ROSNEFT

OIL COMPANY

OPEN JOINT STOCK COMPANY

OJSC Oil Company Rosneft

Interim Condensed Consolidated Financial Statements (Unaudited)

Three months ended March 31, 2009 and 2008

OJSC Oil Company Rosneft

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Contents

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Independent Accountant's Report

Shareholders and the Board of Directors
of OJSC Oil Company Rosneft

We have reviewed the accompanying consolidated balance sheet of OJSC Oil Company Rosneft, an open joint stock company ("the Company"), as of March 31, 2009, and the related consolidated statements of income and comprehensive income and cash flows for the three months ended March 31, 2009 and 2008. This interim condensed consolidated financial information is the responsibility of the Company's management.

We conducted our review in accordance with the standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Company as of December 31, 2008, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the year then ended, and in our report dated March 2, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2008, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Ernst & Young LLC

May 27, 2009

OJSC Oil Company Rosneft

Consolidated Balance Sheets

(in millions of US dollars, except share amounts)

	Notes	March 31, 2009 (unaudited)	December 31, 2008
ASSETS			
Current assets:			
Cash and cash equivalents	3	**1,693**	1,369
Restricted cash		**4**	4
Short-term investments	4	**2,812**	1,710
Accounts receivable, net of allowance	5	**5,545**	6,299
Inventories	6	**1,373**	1,427
Deferred tax assets		**246**	152
Prepayments and other current assets	7	**923**	1,846
Total current assets		**12,596**	12,807
Non-current assets:			
Long-term investments	8	**2,720**	2,695
Long-term bank loans granted, net of allowance of US$ 15 and US$ 15, respectively		**290**	326
Property, plant and equipment, net	9	**54,987**	55,204
Goodwill	10	**4,507**	4,507
Intangible assets, net	10	**669**	679
Deferred tax assets		**105**	118
Other non-current assets	11	**1,300**	1,177
Total non-current assets		**64,578**	64,706
Total assets		**77,174**	77,513
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	12	**2,639**	3,096
Short-term loans and current portion of long-term debt	13	**14,388**	14,084
Income and other tax liabilities	14	**1,019**	1,094
Deferred tax liabilities		**83**	115
Other current liabilities		**282**	308
Total current liabilities		**18,411**	18,697
Asset retirement obligations		**1,690**	1,896
Long-term debt	13	**9,142**	10,081
Deferred tax liabilities		**4,752**	5,371
Other non-current liabilities	17	**1,494**	1,870
Total non-current liabilities		**17,078**	19,218
Equity:			
Common stock par value 0.01 RUB (shares outstanding: 9,598 million as of March 31, 2009 and December 31, 2008)		**20**	20
Treasury shares:			
- unpledged (at acquisition cost: 505.07 million shares as of March 31, 2009 and December 31, 2008)		**(3,799)**	(3,799)
- pledged (at acquisition cost: 494.93 million shares as of March 31, 2009 and December 31, 2008)	13	**(3,722)**	(3,722)
Additional paid-in capital		**13,108**	13,108
Other comprehensive loss	2	**(41)**	(40)
Retained earnings		**35,396**	33,336
Total shareholders' equity		**40,962**	38,903
Noncontrolling interests		**723**	695
Total equity		**41,685**	39,598
Total liabilities and equity		**77,174**	77,513

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.

OJSC Oil Company Rosneft

Consolidated Statements of Income and Comprehensive Income

(in millions of US dollars, except earnings per share data)

	Notes	Three months ended March 31, 2009 (unaudited)	Three months ended March 31, 2008 (unaudited)
Revenues			
Oil and gas sales	20	**4,188**	8,691
Petroleum products sales and processing fees	20	**3,820**	7,365
Support services and other revenues		**256**	312
Total		**8,264**	16,368
Costs and expenses			
Production and operating expenses		**820**	1,020
Cost of purchased oil, gas and petroleum products		**295**	769
General and administrative expenses		**310**	358
Pipeline tariffs and transportation costs		**1,252**	1,381
Exploration expenses		**80**	74
Depreciation, depletion and amortization		**980**	954
Accretion expense		**19**	40
Taxes other than income tax	16	**1,347**	3,590
Export customs duty	15	**1,842**	4,478
Total		**6,945**	12,664
Operating income		**1,319**	3,704
Other income/(expenses)			
Interest income		**107**	74
Interest expense		**(165)**	(339)
(Loss)/gain on disposal of property, plant and equipment		**(15)**	4
Gain/(loss) on disposal of investments		**5**	(1)
Equity share in affiliates' profits	8	**42**	112
Dividends and income from joint ventures		**–**	6
Other income/(expenses), net		**121**	(2)
Foreign exchange gain/(loss)		**798**	(152)
Total other income/(expenses)		**893**	(298)
Income before income tax		**2,212**	3,406
Income tax	16	**(127)**	(836)
Net income		**2,085**	2,570
Less: net income attributable to noncontrolling interests		**(25)**	(6)
Net income attributable to Rosneft		**2,060**	2,564
Other comprehensive loss	2	**(1)**	(9)
Comprehensive income		**2,059**	2,555
Net income attributable to Rosneft per share (in USD) – basic and diluted		**0.21**	0.27
Weighted average number of shares outstanding (millions)		**9,598**	9,598

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.

OJSC Oil Company Rosneft

Consolidated Statements of Cash Flows

(in millions of US dollars)

	Notes	**Three months ended March 31, 2009 (unaudited)**	**Three months ended March 31, 2008 (unaudited)**
Operating activities			
Net income		**2,085**	2,570
Adjustments to reconcile net income to net cash provided by operating activities:			
Effect of foreign exchange		**(1,504)**	204
Depreciation, depletion and amortization		**980**	954
Dry hole costs		**17**	63
Loss /(gain) on disposal of property, plant and equipment		**15**	(4)
Deferred income tax benefit		**(71)**	(267)
Accretion expense		**19**	40
Equity share in affiliates' profits		**(42)**	(112)
(Gain)/loss on disposal of investments		**(5)**	1
Acquisition of trading securities		**(15)**	(19)
Proceeds from sale of trading securities		**9**	13
(Decrease)/increase in allowance for doubtful accounts and bank loans granted		**(14)**	11
Gain on extinguishment of promissory notes	13	**(141)**	–
Changes in operating assets and liabilities net of acquisitions:			
Decrease in accounts receivable		**602**	1,531
Decrease/(increase) in inventories		**54**	(190)
Increase in restricted cash		**–**	(12)
Decrease/(increase) in prepayments and other current assets		**923**	(180)
Decrease/(increase) in other non-current assets		**66**	(270)
Decrease/(increase) in long-term bank loans granted		**36**	(54)
Increase in interest payable		**77**	32
(Decrease)/increase in accounts payable and accrued liabilities		**(463)**	285
Increase/(decrease) in income and other tax liabilities		**77**	(149)
(Decrease)/increase in other current and non-current liabilities		**(339)**	58
Net cash provided by operating activities		**2,366**	4,505
Investing activities			
Capital expenditures		**(1,232)**	(1,748)
Acquisition of licences		**–**	(9)
Proceeds from disposals of property, plant and equipment		**7**	9
Acquisition of short-term investments, including			
Held-to-maturity securities	21	**(1,371)**	(7)
Available-for-sale securities		**–**	(2)
Proceeds from sale of short-term investments, including			
Held-to-maturity securities		**80**	21
Available-for-sale securities		**1**	–
Acquisition of long-term investments, including			
Held-to-maturity securities		**(24)**	(36)
Available-for-sale securities		**(5)**	(7)
Proceeds from sale of long-term investments, including			
Held-to-maturity securities		**1**	4
Available-for-sale securities		**–**	7
Other		**–**	7
Acquisition of entities and additional shares in subsidiaries, net of cash acquired		**–**	(12)
Margin call deposit placed	13	**(315)**	–
Margin call deposit returned	13	**494**	–
Net cash used in investing activities		**(2,364)**	(1,773)

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows (continued)

(in millions of US dollars)

	Notes	Three months ended March 31, 2009 (unaudited)	Three months ended March 31, 2008 (unaudited)
Financing activities			
Proceeds from short-term debt		**7**	186
Repayment of short-term debt		**(53)**	(5,273)
Proceeds from long-term debt		**1,474**	3,180
Repayment of long-term debt		**(1,009)**	(671)
Net cash provided by/(used in) financing activities		**419**	(2,578)
Increase in cash and cash equivalents		**421**	154
Cash and cash equivalents at beginning of period		**1,369**	998
Effect of foreign exchange on cash and cash equivalents		**(97)**	38
Cash and cash equivalents at end of period		**1,693**	1,190
Supplementary disclosures of cash flow information			
Cash paid for interest (net of amount capitalized)		**43**	236
Cash paid for income taxes		**210**	930
Supplementary disclosure of non-cash activities			
Income tax offsets	5	**152**	–

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.

