

**OPINION**  
**of the Internal Audit Commission on the results of the audit of the Annual Accounting Statements of Rosneft**

March \_\_\_\_, 2008

Moscow

The Internal Audit Commission of Rosneft, including:

- A.N. Kobzev, the Chairman of the Internal Audit Commission;
- Yu.B. Pisarev, N.V. Radkova, L.V. Feodosyev, V.V. Oseledko – members of the Internal Audit Commission,

based on the authorities established by the Federal Law on Joint Stock Companies, Charter of Rosneft, Regulation on the Internal Audit Commission of Rosneft approved by the general shareholders meeting on 07.06.2006, has performed the audit of the Annual Accounting Statements of Rosneft for the period of January 1 through December 31, 2007.

The following was reviewed as part of the audit:

- the Annual Accounting Statements of Rosneft for 2007;
- the Accounting Policy for financial and tax accounting for 2007;
- the opinion of the external auditor - Audit and Consulting Group - Business Systems Development, confirming the accuracy of accounting statements of the Company for 2007;
- miscellaneous documents.

The Annual Accounting Statements of Rosneft include:

- the accounting Balance Sheet, Form No.1
- the profit and loss statement, Form No.2
- the statement on changes in equity, Form No.3
- the cash flow statement, Form No. 4
- supplement to the Balance Sheet, Form No.5
- Explanatory Note (all the statements shall be hereinafter referred to as financial (accounting) statements).

The responsibility of the Internal Audit Commission was to assess the statements from the point of view of accuracy of the data contained therein and to inform the members (shareholders) of Rosneft on any evidence of failure to comply with the accounting procedures and the procedure for presentation of accounting statements as set forth in the RF legislation and the internal regulations.

The audit was planned and performed to express an objective opinion on the presence or absence of material misrepresentations in the accounting statements and it included the audit thereof on a selective basis, verifying the numeric data and clarifications contained in the accounting statements.

The executive body of Rosneft is responsible for organization, status and accuracy of the Company financial accounting as well as for the timely preparation and presentation of financial (accounting) reports to the relevant bodies.

The audit was performed in accordance with:

- the Federal Law on Joint Stock Companies of 26.12.1995, No. 208-FZ
- the Federal law on Business Accounting of 21.11.1996, No. 129-FZ
- Regulation on business accounting – Organizations Accounting (PBU 4/99), approved by the Order of the RF Ministry of Finance No. 43n of 06.07.99
- Regulation on bookkeeping and accounting statements in the Russian Federation approved by the Order of the RF Ministry of Finance No. 34n of 29.07.98
- Regulation on the Internal Audit Commission of Rosneft approved by the general shareholders meeting on 07.06.2006

The audit was performed on a selective basis and included the study of numeric indicators contained in financial (accounting) statements, disclosure of information on financial and economic activity, assessment of compliance with the accounting principles and rules applied during preparation of financial (accounting) statements.

The audit has established the following:

*1. Adjustment of the opening accounting balance (Form No.1)*

In order to ensure comparability of the indicators and in accordance with the changes in the legislation regulating the bookkeeping procedure, the opening balance of the accounting Balance Sheet was adjusted (balance as of 01.01.2007), including the following:

- in accordance with the approved Accounting Policy of the Company for 2007, the advance amounts allocated for the capital construction shall be recognized in line 130 of the Balance Sheet under Construction in Progress (the amount in line 240 is to be reduced).

- in accordance with the approved Accounting Policy of the Company for 2007 the amounts of deferred tax assets and deferred tax liabilities were reflected in the Balance Sheet in more details (lines 145, 515);

- the Regulation on business accounting (PBU 03/2006) - Accounting of Assets and Liabilities Expressed in Foreign Currency has introduced the changes effective from 01.01.2007 in the procedure for accounting of the sum variance for re-evaluation of liabilities in equivalent units and modification of financial result from re-evaluation during transitional period. The opening balance values as per lines 240, 460, 620 were amended;

- the opening balance as per line 910 was amended to reflect the leased land plots in the amount as per the appraisal under the lease agreements

Detailed information on the adjustment of the opening balance of the accounting Balance Sheet is presented in table No.1 below.

