



ROSNEFT

Q3 and 9M 2010 US GAAP Financial Results

November 1, 2010



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Q3'10 and 9M'10 Highlights

Positives

- Strong financial results:
 - EBITDA – **USD 4.6 bln** in Q3 and **USD 13.8 bln** in 9M
 - Net income – **USD 2.5 bln** in Q3 and **USD 7.5 bln** in 9M
 - Operating cash flow – **USD 11.5 bln** in 9M
 - Net debt decreased to **USD 13.95 bln** (pre-2007 acquisitions level), or by **USD 4.5 bln** from December 31, 2009
- Crude oil production growth of **7.5%** in 9M'10 vs. 9M'09 and **0.7%** q-on-q
- Retail sales volumes growth of **12%** q-on-q
- Sales of petroleum products through commodity exchanges – **2.6 mln tonnes** in 9M'10, or **17%** of total domestic sales (**40%** increase q-on-q)

Challenges, Priorities

Q3'10 - challenges

- Strengthening of the RUB against the USD
- Growth in transportation tariffs
- Distribution of additional petroleum product volumes

Q4'10 - priorities

- Continued cost control
 - Increase in energy efficiency
 - Work with suppliers and contractors
 - Headcount optimization
 - Capex prioritization
- Meeting 2010 Business plan targets
- Continue discussion to update tax regime
- Finalize 2011 Business plan



Macroeconomic Environment: Prices Up Y-on-Y, Slightly Down Q-on-Q

	Q3'10	Q2'10	Δ, %	9M'10	9M'09	Δ, %
Urals FOB Primorsk, \$/bbl	75.1	75.3	(0.3)%	74.6	55.2	35.1%
Gasoil 0.1% (FOB/CIF Med), \$/tonne	652.0	671.7	(2.9)%	652.2	490.3	33.0%
Fuel oil 3.5% (FOB/CIF Med), \$/tonne	427.7	437.1	(2.2)%	435.2	318.8	36.5%
High octane gasoline (av. Russia), \$/tonne	706.2	694.9	1.6%	678.7	543.2	24.9%
Diesel (av. Russia), \$/tonne (summer)	464.2	472.1	(1.7)%	457.2	385.4	18.6%
Average USD/RUB exchange rate	30.62	30.24	1.3%	30.25	32.48	(6.9)%
Inflation for the period, %	1.8%	1.2%		6.2%	8.1%	
Real RUB appreciation/(depreciation) against USD for the period, %	4.5%	(4.7)%		5.6%	5.5%	



Non-controlled Expenses: Transportation Tariffs Up Again

		Q3'10	Q2'10	Δ, %	9M'10	9M'09	Δ, %
Export customs duty	USD/bbl	35.82	38.51	(7.0)%	36.80	21.40	71.9%
Yugansk – Novorossiysk tariff	RUB/t	1,307	1,279	2.3%	1,288	1,106	16.5%
Yugansk – Novorossiysk tariff	USD/bbl	5.84	5.78	1.0%	5.82	4.66	25.0%
MET	USD/bbl	13.34	13.47	(0.9)%	13.32	8.99	48.2%
Total non-controlled costs	USD/bbl	55.00	57.76	(4.8)%	55.94	35.05	59.6%
Non-controlled costs / Urals FOB Novorossiysk	%	73.4%	77.0%		75.1%	63.4%	

- Transneft increased the tariffs by 3.3% on average starting from August 1, 2010 and plans another 9.9% average increase from December 1, 2010. December 2010 tariffs will exceed the level of December 2009 by 31.6% in ruble terms.
- Zero export duty on East Siberian crude oil was replaced by a special duty calculated according to the following formula: 45% * (Urals – USD 50 bbl). Rosneft accrued USD 236 mln of export duties on Vankor crude in Q3 2010.



Q3`10 and 9M`10 Results Overview: Record Low Net Debt, Strong Volume Growth

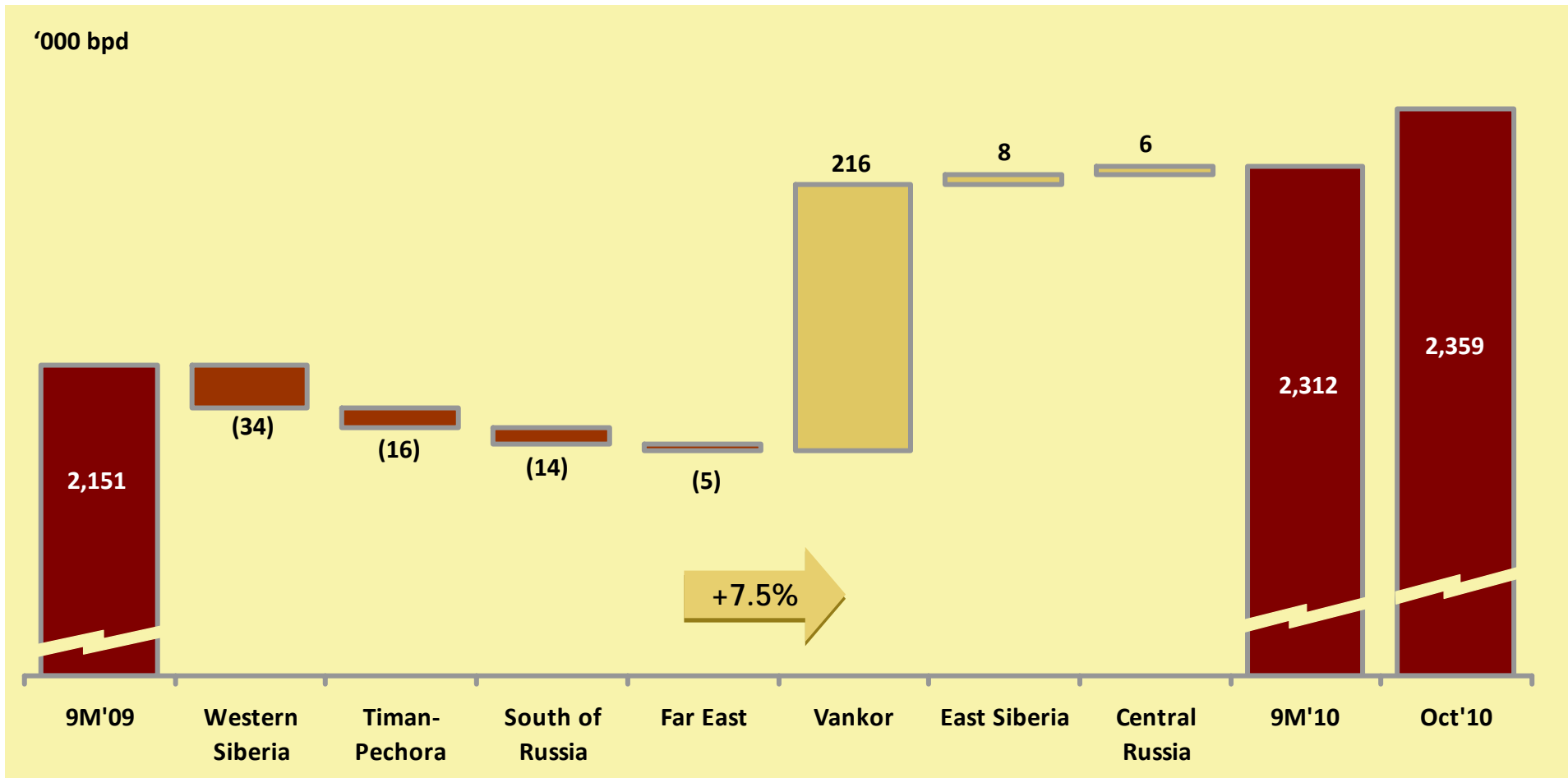
	Q3`10	Q2`10	Δ, %	9M`10	9M`09	Δ, %
Daily crude oil production, th. bpd	2,332	2,315	0.7%	2,312	2,151	7.5%
Gas production, bcm	2.86	2.96	(3.4)%	9.09	9.24	(1.6)%
Petroleum product output, mln t	12.42	11.16	11.3%	35.64	35.26	1.1%
Revenues, USD mln	15,471	15,431	0.3%	45,663	32,259	41.6%
EBITDA, USD mln	4,638	4,745	(2.3)%	13,826	9,551	44.8%
Adjusted net Income , USD mln	2,525	2,513	0.5%	7,485	4,840	54.6%
Operating cash flow ¹ , USD mln	4,386	5,010	(12.5)%	11,188	7,478	49.6%
Capital expenditures, USD mln	2,318	2,091	10.9%	6,163	5,156	19.5%
Net debt , USD mln	13,952	15,810	(11.8)%	13,952	18,862	(26.0)%

1. Operating cash flow is adjusted for operations with trading securities as part of excess cash management (outflow of USD 215 mln in 9M`09, inflow of USD 348 mln in 9M`10, outflow of USD 115 mln in Q2`10, outflow of USD 32 mln in Q3`10).



Daily Crude Oil Production: Key Driver - Vankor

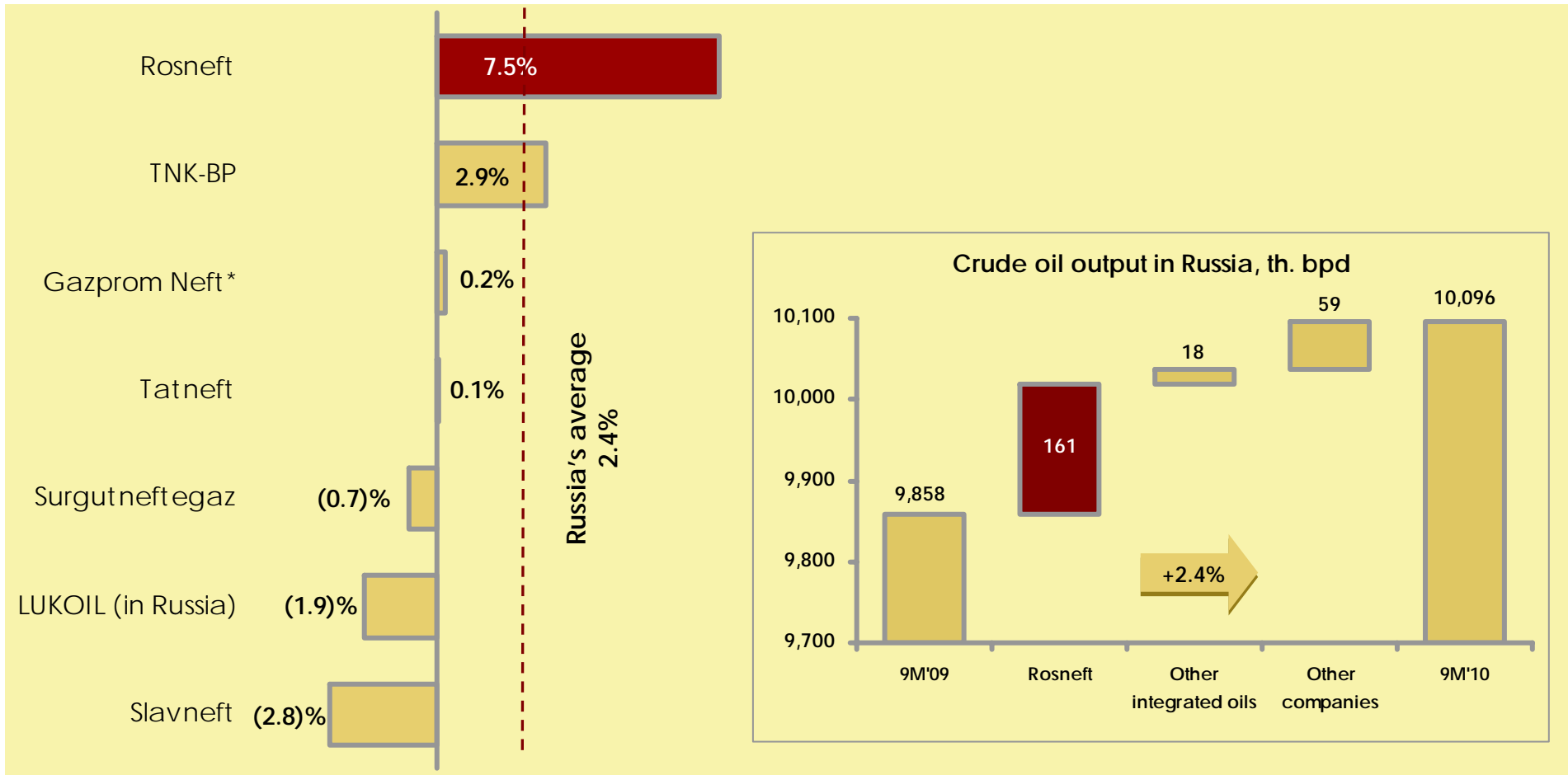
Daily Crude Oil Production Reconciliation, 9M'10 vs. 9M'09





