



# ROSNEFT

## Company Highlights

February 2011



## Important Notice

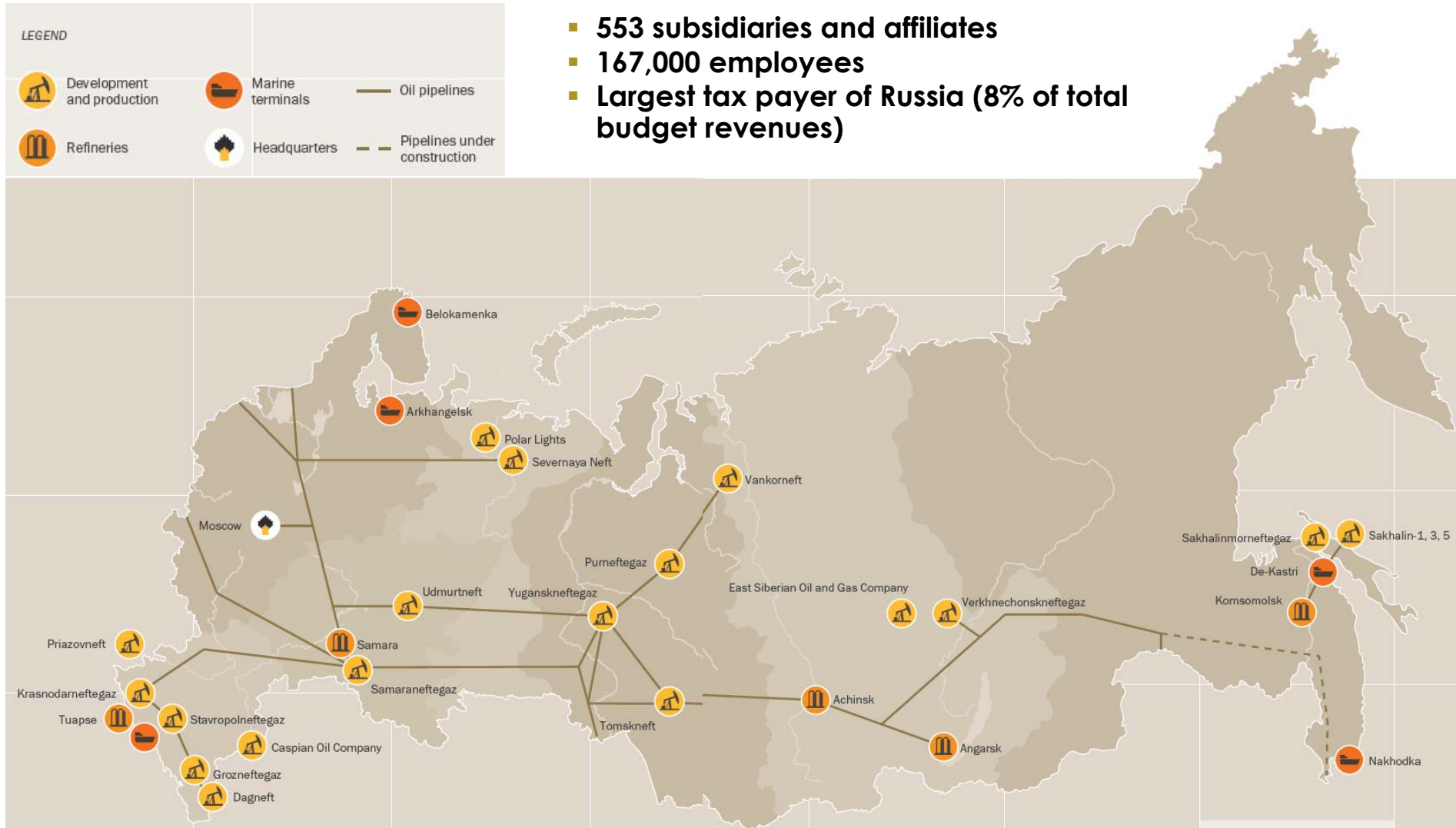
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# Scale of Activity: 50 Russian Regions and Several Foreign Countries





# Q4'10 and 12M'10 Highlights

## Positives

- Strong financial results:
  - EBITDA – **USD 5.4 bln** in Q4 and **USD 19.2 bln** in 12M
  - Net income – **USD 3.1 bln** in Q4 and **USD 10.7 bln** in 12M
  - Operating cash flow – **USD 14.9 bln** in 12M
  - Record free-cash flow generation of **USD 5.8 bln** in 12M
  - Net debt decreased to **USD 13.7 bln** (pre-2007 acquisitions level), or by **USD 4.8 bln** from December 31, 2009
- Crude oil production growth of **6.4%** y-on-y
- Retail sales volumes growth of **10%** y-on-y
- Sales of petroleum products through commodity exchanges – **3.4 mln** tonnes in 12M, or **16.6%** of total domestic sales (**x2.9** increase y-on-y)

## Challenges, Priorities

### Q4'10 - challenges

- Growth in transportation tariffs
- Strengthening of the RUB against the USD
- Domestic prices lagging export netbacks

