



# ROSNEFT

## Q3 and 9M 2011 US GAAP Financial Results

October 31, 2011



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# Q3'11 and 9M'11 Highlights

## Good Results at Existing Environment, Production Ahead of Plan

### Positives

- Good financial results:
  - EBITDA – **USD 5.3 bln** in Q3 and **USD 17.3 bln** in 9M
  - Net income – **USD 2.8 bln** in Q3 and **9.5 bln** in 9M
  - Operating cash flow – **USD 12.2 bln** in 9M
  - Free cash flow – **USD 3.3 bln** in 9M
- Daily crude oil production growth of **2.7%** in 9M'11 vs. 9M'10 and **1.3%** in Q3'11 vs. Q2'11
- Weakening of the RUB against the USD

### Challenges, priorities

#### Q3'11 – challenges

- Introduction of standard export duty for Vankor crude
- Standard MET for Vankor crude

#### Q4'11 priorities

- Meeting 2011 Business plan targets
- Develop Business plan for 2012
- Continued cost control
  - Increase in energy efficiency
  - Work with suppliers and contractors
  - Headcount optimization
  - Capex prioritization
- Continue discussion to update tax regime



# Macroeconomic Environment

## Mixed dynamics of Prices, Weak Ruble

	Q3'11	Q2'11	Δ, %	9M'11	9M'10	Δ, %
Average USD/RUB exchange rate	29.05	27.99	3.8%	28.77	30.25	(4.9)%
Inflation for the period, %	(0.3)%	1.2%		4.7%	6.2%	
Real RUB appreciation/(depreciation) against USD compared with the previous period, %	(3.5)%	6.2%		14.7%	14.3%	
Urals FOB Primorsk, \$/bbl	111.6	113.1	(1.4)%	108.4	74.6	45.3%
Gasoil 0.1% (FOB/CIF Med), \$/tonne	945.4	958.2	(1.3)%	928.5	652.2	42.4%
Fuel oil 3.5% (FOB/CIF Med), \$/tonne	631.2	625.8	0.9%	603.9	435.2	38.8%
High octane gasoline (av. Russia), \$/tonne	873.0	861.3	1.4%	831.7	678.7	22.5%
Diesel (av. Russia), \$/tonne (summer)	678.4	689.2	(1.6)%	662.0	457.2	44.8%



# Q3'11 and 9M'11 Results Overview

## Production Ahead of Plan

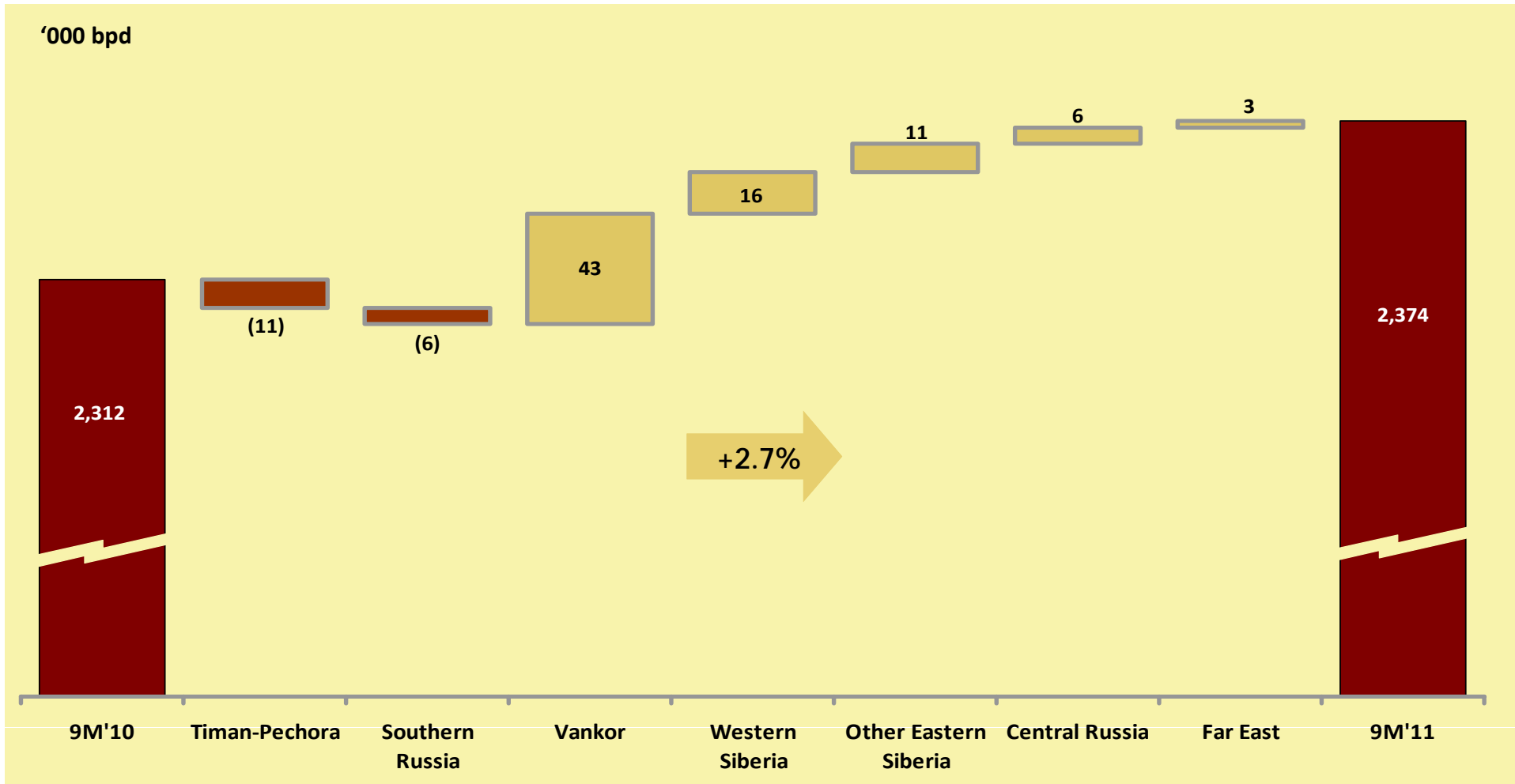
	Q3'11	Q2'11	Δ, %	9M'11	9M'10	Δ, %
<b>Daily crude oil production, th. bpd</b>	<b>2,399</b>	<b>2,368</b>	<b>1.3%</b>	<b>2,374</b>	<b>2,312</b>	<b>2.7%</b>
Gas production, bcm	3.00	3.06	(2.0)%	9.26	9.09	1.9%
<b>Petroleum product output, mln t</b>	<b>14.98</b>	<b>13.43</b>	<b>11.5%</b>	<b>40.17</b>	<b>35.64</b>	<b>12.7%</b>
Revenues, USD mln	24,627	23,274	5.8%	68,024	45,663	49.0%
<b>EBITDA, USD mln</b>	<b>5,283</b>	<b>5,333</b>	<b>(0.9)%</b>	<b>17,269</b>	<b>13,826</b>	<b>24.9%</b>
Adjusted net income, USD mln	2,758	2,805	(1.7)%	9,419	7,485	25.8%
Operating cash flow <sup>1</sup> , USD mln	2,864	3,328	(13.9)%	12,244	11,536	6.1%
Capital expenditures, USD mln	2,768	3,452	(19.8)%	8,981	6,163	45.7%
<b>Free cash flow<sup>1</sup>, USD mln</b>	<b>96</b>	<b>1,762</b>	<b>(94.6)%</b>	<b>3,263</b>	<b>5,373</b>	<b>(39.3)%</b>
<b>Net debt , USD mln</b>	<b>13,991</b>	<b>12,445</b>	<b>12.4%</b>	<b>13,991</b>	<b>13,952</b>	<b>0.3%</b>

