8.28	4.89	69.3%

Tax rates translated from tonnes to barrels:

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 6 months ended</i>		<i>Change</i>
	June 30, 2011	March 31, 2011		June 30, 2011	June 30, 2010	
Mineral extraction tax on crude oil (US\$ per barrel)			%			%
Export duty on crude oil (US\$ per barrel)	21.82	19.10	14.2%	20.43	13.31	53.5%
	61.04	46.89	30.2%	53.97	37.28	44.8%

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 6 months ended</i>	
	June 30, 2011	March 31, 2011	June 30, 2011	June 30, 2010
	US\$ million	US\$ million	US\$ million	US\$ million
Total revenues ⁽¹⁾	21,477	20,123	41,600	30,192
Total taxes ⁽²⁾	12,233	9,864	22,097	14,723
Effective tax burden, %	57.0%	49.0%	53.1%	48.7%

(1) Excluding revenues from Ruhr Oel GmbH in the amount of US\$ 1,797 million.

(2) 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 45.4% and 40.0% of Rosneft's total revenues in the second quarter of 2011 and in the first quarter of 2011, respectively. In the six months of 2011 and 2010 the mineral extraction tax and the export customs duty accounted for approximately 42.7% and 40.9%, 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 during specific time period or for specific volumes of production (depending on what is achieved earlier) at fields in Yakutia, Irkutsk Region, Krasnoyarsk Territory, Nenets Autonomous District, Yamal Peninsula, Azov and Caspian seas, offshore fields located to the north of the Arctic Circle (the exact time period and volume vary by regions where the field is located).

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

Rosneft has exploration projects in the Azov, 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.

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 till July 01, 2010.

Starting from July 01, 2010 the zero rate was replaced by a special rate calculated as $(\text{Price} - 50) * 0.45$, where “Price” is average Urals price used for the calculation of ordinary export duty. Starting from May 1, 2011 the Vankor and Verkhnechonsk fields were excluded from the list of fields subject to the special export duties rate.

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, exempt 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.

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: $0.236 * (\text{Price} * 7.3 - 109.5)$.

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

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

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

Starting from May 1, 2011 the Russian Government introduced a special export duty on gasoline equivalent to 90% of the export duty on crude oil. Starting from June 1, 2011 the Russian Government introduced a special export duty on naphtha equivalent to 90% of the export duty on crude oil. As of the date of this report there was no guidance on how long the increased rates will be in place.

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.

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

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 6 month ended</i>		
	June 30, 2011	March 31, 2011	Change	June 30, 2011	June 30, 2010	Change
	(RUB/tonne)		(%)	(RUB/tonne)		(%)
CRUDE OIL						
Domestic						
<i>Pipeline</i>						
Yugansk – Samara refineries	718.16	718.16	-	718.16	633.42	13.4%
Samara – Samara refineries	45.51	45.51	-	45.51	40.47	12.5%
Yugansk – Angarsk refinery	1,193.66	1,193.66	-	1,193.66	1,062.89	12.3%
Purpe – Tuapse refinery	1,482.85	1,482.85	-	1,482.85	1,310.65	13.1%
Tomsk – Achinsk refinery	326.81	326.81	-	326.81	290.78	12.4%
<i>Pipeline and railroad</i>						
Yugansk – Komsomolsk refinery	3,917.18	3,917.18	-	3,917.18	3,585.52	9.2%
Exports						
<i>Pipeline</i>						
Yugansk – Primorsk	1,289.75	1,289.75	-	1,289.75	1,145.55	12.6%
Yugansk – Novorossysk	1,444.54	1,444.54	-	1,444.54	1,278.53	13.0%
Vankor (Purpe)-Primorsk	1,640.65	1,640.65	-	1,640.65	1,436.30	14.2%
Vankor (Purpe)-Kozmino	1,815.00	1,815.00	-	1,815.00	1,598.00	13.6%
<i>Pipeline and railroad</i>						
Purneftegaz - KTK	2,044.25	2,058.40	(0.7)%	2,044.25	1,879.76	8.8%
PETROLEUM PRODUCT EXPORTS						
Diesel						
Samara refineries – Ventspils	1,689.06	1,704.43	(0.9)%	1,689.06	1,568.82	7.7%
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	2,674.60	2,709.71	(1.3)%	2,674.60	2,564.86	4.3%
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%

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 6 months ended</i>		
	June 30, 2011	March 31, 2011	<i>Change</i>	June 30, 2011	June 30, 2010	<i>Change</i>
	(US\$/tonne)		(%)	(US\$/tonne)		(%)
CRUDE OIL						
Domestic						
<i>Pipeline</i>						
Yugansk – Samara refineries	25.66	24.54	4.6%	25.09	21.07	19.1%
Samara – Samara refineries	1.63	1.55	4.6%	1.59	1.35	17.8%
Yugansk – Angarsk refinery	42.65	40.78	4.6%	41.70	35.35	18.0%
Purpe – Tuapse refinery	52.99	50.66	4.6%	51.80	43.59	18.8%
Tomsk – Achinsk refinery	11.68	11.17	4.6%	11.42	9.67	18.1%
<i>Pipeline and railroad</i>						
Yugansk – Komsomolsk refinery	139.97	133.83	4.6%	136.85	119.25	14.8%
Exports						
<i>Pipeline</i>						
Yugansk – Primorsk	46.09	44.06	4.6%	45.06	38.10	18.3%
Yugansk – Novorossysk	51.62	49.35	4.6%	50.47	42.52	18.7%
Vankor(Purpe)-Primorsk	58.62	56.05	4.6%	57.32	47.77	20.0%
Vankor(Purpe)-Kozmino	64.85	62.01	4.6%	63.41	53.15	19.3%
<i>Pipeline and railroad</i>						
Purneftegaz - KTK	73.05	70.33	3.9%	71.42	62.52	14.2%
PETROLEUM PRODUCT EXPORTS						
Diesel						
Samara refineries – Ventspils ¹	60.35	58.23	3.6%	59.01	52.18	13.1%
Angarsk refinery – Nakhodka	139.00	132.91	4.6%	135.90	120.25	13.0%
Komsomolsk refinery – Nakhodka	54.50	52.11	4.6%	53.29	47.19	12.9%
Achinsk refinery – Tuapse	156.48	149.62	4.6%	152.99	135.34	13.0%
Fuel oil						
Samara refineries – Odessa	95.57	92.58	3.2%	93.44	85.30	9.5%
Angarsk refinery – Nakhodka	141.64	135.43	4.6%	138.48	122.08	13.4%
Komsomolsk refinery – Nakhodka	53.05	50.72	4.6%	51.87	45.73	13.4%
Achinsk refinery – Nakhodka	174.73	167.06	4.6%	170.83	150.60	13.4%
Naphtha						
Samara refineries – Tuapse	66.78	63.85	4.6%	65.29	57.90	12.8%
Achinsk refinery – Tuapse	153.56	146.82	4.6%	150.13	132.90	13.0%
Angarsk refinery – Nakhodka	134.95	129.03	4.6%	131.94	116.82	12.9%
Komsomolsk refinery – Nakhodka	53.48	51.13	4.6%	52.29	46.35	12.8%

¹- tariff denominated in US\$

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. In Caspian Pipeline Consortium Rosneft has a stake through a joint venture "Rosneft Shell Caspian Ventures Ltd" (Cyprus).

Operating Results

Production of Crude Oil

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

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

	<i>For 3 months ended</i>			<i>For 6 months ended</i>		
	June 30, 2011	March 31, 2011	Change	June 30, 2011	June 30, 2010	Change
	(million of barrels)		(%)	(million of barrels)		(%)
Yuganskneftegaz (Western Siberia)	121.63	120.20	1.2%	241.83	236.92	2.1%
Samaraneftegaz (Central Russia)	19.47	18.99	2.5%	38.46	37.17	3.5%
Purneftegaz (Western Siberia)	12.65	12.60	0.4%	25.25	26.26	(3.8)%
Vankorneft (Eastern Siberia)	26.61	25.12	5.9%	51.73	44.61	16.0%
Severnaya Neft (Timan Pechora)	6.55	6.78	(3.4)%	13.33	15.38	(13.3)%
Sakhalin-1 (Far East) (net of royalty and government share)	2.50	2.86	(12.6)%	5.36	4.51	18.8%
Other	8.15	8.13	0.2%	16.28	18.10	(10.1)%
Crude oil production by fully and proportionately consolidated enterprises	197.56	194.68	1.5%	392.24	382.95	2.4%
Tomskneft (Western Siberia)	9.41	9.26	1.6%	18.67	18.62	0.3%
Udmurtneft (Central Russia)	5.78	5.67	1.9%	11.45	11.46	(0.1)%
Polar Lights (Timan Pechora)	0.56	0.55	1.8%	1.11	1.34	(17.2)%
Verkhnechonskneftegaz (Eastern Siberia)	2.16	1.83	18.0%	3.99	2.14	86.4%
Total share in production of joint ventures	17.91	17.31	3.5%	35.22	33.56	4.9%
Total crude oil production	215.47	211.99	1.6%	427.46	416.51	2.6%
Daily crude oil production (th. barrels per day)	2,368	2,355	0.6%	2,362	2,301	2.7%

In the second quarter of 2011 Rosneft's average daily crude oil production reached 2,368 th. barrels per day, which is an increase of 0.6% compared with the first quarter of 2011. Daily production level increased due to crude oil production growth at Vankor, Samara and Verkhnechonsk fields, which was accompanied by stable crude oil production level in Rosneft's traditional regions. Production at Sakhalin-1 decreased after change of government share in accordance with PSA.