Daily Crude Oil Production: Leading Growth Rates

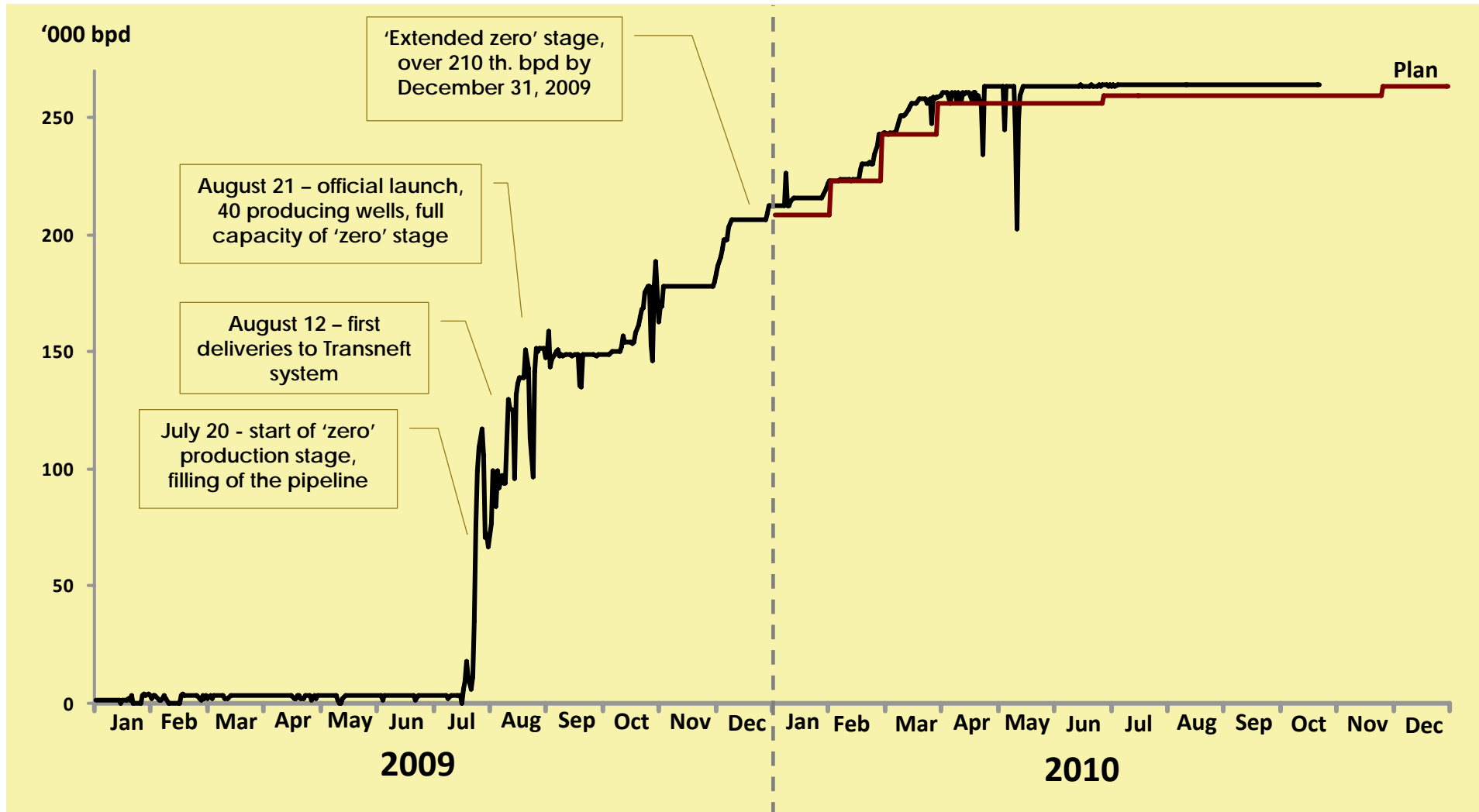
Daily Crude Oil Production in Russia, 9M'10 vs. 9M'09



* Excluding share in Tomskneft.



Vankor: Ahead of Plan

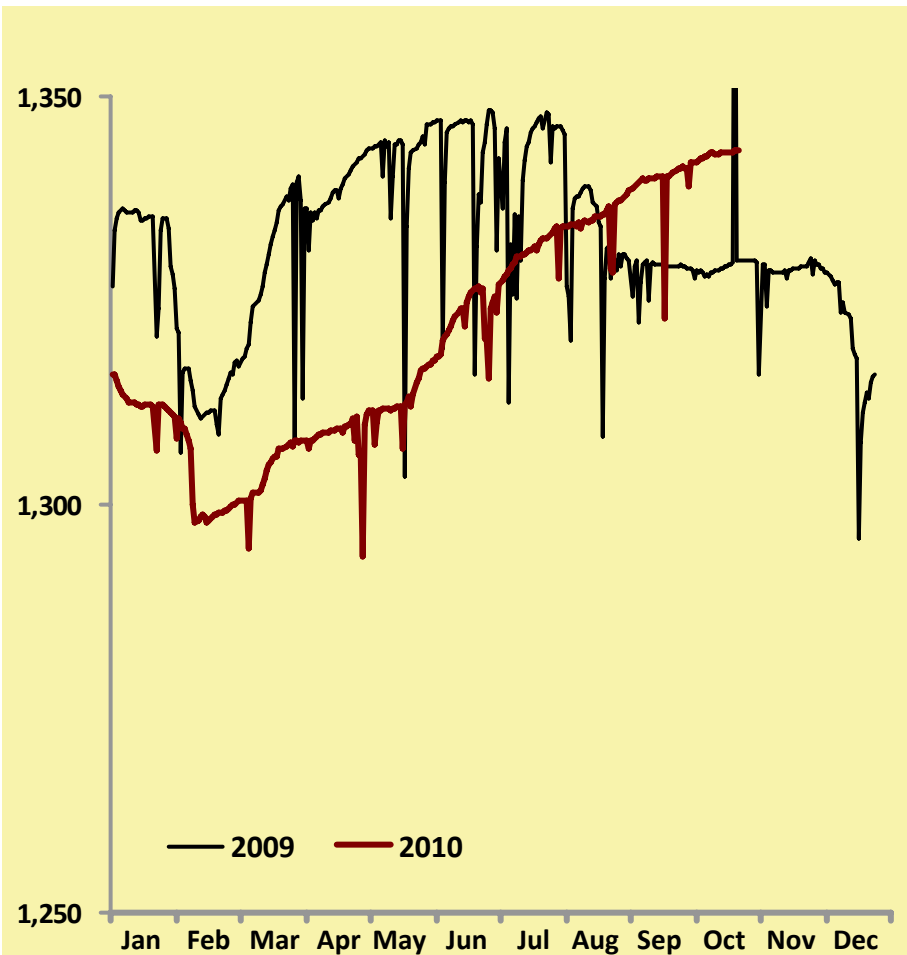




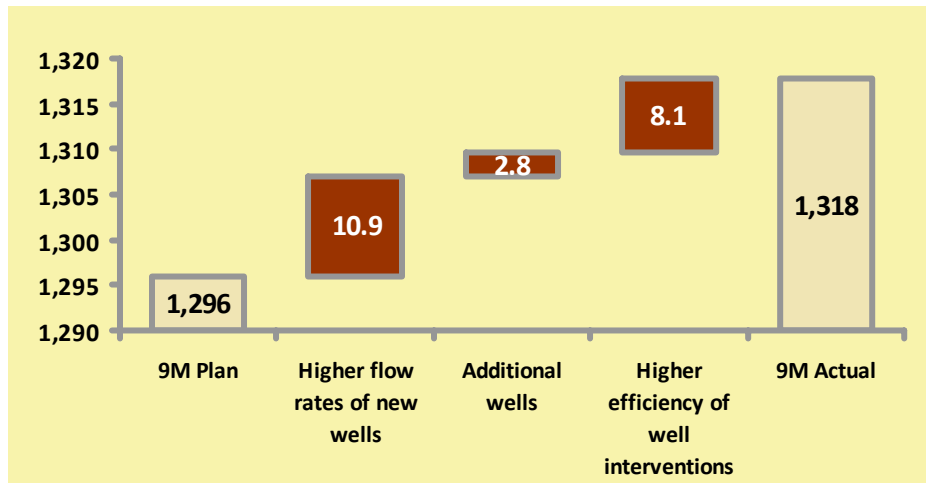
Yugansk:

4.7% Ahead of Plan in October, Flow Rates Stabilized

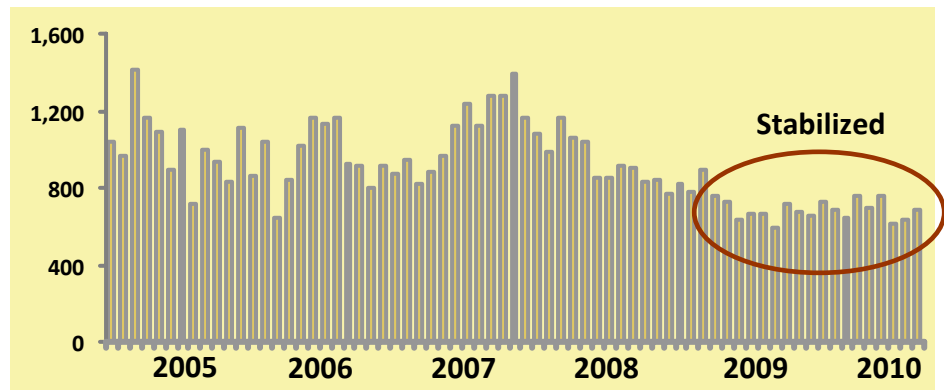
Yuganskneftegaz Daily Crude Oil Production, '000 bpd