1. Operating cash flow and Free cash flow include the effect from operations with trading securities as part of excess cash management (inflow of USD 348 mln in 9M'10, outflow of USD 32 mln in 9M'11, inflow of USD 16mln in Q2'11, outflow of USD 33 mln in Q3'11) and the effect on working capital of the acquisition of Ruhr Oel GmbH in the amount of USD 1,886 mln in Q2'11.



# Daily Crude Oil Production Reconciliation

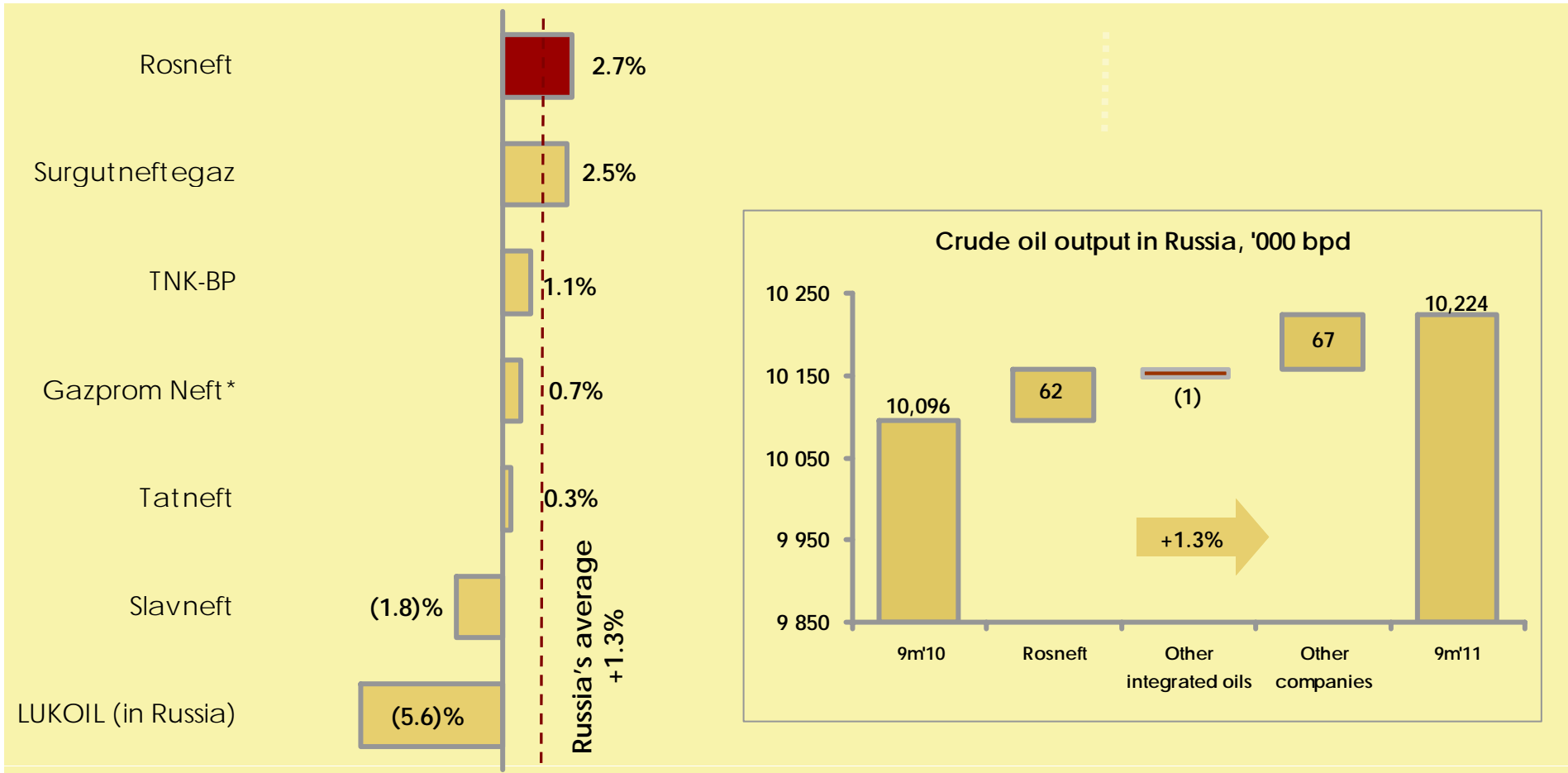
Daily Crude Oil Production Reconciliation, 9M'11 vs. 9M'10