In the six months of 2011 Rosneft's average daily crude oil production was 2.7% higher than in the six months of 2010. The growth was driven primarily by commercial production growth at the Vankor and Verkhnechonsk fields and Sakhalin-1 project.

Production of Gas

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

	<i>For 3 months ended</i>			<i>For 6 months ended</i>		
	June 30,	March 31,	Change	June 30,	June 30,	Change
	2011	2011		2011	2010	
	(bcm)		(%)	(bcm)		(%)
Purneftegaz (Western Siberia)	0.88	0.90	(2.2)%	1.78	1.82	(2.2)%
Yuganskneftegaz (Western Siberia)	0.70	0.71	(1.4)%	1.41	1.31	7.6%
Krasnodarneftegaz (Southern Russia)	0.66	0.72	(8.3)%	1.38	1.38	0.0%
Samaraneftegaz (Central Russia)	0.12	0.13	(7.7)%	0.25	0.21	19.0%
Severnaya Neft (Timan Pechora)	0.06	0.07	(14.3)%	0.13	0.14	(7.1)%
Vankorneft (Eastern Siberia)	0.09	0.09	(11.1)%	0.18	0.12	50.0%
Sakhalin-1 (Far East) (net of royalty and government share)	0.07	0.10	(30.0)%	0.17	0.18	(5.6)%
Other	0.30	0.33	(9.1)%	0.63	0.73	(13.7)%
Gas production by fully and proportionately consolidated enterprises	2.88	3.05	(5.6)%	5.93	5.89	0.7%
Tomskneft (Western Siberia)	0.17	0.13	30.8%	0.30	0.31	(3.2)%
Udmurneft (Central Russia)	0.01	0.01	1.6%	0.02	0.02	0.1%
Polar Lights (Timan Pechora)	0.00	0.01	(9.9)%	0.01	0.01	(4.6)%
Total share in production of joint ventures	0.18	0.15	20.0%	0.33	0.34	(2.9)%
Total gas production	3.06	3.20	(4.4)%	6.26	6.23	0.5%
Natural gas	1.13	1.25	(9.6)%	2.38	2.37	0.4%
Associated gas	1.93	1.95	(1.0)%	3.88	3.86	0.5%

* Production volume equals extracted volume minus flared volume.

In the second quarter of 2011 Rosneft's natural and associated gas production was 3.06 bcm, which was 4.4% lower than in the first quarter of 2011. The decrease resulted from seasonal decrease in demand for gas produced by Purneftegaz, Krasnodarneftegaz, Samaraneftegaz, Severnaya Neft and Sakhalin-1.

In the six months of 2011 Rosneft's natural and associated gas production was 0.5% higher than in the six months of 2010 primarily as a result of increased production of associated gas at Samaraneftegaz due to increased crude oil production as well as increased production of gas at the Vankor field. The increase was partially offset by the natural decline in production of crude oil and associated gas at Purneftegaz, 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).

On May 1, 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. The Gelsenkirchen refinery has a petrochemical block with capacity of 3.9 million tonnes.

Rosneft accounts for share in financial and operating results of Ruhr Oel GmbH since the date of acquisition. Share in net profit of ROG for May and June 2011 was insignificant for reporting purposes. Share in operating results for May and June 2011 are presented in table below.

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

	<i>For 3 months ended</i>			<i>For 6 months ended</i>		
	June 30, 2011	March 31, 2011	Change	June 30, 2011	June 30, 2010	Change
	<i>(million of tonnes)</i>			<i>(million of tonnes)</i>		
Crude oil processing at Rosneft's own refineries	12.26	12.43	(1.4)%	24.69	24.47	0.9%
Crude oil processing at Ruhr Oel GmbH	1.84	-	-	1.84	-	-
Total group crude oil processing	14.10	12.43	13.4%	26.53	24.47	8.4%
Product output:						
High octane gasoline	1.24	1.28	(3.1)%	2.52	2.29	10.0%
Low octane gasoline	0.08	0.11	(27.3)%	0.19	0.78	(75.6)%
Naphtha	0.96	0.96	-	1.92	1.60	20.0%
Diesel	4.18	4.24	(1.4)%	8.42	8.13	3.6%
Fuel oil	4.11	4.21	(2.4)%	8.32	8.51	(2.2)%
Jet	0.32	0.24	33.3%	0.56	0.50	12.0%
Petrochemicals	0.15	0.15	-	0.30	0.28	7.1%
Other	0.65	0.57	14.0%	1.22	1.13	8.0%
Product output at Rosneft's own refineries	11.69	11.76	(0.6)%	23.45	23.22	1.0%
Product output at Ruhr Oel GmbH	1.74	-	-	1.74	-	-
Total group product output	13.43	11.76	14.2%	25.19	23.22	8.5%

In the second quarter of 2011, Rosneft's total refinery throughput was 13.4% higher than in the first quarter of 2011. The increase is attributable to inclusion of share in operating results of Ruhr Oel GmbH to Group's results after the date of acquisition. Rosneft's refinery throughput in Russia was 1.4% lower than in the first quarter of 2011 in line with daily crude oil throughput decreased by 2.5%. The decrease was due to turnarounds at Achinsk and Kuibyshev refineries. The change in structure of petroleum products output was driven by the change in demand for particular products and was due to requirements of Technical regulations to quality of motor fuel.

In the six months of 2011 Rosneft's refinery throughput was 8.4% higher than in the six months of 2010 due to the acquisition of ROG refinery facilities in May 2011. Rosneft's refinery throughput in Russia was 0.9% higher than in the first half of 2010. The decrease in low octane gasoline output and increase in naphtha output was driven by the requirements of Technical regulations to quality of motor fuel introduced since January 2011.

Results of Operations

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

	<i>For 3 months ended</i>			<i>For 6 months ended</i>		
	June 30, 2011	March 31, 2011	Change (%)	June 30, 2011	June 30, 2010	Change (%)
	(US\$ million, except %)			(US\$ million, except %)		
Revenues						
Oil and gas sales	12,107	11,208	8.0%	23,315	16,651	40.0%
Petroleum products and petrochemicals sales	10,734	8,501	26.3%	19,235	12,764	50.7%
Support services and other revenues	433	414	4.6%	847	777	9.0%
Total revenues	23,274	20,123	15.7%	43,397	30,192	43.7%
Cost and expenses						
Production and operating expenses	1,692	1,328	27.4%	3,020	2,225	35.7%
Cost of purchased oil, gas and petroleum products	2,454	1,105	122.1%	3,559	1,130	215.0%
General and administrative expenses	419	389	7.7%	808	687	17.6%
Pipeline tariffs and transportation costs	1,965	1,873	4.9%	3,838	3,516	9.2%
Exploration expenses	81	87	(6.9)%	168	139	20.9%
Depreciation, depletion and amortisation	1,385	1,443	(4.0)%	2,828	2,620	7.9%
Accretion expense	38	32	18.8%	70	54	29.6%
Taxes other than income tax	4,190	3,654	14.7%	7,844	5,268	48.9%
Export customs duty	7,140	5,034	41.8%	12,174	8,039	51.4%
Total cost and expenses	19,364	14,945	29.6%	34,309	23,678	44.9%
Operating income	3,910	5,178	(24.5)%	9,088	6,514	39.5%
Other (expenses)/income						
Interest income	180	171	5.3%	351	249	41.0%
Interest expense	(114)	(120)	(5.0)%	(234)	(342)	(31.6)%
Loss on disposal of property, plant and equipment	(25)	(23)	8.7%	(48)	(55)	(12.7)%
Impairment loss	(43)	(2)	(2,050.0)%	(45)	-	100.0%
(Loss)/gain on disposal of investments	(2)	1	(300.0)%	(1)	18	(105.6)%
Equity share in affiliates' profits	119	53	124.5%	172	68	152.9%
Dividends and income from joint ventures	8	-	100.0%	8	(6)	(233.3)%
Other (expenses)/income, net	(235)	(120)	95.8%	(355)	8	(4,537.5)%
Foreign exchange (loss)/gain	(64)	(20)	220.0%	(84)	10	(940.0)%
Total other expenses	(176)	(60)	(193.3)%	(236)	(50)	372.0%
Income before income tax and minority interest	3,734	5,118	(27.0)%	8,852	6,464	36.9%
Income tax	(903)	(1,176)	(23.2)%	(2,079)	(1,416)	46.8%
Net income	2,831	3,942	(28.2)%	6,773	5,048	34.2%
Less: net income attributable to noncontrolling interests	(32)	(59)	(45.8)%	(91)	(141)	(35.5)%
Net income attributable to Rosneft	2,799	3,883	(27.9)%	6,682	4,907	36.2%
Other comprehensive income	25	2	1,150.0%	27	-	100.0%
Comprehensive income	2,824	3,885	(27.3)%	6,709	4,907	36.7%

	<i>Key ratios (%)</i>			
	<i>For 3 months ended</i>		<i>For 6 months ended</i>	
	June 30, 2011	March 31, 2011	June 30, 2011	June 30, 2010
Operating income margin	16.8%	25.7%	20.9%	21.6%
Part of pipeline and transportation costs	8.4%	9.3%	8.8%	11.6%
Net income margin	12.0%	19.3%	15.4%	16.3%

Revenues

In the second quarter of 2011 revenues were 15.7% higher than in the first quarter of 2011 and amounted to US\$ 23,274 million. Revenue growth mainly attributed to increase in volumes and market prices of crude oil and petroleum products.

