



ROSNEFT

Strategic Alliance with BP

January 2011



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Strategic Alliance Highlights

- Creation of a world-class joint exploration program in the South Kara Sea, one of the most prospective unexplored basins in the world (first JV of this kind in Russia)
 - Rosneft to have 66.67% stake in the Joint Operating Company
- Formation of an 'Arctic Technology Centre' (in cooperation with leading Russian and international research institutes) to develop innovative technologies for the safe extraction of hydrocarbons from the Russian Arctic shelf
- Formation of a 'Mobile Emergency Prevention and Rapid Reaction Centre' to guarantee environmental safety of the JV operations
- Strategic equity swap – Rosneft to acquire 5% of BP share capital in exchange for 9.5% of Rosneft (currently on US GAAP balance sheet as treasury shares)
- Discussion of potential joint international projects



Arctic JV Highlights

- 3 license blocks covering 125,000 sq. km in the highly prospective South Kara Sea
 - East-Prinovozemelsky 1, 2, & 3
 - Licenses awarded to Rosneft in late 2010
- A Joint Operating Company will be created within the next 2 years (Rosneft to hold 66.67% and BP – 33.33%)
- BP to carry finance initial stages of exploration activity
- Final agreements (including more details on optimal corporate structure, governance over project phases, financing and commercial discovery bonus) to be agreed within 2 year exclusivity period



South Kara Sea basin lies on the same geological trend with the Western Siberian hydrocarbon province, home to c. 60% of Russia's oil production



- South Kara Sea Offshore Assessment Unit 11740302
- West Siberian Basin Geologic Province 1174

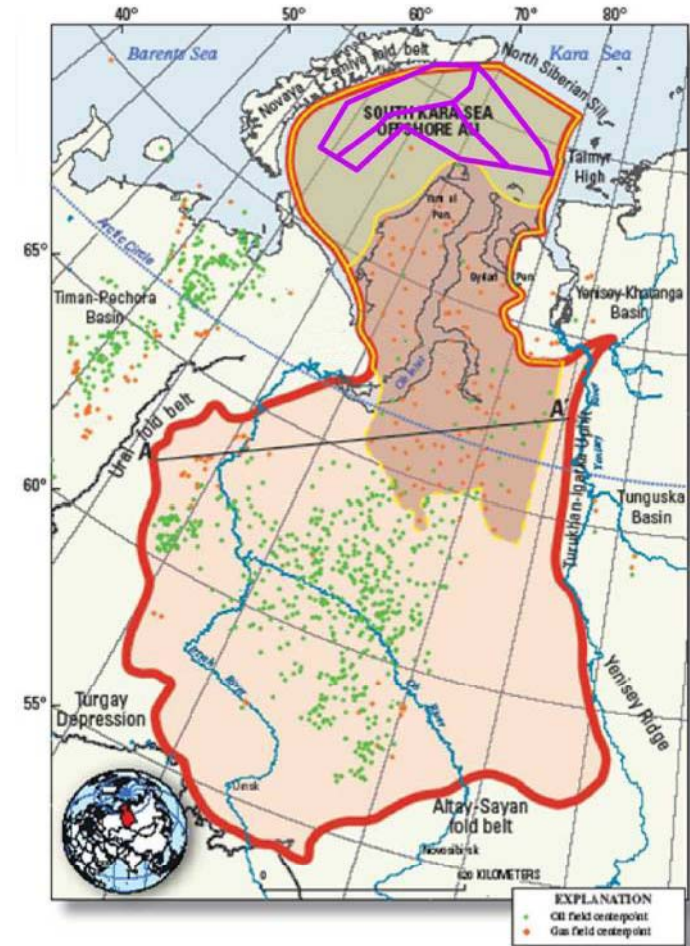
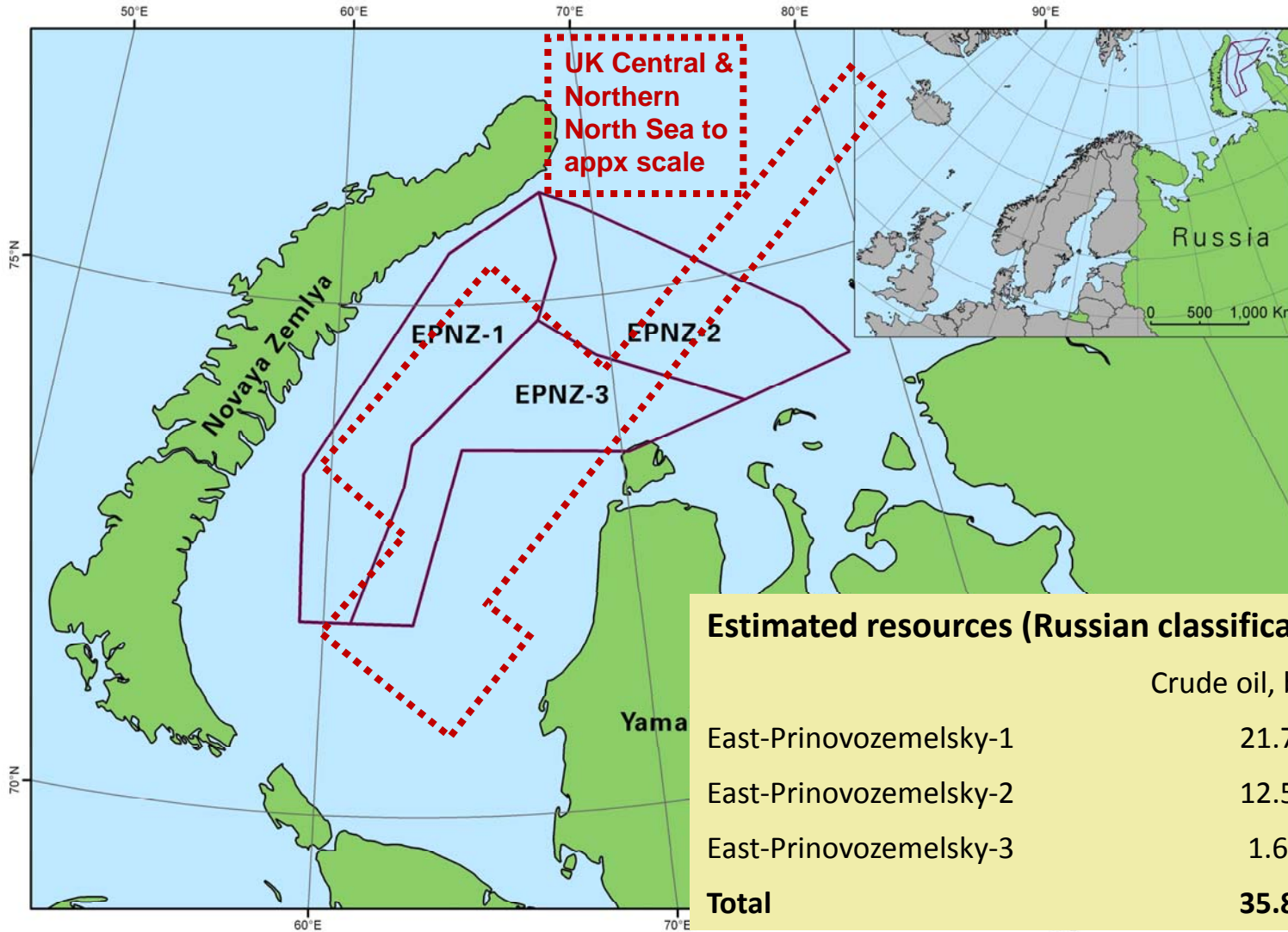