Plan-fact Analysis, '000 bpd

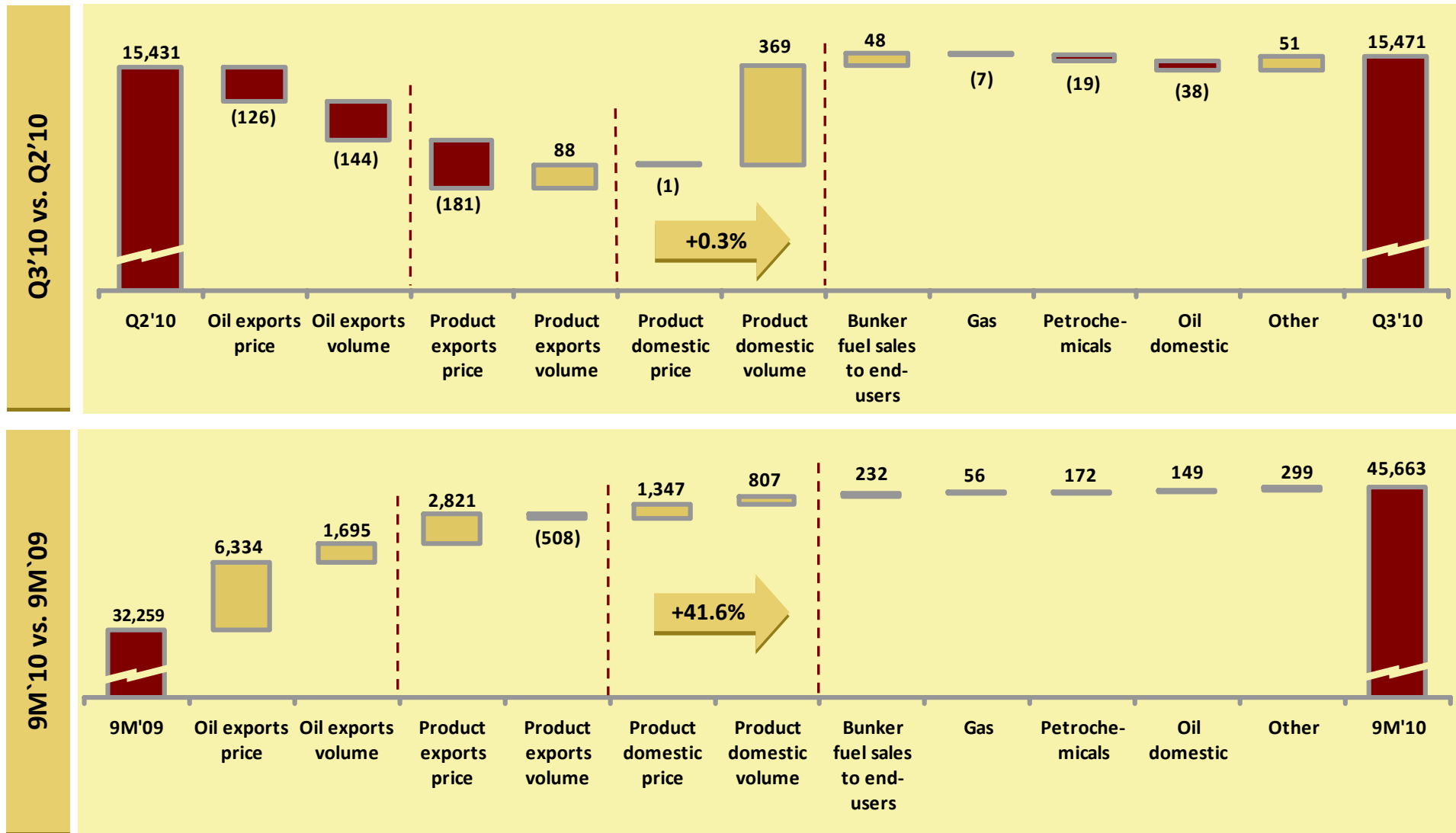


Initial flow rates of new wells, bpd



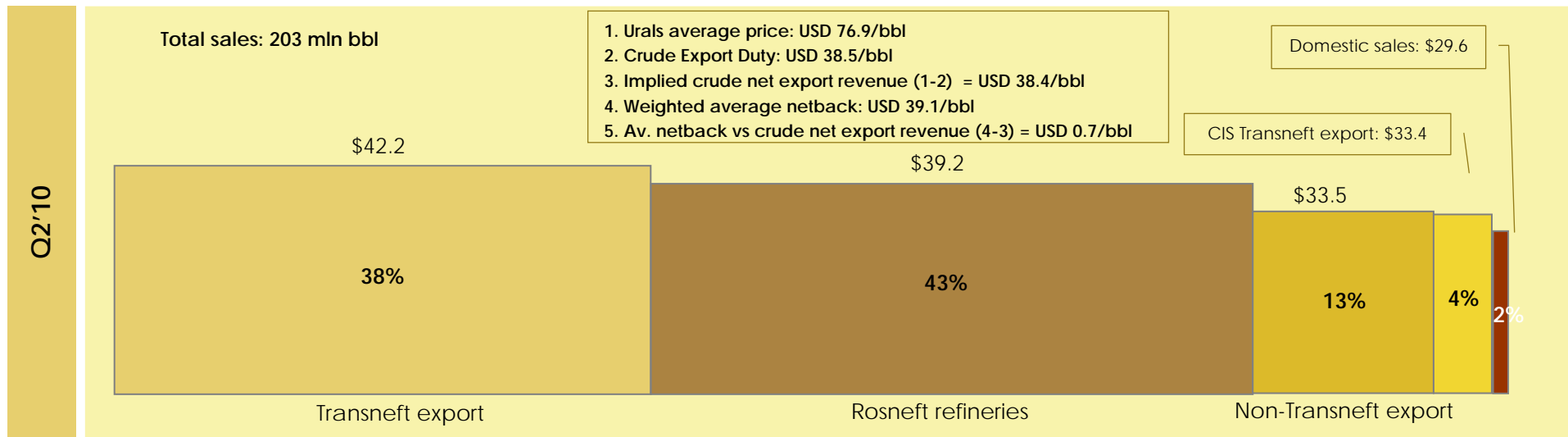
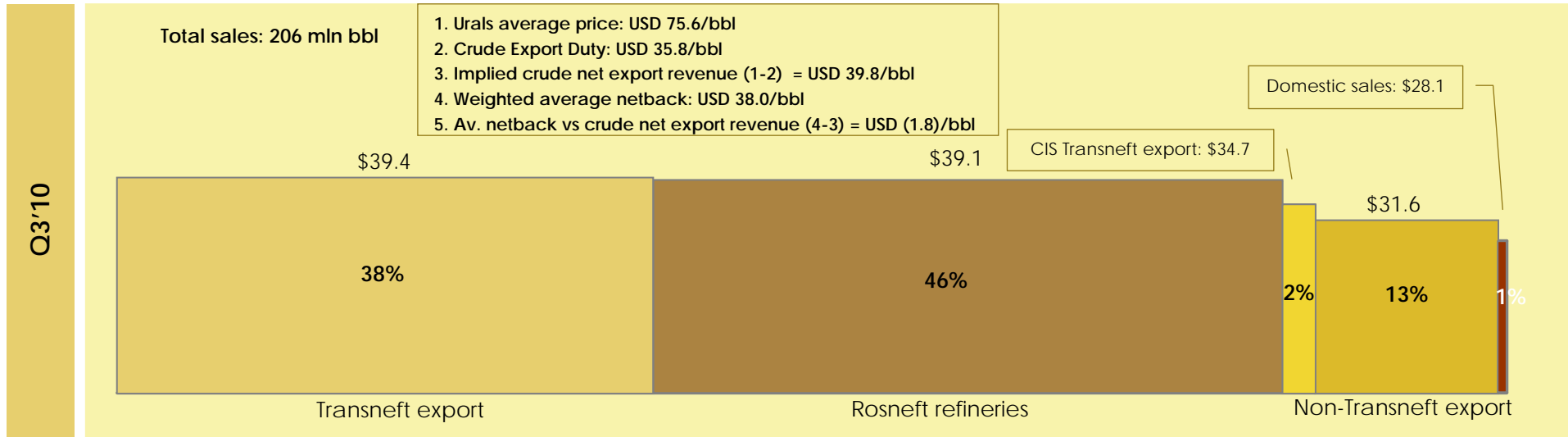


Revenues Reconciliation, USD mln





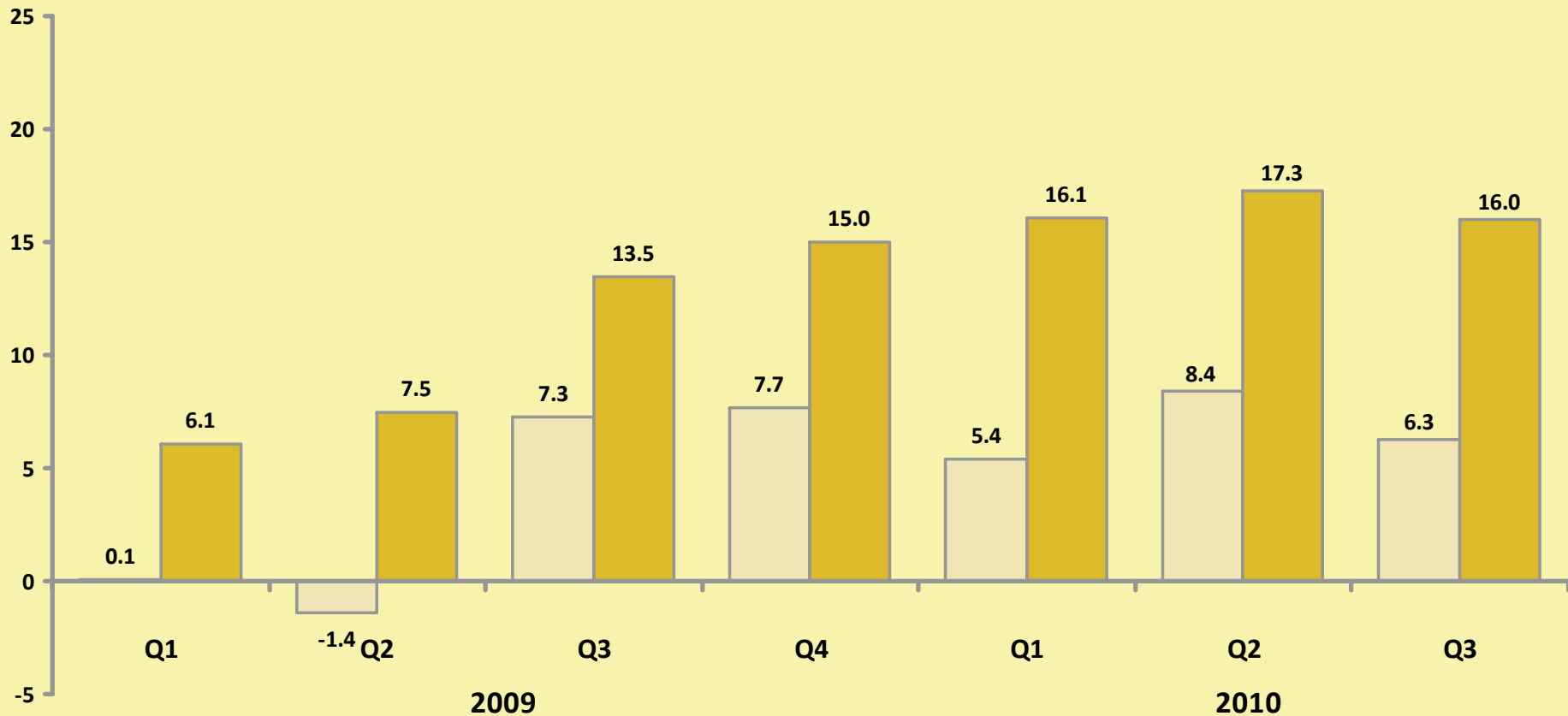
Netback Ladder: Effect of Vankor Export Duty





Net Refining Margin: In Line with Export Duty Dynamics

USD/bbl

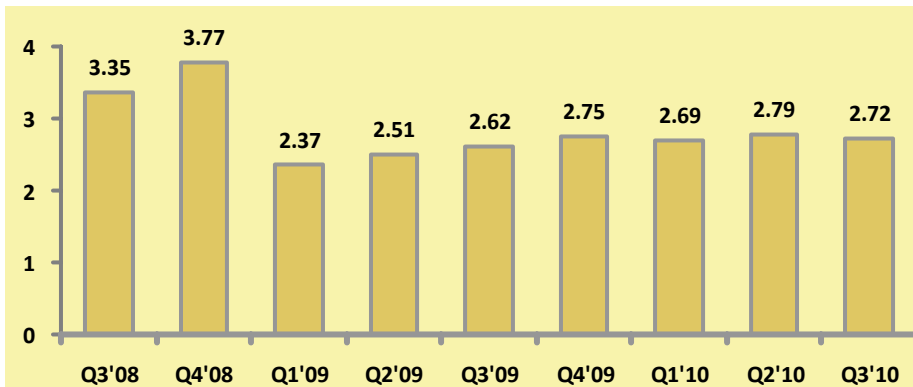


- Actual net refining margin (difference between netbacks of crude deliveries to refineries and exports through Transneft system)
- Tax base of the margin (difference between export duty for crude oil and export duty for a 50/50 (dark/light) product basket)

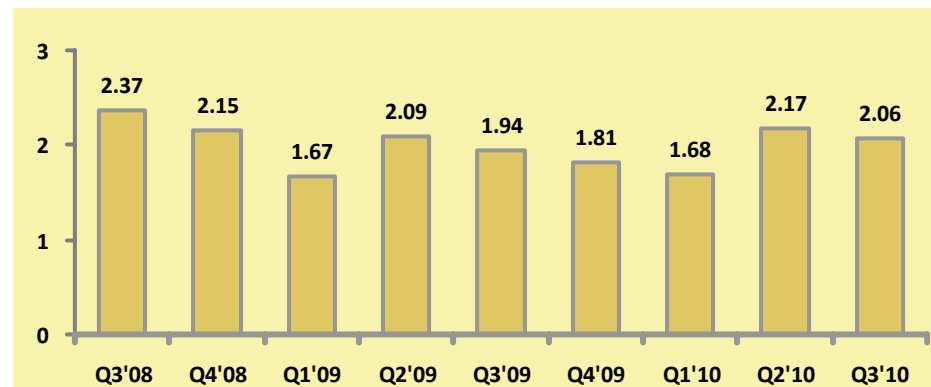


Expenses Dynamics: Continuing Decrease in Real Terms

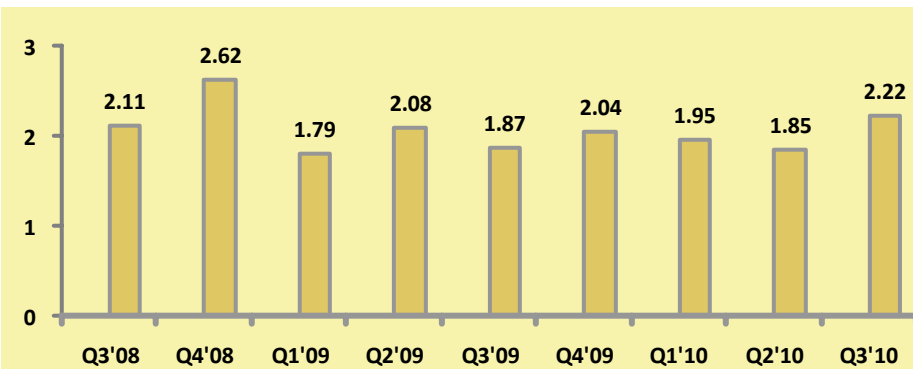
Upstream Operating Expenses, USD/bbl of oil produced



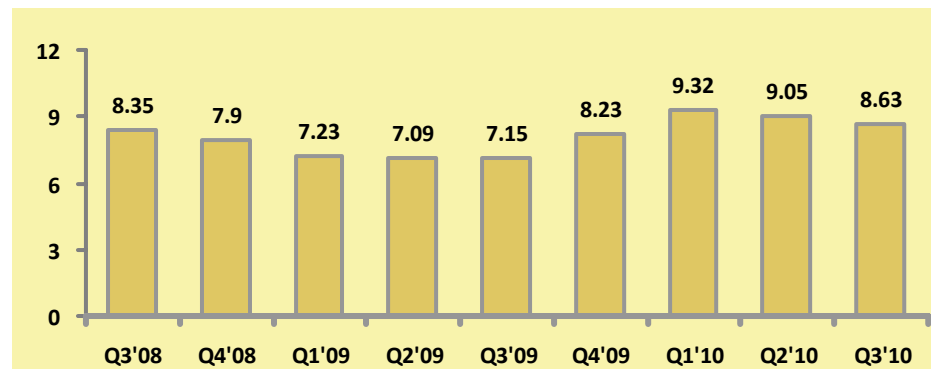
Refining Operating Expenses, USD/bbl of oil processed



SG&A Expenses, USD/bbl of oil produced



Transportation Expenses, USD/bbl of oil produced



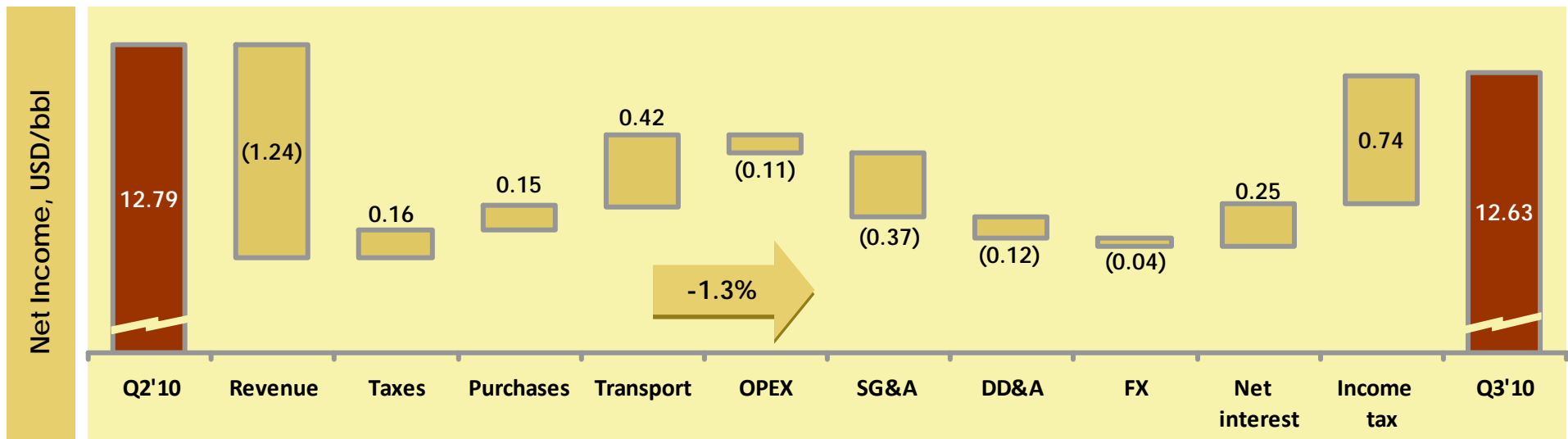
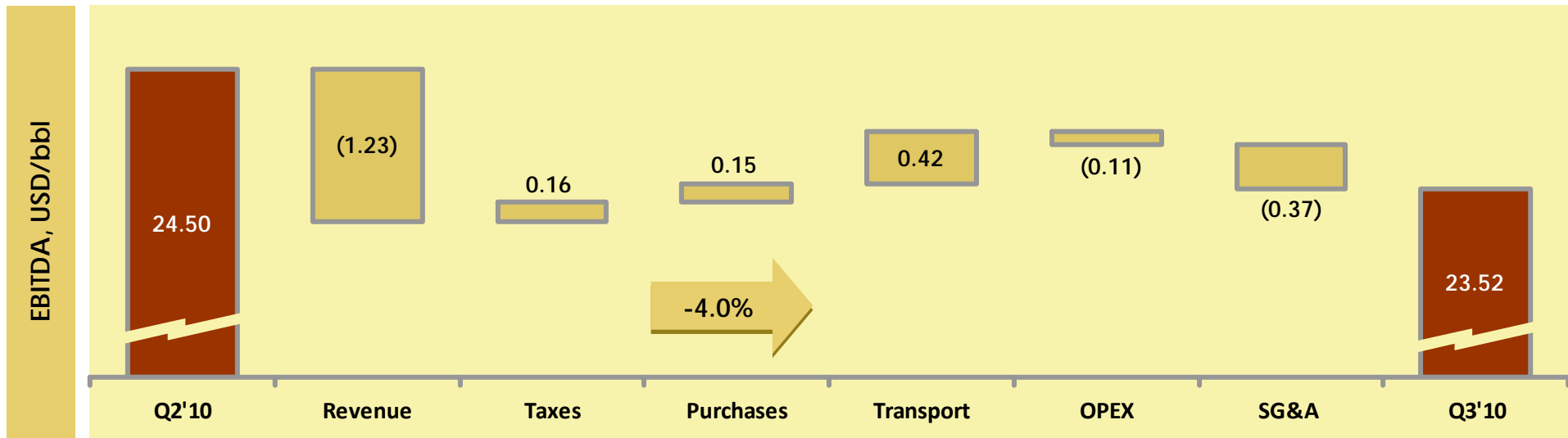
Upstream operating expenses include materials and electricity, workover, wages and salaries, and cost of transport to a trunk pipeline.

