



ROSNEFT

O I L C O M P A N Y

OPEN JOINT STOCK COMPANY

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE QUARTERS ENDED DECEMBER 31 AND SEPTEMBER 30, 2010
AND FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010, 2009 AND 2008**

The following discussion of Rosneft's financial condition and results of operations is based on, and should be read in conjunction with, the Company's financial statements and the notes thereto for the periods ended December 31, 2010, 2009 and 2008 (the "Consolidated Financial Statements"). Such terms as "Rosneft," "Company" and "Group" in their different forms in this report mean Rosneft Oil Company and its consolidated subsidiaries and affiliated companies. This report presents Rosneft's financial condition and results of operations on a consolidated basis. This report contains forward-looking statements that involve risks and uncertainties. Rosneft's actual results may materially differ from those discussed in such forward-looking statements as a result of various factors.

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

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

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

Overview

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

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

Rosneft is one of the world's largest publicly traded companies in terms of proved hydrocarbon reserves which as of December 31, 2010 amounted to 22.7 billion barrels of oil equivalent, including 18.1 billion barrels of oil and 791 billion cubic meters of gas, on the basis of the standards set forth by the Society of Petroleum Engineers, Petroleum Reserves Management System ("PRMS").

Rosneft's crude oil production amounts to 2.35 million barrels per day (average for the fourth quarter of 2010) and output of natural and associated gas is over 3.25 billion cubic meters per quarter (data for the fourth quarter of 2010).

Rosneft processes part of the crude oil produced at its seven refineries with total primary refining capacity of 1.1 million barrels per day. Rosneft's refinery throughput is 1.0 million barrels per day (average for the fourth quarter of 2010) which equals 45% of the Company's crude oil output. The remaining volumes of crude oil are mostly exported to Europe, Asia and CIS countries.

Part of the petroleum products produced by the Company is sold in Russia, both wholesale and through Rosneft's own retail network which comprises approximately 1,700 service stations in 39 regions of Russia. The remaining volumes (mainly fuel oil, diesel and naphtha) are exported to Europe, CIS and Asia.

Financial and Operating Highlights

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 12 months ended December 31</i>		
	<i>December 31, 2010</i>	<i>September 30, 2010</i>		<i>2010</i>	<i>2009</i>	<i>2008</i>
Revenues (US\$ million)	17,384	15,471	12.4%	63,047	46,826	68,991
EBITDA (US\$ million)	5,377	4,638	15.9%	19,203	13,565	17,108
Adjusted net income (US\$ million) ¹	2,958	2,525	17.1%	10,442	6,472	10,449
Crude oil production (th. barrels per day)	2,352	2,332	0.9%	2,322	2,182	2,121
Gas production (bcm)	3.25	2.86	13.6%	12.34	12.68	12.38
Hydrocarbon production (th. boe per day)	2,559	2,515	1.7%	2,521	2,386	2,320
Production of petroleum products (million tonnes)	12.25	12.42	(1.4)%	47.89	47.06	46.44

Main Factors Affecting Results of Operations

Main factors affecting Rosneft's results of operations are:

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

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

¹ Net income for the fourth quarter of 2010 is adjusted for effect of interests SWAP operations in the amount of income of US\$ 45 million. In 2010 and 2009 net income is adjusted for effect of interests SWAP operations in the amount of loss of US\$ 42 million and the amount of income of US\$ 42 million, respectively.

Changes in Crude Oil, Petroleum Product and Gas Prices

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

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

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

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

	<i>For 3 months ended</i>		<i>change between 3^d and 4th quarters</i>	<i>For 12 months ended December 31</i>			<i>change for 12 months ended December 31</i>	
	December 31, 2010	September 30, 2010	2010	2010	2009	2008	2010-2009	2009-2008
World market	(US\$ per barrel)		%	(US\$ per barrel)			%	
Brent (dated)	86.48	76.86	12.5%	79.47	61.51	96.99	29.2%	(36.6)%
Urals (average CIF Med and NWE)	85.24	75.56	12.8%	78.25	61.01	94.52	28.3%	(35.5)%
Urals (FOB Primorsk)	83.64	75.08	11.4%	76.74	59.51	92.27	29.0%	(35.5)%
Urals (FOB Novorossysk)	83.64	74.89	11.7%	76.76	59.60	91.74	28.8%	(35.0)%
Dubai-Oman	84.38	74.01	14.0%	78.16	61.80	93.80	26.5%	(34.1)%
	(US\$ per tonne)			(US\$ per tonne)				
Naphtha (av. FOB/CIF Med)	779.61	643.08	21.2%	698.44	520.59	769.51	34.2%	(32.3)%
Naphtha (av. FOB Rotterdam/CIF NWE)	790.96	655.21	20.7%	710.85	531.19	788.34	33.8%	(32.6)%
Naphtha (CF Japan)	803.33	665.71	20.7%	723.86	553.36	826.51	30.8%	(33.0)%
Fuel oil 3.5% (av. FOB/CIF Med)	463.58	427.69	8.4%	442.26	348.63	463.20	26.9%	(24.7)%
Fuel oil 3.5% (av. FOB Rotterdam/CIF NWE)	464.88	424.06	9.6%	440.79	344.00	457.39	28.1%	(24.8)%
High sulphur fuel oil (FOB Singapore)	494.80	449.00	10.2%	470.35	370.76	510.97	26.9%	(27.4)%
Gasoil 0.1% (av. FOB/CIF Med)	732.69	651.98	12.4%	672.29	520.65	932.45	29.1%	(44.2)%
Gasoil 0.1% (av. FOB Rotterdam/CIF NWE)	732.18	651.71	12.3%	671.84	518.92	923.56	29.5%	(43.8)%
Gasoil 0.5% (FOB Singapore)	723.17	641.14	12.8%	664.70	512.55	888.08	29.7%	(42.3)%
Russian market (net of VAT, including excise tax)	(US\$ per tonne)			(US\$ per tonne)				
Crude oil	246.59	220.97	11.6%	222.22	182.49	285.47	21.8%	(36.1)%
Fuel oil	263.49	252.56	4.3%	252.06	207.89	283.43	21.2%	(26.7)%
Summer diesel	506.24	464.23	9.0%	469.45	397.96	724.85	18.0%	(45.1)%
Winter diesel	647.22	504.10	28.3%	544.09	452.19	815.75	20.3%	(44.6)%
Jet fuel	538.87	471.64	14.3%	490.35	427.04	803.71	14.8%	(46.9)%
High octane gasoline	704.18	706.18	(0.3)%	685.07	579.79	815.39	18.2%	(28.9)%
Low octane gasoline	589.06	572.50	2.9%	569.00	500.01	689.11	13.8%	(27.4)%

Sources: Platts (world market), Kortes/Argus (Russian market).

The Russian Government regulates the prices of the gas Gazprom sells in Russia. While the regulated price has been rising in Russia and is expected to continue to rise to a level closer to parity with export netbacks, it is currently still significantly below this level.

The regulated price has affected, and is likely to continue to affect, the pricing of the gas Rosneft sells to Gazprom. Rosneft's average gas sale price was RUB 1,347 (excluding VAT) (US\$ 43.85 per thousand cubic meters) and RUB 1,272 (US\$ 41.55 per thousand cubic meters) in the fourth and third quarters of 2010, respectively.

In 2010, and 2009, Rosneft's average gas sale price was RUB 1,289 (US\$ 42.45 per thousand cubic meters) and RUB 1,058 (US\$ 33.36 per thousand cubic meters), respectively. In 2008 Rosneft's average gas sale price was RUB 952 (excluding VAT).

US\$/RUB Exchange Rate and Inflation

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

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

	<i>For 3 months ended</i>		<i>For 12 months ended December 31</i>		
	December 31, 2010	September 30, 2010	2010	2009	2008
Rouble inflation (CPI) for the period	2.6%	1.8%	8.8%	8.8%	13.3%
Change of the average invert exchange rate (RUB/US\$) compared to the previous period	(0.3)%	(1.2)%	4.4%	(21.6)%	2.9%
US\$/RUB exchange rate at the end of the period	30.48	30.40	30.48	30.24	29.38
Average US\$/RUB exchange rate for the period	30.71	30.62	30.37	31.72	24.86
Real appreciation/(depreciation) of the RUB against the US\$ compared to the previous period	1.8%	0.2%	11.6%	(12.5)%	17.4%

Taxation

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

	<i>For 3 months ended</i>		<i>% change between 3^d and 4th quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2010	September 30, 2010	2010	2010	2009	2008	2010 - 2009	2009 - 2008
Mineral extraction tax								
Crude oil (RUB per tonne)	3,453	2,989	15.5%	3,074	2,299	3,329	33.7%	(30.9)%
Natural gas (RUB per th. cubic meters)	147	147	-	147	147	147	-	-
Associated gas (RUB per th. cubic meters)	0	0	-	0	0	0	-	-
Export customs duty								
Crude oil (US\$ per tonne)	286.97	262.03	9.5%	273.61	179.33	355.23	52.6%	(49.5)%
East Siberian Crude oil (US\$ per tonne)	96.30	79.07	21.8%	82.52	-	-	100.0%	-
Light and middle distillates and gasoil (US\$ per tonne)	205.63	188.80	8.9%	196.64	133.13	251.63	47.7%	(47.1)%
Liquid fuels (fuel oil) (US\$ per tonne)	110.77	101.73	8.9%	105.93	71.71	135.57	47.7%	(47.1)%
Excise on petroleum products								
High octane gasoline (RUB per tonne)	3,992	3,992	-	3,992	3,629	3,629	10.0%	-
Low octane gasoline (RUB per tonne)	2,923	2,923	-	2,923	2,657	2,657	10.0%	-
Naphtha (RUB per tonne)	4,290	4,290	-	4,290	3,900	2,657	10.0%	46.8%
Diesel (RUB per tonne)	1,188	1,188	-	1,188	1,080	1,080	10.0%	-
Lubricants (RUB per tonne)	3,246	3,246	-	3,246	2,951	2,951	10.0%	-

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

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

Tax rates translated from RUB to US\$ at the average exchange rate for the period:

	<i>For 3 months ended</i>		<i>% change between 3^d and 4th quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2010	September 30, 2010	2010	2010	2009	2008	2010-2009	2009-2008
Mineral extraction tax								
Crude oil (US\$ per tonne)	112.42	97.61	15.2%	101.23	72.47	133.94	39.7%	(45.9)%
Natural gas (US\$ per th. cubic meters)	4.79	4.80	(0.3)%	4.84	4.64	5.91	4.3%	(21.5)%
Excise on petroleum products								
High octane gasoline (US\$ per tonne)	129.99	130.37	(0.3)%	131.44	114.40	145.98	14.9%	(21.6)%
Low octane gasoline (US\$ per tonne)	95.18	95.46	(0.3)%	96.25	83.76	106.88	14.9%	(21.6)%
Naphtha (US\$ per tonne)	139.69	140.10	(0.3)%	141.26	122.95	106.88	14.9%	15.0%
Diesel (US\$ per tonne)	38.68	38.80	(0.3)%	39.12	34.05	43.44	14.9%	(21.6)%
Lubricants (US\$ per tonne)	105.70	106.01	(0.3)%	106.88	93.03	118.70	14.9%	(21.6)%

Tax rates translated from tonnes to barrels:

	<i>For 3 months ended</i>		<i>% change between 3^d and 4th quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2010	September 30, 2010	2010	2010	2009	2008	2010 - 2009	2009-2008
Mineral extraction tax on crude oil (US\$ per barrel)	15.37	13.34	15.2%	13.84	9.91	18.31	39.7%	(45.9)%
Export duty on crude oil (US\$ per barrel)	39.23	35.82	9.5%	37.40	24.51	48.56	52.6%	(49.5)%

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

	<i>For 3 months ended</i>				<i>For 12 months ended December 31</i>					
	December 31, 2010		September 30, 2010		2010		2009		2008	
	US\$ million	% of total revenue	US\$ million	% of total revenue	US\$ million	% of total revenue	US\$ million	% of total revenue	US\$ million	% of total revenue
Total revenues	17,384	100.0%	15,471	100.0%	63,047	100.0%	46,826	100.0%	68,991	100.0%
Export customs duty (for oil sales)	3,639	20.9%	3,229	20.9%	13,031	20.7%	9,441	20.2%	17,200	24.9%
Export customs duty (for petroleum prod. sales)	953	5.5%	883	5.7%	3,712	5.9%	2,690	5.7%	4,806	7.0%
Mineral extraction tax	2,472	14.2%	2,259	14.6%	9,051	14.3%	6,502	13.9%	12,817	18.6%
Excise tax	281	1.6%	290	1.9%	1,105	1.8%	893	1.9%	1,120	1.6%
Other taxes	177	1.1%	173	1.1%	764	1.2%	666	1.4%	873	1.2%
Income tax	596	3.4%	632	4.1%	2,644	4.2%	2,000	4.3%	1,904	2.8%
Total taxes	8,118	46.7%	7,466	48.3%	30,307	48.1%	22,192	47.4%	38,720	56.1%

The mineral extraction tax and the export customs duty accounted for approximately 40.6% and 41.2% of Rosneft's total revenues in the fourth and third quarters of 2010, respectively. In 2010, 2009 and 2008 the mineral extraction tax and the export customs duty accounted for approximately 40.9%, 39.8% and 50.5% of Rosneft's total revenues.

Mineral Extraction Tax

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

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

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

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

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

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

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

Export Customs Duty on Crude Oil

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

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

<i>Urals price (US\$ per tonne)</i>	<i>Export customs duty(US\$ per tonne)</i>
Below and including 109.5 (15 US\$ per barrel).....	Export customs duty is not levied
Above 109.5 to and including 146 (15 to 20 US\$ per barrel).....	35% of the difference between the average Urals price in US\$ per tonne and US\$ 109.5
Above 146 to and including 182.5 (20 to 25 US\$ per barrel).....	US\$ 12.78 plus 45% of the difference between the average Urals price in US\$ per tonne and US\$ 146
Above 182.5 (25 US\$ per barrel).....	US\$ 29.2 plus 65% of the difference between the average Urals price in US\$ per tonne and US\$ 182.5

The export customs duty is changed every month and the duty for the next month is based on the average Urals price for the period from the 15th day of the previous month to the 14th day (inclusive) of the current month.

Since the end of 2009, crude oil produced at a number of fields in Eastern Siberia has been subject to a specific export customs duty regime. In particular, zero export duty rate was applicable to the Verkhnechonsk field starting from December 1, 2009 and to the Vankor field starting from January 19, 2010. Starting from July 01, 2010 the zero rate was replaced by a special rate calculated as $(\text{Price} - 50) * 0.45$, where “Price” is average Urals price used for the calculation of ordinary export duty.

In 2009 and 2010 export duties were not payable on crude oil exports to CIS countries that are members of the Customs Union except for Belarus. In 2009 export customs duties were levied on crude oil exports to Belarus at the fractional rate of 0.356 of the ordinary rate.

In January 2010, the exports of crude oil to Belarus were taxable at the ordinary export duty rate. On January 27, 2010 the Government of Russian Federation and the Government of Belarus signed an agreement on crude oil and petroleum product exports. In accordance with the agreement crude oil exports to Belarus within specific limits established by the Russian Ministry of Energy are exempted from export duty.