1. Nature of Operations

Open Joint Stock Company ("OJSC") Oil Company Rosneft ("Rosneft") and its subsidiaries, (collectively the "Company" or the "Group"), are principally engaged in exploration, development, production and sale of crude oil and gas and refining, transportation and sale of petroleum products in the Russian Federation and in certain international markets.

2. Significant Accounting Policies

Form and Content of the Interim Condensed Consolidated Financial Statements

The Company maintains its books and records in accordance with accounting and taxation principles and practices mandated by the Russian legislation. The accompanying interim condensed consolidated financial statements were derived from the Company's Russian statutory books and records with adjustments made to present them in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The interim condensed consolidated financial statements included herein are unaudited and have been prepared in accordance with US GAAP for interim financial reporting of public companies (primarily Accounting Principle Board Opinion ("APB") 28, *Interim Financial Reporting*) and do not include all disclosures required by US GAAP. The Company omitted disclosures which would substantially duplicate the information contained in its 2008 audited consolidated financial statements, such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Company has provided disclosures where significant events have occurred subsequent to the issuance of its 2008 audited consolidated financial statements. Management believes that the disclosures are adequate to make the information presented not misleading if these interim condensed consolidated financial statements are read in conjunction with the Company's 2008 audited consolidated financial statements and the notes related thereto. In the opinion of management, the financial statements reflect all adjustments of a normal and recurring nature necessary to present fairly the Company's consolidated financial position, results of operations and cash flows for the interim periods.

The results of operations for three months ended March 31, 2009 may not be indicative of the results of operations for the full year ended December 31, 2009. These interim condensed consolidated financial statements contain information updated through May 27, 2009.

The accompanying interim condensed consolidated financial statements differ from the financial statements issued for statutory purposes in Russia in that they reflect certain adjustments, not recorded in the Company's statutory books, which are appropriate to present the financial position, results of operations and cash flows in accordance with US GAAP. The principal adjustments relate to: (1) recognition of certain expenses; (2) valuation and depreciation of property, plant and equipment; (3) foreign currency translation; (4) deferred income taxes; (5) valuation allowances for unrecoverable assets; (6) accounting for the time value of money; (7) accounting for investments in oil and gas property and conveyances; (8) consolidation principles; (9) recognition and disclosure of guarantees, contingencies, commitments and certain assets and liabilities; (10) accounting for asset retirement obligations; (11) business combinations and goodwill/negative goodwill; (12) accounting for derivative instruments.

2. Significant Accounting Policies (continued)

Form and Content of the Interim Condensed Consolidated Financial Statements (continued)

Certain items in the consolidated balance sheet as of December 31, 2008, consolidated statement of income and comprehensive income, and the consolidated statement of cash flows for the three months ended March 31, 2008 were reclassified to conform to the current year presentation according to the provisions of SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51,* which the Company adopted from January 1, 2009 prospectively, with the exception of presentation and disclosure requirements (see below “Changes in Accounting Policies”).

Management Estimates

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheet as well as the amounts of revenues and expenses recognized during the reporting periods. Certain significant estimates and assumptions for the Company include: estimation of economically recoverable oil and gas reserves; rights to, recoverability and useful lives of long-term assets and investments; impairment of goodwill; allowances for doubtful accounts receivable; asset retirement obligations; legal and tax contingencies; environmental remediation obligations; recognition and disclosure of guarantees and other commitments; fair value measurements; ability to renew operating leases and to enter into new lease agreements, and classification of certain debt amounts. Management believes it has a reasonable and appropriate basis for its judgment pertaining to its estimates and assumptions. However, actual results could differ from those estimates.

Foreign Currency Translation

The management of the Company has determined that the US Dollar is the functional and reporting currency for the purpose of financial reporting under US GAAP. Monetary assets and liabilities have been translated into US dollars using the official exchange rate as of the balance sheet date. Non-monetary assets and liabilities have been translated at historical rates. Revenues, expenses and cash flows have, where practicable, been translated into US dollars at exchange rates that are close to the actual rates of exchange prevailing on transaction dates.

Gains and losses resulting from the re-measurement into US dollars are included in the "Foreign exchange gain/(loss)" in the consolidated statements of income and comprehensive income.

As of March 31, 2009 and December 31, 2008, the Central Bank of the Russian Federation ("CBR") official rates of exchange were 34.01 rubles and 29.38 rubles per US dollar, respectively. Average rates of exchange in the first three months of 2009 and 2008 were 33.93 rubles and 24.26 rubles per US dollar, respectively. As of May 27, 2009, the official rate of exchange was 31.15 rubles ("RUB") per US dollar.

The translation of local currency denominated assets and liabilities into US dollars for the purposes of these financial statements does not indicate that the Company could realize or settle, in US dollars, the reported values of these assets and liabilities. Likewise, it does not indicate that the Company could return or distribute the reported US dollar ("USD") value of equity to its shareholders.

2. Significant Accounting Policies (continued)

Principles of Consolidation

The interim condensed consolidated financial statements include the accounts of majority-owned, controlled subsidiaries and variable interest entities where the Company is a primary beneficiary. All significant intercompany transactions and balances have been eliminated. The equity method is used to account for investments in affiliates in which the Company has the ability to exert significant influence over the affiliates' operating and financial policies. The investments in entities where the Company holds the majority of shares, but the minority shareholders have significant influence, are also accounted for using the equity method. The Company's share in net profit or loss of equity investees also includes any other-than-temporary declines in fair value recognized during the period. Investments in other companies are accounted for at cost and adjusted for impairment, if any.

Business Combinations

From January 1, 2009, the Company accounts for its business combinations according to SFAS 141 (Revised), *Business Combinations,* and SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51,* (see below "Changes in Accounting Policies") under the acquisition method of accounting and recognizes the assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, license and other asset lives and market multiples, among other items.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the consideration transferred plus the fair value of any noncontrolling interest in the acquiree at the acquisition date over the fair values of the identifiable net asset acquired. The excess of the fair values of the identifiable net asset acquired over the consideration transferred plus the fair value of any noncontrolling interest in the acquiree should be recognized as a gain in consolidated statements of income and comprehensive income on the acquisition date.

For investees accounted for under the equity method, the excess of the cost to acquire a share in those entities over the fair value of the acquired share of net assets as of the acquisition date is treated as embedded goodwill.

In accordance with requirements of Statement SFAS 142, *Goodwill and Other Intangible Assets*, goodwill and intangible assets with indefinite useful lives are not amortized. Instead, they are tested at least annually for impairment. The impairment loss is recognized when the carrying value of goodwill exceeds its fair value. The impairment test is comprised of two stages. The first step compares the fair value of the reporting unit with its carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying value, the goodwill of the reporting unit is considered not impaired. Otherwise, the second step of the goodwill impairment test shall be performed to measure the amount of impairment loss resulting from the excess of the reporting unit's carrying value over its fair value. The loss recognized cannot exceed the carrying amount of goodwill. Subsequent reversal of a previously recognized goodwill impairment loss is prohibited.

Intangible assets that have a finite useful life are amortized using the straight-line method over the shorter of their useful life or the term established by legislation.

2. Significant Accounting Policies (continued)

Income Taxes

The Company follows the provisions of APB 28, *Interim Financial Reporting*, to arrive at the effective tax rate. The effective tax rate is the best estimate of the expected annual tax rate to be applied to the taxable income for the current reporting period. The rate is based on the currently enacted tax rate (20%) and includes estimates of the annual tax effect of permanent differences and the realization of certain deferred tax assets. The expected effective tax rate may vary during the year.