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).

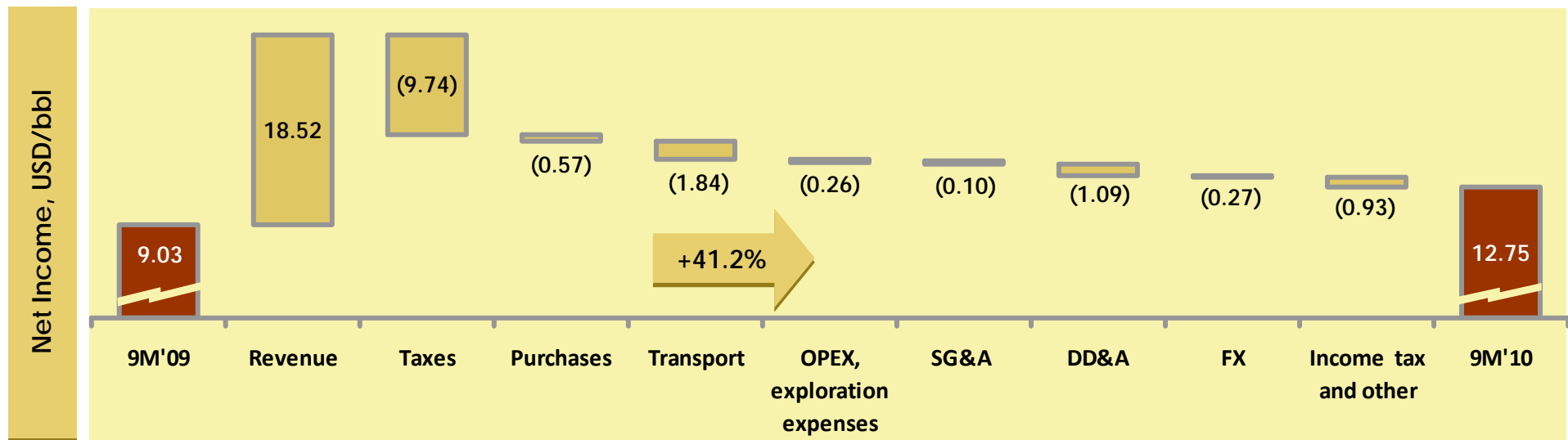
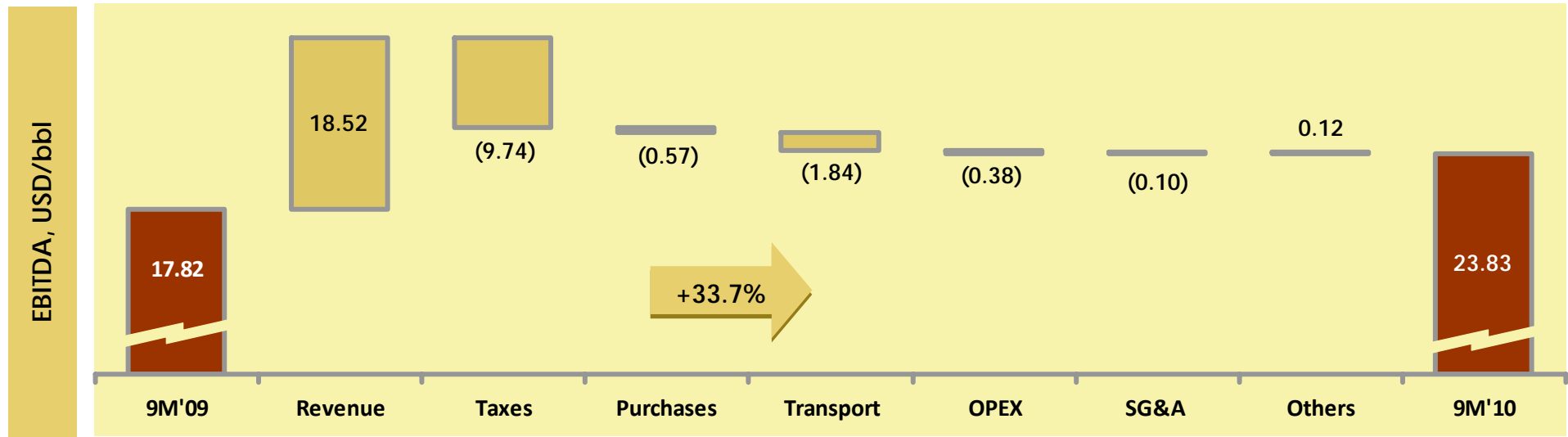


EBITDA and Net Income per bbl Reconciliation: Q3'10 vs. Q2'10



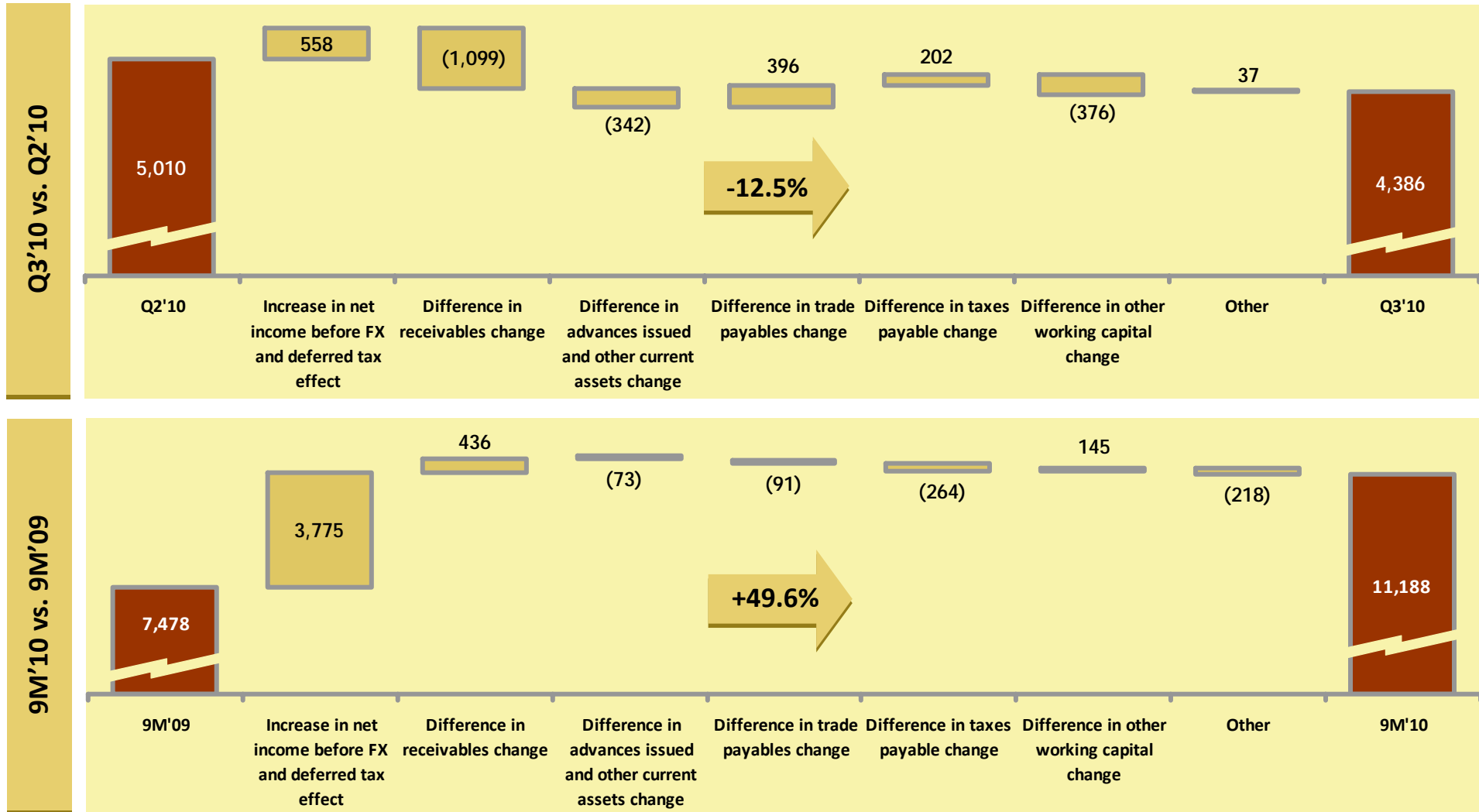


EBITDA and Net Income per bbl Reconciliation: 9M'10 vs. 9M'09





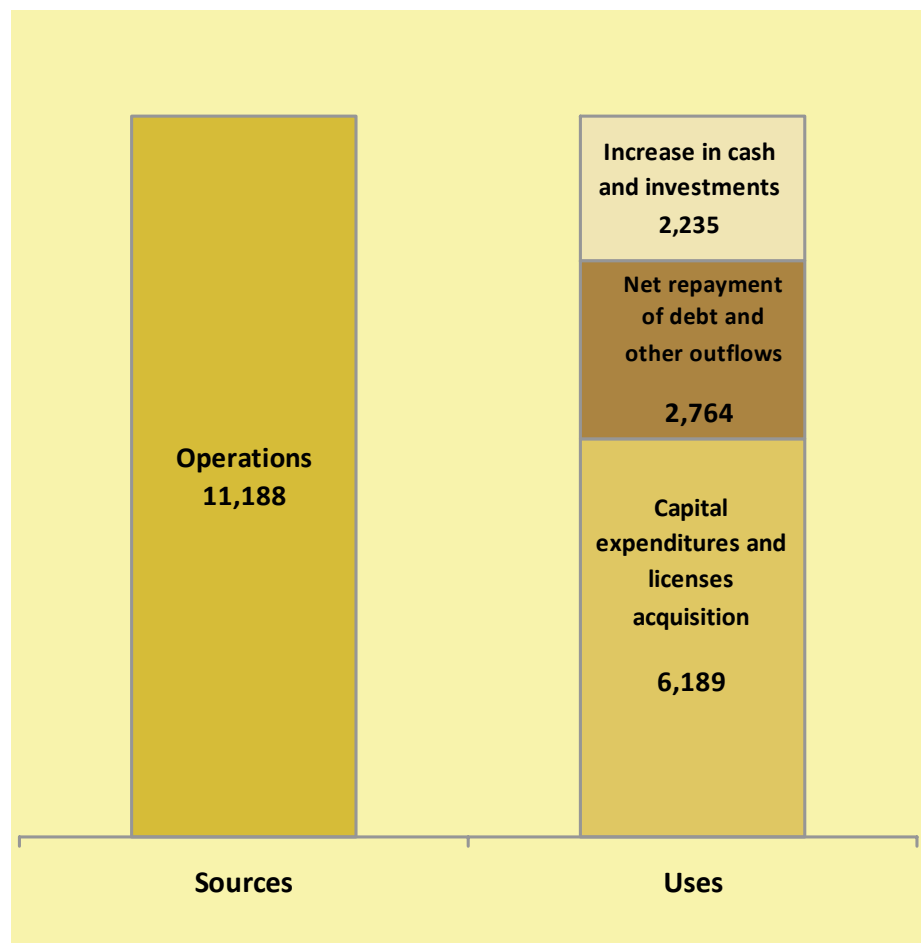
Operating Cash Flow Reconciliation, USD mln



