



ROSNEFT

O I L C O M P A N Y

OPEN JOINT STOCK COMPANY

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE THREE MONTHS AND SIX MONTHS ENDED
30 JUNE 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 30 June 2009 and 2008 (the "Interim Condensed 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.

Oil and gas reserves are presented pro-rata for companies accounted for on an equity basis or under the proportionate consolidation method and 100% for fully consolidated companies. Except where expressly indicated otherwise, references to crude oil and gas production include 100% of fully consolidated companies and the pro-rata share of proportionally consolidated companies. References to crude oil and gas production include the pro-rata share of equity consolidated companies, only when expressly noted.

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

Overview

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

Rosneft (including its share in affiliated companies) produced 2,127 thousand barrels of crude oil per day (26.46 million tonnes) in the second quarter of 2009 and 2,116 thousand barrels of crude oil per day (26.33 million tonnes) in the second quarter of 2008, respectively. In the six months of 2009 and 2008 Rosneft (including share in the affiliated companies) produced 2,118 thousand barrels of crude oil per day (52.42 million tonnes) and 2,121 thousand barrels of crude oil per day (52.76 million tonnes), respectively. Rosneft also produced 2.93 bcm of gas (including share in the affiliated companies) and 2.85 bcm of gas (including share in the affiliated companies) in the second quarters of 2009 and 2008, respectively. In six months of 2009 and 2008, Rosneft produced 6.28 bcm of gas (including share in the affiliated companies) and 6.25 bcm of gas (including share in the affiliated companies), respectively.

In August 2009 commercial production of crude oil was officially launched at Rosneft's Vankor field in Eastern Siberia. Production from Vankor was approximately 130,000 barrels per day in August 2009 and is expected to grow to 220,000 barrels per day by the end of 2009. The launch and further increase in production from Vankor will result in considerable increase in total crude oil production by Rosneft in the near future.

In the six months of 2009 and 2008 Rosneft sold approximately 52.2% and 51.8%¹, respectively, of the crude oil produced or purchased from third parties, to customers outside Russia, including sales to other countries in the Commonwealth of Independent States ("**CIS**") and exports to international markets other than the CIS. The remainder was refined in Russia at Rosneft's refineries, including LLC Rosneft-Tuapse refinery ("**Tuapse refinery**") and LLC Rosneft-Komsomolsk refinery ("**Komsomolsk refinery**"), as well as OJSC Angarsk Petrochemical Company ("**Angarsk refinery**"), OJSC Achinsk refinery ("**Achinsk refinery**"), OJSC Kuibyshev refinery ("**Kuibyshev refinery**"), OJSC Novokuibyshevsk refinery ("**Novokuibyshevsk refinery**") and OJSC Syzran refinery ("**Syzran refinery**"). Rosneft sells the petroleum products produced by these refineries in international and domestic markets. Rosneft has an integrated production, transportation, refining and marketing strategy and seeks to maximise netbacks by optimising its product mix, sales destinations and available transport routes.

Rosneft's total revenues decreased to US\$ 10,947 million in the second quarter of 2009 from US\$ 21,134 million in the second quarter of 2008. In the six months of 2009 and 2008, Rosneft's total revenue was US\$ 19,211 million and US\$ 37,502 million, respectively.

Rosneft's net income decreased to US\$ 1,612 million in the second quarter of 2009 compared to US\$ 4,312 million in the second quarter of 2008. In the six months of 2009 and 2008, Rosneft's net income was US\$ 3,672 million and US\$ 6,876 million, respectively.

The decrease in results was primarily due to a two-fold decline in crude oil and petroleum product prices.

¹ In the second quarter of 2009 and 2008 Rosneft sold approximately 52.7% and 54.1%, respectively, of the crude oil produced or purchased from third parties, to customers outside Russia, including sales to other countries in the Commonwealth of Independent States ("**CIS**") and exports to international markets other than the CIS.

Main Factors Affecting Results of Operations

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

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

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

Changes in Crude Oil, Petroleum Products and Gas Prices

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

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

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

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

	For 3 months ended 30 June		Change %	For 6 months ended 30 June		Change %
	2009	2008		2009	2008	
World market	(US\$ per barrel)			(US\$ per barrel)		
Brent	58.79	121.38	(51.6)%	51.60	109.14	(52.7)%
Urals (average Med+NWE)	58.12	117.54	(50.6)%	50.88	105.43	(51.7)%
Dubai-Oman	59.16	117.04	(49.5)%	51.80	104.46	(50.4)%
	(US\$ per tonne)			(US\$ per tonne)		
Premium gasoline (average NWE)	583.63	1,059.70	(44.9)%	496.59	955.43	(48.0)%
Naphtha (average Med)	478.84	968.78	(50.6)%	423.99	897.23	(52.7)%
Fuel oil (average Med)	325.14	545.42	(40.4)%	277.02	495.27	(44.1)%
Jet (average NWE)	535.14	1,256.27	(57.4)%	492.51	1,104.13	(55.4)%
Gasoil (average Med)	484.20	1,146.03	(57.7)%	443.16	1,014.34	(56.3)%
Russian market⁽¹⁾	(US\$ per tonne)			(US\$ per tonne)		
Crude oil	189.43	353.74	(46.4)%	142.14	321.60	(55.8)%
Fuel oil	183.88	327.58	(43.9)%	151.95	293.69	(48.3)%
Diesel fuel (Gasoil)	388.98	881.98	(55.9)%	372.57	774.92	(51.9)%
High octane gasoline	517.98	883.64	(41.4)%	459.99	827.28	(44.4)%
Low octane gasoline	435.67	798.36	(45.4)%	388.80	730.91	(46.8)%

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

(1) Market prices are net of VAT but include relevant excise tax.

The Russian Government regulates the prices of the gas Gazprom sells in Russia. While the regulated price has been rising in Russia and is expected to continue to rise to a level closer to parity with export netbacks, it is currently still significantly below 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 1,078 (US\$ 33.47) per thousand cubic meters and RUB 961 (US\$ 40.68) per thousand cubic meters in the second quarters of 2009 and 2008, respectively. In the six months of 2009 and 2008, Rosneft's average gas sale price was RUB 1,025 (US\$ 30.99) per thousand cubic meters and RUB 981 (US\$ 40.96) per thousand cubic meters, respectively.

RUB/US\$ Exchange Rate Movements and Inflation

The rouble–US dollar exchange rate and inflation trends in the Russian Federation affect Rosneft's results since most of Rosneft's revenues from sales of crude oil and petroleum products are denominated in US dollars, while a substantial portion of its expenses is denominated in Russian roubles. The rouble depreciated against the US dollar in real and nominal terms in the first half of 2009 compared to 2008, which positively affected Rosneft's margin during this period.

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

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

	For 3 months ended 30 June		For 6 months ended 30 June	
	2009	2008	2009	2008
Rouble inflation (CPI) for the specified period	2.0%	3.9%	7.4%	8.7%
Rouble/US dollar exchange rate at the beginning of the period	34.01	23.51	29.38	24.55
Rouble/US dollar exchange rate at the end of the period	31.29	23.46	31.29	23.46
Average rouble/US dollar exchange rate during the period	32.21	23.63	33.07	23.94
Real appreciation/(depreciation) of the rouble against the US dollar for the period ⁽¹⁾	10.9%	4.1%	0.8%	13.5%
Real appreciation/(depreciation) of the rouble against the US dollar, for the last twelve months ⁽¹⁾	(15.9)%	26.4%	(15.9)%	26.4%

Source: CBR, Federal State Statistics Service of Russia.

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

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

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

	For 3 months ended 30 June				For 6 months ended 30 June			
	2009		2008		2009		2008	
	\$US million	% of total revenue	\$US million	% of total revenue	\$US million	% of total revenue	\$US million	% of total revenue
Total revenues	10,947	100.0%	21,134	100.0%	19,211	100.0%	37,502	100.0%
Export customs duty (for oil sales)	1,669	15.2%	4,665	22.1%	3,057	15.9%	8,115	21.6%
Export customs duty (for petroleum product sales)	522	4.8%	1,142	5.4%	976	5.1%	2,170	5.8%
Mineral extraction tax	1,508	13.8%	4,007	19.0%	2,494	13.0%	7,083	18.9%
Excise tax	233	2.1%	298	1.4%	417	2.2%	611	1.6%
Other taxes (including property tax)	191	1.7%	230	1.1%	368	1.9%	431	1.1%
Income tax	396	3.6%	1,470	7.0%	523	2.7%	2,306	6.1%
Total taxes	4,519	41.2%	11,812	55.9%	7,835	40.8%	20,716	55.2%

The mineral extraction tax and the export customs duty accounted for approximately 34% and 46% of Rosneft's total revenues during the first half of 2009 and 2008, respectively.

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

	For 3 months ended 30 June		Change	For 6 months ended 30 June		Change
	2009	2008		2009	2008	
Mineral extraction tax			(%)			(%)
Crude oil (RUB per tonne)	2,201	4,097	(46.3)%	1,873	3,701	(49.4)%
Crude oil (US\$ per barrel)	9.34	23.70	(60.6)%	7.74	21.13	(63.4)%
Gas (RUB per thousand cubic meters)	147	147	-	147	147	-
Gas (USD per thousand cubic meters)	4.56	6.22	(26.7)%	4.45	6.14	(27.5)%
Export customs duty						
Crude oil (US\$ per tonne)	133.50	359.43	(62.9)%	122.63	336.88	(63.6)%
Crude oil (US\$ per barrel)	18.25	49.14	(62.9)%	16.76	46.05	(63.6)%
Light and middle distillates (US\$ per tonne)	102.23	254.43	(59.8)%	94.93	239.25	(60.3)%
Liquid fuels (fuel oil) (US\$ per tonne)	55.07	137.10	(59.8)%	51.13	128.92	(60.3)%

The table below provides information on the excise rates for the periods indicated:

	For 3 months ended 30 June		Change	For 6 months ended 30 June		Change
	2009	2008		2009	2008	
Excise rates	RUB per tonne		(%)	RUB per tonne		(%)
High octane gasoline	3,629	3,629	-	3,629	3,629	-
Low octane gasoline	2,657	2,657	-	2,657	2,657	-
Naphtha	3,900	2,657	46.8%	3,900	2,657	46.8%
Lubricants	2,951	2,951	-	2,951	2,951	-
Diesel	1,080	1,080	-	1,080	1,080	-

The excise rates are established annually and did not change during the periods analysed.

Mineral Extraction Tax

The rate of mineral extraction tax for crude oil is based on the Urals price in the international market. It is denominated in roubles per tonne produced and changes every month.

In the six months of 2009 the tax rate was calculated by multiplying the base rate of RUB 419 by the adjustment ratio of $(P - 15) * R_t / 261$, where “P” is the average Urals price per barrel and “ R_t ” is the average rouble/US dollar exchange rate established by the CBR in the respective month. In the six months of 2008 the base rate was the same and the adjustment ratio was $(P - 9) * R_t / 261$, since it was revised by the Government in July 2008 and came in force since in January 2009. The change in formula gave USD 1.3 per barrel of mineral extraction tax savings to oil producers.

Russian Tax Code envisages reduced or zero mineral extraction tax rate for some fields:

- the reduced rate is applicable to crude oil produced at the fields with reserve depletion rate of over 80%; to calculate 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 for the first years or volumes of production (depending on what occurs 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 volume and period of time varies depending on the region 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 the Company has reserves in Irkutsk Region and Krasnoyarsk Territory where the zero mineral extraction tax rate 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. Verkhnechonskoye field in the Irkutsk Region developed jointly with TNK-BP and accounted for on 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. The Company also participates in the Sakhalin-1 PSA which is subject to a special tax regime that does not include mineral extraction tax.

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

The average actual mineral extraction tax rate (calculated on the base of total mineral extraction tax as stated in the financial statements divided by the volume of production for the quarter) was US\$ 8.55 per barrel of crude oil produced and US\$ 7.84 per barrel of oil equivalent (“boe”) produced in the second quarter of 2009 and US\$ 22.82 per barrel of crude oil produced and US\$ 20.98 per boe produced in the second quarter of 2008.

The average actual mineral extraction tax rate (calculated on the base of total mineral extraction tax as stated in the financial statements divided by the volume of production) was US\$ 7.13 per barrel of crude oil produced and US\$ 6.49 per barrel of oil equivalent (“boe”) produced in the six months of 2009, and US\$ 20.13 per barrel of crude oil produced and US\$ 18.35 per barrel of oil equivalent (“boe”) produced in the six months of 2008, respectively.

The actual mineral extraction tax rate is lower than official tax rate for the period, primarily, due to the reduced rates for crude oil produced at fields with reserve depletion of over 80% and the zero rate for associated gas. The recent launch of Vankor field will considerably increase this difference as crude oil production at this field is subject to a tax-free period.

Export Customs Duty

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

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

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

Until October 2008, the export customs duty rate changed every two months: the rate for the next two-months period was based on the average Urals price in the previous two-months period (with one month between the periods). The considerable time lag led to a positive effect on cash flow for oil producers when the oil price was growing and a negative effect on cash flow when the price was falling.

At the end of 2008, due to a drop in oil prices, the Government made three one-off export duty changes in order to reduce the disparity between tax levels and reduced prices. On December 3, 2008, the Russian Government adopted Federal law No. 234–FZ which reduced the time lag.

Starting from December 9, 2008 the export customs duty is changed at the end of every month and the duty for the next month is based on the average Urals price in the period from the 15th day of the previous month to the 14th day of current month (inclusive).

The export customs duty for crude oil decreased by 62.9% to US\$ 133.50 per tonne (US\$ 18.25 per barrel) of crude oil in the second quarter of 2009 from US\$ 359.43 per tonne (US\$ 49.14 per barrel) in the second quarter of 2008.

