



ROSNEFT

ANNUAL REPORT 2008



Transparency

Efficiency

Social Responsibility

Innovation

Sustainable Growth

ROSNEFT is the leading Russian petroleum company and ranks among the world's top publicly traded oil and gas corporations

REGIONS OF OPERATIONS: the Company's operations span almost all regions of Russia and several foreign states

CORE ACTIVITIES: hydrocarbon exploration and production, production of petroleum products and petrochemicals, and marketing of outputs in Russia and abroad

STRONG AND DIVERSIFIED PORTFOLIO:

- proved reserves: 17.7 bln barrels of oil and 784 bcm of gas
- 394 producing fields, more than 2.1 mln barrels of oil per day and 12 bcm of gas per year
- 86 exploration blocks, access to 53 bln boe of prospective resources
- 7 refineries with an aggregate capacity of 1.1 mln barrels per day
- 1,683 service stations in 38 regions of Russia

SUSTAINED COMPETITIVE EDGE:

- unique and highly efficient reserve base
- Russia's biggest new upstream projects
- lowest upstream operating expenses per barrel
- strategic Russian enterprise
- more than 20% of Russia's oil production and refining
- proprietary export terminals






ROSNEFT'S STRATEGIC OBJECTIVE: to be among the world's top-3 oil & gas companies by overall efficiency and scale of operations

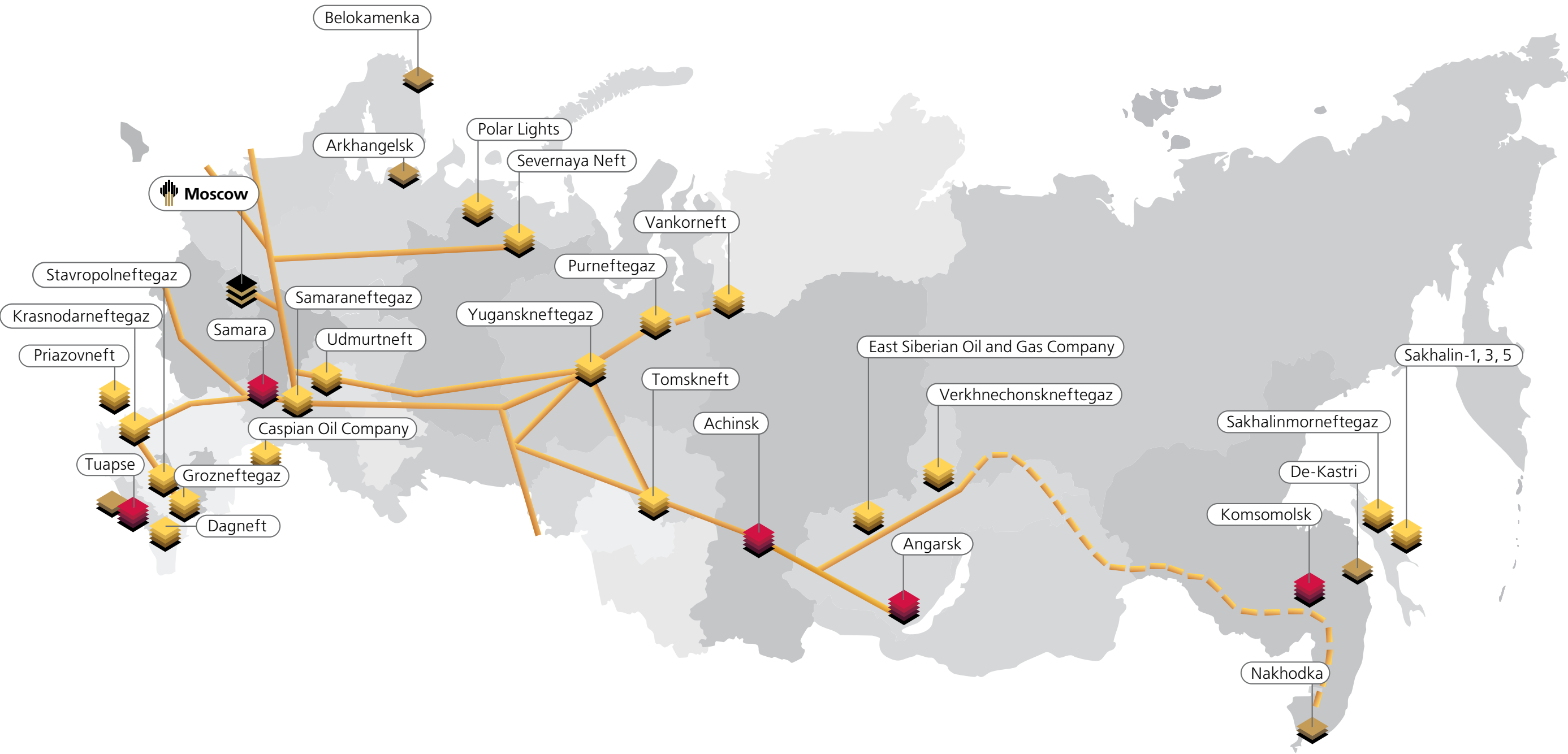
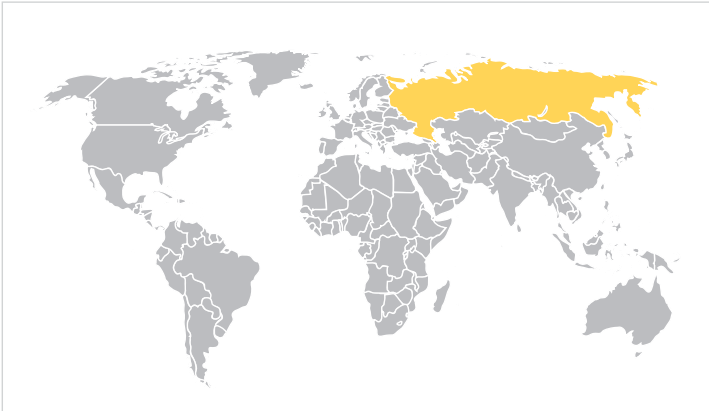
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Regions of Rosneft Operation

LEGEND

-  Development and production
-  Refineries
-  Marine terminals
-  Headquarters
-  Oil pipelines





Igor Sechin
Chairman of the Board of Directors of Rosneft

Chairman's Address

Dear Shareholders,

Rosneft marked many new and important achievements in 2008, but the year also brought some tough challenges. Determined work in recent years has won us a leading position in the industry and created a solid base for rapid growth in the future. Results for 2008 are convincing proof that the Company has built a powerful growth engine, and that we have forged the tools for systematic implementation of our development strategy, despite a very challenging macroeconomic environment.

Rosneft strengthened its competitive position and reinforced earlier successes in 2008 thanks to unswerving commitment to the highest operating standards and to efficient business planning. The Company showed a high level of reserve replacement despite the substantial fall in oil prices at the end of the year, achieved strong organic growth of oil production in a context of decline across the industry, and made significant progress in oil refining volumes and structure of refined products. Rosneft continued implementation of its main strategic projects, such as development of the Vankor field and modernization and expansion of refining capacities.

Record production indicators and the favorable price environment in the first half of 2008 ensured outstanding financial results. Based on these results the Board of Directors was able to recommend that the General Shareholders' Meeting increase dividends to RUB 1.92 per share, which is 20% higher than the previous year. The recommendation is fully in line with Company dividend policy, which

includes striking a balance between shareholder interests and the Company's business needs.

The sharp correction of oil prices in the second half of 2008 put the flexibility and efficiency of Rosneft's management system to the test. We passed the test with flying colors, reacting swiftly to the changed price environment. Rosneft began implementation of a special program, which will minimize the negative impact of the financial crisis on sustainability and pace of development. The program includes reduction of all types of costs and adherence to strict financial discipline.

Rosneft has played and continues to play a very active role in developing amendments to the current system of oil sector taxation. Joint work in 2008 led to a number of important changes in this area. The rate of mineral extraction tax was lowered and the time lag in calculation of export duties was reduced. This will contribute to the Company's resilience in unfavorable macroeconomic conditions.

Improving the corporate governance system, to fully reflect existing legal requirements and the latest international experience is a key element of Rosneft's development strategy. In 2008 the Company enacted a Code of Business Ethics, in addition to internal governance documents already in force, establishing principles and rules of business conduct based on ethical and professional standards. The new Code of Business Ethics is a gauge of our commitment to generally accepted principles of business responsibility.

Chairman's Address

A number of changes were also made to Rosneft's internal rules and standards in order to raise levels of transparency and ensure more efficient protection of shareholder rights.

Complying with the initiative by the Russian Federal Government to reduce the number of state officials on boards of directors of companies with Government stakes, Rosneft decided to increase the number of independent directors on its Board. This will help to improve corporate governance, raise transparency levels and strengthen the Company's competitive advantages thanks to extensive industry experience of the new independent directors. Rosneft's management is convinced that this important initiative will have the full support of Company shareholders.

Rosneft makes ongoing, substantial contributions to social and economic development in all of the regions where it has operations, steadily increasing the scale of housing, pension, education, charity and other socially important programs. The Company works consistently to improve and increase transparency of its social policy and to raise standards of interaction with all interested parties. As part of this policy the Company issued the latest of its regular Sustainable

Development Reports in 2008, complying with best international practices.

Today we can say with confidence that Rosneft has laid a firm foundation for rapid growth in the long term. We continue to work efficiently for the good of our shareholders and the Russian economy, maintaining the highest production, environmental and social standards in all our operations. To conclude, I would like to express my gratitude to all our shareholders for their confidence in our Company. My thanks also to the Management Board, the Board of Directors and all employees for their successful work in 2008, their professionalism and tireless devotion to the standards of Rosneft. I am confident that our combined efforts put us in a strong position to meet all the challenges, which lie before us.



Igor Sechin

Chairman of the Board of Directors
of Rosneft

EFFICIENCY

cost optimization and control
logistical improvements
optimization and diversification
of asset portfolio
capital structure enhancements
continuous improvement to governance

SUSTAINABLE GROWTH

prudent strategic planning
efficient production growth and refining
capacity expansion
increasing higher value-added outputs
improvements to risk management
commitment to increasing
shareholder value

INNOVATION

continuous enhancement of innovative
development system
ongoing technology research,
development and deployment
monitoring and adoption of global
best practices
personnel training and professional
development

SOCIAL RESPONSIBILITY

industrial safety and environmental
protection
safe working conditions
healthcare
commitment to improving employees'
quality of life
support for education
socioeconomic development
of host regions

TRANSPARENCY

compliance with Russian
and international regulations
information accessible to all
interested parties
regular information updates
quarterly financial results
under international standards
ongoing dialogue with minority
shareholders and institutional investors



Sergey Bogdanchikov
President of Rosneft

President's Address

Dear Shareholders,

Rosneft's operating and financial results in 2008 were excellent once again. Concerted and productive work by all our divisions helped us to overcome the extremely difficult fourth quarter and pursue implementation of our growth strategy, with special attention to further increasing flexibility and general business efficiency.

Extension of hydrocarbon reserves was among the Company's main achievements in 2008. Despite the relatively low oil price at the end of the year, our hydrocarbon replacement ratio by international standards exceeded 170%, which is one of the best in the industry. We also confirmed our leadership among public oil companies by volume of proved reserves of liquid hydrocarbons, partly through large-scale and highly efficient geological exploration work. Focusing on sustainable growth of the resource base, we continued to implement strategically important exploration projects in Eastern Siberia, on the sea shelf in the Russian Far East and in Russia's southern seas.

Growth of oil production by an impressive 5% was an equally important Company achievement in 2008. We produced 776 million barrels of oil, further reinforcing our leading positions in the Russian oil industry and approaching the level of the world's leading oil companies. Key factors were Rosneft's high-quality reserve base and use of the latest field development technologies, thanks to which the Company achieves the highest flow rates per well in Russia. This, together with tight cost control, has enabled the Company to keep its unit production costs at the lowest level in the industry, and to obtain maximum return on investments.

We continued work in 2008 to further increase Rosneft's production. Development of the oil & gas riches of Eastern Siberia stands out among our priority tasks. Last year saw the start of commercial production at the huge Verkhnechonskoye field, and the first oil from the field was fed into the Eastern Siberia – Pacific Ocean pipeline system in October. We nearly completed preparatory work for the launch of the enormous Vankor field in Krasnoyarsk region, which has strategic importance for Rosneft.

We continued to develop our Refining & Marketing segment in 2008. Rosneft refineries processed 360 million barrels of oil, representing 46% of total crude production by the Company and exceeding the 2007 figure by 23%. The structure of refinery products was improved, most notably by the increase of light-product yield to nearly 58%. Main efforts in modernization of refining capacities were focused on the launch of production of engine fuels that meet European standards. Much progress was made in 2008 and several Company refineries began production of fuels to Euro-3 and Euro-4 standards.

Work also continued in 2008 on implementation of strategic projects, such as capacity expansion at the Tuapse refinery and engineering of a completely new refinery in the Far East. We have decided not to abandon these projects, and will pursue them in 2009 despite the unfavorable macroeconomic conditions.

Rosneft worked hard to develop a promising bunkering business in 2008 as part of its efforts to maximize sales volumes to the end-user. We have already taken a large share of the Russian bunkering market

President's Address

even though we only entered this market at the end of 2007. We also continued to optimize and expand our network of service stations and tank farms. The retail network was extended to cover 38 Russian regions, and retail sales of petroleum products rose by 1.8 times compared with the previous year. The start of sales of the Company's branded lubricants through its service station network represented an important breakthrough in the retail sector.

Record operating results helped to ensure excellent financial indicators. Other important factors were the favorable price environment in the first half of 2008 and Company efforts toward cost control and business optimization. Main negative factors in 2008 were the real strengthening of the rouble in the first half of the year, followed by the dramatic decline in oil prices and increase in tax burden in the second half of the year. Swift activation of an anti-crisis program in the fourth quarter minimized the negative effects of instability in the international financial system.

Rosneft generated record EBITDA of USD 17.1 billion in 2008, which is 18% higher compared with the previous year. Net income amounted to USD 11.1 billion, and return on average equity was 30.6%. A key financial achievement was the significant reduction of net

debt and lowering of the gearing ratio. We successfully repaid and refinanced debts of more than USD 16 billion, including settlement of the last tranche of a bridge loan worth USD 22 billion.

Rosneft's results show that the Company has been transformed in recent years into a strong and well-balanced business structure, with systematic improvements to its efficiency. I think that this last factor will be decisive in ensuring Rosneft's stability through the world financial crisis. We will maintain this course and pursue it resolutely in order to attain all of our long-term plans and increase shareholder value.



Sergey Bogdanchikov

President of Rosneft



Rosneft results show that the Company has been transformed in recent years into a strong and well-balanced business structure, with systematic improvements to its efficiency.



Key Events in 2008

- Rosneft ranks second in the rating of Russia's Most Transparent Companies by Standard & Poor's – an improvement of eight places compared with 2007.
- Rosneft wins an auction for subsoil development rights at the Umotkinsky block in Eastern Siberia, which is among the Company's priority regions. Total prospective hydrocarbon resources at the block are more than 700 mln barrels of oil equivalent.
- Rosneft takes sixth place in the Platts' Top 250 Global Energy Companies list – the highest ranking of any Russian company.
- Commercial oil production begins at the large Verkhnechonskoye field in Eastern Siberia. The field is being developed by Rosneft jointly with TNK-BP.
- Rosneft wins first prize in the Oil & Gas Enterprise category of the Russian competition 'IT-LEADER 2008' – yet another recognition of the Company's contribution to development of information technology in the economy and business.
- Rosneft commissions a loading and unloading terminal for petroleum products at the Tuapse refinery as part of a comprehensive program for refinery modernization.
- The Achinsk refinery begins production of high-quality Euro-3 and Euro-4 motor gasoline, and the Syzran and Kuibyshev refineries begin sales of Euro-3 diesel fuel.
- Standard & Poor's upgrades Rosneft from BB+ to an investment-grade rating of BBB-, noting the Company's major successes in business development and improvement of creditworthiness.
- The Company begins sales of motor and gear oils under the Rosneft brand through its network of service stations in various regions across Russia.
- The Company publishes its regular Sustainable Development Report, prepared in accordance with requirements of the international organization, Global Reporting Initiative. Rosneft has a B+ rating by GRI criteria.
- Rosneft significantly reduces its net debt, which is down almost USD 5 bln in 2008. In particular, Rosneft repays in full the USD 22 bln bridge loan borrowed in early 2007.
- Rosneft starts operations with a new strengthened ice-class tanker as part of its priority tanker fleet program. The vessel is capable of delivering more than 8.8 mln barrels of oil per year to the Company's Belokamenka floating oil terminal anchored near Murmansk.

2008



Achinsk refinery



EFFICIENCY

- cost optimization and control
- logistical improvements
- optimization and diversification of asset portfolio
- capital structure enhancements
- continuous improvement to governance

Company Profile

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History

Rosneft's history is virtually inseparable from the history of the Russian petroleum industry. The Company's core enterprises date back to Soviet times, when large-scale exploration and development of new oil & gas fields was underway.

In the 1990s, many Russian fuel and energy companies, along with other related state-owned enterprises, were consolidated into vertically integrated companies based on the model of the world's largest corporations. These newly established companies were subsequently fully or partially sold to private investors. Oil and gas assets still owned by the state were managed by the state enterprise Rosneft.

Russian Government Decree No. 971 of September 29, 1995 established Rosneft as it is today (Open Joint-Stock Company 'Rosneft Oil Company'). The Company took control of assets previously managed by the state enterprise of the same name.

In 1998, Russia's economic crisis presented significant financial and operational challenges for Rosneft, including an overall production decline due to a severely depleted resource base, low capacity utilization at refineries, and declining retail sales. Antiquated equipment and outdated technology also hindered Rosneft's development.

In 1998, a new executive team was appointed at Rosneft to handle the situation, regain a competitive market position and lay a foundation for the Company's sustainable development.

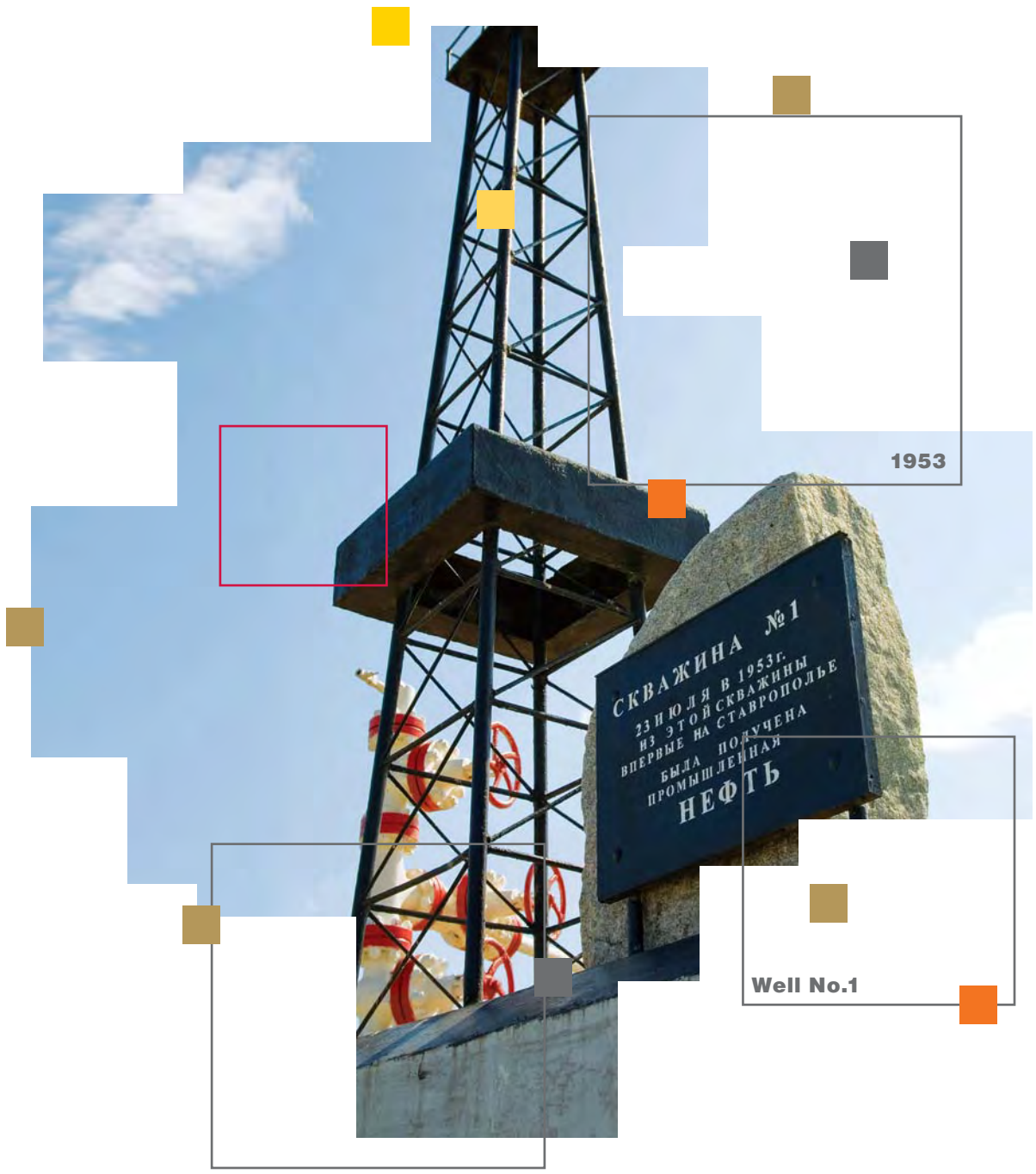
Since that time, Rosneft has made a number of important achievements, including:

2000

- Rosneft posts an increase in production for the first time since the 1998 economic crisis.

2001

- Despite a decline in international and domestic prices of crude oil and petroleum products, Rosneft considerably enhances its operating efficiency and achieves an annual growth in crude output of more than 10%.
- The Company launches a Development Strategy aimed at increasing exploration and production operations, raising refining capacity, and expanding into new markets.
- Commercial reserves are discovered in the Sakhalin-1 project.
- Rosneft is the first Russian company to place Eurobonds since the 1998 economic crisis.



1953

СКВАЖИНА №1
23 ИЮЛЯ В 1953Г.
ИЗ ЭТОЙ СКВАЖИНЫ
ВПЕРВЫЕ НА СТАВРОПОЛЬЕ
БЫЛА ПОЛУЧЕНА
ПРОМЫШЛЕННАЯ
НЕФТЬ

Well No.1



In 2004 Rosneft acquires a controlling stake in the major national oil producer, OJSC Yuganskneftegaz, in the largest transaction in Russian corporate history.

- Rosneft wins a tender for hydrocarbon exploration, development, and production at Block 245-South in Algeria.

2002

- Rosneft obtains an exploration license for the Kaigansko-Vasyukansky block (Sakhalin-5 project).

2003

- Rosneft secures a license for the Veninsky block (Sakhalin-3 project).
- Rosneft acquires Severnaya Neft Oil Company, strengthening its competitive position in Timan-Pechora.
- Rosneft and LUKOIL restructure their jointly owned assets through a mutually beneficial exchange and, as a result, the Company obtains a 50% stake in Polar Lights, a joint venture between Rosneft and ConocoPhillips.
- Rosneft expands its international operations through appointment as the representative of the Russian Federation in the Kurmangazy project on Kazakhstan's Caspian shelf and by starting oil production at the Aday block in Western Kazakhstan.
- The Company acquires Anglo-Siberian Oil Company, which holds a mineral license for the Vankor oil & gas field in Eastern Siberia – a top 10 global upstream project and the largest development in modern Russia.

2004

- Rosneft acquires a controlling stake in the major national oil producer, OJSC Yuganskneftegaz, in the largest transaction in Russian corporate history.

2005

- Following integration of Yuganskneftegaz into the Company operating structure, Rosneft ranks third among Russian oil companies in crude output, second in gas output and first in terms of refining capacity utilization.

2006

- Rosneft floats USD 10.7 bln worth of stock in an Initial Public Offering, which attracts approximately 150,000 Russian individual investors. It was the fifth largest IPO in the history of the global financial market and the largest ever by a Russian company.
- Rosneft acquires a major stake in OJSC Udmurtneft, a leading crude oil producer in Central Russia.
- Rosneft becomes the second largest oil and gas condensate producer in Russia, with total crude output of 583 mln barrels.

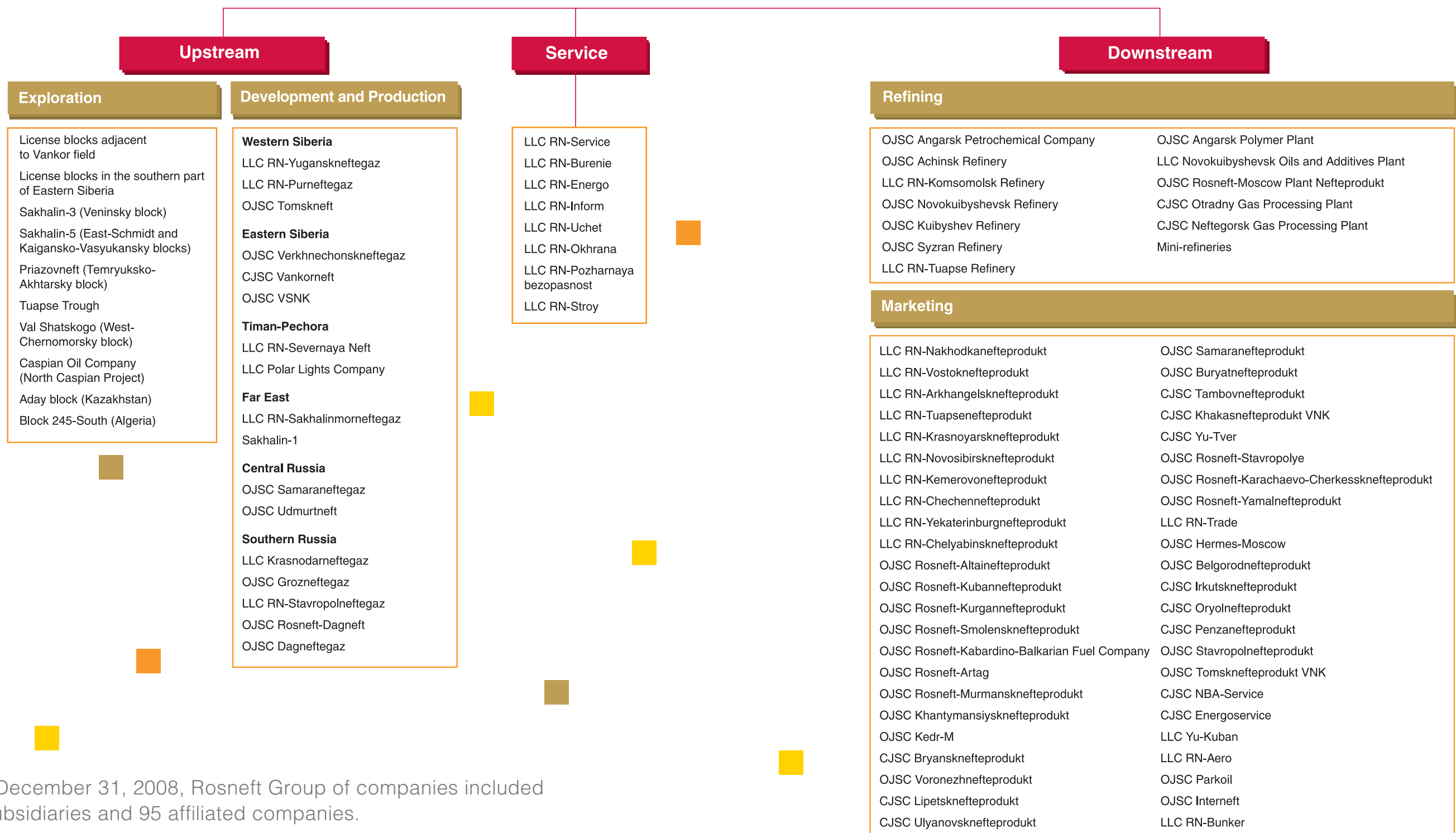
2007

- Rosneft significantly increases reserves, production volumes, refining capacity, and its retail network through acquisition of a number of oil & gas assets.
- Rosneft becomes the leading national petroleum company, accounting for more than 20% of Russia's crude output.

2008

- Rosneft posts another year of outstanding crude production growth (compared with major Russian and international peers). The Company secures significant efficiency gains across its segments, supported by extensive measures to address the adverse price environment at the end of the year.
- Rosneft makes substantial progress in enhancing corporate governance and transparency.

Structure



As of December 31, 2008, Rosneft Group of companies included 408 subsidiaries and 95 affiliated companies.

Rosneft Today

Rosneft is the leader of Russia's petroleum industry, and ranks among the world's top publicly traded oil and gas companies.

The Company is primarily engaged in exploration and production of hydrocarbons, production of petroleum products and petrochemicals, and marketing of outputs. Rosneft has been included in the Russian Government's List of Strategic Enterprises and Organizations. The state holds 75.16% in the Company (through OJSC ROSNEFTEGAZ), while approximately 15% of shares are in free-float.

Rosneft is widely engaged in exploration and production across all key hydrocarbon regions of Russia: Western Siberia, Southern and Central Russia, Timan-Pechora, Eastern Siberia and the Far East. In addition, the Company participates in several exploration projects in Kazakhstan and Algeria. Rosneft's seven major refineries have convenient locations throughout the country, from the Black Sea coast to the Far East,

2006	Operating Highlights	2007	2008	Change, %
15,963	Proved oil reserves, PRMS (mln bbl)	17,513	17,694	+1.0%
701	Proved gas reserves, PRMS (bcm)	711	784	+10.3%
20,089	Proved hydrocarbon reserves, PRMS (mln boe)	21,699	22,307	+2.8%
30.3	Hydrocarbon reserve-to-production ratio (years)	27.1	26.3	-3.0%
582.7	Oil production (mln bbl)	740.0	776.3	+4.9%
13,584	Gas production (mcm)	15,705	12,377	-21.2%
1,815	Hydrocarbon production (th. boe per day)	2,281	2,320	+1.7%
175.6	Refinery throughput ¹ (mln bbl)	294.1	360.5	+22.6%
22.64	Petroleum product output ¹ (mln t)	38.28	46.44	+21.3%
401.1	Crude oil export sales (mln bbl)	432.1	396.2	-8.3%
13.34	Petroleum product export sales (mln t)	19.16	25.94	+35.4%
684	Number of owned and leased service stations	1,650	1,683	+2.0%
1.10	Retail sales of petroleum products (mln t)	2.31	4.06	+75.8%

¹ Refining of crude oil produced by the Company and of purchased crude at owned and third-party refineries (including mini-refineries) and corresponding output of petroleum products.

and the Company's retail network covers 38 regions of the Russian Federation.

Unlike many of its competitors, Rosneft has a vast and high-quality reserve base, with total proved hydrocarbon reserves of 22.3 bln barrels of oil equivalent – among the best indicators for a global publicly traded oil and gas company. Moreover, Rosneft is second-to-none on an international scale in terms of total proved liquid hydrocarbon reserves. The Company's proved reserve-to-production ratio is 26 years. Rosneft operates mainly conventional reserves, so the Company is well-placed for efficient increase in hydrocarbon production. In addition, Rosneft has access to probable and possible reserves of 26.6 bln barrels of oil equivalent, which will become the main source of proved reserve extension in the future.

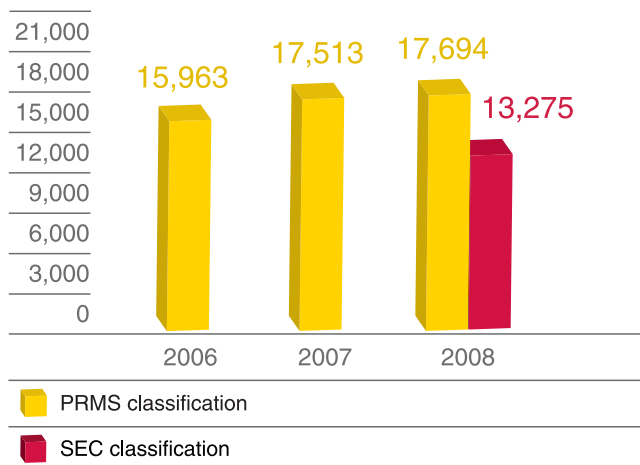
Rosneft is focused on expanding its resource base through intensive exploration and new acquisitions in order to secure sustainable production growth in the long term. In recent years, the Company has demonstrated consistently strong reserve replacement performance: in 2008, Rosneft's proved reserve replacement ratio was 172%. Rosneft's major exploration projects are located in the most promising hydrocarbon regions of Russia, such as Eastern Siberia, the Far East, and shelves of Russia's southern seas. As a result, the Company has access to about 53 bln barrels of oil equivalent of prospective resources.

Rosneft has been successfully implementing its strategy of steady production growth, supported by constant monitoring and adoption of innovative technology. In 2008, the Company produced a total of 776 mln barrels of crude oil (2.12 mln barrels per day), thus posting a fivefold growth in crude output over the last five years. Furthermore, the Company consistently maintains high operating efficiency, and has the lowest upstream production and operating expenses among its national and major international peers.

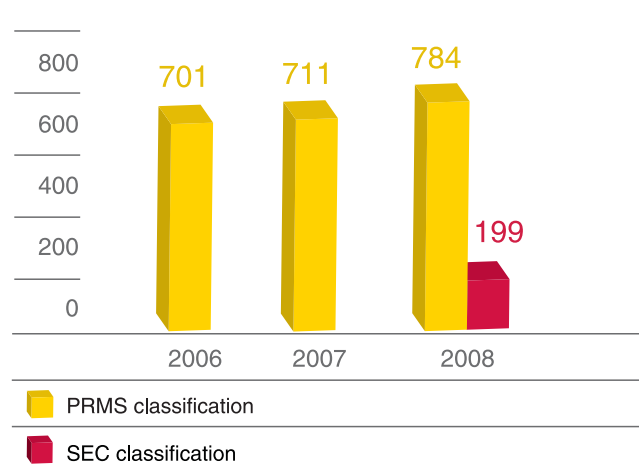
Rosneft is also one of the leading independent gas producers in Russia, with an annual output of natural and associated gas exceeding 12 bcm. The Company's vast and unique reserve portfolio ensures steady long-term growth in gas output. Rosneft is currently implementing comprehensive measures aimed at achieving a target gas utilization rate of 95%, one of the Company's high-priority objectives.

Rosneft's refinery throughput in 2008 totaled 360 mln barrels (985,000 barrels per day) – a record high for the Russian oil industry. Favorable refinery locations enable the Company to raise consistently the efficiency of petroleum product sales. Rosneft is now actively involved in expanding and upgrading its refineries to enhance further the balance between crude output and refinery throughput, and to boost production of higher value-added petroleum products meeting the latest environmental standards.

Proved oil reserves
(mln barrels)

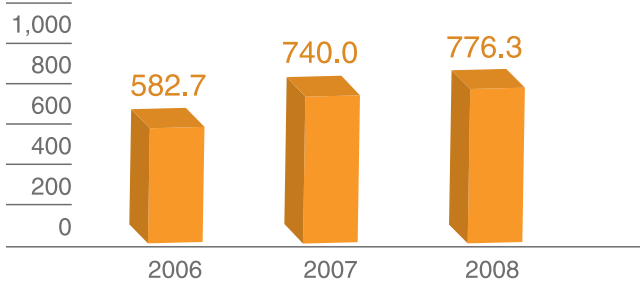


Proved gas reserves
(bcm)

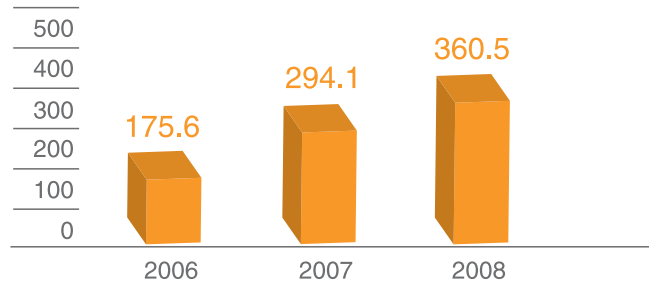


Company Profile

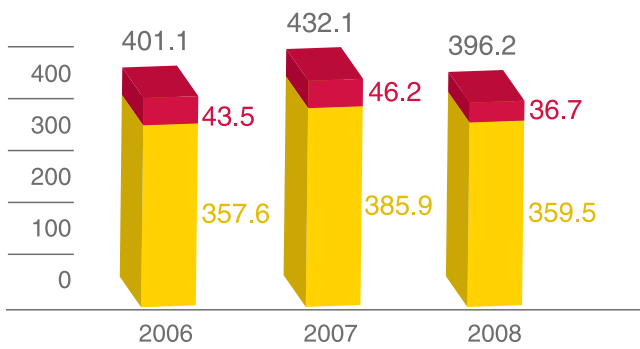
Crude oil production
(mln barrels)



Refinery throughput
(mln barrels)

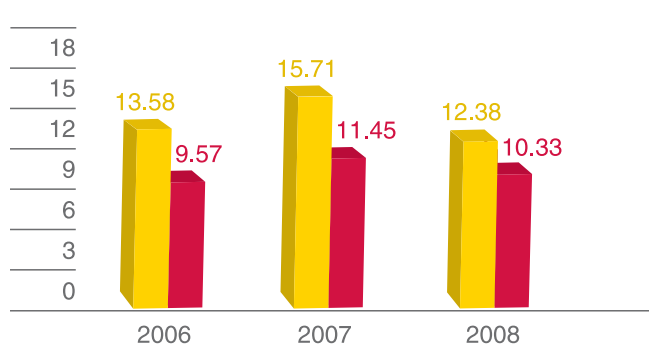


Crude oil export sales
(mln barrels)



■ CIS
■ Non-CIS

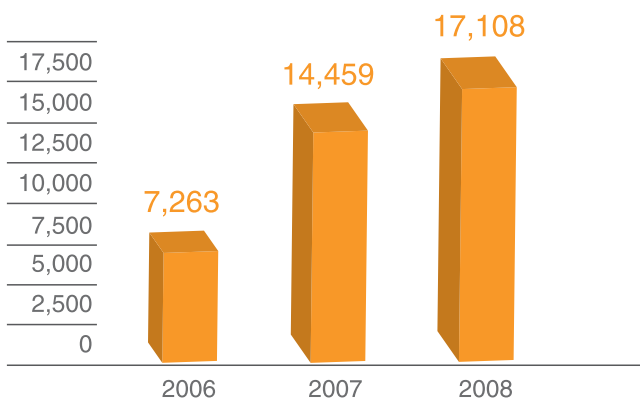
Gas production and sales
(bcm)



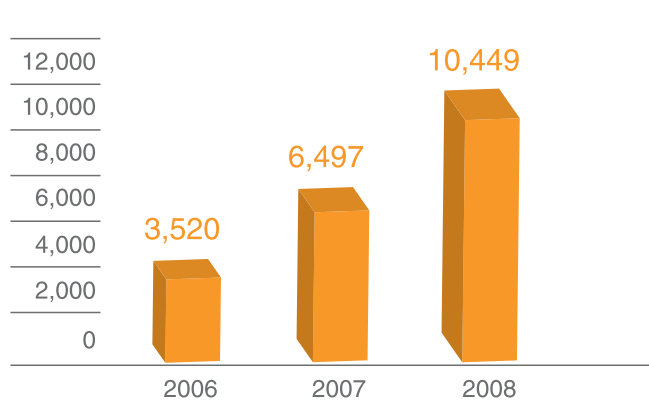
■ Gas production
■ Gas sales

Gas production includes share in production by affiliates, gas sales include gas procured from affiliates

EBITDA
(USD mln)



Adjusted net income
(USD mln)



Rosneft also operates proprietary marine terminals in Tuapse, De-Kastri, Nakhodka and Arkhangelsk, which allows the Company to capture higher margins on petroleum product exports. Rosneft is currently implementing comprehensive expansion and modernization programs at its terminals to ensure their capacity meets future export volumes.

Rosneft is aware of the importance of increasing direct sales of petroleum products to end customers. For that purpose, the Company is consistently extending its retail infrastructure, which now comprises

about 1,700 service stations – the country's second largest marketing network.

Rosneft strictly complies with international standards for corporate governance, information disclosure and financial reporting. Reputable non-executive directors have held one third of Board seats since 2006. The Company also pursues a policy of social responsibility toward its employees and members of their families, to the people in regions in which it operates and – most importantly – to society at large.

2006	Financial Highlights	2007	2008	Change, %
33,099	Sales (USD mln)	49,216	68,991	+40.2%
7,263	EBITDA ¹ (USD mln)	14,459	17,108	+18.3%
21.9%	EBITDA margin	29.4%	24.8%	-15.6%
11.07	EBITDA per boe of production (USD)	17.96	22.07	+22.9%
3,533	Net income (USD mln)	12,862	11,120	-13.5%
3,520	Adjusted net income ² (USD mln)	6,497	10,449	+60.8%
10.6%	Adjusted net income margin	13.2%	15.1%	
18.1%	Return on average capital employed (ROACE)	18.6%	17.5%	
22.4%	Return on average equity (ROAE)	25.6%	30.6%	
-1,788	Free cash flow (USD mln)	-767	5,614	
13,324	Net debt (USD mln)	26,275	21,283	-19.0%
0.38	Net debt-to-capital employed ratio	0.48	0.35	
1.83	Net debt-to-EBITDA ratio	1.82	1.24	
0.87	Current ratio	0.68	0.68	
3,462	Capital expenditures (USD mln)	6,780	8,732	+28.8%
4.02	Upstream capital expenditures per boe of production (USD)	5.73	8.36	+45.9%
2.49	Hydrocarbon lifting costs per boe of production (USD)	3.08	3.11	+1.0%
9.15	Share price as of year-end (USD)	9.57	3.75	-60.8%

1 EBITDA, for any relevant period, is operating income for such period plus interest on taxes other than income tax accrued in relation to Yuganskneftegaz tax liabilities for 1999–2004, accretion expense (related to the unwinding of asset retirement obligations), and depreciation, depletion and amortization.

2 Net income adjusted for extraordinary items such as net proceeds from Yukos bankruptcy, effect from the income tax rate change, effect from assets impairment and other.



2008

Vankor

Development Prospects and Strategy

Rosneft aims to strengthen its positions among the world's leading energy companies, ranking among the best in terms of operating and financial criteria, and by shareholder value.

The Company views the following factors as crucial for achieving these goals:

- constant efficiency improvements in all aspects of Company business;
- an innovative approach to development;
- raising levels of transparency and openness;
- high standards of corporate governance;
- high levels of social responsibility;
- strict observance of Russian and international standards for environmental and industrial safety.

Rosneft's rapid development in recent years has created enormous potential for sustainable growth and implementation of strategic tasks. Main contributors to this potential are a unique resource base, highly-qualified personnel and an efficient system of innovative development. The unfavorable macroeconomic situation, which came about at the end of 2008, has justified certain adjustments to Company plans but has not altered Company strategy.

The Company's main strategic priorities are:

Steady Growth of Oil Production

Rosneft intends to increase annual oil production from 776 mln barrels (2,121 th. barrels per day) in 2008 to 1,300 mln barrels (3,600 th. barrels per day) by 2030, assuming that the macroeconomic environment is favorable.

Growth of output in the short term will be mainly driven by fields in traditional Rosneft production regions, principally Western Siberia. Most of the growth in Western Siberia is expected to be at the Priobskoye field, which is the Company's largest. Reserves at Priobskoye are 30% of Rosneft's total proved oil reserves. Also, during 2008 Rosneft, jointly with TNK-BP, brought into operation the Verkhnechonskoye field in Eastern Siberia, a new and promising region of oil production for the Company. Commercial production of oil is also scheduled to launch at the Vankor field in Eastern Siberia in the immediate future. Development of Vankor is the largest project of its kind in Russia for the last 20 years.

Assets in Eastern Siberia also play a large part in the Company's medium term plans. Successful



Rosneft intends to increase annual oil production from 776 mln barrels (2,121 th. barrels per day) in 2008 to 1,300 mln barrels (3,600 th. barrels per day) by 2030, assuming that the macroeconomic environment is favorable.

development of the large reserves at the Vankor and Verkhnechonskoye fields is a national priority for Russia as well as being a priority for the Company. Output from the fields will be used to fill the trunk pipeline from Eastern Siberia to the Pacific Ocean, which will enable Russia to diversify its oil deliveries and significantly expand its presence on the Asia-Pacific market. The Company's traditional operating regions also offer much potential in the medium term, mainly thanks to the scope for increasing reserve recovery rates by use of new technologies.

Long-term production growth by Rosneft is dependent on Company assets in Eastern Siberia and the shelves of the Caspian, Black and Azov Seas. The Company is carrying out intensive geological exploration work in these regions. In Eastern Siberia, Rosneft has highly promising geological exploration blocks immediately adjacent to the Vankor field. Discovery of commercial reserves at these areas will enable the Company to create a major new oil province. In the future yet another oil province could be formed by the Verkhnechonskoye and Yurubcheno-Tokhomskoye fields (the latter is now in test production), together with other licence areas adjacent to these fields.

In the Far East, Rosneft is taking part in the promising Sakhalin-3 and Sakhalin-5 geological exploration projects on the shelf of the Sea of Okhotsk. These projects are being implemented with the Company's foreign partners on a joint-financing basis, which minimizes risks for Rosneft. Successful development of the shelf of the Sea of Okhotsk will enable the Company to take a leading position in the energy market of the Far East.

The Sakhalin projects offer unique experience in development of complex shelf fields, which Rosneft will be able to put to good use in future projects for development of as yet undistributed resources beneath the Arctic shelf.

Commercialization of Gas Reserves

Rosneft has 784 bln cubic meters of proved gas reserves, and only 22% of them are being developed at present. Thus, development of the gas sector and commercialization of reserves are among priority tasks for the Company.

Rosneft plans to increase output of gas from 12.4 bln cubic meters in 2008 to 55 bln cubic meters by 2020. Most of the growth will be at the Kharampurskoye field in Western Siberia, where about half of the Company's proved gas reserves are concentrated.

The goal of commercializing gas reserves is also supported by the program for raising utilization levels of associated gas to 95%. This target matches future requirements of Russian law.

Refining & Marketing Development

Rosneft's main priority in the refining & marketing segment is to ensure steady growth of quantitative and qualitative indicators in order to maintain and, so far as possible, improve the balance between production and refining volumes, and to meet the latest standards for product quality.

The Company is systematically implementing large-scale programs of refinery modernization, expanding capacity of refineries and raising their complexity. Modernization work increases the valued-added of products and ensures that fuel outputs meet the latest environmental standards (Euro-4 and Euro-5), as well as expanding the product range.

Rosneft's biggest refining projects are the expansion of annual capacities at the Tuapse Refinery to 88 mln barrels of oil and the increase of its complexity, as well as construction in the Far East of a modern refinery with high complexity levels and 145 mln barrels of annual capacity.

The Company's strategic goals are to produce engine fuels, which meet Euro-5 standards, to raise the light product yield to at least 78% by 2015 and to increase annual refining volume to 585 mln barrels (1,600 th. barrels per day) by 2020.

Rosneft aims to sell as much as possible of its refining output directly to the end-user. The Company is therefore expanding and modernizing its network of service stations and is also developing new businesses (bunkering and aircraft refuelling).



SUSTAINABLE GROWTH

- prudent strategic planning
- efficient production growth and refining capacity expansion
- increasing higher value-added outputs
- improvements to risk management
- commitment to increasing shareholder value

Performance Review

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Licensing

As of December 31, 2008 Rosneft, its subsidiaries and affiliated companies held 534 licenses for geological study, exploration and production of hydrocarbons. Most of the Company's production and development licenses run until 2013-2030.

In Russia, exploration and production of natural resources requires a subsoil license, as well as the right (ownership, lease or other right) to use the land plot where such license field is located. A license holder has the right to develop and sell crude oil and natural gas extracted from a license area. The Russian Federation, however, retains ownership of all subsoil resources, and the license holder only has rights with respect to the crude oil and natural gas when extracted.

Licensing regulations and the terms of licenses require the Company to comply with numerous industrial standards, employ qualified personnel, maintain certain equipment and a system of quality controls, retain insurance coverage, monitor operations, make appropriate filings and, upon request, submit specified information to licensing authorities.

There are several types of prospecting, exploration and production licenses, including:

- licenses for geological exploration and assessment within a licensed area (which is defined in terms of latitude, longitude and depth);
- licenses for production of natural resources within a licensed area;
- combined licenses for exploration, assessment and production of natural resources within a licensed area.

Subsoil licensing is regulated primarily by the Subsoil Law. Prior to January 2000, exploration and assessment licenses were issued for a maximum term of

five years, production licenses had a maximum term of 20 years, and combined exploration, assessment and production licenses were granted for a maximum term of 25 years.

Since the amendment of the Subsoil Law in January 2000, exploration licenses have a maximum term of five years. Production licenses are generally granted for the term of expected field life based on a feasibility study, except under certain circumstances in which a license may be issued for one year. Combined licenses are issued for the term of expected field life based on a feasibility study. These amendments do not affect the terms of licenses issued prior to January 2000, and permit licensees to apply for extension of such licenses for a term of expected field life, provided the holder complies with the license terms.

The Subsoil Law permits a licensee to request extension of a production license to continue production at the licensed field to the end of its economic life or to vacate the subject land plot once production operations are finished, provided the licensee complies with the license terms and applicable regulations. To amend any condition of a subsoil license, including extension provisions, a subsoil user has to file an application with federal authorities. Rosneft believes that its production licenses will be extended upon, or prior to, their expiration. However, if the Russian Government determines that the Company fails to comply with the terms of any of its licenses, it may resolve not to extend Rosneft's mineral licenses.

If a subsoil user fails to comply with its license obligations, the license may be terminated by government authorities upon prior notification. However, if

a subsoil licensee fails to meet deadlines or achieve exploration and/or production volumes as stipulated by a particular license due to material changes in circumstances, it may apply to amend the relevant license terms, though such amendments may be rejected by regulatory authorities.

In case of license expiration or early termination of subsoil use, all production infrastructure facilities in the respective licensed area, including underground facilities, must be removed or abandoned. In accordance with applicable regulations, all exploration, production and storage facilities must be properly maintained to ensure safety for human life, environment and public infrastructure. Abandonment also implies shutting down the relevant oil field as well as extraction, production and storage facilities. Rosneft's estimates of future abandonment costs are based on current regulatory and licensing requirements as well as on relevant historical data. A major portion of these costs are expected to be incurred in the long run and will be funded by Rosneft in due course.

As of December 31, 2008 Rosneft, its subsidiaries and affiliated companies held 534 licenses for geological study, exploration and production of hydrocarbons. Most of the Company's production and development licenses run until 2013-2030. Rosneft has been working in recent years on additional extension of licenses for its major fields. By the end of 2008 licenses for more than 30 major fields had been additionally extended for 25 years, and the license for the Priobskoye oil field (the Company's biggest) is now valid through 2044.

Rosneft is a highly conscientious user of subsoil resources, strictly observing all its license commitments. Agencies responsible for supervision and control of subsoil resource use carried out 12 checks at Company production subsidiaries during 2008 to ascertain observance of license and environmental commitments. Materials to this effect were prepared and submitted to supervisory agencies for joint review. As of the end of 2008, supervisory agencies had no outstanding issues with respect to the Company.

Steady expansion of the exploration and production portfolio through acquisition of new licenses in strategically important regions is an integral part of Rosneft's long-term development strategy. The Company

continued to monitor auction sales of license areas and took part in auctions for the most promising and strategically important areas, primarily in Western and Eastern Siberia.

In February 2008 the Company won an auction for rights to carry out geological studies, exploration and production of hydrocarbons at the Umotkinsky area in Irkutsk Region (Eastern Siberia). The estimated resources of the area exceed 700 mln barrels of oil equivalent. The license was obtained in May 2008 at cost of RUB 1,120 mln (USD 46.7 million at the CBR exchange rate in effect at the date of payment) and runs until April 2033.

In April 2008 the Company obtained a license for geological study, exploration and production at the South Teplovsky area in Khanty-Mansiysk Autonomous District (Western Siberia), after winning an auction for the license in December 2007. The license cost RUB 77 mln (USD 3 mln) and is valid for 25 years.

In March-May 2008 the Company subsidiary, OJSC Samaraneftgaz, obtained two licences for exploration and production of hydrocarbons subsequent to discovery of the Kiselevskoye and South-Butlerovskoye fields in Samara Region. The licenses are valid for 20 years.

Also in 2008 the Company obtained five licenses to carry out studies for prospecting and appraisal of hydrocarbon deposits in low-lying strata of the Malobalyksky, South-Balyksky and Mid-Balyksky license areas in Khanty-Mansiysk Autonomous District as well as the North-Mineralny and North-Bragunsky areas in the Republic of Chechnya.

The Company maintained efficient management of its existing license portfolio during 2008:

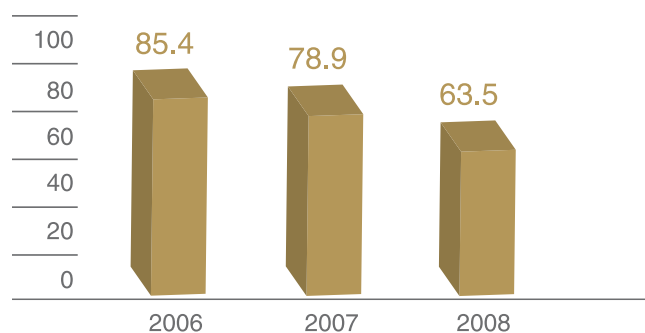
- duration of nine hydrocarbon production licenses were extended for 25 years;
- 146 requests for changes and additions to existing licenses were prepared and filed with federal and territorial agencies responsible for subsoil use, of which 28 were for postponement of exploration work, 30 for license extension and 88 for actualization of licensing agreements.



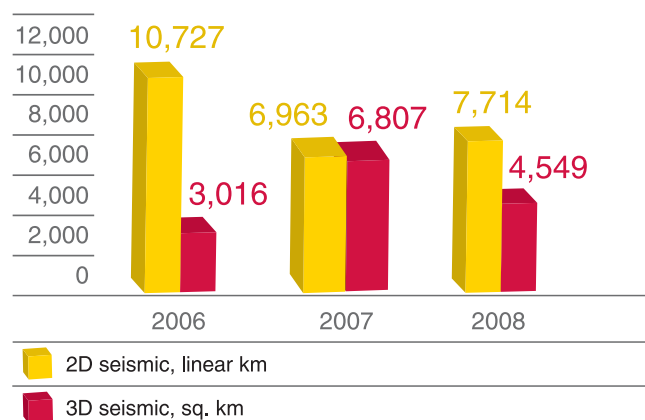
Geological Exploration

Rosneft pays special attention to volume and efficiency of prospecting and exploration work in order to replace hydrocarbon production with new commercial reserves and to ensure steady growth of production in the medium and long term.

Exploration drilling at projects involving Rosneft
(th. meters)



Seismic surveying at projects involving Rosneft
(linear km; sq. km)



Rosneft carries out geological exploration in Russia and abroad both independently and as part of joint projects with Russian and foreign partners.

The Company is implementing a number of flagship projects, which are currently at the exploration or test production stage, in its key priority areas of Russia's Far East, Eastern Siberia and the shelves of the Caspian, Black and Azov Seas, as well as in the traditional oil producing areas of Western Siberia, the Volga, Timan-Pechora and Southern Federal District of Russia. In addition, Rosneft is taking part in promising geological exploration projects in Algeria and Kazakhstan.

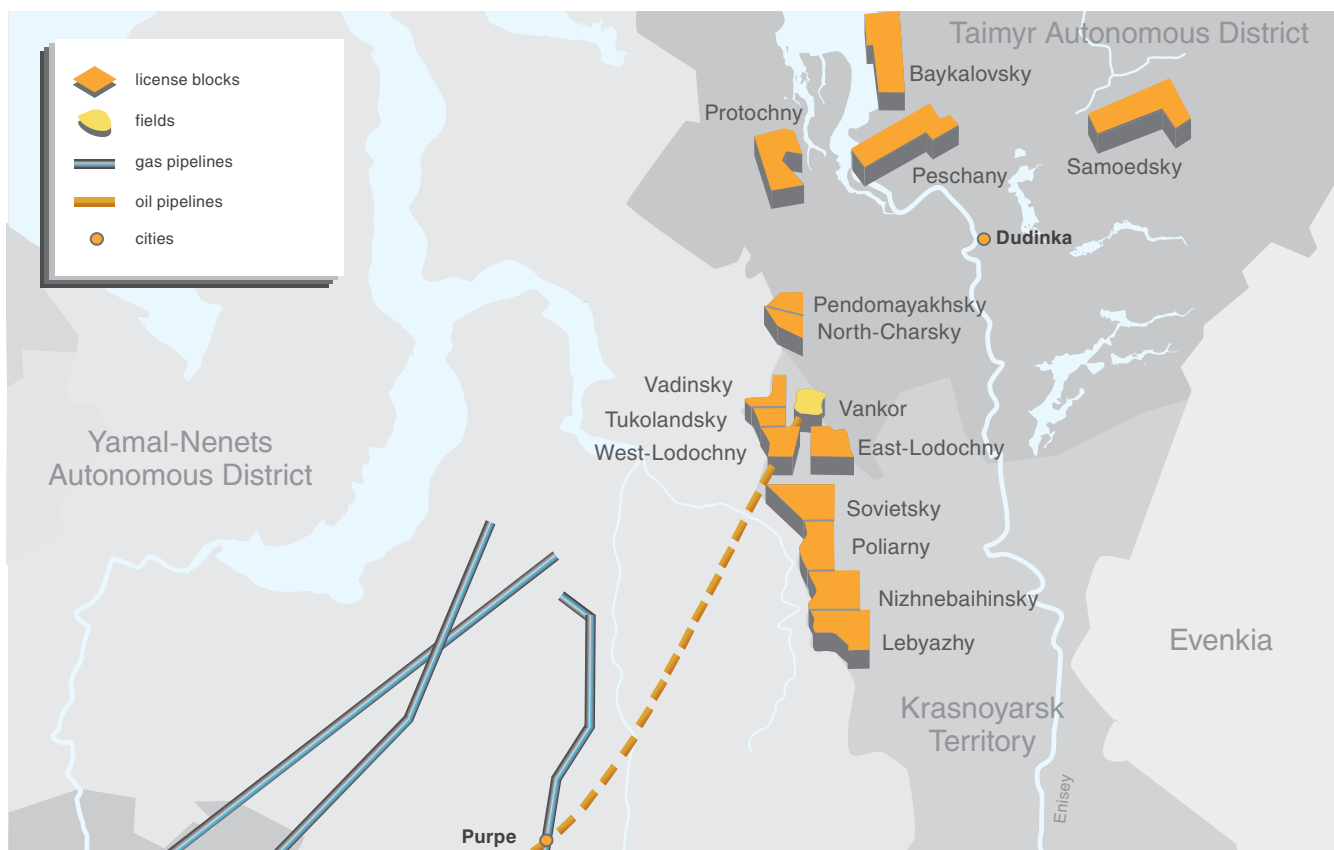
Rosneft's active participation in numerous exploration projects ensures access to considerable prospective resources, which will further support the Company's long-term development. According to the mean estimate by DeGolyer & MacNaughton, total prospective resources in upstream projects with Rosneft involvement were 53 bln barrels of oil equivalent at the end of 2008.

Large amounts of prospecting and exploration drilling and of seismic studies were carried out during 2008 in projects with Rosneft participation, in accordance with license terms. Exploration expenses of Rosneft's subsidiaries totaled USD 248 mln. Exploration drilling totaled 63,500 meters, 2D seismic exploration was 7,714 linear km, and 3D seismic work was 4,549 square km. The year-on-year decline in exploration drilling volumes was due to the ending of the exploration stage at the Vankor field, as well as suspension of



Eastern Siberia has key importance for Company development in the medium and long term, with decisive significance for increase of Rosneft's reserves.

Exploration projects of Rosneft in Krasnoyarsk Territory



drilling work in the Southern Federal District of Russia so that detailed 3D seismic studies can be carried out to clarify the region's complex geology.

The construction of 34 prospecting and exploration wells was completed. Prospecting and exploration drilling by the Company led to the discovery of 10 fields and 4 new deposits at previously discovered fields.

Exploration works and production drilling gave increases of ABC1 reserves (under Russian classification) of 1.1 bln barrels of oil and gas condensate and 30.5 bln cubic meters of gas (0.93 bln barrels and 30.4 bln cubic meters, respectively, measured by the Company's stakes in projects). Most of the reserve growth was at fields in Western and Eastern Siberia.

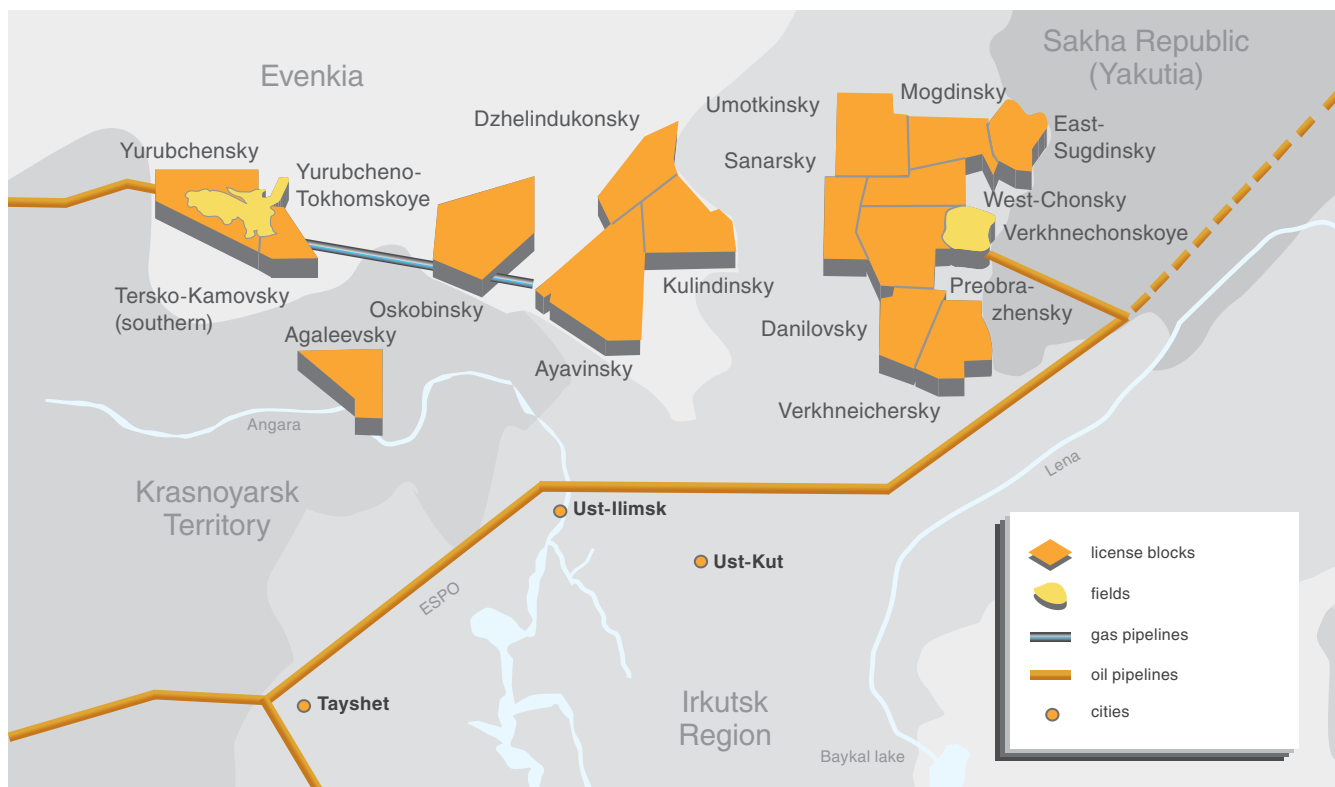
Substantial results from geological exploration work reflect the optimal combination of 2D and 3D seismic

studies, professional processing and interpretation of seismic data, and careful positioning of exploration wells. Streamlined exploration operations enabled the Company to reach a reserve replacement ratio of 172% in 2008 (for proved hydrocarbon reserves under PRMS classification).

Eastern Siberia

Eastern Siberia has key importance for Company development in the medium and long term, with great significance for increase of Rosneft's reserves. The region is a major source of crude oil for Pacific Rim markets, including China, Japan, Korea, and the West Coast of the United States. Completion of the Eastern Siberia – Pacific Ocean Pipeline (ESPO), with branches to China and Nakhodka, is expected to accelerate the implementation of Rosneft's projects in Eastern Siberia.

Exploration projects of Rosneft in Irkutsk Region and Evenkia



Rosneft has achieved substantial progress in geological exploration and development of its resource base at a number of large fields in Eastern Siberia. Joint work with TNK-BP led to launch of commercial production at the Verkhnechonskoye field in 2008, pilot commercial production continued at the Yurubcheno-Tokhomskoye field, and the highly promising Vankor field is scheduled to start commercial production in the nearest future.

Geological exploration works at licence areas in Krasnoyarsk Territory, adjacent to the Vankor field, are of great significance for increasing the Company's reserve base. Rosneft has 14 such areas. If commercial reserves are found, Rosneft will be able to use the infrastructure of the Vankor field for their development, creating synergies and minimizing costs.

2D seismic surveying at license areas around the Vankor field totalled 662 linear km in 2008. Exploration well No.16 at the Vankor field was completed.

The well penetrated productive strata, and its testing is scheduled in 2009. Two other prospecting wells were drilled – Baikalovskaya No.1 and Khikiglinskaya No.1 – and are to be tested in 2009.

Geological exploration in southern parts of Eastern Siberia (Irkutsk Region and Evenkia) is equally important to the Company. Fields in this region will be among the main sources of oil for the ESPO pipeline, which was under construction in 2008.

The Company carried out 1,589 linear km of 2D seismic surveying at the East-Sugdinskoy, Mogdinskoy, Danilovskoy and Sanarskiy license areas in Irkutsk Region. Electrical exploration work, and processing and complex interpretation of geophysical material were completed at the East-Sugdinskoy area. Geochemical studies were completed at the Preobrazhenskoy area, and preparatory work was carried out for construction of two prospecting wells at the East-Sugdinskoy and Mogdinskoy areas.

Exploration projects involving Rosneft in the Far East



LLC Vostok-Energy, the joint venture between Rosneft and the Chinese National Petroleum Corporation (CNPC), completed helium geochemical studies at the West-Chonsky and Verkhneichersky areas. Work continued on processing and complex interpretation of historical geophysical materials, and prospecting and appraisal programs were prepared for these license areas.

Soil-gas geochemical samples were collected and interpreted at the Ayavinsky and Dzhelindukonsky license areas in Evenkia. Helium sampling was also carried out at the Tersko-Kamovsky area. Programs for prospecting and appraisal work at these licence areas were prepared and plans were made for drilling of prospecting and appraisal wells.

Far East

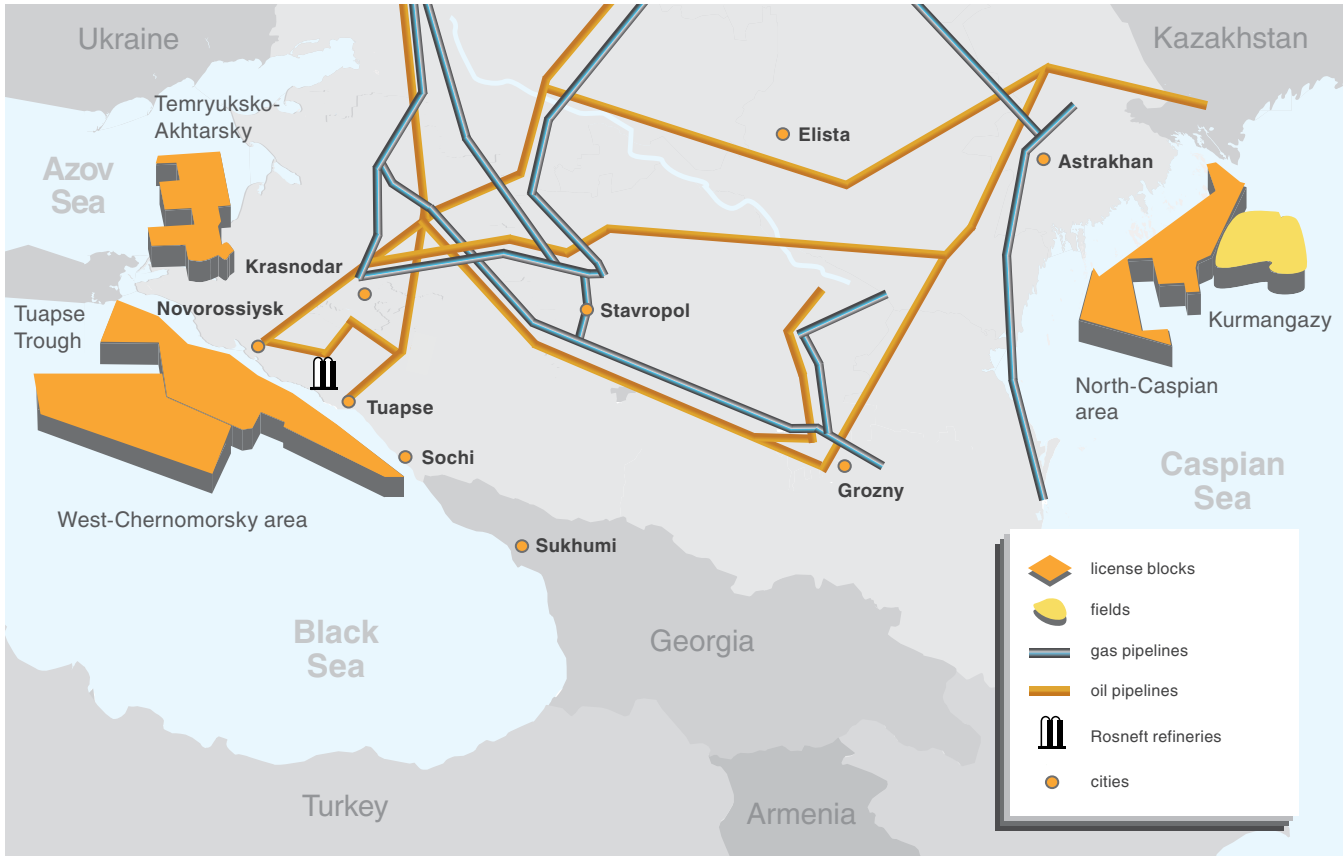
Rosneft believes that offshore fields in Russia's Far East are among the most important sources of growth of its hydrocarbon reserves and production in the long run. The

region is conveniently located for easy access to the fast-growing hydrocarbon markets of China, Japan, Korea, and the West Coast of the United States. The Company has been successfully developing the onshore fields of Sakhalin Island for several decades. Currently, the most promising area in the Far East is the Okhotsk Sea shelf.

Rosneft participates in two promising exploration shelf projects: Sakhalin-3 (Veninsky block) and Sakhalin-5 (Kaigansko-Vasyukansky and East-Schmidtovsky blocks). The projects involve high levels of capital investment and geological risk, so they are being implemented jointly with foreign partners on a joint-financing basis, which minimizes risks for Rosneft.

A prospecting well, North-Veninskaya No.1, was drilled at the Veninsky area during 2008 and penetrated more than 10 gas saturated strata and inter-strata. Reserves at the field are to be counted in 2009. Engineering and geological preparations were made for drilling of another two prospecting wells in 2009.

Exploration projects involving Rosneft on the shelves of the Caspian, Black and Azov Seas



Processing of 3D seismic exploration data for the East-Schmidtovsky area was completed as part of the Sakhalin-5 project. The materials were interpreted taking account of drilling results at the neighboring West-Schmidtovsky area. The license was extended until 2013 and amendments were made to the licensing agreement. The Company carried out 2,100 linear km of 2D seismic shooting in the western part of the Kaigansko-Vasyukansky area. The license was extended until 2013 with amendments to the license agreement.

Southern Federal District

Rosneft is implementing several significant projects in Russia's Southern Federal District: the Tuapse Trough and West-Chernomorsky area on the Black Sea shelf, the Temryuksko-Akhtarsky area on the Azov Sea

shelf, and the North-Caspian project in the Caspian Sea. The Company is working on these projects both independently and in association with other large Russian companies.

Construction of a pontoon-type floating rig base was completed as part of the North-Caspian project, as well as the shooting of 63 square km of 3D seismic, and drilling and testing of a prospecting well (West-Rakushechnaya No.1), which discovered the West-Rakushechnoye field.

Within the Tuapse Trough project, shooting of 406 square km of 3D seismic was completed, as was the processing and interpretation of materials for target strata and for upper layers (to reduce drilling risks). Three-dimensional basin modeling was completed, and locations were chosen for prospecting wells.

In the West-Chernomorsky area project the Company carried out 1,250 square km of 3D seismic and 450 linear km of 2D seismic, as well as completing analysis of 4,394 linear km of 2D seismic from previous years, processing and interpreting the new data and choosing well locations.

Work in 2008 at the Temryuksko-Akhtarsky area, where the Novoye field was discovered in 2007, included 520 linear km of 2D seismic and 634 linear km of electrical exploration work, as well as processing and interpretation of the data obtained. A prospecting and exploration well, Gelendzhikskaya-1, was completed but failed to detect any reservoirs with commercial hydrocarbon reserves.

International Projects

Rosneft is executing three major geological exploration projects outside Russia. These are Block 245-South in Algeria and Kurmangazy and the Adaisky block in Kazakhstan.

Oil fields – East and West Takuazet – and the North Tisselit gas condensate field had already been discovered as part of the 245-South project in Algeria, and Rosneft has now completed the reinterpretation of geological and geophysical materials for the fields, as well as creating geological and geophysical models. Preparation for development of these fields is in hand.

The Kurmangazy project advanced in 2008 with processing, reprocessing and interpretation of 4,730 linear km of 2D seismic exploration data obtained in previous years. Rosneft also carried out complex interpretation of all available geological and geophysical data including those obtained from drilling in 2006 of well No.1. A site was chosen for prospecting well No.2, and preliminary engineering and geological work was carried out at the site. Well design and ecological baseline studies were completed.

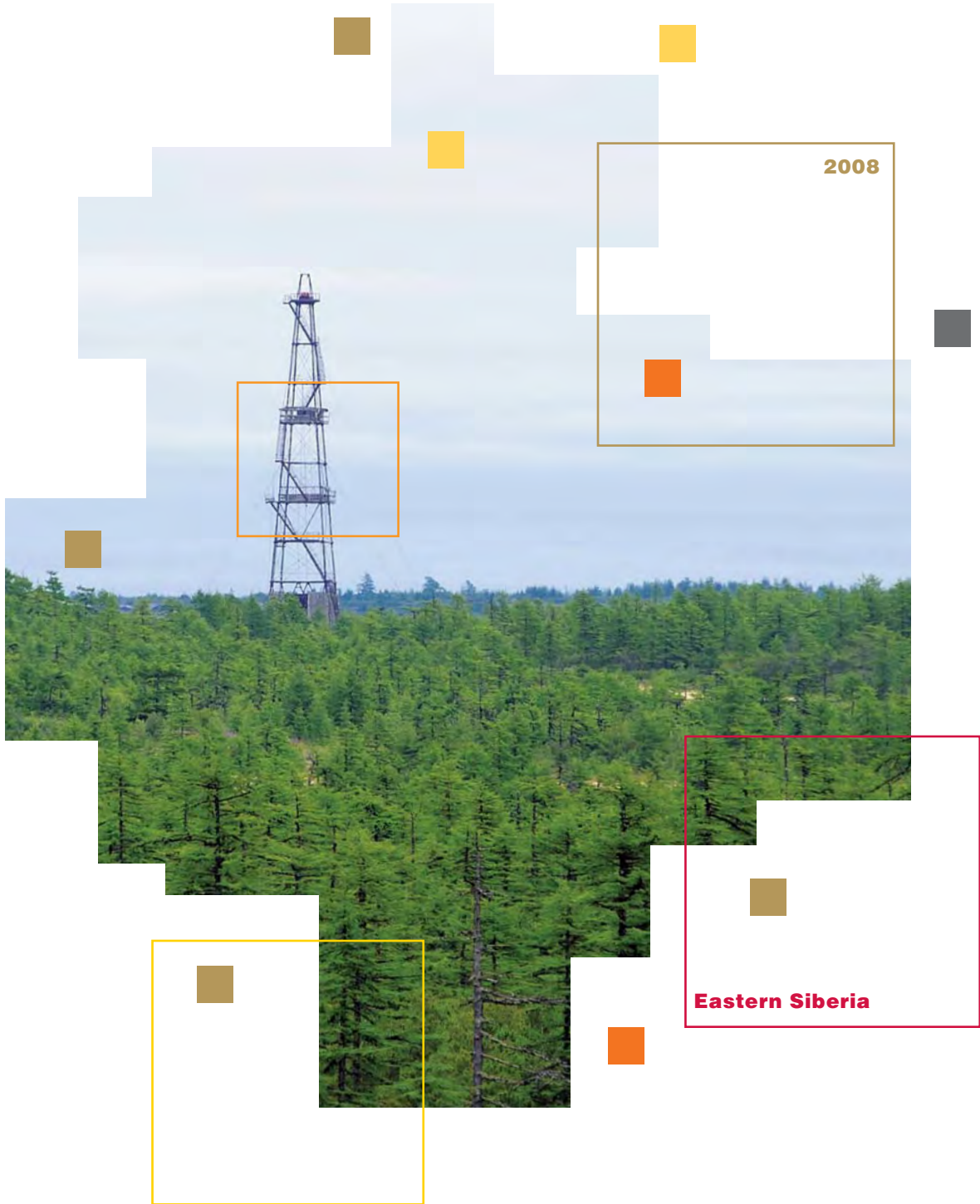
In the Adaisky project the Company shot 176 linear km of 2D seismic and 483 square km of 3D seismic to ascertain the structure of subsalt layers in the northern part of the license area. Standard processing of 2D seismic materials was completed and technical plans were made for drilling of a prospecting well to the subsalt layers.



Rosneft has completed reinterpretation of geological and geophysical materials, as well as creating geological and geophysical models for the fields discovered within 245-South project in Algeria.



Rosneft participates in two promising exploration shelf projects: Sakhalin-3 (Veninsky area) and Sakhalin-5 (Kaigansko-Vasyukansky and East-Schmidtovsky areas).



Reserves

The Company strives to replace and expand its reserve base efficiently to support accelerated production growth. In 2008 Rosneft confirmed its status as the biggest public oil company in the world by volume of liquid hydrocarbon reserves.

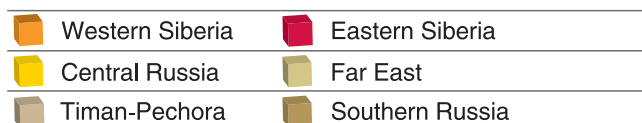
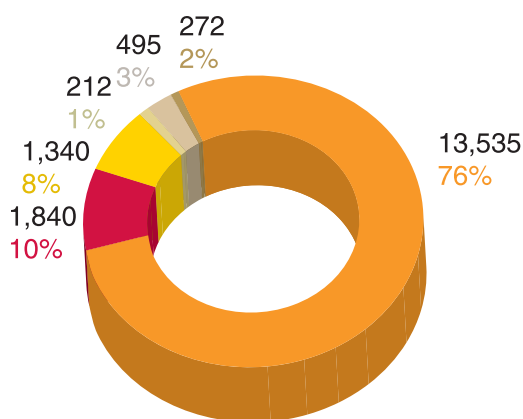
Despite significant fall in oil prices at the end of 2008 the Company increased its proved reserves under PRMS (previously SPE) classification, and achieved almost full reserve replacement under SEC classification.

According to an audit by DeGolyer & MacNaughton, Rosneft's proved reserves by PRMS classification as of December 31, 2008 totaled 17,694 mln barrels of oil and 784 bln cubic meters of gas. The Company's proved hydrocarbon reserves increased by 2.8% to

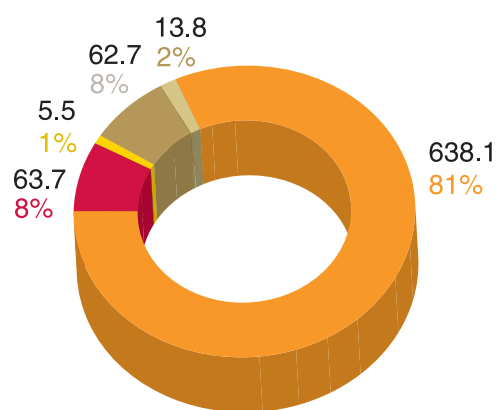
22,307 mln barrels of oil equivalent, mainly thanks to large-scale and highly efficient geological exploration work. The proved hydrocarbon reserve replacement ratio in 2008 was 172%, including 123% for oil reserves.

Company reserves are located both in traditional oil & gas producing regions (southern part of European Russia, Western Siberia, Central Russia) and in promising new regions (Eastern Siberia, the Far East,

Proved oil reserves, PRMS
(mln barrels; %)



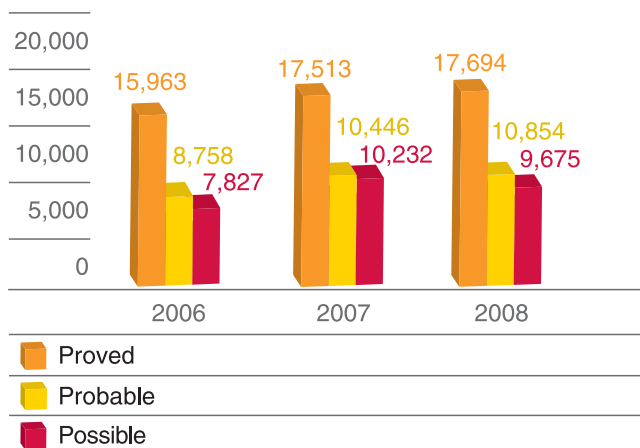
Proved gas reserves, PRMS
(bcm; %)



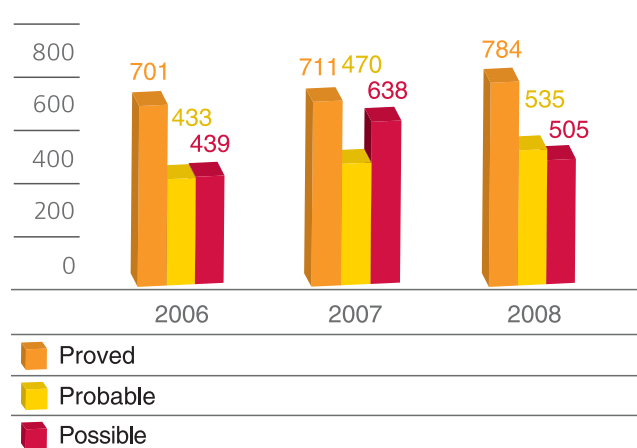


More than 77% of the Company's proved oil reserves are concentrated in Western Siberia, mainly in Khanty-Mansiysk Autonomous District.

Oil reserves, PRMS
(mln barrels)



Gas reserves, PRMS
(bcm)



Timan Pechora). More than 77% of the Company's proved oil reserves are concentrated in Western Siberia, mainly in Khanty-Mansiysk Autonomous District. About 10% of Company oil reserves are in Eastern Siberia. Western Siberia also contains about 80% of the Company's proved gas reserves, which are concentrated mainly in the Yamal-Nenets Autonomous District. Most of Rosneft's reserves are conventional. Hydrocarbon reserve life at the end of 2008 was 26 years (23 years for oil and 65 for gas).

The Company also has large probable and possible reserves, which provide an excellent foundation for further growth of proved reserves. Probable reserves by PRMS classification at the end of 2008 totaled 10,854 mln barrels of oil and 535 bln cubic meters of gas, with possible reserves of 9,675 mln barrels of oil and 505 bln cubic meters of gas.

Rosneft also audits its reserves under the SEC life-of-field classification. DeGolyer & MacNaughton's audit as of December 31, 2008 found that the Company's SEC proved reserves totaled 13,275 mln barrels of oil and 199 bln cubic meters of gas.



2008

Yuganskneftegaz

Production

Rosneft confirmed its status as Russia's leading oil producer in 2008 and posted the highest crude production growth rates among Russian and international peers. Company efforts in 2008 were focused on controlling costs, improving operating efficiency of producing assets and bringing existing hydrocarbon reserves into production.

Rosneft operates seven production business units and six fully consolidated production and development subsidiaries. The Company also has a 20% stake in the Sakhalin-1 project consolidated under the proportionate consolidation method. Five production joint ventures of Rosneft and its partners are accounted for under the equity method. The Company's 19 production and development business units, subsidiaries, and joint ventures operate in the most promising hydrocarbon-bearing regions of Russia: Western Siberia, Timan-Pechora, Central Russia, southern part of European Russia, the Russian Far East, and Eastern Siberia. Yuganskneftegaz and Purneftegaz in Western Siberia, and Samaraneftegaz in the central part of European Russia are Rosneft's most important production and development units, collectively accounting for 79% of total crude oil production in 2008.

Rosneft confirmed its status as Russia's leading oil producer in 2008 and posted the highest crude production growth rates among its Russian and international rivals. The Company produced 776.3 mln barrels of crude oil and gas condensate (including 707.7 mln barrels produced by subsidiaries), up 4.9% compared with 2007. The increase in output was largely driven by sustained organic growth, as well as acquisitions made in 2007. The organic increase in oil production (excluding the 2007 acquisitions of subsidiaries and shares in affiliates) was 3.6%, due mainly to further development of Yuganskneftegaz fields, particularly the Priobskoye field.

Output of natural and associated gas dropped by 21.2% compared with 2007 to 12.4 bln cubic meters. The decline was due to temporary suspension of production at several gas fields in the Yamal-Nenets Autonomous District as part of the Company's policy of rational reserve use and environmental protection, which envisages reduction of gas flaring and increase of gas utilization rates. Gas sales declined by only 9.8% in 2008 compared with 2007, despite the production decline of more than 20%.

Company efforts in 2008 were focused on controlling costs, improving operating efficiency of producing assets and bringing existing hydrocarbon reserves into production. Upstream production and operating expenses decreased by USD 68 mln in 2008 compared to 2007 and amounted to USD 3.41 per bbl produced and USD 3.11 per boe produced compared with USD 3.48 per bbl produced and USD 3.08 per boe produced in 2007. The decrease in operating expenses per barrel of crude oil produced was due to deconsolidation of Tomskneft (after its sale in December, 2007) and replacement of third-party services (repair, workovers, etc.) to upstream entities by intra-Group services (service companies were acquired in 2007). However, the savings were partly canceled out by increases in electricity tariffs and consumption, increased costs of well workovers by external service providers, as well as additional accruals for polluted lands.

Rosneft's Production Regions

LEGEND

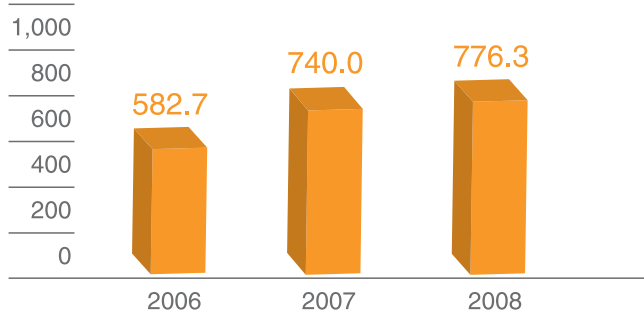
- Oil production, mln barrels
- Gas production, bcm
- Share in total production, %



Including share in production by affiliates.

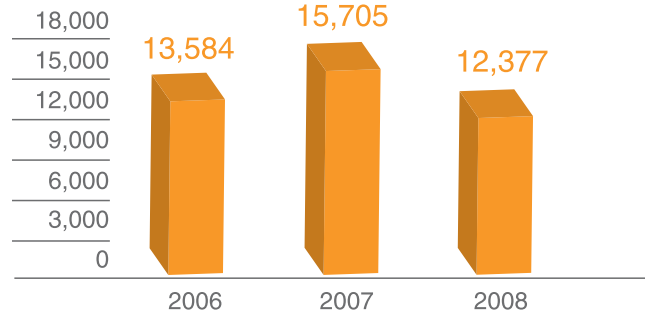
Performance Review

Crude oil production (mln barrels)



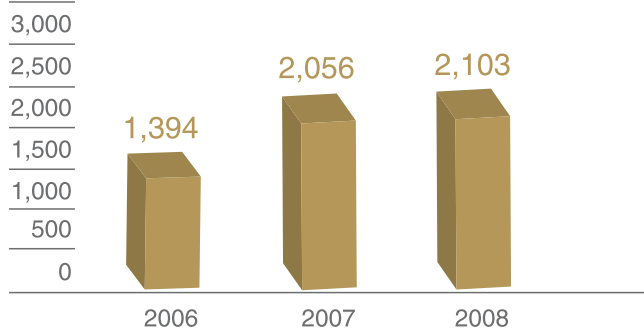
Including share in production by affiliates

Gas production (mcm)



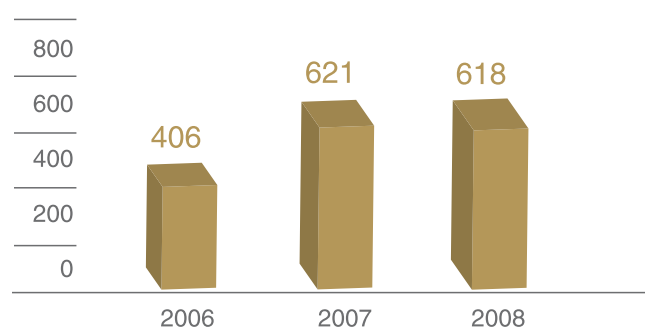
Including share in production by affiliates

Production drilling (th. meters)



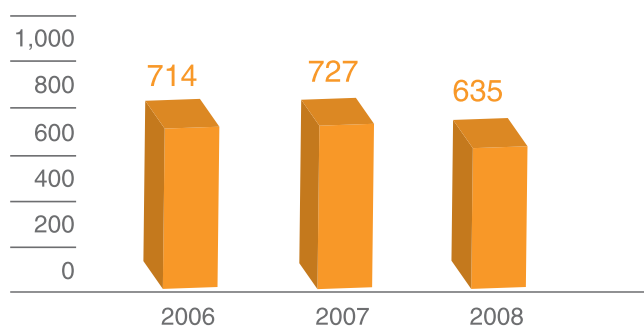
Rosneft's subsidiaries excluding Sakhalin-1

Newly drilled production wells (wells)



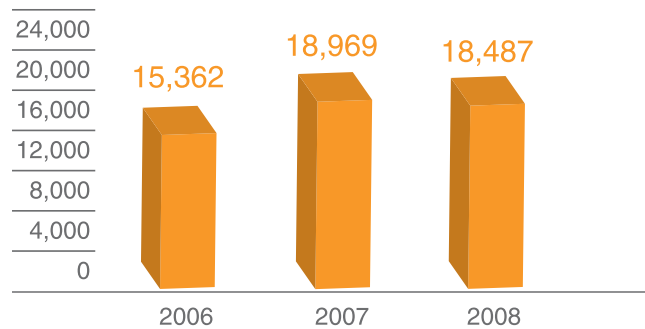
Rosneft's subsidiaries excluding Sakhalin-1

Average flow rate of new oil wells (barrels per day)



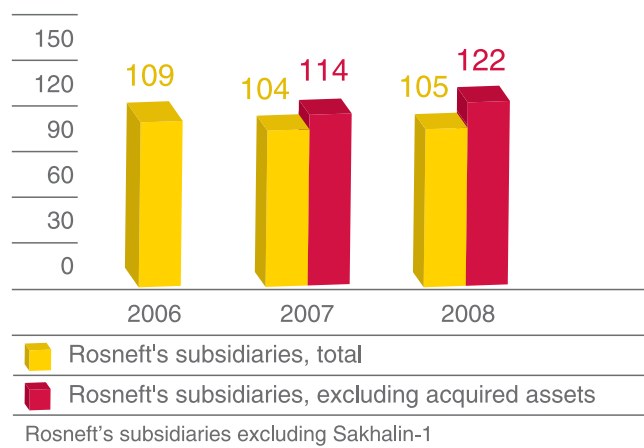
Rosneft's subsidiaries excluding Sakhalin-1

Oil production wells (wells, as of year-end)



Rosneft's subsidiaries excluding Sakhalin-1

Average flow rate of oil wells
(barrels per day)



Production drilling by Rosneft subsidiaries (excluding the Sakhalin-1 project) was 2,103 th. meters in 2008. A total of 618 oil wells and one gas well were put into operation after production drilling. Production from new wells (including wells put into operation from other drilling categories) was 65.4 mln barrels of crude oil and 0.2 bln cubic meters of gas. As of December 31, 2008 Rosneft subsidiaries had 18,487 wells producing oil and gas condensate. The decline in numbers from the end of 2007 was due to optimization works including mothballing of wells with low flow rates and high watercut. Rosneft's average daily flow rate per new production well was 635 barrels in 2008, which is 2.5 times higher than the Russian average, and average flow rate for all production wells was 105 barrels per day, which is 1% higher than in 2007. Rosneft's average oil flow rate, net of effects from 2006 and 2007 acquisitions, increased by 7% year-on-year to 122 barrels a day.