Derivative Instruments

All derivative instruments are recorded in the consolidated balance sheets at fair value in either other current assets, other non-current assets, other current liabilities or other non-current liabilities. Recognition and classification of a gain or loss that results from recognition of a derivative instrument at fair value depends on the purpose of issuing or holding the derivative instrument. Gains and losses from derivatives that are not accounted for as hedges under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, are recognized immediately in the consolidated statement of income and comprehensive income.

Comprehensive Income

The Company applies SFAS 130, *Reporting Comprehensive Income*, which establishes standards for the calculation and reporting of the Company's comprehensive income (net income plus all other changes in net assets from non-owner sources) and its components in the consolidated financial statements.

As of March 31, 2009 and December 31, 2008, the Company recorded other accumulated comprehensive loss (net of tax) in the amount of US$ 41 million and US$ 40 million, respectively, which represent an unrealized loss resulting from the revaluation of available-for-sale investments.

Accounting for Buy/Sell Contracts

The Company applies the Financial Accounting Standards Board's ("FASB") Emerging Issues Task Force ("EITF") Issue No. 04-13, *Accounting for Purchases and Sales of Inventory with the Same Counterparty* which requires that two or more legally separate exchange transactions with the same counterparty, including buy/sell transactions, be combined and considered as a single arrangement for the purposes of applying the provisions of APB 29, *Accounting for Non-monetary Transactions*, when the transactions are entered into "in contemplation" of one another.

Sale and Repurchase Transactions Involving Securities

Transactions involving sale and repurchase of securities ("REPO") are accounted for as secured financing whereby the Company retains these securities in the balance sheet and records a liability to a counterparty within "Short-term loans and current portion of long-term debt" or "Long-term debt", depending on its maturity. The difference between sale and repurchase prices is treated as an interest expense recognized in the consolidated statement of income and comprehensive income over the term of the sale and repurchase transaction using the effective interest method.

Under the terms of the repurchase agreements, the value of assets underlying the debt is marked-to-market by the counterparty at its discretion, as frequently as on a daily basis.

2. Significant Accounting Policies (continued)

Sale and Repurchase Transactions Involving Securities (continued)

If the value of the underlying asset declines, the counterparty has the ability to require the Company to provide additional collateral—cash or other liquid collateral—to compensate for the decline in value of the asset. Conversely, if the value of the underlying asset increases, a portion of the margin previously provided may be returned to the Company.

Changes in Accounting Policies

In December 2007, the FASB issued SFAS 141 (Revised), *Business Combinations* ("SFAS 141(R)"), which was subsequently amended by FASB Staff Position (FSP) FAS 141(R)-1 in April 2009. This Statement retains the fundamental requirements in SFAS 141 that acquisition method of accounting be used for all business combinations and for an acquirer to be identified for each business combination, but expands the scope of acquisition accounting to all transactions and circumstances under which control of business is obtained. SFAS 141(R) requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. That replaces SFAS 141's cost-allocation process, which required the cost of an acquisition to be allocated to the individual assets acquired and liabilities assumed based on their estimated fair values. SFAS 141(R) shall be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company adopted SFAS 141(R) from January 1, 2009. Adoption of SFAS 141 (Revised) did not have a material impact on the Company's financial position and results of operations.

In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51* ("SFAS 160"). This Statement amends Accounting Research Bulletin ("ARB") 51, *Consolidated Financial Statements*, to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 requires noncontrolling interest, previously called minority interest, to be presented as a separate item in the equity section of the consolidated balance sheet. It also requires the amount of consolidated net income attributable to noncontrolling interest to be clearly presented on the face of the consolidated statements of income and comprehensive income. SFAS 160 shall be effective for fiscal periods beginning on or after December 15, 2008. The Company adopted the provisions of SFAS 160 from January 1, 2009 prospectively with the exception of presentation and disclosure requirements, which were applied retrospectively for all periods presented, and did not significantly change the presentation of the Company's interim condensed consolidated financial statements. Equity attributable to noncontrolling interest did not change materially from December 31, 2008 to March 31, 2009.

In March 2008, the FASB issued SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities* ("SFAS 161"). This Statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 shall be effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company adopted SFAS 161 effective January 1, 2009.

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

Adoption of SFAS 161 did not have a material impact on the Company's financial position and results of operations.

Effective January 1, 2008, the Company adopted SFAS 157, *Fair Value Measurements* ("SFAS 157'), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Company elected one-year deferral of the effective date of SFAS 157 permitted by FSP FAS 157-2 for all nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value on a recurring basis (at least annually). Following the one-year deferral permitted FSP FAS 157-2, effective January 1, 2009, the Company adopted SFAS 157 for nonfinancial assets and nonfinancial liabilities measured at fair value on a nonrecurring basis, such as assets and liabilities measured at fair value in a business combination; impaired properties, plants and equipment; intangible assets and goodwill; initial recognition of asset retirement obligations. In the three months ended March 31, 2009, the Company did not have a business combination, impairment of goodwill or intangible assets. Adoption of SFAS 157 for nonfinancial assets and liabilities did not have a material impact on the Company's financial position and results of operations.

Recent Accounting Standards

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* ("FSP FAS 107-1 and APB 28-1"). FSP FAS 107-1 and APB 28-1 applies to all financial instruments within the scope of FAS 107, *Disclosures about Fair Value of Financial Instruments*, held by publicly traded companies. FSP FAS 107-1 and APB 28-1 requires companies to include disclosures about the fair value of its financial instruments whenever it issues summarized financial information for interim reporting periods. This FSP is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity may early adopt FSP FAS 107-1 and APB 28-1 only if it also elects to early adopt FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly,* and FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*. The Company will adopt FSP FAS 107-1 and APB 28-1 for interim reporting periods ending after June 15, 2009. The Company does not expect FSP FAS 107-1 and APB 28-1 to have a material impact on the Company's consolidated financial position and results of operations.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* ("FSP FAS 115-2 and FAS 124-2'). FSP FAS 115-2 and FAS 124-2 amends the other-than-temporary impairment guidance for debt securities and presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. Among other things FSP FAS 115-2 and FAS 124-2 replaces the current requirement that a holder have the positive intent and ability to hold an impaired security to recovery in order to conclude an impairment was temporary with a requirement that an entity conclude it does not intend to sell an impaired security and it is not more likely than not it will be required to sell the security before the recovery of its amortized cost basis. FSP FAS 115-2 and FAS 124-2 is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. Earlier adoption for periods ending before March 15, 2009, is not permitted. If an entity elects to adopt early either FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, or FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, the entity also is required to adopt early FSP FAS 115-2 and FAS 124-2.

2. Significant Accounting Policies (continued)

Recent Accounting Standards (continued)

Additionally, if an entity elects to adopt early FSP FAS 115-2 and FAS 124-2, it is required to adopt FSP FAS 157-4. The Company will adopt FSP FAS 115-2 and FAS 124-2 for interim reporting periods ending after June 15, 2009. The Company does not expect FSP FAS 115-2 and FAS 124-2 to have a material impact on the Company's consolidated financial position and results of operations.

In April 2009, the FASB issued FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* ("FSP FAS 157-4"). FSP FAS 157-4 provides additional guidance for estimating fair value in accordance with FASB Statement No. 157, *Fair Value Measurements*, when the volume and level of activity for the asset or liability have significantly decreased. FSP FAS 157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP FAS 157-4 reaffirms what Statement 157 states is the objective of fair value measurement—to reflect how much an asset would be sold for in an orderly transaction (as opposed to a distressed or forced transaction) at the date of the financial statements under current market conditions. Specifically, it reaffirms the need to use judgment to ascertain if a formerly active market has become inactive and in determining fair values when markets have become inactive. FSP FAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. Earlier adoption for periods ending before March 15, 2009, is not permitted. If a reporting entity elects to adopt early either FSP FAS 115-2 and FAS 124-2 or FSP FAS 107-1 and APB 28-1, it also is required to adopt early FSP FAS 157-4. Additionally, if the reporting entity elects to adopt early FSP FAS 157-4, FSP FAS 115-2 and FAS 124-2 also must be adopted early. The Company will adopt FSP FAS 157-4 for interim reporting periods ending after June 15, 2009. The Company does not expect FSP FAS 157-4 to have a material impact on the Company's consolidated financial position and results of operations.

