



# ROSNEFT

## Q1'09 US GAAP Financial Results

May 28, 2009



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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%
- § Capital expenditures lower per guidance
  - § Material prices, rouble devaluation
- § 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



# 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

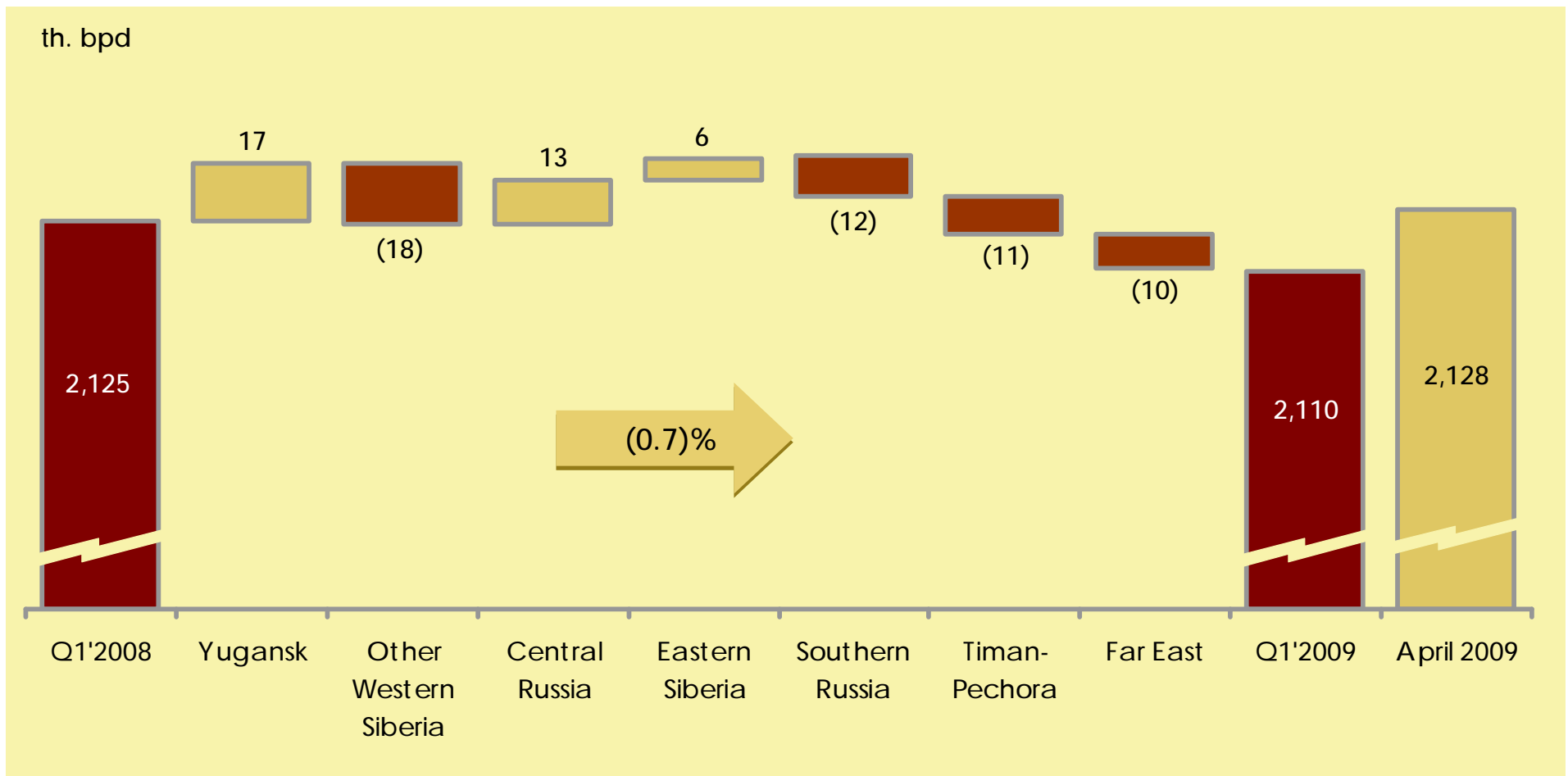
	Q1'09	Q1'08	Δ, %	Q4'08	Δ, %
Daily crude oil production, th. bpd	2,110	2,125	(0.7)%	2,127	(0.8)%
Gas production, bcm	3.35	3.39	(1.2)%	3.32	0.9%
Petroleum product output, mln t	11.60	11.96	(3.0)%	11.46	1.2%
Revenues, USD mln	8,264	16,368	(49.5)%	10,799	(23.5)%
EBITDA, USD mln	2,318	4,698	(50.7)%	32	x72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

<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

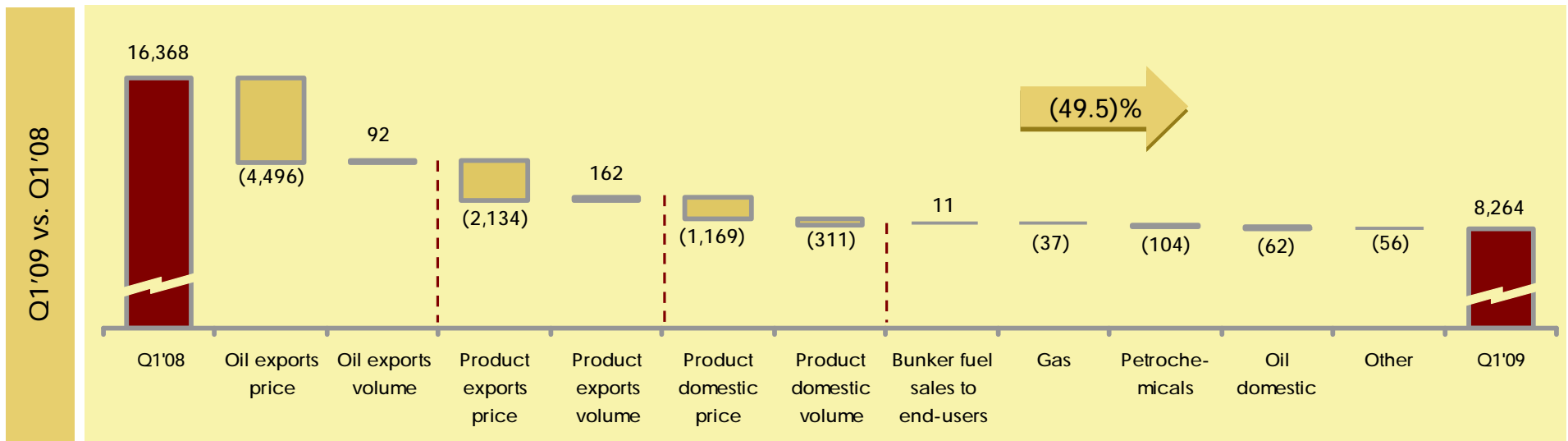
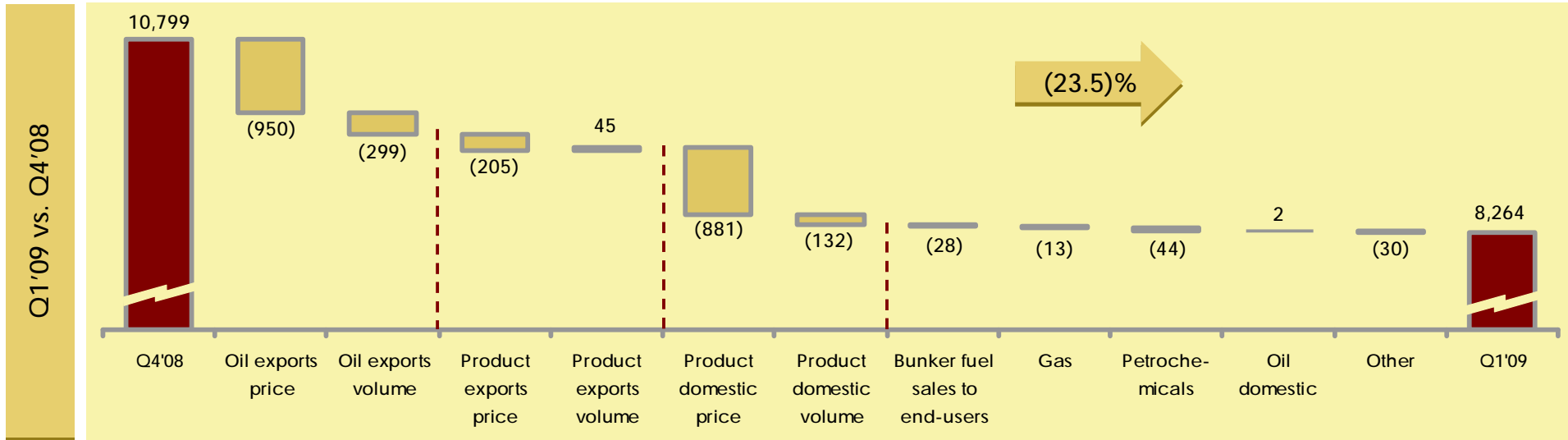
Rosneft Daily Crude Oil Production Reconciliation, Q1'09 vs. Q1'08