Development costs of Rosneft's subsidiaries totaled USD 6,405 mln, up 38.5% year-on-year. This growth was primarily due to the implementation of large-scale development projects such as the Vankor field as well as cost inflation and acquisition of new assets in the second quarter of 2007.

Western Siberia

Khanty-Mansiysk Autonomous District (KhMAD)

In 2008, the Khanty-Mansiysk Autonomous District remained Rosneft's primary reserve base. Along with its brownfield projects in the region, the Company is actively engaged in greenfield developments (i.e., Priobskoye, Prirazlomnoye, etc.) that have low depletion rates. The Company's Priobskoye field ranks first in terms of crude output and proved oil reserves (31% and 32% of Rosneft's total, respectively). It also accounted for most of Rosneft's crude oil production growth in 2008.

Rosneft makes extensive use of the latest reservoir development methods in order to maximize production efficiency at fields in KhMAD. Consistent use of recovery enhancement techniques, such as well workovers, sidetracking, hydrofracturing and various chemical methods enables Rosneft to sustain production growth even at its mature fields.

Rosneft continued to develop reserves in Khanty-Mansiysk Autonomous District according to plan during 2008. Production drilling by the Company in the region was 1,683 th. meters, which is comparable with the 2007 level. A total of 533 new oil wells were put into operation after production drilling in KhMAD, and average daily output per new well was 643 barrels, which is 2.5 times higher than the average for Russia. Average daily output from production wells in KhMAD rose by 2.9% from 2007 to 162 barrels. High well productivity and a high level of reserve concentration means that production costs can be kept under tight control.

The Company produced 480.3 mln barrels of oil and 1.92 bln cubic meters of gas at its fields in the region during 2008, representing 61.9% and 15.5% of total Company output and exceeding indicators for 2007 by 8.7% and 26.3%, respectively. About 65% of oil produced by the Company in KhMAD during 2008 was exported and the remainder was sent for refining at Rosneft refineries or delivered under swap agreements.



Rosneft produces oil and gas in the north of Sakhalin Island and on the adjacent ocean shelf. Rosneft's oil and gas condensate production in the region during 2008 was 24.9 mln barrels and gas production was 0.89 bln cubic meters.

Yamal-Nenets Autonomous District (YaNAD)

Rosneft operations in the Yamal-Nenets Autonomous District in 2008 were focused on improving field development and operating systems, targeting a comprehensive solution to issues of associated gas utilization. Rosneft reserves in YaNAD are highly concentrated: more than 70% of oil and gas condensate reserves are at the Komsomol'skoye, Tarasovskoye, Barsukovskoye, and Kharampurskoye fields, which is conducive to cost-efficient field development and production.

Production drilling in the region was 128,000 meters, and 36 new wells were brought into operation. The Company produced 60.6 mln barrels of oil and gas condensate and 3.94 bln cubic meters of gas in YaNAD during 2008. About 65% of oil produced by Rosneft in the region was sent for refining at the Tuapse refinery, and most of the remainder was exported.

YaNAD is the main region of gas production for Rosneft, accounting for 68% of the Company's proved gas reserves and 31.8% of gas production in 2008. Reduction of gas output in 2008 was due to temporary suspension of production at several fields in order to reduce volumes of flared gas. Production of gas in the region will be substantially increased in the medium term thanks to the Company's gas program, which is currently being implemented.

Tomsk Region

Rosneft production in Tomsk region (and partly in KhMAD) is carried out by OJSC Tomskneft, in which Rosneft holds a 50% stake. The remaining 50% belongs to Gazpromneft. Tomskneft operates several old fields with watercut of more than 80% (Sovetskoye, Olenye, Chkalovskoye, Nizhnevartovskoye, Strezhevskoye), as well as several relatively young fields (Krapivinskoye, Dvurenchenskoye, West-Moiseyevskoye, Igolsko-Talovoye) which are currently at the initial development stage. Oil from Tomskneft fields is delivered mainly to the Company's Achinsk and Angarsk refineries, which are located fairly close by.

Tomskneft produced 83.3 mln barrels of oil and gas condensate and 1.72 bln cubic meters of gas at its fields in 2008, of which the Rosneft share was 41.6 mln barrels and 0.86 bln cubic meters, respectively.

Timan-Pechora

The Company subsidiary RN-Severnaya Neft is developing the Val Gamburtsev fields and the Bagan'skaya group of fields, which are part of the Timan-Pechora oil & gas province and are located in the Komi Republic and the Nenets Autonomous District. RN-Severnaya Neft is the Company's fourth largest oil production unit. Production of oil and gas condensate by RN-Severnaya Neft in 2008 was 39.1 mln barrels and gas output was 0.32 bln cubic meters.

LLC Polar Lights (Polyarnoye Siyaniye), a joint venture between Rosneft and ConocoPhillips, operates in the northern part of Timan-Pechora, where it develops five fields of the Ardalinskaya group: Ardalinskoye, East-Kolvinskoye, Oshkotynskoye, West-Oshkotynskoye, and Central-Khoreiverskoye. The latter was discovered by the joint venture and its development began in 2008. ConocoPhillips and Rosneft each have a 50% stake in the joint venture, with ConocoPhillips serving as the operator. Output by Polar Lights in 2008 was 7.8 mln barrels of oil, of which the Rosneft share was 3.9 mln barrels.

Oil produced by the Company in Timan-Pechora is mainly exported.

Sakhalin Island (Onshore and Offshore Projects)

Rosneft produces oil and gas in the north of Sakhalin Island, and also on the adjacent ocean shelf as part of the Sakhalin-1 project (Chaivo, Odoptu, and Arkutun-Dagi offshore fields), in which the Company has a 20% share. Oil and gas condensate production by Rosneft in the region during 2008 was 24.9 mln barrels and gas production was 0.89 bln cubic meters. The fall in output compared with 2007 was due to natural exhaustion of reserves on Sakhalin as well as lowering of production levels in the Sakhalin-1 project in accordance with the project implementation schedule.

Direct access to the Company's own refining capacities in Komsomolsk-on-Amur and proximity of the lucrative Asia-Pacific market ensure high economic efficiency of oil deliveries from Sakhalin. All of the oil produced on Sakhalin Island is used to load the Komsomolsk refinery. All of the oil from Sakhalin-1 is exported.

Samara Region and the Republic of Udmurtia

In the Samara Region Rosneft subsidiary Samaraneftgaz produced 70.3 mln barrels of oil and gas condensate and 0.33 bln cubic meters of gas during 2008. Samaraneftgaz develops more than 120 fields and is Rosneft's second largest production unit after Yuganskneftgaz. The largest fields developed by Samaraneftgaz are West-Kommunarnoye, Belozersko-Chubovskoye, Ozerkinskoye, and South-Neprinkovskoye. All fields are connected to the essential infrastructure, including Transneft trunk pipelines. Although the majority of fields have been in operation for some time, the region still enjoys high production potential.

Thanks to increased development and use of the latest technologies, Rosneft achieved a 2.3% increase in oil and gas condensate output in the Samara Region in 2008 compared with total production at Samaraneftgaz fields in 2007 (Samaraneftgaz was acquired by Rosneft in the first half of 2007). Proximity of fields to Russia's biggest oil refining center (the Samara group of refineries, owned by Rosneft) ensures the high economic efficiency of crude oil production.

In the Republic of Udmurtia the production company OJSC Udmurtneft is under joint management of Rosneft and the Chinese corporation Sinopec. Rosneft's share in Udmurtneft is 49.5%. Thanks to the application of the latest EOR methods Udmurtneft achieved a 2.3% increase in oil production at its fields in 2008 compared with 2007 to a level of 46.0 mln barrels. Rosneft's share in production is used to load the Samara refineries and is also delivered to export.

Southern Federal District

Rosneft develops more than 150 oil and gas fields in Russia's Southern Federal District. Production capacities are located in Krasnodar Region, the Chechen Republic, Stavropol Region and the Republic of Dagestan. Fields in the Southern Federal District, the oldest oil producing region in Russia, enjoy proximity to major Black Sea ports, and some of them produce high quality crude oil.

Rosneft's oil and gas condensate production in the Southern Federal District was 32.3 mln barrels in 2008

and gas production was 4.01 bln cubic meters. All of the produced oil was exported.

Eastern Siberia

Vankor Field

Full-scale development of Eastern Siberia is a highly important strategic objective for Rosneft. The Company made rapid progress in 2008 with the construction of infrastructure and production drilling at the Vankor field, which is located in the north of Krasnoyarsk Region and is one of the largest fields in this part of Russia.

Production drilling at the field totaled 142,000 meters in 2008 and 31 production wells were drilled. One production well was brought into operation to meet the needs of drilling brigades. Work continued on construction of a pipeline to link the field with Transneft's transportation system close to the Purneftegaz fields (408 km of a total 578 km had been built by the end of the year), as well as on construction of an oil treatment unit and oil pumping stations. Capital expenditures of Vankorneft, which is developing the Vankor field, were USD 2,433 mln in 2008.

The field will be one of the major sources of Rosneft's production growth in the mid-term. Until the completion of Transneft's Eastern Siberia – Pacific Ocean (ESPO) pipeline crude oil from the Vankor field will be delivered westward through Transneft's trunk pipeline system. Once Transneft's ESPO pipeline is completed, Rosneft will be able to reach peak crude oil production at Vankor and accelerate the development of adjacent licensed blocks.

Verkhnechonskoye Field

A range of preparatory work was carried out in 2008 at the Verkhnechonskoye field in Irkutsk Region in preparation for the launch of full-scale field development and the start of commercial oil production. The field is being developed by Rosneft jointly with TNK-BP.

Most of the units and construction needed for oil production, including an oil pipeline connection from the field to the ESPO pipeline, had been built and commissioned by September 2008. A total of 19 production wells were brought into operation during 2008,

and there were 27 production wells in operation at the field by the end of the year.

Commercial production at the Verkhnechonskoye field began in October 2008. Oil from the field is transported via a section of the ESPO pipeline, which is operating in reverse direction, to Taishet. Production in 2008 was 1.1 mln barrels, of which the Rosneft share was 0.3 mln barrels, or 25.94%. The Company delivered its share of oil from Verkhnechonskoye for processing at the Komsomolsk refinery.

Yurubcheno-Tokhomskoye Field

The Company has 7 license areas in the south-eastern part of Krasnoyarsk region, including the Yurubcheno-Tokhomskoye oil and gas field. Seasonal oil production was carried out at the field to provide for its own needs and needs of nearby communities.

Due to its geological and structural complexity, the Yurubcheno-Tokhomskoye field will be developed in several stages. In the preparatory stage, which is scheduled through 2013, Rosneft plans to drill 28 production wells (including horizontal wells) in the western part of the field and to build necessary production infrastructure, as well as a 600-km pipeline to Taishet (the starting point of the ESPO pipeline).

Work was carried out in 2008 to prepare documentation for planned transport infrastructure, which will serve the first-stage area of the field, and also for construction of various ancillary infrastructure. Actual construction work is scheduled to begin in 2010.

Program for Associated Gas Utilization

Improving utilization of associated gas has been among Rosneft's top priorities. The associated gas utilization ratio was 61.1% in 2008, compared with 60.0% in 2007. The Company made progress in 2008 in its program for increasing rates of associated gas utilization. Work included the launch and fine-tuning of the first gas compression station at the Priobskoye field in Khanty-Mansiysk Autonomous District. The station was brought into commercial use, enabling an increase of 700 mln cubic meters per year in the amount of usefully employed associated gas.

Rosneft subsidiary Samaraneftgaz brought several new installations into operation, increasing rates of associated gas utilization at the Pinenkovskoye, Sophinsko-Dzerzhinskoye, Gorbatovskoye and Yezhovskoye fields from 38% to 95%.

In September Rosneft and the World Bank signed an agreement on the purchase of Emission Reduction Units (ERUs) created by the implementation of the associated gas utilization program at the Komsomolskoye field in Yamal-Nenets Autonomous District. Another agreement, on the purchase from Rosneft of ERUs created thanks to the associated gas utilization program at the Kharampurskoye field in Western Siberia and Khasyreiskoye field in Timan-Pechora, was signed in December 2008 with Carbon Trade & Finance SICAR S.A. (a joint venture between Dresdner Bank and OJSC Gazprombank). These agreements should allow Rosneft to reimburse partially its investments in programs for more efficient use of associated gas at the above-mentioned fields.

2008

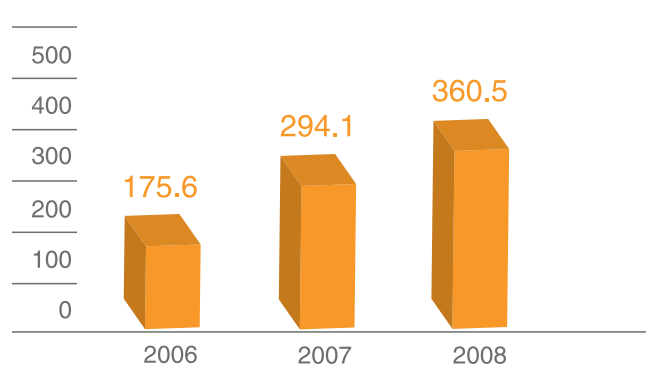


Angarsk refinery

Refining, Petrochemicals and Gas Processing

The Company's oil refining business had a record year in 2008, thanks to record high levels of refining margin and efforts by Rosneft to optimize and improve efficiency in the segment.

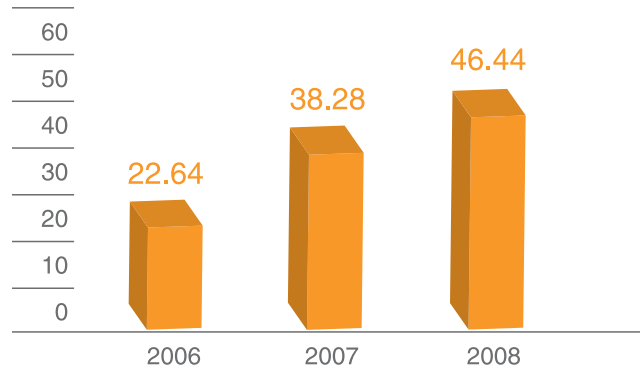
Refinery throughput
(mln barrels)



The Company has seven large oil refineries: Komsomolsk, Tuapse, Novokuibyshevsk, Syzran, Kuibyshev, Achinsk and Angarsk. Their total primary refining capacity is 394 mln barrels of crude oil per year, representing almost 51% of Company production volumes in 2008. Rosneft also owns three mini-refineries (in Western Siberia, Timan-Pechora and the southern part of European Russia) as well as a 50% stake in the Strezhevskoy mini-refinery in Western Siberia. Total annual capacity of mini-refineries is 4.4 mln barrels of crude oil.

Company refineries have favorable geographical locations and their production is sold both inside and outside Russia.

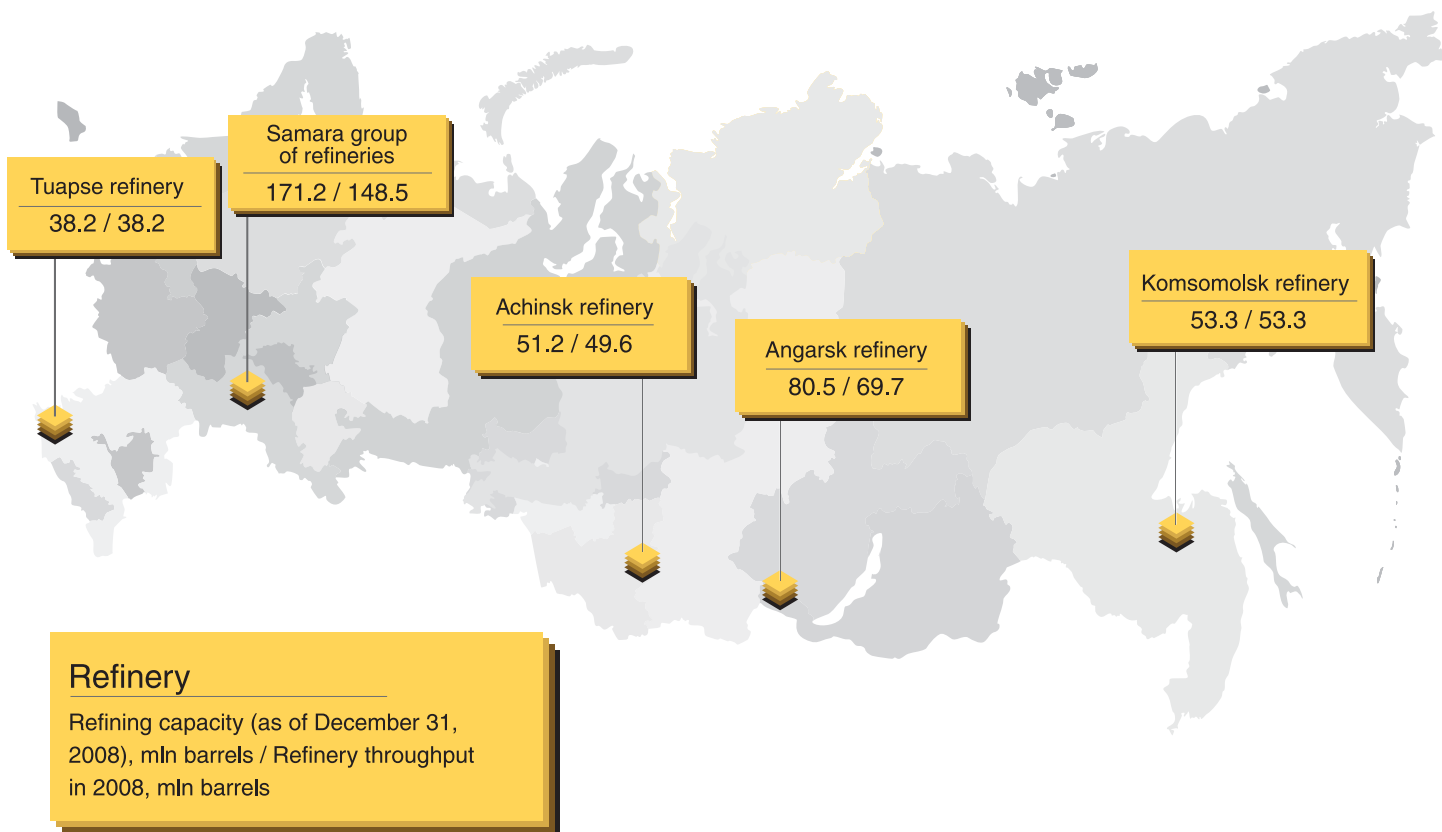
Petroleum and petrochemical product output
(mln tonnes)



The Tuapse refinery, located on the Black Sea coast, is the best-placed of all Company refineries, since it enables Rosneft to make efficient export deliveries of petroleum products. The refinery is also one of the biggest suppliers of petroleum products to the rapidly growing market in Russia's Southern Federal District.

The Samara group of refineries (Kuibyshev, Novokuibyshevsk and Syzran) delivers most of its output to regions in Central Russia. Also, buffer storage facilities for oil and petroleum products and access to the network of petroleum product pipelines and loading terminals on the Volga River enable export deliveries to the European market via all modes of transport: railroad, pipeline and water.

Rosneft's Refineries



Petroleum products from the Angarsk, Achinsk and Komsomolsk refineries are sold in Siberia and the Far East. The refineries play a very important role in supplying the energy needs of those regions. Part of their output is exported to Mongolia, China and other Asian markets.

The Angarsk polymer plant, which is also part of Rosneft's operating structure, specializes in production of various petrochemicals (ethylene, propylene, polyethylene and pyrolysis tars). The plant's inputs are straight-run gasoline and hydrocarbon gases, mainly produced by the Angarsk refinery. Annual capacity of the main operating installation at the plant – a pyrolysis unit – is 300,000 tonnes of ethylene.

Rosneft has a rapidly developing lubricants business. Lubricants are produced at the Angarsk refinery, at the Novokuibyshevsk oils and additives plant, whose production cycle is associated with the Novkuiby-

shevsk refinery, and also by a specialized subsidiary, Rosneft Nefteproduct Moscow, which produces a unique range of lubricants. Rosneft also has a specialized scientific research institute focused on the lubricant segment.

Overall annual capacity of Rosneft lubricant plants is in excess of 600,000 tonnes of ready products, including 485,000 tonnes of lubricants (motor oils, industrial oils, base oils), 10,000 tonnes of motor oil additives and 115,000 tonnes of other products (paraffin, petrolatum, wax, extracts, etc.). Rosneft plants produce a range of more than 100 types of lubricants, providing for the needs of large industrial enterprises as well as motorists.

Rosneft also owns two gas-processing plants, Neftegorsky and Otradnensky, both located in Samara Region, with a combined annual capacity of 1.9 bln cubic meters of gas. The plants prepare, compress and

process associated gas extracted in Samara region. They produce dry stripped gas, which is fed into the Gazprom pipeline system, as well as light hydrocarbon fractions, ethane fraction and technical sulphur.

Results in 2008

Company refineries, including mini-refineries, processed 360.5 mln barrels of oil (49.3 mln tonnes) in 2008, representing 46% of Rosneft's total crude production. Refining volume increased by almost 23% compared with 2007 thanks to an increase in refining at the Komsomolsk and Tuapse refineries, as well as acquisition in 2007 of five large refineries. Utilization of refining capacity exceeded 90%, refining depth rose from 65.5% in 2007 to 66.8% in 2008 and light product yield rose to 57.7% from 56.7% in the previous year. Overall output of petroleum products rose to 46.4 mln tonnes (including outputs from the Angarsk polymer plant and the Novokuibyshevsk oils and additives plant). A favorable macroeconomic environment for oil refining through most of the year, efficient control over costs and improvement of output structure enabled the refining segment to make a record contribution to Rosneft's consolidated financial results in 2008.

Following the successful integration of refining capacity acquired in 2007, Rosneft stepped up work on refinery modernization and efficiency improvement. Many projects in this sphere are focused on compliance with the new Russian technical regulations defining main standards for petroleum products. The regulations were introduced at the start of 2008 and fix precise deadlines for changeover to Euro-3, Euro-4 and Euro-5 standards for motor fuels. Design of respective programs for modernization of Rosneft refineries was completed in 2008 and implementation was initiated. The programs are for the reconstruction of main existing processing units and construction of new units. Plans include reconstruction and installation of: reforming, isomerisation and alkylation units for production of high-octane gasoline components; catalytic cracking units for production of high-octane gasoline components and deeper oil refining; hydrocracking units for production of high-quality components of gasoline, diesel fuel and jet fuel, as well as for deeper oil refining; and hydrotreatment units in order to meet requirements of the new technical regulations for sulphur content in products.

As part of a cost-cutting program, measures were taken at all Company refineries in 2008 to reduce expenditure of fuel and electricity as well as to reduce irrecoverable processing losses.

Work also continued in 2008 on two of the Company's strategic projects: expansion of capacities at the Tuapse refinery and construction of the Primorsk refinery at the end point of the Eastern Siberia-Pacific Ocean pipeline.

Capital expenditures by Rosneft's refineries in 2008 totaled USD 524 mln. Abrupt deterioration of the macroeconomic environment at the end of the year caused Rosneft to revise its refinery development plans, postponing completion of several less important projects for several years.

Komsomolsk Refinery

The Komsomolsk refinery has been part of Rosneft since the Company's founding. Located in Komsomolsk-on-Amur in the Khabarovsk region of the Russian Far East, the refinery has access to Western Siberia and Sakhalin crude. The Sakhalinmorneftegaz pipeline connects the Komsomolsk refinery to Sakhalin fields. Western Siberia crude oil is delivered via the Transneft pipeline and then by rail after reloading at the Zuy rail junction near the Angarsk and Uyar rail junction near Krasnoyarsk.

Petroleum products from the Komsomolsk refinery are distributed in the Russian Far East by rail and road, and are also transported by rail for further export via marine terminals, including Rosneft's reloading facilities at Nakhodka and the third-party Vanino marine terminal. The refinery is Rosneft's key supplier of petroleum products to wholesalers in the Russian Far East, as well as to its regional network of proprietary service stations.

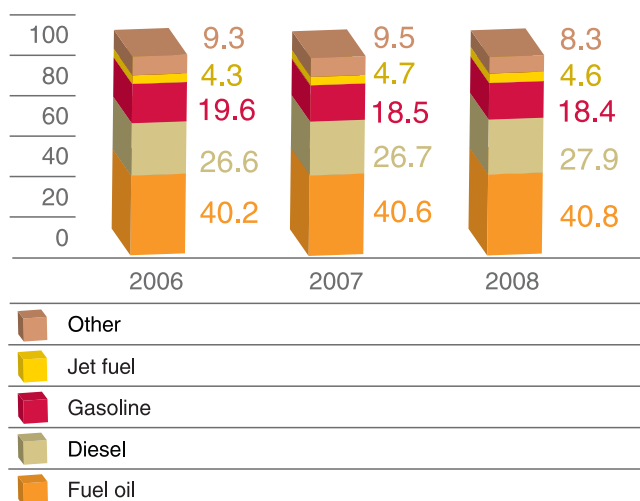
The Komsomolsk refinery processed 53.3 mln barrels (7.29 mln tonnes) of crude oil in 2008, which is 3.8% more than in the previous year. It operated at full capacity. Output of petroleum products rose to 7.11 mln tonnes in 2008.

Measures were taken at Komsomolsk in 2008 to reduce irrecoverable processing losses and fuel consumption. As a result, fuel consumption declined



The Komsomolsk refinery processed 53.3 mln barrels (7.29 mln tonnes) of crude oil in 2008, which is 3.8% more than in the previous year. Work continued on the construction of a delayed coking facility and on the design for new hydrocracking facility.

Structure of petroleum product output at Komsomolsk refinery (%)



from 3.1% of total refining volumes in 2007 to 2.9% in 2008, and irrecoverable losses were cut from 0.63% to 0.59%.

Work continued on construction of a delayed coking facility, whose launch in 2010 will increase refining depth to 75%, compared with 59.4% in 2008. Design work was also carried out for a new hydrocracking facility, which will raise refining depth to 95% and enable the refinery to make petroleum products that meet Euro-4 and Euro-5 standards. Inputs for the new facilities will be created by reconstructing existing primary refining units at Komsomolsk, increasing their annual capacity to 58.5 mln barrels and raising overall refining efficiency.

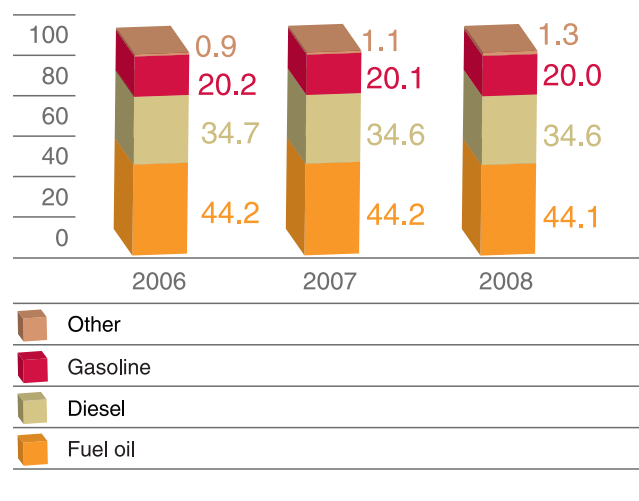
The Company began upgrading work on the catalytic reforming unit at Komsomolsk in response to the approval of the new Russian technical regulations on fuel quality. The upgrade will enable production of automotive gasoline to Euro-4 standards.

Capital expenditures of the Komsomolsk refinery were USD 73 mln in 2008.

Tuapse Refinery

The Tuapse refinery is located in the Krasnodar Region, and has been part of Rosneft since the Com-

Structure of petroleum product output at Tuapse refinery (%)



pany's founding. It is the only Russian refinery on the Black Sea coast and is a major crude oil processing center in Southern Russia. The refinery has access to crude oil from Western Siberia, which is delivered via the Transneft pipeline system, and to Southern Russia crude delivered via the Transneft pipeline system and by rail. Approximately 90% of petroleum products from the refinery are exported through Rosneft's own terminal in Tuapse, while the rest is sold domestically by the Company's marketing units.

Crude inputs at the Tuapse refinery were 38.2 mln barrels (5.23 mln tonnes) in 2008, which is equal to the 2007 level. Refining capacities were fully loaded and output of petroleum products was 5.11 mln tonnes. Refining depth in 2008 was 56.1%, unchanged from 2007.

Rapid progress was made in the project to expand refinery capacity. The plan is to increase annual throughput volumes at Tuapse to 88 mln barrels and to raise refining depth to 95%. Automotive gasoline from Tuapse will meet Euro-4 standards. Work continued in 2008 on developing basic projects for constructing units for hydrocracking of vacuum gasoil mixed with heavy coking gasoil, hydrotreatment of diesel fuel, hydrogen production, isomerization and hydrotreatment of naphtha, catalytic reforming, delayed coking and sulphur production.

Performance Review

Main design work for the construction of the first-stage facilities (desalination and distillation unit with an atmospheric and vacuum section, as well as a section for hydrotreatment of naphtha) were completed. Work began on the on gas-flaring facilities and water supply areas, and storage units for liquefied hydrocarbon gases were built.

Capital expenditures of the Tuapse refinery totaled USD 137 mln.

Novokuibyshevsk Refinery

The Novokuibyshevsk refinery started operations in 1951. It is part of the Samara group of refineries acquired by Rosneft in 2007. A substantial part of crude feedstock comes to the refinery from Samaraneftgaz and Yuganskneftegaz.

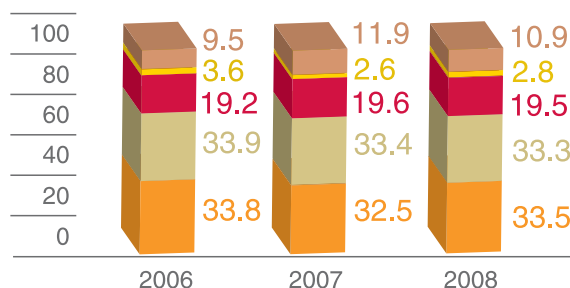
The Novokuibyshevsk refinery processed 53.9 mln barrels (7.37 mln tonnes) of crude oil in 2008, unchanged from 2007. But refining of Rosneft crude oil at the refinery rose by 19.0%, since the refinery was only acquired by the Company in the first half of 2007. Production of marketable petroleum products (including production by the Novokuibyshevsk oils and additives plant) was 6.91 mln tonnes, and refining depth was 77.0%.






Measures were implemented at the refinery in 2008 to reduce irrecoverable processing losses and fuel consumption, thanks to which processing losses were reduced to 1.3% of total refining volumes (from 1.5% in 2007) and fuel consumption declined from 8.1% to 7.9%.

In compliance with new Russian fuel regulations, modules for immixture of additives to fuel and a hydrogen concentrator were installed at the refinery during 2008. This will enable significant increase in output of diesel fuel complying with modern environmental requirements from 2009.

A review of the configuration of the Novokuibyshevsk refinery was carried out to take account of the new Russian technical regulations for fuel quality, and a schedule was fixed for upgrading existing production and installing new facilities. A new catalytic reforming complex is to be built at the refinery, the existing isomerization unit will be rebuilt and a second

Structure of petroleum product output at Samara group of refineries (%)



-  Other
-  Jet fuel
-  Gasoline
-  Diesel
-  Fuel oil

Including outputs by Novokuibyshevsk oils and additives plant

set of isomerization facilities will be added. This will enable full changeover to production of automotive gasolines that meet Euro-3 and Euro-4 standards. A hydrocracking facility will also be built and the delayed coking unit is to be rebuilt, which will increase refining depth and allow production of Euro-4 and Euro-5 diesel. After the modernization works have been completed, outdated and depreciated catalytic cracking and reforming units will be decommissioned.

Capital expenditures of the Novokuibyshevsk refinery totaled USD 54 mln in 2008.

Kuibyshev Refinery

The construction of the Kuibyshev refinery began in 1943, and the first crude was processed there two years later. The plant is part of the Samara group of refineries acquired by Rosneft in 2007. The refinery specializes in the production of high-quality gasoline and other fuels. A substantial part of crude feedstock is sourced from Rosneft's upstream units, Samaraneftgaz and Yuganskneftegaz.

The Kuibyshev refinery processed 47.0 mln barrels (6.43 mln tonnes) of crude oil in 2008, which is equal to refining volumes in 2007. However, refining of Rosneft oil



The Novokuibyshevsk refinery processed 53.9 mln barrels (7.37 mln tonnes) of crude oil in 2008, unchanged from 2007. Measures were implemented at the refinery in 2008 to reduce irrecoverable processing losses and fuel consumption.



Performance Review

increased by 21.7%, since the refinery was only acquired by the Company in the first half of 2007. Refining capacities at Kuibyshev were almost 100% loaded in 2008. The refinery produced 5.95 mln tonnes of saleable petroleum products, and refining depth was 59.8%.

Preparatory work has already been carried out at Kuibyshev, as a result of which the refinery will be the first of the Samara group of refineries to complete its modernization program and switch to production of motor fuels that meet Euro-3 and Euro-4 standards in the shortest possible time frame. Construction of new fluid catalytic cracking (FCC) facilities began in 2008. All necessary documentation was prepared, main equipment items were selected and ordered, and various general facilities were built. Work began in parallel on the new isomerization unit. Work on two other projects neared completion: construction of a hydrogen production unit with a short-cycle absorption block, and change-over of the refinery's power generating capacities to natural gas feedstock (in order to reduce operating costs and increase refining efficiency). All upgrading projects at the Kuibyshev refinery are intended to ensure compliance with the new Russian technical regulations on fuel quality.

Capital expenditures of the refinery during 2008 totaled USD 55 mln.

Syzran Refinery

The Syzran refinery was put into operation in 1942. It is part of the Samara group of refineries acquired by Rosneft in 2007. A substantial part of crude feedstock for the refinery is sourced from Samaraneftegaz and Yuganskneftegaz.

Production capacities at the Syzran refinery were fully loaded during 2008. The refinery processed 47.5 mln barrels (6.49 mln tonnes) of crude oil and produced 6.05 mln tonnes of saleable products. Refining of Rosneft oil increased by 25.2%, since the refinery was only acquired by the Company in the first half of 2007. Refining depth was 66.7%.

Fuel economy initiatives led to a reduction of irrecoverable processing losses from 1.42% in 2007 to 1.15% in 2008, and reduction of fuel consumption from 6.84% to 6.50% of total refining volumes.

Work began in 2008 on a project for construction of an isomerization unit: all necessary documentation was prepared and approved, and key equipment was ordered. Work neared completion on a hydrogen production unit equipped with a hydrogen concentration block and a boosting station for gas containing hydrogen. Construction of a unit for production of sulphuric acid through wet catalysis also approached completion (commissioning of the unit will reduce the refinery's environmental impact).

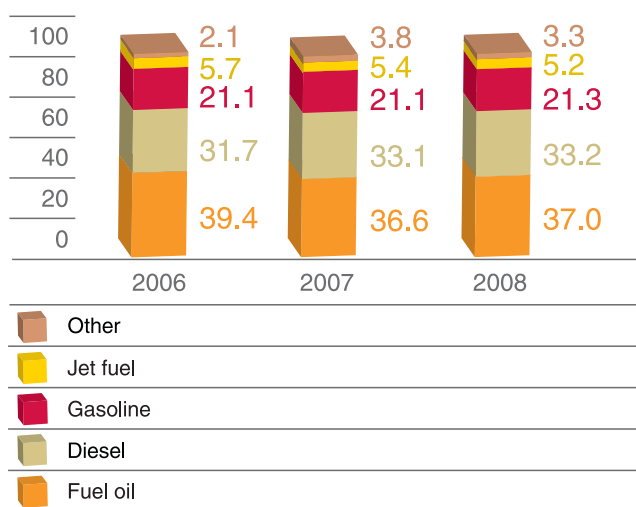
Schedules for the construction of an FCC and a new unit for hydrotreatment of diesel fuel were reviewed following the approval of the new technical regulations on fuel quality by the Russian government. Existing reforming units will also need to be upgraded in order to comply with the regulations. After these plans are enacted, the Syzran refinery will be able to produce high-quality fuels that meet Euro-4 requirements.

Capital expenditures of the Syzran refinery totaled USD 78 mln in 2008.

Achinsk Refinery

The Achinsk refinery began operating in the 1980s and is the only major producer of petroleum products in the Krasnoyarsk Region. The refinery was acquired by Rosneft in 2007. A substantial part of crude feedstock for the refinery comes from Western Siberia.

Structure of petroleum product output at Achinsk refinery (%)



The Achinsk refinery processed 49.6 mln barrels (6.78 mln tonnes) of crude oil in 2008, which is 5.7% more than in 2007. Volumes of Rosneft crude processed at the refinery grew by 44.4%, since the Achinsk refinery was only acquired by the Company in the first half of 2007. Saleable product output was 6.49 mln tonnes and refining depth was 62.8%. Capacities at Achinsk were fully loaded in 2008.

Commissioning of an isomerization unit in December 2007 made Achinsk the first Rosneft refinery to start commercial production of automotive gasoline to Euro-3 and Euro-4 standards (264,000 tonnes were produced in the course of 2008). Commissioning at the end of 2008 of a unit for utilization of hydrogen sulphide and production of granulated sulphur will help to reduce the refinery's environmental impact. Also, various measures were put in place to enable the refinery to operate for two years at a time without maintenance work. The effect from one extra month of operation will be obtained as early as 2009.

A project of refinery development has been prepared, targeting greater refining depth and compliance with requirements of new Russian technical regulations on fuel quality. The plan envisages an increase of crude refining volumes to 58.5 mln barrels and raising of refining depth to 96%. Delayed coking units will be installed, as well as units for reforming, hydrocracking, hydrotreatment of diesel fuel, and a second stage of the isomerization unit will be completed. Design and other preparatory work began in 2008.

Capital expenditures of the refinery in 2008 totaled USD 44 mln.

Angarsk Refinery

The Angarsk refinery was commissioned in 1955 and acquired by Rosneft in 2007. A substantial part of feedstock for the refinery comes from Western Siberia. The Angarsk refinery provides 600–700 thousand tonnes of naphtha annually as a raw material for the thermal decomposition unit of the Angarsk polymer plant.

The Angarsk refinery processed 69.7 mln barrels (9.53 mln tonnes) of oil in 2008, which is 3% more than in 2007. The amount of Rosneft oil refined at Angarsk increased by 51.4%, which is due to the refinery having been



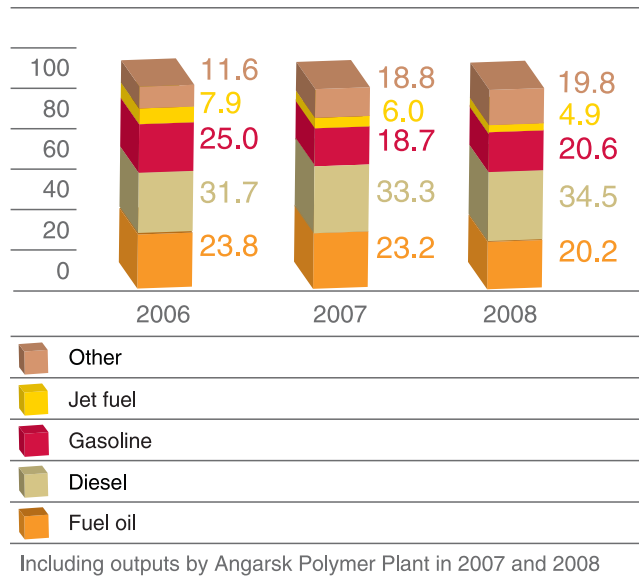
Commissioning of an isomerization unit in December 2007 made Achinsk the first Rosneft refinery to start commercial production of automotive gasoline to Euro-3 and Euro-4 standards.



A modernization program was devised for the Angarsk refinery in 2008 in order to comply with the new Russian technical regulations on fuel quality.

Performance Review

Structure of petroleum product output at Angarsk refinery (%)



acquired by Rosneft in the first half of 2007. A total of 8.67 mln tonnes of saleable products were produced during the year (including production of the Angarsk polymer plant), and refining depth was 78.1%.

Work to minimize irrecoverable processing losses and fuel consumption gave reductions of the former from 1.37% in 2007 to 1.21% in 2008, and reduced the latter from 7.23% to 7.12% as a share of total refining volumes.

A modernization program was devised for the Angarsk refinery in 2008 in order to comply with the new Russian technical regulations on fuel quality. Scheduled commissioning of an isomerization unit, which is currently under construction, was brought forward, and projects were initiated to build units for alkylation and hydrotreatment of diesel fuel. Construction of an aggregate for immixture of additives approached completion in 2008, as did reconstruction of a sulphuric acid production unit and a unit for production of hydrogen.

Equipment to be installed at the refinery also includes units for hydrotreatment and etherification of catalytic cracking gasoline, as well as a unit for production of methyltertbutyl ether (MTBE). Implementation of these

projects will enable production of high-quality fuels meeting Euro-4 requirements.

Capital expenditures of the refinery in 2008 were USD 83 mln.

Angarsk Polymer Plant

The Angarsk polymer plant processed 644,000 tonnes of inputs and produced 401,000 tonnes of saleable products in 2008. Main outputs were ethylene (114,000 tonnes), propylene (62,000 tonnes), high-pressure polyethylene (58,000 tonnes), styrol (19,000 tonnes) and benzol (31,000 tonnes).

A modernization program for the plant was designed in 2008 with assistance from Nexant, the leading petrochemicals consulting company. The program includes increasing the capacity of current ethylene-propylene units, installation of new units for production of polypropylene, low-density linear polyethylene and high-density polyethylene, as well as construction of facilities allowing the intake of light hydrocarbon fractions, which will help to reduce feedstock costs.

Primorsk Refinery

The project for construction of the Primorsk refinery has strategic importance, both for Rosneft and Primorsk Territory (the region on Russia's Pacific coast, where the refinery is to be located).

The Primorsk refinery, with a petrochemical section and total annual refining capacity of 150 mln barrels of crude oil, is to be built at the end point of the Eastern Siberia – Pacific Ocean pipeline. Refining depth will be at least 95%. Priority will be given to production of those refining and petrochemical products that enjoy greatest demand (diesel fuel, jet fuel, polypropylene, paraxylene). The main markets for outputs will be countries in the Asia-Pacific region that can be easily reached thanks to proximity of the refinery to export ports and main sea transport routes.

The refinery will be built to a 'clean production concept' (hermetic storage and delivery systems, a smoke- and noise-free flare system, hermetic sealing of purification equipment, a closed system for water

use and an automated system for production control and eco-monitoring) to minimize environmental impact of the refinery.

OJSC RN-Primorsk Refinery was created as a subsidiary of Rosneft in October 2008, and first investments in the project were carried out by the end of the year. Construction of the refinery will be in two stages over a period of 4-6 years.

Production of Lubricants

The Company's lubricant plants produced 580,000 tonnes of lubricants, additives and other related products during 2008. Output of saleable lubricants was 485,000 tonnes, which is 5% more than in 2007. The share of motor oils in total output rose significantly. Rapid growth in this business segment made Rosneft the second-largest producer of lubricants in Russia in 2008.

Lubricants produced by the Angarsk refinery won a prize in 2008 in the competition '100 Best Russian Goods' and the Novokuibyshevsk oils and additives plant took first place in the 'Small and Medium-sized Enterprise' category of the annual 'EcoLeader' competition, thanks in large part to the plant's ecology management system, which is compliant with ISO 14001:2004.

Gas Processing

The Company's Neftegorsky and Otradnensky gas-processing plants processed 311 and 306 mln cubic meters of gas, respectively, in 2008. The plants produced 295 mln cubic meters of dry stripped gas, 356,000 tonnes of light hydrocarbon fractions, 88,000 tonnes of ethane fraction and 3,000 tonnes of sulphur.

Commissioning of a block-modular boiler house at the Otradnensky processing plant in December 2008 helped to reduce production costs. The main priority of the investment program for Rosneft gas-processing plants is to maintain current capacities and to ensure operating safety.



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Архангелскнефтепродукт

Marketing

Rosneft's focus in the sale of crude oil and petroleum products is to maximize the profitability of deliveries by increasing the share of sales to end-users. The Company is therefore working consistently to optimize logistics, as well as to broaden and raise the efficiency of its marketing network.

Rosneft constantly monitors domestic and international markets for oil and petroleum products, ensuring a flexible reaction to changes in demand and price environment. The Company has its own transshipment terminals, which helps to raise export margins, and owns an extensive petroleum product sales infrastructure including a service station network, which enables Rosneft to sell large amounts of its output via retail and small wholesale channels.

Crude Oil Sales

Rosneft sells the crude oil that it produces in Russia, CIS countries and on the international market, it also supplies its own refineries. Record levels of refining margin in Russia in 2008 made oil deliveries to refineries more profitable than alternative uses. Rosneft delivered 360 mln barrels (49.3 mln tonnes) to its refineries, which represents an almost 23% increase year-on-year. To optimize transportation expenses of crude deliveries to refineries Rosneft has used swap-agreements with other Russian oil producers: the Company buys crude oil from the fields of other companies adjacent to its refineries and sells the same quantities of crude oil produced at its own fields. Transportation savings as a result of swap operations were USD 35 mln in 2008. Rosneft sold a total of 3.88 mln barrels (0.53 mln tonnes) of crude oil on the domestic market in 2008 (excluding volumes sold to counterparties under swap agreements).

Rosneft's subsidiaries exported 396 mln barrels (54.2 mln tonnes) of crude oil to the international market

(including crude oil procured from affiliates and third parties). Export sales volumes were 8.3% lower compared with 2007, reflecting an increase in refinery throughput at the Company's own refineries.

The Company exported 281 mln barrels (38.4 mln tonnes) of oil to Europe and 37 mln barrels (5.0 mln tonnes) to CIS countries. Deliveries to Asia-Pacific countries totaled 79 mln barrels (10.8 mln tonnes).

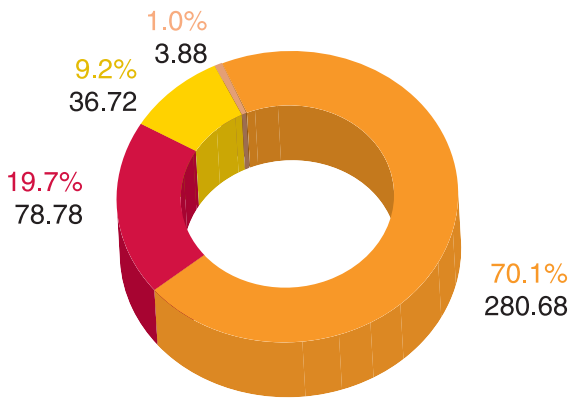
China was the biggest importer of Rosneft oil in 2008, buying 65 mln barrels (8.9 mln tonnes), which matches the figure in 2007. China accounted for 16.4% of Rosneft's total oil exports in 2008.

The largest share of Rosneft's export deliveries are via Transneft transport capacities, including export pipelines and ports such as Primorsk and Novorossiysk. Rosneft also has its own crude oil export capacities. A portion of Company oil produced at fields in Timan-Pechora is delivered to export via the Company's transshipment complex at Arkhangelsk, and oil produced in the Sakhalin-1 project is exported via the port of De-Kastri in the Far East.

Export deliveries of oil in 2008 used the following transport routes:

- sea terminals at Primorsk, Novorossiysk, the Belokamenka floating storage unit, De-Kastri and Yuzhny (255.6 mln barrels or 64.5% of total export volumes);

Crude oil sales
(mln barrels)



- Europe
- Asia
- CIS
- Domestic

- railroad to China including combined pipeline-and-rail routes (65.1 mln barrels or 16.4%);
- pipelines to Belarus, Poland and Kazakhstan (75.5 mln barrels or 19.1% of total export deliveries).

Port of De-Kastri

De-Kastri is one of the biggest ports in the Far East and provides efficient export deliveries of crude oil to the attractive Asian market. The export terminal belongs to the Sakhalin-1 project consortium, which includes Rosneft with a 20% stake. Annual capacity of the terminal is about 88 mln barrels (12 mln tonnes). A total of 13.6 mln barrels (1.86 mln tonnes) of Company oil was dispatched through De-Kastri in 2008. Terminal capacity is to be expanded as production volumes in the region increase.

Arkhangelsk and Belokamenka

The Arkhangelsk oil loading terminal and Belokamenka floating storage unit, located in the Russian North West, belong to Rosneft and are used to export a portion of the oil that the Company produces in Timan-Pechora. Oil from Company fields is trans-

ported through Transneft pipelines to the Privodino loading facility, where it is transferred to rail tank cars, carried to the Arkhangelsk oil loading terminal and then shipped by shuttle tankers to the Belokamenka floating storage unit located in a gulf of the ice-free Kola Bay. The oil is exported from the reservoirs at Belokamenka to Europe and the US. This arrangement enables the Company to overcome the problem of pipeline capacity shortages in the North West of Russia.

Annual transshipment capacity at Belokamenka is 88 mln barrels (12 mln tonnes). Rosneft exported 11.2 mln barrels (1.5 mln tonnes) of oil through the Arkhangelsk-Belokamenka system during 2008. The system was also used for the transshipment of 14.6 mln barrels (2.0 mln tonnes) of third party crude oil.

Caspian Pipeline Consortium

The Caspian Pipeline Consortium (CPC) was created in 1992 in order to build a pipeline across Russian territory to export Kazakh oil. The CPC pipeline links the Tengiz oil field in Western Kazakhstan with the port of Novorossiysk, and is 1,510 km in length.

Rosneft participates in the CPC project via the joint venture Rosneft Shell Caspian Ventures Ltd, which has 7.5% share in the project. Rosneft owns a 51% stake in the joint venture and the other 49% belongs to Shell.

Rosneft has been delivering oil and gas condensate via the CPC since December 2004. In 2008 the Company delivered 31 mln barrels (4.2 mln tonnes) of its oil and gas condensate through the pipeline, as well as 10 mln barrels (1.3 mln tonnes) of third-party crude oil.

Petroleum Product Sales

Rosneft owns developed infrastructure for the sale of petroleum products on the domestic and international markets. In 2008 the Company sold 45.8 mln tonnes of petroleum products, which is 23.3% more than in the previous year. Growth of sales volumes was due to an increase in refinery throughputs. The Company also sold 0.68 mln tonnes of petrochemical products, which is twice more than in 2007. Sales of petrochemicals began in 2007 after the acquisition of the Angarsk polymer plant.



De-Kastri is one of the biggest ports in the Far East and provides efficient export deliveries of crude oil to the attractive Asian market.



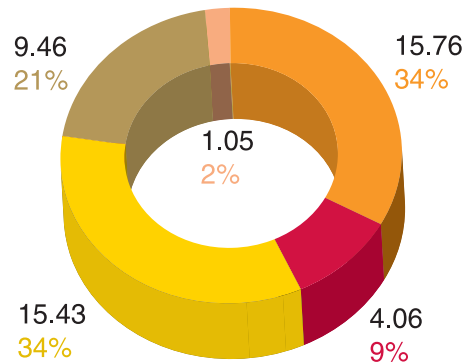


Rosneft has been delivering oil and gas condensate via the CPC since December 2004. In 2008 the Company delivered 31 mln barrels (4.2 mln tonnes) of its oil and gas condensate through the pipeline, as well as 10 mln barrels (1.3 mln tonnes) of third-party crude oil.



The Nakhodka terminal in Primorsky region is one of the biggest ports for hydrocarbon export in the Russian Far East.

Petroleum product sales (mln tonnes)



- Russia, wholesale
- Russia, retail
- Europe
- Asia
- CIS

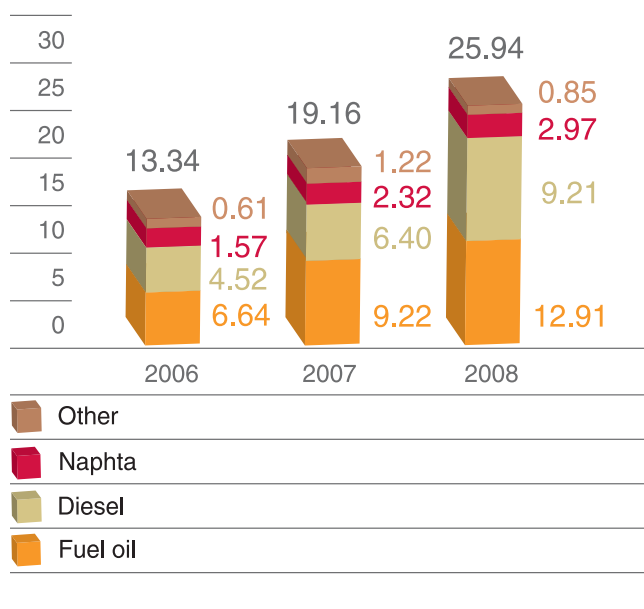
Export Sales of Petroleum Products

Rosneft exported 25.94 mln tonnes of petroleum products in 2008 (including products bought from other producers), representing 56.7% of total product sales. The Company delivered 24.89 mln tonnes of products (96% of overall export) to the 'far abroad' (non-CIS countries) and 1.05 mln tonnes to CIS countries. Fuel oil was 50% of product exports, 36% was diesel fuel, 11% was naphtha.

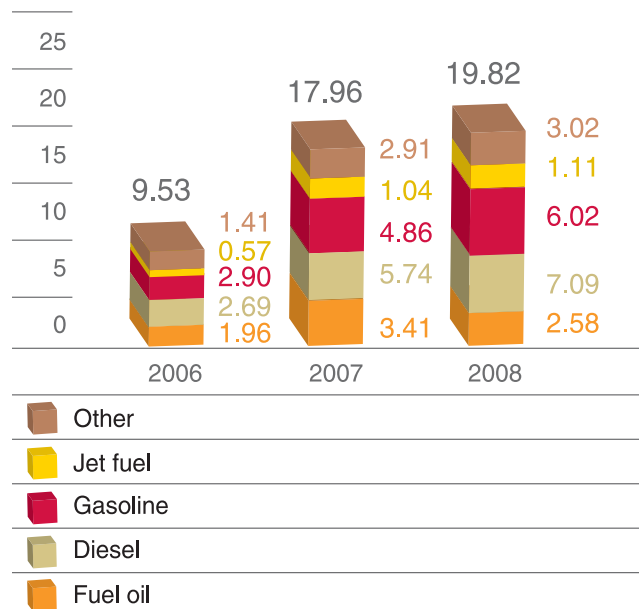
Railroad and mixed transport was used for the largest part of product exports (16.5 mln tonnes or 64% of the total). Pipeline transport was used to export 1.7 mln tonnes. Exports by sea through Tuapse Terminal totaled 7.7 mln tonnes, including 4.7 mln tonnes of product produced by the Tuapse refinery.

Rosneft has a number of clear advantages compared to other Russian oil companies in the export of petroleum products. Two of the Company's refineries are located directly adjacent to export markets: the Tuapse refinery on the Black Sea coast and the Komsomolsk refinery in the Far East. Rosneft also has its own transshipment capacities at Tuapse and Nakhodka, located near the Company refineries, which significantly improves the efficiency of export deliveries.

Export sales of petroleum products
(mln tonnes)



Domestic sales of petroleum products
(mln tonnes)



Nakhodka Terminal

The Nakhodka terminal in Primorsk Territory is one of the biggest ports for hydrocarbon export in the Russian Far East. The port is owned by Rosneft marketing subsidiary Nakhodkanefteproduct, and is used mainly for the export of petroleum products from the Company's refinery at Komsomolsk. The terminal's annual transshipment capacity is 7 mln tonnes of petroleum products.

Deliveries of Company products through the Nakhodka terminal in 2008, including bunkering for export and the domestic market, totaled 4.9 mln tonnes.

Tuapse Terminal

The Tuapse terminal is located on the Black Sea coast immediately adjacent to the Tuapse refinery. The terminal is owned by Rosneft marketing subsidiary Tuapsenefteproduct, and is used for export of products from the Tuapse refinery and the Samara group of refineries. Use of the terminal enhances the efficiency of Rosneft product sales. The Tuapse terminal can handle 10.2 mln tonnes of petroleum products each year.

Rosneft deliveries via the Tuapse terminal in 2008 reached 7.7 mln tonnes.

Rosneft continued to implement its program for the expansion and modernization of the terminal in 2008, in accordance with the Company's development strategy. Annual capacity of the terminal is planned to grow to 17 mln tonnes. This will ensure smooth handling of export flows from the Tuapse refinery, whose capacity will increase significantly as a result of current upgrading work.

Domestic Sale of Petroleum Products

Rosneft has extensive and well-developed infrastructure for the sale of petroleum products on the domestic market. The Company owns a chain of marketing companies, engaged in wholesale and retail sale of petroleum products, their storage, transport and transshipment.

Rosneft sold 19.82 mln tonnes of petroleum products on the domestic market in 2008, representing an increase of 10.4% compared with 2007. The share of various products in domestic sales was as follows: diesel 35.8%, gasoline 30.4%, fuel oil 13.0%, jet fuel 5.6%.

In total, 15.76 mln tonnes of petroleum products were sold on the domestic market via wholesale. Wholesale



Rosneft owns developed infrastructure for the sale of petroleum products on the domestic and international markets.



deliveries were mainly to independent traders and large end-users (including budget-funded organizations such as the Russian Ministry of Defense). Wholesale supplies consisted mainly of fuel oil, diesel and jet fuel. Rosneft started electronic sales of its petroleum products in August 2008 through the Russian Inter-regional Oil & Gas Trading Floor. A total of 207,000 tonnes of Company products were sold through the Trading Floor in 2008. Another major development in 2008 was considerable growth in the share of small wholesale in total sales volumes.

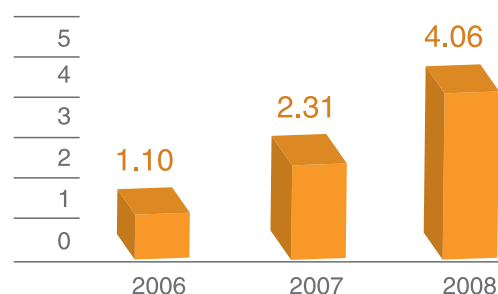
Rosneft operates the second largest service station network in Russia, covering 38 regions, from Murmansk in the north to the North Caucasus in the south, and from Bryansk in the west to Sakhalin Island in the east. The Company sells motor gasoline, diesel and lubricants through its retail network. As of December 31, 2008, Rosneft marketing subsidiaries owned 151 operating tank farms with a total capacity of 3.0 mln cubic meters. The Company's network of operating service stations consisted of 1,683 stations in ownership or leased, and 72 stations operating under the Rosneft brand on the basis of franchising agreements. Owned and leased service stations had 116 car washes, 739 shops and 71 cafes. There were small-scale vehicle repair and servicing facilities at 113 of the service stations.

Sales through the Company service station network continued to grow in 2008. A total of 4.06 mln tonnes of petroleum products were sold via the network, which is 1.8 times more than in 2007. Rosneft continued intensive work on optimization of its retail business, withdrawing inefficient stations and tank farms, acquiring and building highly efficient stations, and carrying out upgrades and rebranding of existing outlets. The Company sold or closed 26 service stations in the course of the year, while 18 stations were built, 13 acquired and 47 rebuilt. Rebranding of Company service stations approached completion in 2008, with the design of 548 stations altered to match the new Rosneft corporate standard.

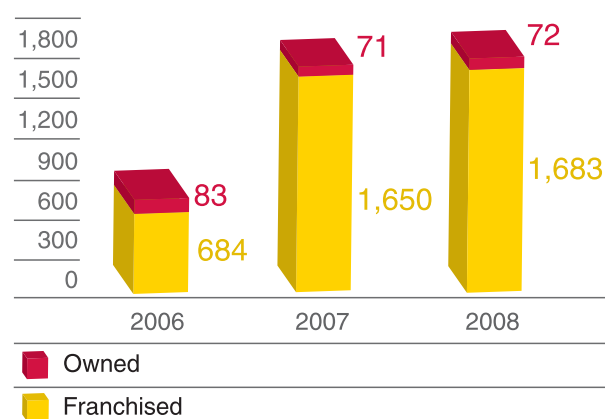
Work on optimization of the marketing network enabled Rosneft to raise average daily sales per service station to 8.1 tonnes in 2008, compared with 6.8 tonnes in 2007.

In the future Rosneft plans further expansion of its service station network in regions adjacent to Company

Retail sales of petroleum products
(mln tonnes)



Operating service stations
(units, as of year-end)

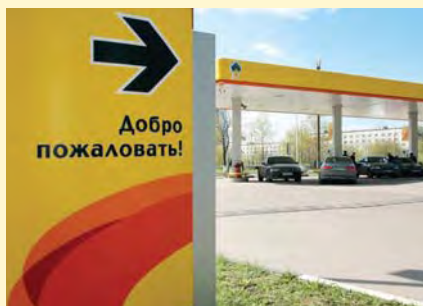


refineries, particularly in Siberia and the Far East, as well as on promising markets in Moscow, St. Petersburg and the Southern Federal District.

Bunkering

Rosneft began development of its bunkering business at the end of 2007. Company activities in this segment are through subsidiaries RN-Bunker and Rosneft Marine, and include all main Russian bunkering regions as well as several areas outside Russia (the Baltic, Mediterranean, Far East, Pacific and Atlantic Oceans). The company has the use of 12 terminals for receipt and issue of oil products as well as 36 bunker-fuel tankers (some of them in ownership).

Rosneft sold 852,000 tonnes of bunker fuel in 2008. Fuel quality is in compliance with ISO 8217:2005.



A total of 4.06 mln tonnes of petroleum products were sold via the retail network, which is 1.8 times more than in 2007.



Rosneft continued intensive work on optimization of its retail business, withdrawing inefficient stations and tank farms, acquiring and building highly efficient stations, and carrying out upgrades and rebranding of existing outlets.

The Company achieved a breakthrough in this segment during 2008 when it entered the river bunkering market at ports in the Volga-Don basin (Syzran, Nizhny Novgorod, Yaroslavl, Naberezhniye Chelny, Rostov-on-Don, Astrakhan and Azov). Rosneft accounted for 20% of all deliveries in this region during its first year of operations. Since June 2008 the Company has also been supplying bunker fuel under a state contract for vessels of the Russian Fleet via the Tuapse terminal.

Rosneft's strategy is for the steady expansion of its presence in the domestic bunker fuel market for river and sea transport, as well as in the international market. The Company is also moving quickly to set up its own tanker fleet as part of its bunkering business development.

Lubricant Sales

Rosneft sold 578,000 tonnes of lubricants produced by its lubricant plants in 2008, including 360,000 tonnes on the domestic market.

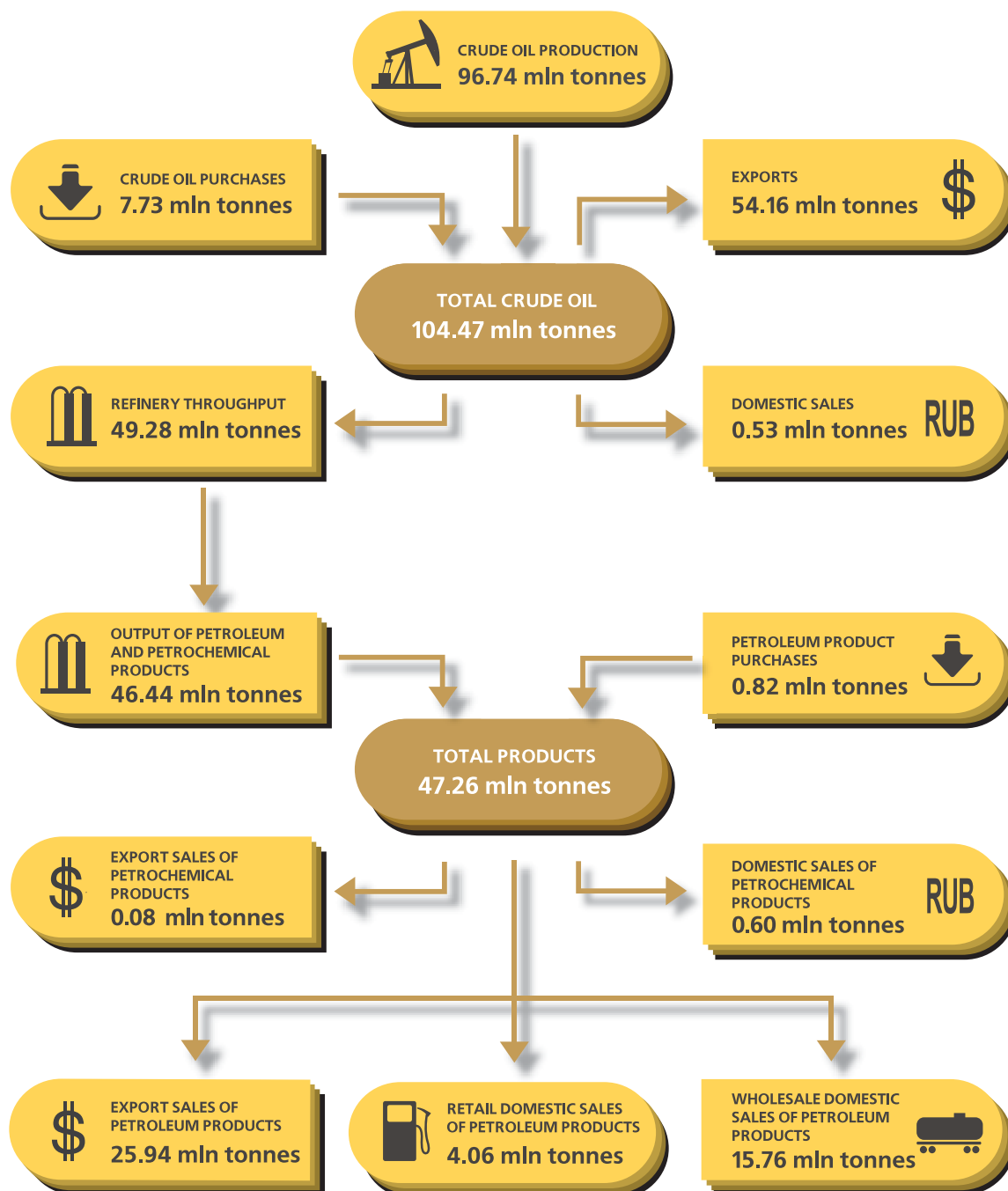
The main breakthrough in this business during 2008 was large increase of Rosneft lubricant sales to Russian Railways, which now meets about 45% of its lubricant needs using Rosneft products. The Company also began the retail sale of its own motor oil brands.

Company specialists developed an extensive range of pre-packed automotive lubricants in 2008 under the Rosneft brand. The branded lubricants meet the most rigorous Russian and international standards. Distribution centers, based on eight petroleum product enterprises, were set up in all Russian regions during 2008 to organize retail sales of the lubricants. Work also began on creation of a dealer network for retail sales of lubricants, using independent regional firms.

Pre-packed Company lubricants have been available on the retail market in the European part of Russia since August 2008, and in Siberia and the Far East since October 2008.

Rosneft plans the rapid development of its lubricant business in future through further progress on the pre-packed lubricant market, sales to large end-users, expansion of the range of branded products, etc.

Product flows of Rosneft consolidated entities



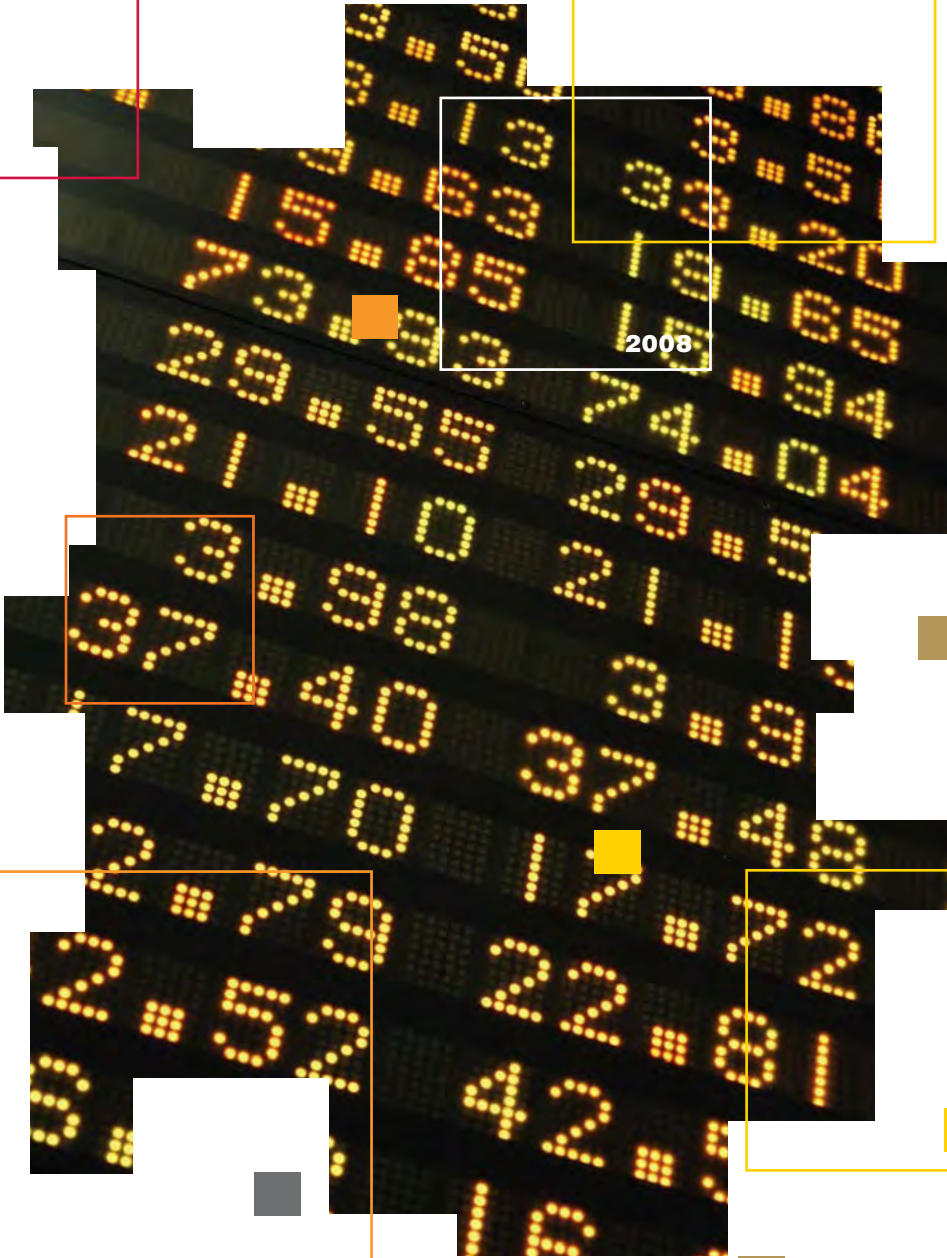
Difference between 'Total crude oil' and distribution equals the sum of losses, intra-group consumption and change in stocks.

Difference between 'Refinery throughput' and 'Output of petroleum and petrochemical products' equals refining losses and fuel consumption and change in semi-finished product stocks.

Difference between 'Total products' and distribution equals the sum of intra-group product consumption, losses and change in stocks.

Urals

2008



Inflation

Key Macroeconomic Factors

The macroeconomic situation was favorable for Rosneft during most of 2008. The Company enjoyed record crude oil prices and refining margins, which helped to determine record financial results.

The main macroeconomic factors affecting Rosneft's results during 2008 were:

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

Crude Oil and Petroleum Product Prices

International prices for crude oil fluctuate depending on the global balance of supply and demand and on speculative factors. The price environment in 2008 was extremely volatile: prices hit a historic record of over USD 140 per barrel in July (driven mainly by speculative factors) and then fell below USD 40 per barrel by the year end due to the global economic downturn.

The crude oil that Rosneft exports through the Transneft pipeline system is blended with crude oil from other producers that is of a different quality. The resulting Urals blend is traded at a discount to Brent. Average Urals price in 2008 was USD 94.5 per barrel, which is 36% higher than in 2007.

The Russian domestic market prices for crude oil are difficult to determine, mainly due to the signifi-

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

The dynamics of petroleum product prices in the international and Russian markets are determined by a number of factors, the most important among them being the level of world prices for crude oil, supply and demand for petroleum products and competition in different markets.

RUB/USD Exchange Rate and Inflation

The RUB/USD exchange rate and inflation trends in Russia affect Rosneft's results, as most of Rosneft's revenues from the sales of crude oil and petroleum products are denominated in USD while a substantial portion of its expenses is denominated in roubles. Any real appreciation of the rouble versus the USD negatively affects Rosneft's margins.

The rouble appreciated against the USD in real and nominal terms through the first half of 2008. Due to the drop in oil prices, the rouble depreciated in real and nominal terms in the second half of 2008. The result for the year was real rouble depreciation of 5.3%.

Performance Review

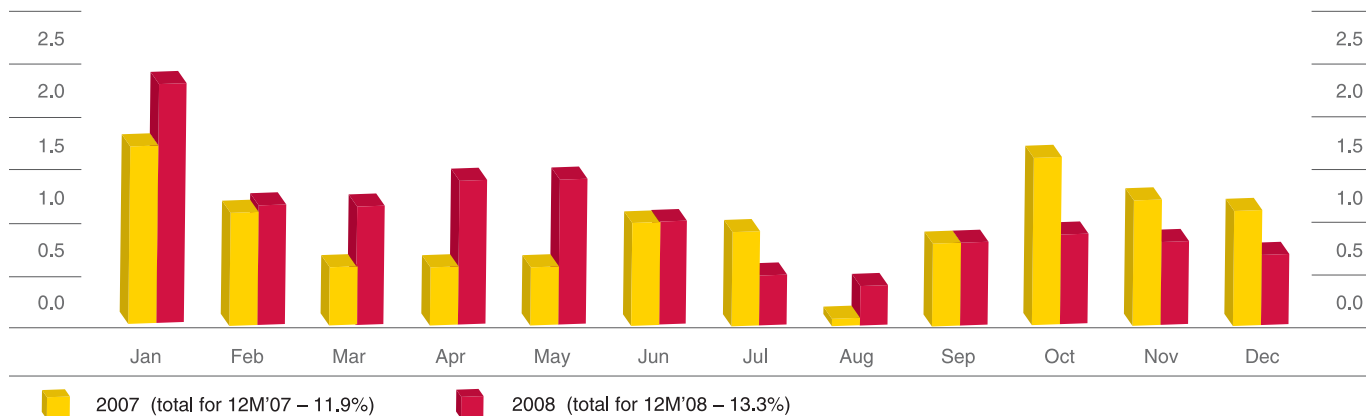
2006	Crude oil and petroleum product prices	2007	2008	Change, %
International market (USD per barrel)				
65.14	Brent	72.52	96.99	33.7%
61.27	Urals (average Med+NWE)	69.39	94.52	36.2%
62.01	Dubai-Oman	68.27	93.80	37.4%
(USD per tonne)				
625.86	Premium gasoline (average NWE)	703.91	846.26	20.2%
611.12	Regular gasoline (average NWE)	624.00	839.10	34.5%
546.83	Naphtha (average Med)	656.85	769.51	17.2%
286.12	Fuel oil (average Med)	346.00	463.20	33.9%
646.46	Jet (average NWE)	710.51	1,002.90	41.2%
586.63	Gasoil (average Med)	652.49	910.06	39.5%
Russian market (USD per tonne)				
254.06	Crude oil	278.91	336.85	20.8%
204.38	Fuel oil	219.43	334.45	52.4%
557.79	Diesel fuel (Gasoil)	587.16	855.32	45.7%
740.10	High octane gasoline	787.71	962.16	22.1%
597.17	Low octane gasoline	656.74	813.15	23.8%

Sources: Platt's (international market), Kortes (Russian market). Russian market prices include VAT of 18% and relevant excise tax.

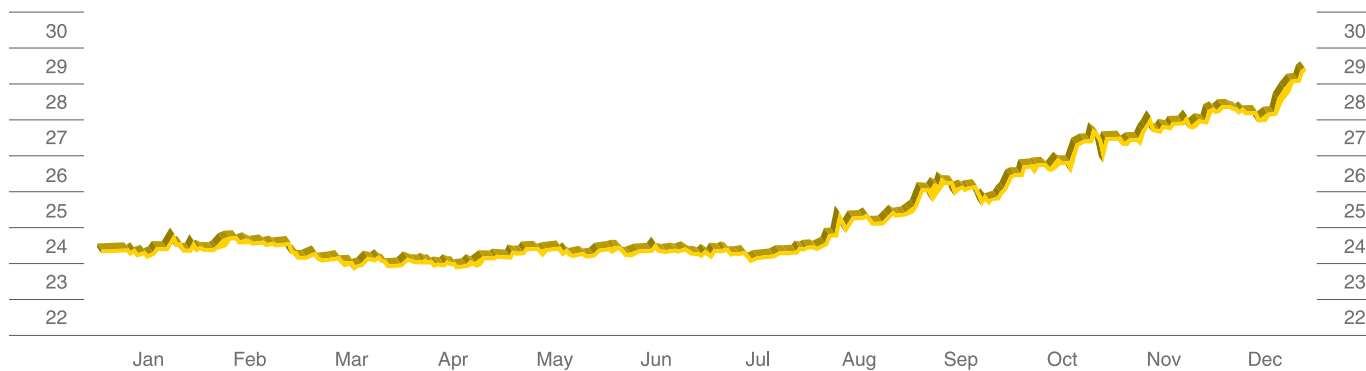
2006	Exchange rate and inflation	2007	2008
9.0%	Rouble inflation (CPI) for the period	11.9%	13.3%
28.78	RUB/USD exchange rate at the beginning of the period	26.33	24.55
26.33	RUB/USD exchange rate at the end of the period	24.55	29.38
27.19	Average RUB/USD exchange rate during the period	25.58	24.86
19.1%	Real appreciation/(depreciation) of the rouble against the USD for the period	20.0%	(5.3)%

Source: CBR, Federal State Statistics Service of Russia.

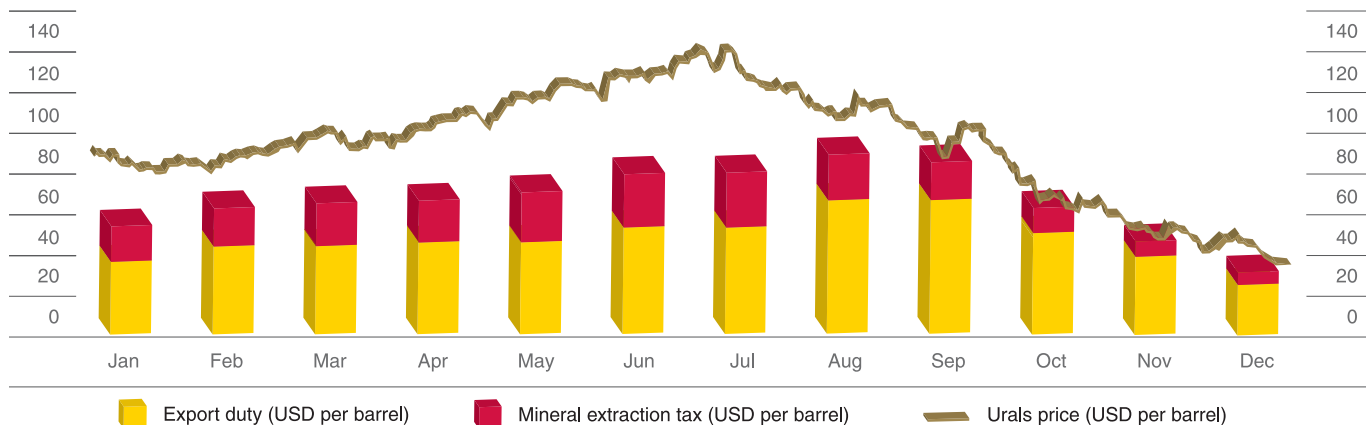
Rouble inflation (%)



Foreign exchange rate (RUB/USD)



Urals price and taxes (USD per barrel)



Taxation

Rosneft pays a significant portion of its revenues in taxes, which include mineral extraction tax, export duties, income tax and other.

Mineral extraction tax and export customs duty accounted for approximately 50% of Rosneft's total revenues in 2008.

2006	Mineral extraction tax and export duty rates	2007	2008	Change, %
Mineral extraction tax				
2,264	Crude oil (RUB per tonne)	2,470	3,329	34.8%
11.47	Crude oil (USD per barrel)	13.20	18.31	38.7%
147	Gas (RUB per '000 cubic meters)	147	147	0.0%
Export customs duty				
196.86	Crude oil (USD per tonne)	206.49	355.23	72.0%
26.91	Crude oil (USD per barrel)	28.23	48.56	72.0%
143.66	Light and medium distilled products (USD per tonne)	151.45	251.63	66.1%
77.41	Fuel oil (USD per tonne)	81.57	135.57	66.2%

Mineral Extraction Tax

The rate of the mineral extraction tax for crude oil is based on the Urals price in the international market and is changed every month. In 2008 the rate per tonne of crude oil produced was calculated by multiplying the base rate of RUB 419 by the adjustment ratio of $(P-9) \times Rt / 261$, where 'P' is the average Urals price per barrel during the respective period and 'Rt' is the average RUB/USD exchange rate. In 2008, the average rate of mineral extraction tax for crude oil increased by 34.8%, primarily due to a 36.2% increase in average crude oil prices as compared to 2007.

In 2008 the Government revised the formula for calculating mineral extraction tax on crude oil by changing the minimum taxable price from USD 9 (in 'P - 9' above) to

USD 15, which reduces mineral extraction tax by USD 1.3 per barrel. The new formula is effective from January 1, 2009.

The rate of mineral extraction tax for gas remained unchanged during 2007 and 2008 and amounted to RUB 147 per th. cubic meters of gas produced.

Export Customs Duty

The rate of export customs duty is linked to the Urals price in the international market and is denominated in USD per tonne.

The rate of export customs duty on petroleum products is a percentage of the duty on crude oil. The percentage varies between light and dark products.

Calculation of the export duty for crude oil

Urals price (USD per tonne)	Export duty (USD per tonne)
Below and including 109.5 (15 USD per barrel)	Export duty is not levied
Above 109.5 to and including 146.0 (15 to 20 USD per barrel)	35% of the difference between the average Urals price in USD per tonne and USD 109.5
Above 146.0 to and including 182.5 (20 to 25 USD per barrel)	USD 12.78 plus 45% of the difference between the average Urals price in USD per tonne and USD 146.0
Above 182.5 (25 USD per barrel)	USD 29.2 plus 65% of the difference between the average Urals price in USD per tonne and USD 182.5

Until October 2008, export duty rates were changed every two months: for example, the rate for April-May was announced in March based on the Urals price in January-February. The time lag leads to a positive effect for oil producers when the oil price is growing and a negative effect when the price is falling. At the end of 2008, due to a drop in oil prices, the Government made three one-off export duty changes in order to reduce the disparity between tax levels and hugely reduced price levels. The Government also decided to reduce the time lag by changing the duty rate once a month instead of once every two months. This system came into effect on January 1, 2009: for example, the duty for March is calculated in February using the crude oil price from mid-January to mid-February.

In 2008 the average export customs duty for crude oil increased by 72.0% to USD 355.2 per tonne (USD 48.6 per barrel) from USD 206.5 per tonne (USD 28.2 per barrel) in 2007, while average Urals price increased by 36.2%.

Prior to January 1, 2007, export duties were not payable on exports of crude oil and petroleum products to all CIS countries that are members of the Customs Union, including Belarus, Kazakhstan, Kyrgyzstan

and Tajikistan. Starting on January 1, 2007, export customs duties were levied on crude oil exports to Belarus. In 2008 the rate for these exports was 0.335 of export custom duties as calculated according to the table above.

Sales of crude oil produced pursuant to the Sakhalin-1 Production Sharing Agreement are exempt from export customs duties.

Transportation Tariffs

Rosneft depends on the infrastructure of the country's transport monopolies, particularly its pipeline and railway networks, to ship its crude oil and petroleum products. Transneft (state-owned oil pipeline monopoly), Transneftproduct (state-owned product pipeline monopoly and a subsidiary of Transneft) and RZD (state-owned railroad monopoly) set tariffs for each separate route in the pipeline and railroad networks depending on the length of the relevant routes.

The transportation tariffs are set by the Federal Tariff Service, a governmental body regulating natural monopolies.

2006	Ranges of tariffs for major transportation routes	2007	2008	Change, %
Crude oil				
Export sales				
201.40 – 651.81	Transneft tariff (RUB per tonne)	200.90 – 687.17	389.01 – 842.36	22.7%
7.41 – 23.98	Transneft tariff (USD per tonne)	7.85 – 26.87	15.65 – 33.89	26.2%
466.55 – 1,644.91	Railroad tariff (RUB per tonne)	537.02 – 1,646.01	627.48 – 1,655.63	5.4%
17.16 – 60.51	Railroad tariff (USD per tonne)	21.00 – 64.36	25.25 – 66.61	8.4%
Transportation to refineries and domestic sales				
307.56 – 726.14	Transneft tariff (RUB per tonne)	337.84 – 816.98	358.12 – 1,040.45	22.6%
11.31 – 26.71	Transneft tariff (USD per tonne)	13.21 – 31.94	14.41 – 41.86	26.1%
260.59	Railroad tariff (RUB per tonne)	287.15	2,295.90	21.1%
9.59	Railroad tariff (USD per tonne)	11.23	93.84	24.6%
Petroleum products				
Export sales				
199.38 – 1,025.68	Transneftproduct tariff (RUB per tonne)	216.48 – 1,102.05	287.21 – 1,233.28	27.4%
7.33 – 37.73	Transneftproduct tariff (USD per tonne)	8.46 – 43.09	11.56 – 49.62	31.1%
401.53 – 2,479.78	Railroad tariff (RUB per tonne)	455.13 – 2,737.16	167.84 – 3,355.70	12.0%
14.77 – 91.22	Railroad tariff (USD per tonne)	17.79 – 107.02	6.75 – 135.01	15.2%



Key Financial Results

The increase of key financial indicators in 2008 was due to continued industry-leading growth of crude oil production, further progress in cost control, improved downstream margins, and record prices for oil and petroleum products in the first half of the year.

Rosneft posted excellent financial results in 2008. EBITDA hit a record of USD 17,108 mln, an increase of 18.3% compared to 2007. Operating income grew 21.3% to USD 13,005 mln. Net income also reached a record of USD 11,120 mln, up 71.5% compared to USD 6,483 mln in 2007 (adjusted for net income from Yukos bankruptcy as well as interest accrued in relation to Yuganskneftegaz tax liabilities). Return on average capital employed (ROACE) in the review period amounted to 17.5%, return on equity was 30.6%.

The increase in key financial indicators in 2008 resulted from continued industry-leading growth in crude oil production, further progress in cost control, improved downstream margins, and record prices in the first half of the year for oil and petroleum products. Performance improvements in 2008 were tempered primarily by higher taxes (Rosneft's tax expenses reached a record of USD 38.7 bln in 2008 compared

to adjusted USD 26.7 bln in 2007), transportation tariff growth ranging from 8% to 31%, real rouble appreciation through the first half of 2008, as well as a sharp decrease in crude and oil product prices in the second half of the year.

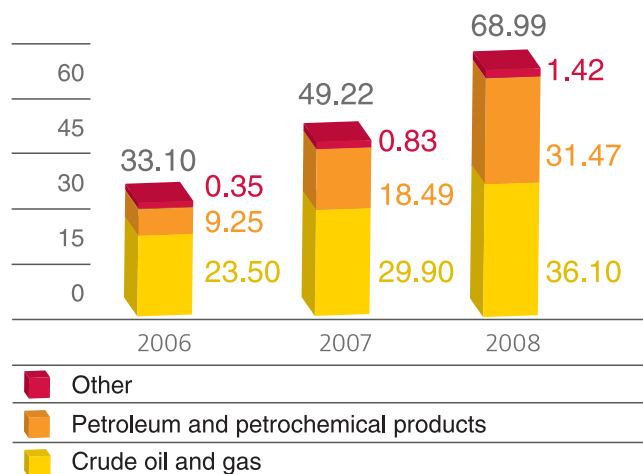
Rosneft reduced its net debt by USD 4,992 mln in 2008 to USD 21,283 mln, while the ratio of net debt to the last twelve months' EBITDA decreased from 1.8 to 1.2 and the net debt to capital ratio decreased to 35%. Overall in 2008, Rosneft repaid and refinanced over USD 16 bln of debt, including repayment of the final tranche of a USD 22 bln bridge facility borrowed in early 2007.

Analysis of the Company's 2008 results is presented below. The Company's 2008 consolidated financial statements audited by Ernst & Young LLC, one of the Big 4 firms, are included in appendices to this Report.