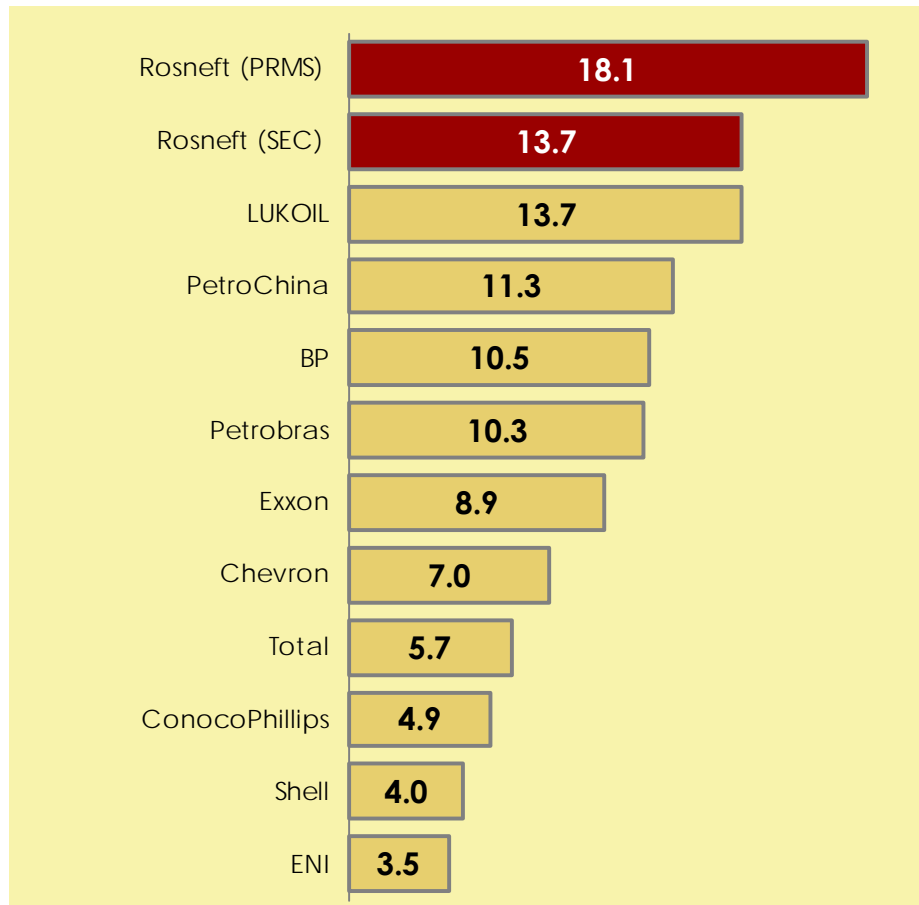
### 2011 priorities

- 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

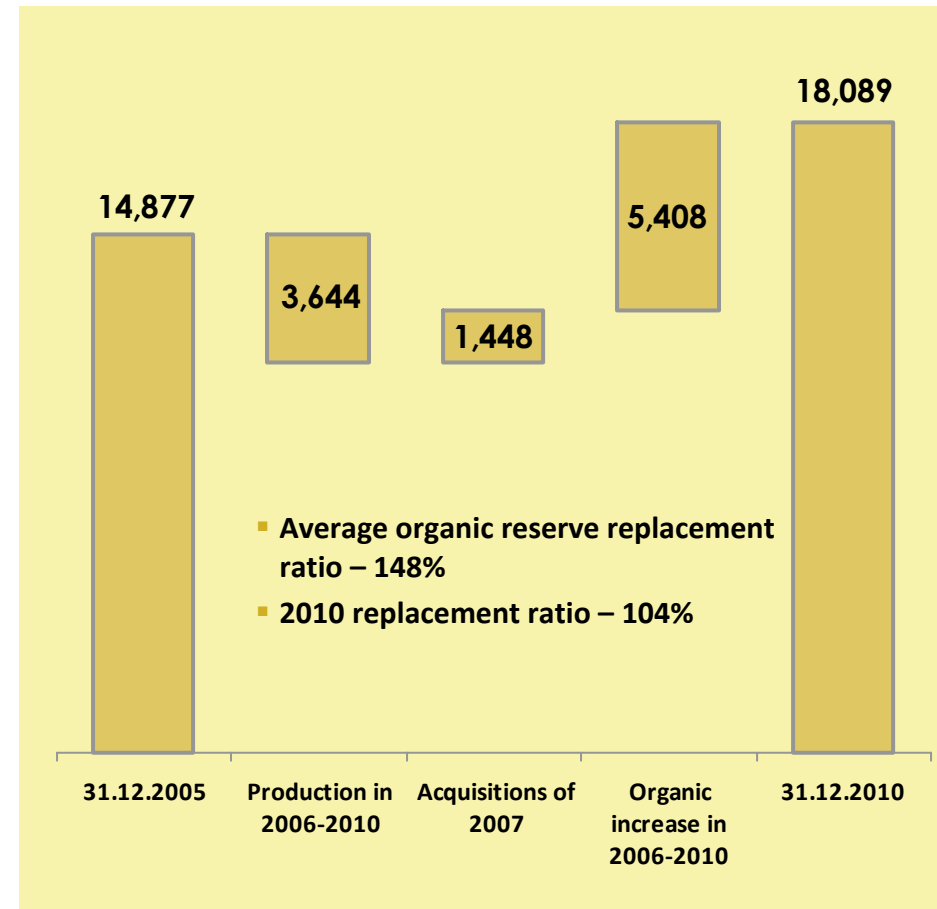


# Reserves

## Proved Crude Oil Reserves (bln bbls)



## Oil Reserve Replacement (2006-2010)

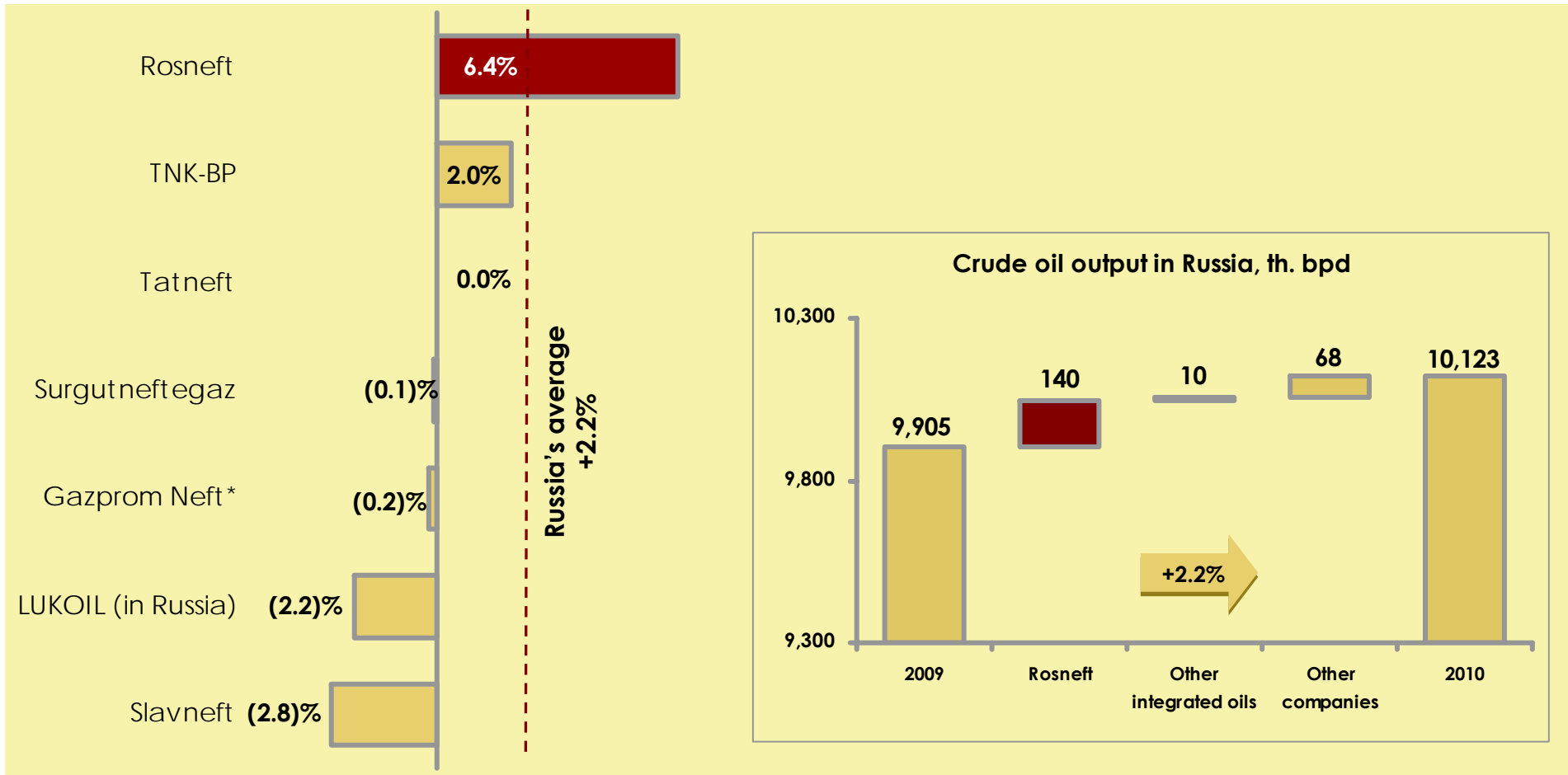


## PRMS Proved Gas Reserves - 787 bcm (27.8 tcf)



# Daily Crude Oil Production: Continuing to Contribute Majority of Russian Production Growth

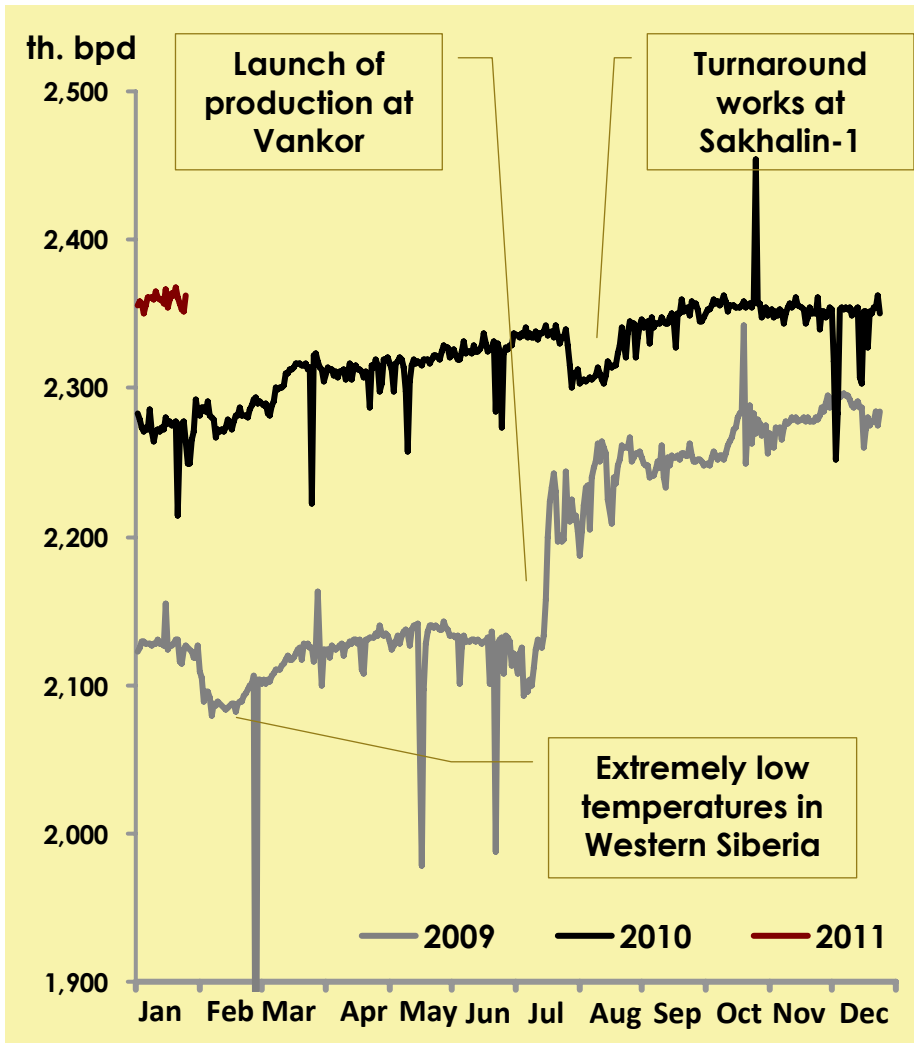
Daily Crude Oil Production in Russia, 2010 vs. 2009



\* Excluding share in Tomskneft.



# Daily Crude Oil Production Implementing Sustainable Growth Strategy



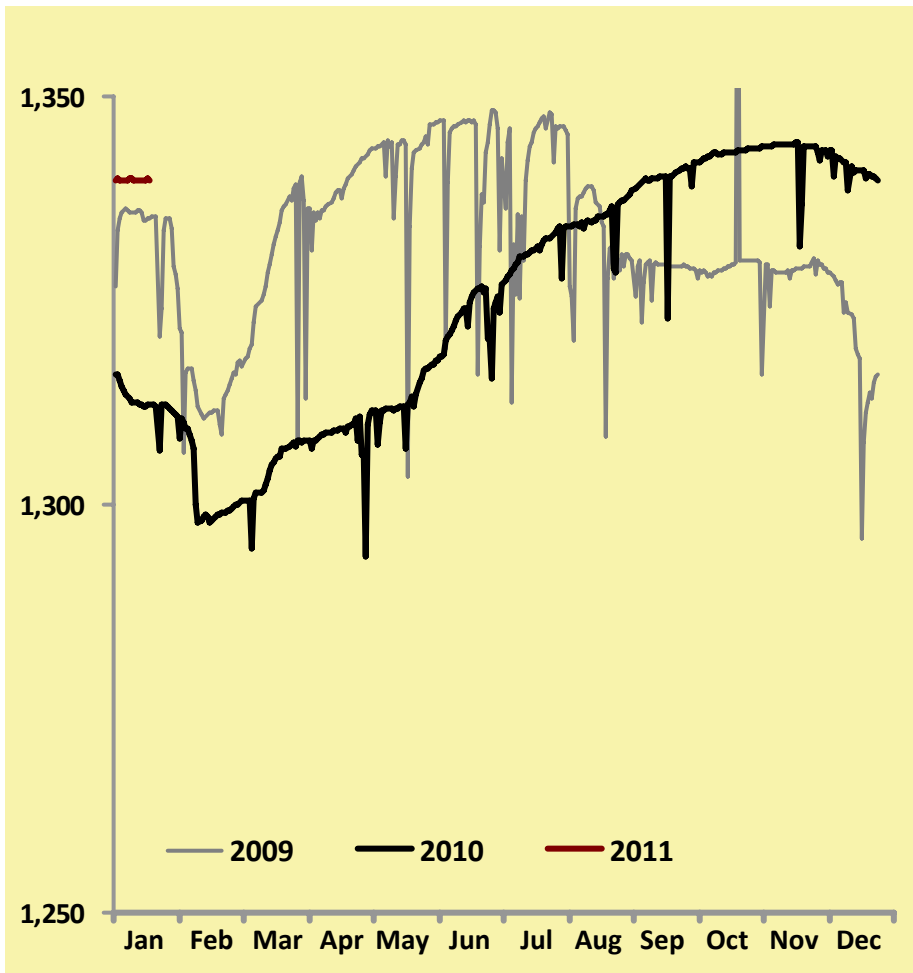
## Key priorities for 2011

- Production growth by ~1%
- Construction works at Vankor to ramp-up production in the middle of the year by 45,000 bpd and continue ramp up in the end of 2011 through gradual launch of the second stage of the project
- Plateau production at Yugansk of ~1.3 mln bpd
- Focus on efficient recovery of drilled but not recovered reserves – growth of recovery ratio – increase in reserves and stabilization of production at developed fields at lowest cost
- Drilling risk management to maximize capex efficiency – additional seismic works and other geological information to enhance field development models and make better placement of wells

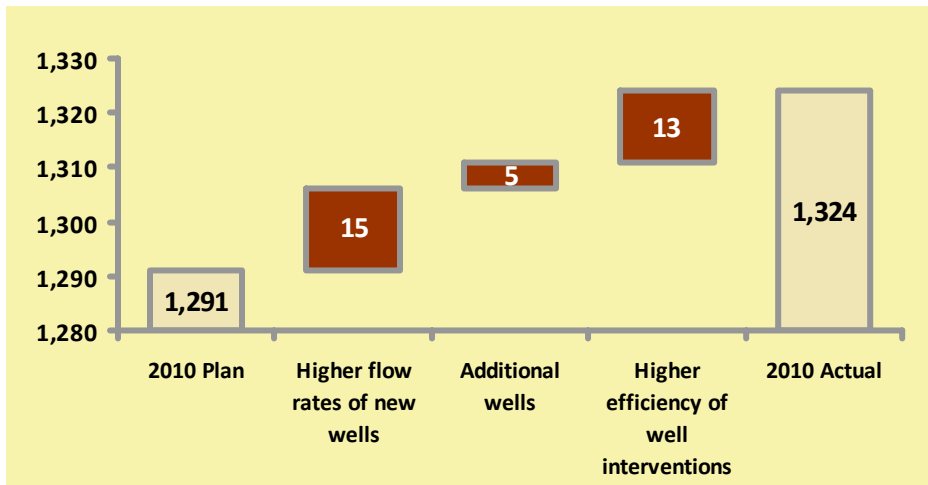


# Yugansk: 2.6% Ahead of Plan in 2010

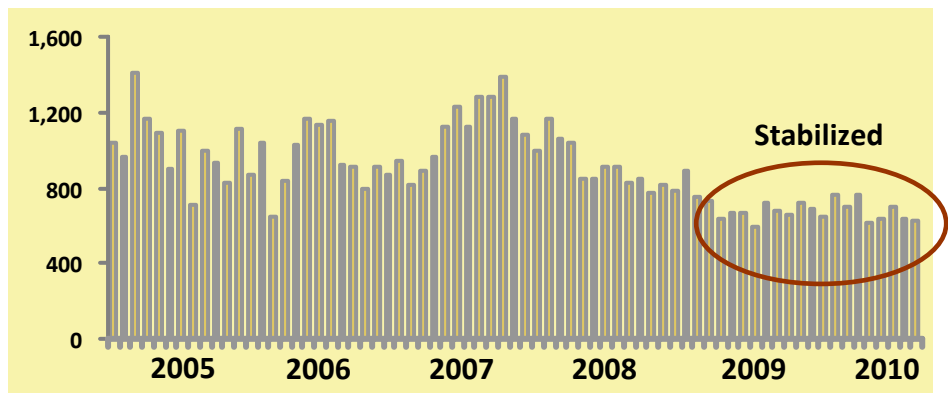
### Yuganskneftegaz Daily Crude Oil Production, '000 bpd



### Plan-fact Analysis, '000 bpd

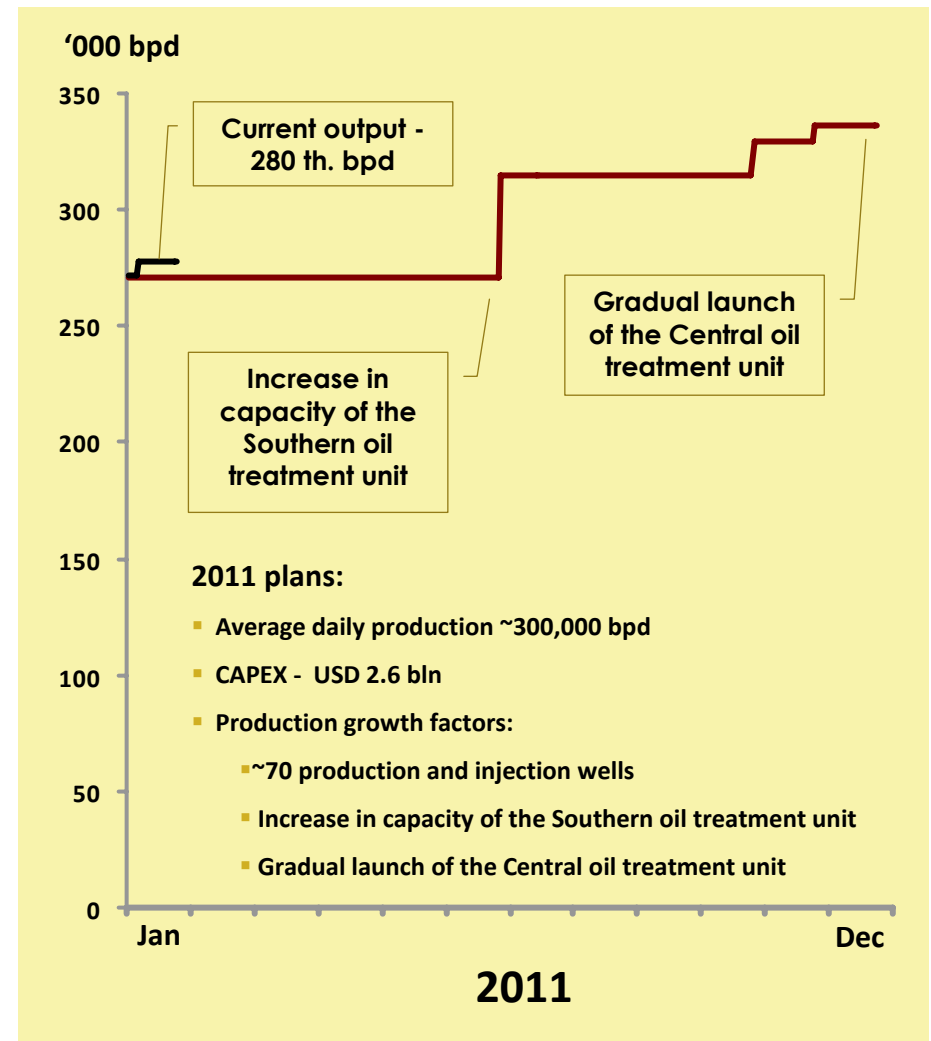
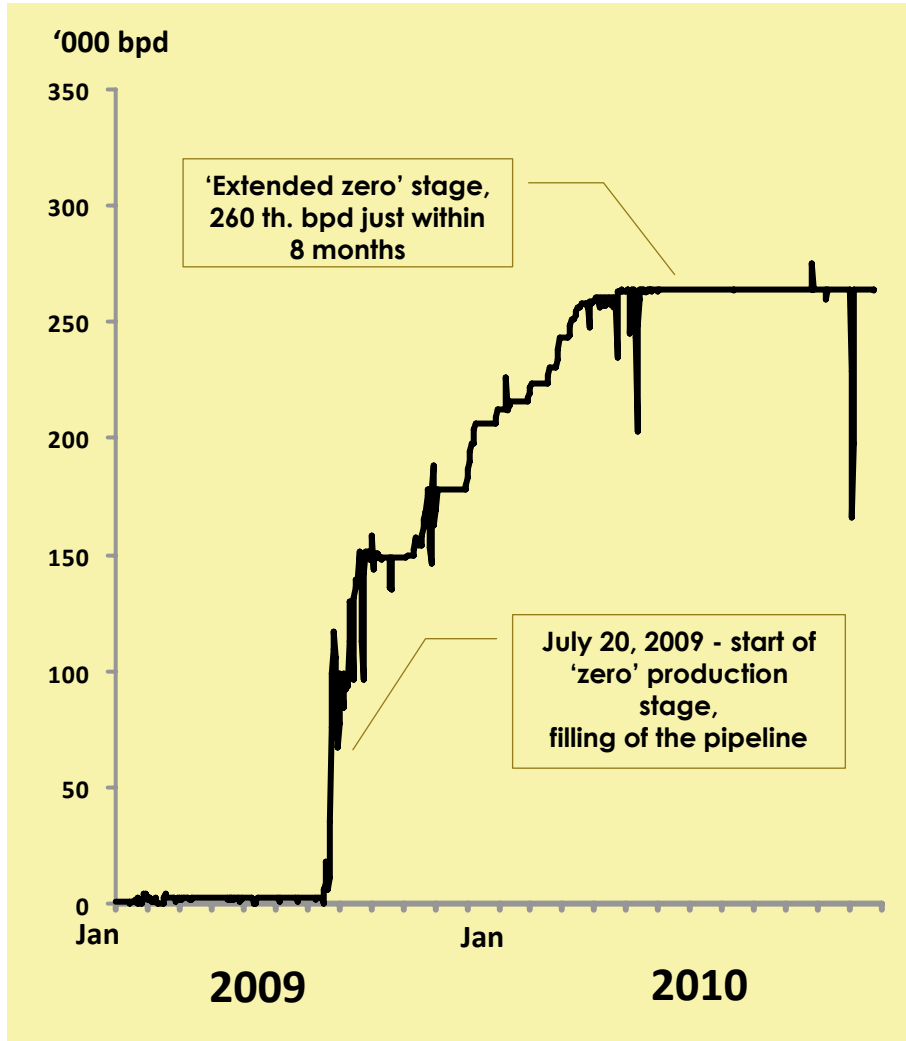


