



ROSNEFT

Q2 and 1H 2011 US GAAP Financial Results

July 29, 2011



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Q2'11 and 1H'11 Highlights

Good Results at Existing Environment, Production Ahead of Plan

Positives

- Good financial results:
 - EBITDA – **USD 5.3 bln** in Q2 and **USD 12.0 bln** in 1H
 - Net income – **USD 2.8 bln** in Q2 and **6.7 bln** in 1H
 - Adjusted operating cash flow – **USD 11.3 bln** in 1H
 - Adjusted free cash flow – **USD 4.9 bln** in 1H
- Daily crude oil production growth of **2.7%** in 1H'11 vs. 1H'10 and **0.6%** in Q2'11 vs. Q1'11
- Efficient cost control
- Ruhr Oel acquisition completed

Challenges, priorities

Q2'11 - challenges

- Export duty lag effect
- Weak domestic product prices
- Introduction of standard export duty for Vankor crude
- Increased export duties for gasoline and naphta
- Strengthening of the RUB against the USD

Q3-Q4'11 priorities

- Internal optimization: divestment of non-core assets/subsidiaries, optimization of business processes
- Meeting 2011 Business plan targets
- Continued cost control
 - Increase in energy efficiency
 - Work with suppliers and contractors
 - Headcount optimization
 - Capex prioritization
- Continue discussion to update tax regime



Ruhr Oel GmbH Acquisition Completed

On May 3, 2011 Rosneft closed the deal on acquisition of 50% stake in Ruhr Oel GmbH (ROG) from Petroleos de Venezuela S.A. (PDVSA).

ROG is a leading player in the German downstream market (~22% of German refining capacities) via participations in four refineries, one of which has a large petrochemical block.

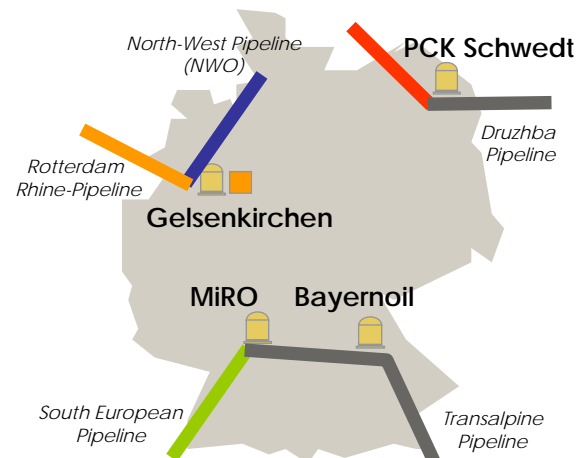
Gelsenkirchen Refinery

- **ROG participation: 100%**
- **Gross capacity of 260 mb/d (12.7 ktpa)**
 - Rosneft net : 130 mb/d (6.4 ktpa)
- **NCI complexity: 7.7**
- **Crude supplied via NWO/Rotterdam/Rhine pipeline**
- **Consists of Scholven and Horst refineries, run as an integrated operating system**

Gelsenkirchen Petchem Complex

- **Main unit - steam cracker producing olefins**
- **Product range of over 250 products**
- **Capacity of 3.9 mmtpa**

 Refinery  Petrochemical block



MiRO Refinery

- **ROG participation: 24%**
 - **Other partners: Shell (32.25%), ExxonMobil (25%), and ConocoPhillips (18.75%)**
- **Gross capacity of 300 mb/d (14.9 ktpa)**
 - **Rosneft net : 36 mb/d (1.8 ktpa)**
- **NCI complexity: 9.4**
- **Crude supplied from Africa, the Persian Gulf, Russia, Venezuela and the North Sea via Lavera/ the SPSE pipeline and Trieste/ TAL (50/50)**

PCK Refinery (Schwedt)

- **ROG participation: 37.5%**
 - **Other partners: Shell (37.5%), AET (25%, JV between Eni and Total)**
- **Gross capacity of 220 mb/d (11.5 ktpa)**
 - **Rosneft net : 41 mb/d (2.2 ktpa)**
- **NCI complexity: 9.2**
- **Crude supply via the Druzhba pipeline**

Bayernoil Refinery

- **ROG participation: 25%**
 - **Other partners: OMV (45%), BP (10%, directly owned) and Eni (20%)**
- **Gross capacity of 240 mb/d (10.3 ktpa)**
 - **Rosneft net : 30 mb/d (1.3 ktpa)**
- **NCI complexity: 6.8**
- **Crude sourced from Africa, Venezuela, Norway and Saudi Arabia through Trieste/ the TAL pipeline**



Macroeconomic Environment

Prices Up Y-on-Y and Q-on-Q, Real Strengthening of the Ruble

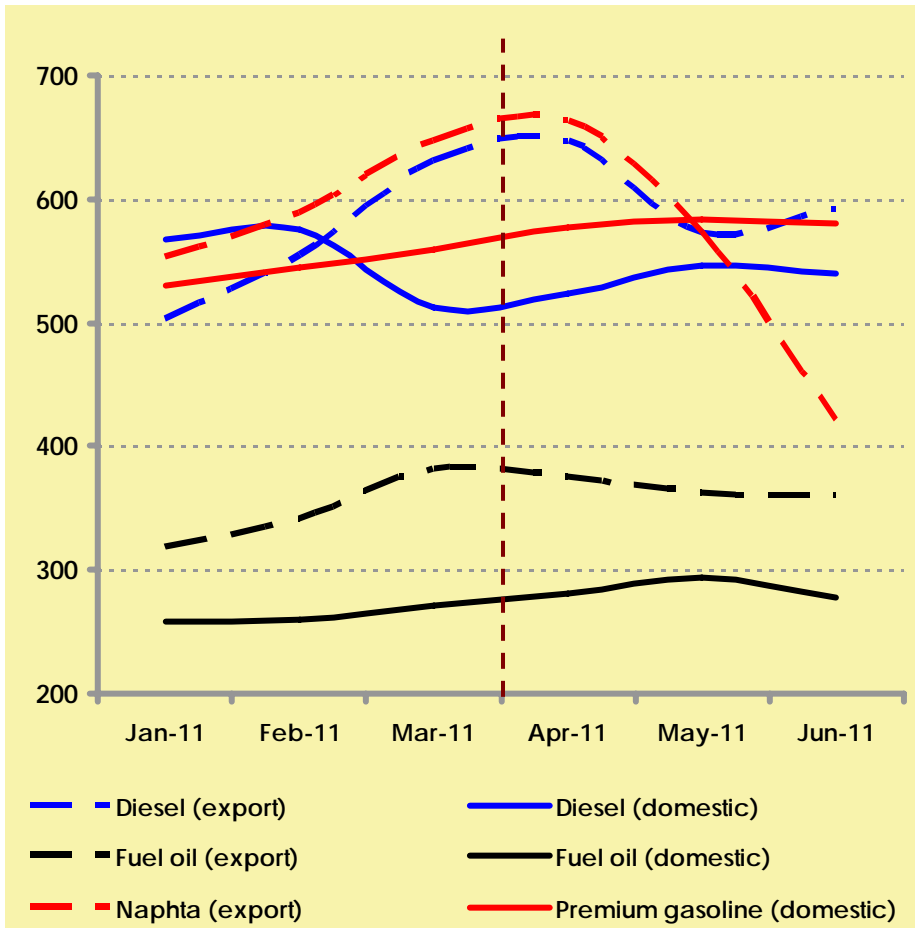
	Q2'11	Q1'11	Δ, %	1H'11	1H'10	Δ, %
Average USD/RUB exchange rate	27.99	29.27	(4.4)%	28.62	30.07	(4.8)%
Inflation for the period, %	1.2%	3.8%		5.0%	4.4%	
Real RUB appreciation/(depreciation) against USD compared with the previous period, %	6.2%	9.3%		15.1%	17.2%	
Urals FOB Primorsk, \$/bbl	113.1	100.4	12.7%	106.8	74.3	43.6%
Gasoil 0.1% (FOB/CIF Med), \$/tonne	958.2	881.8	8.7%	920.0	652.3	41.0%
Fuel oil 3.5% (FOB/CIF Med), \$/tonne	625.8	554.9	12.8%	590.3	438.9	34.5%
High octane gasoline (av. Russia), \$/tonne	861.3	760.7	13.2%	811.0	665.0	22.0%
Diesel (av. Russia), \$/tonne (summer)	689.2	618.4	11.5%	653.8	453.7	44.1%



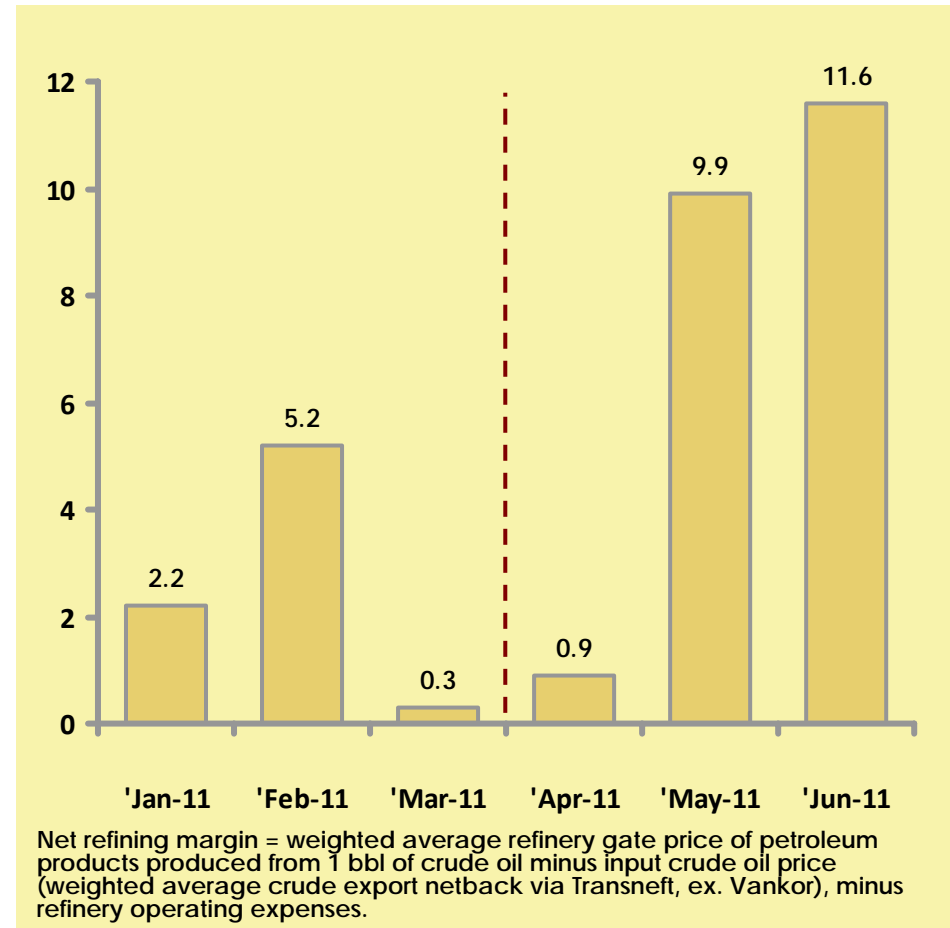
Petroleum Product Prices & Refining Margin

Margin Normalized Following the Export Duty Lag Effect

Petroleum product prices, USD per tonne



Net Refining margin, USD per barrel



Refinery-gate export netback or domestic wholesale price net of VAT and excise (average for Rosneft refineries).



Priorities for Marketing Business

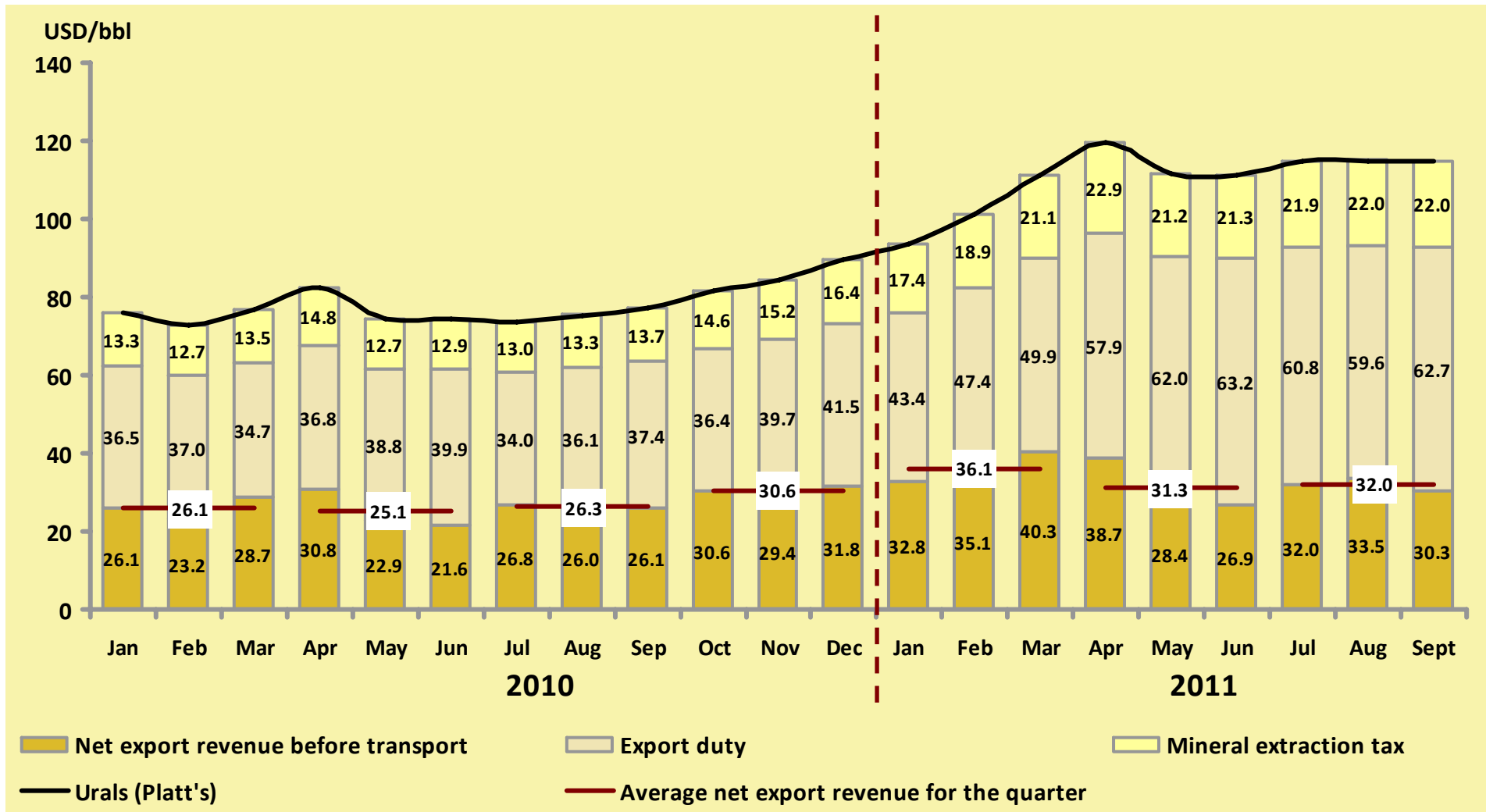
- Accelerated optimization of retail chain – potential upside in product sales per station of 10-20%
- Restructuring of the loyalty program – potential annual effect of up to USD 150 mln
- Price rebalancing
- Inventory optimization – effect of up to USD 100 mln on working capital
- Ongoing enhancement of the Olympic partnership program





Upstream Margins

Normalized due to Export Duty Lag Effect



* Assuming Urals price of USD 115 per bbl in August and September.