In January 2011, the Governments of Russian Federation and Belarus agreed on non taxable export volumes of crude oil to Belarus and a special formula used for the export price.

Export Customs Duty on Petroleum Products

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

Export customs duty on light petroleum products is calculated using the following formula: $0.438 * (\text{Price} * 7.3 - 109.5)$, where Price is the average Urals price in US\$ per barrel. Export customs duty on dark petroleum products is calculated using the following formula: $0.236 * (\text{Price} * 7.3 - 109.5)$.

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

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

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

Changes in Transport Tariffs of Pipeline and Railway Monopolies

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

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

The monopolies set tariffs for each separate route of the pipeline and railroad networks depending on the length of the relevant routes, transportation direction and other factors. In 2010 Transneft increased its tariffs three times, in January, August and December, by 15.9%, 3.3% and 9.9%, respectively. In January 2010 tariffs for rail road transportation were raised by 9.4%. In February 2010 tariffs for pipeline exports of petroleum products were increased by 10.4% and tariffs for transportation within Russia were raised by 2.2%. The increase in transportation tariffs by natural monopolies for all directions exceeded inflation in 2010. In January 2011 tariffs for rail road transportation were raised by another 8.0%

The table below presents tariffs applied for major transportation routes used by Rosneft:

	<i>For 3 months ended</i>		<i>change between 3^d and 4th quarters</i>	<i>For 12 months ended December 31</i>			<i>change for 12 months ended December 31</i>	
	December 31, 2010	September 30, 2010	2010	2010	2009	2008	2010–2009	2009–2008
	(RUB/tonne)		(%)	(RUB/tonne)			(%)	
CRUDE OIL								
Domestic								
<i>Pipeline</i>								
Yugansk – Samara refineries	677.81	649.56	4.3%	648.55	531.57	417.75	22.0%	27.2%
Samara – Samara refineries	42.94	41.26	4.1%	41.29	34.95	28.41	18.1%	23.0%
Yugansk – Angarsk refinery	1,127.95	1,084.36	4.0%	1,084.52	897.87	720.08	20.8%	24.7%
Purpe – Tuapse refinery	1,399.23	1,341.83	4.3%	1,340.59	1,110.14	877.62	20.8%	26.5%
Tomsk – Achinsk refinery	310.06	298.05	4.0%	297.42	245.66	194.63	21.1%	26.2%
<i>Pipeline and railroad</i>								
Yugansk – Komsomolsk refinery	3,644.26	3,611.15	0.9%	3,606.61	3,036.42	2,838.45	18.8%	7.0%
Exports								
<i>Pipeline</i>								
Yugansk – Primorsk	1,189.23	1,157.58	2.7%	1,163.86	968.19	786.86	20.2%	23.0%
Yugansk – Novorossysk	1,346.92	1,307.43	3.0%	1,307.20	1,099.32	865.03	18.9%	27.1%
Vankor (Purpe)-Primorsk	1,518.51	1,470.23	3.3%	1,470.76	-	-	-	-
Vankor (Purpe)-Kozmino	1,684.23	1,633.14	3.1%	1,634.15	-	-	-	-
<i>Pipeline and railroad</i>								
Yugansk – China (through Meget)	2,820.54	2,785.63	1.3%	2,822.62	2,522.06	2,341.35	11.9%	7.7%
PETROLEUM PRODUCT EXPORTS								
Diesel								
Samara refineries – Ventspils	1,619.53	1,618.50	0.1%	1,596.28	1,473.09	1,256.34	8.4%	17.3%
Angarsk refinery – Nakhodka	3,615.65	3,615.65	0.0%	3,615.65	3,206.08	2,896.85	12.8%	10.7%
Komsomolsk refinery – Nakhodka	1,419.03	1,419.03	0.0%	1,419.03	1,256.94	1,125.26	12.9%	11.7%
Achinsk refinery – Tuapse	4,069.43	4,069.43	0.0%	4,069.43	3,608.78	3,258.20	12.8%	10.8%
Fuel oil								
Samara refineries – Odessa	2,579.51	2,579.51	0.0%	2,579.51	2,338.62	1,951.22	10.3%	19.9%
Angarsk refinery – Nakhodka	3,670.78	3,670.78	0.0%	3,670.78	3,257.66	2,877.00	12.7%	13.2%
Komsomolsk refinery – Nakhodka	1,374.87	1,374.87	0.0%	1,374.87	1,220.14	1,077.54	12.7%	13.2%
Achinsk refinery – Nakhodka	4,528.16	4,528.16	0.0%	4,528.16	4,018.57	3,549.01	12.7%	13.2%
Naphtha								
Samara refineries – Tuapse	1,740.94	1,740.94	0.0%	1,740.94	1,541.66	1,385.04	12.9%	11.3%
Achinsk refinery – Tuapse	3,995.98	3,995.98	0.0%	3,995.98	3,543.16	3,211.97	12.8%	10.3%
Angarsk refinery – Nakhodka	3,512.37	3,512.37	0.0%	3,512.37	3,113.97	2,824.48	12.8%	10.2%
Komsomolsk refinery – Nakhodka	1,393.50	1,393.50	0.0%	1,393.50	1,233.91	1,107.27	12.9%	11.4%

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

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

	<i>For 3 months ended</i>		<i>change between 3^d and 4th quarters</i>	<i>For 12 months ended December 31</i>			<i>change for 12 months ended December 31</i>	
	December 31, 2010	September 30, 2010	2010	2010	2009	2008	2010–2009	2009–2008
	(US\$/tonne)		(%)		(US\$/tonne)		(%)	(%)
CRUDE OIL								
Domestic								
<i>Pipeline</i>								
Yugansk – Samara refineries	22.07	21.21	4.1%	21.36	16.76	16.81	27.4%	(0.3)%
Samara – Samara refineries	1.40	1.35	3.7%	1.36	1.10	1.14	23.6%	(3.5)%
Yugansk – Angarsk refinery	36.73	35.41	3.7%	35.71	28.30	28.97	26.2%	(2.3)%
Purpe – Tuapse refinery	45.56	43.82	4.0%	44.14	34.99	35.31	26.2%	(0.9)%
Tomsk – Achinsk refinery	10.10	9.73	3.8%	9.79	7.74	7.83	26.5%	(1.1)%
<i>Pipeline and railroad</i>								
Yugansk – Komsomolsk refinery	118.66	117.93	0.6%	118.76	95.72	114.20	24.1%	(16.2)%
Exports								
<i>Pipeline</i>								
Yugansk – Primorsk	38.72	37.80	2.4%	38.32	30.52	31.66	25.6%	(3.6)%
Yugansk – Novorossysk	43.86	42.70	2.7%	43.04	34.65	34.80	24.2%	(0.4)%
Vankor(Purpe)-Primorsk	49.44	48.02	3.0%	48.43	-	-	-	-
Vankor(Purpe)-Kozmino	54.84	53.34	2.8%	53.81	-	-	-	-
<i>Pipeline and railroad</i>								
Yugansk – China (through Meget)	91.84	90.97	1.0%	92.94	79.50	94.20	16.9%	(15.6)%
PETROLEUM PRODUCT EXPORTS								
Diesel								
Samara refineries – Ventspils	52.73	52.86	(0.2)%	52.56	46.44	50.55	13.2%	(8.1)%
Angarsk refinery – Nakhodka	117.73	118.08	(0.3)%	119.06	101.06	116.55	17.8%	(13.3)%
Komsomolsk refinery – Nakhodka	46.20	46.34	(0.3)%	46.73	39.62	45.27	17.9%	(12.5)%
Achinsk refinery – Tuapse	132.50	132.90	(0.3)%	134.00	113.76	131.09	17.8%	(13.2)%
Fuel oil								
Samara refineries – Odessa	83.99	84.24	(0.3)%	84.94	73.72	78.50	15.2%	(6.1)%
Angarsk refinery – Nakhodka	119.52	119.88	(0.3)%	120.87	102.69	115.75	17.7%	(11.3)%
Komsomolsk refinery – Nakhodka	44.77	44.90	(0.3)%	45.27	38.46	43.35	17.7%	(11.3)%
Achinsk refinery – Nakhodka	147.44	147.88	(0.3)%	149.10	126.68	142.79	17.7%	(11.3)%
Naphtha								
Samara refineries – Tuapse	56.69	56.86	(0.3)%	57.33	48.60	55.72	18.0%	(12.8)%
Achinsk refinery – Tuapse	130.11	130.50	(0.3)%	131.58	111.69	129.23	17.8%	(13.6)%
Angarsk refinery – Nakhodka	114.37	114.71	(0.3)%	115.66	98.16	113.64	17.8%	(13.6)%
Komsomolsk refinery – Nakhodka	45.37	45.51	(0.3)%	45.89	38.90	44.55	18.0%	(12.7)%

Rosneft operates proprietary transportation and transshipment facilities which allow to optimise netbacks. These facilities include: the Arkhangelsk, De-Kastri, Tuapse and Nakhodka export terminals, the Okha – Komsomolsk-on-Amur pipeline, Vankor-Purpe pipeline and the Caspian Pipeline Consortium pipeline in which Rosneft has a stake through a joint venture “Rosneft Shell Caspian Ventures Ltd” (Cyprus).

Production of Crude Oil

Rosneft has twelve fully consolidated production and development enterprises, which produce crude oil in Western Siberia, Eastern Siberia, Timan Pechora, Central Russia, southern part of European Russia and the Russian Far East. The Company also has a 20% stake in the Sakhalin-1 project accounted for using proportionate consolidation method. In addition, Rosneft participates in four production joint ventures accounted for using the equity method (Tomskneft – 50.0%, Udmurtneft – 49.6%, Polar Lights – 50.0%, Verkhnechonskneftegaz – 25.94%).

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

	<i>For 3 months ended</i>		<i>% change between 3^d and 4th quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2010	September 30, 2010	2010	2010	2009	2008	2010-2009	2009-2008
	(million of barrels, except %)							
Yuganskneftegaz (Western Siberia)	123.54	122.77	0.6%	483.23	485.40	480.29	(0.4)%	1.1%
Samaraneftegaz (Central Russia)	19.38	19.25	0.7%	75.80	73.81	70.27	2.7%	5.0%
Purneftegaz (Western Siberia)	13.28	13.14	1.1%	52.68	57.15	60.61	(7.8)%	(5.7)%
Vankorneft (Eastern Siberia)	24.02	24.27	(1.0)%	92.90	26.63	0.06	248.9%	>1,000.0%
Severnaya Neft (Timan Pechora)	7.17	7.32	(2.0)%	29.87	34.81	39.13	(14.2)%	(11.0)%
Sakhalin-1 (Far East) (net of royalty and government share)	3.07	1.61	90.7%	9.19	10.09	11.95	(8.9)%	(15.6)%
Other	8.45	8.85	(4.5)%	35.40	40.17	45.37	(11.9)%	(11.5)%
Crude oil production by fully and proportionately consolidated enterprises	198.91	197.21	0.9%	779.07	728.06	707.68	7.0%	2.9%
Tomskneft (Western Siberia)	9.53	9.52	0.1%	37.67	39.75	41.64	(5.2)%	(4.5)%
Udmurtneft (Central Russia)	5.86	5.85	0.2%	23.17	23.01	22.77	0.7%	1.1%
Polar Lights (Timan Pechora)	0.59	0.63	(6.3)%	2.56	3.34	3.89	(23.4)%	(14.1)%
Verkhnechonskneftegaz (Eastern Siberia)	1.45	1.35	7.4%	4.94	2.24	0.29	120.5%	672.4%
Other	-	-	-	-	-	0.03	-	(100.0)%
Total share in production of joint ventures	17.43	17.35	0.5%	68.34	68.34	68.62	-	(0.4)%
Total crude oil production	216.34	214.56	0.8%	847.41	796.40	776.30	6.4%	2.6%
Daily crude oil production (th. barrels per day)	2,352	2,332	0.9%	2,322	2,182	2,121	6.4%	2.9%

In the fourth quarter of 2010 Rosneft's average daily crude oil production reached 2,352 th. barrels per day, which was 0.9% higher than in the third quarter of 2010. The increase was primarily driven by production growth at Sakhalin-1 due to the launch of production at Odoptu field. Crude oil production also increased at Yuganskneftegaz due to higher than expected flow rates of new wells, more wells drilled within the planned budget and more efficient well interventions. Other growth drivers were Verkhnechonskneftegaz and Samaraneftegaz. In Q4 2010 daily production at Verkhnechonsk field in Eastern Siberia, which was launched in 2008, was ahead of plan due to higher than expected flow rates. Samaraneftegaz demonstrated production growth despite high level of reserve depletion due to efficient placement of new wells and application of advanced oil recovery methods.

In 2010 Rosneft's average daily crude oil production was 2,322 th. barrels per day, which was 6.4% higher than in 2009. The growth was driven primarily by commercial production launch at the Vankor field in July 2009 as well as production growth at the Verkhnechonsk field and Samaraneftegaz fields.

In 2009 Rosneft's average daily crude oil production was 2,182 th. barrels per day, which was 2.9% higher than in 2008. Commercial production launch at the Vankor field in July 2009 and at the Verkhnechonsk field in the fourth quarter of 2008 made considerable contribution to the overall production increase. Other main growth factors were Samaraneftegaz and Yuganskneftegaz. Overall production growth was partially offset by the natural decline in production at the fields of Severnaya Neft, Purneftegaz, Tomskneft and a number of other producing enterprises.

Production of Gas

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

	<i>For 3 months ended</i>		<i>% change between 3^d and 4th quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2010	September 30, 2010	2010	2010	2009	2008	2010-2009	2009-2008
	(bcm, except %)							
Purneftegaz (Western Siberia)	0.91	0.87	4.6%	3.60	3.76	3.94	(4.3)%	(4.6)%
Yuganskneftegaz (Western Siberia)	0.70	0.64	9.4%	2.65	2.62	1.92	1.1%	36.5%
Krasnodarneftegaz (Southern Russia)	0.71	0.62	14.5%	2.71	2.93	3.02	(7.5)%	(3.0)%
Samaraneftegaz (Central Russia)	0.14	0.12	16.7%	0.47	0.39	0.33	20.5%	18.2%
Severnaya Neft (Timan Pechora)	0.07	0.07	-	0.28	0.29	0.32	(3.4)%	(9.4)%
Sakhalin-1 (Far East) (net of royalty and government share)	0.07	0.04	75.0%	0.29	0.26	0.26	11.5%	-
Other	0.43	0.35	22.9%	1.63	1.61	1.68	1.2%	(4.2)%
Gas production by fully and proportionately consolidated enterprises	3.03	2.71	11.8%	11.63	11.86	11.47	(1.9)%	3.4%
Tomskneft (after sale in 2007) (Western Siberia)	0.20	0.14	42.9%	0.65	0.77	0.86	(15.6)%	(10.5)%
Udmurtneft (Central Russia)	0.01	0.01	-	0.04	0.03	0.03	33.3%	-
Polar Lights (Timan Pechora)	0.01	0.00	-	0.02	0.02	0.02	-	-
Total share in production of joint ventures	0.22	0.15	46.7%	0.71	0.82	0.91	(13.4)%	(9.9)%
Total gas production	3.25	2.86	13.6%	12.34	12.68	12.38	(2.7)%	2.4%
Natural gas	1.21	1.09	11.0%	4.67	4.90	5.48	(4.7)%	(10.6)%
Associated gas	2.04	1.77	15.3%	7.67	7.78	6.90	1.4%	12.8%

* Production volume equals extracted volume minus flared volume.