In the six months of 2011 revenues were 43.7% higher compared to the six months of 2010, which was driven by substantial increase in prices. Urals price increased by 42.0% and the world market prices for diesel and fuel oil rose by 41.5% and 34.7% respectively.

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

	For 3 months ended			For 6 months ended						
	June 30, 2011	March 31, 2011	Change	June 30, 2011	June 30, 2010	Change				
	% of total revenue	% of total revenue	%	% of total revenue	% of total revenue	%				
(US\$ million, except %)										
Crude oil										
International Sales to non-CIS	11,518	49.5%	10,637	52.9%	8.3%	22,155	51.1%	15,549	51.5%	42.5%
Europe and other directions	8,391	36.1%	7,259	36.1%	15.6%	15,650	36.1%	10,729	35.5%	45.9%
Asia	3,127	13.4%	3,378	16.8%	(7.4)%	6,505	15.0%	4,820	16.0%	35.0%
International sales to CIS	453	1.9%	406	2.0%	11.6%	859	2.0%	755	2.5%	13.8%
Domestic	14	0.1%	43	0.2%	(67.4)%	57	0.1%	136	0.5%	(58.1)%
Total crude oil	11,985	51.5%	11,086	55.1%	8.1%	23,071	53.2%	16,440	54.5%	40.3%
Gas	122	0.5%	122	0.6%	0.0%	244	0.6%	211	0.7%	15.6%
Petroleum products										
International Sales to non-CIS	5,900	25.3%	4,881	24.3%	20.9%	10,781	24.8%	7,141	23.7%	51.0%
Europe and other directions	3,851	16.5%	3,016	15.0%	27.7%	6,867	15.8%	4,174	13.9%	64.5%
Asia	2,049	8.8%	1,865	9.3%	9.9%	3,914	9.0%	2,967	9.8%	31.9%
International Sales to CIS	93	0.4%	22	0.1%	322.7%	115	0.2%	74	0.2%	55.4%
Domestic	3,833	16.5%	3,264	16.2%	17.4%	7,097	16.4%	5,024	16.6%	41.3%
Wholesale	2,261	9.7%	2,072	10.3%	9.1%	4,333	10.0%	3,246	10.8%	33.5%
Retail	1,572	6.8%	1,192	5.9%	31.9%	2,764	6.4%	1,778	5.8%	55.5%
Sales of bunker fuel to end-users	355	1.5%	197	1.0%	80.2%	552	1.3%	307	1.0%	79.8%
Total petroleum products	10,181	43.7%	8,364	41.6%	21.7%	18,545	42.7%	12,546	41.5%	47.8%
Petrochemical products	553	2.4%	137	0.7%	303.6%	690	1.6%	218	0.7%	216.5%
Support services and other revenues	433	1.9%	414	2.0%	4.6%	847	1.9%	777	2.6%	9.0%
Total sales	23,274	100.0%	20,123	100.0%	15.7%	43,397	100.0%	30,192	100.0%	43.7%

Sales Volumes

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

	For 3 months ended					For 6 months ended				
	June 30, 2011		March 31, 2011		Change	June 30, 2011		June 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	106.72	49.1%	107.97	52.5%	(1.2)%	214.70	50.7%	206.14	51.6%	4.2%
Europe and other directions	74.61	34.3%	71.69	34.9%	4.1%	146.30	34.6%	143.96	36.0%	1.6%
Asia	32.11	14.8%	36.28	17.6%	(11.5)%	68.40	16.1%	62.18	15.6%	10.0%
CIS	8.12	3.7%	7.02	3.4%	15.7%	15.14	3.6%	14.04	3.5%	7.8%
Domestic	0.22	0.1%	0.95	0.5%	(76.8)%	1.17	0.3%	4.61	1.2%	(74.6)%
Total crude oil	115.06	52.9%	115.94	56.4%	(0.8)%	231.01	54.6%	224.79	56.3%	2.8%
Crude oil	mln tonnes		mln tonnes		%	mln tonnes		mln tonnes		%
International Sales to non-CIS	14.59	49.1%	14.76	52.5%	(1.2)%	29.35	50.7%	28.18	51.6%	4.2%
Europe and other directions	10.20	34.3%	9.80	34.9%	4.1%	20.00	34.6%	19.68	36.0%	1.6%
Asia	4.39	14.8%	4.96	17.6%	(11.5)%	9.35	16.1%	8.50	15.6%	10.0%
CIS	1.11	3.7%	0.96	3.4%	15.7%	2.07	3.6%	1.92	3.5%	7.8%
Domestic	0.03	0.1%	0.13	0.5%	(76.8)%	0.16	0.3%	0.63	1.2%	(74.6)%
Total crude oil	15.73	52.9%	15.85	56.4%	(0.8)%	31.58	54.6%	30.73	56.3%	2.8%
Petroleum products										
International Sales to non-CIS	7.34	24.7%	6.62	23.5%	10.9%	13.96	24.1%	13.02	23.9%	7.2%
Europe and other directions	4.86	16.3%	4.17	14.8%	16.5%	9.03	15.6%	7.95	14.6%	13.6%
Asia	2.48	8.4%	2.45	8.7%	1.2%	4.93	8.5%	5.07	9.3%	(2.8)%
International Sales to CIS	0.12	0.4%	0.03	0.1%	300.0%	0.15	0.3%	0.14	0.2%	7.1%
Domestic	5.34	18.0%	4.94	17.6%	8.1%	10.28	17.8%	9.55	17.5%	7.6%
Wholesale	3.65	12.3%	3.52	12.5%	3.7%	7.17	12.4%	7.11	13.0%	0.8%
Retail	1.69	5.7%	1.42	5.1%	19.0%	3.11	5.4%	2.44	4.5%	27.5%
Sales of bunker fuel to end-users	0.68	2.2%	0.41	1.5%	65.9%	1.09	1.9%	0.76	1.4%	43.4%
Total petroleum products	13.48	45.3%	12.00	42.7%	12.3%	25.48	44.1%	23.47	43.0%	8.6%
Petrochemical products	0.53	1.8%	0.25	0.9%	112.0%	0.78	1.3%	0.37	0.7%	110.8%
Total crude oil and products	29.74	100.0%	28.10	100.0%	5.8%	57.84	100.0%	54.57	100.0%	6.0%
Gas	bcm		bcm			bcm		bcm		bcm
Sales volumes	2.45		2.50		(2.0)%	4.95		5.01		(1.2)%

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 6 months ended</i>				
	June 30, 2011		March 31, 2011		Change	June 30, 2011		June 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	107.93	789.44	98.52	720.66	9.5%	103.19	754.86	75.43	551.77	36.8%
Europe and other directions	112.46	822.65	101.26	740.71	11.1%	106.97	782.50	74.53	545.17	43.5%
Asia	97.38	712.30	93.11	681.05	4.6%	95.10	695.72	77.52	567.06	22.7%
Crude oil, CIS	55.79	408.11	57.83	422.92	(3.5)%	56.74	414.98	53.77	393.23	5.5%
Petroleum products, non-CIS		803.81		737.31	9.0%		772.28		548.46	40.8%
Europe and other directions		792.39		723.26	9.6%		760.47		525.03	44.8%
Asia		826.21		761.22	8.5%		793.91		585.21	35.7%
Petroleum products, CIS		775.00		733.33	5.7%		766.67		528.57	45.0%
Average domestic prices										
Crude oil	52.75	385.88	45.26	330.77	16.7%	47.50	347.48	29.50	215.87	61.0%
Petroleum products		717.79		660.73	8.6%		690.37		526.07	31.2%
Wholesale		619.45		588.64	5.2%		604.32		456.54	32.4%
Retail		930.18		839.44	10.8%		888.75		728.69	22.0%
Gas (US\$/thousand cubic meter)		49.80		48.80	2.0%		49.29		42.12	17.0%
Sales of bunker fuel to end-users		522.06		480.49	8.7%		506.42		403.95	25.4%
Petrochemical products		1,043.40		548.00	90.4%		884.62		589.19	50.1%

International Crude Oil Sales to non-CIS

Revenues from international crude oil sales to non-CIS countries in the second quarter of 2011 were US\$ 11,518 million which is an increase of 8.3% quarter-on-quarter. Average prices upturn of 9.5% (favourable impact on revenues of US\$ 1,004 million) was partially offset by sales volumes decrease of 1.2% (negative impact on revenues of US\$ 123 million). Sales volumes reduction was due to start of crude oil deliveries to Ruhr Oel refineries.

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 0.81 million tonnes (5.95 million barrels) in the second quarter of 2011 (Rosneft paid US\$ 376 million of export duties on this crude oil). Out of this amount 0.43 million tonnes (3.13 million barrels) were processed and sold and the rest remained in inventory (the export duty reflected in the P&L amounts to US\$ 200 million, the rest is reflected on the balance sheet in the Inventories line).

Besides supplies of own crude oil Rosneft acquired 1.16 million tonnes (8.45 million barrels) of crude oil on the international market for US\$ 1,045 million to supply to Ruhr Oel refineries. These expenses are reflected in the Cost of purchases line of the P&L.