The export customs duty for crude oil decreased by 63.6% to US\$ 122.63 per tonne (US\$ 16.76 per barrel) of crude oil in the six months of 2009 from US\$ 336.88 per tonne (US\$ 46.05 per barrel) in the six months of 2008.

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

Crude oil exports to Belarus were 6.12 million barrels in the second quarter of 2009 and 12.84 million barrels in the six months of 2009. In the second quarter of 2008 and in the six months of 2008, crude oil exports to Belarus were 6.55 million barrels and 14.50 million barrels, respectively.

Crude oil sales to countries that are exempt from the export customs duty were US\$ 39 million (1.03 million barrels) for the second quarter of 2009 and US\$ 166 million (2.56 million barrels) for the second quarter of 2008. In the six months of 2009 and 2008, crude oil sales to countries that are exempt from the export customs duty were US\$ 77 million (2.49 million barrels) and US\$ 282 million (4.90 million barrels), respectively.

Sales of crude oil produced pursuant to the Production Sharing Agreement (“PSA”) “Sakhalin 1” are exempt from export customs duties. Crude oil sales under Sakhalin-1 project were 3.12 million barrels in the second quarter of 2009 and 3.81 million barrels in the second quarter of 2008. In the six months of 2009 and 2008, crude oil sales under Sakhalin-1 project were 5.87 million barrels and 6.84 million barrels, respectively.

The actual average export customs duty rate for crude oil (calculated by dividing total export customs duty for crude oil as stated in the financial statements by the volume of exports subject to non-zero export duty) was US\$ 17.27 per barrel of crude oil exported in the second quarter of 2009 and US\$ 48.70 per barrel of crude oil exported in the second quarter of 2008.

In the six months of 2009 and 2008, the actual average export customs duty rate for crude oil (calculated by dividing total export customs duty for crude oil as stated in the financial statements by the volume of exports subject to non-zero export duty) was US\$ 16.12 and US\$ 43.76 per barrel of crude oil exported, respectively. The actual average rate of customs duty is lower than the established rate for the period, primarily, due to the customs duty preference established for Belarus, as well as the different monthly exports volume subject to the different official customs duties, established on a monthly basis.

Changes in Transport Tariffs of Pipeline and Railway Monopolies

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

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

	For 3 months ended 30 June			For 6 months ended 30 June		
	2009	2008	Change ⁽¹⁾	2009	2008	Change ⁽¹⁾
CRUDE OIL						
Export sales⁽³⁾						
Transneft tariff (RUB per tonne)	53.95 – 1,215.70	415.05 – 822.56	27.4%	53.95 – 1,215.70	415.05 – 822.56	27.4%
Transneft tariff (US\$ per tonne)	1.67 – 37.74	17.52 – 34.81	(6.5)%	1.59 – 35.83	17.31 – 34.35	(10.1)%
Railroad tariff (RUB per tonne)	519.46 – 1,597.00	486.81 – 1,655.16	(0.5)% ⁽²⁾	519.58 – 1,597.53	492.46 – 1,655.53	(0.4)% ⁽²⁾
Railroad tariff (US\$ per tonne)	16.13 – 49.57	20.60 – 70.05	(27.0)%	15.71 – 48.31	20.57 – 69.14	(27.9)%
Transportation to refineries and domestic sales						
Transneft tariff (RUB per tonne)	508.52 – 1,290.49	347.28 – 997.40	31.2%	505.52 – 1,291.81	353.11 – 997.02	29.6%
Transneft tariff (US\$ per tonne)	15.79 – 40.06	14.70 – 42.21	(3.8)%	15.29 – 39.07	14.75 – 41.64	(6.2)%
Railroad tariff (RUB per tonne)	324.55 – 2,317.62	314.49 – 2,245.05	3.6% ⁽²⁾	324.67 – 2,319.15	334.05 – 2,229.24	3.5% ⁽²⁾
Railroad tariff (US\$ per tonne)	10.07 – 71.94	13.31 – 95.02	(24.0)%	9.82 – 70.13	13.95 – 93.10	(25.0)%
PETROLEUM PRODUCTS						
Export sales⁽³⁾						
Transnefteprodukt tariff (RUB per tonne)	320.00 – 1,490.08	274.43 – 1,207.70	31.6%	320.00 – 1,464.95	274.43 – 1,207.70	31.7%
Transnefteprodukt tariff (US\$ per tonne)	9.93 – 45.22	11.61 – 51.11	(3.5)%	9.93 – 45.47	11.46 – 50.44	(2.0)%
Railroad tariff (RUB per tonne)	560.26 – 4,708.02	168.20 – 4,783.22	6.0% ⁽²⁾	562.53 – 4,792.5	168.20 – 4,149.35	10.0% ⁽²⁾
Railroad tariff (US\$ per tonne)	17.39 – 146.15	7.12 – 202.44	(22.3)%	17.01 – 144.93	7.02 – 180.04	(20.4)%

Source: Transneft, Transnefteproduct, RZD, Rosneft.

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

Rosneft transports most of its crude oil and petroleum products through the pipeline network owned and operated respectively by Transneft and its subsidiary – Transnefteproduct. These entities present natural state-owned oil and petroleum products pipeline monopolies, engaged in the transportation of crude oil and petroleum products through the pipeline network in Russia and abroad. Rosneft also transports crude oil and petroleum products via railroad transport. Railway network in Russia is owned and operated by RZD, a natural transportation monopoly.

The Federal Tariff Service (the “FTS”), a governmental body regulating natural monopolies, annually sets Transneft’s and Transnefteproduct’s base tariff for the transportation of crude oil and petroleum products respectively via trunk pipelines, which includes a dispatch tariff, a pumping tariff, and loading, charge-discharge, transshipment and other tariffs. Base tariffs for railroad transportation are also set by FTS in the same way. The tariff is set in roubles and is not linked to an exchange rate.

The overall expense per tonne for the transport of crude oil and petroleum products depends on the length of the transportation route from the producing field or refinery to the ultimate destination and the number of “districts” through which the crude oil and petroleum products are transported. The transportation tariffs over CIS-states territories are set and regulated by the corresponding state authorities.

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

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

Production of Crude Oil, Gas and Petroleum Products

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

Production of Crude Oil

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

The following table sets forth Rosneft’s crude oil production for the three and six months ended 30 June of 2009 and 2008:

	For 3 months ended 30 June		Change	For 6 months ended 30 June		Change
	2009	2008		2009	2008	
	(millions of barrels)		(%)	(millions of barrels)		(%)
Yuganskneftegaz	121.71	118.73	2.5%	240.62	237.45	1.3%
Samaraneftegaz	18.35	17.23	6.5%	36.22	34.26	5.7%
Purneftegaz	14.50	15.12	(4.1)%	28.63	30.66	(6.6)%
Severnaya Neft	8.84	9.79	(9.7)%	17.98	19.78	(9.1)%
Sakhalin-1 net of royalty and government share	2.46	3.21	(23.4)%	5.16	6.75	(23.6)%
Vankorneft	0.25	-	-	0.45	0.03	1,400.0%
Other	10.26	11.53	(11.0)%	20.50	23.02	(10.9)%
Crude oil production by Business Units and fully and proportionately consolidated subsidiaries	176.37	175.61	0.4%	349.56	351.95	(0.7)%
Tomskneft	10.13	10.36	(2.2)%	20.02	20.75	(3.5)%
Udmurtneft	5.72	5.62	1.8%	11.40	11.21	1.7%
Polar Lights	0.90	1.00	(10.0)%	1.71	2.03	(15.8)%
Verkhnechonskneftegaz	0.41	-	-	0.74	-	-
Other	-	0.01	(100.0)%	-	0.02	(100.0)%
Total share in production of joint ventures	17.16	16.99	1.0%	33.87	34.01	(0.4)%
Total crude oil production	193.53	192.60	0.5%	383.43	385.96	(0.7)%

In the second quarter of 2009 the production of crude oil by Rosneft's subsidiaries and business units increased by 0.4%, to 176.37 million barrels from 175.61 million barrels in the second quarter of 2008. This was a result of an increase in production at Samaraneftegaz fields by 6.5% and at Yuganskneftegaz fields by 2.5%, which was partially offset by the decrease in Rosneft's net share of Sakhalin-1 production due to raise of government share in accordance with the PSA terms, as well as natural production decline at several fields.

The increase in production of crude oil by Yuganskneftegaz and Samaraneftegaz (the major producing subsidiaries of the Company) was due to continuing intensive development of their reserves which are the most efficient among producing upstream assets of Rosneft.

In the second quarter of 2009 total production of crude oil by Rosneft's subsidiaries, business units and share in joint ventures increased by 0.5%, to 193.53 million barrels from 192.60 million barrels in the second quarter of 2008. In addition to the reasons mentioned above, this was due to the start of commercial production by Verkhnechonskneftegaz and the increase in production of Udmurtneft, which was partially offset by natural decline in production at Tomskneft and Polar Lights.

In the first half of 2009 the production of crude oil by Rosneft's subsidiaries and business units decreased by 0.7%, to 349.56 million barrels from 351.95 million barrels in the first half of 2008. The decrease was mainly due to the different number of days in the periods analyzed. Meanwhile, daily production decreased by 0.1% which was a result of abnormally low temperatures in Western Siberia in February of 2009, increase in government share in production of Sakhalin-1 in accordance with the PSA terms, as well as natural production decline at several fields. The decrease was partially offset by the increase in production at Samaraneftegaz fields by 5.7% and at Yuganskneftegaz fields by 1.3%.

In the first half of 2009 total production of crude oil by Rosneft's subsidiaries, business units and share in joint ventures decreased by 0.7%, to 383.43 million barrels from 385.96 million barrels in the first half of 2008. The decrease besides reasons mentioned above, was due to the natural decline in production by Tomskneft and by Polar Lights which was partially offset by the increase in production of Udmurtneft and the start of commercial production by Verkhnechonskneftegaz.

Production of Gas

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

	For 3 months ended 30 June		Change	For 6 months ended 30 June		Change
	2009	2008		2009	2008	
	(bcm)		(%)	(bcm)		(%)
Yuganskneftegaz	0.51	0.33	54.5%	1.16	0.78	48.7%
Samaraneftegaz	0.10	0.08	25.0%	0.19	0.16	18.8%
Purneftegaz	0.90	0.93	(3.2)%	1.89	2.02	(6.4)%
Krasnodarneftegaz	0.71	0.71	0.0%	1.53	1.57	(2.5)%
Severnaya Neft	0.07	0.09	(22.2)%	0.15	0.19	(21.1)%
Sakhalin-1 net of royalty and government share	0.05	0.05	0.0%	0.13	0.13	0.0%
Other	0.38	0.42	(9.5)%	0.82	0.92	(10.9)%
Gas production by Business Units and fully and proportionately consolidated subsidiaries	2.72	2.61	4.2%	5.87	5.77	1.7%
Tomskneft	0.20	0.24	(16.7)%	0.39	0.46	(15.2)%
Udmurtneft	0.00	0.00	-	0.01	0.01	0.0%
Polar Lights	0.01	0.00	-	0.01	0.01	0.0%
Total share in production of joint ventures	0.21	0.24	(12.5)%	0.41	0.48	(14.6)%
Total gas production ⁽¹⁾	2.93	2.85	2.8%	6.28	6.25	0.5%

(1) Production of natural gas by Rosneft was 1.17 bcm and 1.30 bcm in the second quarter of 2009 and 2008, respectively, and 2.53 bcm and 2.89 bcm in the first half of 2009 and 2008, respectively. Production of associated gas by Rosneft was 1.76 bcm and 1.55 bcm in the second quarter of 2009 and 2008, respectively, and 3.75 bcm and 3.36 bcm in the first half of 2009 and 2008, respectively. All production figures are calculated as extracted volumes less flared volumes.

In the second quarter of 2009 gas production by Rosneft's subsidiaries and business units increased to 2.72 bcm from to 2.61 bcm in the second quarter of 2008, an increase of 4.2%.

The production of gas by Yugankneftegaz increased by 54.5% and Samaraneftgaz increased its production by 25.0%, which was partially offset by the decrease in production at Purneftegaz by 3.2%, at Severnaya Neft by 22.2% and at other subsidiaries by 9.5%.

In the second quarter of 2009 Rosneft's total gas production including share in joint ventures was 2.93 bcm compared to 2.85 bcm in the second quarter of 2008, an increase of 2.8%. The increase in production of gas, including share in production of joint ventures, was lower than the increase in production by subsidiaries and business units (excluding production of joint ventures) primarily due to the decrease in associated gas production by Tomskneft.

In the first half of 2009 gas production by Rosneft's subsidiaries and business units increased to 5.87 bcm compared to 5.77 bcm in the first half of 2008, an increase of 1.7%. The production of gas by Yugankneftegaz increased by 48.7% and Samaraneftgaz increased its production by 18.8%, which allowed to offset the decrease in production at Purneftegaz by 6.4%, at Krasnodarneftgaz by 2.5%, at Severnaya Neft by 21.1% and at other subsidiaries by 10.9%.

In the first half of 2009 Rosneft's total gas production including share in joint ventures was 6.28 bcm compared to 6.25 bcm in the first half of 2008, an increase of 0.5%. The increase in production of gas, including share in production of joint ventures, was lower than the increase in production by subsidiaries and business units (excluding production of joint ventures) primarily due to the decrease in associated gas production by Tomskneft.

The increase in associated gas production by Yuganskneftegaz was mainly due to the launch of the first gas compression station at the Priobskoe field, enabling an increase in deliveries to Sibur by 700 mcm per year and, thus, the increase in the amount of usefully employed associated gas by the same volume. The increase in gas production by Samaraneftgaz was primarily due to increased production of associated gas followed the increase in crude oil production.