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



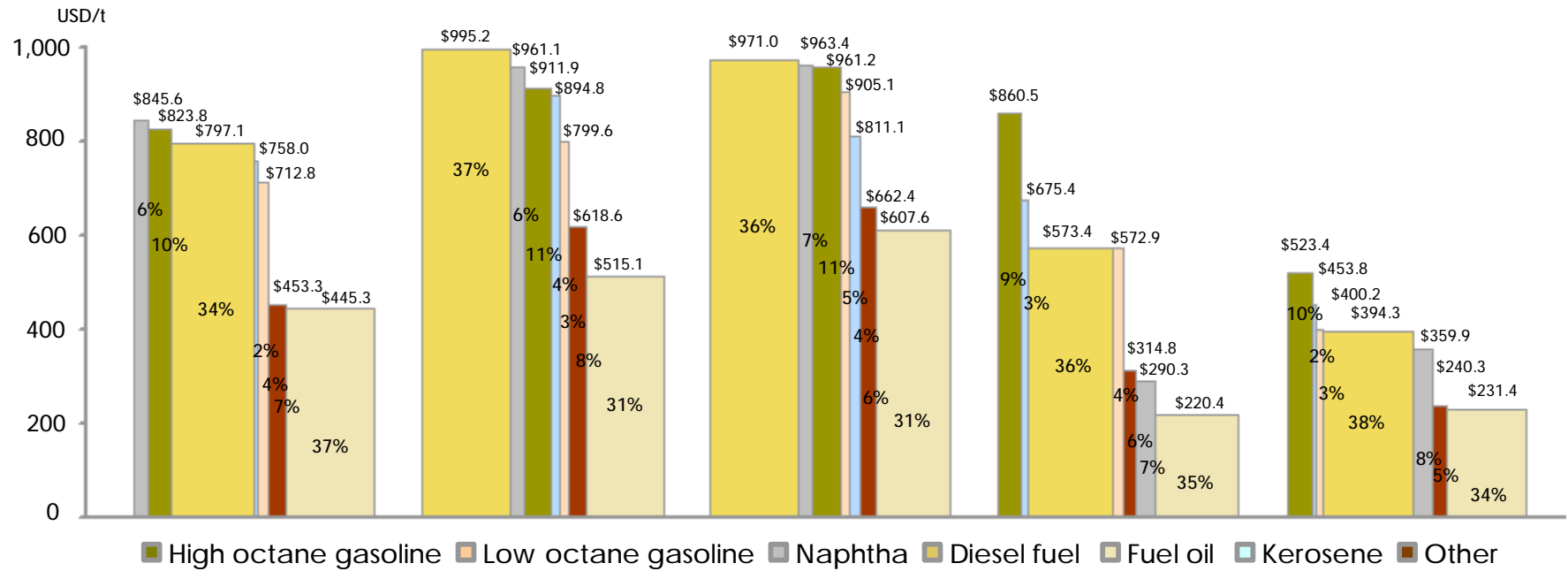
# Revenues Reconciliation, USD mln





# Petroleum Product Revenues

## Petroleum Products: Average Prices and Volume Breakdown

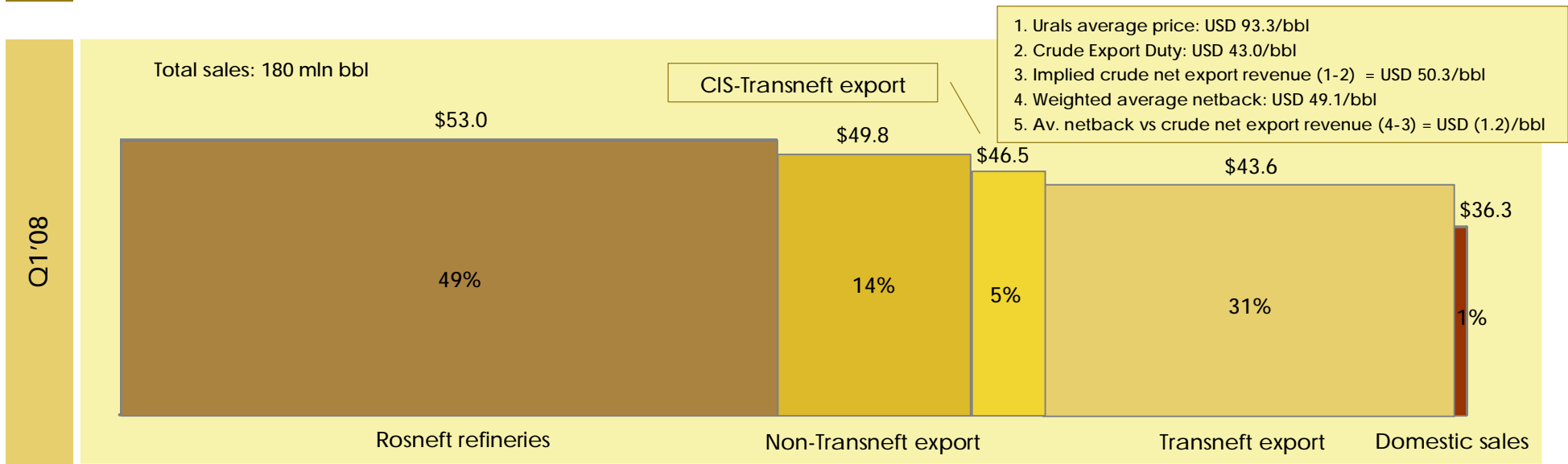
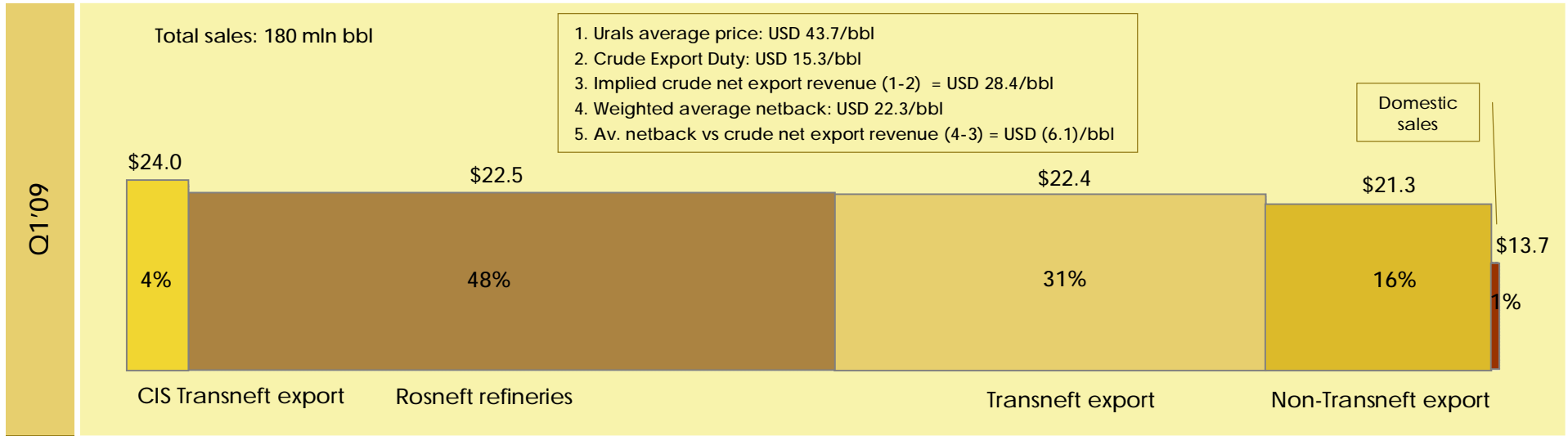


	Q1'08	Q2'08	Q3'08	Q4'08	Q1'09
Revenue, USD mln	7,233	8,852	9,988	4,993	3,792
Excise and export duty, USD mln	1,341	1,440	1,922	1,223	639
Net revenue, USD mln	5,892	7,412	8,066	3,770	3,153
Volume sold, mln tonnes	11.23	11.17	12.07	11.29	11.06
Net revenue per tonne, USD	525	664	668	334	285