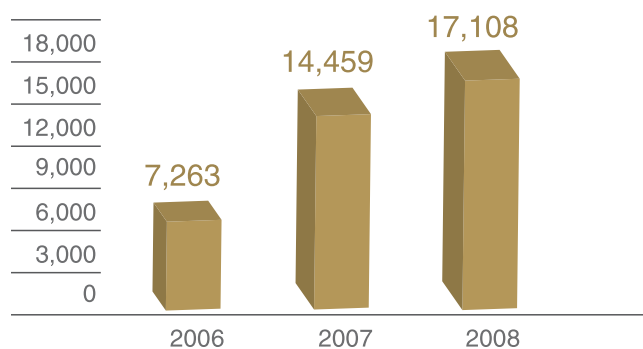
2006	Financial ratios	2007	2008	Change, %
21.9%	EBITDA margin	29.4%	24.8%	
11.07	EBITDA per boe of production (USD)	17.96	22.07	+22.9%
10.6%	Adjusted net income margin	13.2%	15.1%	
18.1%	Return on average capital employed (ROACE)	18.6%	17.5%	
22.4%	Return on average equity (ROAE)	25.6%	30.6%	
0.38	Net debt-to-capital employed ratio	0.48	0.35	
1.83	Net debt-to-EBITDA ratio	1.82	1.24	
0.87	Current ratio	0.68	0.68	

Performance Review

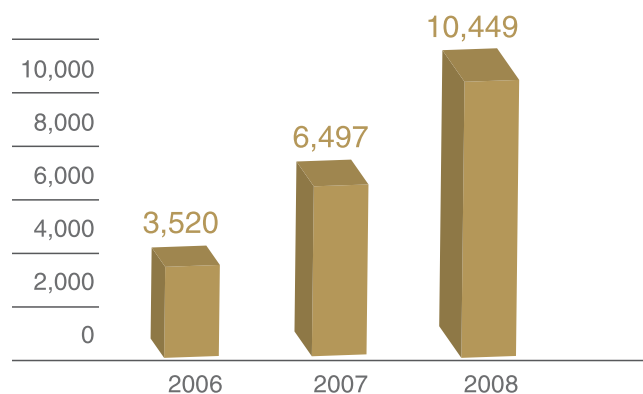
Revenues (USD bln)



EBITDA (USD mln)



Adjusted net income (USD mln)



Revenues

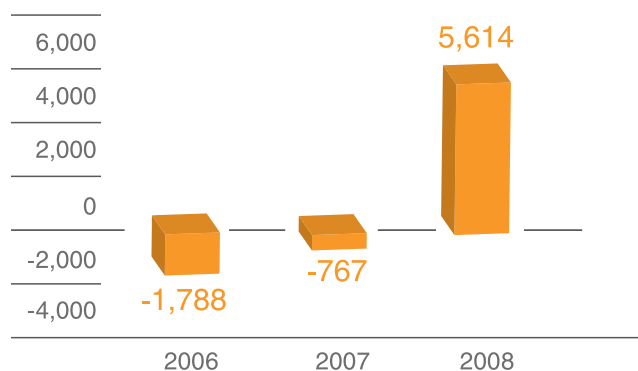
Total revenues of Rosneft in 2008 were USD 68,991 mln, a 40.2% increase from USD 49,216 mln in 2007. Revenues from the sale of crude oil and gas grew by 20.7%, and revenues from the sale of petroleum products were 69.8% higher. The growth in revenues was due to increased sales volumes of petroleum products, accompanied by an increase in average prices of crude oil and petroleum products. The growth in volumes resulted primarily from a 4.9% increase in crude oil production by subsidiaries and affiliates and a 21% increase in petroleum product output following the acquisition of new upstream and downstream assets.

Crude oil and gas sales

Revenue from crude oil sales was USD 35,701 mln compared to USD 29,563 mln in 2007. The growth resulted from a 34.7% increase in average prices, which was partially offset by a 10.4% decrease in sales volumes. Sales volumes decreased due to considerable increase in refinery throughputs.

Revenues from crude oil exports to non-CIS countries were USD 33,463 mln compared to USD 26,822 mln in 2007, an increase of USD 6,641 mln, or 24.8%. The growth resulted from a 33.9% increase in average prices, which had a positive effect of USD 8,481 mln. This positive effect was partially offset by a 6.9% decrease in sales volumes, which decreased revenues by USD 1,840 mln. The price increase was attributable to the overall growth in global prices; in particular, the

Free cash flow (USD mln)



average price for Urals crude oil in the Mediterranean increased by 36.2%.

Revenues from crude oil sales to the CIS were USD 2,084 compared to USD 2,220 mln in 2007, a decrease of USD 136 mln, or 6.1%. A 20.5% decline of sales volumes, which had a negative impact of USD 454 mln on revenues, was partially offset by an 18.0% increase in the average crude oil price which had a positive effect of USD 318 mln on revenues.

Domestic crude oil sales decreased from USD 521 mln in 2007 to USD 154 mln in 2008. The decline was mainly due to a 72.8% fall in sales volumes: lower vol-

umes on the domestic market were the direct cause of a USD 379 mln decline in sales revenue, although this effect was partially offset by an 8.8% increase in average sales prices, which had a positive effect on revenues of USD 12 mln.

Revenues from gas sales reached USD 401 mln in 2008 (compared to USD 339 mln in 2007), an increase of 18.3%. The growth was attributable to a 31.1% increase in prices, which increased revenues by USD 95 mln, and was partially offset by a 9.8% decrease in sales volume from 11.45 bcm to 10.33 bcm, which had a negative impact on revenues of USD 33 mln.

2006	Revenues (USD mln)	2007	2008	%
Crude oil				
21,468	Export, excluding CIS	26,822	33,463	24.8%
16,323	Europe and other directions	20,567	25,648	24.7%
5,145	Asia	6,255	7,815	24.9%
1,620	CIS	2,220	2,084	(6.1)%
214	Domestic	521	154	(70.4)%
197	Gas	339	401	18.3%
23,499	Total oil and gas	29,902	36,102	20.7%
Petroleum products				
5,093	Export, excluding CIS	9,351	16,163	72.8%
3,152	Europe and other directions	5,875	9,607	63.5%
1,941	Asia	3,476	6,556	88.6%
202	CIS	338	743	119.8%
3,953	Domestic	8,605	14,160	64.6%
3,239	Wholesale	6,877	10,341	50.4%
714	Retail	1,728	3,819	121.0%
2	Refining fees	44	–	–
–	Petrochemical products	193	404	109.3%
9,250	Total petroleum and petrochemical products and refining fees	18,531	31,470	69.8%
350	Support services and other revenues	783	1,419	81.2%
33,099	Total revenues	49,216	68,991	40.2%



Revenues from domestic sales of petroleum products were USD 14,160 mln in 2008, compared to USD 8,605 in 2007, an increase of USD 5,555 mln, or 64.6%.

Sales of petroleum and petrochemical products

Revenues from petroleum and petrochemical product sales were USD 31,470 mln compared to USD 18,531 mln in 2007. The growth resulted from a 37.3% increase in average prices and a 24.0% increase in sales volumes. Sales volumes increased due to considerable increase in refinery throughputs.

Revenue from petroleum product exports to non-CIS countries was USD 16,163 mln in 2007 as compared to USD 9,351 mln in 2007, an increase of USD 6,812 mln, or 72.8%. The growth resulted from a 34.8% increase in average prices, which increased revenues by USD 3,257 mln, accompanied by a 28.2% increase in sales volume, which had a positive impact on revenues of USD 3,555 mln. The increase in average prices was due to an increase in world prices; in particular, the average price for fuel oil Mediterranean rose by 33.9%.

Revenues from petroleum product sales to the CIS were USD 743 mln compared to USD 338 mln in 2007. This increase resulted from a 50.0% increase in volumes, which had a positive impact on revenues of USD 169 mln, and a 46.5% increase in prices, which increased revenues by USD 236 mln.

Revenues from domestic sales of petroleum products were USD 14,160 mln in 2008, compared to USD 8,605 in 2007, an increase of USD 5,555 mln, or 64.6%. The growth in revenue from domestic sales of petroleum products resulted from a 49.1% increase in average prices, which had a positive effect on revenues of USD 4,664 mln, accompanied by a 10.4% increase in sales volumes, which contributed USD 891 mln to the revenues.

The revenues from the sale of petrochemical products in 2008 were USD 404 mln compared to USD 193 mln in 2007. Rosneft started selling petrochemical products in May 2007 following the acquisition of petrochemical assets.

Other revenues

Rosneft's structure includes service companies which provide drilling, construction, repairs and other services. The biggest part of these services are rendered within the Group. The remaining part

are rendered to third parties, and are reported in the consolidated Income Statement as other revenues.

Other revenues in 2008 were USD 1,419 mln compared to USD 783 mln in 2007, an increase of USD 636 mln or 81.2%. The growth resulted from the acquisition of new service companies in 2007 as well as an increase in service prices.

Costs and Expenses

Costs and expenses were USD 55,986 mln in 2008, 45.4% higher than USD 38,495 mln in 2007. This growth was driven by an increase in the export customs duty paid by Rosneft, as well as by the costs and expenses of subsidiaries acquired from Yukos in April-May 2007, higher depreciation, depletion and amortization, pipeline tariffs and transportation costs, costs of purchased crude oil, partly offset by the real rouble depreciation of 5.3% against the US dollar. Costs and expenses accounted for 81.1% and 78.2% of Rosneft's total revenues in 2008 and 2007, respectively. Costs and expenses excluding export customs duties and taxes other than income tax accounted for 27.8% and 29.6% of Rosneft's total revenues in the respective periods.

Production and operating expenses

Production and operating expenses in 2008 were USD 4,572 mln compared to USD 3,870 mln in 2007 (18.1% increase). The main contributors were operating ex-

penses attributable to acquired subsidiaries (in 2007 these entities were consolidated in financial statements from their respective acquisition dates in April-May of 2007, while in 2008 they were included in consolidated accounts from the beginning of the year), increase in production volumes, increase in employee numbers, indexation of wages to reflect inflation in Russia, and increase in purchase prices of materials used in the downstream segment.

Upstream production and operating expenses include materials and supplies, equipment maintenance and repair, wages and salaries, activities to enhance oil recovery, procurement of fuel and lubricants, electricity and other similar costs of Rosneft's production and exploration business units and subsidiaries. Downstream operating expenses include costs of services provided by third parties (such as transshipment and storage services), operating expenses of marketing companies and operating expenses of Rosneft's refineries.

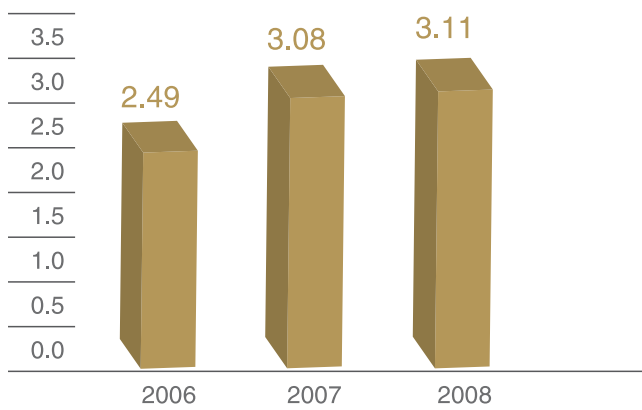
Of the total production and operating expenses, the upstream and downstream segments accounted for USD 2,414 mln and USD 1,451 mln, respectively, in 2008, and USD 2,482 mln and USD 1,020 mln, respectively, in 2007. Other operating expenses were USD 707 mln in 2008 and USD 368 mln in 2007.

Upstream production and operating expenses decreased by USD 68 mln in 2008 compared to 2007 and

2006	Costs and expenses (USD mln)	2007	2008	Change, %
2,197	Production and operating expenses	3,870	4,572	18.1%
1,320	Cost of purchased oil, gas, petroleum products and refining costs	1,610	2,942	82.8%
757	General and administrative expenses	1,341	1,632	21.7%
3,226	Pipeline tariffs and other transportation costs	4,226	5,673	34.2%
193	Exploration expenses	162	248	53.1%
1,638	Depreciation, depletion and amortization	3,286	3,983	21.2%
34	Accretion expense	78	120	53.8%
6,990	Taxes other than income tax	10,890	14,810	36.0%
11,140	Export customs duty	13,032	22,006	68.9%
27,495	Total costs and expenses	38,495	55,986	45.4%

Performance Review

Hydrocarbon lifting costs per boe of production (USD mln)



amounted to USD 3.41 per bbl produced and USD 3.11 per boe produced. These expenses were USD 3.48 per bbl produced and USD 3.08 per barrel of oil equivalent produced in 2007. The decrease in operating expenses per barrel of crude oil produced was due to the deconsolidation of Tomskneft (after sale in December 2007) and replacement of the third-party services provided to the upstream entities (repair, workovers, etc) with intra-Group services (service companies that were acquired in 2007). The decrease was partially offset by increases in electricity tariffs and consumption, increased cost of well workovers performed by external service providers, as well as additional accruals for polluted lands.

Downstream and other operating expenses increased by USD 770 mln in 2008 compared to 2007 due to the additional operating expenses of acquired assets consolidated for the full year and higher procurement prices of liquid fuel for transport and energy supplies as well as indexation of wages.

Cost of Purchased Oil, Gas, Petroleum Products and Refining

The cost of purchased crude oil, gas, petroleum products and refining includes crude oil, gas and petroleum product procurement costs and the costs of refining Rosneft's crude oil at third-party refineries.

In 2008, the cost of purchased crude oil, petroleum products and refining was USD 2,942 mln, an 82.7% increase from USD 1,610 mln in 2007, which was

mainly explained by the growth in volumes and purchase price of crude oil.

In 2008, the volume of purchased crude oil was 56.54 mln barrels at a cost of USD 2,284 mln. In 2007, the volume of purchased crude oil was 29.54 mln barrels at a cost of USD 934 mln. The overall increase in volumes was mainly due to the crude oil purchases from Tomskneft after the sale by Rosneft of its 50.0% stake in this company in December, 2007. Due to changes in the number of suppliers, the structure of purchases, the varying destinations and the rise in world and domestic prices of crude oil, the average purchase price of a barrel of crude oil increased in 2008 by 27.8% y-o-y.

In certain circumstances, it may be more beneficial for Rosneft to purchase petroleum products from third parties, to be supplied to Rosneft's marketing and transshipment subsidiaries together with the Company's own petroleum products. Purchases of petroleum products from third parties are mainly for the needs of Rosneft's retail subsidiaries. The volume of petroleum products purchased from third parties was 0.82 mln tonnes (USD 610 mln) in 2008 and 0.88 mln tonnes (USD 442 mln) in 2007. Rosneft's average price per tonne of petroleum products procured from third parties increased in 2008 by 48.2% compared to 2007. The increase was primarily due to the increase in prices of petroleum products on the domestic market and to a change in the mix of procured petroleum products.

Following the acquisition of Yukos refineries, Rosneft no longer pays refinery fees to Yukos. As a result refinery fees decreased from USD 198 mln in 2007 to USD 2 mln in 2008.

General and Administrative Expenses

General and administrative expenses include wages and salaries and social benefits (except for wages of technical staff of production and refining entities), banking commissions, third-party fees for professional advisory services, legal and audit 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 2008 were USD 1,632 mln, 21.7% higher than the USD 1,341 mln in 2007. This increase was mainly due to the general and administrative expenses of subsidiaries acquired from Yukos in 2007, which totaled USD 438 mln in 2008 versus USD 308 in 2007, as well as to the indexation of base salaries and wages to keep pace with inflation in Russia.

Pipeline Tariffs and Transportation Costs

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

Pipeline tariffs and transportation costs increased to USD 5,673 mln in 2008 from USD 4,226 mln in 2007. This 34.2% increase was mainly due to an increase of petroleum products' share in the total volumes transported, as well as increase in the pipeline and railroad tariffs of natural monopolies and overall transportation volumes growth.

Rosneft's crude oil export pipeline cost per tonne increased by 30.7% y-o-y (72% of total crude exports in 2008), while the domestic pipeline cost per tonne for transportation to refineries increased by 15.3%. The increase was due to growth of transportation tariffs charged by Transneft, which was partially offset by a change in the logistics of crude oil supplies following the acquisition in 2007 of new refining and production assets from Yukos.

Rosneft's cost per tonne for export of crude by railroad and using a combination of pipeline and railroad (28% of total crude exports in 2008) increased by 14.4% in 2008 compared to 2007 primarily due to increase of transportation tariffs charged by RZD (Russian Railroads).

Rosneft's cost per tonne for export of petroleum products via railroad and combined pipeline and railroad (64% of total petroleum product exports) increased by 39.4% in 2008 compared to 2007, due to use of new logistical schemes following acquisition of upstream and downstream assets from Yukos and due to increased railroad tariffs.

Exploration Expenses

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

In 2008, exploration expenses increased to USD 248 mln from USD 162 mln in 2007, or by 53.1%. The increase was primarily due to write-off of exploratory wells in the Kurmangazy project and was partially compensated by decrease in expenses as part of Sakhalin-4 and Sakhalin-5 (these expenses were covered by retrospective carry financing obtained from BP).

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization include depreciation of crude oil and gas producing assets, and other production and corporate assets.

Depreciation, depletion and amortization were USD 3,983 mln in 2008 compared to USD 3,286 mln in 2007. The increase is due to the acquisition of new assets in 2007 (depreciation, depletion and amortization of these assets were USD 1,059 mln in 2008 and USD 536 mln 2007), as well as the acquisition and construction of production wells and other facilities.

Taxes Other than Income Tax

Taxes other than income tax increased by 36.0% in 2008 to USD 14,810 mln, compared to USD 10,890 mln in 2007. The growth in taxes resulted mainly from an increase in mineral extraction tax per barrel by 38.7% due to the increase in average crude oil prices on the international market.

Export Duties

The impact of export customs duty on Rosneft's margins varies from period to period depending not only on the average Urals price per barrel, but also on the timing and direction of price movements within each period. This is due to the more rapid impact of price changes on Rosneft's revenue under US GAAP than on the amount of export customs duty determined under the formula.

Performance Review

2006	Taxes other than income tax (USD mln)	2007	2008	Change, %
6,342	Mineral extraction tax	9,323	12,817	37.5%
329	Excise tax	861	1,120	30.1%
154	Social security	291	430	47.8%
107	Property tax	186	261	40.3%
7	Land tax	15	23	53.3%
2	Transportation tax	4	5	25.0%
49	Other taxes and payments	210	154	(26.7)%
6,990	Total taxes other than income tax	10,890	14,810	36.0%

2006	Export duties (USD mln)	2007	2008	Change, %
9,763	Export duty for crude oil	10,754	17,200	59.9%
1,377	Export duty for petroleum products	2,278	4,806	110.9%
11,140	Total export customs duties	13,032	22,006	68.9%

Export customs duties were USD 22,006 mln in 2008 compared to USD 13,032 mln in 2007. This increase was primarily due to a 34.8% growth in export volumes of petroleum products, accompanied by an increase in the rate of the export customs duty by 66.1% to 72.0% depending on the type of hydrocarbons. This increase was partially offset by a 6.9% decrease in volumes of crude oil exports.

Operating Income

As a result of the factors discussed above, operating income increased by 21.3% y-o-y. As a percentage of total revenues, operating income was 18.9% and 21.8% in 2008 and 2007, respectively. As a percentage of revenues, operating income before taxes other than income tax and export customs duty was 72.2% and 70.4% in 2008 and 2007, respectively.

Other Income and Expenses

Interest Income

Interest income increased by 75.2% to USD 375 mln in 2008 from USD 214 mln in 2007, which was mainly due to the growth in the Company's banking activities and funds placed on deposits before the repayment of the final tranche of a bridge loan in September 2008.

Interest Expense

Interest expense decreased by 24.4% to USD 1,112 mln in 2008 from USD 1,470 mln in 2007. The main

reason for this was the decrease in the one-month LIBOR rate from 4.6% as of December 31, 2007, to 0.4% as of December 31, 2008, accompanied by a decrease in principal amounts of loans and borrowings as of these dates.

Loss on Disposal of Property, Plant and Equipment

Loss on disposal of property, plant and equipment was USD 58 mln in 2008, compared to a loss of USD 119 mln in 2007.

Assets impairment loss

In 2008, based on the annual impairment test results, the Company calculated and recognized asset impairment losses of USD108 mln, including USD 58.3 mln loss in the value of investment in the company Polar Lights and USD 50 mln on other investments.

Other Income/(Expenses, Net)

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

In 2008, other expenses, net, were USD 135 mln, compared to USD 195 mln of other expenses, net, in 2007. The decrease in expenses was primarily due to the write-off of USD 56 mln of promissory notes due to expiry of the claims period for these promissory notes.

Foreign Exchange Gains and Losses

Foreign exchange gain was USD 1,148 mln in 2008, compared to the loss of USD 409 mln in 2007. This change resulted from the impact of change in the US dollar exchange rate together with a decrease in net negative rouble-denominated monetary position in 'income and other tax liabilities' and 'deferred tax liabilities' as of December 31, 2008.

Income Tax Expense

The Company does not pay taxes based on its consolidated income before taxes under Russian law. Income tax is calculated for each subsidiary based on its profits in accordance with the Russian Tax Code.

The US GAAP effective income tax rate was 15% and 28% in 2008 and 2007, respectively. The most significant factors affecting the effective income tax rate in 2008 were the change in the income tax rate from 24% to 20% due to the changes in legislation, foreign exchange gain determined under US GAAP and fines and penalties for taxes. The effect of the change in the income tax rate was recognized in the fourth quarter of 2008.

Income tax was USD 1,904 mln in 2008 compared to USD 4,906 mln in 2007. Current income tax expense decreased to USD 3,394 mln in 2008 from USD 3,848 mln in 2007, while deferred income tax turned from an expense of USD 1,058 mln to a benefit of USD 1,490 mln.

Minority Interest in Subsidiaries' Earnings, Net of Tax

Minority interest in subsidiaries' earnings, net of tax, was USD 95 mln in 2008 compared to USD 21 mln in 2007. The change was due to the acquisition of minority interest in 2008.

Net Income

Net income decreased by 13.5% in 2008 to USD 11,120 mln from USD 12,862 mln in 2007. Net income as a percentage of revenues was 16.1% and 26.1% in 2008 and 2007, respectively.

Net income increased by 71.5% compared to adjusted 2007 net income of USD 6,483 mln (excluding one-off items: net income of USD 6,817 mln from Yukos bankruptcy and interest of USD 438 mln accrued in relation to Yuganskneftegaz tax liabilities for 1999-2004).

Net income in 2008 included a gain of USD 956 mln arising from change in the income tax rate, and a loss of USD 285 mln from asset impairment and interest SWAP. Adjusted net income in 2008 was USD 10,449 mln which is 60.8% more than 2007 net income adjusted for the same items as well as for Yukos-related items.

Liquidity and Capital Resources

Cash Flows

Net Cash from Operating Activities

Net cash from operating activities amounted to USD 14,393 mln in 2008 compared to USD 17,110 mln in 2007. Increase in net cash from operating activities in 2007 resulted mainly from Yukos bankruptcy proceeds received by Rosneft in June 2007 as a creditor. Net cash from operating activities excluding Yukos bankruptcy proceeds, amounted to USD 6,103 mln in 2007. The increase in net cash from operating activities, excluding Yukos bankruptcy proceeds, resulted from an increase in adjusted net income (to USD 10,449 mln in 2008 from USD 6,497 mln in 2007) and decrease in working capital.

2006	Calculation of adjusted net income (USD mln)	2007	2008	Change, %
3,533	Net income	12,862	11,120	(13.5)%
-	Effect from the assets impairment and loss from interests SWAP	14	285	
-	Effect from the income tax rate change	-	(956)	
(13)	Interest accrued in relation to Yuganskneftegaz tax liabilities for 1999-2004	438	-	
-	Income from Yukos bankruptcy	(8,970)	-	
-	Income tax from Yukos bankruptcy	2,153	-	
3,520	Adjusted net income	6,497	10,449	60.8%

Performance Review

2006	Principal items of cash flow statement (USD mln)	2007	2008	Change, %
2,590	Net cash provided by operating activities	17,110	14,393	(15.9)%
(6,513)	Net cash used in investing activities	(20,095)	(10,822)	(46.1)%
3,225	Net cash provided by financing activities	3,440	(3,074)	(189.4)%

The decrease in working capital in 2008 is primarily attributable to a significant decrease in accounts receivable of USD 2,180 mln due to:

- a decrease in export VAT, as a result of the reimbursement of export VAT during 2008, which was partially offset by an increase in other tax settlements of USD 850 mln (mainly income tax);
- a decrease in trade receivables which mainly resulted from settlements by letters of credit reducing the period of collection in the first half of 2008 and the decrease in market prices and export volumes (mainly in the fourth quarter of 2008);
- a decrease in other receivables by USD 128 mln that was offset by an increase in banking loans to customers of USD 11 mln.

Net Cash Used in Investing Activities

Net cash used in investing activities amounted to USD 10,822 mln in 2008 compared to USD 20,095 mln in 2007. Net cash used in investing activities in 2007 included USD 19,075 mln cash (USD 16,254 mln net of cash purchased) used for the acquisition of Yukos assets and USD 3,400 mln received as an advance payment for the sale of 50.0% of Tomskneft. Capital expenditures amounted to USD 8,732 mln in 2008 and USD 6,780 mln in 2007.

Net Cash Provided by Financing Activities

Net cash used in financing activities was USD 3,074 mln in 2008 compared to net cash provided by financing activity of USD 3,440 mln in 2007. The decrease in cash provided by financing activities in 2008 compared to 2007 was primarily due to the decrease of net debt and final repayment of the bridge loan in September 2008 that was used for the acquisition of Yukos assets and for general corporate purposes in 2007.

Capital Expenditures

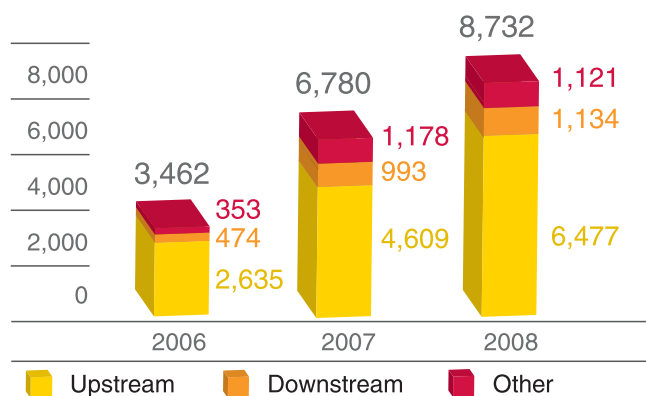
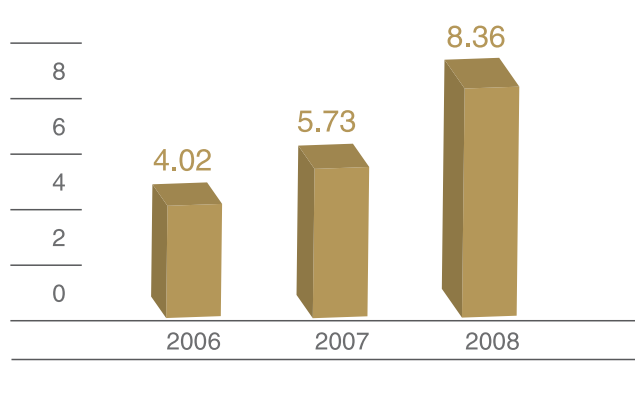
Rosneft's total capital expenditures increased by 28.8% or by USD 1,952 mln to USD 8,732 mln in 2008 compared to USD 6,780 mln in 2007. This increase was driven by the upstream segment, where capital expenditures increased by 40.5%, or by USD 1,868 mln, accompanied by a USD 141 mln increase in capital expenditures in the downstream segment.

The growth in the upstream segment was mainly attributable to capital expenditures in the Vankor field, Purneftegaz, Yuganskneftegaz and in Samaraneftegaz, which was acquired by Rosneft in May 2007. The growth in capital expenditures in the downstream segment was mainly attributable to the Angarsk, Syzran, Kuibyshev and NovoKuibyshev refineries that Rosneft acquired in May 2007, to new marketing business units acquired by Rosneft in 2007, as well as to the modernization program launched at the Tuapse refinery. In addition, the Company's capital expenditures in the downstream segment increased as a result of increases in advances made for delivery of gas-turbine equipment in 2008.

Since the fourth quarter of 2006, the Company's subsidiaries purchase construction materials and sell such materials to contractors that provide construction and drilling services on subsidiaries' wells. The net increase in unused construction materials amounting to USD 578 mln and USD 309 mln in 2008 and 2007, respectively, is included in capital expenditures as investing activity cash outflow.

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

In 2008 the total amount of capital investments related to the assets acquired from Yukos was USD 853 mln, including USD 235 mln in the upstream segment, USD 511 mln in the downstream segment and USD 107 mln in other segments, respectively.

Capital expenditures
(USD mln)Upstream capital expenditures per boe of production
(USD)

2006	Capital expenditures (USD mln)	2007	2008	Change, %
1,181	Yuganskneftegaz	2,185	2,866	31.2%
469	Vankor field	1,009	2,433	141.1%
204	Purneftegaz	423	491	16.1%
140	Severnaya Neft	212	181	(14.6)%
-	Tomskneft	233	-	(100.0)%
-	Samaraneftegaz	115	195	69.6%
641	Other ¹	432	311	(28.0)%
2,635	Total upstream segment	4,609	6,477	40.5%
14	The Company	99	122	23.2%
77	Tuapse refinery	106	137	29.2%
58	Komsomolsk refinery	61	73	19.7%
-	Angarsk refinery	80	83	3.4%
-	Achinsk refinery	62	44	(29.0)%
-	Syzran refinery	31	78	151.6%
-	Novokuibyshevsk refinery	44	54	22.7%
-	Kuibyshev refinery	52	55	5.8%
325	Marketing Business Units and others ²	458	488	6.6%
474	Total downstream	993	1,134	14.2%
184	Other activities ³	329	543	65.0%
3,293	Subtotal capital expenditures	5,931	8,154	37.5%
169	Net increase in construction materials	309	578	87.1%
-	Other former Yukos assets ⁴	540	-	(100.0)%
3,462	Total capital expenditures and capex acquisition	6,780	8,732	28.8%

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.

4 Assets acquired in lots #17-18 during Yukos bankruptcy proceedings.

Debt Obligations

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

In March-May 2007, the Company obtained bridge financing from a consortium of international banks in the total amount of USD 22.0 bln to finance acquisitions. These bridge loans were fully repaid or refinanced in 2008.

Rosneft's total loans and borrowings decreased to USD 24,165 mln as of December 31, 2008 from USD 27,273 mln as of December 31, 2007.

In February 2008, Rosneft raised a floating interest syndicated loan in the amount of USD 3.0 bln and made an additional drawdown of USD 425 mln in April 2008. The loan is repayable by equal quarterly installments within 5 years. The loan is secured by oil export contracts.

In July 2008, Rosneft raised another floating interest syndicated loan in the amount of USD 2.85 bln and made an additional drawdown of USD 350 mln in September 2008. The loan is repayable by equal quarterly installments within 5 years. The loan is secured by oil export contracts.

Long-term loans are generally secured by oil export contracts. Under the terms of such contracts, if the Company fails to repay its debt in time, the lender is usually provided with an express right of claim for contractual revenue that must be remitted directly to US dollar denominated accounts opened with the lender's banks. As of December 31, 2008, and December 31, 2007, 60.4% and 37.1%, respectively, of Rosneft's borrowings were secured by crude oil export contracts (excluding export to the CIS). As of December 31, 2008, and December 31, 2007, pledged oil exports constituted 46.3% and 37.1%, respectively, of the total crude oil export sales for the period in question (excluding export to the CIS).

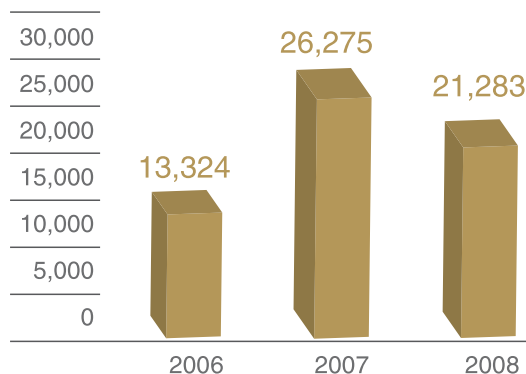
Rosneft's short-term borrowings (including the current portion of long-term debt) decreased to USD 14,084 mln as of December 31, 2008, from USD 15,550 mln as of December 31, 2007.

In June 2008, the Group sold 412.86 mln treasury shares of Rosneft to a syndicate of international banks for USD 2.35 bln cash under a repurchase agreement. The Company has a right and obligation to repurchase the shares within one year. The repurchase obligation carries interest of 5.76% p.a. In accordance with the repurchase agreement, this transaction was accounted for in the consolidated balance sheet as secured financing. In the third and fourth quarters of 2008, as a result of margin calls, Rosneft transferred an additional 82.07 mln treasury shares as collateral and paid USD 1.39 bln in cash, of which USD 0.5 bln was credited towards the repurchase obligation. As of December 31, 2008, the repurchase obligation (without accrued interest) amounted to USD 1.9 bln.

As of December 31, 2008, the Company's long-term and short-term debt assumed through the direct acquisition of new assets amounted to USD 1,511 mln. Assumed debt includes promissory notes (nominal value and accrued interest) in the amount of USD 1,360 mln, of which USD 1,0 mln were long-term promissory notes and USD 1,359 mln were short-term promissory notes. Total short-term promissory notes included approximately USD 694 mln due on demand (including promissory notes issued by Yuganskneftegaz), which, if presented for payment and paid, could affect Rosneft's liquidity.

As discussed in Note 16 to the consolidated financial statements, the Company must comply with a number of restrictive financial and other covenants, including the maintenance of certain financial ratios, pursuant

Net debt
(USD mln)



to its loan agreements. Due to the Company's acquisition in December 2004 of Yuganskneftegaz and its assets and liabilities, including consolidated contingent liabilities, and to the resulting debt incurred to finance such an acquisition, the Company was not in compliance with various financial and other covenants of existing loan agreements as of December 2004. In July 2005, the Company obtained waivers from the respective creditors related to the violation of restrictive financial ratios, and these creditors agreed to amend the financial ratio covenants in line with Rosneft's new structure and scope of activities. The creditors also waived other events of default arising from the breach of other covenant provisions. With effect from January 1, 2007, the creditors granted amendments to the loan agreements which remove these provisions and have included new waivers which state that the Company must:

- redeem, secure, discharge in full or restructure (and comply with any restructuring plans once it is agreed upon) all Yuganskneftegaz's tax liabilities by January 3, 2009 (extended from January 3, 2008 by waivers obtained in December 2007); and
- pay any arbitration award relating to the Moravel litigation or the Yukos Capital S.a.r.l. litigation if any such arbitration award is granted by a court of the Russian Federation, within the time frame provided for such payment under Russian Law.

These conditions also apply to certain new borrowings obtained throughout 2007 and 2008.

Additionally, in November and December 2007, the creditors waived certain possible violations and/or events of default under the loan agreements with respect to the loans payable to Yukos Capital S.a.r.l. by OJSC Tomskneft VNK and OJSC Samaraneftgaz, and to the condition related to OJSC Yuganskneftegaz's tax liabilities described above, effective through January 3, 2009 (see Note 24 to the consolidated financial statements).

In 2008, the Company fully restructured OJSC Yuganskneftegaz's tax liabilities (see Note 22 to the consolidated financial statements). In December 2008, the creditors waived certain possible violations and/or events of default under the loan agreements with respect to the loans payable to Yukos Capital S.a.r.l. by OJSC Samaraneftgaz (waiver extended until January 3, 2010).

As of December 31, 2008, the Company is in compliance with all restrictive financial and other covenants contained within its loan agreements.

The following table shows the scheduled maturities of Rosneft's long-term debt outstanding as of December 31, 2008:

(USD mln)	
Before December 31, 2009	5,315
2010	4,604
2011	2,695
2012	2,005
2013 and after	777
Total long term debt	15,396

Significant Acquisitions and disposals in 2008

Sales of the shares in OJSC Daltransgaz

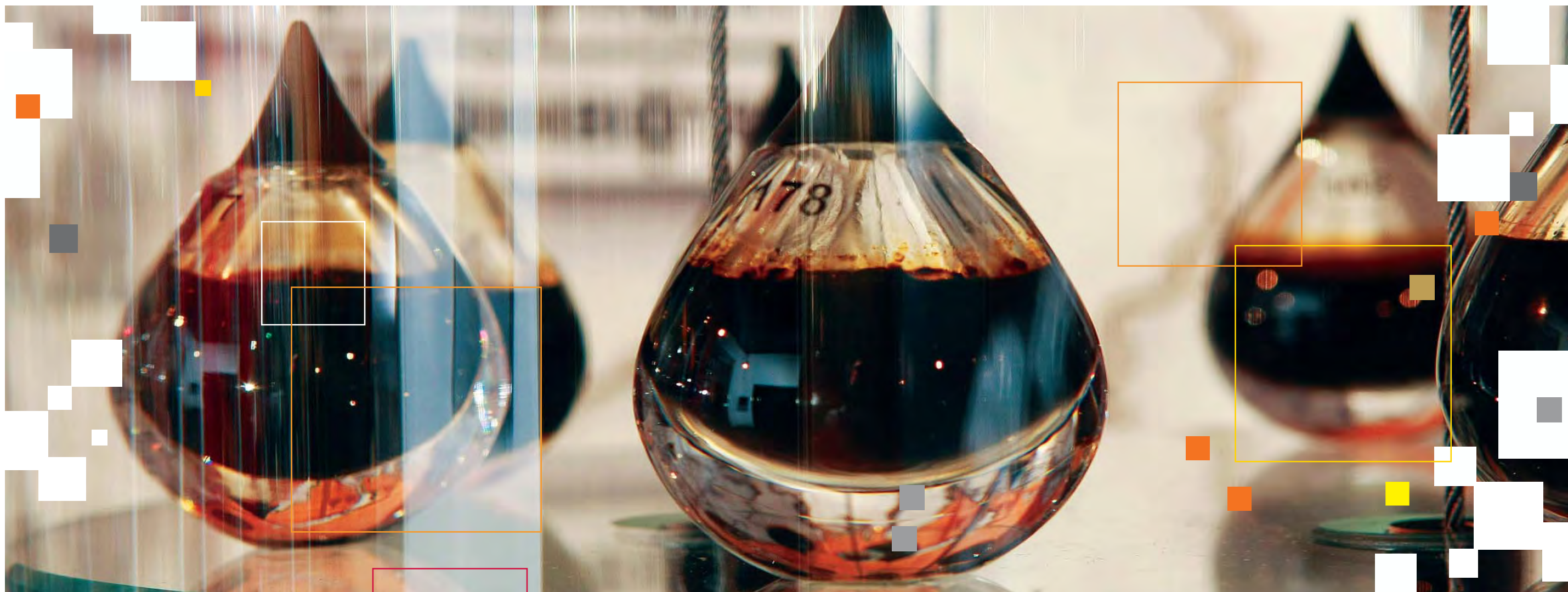
In December 26, 2008, the Company completed the sales of 25% of shares in OJSC Daltransgaz to Gazprom. OJSC Daltransgaz is an operator for the program to supply gas to the Sakhalin Region and the Khabarovsk and Primorye Territories.

Additional number of shares of OJSC Okhinskaya TETS

In April-June 2008, the Company purchased 35,048,921 ordinary shares of OJSC Okhinskaya TETS ('Okhinskaya TETS') for RUB 367 million (US\$ 15.5 million at the CBR exchange rate in effect at the transaction date). Okhinskaya TETS is a combined heat and power plant, mainly servicing the production activities of RN-Sakhalinmorneftegaz LLC, Rosneft's wholly owned exploration and production subsidiary.

Lease rights

In January 2008, RN-Trade, a 99.99% owned subsidiary of the Company won an auction for a three year lease right to nine land plots in Saint Petersburg for a total consideration of RUB 103 million (US\$ 4.2 million at the CBR exchange rate in effect at the transaction date). The land plots are expected to be used for the construction of service stations.



INNOVATION

continuous enhancement of innovative development system

ongoing technology research, development and deployment

monitoring and adoption of global best practices

personnel training and professional development

Research and Innovation

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Corporate Scientific Research Complex

Technology is crucial for an oil company to remain competitive in today's fast-moving environment. Leadership in technology depends on innovation, through consistent application of the latest know-how and equipment, use of global best practices, enhancement of management and control over business processes, and continuous improvement of skill levels among specialists. At Rosneft, these vital tasks are the responsibility of a specialized division, the Corporate Scientific Research Complex.

Rosneft's Corporate Scientific Research Complex consists of a Corporate Research & Development Center and 10 regional R&D institutes, of which seven specialize in exploration and production, and three in refining and marketing. The Corporate Scientific Research Complex provides R&D support and organizes use of technology throughout the Company's production chain.

In 2008, the regional institutes carried out 20% of all design work, and prepared 66% of the Company's project documents. Rosneft submitted a total of 153 projects to the Russian Government's Central Com-

mission for Sub-Surface Development in 2008, and obtained permits from Government supervisory bodies with respect to 126 project documents.

The volume of work carried out by Company institutes during 2008 on integrated design in oil refining and petrochemistry was nearly 40% greater than in 2007.

Main Objectives in R&D

The Company continued to use an integrated approach to implementation of field development projects in 2008, constructing unified models that take account of all aspects of development (formation, wells, surface infrastructure and economic calculations).

Exploration

R&D in exploration is focused on technologies that reduce geological risks and enable greater accuracy in detection of promising structures.

For this purpose, in 2008, the Company made extensive use of sedimentological and regional modeling: specialized IT programs were acquired, 17 specialists from the Corporate Research & Development Center underwent appropriate training, and five projects were carried out.

Seismic centers with a total of more than 50 specialists were set up within the R&D institutes, and a seismic information bank was created at the R&D subsidiary, LLC KrasnoyarskNIPIneft. As a result, the Company was able to carry out in-house interpretation of 70% of its 2D and 3D seismic data, which matches rates at other leading international oil companies.

Use of sedimentation models and standardized storage of seismic data and geophysical core information should increase success rates in exploration by 20%.

Proposals were prepared in 2008 for licensing of 34 blocks on the shelves of the Black Sea, the Sea of Chukotka and the Eastern Siberian Sea. Rosneft also

carried out an assessment and ranking of 12 regions in Eastern Siberia by the potential of their license areas.

Development

The Corporate Research & Development Center carried out 14 projects in 2008 for the application of new technologies at the field development stage (compared with nine such projects in 2007). Rosneft mobilizes specialists from the parent company, subsidiaries and corporate institutes, and also calls in international experts to facilitate work on these projects.

The Company continued to use an integrated approach to implementation of field development projects during 2008, constructing unified models that take account of all aspects of development (formation, wells, surface infrastructure, and economic calculations). A total of 10 such integrated projects were carried out in 2008 at the Company's most important fields (compared with five projects in 2007). The positive effect from creation of unified projects is confirmed by significant improvement in key economic indicators for field development.

Use of algorithms and software, designed in-house, enabled selection of optimal development systems

for major fields such as Priobskoye, Malobalykskoye, Prirazlomnoye, and others.

This integrated approach to field development, with the application of new technologies, gave an increase of 3.5 percentage points in the average-weighted oil recovery ratio relative to original oil-in-place in the period from 2005 to 2008, representing an extra 1.5 bln boe of recoverable reserves. A further 366 th. bbl of daily crude oil output was added thanks to implementation of a comprehensive management system for base production.

Various measures were carried out in 2008 to improve efficiency of drilling and well completion, including:

- a system for control and management of well construction was introduced at several subsidiaries (Vankorneft, RN-Yuganskneftegaz, and RN-Sakhalinmorneftegaz);
- a specialized center was set up to provide geological support during well construction, which will facilitate development of complex fields;
- work was underway to establish a project engineering center for well construction and recovery (using resources of RN-SamaraNIPIneft and other regional R&D centers). The purpose is to ensure that documentation for well construction and recovery is prepared to the highest standards, and to provide engineering and scientific support for well drilling and completion.

Overall, the Company tested and implemented 44 innovative techniques at 696 wells during 2008. For instance, spatial geonavigation (a periscope probe) was used for the first time in Russia at the Odoptu offshore field (Sakhalin Region) to achieve particularly large horizontal displacement in a horizontal well section. Increase in effective horizontal length gave an extra 585 bbl of daily crude production.

Company R&D provided support for the drilling of 128 sidetracks during 2008.

Production

Rosneft continued installation of its Total Production Management System (TPMSYS™) in 2008, enabling



Rosneft continued installation of its Total Production Management System (TPMSYS™) in 2008, enabling Company specialists to optimize operations at any well.



New technologies for production of improved road bitumen, developed by the Company in 2008 at Syzran Refinery, halved atmospheric emissions

Research and Innovation

Company specialists to optimize operations at any well using geophysical data and complete information about the well construction, current operating parameters, and equipment used. The RN-Production computer system, which is based on TPMSYS™, has been installed at 900 workstations at Company subsidiaries. Engineering support for complex geological and technical wellwork was provided at more than 370 wells during 2008. Support activities included:

- optimizing operation of production wells;
- standardizing and optimizing operation of injection wells;
- developing a system for dynamic analysis of operation of injection wells (PPD-online).

Effect from installation of TPMSYS™ in 2008 was equivalent to 31 mln bbl of additional crude production (85,000 bpd).

Development of algorithms and software for the flood management system, and use of up-to-date methods for production planning and management enabled a 12% increase in well potential and a 15% lowering of operating costs. It also enabled an increase in crude output at main wells by 366 th. bbl per day in the period from 2006 to 2008.

Tomskneft alone achieved 0.7 mln bbl of additional crude output in 2008 thanks to scientific and engineering support with use of enhanced recovery methods.

Company subsidiaries also successfully tested new machinery and equipment in 2008. In particular, new units for electric-centrifugal pumps (low-load submersible motors) increased the average life of the pumps by 70% and a slow-start device for high-voltage electric motors gave a 50% increase in motor reliability and service life.

Refining and Petrochemicals

Main innovation objectives in the refining and petrochemicals sector are:

- upgrading production facilities;
- process optimization;

- expanding the product range;
- energy saving, rational use of resources, and protection of the environment.

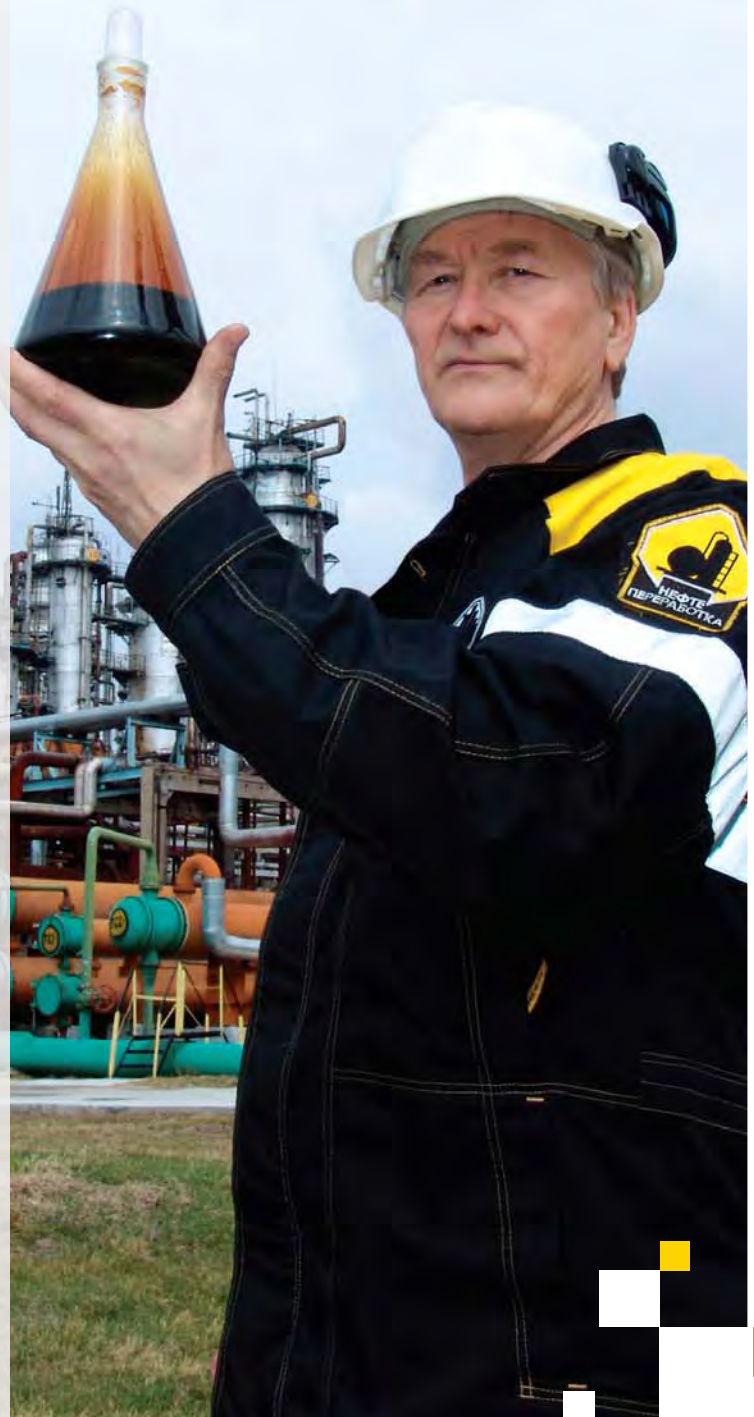
New technologies for the production of improved road bitumen, developed by the Company in 2008 at Syzran Refinery, halved atmospheric emissions and reduced the share of black diesel from 5–7% to 0.1–0.05%. Technologies were also developed for production of viscous polymer-bitumen materials for road building, which should generate an annual economic effect of USD 18 mln for Company refineries.

A new formula for synthetic electroinsulating lubricant, used in the electric motors of submersible pumps, was developed and deployed for further testing at RN-Stavropolneftegaz last year. The formula (MDPN-S2) can operate at temperatures of up to 250 °C. Use of MDPN-S synthetic lubricant in electric centrifugal pumps at Tomskneft fields already brought an economic effect of USD 2 mln. Preparatory work was also undertaken in 2008 for production at Angarsk Petrochemical Company of new oil and lubricant brands and for improvement of existing formulae by use of new additives (more than 20 types).

As part of energy saving measures aimed at reducing costs, the Company followed recommendations to raise residual component outputs at Novokuibyshevsk Oils and Additives Plant, which had a positive effect of approximately USD 1 mln. Energy saving measures at Angarsk Petrochemical Company resulted in cost reductions of USD 0.7 mln.



Preparatory work was undertaken in 2008 for production at Angarsk Petrochemical Company of new oil and lubricant brands and for improvement of existing formulae by use of new additives (more than 20 types).



Innovation Management

The main purpose of the New Technologies System is continuous implementation of new industrial technologies to raise production volumes, increase reserves, cut costs, and ensure that the competence of Company specialists matches the best international standards.

Innovation management is based on a number of systems designed by the Company:

- New Technologies System;
- System for Cooperation with R&D centers;
- Technology Training System;
- Knowledge Management System;
- Quality Management System.

New Technologies System (NTS)

The main purpose of the NTS is continuous implementation of new industrial technologies to raise production volumes, increase reserves, cut costs, and ensure that the competence of Company specialists matches the best international standards.

As of December 31, 2008, Rosneft and its subsidiaries owned 239 intellectual property items, including 178 invention patents and 16 utility model patents, and 45 certificates for registration of software

products. These items are registered with the Federal Service for Intellectual Property, Patents and Trademarks.

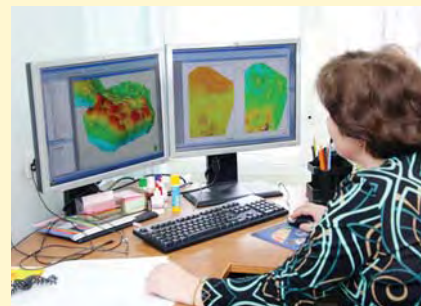
A range of technology testing in spheres of key importance for the Company was carried out in 2008, as follows:

- mechanized production (six projects);
- hydraulic fracturing of formation (five projects);
- drilling and well completion (three projects);
- new well technologies (two projects);
- squeeze cementing (two projects).

The Company commissioned five technologies in commercial production during 2008 as part of the NTS. Additional output during testing and application of the new technologies amounted to 2.9 mln bbl of oil (4.8 mln bbl in total since 2006), and total NPV of NTS projects in the period from 2006 through 2008 was USD 23 mln.

The most significant results in the framework of NTS projects in 2008 were as follows:

- There were 63 interventions to prevent accumulation of salts at highly productive wells by introduction of an inhibitor into formation. The technology, which was tested in 2006–2007, increased non-failure operating time of equipment 2.5-fold, with NPV being USD 4 mln;
- RN-Purneftegaz successfully applied squeeze cementing technologies at 36 wells, giving 640 th. bbl of additional oil production, with an NPV of USD 3 mln. A further 80 th. bbl of output were obtained through successful testing at five wells of a technology, which prevents casing leakage in high absorption zones;
- There were 40 interventions during 2008 to improve acid stimulation techniques at wells in carbonate fields. The interventions gave an extra 160 th. bbl of oil output, with an NPV of USD 0.7 mln. In addition, use of large-volume hydrochloride acid treatment, whose potential was determined at 300 well operations per year, should increase daily production by 13,000 bbl;
- Use of in-house developed material, RN-LCM, for well-kill operations with reduced absorption gave cost savings of 70% compared with a foreign-made analog;
- New well-kill fluids with higher density and lower calcium salt content were used in 40 interventions during 2008. The fluids are expected to reduce annual spending on well-kill operations by USD 2-4 mln, with an NPV of USD 0.7 mln;
- Testing of three systems for simultaneous separate oil production gave 45 th. bbl of additional output, with an NPV of USD 0.9 mln;
- The RosPump software system for selection and analysis of submersible equipment was developed and installed at 270 workstations at 10 Company subsidiaries. The new system gave an annual saving of more than USD 0.2 mln on software support.



In 2008, Rosneft continued with its corporate research program, 'Technology Challenge', inviting leading Russian and foreign specialists to carry out work on modeling, and design and monitoring of oil field development processes.



Rosneft is continuing its Master's program for students at leading Russian higher education institutes (Lomonosov Moscow State University, Moscow Physics and Technical Institute, Gubkin Russian State Oil & Gas University, Moscow State Institute of International Relations, etc.), providing support for courses developed jointly by Company specialists and teachers at these educational establishments.

In addition, various technologies for the development of difficult-to-recover reserves were tested for the first time in Russia at the North Komsomolskoye field during 2008 as part of the NTS. The tests gave steady inflow of high-viscosity oil with no risk of underlying water and gas penetration. These operations consisted of the following:

- construction of a sidetrack in close proximity to gas-oil contact, using polymer strengthening technologies to avoid gas penetration;
- preventative water and gas sealing by use of depression-resistant polymer screens;
- use of resin-coated proppant to strengthen formations in the bottomhole zone (returns were reduced by three times).

System for Cooperation with R&D Centers

In 2008, Rosneft continued its corporate research program, 'Technology Challenge', inviting leading Russian and foreign specialists to carry out work on modeling, and the design and monitoring of oil field development processes.

The program envisages work on the following issues during 2008–2009:

- integrated design of oil field development with large-scale use of hydraulic fracturing;
- design of modern systems for completion of horizontal wells during development of oil rims;
- cutting-edge technologies for large-volume acid treatment;
- development of high-viscosity oil fields;
- development of shelf fields;
- statistical geology and conceptual modeling;
- geomechanics of formation fracturing and fissuring.

The following prominent international scientific centers took part in the program during 2008:

- Stanford University: geological modeling technologies and modeling of 'smart' wells;
- University of Tulsa: development of computer technologies for optimization of well and surface equipment;
- University of Calgary: computer modeling technologies for hydraulic fracturing at production and injection wells;
- Golder & Associates, Seattle: optimizing development of fractured formation;
- Colorado School of Mines, Denver: study of multi-formation wells;
- University of Houston: computer technologies for design of completion systems for horizontal wells.

Technology Training System

Rosneft held 79 courses in 2008 as part of its Technology Training System, which ensures efficient application and the fullest possible use of new technology as well as continuous development of key competences of Company specialists. The courses were led by Company specialists and also by some of the best lecturers from Russian and foreign higher education establishments: Lomonosov Moscow State University, Gubkin Russian State Oil & Gas University, State University of Bashkortostan; and Stanford University, University of Tulsa, Texas A&M University, University of Houston, and Institut Français du Pétrole. The content of the courses matched Rosneft's technology development strategy and encompassed all business processes.

Rosneft is continuing its Master's program for students at leading Russian higher education institutes (Lomonosov Moscow State University, Moscow Physics and Technical Institute, Gubkin Russian State Oil & Gas University, Moscow State Institute of International Relations, etc.), providing support for courses developed jointly by Company specialists and teachers at these educational establishments. During 2008, Company subsidiaries gave full-time employment to five graduates of Master's courses, who had completed internships at Rosneft as part of their education.

Knowledge Management System

Rosneft uses its Knowledge Management System (RN-Expert) to standardize and automate collection, storage, and dissemination of knowledge and best practices.

A new sub-system, 'Technology Bank', was piloted in 2008, and a model was designed for another sub-system, 'Knowledge Base'.

One of the most efficient ways of disseminating knowledge is use of technology-application templates, by which the most suitable technologies for a specific task can be identified and ranked in terms of economic efficiency. This approach helps production specialists to make timely and informed decisions as to which technology or method they should use. In 2008, research in this direction led to creation of:

- a knowledge and technology matrix for the development of shelf fields;
- a matrix for methods of rescaling geological and hydro-dynamic models;
- a matrix of development methods for carbonate reservoirs, and technologies for maintaining formation pressure (periodic injection, constant maintenance of formation pressure);
- a matrix for application of acid solutions during acid treatment of carbonate reservoirs.

Rosneft holds scientific and practical conferences and seminars for dissemination of technical knowledge and production experience. The Company organized two scientific and practical conferences in 2008, which were attended by specialists from leading Russian and foreign R&D and service companies, and provided 36 lecture courses. In addition, 118 specialists from eight Company subsidiaries took part in 16 seminars for an exchange of R&D results and experience, focusing on the following subjects:

- field development;
- well studies;



Re-engineering measures boosted labor productivity at the Corporate Scientific Research Complex by 7% in 2008, and this success was mainly due to further implementation of a quality management system for the Company's R&D efforts.

- well building and operation;
- squeeze cementing technologies;
- pipelines;
- regulatory and methodological support;
- power generation.

The Company also has extensive R&D publishing capacities. The 'Rosneft Petroleum Engineering Library' series continues to publish translations of prominent oil and gas works by foreign authors and monographs by the Company's top specialists. There were four new books published in 2008. Regular publication of the Company's periodical, 'The Rosneft Science & Technology Courier', continued in 2008 with four new issues, and there were also more than 100 publications during 2008 in Russian and foreign specialized journals, collections of articles, compilations of reports delivered at Russian and international conferences, etc.

Quality Management System

Greater productivity and the optimization of business processes are overriding objectives for Rosneft in R&D as in other spheres. Re-engineering measures boosted labor productivity at the Corporate Scientific Research Complex by 7% in 2008, and this success was mainly due to further implementation of a quality management system for the Company's R&D efforts.

Bureau Veritas carried out unified certification of four of Rosneft's regional R&D centers to ISO 9001:2000 during 2008, and certification of all the other R&D centers is scheduled for 2009–2010.

Since 2008, the Corporate Scientific Research Complex has been managed using modern and highly efficient Balanced Scorecard methods for driving strategic alignment within an organization, which helps to ensure a clear formulation of Company priority objectives and their timely communication to heads of regional R&D centers.

Unification of requirements, quality control, and measures to improve process quality are expected to result in a 30–40% reduction in R&D costs by 2012.

IT Infrastructure Development

In 2008, Rosneft completed its RosA project for reducing the time needed to prepare consolidated financial statements from 70 calendar days (as required by Russian law) to 30 days.

Efficient deployment and application of new technologies largely depend on an appropriate IT support infrastructure. Rosneft uses an SAP R/3 base to meet the IT needs of Company personnel involved in book-keeping, preparation of accounts, and real-time management of information about the financial and economic state of the Company.

In 2008, Rosneft completed its RosA project for reducing the time needed to prepare consolidated financial statements from 70 calendar days (as required by Russian law) to 30 days. Quicker account preparation gives Rosneft a number of advantages, including: ability to make management decisions in a prompt fashion, greater transparency at all levels, matching best international standards for information disclosure, and increased investor confidence.

As part of IT systems development at the Company's headquarters, Rosneft automated preparation of tax declarations for income of shareholders, which are foreign legal entities, of tax declarations for income of individual shareholders (Tax Form 2: Tax on Income of Individuals), and the dividend payment process. New logistic schemes for crude oil and petroleum products were also automated, replication of corporate decisions for control over borrowing limits and over material needs of subsidiaries was continued, and a single database for fixed assets of Rosneft service companies was created.

Work also continued in 2008 on IT system development in the production segment. Modules were installed at production subsidiaries to ensure real-time monitoring of well operation, well repairs and work-overs, and functioning of booster pumping stations and other equipment. The Company also installed modules for automated generation of a part of subsidiaries' accounting. In addition, an automated emergency warning system was put in place at production facilities.

Various systems have been created and are being deployed to control petroleum product storage and transport. In 2008, a system for petroleum product quality control was installed in the Moscow Region along the entire chain, from a tank farm to a service station. The system now encompasses 96 Rosneft service stations.

A program for the measurement of associated petroleum gas was designed as part of metrological support for Company enterprises. The program, which was coordinated with Rostekhnadzor (the Russian Government Agency for Technical Standards), envisages construction of 1,000 gas metering stations. The Company built 43 such stations in 2008 and carried out design and research work for a further 41, which are planned to be built in 2009.



SOCIAL RESPONSIBILITY

industrial safety and environmental protection

safe working conditions

healthcare

commitment to improving employees' quality of life

support for education

socioeconomic development of host regions

Social Responsibility

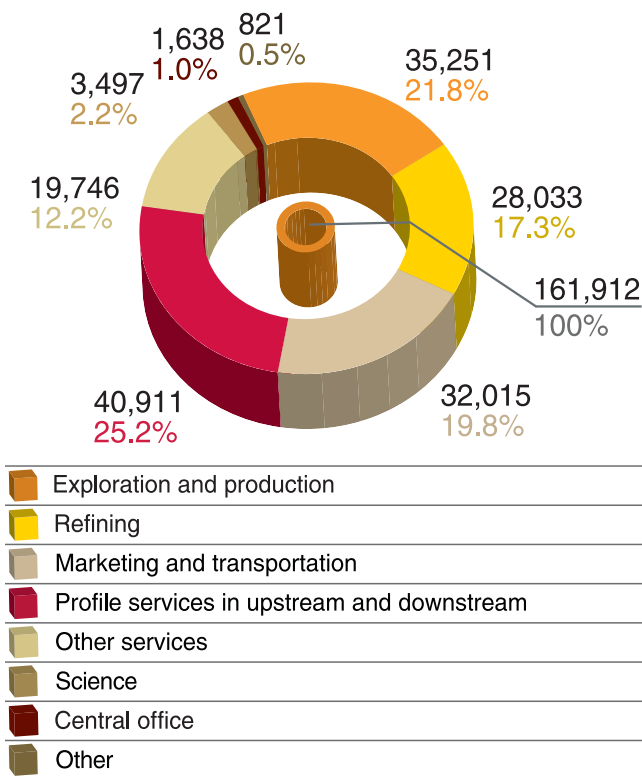
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Personnel

Sustainable development of Rosneft, including growth of business efficiency and shareholder value, are the fruits of dedicated, coordinated and responsible work by all of the Company's employees. Professional and highly qualified personnel are among Rosneft's most valued assets and the key to its future growth.

The Company attaches great importance to the professional contribution of each specialist, and aims to put a proper value on their contributions and to ensure fair opportunities for career growth to all categories of employees.

Personnel by segments, as of December 31, 2008
(employees; %)



Constant improvement of business practice and increase of labor productivity in all spheres are key priorities for Rosneft. These tasks are successfully addressed by the implementation of the best standards of corporate conduct, adequate compensation schemes and an efficient personnel motivation system, as well as the realization of a social policy, which enhances the quality of life of employees and their families. A key objective of the Company in human resource management is to raise the personal interest of each employee in achieving the best results.

At the end of 2008 Rosneft and its subsidiaries employed a total of 161,912 people. Rapid development of the Company led to increase of personnel during 2008 in all main segments (oil production, refining and marketing).

The geography of Rosneft's business is highly diversified, so Company personnel work in nearly all regions of the Russian Federation. The average age of Company employees in 2008 was 40, and a total of 21,500 Company employees held managerial positions.

Creating a Sustainable Future

Creation of strong HR potential for the future is part of Rosneft's long-term development planning. The Company is actively working with young people, who will be employed at Rosneft in 5-10 years.



2008

Sakhalinmorneftegaz

Social Responsibility

Since 2005 the Company has been developing its 'school-college-enterprise' project, which will ensure a steady inflow of talented, well educated young people to the Company.

Selection of personnel begins in the classroom, through the Company's system of 'Rosneft classes', which trains school children in basic and specialized subjects, familiarizes them with Rosneft corporate culture and orients them towards careers in the Company. Rosneft is creating such classes at the best schools in the regions where the Company has operations. High quality education is ensured by in-depth study of the most relevant subjects, employment of teachers from regional higher education institutions, use of up-to-date computer technology and equipment in the classroom and regular improvement of teachers' qualifications.

Special attention is paid to the professional orientation of school children. One of the subjects taught in Rosneft classes is 'planning a professional career', the children are taken on visits to Company enterprises, meetings are arranged with people in the industry and with young specialists, and the children are familiarized with business processes in the oil sector.

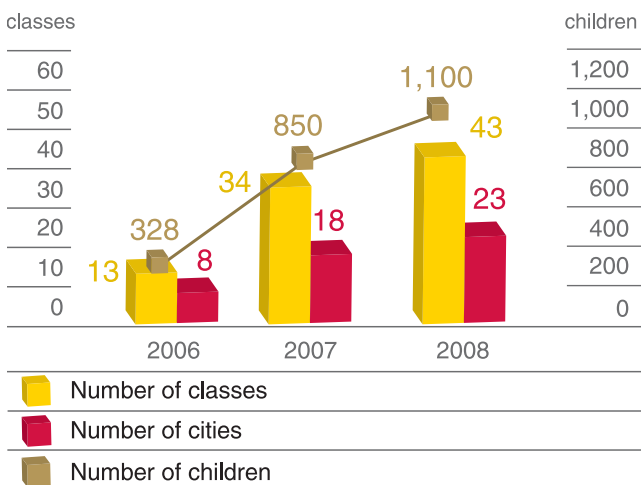
In 2008 there were 43 'Rosneft classes' in 23 cities and towns where Rosneft has a presence, from Eastern and Western Siberia to Sakhalin, the Northern Cau-

casus and the Central Federal District. A total of 1,100 children pursued studies as part of the program.

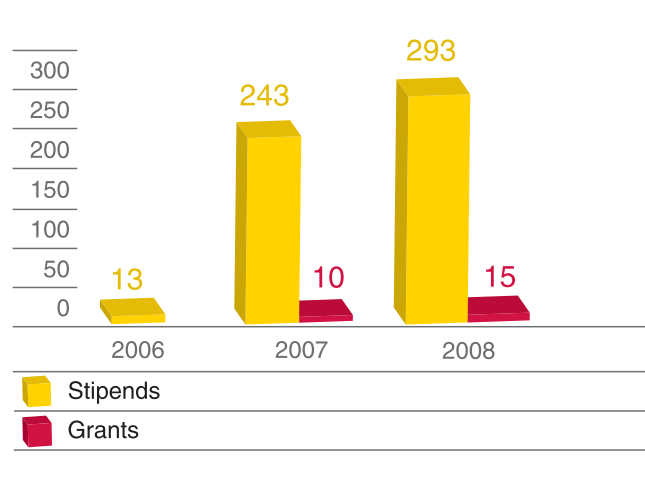
Results achieved in upper classes at school are reinforced in higher education. Rosneft has worked closely and to mutual advantage with more than 20 leading Russian higher-education institutions, including the Gubkin Russian State Oil & Gas University, geology faculties at Lomonosov Moscow State University and Moscow Physics and Technical Institute, as well as the Moscow State Institute of International Relations (attached to the Ministry of Foreign Affairs), Ufa State Petroleum University, the Higher School of Management at St. Petersburg State University, Siberian Federal University, Tyumen State Oil & Gas University, Kuban State Technical University, Tomsk Polytechnical University, the State University of Udmurtia, Samara State Technical University and other institutions.

The Company provides regular sponsorship assistance to higher education institutions with which it has partner relations. Thanks to this assistance the institutions can develop their educational and equipment resources to modern standards. Rosneft also organizes internships for teachers and professors at its enterprises and pays corporate grants to teachers and stipends to the best students. Rosneft corporate grants were provided to 15 higher-education teachers during 2008, and 293 students obtained stipends from the Company and its subsidiaries. The most

'Rosneft classes'



Number of Rosneft's grants and stipends





In 2008 there were 43 'Rosneft classes' in 23 cities and towns where Rosneft has a presence, from Eastern and Western Siberia to Sakhalin, the Northern Caucasus and the Central Federal District. A total of 1,100 children pursued studies as part of the program.

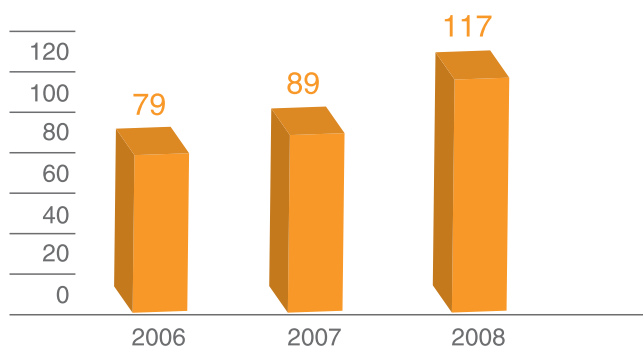


Social Responsibility

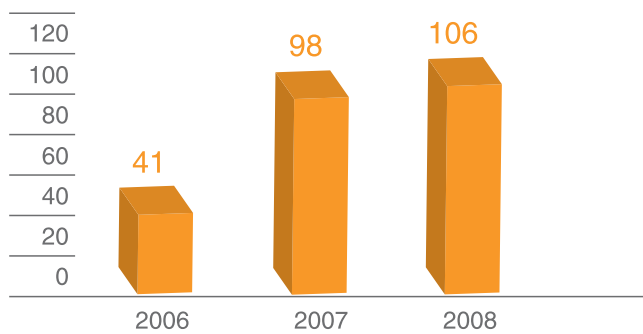
promising students and graduates are initially invited to obtain work experience or offered internships with the Company and are then offered permanent jobs. In 2008 a total of 3,080 people came to Company subsidiaries and corporate R&D centers for work experience or internships and about 900 of them have been given employment at Company enterprises.

The Rosneft-sponsored faculty specializing in Global Energy Policy and Energy Security at the International Institute of Energy Policy and Diplomacy (part of the Moscow State Institute of International Relations) continued its work in 2008. The Faculty trains students to masters level, giving them expertise in the field of international oil & gas business projects. In 2008 there were 21 masters students and 4 doctoral students pursuing studies at the Faculty. A total of 10 masters students are due to graduate from the Faculty in 2009, and the best of them will be offered employment at Rosneft.

Participation of young specialists in Rosneft's interregional R&D conferences (people)



Participation of young specialists in 'Russian Fuel and Energy' competition (people)



Partner institutes carry out annual 'Rosneft Days', at which Company representatives tell graduates about Rosneft enterprises, give them an idea of work prospects and explain corporate values. There were 25 such events during 2008 with a total of 3,800 participants.

Rosneft also has strong ties in the educational sphere with leading institutes, business schools and companies abroad: Stockholm School of Economics (Sweden), Bodo Graduate School of Business (Norway), PetroSkills, Ernst & Young Business Academy, DuPont Safety Resources, University of Alberta, University of Tulsa, University of Houston, Stanford University, Next, IHS Energy, Colorado School of Mines, Baker Hughes, BASF, Lufthansa, Schlumberger, Halliburton and many others.

Work with young specialists is among the main priorities of Rosneft's personnel policy. There are currently more than 2,600 young specialists working for the Company.

Councils of young specialists and a mentoring system are widely used in Company subsidiaries, helping to ensure that the adaptation of young people employed at the Company is managed efficiently. Special training is organized for young specialists, including business games, competitions and training sessions.

The 3rd Interregional R&D Conference for young specialists was held in 2008, bringing together 117 winners of the R&D 'Cluster Conference', sections of which were held in Strezhov, Anapa, Novokuibyshevsk, Tuapse and Ufa. The number of participants of the Interregional R&D Conference increased by more than a quarter compared with 2007.

Also, 106 young specialists from Rosneft took part in the regular 'Russian Fuel and Energy' competition, which is organized in association with the Ministry of Industry & Trade and the Ministry of Energy. 25 young specialists from Rosneft were among the winners.

In order to enhance the efficiency of the 'school-college-enterprise' project, an IT system and portal 'Career for the Young' have been developed, providing detailed information about past and future events. A corporate system for interactive study has also been implemented, and opportunities have been created for dialog between program participants from various regions of the country.



Corporate training programs are developed jointly with leading Russian and foreign educational institutions and are intended for all employees.



Training and Development of Personnel

Rosneft provides its employees with extensive opportunities to enhance their abilities and skills, and develop their management and professional competences. A vital element of the Company's HR policy is the system of corporate training, which is based on the following main principles:

- development of the Company's training resources in Moscow and Russian regions;
- use of varied approaches in assessment of training needs, and in planning and conducting training, and also in assessment of its effectiveness;
- ensuring that content, form and methods of study suit the trainees, for whom it is intended;
- use of highly qualified teachers;
- use of the latest IT and educational technologies.

Improvement of qualifications and professional re-training was provided to 84,500 employees in 2008, which is 1.35 times more than in 2007.

Corporate training programs are developed jointly with leading Russian and foreign educational institutions and are intended for all employees.

Rosneft is developing additional professional education in cooperation with the Gubkin Russian State Oil & Gas University. Specialists from the Company's production enterprises were among the first in the country to take part in the training program to develop their expertise in 'Technological supervision and control in well construction (Drilling Supervisor)'. Also, 14 Company specialists began training in 2008 in an 'Oil & gas production' program and 15 specialists entered the program 'Economics and management of an oil & gas enterprise', earning the title of 'Oil & Gas Enterprise Manager'. A total of 58 Rosneft employees underwent training in these programs during 2007-2008.

Technical training of highly qualified personnel also continued, specifically for the implementation of strategic projects.

In particular, specialists and workers of CJSC Vankorneft benefited from a special training program during 2008.

The Company was represented by 21 managers in 2008 who took part in the corporate MBA program 'International business in the oil & gas sector', which was jointly organized by the Moscow State Institute of International Relations and Bodo Graduate School of Business (Norway).

A seminar entitled 'International standards of project management. Organization of project work at OJSC Rosneft Oil Company' was held in 2008 for 84 top managers of Rosneft. Also 99 top managers took part in a series of seminars on development of management skills in a changing the global financial and economic environment.

A training program was organized in 2008 to familiarize Company employees with functioning of the Integrated System for Management of Industrial Safety and Environmental Protection. As part of this program, the companies DuPont Safety Resources and Bureau Veritas Rus issued certificates to 161 heads of Rosneft divisions, 69 general directors of subsidiaries, and 89 specialists with responsibility for the functioning of the Integrated System.

Also, special training programs were organized for employees with responsibility for compliance of Company products with international quality standards under the EU's REACH regulation (32 people underwent training at BASF).

The measures described in this section help the Company to attract and retain professionals, serve the objective of motivating employees, and help to create a solid HR base for successful implementation of Rosneft's long-term plans.



Councils of young specialists and a mentoring system are widely used in Company subsidiaries, helping to ensure the efficient management and adaptation of young people who are employed by the Company.





Social Policy and Charity

Rosneft social policy is an integral part of a corporate strategy that ensures the long-term sustainable development of the Company. It is based on strict compliance with generally recognized international standards for human rights and on Russian labor legislation.

Commitment to social responsibility with respect to all interested parties, based on equal opportunities, mutual respect, and supremacy of the law, is central to raising the Company's efficiency and competitiveness throughout its operations, and to enhancing the business reputation of Rosneft.

The Company is engaged in large-scale programs to ensure safe and comfortable working conditions, and provision of housing and improvements in the quality of life of its employees and their families. Rosneft also carries out professional training for employees, provides financial support to veterans and pensioners, and plays an active part in the social and economic development of the host regions. The main aspects of Rosneft's social policy are coordinated with the national projects, that are now being implemented by the Russian Federal Government: 'Affordable Housing', 'Education', and 'Health'.

Social spending by the Company in 2008 was USD 689 mln, which is USD 132 mln more than in 2007.

Social Payments and Benefits to Employees

All Rosneft subsidiaries offer a comprehensive social package, which includes:

- benefits relating to healthcare and leisure: voluntary medical insurance, holidays and rest cures
- free of charge and at special rates (for employees and their children), payment of travel expenses to and from a holiday destination;
- one-off payments to help employees meet extraordinary costs;
- a one-off payment at retirement.

Several subsidiaries also provide free meals for employees, additional payments to women on maternity leave, reimbursement of hostel accommodation costs, as well as other benefits. Composition and scale of benefits depend on the economic position of Rosneft subsidiaries and terms set out in collective agreements.

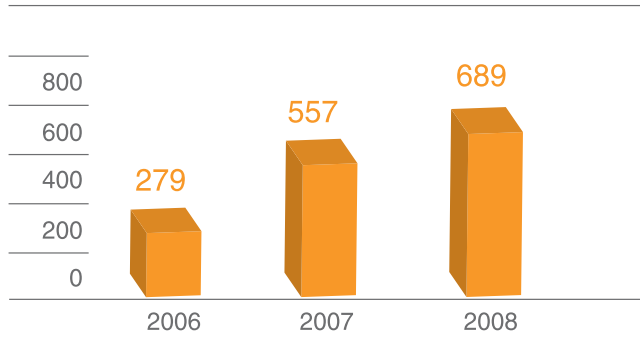
Improving Work and Leisure Conditions

Rosneft is aware that employees' living conditions can contribute to greater labor productivity. The Company is therefore creating new recreation zones, renovating social and community facilities, and financing projects to enhance daily comfort and security.

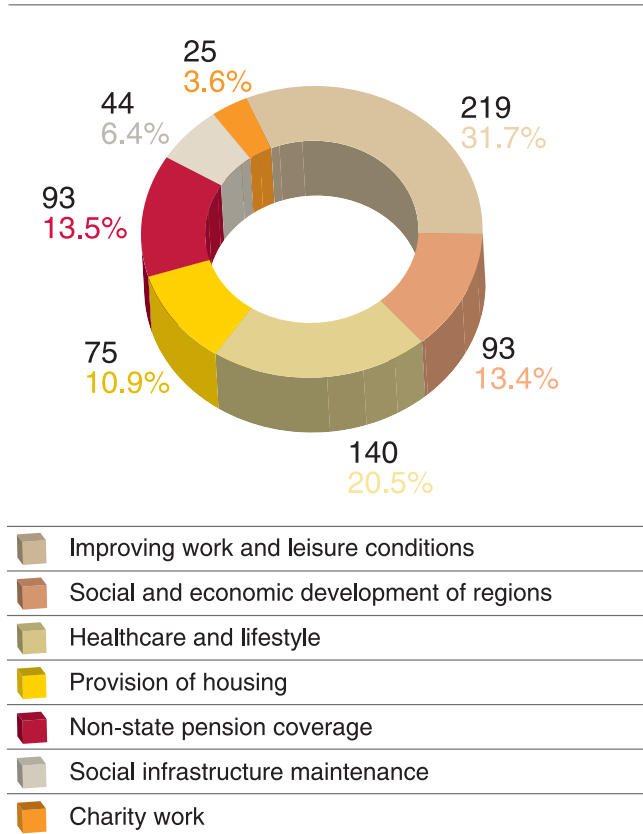
One of the central tasks of Rosneft's social policy is the renewal and development of camps for employees who carry out field shifts lasting several months.

Social Responsibility

Social spending (USD mln)



Social spending by area of activity (USD mln; %)



Such camps are currently used by 14,000 Company employees. The appearance of shift camps is rapidly changing thanks to Company efforts: old-style hostels are being replaced by new and more comfortable residential complexes, healthcare infrastructure is undergoing stage-by-stage improvement, the range of available public services is being expand-

ed, and employees have ever more opportunities for sports and leisure.

A major program to standardize Rosneft's shift camps was approved and commenced in 2008. Spending on the program in 2008 was USD 21.9 mln, and a total of USD 420 mln is planned to be spent in 2009–2017.

In 2008, a temporary shift camp for 1,220 people was completed at the Vankorskoye field and construction work began on four more camps. Also, a hotel with a cafeteria was completed at Igarka Airport, from where workers fly to Vankorskoye, and work began on a hostel for those who need to spend significant periods of time at the Airport awaiting transit.

Major renovation activities were carried out at 63 sites in 2008 as part of measures to improve the work and leisure conditions of Company employees. Total investment in development of the social sphere was USD 219 mln.

Healthcare and Lifestyle

The main aim of the Company's healthcare program is to reduce sickness rates by at least 30% by 2013 compared with the 2006 level. The program includes:

- annual medical checks and vaccinations;
- analysis of sickness patterns among employees, and implementation of preventative measures;
- use of the most efficient treatment methods;
- rest cures for employees and members of their families;
- promotion of a healthy lifestyle;
- ensuring health and safety in the workplace;
- development of medical services at Company subsidiaries.

The Company spent USD 39 mln on these measures in 2008, and plans to spend more than USD 200 mln implementing its healthcare program in 2009–2013.

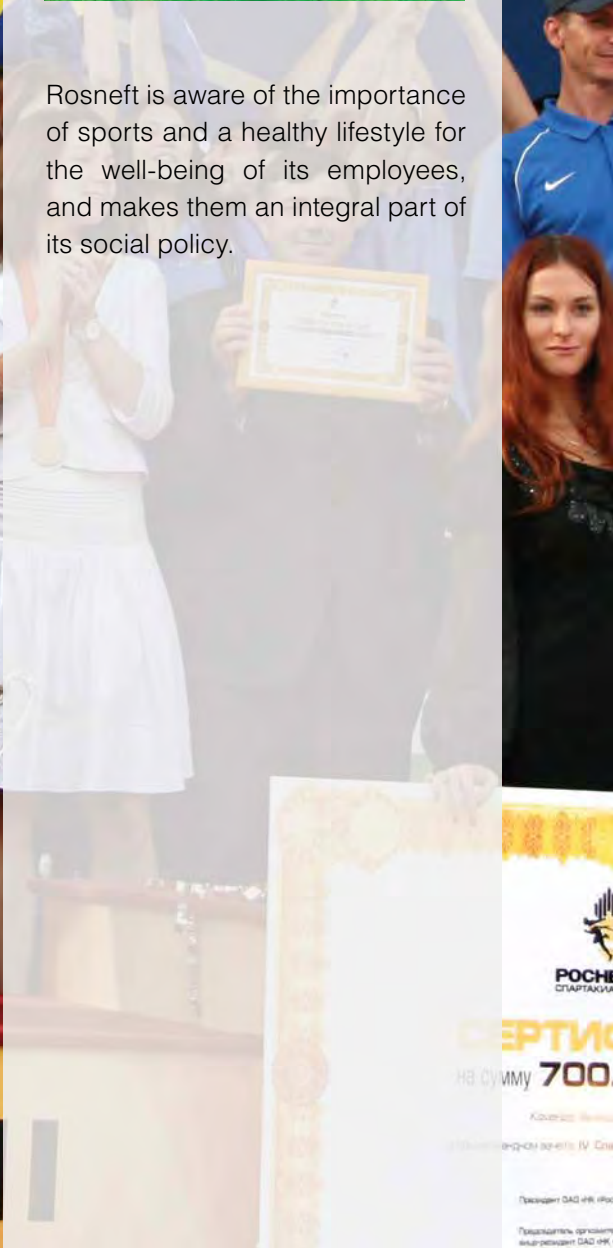


Major renovation activities were carried out at 63 sites in 2008 as part of measures to improve work and leisure conditions of Company employees.





Rosneft is aware of the importance of sports and a healthy lifestyle for the well-being of its employees, and makes them an integral part of its social policy.



Voluntary Medical Insurance

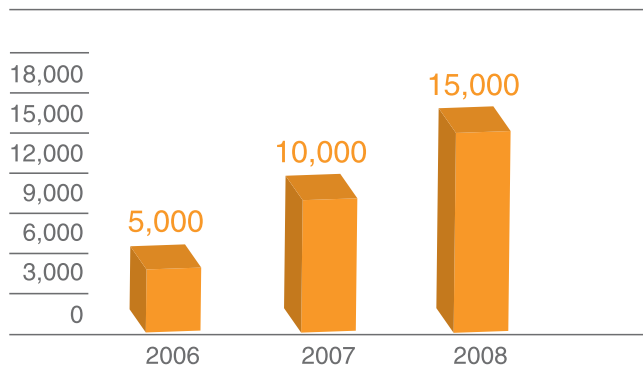
The program of collective voluntary medical insurance for Rosneft employees includes full general medical services, general and specialized dentistry, planned and emergency hospitalization, and a range of convalescent care services. A total of USD 16 mln was spent on voluntary medical insurance in 2008. Currently, more than 90,000 Company employees take advantage of the voluntary group medical insurance.

Sports

Rosneft is aware of the importance of sports and a healthy lifestyle for the well-being of its employees, and makes them an integral part of its social policy. The Company leases sports halls and swimming pools, and organizes annual competitions for its employees in various sports. Special emphasis is placed on development of children's sport. Rosneft is financing the construction of large, modern sports complexes in the Far East, Siberia and Southern Russia.

Rosneft's annual, multi-stage Amateur Sports Festival ("Spartakiada") is an important corporate event, and was held for the fourth time in 2008. The Spartakiada includes competitions in eight summer sports (five-a-side, basketball, volleyball, table tennis, track-and-field, kettlebell lifting, chess and tug-of-war). The number of people taking part in the Spartakiada has grown consistently.

Number of participants in Rosneft's Amateur Sports Festival (people)



The Festival begins with qualifying competitions at various Company enterprises. The second stage consists of regional trials, held in 2008 in Khabarovsk, Nefteyugansk, Angarsk, Samara, and Krasnodar. More than 1,500 athletes from Company subsidiaries, grouped in 50 teams, took part in the regional competitions. The finals of the Fourth Spartakiada were held in Sochi in September, with teams from 14 subsidiaries taking part (500 winners and runners-up from the regional stages).

More than 20,000 Company employees are expected to take part in the Fifth Rosneft Spartakiada in 2009. The finals will be held in Moscow.

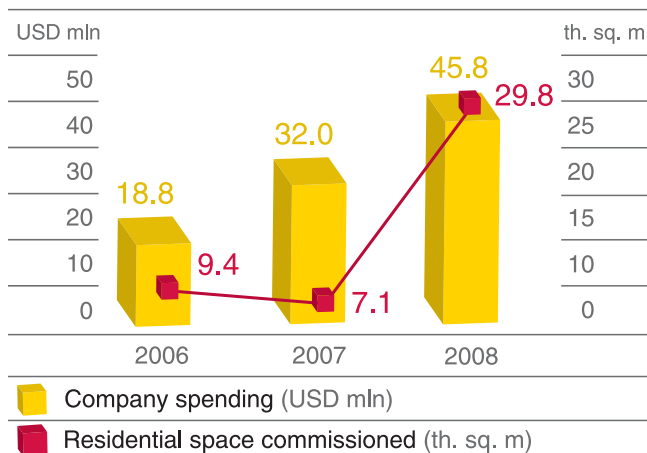
Housing Programs

The Company is implementing a comprehensive housing program for its employees. The program has four main aspects:

- corporate mortgage lending;
- housing construction;
- participation in the federal housing program on the Island of Sakhalin;
- providing accommodation to employees on secondment.

Rosneft provided housing for more than 1,000 of its employees' families in 2008 (more than 64,000 sq. meters)

Housing construction

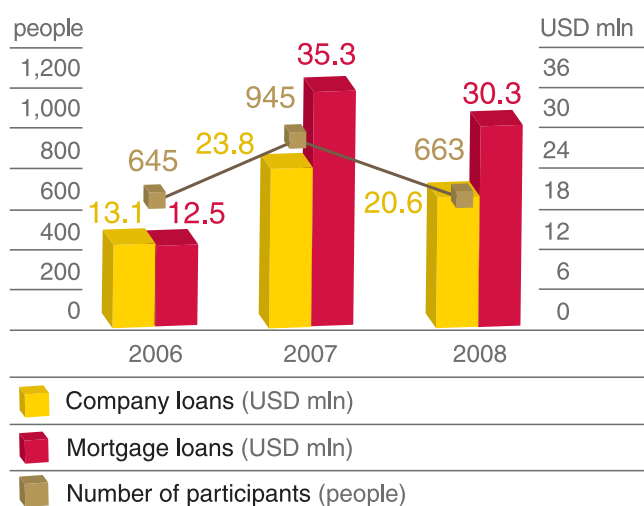


Social Responsibility

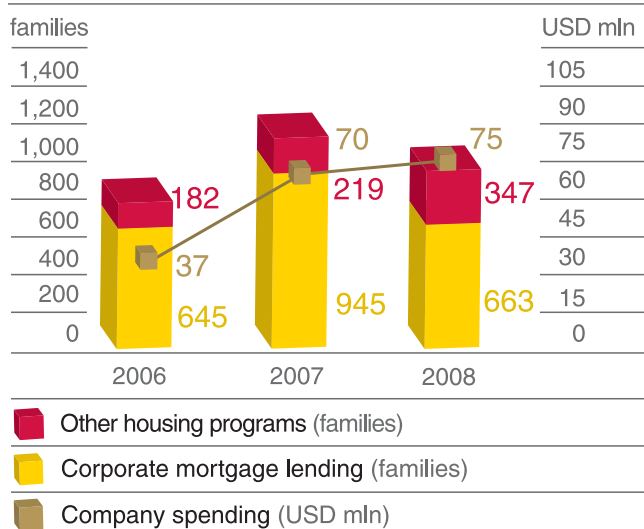
of residential space). The Company also bought 45 corporate apartments for personnel seconded from other parts of Russia to work at Company subsidiaries.

More than 650 families obtained housing in 2008 as part of Rosneft's program of long-term residential mortgage credits. Under the program, an employee can obtain an interest-free loan for up to 25–30% of the price of an apartment, and a long-term loan for the remainder of the price at a beneficial interest rate from a partner bank.

Corporate mortgage program



Provision of housing



It is planned that more than USD 340 mln will be spent on implementation of the housing program in 2009–2013, with an emphasis on mortgage development, which should improve the housing situation for 5,000 employees' families.

Russia is currently implementing a national project, 'Affordable and Comfortable Housing for Russian Citizens', and Rosneft is playing an active part in achieving the important social aims of the project. The Company finances residential space development in cities, where there are housing shortages (Grozny, Gubkinsky, etc.). Housing is offered on a mortgage basis, or partly paid for by the Company itself.

The Company has particularly close involvement in the federal housing program in the Sakhalin Region. Rosneft plans to supply USD 28 mln of the total USD 56 mln, which will be spent on the program in 2004–2009. Company employees are expected to obtain 322 of the apartments that are built.

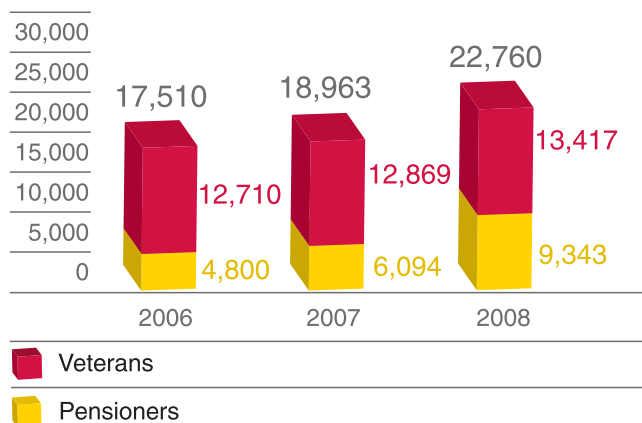
Corporate Pension Coverage

Rosneft's corporate pension program addresses two major issues: it ensures a decent standard of living for pensioners and veterans, and it also helps to achieve the Company's own human resource priorities (reducing employee turnover and attracting qualified specialists to the Company).