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

Production of Petroleum Products

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

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

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

	For 3 months ended 30 June		Change	For 6 months ended 30 June		Change
	2009	2008		2009	2008	
	(millions of tonnes)		(%)	(millions of tonnes)		(%)
Crude oil processing at Rosneft's refineries	12.30	11.67	5.4%	24.56	24.47	0.4%
High octane gasoline	1.18	0.97	21.6%	2.33	2.15	8.4%
Low octane gasoline	0.38	0.44	(13.6)%	0.69	0.97	(28.9)%
Naphtha	0.89	0.90	(1.1)%	1.80	1.74	3.4%
Diesel	4.21	3.97	6.0%	8.40	8.18	2.7%
Fuel oil	3.99	3.62	10.2%	8.10	7.73	4.8%
Jet fuel	0.22	0.46	(52.2)%	0.53	0.81	(34.6)%
Petrochemicals	0.11	0.35	(68.6)%	0.22	0.79	(72.2)%
Other	0.67	0.24	179.2%	1.18	0.54	118.5%
Production of petroleum and petrochemical products at Rosneft's refineries	11.65	10.95	6.4%	23.25	22.91	1.5%

In the second quarter of 2009 light product yield ranged from 55.5% at the Tuapse refinery to 78.0% at the Novokuibyshevsk refinery. In the second quarter of 2008 light product yield ranged from 55.6% at the Tuapse refinery to 82.4% at the Novokuibyshevsk refinery.

In the first half of 2009 light product yield ranged from 56.0% at the Tuapse refinery to 75.7% at the Novokuibyshevsk refinery. In the first half of 2008 light product yield ranged from 56.3% at the Tuapse refinery to 77.8% at the Novokuibyshevsk refinery.

Decrease in demand from the Russian agricultural enterprises and the Ministry of Defense which are the main consumers of low octane gasoline and regulatory limitations on retail sales of low-octane gasoline lead to overall decrease in production of this petroleum product. As a result, the Company increased output of high-octane gasoline and naphtha (which is exported) in the first half of 2009 compared to the first half of 2008.

Decrease in production of petrochemicals 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 for the periods being analysed:

	For 3 months ended 30 June					For 6 months ended 30 June				
	2009		2008		Change	2009		2008		Change
		% of total revenue		% of total revenue	%		% of total revenue		% of total revenue	%
	(US\$ millions, except %)									
Revenues										
Oil and gas sales	5,696	52.0%	11,767	55.7%	(51.6)%	9,884	51.4%	20,458	54.6%	(51.7)%
Petroleum products and processing fees	4,933	45.1%	8,994	42.5%	(45.2)%	8,753	45.6%	16,359	43.6%	(46.5)%
Support services and other revenues	318	2.9%	373	1.8%	(14.7)%	574	3.0%	685	1.8%	(16.2)%
Total revenues	10,947	100.0%	21,134	100.0%	(48.2)%	19,211	100.0%	37,502	100.0%	(48.8)%
Cost and expenses										
Production and operating expenses	1,027	9.4%	1,086	5.1%	(5.4)%	1,847	9.6%	2,106	5.6%	(12.3)%
Cost of purchased oil, gas and petroleum products	489	4.5%	772	3.7%	(36.7)%	784	4.1%	1,541	4.1%	(49.1)%
General and administrative expenses	366	3.3%	431	2.0%	(15.1)%	676	3.5%	789	2.1%	(14.3)%
Pipeline tariffs and transportation costs	1,251	11.4%	1,402	6.6%	(10.8)%	2,503	13.0%	2,783	7.4%	(10.1)%
Exploration expenses	117	1.1%	49	0.2%	138.8%	197	1.0%	123	0.4%	60.2%
Depreciation, depletion and amortisation	1,012	9.3%	1,076	5.1%	(5.9)%	1,992	10.4%	2,030	5.4%	(1.9)%
Accretion expense	22	0.2%	31	0.2%	(29.0)%	41	0.2%	71	0.2%	(42.3)%
Taxes other than income tax	1,932	17.6%	4,535	21.5%	(57.4)%	3,279	17.1%	8,125	21.7%	(59.6)%
Export customs duty	2,191	20.0%	5,807	27.5%	(62.3)%	4,033	21.0%	10,285	27.4%	(60.8)%
Total cost and expenses	8,407	76.8%	15,189	71.9%	(44.7)%	15,352	79.9%	27,853	74.3%	(44.9)%
Operating income	2,540	23.2%	5,945	28.1%	(57.3)%	3,859	20.1%	9,649	25.7%	(60.0)%
Other income/(expenses)										
Interest income	81	0.7%	95	0.4%	(14.7)%	188	0.9%	169	0.5%	11.2%
Interest expense	(74)	(0.6)%	(163)	(0.8)%	(54.6)%	(239)	(1.2)%	(502)	(1.3)%	(52.4)%
Loss on disposal of property, plant and equipment	(35)	(0.3)%	(30)	(0.1)%	16.7%	(50)	(0.3)%	(26)	(0.1)%	92.3%
Gain/(loss) on disposal of investments	13	0.1%	(3)	(0.0)%	533.3%	18	0.1%	(4)	(0.0)%	550.0%
Equity share in affiliates' (loss)/profits	(26)	(0.2)%	14	0.1%	(285.7)%	16	0.1%	126	0.3%	(87.3)%
Dividends and (loss)/income from joint ventures	(6)	(0.1)%	(4)	(0.0)%	50.0%	(6)	(0.0)%	2	0.0%	400.0%
Other (expenses)/income, net	(113)	(1.0)%	(26)	(0.1)%	334.6%	8	0.0%	(28)	(0.1)%	(128.6)%
Foreign exchange (loss)/gain	(391)	(3.6)%	(14)	(0.1)%	2,692.9%	407	2.1%	(166)	(0.4)%	345.2%
Total other income/(expenses)	(551)	(5.0)%	(131)	(0.6)%	(320.6)%	342	1.8%	(429)	(1.1)%	179.7%
Income before income tax and minority interest	1,989	18.2%	5,814	27.5%	(65.8)%	4,201	21.8%	9,220	24.6%	(54.4)%
Income tax	(396)	(3.6)%	(1,470)	(7.0)%	(73.1)%	(523)	(2.7)%	(2,306)	(6.1)%	(77.3)%
Net income	1,593	14.6%	4,344	20.6%	(63.3)%	3,678	19.1%	6,914	18.4%	(46.8)%
Less:										
net loss/(income) attributable to noncontrolling interests	19	0.1%	(32)	(0.2)%	(159.4)%	(6)	(0.0)%	(38)	(0.1)%	(84.2)%
Net income attributable to Rosneft	1,612	14.7%	4,312	20.4%	(62.6)%	3,672	19.1%	6,876	18.3%	(46.6)%
Other comprehensive income/(loss)	7	0.1%	(7)	(0.0)%	(200.0)%	6	0.0%	(16)	(0.0)%	(137.5)%
Comprehensive income	1,619	14.8%	4,305	20.4%	(62.4)%	3,678	19.1%	6,860	18.3%	(46.4)%

Revenues

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

	For 3 months ended 30 June					For 6 months ended 30 June				
	2009		2008		Change	2009		2008		Change
		% of total revenue		% of total revenue	%		% of total revenue		% of total revenue	%
(US\$ millions, except %)										
Crude oil										
Export, excluding CIS	5,275	48.1%	10,913	51.7%	(51.7)%	9,110	47.4%	18,780	50.1%	(51.5)%
Europe and other directions	4,164	38.0%	8,424	39.9%	(50.6)%	7,153	37.2%	14,434	38.5%	(50.4)%
Asia	1,111	10.1%	2,489	11.8%	(55.4)%	1,957	10.2%	4,346	11.6%	(55.0)%
CIS	318	2.9%	707	3.3%	(55.0)%	577	3.0%	1,338	3.6%	(56.9)%
Domestic	20	0.2%	51	0.2%	(60.8)%	34	0.2%	127	0.3%	(73.2)%
Gas	83	0.8%	96	0.5%	(13.5)%	163	0.8%	213	0.6%	(23.5)%
Total oil and gas	5,696	52.0%	11,767	55.7%	(51.6)%	9,884	51.4%	20,458	54.6%	(51.7)%
Petrochemical products										
Export, excluding CIS	2,836	25.9%	4,788	22.6%	(40.8)%	4,959	25.8%	8,742	23.3%	(43.3)%
Europe and other directions	1,653	15.1%	2,841	13.4%	(41.8)%	2,914	15.2%	5,229	13.9%	(44.3)%
Asia	1,183	10.8%	1,947	9.2%	(39.2)%	2,045	10.6%	3,513	9.4%	(41.8)%
CIS	20	0.2%	186	0.9%	(89.2)%	70	0.4%	376	1.0%	(81.4)%
Domestic	1,915	17.5%	3,748	17.7%	(48.9)%	3,490	18.2%	6,803	18.2%	(48.7)%
Wholesale	1,391	12.7%	2,688	12.7%	(48.3)%	2,511	13.1%	5,017	13.4%	(50.0)%
Retail	524	4.8%	1,060	5.0%	(50.6)%	979	5.1%	1,786	4.8%	(45.2)%
Sales of bunker fuel to end-users	106	1.0%	130	0.6%	(18.5)%	150	0.8%	164	0.4%	(8.5)%
Petrochemical products	56	0.5%	142	0.7%	(60.6)%	84	0.4%	274	0.7%	(69.3)%
Total petroleum and petrochemical products	4,933	45.1%	8,994	42.5%	(45.2)%	8,753	45.6%	16,359	43.6%	(46.5)%
Support services and other revenues	318	2.9%	373	1.8%	(14.7)%	574	3.0%	685	1.8%	(16.2)%
Total sales	10,947	100.0%	21,134	100.0%	(48.2)%	19,211	100.0%	37,502	100.0%	(48.8)%

Sales Volumes

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

	For 3 months ended 30 June					For 6 months ended 30 June				
	2009		2008		Change	2009		2008		Change
	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	93.63	49.2%	93.05	49.9%	0.6%	182.65	49.3%	177.75	48.5%	2.8%
Europe and other directions	74.25	39.0%	72.86	39.1%	1.9%	144.54	39.0%	138.47	37.8%	4.4%
Asia	19.38	10.2%	20.19	10.8%	(4.0)%	38.11	10.3%	39.28	10.7%	(3.0)%
CIS	7.17	3.8%	9.07	4.9%	(20.9)%	15.36	4.1%	19.38	5.3%	(20.7)%
Domestic	0.80	0.4%	0.95	0.5%	(15.8)%	1.76	0.5%	2.71	0.7%	(35.1)%
Total crude oil sales	101.60	53.4%	103.07	55.3%	(1.4)%	199.77	53.9%	199.84	54.5%	0.0%
	mln tonnes	% of total volume	mln tonnes	% of total volume	%	mln tonnes	% of total volume	mln tonnes	% of total volume	%
Export, excluding CIS	12.80	49.2%	12.72	49.9%	0.6%	24.97	49.3%	24.30	48.5%	2.8%
Europe and other directions	10.15	39.0%	9.96	39.1%	1.9%	19.76	39.0%	18.93	37.8%	4.4%
Asia	2.65	10.2%	2.76	10.8%	(4.0)%	5.21	10.3%	5.37	10.7%	(3.0)%
CIS	0.98	3.8%	1.24	4.9%	(20.9)%	2.10	4.1%	2.65	5.3%	(20.7)%
Domestic	0.11	0.4%	0.13	0.5%	(15.8)%	0.24	0.5%	0.37	0.7%	(35.1)%
Total crude oil sales	13.89	53.4%	14.09	55.3%	(1.4)%	27.31	53.9%	27.32	54.5%	0.0%
Petroleum products										
Export, excluding CIS	7.14	27.4%	5.94	23.3%	20.2%	13.82	27.2%	11.93	23.8%	15.8%
Europe and other directions	4.43	17.0%	3.69	14.5%	20.1%	8.43	16.6%	7.31	14.6%	15.3%
Asia	2.71	10.4%	2.25	8.8%	20.4%	5.39	10.6%	4.62	9.2%	16.7%
CIS	0.07	0.3%	0.23	0.9%	(69.6)%	0.21	0.4%	0.55	1.1%	(61.8)%
Domestic	4.47	17.1%	4.79	18.8%	(6.7)%	8.52	16.9%	9.64	19.2%	(11.6)%
Wholesale	3.55	13.6%	3.71	14.6%	(4.3)%	6.82	13.5%	7.71	15.4%	(11.5)%
Retail	0.92	3.5%	1.08	4.2%	(14.8)%	1.70	3.4%	1.93	3.8%	(11.9)%
Sales of bunker fuel to end-users	0.32	1.2%	0.21	0.9%	52.4%	0.51	1.0%	0.28	0.6%	82.1%
Total petroleum product sales	12.00	46.0%	11.17	43.9%	7.4%	23.06	45.5%	22.40	44.7%	2.9%
Petrochemical products sales	0.16	0.6%	0.21	0.8%	(23.8)%	0.32	0.6%	0.42	0.8%	(23.8)%
Total crude oil and petroleum and petrochemical product sales	26.05	100.0%	25.47	100.0%	2.3%	50.69	100.0%	50.14	100.0%	1.1%
Gas	bcm		bcm			bcm		bcm		
Sales volumes	2.48		2.36		5.1%	5.26		5.20		1.2%

Average Crude Oil and Petroleum Product Sales Prices

The unit prices in the following table may differ from unit prices of crude oil and petroleum products provided by information agencies due to different quality of products and conditions of sales.

