

## **Q1'09 Results Roadshow**

**June 2-6, 2009  
London & St. Petersburg**

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Member of Management Board  
VP, Finance & Investments**



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# Q1'09 Highlights

## Positives

- Strong financial results in Q1'09:
  - EBITDA - **USD 2.3 bln**
  - Net income – **USD 2.1 bln**
  - Operating cash flow - **USD 2.4 bln**
  - Free cash flow - **USD 1.1 bln**
  - Net debt decreased by **USD 2.0 bln**
- Q-o-q cost reductions of **20-40%**
- Credit profile transformed
- Capital expenditures lower per guidance
- Optimization of crude and product flows to address domestic market dislocations

## Challenges, Priorities

### Q1'09

- Unstable domestic demand and falling prices
- Growing transportation tariffs

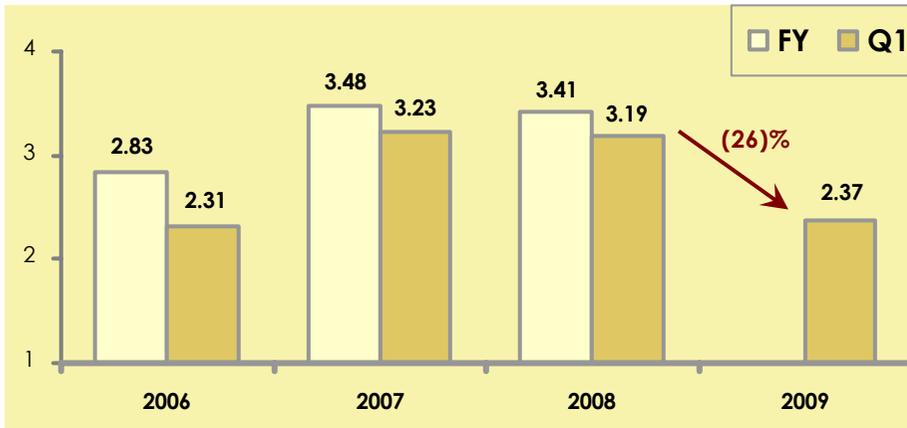
### Q2-Q4'09

- Financial discipline and reduction of real costs
- Meeting 2009 Business plan targets
  - Positive FCF
  - Production growth
- Participate in continuing discussion to update tax regime
- Continue to optimize downstream activities, grow higher margin sales
- Strategic plan update considering Russian energy strategy and current macroeconomic environment

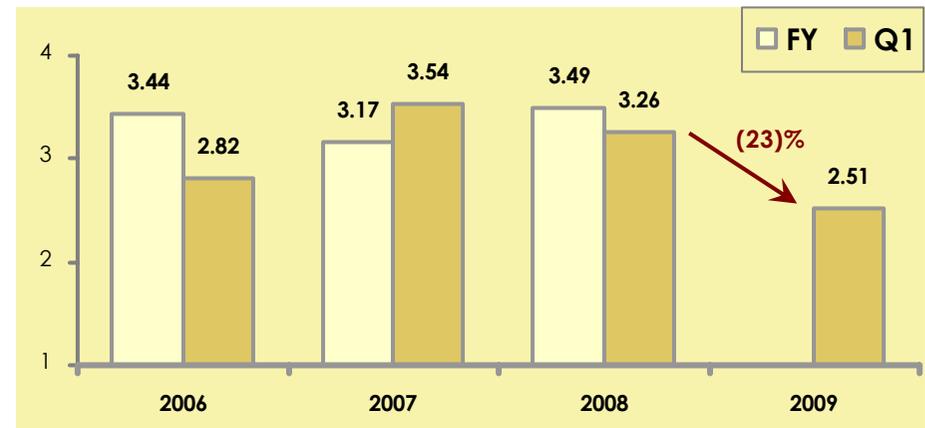


# Expenses Reduced

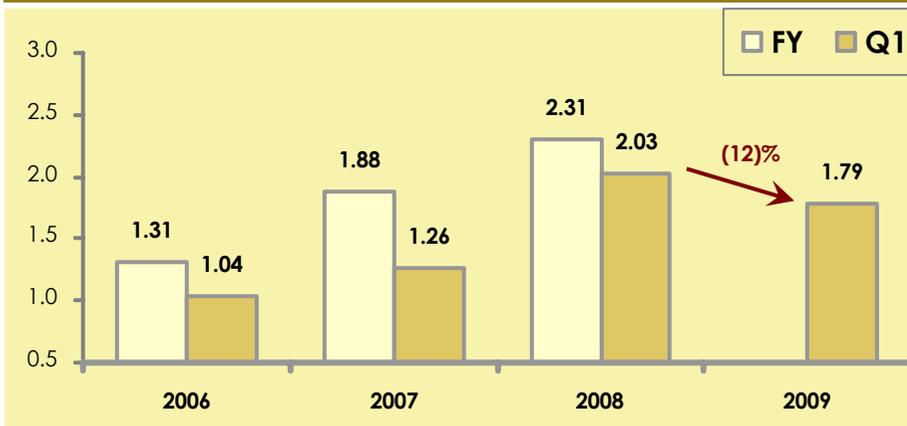
### Upstream Operating Expenses, USD/bbl of oil produced



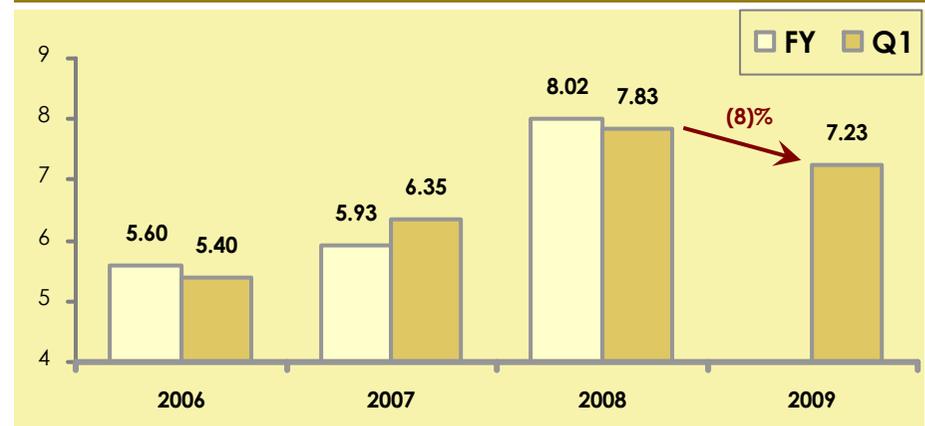
### Refining Expenses, USD/bbl of oil processed



### 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.

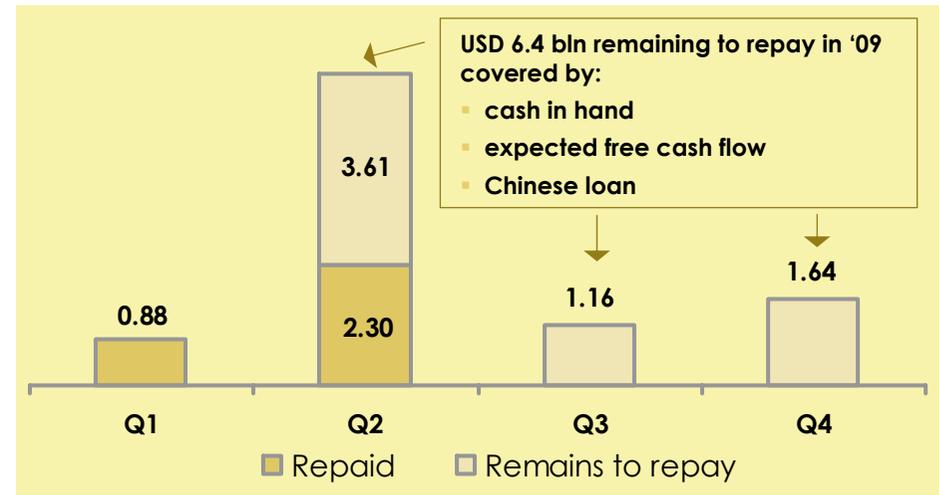


# New Credit Profile: Enhanced Fundamentals, Unrivalled Flexibility

## Credit Profile Transformed

- Refinancing burden overcome:
  - USD 9.6 bln to repay in 2009
  - USD 3.2 bln already completed
  - Chinese loan: USD 10 bln available in 2009, 0.8 bln received by May 28, 2009
- Cash flow positive, track record of debt reduction
- Low interest costs (net of USD 58 mln in Q1 '09)
- Low leverage levels (Net Debt / EBITDA)
  - 1.2 at year end 2008
  - ~1.5-1.7 projected at year end 2009
- Already lowest cost expense base
- Tax reform progress, upside
- Unrivalled reserve and resource base

## 2009 Refinancing Completed



## Key Terms of Chinese Loan

- USD 15 bln
- 5-year grace period, 20-year final maturity
- Crude export contract for 20 years
- Crude to be sold at market prices
- Unprecedented low borrowing costs

Repayment amounts are net of debt-related short-term investments (promissory notes and REPO cash deposit) and do not include possible repayments of Yukos-related debt, debt of subsidiary banks, debt to affiliated companies, as well as accrued interests. The calculation is based on the RUR/USD rate as of March 31, 2009.



## 2009: Key Considerations

### **Prudent Business Plan**

- Free Cash Flow generation at USD 47 Urals, 30.5 USD/RUB
- Cost reductions, enhanced cost control
- Capex flat in RuR, more stringent prioritization in favor of quick returns
- Upstream production: +2%
- Refining volumes flat

### **Off to a good start**

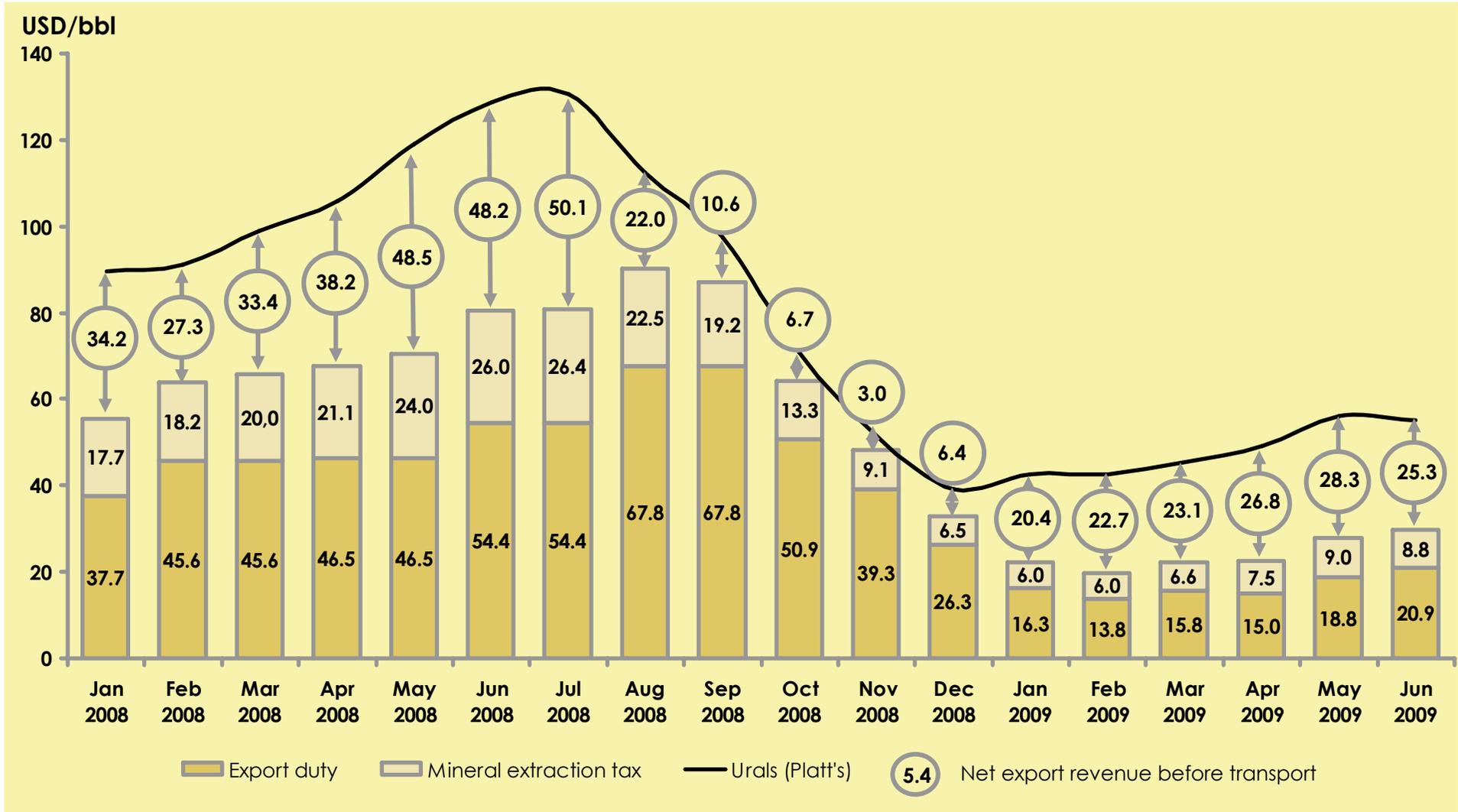
- Solid Q1
- Costs lower
- Taxes normalized (export duty)
- Export and domestic netbacks on the rise

### **Keys to watch**

- Oil price vs. USD/RUB, inflation following devaluation
- Further tax improvements to reduce investment risks, better align state and industry
- Monopoly tariffs