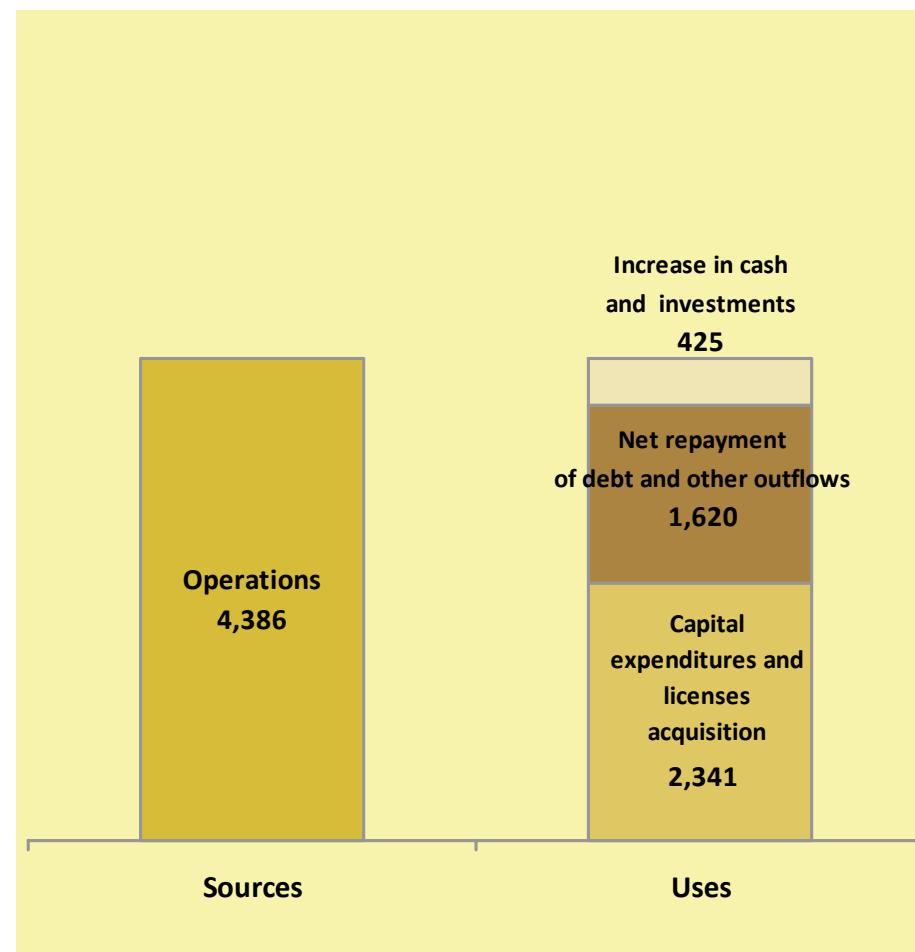


Sources and Uses of Cash: Strong Cash Flow Generation

9M'2010



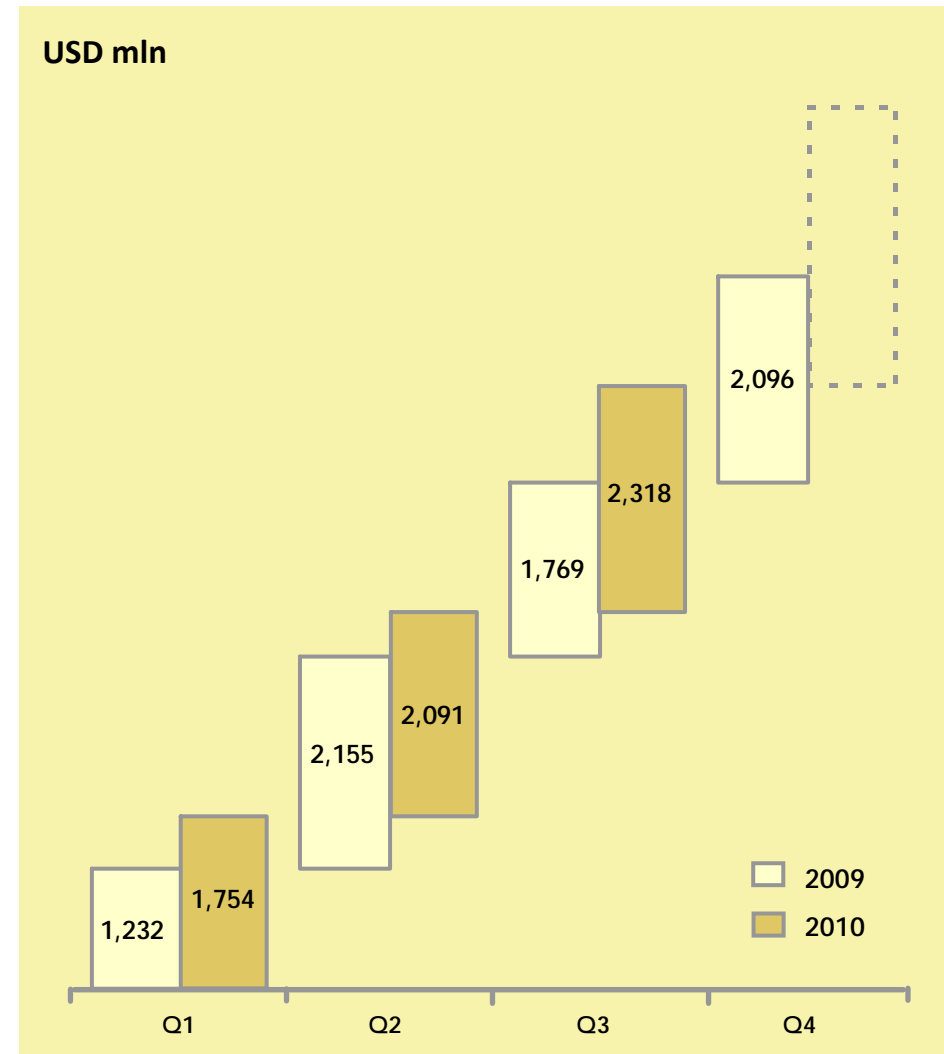
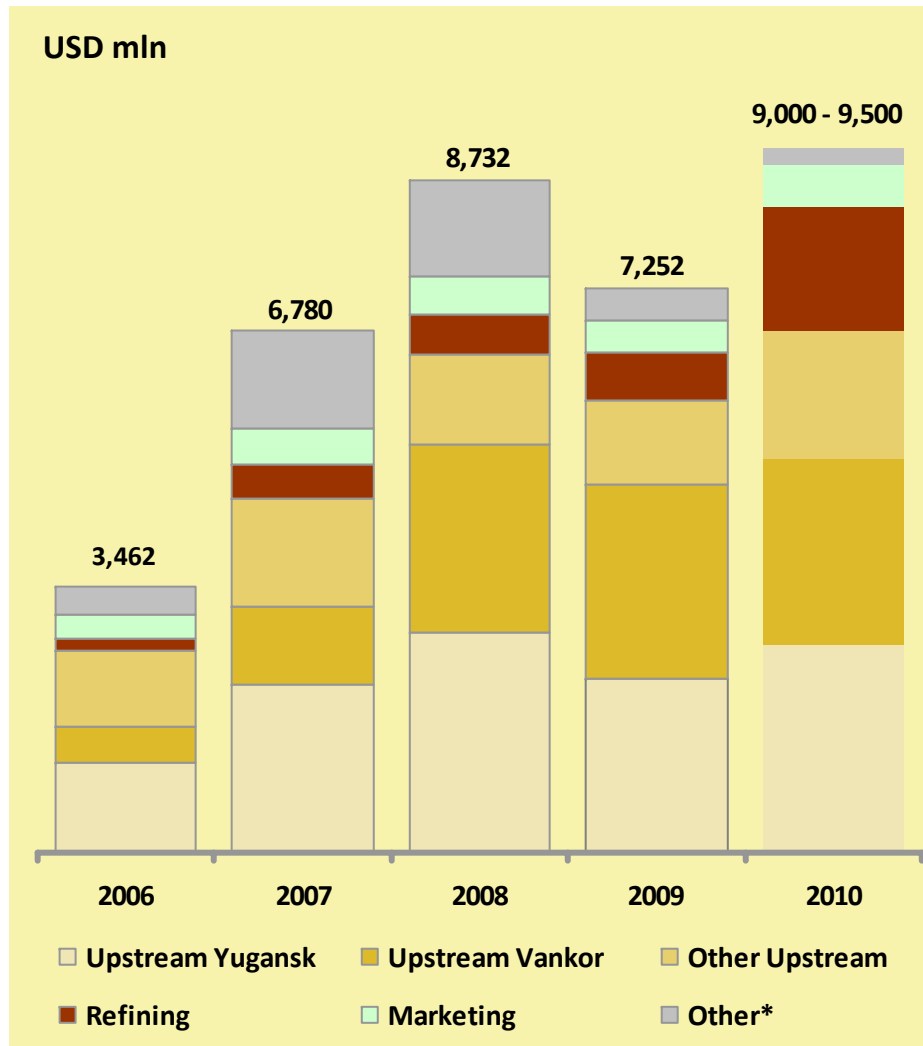
Q3'2010



Operating cash flow is adjusted for operations with trading securities as part of excess cash management (inflow of USD 348 mln in 9M'10, outflow of USD 32 mln in Q3'10).



Capital Expenditures: At the Lower End of the Initial Guidance

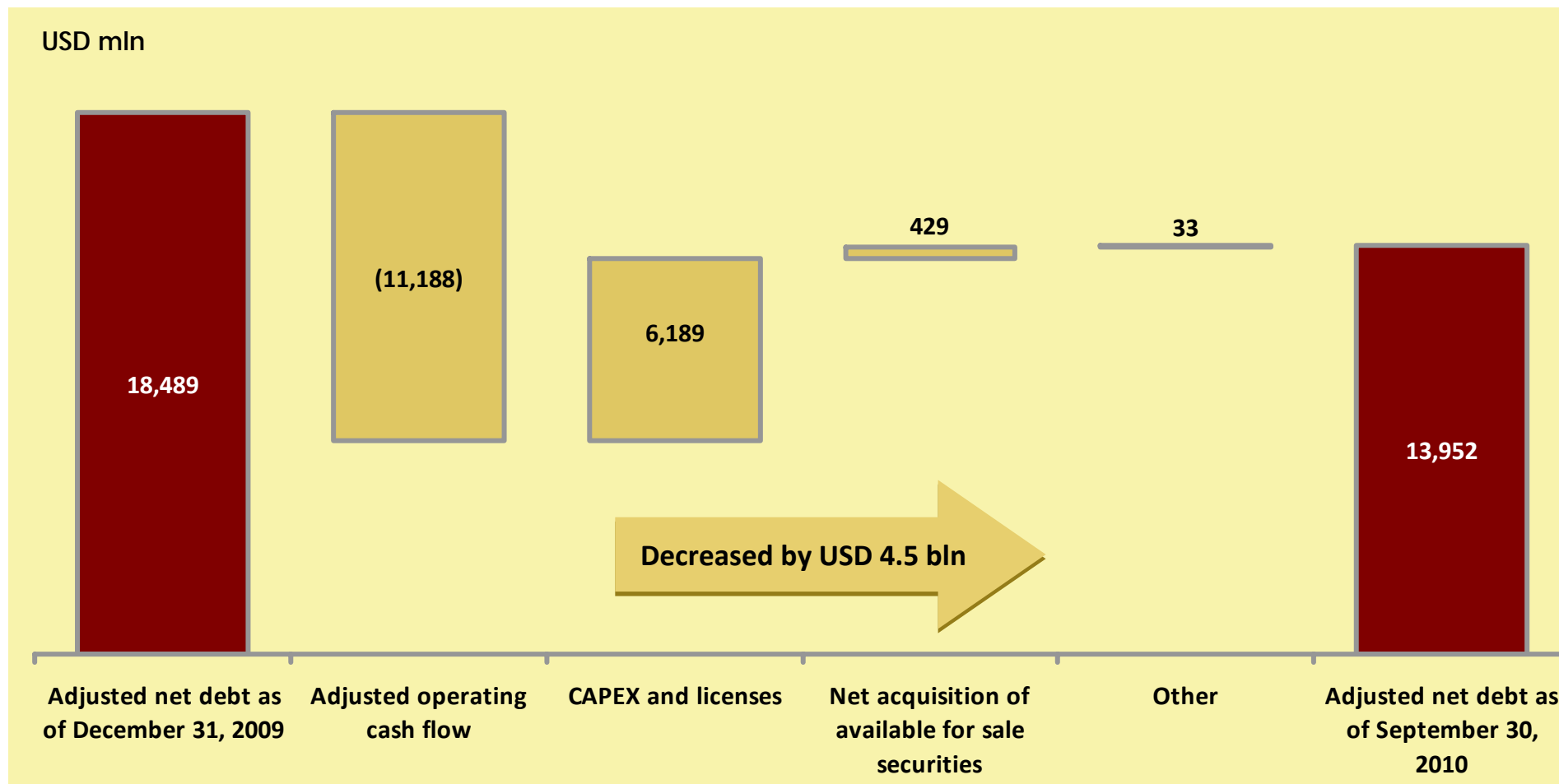


2009 and 2010 capex include capitalized interests of USD 354 mln and USD 350 mln respectively.

* Other includes net change in construction materials, capex of service companies and capex acquired with Yukos assets (in 2007).



Net Debt Reconciliation: Reaching pre-2007 Acquisitions Level



Net debt as of December 31, 2009 and as of September 30, 2010 is adjusted for short and medium term bank deposits and other short-term investments of USD 3,021 mln and USD 4,250 mln, respectively, as part of the excess cash management.