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

	For 3 months ended 30 June				For 6 months ended 30 June			
	2009		2008		2009		2008	
	(US\$/barrel)	(US\$/tonne)	(US\$/barrel)	(US\$/tonne)	(US\$/barrel)	(US\$/tonne)	(US\$/barrel)	(US\$/tonne)
Average export prices								
Crude oil, excluding CIS	56.34	412.11	117.28	857.94	49.88	364.84	105.65	772.84
Europe and other directions	56.08	410.25	115.62	845.78	49.49	361.99	104.24	762.49
Asia	57.33	419.25	123.28	901.81	51.35	375.62	110.64	809.31
Crude Oil, CIS	44.35	324.49	77.95	570.16	37.57	274.76	69.04	504.91
Petroleum products, excluding CIS		397.20		806.06		358.83		732.77
Europe and other directions		373.14		769.92		345.67		715.32
Asia		436.53		865.33		379.41		760.39
Petroleum products, CIS		285.71		808.70		333.33		683.64
Average domestic prices								
Crude oil	25.00	181.82	53.68	392.31	19.32	141.67	46.86	343.24
Petroleum products		428.41		782.46		409.62		705.71
Wholesale		391.83		724.53		368.18		650.71
Retail		569.57		981.48		575.88		925.39
Gas (US\$/thousand cubic meter)		33.47		40.68		30.99		40.96
Sales of bunker fuel to end-users		331.25		619.05		294.12		585.71
Petrochemical products		350.00		676.19		262.50		652.38

Revenues were US\$ 10,947 million in the second quarter of 2009, a 48.2% decrease from US\$ 21,134 million in the second quarter of 2008. Revenues from the sale of crude oil and gas decreased by 51.6% and revenues from the sale of petroleum products fell by 45.2%.

Revenues were US\$ 19,211 million in the first half of 2009, a 48.8% decrease from US\$ 37,502 million in the first half of 2008. Revenues from the sale of crude oil and gas decreased by 51.7% and revenues from the sale of petroleum products fell by 46.5%.

Crude Oil Export Sales to Non-CIS

In the second quarter of 2009 crude oil export revenues from exports to non-CIS countries were US\$ 5,275 million compared to US\$ 10,913 million in the second quarter of 2008, a decrease of US\$ 5,638 million or 51.7%. A 52.0% decrease in average prices had a negative effect on revenues of US\$ 5,707 million and was partially compensated by a 0.6% increase in sales volumes, which had a positive impact on revenues of US\$ 69 million. The increase in sales volumes was due to the redirection of crude oil flows to Europe from CIS markets, where the demand decreased due to the economic downturn.

In the first half of 2009 crude oil export revenues from exports to non-CIS countries were US\$ 9,110 million compared to US\$ 18,780 million in the first half of 2008, a decrease of US\$ 9,670 million or 51.5%. A 52.8% decrease in average prices had a negative effect on revenues of US\$ 10,188 million. The effect was partially compensated by a 2.8% increase in sales volumes, which had a positive impact on revenues of US\$ 518 million.

Crude Oil Export Sales to CIS

In the second quarter of 2009 revenues from sales of crude oil to the CIS were US\$ 318 million compared to US\$ 707 million in the second quarter of 2008, a decrease of US\$ 389 million, or 55.0%. The decrease in revenues resulted from a 43.1% decrease in crude oil prices, which had a negative impact on revenues of US\$ 241 million, and was accompanied by a 20.9% decrease in sales volumes, which led to negative impact on revenues of US\$ 148 million. The decrease in crude oil sales volumes was due to reduction of consumer demand in CIS.

In the first half of 2009 revenues from sales of crude oil to the CIS were US\$ 577 million compared to US\$ 1,338 million in the first half of 2008, a decrease of US\$ 761 million, or 56.9%. The decrease in revenues resulted from a 45.6% decrease in crude oil prices, which had a negative impact on revenues of US\$ 483 million, and was accompanied by a 20.7% decrease in sales volumes, which led to negative impact on revenues of US\$ 278 million.

Crude Oil Domestic Sales

In the second quarter of 2009 domestic crude oil sales were US\$ 20 million compared to US\$ 51 million in the second quarter of 2008, a decrease of 60.8% or US\$ 31 million. A 53.7% decrease in average prices, which caused reduction in revenues of US\$ 23 million, was accompanied by a 15.8% decrease in sales volumes, which had a negative impact on revenues of US\$ 8 million. The Company sold crude oil to local customers located in the regions of the Company's oil producing facilities.

In the six month of 2009 domestic crude oil sales were US\$ 34 million compared to US\$ 127 million in the six month of 2008, a decrease of 73.2% or US\$ 93 million. A 58.7% decrease in average prices, which caused reduction in revenues of US\$ 48 million, was accompanied by a 35.1% decrease in sales volumes, which had a negative impact on revenues of US\$ 45 million.

Petroleum Products Export Sales to Non-CIS

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

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

	For 3 months ended 30 June						% change between the three months ended 30 June 2009 and 2008		
	2009			2008			US\$ millions	millions of tonnes	Average price US\$/tonne
	US\$ millions	millions of tonnes	Average price US\$/tonne	US\$ millions	millions of tonnes	Average price US\$/tonne			
High octane gasoline	23	0.04	566.09	20	0.02	994.81	15.0%	100.0%	(43.1)%
Low octane gasoline	32	0.06	554.44	34	0.04	940.97	(5.9)%	50.0%	(41.1)%
Naphtha	418	0.86	485.08	654	0.68	967.77	(36.1)%	26.5%	(49.9)%
Diesel	1,070	2.29	466.77	2,379	2.12	1,122.91	(55.0)%	8.1%	(58.4)%
Fuel oil	1,261	3.82	330.43	1,640	3.01	544.47	(23.1)%	26.9%	(39.3)%
Jet fuel	13	0.02	568.92	9	0.01	921.04	44.4%	100.0%	(38.2)%
Other	19	0.05	402.61	52	0.06	932.18	(63.5)%	(16.7)%	(56.8)%
Total	2,836	7.14	397.20	4,788	5.94	806.06	(40.8)%	20.2%	(50.7)%

Revenues from the export of petroleum products to non-CIS countries were US\$ 2,836 in the second quarter of 2009 compared to US\$ 4,788 million in the second quarter of 2008, a decrease of US\$ 1,952 million, or 40.8%. A 50.7% decrease in average price led to revenue decrease of US\$ 2,919 million, while a 20.2% increase in sales volumes led to a US\$ 967 million revenue growth.

The considerable increase in volumes was mainly due to decrease in domestic demand and CIS sales profitability which resulted in product volumes redirection to non-CIS countries.

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

	For 6 months ended 30 June						% change between the six months ended 30 June 2009 and 2008		
	2009			2008			US\$ millions	millions of tonnes	Average price US\$/tonne
	US\$ millions	millions of tonnes	Average price US\$/tonne	US\$ millions	millions of tonnes	Average price US\$/tonne			
High octane gasoline	62	0.14	448.37	52	0.06	915.94	19.2%	133.3%	(51.0)%
Low octane gasoline	45	0.09	509.45	69	0.08	878.14	(34.8)%	12.5%	(42.0)%
Naphtha	738	1.75	421.59	1,210	1.32	918.08	(39.0)%	32.6%	(54.1)%
Diesel	2,020	4.84	417.48	4,032	4.03	1 001.84	(49.9)%	20.2%	(58.3)%
Fuel oil	2,029	6.85	296.09	3,259	6.31	516.84	(37.7)%	8.6%	(42.7)%
Jet fuel	23	0.05	493.84	15	0.02	910.86	53.3%	150.0%	(45.8)%
Other	42	0.10	404.91	105	0.11	912.00	(60.0)%	(9.1)%	(55.6)%
Total	4,959	13.82	358.83	8,742	11.93	732.77	(43.3)%	15.8%	(51.0)%

The higher price for low-octane gasoline compared to the price of high-octane gasoline is due to different quarterly sales volumes: the main volume of high octane gasoline was sold in the first quarter at lower prices, and the main volume of low octane gasoline was sold in the second quarter at higher prices.

Revenues from the export of petroleum products to non-CIS countries were US\$ 4,959 in the six months of 2009 compared to US\$ 8,742 million in the six months of 2008, a decrease of US\$ 3,783 million, or 43.3%. A 51.0% decrease in average price led to revenue decrease of US\$ 5,168 million, while a 15.8% increase in sales volumes led to a US\$ 1,385 million revenue growth. The considerable increase in volumes was mainly due to decrease in domestic demand and CIS sales profitability which resulted in product volumes redirection to non-CIS countries.

Petroleum Products Export Sales to CIS

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

	For 3 months ended 30 June						% change between the three months ended 30 June 2009 and 2008		
	2009			2008			US\$ millions	millions of tonnes	Average price US\$/tonne
	US\$ millions	millions of tonnes	Average price US\$/tonne	US\$ millions	millions of tonnes	Average price US\$/tonne			
High octane gasoline	6	0.02	352.98	17	0.02	939.92	(64.7)%	0.0%	(62.4)%
Low octane gasoline	0	0.00	273.59	–	–	–	–	–	–
Naphtha	–	–	–	–	–	–	–	–	–
Diesel	4	0.01	322.31	116	0.12	1,002.11	(96.6)%	(91.7)%	(67.8)%
Fuel oil	–	–	–	19	0.03	544.72	(100.0)%	(100.0)%	(100.0)%
Jet fuel	1	0.00	305.70	24	0.03	800.65	(95.8)%	(100.0)%	(61.8)%
Other	9	0.04	311.17	10	0.03	331.70	(10.0)%	33.3%	(6.2)%
Total	20	0.07	285.71	186	0.23	808.70	(89.2)%	(69.6)%	(64.7)%

Revenue from sales of petroleum products to the CIS countries were US\$ 20 million in the second quarter of 2009 compared to US\$ 186 million in the second quarter of 2008. US\$ 166 million of the revenue reduction was attributable to a 69.6% decrease in sales volume or US\$ 129 million, and a 64.7% or US\$ 37 million decrease in average prices. The decrease in volumes resulted from the redirection of flows from CIS to non-CIS markets due to the higher profitability.

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

	For 6 months ended 30 June						% change between the six months ended 30 June 2009 and 2008		
	2009			2008			US\$ millions	millions of tonnes	Average price US\$/tonne
	US\$ millions	millions of tonnes	Average price US\$/tonne	US\$ millions	millions of tonnes	Average price US\$/tonne			
High octane gasoline	13	0.04	332.16	63	0.07	906.85	(79.4)%	(42.9)%	(63.4)%
Low octane gasoline	2	0.01	224.04	–	–	–	–	–	–
Naphtha	2	0.01	346.70	–	–	–	–	–	–
Diesel	31	0.08	367.03	203	0.24	852.23	(84.7)%	(66.7)%	(56.9)%
Fuel oil	–	–	–	62	0.13	470.06	(100.0)%	(100.0)%	(100.0)%
Jet fuel	5	0.01	401.00	26	0.03	795.28	(80.8)%	(66.7)%	(49.6)%
Other	17	0.06	302.64	22	0.08	263.57	(22.7)%	(25.0)%	14.8%
Total	70	0.21	333.33	376	0.55	683.64	(81.4)%	(61.8)%	(51.2)%

Revenue from sales of petroleum products to the CIS countries were US\$ 70 million in the six months of 2009 compared to US\$ 376 million in the six months of 2008. US\$ 306 million of the revenue reduction was attributable to a 61.8% decrease in sales volume or US\$ 232 million, and a 51.2% or US\$ 74 million decrease in average prices. The decrease in volumes resulted from the redirection of flows from CIS to non-CIS markets due to the higher profitability.

Domestic Sales of Petroleum Products

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

	For 3 months ended 30 June						% change between the three months ended 30 June 2009 and 2008		
	2009			2008			US\$ millions	millions of tonnes	Average price US\$/tonne
	US\$ millions	millions of tonnes	Average price US\$/tonne	US\$ millions	millions of tonnes	Average price US\$/tonne			
High octane gasoline	741	1.26	587.05	1,093	1.20	910.11	(32.2)%	5.0%	(35.5)%
Low octane gasoline	163	0.36	453.67	333	0.41	814.14	(51.1)%	(12.2)%	(44.3)%
Naphtha	–	–	–	–	–	–	–	–	–
Diesel	745	1.85	403.82	1,425	1.63	876.68	(47.7)%	13.5%	(53.9)%
Fuel oil	47	0.24	194.05	144	0.45	317.55	(67.4)%	(46.7)%	(38.9)%
Jet fuel	50	0.11	455.82	241	0.30	795.48	(79.3)%	(63.3)%	(42.7)%
Other	169	0.65	260.45	512	0.80	636.39	(67.0)%	(18.8)%	(59.1)%
Total	1,915	4.47	428.41	3,748	4.79	782.46	(48.9)%	(6.7)%	(45.2)%

Revenues from sales of petroleum products on the domestic market were US\$ 1,915 million in the second quarter of 2009 compared to US\$ 3,748 million in the second quarter of 2008, a decrease of US\$ 1,833 million, or 48.9%. The revenue reduction was attributable to a 45.2% decrease in average prices, which had a negative impact on revenue of US\$ 1,583 million and a 6.7% decrease in sales volume which led to revenue decrease of US\$ 250 million. The decrease in sales volumes was due to the fall in domestic demand which resulted from the economic downturn.

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

	For 6 months ended 30 June						% change between the six months ended 30 June 2009 and 2008		
	2009			2008			US\$ millions	millions of tonnes	Average price US\$/tonne
	US\$ millions	millions of tonnes	Average price US\$/tonne	US\$ millions	millions of tonnes	Average price US\$/tonne			
High octane gasoline	1,295	2.28	568.30	1,936	2.16	898.00	(33.1)%	5.6%	(36.7)%
Low octane gasoline	279	0.64	433.52	636	0.83	769.18	(56.1)%	(22.9)%	(43.6)%
Naphtha	–	–	–	–	–	–	–	–	–
Diesel	1,399	3.36	415.92	2,681	3.34	802.19	(47.8)%	0.5%	(48.2)%
Fuel oil	129	0.84	154.21	331	1.23	270.23	(61.0)%	(31.7)%	(42.9)%
Jet fuel	125	0.27	456.49	411	0.52	790.04	(69.6)%	(48.1)%	(42.2)%
Other	263	1.13	233.48	808	1.56	517.27	(67.5)%	(27.6)%	(54.9)%
Total	3,490	8.52	409.62	6,803	9.64	705.71	(48.7)%	(11.6)%	(42.0)%

Revenues from sales of petroleum products on the domestic market were US\$ 3,490 million in the six months of 2009 compared to US\$ 6,803 million in the six months of 2008, a decrease of US\$ 3,313 million, or 48.7%. The revenue reduction was attributable to a 42.0% decrease in average prices, which had a negative impact on revenue of US\$ 2,523 million and a 11.6% decrease in sales volume which led to revenue decrease of US\$ 790 million. The decrease in sales volumes was due to the fall in domestic demand which resulted from the economic downturn.