# Daily Crude Oil Production (continued)

## Daily Crude Oil Production in Russia, 9M'11 vs. 9M'10

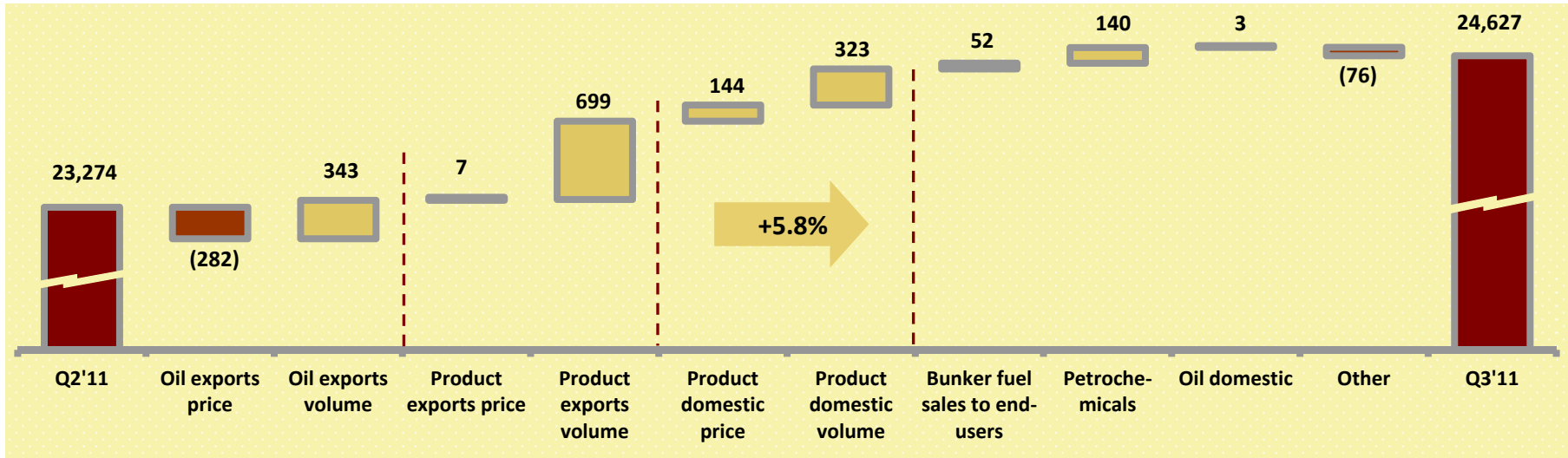


\* Not including share in Tomskneft.