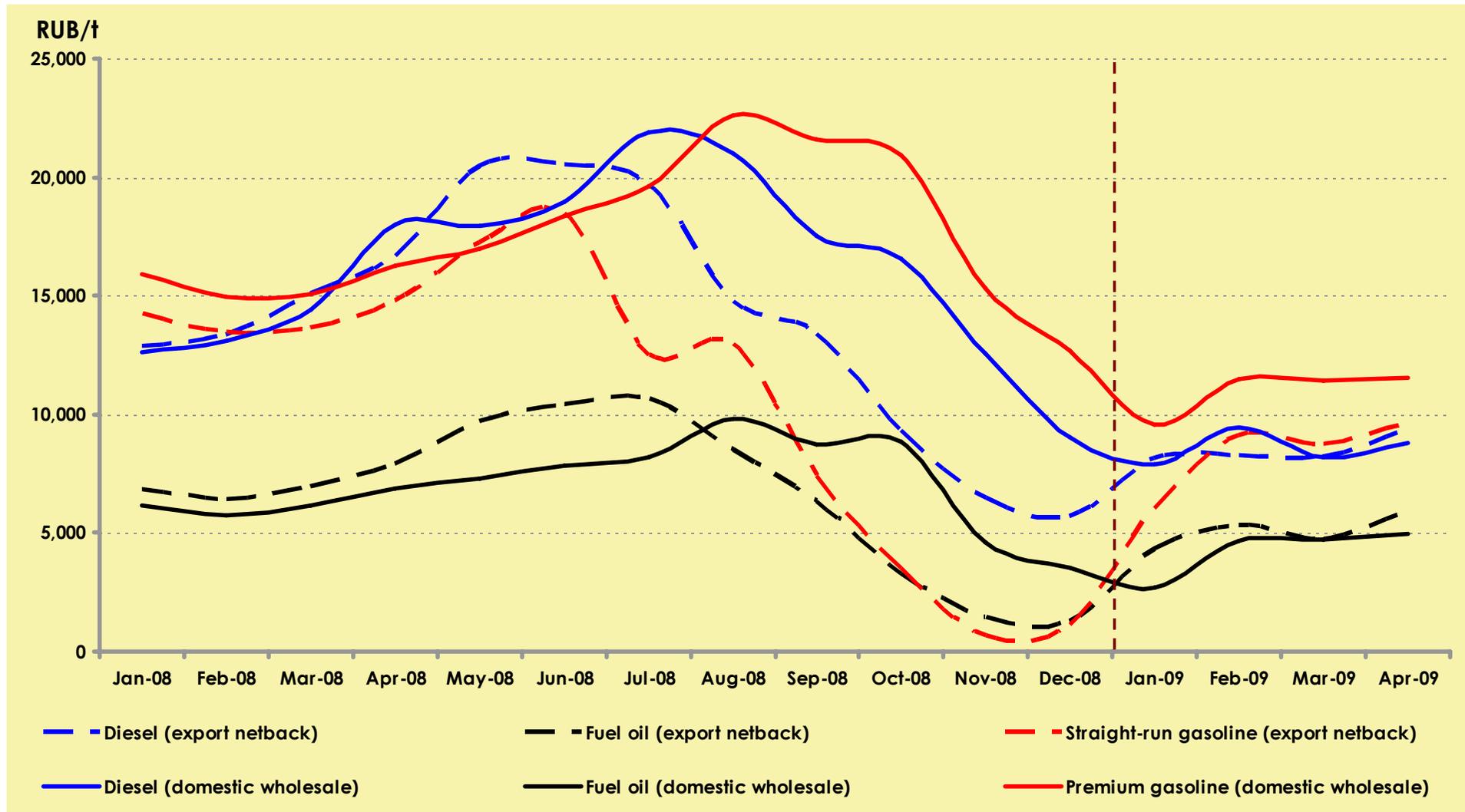
# Net Revenue of an Oil Exporter in 2008-2009



Assuming Urals of USD 55 per barrel in June 2009.



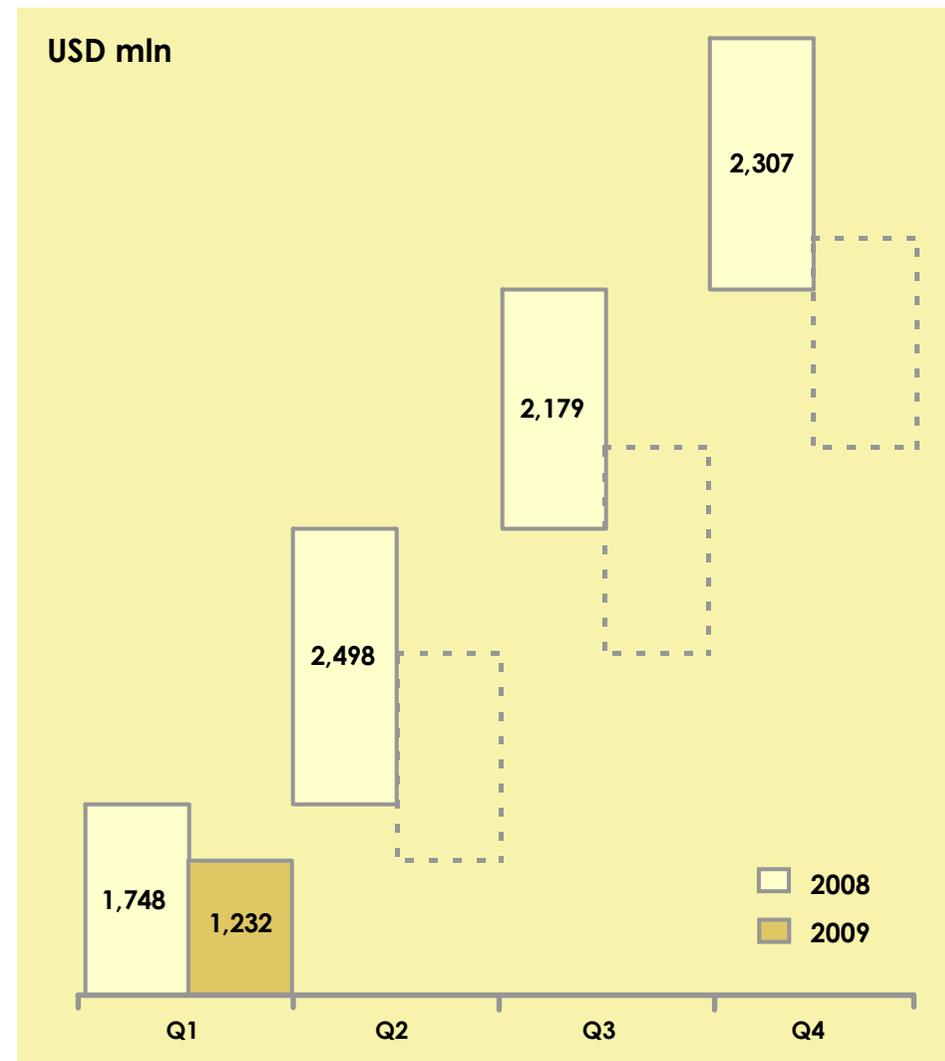
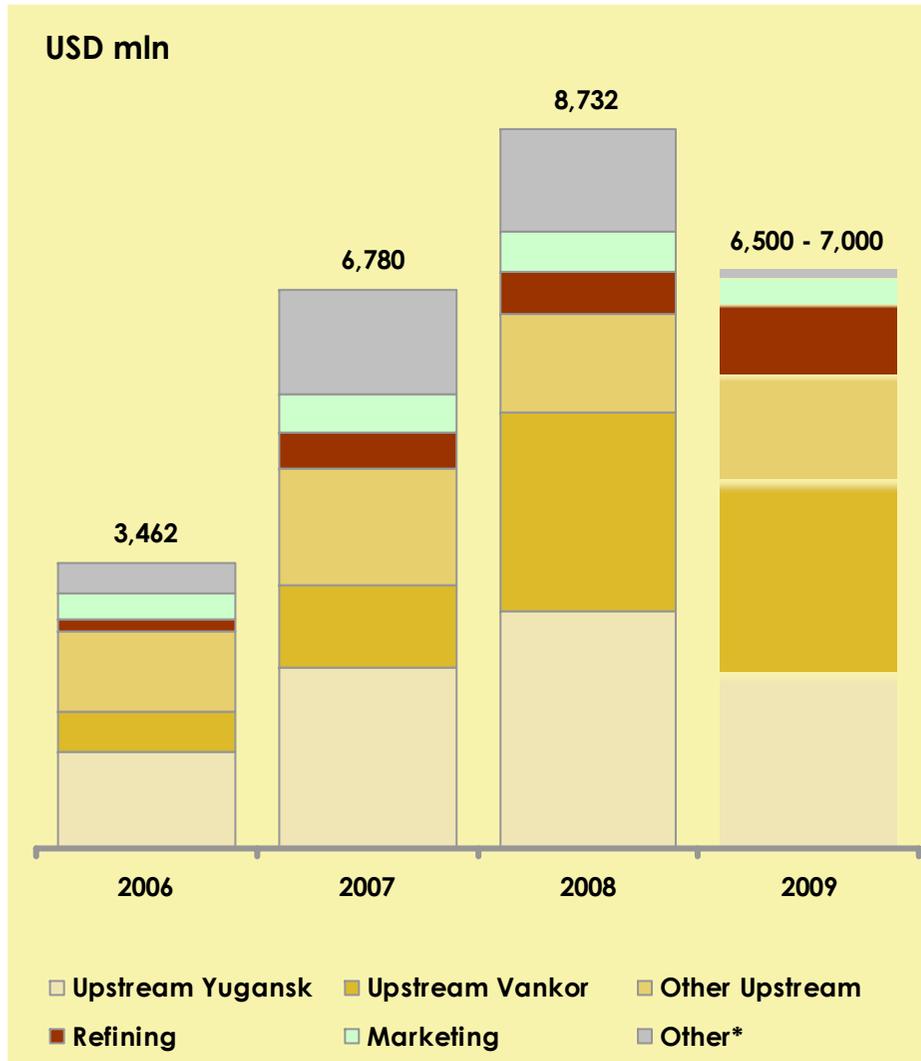
# Petroleum Product Prices in 2008-2009 (Rosneft Refineries)\*



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



# Capital Expenditures

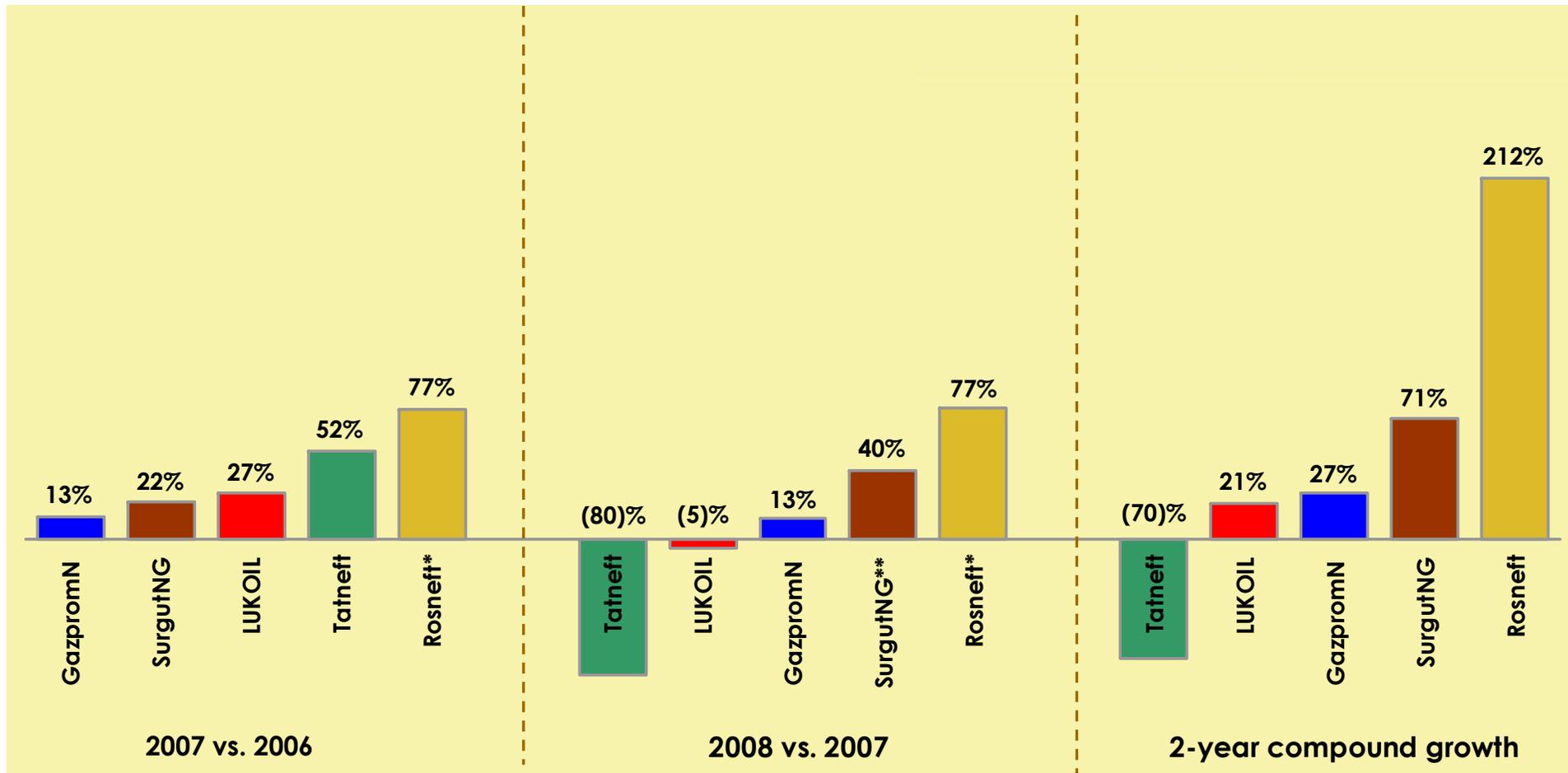


\* Includes net increase in construction materials, capex of the holding company and capex acquired with Yukos assets (in 2007).



# Consistently Leading Earnings Growth Since IPO

Earnings per share (EPS) growth rates: 2007 vs. 2006, 2008 vs. 2007, 2-year compound

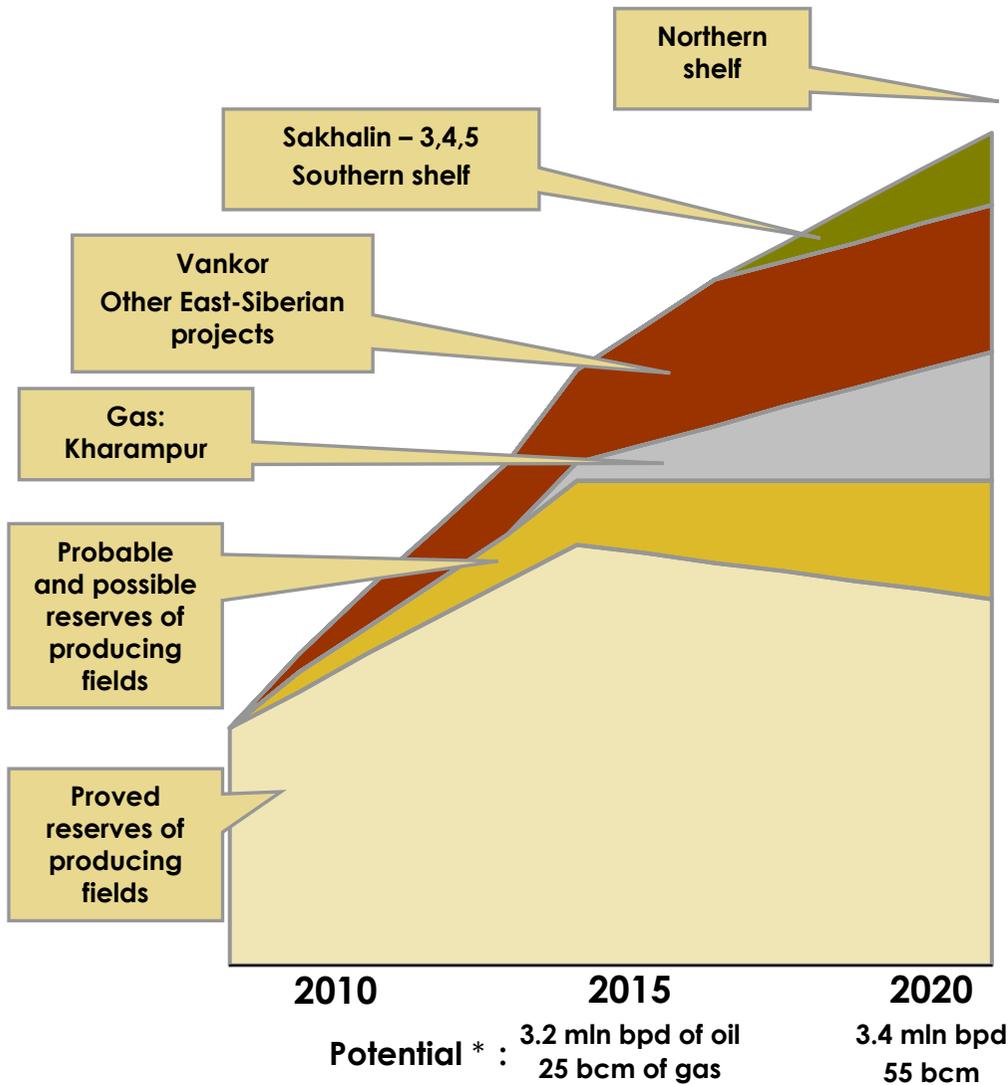


\* Adjusted (reduced) for net income from Yukos bankruptcy.