In April 2009, the FASB issued FSP FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies* ("FSP FAS 141 (R)-1"). FSP FAS 141 (R)-1 applies to all assets acquired and liabilities assumed in a business combination that arise from contingencies that would be within the scope of Statement 5, *Accounting for Contingencies*, if not acquired or assumed in a business combination, except for assets or liabilities arising from contingencies that are subject to specific guidance in Statement 141(R), *Business Combinations*. FSP FAS 141(R)-1 provides guidance on initial recognition and measurement and subsequent measurement and accounting. FSP FAS 141(R)-1 shall be effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company will adopt FSP FAS 141(R)-1 for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the January 1, 2009. The Company has not yet identified the impact FSP FAS 141(R)-1 will have on the Company’s consolidated financial position and results of operations.

3. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

	March 31, 2009 (unaudited)	December 31, 2008
Cash on hand and at bank accounts in RUB	**459**	412
Cash on hand and at bank accounts in foreign currencies	**972**	830
Deposits	**249**	21
Other	**13**	106
Total cash and cash equivalents	**1,693**	1,369

Cash accounts denominated in foreign currencies represent primarily cash in US dollars.

Deposits represent primarily bank deposits denominated in RUB that may be readily convertible into cash and may be withdrawn by the Company at any time without prior notice or penalties.

As part of its cash management and credit risk function, the Company regularly evaluates the creditworthiness of financial and banking institutions where it deposits cash. Banking relationships are primarily with Russian subsidiaries of international banking institutions and certain large Russian banks.

4. Short-term Investments

Short-term investments comprise the following:

	March 31, 2009 (unaudited)	December 31, 2008
Short-term loans granted	–	1
Loans to related parties	**9**	8
Structured deposits (Note 21)	**1,323**	–
Cash margin under repurchase agreement (Note 13)	**715**	893
Promissory notes held-to-maturity	**532**	600
Trading securities		
Promissory notes	–	1
State and corporate bonds	**67**	76
Other	**10**	4
Available-for-sale securities	**19**	22
Bank deposits	**137**	105
Total short-term investments	**2,812**	1,710

5. Accounts Receivable, Net

Accounts receivable comprise the following:

	March 31, 2009 (unaudited)	December 31, 2008
Trade receivables	**1,989**	1,785
Value-added tax receivable	**1,832**	1,907
Other taxes	**842**	1,349
Banking loans to customers	**781**	1,007
Acquired receivables	**64**	74
Other	**157**	311
Less: allowance for doubtful accounts	**(120)**	(134)
Total accounts receivable, net	**5,545**	6,299

The Company's trade accounts receivable are denominated primarily in US dollars. Credit risk is managed through the use of letters of credit. Credit risk in domestic sales of petroleum products is managed through the use of bank guarantees for receivables repayment.

In the first quarter of 2009, the profit tax receivable included within Other taxes in the table above was settled through cash payments and a legal offset against current tax liabilities (see Note 14). The total amount of profit tax recovered was RUB 8.4 billion (US$ 247.5 million at the average exchange rate in the first quarter of 2009).

6. Inventories

Inventories comprise the following:

	March 31, 2009 (unaudited)	December 31, 2008
Materials and supplies	**486**	478
Crude oil and gas	**236**	252
Petroleum products	**651**	697
Total inventories	**1,373**	1,427

Materials and supplies mostly include spare parts. Petroleum products also include those designated for sale as well as for own use.

7. Prepayments and Other Current Assets

Prepayments and other current assets comprise the following:

	March 31, 2009 (unaudited)	December 31, 2008
Prepayments to suppliers	**447**	651
Prepayments to customs brokers	**196**	683
Insurance prepayments	**9**	6
Customs	**152**	415
Embedded call options (Note 21)	**10**	–
Other	**109**	91
Total prepayments and other current assets	**923**	1,846

Customs primarily represent export duty prepayments related to the export of crude oil and petroleum products (see Note 15).

8. Long-Term Investments

Long-term investments comprise the following:

	March 31, 2009 (unaudited)	December 31, 2008
Equity method investments		
OJSC Tomskneft VNK	**1,554**	1,475
Polar Lights Company LLC	**96**	94
JV Rosneft-Shell Caspian Ventures Limited	**20**	19
OJSC Verkhnechonskneftegaz	**212**	218
CJSC Vlakra	**109**	109
OJSC Kubanenergo	**90**	94
Other	**175**	164
Total equity method investments	**2,256**	2,173
Available-for-sale securities		
OJSC TGK-11	**5**	7
Long-term promissory notes	**3**	4
Held-to-maturity securities		
Russian government bonds	**28**	29
Long-term loans granted	**–**	1
Long-term loans to equity investees	**413**	467
Cost method investments	**15**	14
Total long-term investments	**2,720**	2,695

Equity share in profits/(losses) of material equity investees comprise the following:

		Share in income/(loss) of equity investees	
	Participation interest (percentage) as of March 31, 2009	Three months ended March 31, 2009 (unaudited)	Three months ended March 31, 2008 (unaudited)
Polar Lights Company LLC	**50.00**	**2**	21
OJSC Verkhnechonskneftegaz	**25.94**	**(6)**	(4)
JV Rosneft-Shell Caspian Ventures Limited	**51.00**	**1**	(1)
OJSC Tomskneft VNK	**50.00**	**78**	98
OJSC Daltransgaz	**–**	**–**	(2)
Other	**various**	**(33)**	–
Total equity share		**42**	112

9. Property, Plant and Equipment

Property, plant and equipment comprise the following:

	Cost		Accumulated depreciation		Net carrying amount	
	March 31, 2009 (unaudited)	**December 31, 2008**	**March 31, 2009 (unaudited)**	**December 31, 2008**	**March 31, 2009 (unaudited)**	**December 31, 2008**
Exploration and production	**55,653**	54,876	**(11,914)**	(11,163)	**43,739**	43,713
Refining, marketing and distribution	**12,843**	12,777	**(3,464)**	(3,300)	**9,379**	9,477
Other activities	**2,374**	2,510	**(505)**	(496)	**1,869**	2,014
Total property, plant and equipment	**70,870**	70,163	**(15,883)**	(14,959)	**54,987**	55,204

10. Goodwill and Intangible Assets

As of March 31, 2009 and December 31, 2008, goodwill represents the excess of the purchase price of additional shares and interests in various entities acquired in the refining, marketing and distribution segment and the exploration and production segment in the amounts of US$ 3,793 million and US$ 714 million, respectively, over the fair value of the corresponding share in net assets.

Intangible assets comprise the following:

	Cost		Accumulated amortization		Net carrying amount	
	March 31, 2009 (unaudited)	**December 31, 2008**	**March 31, 2009 (unaudited)**	**December 31, 2008**	**March 31, 2009 (unaudited)**	**December 31, 2008**
Land leasehold rights	**718**	718	**(62)**	(53)	**656**	665
Other	**18**	19	**(5)**	(5)	**13**	14
Total intangible assets	**736**	737	**(67)**	(58)	**669**	679

11. Other Non-Current Assets

Other non-current assets comprise the following:

	March 31, 2009 (unaudited)	**December 31, 2008**
Advance payment in favor of Factorias Vulcano S.A.	**168**	178
Advances paid for capital construction	**727**	739
Deferred rentals	**172**	–
Debt issue costs	**125**	118
Prepaid insurance	**10**	14
Long-term receivables (Note 19)	**20**	23
Other	**78**	105
Total other non-current assets	**1,300**	1,177

Deferred rentals represent loss from modification of capital lease arrangement to operating lease. This amount is amortizable for five years.

12. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities comprise the following:

	March 31, 2009 (unaudited)	December 31, 2008
Trade accounts payable	**1,161**	1,432
Salary and other benefits payable	**427**	405
Advances received	**220**	268
Dividends payable	**2**	2
Banking customer accounts	**618**	763
Accrued expenses	**63**	71
Other	**148**	155
Total accounts payable and accrued liabilities	**2,639**	3,096

The Company's accounts payable are denominated primarily in RUB.