### Initial flow rates of new wells, bpd





# Vankor: Above Midpoint Guidance for 2010, Expanding Capacities in 2011

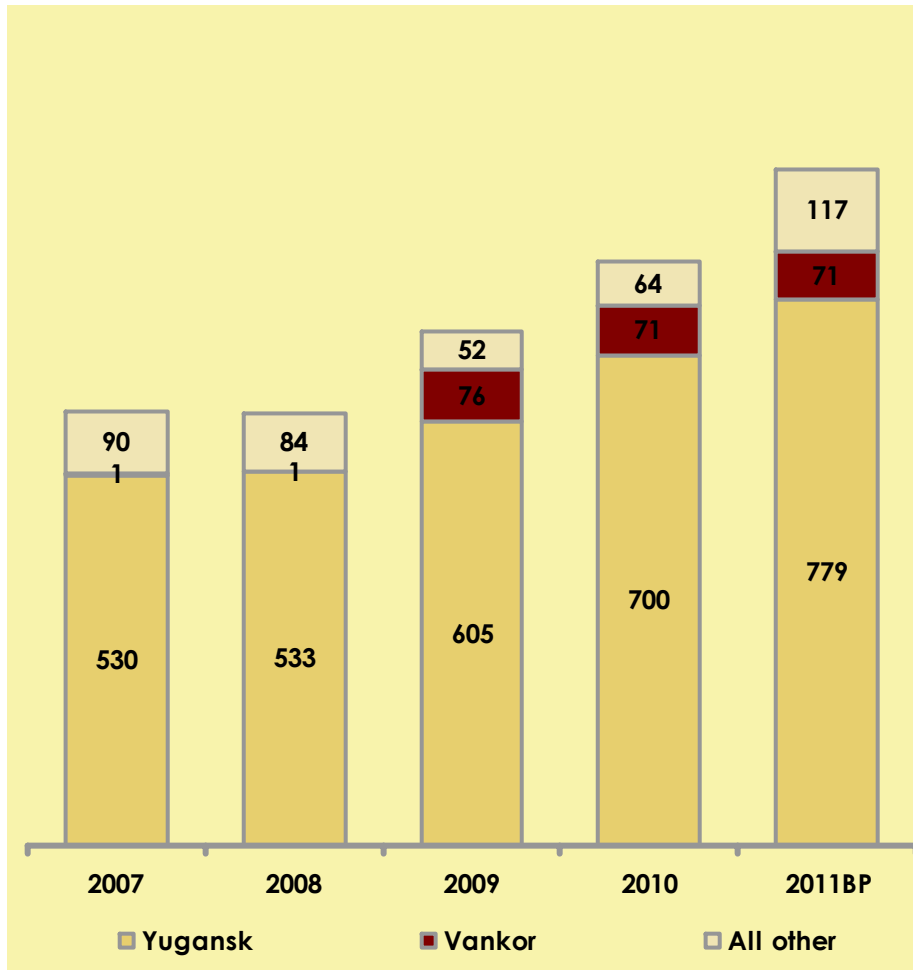




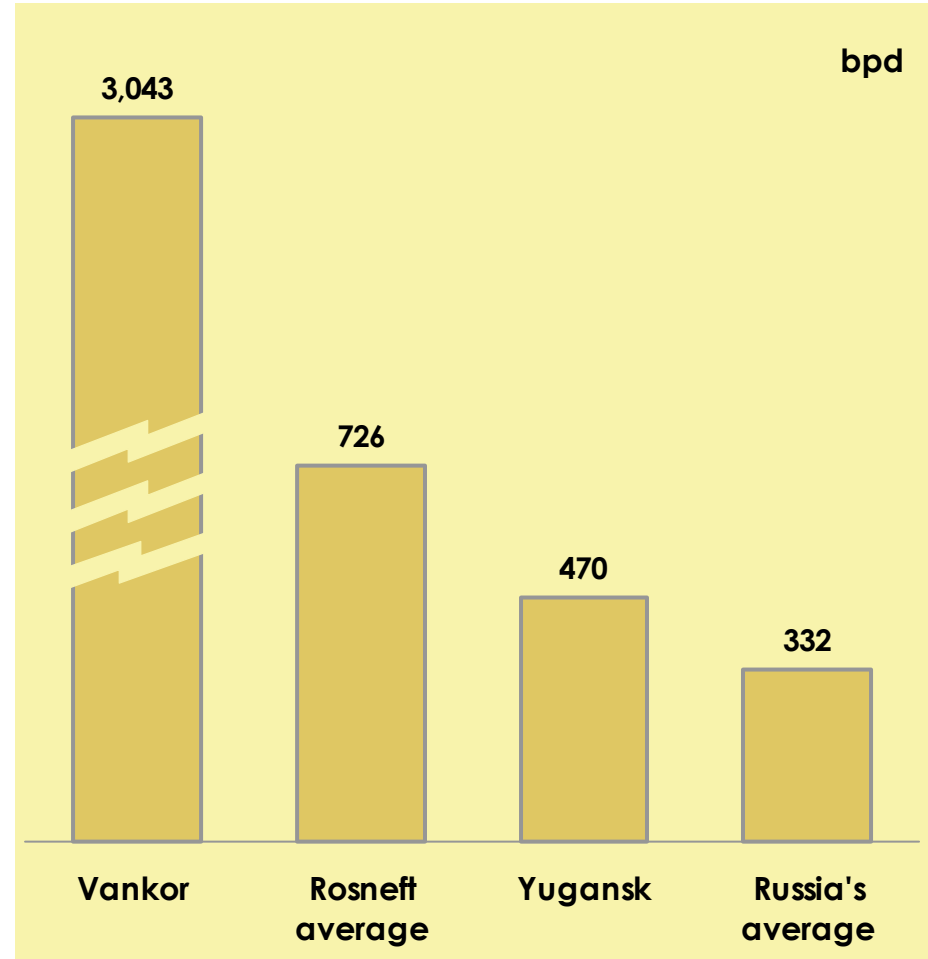
# Drilling Activity and Wells Productivity

## Drilling More Wells with Industry Leading Flow Rates

New production and injection wells put into operation by Rosneft's subsidiaries



Average flow rates of the new wells, 9M'10



\* Including injection wells.



# Blocks around Vankor



## 9 exploration blocks

2009 — discovery of the Baikaloyskoye field adjacent to Vankor (total C1 and C2 recoverable reserves – 53.1 mln tonnes of oil and gas condensate and 28.2 bcm of gas)

2010 results — 17,600 meters of exploration drilling, 4 wells completed (Baykalovsky, Samoedsky, Tukulandsky, North Vankorsky), no new major discoveries, but the results are very important for the future exploration works

2011 plans – 13,100 meters of exploration drilling, 4 wells (Baykalovsky - 1, Samoedsky – 2, West-Lodochny -1)

## Prospective recoverable oil and gas resources (D&M estimate as of 31.12.09)

|     |              |
|-----|--------------|
| Oil | 2.5 bln bbls |
| Gas | 126 bcm      |

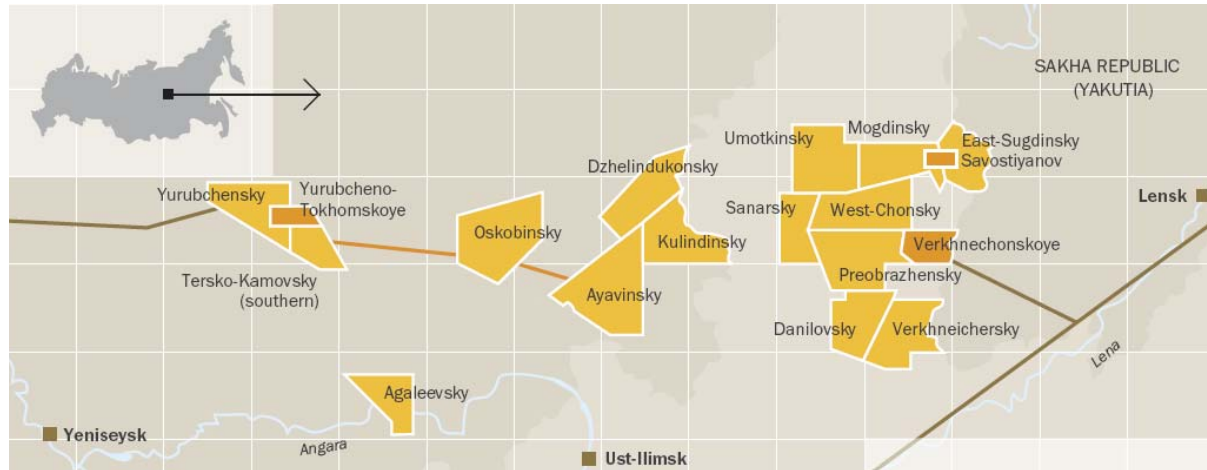
## Works

|                                    | As of 31.12.10 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------------------------------|----------------|------|------|------|------|------|
| 2D seismic work, linear km         | 7,113          | 200  |      |      |      |      |
| 3D seismic work, sq. km            | 150            | 546  | 400  | 200  |      |      |
| Number of exploration wells, wells | 8              | 4    | 6    | 7    | 5    | 7    |



# Blocks at the South of Eastern Siberia

## 3 bln bbls of Likely C1+C2 Reserves Discovered in Just 2 Years



Exploration region of strategic priority

15 blocks at 50-600 km from the ESPO

Complex geology

Commercial viability depends on tax regime

### Prospective recoverable resources (as of 31.12.09)

|     |                  |
|-----|------------------|
| Oil | 1,059 mln tonnes |
| Gas | 720 bcm          |

- 2009 — Savostyanov field discovered at East-Sugdinsky and Mogdinsky blocks. Current C1+C2 reserves of the field are estimated at 1.5 bln bbls
- 2010 — 2 new fields discovered at Sanarsky and Preobrazhensky blocks. C1+C2 reserves are estimated at 1.5 bln bbls
- 2011 plans – 4 wells (Mogdinsky, Preobrazhensky, Sanarsky, Danilovsky)

### Exploration works

|                                    | 2010 | 2011 | 2012 | 2013  | 2014  | 2015  |
|------------------------------------|------|------|------|-------|-------|-------|
| 2D seismic work, linear km         | 570  | 310  | 850  | 300   | 0     | 0     |
| 3D seismic work, sq. km            | 0    | 250  | 450  | 1,550 | 1,150 | 1,300 |
| Number of exploration wells, wells | 4    | 4    | 16   | 13    | 16    | 8     |

# Black Sea Exploration Efforts High Potential to Share with Partners



- **Acreage – 20,600 sq.km**
- **Sea depth from 30 to 2,250 meters**
- **Blocks are estimated to hold mainly crude oil**

## Prospective recoverable oil resources (D&M estimate as of 31.12.09)

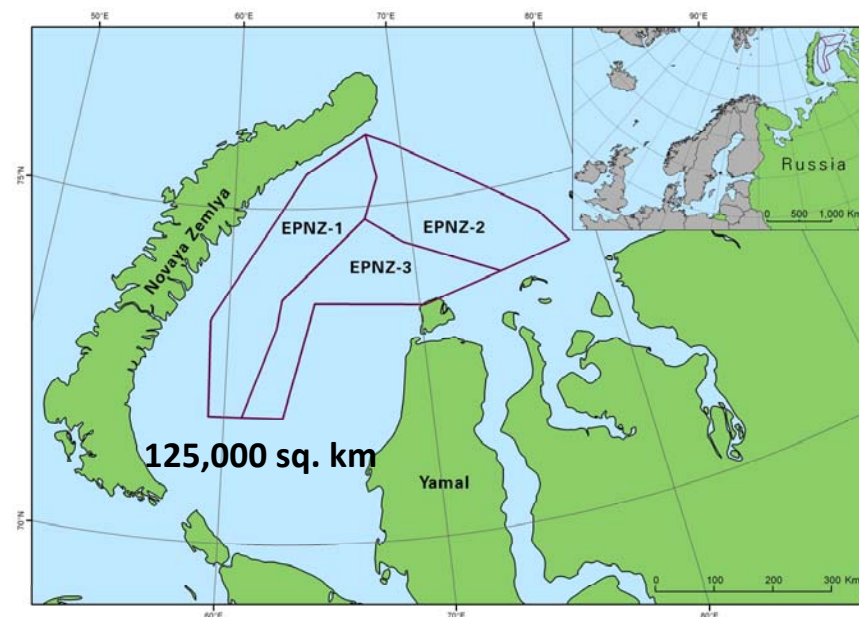
|                   |                      |
|-------------------|----------------------|
| West-Chernomorsky | 6.3 bln bbls         |
| Tuapse Trough     | 8.2 bln bbls         |
| <b>Total</b>      | <b>14.5 bln bbls</b> |

- Chevron will be the partner for the West Chernomorsky block
- ExxonMobil will be the partner for the Tuapse Trough block
- Rosneft is estimated to hold 67% stake in the operating companies
- Partners will carry financing of the initial exploration stage – Rosneft’s initial exploration risks will be reduced to zero
- Partners will contribute the technological and managerial expertise
- The partnership provides for other potential joint projects
- First well may be drilled as early as 2013



## Strategic Alliance with BP Beginning of the Arctic History

- World-class joint exploration program in the South Kara Sea (Rosneft to have 66.67% stake in the Joint Operating Company, BP to carry financing of the initial exploration stage)
- Formation of an 'Arctic Technology Centre' - access to additional technological expertise to kick start works on the Russian Arctic shelf
- Formation of a 'Mobile Emergency Prevention and Rapid Reaction Centre'
- Strategic equity swap – Rosneft to acquire 5% of BP in exchange for 9.5% of Rosneft (treasury shares)
- Discussion of potential joint international projects





