



ROSNEFT

**Q2 and 1H 2012 IFRS
Financial Results**

August 1, 2012



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Q2'12 and 1H'12 Highlights

Positives

- Key financial results in 1H'12:
 - Revenue – **1,466 RUB bln**
 - EBITDA – **254 RUB bln**
 - Net Income – **104 RUB bln**
- Free cash flow **25 RUB bln** in Q2'12
- Crude oil and gas production increased in by **2.0%** and **7.3%** 1H'12 vs. 1H'11, respectively
- **12.4%** refining throughput growth in 1H'12 vs. 1H'11
- Retail sales growth of **6.7 %** in Q2'12 vs. Q1'12
- Efficient lifting cost control

Challenges, Priorities

Q2'12 – challenges

- Weak prices for crude and petroleum products
- Negative export duty lag effect
- FX loss

Q3-Q4'12 priorities

- Meeting 2012 Business plan targets
- Implementation of key investment projects in upstream and downstream segments
- Continued cost control
- Internal optimization



Macroeconomic Environment

	Q2'12	Q1'12	Δ, %	1H'12	1H'11	Δ, %
Average USD/RUB exchange rate	31.01	30.26	2.5%	30.64	28.62	7.1%
Inflation for the period, %	1.7%	1.5%		3.2%	5.0%	
Urals FOB Primorsk, th. RUB/bbl	3.25	3.50	(7.1)%	3.38	3.06	10.5%
Gasoil 0.1% (FOB/CIF Med), th. RUB/tonne	28.70	30.16	(5.0)%	29.44	26.33	11.8%
Fuel oil 3.5% (FOB/CIF Med), th. RUB/tonne	19.53	20.64	(5.3)%	20.09	16.90	18.9%
High octane gasoline (av. Russia), th. RUB/tonne	25.08	23.07	8.7%	24.07	23.18	3.9%
Diesel (av. Russia), th. RUB/tonne (summer)	22.53	21.81	3.2%	22.17	18.69	18.7%



Q2'12 and 1H'12 Results Overview

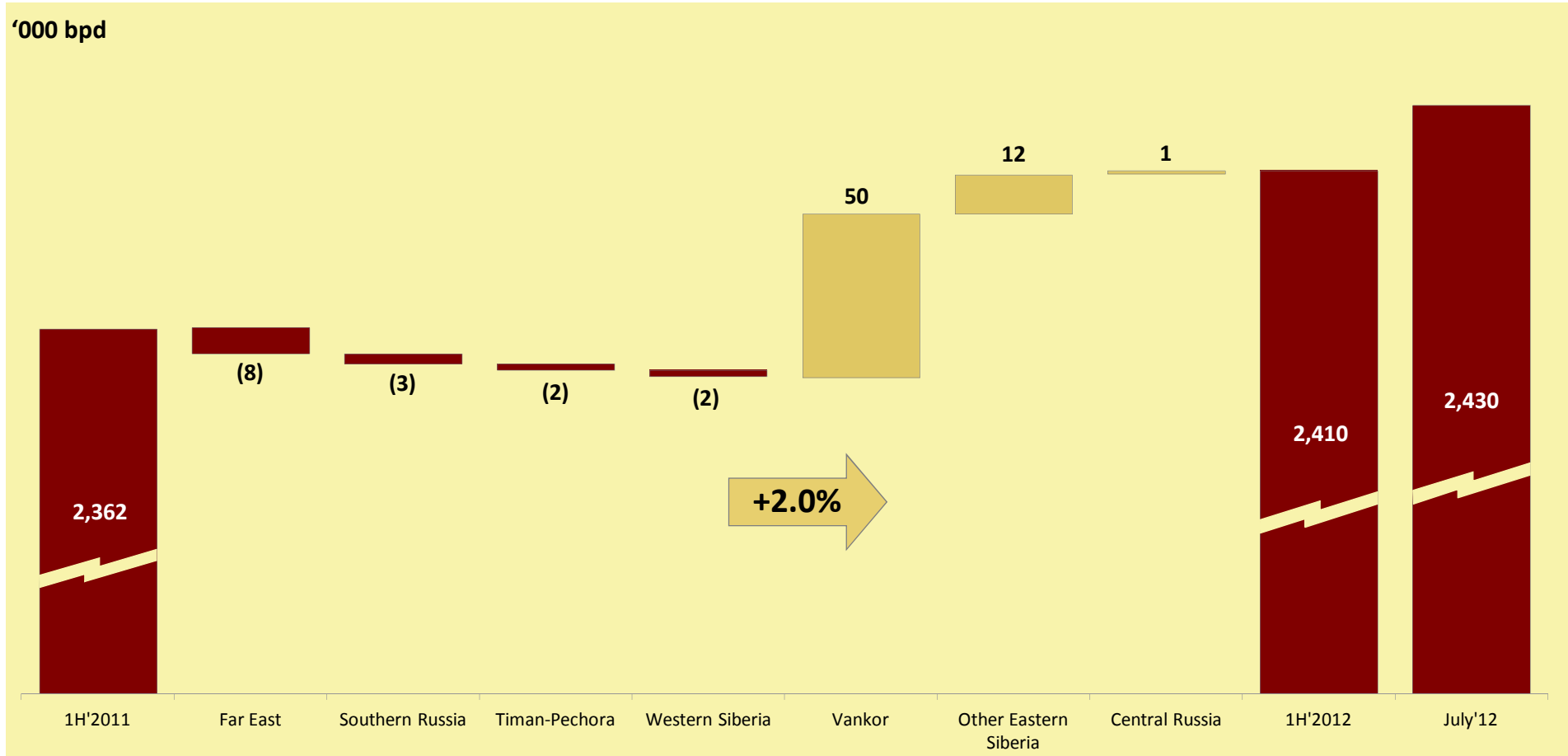
	Q2'12	Q1'12	Δ, %	1H'12	1H'11	Δ, %
Hydrocarbon production, th. boe per day	2,621	2,634	(0.5)%	2,628	2,565	2.5%
Crude oil production, th. barrels per day	2,413	2,408	0.2%	2,410	2,362	2.0%
Gas production, bcm	3.22	3.50	(8.0)%	6.72	6.26	7.3%
Petroleum product output, mln t	13.67	14.83	(7.8)%	28.50	25.19	13.1%
Revenues, RUB bln	718	748	(4.0)%	1,466	1,239	18.3%
EBITDA, RUB bln	89	165	(46.1)%	254	346	(26.6)%
Net income, RUB bln	(8)	112	-	104	190	(45.3)%
Operating cash flow ¹ , RUB bln	146	72	102.8%	218	272	(19.9)%
Capital expenditures, RUB bln	121	118	2.5%	239	177	35.0%
Free cash flow, RUB bln	25	(46)	-	(21)	95	-
Net debt, RUB bln	658	527	24.9%	658	364	80.7%

¹ Operating cash flow is adjusted for the effect from operations with trading securities as part of excess cash management (outflow of 1 RUB bln in Q2'12, inflow of 2 RUB bln in Q1'12, inflow of 1 RUB bln in 1H'12, outflow of 2 RUB bln in 1H'11).



Daily Crude Oil Production

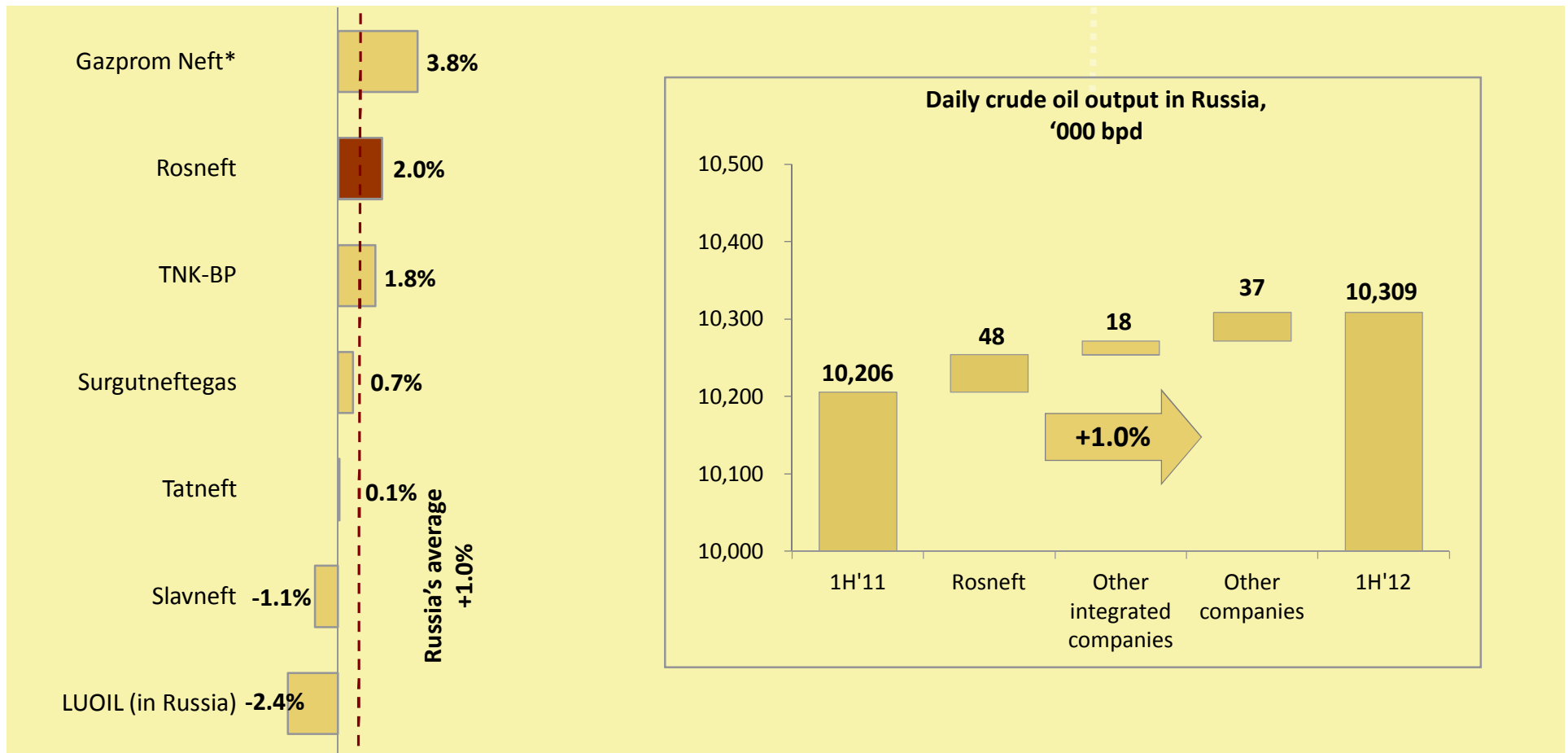
Daily Crude Oil Production Reconciliation, 1H'12 vs. 1H'11





Daily Crude Oil Production (continued)

Daily Crude Oil Production in Russia, 1H'12 vs. 1H'11

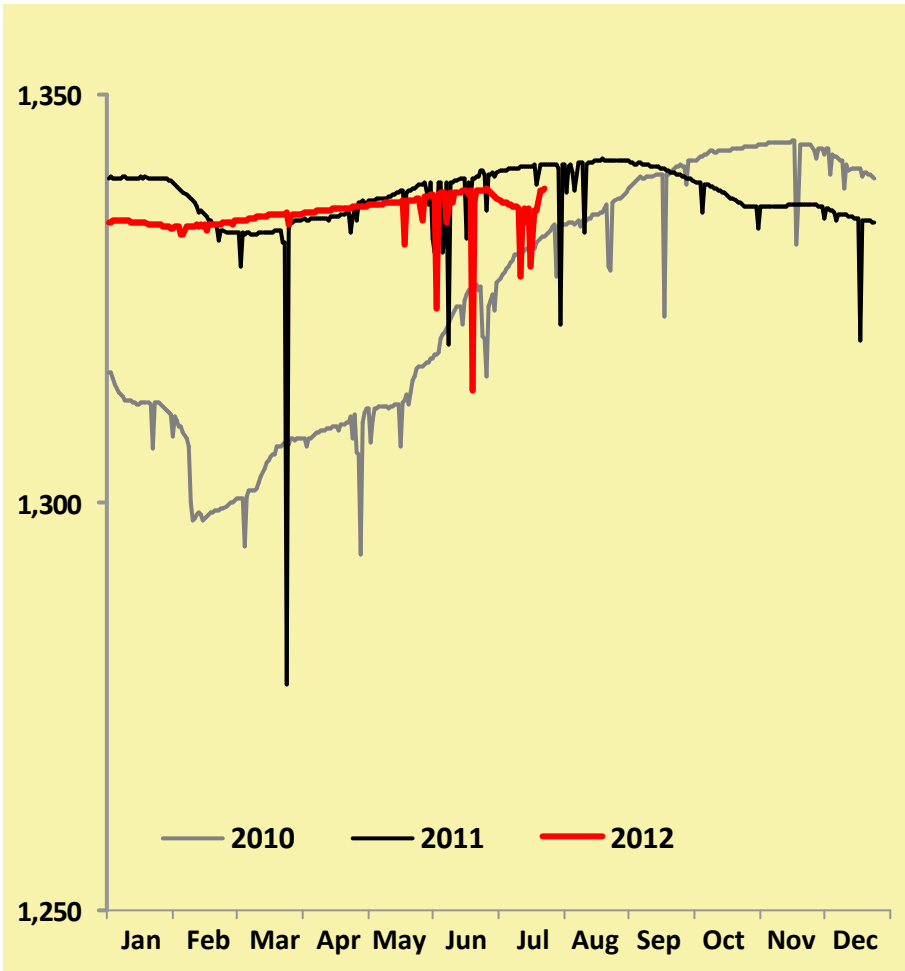


* Not including share in Tomskneft.