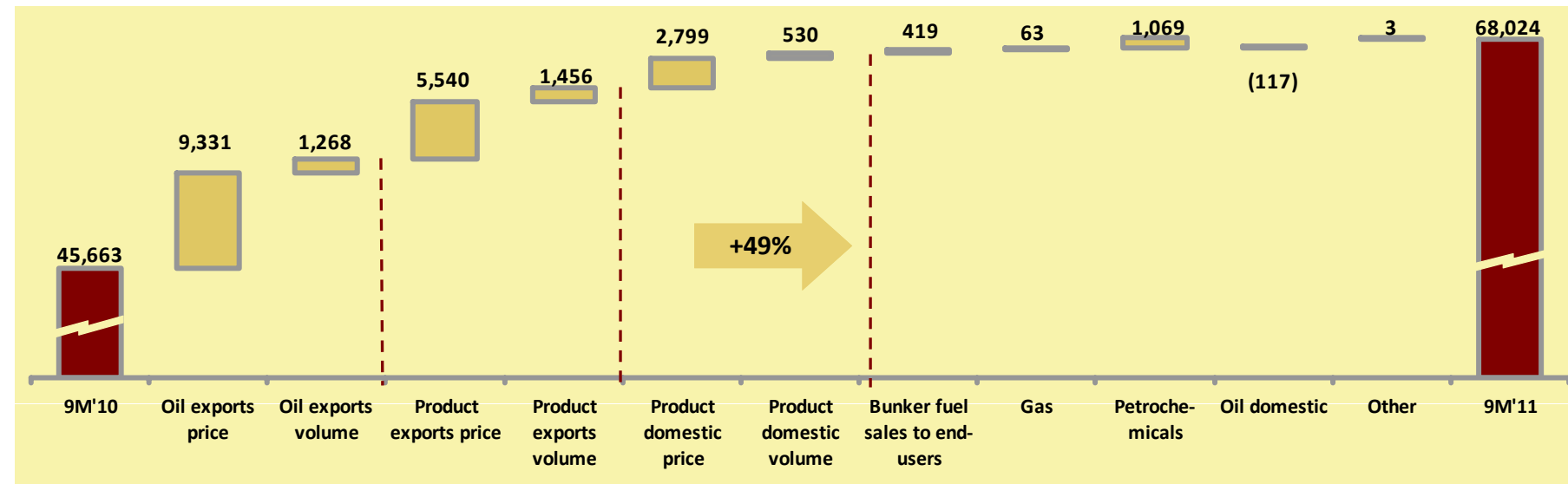


# Revenues Reconciliation, USD mln

Q3'11 vs. Q2'11



9M'11 vs. 9M'10

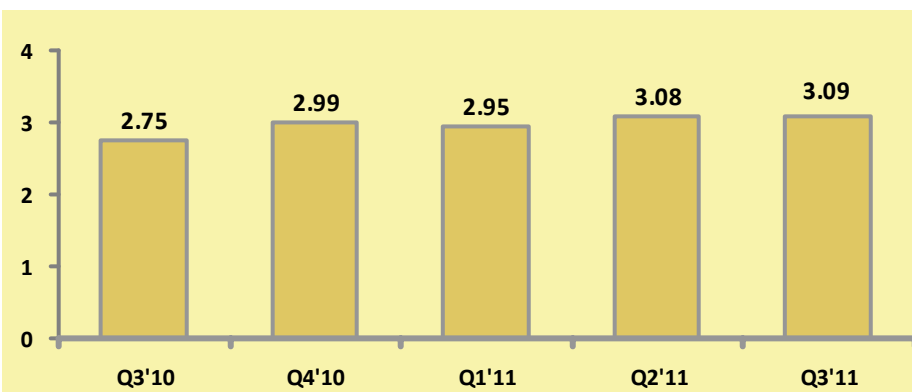




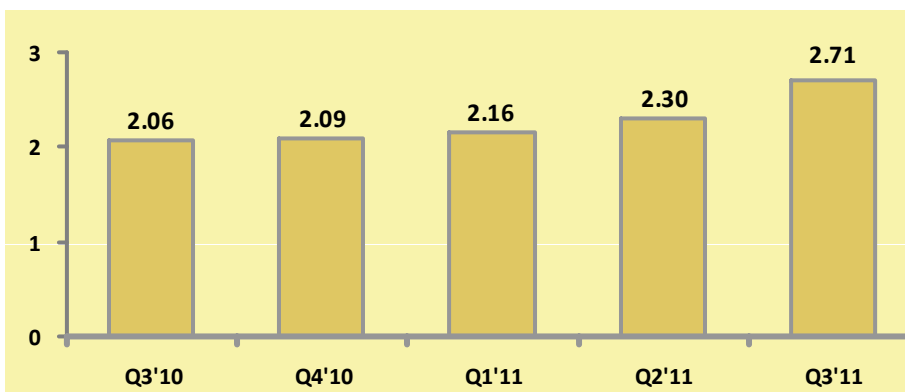


# Expenses Dynamics

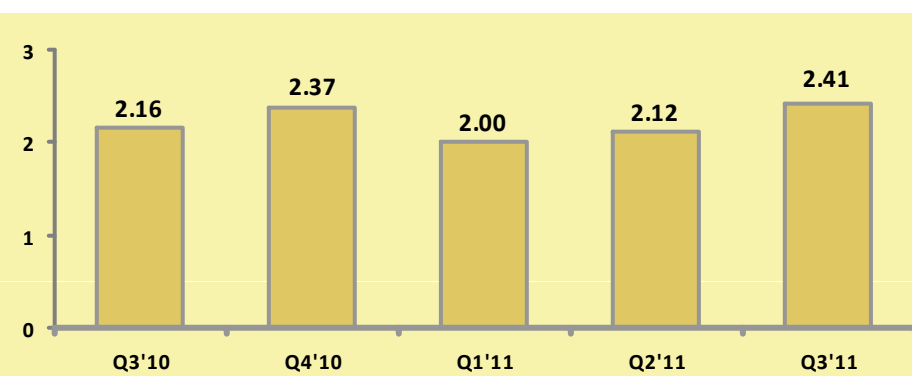
### Upstream Operating Expenses, USD/bbl of oil produced



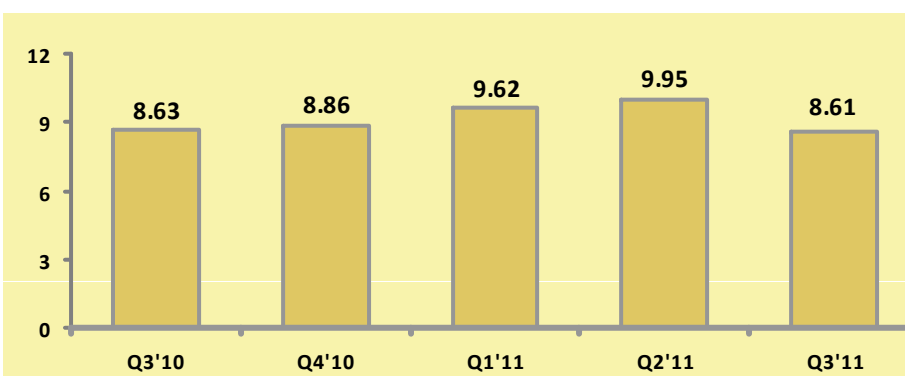
### Refining Operating Expenses, USD/bbl of oil processed



### 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.

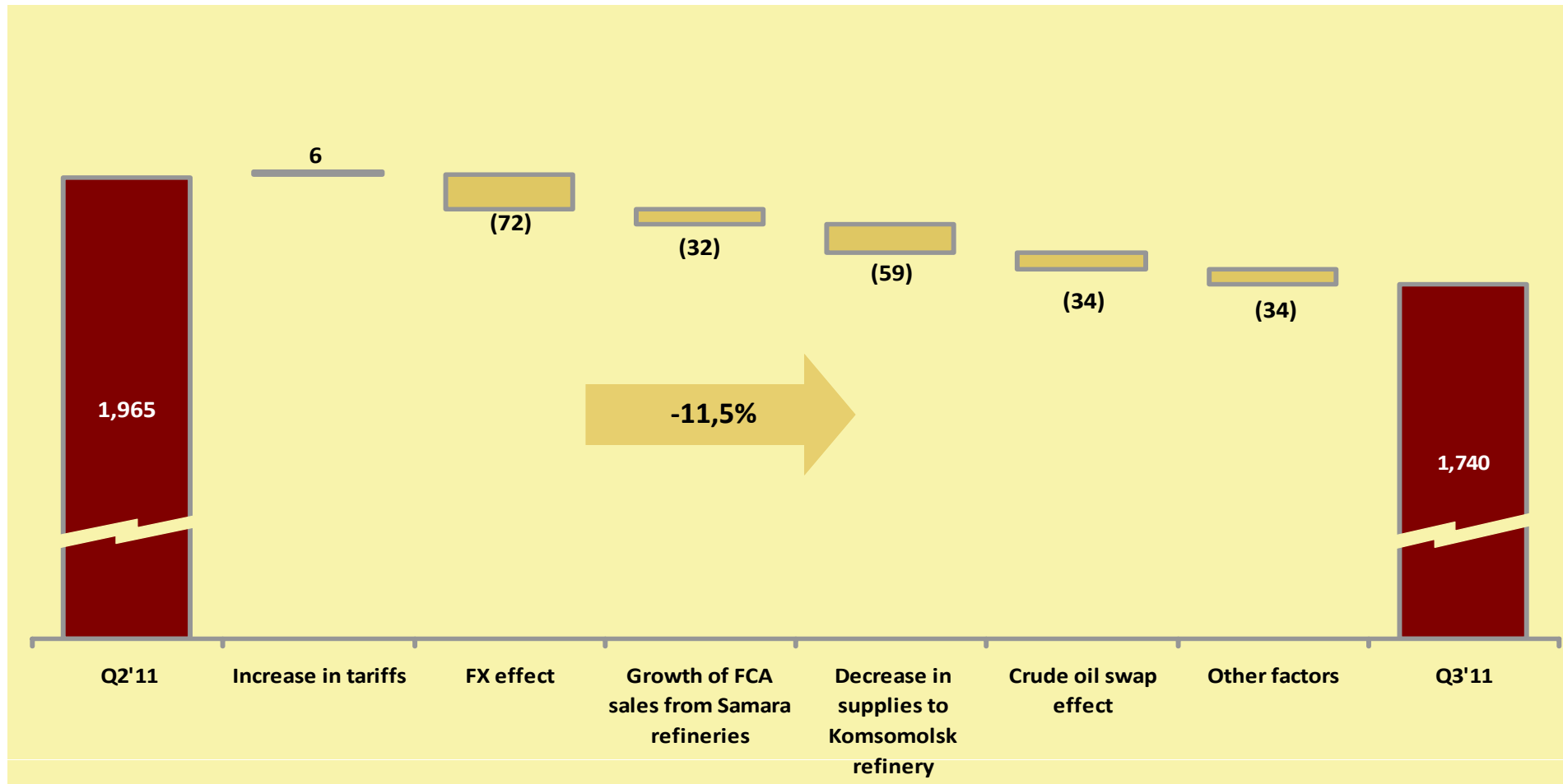
Selling, general and administrative expenses include payroll at headquarters and management-related subsidiaries, payroll of top management of operating subsidiaries, audit & consulting expenses, bad debt allowance and other costs.

