ROSNEFT

TECHNOLOGY OF ALL-RUSSIAN SCALE

ROSNEFT

Q1 2011
US GAAP Financial Results

April 28, 2011

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Q1'11 Highlights

Record Results, Production Ahead of Plan

Positives

- Strong financial results:
  - EBITDA – **USD 6.7 bln**
  - Net income – **USD 3.9 bln**
  - Operating cash flow – **USD 6.1 bln**
  - Record high free cash flow – **USD 3.3 bln**
- Crude oil production growth of **2.9%** year-on-year, **2%** ahead of plan
- Retail sales growth of **24.6%** year-on-year
- Sales of petroleum products through commodity exchanges – **1.06** mln tonnes, or **21%** of total domestic sales

Challenges, Priorities

Q1`11 - challenges

- Domestic prices lagging export netbacks partially as a result of increased excise taxes
- Euro-3 standards for motor fuel came into force
- Growth in electricity tariffs
- Strengthening of the RUB against the USD

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

Macroeconomic Environment

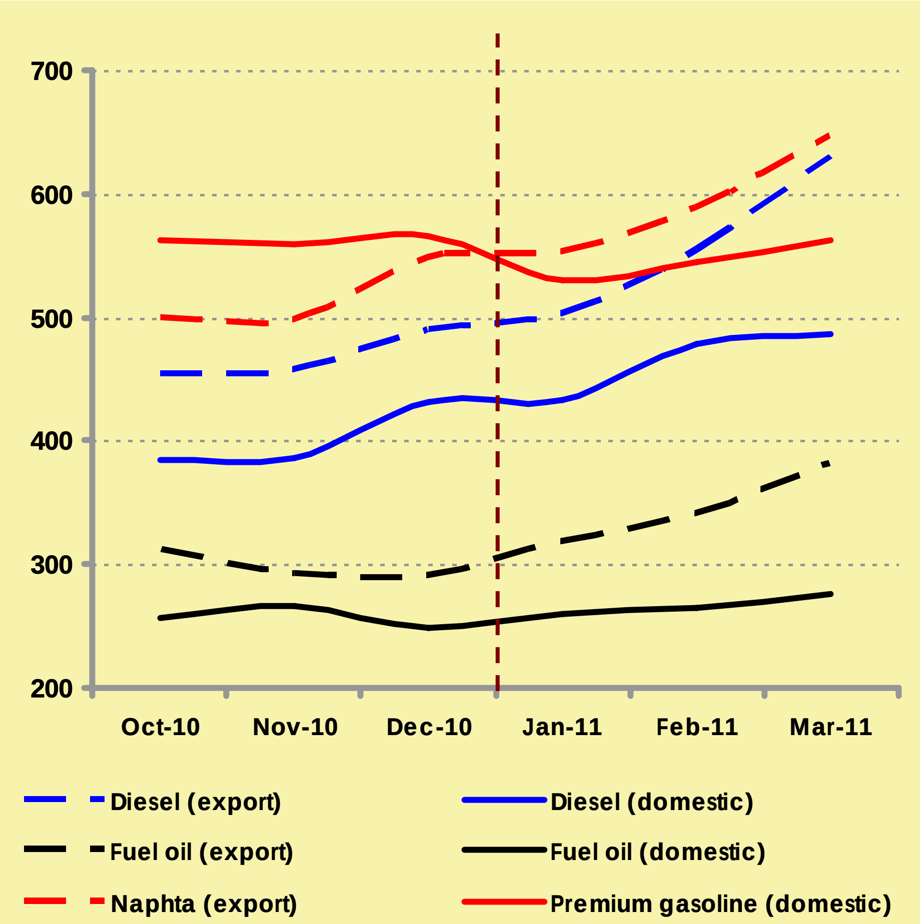
Prices Up Y-on-Y and Q-on-Q, Real Strengthening of the Ruble

	Q1'11	Q1'10	Δ, %	Q4'10	Δ, %
Average USD/RUB exchange rate	29.27	29.89	(2.1)%	30.7	(4.7)%
Inflation for the period, %	3.8%	3.2%		2.6%	
Real RUB appreciation/(depreciation) against USD compared with the previous period, %	9.3%	1.4%		1.8%	
Urals FOB Primorsk, $/bbl	100.4	73.4	36.8%	83.6	20.0%
Gasoil 0.1% (FOB/CIF Med), $/tonne	881.8	632.8	39.4%	732.7	20.3%
Fuel oil 3.5% (FOB/CIF Med), $/tonne	554.9	440.7	25.9%	463.6	19.7%
High octane gasoline (av. Russia), $/tonne	760.7	635.0	19.8%	704.2	8.0%
Diesel (av. Russia), $/tonne (summer)	618.4	435.3	42.1%	506.2	22.1%

Petroleum Product Prices & Refining Margin

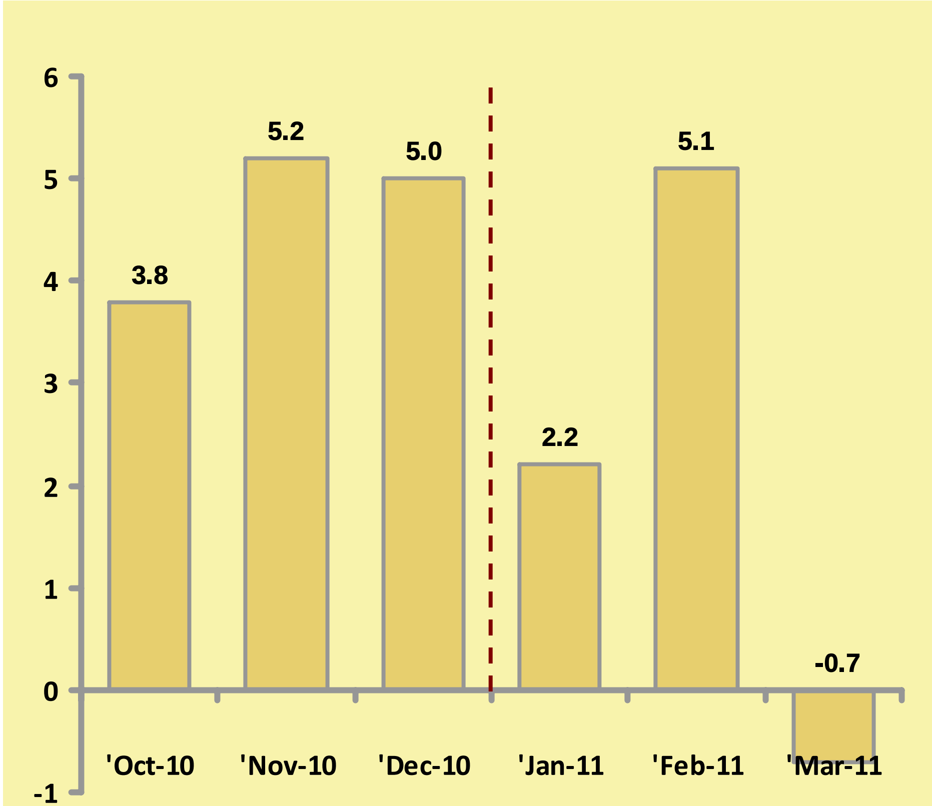
Export / Domestic Differentials Widened, Margin Squeezed

Petroleum product prices, USD per tonne



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

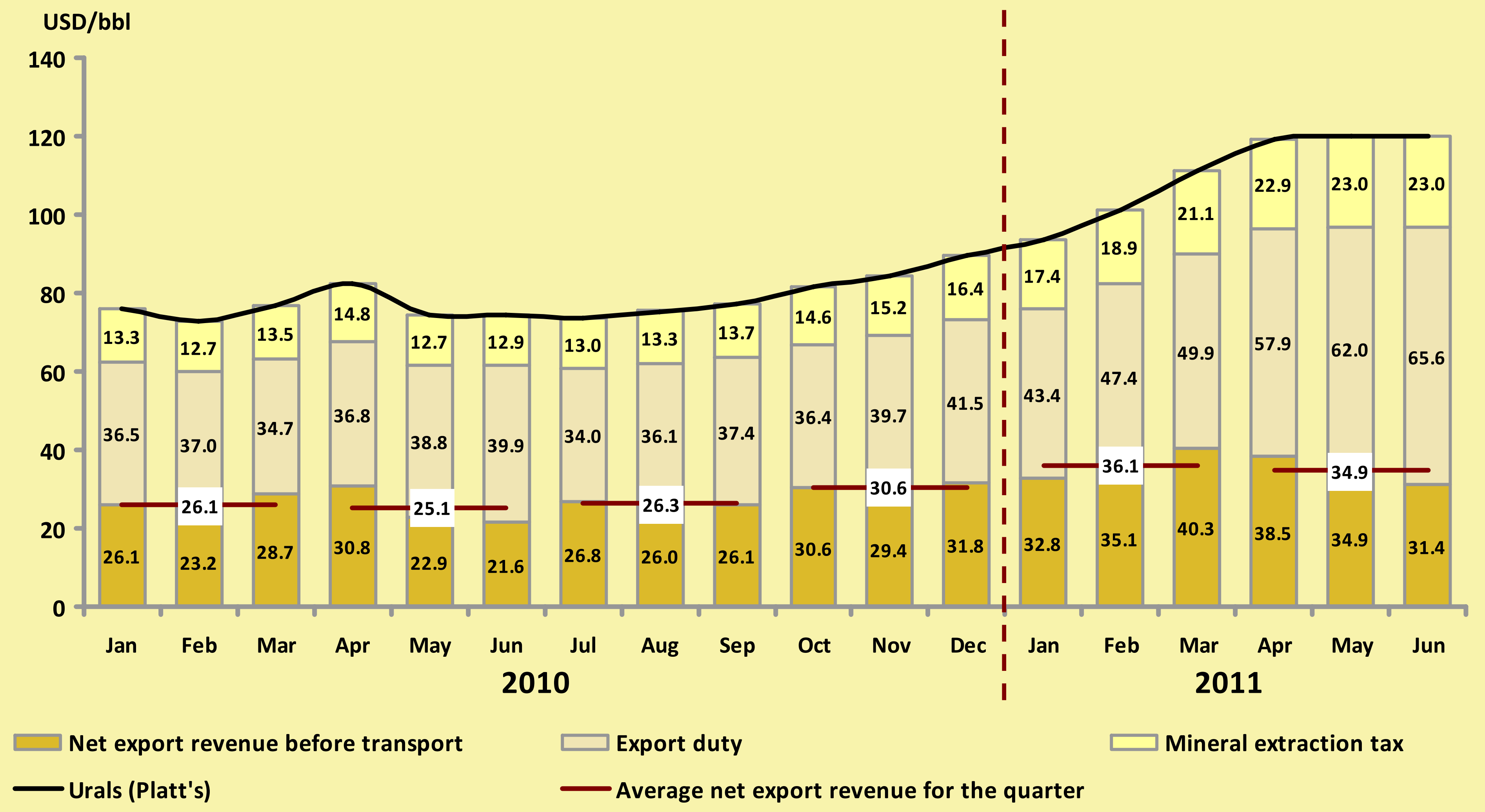
Net Refining margin, USD per barrel



Net refining margin = weighted average refinery gate price of petroleum products produced from 1 bbl of crude oil minus input crude oil price (weighted average crude export netback via Transneft, ex. Vankor), minus refinery operating expenses.

Upstream Margins

Record High



* Assuming Urals price of USD 120 per bbl in May and June.

Non-controlled Expenses

Transportation Tariffs Up, Export Duty Lags International Price

		Q1'11	Q1'10	∆, %	Q4'10	∆, %
Export customs duty	USD/bbl	46.89	36.06	30.0%	39.23	19.5%
Yugansk – Novorossiysk tariff	RUB/t	1,445	1,279	13.0%	1,363	6.0%
Yugansk – Novorossiysk tariff	USD/bbl	6.75	5.85	15.4%	6.07	11.2%
MET	USD/bbl	19.10	13.16	45.2%	15.37	24.3%
Total non-controlled costs	USD/bbl	72.74	55.07	32.1%	60.67	19.9%
Non-controlled costs / Urals FOB Novorossiysk	**%**	**72.1%**	**74.9%**		**72.5%**	

- Transneft tariffs up 13.5% in Q1'11 vs. Q1'10 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
- Actual export duty on crude oil was USD 7.3 per bbl below the normalized export duty in Q1, which had a sizeable positive impact on the financial results
- Preferential export duty on Vankor crude oil will expire from May 1, 2011