In the fourth quarter of 2010 Rosneft's natural and associated gas production was 3.25 bcm, which was 13.6% higher than in the third quarter of 2010. The increase resulted from seasonal demand fluctuations, increase in crude oil production, turnaround works at Sakhalin-1 project in the third quarter of 2010, as well as recovery of gas production volumes at Tomskneft fields following the completion of repairs at the Lugenetskaya compression station.

In 2010 Rosneft's natural and associated gas production was 2.7% lower than in 2009, primarily as a result of required maintenance at Lugenetskaya compression station, as well as decrease in demand for gas produced by Krasnodarneftegaz and decrease in crude oil production at Purneftegaz. The decrease was partially offset by production growth at Yuganskneftegaz and Samaraneftegaz and due to the progress with associated gas utilization programme.

In 2009 Rosneft's natural and associated gas production was 12.68 bcm, which was 2.4% higher than in 2008. Main growth factor was the launch of the first gas compression station at the Priobskoe field of Yuganskneftegaz at the end of 2008, enabling an increase in associated gas deliveries to the Yuzhno-Balyksky gas processing plant by 700 mcm per year and reduction of gas flaring by the same volume.

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

Petroleum Product Output

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

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

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

	<i>For 3 months ended</i>		<i>% change between 3^d and 4th quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2010	September 30, 2010	2010	2010	2009	2008	2010-2009	2009-2008
	<i>(million of tonnes, except %)</i>							
Crude oil processing at Rosneft's refineries	12.94	13.08	(1.1)%	50.49	49.83	49.57	1.3%	0.5%
Product output:								
High octane gasoline	1.33	1.30	2.3%	4.92	4.82	4.47	2.1%	7.8%
Low octane gasoline	0.39	0.36	8.3%	1.53	1.37	1.77	11.7%	(22.6)%
Naphtha	0.74	0.79	(6.3)%	3.13	3.40	2.98	(7.9)%	14.1%
Diesel	4.37	4.34	0.7%	16.84	17.01	16.69	(1.0)%	1.9%
Fuel oil	4.45	4.43	0.5%	17.39	16.47	15.65	5.6%	5.2%
Jet	0.25	0.35	(28.6)%	1.10	1.10	1.63	0.5%	(32.5)%
Petrochemicals	0.12	0.12	-	0.52	0.48	0.72	8.3%	(33.3)%
Other	0.60	0.73	(17.8)%	2.46	2.41	2.53	2.1%	(4.7)%
Total	12.25	12.42	(1.4)%	47.89	47.06	46.44	1.8%	1.3%

In the fourth quarter of 2010, Rosneft's refinery throughput was 1.4% lower than in the third quarter of 2010. This was a result of planned turnarounds at Samara refineries. The decrease in jet output resulted from the fluctuations of domestic demand for this product and seasonal increase in demand for winter fuels.

In 2010 Rosneft's refinery throughput was 1.8% higher than in 2009. The increase in production of fuel oil was due to a decrease of potential light fractions content in the oil processed at Kuibyshev, Novokuibyshevsk, Tuapse and Komsomolsk refineries, as well as decrease in demand for products produced from fuel oil.

In 2009 Rosneft's refinery throughput was 1.3% higher than in 2008. Decreased demand for low octane gasoline from its main consumers, Russian agricultural enterprises, together with regulatory limitations on retail sales of low octane gasoline led to overall decrease in this petroleum product output in 2009 compared with 2008. At the same time domestic demand for high octane gasoline was steadily growing in 2009 after the sharp decrease in the fourth quarter of 2008. Decrease in production of petrochemicals in 2009 was primarily due to the fall in demand and prices for these products

Results of Operations

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

	<i>For 3 months ended</i>				
	December 31, 2010		September 30, 2010		Change
		% of total revenue		% of total revenue	%
	(US\$ million, except %)				
Revenues					
Oil and gas sales	9,827	56.6%	8,289	53.6%	18.6%
Petroleum products and petrochemicals sales	7,138	41.0%	6,758	43.7%	5.6%
Support services and other revenues	419	2.4%	424	2.7%	(1.2)%
Total revenues	17,384	100.0%	15,471	100.0%	12.4%
Cost and expenses					
Production and operating expenses	1,393	8.0%	1,174	7.6%	18.7%
Cost of purchased oil, gas and petroleum products	639	3.7%	617	4.0%	3.6%
General and administrative expenses	472	2.7%	425	2.7%	11.1%
Pipeline tariffs and transportation costs	1,763	10.1%	1,701	11.0%	3.6%
Exploration expenses	218	1.2%	82	0.5%	165.9%
Depreciation, depletion and amortisation	1,578	9.1%	1,399	9.0%	12.8%
Accretion expense	27	0.2%	26	0.2%	3.8%
Taxes other than income tax	2,930	16.9%	2,722	17.6%	7.6%
Export customs duty	4,592	26.4%	4,112	26.6%	11.7%
Total cost and expenses	13,612	78.3%	12,258	79.2%	11.0%
Operating income	3,772	21.7%	3,213	20.8%	17.4%
Other income/(expenses)					
Interest income	150	0.9%	148	1.0%	1.4%
Interest expense	(83)	(0.5)%	(155)	(1.0)%	(46.5)%
Loss on disposal of non-current assets	(75)	(0.4)%	(26)	(0.2)%	188.5%
Impairment loss	(31)	(0.2)%	-	-	(100.0)%
Gain/(loss) on disposal of investments	9	0.1%	(4)	0.0%	(325.0)%
Equity share in affiliates' losses	(7)	(0.1)%	(1)	0.0%	600.0%
Dividends and income from joint ventures	5	0.0%	12	0.1%	(58.3)%
Other (expenses)/income, net	(104)	(0.6)%	7	0.0%	(1,586)%
Foreign exchange gain	16	0.1%	6	0.0%	166.7%
Total other expenses	(120)	(0.7)%	(13)	(0.1)%	823.1%
Income before income tax and minority interest	3,652	21.0%	3,200	20.7%	14.1%
Income tax	(596)	(3.4)%	(632)	(4.1)%	(5.7)%
Net income	3,056	17.6%	2,568	16.6%	19.0%
Less: net income attributable to noncontrolling interests	(53)	(0.3)%	(78)	(0.5)%	(32.0)%
Net income attributable to Rosneft	3,003	17.3%	2,490	16.1%	20.6%
Other comprehensive (loss)/income	(1)	0.0%	3	0.0%	(133.3)%
Comprehensive income	3,002	17.3%	2,493	16.1%	20.4%

The table below provides information on the Results of Operations for the period 2010, 2009 and 2008:

	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	2010	2009	2008	2010 -2009	2009 -2008
	(US\$ million, except %)				
Revenues					
Oil and gas sales	34,767	24,820	36,102	40.1%	(31.3)%
Petroleum products and petrochemicals sales	26,660	20,736	31,470	28.6%	(34.1)%
Support services and other revenues	1,620	1,270	1,419	27.6%	(10.5)%
Total revenues	63,047	46,826	68,991	34.6%	(32.1)%
Cost and expenses					
Production and operating expenses	4,792	4,024	4,572	19.1%	(12.0)%
Cost of purchased oil, gas and petroleum products	2,386	1,890	2,942	26.2%	(35.8)%
General and administrative expenses	1,584	1,416	1,632	11.9%	(13.2)%
Pipeline tariffs and transportation costs	6,980	5,414	5,673	28.9%	(4.6)%
Exploration expenses	439	325	248	35.1%	31.0%
Depreciation, depletion and amortisation	5,597	4,350	3,983	28.7%	9.2%
Accretion expense	107	87	120	23.0%	(27.5)%
Taxes other than income tax	10,920	8,061	14,810	35.5%	(45.6)%
Export customs duty	16,743	12,131	22,006	38.0%	(44.9)%
Total cost and expenses	49,548	37,698	55,986	31.4%	(32.7)%
Operating income	13,499	9,128	13,005	47.9%	(29.8)%
Other income/(expenses)					
Interest income	547	516	375	6.0%	37.6%
Interest expense	(580)	(605)	(1,112)	(4.1)%	(45.6)%
Loss on disposal of non-current assets	(156)	(350)	(58)	(55.4)%	503.4%
Impairment loss	(31)	-	-	100.0%	-
Gain on disposal of investments	23	5	22	360.0%	(77.3)%
Equity share in affiliates' profits/(loss)	60	112	(7)	(46.4)%	1,700.0%
Dividends and income/(loss) from joint ventures	11	(8)	(11)	(237.5)%	(27.3)%
Impairment loss	-	-	(108)	-	(100.0)%
Other expenses, net	(89)	(350)	(135)	(74.6)%	159.3%
Foreign exchange gain	32	71	1,148	(54.9)%	(93.8)%
Total other (expenses)/income	(183)	(609)	114	(70.0)%	(634.2)%
Income before income tax and minority interest	13,316	8,519	13,119	56.3%	(35.1)%
Income tax	(2,644)	(2,000)	(1,904)	32.2%	5.0%
Net income	10,672	6,519	11,215	63.7%	(41.9)%
Less: net income attributable to noncontrolling interests	(272)	(5)	(95)	5,340%	(94.7)%
Net income attributable to Rosneft	10,400	6,514	11,120	59.7%	(41.4)%
Other comprehensive income/(loss)	2	18	(40)	(88.9)%	145.0%
Comprehensive income	10,402	6,532	11,080	59.2%	(41.0)%

Revenues

In the fourth quarter of 2010 revenues were 12.4% higher than in the third quarter of 2010 and amounted to US\$ 17,384 million. Revenue growth mainly resulted from increase in market prices of crude oil and petroleum products.

In 2010 revenues were 34.6% higher compared to 2009, which was driven by substantial increase in prices and volumes growth. For example, Urals price increased by 28.3% and the world market prices for diesel and fuel oil rose by 29.7% and 28.1% respectively. Sales volumes growth by 6.7% is attributable to increased production and refinery throughput.

Revenues were US\$ 46,826 million in 2009, a 32.1% decrease compared with 2008. The decrease was due to fall in average crude oil and petroleum product prices, which was partially offset by a 2.8% increase in total crude oil and product sales volumes.

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

	<i>For 3 months ended</i>		<i>change between 3rd and 4th quarters</i>			<i>For 12 months ended December 31</i>				<i>change for 12 months ended December 31</i>			
	December 31, 2010		September 30, 2010		2010	2010		2009		2008		2010 – 2009	2009 – 2008
	% of total revenue		% of total revenue		%	% of total revenue		% of total revenue		% of total revenue		%	
(US\$ million, except %)													
Crude oil													
Export, excluding CIS	9,276	53.4%	7,894	51.1%	17.5%	32,719	51.9%	23,019	49.1%	33,463	48.5%	42.1%	(31.2)%
Europe and other direction	6,326	36.4%	5,840	37.8%	8.3%	22,895	36.3%	18,275	39.0%	25,648	37.2%	25.3%	(28.7)%
Asia	2,950	17.0%	2,054	13.3%	43.6%	9,824	15.6%	4,744	10.1%	7,815	11.3%	107.1%	(39.3)%
CIS	359	2.1%	249	1.6%	44.2%	1,363	2.2%	1,313	2.8%	2,084	3.0%	3.8%	(37.0)%
Domestic	78	0.4%	55	0.3%	41.8%	269	0.4%	134	0.3%	154	0.2%	100.7%	(13.0)%
Total crude oil	9,713	55.9%	8,198	53.0%	18.5%	34,351	54.5%	24,466	52.2%	35,701	51.7%	40.4%	(31.5)%
Gas	114	0.7%	91	0.6%	25.3%	416	0.7%	354	0.8%	401	0.6%	17.5%	(11.7)%
Petroleum products													
Export, excluding CIS	3,672	21.1%	3,328	21.5%	10.3%	14,141	22.4%	11,622	24.8%	16,163	23.4%	21.7%	(28.1)%
Europe and other direction	2,170	12.5%	1,812	11.7%	19.8%	8,156	12.9%	6,727	14.4%	9,607	13.9%	21.2%	(30.0)%
Asia	1,502	8.6%	1,516	9.8%	(0.9)%	5,985	9.5%	4,895	10.4%	6,556	9.5%	22.3%	(25.3)%
CIS	42	0.2%	56	0.4%	(25.0)%	172	0.3%	144	0.3%	743	1.1%	19.4%	(80.6)%
Domestic	3,124	18.0%	3,044	19.7%	2.6%	11,192	17.7%	8,304	17.8%	13,707	19.8%	34.8%	(39.4)%
<i>Wholesale</i>	2,031	11.7%	1,964	12.7%	3.4%	7,241	11.4%	5,183	11.1%	9,501	13.7%	39.7%	(45.4)%
<i>Retail</i>	1,093	6.3%	1,080	7.0%	1.2%	3,951	6.3%	3,121	6.7%	4,206	6.1%	26.6%	(25.8)%
Sales of bunker fuel to end-users	199	1.1%	233	1.5%	(14.6)%	739	1.2%	426	0.9%	453	0.7%	73.5%	(6.0)%
Total petroleum products	7,037	40.4%	6,661	43.1%	5.6%	26,244	41.6%	20,496	43.8%	31,066	45.0%	28.0%	(34.0)%
Petrochemical products	101	0.6%	97	0.6%	4.1%	416	0.6%	240	0.5%	404	0.6%	73.3%	(40.6)%
Support services and other revenues	419	2.4%	424	2.7%	(1.2)%	1,620	2.6%	1,270	2.7%	1,419	2.1%	27.6%	(10.5)%
Total sales	17,384	100.0%	15,471	100.0%	12.4%	63,047	100.0%	46,826	100.0%	68,991	100.0%	34.6%	(32.1)%