Yugansk: 2% ahead of plan in 1H'12

Yuganskneftegaz Daily Crude Oil Production, '000 bpd



Strategic goal – to keep plateau production for a maximum period of time

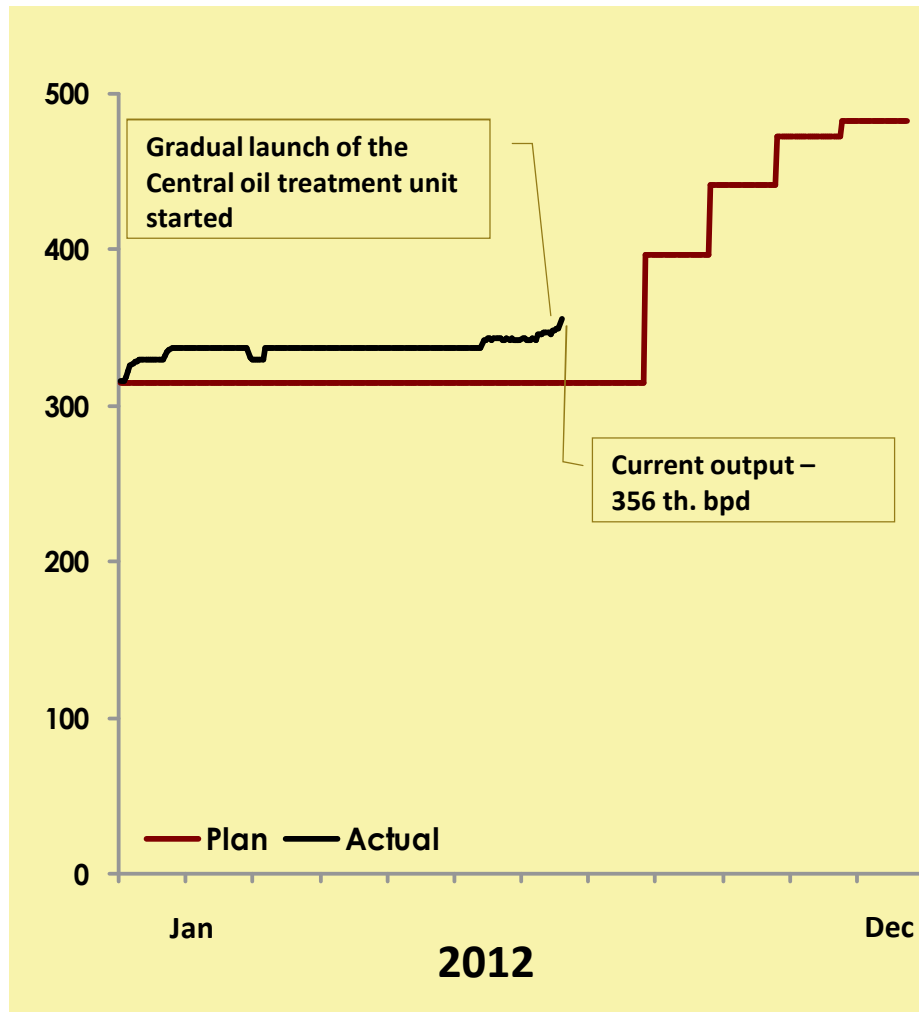
1H'12 highlights:

- Crude oil production – 33.2 mln t, or 2% higher than planned
- Number of new wells – 444 (2012 plan – 927)



Vankor: 6% ahead of plan in 1H'12

Vankor crude oil production, '000 bpd



Reaching full project capacity in 2013

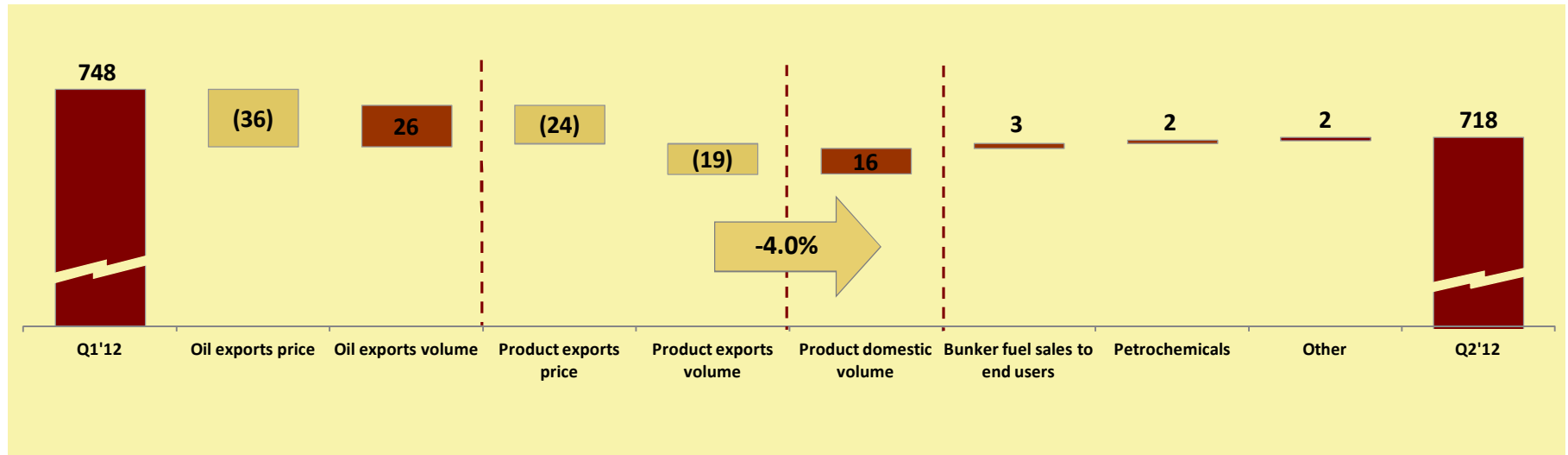
1H'12 highlights:

- Crude production – 8.4 mln t, or 6% higher than planned (2012 plan – 18 mln t)
- Number of new wells – 41 (2012 plan – 76)