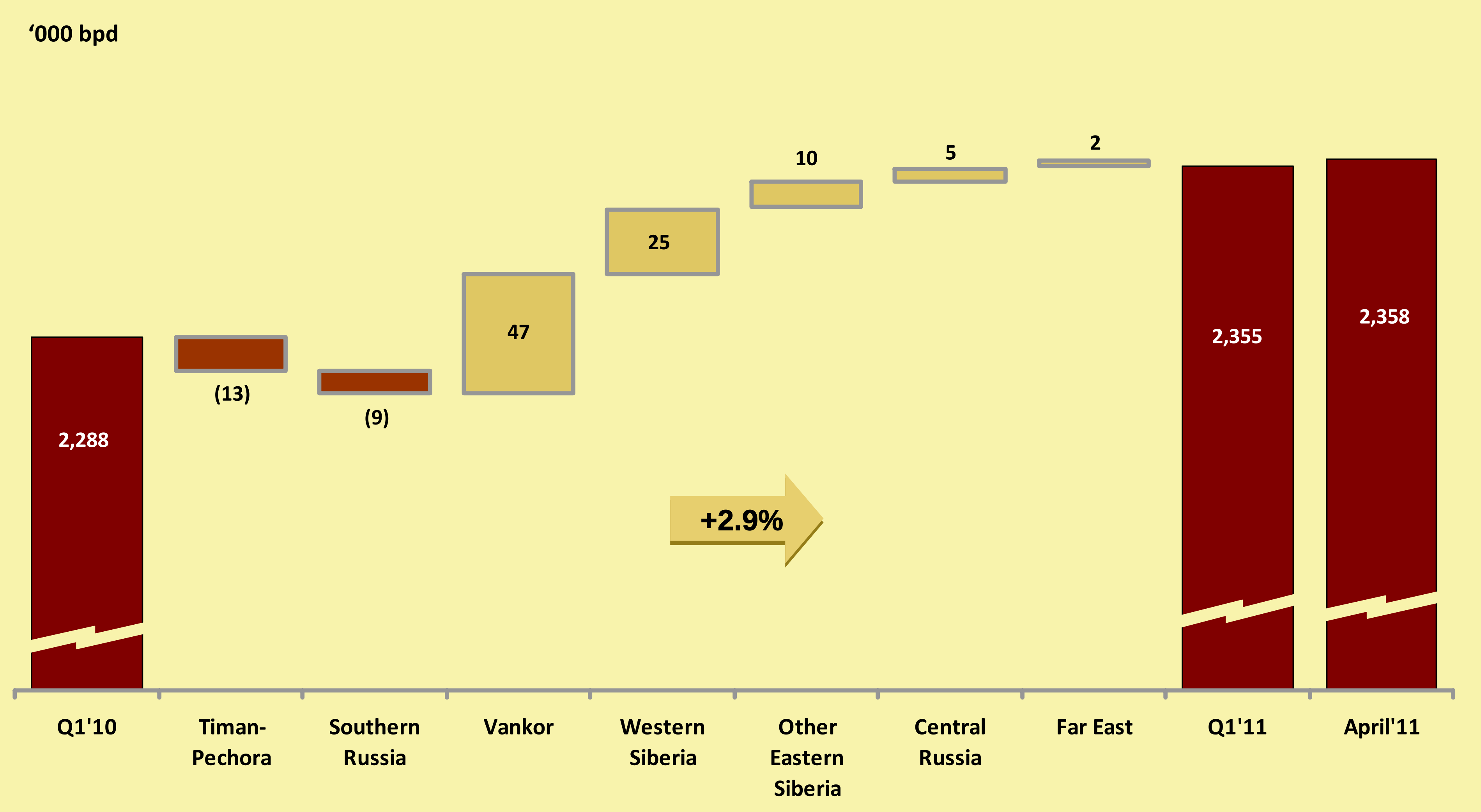
Q1'11 Results Overview

Production Ahead of Plan, Record High Free Cash Flow

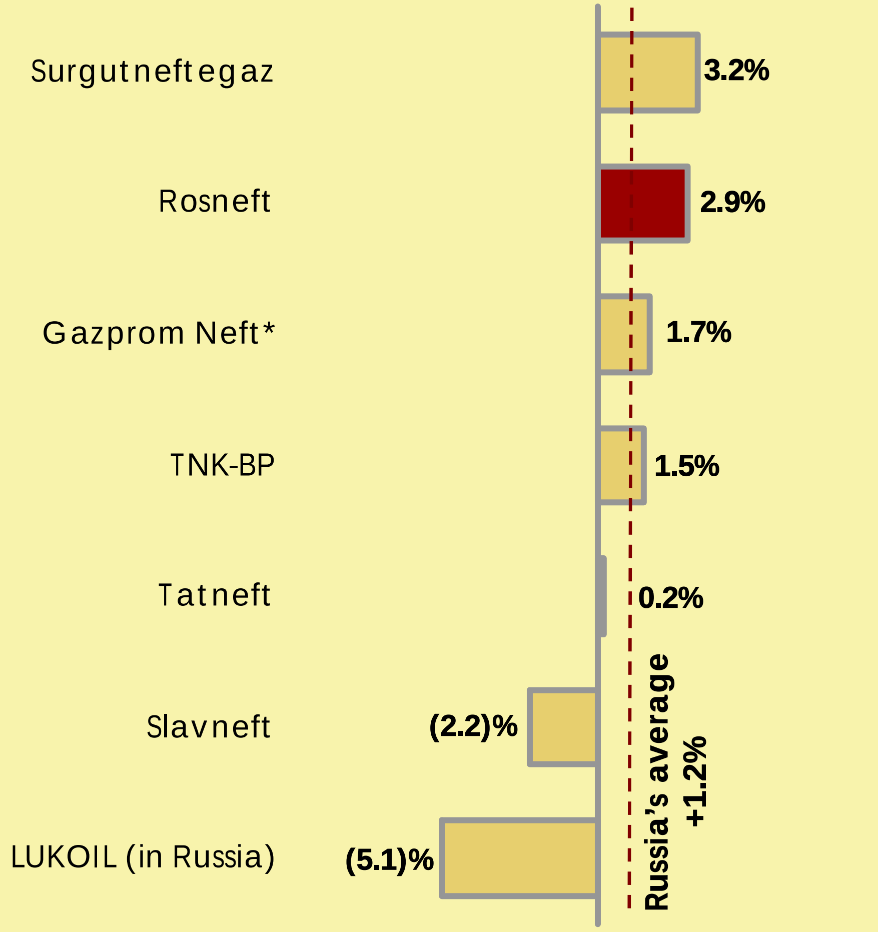
	Q1'11	Q1'10	Δ, %	Q4'10	Δ, %
Daily crude oil production, th. bpd	**2,355**	**2,288**	**2.9%**	**2,352**	**0.1%**
Gas production, bcm	3.20	3.27	(2.1)%	3.25	(1.5)%
Petroleum product output, mln t	**11.76**	**12.06**	**(2.5)%**	**12.25**	**(4.0)%**
Revenues, USD mln	20,123	14,761	36.3%	17,384	15.8%
EBITDA, USD mln	**6,653**	**4,443**	**49.7%**	**5,377**	**23.7%**
Adjusted net Income, USD mln	3,856	2,447	57.6%	2,958	30.4%
Operating cash flow[1], USD mln	6,067	1,792	238.6%	3,722	63.0%
Capital expenditures, USD mln	2,761	1,754	57.4%	2,768	(0.3)%
Free cash flow[1], USD bln	3,181	1,351	135.5%	840	278.7%
Net debt , USD mln	**11,097**	**18,534**	**(40.1)%**	**13,662**	**(18.8)%**

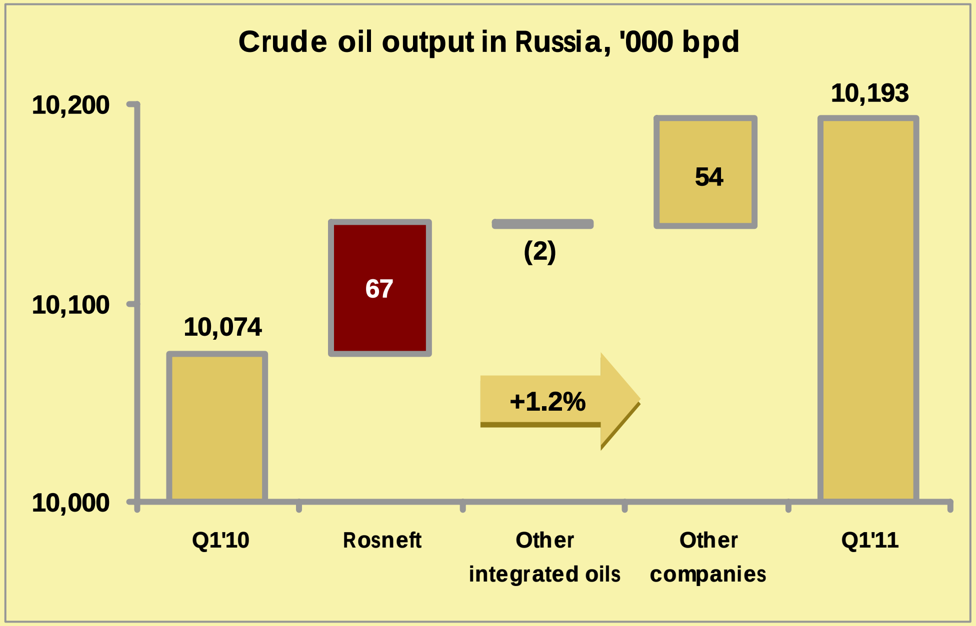
1. Operating cash flow and free cash flow are adjusted for operations with trading securities as part of excess cash management (inflow of USD 495 mln in Q1' 10, outflow of USD (15) mln in Q1'11, outflow of USD (86) mln in Q4'10).

Daily Crude Oil Production
Reconciliation



Daily Crude Oil Production in Russia, Q1'11 vs. Q1'10



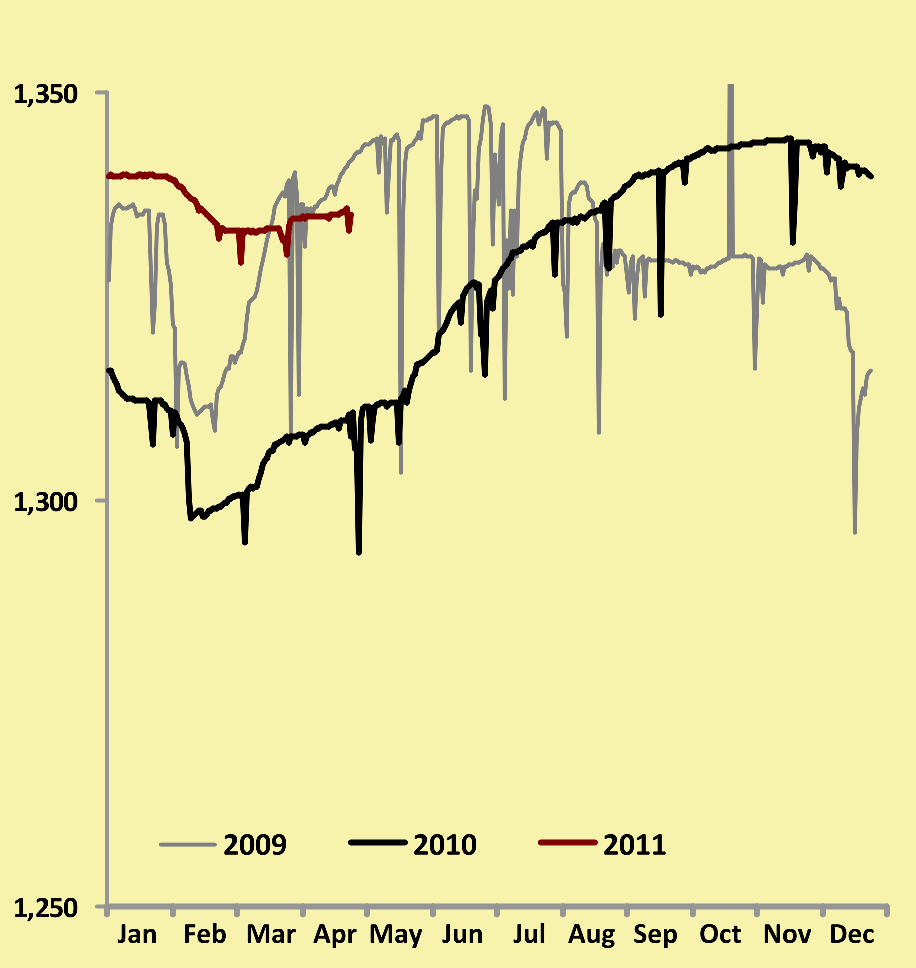


* Not including share in Tomskneft.