\*\* Analysts' average estimate



# Visible, Low Risk Growth Profile



2010–2014	Reserves, bln bbl (100%)		Status / Challenges
	SPE 2P	ABC <sub>1</sub> + C <sub>2</sub>	
YNG	16.3	15.9	Plateau not reached
Vankor	3.2	3.8	To be launched in 2H'09
Purneftegaz (oil)	3.2	5.7	To complete gas utilization projects
Purneftegaz (gas, bcm)	865	1,535	To agree with Gazprom on gas sales
VSNK	0.5	2.5	Test production at Yurubcheno-Tokhomscoe field
Verkhnechonsk-neftegaz	1.3	1.5	Launched at the end of 2008
Sakhalin-1	1.0	1.9	Develop Odoptu field
<b>Total, bln boe</b>	<b>30.6</b>	<b>40.3</b>	

2015 and onward	Resources, bln bbl (100%)		Status / Challenges
Licensed areas around Vankor field		3.9	
Licensed areas in the Irkutsk region		5.7	Exploration / Continue exploration and find commercial reserves
Russian Far East		7.1	
Southern Russia		7.6	
<b>Total</b>		<b>24.3</b>	

\* Subject to future taxation and transportation tariffs.



# Progress on Tax Regime

	Jul 06	Jul-Aug 06	Jul 08	Sep 08	Oct-Nov 08	Feb 09
<b>Rosneft IPO</b>	<p>Mineral Extraction Tax holidays in East Siberia (Republic of Sakha (Yakutia), Irkutsk region, Krasnoyarsk territory)</p> <p>Zero Mineral Extraction Tax rate for high-viscosity crude</p> <p>Reduced Mineral Extraction Tax rate for fields depleted by more than 80%</p> <p>In effect since January 1, 2007</p>	<p>Mineral Extraction Tax formula reviewed, rate reduced by USD 1.3/bbl</p> <p>Mineral Extraction Tax holidays (to the north of the Polar Circle, offshore Azov and Caspian seas, Nenets autonomous district, the Yamal Peninsula)</p> <p>Cancellation of requirement to use direct method of oil volumes calculation for fields depleted by more than 80%</p> <p>Shortened depreciation period for oil and gas assets</p> <p>In effect since January 1, 2009</p>	<p>Export duty reduced to USD 372.2/t from October 1 (should have been changed to USD 483/t)</p> <p>FCF effect in October 2008 – USD 0.5 bln</p>	<p>Export duty reduced to USD 287.3/t from November 1 (should have been changed to USD 483/t)</p> <p>FCF effect in November 2008 – USD 0.7 bln</p> <p>Export duty further reduced to USD 192.1/t from December 1</p> <p>FCF effect in December – USD 0.5 bln</p> <p>Income tax reduced from 24% to 20% (effective since January 1, 2009)</p>	<p>New tax proposals declared during the meeting in Kirishi :</p> <p>Zero export duty on East Siberian crude oil</p> <p>Profit-based taxation for new fields</p> <p>Equalization of export duties on light and heavy products starting from 2012</p>	



# Best in Class Transparency, IR Effort

## Consistently enhancing disclosure



IPO and bond prospectus



Quarterly US GAAP, MD&A



Investor presentations, conference calls



New website

## Recent awards

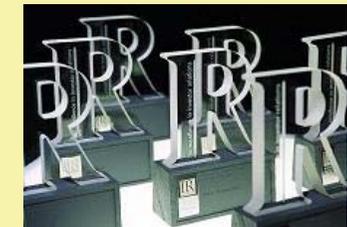
### S&P Transparency & Disclosure Rankings

- 2nd in 2008
- 10th in 2007
- 12th in 2006



### IR Magazine (October '08)

- Best Overall IR for Large Cap in Russia & CIS
- Best Annual Report & Corporate Literature
- 4 other awards



### Multiple awards for website



# Rosneft: Emerging Super-NOC

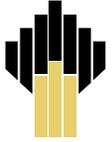
## National Oil Company

- 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





# Rosneft Q1'09 US GAAP Financial Results

## Appendix



# Macroeconomic Environment

		Q1'09	Q1'08	Δ, %	Q4'08	Δ, %
Average RUB/USD rate	RUB/USD	33.93	24.26	+39.9%	27.27	+24.4%
Inflation (for the period)	%	5.4%	4.8%		2.7%	
Real RUB appreciation against USD (for the last 12 months)	%	(21.2)%	20.8%		(5.3)%	
Urals price (av. Med and NWE)	USD/bbl	43.7	93.3	(53.2)%	54.1	(19.3)%
Gasoil 0.2% (av. Med)	USD/tonne	402.1	882.7	(54.4)%	555.6	(27.6)%
Fuel oil (av. Med)	USD/tonne	228.9	445.1	(48.6)%	246.6	(7.2)%
High octane gasoline (av. Russia*)	USD/tonne	402.0	770.9	(47.9)%	624.3	(35.6)%
Diesel fuel (av. Russia*)	USD/tonne	356.2	667.9	(46.7)%	496.4	(28.2)%

\* Excluding VAT, including excise.



## Q1'09 Results Overview

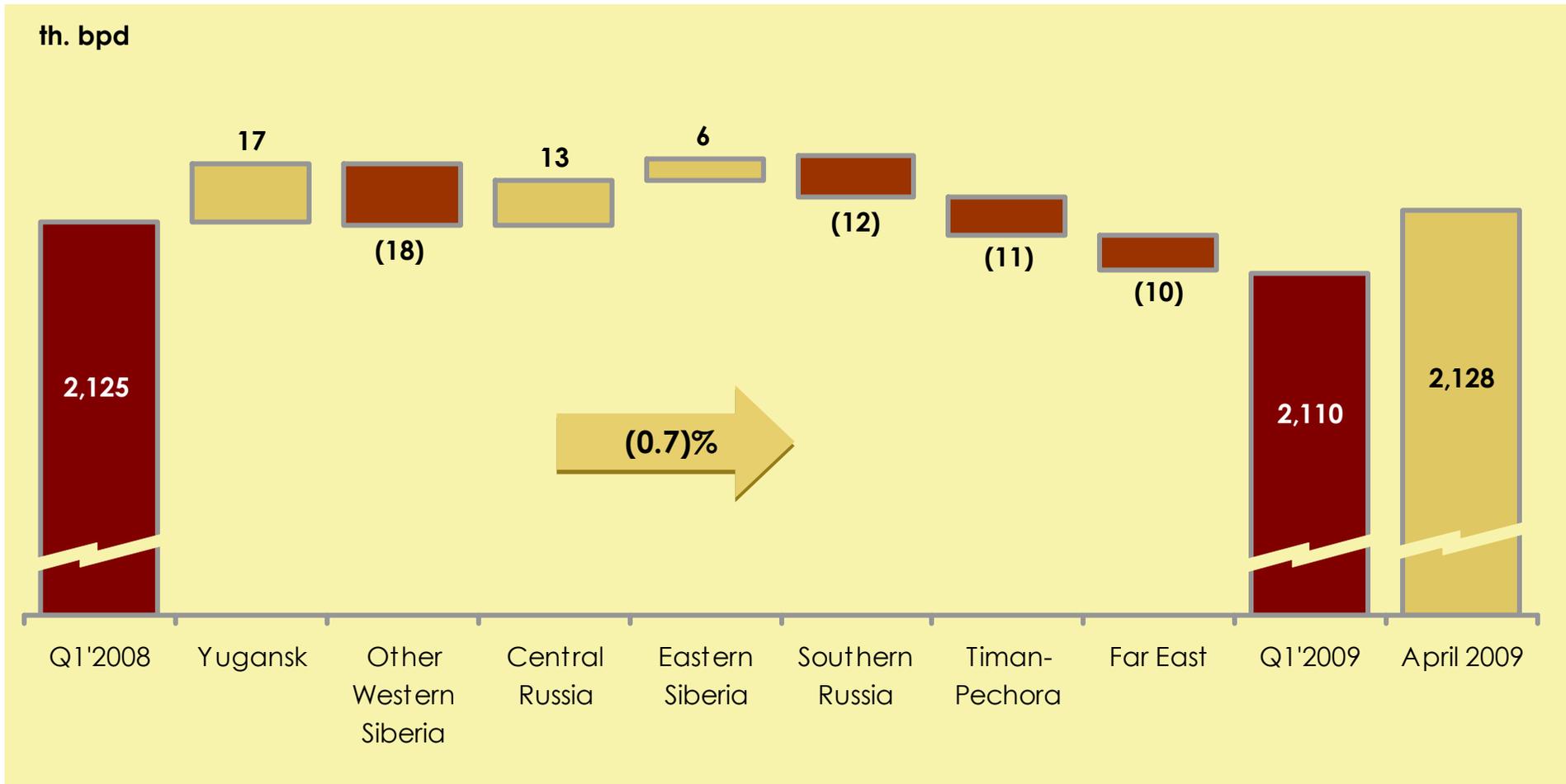
	Q1'09	Q1'08	Δ, %	Q4'08	Δ, %
<b>Daily crude oil production, th. bpd</b>	<b>2,110</b>	<b>2,125</b>	<b>(0.7)%</b>	<b>2,127</b>	<b>(0.8)%</b>
Gas production, bcm	3.35	3.39	(1.2)%	3.32	0.9%
<b>Petroleum product output, mln t</b>	<b>11.60</b>	<b>11.96</b>	<b>(3.0)%</b>	<b>11.46</b>	<b>1.2%</b>
Revenues, USD mln	8,264	16,368	(49.5)%	10,799	(23.5)%
<b>EBITDA, USD mln</b>	<b>2,318</b>	<b>4,698</b>	<b>(50.7)%</b>	<b>32</b>	<b>x72</b>
Net Income, USD mln	2,060	2,564	(19.7)%	775	165.8%
Operating cash flow, USD mln	2,366	4,505	(47.5)%	602	293.0%
<b>Free cash flow, USD mln</b>	<b>1,134</b>	<b>2,748</b>	<b>(58.7)%</b>	<b>(1,705)</b>	
<b>Net debt<sup>1</sup>, USD mln</b>	<b>19,239</b>	<b>23,575</b>	<b>(18.4)%</b>	<b>21,283</b>	<b>(9.6)%</b>

<sup>1</sup> Net debt is adjusted for cash deposits and short-term promissory notes matched to debt maturity profile (reflected as short-term investments in the financial statements) of USD 2,598 mln as of March 31, 2009 and USD 1,513 mln as of December 31, 2008.



# Daily Crude Oil Production

## Rosneft Daily Crude Oil Production Reconciliation, Q1`09 vs. Q1`08

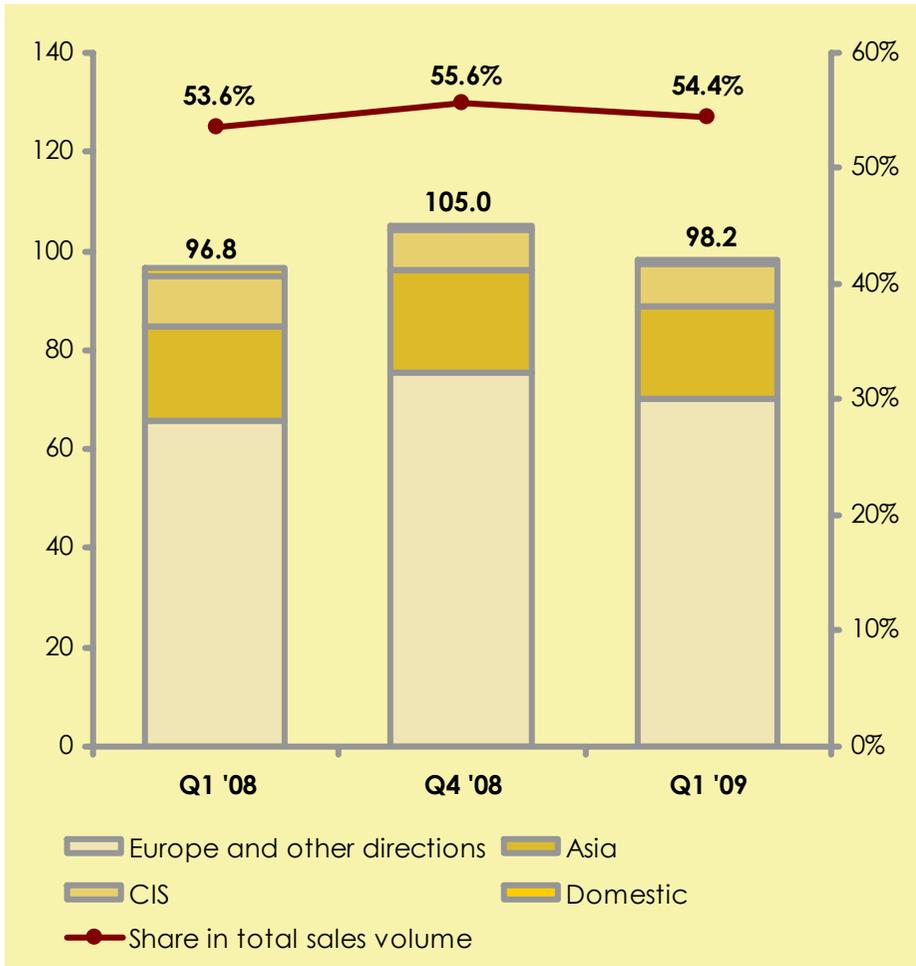


The decrease in crude oil production is due to abnormally low temperatures in the Western Siberia in February, which hindered well turnarounds .

