OJSC Rosneft Oil Company

Interim Consolidated Financial Statements

As of and for the nine months ended September 30, 2005 and 2004

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Contents

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Independent Accountants' Review Report

We have reviewed the accompanying consolidated balance sheet of Open Joint Stock Company ("OJSC") Rosneft Oil Company and subsidiaries (collectively the "Company") as of September 30, 2005 and the related consolidated statements of income, changes in shareholder's equity, and cash flows for the nine-months ended September 30, 2005 in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these interim consolidated financial statements is the representation of the management of the Company.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, with the exception of the matters described in the following paragraphs, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the Unites States of America.

As more fully discussed in Note 1 to the interim consolidated financial statements, the accompanying interim consolidated financial statements do not include all the disclosures required by accounting principles generally accepted in the Unites States of America.

As more fully discussed in Note 2 to the interim consolidated financial statements, the value of property, plant and equipment pertaining to non-controlling shareholders in the accounting for minority interests resulting from the acquisition of OJSC Yuganskneftegaz has been recorded at appraised values rather than at historical cost as required by accounting principles generally accepted in the Unites States of America.

The consolidated financial statements as of and for the year ended December 31, 2004, were audited by us and we expressed a qualified opinion on them with respect to the value of property, plant and equipment pertaining to non-controlling shareholders in our report dated June 24, 2005, but we have not performed any auditing procedures since that date.

Ernst & Young LLC

January 31, 2006

OJSC Rosneft Oil Company

Consolidated Balance Sheets

As of September 30, 2005 and December 31, 2004

(Currency – thousands of US dollars, except for share data)

	Notes	September 30, 2005 (unaudited)	December 31, 2004
ASSETS			
Current assets:			
Cash and cash equivalents	**3**	**$ 501,243**	$ 1,042,808
Restricted cash	**3**	**22,337**	15,316
Short-term investments	**4**	**137,053**	158,613
Accounts receivable, net of allowance for doubtful accounts of US$ 74,433 and US$ 74,797, respectively	**5**	**2,854,919**	4,799,573
Inventories	**6**	**725,008**	516,866
Deferred tax assets		**73,965**	27,629
Advances issued and other current assets	**7**	**627,128**	260,265
Total current assets		**4,941,653**	6,821,070
Non-current assets:			
Long-term investments	**8**	**274,729**	276,673
Long-term banking loans to customers, net of allowance for doubtful accounts of US$ 9,629 and US$ 4,006, respectively		**77,429**	40,414
Oil and gas properties, net	**9, 12**	**21,122,850**	16,540,005
Property, plant and equipment, net	**10, 12**	**1,830,435**	1,755,156
Construction-in-progress	**11**	**605,736**	480,733
Goodwill	**13**	**34,605**	34,605
Deferred tax assets		**13,475**	5,494
Other non-current assets	**14**	**25,344**	33,289
Total non-current assets		**23,984,603**	19,166,369
Total assets		**$ 28,926,256**	$ 25,987,439
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities:			
Accounts payable and accruals	**15**	**$ 1,345,535**	$ 1,429,496
Short-term loans and current portion of long-term debt	**16**	**2,358,172**	4,666,940
Accrued income and other taxes	**18**	**2,678,984**	1,560,098
Deferred tax liability		**12,368**	–
Other current liabilities		**34,484**	41,892
Total current liabilities		**6,429,543**	7,698,426
Asset retirement obligations	**19**	**688,028**	554,992
Long-term debt	**16**	**9,086,756**	9,009,828
Deferred tax liability		**3,864,711**	2,853,618
Other non-current liabilities		**15,122**	–
Total liabilities		**20,084,160**	20,116,864
Minority interest	**20**	**1,865,748**	2,535,433
Shareholder's equity:			
Common stock (shares authorized and outstanding: 9,092,174,000 and 9,092,174,000 as of September 30, 2005 and December 31, 2004)	**17**	**19,701**	19,701
Additional paid-in capital	**17**	**19,157**	19,157
Retained earnings		**6,937,490**	3,296,284
Total shareholder's equity		**6,976,348**	3,335,142
Total liabilities and shareholder's equity		**$ 28,926,256**	$ 25,987,439

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

See Accountants' Review Report

OJSC Rosneft Oil Company

Consolidated Statements of Income

for nine months ended September 30, 2005 and 2004

(Currency – thousands of US dollars, except for share data)

	Notes	Nine months ended September 30, 2005 (unaudited)	Nine months ended September 30, 2004 (unaudited)
Revenues			
Oil and gas sales	**21**	**$ 11,468,413**	$ 1,926,291
Refined products sales and processing fees	**21**	**5,205,992**	1,620,401
Support services and other sales	**21**	**269,339**	179,196
Total		**16,943,744**	3,725,888
Operating and other expenses			
Operating expenses		**962,531**	293,324
Cost of purchased oil and refined products, and the cost of oil processing at third party refineries		**443,495**	416,449
Selling, general and administrative expenses		**487,813**	206,387
Pipeline tariffs and transportation costs		**1,578,022**	463,507
Exploration expenses		**89,596**	35,353
Depreciation, depletion and amortization		**1,052,623**	269,453
Accretion expense		**26,134**	3,618
Taxes other than income tax	**22**	**3,706,314**	674,519
Excise tax and export customs duties	**21**	**3,991,358**	455,093
Total		**12,337,886**	2,817,703
Operating income		**4,605,858**	908,185
Other income / (expense)			
Interest income		**53,476**	27,393
Interest expense		**(561,952)**	(105,995)
(Loss) / gain on disposal of property, plant and equipment		**(23,147)**	79,285
(Loss) / gain on sale of investments		**(9,536)**	15,762
Gain on sale of interest in CJSC Sevmorneftegaz	**8**	**1,303,320**	–
Equity in earnings of investees		**38,748**	38,849
Dividends and income from joint ventures		**2,647**	32,381
Other expenses, net		**(109,431)**	(132,749)
Foreign exchange		**146,426**	27,381
Total other income / (expense)		**840,551**	(17,693)
Income before income tax		**5,446,409**	890,492
Income tax	**22**	**(1,358,076)**	(227,695)
Income before minority interest		**4,088,333**	662,797
Minority interest in subsidiaries' earnings		**(385,908)**	(42,436)
Net income		**$ 3,702,425**	$ 620,361
Earnings per common share (US$) - basic and diluted		**0.41**	0.07
Weighted average number of shares outstanding	**17**	**9,092,174,000**	9,092,174,000

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

See Accountants' Review Report.

OJSC Rosneft Oil Company

Consolidated Statement of Changes in Shareholder's Equity

For nine months ended September 30, 2005

(Currency – thousands of US dollars)

	Common stock	Preferred stock	Additional paid-in capital	Retained earnings	Shareholder's equity
Balance at December 31, 2004	$ 19,701	$ –	$ 19,157	$ 3,296,284	$ 3,335,142
Net income for the period (unaudited)	**–**	**–**	**–**	**3,702,425**	**3,702,425**
Dividends declared on common stock (unaudited)	**–**	**–**	**–**	**(61,219)**	**(61,219)**
Balance at September 30, 2005 (unaudited)	**$ 19,701**	**$ –**	**$ 19,157**	**$ 6,937,490**	**$ 6,976,348**

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

See Accountants' Review Report.