Yugansk

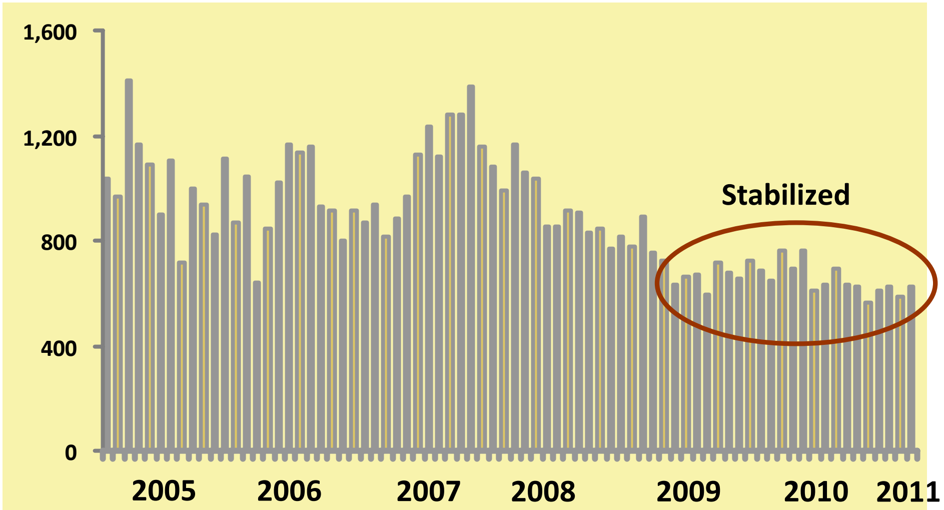
2% Ahead of Plan in Q1 2011

Yuganskneftegaz Daily Crude Oil Production, '000 bpd



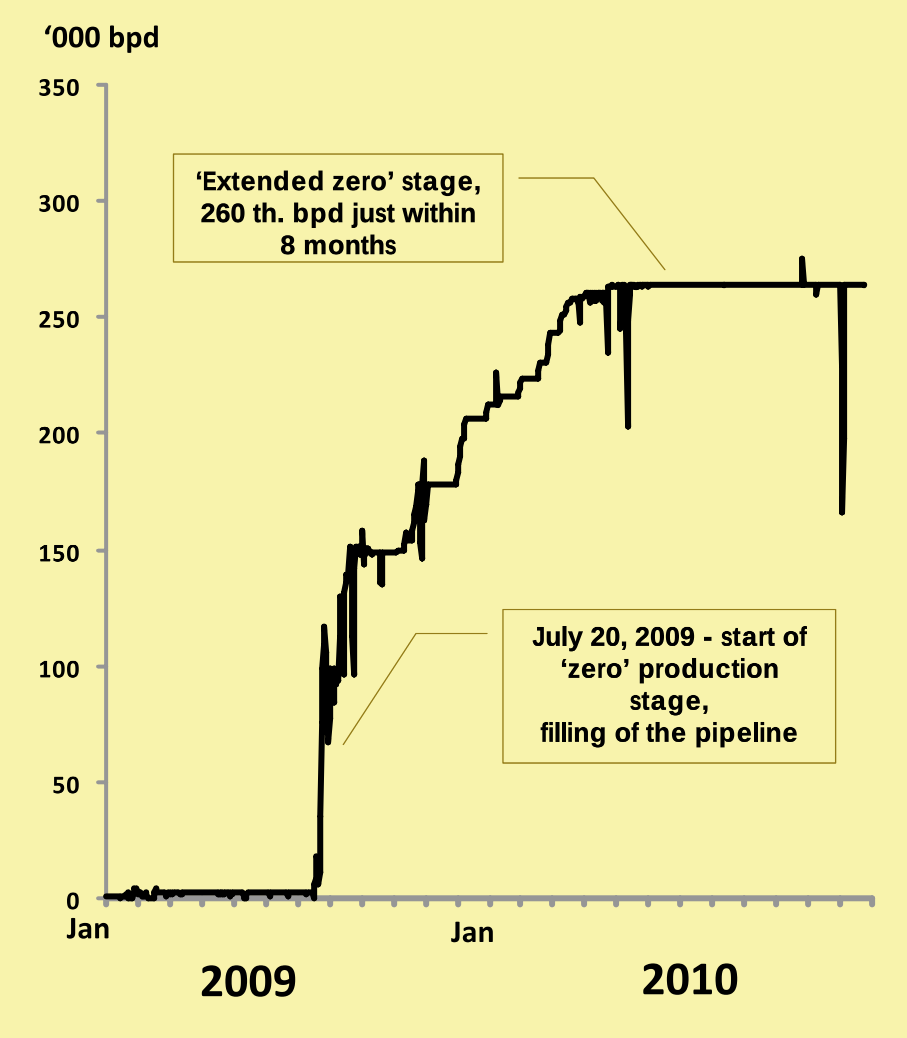
- Yugansk 2% (2.3 mln barrels) ahead of plan in Q1 due to higher than planned flow rates at old wells (a combination of geology, efficient well interventions and wellstock management)
- 779 wells are planned to be drilled in 2011 (176 wells drilled in Q1)
- Capex plan - USD 3.0 bln (at 30.5 FX rate) (USD 585 mln spent in Q1)

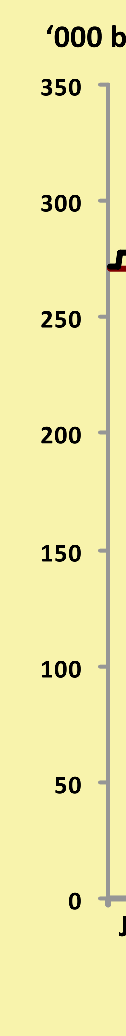
Initial flow rates of new wells, bpd



Vankor

Above Plan in Q1, Expanding Capacities in the 2H

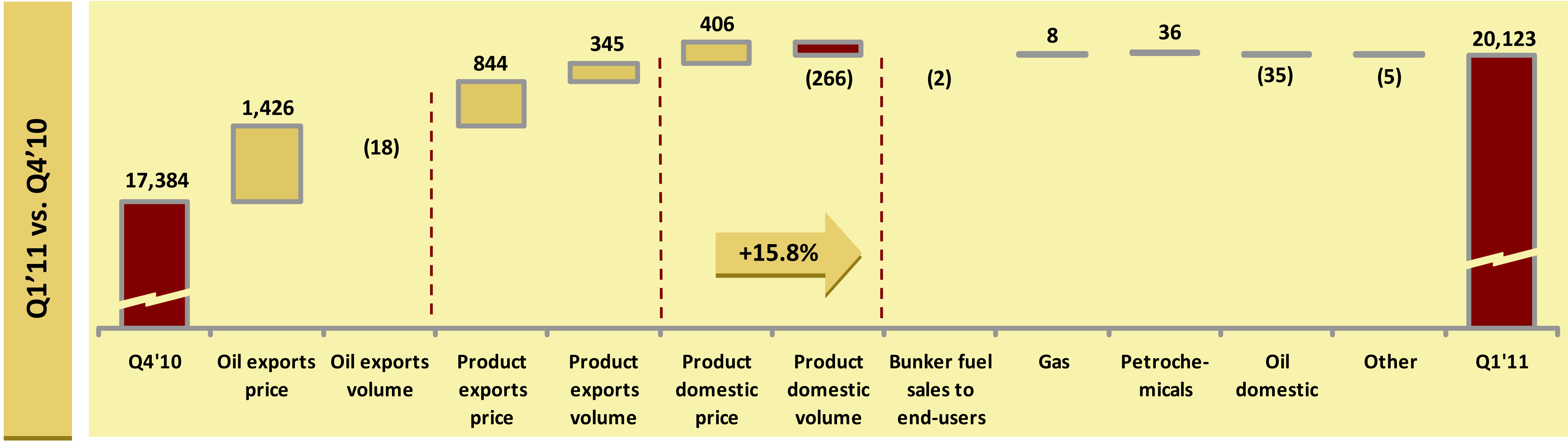


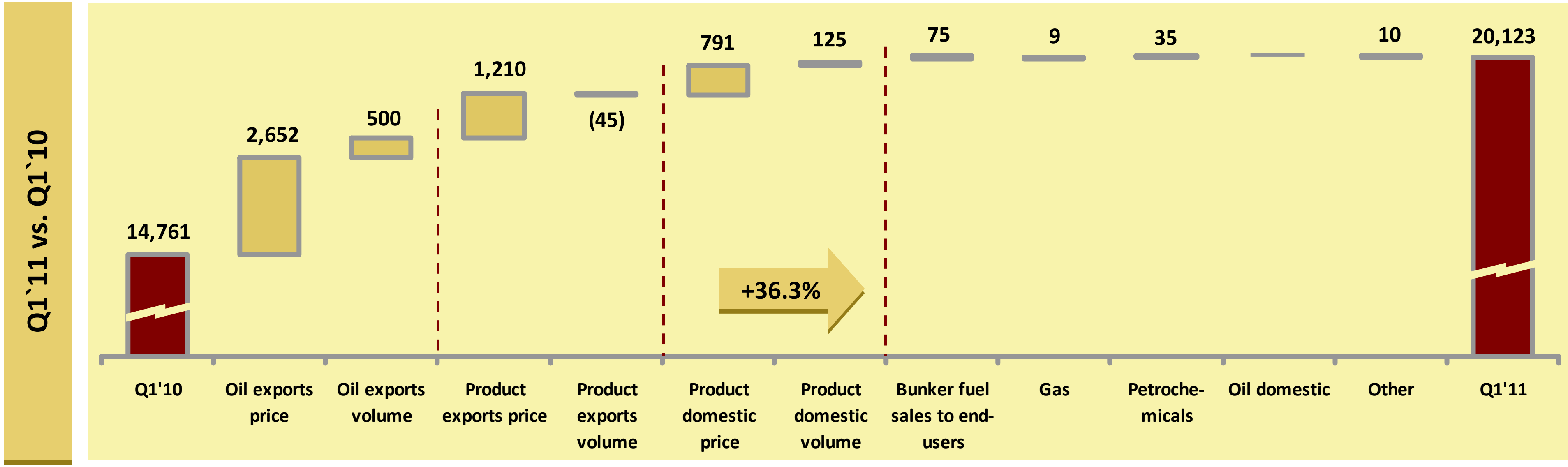


2011 plans:

- Average daily production ~300,000 bpd
- CAPEX - USD 2.6 bln (at 30.5 FX rate)
- Production growth factors:
  - ~70 production and injection wells
  - Increase in capacity of the Southern oil treatment unit
  - Gradual launch of the Central oil treatment unit

Revenues Reconciliation, USD mln





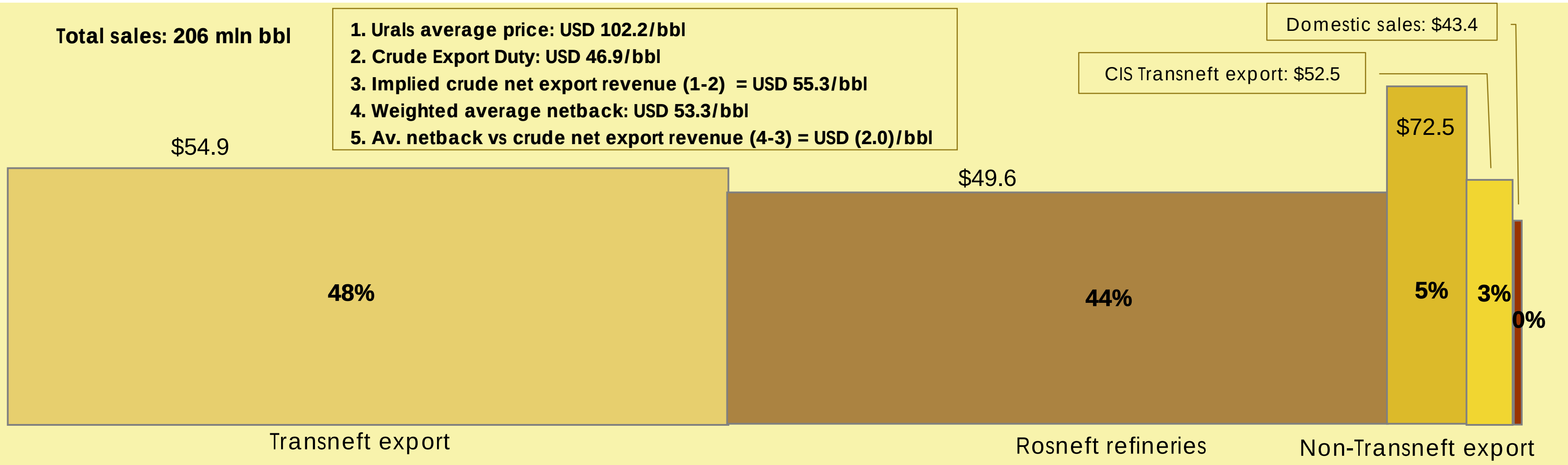
Netback Ladder

Q1'11 vs. Q4'10

Q1'11

Total sales: 206 mln bbl

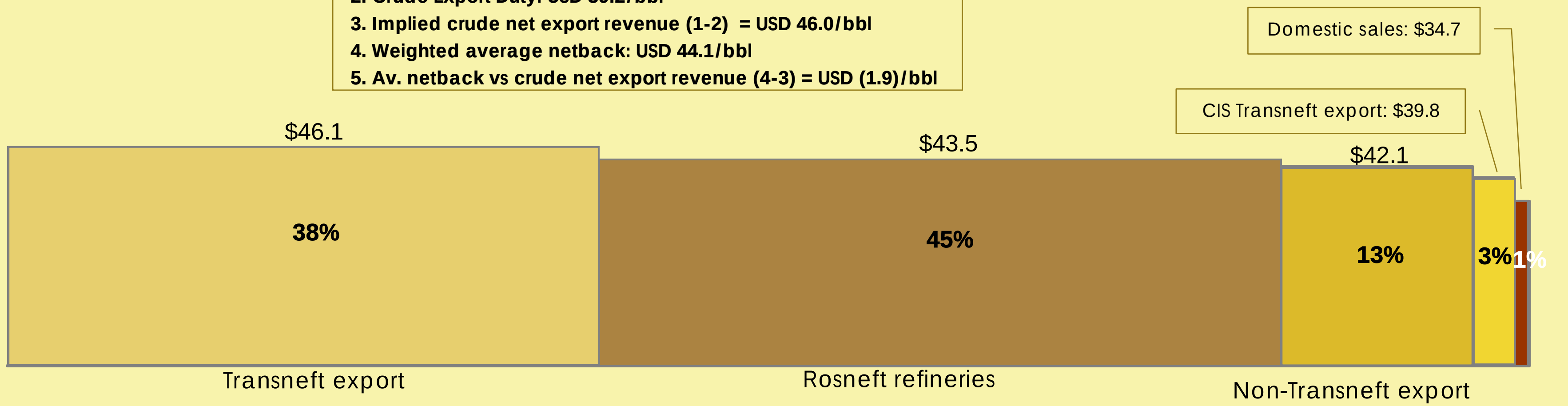
1. Urals average price: USD 102.2/bbl
2. Crude Export Duty: USD 46.9/bbl
3. Implied crude net export revenue (1-2) = USD 55.3/bbl
4. Weighted average netback: USD 53.3/bbl
5. Av. netback vs crude net export revenue (4-3) = USD (2.0)/bbl



Q4'10

Total sales: 206 mln bbl

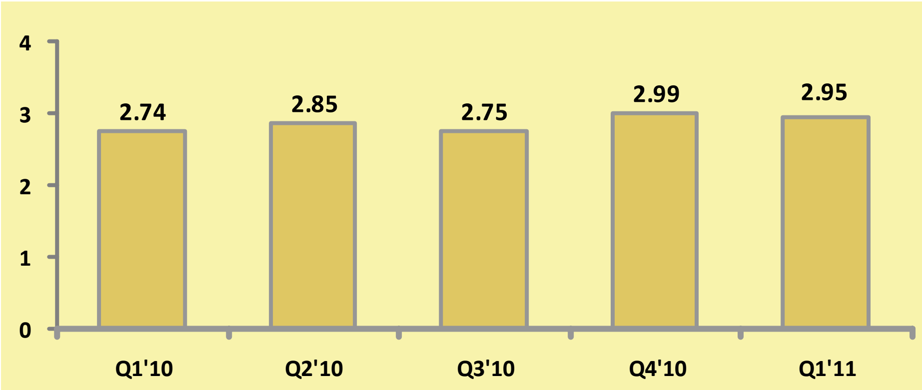
1. Urals average price: USD 85.2/bbl
2. Crude Export Duty: USD 39.2/bbl
3. Implied crude net export revenue (1-2) = USD 46.0/bbl
4. Weighted average netback: USD 44.1/bbl
5. Av. netback vs crude net export revenue (4-3) = USD (1.9)/bbl



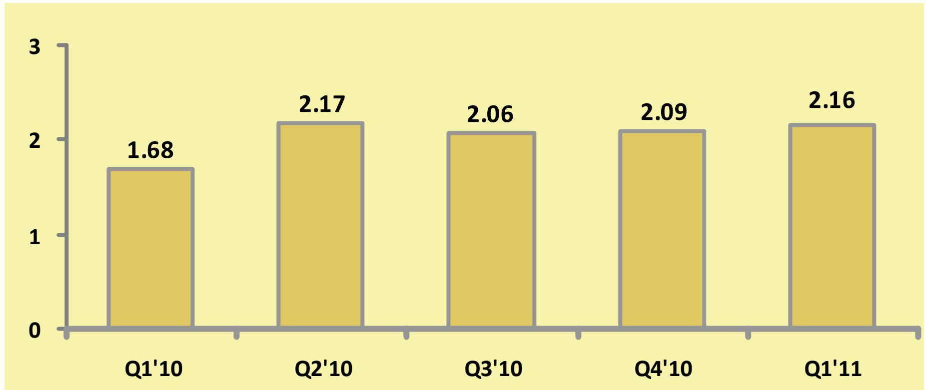
In Q1 2011 non-Transneft export netback increased substantially due to start of pipeline supplies to China (instead of railroad supplies) which are reflected in the Transneft export. Largest share of non-Transneft exports from January 1, 2011 consist of Sakhalin-1 exports, which are exempted from export duties.