13. Short-Term Loans and Long-Term Debt

Short-term loans and borrowings comprise the following:

	March 31, 2009 (unaudited)	December 31, 2008
Bank loans – foreign currencies	**605**	608
Bank loans – RUB denominated	**2,256**	2,639
Customer deposits – foreign currencies	**173**	149
Customer deposits – RUB denominated	**127**	213
Promissory notes payable	**1,417**	1,598
Promissory notes payable – Yukos related	**456**	687
Borrowings – RUB denominated	**245**	309
Borrowings – RUB denominated – Yukos related	**572**	650
Repurchase obligation	**1,948**	1,916
	7,799	8,769
Current portion of long-term debt	**6,589**	5,315
Total short-term loans and borrowings and current portion of long-term debt	**14,388**	14,084

As of March 31, 2009, weighted average interest rates on short-term loans in foreign currency and in RUB were 7.58% and 13.02%, respectively.

Customer deposits represent fixed-term deposits placed by customers with the Company's subsidiary bank, denominated in RUB and foreign currencies. Customer deposits denominated in RUB bear an interest rate ranging from 0.01% p.a. to 13.8% p.a. Customer deposits denominated in foreign currencies bear an interest rate ranging from 0.01% p.a. to 8.5% p.a.

As of March 31, 2009, weighted average interest rate on promissory notes was 10.45%. The promissory notes are recorded at amortized cost.

13. Short-Term Loans and Long-Term Debt (continued)

Promissory notes payable – Yukos related represent financing originally received from the entities that were related to Yukos Oil Company on the debt issue date. The promissory notes are primarily payable on demand and bear interest rates ranging from 0% to 18% p.a. The promissory notes are recorded at amortized cost.

RUB denominated borrowings are interest-free and were received from equity investees.

RUB denominated borrowings – Yukos related primarily include borrowings provided by Yukos Capital S.a.r.l., which bore interest of 9% p.a. and matured at the end of 2007 (see Note 19).

In June 2008, the Group sold 412.86 million treasury shares of Rosneft to a syndicate of international banks for a cash consideration of US$ 2.35 billion payable under a repurchase agreement. The Company has a right and obligation to repurchase the shares within one year. The repurchase obligation carries an interest of 5.76% p.a. In accordance with the repurchase agreement, this transaction was accounted for in the consolidated balance sheet as secured financing. In 2008, as a result of margin calls Rosneft transferred an additional 82.07 million treasury shares as collateral and paid US$ 1.39 billion in cash, of which US$ 0.5 billion was credited towards the repurchase obligation. In the first quarter of 2009, net cash deposits returned amounted to US$ 179 million. As of March 31, 2009, the repurchase obligation (without accrued interest) amounted to US$ 1.9 billion.

Long-term debt comprises the following:

	March 31, 2009 (unaudited)	December 31, 2008
Bank loans – foreign currencies	**12,390**	11,645
Bank loans raised for funding the acquisition of OJSC Yuganskneftegaz – USD denominated	**2,341**	2,641
Borrowings – USD denominated	**6**	9
Borrowings – RUB denominated	**16**	18
Customer deposits – foreign currencies	**29**	15
Customer deposits – RUB denominated	**98**	91
Promissory notes payable	**32**	48
Promissory notes payable – Yukos related	**819**	929
	15,731	15,396
Current portion of long-term debt	**(6,589)**	(5,315)
Total long-term debt	**9,142**	10,081

In January 2009, Rosneft raised a syndicated floating rate bank loan in the amount of US$ 1.35 billion which is repayable within 15 months and secured by oil export contracts.

The interest rates on the Company's long-term bank loans denominated in foreign currencies range from LIBOR plus 0.5% to LIBOR plus 1.8%. These loans also include inter-bank loans raised by the Rosneft subsidiary bank. These bank loans are primarily secured by contracts for the export of crude oil.

As of March 31, 2009, the bank loans raised for funding the acquisition of OJSC Yuganskneftegaz represent a long-term loan obtained through a government-owned bank at a rate of LIBOR plus 0.7% p.a. repayable in equal monthly installments. It is scheduled to be fully repaid in 2011. This loan is secured by the Company’s receivables under a long-term export contract for the supply of crude oil (see Note 19).

13. Short-Term Loans and Long-Term Debt (continued)

Customer deposits represent fixed-term deposits placed by customers with the Company's subsidiary bank, denominated in RUB and foreign currencies. The RUB-denominated deposits bear interest rates ranging from 6.0% p.a. to 14.2% p.a. Deposits denominated in foreign currencies bear interest rates of 3.0%- 10.0% p.a.

Promissory notes payable include promissory notes with the effective interest rates ranging from 11.0% to 11.09% p.a. The promissory notes mature primarily in 2009 and are recorded at amortized cost.

Promissory notes payable – Yukos related, represent financing originally received from the entities that were related to Yukos Oil Company on the debt issue date. The promissory notes bear interest rates ranging from 0% to 12% p.a. and mature primarily in 2009. The promissory notes are recorded at amortized cost. In the first quarter of 2009, the Company wrote-off unclaimed promissory notes where statute of limitations expired and recognized gain in the amount of US$ 141 million in the consolidated statement of income and comprehensive income within other income.

Generally, long-term loans are secured by oil export contracts. Usually, under the terms of such contracts, the lender is provided with an express right of claim for contractual revenue which must be remitted directly to transit currency (USD denominated) accounts with those banks, should the Company fail to make timely debt repayments.

The Company is obliged to comply with a number of restrictive financial and other covenants contained within its loan agreements. Restrictive covenants include maintaining certain financial ratios.

As of March 31, 2009, the Company is in compliance with all restrictive financial and other covenants contained within its loan agreements.

The scheduled aggregate maturity of long-term debt outstanding as of March 31, 2009 is as follows:

	(Unaudited)
Until December 31, 2009	**4,749**
2010	**5,518**
2011	**2,693**
2012	**2,004**
2013	**632**
2014 and after	**135**
Total long-term debt	**15,731**

14. Income and Other Tax Liabilities

Income and other tax liabilities comprise the following:

	March 31, 2009 (unaudited)	December 31, 2008
Mineral extraction tax	**468**	393
Value-added tax	**187**	244
Excise tax	**123**	138
Personal income tax	**17**	20
Property tax	**62**	66
Income tax	**90**	113
Other	**72**	120
Total income and other tax liabilities	**1,019**	1,094

Tax liabilities above include the respective current portion of non-current restructured tax liabilities (see Note 17).

15. Export Customs Duty

Export customs duty comprises the following:

	Three months ended March 31, 2009 (unaudited)	Three months ended March 31, 2008 (unaudited)
Oil and gas sales		
Export customs duty	**1,388**	3,450
Petroleum products sales and processing fees		
Export customs duty	**454**	1,028
Total export customs duty	**1,842**	4,478

16. Income and Other Taxes

Income tax expenses comprise the following:

	Three months ended March 31, 2009 (unaudited)	Three months ended March 31, 2008 (unaudited)
Current income tax expense	**198**	1,103
Deferred income tax benefit	**(71)**	(267)
Total income tax expense	**127**	836

The most significant reconciling item between theoretical income tax expense and recorded tax is foreign exchange.

16. Income and Other Taxes (continued)

As of March 31, 2009, the Company analyzed its tax positions for uncertainties affecting recognition and measurement thereof. Following the analysis, the Company believes that it is more likely than not that the majority of all deductible tax positions stated in the income tax return would be sustained upon the examination by the tax authorities. This is supported by the results of the examinations of the income tax returns which have been conducted to date.

The following table shows a reconciliation of the beginning and ending unrecognized tax benefits for the three months ended March 31, 2009 and 2008:

	Three months ended March 31, 2009 (unaudited)	**Three months ended March 31, 2008 (unaudited)**
Unrecognized tax benefits at the beginning of the reporting period	**14**	18
Increase for tax positions of prior years	**–**	29
Decrease for unrecognized tax benefits due to settlements with tax authorities	**(6)**	–
Unrecognized tax benefits at the end of the reporting period	**8**	47

The total amount of unrecognized tax benefits that, if recognized, would affect the effective income tax rate is US$ 5 million and US$ 41 million as of March 31, 2009 and 2008, respectively.

Accrued liabilities for interest and penalties for income tax totalled US$ 260 million and US$ 302 million as of March 31, 2009 and December 31, 2008, respectively. Interest for income tax in the amount of US$ 1 million and US$ 34 million were accrued in the consolidated statement of income and comprehensive income for the three months ended March 31, 2009 and 2008, respectively.