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 Reconciliation

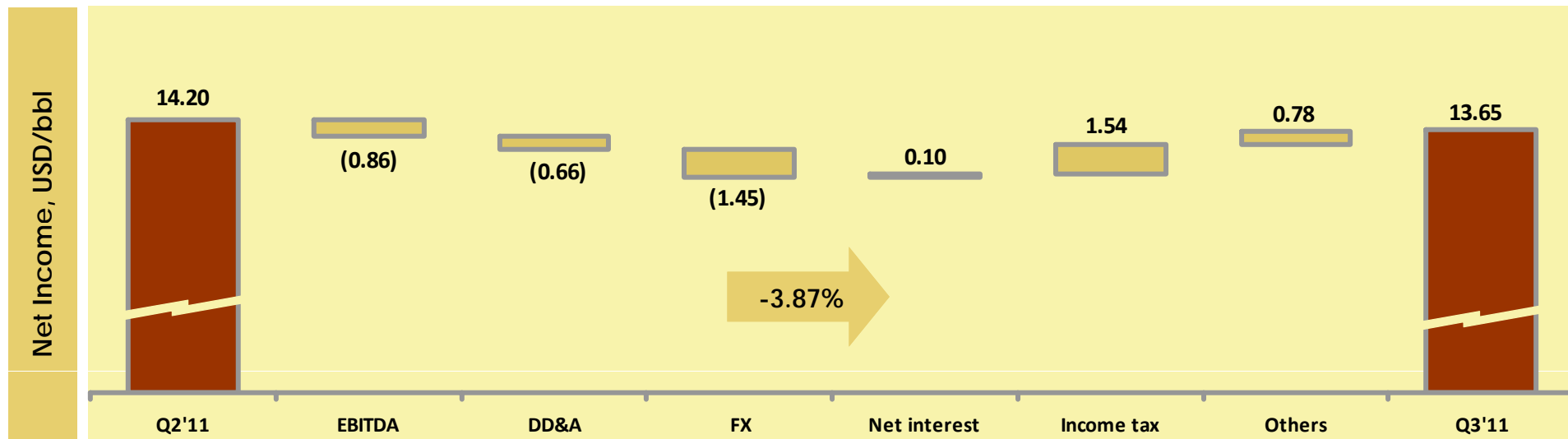
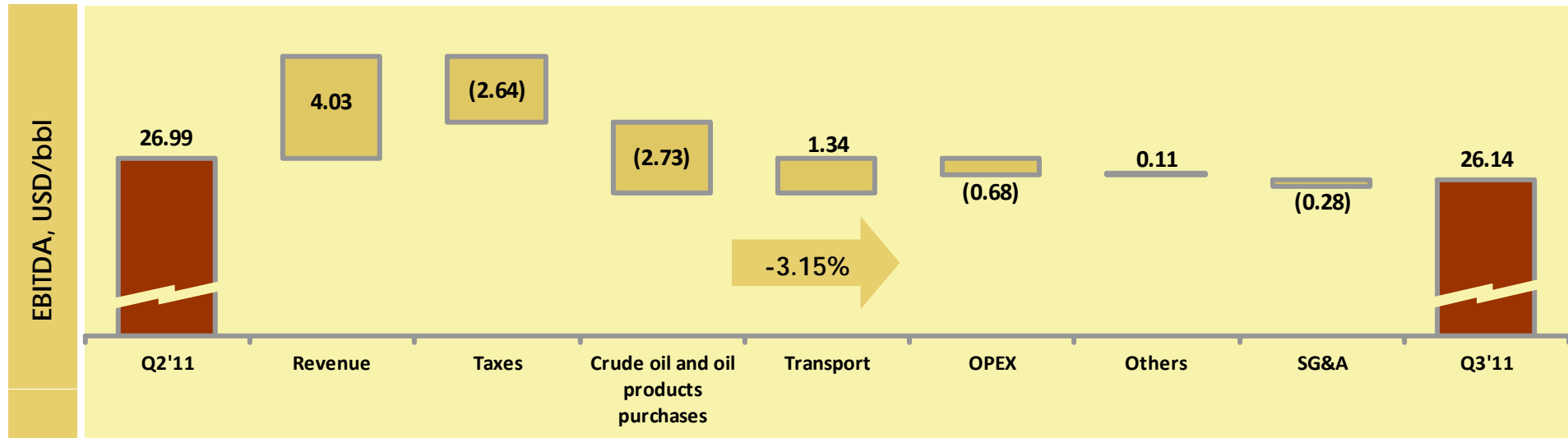
Total Transportation Costs, USD mln