Sales of bunker fuel to end-users

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

Revenues from sales of bunker fuel in the second quarter of 2009 were US\$ 106 million, a decrease of US\$ 24 million or 18.5% in comparison with US\$ 130 million in the second quarter of 2008. In the six months of 2009 and 2008 revenues from sales of bunker fuel were US\$ 150 million and US\$ 164 million, respectively.

Petrochemical Product Sales

Revenues from the sale of petrochemical products in the second quarter of 2009 were US\$ 56 million in comparison with US\$ 142 million in the second quarter of 2008, a 60.6% or US\$ 86 million decrease. The decrease in revenues was due to the reduction of petrochemical production and sales volumes as a result of considerable decrease in demand and prices. In the six months of 2009 and 2008 revenues from the sale of petrochemical products were US\$ 84 million and US\$ 274 million, respectively.

Gas Sales

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

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

	For 3 months ended 30 June			For 6 months ended 30 June		
	2009	2008	change	2009	2008	change
Revenue	(US\$ million)			(US\$ million)		
			%			%
Western Siberia	26	26	0.0%	52	60	(13.3)%
South Russia	36	43	(16.3)%	72	99	(27.3)%
Far East	10	7	42.9%	19	15	26.7%
European part of Russia	11	20	(45.0)%	20	39	(48.7)%
Total Rosneft	83	96	(13.5)%	163	213	(23.5)%
Sales volumes	(bcm)			(bcm)		
Western Siberia	1.36	1.11	22.5%	2.87	2.52	13.9%
South Russia	0.79	0.79	0.0%	1.71	1.79	(4.5)%
Far East	0.14	0.13	7.7%	0.31	0.29	6.9%
European part of Russia	0.19	0.33	(42.4)%	0.37	0.60	(38.3)%
Total Rosneft	2.48	2.36	5.1%	5.26	5.20	1.2%
Average price	(US\$/thousand of cubic metres)			(US\$/thousand of cubic metres)		
Western Siberia	19.33	23.45	(17.6)%	18.05	24.00	(24.8)%
South Russia	45.78	55.05	(16.8)%	42.18	55.36	(23.8)%
Far East	67.78	52.50	29.1%	59.78	52.61	13.6%
European part of Russia	58.09	62.76	(7.4)%	55.05	64.52	(14.7)%
Total Rosneft	33.47	40.68	(17.7)%	30.99	40.96	(24.3)%

Revenues from the sale of gas were US\$ 83 million in the second quarter of 2009, compared to US\$ 96 million in the second quarter of 2008, a decrease of US\$ 13 million, or 13.5%. This reduction was attributable to a 17.7% decrease in prices which led to a US\$ 18 million decrease in revenue, while a 5.1% increase in sales volumes, from 2.36 bcm to 2.48 bcm, increased revenues by US\$ 5 million. The cessation of the highly profitable gas trading at electronic exchange was the major factor of average price decline.

Revenues from the sale of gas were US\$ 163 million in the six month of 2009, compared to US\$ 213 million in the six month of 2008, a decrease of US\$ 50 million, or 23.5%. This reduction was attributable to a 24.3% decrease in prices which led to a US\$ 52 million decrease in revenue, while a 1.2% increase in sales volumes, from 5.20 bcm to 5.26 bcm, increased revenues by US\$ 2 million.

Support Services and Other Revenues

Rosneft owns service companies which render drilling, construction, repairs and other services. Most of the services are rendered to companies within the Group. The remaining part is rendered to third parties and such revenues are reported in consolidated Income Statement.

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

	For 3 months ended 30 June			For 6 months ended 30 June						
	2009	2008	Change	2009	2008	Change				
	% of total revenue	% of total revenue	%	% of total revenue	% of total revenue	%				
	(US\$ millions, except %)									
Drilling services	11	3.5%	13	3.5%	(15.4)%	11	1.9%	24	3.5%	(54.2)%
Sales of materials	108	33.9%	118	31.6%	(8.5)%	201	35.0%	218	31.8%	(7.8)%
Repairs and maintenance services	26	8.2%	47	12.6%	(44.7)%	51	8.9%	86	12.6%	(40.7)%
Rent services	13	4.1%	15	4.0%	(13.3)%	24	4.2%	28	4.1%	(14.3)%
Construction services	13	4.1%	20	5.4%	(35.0)%	25	4.4%	48	7.0%	(47.9)%
Transport services	75	23.6%	63	16.9%	19.0%	122	21.3%	106	15.5%	15.1%
Electric power transmission	12	3.8%	11	2.9%	9.1%	27	4.7%	27	3.9%	0.0%
Other revenues	60	18.8%	86	23.1%	(30.2)%	113	19.6%	148	21.6%	(23.6)%
Total	318	100.0%	373	100.0%	(14.7)%	574	100.0%	685	100.0%	(16.2)%

Other revenues in the second quarter of 2009 were US\$ 318 million compared to US\$ 373 million in the second quarter of 2008 which represent a decrease of US\$ 55 million or 14.7%. The decrease was mainly due to rouble depreciation.

Other revenues in the six months of 2009 were US\$ 574 million compared to US\$ 685 million in the six months of 2008 which represent a decrease of US\$ 111 million or 16.2%.

Costs and Expenses

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

	For 3 months ended 30 June					For 6 months ended 30 June				
	2009		2008		Change	2009		2008		Change
		% of total revenue		% of total revenue	%		% of total revenue		% of total revenue	%
(US\$ millions, except %)										
Production and operating expenses	1,027	9.4%	1,086	5.1%	(5.4)%	1,847	9.6%	2,106	5.6%	(12.3)%
Cost of purchased oil, gas, petroleum products and refining costs	489	4.5%	772	3.7%	(36.7)%	784	4.1%	1,541	4.1%	(49.1)%
General and administrative expenses	366	3.3%	431	2.0%	(15.1)%	676	3.5%	789	2.1%	(14.3)%
Pipeline tariffs and transportation costs	1,251	11.4%	1,402	6.6%	(10.8)%	2,503	13.0%	2,783	7.4%	(10.1)%
Exploration expenses	117	1.1%	49	0.2%	138.8%	197	1.0%	123	0.4%	60.2%
Depreciation, depletion and amortisation	1,012	9.3%	1,076	5.1%	(5.9)%	1,992	10.4%	2,030	5.4%	(1.9)%
Accretion expense	22	0.2%	31	0.2%	(29.0)%	41	0.2%	71	0.2%	(42.3)%
Taxes other than income tax	1,932	17.6%	4,535	21.5%	(57.4)%	3,279	17.1%	8,125	21.7%	(59.6)%
Export customs duty	2,191	20.0%	5,807	27.5%	(62.3)%	4,033	21.0%	10,285	27.4%	(60.8)%
Total costs and expenses	8,407	76.8%	15,189	71.9%	(44.7)%	15,352	79.9%	27,853	74.3%	(44.9)%

Costs and expenses were US\$ 8,407 million in the second quarter of 2009, a 44.7% decrease from US\$ 15,189 million in the second quarter of 2008. This decrease was primarily driven by reduction of mineral extraction tax charge and export customs duty paid by Rosneft, costs of purchased crude oil and petroleum products, which was mainly the result of the decrease in crude oil and petroleum products prices, and due to the real rouble depreciation against the US dollar of 15.9%. Costs and expenses accounted for 76.8% and 71.9% of Rosneft's total revenues in the second quarters of 2009 and 2008, respectively. Costs and expenses excluding export customs duties and taxes other than income tax amounted to 39.1% and 22.9% of Rosneft's total revenues in the second quarters of 2009 and 2008, respectively.

Costs and expenses were US\$ 15,352 million in the first half of 2009, a 44.9% decrease from US\$ 27,853 million in the first half of 2008. This decrease was primarily driven by reduction of mineral extraction tax charge and export customs duty paid by Rosneft, costs of purchased crude oil and petroleum products, which was mainly the result of the decrease in crude oil and petroleum products prices, and due to the real rouble depreciation against the US dollar of 15.9%. Costs and expenses accounted for 79.9% and 74.3% of Rosneft's total revenues in the first half of 2009 and 2008, respectively. Costs and expenses excluding export customs duties and taxes other than income tax amounted to 41.9% and 25.2% of Rosneft's total revenues in the first half of 2009 and 2008, respectively.

Production and Operating Expenses

In the second quarter of 2009, production and operating expenses were US\$ 1,027 million compared to US\$ 1,086 million in the second quarter of 2008, a decrease of US\$ 59 million, or 5.4%. In the first half of 2009, production and operating expenses were US\$ 1,847 million compared to US\$ 2,106 million in the first half of 2008, a decrease of US\$ 259 million, or 12.3%.

The year-on-year decrease was primarily due to the real rouble depreciation against the US dollar of 15.9% and additional cost-cutting initiatives, which were partially offset by the increase in volume of crude oil and petroleum inventories sold, increase in rental costs, creation of polluted lands recovery reserve and other factors.

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

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

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

	For 3 months ended 30 June		Change	For 6 months ended 30 June		Change
	2009	2008	%	2009	2008	%
(US\$ millions, except %)						
Exploration and production	442	582	(24.1)%	852	1,145	(25.6)%
Refinery, marketing and distribution	430	332	29.5%	712	633	12.5%
All other	155	172	(9.9)%	283	328	(13.7)%
Total	1,027	1,086	(5.4)%	1,847	2,106	(12.3)%

Upstream production and operating expenses decreased by US\$ 140 million in the second quarter of 2009 compared to the second quarter of 2008 and decreased by US\$ 293 million in the first half of 2009 compared to the first half of 2008 due to the real rouble depreciation against the US dollar of 15.9%, additional cost-cutting initiatives, which was partially offset by inflation and the creation of polluted lands recovery reserve and other factors.

Upstream production and operating expenses in the second quarter of 2009 were US\$ 2.51 per bbl produced and US\$ 2.30 per boe produced. Upstream production and operating expenses in the second quarter of 2008 were US\$ 3.31 per bbl produced and US\$ 3.05 per boe produced. These measures are defined below under — “Key Financial Ratios”.

Upstream production and operating expenses in the six months of 2009 were US\$ 2.44 per bbl produced and US\$ 2.22 per boe produced. Upstream production and operating expenses in the six months of 2008 were US\$ 3.25 per bbl produced and US\$ 2.97 per boe produced.

Downstream and other operating expenses increased by US\$ 81 million in the second quarter of 2009 compared to the second quarter of 2008 and increased by US\$ 34 million in the six months of 2009 compared to the six months of 2008 primarily due to the increase in volume of crude oil and petroleum inventories sold, increase in rental costs¹, partially offset by the real rouble depreciation against the US dollar of 15.9% and other factors.

The table below shows Rosneft's petroleum products output, operating expenses and general and administrative expenses at the Company's refineries during the periods being analyzed.

	For 3 months ended 30 June		Change	For 6 months ended 30 June		Change
	2009	2008	%	2009	2008	%
Operating expenses and general and administrative expenses (US\$ millions)	256	350	(26.9)%	481	655	(26.6)%
Operating expenses and general and administrative expenses per tonne of product output (US\$/tonne)	21.97	31.96	(31.3)%	20.69	28.59	(27.6)%
Operating expenses and general and administrative expenses per tonne of crude oil throughput (US\$/tonne)	20.81	29.99	(30.6)%	19.58	26.77	(26.9)%

¹ In January 2009 Rosneft's subsidiary, Yukos-Transservice, has reconcluded its financial leasing agreement for railroad tank-cars into operating leasing agreement. In accordance with accounting policy, previously accounted leasing assets are being written off to rental costs, increasing operating expenses respectively. In addition, rental payments under new operating leasing agreement are included to operating expenses.

Decrease in operating expenses and general and administrative expenses of the refineries in the second quarter of 2009 compared to the second quarter of 2008 and in the first half of 2009 compared to the first half of 2008 was due to real rouble depreciation of 15.9% against US dollar, decrease in cost of fuel and materials used in production, decrease in total wages and salaries due to reduction in average number of employees, decrease in reserve for obsolete stock and reserves for bad debts.