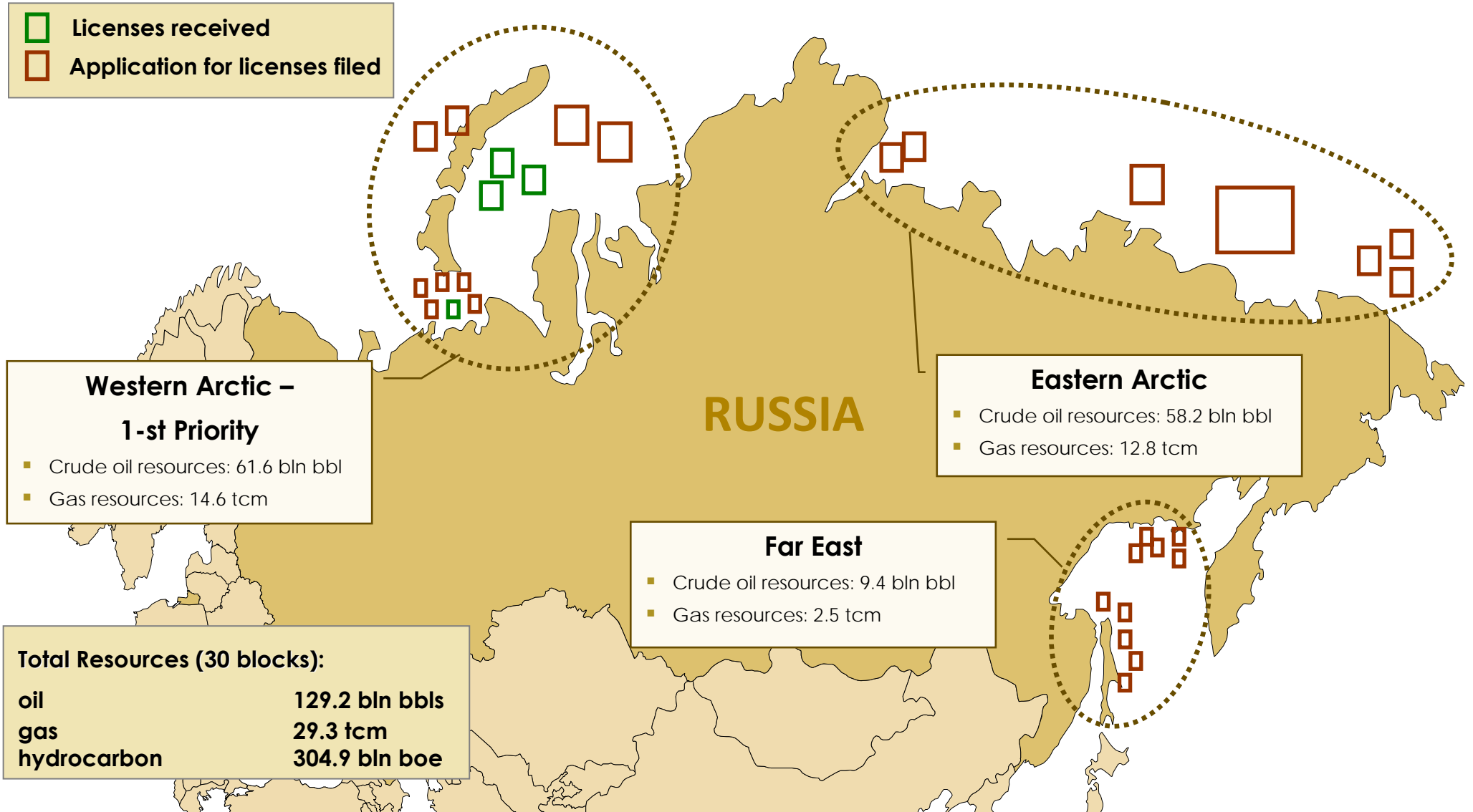
### Estimated resources (Russian classifications)

|                        | Oil, bln bbls | Gas, tcm    |
|------------------------|---------------|-------------|
| East-Prinovozemelsky-1 | 21.7          | 2.4         |
| East-Prinovozemelsky-2 | 12.5          | 2.2         |
| East-Prinovozemelsky-3 | 1.6           | 5.7         |
| <b>Total</b>           | <b>35.8</b>   | <b>10.3</b> |



# Arctic and Far East Shelf Prospects: Best Access to Large Resource Base

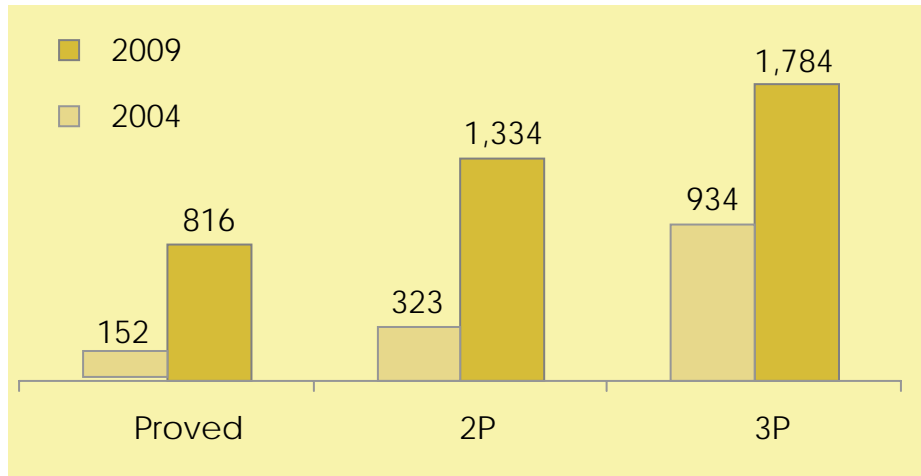
-  Licenses received
-  Application for licenses filed



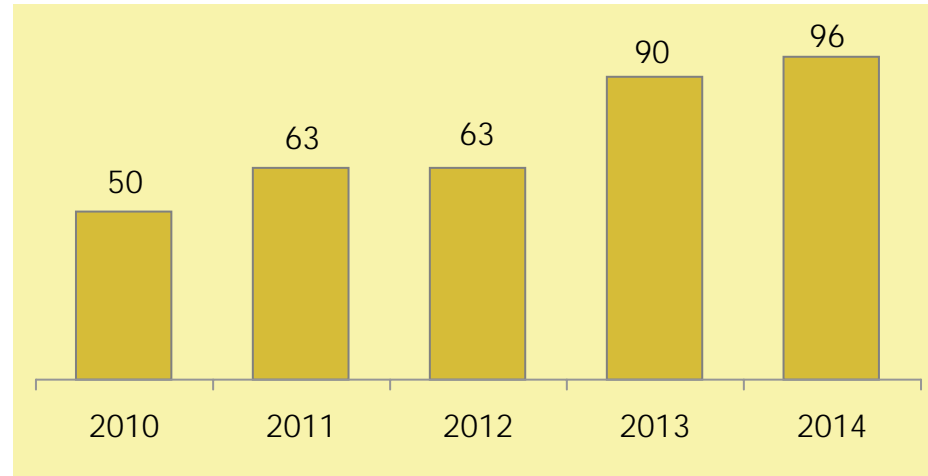


# Monetizing Gas Reserves

Rosneft gas reserves evolution, bcm



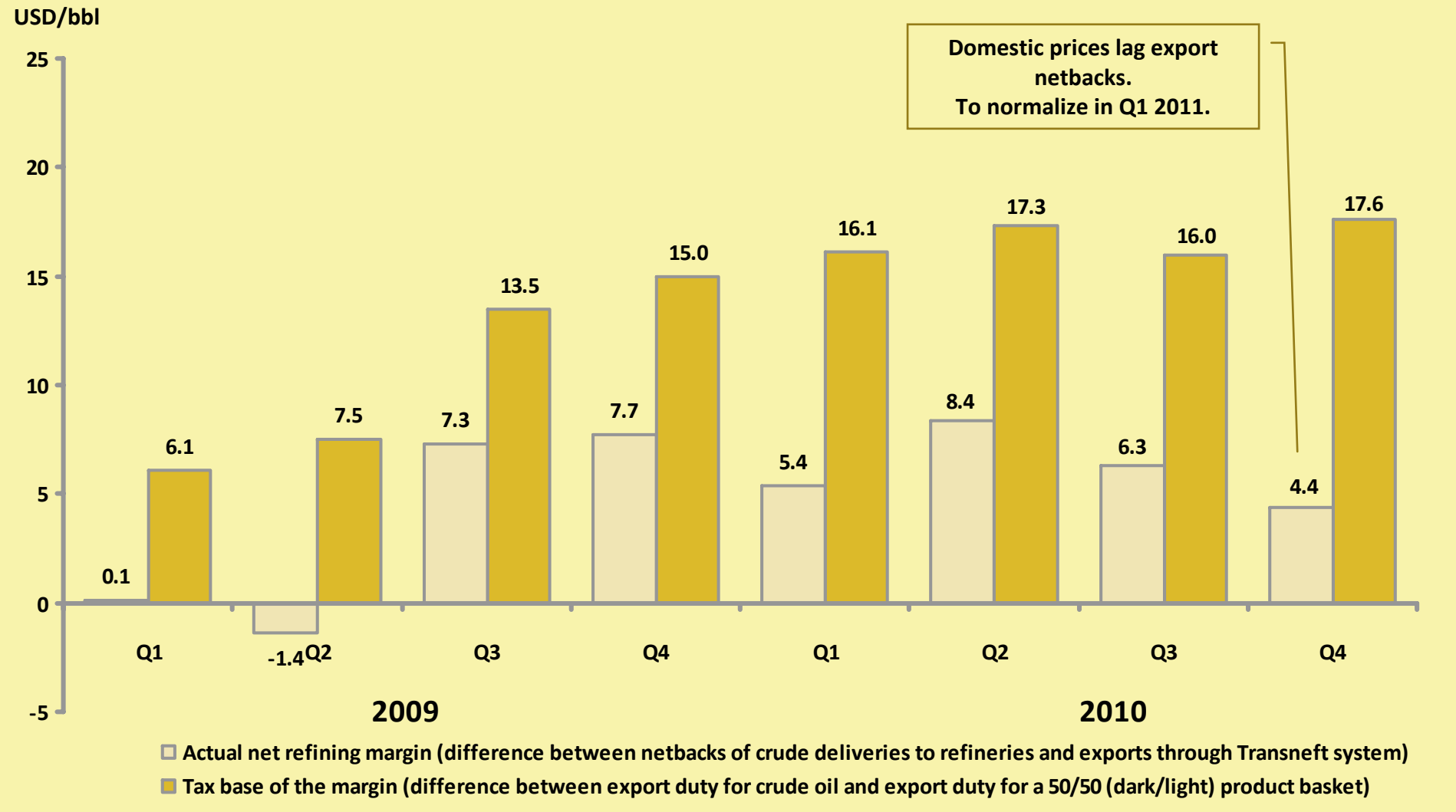
Associated gas utilization, %



- Production potential of over 55 bcm per year
- New production to come from Kharampur, Kynsko-Chaselskaya group, Vankor, gas utilization at other producing fields
  - Kharampur – Gazprom confirmed access to its pipeline for 20 bcm, first deliveries may start in 2014
  - Kynsko-Chaselskaya group - Gazprom confirmed access to its pipeline for 7 bcm, first deliveries may start in 2015
  - Vankor – 5.5 bcm of marketable associated gas
  - Other associated gas – plus 3 bcm
- Gas utilization program (ex. Vankor) will cost approximately USD 1.5 bln in 2010-2013
- The implementation of the program will allow to:
  - Reduce risk of electricity deficit in primary producing regions (own generation will cover up to 15% of consumption by 2015 compared with 7% today)
  - Reduce operating expenses (own electricity will cost 15-20% less than procured from the market)
  - Reinject gas to maintain strata pressure. i.e. to increase Oil Recovery Index and reduce operating expenses



# Net Refining Margin





# Refinery Upgrade Progress on Schedule

## Completed construction and upgrades and plan for 2011

|                        | 2009 | 2010    | 2011    |
|------------------------|------|---------|---------|
| <b>Komsomolsk</b>      |      |         |         |
| Delayed coking         |      |         | new     |
| Reforming              |      |         | upgrade |
| <b>Novokuibyshevsk</b> |      |         |         |
| Hydrogen concentration | new  |         |         |
| Isomerization          |      | upgrade |         |
| <b>Kuibyshev</b>       |      |         |         |
| Hydrogen production    | new  |         |         |
| Visbreaking            |      | upgrade |         |
| Reforming              |      |         | upgrade |
| CDU-VDU                |      |         | upgrade |
| <b>Syzran</b>          |      |         |         |
| Reforming              |      | upgrade | upgrade |
| Isomerization          |      | new     |         |
| Hydrogen production    | new  |         |         |
| <b>Angarsk</b>         |      |         |         |
| Isomerization          |      | new     |         |

## Key new units to be completed after 2011

|                        |   |
|------------------------|---|
| <b>Komsomolsk</b>      | hydrocracking + hydrotreatment  |
| <b>Novokuibyshevsk</b> | catalytical reforming, hydrocracking + hydrotreatment, second stage of isomerization      |
| <b>Kuibyshev</b>       | FCC complex, isomerization  |
| <b>Syzran</b>          | FCC complex, hydrotreatment   |
| <b>Achinsk</b>         | delayed coking, reforming, hydrocracking+ hydrotreatment                                  |
| <b>Angarsk</b>         | alkylation, hydrotreatment, MTBE production   |
| <b>Tuapse</b>          | CDU-VDU, hydrocracking, hydrotreatment, isomerization, catalytical reforming, flexicoking |

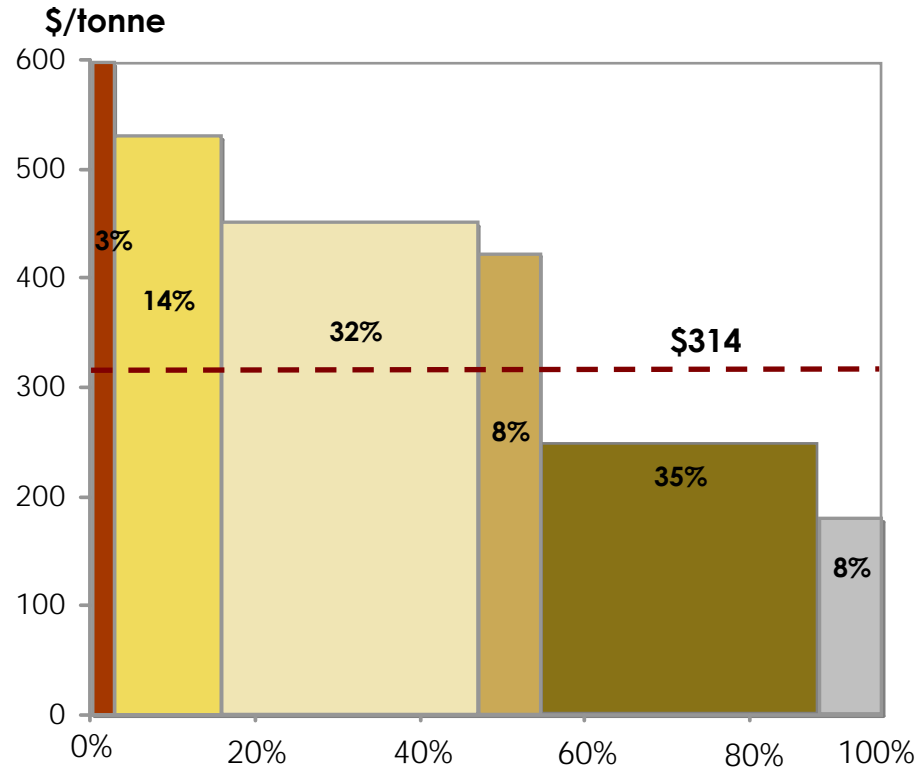
- **2011 capex – USD 2.1\* bln (USD 1.5 bln in 2010)**
- **Upgrades to be completed by 2015**
- **Capacity to increase by 150,000 bpd**
- **Nelson complexity to increase from 4 to more than 7**
- **Light product yield to grow from 57% to 78%**
- **IRR above 20% (including at 60/66 scenario)**