In addition to income tax, the Company incurred other taxes as follows:

	Three months ended March 31, 2009 (unaudited)	**Three months ended March 31, 2008 (unaudited)**
Mineral extraction tax	**986**	3,076
Excise tax	**185**	313
Property tax	**48**	64
Other	**128**	137
Total taxes other than income tax	**1,347**	3,590

17. Other Non-Current Liabilities

Other non-current liabilities comprise the following:

	March 31, 2009 (unaudited)	**December 31, 2008**
Restructured tax liabilities	**1,316**	1,611
Long-term lease obligations	**36**	86
Deferred income	**56**	63
Liabilities to municipalities under amicable agreements	**71**	91
Other	**15**	19
Total other non-current liabilities	**1,494**	1,870

17. Other Non-Current Liabilities

In February and March 2008, the Company received signed resolutions of the Government of the Russian Federation and relevant regional and local authorities regarding the restructuring of the respective tax liabilities. Under the tax restructuring plan, the outstanding tax liabilities shall be repaid quarterly within five years starting from March 2008. The Company's payments excluding interest amounted to RUB 1,342 million (US$ 40.3 million at the CBR official exchange rate as of the payment dates) and RUB 1,162 million (US$ 49.4 million at the CBR official exchange rate as of the payment dates) for the three months ended March 31, 2009 and 2008, respectively.

The Company intends to undertake all possible actions to comply with the tax restructuring plan in full.

18. Related Party Transactions

In the normal course of business the Company enters into transactions with other enterprises which are directly or indirectly controlled by the Russian Government. Such enterprises are OJSC Gazprom, OJSC Russian Railways, OJSC Sberbank, Vnesheconombank, OJSC Bank VTB, OJSC Gazprombank, OJSC AK Transneft, former business units of RAO UES, and federal agencies, including tax authorities.

Total amounts of transactions and balances with companies controlled by the Russian Government for each of the reporting periods ending March 31, as well as related party balances as of March 31, 2009 and December 31, 2008 are provided in the tables below:

	Three months ended March 31, 2009 (unaudited)	**Three months ended March 31, 2008 (unaudited)**
Revenues and Income		
Oil and gas sales	**34**	49
Sales of petroleum products and processing fees	**71**	363
Support services and other revenues	**22**	9
Interest income	**8**	2
	135	423
Costs and expenses		
Production and operating expenses	**57**	18
Pipeline tariffs and transportation costs	**668**	858
Other expenses	**8**	13
Interest expense	**72**	69
Banking fees	**2**	3
	807	961
Other operations		
Proceeds from short-term and long-term debt	**–**	1
Repayment of short-term and long-term debt	**305**	269
Deposits placed	**–**	10
Deposits paid	**2**	91

18. Related Party Transactions (continued)

	March 31, 2009 (unaudited)	December 31, 2008
Assets		
Cash and cash equivalents	**729**	617
Accounts receivable	**64**	158
Prepayments and other current assets	**173**	278
Short-term and long-term investments	**253**	105
	1,219	1,158
Liabilities		
Accounts payable	**27**	28
Short-term and long-term debt (including interest)	**4,636**	5,211
	4,663	5,239

Total amounts of transactions with related parties (except for those controlled by the Government of the Russian Federation), which are primarily equity investees and joint ventures, for each of the reporting periods ending March 31, as well as related party balances as of March 31, 2009 and December 31, 2008 are provided in the tables below:

	Three months ended March 31, 2009 (unaudited)	Three months ended March 31, 2008 (unaudited)
Revenues and Income		
Oil and gas sales	**5**	11
Sales of petroleum products and processing fees	**17**	71
Support services and other revenues	**79**	48
Interest income	**4**	2
	105	132
Costs and expenses		
Production and operating expenses	**47**	48
Purchase of oil and petroleum products	**183**	94
Other expenses	**25**	33
Interest expense	**–**	2
	255	177
Other operations		
Purchase of short-term and long-term investments	**6**	12
Proceeds from short-term and long-term debt	**–**	8
Repayment of short-term and long-term debt	**24**	4
Borrowings issued	**7**	30
Repayment of borrowings issued	**–**	115

	March 31, 2009 (unaudited)	December 31, 2008
Assets		
Accounts receivable	**30**	132
Prepayments and other current assets	**1**	15
Short-term and long-term investments	**203**	214
	234	361
Liabilities		
Accounts payable	**195**	213
Short-term and long-term debt (including interest)	**229**	297
	424	510

19. Commitments and Contingencies

Russian Business Environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government. In addition laws and regulations, including interpretations, enforcement and judicial processes, continue to evolve in Russia. Other laws and regulations and certain other restrictions producing a significant effect on the Company's industry, included but not limited to the following: rights to use subsurface resources, environmental matters, site restoration, transportation and export, corporate governance, taxation, etc.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia. While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity and supporting debt refinancing for Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Company and its counterparties, which could affect the Company's financial position, results of operations and business prospects.

While management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances, further market deterioration could negatively affect the Company's consolidated results and financial position in a manner not currently determinable.

Taxation

Legislation and regulations regarding taxation in Russia continue to evolve. Various legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local, regional and national tax authorities. Instances of inconsistent opinions are not unusual.

The current regime of penalties and interest related to reported and discovered violations of Russia's laws, decrees and related regulations is severe. Interest and penalties are levied when an understatement of a tax liability is discovered. As a result, the amounts of penalties and interest can be significant in relation to the amounts of unreported taxes.

In Russia tax returns remain open and subject to inspection for a period of up to three years. The fact that a year has been reviewed does not close that year, or any tax return applicable to that year, from further review during the three-year period.

Russian transfer pricing rules were introduced in 1999, giving Russian tax authorities the right to make transfer pricing adjustments and impose additional tax liabilities in respect of all controlled transactions, provided that the transaction price deviates from the market price by more than 20%. Controlled transactions include transactions between related entities and certain other types of transactions between independent parties, such as foreign trade transactions with significant (by more than 20%) price fluctuations.

19. Commitments and Contingencies (continued)

Taxation (continued)

The Russian transfer pricing rules are vaguely drafted, leaving wide scope for interpretation by Russian tax authorities and courts. Due to the uncertainties in interpretation of transfer pricing legislation, the tax authorities may challenge the Group's prices and propose an adjustment. If such price adjustments are upheld by the Russian courts and implemented, it could have an adverse effect on the Group's financial condition and results of operations. The Company's management believes that such transfer pricing related income tax positions taken by the Company are sustainable and will not have any significant negative impact on the Company's financial statements. The Company provides finance for operations of its subsidiaries by various means which may lead to certain tax risks. The Company's management believes that the related tax positions are sustainable and will not have any significant negative impact on the Company's consolidated financial position or results of operations.

The Company is currently challenging a number of decisions made by the tax authorities to accrue additional and decline reimbursement of VAT paid to suppliers in the amount of RUB 7,890 million (US$ 232 million at the CBR official exchange rate as of March 31, 2009) and with respect to excise tax in the amount of RUB 4,323 million (US$ 127 million at the CBR official exchange rate as of March 31, 2009).

The Company's management believes that the outcome of these tax cases will not have any significant impact on the Company's consolidated financial position or results of operations. Overall, management believes that the Company has paid or accrued all taxes that are applicable. For taxes other than income tax, where uncertainty exists, the Company has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. Possible liabilities which were identified by management at the balance sheet dates as those that can be subject to different interpretations of the tax laws and regulations are not accrued in the interim condensed consolidated financial statements.

Capital Commitments

The Company and its subsidiaries are engaged in ongoing capital projects for exploration and development of production facilities and modernization of refineries and the distribution network. The budgets for these projects are generally set on an annual basis. Depending on the current market situation, actual expenditures may vary from the budgeted amounts.

Environmental Matters

Due to the nature of its business, Rosneft and its subsidiaries are subject to federal legislation regulating environmental protection. The majority of environmental liabilities arise as a result of accidental oil spills, leaks that pollute land, and air pollution. The Company considers fines paid and other environmental liabilities as immaterial, given the scale of its operations.

In the course of its operations, the Company seeks to comply with international environmental standards and monitors compliance therewith on a regular basis. With a view to improve environmental activities, the Company takes specific measures to mitigate the adverse impact of its current operations on the environment.