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

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

	For 3 months ended 30 June		Change %	For 6 months ended 30 June		Change %
	2009	2008		2009	2008	
Cost of procurement of crude oil from third parties by the downstream segment (US\$ millions)	407	572	(28.8)%	614	1,182	(48.1)%
Procurement of crude oil from third parties by the downstream segment (millions of barrels) ⁽¹⁾	14.76	13.32	10.8%	29.51	28.75	2.6%
Cost of procurement of gas (US\$ millions)	8	17	(52.9)%	14	28	(50.0)%
Procurement of gas (bcm)	0.15	0.15	0.0%	0.30	0.42	(28.6)%
Cost of procurement of petroleum products from third parties by the downstream segment ⁽²⁾ (US\$ millions)	74	183	(59.6)%	156	329	(52.6)%
Procurement of petroleum products from third parties by the downstream segment ⁽³⁾ (millions of tonnes)	0.17	0.23	(26.1)%	0.37	0.47	(21.3)%
Cost of refining of crude oil under processing agreements (US\$ millions)	-	-	-	-	2	(100.0)%
Volumes of crude oil refined under processing agreements (millions of tonnes)	-	-	-	-	0.03	(100.0)%
Refining fees per tonne (US\$) ⁽⁴⁾	-	-	-	-	63.17	(100.0)%
Total cost of purchased oil, gas, petroleum products and refining costs (US\$ millions)	489	772	(36.7)%	784	1,541	(49.1)%

(1) In the second quarter of 2009 the Company purchased 0.47 million tonnes of crude oil from Udmurtneft, 1.07 million tonnes from Tomskneft, 0.05 million tonnes from Tomsk-Petroleum-und-Gaz, 0.19 million tonnes from Surgutneftegaz, 0.07 million tonnes from TNK-BP, 0.06 million tonnes from Verkhnechonskneftegaz, and government share in Sakhalin-1 production of 0.11 million tonnes. In the first half of 2009 the Company purchased 0.95 million tonnes of crude oil from Udmurtneft, 2.25 million tonnes from Tomskneft, 0.11 million tonnes from Tomsk-Petroleum-und-Gaz, 0.45 million tonnes from Surgutneftegaz, 0.07 million tonnes from TNK-BP, 0.10 million tonnes from Verkhnechonskneftegaz, and government share in Sakhalin-1 production of 0.11 million tonnes.

(2) The upstream segment also purchases petroleum products from third parties for use in its own operations. These purchases are reflected in production and operating expenses.

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

(4) Cost of processing of crude oil in January and February of 2008 at Strezhevskoy mini-refinery, a subsidiary of Tomskneft.

In the second quarter of 2009, the cost of purchased crude oil, gas, petroleum products and refining costs were US\$ 489 million, a 36.7% decrease from US\$ 772 million in the second quarter of 2008.

In the six months of 2009 the cost of purchased crude oil, gas, petroleum products and refining costs were US\$ 784 million, a 49.1% decrease from US\$ 1,541 million in the six months of 2008. The overall decrease was mainly due to the sharp fall in procurement prices.

In the second quarter of 2009, the volume of purchased crude oil was 14.76 million barrels at the cost of US\$ 407 million. In the second quarter of 2008, the volume of purchased crude oil was 13.32 million barrels at a cost of US\$ 572 million. Due to changes in the number of suppliers, structure of purchases, varying destinations and the decrease in world and domestic prices of crude oil, the average purchase price of a barrel of crude oil decreased in the second quarter of 2009 by 35.8% compared to the second quarter of 2008. The change in average purchase price was also affected by the accounting for the government share of Sakhalin-1 as a purchased crude oil. Excluding this factor, the average purchase price decreased in the second quarter of 2009 by the 37.8% compared to the second quarter of 2008.

In the first half of 2009, the volume of purchased crude oil was 29.51 million barrels at the cost of US\$ 614 million. In the first half of 2008, the volume of purchased crude oil was 28.75 million barrels at a cost of US\$ 1,182 million. Due to changes in the number of suppliers, structure of purchases, varying destinations and the decrease in world and domestic prices of crude oil, the average purchase price of a barrel of crude oil decreased in the first half of 2009 by the 49.4% compared to the first half of 2008.

The change in average purchase price was also affected by the accounting for the government share of Sakhalin-1 as a purchased crude oil. Excluding this factor, the average purchase price decreased in the first half of 2009 by the 50.9% compared to the first half of 2008.

Rosneft also performs oil swap operations in order to optimize its transportation costs. In particular, in the second quarter of 2009 the volume of crude oil swap operations between Rosneft and Gazprom Neft comprised 1.33 million tonnes compared to 1.37 million tonnes in the second quarter of 2008, and was 2.78 million tonnes in the first half of 2009 compared to 1.95 million tonnes in the first half of 2008. Rosneft also performs oil swap operations with Samarainvestneft and ATEK. Revenues and costs of purchases related to these operations are shown on a net basis and only the margin is recognized in the income statement.

In certain circumstances, it may be more beneficial for Rosneft to purchase petroleum products from third parties to supply, together with its own petroleum products, Rosneft's marketing subsidiaries. Purchase of petroleum products from third parties is exercised primarily to satisfy current needs of Rosneft's retail subsidiaries. The volume of petroleum products purchased from third parties was 0.17 million tonnes in the second quarter of 2009 and 0.23 million tonnes in the second quarter of 2008. In the six months of 2009 and 2008, the volume of petroleum products purchased from third parties was 0.37 million tonnes and 0.47 million tons, respectively.

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

	For 3 months ended 30 June						% change between the three months ended 30 June 2009 and 2008		
	2009			2008			US\$ millions	millions of tonnes	Average price US\$/tonne
	US\$ millions	millions of tonnes	Average price US\$/tonne	US\$ millions	millions of tonnes	Average price US\$/tonne			
High octane gasoline	20	0.04	523.07	72	0.08	853.91	(72.2)%	(50.0)%	(38.7)%
Low octane gasoline	2	0.01	439.07	8	0.01	615.53	(75.0)%	0.0%	(28.7)%
Diesel	44	0.10	432.54	40	0.05	792.27	10.0%	100.0%	(45.4)%
Fuel oil	0	0.00	285.64	39	0.06	643.53	(100.0)%	(100.0)%	(55.6)%
Jet fuel	0	0.00	748.80	-	-	-	-	-	-
Other	8	0.02	314.12	24	0.03	759.93	(66.7)%	(33.3)%	(58.7)%
Total	74	0.17	435.29	183	0.23	795.65	(59.6)%	(26.1)%	(45.3)%

Rosneft's average price per tonne of petroleum products procured from third parties decreased in the second quarter of 2009 by 45.3% compared to the second quarter of 2008. The decrease was primarily due to the decrease in prices of petroleum products on the domestic market and also due to the change in mix of procured petroleum products.

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

	For 6 months ended 30 June						% change between the six months ended 30 June 2009 and 2008		
	2009			2008			US\$ millions	millions of tonnes	Average price US\$/tonne
	US\$ millions	millions of tonnes	Average price US\$/tonne	US\$ millions	millions of tonnes	Average price US\$/tonne			
High octane gasoline	32	0.07	459.67	107	0.13	823.08	(70.1)%	(46.2)%	(44.2)%
Low octane gasoline	6	0.02	383.86	18	0.03	655.38	(66.7)%	(33.3)%	(41.4)%
Diesel	91	0.20	446.25	98	0.13	753.85	(7.1)%	53.8%	(40.8)%
Fuel oil	16	0.05	322.67	68	0.11	618.18	(76.5)%	(54.5)%	(47.8)%
Jet fuel	0	0.00	842.24	2	0.00	751.31	(100.0)%	-	12.1%
Other	11	0.03	440.39	36	0.07	532.69	(69.4)%	(57.1)%	(17.3)%
Total	156	0.37	421.62	329	0.47	700.00	(52.6)%	(21.3)%	(39.8)%

Rosneft's average price per tonne of petroleum products procured from third parties decreased in the six months of 2009 by 39.8% compared to the six months of 2008. The decrease was primarily due to the decrease in prices of petroleum products on the domestic market and also due to the change in mix of procured petroleum products.

The purchase price of petroleum products, particularly of fuel oil, may vary significantly depending on the regional markets, where the procurement is made (for example, the price of fuel oil in the Far East market exceeded the price in the Southern Russia market by almost two times). Fuel oil and diesel procurement prices paid by the Company can be higher than the price at which the Company sells its fuel oil, due to the variation in price in the regional markets of Russia, where the procurement of petroleum products is made.

The purchase price of fuel oil procured from third parties significantly exceeding its sales price in the six months of 2009 was due to meeting of obligations on fuel supplies to Asia. In the six months of 2009 and in the six months of 2008 Rosneft purchased approximately 50 thousand tonnes of a mixture of fuel oil and diesel, which was exported to Asia. Rosneft made these purchases as it currently does not produce products with the required characteristics. Excluding this factor, the average purchase price of fuel oil amounted to US\$ 285.63 per tonne procured in the six months of 2009 and US\$ 248.47 per tonne procured in the six months of 2008.

General and Administrative Expenses

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

General and administrative expenses in the second quarter of 2009 were US\$ 366 million, 14.9% lower than US\$ 431 million in the second quarter of 2008. In the six months of 2009 and 2008, general and administrative expenses were US\$ 676 million and US\$ 789 million, respectively. The decrease is mainly due to the real rouble depreciation of 15.9%.

Pipeline Tariffs and Transportation Costs

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

Pipeline tariffs paid by Rosneft and transportation costs decreased to US\$ 1,251 million in the second quarter of 2009 from US\$ 1,402 million in the second quarter of 2008. This 10.8% decrease was a result of the change in tariffs of natural monopolies in Russian roubles from (0.5)% to 31.6% which was offset by the fall in average US dollar to rouble exchange rate of 26.7%.

Pipeline tariffs paid by Rosneft and transportation costs decreased to US\$ 2,503 million in the first half of 2009 from US\$ 2,783 million in the first half of 2008. This 10.1% decrease was a result of the change in tariffs of natural monopolies in Russian roubles terms for a range of (0.4)% to 31.7% which was offset by the fall in average US dollar to rouble exchange rate of 27.6%.

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

	For 3 months ended 30 June								% change between the three months ended 30 June 2009 and 2008		
	2009				2008				Volume	Cost	Cost per tonne
	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne, US\$/t	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne, US\$/t			
CRUDE OIL											
Export sales											
Pipeline	10.03	72.8%	292	29.11	10.01	71.7%	324	32.37	0.2%	(9.9)%	(10.1)%
Railroad and mixed	3.75	27.2%	233	62.13	3.95	28.3%	312	78.99	(5.1)%	(25.3)%	(21.3)%
Transportation to refineries and domestic sales											
Pipeline	10.69	-	187	17.49	11.22	-	188	16.76	(4.7)%	(0.5)%	4.4%
Railroad and mixed	1.84	-	155	84.24	1.37	-	152	110.95	34.3%	2.0%	(24.1)%
PETROLEUM PRODUCTS											
Export sales											
Pipeline	0.12 ⁽¹⁾	1.7%	5	41.67	0.43 ⁽¹⁾	6.9%	20	46.51	(72.1)%	(75.0)%	(10.4)%
Railroad and mixed ⁽²⁾	4.83	66.3%	298	61.70	3.60	57.2%	255	70.83	34.2%	16.9%	(12.9)%
Other transportation expenses⁽³⁾			81				151			(46.4)%	
Total	31.26		1,251	40.02	30.58		1,402	45.85	2.2%	(10.8)%	(12.7)%

- (1) Rosneft exported 2.34 million tonnes (32.0% of total export volumes) and 2.26 million tonnes (35.9% of total export volumes) of petroleum products in the second quarter of 2009 and 2008, respectively, through its own pipeline in the town of Tuapse and by sea under free-carrier conditions pursuant to which Rosneft does not bear transportation expenses directly. Operating expenses for the pipeline in Tuapse are included in Rosneft's financial statements as operating expenses.
- (2) The volumes and expenses also include sales of bunker fuel to foreign vessels.
- (3) Other transportation expenses include railroad tariffs, paid by Rosneft when petroleum products are transported from refineries to retail and marketing units and cost of road transportation.

Rosneft's crude oil export pipeline cost per tonne decreased by 10.1% in the second quarter of 2009 compared to the second quarter of 2008 primarily due to a decrease in the transportation tariffs (in dollar terms) charged by Transneft. Rosneft's crude oil domestic pipeline cost per tonne for transportation to refineries increased by 4.4% in the second quarter of 2009 compared to the second quarter of 2008 due to change in accounting of crude oil supplies from Tomskneft fields, partially offset by the decrease in the transportation tariffs charged by Transneft for domestic routes by 3.8% in US dollar terms. Rosneft's petroleum products export pipeline cost per tonne decreased by 10.4% in the second quarter of 2009 compared to the second quarter of 2008 primarily due to the decrease in Transneftproduct transportation tariffs in US dollar terms.

Rosneft's transportation cost per tonne for the export of crude oil by railway and by a combination of pipeline and railway decreased by 21.3% in the second quarter of 2009 compared to the second quarter of 2008 primarily due to a decrease in the transportation tariffs charged by RZD by 27.0% in US dollar terms and due to the change in the mix of transportation routes. Rosneft's transportation cost per tonne for the domestic sales of crude oil by railway and by a combination of pipeline and railway for the transportation of crude oil to the refineries decreased by 24.1% in the second quarter of 2009 compared to the second quarter of 2008 due to a decrease in railway tariffs of natural monopolies by 24.0% in US dollar terms (see section "Changes in Transport Tariffs of Pipeline and Railway Monopolies"). The increase in volume of crude oil transported by railroad and mixed transport was due to reclassification of costs of transportation and transported volumes by Rosneft's subsidiary, RN-Trading, from other transportation to railroad and mixed domestic transport. Rosneft's cost per tonne for the exports of petroleum products by railway and by a combination of pipeline and railway decreased by 12.9% in the second quarter of 2009 compared to the second quarter of 2008 due to the decreased railway tariffs of natural monopolies by 22.3% in US dollar terms partially offset by the change in logistics of export transportation by mixed transport (particularly, by longer distances of transportation from refineries in Siberia).