Non-controlled Expenses

Export Duty Lag Effect

		Q2'11	Q1'11	Δ, %	Q2'10	Δ, %
Export customs duty	USD/bbl	61.04	46.89	30.2%	38.51	58.5%
Yugansk – Novorossiysk tariff	RUB/t	1,445	1,445	0.0%	1,279	13.0%
Yugansk – Novorossiysk tariff	USD/bbl	7.06	6.75	4.6%	5.78	22.1%
MET	USD/bbl	21.82	19.10	14.2%	13.47	62.0%
Total non-controlled costs	USD/bbl	89.92	72.74	23.6%	57.76	55.7%
Non-controlled costs / Urals FOB Novorossiysk	%	79.4%	72.1%		77.0%	

- Transneft tariffs up 13.5% in 1H'11 vs. 1H'10 following two increases in 2010: by 3.3% from August 1, 2010 and by 9.9% from December 1, 2010
- RZhD tariffs increased by 8.0% from January 1, 2011
- In Q2 vs. Q1 crude oil price grew by USD 12 per bbl, while export duty increased by USD 14 per bbl due to time lag effect
- Preferential export duty on Vankor crude oil expired from May 1, 2011
- 90% export duty on gasoline and naphta introduced from May 1 and June 1, respectively



Q2'11 and 1H'11 Results Overview

Production Ahead of Plan

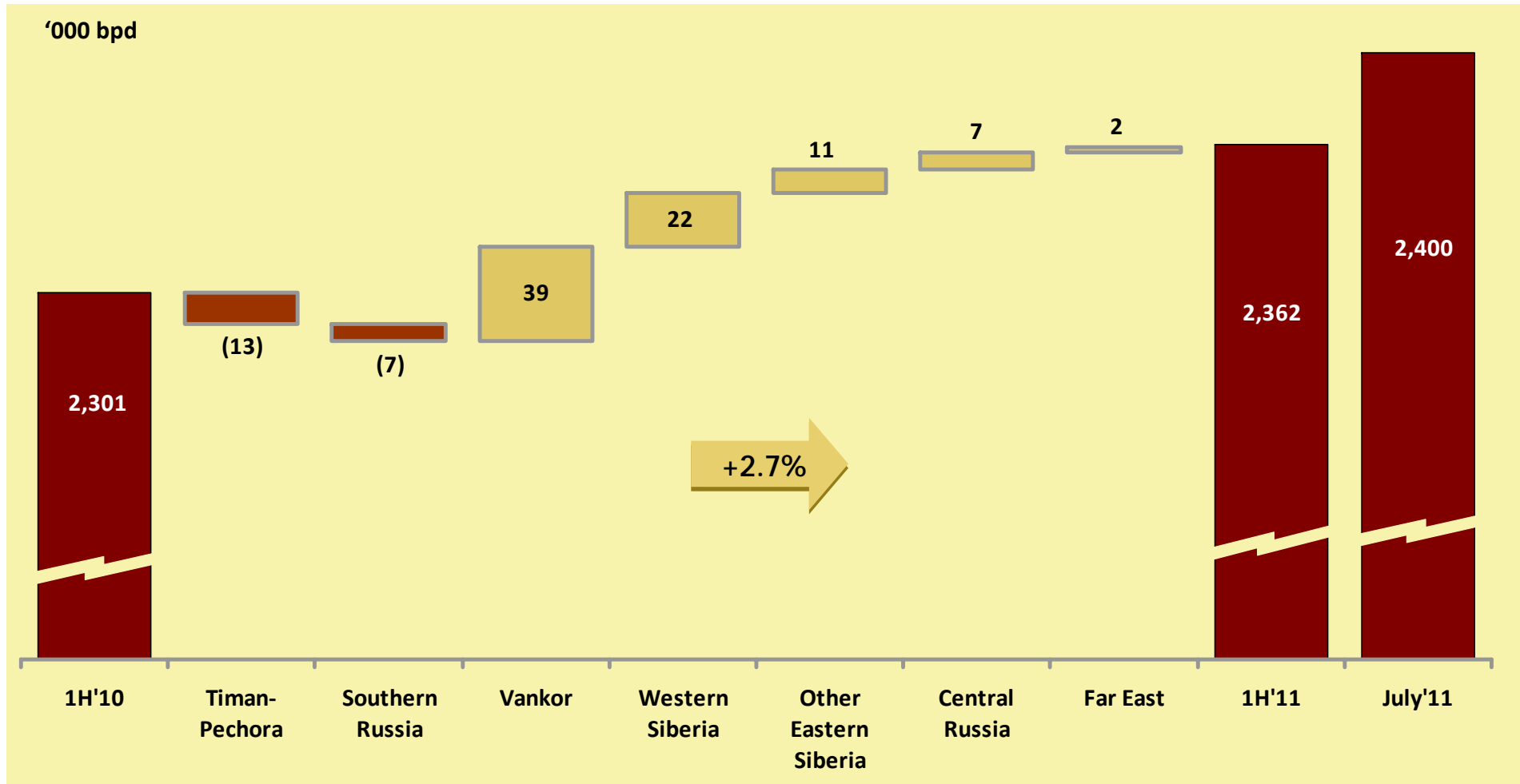
	Q2'11	Q1'11	Δ, %	1H'11	1H'10	Δ, %
Daily crude oil production, th. bpd	2,368	2,355	0.6%	2,362	2,301	2.7%
Gas production, bcm	3.06	3.20	(4.4)%	6.26	6.23	0.5%
Petroleum product output, mln t	11. 69	11.76	(0.6)%	23.45	23.22	1.0%
Revenues, USD mln	23,274	20,123	15.7%	43,397	30,192	43.7%
EBITDA, USD mln	5,333	6,653	(19.8)%	11,986	9,188	30.5%
Adjusted net income, USD mln	2,805	3,856	(27.3)%	6,661	4,960	34.3%
Operating cash flow ¹ , USD mln	5,198	6,067	(14.3)%	11,265	6,802	65.6%
Capital expenditures, USD mln	3,452	2,761	25.0%	6,213	3,845	61.6%
Free cash flow¹, USD bln	1,730	3,181	(45.6)%	4,911	2,954	66.2%
Net debt , USD mln	12,445	11,097	12.1%	12,445	15,810	(21.3)%

1. Operating cash flow and free cash flow are adjusted for operations with trading securities as part of excess cash management (inflow of USD 380 mln in 1H'10, inflow of USD 1 mln in 1H'11, outflow of USD 15 mln in Q1'11, inflow of USD 16 mln in Q2'11) and for the effect on working capital of the acquisition of Ruhr Oel GmbH in the amount of USD 1,886 million.



Daily Crude Oil Production Reconciliation

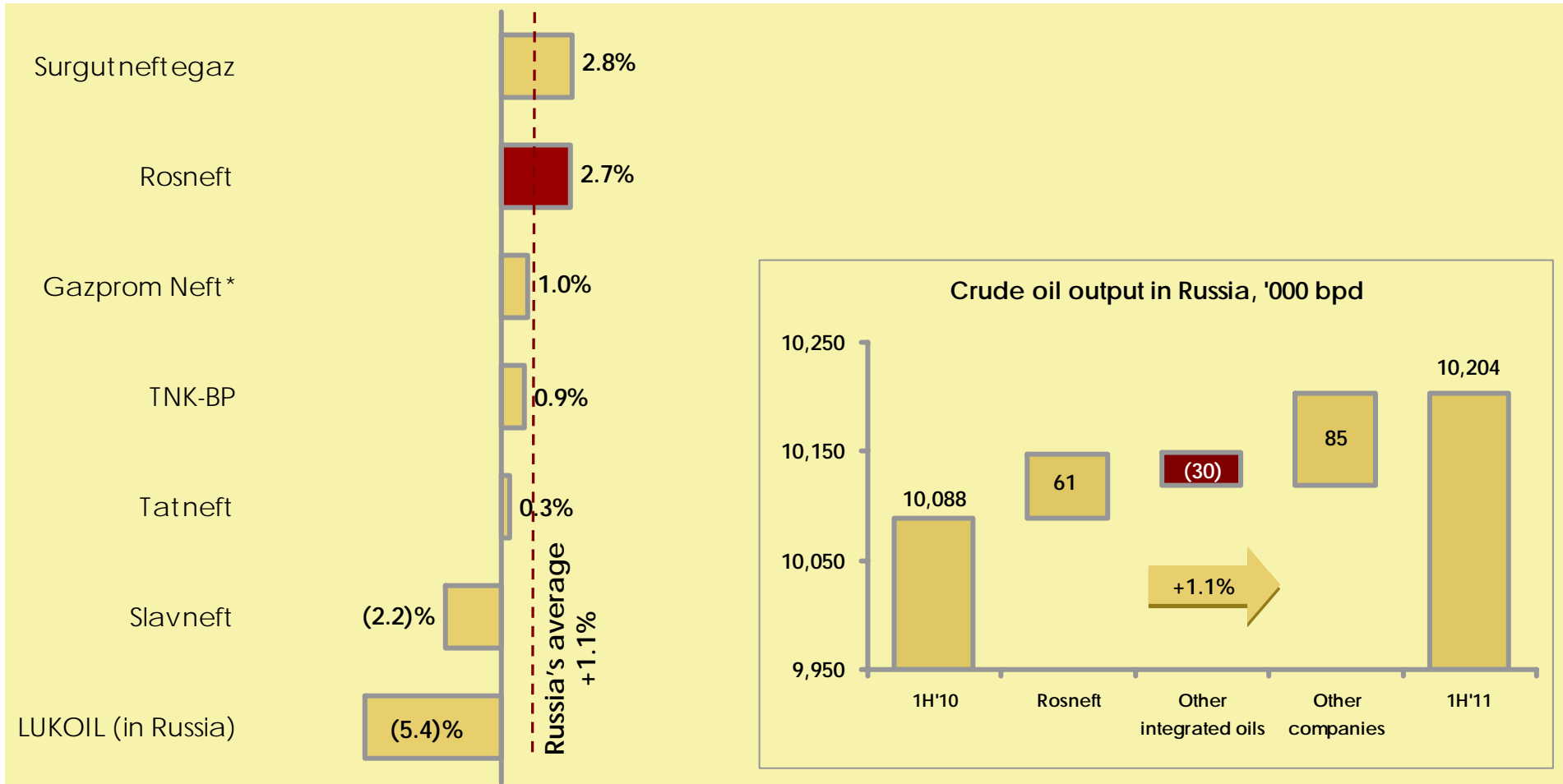
Daily Crude Oil Production Reconciliation, 1H'11 vs. 1H'10





Daily Crude Oil Production (continued)

Daily Crude Oil Production in Russia, 1H'11 vs. 1H'10



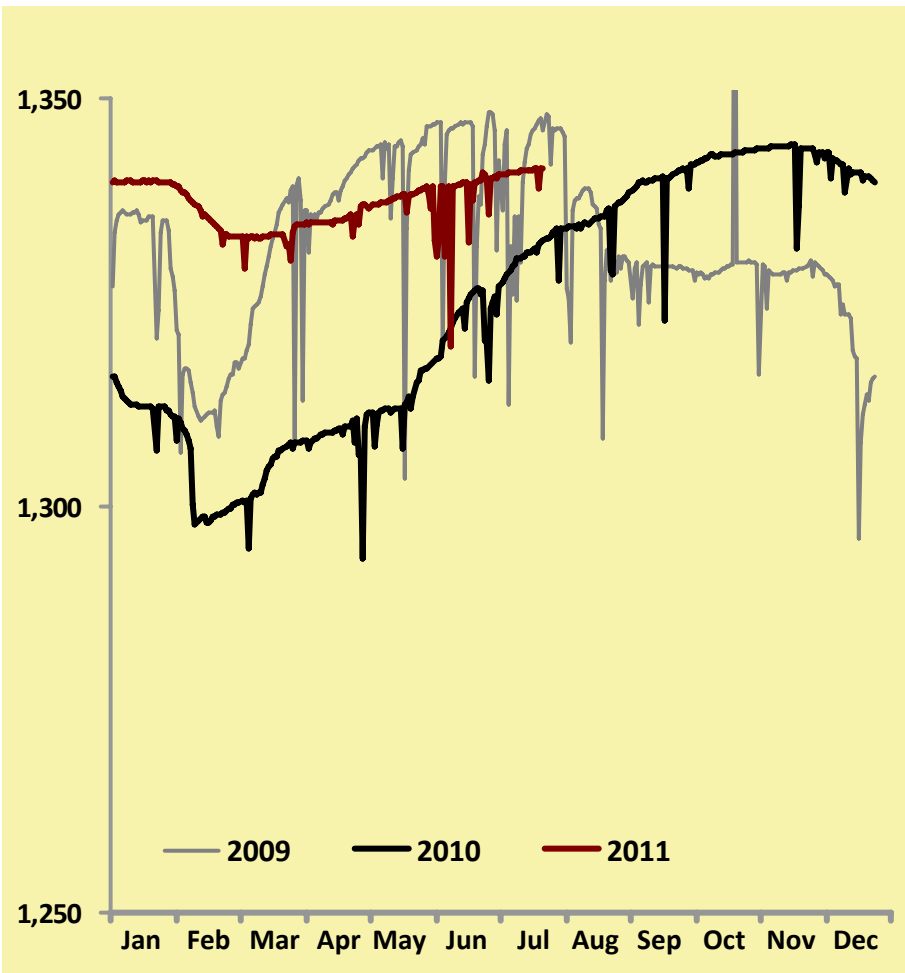
* Not including share in Tomskneft.