The deviation between average sales prices on the Asian markets and world market prices in the first six 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 3 mln. tonnes) were the major factor of change in international crude oil sales structure. Excluding revenues from crude oil sales to Transneft (US\$ 1,390 million) in the first six months of 2011 the average sales price on the Asian markets amounted to US\$ 110.1 per barrel.

In the six months of 2011 revenues from international crude oil sales to non-CIS countries increased by 42.5% compared to the six months of 2010, which was driven by a 36.8% increase in average prices (positive impact on revenues of US\$ 5,961 million) and 4.2% increase in sales volumes (favourable impact on revenues of US\$ 645 million). Sales volumes growth was largely due to increased production at Vankor.

International Crude Oil Sales to CIS

In the second quarter of 2011 revenues from sales of crude oil to CIS were US\$ 453 million, 11.6% higher than in the previous quarter. Export duty cancellation for crude oil deliveries to Belarus starting from January 2011 led to 15.7% increase in sales volumes (favorable impact on revenues of US\$ 63 million) and to 3.5% downturn in average prices, which had a negative impact on revenues of US\$ 16 million.

In the six months of 2011 revenues from international crude oil sales to CIS countries were US\$ 104 million higher in comparison with the six months of 2010, which is attributable to an average price increase of 5.5% and sales volumes growth of 7.8% (positive impact on revenues of US\$ 45 million and US\$ 59 million respectively). Sales volumes growth resulted from increased deliveries to Kazakhstan due to better netbacks.

Domestic Crude Oil Sales

In the second quarter of 2011 domestic crude oil sales were US\$ 14 million, 67.4% lower than in the first quarter of 2011. Sales volumes reduction of 76.8% (unfavourable impact on revenues of US\$ 33 million) was partially compensated by 16.7% upturn in average prices (positive impact on revenues of US\$ 4 million).

In the first half of 2011 revenues from domestic crude oil sales were US\$ 79 million lower in comparison with the six months of 2010, which is attributable to a sales volumes reduction of 74.6% (negative impact on revenues of US\$ 101 million). This unfavourable impact was partially compensated by an average price growth of 61.0% which had a positive impact on revenues of US\$ 22 million. Sales volumes decrease resulted from sales reduction followed 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		
	June 30, 2011			March 31, 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	199	0.23	877.07	142	0.17	835.66	40.1%	35.3%	5.0%
Low octane gasoline	72	0.08	940.80	76	0.09	807.95	(5.3)%	(11.1)%	16.4%
Naphtha	876	0.91	960.50	756	0.85	892.59	15.9%	7.1%	7.6%
Diesel (Gasoil)	1,120	1.18	946.85	2,078	2.40	866.82	(46.1)%	(50.8)%	9.2%
Fuel oil	2,191	3.44	637.38	1,755	3.02	580.52	24.8%	13.9%	9.8%
Jet fuel	7	0.01	1,054.92	2	0.00	922.89	250.0%	–	14.3%
Other	53	0.05	1,065.67	72	0.09	835.44	(26.4)%	(44.4)%	27.6%
Total petroleum products exported to non-CIS	4,518	5.90	765.76	4,881	6.62	737.31	(7.4)%	(10.9)%	3.9%
<i>Petroleum products sold from ROG refineries</i>	1,382	1.44	959.72	–	–	–	–	–	–
Total	5,900	7.34	803.81	4,881	6.62	737.31	20.9%	10.9%	9.0%

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\$ 5,900 million in the second quarter of 2011, which is an increase of 20.9% compared with the first quarter of 2011. A 10.9% increase in sales volumes as well as 9.0% upturn in average prices led to revenues growth of US\$ 531 million and US\$ 488 million respectively. Sales volumes growth was mainly due to petroleum products sales from German refineries. Excluding sales from German refineries sales volumes reduction resulted from petroleum products redirection from foreign to domestic market.

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

	<i>For 6 months ended</i>						<i>% change</i>		
	June 30, 2011			June 30, 2010			US\$ million	million of tonnes	Average price US\$/tonne
	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne			
High octane gasoline	340	0.40	859.35	55	0.07	797.69	518.2%	471.4%	7.7%
Low octane gasoline	148	0.17	867.35	84	0.12	680.54	76.2%	41.7%	27.5%
Naphtha	1,633	1.76	927.80	1,087	1.57	693.10	50.2%	12.1%	33.9%
Diesel (Gasoil)	3,198	3.58	893.26	2,807	4.44	632.76	13.9%	(19.4)%	41.2%
Fuel oil	3,945	6.46	610.78	3,005	6.67	450.21	31.3%	(3.1)%	35.7%
Jet fuel	9	0.01	1 027.67	8	0.01	705.69	12.5%	0.0%	45.6%
Other	126	0.14	797.41	95	0.14	662.21	32.6%	0.0%	20.4%
Total petroleum products exported to non-CIS	9,399	12.52	750.72	7,141	13.02	548.46	31.6%	(3.8)%	36.9%
<i>Petroleum products sold from ROG refineries</i>	1,382	1.44	959.72	–	–	–	–	–	–
Total	10,781	13.96	772.28	7,141	13.02	548.46	51.0%	7.2%	40.8%

In the six months of 2011 revenues from international sales of petroleum products to non-CIS countries were 51.0% higher compared to the six months of 2010 which was driven by a 40.8% increase in average prices (positive impact on revenues of US\$ 3,124 million) and 7.2% increase in sales volumes (positive impact on revenues of US\$ 516 million).

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>						<i>% change</i>		
	June 30, 2011			March 31, 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	48	0.07	665.07	3	0.00	552.12	1,500.0%	–	20.5%
Low octane gasoline	–	–	–	–	–	–	–	–	–
Naphtha	–	–	–	–	–	–	–	–	–
Diesel	35	0.04	906.10	6	0.01	719.89	483.3%	300.0%	25.9%
Fuel oil	–	–	–	–	–	–	–	–	–
Jet fuel	–	–	–	–	–	–	–	–	–
Other	10	0.01	800.43	13	0.02	803.71	(23.1)%	(50.0)%	(0.4)%
Total	93	0.12	775.00	22	0.03	733.33	322.7%	300.0%	5.7%

Revenues from sales of petroleum products to CIS countries in the second quarter of 2011 were 322.7% higher than in the first quarter of 2011 and amounted to US\$ 93 million. The increase was driven by sales volumes growth of 300.0% and 5.7% upturn in average prices which had a positive impact on revenues of US\$ 66 million and US\$ 5 million respectively. Strong growth of sales volumes was due to redirection of gasoline, which didn't meet Technical regulations of Russian Federation, from domestic market to CIS markets.

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

	<i>For 6 months ended</i>						<i>% change</i>		
	June 30, 2011			June 30, 2010					
	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne
High octane gasoline	51	0.08	658.00	8	0.02	403.25	537.5%	300.0%	63.2%
Low octane gasoline	–	–	–	3	0.01	300.00	(100.0)%	(100.0)%	–
Naphtha	–	–	–	–	–	–	–	–	–
Diesel	41	0.05	874.10	32	0.07	490.72	28.1%	(28.6)%	78.1%
Fuel oil	–	–	–	–	–	–	–	–	–
Jet fuel	–	–	–	–	–	–	–	–	–
Other	23	0.02	1,232.57	31	0.04	681.88	(25.8)%	(50.0)%	80.8%
Total	115	0.15	766.67	74	0.14	528.57	55.4%	7.1%	45.0%

Revenue increase of US\$ 41 million in the six months of 2011 in comparison with the six months of 2010 resulted from upturn in average prices (positive impact on revenues of US\$ 36 million) and slight increase in sales volumes (positive impact on revenues of US\$ 5 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>		
	June 30, 2011			March 31, 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	1,466	1.55	947.61	1,223	1.43	853.14	19.9%	8.4%	11.1%
Low octane gasoline	33	0.04	796.55	115	0.16	701.44	(71.3)%	(75.0)%	13.6%
Naphtha	–	–	–	–	–	–	–	–	–
Diesel	1,788	2.58	693.81	1,405	2.00	703.66	27.3%	29.0%	(1.4)%
Fuel oil	104	0.33	316.47	205	0.75	274.28	(49.3)%	(56.0)%	15.4%
Jet fuel	216	0.30	712.40	161	0.22	719.78	34.2%	36.4%	(1.0)%
Other	226	0.54	421.52	155	0.38	409.75	45.8%	42.1%	2.9%
Total	3,833	5.34	717.79	3,264	4.94	660.73	17.4%	8.1%	8.6%

Revenues from sales of petroleum products on the domestic market were US\$ 3,833 million in the second quarter of 2011, which is an increase of 17.4% compared to the first quarter of 2011. Revenue growth was caused by a 8.6% upturn in average prices as well as by 8.1% growth in sales volumes which had a favourable impact on revenues of US\$ 305 million and US\$ 264 million respectively. Increase in domestic sales volumes was due to increased deliveries of petroleum product to agricultural producers.