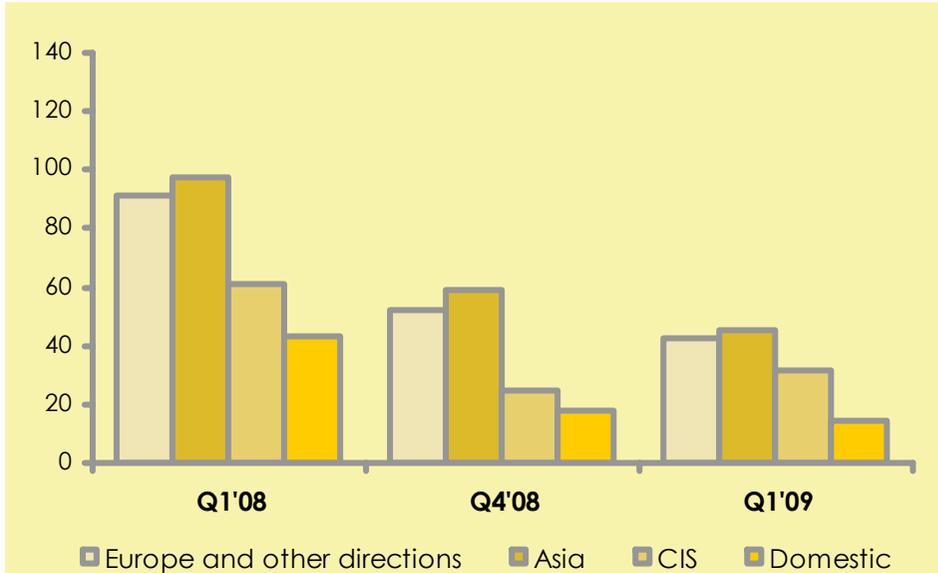


# Crude Oil Sales

Crude Oil and Condensate Sales Volumes, mln bbl



Average Prices, USD/bbl

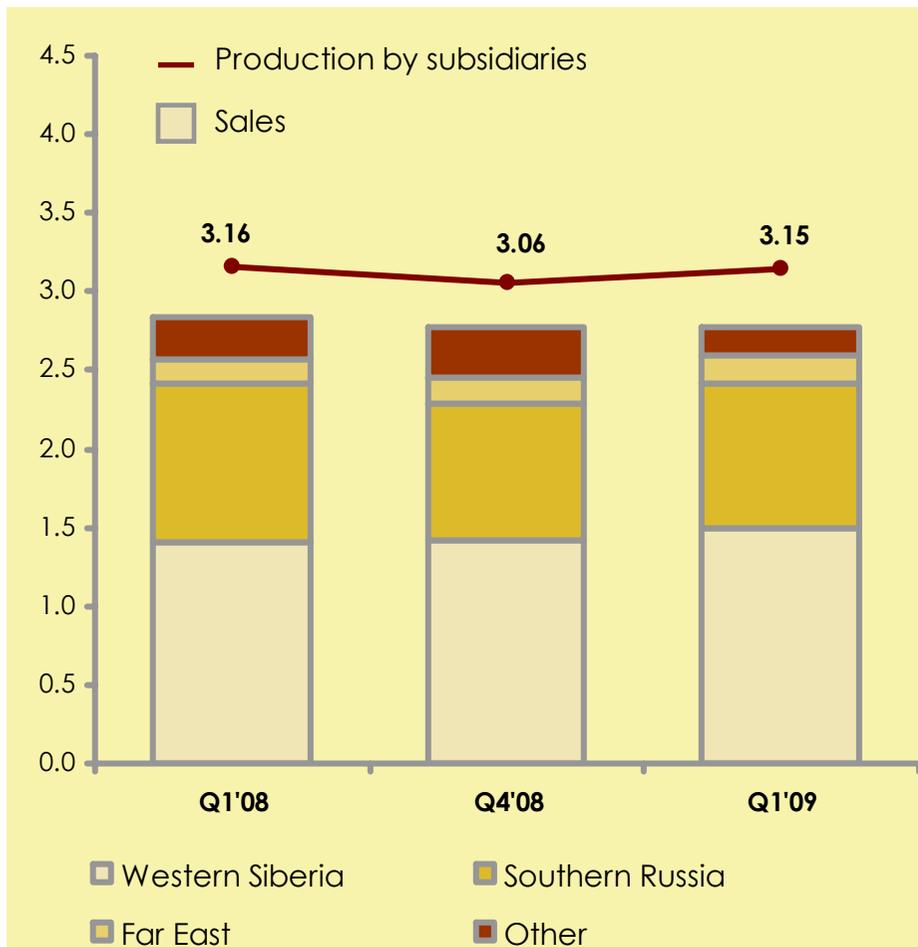


	Q1'08	Q4'08	Q1'09
	<b>USD/bbl</b>		
Average Brent (Platts)	96.90	54.91	44.40
Urals (average Med+NWE) (Platts)	93.33	54.06	43.65
Rosneft export			
Europe and other directions	91.59	51.98	42.52
Asia	97.28	59.08	45.17

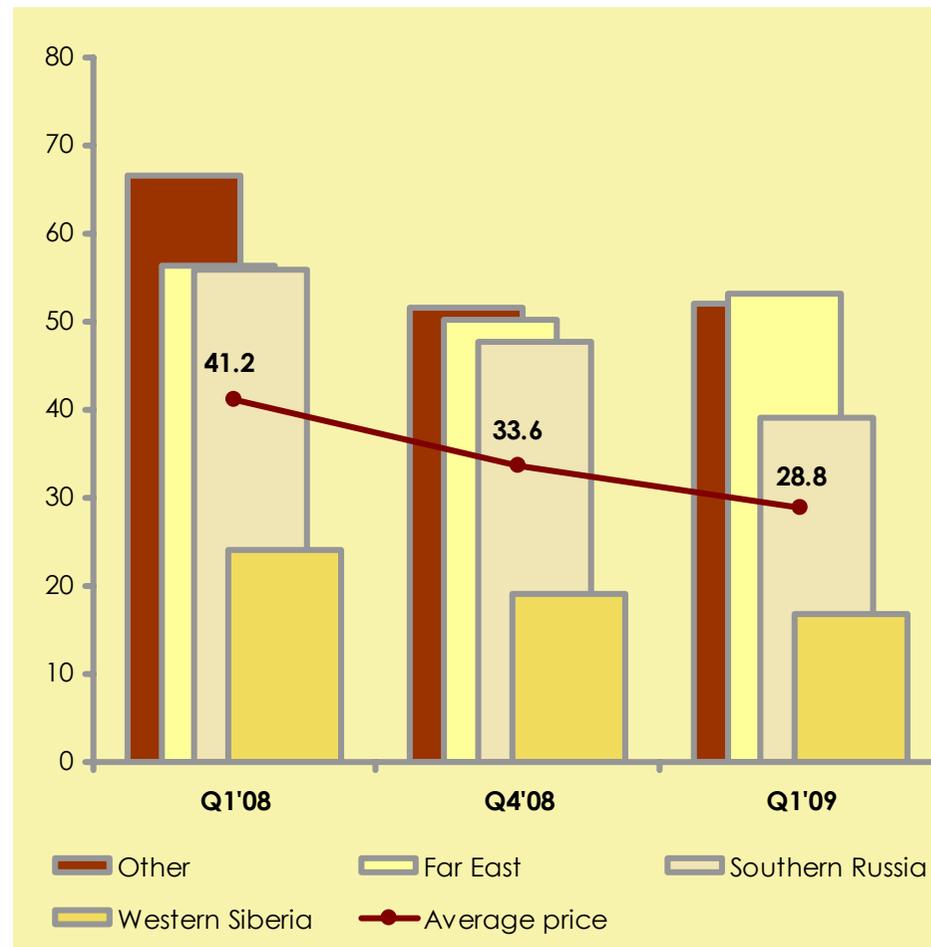


# Gas Production and Sales

Gas Sales vs. Production, bcm

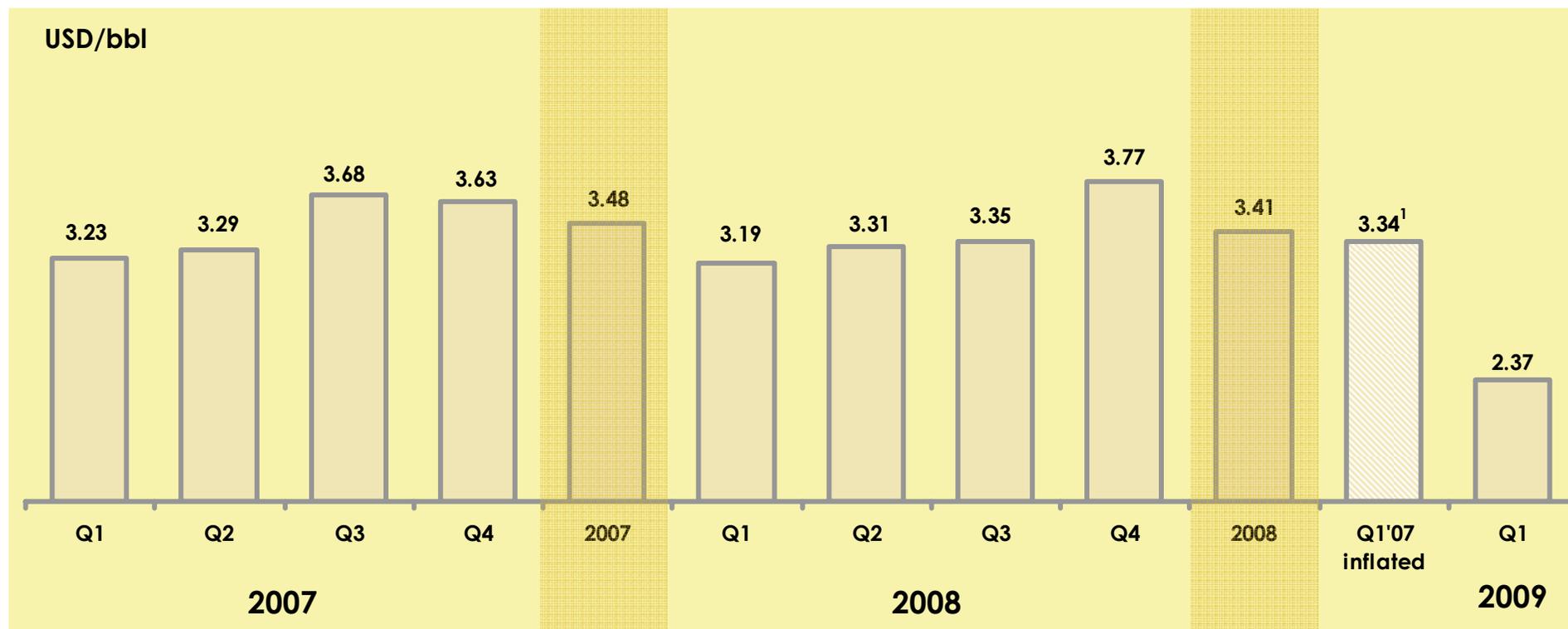


Gas Sales Prices, USD per 1,000 cubic meters





# Upstream Operating Expenses



	Q1'07	Q2'07	Q3'07	Q4'07	Q1'08	Q2'08	Q3'08	Q4'08	Q1'09
RUB/USD average	26.31	25.86	25.51	24.65	24.26	23.63	24.25	27.27	33.93
RUB inflation <sup>2</sup> , %	3.4%	5.7%	7.5%	11.9%	17.3%	21.6%	23.8%	26.8%	33.5%
Real RUB appreciation <sup>2</sup> , %	4.6%	7.8%	13.5%	20.0%	27.8%	36.2%	29.0%	13.6%	3.4%

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

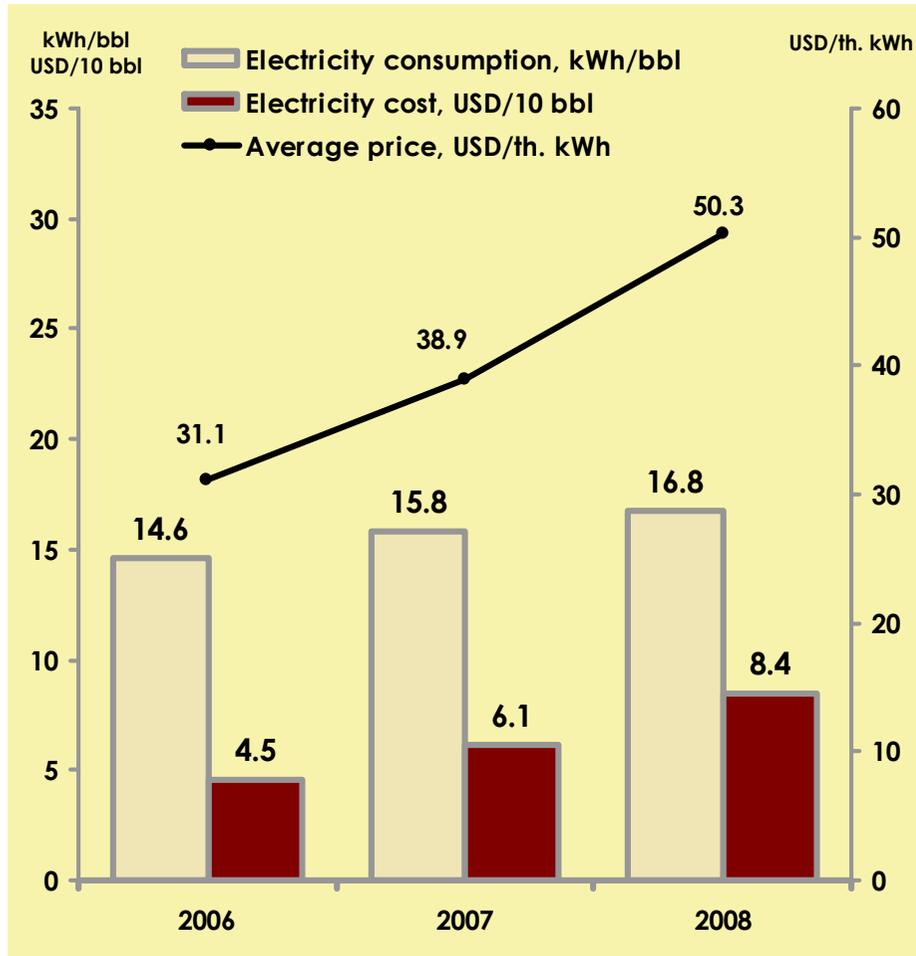
<sup>1</sup> Q1'07 inflated by real RUB appreciation since the beginning of 2007.