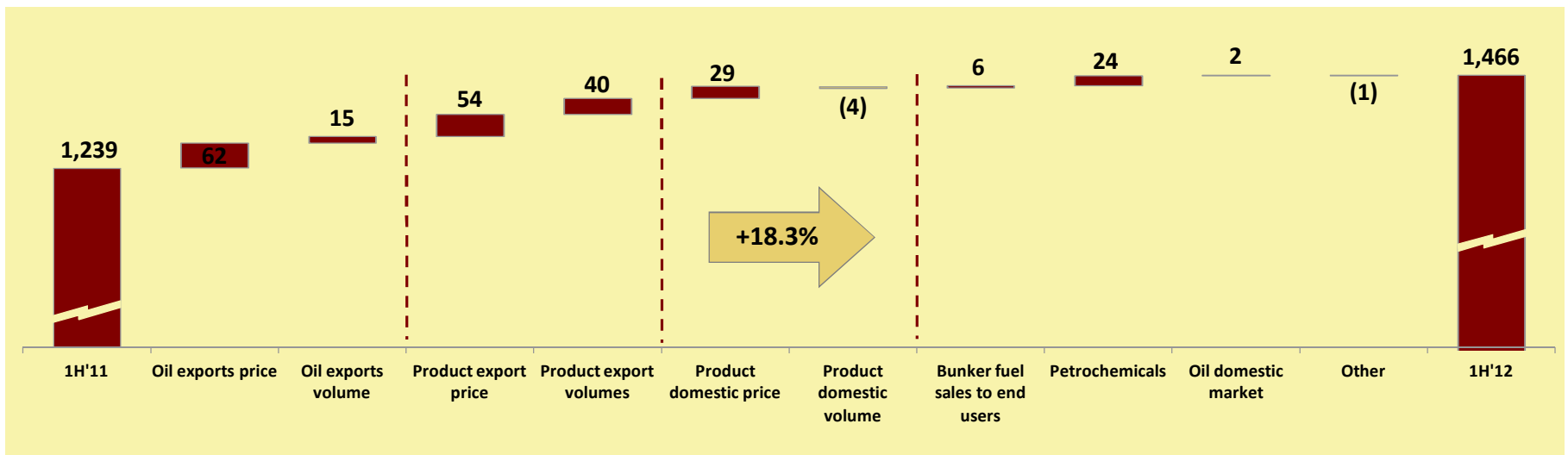


Revenues Reconciliation, RUB bln

Q2'12 vs. Q1'12



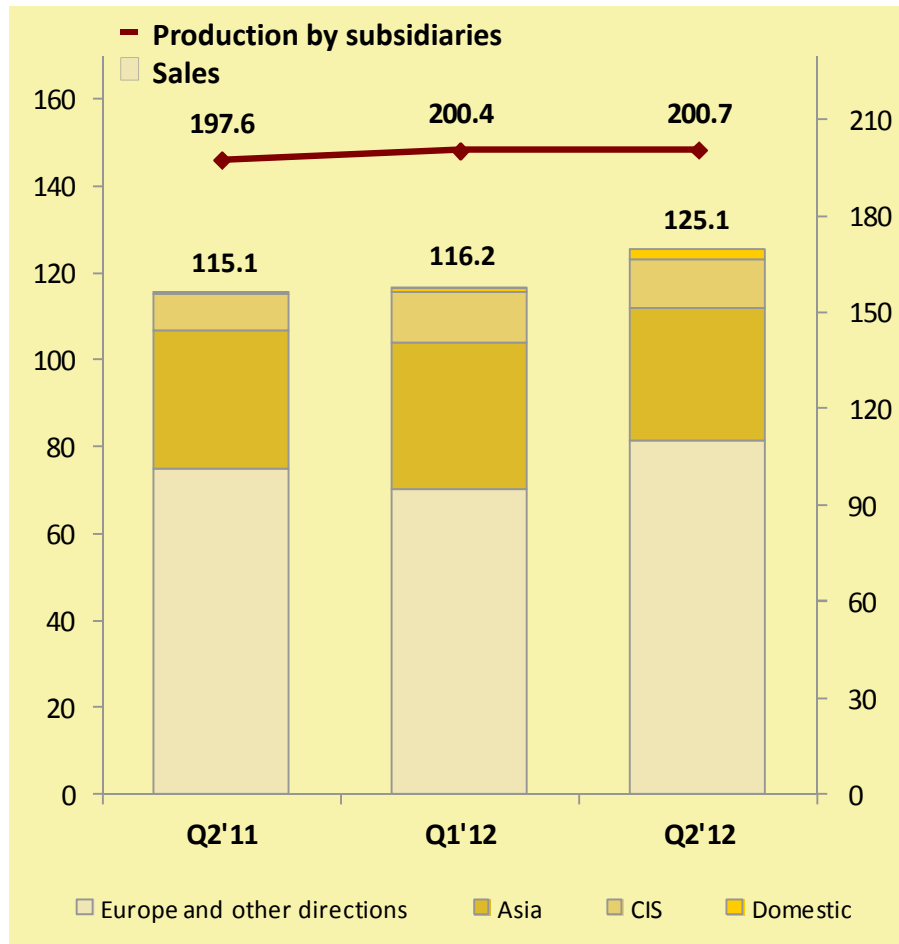
1H'12 vs. 1H'11



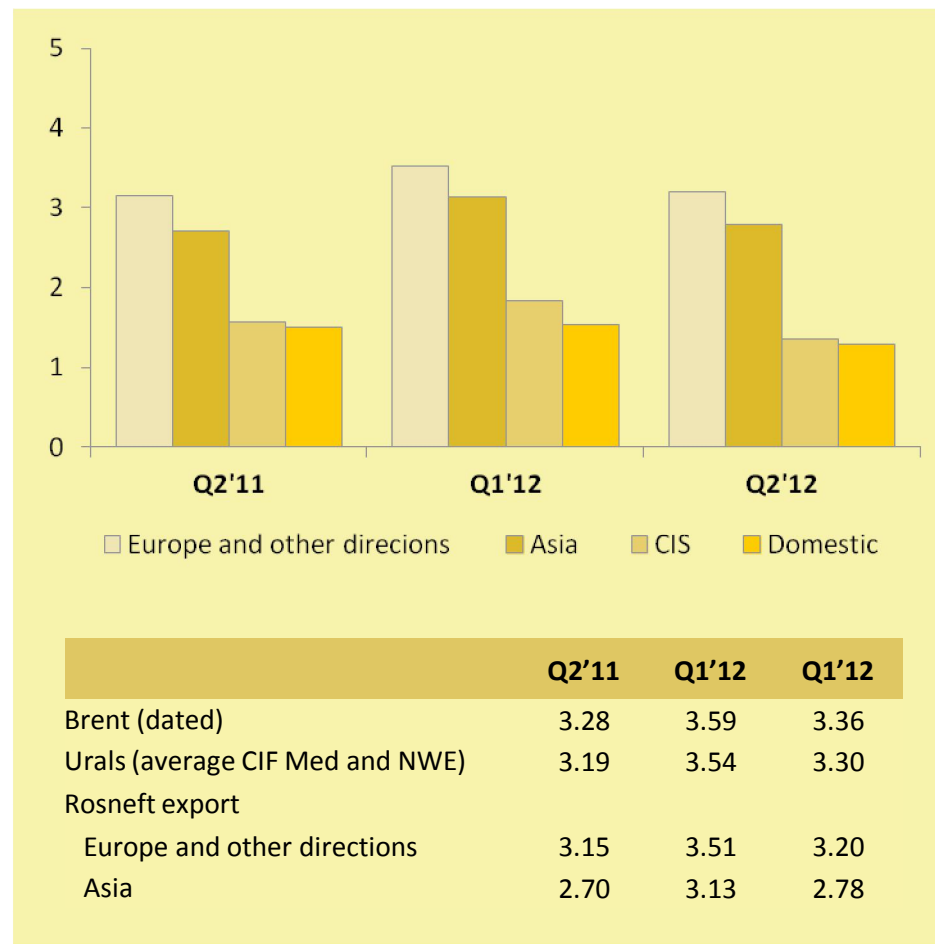


Crude Oil Sales

Crude Oil and Condensate Sales Volumes, mln bbl



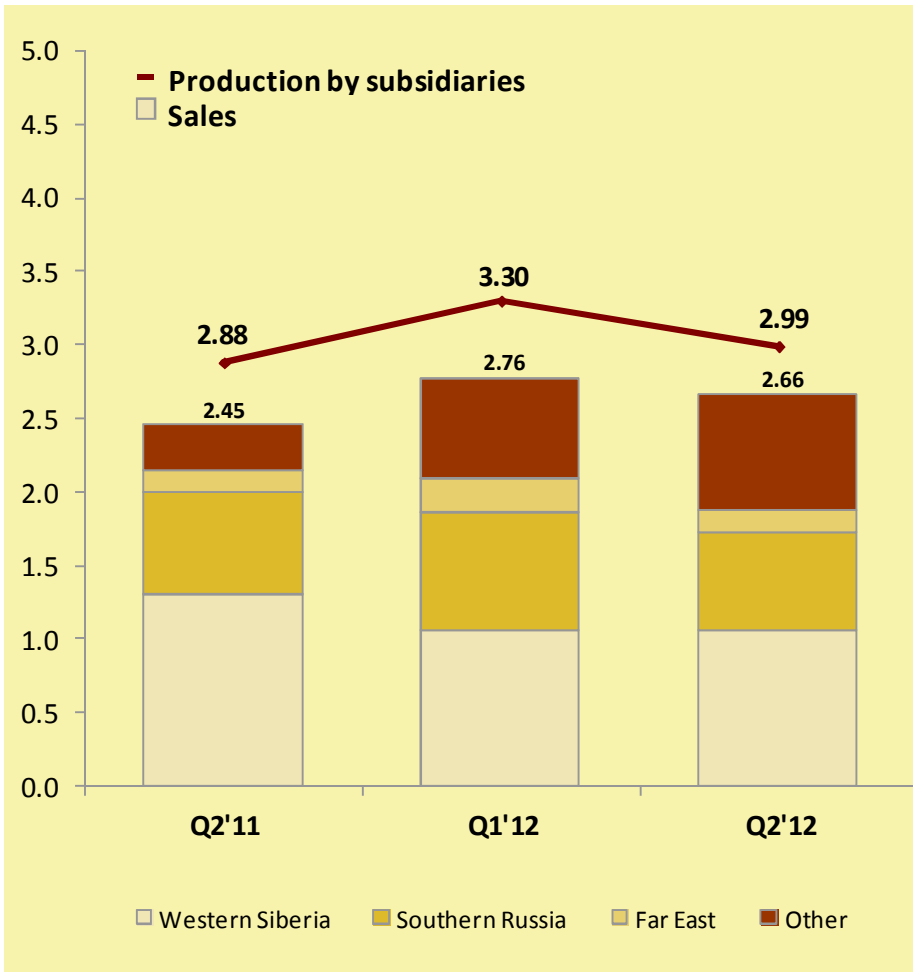
Average Prices, th. RUB/bbl



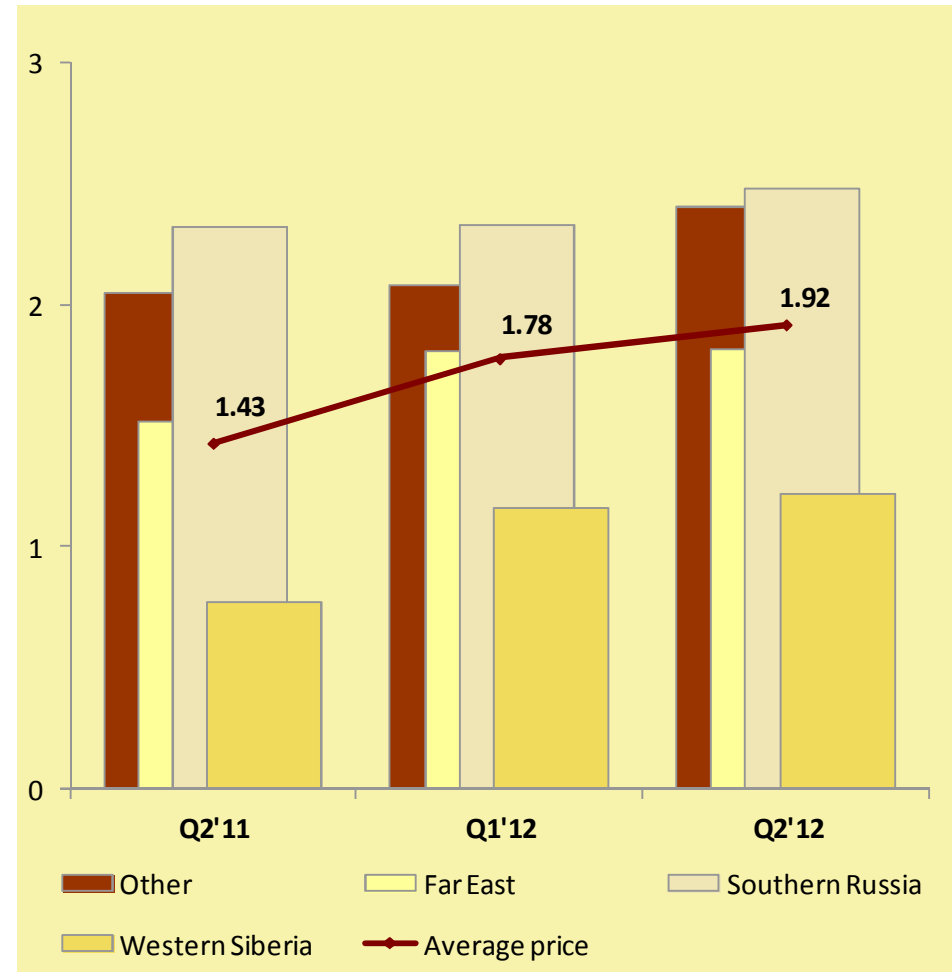


Gas Production and Sales

Gas Sales vs. Production, bcm



Gas Sales Prices, th. RUB per 1,000 cubic meters



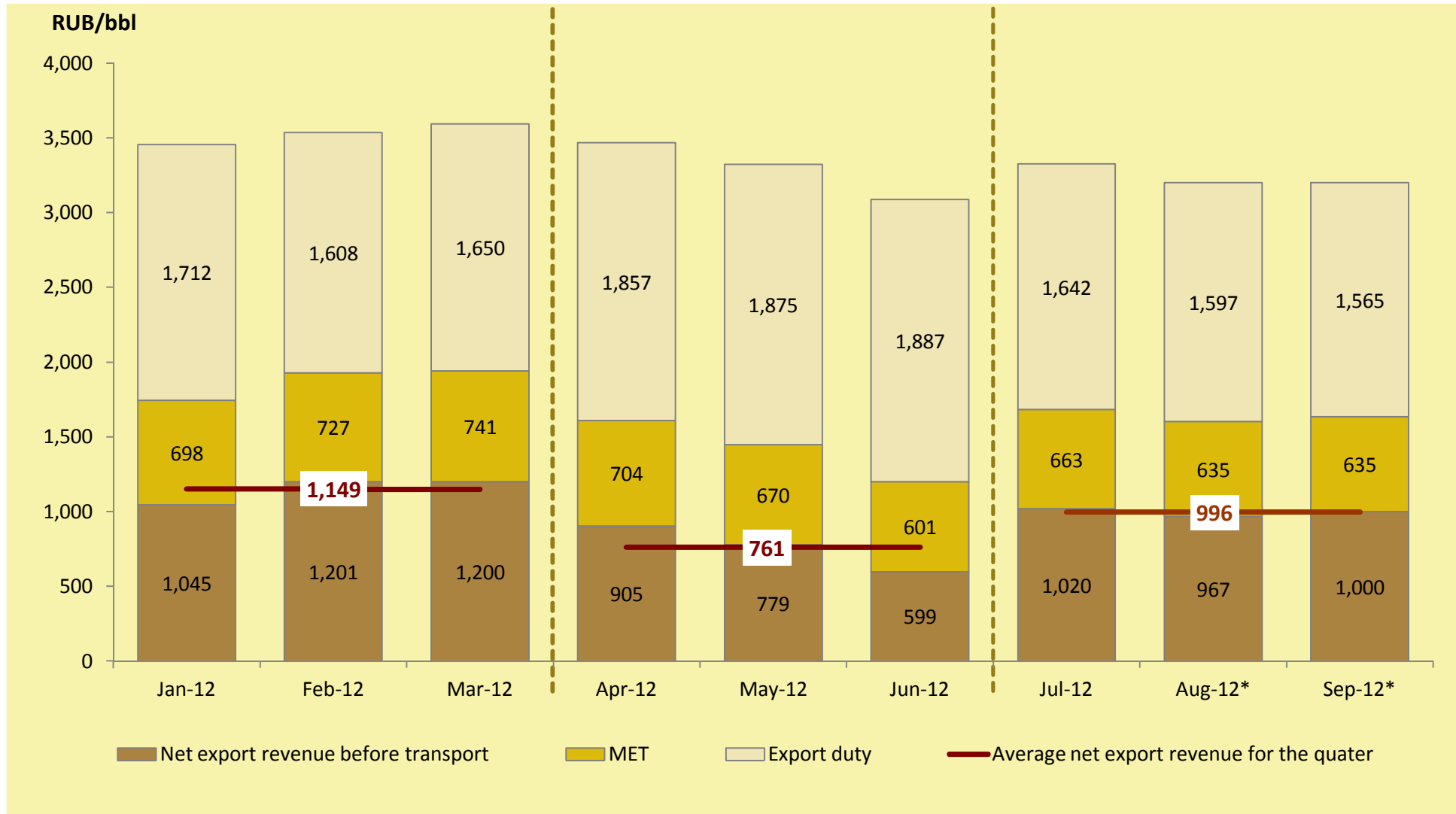


Non-controlled Expenses

		Q2'12	Q1'12	Δ, %	1H'12	1H'11	Δ, %
Urals FOB Novorossiysk	USD/bbl	105.4	116.0	(9.1)%	110.7	107.1	3.4%
Urals FOB Novorossiysk	th.RUB/t	23.91	25.68	(6.9)%	24.81	22.43	10.6%
Export customs duty	th.RUB/t	13.74	12.13	13.3%	12.93	11.30	14.4%
Yugansk – Novorossiysk tariff	th.RUB/t	1.49	1.49	-	1.49	1.44	3.5%
MET	th.RUB/t	4.83	5.28	(8.5)%	5.06	4.28	18.2%
Total non-controlled costs	th.RUB/t	20.06	18.89	6.1%	19.48	17.02	14.5%
Non-controlled costs / Urals FOB Novorossiysk	%	83.9%	73.5%		78.5%	75.9%	