OJSC Rosneft Oil Company

Consolidated Statements of Cash Flows

for nine months ended September 30, 2005 and 2004

(Currency – thousands of US dollars)

	Nine months ended September 30, 2005 (unaudited)	Nine months ended September 30, 2004 (unaudited)
Operating activities		
Net income	**$ 3,702,425**	$ 620,361
Reconciliation of net income to net cash provided by operating activities:		
Effect of foreign exchange	**(48,655)**	18,706
Gain on sale of interest in CJSC Sevmorneftegaz (Note 8)	**(1,303,320)**	–
Depreciation, depletion and amortization	**1,052,623**	269,453
Dry well expenses	**14,193**	2,026
Loss / (gain) on disposals of property, plant and equipment	**23,147**	(73,664)
Deferred income tax	**(43,857)**	(2,391)
Accretion expense	**26,134**	3,618
Equity in investees' earnings	**(38,748)**	(38,849)
Increase / (decrease) in allowance for doubtful accounts on receivables and banking loans to customers	**4,775**	(13,797)
Minority interests in subsidiaries' earnings	**385,908**	42,436
Changes in operating assets and liabilities, net of acquisitions:		
Increase in accounts receivable	**(1,261,829)**	(69,900)
Increase in inventories	**(208,142)**	(64,845)
Increase in advances issued and other current assets	**(366,863)**	(23,271)
Increase in other non-current assets	**(78,754)**	(11,296)
Increase in long-term banking loans to customers	**(42,637)**	(28,605)
Decrease in accounts payable and accruals	**(961,421)**	(125,677)
Increase in accrued income and other taxes	**1,118,886**	46,656
Increase in other liabilities	**7,714**	156
Net cash provided by operating activities	**1,981,579**	551,117
Investing activities		
Capital expenditures	**(1,486,448)**	(536,236)
Proceeds from sale of property, plant and equipment	**21,520**	137,400
Acquisitions of short-term investments	**(714,154)**	(85,774)
Proceeds from sale of short-term investments	**708,158**	26,004
Acquisitions of entities and additional shares in subsidiaries	**(132,759)**	(71,939)
Proceeds from sale of long-term investments	**83,413**	65,900
Purchase of long-term investments	**(72,930)**	(202,075)
Net cash used in investing activities	**$ (1,593,200)**	$ (666,720)

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

See Accountants' Review Report.

OJSC Rosneft Oil Company

Consolidated Statements of Cash Flows (continued)

	Nine months ended September 30, 2005 (unaudited)	Nine months ended September 30, 2004 (unaudited)
Financing activities		
Proceeds from short-term debt	**$ 4,264,187**	$ 1,881,268
Repayment of short-term debt	**(5,993,170)**	(2,019,151)
Proceeds from long-term debt	**2,756,839**	1,602,247
Repayment of long-term debt	**(1,934,455)**	(1,091,580)
Dividends paid to minority shareholders of subsidiaries	**(9,744)**	(10,253)
Net cash (used in) / provided by financing activities	**(916,343)**	362,531
(Decrease) / increase in cash and cash equivalents	**(527,964)**	246,928
Cash and cash equivalents at beginning of year	**1,042,808**	235,212
Effect of foreign exchange on cash and cash equivalents	**(13,601)**	(18,706)
Cash and cash equivalents at end of period	**$ 501,243**	$ 463,434
Supplemental disclosures of cash flow information		
Cash paid for interest (net of amount capitalized)	**$ 228,846**	$ 81,217
Cash paid for income taxes	**$ 1,357,576**	$ 209,798
Supplemental disclosure of non-cash activities		
Income taxes off-sets	**$ 32,957**	$ 88,398
Non-cash capital expenditures	**$ (48,100)**	$ (29,824)
Non-cash proceeds from sales of assets	**$ (13,639)**	$ (13,952)

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

See Accountants' Review Report.

1. Basis of Presentation of Financial Statements

Nature of Operations

OJSC Rosneft Oil Company ("Rosneft") and its subsidiaries, (collectively, the "Company"), 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.

In the course of its usual activity, the Company regularly enters into transactions with other enterprises which are directly or indirectly controlled by the Russian Government. Such enterprises are business units of RAO UES, OJSC Gazprom, OJSC Russian Railways, OJSC Sberbank, OJSC Vnesheconombank, OJSC Transneft, and federal agencies including tax authorities.

Currency Exchange and Control

During the first nine months of 2005, the quota of mandatory conversion of foreign currency sales to rubles was 10%.

Form and Content of the Interim 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 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 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 28 (APB 28) *"Interim Financial Reporting"*) and do not include all disclosures required by US GAAP. The Company omitted disclosures which would substantially duplicate the disclosures contained in its 2004 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 2004 audited consolidated financial statements. Management believes that the disclosures are adequate to make the information presented not misleading if these interim consolidated financial statements are read in conjunction with the Company's 2004 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 financial position, results of operations and cash flows for the interim periods.

The results of operations for nine months ended September 30, 2005 and 2004 may not be indicative of the results of operations for the respective full years. These interim consolidated financial statements contain information updated through January 31, 2006.

The accompanying interim 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 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) revenue recognition; (2) recognition of interest expense and other operating expenses; (3) valuation and depreciation of property, plant and equipment; (4) foreign currency translation; (5) deferred income taxes; (6) valuation allowances for unrecoverable assets; (7) accounting for the time value of money; (8) accounting for investments in oil and gas property and conveyances; (9) consolidation principles; (10) recognition and disclosure of guarantees, contingencies, commitments and certain assets and liabilities; (11) accounting for asset retirement obligations.

1. Basis of Presentation of Financial Statements (continued)

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

Certain reclassifications were made in the consolidated balance sheet as of December 31, 2004 to conform to the current period presentation.

As discussed in Note 2, the Company acquired OJSC Yuganskneftegaz on December 31, 2004. Accordingly, the results of operations of this subsidiary are included into consolidated statement of income of the Company from January 1, 2005. Consequently, the results of operations for the nine-month periods ended September 30, 2005 and 2004 are not comparable without considering this matter. Revenues from the sales of oil produced by OJSC Yuganskneftegaz and the refined products from this oil for the nine month period ended September 30, 2005 constitute approximately 70% of the consolidated revenues of the Company.

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 revenues and expenses during the reporting periods. Certain significant estimates and assumptions for the Company include: estimation of economically recoverable oil and gas reserves; rights to and recoverability of long-term assets and investments; provisions for uncollectible accounts receivable; asset retirement obligations; legal and tax contingencies; environmental remediation obligations; recognition and disclosure of guarantees and other contingencies. 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.

Principles of Consolidation

The consolidated statements include business transactions of the subsidiaries in which the Company directly or indirectly owns more than 50% of common voting stock, or on which it otherwise exercises control. All significant intercompany transactions and balances have been eliminated. Investments in other significant entities in which the Company owns between 20% and 50% are generally accounted for under the equity method since the Company does not have absolute control, but rather significant influence. Investments in the equity of other companies are accounted for at cost and adjusted for estimated impairment.

The Company is currently analyzing the provisions of FIN 46R, *"Consolidation of Variable-Interest Entities"*, for potential consolidation of companies, which should have been adopted in full from January 1, 2005. Based on the information available to-date, the Company does not expect that the application of FIN 46R, will have any material effect on the Company's financial results, financial position and cash flows.

Foreign Currency Translation

US dollar ("US$") is the Company's functional currency and the reporting currency.

Since the Company's books are maintained in Russian rubles ("RUR"), it must re-measure those balances under SFAS 52, *"Foreign Currency Translation"*. Monetary assets and liabilities have been translated into US$ at the exchange rate at the balance sheet date. Non-monetary assets and liabilities have been translated at historical rates. Data on revenues, expenses, and cash flows have been translated at exchange rates approximating actual rates that prevailed on the transactions dates. Gains and losses from the re-measurement into US$ are included in the consolidated statements of income.

As of September 30, 2005 and December 31, 2004, the official rates of exchange were 28.50 RUR for one US$ and 27.75 RUR for one US$, respectively.

1. Basis of Presentation of Financial Statements (continued)

Income Taxes

The Company is not subject to Russian taxation on a consolidated basis. Current income taxes are provided on the accounting profit as determined under Russian Accounting Principles after adjustments for certain items which are not deductible for taxation purposes, and after consideration of tax allowances. Deferred income taxes in the accompanying consolidated financial statements are determined using the liability approach in accordance with SFAS 109, *"Accounting for Income Taxes"*. This method gives consideration to the future tax consequences, based on the effective tax rate, associated with differences between the financial reporting and tax basis of assets and liabilities and gives immediate income statement effect to changes in income tax laws, including changes in the tax rates. A valuation allowance is recorded to reduce deferred tax assets when management believes it is more likely than not that a tax benefit will not be realized.