Sales Volumes

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

	For 3 months ended		change between 3 ^d and 4 th quarters			For 12 months ended December 31		change for 12 months ended December 31					
	December 31, 2010		September 30, 2010		2010	2010		2009		2008		2010 - 2009	2009 - 2008
	mln bbls	% of total volume	mln bbls	% of total volume	%	mln bbls	% of total volume	mln bbls	% of total volume	mln bbls	% of total volume	%	
Crude oil													
Export, excluding CIS	109.28	53.0%	105.04	51.0%	4.0%	420.46	51.8%	381.33	50.1%	359.46	48.6%	10.3%	6.1%
Europe and other directions	75.05	36.4%	77.83	37.8%	(3.6)%	296.84	36.6%	304.30	40.0%	280.68	37.9%	(2.5)%	8.4%
Asia	34.23	16.6%	27.21	13.2%	25.8%	123.62	15.2%	77.03	10.1%	78.78	10.7%	60.5%	(2.2)%
CIS	5.56	2.7%	4.91	2.4%	13.2%	24.51	3.0%	30.58	4.0%	36.72	5.0%	(19.8)%	(16.7)%
Domestic	2.34	1.1%	1.90	0.9%	23.2%	8.85	1.1%	4.97	0.7%	3.88	0.5%	78.1%	28.1%
Total crude oil	117.18	56.8%	111.85	54.3%	4.8%	453.82	55.9%	416.88	54.8%	400.06	54.1%	8.9%	4.2%
Crude oil	mln tonnes		mln tonnes			mln tonnes		mln tonnes		mln tonnes			
Export, excluding CIS	14.94	53.0%	14.36	51.0%	4.0%	57.48	51.8%	52.13	50.1%	49.14	48.6%	10.3%	6.1%
Europe and other directions	10.26	36.4%	10.64	37.8%	(3.6)%	40.58	36.6%	41.60	40.0%	38.37	37.9%	(2.5)%	8.4%
Asia	4.68	16.6%	3.72	13.2%	25.8%	16.90	15.2%	10.53	10.1%	10.77	10.7%	60.5%	(2.2)%
CIS	0.76	2.7%	0.67	2.4%	13.2%	3.35	3.0%	4.18	4.0%	5.02	5.0%	(19.8)%	(16.7)%
Domestic	0.32	1.1%	0.26	0.9%	23.2%	1.21	1.1%	0.68	0.7%	0.53	0.5%	78.1%	28.1%
Total crude oil	16.02	56.8%	15.29	54.3%	4.8%	62.04	55.9%	56.99	54.8%	54.69	54.1%	8.9%	4.2%
Petroleum products													
Export, excluding CIS	6.02	21.4%	6.47	23.0%	(7.0)%	25.51	23.0%	27.15	26.2%	24.89	24.6%	(6.0)%	9.1%
Europe and other directions	3.71	13.2%	3.73	13.3%	(0.5)%	15.39	13.9%	16.38	15.8%	15.43	15.2%	(6.0)%	6.2%
Asia	2.31	8.2%	2.74	9.7%	(15.7)%	10.12	9.1%	10.77	10.4%	9.46	9.4%	(6.0)%	13.8%
CIS	0.06	0.2%	0.10	0.4%	(40.0)%	0.30	0.3%	0.36	0.3%	1.05	1.0%	(16.7)%	(65.7)%
Domestic	5.40	19.2%	5.53	19.6%	(2.4)%	20.49	18.5%	17.60	16.9%	18.97	18.7%	16.4%	(7.2)%
Wholesale	3.98	14.1%	4.13	14.6%	(3.6)%	15.23	13.8%	12.83	12.3%	14.48	14.3%	18.7%	(11.4)%
Retail	1.42	5.1%	1.40	5.0%	1.4%	5.26	4.7%	4.77	4.6%	4.49	4.4%	10.3%	6.2%
Sales of bunker fuel to end-users	0.48	1.7%	0.59	2.1%	(18.6)%	1.83	1.6%	1.20	1.2%	0.85	0.9%	52.5%	41.2%
Total petroleum products	11.96	42.5%	12.69	45.1%	(5.8)%	48.13	43.4%	46.31	44.6%	45.76	45.2%	3.9%	1.2%
Petrochemical products	0.20	0.7%	0.17	0.6%	17.6%	0.74	0.7%	0.66	0.6%	0.68	0.7%	12.1%	(2.9)%
Total crude oil and products	28.18	100.0%	28.15	100.0%	0.1%	110.91	100.0%	103.96	100.0%	101.13	100.0%	6.7%	2.8%
Gas	bcm		bcm			bcm		bcm		bcm			
Sales volumes	2.60		2.19		18.7%	9.80		10.61		10.33		(7.6)%	2.7%

Average Crude Oil and Petroleum Product Sales Prices

The following table sets forth Rosneft's average export and domestic prices of crude oil, gas and petroleum products (the average sales prices may differ from official market prices provided by specialized agencies due to different quality of products and conditions of sales):

	3 months ended December 31, 2010		3 months ended September 30, 2010		% change between 3 rd and 4 th quarters	2010		2009		2008		% change for 12 months ended December 31	
	(US\$/ barrel)	(US\$/ tonne)	(US\$/ barrel)	(US\$/ tonne)		2010	(US\$/ barrel)	(US\$/ tonne)	(US\$/ barrel)	(US\$/ tonne)	(US\$/ barrel)	(US\$/ tonne)	2010 - 2009
Average export prices													
Crude oil, excluding CIS	84.88	620.88	75.15	549.72	12.9%	77.82	569.22	60.37	441.57	93.09	680.97	28.9%	(35.2)%
Europe and other directions	84.29	616.57	75.04	548.87	12.3%	77.13	564.19	60.06	439.30	91.38	668.44	28.4%	(34.3)%
Asia	86.18	630.34	75.49	552.15	14.2%	79.47	581.30	61.59	450.52	99.20	725.63	29.0%	(37.9)%
Crude oil, CIS	64.57	472.37	50.71	371.64	27.1%	55.61	406.87	42.94	314.11	56.75	415.14	29.5%	(24.3)%
Petroleum products, excluding CIS		609.97		514.37	18.6%		554.33		428.07		649.38	29.5%	(34.1)%
Europe and other directions		584.91		485.79	20.4%		529.95		410.68		622.62	29.0%	(34.0)%
Asia		650.22		553.28	17.5%		591.40		454.50		693.02	30.1%	(34.4)%
Petroleum products, CIS		700.00		560.00	25.0%		573.33		400.00		707.62	43.3%	(43.5)%
Average domestic prices													
Crude oil	33.33	243.75	28.95	211.54	15.2%	30.40	222.31	26.96	197.06	39.69	290.57	12.8%	(32.2)%
Petroleum products		578.52		550.45	5.1%		546.22		471.82		722.56	15.8%	(34.7)%
Wholesale		510.30		475.54	7.3%		475.44		403.98		656.15	17.7%	(38.4)%
Retail		769.72		771.43	(0.2)%		751.14		654.30		936.75	14.8%	(30.2)%
Gas (US\$/thousand cubic meter)		43.85		41.55	5.5%		42.45		33.36		38.82	27.2%	(14.1)%
Sales of bunker fuel to end-users		414.58		394.92	5.0%		403.83		355.00		532.94	13.8%	(33.4)%
Petrochemical products		505.00		570.59	(11.5)%		562.16		363.64		594.12	54.6%	(38.8)%

Crude Oil Export Sales to non-CIS

Revenues from crude oil exports to non-CIS countries in the fourth quarter of 2010 were US\$ 9,276 million which is an increase of 17.5% quarter-on-quarter. Average prices upturn of 12.9% (favourable impact on revenues of US\$ 1,063 million) was accompanied by sales volumes growth of 4.0% (positive impact on revenues of US\$ 319 million). Sales volumes increase is attributable to production increase at Sakhalin-1 project, as well as sale of 0.55 mln tonnes of crude oil to fill the Skovorodino – Daqing pipeline.

In 2010 revenues from crude oil exports to non-CIS countries increased by 42.1% compared to 2009, which was driven by a 28.9% increase in average export prices (positive impact on revenues of US\$ 7,337 million) and a 10.3% increase in sales volumes (favourable impact on revenues of US\$ 2,363 million). Export sales volumes growth was due to increased production and reduced deliveries to Belarus.

In 2009 revenues from crude oil exports to non-CIS countries were US\$ 23,019 million or 31.2% down compared with 2008. The revenues were impacted by a substantial decrease in average export prices (a negative impact on revenues of US\$ 12,480 million), which was partially offset by a 6.1% increase in sales volumes (a favourable impact on revenues of US\$ 2,036 million). The growth of crude oil export volumes to non-CIS countries resulted from redirection of crude oil flows from the depressed CIS markets and growth in daily crude oil production.

Crude Oil Export Sales to CIS

In the fourth quarter of 2010 revenues from sales of crude oil to CIS were US\$ 359 million, 44.2% higher than in the third quarter of 2010. A 27.1% upturn in average prices as well as 13.2% increase in sales volumes led to revenues growth of US\$ 77 million and US\$ 33 million, respectively. Sales volumes and average prices increase resulted from increase in export volumes to Belarus taxable at the standard customs duty rate.

In 2010 revenues from crude oil exports to CIS countries were US\$ 50 million higher in comparison with 2009, which is attributable to an average price increase of 29.5% (positive impact on revenues of US\$ 311 million). A 19.8% sales volumes decrease had an unfavourable impact on revenues of US\$ 261 million. In the first quarter of 2010 Russia and Belarus agreed to apply a standard export customs duty to crude oil exports to Belarus and defined fixed annual volumes exempted from export customs duty. This resulted in decreased crude oil deliveries to Belarus in 2010 compared with 2009.

In 2009 revenues from sales of crude oil to the CIS were US\$ 1,313 million, which is a decrease of 37.0% compared with 2008. The decrease was driven by a substantial reduction in average crude oil prices (a negative impact on revenues of US\$ 422 million) as well as by a 16.7% decrease in sales volumes which had an unfavourable impact on revenues of US\$ 349 million. The decrease in sales volumes resulted from significant fall in crude oil volumes exported to Kazakhstan and slight decrease in volumes delivered to Belarus.

Domestic Crude Oil Sales

In the fourth quarter of 2010 domestic crude oil sales were US\$ 78 million, 41.8% higher than in the third quarter of 2010. A 23.2% increase in sales volumes as well as 15.2% upturn in average prices led to revenues growth of US\$ 13 million and US\$ 10 million, respectively.

In 2010 revenues from crude oil sales on domestic market were 100.7% higher compared to 2009. The growth was driven by a 78.1% increase in sales volumes (favorable impact on revenues of US\$ 104 million) as well as by a 12.8% increase in average prices (positive impact on revenues of US\$ 31 million). Sales volumes growth resulted from increased production and partial redirection of crude oil flows from Belarus due to changes in custom legislation.

In 2009 domestic crude oil sales were US\$ 134 million, which is a decrease of 13.0% compared with 2008. The decrease reflected a considerable reduction in average crude oil prices (a negative impact on revenues of US\$ 64 million). On the contrary a 28.1% increase in sales volumes, had a positive impact on revenues of US\$ 44 million. The major increase in sales volumes took place in the fourth quarter of 2009.

Petroleum Product Export Sales to Non-CIS

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

	<i>For 3 months ended</i>						% change		
	December 31, 2010			September 30, 2010					
	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne
High octane gasoline	45	0.05	881.44	27	0.03	850.02	66.7%	66.7%	3.7%
Low octane gasoline	28	0.04	768.72	28	0.04	769.91	0.0%	0.0%	(0.2)%
Naphtha	593	0.76	778.63	508	0.79	647.52	16.7%	(3.8)%	20.2%
Diesel (Gasoil)	1,427	1.96	727.38	1,153	1.83	629.00	23.8%	7.1%	15.6%
Fuel oil	1,509	3.12	483.38	1,568	3.72	421.85	(3.8)%	(16.1)%	14.6%
Jet fuel	0	0.00	470.34	4	0.00	712.13	(100.0)%	—	(34.0)%
Other	70	0.09	751.22	40	0.06	660.31	75.0%	50.0%	13.8%
Total	3,672	6.02	609.97	3,328	6.47	514.37	10.3%	(7.0)%	18.6%

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

Revenues from the export of petroleum products to non-CIS countries were US\$ 3,672 million in the fourth quarter of 2010, which is an increase of 10.3% compared with the third quarter of 2010. A 18.6% increase in average prices (favourable impact on revenues of US\$ 575 million) was partially offset by 7.0% decrease in sales volumes (negative impact on revenues of US\$ 231 million). Sales volumes decrease resulted from increase in fuel oil inventories due to the change in delivery basis following the termination of the river navigation period, as well as from fuel oil redirection to domestic market due to seasonal increase in demand.

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

	<i>For 12 months ended December 31</i>									<i>% change between 12 months ended December 31, 2010 and 2009</i>			<i>% change between 12 months ended December 31, 2009 and 2008</i>		
	2010			2009			2008			US\$ million	million of tonnes	US\$/tonne	US\$ million	million of tonnes	US\$/tonne
	US\$ million	million of tonnes	US\$/tonne	US\$ million	million of tonnes	US\$/tonne	US\$ million	million of tonnes	US\$/tonne						
High octane gasoline	127	0.15	837.02	127	0.21	595.06	121	0.12	1,000.70	0.0%	(28.6)%	40.7%	5.0%	75.0%	(40.5)%
Low octane gasoline	140	0.20	713.36	108	0.17	625.60	139	0.16	897.82	29.6%	17.6%	14.0%	(22.3)%	6.3%	(30.3)%
Naphtha	2,188	3.11	702.51	1,704	3.31	514.86	2,241	2.97	755.37	28.4%	(6.0)%	36.4%	(24.0)%	11.4%	(31.8)%
Diesel (gasoil)	5,387	8.23	654.47	4,565	9.35	488.11	7,521	8.71	863.96	18.0%	(12.0)%	34.1%	(39.3)%	7.3%	(43.5)%
Fuel oil	6,081	13.51	450.07	4,944	13.76	359.25	5,918	12.68	466.78	23.0%	(1.8)%	25.3%	(16.5)%	8.5%	(23.0)%
Jet fuel	12	0.01	771.80	47	0.09	546.31	51	0.05	1,008.27	(74.5)%	(88.9)%	41.3%	(7.8)%	80.0%	(45.8)%
Other	206	0.30	690.30	127	0.26	486.84	172	0.20	853.02	62.2%	15.4%	41.8%	(26.2)%	30.0%	(42.9)%
Total	14,141	25.51	554.33	11,622	27.15	428.07	16,163	24.89	649.38	21.7%	(6.0)%	29.5%	(28.1)%	9.1%	(34.1)%

In 2010 revenues from the export of petroleum products to non-CIS countries were 21.7% higher compared to 2009 which was driven by a 29.5% increase in average prices (positive impact on revenues of US\$ 3,221 million). Sales volumes decrease of 6.0% had a negative impact on revenues of US\$ 702 million and resulted from increased domestic sales following the demand recovery after the financial crisis.

Revenues from petroleum product exports to non-CIS countries were US\$ 11,622 million in 2009, which is a decrease of 28.1% compared with 2008. The decrease resulted from a reduction in average export prices (negative impact on revenues of US\$ 6,009 million), which was partially offset by a 9.1% increase in sales volumes leading to a US\$ 1,468 million revenue growth. The increase in volumes was mainly due to decreased domestic demand and low CIS sales profitability resulting in redirection of product volumes to non-CIS countries.

Petroleum Product Export Sales to CIS

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

	<i>For 3 months ended</i>						<i>% change</i>		
	December 31, 2010			September 30, 2010			US\$ million	million of tonnes	Average price US\$/tonne
	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne			
High octane gasoline	—	—	—	—	—	—	—	—	—
Low octane gasoline	—	—	—	—	—	—	—	—	—
Naphtha	—	—	—	—	—	—	—	—	—
Diesel	22	0.03	640.67	29	0.05	628.95	(24.1)%	(40.0)%	1.9%
Fuel oil	—	—	—	3	0.01	417.45	(100.0)%	(100.0)%	—
Jet fuel	—	—	—	—	—	—	—	—	—
Other	20	0.03	703.90	24	0.04	540.65	(16.7)%	(25.0)%	30.2%
Total	42	0.06	700.00	56	0.10	560.00	(25.0)%	(40.0)%	25.0%

Revenues from sales of petroleum products to CIS countries in the fourth quarter of 2010 were 25.0% lower than in the third quarter of 2010 and amounted to US\$ 42 million. The decrease was driven by sales volumes decrease of 40.0% (unfavourable impact on revenues of US\$ 22 million), which was partially compensated by 25.0% upturn in average prices (a positive impact on revenues of US\$ 8 million).