Expenses Dynamics

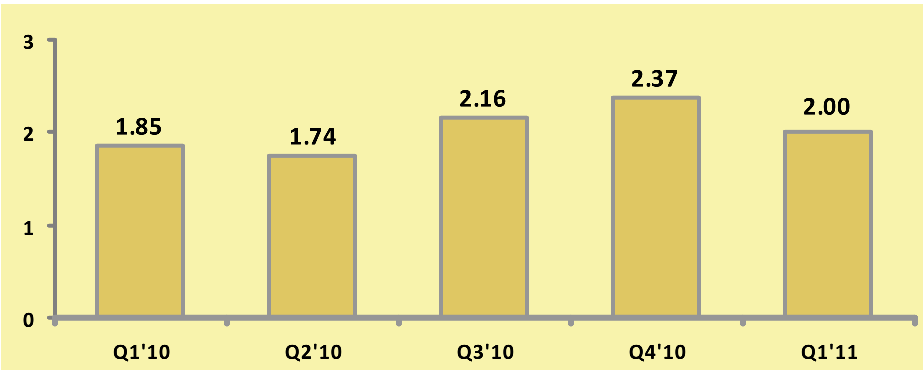
Upstream Operating Expenses, USD/bbl of oil produced



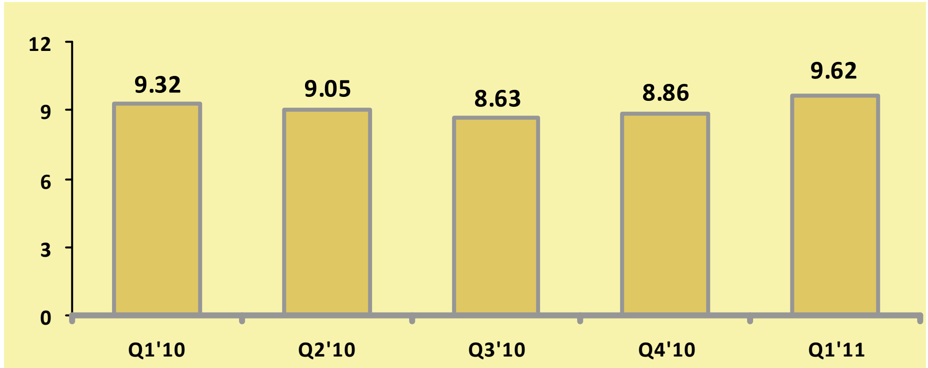
Refining Operating Expenses, USD/bbl of oil processed



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.

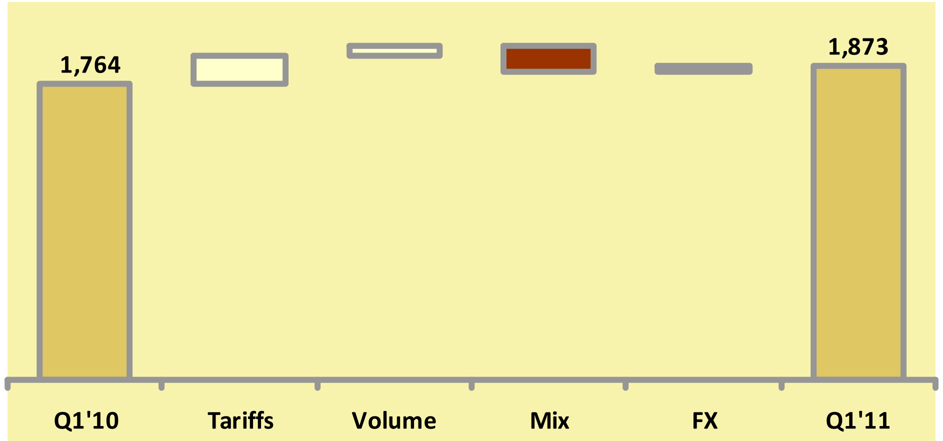
Selling, general and administrative expenses include payroll at headquarters and management-related subsidiaries, payroll of top management of operating subsidiaries, audit & consulting expenses, bad debt allowance and other costs.

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).

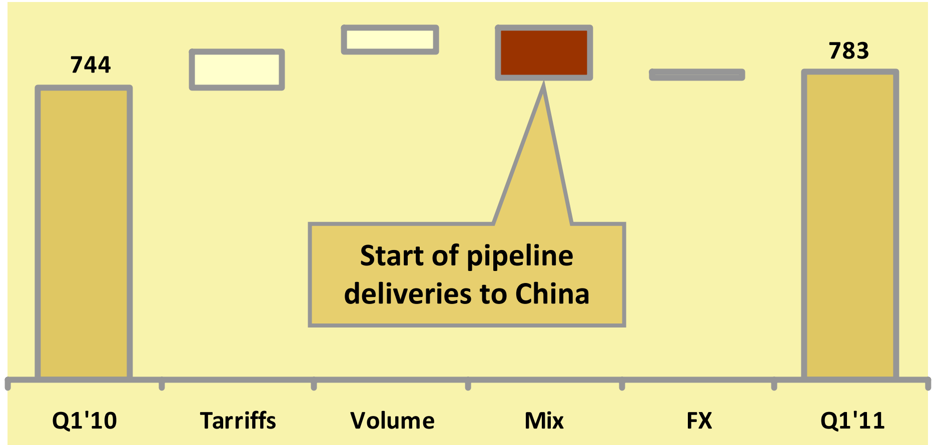
Transportation Costs

Factor Analysis - Q1’11 vs. Q1’10

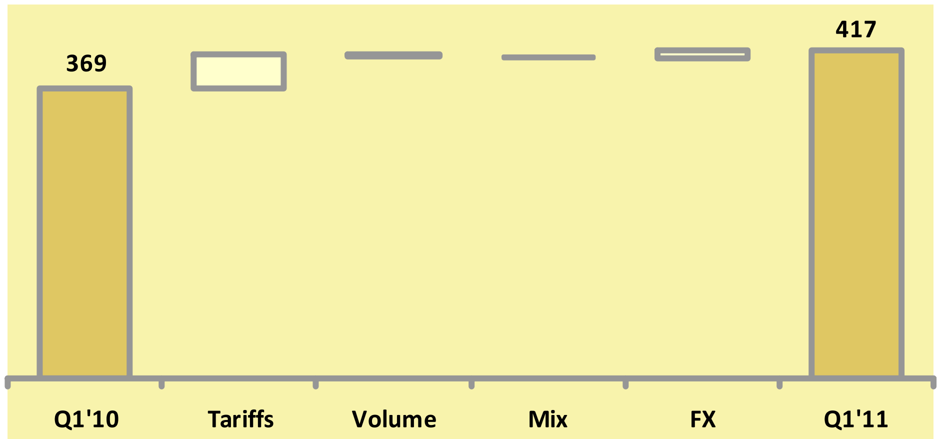
Total Transportation Costs, USD mln



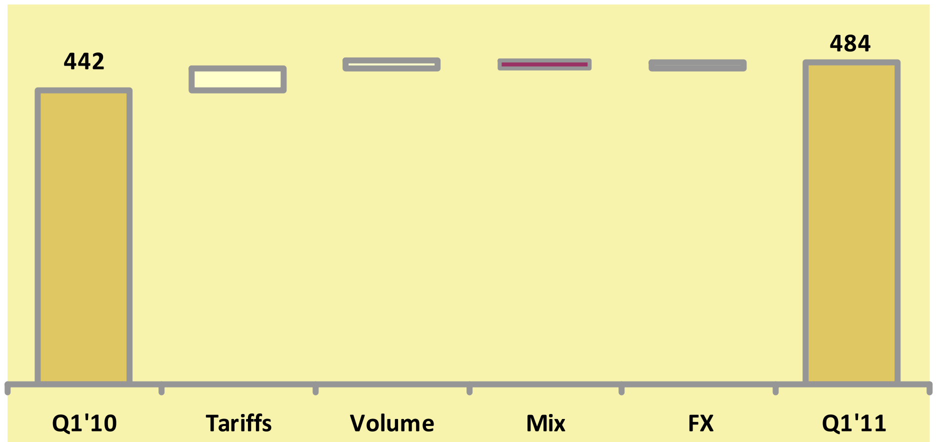
Transportation Costs for Crude Exports, USD mln



Transportation Costs for Crude Deliveries to Refineries, USD mln



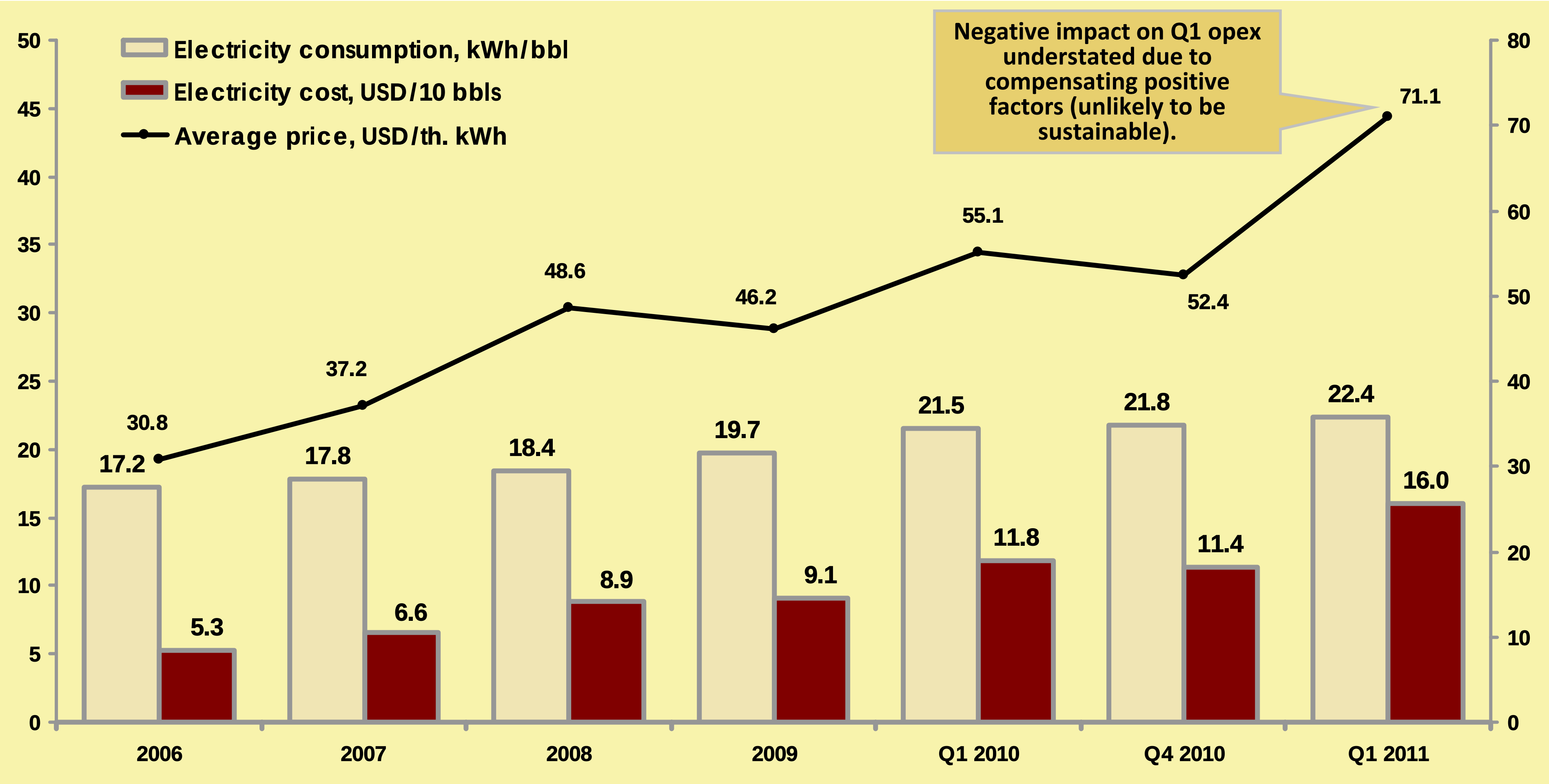
Transportation Costs for Product Exports, USD mln