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 (24%) and includes estimates of the annual tax effect of permanent differences and the realization of certain deferred tax assets.

Comprehensive Income

As of September 30, 2005 and 2004, there were no other comprehensive income items and, therefore, comprehensive income for the first nine months of 2005 and 2004 equals net income.

2. Significant Acquisitions

OJSC Yuganskneftegaz and Baikalfinancegroup LLC

In late December 2004, the Company acquired 100% interest in Baikalfinancegroup LLC, which had won the auction on the sale of 76.79% of OJSC Yuganskneftegaz shares (100% of common stock of OJSC Yuganskneftegaz). OJSC Yuganskneftegaz is engaged in exploration, development, construction of surface facilities and production of hydrocarbons in West Siberia. The purchase price of the shares was RUR 260,782 million (US$ 9,398 million at the Central Bank of Russia (CBR) exchange rate in effect on the settlement date).

The purpose of the transaction was the acquisition of the oil and gas properties held by OJSC Yuganskneftegaz. The properties held by OJSC Yuganskneftegaz are located in Khanty-Mansi Autonomous Area with well developed infrastructure and are close to the OJSC Transneft pipeline system.

2. Significant Acquisitions (continued)

OJSC Yuganskneftegaz and Baikalfinancegroup LLC (continued)

The purchase price allocation to various items of assets and liabilities based on independent appraiser assessment of the fair value of acquired assets and assumed liabilities of OJSC Yuganskneftegaz is presented below (after negative goodwill allocation):

	December 31, 2004 (current allocation)	December 31, 2004 (initial allocation)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,107	$ 14,107
Short-term investments	21,520	21,520
Accounts receivable	606,812	3,900,358
Inventories	93,806	93,806
Prepaid expenses	924	924
Total current assets	**737,169**	**4,030,715**
Long-term investments	217	217
Oil and gas properties, net	7,275,977	6,017,276
Mineral rights	9,785,615	6,836,919
Property, plant and equipment, net	369,648	369,648
Construction-in-progress	41,170	41,170
Deferred tax assets	3,235	3,235
Leased equipment	175,418	136,600
Other non-current assets	3,881	3,881
Total non-current assets	**17,655,161**	**13,408,946**
Total assets	**$ 18,392,330**	**$ 17,439,661**
LIABILITIES		
Accounts payable	$ (760,677)	$ (760,677)
Short-term loans and credits and current portion of long-term liabilities	(384,671)	(384,671)
Accrued income and other taxes	(2,230,810)	(1,394,735)
Other current liabilities	(6,307)	(6,306)
Total current liabilities	**(3,382,465)**	**(2,546,389)**
Long-term credits and loans net of current liabilities	(625,115)	(625,115)
Asset retirement obligations	(386,600)	(386,600)
Deferred tax liability	(3,834,197)	(2,758,942)
Total non-current liabilities	**(4,845,912)**	**(3,770,657)**
Total liabilities	**$ (8,228,377)**	**$ (6,317,046)**
Total acquired net assets	**$ 10,163,953**	**$ 11,122,615**
Minority interest	**$ (765,971)**	**$ (1,724,633)**
Purchase price	**$ 9,397,982**	**$ 9,397,982**

Deferred tax liability represents the difference between fair values of assets and liabilities of OJSC Yuganskneftegaz and their respective tax values.

Negative goodwill arose as a result of excess of the net assets measured at fair value over the purchase price. The value of net assets determined by the appraiser differs from the purchase price primarily due to the change in the risk assessment of the outcome of contingencies existing in OJSC Yuganskneftegaz following the auction.

The negative goodwill in the amount of US$ 2,805 million (after the effect of adjustment described below) was allocated proportionally between oil and gas properties and mineral rights. The resulting value of mineral rights is amortized in accordance with the Company's accounting policy for the depletion of acquisition costs.

See Accountants' Review Report.

2. Significant Acquisitions (continued)

OJSC Yuganskneftegaz and Baikalfinancegroup LLC (continued)

During the nine months of 2005, the Company adjusted the purchase price allocation to OJSC Yuganskneftegaz assets and liabilities after completion of the measurement of certain contingencies existing as of the acquisition date (see Notes 5 and 23). The adjustment decreased net assets (and, accordingly, negative goodwill) by US$ 4,247 million. This amount was prorated among the categories of non-current assets (as discussed above).

As discussed above, the Company acquired less than 100% in the share capital of OJSC Yuganskneftegaz and minority interest of 23.21% in the share capital OJSC Yuganskneftegaz relates to the owner of preferred shares (see Note 20).

For the purposes of valuation of oil and gas properties, property, plant and equipment, and construction-in-progress which relate to minority interest, the Company used appraised fair values (presented above) as the previous controlling shareholder did not provide the records of the historical cost of these non-current assets. Minority interest which relates to the other assets and liabilities was determined on the basis of their historical cost.

Acquisition of Additional Interests

In the first half of 2005, the Company acquired 33,337,187 common shares (38.66% of total common shares) and 17,633,509 preferred shares (61.63% of total preferred shares) in OJSC Rosneft-Krasnodarneftegaz, thus having increased its share in the share capital of OJSC Rosneft-Krasnodarneftegaz to 95.46%. The purchase price of the above shares amounted to US$ 109.5 million. Payment was made in cash. Following the preliminary purchase price allocation, the full purchase price has been allocated to the fair values of the assets and liabilities acquired. The allocation of the purchase price is preliminary and can be further adjusted later once the estimated fair values of oil and gas properties and reserves are updated as of the acquisition date.

In the third quarter of 2005, the Company acquired 34 common shares (34% of total common shares) in OJSC Selkupneftegaz, thus having increased its share in the share capital of OJSC Selkupneftegaz to 100%. The purchase price of the above shares amounted to US$ 20.0 million. Payment was made in cash. Following the preliminary purchase price allocation, the full purchase price has been allocated to the fair values of the assets and liabilities acquired. The allocation of the purchase price is preliminary and can be further adjusted later once the estimated fair values of oil and gas properties and reserves are updated as of the acquisition date.

During the first nine months of 2005, the Company also acquired insignificant minority interests in other subsidiaries.

3. Cash and Cash Equivalents

Cash and cash equivalents as of September 30, 2005 and December 31, 2004 comprise the following:

	2005 (unaudited)	2004
Cash in hand and cash in bank – RUR	**$ 294,154**	$ 731,220
Cash in hand and cash in bank – hard currency	**95,650**	282,392
Deposits and other	**111,439**	29,196
Total cash and cash equivalents	**$ 501,243**	$ 1,042,808

See Accountants' Review Report.

3. Cash and Cash Equivalents (continued)

Restricted cash as of September 30, 2005 and December 31, 2004 comprises the following:

	2005 (unaudited)	2004
Obligatory reserve of the Company's bank in CBR	**$ 11,705**	$ 10,955
Other restricted cash	**10,632**	4,361
Total restricted cash	**$ 22,337**	$ 15,316

Obligatory reserve of the Company's bank in CBR represents amounts deposited with the CBR for securing the current operating activity of the Company's bank. Credit institutions are required to maintain a non-interest bearing cash deposit (obligatory reserve) with the CBR, the amount of which depends on the level of funds attracted by the credit institution, and this amount has certain restrictions for use.

Cash accounts denominated in hard currency represent primarily cash in US$.