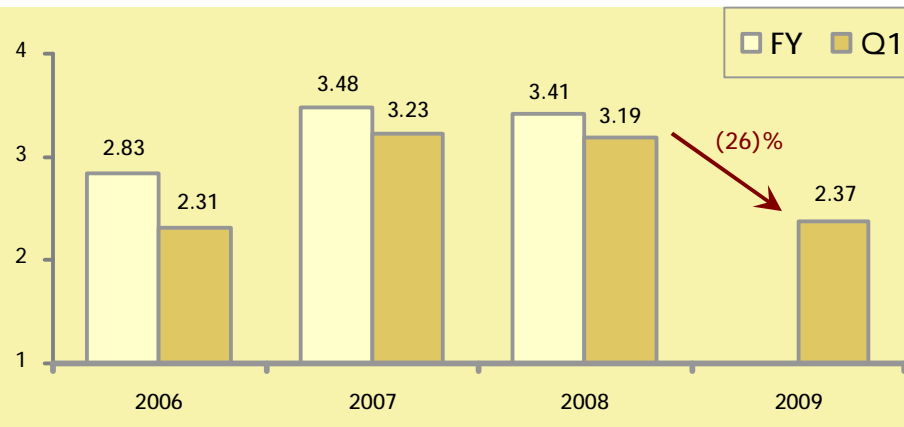
# Netback Ladder



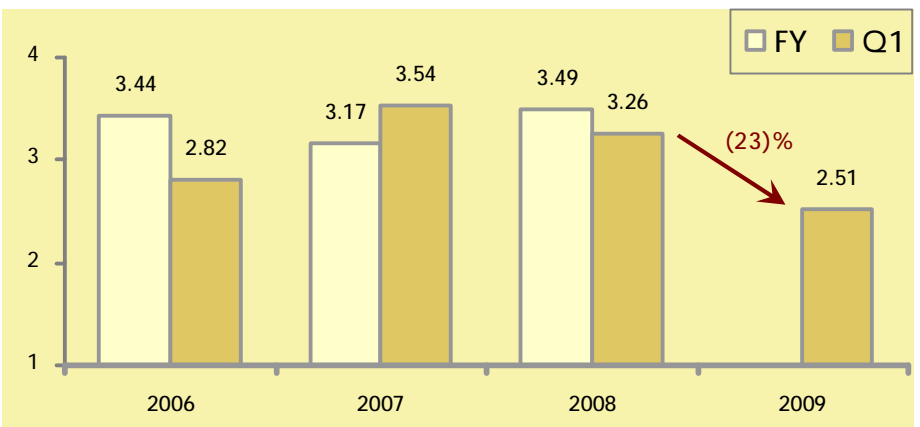


# Expenses Reduced

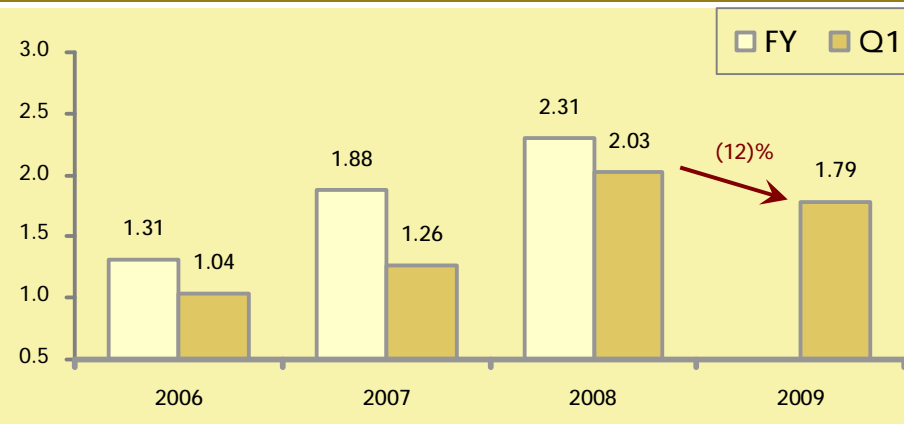
### Upstream Operating Expenses, USD/bbl of oil produced



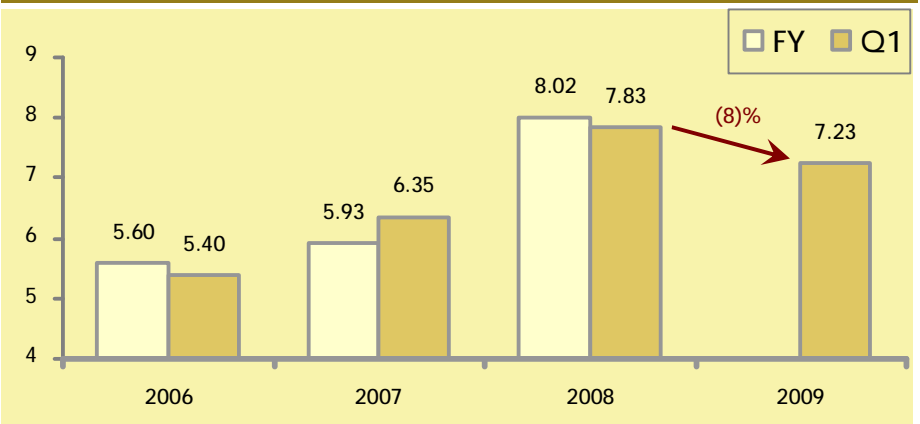
### Refining Expenses, USD/bbl of oil processed



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



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



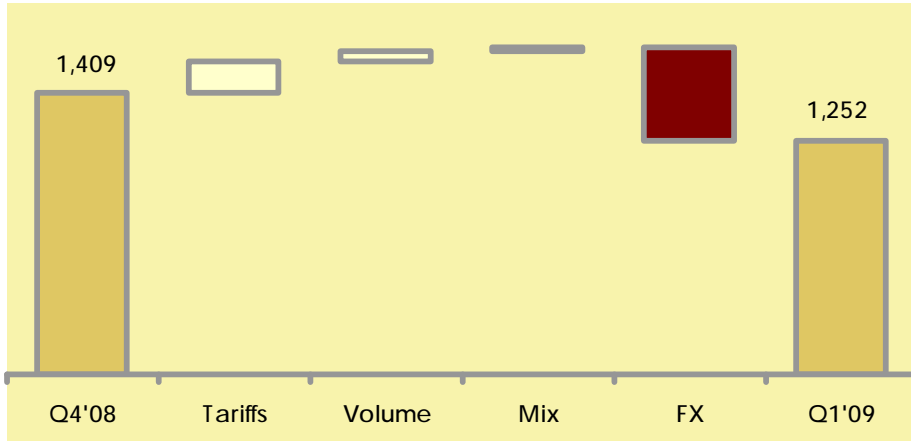
Upstream operating expenses include materials and electricity, workover, wages and salaries, and cost of transport to a trunk pipeline.

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.