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

	<i>For 12 months ended December 31</i>									<i>% change between 12 months ended December 31, 2010 and 2009</i>			<i>% change between 12 months ended December 31, 2009 and 2008</i>		
	2010			2009			2008			US\$ million	million of tonnes	US\$/Tonne	US\$ million	million of tonnes	US\$/Tonne
	US\$ million	million of tonnes	US\$/Tonne	US\$ million	million of tonnes	US\$/Tonne	US\$ million	million of tonnes	US\$/Tonne	US\$ million	million of tonnes	US\$/Tonne	US\$ million	million of tonnes	US\$/Tonne
High octane gasoline	8	0.02	403.25	27	0.07	415.36	84	0.14	610.44	(70.4)%	(71.4)%	(2.9)%	(67.9)%	(50.0)%	(32.0)%
Low octane gasoline	3	0.01	300.00	3	0.01	251.82	9	0.02	514.31	0.0%	0.0%	19.1%	(66.7)%	(50.0)%	(51.0)%
Naphtha	—	—	—	2	0.01	346.70	—	—	—	—	—	—	—	—	—
Diesel	83	0.14	569.83	60	0.14	411.59	420	0.50	836.21	38.3%	0.0%	38.4%	(85.7)%	(72.0)%	(50.8)%
Fuel oil	3	0.01	417.45	—	—	—	124	0.23	530.69	—	—	—	(100.0)%	(100.0)%	(100.0)%
Jet fuel	0	0.00	0.00	7	0.02	414.10	71	0.09	825.85	(100.0)%	(100.0)%	(100.0)%	(90.1)%	(77.8)%	(49.9)%
Other	75	0.12	635.58	45	0.11	410.35	35	0.07	479.86	66.7%	9.1%	54.9%	28.6%	57.1%	(14.5)%
Total	172	0.30	573.33	144	0.36	400.00	743	1.05	707.62	19.4%	(16.7)%	43.3%	(80.6)%	(65.7)%	(43.5)%

Revenue increase of US\$ 28 million in 2010 in comparison with 2009 resulted from 43.3% upturn in average prices (positive impact on revenues of US\$ 52 million) which was partially offset by 16.7% decrease in sales volumes (negative impact on revenues of US\$ 24 million). Sales volumes decrease is attributable to the reduction of petroleum product deliveries to CIS countries due to the changes in customs legislation providing for levying of duties on petroleum product exports to these countries.

Revenues from sales of petroleum products to the CIS in 2009 were 80.6% lower than in 2008 and amounted to US\$ 144 million. Such a reduction was mainly attributable to a 65.7% decrease in sales volumes which had a negative impact on revenues of US\$ 488 million. The decrease in volumes resulted from the redirection of product flows from CIS to non-CIS markets due to higher profitability.

Domestic Sales of Petroleum Products

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

	<i>For 3 months ended</i>						<i>% change</i>					
	December 31, 2010			September 30, 2010			US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne
	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne
High octane gasoline	1,122	1.43	786.86	1,150	1.46	787.76	(2.4)%	(2.1)%	(0.1)%			
Low octane gasoline	220	0.35	622.83	200	0.33	611.31	10.0%	6.1%	1.9%			
Naphtha	—	—	—	—	—	—	—	—	—			
Diesel	1,267	2.16	587.85	1,203	2.45	490.09	5.3%	(11.8)%	19.9%			
Fuel oil	215	0.78	275.93	98	0.40	247.68	119.4%	95.0%	11.4%			
Jet fuel	145	0.25	585.36	176	0.34	522.45	(17.6)%	(26.5)%	12.0%			
Other	155	0.43	347.30	217	0.55	386.88	(28.6)%	(21.8)%	(10.2)%			
Total	3,124	5.40	578.52	3,044	5.53	550.45	2.6%	(2.4)%	5.1%			

Revenues from sales of petroleum products on the domestic market were US\$ 3,124 million in the fourth quarter of 2010, which is an increase of 2.6% compared with the third quarter of 2010. Revenue growth was caused by a 5.1% upturn in average prices (favourable impact on revenues of US\$ 152 million) and was partially offset by sales volumes decrease of 2.4% which had an unfavourable impact on revenues of US\$ 72 million. Domestic sales volumes decrease was due to a seasonal reduction in demand for petroleum products and decreased sales to agricultural enterprises.

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

	<i>For 12 months ended December 31</i>									<i>%</i>			<i>%</i>		
	2010			2009			2008			<i>change between 12 months ended December 31, 2010 and 2009</i>			<i>change between 12 months ended December 31, 2009 and 2008</i>		
	US\$ million	million of tonnes	US\$/ Tonne	US\$ million	million of tonnes	US\$/ Tonne	US\$ million	million of tonnes	US\$/ Tonne	US\$ million	million of tonnes	US\$/ Tonne	US\$ million	million of tonnes	US\$/ Tonne
High octane gasoline	4,159	5.44	765.11	3,194	4.77	670.09	4,071	4.39	926.72	30.2%	14.0%	14.2%	(21.5)%	8.7%	(27.7)%
Low octane gasoline	807	1.36	593.84	654	1.24	528.86	1,238	1.63	760.54	23.4%	9.7%	12.3%	(47.2)%	(23.9)%	(30.5)%
Naphtha	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Diesel	4,341	8.27	525.50	3,142	7.03	447.25	5,473	6.81	803.39	38.2%	17.6%	17.5%	(42.6)%	3.2%	(44.3)%
Fuel oil	643	2.51	256.54	354	1.63	218.04	556	2.01	277.47	81.6%	54.0%	17.7%	(36.3)%	(18.9)%	(21.4)%
Jet fuel	531	0.98	542.16	228	0.48	470.56	912	1.11	819.20	132.9%	104.2%	15.2%	(75.0)%	(56.8)%	(42.6)%
Other	711	1.93	365.10	732	2.45	294.61	1,457	3.02	483.32	(2.9)%	(21.2)%	23.9%	(49.8)%	(18.9)%	(39.0)%
Total	11,192	20.49	546.22	8,304	17.60	471.82	13,707	18.97	722.56	34.8%	16.4%	15.8%	(39.4)%	(7.2)%	(34.7)%

In 2010 revenues from sales of petroleum products on the domestic market increased by 34.8% compared to 2009. This resulted from a 15.8% upturn in average prices (positive impact on revenues of US\$ 1,524 million) and from a 16.4% increase in sales volumes (favourable impact on revenues of US\$ 1,364 million). Volumes growth was due to the demand recovery after the financial crisis.

Revenues from sales of petroleum products on the domestic market were US\$ 8,304 million in 2009 which is a decrease of 39.4% compared with 2008. Revenue reduction was a result of a decrease in average prices (negative impact on revenue of US\$ 4,413 million) as well as of a 7.2% decrease in sales volumes leading to revenue decrease of US\$ 990 million. Decrease in sales volumes was the outcome of falling domestic demand due to the economic downturn.

Petroleum product sales through commodity exchanges

The Company sells a wide range of petroleum products via commodity exchanges. In the fourth quarter of 2010 0.80 million tonnes were sold for US\$ 480 million, which is 0.14 mln tonnes and US\$ 43 million lower than in the third quarter of 2010. In 2010 3.40 million tonnes were sold for US\$ 1,846 million, in comparison with 1.16 million tonnes (US\$ 572 million) in 2009 and 0.21 million tonnes (US\$ 138 million) in 2008.

Sales of bunker fuel to end-users

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

Revenues from sales of bunker fuel in the fourth quarter of 2010 were US\$ 199 million, a decrease of 14.6% in comparison with the third quarter of 2010. Revenue decline was due to seasonal factor.

Revenues from sales of bunker fuel in 2010 were US\$ 739 million an increase of 73.5% compared to 2009. In 2009 and 2008 revenues were US\$ 426 million and US\$ 453 million respectively.

Petrochemical Product Sales

Revenues from sales of petrochemical products in the fourth quarter of 2010 were US\$ 101 million, up 4.1% compared to the third quarter of 2010. An increase in sales volumes of 17.6% (favourable impact on revenues of US\$ 17 million) was partially offset by seasonal average prices decline of 11.5% (negative impact on revenues of US\$ 13 million). Sales volumes increase was due to completion of planned turnaround at Angarsk polymer plant.

A 73.3% growth in revenues from sales of petrochemical products in 2010 compared to 2009 was due to price increase of 54.6% and volume growth of 12.1% following the recovery of demand after the crisis.

In 2009 revenues from sales of petrochemical products were US\$ 240 million, 40.6% down compared to 2008. The fall in revenues was mainly due to the price decline of 38.8% (negative impact on revenues of US\$ 152 million) as well as to a 2.9% decrease in volumes (negative impact of US\$ 12 million). The decrease in volumes resulted from the depressed demand for petrochemical products in 2009.

Gas Sales

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

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

	<i>For 3 months ended</i>		<i>% change between 3^d and 4th quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2010	September 30, 2010	2010	2010	2009	2008	2010 – 2009	2009-2008
Revenue	(US\$ million, except %)							
Western Siberia	30	26	15.4%	118	114	112	3.5%	1.8%
South Russia	51	47	8.5%	198	157	184	26.1%	(14.7)%
Far East	13	5	160.0%	37	36	30	2.8%	20.0%
European part of Russia	20	13	53.8%	63	47	75	34.0%	(37.3)%
Total	114	91	25.3%	416	354	401	17.5%	(11.7)%
Sales volumes	(bcm, except %)							
Western Siberia	1.33	1.20	10.8%	5.24	5.98	5.16	(12.4)%	15.9%
South Russia	0.77	0.68	13.2%	3.04	3.24	3.35	(6.2)%	(3.3)%
Far East	0.23	0.09	155.6%	0.66	0.62	0.59	6.5%	5.1%
European part of Russia	0.27	0.22	22.7%	0.86	0.77	1.23	11.7%	(37.4)%
Total	2.60	2.19	18.7%	9.80	10.61	10.33	(7.6)%	2.7%
Average price	(US\$/thousand of cubic metres, except %)							
Western Siberia	22.32	21.40	4.3%	22.44	19.13	21.74	17.3%	(12.0)%
South Russia	66.09	68.47	(3.5)%	65.13	48.44	55.03	34.5%	(12.0)%
Far East	57.19	48.28	18.5%	56.59	57.83	51.81	(2.1)%	11.6%
European part of Russia	69.09	70.48	(2.0)%	73.88	62.74	59.83	17.8%	4.9%
Total	43.85	41.55	5.5%	42.45	33.36	38.82	27.2%	(14.1)%

In the fourth quarter of 2010 revenues from gas sales were US\$ 114 million, 25.3% higher than in the third quarter of 2010. A 18.7% increase in sales volumes caused revenue growth of US\$ 17 million. Sales volumes increase was due to seasonal increase in demand.

Revenue growth from gas sales of 17.5% in 2010 in comparison with 2009 was driven by increase in average prices of 27.2% (favourable impact on revenues of US\$ 89 million). Sales volumes decrease of 7.6% led to revenue reduction of US\$ 27 million. Low gas sales year-on-year were due to a decreased demand for gas in 2010 and unscheduled maintenance works at Lugenetskaya compression station.

In 2009 revenues from gas sales decreased by 11.7% and amounted to US\$ 354 million in compared to 2008. The reduction was mainly attributable to decreased prices, which was partially offset by a 2.7% increase in sales volumes.

Support Services and Other Revenues

Rosneft owns service companies which render drilling, construction, repair and other services mainly to the companies within the Group. Revenues from services rendered to third parties are reported in Consolidated Income Statement.

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

	<i>For 3 months ended</i>		<i>change between 3^d and 4th quarters</i>			<i>For 12 months ended December 31</i>				<i>change for 12 months ended December 31</i>			
	December 31, 2010		September 30, 2010		2010	2010		2009		2008	2010–2009	2009–2009	
	% of total revenue		% of total revenue		%	% of total revenue		% of total revenue		% of total revenue	%		
(US\$ million, except %)													
Drilling services	15	3.6%	20	4.7%	(25.0)%	60	3.7%	25	2.0%	38	2.7%	140.0%	(34.2)%
Sales of materials	95	22.7%	95	22.4%	0.0%	341	21.0%	237	18.7%	323	22.8%	43.9%	(26.6)%
Repairs and maintenance services	27	6.4%	28	6.6%	(3.6)%	107	6.6%	104	8.2%	170	12.0%	2.9%	(38.8)%
Rent services	20	4.8%	19	4.5%	5.3%	68	4.2%	51	4.0%	57	4.0%	33.3%	(10.5)%
Construction services	18	4.3%	25	5.9%	(28.0)%	86	5.3%	63	5.0%	110	7.8%	36.5%	(42.7)%
Transport services	72	17.2%	84	19.8%	(14.3)%	325	20.1%	269	21.2%	243	17.1%	20.8%	10.7%
Electric power sales and transmission	109	26.0%	97	22.9%	12.4%	400	24.7%	273	21.5%	186	13.1%	46.5%	46.8%
Other revenues	63	15.0%	56	13.2%	12.5%	233	14.4%	248	19.4%	292	20.5%	(6.0)%	(15.1)%
Total	419	100.0%	424	100.0%	(1.2)%	1,620	100.0%	1,270	100.0%	1,419	100.0%	27.6%	(10.5)%

Costs and Expenses

Production and Operating Expenses

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

	<i>For 3 months ended</i>		<i>% change between 3^d and 4th quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>		
	December 31, 2010		September 30, 2010	2010	2010	2009	2008	2010 – 2009	2009–2008
	(US\$ million, except %)								
Upstream	595	543	9.6%	2,208	1,869	2,414	18.1%	(22.6)%	
Land restoration program	111	-	-	111	-	-	-	-	
Downstream	454	405	12.1%	1,583	1,501	1,451	5.5%	3.4%	
Other	233	226	3.1%	890	654	707	36.1%	(7.5)%	
Total	1,393	1,174	18.7%	4,792	4,024	4,572	19.1%	(12.0)%	

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

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

Upstream production and operating expenses in the fourth quarter of 2010 increased to US\$ 595 million or by 9.6% compared with the third quarter of 2010. The increase was due to the increase in expenses for electricity, growth of headcount, increase in volumes of repair and maintenance provided by third parties, seasonal increase in technological transportation costs, decrease in intragroup inventories of crude oil and increase in crude oil production.

In 2010 upstream production and operating expenses increased to US\$ 2,208 million, or by 18.1% compared with 2009, when these expenses were US\$ 1,869 million. The growth was due to oil production increase by 7.0% and the real RUB appreciation against the US\$ by 11.6%, partially offset by cost-cutting initiatives. In 2009 upstream production and operating expenses decreased by US\$ 545 million compared with 2008 which was driven by the nominal depreciation of the RUB against US\$ by 21.6% year-on-year and cost-cutting initiatives.