4. Short-Term Investments

Short-term investments as of September 30, 2005 and December 31, 2004 comprise the following:

	2005 (unaudited)	2004
Short-term loans provided	**$ 25,975**	$ 3,589
Short-term loans provided to companies accounted for using the equity method	**2,456**	–
Short-term promissory notes	**1,019**	811
Trading securities		
Short-term promissory notes	**1,198**	15,208
Corporate and state bonds	**54,854**	50,477
Other	**12,029**	13,586
Settlements on notes with related party	**8,564**	26,170
Bank deposits	**3,000**	3,000
Short-term assignment agreements	**225**	21,613
Securities held for sale	**15,948**	12,865
Other available for sale securities	**11,785**	11,294
Total short-term investments	**$ 137,053**	$ 158,613

In December 2004, the Company acquired 89.46% of the charter capital of SK Neftepolis LLC which had previously been sold to a third party. As a result of the acquisition, the Company increased its share in the charter capital of the insurance company to 99.9%. The purpose of the acquisition was accumulation of the Company's shares for further disposal thereof to a strategic partner. In September 2005, a sale transaction was executed with respect to 85% of shares of SK Neftepolis LLC sold for US$ 12.9 million, however, as of the balance sheet date, the title for the shares has not been transferred to the new owner. The carrying value of 85% of shares of SK Neftepolis LLC is US$ 12.9 million and is included in securities held for sale.

5. Accounts Receivable, net

Accounts receivable as of September 30, 2005 and December 31, 2004 comprise the following:

	2005 (unaudited)	2004
Trade receivables	**$ 980,250**	$ 3,982,380
Value added tax receivable	**1,392,666**	517,765
Other taxes	**32,869**	34,980
Banking loans to customers	**305,960**	240,528
Other	**217,607**	98,717
Less allowance for doubtful accounts	**(74,433)**	(74,797)
Total accounts receivable, net	**$ 2,854,919**	$ 4,799,573

As of December 31, 2004 trade receivables included US$ 3,534,378 thousand of amounts owed by YUKOS Group to OJSC Yuganskneftegaz for crude oil supplied during 2004. Upon completion of the evaluation of their recoverability, these receivables were fully written down given significant uncertainties regarding the timing and amount of their settlement. The write down was made after offset of liabilities against these receivables in the amount of US$ 572.2 million. YUKOS Group is currently the subject of court proceedings in relation to these receivables.

6. Inventories

Inventories as of September 30, 2005 and December 31, 2004 comprise the following:

	2005 (unaudited)	2004
Materials and supplies	**$ 319,958**	$ 275,931
Crude oil and gas	**249,298**	115,347
Petroleum products	**155,752**	125,588
Total inventories	**$ 725,008**	$ 516,866

Materials and supplies are mostly comprised of spare parts, construction materials and pipes.

7. Advances Issued and Other Current Assets

Advances issued and other current assets as of September 30, 2005 and December 31, 2004 comprise the following:

	2005 (unaudited)	2004
Advances and prepayments	**$ 476,787**	$ 184,583
Customs	**109,508**	41,042
Insurance prepayments	**17,813**	8,341
Other	**23,020**	26,299
Total advances issued and other current assets	**$ 627,128**	$ 260,265

Customs primarily represent export duty prepayment expenses, related to the export of crude oil and refined products (see Note 21).

8. Long-Term Investments

Long-term investments as of September 30, 2005 and December 31, 2004 comprise the following:

	2005 (unaudited)	2004
Equity method investments		
Polar Lights Company LLC	**$ 98,878**	$ 65,061
CJSC Kaspiy-1	**28,912**	29,336
JV Rosneft-Shell Caspian Ventures Limited	**15,964**	10
OJSC Daltransgaz	**10,540**	10,548
CJSC Sevmorneftegaz	**–**	–
JV Aday Petroleum Company	**1,407**	1,883
Rosneft-Stroytransgaz Limited	**–**	–
Other	**921**	733
Total	**156,622**	107,571
Russian government bonds	**1,150**	9,032
Long-term loans	**5,839**	5,238
Long-term loans to equity investees	**45,119**	36,006
Investments in joint ventures	**3,381**	4,386
Long-term promissory notes	**48,905**	56,875
Settlements on promissory notes with related party	**–**	40,968
Other	**13,713**	16,597
Total long-term investments	**$ 274,729**	$ 276,673

Equity share in net income / (loss) of material investments recorded using the equity method:

	Interest (percent) as of September 30, 2005 (unaudited)	Share in net income / (loss): Nine months of 2005 (unaudited)	Share in net income / (loss): Nine months of 2004 (unaudited)
Polar Lights Company LLC	**50**	**$ 33,817**	$ 2,799
CJSC Sevmorneftegaz	**–**	**–**	(142)
OJSC Daltransgaz	**25**	**1**	–
JV Rosneft-Shell Caspian Ventures Limited	**51**	**15,954**	–
Rosneft-Stroytransgaz Limited	**50**	**(7,318)**	(307)
CJSC Kaspiy-1	**45**	**(82)**	–
JV Aday Petroleum Company	**50**	**$ 4**	$ (57)

CJSC Sevmorneftegaz

In January 2002, the Company, through OJSC Rosneft-Purneftegaz, and OJSC Gazprom, through CJSC Rosshelf, jointly established CJSC Sevmorneftegaz with equal shares in equity. The cost of investment in CJSC Sevmorneftegaz was US$ 0.017 million. CJSC Sevmorneftegaz is primarily engaged in exploration and production activity on Prirazlomnoye oil field, Shtokmanovskoye, Etypurovskoe and Vyngayahinskoe gas-condensate fields, and Kharampurskoe oil and gas-condensate field.

8. Long-Term Investments (continued)

CJSC Sevmorneftegaz (continued)

In December 2004, it was resolved to sell the Company's share in the project to the other participant (the "Buyer") and full payment was received per shares purchase agreement. Title to shares in CJSC Sevmorneftegaz was transferred to the Buyer in the first half of 2005. Under the share purchase provisions, the Buyer had the right to notify the Company in writing, not later than the end of June 2005, of its intention to sell the acquired share back to the Company and the Company was obliged to take back and pay for such share. The Buyer didn't exercise his right for repurchase at the time stated in the contract, therefore, in June 2005, the Company recorded gain on the sale of interest in CJSC Sevmorneftegaz in the amount of US$ 1,303 million.

JV Rosneft-Shell Caspian Ventures Limited

JV Rosneft-Shell Caspian Ventures Limited ("JV") is a joint venture in which the Company holds a 51% interest, but the Articles of Incorporation of the JV stipulate that key decisions regarding its business shall be subject to unanimous approval by the participants and none of the participants shall have a preferential voting right.

On February 6, 1997, the Company, through the JV, signed an agreement with eight oil and gas companies and government agencies of the Russian Federation and the Republic of Kazakhstan for the establishment of the Caspian Pipeline Consortium ("CPC"). The purpose of the consortium is to design, finance, lay and operate a pipeline from the oil fields located in Western Kazakhstan through Russia to the port of Novorossiysk. The interest of JV in the CPC is 7.5%.

The Articles of Incorporation signed by Rosneft and Shell Caspian B.V. stipulate that the JV shall use its own funds to cover its operating expenses and, in case of funds shortage, expenses shall be prorated according to the number of common shares in the JV held by participants. Income of the JV, net of operating expenses and taxes, shall be prorated between Rosneft and Shell Caspian B.V. based on the proportion provided for in the agreement initially set as 10% to 90%. The share of Rosneft shall increase along with the increase in the internal rate of return calculated in accordance with the agreement, and, eventually, reach 51% of residual income.

In October 2001, the CPC pipeline was put in operation.

JV income consists mostly of interest received on loans issued to the CPC during construction. The amount of accumulated income due to the Company under the Agreement with Shell Caspian B.V. was reduced for the amount of dividends received.

Rosneft-Stroytransgaz Limited

Rosneft-Stroytransgaz Limited ("RSTG") was established by the Company and OJSC Stroytransgaz with equal participation in 2001 for the purpose of participating in oil and gas field development projects. The Company contributed US$ 35 thousand in the charter capital of RSTG. Additionally, the Company granted RSTG loans totaling US$ 24 million to finance its activities.