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

	<i>For 6 months ended</i>						% change		
	June 30, 2011			June 30, 2010					
	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne
High octane gasoline	2,688	2.98	902.18	1,887	2.55	739.97	42.4%	16.9%	21.9%
Low octane gasoline	148	0.21	720.77	387	0.68	570.29	(61.8)%	(69.1)%	26.4%
Naphtha	–	–	–	–	–	–	–	–	–
Diesel	3,193	4.57	698.11	1,872	3.65	512.50	70.6%	25.2%	36.2%
Fuel oil	309	1.07	287.17	330	1.33	247.82	(6.4)%	(19.5)%	15.9%
Jet fuel	377	0.53	715.53	210	0.39	531.87	79.5%	35.9%	34.5%
Other	382	0.92	413.24	338	0.95	360.21	13.0%	(3.2)%	14.7%
Total	7,097	10.28	690.37	5,024	9.55	526.07	41.3%	7.6%	31.2%

In the six months of 2011 revenues from sales of petroleum products on the domestic market increased by 41.3% compared to the six months of 2010. This resulted from a 31.2% upturn in average prices (positive impact on revenues of US\$ 1,689 million) and from a 7.6% increase in sales volumes (favourable impact on revenues of US\$ 384 million). Volumes growth is attributable to increased demand for petroleum products on the domestic market.

Petroleum product sales through commodity exchanges

The Company sells a wide range of petroleum products via commodity exchanges. In the second quarter of 2011 1.05 mln tonnes were sold for US\$ 785 million, in comparison with 1.06 mln tonnes (US\$ 689 million) in the first quarter of 2011.

In the six months of 2011 the Company sold 2.11 mln tonnes of petroleum products for US\$ 1,474 million via commodity exchanges compared to 1.65 mln tonnes (US\$ 843 million) in the six months of 2010.

Sales of bunker fuel to end-users

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

Revenues from sales of bunker fuel in the second quarter of 2011 were US\$ 355 million, a increase of 80.2% in comparison with the previous quarter. Sales growth was due to beginning of river navigation.

Sales volumes increase of 43.4% (positive impact on revenues of US\$ 133 million) accompanied by 25.4% upturn in average prices (favorable impact on revenues of US\$ 112 million) led to revenues growth of 79.8% in the six months of 2011 compared to the same period of 2010.

Petrochemical Product Sales

Revenues from sales of petrochemical products in the second quarter of 2011 were US\$ 553 million, up 303.6% compared to the first quarter of 2011. An increase in sales volumes of 112.0% (favourable impact on revenues of US\$ 153 million) was accompanied by average prices upturn of 90.4% (positive impact on revenues of US\$ 263 million). Revenues growth was due to start of sales from ROG refineries, which amounted to US\$ 415 million or 0.30 million tonnes.

A 216.5% growth in revenues from sales of petrochemical products in the six months of 2011 compared to the six months of 2010 was mainly due to volume growth of 110.8% and average prices increase of 50.1%.

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 6 months ended</i>		
	June 30, 2011	March 31, 2011	Change	June 30, 2011	June 30, 2010	Change
Revenue	(US\$ million)			(US\$ million)		
			%			%
Western Siberia	34	32	6.3%	66	62	6.5%
South Russia	59	60	(1.7)%	119	100	19.0%
Far East	9	14	(35.7)%	23	20	15.0%
European part of Russia	20	16	25.0%	36	29	24.1%
Total	122	122	0.0%	244	211	15.6%
Sales volumes	(bcm)			(bcm)		
Western Siberia	1.29	1.27	1.6%	2.56	2.70	(5.2)%
South Russia	0.70	0.78	(10.3)%	1.48	1.59	(6.9)%
Far East	0.15	0.20	(25.0)%	0.35	0.34	2.9%
European part of Russia	0.31	0.25	24.0%	0.56	0.38	47.4%
Total	2.45	2.50	(2.0)%	4.95	5.01	(1.2)%
Average price	(US\$/thousand of cubic metres)			(US\$/thousand of cubic metres)		
Western Siberia	26.53	25.43	4.3%	25.60	22.96	11.5%
South Russia	82.86	77.20	7.3%	79.90	63.22	26.4%
Far East	57.30	62.92	(8.9)%	60.54	58.52	3.5%
European part of Russia	66.48	64.65	2.8%	64.46	79.22	(18.6)%
Total	49.80	48.80	2.0%	49.29	42.12	17.0%

In the second quarter of 2011 revenues from gas sales remained at last quarter level and amounted to US\$ 122 million. A 2.0% upturn in average prices was offset by sales volumes decrease of 2.0%.

Revenue growth from gas sales of 15.6% in the six months of 2011 in comparison with the six months of 2010 was driven by increase in average prices of 17.0% (favourable impact on revenues of US\$ 36 million). Sales volumes decrease of 1.2% led to revenue reduction 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 Consolidated Income Statement.

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

	<i>For 3 months ended</i>			<i>For 6 months ended</i>		
	June 30, 2011	March 31, 2011	Change	June 30, 2011	June 30, 2010	Change
	%	%	%	%	%	%
	of total revenue	of total revenue	%	of total revenue	of total revenue	%
	(US\$ million, except %)					
Drilling services	10	7	42.9%	17	25	(32.0)%
Sales of materials	92	87	5.7%	179	151	18.5%
Repairs and maintenance services	28	25	12.0%	53	52	1.9%
Rent services	24	18	33.3%	42	29	44.8%
Construction services	20	19	5.3%	39	43	(9.3)%
Transport services	76	76	0.0%	152	169	(10.1)%
Electric power sales and transmission	109	119	(8.4)%	228	194	17.5%
Other revenues	74	63	17.5%	137	114	20.2%
Total	433	414	4.6%	847	777	9.0%

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 6 months ended</i>		<i>Change</i>
	June 30, 2011	March 31, 2011	%	June 30, 2011	June 30, 2010	%
(US\$ million, except %)						
Upstream	609	575	5.9%	1,184	1,071	10.6%
Downstream	792	494	60.3%	1,286	723	77.9%
<i>Including procurement of additives and materials for Ruhr Oel refineries</i>	241	-	-	241	-	-
Other	291	259	12.4%	550	431	27.6%
Total	1,692	1,328	27.4%	3,020	2,225	35.7%

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 second quarter of 2011 increased to US\$ 609 million or by 5.9% compared with the first quarter of 2011. The increase was primarily due to real RUB appreciation against the US\$ by 6.2% and increase in crude oil production, partially offset by cost optimisation initiatives.

In the six months of 2011 upstream production and operating expenses increased to US\$ 1,184 million, or by 10.6% compared with the six months of 2010, when these expenses were US\$ 1,071 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 15.1%, 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 6 months ended</i>		<i>Change</i>
	June 30, 2011	March 31, 2011	%	June 30, 2011	June 30, 2010	%
(US\$ per bbl, US\$ per boe, except %)						
Expenses per bbl of crude oil produced	3.08	2.95	4.4%	3.02	2.80	7.9%
Expenses per boe of hydrocarbon produced	2.84	2.70	5.2%	2.77	2.56	8.2%

Rosneft's downstream operating expenses increased by 60.3% to US\$ 792 million in the second quarter of 2011 compared with US\$ 494 million in the first 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\$ 241 million in the second quarter of 2011. Excluding this amount, downstream operating expenses increased by 11.5% due to increase in expenses for refinery turnarounds, change in intragroup inventories and the real RUB appreciation against US\$ by 6.2%.

These expenses increased by 77.9% in the six 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 44.5% due to the real RUB appreciation against the US\$ by 15.1%, 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 6 months ended</i>		<i>Change</i>
	June 30, 2011	March 31, 2011	%	June 30, 2011	June 30, 2010	%
Operating expenses (US\$ million)	206	196	5.1%	402	343	17.2%
Operating expenses per tonne of product output (US\$/tonne)	17.62	16.67	5.7%	17.14	14.77	16.0%
Operating expenses per tonne of crude oil throughput (US\$/tonne)	16.80	15.77	6.5%	16.28	14.02	16.1%

Operating expenses of Rosneft's refineries were US\$ 206 million in the second quarter of 2011, which is an increase of 5.1% compared with US\$ 196 million in the first quarter of 2011.

In the six months of 2011 these expenses increased by 17.2% compared with US\$ 343 million in the six months of 2010. The increase resulted from the real appreciation of the RUB against the US\$ by 15.1%, increase in cost of materials and additives for refining and higher electricity tariffs.

Operating expenses related to other activities increased to US\$ 291 million in the second quarter of 2011, or by 12.4% compared with the first quarter of 2011. The increase was primarily due to the higher volume of other activities.

In the six months of 2011 these expenses increased by 27.6% compared with the six months of 2010. The increase was primarily due to the real RUB appreciation against the US\$ by 15.1% 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 6 months ended</i>		<i>Change</i>
	June 30, 2011	March 31, 2011	(%)	June 30, 2011	June 30, 2010	(%)
Cost of crude oil procured (US\$ million)	1,684	674	149.9%	2,358	767	207.4%
Volume of crude oil procured (million of barrels)	22.41	15.68	42.9%	38.09	26.77	42.3%
Cost of gas procured (US\$ million)	8	7	14.3%	15	14	7.1%
Volume of gas procured (bcm)	0.12	0.09	33.3%	0.21	0.24	(12.5)%
Cost of petroleum product procured (US\$ million) ⁽¹⁾	648	424	52.8%	1,072	349	207.2%
Volume of petroleum product procured (million of tonnes)	0.71	0.60	18.3%	1.31	0.62	111.3%
Cost of refining of crude oil under processing agreements (US\$ million)	114	-	-	114	-	-
Volumes of crude oil refined under processing agreements (million of tonnes)	1.84	-	-	1.84	-	-
Total cost of procured oil, gas and petroleum products and refining costs (US\$ millions)	2,454	1,105	122.1%	3,559	1,130	215.0%

(1) In the second 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 6 months ended</i>		<i>Change</i>
	June 30, 2011	March 31, 2011	%	June 30, 2011	June 30, 2010	%
	(million bbl, except %)					
International market	8.45	-	-	8.45	-	-
Tomskneft	9.80	12.40	(21.0)%	22.20	18.19	22.0%
Udmurtneft	2.02	1.54	31.2%	3.56	6.72	(47.0)%
Others	2.14	1.74	23.0%	3.88	1.86	108.6%
Total	22.41	15.68	42.9%	38.09	26.77	42.3%

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 income statement. In the second quarter of 2011 these transactions were exercised with Gazpromneft, Bashneft, TNK-BP, Uralskaya NK and others.