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

	For 6 months ended 30 June								% change between the six months ended 30 June 2009 and 2008		
	2009				2008				Volume	Cost	Cost per tonne
	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne, US\$/t	Volume, mln. tonnes	Share in export volumes	Cost, mln. US\$	Cost per tonne, US\$/t			
CRUDE OIL											
Export sales											
Pipeline	19.54	72.2%	579	29.63	19.57	72.6%	626	31.99	(0.2)%	(7.5)%	(7.4)%
Railroad and mixed	7.53	27.8%	458	60.82	7.38	27.4%	586	79.40	2.0%	(21.8)%	(23.4)%
Transportation to refineries and domestic sales											
Pipeline	20.87	-	354	16.96	23.49	-	411	17.50	(11.2)%	(13.9)%	(3.1)%
Railroad and mixed	3.60	-	297	82.50	2.85	-	311	109.12	26.3%	(4.5)%	(24.4)%
PETROLEUM PRODUCTS											
Export sales											
Pipeline	0.59 ⁽¹⁾	4.2%	24	40.68	0.85 ⁽¹⁾	6.8%	40	46.46	(30.6)%	(40.0)%	(12.4)%
Railroad and mixed ⁽²⁾	10.02	71.0%	601	59.98	8.36	66.1%	588	70.33	19.9%	2.2%	(14.7)%
Other transportation expenses⁽³⁾											
			190				221			(14.0)%	
Total	62.15		2,503	40.27	62.50		2,783	44.53	(0.6)%	(10.1)%	(9.6)%

(1) Rosneft exported 3.50 million tonnes (24.8% of total export volumes) and 3.43 million tonnes (27.1% of total export volumes) of petroleum products in the six months of 2009 and 2008, respectively, through its own pipeline in the town of Tuapse and by sea under free-carrier conditions pursuant to which Rosneft does not bear transportation expenses directly. Operating expenses for the pipeline in Tuapse are included in Rosneft's financial statements as operating expenses.

(2) The volumes and expenses also include sales of bunker fuel to foreign vessels.

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

Rosneft's crude oil export pipeline cost per tonne decreased by 7.4% in the first half of 2009 compared to the first half of 2008 primarily due to a decrease in the transportation tariffs (in dollar terms) charged by Transneft. Rosneft's crude oil domestic pipeline cost per tonne for transportation to refineries decreased by 3.1% in the first half of 2009 compared to the first half of 2008 due to a decrease in the transportation tariffs charged by Transneft for domestic routes by 6.2% in US dollar terms, partially offset by the change in accounting of crude oil supplies from Tomskneft fields. Rosneft's petroleum products export pipeline cost per tonne decreased by 12.4% in the first half of 2009 compared to the first half of 2008 primarily due to the decrease in Transneft's tariffs (in US dollar terms).

Rosneft's transportation cost per tonne for the export of crude oil by railway and by a combination of pipeline and railway decreased by 23.4% in the first half of 2009 compared to the first half of 2008 primarily due to a decrease in the transportation tariffs charged by RZD by 27.9% in US dollar terms and due to the change in the mix of transportation routes. Rosneft's transportation cost per tonne for the domestic sales of crude oil by railway and by a combination of pipeline and railway for the transportation of crude oil to the refineries decreased by 24.4% in the first half of 2009 compared to the first half of 2008 due to a decrease in railway tariffs of natural monopolies by 25.0% in US dollar terms (see section "Changes in Transport Tariffs of Pipeline and Railway Monopolies"). The increase in volume of crude oil transported by railroad and mixed transport was due to reclassification of costs of transportation and transported volumes by Rosneft's subsidiary, RN-Trading, from other transportation to railroad and mixed domestic transport. Rosneft's cost per tonne for the export of petroleum products by railway and by a combination of pipeline and railway decreased by 14.7% in the first half of 2009 compared to the first half of 2008 due to decreased railway tariffs of natural monopolies by 20.4% in US dollar terms partially offset by the change in logistics of export transportation by mixed transport (particularly, by longer distances of transportation of supplies from refineries in Siberia).

In the second quarter of 2009, Rosneft transported approximately 72.8% of crude oil exports through the Transneft pipeline system compared to 71.7% in the second quarter of 2008. In the six months of 2009, Rosneft transported approximately 72.2% of crude oil exports through the Transneft pipeline system compared to 72.6% in the six months of 2008.

In the second quarter of 2009 and 2008, Rosneft exported approximately 1.7% and 6.9%, respectively, of its petroleum products through the pipeline system owned and operated by Transnefteprodukt. In the six months of 2009 and 2008, Rosneft exported approximately 4.2% and 6.8%, respectively, of its petroleum products through the pipeline system owned and operated by Transnefteprodukt.

Railway transportation services are provided to Rosneft by RZD, a state-owned monopoly. In the second quarter of 2009, Rosneft transported 27.2% of its crude oil exports and 66.3% of its petroleum product exports by rail (including railway transportation used in combination with other means of transport). In the second quarter of 2008, Rosneft transported 28.3% of its crude oil exports and 57.2% of petroleum product exports by rail, respectively. In the six months of 2009, Rosneft transported 27.8% of its crude oil exports and 71.0% of its petroleum product exports by rail (including railway transportation used in combination with other means of transport). In the six months of 2008, Rosneft transported 27.4% of its crude oil exports and 66.1% of its petroleum product exports by rail (including railway transportation used in combination with other means of transport).

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

Exploration Expenses

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

In the second quarter of 2009, exploration expenses increased to US\$ 117 million from US\$ 49 million in the second quarter of 2008, or by 138.8%. This was the result of writing off the costs of dry exploratory wells under Kurmangazy project and wells of Terskaya area. This was partly offset by the decrease in costs of exploratory works performed at Kurmangazy and Val Shatskogo blocks and by the decrease in costs of geophysical surveys performed at Yuganskneftegaz and Purneftegaz fields.

In the six months of 2009, exploration expenses increased to US\$ 197 million from US\$ 123 million in the six months of 2008, or by 60.2%. This was the result of writing off the costs of dry exploratory wells under Kurmangazy project, wells of Terskaya area and of an increase in cost of exploratory works performed at Samaraneftegaz fields. This was partly offset by the decrease in costs of exploratory works performed at Kurmangazy and Val Shatskogo blocks and by the decrease in costs of geophysical surveys performed at Yuganskneftegaz and Purneftegaz 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\$ 1,012 million in the second quarter of 2009 compared to US\$ 1,076 million in the second quarter of 2008. In the six months of 2009 and 2008, the depreciation, depletion and amortisation were US\$ 1,992 and US\$ 2,030 million, respectively. Depreciation, depletion and amortisation decreased in the six months of 2009, due to decrease in depreciation in Sakhalin-1 (followed the change in accounting of the depreciation), compensated by the increase in fixed assets due to the construction of wells and supporting infrastructure, as well as downstream and service facilities.

Taxes Other than Income Tax

Taxes other than income tax include the mineral extraction tax, the excise tax, the unified social tax, the property tax and other taxes. The basis for calculation of mineral extraction tax is described under —“Main Factors Affecting Results of Operations—Changes in Mineral Production Tax and Export Customs Duty” above. Taxes other than income tax decreased in the second quarter of 2009 and in the six months of 2009 mainly due to the decrease in the mineral extraction tax rate and also due to the rouble depreciation that have positive impact on other taxes denominated in russian roubles.

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

	For 3 months ended 30 June		Change	For 6 months ended 30 June		Change
	2009	2008	%	2009	2008	%
(US\$ millions, except %)						
Mineral extraction tax	1,508	4,007	(62.4)%	2,494	7,083	(64.8)%
Excise tax	233	298	(21.8)%	417	611	(31.8)%
Social security	100	123	(18.7)%	209	237	(11.8)%
Property tax	59	67	(11.9)%	107	131	(18.3)%
Land tax	5	6	(16.7)%	11	13	(15.4)%
Transportation tax	1	1	0.0%	2	2	0.0%
Other taxes and payments	26	33	(21.2)%	39	48	(18.8)%
Total taxes other than income tax	1,932	4,535	(57.4)%	3,279	8,125	(59.6)%

Taxes other than income tax decreased by 57.4% to US\$ 1,932 million in the second quarter of 2009, compared to US\$ 4,535 million in the second quarter of 2008. Taxes other than income tax decreased by 59.6% to US\$ 3,279 million in the six months of 2009, compared to US\$ 8,125 million in the six months of 2008. The reduction in taxes resulted mainly from a decrease in mineral extraction tax per barrel by 63.4%.

Export Customs Duty

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

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

	For 3 months ended 30 June		Change	For 6 months ended 30 June		Change
	2009	2008	%	2009	2008	%
(US\$ millions, except %)						
Export customs duty for crude oil	1,669	4,665	(64.2)%	3,057	8,115	(62.3)%
Export customs duty for petroleum products	522	1,142	(54.3)%	976	2,170	(55.0)%
Total export customs duties	2,191	5,807	(62.3)%	4,033	10,285	(60.8)%

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

	For 3 months ended 30 June		For 6 months ended 30 June	
	2009	2008	2009	2008
(US\$ per barrel, except %)				
Average Urals price	58.12	117.54	50.88	105.43
Hypothetical export customs duty if calculated per formula in customs legislation, but using the average Urals price in the indicated period (i.e. without effect of time lag)	25.53	64.15	20.82	56.28
Average price of crude oil sold by Rosneft to non-CIS Countries	56.34	117.28	49.88	105.65
Hypothetical export customs duty as a percentage of average Urals prices as calculated	43.9%	54.6%	40.9%	53.4%
Actual customs duty on non-CIS exports paid by Rosneft during the period	17.97	51.13	16.86	46.21
Actual customs duty on non-CIS exports paid by Rosneft during the period as a percentage of average Urals prices	30.9%	43.5%	33.1%	43.8%
(US\$ million, except %)				
Crude oil export customs duties	1,669	4,665	3,057	8,115
Crude oil export sales subject to non zero export duties	5,362	10,955	9,284	19,020
Export customs duty as a percentage of crude oil export sales	31.1%	42.6%	32.9%	42.7%

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

In the second quarter of 2009, compared to the second quarter of 2008 hypothetical export customs duties decreased as a percentage of average Urals prices as calculated, and actual customs duty decreased as a percentage of the average Urals price. This decrease was primarily due to a decrease in the rate of the export customs duty by 62.9%, while Urals price decreased by 50.6%.

In the first half of 2009, compared to the first half of 2008 hypothetical export customs duties decreased as a percentage of average Urals prices as calculated, and actual customs duty decreased as a percentage of the average Urals price. This decrease was primarily due to a decrease in the rate of the export customs duty by 63.6%, while Urals price decreased by 51.7%.

Operating Income

As a result of the factors discussed above, operating income decreased by 57.3% in the second quarter of 2009 compared to the second quarter of 2008. As a percentage of total revenues, operating income was 23.2% in the second quarter of 2009 and 28.1% in the second quarter of 2008, respectively. As a percentage of revenues, operating income before taxes other than income tax and export customs duty was 60.9% and 77.1% in the second quarters of 2009 and 2008, respectively.

As a result of the factors discussed above, operating income decreased by 60.0% in the six months of 2009 compared to the first half of 2008. As a percentage of total revenues, operating income was 20.1% in the six months of 2009 and 25.7% in the six months of 2008, respectively. As a percentage of revenues, operating income before taxes other than income tax and export customs duty was 58.1% and 74.8% in the six months of 2009 and 2008, respectively.

Other Income/(Expenses)

Interest Income

Interest income decreased by 14.7% to US\$ 81 million in the second quarter of 2009 from US\$ 95 million in the second quarter of 2008.

Interest income increased by 11.2% to US\$ 188 million in the six months of 2009 from US\$ 169 million in the six months of 2008, which was mainly due to the growth in the funds placed on deposits in the first quarter of 2009.

Interest Expense

Interest expense decreased by 54.6% to US\$ 74 million in the second quarter of 2009 from US\$ 163 million in the second quarter of 2008. Interest expense decreased by 52.4% to US\$ 239 million in the six months of 2009 from US\$ 502 million in the six months of 2008.

The decrease mainly resulted from the decrease in LIBOR rate to 0.31% as of June 30, 2009 compared to 2.46% as of June 30, 2008, accompanied by a decrease in principal amounts of loans and borrowings outstanding during the period, and the positive effect from interest swap operations in the six months of 2009 (net income of US\$ 55 million compared to the net loss of US\$ 26 million in the six months of 2008).

Loss on Disposal of Property, Plant and Equipment

From time to time, Rosneft disposes of property, plant and equipment. In the second quarter of 2009, Rosneft recorded a net loss of US\$ 35 million on the disposal of property, plant and equipment compared to a net loss of US\$ 30 million recorded in the second quarter of 2008.

In the six months of 2009 and 2008, net loss on the disposal of property, plant and equipment were US\$ 50 million and US\$ 26 million, respectively.

Equity share in affiliates' (loss)/profits

The equity share in affiliates' loss amounted to US\$ 26 million in the second quarter of 2009 compared to the equity share in affiliates' profit of US\$ 14 million in the second quarter of 2008. In the six months of 2009 and 2008, the equity share in affiliates' profit was US\$ 16 million and US\$ 126 million, respectively. The decrease resulted from the decrease in net income of the affiliates, as well as net losses incurred by some of Rosneft's affiliates, primarily, Veninneft.

Other (Expenses)/Income, Net

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

In the second quarter of 2009, other expenses, net, amounted to US\$ 113 million, compared to US\$ 26 million of other expenses, net, in the second quarter of 2008. In the six months of 2009 other income was US\$ 8 million compared to the net loss of US\$ 28 million in the six months of 2008, respectively.

Foreign Exchange (Loss)/Gain

Foreign exchange loss was US\$ 391 million in the second quarter of 2009 compared to loss of US\$ 14 million in the second quarter of 2008. In the six months of 2009 the foreign exchange gain was US\$ 407 million compared to the loss of US\$ 166 million in the six months of 2008.

Net negative rouble-denominated monetary position of Rosneft decreased from RUB 200 billion as of December 31, 2008 to RUB 92 billion as of June 30, 2009.