As of September 30, 2005, the contribution to the capital of Rosneft-Stroytransgaz Limited accounted for using the equity method was reduced to zero due to losses incurred by RSTG. The carrying value of loans granted to RSTG was also reduced for the Company's share in RSTG losses in accordance with APB 18, *"The Equity Method of Accounting for Investments in Common Stock"*.

8. Long-Term Investments (continued)

OJSC Daltransgaz

OJSC Daltransgaz is an operator for the program to supply gas to the Sakhalin Region, the Khabarovsk and Primorye Territories. The company was established in 2000. Its major shareholders are Ministry of Property of the Khabarovsk Territory (47.2%) and Ministry of State Property of the Russian Federation (27.6%). As part of the above program being implemented in the Far East by OJSC Daltransgaz, it is planned to construct a main gas pipeline from gas fields in the Sakhalin area to Vladivostok. Currently, work is performed at the Sakhalin – Komsomolsk-on-Amur – Khabarovsk section of the pipeline. The pipeline is planned for completion in 2006.

9. Oil and Gas Properties, Net

Oil and gas properties as of September 30, 2005 and December 31, 2004 comprise the following:

	2005 (unaudited)	2004
Wells and related facilities	**$ 12,601,412**	$ 10,523,762
Mineral rights	**10,684,701**	7,561,758
Pipelines	**1,008,573**	802,243
Equipment under capital lease	**219,717**	144,207
Total cost	**24,514,403**	19,031,970
Less: accumulated depletion	**(3,391,553)**	(2,491,965)
Total oil and gas properties, net	**$ 21,122,850**	$ 16,540,005

Oil and gas properties include costs to acquire unproved properties in the amount of US$ 1,583 million as of September 30, 2005 and US$ 1,041 million as of December 31, 2004. The Company plans to develop and assess the respective fields. Management believes these costs are recoverable.

The Company's subsidiary OJSC Yuganskneftegaz uses a portion of the production wells and equipment under operating lease contracts from the companies controlled by the previous owner of OJSC Yuganskneftegaz. In 2005, all contracts that had expired were extended. Management believes these contracts will also be extended in future periods.

The cost of mineral rights includes Sakhalin I capitalized costs (PSA). The Company's subsidiaries CJSC RN-Astra and CJSC Sakhalinmorneftegaz-Shelf (hereinafter "Russian PSA Participants") participate in PSA Sakhalin-1 on condition that they finance the shares of Russian PSA Participants at the expense of Oil and Natural Gas Corporation (hereinafter "ONGC"). In accordance with the interest sale agreement, ONGC agrees to ensure finance in the amount indicated in the agreement.

Financing agreements envisage that Russian PSA Participants will operate and defend their interests in Sakhalin-1 to the benefit of ONGC. If this condition is not met ONGC has the right to stop funding the project. Until the recovery of finance, ONGC is entitled to 90% of net revenues from the sale of hydrocarbons due to the remaining share of the Russian PSA Participants in the project. The Company agreed to guarantee payment of damages to ONGC if Russian PSA Participants lose share in the project, and provided to ONGC the shares of Russian PSA Participants as security. Russian PSA Participants are entitled to 10% of net income on their share in the project costs adjusted for the agreed upon rate of return until ONGC recovers invested funds. Then Russian PSA Participants will be entitled to the total net profit pro rata of their share in PSA. As of September 30, 2005, ONGC invested about US$ 936.2 million to finance the share of Russian PSA Participants in the project expenses.

See Accountants' Review Report.

9. Oil and Gas Properties, Net (continued)

See also Note 25 to these financial statements.

In July 2005, one of Company's subsidiaries concluded an agreement with the subsidiary of Kazakh state company OJSC NK KazMunayGas on joint (50% / 50%) participation in exploration of perspective oil and gas field of "Kurmanagazy". A signing bonus payment in the amount of US$ 50 million was stated by the agreement and the amount of US$ 25 million attributable to the Company was recorded as mineral rights. The agreement also provides for an option for Russian Federation for the acquisition of 25% share in the project from one of Company's subsidiaries based on future market price after hydrocarbon commercial discovery.

10. Property, Plant and Equipment, Net

Property, plant and equipment as of September 30, 2005 and December 31, 2004 comprise the following:

	2005 (unaudited)	2004
Service vessels	**$ 7,654**	$ 12,977
Buildings and constructions	**1,819,982**	1,729,267
Plant and machinery	**1,030,706**	1,071,114
Vehicles and other equipment	**368,202**	276,291
Equipment under capital lease	**21,159**	43,341
Total cost	**3,247,703**	3,132,990
Less: accumulated depreciation	**(1,417,268)**	(1,377,834)
Total property, plant and equipment, net	**$ 1,830,435**	$ 1,755,156

11. Construction-in-Progress

Construction-in-progress includes various construction projects and machinery and equipment delivered but not installed yet. Construction-in-progress as of September 30, 2005 and December 31, 2004 comprise the following:

	2005 (unaudited)	2004
Equipment for installation	**$ 76,748**	$ 61,444
Buildings and constructions	**273,693**	272,748
Plant and machinery	**183,214**	96,791
Vehicles and other equipment	**72,081**	49,750
Total construction-in-progress	**$ 605,736**	$ 480,733

12. Capital Lease

Since 2003, the Company has entered into several leasing agreements for equipment and other assets. Equipment received under those leasing agreements is depreciated using the same methods of depreciation as used for the property, plant and equipment and oil and gas properties, which are owned by the Company.

12. Capital Lease (continued)

The following is the analysis of the property, plant and equipment under capital lease:

	2005 (unaudited)	2004
Oil and gas equipment and facilities	**$ 219,717**	$ 144,207
Less: accumulated depletion	**(11,074)**	(1,855)
Oil and gas properties, net	**208,643**	142,352
Property, plant and equipment		
Buildings and constructions	**624**	1,009
Plant and machinery	**7,222**	15,830
Vehicles and other equipment	**13,129**	26,305
Other	**184**	197
Total	**21,159**	43,341
Less: accumulated depreciation	**(6,470)**	(8,693)
Property, plant and equipment, net	**14,689**	34,648
Total carrying value of leased assets	**$ 223,332**	$ 177,000

The aggregate minimal capital lease payments are due as follows:

	2005 (unaudited)
2005	**$ 14,969**
2006	**23,374**
2007	**7,565**
2008	**4,641**
2009	**6,445**
2010 and after	**60**
	57,054
Imputed interest	**(5,715)**
Present value of capital lease payments	**$ 51,339**

The Company provided financing to the leasing company for the purchase of equipment, which was then leased to the Company. Under the agreement, the Company has the right to offset the lease obligations against promissory notes receivable. As of September 30, 2005, lease obligations in the amount of US$ 12.7 million were netted against long-term promissory notes.

13. Goodwill

Goodwill in the amount of US$ 34,605 thousand represents the excess of the purchase price of a share in OJSC NK Rosneft-Tuapse Refinery (hereinafter TNPZ) over the fair value of respective share in net assets. According to SFAS 142, *"Goodwill and Other Intangible Assets",* goodwill is tested for impairment annually or whenever events or change in circumstances indicate so by comparing the value of investments in net assets with discounted cash flows from the use of those assets. As of September 30, 2005, no impairment of goodwill arising from the acquisition of an additional share in TNPZ was identified.

14. Other Non-Current Assets

Other non-current assets also include a loan to OJSC Sibur-Tumen with the carrying amount of US$ 4.2 million and US$ 16.3 million as of September 30, 2005, and December 31, 2004, respectively, restructured under amicable agreement. This loan receivable is stated at amortized cost and is scheduled to be settled in 2013. The debt of OAO Sibur-Tyumen in the amount of US$ 14.6 million was partly sold to a third party in August 2005 under the assignment agreement and will be repaid in equal installments until the end of 2005. The remaining debt under the assignment agreement was reclassified to other short-term receivables in the amount of US$ 8.8 million as of September 30, 2005.