Yugansk

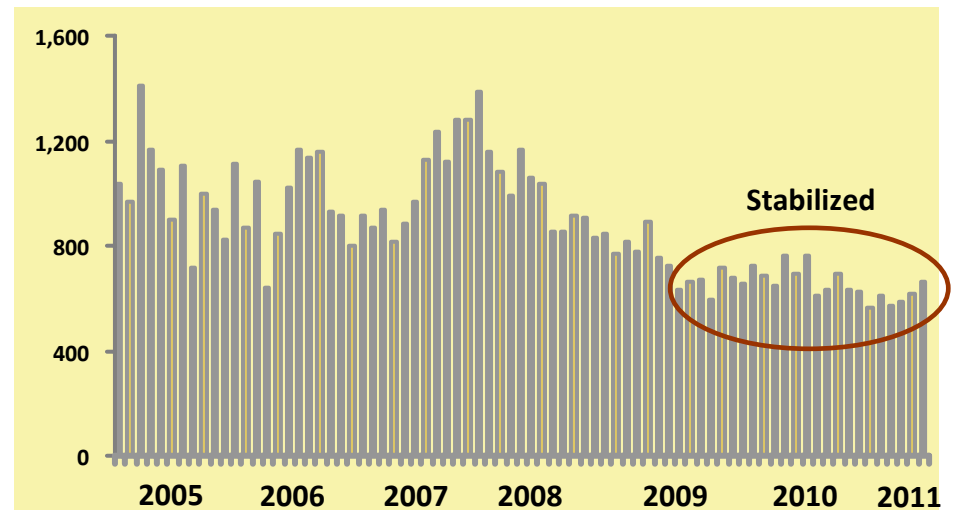
Production 2% Ahead of Plan in 1H

Yuganskneftegaz Daily Crude Oil Production, '000 bpd



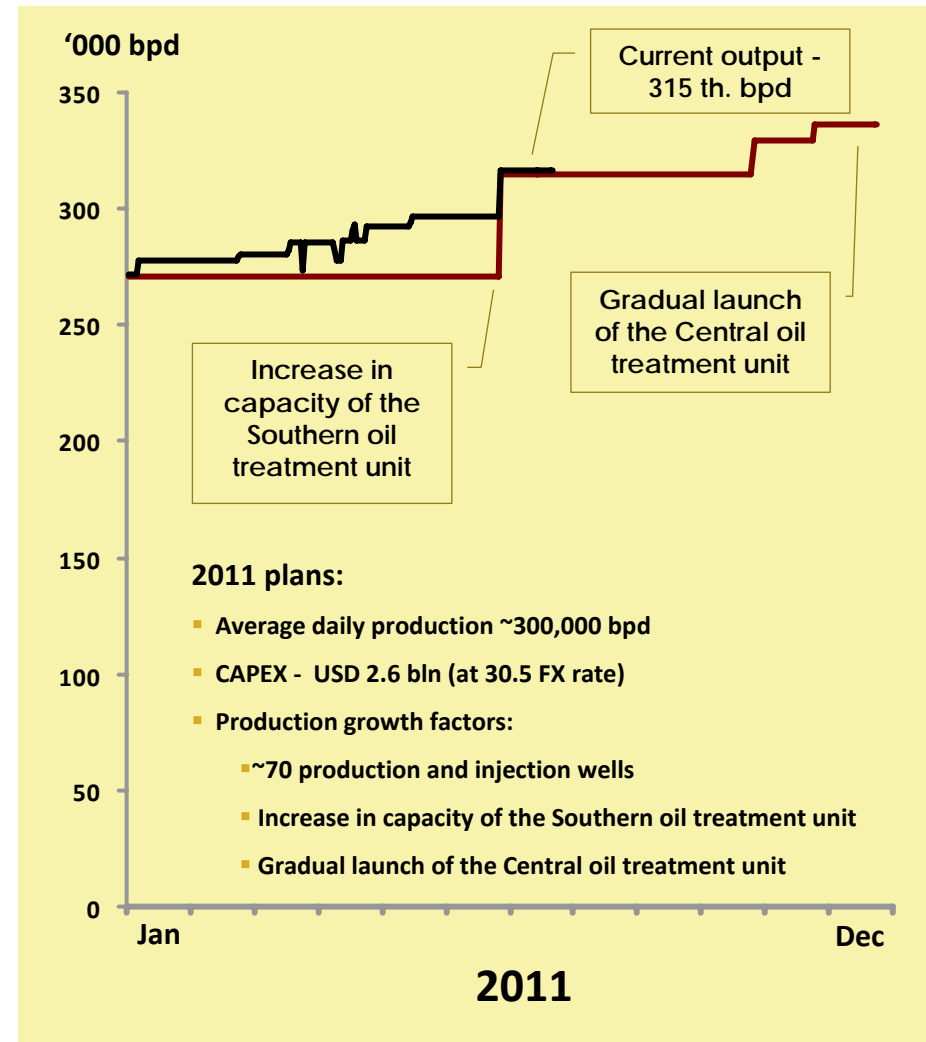
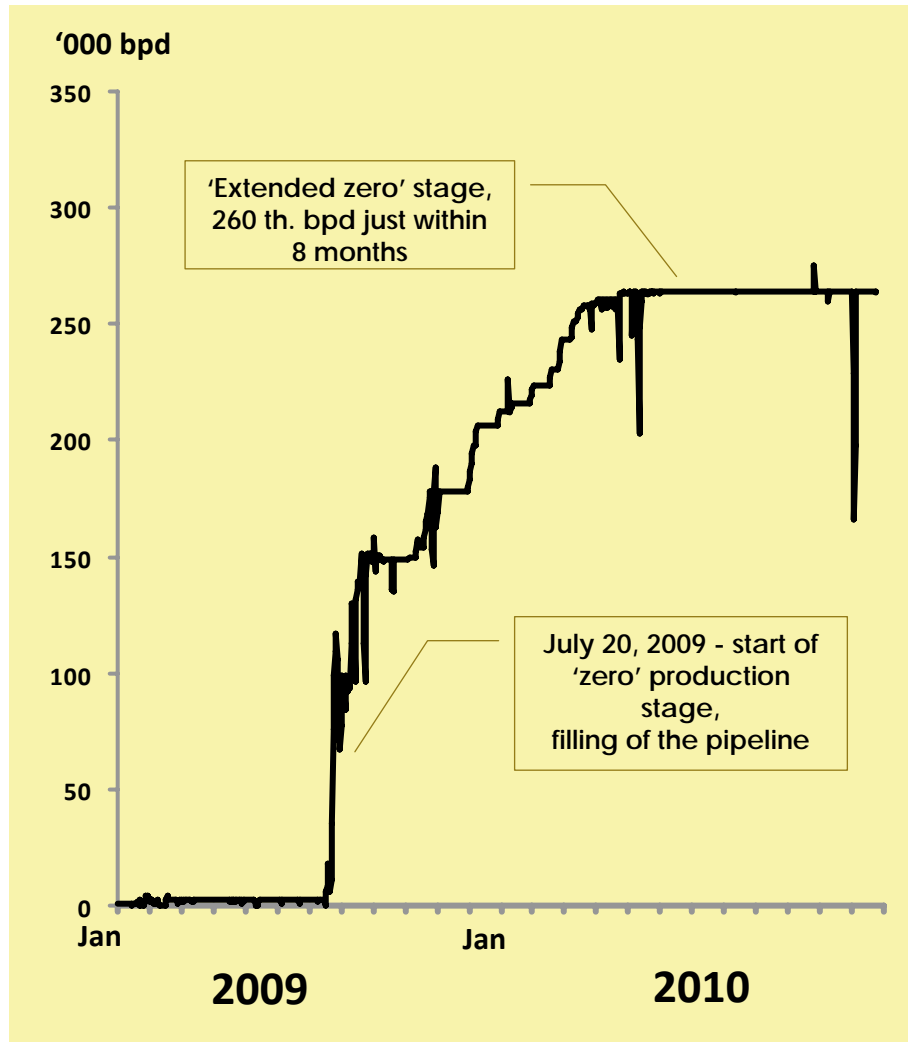
- Yugansk was 2% ahead of plan in Q2 due to higher than planned flow rates at old wells (a combination of geology, efficient well interventions and wellstock management)
- 821 wells are planned to be drilled in 2011 (401 wells drilled in 1H in line with the plan)
- Capex plan - USD 3.1 bln at 30.5 FX rate (USD 1.4 bln spent in 1H)

Initial flow rates of new wells, bpd



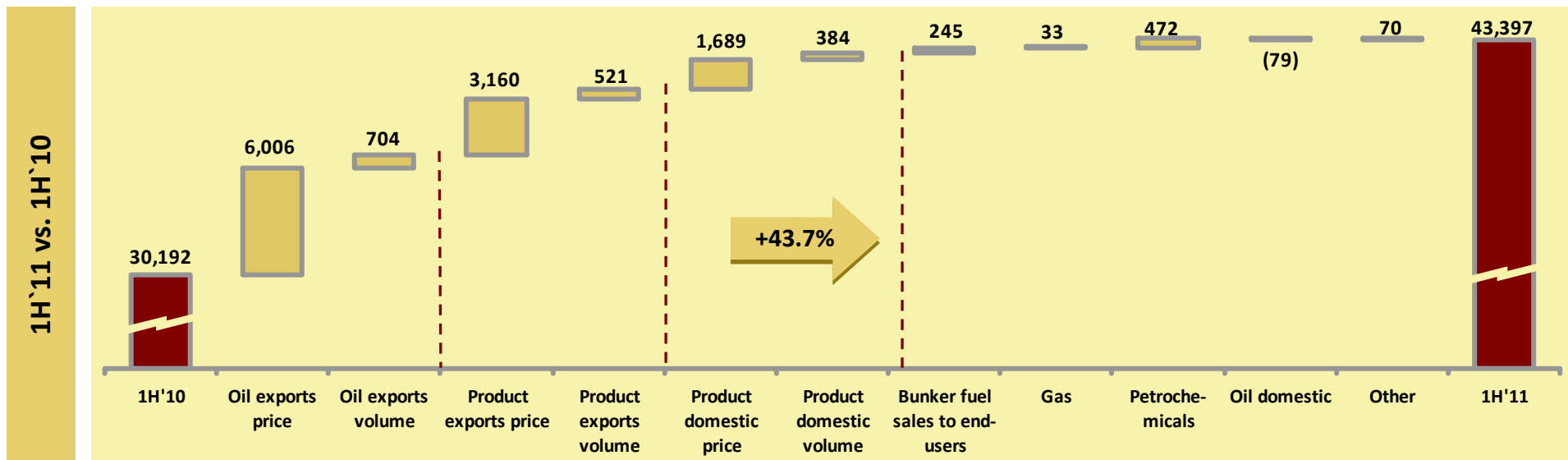
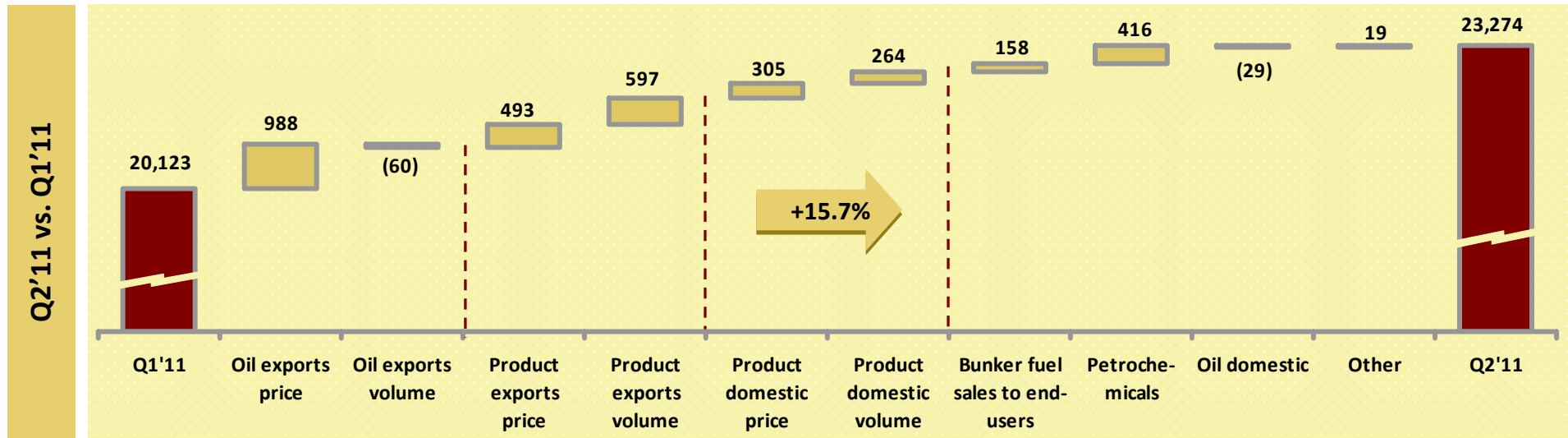