Operating cash flow is adjusted for operations with trading securities as part of excess cash management (inflow of USD 348 mln in 9M'10)



Credit Profile

Strongest Financial Position

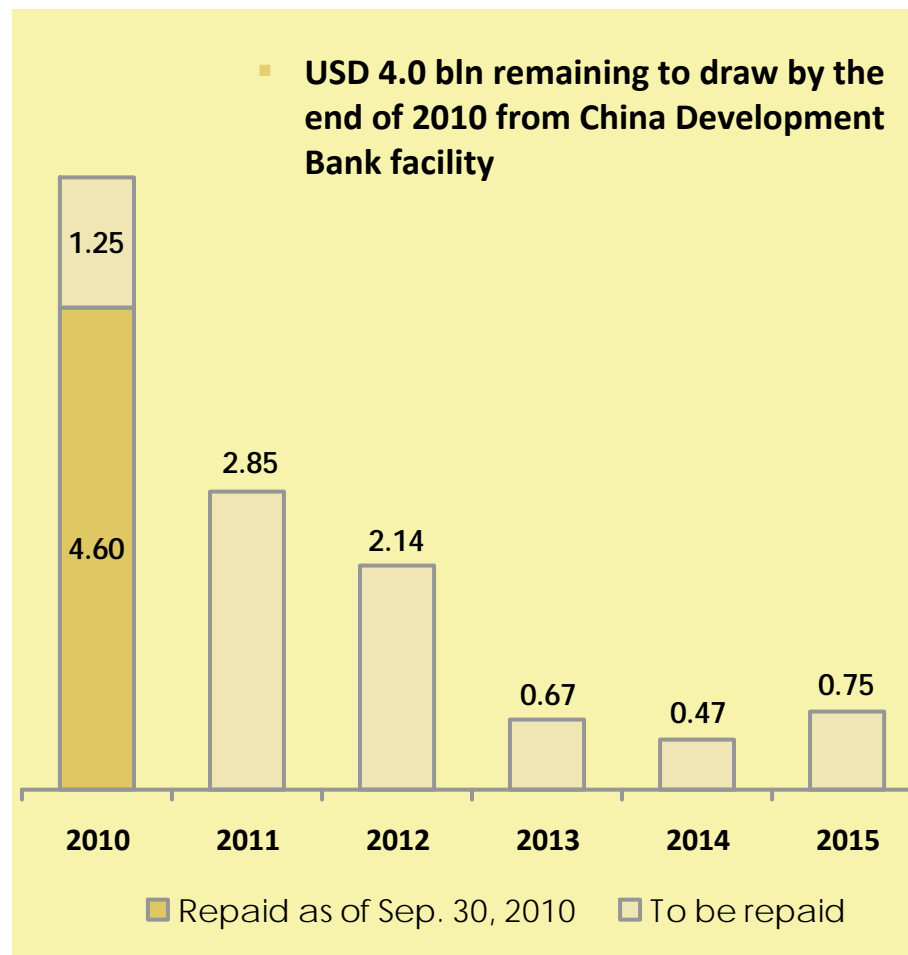
	Sep. 30, 2010	Dec. 31, 2009
Total debt, USD bln	20.54	23.51
Long-term debt, %	71.5%	66.7%
USD denominated debt, %	85.0%	85.2%
Leverage (Debt to Capital)	28.5%	34.4%
Weighted av. cost of debt	2.79%	2.32%
LTM EBITDA interest coverage	25.3	16.6
Net debt, USD bln	13.95	18.49
Net debt / LTM EBITDA	0.78	1.36

Credit rating

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

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

Repayment profile*, USD bln





Q3'10 and 9M`10 US GAAP Financial Results

Appendix



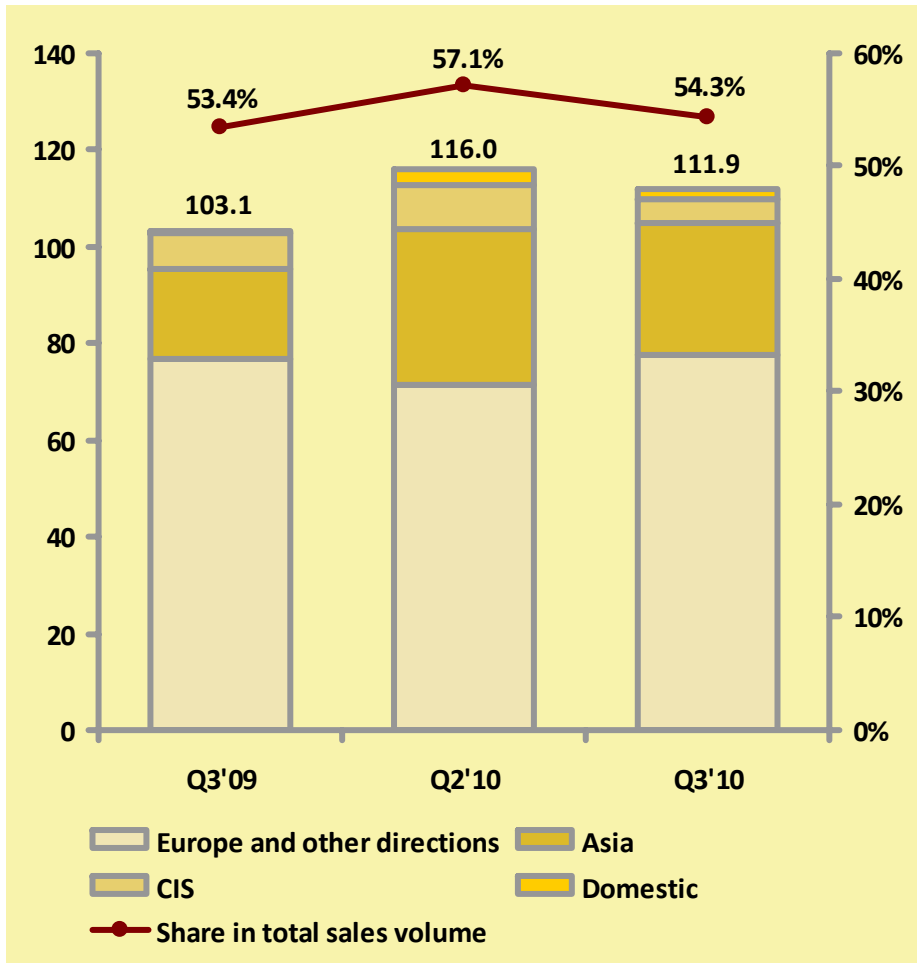
Profit and Loss Statement Analysis

	Q3'10	Q2'10	Δ, %	
Revenues	15,471	15,431	0.3%	Lower prices compensated by higher volumes, most of additional volumes were sold on the domestic market at relatively lower prices (but higher netbacks)
Transportation expenses	1,701	1,752	(2.9)%	Increase in tariffs compensated by redirection of crude flows from exports to refineries, sale of additional product volumes on the domestic market and increase in product shipment to exports by river at FCA terms
Operating expenses	1,161	1,119	3.8%	Volumes growth and inflation, per-unit expenses down in real terms
Export duty	4,112	4,055	1.4%	Decrease in export duty rate more than offset by export duty introduction for Vankor crude oil
Taxes other than on income	2,722	2,686	1.3%	Increase in MET following the growth of output volumes
EBITDA	4,638	4,745	(2.3)%	Export duty introduction for Vankor crude oil
Net interest expense	7	56	(87.5)%	Increase in interests capitalized, increase in funds placed on deposits
DD&A	1,399	1,348	3.8%	Increase in capex: more wells drilled, construction at Vankor and refineries upgrades
Income tax	632	763	(17.2)%	In line with statutory tax rate due to stable FX rate
Net income	2,568	2,556	0.5%	

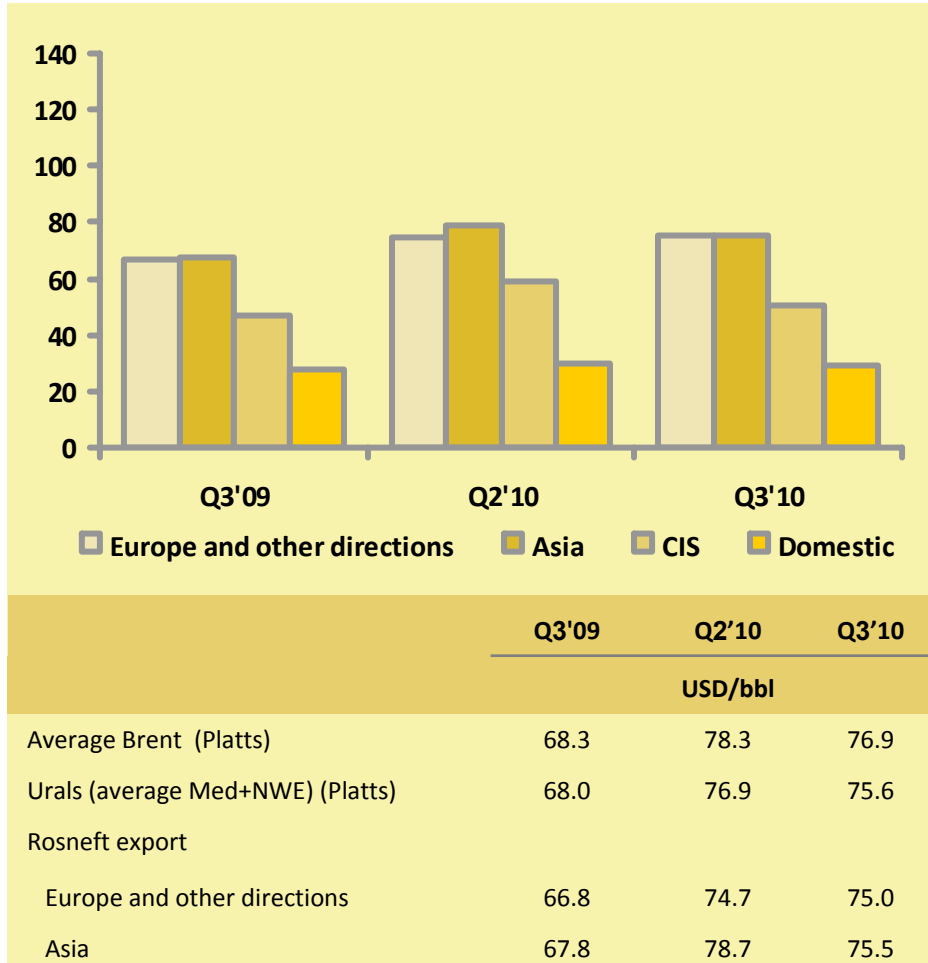


Crude Oil Sales

Crude Oil and Condensate Sales Volumes, mln bbl



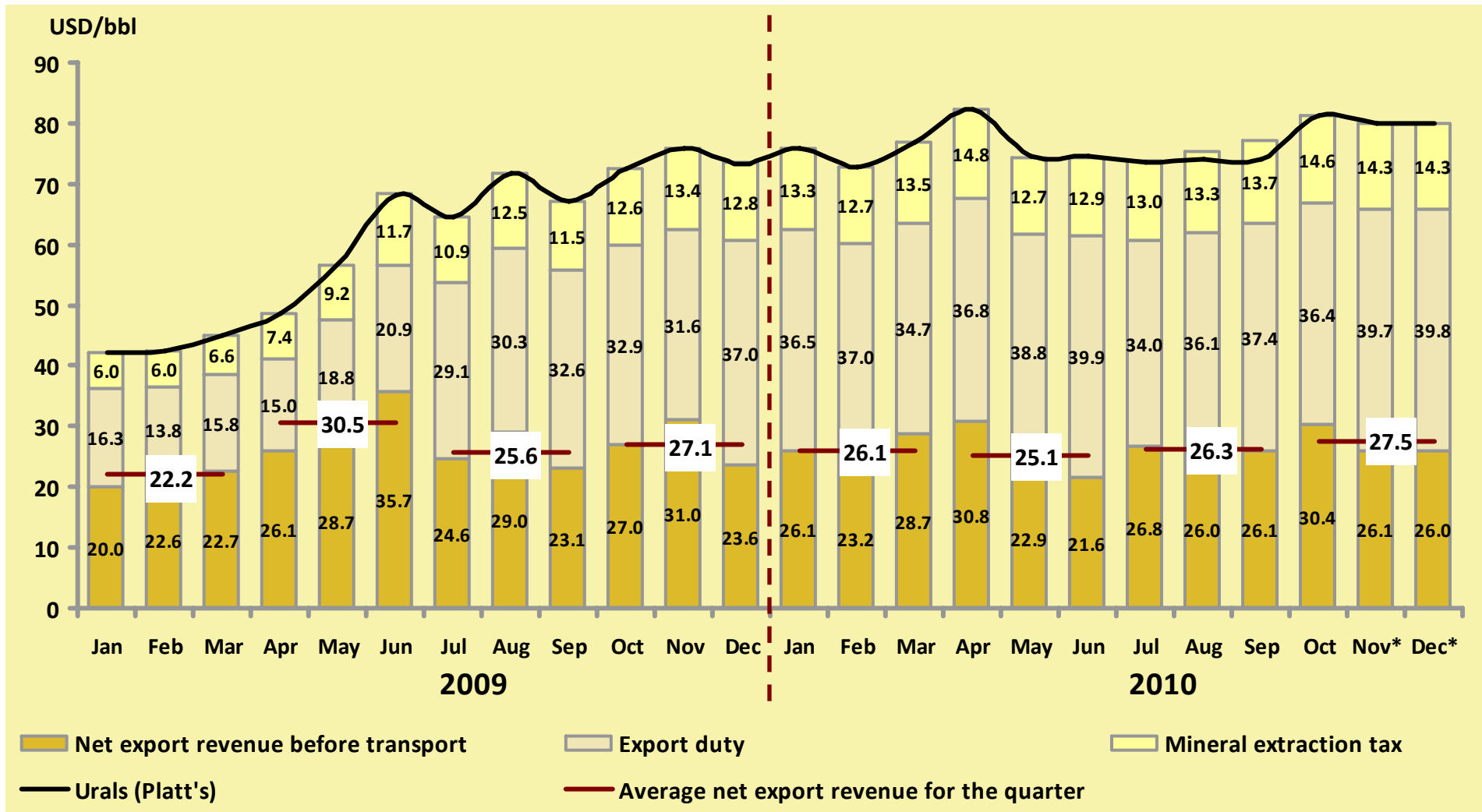
Average Prices, USD/bbl



	Q3'09	Q2'10	Q3'10
USD/bbl			
Average Brent (Platts)	68.3	78.3	76.9
Urals (average Med+NWE) (Platts)	68.0	76.9	75.6
Rosneft export			
Europe and other directions	66.8	74.7	75.0
Asia	67.8	78.7	75.5