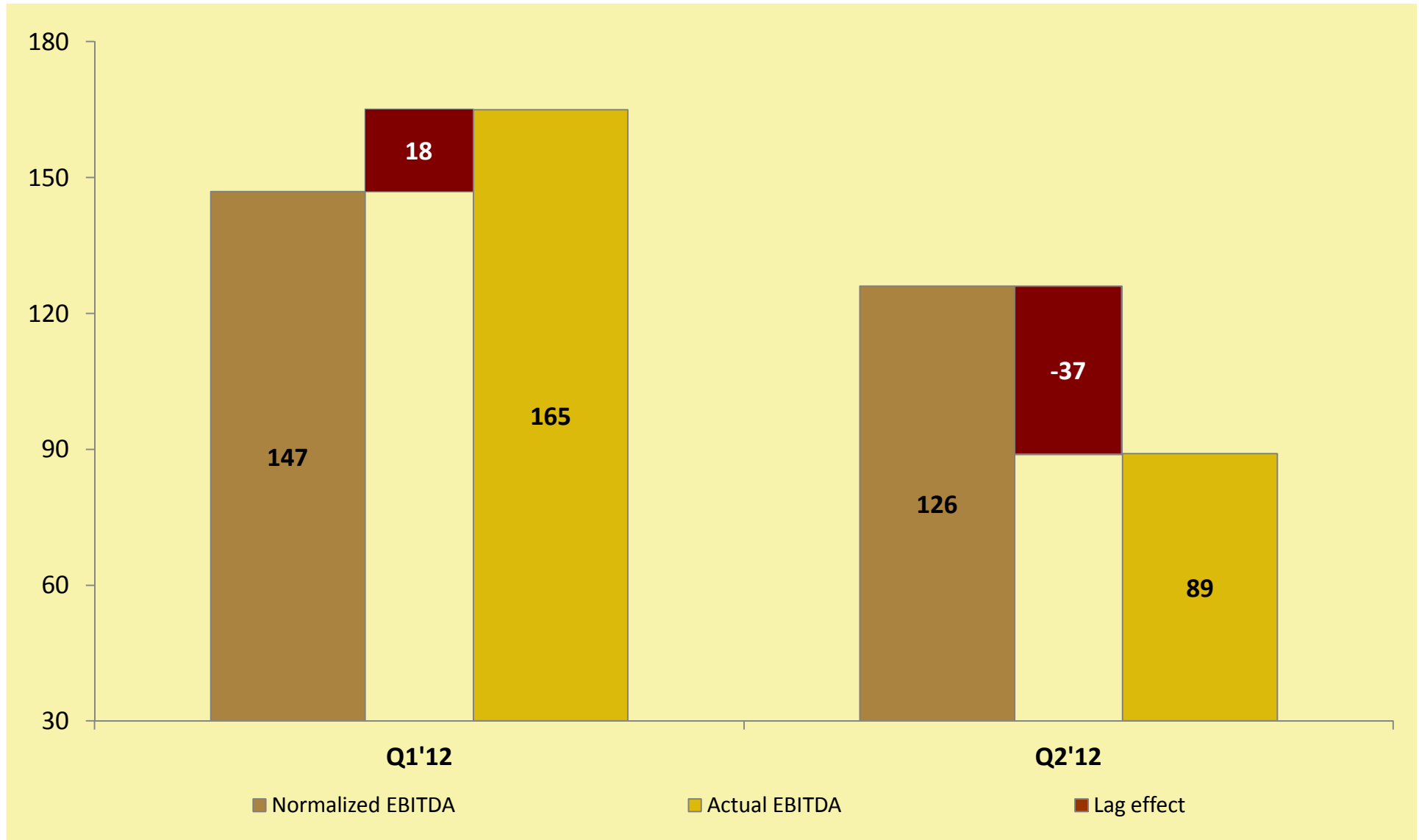
Upstream Margins, RUB/bbl



* Assuming Urals price of 100 USD/bbl and exchange rate of 32.0 USD/RUB in August and September.



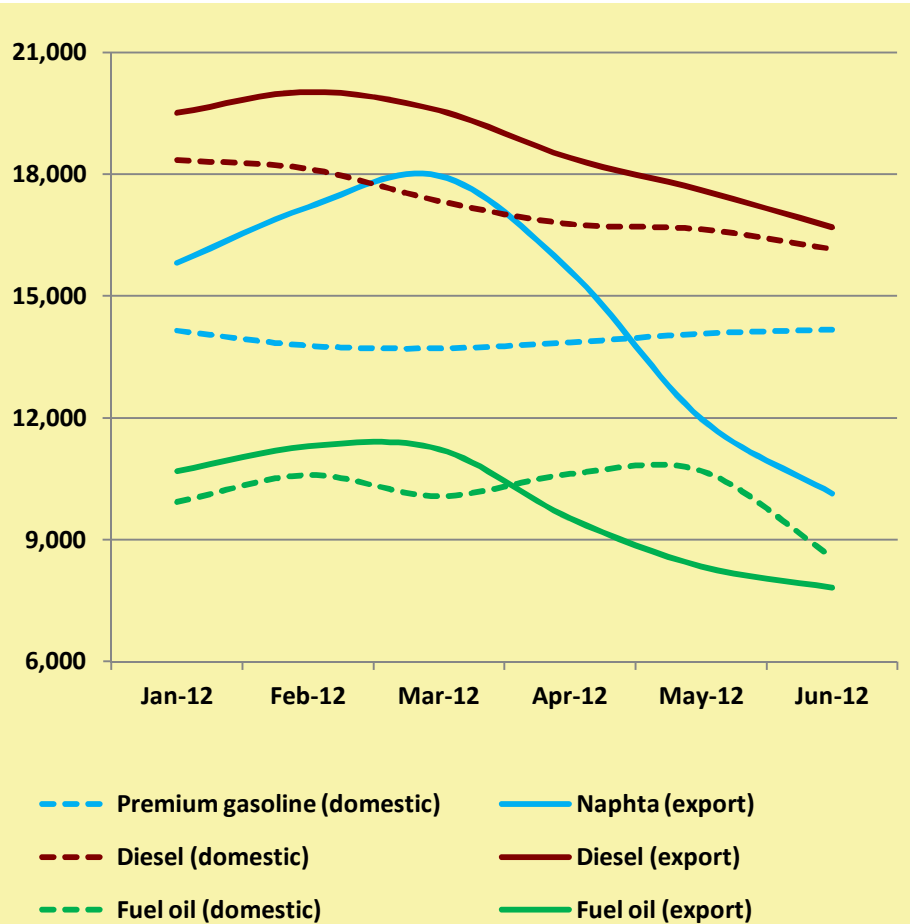
Export Duty Lag Effect, RUB bln



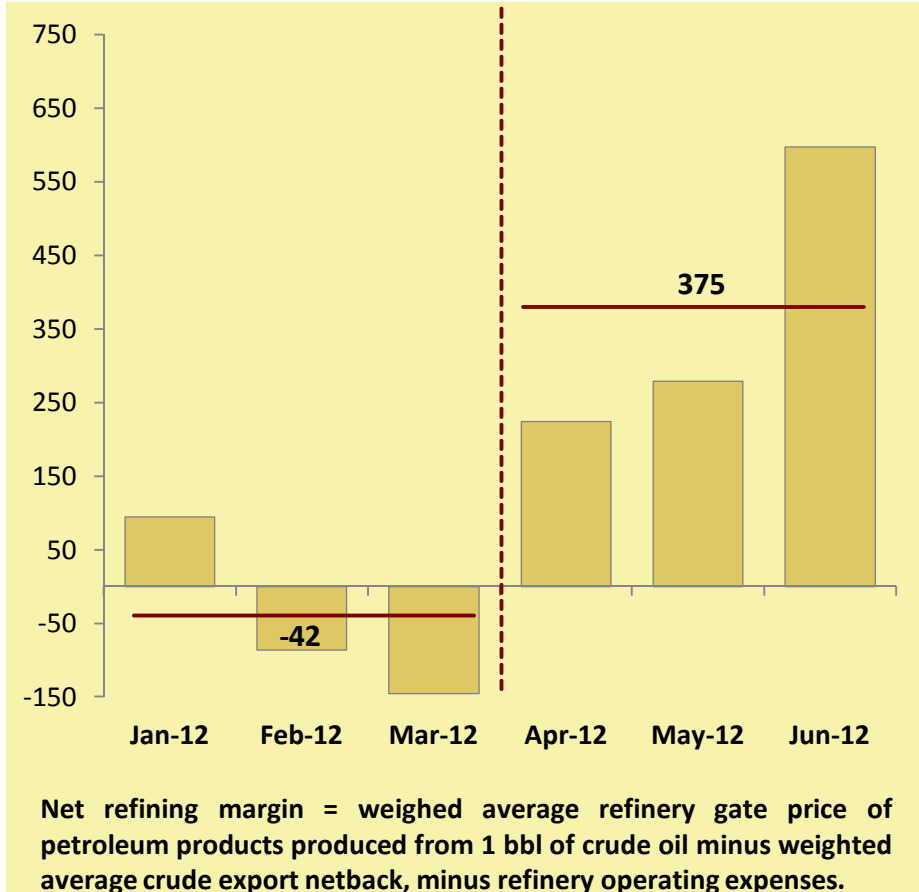


Petroleum Product Prices & Refining Margin

Petroleum product prices*, RUB per tonne



Net Refining margin, RUB per bbl

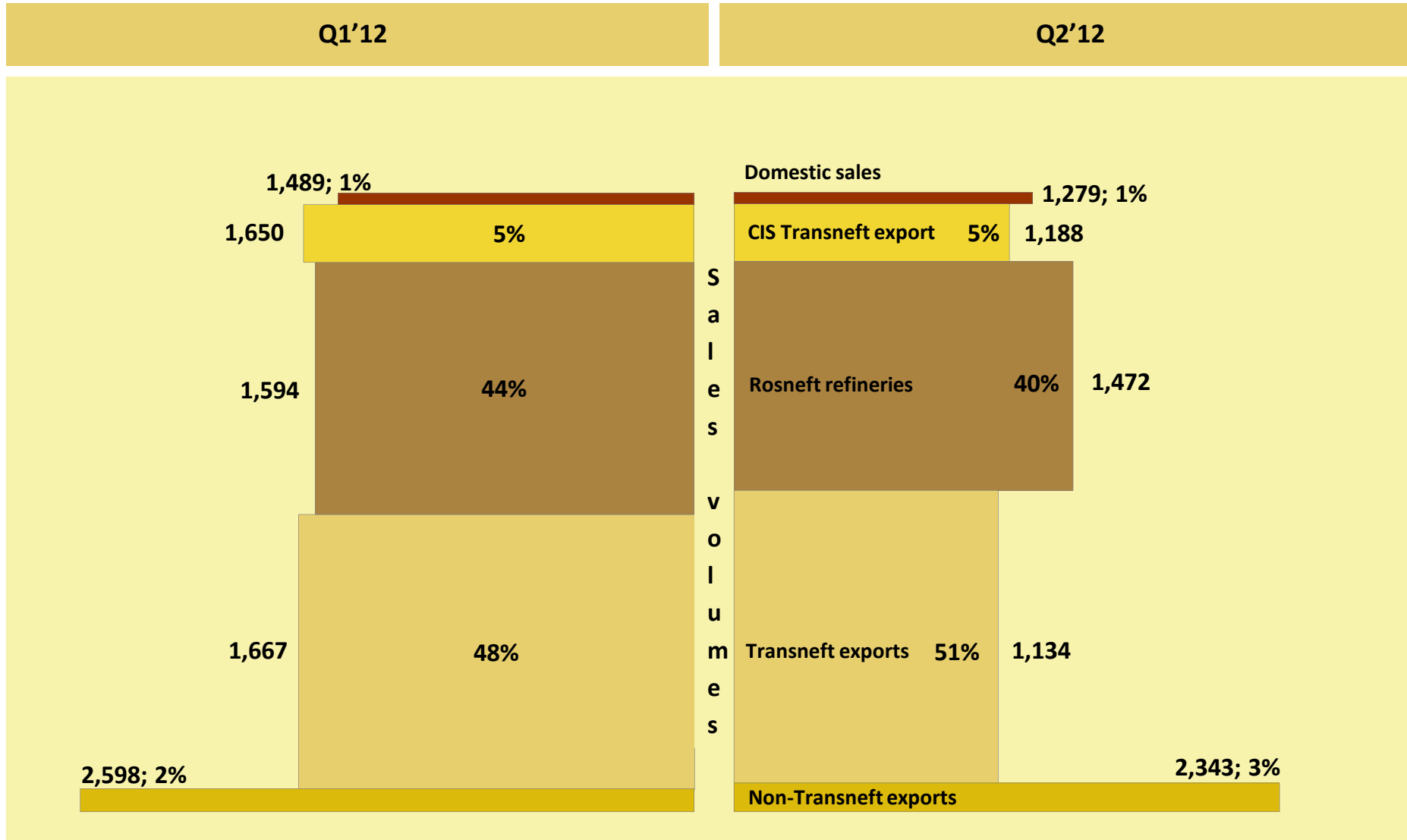


Net refining margin = weighed average refinery gate price of petroleum products produced from 1 bbl of crude oil minus weighed average crude export netback, minus refinery operating expenses.