Planned Oil Treatment Capacity Expansion Completed on Schedule





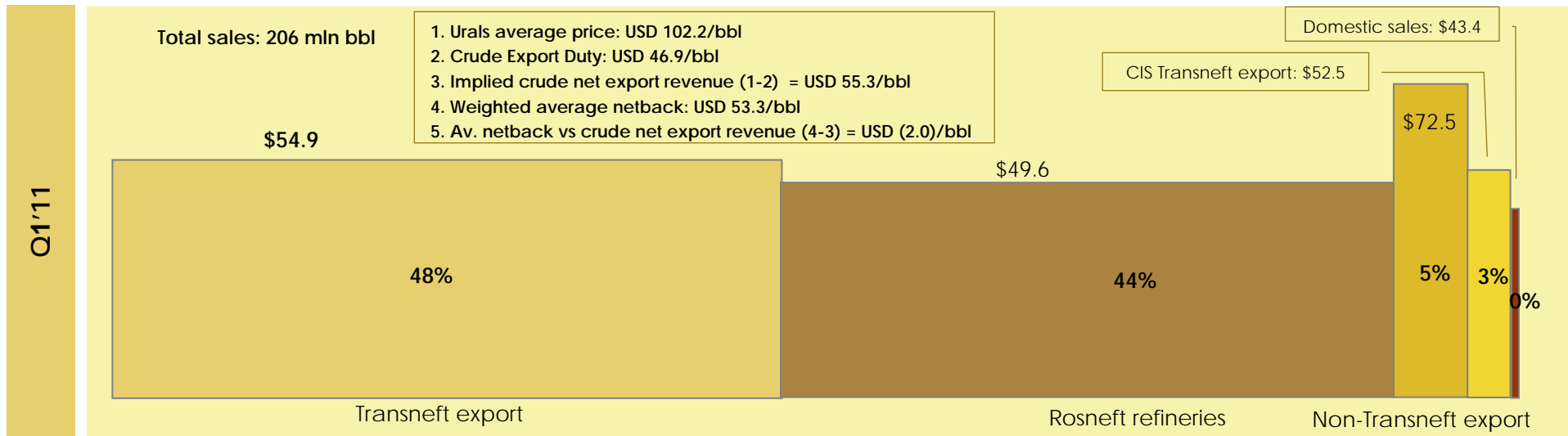
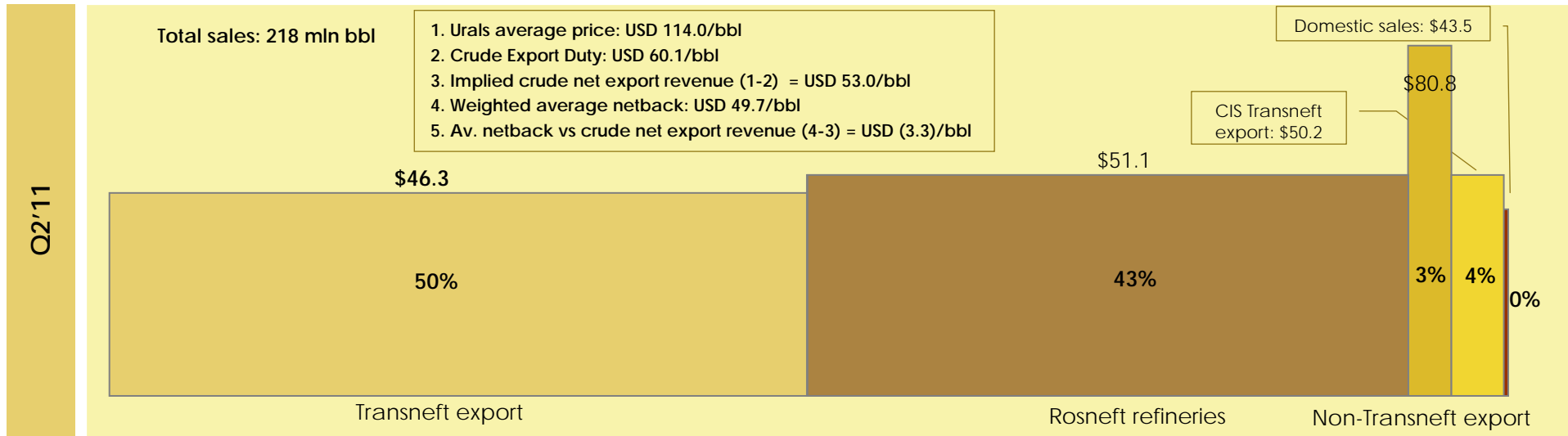
Revenues Reconciliation, USD mln





Netback Ladder

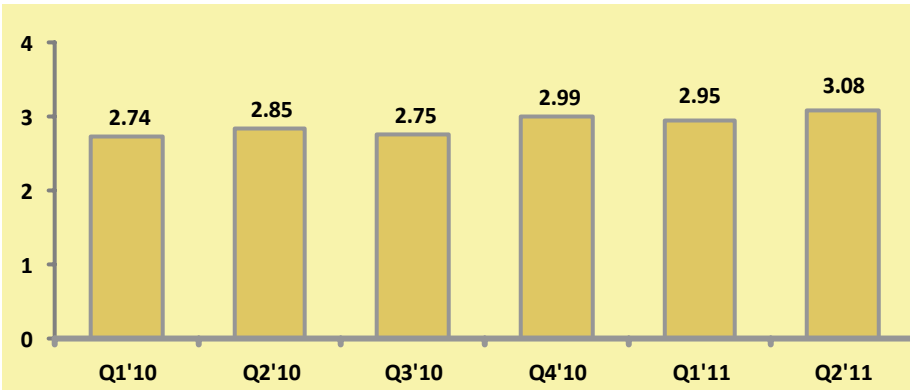
Vankor Export Duty Effect



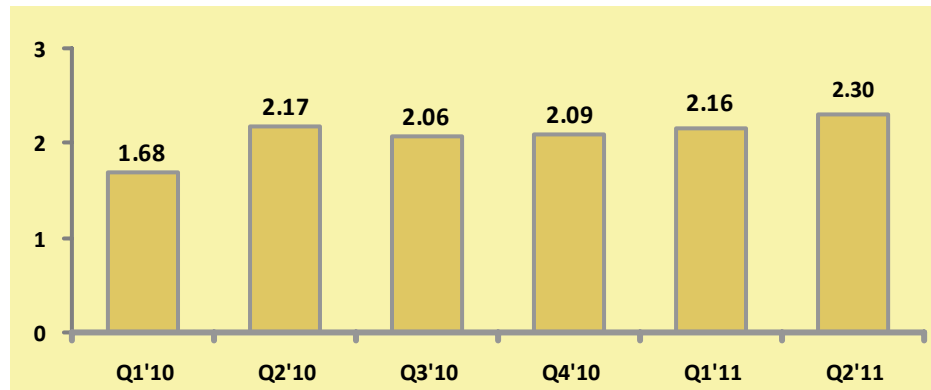


Expenses Dynamics Below Inflation

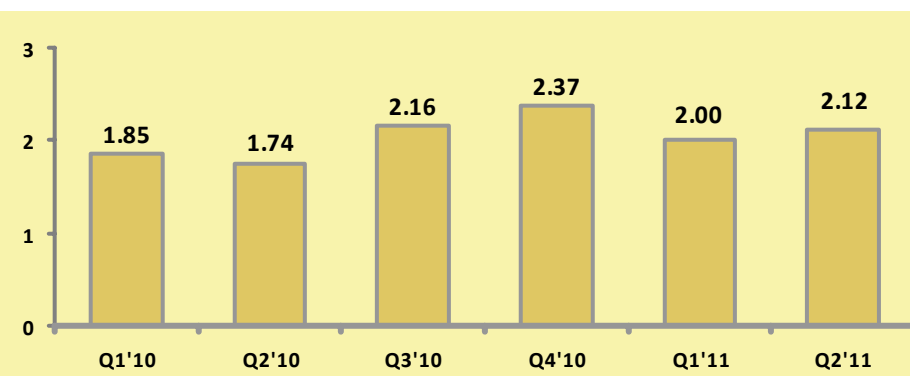
Upstream Operating Expenses, USD/bbl of oil produced



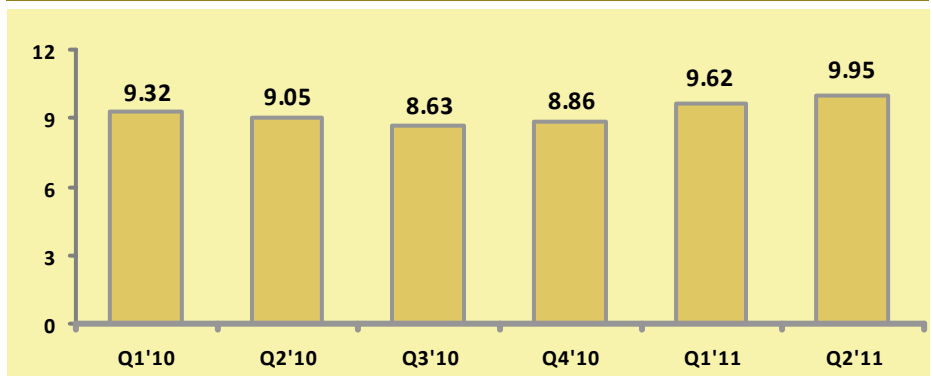
Refining Operating Expenses, USD/bbl of oil processed



SG&A Expenses, USD/bbl of oil produced



Transportation Expenses, USD/bbl of oil produced



Upstream operating expenses include materials and electricity, workover, wages and salaries, and cost of transport to a trunk pipeline.

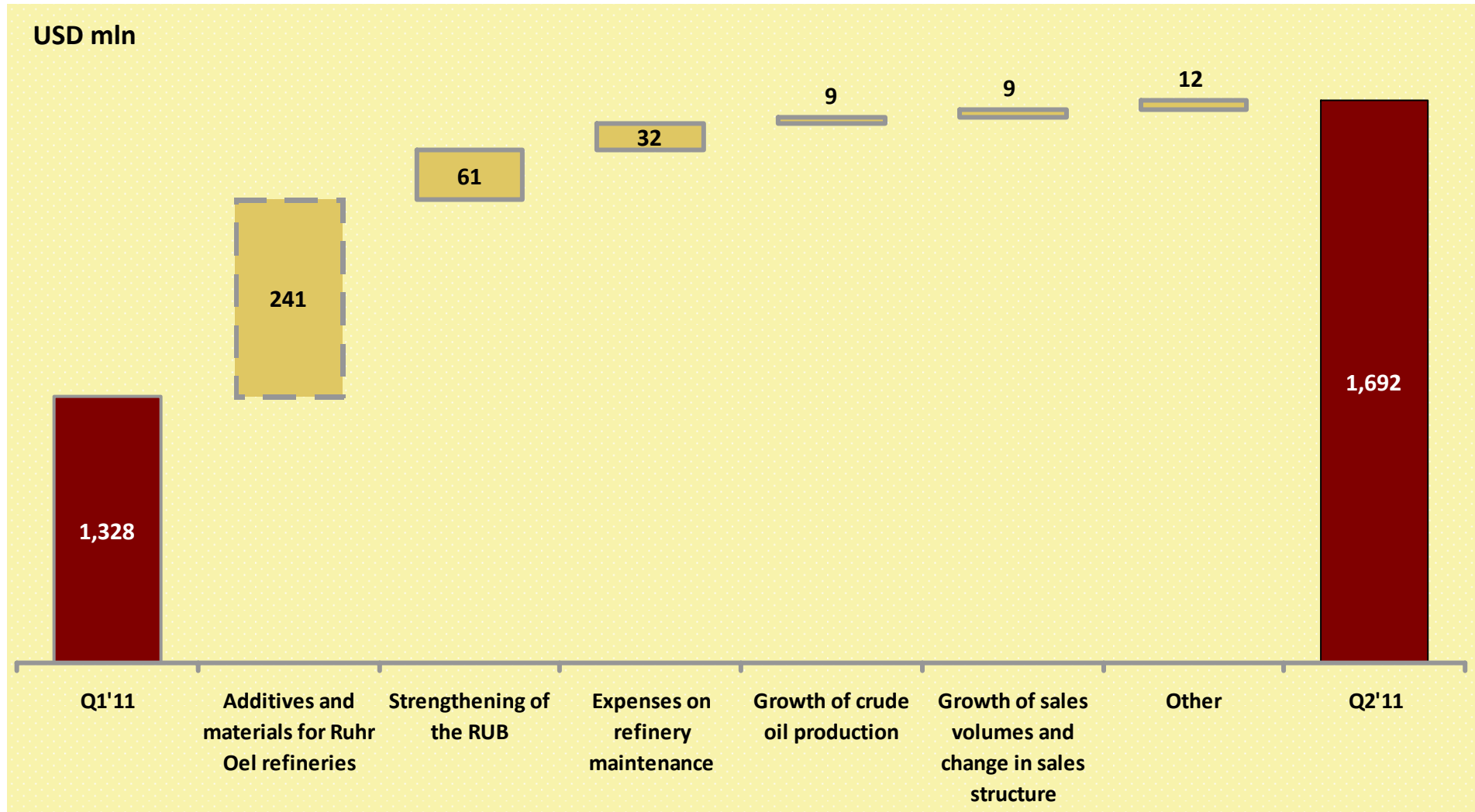
Selling, general and administrative expenses include payroll at headquarters and management-related subsidiaries, payroll of top management of operating subsidiaries, audit & consulting expenses, bad debt allowance and other costs.