Net Revenue of an Oil Exporter

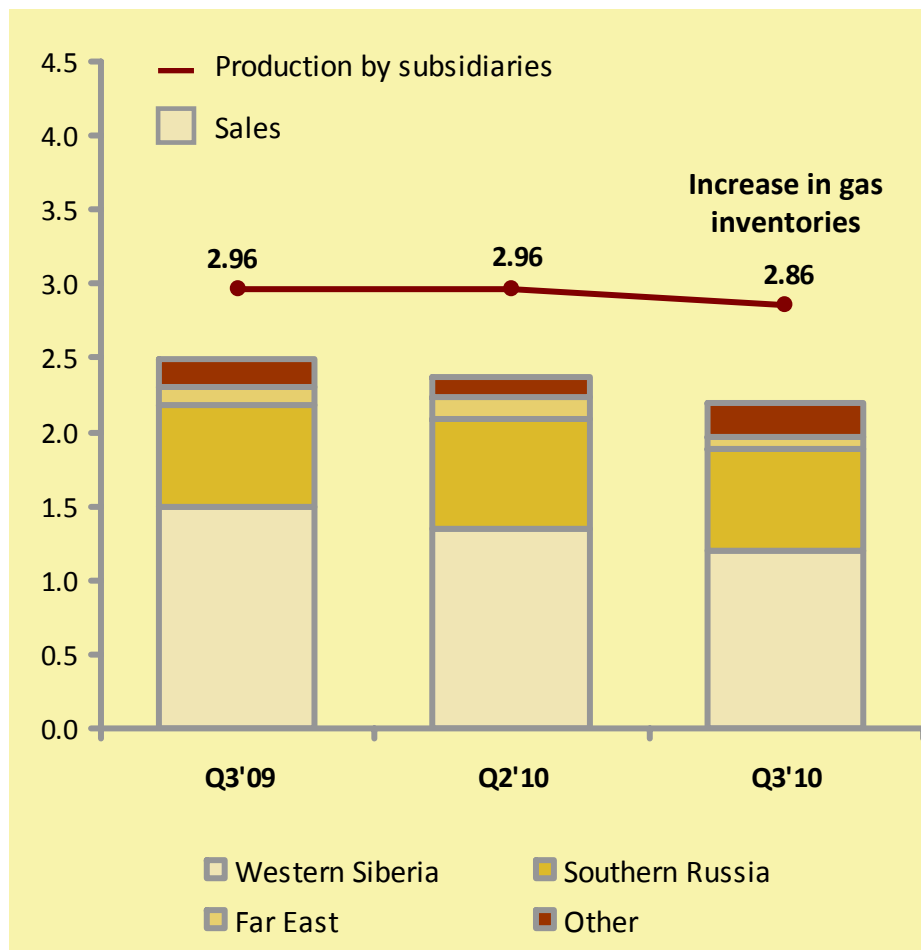


* Assuming Urals price of USD 80 per bbl in November and December.

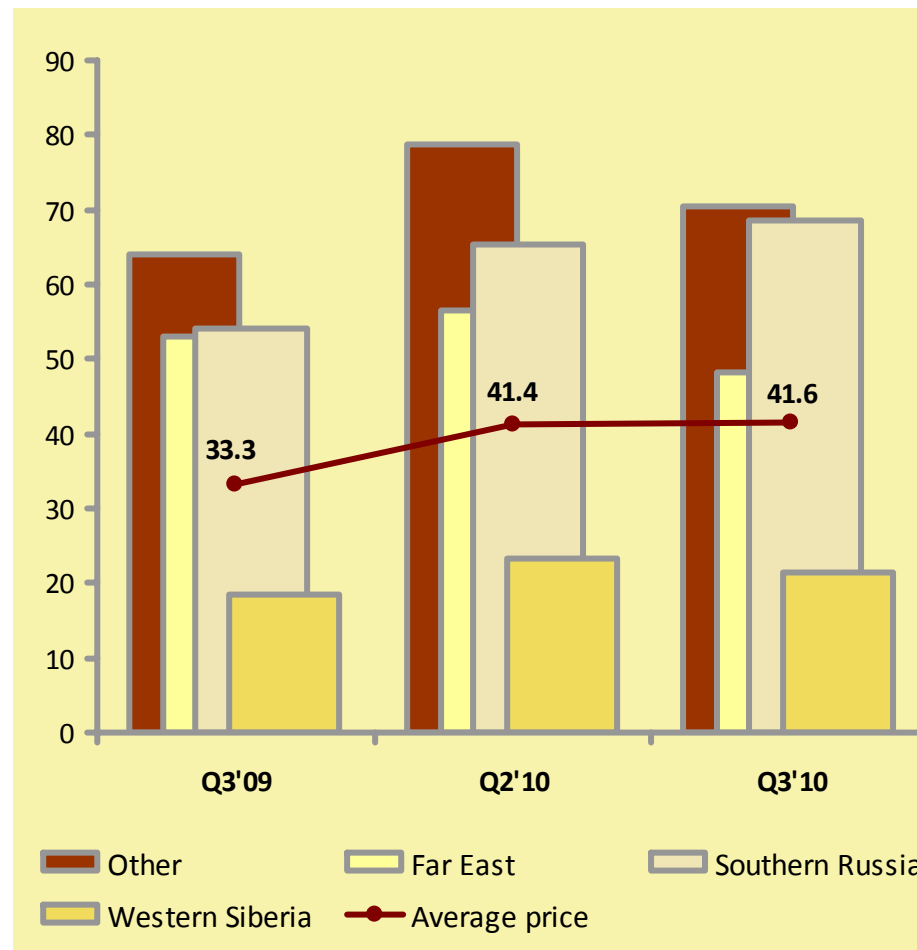


Gas Production and Sales

Gas Sales vs. Production, bcm

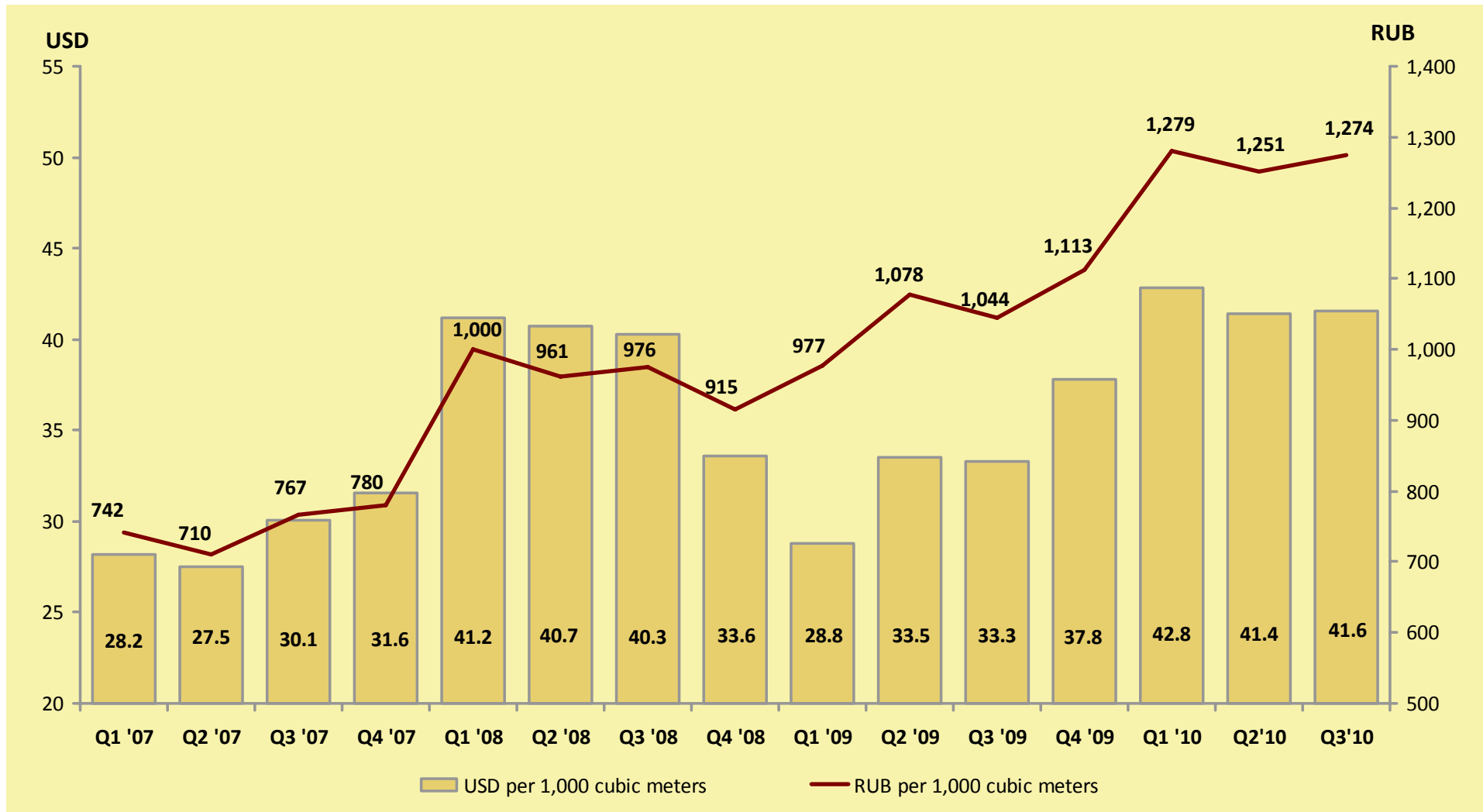


Gas Sales Prices, USD per 1,000 cubic meters





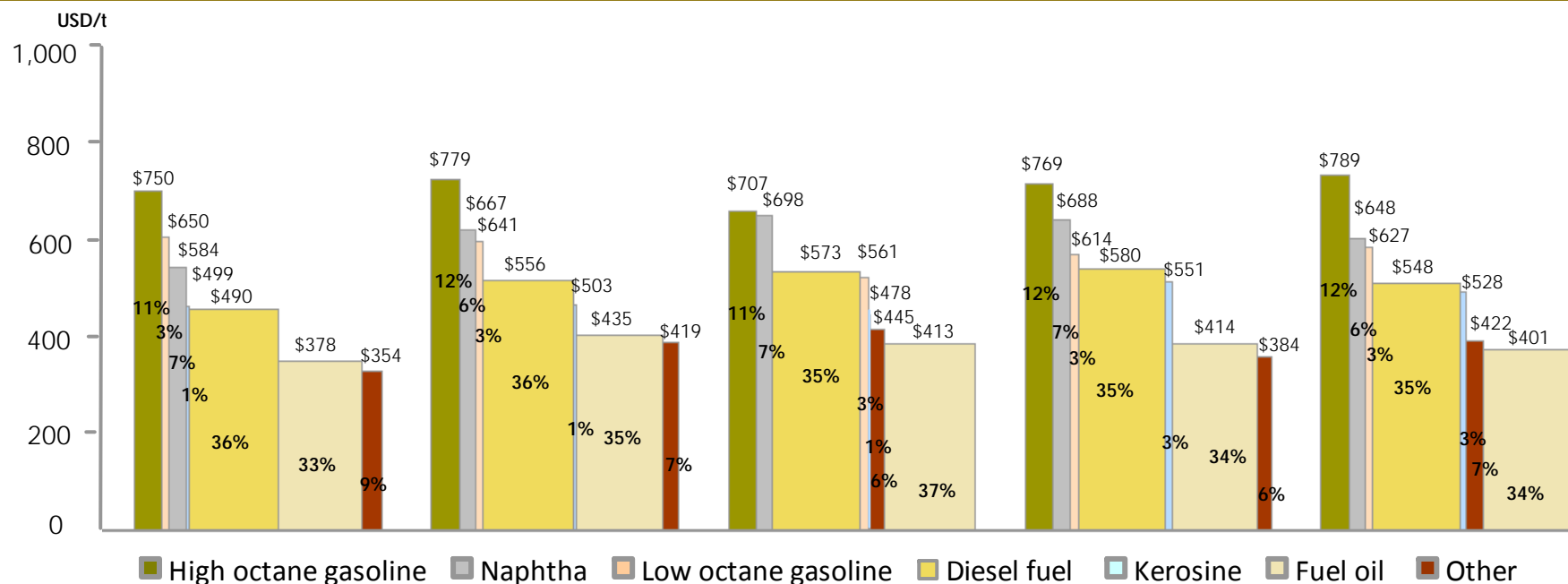
Gas Sales Prices





Petroleum Product Revenues

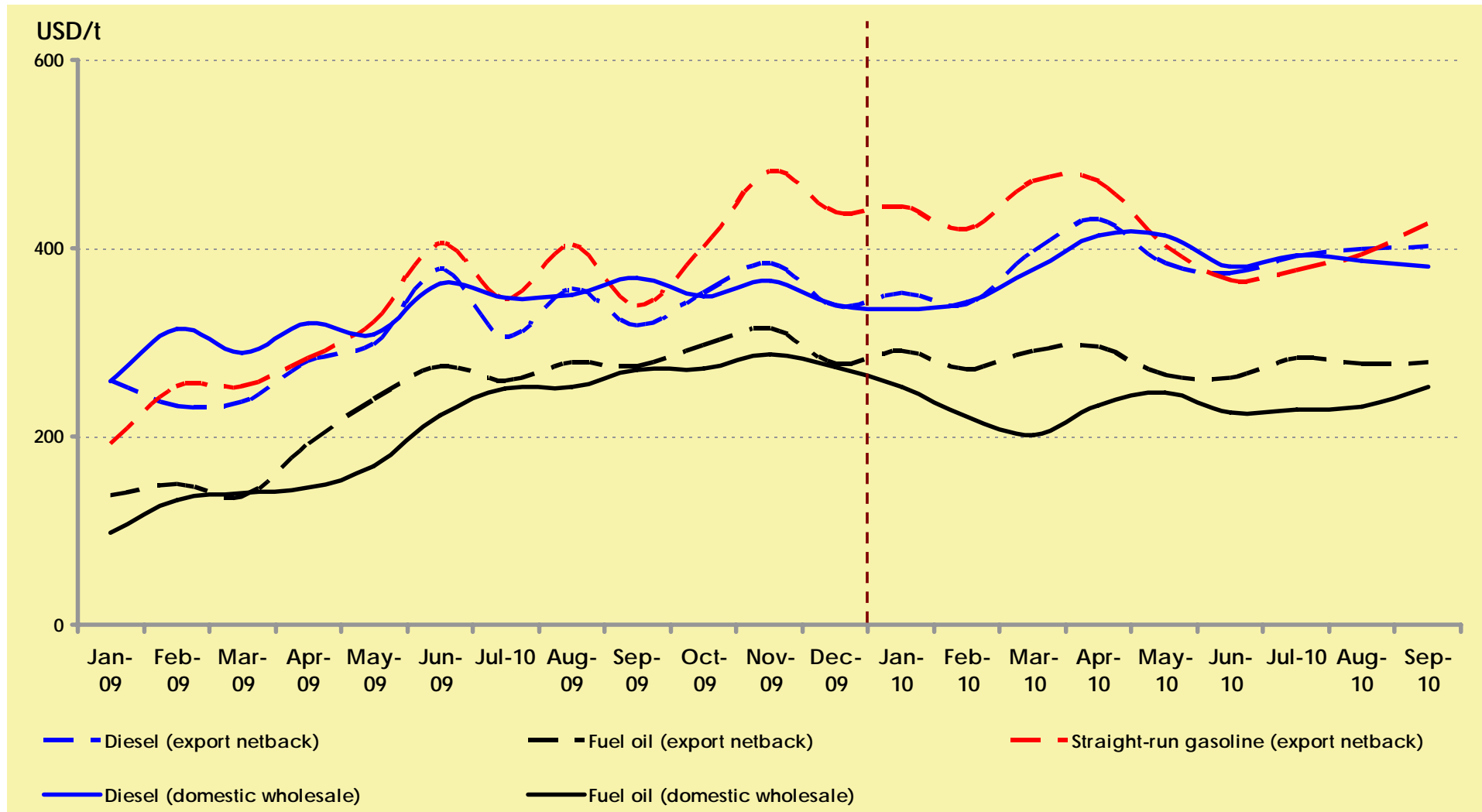
Petroleum Products: Average Prices and Volume Breakdown