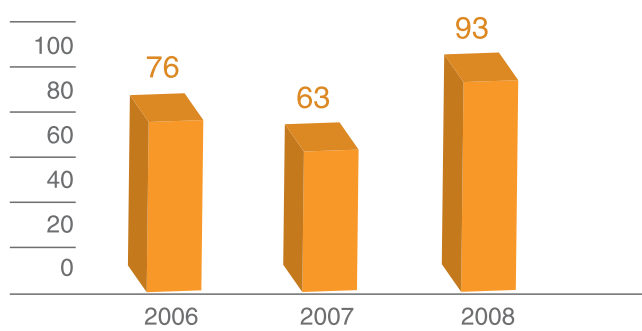
Rosneft provisions for retiring employees include payment of a non-state corporate pension in addition to the state pension. Such additional pension provision is organized through the Neftegarant non-state pension fund, and most Company subsidiaries have signed collective agreements with that fund (such agreements encompass more than 100,000 employees in total). Pension contributions by Rosneft and its subsidiaries to the Neftegarant fund totaled USD 93 mln in 2008, of which USD 6 mln was paid as part of a project for social support to veterans.

Non-state pensions were paid to 22,760 people in 2008 (9,343 pensioners and 13,417 veterans), and total pension payments during the year were USD 14.8 mln. A further USD 9.5 mln was paid as direct financial support to pensioners and veterans as part of the collective agreements to cover medical and other expenses.

Number of people receiving corporate pensions (people)



Pension contributions by Rosneft (USD mln)



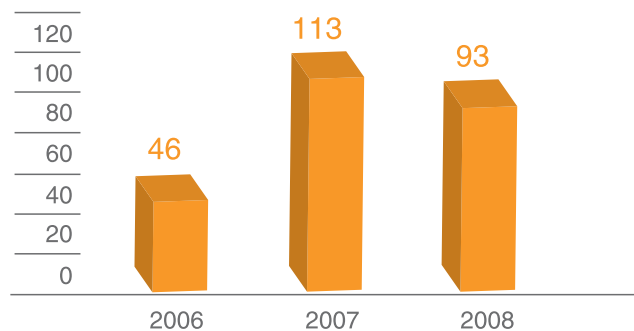
Rosneft is also creating a system of individual pension coverage over and above state and corporate schemes. Individual pensions are based on voluntary employee contributions to the Neftegarant fund. By the end of 2008, more than 18,000 employees had made individual pension agreements with the fund for a total of more than USD 5.2 mln.

Social and Economic Development of Regions

Rosneft has long-term partnerships with the regions where it operates, and carries out various large-scale social and economic programs in these regions.

Rosneft helps to finance social infrastructure in regions where the Company is present through agree-

Spending within social and economic regional agreements (USD mln)



ments with regional administrations, which are based on mutually advantageous cooperation and stipulate tax benefits for the Company in line with federal and local legislation. The agreements provide for investment in urban and rural infrastructure, road building, construction of schools, medical facilities, and cultural and sports facilities, purchase of modern equipment, etc.

At the end of 2008, the Company had cooperation agreements with administrations in the Khanty-Mansiysk and Yamalo-Nenets Autonomous Districts, the Republics of Komi, Adygea, Kabardino-Balkaria, and Udmurtia, in the Kamchatka, Primoriye, Zabaykalye, Krasnoyarsk, Krasnodar, and Stavropol Territories, and in the Sakhalin, Magadan, Irkutsk, Orel, Lipetsk, Novosibirsk and Samara Regions. In some places where Rosneft has operations, the Company's social policy is defined by conditions of mineral license agreements.

Rosneft spent a total of USD 93 mln in 2008 to finance social and economic cooperation agreements with regions.

Localities where Rosneft enterprises are the main employer have particularly high priority for the Company. In the town of Nefteyugansk (Khanty-Mansiysk Autonomous District), the Company is financing construction of a park and leisure zone with an indoor swimming pool, landscaping work, road surfacing, and construction of sports grounds and children's playgrounds. Also, work is underway in the town of Pyt-Yakh on a national cultural center.



Rosneft spent a total of USD 93 mln in 2008 to finance social and economic cooperation agreements with regions.



Charity is another key aspect of Rosneft's social policy. The Company makes significant amounts of money available each year to support various non-profit projects across Russia.

In the Yamalo-Nenets Autonomous District, the Company is paying for construction of the Neftyanik Cultural Center in the town of Gubkinsky, a sheltered housing development in the village of Tarko-Sale, utilities infrastructure in the village of Kharampur, and various other social facilities.

Rosneft is carrying out a large-scale social program in Okhinsky and Nogliksky Districts on the Island of Sakhalin. More than USD 16 mln was spent on local infrastructure work in 2008, including completion of two sports centers.

Overall, Rosneft participated in the financing of construction, repair, reconstruction and equipping of 18 pre-school facilities, 24 schools, 28 cultural facilities and 10 sports facilities, as well as 15 medical institutions and 9 places of worship during 2008.

Support for Education

Another important aspect of Rosneft's social policy is support for education. By helping educational institutions to acquire IT and interactive equipment, and fitting out laboratories and technical rooms, etc., the Company ensures a steady inflow of well-trained employees for its sustainable development.

Rosneft has a successful program 'school-college-enterprise'. Specialized 'Rosneft classes' have been created in 23 Russian regions for particularly gifted schoolchildren (43 classes with 1,100 children), who plan to obtain higher education at oil sector institutes and to pursue careers with the Company.

The Company spent USD 5.3 mln in 2008 on Rosneft classes, Russian higher education institutes, which train specialists for the oil and gas sector, and on support for educational infrastructure. Also, more than 170 Company employees were provided with a total of USD 300,000 in loans to finance their children's education.

Criteria for Charity Assistance

Criteria for provision of charity assistance to Company employees and their family members:

- income level of the claimant;
- make-up of the claimant's family;
- duration of employment at the Company and professional achievements;
- reason for the claim (illness, act of God, etc.).

Criteria for charity assistance to regions where the Company has operations:

- a cooperation agreement with the region and contractual mutual commitments of the parties, by which the Company agrees to participate in the region's charity programs, and the region agrees to provide tax remissions permissible by Russian law, as well as assistance with other issues in the competence of the region and permissible by Russian law;
- a jointly agreed program, specifying the use of charity funding;
- accounting by the region to prove that the charity funding was used as intended.

Criteria for charity assistance to organizations, institutions, and foundations for implementation of specific projects:

- social importance of the program and relevance to Company interests;
- an agreement on the contribution to be made with an estimate of project costs, agreed to by the Company;
- accounting to prove that the charity funding was used as intended.

Amounts of charity funding are confirmed in the Company's annual business plan. Decisions on assistance are taken by the Management Board, based on the official Company budget, or by authorized bodies of Company subsidiaries (management board, supervisory committees, etc.).

Transfer of funds to commercial organizations cannot be classified as charity.

Charity

Charity is another key aspect of Rosneft's social policy. The Company makes significant amounts of money available each year to support various non-profit projects across Russia. The scale of charity funding is set out in the Company's annual business plan. Decisions on funding in specific instances, within limits of the approved charity budget, are taken by the Company's Management Board or by authorized bodies at Company subsidiaries (management boards, supervisory councils, etc.).

Help to Rosneft employees, their families and to Company pensioners and veterans is of prime importance in charity work. Decisions on whether to help and how much to offer depend on the reason for application (illness, difficult family circumstances, etc.), income level, size of family, length of employment at the Company and professional achievements.

Charity in the regions where the Company operates is particularly oriented to small ethnic groups, which are indigenous to northern parts of Russia. The Company builds schools and hospitals and carries out infrastructure improvement to serve the needs of such communities. The Company also makes payments for use of land, buys equipment and fuel to support the economies of the northern communities, provides summer health and leisure programs for local children, and finances exhibitions, competitions, and other events. Rosneft spent more than USD 4 mln on the needs of small indigenous ethnic groups in the north of Russia during 2008.

Rosneft also helps to finance programs of major social importance by civil-society organizations and foundations aimed at reviving Russian spiritual heritage, as well as providing funds for sports events, healthcare, children's homes and boarding institutions, and various initiatives that serve to strengthen the cultural and moral foundations of Russian society.

In 2008, the Company's total spending on charity work was USD 25 mln.

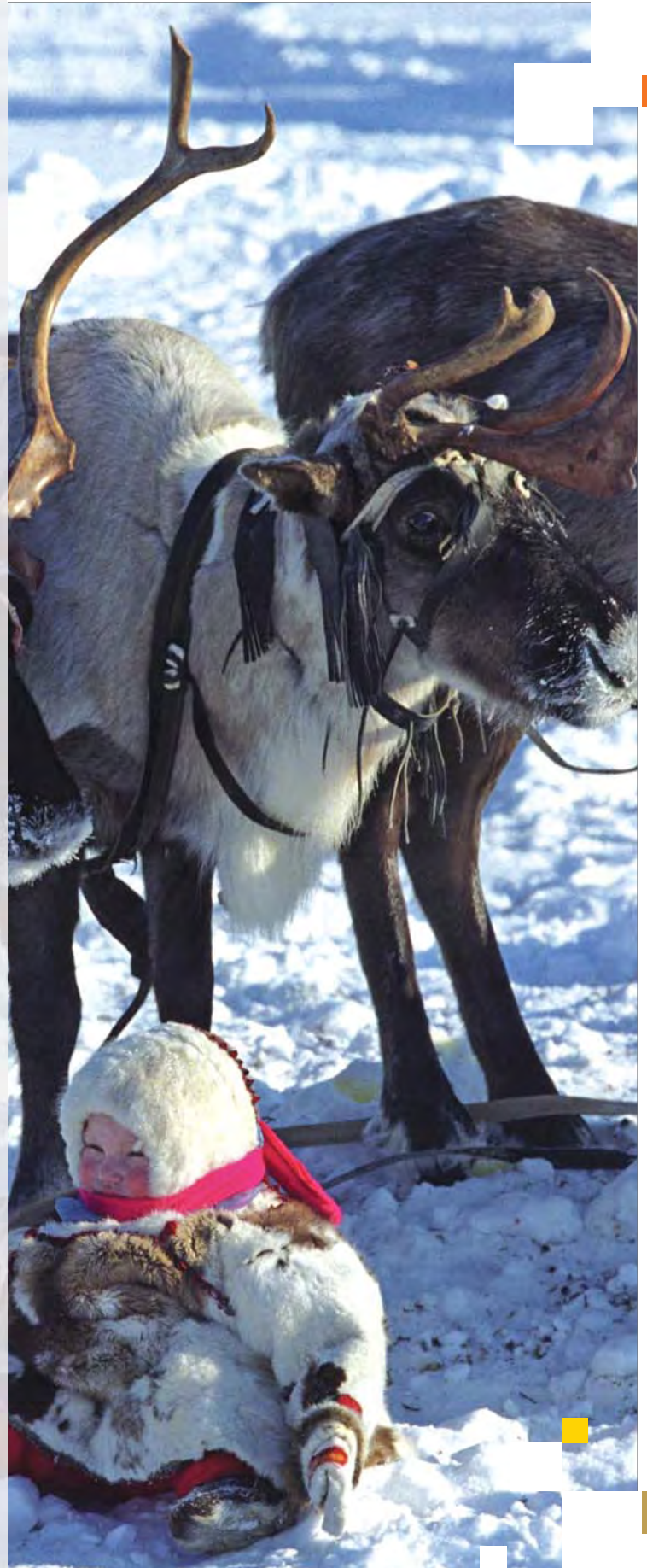
Maintenance of Rosneft Social Infrastructure

Rosneft is carrying out a step-by-step program for optimization of its own social infrastructure in order to reduce costs, which are not related to Company business. Various non-core facilities are being withdrawn from subsidiaries, and some key social and cultural assets, located in regions with unique climates and landscapes (Lake Baikal, the Volga River) are being turned into large-scale Health Centers for the use and benefit of all Rosneft employees. A specialized subsidiary, LLC RN-Zdorovye, has been set up to ensure efficient, centralized management of social and cultural facilities that remain a part of the Company.

Rosneft spent about USD 44 mln on maintenance of its social infrastructure during 2008.



The Company makes payments for use of land, buys equipment and fuel to support the economies of the northern communities, provides summer health and leisure programs for local children, and finances exhibitions, competitions, and other events.



Health, Safety and Environment

Rosneft policies on health, safety and environment (HSE) are guided by Russian legislation and international law.

The Company uses the latest technologies and most up-to-date production methods to ensure health and safety in the workplace, avoid potentially dangerous situations, and minimize risk of accidents.

The defining principles of Rosneft's HSE policies are as follows:

- consistently reducing industrial injuries, accidents and negative environmental impacts;
- improving industrial and environmental safety at production facilities to match the best indicators of international petroleum majors;
- further developing the Company's Integrated Management System for HSE;
- minimizing negative impacts of newly commissioned facilities on the environment and on health of the employees.

Rosneft operates the Integrated Management System for health, safety and environmental protection, enabling ongoing management, control, monitoring and assessment of the Company efficiency in these fields. Staff at all levels ensure production safety and work to lower negative environmental impacts. Standards have been designed to guarantee proper functioning of core elements of the System, and work is ongoing to develop and implement new Standards.

In 2008, the Company underwent the second independent surveillance audit of its Integrated Management System, which confirmed that the System is maintained in working order, is being consistently improved, and matches the overall audit criteria.

The Company currently has certificates of compliance with the international standards ISO 14001, 'Environmental Management Systems', and OHSAS 18001, 'Occupational Health and Safety Management Systems'. These certificates apply to 27 Company enterprises, and another six subsidiaries have their own ISO 14001 and OHSAS 18001 certificates.

In 2008, Rosneft was also engaged in adaptation of its Integrated Management System to requirements of the new standard, OHSAS 18001:2007, which has extended occupational safety criteria, and updated human factor evaluation and accident investigation procedures.

It is intended that, following recertification of the Integrated Management System in 2009, international certificates of compliance will be extended to 56 Rosneft enterprises and subsidiaries.

In health and safety, Rosneft's prime focus is continuous improvement of the competences of all Company employees. During 2008, seminars and educational programs in this area were held in various regions where the Company operates, and specialized training was delivered as part of the Company's ongoing



Yuganskneftegaz



In environmental protection, Rosneft gives first priority to preventative measures aimed at minimizing negative impacts of Company activity on the environment and on the health of its employees.

efforts to enhance the Integrated Management System. Rosneft calls in leading Russian and international companies to provide professional development programs, including DuPont and Bureau Veritas. The Company also plays an active part in discussion of health and safety issues with Russian government agencies at federal, regional and local level, as well as maintaining a dialog with civil-society organizations.

Rosneft spent about USD 80 mln on financing of health and safety measures at Group enterprises and subsidiaries during 2008.

The number of industrial injuries has consistently been reduced, which is testament to the efficiency of the Company's health and safety policy. In 2008, the overall injury rate at Rosneft companies declined by 15.4% and the fatal injury rate was 2.8 times lower as compared with 2007.

In environmental protection, Rosneft gives first priority to preventative measures aimed at minimizing negative impacts of Company activity on the environment and on the health of its employees. Subsidiaries are required to prevent and eliminate factors that may have a detrimental effect on natural resources, and to reduce the incidence of potentially dangerous situations through renewal of equipment and strict observance of rules for equipment operation.

As part of its Environmental Program for 2008–2012, the Company carried out various environmental measures as well as further modernization of ecological

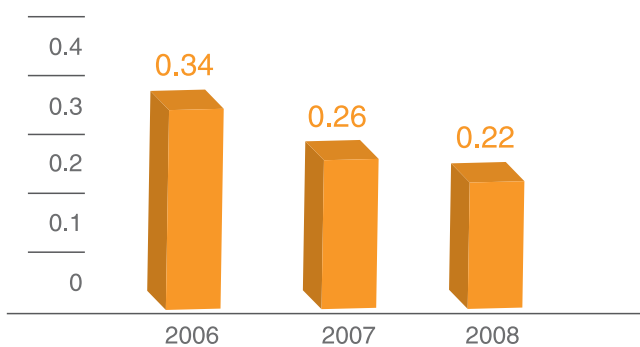
infrastructure during 2008. In particular, LLC Purneftgaz and LLC Severnaya Neft completed construction of landfills, and LLC Severnaya Neft also commissioned treatment facilities. At LLC Yuganskneftegaz, an oil sludge treatment unit started operating at full capacity. Total investment during 2008 under the Company's Environmental Program was USD 16 mln.

Rosneft has a comprehensive system for emergency prevention and response. During 2008, a total of 283 emergency response exercises, involving approximately 23,000 subsidiary employees, were carried out to maintain system readiness to combat oil leaks and fires, and for accident localization. Rosneft selects subsidiaries for conducting emergency response exercises in a way that takes account of specific conditions associated with Company production, refining and marketing operations in diverse geographical areas.

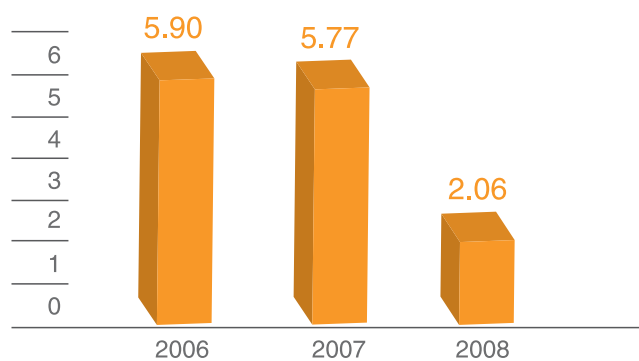
In 2008, the Company's spending on emergency prevention and response, and on fire and radiation safety rose by 1.3 times compared with 2007, to USD 115 mln.

The consistent reduction of air pollutant emissions is among the Company's highest priorities in environmental protection. As part of this work, Rosneft has been implementing a wide range of measures, including: construction and overhaul of pipelines; adjustment of burner units, boilers, furnaces and fuel equipment; installation of pontoons and gas handling systems at tanks and use of light reflecting paints;

Industrial injury rate (per 1 mln hours worked)



Fatal injury rate (per 100 mln hours worked)



Social Responsibility

constant monitoring of air quality and inventory of emission sources.

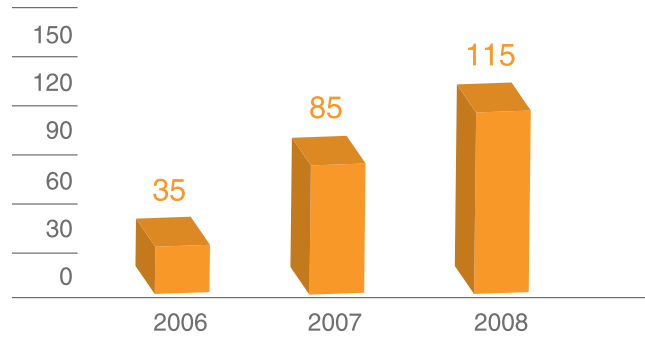
Along with conventional approaches to environmental protection, such as rational use of water resources, land decontamination and reclamation, etc., Rosneft extensively applies the most advanced environmental technologies. For example, waste disposal is carried out only at special sites, and well pads at fields are equipped with a tailor-made drainage system. In addition, extensive use is made of treatment systems during drilling (technique of 'pitless drilling', which dispenses with the need for waste pits), and observation wells are drilled around well pads. Another key element of Rosneft's modern approach to environmental protection is its cutting-edge pipeline monitoring system.

In every aspect of its environmental operations, Rosneft closely collaborates with specialized organizations, which also make use of the latest technologies and equipment.

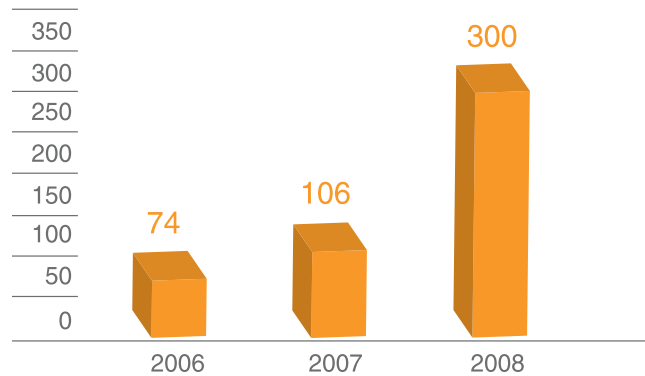
In 2008, Rosneft's investment and operating expenses associated with environmental protection totaled USD 300 mln (not including spending on emergency prevention, preparedness and response, and on fire and radiation safety). This substantial growth in environmental spending as compared to 2007 is primarily attributable to asset acquisitions in 2007 and major expansion of Rosneft's environmental activity.

Environmental security operations by Rosneft enterprises have consistently earned the highest accolades at regional and federal level. In 2008, the Company subsidiary, OJSC Kuibyshev Refinery, won first prize at two Russia-wide competitions: 'Russian Leader for Environmental Protection in 2008' and 'Best Environmental Project of the Year'.

Spending on emergency prevention, fire and radiation safety (USD mln)



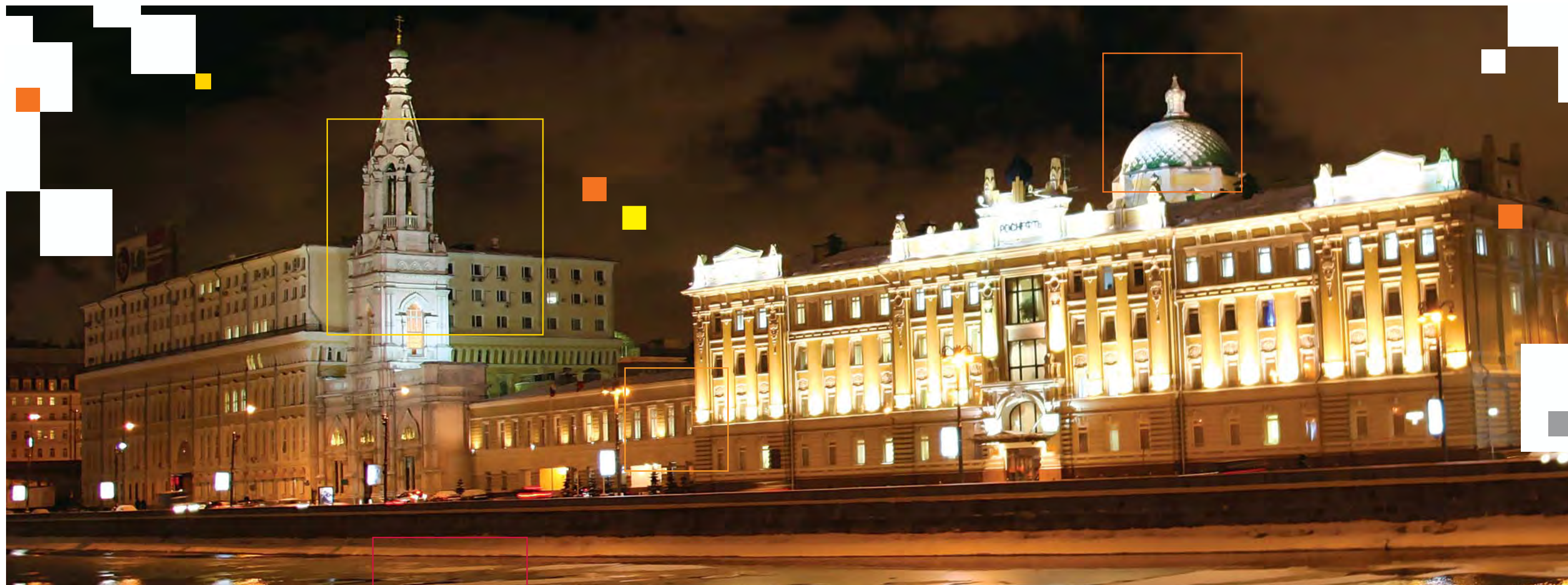
Spending on environmental protection (USD mln)



Does not include spending on emergency prevention, preparedness and response, and on fire and radiation safety. Environmental spending in 2007 does not include related expenses associated with newly acquired assets.



During 2008, a total of 283 emergency response exercises, involving approximately 23,000 subsidiary employees, were carried out to maintain system readiness to combat oil leaks and fires, and for accident localization.



TRANSPARENCY

compliance with Russian and international regulations

information accessible to all interested parties

regular information updates

quarterly financial results under international standards

ongoing dialogue with minority shareholders and institutional investors

Corporate Governance

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System of Corporate Governance

An effective and transparent system of corporate governance is essential for the sustainable development of Rosneft, for enhancing the Company's social responsibility before all interested parties, and for raising the Company's investment appeal.

As a public company, Rosneft does all it can to improve the efficiency of its system of corporate governance, monitoring and making use of the latest international experience. The main tasks of the Company with respect to corporate governance are:

- extension and efficient functioning of unified governance standards in all of the Company's structural divisions;
- constant improvement of relationships with shareholders and institutional investors, employees, business partners and other interested parties;
- improvement of information policy;
- ensuring efficient long-term cooperation with local government to support socio-economic development in the Company's operating regions.

Rosneft's system of corporate governance consists of the General Shareholders' Meeting, the Board of Directors, a Collegial Executive Body (the Management Board), and a Chief Executive Officer (the Company President). The principles and

foundations of this system are formulated in Rosneft's Code of Corporate Governance, which was designed to comply with the Russian Federal Law on Joint Stock Companies, the Code of Corporate Governance recommended by the Russian Federal Commission for the Securities Market, with OECD principles of corporate governance, and with the Company Charter.

The General Shareholders' Meeting

The General Shareholders' Meeting is the Company's supreme governing body. The following internal documents, regulating the work of Rosneft's managing bodies, were approved by the General Meeting of Shareholders on June 7, 2006, to help guarantee rights of Rosneft's shareholders to participate in company management and decision-making on key issues of Company business:

- Regulation on the General Shareholders' Meeting;
- Regulation on the Board of Directors;

2008



Corporate Governance

- Regulation on the Collegial Executive Body (Management Board);
- Regulation on the Chief Executive Officer (President);
- Regulation on the Internal Audit Committee.

Decisions by the Annual General Shareholders' Meeting of Rosneft, held on June 5, 2008, and devoted to the results of Company business in 2007, were as follows: approval of the Company's annual report; approval of annual financial accounts of the Company, including the profit & loss account; approval of distribution of Company profit for 2007; a decision on size, form and term of payment of dividends for 2007; remuneration and compensation of expenses for members of the Company Board of Directors; appointment of members of the Board of Directors and of the Company's Internal Audit Commission; approval of the Company Auditor; and decisions on amendments and additions to the Company Charter and approval of related-party transactions. Decisions taken by General Shareholders' Meeting had been fully executed by December 31, 2008.

The Board of Directors

The Board of Directors is the main link in Rosneft's system of corporate governance. It carries out general management of Company business, except for issues that Russian federal laws and the Rosneft Charter place in the competence of the General Shareholders' Meeting. The Board of Directors ensures functioning of the system of control over activities by the Company's executive bodies, efficient interaction between Company bodies, and observance and protection of the rights and lawful interests of shareholders.

The Board of Directors of Rosneft approved the following documents in 2006 in order to improve the Company's corporate governance system:

- Regulation on the Procedure for Formation and Operation of Committees of the Board of Directors;
- Regulation on the Audit Committee of the Board of Directors;

- Regulation on the HR and Remuneration Committee of the Board of Directors;
- Regulation on the Strategic Planning Committee of the Board of Directors;
- Code of Corporate Governance;
- Regulation on the Corporate Secretary;
- Regulation on Dividend Policy;
- Regulation on Insider Information;
- Regulation on Information Disclosure Policy;
- Regulation on Internal Control of Operations and Finances;
- Regulation on the Counting Commission.

To ensure strict compliance with the provisions of the Corporate Governance Code, approved at the Russian Government session of November 28, 2001 (Minutes No.49), the Company's Board of Directors resolved on May 22, 2007, to broaden the functions of the Corporate Secretary in supporting activities of the Board of Directors through introduction of relevant amendments and supplements to the Corporate Governance Code and the Regulation on the Corporate Secretary.

All of the above-mentioned documents can be viewed on the Company's website together with the Rosneft Company Charter. Information on observance of the Rosneft Corporate Governance Code is provided in an Appendix to this Report.

Rosneft aims to achieve maximum efficiency in activities by the Board of Directors through high levels of qualification of its members, personal responsibility of each member of the Board of Directors, and responsibility of the Board of Directors as a whole for the decisions, which it makes, as well as an optimal balance between executive, non-executive and independent members.

Newly appointed members of the Board of Directors undergo an induction program, in which they are familiarized with the Company's internal documents and

acting decisions of the General Shareholders' Meeting. Other information, which is essential for proper execution by Board members of their duties, is supplied to them on request.

The composition of the current Board of Directors corresponds to standards set out in Rosneft's Code of Corporate Governance and to international corporate governance practices. As of December 31, 2008, eight of the nine Board members were non-executive directors and three of them were independent directors.

There were a number of changes in membership of the Board of Directors of Rosneft during 2008. In the period from January 1, 2008, until June 5, 2008, Board functions were exercised by members appointed at the Annual General Shareholders' Meeting, held on June 30, 2007. In the period from June 5, 2008, until December 31, 2008, Board functions were exercised by members appointed at the Annual General Shareholders' Meeting, held on June 5, 2008. Kirill Androsov left the Company Board of Directors and Yury Petrov was elected to the Board.



The General Shareholders' Meeting is the Company's supreme governing body.



The Annual General Shareholders' Meeting of Rosneft, held on June 5, 2008, was devoted to results of Company business in 2007.

Members of the Board of Directors of Rosneft (as of December 31, 2008)



Igor Sechin

Chairman of the Board of Directors of Rosneft

Born in 1960. Graduated from Leningrad State University in 1984. Doctoral Candidate in Economics.

From 2000 – Deputy Head of the Executive Office of the President of the Russian Federation.

From March 2004 – Deputy Head of the Executive Office of the President of the Russian Federation, Aide to the President of the Russian Federation.

From May 2008 – Deputy Prime Minister of the Russian Federation.

From 2004 – member of the Board of Directors of Rosneft.



Sergey Bogdanchikov

Member of the Board of Directors, Chairman of the Management Board, President of Rosneft

Born in 1957. Graduated from Ufa Petroleum Institute with honors in 1981. Doctor of Engineering and author of several scientific publications.

From 1993 – General Director of OJSC Rosneft-Sakhalinmorneftegaz.

From 1997 – Vice-President of Rosneft.

Appointed President of Rosneft by a Resolution of the Russian Government on October 14, 1998.

From 1995 – member of the Board of Directors of Rosneft.



Hans-Joerg Rudloff

Independent member of the Board of Directors of Rosneft, Chairman of the Audit Committee, member of the HR and Remuneration Committee

Born in 1940. Graduated from Berne University (Economics) in 1965.

From 1998 – Chairman of the Supervisory Board of Barclays Capital.

From 2006 – member of the Board of Directors of Rosneft.



Andrey Kostin

Independent member of the Board of Directors of Rosneft, Chairman of the HR and Remuneration Committee, member of the Audit Committee

Born in 1956. Graduated from Lomonosov Moscow State University with honors (Economics) in 1978. Doctoral Candidate in Economics.

From 1993 to 1995 – Deputy Head of the Foreign Investments Department of Imperial Bank.

In 1995 – First Deputy Chairman of National Reserve Bank (NRB).

From 1996 to 2002 – Chairman of Vnesheconombank.

From 2002 – President and Chairman of the Management Board of VTB Bank.

From 2006 – member of the Board of Directors of Rosneft.



Alexander Nekipelov

Independent member of the Board of Directors of Rosneft, Chairman of the Strategic Planning Committee, member of the Audit Committee

Born in 1951. Graduated from Lomonosov Moscow State University (Economics) in 1973. Doctor of Economics. Author of numerous scientific publications.

From 1998 – Director of the Institute of International Economic and Political Studies at the Russian Academy of Sciences.

From 2001 – Vice-President of the Russian Academy of Sciences, Academician of the Russian Academy of Sciences.

From 2006 – member of the Board of Directors of Rosneft.



Sergey Naryshkin

Deputy Chairman of the Board of Directors of Rosneft, member of the HR and Remuneration Committee

Born in 1954. Graduated from Leningrad Mechanical Institute in 1978. Obtained second higher education at the St. Petersburg International Institute of Management (Economics). Doctoral Candidate in Economics.

From 1995 to 1997 – Head of the External Investments Department at Promstroybank.

From January 1997 – Head of the Investment Department in the Government of Leningrad Region.

From 1998 to 2004 – Head of the Committee for External Economic and International Relations in the Government of Leningrad Region.

From 2004 to 2007 – Head of the Executive Office of the Government of the Russian Federation, Minister of the Russian Federation.

From 2007 – Head of the Executive Office of the Government of the Russian Federation, Deputy Prime Minister of the Russian Federation.

From May 12, 2008 – Head of the Executive Office of the President of the Russian Federation.

From 2004 – member of the Board of Directors of Rosneft.



Gleb Nikitin

Deputy Chairman of the Board of Directors of Rosneft, member of the Strategic Planning Committee

Born in 1977. Graduated from St. Petersburg University of Economics and Finance in 1999. Graduated in state and municipal management from North-Western Academy of State Service in 2002. Graduated from the Law Faculty of St. Petersburg State University in 2004. Doctoral Candidate in Economics.

From 2002 to 2004 – Head of Department for Organization of State Property at the St. Petersburg Committee for State Property Management.

From 2004 to 2007 – Head of Department for Commercial Sector Property Management at the Federal Agency for Federal Property Management.

From 2007 – Deputy Head of the Federal Agency for Federal Property Management.

From July 2008 – Deputy Head of the Federal Agency for State Property Management.

From 2006 – member of the Board of Directors of Rosneft.



Andrey Reus

Member of the Board of Directors of Rosneft, member of the Strategic Planning Committee

Born in 1960. Graduated from Lomonosov Moscow State University in 1983, specializing in Political Economy. Doctor of Economics.

From 1998 – Advisor to the Deputy Prime Minister of the Russian Federation.

From 1998 to 1999 – Deputy Head of the Department of Interbudgetary Relations at the Ministry of Finance of the Russian Federation.

From 1999 to 2002 – Head of the Secretariat of the First Deputy Prime Minister of the Russian Federation.

From 2002 to 2004 – Head of the Secretariat of the Deputy Prime Minister of the Russian Federation.

From 2004 – Deputy Minister of Industry and Energy of the Russian Federation.

From September 2007 – General Director of OJSC OBORONPROM.

From 2004 – member of the Board of Directors of Rosneft.



Yury Petrov

Member of the Board of Directors of Rosneft

Born in 1947. Graduated from Leningrad State University in 1971 specializing in Law. Doctoral Candidate in Law.

From 1995 to 2000 – practice as a Lawyer in the St. Petersburg College of Lawyers.

From 2000 to 2002 – Lecturer at the Law Faculty of St. Petersburg State University.

From August 2002 – Adviser to the Chairman, Head of the Legal Department of the Russian Fund for Federal Property.

From October 2004 – Acting Chairman of the Russian Fund for Federal Property.

From April 2006 – Chairman of the Russian Fund for Federal Property.

From May 2008 – Head of the Federal Agency for State Property Management.

From 2008 – member of the Board of Directors of Rosneft.

Activity of the Board of Directors in 2008

The Board of Directors of Rosneft issued 23 instructions to the Management Board and 2 instructions to the Company President during 2008. As of December 31, 2008, a total of 16 instructions had been executed and 9 were in the process of execution within schedule.

The Board of Directors held 6 meetings during 2008 (5 with members present and 1 by voting in absentia), at which it reviewed and took decisions on the following matters:

Planning and Control over Rosneft Operations and Finances

Preliminary operating and financial results of the Company for 1H 2007 were approved.

Preliminary operating and financial results for 2008 were reviewed and the business plan for 2009 was approved. A series of measures for lowering operating and administrative costs was reviewed, and it was decided to carry out regular reviews of implementation by the Company of the business plan in the course of 2009.

Further Improvement of the System of Corporate Governance

A procedure was introduced for reviewing reports on activity by Committees of the Rosneft Board of Directors, and a mechanism was designed and approved, by which the Board of Directors sets and confirms the main tasks for Committees of the Board of Directors (BoD Committees).

Criteria were approved for determining compensation payable to independent members of the Board of Directors of Rosneft.

In order to clarify the role and functions of the Company's BoD Committees and to raise overall efficiency of work by the Board of Directors, new drafts of the Regulation on the BoD Audit Committee, the HR and Remuneration Committee, and the Strategic Planning Committee were approved, as well as a Regulation on the procedure for formation and operation of Rosneft BoD Committees.

A Code of Business Ethics has been approved, setting out the mission and values of Rosneft as well as main rules of conduct and interaction of Company employees, in order to ensure strict compliance by the Company with generally accepted principles of business conduct.

Committees of the Board of Directors

The BoD Committees for Audit, HR and Compensation, and Strategic Planning continued their work in 2008, carrying out preliminary review of key issues and preparing relevant recommendations to the Rosneft Board of Directors. Work by the Committees in the course of 2008 was in accordance with previously agreed plans and with tasks set by the Board of Directors for the period of authority of the Committees.

Formation and operation of Rosneft's BoD Committees is in accordance with the Regulation on the Procedure for Formation and Operation of BoD Committees of Rosneft, the Regulation on the Audit Committee of the Board of Directors of Rosneft, the Regulation on the HR and Compensation Committee of the Board of Directors of Rosneft, and the Regulation on the Strategic Planning Committee of the Board of Directors of Rosneft.

The Committees consist of non-executive members of the Board of Directors of Rosneft and are headed by independent directors.

Memberships of the Committees in 2008 were determined by decisions of the Board of Directors of Rosneft in June 2007 and June 2008.

Audit Committee of the Board of Directors

Members of the Audit Committee:

- Hans-Joerg Rudloff (Chairman);
- Andrey Kostin;
- Alexander Nekipelov.

The Audit Committee is responsible for participation by the Board of Directors in ensuring control over financial and operating activity of Rosneft.

Attendance of the Members of the Board of Directors at Meetings of the Board of Directors and Committees

Board of Directors					Audit Committee	HR and Remuneration Committee	Strategic Planning Committee
Members	Executive	Non-executive	Independent	Attendance at meetings			
Igor Sechin		X		6/6			
Sergey Bogdanchikov	X			6/6			
Kirill Androsov ¹		X		1/2	3/6		
Hans-Joerg Rudloff		X	X	6/6	14/14	7/7	
Andrey Kostin		X	X	6/6	13/14	7/7	
Alexander Nekipelov		X	X	6/6	8/8		5/5
Yury Petrov ²		X		3/4			
Sergey Naryshkin		X		6/6		7/7	
Gleb Nikitin		X		6/6			5/5
Andrey Reus		X		5/6			5/5

Note: the first figure shows the number of meetings that a member of the Board of Directors attended; the second one shows the total number of meetings that the member could have attended.

1 In 2008, Kirill Androsov served as a member of the Board of Directors and as a member of the Board's Audit Committee in the period from January 1 through June 5.

2 In 2008, Yury Petrov served as a member of the Board of Directors in the period from June 5 through December 31.

The exclusive functions of the Audit Committee are assessment of candidacies for the role of auditors of Rosneft, assessment of the Auditor's opinion, and also assessment of the efficacy of procedures for internal control and risk management, and preparing proposals for their improvement.

Functions of the Audit Committee include: preliminary review of the Company's financial accounts; assessment of the quality of auditing services provided to

Rosneft, and of observance by the auditor of auditing independence; and oversight of completeness and accuracy of Rosneft's tax, financial and management accounts.

The Audit Committee ensures constant interaction of the Board of Directors with Rosneft's auditors, the Internal Audit Commission, executive bodies, Company financial managers and structural divisions, which carry out internal control and audit functions.

HR and Remuneration Committee of the Board of Directors

Members of the HR and Remuneration Committee:

- Andrey Kostin (Chairman);
- Sergey Naryshkin;
- Hans-Joerg Rudloff.

The HR and Remuneration Committee promotes the attractiveness of the Company to highly qualified specialists and ensures that conditions are in place for them to work successfully in the Company.

The main functions of the HR and Remuneration Committee are: HR policy formation; regulation of matters concerning compensation and incentives to Rosneft employees; design of principles and criteria for determining the scale of remuneration and compensation to members of the Board of Directors, Management Board, and executives of Rosneft; and development of long-term remuneration programs for Company employees (bonuses and option schemes). The Committee also reviews reports on sustainable development by the Company, prepared in compliance with international standards.

Members of the HR and Remuneration Committee are not entitled to participate in evaluation of their own performance and decisions about their remuneration.

To ensure ongoing coordination between the Board of Directors and Company structural divisions, which implement Company HR policy, the Committee and Rosneft's HR department carry out preliminary assessment of candidates to the posts of Rosneft Vice-President, Chief Accountant, Financial Director, and R&D Director as well as giving preliminary approval to forms and amounts of bonuses, remuneration, compensations and other payments to such persons.

Strategic Planning Committee of the Board of Directors

Members of the Strategic Planning Committee:

- Alexander Nekipelov (Chairman);
- Gleb Nikitin;
- Andrey Reus.

The Strategic Planning Committee determines the strategic objectives and priorities of Rosneft.

The Committee's main tasks include: review and preparation for the Board of Directors of recommendations on issues concerning strategic development and management of the Company; monitoring and assessment of efficient implementation of strategy which has been approved by the Board of Directors; assessment of efficiency of Company interaction with investors; and analysis and provision of information to the Board of Directors concerning the main aspects of economic policy of the Russian Government in the Company's sphere of business.

The Strategic Planning Committee analyzes proposals of the Company's structural divisions concerning approval, amendment, and implementation of Company development strategy, and reviews strategic investment projects.

Activity of Committees of the Rosneft Board of Directors in 2008

Audit Committee

Activities of the Audit Committee were based on the plan for 2008. The Committee met 14 times in the course of the year.

In each quarter, the Audit Committee carried out preliminary reviews of Rosneft consolidated financial accounts prepared in accordance with US GAAP, and also reviewed audits or overviews of these accounts. Also, as part of the review of consolidated financial accounts for 2007, prepared in accordance with US GAAP, the Committee reviewed the procedure for reflection of financial derivative instruments in the accounts and gave recommendations to management. The Audit Committee also reviewed information on risks in the internal audit system, which were revealed by the auditor, Ernst & Young LLC, during auditing of Rosneft's US GAAP consolidated financial accounts, as well as comments by Company management; a report was subsequently made to the Committee on measures taken to address comments on the system of internal control, made by the auditor as a result of auditing the accounts for 2007. The Committee also reviewed information from the

auditor, LLC Ernst & Young, concerning planned audit of Rosneft's consolidated financial accounts in accordance with US GAAP for 2008.

The Committee reviewed results of the competition among auditing organizations, which was carried out by Rosneft, and gave an assessment of candidacies for carrying out an audit of financial accounts of the Company and of its subsidiaries, and of consolidated accounts of Rosneft in accordance with Russian Accounting Standards, as well as the annual audit of consolidated financial accounts in accordance with US GAAP. Recommendations were made on remuneration for the auditor's services in 2008.

The Audit Committee also carried out regular reviews of information on all types and amounts of non-audit services provided to Rosneft by auditors and amounts of remuneration paid to auditors for such services.

The following tasks were carried out at a joint meeting of the Audit Committee and the Internal Audit Commission: the Rosneft Annual Report for 2007 was given a preliminary review; an assessment was given of the opinion of the Rosneft auditor concerning the Company's financial accounts for 2007; a review was carried out of the conclusions of the Internal Audit Commission for 2007 (on the outcome of checks of Company operations and finances; results of checks of annual accounts; and on accuracy of data in the Annual Report); and a review was carried out of the recommendations to the Annual General Shareholders' Meeting of Rosneft concerning the procedure for distribution of Company profit, the amount of dividends to be paid for 2007, and the procedure for their payment.

Other actions by the Audit Committee in 2008 included the following: review of the report on Committee performance in 2007; review of outcomes of internal accounting checks of operations and financials of a number of Rosneft subsidiaries; review and approval of measures by the Company in 2008 to improve information transparency, as well as plans for 2009; definition of tasks of the Committee for 2008-2009; review of the concept for changes to standards of Rosneft account preparation and approaches for reconciliation of Russian and International accounting; and review of progress with the project for construction of a Rosneft corporate accounting system. Also, the program for stricter control over implementation

of the Vankor project and optimization of spending in the Vankor project and the Rosneft Program for reduction of costs were reviewed by the Audit Committee in compliance with instructions from the Company Board of Directors.

The Audit Committee prepared recommendations to the Rosneft Board of Directors in 2008 on the following questions: pricing in related-party transactions; preliminary approval of the Rosneft Annual Report for 2007; annual financial accounts, including profit & loss accounts, of Rosneft for 2007; recommendations to the General Shareholders' Meeting concerning size of dividends and the procedure for their payment, as well as the procedure for distribution of Company profit for 2007; amendment of decisions concerning placement by Rosneft of Eurobonds as part of the Program for issue of medium-term bonds; approval of the new draft of Regulations, governing actions of the HR and Remuneration Committee; and the Rosneft Program for cost reductions.

In the course of 2008 the Chairman of the Audit Committee held regular meetings with top managers of Rosneft, with representatives of external auditors and with the head of the Internal Audit Department.

HR and Remuneration Committee

The HR and Remuneration Committee operated on the basis of approved plans for 2008. The Committee held seven meetings during the accounting period.

The HR and Remuneration Committee reviewed the report on Committee performance in 2007, as well as the Report on Sustainable Development of Rosneft (as part of assessment of Company activity in the social policy sphere); and the draft program for long-term remunerations (bonuses and options) for employees of Rosneft. The Committee also designed a mechanism of task-setting for BoD Committees during the period of their authority and reviewed tasks of the Committee for 2008-2009. The Committee carried out work on the formation of a new organizational structure for Rosneft, in accordance with an instruction of the Company's Board of Directors.

The Committee prepared recommendations to the Board of Directors concerning decisions on the



The Strategic Planning Committee determines strategic objectives and priority activities of Rosneft.





The management of current business of Rosneft is the responsibility of the Company's executive bodies: the President (Chief Executive Officer) and the Management Board (Collegial Executive Body), who are subordinate to the Board of Directors and the General Shareholders' Meeting of the Company.

following issues: making of amendments to the procedure for payment of remuneration and compensation of expenses to members of the Rosneft Board of Directors; scale of remuneration to the President of Rosneft based on performance of the Company in the second half of 2007; early termination of the authorities of some members of the Rosneft Management Board; approval of a new draft of Regulations, governing actions of the HR and Remuneration Committee; and approval of the Rosneft Code of Business Ethics.

In the course of 2008 the Chairman of the HR and Remuneration Committee met regularly with Company top managers and the head of the HR Department as part of joint work for the design of an annual bonus system for key executives of Rosneft, to be based on performance indicators, enabling a more objective assessment of achievements. The meetings also dealt with the formation of Rosneft's new organizational structure.

Strategic Planning Committee

Actions by the Strategic Planning Committee were based on approved plans for 2008. The Committee held five meetings during the reporting period.

The Strategic Planning Committee reviewed the report on Committee performance in 2007 and also carried out analysis of trends in Russian tax policy, as a result of which recommendations were prepared for Company management regarding the draft Development Strategy for Rosneft. The impact of the current tax regime on the oil sector was also reviewed, and a review of Committee tasks for 2008-2009 was carried out.

The Committee made recommendations to the Board of Directors for decisions on the following issues: amendment of decisions concerning placement by Rosneft of rouble bonds; Company operating and financial results for the first half of 2008; approval of a new draft of Regulations, governing action by the Strategic Planning Committee; and preliminary operating and financial results of Rosneft for 2008, as well as approval of the Company's operating and financial plan for 2009.

During the accounting period the Chairman and members of the Committee met regularly with top managers

of the Company and with heads of structural divisions, involved in the process of business planning and development of Rosneft strategy. Tax experts from outside the Company were invited to Committee meetings.

The Board of Directors of Rosneft gave a positive assessment of the activities of the Company's BoD Committees during 2008 (Minutes No.4, April 28, 2009).

The Management Board of Rosneft

The management of current business of Rosneft is the responsibility of the Company's executive bodies: the President (Chief Executive Officer) and the Management Board (Collegial Executive Body), who are subordinate to the Board of Directors and the General Shareholders' Meeting of the Company.

Professional requirements for Management Board members (including education and experience) are stipulated by the Company's internal documents.

The organization of Rosneft's management bodies and the actions of its executives are governed by the Rosneft Charter, the Instruction on the collegial executive body, the Instruction on the chief executive officer (President) and the Company's Code of Corporate Governance.

The Company's Management Board consists of eight members.

There were a number of changes in membership of the Management Board during 2008. The authority of two Board members was terminated by decision of the Board of Directors on October 18, 2008 (Minutes No.5). These members were Stepan Zemlyuk, who had previously left Rosneft by mutual agreement, and Anatoly Baranovsky, who was dismissed from the Company at his own request due to retirement. Company Vice-Presidents, Larisa Kalanda and Sergey Makarov, were appointed as members of the Management Board.

Membership of the Management Board

(as of December 31, 2008)



Sergey Bogdanchikov

Chairman of the Management Board,
President of Rosneft

Born in 1957. Graduated from Ufa Petroleum Institute with honors in 1981. Doctor of Engineering and author of several scientific publications.

From 1993 – General Director of OJSC Rosneft-Sakhalinmorneftegaz.

From 1997 – Vice-President of Rosneft.

Appointed President of Rosneft by a Resolution of the Russian Government on October 14, 1998.



Sergey Kudryashov

First Vice-President of Rosneft

Born in 1967. Graduated from Kuibyshev Polytechnic Institute in 1991. Obtained an Executive MBA from Stockholm School of Economics in 2006.

From 2000 to 2001 – Chief Engineer of Strezhevoineft Oil & Gas Production Unit (part of OJSC Tomskneft).

From 2001 to 2003 – Deputy General Director of OJSC Tomskneft VNK, Head of Strezhevoineft Oil & Gas Production Unit.

From 2003 to 2005 – General Director of Yuganskneftegaz, Vice-President of CJSC YUKOS EP.

From 2005 to December 2008 – First Vice-President of Rosneft, responsible for production operations.

From December 25, 2008 – Deputy Energy Minister of the Russian Federation by order of the Government of Russia.



Sergey Karaganov

Vice-President of Rosneft

Born in 1958. Graduated from Khabarovsk Polytechnic Institute in 1981. Completed second higher education at Khabarovsk State Technical University in 1998.

From 1998 to 2000 – Head of HR at OJSC Rosneft-Sakhalinmorneftegaz.

From 2000-2006 – HR Director at Rosneft.

From 2006 – Vice-President of Rosneft, responsible for HR and social policy, corporate culture, and internal communications.



Larisa Kalanda

Vice-President of Rosneft

Born in 1964. Graduated in law from the Sverdlov Institute of Law in 1985. Completed post-graduate studies at the Institute of Philosophy and Law of the Belarus Academy of Sciences in 1994.

From 1997 – Deputy Head of the Legal Service of OJSC TNK and OJSC TNK-BP Management.

From September 2003 to 2006 – Vice-President of OJSC TNK-BP Management, responsible for legal support.

From 2006 – Vice-President of Rosneft, responsible for legal support of Company financial and operating activities, and for design and implementation of legal policy for protection of assets and interests of the Company (of Company shareholders), and of subsidiary and affiliated companies.



Sun Ne Kim

Chief Accountant of Rosneft

Born in 1951. Graduated from Irkutsk Institute of National Economy in 1972.

From 1998 – Chief Accountant of Rosneft.



Sergey Makarov

Vice-President of Rosneft

Born in 1963. Graduated from Moscow Aviation Institute in 1986. Obtained MSc in Finance at London's City University Business School (CUBS) in 1998.

From 1998 to 2003 – Worked in various financial and trade organizations in the UK.

From 2003 to 2005 – Head of the Financial Department of OJSC Oboronprom and Chairman of the Board of Directors of CJSC Oboronpromleasing.

From 2005 to 2006 – Managing Director of Vneshtorgbank.

From 2006 – Vice-President of Rosneft, responsible for Company financial services.



Peter O'Brien

Vice-President of Rosneft, Head of the Financial Advisers' Group to the President of Rosneft

Born in 1969. Obtained a Bachelor's degree from Duke University in 1991. Obtained an MBA from Columbia University Business School in 2000.

From 1996 to 1998 – Vice-President of Troika Dialog.

From 2000 to 2002 – Senior Manger of Morgan Stanley (Moscow).

From 2002 to 2005 – Vice-President of Morgan Stanley (Moscow).

From 2005 to 2006 – Executive Director, Co-Head of Investment Banking in Russia, Head of CIS Fuel and Energy Group at Morgan Stanley (Moscow).

From 2006 – Vice-President of Rosneft, responsible for strategy, economics and business planning.



Rizo Tursunov

Vice-President of Rosneft

Born in 1947. Graduated from Moscow Institute of Electromechanics in 1970.

From 1999 to 2000 – Adviser to the President of Rosneft.

From 2000 – Vice-President of Rosneft.

Transactions with Rosneft Securities Effected by Members of the Board of Directors and Management Board

The Regulation on Insider Information of Rosneft provides for disclosure to the Company by the Members of the Board of Directors and Management Board, and by the President of the information on their transactions with Rosneft's securities.

The Members of the Board of Directors and Management Board of Rosneft effected several transactions with Rosneft's securities in 2008. The information on the transactions was provided to the Company (in full compliance with internal regulations) and disclosed on the financial market in full compliance with acting regulations.

Hans-Joerg Rudloff, Member of the Board of Directors, effected two transactions:

- December 22, 2008: sale of 398,500 GDRs, certifying rights in respect of 398,500 ordinary shares of Rosneft;
- December 31, 2008: acquisition of 398,500 GDRs, certifying rights in respect of 398,500 ordinary shares of Rosneft; acquisition of 39,500 ordinary shares of Rosneft.

Peter O'Brien, Member of the Management Board, effected one transaction:

- October 27, 2008: acquisition of 200,000 GDRs, certifying rights in respect of 200,000 ordinary shares of Rosneft.

Information on Shares Held by Members of the Board of Directors and Management Board (as of December 31, 2008)

Members of the Board of Directors and Management Board	Number of ordinary shares	Share in authorized capital, %
Igor Sechin	-	-
Sergey Bogdanchikov	126,672	0.0012%
Yury Petrov	-	-
Andrey Kostin	-	-
Sergey Naryshkin	-	-
Alexander Nekipelov	-	-
Gleb Nikitin	-	-
Andrey Reus	-	-
Hans-Joerg Rudloff	700,000 (Shares and GDRs)	0.0066%
Larisa Kalanda	265,695	0.0025%
Sergey Makarov	-	-
Peter O'Brien	250,000 (GDRs)	0.0024%
Sergey Karaganov	88,391	0.0008%
Sun Ne Kim	66,423	0.0006%
Sergey Kudryashov	132,847	0.0013%
Rizo Tursunov	-	-

Remuneration of Members of the Board of Directors and Management

Since 2008 Rosneft makes decisions on financial incentives to independent members of the Board of Directors using criteria specially designed by the BoD Committee on HR and Remuneration and approved by the Board of Directors.

Remuneration of Members of the Board of Directors

It is stated in the Regulation on the Board of Directors of Rosneft that, by decision of the General Shareholders' Meeting, members of the Board of Directors are entitled to remuneration and/or compensation of expenses associated with execution of their functions during the period when they are in office. The scale of such remuneration and compensation is established by the General Shareholders' Meeting.

In compliance with acting legislation of the Russian Federation, remuneration is not paid to members of the Board of Directors of Rosneft who are state officials. So the Company pays remuneration only to independent members of the Board of Directors.

Criteria for Levels of Remuneration

Since 2008 Rosneft makes decisions on financial incentives to independent members of the Board of Directors using criteria specially designed by the BoD Committee on HR and Remuneration and approved by the Board of Directors on April 25, 2008. This approach complies with the latest practices in corporate governance.

Factors taken into consideration in determining the scale of remuneration for work in the reporting year are: participation in meetings of the Board of Directors and BoD Committees, of which the independent director is chairman or member, and execution by the Committee of its tasks.

In accordance with the above-mentioned criteria the General Meeting of Shareholders of Rosneft, held on June 5, 2008, decided on the following scale of remuneration to independent members of the Company Board of Directors as a result of work in 2007:

- Andrey Kostin – USD 200,000;
- Alexander Nekipelov – USD 185,000;
- Hans-Joerg Rudloff – USD 200,000.

It was also decided to compensate all expenses associated with execution by members of the Board of Directors of their functions. Such expenses include the following items: accommodation, meals, travel (including VIP lounge services), and other duties and tariffs for air or rail transport services.

Remuneration of Management

Remuneration of senior management (President, Vice-Presidents) and heads of structural divisions of Rosneft consists of:

- monthly salary;
- annual premium.

No additional remuneration is paid to Company managers for their work in management bodies of Rosneft or its subsidiary and affiliated companies (Rosneft Management Board, Boards of Directors of subsidiaries).

The level of monthly wage is stipulated in labor contracts, which are made at the beginning of the employment.

An annual premium is paid to managers only after approval by the Rosneft Board of Directors of a relevant decision based on Company performance in the reporting year.

The annual premium depends directly on the results of work by the manager in the reporting year and its size is determined by analysis of achievement of key efficiency indicators.

The annual premium has two components: a premium for the manager's individual results and a premium for team results.

Approval of key efficiency indicators and assessment of their achievement are carried out as follows:

- key efficiency indicators are compiled on the basis of the Company's medium-term development strategy and Company tasks in the reporting year;
- key efficiency indicators for the President and members of the Management Board are approved by the Board of Directors of Rosneft;
- key efficiency indicators for other Vice-Presidents and for heads of Company divisions are subject to preliminary review by the BoD Committee for HR and Remuneration and are approved by the President of Rosneft;

- at the end of the reporting year appropriate services within the Company measure achievement of key efficiency indicators using audited consolidated financial accounts and management accounts;
- the annual bonus of each manager is calculated based on factual achievement of key efficiency indicators;
- bonuses are approved by the Rosneft Board of Directors / BoD Committee for HR and Remuneration for relevant categories of managers.

The structure of management remuneration (ratio of its fixed and variable parts) corresponds to generally accepted international practices.

No other types of remuneration are paid to Rosneft managers.

Internal Control and Audit

Rosneft has a system of control over its financial and operating activities, consisting of an Internal Audit Commission, the Audit Committee of the Board of Directors, an independent auditor, a Control and Audit Department and an Internal Audit Department.

Subordination and coordination between elements of the control system ensure a level of independence, which is essential for efficient functioning, and which corresponds to latest international practice in this field.

Internal Audit Commission

The Internal Audit Commission is a key part of the system of control over Company financial and operating activities. The Commission consists of five members elected by the General Shareholders' Meeting and exercises its function until the next year's General Meeting. Members of the Internal Audit Commission cannot serve at the same time as members of the Board of Directors or occupy other posts in Company management bodies. The Commission carries out an obligatory audit of annual financial and operating results for the year (no later than 60 days after the end of the financial year) as well as additional audits, as proposed by the Commission, or subject to a decision of the General Meeting of Shareholders, the Board of Directors or upon demand of shareholders who own no less than 10% of voting shares of the Company. Competence of the Internal Audit Com-

mission on questions, which are not within its remit under the Charter, is determined by the Regulation on the Audit Commission, which was approved by the General Meeting of Shareholders of Rosneft on June 7, 2006.

The following tasks fall within the competence of the Internal Audit Commission:

- audit of Company financial documentation, financial accounts, and findings of the property inventory commission, and comparison of these documents with primary book-keeping data;
- analysis of correctness and completeness of financial, tax, management and statistical accounting;
- audit of correct execution of the Company's operating and financial planning, as approved by the Board of Directors;
- audit of correct execution of the procedure, approved by the General Shareholders' Meeting, for distribution of Company profit for the financial year;

- analysis of the financial position of the Company, its solvency, asset liquidity, gearing ratio, net assets, and charter capital assets, finding ways of improving the financial state of the Company, and preparing recommendations to management bodies;
- audit of timeliness and correctness of payments to suppliers of goods and services, of payments to the budget and to non-budget funds, accrual and payment of dividends and of loan interest, and settlement of other obligations;
- confirmation of accuracy of data in the Company's annual report(s), in annual financial accounts, and in accounting documentation prepared for state tax, statistical and management bodies;
- audit of competence of the chief executive officer to make agreements in the Company's name;
- audit of competence in decisions taken by the Board of Directors, the chief executive officer, and the liquidation commission, and their compliance with the Company Charter and decisions by the General Shareholders' Meeting;
- analysis of decisions by the General Shareholders' Meeting to determine their compliance with law and the Company Charter.

The Internal Audit Commission has the right to:

- demand personal explanations from members of the Board of Directors and Company employees, including any executive officers of the Company, with respect to issues, which are in the competence of the Audit Commission;
- to bring issues of liability of Company employees, including executive officers, before management bodies in case of violation by the former of the Charter, or of regulations, rules and instructions, which have been approved by the Company.

In accordance with the approved plan for 2008, the Audit Commission carried out four documentary audits and prepared an opinion on accuracy of data in the annual report for the Annual General Shareholders' Meeting of Rosneft.



The Internal Audit Commission is a key part of the system of control over Company financial and operating activities.



In the course of 2008 the Chairman of the Audit Committee held regular meetings with top managers of Rosneft, with representatives of external auditors and with the head of the Internal Audit Department.

Membership of the Audit Commission

The following membership of the Internal Audit Commission was elected at the General Shareholders' Meeting of Rosneft on June 5, 2008:

Andrey Kobzev

Chairman of the Commission

Year of birth: 1971

Education: higher

Organization: Federal Agency for Management of State Property

Official post: Head of the Expert Analytical Department

Sergey Zhuravlev

Member of the Commission

Year of birth: 1970

Education: higher

Organization: Federal Agency for State Property Management

Official post: Chairman of the Federal Agency for Management of State Property

Dmitry Logunov

Member of the Commission

Year of birth: 1979

Education: higher

Organization: Federal Agency for State Property Management

Official position: Deputy Head of the Corporate and Property Technologies Department

Victoria Oseledko

Member of the Commission

Year of birth: 1976

Education: higher

Organization: Ministry of Industry and Trade of the Russian Federation

Official post: Deputy Director of the Department for State Policy in Technical Regulation and Standards of Measurement

Andrey Fomin

Member of the Commission

Year of birth: 1980

Education: higher

Organizations: LLC Athome

Official post: General Director

Audit Committee of the Board of Directors

By virtue of its authority, delegated by the Board of Directors, the Audit Committee:

- ensures constant coordination between the Board of Directors and auditors, independent appraisers, the Internal Audit Commission, Control and Audit Department, Internal Audit Department, executive bodies and financial management;
- reviews and designs draft decisions on the following issues in the competence of the Board of Directors:
 - recommendations to the General Shareholders' Meeting for distribution of profit and losses as a result of the financial year, amount of dividends and the procedure for their payment;
 - determining the value (in financial terms) of Rosneft property, and the placement and redemption price for issuable securities in instances stipulated by the Federal Law on Joint-Stock Companies;
 - determining the payment for services provided by an auditor;
 - approving transactions in instances stipulated by Chapters X and XI of the Federal Law on Joint-Stock Companies.
- assesses quality of services provided by the auditor and observance by the auditor of requirements on auditing independence, and also coordinates work of the Company and the Internal Audit Department to ensure completeness of audit provision;
- oversees completeness and accuracy of tax, financial and management accounting of Rosneft;
- conducts preliminary review of financial accounts of the Company, prepared in accordance with US GAAP, and of materials containing accounting data, which are disclosed to investors;
- carries out preliminary review of the financial accounts of the Company (accounts of the legal en-

tity and consolidated accounts), prepared in accordance with Russian accounting Standards;

- prepares proposals for improvement of internal accounting procedures and assesses, classifies and prepares proposals for minimizing possible risks, arising in the process of Company business, jointly with executive bodies, the Control and Accounting Department and the Internal Audit Department.

The Internal Audit Department

The Company has an independent division, which carries out internal audit functions. Its activity is overseen by the Audit Committee of the Board of Directors.

The functions of the Internal Audit Department include:

- providing the Board of Directors and Company management with reliable information about Company risks and about efficiency of the corporate governance system, including the system of risk management and internal control;
- analyzing and consulting authorized Company bodies on implementation of procedures to ensure observance of legal requirements, on control over preparation of financial accounts to ensure their accuracy, and on raising efficiency of corporate governance and business processes.

The Internal Audit Department has organizational and functional independence, and coordinates its work with the Control and Audit Department and the external auditor in order to raise the efficiency of auditing procedures.

Control and Audit Department

The Company has a Control and Audit Department, whose responsibilities include:

- creation of a unified system of control over finances and operations in divisions, representative offices and subsidiaries of Rosneft;
- conduct of comprehensive and random audits of industrial and financial activities of Company divisions, representative offices and subsidiaries,

with participation of relevant specialists, members of auditing commissions and members of control and audit divisions;

- ensuring proper and timely execution of decisions by the Board of Directors, Management Board and President of the Company, review of applications from subsidiaries and structural divisions on issues in the competence of the Control and Audit Division, and control over implementation of decisions, which are taken in respect of such applications;
- appraisal, classification and minimization of possible risks, arising in the process of Rosneft's business;
- cooperating with the Audit Committee and providing information to that Committee concerning the state of internal controls in the Company;
- procedural and methodological support for the activities of audit commissions and of control and audit divisions of subsidiaries.

The findings of audits are presented to the Company President for review. Decisions on rectifying any violations or shortcomings are prepared in association with the heads of structural divisions, and measures are designed to prevent related risks.

Each year the Management Board hears a report by the Control and Audit Department on results of its work and on measures to improve the efficiency of internal controls. The Head of the Control and Audit Department takes part in all meetings of the Audit Committee and reports on a quarterly basis to the Committee on issues concerning work by the Department and the state of internal controls in the Company.

The Control and Audit Department works closely with the independent auditors in order to raise levels of efficiency of audit and control procedures.

Company Auditors

CJSC Business Systems Development (Auditing and Consulting Group)

By decision of the General Shareholders' Meeting of the Company, CJSC Business Systems Development (Auditing and Consulting Group) was approved for the function of independent audit of book-keeping and financial accounts of Rosneft for 2008, prepared to Russian Accounting Standards.

Procedure for Appointment of the Auditor

An open competition is held to select an auditor to audit Rosneft's financial accounts. The tender committee reviews technical aspects and pricing of the proposals, which are received, and recommends a candidate to the Company for approval at the Annual General Shareholders' Meeting.

Based on a recommendation by the BoD Audit Committee, the Board of Directors decides on a candidate for the task of Company auditor, to be proposed for approval at the Annual Shareholders' General Meeting.

Payment of Services by the Auditor

Remuneration payable to the auditor is determined on the basis of planned working time and hourly rates of the auditor's specialists, as indicated in the auditor's commercial proposal.

Based on the recommendation of the BoD Audit Committee, the Board of Directors set the price for audit of Rosneft annual financial accounts to Russian Accounting Standards for 2008 at RUB 5,548,360 including VAT.

Rosneft occasionally calls on the services of CJSC Business Systems Development (Auditing and Consulting Group) for execution of special tasks and resolution of procedural issues.

Ernst & Young LLC

Ernst & Young LLC audits consolidated annual accounts prepared in accordance with US GAAP as well as overview of interim (quarterly) accounts prepared in accordance with US GAAP.

Procedure for Appointment of the Auditor

The auditor is selected through a closed tender, carried out by the Company among the Big 4¹ auditing firms. The auditing organization most suited to Company needs is selected through comprehensive analysis of tendering proposals. The candidate for role of auditor is approved by the BoD Audit Committee. Approval of the candidate by the General Shareholders' Meeting is not required.

Based on analysis of proposals, the BoD Audit Committee decided to appoint the company Ernst & Young as the auditor of Rosneft's consolidated annual accounts for 2008 prepared in accordance with US GAAP.

Payment of Services by the Auditor

Remuneration payable to Ernst & Young LLC for auditing services is determined by the BoD Audit Committee on the basis of planned working time and hourly rates of the auditor's specialists, as indicated in the auditor's commercial proposal. In accordance with the contract for provision of auditing services between Rosneft and Ernst & Young LLC, the terms and sum of remuneration are confidential information and cannot be disclosed.

The Company also calls on Ernst & Young for provision of consulting (non-audit) services. In 2008 the share of consulting services in total services, which Ernst & Young LLC provided to Rosneft, was 10%.

¹ The Big 4 refers to the four leading international companies, which provide audit and consulting services (PricewaterhouseCoopers, Ernst & Young, Deloitte, KPMG).



As of December 31, 2008, GDRs were issued for 1,068 mln ordinary shares, which is 10.1% of total shares.



Authorized Capital

Authorized capital of Rosneft as of December 31, 2008, was RUB 105,981,778.17 and was divided into 10,598,177,817 ordinary shares with par value of RUB 0.01.

The state registration number of issue of ordinary shares of the Company is 1-02-00122-A.

The date of state registration of issue of ordinary shares of the Company is September 29, 2005.

No issues or placement of additional shares of Rosneft were carried out in 2008.

The number of shareholders registered in the shareholder register of Rosneft as of December 31, 2008, was 34,999 (including 15 nominee shareholders). The number of nominee shareholders declined in comparison with December 31, 2007 (when there were 20 such shareholders).

Rosneft had no preferred shares as of December 31, 2008.

In 2007 and 2008, the Russian Government held 75.16% of Rosneft's equity through OJSC ROSNEFT-EGAZ, which is in 100% federal ownership. The Russian Government's direct share (held by Federal Agency for State Property Management) in Rosneft's equity was 0.000000009%.

During 2008 Rosneft carried out monthly updates of information on shareholders, who own more than 5% of equity, on the Company website.

Rosneft's management has no information about any shareholders with equity stakes exceeding 5% (share-

holders of Rosneft with equity stakes exceeding 5% of total outstanding shares), other than those listed in this report.

Rosneft's shares are traded on two organized markets in Russia: OJSC RTS Stock Exchange and CJSC MICEX Stock Exchange (B List). Rights of a shareholder (owner of ordinary shares), including voting rights on each voting share of Rosneft, are specified by Article 9 of the Company Charter.

Order No. 06-1380/pz-i of the Federal Service for Financial Markets from June 20, 2006, permits placement and trading of 2,140,000,000 common shares of Rosneft outside the Russian Federation.

In July 2006, Rosneft carried out listing of Global Depositary Receipts (GDRs) on the London Stock Exchange. Issue of GDRs, which certify rights in respect of ordinary shares of Rosneft, in accordance with foreign law, was carried out by J.P. Morgan Europe Limited. One Global Depositary Receipt is equivalent to one common share of Rosneft.

As of December 31, 2008, GDRs were issued for 1,068 mln ordinary shares, which is 10.1% of total shares.

The global economic downturn resulted in highly volatile prices of Rosneft shares in 2008. As of December 31, 2008 the share price was USD 3.75 which represents a 60.8% decline year-on-year. Nevertheless, the Company has huge potential to drive shareholder value.

List of Largest Company Shareholders

Shareholders	As of December 31, 2007		As of December 31, 2008	
	Number of shares	Share in authorized capital, %	Number of shares	Share in authorized capital, %
OJSC ROSNEFTEGAZ	7,965,816,383	75.16	7,965,816,383	75.16
LLC RN-Razvitie ¹	1,000,000,000	9.44	505,066,240	4.77
Linden Capital Limited ²	-	-	494,933,760	4.67
OJSC Sberbank of Russia (nominal holder)	1,210,564,190	11.42	1,231,927,170	11.62
Non-profit partnership 'National Depository Center' (nominal holder)	228,681,153	2.16	260,639,986	2.46
Other legal entities holding less than 1% of shares	129,897,225	1.22	80,470,225	0.76
Individuals	63,218,866	0.60	59,324,053	0.56
Total	10,598,177,817	100.00	10,598,177,817	100.00

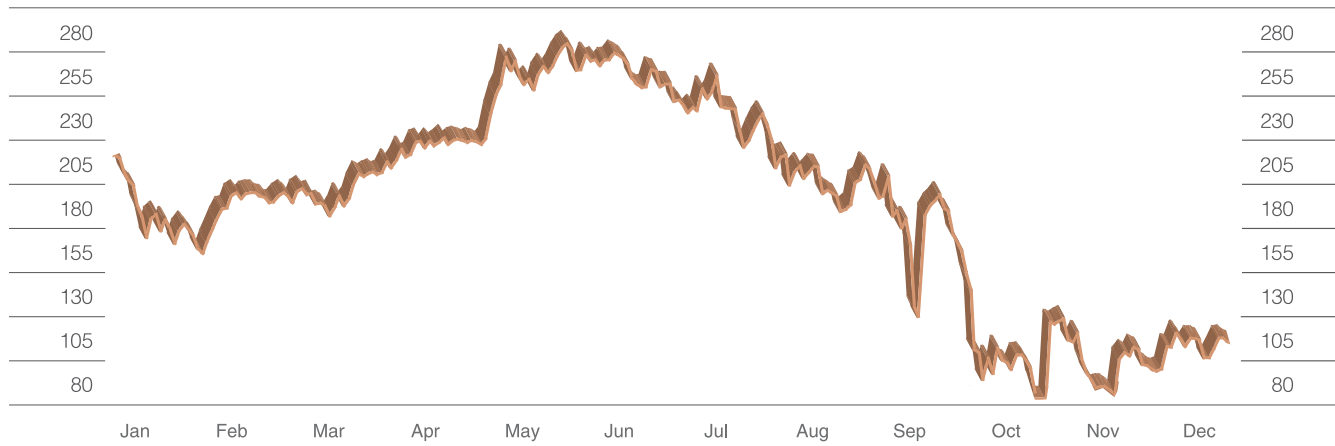
1 100% stake in LLC RN-Razvitie is held by LLC RN-Trade. 99.9999% stake in LLC RN-Trade is held by OJSC Rosneft and 0.0001% stake is held by CJSC RN-Shelf Far East, a 100% subsidiary of OJSC Rosneft. Consequently OJSC Rosneft indirectly holds a 100% stake in LLC RN-Razvitie. Rosneft shares owned by LLC RN-Razvitie are reflected as treasury shares in the Company's consolidated financial statements under US GAAP.

2 Linden Capital Limited owns Rosneft shares pledged as collateral under a REPO transaction. In accordance with the REPO agreement, these shares will be bought back by RN-Razvitie in 2009 and respective dividends will be attributed back to Rosneft.

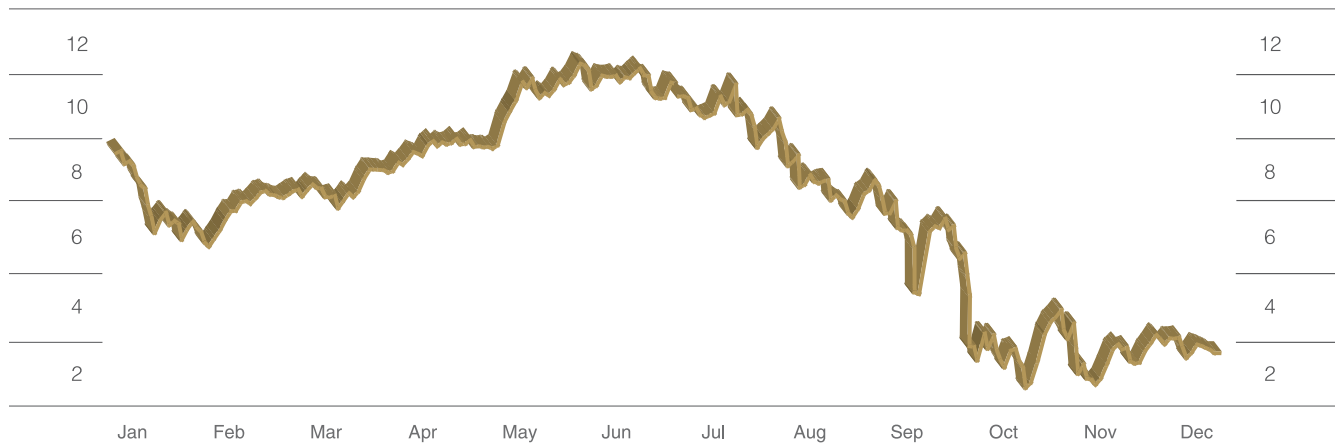
Corporate Governance

Rosneft share and GDR quotes in 2008

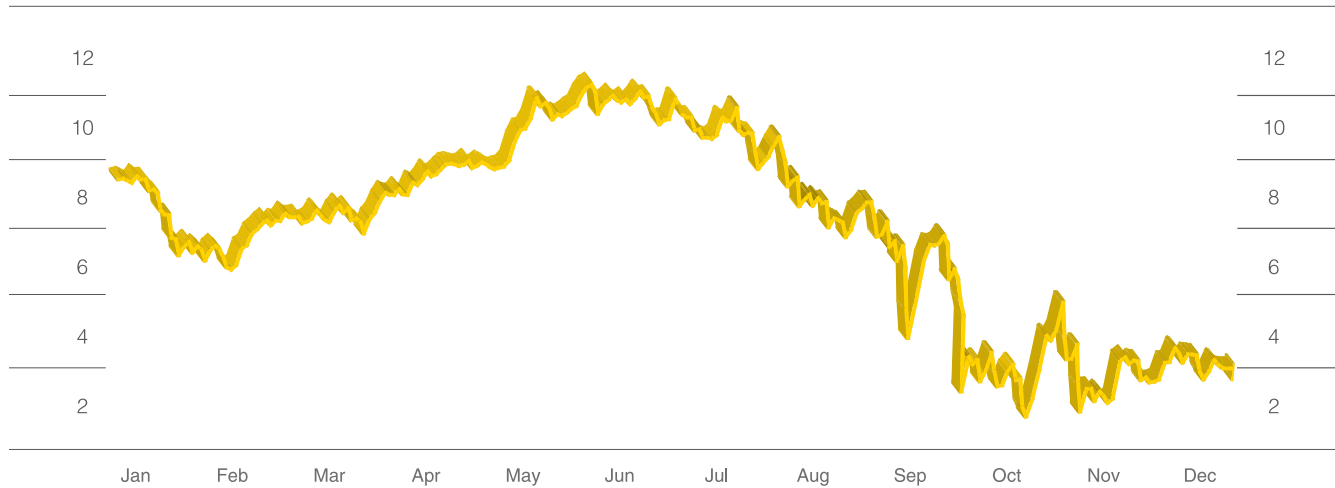
Moscow Interbank Currency Exchange (RUB)



Russian Trading System (USD)

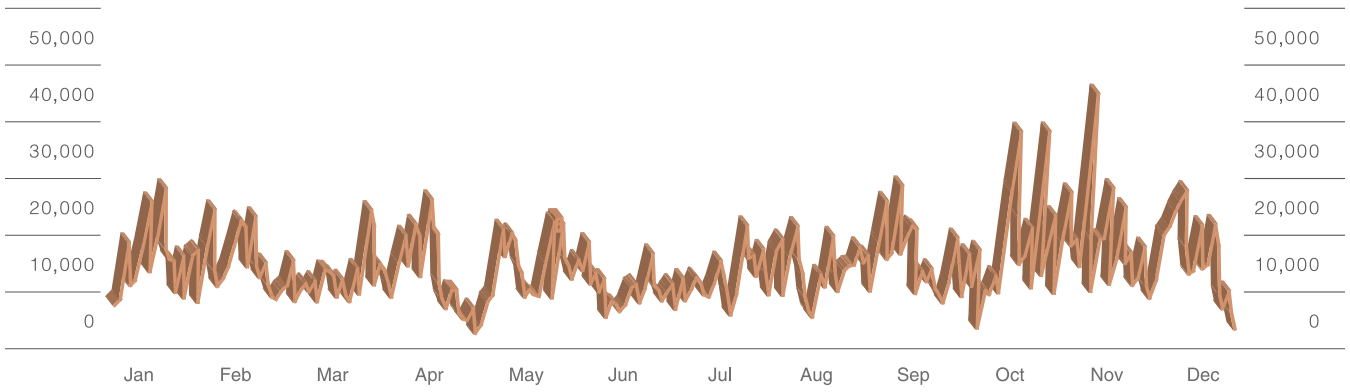


London Stock Exchange (USD)

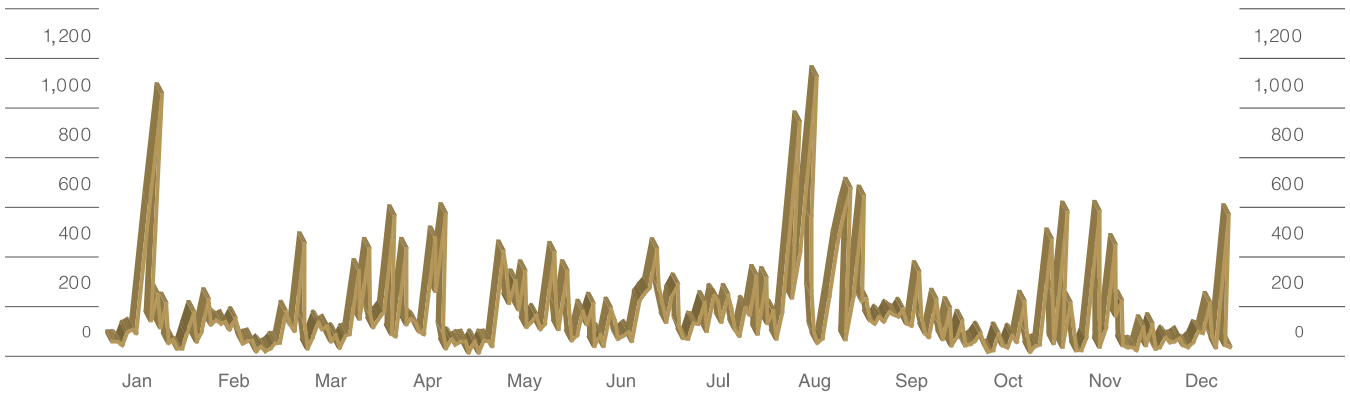


Rosneft share and GDR trade volumes in 2008

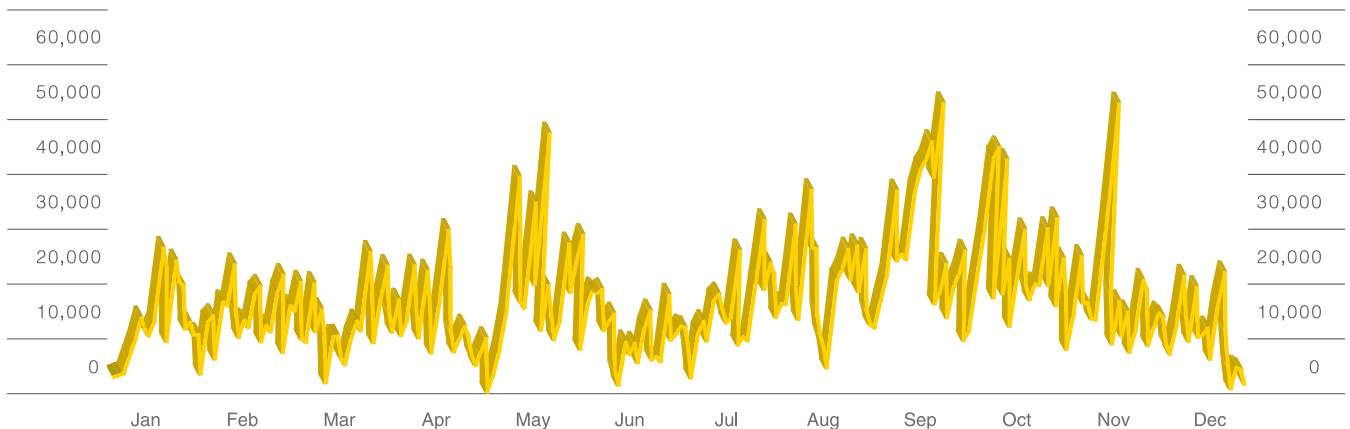
Moscow Interbank Currency Exchange ('000 shares)



Russian Trading System ('000 shares)



London Stock Exchange ('000 GDRs)



Dividend Policy

Rosneft's dividend policy is aimed at striking a balance between shareholders' interests and the Company's business needs, as well as at improving Rosneft's investment attractiveness and shareholder value.

In May 2006, Rosneft's Board of Directors voted to approve the Regulation on Dividend Policy, developed in accordance with Russian legislation, the Company Charter, and the Rosneft Code of Corporate Governance.

Rosneft's dividend policy is aimed at striking a balance between shareholders' interests and the Company's business needs, as well as at improving Rosneft's investment attractiveness and shareholder value. The Company strictly observes the rights, and strives to continuously increase the returns, of its numerous shareholders.

The decision to pay dividends (and the amount of dividends and the form of payment) is taken by the General Shareholders' Meeting of Rosneft, based on recommendations of the Board of Directors. In deciding dividend amounts the Board is guided by the level of net profit, as reflected in non-consolidated financial accounts of Rosneft to Russian Accounting Standards. Company dividend policy requires that dividends should be equal to at least 10% of net profit.

Rosneft's strategy is to steadily increase dividend payments in absolute terms. In determining the amount of annual dividends, the Board of Directors also takes account of dividend policy of other oil & gas compa-

nies. A number of other factors may also have impact on the size of dividend payments. Such factors include: Company business prospects, the Company's financial situation and financing needs, the overall macroeconomic situation and market environment, as well as other factors, including aspects connected with tax and legislation.

Information about Company dividend policy, recommendations of the Board of Directors concerning the size of dividend payments, and decisions by the General Meeting of Shareholders is published on the Rosneft website.

On April 25, 2008, Rosneft's Board of Directors recommended the Annual General Shareholders' Meeting to approve an increase of annual dividends for 2007 by 20% compared with the previous year, to RUB 1.60 per share. On June 5, 2008, the Annual General Shareholders' Meeting approved the dividends recommended by the Board of Directors of RUB 1.60 per share (6.72 cents at the CBR exchange rate as of the date of the Annual General Shareholders' Meeting). Total dividends (for all issued ordinary shares) for 2007 were RUB 16,957 mln (USD 712 mln at the CBR exchange rate as of the date of the Annual General Shareholders' Meeting), which is 10.5% of net income as reflected in non-consolidated financial accounts of Rosneft to

Dividend History of Rosneft

	Dividends per share ¹ , RUB	Payout ratio for non- consolidated RAS, %	Dividends per share, USD ²	Payout ratio for consolidated US GAAP ³ , %
2003	0.1650	8.1%	0.006	13.2%
2004	0.1931	10.0%	0.007	7.3%
Dividends paid out after the IPO, which closed on July, 2006				
2005	1.25	20.0%	0.047	12.9%
2006	1.33	13.3%	0.052	14.2%
2007	1.60	10.5%	0.067	10.0%
2008⁴	1.92	14.4%	0.058	5.3%

1 The 1:100 share split of September 2005 is factored in the amount of dividends per share.

2 Dividends are translated from RUB to USD at the CBR exchange rate as of the date of the General Shareholders' Meeting, where the respective dividend payment was approved. Dividends for 2008 are translated from RUB to USD at the CBR exchange rate as of April 28, 2009.

3 Net income is adjusted for major 'one-off' items, such as effects from disposal of a stake in OJSC Sevmorneftegaz in 2005, gains from Yukos bankruptcy proceedings in 2007, effect from change in income tax rate in 2008, as well as for accrual of fines and penalties related to OJSC Yuganskneftegaz tax liabilities.

4 Dividends recommended by the Board of Directors to the Annual General Shareholders' meeting scheduled for June 2009.

Russian Accounting Standards. The dividend payout ratio on the basis of earnings under US GAAP, adjusted for 'one-off' items, is 10.0%.

On April 28, 2009, Rosneft's Board of Directors recommended the Annual General Shareholders' Meeting to approve an increase of annual dividends for 2008 by 20% compared with the previous year, to RUB 1.92 per share (5.75 cents at the CBR exchange rate as of April 28, 2009). Total amount of recommended dividends (for all issued ordinary shares) for 2008 is RUB 20,349 mln (USD 609 mln at the CBR exchange rate as of April 28,

2009), which is 14.4% of net income as reflected in non-consolidated financial accounts of Rosneft to Russian Accounting Standards. The recommended dividend payout ratio on the basis of earnings per share under US GAAP adjusted for 'one-off' items amounts to 5.3%.

Information Disclosure

Rosneft's information disclosure policy is based on principles of regularity, accessibility, accuracy, and completeness.

Rosneft policy on information disclosure is governed by requirements of the Federal Law on the Securities Market, the Federal Law on Joint-Stock Companies, the Regulation on information disclosure by issuers of securities, approved by the Order of the Federal Financial Markets Service dated October 10, 2006 No.06-117/pz-n, requirements of stock exchanges where the Company's shares are listed, Rosneft's own Regulation on Information Policy, and other regulatory acts.

Rosneft's information disclosure policy is based on principles of regularity, accessibility, accuracy, and completeness. The Company provides timely and full disclosure of information on all aspects of its business (except for instances, when the information represents a commercial secret).

The main disclosure mechanism is Rosneft's website, which contains relevant information on significant facts and events, management and organization structure, as well as the Company's operating and financial results. The Rosneft website presents the Charter and internal regulations, Annual Reports and Sustainable Development Reports, quarterly reports under Russian accounting standards, quarterly reports under US GAAP and Management discussion and analysis, Analyst Data Book, presentations, information on affiliated entities and other information, which could have impact on the value of Company shares.

The Company also provides information in the form of brochures and booklets, and through regular meetings, conference calls and press releases. At the request of shareholders, the Company provides copies of main internal documents, documentation connected with holding of the General Meeting of Sharehold-

ers, lists off affiliated entities and other documents in accordance with standards, set out in the Federal Law on Joint Stock Companies.

Enhancing Transparency

Informational openness is among the chief corporate governance principles at Rosneft. During 2008 the Company continued to work intensively to raise levels of transparency and to ensure an efficient system of shareholder and investors relations. Achievements in this sphere during 2008 included the following:

- Rosneft rose to second position in the Standard & Poor's Transparency and Disclosure Survey of Russian companies (from tenth place in 2007);
- Association for Protection of Investor Rights, whose members include the largest Russian and international institutional investors, acclaimed Rosneft winner of the nomination 'Company with the best investor relations system';
- The Company took first place in nominations by the professional publication, IR Magazine, for 'Best annual report and corporate literature' and 'Best investor relations by a large-cap company in Russia & CIS'.
- Rosneft's Annual Report and Sustainable Development Report for 2007 were acclaimed the winners of the 11th annual reports competition, held by the RTS Exchange;
- The Company won the nomination for 'Best level of information disclosure in an annual report in

English' at an annual federal competition, organized by 'Securities Market' magazine, the Russian Ministry for Economic Development and the MICEX Stock Exchange.

The Company devotes particular attention to raising efficiency of its interactions with shareholders and investors as part of its efforts to further increase informational transparency and openness. The Company continued to hold regular meetings and consultations with minority shareholders in 2008, at which issues concerning shareholder rights, dividend and information policy of Rosneft, system of management of joint-stock companies, and other aspects of stock-holder law were clarified.