* Weighed average refinery-gate net price.



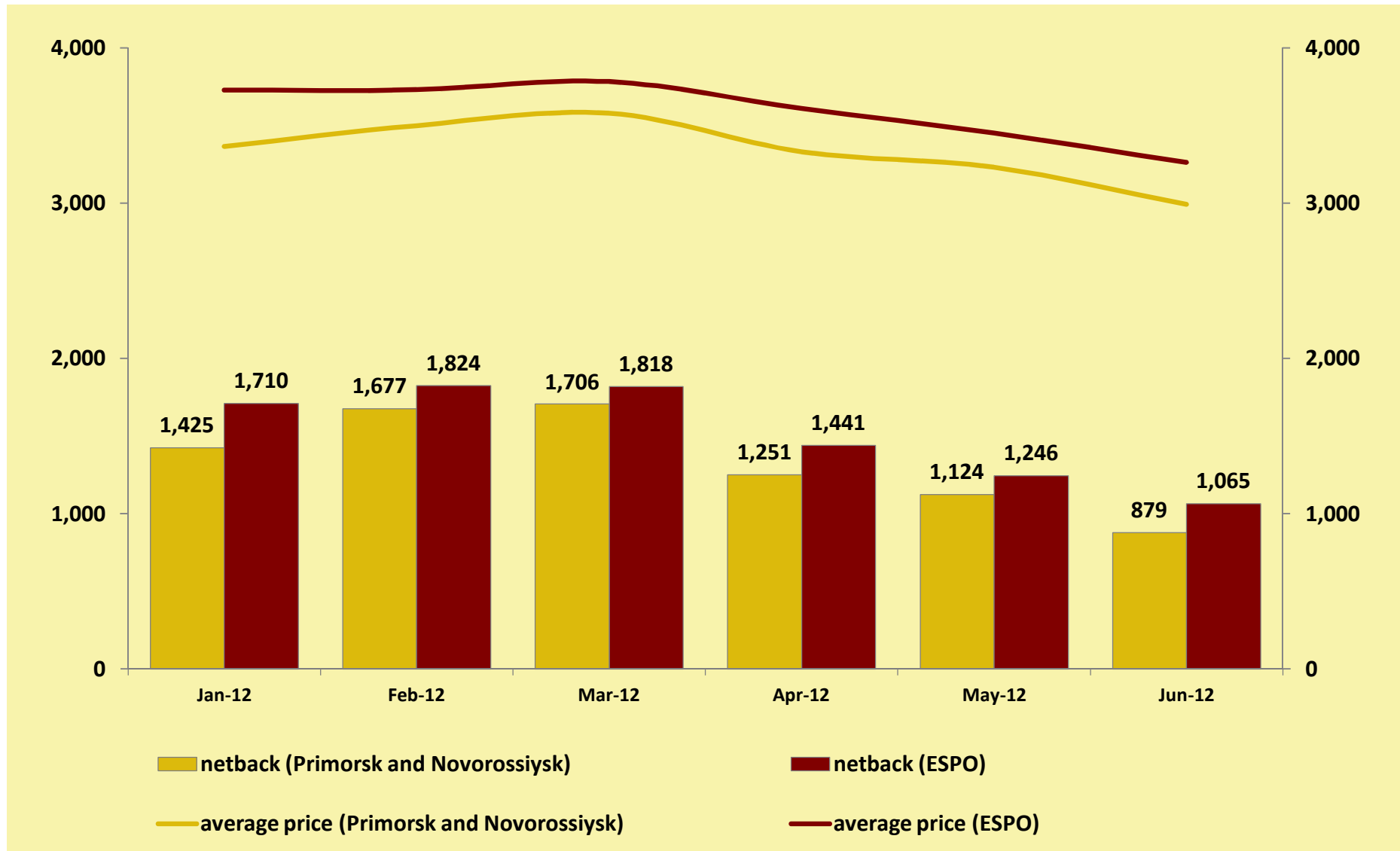
Netback Ladder*, RUB/bbl



* Excluding German refineries.



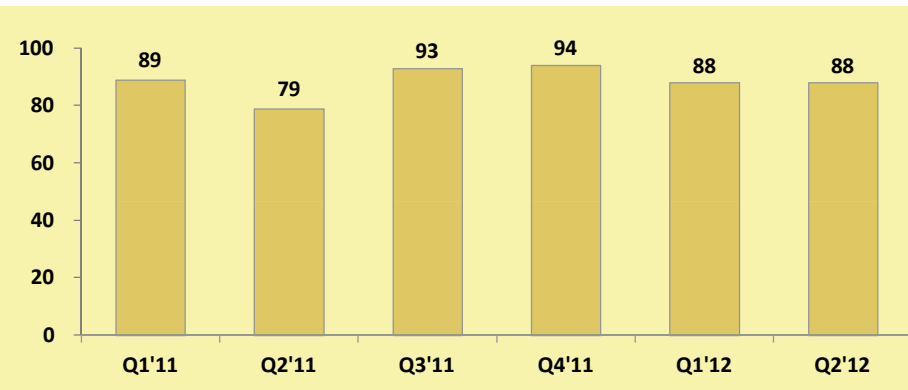
Crude Oil Netbacks, RUB/bbl



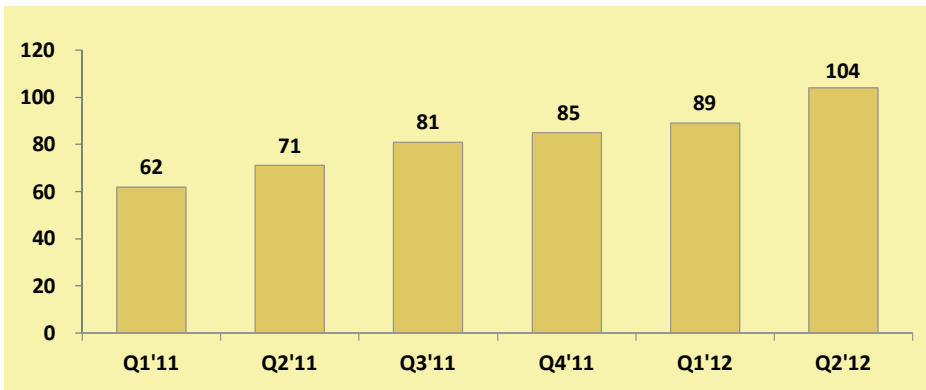


Expenses Dynamics

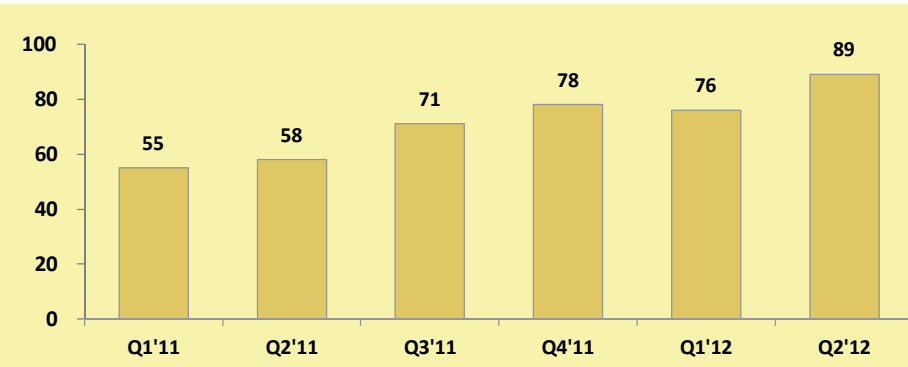
Upstream Operating Expenses, RUB/bbl of oil produced



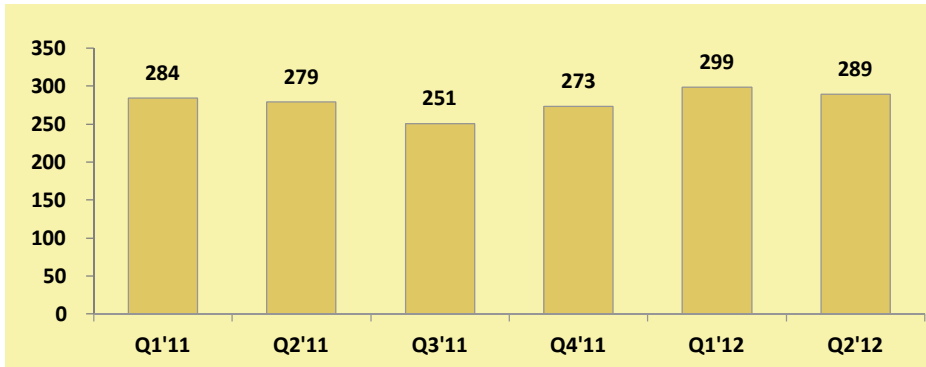
Refining Operating Expenses, RUB/bbl of oil processed



SG&A Expenses, RUB/bbl of oil produced



Transportation Expenses, RUB/bbl of oil produced



Cost per tonne was calculated using actual expenses without rounding

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).



Interest Expense

RUB bln	Q2'12	Q1'12	Q2'11	Q1'11
1. Interest accrued according to loan agreements	7.0	5.7	4.9	5.1
2. Interest paid (cash)	6.6	5.6	4.9	8.1
3. Change in interest payables (1-2)	0.4	0.1	0.0	(3.0)
4. Interest capitalized*	5.7	4.6	3.0	2.8
5. Interest SWAP loss/(gain)	0.1	0.3	1.0	0.0
6. Debt issue cost	0.3	0.2	0.2	0.2
7. Other	0.7	0.7	0.5	1.4
8. Interest expense as reflected in P&L (1-4+5+6+7)	2.4	2.3	3.6	3.9

* 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.



FX (loss)/gain

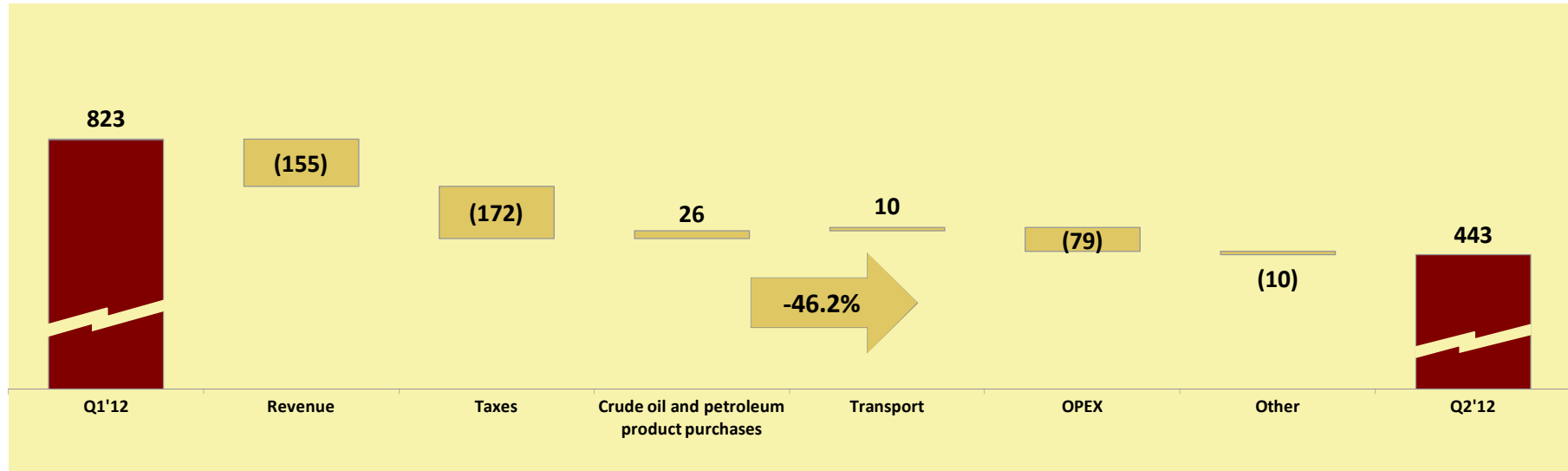
	31 Mar.12 USD mln	30 Jun.12 USD mln	Average monetary position	FX gain, RUB bln
Cash in foreign currencies	2,384	2,255	2,319	9
Accounts receivable and payable and other monetary items in foreign currencies	7,910	5,729	6,819	24
Deposits in foreign currencies	851	352	602	2
Long-term loans and borrowings in foreign currencies	(19,948)	(22,488)	(21,218)	(74)
FX loss				(39)