	Q3'09	Q4'09	Q1'10	Q2'10	Q3'10
Revenue, USD mln	5,839	5,988	6,208	6,338	6,661
Excise and export duty, USD mln	1,080	1,110	1,220	1,190	1,173
Net revenue, USD mln	4,759	4,878	4,988	5,148	5,488
Volume sold, mln tonnes	12.14	11.11	11.74	11.73	12.69
Net revenue per tonne, USD	392	439	425	439	432



Petroleum Product Prices in 2009-2010 (Rosneft Refineries)*

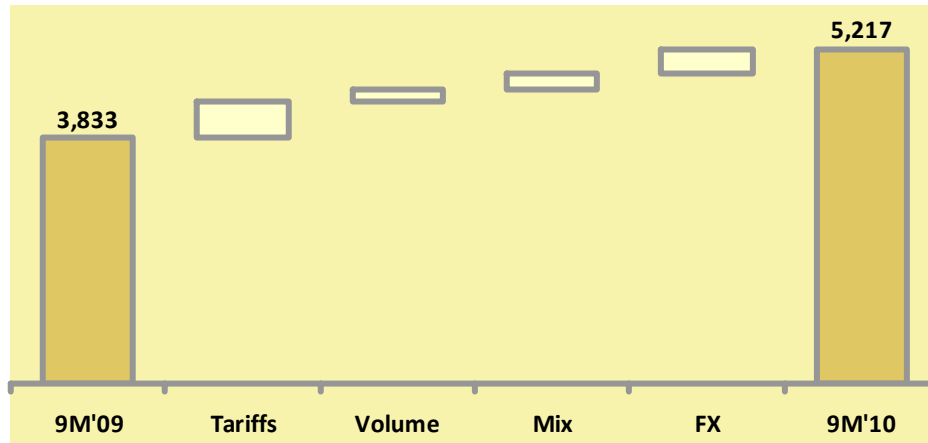


* Refinery-gate export netback or domestic wholesale price net of VAT and excise (average for Rosneft refineries).

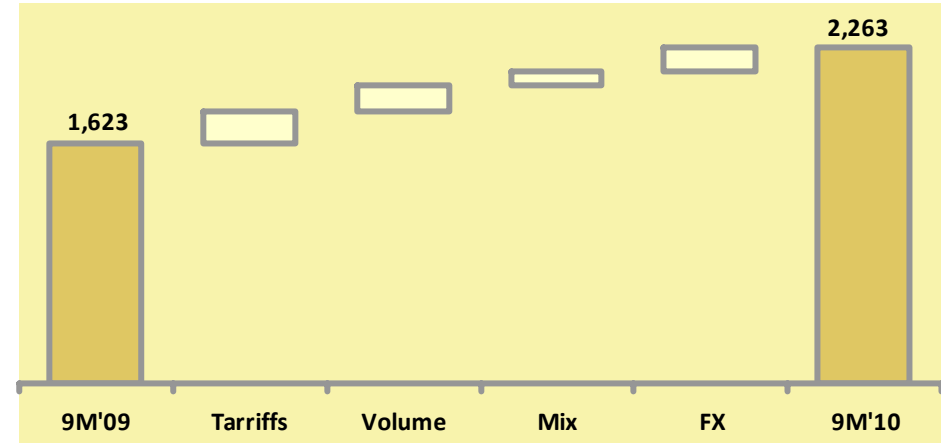


Transportation Costs, Factor Analysis: 9M'10 vs. 9M'09

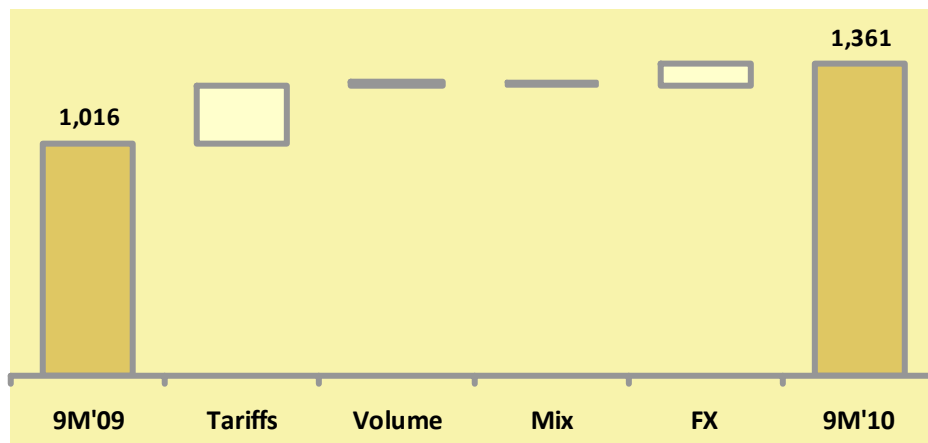
Total Transportation Costs, USD mln



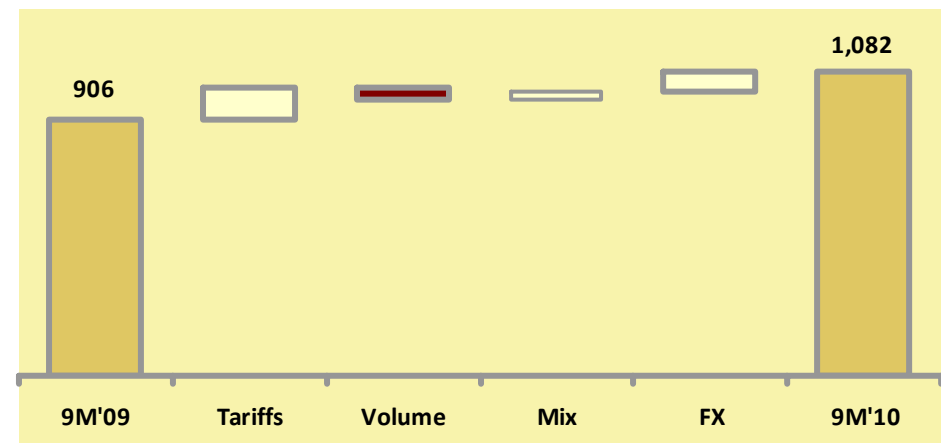
Transportation Costs for Crude Exports, USD mln



Transportation Costs for Crude Deliveries to Refineries, USD mln



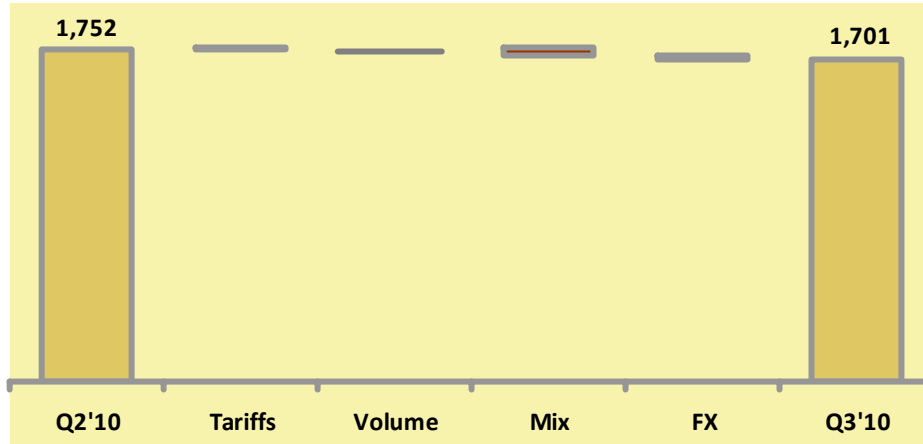
Transportation Costs for Product Exports, USD mln



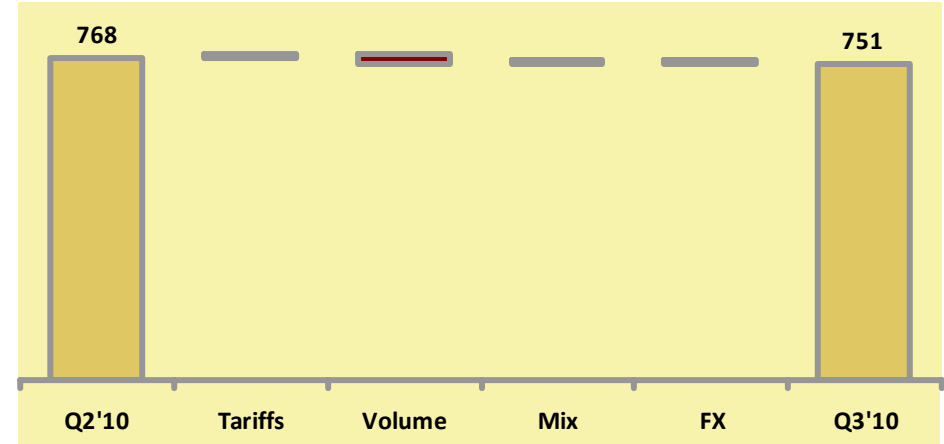


Transportation Costs, Factor Analysis: Q3'10 vs. Q2'10

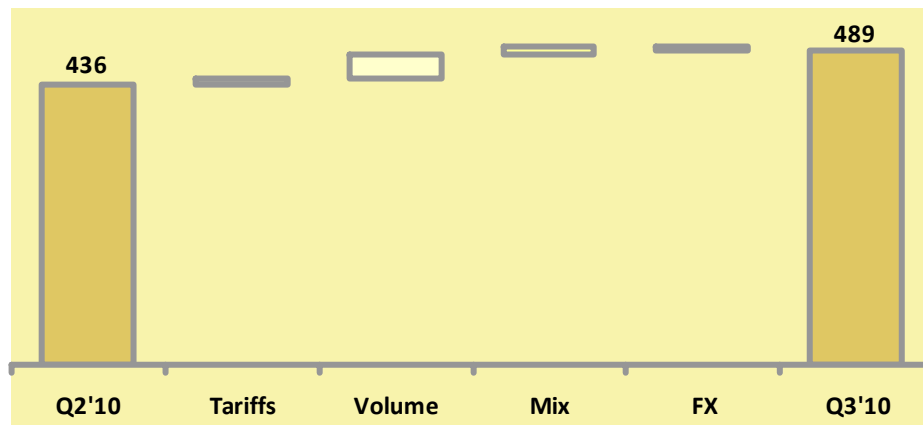
Total Transportation Costs, USD mln



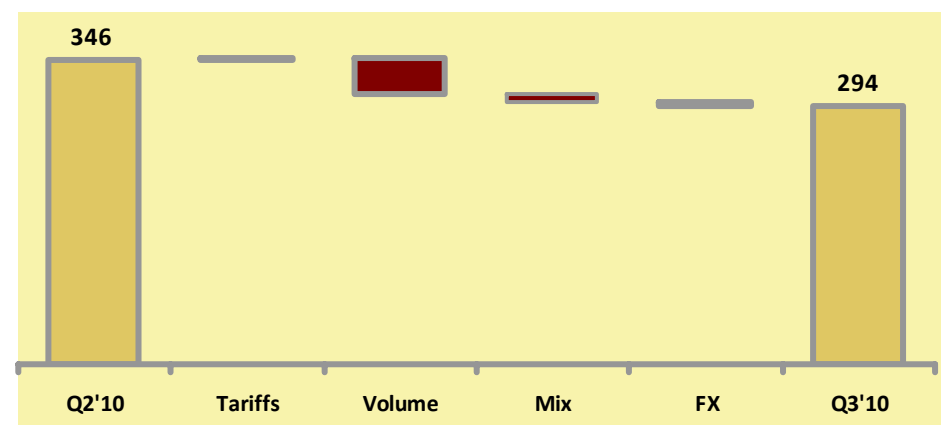
Transportation Costs for Crude Exports, USD mln



Transportation Costs for Crude Deliveries to Refineries, USD mln



Transportation Costs for Product Exports, USD mln





Interest Expense

	9M'10	Q3'10	Q2'10	Q1'10
1. Interest accrued according to loan agreements	507	163	172	172
2. Interest paid (cash)	574	297	42	235
3. Change in interest payables (1-2)	(67)	(134)	130	(63)
4. Interest capitalized*	247	91	83	73
5. Interest SWAP loss/(gain)	158	58	60	40
6. Debt issue cost	31	8	16	7
7. Other	48	17	15	16
8. Interest expense as reflected in P&L (1-4+5+6+7)	497	155	180	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.