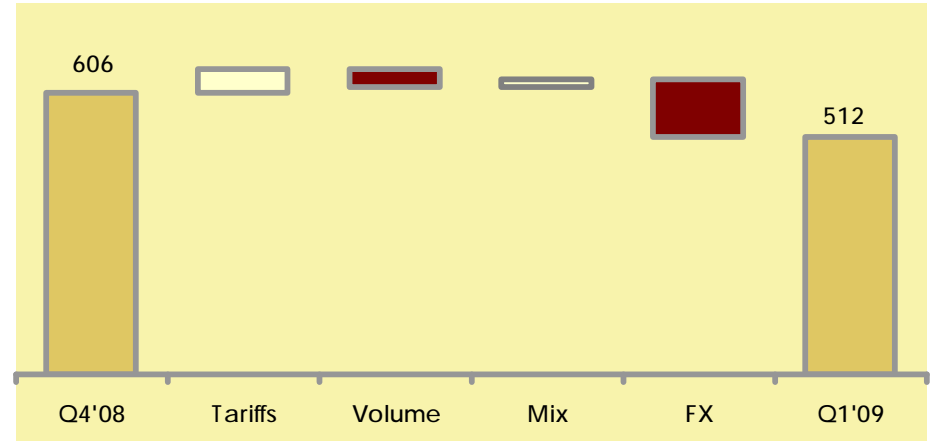


# Transportation Costs, Factor Analysis: Q1'09 vs. Q4'08

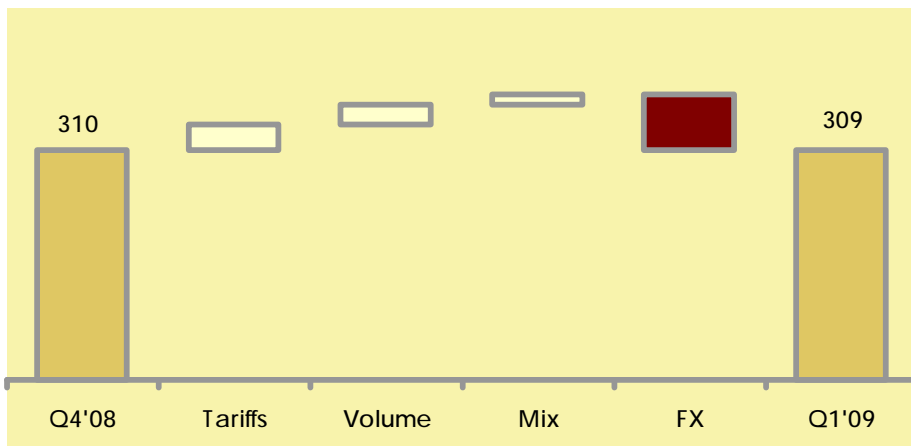
Total Transportation Costs, USD mln



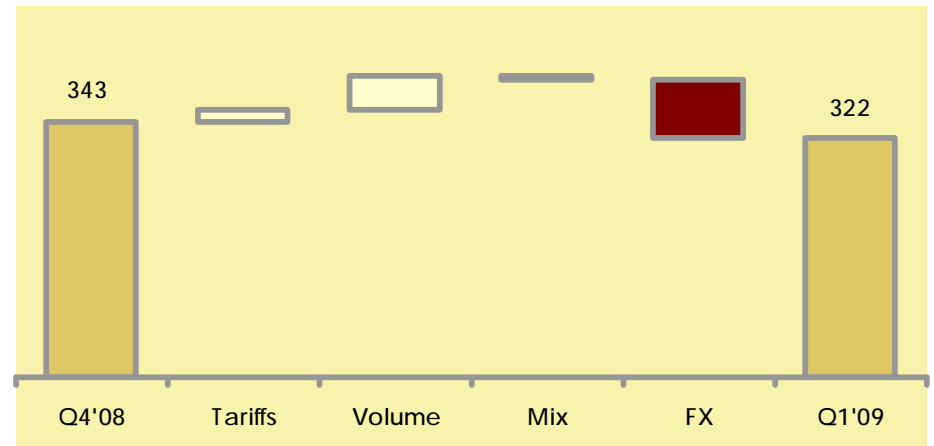
Transportation Costs for Crude Exports, USD mln



Transportation Costs for Crude Deliveries to Refineries, USD mln

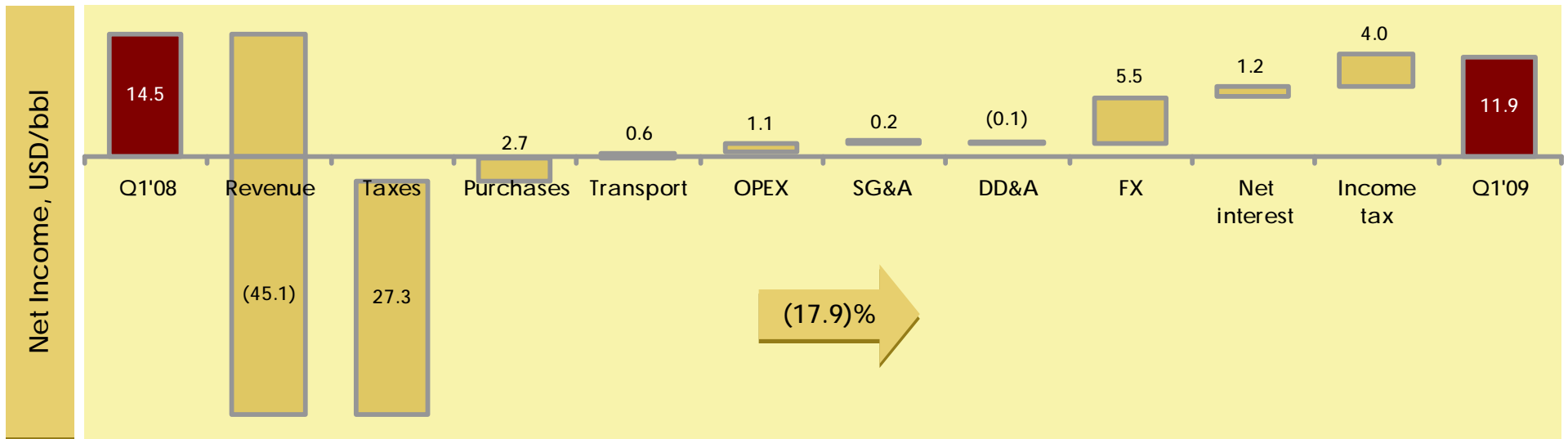
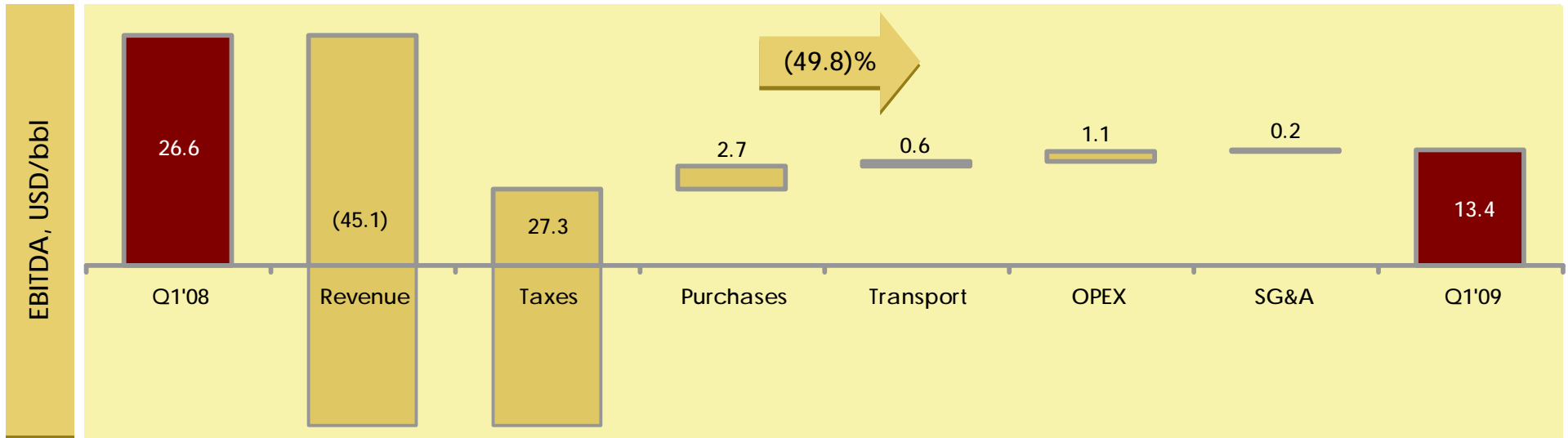