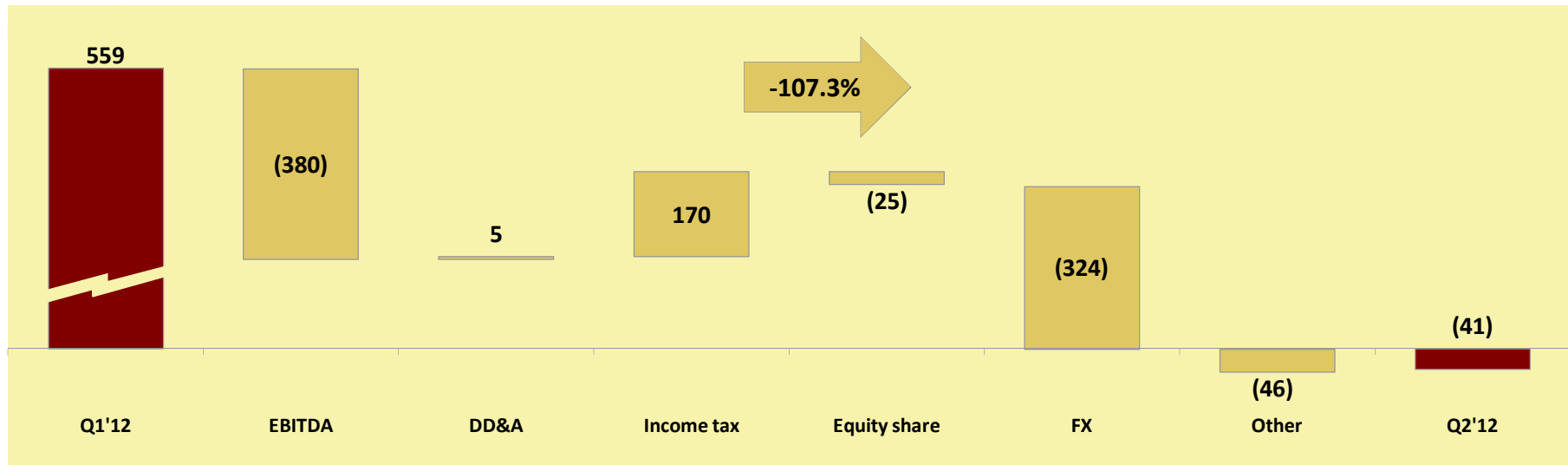
EBITDA and Net Income per bbl Reconciliation