As part of its interaction with institutional investors and analysts, Rosneft held regular presentations of its financial results under US GAAP in 2008, as well as meetings in Russia and in the world's largest financial centers, and a number of conference calls.

Transparency of financial information is another important element of corporate governance. In 2008 the Company significantly reduced the amount of time, which elapses between the end of a reporting period and the date of publication of relevant financial results (consolidated US GAAP financial accounts for 2008 were published on March 4, 2009, a month earlier than in the previous year). Rosneft will continue this work in the future.



Rosneft rose to second position in the Standard & Poor's Transparency and Disclosure Survey of Russian companies (from tenth place in 2007).



Rosneft's Annual Report and Sustainable Development Report for 2007 were acclaimed the winners of the 11th annual reports competition, held by the RTS Exchange.

Consolidated Financial Statements

as of December 31, 2008 and 2007
and for the years ended December 31, 2008, 2007 and 2006
With Report of Independent Auditors



Report of Independent Auditors

Shareholders and the Board of Directors of OJSC Oil Company Rosneft

We have audited the accompanying consolidated balance sheets of OJSC Oil Company Rosneft, an open joint stock company ("the Company"), as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 3 to the consolidated financial statements, the Company has not presented pro-forma results of operations for the years 2006 and 2007 as though its significant acquisitions had been completed as of January 1, 2006. These disclosures are required by SFAS No. 141 "Business Combinations".

In our opinion, except for the effects of the matters described in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

/s/ Ernst & Young LLC
ERNST & YOUNG LLC

March 2, 2009

Consolidated Balance Sheets

(in millions of US dollars, except share amounts)

	Notes	As of December 31,	
		2008	2007
ASSETS			
Current assets:			
Cash and cash equivalents	5	1,369	998
Restricted cash	5	4	34
Short-term investments	6	1,710	338
Accounts receivable, net of allowance	7	6,299	9,785
Inventories	8	1,427	1,926
Deferred tax assets	20	152	156
Prepayments and other current assets	9	1,846	1,731
Total current assets		12,807	14,968
Non-current assets:			
Long-term investments	10	2,695	2,646
Long-term bank loans granted, net of allowance of US\$ 15 and US\$ 20, respectively		326	260
Property, plant and equipment, net	11,12	55,204	51,703
Goodwill	13	4,507	3,789
Intangible assets, net	13	679	285
Deferred tax assets	20	118	57
Other non-current assets	14	1,177	1,097
Total non-current assets		64,706	59,837
Total assets		77,513	74,805
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities	15	3,096	4,022
Short-term loans and current portion of long-term debt	16	14,084	15,550
Income and other tax liabilities	18	1,094	2,346
Deferred tax liabilities	20	115	118
Other current liabilities	10, 26	308	88
Total current liabilities		18,697	22,124
Asset retirement obligations	21	1,896	2,130
Long-term debt	16	10,081	11,723
Deferred tax liabilities	20	5,371	7,626
Other non-current liabilities	22	1,870	2,485
Total non-current liabilities		19,218	23,964
Minority interest		695	277
Shareholders' equity:			
Common stock par value 0.01 RUB (shares outstanding: 9,598 million as of December 31, 2008 and 2007)	17	20	20
Treasury shares:			
— unpledged (at acquisition cost: 505.07 million and 1,000 million shares as of December 31, 2008 and 2007, respectively)		(3,799)	(7,521)
— pledged (at acquisition cost: 494.93 million and 0 shares as of December 31, 2008 and 2007, respectively)	16	(3,722)	—
Additional paid-in capital	17	13,108	13,075
Other comprehensive loss	2	(40)	—
Retained earnings		33,336	22,866
Total shareholders' equity		38,903	28,440
Total liabilities and shareholders' equity		77,513	74,805

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Income and Comprehensive Income

(in millions of US dollars, except earnings per share data)

	Notes	For the years ended December 31,		
		2008	2007	2006
Revenues				
Oil and gas sales	25	36,102	29,902	23,499
Petroleum products sales and processing fees	25	31,470	18,531	9,250
Support services and other revenues		1,419	783	350
Total		68,991	49,216	33,099
Costs and expenses				
Production and operating expenses		4,572	3,870	2,197
Cost of purchased oil, gas, petroleum products and refining costs		2,942	1,610	1,320
General and administrative expenses		1,632	1,341	757
Pipeline tariffs and transportation costs		5,673	4,226	3,226
Exploration expenses		248	162	193
Depreciation, depletion and amortization		3,983	3,286	1,638
Accretion expense		120	78	34
Taxes other than income tax	20	14,810	10,890	6,990
Export customs duty	19	22,006	13,032	11,140
Total		55,986	38,495	27,495
Operating income		13,005	10,721	5,604
Other income/(expenses)				
Interest income		375	214	135
Interest expense		(1,112)	(1,470)	(724)
Loss on disposal of property, plant and equipment		(58)	(119)	(95)
Impairment loss	10	(108)	-	-
Gain on disposal of investments		22	36	3
Equity share in affiliates' (loss)/profits	10	(7)	23	17
Dividends and (loss)/income from joint ventures		(11)	18	15
Gain from Yukos Oil Company bankruptcy proceedings		-	8,970	-
Other expenses, net		(135)	(195)	(320)
Foreign exchange gain / (loss)		1,148	(409)	(470)
Total other income/(expenses)		114	7,068	(1,439)
Income before income tax and minority interest		13,119	17,789	4,165
Income tax	20	(1,904)	(4,906)	(540)
Income before minority interest		11,215	12,883	3,625
Minority interest in subsidiaries' earnings, net of tax		(95)	(21)	(92)
Net income		11,120	12,862	3,533
Other comprehensive loss		(40)	-	-
Comprehensive income		11,080	12,862	3,533
Net earnings per share (in US\$) – basic and diluted		1.16	1.30	0.37
Weighted average number of shares outstanding (millions)		9,598	9,891	9,527

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2008, 2007 and 2006

(in millions of US dollars, except share amounts)

	Number of shares (millions)	Common stock	Additional paid-in capital	Treasury shares	Accumulated other comprehensive loss	Retained earnings	Shareholder's equity
Balance at December 31, 2005	9,092	20	19	–	–	7,394	7,433
Net and comprehensive income for the year	–	–	–	–	–	3,533	3,533
Ordinary shares issued during Initial Public Offering	285	–	2,115	–	–	–	2,115
Ordinary shares issued during Share Swap	1,221	–	9,218	–	–	–	9,218
Dividends declared on common stock	–	–	–	–	–	(424)	(424)
Balance at December 31, 2006	10,598	20	11,352	–	–	10,503	21,875
Net and comprehensive income for the year	–	–	–	–	–	12,862	12,862
Purchase of shares	(1,000)	–	–	(7,521)	–	–	(7,521)
Recognition of the financial effect of a transaction with a related party under common control (Note 17)	–	–	1,745	–	–	–	1,745
Dividends declared on common stock and other distributions to shareholders	–	–	(22)	–	–	(499)	(521)
Balance at December 31, 2007	9,598	20	13,075	(7,521)	–	22,866	28,440
Net and comprehensive income for the year	–	–	–	–	–	11,120	11,120
Recognition of the financial effect of a transaction with a related party under common control (Note 17)	–	–	33	–	–	–	33
Unrealized loss on available-for-sale securities	–	–	–	–	(40)	–	(40)
Dividends declared on common stock	–	–	–	–	–	(650)	(650)
Balance at December 31, 2008	9,598	20	13,108	(7,521)	(40)	33,336	38,903

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

(in millions of US dollars)

	Notes	For the years ended December 31,		
		2008	2007	2006
Operating activities				
Net income		11,120	12,862	3,533
Adjustments to reconcile net income to net cash provided by operating activities:				
Effect of foreign exchange		(1,263)	365	392
Depreciation, depletion and amortization		3,983	3,286	1,638
Dry hole costs		27	93	20
Loss on disposal of property, plant and equipment		58	119	95
Asset impairment loss	10	108	–	–
Deferred income tax expense/(benefit)	20	(1,490)	1,058	(1,845)
Accretion expense	21	120	78	34
Equity share in affiliates' loss/(profits)	10	7	(23)	(17)
Gain on disposal of investments		(22)	(36)	(3)
Acquisition of trading securities		(119)	(367)	(181)
Proceeds from sale of trading securities		137	501	9
Increase / (decrease) in allowance for doubtful accounts and bank loans granted		57	21	(10)
Gain from disposal of promissory notes		(42)	–	–
Minority interests in subsidiaries' earnings		95	21	92
Gain from Yukos Oil Company bankruptcy proceedings		–	(8,970)	–
Cash received from Yukos Oil Company bankruptcy receiver		–	11,007	–
Changes in operating assets and liabilities net of acquisitions:				
Decrease / (increase) in accounts receivable		2,180	(4,745)	(1,192)
Decrease / (increase) in inventories		502	(161)	(91)
Decrease / (increase) in restricted cash		30	(16)	5
Increase in prepayments and other current assets		(114)	(444)	(231)
Decrease / (increase) in other non-current assets		228	(197)	(124)
Increase in long-term bank loans granted		(61)	(164)	(41)
Increase in interest payable		184	123	36
(Decrease) / increase in accounts payable and accrued liabilities		(928)	1,505	678
Increase / (decrease) in income and other tax liabilities		35	1,228	(338)
(Decrease) / increase in other current and non-current liabilities		(439)	(34)	131
Net cash provided by operating activities		14,393	17,110	2,590

The accompanying notes to the consolidated financial statements are an integral part of these statements.

(in millions of US dollars, except share amounts)

	Notes	For the years ended December 31,		
		2008	2007	2006
Investment activities				
Capital expenditures	11	(8,732)	(6,240)	(3,462)
Assets acquisitions		–	(540)	–
Acquisition of licences		(47)	(90)	(916)
Repayment of Sakhalin-1 carried costs		–	–	(1,339)
Proceeds from disposals of property, plant and equipment		93	58	27
Acquisition of short-term investments, including				
Held-to-maturity securities		(1,921)	(219)	(277)
Available-for-sale securities		(4)	(25)	–
Proceeds from sale of short-term investments, including				
Held-to-maturity securities		1,342	122	139
Available-for-sale securities		3	177	–
Acquisition of long-term investments, including				
Held-to-maturity securities		(297)	(251)	(50)
Available-for-sale securities		(22)	(46)	(11)
Proceeds from sale of long-term investments, including				
Held-to-maturity securities		49	28	6
Available-for-sale securities		22	57	27
Acquisition of entities and additional shares in subsidiaries, net of cash acquired	3, 4	(12)	(17,061)	(194)
Proceeds from sale of shares in OJSC Tomskneft VNK		–	3,452	–
Proceeds from sale of shares in OJSC Daltransgaz	17	91	–	–
Settlement/(acquisition) of debt receivable		–	483	(463)
Margin call deposit placed	16	(3,100)	–	–
Margin call deposit returned	16	1,713	–	–
Net cash used in investing activities		(10,822)	(20,095)	(6,513)
Financing activities				
Proceeds from short-term debt		7,090	14,391	2,768
Repayment of short-term debt		(13,393)	(3,731)	(796)
Proceeds from long-term debt		6,885	3,435	2,887
Repayment of long-term debt		(3,118)	(2,598)	(3,250)
Proceeds from share issue, net of commission		–	–	2,115
Dividends paid to shareholders		(516)	(521)	(424)
Cash paid for acquisition of treasury shares		–	(7,521)	–
Dividends paid to minority shareholders in subsidiaries		(22)	(15)	(75)
Net cash provided by/(used in) financing activities		(3,074)	3,440	3,225
Increase / (decrease) in cash and cash equivalents		497	455	(698)
Cash and cash equivalents at beginning of period		998	505	1,173
Effect of foreign exchange on cash and cash equivalents		(126)	38	30
Cash and cash equivalents at end of period		1,369	998	505
Supplementary disclosures of cash flow information				
Cash paid for interest (net of amount capitalized)		578	1,152	610
Cash paid for income taxes		2,617	4,267	2,157
Supplementary disclosure of non-cash activities				
Net assets of subsidiaries contributed by minority shareholders in exchange for shares issued by Rosneft		–	–	9,218
Income tax offsets	7	1,315	–	1

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006 (all amounts in tables are in millions of US dollars, except as noted otherwise)

1. General

Nature of Operations

Open Joint Stock Company ("OJSC") Oil Company Rosneft ("Rosneft") and its subsidiaries, (collectively the "Company" or the "Group"), are principally engaged in exploration, development, production and sale of crude oil and gas and refining, transportation and sale of petroleum products in the Russian Federation and in certain international markets.

Rosneft State Enterprise was incorporated as an open joint stock company on December 7, 1995. All assets and liabilities previously managed by Rosneft State Enterprise were transferred to the Company at their book value effective on that date together with the Government of the Russian Federation ("State") ownership in other privatized oil and gas companies. The transfer of assets and liabilities was made in accordance with Russian Government Resolution No. 971 dated September 29, 1995, "On the Transformation of Rosneft State Enterprise into an Open Joint Stock Company "Oil Company Rosneft". Such transfers represented a reorganization of assets under the common control of the State and, accordingly, were accounted for at their book value. In 2005, the State contributed the shares of Rosneft to the share capital of OJSC Rosneftegaz. As of December 31, 2005, 100% of the shares of Rosneft less one share were owned by OJSC Rosneftegaz and one share was owned by the Russian Federation Federal Agency for the Management of Federal Property. The decrease in interest is attributable to sales of shares during Rosneft's Initial Public Offering ("IPO") in Russia, sales of Global Depository Receipts ("GDR") for the shares on London Stock Exchange and the share swap realized during the merger of Rosneft and certain subsidiaries during 2006. As of December 31, 2007 and 2008, OJSC Rosneftegaz maintains a 75.16% interest in Rosneft.

Under Russian legislation, natural resources, including oil, gas, precious metals and minerals and other commercial minerals situated within the territory of the Russian Federation are the property of the State until they are extracted. Law of the Russian Federation No. 2395-1, On Subsurface Resources, regulates relations arising in connection with the geological study, use and protection of subsurface resources within the territory of the Russian Federation. Pursuant to the Law, subsurface resources may be developed only on the basis of a licence. The licence is issued by the regional governmental body and contains information on the site to be developed, the period of activity, financial and other conditions. The Company holds licences issued by regional authorities for geological studies, exploration and development of oil and gas blocks and fields in areas where its subsidiaries are located.

Due to the limited capacity of OJSC Transneft's pipeline system, the State Pipeline Commission sets export quotas for each oil company based on the legislation on equal access to the oil pipeline system. In addition, the Company exports certain quantities of crude oil bypassing the Transneft system thus enabling it to increase its export capacities. In 2008, 2007 and 2006, the Company's export sales were approximately 56%, 61% and 70% of produced crude oil, respectively. The remaining production was processed at the Company's refineries and other Russian refineries for further sales on domestic and international markets.

Principal subsidiary companies included in the consolidated financial statements and respective ownership interests of the Company as of December 31, 2008 are as follows:

Name	Nature of Business	Preferred and Common Shares, %	Voting Shares, %
Exploration and production			
RN-Yuganskneftegaz LLC	Oil and gas production operator services	100.00	100.00
RN-Purneftegaz LLC	Oil and gas production operator services	100.00	100.00
RN-Sakhalinmorneftegaz LLC	Oil and gas production operator services	100.00	100.00
RN-Krasnodarneftegaz LLC	Oil and gas production operator services	100.00	100.00
RN-Stavropolneftegaz LLC	Oil and gas production operator services	100.00	100.00
Rosneft Severnaya Neft LLC (Northern Oil)	Oil and gas production operator services	100.00	100.00
CJSC RN-Astra	Oil and gas development and production	100.00	100.00
CJSC Sakhalinmorneftegaz Shelf	Oil and gas development and production	100.00	100.00
CJSC Komsomolskneft	Oil and gas development and production	100.00	100.00
OJSC Dagneftegaz	Oil and gas development and production	81.22	94.96
OJSC Rosneft-Dagneft	Oil and gas development and production	68.70	91.60
OJSC Grozneftegaz	Oil and gas production operator services	51.00	51.00
CJSC Vostokshelf	Field survey and exploration	100.00	100.00
RN-Kazakhstan LLC	Field survey and exploration	100.00	100.00
RN-Kaiganneftegaz LLC	Field survey and exploration	100.00	100.00
CJSC Vankorneft	Field survey and exploration	93.96	93.96
Taymyrneft LLC	Investment activities	60.00	60.00
Vostok Smidt Invest LLC	Investment activities	100.00	100.00
Zapad Smidt Invest LLC	Investment activities	100.00	100.00
Vostok-Energy LLC	Field survey and exploration	51.00	51.00

Name	Nature of Business	Preferred and Common Shares, %	Voting Shares, %
OJSC East-Siberian Oil and Gas Company	Oil and gas development and production	70.78	70.78
Val Shatskogo LLC	Oil and gas development	100.00	100.00
OJSC Samaraneftgaz	Oil and gas development and production	100.00	100.00
Refining, marketing and distribution			
RN-Tuapse Refinery LLC	Petroleum refining	100.00	100.00
RN-Komsomolsky Refinery LLC	Petroleum refining	100.00	100.00
OJSC Rosneft-MZ Nefteproduct	Petroleum refining	65.42	87.23
OJSC Rosneft-ARTAG	Marketing and distribution	38.00	50.67
OJSC Rosneft-Altainefteproduct	Marketing and distribution	64.18	78.59
RN-Arkhangelsknefteproduct LLC	Marketing and distribution	100.00	100.00
OJSC Rosneft-Kabardino-Balkarskaya Toplivnaya Company	Marketing and distribution	88.66	92.91
OJSC Rosneft-Kubanefteproduct	Marketing and distribution	89.50	96.61
OJSC Rosneft-Karachaevo-Cherkessknefteproduct	Marketing and distribution	85.99	87.46
OJSC Rosneft-Kurgannefteproduct	Marketing and distribution	83.32	90.33
OJSC Rosneft-Murmansknefteproduct	Marketing and distribution	45.38	60.51
RN-Nakhodkanefteproduct LLC	Marketing and distribution	100.00	100.00
OJSC Rosneft-Smolensknefteproduct	Marketing and distribution	66.67	86.97
RN-Tuapsenefteproduct LLC	Marketing and distribution	100.00	100.00
OJSC Rosneft-Yamalnefteproduct	Marketing and distribution	49.52	66.03
RN-Vostoknefteproduct LLC	Marketing and distribution	100.00	100.00
OJSC Rosneft-Stavropolye	Marketing and distribution	100.00	100.00
RN-Trade LLC	Marketing and distribution	100.00	100.00
OJSC Nakhodka Oil Seatrade Port	Transshipment	100.00	100.00
CJSC Exponeft	Marketing and distribution	45.38	60.51
OJSC Angarsk Petrochemical Company	Petroleum refining	100.00	100.00
OJSC Achinsk Refinery VNK	Petroleum refining	100.00	100.00
OJSC Angarsk Polymer Plant	Petroleum refining	100.00	100.00
OJSC Kuybyshev Refinery	Petroleum refining	100.00	100.00
OJSC Novokuybyshev Refinery	Petroleum refining	100.00	100.00
OJSC Syzran Refinery	Petroleum refining	100.00	100.00
CJSC Neftegorsk Gas-Processing Plant	Gas processing	100.00	100.00
CJSC Otradny Gas-Processing Plant	Gas processing	100.00	100.00
CJSC Irkutsknefteproduct	Marketing and distribution	100.00	100.00
OJSC Samaranefteproduct	Marketing and distribution	100.00	100.00
Samara Terminal LLC	Marketing and distribution	100.00	100.00
OJSC Buryatnefteproduct	Marketing and distribution	97.48	98.88
CJSC Khakasnefteproduct VNK	Marketing and distribution	100.00	100.00
OJSC Tomsknefteproduct VNK	Marketing and distribution	100.00	100.00
OJSC Belgorodnefteproduct	Marketing and distribution	100.00	100.00
CJSC Bryansknefteproduct	Marketing and distribution	100.00	100.00
OJSC Voronezhnefteproduct	Marketing and distribution	100.00	100.00
CJSC Lipetsknefteproduct	Marketing and distribution	100.00	100.00
CJSC Orelnefteproduct	Marketing and distribution	100.00	100.00
CJSC Penzanefteproduct	Marketing and distribution	100.00	100.00
CJSC Tambovnefteproduct	Marketing and distribution	100.00	100.00
CJSC Ulyanovsknefteproduct	Marketing and distribution	100.00	100.00
Ulyanovsk Terminal LLC	Marketing and distribution	100.00	100.00
CJSC FPK KEDR M	Marketing and distribution	100.00	100.00
CJSC NBA Service	Marketing and distribution	100.00	100.00
OJSC Germes Moskva	Marketing and distribution	85.61	85.61
CJSC Contract Oil	Marketing and distribution	100.00	100.00
CJSC Mytischki Fuel Company	Marketing and distribution	100.00	100.00
OJSC Stavropolnefteproduct	Marketing and distribution	100.00	100.00
U-Kuban LLC	Marketing and distribution	100.00	100.00
Other			
Rosneft International Limited	Holding company	100.00	100.00
CJSC Rosnefteflot	Transportation services	51.00	51.00
OJSC All-Russian Bank for Reconstruction and Development of Russian Regions (VBRR)	Banking	76.47	76.47

Name	Nature of Business	Preferred and Common Shares, %	Voting Shares, %
CJSC RN-Shelf-Dalnyi Vostok	Management company	100.00	100.00
RN-Burenie LLC	Drilling services	100.00	100.00
NK Rosneft NTC LLC	Research & development activities	100.00	100.00

All of the above subsidiaries, except for Rosneft International Ltd., are incorporated in the Russian Federation. Rosneft International Ltd. is registered in Ireland.

Currency Exchange and Control

Foreign currencies, in particular the US dollar and the Euro, play a significant role in the underlying economics of many business transactions in Russia. For the oil and gas sector in particular, substantial export arrangements as well as investing and financing activities are conducted in foreign currencies, primarily the US dollar.

2. Significant Accounting Policies

Form and Content of the Consolidated Financial Statements

The Company maintains its books and records in accordance with accounting and taxation principles and practices mandated by Russian legislation. The accompanying consolidated financial statements were derived from the Company's Russian statutory books and records with adjustments made to present them in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The accompanying consolidated financial statements differ from the financial statements issued for statutory purposes in Russia in that they reflect certain adjustments, not recorded in the Company's statutory books, which are appropriate to present the financial position, results of operations and cash flows in accordance with US GAAP. The principal adjustments relate to: (1) recognition of certain expenses; (2) valuation and depreciation of property, plant and equipment; (3) foreign currency translation; (4) deferred income taxes; (5) valuation allowances for unrecoverable assets; (6) accounting for the time value of money; (7) accounting for investments in oil and gas property and conveyances; (8) consolidation principles; (9) recognition and disclosure of guarantees, contingencies, commitments and certain assets and liabilities; (10) accounting for asset retirement obligations; (11) business combinations and goodwill/negative goodwill; (12) accounting for derivative instruments.

Certain items in the consolidated balance sheet as of December 31, 2007 and the consolidated statement of cash flows for 2007 were reclassified to conform to the current year presentation.

Management Estimates

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheet as well as the amounts of revenues and expenses recognized during the reporting periods. Certain significant estimates and assumptions for the Company include: estimation of economically recoverable oil and gas reserves; rights to, recoverability and useful lives of long-term assets and investments; impairment of goodwill; allowances for doubtful accounts receivable; asset retirement obligations; legal and tax contingencies; environmental remediation obligations; recognition and disclosure of guarantees and other commitments; fair value measurements; ability to renew operating leases and to enter into new lease agreements, and classification of certain debt amounts. Some of the most significant estimates were made in connection with the acquisition of Yukos Oil Company assets (see Note 3). Management believes it has a reasonable and appropriate basis for its judgment pertaining to its estimates and assumptions. However, actual results could differ from those estimates.

Foreign Currency Translation

The management of the Company has determined that the US Dollar is the functional and reporting currency for the purpose of financial reporting under US GAAP. Monetary assets and liabilities have been translated into US dollars using the official exchange rate as of the balance sheet date. Non-monetary assets and liabilities have been translated at historical rates. Revenues, expenses and cash flows have, where practicable, been translated into US dollars at exchange rates that are close to the actual rate of exchange prevailing on transaction dates.

Gains and losses resulting from the re-measurement into US dollars are included in "Foreign exchange gain/(loss)" in the consolidated statements of income and comprehensive income.

As of December 31, 2008 and 2007, the Central Bank of the Russian Federation ("CBR") official rates of exchange were 29.38 rubles and 24.55 rubles per US dollar, respectively. As of March 2, 2009, the official rate of exchange was 35.72 rubles ("RUB") per US dollar.

The translation of local currency denominated assets and liabilities into US dollars for the purposes of these financial statements does not indicate that the Company could realize or settle, in US dollars, the reported values of these assets and liabilities. Likewise, it does not indicate that the Company could return or distribute the reported US dollar ("USD") value of equity to its shareholders.

Principles of Consolidation

The consolidated financial statements include the accounts of majority-owned, controlled subsidiaries and variable interest entities where the Company is a primary beneficiary. All significant intercompany transactions and balances have been eliminated. The equity method is used to account for investments in affiliates in which the Company has the ability to exert significant influence over

the affiliates' operating and financial policies. The investments in entities where the Company holds the majority of shares, but the minority shareholders have significant influence, are also accounted for using the equity method. The Company's share in net profit or loss of equity investees also includes any other-than-temporary declines in fair value recognized during the period. Investments in other companies are accounted for at cost and adjusted for impairment, if any.

Minority Interest

Minority interests in the net assets and net results of consolidated subsidiaries are shown under "Minority interest" in the accompanying consolidated balance sheets and statements of income and comprehensive income. For majority-owned subsidiaries that incur losses, the Company recognizes 100% of the losses, after first reducing the related minority interests' balances to zero, unless minority shareholders committed to fund the losses. Further, when a majority-owned subsidiary becomes profitable, the Company recognizes 100% of profits until such time as the excess losses previously recorded have been recovered. Thereafter, the Company recognizes profits in accordance with the underlying ownership percentage. The actual ruble-denominated balances attributable to minority interests may differ from these amounts presented in these consolidated financial statements.

Cash and Cash Equivalents

Cash represents cash on hand and in the Company's bank accounts and interest bearing deposits which can be effectively withdrawn at any time without prior notice or penalties reducing the principal amount of the deposit. Cash equivalents are highly liquid, short-term investments that are readily convertible to known amounts of cash and have original maturities of three months or less from their date of purchase. They are carried at cost plus accrued interest, which approximates fair value.

Loans and Accounts Receivable

Loans and accounts receivable are stated at their principal amounts outstanding net of loan losses and allowances for doubtful debts. Specific allowances are recorded against trade receivables whose recovery or collection has been identified as doubtful. Estimates of allowances require the exercise of judgment and the use of assumptions.

Earnings per Share

Basic earnings per share is calculated by dividing net earnings attributable to common shares by the weighted average number of common shares outstanding during the corresponding period. In the absence of any securities-to-shares conversion transactions, the amount of basic earnings per share stated in these financial statements is equal to the amount of diluted earnings per share.

Inventories

Inventories consisting primarily of crude oil, petroleum products and materials and supplies are written off at the average cost or the cost of each unit and are stated at the lower of weighted average cost of acquisition or market value. Market value shall not exceed net realizable value (i.e. the price at which inventories can be sold after allowing for the cost of completion and sale), and shall not be lower than net realizable values less the amount of margin.

Financial Investments

All debt and equity securities held by the Company are classified into one of the following three categories: trading securities; available-for-sale securities; held-to-maturity securities.

Trading securities are purchased and held principally for the purpose of sale in the nearest future. Held-to-maturity securities represent financial instruments that the Company has both the intent and the ability to hold to maturity.

All other securities, which do not fall into these two categories, are classified as available-for-sale securities.

Trading securities and available-for-sale securities are carried at fair (market) value. Held-to-maturity securities are stated at amortized cost. Unrealized gains or losses on trading securities are included in the consolidated statements of income and comprehensive income. Unrealized gains and losses on available-for-sale securities less related tax effects are recorded as a separate component of comprehensive income until the date of disposal.

Realized gains and losses from the sale of available-for-sale securities are reported separately for each type of security. Dividends and interest income are recognized in the consolidated statements of income and comprehensive income on an accrual basis.

Investments in shares or interests of companies where the Company has less than 20% equity interest and no significant influence, which are not publicly traded, and whose market value is not readily available, are carried at cost.

Sale and Repurchase Transactions Involving Securities

Transactions involving sale and repurchase of securities ("REPO") are accounted for as secured financing whereby the Company retains these securities in the balance sheet and records a liability to a counterparty within "Short-term loans and current portion of long-term debt" or "Long-term debt", depending on its maturity. The difference between sale and repurchase prices is treated as an interest expense recognized in the consolidated statement of income and comprehensive income over the term of the sale and repurchase transaction using the effective interest method.

Under the terms of the repurchase agreements, the value of assets underlying the debt is marked-to-market by the counterparty at its discretion, as frequently as on a daily basis. If the value of the underlying asset declines, the counterparty has the ability to require the Company to post additional margin—cash or other liquid collateral—to compensate for the decline in value of the asset. Conversely, if the value of the underlying asset increases, a portion of the margin previously posted may be returned to the Company.

Oil and Gas Exploration and Development

In accordance with Statement of Financial Accounting Standard ("SFAS") 19, *Financial Accounting and Reporting by Oil and Gas Producing Companies*, oil and gas exploration and development costs are recognized under the successful efforts method. This method prescribes that exploration costs, including geological and geophysical costs and the costs of dry holes, are charged to expense when incurred.

Exploratory well costs (including costs associated with stratigraphic test wells) are temporarily capitalized pending determination of whether commercial oil and gas reserves have been discovered by the drilling effort. The length of time necessary for this determination depends on the specific technical or economic difficulties in assessing the recoverability of the reserves. If a determination is made that the well did not encounter oil and gas in economically viable quantities, the well costs are expensed and are reported in "exploration expenses".

Exploratory drilling costs are temporarily capitalized pending determination of whether the well has found proved reserves if both of the following conditions are met:

- The well has found a sufficient quantity of reserves to justify, if appropriate, its completion as a producing well, assuming that the required capital expenditure is made; and
- Satisfactory progress toward ultimate development of the reserves is being achieved, with the Company making sufficient progress assessing the reserves and the economic and operating viability of the project.

The Company evaluates the progress made on the basis of regular project reviews which take into account the following factors:

- If additional exploratory drilling or other exploratory activities (such as seismic work or other significant studies) are either underway or firmly planned, the Company deems there to be satisfactory progress. For these purposes, exploratory activities are considered firmly planned only if they are included in the Company's three-year exploration plan/budget. At December 31, 2008 and 2007, exploratory drilling costs capitalized on this basis were not material.
- In cases where exploratory activity has been completed, the evaluation of satisfactory progress takes into account indicators such as the fact that costs for development studies are incurred in the current period, or that governmental or other third-party authorizations are pending or that the availability of capacity on an existing transport or processing facility awaits confirmation. At December 31, 2008 and 2007, exploratory drilling costs capitalized on this basis were not material.

Should the project be deemed commercially viable, it is then transferred to the development stage, otherwise the costs are expensed.

Costs, including "internal" costs relating to drilling and equipping of development wells, including development dry holes, as well as costs required for drilling and equipping of injection wells in the process of oil and gas reserves development, are capitalized. These costs are included in exploration and development assets in the consolidated balance sheet.

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost, net of accumulated depreciation. The cost of maintenance, repairs, and replacement of minor items of property is charged to operating expenses. Renewals and betterments of assets are capitalized.

Upon sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are included in the income statement.

Depreciation, Depletion and Amortization

Depletion expense of acquisition costs of proved oil and gas properties is calculated using the unit-of-production method based on total proved reserves. Depletion expense of other capitalized costs related to oil and gas production is calculated using the unit-of-production method based on proved developed reserves. Management of the Company considers each extraction division as the appropriate level for these calculations.

Acquisition costs of unproved properties are not amortized. These costs are reclassified as proved properties when the relevant reserve reclassification is made. Acquisition costs of unproved properties are reviewed for impairment. In case of impairment these costs are expensed.

Depreciation and amortization charges with respect to property, plant and equipment other than oil and gas properties is computed using the straight-line method and based on their useful lives.

Depreciation rates are applied to similar types of buildings, machinery and equipment having similar economic characteristics, as shown below:

Asset Group	Average Useful Life
Buildings and constructions	30-35 years
Plant and machinery	15 years
Vehicles and other equipment	6 years
Service vessels	20 years
Offshore drilling assets	20 years

Interests in Joint Operations

A joint operation is a contractual arrangement whereby two or more parties (participants) undertake an economic activity that is subject to joint control. Joint control is only exercised when strategic, financial and operating decisions relating to the joint activity are made unanimously by all the parties. A joint venture is a registered company, partnership or any other legal form for the purposes of handling joint operations.

Financial results, assets and liabilities arising from interests in incorporated joint ventures are recognized in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in joint ventures are recognized at the cost of financial investments increased by any change to the share of net assets from the date of inception of a joint venture, less distributed earnings and impairment of financial investments. The consolidated statements of income and comprehensive income include the Company's share in gains and losses arising from joint ventures.

The Company discontinues the use of the equity method of accounting from the date on which it ceases to have joint control over, or have significant influence in, a jointly-controlled entity.

Undivided interests in unincorporated oil and gas joint ventures are consolidated on a proportionate basis.

A part of an interest in a jointly-controlled oil and gas exploration and production entity may be assigned to other participants or third parties. In which case, in accordance with SFAS 19, such assignment is performed and accounted for under an arrangement called a "carried interest" whereby the assignee agrees to carry all costs of drilling, developing, and operating the property. The assignee is also entitled to all of the revenue from hydrocarbon production from the property, excluding any third party interest, until all of the assignee's costs, including the contractual rate of return, have been recovered, at such time the assignor will resume its participation in operating expenses and income.

Impairment of Long-Lived Assets

Long-lived assets, including blocks with proved oil and gas reserves, are assessed for potential impairment in accordance with SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

Oil and gas properties are assessed whenever events or circumstances indicate potential impairment. If the carrying value of oil and gas properties is not recoverable through undiscounted cash flows, an impairment is recognized. The impairment is determined on the basis of the estimated fair value of oil and gas properties which, in turn, is measured by discounting future net cash flows or with reference to current market prices of oil and gas properties, if available. Discounted future cash flows from oil and gas fields are based on the most reliable management estimates of future prices that rely on recent actual prices and published prices for forward transactions; such prices are applied to forecast production volumes at particular fields with further discounting for the expected risk level.

Forecast production volumes shall be understood as reserves, including probable reserves that are proposed to be extracted using a known amount of capital expenditures. Production volumes and prices correspond to the internal plans and forecasts, as well as other data in the published financial statements. Assumptions regarding future prices and costs used to assess oil and gas properties for impairment differ from those used in the standard procedure for discounting net cash flows from proved oil and gas reserves.

Individual assets are grouped for impairment purposes at the lowest level of identifiable cash flows that are largely independent of the cash flows from other groups of assets – generally on a field-by-field basis for exploration and production assets, for refining assets – at the entire refining unit, for service stations – at the site level. Long-lived assets intended by management for use during a period not exceeding one year are recorded at the lower of depreciated value or fair value, less selling expenses.

Acquisition costs of unproved oil and gas properties are assessed for impairment on a regular basis and any estimated impairment is charged to expenses.

Impairment of Investments

If the decline in fair value of an investment below its carrying value is other than temporary, the carrying value of the investment is reduced and a loss in the amount of any such decline is recorded. Cost method investments are evaluated for impairment when events or changes in circumstances occur which may have a significant effect on the fair value of these investments. Fair value determination is based on quoted market prices, if available, or on the present value of expected cash flows using discount rates commensurate with the risks of the investment.

Business Combinations

The Company accounts for its business acquisitions under the purchase method of accounting. The total cost of acquisitions is allocated to the underlying assets, including intangible assets, and liabilities based on their respective estimated fair values. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, license and other asset lives and market multiples, among other items.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the acquisition cost over the fair value of net assets acquired. The excess of the fair value of the acquired share of net assets over their acquisition cost represents negative goodwill and is allocated among the non-current assets acquired, excluding investments and deferred tax assets, which may result in their value being reduced to zero.

For investees accounted for under the equity method, the excess of the cost to acquire a share in those entities over the fair value of the acquired share of net assets as of the acquisition date is treated as embedded goodwill.

In accordance with requirements of Statement SFAS 142, *Goodwill and Other Intangible Assets*, goodwill and intangible assets with indefinite useful lives are not amortized. Instead, they are tested at least annually for impairment. The impairment loss is recognized when the carrying value of goodwill exceeds its fair value. The impairment test is comprised of two stages. The first step compares the fair value of the reporting unit with its carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying value, the goodwill of the reporting unit is considered not impaired. Otherwise, the second step of the goodwill impairment test shall be performed to measure the amount of impairment loss in the excess of the reporting unit's carrying value over its fair value. The loss recognized cannot exceed the carrying amount of goodwill. Subsequent reversal of a previously recognized goodwill impairment loss is prohibited.

Intangible assets that have a finite useful life are amortized using the straight-line method over the shorter of their useful life or the term established by legislation.

Assets Held for Sale

The Company accounts its assets as held for sale in accordance with SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. A long-lived asset (disposal group) to be sold is classified as held for sale in the period in which all of the held-for-sale criteria are met, and measured at the lower of its carrying amount or fair value less cost to sell. A long-lived asset is not depreciated (amortized) while it is classified as held for sale.

Capitalized Interest

Interest expense related to the use of borrowed funds used for capital construction projects and acquisition of properties, plant and equipment is capitalized provided that such interest expense could have been avoided if the Company had not made capital investments. Interest is capitalized only during the period when construction activities are actually in progress and until the resulting properties are put into operation. The Company capitalized US\$ 279 million, US\$ 178 million and US\$ 109 million of interest expenses on loans and borrowings in 2008, 2007 and 2006, respectively.

Leasing Agreements

Capital leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the interest charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liabilities. Interest charges are charged directly to the consolidated statements of income and comprehensive income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term unless leased assets are capitalized because the terms of the lease agreement grant the Company ownership rights over the leased assets by the end of the lease term or containing a bargain purchase option. In the latter cases capitalized assets are depreciated over the estimated useful life of the asset regardless of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of income and comprehensive income on a straight-line basis over the lease term.

Asset Retirement Obligations

The Company has asset retirement obligations associated with its core business activities. The nature of the assets and potential obligations are as follows:

Exploration and Production — the Company's exploration, development and production activities involve the use of the following assets: wells, related equipment and operating sites, oil gathering and treatment facilities, tank farms and in-field pipelines. Generally, licences and other regulatory acts require that such assets be decommissioned upon the completion of production. According to these requirements, the Company is obliged to decommission wells, dismantle equipment, restore the sites and perform other related activities. The Company's estimates of these obligations are based on current regulatory or licence requirements, as well as actual dismantling and other related costs. Asset retirement obligations are calculated in accordance with the provisions of SFAS 143, *Accounting for Asset Retirement Obligations*.

Refining, Marketing and Distribution — this business segment covers refining operations, marine and other distribution terminals, and retail sales. The Company's refining operations consist of major petrochemical operations and industrial complexes. These industrial complexes have been in operation for several decades. The Company's management believes that given the nature of the operations, the useful lives of these industrial complexes are indeterminable, while certain of their operating components and equipment have definite useful lives. Legal or contractual asset retirement obligations related to petrochemical, oil refining, marketing and distribution activities are not recognized due to the limited history of such activities in these segments, the lack of clear legal requirements as to the recognition of obligations, as well as the fact that useful lives of such assets are not determinable.

The Company's marine and other distribution terminals, including its retail network, operate under the regulatory requirements of local authorities and lease arrangements. These requirements generally provide for elimination of the consequences of the use of those assets, including dismantling of equipment, restoration of land, etc. The Company's estimate of asset retirement obligations takes into account the above requirements.

SFAS 143 calls for measurements of asset retirement obligations to include, as a component of expected costs, an estimate of the price that a third party would demand, and could expect to receive, for bearing the uncertainties and unforeseeable circumstances inherent in the obligations, sometimes referred to as a market-risk premium. To date, the oil and gas industry has few examples of credit-worthy third parties which are willing to assume this type of risk, for a determinable price, on major oil and gas production facilities and pipelines. Therefore, because determining such a market-risk premium would be an arbitrary process, it has been excluded from the SFAS 143 estimates.

Due to continuous changes in the Russian regulatory and legal environment, there could be future changes to the requirements and contingencies associated with the retirement of long-lived assets.

Because of the reasons described above the fair value of an asset retirement obligation cannot be reasonably estimated.

Fair Value of Financial Instruments

SFAS 107, *Disclosures about Fair Value of Financial Instruments*, defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Financial assets and financial liabilities recognized in the accompanying consolidated balance sheets include cash and cash equivalents, short-term and long-term investments, accounts receivable and payable, short-term and long-term debt and other current and non-current assets and liabilities.

The Company, using available market information, management's estimates and appropriate valuation methodologies, has determined the approximate fair values of financial instruments.

Income Taxes

Russian legislation does not contain the concept of a 'consolidated tax payer' and, accordingly, the Company is not subject to Russian taxation on a consolidated basis but rather on an individual company basis. Income taxes are provided on taxable profit as determined under the Russian Federation Tax Code. Deferred income tax assets and liabilities are recognized in the accompanying consolidated financial statements in the amount determined by the Company using the liability method in accordance with SFAS 109, *Accounting for Income Taxes*. This method takes into account future tax consequences, based on the effective tax rate, associated with differences between the carrying values of assets and liabilities and their taxable base, which gives immediate income statement effect to changes in income tax laws, including changes in the tax rates. A valuation allowance for a deferred tax asset is recorded when management believes that it is more likely than not that this tax asset will not be realized.

Starting from January 1, 2007 the Company accounts for uncertain tax positions in accordance with FIN 48 *Accounting for Uncertainty in Income Taxes*. Under the provisions of FIN 48, liabilities for unrecognized income tax benefits together with corresponding interest and penalties are recorded in the consolidated statement of income and comprehensive income as income tax expense. The adoption of FIN 48 had an insignificant impact on the consolidated financial statements.

Derivative Instruments

All derivative instruments are recorded on the consolidated balance sheets at fair value in either other current assets, other non-current assets, other current liabilities or other non-current liabilities. Recognition and classification of a gain or loss that results from recognition of a derivative instrument at fair value depends on the purpose for issuing or holding the derivative instrument. Gains and losses from derivatives that are not accounted for as hedges under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, are recognized immediately in the consolidated statement of income and comprehensive income.

Recognition of Revenues

Revenues are recognized when title passes from the seller to the customer, the contract price is fixed or determinable and collectability of the receivable is reasonably assured. Specifically, domestic sales of crude oil and gas, as well as petroleum products and materials are recognized when title passes. For export sales, title generally passes at the border of the Russian Federation and the Company covers transportation expenses (except freight), duties and taxes on those sales. Revenues include excise taxes and custom duties (see Note 19).

Sales of support services are recognized as services are performed provided that the service price can be determined and no significant uncertainties regarding the receipt of revenues exist.

Transportation Expenses

Transportation expenses recognized in the consolidated statements of income and comprehensive income represent all expenses incurred in the transportation of crude oil and petroleum products via the Transneft pipeline network, as well as by railway and other transport means. Transportation expenses also include all other shipping and handling costs.

Refinery Maintenance Costs

The Company recognizes the costs of overhauls and preventive maintenance performed with respect to oil refining assets as expenses when incurred.

Environmental Liabilities

Environmental expenditures are expensed or capitalized, depending upon their future economic benefit. Expenditures that relate to an existing condition caused by past operations, and do not have a future economic benefit, are expensed. Liabilities for these expenditures are recorded on an undiscounted basis when environmental assessments or clean-ups are probable and the costs can be reasonably estimated.

Guarantees

The fair value of a guarantee is determined and recorded as a liability at the time when the guarantee is issued. The initial guarantee amount is subsequently remeasured to reflect the changes in the underlying liability. The expense is included in the related line items

of the consolidated statements of income and comprehensive income, based on the nature of the guarantee. When the likelihood of performing on a guarantee becomes probable, a liability is accrued, provided it is reasonably determinable on the basis of the facts and circumstances at that time.

Comprehensive Income

The Company applies SFAS 130, *Reporting Comprehensive Income*, which establishes standards for the calculation and reporting of the Company's comprehensive income (net income plus all other changes in net assets from non-owner sources) and its components in consolidated financial statements.

As of December 31, 2008 the Company recorded other accumulated comprehensive loss in the amount of US\$ 40 million (net of tax) which represents an unrealized loss resulting from the revaluation of available-for-sale investments. As of December 31, 2007 and 2006, there are no material comprehensive income items and, therefore, comprehensive income for 2007 and 2006 equals net income.

Accounting for Buy/Sell Contracts

The Company applies the Financial Accounting Standards Board's ("FASB") Emerging Issues Task Force ("EITF") Issue No. 04-13, *Accounting for Purchases and Sales of Inventory with the Same Counterparty*, which requires that two or more legally separate exchange transactions with the same counterparty, including buy/sell transactions, be combined and considered as a single arrangement for the purposes of applying the provisions of APB 29, *Accounting for Non-monetary Transactions*, when the transactions are entered into "in contemplation" of one another.

Accounting for Contingencies

Certain conditions may exist as of the date of these consolidated financial statements which may further result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company's management makes an assessment of such contingent liabilities which is based on assumptions and is a matter of opinion. In assessing loss contingencies relating to legal or tax proceedings that involve the Company or unasserted claims that may result in such proceedings, the Company, after consultation with legal or tax advisors, evaluates the perceived merits of any legal or tax proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a loss will be incurred and the amount of the liability can be estimated, then the estimated liability is accrued in the Company's consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed. However, in some instances in which disclosure is not otherwise required, the Company may disclose contingent liabilities or other uncertainties of an unusual nature which, in the judgment of management after consultation with its legal or tax counsel, may be of interest to shareholders or others.

Taxes Collected from Customers and Remitted to Governmental Authorities

Excise taxes are reported gross within sales and other operating revenues and taxes other than income taxes, while value-added tax is recorded net in taxes other than income tax liabilities in the consolidated balance sheets.

Recent Accounting Standards

In April 2008, the FASB issued Staff Position ("FSP") FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets* ("FSP FAS 142-3") with the objective of improving the consistency between the useful life of a recognized intangible asset under SFAS 142, *Goodwill and Other Intangible Assets*, and the period of expected cash flows used to measure the fair value of the asset under SFAS 141 (revised 2007), *Business Combinations*, and other US GAAP standards. FSP FAS 142-3 establishes additional factors to be considered by an entity in developing assumptions about renewal or extension used to determine the useful life of an intangible asset recognized under SFAS 142. FSP FAS 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The Company will adopt FSP FAS 142-3 effective January 1, 2009. The Company does not expect FSP FAS 142-3 to have a material impact on the Company's consolidated financial position and results of operations.

In September 2008, the FASB issued FSP FAS 133-1 and FIN 45-4, *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161*. FSP is intended to improve disclosures about credit derivatives by requiring more information about the potential adverse effects of changes in credit risk on the financial position, financial performance, and cash flows of the sellers of credit derivatives. The FSP also amends FASB Interpretation ("FIN") 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees*, Including Indirect Guarantees of Indebtedness to Others, to require an additional disclosure about the current status of the payment/performance risk of a guarantee. The provisions of the FSP that amend FAS 133 and FIN 45 are effective for reporting periods (annual or interim) ending after November 15, 2008. Application of FSP FAS 133-1 and FIN 45-4 will not have a material impact on the Company's consolidated financial position and results of operation.

In October 2008, the FASB issued FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* ("FSP FAS 157-3") that applies to financial assets within the scope of accounting pronouncements that require or permit fair value measurements in accordance with FAS 157, *Fair Value Measurements*. FSP FAS 157-3 clarifies the application of FAS 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset

when the market for that financial asset is not active. FSP FAS 157-3 shall be effective upon issuance, including prior periods for which financial statements have not been issued. Revisions resulting from a change in the valuation technique or its application shall be accounted for as a change in accounting estimate (FAS 154, *Accounting Changes and Error Corrections*). The disclosure provisions of FAS 154 for a change in accounting estimate are not required for revisions resulting from a change in valuation technique or its application. For additional information, see Note 26 — Fair Value of Financial Instruments and Risk Management. The Company does not expect FSP FAS 157-3 to have a material impact on the Company's consolidated financial statements.

In November 2008, the FASB ratified EITF 08-6, *Equity Method Investment Accounting Considerations* ("EITF 08-6"). EITF 08-6 clarifies the accounting for certain transactions and impairment considerations involving equity method investments in the context of issuance of FAS141(R), *Business Combinations*, and Statement 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51*. EITF 08-6 applies to all investments accounted for under the equity method. Among other things EITF 08-6 clarifies initial measurement of equity investments; impairment testing of equity investments; accounting by equity investor for a share issuance by an investee. EITF 08-6 is effective in fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years. Earlier application is not permitted. The Company will adopt EITF 08-6 effective January 1, 2009. The Company does not expect EITF 08-6 to have a material impact on the Company's consolidated financial position and results of operations.

In December 2008, the FASB issued FSP FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities* ("FSP FAS 140-4 and FIN 46(R)-8"). FSP FAS 140-4 and FIN 46(R)-8 applies to public entities that are subject to the disclosure requirements of FAS 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* ("FAS 140") and public enterprises that are subject to the disclosure requirements of Interpretation 46(R), *Consolidation of Variable Interest Entities* ("FIN 46 (R)") as amended by this FSP. FSP FAS 140-4 and FIN 46(R)-8 amends FAS 140 to require additional disclosures about transfers of financial assets. FSP FAS 140-4 and FIN 46(R)-8 also amends Interpretation 46(R) to require additional disclosure about variable interest in a variable interest entity. FSP FAS 140-4 and FIN 46(R)-8 is effective for the first reporting period (interim or annual) ending after December 15, 2008. Application of FSP FAS 140-4 and FIN 46(R)-8 will not have a material impact on the Company's consolidated financial position and results of operations.

In December 2008, the FASB issued FSP FAS 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets* ("FSP FAS 132(R)-1"). FSP FAS 132(R)-1 applies to an employer that is subject to the disclosure requirements of FAS 132(R), *Employers' Disclosures about Pensions and Other Postretirement Benefits*. FSP FAS 132(R)-1 specifies additional disclosures about plan assets in an employer's defined benefit pension or other postretirement plan. FSP FAS 132(R)-1 is effective for fiscal years ending after December 15, 2009. Earlier application of the provisions of this FSP is permitted. The Company will adopt FSP FAS 132(R)-1 for the year ending December 31, 2009. The Company does not expect FSP FAS 132(R)-1 to have a material impact on the Company's consolidated financial position and results of operations.

3. Significant Acquisitions in 2007

From April through August 2007, Neft-Aktiv LLC, the Company's wholly owned subsidiary, won a number of auctions for the sale of certain assets of Yukos Oil Company following the bankruptcy proceedings of Yukos Oil Company. The acquired assets included movable and immovable properties, as well as equity interests in enterprises engaged in exploration and production, refining and marketing, service and maintenance companies.

The total acquisition price for the above properties and interests amounted to RUB 469.88 billion (US\$ 18.22 billion at the CBR official exchange rate as of the dates of acquisitions).

The total acquisition price was allocated to the fair value of assets acquired and liabilities assumed in the amount of US\$ 13.16 billion, including US\$ 12.51 billion of business combinations presented in the table below.

Based on the purchase price allocation, total goodwill in the amount of US\$ 5.06 billion is attributed primarily to the refining, marketing and distribution segment (US\$ 3.61 billion), as well as to the exploration and production segment (US\$ 1.45 billion). Both segments are expected to benefit from the synergies of the acquisitions. Included in the exploration and production segment is goodwill in the amount of US\$ 743 million related to OJSC Tomskneft VNK and certain other assets, 50% interests of which were sold in December 2007.

The Company consolidated the operating results of the acquired entities starting from the dates on which respective ownership was transferred. The transfer dates are different for every asset and depend on the date of signing the transfer act (for joint-stock companies) or the notice date (for limited liability companies).

The following table summarizes the Company's final purchase price allocation to the fair value of assets acquired and liabilities assumed:

	Preliminary purchase price allocation	Final purchase price allocation
ASSETS		
Current assets:		
Cash and cash equivalents	1,185	1,185
Short-term investments	698	647
Accounts receivable	3,122	3,296
Inventories	860	860
Prepayments and other current assets	546	548
Total current assets	6,411	6,536

	Preliminary purchase price allocation	Final purchase price allocation
Long-term investments	209	137
Property, plant and equipment	15,220	14,267
Intangible assets	274	683
Deferred tax assets	195	248
Other non-current assets	241	241
Total non-current assets	16,139	15,576
Total assets	22,550	22,112
LIABILITIES		
Accounts payable	1,226	1,228
Short-term loans and borrowings and current portion of long-term debt	2,498	2,522
Income and other tax liabilities	509	528
Deferred tax liabilities	237	237
Other current liabilities	387	380
Total current liabilities	4,857	4,895
Asset retirement obligations	908	908
Long-term debt	951	963
Deferred tax liabilities	2,397	2,641
Other non-current liabilities	193	193
Total non-current liabilities	4,449	4,705
Total liabilities	9,306	9,600
Total net assets acquired	13,244	12,512
Minority interest	(8)	(8)
Purchase price	17,607	17,563
Goodwill	4,371	5,059

Property, plant and equipment includes mineral rights in the amount of US\$ 219 million.

Other current liabilities and other non-current liabilities include accrued liabilities for pre-acquisition contingencies in the amount of US\$ 198 million and US\$ 55 million, respectively. These contingent liabilities arose from lawsuits against the newly acquired companies. Tax related pre-acquisition contingencies in the amount of US\$ 158 million are included within income and other tax liabilities.

The preliminary purchase price allocation, which already includes adjustments, made in 2007, was further adjusted due to the revisions made in the first half of 2008 of fair values of the assets acquired and liabilities assumed, which primarily include refinement of the fair values of property, plant and equipment and intangible assets of marketing and distribution companies. The Company has not made any adjustments of purchase price allocation to the fair value of assets acquired and liabilities assumed after June 30, 2008.

Pro forma financial information assuming that the acquisition of assets occurred as of the beginning of 2006, which is required by SFAS 141, Business Combinations, has not been presented herein as the Company does not have access to reliable US GAAP financial information regarding the acquired assets for the periods prior to the acquisition.

4. Other Acquisitions

Acquisition of Oil Product Retail Networks

In the third quarter of 2007, the Company acquired, via its subsidiaries, 100% of shares and interests in OJSC JV ANTARES, Oxoil Limited (Cyprus) and Rokada Market LLC for US\$ 55 million, US\$ 42 million and RUB 1,482 million (US\$ 57.8 million at the CBR official exchange rate at the transaction date), respectively. The acquired assets included gas station networks and petroleum storage depots located in the Moscow region and the Stavropol region of the Russian Federation.

The following table summarizes the Company's final allocation of the purchase price of OJSC JV ANTARES, Oxoil Limited and Rokada Market LLC to the estimated fair value of assets acquired and liabilities assumed:

	Final purchase price allocation
Current assets	27
Non-current assets	166
Total assets	193
Current liabilities	25
Non-current liabilities	39
Total liabilities	64
Total net assets acquired	129
Minority interest	(4)
Purchase price	155
Goodwill	30

Operating results of OJSC JV ANTARES, Oxoil Limited and Rokada Market LLC are not material and therefore pro forma financial information has not been disclosed in these financial statements.

5. Cash and Cash Equivalents

Cash and cash equivalents as of December 31 comprise the following:

	2008	2007
Cash on hand and in bank accounts in RUB	412	474
Cash on hand and in bank accounts in foreign currencies	830	111
Deposits	21	378
Other	106	35
Total cash and cash equivalents	1,369	998

Restricted cash as of December 31 comprises the following:

	2008	2007
Obligatory reserve with the CBR	2	25
Other restricted cash	2	9
Total restricted cash	4	34

The obligatory reserve with the CBR represents the amount deposited by the Company's subsidiary bank, VBRR with the CBR for securing the current operating activity of the bank. Credit institutions are required to maintain a non-interest earning cash deposit (obligatory reserve) with the CBR, which amount depends on the level of funds raised by the credit institution and this amount has certain restrictions for use.

Cash accounts denominated in foreign currencies represent primarily cash in US dollars.

Deposits represent primarily bank deposits denominated in RUB that may be readily convertible into cash and may be withdrawn by the Company at any time without prior notice or penalties.

As part of its cash management and credit risk function, the Company regularly evaluates the creditworthiness of financial and banking institutions where it deposits cash. Banking relationships are primarily with Russian subsidiaries of international banking institutions and certain large Russian banks.

6. Short-Term Investments

Short-term investments as of December 31 comprise the following:

	2008	2007
Short-term loans granted	1	4
Loans to related parties	8	25
Cash margin under repurchase agreement (Note 16)	893	–
Promissory notes held-to-maturity	600	123
Trading securities		
Promissory notes	1	1
State and corporate bonds	76	149
Other	4	4
Available-for-sale securities	22	27
Bank deposits	105	5
Total short-term investments	1,710	338

Promissory notes held-to-maturity include an interest-free promissory note issued by a major state-owned Russian bank maturing on or after July 31, 2009. The nominal value of this promissory note is RUB 16.5 billion (US\$ 560.5 million at the CBR official exchange rate as of December 31, 2008). At December 31, 2008, the amortized cost of the promissory note was RUB 15.3 billion (US\$ 529.8 million at the CBR official exchange rate as of December 31, 2008).

Other RUB-denominated short-term promissory notes which are held to maturity bear an interest of 8.0%.

The fair value of held to maturity securities approximates their carrying value recognized in the financial statements.

State bonds primarily represent federal loan bonds issued by the Ministry of Finance of the Russian Federation with maturities ranging from March 2009 to February 2036 and nominal interest rates ranging from 6.1% p.a. to 11.0% p.a.

Corporate bonds represent bonds issued by large Russian corporations and bonds issued by the CBR with maturities ranging from March 2009 to July 2016 and interest rates ranging from 7.7% to 16.5%.

7. Accounts Receivable, Net

Accounts receivable as of December 31 comprise the following:

	2008	2007
Trade receivables	1,785	3,812
Value-added tax receivable	1,907	4,029
Other taxes	1,349	499
Banking loans to customers	1,007	996
Acquired receivables	74	140
Other	311	381
Less: allowance for doubtful accounts	(134)	(72)
Total accounts receivable, net	6,299	9,785

The Company's trade accounts receivable are denominated primarily in US dollars. Credit risk is managed through the use of letters of credit. Credit risk in domestic sales of petrochemicals is managed through the use of bank guarantees for receivables repayment.

In 2008, the value-added tax (VAT) and excise receivables were settled through cash payments and a legal offset against current tax liabilities (see Note 18). The total amount of VAT and excise recovered was RUB 63.3 billion (US\$ 2.55 billion at the average annual exchange rate), including US\$ 1.3 billion of income tax offsets.

8. Inventories

Inventories as of December 31 comprise the following:

	2008	2007
Materials and supplies	478	503
Crude oil and gas	252	516
Petroleum products	697	907
Total inventories	1,427	1,926

Materials and supplies mostly include spare parts. Petroleum products also include those designated for sale as well as for own use.

9. Prepayments and Other Current Assets

Prepayments and other current assets as of December 31 comprise the following:

	2008	2007
Prepayments to suppliers	651	637
Prepayments to customs brokers	683	166
Insurance prepayments	6	21
Customs	415	814
Other	91	93
Total prepayments and other current assets	1,846	1,731

Customs primarily represent export duty prepayments related to the export of crude oil and petroleum products (see Note 19).

10. Long-Term Investments

Long-term investments as of December 31 comprise the following:

	2008	2007
Equity method investments		
OJSC Tomskneft VNK	1,475	1,419
Polar Lights Company LLC	94	153
JV Rosneft-Shell Caspian Ventures Limited	19	27
OJSC Daltransgaz	–	49
OJSC Verkhnechonskneftegaz	218	222
CJSC Vlakra	109	108
OJSC Kubanenergo	94	102
Other	164	210
Total equity method investments	2,173	2,290
Available-for-sale securities		
OJSC TGK-11	7	43
Long-term promissory notes	4	7
Held-to-maturity securities		
Russian government bonds	29	1

	2008	2007
Long-term loans granted	1	3
Long-term loans to equity investees	467	279
Cost method investments	14	19
Other	–	4
Total long-term investments	2,695	2,646

Equity share in income/(loss) of material investments recorded using the equity method:

	Participation interest (percentage) as of December 31, 2008	Share in income/(loss) of equity investees		
		2008	2007	2006
Polar Lights Company LLC	50.00	36	36	47
CJSC Kaspiy-1	41.22	–	–	(29)
OJSC Verkhnechonskneftegaz	25.94	(17)	(11)	(6)
JV Rosneft-Shell Caspian Ventures Limited	51.00	3	6	7
OJSC Tomskneft VNK	50.00	56	5	–
Taihu Ltd	51.00	–	–	–
OJSC Daltransgaz	25.00	–	(8)	–
West Kamchatka Holding B.W.	60.00	(51)	–	–
Other	various	(34)	(5)	(2)
Total equity share		(7)	23	17

Polar Lights Company LLC (“PLC”)

PLC is a limited liability company owned 50% by Conoco Phillips Timan-Pechora Inc., and 50% by the Company. PLC is primarily engaged in the development of the Ardalin and satellite fields in the Timan-Pechora Basin located 125 kilometers south of the Barents Sea above the Arctic Circle. Development of the Ardalin field commenced in late 1992 and the first oil was produced in 1994.

During 2008 the Company reviewed whether decline in value of its investment in PLC was other than temporary according to APB Opinion 18, *The Equity Method of Accounting for Investments in Common Stock*. To measure the fair value of the investment the Company used a discounted cash flow model. The fair value of the Company’s share in PLC was less than its carrying value. The Company concluded that an other than temporary decline in value of the investment exists and recognized impairment loss in the amount of US\$ 58.3 million (see Note 26).

West Kamchatka Holding B.W. (“WKH”)

WKH is an enterprise jointly established by the Company (60%) and K.K. Korea Kamchatka Co. Ltd. (“KKK”) (40%). WKH, through its wholly-owned subsidiary Kamchatneftegaz LLC, is engaged in offshore exploration project in Kamchatka region. Project financing during the geologic exploration period is carried out by the KKK. According to the Shareholder and Operational agreement, key operational decisions are subject to unanimous approval of the Board of Directors. In accordance with the agreement the Company’s investment in WKH is accounted for using equity method.

Due to the expiration of the licence in 2008, the relevant share of the Company’s liabilities for winding up the project was recorded in the consolidated balance sheet as of December 31, 2008 as other current liabilities in the amount of US\$ 51 million.

JV Rosneft-Shell Caspian Ventures Limited

JV Rosneft-Shell Caspian Ventures Limited (“JV”) is a joint venture in which the Company holds a 51% interest. The Articles of Incorporation of this joint venture stipulate, however, that key decisions regarding its business shall be subject to unanimous approval by both participants and none of the participants has a preferential voting right.

On February 6, 1997, the Company, through the JV, signed an agreement with eight oil and gas companies and government agencies of the Russian Federation and the Republic of Kazakhstan for the establishment of Caspian Pipeline Consortium (“CPC”). The purpose of the consortium is to design, finance, construct and operate a pipeline from the oil fields located in Western Kazakhstan through Russia to the port of Novorossiysk. The interest of the JV in the CPC is 7.5%. In October 2001, the CPC pipeline commenced operation.

OJSC Daltransgaz

OJSC Daltransgaz is an operator for the program to supply gas to the Sakhalin Region and the Khabarovsk and Primorye Territories. In December 2008, the Company finalized the sale of a 25% equity interest in OJSC Daltransgaz (see Note 17).

OJSC Verkhnechonskneftegaz

OJSC Verkhnechonskneftegaz holds the licence for the development of the Verkhnechonskoye oil and gas condensate deposit, which is the largest oil deposit in the Irkutsk region.

In the third quarter of 2008, the Company commenced commercial production at the Verkhnechonskoye oil field. OJSC Verkhnechonskneftegaz is financed through long-term loans provided by the Company and other participants pro rata to their corresponding shareholdings.

Taihu Ltd / OJSC Udmurtneft

In November 2006, the Company acquired a 51% equity share in Taihu Ltd, a joint venture incorporated for holding interest in and strategic management of OJSC Udmurtneft. The Company paid 5,100 Cyprus Pounds (approximately US\$ 11 thousand) for this investment which has been included within equity method investments. The other party to the joint venture is China Petrochemical Corporation ("Sinopec") with a respective share of 49%.

The Shareholder Agreement in respect of this joint venture stipulates that key decisions regarding its business shall be subject to unanimous approval by both participants and none of the participants has a preferential voting right.

In December 2006, Taihu Ltd, through its wholly owned subsidiary, acquired a 96.86% equity interest in OJSC Udmurtneft for US\$ 3.5 billion. The credit facility for financing the purchase of 96.86% shares of OJSC Udmurtneft was provided to Taihu Ltd by Bank of China and principally secured by OJSC Udmurtneft's shares, without recourse to the Company.

OJSC Udmurtneft is located in the Volga-Ural region of the Russian Federation and holds the licences for the development of 24 productive oil and gas condensate deposits. OJSC Udmurtneft is a group of 17 companies.

OJSC Tomskneft VNK

In December 2007, the Company finalized the sale of 50% equity interests in OJSC Tomskneft VNK, Strezhevskoy Refinery LLC and several other companies which had been previously acquired through the auction for the sale of the assets of Yukos Oil Company (see Note 3). The Shareholder Agreement provides that key decisions regarding the business operations of OJSC Tomskneft VNK shall be subject to unanimous approval by both participants and none of the participants has a preferential voting right. The investment in OJSC Tomskneft VNK includes goodwill of US\$ 368 million.

OJSC TGK-11, OJSC Kubanenergo

The Company acquired interests in OJSC Tomskenergo, OJSC Kubanenergo through the auctions for the sale of the assets of Yukos Oil Company that were held in May and July 2007 (see Note 3). In 2007, OJSC Tomskenergo was merged into OJSC TGK-11. Following the conversion of OJSC Tomskenergo's shares as a result of the above merger, the Company's interest in the share capital of OJSC TGK-11 amounted to 5.28%. As of December 31, 2007 and 2008 this investment was accounted for as an available for sale security. In December 2008, an arbitration court ruled in favor of the Company to nullify reorganization and the conversion of Tomskenergo's shares. This decision came into effect, however the defendant appealed to the court and hearings are scheduled on March 11, 2009.

CJSC Vlakra

CJSC Vlakra has the right to use a land plot and office premises located in Moscow.

Other Investments

Other investments primarily comprise investments in shares of electric power generation, transmission, distribution and maintenance companies located in the Tomsk region and in the south of Russia, that are recognized in the accounting records of the entities acquired in 2007 through the bankruptcy auctions of Yukos Oil Company's assets (see Note 3).

11. Property, Plant and Equipment, Net

	Cost		Accumulated depreciation		Net carrying amount	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Exploration and production	54,876	48,416	(11,163)	(8,437)	43,713	39,979
Refining, marketing and distribution	12,777	12,906	(3,300)	(2,372)	9,477	10,534
Other activities	2,510	1,512	(496)	(322)	2,014	1,190
Total property, plant and equipment	70,163	62,834	(14,959)	(11,131)	55,204	51,703

Exploration and production assets include costs to acquire unproved properties in the amount of US\$ 4,149 million as of December 31, 2008, and US\$ 4,165 million as of December 31, 2007. The Company plans to explore and develop the respective properties. The Company's management believes these costs are recoverable.

The Company used reserve data (see supplementary oil and gas disclosure) to calculate depreciation, depletion and amortization relating to oil and gas properties for 2008 and 2007 and for the assessment of impairment of oil and gas assets.

As described in the "Depreciation, Depletion and Amortization" section of Note 2, the Company calculates depletion using the unit-of-production method over proved or proved developed oil and gas reserves depending on the nature of the costs involved. The proved or proved developed reserves used in the unit of production method assume the extension of the Company's production licences beyond their current expiration dates until the end of the economic lives of the fields as discussed below in further detail.

The Company's oil and gas fields are located principally in the territory of the Russian Federation. The Company obtains licences from the governmental authorities to explore and produce oil and gas from these fields. The Company's existing production licences generally expire during the period 2009 to 2044. Expiration dates of licences for the most significant fields are between 2013 and 2044, and the

licence for the largest field, Priobskoye, expires in 2044. The economic lives of the major licenced fields extend significantly beyond these dates. Under Russian law, the Company is entitled to renew the licences to the end of the economic lives of the fields, provided certain conditions are met. In fact, the Subsurface Resources Administrator (Rosnedra) extends licences for a period of up to 25 years regardless of the expected life of a field. Article 10 of the Law "On Subsurface Resources" provides that a licence to use a field "shall be" extended at its scheduled termination at the initiative of the subsoil user if necessary to finish production of the field, provided that there are no violations of the conditions of the licence.

The legislative history of Article 10 indicates that the term "shall" replaced the term "may" in August 2004, clarifying that the subsoil user has an absolute right to extend the licence term so long as it has not violated the conditions of the licence. In 2007, the Company filed 42 applications for the extension of the licence terms and extended 22 of its main production licences for the period equivalent to the expected life of the fields. In 2008, the Company filed 31 applications for the extension of the licence terms and extended 9 of its main production licences for a period of up to 25 years based on the expected life of a field. The Company's current production plans are based on the assumption, which management considers to be reasonably certain, that the Company will be able to extend all other existing licences. These plans have been designed on the basis that the Company will be producing crude oil through the economic lives of the fields and not with a view to exploiting the Company's reserves to maximum effect only through the licence expiration dates.

Accordingly, management has included in proved reserves in the supplementary information on oil and gas exploration and production activities of the consolidated financial statements as of and for the year ended December 31, 2008 all reserves that otherwise meet the standards for being characterized as "proved" and that the Company estimates it can produce through the economic lives of Company's licensed fields.

Proved reserves should generally be limited to those that can be produced through the licence expiration date unless there is a long and clear track record which supports the conclusion that extension of the licence will be granted as a matter of course. The Company believes that extension of the licences will occur as a matter of course as fully described above.

Sakhalin-1

The Company's primary investment in production sharing agreements ("PSA") is through the Sakhalin-1 project (PSA 1), which is operated by ExxonMobil, one of the PSA participants. The Company has a 20% interest in this unincorporated joint venture.

Sakhalin-5

The participants of the project are subsidiaries of the Company and BP p.l.c. In March 2004, the licence for geological study of the Kaigansko-Vasyukansky block held by the Company was transferred to CJSC Elvari Neftegaz, which is a wholly owned subsidiary of Elvary Neftegaz Holdings B.V., an entity jointly established by the participants of the project.

The Shareholders and Operating Agreement was signed between the participants and the operator in June 2004. In accordance with the terms of the agreement, during the exploration stage project funding will be fully provided by BP p.l.c., while during the development stage BP p.l.c. will carry a portion of payments due from the Company and will provide credit support to obtain project funding.

The Company recognizes this investment using the equity method of accounting.

Other Projects

The Company is a party to project associated with the exploration and development of the Sakhalin shelf (Vostochno-Shmidtovsky block). Under this arrangement, the other participant (BP p.l.c.) carries the costs associated with the exploration of this offshore block. Exploration and development of this project is still at an early stage. The Company's costs (currently insignificant) associated with this project were capitalized.

In July 2005, the Company entered into a PSA agreement with the Kazakhstan Government for the joint development of the Kurmangazy oil and gas prospect. The participants of the project are a subsidiary of the Company, RN Kazakhstan LLC, and a subsidiary of Kazakhstan State JSC "NK KazMunaiGaz – KazMunaiTeniz" ("KazMunaiTeniz"), with equal shares of 50%. The agreement provided for a signing bonus in the amount of US\$ 50 million. The Company's share of US\$ 25 million is recognized within mineral rights. In accordance with the terms of the agreement, upon a commercial discovery the Russian Federation has an option to buy a 25% share in the project at a future market price, by reducing the share of RN-Kazakhstan LLC in the project. If the Russian Federation does not exercise its option, this share shall be sold to third parties at a market price or redistributed between the participants in equal parts. If the share is sold, the proceeds from the sale shall be used to cover the expenses already incurred, including those borne by RN Kazakhstan LLC which are attributable to the disposed share. Any excess of the proceeds from the sale of the share over the expenses shall be equally distributed between RN Kazakhstan LLC and KazMunaiTeniz.

Cash Flows Details

Capital expenditures in the consolidated statements of cash flows comprise the following:

	2008	2007	2006
Acquisition and construction of property,	8,154	5,931	3,293
Construction materials	578	309	169
Total capital expenditures	8,732	6,240	3,462

12. Leased Property, Plant and Equipment, Net

The following is the analysis of the property, plant and equipment under capital leases as of December 31:

	2008	2007
Oil and gas properties	32	42
Less: accumulated depletion	(4)	(6)
Oil and gas properties, net	28	36
Other property, plant and equipment		
Buildings and constructions	1	5
Plant and machinery	31	39
Vehicles	352	174
Total	384	218
Less: accumulated depreciation	(63)	(24)
Property, plant and equipment, net	321	194
Total net book value of leased property	349	230

Below is the analysis of the repayment of capital lease obligations as of December 31:

	2008
2009	51
2010	46
2011	36
2012	7
2013 and after	4
Imputed interest	(13)
Present value of capital lease payments	131

Operating Lease

The total amount of operating lease expenses was as follows:

	2008	2007	2007
Total lease expenses	210	156	116
Total sublease revenues	5	4	8

13. Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price of additional shares and interests in various entities, acquired during 2007, in the refining, marketing and distribution (R&M) segment and the exploration and production (E&P) segment in the amounts of US\$ 3,632 million and US\$ 714 million, respectively, over the fair value of the corresponding share in net assets (see Notes 3 and 4) and US\$ 161 million related to the refining, marketing and distribution segment acquisitions before 2007.

In accordance with SFAS 142, the Company performed its annual impairment test of goodwill as of October 1, 2008. Consistent with prior years, the review for impairment was carried out during the beginning of the fourth quarter of 2008 using data that was appropriate at that time. As a result of this annual test, no impairment of goodwill was identified.

Following a significant adverse economic downturn in the fourth quarter of 2008, the Company estimated that the fair value of its reporting units could potentially be reduced below their carrying amounts and performed an additional impairment test of goodwill as of December 31, 2008. This testing was carried out using macroeconomic and other assumptions that were appropriate as of December 31, 2008. As a result of this additional test, no impairment of goodwill was identified.

Goodwill acquired through business combinations (see Note 3) has been allocated to the reporting units being its operating segments — E&P and R&M segments. In assessing whether goodwill has been impaired, the carrying amount of the reporting unit (including goodwill) was compared with the estimated fair value of the reporting unit.

The Company estimated fair value of the reporting units using a discounted cash flow model. The future cash flows were adjusted for risks specific to the asset and discounted using a discount rate, which represented the Company's post-tax weighted average cost of capital.

The five year business plan as well as the long-term business strategy, approved by the Company's Board of Directors, are the primary sources of information for the determination of the reporting units' fair values. They contain implicit forecasts for oil and natural gas production, refinery throughputs, sales volumes for various types of refined products, revenues, operating and capital expenditures. As an initial step in the preparation of these plans, various assumptions, such as oil prices, natural gas prices, refining margins, refined product margins and cost inflation rates, are set in the business plan. These assumptions take account of existing prices, US dollar and Russian ruble inflation rates, other macroeconomic factors and historical trends and variability.

In determining the fair value for each of the reporting units, cash flows for a period of 12 years have been discounted and aggregated with the reporting unit's terminal value.

For the purposes of impairment testing, the Company's Urals oil price assumptions were based on the forecasted quoted market prices.

Intangible assets primarily include rights to leasehold land purchased with the assets of the companies acquired during 2007 (see Notes 3 and 4). Land rights are amortized based on an average useful life of 20 years.

	Cost		Accumulated amortization		Net carrying amount	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Land leasehold rights	718	274	(53)	–	665	274
Other	19	12	(5)	(1)	14	11
Total intangible assets	737	286	(58)	(1)	679	285

The charge to income resulting from amortization of intangible assets is included with *Depreciation, depletion and amortization* expense in consolidated statements of income and comprehensive income for the 2008, 2007 and 2006 in the amount of US\$ 59 million, US\$ 4 million and US\$ 3 million, respectively.

Following represents the estimated aggregate amortization expense for each of the five succeeding fiscal years for intangible assets subject to amortization:

2009	39
2010	39
2011	39
2012	36
2013	36
Total amortization expense for the five succeeding years	189

14. Other Non-Current Assets

Other non-current assets as of December 31 comprise the following:

	2008	2007
Advance payment in favour of Factorias Vulcano S.A	178	233
Advances paid for capital construction	739	610
Debt issue costs	118	40
Long-term VAT receivable	4	85
Prepaid insurance	14	15
Long-term receivables (Note 24)	23	51
Other	101	63
Total other non-current assets	1,177	1,097

As of December 31, 2007, an advance payment was made in favour of Factorias Vulcano S.A for the construction of three twin-hull shuttle oil tankers. In November 2008, one of the three tankers was put into operation. It is planned that the remaining two vessels will be put into operation in 2009.

15. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of December 31 comprise the following:

	2008	2007
Trade accounts payable	1,432	2,034
Salary and other benefits payable	405	286
Advances received	268	568
Dividends payable	2	2
Banking customer accounts	763	818
Accrued expenses	71	158
Other	155	156
Total accounts payable and accrued liabilities	3,096	4,022

The Company's accounts payable are denominated primarily in RUB.

Salary and other benefits payable include US\$ 35 million to be paid out during 2009 in connection with the staff reduction programme.

16. Short-Term Loans and Long-Term Debt

Short-term loans and borrowings as of December 31 comprise the following:

	2008	2007
Bank loans – foreign currencies	608	10,352
Bank loans – RUB denominated	2,639	51
Customer deposits – foreign currencies	149	20

	2008	2007
Customer deposits – RUB denominated	213	291
Promissory notes payable	1,598	50
Promissory notes payable – Yukos related	687	904
Borrowings – RUB denominated	309	234
Borrowings – RUB denominated – Yukos related	650	728
Repurchase obligation	1,916	–
	8,769	12,630
Current portion of long-term debt	5,315	2,920
Total short-term loans and borrowings and current portion of long-term debt	14,084	15,550

In March-May 2007, the Company obtained bridge financing from a consortium of international banks in the total amount of US\$ 22.0 billion to finance acquisitions (see Note 3). These bridge loans were fully repaid or refinanced in 2008.

As of December 31, 2008, weighted average interest rates on short-term loans in foreign currency and in RUB were 7.66% and 12.96%, respectively.

Customer deposits represent fixed-term deposits placed by customers with the Company's subsidiary bank, denominated in RUB and foreign currencies. Customer deposits denominated in RUB bear an interest rate ranging from 0.01% p.a. to 13.1% p.a. Customer deposits denominated in foreign currencies bear an interest rate ranging from 0.01% p.a. to 15.0% p.a.

As of December 31, 2008, weighted average interest rate on promissory notes was 10.44%. The promissory notes are recorded at amortized cost.

Promissory notes payable — Yukos related represent financing originally received from the entities that were related to Yukos Oil Company on the debt issue date. The promissory notes are primarily payable on demand and bear interest rates ranging from 0% to 18% p.a. The promissory notes are recorded at amortized cost.

RUB denominated borrowings are interest-free and were received from equity investees.

RUB denominated borrowings — Yukos related primarily include borrowings provided by Yukos Capital S.a.r.l., which bore interest of 9% p.a. and matured at the end of 2007 (see Note 24).

In June 2008, the Group sold 412.86 million treasury shares of Rosneft to a syndicate of international banks for a cash consideration of US\$ 2.35 billion payable under a repurchase agreement. The Company has a right and obligation to repurchase the shares within one year. The repurchase obligation carries an interest of 5.76% p.a. In accordance with the repurchase agreement, this transaction was accounted for in the consolidated balance sheet as secured financing. In the third and fourth quarters of 2008, as a result of margin calls Rosneft transferred an additional 82.07 million treasury shares as collateral and paid US\$ 1.39 billion in cash, of which US\$ 0.5 billion was credited towards the repurchase obligation. As of December 31, 2008, the repurchase obligation (without accrued interest) amounted to US\$ 1.9 billion.

Long-term debt as of December 31 comprises the following:

	2008	2007
Bank loans – foreign currencies	11,645	9,611
Bank loans raised for funding the acquisition of OJSC Yuganskneftegaz – US\$ denominated	2,641	3,737
Borrowings – US\$ denominated	9	12
Borrowings – RUB denominated	18	20
Borrowings – RUB denominated – Yukos related	–	12
Customer deposits – foreign currencies	15	10
Customer deposits – RUB denominated	91	146
Bonds issued by subsidiary bank – RUB denominated	–	24
Promissory notes payable	48	50
Promissory notes payable – Yukos related	929	1,021
	15,396	14,643
Current portion of long-term debt	(5,315)	(2,920)
Total long-term debt	10,081	11,723

In February 2008, Rosneft raised a floating interest syndicated loan in the amount of US\$ 3.0 billion and made an additional drawdown of US\$ 425 million in April 2008. The loan is repayable by equal quarterly instalments within 5 years. The loan is secured by oil export contracts.

In July 2008, Rosneft raised another floating interest syndicated loan in the amount of US\$ 2.85 billion and made an additional drawdown of US\$ 350 million in September 2008. The loan is repayable by equal quarterly instalments within 5 years. The loan is secured by oil export contracts.

The interest rates on the Company's long-term bank loans denominated in foreign currencies range from LIBOR plus 0.5% to LIBOR plus 1.25%. These loans also include inter-bank loans raised by Rosneft subsidiary bank. These bank loans are primarily secured by contracts for the export of crude oil.

As of December 31, 2008, the bank loans raised for funding the acquisition of OJSC Yuganskneftegaz represent a long-term loan obtained through a government-owned bank at a rate of LIBOR plus 0.7% p.a. repayable in equal monthly installments. It is scheduled to be fully repaid in 2011. This loan is secured by the Company's receivables under a long-term export contract for the supply of crude oil (see Note 24).

Customer deposits represent fixed-term deposits placed by customers with the Company's subsidiary bank, denominated in RUB and foreign currencies. The RUB-denominated deposits bear interest rates ranging from 1.0% p.a. to 14.0% p.a. Deposits denominated in foreign currencies bear interest rates of 4.5%— 9.0% p.a.

Promissory notes payable include promissory notes with the effective interest rates ranging from 10% to 14% p.a. The promissory notes mature primarily in 2009 and are recorded at amortized cost.

Promissory notes payable – Yukos related, represent financing originally received from the entities that were related to Yukos Oil Company on the debt issue date. The promissory notes bear interest rates ranging from 0% to 12% p.a. and mature primarily in 2009. The promissory notes are recorded at amortized cost. In 2008, the Company wrote-off unclaimed promissory notes where statute of limitations expired and recognised income in amount of US\$ 74 million in the consolidated statement of income and comprehensive income as other income.

Generally, long-term loans are secured by oil export contracts. Usually, under the terms of such contracts, the lender is provided with an express right of claim for contractual revenue which must be remitted directly to transit currency (US\$ denominated) accounts with those banks, should the Company fail to make timely debt repayments.

The Company is obliged to comply with a number of restrictive financial and other covenants contained within its loan agreements. Restrictive covenants include maintaining certain financial ratios.

As a result of the Company's acquisition of OJSC Yuganskneftegaz in December 2004, and the resulting debt incurred and assets and liabilities, including contingent liabilities, consolidated, the Company was not in compliance with various financial and other covenants of existing loan agreements as of December 31, 2004.

In July 2005, the creditors waived violations related to restrictive financial ratios and agreed to amend the financial ratio covenants in line with the Company's new structure and new scope of activities. The creditors also waived other events of default arising from the breach of other covenant provisions. Effective January 1, 2007, the creditors granted amendments to the loan agreements which remove these provisions and have included new provisions whereby the Company must:

- redeem, secure, discharge in full or restructure (and comply with any restructuring plans once it is agreed upon) all OJSC Yuganskneftegaz's tax liabilities by January 3, 2008;
- pay any arbitration award relating to Moravel Litigation (see Note 24) or the Yukos Capital S.a.r.l. Litigation if any such arbitration award is granted by a court of the Russian Federation, within the time frame provided for such payment under Russian Law.

These conditions also apply to certain new borrowings obtained throughout 2007 and 2008. Additionally, in November and December 2007, the creditors waived certain possible violations and/or events of default under the loan agreements with respect to the loans payable to Yukos Capital S.a.r.l. by OJSC Tomskneft VNK and OJSC Samaraneftgaz, and to the condition related to OJSC Yuganskneftegaz's tax liabilities described above, effective through January 3, 2009, inclusively (see Note 24). In 2008, the Company fully restructured OJSC Yuganskneftegaz's tax liabilities (see Note 22). In December 2008, the creditors waived certain possible violations and/or events of default under the loan agreements with respect to the loans payable to Yukos Capital S.a.r.l. by OJSC Samaraneftgaz (waiver extended until January 3, 2010).

As of December 31, 2008, the Company is in compliance with all restrictive financial and other covenants contained within its loan agreements.

The scheduled aggregate maturity of long-term debt outstanding as of December 31, 2008 is as follows:

	2008
2009	5,315
2010	4,604
2011	2,695
2012	2,005
2013 and after	777
Total long-term debt	15,396

17. Shareholders' Equity

On June 5, 2008, the annual general shareholders' meeting approved dividends on the Company's common shares for 2007 in the amount of RUB 16,957 million or RUB 1.60 per share, which corresponds to US\$ 712 million or US\$ 0.07 per share at the CBR official exchange rate at the date of declaring the dividends. US\$ 650 million of the above related to outstanding shares.

Result of Transactions with Related Parties under Common Control

In December 2007, the Company sold 50% of its interests in OJSC Tomskneft VNK, Imushchestvo-Service-Strezhevoy LLC, Strezhevskoy Refinery LLC and OJSC Tomskneftegeofizika and several other companies which had been previously acquired through the auction for the sale of the assets of Yukos Oil Company (see Note 3). The proceeds from the sale amounted to RUB 88.18 billion (US\$ 3,570 million at the CBR exchange rate as of the transaction date.) The net result of the sale amounted to US\$ 1,745 million, net of income tax effect (US\$ 285 million). Since the transaction was executed with a related party under common control, the Company recorded this result, net of income tax effect, as a component of additional paid-in capital. Upon the completion of the sale, the investment in the above entities remaining with the Company is accounted for using the equity method of accounting (see Note 10).

In December 2008, the Company finalized the sale of its 25% interest in OJSC Daltransgaz. The proceeds from the sale amounted to RUB 2.6 billion (US\$ 90.8 million at the CBR exchange rate as of the transaction date.) Gain on the sale amounted to US\$ 33.3 million, net of income tax effect (US\$ 8.6 million). Since the transaction was executed with a related party under common control, the Company recorded this result, net of income tax effect, as a component of additional paid-in capital.

Amounts Available for Distribution to Shareholders

Amounts available for distribution to shareholders are based on OJSC Oil Company Rosneft's statutory accounts prepared in accordance with Russian accounting standards, which differ significantly from US GAAP (see Note 2). Russian legislation identifies the basis of distribution as the current period consolidated net profit calculated in accordance with statutory accounting standards. According to Russian legislation, dividends cannot exceed the accounting income for the reporting year. However, this legislation and other statutory laws and regulations dealing with distribution rights are open to different legal interpretations.

18. Income and Other Tax Liabilities

Income and other tax liabilities as of December 31 comprise the following:

	2008	2007
Mineral extraction tax	393	1,084
Value-added tax	244	214
Excise tax	138	184
Personal income tax	20	24
Property tax	66	23
Income tax	113	651
Other	120	166
Total income and other tax liabilities	1,094	2,346

Tax liabilities above include the respective current portion of non-current restructured tax liabilities (see Note 22).

19. Export Customs Duty

Export customs duty for the years ended December 31, comprises the following:

	2008	2007	2007
Oil and gas sales			
Export customs duty	17,200	10,754	9,763
Petroleum products sales and processing fees			
Export customs duty	4,806	2,278	1,377
Total revenue related taxes	22,006	13,032	11,140

Petroleum products sales also include excise taxes which are presented in Note 20.

20. Income and Other Taxes

Income tax expenses for the years ended December 31 comprise the following:

	2008	2007	2007
Current income tax expense	3,394	3,848	2,385
Deferred income tax (benefit)/expense	(1,490)	1,058	(1,845)
Total income tax expense	1,904	4,906	540

The Company does not file a consolidated tax return, rather each legal entity files separate tax returns with various authorities, primarily in the Russian Federation.

Temporary differences between these consolidated financial statements and tax records gave rise to the following deferred income tax assets and liabilities as of December 31:

	2008	2007
Deferred income tax asset arising from tax effect of:		
Tax loss carry-forward	–	33
Asset retirement obligations	155	77
Property, plant and equipment	53	50
Prepayments and other current assets	6	15
Accounts receivable	38	27
Accounts payable and accruals	54	63
Inventories	11	16
Long-term investments	56	4
Interest swap contract	38	3
Other	96	60
Total	507	348
Valuation allowance for deferred income tax asset	(237)	(135)
Deferred income tax asset	270	213

	2008	2007
Deferred income tax liability arising from tax effect of:		
Mineral rights	(2,578)	(3,996)
Other properties, plant and equipment and other	(2,908)	(3,748)
Deferred income tax liability	(5,486)	(7,744)
Net deferred income tax liability	(5,216)	(7,531)

Classification of deferred taxes:

	2008	2007
Current deferred tax assets	152	156
Non-current deferred tax assets	118	57
Current deferred tax liabilities	(115)	(118)
Non-current deferred tax liabilities	(5,371)	(7,626)

Although the Company does not pay tax on a consolidated basis, a reconciliation of expected income tax expense to the actual tax expense for the years ended December 31 is as follows:

	2008	2007	2006
Income before income taxes and minority interest	13,119	17,789	4,165
Statutory income tax rate	24.00%	24.00%	24.00%
Theoretical income tax expense	3,149	4,269	1,000
Add /(deduct) tax effect of:			
Change in valuation allowance	102	(42)	(94)
Effect of income tax preferences	(167)	(135)	(77)
Previously unrecognized deferred tax asset	-	-	(539)
Adjustments of income tax for prior periods	7	(36)	(30)
Unrecognized income tax benefits	(4)	18	-
Effect from the change of income tax rate	(956)	-	-
Permanent accounting differences arising from:			
Non-deductible items, net	373	202	86
Foreign exchange effects, net	(814)	276	113
Accrued tax interest	56	177	-
Other	158	177	81
Income taxes	1,904	4,906	540

Effect of income tax preferences, in the above table, represents the impact of lower income tax rates for Rosneft and certain of its subsidiaries under applicable regional laws. These laws provide that the income tax exemptions, ranging from 3.5% to 4%, are granted to the oil and gas producing companies which make capital investments, agreed with regional administrations, within the respective region and participate in various social projects. These exemptions are granted on an annual basis.

Effect from the change of income tax rate in the above table represents the impact of statutory income tax rate decrease from 24% to 20%. Tax law amendments were enacted by Federal Law No.305-FZ on December 30, 2008, and are effective January 1, 2009.