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

	<i>For 3 months ended</i>		<i>% change between 3^d and 4th quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2010	September 30, 2010	2010	2010	2009	2008	2010 - 2009	2009 - 2008
	(US\$ per bbl and US\$ per boe, except %)							
Expenses per bbl of crude oil produced	2.99	2.75	8.7%	2.83	2.57	3.41	10.1%	(24.6)%
Expenses per boe of hydrocarbon produced	2.75	2.55	7.8%	2.61	2.34	3.11	11.5%	(24.8)%

Rosneft's downstream expenses increased by 12.1% to US\$ 454 million in the fourth quarter of 2010 compared with US\$ 405 million in the third quarter of 2010. The increase resulted from irregularities in FCA tanker shipments of crude oil between reporting periods.

These expenses increased by 5.5% in 2010 compared with 2009 primarily due to the real RUB appreciation against the US\$ of 11.6% and change in intragroup inventories. In 2009 downstream operating expenses were US\$ 1,501 million, which is an increase of 3.4% compared with 2008. The increase was primarily due to the increase in rental costs, increase in costs in line with the CPI, which was partially offset by the nominal RUB depreciation against the US\$.

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

	<i>For 3 months ended</i>		<i>% change between 3^d and 4th quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2010	September 30, 2010	2010	2010	2009	2008	2010 - 2009	2008 - 2009
Operating expenses (US\$ million)	198	197	0.5%	738	685	847	7.7%	(19.1)%
Operating expenses per tonne of product output (US\$/tonne)	16.16	15.86	1.9%	15.41	14.56	18.24	5.8%	(20.2)%
Operating expenses per tonne of crude oil throughput (US\$/tonne)	15.30	15.06	1.6%	14.62	13.75	17.09	6.3%	(19.5)%

Operating expenses of Rosneft's refineries were US\$ 198 million in the fourth quarter of 2010 and remained practically unchanged compared with US\$ 197 million in the third quarter of 2010.

In 2010 these expenses increased by 7.7% to US\$ 738 million compared to US\$ 685 million in 2009. The increase resulted from the nominal appreciation of the RUB against the US\$ by 4.4% and higher volumes of refinery throughput.

In 2009 refining operating expenses were US\$ 685 million, which is a decrease of 19.1% compared with 2008. The decrease was primarily due to the nominal depreciation of the RUB against US\$ of 21.6%, which was partially offset by the increase in cost of fuel and raw materials used in production and by other factors.

Operating expenses related to other activities increased to US\$ 233 million in the fourth quarter of 2010, or by 3.1% compared with the third quarter of 2010. The increase was due to the increased volume of other activities (including rental services and electric power sales and transmission), which was reflected as well in the dynamics of other revenues.

In 2010 these expenses increased to US\$ 890 million compared with US\$ 654 million in 2009. The increase was primarily due to higher volumes of other activities accompanied by the increase in other revenues by 27.6% (particularly, from transportation services and electric power sales and transmission), and other factors.

In 2009 these expenses decreased to US\$ 654 million, or by 7.5% compared to 2008, primarily due to the nominal rouble depreciation to US\$ of 21.6%, which was partially offset by the raise in costs in line with CPI and increase in volume of services rendered to third parties.

Cost of Purchased Crude Oil, Gas and Petroleum Products

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

	<i>For 3 months ended</i>		<i>% change between 3^d and 4th quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2010	September 30, 2010	2010	2010	2009	2008	2010 – 2009	2009-2008
Cost of crude oil procured (US\$ million)	336	351	(4.3)%	1,454	1,513	2,284	(3.9)%	(33.8)%
Volume of crude oil procured (million of barrels)	12.68	12.30	3.1%	51.75	57.61	56.54	(10.2)%	1.9%
Cost of gas procured (US\$ million)	7	5	40.0%	26	29	46	(10.3)%	(37.0)%
Volume of gas procured (bcm)	0.14	0.13	7.7%	0.51	0.59	0.74	(13.6)%	(20.3)%
Cost of petroleum product procured (US\$ million) ⁽¹⁾	296	261	13.4%	906	348	610	160.3%	(43.0)%
Volume of petroleum product procured (million of tonnes)	0.48	0.45	6.7%	1.55	0.71	0.82	118.3%	(13.4)%
Cost of refining of crude oil under processing agreements (US\$ million)	-	-	-	-	-	2	-	(100.0)%
Volumes of crude oil refined under processing agreements (million of tonnes)	-	-	-	-	-	0.03	-	(100.0)%
Total cost of procured oil, gas and petroleum products and refining costs (US\$ millions)	639	617	3.6%	2,386	1,890	2,942	26.2%	(35.8)%

(1) In the fourth quarter and the twelve months of 2010 the average procurement price of petroleum products from third parties was higher than the average selling price of petroleum products due to differences in the mix of procured and sold petroleum products.

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

	<i>For 3 months ended</i>		<i>% change between 3^d and 4th quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended 31 December</i>	
	December 31, 2010	September 30, 2010	2010	2010	2009	2008	2010 – 2009	2009-2008
	(million bbl, except %)							
Udmurtneft	1.46	1.89	(22.8)%	10.08	12.90	8.58	(21.9)%	50.3%
Tomskneft	9.69	9.33	3.9%	37.22	33.46	42.40	11.2%	(21.1)%
Surgutneftegaz	-	-	-	-	5.94	2.08	(100.0)%	185.6%
Others	1.53	1.08	41.7%	4.45	5.31	3.48	(16.2)%	52.6%
Total	12.68	12.30	3.1%	51.75	57.61	56.54	(10.2)%	1.9%

Rosneft performs oil swap operations in order to optimize transportation costs of deliveries to refineries. Revenues and costs related to these operations are shown on a net basis in the "Pipeline tariffs and Transportation Costs" line of the income statement. In the fourth quarter and for the twelve months of 2010 these transactions were exercised with Gazpromneft and Bashneft, the volume of crude oil swaps amounted to 9.73 million barrels in the fourth quarter of 2010 and 38.49 million barrels in the twelve months of 2010, compared to 9.55 million barrels in the third quarter of 2010, 41.33 million barrels in the twelve months of 2009 and 40.36 million barrels in the twelve months of 2008. Rosneft's estimated benefits from these transactions were US\$ 17 million in the fourth quarter of 2010 and US\$ 56 million in 2010.

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

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

	<i>For 3 months ended</i>						<i>% change</i>		
	December 31, 2010			September 30, 2010			US\$ million	million of tonnes	Average price US\$/tonne
	US\$ million	million of tonnes	Average price US\$/tonne	US\$ million	million of tonnes	Average price US\$/tonne			
High octane gasoline	151	0.21	741.17	144	0.21	675.49	4.9%	-	9.7%
Low octane gasoline	19	0.03	620.20	13	0.02	561.55	46.2%	50.0%	10.4%
Diesel	112	0.21	529.18	84	0.18	454.33	33.3%	16.7%	16.5%
Fuel oil	-	-	-	-	-	-	-	-	-
Jet fuel	-	-	-	-	-	-	-	-	-
Other	14	0.03	452.55	20	0.04	462.55	(30.0)%	(25.0)%	(2.2)%
Total	296	0.48	616.67	261	0.45	580.00	13.4%	6.7%	6.3%

The increase in volumes of petroleum product purchases in the fourth quarter of 2010 was due to a seasonal increase in demand for petroleum products, which was not covered by supplies from own refineries.

The tables below set forth Rosneft's costs, volumes and average prices per tonne of petroleum products procured from third parties in 2010, 2009 and 2008:

	<i>For 12 months ended December 31</i>									<i>% change for 12 months ended December 31, 2010 and 2009</i>			<i>% change for 12 months ended December 31, 2009 and 2008</i>		
	2010			2009			2008			US\$ million	million of tonnes	US\$/tonne	US\$ million	million of tonnes	US\$/tonne
	US\$ million	million of tonnes	US\$/tonne	US\$ million	million of tonnes	US\$/tonne	US\$ million	million of tonnes	US\$/tonne						
High octane gasoline	482	0.69	701.38	151	0.25	615.14	182	0.21	868.07	219.2%	176.0%	14.0%	(17.0)%	19.0%	(29.1)%
Low octane gasoline	43	0.07	579.82	21	0.04	533.65	39	0.05	751.37	104.8%	75.0%	8.7%	(46.2)%	(20.0)%	(29.0)%
Diesel	325	0.66	492.33	129	0.29	432.00	246	0.30	800.95	151.9%	127.6%	14.0%	(47.6)%	(3.3)%	(46.1)%
Fuel oil	2	0.01	302.17	17	0.05	342.60	90	0.16	545.48	(88.2)%	(80.0)%	(11.8)%	(81.1)%	(68.8)%	(37.2)%
Jet fuel	-	-	-	-	-	-	2	0.00	709.59	-	-	-	(100.0)%	(100.0)%	(100.0)%
Other	54	0.12	450.12	30	0.08	385.06	51	0.10	492.85	80.0%	50.0%	16.9%	(41.2)%	(20.0)%	(21.9)%
Total	906	1.55	584.52	348	0.71	490.14	610	0.82	743.90	160.3%	118.3%	19.3%	(43.0)%	(13.4)%	(34.1)%

Average petroleum product procurement prices may deviate from average sales prices mainly due to different mix of regions where procurement and sales are effected and different product quality.

General and Administrative Expenses

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

General and administrative expenses in the fourth quarter of 2010 were US\$ 472 million, 11.1% higher than in the third quarter of 2010. The increase resulted mainly from accrual of bad debt allowance and increase in consulting fees.

In 2010 general and administrative expenses increased from US\$ 1,416 million to US\$ 1,584 million. The increase was mainly due to the real rouble appreciation of 11.6% and increase in accruals of bad debt allowance and growth of consulting fees.

Pipeline Tariffs and Transportation Costs

Transportation costs include costs to transport crude oil for refining and to end customers, and to deliver petroleum products from refineries to end customers (cost of pipeline and railroad transportation, handling, port fees, sea freight and other costs).

In the fourth quarter of 2010 Rosneft's transportation costs increased to US\$ 1,763 million, or by 3.6% compared with the third quarter of 2010. The increase mainly reflected indexation of transportation tariffs by Transneft by 9.9% since December 1, 2010 and lower volumes sold on FCA terms.

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

	<i>For 3 months ended</i>								% change		
	December 31, 2010				September 30, 2010						
	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne sold, US\$/t	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne sold, US\$/t	Volume	Cost	Cost per tonne sold
CRUDE OIL											
Export sales											
Pipeline	12.43	79.2%	541	43.52	11.60	77.2%	492	42.41	7.2%	10.0%	2.6%
Railroad and mixed	3.27	20.8%	255	77.98	3.43	22.8%	259	75.51	(4.7)%	(1.5)%	3.3%
Transportation to refineries and domestic sales											
Pipeline	11.28		259	22.96	11.42	-	311	27.23	(1.2)%	(16.7)%	(15.7)%
Railroad and mixed	1.53		168	109.80	1.64		178	108.54	(6.7)%	(5.6)%	1.2%
PETROLEUM PRODUCTS											
Export sales											
Pipeline ⁽¹⁾	0.27	4.3%	15	55.56	0.30	4.4%	15	50.00	(10.0)%	0.0%	11.1%
Railroad and mixed	4.57	73.1%	360	78.77	3.76	55.6%	279	74.20	21.5%	29.0%	6.2%
Other transportation expenses⁽²⁾											
			165				167			(1.2)%	
Total	33,35		1 763	52,86	32,15		1 701	52,91	3,7%	3,6%	(0,1)%

(1) Rosneft exported 1.41 million tonnes (22.6% of total export volumes) and 2.70 million tonnes (39.9% of total export volumes) of petroleum products in the fourth quarter of 2010 and in the third quarter of 2010, respectively, through its own pipeline in the town of Tuapse and under FCA conditions, pursuant to which Rosneft does not bear transportation expenses directly. Expenses of the Tuapse pipeline are reflected in Rosneft's financial statements as operating expenses.

(2) Other transportation expenses include cost of railroad transportation of petroleum products from refineries to tank farms and road transportation from tank farms to service stations as well as transportation expenses related to sales of bunker fuel.

The increase in crude oil pipeline transportation cost per tonne of export sales was 2.6%, which was due to a increase in tariffs by 2.4% to 3.0% in US\$ terms due to indexation of base tariff since December 1, 2010.

The increase in crude oil railroad and mixed transportation cost per tonne of export sales was 3.3%, which was mainly due to tariffs increase in US\$ terms and change in structure of transportation routes used.

The decrease in crude oil pipeline transportation cost per tonne of domestic supplies was 15.7% quarter-on-quarter, reflecting capitalization of investment tariff paid for crude transportation from Purneftegaz to Tuapse refinery in the full amount for September – December in the fourth quarter of 2010.

The increase in crude oil railroad and mixed transportation cost per tonne of domestic supplies was 1.2%, which was primarily due to an increase in transportation tariffs in US\$ terms by 0.6%.

Petroleum product pipeline cost per tonne and railroad and mixed transportation cost per tonne of petroleum product export sales increased by 11.1% and 6.2%, respectively. The increase was due to increase in average transportation distances following the decrease in FCA supplies followed after end of river navigation period.

During 2010 Rosneft's transportation costs increased to US\$ 6,980 million, or by 28.9% compared with 2009. The increase resulted from higher transportation volumes due to increase in crude oil production at the Vankor field and increase in tariffs of natural monopolies by 13.2% – 27.4% in US\$ terms.

In 2009 Rosneft's transportation costs decreased to US\$ 5,414 million, or by 4.6% compared with 2008. This decrease resulted from a fall in average US\$/RUB exchange rate by 21.6%, partially offset by an increase in tariffs of natural monopolies by 7.0% - 27.2% in RUB terms and change in structure of transportation routes used.

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

	For 12 months ended December 31												% change between the twelve months ended December 31, 2010 and 2009			% change between the twelve months ended December 31, 2009 and 2008		
	2010				2009				2008				Volume, mln. tonnes	Cost, mln. US\$	Cost per tonne	Volume, mln. tonnes	Cost, mln. US\$	Cost per tonne
	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne						
CRUDE OIL																		
Export sales																		
Pipeline	47.44	78.0%	2,016	42.50	41.54	73.8%	1,355	32.62	38.99	72.2%	1,258	32.26	14.2%	48.8%	30.3%	6.5%	7.7%	1.1%
Railroad and mixed	13.39	22.0%	1,043	77.89	14.77	26.2%	961	65.06	15.04	27.8%	1,163	77.33	(9.3)%	8.5%	19.7%	(1.8)%	(17.4)%	(15.9)%
Transportation to refineries and domestic sales																		
Pipeline	43.93		1,068	24.31	42.61		779	18.28	41.71		819	19.64	3.1%	37.1%	33.0%	2.2%	(4.9)%	(6.9)%
Railroad and mixed	6.54		720	110.09	6.99		614	87.84	5.48		606	110.58	(6.4)%	17.3%	25.3%	27.6%	1.3%	(20.6)%
PETROLEUM PRODUCTS																		
Export sales																		
Pipeline ⁽¹⁾	1.10	4.2%	57	51.82	0.85	3.1%	36	43.35	1.70	6.6%	79	46.47	29.4%	58.3%	19.5%	(50.0)%	(54.4)%	(6.7)%
Railroad and mixed	18.01	68.1%	1,400	77.73	18.98	68.3%	1,244	65.54	16.51	63.6%	1,194	72.32	(5.1)%	12.5%	18.6%	15.0%	4.2%	(9.4)%
Other transportation expenses⁽²⁾			676				425				554			59.1%			(23.3)%	
Total	130.41		6,980	53.52	125.73		5,414	43.06	119.43		5,673	47.50	3.7%	28.9%	24.3%	5.3%	(4.6)%	(9.3)%

(1) Rosneft exported 7.33 million tonnes (27.7% of total export volumes) and 7.96 million tonnes (28.6% of total export volumes) of petroleum products in 2010 and in 2009, respectively, through its own pipeline in the town of Tuapse and under purchasing agreements, pursuant to which Rosneft does not bear transportation expenses directly. Expenses of the Tuapse pipeline are reflected in Rosneft's financial statements as operating expenses.