Transportation Costs for Product Exports, USD mln





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





# 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)

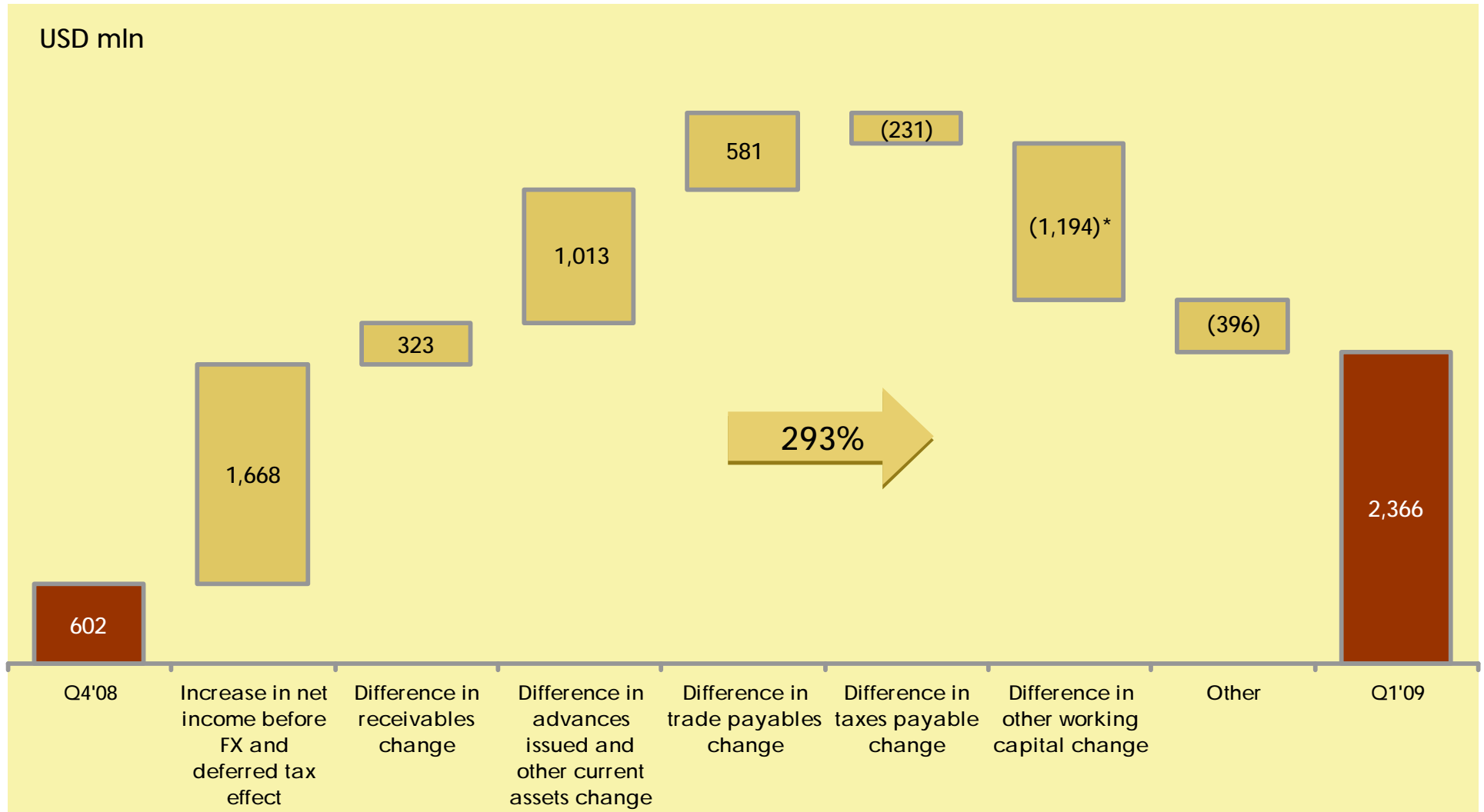
## FX gain in Q1`09

	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.



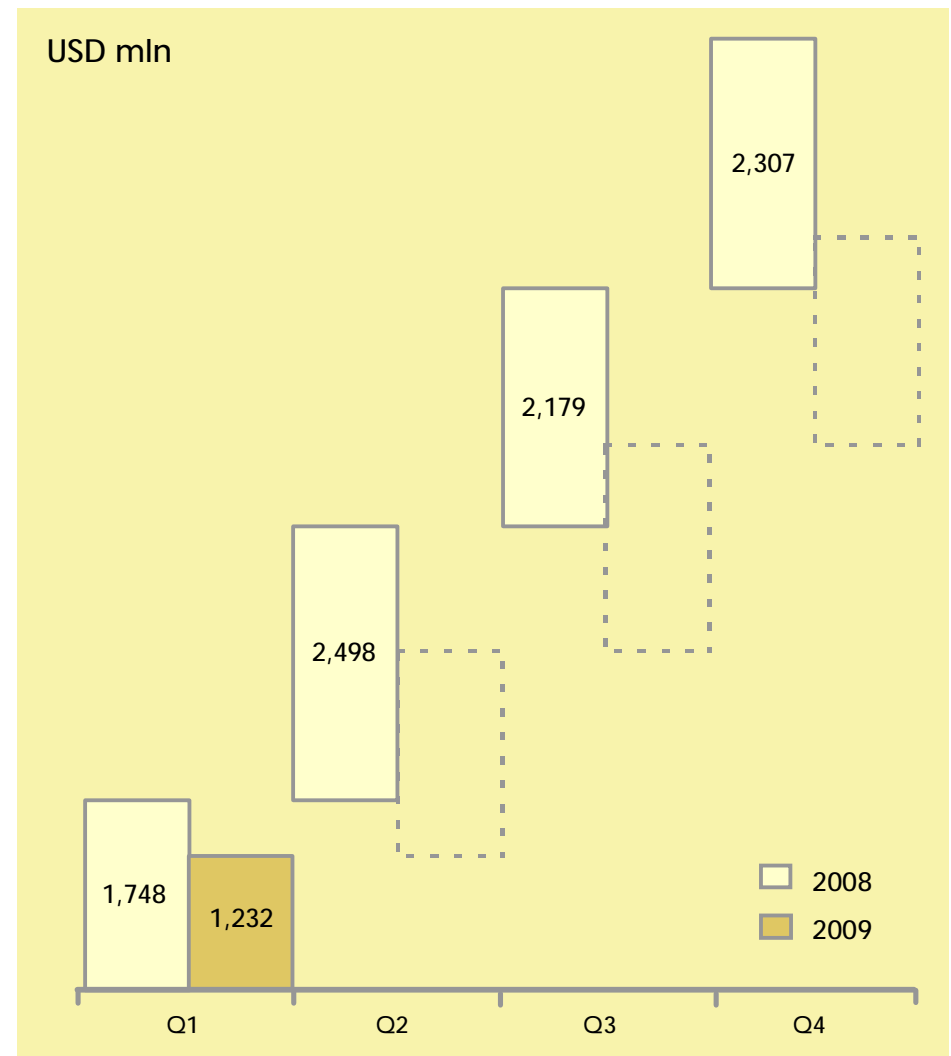
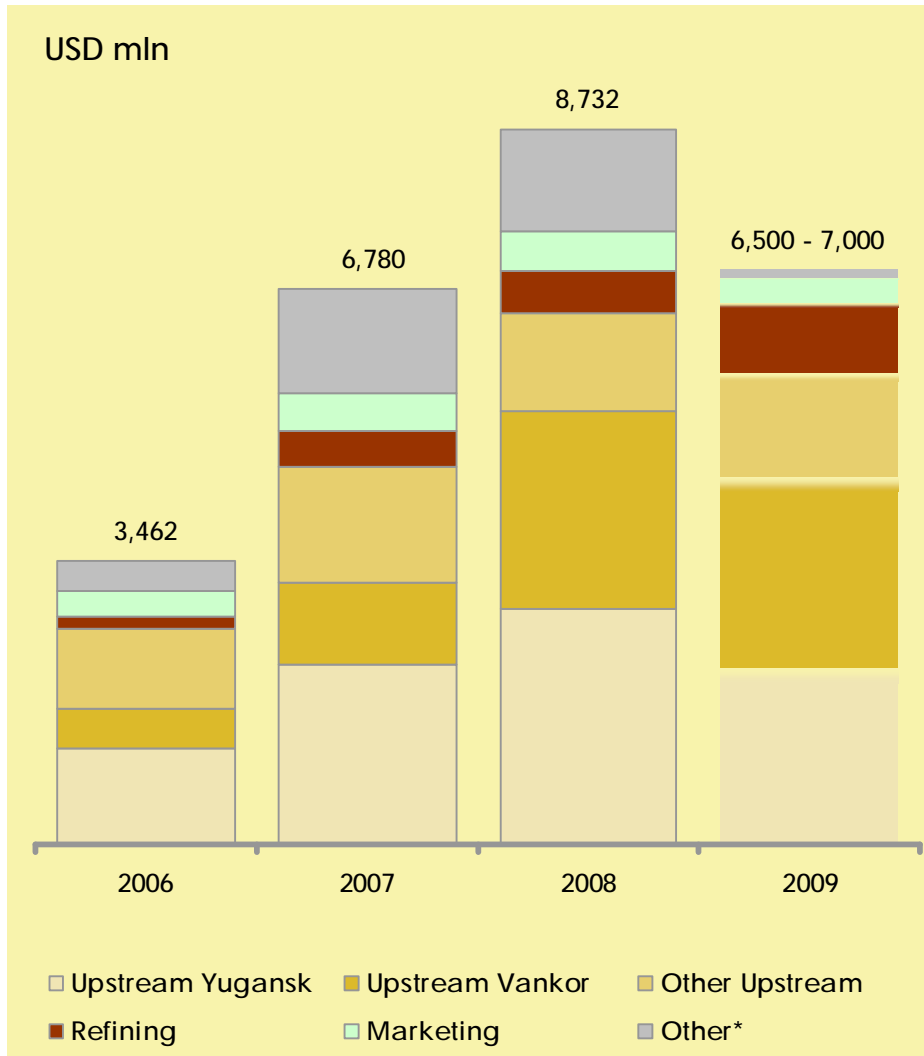
# Operating Cash Flow Reconciliation: Q1'09 vs Q4'08