The volume of crude oil swaps amounted to 13.89 million barrels and 9.64 million barrels in the second quarter of 2011 and in the first quarter, respectively. Rosneft's estimated benefits from these transactions were US\$ 19 million in the second quarter of 2011.

In the six months of 2011 and in the six months of 2010 the volume of crude oil swaps amounted to 23.53 million barrels and 19.22 million barrels, respectively. Rosneft's estimated benefits from these transactions were US\$ 26 million in the first half 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>						% change		
	June 30, 2011			March 31, 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	591	0.65	907.90	207	0.28	747.52	185.5%	132.1%	21.5%
Low octane gasoline	10	0.01	751.74	23	0.04	629.57	(56.5)%	(75.0)%	19.4%
Diesel	34	0.05	680.00	182	0.26	687.99	(81.3)%	(80.8)%	(1.2)%
Fuel oil	-	-	-	-	-	-	-	-	-
Jet fuel	-	-	-	-	-	-	-	-	-
Other	13	0.02	615.12	12	0.02	589.47	8.3%	-	4.4%
Total	648	0.73	887.67	424	0.60	706.67	52.8%	21.7%	25.6%

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

The tables below set forth Rosneft's costs, volumes and average prices per tonne of petroleum products procured from third parties in the six months of 2011 and 2010:

	<i>For 6 months ended</i>						% change		
	June 30, 2011			June 30, 2010					
	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne
High octane gasoline	798	0.93	860.02	187	0.27	687.15	326.7%	244.4%	25.2%
Low octane gasoline	33	0.05	661.13	11	0.02	541.45	200.0%	150.0%	22.1%
Diesel	216	0.31	690.62	129	0.27	470.52	67.4%	14.8%	46.8%
Fuel oil	-	-	-	2	0.01	287.77	(100.00)%	(100.00)%	(100.00)%
Jet fuel	-	-	-	-	-	-	-	-	-
Other	25	0.04	602.32	20	0.05	435.49	25.0%	(20.0)%	38.3%
Total	1,072	1.33	806.02	349	0.62	562.90	207.2%	114.5%	43.2%

The increase in volumes of petroleum product purchases in the first half of 2011 in comparison to the first half 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 second quarter of 2011 were US\$ 419 million, 7.7% higher than in the first quarter of 2011. The increase resulted mainly from the increase in consulting fees, other administrative expenses and real rouble appreciation in the second quarter of 2011. In the six months of 2011 and 2010 general and administrative expenses were US\$ 808 million and US\$ 687 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 second quarter of 2011 Rosneft's transportation costs increased to US\$ 1,965 million, or by 4.9% compared with the first quarter of 2011. The increase mainly reflected the increased transportation volumes due to start of crude oil supplies to Ruhr Oel GmbH as well as increase in tariffs of natural monopolies by 3.2% to 5.2% in US\$ terms due to nominal RUB appreciation against US\$ by 4.6%.

In the six months of 2011 Rosneft's transportation costs increased to US\$ 3,838 million, or by 9.2% compared with the six months of 2010. The increase resulted from the increase in transportation tariffs by 9.5% - 20.0% in US\$ terms, and change in structure of crude oil export transportation routes.

The table below sets forth comparison on quarter-to-quarter basis for costs per tonne of crude oil and petroleum products transported by pipeline, railway and a combination of pipeline and railway:

	<i>For 3 months ended</i>								<i>% change</i>		
	June 30, 2011				March 31, 2011				Volume	Cost	Cost per tonne sold
	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne sold, US\$/t	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne sold, US\$/t			
CRUDE OIL											
International sales											
Pipeline	15.10	96.2%	799	52.91	14.84	94.4%	741	49.93	1.8%	7.8%	6.0%
Railroad and mixed	0.60	3.8%	22	36.67	0.88	5.6%	42	47.73	(31.8)%	(47.6)%	(23.2)%
Transportation to refineries											
Pipeline	11.59		317	27.35	10.93		248	22.69	6.0%	27.8%	20.5%
Railroad and mixed	1.71		186	108.77	1.61		169	104.97	6.2%	10.1%	3.6%
PETROLEUM PRODUCTS											
International sales											
Pipeline ⁽¹⁾	0.13	1.6%	8	61.54	0.36	5.3%	20	55.56	(63.9)%	(60.0)%	10.8%
Railroad and mixed	5.98	73.8%	380	63.55	5.39	78.9%	464	86.09	10.9%	(18.1)%	(26.2)%
Other transportation expenses⁽²⁾											
			253				189			33.9%	
Total	35.11		1,965	55.97	34.01		1,873	55.07	3.2%	4.9%	1.6%

(1) Rosneft exported 2.00 million tonnes (24.6% of total export volumes) and 1.08 million tonnes (15.8% of total export volumes) of petroleum products in the second quarter of 2011 and in the first quarter of 2011, respectively, through its own pipeline in the town of Tuapse, and under FCA conditions, where Rosneft does not bear transportation expenses directly. Expenses of the Tuapse pipeline are reflected in Rosneft's financial statements as operating expenses.

(2) (2) 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.

The increase in crude oil pipeline transportation cost per tonne of international sales was 6.0%, which was due to increase in tariffs by 4.6% US\$ terms and due to change in structure of transportation routes.

The decrease in crude oil railroad and mixed transportation cost per tonne of international sales was 23.2%, which was mainly due to cease of supplies of oil produced by Purneftegaz oil via CPC. Respective volumes of crude oil were directed to processing to Rosneft own refineries.

The increase in crude oil pipeline transportation cost per tonne of supplies to refineries was 20.5% quarter-on-quarter, which was primarily due to start of crude oil supplies to Ruhr Oel GmbH as well as an increase in transportation tariffs by 4.6% in US\$ terms.

The increase in crude oil railroad and mixed transportation cost per tonne of domestic supplies was 3.6%, which was primarily due to an increase in transportation tariffs in US\$ terms.

Pipeline transportation cost per tonne of petroleum product international sales increased by 10.8%. The increase was due to increase in transportation tariffs in US\$ terms and change in transportation routes.

Railroad and mixed transportation cost per tonne of petroleum product international sales decreased by 26.2%. 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 distances.

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 6 months ended</i>								% change		
	June 30, 2011				June 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	29.94	95.3%	1,540	51.44	23.41	77.8%	983	41.99	27.9%	56.7%	22.5%
Railroad and mixed	1.48	4.7%	64	43.24	6.69	22.2%	529	79.07	(77.9)%	(87.9)%	(45.3)%
Transportation to refineries											
Pipeline	22.52		565	25.09	21.23		422	19.88	6.1%	33.9%	26.2%
Railroad and mixed	3.32		355	106.93	3.37		317	94.07	(1.5)%	12.0%	13.7%
PETROLEUM PRODUCTS											
International sales											
Pipeline ⁽¹⁾	0.49	3.3%	28	57.14	0.53	3.9%	27	50.94	(7.5)%	3.7%	12.2%
Railroad and mixed	11.37	76.1%	844	74.23	9.68	72.1%	761	78.62	17.5%	10.9%	(5.6)%
Other transportation expenses⁽²⁾											
			442				477		(7.3)%		
Total	69.12		3,838	55.53	64.91		3,516	54.17	6.5%	9.2%	2.5%

(1) Rosneft exported 3.08 million tonnes (20.6% of total export volumes) and 3.22 million tonnes (24.0% of total export volumes) of petroleum products in the six months of 2011 and in the six months of 2010, respectively, through its own pipeline in the town of Tuapse and under FCA conditions, where Rosneft does not bear transportation expenses directly. Expenses of the Tuapse pipeline are reflected in Rosneft's financial statements as operating expenses.

(2) Other transportation expenses include cost of railroad transportation of petroleum products from refineries to tank farms (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.

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

The increase in crude oil pipeline transportation cost per tonne of international sales was 22.5%, which was due to an increase in tariffs by 18.3% – 20.0% 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 45.3%, 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 26.2%, which was primarily due to start of crude oil supplies to Ruhr Oel GmbH and an increase in transportation tariffs by 17.8% - 19.1% in US\$ terms.

The increase in crude oil railroad and mixed transportation cost per tonne of domestic supplies was 13.7%, which was primarily due to an increase in transportation tariffs in US\$ terms by 14.8%.

In the six months of 2011 the increase in pipeline cost per tonne of petroleum product international sales and was 12.2%, which was due to increase in tariffs by 9.5% - 13.4% in US\$.

In the six months of 2011 the decrease in railroad and mixed cost per tonne of petroleum product international sales and was 5.6%. 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 second quarter of 2011 exploration expenses decreased to US\$ 81 million compared with US\$ 87 million in the first quarter of 2011, following writing-off dry wells in the first quarter of 2011.