# EBITDA and Net Income per bbl Reconciliation

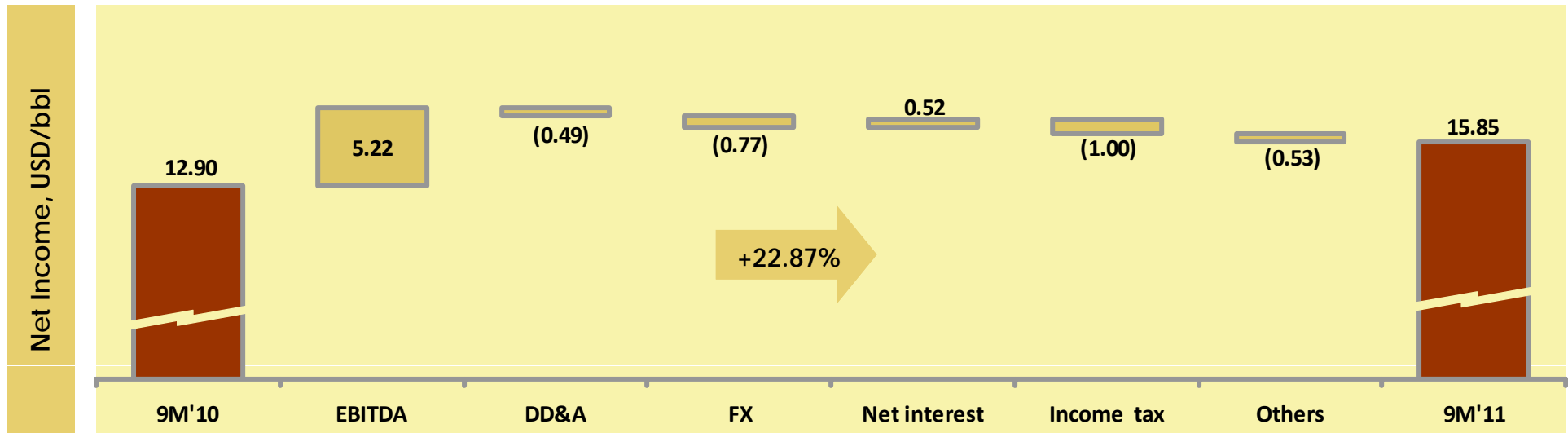
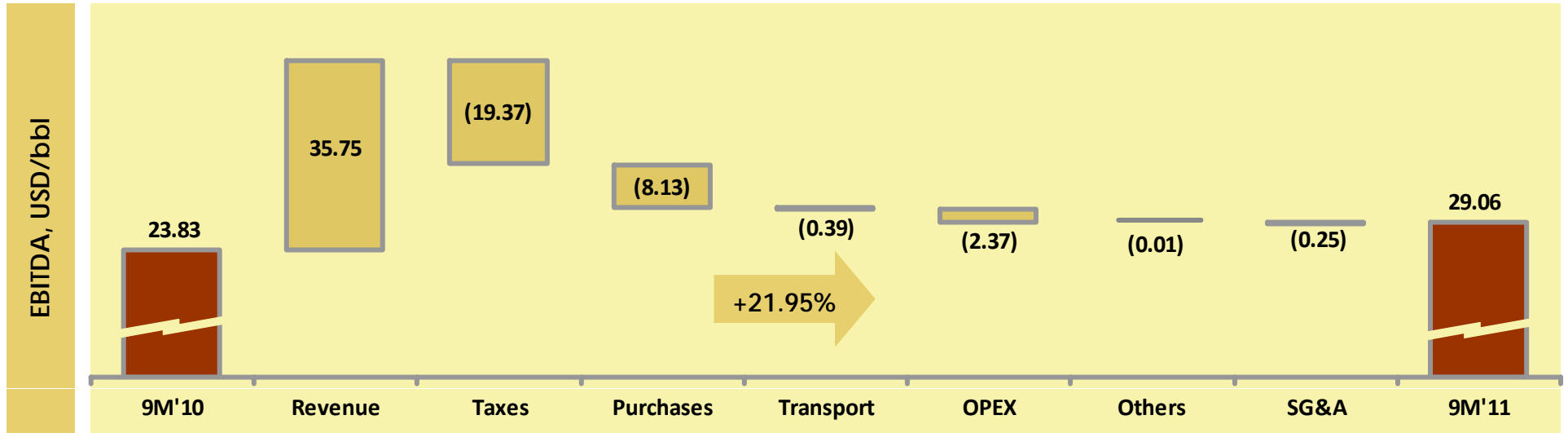
Q3'11 vs. Q2'11