Electricity Tariffs

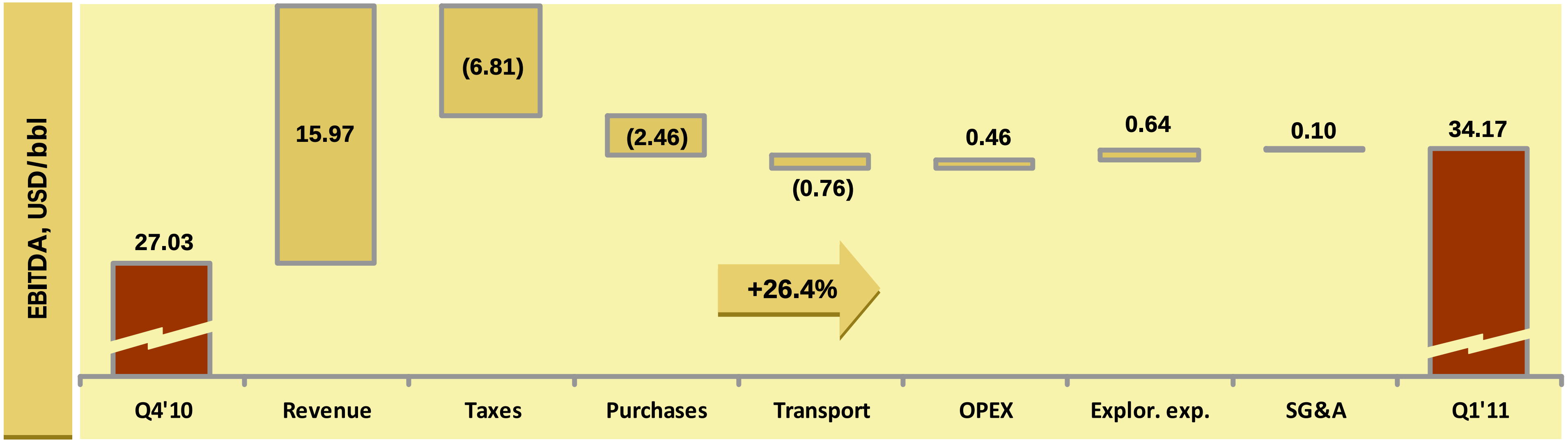
Double Digit Growth Rates

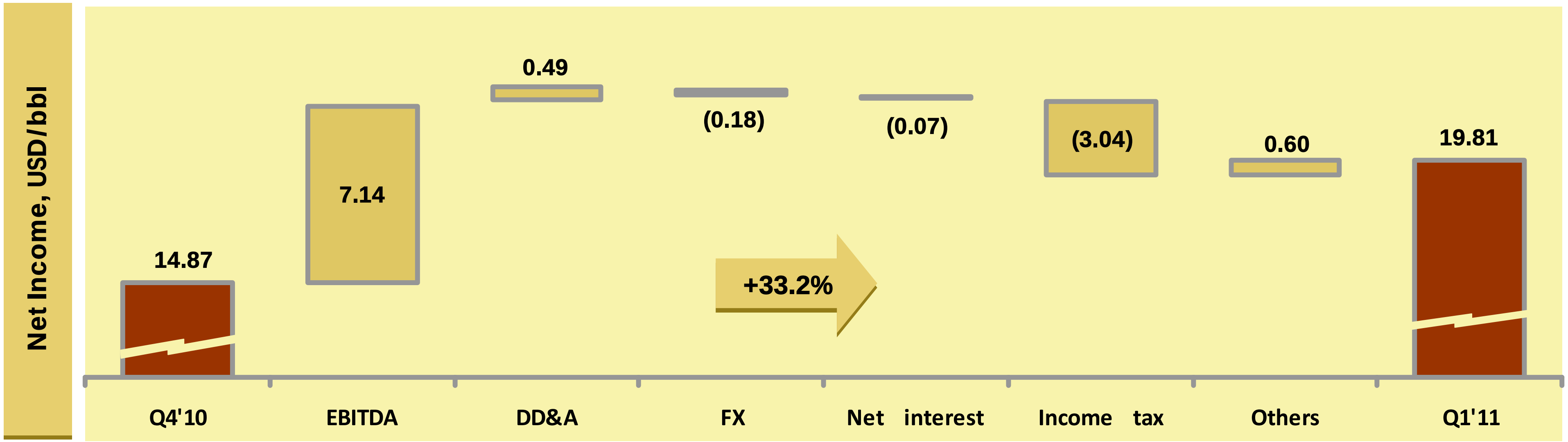
Electricity expenses of Yuganskneftegaz



EBITDA and Net Income per bbl Reconciliation

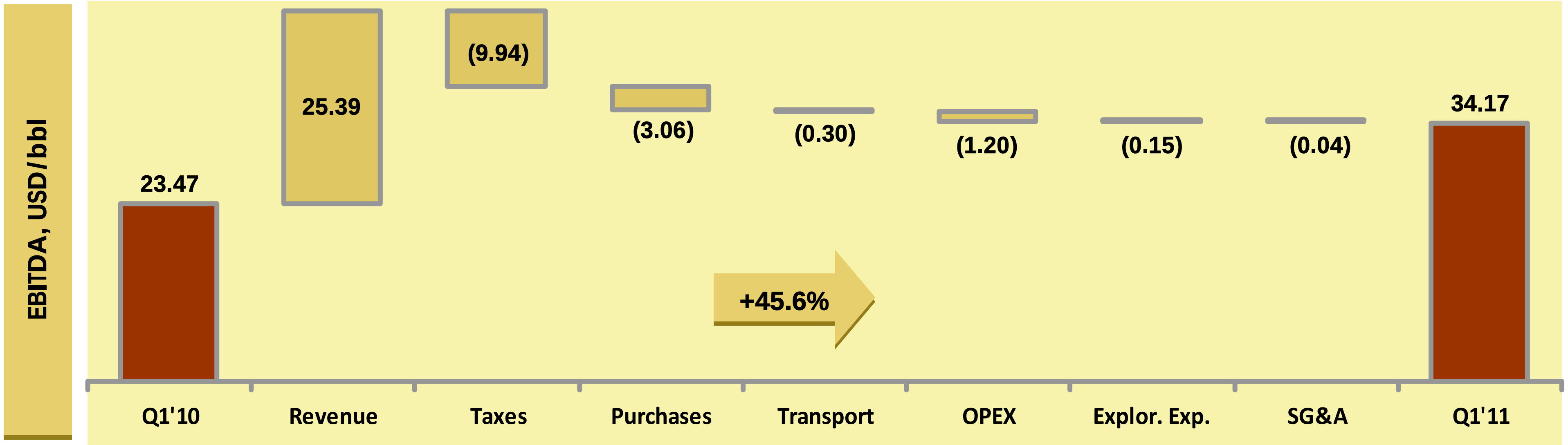
Q1'11 vs. Q4'10

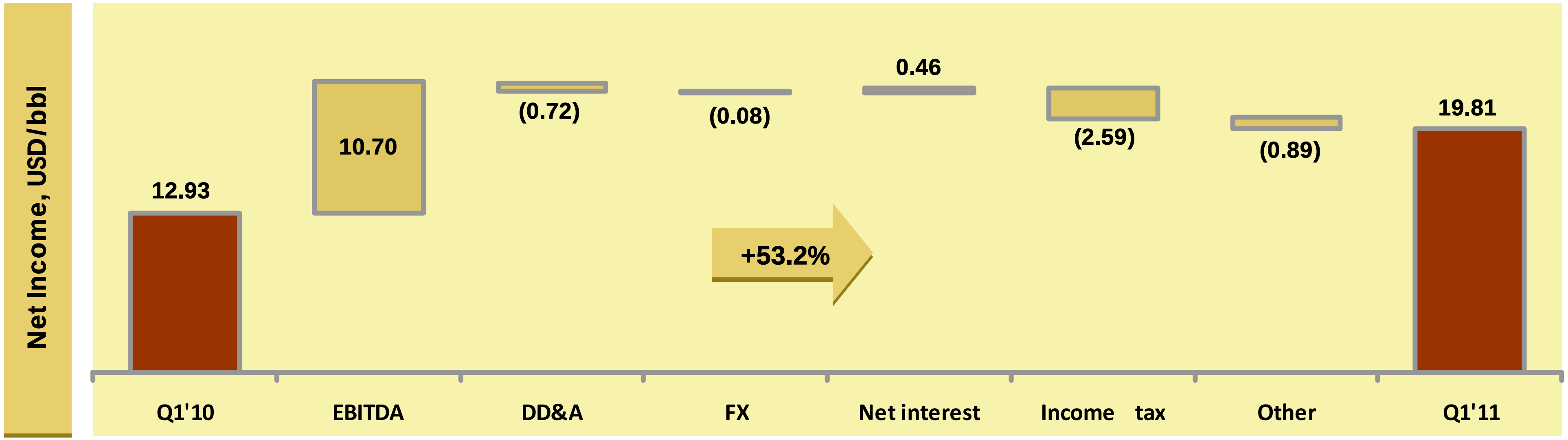




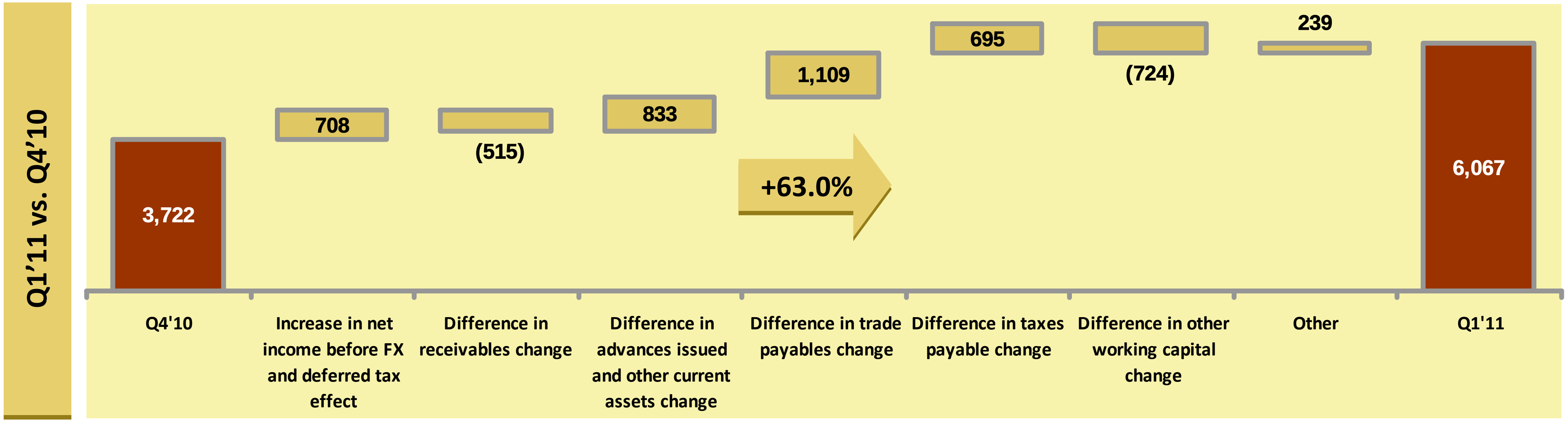
EBITDA and Net Income per bbl Reconciliation