In the six months of 2011 exploration expenses increased by 20.9% compared with the six 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\$ 1,385 million in the second quarter of 2011 compared to US\$ 1,443 million in the first quarter of 2011.

In the six months of 2011 depreciation, depletion and amortisation increased to US\$ 2,828 million compared with US\$ 2,620 million in the six months of 2010, which is an increase of 7.9%.

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 6 months ended</i>		<i>Change</i>
	June 30, 2011	March 31, 2011	%	June 30, 2011	June 30, 2010	%
	(US\$ million, except %)					
Mineral extraction tax	3,417	2,946	16.0%	6,363	4,320	47.3%
Excise tax	493	421	17.1%	914	534	71.2%
Social security tax	169	169	-	338	235	43.8%
Property tax	97	104	(6.7)%	201	140	43.6%
Land tax	7	7	-	14	10	40.0%
Transportation tax	1	1	-	2	2	-
Interest, penalties and other payments	6	6	-	12	27	(55.6)%
Total taxes other than income tax	4,190	3,654	14.7%	7,844	5,268	48.9%

Taxes other than income tax increased by 14.7% to US\$ 4,190 million in the second quarter of 2011, compared with US\$ 3,654 million in the first quarter of 2011, mainly due to the increase in mineral extraction tax, (which resulted from the increase in mineral extraction tax rate) and increase in the excise tax by 17.1%, (which resulted from the increase in excise rates following the appreciation of RUR against US\$ and increase in share of petroleum products subject to excises taxes in total volume of petroleum product sales).

In the six months of 2011 and 2010, taxes other than income tax amounted to US\$ 7,844 million and US\$ 5,268 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 6 months ended</i>		<i>Change</i>
	June 30, 2011	March 31, 2011	%	June 30, 2011	June 30, 2010	%
	(US\$, except %)					
Average enacted mineral extraction tax rate	21.82	19.10	14.2%	20.43	13.31	53.5%
Actual mineral extraction tax rate per barrel of crude oil produced	17.30	15.13	14.3%	16.22	11.28	43.8%
Actual mineral extraction tax rate per barrel of oil equivalent produced	15.93	13.86	14.9%	14.90	10.34	44.1%

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

Export Customs Duty

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

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 6 months ended</i>		<i>Change</i>
	June 30, 2011	March 31, 2011	%	June 30, 2011	June 30, 2010	%
	(US\$ million, except %)					
Export customs duty for crude oil	5,652	3,770	49.9%	9,422	6,163	52.9%
Export customs duty for petroleum products	1,488	1,264	17.7%	2,752	1,876	46.7%
Total export customs duties	7,140	5,034	41.8%	12,174	8,039	51.4%

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 6 months ended</i>		<i>Change</i>
	June 30, 2011	March 31, 2011	%	June 30, 2011	June 30, 2010	%
	(US\$ per barrel, except %)					
Average Urals price	113.99	102.18	11.6%	108.09	76.09	42.1%
Average enacted export customs duty	61.04	46.89	30.2%	53.97	37.28	44.8%
Hypothetical export customs duty calculated using the average Urals price for the period (i.e. without time lag)	61.84	54.17	14.2%	58.01	37.21	55.9%
Actual average customs duty on exports subject to regular duty	59.37	46.62	27.3%	53.75	37.40	43.7%
Actual average customs duty on all Rosneft exports (ex. Vankor)	51.74	40.81	26.8%	46.47	34.59	34.3%

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 24.5% to US\$ 3,910 million, in the second quarter of 2011 compared with US\$ 5,178 million in the first quarter of 2011. As a percentage of total revenues, operating income was 16.8% and 25.7% in the second quarter of 2011 and in the first quarter of 2011 respectively. As a percentage of total revenues, operating income before taxes other than income tax and export customs duty was 65.5% and 68.9% in the second quarter of 2011 and in the first quarter of 2011, respectively.

Operating income increased to US\$ 9,088 million in the six months of 2011 compared to US\$ 6,514 million in the six months of 2010. As a percentage of total revenues, operating income before taxes other than income tax and export customs duty was 67.1% and 65.6% in the six months of 2011 and 2010, respectively.

Other (Expenses)/Income, Net

Interest Income

In the second quarter of 2011 interest income amounted to US\$ 180 million in comparison with US\$ 171 million in the first quarter of 2011. The slight growth was attributable to the increase in investments in various types of liquid assets in the second quarter of 2011.

In the six months of 2011 and 2010 interest income amounted to US\$ 351 million and US\$ 249 million, respectively.

Interest Expense

In the second quarter of 2011 interest expense decreased by 5.0% to US\$ 114 million, mainly as a result of increase in interest capitalized.

In the six months of 2011 and 2010 interest expense amounted to US\$ 234 million and US\$ 342 million, respectively.

Loss on Disposal of Property, Plant and Equipment

From time to time, Rosneft disposes of property, plant and equipment. In the second quarter of 2011 and in the first quarter of 2011, Rosneft recorded a net loss of US\$ 25 million and US\$ 23 million on the disposal of property, plant and equipment, respectively.

In the six months of 2011, Rosneft recorded a net loss of US\$ 48 million on the disposal of property, plant and equipment compared to the net loss of US\$ 55 million recorded in the six months of 2010.

Impairment loss

The Company signed an agreement of intent to hand over its interest in one subsidiary in exchange for noncontrolling interest in a company not controlled by Rosneft group. The Company measured disposal group at the lower of its carrying amount or fair value less cost to sell and recognized impairment loss of US\$ 43 million in the second quarter of 2011 and US\$ 2 million in the first quarter of 2011.

Equity share in affiliates' profits

The equity share in affiliates' profits amounted to US\$ 119 million in the second quarter of 2011 compared with US\$ 53 million in the first 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\$ 172 million and US\$ 68 million in the six 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 second quarter of 2011, other losses, net, amounted to US\$ 235 million, compared to US\$ 120 million in the first quarter of 2011. The increase in losses was primarily the result of the writing off of non production assets of US\$ 45 million, increase in bank allowances in accordance with requirements of Russian legislation of US\$ 57 million.

In the six months of 2011 and 2010, other expenses, net, amounted to US\$ 355 million and other income, net, US\$ 8 million, respectively.

Foreign Exchange Loss/(Gain)

Foreign exchange loss was US\$ 64 million in the second quarter of 2011 compared with US\$ 20 million in the first quarter of 2011. Foreign exchange loss was US\$ 84 million in the six months of 2011 and foreign exchange gain was US\$ 10 million in the six 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 6 months ended</i>	
	<i>June 30,</i>	<i>March 31,</i>	<i>June 30,</i>	<i>June 30,</i>
	2011	2011	2011	2010
Effective income tax rate for Rosneft under US GAAP	24%	23%	24%	22%

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\$ 32 million in the second quarter of 2011 compared to US\$ 59 million in the first quarter of 2011. The change resulted, primarily, from the decrease in the net income of certain Rosneft's subsidiaries related to minorities.

Net income attributable to noncontrolling interests was US\$ 91 million and US\$ 141 million, in the six months of 2011 and 2010, respectively.

Net Income

As a result of the factors discussed above net income decreased by 27.9% to US\$ 2,799 million in the second quarter of 2011 from US\$ 3,883 million in the first quarter of 2011. As a percentage of revenues, net income was 12.0% and 19.3% in the second quarter of 2011 and first quarter of 2011, respectively.

The net income amounted to US\$ 6,682 million and US\$ 4,907 million in the six 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 6 months ended</i>		<i>Change</i>
	June 30, 2011	March 31, 2011	times	June 30, 2011	June 30, 2010	times
	(US\$ million)			(US\$ million)		
Net cash provided by operating activities	3,328	6,052	(1.8)	9,380	7,182	1.3
Net cash used in investing activities	(2,450)	(4,822)	(2.0)	(7,272)	(4,862)	1.5
Net cash used in financing activities	(594)	(805)	(1.4)	(1,399)	(1,135)	1.2

Operating Cash Flow

Net cash provided by operating activities amounted to US\$ 3,328 million in the second quarter of 2011 compared to US\$ 6,052 million in the first 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 inflow of US\$ 16 million in the second quarter 2011 and net outflow of US\$ 15 million in the first 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\$ 5,198 million in the second quarter of 2011 and US\$ 6,067 million in the first 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 6 months ended</i>		<i>Change</i>
	June 30, 2011	March 31, 2011	times	June 30, 2011	June 30, 2010	times
	(US\$ million)			(US\$ million)		
Cash from operations before changes in working capital	4,306	5,499	(1.3)	9,805	7,092	1.4
(Increase)/decrease in working capital	(978)	553	1.8	(425)	90	(4.7)
Net cash provided by Operating activity	3,328	6,052	(1.8)	9,380	7,182	1.3
Effect of Ruhr Oel GmbH acquisition	1,886	-		1,886	-	
Effect from operation with trading securities	(16)	15	1.6	(1)	(380)	380.0
Adjusted net cash provided by operating activity	5,198	6,067	(1.2)	11,265	6,802	1.7

The decrease in the adjusted operating cash flow primarily resulted from the decrease in the net income, partially compensated by the decrease in working capital by US\$ 837 million.

In the second quarter of 2011, the working capital decreased due to the following factors:

- Decrease in trade receivables by US\$ 490 million;
- Decrease in the advances (mainly decrease in customs prepayments), resulted from significant accruals of regular customs duties payable on export sales of crude oil produced at Vankor fields;
- Increase in trade payables by US\$ 489 million which resulted mainly from increased operating and construction activities;
- Increase in taxes payable (mainly VAT) by US\$ 96 million.