# EBITDA and Net Income per bbl Reconciliation

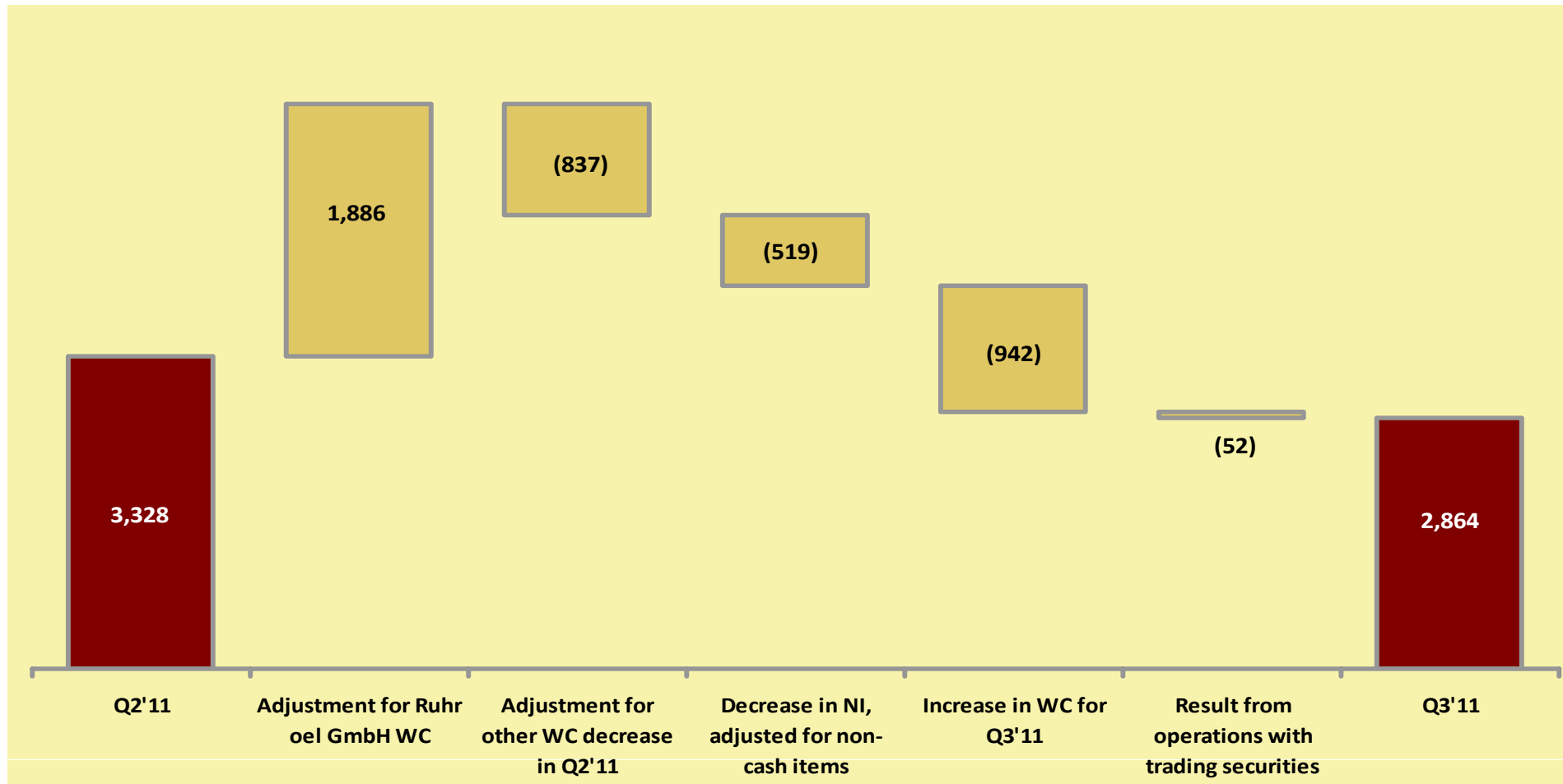
9M'11 vs. 9M'10





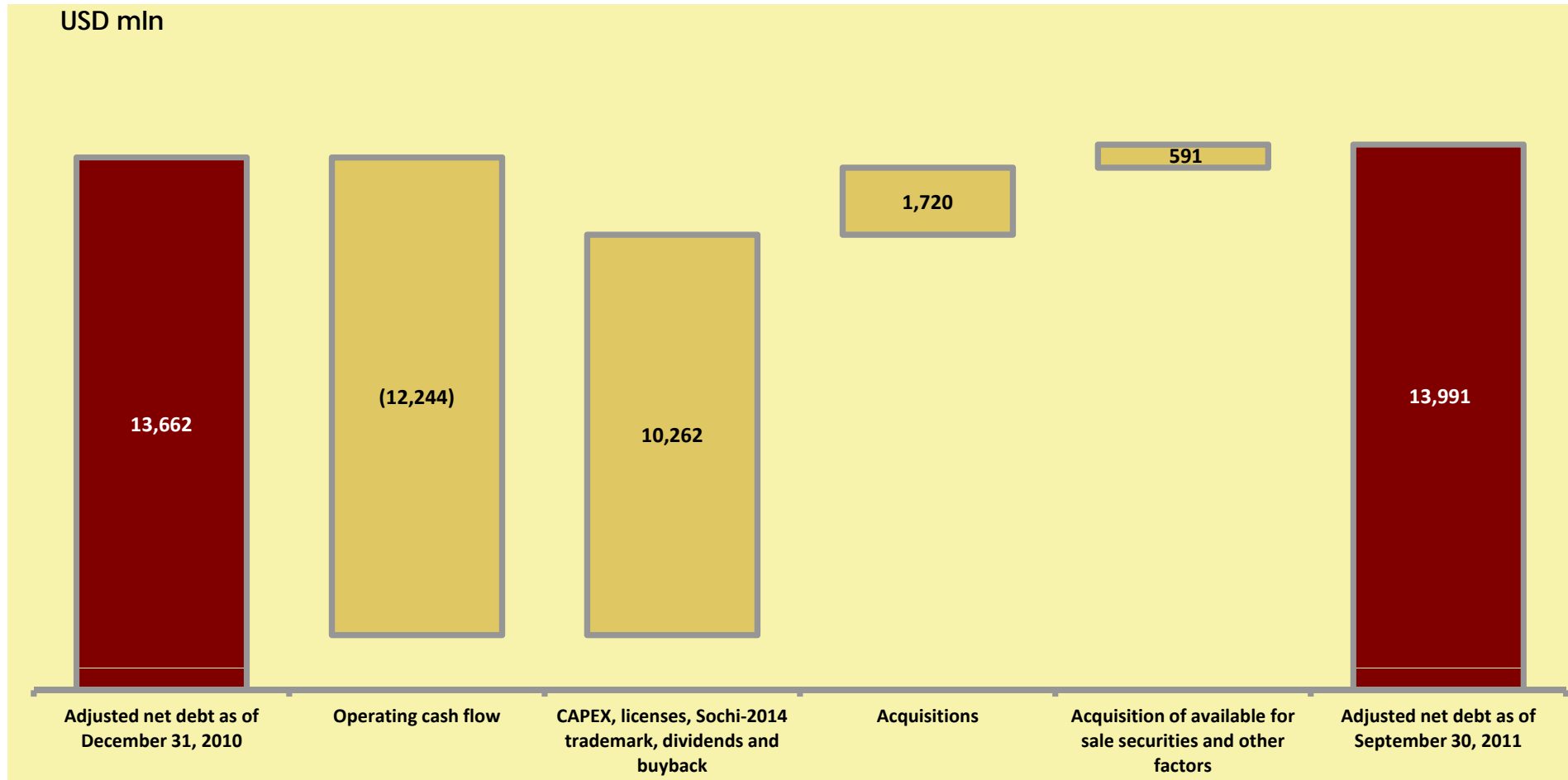
# Operating Cash Flow Reconciliation, USD mln