As of December 31, 2008 and December 31, 2007 the Company analyzed its tax positions for uncertainties affecting recognition and measurement thereof. Following the analysis, the Company believes that it is more likely than not that most tax positions stated in the income tax return that reduce the income tax base would be sustained upon the examination by the tax authorities. This is supported by the results of the examinations of the income tax returns which have been conducted to date.

During 2007 and 2008, the tax authorities held tax examinations in the Company and its subsidiaries for 2004-2007 fiscal years. The Company does not expect results of examinations to have a material impact on the Company's consolidated financial statements. Tax years or periods prior to 2004 are not subject to examination.

The following table shows a reconciliation of the beginning and ending unrecognized tax benefits for 2008 and 2007:

	2008	2007
Unrecognized tax benefits as of the beginning of the year	18	-
Increase for tax positions of prior years	38	13
Decrease for tax positions of prior years	(6)	-
Decrease for tax positions due to settlements with tax authorities	(36)	-
Increase of tax positions of the current year	-	5
Unrecognized tax benefits as of the end of the year	14	18

The total amount of unrecognized tax benefits that, if recognized, would affect the effective income tax rate is US\$ 10 million and US\$ 12 million as of December 31, 2008 and December 31, 2007, respectively.

Accrued liabilities for interest and penalties for income tax totalled US\$ 301.6 million and US\$ 300.1 million as of December 31, 2008 and December 31, 2007, respectively. Interest for income tax in the amount of US\$ 62 million and US\$ 89 million were accrued in the consolidated statement of income and comprehensive income in 2008 and 2007, respectively.

In addition to income tax, the Company incurred other taxes as follows:

	2008	2007	2006
Mineral extraction tax	12,817	9,323	6,342
Excise tax	1,120	861	329
Property tax	261	186	107
Other	612	520	212
Total taxes other than income tax	14,810	10,890	6,990

21. Asset Retirement Obligations

The movement of asset retirement obligations is as follows:

	2008	2007
Asset retirement obligations as of the beginning of the reporting period	2,130	748
Recognition of additional obligations for new wells	21	11
Accretion expense	120	78
(Decrease)/increase as a result of changes in estimates	(371)	909
Acquired liabilities	–	908
Disposed liabilities of OJSC Tomskneft VNK	–	(521)
Spending on existing obligations	(4)	(3)
Asset retirement obligations as of the end of the reporting period	1,896	2,130

Asset retirement obligations represent an estimate of costs of wells liquidation, recultivation of sand pits, slurry ponds, disturbed lands and dismantling pipelines and power transmission lines.

Russian legislation does not stipulate any funds reservation for purposes of settling asset retirement obligations.

22. Other Non-current Liabilities

Other non-current liabilities as of December 31 comprise the following:

	2008	2007
Restructured tax liabilities	1,611	2,146
Long-term lease obligations	86	147
Deferred income	63	115
Liabilities to municipalities under amicable agreements	91	48
Other	19	29
Total other non-current liabilities	1,870	2,485

In February and March 2008, the Company received signed resolutions of the Government of the Russian Federation and those of the relevant regional and local authorities regarding the restructuring of the respective tax liabilities. Under the tax restructuring plan, the outstanding tax liabilities shall be repaid quarterly within five years starting from March 2008. The Company's payments excluding interest amounted to RUB 4,646 million (US\$ 186.3 million at the CBR official exchange rate as of the payment dates) for the year ended December 31, 2008.

The Company intends to undertake all possible actions to comply with the tax restructuring plan in full.

23. Related Party Transactions

In the normal course of business the Company enters into transactions with other enterprises which are directly or indirectly controlled by the Russian Government. Such enterprises are OJSC Gazprom, OJSC Russian Railways, OJSC Sberbank, Vnesheconombank, OJSC Bank VTB, OJSC Gazprombank, OJSC AK Transneft, former business units of RAO UES, and federal agencies, including tax authorities.

Total amounts of transactions and balances with companies controlled by the Russian Government for each of the reporting periods ending December 31, as well as related party balances as of December 31 are provided in the tables below:

	2008	2007	2006
Revenues and Income			
Oil and gas sales	163	99	27
Sales of petroleum products and processing fees	616	218	148
Support services and other revenues	83	13	8
Interest income	54	9	25
	916	339	208
Costs and expenses			
Production and operating expenses	228	109	17
Pipeline tariffs and transportation costs	3,410	2,873	2,032
Other expenses	88	73	5
Interest expense	220	335	384
Banking fees	16	13	13
	3,962	3,403	2,451

	2008	2007	2006
Other operations:			
Sale of short-term and long-term investments	1,180	-	4
Purchase of short-term and long-term investments	1,693	-	14
Proceeds from short-term and long-term debt	2,921	3,654	2,463
Repayment of short-term and long-term debt	2,670	5,675	2,104
Deposits placed	48	90	374
Deposits paid	-	55	499

	December 31, 2008	December 31, 2007
Assets		
Cash and cash equivalents	617	139
Accounts receivable	158	87
Prepayments and other current assets	278	258
Short-term and long-term investments	105	90
	1,158	574
Liabilities		
Accounts payable	28	16
Short-term and long-term debt (including interest)	5,211	5,322
	5,239	5,338

Total amounts of transactions with related parties (except for those controlled by the Government of the Russian Federation), which are primarily equity investees and joint ventures, for each of the reporting periods ending December 31, as well as related party balances as of December 31 are provided in the tables below:

	2008	2007	2006
Revenues and Income			
Oil and gas sales	43	34	31
Sales of petroleum products and processing fees	227	158	84
Support services and other revenues	362	103	26
Interest income	11	44	8
Dividends received	61	28	13
	704	367	162
Costs and expenses			
Production and operating expenses	203	67	10
Purchase of oil and petroleum products	774	621	103
Other expenses	207	112	64
Interest expense	3	3	4
	1,187	803	181
Other operations:			
Proceeds from short-term and long-term debt	373	13	33
Repayment of short-term and long-term debt	219	23	51
Borrowings issued	147	64	88
Repayment of borrowings issued	74	24	22

	December 31, 2008	December 31, 2007
Assets		
Accounts receivable	132	204
Prepayments and other current assets	15	13
Short-term and long-term investments	214	297
	361	514
Liabilities		
Accounts payable	213	941
Short-term and long-term debt (including interest)	297	235
	510	1,176

24. Commitments and Contingencies

Russian Business Environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government. In addition laws and regulations, including

interpretations, enforcement and judicial processes, continue to evolve in Russia. Other laws and regulations and certain other restrictions producing a significant effect on the Company's industry, included but not limited to the following: rights to use subsurface resources, environmental matters, site restoration, transportation and export, corporate governance, taxation, etc.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia. While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity and supporting debt refinancing for Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Company and its counterparties, which could affect the Company's financial position, results of operations and business prospects.

In accordance with the legislation, in effect until November 1, 2008, crude export duty was revised by the Russian Government once every two months on the basis of two-month price monitoring for Urals blend on the global markets. A significant gap between the oil price and the export customs duty in the fourth quarter of 2008 had a negative impact on the Company's financial results following the slump in oil prices which had primarily been caused by the global financial crisis resulting in the economic slowdown and a reduced demand for crude oil. Since November 1, 2008, the size of oil export customs duty has been established on the basis of monthly oil price monitoring.

While management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances, further market deterioration could negatively affect the Company's consolidated results and financial position in a manner not currently determinable.

Taxation

Legislation and regulations regarding taxation in Russia continue to evolve. Various legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local, regional and national tax authorities. Instances of inconsistent opinions are not unusual.

The current regime of penalties and interest related to reported and discovered violations of Russia's laws, decrees and related regulations is severe. Interest and penalties are levied when an understatement of a tax liability is discovered. As a result, the amounts of penalties and interest can be significant in relation to the amounts of unreported taxes.

In Russia tax returns remain open and subject to inspection for a period of up to three years. The fact that a year has been reviewed does not close that year, or any tax return applicable to that year, from further review during the three-year period.

Russian transfer pricing rules were introduced in 1999, giving Russian tax authorities the right to make transfer pricing adjustments and impose additional tax liabilities in respect of all controlled transactions, provided that the transaction price deviates from the market price by more than 20%. Controlled transactions include transactions between related entities and certain other types of transactions between independent parties, such as foreign trade transactions with significant (by more than 20%) price fluctuations.

The Russian transfer pricing rules are vaguely drafted, leaving wide scope for interpretation by Russian tax authorities and courts. Due to the uncertainties in interpretation of transfer pricing legislation, the tax authorities may challenge the Group's prices and propose an adjustment. If such price adjustments are upheld by the Russian courts and implemented, it could have an adverse effect on the Group's financial condition and results of operations. The Company's management believes that such transfer pricing related income tax positions taken by the Company are sustainable and will not have any significant negative impact on the Company's financial statements. The Company provides finance for operations of its subsidiaries by various means which may lead to certain tax risks. The Company's management believes that the related tax positions are sustainable and will not have any significant negative impact on the Company's consolidated financial position or results of operations.

The Company is currently challenging a number of decisions made by the tax authorities to accrue additional and decline reimbursement of VAT paid to suppliers in the amount of RUB 8,655 million (US\$ 295 million at the CBR official exchange rate as of December 31, 2008) and with respect to excise tax in the amount of RUB 3,609 million (US\$ 123 million at the CBR official exchange rate as of December 31, 2008).

The Company's management believes that the outcome of these tax cases will not have any significant impact on the Company's consolidated financial position or results of operations. Overall, management believes that the Company has paid or accrued all taxes that are applicable. For taxes other than income tax, where uncertainty exists, the Company has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. Possible liabilities which were identified by management at the balance sheet dates as those that can be subject to different interpretations of the tax laws and regulations are not accrued in the consolidated financial statements.

Capital Commitments

The Company and its subsidiaries are engaged in ongoing capital projects for exploration and development of production facilities and modernization of refineries and the distribution network. The budgets for these projects are generally set on an annual basis. Depending on the current market situation, actual expenditures may vary from the budgeted amounts.

Environmental Matters

Due to the nature of its business, Rosneft and its subsidiaries are subject to federal legislation regulating environmental protection. The majority of environmental liabilities arise as a result of accidental oil spills, leaks that pollute land, and air pollution. The Company considers fines paid and other environmental liabilities as immaterial, given the scale of its operations.

In the course of its operations, the Company seeks to comply with international environmental standards and monitors compliance therewith on a regular basis. With a view to improve environmental activities, the Company takes specific measures to mitigate the adverse impact of its current operations on the environment.

Legislation that regulates environmental protection in the Russian Federation is evolving, and the Company evaluates its liabilities in accordance therewith.

Currently it is not possible to reasonably estimate the liabilities of the Company which may be incurred should the legislation be amended.

The management believes that, based on the existing legislation, the Company is unlikely to have liabilities that need to be accrued in addition to the amounts already recognized in the consolidated financial statements and that may have a material adverse effect on the consolidated operating results or financial position of the Company.

Social Commitments

The Company is required to maintain certain social infrastructure assets (not owned by the Company and not recorded in the consolidated financial statements) for use by its employees.

The Company incurred US\$ 52 million, US\$ 55 million, and US\$ 64 million in social infrastructure and similar expenses in 2008, 2007 and 2006, respectively. These expenses are presented as other expenses in the consolidated statements of income and comprehensive income.

Charity and Sponsorship

During 2008, 2007 and 2006, the Company made donations of US\$ 87 million, US\$ 117 million, and US\$ 41 million, respectively, for charity and sponsorship in various regions of Russia where the Company operates. These expenses are presented as other expenses in the consolidated statements of income and comprehensive income.

Pension Plans

The Company and its subsidiaries make payments to the State Pension Fund of the Russian Federation. These payments are calculated by the employer as percentage from the salary expense and are expensed as accrued.

The Company contributes to corporate pension fund to finance non-state pensions of its employees. These payments are made based on the defined contribution plan. In 2008, 2007 and 2006, the Company made contributions to the non-state corporate pension fund amounting to US\$ 83 million, US\$ 67 million, and US\$ 41 million, respectively.

Insurance

The Company insures its assets with OJSC Sogaz, a related party.

As of December 31, 2008 and 2007, the amount of coverage of assets under such insurance amounted to US\$ 21,750 million and US\$ 11,706 million, respectively.

Guarantees and Indemnity

As of December 31, 2008, the Company has provided guarantees for certain debt agreements primarily of its subsidiaries. In accordance with the debt agreements, the Company is obliged to perform on the guarantee and to pay the bank all amounts of outstanding guaranteed liabilities, including interest.

The Company cannot substitute guarantees issued by any novation agreement or mutual offset. The Company's obligations under guarantees issued are valid in case of any change in the loan agreements. After the full payment and settlement of all obligations under the guarantees, the Company has the right to subrogate its respective part of all claims against the debtor in accordance with the loan agreements. In the event the Company makes payments under guarantees issued, it has a right to claim the amounts paid from the debtor.

In January 2007, the Company signed a guarantee agreement in respect of all the obligations of CJSC Vankorneft per an irrevocable documentary letter of credit for the amount of US\$ 62 million and a period of up to 730 days. In the event of default, as specified in the agreement, the bank may request the Company to place a deposit in the amount sufficient to cover all of the Company's existing and potential obligations payable during the period of validity of such letter of credit. As of December 31, 2008, the amount outstanding under the letter of credit was US\$ 8.8 million.

In January 2007, RN-Yuganskneftegaz LLC signed a guarantee agreement in respect of all the obligations of RN Energo LLC, the Company's wholly owned subsidiary, under the contract for electricity supply with OJSC Tyumenskaya Energosbytovaya Kompaniya for the period through January 31, 2010, in the amount of US\$ 51 million.

During 2007 and 2008, the Company successfully defended its position in various courts as to the invalidity of guarantees provided by OJSC Yuganskneftegaz, OJSC Samaraneftgaz and OJSC Tomskneft VNK related to the Yukos Oil Company indebtedness of US\$ 1,600 million to Moravel Investments Limited. As most of the relevant indebtedness was collected by the principal creditor, the Company has concluded that the probability of any unfavourable outcome in relation to the matter is now remote.

Litigations, Claims and Assessments

Yukos Capital S.a.r.l., a former subsidiary of Yukos Oil Company, initiated arbitral proceedings against the Company and OJSC Samaraneftgaz, the Company's subsidiary, in various courts alleging default under six ruble-denominated loans. The International Court of Commercial Arbitration ("ICCA") at the Russian Federation Chamber of Commerce and Industry and International Court of Arbitration at the International Chamber of Commerce ("ICC") ruled in favour of Yukos Capital S.a.r.l. to award amounts under the loan agreements.

ICCA rulings were cancelled by a Russian court. An Amsterdam Court ruled against enforcement of the said ICCA decisions in the Netherlands (this ruling was appealed by Yukos Capital S.a.r.l, appeals instance decision is awaiting.). Additionally, in 2007 claims were filed to declare the loan agreements null and void. The court hearings for these claims are planned for the first half of 2009. The Company believes that payments in excess of US\$ 650 million (see Note 16) are possible, but their amount can not be reasonably estimated.

The Company and its subsidiary are plaintiffs in arbitral proceedings against OJSC Sakhaneftegaz and OJSC Lenaneftegaz for the recovery of certain loans and guarantees of indemnity in the amount of RUB 1,286 million (US\$ 44 million at the CBR official exchange rate as of December 31, 2008). The respective accounts receivable in the amount of US\$ 23 million (net of allowance in the amount of US\$ 21 million) are recorded as long-term receivables in the consolidated balance sheet (see Note 14).

The Company is also a plaintiff in arbitral proceedings against OJSC National Bank TRUST (further 'TRUST') for the repayment under a deposit agreement, which is recorded in the consolidated balance sheet in the amount of RUB 1,802 million (US\$ 61 million at the CBR official exchange rate as of December 31, 2008). On June 30, 2008, the court of first instance upheld the full amount of claims filed by Rosneft against TRUST. The decision was upheld by appeal court on December 30, 2008 and then further appealed by TRUST. This amount is recorded in the consolidated balance sheet as acquired receivables (see Note 7). The Company believes that the maximum amount of possible loss is limited by the amounts currently recorded in the consolidated balance sheet.

In the second half of 2008 and first quarter 2009, the Federal Antimonopoly Service ("FAS Russia") and its regional bodies ruled that Rosneft and certain companies of the Group violated certain antimonopoly regulations in relation to petroleum products trading. The total amount of administrative penalty asserted as of the financial statements issue date is RUB 1,968 million (US\$ 67 million at the CBR official exchange rate as of December 31, 2008). The Company appealed the rulings and believes that payments of some portion of the above penalties are possible, with respect to the above, but the ultimate amount cannot be reasonably estimated.

The Company and its subsidiaries are involved in other litigations which arise from time to time in the course of their business activities. The Company's management believes that the ultimate result of these litigations will not significantly affect the operating results or financial position of the Company.

Licence Agreements

In accordance with certain license agreements or separate agreements concluded from time to time with the local and regional authorities, the Company is required to maintain certain levels of expenditures for health, safety and environmental protection, as well as maintain certain level of capital expenditures. Generally these expenditures are within the normal operating and capital budgets and are accounted for when incurred in accordance with existing accounting policies for respective costs and expenses.

Oil Supplies

In January 2005, the Company entered into a long-term contract for the term through 2010 with China National United Oil Corporation for export of crude oil in the total amount of 48.4 million tons to be delivered in equal annual amounts. The prices are determined based on usual commercial terms for crude oil deliveries.

25. Segment Information

Presented below is information about the Company's operating segments in accordance with SFAS 131, *Disclosures about Segments of an Enterprise and Related Information*. The Company determines its operating segments based on the nature of their operations. The performance of these operating segments is assessed by management on a regular basis. The E&P segment is engaged in field exploration and development and production of crude oil and natural gas. The R&M segment is engaged in processing crude oil and other hydrocarbons into petroleum products, as well as the purchase, sale and transportation of crude oil and petroleum products. Corporate assets are allocated between exploration and production and refining, marketing and distribution in proportion to sales of these segments. Drilling services, construction services, banking and finance services, and other activities are combined in the "All other" category. Substantially all of the Company's operations are conducted in the Russian Federation. Further, the geographical regions within the Russian Federation have substantially similar economic and regulatory conditions. Therefore, the Company has not presented any separate geographical disclosure.

The significant accounting policies applied to each operating segment are consistent with those applied to the consolidated financial statements. Sales transactions for goods and services between the operating segments are carried out using prices agreed upon between Rosneft and its subsidiaries.

Operating segments in 2008:

	Exploration and production	Refining, marketing and distribution	All other	Total elimination	Consolidated
Revenues from external customers	1,967	65,456	1,568	–	68,991
Intersegmental revenues	10,736	3,549	5,291	(19,576)	–
Total revenues	12,703	69,005	6,859	(19,576)	68,991
Operating expenses and cost of purchased oil and petroleum products	2,447	4,288	779	–	7,514
Depreciation, amortization and depletion of reserves	3,060	748	175	–	3,983
Operating income	6,385	22,097	4,099	(19,576)	13,005
Total other income, net					114
Income before tax					13,119
Total assets	44,934	24,002	8,577	–	77,513

Operating segments in 2007:

	Exploration and production	Refining, marketing and distribution	All other	Total elimination	Consolidated
Revenues from external customers	2,145	46,631	440	–	49,216
Intersegmental revenues	9,788	2,197	2,104	(14,089)	–
Total revenues	11,933	48,828	2,544	(14,089)	49,216
Operating expenses and cost of purchased oil and petroleum products	2,634	2,472	374	–	5,480
Depreciation, amortization and depletion of reserves	2,828	374	84	–	3,286
Operating income	4,980	18,052	1,778	(14,089)	10,721
Total other income, net					7,068
Income before tax					17,789
Total assets	41,888	25,445	7,472	–	74,805

Operating segments in 2006:

	Exploration and production	Refining, marketing and distribution	All other	Total elimination	Consolidated
Revenues from external customers	442	32,460	197	–	33,099
Intersegmental revenues	10,465	1,287	903	(12,655)	–
Total revenues	10,907	33,747	1,100	(12,655)	33,099
Operating expenses and cost of purchased oil and petroleum products	1,670	1,635	212	–	3,517
Depreciation, amortization and depletion of reserves	1,420	201	17	–	1,638
Operating income	2,126	15,367	766	(12,655)	5,604
Total other expenses, net					(1,439)
Income before tax		–	–	–	4,165
Total assets	33,934	10,757	2,099	–	46,790

Below is a breakdown of revenues by domestic and export sales, with a classification of export sales based on the country of incorporation of the foreign customer.

	2008	2007	2006
Oil and gas sales			
Export sales of crude oil – Europe and other directions	25,648	20,567	16,323
Export sales of crude oil – Asia	7,815	6,255	5,145
Export sales of crude oil – CIS	2,084	2,220	1,620
Domestic sales of crude oil	154	521	214
Domestic sales of gas	401	339	197
Total oil and gas sales	36,102	29,902	23,499
Sale of petroleum products			
Export sales of petroleum products – Europe	9,607	5,875	3,152
Export sales of petroleum products – Asia	6,556	3,476	1,941
Export sales of petroleum products – CIS	743	338	202
Domestic sales of petroleum products and processing fees	14,160	8,649	3,955
Sales of petrochemical products	404	193	–
Total petroleum products sales	31,470	18,531	9,250

During the reporting period, the Company had one major customer in 2008, one such customer in 2007 and three such customers in 2006, all being international oil traders which accounted for 10% or more of total revenues. These customers accounted for revenues of US\$ 12,422 million, US\$ 8,046 million, and US\$ 18,001 million or 18%, 16% and 54% of total revenues, respectively. These revenues are recognized mainly under the refining, marketing and distribution segment. Management does not believe that the Company is dependent on any particular customer.

26. Fair Value of Financial Instruments and Risk Management

Effective January 1, 2008, the Company adopted SFAS 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

SFAS 157 defines three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to assess at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or model-derived valuations or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs for the asset or liability. These inputs reflect the Company's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Assets and liabilities of the Company that are measured at fair value on a recurring basis are presented in the table below in accordance with the fair value hierarchy.

	Fair value measurement as of December 31, 2008			Total
	Level 1	Level 2	Level 3	
Assets:				
Current assets				
Trading securities	46	34	–	80
Available-for-sale securities	–	22	–	22
Non-current assets				
Available-for-sale securities	7	4	–	11
Total assets measured at fair value	53	60	–	113
Liabilities:				
Derivative financial instruments	–	(190)	–	(190)
Total liabilities measured at fair value	–	(190)	–	(190)

The market for a number of financial assets is not active. In accordance with requirements of FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, observable inputs of Level 2 were used to disclose fair value of such financial assets.

Assets and liabilities of the Company that are measured at fair value on a nonrecurring basis are presented in the table below in accordance with the fair value hierarchy.

	Fair value measurement as of December 31, 2008			Total
	Level 1	Level 2	Level 3	
Assets:				
Non-current assets				
Equity method investments	–	–	94	94
Total assets measured at fair value	–	–	94	94

Equity method investments represent the fair value of the Company's investment in PLC (see Note 10).

The Company, in connection with its current activities, is exposed to various financial risks, such as foreign currency risks, commodity price risk, interest rate risks and credit risks. The Company manages these risks and monitors its exposure on a regular basis.

The fair value of cash and cash equivalents, held to maturity securities, accounts receivable and accounts payable, other current assets, approximates their carrying value recognized in these financial statements. The Company's management believes that accounts receivable recorded net of allowance for doubtful accounts will be recovered in full during an acceptable time period. The fair value of long-term debt differs from the amounts recognized in the consolidated financial statements. The estimated fair value of long-term debt discounted using the estimated market interest rate for similar financial liabilities amounted to US\$ 14,153 million and US\$ 14,911 million as of December 31, 2008 and 2007, respectively. These amounts include all future cash outflows related to the repayment of long-term loans, including their current portion and interest expenses.

A substantial portion of the Company's sales revenues is received in US dollars. In addition, substantial financing and investing activities, obligations and commitments are also undertaken in US dollars. However, significant operating and investing expenditures, other obligations and commitments as well as tax liabilities are denominated in rubles. As a result the Company is exposed to the corresponding currency risk.

The Company enters into contracts to economically hedge certain of its risks associated with increased interest expense accrued on loans received by the Company. Hedge accounting pursuant to SFAS 133 is not applied to these instruments.

In December 2007, the Company entered into a 5-year interest rate swap contract with a notional amount of US\$ 3 billion. Under the terms of the contract, a floating LIBOR rate may be converted into a certain fixed rate. The other party has a call option to terminate

the deal commencing in one year after the contract date. The fair value of the interest swap contract was recorded in the consolidated balance sheets as of December 31, 2008 and December 31, 2007 as other current liabilities in the amount of US\$ 189.8 million and US\$ 13.5 million, respectively. The change in fair value was recorded in the consolidated statement of income and comprehensive income for 2008 as a component of interest expense in the amount of US\$ 176.3 million.

In December 2008, the Company entered into a 5-year interest rate swap contract with a notional amount of US\$ 500 million. Under the terms of the contract, a floating LIBOR rate may be converted into a certain fixed rate. The other party will have a call option to terminate the deal commencing in two years after the contract date. The fair value of the interest swap contract was recorded in the consolidated balance sheet as of December 31, 2008 as other non-current liabilities in the amount of US\$ 0.8 million. The change in fair value was recorded in the consolidated statement of income and comprehensive income for 2008 as a component of interest expense in the amount of US\$ 0.8 million.

The fair value of the interest rate swap contracts are based on estimated amounts that the Company would pay or receive upon termination of the contract as of December 31, 2008.

27. Subsequent Events

In January 2009, Rosneft raised a syndicated floating rate loan in the amount of US\$ 1.35 billion which is repayable within 15 months and secured by oil export contracts.

In February 2009, Rosneft secured and agreed principle terms of a long-term floating rate loan from a foreign bank in the amount of up to US\$ 15 billion. The loan is repayable within 20 years and secured by oil export contracts.

Supplementary Oil and Gas Disclosure (unaudited)

In accordance with SFAS 69, *Disclosures about Oil and Gas Producing Activities*, the Company makes certain supplemental disclosures about its oil and gas exploration and production operations. While this information was developed with reasonable care and disclosed in good faith, it is emphasized that the data represents management's best estimates. Accordingly, this information may not necessarily represent the current financial condition of the Company and its expected future financial results.

All of the Company's activities are conducted in Russia, which is considered as one geographic area.

Capitalized Costs Relating to Oil and Gas Producing Activities

	As of December 31	
	2008	2007
Oil and gas properties related to proved reserves	50,639	43,708
Oil and gas properties related to unproved reserves	4,149	4,165
Total	54,788	47,873
Accumulated depreciation, depletion and amortization, and valuation allowances	(10,860)	(7,942)
Net capitalized costs	43,928	39,931

The share of the Company in the capitalized costs of equity investees on December 31, 2008 and December 31, 2007 was US\$ 2,605 million and US\$ 2,331 million, respectively.

Net book value of mineral rights on December 31, 2008 and December 31, 2007 was US\$ 17.5 billion and US\$ 17.7 billion, respectively.

Cost Incurred in Oil and Gas Property Acquisition, Exploration and Development Activities

	2008	2007	2006
Acquisition of proved oil and gas properties	246	4,825	8,392
Acquisition of unproved oil and gas properties	264	287	2,350
Exploration costs	248	162	193
Development costs	6,405	4,624	2,795
Total costs incurred	7,163	9,898	13,730

The share of the Company in acquisition, exploration and development expenditures of its equity investees was US\$ 483 million, US\$ 440 million and US\$ 46 million in 2008, 2007 and 2006, respectively.

Results of Operations for Oil & Gas Producing Activities

	2008	2007	2006
Revenues:			
External sales	18,712	15,896	11,246
Transfers to other operations	16,308	11,006	5,216
Total revenues	35,020	26,902	16,462
Production costs (excluding production taxes)	1,976	2,638	1,632
Selling, general and administrative expenses	771	729	480
Exploration expenses	248	162	193
Accretion expense	120	78	34
Depreciation, depletion and amortization	3,060	2,828	1,420
Taxes other than income tax	13,261	9,772	6,636
Income tax	1,779	2,173	1,384
Results of operation for producing activities	13,805	8,522	4,683

Revenues are based on the market prices determined at the point of delivery from production units.

The Company's share in the operating results generated from oil and gas production of equity investees in 2008, 2007 and 2006 was US\$ 437 million, US\$ 256 million and US\$ 59 million, respectively.

Reserve Quantity Information

The recording and reporting of proved reserves is governed by criteria established by regulations of the United States Securities and Exchange Commission. The Company's reserves as of December 31, 2008, 2007 and 2006 were appraised by an outside unrelated third-party petroleum engineering consulting firm. Proved reserves are those estimated quantities of crude oil and gas which, by analysis of geological and engineering data, demonstrate with reasonable certainty to be recoverable in the future from existing reservoirs under the existing economic and operating conditions. In certain cases, recovery of such reserves may require considerable investments in wells

and related equipment. Proved reserves also include additional oil and gas reserves that will be extracted after the expiry date of licence agreements or may be discovered as a result of secondary and tertiary extraction which have been successfully tested and checked for commercial benefit. Proved developed reserves are the quantities of crude oil and gas expected to be recovered from existing wells using existing equipment and operating methods.

Proved undeveloped oil and gas reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage are limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances are estimates of proved undeveloped reserves attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless those techniques have been proved effective by actual tests in the area and in the same reservoir. Due to inherent industry uncertainties and the limited nature of deposit data, estimates of reserves are subject to change as additional information becomes available.

The Company included in proved reserves those reserves which the Company intends to extract after the expiry of the current licences. The licences for the development and production of hydrocarbons currently held by the Company generally expire between 2009 and 2044, and the licences for the most important deposits expire between 2013 and 2044. In accordance with the effective version of the law of the Russian Federation, *On Subsurface Resources* (the "Law"), licences are currently granted for a production period determined on the basis of technological and economic criteria applied to the development of a mineral deposit which guarantee rational use of subsurface resources and necessary environmental protection. In accordance with the Law and upon gradual expiration of old licences issued under the previous version of the Law, the Company extends its hydrocarbon production licences for the whole productive life of the fields. Extension of the licences depends on both current and future compliance with the terms set forth in the licence agreements. As of the date of these financial statements, the Company's operations are generally in compliance with all the terms of the licence agreements and are intended to maintain compliance therewith in the future (see Note 11).

The Company's estimates of net proved oil and gas reserves and changes thereto for the years ended December 31, 2008, 2007 and 2006 are shown in the table below and expressed in million barrels of oil equivalent (oil production data was recalculated from tonnes to barrels using a ratio of 7.3 barrels per tonne, gas production data was recalculated from cubic meters to barrels of oil equivalent using a ratio of 35.3/6 cubic meters per barrel):

	2008	2007	2006
	mln boe	mln boe	mln boe
Beginning of year reserves	13,538	12,671	11,813
Revisions of previous estimates	(244)	62	1,142
Extension and discovery of new reserves	837	558	297
Acquisitions of new properties	–	1,039	74
Production	(771)	(792)	(655)
End of year reserves	13,360	13,538	12,671
Of which:			
Proved reserves under PSA Sakhalin 1	80	62	71
Proved developed reserves	10,032	10,456	9,891
Minority interest in total proved reserves	38	22	15
Minority interest in proved developed reserves	12	15	15

The Company's share in the proved reserves of equity investees in 2008, 2007 and 2006 was 1,086 million barrels of oil equivalent, 915 million barrels of oil equivalent and 330 million barrels of oil equivalent, respectively.

The Company's share in the proved developed reserves of equity investees in 2008, 2007 and 2006 was 763 million barrels of oil equivalent, 689 million barrels of oil equivalent and 281 million barrels of oil equivalent, respectively.

Standardized Measure of Discounted Future Net Cash Flows and Changes therein Relating to Proved Oil and Gas Reserves

The standardized measure of discounted future net cash flows related to the above oil and gas reserves is calculated in accordance with the requirements of SFAS 69. Estimated future cash inflows from oil and gas production are computed by applying year-end prices for oil and gas to year-end quantities of estimated net proved reserves. Adjustment in this calculation for future price changes is limited to those required by contractual arrangements in existence at the end of each reporting period. Future development and production costs are those estimated future expenditures necessary to develop and produce estimated proved reserves as of year-end based on year-end cost indices and assuming continuation of year end economic conditions. Estimated future income taxes are calculated by applying appropriate year-end statutory tax rates. These rates reflect allowable deductions and tax credits and are applied to estimated future net pre-tax cash flows, net of the tax bases of related assets.

Discounted future net cash flows are calculated using a 10% discount factor. Discounting requires a year-by-year estimates of future expenditures to be incurred in the periods when the reserves will be extracted.

The information provided in the tables below does not represent management's estimates of the Company's expected future cash flows or of the value of its proved oil and gas reserves. Estimates of proved reserves change over time as new information becomes available. Moreover, probable and possible reserves which may become proved in the future are excluded from the calculations. The arbitrary valuation prescribed under SFAS 69 requires assumptions as to the timing and the amount of future development and production costs. The calculations should not be relied upon as an indication of the Company's future cash flows or of the value of its oil and gas reserves.

	2008	2007	2006
Future cash inflows	223,464	551,015	308,051
Future development costs	(18,353)	(20,656)	(16,426)
Future production costs	(107,242)	(261,712)	(154,045)
Future income tax expenses	(15,585)	(64,589)	(31,991)
Future net cash flows	82,284	204,058	105,589
Discount of estimated timing of cash flows	(46,783)	(121,681)	(64,019)
Discounted value of future cash flows as of the end of year	35,501	82,377	41,570

	2008	2007	2006
Discounted value of future cash flows as of the beginning of year	82,377	41,570	51,157
Sales and transfers of oil and gas produced, net of production costs and taxes other than income taxes	(19,012)	(12,154)	(7,714)
Changes in price estimates, net	(71,008)	45,039	(22,018)
Changes in future development costs	3,902	(3,693)	(4,084)
Development costs incurred during the period	6,411	4,500	2,795
Revisions of previous reserves estimates	(275)	2,207	4,034
Discovery of new reserves, less respective expenses	2,376	3,213	1,177
Net change in income taxes	19,976	(11,761)	3,580
Accretion of discount	8,238	4,157	5,116
Purchase of new oil and gas fields	–	7,395	1,464
Other	2,516	1,904	6,063
Discounted value of future cash flows as of the end of year	35,501	82,377	41,570

The Company's share in the discounted value of future cash flows related to the oil and gas reserves of equity investees in 2008, 2007 and 2006 was US\$ 3,352 million, US\$ 9,324 million and US\$ 1,086 million, respectively.

The discounted value of future cash flows as of December 31, 2008, 2007 and 2006 includes the interest of other (minority) shareholders in the amount of US\$ 142 million, US\$ 114 million and US\$ 25 million, respectively.

Financial (Accounting) Statements of OJSC Rosneft Oil Company

for the Period from January 1, 2008 through December 31, 2008



Auditor's Report

On Financial (Accounting) Statements of Open Joint Stock Company 'Rosneft Oil Company' for the Period from January 1, 2008 through December 31, 2008

To Executive Bodies of Open Joint Stock Company 'Rosneft Oil Company'

Auditor:

Full Name: Closed Joint Stock Company 'Audit and Consulting Group for Business Systems Development'

Abbreviated Name: CJSC AKG RBS

State Registration Certificate: No. 970.567 of July 20, 2001

Address: 5 Sushevsky Val Street, Bldg 3,

Moscow 127018, Russia

Tel: +7 (495) 967-6838, 967-6840

Fax: +7 (495) 967-6843

Professional License:

- Audit License No. E 000440, issued by the Ministry of Finance of the Russian Federation (Order No. 123 of June 25, 2002), valid through June 25, 2012

Membership in International Associations of Audit and Consulting Firms:

- Partner of Horwath Business Alliance, based on Agreement of May 21, 2007

Membership in Accredited Professional Auditor Associations:

- Russian Institute of Professional Accountants and Auditors, based on the Executive Council's Resolution of September 29, 2004 (Minutes No. 09/-04)

Membership in Other Professional Associations:

- Association of Russian Banks, Certificate No. 1315 of April 19, 2002
- Moscow Banking Union, Certificate No. 398 of May 30, 2002

Audited company:

Full Name: Open Joint Stock Company 'Rosneft Oil Company'

Abbreviated Name: OJSC Rosneft Oil Company

State Registration Certificate: No. 024537 of December 07, 1995

Address: 26/1 Sofiyskaya Embankment, Moscow 115035, Russia

1. We have audited the attached financial (accounting) statements of OJSC Rosneft Oil Company for the period from January 1, 2008 through December 31, 2008, which comprise the following:

- Form No. 1, Balance Sheet
- Form No. 2, Profit and Loss Statement
- Form No. 3, Statement of Changes in Capital
- Form No. 4, Cash Flow Statement
- Form No. 5, Supplement to Balance Sheet
- Notes to Financial (Accounting) Statements

The financial (accounting) statements have been prepared by executive bodies of OJSC Rosneft Oil Company in accordance with regulations established by:

- Federal Law No. 129-FZ of November 21, 1996, On Accounting (with further amendments and supplements)
- Regulation On Accounting and Accounting Statements in the Russian Federation, approved by Order of the Ministry of Finance No. 34n of July 29, 1998 (with further amendments and supplements)
- Accounting Regulation 4/99, Accounting In Organizations (approved by Order of the Ministry of Finance No. 43n of July 06, 1999)
- Order of the Ministry of Finance of the Russian Federation No. 67n of June 22, 2003, On Forms of Accounting Statements of Organizations
- Accounting Policy of OJSC Rosneft Oil Company and other internal accounting regulations

The financial (accounting) statements shall be treated only as an aggregate of the above-mentioned Forms and Notes to Financial (Accounting) Statements.

2. Solely executive bodies of OJSC Rosneft Oil Company are responsible for preparation and presentation of the financial (accounting) statements. Our responsibility as an auditor is limited to provision of an opinion with respect to reliability and accuracy of all material aspects of the attached financial (accounting) statements and compliance of the accounting procedures at OJSC Rosneft Oil Company with applicable laws of the Russian Federation, based on the audit performed.
3. In performing the audit, we relied on the following:
 - Federal Law No. 119-FZ of August 07, 2001, On Audit Activity (with further amendments and supplements)
 - Federal Law No. 307-FZ of December 30, 2008, On Audit Activity
 - Federal Rules (Standards) of Audit, approved by Resolution of the Government of the Russian Federation No. 696 of September 23, 2002 (with further amendments and supplements)
 - CJSC AKG RBS audit rules (standards)
4. The audit has been planned and performed to obtain reasonable assurance as to whether the financial (accounting) statements are free of material misstatement. The audit has been carried out on a selective basis and included the following:
 - examining, on a test basis, evidence supporting the amounts and disclosures of financial and economic activities of the audited company in the financial (accounting) statements
 - assessing compliance with principles and rules of statutory financial reporting
 - evaluating significant estimates made by the management of the audited company in preparing the financial (accounting) statements
 - assessing the overall financial (accounting) statements presentation
5. We believe the audit results provide us with sufficient evidence to give reasonable assurance that the financial (accounting) statements of OJSC Rosneft Oil Company are free of material misstatement, and that the accounting procedures of OJSC Rosneft Oil Company comply with applicable laws of the Russian Federation.
6. In our opinion, the financial (accounting) statements of OJSC Rosneft Oil Company have been properly prepared to present, in all material respects, the financial position of OJSC Rosneft Oil Company as of December 31, 2008 and results of its financial and economic activities for the period from January 1, 2008 through December 31, 2008.

Attached: Financial (accounting) statements of OJSC Rosneft Oil Company for the period from January 1, 2008 through December 31, 2008, including:

1. Balance Sheet (Form No. 1)
2. Profit and Loss Statement (Form No. 2)
3. Statement of Changes in Capital (Form No. 3)
4. Cash Flow Statement (Form No. 4)
5. Supplement to Balance Sheet (Form No. 5)
6. Notes to Financial (Accounting) Statements

Date of Audit Report:
February 13, 2009

Deputy General Director R.N. Rakshaev
(Certificate No. K 010671, unlimited term)

Auditor A.V. Dvoichenko
(Certificate No. K 018033, unlimited term)

Balance Sheet

as of December 31, 2008		Codes
Form 1	OKATO	45286596000
	OKOGU	41114
Company: OJSC Rosneft Oil Company	OKPO	00044428
Taxpayer Identification Number	INN	7706107510
Area of activity: Industry	OKVED	11.10.11 23.20 11.10.2 63.40 60.30.11 51.70 74.14
Legal status/ownership: Open Joint Stock Company	OKOPF	47
Stated in: RUB thousand	OKFS	12
Place of residence (address): 26/1 Sofiyskaya emb., Moscow 115035		

ASSETS	Code	Opening balance	Closing balance
1	2	3	4
I. NON-CURRENT ASSETS			
Intangible assets	110	3,319,970	3,177,711
Fixed assets	120	196,804,121	242,476,691
Construction in progress	130	54,097,665	72,484,463
Long-term financial investments	140	496,516,832	554,016,444
Deferred tax assets	145	1,376,647	1,223,010
Exploration assets	147	27,241,901	29,478,094
Other non-current assets	150	886,090	944,343
TOTAL Section I	190	780,243,226	903,800,756
II. CURRENT ASSETS			
Inventories	210	24,971,420	22,313,241
including:			
materials, supplies and other similar assets	211	3,807,621	2,549,732
costs of work-in-progress (marketing costs)	213	2,811,184	2,609,005
finished goods and goods for resale	214	13,077,581	10,813,019
shipped goods	215	2,997,472	3,630,224
deferred expenses	216	2,277,562	2,711,261
Input Value Added Tax, excise tax	220	9,824,806	12,767,185
Accounts receivable (due in more than 12 months from the accounting date)	230	497,455	890,218
Accounts receivable (due within 12 months from the accounting date)	240	201,594,145	148,097,302
including:			
trade receivables	241	83,990,362	45,587,529
Short-term financial investments	250	34,758,445	249,865,116
Cash	260	6,009,103	26,588,969
Other current assets	270		
TOTAL Section II	290	277,655,374	460,522,031
BALANCE (lines 190+290)	300	1,057,898,600	1,364,322,787

LIABILITIES	Code	Opening balance	Closing balance
1	2	3	4
III. CAPITAL AND RESERVES			
Charter capital	410	105,982	105,982
Treasury shares	411		
Additional paid-in capital	420	113,276,386	113,276,385
Reserves	430	5,299	5,299
reserves formed in accordance with incorporation documents	432	5,299	5,299
Retained earnings of previous periods	460	322,763,402	305,806,318
Retained earnings in the reporting period	470		141,313,162
TOTAL Section III	490	436,151,069	560,507,146

LIABILITIES	Code	Opening balance	Closing balance
IV. LONG-TERM LIABILITIES			
Loans and borrowings	510	285,967,384	463,218,187
Deferred tax liabilities	515	5,883,221	5,169,153
Other long-term liabilities	520	42,428,984	52,790,837
TOTAL Section IV	590	334,279,589	521,178,177
V. SHORT-TERM LIABILITIES			
Loans and borrowings	610	181,164,315	159,336,378
Accounts payable	620	102,831,620	74,377,601
including:			
trade payables	621	31,241,084	43,552,497
payables to employees	624	7,617	5,574
payables to state non-budgetary funds	625	0	63
taxes and levies payable	626	34,072,741	9,358,059
other payables	628	37,510,178	21,461,408
Dividends payable	630	31,181	45,751
Deferred income	640	3,519	3,867
Provision for future expenses	650	212,145	2,309,032
Other short-term liabilities	660	3,225,162	46,564,835
TOTAL Section V	690	287,467,942	282,637,464
BALANCE (lines 490+590+690)	700	1,057,898,600	1,364,322,787

Statement of Off-Balance-Sheet Items

Item	Code	Opening balance	Closing balance
1	2	3	4
Leased fixed assets	910	10,265,073	46,034,646
Assets under custody	920	780,923	271,148
Goods on commission		2,954,286	224,495
Bad debt written off to losses	940	803,429	653,762
Security of liabilities and payments received	950	476,664,167	948,707
Security of liabilities and payments granted	960	272,466,591	72,900,990
Depreciation of housing stock	970	4,516	3,252
Depreciation of outdoor amenities and similar facilities	980	1,728	2,323

President Sergey Bogdanchikov

Chief Accountant Sun Ne Kim

February 13, 2009

Profit and Loss Statement

for 2008		Codes	
Form 2	OKUD	0710002	
Company: OJSC Rosneft Oil Company	OKPO	00044428	
Taxpayer Identification Number:	INN	7706107510	
Area of activity: Industry	OKVED	11.10.11 23.20 11.10.2 63.40 60.30.11 51.70 74.14	
Legal status/ownership: Open Joint Stock Company	OKOPF/ OKFS	47	12
Stated in: RUB thousand	OKEI	384/385	

Item	Code	Reporting period	Corresponding previous period
1	2	3	4
I. Operating income and expenses			
Net revenue from sale of goods, work and services (less VAT, excise duties and other similar charges)	010	1,008,177,496	816,303,533
Cost of goods, work and services sold	020	(632,534,219)	(475,207,650)
Gross profit	029	375,643,277	341,095,883
Selling expenses	030	(98,835,459)	(76,274,594)
Administrative expenses	040	(13,650,310)	(9,549,537)
Sales profit (loss) (lines (010-020-030-040))	050	263,157,508	255,271,752
II. Other income and expenses			
Interest income	060	5,246,401	954,562
Interest expense	070	(16,972,002)	(26,244,523)
Proceeds from shareholdings	080	2,909,031	1,000,938
Proceeds from sale and other disposal of other assets	090	41,200,530	39,690,002
Expenses related to sale and other disposal of other assets	100	(40,372,853)	(39,617,819)
Tax expenses	110	(4,259,511)	(2,724,874)
Other income	120	60,000,352	57,250,982
Other expenses	130	(120,545,691)	(43,240,659)
Pre-tax profit (loss) (lines (050+060-070+080+090-100+120-130))	140	190,363,765	242,340,361
Deferred tax assets	150	990,954	1,107,189
Deferred tax liabilities	151	(56,304)	(3,235,220)
Current profit tax	152	(47,123,708)	(79,604,535)
Profit tax from prior periods	153	(2,861,545)	1,413,875
Net income (retained earnings (loss) of the reporting period) (lines 140+150-151-152-153)	190	141,313,162	162,021,670
For reference:			
Permanent tax liabilities (assets)	201	3,790,916	27,001,144
Basic earnings (loss) per share	202	13.33	15.29
Diluted earnings (loss) per share	203		

Breakdown of Certain Profit and Loss Items

Item	Code	Reporting period		Corresponding previous period	
		gain	loss	gain	loss
1	2	3	4	5	6
Gain (loss) from sale (purchase) of foreign currency	210	1,367,874,148	(1,365,434,581)	1,526,977,474	(1,523,498,171)
Gain (loss) from foreign currency transactions	220	46,436,463	(106,251,129)	39,204,284	(18,926,397)
Banking services	230		(2,965,483)		(1,785,568)
Profit (loss) of previous years recorded in the reporting period	240	1,322,420	(1,419,657)	1,008,239	(2,411,693)
Fines, penalties and forfeits recognized or subject to claim on a court (arbitration court) decision	250	795,809	(692,771)	56,608	(11,367,794)
Write-off of accounts receivable and payable with expired limitation period	260	3,148,420	(75,746)	1,052,896	(303,160)

Statement of Changes in Capital

for 2008		Codes	
Form 3	OKUD	0710003	
Company: OJSC Rosneft Oil Company	OKPO	00044428	
Taxpayer Identification Number:	INN	7706107510	
Area of activity: Industry	OKVED	11.10.11 23.20 11.10.2 63.40	60.30.11 51.70 74.14
Legal status/ownership: Open Joint Stock Company	OKOPF/ OKFS	47	12
Stated in: RUB thousand	OKEI	384/385	

I. Changes in Capital

Item		Charter capital	Additional capital	Reserve capital	Retained earnings (uncovered loss)	Total
Description	Code					
1	2	3	4	5	6	7
As of December 31, of the year preceding the previous year	3010	105,982	113,276,400	5,299	174,575,736	287,963,417
2007 (previous year) Changes in accounting policy	3011	X	X	X		
FA revaluation	3012	X		X	261,558	261,558
As of January 1 of the previous year	3013	105,982	113,276,400	5,299	174,837,294	288,224,975
Currency exchange differences	3014	X		X	X	
Net income	3015	X	X	X	162,021,670	162,021,670
Dividends	3016	X	X	X	(14,095,576)	(14,095,576)
Contributions to reserve fund	3017	X	X			
Increase in capital due to:	3018				14	14
additional share issue	3019		X	X	X	
increase in share par value	3020		X	X	X	
legal entity restructuring	3021		X	X		
increase in value of shares that have public measures of market value	3022	X		X	X	
construction completion, equipment installation, modernization	3023	X		X	X	
retained earnings allocated for capital investment (commissioning of FA)	3024	X		X	X	
paid-in capital in excess of par value	3025	X		X	X	
other paid-in capital	3026	X		X	X	
other increase in capital	3027			X	14	14
Decrease in capital due to:	3028		(14)	X		(14)
decrease in share par value	3029		X	X	X	
decrease in number of shares	3030		X	X	X	
legal entity restructuring	3031		X	X		
decrease in value of shares that have public measures of market value	3032	X		X	X	
increase in value of retired FA	3033	X	(14)	X	X	(14)
increase in charter capital	3034	X		X	X	
forex loss	3035	X		X	X	
loss coverage	3036	X			X	
decrease in production development fund resulting from commissioning of FA	3037	X	X	X		
Other decrease in capital	3038					

As of December 31 of the previous year	3039	105,982	113,276,386	5,299	322,763,402	436,151,069
2008 (reporting year) Changes in accounting policy	3040	X	X	X		
FA revaluation	3041	X		X		
As of January 1 of the reporting year	3042	105,982	113,276,386	5,299	322,763,402	436,151,069
Currency exchange differences	3043	X		X	X	
Net income	3044	X	X	X	141,313,162	141,313,162
Dividends	3045	X	X	X	(16,957,085)	(16,957,085)
Contributions to reserve fund	3046	X	X			
Increase in capital due to:	3047				1	1
additional share issue	3048		X	X	X	
increase in share par value	3049		X	X	X	
legal entity restructuring	3050		X	X		
increase in value of shares that have public measures of market value	3051			X	X	
construction completion, equipment installation, modernization	3052			X	X	
retained earnings allocated for capital investment (commissioning of FA)	3053			X	X	
paid-in capital in excess of par value	3054			X	X	
other paid-in capital	3055			X	X	
other increase in capital	3056			X	1	1
Decrease in capital due to:	3057		(1)			(1)
decrease in share par value	3058		X	X	X	
decrease in number of shares	3059		X	X	X	
legal entity restructuring	3060		X	X		
decrease in value of shares that have public measures of market value	3061	X		X	X	
increase in value of retired FA	3062	X	(1)	X	X	(1)
increase in charter capital	3063	X		X	X	
forex loss	3064	X		X	X	
loss coverage	3065	X		X		
decrease in production development fund resulting from commissioning of FA	3066	X	X	X		
other decrease in capital	3067					
As of December 31 of the reporting year	3068	105,982	113,276,385	5,299	447,119,480	560,507,146

II. Reserves

Items		Balance	Added	Used	Balance
Description	Code				
1	2	3	4	5	6
Reserves formed as required by law: Reserve fund					
previous year	3069				
reporting year	3070				
Reserves formed as required by incorporation documents: Reserve fund					
previous year	3072	5,299			5,299
reporting year	3073	5,299			5,299
Revaluation provisions:					
previous year	3074	366,468	959,600	430,468	895,600
reporting year	3075	895,600	464,567	98,897	1,261,270
Reserves for deferred expenses:					
previous year	3076		1,366,355	1,154,209	212,146
reporting year	3077	212,146	2,646,996	550,110	2,309,032

References	Code	At beginning of reporting year		At end of reporting year	
Description		3		4	
1	2	3		4	
1) Net assets	3078	436,154,588		560,511,013	
		from the budget		from non-budgetary funds	
		reporting year	previous year	reporting year	previous year
		3	4	5	6
2) Received for: financing of ordinary activities - total	3079				
including:	3080				
capital investments in non-current assets	3081				
including:	3082				

President Sergey Bogdanchikov

Chief Accountant Sun Ne Kim

February 13, 2009

Cash Flow Statement

for 2008		Codes
Form 4	no OKUD	0710004
Company: OJSC Rosneft Oil Company	OKPO	00044428
Taxpayer Identification Number:	INN	7706107510
Area of activity: Industry	OKVED	11.10.11
Legal status/ownership: Open Joint Stock Company	OKOPF/ OKFS	47/12
Stated in: RUB thousand	OKEI	384

Item	Code	Reporting period	Corresponding previous period
1	2	3	4
Opening cash balance	4010	6,009,089	3,503,315
Cash flow from operating activities, including:	4020	3,545,549,197	2,963,570,551
Trading cash flow	4030	1,848,787,602	1,104,975,956
Other proceeds	4040	1,696,761,595	1,858,594,595
Cash used in operating activities, including:	4050	(3,284,482,035)	(2,640,235,448)
Acquisition of goods, work, services, raw materials and other current assets	4060	(1,035,123,676)	(736,044,541)
Payroll	4070	(3,461,950)	(3,633,816)
Dividends and interest paid	4080	(34,223,142)	(35,611,045)
Taxes and levies paid	4090	(359,324,084)	(293,066,097)
Other expenses	4100	(1,852,349,183)	(1,571,879,949)
Net operating cash flow	4110	261,067,162	323,335,103
Cash flow from investing activities, including:	4120	1,737,224,886	2,344,337,625
Sale of fixed assets and other non-current assets	4130	1,293,145	947,038
Sale of securities and other financial investments	4140	1,621,799,623	2,215,672,211
Dividends received	4150	2,967,124	963,211
Interest received	4160	2,176,617	849,318
Repayment of loans granted	4170	108,985,982	109,672,674
Other	4180	2,395	16,233,173
Cash used in investing activities, including:	4190	(2,111,030,918)	(2,776,804,699)
Acquisition of subsidiaries	4200	(2,974,485)	(28,456,285)
Acquisition of fixed assets, income-bearing investments in tangible assets, and intangible assets	4210	(108,022,765)	(95,755,222)
Acquisition of securities and financial investments	4220	(1,627,951,634)	(2,212,994,241)
Loans granted	4230	(370,934,624)	(438,594,990)
Other	4240	(1,147,410)	(1,003,961)
Net investing cash flow	4250	(373,806,032)	(432,467,074)
Cash flow from financing activities, including:	4260	614,297,996	801,106,705
Issues of shares and other securities	4270		
Proceeds from borrowings granted	4280	153,720,635	113,077,337
Proceeds from loans granted	4290	459,671,600	687,864,368
Other	4300	905,761	165,000
Cash used in financing activities, including:	4310	(480,979,260)	(689,468,946)
Repayment of borrowings (net of interest)	4320	(97,008,612)	(46,280,083)
Repayment of loans (net of interest)	4330	(383,425,361)	(631,626,341)
Repayment of financial lease liabilities	4340		
Other	4350	(545,287)	(11,562,522)
Net financing cash flow	4360	133,318,736	111,637,759
Net increase (decrease) in cash and cash equivalents	4370	20,579,866	2,505,788
Closing cash balance	4380	26,588,955	6,009,103
FOREX effect	4381	148,451	(53,666)

President Sergey Bogdanchikov

Chief Accountant Sun Ne Kim

February 13, 2009

Supplement to Balance Sheet

for 2008		Codes	
Form 5	OKUD	0710005	
Company: OJSC Rosneft Oil Company	OKPO	00044428	
Taxpayer Identification Number:	INN	7706107510	
Area of activity: Industry	OKVED	11.10.11 23.20 11.10.2 60.30.11 51.70	74.14
Legal status/ownership: Open Joint Stock Company	OKOPF/ OKFS	47	12
Stated in: RUB thousand	OKEI	384/385	

Intangible Assets

Item		Opening balance	Addition	Disposal	Closing balance
Description	Code				
1	2	3	4	5	6
Intellectual property (exclusive rights to intellectual property)	5100	2,012	6,305	(1,161)	7,156
including:					
inventions, designs, utility models	5101	145	5,363	(141)	5,367
software, databases	5102		858		858
integrated circuit topography	5103				
trademarks, service marks, appellations of origin	5104	1,867	84	(1,020)	931
selection patents	5105				
Administrative expenses	5106				
Goodwill	5107				
Other	5108	3,763,226	554	(776)	3,763,004

Item		Opening balance	Closing balance
Description	Code		
1	2	3	4
Amortization of intangible assets - total	5109	445,268	592,449
including:			
(exclusive rights to intellectual property)	5110	110	258

Fixed Assets

Item		Opening balance	Addition	Disposal	Closing balance
Description	Code				
1	2	3	4	5	6
Buildings	5113	20,503,207	2,165,864	(437,882)	22,231,189
Structures and utilities	5114	220,145,464	54,313,577	(438,671)	274,020,370
Machinery and equipment	5115	33,117,081	11,613,380	(3,772,594)	40,957,867
Vehicle fleet	5116	3,845,054	48,737	(71,804)	3,821,987
Fixtures and fittings	5117	761,001	31,657	(71,239)	721,419
Draft livestock	5118			()	
Productive livestock	5119			()	
Perennial plants	5120			()	
Other fixed assets	5121	71,855	2,694	(4,030)	70,519
Land plots and natural resource management facilities	5122	461,721	513	(1,923)	460,311
Capital investments in land reclamation	5123			()	
Total	5124	278,905,383	68,176,422	(4,798,143)	342,283,662

Item		Opening balance	Closing balance
Description	Code		
1	2	3	4
Depreciation of fixed assets - total	5125	82,101,262	99,806,971
including:			
buildings and structures	5126	68,103,266	85,122,882
machinery, equipment, vehicle fleet	5127	13,567,918	14,199,686
other	5128	430,078	484,403
Leased-out fixed assets - total	5129	241,612,215	300,708,955
including:			
buildings	5130	15,382,030	17,518,974
structures	5131	198,118,907	249,582,627
Mothballed fixed assets	5132	12,504,640	15,630,108
Leased fixed assets - total	5133	10,265,073	46,034,646
including:			
lease			
Commissioned real property in process of state registration	5134	12,665,958	4,399,099
For reference			
Effect from fixed assets revaluation	5135		
historical (replacement) cost	5136		
depreciation	5137		
Change in fixed assets value resulting from construction, installation of equipment, modernization, and partial liquidation	5138	4,463,493	3,808,203

Income-Bearing Investments in Tangible Assets

Item		Opening balance	Addition	Disposal	Closing balance
Description	Code				
1	2	3	4	5	6
Property to be leased out	5139				
Property to be transferred under rental arrangements	5140				
Other	5141				
Total	5142				
Depreciation of income-bearing investments in tangible assets	5143				

Expenses Associated with R&D and Engineering Activities

Item		Opening balance	Addition	Disposal	Closing balance
Description	Code				
1	2	3	4	5	6
Total	5144			()	
including:				()	

For reference		Code	At beginning	At end
Expenses associated with R&D and engineering in progress		5145	13,347	35,254
		Code	Reporting year	Previous year
Expenses attributable to unsuccessful R&D and engineering (non-operating expenses)		5146		

Expenses Associated with Natural Resources Exploration and Development

Item		Opening balance	Addition	Disposal	Closing balance
Description	Code				
1	2	3	4	5	6
Exploration expenses - total	5147	35,517,555	8,580,664	(6,004,876)	38,093,343
including:					
Exploration activities		8,275,654	5,018,961	(4,679,366)	8,615,249
Exploration assets		27,241,901	3,561,703	(1,325,510)	29,478,094

For reference	Code	At beginning	At end
	2	3	4
Expenses associated with exploration in progress (prospecting and appraisal, exploration and/or hydrogeological surveying, and other related activities)	5148	8,275,654	8,615,249
Expenses attributable to unsuccessful exploration and development (non-operating expenses)	5149	820,368	833,892

Financial Investments

Item		Long-term		Short-term	
Description	Code	opening balance	closing balance	opening balance	closing balance
1	2	3	4	5	6
Interests in charter (share) capital of other entities - total	5150	97,797,671	99,800,449	102,401	102,401
including subsidiaries	5151	88,362,644	89,881,370		
affiliates	5152	9,116,450	9,497,326		
other entities	5153	318,577	421,753	102,401	102,401
State and municipal securities	5154	1,013			
Securities of other entities - total	5155	119,098	135,680	2,058,197	17,463,702
including shares	5156				
bonds	5157				
promissory notes	5158	119,098	135,680	2,058,197	17,463,702
Loans given	5159	398,111,159	453,592,424	19,808,239	225,751,443
Deposits	5160			9,257,760	3,063,156
Investments in joint ventures	5161	487,891	487,891		
Other	5162			3,531,848	3,484,414
Total	5163	496,516,832	554,016,444	34,758,445	249,865,116
Including financial investments that have public measures of market value: Interests in charter (share) capital of other entities - total	5164				
including subsidiaries and affiliates	5165				
State and municipal securities	5166				
Securities of other entities - total	5167				
including debt securities (bonds, promissory notes)	5168				
Other	5169				
Total	5170				
For reference					
Effect of value adjustment to financial investments that have public measures of market value	5171				
Difference between acquisition cost and par value of debt securities posted to financial results in the reporting period	5172				

Accounts Receivable and Payable

Item		Opening balance	Closing balance
Description	Code		
1	2	3	4
Accounts receivable:			
short-term-total	5173	201,594,145	148,097,302
including:			
trade receivables	5174	83,990,362	45,587,529
advances given	5175	13,421,284	31,186,017
other	5176	104,182,499	71,323,756
long-term - total	5177	497,455	890,218
including:			
trade receivables	5178		
advances given	5179		

Item		Opening balance	Closing balance
Description	Code		
other	5180	497,455	890,218
Total	5181	202,091,600	148,987,520
Accounts payable:			
short-term - total	5182	287,221,097	280,278,814
including:			
trade payables	5183	31,241,084	43,552,497
advances received	5184	7,341,321	7,650,296
taxes and levies payable	5185	34,072,741	9,358,122
loans	5186	105,205,063	58,187,349
borrowings	5187	75,959,252	101,149,029
other	5188	33,401,636	60,381,521
long-term - total	5189	328,396,368	516,009,024
including:			
loans	5190	248,367,252	441,201,026
borrowings	5191	37,600,132	22,017,161
other	5192	42,428,984	52,790,837
Total	5193	615,617,465	796,287,838

Operating Expenses (by Items)

Item		Reporting year	Previous year
Description	Code		
1	2	3	4
Materials	5194	515,590,374	389,754,950
Payroll	5195	3,319,117	2,682,056
Social charges	5196	231,313	192,757
Depreciation and amortization	5197	20,725,875	15,475,096
Other	5198	205,153,309	152,926,922
Total	5199	745,019,988	561,031,781
Changes in balances (increase [+], decrease [-]): work in progress	5200	(202,179)	2,466,367
deferred expenses	5201	433,699	293,103
reserves for deferred expenses	5202	2,096,887	(212,145)

Collateral

Item		Reporting year	Previous year
Description	Code		
1	2	3	4
Received - total	5203	476,664,167	948,707
including:			
promissory notes	5204	476,645,095	937,948
Property held in pledge	5205		
including:			
fixed assets	5206		
securities and other financial investments	5207		
other	5208		
Given - total	5209	272,466,591	72,900,990
including:			
promissory notes	5210	6,000	
Pledged property	5211		
including:			
fixed assets	5212		
securities and other financial investments	5213		
other	5214		

Funds Received from the State

Item		Reporting year		Previous year	
Description	Code				
1	2	3		4	
Funds received from the budget in the reporting year - total	5215				
including:					
		opening balance	received in reporting period	repaid in reporting period	closing balance
Budget loans - total	5216				
including:					

President Sergey Bogdanchikov

Chief Accountant Sun Ne Kim

February 13, 2009

Notes to Financial (Accounting) Statements of OJSC Rosneft Oil Company for 2008

The present Notes are integral part of financial (accounting) statements of OJSC Rosneft Oil Company (hereinafter also referred to as the 'Company') for 2008, prepared in accordance with effective legislation of the Russian Federation.

1. Form of Incorporation and Area of Activity

Open Joint-Stock Company 'Rosneft Oil Company' is a legal entity operating on the basis the Company Charter and applicable legislation of the Russian Federation. The Company was established by Order of the President of the Russian Federation No. 327 dated April 1, 1995, 'On Priority Measures for Improvement of Activities of Oil Companies', and by Decree of the Government of the Russian Federation No. 971 dated September 29, 1995, 'On Reorganization of State Enterprise Rosneft into Open Joint-Stock Company 'Rosneft Oil Company'.

Company Legal Address: 26/1 Sofiyskaya Embankment, Moscow 115035, Russia

Company Executive and Control Bodies

General management of the Company, except for matters reserved to the General Shareholders Meeting in accordance with applicable Russian legislation and the Company's Charter, is performed by the Board of Directors of OJSC Rosneft Oil Company.

Members of Rosneft Board of Directors are elected by the General Shareholders Meeting until the close of the next Annual General Shareholders Meeting.

Rosneft Board of Directors in office from January 1, 2008 through June 5, 2008 (elected by Rosneft General Shareholders Meeting on June 30, 2007, Minutes unnumbered)¹:

Igor Ivanovich Sechin	Chairman of Rosneft Board of Directors – Deputy Prime Minister of Russia
Sergey Evgenievich Naryshkin	Deputy Chairman of Rosneft Board of Directors – Head of Russian President's Executive Office
Gleb Sergeevich Nikitin	Deputy Chairman of Rosneft Board of Directors – Deputy Head of Federal Agency for State Property Management
Kirill Gennadievich Androsov	Member of Rosneft Board of Directors – Deputy Chief of Staff at the Russian Cabinet of Ministers
Sergey Mikhailovich Bogdanchikov	Member of Rosneft Board of Directors – Chairman of the Management Board and President of Rosneft
Andrey Leonidovich Kostin	Member of Rosneft Board of Directors – President – Chairman of the Management Board of VTB
Alexander Dmitrievich Nekipelov	Member of Rosneft Board of Directors – Vice President of the Russian Academy of Sciences
Andrey Georgievich Reus	Member of Rosneft Board of Directors – General Director of OJSC OBORONPROM
Hans-Joerg Rudloff	Member of Rosneft Board of Directors – Chairman of the Board of Barclays Capital

Rosneft Board of Directors in office from June 5, 2008 through December 31, 2008 (elected by Rosneft General Shareholders Meeting on June 5, 2008, Minutes unnumbered):

Igor Ivanovich Sechin	Chairman of Rosneft Board of Directors – Deputy Prime Minister of Russia
Sergey Evgenievich Naryshkin	Deputy Chairman of Rosneft Board of Directors – Head of Russian President's Executive Office
Gleb Sergeevich Nikitin	Deputy Chairman of Rosneft Board of Directors – Deputy Head of Federal Agency for State Property Management
Sergey Mikhailovich Bogdanchikov	Member of Rosneft Board of Directors – Chairman of the Management Board and President of Rosneft
Andrey Leonidovich Kostin	Member of Rosneft Board of Directors – President - Chairman of the Management Board of VTB
Alexander Dmitrievich Nekipelov	Member of Rosneft Board of Directors – Vice President of the Russian Academy of Sciences

¹Positions of the Board members are stated as of the date of expiration of their term on the Board (June 5, 2008).

Yury Alexandrovich Petrov	Member of Rosneft Board of Directors – Head of Federal Agency for State Property Management
Andrey Georgievich Reus	Member of Rosneft Board of Directors – General Director of OJSC OBORONPROM
Hans-Joerg Rudloff	Member of Rosneft Board of Directors – Chairman of the Board of Barclays Capital

In accordance with the Company Regulation on the Board of Directors, members of Rosneft Board of Directors are entitled to remuneration for their service on the Board. Amounts of Board remuneration are determined by the Company Annual General Shareholders Meeting based on Rosneft performance in a given year.

On June 5, 2008, Rosneft Annual General Shareholders Meeting established the following remuneration to independent members of the Company Board of Directors for 2007, which was paid in 2008:

- Andrey Kostin – USD 200 thousand
- Alexander Nekipelov – USD 185 thousand
- Hans-Joerg Rudloff – USD 200 thousand

Members of Rosneft Board of Directors, who are government officials, are not remunerated for their service on the Board of Directors.

Company Sole Executive Body

Sergey Mikhailovich Bogdanchikov President of Rosneft

Composition of Rosneft Management Board:

Sergey Mikhailovich Bogdanchikov	President and Chairman of the Management Board of Rosneft
Sergey Ivanovich Kudryashov	First Vice President
Larisa Vyacheslavovna Kalanda	Vice President
Sergey Vasilievich Karaganov	Vice President
Sergey Igorevich Makarov	Vice President
Sun Ne Kim	Chief Accountant
Peter Lloyd O'Brien	Vice President for Finance and Investments
Rizo Sharipovich Tursunov	Vice President

The members of Rosneft's Management Board receive salaries as stipulated by the respective labor contracts, and are not entitled to additional remuneration for their service on the Management Board.

There were several changes in composition of the Company's Management Board during 2008. At a meeting on October 18, 2008 (Minutes No. 5), the Board of Directors approved early termination of the contracts of Anatoly Baranovsky (relieved of his duties from July 25, 2008 due to retirement) and Stepan Zemlyuk (relieved of his duties from September 12, 2008 by mutual agreement). At the same meeting, the Board of Directors selected Company Vice Presidents, Larisa Kalanda and Sergey Makarov, for inclusion in the Management Board.

Information on the Company's executive bodies is presented as of December 31, 2008.

Composition of Rosneft Internal Audit Commission:

Sergey Igorevich Zhuravlev	Representative of Federal Agency for State Property Management
Andrey Nikolaevich Kobzev	Head of Analytical Department of Federal Agency for State Property Management
Dmitry Sergeevich Logunov	Deputy Head of Corporate and Property Relations Department of Federal Agency for State Property Management
Viktoria Vladimirovna Oseledko	Deputy Head of a Department, the Russian Ministry of Industry and Trade
Andrey Sergeevich Fomin	General Director of LLC Athome

Information on the Company Internal Audit Commission is presented as of December 31, 2008, in accordance with the respective decision of Rosneft Annual General Shareholders Meeting, Minutes as of June 5, 2008.

Charter Capital

Rosneft shareholder structure as of December 31, 2008:

- OJSC Rosneftgaz held 7,965,816,383 ordinary shares of the Company equal to 75.16% of Rosneft's total ordinary shares and charter capital.
- The Russian Federation as represented by the Federal Agency for State Property Management held 1 ordinary share of the Company equal to 0.000000009% of Rosneft's total ordinary shares and charter capital.
- Joint-Stock Commercial Savings Bank of Russia was the nominal holder of 1,231,927,170 ordinary shares of the Company equal to 11.62% of Rosneft's total ordinary shares and charter capital.

- LLC RN-Razvitie held 505,066,240 ordinary shares of the Company equal to 4.77% of Rosneft's total ordinary shares and charter capital.
- Linden Capital Limited held 494,933,760 ordinary shares of the Company equal to 4.67% of Rosneft's total ordinary shares and charter capital.
- Nonprofit Partnership National Depository Center was the nominal holder of 260,639,986 ordinary shares of Rosneft equal to 2.46% of Rosneft's total ordinary shares and charter capital.
- Legal entities with stakes of under 1% each were holders and nominal holders of 80,470,224 ordinary shares of the Company equal to 0.76% of Rosneft's total ordinary shares and charter capital.
- Individuals held 59,324,053 ordinary shares of the Company equal to 0.56% of Rosneft's total ordinary shares and charter capital.

Company Activities

As stipulated in Item 3.4 of the Charter of OJSC Rosneft Oil Company, the Company's businesses are: prospecting, exploration, production, and processing of oil, gas and gas condensate, as well as sale of oil, gas and gas condensate and petroleum products in the Russian Federation and in the international market, together with various ancillary businesses and activities associated with precious metals and gemstones.

The Company pursues the following core activities (the list is not exhaustive):

a) geological prospecting and exploration for discovery of oil, gas, coal and other mineral resources; production, transportation and processing of oil, gas, coal and other mineral resources and of timber; production of petroleum products, petrochemicals and other outputs, including electricity, wood-processing products, and consumer goods and services; storage and sale (including sale on domestic and export markets) of oil, gas, petroleum products, coal, electricity, wood-processing products, and other products obtained by processing of hydrocarbons and other raw materials.

These businesses are pursued both directly by the Company and (through coordination and cooperation) by its subsidiaries and dependent companies.

b) investment business, including operations with securities.

c) execution of orders for federal government needs and for regional consumers of outputs, produced by the Company and by its subsidiaries and dependent companies, including deliveries of oil, gas and petroleum products to regions where they have operations.

d) investment management, construction, and engineering, technical and service support for exploration, production, refining and marketing projects, R&D, procurement and marketing, economic, international trading and legal support for business of the Company, of its subsidiaries and dependent companies and of customers. Study of the state of markets for goods, services and securities, as well as conduct of research, and sociological and other works. Regulation and coordination of the business of subsidiaries and dependent companies.

e) leasing of real estate and other property, use of leased property.

f) support for the interests of the Russian Federation in preparation and implementation of production sharing agreements with respect to mineral resource blocks and hydrocarbon fields.

g) organization of advertising and publishing activities, exhibitions, shows, auctions, etc.

h) mediation, consulting, marketing and other forms of activity, as well as foreign trade activity (including import-export operations), works and services on a contract basis.

i) ensuring protection of Company employees and property.

j) use of precious metals and gemstones in technical processes (as materials and as parts of equipment).

k) preparation and holding of events related to mobilization, civil defense, and protection of information, which is classified as a state secret.

List of Rosneft's Subsidiaries and Dependent Companies

The following table presents a list of Rosneft's subsidiaries and dependent companies specifying Rosneft's respective shares in charter capital and voting stock.

Company	Rosneft's share	
	% of charter capital	% of voting stock
Production		
LLC RN-Severnaya Neft	100.00	
LLC RN-Yuganskneftegaz	100.00	
LLC RN-Krasnodarneftegaz	100.00	
LLC RN-Purneftegaz	100.00	
LLC RN-Stavropolneftegaz	100.00	
LLC RN-Sakhalinmorneftegaz	100.00	
OJSC Rosneft Oil Company – Dagneft	68.70	91.60
OJSC Grozneftegaz	51.00	51.00
LLC Polar Lights Company	50.00	
OJSC Dagneftegaz	40.00	40.00
OJSC Verkhnechonskneftegaz	25.94	25.94

Company	Rosneft's share	
	% of charter capital	% of voting stock
Refining		
LLC RN – Tuapse Refinery	100.00	
LLC RN – Komsomolsk Refinery	100.00	
LLC RN – Primorsk Refinery	100.00	
OJSC Rosneft Oil Company – MZ Nefteprodukt	65.42	87.23
Marketing		
LLC RN-Nakhodkanefteprodukt	100.00	
LLC RN-Arkhangelsknefteprodukt	100.00	
LLC RN-Tuapsenefteprodukt	100.00	
LLC RN-Vostoknefteprodukt	100.00	
OJSC Rosneft Oil Company – Stavropolie	100.00	100.00
LLC RN-Bunker	100.00	
LLC RN-Kemerovonefteprodukt	100.00	
LLC RN-Krasnoyarsknefteprodukt	100.00	
LLC RN-Novosibirsknefteprodukt	100.00	
LLC RN-Chechennefteprodukt	100.00	
LLC RN-Yekaterinburgnefteprodukt	100.00	
LLC RN-Chelyabinsknefteprodukt	100.00	
LLC RN-Aero	100.00	
OJSC Nakhodka Oil Loading and Trade Port	100.00	100.00
OJSC Rosneft Oil Company – Kubanefteprodukt	89.50	96.61
OJSC Rosneft Oil Company – Kabardino-Balkarian Fuel Company	88.66	92.91
OJSC Rosneft Oil Company – Kurgannefteprodukt	83.32	90.33
OJSC Rosneft Oil Company – Karachaevo-Cherkessknefteprodukt	85.99	87.46
OJSC Rosneft Oil Company – Smolensknefteprodukt	66.67	86.97
OJSC Rosneft Oil Company – Altainefteprodukt	64.18	78.59
OJSC Rosneft Oil Company – Yamalnefteprodukt	49.52	66.03
OJSC Rosneft Oil Company – Murmansknefteprodukt	45.38	60.51
OJSC Rosneft Oil Company – ARTAG	38.00	50.67
LLC Yu-Kuban	49.00	
Other		
Sakhalin projects		
CJSC RN-Shelf Far East	100.00	100.00
CJSC Vostokshelf	100.00	100.00
West Kamchatka Holding B.V.	60.00	60.00
LLC RN-Kaiganneftegaz	100.00	
CJSC RN-Astra	100.00	100.00
LLC East-Schmidt Invest	99.00	
LLC West-Schmidt Invest	99.00	
OJSC Rosneft-Sakhalin	55.00	55.00
Foreign projects		
LLC Rosneft International Ltd	100.00	100.00
LLC RN-Kazakhstan	99.996	
LLC Rosneft Shell Caspian Ventures Ltd	51.00	51.00
LLC National Petroleum Consortium	100.00	
Services		
LLC RN-Burenie	100.00	
LLC RN-Service	22.5855	
LLC RN-Energo	100.00	
LLC RN-Pozharnaya Bezopasnost	100.00	
LLC RN-Dubininskoye	100.00	
LLC Yukos-Mamontovo	100.00	100.00
LLC RN-Inform	100.00	
LLC RN-Uchet	100.00	
LLC RN-Stroi	100.00	
LLC RN-Zdorovie	100.00	
OJSC Purnefteotdacha	61.54	61.54
LLC Private security firm RN-Okhrana	80.00	
LLC Komsomolskneftezavodremstroi	100.00	
LLC KNPZ-Service	100.00	

Company	Rosneft's share	
	% of charter capital	% of voting stock
Finance		
OJSC Russian Regional Development Bank	76.47	76.47
LLC Okhabank	33.40	
Research and development		
LLC SakhalinNIPImorneft	100.00	
LLC RN-UfaNIPIneft	100.00	
LLC Rosneft Oil Company – NTC	100.00	
LLC RN-KrasnoyarskNIPIneft	100.00	
Logistics and transport		
LLC RN-Trade	99.9999	
LLC Rosneft-Mongolia	100.00	
CJSC Rosnefteflot	51.00	51.00
OJSC Moscow Gas Company	50.00	50.00
LLC Pipeline consortium Burgas – Alexandroupolis	33.33	
Other		
CJSC Sakhalinmorneftegaz-Shelf	100.00	100.00
CJSC Sakhalinmorneftegaz-AMK	100.00	100.00
CJSC Ordalia 2000	100.00	100.00
LLC FTT Service	100.00	
LLC Private security firm SKB	100.00	
LLC Private security firm Granit	100.00	
LLC Accounting and Reporting	100.00	
OJSC Okha Cogeneration Plant	94.01	94.01
LLC Val Shatskogo	85.86	
LLC Vostok-Energy	51.00	
LLC Pursatcom	49.00	
CJSC Rosshelf	26.42	26.42
CJSC Publishing house Neftyanoe Khozyaistvo	25.00	25.00
CJSC Ros&Neft	25.00	25.00
LLC Neftyanik Kubany Resort	87.85	
LLC Private security firm KNPZ-Strazh	100.00	
CJSC Eastern Oil Loading Terminal	100.00	100.00

2. Company Production Indicators

The Company produced 84.903 mln tonnes of oil in 2008, which is 4.345 mln tonnes (5.4%) more than in the previous year.

In 2008, revenue from sale of products, works and services (excluding VAT and customs duties) increased by 24% (RUB 191,874 mln) compared with 2007.

The Company's income from sale of products, works and services in 2008 was RUB 263,158 mln, representing an increase of 3.1% from RUB 255,272 mln in 2007.

Crude throughput in 2008 was 40.4 mln tonnes, which is 6.0 mln tonnes (17.4%) more than in 2007, and included 39.1 mln tonnes processed at main refineries and 0.4 mln tonnes at mini-refineries.

The Company sold 37.03 mln tonnes of its own petroleum products, including 20.91 mln tonnes of exports. Respective increases compared with 2007 were 5.28 mln tonnes (16.6%) and 4.09 mln tonnes (24.32%). Sales on the domestic market, including sales to the Company's marketing subsidiaries, rose by 9.5% from 14.92 mln tonnes in 2007 to 16.34 mln tonnes in 2008.

Two licenses for prospecting, exploration, and production of hydrocarbons were obtained in 2008, at the South-Teplovksy block in Nefteyugansk Area of Khanty-Mansiysk Autonomous District (Yugra), which is part of Tyumen Region, and at the Umotkinsky block in Irkutsk Region.

Average headcount of Rosneft employees in 2008 was 1,515.

3. Reporting Methodology

Rosneft's accounting statements were prepared in accordance with relevant legislation of the Russian Federation and the Company's accounting regulations.

4. Changes to Opening Balances in 2008 Accounts

To ensure comparability of accounting results after changes in accounting policy, some adjustments were made to opening sums on balance sheet accounts:

- Capital expenditures on exploration and R&D were moved from Line 150, 'Other Non-Current Assets', to Line 130, 'Construction in Progress'

- Taxes and levies payable are reflected as part of accounts receivable and payable, where they are referred to various government budget levels as appropriate:

(RUB thousand)

Assets	As of 31.12.2007	Changes	As of 01.01.2008
130 construction in progress	45,808,663	+8,289,002	54,097,665
150 other non-current assets	9,175,092	-8,289,002	886,090
240 accounts receivable	208,116,386	-6,522,241	201,594,145
Total:		-6,522,241	
Liabilities			
620 accounts payable, incl.	109,353,861	-6,522,241	102,831,620
625 payables to state non-budgetary funds	1,506	-1,506	-
626 taxes and levies payable	40,593,476	-6,520,735	34,072,741
Total:		-6,522,241	

5. Company's Accounting Policy

The Company's accounting policy is based on the principles established by Accounting Regulation 1/98, 'On Accounting Policy of Organizations', approved by Order of the Ministry of Finance of the Russian Federation No. 60n dated December 9, 1998:

- standalone accounting, which means that an enterprise assets and liabilities are recorded separately from assets and liabilities of other enterprises
- continuity of business operations
- consistent application of accounting policy
- accrual-based accounting.

Major Principles of Rosneft's Accounting Policy in 2008

1. Fixed assets consist of assets, which are intended for use in production of outputs, execution of works, provision of services, or for management needs, and which are intended to serve in that capacity for a period of more than 12 months.

In compliance with Accounting Regulation 6/01, 'Accounting of Fixed Assets', approved by Russian Ministry of Finance Order No. 26n, dated March 30, 2001 (as amended on November 27, 2006), fixed assets are shown in financial accounts at historical (replacement) cost, net of accrued depreciation.

An asset is recognized in financial accounts as a fixed asset from the date, when it is ready to be commissioned. In obedience to the 'substance-over-form' principle, assets, which have been built and are actually in use, are also reflected in accounts as capital assets, regardless of whether documents have been submitted for their state registration.

Straight-line depreciation is used, except for vehicles recorded before January 1, 2002, value of which is depreciated per 1,000 m on the clock as a percentage of cost (in compliance with Resolution No. 1072 of the USSR Council of Ministers, dated October 22, 1990).

Fixed assets, consumer properties of which do not change over time (land plots, natural resources, etc.), are not subject to depreciation. Assets of the Company's housing stock (apartment blocks, hostels, apartments, etc.) and outdoor amenities, which were recorded before January 1, 2007, are not subject to depreciation, except in cases where housing stock assets are used to generate income. Standard depreciation is applied to housing stock assets and outdoor amenities recorded starting from January 1, 2007.

Income-bearing investments in tangible assets are reflected in Line 120, 'Fixed Assets'.

Fixed asset inventories are recorded in book-keeping and in accounts as part of fixed assets, and are subject to standard depreciation.

2. Intangible assets are accounted in book-keeping at historical cost, defined in accordance with Accounting Regulation 14/2007, 'Accounting of Intangible Assets', approved by Russian Ministry of Finance Order No. 153n (December 27, 2007). Revaluation of intangible assets is not carried out. Historical cost of intangible assets is amortized in a straight-line manner over their standard useful lives, as defined by law. If standard useful lives are not established by law, they are defined by an expert commission. Composition of the expert commission is decided and approved by the Company CEO.

Licenses for use of subsurface resources in a mineral block and for extraction of minerals are reflected in Company books and financial accounts as intangible assets.

Amortization is not applied to intangible assets, useful lives of which cannot be determined.

3. Exploration assets are accounted as non-current assets on Account 06, 'Exploration Assets'. Cost of exploration assets is amortized.

Exploration assets in geographical areas where oil & gas production has begun are amortized proportionally to production of oil & gas, starting from the month following the month when the relevant asset was included in book-keeping. The period of amortization for exploration licenses is equal to the license period, while for design documents it is equal to the period of validity of a design document, and for other exploration assets the amortization period is three years.

At the stage of commercial production, all spending on field exploration (except for exploration drilling and design documents) is treated as normal business costs and included in cost of oil & gas production.

Payments associated with socio-economic development of regions where the Company operates, stipulated by terms of exploration & production licenses, are reflected as administrative costs.

- Inventories are booked at actual cost less VAT and other recoverable taxes (except for cases stipulated in Russian law).

Cost of inventories when they are disposed is depreciated as follows:

- oil, petroleum products, construction materials, equipment, spare parts, fuel, containers, fixtures and fittings, tools, and other items are depreciated at cost per unit of inventory ('unit' is equivalent to 'consignment')
- semi-products made by the Company are depreciated at average cost for all inventory
- oil & gas produced by the Company is depreciated at average cost for all operators.

In accordance with prudential requirements, the Company uses revaluation provisions when reflecting decline in value of inventory in financial accounts.

Provisions for decline in value of inventory are made at the end of the accounting year, with respect to specific types of inventory and (or) analogous or associated inventory types, current (market) value of which declined during the accounting year for any reason.

- Financial investments are initially valued as equal to the amounts actually spent. Subsequently, all financial investments, which have public measures of market value, are reappraised at market value, and financial investments, which do not have public measures of market value, are not reappraised, but are tested for impairment.

At the time of their disposal, any assets, which were booked as financial investments, and which have public measures of market value, are appraised by the Company using the latest valuation.

Financial investments, which do not have public measures of market value, are appraised at the time of their disposal as follows:

- contributions to charter (share) capital of other organizations (except shares of joint stock companies), loans extended to other organizations, deposits with credit organizations, accounts receivable that are received through assignment of claims, and other financial investments are appraised at their initial value per unit disposed of
- shares of joint stock companies, which do not have public measures of market value, are appraised at their average-weighted initial value.

Change in value of subsidiaries shares, which have public measures of market value, is reflected in book-keeping and financial accounts at current market value, and any surplus is referred to surplus capital, unless sale or other disposal of the shares is foreseen in a period exceeding 12 months from the accounting date.

Non-income-bearing investments made within Rosneft Group of Companies for purposes of production development and to generate indirect economic gain for the Company through strengthening of the overall financial position of the Group are treated in book-keeping as financial investments.

- Accounts receivable and payable are reflected in book-keeping and financial accounts in accordance with terms of relevant agreements. Long-term receivables and payables are not transferred to short-term.

Doubtful debt provisions are created against settlement with other companies and individuals for production, goods, works and services, advances extended and other accounts receivable, and such provisions are included in financial results as part of other costs.

- Loans and borrowings are reflected in book-keeping and financial accounts in accordance with terms of relevant agreements. Transfer of long-term debt to short-term is not carried out.

Interest payable on loans and borrowings is accrued monthly.

- Revenue from sale of products, works and services is reflected in accounts at the time of product delivery, works execution or service performance and at the time when customers are invoiced.

- The Company uses direct costing, so that administrative costs are fully written down to sales accounting. i.e., they are fully recognized in the accounting period, and are not divided between production in progress and inventory.

Sales costs are divided between products (goods) sold, products shipped but not sold, and warehouse inventory.

- Use of profit is reflected in book-keeping and financial accounts in the year following the accounting year, in compliance with a decision of the Shareholders Meeting. Use of this profit for capital investments does not reduce the total amount in the Line, 'Retained Earnings'.

- Constant and temporary differences between book-keeping profit and taxable profit for the accounting period are reflected in book-keeping accounts. Temporary and constant differences, calculated through comparison of book-keeping and tax accounts by revenue and expense items, lead to formation of 'Constant Tax Liabilities and Assets' and 'Deferred Tax Liabilities and Assets'.

Information Concerning Changes to Accounting Policy, Introduced on January 1, 2009

- Provisions are to be made against impairment of intra-group financial investments, and against doubtful debt. No provisions for impairment of intra-group financial investments and doubtful receivables were made in 2008.
- Debt is to be transferred from long-term to short-term when settlement is due in less than 365 days. Such transfer of debt was not envisaged in the accounting policy for 2008.
- Inventory of real estate is to be carried out at least once every two years. Annual inventory of real estate was included in the accounting policy for 2008.
- Provisions are to be made against impairment of intangible assets. No provisions against impairment of intangible assets were made in 2008.

6. Fixed Assets and Construction in Progress

- Fixed assets include buildings, structures, machinery, equipment, measurement and control devices, computer equipment, transport vehicles, tools, fixtures and fittings, etc. The fixed assets owned by the Company also include land plots and natural resources

management facilities. In determining of the structure and groups of fixed assets, the Company applies the Russian Fixed Assets Classification approved by Decree of State Committee of the Russian Federation for Standardization, Methodology and Certification No. 359 dated December 26, 1994.

For purposes of statutory accounting, Rosneft uses the straight-line depreciation method:

- fixed assets put in operation prior to January 1, 2002 are depreciated at rates established by Decree of the Council of Ministers of the USSR No. 1072 dated October 22, 1990
- fixed assets put in operation after January 1, 2002 are depreciated at rates determined on the basis of standard useful lives established by Decree of the Government of the Russian Federation No. 1 dated January 1, 2002.

Standard useful lives for key fixed asset groups:

- Buildings	30–100 years
- Structures	10–15 years
- Machinery and equipment	5–7 years

Fixed assets are reflected on the balance sheet at residual value.

No further revaluation of fixed assets is carried out following completion of their compulsory revaluations, which are carried out on the basis of resolutions of the Government of the Russian Federation.

No revaluation of fixed assets was carried out in the accounting year.

Information on fixed assets during the accounting year:

(RUB thousand)

Asset group	Historical (replacement) cost as of 01.01.08	Depreciation as of 01.01.08	Historical (replacement) cost as of 31.12.08	Depreciation as of 31.12.08
Buildings and structures	240,648,671	68,103,266	296,251,559	85,122,882
including assets pending title registration	72,671,108	14,025,199	74,850,663	15,490,764
including assets pending acceptance of registration documents by state authorities	60,005,150	12,338,043	70,451,564	14,248,005
Machinery, equipment, and vehicles	36,962,135	13,567,918	44,779,854	14,199,686
Other fixed assets	1,294,577	430,078	1,252,249	484,403
Total:	278,905,383	82,101,262	342,283,662	99,806,971
Including income-bearing investments in fixed assets	241,612,215	74,135,251	300,708,955	91,310,778

Historical cost of fixed assets as of December 31, 2008 was RUB 342,284 mln, having increased since 2007 due to commissioning of new assets. Assets worth RUB 68,176 mln were commissioned.

Information on construction in progress during the accounting year:

Capital construction worth RUB 82,709 mln was carried out in 2008 (not including VAT). Spending on acquisition of capital equipment, with or without assembly, totaled RUB 645 mln (not including VAT).