Table № 1, thousand rubles

<b>Assets</b>	<b>As of 31.12.2006</b>	<b>adjusted</b>	<b>As of 01.01.2007</b>
130 Construction in progress	33 316 382	+ 1 644 657	34 961 039
145 Deferred tax assets	0	+ 294 569	294 569
240 Accounts receivable, incl.	332 310 966	- 1 644 657 + 251 428	330 917 737
<b>TOTAL</b>		<b>+ 545 997</b>	
<b>Liabilities</b>			
460 Undistributed profit from previous years	174 575 736	+ 261 558	174 837 294
515 Deferred tax liabilities	2 376 146	+ 294 569	2 670 715
620 Accounts payable, incl.	98 981 852	- 10 130	98 971 722
621 Suppliers and contractors	18 087 980	- 387	18 087 593
628 Other creditors	34 341 333	- 9 743	34 331 590
<b>TOTAL</b>		<b>+ 545 997</b>	
<b>Off-Balance-Sheet accounts</b>			
910 Leased capital assets	91 809	+ 8 607 909	8 699 718

### *2. Events after the Balance Sheet date*

In accordance with PBU 7/98, the information on the following events that occurred after the Balance Sheet date was disclosed in the statements:

1. On January 2008 the Court of Amsterdam has satisfied the claim made by Yukos Capital S.a.r.l. on attachment of the shares of West Kamchatka Holding B.V., held by Rosneft, in order to establish the security for the statement on recognition and enforcement of Resolutions of the International Commercial Arbitration Court with the Chamber of Trade and Commerce of the RF.

2. On January 21, 2008 Rosneft has registered a limited liability company of OOO RN-Krasnoyarsknefteproduct with the Krasnoyarsk Region 22<sup>nd</sup> Inter-District Inspectorate of the Federal Tax Agency. Rosneft owns 100% of the said company.

### *3. Contingency facts*

1. In 2006, the International Commercial Arbitration Court with the Chamber of Trade and Commerce of the RF has charged OAO Yuganskneftegas (with Rosneft being the legal successor) with the payment of debt under the loan agreements, including the loan in the amount of 11 233 000 thousand rubles, interest in the amount of 1 702 858.5 thousand rubles, arbitration fees and legal expenses in the amount of 857.5 US dollars in favor of Yukos Capital S.a.r.l.

Rosneft has filed claims with the Arbitration Court of the City of Moscow on reversal of the award by the International Commercial Arbitration Court with the Chamber of Trade and Commerce of the RF. Based on the resolutions of the Arbitration Court of Moscow of 23.05.2007, the resolutions of the International Commercial Arbitration Court with the Chamber of Trade and Commerce of the RF of 19.09.2006, upheld by the Verdicts of the Moscow District Federal Arbitration Court of 13.08.2007, were discharged. Based on the rulings of the Supreme Arbitration Court of the RF of 10.12.2007, Yukos Capital S.a.r.l. was denied the right to transfer the case to the Presidium of the Supreme

Arbitration Court of the RF for revision under judicial supervision of the above resolution of the Arbitration Court of Moscow of 23.05.2007 and the Verdicts of the Moscow District Federal Arbitration Court of 13.08.2007.

The term of loan repayment under the loan agreements was established for 31.12.2007.

A shareholder of Rosneft has filed a claim with the Arbitration Court of Moscow against Rosneft and Yukos Capital S.a.r.l. on nullification of the above-mentioned loans; the Court resolution is expected in the next accounting period.

Yukos Capital S.a.r.l. applied to the court in the Netherlands for recognition and enforcement of the said Resolutions of the International Commercial Arbitration Court with the Chamber of Trade and Commerce of the RF. The Court resolution is expected after the reporting date.

2. In May 2007 the Court of Amsterdam has satisfied the claim of Glendale Group Limited on attachment of the cash funds and property owned by Yukos Finance B.V. and subject to transfer to Rosneft as part of current or future commercial relations between the companies. The claim was filed in order to secure the claims by Glendale Group Limited against Rosneft on the basis of promissory notes (issued by OAO Yuganskneftegas in 2003 for the amount of ca. 130 million Euro), currently held by Glendale Group Limited. No hearings on the said case were held within the reporting period.