This was partially offset by the following factors:

- Increase in the inventory by US\$ 264 million was mainly due to the increase in the processing activity as well as from the increase in price for oil and oil products;

In the six 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\$ 1 million and effect in working capital due to Ruhr Oel GmbH acquisition) amounted to US\$ 11,265 million compared to US\$ 6,802 million in the six 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 6 months ended</i>		<i>Change</i>
	June 30, 2011	March 31, 2011		June 30, 2011	June 30, 2010	
	(US\$ million)		(%)	(US\$ million)		(%)
Yuganskneftegaz	789	585	34.9%	1,374	1,146	19.9%
Vankorneft	933	698	33.7%	1,631	1,027	58.8%
Purneftegaz	115	54	113.0%	169	167	1.2%
Severnaya Neft	57	28	103.6%	85	55	54.5%
Samaraneftegaz	73	51	43.1%	124	94	31.9%
Other ¹	223	195	14.4%	418	392	6.6%
Total upstream segment	2,190	1,611	35.9%	3,801	2,881	31.9%
The Company	14	4	250.0%	18	20	(10.0)%
Tuapse refinery	435	429	1.4%	863	238	262.6%
Komsomolsk refinery	32	21	52.4%	53	46	15.2%
Angarsk refinery	22	12	83.3%	34	33	3.0%
Achinsk refinery	51	31	64.5%	82	53	54.7%
Syzran refinery	15	13	15.4%	28	28	-
Novokuibyshevsk refinery	45	26	73.1%	71	42	69.0%
Kuibyshev refinery	48	28	71.4%	77	55	40.0%
Marketing Business Units and others ²	205	154	33.1%	359	174	106.3%
Total downstream	867	718	20.8%	1,585	689	130.0%
Other activities³	97	104	(6.7)%	201	225	(10.7)%
Subtotal capital expenditures	3,154	2,433	29.6%	5,587	3,795	47.2%
Change in materials in capital expenditures	298	328	(9.1)%	626	50	1,152.0%
Total capital expenditures	3,452	2,761	25.0%	6,213	3,845	61.6%
Licence acquisition costs	16	125	(87.2)%	141	3	4,600.0%

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

² Relating to companies providing processing and storage services.

³ Relating to other services companies.

In the second quarter of 2011 Rosneft's total capital expenditures including material purchases increased by 25.0% to US\$ 3,452 million compared with US\$ 2,761 million in the first quarter of 2011. The increase in capital expenditures was driven by budgeting and seasonal factors. In the first half of 2011 capital expenditures increased to US\$ 6,213 million compared with US\$ 3,845 million in the first half of 2010.

Upstream capital expenditures in the second quarter of 2011 increased by 35.9% compared with the first quarter of 2011 and amounted to US\$ 2,190 million. The increase incurred by all upstream subsidiaries was mainly due to the seasonal factors. Significant increase in the capital expenditures at Severnaya Neft was due to planned construction works carried out under the gas pipeline construction program. The increase at Purneftegaz was mainly due to the installation of gas booster station. In the six months of 2011 the upstream capital expenditures amounted to US\$ 3,801 million compared to US\$ 2,881 million in the six months of 2010.

Downstream capital expenditures increased by US\$ 149 million or by 20.8% compared with the first quarter of 2011. In the six months of 2011 downstream capital expenditures amounted to US\$ 1,585 million compared to US\$ 689 million in the same period of 2010. The increase in capital expenditures was mainly driven by continued refinery upgrade investments, including capacity expansion of the Tuapse refinery.

Capital expenditures for other activities decreased by 6.7%, to US\$ 97 million, in the second quarter of 2011, compared with US\$ 104 million in the first quarter of 2011. The decreased resulted mainly from the planned decrease in the acquisition of drilling, transportation and other equipment. In the six months of 2011 capital expenditures for other activities amounted to US\$ 201 million compared to US\$ 225 million in the six months of 2010.

Since the fourth quarter of 2006, the Company's subsidiaries have been purchasing construction materials and selling such materials to contractors that provide construction and drilling services at subsidiaries' fields.

The net increase in unused construction materials included in capital expenditures was US\$ 298 million in the second quarter of 2011 compared to US\$ 328 million in the first quarter of 2011. In the six months of 2011 net change in unused construction materials was US\$ 626 million.

In the first quarter of 2011 the licence acquisition costs refer to the prepayment for the licence for exploration at Naulsky block of US\$ 125 million. In the second quarter of 2011 the licence acquisition costs of US\$ 16 million refer to the licence for exploration at Baykalovsky block in Krasnoyarsk region and Padovsky block in Samara region.

Debt Obligations

Rosneft adjusted net debt increased to US\$ 12,445 million as of June 30, 2011 compared to US\$ 11,097 million as of March 31, 2011.

Rosneft's total loans and borrowings decreased to US\$ 22,310 million as of June 30, 2011 from US\$ 22,771 million as of March 31, 2011. The decrease resulted from the scheduled maturity of long term loans in the second quarter of 2011.

Long-term loans are generally secured by oil export contracts. As of June 30, 2011 and March 31, 2011 84.3% and 85.3% respectively, of Rosneft's borrowings were secured by crude oil export contracts (excluding export to the CIS). As of June 30, 2011 and March 31, 2011, pledged oil exports constituted 20.3% and 20.2%, respectively, of the total crude oil export sales for the analysed period (excluding export to the CIS).

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

As of the date	June 30, 2011	March 31, 2011	December 31, 2010
Short term debt	5,448	5,363	5,498
Long term debt	16,862	17,408	18,057
Total debt	22,310	22,771	23,555
Cash and cash equivalents	(5,076)	(4,808)	(4,154)
Short-term bank deposits	(300)	(1,587)	(1,321)
Structured deposits	(3,193)	(4,407)	(3,791)
Short term promissory notes and other short-term liquid instruments	(1,296)	(872)	(627)
Adjusted net debt	12,445	11,097	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 6 months ended	
	June 30, 2011	March 31, 2011	June 30, 2011	June 30, 2010
EBITDA margin	22.9%	33.1%	27.6%	30.4%
Adjusted net income margin	12.1%	19.2%	15.3%	16.4%
Net debt to capital employed ratio	0.17	0.16	0.17	0.24
Net debt to annualised EBITDA	0.58	0.42	0.52	0.86
Current ratio	1.68	1.98	1.68	1.36
	US\$/bbl			
EBITDA/bbl	26.99	34.17	30.56	23.99
Upstream capital expenditure/bbl	11.09	8.28	9.69	7.52
Upstream operating expenses/bbl	3.08	2.95	3.02	2.80
Adjusted free cash flow before interest/bbl	8.76	16.33	12.52	7.71
	US\$/bbl			
EBITDA/boe	24.86	31.29	28.06	22.00
Upstream capital expenditure/boe	10.21	7.58	8.90	6.90
Upstream operating expenses/boe	2.84	2.70	2.77	2.56
Adjusted free cash flow before interest/boe	8.07	14.96	11.50	7.07

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

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

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

Upstream Measures

	For 3 months ended		For 6 months ended	
	June 30, 2011	March 31, 2011	June 30, 2011	June 30, 2010
Upstream capital expenditures (US\$ million)	2,190	1,611	3,801	2,881
Upstream operating expenses (US\$ million)	609	575	1,184	1,071
Barrels of crude oil produced (million)	197.56	194.68	392.24	382.95
Barrels of oil equivalent produced (million)	214.50	212.62	427.13	417.60

Calculation of Adjusted Free Cash Flow

	For 3 months ended		For 6 months ended	
	June 30, 2011	March 31, 2011	June 30, 2011	June 30, 2010
	(US\$ million)			
Net cash provided by operating activities	3,328	6,052	9,380	7,182
Effect from the acquisition of Ruhr Oel GmbH in working capital*	1,886		1,886	
Capital expenditures	(3,452)	(2,761)	(6,213)	(3,845)
Free cash flow	1,762	3,291	5,053	3,337
Trading securities operations	(16)	15	(1)	(380)
License acquisition costs	(16)	(125)	(141)	(3)
Adjusted free cash	1,730	3,181	4,911	2,954

*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 6 months ended	
	June 30, 2011	March 31, 2011	June 30, 2011	June 30, 2010
	(US\$ million, except %)			
Operating income	3,910	5,178	9,088	6,514
Accretion expense	38	32	70	54
Depreciation, depletion and amortisation	1,385	1,443	2,828	2,620
EBITDA	5,333	6,653	11,986	9,188
Total revenues	23,274	20,123	43,397	30,192
EBITDA margin	22.9%	33.1%	27.6%	30.4%

Calculation of Adjusted Net Income Margin

	For 3 months ended		For 6 months ended	
	June 30, 2011	March 31, 2011	June 30, 2011	June 30, 2010
Net income	2,799	3,883	6,682	4,907
Effect from the assets impairment and interests SWAP	6	(27)	(21)	53
Adjusted net income	2,805	3,856	6,661	4,960
Sales revenues	23,274	20,123	43,397	30,192
Adjusted net income margin	12.1%	19.2%	15.3%	16.4%

Current ratio

	For 3 months ended	
	June 30, 2011	March 31, 2011
	(US\$ million, except ratio)	
Current assets	25,775	26,671
Current liabilities	15,304	13,489
Current ratio	1.68	1.98