(RUB thousand)

	As of 01.01.08	As of 31.12.08
Construction in progress	45,418,633	63,532,187
including advances for capital construction	4,986,044	8,740,193
Investments in non-current assets (acquisition of fixed assets, intangibles, exploration assets, R&D assets, etc.)	8,679,032	8,952,276
Total:	54,097,665	72,484,463

7. Intangible Assets

Intangible assets include: trademarks, mineral licenses, patents, etc.

Intangible assets are reflected on the balance sheet at residual value. Intangible assets are reflected in book-keeping at their acquisition cost with addition of costs required to make them fit for use.

(RUB thousand)

Asset group	Book value as of 01.01.08	Amortization as of 01.01.08	Book value as of 31.12.08	Amortization as of 31.12.08
Trademarks	1,867	19	931	195
Patents	146	91	5,367	4

Asset group	Book value as of 01.01.08	Amortization as of 01.01.08	Book value as of 31.12.08	Amortization as of 31.12.08
Mineral licenses	3 762,522	444,455	3,763,004	592,164
Other	703	703	858	86
Total:	3 765,238	445,268	3,770,160	592,449
including Rosneft-developed intangible assets	849	794	5,367	4

8. Exploration Assets

Exploration assets consist of geological information obtained by study of subsurface structures, and design documents.

Exploration assets include:

- rights for subsurface resources (by virtue of licenses for exploration of subsurface resources or licenses for exploration and extraction of subsurface resources)
- results of geological exploration work
- design documents.

Exploration assets are tested annually, at the end of the accounting year, for impairment (reduction in asset value). As of December 31, 2008, no evidence was found, which suggested possible non-receipt of revenues in the future (which would justify recognition impairment losses).

Exploration assets are reflected on the balance sheet at residual value under 'Exploration Assets'.

Information on exploration assets during the accounting year is presented in the following table:

(RUB thousand)

Asset group	Book value as of 01.01.08	Amortization as of 01.01.08	Book value as of 31.12.08	Amortization as of 31.12.08
Subsoil rights (exploration / exploration and production licenses)	26,053,851		27,251,671	952,395
Exploration data	1,137,324	133,131	3,108,638	338,730
Design documentation	299,217	115,360	543,929	135,019
Total:	27,490,392	248,491	30,904,238	1,426,144

9. Other Non-Current Assets

Other non-current assets consist of assets, which are expected to provide economic gains no sooner than 12 months into the future.

Costs are written down each month in a straight-line manner at 1/12 of the annual sum, conditional on their factual use in the process of production by (management of) the Company.

Information on other non-current assets in the accounting year is shown in the table:

(RUB thousand)

Item	As of 01.01.08	As of 31.12.08
Prepaid expenses extending over 12 months	886,090	944,343
incl. software	883,249	942,923
software licenses	15	6

10. Inventories

Inventories as of December 31, 2008 totaled RUB 22,313.24 mln, consisting of:

(RUB thousand)

Item	As of 01.01.08	As of 31.12.08
Materials and supplies	3,807,621	2,549,732
Expenses related to in-progress inventory	2,811,184	2,609,005
Finished goods and goods for resale	13,077,581	10,813,019
Shipped goods	2,997,472	3,630,224
Prepaid expenses	2,277,562	2,711,261
Total:	24,971,420	22,313,241

In 2008, provisions of RUB 86.2 mln were created for decline in value of materials, and provisions of RUB 12.2 mln were created for decline in value of goods.

Materials, fuel, components, and other materials are reflected in accounts at actual cost of their acquisition.

Production in progress and finished products were reflected at actual cost; goods were reflected at their purchase price.

In compliance with accounting policy, prepaid expenses include expenses, incurred by the Company in the accounting period, but referring to future accounting periods, such as: spending associated with acquisition of licenses for various types of activity, with installation and configuration of software, and with insurance of employees and Company property.

11. Financial Investments

Long-term financial investments as of December 31, 2008 totaled RUB 554,016.4 mln, consisting of:

(RUB thousand)

Item	As of 01.01.08	As of 31.12.08
Equity stakes	97,797,671	99,800,449
incl. stakes in subsidiaries	88,362,644	89,881,370
stakes in dependent companies	9,116,450	9,497,326
stakes in other entities	318,577	421,753
Long-term loans granted	398,111,159	453,592,424
incl. interest-free loans to Rosneft Group subsidiaries	394,233,494	445,722,022
Promissory notes and bonds received	120,111	135,680
incl. interest-free promissory notes	119,098	135,680
Other long-term financial investments	487,891	487,891
Total:	496,516,832	554,016,444

Long-term financial investments include impairment provisions, which were RUB 522.8 mln at the start of 2008 and RUB 909.1 mln at the end of the year.

Increase in financial investments was mainly due to acquisition of the stake of OJSC Rosneft Oil Company in voting shares of subsidiaries and other companies for RUB 2,003 mln, and to a RUB 69,622 mln increase in financing of projects of CJSC Vankorneft.

Subsidiaries paid off a part of their outstanding loans, including RUB 10,624 mln owed by CJSC Sakhalinmorneftegaz-Sheff.

The following assets were acquired, created or retired during 2008:

a) acquired:

(RUB thousand)

Asset	Historical cost	Stake, %
LLC Val Shatskogo	264,992	85,86
LLC RN-Mongolia	76,134	100
LLC Private security firm RN-Okhrana	23,616	80

b) created:

(RUB thousand)

Asset	Historical cost	Stake, %
LLC RN-Krasnoyarsknefteprodukt	10	100
LLC RN-Pozharnaya Bezopasnost	10	100
LLC RN-Bunker	10	100
LLC RN-Novosibirsknefteprodukt	10	100
LLC RN-Aero	10	100
LLC RN-Kemerovonefteprodukt	10	100
LLC RN-Chechennefteprodukt	10	100
LLC RN-Uchet	10	100
LLC RN-Stroi	10	100
LLC RN-Zdorovie	10	100
LLC RN-Yekaterinburgnefteprodukt	10	100
LLC KrasnoyarskNIPIneft	10	100
LLC RN-Chelyabinsknefteprodukt	10	100
LLC National Petroleum Consortium	10	100
LLC RN-Primorsk Refinery	10	100
OJSC Management company MTU	37,500	15
CJSC SPbMTSB	75,000	10
LLC Sakhalinenergoneft	0,1	1

c) retired:

(RUB thousand)

Asset	Historical cost	Stake, %
CJSC East-Schmidt Neftegaz	990	99
CJSC West-Schmidt Neftegaz	990	99
CJSC Kapiteli	5,232	16,59
CJSC Komsomolskneft	36	100
LLC Lastochka	7	81
OJSC Daltransgaz	1,571,302	25

Asset	Historical cost	Stake, %
LLC Bazovy Kompleks	0,1	1
LLC YuNG-Neftekhimservis	0,1	1
LLC Krasnodarneftegaz-Remont	860	0,28
LLC KNG-Spetsialny Tekhnologichesky Servis	347	0,63
LLC KNG-Kubanskoe Upravlenie Tekhnologicheskogo Transporta	2,885	0,82

Stakes and investments in the following companies were increased:

- OJSC Verkhnechonskneftegaz – effective investments were increased by RUB 285.324 mln, but the stake in the company was unchanged due to proportional distribution of additional shares among shareholders.
- OJSC Okhinskaya TPP – effective investments were increased by RUB 367.072 mln, and the stake was increased by 2.81% to 94.01%.
- LLC RN Service – effective investments were increased by RUB 1,621.295 mln, and the stake was increased by 22.58492% to 22.5855%.
- LLC Vostok Energy – effective investments were increased by RUB 51 mln, the stake was unchanged.
- LLC Burgas-Alexandroupolis – effective investments were increased by RUB 45.550 mln, the stake was unchanged.
- LLC Neftyanik Kubani Sanitarium – effective investments were increased by RUB 684.715 mln, the stake was increased by 16.35% to 87.85%.
- OJSC Nefteport – effective investments were increased by RUB 7.044 mln, the stake was increased by 2.49% to 100%.
- LLC RN-UfaNIPIneft – effective investments were increased by RUB 77 mln, the stake was unchanged.
- LLC RN-Energo – effective investments were increased by RUB 5 mln, the stake was unchanged.

Increase in short-term financial investments during 2008 from RUB 34,758 mln to RUB 249,865 mln was due to increase in debt of LLC RN-Razvitie by RUB 200,494 mln and of LLC Rosneft International Limited by RUB 6,287 mln for project financing purposes and replenishment of working capital, and to acquisition in November 2008 of a promissory note of VTB Bank for RUB 15,382 mln.

Short-term investments include impairment provisions of RUB 111 mln at the start of 2008 and RUB 142.7 mln as of December 31, 2008.

(RUB thousand)

Item	As of 01.01.08	As of 31.12.08
Short-term loans granted	19,808,239	225,751,443
incl. interest-free loans to Rosneft Group subsidiaries	19,602,239	150,320,950
Promissory notes and bonds received	2,058,197	17,463,702
incl. interest-free promissory notes	103,665	15,382,201
Other short-term financial investments	12,892,009	6,649,971
Total:	34,758,445	249,865,116

12. Accounts Receivable and Payable

The Company's accounts receivable totaled RUB 202,092 mln as of January 1, 2008. Accounts receivable were reduced by RUB 53,104 mln in the course of the year to RUB 148,988 mln as of December 31, 2008.

Decline in amounts owed by oil and petroleum product customers by RUB 38,402 mln was due to sale price fluctuations on domestic and export markets.

The Company makes doubtful debt provisions in compliance with its accounting policy. Following inventory of accounts receivable, in consideration of the financial situation (solvency) of debtors and probability of payment, a provision of RUB 111 mln was created.

Accounts receivable are shown on the Company balance sheet exclusive of the doubtful debt provision.

(RUB thousand)	As of 01.01.08	As of 31.12.08
Total accounts receivable maturing within 12 months after the accounting date, incl.	201,855,958	148,208,393
Trade receivables	83,994,113	45,588,941
Advances given	13,421,686	31,199,565
Other receivables, incl.:	104,440,159	71,419,887
Receivables due from the budget and state non-budgetary funds	48,990,182	40,622,409
Acquisition from Yukos of stakes in legal entities not duly registered by reason of encumbrances in 2007	9,046,864	8,970,730
Settlements with customs authorities attributable to temporary customs entries	18,297,936	6,010,915
Interest receivable	2,380	2,495,279
VAT on advances received	1,111,608	771,853
Disputed shortages and losses	349,638	71,171
Doubtful debt provision, incl.:	261,813	111,091

(RUB thousand)	As of 01.01.08	As of 31.12.08
Trade receivables	3,751	1,412
Advances given	402	13,548
Other receivables	257,660	96,131
Total receivables less provisions:	201,594,145	148,097,302
Trade receivables	83,990,362	45,587,529
Advances given	13,421,284	31,186,017
Other receivables	104,182,499	71,323,756

The Company's accounts payable at the start of 2008 were RUB 102,832 mln. They declined by RUB 28,454 mln in the course of the year to RUB 74,378 mln as of December 31, 2008.

(RUB thousand)	As of 01.01.08	As of 31.12.08
Accounts payable	102,831,620	74,377,601
Trade payables	31,241,084	43,552,497
Payables to personnel	7,617	5,574
Payables to the budget and state non-budgetary funds	34,072,741	9,358,122
Advances received	7,341,321	7,650,296
Other payables	30,168,857	13,811,112

13. Short- and Long-Term Loans and Borrowings, Other Liabilities and Loan Securities

Outstanding loans of the Company at the end of 2008 totaled RUB 499,388 mln (having increased from RUB 353,572 mln at the start of the year), outstanding borrowings totaled RUB 123,166 mln (RUB 113,559 mln at the start of the year), and other liabilities were RUB 99,356 mln (RUB 45,654 mln at the start of the year).

Accounts as of December 31, 2008 showed loans inclusive of accrued interest. Total interest accrued on loans was RUB 15,138 mln, or RUB 8,310 mln less than at the end of 2007.

Loans obtained in 2008 were used for financing of Company business:

- refinancing of existing debt
- replenishment of working capital.

(RUB thousand)	As of 01.01.08	Received	Repaid	As of 31.12.08
Long-term loans	248,367,252	291,208,757	98,374,983	441,201,026
Long-term borrowings	37,600,132	1,014,526	16,597,497	22,017,161
Other long-term liabilities, incl.: taxes and levies outstanding (restructured)	42,428,984	10,361,853		52,790,837
treasury long-term promissory notes	104,002			104,002
Short-term loans incl. overdrafts	105,205,063	215,813,727	262,831,441	58,187,349
Short-term borrowings	75,959,252	119,608,207	94,418,430	101,149,029
Treasury short-term promissory notes	3,225,162	92,634,383	49,294,710	46,564,835

Cost of debt of OJSC Rosneft Oil Company (not including guarantees and project financing), measured by average-weighted interest rate, declined significantly from 5.38% at the start of the year to 3.82% as of December 31, 2008. The one-month LIBOR declined from 4.6% to 0.44% in the course of the year, and average-weighted margin increased from 0.78% to 3.38%, mainly due to unfavorable global macroeconomic environment in the second half of 2008 and the Company's need to make fixed-rate ruble borrowings, which were more expensive in nominal terms.

These loans are mainly secured by export oil deliveries. Total value of collateral securing these loans was RUB 72,901 mln as of December 31, 2008. The collateral structure is presented in the following table:

Collateral	Share in total collateral, %
Oil and petroleum product revenues	17.5
Guarantees	82.5

14. Assets and Liabilities Expressed in Foreign Currency

Changes in foreign currency exchange rates, particularly of the US dollar, have significant impact on the Company's financial results.

RUB/USD exchange rate dynamics over the last five years are summarized in the following table:

As of December 31	RUB/USD exchange rate
2008	29.3804
2007	24.55
2006	26.33
2005	28.78
2004	27.75

Exchange rate differences, which arose in the course of the year in operations with assets and liabilities expressed in foreign currency, and also in their recalculation at the accounting date, were referred to the other income and expenses account:

(RUB thousand)	2008	2007
FOREX gains	46,436,463	39,204,284
FOREX losses	106,251,129	18,926,397

15. Taxes

The Company's tax liabilities are accounted for on an accrual basis.

Rates of main taxes paid by the Company in 2008 were:

- income tax – 24%
- VAT – 18%.

Income tax for 2008 was RUB 47,124 mln, compared with RUB 79,605 mln for 2007. Income tax accrued in the accounting year for previous accounting periods was RUB 2,862 mln.

Taxes receivable from the Russian budget as of January 1, 2009 amounted to RUB 40,559 mln, consisting of:

- RUB 28,077 mln income tax
- RUB 11,644 mln VAT (including VAT on export operations)
- RUB 838 mln other taxes.

Tax assets declined by RUB 8,403 mln compared with their level as of January 1, 2008.

Losses in the fourth quarter of 2008 caused reduction in the income tax base of Rosneft by comparison with the first nine months of the year, leading to creation of liabilities to the Company on the part of federal and lower-level state budgets.

VAT refunds owed to the Company consist of RUB 7,705 mln charged on exports, which the Company applied to be refunded for the fourth quarter, and VAT charged on services provided by transporters of exports within the Russian Federation (such deliveries are not subject to the export customs regime), which tax authorities have refused to refund. The Company is now contesting these refusals in courts.

As of December 31, 2008, accounting records showed that the Company had tax liabilities of RUB 9,358 mln. Tax liabilities declined by RUB 24,715 mln compared with the end of the previous year due to:

- lowering in December 2008 of current mineral extraction tax payable by RUB 12,707 mln due to decline in world oil prices. The mineral extraction tax rate in December was RUB 1,332.5 per tonne, compared with RUB 3,113.3 per tonne in December 2007
- lowering of income tax liabilities in the fourth quarter of 2008 due to sharp decline in world oil prices and the dollar appreciation against the ruble.

According to provisions of Chapter 14 of the Russian Tax Code, entitled 'Tax Control', inspections of tax payers and payers of mandatory contributions as well as inspections of tax agents (carried out either at premises of the tax authorities or of the tax payer) may cover three calendar years preceding the year, in which the inspection is carried out. Company management believes that calculation of tax liabilities is performed in compliance with effective tax legislation.

16. Capital

Charter Capital

Company charter capital as of December 31, 2008 consisted of RUB 106 mln divided into 10,598,177,817 ordinary shares with a par value of RUB 0.01 each.

Reserve and Surplus Capital

Company capital includes sums of surplus and reserve capital. In compliance with documents of incorporation, reserve capital represents 5% of charter capital. This was fully paid up as of December 31, 2008 to a total of RUB 5.29 mln.

The Company's surplus capital as of December 31, 2008 was RUB 113,276 mln, unchanged from a year earlier.

Net Assets

The Company's net assets as of December 31, 2008 were RUB 560,511 mln, representing an increase of RUB 124,356 mln, or 29%, from RUB 436,155 mln at the start of the year. Net assets exceeded charter capital by RUB 560,405 mln as of December 31, 2008.

17. Income and Expenses, Retained Earnings

Retained earnings of previous years totaled RUB 305,806 mln as of December 31, 2008, compared with RUB 322,763 mln as of January 1, 2008. Change in retained earnings of previous years was due to accrual of RUB 16,957 mln in dividend.

Retained earnings for the accounting year were RUB 141,313 mln. The following incomes and expenses had impact on the level of retained earnings in the accounting year:

(RUB thousand)	2008	2007
Proceeds/losses from sale of goods, works, and services	263,157,508	255,271,752
Other income/expenses	(72,793,743)	(12,931,391)
Including:		
Interest income	5,246,401	954,562

(RUB thousand)	2008	2007
Interest expense	16,972,002	26,244,523
Income from financial investments	2,909,031	1,000,938
Tax expenses	4,259,511	2,724,874
incl.:		
property tax	4,213,106	2,692,391
Proceeds from sale and disposal of other assets	41,200,530	39,690,002
Including:		
Sale of commodities and products	290,120	30,257
Sale of fixed assets	1,244,030	846,049
Sale of equity stakes	2,621,908	885,698
Sale of long-term promissory notes	23,950	1,501,358
Sale of short-term promissory notes	36,299,971	26,529,690
Expenses from sale and disposal of other assets	40,372,853	39,617,819
Including:		
Sale of commodities and products	169,383	29,633
Net book value of fixed assets sold	1,087,571	662,525
Sale of equity stakes	1,607,878	762,695
Sale of long-term promissory notes	23,950	1,498,561
Sale of short-term promissory notes	36,060,929	26,182,527
Other income (other)	60,000,352	57,250,982
Including:		
Fines and penalties	795,809	56,608
Retained earnings from prior years recognized in the reporting period	1,322,420	1,008,239
Write-off of accounts payable with expired limitation period	3,142,495	1,052,896
Excise recoverable	3,683,120	1,094,284
Gains from foreign currency operations	4,423,017	4,385,768
Foreign exchange gains	46,436,463	39,204,284
Other expenses (other)	120,545,691	43,240,659
Including:		
Losses from foreign currency operations	1,983,450	906,466
Banking services	2,965,483	1,785,568
Losses of prior years recognized in the reporting period	1,419,657	2,411,693
Fines and penalties	692,771	11,367,794
Foreign exchange losses	106,251,129	18,926,397

18. Deferred Tax Assets and Liabilities, Permanent Tax Assets and Liabilities

The Company prepares data to reflect its income tax position on a monthly basis.

In case of retirement of assets, any deferred tax assets (liabilities) are written down using account entries, analogous to those used in settlement of deferred tax assets (liabilities), i.e. in the account, which records payment of taxes and duties.

Contingent income tax expenses in the accounting period were RUB 45,687 mln, compared with RUB 58,162 mln in 2007.

Information concerning permanent tax assets and liabilities and deferred tax assets and liabilities is presented in the table below.

(RUB thousand)	As of 01.01.08	Accrued	Settled	As of 31.12.08
Deferred tax assets	1,376,647	2,039,245	2,192,882	1,223,010
Deferred tax liabilities	5,883,221	1,916,966	2,631,034	5,169,153
Permanent tax assets	X	1,511,081	X	X
Permanent tax liabilities	X	5,302,997	X	X

19. Profit per Share, Payment of Dividends

Number and Par Value of Shares

Equity of OJSC Rosneft Oil Company is equivalent to Company capital as per documents of incorporation. Owners of ordinary shares have the right to one vote at the meeting of shareholders per one share, which they have acquired.

The Company has placed 10,598,177,817 ordinary shares with a par value of RUB 0.01 each, representing a total par value of RUB 105,981,778.17.

Amount of Dividends

Net income of the Company in 2008 was RUB 141,313 mln. Net income per share in 2008 was RUB 13.33.

In April 2009, the Board of Directors of the Company will make preliminary recommendations to the General Shareholders Meeting concerning amount of dividend on Company shares for 2008.

20. Events, which Occurred after the Accounting Date

On January 28, 2009, OJSC Rosneft Oil Company signed a USD 1.35 bln 15-month loan from a syndicate of international banks consisting of BNP Paribas, Barclays, Calyon, Deutsche Bank, Societe Generale and Banco Santander. The loan was provided for refinancing of existing debt.

21. Business Contingencies

1. On September 19, 2006, in response to four claims, the International Commercial Arbitration Court of the Russian Chamber of Commerce ordered OJSC Yuganskneftegaz (the legal predecessor of OJSC Rosneft Oil Company) to pay sums owing to Yukos Capital S.a.r.l. in accordance with four loan agreements, as follows: RUB 11,233,000.0 th. (loan principal); RUB 1,702,858.5 th. (accrued interest); and USD 857,507.26 (arbitrage duties and legal costs). OJSC Rosneft Oil Company made an application to another arbitration court for these decisions by the International Commercial Arbitration Court of the Russian Chamber of Commerce to be overturned. Rulings of the Moscow Arbitration Court on May 23, 2007, which were allowed to remain in force by resolutions of the Federal Arbitration Court (Moscow Circuit) on August 13, 2007, overturned the decisions of the International Commercial Arbitration Court of the Russian Chamber of Commerce from September 19, 2006. On December 10, 2007, the Supreme Arbitration Court of the Russian Federation refused a request by Yukos Capital S.a.r.l. to refer the case to the Presidium of the Supreme Arbitration Court of the Russian Federation, for review of the above-mentioned rulings (by virtue of the oversight function of the Presidium).

The date for return of the loans in compliance with terms of the loan agreement is December 31, 2007.

A shareholder of OJSC Rosneft Oil Company has applied to the City of Moscow Arbitration Court with a suit against OJSC Rosneft Oil Company and Yukos Capital S.a.r.l., in which he calls for the agreed loan terms to be declared void. A verdict in this case is expected during the next accounting period.

Yukos Capital S.a.r.l. applied to a court in the Netherlands calling for the above-mentioned decisions of the International Commercial Arbitration Court of the Russian Chamber of Commerce to be recognized and implemented, but the court refused to uphold the application. On January 13, 2009, the Amsterdam Appeal Court heard an appeal by Yukos Capital S.a.r.l. against this refusal to implement decisions of the International Commercial Arbitration Court of the Russian Chamber of Commerce in the Netherlands. A verdict by the Appeal Court is expected during the next accounting period.

2. In May 2007, a court in Amsterdam upheld an application by the company Glendale Group Limited for preventative arrest of money and property, which Yukos Finance B.V. owns and which it will have to transfer to OJSC Rosneft Oil Company in connection with current or future legal relations between them. The application was made in order to secure claims of Glendale Group Limited against OJSC Rosneft Oil Company based on promissory notes issued by OJSC Yuganskneftegaz in 2003 to the value of about EUR 130 mln, which are currently held by Glendale Group Limited. In October 2008, OJSC Rosneft Oil Company submitted a petition of lack of jurisdiction to a Netherlands court. A verdict on this case is expected after the accounting date.

3. During the accounting period arbitration courts of various levels heard applications by OJSC Rosneft Oil Company contesting decisions made by tax authorities to deny VAT refunds in the amount of RUB 4,731.5 mln. Company claims of RUB 983.9 mln were upheld by arbitration courts, but challenged by the tax authorities in higher courts (more verdicts may be appealed against in the following accounting period). Claims of OJSC Rosneft Oil Company of RUB 822.6 mln were not upheld by an arbitration court, but the Company appealed against the negative verdicts. Claims of RUB 2,925 mln were not heard in substance during the accounting period.

4. Decisions by tax authorities, taken following tax inspections (carried out at the authorities' own offices and at Company offices), and with total financial impact of RUB 1,701.6 mln, were also contested in court. Suits by OJSC Rosneft Oil Company were upheld in respect of RUB 406 mln, but the positive verdicts have been challenged by tax authorities and the appeal process will be completed in the next period. Claims worth RUB 1,205.6 mln are being heard in a first-level arbitration court and verdicts will be delivered in the next accounting period.

5. In December 2008, the company LLC Energotrade brought two suits in the Moscow City Arbitration Court seeking settlement by Rosneft of two promissory notes issued in 2003 by OJSC Yuganskneftegaz, together with interest and penalties, to a total of RUB 2,184 mln. The cases had not been heard in substance at the date when the present accounts were compiled.

Two suits had previously been brought in the City of Moscow Arbitration Court on behalf of the Republic of Mordovia, represented by the Property Fund of the Republic of Mordovia, for recovery from the Company of RUB 1,464 mln relating to the same two promissory notes. In July and August 2008, the first-level arbitration court upheld the suits and ordered Rosneft to pay RUB 1,464 mln. However, these verdicts were overturned in October and November by rulings of an appeal court and payment of the claims in favor of the Republic of Mordovia was denied.

6. In November 2008, the Moscow City Arbitration Court refused to uphold a suit by LLC Yu-Mordovia for recovery from Rosneft of a RUB 728 mln debt relating to another promissory note issued by OJSC Yuganskneftegaz (the sum includes interest and penalties). The verdict had not been contested as of the date when these accounts were compiled, but the period for submission of an appeal has not yet expired.

7. In September 2008, the Irkutsk Regional Branch of the Federal Antimonopoly Service issued a resolution on imposition of a RUB 229 mln administrative fine in respect of Rosneft. The fine has been contested in court. Rosneft's application was not upheld in a first-level court, but the Company has appealed against that verdict and the appeal hearings have not yet been completed. The resolution by the Antimonopoly Service Branch in Irkutsk on imposition of the fine against Rosneft had not come into legal force at the date when these accounts were compiled.

In December 2008, the Federal Antimonopoly Service issued a resolution on imposition of a RUB 1,508.7 mln administrative fine in respect of Rosneft for violation of antimonopoly legislation. The fine has been legally contested by Rosneft. The resolution on imposition of the fine had not come into legal force at the date when these accounts were compiled.

22. Operations with Related Parties

In its ordinary business, OJSC Rosneft Oil Company carries out operations with companies, which are defined as related parties under Russian law.

Rosneft also treats as related parties any companies, which are not affiliates under Russian law, but which are defined as such by IFRS No. 24, 'Related Party Disclosures' (companies controlled by the state as well as shareholders, who have the right to dispose of more than 10% and less than 20% of voting shares).

Sums relating to operations and settlements with related parties are disclosed separately for the following groups of related parties, which have different relationships with Rosneft:

- subsidiaries (companies controlled by Rosneft as subsidiaries)
- dependent companies (companies controlled by Rosneft as dependent)
- main owners (shareholders disposing of more than 10% of voting shares)
- organizations controlled by the state
- participants in joint activities with Rosneft
- other related parties.

Subsidiaries

Information disclosure in this group relates to operations with subsidiaries, in which Rosneft owns more than 50% of ordinary voting shares either directly or through other organizations, or which Rosneft controls in another fashion.

(RUB thousand)	2007	2008
Sales and other income		
Oil and gas sales	81,109,612	74,886,536
Petroleum and petrochemical product sales	118,197,580	207,173,642
Property lease-out	19,126,362	25,102,500
Other	40,260,379	44,420,261
	258,693,933	351,582,939
Costs and expenses		
Purchase of oil and gas	58,106,586	25,673,986
Purchase of petroleum and petrochemical products	5,148,207	2,114,432
Logistics and transport services	16,753,424	30,430,827
Oil and gas production services	98,236,345	113,030,960
Processing fees	22,561,003	33,911,269
Other	3,532,264	12,089,541
	204,337,829	217,251,015
Other		
Fixed asset acquisitions	33,105	5,272
Loans and borrowings given	440,766,266	367,969,920
Repayment of loans and borrowings given	109,228,291	108,884,718
Short-term loans and borrowings received	112,312,128	104,119,961
Short-term loans and borrowings repaid	39,711,919	85,615,821
Long-term loans and borrowings received	101,367	-
Long-term loans and borrowings repaid	2,481,434	2,594,623
Deposits placed	-	1,500,000
Deposits redeemed	-	1,500,000
Interest receivable	84,780	2,668,015
Dividend income	733,923	2,896,650
Guarantees and collateral received	364,372,970	20,000

(RUB thousand)	As of 01.01.08	As of 31.12.08
Assets		
Cash and cash equivalents	2,905,586	5,313,560
Accounts receivable, incl.:	34,897,670	28,031,297
- long-term receivables	110,550	128,794
- short-term advances given	5,366,974	8,192,473
- doubtful debt provision as of period end	6,214	-
Short- and long-term financial investments,	505,289,179	766,027,743
incl. long-term financial investments	485,283,823	540,390,395
	543,092,435	799,372,600
Liabilities		
Short-term accounts payable	49,316,412	49,889,688
Short- and long-term loans and borrowings (incl. interest)	96,699,369	107,401,010
incl. long-term loans and borrowings	20,863,029	6,294,911
	146,015,781	157,290,698

Dependent Companies

Information disclosure in this group relates to operations with dependent companies, in which Rosneft owns more than 20% but less than 50% of ordinary voting shares either directly or through other organizations, and over which Rosneft exercises substantial influence.

(RUB thousand)	2007	2008
Sales and other income		
Oil and gas sales	845,619	1,028,642
Petroleum and petrochemical product sales	2,727,628	4,657,647
Property lease-out	1,226	107,553
Other	3,407	1,165,983
	3,577,880	6,959,825
Costs and expenses		
Purchase of oil and gas	-	11,279,633
Logistics and transport services	-	849,091
Property lease	115,666	87,013
Other	13,913	99,860
	129,579	12,315,597
Other		
Fixed asset acquisitions	-	11
Loans and borrowings given	1,488,645	2,030,954
Repayment of loans and borrowings given	610,438	-
Short-term loans and borrowings received	33,336	3,424,354
Long-term loans and borrowings repaid	-	8,768,779
Interest receivable	143,986	261,153
Dividend income	223,484	12,381
Guarantees and collateral received	146,000	-

(RUB thousand)	As of 01.01.08	As of 31.12.08
Assets		
Accounts receivable, incl.:	819,585	914,826
- long-term receivables	187,502	476,053
- short-term advances given	307,753	18,542
- doubtful debt provision as of period end	66,342	-
Short- and long-term financial investments,	11,195,720	12,263,770
incl. long-term financial investments	11,022,163	11,878,927
	12,015,305	13,178,596
Liabilities		
Short-term accounts payable	49,663	157,563
Short- and long-term loans and borrowings (incl. interest)	61,174	31,167
incl. long-term loans and borrowings	27,837	31,167
	110,837	188,730

Main Owners

Dividends paid to the main owner in 2007 for 2006 were RUB 10,594.5 mln, and dividends paid to the main owner in 2008 for 2007 were RUB 12,745 mln.

Companies Controlled by the State

These companies include former sub-divisions of RAO UES, as well as OJSC Gazprom, OJSC RZhD (Russian Railways), OJSC Sberbank, Vneshekonombank, OJSC VTB Bank, OJSC Gazprombank, OJSC Transneft, as well as federal government bodies, including tax authorities.

(RUB thousand)	2007	2008
Sales and other income		
Oil and gas sales	2,434,678	37,750,506
Petroleum and petrochemical product sales	5,396,580	13,667,249
Gains on financial investment disposal	1,042,189	32,046,671
Other	48,165	1,309,137
	8,921,612	84,773,563
Costs and expenses		
Purchase of oil and gas	925,436	33,007,348
Purchase of petroleum and petrochemical products	18,157	-
Logistics and transport services	69,082,989	80,154,297
Export duties	358,479,282	585,755,295
Property lease	470,966	287,873
Expenses from financial investment disposal	-	31,013,918
Other	1,735,574	1,828,513
	430,712,404	732,047,244

(RUB thousand)	2007	2008
Other		
Fixed asset acquisitions	176,023	-
Loans and borrowings given	63,999	-
Short-term loans and borrowings received	170,819,905	150,693,093
Short-term loans and borrowings repaid	165,722,800	145,871,897
Long-term loans and borrowings received	53,052,000	31,592,605
Long-term loans and borrowings repaid	109,614,619	27,093,283
Short-term credit in kind received	-	17,925
Short-term credit in kind repaid	-	17,925
Deposits placed	679,843,527	507,022,740
Deposits redeemed	679,446,393	505,910,955
Interest payable	8,606,503	5,520,537
Interest receivable	160,849	1,323,976
Guarantees and collateral given	897,779	6,345,542

(RUB thousand)	As of 01.01.08	As of 31.12.08
Assets		
Cash and cash equivalents	3,031,723	18,057,318
Accounts receivable, incl.:	6,951,964	8,990,917
- long-term accounts receivable	-	31,298
- short-term advances given	3,941,723	4,376,759
- doubtful debt provision as of period end	140,078	51,611
for reference: written-off receivables with expired limitation period, and other bad debt	37,504	-
Short- and long-term financial investments, incl. long-term financial investments	2,314,220	18,598,902
	94,590	153,545
	12,297,907	45,647,137
Liabilities		
Short-term accounts payable	291,414	448,067
Short- and long-term loans and borrowings (incl. interest)	130,624,630	152,862,744
incl. long-term loans and borrowings	91,723,350	107,705,231
	130,916,044	153,310,811

Participants in Joint Activity

During 2007–2008, there were no operations with companies, which were participants in joint activity with Rosneft.

Other Related Parties

The group of 'Other Related Parties' includes insurance companies and a non-state pension fund acting in the interests of Company employees.

(RUB thousand)	2007	2008
Sales and other income		
Property lease-out	46	6,540
Investment income under private pensions coverage arrangements	82,212	-
Other	188,752	1,449
	271,010	7,989
Costs and expenses		
Insurance	112,864	207,282
Expenses under private pensions coverage arrangements	129,699	228,770
Other	167	
	242,730	436,052
Other activities		
Dividend income	16,552	

Settlements by Rosneft with related parties during the accounting period were mainly in cash.

23. Indicators by Segments

In compliance with Accounting Regulation No. 12/2000, 'Information by Segments', provision of information by segments takes account of economic, currency, credit and price risks, to which an organization may be exposed.

(RUB thousand)	Net revenue in 2008		
	Total	Export	Domestic
Oil	442,171,577	400,813,893	41,357,684
Gas	11,214,038	-	11,214,038
Petroleum products	490,291,174	235,469,987	254,821,187
Other	64,500,707	-	64,500,707
Total:	1,008,177,496	636,283,880	371,893,616

24. Other Aspects of Company Business

Environmental Protection

Business of companies in the oil & gas sector is always associated with risk of environmental harm. Management of OJSC Rosneft Oil Company believes that the Company business complies with legislation concerning protection of the environment, and that the Company has no risks of material environment-related liabilities.

Insurance

The Company continues to carry out insurance of property, cargoes, transportation, and construction and assembly work. Starting from 2008, insurance is also extended to property interests of the Company related to non-receipt of expected profits due to interruption of business activity.

President Sergey Bogdanchikov

Chief Accountant Sun Ne Kim

February 13, 2009

Risk Analysis



Rosneft categorizes risk factors in three areas: Industry; Legal; and Financial.

The major part of Rosneft's business activities are concentrated in Russia and thus Rosneft is affected by risks arising from Russian legislation and the Russian business environment. The Company is also subject to some industry-specific risks, which are an integral part of any activities related to hydrocarbon exploration, production, refining and marketing. The financial risks faced by Rosneft are universal to Russian production companies.

Rosneft constantly monitors risks, mitigates their occurrence and probability, and seeks to actively protect the Company's rights and legal interests within the legislative framework.

In the event that one or several of the risks indicated below materialize, Rosneft will work to minimize any negative consequences, using the most appropriate measures in each particular case. However, Rosneft cannot guarantee that such measures will be completely effective, and, as a result, such risks could have a material adverse effect, separately or in combination, on Rosneft's business operations.

Industry Risks

Country and Regional Risks

Substantially all the Company's fixed assets are located in, and a significant portion of its revenues are derived from, Russia. Administrative and economic reforms carried out in the Russian Federation have improved the economic situation in the country and largely contributed to long-term social and political stability, however, shifts in governmental policy and regulation in Russia may be less predictable than in many Western countries. There are certain risks associated with an investment in Russia. Emerging markets, such as Russia, are subject to greater risks than more developed markets, including political, economic, social and legal risks, and financial turmoil in any emerging market could disrupt Rosneft's business.

In addition, the Company is exposed to risks related to its international operations. Currently, Rosneft participates in two exploration works in Kazakhstan and one project in Algeria. Similar to Russia, these are developing economies and so are more prone to political, economic, social and legal risks than more developed markets. Overall, the risks related to carrying out business activities in these countries are comparable or higher than those related to business operations in Russia.

Risks Related to Competition

The oil and gas industry is intensely competitive. Rosneft faces risks related to intensifying competition from national oil and gas companies and supermajors.

Rosneft could face risks connected with increasing competition in respect of: purchase of exploration and production licenses at auctions held by the Russian Government; acquisition of other Russian companies that may already own mineral licenses or other relevant assets; securing leading independent service companies that may have limited capacity to render core services; purchase of equipment for capital projects, which may be in short supply; employment of highly skilled and experienced staff; purchase of existing retail assets and land plots to develop new retail space; and purchase of, or gaining access to, oil refining facilities. Any failure by Rosneft to compete effectively could adversely affect Rosneft's operating results and financial condition.

Operational Risks

Development and exploration projects involve many uncertainties and operational risks that can prevent oil and gas companies from realizing profits and can cause substantial losses. Rosneft's development and exploration projects may be delayed or unsuccessful for many reasons, including cost overruns, lower crude oil and gas prices, delays in the completion of important infrastructure projects, equipment shortages and mechanical difficulties.

Risks Related to Estimation of Prospective and Contingent Resources

Special uncertainties exist with respect to the estimation of prospective and contingent resources. Prospective resources are defined as those deposits that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations. Contingent resources are defined as those deposits that are estimated, on a given date, to be potentially recoverable from known accumulations, but that are not currently considered commercially recoverable. Substantially all of Rosneft's resources are prospective resources. The probability that prospective resources will be discovered, or be economically recoverable, is considerably lower than for proved, probable and possible reserves. Volumes and values associated with prospective resources should be considered highly speculative.

Exploration Risks

Exploration drilling involves numerous risks, including the risk that oil and gas companies will encounter no commercially productive crude oil or gas reserves. Rosneft is exploring in various geographical areas where environmental conditions are challenging and costs can be high. The cost of drilling, completing and operating wells is often uncertain. As a result, Rosneft may incur cost overruns or may be required to curtail, delay or cancel drilling operations because of many factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions, compliance with environmental regulations, governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment. Rosneft's future production depends significantly upon its success in finding or acquiring and developing additional reserves. If Rosneft is unsuccessful, it may not meet its production targets and its total proved reserves and production would decline, which could adversely affect Rosneft's operating results and financial condition.

Risks Related to Reserves Estimates

Crude oil and gas reserves data are only estimates and are inherently uncertain and the actual size of accumulations may differ materially from these estimates. Petroleum engineering is a subjective process of estimating underground accumulations of crude oil and gas that cannot be measured in an exact manner. Estimates of the value and amount of economically recoverable crude oil and gas reserves, rates of production, net present value of future cash flows and the timing of development expenditures necessarily depend upon several variables and assumptions. Furthermore, special uncertainties exist with respect to Russian reserves methodology. The Russian reserves methodology considers geological factors alone and does not take into account the economic feasibility of extraction of reserves. Therefore, all reserve estimates are subjective, and any inaccuracy in reserve data could affect Rosneft's business activities.

Risks Related to Crude Oil, Natural Gas and Oil Product Prices

Rosneft's operating results and financial condition depend substantially upon prevailing global prices of crude oil, gas and petroleum products. Historically, prices of crude oil have fluctuated widely. A downward trend in prices could adversely affect Rosneft's operating results and financial position.

Risks Related to Geographic and Climatic Conditions

Rosneft operates in regions that generally have stable climates and which are not subject to natural hazards and disasters. However, abnormally low temperatures during the winter in a number of northern regions may complicate the work of oil production facilities of the Company.

Risks Related to Gas Production and Marketing

Rosneft is exposed to several risks in connection with sales of the gas it produces. The Unified Gas Supply System (UGSS) is owned and operated by OJSC Gazprom and transports all gas in Russia. Under existing regulations, Gazprom should provide access to UGSS to all internal independent suppliers on an equal basis. However, these regulations may change or OJSC Gazprom may fail to observe the principle of equal access in the future.

OJSC Gazprom is a monopolistic supplier of gas in Russia. The Russian Government regulates prices of gas sold by OJSC Gazprom in Russia. Any increase of the regulated price at a slower-than-expected rate could adversely affect Rosneft's operating results and financial condition.

Further growth in gas output as well as increasing gas sales to independent regional traders and industrial consumers will depend on sufficient access to the UGSS capacity.

Dependence on Monopolistic Providers of Services for Transportation of Oil and Oil Products and Respective Tariffs

Rosneft depends on monopolistic providers for transportation of oil and oil products. The company has no control over the infrastructure that they use and tariffs which they set. OJSC Transneft (Transneft) is a governmental monopoly operating oil pipelines. Any significant disturbance to the Transneft pipeline system or restrictions on access to its capacities could lead to severe disruptions in oil supplies that could adversely affect Rosneft operating results and financial position. Rosneft is obliged to make payments to Transneft for transportation services. Failure to make payments could lead to termination or suspension of the Company's access to the Transneft system and could negatively impact the operating results and financial position of Rosneft. Transneft periodically raises fees for the use of its network, which increases expenses of Rosneft and, accordingly, adversely affects its operating results and financial position.

Rosneft also depends on railway transportation for distribution of crude oil and petroleum products. Use of railway services exposes Rosneft to risks, such as potential failure of deliveries due to deterioration of the Russian Railways infrastructure and increases in transportation tariffs, which would lead to higher costs of crude oil and petroleum product transportation.

Risks Associated with Health, Safety and Environmental Laws and Regulations

Oil and gas companies may incur material costs to comply with, or as a result of, health, safety and environmental laws and regulations. Rosneft incurs, and expects to continue to incur, substantial capital and operating costs in order to comply with increasingly complex health, safety and environmental laws and regulations. Under its exploration and development licenses, Rosneft also must generally commit to limit the level of pollutants that it releases and to undertake remediation in the event of environmental contamination and is subject to regular ecological inspections by Russian state authorities. Rosneft endeavors to comply with applicable environmental laws and regulations, but may not always be in compliance. Although Rosneft does not anticipate any material impact on its operating results and financial position from the current level of pollution and potential clean-up costs, in the future, the costs of measures to comply with environmental regulations and liabilities related to environmental damage caused by Rosneft may increase.

Legal Risks

Risks Related to the Legal Framework and Changes in Legal Practice

The Russian legal framework required by a market economy is still under development. Weaknesses relating to the Russian legal system and Russian law create an uncertain environment for investment and for business activity. Federal laws and decrees, orders and regulations issued by the President, the Government and federal ministries, regional and local rules and regulations, at times, overlap or contradict one another. The recent nature of much of Russian law and the rapid evolution of the Russian legal system

result in ambiguities, inconsistencies and anomalies. Other risks of the current Russian legal system include, inter alia, substantial gaps in the regulatory structure due to the delay or absence of implementing legislation, the relative inexperience of certain judges and courts in interpreting new principles of Russian law, particularly business and corporate law, and a high degree of discretion on the part of governmental authorities. The judicial guidance on interpretations of Russian law is limited and decisions of the highest courts have significant impact on the law enforcement process. Rosneft monitors latest trends and changes in the effective legislation and court practice on permanent basis.

Risks Related to Changes in Legislation for Subsoil Resource Use and Licensing

Rosneft faces the risk that its exploration and production licenses may be suspended, amended or terminated prior to the end of their terms, and that Rosneft may be unable to obtain or maintain various permits and authorizations. If the authorities find that Rosneft has failed to fulfil the terms of its licenses, permits or authorizations, or if Rosneft operates in its license areas in a manner that violates Russian law, they may impose fines on Rosneft or suspend or terminate its licenses. Furthermore, Rosneft may have to increase spending to comply with license terms. Any suspension, restriction or termination of Rosneft's licenses could adversely affect the Company's operating results and financial condition.

Rosneft mitigates this risk by building its business in license areas with due regard for the high requirements of the Russian subsoil resource legislation, ensuring license agreements are duly updated as the applicable legislation changes. Rosneft makes continuous efforts to review and assess legislative initiatives of appropriate ministries and departments in connection with legislation on subsoil resources and licensing of relevant types of businesses.

Risks Related to Currency Control Regulations

A portion of Rosneft's assets and liabilities is denominated in foreign currency. Russian currency control regulations may increase costs or hinder Rosneft's ability to conduct its business. Changes in exchange regulation also may affect business operations of the Company. During the period through 2008, significant restrictions on exchange operations were lifted in line with the Government's policy aimed at the liberalization and further improvement of the currency regulation regime. The trend towards the liberalization of exchange regulation reduces the risk of adverse effects on Rosneft's operations with foreign currency. However, Russian currency control laws and regulations still impose a number of limitations on currency operations. In particular, subject to certain exceptions, foreign currency operations between Russian residents are prohibited. These restrictions could increase the cost for the Company of, or prevent the Company from carrying out, necessary business transactions, or from successfully implementing Rosneft's business strategy, which could have an adverse effect on the Company's operating results and financial position.

Risks Related to Changes in Tax Legislation

Rosneft is subject to a broad range of taxes imposed at the federal, regional and local levels, including but not limited to export duties, mineral extraction tax, corporate income (profits) tax, and value added tax. Russian tax law is not fully developed and is subject to frequent changes. Although the quality of tax legislation has generally improved, the possibility exists that Russia may impose arbitrary or onerous taxes and penalties in the future, which could adversely affect Rosneft's business.

Rosneft constantly monitors changes introduced to tax legislation, and assesses and forecasts the degree of potential influence of such changes on its business.

The Company charges and pays taxes and duties in strict compliance with effective legislation. Recent changes in tax legislation are assessed by the Company as positive, however, there can be no assurance that the current tax rates will not be increased or that new taxes will not be introduced. The introduction of new taxes or change in tax provisions may affect Rosneft's overall tax efficiency and may result in significant additional taxes becoming payable.

Financial Risks

Inflation Risk

Certain of Rosneft's costs, such as the prices it pays for pipes, valves and other equipment, as well as salaries, are affected by inflation in Russia. Most of Rosneft's revenues are either denominated in US dollars or are correlated with the US dollar and depend largely on the international prices of crude oil and gas. Accordingly, the inflation of Rosneft's ruble costs in Russia, if not balanced by a corresponding deflation of the ruble against the US dollar or an increase in crude oil prices, could adversely affect Rosneft's operating results and financial condition.

Liquidity Risk

Liquidity risk may arise where the maturities of assets and liabilities do not match. The Company is constantly expanding its business, using its own and borrowed funds. Rosneft believes that based on its current financial position and the market situation, it will be able to meet its liquidity needs.

Foreign Exchange Rate Risk

A major proportion of the Company's gross revenue is attributable to export operations. All of Rosneft's export revenues, including the exports of crude oil and petroleum products, are denominated in US dollars or are correlated with US dollar-denominated prices for crude oil and petroleum products. A significant portion of Rosneft's operating costs, other than debt service costs, is denominated in rubles. Any appreciation of the ruble against the US dollar generally adversely affects Rosneft's operating results and financial condition. Conversely, a modest depreciation of the ruble against the US dollar generally positively affects Rosneft's operating results and financial condition.

Where the Company's expenses are denominated in a foreign currency, this allows for a natural hedging of the foreign exchange risk. Rosneft borrows significantly in the international debt capital markets, as a result of which the bulk of its loans and servicing obligations are denominated in US dollars. The Company offsets the foreign currency risk with respect to those costs and liabilities that are denominated in rubles, by way of forward sales for rubles of a portion of its revenue denominated in foreign currency.

Interest Rate Risk

As a major borrower, Rosneft is exposed to risks associated with changes in interest rates. The Company's primary source of debt financing is international debt capital markets. The majority of its debt portfolio is represented by US dollar denominated loans that bear interest at rates determined with reference to LIBOR and EURIBOR. Accordingly, an increase in LIBOR/EURIBOR rates can lead to higher costs of debt servicing, which, in turn, may adversely affect the Company's solvency and liquidity.

The Company manages the interest rate risk by using transactions with derivative financial instruments, such as interest rate swaps, which enable the Company to fix an interest rate for a part of its credit portfolio. Rosneft also employs a comprehensive set of internal controls to seek to mitigate financial risks.

Indebtedness Risk

Rosneft is relatively highly leveraged and must observe certain financial and other restrictive covenants under the terms of its indebtedness. Failure to comply with such covenants, or the occurrence or continuation of any other events of default, could lead to the acceleration of Rosneft's indebtedness. This could hinder Rosneft's ability to carry out its business strategy and could limit Rosneft's ability to: borrow money; create liens; give guarantees; make acquisitions; sell or otherwise dispose of assets; and engage in mergers, acquisitions or consolidations.

Capital Expenditure Risks

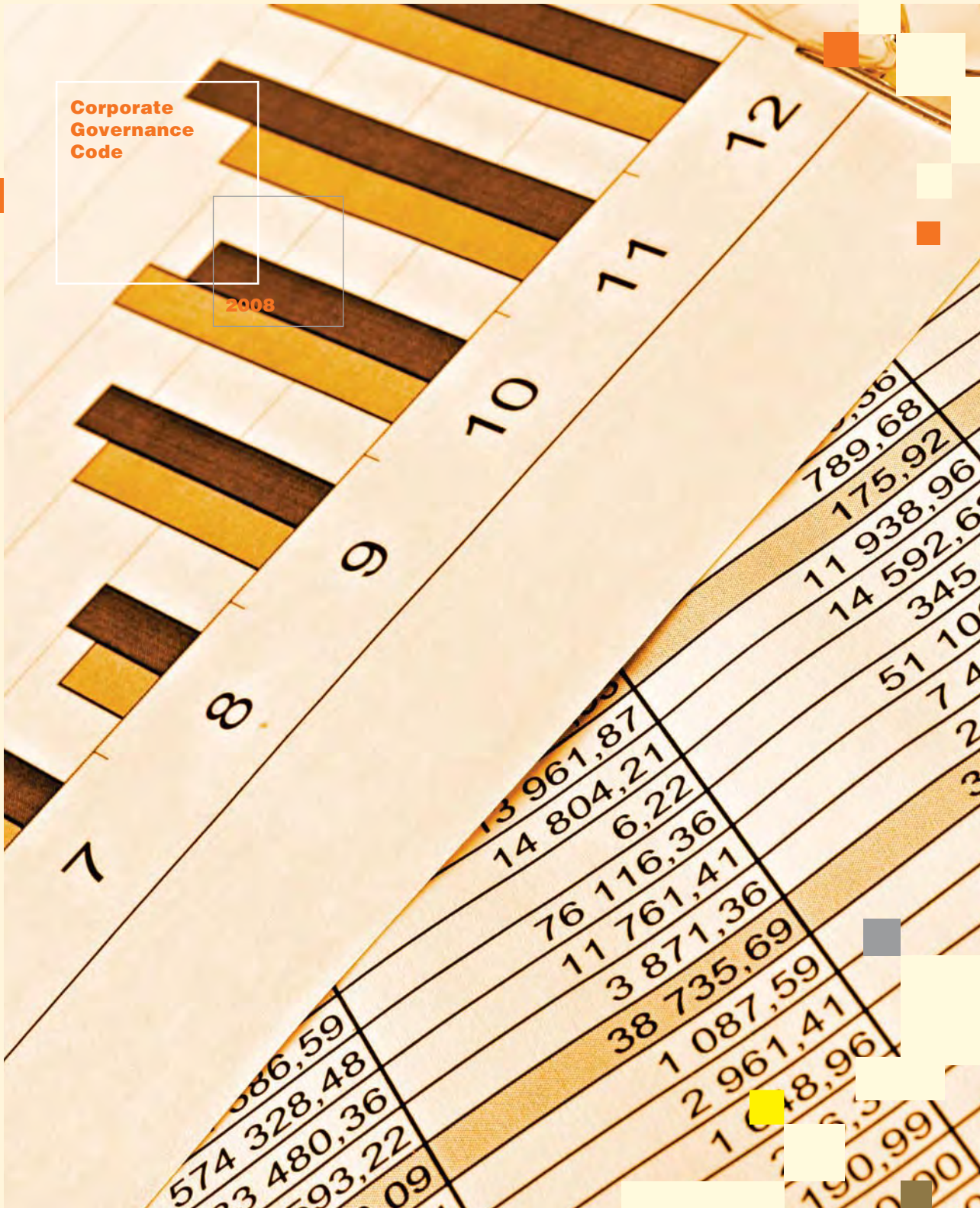
Rosneft's business requires significant capital expenditures. In the event of a fall in international crude oil prices, Rosneft expects that it will have to finance more of its planned capital expenditures from outside sources, including bank borrowings and offerings of debt or equity securities in the domestic and international capital markets. If necessary, these financings may be secured by Rosneft's exports of crude oil. Nonetheless, Rosneft may be unable to raise the financing required for its future capital expenditures, on a secured basis or otherwise, on acceptable terms or at all. If Rosneft is unable to raise the necessary financing, it will have to reduce planned capital expenditures, which could adversely affect its operating results and financial condition.

Insurance Risk

Rosneft does not carry insurance against all potential risks and losses and its insurance might be inadequate to cover all of its losses or liabilities, or may not continue to be available on commercially reasonable terms. Rosneft only has limited, and potentially an insufficient level of, insurance coverage for expenses and losses that may arise in connection with property damage, work-related accidents and occupational illness, natural disasters and environmental contamination.

Rosneft has insurance for hazardous operations that is mandatory under Russian law. Rosneft's upstream and downstream companies are insured against all risks of physical loss and/or damage to the insured property. Rosneft carries director and officer liability and public securities offerings insurance policies, which cover directors' personal liability for 'wrongful acts' and provide reimbursement to the Company and/or the directors for any payments they have made in connection with such claims. The Company does not, however, have any business interruption insurance. Accordingly, losses or liabilities arising from such events could increase Rosneft's costs and could adversely affect its operating results and financial condition.

Information on Observation of the Corporate Governance Code



#	Provision of Corporate Governance Code	Observed/ Not observed	Notes
General Shareholders Meeting			
1	Notification of shareholders on holding of the General Shareholders Meeting at least 30 days before the date of its holding irrespective of matters included into the agenda, if legislation does not specify a longer period	Observed	<ul style="list-style-type: none"> – Item 12.11 (Information on holding of the General Shareholders Meeting), Clause 12 (General Shareholders Meeting) of Rosneft Charter – Item 1, Clause 13 (Call and preparation for holding of the General Shareholders Meeting), Chapter 3 (General Shareholders Meeting) of Rosneft Corporate Governance Code
2	Shareholders have an opportunity to get familiar with the list of persons entitled to take part in the General Shareholders Meeting, beginning from the day of notification of holding of the General Shareholders Meeting and until closure of the General Shareholders Meeting in presence form, and in case of the General Shareholders Meeting in absence form – until the deadline for receipt of voting papers	Observed	<ul style="list-style-type: none"> – Item 8.10 (Voting shares), Clause 8 (Shares of the Company) of Rosneft Charter; – Clause 23 (Familiarization with the list of persons entitled to take part in the General Shareholders Meeting), Section 6 (Compilation of the list of persons having the right to take part in the General Shareholders Meeting) of the Regulation on the General Shareholders Meeting of Rosneft
3	Shareholders have an opportunity to get familiar with the information (materials) to be presented when preparing for holding of the General Shareholders Meeting by electronic means, including by means of the Internet	Observed	<ul style="list-style-type: none"> – Information on holding of the General Shareholders Meeting, Clause 12 (General Shareholders Meeting) Rosneft Charter; – Item 2, Clause 13 (Calling, and preparation for holding, of the General Shareholders Meeting), Chapter 3 (General Shareholders Meeting) of Rosneft Corporate Governance Code – Item 3, Clause 6 (Publication of information in the Internet), Regulation on Information Policy of Rosneft
4	A shareholder has an opportunity to introduce an item into the agenda of the General Shareholders Meeting or demand to call the General Shareholders Meeting without presentation of an extract from the register of shareholders provided his/her right to shares is reflected in the shareholder register, and in case his/her right to shares is reflected in a stock deposit account – sufficiency of an extract from the stock deposit account to perform the above rights	Observed	<ul style="list-style-type: none"> – Item 4, Clause 5 (Introducing item(s) into the agenda of the Annual General Shareholders Meeting and nomination of candidates to the bodies of the Company for election at the Annual General Shareholders Meeting), Section 3 (Proposals on introducing items into the agenda of the Annual General Shareholders Meeting. Proposals on nomination of candidates to the bodies of the Company for election at the Annual General Shareholders Meeting); Item 2, Clause 11 (Calling of extraordinary General Shareholders Meeting), Section 4 (Extraordinary General Shareholders Meeting) of the Regulation on General Shareholders Meeting of Rosneft; – Item 5, Clause 13 (Calling, and preparation for holding, of the General Shareholders Meeting), Chapter 3 (General Shareholders Meeting) of Rosneft Corporate Governance Code

#	Provision of Corporate Governance Code	Observed/ Not observed	Notes
5	The Charter or other internal documents of the Joint-Stock Company contain the requirements for obligatory presence of the General Director, members of the Management Board, members of the Board of Directors, members of the internal audit commission and auditor of the Joint-Stock Company in the General Shareholders Meeting	Observed	<ul style="list-style-type: none"> – Item 2, Clause 28 (Persons present at the General Shareholders Meeting), Section 9 (Procedure for participation of shareholders and their authorized representatives in the General Shareholders Meeting) of the Regulation on General Shareholders Meeting of Rosneft; – Item 1, Clause 6 (Duties of a member of the Board of Directors), Section 2 (Members of the Board of Directors) of the Regulation on the Board of Directors of Rosneft; – Item 1, Clause 8 (Duties of a member of the Management Board), Section 2 (Members of the Management Board) of the Regulation on the Collegial Executive Body (Management Board) of Rosneft; – Item 1, Clause 9 (Duties of the President) of the Regulation on the Sole Executive Body (President) of Rosneft; – Item 2, Clause 2 (Duties of the Internal Audit Commission) of the Regulation on the Internal Audit Commission of Rosneft – Rosneft Corporate Governance Code: Item 2, Clause 14 (Holding of the General Shareholders Meeting), Chapter 3 (General Shareholders Meeting); Item 1, Clause 19 (Duties of the executive bodies), Chapter 4 (Executive bodies of the Company); Item 3, Clause 27 (Company Auditor. Auditing), Chapter 5 (Control over the Company's business operations)
6	Obligatory presence of candidates at the General Shareholders Meeting during consideration of matters relating to election of members of the Board of Directors, General Director, members of the Management Board, members of the internal audit commission, as well as to approval of the auditor of the Joint-Stock Company	Observed	<p>Executed in practice.</p> <p>In compliance with the Regulation on the General Shareholders Meeting of Rosneft, candidates included in voting papers for election of the Company bodies may participate in the General Shareholders Meeting (Item 1, Clause 28 (Persons present at the General Shareholders Meeting), Section 9 (Procedure for participation of shareholders and their authorized representatives in the General Shareholders Meeting))</p>
7	Internal documents of the Joint-Stock Company contain a procedure for registration of participants of the General Shareholders Meeting	Observed	<ul style="list-style-type: none"> – Section 13 (Registration of participants of the Shareholders Meeting held in a form of joint presence) of the Regulation on the General Shareholders Meeting of Rosneft; – Item 1, Clause 14 (Holding of the General Shareholders Meeting), Chapter 3 of Rosneft Corporate Governance Code
Board of Directors			
8	Charter of the Joint-Stock Company establishes the Board of Directors' authority to approve the company's business plan on an annual basis	Observed	Item 13.2 (Competence of the Board of Directors), Clause 13 (Board of Directors of the Company) of Rosneft Charter
9	Risk management procedure approved by the Board of Directors	Not observed	The Risk Management System Development Program, preliminarily reviewed by Rosneft Board of Directors in October 2007, has not yet been approved

#	Provision of Corporate Governance Code	Observed/ Not observed	Notes
10	Charter of the Joint-Stock Company provides for the right of the Board of Directors to make the decision to suspend the authorities of the General Director appointed by the General Shareholders Meeting	Not observed	
11	Charter of the Joint-Stock Company provides for the right of the Board of Directors to establish the requirements for professional qualification and amount of remuneration to the General Director, members of the Management Board, and heads of main divisions of the Joint-Stock Company	Partially observed	<p>Specific requirements for professional qualification of members of Rosneft's executive bodies are established by the internal documents of the Company (Item 2, Clause 16 of Rosneft Corporate Governance Code), namely:</p> <ul style="list-style-type: none"> – Clause 4 (Requirements for the President) of the Regulation on the Sole Executive Body (President) of Rosneft; – Clause 4 (Requirements for members of the Management Board), Section 2 (Members of the Management Board) of the Regulation on the Collegial Executive Body (Management Board) of Rosneft. <p>Additional requirements for candidates to the Company's executive bodies are determined by the HR and Remuneration Committee of the Board of Directors of the Company (Item 3 of Clause 3 of the Regulation on the HR and Remuneration Committee of the Board of Directors of Rosneft)</p> <p>The Board of Directors approves respective labor contracts, including terms of remuneration to the Company President and members of the Management Board (Item 13.2 of Rosneft Charter).</p> <p>The HR and Remuneration Committee of the Board of Directors of the Company works out the principles and criteria of determining the amount of remuneration to the said persons (Item 5, Clause 3 of the Regulation on the HR and Remuneration Committee of the Board of Directors of Rosneft)</p>
12	Charter of the Joint-Stock Company stipulates the Board of Directors' right to approve the terms of labor contracts with the General Director and members of the Management Board	Observed	Item 13.2 (Competence of the Board of Directors), Clause 13 (Board of Directors of the Company) of Rosneft Charter
13	Charter or other internal documents of the Joint-Stock Company stipulate that votes of members of the Board of Directors, who are the General Director and members of the Management Board, shall not be taken into account in approving the terms of labor contracts with the General Director (management company, corporate executive) and members of the Management Board	Not observed	
14	The Board of Directors includes at least 3 independent members complying with the requirements of the Corporate Governance Code	Observed	<ul style="list-style-type: none"> – Item 1, Clause 7 (Independent members of the Board of Directors), Chapter 2 (Board of Directors) of Rosneft Corporate Governance Code; – Item 1, Clause 33 (Executive and independent members in the Board of Directors), Section 10 (Members of the Board of Directors and the Company: conflicts of interest) of the Regulation on the Board of Directors of Rosneft

#	Provision of Corporate Governance Code	Observed/ Not observed	Notes
15	Absence in the Board of Directors of the Joint-Stock Company of persons, who have been convicted of economic crimes or crimes against the state, interests of state service or service in local self-government bodies, or who have been subject to administrative penalties for violation of corporate, finance, tax and/or securities market laws	Observed	Executed in practice
16	Absence in the Board of Directors of the Joint-Stock Company of persons who are a stakeholder, General Director (corporate executive), member of an executive body or employee of a legal entity competing with the Joint-Stock Company	Observed	Executed in practice
17	Charter of the Joint-Stock Company stipulates that the Board of Directors be elected by cumulative voting	Observed	Item 13.7 (Election of the Board of Directors), Clause 13 (Board of Directors of the Company)
18	Internal documents of the Joint-Stock Company provide for the obligation of members of the Board of Directors to abstain from actions, which will result or may potentially result in occurrence of a conflict between their interests and interests of the Joint-Stock Company, and in case such conflict arises – for the obligation to report of this conflict to the Board of Directors	Observed	<ul style="list-style-type: none"> – Item 1, Clause 6 (Duties of a member of the Board of Directors), Section 2 (Members of the Board of Directors), Section 10 (Members of the Board of Directors and the Company: conflicts of interest) of the Regulation on the Board of Directors of Rosneft; – Item 3, Clause 6 (Board of Directors in the Corporate Governance System (management) of the Company), Chapter 2 (Board of Directors) of Rosneft Corporate Governance Code
19	Internal documents of the Joint-Stock Company provide for the obligation of members of the Board of Directors to inform the Board of Directors in writing of the intention to enter into transactions with securities of the Joint-Stock Company (or a subsidiary/affiliate thereof) where they are members of the Board of Directors, as well as for the obligation to disclose information on any such transactions performed by them	Observed	<ul style="list-style-type: none"> – Item 4, Clause 6 (Board of Directors in the Corporate Governance system (management) of the Company), Chapter 2 (Board of Directors) of Rosneft Corporate Governance Code; – Item 1, Clause 6 (Duties of a member of the Board of Directors), Section 2 (Members of the Board of Directors) of the Regulation on the Board of Directors of Rosneft
20	Internal documents of the Joint-Stock Company provide for holding of Board of Directors meetings at least once in six weeks	Not observed	Meetings of the Board of Directors are held as required but at least once a quarter (Item 1, Clause 22 of the Regulation on the Board of Directors of Rosneft)
21	Holding of meetings of the Board of Directors of the Joint-Stock Company during the year for which an annual report of the Joint-Stock Company is being prepared, with intervals of at least once every six weeks	Observed	Meetings of Rosneft Board of Directors were held in each quarter of the reporting period (six meetings were held in total)
22	Internal documents of the Joint-Stock Company set forth a procedure for holding Board of Directors meetings	Observed	<ul style="list-style-type: none"> – Items 13.15 – 13.21 (Meeting of the Board of Directors), Clause 13 (Board of Directors of the Company) of Rosneft Charter; – Section 6 (Meeting of the Board of Directors) of the Regulation on the Board of Directors of Rosneft
23	Internal documents of the Joint-Stock Company provide for obligatory approval of the company's major transactions (10% of the value of the company's assets or more), except for transactions performed in the normal course of business	Observed	Item 13.2 (Competence of the Board of Directors), Clause 13 (Board of Directors of the Company) of Rosneft Charter

#	Provision of Corporate Governance Code	Observed/ Not observed	Notes
24	Internal documents of the Joint-Stock Company provide for the right of members of the Board of Directors to request information required for due performance of their functions from executive bodies and heads of structural divisions of the company, as well as for the responsibility of respective officers for failure to present such information	Observed	Clause 8 (Duties of officials of the Company regarding performance of requirements of members of the Board of Directors), Section 2 (Members of the Board of Directors) of the Regulation on the Board of Directors of Rosneft
25	Presence of the strategic planning committee of the Board of Directors or performance of relevant functions by another committee (except for the audit committee and the HR and remuneration committee)	Observed	The Strategic Planning Committee of Rosneft Board of Directors, formed by the Board of Directors' decisions as of June 2006, June 2007 and June 2008 based on the Regulation on procedure of formation and operation of Committees of the Board of Directors of the Company and the Regulation on the Strategic Planning Committee of the Board of Directors of the Company, continued its activity during the reporting period
26	Presence of the audit committee of the Board of Directors, which makes recommendations to the Board of Directors with respect to appointment of the auditor of the Joint-Stock Company, and interacts with the auditor and the internal audit commission of the Joint-Stock Company	Observed	The Audit Committee of Rosneft Board of Directors, formed by the Board of Directors' decisions as of June 2006, June 2007 and June 2008 based on the Regulation on procedure of formation and operation of Committees of the Board of Directors of the Company and the Regulation on the Audit Committee of the Board of Directors of the Company, continued its activity during the reporting period
27	Presence of only independent and non-executive directors in the audit committee	Observed	<p>The Audit Committee of Rosneft Board of Directors comprises:</p> <ol style="list-style-type: none"> 1. Hans-Joerg Rudloff – Chairman of the Committee (independent non-executive director). 2. Alexander Nekipelov (independent non-executive director). 3. Andrey Kostin (independent non-executive director). <p>Internal documents of the Company specify that the Audit Committee shall consist only of the members of the Board of Directors, who are not executive directors of the Company, and be headed by an independent director, namely:</p> <ul style="list-style-type: none"> – Item 4, Clause 9 (Audit Committee of the Board of Directors), Chapter 2 (Board of Directors) of Rosneft Corporate Governance Code; – Item 3, Clause 35 (Formation of Committees of the Board of Directors), Chapter 11 (Committees of the Board of Directors) of the Regulation on the Board of Directors of Rosneft; – Item 4, Clause 2 (Formation of Committees of the Board of Directors) of the Regulation on procedure of formation and operation of Committees of the Board of Directors of Rosneft; – Item 2, Clause 2 (General provisions) of the Regulation on the Audit Committee of the Board of Directors of Rosneft

#	Provision of Corporate Governance Code	Observed/ Not observed	Notes
28	The audit committee is headed by an independent director.	Observed	<p>The Audit Committee is chaired by Hans-Joerg Rudloff, who is an independent director.</p> <p>This provision is reflected in the following internal documents of the Company:</p> <ul style="list-style-type: none"> – Item 4, Clause 9 (Audit Committee of the Board of Directors), Chapter 2 (Board of Directors) of Rosneft Corporate Governance Code; – Item 4, Clause 35 (Formation of Committees of the Board of Directors), Chapter 11 (Committees of the Board of Directors) of the Regulation on the Board of Directors of Rosneft; – Item 4, Clause 2 (Formation of Committees of the Board of Directors) of the Regulation on procedure of formation and operation of Committees of the Board of Directors of Rosneft; – Item 2, Clause 2 (General provisions) of the Regulation on the Audit Committee of the Board of Directors of Rosneft
29	Internal documents of the Joint-Stock Company provide for the audit committee's right to access any documents and information of the Joint-Stock Company on the conditions of non-disclosure of confidential information by members of the audit committee	Observed	<ul style="list-style-type: none"> – Item 2, Clause 8 (Support of activities of Committees of the Board of Directors) of the Regulation on procedure of formation and operation of Committees of the Board of Directors of Rosneft; – Clause 6 (Interaction of Committee with executive bodies of the Company) of the Regulation on the Audit Committee of the Board of Directors of Rosneft
30	Establishment of a committee of the Board of Directors (HR and remuneration committee), responsible for determining criteria for selection of candidates to the Board of Directors and elaborating the Joint-Stock Company's remuneration policy	Observed	<p>The HR and Remuneration Committee of Rosneft Board of Directors, formed by the Board of Directors' decisions as of June 2006, June 2007 and June 2008 based on the Regulation on procedure of formation and operation of Committees of the Board of Directors of the Company and the Regulation on the HR and Remuneration Committee of the Board of Directors of the Company, continued its activity during the reporting period</p>
31	The HR and remuneration committee is headed by an independent director	Observed	<p>The HR and Remuneration Committee is chaired by Andrey Kostin, who is an independent director.</p> <p>This provision is reflected in the following internal documents of the Company:</p> <ul style="list-style-type: none"> – Item 4, Clause 10 (HR and Remuneration Committee of the Board of Directors), Chapter 2 (Board of Directors) of Rosneft Corporate Governance Code; – Item 4, Clause 35 (Formation of Committees of the Board of Directors), Chapter 11 (Committees of the Board of Directors) of the Regulation on the Board of Directors of Rosneft; – Item 4, Clause 2 (Formation of Committees of the Board of Directors) of the Regulation on procedure of formation and operation of Committees of the Board of Directors of Rosneft; – Item 2, Clause 2 (General provisions) of the Regulation on the HR and Remuneration Committee of the Board of Directors of Rosneft

#	Provision of Corporate Governance Code	Observed/ Not observed	Notes
32	Absence of the Joint-Stock Company's officers in the HR and remuneration committee	Observed	<p>The HR and Remuneration Committee of the Board of Directors of Rosneft comprises:</p> <ol style="list-style-type: none"> 1. Andrey Kostin – Chairman of the Committee (non-executive director). 2. Sergey Naryshkin (non-executive director). 3. Hans-Joerg Rudloff (non-executive director). <p>This provision is reflected in the following internal documents of the Company:</p> <ul style="list-style-type: none"> – Item 4, Clause 10 (HR and Remuneration Committee of the Board of Directors), Chapter 2 (Board of Directors) of Rosneft Corporate Governance Code; – Item 4, Clause 35 (Formation of Committees of the Board of Directors), Chapter 11 (Committees of the Board of Directors) of the Regulation on the Board of Directors of Rosneft; – Item 4, Clause 2 (Formation of Committees of the Board of Directors) of the Regulation on procedure of formation and operation of Committees of the Board of Directors of Rosneft; – Item 2, Clause 2 (General provisions) of the Regulation on the HR and Remuneration Committee of the Board of Directors of Rosneft
33	Establishment of a committee of the Board of Directors for risks or imposition of functions of the said committee to another committee (except for the audit committee and the HR and remuneration committee)	Not observed	<p>This function is imposed upon the Audit Committee of the Board of Directors of Rosneft:</p> <ul style="list-style-type: none"> – Item 1, Clause 2 (General provisions), Item 2, Clause 3 (Functions of the committee), Item 3, Clause 7 (Interaction of the committee with the Company's structural subdivisions performing the functions of internal control and audit) of the Regulation on the Audit Committee of the Board of Directors of Rosneft
34	Establishment of a committee of the Board of Directors for corporate conflicts or imposition of function of the said committee on another committee (except for the audit committee and the HR and remuneration committee)	Not observed	<p>Rosneft has no committee of the Board of Directors for corporate conflicts. Provision is made for establishment of such a committee for prevention and effective pre-trial settlement of corporate conflicts involving the Company and its shareholders (Item 6, Clause 12 of Rosneft Corporate Governance Code)</p>
35	Absence of the Joint-Stock Company's officers in the committee for corporate conflicts	Not observed	<p>Rosneft has no committee of the Board of Directors for corporate conflicts</p>
36	The Board of Directors' committee for corporate conflicts is headed by an independent director	Not observed	<p>Rosneft has no committee of the Board of Directors for corporate conflicts</p>

#	Provision of Corporate Governance Code	Observed/ Not observed	Notes
37	Procedure for formation and operation of the Board of Directors' committees is established by internal documents approved by the Board of Directors	Observed	In October 2008, Rosneft Board of Directors approved new editions of the following internal documents: <ol style="list-style-type: none"> 1. Regulation on procedure for formation and operation of Committees of the Board of Directors of Rosneft. 2. Regulation on the Audit Committee of the Board of Directors of Rosneft. 3. Regulation on the HR and Remuneration Committee of the Board of Directors of Rosneft. 4. Regulation on the Strategic Planning Committee of the Board of Directors of Rosneft
38	Presence in the Charter of the Joint-Stock Company of a procedure for determination of a quorum of the Board of Directors, making it possible to ensure the obligatory participation of independent directors in meetings of the Board of Directors	Not observed	The quorum of a meeting of the Board of Directors is considered achieved subject to: presence and (or) availability of a written opinion of more than one half of the elected members of the Board of Directors (Item 13.18 of Rosneft Charter)
Executive Bodies			
39	Presence of a collegial executive body (Management Board) of the Joint-Stock Company	Observed	Clause 14 (Executive bodies of the Company) of Rosneft Charter
40	The Charter or other internal documents of the Joint-Stock Company stipulate that the Management Board shall approve the Joint-Stock Company's transactions with real estate and fundraising transactions, provided that such transactions are not major transactions or transactions performed in the normal course of business	Observed	Item 14.9, Clause 14 (Executive bodies of the Company) of Rosneft Charter: approval of transactions connected with purchase, disposal or possible disposal, directly or indirectly, of the property by the Company, the value of which is above 5% and up to 10% of the book value of the assets of the Company per statutory financial statements as of the last reporting date, except for transactions made in the normal course of the Company's business, transactions connected with placement by subscription (realization) of common shares of the Company and transactions connected with placement of equity securities convertible into common shares of the Company
41	Presence in the internal documents of the Joint-Stock Company of a procedure for coordination of operations, which are beyond the framework of the Joint-Stock Company's business plan	Observed	Item 13.2 (Competence of the Board of Directors), Clause 13 (Board of Directors of the Company) of Rosneft Charter: approval of transactions connected with purchase, disposal or possible disposal, directly or indirectly, of the property by the Company, the value of which is above 10% and up to 25% of the book value of the assets of the Company per statutory financial statements as of the last reporting date, except for transactions made in the normal course of the Company's business
42	Executive bodies of the Joint-Stock Company have no persons who are a stakeholder, General Director (corporate executive), member of an executive body or employee of a legal entity competing with the Joint-Stock Company	Observed	<ul style="list-style-type: none"> – Item 1, Clause 6 (Members of the Management Board and the Company: conflicts of interest) of the Regulation on the Collegial Executive Body (Management Board) of Rosneft; – Item 1, Clause 7 (the President and the Company: conflicts of interest) of the Regulation on the Sole Executive Body (President) of Rosneft

#	Provision of Corporate Governance Code	Observed/ Not observed	Notes
43	Absence in the executive bodies of the Joint-Stock Company of persons, who have been convicted of economic crimes or crimes against the state, interests of state service or service in local self-government bodies, or who have been subject to administrative penalties for violation of corporate, finance, tax and/or securities market laws. If functions of the sole executive body are performed by a management company or corporate executive – conformity of the General Director and members of the Management Board of the management company or of the corporate executive to the requirements imposed upon the General Director and members of the Management Board of the Joint-Stock Company	Observed	<ul style="list-style-type: none"> – Clause 4 (Requirements for members of the Management Board) of the Regulation on the Collegial Executive Body (Management Board) of Rosneft; – Clause 4 (Requirements for the President) of the Regulation on the Sole Executive Body (President) of Rosneft
44	The Charter or other internal documents of the Joint-Stock Company contain provisions prohibiting the management company (corporate executive) to perform similar functions at a competing company, as well as to be in or enter into any property relations with the Joint-Stock Company, except for rendering of services of a management company (corporate executive)	Not observed	Rosneft Charter has no provisions with regard to a management company (corporate executive)
45	Internal documents of the Joint-Stock Company stipulate that the executive bodies shall abstain from actions, which will result or may potentially result in a conflict between their interests and interests of the Joint-Stock Company, and in case of such conflict – that they shall disclose information on this conflict to the Board of Directors	Observed	<ul style="list-style-type: none"> – Item 1, Clause 19 (Duties of executive bodies), Chapter 4 (Executive bodies of the Company) of Rosneft Corporate Governance Code; – Item 1, Clause 8 (Duties of members of the Management Board), Section 2 (Members of the Management Board) of the Regulation on the Collegial Executive Body (Management Board) of Rosneft; – Item 1, Clause 9 (Duties of the President) of the Regulation on the Sole Executive Body (President) of Rosneft
46	The Charter or other internal documents of the Joint-Stock Company contain criteria for selecting a management company (corporate executive)	Not observed	Rosneft Charter has no provisions with regard to a management company (corporate executive)
47	Executive bodies of the Joint-Stock Company present monthly reports of their activities to the Board of Directors	Not observed	Provision is made for annual presentation by the executive bodies of reports on their activity to the Board of Directors, as well as of other reports as may be required by the Board of Directors (Item 3, Clause 19 of Rosneft Corporate Governance Code; Clause 25 of the Regulation on the Collegial Executive Body (Management Board) of Rosneft)
48	Contracts signed between the Joint-Stock Company and the General Director (management company, corporate executive) and members of the Management Board establish responsibility for violation of provisions on the use of confidential and other proprietary information	Observed	Clause 7 (Duties related to the use of insider information) of the Regulation on Insider Information of Rosneft

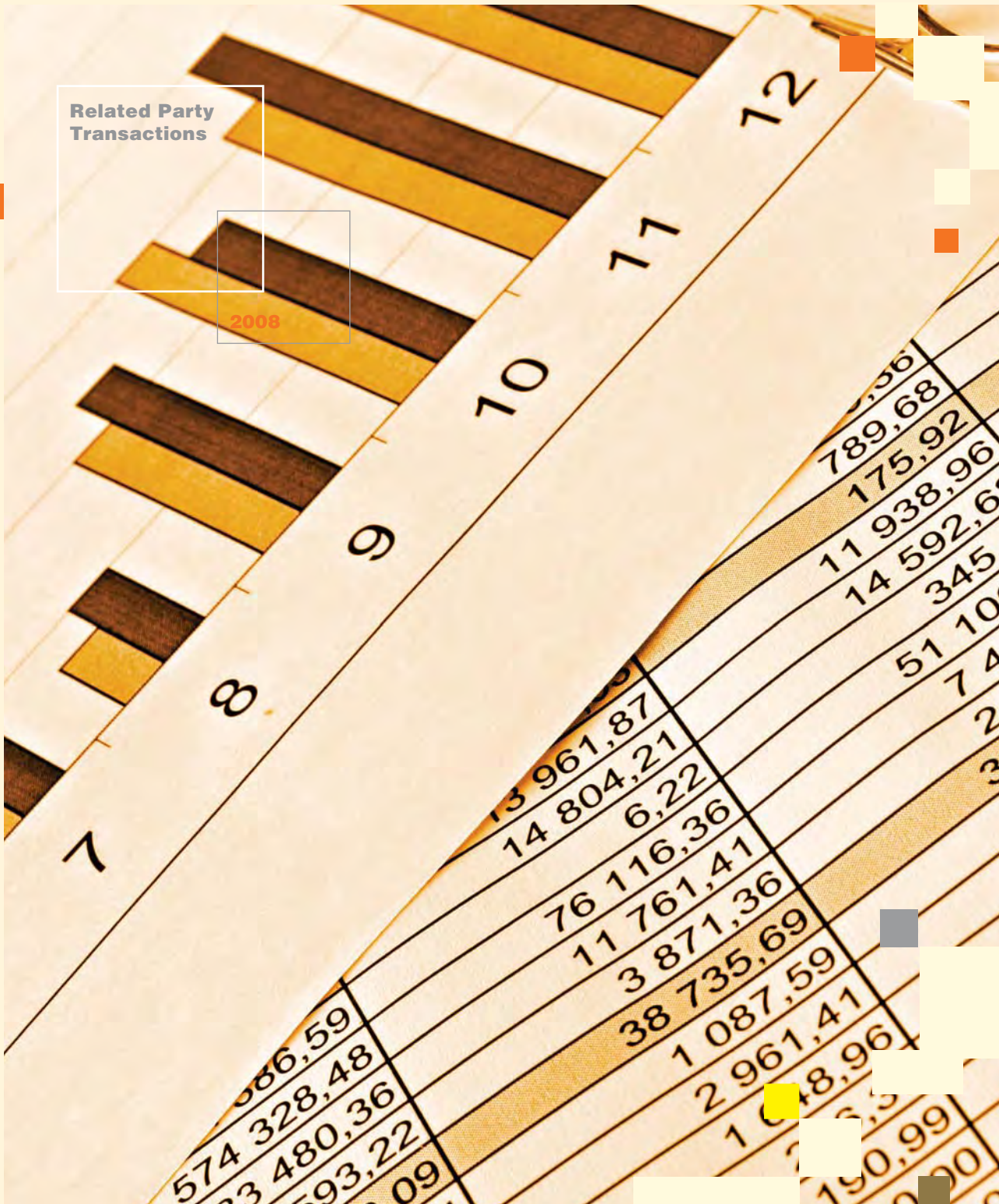
#	Provision of Corporate Governance Code	Observed/ Not observed	Notes
Company Secretary			
49	Presence at the Joint-Stock Company of a special official (Secretary of the company) whose role is to ensure observation by the bodies and officials of the Joint-Stock Company of the procedure requirements guaranteeing the realization of rights and legal interests of the Joint-Stock Company	Not observed	In compliance with the Regulation on the Corporate Secretary of Rosneft, the Company provides for a special official – Corporate Secretary (for the purpose of observing procedures to ensure the rights and legal interests of shareholders). The Board of Directors plans to consider the matter of approving the Corporate Secretary of Rosneft
50	Charter or other internal documents of the Joint-Stock Company establish the procedure for appointment (election) of the company Secretary and duties of the Secretary	Observed	– Item 13.2 (Competence of the Board of Directors), Clause 13 (Board of Directors of the Company) of Rosneft Charter; – Chapter 4 (Corporate Secretary of the Company) of Rosneft Corporate Governance Code; – Clauses 3, 6-11 of the Regulation on the Corporate Secretary of Rosneft
51	Charter of the Joint-Stock Company contains requirements for candidates to the position of company Secretary	Not observed	Requirements for the candidate to the position of the Company Secretary are specified in Clause 5 (Requirements for the Corporate Secretary) of the Regulation on the Corporate Secretary of Rosneft
Material Corporate Actions			
52	Charter or other internal documents of the Joint-Stock Company provide for approval of a major transaction prior to commencement thereof	Not observed	
53	Obligatory engagement of an independent appraiser to perform a market value analysis of the assets subject to a major transaction	Observed	Executed in practice
54	Presence in the Charter of the Joint-Stock Company of a prohibition to take, during acquisition of a large package of shares of the Joint-Stock Company (takeover), any actions directed at protection of interests of executive bodies (members of these bodies) and members of the Board of Directors of the Joint-Stock Company, as well as at worsening the position of the shareholders as compared to the existing situation (particularly, prohibition of the Board of Directors, before expiration of the expected term of acquisition of shares, to take decisions to issue additional shares, to issue securities convertible into shares or securities, giving the right to acquire the shares of the company even if the right to take such a decision is granted to the Board of Directors by the Charter)	Not observed	
55	Charter of the Joint-Stock Company provides for obligatory engagement of an independent appraiser to determine current market value of company shares and potential changes in the market value as a result of a takeover	Not observed	Rosneft shares are traded on the MICEX and RTS stock exchanges in Russia as well as on the London Stock Exchange (in the form of GDRs), where their current market value is determined

#	Provision of Corporate Governance Code	Observed/ Not observed	Notes
56	Charter of the Joint-Stock Company does not waive the obligation of an acquirer to offer shareholders to sell their common shares of the company (equity securities convertible into common shares) during the takeover	Not observed	
57	Charter or other internal documents of the Joint-Stock Company provide for obligatory engagement of an independent appraiser to determine a share conversion ratio for purposes of restructuring	Not observed	
Information Disclosure			
58	Presence of an internal document approved by the Board of Directors, which sets out the Joint-Stock Company's principles and approaches in the area of information disclosure (Regulation on information policy)	Observed	Provision on information policy of Rosneft (approved by the Board of Directors of Rosneft in May 2006)
59	Internal documents of the Joint-Stock Company establish requirements for disclosure of information on the purpose of share placement, on the persons who are going to acquire shares to be placed, including major stakes, as well as on whether top management of the Joint-Stock Company intend to acquire shares of the company to be placed	Not observed	Information is disclosed in compliance with applicable legislation of the Russian Federation and the Regulation on information policy of Rosneft
60	Internal documents of the Joint-Stock Company contain a list of information, documents and materials to be provided to shareholders to take part in decision-making regarding matters put on agenda of the General Shareholders Meeting	Observed	Item 12.12 (Information on holding of the General Shareholders Meeting), Clause 12 (General Shareholders Meeting) of Rosneft Charter
61	The Joint-Stock Company maintains a website and regularly provides information on its activities on the website	Observed	http://www.rosneft.ru/ ; http://www.rosneft.com/ According to Clause 4 of the Regulation on information policy of Rosneft, among other means of disclosure, the Company's Internet site is used to provide information about Rosneft
62	Internal documents of the Joint-Stock Company require for disclosure of information on transactions of the Joint-Stock Company with its top managers as defined in the company Charter, as well as on transactions with organizations where the company's top managers directly or indirectly hold 20% stakes or more, or on which the company's top managers may otherwise exert a material influence	Observed	Information is disclosed in compliance with applicable legislation of the Russian Federation and the Regulation on information policy of Rosneft
63	Internal documents of the Joint-Stock Company require that information on all transactions that may affect the market value of the company's shares be disclosed	Observed	Information is disclosed in compliance with applicable legislation of the Russian Federation and the Regulation on information policy of Rosneft

#	Provision of Corporate Governance Code	Observed/ Not observed	Notes
64	Presence of an internal document, approved by the Board of Directors, on the use of material information on activities of the Joint-Stock Company, and on shares and other securities of the company as well as on transactions therewith, which is not subject to public disclosure and disclosure of which may materially affect the market value of shares and other securities of the Joint-Stock Company	Observed	Regulation on insider information of Rosneft (approved by the Board of Directors of Rosneft in May 2006)
Control over Business Activities			
65	Internal control procedures approved by the Joint-Stock Company's Board of Directors	Observed	Regulation on internal control of business activities of Rosneft (approved by the Board of Directors of Rosneft in May 2006)
66	Presence within the Joint-Stock Company of a special division ensuring observation of internal control procedures (internal control and audit service)	Observed	Rosneft has the Internal Control and Audit Division, as provided for by the following internal documents of the Company: – Item 2, Clause 24 (Control over business activities of the Company) of Rosneft Corporate Governance Code; – Item 1, Clause 4 (Establishment of internal control) of the Regulation on internal control of business activities of Rosneft
67	Internal documents of the Joint-Stock Company require that the structure and composition of the internal control and audit service of the Joint-Stock Company be determined by the Board of Directors	Observed	Clause 7 (Organizational structure of the Internal Control and Audit Division) of the Regulation on internal control of business activities of Rosneft
68	Absence in the internal control and audit service of persons, who have been convicted of economic crimes or crimes against the state, interests of state service or service in local self-government bodies, or who have been subject to administrative penalties for violation of corporate, finance, tax and/or securities market laws	Observed	Executed in practice. Clause 7 (Organizational structure of the Internal Control and Audit Division) of the Regulation on internal control of business activities of Rosneft
69	Absence in the internal control and audit service of persons who serve on the company's executive bodies, or who are a stakeholder, General Director (corporate executive), member of an executive body or employee of a legal entity competing with the Joint-Stock Company	Observed	Executed in practice. Clause 7 (Organizational structure of the Internal Control and Audit Division) of the Regulation on internal control of business activities of Rosneft
70	Internal documents of the Joint-Stock Company establish a timeframe for presentation to the internal control and audit service of documents and materials for analysis of business operations performed; as well as the responsibility of officials and other employees of the Joint-Stock Company for their failure to present the said documents in due time	Not observed	

#	Provision of Corporate Governance Code	Observed/ Not observed	Notes
71	Internal documents of the Joint-Stock Company establish the duty of the internal control and audit service to report the revealed violations to the audit committee and, in case of absence of such a committee, to the Board of Directors of the Joint-Stock Company	Observed	Item 2, Clause 12 (Taking measures to eliminate violations and faults detected by the inspection (revision)) of the Regulation on internal control of business activities of Rosneft
72	Charter of the Joint-Stock Company requires that the internal control and audit service preliminarily assesses the expediency of operations not provided for by the Joint-Stock Company's business plan (non-recurring operations)	Not observed	
73	Internal documents of the Joint-Stock Company establish a procedure for approval of a non-recurring operation by the Board of Directors	Not observed	
74	Presence of an internal document, approved by the Board of Directors, which determines the procedure to perform inspections of business activities of the Joint-Stock Company by the Internal Audit Commission	Observed	Regulation on the Internal Audit Commission of Rosneft (approved by the General Shareholders Meeting of Rosneft in June 2006)
75	The audit committee of the Board of Directors assesses the auditor opinion prior to presentation thereof at the General Shareholders Meeting	Observed	– Item 1, Clause 9 (Audit Committee of the Board of Directors), Chapter 2 (Board of Directors) of Rosneft Corporate Governance Code; – Item 1, Clause 3 (Functions of the committee) of the Regulation on the Audit Committee of the Board of Directors of Rosneft
Dividends			
76	Presence of an internal document, approved by the Board of Directors, to which the Board of Directors adheres when making recommendations on the amount of dividends (when approving a regulation on dividend policy)	Observed	Regulation on dividend policy of Rosneft (approved by the Board of Directors of Rosneft in May 2006)
77	Regulation on dividend policy sets out a procedure for determination of the minimum share of net income of the Joint-Stock Company that can be allocated for payment of dividends; and presence of conditions at which dividends on preferred shares (amount of such dividends is determined in the Charter of the Joint-Stock Company) are not paid or paid partially	Observed	– Item 2, Clause 4 (Principles of dividend policy of the Company) of the Regulation on dividend policy of Rosneft; – Rosneft Charter does not provide for placement of preferred shares
78	Provision of information on the dividend policy of the Joint-Stock Company and on changes introduced thereto in a periodical engaged for publication of messages on holding of the General Shareholders Meetings in accordance with the Charter of the Joint-Stock Company; as well as placement of the said information on the Internet site of the company.	Observed	Information on Rosneft's dividend policy and relevant changes is placed on the Company's Internet site

Major Transactions and Related Party Transactions in 2008



No large transactions occurred in 2008, which were approved in compliance with provisions of Chapter X of Federal Law No. 208-FZ (December 26, 1995), 'On Joint-Stock Companies'.