Income Tax

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

	For 3 months ended 30 June		For 6 months ended 30 June	
	2009	2008	2009	2008
Effective income tax rate for Rosneft under US GAAP	20%	25%	12%	25%

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

The US GAAP effective income tax rate was 20% and 25% for the second quarters of 2009 and 2008, respectively. In the six months of 2009 and 2008, the US GAAP effective income tax rate was 12% and 25%, respectively. The change in income tax rate resulted from the forex determined under US GAAP and Russian accounts in the six months of 2009 compared to the same period of 2008, and to the change of tax rate from 24% to 20% in Russian tax legislation.

Income tax expense was US\$ 396 million in the second quarter of 2009 compared to the income tax expense of US\$ 1,470 million in the second quarter of 2008. Current income tax expense was US\$ 346 million in the second quarter of 2009 compared to US\$ 1,704 million in the second quarter of 2008, while deferred income tax turned to income tax expense of US\$ 50 million from the benefit of US\$ 234 million in the second quarter of 2008.

Income tax expense was US\$ 523 million in the six months of 2009 compared to the income tax expense of US\$ 2,306 million in the six months of 2008. Current income tax expense was US\$ 544 million in the six months of 2009 compared to US\$ 2,808 million in the six months of 2008, while deferred income tax benefit decreased to US\$ 21 million from US\$ 502 million in the six months of 2008.

Net (loss)/income attributable to minority interests

Net loss attributable to minority interests was US\$ 19 million in the second quarter of 2009 compared to an income of US\$ 32 million in the second quarter of 2008. Net income attributable to minority interests was US\$ 6 million in the six months of 2009 compared to US\$ 38 million in the six months of 2008.

The change resulted, primarily, from the decrease in GAAP profit relating to some of Rosneft's subsidiaries in which the Company does not own 100% share.

Net Income

As a result of the factors discussed above, net income decreased by 62.6% to US\$ 1,612 million in the second quarter of 2009 from US\$ 4,312 million in the second quarter of 2008. As a percentage of revenues, net income was 14.7% and 20.4% in the second quarters of 2009 and 2008, respectively.

As a result of the factors discussed above, net income decreased by 46.6% to US\$ 3,672 million in the six months of 2009 from US\$ 6,876 million in the six months of 2008. As a percentage of revenues, net income was 19.1% and 18.3% in the six months of 2009 and 2008, respectively.

Liquidity and Capital Resources

Cash Flows

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

	For 3 months ended 30 June		Change	For 6 months ended 30 June		Change
	2009	2008	times	2009	2008	times
	(US\$ millions, except %)					
Net cash provided by operating activities	2,376	4,873	(2.1)	4,742	9,378	(2.0)
Net cash used in investing activities	(952)	(3,954)	(4.2)	(3,316)	(5,728)	(1.7)
Net cash (used in)/provided by financing activities	(2,187)	1,835	(1.2)	(1,768)	(743)	2.4

Net Cash Provided by Operating Activities

Net cash provided by operating activities amounted to US\$ 2,376 million in the second quarter of 2009 as compared to US\$ 4,873 million in the second quarter of 2008. The adjusted net cash provided by the operating activity amounts to US\$ 2,681 million in the second quarter of 2009.¹ The decrease in net cash from operating activities resulted mainly from the decrease in net income for the period being analyzed by 62.6%, and the change in working capital.

Net cash provided by operating activities amounted to US\$ 4,742 million in the six months of 2009 as compared to US\$ 9,378 million in the six months of 2008. The adjusted net cash provided by the operating activity amounts to US\$ 5,047 million in the six months 2009.¹ The decrease in net cash from operating activities resulted mainly from the decrease in net income for the period being analyzed by 46.6%, adjusted by the change in working capital.

The increase in working capital in the six months of 2009 is primary attributable to:

- an increase in receivables of US\$ 672 million due to
 - an increase in trade receivables resulted from the impact of the increase in price (compared to the beginning of the year) and increase in volume of sales of the petroleum products, mainly to non-CIS countries, that was compensated by the significant decrease in income tax receivables, mainly due to the settlements through the legal offset against current tax liabilities and cash payments;
- an increase in inventory due to the increase in prices as at the end of June 2009 compared to the beginning of the year;
- a decrease in the restructured tax liabilities due to the repayments under tax restructuring plan.

The increase in receivables and inventory was partially offset by the increase in payables and other payables mainly due to increase in tax liabilities of US\$ 479 million (primarily, mineral extraction tax due to increase in mineral extraction tax rate compared to the beginning of 2009) and due to the decrease in customs and other prepayments of US\$ 621 million.

¹ The operating cash flow includes operations with trade securities under free cash management in the amount of US\$ 305 million in the second quarter of 2009 and in the six months of 2009. For the management purposes this amount is excluded from the operating cash flow in the second quarter of 2009 and in the six months of 2009, since it does not directly refer to the Company's operating activity.

Net Cash Used in Investing Activities

Net cash used in investing activities was US\$ 952 million in the second quarter of 2009 compared to US\$ 3,954 million in the second quarter of 2008. The decrease in the second quarter of 2009 resulted mainly from the returns of short-term deposits placed in the first quarter in the amount of US\$ 1,300 million with maturity in April and June 2009.

Net cash used in investing activities was US\$ 3,316 million in the six months of 2009 compared to US\$ 5,728 million in the six months of 2008. The decrease in cash used in investing activities is primarily due the returns of US\$ 893 million margin call deposits and returns of the short term deposits, while in the six months of 2008 there was only the placement of short term deposits with returns in the next periods.

Net Cash (Used in)/Provided by Financing Activities

Net cash used in financing activities was US\$ 2,187 million in the second quarter of 2009 compared to net cash provided by financing activities of US\$ 1,835 million in the second quarter of 2008. Net cash used in financing activities was US\$ 1,768 million in the six months of 2009 compared to net cash used in financing activities of US\$ 743 million in the six months of 2008.

The increase in cash used in financing activities in the second quarter of 2009 and in the six months of 2009 compared to the corresponding periods of 2008 was primarily due to the significant repayments of the short term banking loans and promissory note in the second quarter of 2009.

Capital Expenditures

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

	For the three months ended 30 June		% change	For the six months ended 30 June		% change
	2009	2008		2009	2008	
	(US\$ millions)		(%)	(US\$ millions)		(%)
Yuganskneftegaz	619	749	(17.4)%	1,050	1,316	(20.2)%
Vankorneft	797	584	36.4%	1,266	1,098	15.3%
Purneftegaz	58	215	(73.0)%	85	294	(71.1)%
Severnaya Neft	22	60	(63.3)%	45	91	(50.5)%
Samaraneftegaz	49	55	(10.9)%	78	79	(1.3)%
Other ¹	124	83	49.4%	217	162	34.0%
Total upstream segment	1,669	1,746	(4.4)%	2,741	3,040	(9.8)%
The Company	8	85	(90.6)%	14	102	(86.3)%
Tuapse refinery	55	55	0.0%	81	84	(3.6)%
Komsomolsk refinery	24	19	26.3%	53	28	89.3%
Angarsk refinery	27	27	0.0%	35	36	(2.8)%
Achinsk refinery	10	12	(16.7)%	13	16	(18.8)%
Syzran refinery	18	31	(41.9)%	24	37	(35.1)%
Novokuibyshevsk refinery	16	22	(27.3)%	21	30	(30.0)%
Kuibyshev refinery	9	19	(52.6)%	14	26	(46.2)%
Marketing Business Units and others ²	74	125	(40.8)%	108	197	(45.2)%
Total downstream	241	395	(39.0)%	363	556	(34.7)%
Other activities³	82	151	(45.7)%	151	204	(26.0)%
Subtotal capital expenditures	1,992	2,292	(13.1)%	3,255	3,800	(14.3)%
Materials in capital expenditures	163	206	(20.9)%	132	447	(70.5)%
Total capital expenditures	2,155	2,498	(13.7)%	3,387	4,247	(20.2)%
Licence acquisition costs	-	38	(100.0)%	-	47	(100.0)%

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

2 Relating to companies providing processing and storage services.

3 Relating to other services companies.

Rosneft's total capital expenditures including material purchases decreased by 13.7% or by US\$ 343 million to US\$ 2,155 million in the second quarter of 2009 compared to US\$ 2,498 million in the second quarter of 2008.

In the six months of 2009 the capital expenses decreased to US\$ 3,387 from US\$ 4,247 million in the six months of 2008. The decrease in capital expenditures in the six months resulted, primarily, from real rouble depreciation year-on-year and cost-cutting efforts.

The decrease in the upstream segment in the second quarter of 2009 was 4.4%, or US\$ 77 million, compared with the second quarter of 2008. The decrease in the six months of 2009 in the upstream segment was 9.8% or US\$ 299 million. The decrease was throughout all the upstream projects except for Vankor.

The decrease in the downstream segment was 39.0%, or US\$ 154 million. Expenditures decreased at all downstream subsidiaries except for Komsomolsk refinery where a delayed coking unit is under construction within a major refinery upgrade project. In the six months of 2009 the decrease in the downstream segment was US\$ 193 million.

Capital expenditures for other activities decreased by 45.7%, or by US\$ 69 million, in the second quarter of 2009, compared to US\$ 151 million in the second quarter of 2008. In the six months of 2009 the decrease was US\$ 53 million.

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

The net increase in unused construction materials included in capital expenditures amounted to US\$ 163 million in the second quarter of 2009 compared to US\$ 206 million in the second quarters 2008, respectively. In the six months of 2009 and 2008 the net increase in unused construction materials amounting to US\$ 132 and US\$ 447, respectively.

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

Debt Obligations

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

Rosneft's total loans and borrowings decreased to US\$ 21,807 million as of June 30, 2009 from US\$ 24,165 million as of December 31, 2008.

As of 30 June 2009, the bank loan raised to finance the acquisition of Yuganskneftegaz was comprised of a long-term loan obtained through a government-owned bank at a rate of LIBOR plus 0.7% per annum repayable in equal monthly installments. It is scheduled for full repayment in 2011 and is secured by pledging the Company's receivables under a long-term contract for the supply of crude oil.

Long-term loans are generally secured by oil export contracts. As of 30 June 2009 and 31 December 2008, 84.8% and 60.4% respectively, of Rosneft's borrowings were secured by crude oil export contracts (excluding export to the CIS). As of 30 June 2009 and 31 December 2008, pledged oil exports constituted 55.6% and 46.3%, respectively, of the total crude oil export sales for the period in question (excluding export to the CIS).

Rosneft adjusted net debt amounted to US\$ 19,177 million as of June 30, 2009 compared to US\$ 21,283 million as of December 31, 2008.

The calculation of the adjusted net debt as of June 30, 2009, is disclosed in the following table:

As of June 30, 2009	US\$ millions
Short term debt	9,033
Long term debt	12,774
Total debts	21,807
Cash and cash equivalents	998
Short-term bank deposits	232
Structured deposits and reverse repurchase agreements	294
Short term promissory notes and other short-term liquid securities	305
Total net debt	19,978
Deposits in the state controlled bank	801
Adjusted net debt	19,177

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 30 June		For 6 months ended 30 June	
	2009	2008	2009	2008
EBITDA margin	32.6%	33.4%	30.7%	31.3%
Net income margin before minority interest	14.7%	20.4%	19.1%	18.3%
Net debt to capital employed ratio	0.31	0.39	0.31	0.39
Net debt to adjusted EBITDA ratio, annualised	1.34	0.81	1.63	0.97
Current ratio	0.82	0.89	0.82	0.89
	(US\$)			
EBITDA/bbl	20.26	40.16	16.86	33.39
EBITDA/boe	18.58	36.93	15.34	30.45
Upstream capital expenditure/bbl	9.46	9.94	7.84	8.64
Upstream capital expenditure/boe	8.68	9.14	7.14	7.88
Upstream operating expenses/bbl	2.51	3.31	2.44	3.25
Upstream operating expenses/boe	2.30	3.05	2.22	2.97
Adjusted free cash flow before interest/bbl	2.98	13.31	4.75	14.45
Adjusted free cash flow before interest/boe	2.73	12.24	4.32	13.17

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

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

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

Upstream Measures

	For 3 months ended 30 June		For 6 months ended 30 June	
	2009	2008	2009	2008
Upstream capital expenditures (US\$ millions)	1,669	1,746	2,741	3,040
Upstream operating expenses (US\$ millions)	442	582	852	1,145
Barrels of crude oil produced (millions)	176.37	175.61	349.56	351.95
Barrels of oil equivalent produced (millions)	192.37	190.96	384.09	385.89

Calculation of Adjusted Free Cash Flow

	For 3 months ended 30 June		For 6 months ended 30 June	
	2009	2008	2009	2008
	(US\$ millions)			
Net cash provided by operating activities	2,376	4,873	4,742	9,378
Capital expenditures	(2,155)	(2,498)	(3,387)	(4,247)
Free cash flow	221	2,375	1,355	5,131
Trading securities operations	305	-	305	-
License acquisition costs	-	(38)	-	(47)
Adjusted free cash	526	2,337	1,660	5,084

Calculation of EBITDA Margin

	For 3 months ended 30 June		For 6 months ended 30 June	
	2009	2008	2009	2008
	(US\$ millions, except %)			
Operating income	2,540	5,945	3,859	9,649
Accretion expense	22	31	41	71
Depreciation, depletion and amortisation	1,012	1,076	1,992	2,030
EBITDA	3,574	7,052	5,892	11,750
Total revenues	10,947	21,134	19,211	37,502
EBITDA margin	32.6%	33.4%	30.7%	31.3%

Calculation of Net Income Margin

	For 3 months ended 30 June		For 6 months ended 30 June	
	2009	2008	2009	2008
	(US\$ millions, except %)			
Net income	1,612	4,312	3,672	6,876
Sales revenues	10,947	21,134	19,211	37,502
Net income margin	14.7%	20.4%	19.1%	18.3%

Current ratio

	For 6 months ended 30 June	
	2009	2008
	(US\$ million, except ratio)	
Current assets	11,729	18,767
Current liabilities	14,362	21,147
Current ratio	0.82	0.89