<sup>2</sup> Cumulative from 01.01.2007

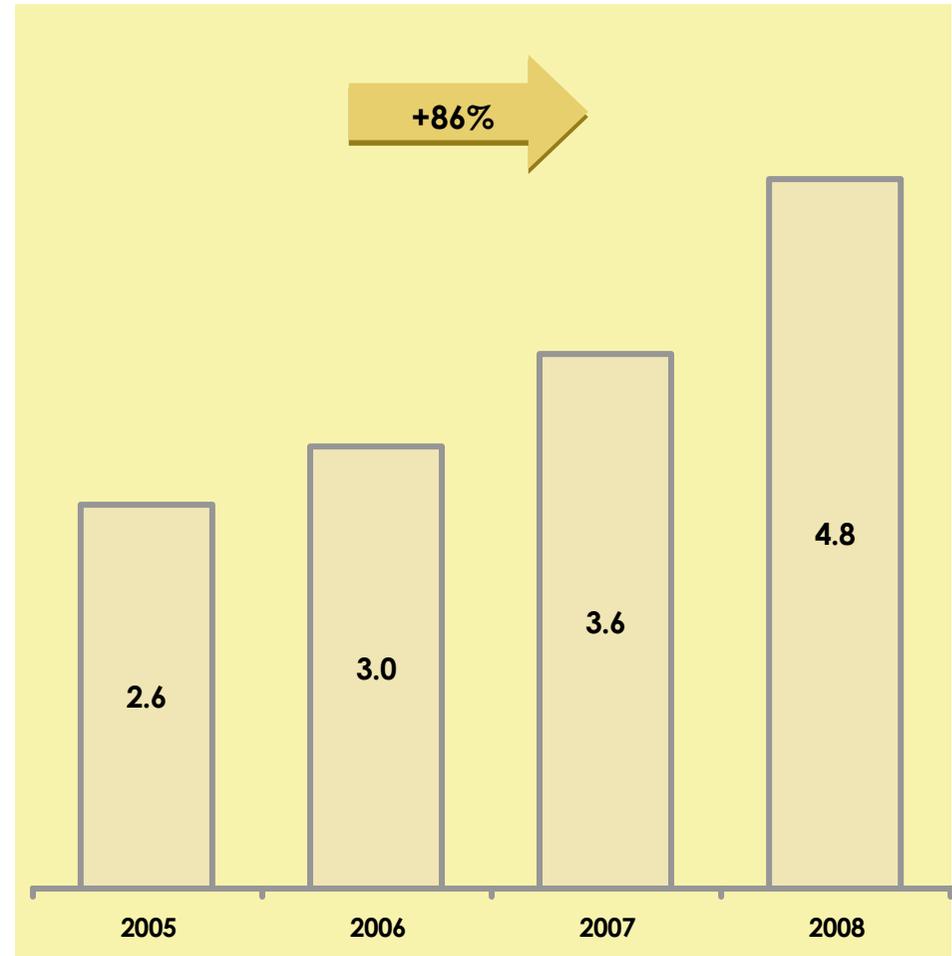


# Growth in Monopoly Tariffs

### Electricity expenses of Rosneft's subsidiaries

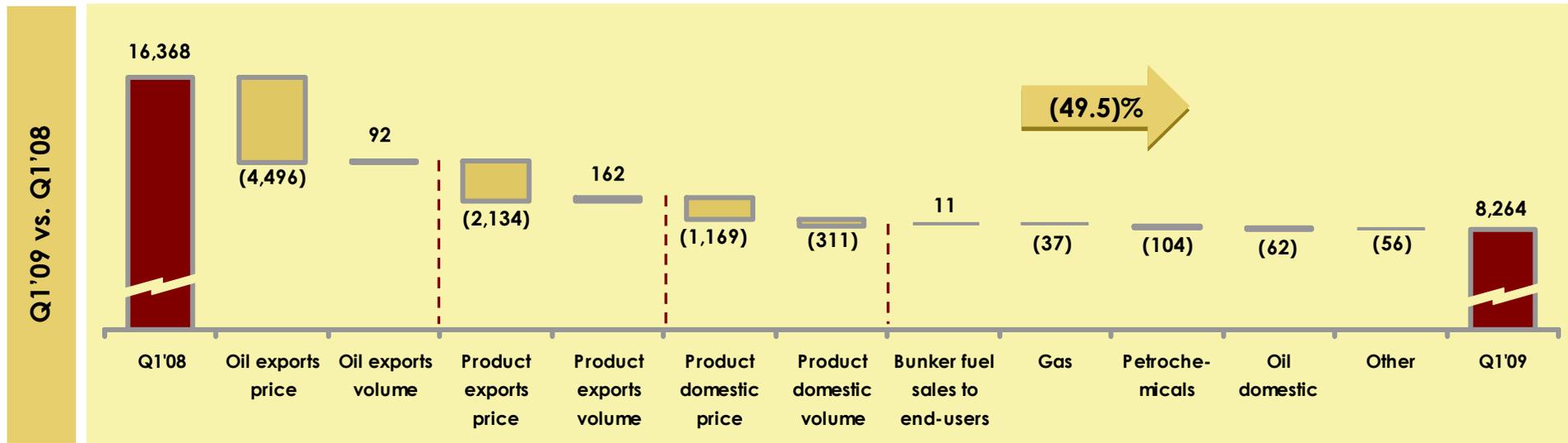
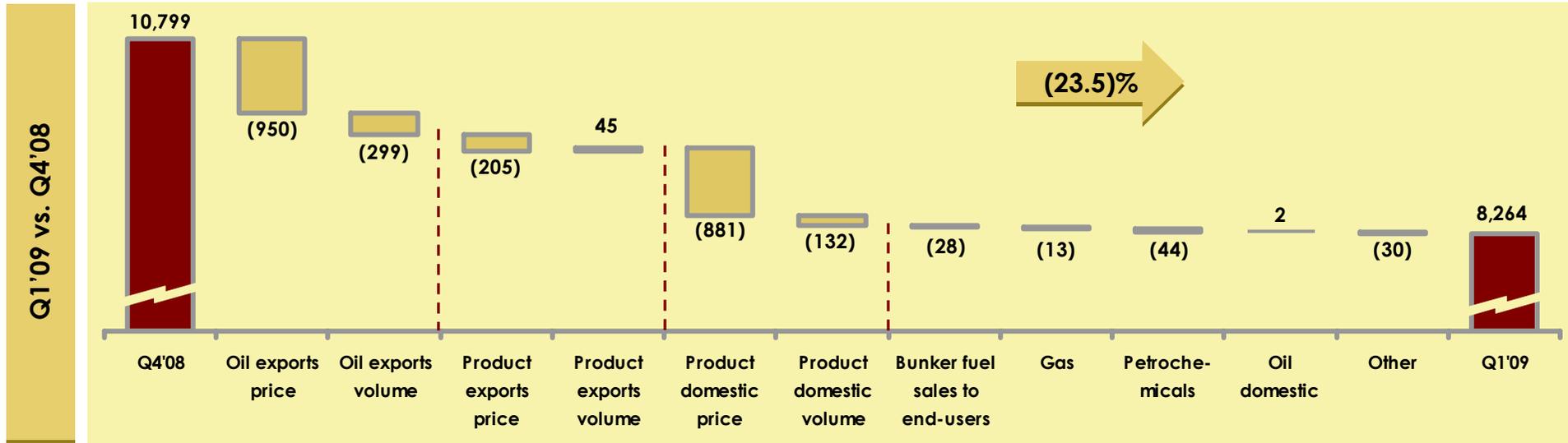


### Transneft system crude transportation cost: Yugansk to Novorossiysk, USD per bbl





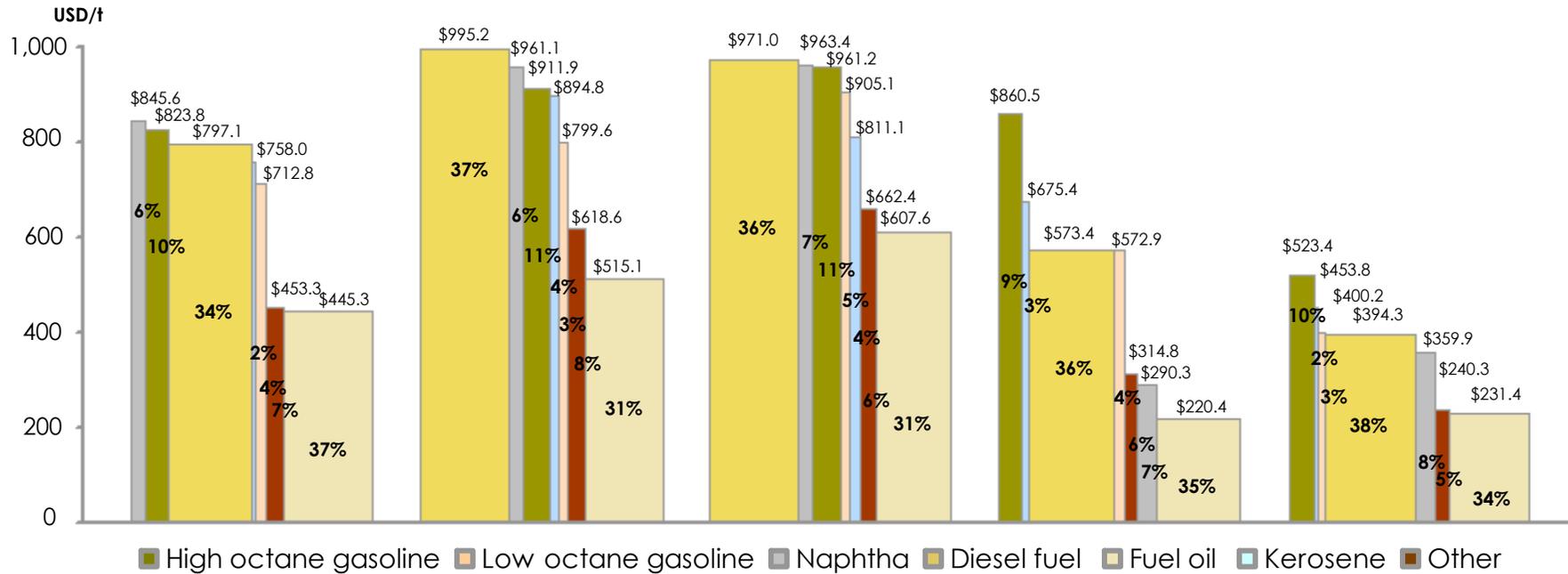
# Revenues Reconciliation, USD mln





# Petroleum Product Revenues

## Petroleum Products: Average Prices and Volume Breakdown

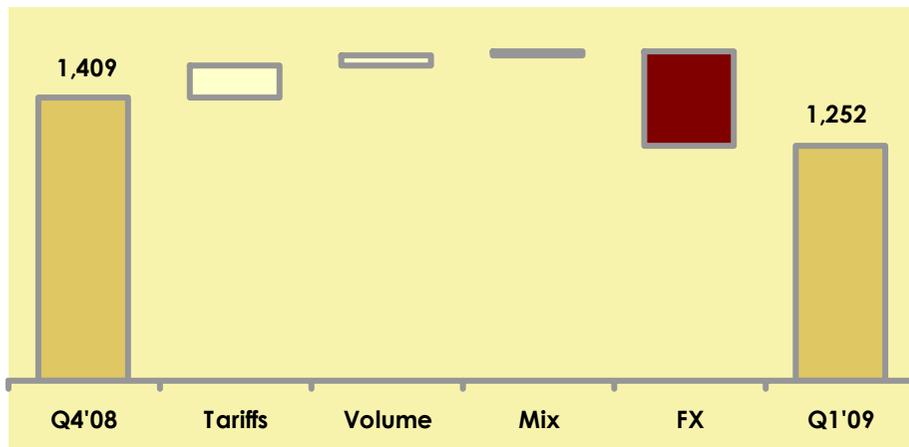


	Q1'08	Q2'08	Q3'08	Q4'08	Q1'09
Revenue, USD mln	7,233	8,852	9,988	4,993	3,792
Excise and export duty, USD mln	1,341	1,440	1,922	1,223	639
Net revenue, USD mln	5,892	7,412	8,066	3,770	3,153
Volume sold, mln tonnes	11.23	11.17	12.07	11.29	11.06
<b>Net revenue per tonne, USD</b>	<b>525</b>	<b>664</b>	<b>668</b>	<b>334</b>	<b>285</b>

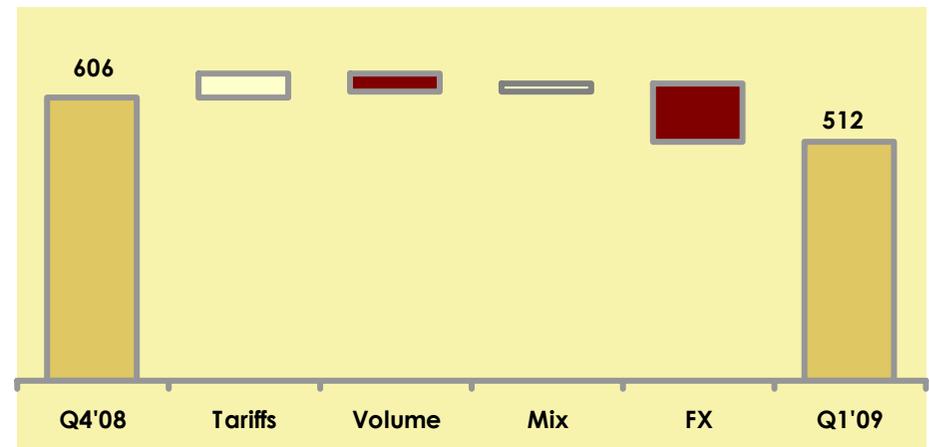


# Transportation Costs, Factor Analysis: Q1'09 vs. Q4'08

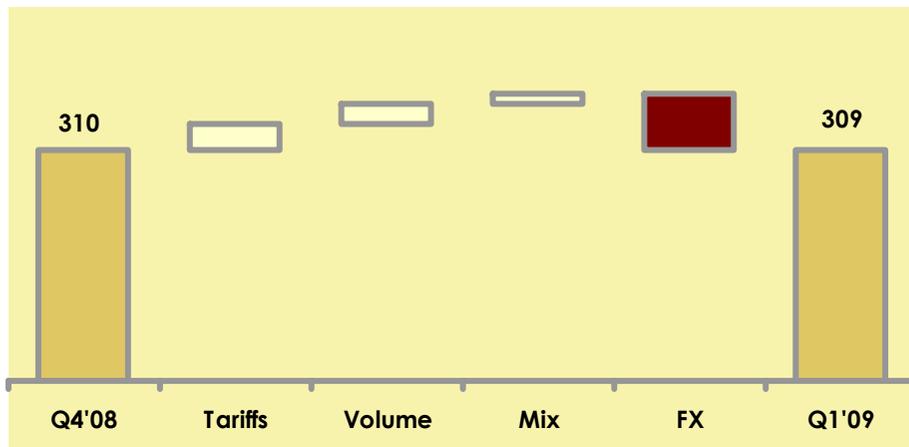
### Total Transportation Costs, USD mln



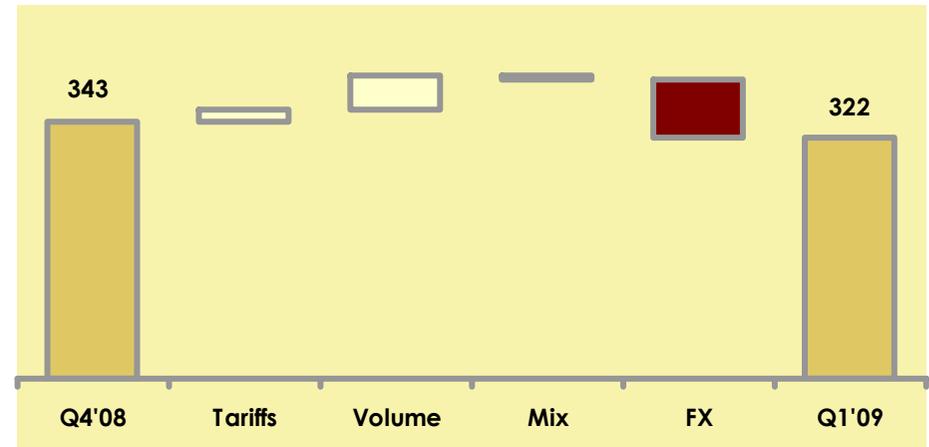
### Transportation Costs for Crude Exports, USD mln