Legislation that regulates environmental protection in the Russian Federation is evolving, and the Company evaluates its liabilities in accordance therewith.

19. Commitments and Contingencies (continued)

Environmental Matters (continued)

Currently it is not possible to reasonably estimate the liabilities of the Company which may be incurred should the legislation be amended.

The management believes that, based on the existing legislation, the Company is unlikely to have liabilities that need to be accrued in addition to the amounts already recognized in the interim condensed consolidated financial statements and that may have a material adverse effect on the consolidated operating results or financial position of the Company.

Social Commitments

The Company is required to maintain certain social infrastructure assets (not owned by the Company and not recorded in the interim condensed consolidated financial statements) for use by its employees.

The Company incurred US$ 6 million and US$ 11 million in social infrastructure and similar expenses for the first three months of 2009 and 2008, respectively. These expenses are presented as other expenses in the consolidated statements of income and comprehensive income.

Pension Plans

The Company and its subsidiaries make payments to the State Pension Fund of the Russian Federation. These payments are calculated by the employer as percentage from the salary expense and are expensed as accrued.

The Company contributes to a corporate pension fund to finance non-state pensions of its employees. The corporate pension fund is similar to a defined contribution plan. For the first three months of 2009 and 2008, the Company made contributions to the corporate pension fund amounting to US$ 24 million and US$ 28 million, respectively.

Insurance

The Company insures its assets with OJSC Rosno and OJSC Sogaz, a related party.

As of March 31, 2009 and December 31, 2008, the amount of coverage of assets under such insurance amounted to US$ 21,601 million and US$ 21,750 million, respectively.

Guarantees and Indemnity

As of March 31, 2009, the Company has provided guarantees for certain debt agreements primarily of its subsidiaries. In accordance with the debt agreements, the Company is obliged to perform on the guarantee and to pay the bank all amounts of outstanding guaranteed liabilities, including interest.

The Company cannot substitute guarantees issued by any novation agreement or mutual offset. The Company's obligations under guarantees issued are valid in case of any change in the loan agreements. After the full payment and settlement of all obligations under the guarantees, the Company has the right to subrogate its respective part of all bank claims against the debtor in accordance with the loan agreements. In the event the Company makes payments under guarantees issued, it has a right to claim the amounts paid from the debtor.

19. Commitments and Contingencies (continued)

Guarantees and Indemnity (continued)

In January 2007, RN-Yuganskneftegaz LLC signed a guarantee agreement in respect of all the obligations of RN-Energo LLC, the Company's wholly owned subsidiary, under the contract for electricity supply with OJSC Tyumenskaya Energosbytovaya Companiya for the period through December 31, 2010, in the amount of of RUB 1.5 billion (US$ 44 million at the CBR official exchange rate as of March 31, 2009). In the first quarter of 2009, this guarantee agreement was extended to December 31, 2012.

During 2007 and 2008, the Company successfully defended its position in various courts as to the invalidity of guarantees provided by OJSC Yuganskneftegaz, OJSC Samaraneftegaz and OJSC Tomskneft VNK related to the Yukos Oil Company indebtedness of US$ 1,600 million to Moravel Investments Limited. As most of the relevant indebtedness was collected by the principal creditor, the Company has concluded that the probability of any unfavourable outcome in relation to the matter is now remote.

Litigation, Claims and Assessments

In 2006 Yukos Capital S.a.r.l., a former subsidiary of Yukos Oil Company, initiated arbitral proceedings against the Company and OJSC Samaraneftegas, the Company's subsidiary, in various courts alleging default under six ruble-denominated loans. The International Court of Commercial Arbitration (the "ICCA") at the Russian Federation Chamber of Commerce and Industry issued four arbitration awards in favor of Yukos Capital S.a.r.l. in the amount of RUB 12.9 billion (US$ 379 million at the CBR official exchange rate as at March 31, 2009). Arbitration panel formed pursuant to the International Chamber of Commerce ("ICC") rules issued an award against OJSC Samaraneftegas in the amount of RUB 3.6 billion (US$ 105 million at the CBR official exchange rate as at March 31, 2009).

In 2007 the Company successfully challenged the ICCA awards and the ICCA awards were set aside by the Russian courts, including the Supreme Arbitration Court of the Russian Federation. Yukos Capital S.a.r.l., nevertheless, sought to enforce the ICCA awards in the Netherlands. The district court in Amsterdam refused to enforce the ICCA awards on the ground that they were properly set aside by a competent court. Yukos Capital S.a.r.l. appealed and on April 28, 2009 the Amsterdam Court of Appeals reversed the district court judgment and allowed Yukos Capital S.a.r.l. to enforce the ICCA awards in the Netherlands. The Company intends to appeal the decision of the Amsterdam Court of Appeals to the Dutch Supreme Court.

To the best of the Company's knowledge, no attempt has been made by Yukos Capital S.a.r.l. to enforce the ICC awards against OJSC Samaraneftegas. Additionally, in 2007 Rosneft filed lawsuits with Russian arbitration courts in Moscow and Samara to nullify the loan agreements with Yukos Capital S.a.r.l. Court hearings are scheduled for the second half of 2009.

The Company continues to reflect the liability under these loan agreements in its consolidated financial statements (see Note 13) and believes that payments in excess of the recorded amounts are possible but can not be reasonably estimated.

19. Commitments and Contingencies (continued)

Litigation, Claims and Assessments (continued)

The Company and its subsidiary participate in arbitral proceedings against OJSC Sakhaneftegaz and OJSC Lenaneftegaz for the recovery of certain loans and guarantees of indemnity in the amount of RUB 1,286 million (US$ 38 million at the CBR official exchange rate as of March 31, 2009). The respective accounts receivable in the amount of US$ 20 million (net of allowance in the amount of US$ 18 million) are recorded as long-term receivables in the consolidated balance sheet (see Note 11).

The Company is also a plaintiff in arbitral proceedings against OJSC National Bank TRUST (further 'TRUST') for the repayment under a deposit agreement. On June 30, 2008, the court of first instance upheld the full amount of claims filed by Rosneft against TRUST. The decision was upheld by appeal court on December 30, 2008. In the first quarter of 2009, TRUST repaid part of debts in the amount of RUB 363 million (US$ 11 million at the CBR official exchange rate as of March 31, 2009). The remaining RUB 1,439 million (US$ 42 million at the CBR official exchange rate as of March 31, 2009) is recorded in the consolidated balance sheet as acquired receivables (see Note 5). The Company believes that the maximum amount of possible loss is limited by the amounts currently recorded in the consolidated balance sheet.

In the second half of 2008 and first quarter 2009, the Federal Antimonopoly Service ("FAS Russia") and its regional bodies ruled that Rosneft and certain companies of the Group violated certain antimonopoly regulations in relation to petroleum products trading. The total amount of administrative penalties assessed as of the financial statements issue date is RUB 2,079 million (US$ 61 million at the CBR official exchange rate as of March 31, 2009). The Company is appealing the rulings and believes that payments of some portion of the above penalties are possible but the ultimate amount can not be reasonably estimated.

The Company and its subsidiaries are involved in other litigations which arise from time to time in the course of their business activities. The Company's management believes that the ultimate result of these litigations will not significantly affect the operating results or financial position of the Company.

Licence Agreements

In accordance with certain license agreements or separate agreements concluded from time to time with the local and regional authorities, the Company is required to maintain certain levels of expenditures for health, safety and environmental protection, as well as maintain certain level of capital expenditures. Generally these expenditures are within the normal operating and capital budgets and are accounted for when incurred in accordance with existing accounting policies for respective costs and expenses.

Oil Supplies

In January 2005, the Company entered into a long-term contract for the term through 2010 with China National United Oil Corporation for the export of crude oil in the total amount of 48.4 million tons to be delivered in equal annual amounts. The prices are determined based on usual commercial terms for crude oil deliveries.