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



# Evolution of Product Basket – Maximizing Netbacks

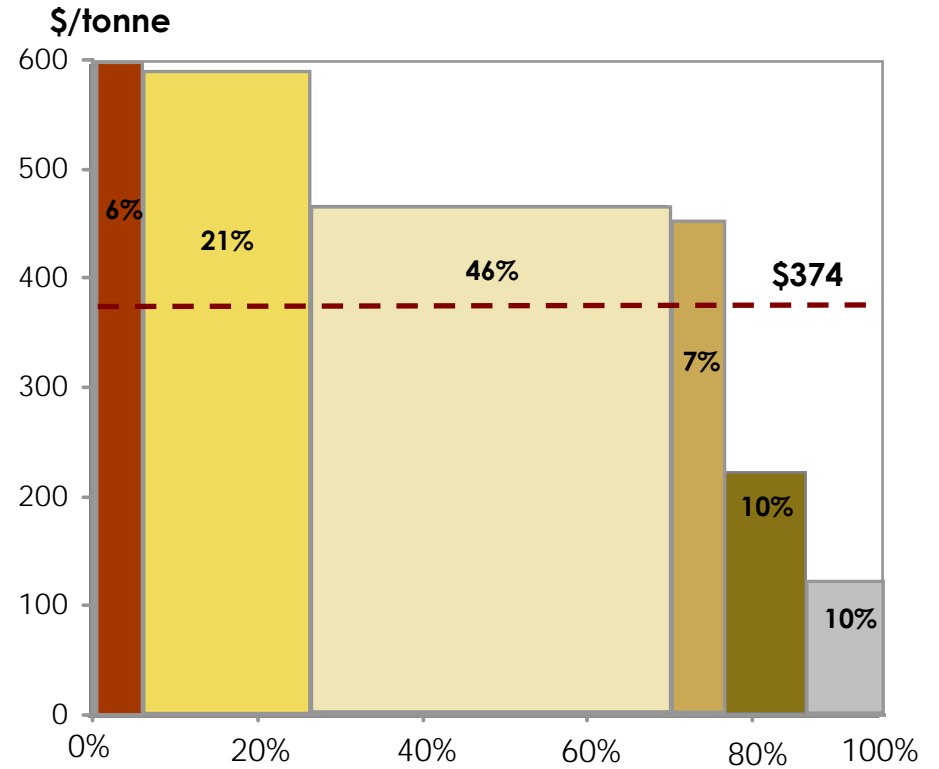
2010 – weighted average product netbacks and basket composition



2010



2015 – weighted average product netbacks and basket composition



2015

■ Jet fuel  
 ■ Gasoline  
 ■ Diesel  
 ■ Naphta  
 ■ Fuel oil  
 ■ Other  
 - - - Weighted average netback

The calculations here and after are made at 2010 business plan prices.

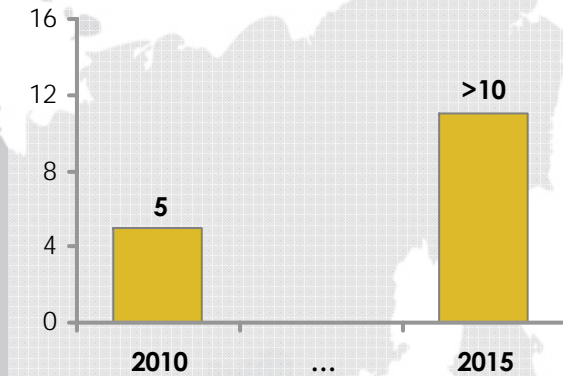
No quality premium for Euro standards is assumed. The change in weighted average gasoline netbacks is due to change in output volumes by refineries.



# Rosneft Refinery Portfolio: 2015 vs. 2009

| Rosneft total       | '09/'15       |
|---------------------|---------------|
| throughput, mmt     | 49.6 / 57.7   |
| Light product yield | 57.3% / 77.4% |
| Nelson Index        | 4.2 / 7.1     |

Net margin\* (2010 business plan prices), USD/bbl



| '09/'15             | Kuibyshev    | Novokuibyshevsk | Syzran        |
|---------------------|--------------|-----------------|---------------|
| throughput, mmt     | 6.7 / 6.6    | 7.4 / 7.4       | 6.4 / 6.4     |
| Light product yield | 52.1 / 60.8% | 55.2% / 73.4%   | 57.2% / 66.3% |
| Nelson Index        | 5.7 / 7.8    | 5.7 / 9.8       | 5.1 / 8.9     |

| Tuapse              | '09/'15       |
|---------------------|---------------|
| throughput, mmt     | 5.2 / 12.0    |
| Light product yield | 53.1% / 92.7% |
| Nelson Index        | 1.7 / 8.0     |

| Achinsk             | '09/'15       |
|---------------------|---------------|
| throughput, mmt     | 7.1 / 8.0     |
| Light product yield | 57.4% / 86.4% |
| Nelson Index        | 4.0 / 7.2     |

| Angarsk             | '09/'15       |
|---------------------|---------------|
| throughput, mmt     | 9.5 / 9.3     |
| Light product yield | 63.8% / 66.0% |
| Nelson Index        | 3.5 / 5.7     |

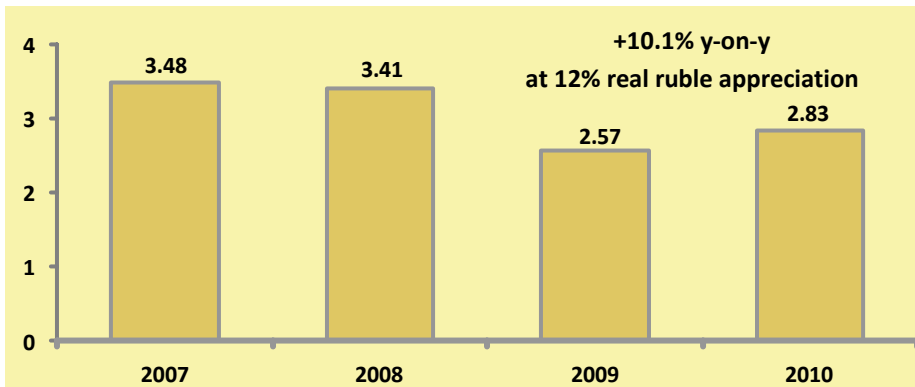
| Komsomolsk          | '09/'15       |
|---------------------|---------------|
| throughput, mmt     | 7.3 / 8.0     |
| Light product yield | 58.3% / 90.3% |
| Nelson Index        | 2.7 / 5.8     |

\* Net margin = product basket (from 1 bbl of crude oil) netback – crude oil netback – operating expenses.

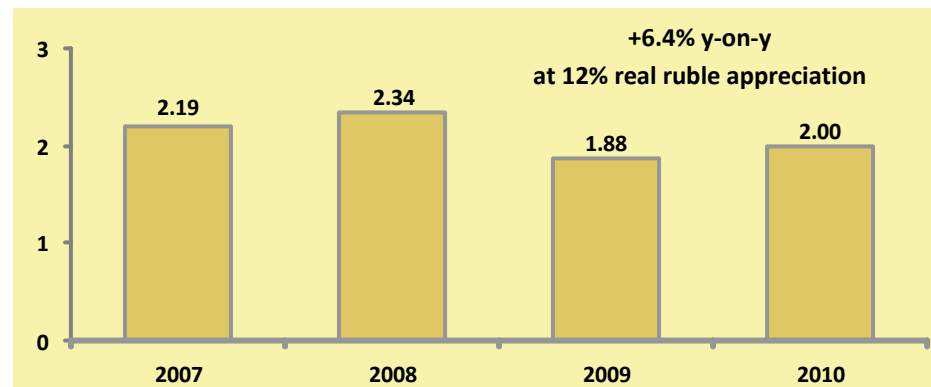


# Expenses Dynamics Decreasing in Real Terms

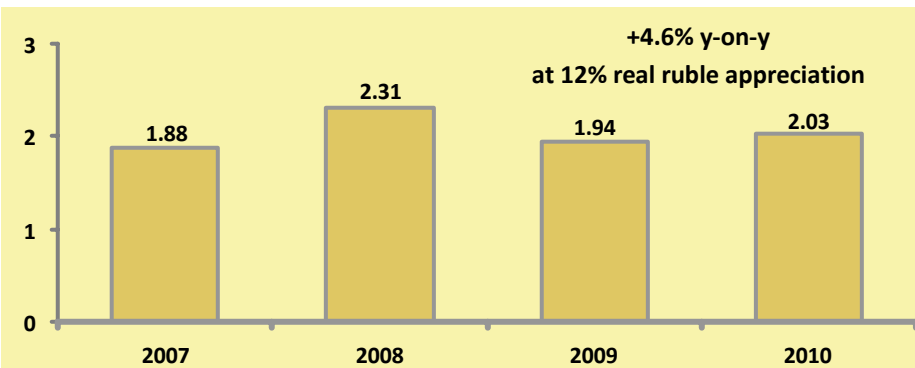
### Upstream Operating Expenses, USD/bbl of oil produced



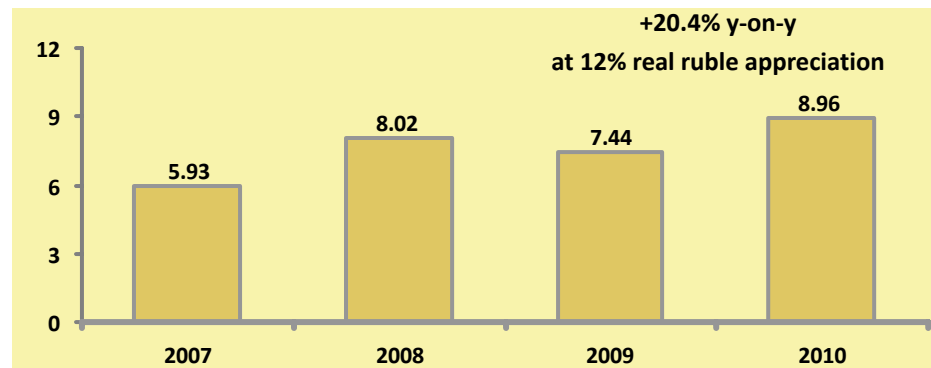
### Refining Operating Expenses, USD/bbl of oil processed



### SG&A Expenses, USD/bbl of oil produced



### Transportation Expenses, USD/bbl of oil produced



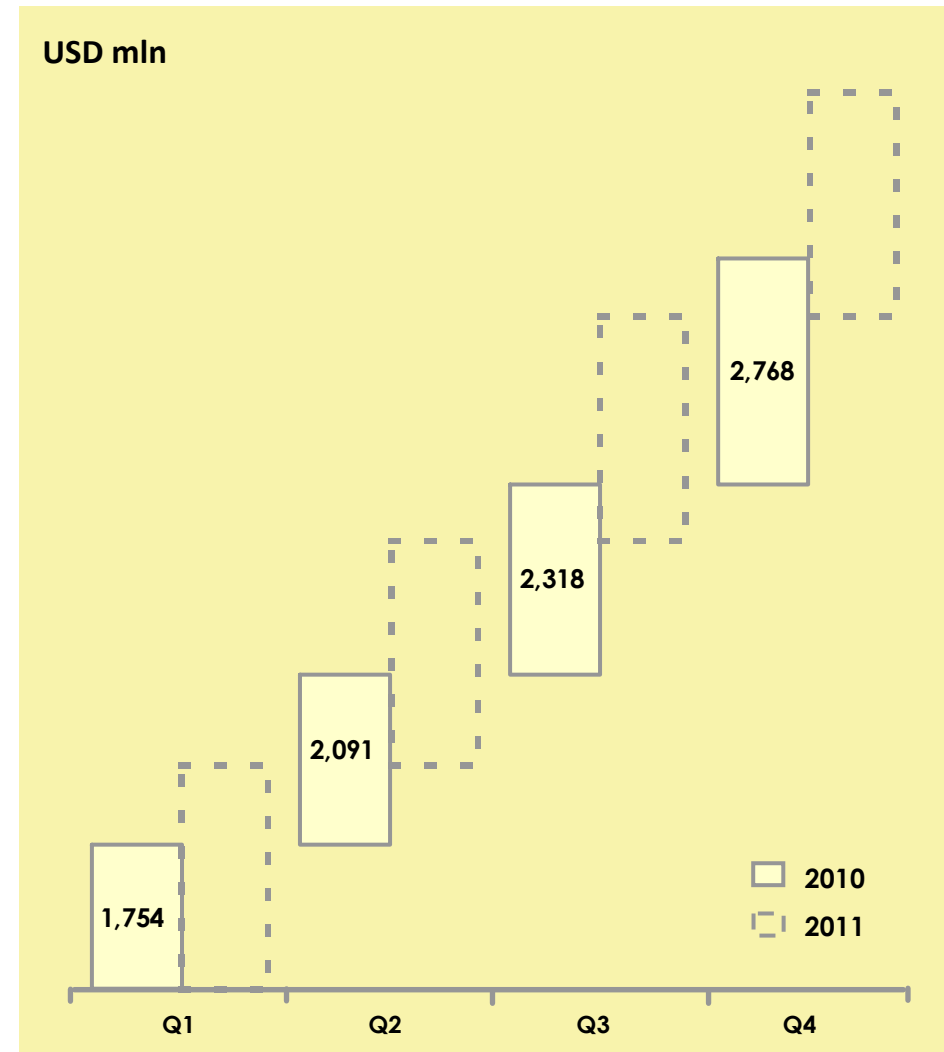
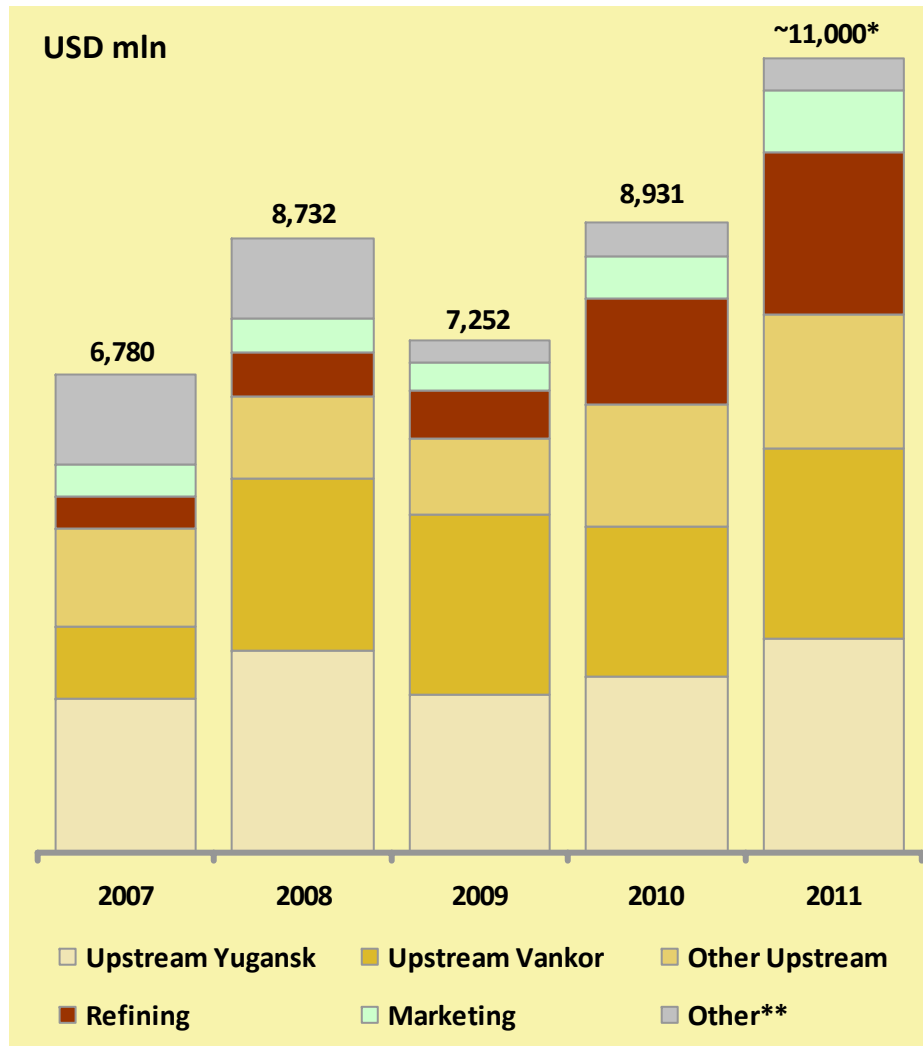
Upstream operating expenses include materials and electricity, workover, wages and salaries, and cost of transport to a trunk pipeline.