(2) Other transportation expenses include cost of railroad transportation of petroleum products from refineries to tank farms and road transportation from tank farms to service stations as well as transportation expenses related to sales of bunker fuel.

The increase in crude oil pipeline transportation cost per tonne of export sales was 30.3%, which was due to an increase in tariffs by 24.2% – 25.6% in US\$ terms and the change in transportation routes used (particularly, start of deliveries of Vankor crude oil to exports through ESPO). The increase in crude oil pipeline export cost per tonne was 1.1% in 2009 compared to 2008, which was primarily due to the change in structure of transportation routes and was partially offset by the decrease in tariffs by 0.4% - 3.6% in US\$ terms.

The increase in crude oil railroad and mixed transportation cost per tonne of export sales was 19.7%, which was due to tariffs growth in US\$ terms. The decrease in crude oil railroad and mixed export cost per tonne was 15.9% in 2009 compared to 2008, which was primarily due to the decrease in tariffs in US\$ terms.

The increase in crude oil pipeline transportation cost per tonne of domestic supplies was 33.0%, which was due to tariffs growth by 23.6% - 27.4% in US\$ terms and change in crude oil supplies structure. The decrease in crude oil pipeline domestic cost per tonne was 6.9% in 2009 compared to 2008, which was primarily due to the decrease in tariffs in US\$ terms and due to the change in structure of transportation routes (particularly, decreased supplies of crude oil from Purneftegaz to Tuapse).

The increase in crude oil railroad and mixed transportation cost per tonne of domestic supplies was 25.3%, which was primarily due to an increase in transportation tariffs in US\$ terms. The decrease in crude oil railroad and mixed domestic cost per tonne was 20.6% in 2009 compared to 2008, which was primarily due to the decrease in tariffs in US\$ terms.

In 2010 the increase in petroleum product pipeline cost per tonne of petroleum product export sales and railroad and mixed transportation cost per tonne of petroleum product export sales was 19.5% and 18.6%, respectively, which was due to increase in tariffs by 13.2% – 18.0% in US\$ terms and due to the change in structure of transportation routes. The decrease in petroleum product pipeline export cost per tonne and petroleum product railroad and mixed export cost per tonne was 6.7% and 9.4%, respectively, in 2009 compared to 2008, which was primarily due to the decrease in tariffs in US\$ terms at the routes from Rosneft's refineries to transshipment ports.

Exploration Expenses

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

In the fourth quarter of 2010 exploration expenses increased to US\$ 218 million compared with US\$ 82 million in the third quarter of 2010. The increase was due to the writing-off dry exploratory wells in Eastern and Western Siberia, increased expenses on geophysical and seismic works and other exploration works not associated with writing-off dry wells.

In 2010 exploration expenses increased by 35.1% compared with 2009. The change in exploration expenses was due to increase in volumes of exploratory works at Samaraneftegaz fields, Kurmangazy project, geophysical surveys at Krasnodarneftegaz, Yuganskneftegaz, Vankor region.

In 2009 exploration expenses increased to US\$ 325 million, or by 31.0% compared with 2008. This was the result of writing off the costs of dry wells under the Kurmangazy project, at Terskaya area and other, as well as increased costs of exploratory works performed at Samaraneftegaz fields. The increase was partially offset by the decrease in cost of exploratory works under the Kurmangazy project and Val Shatskogo block, as well as decrease in cost of geophysical surveys at Yuganskneftegaz fields.

Depreciation, Depletion and Amortisation

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

Depreciation, depletion and amortisation were US\$ 1,578 million in the fourth quarter of 2010 compared to US\$ 1,399 million in the third quarter of 2010. The increase in the depreciation resulted mainly from the putting of new fixed assets into operation. In 2010 depreciation, depletion and amortisation was US\$ 5,597 million compared with US\$ 4,350 million in 2009, which is an increase of 28.7%. The increase in the depreciation in 2009 compared with 2008 resulted mainly from the launch of the Vankor field.

Taxes Other than Income Tax

Taxes other than income tax include the mineral extraction tax, the excise tax, the property tax and other taxes. The basis for calculation of mineral extraction tax is described under “—Main Factors Affecting Results of Operations—Taxation—Mineral Extraction Tax and Export Customs Duty” above.

The following table sets forth Rosneft’s taxes other than income tax (excluding export duties) for the periods analysed:

	<i>For 3 months ended</i>		<i>%change between 3rd and 4th quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2010	September 30, 2010	2010	2010	2009	2008	2010 - 2009	2009-2008
	(US\$ million, except %)							
Mineral extraction tax	2,472	2,259	9.5%	9,051	6,502	12,817	39.2%	(49.3)%
Excise tax	281	290	(3.1)%	1,105	893	1,120	23.7%	(20.3)%
Social security	75	86	(12.8)%	397	361	430	9.9%	(16.0)%
Property tax	75	69	8.7%	284	236	261	20.3%	(9.6)%
Land tax	6	6	0.0%	22	16	23	37.5%	(30.4)%
Transportation tax	2	1	100.0%	5	4	5	25.0%	(20.0)%
Interest and penalties and other payments	19	11	72.7%	56	49	154	14.3%	(68.2)%
Total taxes other than income tax	2,930	2,722	7.6%	10,920	8,061	14,810	35.5%	(45.6)%

Taxes other than income tax increased by 7.6% to US\$ 2,930 million in the fourth quarter of 2010, compared with US\$ 2,722 million in the third quarter of 2010, mainly due to the increase in mineral extraction tax by 9.5% and property tax by 8.7%, partially compensated by the decrease in the excise tax due to decrease in share of petroleum products subject to excises taxes in total volume of petroleum product sales, as well as from decrease in social security expenses due to new social taxation system. The increase in mineral extraction tax resulted from the increase in the mineral extraction tax rate by 15.2% in USD terms.

In the third quarter of 2010 the Company made changes in the approach to the estimation of gas mineral extraction tax basing on Court practice and accrued additional mineral extraction tax on the unstable gas condensate in the amount of US\$ 33 million related to 2008-2009, 2010 periods. In the fourth quarter of 2010 the mineral extraction tax was decreased by US\$ 21 million due to the re-estimation of the rate of mineral extraction tax on the unstable gas condensate for 2007. The corrections resulted in the differences between the dynamics of the mineral extraction tax expenses and mineral extraction rates.

Taxes other than income tax increased by 35.5% to US\$ 10,920 million 2010 in comparison with 2009. The increase in taxes resulted mainly from an increase in mineral extraction tax rate by 39.7% and from the rouble appreciation.

Taxes other than income tax decreased by 45.6% to US\$ 8,061 million in 2009 compared to US\$ 14,810 million in 2008. The reduction in taxes resulted mainly from a decrease in mineral extraction tax rate by 45.9% and from the rouble depreciation, as well as from the decrease in payments of penalties in 2009.

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

	<i>For 3 months ended</i>		<i>% change between 3^d and 4th quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2010	September 30, 2010	2010	2010	2009	2008	2010 - 2009	2009 - 2008
	(US\$ million, except %)							
Average enacted mineral extraction tax rate	15.37	13.34	15.2%	13.84	9.91	18.31	39.7%	(45.9)%
Actual mineral extraction tax rate per barrel of crude oil produced	12.43	11.45	8.5%	11.62	8.93	18.11	30.1%	(50.7)%
Actual mineral extraction tax rate per barrel of oil equivalent produced	11.43	10.60	7.8%	10.68	8.15	16.53	31.0%	(50.7)%

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

Export Customs Duty

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

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

	<i>For 3 months ended</i>		<i>% change between 3^d and 4th quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2010	September 30, 2010	2010	2010	2009	2008	2010 - 2009	2009 - 2008
	(US\$ million, except %)							
Export customs duty for crude oil	3,639	3,229	12.7%	13,031	9,441	17,200	38.0%	(45.1)%
Export customs duty for petroleum products	953	883	7.9%	3,712	2,690	4,806	38.0%	(44.0)%
Total export customs duties	4,592	4,112	11.7%	16,743	12,131	22,006	38.0%	(44.9)%

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

	<i>For 3 months ended</i>		<i>% change between 3^d and 4th quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2010	September 30, 2010	2010	2010	2009	2008	2010 - 2009	2009 - 2008
	(US\$ per barrel, except %)							
Average Urals price	85.24	75.56	12.8%	78.25	61.01	94.52	28.3%	(35.5)%
Average enacted export customs duty	39.23	35.82	9.5%	37.40	24.51	48.56	52.6%	(49.5)%
Hypothetical export customs duty calculated using the average Urals price for the period (i.e. without time lag)	43.16	36.87	17.1%	38.61	27.40	49.19	40.9%	(44.2)%
Actual average customs duty on exports subject to regular duty	39.14	36.46	7.4%	37.55	23.82	46.17	57.6%	(48.4)%
Actual average customs duty on all Rosneft exports (ex. Vankor)	36.53	34.57	5.7%	35.04	22.92	43.41	52.9%	(47.2)%

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

Operating Income

As a result of the factors discussed above, operating income increased by 17.4% to US 3,772 million, in the fourth quarter of 2010 compared with US\$ 3,213 million in the third quarter of 2010. As a percentage of total revenues, operating income was 21.7% in the fourth quarter of 2010 and 20.8% in the third quarter of 2010. As a percentage of total revenues, operating income before taxes other than income tax and export customs duty was 65.0% in the fourth quarter of 2010 and 64.9% in the third quarter of 2010.

Operating income increased by 47.9% to US\$ 13,499 million, in 2010 compared with US\$ 9,128 million in 2009. As a percentage of total revenues, operating income was 21.4% in 2010 and 19.5% in 2009. As a percentage of total revenues, operating income before taxes other than income tax and export customs duty was 65.3% and 62.6% in 2010 and 2009, respectively.

Other (Expenses)/Income, Net

Interest Income

In the fourth quarter of 2010 interest income amounted to US\$ 150 million in comparison with US\$ 148 million with the third quarter of 2010.

Interest income increased to US\$ 547 million in 2010 or by 6.0% compared with 2009. The increase was due to increase in the funds placed on deposits in 2010 compared with 2009.

Interest Expense

In the fourth quarter of 2010, interest expense decreased by 46.5% to US\$ 83 million, which was mainly due the increase in interest capitalized and income resulting from interests SWAP operations. In 2010, interest expense decreased by 4.1% to US\$ 580 million, which resulted from the decrease in interest accrued according to loan agreements following the decrease in total debt. This was partially offset by the increase in interest SWAP loss.

Loss on Disposal of Property, Plant and Equipment

From time to time, Rosneft disposes of property, plant and equipment. In the fourth quarter of 2010 and in the third quarter of 2010, Rosneft recorded a net loss of US\$ 75 million and US\$ 26 million on the disposal of property, plant and equipment, respectively. The increase in losses resulted from the writing off of property, plant and equipment as a result of the stock-taking procedures.

In 2010, Rosneft recorded a net loss of US\$ 156 million on the disposal of property, plant and equipment compared to US\$ 350 million recorded in 2009. In 2008 Rosneft recorded a net loss of US\$ 58 million.

Impairment loss

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

Equity share in affiliates' profits/(losses)

The equity share in affiliates' expenses amounted to US\$ 7 million in the fourth quarter of 2010 compared with US\$ 1 million in the third quarter of 2010. The increase in the equity share in affiliates' losses resulted from the increase in losses incurred by certain Rosneft's affiliates.

The equity share in affiliates' profits amounted to US\$ 60 million in 2010 compared with US\$ 112 million in 2009.

Other (expenses)/income, Net

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

In the fourth quarter of 2010, other losses, net, amounted to US\$ 104 million, compared to net income of US\$ 7 million in the third quarter of 2010. The increase in losses was primarily the result of writing off non production fixed assets, social expenses, losses from the inventory stock-taking in the fourth quarter of 2010.

In 2010, other expenses, net, amounted to US\$ 89 million and in 2009 other losses, net, amounted to US\$ 350 million. In 2009 the loss was primarily due to the accruals of penalties under the Russian Federal Antimonopoly Service claims and social expenditures in the regions of Rosneft's operations.

Foreign Exchange Gain

Foreign exchange gain was US\$ 16 million in the fourth quarter of 2010 compared with US\$ 6 million in the third quarter of 2010. Foreign exchange gain was US\$ 32 million in 2010 compared with US\$ 71 million in 2009.

Income Tax

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

	<i>For 3 months ended</i>		<i>For 12 months ended December 31</i>		
	December 31, 2010	September 30, 2010	2010	2009	2008
Effective income tax rate for Rosneft under US GAAP	16%	20%	20%	23%	15%

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

To calculate the effective tax rate Rosneft follows the provisions of FASB ASC 740-270, Income Taxes. The effective tax rate for the reporting period is the best estimate of the annual tax rate based on the enacted tax rate (20%) adjusted for the estimated annual effect of permanent differences between US GAAP and Russian Tax Accounting Standards. The estimated tax rate may significantly depend on exchange rate fluctuations and vary significantly during the year.

Net income attributable to noncontrolling interests

Net income attributable to noncontrolling interests was US\$ 53 million in the fourth quarter of 2010 compared to US\$ 78 million in the third quarter of 2010. Net income attributable to noncontrolling interests was US\$ 272 million in 2010 compared to US\$ 5 million in 2009.

The change resulted, primarily, from the increase in the net income of certain Rosneft's subsidiaries related to minorities.

Net Income

As a result of the factors discussed above net income increased by 20.6% to US\$ 3,003 million in the fourth quarter of 2010 from US\$ 2,490 million in the third quarter of 2010. As a percentage of revenues, net income was 17.3% and 16.1% in the fourth quarter of 2010 and third quarter of 2010, respectively.

As a result of the factors discussed above net income increased by 59.7% to US\$ 10,400 million in 2010 from US\$ 6,514 million in 2009. As a percentage of revenues, net income was 16.5% and 13.9% in 2010 and 2009, respectively. In 2008 net income amounted to US\$ 11,120 million.