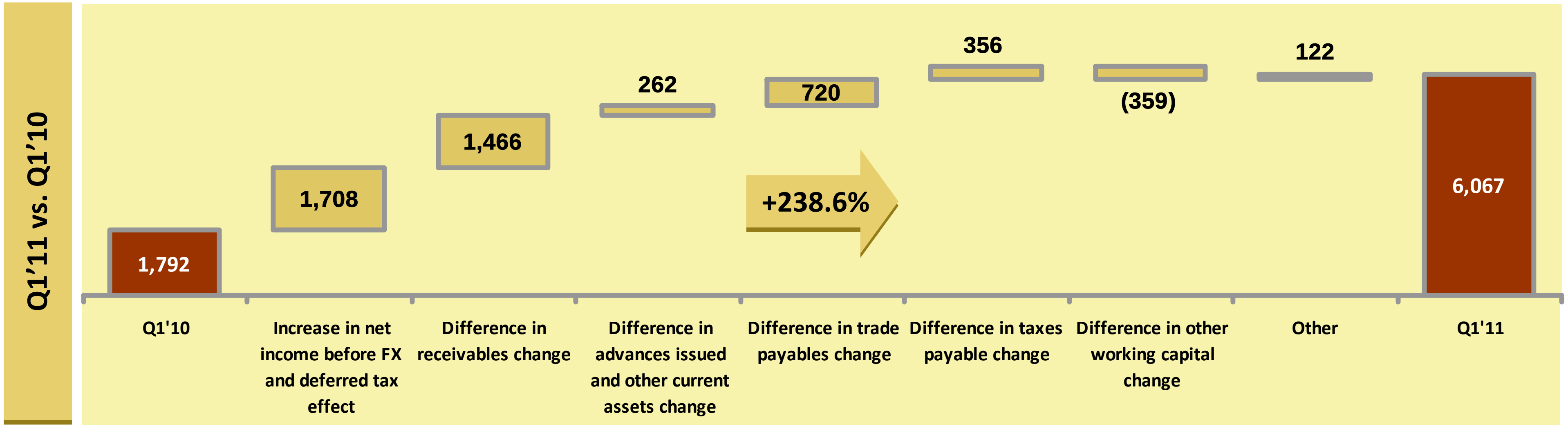
Q1'11 vs. Q1'10



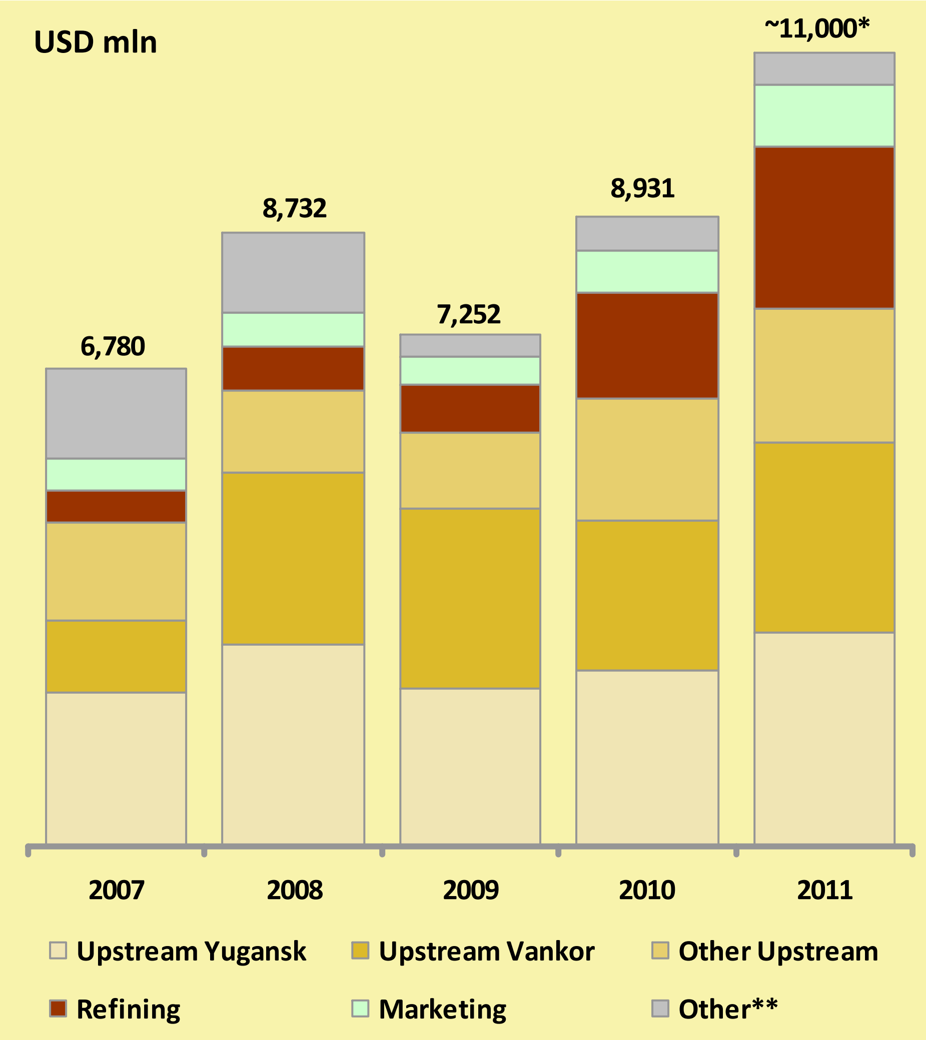


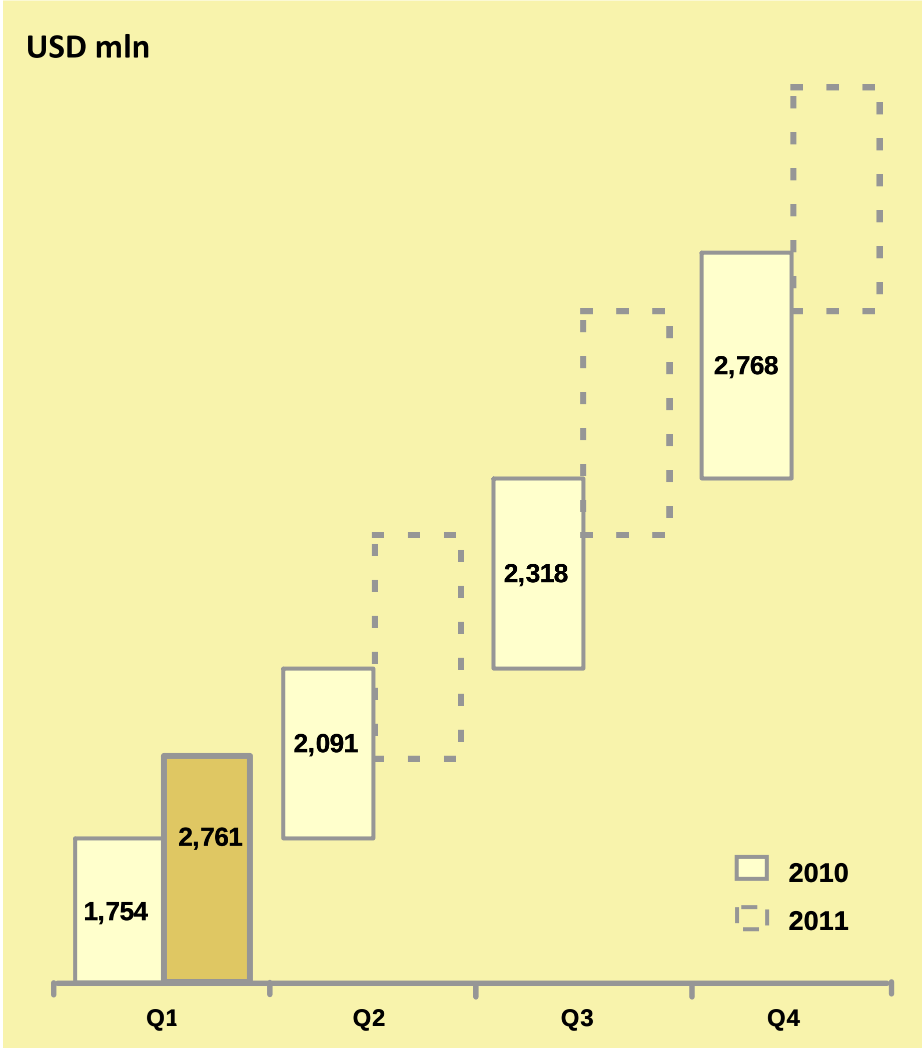
Operating Cash Flow Reconciliation, USD mln





Capital Expenditures

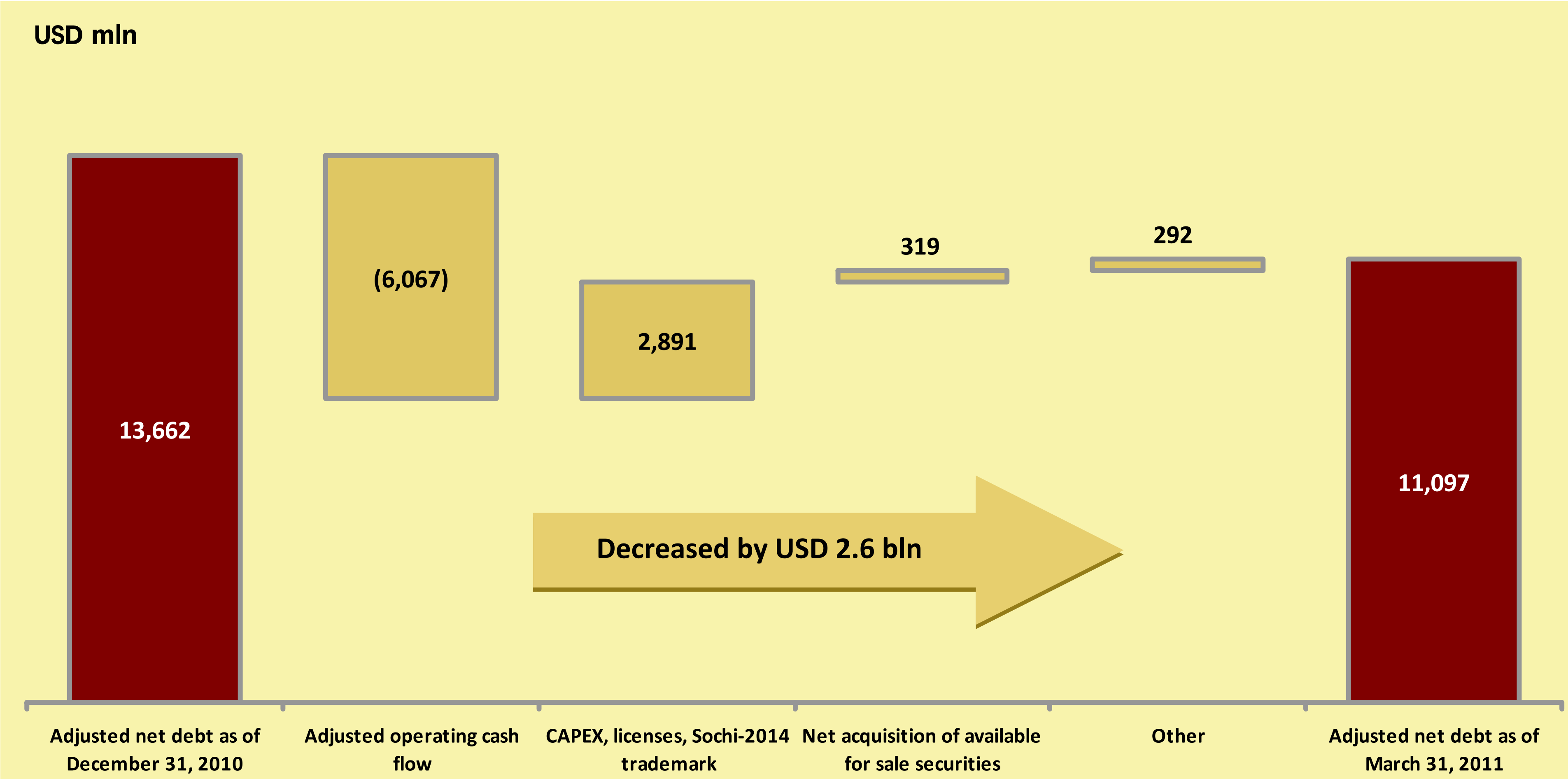




* At 30.5 RUB/USD. Not including the capitalized expenses on the expansion of the pipeline to the Tuapse refinery.

** 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 March 31, 2011 is adjusted for short and medium term bank deposits and other short-term investments of USD 5,739 mln and of USD 6,866 mln as part of the excess cash management.
Operating cash flow is adjusted for operations with trading securities as part of excess cash management (outflow of USD 15 mln in Q1'11).

Excess Cash Management

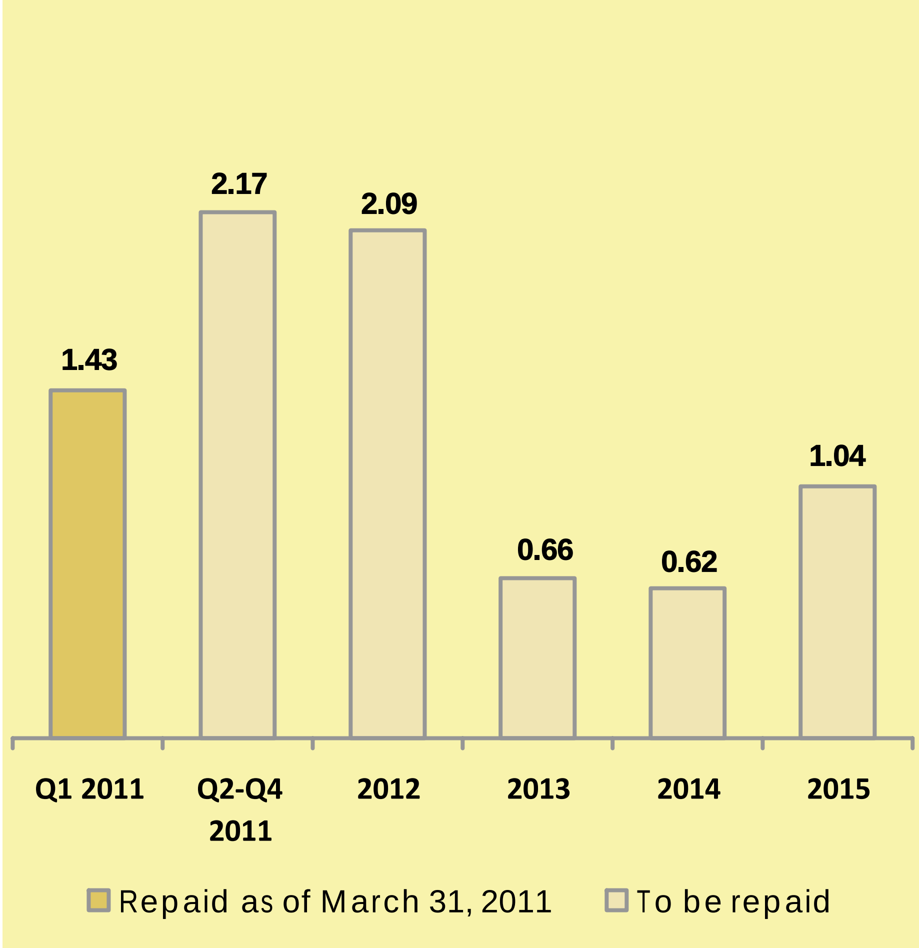
- Rosneft's total cash position including cash and equivalents and short-term investments related to excess cash management was USD 11.7 bln as of March 31, 2011
- Excess cash management is based on analysis of different alternatives (including risk analysis) to choose the best investment for a specific period of time
- Cash portfolio includes:
  - USD 4.8 bln of cash and equivalents
  - USD 5.3 bln of short-term deposits denominated in foreign currency placed in leading local banks
  - USD 0.7 bln of short-term deposits denominated in RUB placed in leading local banks
  - USD 0.5 bln of liquid securities received under REPO deals
  - USD 0.4 bln of short-term investments into state and corporate bonds and other securities

Credit Profile
Strengthened Further

	Mar. 31, 2011	Dec. 31, 2010
Total debt, USD bln	22.8	23.6
Net debt, USD bln	11.10	13.66
Long-term debt, %	76.5%	76.7%
USD denominated debt, %	87.2%	88.4%
Gearing (Net Debt to Net Debt + Equity)	16.0%	20.0%
Weighted av. cost of debt	3.69%	3.53%
LTM EBITDA interest coverage	30.8	28.2
Net debt / LTM EBITDA	0.52	0.71