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



Operating Expenses Reconciliation

Ruhr Oel Effect

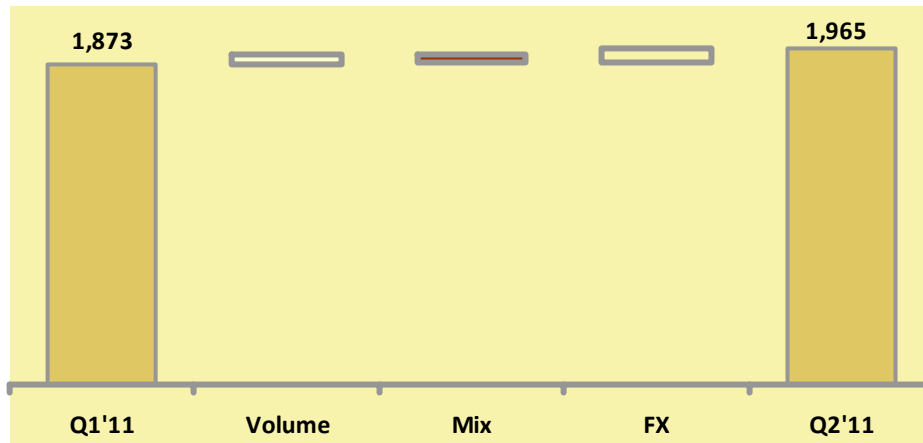




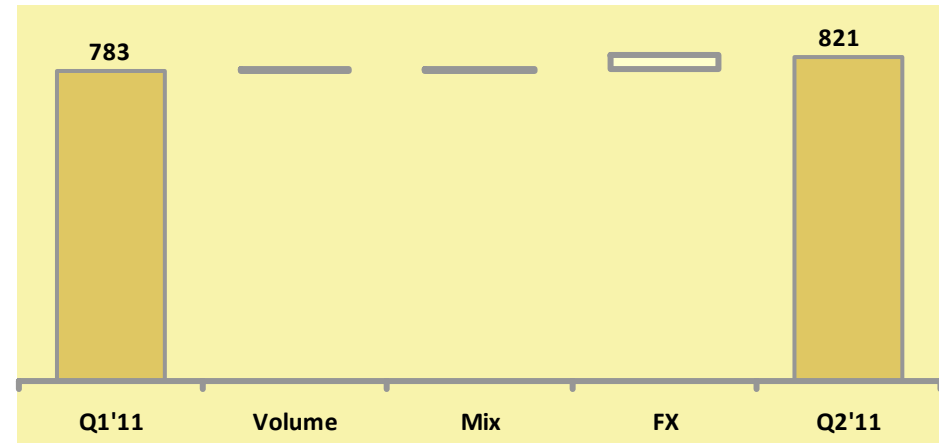
Transportation Costs, Factor Analysis

Ruhr Oel Effect

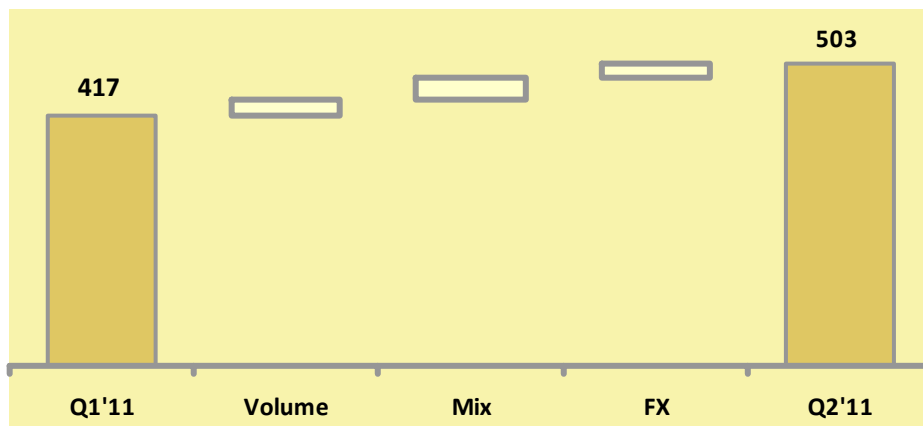
Total Transportation Costs, USD mln



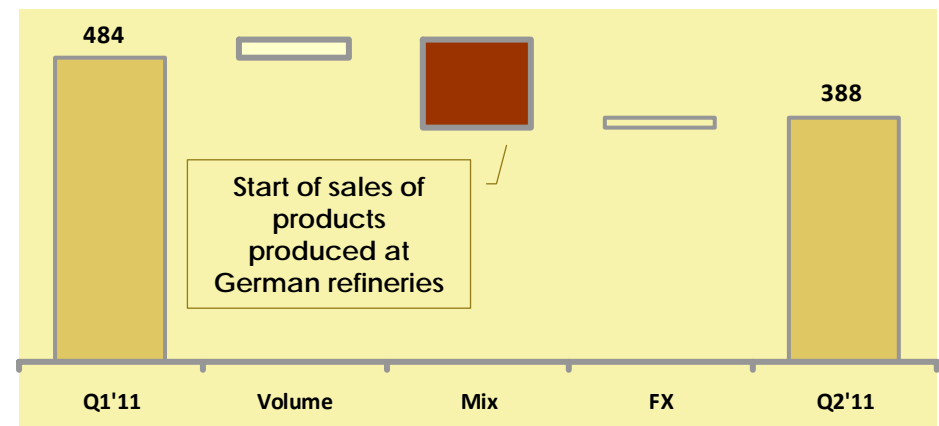
Transportation Costs for International Crude Sales, USD mln



Transportation Costs for Crude Deliveries to Refineries, USD mln



Transportation Costs for International Product Sales, USD mln

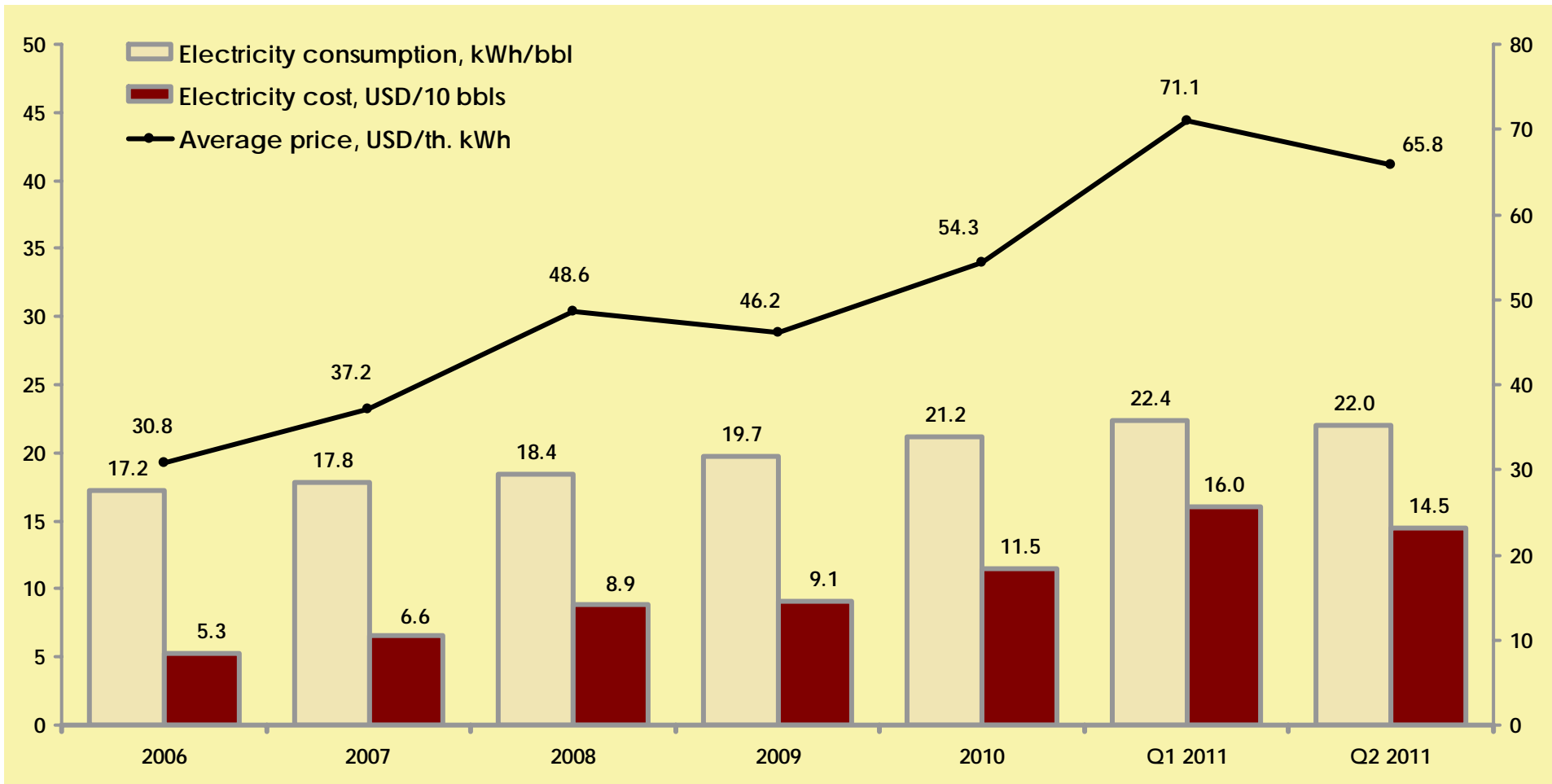




Electricity Tariffs

Trend Normalized

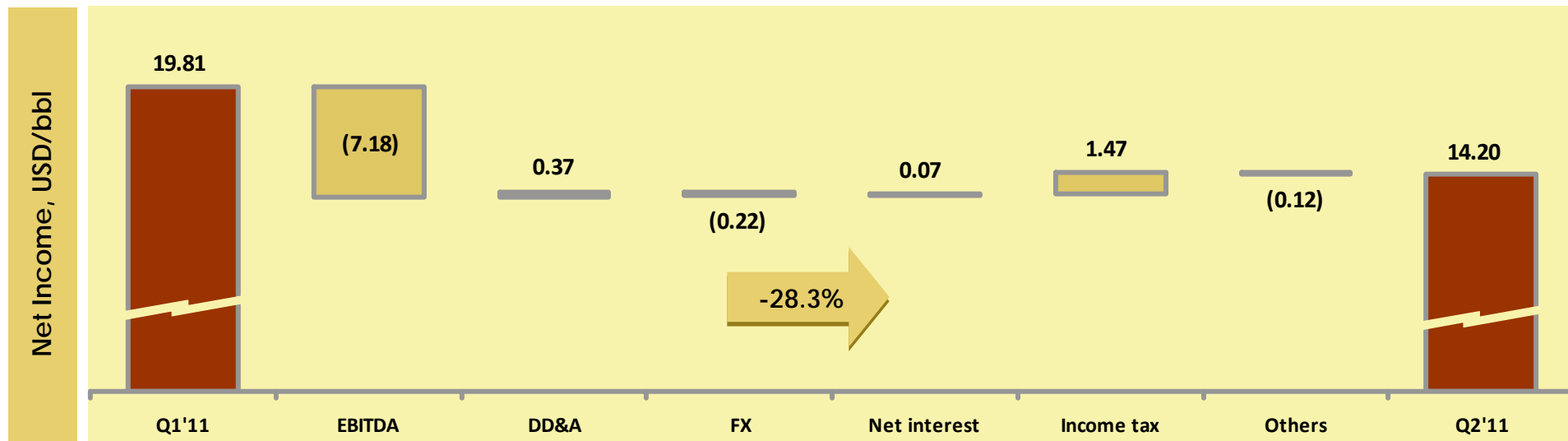
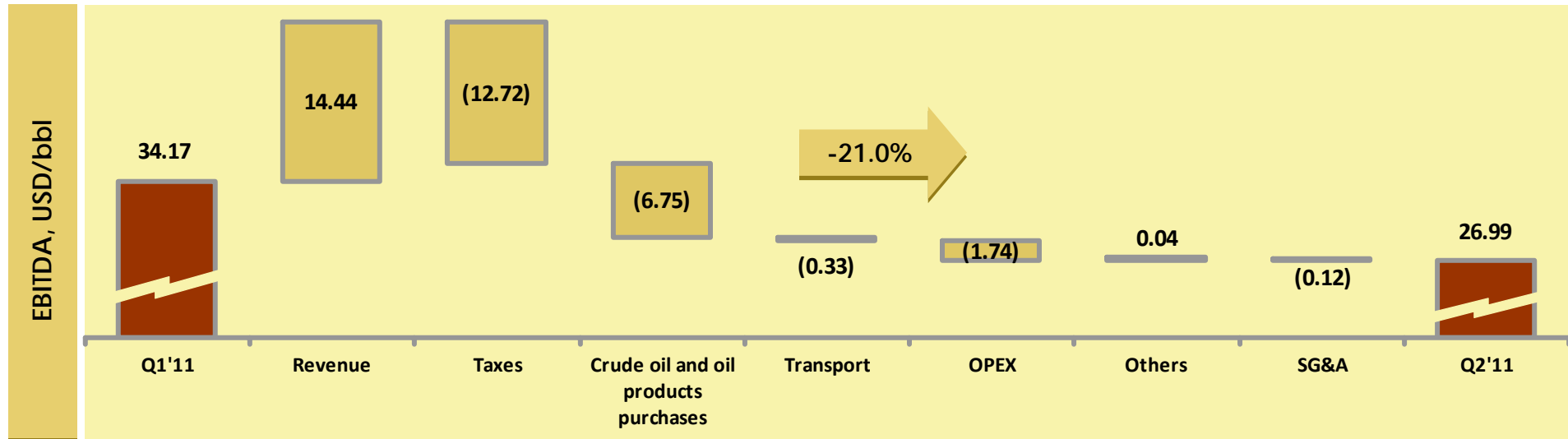
Electricity expenses of Yuganskneftegaz