Figure 1. West Siberian Basin Province (red line). Two assessment units (AU) (yellow lines) were defined in this study: Northern West Siberian Onshore Gas AU and South Kara Sea Offshore AU. Dashed yellow lines represent the part of the Northern West Siberian Onshore Gas AU that extends south of the Arctic Circle. Outermost yellow line bounds the Northern West Siberian Mesozoic Composite TPS.



The licence area covered by BP and Rosneft agreement can be compared to the UK Central & Northern North Sea – both in size and potential





License Terms

- Licenses were issued in November 2010 and are valid through November 2040
- Duration of exploration stage – 10 years; key requirements include 3,000 km of 2D seismic and 4,100 sq. km of 3D seismic by the end of 2016 and drilling of 6 exploration wells (2 wells at each block) by the end of 2020
- Evaluation to date has included limited volumes of 2D seismic identifying up to 145 structures
- Initial joint work to focus on
 - further analysis and reinterpretation of historical seismic data
 - development of optimal forward looking work plan to gather and interpret further data and identify drilling opportunities
- First well likely to be drilled in 2015 at the East-Prinovozemelsky-1 block



Equity Swap Highlights

- First major national oil company – international oil company cross-shareholding in the global oil and gas industry
- Rationale:
 - enhances alignment and thereby underpins expanding cooperation
 - share upside of both companies being currently undervalued
- Swap coefficient has been calculated from the volume weighted average share prices of Rosneft and BP for 15 trading days prior to January 13, 2011
- BP will issue 988,694,683 new ordinary shares to Rosneft (5.0% of pro forma share capital)
- Rosneft will transfer 1,010,158,003 shares to BP (9.5% of share capital)
- Two year lock-up, after which exist certain disposal restrictions



Conclusion

- Strategic alliance with BP, a global industry leader, underpinned by a material equity swap
- Access to additional technological expertise to kick start efficient exploration and hopefully development of the Russian Arctic shelf
- Further reduction of exploration risk via carry financing of exploration stages by BP
- Potential to jointly evaluate further international opportunities
- Joint support of Russian and UK governments