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



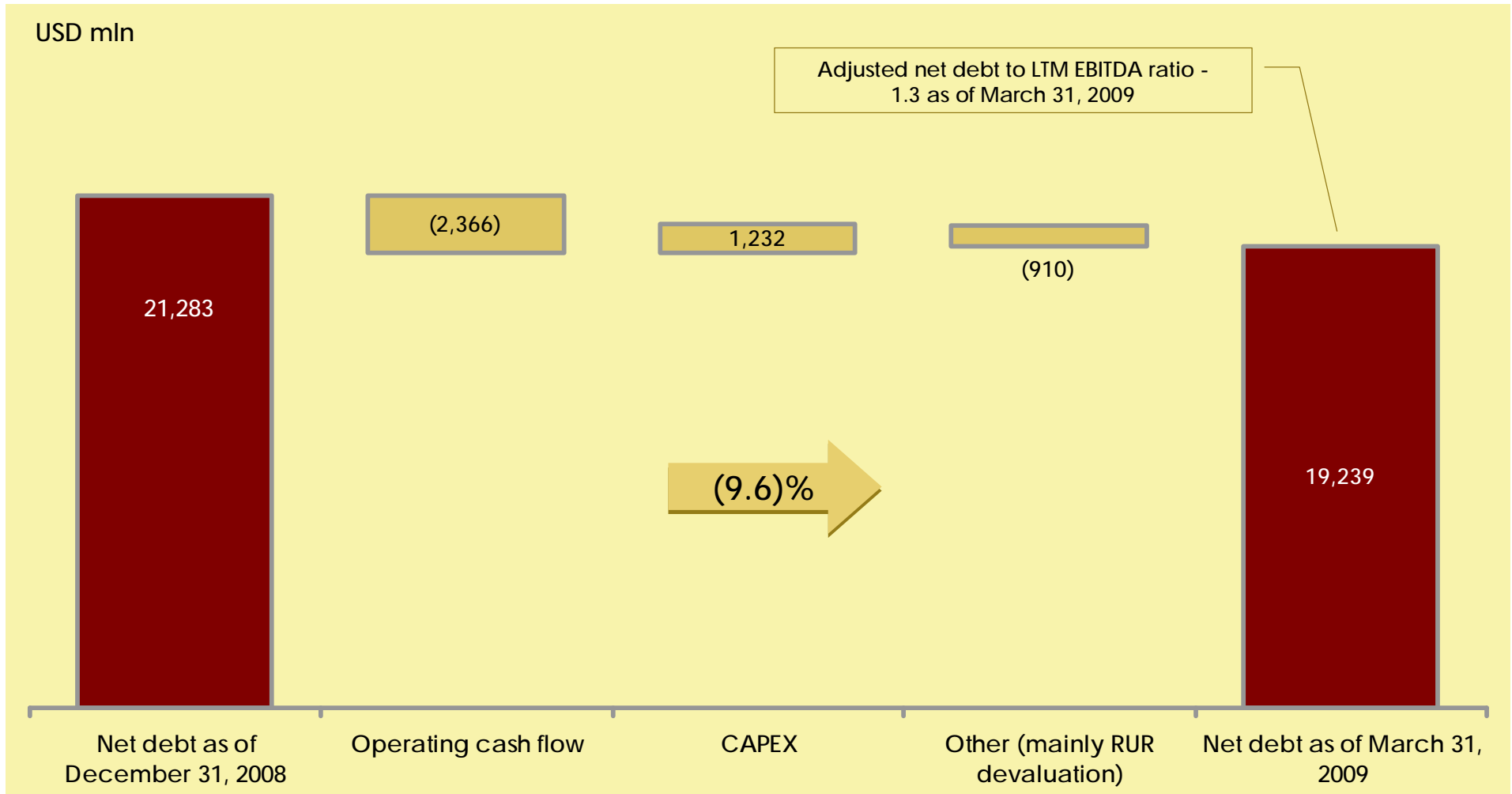
# Capital Expenditures



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



# 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.



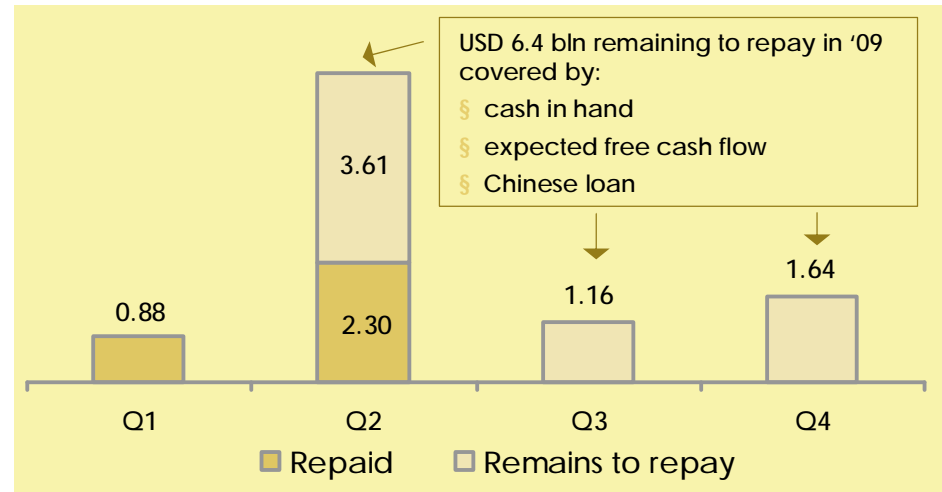


# New Credit Profile: Enhanced Fundamentals, Unrivalled Flexibility

## 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 net debt reduction
- § Low interest costs (net of USD 58 mln in Q1 '09)
- § Low leverage levels (Net Debt / EBITDA)
  - § 1.2 in 2008
  - § 1.5 is expected for 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.



# Appendix



## Current Income Tax in Q1'09

	Pretax income	Current income tax	Effective current rate
	USD mln	USD mln	%
<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.