15. Accounts Payable and Accruals

Accounts payable and accruals as of September 30, 2005 and December 31, 2004 comprise:

	2005 (unaudited)	**2004**
Trade accounts payable	**$ 687,328**	$ 868,778
Salary, insurance and other benefits payable	**93,805**	80,546
Advances received	**123,764**	66,323
Dividends payable	**34,851**	15,652
Promissory notes payable	**66,726**	20,352
Banking customers deposits	**200,049**	194,970
Joint venture settlements	**6,505**	103
Agency contracts settlements	**2,817**	2,100
Liabilities accrued under the claim of NAA Administration to OJSC Northern Oil (see Note 23)	**–**	29,899
Other	**129,690**	150,773
Total accounts payable and accruals	**$ 1,345,535**	$ 1,429,496

The Company's accounts payable are denominated primarily in RUR. Dividends payable represent dividends on preferred shares payable to subsidiaries' minority shareholders.

16. Short-Term Loans and Long-Term Debt

Short-term loans and borrowings as of September 30, 2005 and December 31, 2004 comprise the following:

	2005 (unaudited)	2004
US$ denominated		
Bank loans	**$ 53,903**	$ 346,719
Bank loans received for OJSC Yuganskneftegaz acquisition	**–**	700,948
Borrowings received for OJSC Yuganskneftegaz acquisition	**–**	62,812
Other	**5,970**	19,211
RUR denominated		
Bank loans	**17,799**	3,147
Bank loans received for OJSC Yuganskneftegaz acquisition	**–**	677,972
Promissory notes payable	**601,105**	353,748
Customer deposits	**151,183**	144,659
Other	**2,900**	14,951
	832,860	2,324,167
Current portion of long-term debt	**1,525,312**	998,458
CJSC Sevmorneftegaz shares repurchase liability	**–**	1,344,315
Total short-term loans and current portion of long-term debt	**$ 2,358,172**	$ 4,666,940

The rate of interest on the Company's short-term loans denominated in US$ was from LIBOR plus 1.75% to LIBOR plus 3% annually. The RUR denominated loans generally bear an annual interest rate of 8%.

Promissory notes are generally payable on demand.

Customer deposits represent short-term customer deposits of the subsidiary bank, mainly denominated in RUR, with the interest rate of 2.5 – 12.5% annually.

The CJSC Sevmorneftegaz share repurchase liability represented prepayment under the contract of CJSC Sevmorneftegaz shares sale (see Note 8).

Long-term debt as of September 30, 2005 and December 31, 2004 comprises the following:

	2005 (unaudited)	2004
Bank loans – US$ denominated	**$ 4,143,308**	$ 2,759,242
Bank loans received for OJSC Yuganskneftegaz acquisition – US$ denominated	**5,875,332**	6,465,000
Loans – RUR denominated	**445,948**	429,771
Customer deposits	**48,042**	34,774
Other long-term obligations	**99,438**	319,499
	10,612,068	10,008,286
Current portion of long-term debt	**(1,525,312)**	(998,458)
Total long-term debt	**$ 9,086,756**	$ 9,009,828

The US$ denominated long-term loans bear the interest rate of LIBOR plus 1.7% to LIBOR plus 4%. The interest rate applicable to the syndicated loan raised in 2001 as a result of Eurobonds placement, with maturity date in November 2006, equals 12.92%. Outstanding balance of this loan was US$ 155.6 and 150.8 million as of September 30, 2005 and December 31, 2004, respectively.

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

In the third quarter of 2005 the Company received a 5-year loan from a syndicate of major foreign banks in the amount of US$ 2,000 million at the interest rate of LIBOR plus 1.8% with monthly payments in equal installments. The loan is secured by export supplies of oil. This loan was used for refunding short-term loans in the amount of US$ 1,335 million and several long-term loans in the amount of US$ 594 million at more favorable conditions.

The funds raised to finance OJSC Yuganskneftegaz acquisition include the long-term loans of government banks in the total amount of US$ 5,875 million at LIBOR plus 3% annually.

RUR denominated loans mainly include loans of OJSC Yuganskneftegaz at the interest rate 9%, which mature in 2007.

Customer deposits include term deposits of the subsidiary bank denominated in RUR and foreign currency with maturity mainly at the end of 2006. Interest rates for customer deposits are 8.5% - 13% annually on RUR deposits and 4% – 7.75% on deposits in foreign currencies.

As of September 30, 2005, other long-term obligations include interest-free promissory notes payable at the end of 2006.

As of September 30, 2005 and December 31, 2004 the Company's collateral for long-term and short-term loans were oil and gas properties in the amount of RUR 0 and RUR 2,393.7 million (US$ 86.3 million at the exchange rate on December 31, 2004). The decrease is caused by repayment of the loan.

Certain loan agreements contain a number of covenants, which the Company is obliged to comply with. Those covenants include the Company’s obligations to maintain certain financial ratios at an agreed level. As a result of raising finance for the purchase of OJSC Yuganskneftegaz and the consolidation of assets and liabilities of OJSC Yuganskneftegaz with the Company's assets and liabilities, certain covenants were violated: the ratio of consolidated gross debt to consolidated EBITDA (operating profit excluding DD&A and accretion expense as defined in relevant agreements) and the ratio of consolidated gross debt to consolidated tangible net assets. As of December 31, 2004, the long-term portion of the debt outstanding under the loan agreements, for which covenants have been violated, amounted to US$ 1,661 million. In the third quarter of 2005, the Company received the creditors' approval of a waiver for the covenants in violation and to change the covenants in line with the Company's new structure and scope of activities. Therefore, the Company continues to classify the relevant outstanding amount as long-term debt. The creditors' approvals of waivers on certain other covenants were granted on the condition that prior to April 30, 2006 the Company presents to the creditors reasonable evidence of settlement of OJSC Yuganskneftegaz 2004 tax liabilities, which also shall not exceed a certain limit, and the guarantee claim of Societe Generale S.A. with respect to a US$ 1,000 million loan, and prior to June 30, 2006 resolves OJSC Yuganskneftegaz contingencies related to the tax audits of the periods preceding 2004 and the guarantee claims of Societe Generale S.A. with respect to a US$ 1,600 million loan (see Note 23). The Company’s management believes that these conditions will be met (see Note 25).

Under certain loan agreements, the Company must maintain an export contract/aggregate debt outstanding ratio, i.e. Coverage Ratio, ranging from 125% to 130%. This requirement applies to the outstanding debt of approximately US$ 3,631 million and US$ 1,746 million as of September 30, 2005 and December 31, 2004, respectively. The above covenant obliges the Company to maintain firm sales contracts settled in US$ for which committed export volumes are calculated on the basis of minimum prices stipulated by the loan documentation. Such export volumes should correspond to the Coverage Ratio. As a requirement, the terms of concluding such covered contracts give the lender an express right of claim for contractual revenue which must be remitted directly to transit currency (US$ denominated) accounts with those banks in case of the Company's default on timely repayment of debt.

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

The aggregate maturity of long-term debt outstanding as of September 30, 2005 is as follows (assuming the debt will not be called by creditors ahead of scheduled maturities):

	2005 (unaudited)
2005	**$ 346,069**
2006	**1,862,253**
2007	**2,361,438**
2008	**1,992,555**
2009	**1,988,792**
2010 and after	**2,060,961**
Total long-term debt	**$ 10,612,068**

17. Shareholder's Equity

As of December 31, 2004, 100% of the Company's common and preferred shares were held by the Government of the Russian Federation. In June 2005, 100% of the Company's shares were contributed to the charter capital of OJSC Rosneftegaz which is wholly owned by the State represented by the Federal Agency for Federal Property Management of Russian Federation.