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

Repayment profile*, USD bln

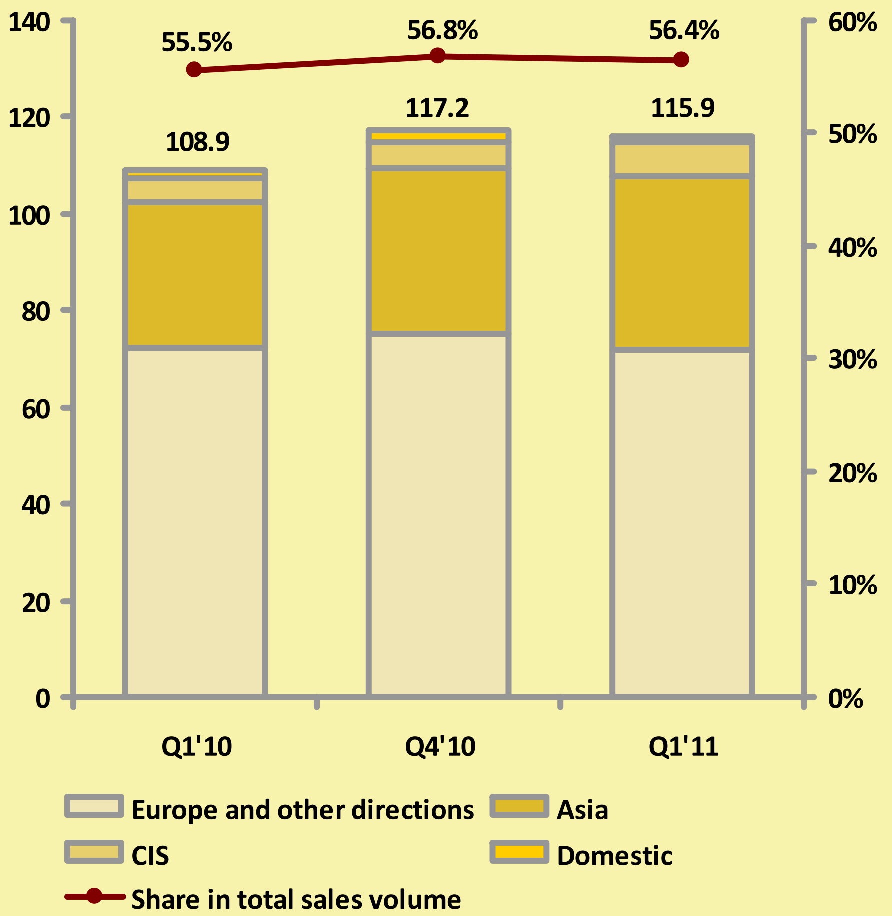


* Future repayments include only long-term debt with its current portion.

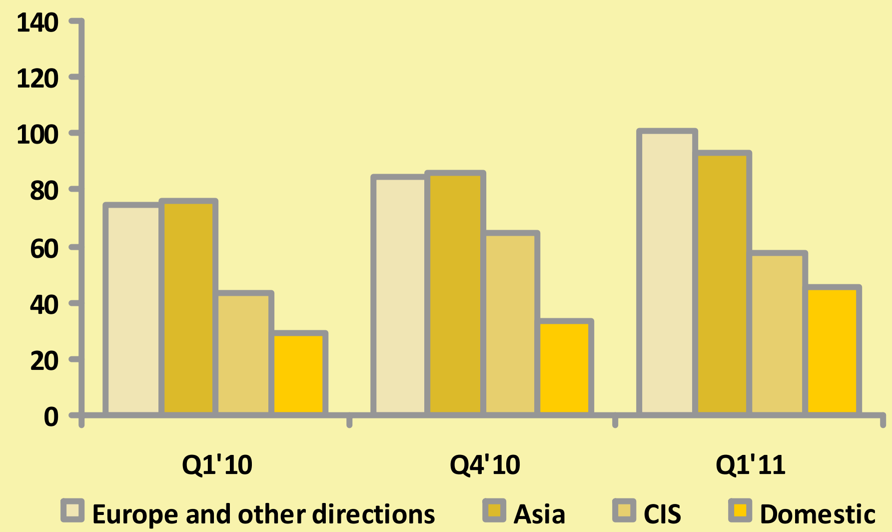
Appendix

Crude Oil Sales

Crude Oil and Condensate Sales Volumes, mln bbl



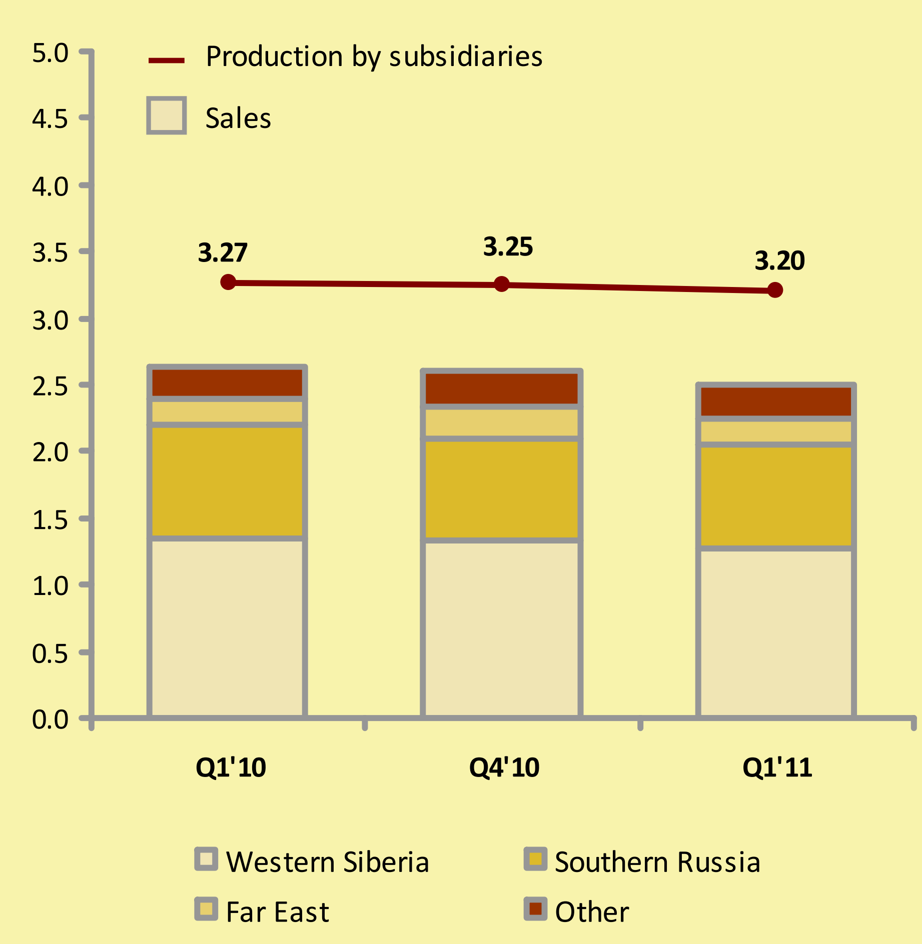
Average Prices, USD/bbl



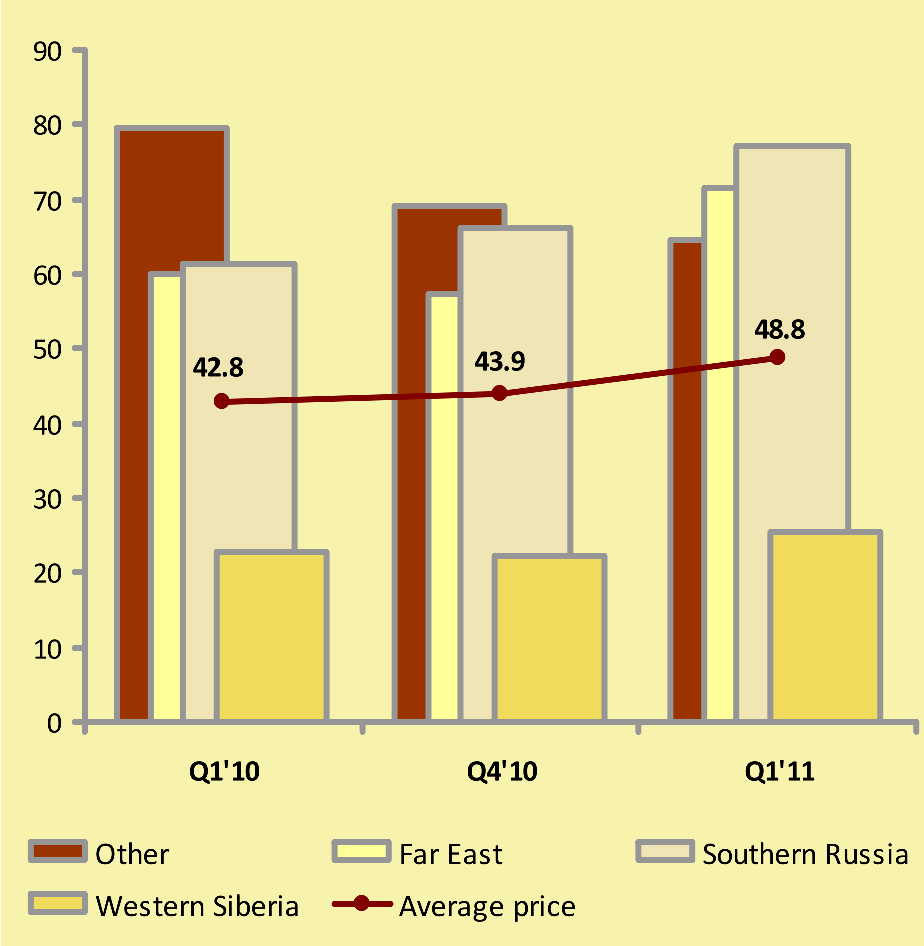
	Q1'10	Q4'10	Q1'11
	USD/bbl		
Average Brent (Platts)	76.2	86.5	105.0
Urals (average Med+NWE) (Platts)	75.3	85.2	102.2
Rosneft export			
Europe and other directions	74.3	84.3	101.3
Asia	76.2	86.2	93.1