EBITDA and Net Income per bbl Reconciliation

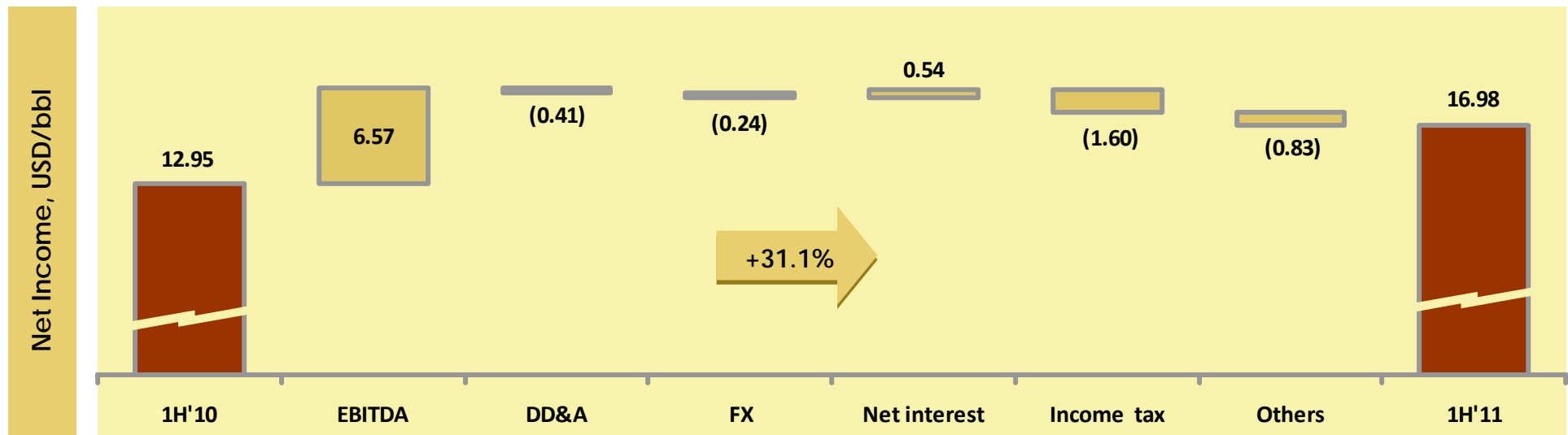
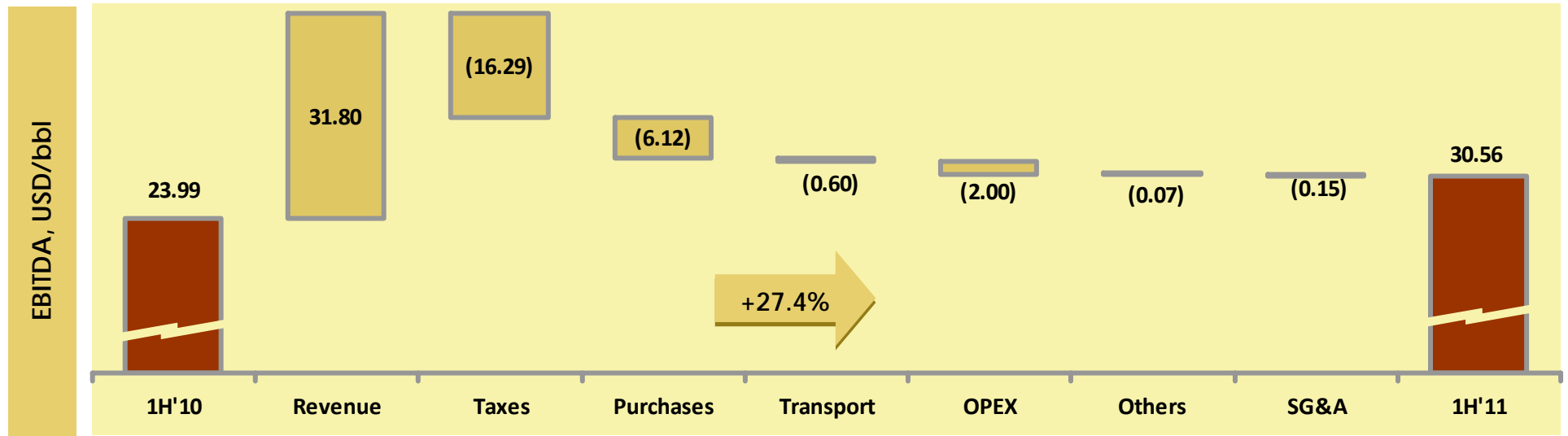
Q2'11 vs. Q1'11





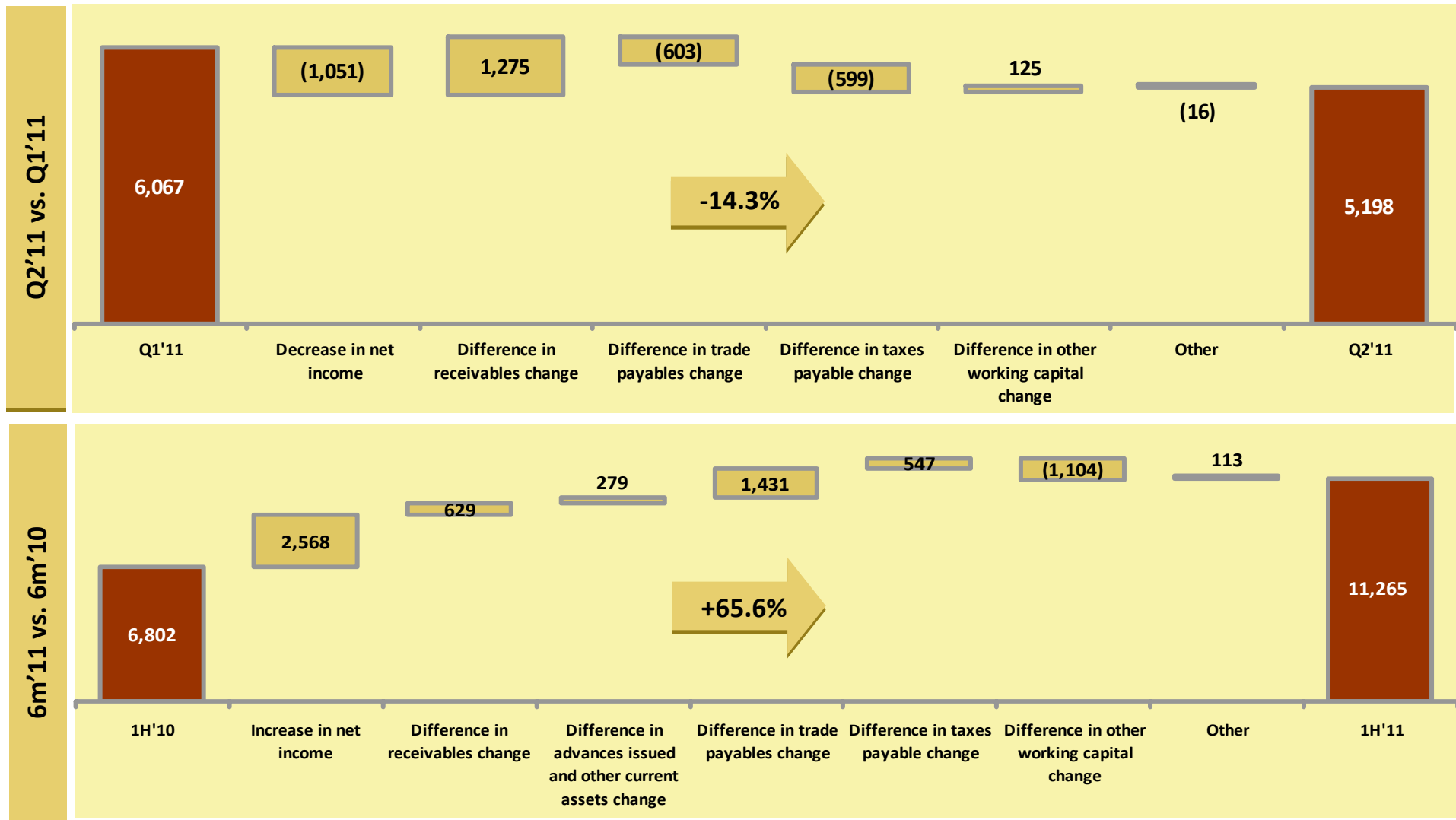
EBITDA and Net Income per bbl Reconciliation

1H'11 vs. 1H'10





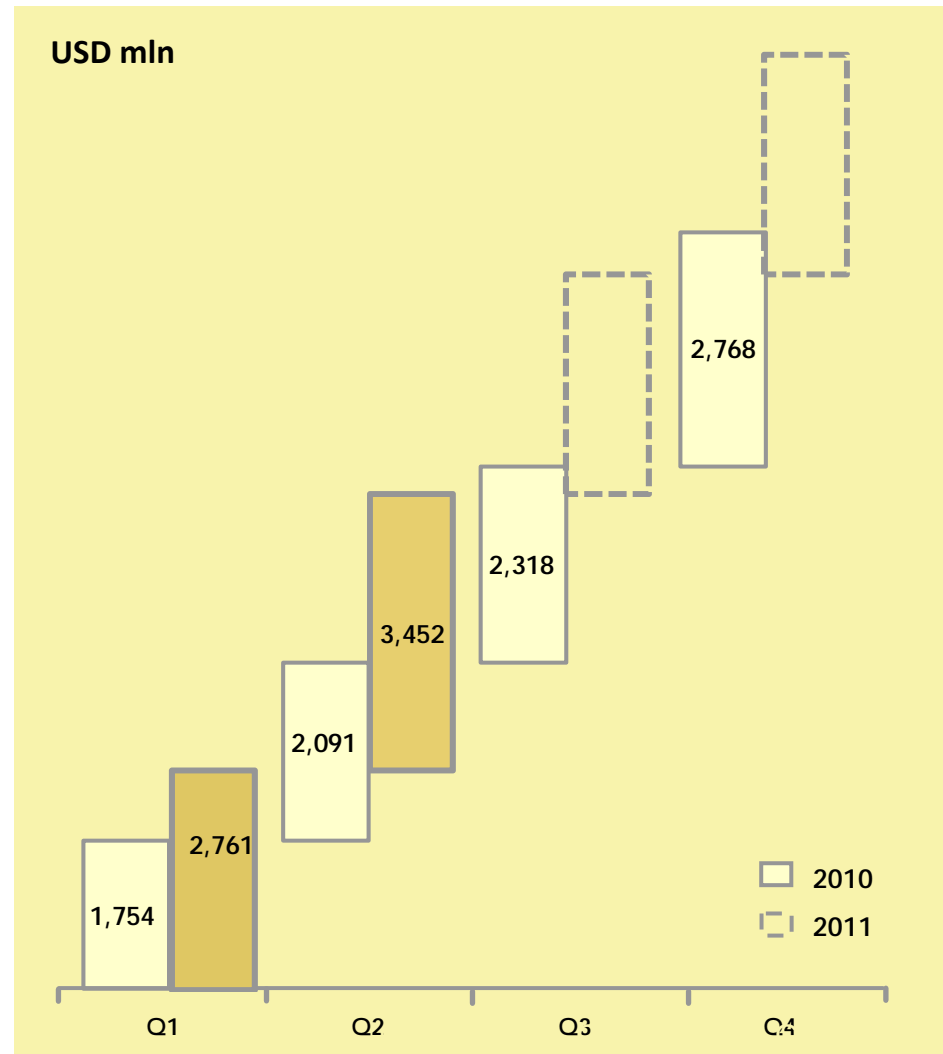
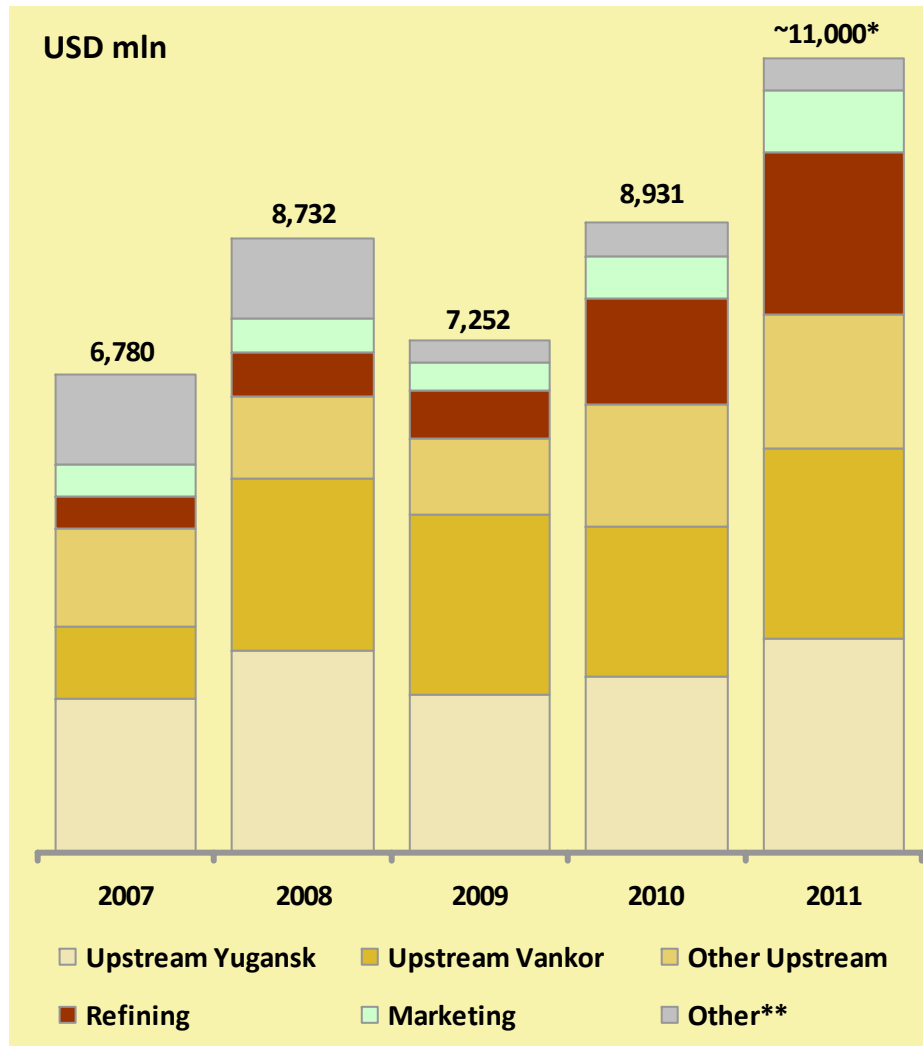
Operating Cash Flow Reconciliation, USD mln



*Change of other working capital was substantially influenced by inventory change (increase) and decrease of short-term interest payable.