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).



# Capital Expenditures: At the Lower End of the Initial Guidance in 2010

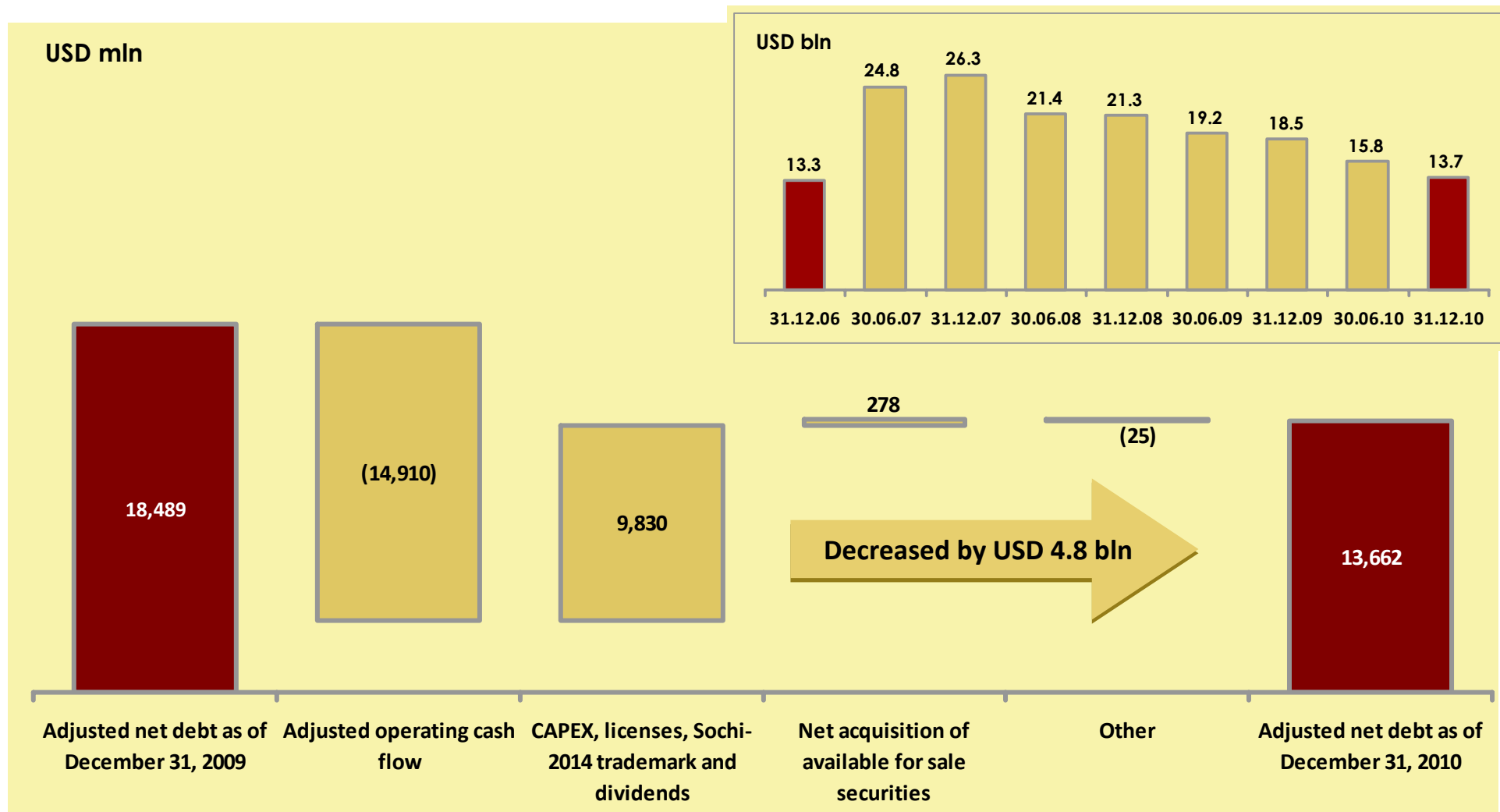


\* At 30.5 RUB/USD. Not including the capitalized expenses on the expansion of the pipeline to the Tuapse refinery.

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



# Net Debt Reconciliation: Reaching pre-2007 Acquisitions Level



Net debt is adjusted for short and medium term bank deposits and other short-term investments as part of the excess cash management.  
Operating cash flow is adjusted for operations with trading securities as part of excess cash management



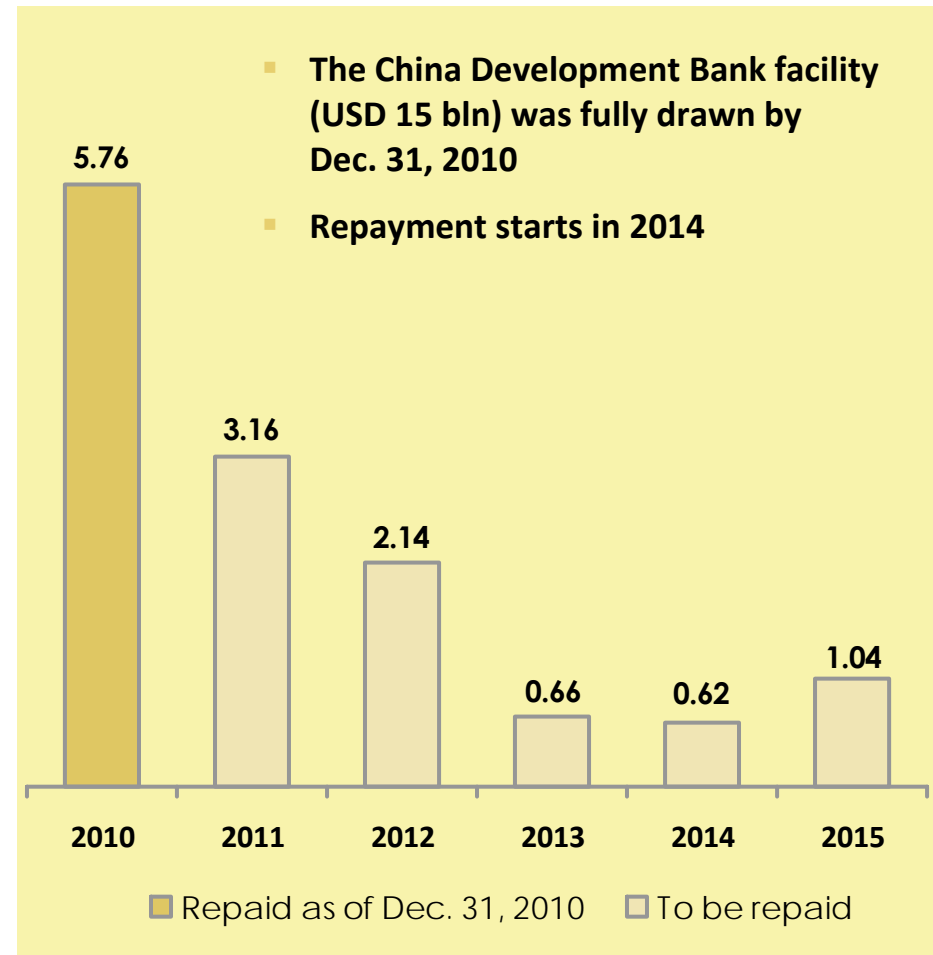
# Credit Profile Strengthened Further

|  | Dec. 31,<br>2010 | Dec. 31,<br>2009 |
|--|------------------|------------------|
| Total debt, USD bln                        | 23.6             | 23.5             |
| Net debt, USD bln                          | 13.66            | 18.49            |
| Long-term debt, %                          | 76.7%            | 66.7%            |
| USD denominated debt, %                    | 88.4%            | 85.2%            |
| Gearing<br>(Net Debt to Net Debt + Equity) | 20.0%            | 29.2%            |
| Weighted av. cost of debt                  | 3.53%            | 2.32%            |
| LTM EBITDA interest coverage               | 28.2             | 16.6             |
| Net debt / LTM EBITDA                      | 0.71             | 1.36             |

## Credit rating

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

## Repayment profile\*, USD bln



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



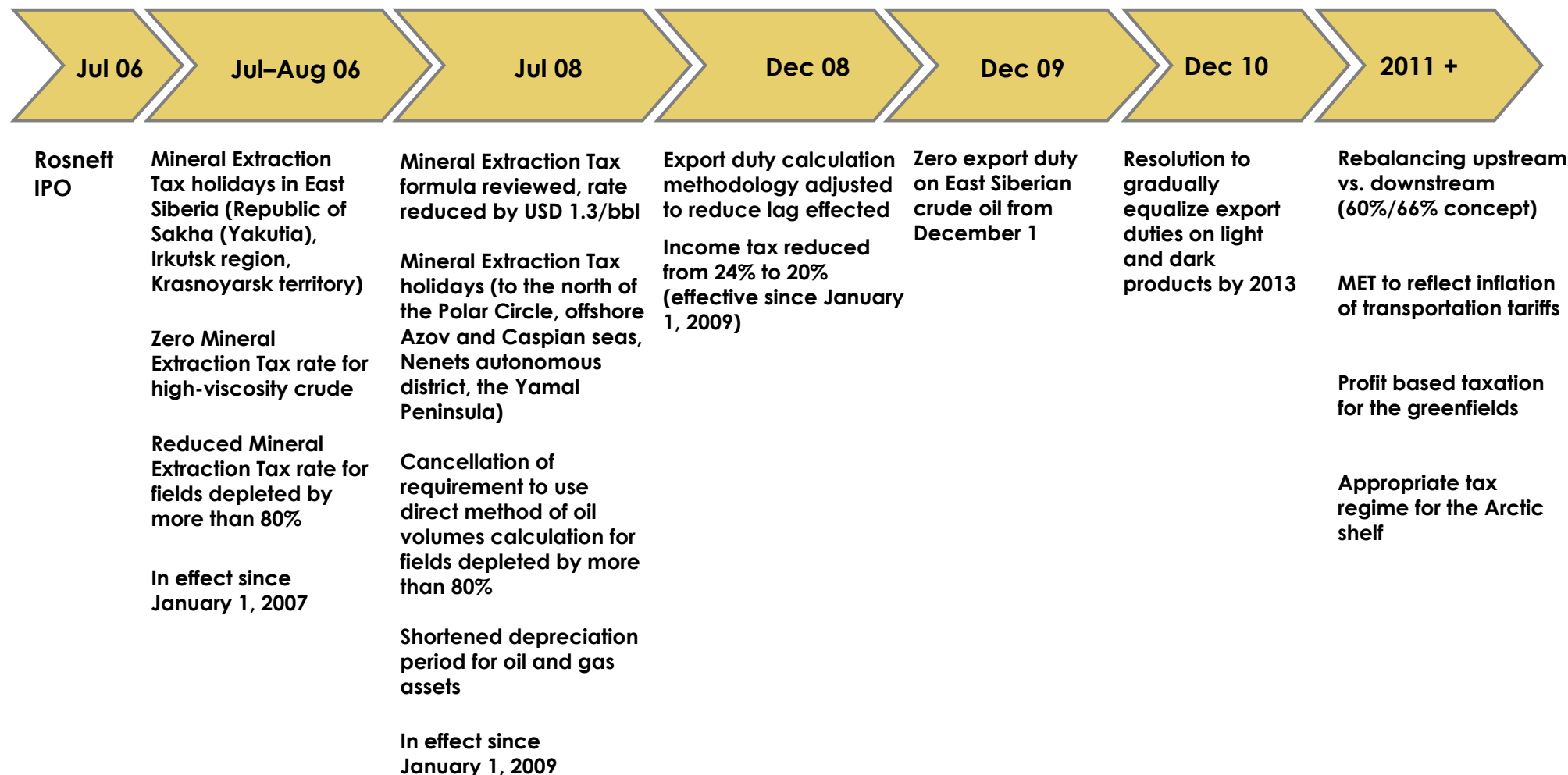
# Excess Cash Management

- Rosneft's total cash position including cash and equivalent and short-term investments related to excess cash management was USD 9.9 bln as of December 31, 2010
- Excess 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 4.2 bln of cash and equivalents
  - USD 4.7 bln of short-term deposits denominated in foreign currency placed in leading local banks
  - USD 0.4 bln of short-term deposits denominated in RUB placed in leading local banks
  - USD 0.4 bln of liquid securities received under REPO deals
  - USD 0.2 bln of short-term investments into state and corporate bonds and other securities