### Transportation Costs for Crude Deliveries to Refineries, USD mln

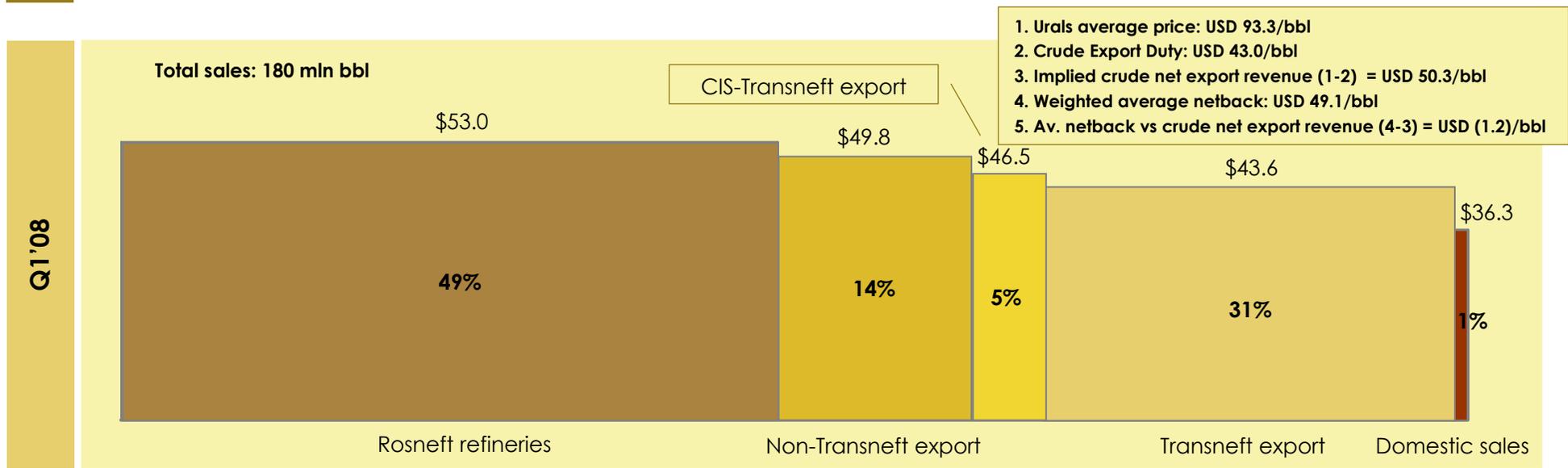
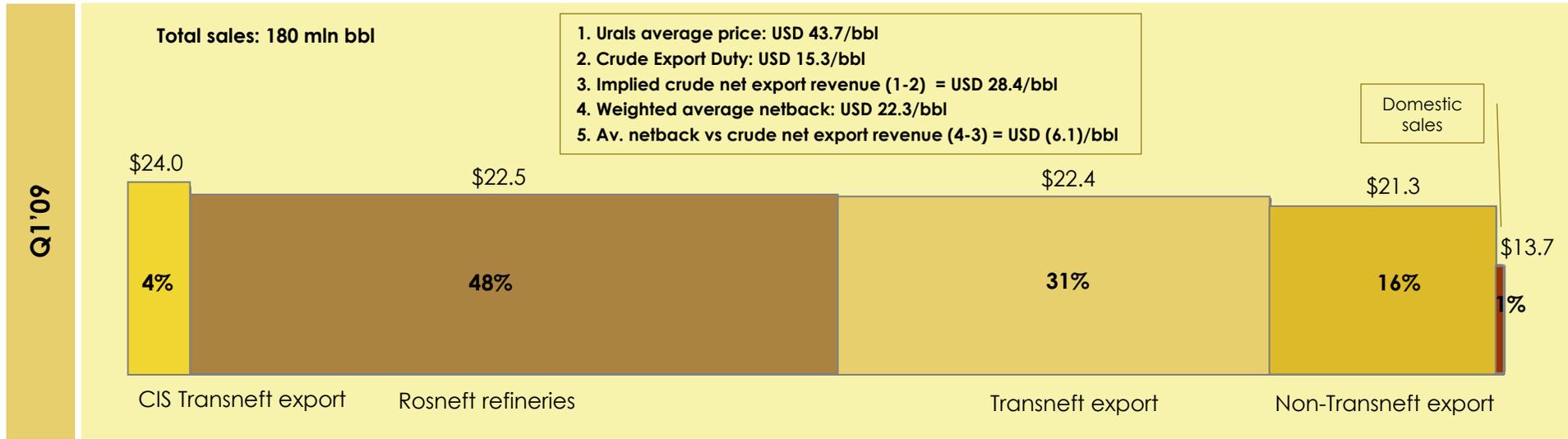


### Transportation Costs for Product Exports, USD mln





# Netback Ladder





# FX Gains and Losses

FX gain/loss in Income Statement = effect of foreign exchange rate movement on the average monetary position denominated in currencies other than USD (rubles for Rosneft)

## FX gain in Q1`09

	31.12.08		31.03.09		Average monetary position, RUB mln	FX (gain)/loss*, USD mln
	RUB mln	equivalent in USD mln	RUB mln	equivalent in USD mln		
<b>1) Assets:</b>	<b>374,776</b>	<b>12,756</b>	<b>386,596</b>	<b>11,366</b>	<b>380,686</b>	<b>1,764</b>
Cash and investments	50,035	1,703	67,823	1,994	58,929	273
Receivables	176,252	5,999	180,781	5,315	178,516	827
Inventories	42,161	1,435	46,428	1,365	44,295	205
Non-current assets	34,581	1,177	38,367	1,128	36,474	169
Deferred tax	7,933	270	11,939	351	9,936	47
Advances, bank loans and other	63,814	2,172	41,258	1,213	52,536	243
<b>2) Liabilities:</b>	<b>(550,177)</b>	<b>(18,726)</b>	<b>(555,337)</b>	<b>(16,327)</b>	<b>(552,757)</b>	<b>(2,562)</b>
Deferred tax	(152,073)	(5,176)	(153,230)	(4,505)	(152,652)	(708)
Payables	(123,104)	(4,190)	(134,149)	(3,944)	(128,626)	(596)
Debt	(211,010)	(7,182)	(205,373)	(6,038)	(208,191)	(965)
Other liabilities	(63,990)	(2,178)	(62,585)	(1,840)	(63,288)	(293)
<b>Net monetary position (1+2)</b>	<b>(175,401)</b>	<b>(5,970)</b>	<b>(168,741)</b>	<b>(4,961)</b>	<b>(172,071)</b>	
<b>FX (gain)/loss (1+2)</b>						<b>(798)</b>

\* Average monetary position at the exchange rate as of the beginning of the quarter minus average monetary position at the exchange rate as of the end of the quarter.



## Current Income Tax in Q1'09

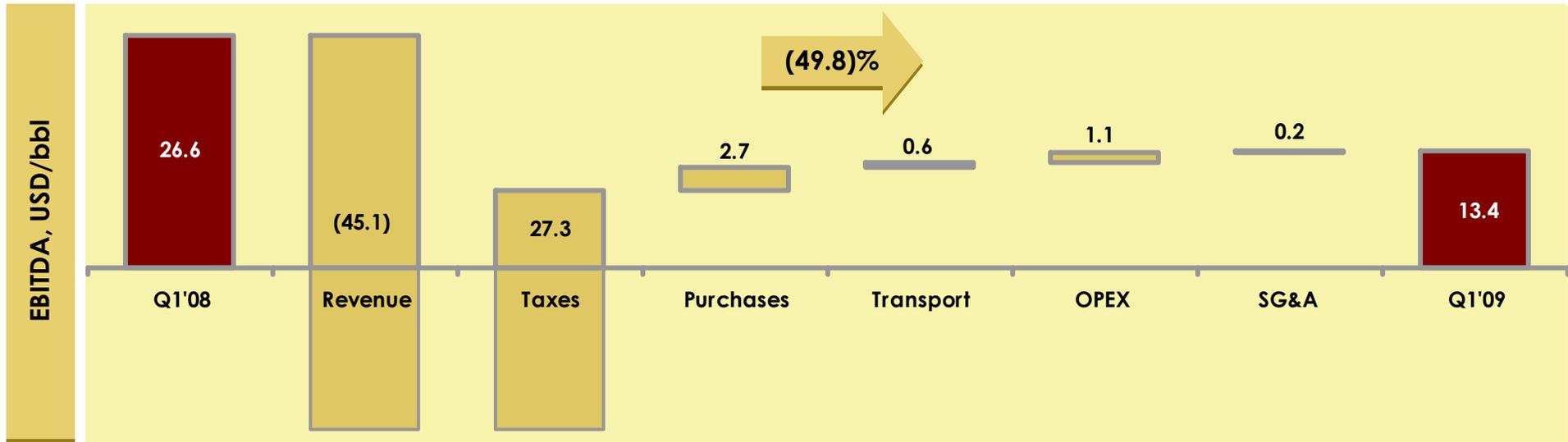
	Pretax income USD mln	Current income tax USD mln	Effective current rate %
<b>RAS</b>			
Pretax income	823	183	22%
Pretax loss	(426)	-	-
Total pretax income	397	183	46%
<b>Reconciliation to GAAP</b>			
RAS FOREX loss	1,774	-	-
GAAP FOREX gain	798	-	-
Difference between RAS and GAAP DD&A	(622)	-	-
Other GAAP adjustments (mainly different exploration expenses and export duty methodology, and previous periods income tax adjustment in GAAP)	(135)	16	-
<b>GAAP pretax income</b>	<b>2,212</b>	<b>198</b>	<b>9%</b>

Rosneft does not pay taxes based on its consolidated income before taxes under Russian law. Income tax is calculated for each subsidiary based on its profits in accordance with the Russian tax code. As the holding structures of the Company had a pretax loss in Q1'09 due to FX loss, the effective current income tax rate for Rosneft Group of companies was 46%.

US GAAP effective current income tax rate differs from RAS effective current tax rate due to different FOREX effects, DD&A, exploration expenses and other minor GAAP adjustments.