Capital Expenditures

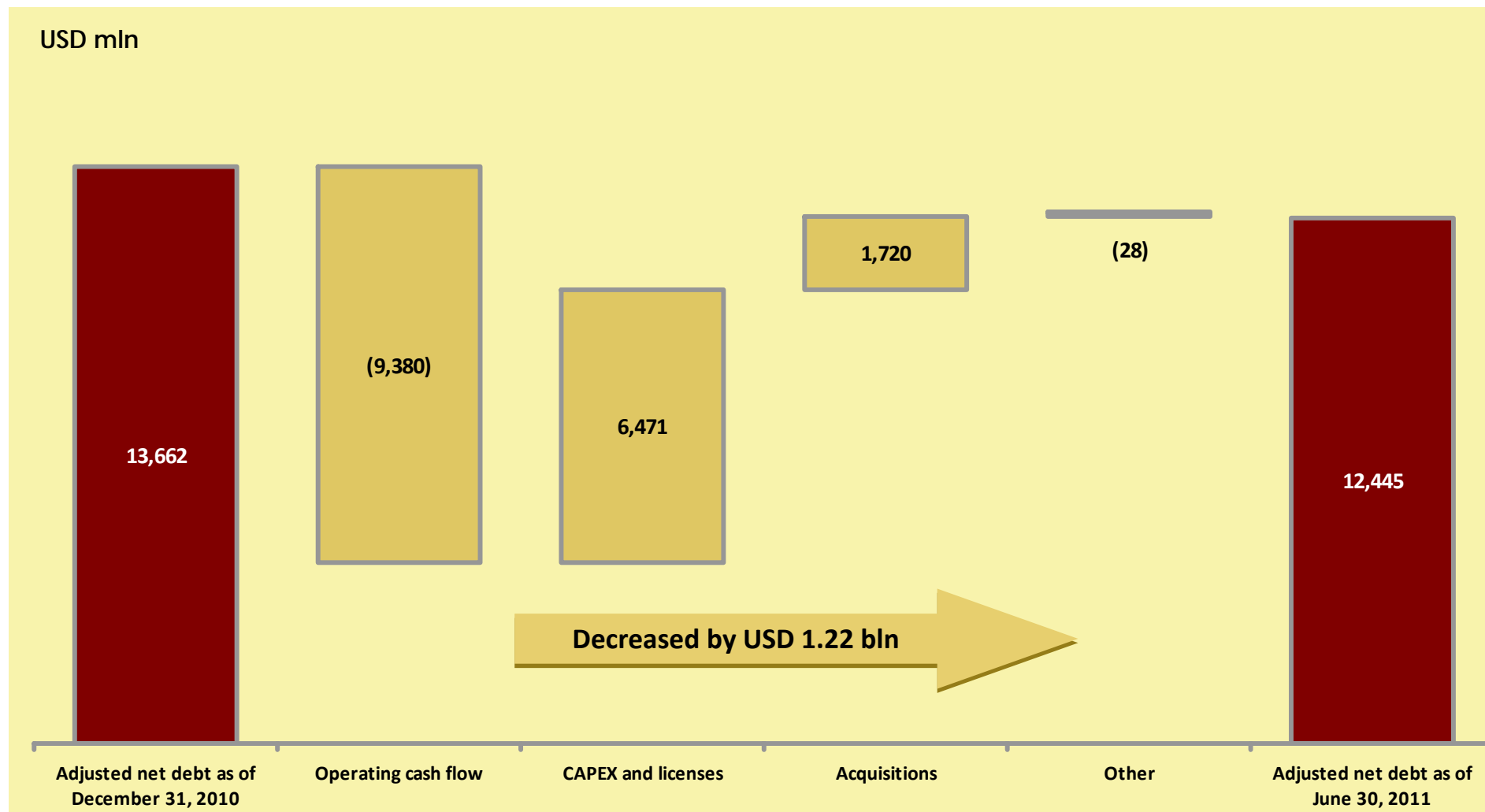


* At 30.5 RUB/USD. Not including the capitalized expenses on the expansion of the pipeline to the Tuapse refinery.

** Other includes net change in construction materials, capex of service companies and other capex.



Net Debt Reconciliation



Net debt as of December 31, 2010 and as of June 30, 2011 is adjusted for short and medium term bank deposits and other short-term investments of USD 5,739 mln and of USD 4,789 mln as part of the excess cash management.



Cash Management

- Rosneft's total cash position including cash and equivalents and short-term investments related to cash management was USD 9.9 bln as of June 30, 2011
- Cash management is based on analysis of different alternatives (including risk analysis) to choose the best investment for a specific period of time
- Cash portfolio includes:
 - USD 5.1 bln of cash and equivalents
 - USD 3.2 bln of short-term deposits denominated in foreign currency placed in leading local banks
 - USD 0.3 bln of short-term deposits denominated in RUB placed in leading local banks
 - USD 0.1 bln of liquid securities received under REPO deals
 - USD 1.2 bln of short-term investments into state and corporate bonds and other securities



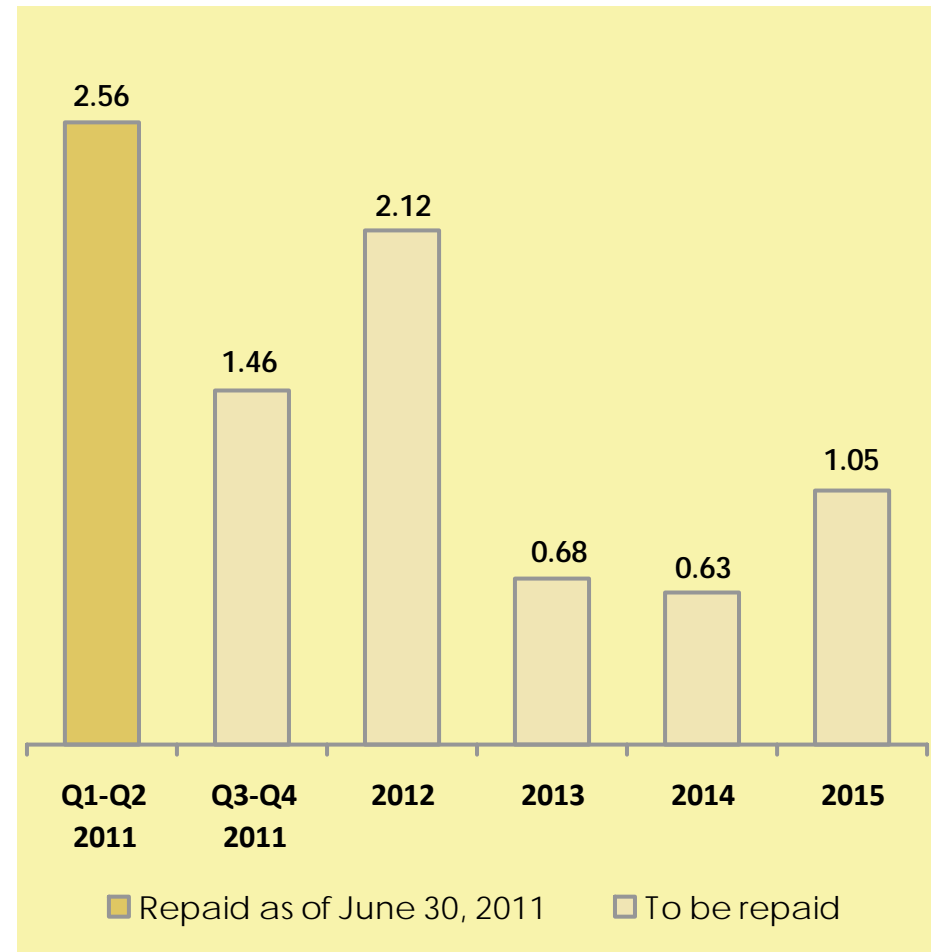
Credit Profile

	June 30, 2011	Dec. 31, 2010
Total debt, USD bln	22.3	23.6
Net debt, USD bln	12.45	13.66
Long-term debt, %	75.6%	76.7%
USD denominated debt, %	85.2%	88.4%
Gearing (Net Debt to Net Debt + Equity)	17.1%	20.0%
Weighted av. cost of debt	3.75%	3.53%
LTM EBITDA interest coverage	32.1	28.2
Net debt / LTM EBITDA	0.57	0.71

Credit rating

S&P	BBB- (positive)
Moody's	Baa1 (stable)
Fitch	BBB- (positive)

Repayment profile*, USD bln



* Future repayments include only long-term debt with its current portion.



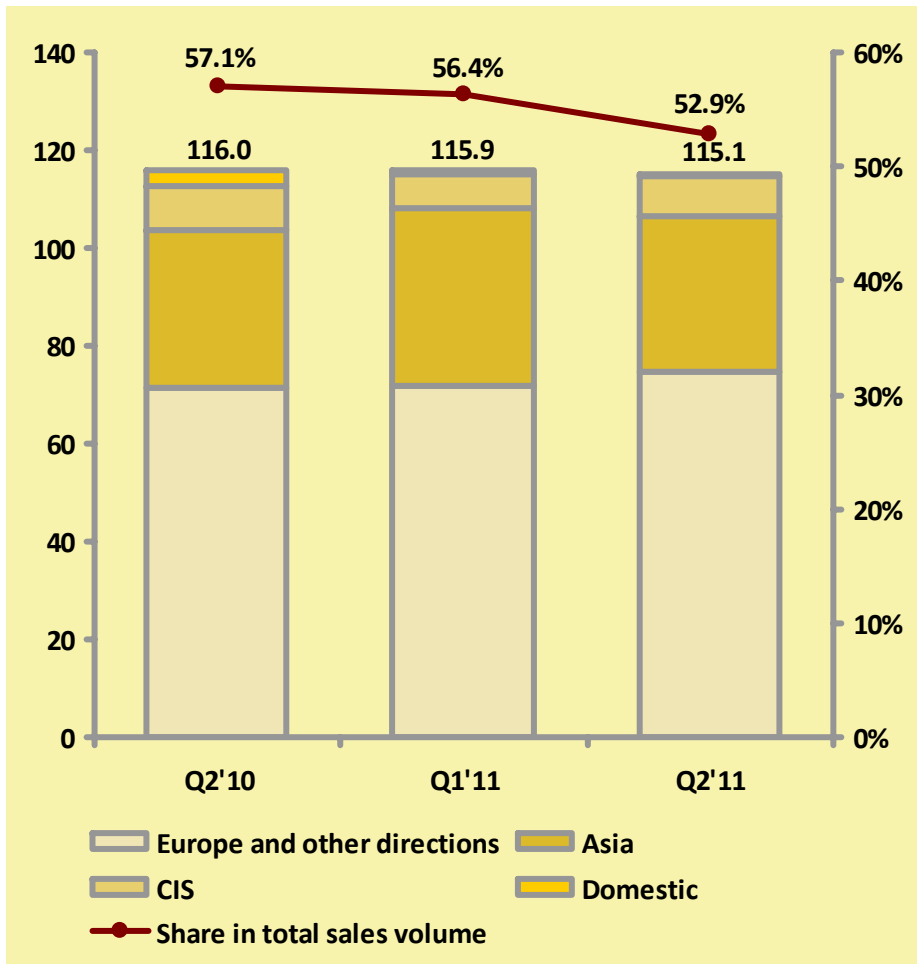
Q2'11 and 1H`11 US GAAP Financial Results