# Progress on Tax Regime

## The Right Direction





# Best in Class Transparency, IR Effort

## Consistently enhancing disclosure



IPO and bond prospectus



Quarterly US GAAP, MD&A



Investor presentations, conference calls



High quality website

## Recent awards

### IR Magazine Awards

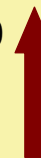
### Awards for website

### Awards for Annual Report



### S&P Transparency & Disclosure Rankings

- 1-st in 2009 and 2010
- 2-nd in 2008
- 10-th in 2007
- 12-th in 2006





# Rosneft: Emerging Super-NOC

## National Oil Company

- Access to resources
- Access to M&A
- Insulation from political risk
- Access to policy-makers
- Cooperation with the State

## Super-Major

- Capital discipline
- Cost efficiency
- Shareholder value creation
- Corporate governance
- Transparency





# Q4'10 and 12M`10 US GAAP Financial Results

## Appendix



## Cooperation with CNPC and Sinopec

- Strategic agreement with CNPC signed in 2005
- Udmurtneft – Russian oil production company (Sinopec – 49%)
- Vostok Energy JV in Russia – exploration at 3 blocks in Eastern Siberia (CNPC – 49%)
- Sakhalin 3 – exploration of the Venin block offshore Sakhalin Island (Sinopec – 21%)
- Eastern Petrochemical Company JV - construction of a refinery in China (CNPC – 51%)
- Crude delivery contract with CNPC for ~9 mln tonnes a year at market prices based on Urals benchmark – expires in the end of 2010
- New crude oil delivery contract for 15 mln tonnes a year starting from January 1, 2011 for 20 years at market prices based on Kozmino benchmark



## Q4`10 and 12M`10 Results Overview: Record EBITDA and FCF, Strong Volume Growth

|   | 12M`10        | 12M`09        | Δ, %           | Q4`10         | Q3`10         | Δ, %           |
|---|---------------|---------------|----------------|---------------|---------------|----------------|
| <b>Daily crude oil production, th. bpd</b>          | <b>2,322</b>  | <b>2,182</b>  | <b>6.4%</b>    | <b>2,352</b>  | <b>2,332</b>  | <b>0.9%</b>    |
| Gas production, bcm                                 | 12.34         | 12.68         | (2.7)%         | 3.25          | 2.86          | 13.6%          |
| <b>Petroleum product output, mln t</b>              | <b>47.89</b>  | <b>47.06</b>  | <b>1.8%</b>    | <b>12.25</b>  | <b>12.42</b>  | <b>(1.4)%</b>  |
| Revenues, USD mln                                   | 63,047        | 46,826        | 34.6%          | 17,384        | 15,471        | 12.4%          |
| <b>EBITDA, USD mln</b>                              | <b>19,203</b> | <b>13,565</b> | <b>41.6%</b>   | <b>5,377</b>  | <b>4,638</b>  | <b>15.9%</b>   |
| Adjusted net Income , USD mln                       | 10,442        | 6,472         | 61.3%          | 2,958         | 2,525         | 17.1%          |
| Adjusted operating cash flow <sup>1</sup> , USD mln | 14,910        | 10,791        | 38.2%          | 3,722         | 4,386         | (15.1)%        |
| Capital expenditures, USD mln                       | 8,931         | 7,252         | 23.2%          | 2,768         | 2,318         | 19.4%          |
| <b>Free cash flow before dividends<sup>1</sup></b>  | <b>5,839</b>  | <b>3,443</b>  | <b>69.6%</b>   | <b>840</b>    | <b>2,045</b>  | <b>(58.9)%</b> |
| <b>Net debt , USD mln</b>                           | <b>13,662</b> | <b>18,489</b> | <b>(26.1)%</b> | <b>13,662</b> | <b>13,952</b> | <b>(2.1)%</b>  |

1. Operating cash flow and free cash flow are adjusted for operations with trading securities as part of excess cash management (outflow of USD 472 mln in 12M`09, inflow of USD 262 mln in 12M`10, outflow of USD 32 mln in Q3`10, outflow of USD 86 mln in Q4`10).

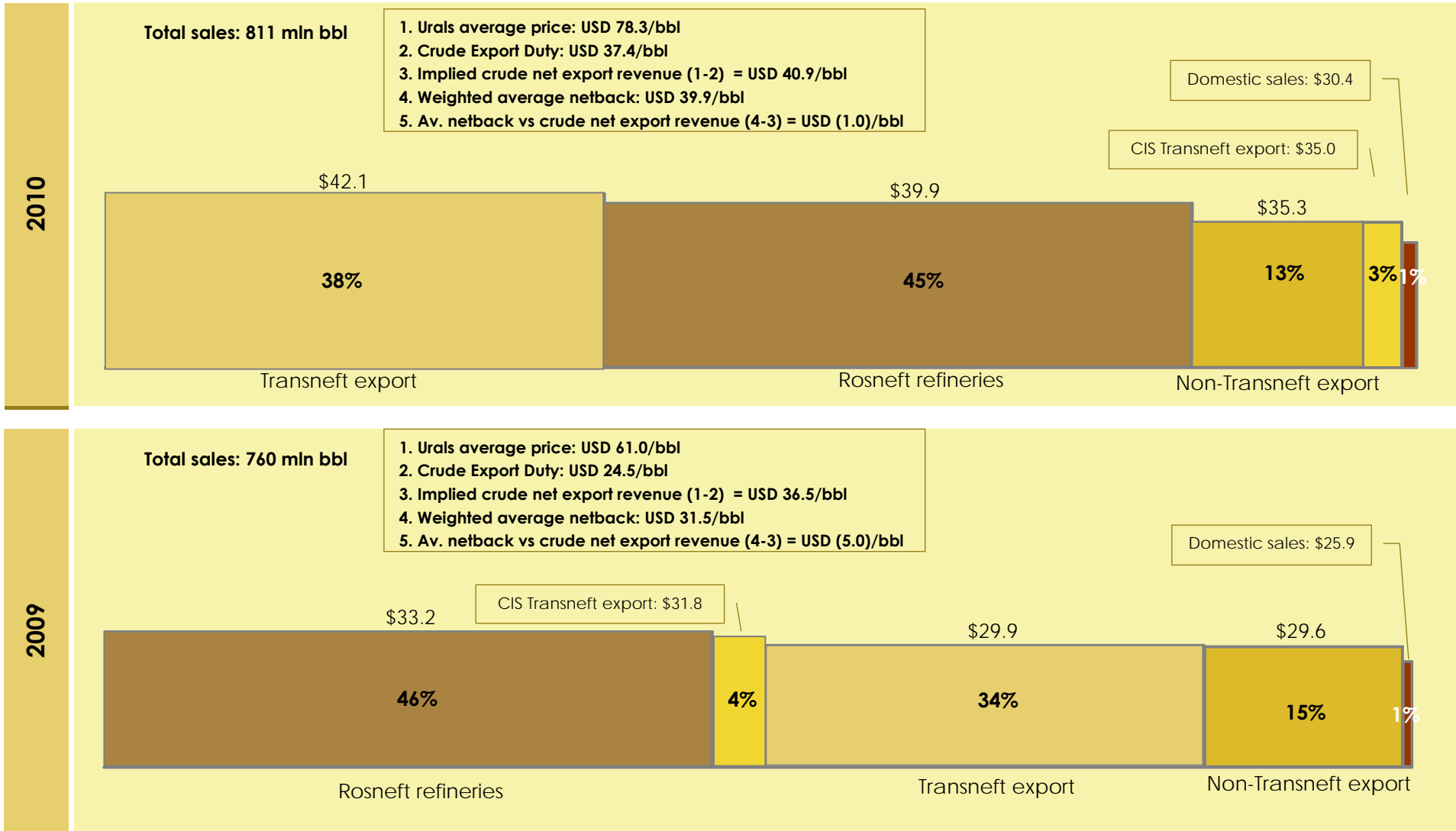


## P&L: Key Line Item Analysis

|                            | 12M'10        | 12M'09        | Δ, %          |  |
|----------------------------|---------------|---------------|---------------|--|
| <b>Revenues</b>            | <b>63,047</b> | <b>46,826</b> | <b>34.64%</b> | Higher prices and volumes  |
| Transportation expenses    | 6,980         | 5,414         | 28.93%        | Increase in tariffs of natural monopolies and higher transportation volumes due to increase in crude oil production at the Vankor field          |
| Operating expenses         | 4,792         | 4,024         | 19.09%        | Volume growth and inflation, per-unit expenses down in real terms  |
| Export duty                | 16,743        | 12,131        | 38.02%        | Increase in export duty rate following the growth in crude oil prices and export volumes   |
| Taxes other than on income | 10,920        | 8,061         | 35.47%        | Increase in MET following the growth of crude oil prices   |
| <b>EBITDA</b>              | <b>19,203</b> | <b>13,565</b> | <b>41.56%</b> | Growth in revenues, cost control partially offset by growth in tax payments and tariffs of natural monopolies and real ruble appreciation of 12% |
| DD&A                       | 5,597         | 4,350         | 28.67%        | Increase in capex: more wells drilled, construction at Vankor and refinery upgrades  |
| Income tax                 | 2,644         | 2,000         | 32.20%        | In line with statutory tax rate due to stable FX rate  |
| <b>Net income</b>          | <b>10,400</b> | <b>6,514</b>  | <b>59.66%</b> |  |

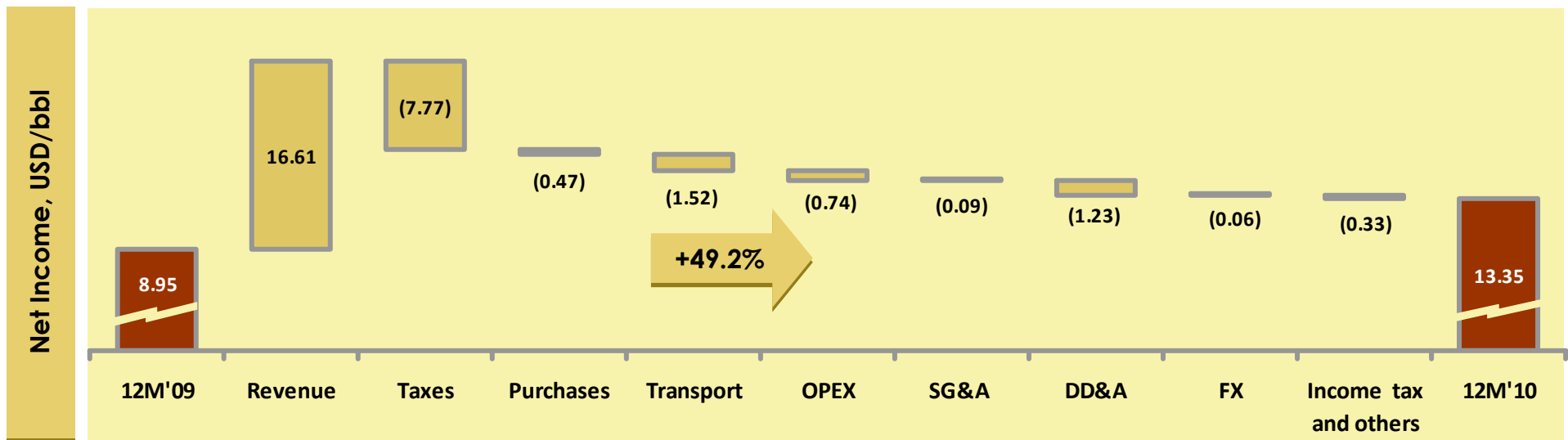
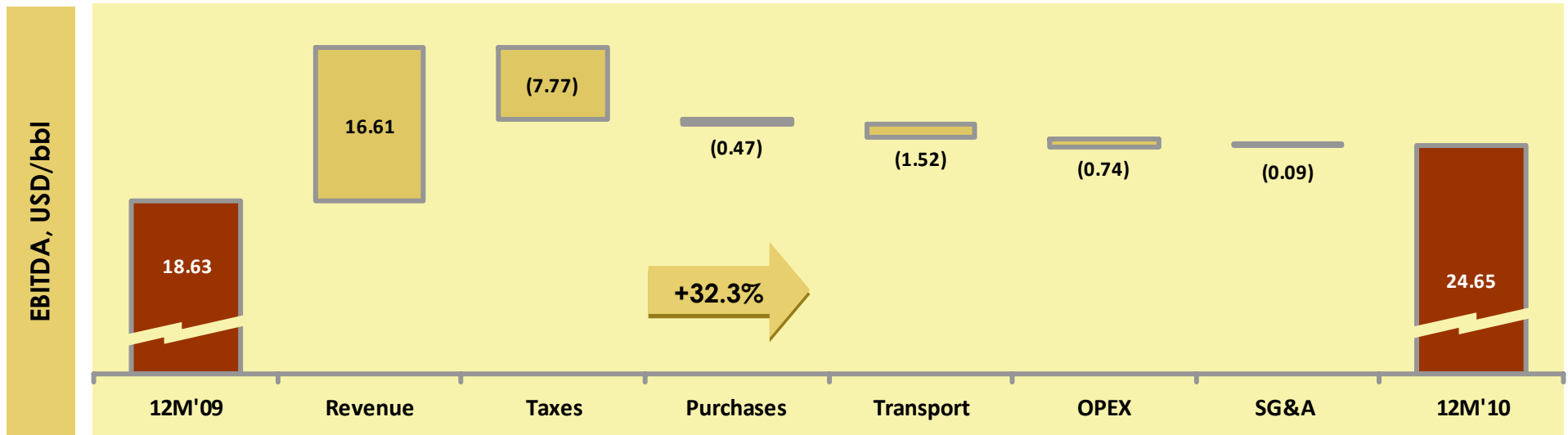