Q2'12 vs. Q1'12

EBITDA, RUB/bbl



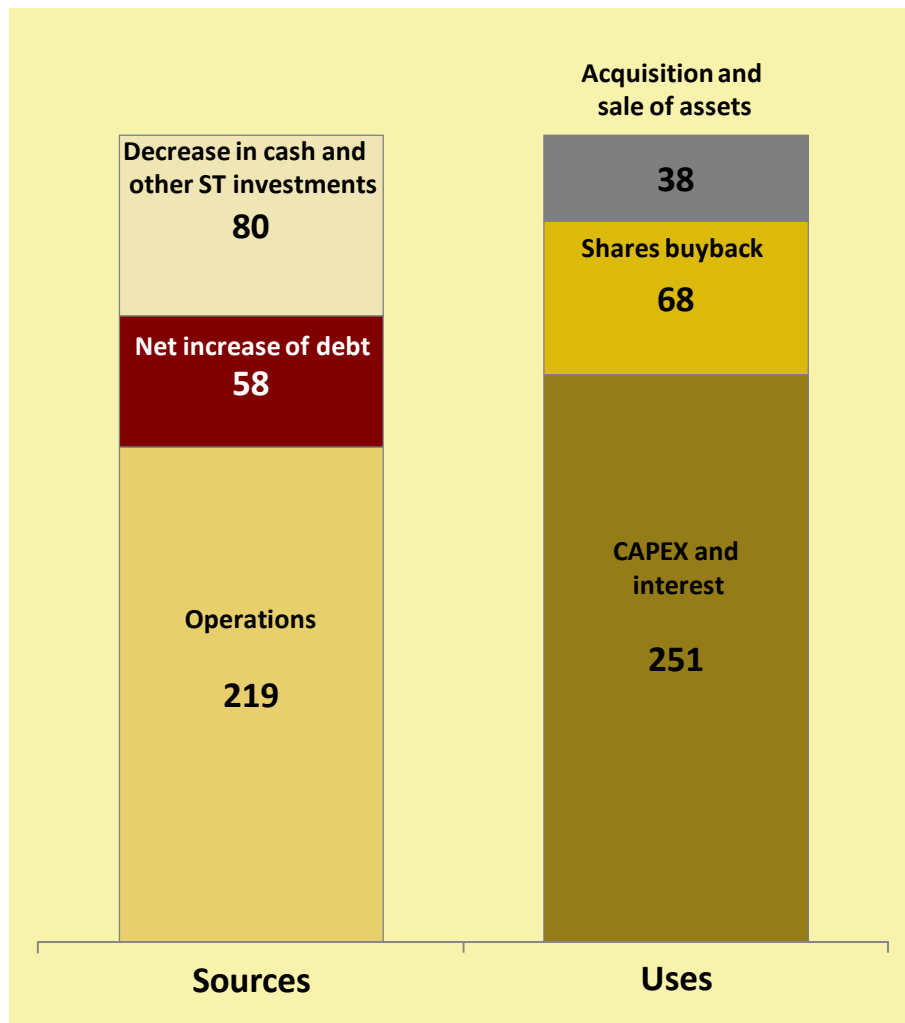
Net Income, RUB/bbl



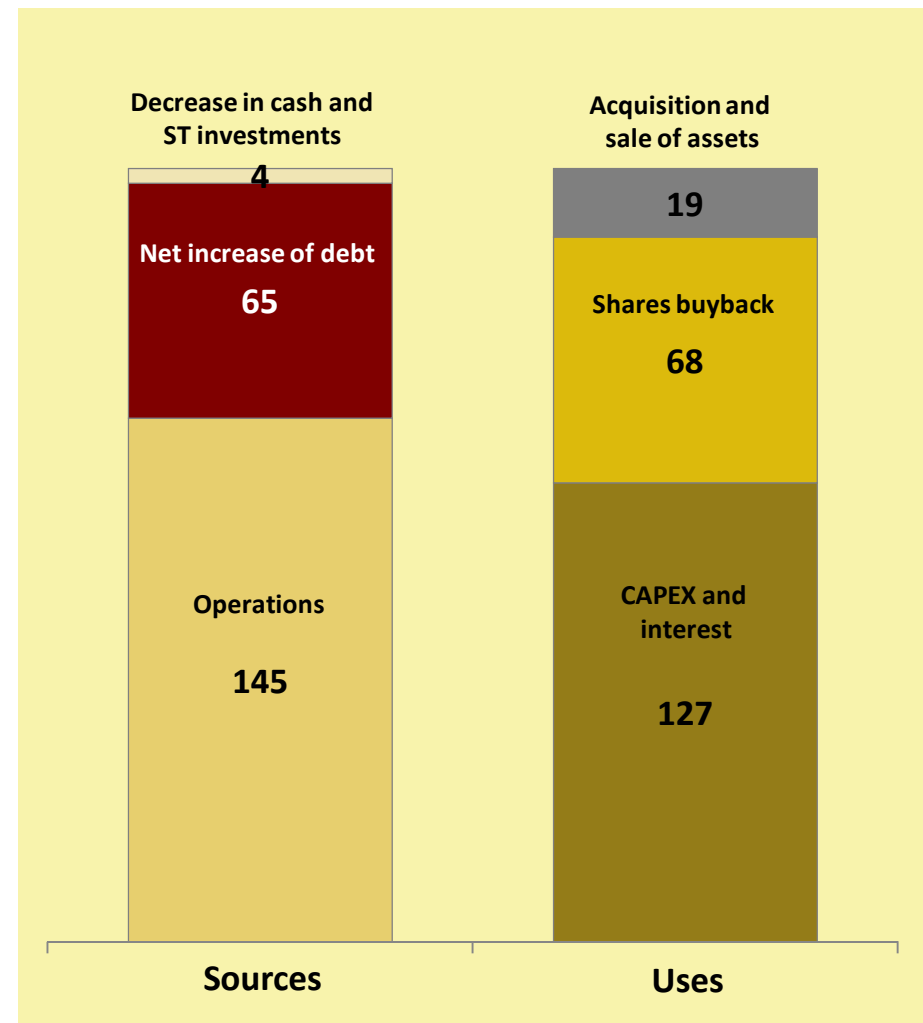


Sources and Uses of Cash, RUB bln

1H'12



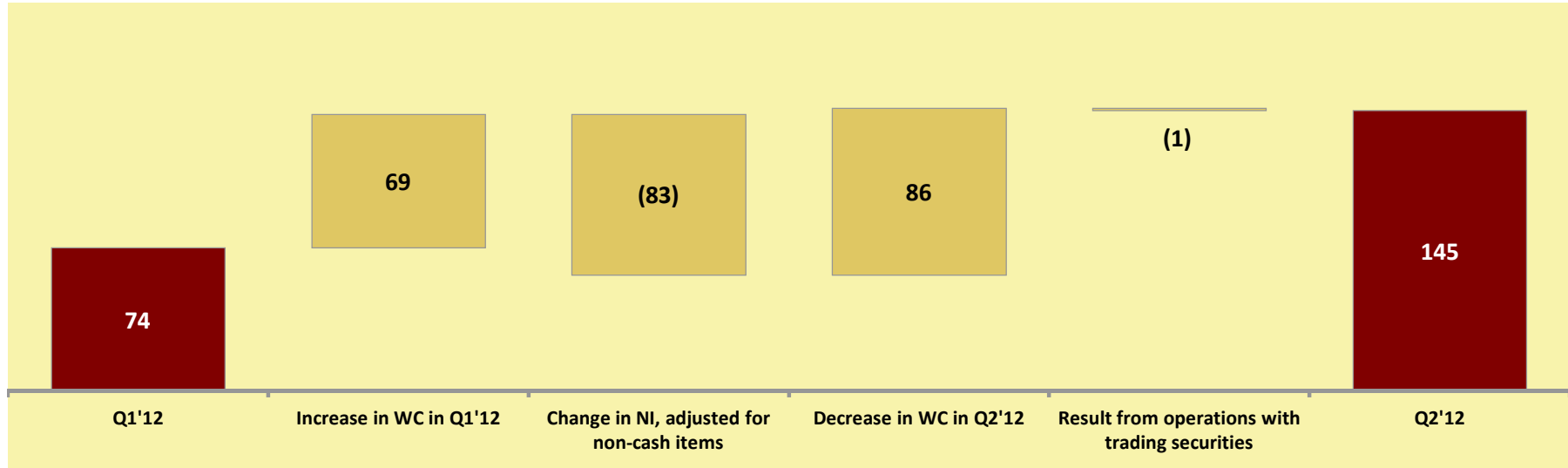
Q2'12



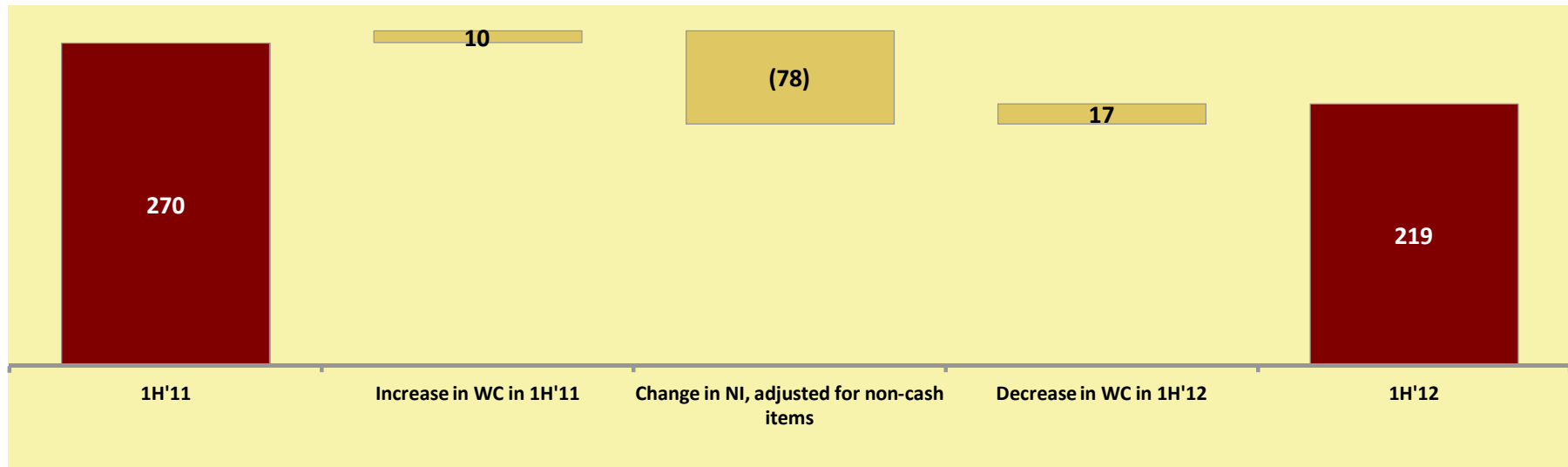


Operating Cash Flow Reconciliation, RUB bln

Q2'12 vs Q1'12

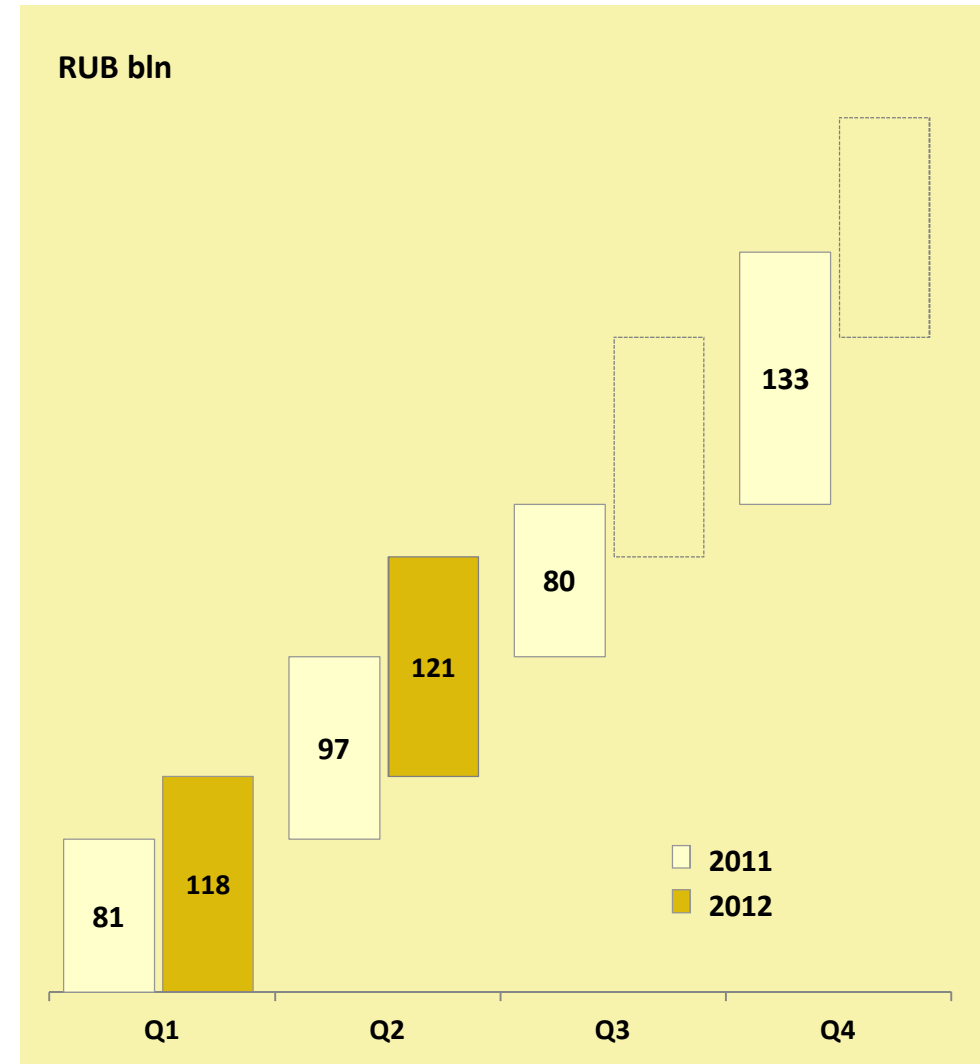
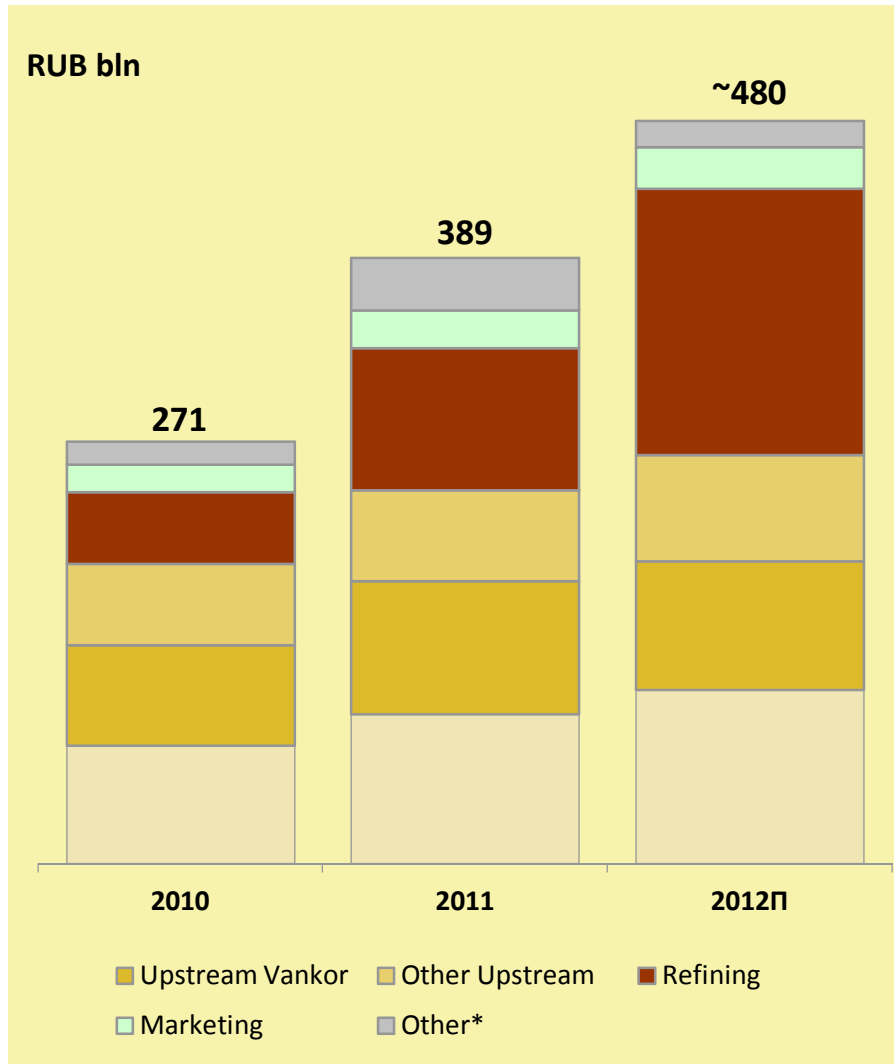


1H'12 vs 1H'11





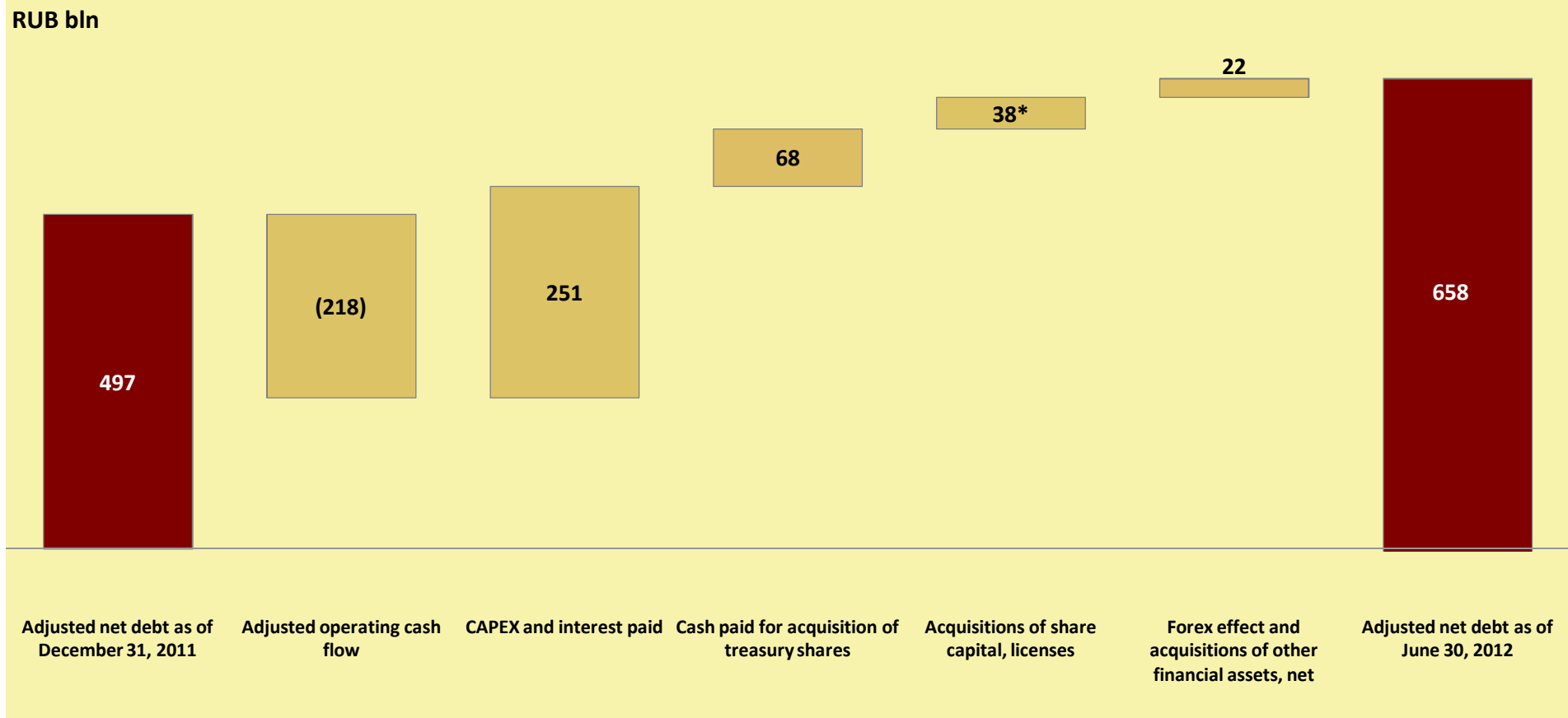
Capital Expenditures



* Other includes net change in construction materials.



Net Debt Reconciliation



Net debt as of December 31, 2011 and as of June 30, 2012 is adjusted for short and medium term bank deposits and other short-term investments of RUB 85 bln and of RUB 29 bln as a part of the excess cash management.

Operating cash flow is adjusted for the operations with trading securities as a part of the excess cash management.

* Acquisitions of additional shares in subsidiaries and equity investees, licenses, net of fixed assets disposal.