20. Segment Information

Presented below is information about the Company's operating segments in accordance with SFAS 131, *Disclosures about Segments of an Enterprise and Related Information.* The Company determines its operating segments based on the nature of their operations. The performance of these operating segments is assessed by management on a regular basis. The E&P segment is engaged in field exploration and development and production of crude oil and natural gas. The R&M segment is engaged in processing crude oil and other hydrocarbons into petroleum products, as well as the purchase, sale and transportation of crude oil and petroleum products. Corporate assets are allocated between exploration and production and refining, marketing and distribution in proportion to sales of these segments. Drilling services, construction services, banking and finance services, and other activities are combined in the "All other" category. Substantially all of the Company's operations are conducted in the Russian Federation. Further, the geographical regions within the Russian Federation have substantially similar economic and regulatory conditions. Therefore, the Company has not presented any separate geographical disclosure.

The significant accounting policies applied to each operating segment are consistent with those applied to the interim condensed consolidated financial statements. Sales transactions for goods and services between the operating segments are carried out using prices agreed upon between Rosneft and its subsidiaries.

Operating segments for three months ended March 31, 2009:

	Exploration and production (unaudited)	**Refinery, marketing and distribution (unaudited)**	**All other (unaudited)**	**Total elimination (unaudited)**	**Consolidated (unaudited)**
Revenues from external customers	**199**	**7,710**	**355**	**–**	**8,264**
Intersegmental revenues	**1,622**	**752**	**1,148**	**(3,522)**	**–**
Total revenues	**1,821**	**8,462**	**1,503**	**(3,522)**	**8,264**
Production and operating expenses and cost of purchased oil, gas and petroleum products	**414**	**556**	**145**	**–**	**1,115**
Depreciation, depletion and amortization	**772**	**171**	**37**	**–**	**980**
Operating income	**651**	**3,305**	**885**	**(3,522)**	**1,319**
Total other income, net					**893**
Income before tax					**2,212**

20. Segment Information (continued)

Operating segments for three months ended March 31, 2008:

	Exploration and production (unaudited)	Refinery, marketing and distribution (unaudited)	All other (unaudited)	Total elimination (unaudited)	Consolidated (unaudited)
Revenues from external customers	442	15,719	207	–	16,368
Intersegmental revenues	2,550	773	1,246	(4,569)	–
Total revenues	2,992	16,492	1,453	(4,569)	16,368
Production and operating expenses and cost of purchased oil, gas and petroleum products	570	1,061	158	–	1,789
Depreciation, depletion and amortization	772	154	28	–	954
Operating income	1,333	6,133	807	(4,569)	3,704
Total other expenses, net					(298)
Income before tax					3,406

Below is a breakdown of revenues by domestic and export sales, with a classification of export sales based on the country of incorporation of the foreign customer.

	Three months ended March 31, 2009 (unaudited)	Three months ended March 31, 2008 (unaudited)
Oil and gas sales		
Export sales of crude oil – Europe and other directions	**2,989**	6,010
Export sales of crude oil – Asia	**846**	1,857
Export sales of crude oil – CIS	**259**	631
Domestic sales of crude oil	**14**	76
Domestic sales of gas	**80**	117
Total oil and gas sales	**4,188**	8,691
Sales of petroleum products		
Export sales of petroleum products – Europe	**1,261**	2,388
Export sales of petroleum products – Asia	**862**	1,586
Export sales of petroleum products – CIS	**50**	190
Domestic sales of petroleum products and processing fees	**1,619**	3,069
Sale of petrochemical products	**28**	132
Total petroleum products sales	**3,820**	7,365

21. Fair Value of Financial Instruments and Risk Management

Effective January 1, 2008, the Company adopted SFAS 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

SFAS 157 defines three levels of inputs that may be used to measure fair value:

Level 1– Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to assess at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2– Observable inputs other than Level 1 prices such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or model-derived valuations or other inputs that are observable or can be corroborated by observable market data.

Level 3– Unobservable inputs for the asset or liability. These inputs reflect the Company’s own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Assets and liabilities of the Company that are measured at fair value on a recurring basis are presented in the table below in accordance with the fair value hierarchy.

	Fair value measurement as of March 31, 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Current assets				
Trading securities	38	38	–	76
Available-for-sale securities	–	19	–	19
Derivatives	–	10	–	10
Non-current assets				
Available-for-sale securities	5	3	–	8
Total assets measured at fair value	**43**	**70**	**–**	**113**
Liabilities:				
Derivatives	–	(181)	–	(181)
Total liabilities measured at fair value	**–**	**(181)**	**–**	**(181)**

The market for a number of financial assets is not active. In accordance with requirements of FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, observable inputs of Level 2 were used to disclose fair value of such financial assets.

The Company, in connection with its current activities, is exposed to various financial risks, such as foreign currency risks, commodity price risk, interest rate risks and credit risks. The Company manages these risks and monitors its exposure on a regular basis.

21. Fair Value of Financial Instruments and Risk Management (continued)

A substantial portion of the Company's sales revenues is received in US dollars. In addition, substantial financing and investing activities, obligations and commitments are also undertaken in US dollars. However, significant operating and investing expenditures, other obligations and commitments as well as tax liabilities are denominated in rubles. As a result the Company is exposed to the corresponding currency risk.

The Company enters into contracts to economically hedge certain of its risks associated with increased interest expense accrued on loans received by the Company. Hedge accounting pursuant to SFAS 133 is not applied to these instruments.

In December 2007, the Company entered into 5-year interest rate swap contract with a notional amount of US$ 3 billion. Under the terms of the contract, a floating LIBOR rate may be converted into a certain fixed rate. The other party has a call option to terminate the deal. The fair value of the interest swap contract was recorded in the consolidated balance sheets as of March 31, 2009 and December 31, 2008 as other current liabilities in the amount of US$ 181.3 million and US$ 189.8 million, respectively. The change in fair value was recorded in the consolidated statement of income and comprehensive income for the three months ended March 31, 2009 as a reducing component of interest expense in the amount of US$ 8.5 million.

In December 2008, the Company entered into 5-year interest rate swap contract with a notional amount of US$ 500 million. Under the terms of the contract, a floating LIBOR rate may be converted into a certain fixed rate. The other party will have a call option to terminate the deal commencing in two years after the contract date. The fair value of the interest swap contract was recorded in the consolidated balance sheet as of March 31, 2009 and December 31, 2008 as other non-current assets and other non-current liabilities in the amount of US$ 0.3 million and US$ 0.8 million, respectively. The change in fair value was recorded in the consolidated statement of income and comprehensive income for the three months ended March 31, 2009 as a reducing component of interest expense in the amount of US$ 1.1 million.

In February 2009, the Company entered into two fixed interest rate structured deposit agreements with the nominal amounts of US$ 900 million and US$ 400 million (see Note 4) with expiration dates in April 2009 and June 2009, respectively. If on the deposit repayment dates the spot RUB/USD exchange rate is higher than agreed conversion rate, the other party has a call option to repay both amounts in RUB which shall be equal to the nominal deposit amounts multiplied by the respective conversion rate. In accordance with SFAS 133 embedded call options were bifurcated from the host contracts and recorded at fair value in the consolidated balance sheet as of March 31, 2009 as other current assets in the total amount of US$ 9.8 million (see Note 7). The change in fair value was recorded in the consolidated statement of income and comprehensive income for the three months ended March 31, 2009 as a component of foreign exchange gain in the amount of US$ 9.8 million.

The fair value of the interest rate swap contracts and embedded call options is based on estimated amounts that the Company would pay or receive upon termination of the contracts as of March 31, 2009.

22. Subsequent Events

In April - May 2009, Rosneft repaid loans received from international banks and banks under state control in total amount of US$ 2.37 billion, including US$ 577.4 million as early repayment.

In April 2009, Rosneft entered into a long-term contract with OJSC AK Transneft for the sale of crude oil for the years 2011 to 2030 in the total amount of 120 million tons to be delivered in equal annual amounts. The prices are determined based on agreed formula linked to market prices.

In April 2009, Rosneft's Board of Directors recommended shareholders to approve dividends on the Company's common shares for 2008 in the amount of RUB 20.3 billion or RUB 1.92 per share (US$ 609 million or US$ 0.06 per share at the CBR official exchange rate as of the Board meeting date).

In February 2009, Rosneft secured and agreed principle terms of a long-term floating rate loan from a foreign bank in the amount of up to US$ 15 billion. The loan is repayable within 20 years and secured by oil export contracts. In May 2009, Rosneft received US$ 800 million under this loan agreement.