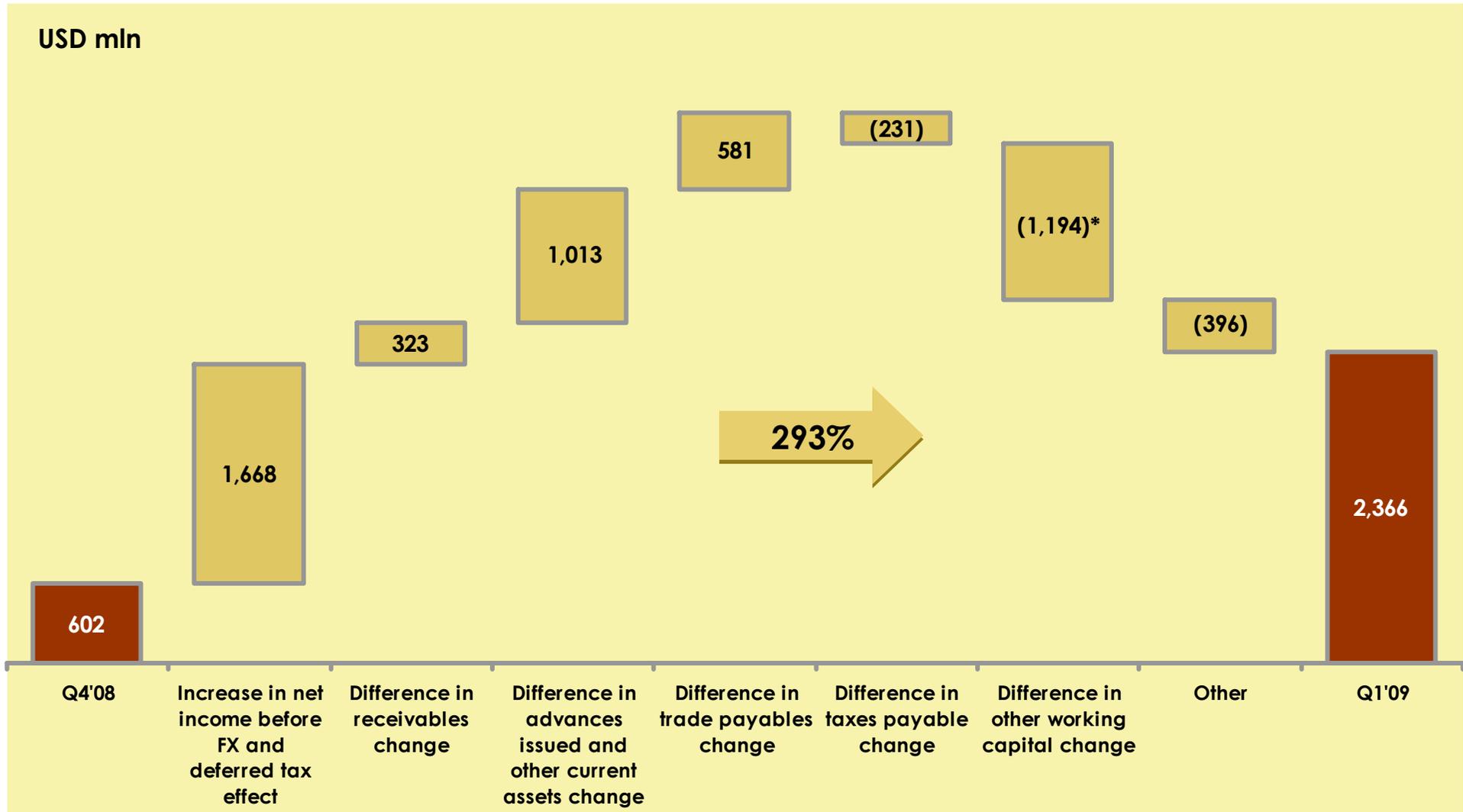


# EBITDA and Net Income per bbl Reconciliation: Q1'09 vs. Q1'08





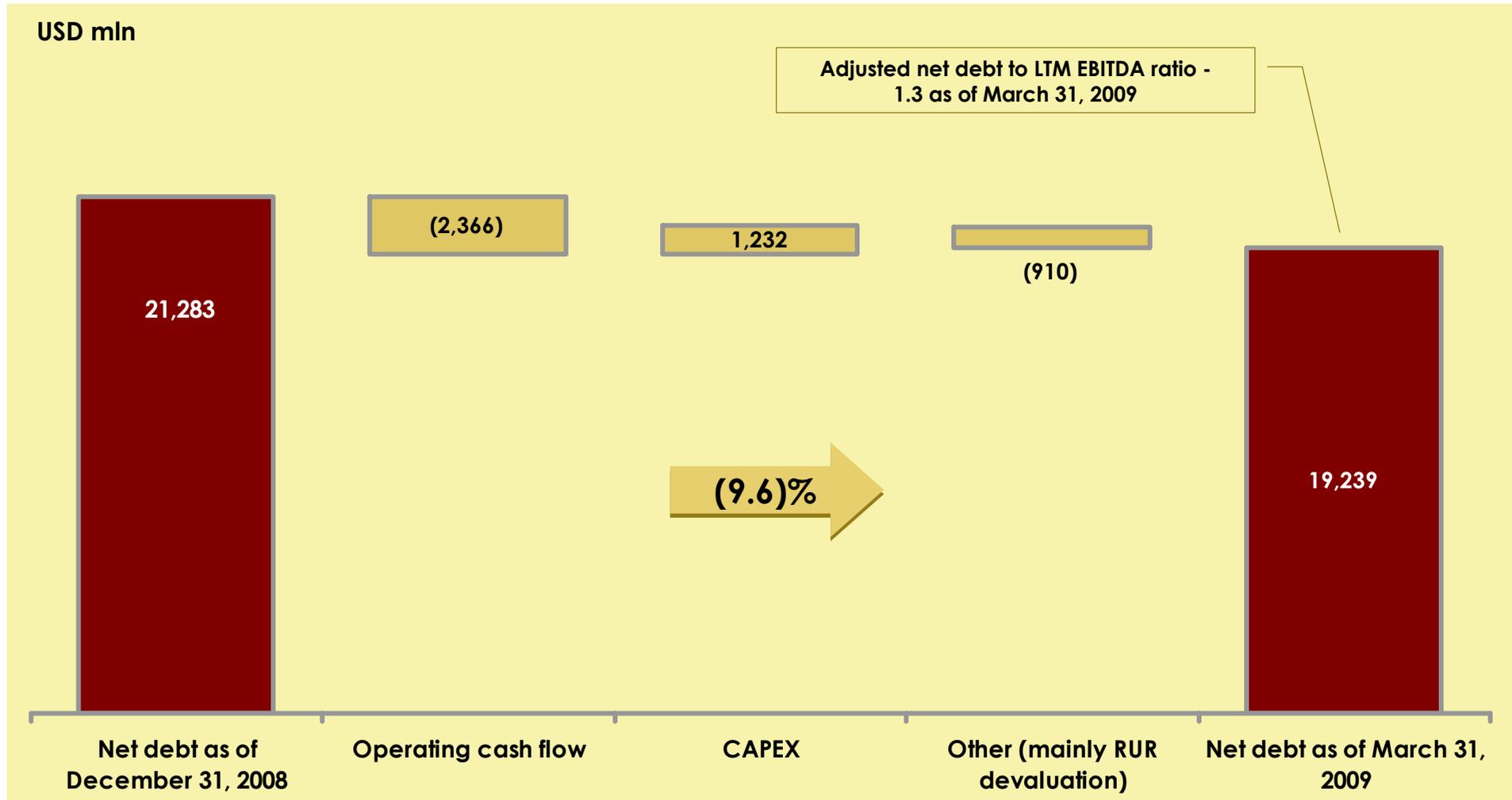
# Operating Cash Flow Reconciliation: Q1'09 vs Q4'08



\* Includes difference in inventories change of USD (809) mln.



# Net Debt Reconciliation

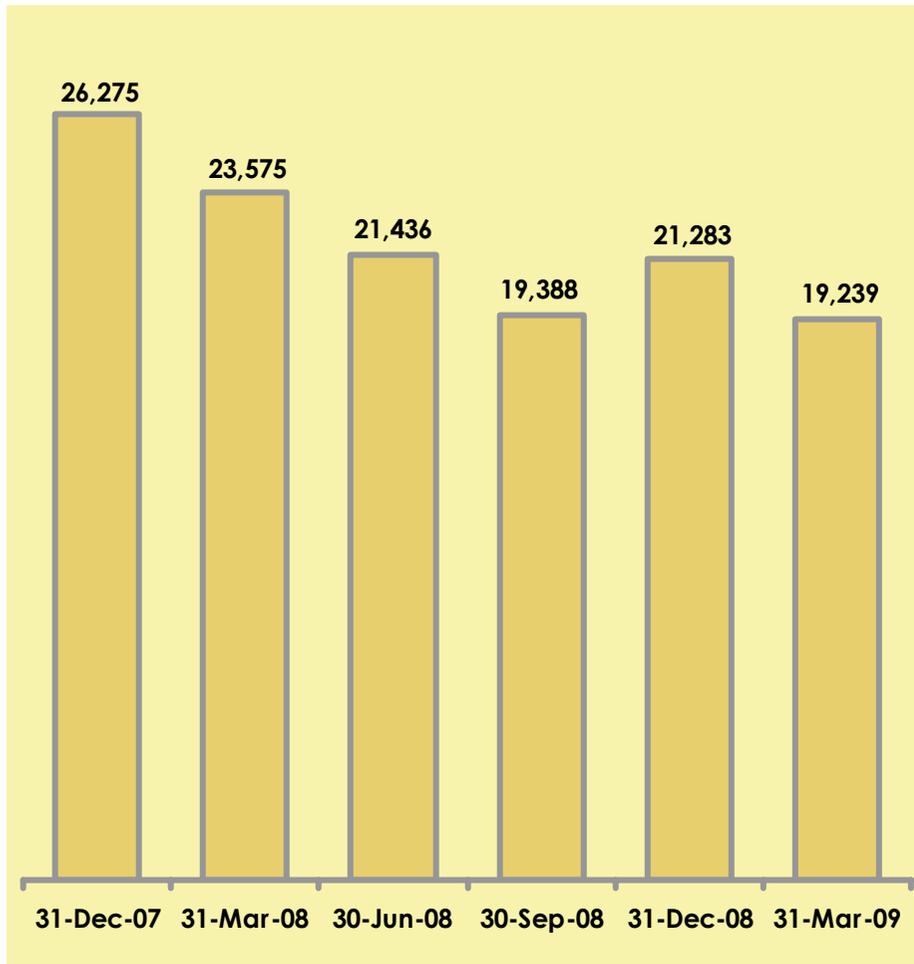


Net debt is adjusted for cash deposits and short-term promissory notes matched to debt maturity profile (reflected as short-term investments in the financial statements) of USD 2,598 mln as of March 31, 2009 and USD 1,513 mln as of December 31, 2008.

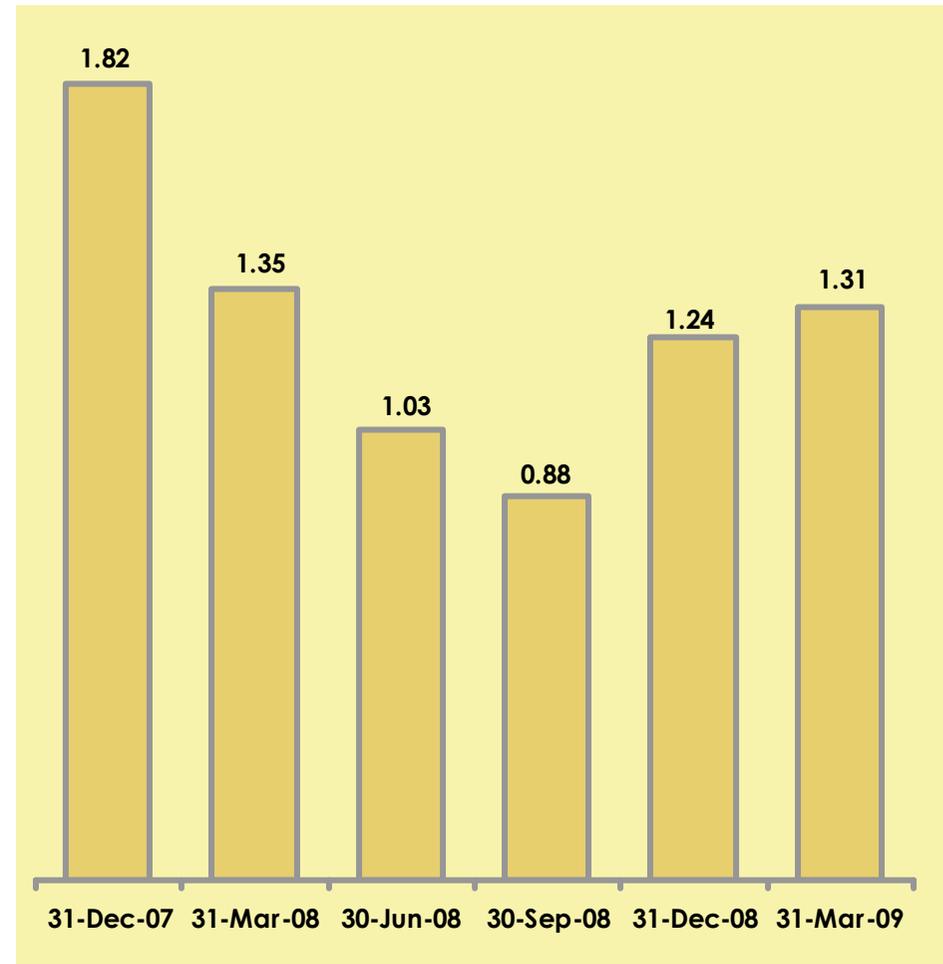


# Reduction of Net Debt

Net debt, USD mln



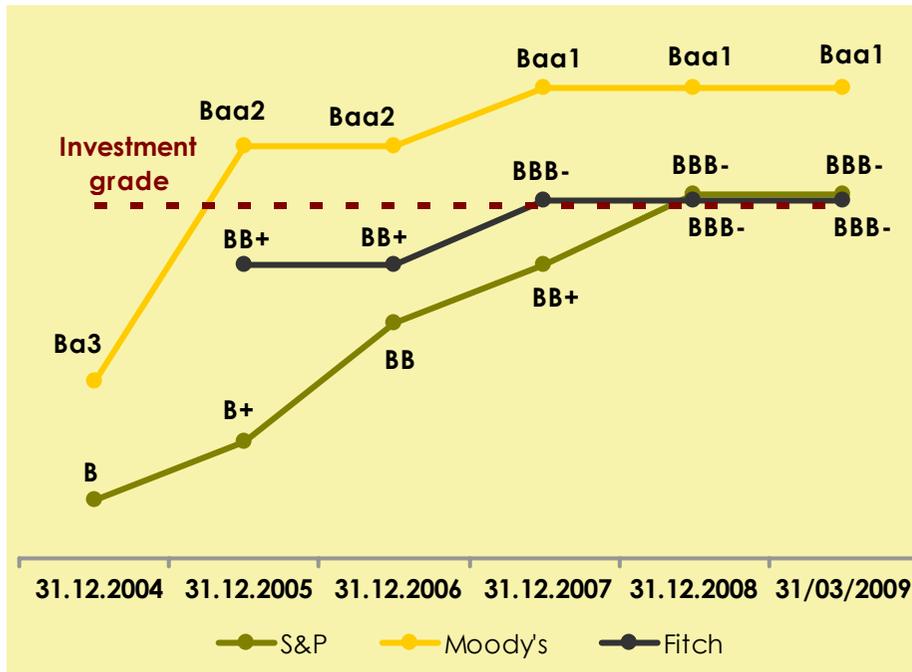
Net debt to LTM EBITDA



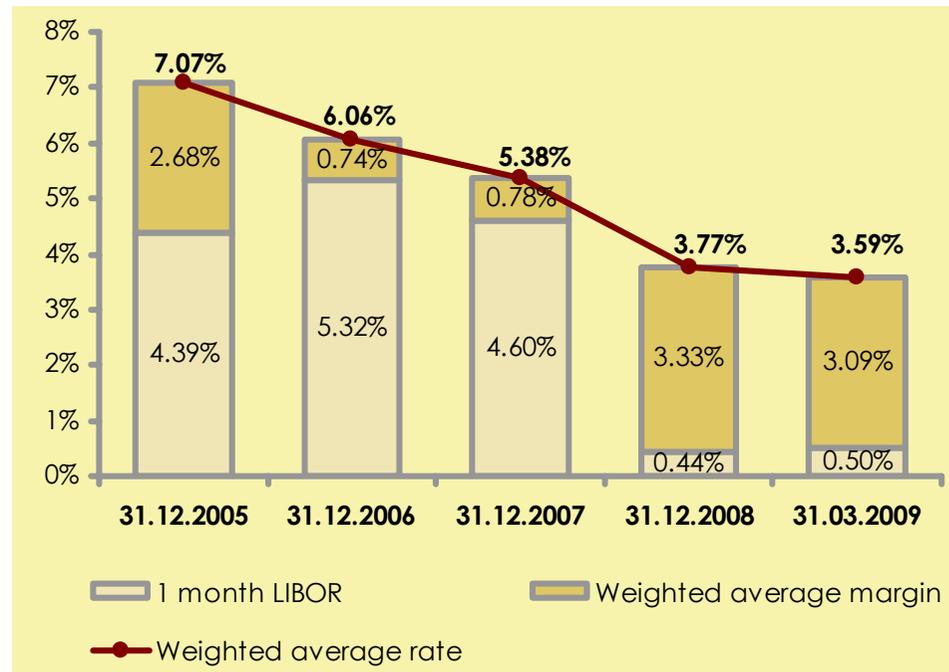


# Credit Ratings and Weighted Average Cost of Borrowing

## Improving Credit Ratings



## Weighted Average Cost of Borrowing



- Ratings flat despite global economic downturn
- Investment grade rating from all the three major agencies
- Successful debt refinancing and reduction of weighted average cost of debt (increase in margin reflects larger share of ruble denominated borrowing)
- Strict observance of covenants
- Finalization of the Chinese loan