3. During the reporting period the courts of various instances reviewed Rosneft claims to challenge several decisions of the tax authorities, who have denied the Company the reimbursement of paid value added tax for the total amount of 2 876 million rubles. The Company claims for the amount of 2 207 million rubles have been upheld by the Arbitration Courts, however the tax authorities have challenged the resolutions in courts of higher instance and they may further challenge the said resolutions in the upcoming reporting period. The claim by Rosneft for the amount of 205 million rubles has not been upheld by the Arbitration Court, the Company has however challenged the judgment. The claims for 464 million rubles were not considered on merits within the reporting period.

4. In November 2007 the 1st Interregional Inspectorate of the Russian Federal Tax Agency No.1 for major taxpayers has passed a resolution on the results of field tax inspection of Rosneft and its subsidiaries for 2006. In accordance with this resolution, 354.3 million rubles taxes and 55.4 million rubles penalty is due (according to the tax authority) for payment to budgets of various levels. The resolution did not take legal effect due to an appeal filed with the Russian Federal Tax Agency. The Company intends to challenge the said resolution.

5. In December 2007 the 1st Interregional Inspectorate of the Russian Federal Tax Agency No.1 for major taxpayers has filed a report on the results of field tax inspection of Rosneft and its subsidiaries for 2004 - 2006. It was suggested that the Company makes additional payments to budgets of various levels in the amount of 1 689.8 million rubles in taxes and 326 million rubles in penalties. Based on the review of objections against the field inspection report results, the tax authorities have reduced the claim amount to 143.4 million rubles. The decision on the report was received by the Company on 01.02.2008. The Company has prepared an appeal to the Russian Federal Tax Agency, therefore the resolution has not yet taken the legal effect. The Company intends to challenge the said resolution in court.

6. In December 2007 the Republic of Mordovia, represented by the State Institution – the Property Fund of Mordovia, has filed two claims with the Arbitration Court of

Moscow for recovery of debt in the amount of 1 464 million rubles with respect to two promissory notes issued by OAO Yuganskneftegas in 2003. As of the reporting date, the case was not considered.

#### *4. State of accounting and accuracy of accounting statements for 2007*

The state of accounting in Rosneft complies in all material respects with the requirements of the Federal Law of 21.11.1996 No. 129-FZ on Business Accounting. The accounting methods applied are in compliance with the legislation of the Russian Federation, as well as the corporate rules and acts. The accounting principles and methods are set forth in the Accounting Policy of Rosneft.

Changes in the rules and standards of accounting and preparation of financial statements were generally reflected in the Company accounting and reporting.

During the audit, the Internal Audit Commission reviewed the Company compliance with the RF legislation applicable to financial and economic transactions and their recognition in the accounting statements in order to discover possible misrepresentations in the accounting statements.

Bookkeeping and preparation of the accounting statements was performed in accordance with the legal requirements and legal acts regulating the accounting and taxation in the RF, as well as the Accounting Policy, approved by the Company for 2007. The Internal Audit Commission has performed the audit of the state of accounting and it has not discovered any material violations of the established procedure for bookkeeping and preparation of accounting statements, that could produce any material adverse effect on the accuracy of the accounting statements.

The Annual Accounting Statements of the Company are prepared in full and in complete compliance with the Forms approved by the RF Ministry of Finance.

However the objective of the audit performed by the Internal Audit Commission was not to express an opinion on complete compliance of the accounting statements with the RF legislation, the Internal Audit Commission therefore does not express such an opinion. The responsibility for compliance with the current RF legislation with respect to financial and economic operations is with the executive body of the Company.

In accordance with the obtained results and in consideration of the opinion of the Audit and Consulting Group - Business Systems Development, the Internal Audit Commission therefore believes that:

*The Financial (Accounting) Statements were prepared by the management of Rosneft in accordance with the RF legislation requirements as applied to preparation of financial (accounting) statements and they accurately reflect in all material aspects the financial position of the Company as of 31.12.2007, as well as its financial and economic performance in the period from January 1 to December 31, 2007.*

A.N. Kobzev

Chairman of the Internal Audit Commission

Rosneft

N.V. Radkova

V.V. Oseledko

L.V. Feodosyev

Members of the Internal Audit Commission

Rosneft

Yu.B. Pisarev

Secretary of the Internal Audit Commission