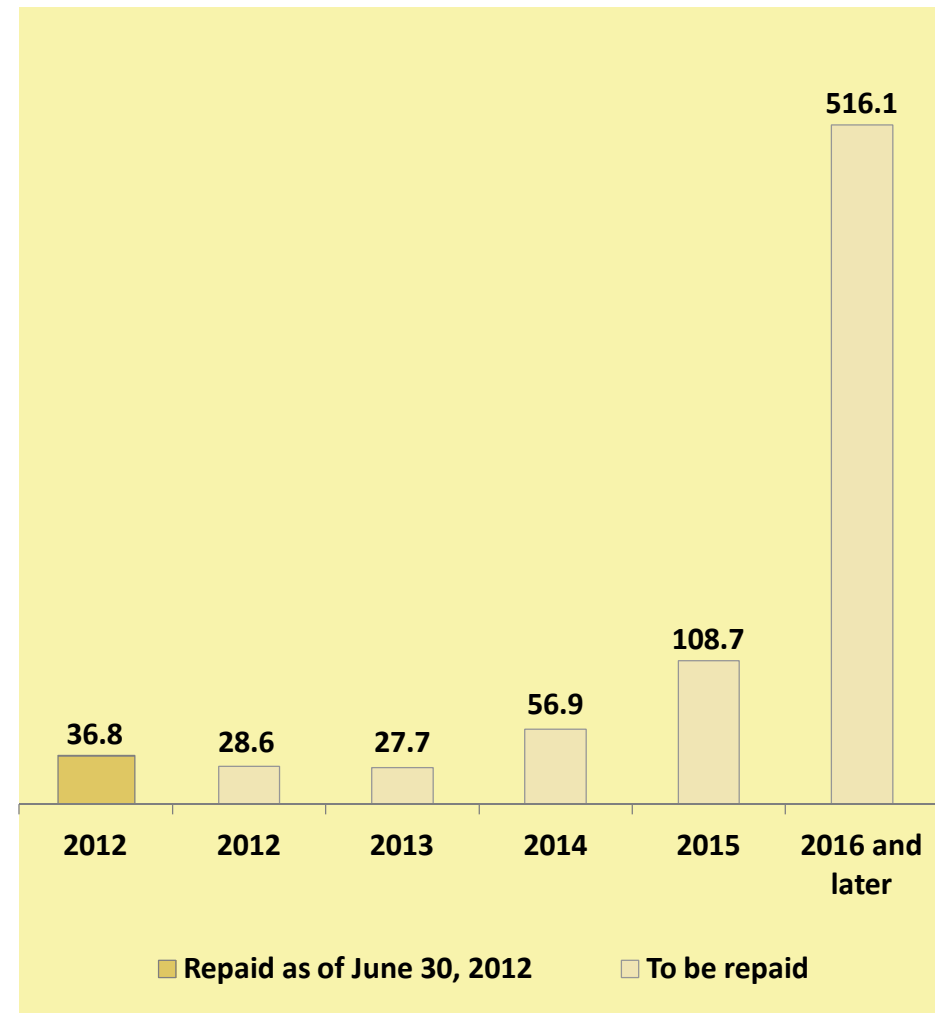
Credit Profile

	Jun. 30, 2012	Dec. 31, 2011
Total debt, RUB bln	825	748
Net debt, RUB bln	658	497
Long-term debt, %	83.5%	79.7%
USD denominated debt, %	82.3%	84.5%
Gearing (Net Debt to Net Debt + Equity)	24.2%	19.4%
Weighted av. cost of debt	4.1%	3.8%
LTM EBITDA interest coverage	23.1	31.2
Net debt / LTM EBITDA	1.19	0.77

Credit rating

S&P	BBB- (credit watch negative)
Moody's	Baa1 (stable)
Fitch	BBB (stable)

Repayment profile, RUB bln





Cash Management

- Rosneft's total cash position including cash and equivalents and short-term investments related to cash management was RUB 200.3 bln as of June 30, 2012
- 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:
 - RUB 138.0 bln of cash and equivalents
 - RUB 7.0 bln of short-term structured deposits denominated in foreign currency placed in leading local bank
 - RUB 8.0 bln of short-term deposits denominated in RUB and FCY placed in leading local and foreign banks
 - RUB 14.0 bln of short-term investments into state and corporate bonds and other securities
 - RUB 33.3 bln of short-term securities (are not included in net debt calculation)



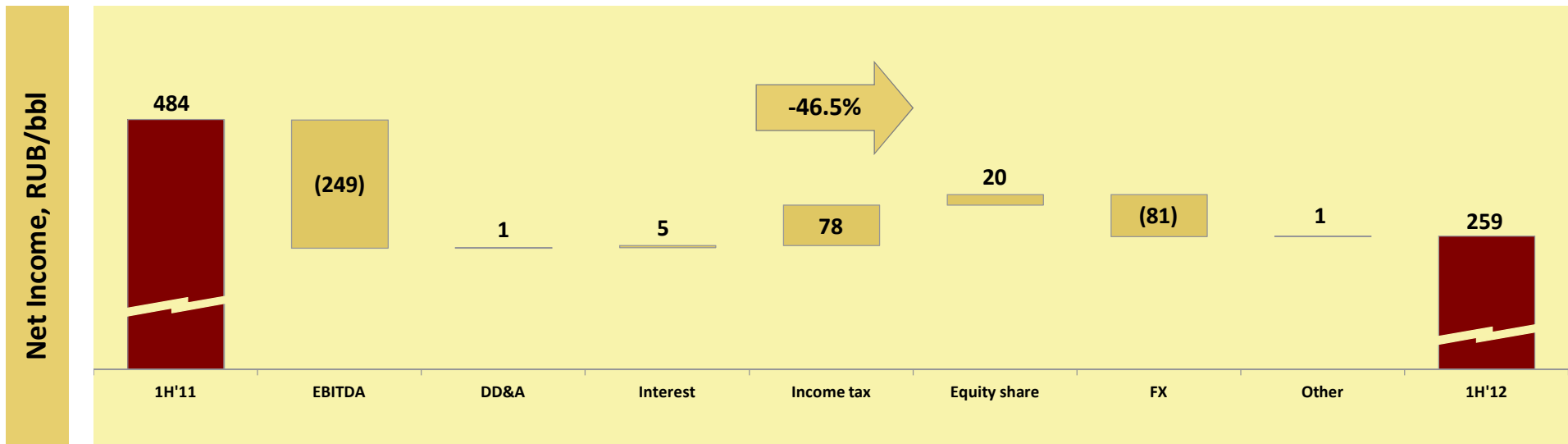
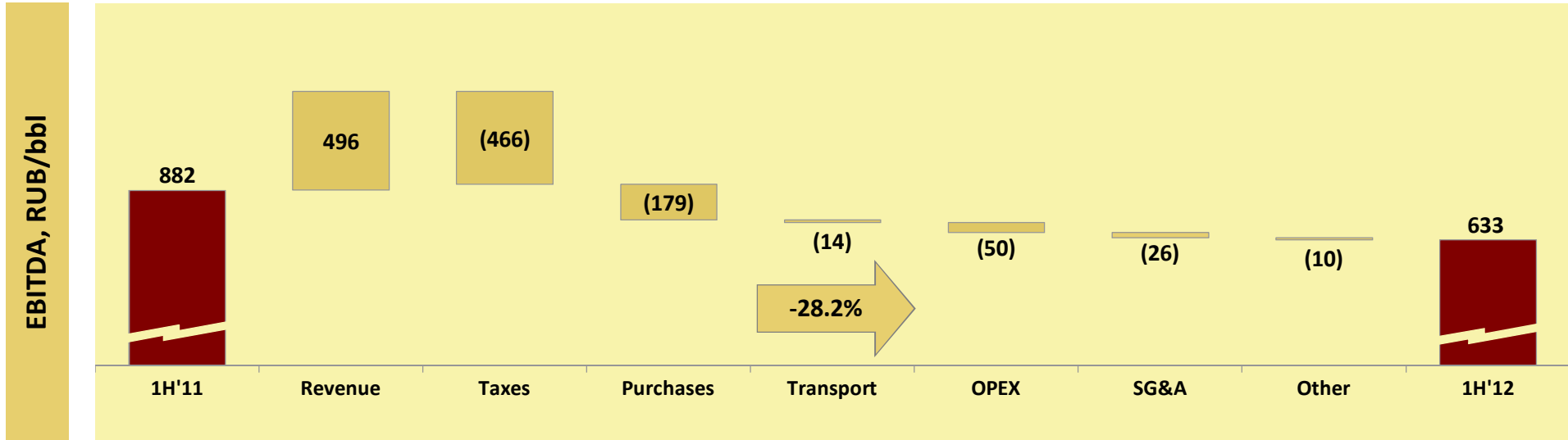
Q2'12 and 1H`12 IFRS Financial Results

Appendix



EBITDA and Net Income per bbl Reconciliation

1H'12 vs. 1H'11

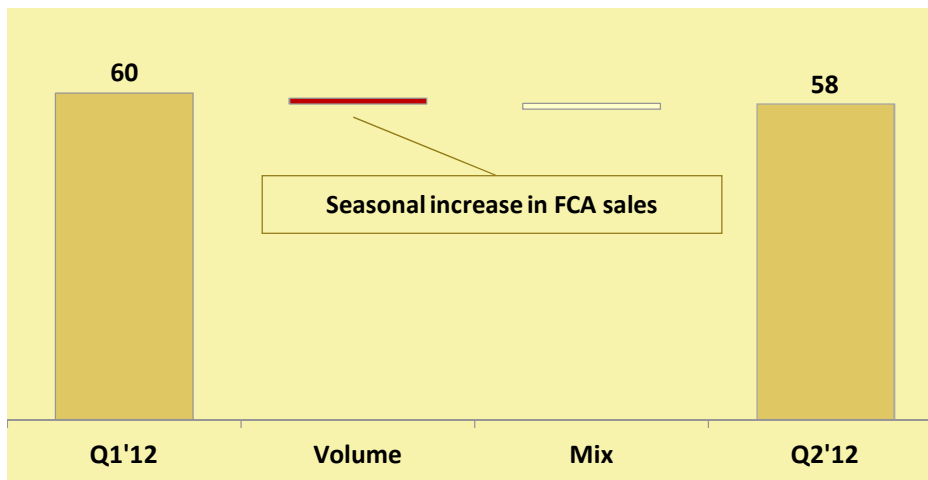




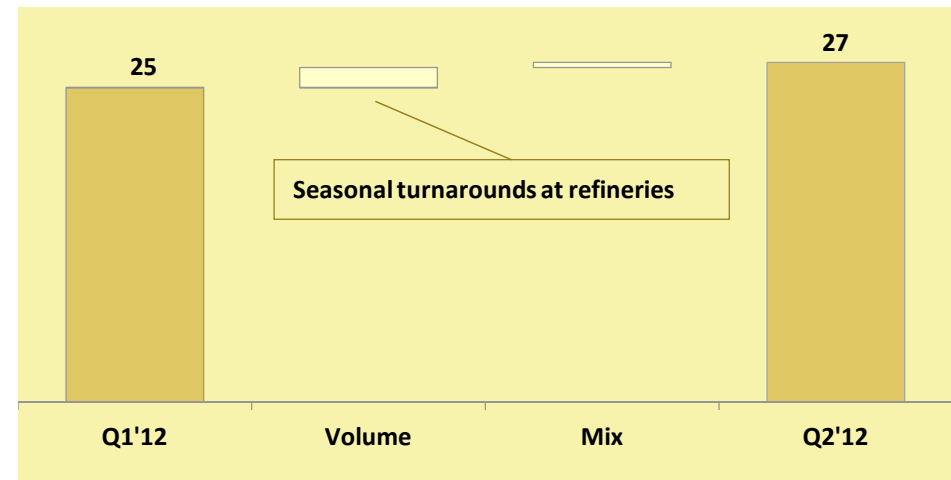
Transportation Costs

Q2'12 vs. Q1'12

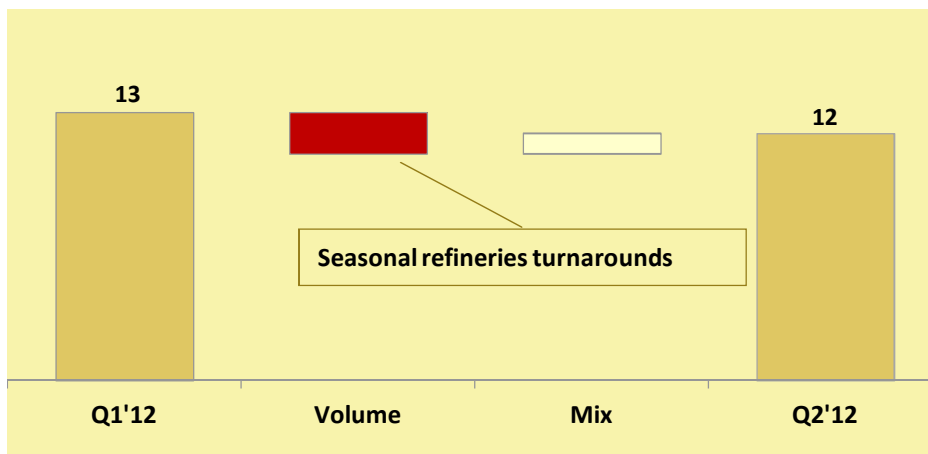
Total Transportation Costs, RUB bln



Transportation Costs for Crude Exports, RUB bln



Transportation Costs for Crude Deliveries to Refineries, RUB bln



Transportation Costs for Product Exports, RUB bln