# Cost Reduction Program: Key Priorities

## I. Reducing non-controllable costs

- Lower tax burden
- Lower natural monopoly tariffs (transportation, electricity)

## II. Reducing capital expenditures

- Prioritizing capital expenditures (short payback period, compliance with Rosneft's Strategy)
- Reducing costs of construction, materials and equipment

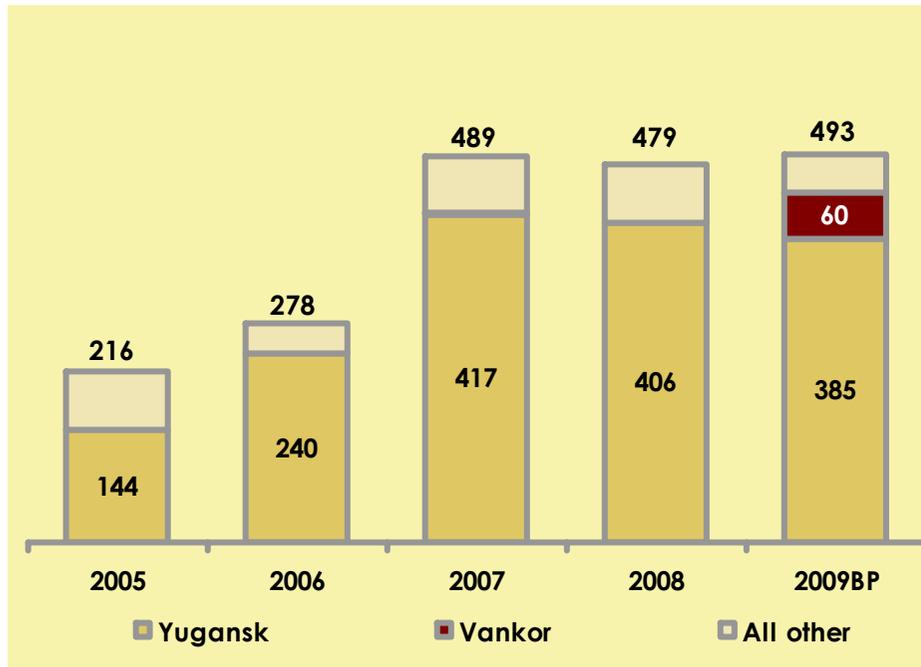
## III. Reducing operating expenses

- Reducing, and improving the efficiency of, resource use (fuel and lubricants, electricity, etc.)
- Reducing prices of materials and services
- Headcount optimization
- Cutting administrative expenses
- Reducing debt and interest expenses
- Reducing the number of entities and related expenses

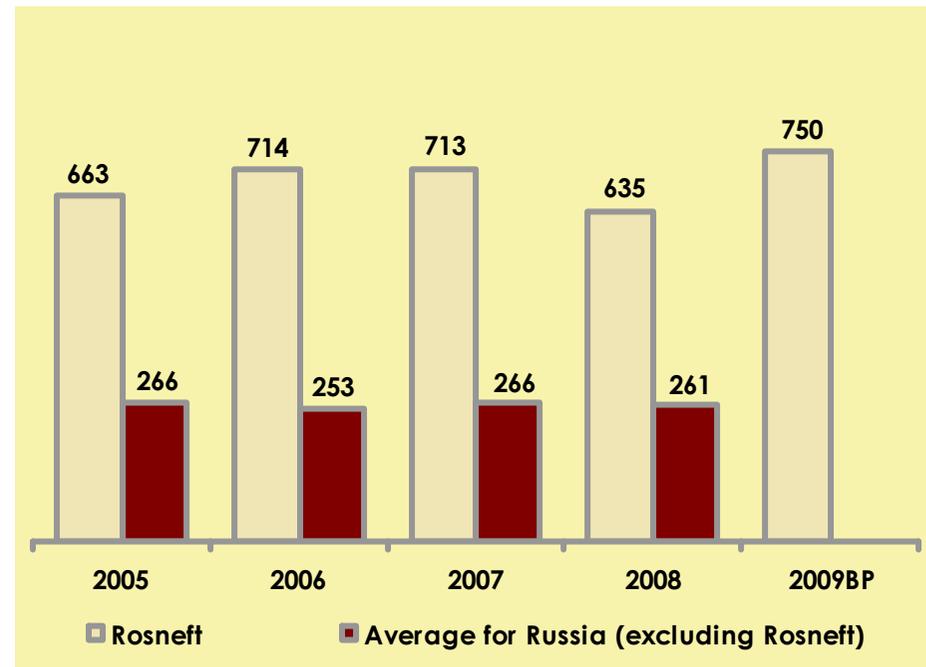


# Drilling Activity, Productivity

**New production wells\* put into operation by Rosneft's subsidiaries**



**Average flow rate of Rosneft's new wells, bpd**



- 2009 drilling plan optimized to focus on
  - most productive assets
  - shortest payback period
  - high NPV at higher discount rate
 to compensate for risk of rising costs, transportation tariffs, falling oil price and limited access to cheap financing

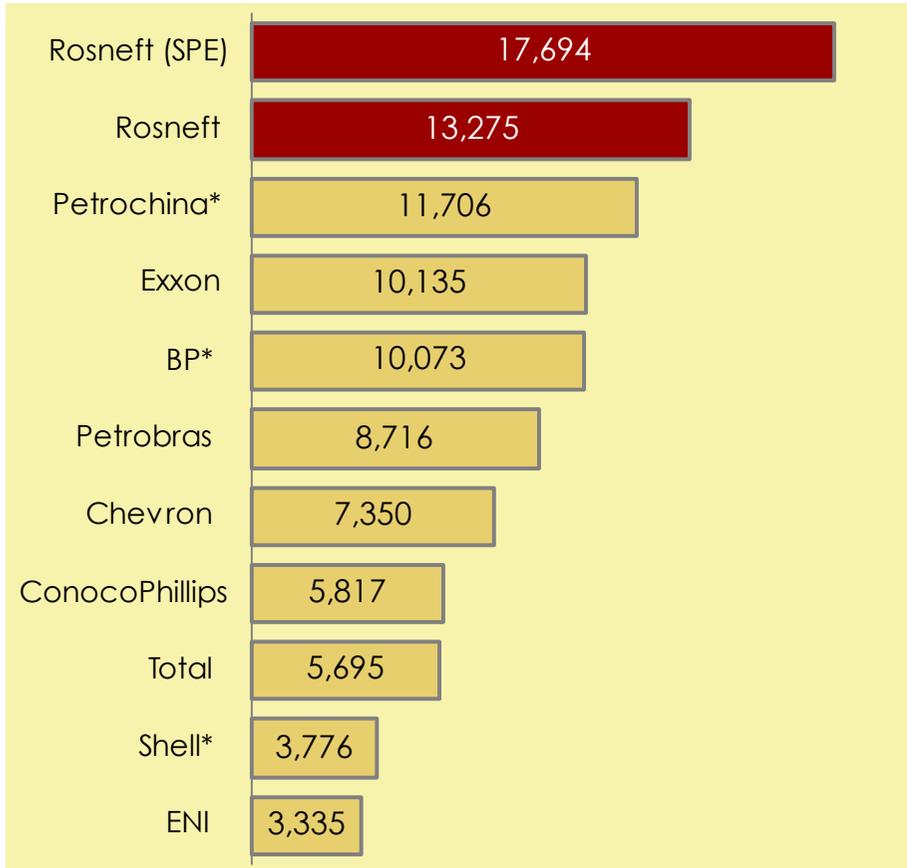
- Average flow rate of Rosneft's new wells is more than 2 times higher than the Russia's average
- Flow rates decreased in 2008 (mainly at YuganskNG)
- Trend to reverse back up in 2009
  - Vankor well productivity projected at 6x Rosneft's average

\* Excluding injection wells.

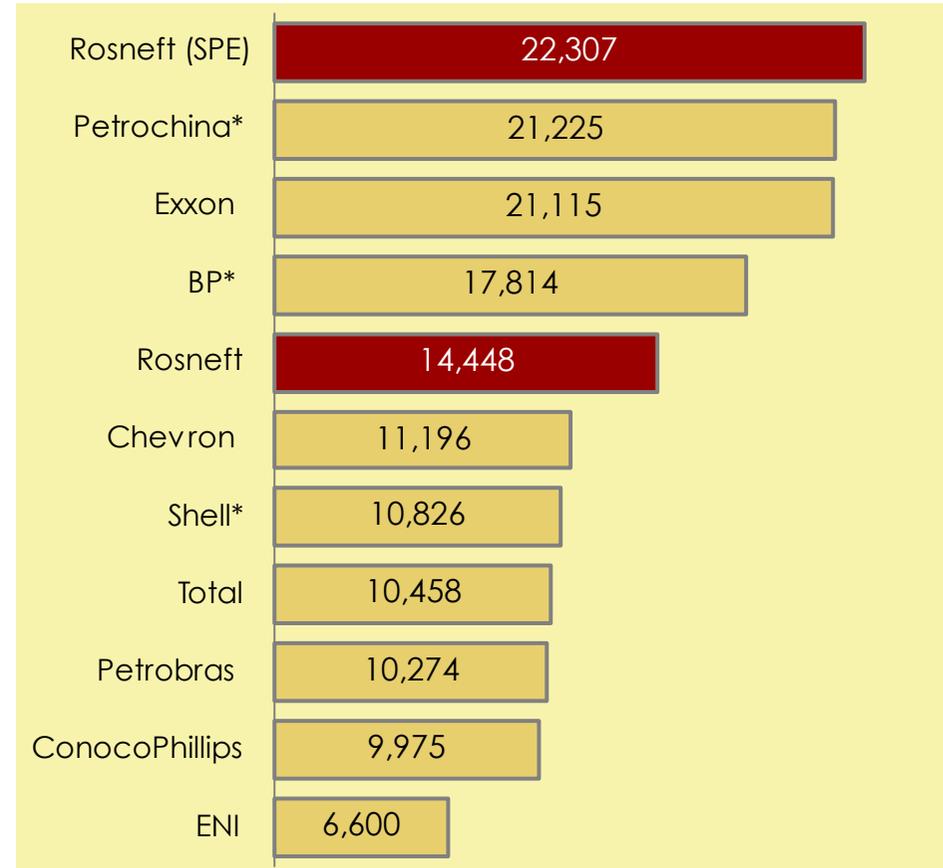


# Confirming Reserves Leadership

2008 SEC Proved Reserves of Crude Oil (mln bbl)



2008 SEC Proved Reserves of Oil and Gas (mln boe)



**SPE proved hydrocarbon reserve replacement ratio in 2008 = 172%**  
**crude oil reserve replacement ratio = 123%**

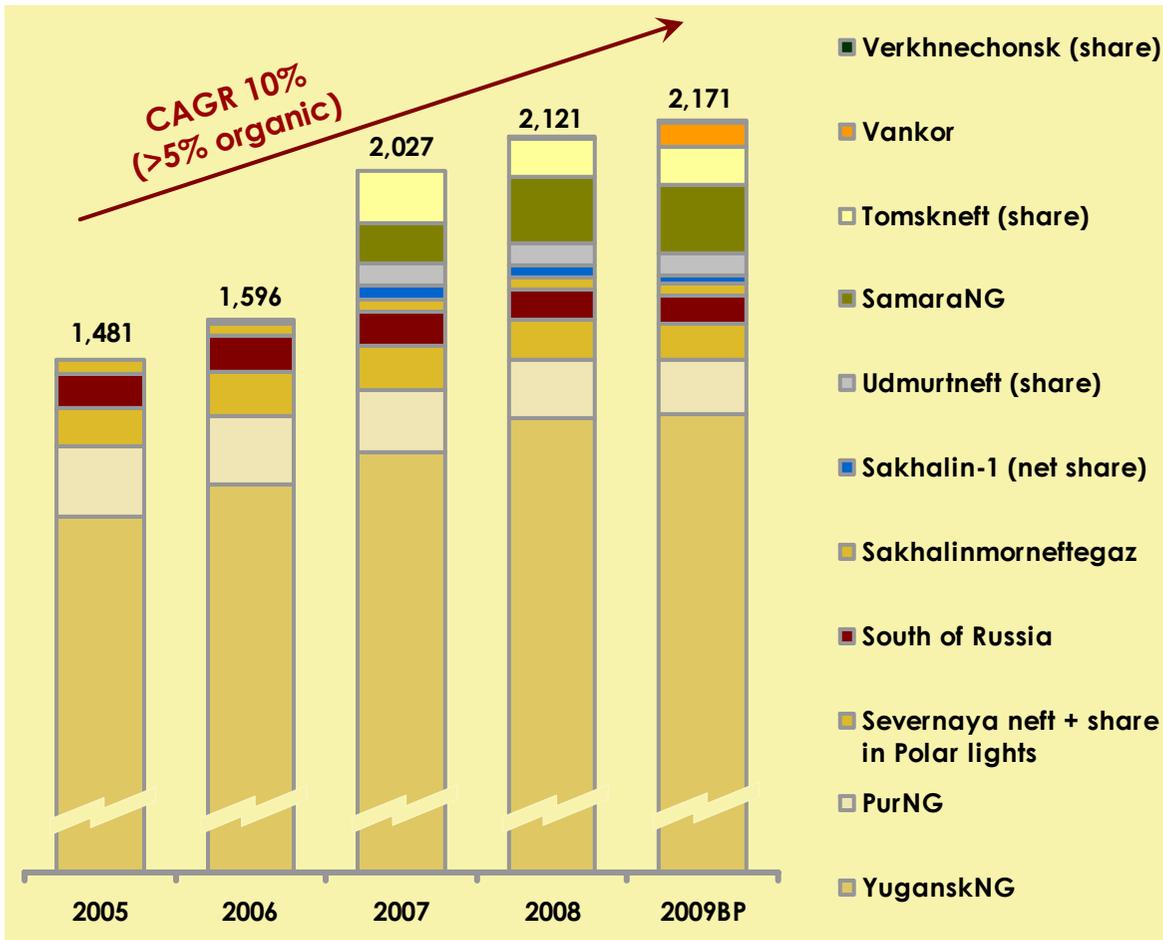
Source: Companies' reports and filings

\* As of December 31, 2007



# Five Years of Industry Leading Volume Growth

Rosneft Daily Crude Oil Production Under US GAAP, th. bpd



## 5 years of industry leading growth:

- Rosneft's CAGR 2005–2009: **10%**  
- organic: > **5%**
- Russia's CAGR: < **1%**  
- assumed (0.6)% in 2009
- International peers\*: **(1.3)%**

\* Exxon, BP, Shell, Total, Eni, Chevron, Conoco, PetroChina.