In June 2005, the annual general meeting of shareholders declared dividends on common shares of RUR 1,755 million (US$ 61.2 million for 2004 at the exchange rate on the date of that decision, or US$ 0.67 per share).

In the third quarter of 2005, Rosneft increased the number of common shares by splitting one common share with par value of RUR 1 into 100 common shares with par value of RUR 0.01. As a result the total number of shares amounted to 9,092,174,000. Earnings per share for 9 months of 2005 and for 9 months of 2004 were calculated based on new number of shares applied retroactively.

18. Accrued Income and Other Taxes

Accrued income and other taxes as of September 30, 2005 and December 31, 2004 primarily include mineral extraction tax, value added tax and income tax.

19. Asset Retirement Obligations

The movement of asset retirement obligations is as follows:

	2005 (unaudited)
Asset retirement obligations as of period beginning	**$ 554,992**
Recognition of additional obligations for new wells	**4,367**
Accretion expense	**26,134**
Increase in provision due to the change in estimates	**106,496**
Well retirement	**(3,961)**
Asset retirement obligations as of period end	**$ 688,028**

20. Minority Interests

Minority owners' interests in the Company's subsidiaries as of September 30, 2005 and December 31, 2004 comprise the following:

	September 30, 2005 (unaudited)		December 31, 2004	
Company	**Minority interest**	**Minority interest share in net assets**	**Minority interest**	**Minority interest share in net assets**
	%		%	
OJSC Rosneft-Purneftegaz	**16.91**	**$ 373,713**	16.91	$ 194,301
OJSC Rosneft-Sakhalinmorneftegaz	**35.38**	**226,456**	35.63	221,623
OJSC Rosneft-Krasnodarneftegaz	**4.54**	**17,673**	49.22	100,605
OJSC Rosneft-Stavropolneftegaz	**27.04**	**20,362**	28.05	19,267
OJSC Rosneft-Tuapse Nefteproduct	**62.00**	**132,967**	62.00	129,689
OJSC Rosneft-Komsomolsky Refinery	**20.03**	**11,951**	22.69	12,607
OJSC Rosneft-Tuapse Refinery	**18.77**	**12,681**	18.49	10,529
OJSC Yuganskneftegaz	**23.21**	**945,659**	23.21	1,724,633
Other		**124,286**		122,179
Total		**$ 1,865,748**		$ 2,535,433

21. Revenues

Oil and gas sales include export customs duty of US$ 3,325.0 million over nine months of 2005, excise tax on gas of US$ 0.039 million and export customs duty of US$ 302.6 million over nine months of 2004. Refined products sales and processing fees include excise tax of US$ 75.5 million and export customs duty of US$ 590.8 million over nine months of 2005, excise tax of US$ 38.7 million and export customs duty of US$ 109.2 million over nine months of 2004. Support services and other sales include excise tax of US$ 0.043 million over nine months of 2005, excise tax of US$4.3 million and export customs duty of US$ 0.3 over nine months of 2004.

22. Taxes

Income taxes for nine months ended September 30, 2005 and 2004 comprise the following:

	2005 (unaudited)	2004 (unaudited)
Current income tax expense	**$ 1,401,933**	$ 230,087
Deferred income tax benefit	**(43,857)**	(2,392)
Total income tax	**$ 1,358,076**	$ 227,695

Total income tax represents the total income tax expense for the Company and each of its subsidiaries. The Company does not file a consolidated tax return, rather each legal entity files separate tax returns with various authorities.

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

	2005 (unaudited)	2004 (unaudited)
Mineral extraction tax	**$ 3,377,238**	$ 503,166
Excise tax	**139,086**	26,697
Social security	**89,831**	74,771
Property tax	**61,603**	32,331
Land tax	**10,488**	8,436
Transport tax	**995**	784
Fee for using the word Russia in the Company name	–	8,344
Tax fines and payments	**11,290**	19,700
Other taxes and payments	**15,783**	290
Total taxes, fines and payments other than income tax	**$ 3,706,314**	$ 674,519

23. Commitments and Contingencies

Russian Business Environment

The Russian economy, while deemed to be of market status, continues to display certain traits of a market in transition, for example inflation is not low enough and the existence of currency controls, which cause the national currency to be illiquid outside of Russia. 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 the significant effect on the Company's industry include the following issues: rights of use of subsurface resources, environment protection, site remediation, transportation and export, corporate governance, taxation etc.

Taxation Contingencies

Legislation and regulations regarding taxation in Russia continue to evolve. The 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.

During 2004 several tax audits of OJSC Yuganskneftegaz took place and their results have been appealed in the court (see the "Litigation" caption below). 2004 tax returns of OJSC Yuganskneftegaz were not subject to tax audits.

23. Commitments and Contingencies (continued)

Taxation Contingencies (continued)

Since the expert assessment related to 1999-2003 tax exposures is not yet finalised (see the "Litigation" caption below) the Company is unable to reasonably estimate the amount of this tax exposure.

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 fines are levied when an understatement of tax liability is discovered. As a result, penalties and interest can result in amounts higher than unreported taxes.

Programs in Field Development, Exploration, and Upgrading Refining and Distribution Entities

The Company and its business units are engaged in the field development and exploration activities, as well as in upgrading its refining and distribution entities. According to the management's estimates, in the fourth quarter of 2005 the amount of expenses will total US$ 492 million for upstream units and US$ 63 million for downstream units. Depending on the market situation, the actual expenses may differ from the above estimates.

Due to the transfer of OJSC Rosneft-Tuapse Refinery under the full control of the Company (immediately after the purchase of additional 40% shares of this enterprise from minority shareholders at the end of 2004), 100% of its crude oil supplies come from the Company. This also facilitated the launch of large-scale work aimed at the modernization of the refinery worth approximately US$ 1,200 million.

This fundamental modernization of the refinery provides for the construction of an almost new modern refinery with an annual capacity of 12 million tons, as well as the establishment of environmental facilities. The reconstruction is aimed at increasing commercial efficiency, production output and petroleum product yield ratio.

It is planned that future costs will be primarily self-financed. In addition, the Company is seeking some external sources of financing. The management believes that the Company will obtain all the finance required to complete both existing and scheduled projects.

Pension Plans

The Company contributed US$ 11.6 million and US$ 9,0 million under the non-government corporate defined contribution pension plan during the first nine months of 2005 and 2004, respectively.

Insurance

The Company insured its assets through the insurance company SK Neftepolis LLC (see Note 4).

As of September 30, 2005 and December 31, 2004 the amount of coverage on assets under such insurance amounted to US$ 1,345 million and US$ 666 million, respectively.

Russian insurance providers do not offer business interruption insurance. Currently, it is not a common practice in Russia to obtain such insurance.

23. Commitments and Contingencies (continued)

Guarantees and Indemnity

As of September 30, 2005, the Company provided certain guarantees to secure bank loans.

Beneficiary Bank	Loan debtor	Maturity date	Original loan amount	Claimed amount as of September 30, 2005
Societe Generale S.A.	OJSC YUKOS	May 29, 2009	$ **1,000,000**	$ **455,124**
Societe Generale S.A.	OJSC YUKOS	May 29, 2009	$ **1,600,000**	$ **655,725**

Societe Generale S.A. claimed outstanding liabilities on loans from OJSC Yuganskneftegaz. For the loan in the amount of US$ 1,000 million the claim was also addressed to other guarantors, which are not Rosneft group companies (also see Note 25).

In May 2005, an affiliate of YUKOS Group filed a law suit in London against OJSC Yuganskneftegaz for recovery of outstanding amount of US$ 662 million pertaining to the US$ 1,600 million loan from Societe Generale. The court hearings are scheduled during the summer of 2006.

The Company's management believes that the risk of any payments under the latter guarantee is remote.

The Company agreed to indemnify ONGC for losses in the event Russian PSA Participants lose their equity interest in the project and provided to ONGC its shares of Russian PSA Participants as a security of this guarantee.