Liquidity and Capital Resources

Cash Flows

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

	<i>For 3 months ended</i>		<i>% change between 4 and 3 quarters</i>		<i>For 12 months ended December 31</i>		<i>% change for 12 months ended December 31</i>	
	December 31, 2010	September 30, 2010	2010	2010	2009	2008	2010 – 2009	2009-2008
	(US\$ million)		times		(US\$ million)		times	
Net cash provided by operating activities	3,636	4,354	(1.2)	15,172	10,319	14,393	1.5	(1.4)
Net cash used in investing activities	(3,999)	(3,578)	1.1	(12,439)	(8,788)	(10,822)	(1.4)	(1.2)
Net cash provided by/(used in) financing activities	2,192	(1,615)	2.4	(558)	(877)	(3,074)	(1.6)	(3.5)

Net Cash Provided by Operating Activities

Net cash provided by operating activities amounted to US\$ 3,636 million in the fourth quarter of 2010 as compared to US\$ 4,354 million in the third quarter of 2010. The operating cash flow includes operations with trading securities as part of the Company's efforts to manage cash resources (net outflow of US\$ 86 million in the fourth quarter 2010 and US\$ 32 million in the third quarter of 2010). The adjusted net cash provided by the operating activity amounted to US\$ 3,722 million in the fourth quarter of 2010 and US\$ 4,386 million in the third of 2010. The decrease in the operating cash flow primarily resulted from the increase in working capital.

In the fourth quarter of 2010, the working capital increased by US\$ 758 million due to the following factors:

- Increase in advances by US\$ 490 million which resulted from prepayments of January customs duties and prepayments for transportation services, energy and other utilities in first weeks of January 2011;
- Increase in receivables by US\$ 269 million was mainly due to increase in VAT receivable, which resulted from the rapid collection and filing of necessary documents for VAT refunding;
- Increase in the inventory by US\$ 145 million, which resulted from the increase in volume of petroleum products in transit following the change in the delivery basis in the fourth quarter of 2010.
- Decrease in trade liabilities by US\$ 17 million.

This was partially offset by the following factors:

- Increase in current interests payable by US\$130 million and current payments under long term bank loans by US\$ 65 million.

In 2010 net cash provided by the operating activity (adjusted for the result of the operations with trading securities of US\$ 262 million) amounted to US\$ 14,910 million. The increase in the operating cash flow compared with 2009 resulted from increase in the net income by 59.7%.

In 2009 net cash provided by the operating activity (adjusted for the result of the operations with trading securities of US\$ 472 million) amounted to US\$ 10,791 million. The decrease in the operating cash flow compared with 2008 resulted primarily from the decrease in the net income by 41.4%.

Net Cash Used in Investing Activities

Net cash used in investing activities was US\$ 3,999 million in the fourth quarter of 2010 compared to US\$ 3,578 million in the third quarter of 2010. The increase resulted mainly from the increase in capital expenditures, placements on bank deposits and within REPO agreement.

Net cash used in investing activities was US\$ 12,439 million in 2010 compared to US\$ 8,788 million in 2009. The increase mainly resulted from the increase in capital expenditures, placements on bank deposits and difference in cash flows related to REPO agreements.

Net cash used in investing activities was US\$ 8,788 million in 2009 compared to US\$ 10,822 million in 2008. The decrease was primarily due to a decrease in capital expenditures and difference in the margin call deposit dynamics.

Net Cash Provided by/(Used in) Financing Activities

Net cash provided by financing activities was US\$ 2,192 million in the fourth quarter of 2010 compared to US\$ 1,615 million of net cash used in the financing activities in the third quarter of 2010. The increase in cash used in financing activities was mainly due to drawing down of the last tranche (US\$ 4.0 billion) of long term China Development bank loan that was compensated by dividend payments in the amount of US\$ 730 million.

Net cash used in financing activities decreased to US\$ 558 million in 2010 from US\$ 877 million in 2009 due to the decrease in loans repayments.

Net cash used in financing activities was US\$ 877 million in 2009 compared to US\$ 3,074 million in 2008. The decrease was primarily due to drawing down of US\$ 10.0 billion (out of US\$ 15.0 billion) of the long-term China Development Bank loan in 2009.

Capital Expenditures

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

	For 3 months ended		% change between 4 and 3 quarters	For 12 months ended December 31			% change for 12 months ended December 31	
	December 31, 2010	September 30, 2010	2010	2010	2009	2008	2010 – 2009	2009-2008
	(US\$ million, except %)							
Yuganskneftegaz	661	693	(4.6)%	2,500	2,252	2,866	11.0%	(21.4)%
Vankorneft	624	471	32.5%	2,122	2,531	2,433	(16.2)%	4.0%
Purneftegaz	236	118	100.0%	522	276	491	89.1%	(43.8)%
Severnaya Neft	33	22	50.0%	111	76	181	46.1%	(58.0)%
Samaraneftegaz	73	49	49.0%	217	156	195	39.1%	(20.0)%
Other ¹	262	218	20.2%	871	576	311	51.2%	85.2%
Total upstream segment	1,889	1,571	20.2%	6,343	5,867	6,477	8.1%	(9.4)%
The Company	17	31	(45.2)%	69	49	122	40.8%	(59.8)%
Tuapse refinery	296	219	35.2%	754	208	137	262.5%	(51.8)%
Komsomolsk refinery	36	33	9.1%	116	92	73	26.1%	26.0%
Angarsk refinery	44	24	83.3%	100	79	83	26.6%	(4.8)%
Achinsk refinery	39	30	30.0%	122	54	44	125.9%	22.7%
Syzran refinery	42	42	0.0%	111	77	78	44.2%	(1.3)%
Novokuibyshevsk refinery	31	45	(31.1)%	117	56	54	108.9%	3.7%
Kuibyshev refinery	47	33	42.4%	136	69	55	97.1%	25.5%
Marketing Business Units and others ²	198	206	(3.9)%	576	409	488	40.8%	(16.2)%
Total downstream	750	663	13.1%	2,101	1,093	1,134	92.2%	(3.6)%
Other activities³	176	74	137.8%	474	325	543	45.8%	(40.1)%
Subtotal capital expenditures	2,815	2,308	30.0%	8,918	7,285	8,154	22.4%	(10.7)%
Change in materials in capital expenditures	(47)	10	(>100.0)%	13	(33)	578	>100.0%	(>100.0)%
Total capital expenditures	2,768	2,318	19.4%	8,931	7,252	8,732	23.2%	(16.9)%
Licence acquisition costs	114	23	>100.0%	140	96	47	45.8%	104.3%

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

² Relating to companies providing processing and storage services.

³ Relating to other services companies.

Rosneft's total capital expenditures including material purchases increased by 19.4% to US\$ 2,768 million in the fourth quarter of 2010 compared to the third quarter of 2010. The increase in capital expenditures resulted from planning, budgeting and seasonal factors. In 2010 Rosneft's total capital expenditures including material purchases increased by 23.2% to US\$ 8,931 million compared with US\$ 7,252 million in 2009.

Upstream capital expenditures in the fourth quarter of 2010 increased by 20.2% compared with the third quarter of 2010 and amounted to US\$ 1,889 million. The increase resulted from the equipment installation at Purneftegaz as part of gas utilization program. In 2010 the upstream capital expenditures increased by 8.1% compared with 2009 and amounted to 6,343 million. In 2008 the upstream capital expenditures amounted to US\$ 6,477 million.

Downstream capital expenditures increased by US\$ 87 million or by 13.1% compared with the third quarter of 2010 due to the continued refinery upgrade investments including payments for expansion of pipeline capacity to the Tuapse refinery.

In 2010 downstream expenditures increased by 92.2% compared to 2009. The increase in downstream expenditures resulted from the works carried out as part of the project for primarily and secondary capacity upgrade and expansion at Tuapse refinery and upgrade of other refineries. In 2008 the capital expenditures amounted to US\$ 1,134 million.

Capital expenditures for other activities increased by 137.8%, to US\$ 176 million, in the fourth quarter of 2010, compared with US\$ 74 million in the third quarter of 2010. The increase resulted from the planned acquisition of drilling, transportation and other equipment. In 2010 the capital expenditures for other activities were US\$ 474 million compared to US\$ 325 million in 2009. In 2008 the capital expenditures amounted to US\$ 543 million.

Since the fourth quarter of 2006, the Company's subsidiaries have been purchasing construction materials and selling such materials to contractors that provide construction and drilling services at subsidiaries' fields. The net decrease in unused construction materials included in capital expenditures was US\$ (47) million in the fourth quarter of 2010 compared to net increase of US\$ 10 million in the third quarter of 2010. In 2010, 2009 and 2008 the net change in unused construction materials were US\$ 13 million, US\$ (33) million and US\$ 578 million, respectively.

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

In the third quarter of 2010 the licence acquisition costs refer to the acquisition of the exploration licence at the Shikhansky, Mojarovsky blocks in Samara region.

Debt Obligations

Rosneft adjusted net debt fell to US\$ 13,662 million as of December 31, 2010 compared to US\$ 13,952 million as of September 30, 2010.

Rosneft's total loans and borrowings increased to US\$ 23,555 million as of December 31, 2010 from US\$ 20,538 million as of September 30, 2010. The increase resulted from drawing down of US\$ 4.0 billion tranche of long term China Development bank loan in the fourth quarter of 2010.

Long-term loans are generally secured by oil export contracts. As of December 31, 2010 and September 30, 2010, 86.5% and 84.3% respectively, of Rosneft's borrowings were secured by crude oil export contracts (excluding export to the CIS). As of December 31, 2010 and September 30, 2010, pledged oil exports constituted 38.2% and 38.7%, respectively, of the total crude oil export sales for the analysed period (excluding export to the CIS).

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

As of the date	December 31, 2010	September 30, 2010	December 31, 2009
Short term debt	5,498	5,853	7,838
Long term debt	18,057	14,685	15,669
Total debt	23,555	20,538	23,507
Cash and cash equivalents	(4,154)	(2,336)	(1,997)
Short-term bank deposits	(1,321)	(1,314)	(1,184)
Structured deposits	(3,791)	(2,774)	(529)
Short term promissory notes and other short-term liquid securities	(627)	(162)	(475)
Total net debt	13,662	13,952	19,322
Medium term deposits	—	—	(833)
Adjusted net debt	13,662	13,952	18,489

Key Financial Ratios

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

	For 3 months ended		For 12 months ended December 31		
	December 31, 2010	September 30, 2010	2010	2009	2008
EBITDA margin	30.9%	30.0%	30.5%	29.0%	24.8%
Adjusted net income margin	17.0%	16.3%	16.6%	13.8%	15.1%
Net debt to capital employed ratio	0.20	0.21	0.20	0.29	0.35
Net debt to annualised EBITDA	0.64	0.75	0.71	1.36	1.24
Current ratio	1.97	1.45	1.97	1.13	0.68
	US\$/bbl				
EBITDA/bbl	27.03	23.52	24.65	18.63	24.17
Upstream capital expenditure/bbl	9.50	7.97	8.14	8.06	9.15
Upstream operating expenses/bbl	2.99	2.75	2.83	2.57	3.41
Adjusted free cash flow before interest/bbl	4.22	10.37	7.49	4.73	7.93
	US\$/boe				
EBITDA/boe	24.81	21.76	22.66	17.00	22.07
Upstream capital expenditure/boe	8.71	7.37	7.48	7.35	8.36
Upstream operating expenses/boe	2.75	2.55	2.61	2.34	3.11
Adjusted free cash flow before interest/boe	3.88	9.59	6.89	4.32	7.24

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

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

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

Upstream Measures

	For 3 months ended		For 12 months ended December 31		
	December 31, 2010	September 30, 2010	2010	2009	2008
Upstream capital expenditures (US\$ million)	1,889	1,571	6,343	5,867	6,477
Upstream operating expenses (US\$ million)	595	543	2,208	1,869	2,414
Barrels of crude oil produced (million)	198.91	197.21	779.07	728.06	707.68
Barrels of oil equivalent produced (million)	216.76	213.15	847.51	797.83	775.16

Calculation of Adjusted Free Cash Flow

	For 3 months ended		For 12 months ended December 31		
	December 31, 2009	September 30, 2009	2010	2009	2008
Net cash provided by operating activities	3,636	4,354	15,172	10,319	14,393
Capital expenditures	(2,768)	(2,318)	(8,931)	(7,252)	(8,732)
Free cash flow	868	2,036	6,241	3,067	5,661
Trading securities operations	86	32	(262)	472	-
License acquisition costs	(114)	(23)	(140)	(96)	(47)
Adjusted free cash	840	2,045	5,839	3,443	5,614

Calculation of EBITDA Margin

	For 3 months ended		For 12 months ended December 31		
	December 31, 2010	September 30, 2010	2010	2009	2008
	Operating income	3,772	3,213	13,499	9,128
Accretion expense	27	26	107	87	120
Depreciation, depletion and amortisation	1,578	1,399	5,597	4,350	3,983
EBITDA	5,377	4,638	19,203	13,565	17,108
Total revenues	17,384	15,471	63,047	46,826	68,991
EBITDA margin	30.9%	30.0%	30.5%	29.0%	24.8%

Calculation of Adjusted Net Income Margin

	For 3 months ended		For 12 months ended December 31		
	December 31, 2010	September 30, 2010	2010	2009	2008
	Net income	3,003	2,490	10,400	6,514
Effect from the assets impairment and interests SWAP	(45)	35	42	(42)	285
Effect from tax rate change					(956)
Adjusted net income	2,958	2,525	10,442	6,472	10,449
Sales revenues	17,384	15,471	63,047	46,826	68,991
Adjusted net income margin	17.0%	16.3%	16.6%	13.8%	15.1%

Current ratio

	For 12 months ended December 31		
	2010	2009	2008
		(US\$ million, except ratio)	
Current assets	23,043	15,169	12,807
Current liabilities	11,693	13,443	18,697
Current ratio	1.97	1.13	0.68

Calculation of Capital Employed and Related Indicators

	For 12 months ended December 31		
	2010	2009	2008
		(US\$ million)	
Short-term loans and current portion of long-term debt	5,498	7,838	14,084
Long-term debt	18,057	15,669	10,081
Cash and cash equivalents ⁽¹⁾	(9,893)	(5,018)	(2,882)
Net debt	13,662	18,489	21,283
Shareholders' equity	54,535	44,831	38,903
Minority interest in subsidiaries' earnings	969	706	695
Equity	55,504	45,537	39,598
Capital employed	69,166	64,026	60,881
Average equity, including minority interest⁽²⁾	50,521	42,568	34,158
Average capital employed⁽³⁾	66,596	62,454	57,937

(1) The net debt estimation is set presented in "Debt obligations" section.

(2) Average equity including minority interest is calculated as a simple average of the equity including minority interest at the start and end of the given period.

(3) Average capital employed is calculated as a simple average of the capital employed at the start and the end of the given period.

Calculation of Return on Average Capital Employed (ROACE)

	For 12 months ended December 31		
	2010	2009	2008
		(US\$ million, except %)	
Operating income	13,499	9,128	13,005
Income tax expense	(2,644)	(2,000)	(1,904)
Effect from the income tax rate change	-	-	(956)
Return used for calculation of ROACE	10,855	7,128	10,145
Average capital employed	66,596	62,454	57,937
ROACE	16.3%	11.4%	17.5%

Calculation of Return on Average Equity (ROAE)

	For 12 months ended December 31		
	2010	2009	2008
		(US\$ million, except %)	
Adjusted net income	10,442	6,472	10,449
Average equity, including minority interest	50,521	42,568	34,158
ROAE, annualized where appropriate	20.7%	15.2%	30.6%