In 2008 all related party transactions carried out by OJSC Rosneft were on market terms.

Related party transactions approved by the Board of Directors of OJSC Rosneft

Object of the transaction and its main terms	Transaction price	Date of decision
Transactions, in which OJSC NK Rosneft-Dagneft is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ – a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Unpaid assignment by the Counterparty to the Company of access rights to the trunk pipeline system of OJSC Transneft for export deliveries of 25 th. tonnes of oil	No remuneration was paid by the Company	27.12.2007 18.10.2008
2. Transfer by the Company of fixed assets to the Counterparty in return for a lease payment of RUB 8,635.46 th.	Lease payment received by the Company was RUB 8,635.46 th.	27.12.2007
3. Services by the Company (as agent) to the Counterparty for transport of crude oil by rail for an agent's commission of RUB 977.06 th.	Agent's commission received by the Company was RUB 977.06 th.	27.12.2007 05.03.2008
4. Services to the Company by the Counterparty for maintenance and servicing during 8 months of decommissioned real estate belonging to the Company and not needed for production, for a fee of RUB 2.16 th.	Cost of services paid by the Company was RUB 2.16 th.	25.04.2008
Transactions, in which RN-Krasnodarneftegaz LLC is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Services provided by the Counterparty to the Company for production at oil & gas fields, to which the Company holds licenses, of: 1,192.13 th. tonnes of oil; 63.06 th. tonnes of gas condensate; 2,769.78 mln cubic meters of natural gas; 248.29 mln cubic meters of associated gas; and transfer of this output to the Company for subsequent sale, charged at RUB 5,270,062.71 th.	Transaction value was RUB 5,270,062.71 th.	27.12.2007 18.10.2008
2. Sale by the Company to the Counterparty of 497.5 mln cubic meters of gas for RUB 879,931.35 th.	Cost of gas sold to the Company was RUB 879,931.35 th.	27.12.2007 05.03.2008
3. Services by the Counterparty to the Company for sale of 527.7 mln cubic meters of gas, charged at RUB 8,793.43 th.	Cost of services paid by the Company was RUB 8,793.43 th.	27.12.2007
4. Services by the Counterparty to the Company for transportation of 43 th. tonnes of oil, charged at RUB 16,522.1 th.	Cost of services paid by the Company was RUB 16,522.1 th.	27.12.2007
5. Services by the Counterparty to the Company for exploration work at license areas belonging to the Company, charged at RUB 161.1 th.	Cost of services paid by the Company was RUB 161.1 th.	27.12.2007
6. Receipt by the Company of RUB 28,000 th. interest-free loans from the Counterparty for redistribution of funds to settle liabilities and finance investments	Interest-free loans received by the Company were RUB 28,000 th.	27.12.2007
7. Services by the Counterparty (agent) to the Company (principal) in organization of capital construction worth RUB 2,130,924 th. in return for an agent's commission equal to 1.3% of the total amount (RUB 21,582.37 th.)	Agent's commission paid by the Company was RUB 21,582.37 th.	27.12.2007 05.03.2008

Object of the transaction and its main terms	Transaction price	Date of decision
8. Leasing of fixed assets by the Company to the Counterparty for a payment of RUB 889,770.27 th.	Lease payment received by the Company was RUB 889,770.27 th.	27.12.2007
9. Services by the Counterparty to the Company for decommissioning and storage of fixed assets, charged at RUB 21,472.6 th.	Cost of services paid by the Company was RUB 21,472.6 th.	27.12.2007
10. Sale by the Company to the Counterparty of materials and equipment for RUB 473,621 th.	Value of materials and equipment sold by the Company was RUB 473,621 th.	27.12.2007
11. Legal services to the Company by the Counterparty for RUB 1,120.8 th.	Cost of services paid by the Company was RUB 1,120.8 th.	27.12.2007
12. Services to the Company by the Counterparty for maintenance and servicing of decommissioned real estate belonging to the Company and not needed for production during 10 months, charged at RUB 249.4 th.	Transaction value was RUB 249.4 th.	05.03.2008
13. Sale by the Company to the Counterparty of 500 tonnes of crude oil for technical needs for RUB 4,700.24 th.	Transaction value was RUB 4,700.24 th.	05.03.2008
14. Provision by the Company to the Counterparty of information and consulting services (seminars for transfer of know-how, R&D and engineering services) for RUB 645.35 th.	Transaction value was RUB 645.35 th.	18.10.2008
Transactions, in which RN-PURNEFTEGAZ LLC is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Sale by the Company to the Counterparty of 6.9 th. tonnes of crude oil for RUB 49,075.34 th.	Transaction value was RUB 49,075.34 th.	27.12.2007 18.10.2008
2. Sale by the Company to the Counterparty of 124.9 mln cubic meters of gas for RUB 112,521 th.	Cost of gas sold by the Company was RUB 112,521 th.	27.12.2007
3. Services by the Counterparty to the Company for transshipment of 216.4 th. tonnes of gas condensate for RUB 208,519 th.	Cost of services paid by the Company was RUB 208,519 th.	27.12.2007
4. Services by the Counterparty to the Company for refining of 305.01 th. tonnes of crude oil, belonging to the Company for RUB 541,666.7 th.	Cost of services paid by the Company was RUB 541,666.7 th.	27.12.2007
5. Services by the Counterparty to the Company for geological exploration works at license areas belonging to the Company, for RUB 636.8 th.	Cost of services paid by the Company was RUB 636,8 th.	27.12.2007
6. Sale by the Company to the Counterparty of 104.2 th. tonnes of petroleum products for RUB 2,201,590.76 th.	Value of petroleum products sold by the Company was RUB 2,201,590.76 th.	27.12.2007
7. Services by the Counterparty (agent) to the Company (principal) for organization of capital construction of production facilities to the value of RUB 11,638,786 th. in return for an agent's commission equal to 2.01% of the sum (RUB 182,493.96 th.)	Transaction value (agent's commission paid by the Company) was RUB 182,493.96 th.	27.12.2007 05.03.2008
8. Lease by the Company to the Counterparty of fixed assets for a payment of RUB 4,050,342.38 th.	Lease payment received by the Company was RUB 4,050,342.38 th.	27.12.2007
9. Services by the Counterparty to the Company for decommissioning and storage of fixed assets belonging to the Company for a charge of RUB 152,389 th.	Cost of services paid by the Company was RUB 152,389 th.	27.12.2007
10. Sale by the Company to the Counterparty of materials and equipment for RUB 3,489,578 th.	Value of materials and equipment sold by the Company was RUB 3,489,578 th.	27.12.2007
11. Services by the Counterparty for collection and audit of Company subsidiaries financials for a charge of RUB 336.2 th.	Cost of services paid by the Company was RUB 336.2 th.	27.12.2007

Object of the transaction and its main terms	Transaction price	Date of decision
12. Receipt by the Company of RUB 59,000 th. interest-free loans from the Counterparty for redistribution of the funds to settle liabilities and finance investments	Interest-free loans received by the Company were RUB 59,000 th.	27.12.2007
13. Legal services by the Counterparty to the Company for RUB 4,500 th.	Cost of services paid by the Company was RUB 4,500 th.	27.12.2007
14. Transfer by the Company to the Counterparty of wells for a period of 10 months for a lease payment of RUB 7,576.27 th.	Transaction value was RUB 7,576.27 th.	05.03.2008
15. Services by the Counterparty to the Company for maintenance and servicing of decommissioned real estate belonging to the Company and not needed for production during 10 months, charged at RUB 105,008.3 th.	Transaction value was RUB 105,008.3 th.	05.03.2008
16. Provision by the Company to the Counterparty of information and consulting services (seminars for transfer of know-how, R&D and engineering services) for RUB 696.15 th.	Transaction value was RUB 696.15 th.	18.10.2008

Transactions, in which RN-Sakhalinmorneftegaz LLC is a Counterparty;

Party with interest in the transactions: OJSC ROSNEFTEGAZ – a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)

1. Services by the Counterparty to the Company for production at oil & gas fields, to which the Company holds development licenses, of: 1,754.93 th. tonnes of oil, 9.12 th. tonnes of gas condensate, 463.40 mln cubic meters of natural gas, 163.13 mln cubic meters of associated gas; and transfer of this hydrocarbon production to the Company for subsequent sale, for a charge of RUB 5,900,647.56 th.	Transaction value was RUB 5,900,647.56 th.	27.12.2007 18.10.2008
2. Sale by the Company to the Counterparty of 0.6 th. tonnes of crude oil for RUB 4,665 th.	Transaction value was RUB 4,665 th.	27.12.2007 18.10.2008
3. Sale by the Company to the Counterparty of 198.5 mln cubic meters of gas for RUB 211,503.52 th.	Cost of gas sold by the Company was RUB 211,503.52 th.	27.12.2007
4. Services by the Counterparty to the Company for sale of 394.3 mln cubic meters of gas, belonging to the Company, charged at RUB 4,075.59 th.	Cost of services paid by the Company was RUB 4,075.59 th.	27.12.2007
5. Services by the Counterparty to the Company for transport of 619.1 mln cubic meters of gas for a charge of RUB 64,200.9 th.	Cost of services paid by the Company was RUB 64,200.9 th.	27.12.2007
6. Services by the Counterparty to the Company for geological exploration work at license areas owned by the Company, charged at RUB 1,163.8 th.	Cost of services paid by the Company was RUB 1,163.8 th.	27.12.2007
7. Services by the Counterparty to the Company for transport of 1,734.4 th. tonnes of oil for a charge of RUB 676,876.6 th.	Cost of services paid by the Company was RUB 676,876.6 th.	27.12.2007
8. Services by the Counterparty (agent) to the Company (principal) for organization of capital construction of production facilities to the value of RUB 2,085,877 th. for an agent's commission equal to 2.0% of the volume of capital construction, amounting to RUB 28,389.07 th.	Transaction value (agent's commission paid by the Company) was RUB 28,389.07 th.	27.12.2007 05.03.2008
9. Leasing by the Company to the Counterparty of fixed assets for a payment of RUB 873,433.33 th.	Lease payment received by the Company was RUB 873,433.33 th.	27.12.2007
10. Services by the Counterparty to the Company for decommissioning and storage of fixed assets belonging to the Company, for a charge of RUB 10,879 th.	Cost of services paid by the Company was RUB 10,879 th.	27.12.2007
11. Sale by the Company to the Counterparty of materials and equipment for RUB 300,962 th.	Value of materials and equipment sold by the Company was RUB 300,962 th.	27.12.2007
12. Legal services by the Counterparty to the Company for RUB 420 th.	Cost of services paid by the Company was RUB 420 th.	27.12.2007

Object of the transaction and its main terms	Transaction price	Date of decision
13. Services by the Counterparty to the Company for maintenance and servicing of decommissioned real estate belonging to the Company and not needed for production, during 10 months, charged at RUB 229.4 th.	Transaction value was RUB 229.4 th.	5.03.2008
14. Provision by the Company to the Counterparty of RUB 336,017.9 th. interest-free loans for financing of operations.	Transaction value was RUB 336,017.9 th.	18.10.2008
15. Provision by the Company to the Counterparty of information and consulting services (seminars for transfer of know-how, R&D and engineering services) for RUB 305.85 th.	Transaction value was RUB 305.85 th.	18.10.2008
Transactions, in which RN-Stavropolneftegaz LLC is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Services by the Counterparty to the Company for production at oil & gas fields, to which the Company holds development licenses, of: 1,035.29 th. tonnes of oil, 0.89 th. tonnes of gas condensate, 8.09 mln cubic meters of natural gas, and 73.39 mln cubic meters of associated gas; and transfer of this hydrocarbon production to the Company for subsequent sale, for a charge of RUB 3,898,200.54 th.	Transaction value was RUB 3,898,200.54 th.	27.12.2007 18.10.2008
2. Sale by Company to the Counterparty of 47.7 mln cubic meters of gas for RUB 84,334 th.	Cost of gas sold by the Company was RUB 84,334 th.	27.12.2007
3. Sale by the Company to the Counterparty of 1.06 th. tonnes of petroleum products for RUB 22,813.9 th.	Transaction value (value of petroleum products sold by the Company) was RUB 22,813.9 th.	27.12.2007 05.03.2008
4. Services by the Counterparty to the Company for geological exploration work at license areas owned by the Company, charged at RUB 119 th.	Cost of services paid by the Company was RUB 119 th.	27.12.2007
5. Services by the Counterparty (agent) to the Company (principal) for organization of capital construction of production facilities to a value of RUB 653,000 th., for an agent's commission of RUB 6,181 th.	Agent's commission paid by the Company was RUB 6,181 th.	27.12.2007
6. Lease transfer of fixed assets by the Company to the Counterparty for 11 months for a payment of RUB 272,034.57 th.	Transaction value (lease payment received by the Company) was RUB 272,034.57 th.	27.12.2007 05.03.2008
7. Services by the Counterparty to the Company for decommissioning and storage of fixed assets belonging to the Company, for a charge of RUB 3,500 th.	Cost of services paid by the Company was RUB 3,500 th.	27.12.2007
8. Sale by the Company to the Counterparty of materials and equipment for RUB 403,096 th.	Value of materials and equipment sold by the Company was RUB 403,096 th.	27.12.2007
9. Services by the Counterparty to the Company for collection and audit of accounts of Company subsidiaries, at a charge of RUB 300.3 th.	Cost of services paid by the Company was RUB 300.3 th.	27.12.2007
10. Services by the Counterparty to the Company for maintenance and servicing of decommissioned real estate belonging to the Company and not needed for production during 10 months, charged at RUB 177.9 th.	Transaction value was RUB 177.9 th.	05.03.2008
11. Provision by the Company to the Counterparty of RUB 337,219.1 th. interest-free loans for financing of operations.	Transaction value was RUB 337,219.1 th.	18.10.2008

Object of the transaction and its main terms	Transaction price	Date of decision
12. Provision by the Company to the Counterparty of information and consulting services (seminars for transfer of know-how, R&D and engineering services) for RUB 408.8 th.	Transaction value was RUB 408.8 th.	18.10.2008
Transactions, in which RN-Severnaya neft LLC is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Services by the Counterparty to the Company for production at oil & gas fields, to which the Company holds development licenses, of: 5,349.58 th. tonnes of oil and 322.75 mln cubic meters of associated gas; and transfer of this hydrocarbon production to the Company for subsequent sale, for a charge of RUB 9,568,311.3 th.	Transaction value was RUB 9,568,311.3 th.	27.12.2007 18.10.2008
2. Sale by the Company to the Counterparty of 14.2 th. tonnes of crude oil for RUB 116,584 th.	Transaction value was RUB 116,584 th.	27.12.2007 18.10.2008
3. Sale by the Company to the Counterparty of 319.2 mln cubic meters of gas for RUB 453,842.04 th.	Transaction value (value of gas sold by the Company) was RUB 453,842.04 th.	27.12.2007 05.03.2008
4. Services by the Counterparty to the Company for refining of 107.4 th. tonnes of crude oil, belonging to the Company for RUB 80,485.6 th.	Cost of services paid by the Company was RUB 80,485.6 th.	27.12.2007
5. Services by the Counterparty to the Company for geological exploration work at license areas owned by the Company, charged at RUB 110.3 th.	Cost of services paid by the Company was RUB 110.3 th.	27.12.2007
6. Sale by the Company to the Counterparty of 23.3 th. tonnes of petroleum products for RUB 555,879.15 th.	Value of petroleum products sold by the Company was RUB 555,879.15 th.	27.12.2007
7. Services by the Counterparty (agent) to the Company (principal) for organization of capital construction of production facilities to a value of RUB 4,370,673 th. for an agent's commission equal to 3.0% of the total construction value, which is RUB 172,013 th.	Transaction value was RUB 172,013 th.	27.12.2007 18.10.2008
8. Lease transfer by the Company to the Counterparty of fixed assets for a payment of RUB 2,630,594.72 th.	Lease payment received by the Company was RUB 2,630,594.72 th.	27.12.2007
9. Services by the Counterparty to the Company for decommissioning and storage of real assets belonging to the Company, charged at RUB 101 th.	Cost of services paid by the Company was RUB 101 th.	27.12.2007
10. Sale by the Company to the Counterparty of materials and equipment for RUB 674,037 th.	Value of materials and equipment sold by the Company was RUB 674,037 th.	27.12.2007
11. Legal services by the Counterparty to the Company for RUB 1,020 th.	Cost of services paid by the Company was RUB 1,020 th.	27.12.2007
12. Service by the Counterparty to the Company for maintenance and servicing of decommissioned real estate belonging to the Company and not needed for production, during 10 months, charged at RUB 1,012.2 th.	Transaction value was RUB 1,012.2 th.	05.03.2008
13. Provision by the Company to the Counterparty of information and consulting services (seminars for transfer of know-how, R&D and engineering services) for RUB 223.85 th.	Transaction value was RUB 223.85 th.	18.10.2008
Transactions, in which RN-Yuganskneftegaz LLC is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Sale by the Company to the Counterparty of 32.3 th. tonnes of crude oil for RUB 228,628.42 th.	Transaction value was RUB 228,628.42 th.	27.12.2007 18.10.2008
2. Sale by the Company to the Counterparty of 248.1 mln cubic meters of gas for RUB 283,365.32 th.	Transaction value (value of gas sold by the Company) was RUB 283,365.32 th.	27.12.2007 05.03.2008
3. Sale by the Company to the Counterparty of 248.1 th. tonnes of petroleum products for RUB 2,238,780.2 th.	Transaction value (value of petroleum products sold by the Company) was RUB 2,238,780.2 th.	27.12.2007 05.03.2008

Object of the transaction and its main terms	Transaction price	Date of decision
4. Provision by the Counterparty to the Company of RUB 88,300 th. interest-free loans for redistribution of funds to settle financial liabilities and finance investments	Interest-free loans received by the Company were RUB 88,300 th.	27.12.2007
5. Services by the Counterparty (agent) to the Company (principal) for organization of capital construction of production facilities to a value of RUB 64,275,597 th. for an agent's commission of RUB 1,249,076.19 th.	Agent's commission paid by the Company was RUB 1,249,076.19 th.	27.12.2007
6. Services by the Counterparty to the Company for geological exploration work at license areas owned by the Company, charged at RUB 1,119.4 th.	Cost of services paid by the Company was RUB 1,119.4 th.	27.12.2007
7. Lease transfer by the Company to the Counterparty of fixed assets for 11 months for a payment of RUB 17,777,182.14 th.	Transaction value (lease payment received by the Company) was RUB 17,777,182.14 th.	27.12.2007 05.03.2008
8. Services by the Counterparty to the Company for decommissioning and storage of fixed assets belonging to the Company, charged at RUB 141,853 th.	Cost of services paid by the Company was RUB 141,853 th.	27.12.2007
9. Sale by the Company to the Counterparty of materials and equipment for RUB 21,233,363 th.	Value of materials and equipment sold by the Company was RUB 21,233,363 th.	27.12.2007
10. Legal services by the Counterparty to the Company for RUB 7,626 th.	Cost of services paid by the Company was RUB 7,626 th.	27.12.2007
11. Lease transfer by the Company to the Counterparty of fixed assets for 10 months for a payment of RUB 3,039.1 th.	Transaction value was RUB 3,039.1 th.	05.03.2008
12. Services by the Counterparty to the Company for maintenance and servicing of decommissioned real estate belonging to the Company and not needed for production, during 10 months, charged at RUB 11,612.5 th.	Transaction value was RUB 11,612.5 th.	05.03.2008
13. Services by the Counterparty to the Company for maintenance during 10 months of moveable property belonging to the Company and not needed for production, charged at RUB 56,679.6 th.	Transaction value (cost of services paid by the Company) was RUB 56,679.6 th.	05.03.2008 25.04.2008
14. Sale by the Company to the Counterparty of moveable property for RUB 806,885.5 th.	Transaction value was RUB 806,885.5 th.	05.03.2008
15. Services by the Counterparty (agent) to the Company (principal) during 10 months for sale of Company property for an agent's commission equal to 1% of the value of the property sold, amounting to RUB 4,764.1 th.	Transaction value was RUB 4,764.1 th.	05.03.2008
16. Acquisition by the Company of moveable property from the Counterparty for RUB 199 th.	Transaction value (value of property acquired by the Company) was RUB 199 th.	25.04.2008
17. Services by the Counterparty to the Company for sale of 2,467 cubic meters of mixed multi-component light hydrocarbons for a sum of RUB 123.3 th. (equal to 1% of the sale price)	Transaction value was RUB 123.3 th.	18.10.2008
18. Provision by the Company to the Counterparty of information and consulting services (seminars for transfer of know-how, R&D and engineering services) for RUB 605.05 th.	Transaction value was RUB 605.05 th.	18.10.2008
Transactions, in which OJSC Grozneftegaz is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Services by the Counterparty to the Company for production of oil & gas: 1,900 th. tonnes of oil, 4.87 mln cubic meters of natural gas, 608.79 mln cubic meters of associated gas at oil & gas fields in the Chechen Republic, licenses to which are owned by the Company, and transfer of this hydrocarbon production to the Company for subsequent sale, for a charge of RUB 5,681,615.99 th.	Cost of services paid by the Company was RUB 5,681,615.99 th.	27.12.2007
2. Sale by the Company to the Counterparty of 0.25 th. tonnes of crude oil for RUB 2,354.5 th.	Transaction value was RUB 2,354.5 th.	27.12.2007 18.10.2008

Object of the transaction and its main terms	Transaction price	Date of decision
3. Sale by the Company to the Counterparty of 602.9 mln cubic meters of gas for RUB 79,442.67 th.	Cost of gas sold by the Company was RUB 79,442.67 th.	27.12.2007
4. Sale by the Company to the Counterparty of 58.6 th. tonnes of petroleum products for RUB 1,194,731.8 th.	Transaction value (value of petroleum products sold by the Company) was RUB 1,194,731.8 th.	27.12.2007 05.03.2008
5. Services by the Counterparty to the Company for geological exploration work at license areas owned by the Company, charged at RUB 79.4 th.	Cost of services paid by the Company was RUB 79.4 th.	27.12.2007
6. Lease transfer by the Company to the Counterparty for 12 months of fixed assets for a payment of RUB 767 th.	Transaction value (lease payment received by the Company) was RUB 767 th.	27.12.2007 05.03.2008
7. Sale by the Company to the Counterparty of materials and equipment for RUB 43,328 th.	Value of materials and equipment sold by the Company was RUB 43,328 th.	27.12.2007
8. Services by the Counterparty (as agent) to the Company for guarding and escorting crude oil tanks during rail transportation for an agent's commission of RUB 5,014.04 th. (equal to 1% of the Company's total costs).	Agent's commission paid by the Company was RUB 5,014.04 th.	27.12.2007

Transactions, in which RN-Komsomolsk Refinery LLC is a Counterparty;
Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)

1. Services by the Counterparty to the Company for refining of 7,003.5 th. tonnes of Company crude oil for RUB 3,761,372.4 th.	Cost of services paid by the Company was RUB 3,761,372.4 th.	27.12.2007
2. Provision by the Counterparty to the Company of RUB 100,858 th. interest-free loans for redistribution of funds for settlement of financial liabilities and investment financing	Interest-free loans provided by the Company were RUB 100,858 th.	27.12.2007
3. Services by the Counterparty (agent) to the Company (principal) for organization of capital construction of production facilities to a value of RUB 4,545,310 th. for an agent's commission of RUB 28,893.29 th.	Agent's commission paid by the Company was RUB 28,893.29 th.	27.12.2007
4. Lease transfer by the Company to the Counterparty of fixed assets for a payment of RUB 965,940.73 th.	Lease payment received by the Company was RUB 965,940.73 th.	27.12.2007
5. Sale by the Company to the Counterparty of materials and equipment for RUB 90,578 th.	Value of materials and equipment sold by the Company was RUB 90,578 th.	27.12.2007
6. Legal services by the Counterparty to the Company for RUB 1,929.6 th.	Cost of services paid by the Company was RUB 1,929.6 th.	27.12.2007
7. Sale by the Company to the Counterparty of 41.1 th. tonnes of petroleum products for RUB 86,485.3 th.	Transaction value was RUB 86,485.3 th.	05.03.2008
8. Services by the Counterparty to the Company as part of the ROSA project (collection and audit of accounts of Company subsidiaries) for RUB 462 th.	Transaction value was RUB 462 th.	05.03.2008
9. Services by the Counterparty to the Company for maintenance during 8 months of the Company's moveable property (as listed), which is not required for production, for a charge of RUB 2,193.3 th.	Transaction value (cost of services paid by the Company) was RUB 2,193.3 th.	25.04.2008
10. Provision by the Company to the Counterparty of RUB 59,877.6 th. interest-free loans for financing of investments	Transaction value was RUB 59,877.6 th.	18.10.008
11. Provision by the Company to the Counterparty of information and consulting services (seminars for transfer of know-how, R&D and engineering services) for RUB 8.7 th.	Transaction value was RUB 8.7 th.	18.10.2008

Object of the transaction and its main terms	Transaction price	Date of decision
Transactions, in which OJSC NK Rosneft-MZ Nefteproduct is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Lease transfer by the Company to the Counterparty of fixed assets for a payment of RUB 331.04 th.	Lease payment received by the Company was RUB 331.04 th.	27.12.2007
2. Provision by the Company to the Counterparty of RUB 122,400 th. loans for investment financing	Transaction value was RUB 122,400 th.	18.10.2008
Transactions, in which LLC RN-Tuapse Refinery is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Services by the Counterparty to the Company for refining of 5,228.2 th. tonnes of crude oil, belonging to the Company, for a charge of RUB 1,610,166.3 th.	Cost of services paid by the Company was RUB 1,610,166.3 th.	27.12.2007
2. Services by the Counterparty (agent) to the Company (principal) for organization of capital construction of production facilities to the value of RUB 8,457,000 th. for an agent's commission of RUB 99,931 th.	Agent's commission paid by the Company was RUB 99,931 th.	27.12.2007
3. Lease transfer by the Company to the Counterparty of fixed assets for a payment of RUB 296,072.96 th.	Lease payment received by the Company was RUB 296,072.96 th.	27.12.2007
4. Provision by the Counterparty to the Company of RUB 350,000 th. interest-free loans for redistribution of funds for settlement of financial liabilities and investment financing	Transaction value (interest-free loans received by the Company) was RUB 350,000 th.	27.12.2007 05.03.2008
5. Sales by the Company to the Counterparty of 36,600 tonnes of petroleum products for RUB 156,151,750	Transaction value was RUB 156,151.75 th.	05.03.2008
6. Provision by the Company to the Counterparty of information and consulting services (seminars for transfer of know-how, R&D and engineering services) for RUB 17.4 th.	Transaction value was RUB 17.4 th.	18.10.2008
Transactions, in which OJSC NK Rosneft-Altainefteproduct is a Counterparty; Parties with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions) S.V. Karaganov - a member of the Management Board of Rosneft and the Chairman of the Board of Directors of OJSC NK Rosneft-Altainefteproduct, which is a party in the transactions		
1. Sale by the Company to the Counterparty of 186,600 tonnes of petroleum products for RUB 3,788,950.6 th.	Transaction value, value of petroleum products sold by the Company was RUB 3,788,950.6 th.	27.12.2007 05.03.2008
2. Lease transfer by the Company to the Counterparty of fixed assets for a payment of RUB 5,864.72 th.	Lease payment received by the Company was RUB 5,864.72 th.	27.12.2007
Transactions, in which OJSC NK Rosneft-Artag is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Sale by the Company to the Counterparty of 47.5 th. tonnes of petroleum products for RUB 1,035,689.86 th.	Value of petroleum products sold by the Company was RUB 1,035,689.86 th.	27.12.2007
2. Lease transfer by the Company to the Counterparty of fixed assets for a payment of RUB 4,074.54 th.	Lease payment received by the Company was RUB 4,074.54 th.	27.12.2007
3. Sale by the Company to the Counterparty of materials and equipment for RUB 50 th.	Value of materials and equipment sold by the Company was RUB 50 th.	27.12.2007
4. Services by the Counterparty for collection and audit of accounts of Company subsidiaries, charged at RUB 57.6 th.	Cost of services paid by the Company was RUB 57.6 th.	27.12.2007
5. Provision by the Company to the Counterparty of loans for financing investment activity in the amount of RUB 2,060 th.	Transaction value was RUB 2,060 th.	18.10.2008

Object of the transaction and its main terms	Transaction price	Date of decision
Transactions, in which LLC RN-Arkhangelsknefteproduct is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Sale by the Company to the Counterparty of 230.3 th. tonnes of petroleum products for RUB 4,701,325.68 th.	Value of petroleum products sold by the Company was RUB 4,701,325.68 th.	27.12.2007
2. Services by the Counterparty to the Company for transshipment of 1,570 th. tonnes of oil to export via the Privodino railroad oil loading complex, charged at RUB 221,500 th.	Cost of services paid by the Company was RUB 221,500 th.	27.12.2007
3. Services by the Counterparty to the Company for transshipment of 1,539 th. tonnes of oil for export via the Arkhangelsk terminal using a store tanker, charged at RUB 993,000 th.	Cost of services paid by the Company was RUB 993,000 th.	27.12.2007
4. Provision by the Counterparty to the Company of interest-free loans for redistribution of funds for settlement of financial liabilities and for investment financing, totaling RUB 270,445 th.	Interest-free loans received by the Company were RUB 270,445 th.	27.12.2007
5. Services by the Counterparty (agent) to the Company (principal) for organization of capital construction of production facilities to the value of RUB 762,860 th. for an agent's commission of RUB 2,000 th.	Agent's commission paid by the Company was RUB 2,000 th.	27.12.2007
6. Lease transfer by the Company to the Counterparty of fixed assets for a payment of RUB 369,151.52 th.	Lease payment received by the Company was RUB 369,151.52 th.	27.12.2007
7. Sale by the Company to the Counterparty of materials and equipment worth RUB 8,737 th.	Value of materials and equipment sold by the Company was RUB 8,737 th.	27.12.2007
8. Provision by the Company to the Counterparty of RUB 1,130,000 th. interest-free loans for financing of operating activity	Transaction value was RUB 1,130,000 th.	05.03.2008
9. Services by the Counterparty (agent) to the Company (principal) for organization of land use at land plots occupied by facilities, belonging to the Company, for a period of 10 months for an agent's commission of RUB 500 th.	Transaction value was RUB 500 th.	05.03.2008
10. Services by the Counterparty to the Company for maintenance during 6 months of moveable property belonging to the Company and not needed for production, charged at RUB 141.63 th.	Transaction value, cost of services paid by the Company was RUB 141.63 th.	25.04.2008
Transactions, in which OJSC NK Rosneft-Kabardino-Balkarskaya Fuel Company is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Sale by the Company to the Counterparty of 71.2 th. tonnes of crude oil for RUB 627,602.94 th.	Transaction value was RUB 627,602.94 th.	27.12.2007 18.10.2008
2. Sale by the Company to the Counterparty of 80.6 th. tonnes of petroleum products for RUB 1,765,870.8 th.	Value of petroleum products sold by the Company was RUB 1,765,870.8 th.	27.12.2007
3. Lease transfer by the Company to the Counterparty of fixed assets for a payment of RUB 3,151.83 th.	Lease payment received by the Company was RUB 3,151.83 th.	27.12.2007
4. Services by the Counterparty (agent) to the Company (principal) for organization of capital construction of production facilities to the value of RUB 325,800 th. for an agency commission of RUB 426.8 th.	Agent's commission paid by the Company was RUB 426.8 th.	27.12.2007
5. Provision by the Company to the Counterparty of RUB 26,538.6 th. loans for financing of investments	Transaction value was RUB 26,538.6 th.	18.10.008

Object of the transaction and its main terms	Transaction price	Date of decision
Transactions, in which OJSC NK Rosneft Karachaevo-Cherkessnefteproduct is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Sale by the Company to the Counterparty of 132.4 th. tonnes of petroleum products for RUB 1,953,413.2 th.	Value of petroleum products sold by the Company was RUB 1,953,413.2 th.	27.12.2007
2. Services by the Counterparty (agent) to the Company (principal) for organization of capital construction of production facilities to the value of RUB 8,000 th. for an agent's commission of RUB 96.5 th.	Agent's commission paid by the Company was RUB 96.5 th.	27.12.2007
3. Lease transfer by the Company to the Counterparty of fixed assets for a payment of RUB 45,633.78 th.	Lease payment received by the Company was RUB 45,633.78 th.	27.12.2007
Transactions, in which OJSC NK Rosneft-Kubannefteproduct is a Counterparty; Parties with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions) S.V. Karaganov - a member of the Management Board of Rosneft and a member of the Board of Directors of OJSC NK Rosneft-Kubannefteproduct, which is a party in the transactions		
1. Lease transfer by the Company to the Counterparty of fixed assets for a payment of RUB 51,255.45 th.	Lease payment received by the Company was RUB 51,255.45 th.	27.12.2007
2. Services by the Counterparty for collection and audit of accounts of Company subsidiaries, charged at RUB 347.7 th.	Cost of services paid by the Company was RUB 347.7 th.	27.12.2007
3. Provision by the Company to the Counterparty of RUB 266,031.9 th. loans for investment financing.	Transaction value was RUB 266,031.9 th.	27.12.2007
4. Sale by the Company to the Counterparty of moveable property for RUB 2,273.8 th.	Transaction value was RUB 2,273.8 th.	05.03.2008
Transactions, in which OJSC NK Rosneft-Murmansknefteproduct is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Sale by the Company to the Counterparty of 114.2 th. tonnes of petroleum products for RUB 2,206,890.4 th.	Value of petroleum products sold by the Company was RUB 2,206,890.4 th.	27.12.2007
2. Lease transfer by the Company to the Counterparty of fixed assets for a payment of RUB 5,191.48 th.	Lease payment received by the Company was RUB 5,191.48 th.	27.12.2007
3. Provision by the Company to the Counterparty of RUB 13,599 th. loans for investment financing.	Transaction value was RUB 13,599 th.	05.03.2008
Transactions, in which OJSC NK Rosneft-Kurgannefteproduct is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Sale by the Company to the Counterparty of 109.9 th. tonnes of petroleum products for RUB 2,373,404.9 th.	Transaction value, value of petroleum products sold by the Company was RUB 2,373,404.9 th.	27.12.2007 05.03.2008
2. Lease transfer by the Company to the Counterparty of fixed assets for 11 months for a payment of RUB 2,666.84 th.	Transaction value, lease payment received by the Company was RUB 2,666.84 th.	27.12.2007 05.03.2008
3. Sale by the Company to the Counterparty of moveable property for RUB 12,336 th.	Transaction value was RUB 12,336 th.	05.03.2008
4. Services by the Counterparty to the Company for decommissioning and storage of fixed assets belonging to the Company, charged at RUB 1,458 th.	Transaction value was RUB 1,458 th.	18.10.2008

Object of the transaction and its main terms	Transaction price	Date of decision
Transactions, in which LLC RN-Nakhodkanefteproduct is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Sale by the Company to the Counterparty of 4 th. tonnes of petroleum products for RUB 57,733.33 th.	Transaction value, value of petroleum products sold by the Company was RUB 57,733.33 th.	25.04.2008
2. Provision by the Counterparty to the Company of RUB 300,000 th. interest free loans for redistribution of funds for settlement of financial liabilities and financing of investments	Interest-free loans received by the Company were RUB 300,000 th.	27.12.2007
3. Provision by the Counterparty (agent) to the Company (principal) of services associated with production facilities construction for a total of RUB 333,871 th. (agent fee – RUB 5,451.76 th.).	Agent fee paid by the Company was RUB 5,451.76 th.	27.12.2007
4. Lease transfer by the Company to the Counterparty of fixed assets for a payment of RUB 88,006.97 th.	Lease payment received by the Company was RUB 88,006.97 th.	27.12.2007
5. Services by the Counterparty to the Company for transshipment of 4,905.109 th. tonnes for a charge of RUB 822,000 th.	Cost of services paid by the Company was RUB 822,000 th.	27.12.2007
6. Provision by the Counterparty of legal services to the Company for a charge of RUB 1,950 th.	Cost of services paid by the Company was RUB 1,950 th.	27.12.2007
Transactions, in which OJSC NK Rosneft-Smolensknefteproduct is a Counterparty; Parties with interest in the transactions: OJSC ROSNEFTEGAZ – a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions) S.V. Karaganov – a member of the Management Board of Rosneft and a member of the Board of Directors of OJSC NK Rosneft-Smolensknefteproduct, which is a party in the transactions		
1. Sale by the Company to the Counterparty of 573.4 th. tonnes of petroleum products for RUB 11,973,725 th.	Value of petroleum products sold by the Company was RUB 11,973,725 th.	27.12.2007
2. Lease transfer by the Company to the Counterparty of fixed assets for 11 months for a payment of RUB 20,183.14 th.	Transaction value, lease payment received by the Company was RUB 20,183.14 th.	05.03.2008
3. Provision by the Company to the Counterparty of RUB 54,000 th. loans for investment financing	Transaction value was RUB 54,000 th.	05.03.2008
Transactions, in which LLC RN-Tuapsenefteproduct is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Sale by the Company to the Counterparty of 81.1 th. tonnes of petroleum products for RUB 1,426,523.44 th.	Transaction value, value of petroleum products sold by the Company was RUB 1,426,523.44 th.	27.12.2007 05.03.2008
2. Services by the Counterparty to the Company for transshipment of 81.1 th. tonnes of petroleum products to the domestic market for a charge of RUB 174,608.47 th.	Cost of services paid by the Company was RUB 174,608.47 th.	27.12.2007
3. Services by the Counterparty to the Company for receipt, storage and export transshipment of 7,563 th. tonnes of petroleum products USD 53,007 th.	Cost of services paid by the Company was USD 53,007 th.	27.12.2007
4. Provision by the Counterparty to the Company of RUB 246,000 th. interest-free loans for settlement of financial liabilities and investment financing.	Interest-free loans received by the Company were RUB 246,000 th.	27.12.2007

Object of the transaction and its main terms	Transaction price	Date of decision
5. Provision by the Counterparty (agent) to the Company (principal) of services for organisation of capital construction to the value of RUB 3,349,829 th. for an agent's commission of 1.1% of the value of the capital construction, amounting to RUB 29,538 th.	Transaction value, lease payment paid by the Company was RUB 29,538 th.	27.12.2007 05.03.2008
6. Lease transfer by the Company to the Counterparty of fixed assets for a payment of RUB 724,933.05 th.	Lease payment received by the Company was RUB 724,933.05 th.	27.12.2007
7. Legal services by the Counterparty to the Company for RUB 2,049.6 th.	Cost of services paid by the Company was RUB 2,049.6 th.	27.12.2007
8. Services by the Counterparty (agent) to the Company (principal) for sale of property belonging to the Company for a payment of 2% of the value of the property sold, amounting to RUB 51.9 th.	Transaction value, agent's commission paid by the Company was RUB 51.9 th.	25.04.2008

Transactions, in which OJSC NK Rosneft-Yamalnefteproduct is a Counterparty;

Party with interest in the transactions: OJSC ROSNEFTEGAZ – a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)

1. Sale by the Company to the Counterparty of 20.6 th. tonnes of petroleum products for RUB 527,690.43 th.	Transaction value, value of petroleum products sold by the Company was RUB 527,690.43 th.	27.12.2007 05.03.2008
2. Lease transfer by the Company to the Counterparty of fixed assets for a payment of RUB 7,498.26 th.	Lease payment received by the Company was RUB 7,498.26 th.	27.12.2007
3. Services by the Counterparty for collection and audit of accounts of Company subsidiaries, charged at RUB 361.8 th.	Cost of services paid by the Company was RUB 361.8 th.	27.12.2007

Transactions, in which LLC RN-Vostoknefteproduct is a Counterparty;

Party with interest in the transactions: OJSC ROSNEFTEGAZ – a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)

1. Provision by the Company to the Counterparty of RUB 371,604 th. interest-free loans for investment financing	Transaction value (interest-free loans received by the Company) was RUB 371,604 th.	27.12.2007 05.03.2008
2. Lease transfer by the Company to the Counterparty of fixed assets for 11 months for a payment of RUB 13,999.08 th.	Transaction value (lease payment received by the Company) was RUB 13,999.08 th.	27.12.2007 05.03.2008

Transactions, in which OJSC NK Rosneft-Stavropolye is a Counterparty;

Parties with interest in the transactions:

OJSC ROSNEFTEGAZ – a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)

S.V. Karaganov – a member of the Management Board of Rosneft and the Chairman of the Board of Directors of OJSC NK Rosneft-Stavropolye, which is a party in the transactions

1. Sale by the Company to the Counterparty of 389.4 th. tonnes of petroleum products for RUB 8,211,231.39 th.	Transaction value, value of petroleum products sold by the Company was RUB 8,211,231.39 th.	27.12.2007 05.03.2008
2. Provision by the Company to the Counterparty of RUB 315,441.6 th. interest-free loans for investment financing.	Interest-free loans received by the Company were RUB 315,441.6 th.	27.12.2007
3. Lease transfer by the Company to the Counterparty of fixed assets for a payment of RUB 334.68 th.	Lease payment received by the Company was RUB 334.68 th.	27.12.2007
4. Services by the Counterparty for collection and audit of accounts of Company subsidiaries, charged at RUB 85.5 th.	Cost of services paid by the Company was RUB 85.5 th.	27.12.2007

Object of the transaction and its main terms	Transaction price	Date of decision
Transactions, in which LLC RN-Krasnoyarsknefteproduct is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Provision by the Company to the Counterparty of RUB 550 th. interest-free loans for financing of operations.	Transaction value (interest-free loans received by the Company) was RUB 550 th.	25.04.2008 18.10.2008
Transactions, in which LLC RN-Kemerovonefteproduct is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Provision by the Company to the Counterparty of RUB 14,400 th. interest-free loans for financing of operations.	Transaction value (interest-free loans provided by the Company) was RUB 14,400 th.	18.10.2008
Transactions, in which LLC RN-Novosibirsknefteproduct is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Provision by the Company to the Counterparty of RUB 10,000 th. interest-free loans for financing of operations.	Transaction value (interest-free loans received by the Company) was RUB 10,000 th.	18.10.2008
Transactions, in which LLC RN-Aero is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Provision by the Company to the Counterparty of RUB 1,500 th. interests free loans for financing of operations.	Transaction value (interest-free loans received by the Company) was RUB 1,500 th.	18.10.2008
Transactions, in which LLC RN-Chechennefteproduct is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Provision by the Company to the Counterparty of RUB 642,515 th. interest-free loans for financing of investments and operations.	Transaction value (interest-free loans received by the Company) was RUB 642,515 th.	18.10.2008
Transactions, in which OJSC Nakhodka Oil-Loading Port is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Services by the Counterparty to the Company for loading and unloading operations to ships as part of export of 4,905.109 th. tonnes of petroleum products, charged at RUB 96,000 th.	Cost of services paid by the Company was RUB 96,000 th.	27.12.2007
2. Provision by the Company to the Counterparty of RUB 177,568.4 th. loans for investment financing	Transaction value (interest-free loans received by the Company) was RUB 177,568.4 th.	05.03.2008
3. Provision by the Counterparty to the Company of RUB 2,000 th. interest-free loans.	Transaction value was RUB 2,000 th.	18.10.2008
Transactions, in which CJSC Rosnefteflot is a Counterparty; Parties with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions) S.V. Karaganov – a member of the Management Board of Rosneft and a member of the Supervisory Board of CJSC Rosnefteflot, which is a party in the transactions		

Object of the transaction and its main terms	Transaction price	Date of decision
1. Lease transfer for 10 months by the Company to the Counterparty of the tug boats, Vagis and Bikin, which belong to the Company, on standard bare boat charter terms for a payment of RUB 17,423.88 th.	Transaction value was RUB 17,423.88 th.	05.03.2008
Transactions, in which LLC Rosneft International Ltd is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Provision by the Company to the Counterparty of RUB 3,201,545 th. interest-free loans for financing of investments and operations	Interest-free loans received by the Company were RUB 3,201,545 th.	27.12.2007
2. Provision by the Company to the Counterparty of RUB 1,024,278 th. interest-free loans for financing, of operations	Transaction value was RUB 1,024,278 th.	05.03.2008
3. Provision by the Company to the Counterparty of USD 35,553.4 th. interest-free loans for financing of activities as part of the Sakhalin-3 project	Transaction value was USD 35,553.4 th.	18.10.2008
Transactions, in which CJSC RN Shelf – Far East is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Lease transfer by the Company to the Counterparty of fixed assets for 11 months for a payment of RUB 788.89 th.	Transaction value, lease payment received by the Company was RUB 788.89 th.	27.12.2007 05.03.2008
2. Provision by the Company to the Counterparty of RUB 2,200 th. interest-free loans for investment financing.	Interest-free loans received by the Company were RUB 2,200 th.	27.12.2007
3. Services by the Counterparty as part of the ROSA project (collection and audit of accounts of Company subsidiaries), charged at RUB 172.3 th.	Transaction value was RUB 172.3 th.	05.03.2008
Transactions, in which OJSC Russian Regional Development Bank is a Counterparty; Parties with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions) S.M. Bogdanchikov – member of Rosneft Board of Directors, Chairman of the Management Board and President of Rosneft, Chairman of the Supervisory Board of OJSC Russian Regional Development Bank, which is a party in the transactions A.I. Baranovsky – member of Rosneft Management Board, member of Supervisory Board of OJSC Russian Regional Development Bank, which is a party in the transactions R.S. Tursunov – member of Rosneft Management Board, member of Supervisory Board of OJSC Russian Regional Development Bank, which is a party in the transactions		
1. Services by the Counterparty to the Company in sale and purchase operations for foreign currency at a rate, agreed between the parties, for a fee of RUB 5,600 th.	Amount paid by the Company was RUB 5,600 th.	27.12.2007
2. Brokerage services by the Counterparty to the Company in securities operations, for a fee of RUB 3,000 th.	Amount paid by the Company was RUB 3,000 th.	27.12.2007
3. Sub-lease transfer by the Company to the Counterparty of premises for a payment of RUB 53,420.64 th.	Lease payment received by the Company was RUB 53,420.64 th.	27.12.2007
4. Lease transfer by the Company to the Counterparty of fixed assets for 11 months for a payment of RUB 756 th.	Transaction value, lease payment received by the Company was RUB 756 th.	27.12.2007 05.03.2008
5. Provision by the Company to the Counterparty of a subordinated loan of RUB 250,000 th. for financing of a corporate mortgage program for young specialists working in the Company	Transaction value was RUB 250,000 th.	05.03.2008
Transactions, in which LLC RN-Kazakhstan is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Provision by the Company to the Counterparty of RUB 240,400 th. interest-free loans for investment financing.	Transaction value (interest-free loans received by the Company) was RUB 240,400 th.	27.12.2007 05.03.2008

Object of the transaction and its main terms	Transaction price	Date of decision
2. Services by the Counterparty to the Company for geological exploration work, charged at RUB 792,214 th.	Cost of services paid by the Company was RUB 792,214 th.	27.12.2007
Transactions, in which OJSC Moscow Gas Company is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Sale by the Company to the Counterparty of 54.3 th. tonnes of petroleum products for RUB 687,207.4 th.	Value of petroleum products sold by the Company was RUB 687,207.4 th.	27.12.2007
Transactions, in which LLC RN-Service is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Provision by the Company to the Counterparty of RUB 6,500 th. interest free loans for financing of operations.	Interest-free loans received by the Company were RUB 6,500 th.	27.12.2007
2. Sale by the Company of fixed assets to the Counterparty for RUB 449,648.8 th.	Value of fixed assets sold by the Company was RUB 449,648.8 th.	27.12.2007
Transactions, in which LLC RN-Trade is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Sale by the Company to the Counterparty of 59,300 of petroleum products for RUB 1,354,748.43 th.	Value of petroleum products sold by the Company was RUB 1,354,748.43 th.	27.12.2007
Transactions, in which LLC RN-Energo is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Sub-lease transfer by the Company to the Counterparty of premises for a payment of RUB 18,493.17 th.	Lease payment received by the Company was RUB 18,493.17 th.	27.12.2007
2. Provision by the Company to the Counterparty of RUB 21,400 th. interest-free loans for financing of operations	Interest-free loans received by the Company were RUB 21,400 th.	27.12.2007
3. Services by the Counterparty to the Company for preparation of feasibility studies and technical projects for construction of new power generating facilities, charged at RUB 61,497 th.	Cost of services paid by the Company was RUB 61,497 th.	27.12.2007
Transactions, in which OJSC Okhinskaya Thermal Generating Station is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Provision by the Company to the Counterparty of RUB 69,900 th. loans for investment financing.	Transaction value was RUB 69,900 th.	05.03.2008
Transactions, in which LLC RN-Bureniye is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Provision by the Company to the Counterparty of RUB 2,315,611.3 th. interest-free loans for financing of operations.	Transaction value (interest-free loans received by the Company) was RUB 2,315,611.3 th.	27.12.2007 05.03.2008
2. Lease transfer by the Company to the Counterparty of fixed assets for 11 months for a payment of RUB 14,553.30 th.	Transaction value, lease payment received by the Company was RUB 14,553.30 th.	27.12.2007 05.03.2008
3. Sale by the Company to the Counterparty of listed materials and equipment for RUB 1,897,247 th.	Transaction value, value of materials and equipment sold by the Company was RUB 1,897,247 th.	27.12.2007 05.03.2008

Object of the transaction and its main terms	Transaction price	Date of decision
Transactions, in which LLC RN-Inform is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Provision by the Company to the Counterparty of RUB 100,120.9 th. interest-free loans for financing of operations.	Transaction value was RUB 100,120.9 th.	05.03.2008
2. Lease transfer by the Company to the Counterparty of fixed assets for 10 months for a payment of RUB 99.53 th.	Transaction value was RUB 99.53 th.	05.03.2008
3. Services by the Counterparty to the Company to the value of RUB 337,319.5 th., including: 3.1. ensuring proper functioning of equipment and infrastructure systems of offices, information systems and business facilities at Company headquarters as well as the Company's corporate information system, at a charge of RUB 238,527.8 th. 3.2. back-up and support for work places at the main complex of the first stage of Rosneft's corporate information system (based on SAP R/3) of integrated software solutions, at a charge of RUB 95,569.2 th. 3.3. checking technical competence of test laboratories at Rosneft subsidiaries, at a charge of RUB 3,222.5 th.	Total transaction value was RUB 337,319.5 th.	18.10.2008
4. Execution by the Counterparty of works for creation, installation and upgrading of IT and telecom systems and corporate communications systems, at a charge of RUB 97,456.6 th.	Total value of the transactions was RUB 97,456.6 th.	18.10.2008
Transactions, in which LLC NK Rosneft-NTTs is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Lease transfer by the Company to the Counterparty of fixed assets for 12 months for a payment of RUB 6,538.39 th.	Transaction value, lease payment received by the Company was RUB 6,538.39 th.	27.12.2007 05.03.2008
2. Services by the Counterparty for collection and audit of accounts of Company subsidiaries, charged at RUB 41.3 th.	Cost of services paid by the Company was RUB 41.3 th.	27.12.2007
3. Services by the Counterparty to the Company in R&D work for storage, primary processing, systematization and collection of geological and geophysical core information, charged at RUB 1,500 th.	Cost of services paid by the Company was RUB 1,500 th.	27.12.2007
4. Services by the Counterparty to the Company for R&D on a system for controlling development parameters and thermodynamic well studies (continuing work from 2007), charged at RUB 8,000 th.	Cost of services paid by the Company was RUB 8,000 th.	27.12.2007
5. Services by the Counterparty to the Company for R&D back-up of engineering and technical systems, charged at RUB 15,000 th.	Cost of services paid by the Company was RUB 15,000 th.	27.12.2007
6. R&D services by the Counterparty to the Company for development and approval of standards for technical losses of hydrocarbons at Company fields in 2009, charged at RUB 5,000 th.	Cost of services paid by the Company was RUB 5,000 th.	27.12.2007
7. Provision by the Company to the Counterparty of RUB 30,000 th. interest-free loans for financing of operations	Transaction value was RUB 30,000 th.	18.10.2008
8. Services (works) by the Counterparty for the benefit of the Company in construction of a structural model of eocene-paleocene sediments at the West Kuban Fold in order to identify locations for further exploration, charged at RUB 4,200 th.	Transaction value was RUB 4,200 th.	18.10.2008
Transactions, in which LLC RN-SakhalinNIPImorneft is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Lease transfer by the Company to the Counterparty of fixed assets for a payment of RUB 184.45 th.	Lease payment received by the Company was RUB 184.45 th.	27.12.2007

Object of the transaction and its main terms	Transaction price	Date of decision
2. Services by the Counterparty to the Company for R&D work to extrapolate and achieve complex analysis of seismic materials from the North-East Sakhalin shelf in order to clarify best strategy for further prospecting work, charged at RUB 6,000 th.	Cost of services paid by the Company was RUB 6,000 th.	27.12.2007
3. R&D services by the Counterparty to the Company for expansion and specification of geological and geophysical data for details of project technical documentation and also collection of data on oil & gas resources in digital masses from Company fields in Sakhalin region, charged at RUB 3,700 th.	Cost of services paid by the Company was RUB 3,700 th.	27.12.2007
4. Services by the Counterparty to the Company for execution of R&D work on knowledge and technology matrixes for development of shelf fields, charged at RUB 3,500 th.	Cost of services paid by the Company was RUB 3,500 th.	27.12.2007
5. Services by the Counterparty to the Company for R&D work on engineering and technical support for new technology systems, charged at RUB 3,500 th.	Cost of services paid by the Company was RUB 3,500 th.	27.12.2007
6. Provision by the Counterparty to the Company of RUB 7,900 th. interest-free loans	Transaction value was RUB 7,900 th.	18.10.2008

Transactions, in which LLC RN-UfaNIPneft is a Counterparty;

Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)

1. Provision by the Company to the Counterparty of RUB 30,000 th. interest-free loans for financing of operations	Interest-free loans received by the Company were RUB 30,000 th.	27.12.2007
2. Lease transfer by the Company to the Counterparty of fixed assets for 12 months for a payment of RUB 1,435 th.	Transaction value, lease payment received by the Company was RUB 1,435 th.	27.12.2007 05.03.2008
3. R&D services by the Counterparty to the Company for analysis of international experience and design work on rescaling of geological and hydrodynamic models, charged at RUB 4,000 th.	Cost of services paid by the Company was RUB 4,000 th.	27.12.2007
4. R&D services by the Counterparty to the Company for analysis and extrapolation of international experience in creation of multi-variant stochastic geological models and analysis of indeterminacy, charged at RUB 3,000 th.	Cost of services paid by the Company was RUB 3,000 th.	27.12.2007
5. R&D services by the Counterparty to the Company for adaptation of existing approaches to operational appraisal of resource potential to match Company conditions, charged at RUB 3,600 th.	Cost of services paid by the Company was RUB 3,600 th.	27.12.2007
6. R&D services by the Counterparty to the Company for creation of methodology of IT support for integrated planning, charged at RUB 5,000 th.	Cost of services paid by the Company was RUB 5,000 th.	27.12.2007
7. R&D services by the Counterparty to the Company for expansion and clarification of the geological-geophysical data base for at Company fields, and for collection of data on oil & gas resources with respect to digital field formations, charged at RUB 4,500 th.	Cost of services paid by the Company was RUB 4,500 th.	27.12.2007
8. R&D services by the Counterparty to the Company for development of a matrix for application of carbonate collector development methods and maintaining strata pressure, charged at RUB 3,000 th.	Cost of services paid by the Company was RUB 3,000 th.	27.12.2007
9. R&D services by the Counterparty to the Company for development of methods and a program module for the RN-WellView system for forecasting behavior of pump installations based on monitoring of parameters, charged at RUB 3,000 th.	Cost of services paid by the Company was RUB 3,000 th.	27.12.2007
10. R&D services by the Counterparty to the Company for fine-tuning and engineering support during test operations with programs for manipulation of RosPump submersible equipment, charged at RUB 4,500 th.	Cost of services paid by the Company was RUB 4,500 th.	27.12.2007
11. R&D services by the Counterparty to the Company for design of algorithms and instruments for calculation of oil production levels over 5 years, charged at RUB 1,817 th.	Cost of services paid by the Company was RUB 1,817 th.	27.12.2007

Object of the transaction and its main terms	Transaction price	Date of decision
12. R&D services by the Counterparty to the Company for engineering and technical support for new technology systems, charged at RUB 25,000 th.	Cost of services paid by the Company was RUB 25,000 th.	27.12.2007
13. R&D services by the Counterparty to the Company for development of a methodology of data base formation as part of organization of knowledge diffusion, charged at RUB 3,500 th.	Cost of services paid by the Company was RUB 3,500 th.	27.12.2007 18.10.2008
14. R&D services by the Counterparty to the Company for design of algorithms of integrated hydro-mechanical modelling of well-strata systems, charged at RUB 8,100 th.	Cost of services paid by the Company was RUB 8,100 th.	27.12.2007
15. R&D services by the Counterparty to the Company for development of methods for rating elements of flooding for operational analysis of the system and identification of problem sections at Company fields, charged at RUB 5,400 th.	Cost of services paid by the Company was RUB 5,400 th.	27.12.2007
16. R&D services by the Counterparty to the Company for selection of optimal acid ingredients for acid treatment of carbonate collectors at Company fields, charged at RUB 6,500 th.	Transaction cost, cost of services paid by the Company was RUB 6,500 th.	27.12.2007 05.03.2008
17. Services by the Counterparty to the Company for development of proxy-models for forecasting technical parameters of field development and appraisal of recoverable reserves in flood conditions, charged at RUB 4,000 th.	Cost of services paid by the Company was RUB 4,000 th.	05.03.2008
18. Provision by the Counterparty to the Company of the following services as part of an R&D program, charged at RUB 7,843.2 th	Cost of services paid by the Company was RUB 7,843.2 th.	18.10.2008
Transactions, in which CJSC Yukos-Mamontovo is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Provision by the Counterparty to the Company of RUB 154,800 th. interest-free loans	Transaction value was RUB 154,800 th.	18.10.2008
Transactions, in which LLC Komsomolskneftezavodremstroi is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Provision by the Counterparty to the Company of RUB 3,500 th. interest-free loans	Transaction value was RUB 3,500 th.	18.10.2008.
Transactions, in which LLC KNPZ-Service is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Provision by the Counterparty to the Company of RUB 3,500 th. interest-free loans	Transaction value was RUB 3,500 th.	18.10.2008
Transactions, in which LLC Dubininskoye is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)		
1. Leasing by the Counterparty to the Company of premises for a payment of RUB 434,519.7 th.	Lease payment paid by the Company was RUB 434,519.7 th.	27.12.2007
2. Provision by the Counterparty to the Company of RUB 300,000 th. interest-free loans	Transaction value was RUB 300,000 th.	05.03.2008
Transactions, in which OJSC ROSNEFTEGAZ is a Counterparty; Parties with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions) I.I. Sechin – Chairman of the Board of Directors of Rosneft and Chairman of the Board of Directors of OJSC ROSNEFTEGAZ, which is a party in the transaction S.M. Bogdanchikov – member of Rosneft Board of Directors, Chairman of the Management Board and President of Rosneft, member of the Board of Directors of OJSC ROSNEFTEGAZ, which is a party in the transaction G.S. Nikitin – Deputy Chairman of the Board of Directors of Rosneft and a member of the Board of Directors of OJSC ROSNEFTEGAZ, which is a party in the transaction		
1. Lease transfer by the Company to the Counterparty of premises for a payment of RUB 332.2 th.	Lease payment received by the Company was RUB 332.2 th.	

Realted party transactions approved by the General Shareholders' Meeting on 05.06.2008

Object of the transaction and its main terms	Transaction price
<p>Transactions, in which LLC RN-Purneftegaz is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)</p>	
<p>1. Services by the Counterparty to the Company for production at oil & gas fields, to which the Company holds development licenses, of: 8,079.79 th. tonnes of oil, 205.57 th. tonnes of gas condensate, 1,677.83 mln cubic meters of natural gas, and 2,259.8 mln cubic meters of associated gas, for a maximum charge of RUB 19,797,274.45 th. and transfer of this hydrocarbon production to the Company for subsequent sale</p>	<p>Transaction value (cost of services paid by the Company) was RUB 19,797,274.45 th.</p>
<p>Transactions, in which LLC RN-Yuganskneftegaz is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)</p>	
<p>1. Services by the Counterparty to the Company for production at oil & gas fields, to which the Company holds development licenses, of: 65,658.34 th. tonnes of oil, 1,915.77 mln cubic meters of associated gas, for a maximum charge of RUB 80,023,319.54 th. and transfer of this hydrocarbon production to the Company for subsequent sale</p>	<p>Transaction value, cost of services paid by the Company was RUB 80,023,319.54 th.</p>
<p>Transactions, in which OJSC NK Rosneft-Kubannefteproduct is a Counterparty; Parties with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions) S.V. Karaganov – member of Rosneft Management Board, member of the Board of Directors of OJSC NK Rosneft-Kubannefteproduct, which is a party in the transaction</p>	
<p>1. Sale by the Company to the Counterparty of 899.2 th. tonnes of petroleum products for RUB 18,234,611 th.</p>	<p>Transaction value, value of petroleum products sold by the Company was RUB 18,234,611 th.</p>
<p>Transactions, in which LLC RN-Vostoknefteproduct is a Counterparty; Party with interest in the transactions: OJSC ROSNEFTEGAZ - a shareholder of Rosneft, owning more than 20% of voting shares in the Company (the Company is an affiliate of OJSC ROSNEFTEGAZ and a party in the transactions)</p>	
<p>1. Sale by the Company to the Counterparty of 1,959 th. tonnes of petroleum products for RUB 46,764,136.7 th.</p>	<p>Transaction value (value of petroleum products sold by the Company) was RUB 46,764,136.7 th.</p>

Taxation of Dividends and Capital Gains



The following summary of material U.S. federal income, United Kingdom and Russian tax consequences of ownership of securities is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect as of January 1, 2009. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the securities. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of securities. Each prospective holder is urged to consult its own tax advisor as to the particular tax consequences to such holder of the ownership and disposition of the securities, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of January 1, 2009, and of any actual changes in applicable tax laws after such date.

Certain U.S. Federal Income Tax Considerations

This section is a summary, under current law, of certain U.S. federal income tax considerations relevant to beneficial owners of the ordinary shares or GDRs that are eligible for benefits as U.S. residents under the current income tax convention between the United States and Russia (the «Treaty») in respect of their investment in the ordinary shares or GDRs («U.S. shareholders»). In general, a shareholder will be eligible for such benefits if the shareholder:

- Is:
 - An individual U.S. citizen or resident;
 - A U.S. corporation; or
 - A partnership, estate, or trust to the extent the shareholder's income is subject to taxation in the United States as the income of a resident, either in the shareholder's hands or in the hands of the shareholder's partners or beneficiaries;
- Is not also a resident of Russia for Russian tax purposes;
- Is the beneficial owner of the ordinary shares or GDRs (and the dividends paid with respect thereto);
- Holds the ordinary shares or GDRs as a capital asset for tax purposes;
- Does not hold the ordinary shares or GDRs in connection with the conduct of business through a permanent establishment, or the performance of personal services through a fixed base, in Russia; and
- Is not subject to an anti-treaty shopping provision in the Treaty that applies in limited circumstances.

This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor, and does not address the tax treatment of investors who are subject to special rules. It is based upon the assumption that prospective shareholders are familiar with the tax rules applicable to investments in securities generally and with any special rules to which they may be subject.

This summary has been written to support the marketing of the ordinary shares or GDRs. It is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding U.S. federal income tax penalties. Investors should consult their own tax advisors in determining the tax consequences to them of investing in the ordinary shares or GDRs, including the application to their particular situation of the U.S. federal income tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

In general, for U.S. federal income tax purposes, U.S. shareholders will be treated as the beneficial owners of the ordinary shares underlying their GDRs.

Taxation of Dividends

U.S. shareholders must include the gross amount of cash dividends paid in respect of the ordinary shares or GDRs, without reduction for Russian withholding tax, in ordinary income on the date that they are treated as having received them, translating dividends paid in rubles into U.S. dollars using the exchange rate in effect on that date. Such dividends generally will constitute foreign-source «passive category income» (or, for certain U.S. shareholders, «general category income») for U.S. foreign tax credit purposes, and will not be eligible for the «dividends received» deduction generally allowed to corporate shareholders. If the rubles so received are converted into U.S. dollars on the date of receipt, the U.S. shareholder generally should not recognize foreign currency gain or loss on such conversion; any gain or loss on a subsequent conversion or other disposition of such rubles generally will be treated as U.S.-source ordinary income or loss.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by a non-corporate U.S. shareholder in respect of the ordinary shares or GDRs before January 1, 2011 will be subject to taxation at a maximum rate of 15% if the dividends are «qualified dividends.» Dividends received in respect of the ordinary shares or GDRs will be qualified dividends if the Company:

- Is eligible for the benefits of a comprehensive income tax treaty with the United States that the IRS has approved for the purposes of the qualified dividend rules; and
- Was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company («PFIC»).

The Treaty has been approved for the purposes of the qualified dividend rules. Based on the Company's audited financial statements and relevant market data, the Company believes that it was not treated as a PFIC for U.S. federal income tax purposes with respect

to its 2008 taxable year. In addition, based on its audited financial statements and its current expectations regarding the value and nature of its assets, the sources and nature of its income, and relevant market data, the Company does not anticipate becoming a PFIC for its 2009 taxable year or future taxable years.

Russian tax withheld from dividends will be treated, up to the 10% rate provided under the Treaty, as a foreign income tax that, subject to generally applicable limitations under U.S. tax law, generally is eligible for credit against the U.S. federal income tax liability of U.S. shareholders or, if they have elected to deduct such taxes, may be deducted in computing taxable income. See «—Russian Federation Tax Considerations—Taxation of Dividends—Non-Resident Holders» regarding the position that the Company intends to take in respect of its obligation to withhold Russian withholding tax on dividends that it pays to the Depository.

In the case of any refund of Russian withholding tax pursuant to the Treaty, fluctuations in the ruble dollar exchange rate between the date that a U.S. shareholder is treated as receiving a dividend and the date that it receives the related refund of Russian withholding tax may give rise to foreign currency gain or loss, which generally is treated as ordinary income or loss for U.S. tax purposes.

Taxation of Sales or Other Taxable Dispositions

Sales or other taxable dispositions by U.S. shareholders generally will give rise to capital gain or loss equal to the difference between the U.S. dollar value of the amount realized on the disposition and the U.S. shareholder's U.S. dollar basis in the ordinary shares or GDRs. Any such capital gain or loss generally will be long-term capital gain or loss, subject to taxation at reduced rates for non-corporate taxpayers, if the ordinary shares or GDRs were held for more than one year. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding

Dividends paid in respect of the ordinary shares or GDRs, and payments of the proceeds of a sale of the ordinary shares or GDRs, paid within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the holder (i) is a corporation or other exempt recipient or (ii) provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. A holder that is not a U.S. person generally will not be subject to information reporting or backup withholding, but may be required to provide a certification to establish its non-U.S. status in connection with payments received within the United States or through certain U.S.-related financial intermediaries. The amount of any backup withholding will be allowed as a credit against the shareholder's U.S. federal income tax liability and may entitle the shareholder to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

U.K. Tax Considerations

The comments below are of a general nature and are based on current UK tax law and published H.M. Revenue & Customs practice as of January 1, 2009, as well as the provisions of the 1994 Income and Capital Gains Tax Convention between the United Kingdom and Russia (referred to in this discussion as the "UK Treaty"), each of which is subject to change, possibly with retroactive effect.

The summary only covers the principal UK tax consequences for the absolute beneficial owners of ordinary shares and GDRs (and any dividends paid in respect of them), in circumstances where the dividends paid are regarded for UK tax purposes as that person's own income (and not the income of some other person) and who:

- Are resident (and, in the case of individuals only, ordinarily resident and domiciled) in the United Kingdom for tax purposes;
- Are not resident in Russia;
- Do not have a permanent establishment or fixed base in Russia with which the holding of the ordinary shares or GDRs is connected; and
- Have not (and are not deemed to have) acquired the ordinary shares or GDRs by virtue of an office or employment.

Such absolute beneficial owners of the ordinary shares or GDRs are referred to in this discussion as "**UK holders.**" In addition, the summary only addresses the principal UK tax consequences for UK holders who hold the ordinary shares or GDRs as capital assets. It does not address the UK tax consequences that may be relevant to certain other categories of holders, for example, brokers, dealers or traders in shares or securities. It also does not address the UK tax consequences for holders that are banks, financial institutions, insurance companies, collective investment schemes, tax-exempt organizations or persons connected with the Company.

Further, the summary assumes that:

- A holder of the GDRs is, for UK tax purposes, beneficially entitled to the underlying ordinary shares and to the dividends on those ordinary shares;
- The UK holder does not control or hold, either alone or together with one or more associated or connected persons, directly or indirectly, 10% or more of the shares and/or voting rights of the Company; and
- The ordinary shares will not be registered in a register kept in the United Kingdom by or on behalf of the Company.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular holder. Potential investors should satisfy themselves as to the overall tax consequences, including, specifically, the consequences under UK tax law and H.M. Revenue & Customs practice, of the acquisition, ownership and disposition of ordinary shares or GDRs in their own particular circumstances, by consulting their own tax advisors.

Taxation of Dividends

Income Tax and Corporation Tax

UK holders will, in general, be subject to income tax or corporation tax on the total of the dividends received on their ordinary shares or GDRs plus any withholding tax deducted in Russia.

Withholding Tax and Tax Credits

When the Company pays dividends to UK holders, it generally must, for Russian tax purposes, act as a tax agent to withhold tax and remit the amount of tax due to the Russian state budget. See "Taxation—Russian Tax Considerations—Taxation of Dividends." Under the UK Treaty, UK holders may be able to obtain relief at source, or a refund from the Russian tax authorities, in respect of withholding tax to the extent that it is levied at a rate in excess of 10% of the gross amount of the dividend. However, see "Taxation —Russian Tax Considerations —Taxation of Dividends" and "Taxation —Russian Tax Considerations — Tax Treaty Relief Procedures". Any remaining Russian withholding tax is generally allowed as a credit against the UK tax liability of a UK holder but any excess of such Russian withholding tax over the UK tax payable on the aggregate amount of the dividend and the Russian withholding tax is generally not refundable.

The Company need not make any deduction from payments of dividends for or on account of UK tax.

Tax Liability for Individual Holders

Individual UK holders are entitled to a notional tax credit equal to one ninth of dividends received on their ordinary shares or GDRs plus any withholding tax deducted in Russia. This tax credit is set against the UK holder's UK tax liability on the dividend, but cannot be claimed as a cash payment in the event that the UK holder's tax liability is less than the associated credit.

For an individual UK holder who is liable to UK tax on the gross dividend at the dividend ordinary rate (currently 10%), the tax credit will satisfy the UK holder's liability to income tax on the dividend in full. No refund will be available for any Russian withholding tax.

For an individual UK holder who is liable to UK tax on the gross dividend at the dividend upper rate (currently 32.5%), the tax credit will be set against, but not fully satisfy, the UK holder's liability to income tax on the dividend. Any Russian withholding tax will generally be allowed as a credit against the remaining UK tax liability of the UK holder but, as described above, any Russian withholding tax in excess of the remaining UK tax liability is not refundable. The amount of credit for Russian tax cannot exceed the credit that would have been allowed had all reasonable steps been taken under the UK Treaty and Russian domestic law to minimize the amount of tax payable in Russia, including obtaining relief at source and any available refunds.

Tax Liability for Corporate Shareholders

A UK holder within the charge to corporation tax will be liable for UK corporation tax on the receipt of the gross dividend with credit for Russian withholding tax as described above. A UK holder within the charge to corporation tax is not entitled to a notional tax credit.

The UK Government has announced the introduction (from a date to be appointed) of provisions which, if enacted in the form proposed in draft legislation published on 9 December 2008, would exempt all dividends falling within certain broadly defined classes from UK corporation tax, subject to certain anti-avoidance rules and satisfying certain other conditions.

Taxation of Capital Gains

The disposal or deemed disposal of ordinary shares or GDRs by UK holders may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains (where the UK holder is an individual) and UK corporation tax on chargeable gains (where the UK holder is within the charge to UK corporation tax), depending on their circumstances and subject to any available exemption or relief. In addition, individual UK holders who dispose of their ordinary shares or GDRs while they are temporarily non-resident may be treated as disposing of them in the tax year in which they again become resident or ordinarily resident in the UK. Any gains or losses in respect of currency fluctuations relating to the ordinary shares or GDRs would also be brought into account on the disposal.

Individual UK holders are subject to capital gains tax ("CGT") at a flat rate of 18% for the tax year 2008-2009.

The principal factors that will determine the extent to which an individual UK holder's gain will be subject to CGT are the extent to which they realize any other capital gains in that year, the extent to which they have incurred capital losses in that or any earlier year, and the level of the annual allowance of tax-free gains in the tax year in which the disposal takes place (the "annual exemption").

The annual exemption for individuals is GBP 9,600 for the 2008-2009 tax year. The annual exemption for individuals for the 2009-2010 tax year had not been announced as at January 1, 2009. Under current legislation, however, unless the UK Parliament decides otherwise, the 2008-2009 annual exemption will be increased for the 2009-2010 tax year in line with the rate of increase in the retail price index (rounded up to the nearest GBP 100).

A UK holder that is a company is entitled to an indexation allowance that applies to reduce capital gains to the extent that they arise due to inflation. Indexation allowance may reduce a chargeable gain but not create any allowable loss.

Stamp Duty and Stamp Duty Reserve Tax

No ad valorem stamp duty will be payable in the UK in connection with a transfer of ordinary shares executed and retained outside the UK. No stamp duty reserve tax ("SDRT") will be payable in the UK in respect of any agreement to transfer ordinary shares for so long as they continue to be registered on a share register maintained outside the UK.

No ad valorem stamp duty or SDRT will arise in the UK in respect of any dealings in the GDRs within a clearance service, where such dealings are effected in electronic book entry form in accordance with the procedures of the clearance service.

Inheritance Tax

UK inheritance tax may be chargeable on the death of, or in certain circumstances on a gift by the owner of, ordinary shares or GDRs, where the owner is an individual who is domiciled or is deemed to be domiciled in the UK. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit.

Russian Federation Tax Considerations

The following is a summary of certain Russian tax considerations relevant to payments to Russian resident and non-resident holders of the ordinary shares or the GDRs and to the purchase, ownership and disposition of such ordinary shares or GDRs by their Russian resident and non-resident holders. The summary is based on the laws of Russia in effect on January 1, 2009. The summary does not seek to address the applicability of, and procedures in relation to, taxes levied by the regions, municipalities or other non-federal level authorities of the Russian Federation. Nor does the summary seek to address the availability of double tax treaty relief, and it should be noted that there might be practical difficulties involved in claiming relief under an applicable double tax treaty. Prospective investors should consult their own advisors regarding the tax consequences of investing in the ordinary shares or the GDRs. No representations with respect to the Russian tax consequences to any particular holder are made hereby.

The Russian tax rules applicable to the ordinary shares and the GDRs are characterized by uncertainties and by an absence of interpretative guidance. Both the substantive provisions of Russian tax law and the interpretation and application of those provisions by the Russian tax authorities may be subject to more rapid and unpredictable change than in a jurisdiction with more developed capital markets and more developed taxation systems. In particular, the interpretation and application of such provisions will in practice rest substantially with local tax inspectors.

For the purposes of this summary, a «non-resident holder» means:

- A physical person, actually present in the Russian Federation for less than 183 days in a given calendar year (excluding days of arrival into Russia, but including days of departure from Russia) that holds securities; or
- A legal person or organization, in each case not organized under Russian law, that holds and disposes of securities otherwise than through a permanent establishment in Russia.

For the purposes of this summary, a «Russian resident holder» means:

- A physical person, actually present in the Russian Federation for 183 days or more in a given calendar year (excluding days of arrival into Russia, but including days of departure from Russia) that holds securities;
- A legal person or organization, in each case organized under Russian law, that holds securities; or
- A legal person or organization, in each case organized under a foreign law, that holds and disposes of securities through its permanent establishment in Russia.

Taxation of Dividends

A Russian company that pays dividends generally must act as a tax agent to withhold tax on the dividends and remit the amount of tax due to the Russian state budget. However, the applicable withholding tax rate will depend on the status of the dividend's recipient.

Russian Resident Holders

Dividends paid to Russian resident holders of ordinary shares are generally subject to Russian withholding tax at a rate of 9%. The effective rate of this tax may be lower than 9% owing to the fact that the Company should calculate this tax by multiplying the tax rate (9%) by the difference between (i) the dividends to be distributed by the Company to its shareholders (other than to non-resident companies and non-resident individuals) and (ii) dividends collected by the Company in the current and preceding tax periods from other Russian entities.

There are uncertainties in relation to withholding tax on dividends payable to Russian resident GDR holders. In particular, it is unclear whether this income may be treated as dividends for Russian tax purposes and what tax rate applies to this income. Also, there are no specific provisions in the Russian tax legislation with respect to the concept of beneficial ownership and taxation of income of beneficial owners. It is unclear therefore how the Russian tax authorities and courts will ultimately treat GDR holders in this regard. In 2005 and 2006, the Ministry of Finance expressed an opinion that GDR holders (rather than the relevant depository) should be treated as the beneficial owners of dividends for the purposes of the double tax treaty provisions applicable to taxation of dividend income from the underlying shares, provided that tax residence of the GDR holders is duly confirmed.

In view of the foregoing, Russian residents are urged to consult their own tax advisors regarding the tax treatment of the purchase, ownership and disposition of the ordinary shares or the GDRs.

Non-Resident Holders

Dividends paid to non-resident holders of ordinary shares generally will be subject to Russian withholding tax, which will be withheld by the Company acting as a tax agent. The applicable domestic rates of withholding tax on such dividends currently are:

- 15% in the case of dividends paid to non-resident holders that are legal entities or organizations; and
- 30% in the case of dividends paid to non-resident individual holders.

These rates may be reduced under the terms of income tax treaties to which Russia is a party. However, because the beneficial ownership concept is not developed in Russian law, it is not clear whether the Depositary (the legal holder of the shares) or a GDR holder should be treated for the purposes of such treaties as the beneficial owner of the ordinary shares underlying the GDRs.

Unless the Company receives adequate clarification from the Russian tax authorities that, subject to certain certification requirements, it is appropriate under Russian law to withhold Russian withholding tax in respect of dividends that it pays to the Depositary at reduced rates under the relevant treaties instead of at the domestic rates applicable to such payments (currently 15%), the Company intends to withhold Russian withholding tax at the domestic rates applicable to such dividends, regardless of whether the Depositary (the legal owner of the shares) or a GDR holder would be entitled to reduced rates of Russian withholding tax under the relevant income tax treaty if it were the beneficial owner of the dividends for purposes of that treaty.

Although non-resident GDR holders may apply for a refund under the relevant income tax treaty of a portion of the amount withheld by the Company, the Company cannot make any assurances that the Russian tax authorities will grant any refunds.

Taxation of Capital Gains

Russian Resident Holders

Legal Entities and Organizations

Capital gains arising from the sale of ordinary shares or GDRs by any Russian resident holder that is a legal entity or organization will be taxable at a regular Russian tax rate of 24%. Russian tax law requires that profit arising from operations with securities quoted on a stock exchange must be calculated and accounted for separately from profits and losses from operations with securities that are not quoted on a stock exchange and from operating profits and losses. Therefore, Russian resident holders that are not individuals may be able to apply losses arising in respect of sales of the ordinary shares or GDRs only to offset capital gains, or as a carry forward to offset future capital gains, from the sale, exchange or other disposition of securities quoted on a stock exchange. Special tax rules apply to Russian legal entities that hold a dealer license. Transactions with the ordinary shares and the GDRs will also be subject to transfer pricing rules established by the Tax Code.

Individuals

Under Russian law, capital gains arising from a sale, exchange or other disposition of the ordinary shares or the GDRs by Russian resident holders will be subject to tax at a rate of 13% on an amount equal to the sales price less the acquisition value of the securities less other documented expenses related to the purchase, holding and sale of such securities. If the sale is made by a resident holder through a professional dealer or broker that is a Russian legal entity or a foreign company with a registered permanent establishment in Russia, such professional dealer or broker should also act as a tax agent and withhold the applicable tax. The amount of tax withheld will be calculated after taking into account deductions for the acquisition value and related expenses. The tax agent would be required to report to the Russian tax authorities the income realized by the resident individual and tax withheld upon the sale of securities by 1 April of the year following the reporting year. When a sale is made to other legal entities or individuals, generally no withholding of tax needs to be made and the resident holder would have an obligation to file a tax return, report his income realized and apply for a deduction of acquisition expenses, based on the provision of supporting documentation.

Because Russian law related to taxation of income derived by Russian resident holders (including legal entities, organizations and individuals) on a sale, exchange or other disposition of the ordinary shares or the GDRs is not entirely clear, Rosneft urges Russian residents to consult their own tax advisors regarding the tax treatment of the purchase, ownership and disposition of the ordinary shares or the GDRs.

Non-Resident Holders

Legal Entities and Organizations

Under current Russian law, capital gains arising from the sale, exchange or other disposition of ordinary shares or GDRs by non-resident holders (legal entities or organizations) should not be subject to tax in Russia if immovable property located in Russia constitutes 50% or less of the Company's assets.

The Company believes that immovable property located in Russia does not currently, and will not, constitute more than 50% of its assets. However, because the determination of whether more than 50% of the Company's assets consist of immovable property located in Russia is inherently factual and is made on an ongoing basis, and because the relevant laws and regulations are not entirely clear, there can be no assurance that immovable property located in Russia does not currently, or will not, constitute more than 50% of such assets.

If more than 50% of the Company's assets were to consist of immovable property located in Russia, then non-resident holders of ordinary shares or GDRs would be subject to a 20% withholding tax on the gross proceeds from a sale, exchange or other disposition of ordinary shares or GDRs, or 24% withholding tax on the capital gain realized from such sale, exchange or other disposal, capital gain being the difference between the sales price and acquisition costs of the ordinary shares or GDRs. However, gains arising from the sale of the ordinary shares or the GDRs on a foreign stock exchange by a non-resident holder that is a legal entity or organization should not be subject to taxation in Russia.

Individuals

Under Russian personal income tax law, gains from a sale, exchange or other disposal of ordinary shares or GDRs by non-resident holders who are individuals will likely be considered Russian source income, but will be subject to tax at the rate of 30% at the source of payment only if the sale was made by a non-resident holder through or to a professional dealer or broker that is a Russian legal entity or a foreign company with a permanent establishment in Russia.

According to Russian tax legislation, taxation of income for non-resident individual holders will depend on whether this income is received from Russian or non-Russian sources. Russian tax law gives no clear indication as to how the sale of securities should be sourced, other

than that income from the sale of securities «in Russia» is Russian source. As there is no further definition of what should be considered to be a sale «in Russia», the Russian tax authorities have a certain amount of freedom to conclude what transactions take place in or outside Russia, including looking at the place of the transaction, the place of the issuer of the shares, or other similar criteria.

Any sale of securities in Russia by non-resident individual holders will be considered Russian source income and will be subject to tax at the rate of 30% on an amount equal to the sales price minus the acquisition value of the securities and other documented expenses related to the purchase, holding and sale of such securities. If the sale is made by a non-resident holder through a professional dealer or broker that is a Russian legal entity or a foreign company with a registered permanent establishment in Russia, such professional dealer or broker should also act as a tax agent and withhold the applicable tax. The amount of tax withheld will be calculated after taking into account deductions for the acquisition value and related expenses. The tax agent would be required to report to the Russian tax authorities the income realized by the resident individual and tax withheld upon the sale of the securities by 1 April of the year following the reporting year. When a sale is made to other legal entities or individuals, generally no withholding of tax needs to be made and the non-resident holder would have an obligation to file a tax return, report his income realized and apply for a deduction of acquisition expenses, based on the provision of supporting documentation.

A non-resident holder may be exempt from Russian withholding tax on the sale, exchange or other disposition of ordinary shares or GDRs in Russia under the terms of a double tax treaty between Russia and the country of residence of the non-resident holder. For example, under the U.S.-Russia Tax Treaty, U.S. holders are exempt from the withholding tax on capital gains unless 50% or more of the assets of the Company are represented by immovable property located in Russia. The U.K.-Russia Tax Treaty provides for an exemption from withholding tax on capital gains received by U.K. holders unless the gains relate to shares that derive all or substantially all of their value directly or indirectly from immovable property in Russia and are not quoted on an approved stock exchange. See «—Tax Treaty Procedures.»

Tax Treaty Procedures

The relief at source and refund procedures discussed below may be more complicated with respect to GDRs due to separation of legal ownership and beneficial ownership of the ordinary shares underlying the GDRs. Russian tax law does not provide for clear guidance regarding availability of double tax treaty relief for GDR holders. Therefore, the Company cannot assure prospective GDR holders that relief at source or refunds will be available under the applicable tax treaty in respect of Russian taxes payable or withheld in respect of dividends on ordinary shares represented by GDRs.

The Profits Tax Chapter of the Tax Code does not provide for the requirement that a non-resident holder that is a legal entity or organization must obtain tax treaty clearance from Russian tax authorities prior to receiving any income at a reduced rate of withholding tax at source under an applicable tax treaty. However, in connection with a tax audit, the Russian tax authorities may still dispute the non-resident's eligibility for the double tax treaty relief and require the tax agent (i.e., the company paying dividends or the Russian purchaser of the shares) to pay tax.

A non-resident investor seeking to obtain a reduced rate of Russian withholding tax at source under an income tax treaty must provide a confirmation of its tax treaty residence that is certified by the competent authorities in the relevant treaty jurisdiction in advance of the Company's payment of dividends. The residence confirmation needs to be reviewed on an annual basis and certified by the relevant authority. The residence confirmation may need to bear an apostille.

If the Russian tax authorities were to approve a certification process for the purposes of allowing the Company to withhold Russian withholding tax at reduced treaty rates in respect of dividends that it pays to the Depository, it is anticipated that a U.S. GDR holder would be required to provide the Company with the U.S. GDR holder's certification of its last filed U.S. federal income tax return in the form of an IRS Form 6166 (an «IRS Form 6166») in order to allow the Company to comply with that certification process.

For this purpose, it also may be necessary for a non-resident GDR holder to demonstrate its legal title to the relevant GDR interest.

The Deposit Agreement provides that the Depository will make all reasonable efforts to provide the Company with certifications and other documents that are required in order to comply with any certification process that has been approved by the Russian tax authorities for this purpose.

An IRS Form 6166 can generally be obtained by filing a request (generally an IRS Form 8802) with the Internal Revenue Service Center in Philadelphia, Pennsylvania, U.S. Residency Certification Request, P.O. Box 42530, Philadelphia PA 19101-2530, USA. U.S. GDR holders should consult their tax advisors and the instructions to IRS Form 8802 for further details on how to obtain this certification.

Under current Russian tax law and practice, advance relief from withholding taxes will generally be impossible for individual investors because it is very unlikely that the supporting documentation for the treaty relief can be provided to the tax authorities and approval from the latter obtained before the year end as currently required.

If a non-resident does not obtain double tax treaty relief at the time that income or gains are realized and tax is withheld by a Russian payer, the non-resident holder may apply for a refund within three years from the end of the tax period in which the tax was withheld, if the recipient is a legal entity or organization, or within the one-year period from the end of the tax period in which the tax was withheld, if the recipient is an individual. To process a claim of a refund, the Russian tax authorities require:

- An apostilled confirmation of the tax treaty residence of the non-resident at the time the income was paid;
- An application for refund of the tax withheld in a format provided by the Russian tax authorities (Form 1012DT for dividends and interest and 1011DT for other income); and
- Copies of the relevant contracts and payment documents confirming the payment of the tax withheld to the Russian Federation state budget.

The Russian tax authorities may require a Russian translation of some documents. The refund of the tax withheld should be granted within four month of the filing of the application for the refund and the relevant documents with the Russian tax authorities. However, procedures for processing such claims have not been clearly established and there is significant uncertainty regarding the availability and timing of such refunds.



General Information About Rosneft

Date of State Registration and Certificate Number:

Date of state registration of a legal entity:
December 7, 1995.

Certificate number: 024537.

Date of entry into the Unified State Register of Legal Entities regarding a legal entity registered prior to July 1, 2002: August 12, 2002.

Certificate of Entry into the Unified State Register of Legal Entities Regarding a Legal Entity Registered Prior to July 1, 2002: Series 77 No. 004856711.

Principal State Registration Number:
1027700043502.

Activities

Rosneft's core activities are: prospecting and exploration of hydrocarbons; production, transportation, and refining of hydrocarbons; production and transportation of petroleum products and petrochemicals; storage and sale (both in the domestic and international markets) of hydrocarbons, petroleum products and petrochemicals; sale of consumer goods and services.

The Company is also engaged in various non-core activities.

Pursuant to Resolution of the Russian Government No.604-r of May 15, 2007, OJSC Rosneft Oil Company was included in the Russian Government's List of Strategic Enterprises and Organizations.

Contact Details

Full Name

Open Joint-Stock Company
Rosneft Oil Company

Abbreviated Name

OJSC Rosneft Oil Company

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E-mail: postman@rosneft.ru

Shareholders

Shareholder Relations, Department
of Property and Corporate Governance
Phone: +7 (495) 987-30-60
Fax: +7 (495) 987-30-24
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Institutional Investors

Investor Relations, Department of Asset
Management, Economics and Business Planning
Phone: +7 (495) 221-35-55
Fax: +7 (495) 225-97-24
E-mail: ir@rosneft.ru

Corporate Website

Russian version: www.rosneft.ru
English version: www.rosneft.com

Company Auditor (Russian Standards)

CJSC Audit and Consulting Group
for Business Systems Development
(CJSC AKG RBS)
Address: 5 Sushevsky val st., bldg. 3,
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Phone: +7 (495) 956-68-50
E-mail: common@rbsys.ru

Company Auditor (International Standards)

Ernst & Young LLC
Address: 77 Sadovnicheskaya emb., bldg. 1,
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Fax: +7 (495) 755-97-01

Company Registrar

LLC Reestr-RN
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Telephone: +7 (495) 411-83-11
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Rosneft Oil Company
2008