Appendix

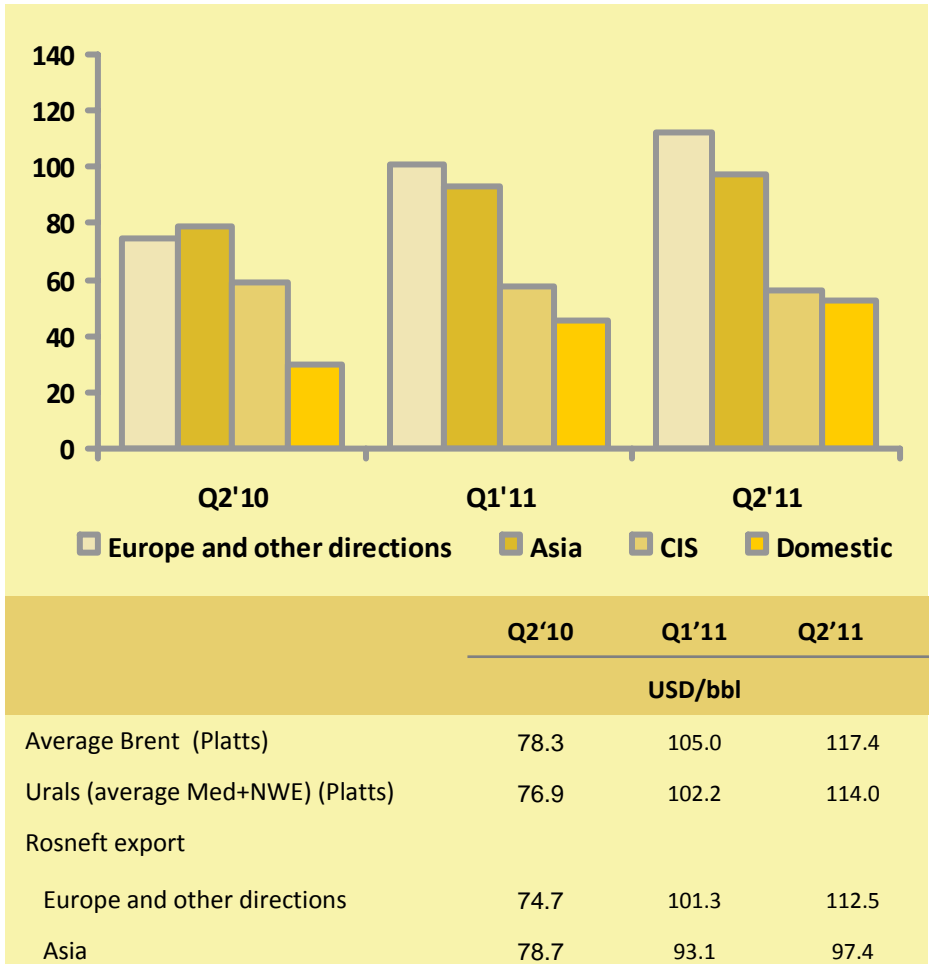


Crude Oil Sales

Crude Oil and Condensate Sales Volumes, mln bbl



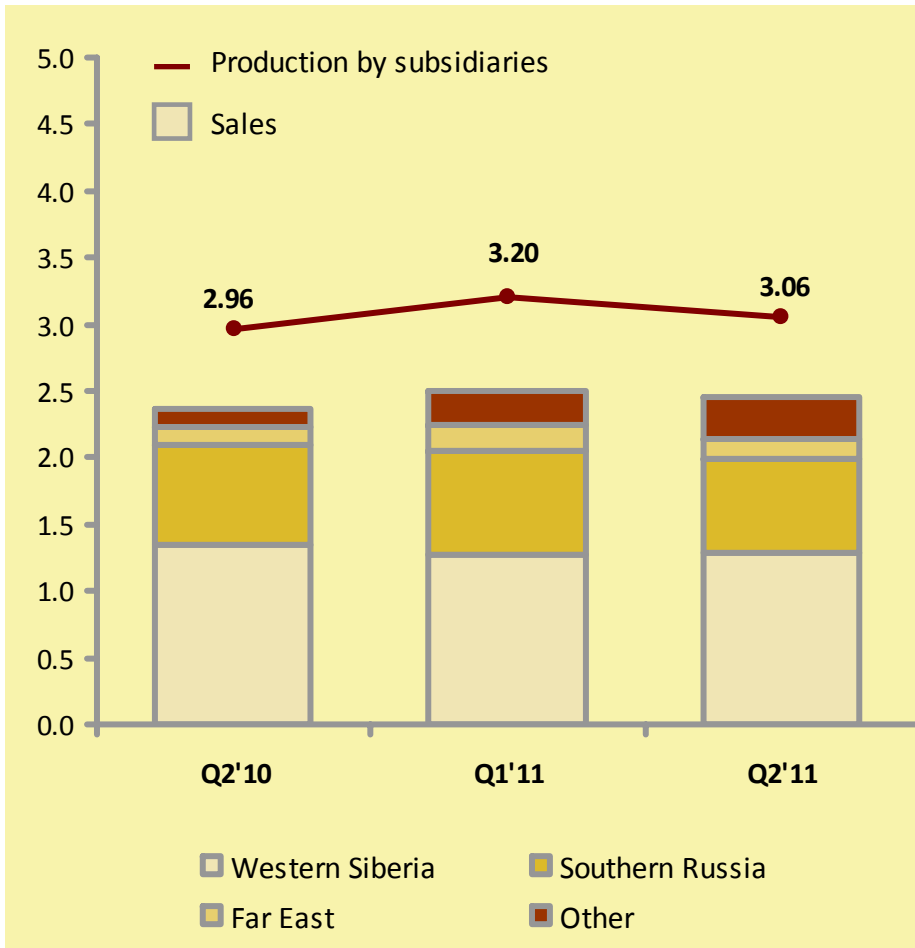
Average Prices, USD/bbl



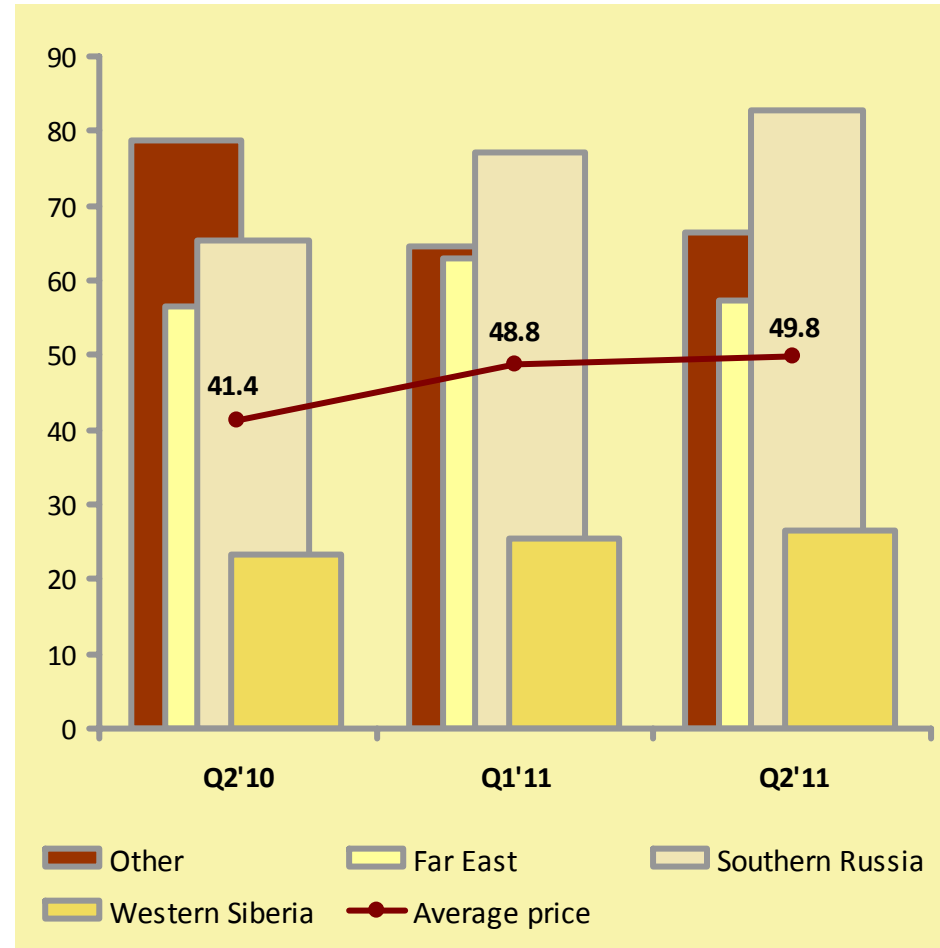


Gas Production and Sales

Gas Sales vs. Production, bcm



Gas Sales Prices, USD per 1,000 cubic meters

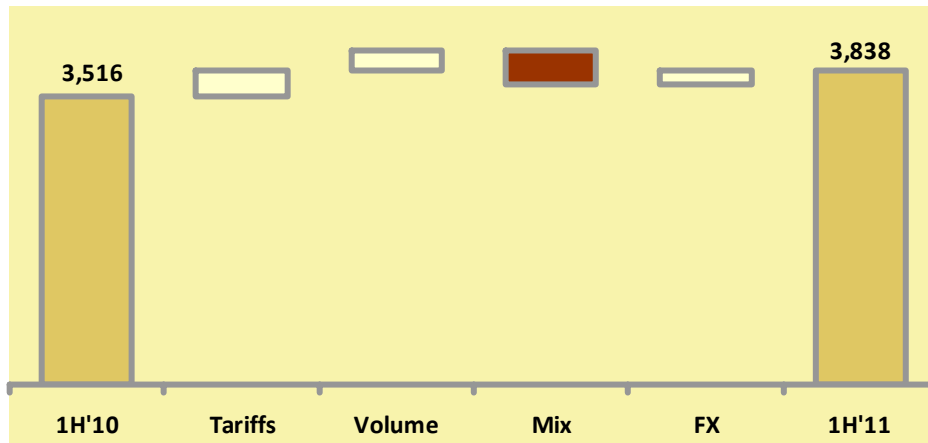




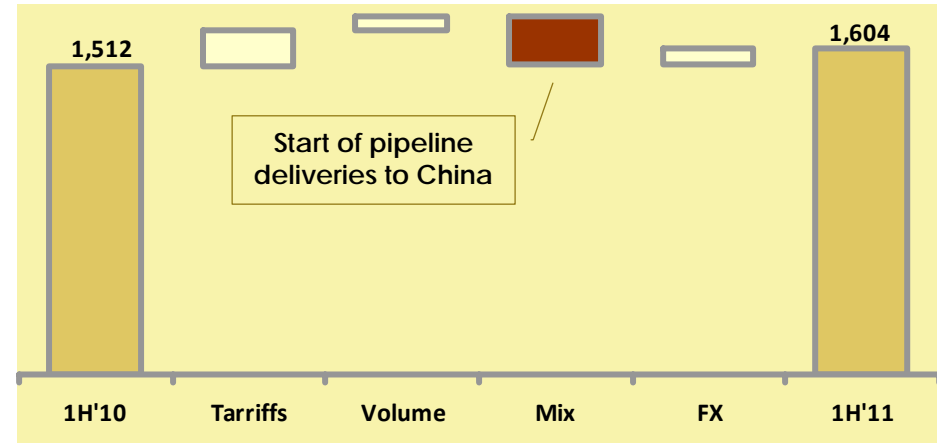
Transportation Costs

1H'11 vs. 1H'10

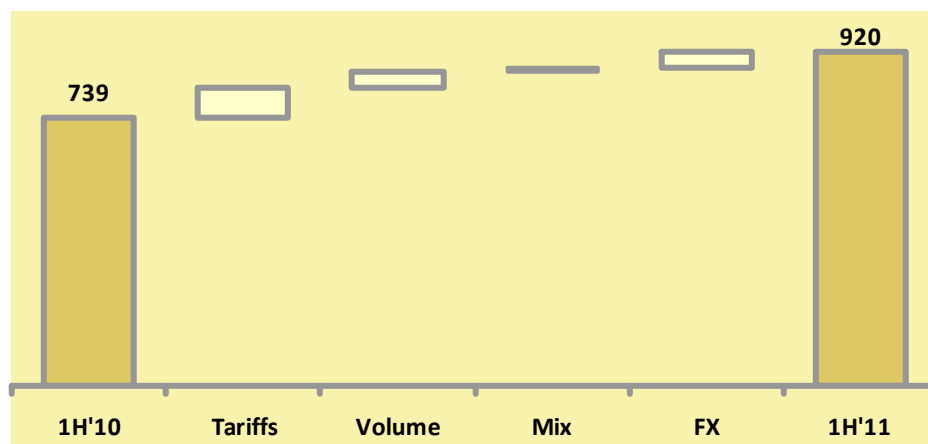
Total Transportation Costs, USD mln



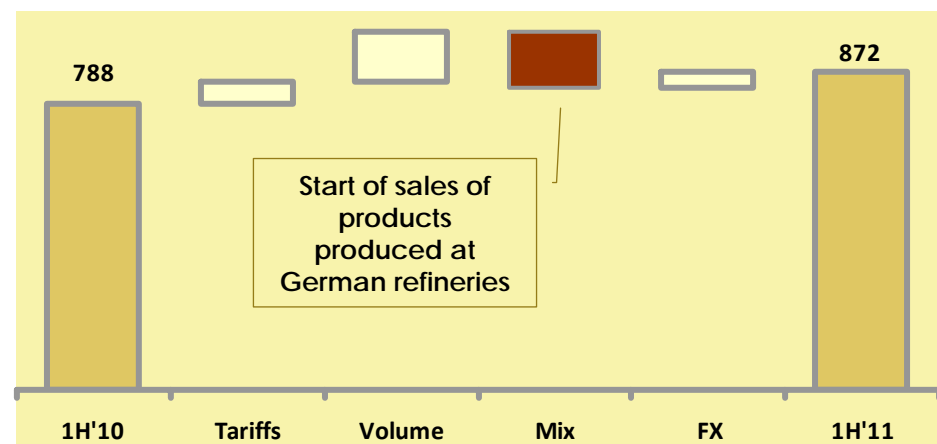
Transportation Costs for Crude Exports, USD mln



Transportation Costs for Crude Deliveries to Refineries, USD mln



Transportation Costs for Product Exports, USD mln





Interest Expense

USD mln	Q2'11	Q1'11	Q2'10
1. Interest accrued according to loan agreements	161	187	172
2. Interest paid (cash)	179	271	42
3. Change in interest payables (1-2)	(18)	(84)	130
4. Interest capitalized*	111	94	83
5. Interest SWAP loss/(gain)	32	0	60
6. Debt issue cost	6	7	16
7. Other	26	20	15
8. Interest expense as reflected in P&L (1-4+5+6+7)	114	120	180

* Capitalized interests are estimated in accordance with FASB ASC 835-20 'Capitalization of interest'.

The capitalization rate is calculated by dividing interest expenses on loans related to capital expenditures by the average balance of these loans. Interests capitalized are calculated by multiplying the average balance of construction in progress by the capitalization rate.