# 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

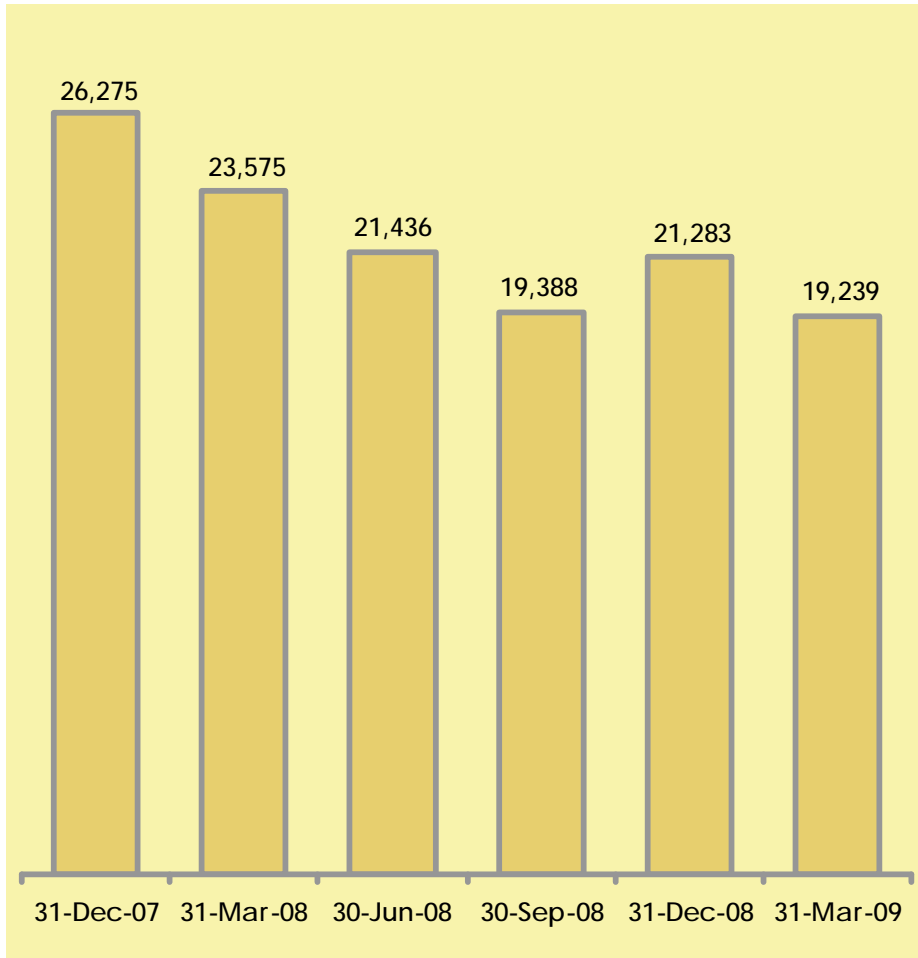
## III. Reducing operating expenses

- § 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

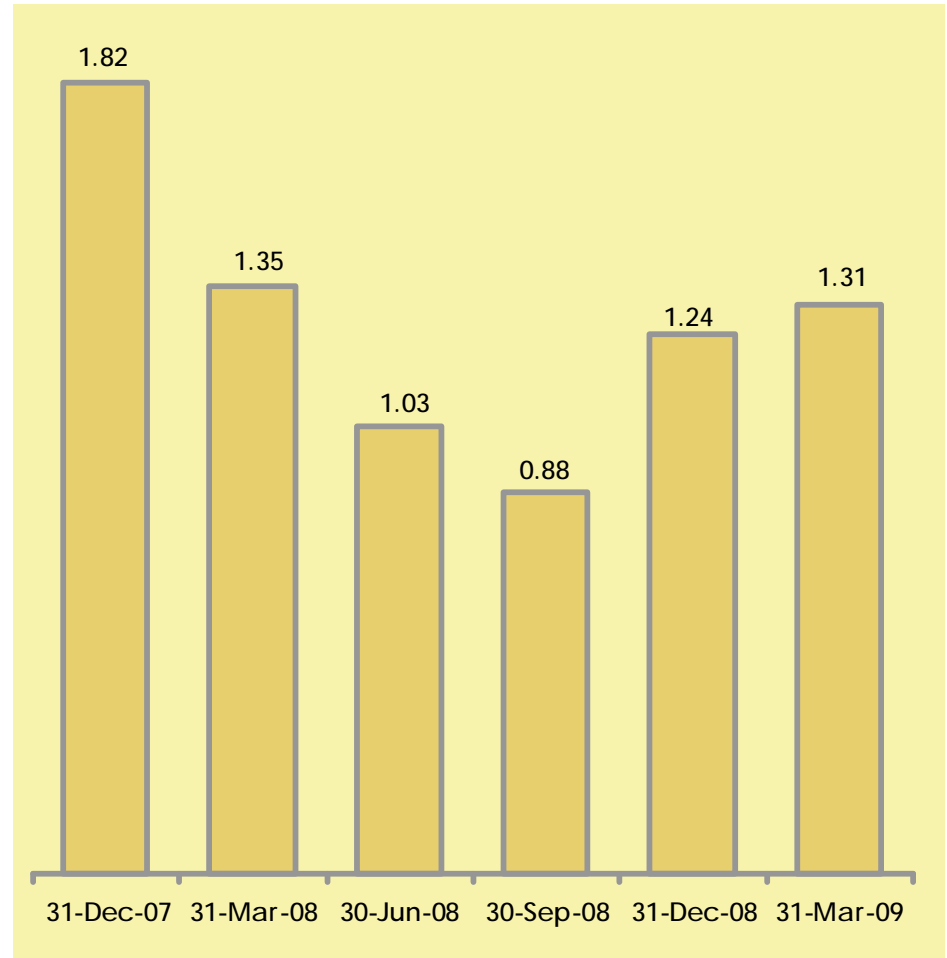


# Reduction of Net Debt

Net debt, USD mln



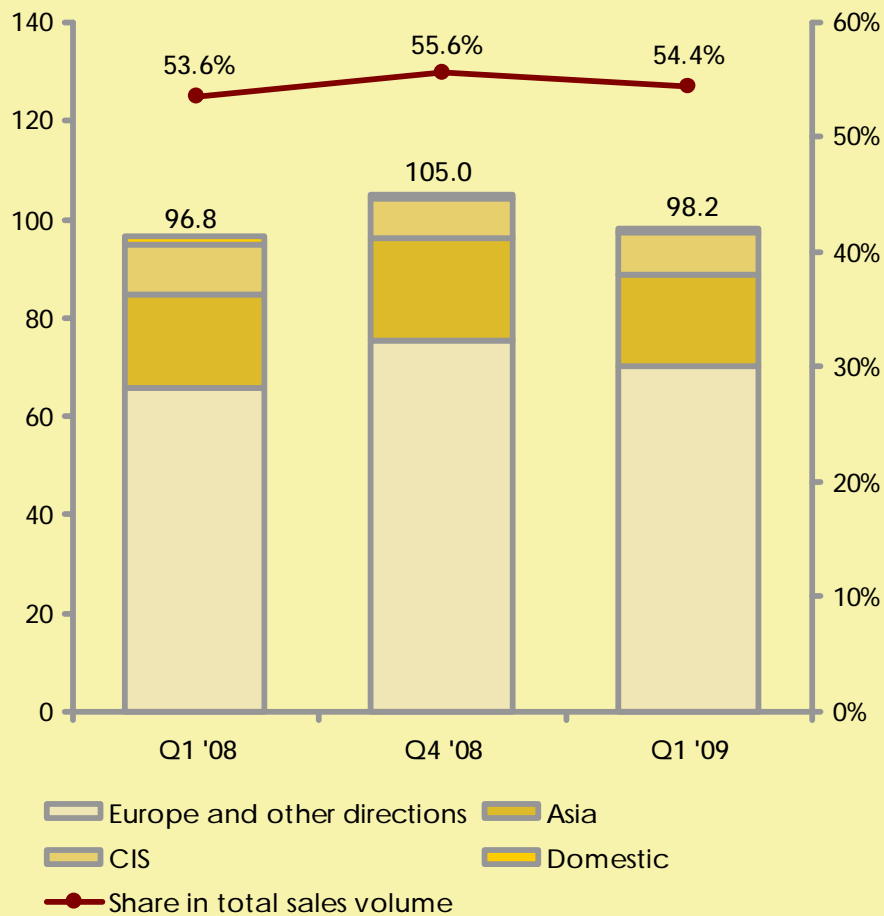
Net debt to LTM EBITDA



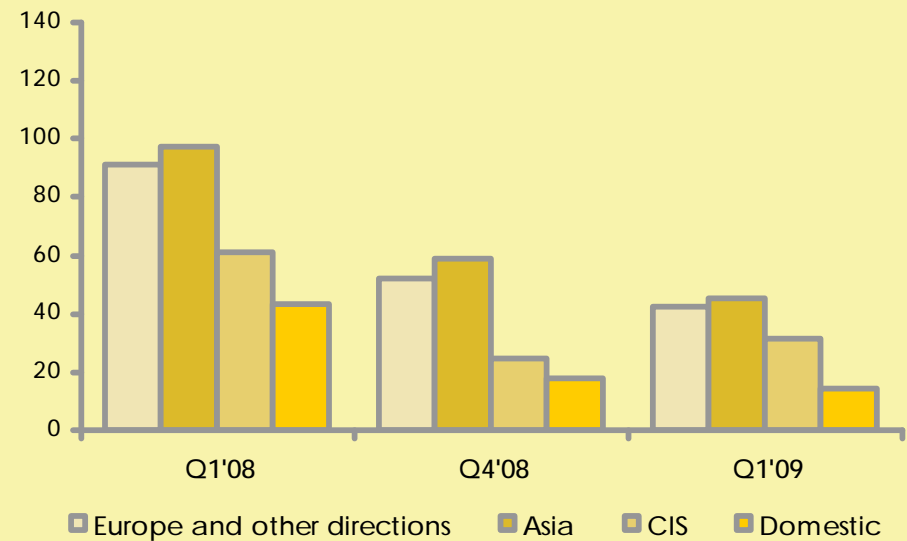


# Crude Oil Sales

Crude Oil and Condensate Sales Volumes, mln bbl



Average Prices, USD/bbl