# Netback Ladder 2010 vs. 2009





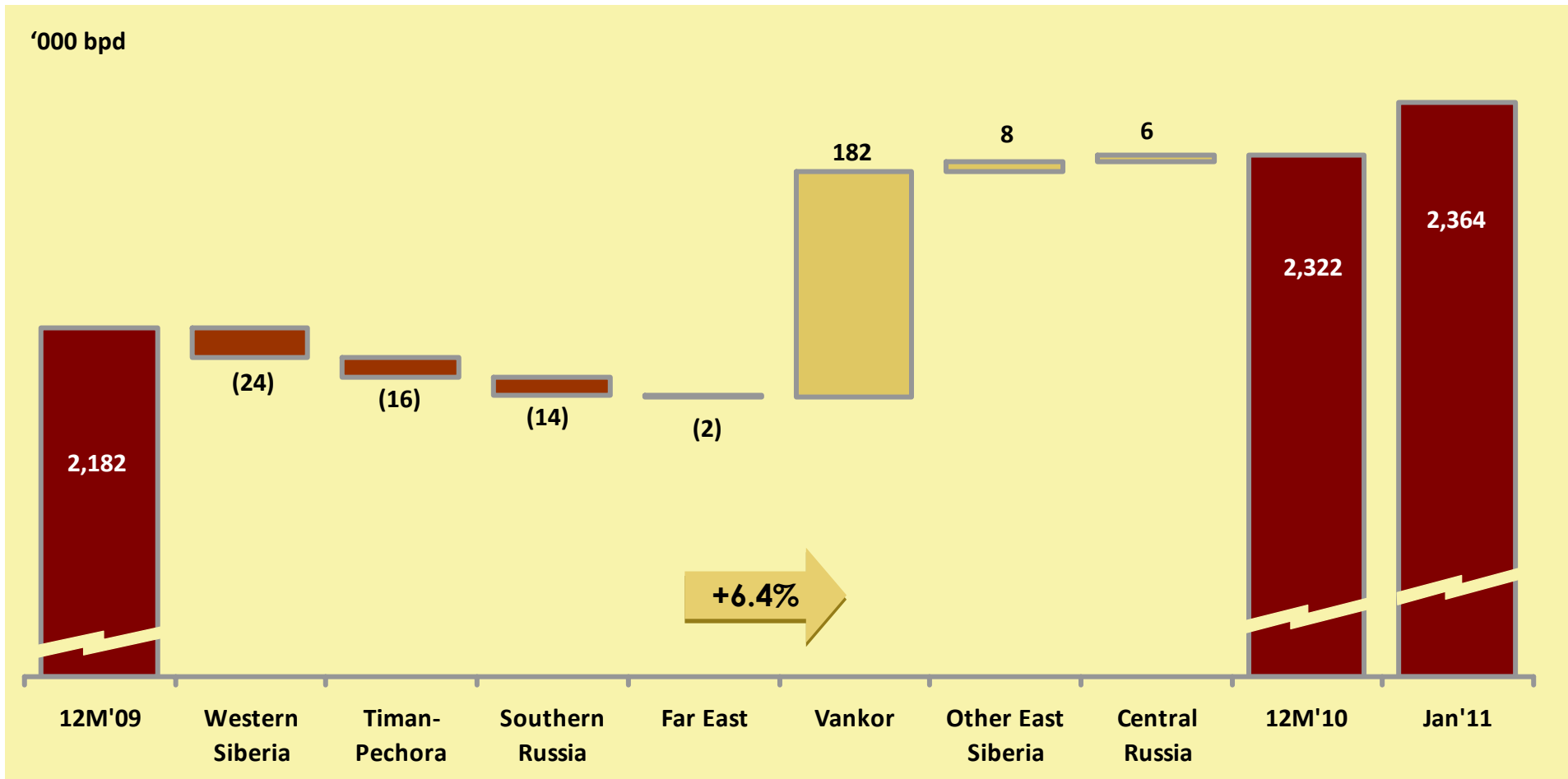
# EBITDA and Net Income per bbl Reconciliation: 12M'10 vs. 12M'09





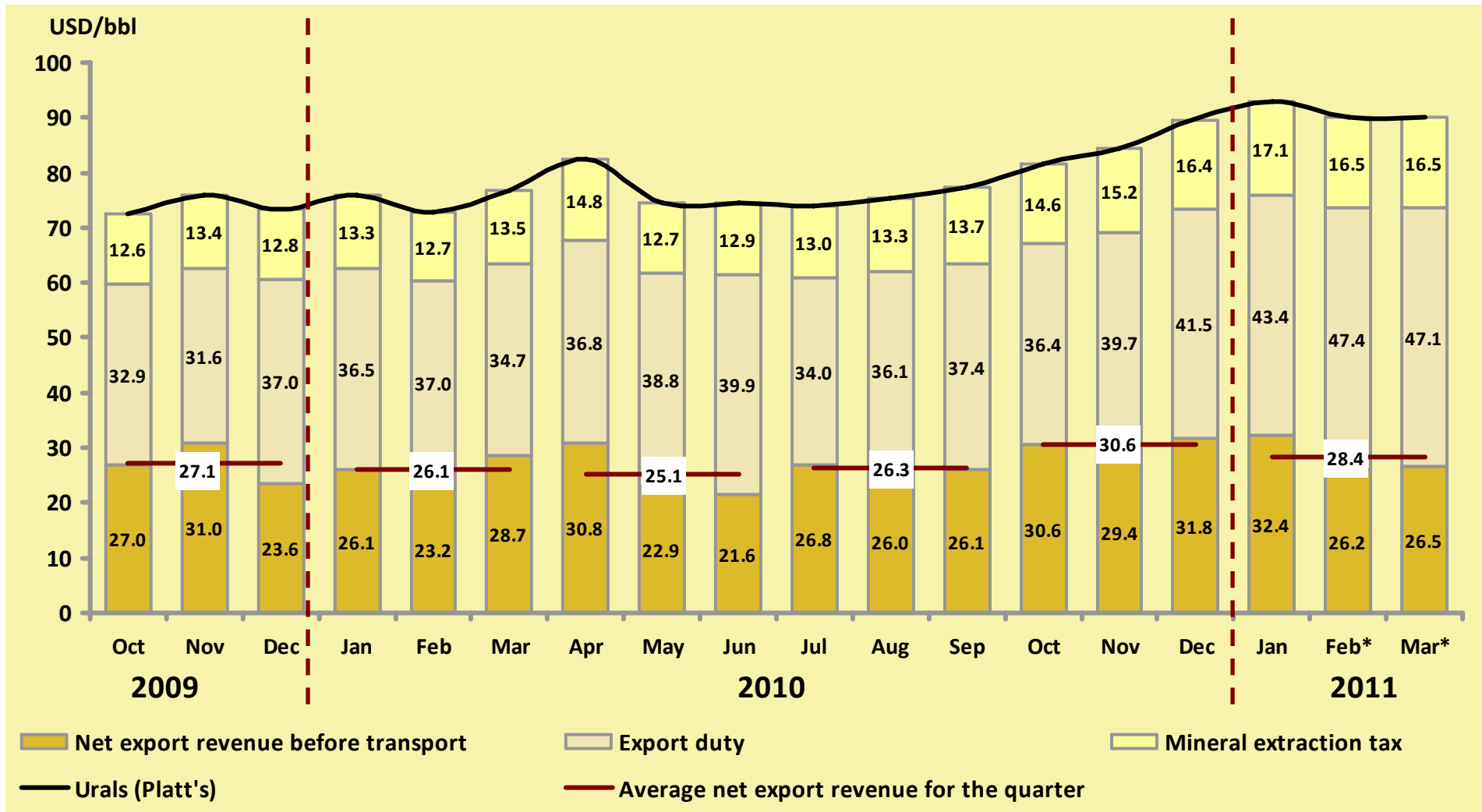
# Daily Crude Oil Production: Vankor – the Key Driver

Daily Crude Oil Production Reconciliation, 12M'10 vs. 12M'09





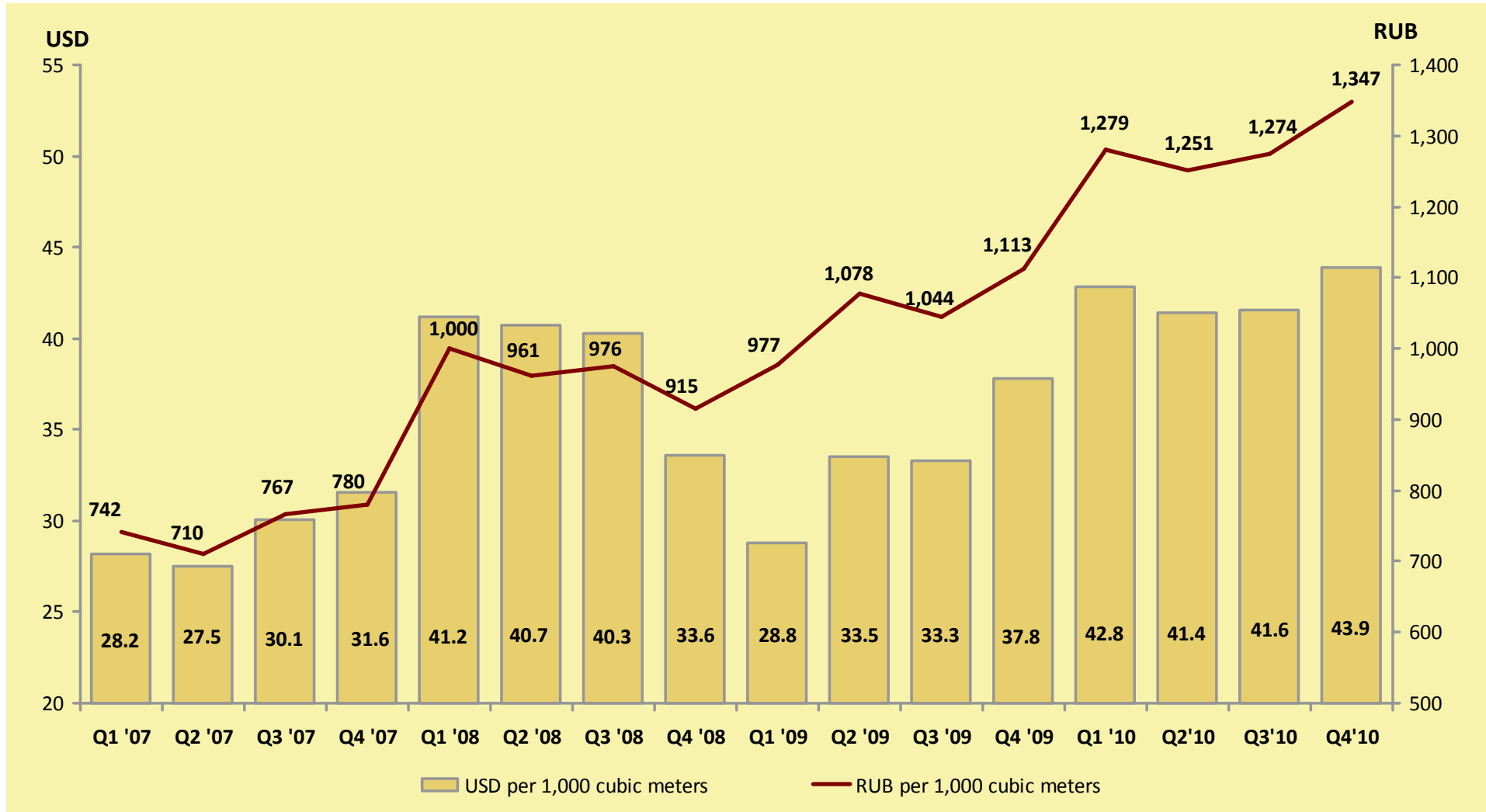
# Net Revenue of an Oil Exporter



\* Assuming Urals price of USD 90 per bbl in February and March.

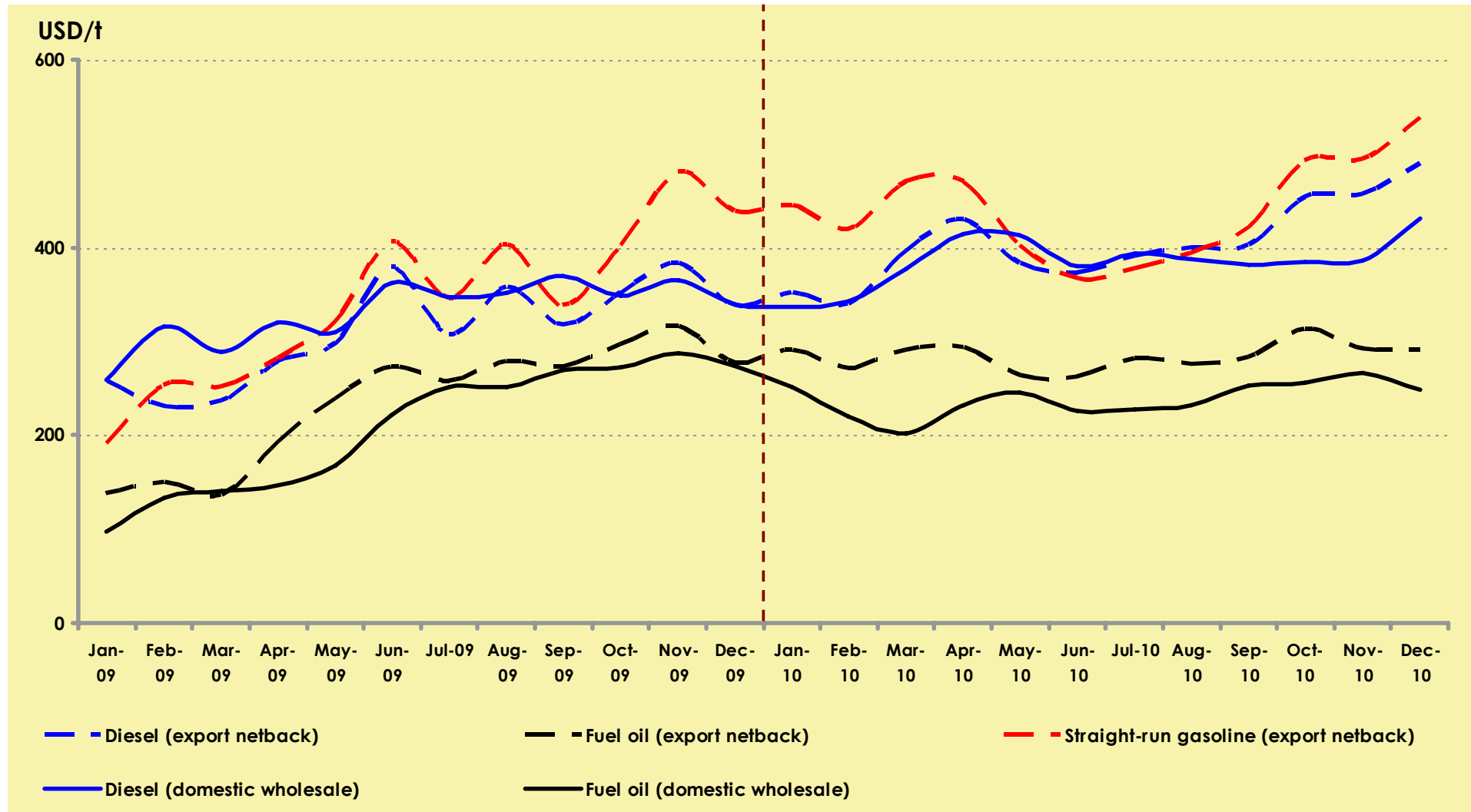


# Gas Sales Prices





# Petroleum Product Prices in 2009-2010 (Rosneft Refineries)\*



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