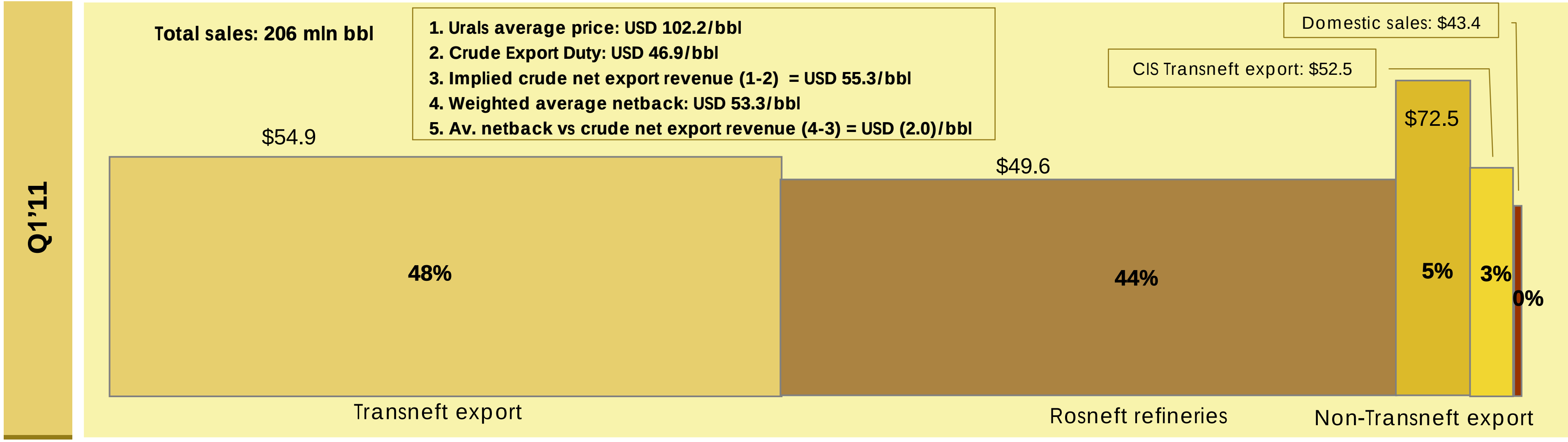
Gas Production and Sales

Gas Sales vs. Production, bcm

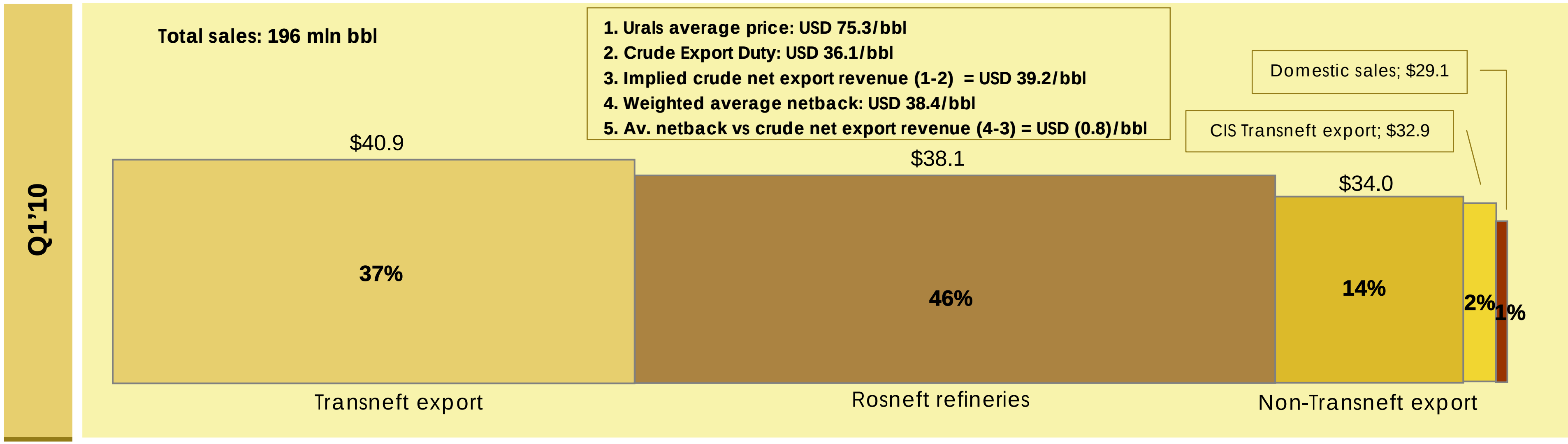


Gas Sales Prices, USD per 1,000 cubic meters





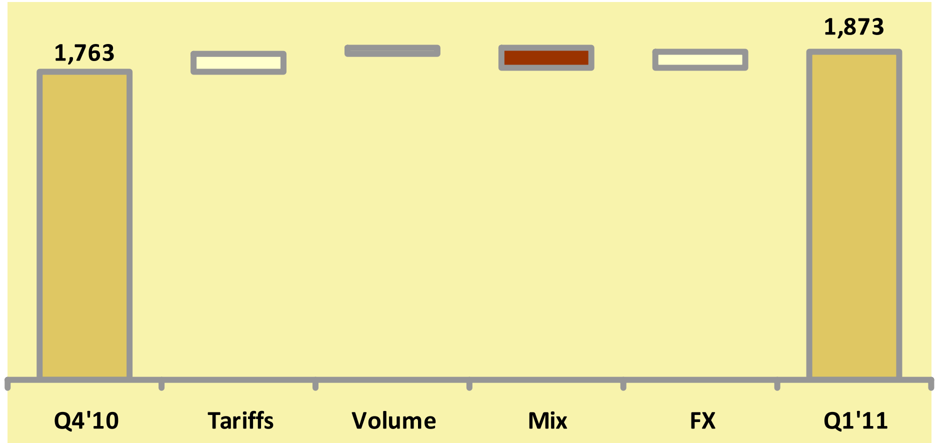
Q1'11
Total sales: 206 mln bbl
1. Urals average price: USD 102.2/bbl
2. Crude Export Duty: USD 46.9/bbl
3. Implied crude net export revenue (1-2) = USD 55.3/bbl
4. Weighted average netback: USD 53.3/bbl
5. Av. netback vs crude net export revenue (4-3) = USD (2.0)/bbl
Domestic sales: $43.4
CIS Transneft export: $52.5
$54.9
$49.6
$72.5
48%
44%
5%
3%
0%
Transneft export
Rosneft refineries
Non-Transneft export



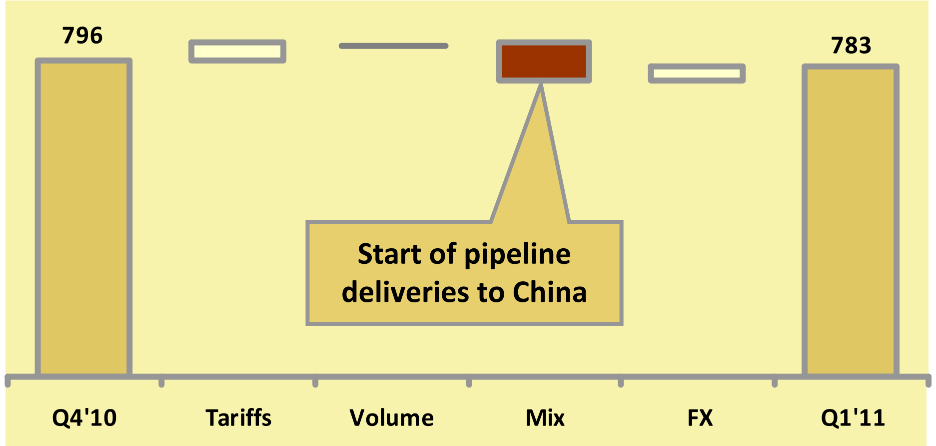
Q1'10
Total sales: 196 mln bbl
1. Urals average price: USD 75.3/bbl
2. Crude Export Duty: USD 36.1/bbl
3. Implied crude net export revenue (1-2) = USD 39.2/bbl
4. Weighted average netback: USD 38.4/bbl
5. Av. netback vs crude net export revenue (4-3) = USD (0.8)/bbl
Domestic sales; $29.1
CIS Transneft export; $32.9
$40.9
$38.1
$34.0
37%
46%
14%
2%
1%
Transneft export
Rosneft refineries
Non-Transneft export

Transportation Costs, Factor Analysis:
Q1’11 vs. Q4’10

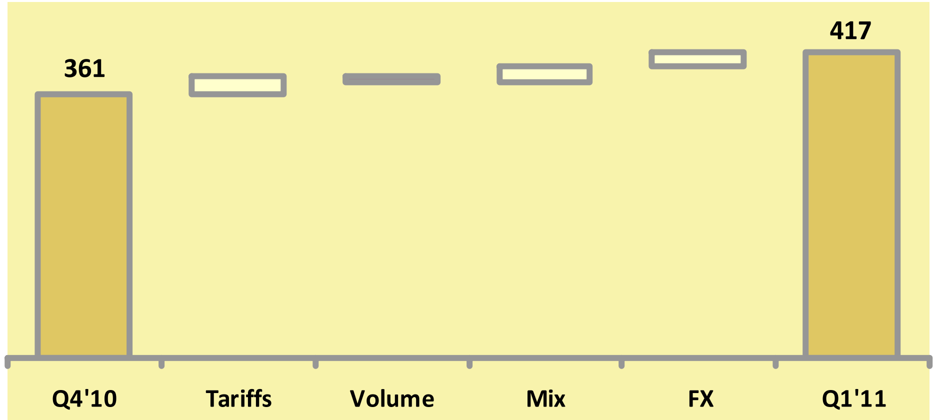
Total Transportation Costs, USD mln



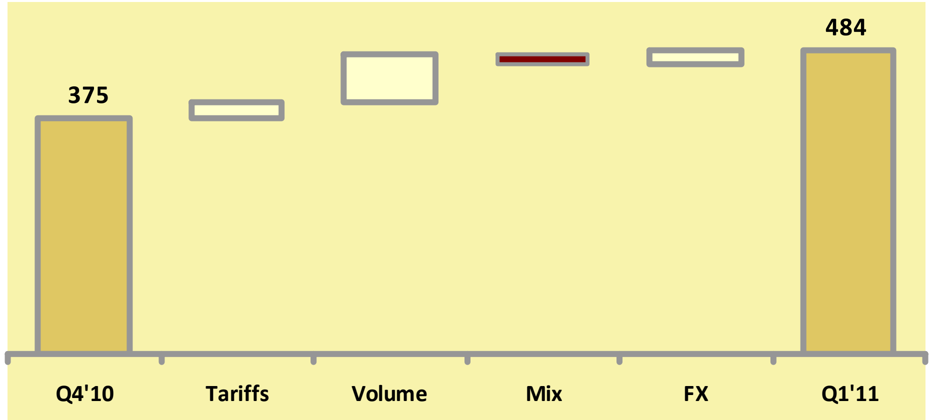
Transportation Costs for Crude Exports, USD mln



Transportation Costs for Crude Deliveries to Refineries, USD mln



Transportation Costs for Product Exports, USD mln



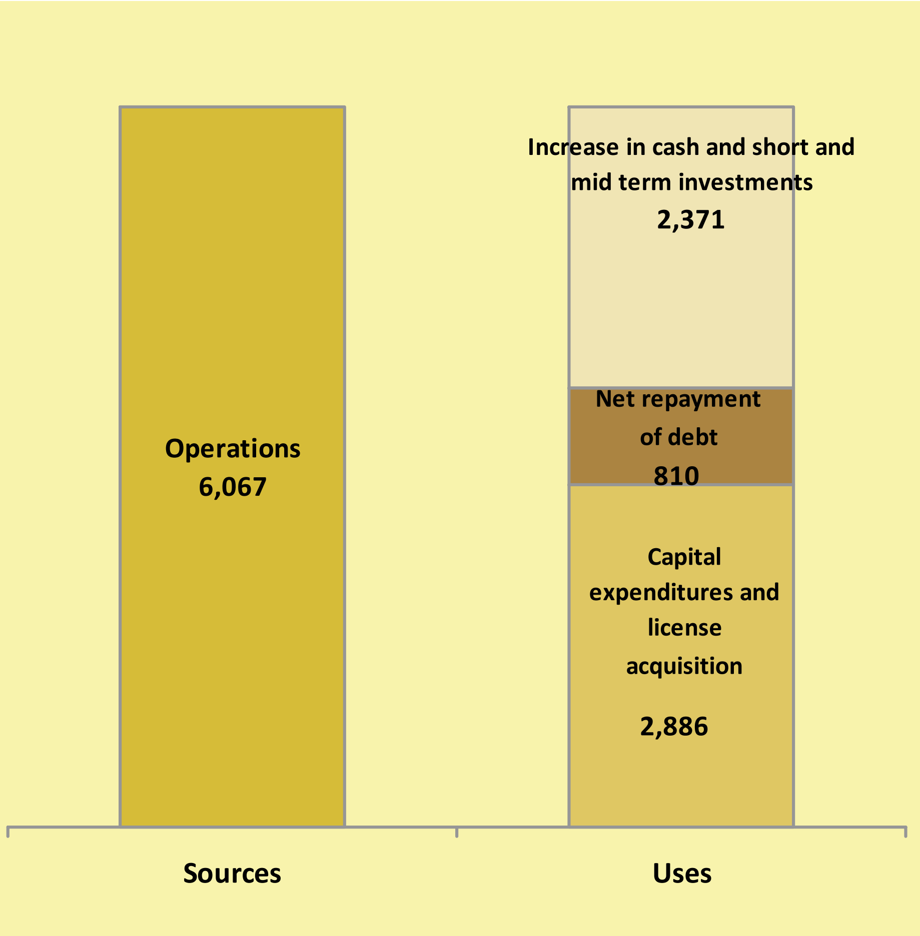
Interest Expense

USD mln	Q1'11	Q4'10	Q1'10
1. Interest accrued according to loan agreements	**187**	**174**	**172**
2. Interest paid (cash)	**271**	**44**	**235**
3. Change in interest payables (1-2)	**(84)**	**130**	**(63)**
4. Interest capitalized*	**94**	**100**	**73**
5. Interest SWAP loss/(gain)	**0**	**(18)**	**40**
6. Debt issue cost	**7**	**7**	**7**
7. Other	**20**	**20**	**16**
8. Interest expense as reflected in P&L (1-4+5+6+7)	**120**	**83**	**162**

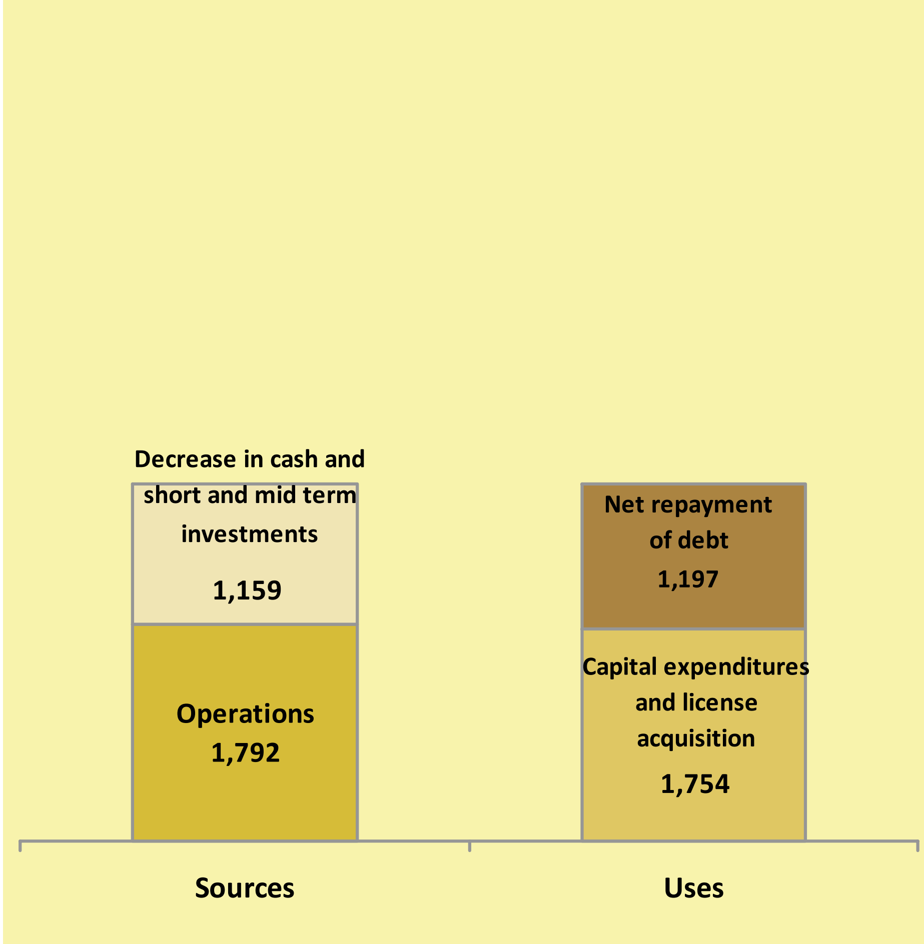
*** Capitalized interests are estimated in accordance with FASB ASC 835-20 'Capitalization of interest'.**
The capitalization rate is calculated by dividing interest expenses on loans related to capital expenditures by the average balance of these loans. Interests capitalized are calculated by multiplying the average balance of construction in progress by the capitalization rate.

Sources and Uses of Cash

Q1’2011



Q1’2010



Operating cash flow is adjusted for operations with trading securities as part of excess cash management (outflow of USD 15 mln in Q1’11, inflow of USD 495 mln in Q1’10).