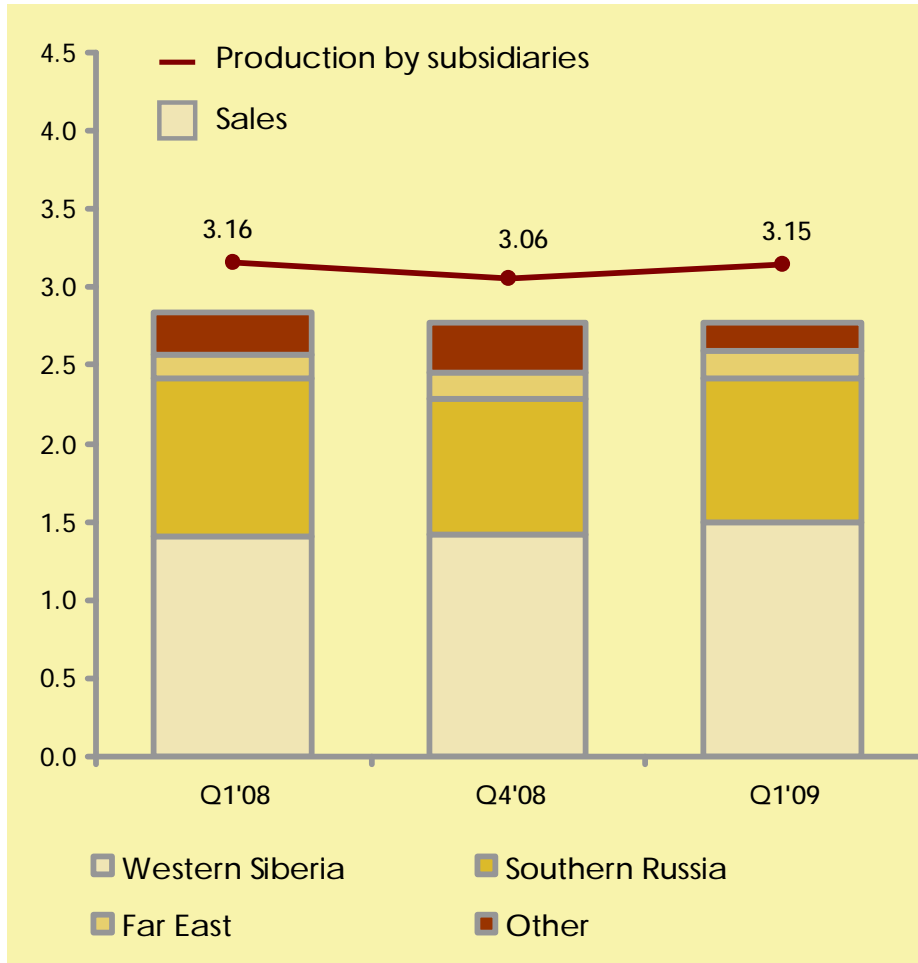


	Q1'08	Q4'08	Q1'09
	USD/bbl		
Average Brent (Platts)	96.90	54.91	44.40
Urals (average Med+NWE) (Platts)	93.33	54.06	43.65
Rosneft export			
Europe and other directions	91.59	51.98	42.52
Asia	97.28	59.08	45.17

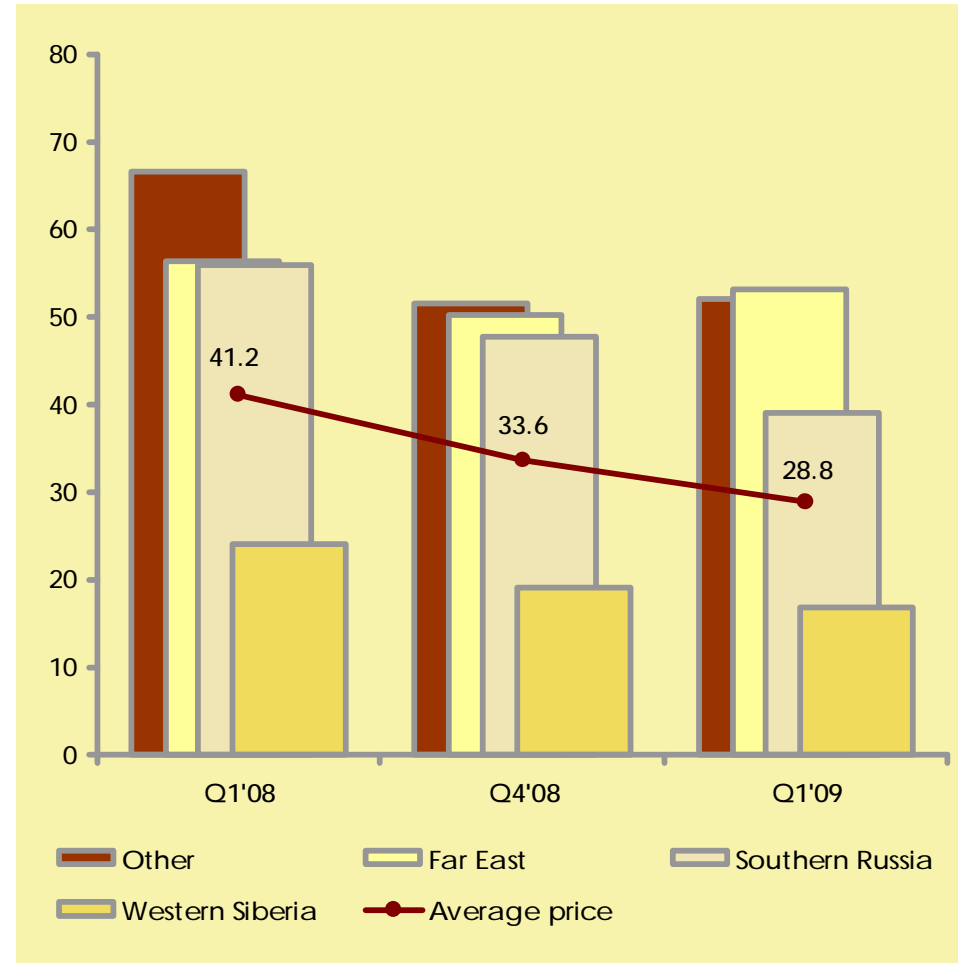


# Gas Production and Sales

Gas Sales vs. Production, bcm

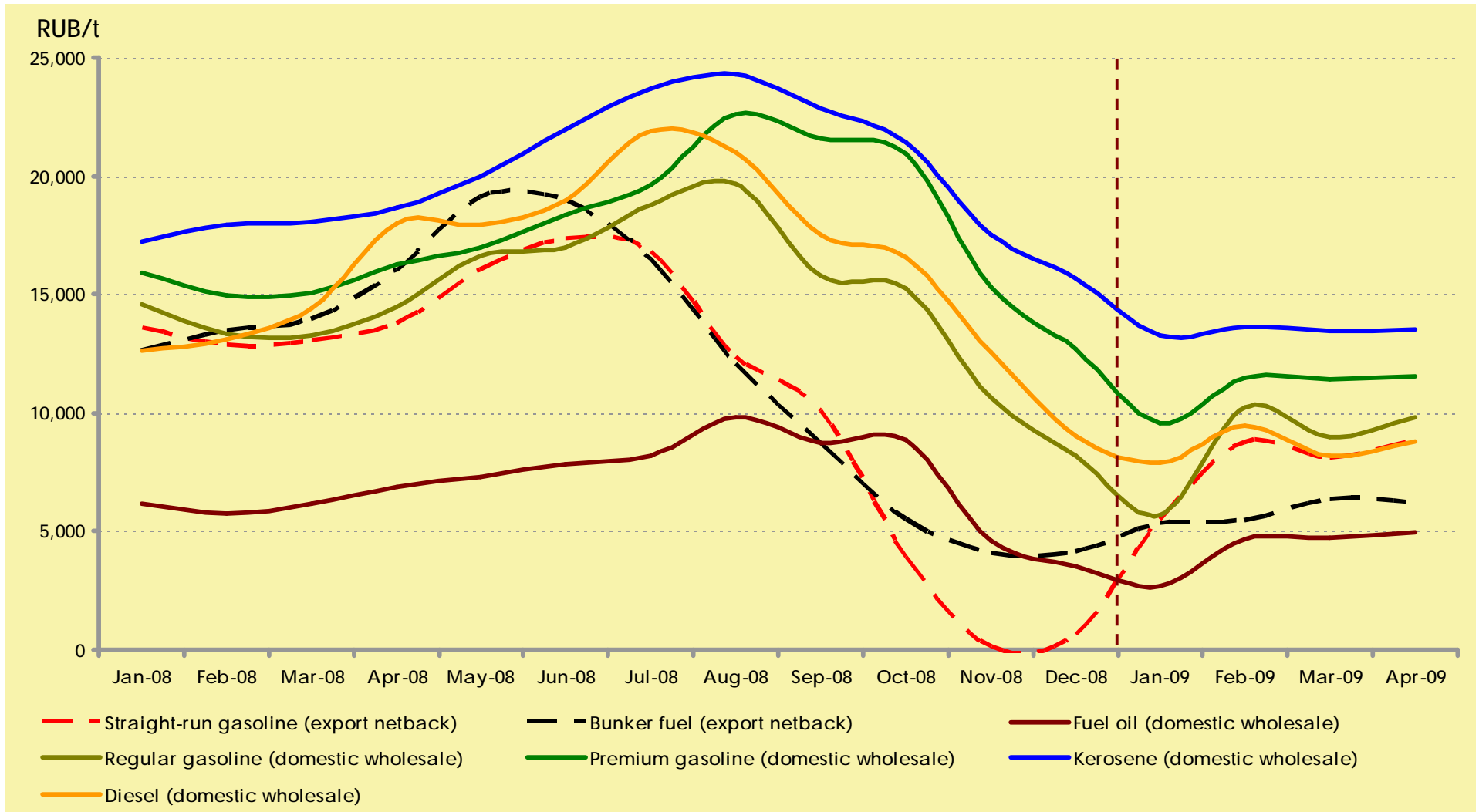


Gas Sales Prices, USD per 1,000 cubic meters





# 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).