See also Note 25 to the financial statements.

Litigation

In April 2004, the Nenets Autonomous Area ("NAA") Administration filed a suit in the Moscow Arbitration Court against OJSC Northern Oil for recovery of US$ 19 million principal obligation (which is a recorded obligation as of December 31, 2004) and US$ 11 million penalty for the late payment of contributions to the social and economic development of the NAA under the license agreement with OJSC Northern Oil.

Earlier, in February 2003, OJSC Northern Oil signed an addendum to the license agreement on restructuring of contributions to the social and economic development of NAA. By the Ruling of the Moscow Arbitration Court the Company shall pay to the NAA Administration US$ 19 million of the principal amount and penalty of US$ 1 million. The rest of the claim was rejected. The Company prepared an appeal to be submitted to the Arbitration Court in order to challenge the ruling of the first instance court. The decision of appeals instance of Moscow's Arbitration Court was to reject the complaint. The amount of liabilities as of December 31, 2004, was recorded as accounts payable in the consolidated financial statements. The Company claimed the appeal on error which was satisfied by the Federal Arbitration Court Resolution of February 15, 2005. However on May 31, 2005 Moscow's Arbitration Court obliged OJSC Northern Oil to pay US$ 19 million of principal amount of license payments and penalty in amount of US$ 5.6 million.

An appeal was filed and then satisfied by the Resolution of the Ninth Arbitration Court of Appeal on September 1, 2005 whereby the license agreement clauses dealing with contributions to NAA Administration were recognized null (void). Based on this Resolution, all previously accrued obligations were reversed in these interim consolidated financial statements.

23. Commitments and Contingencies (continued)

Litigation (continued)

In October, 2005, the NAA Administration filed a cassation appeal against the Resolution of the Ninth Arbitration Court of Appeal. The Company's management believes that the probability of the case not being ruled in favor of OJSC Northern Oil is remote.

As of September 30, 2005, OJSC Yuganskneftegaz has disputes with the tax authorities on decisions issued as a result of tax audits at 1999-2003 in the total amount of US$ 4,720.1 million. Currently, hearings are suspended waiting for an expert assessment of “market prices” of oil applicable to each respective year, which is necessary to finalize the estimate of the amount of probable exposure.

The Company’s 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.

License Agreements

In accordance with license agreements the Company’s subsidiaries are obliged to conduct various environmental programs. For these purposes the Company has to expend approximately US$ 133 million over the period of development of these oil fields.

Oil Supplies

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

24. Segment Information (unaudited)

Presented below is information about the Company’s operating segments for nine months of 2005 and 2004, in accordance with SFAS 131, *"Disclosures about Segments of an Enterprise and Related Information"*. The Company determined its operating segments based on differences in the nature of their operations. The performance of these operating segments is assessed by management on a regular basis. The exploration and production segments explore, find, develop and produce crude oil and natural gas. The refinery, marketing and distribution segments process crude oil and other hydrocarbons into refined products and purchase, sell, transport crude oil and refined petroleum products. Corporate finance and other segments include banking and finance services, drilling services, vessel hire management, software support and other activities. 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 does not present any separate geographical segments.

24. Segment Information (unaudited) (continued)

The significant accounting policies applied to each segment are consistent with the accounting policies applied to the interim consolidated financial statements. Intersegment sales and services are conducted at transfer prices between the Company and its subsidiaries. Intersegment receivables represent outstanding balances between the Group companies, arising in the normal course of business. The Company allocates certain profits, losses and assets for its subsidiaries, which operate in various segments, in proportion to gross revenues these subsidiaries earn from activity of each segment. The Company and its subsidiaries operated within the Russian Federation. The Company had crude oil export sales of US$ 10,766 million and US$ 1,794 million over nine months of 2005 and 2004, respectively. The Company had oil products export sales of US$ 3,157 million and US$ 715 million over nine months of 2005 и 2004 respectively.

Operating segments during the first nine months of 2005 are as follows:

	Exploration and production	Refining, marketing and distribution	Finance and other	Consolidated
Total revenues	**$ 15,262,599**	**$ 7,628,908**	**$ 891,371**	**$ 23,782,878**
Less: intersegmental revenues	**(4,246,435)**	**(1,974,972)**	**(617,727)**	**(6,839,134)**
Revenues from external customers	**$ 11,016,164**	**$ 5,653,936**	**$ 273,644**	**$ 16,943,744**
Operating income	**$ 2,174,738**	**$ 2,288,346**	**$ 142,774**	**$ 4,605,858**
Depreciation, depletion and amortization	**$ 981,334**	**$ 62,192**	**$ 9,097**	**$ 1,052,623**
Total assets	**$ 25,676,796**	**$ 2,210,627**	**$ 1,038,833**	**$ 28,926,256**

Operating segments during the first nine months of 2004 are as follows:

	Exploration and production	Refining, marketing and distribution	Finance and other	Consolidated
Total revenues	$ 2,559,061	$ 1,707,841	$ 423,451	$ 4,690,353
Less: intersegmental revenues	(568,533)	(94,355)	(301,577)	(964,465)
Revenues from external customers	$ 1,990,528	$ 1,613,486	$ 121,874	$ 3,725,888
Operating income	$ 415,377	$ 425,488	$ 67,320	$ 908,185
Depreciation, depletion and amortization	$ 208,997	$ 44,907	$ 15,549	$ 269,453
Total assets	$ 4,651,077	$ 1,568,664	$ 1,011,279	$ 7,231,020

25. Subsequent Events

In November 2005, the Company's Board of Directors approved the acquisition of 25.94% voting shares of OJSC Verkhnechonskneftegaz which has a license for development of Verkhnechonsk oil and gas condensate deposit in Irkutsk Region. The purchase price amounted to US$ 230 million.

In the fourth quarter of 2005, the Company developed a plan for consolidation of the main subsidiaries and approval of a uniform share. Consolidation is planned to be completed in 2006.

In October 2005, the Company raised a two-year US$ 50 million loan from a Russian bank at the interest rate of LIBOR plus 1.65% to improve its working capital. The loan is secured by export and domestic oil sales.

In December 2005, the Company raised a one-year US$ 55 million loan from a large Western bank at the interest rate of LIBOR plus 1.25% to improve its working capital.

In the fourth quarter of 2005, the owner of Rosneft transferred one share of par value RUR 0.01 to the Federal Agency for Federal Property Management.

In October 2005, PSA Sakhalin-1 began commercial production of hydrocarbons.

In December 2005, the Moscow Arbitration Court resolved to recognize and enforce on the territory of the Russian Federation the Ruling of the London High Court of Justice granting OJSC YUKOS creditor bank Societe Generale S.A. a recovery of the loan payables in amount of US$ 1,000 million. OJSC Yuganskneftegaz is a guarantor of the loan (see Note 23). In December 2005, the Company and Societe Generale S.A. executed an agreement to become effective not later than April 30, 2006. This agreement will settle the guarantee claim to the Company's subsidiary OJSC Yuganskneftegaz to repay the outstanding payables under the loan granted to OJSC YUKOS in the amount of US$ 1,000 million. The estimated 'loss' element of this agreement has been accrued in these financial statements.

In December 2005, the Company signed a warranty agreement with ABN-AMRO. Under this agreement the Company is the guarantor of US$ 7,500 million loan issued by ABN-AMRO to the Company's shareholder OJSC Rosneftegaz.

On December 16, 2005 the Company won the tender for exploration and production of Vostochno-Sugdinskoye oil and gas promising deposit in Irkutsk Region. The license cost was RUR 7.47 billion (US$ 262 million at the exchange rate at September 30, 2005). The license entitles the holder to use Vostochno-Sugdinskoye oil and gas deposit for geological study, exploration and production of hydrocarbons for 25 years, including geological study for 5 years. The deposit is promising due to the proximity to the Verkhnechonsky oil field.