## Reconciliation for Q3'11 vs. Q2'11





# Net Debt Reconciliation

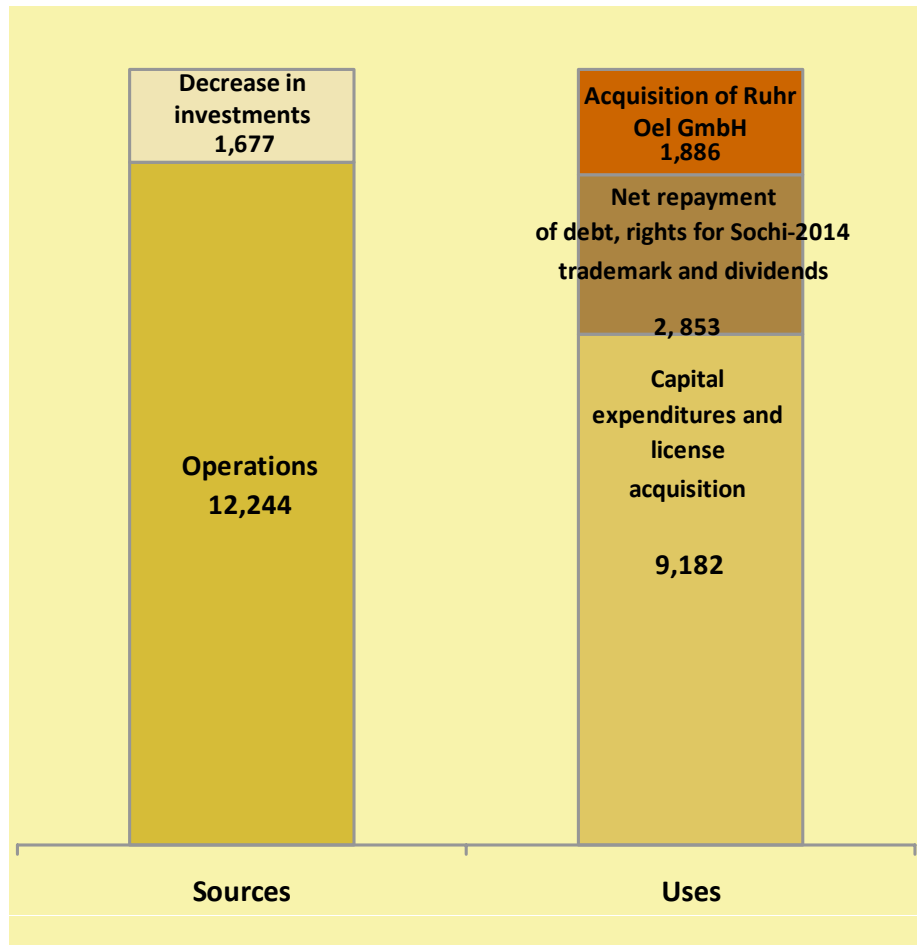


Net debt as of December 31, 2010 and as of September 30, 2011 is adjusted for short and medium term bank deposits and other short-term investments of USD 5,739 mln and of USD 3,492 mln as a part of the excess cash management.

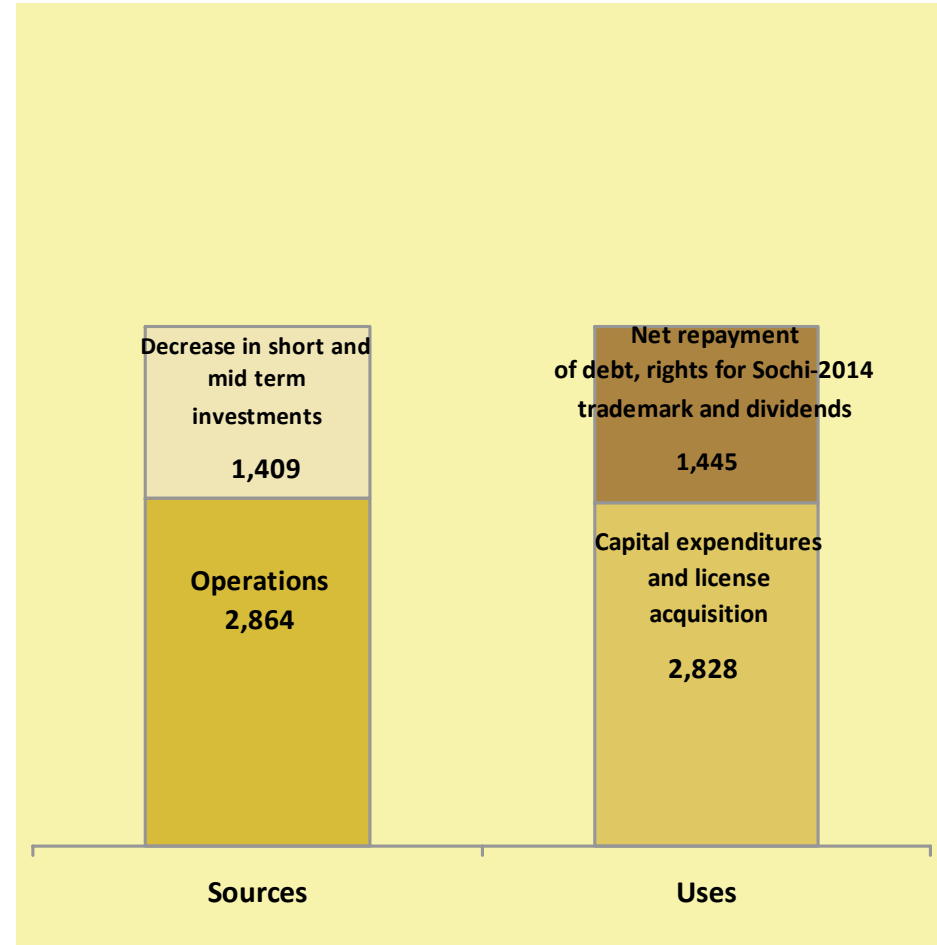


# Sources and Uses of Cash

9M'2011



Q3'2011

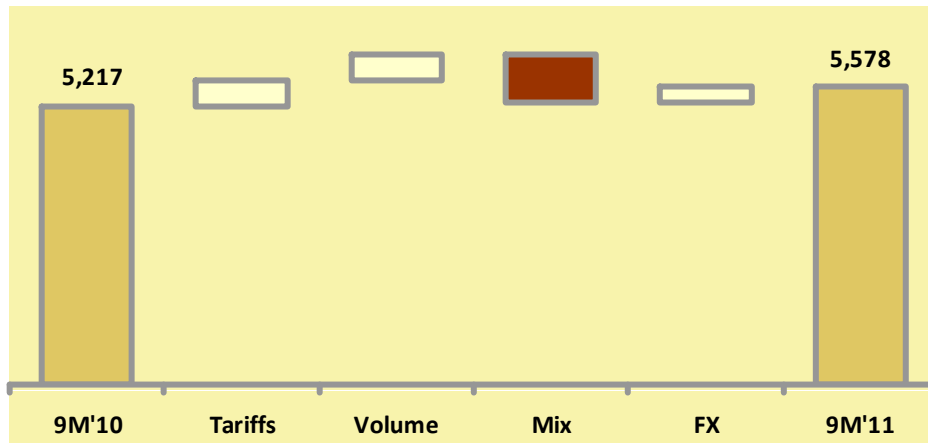




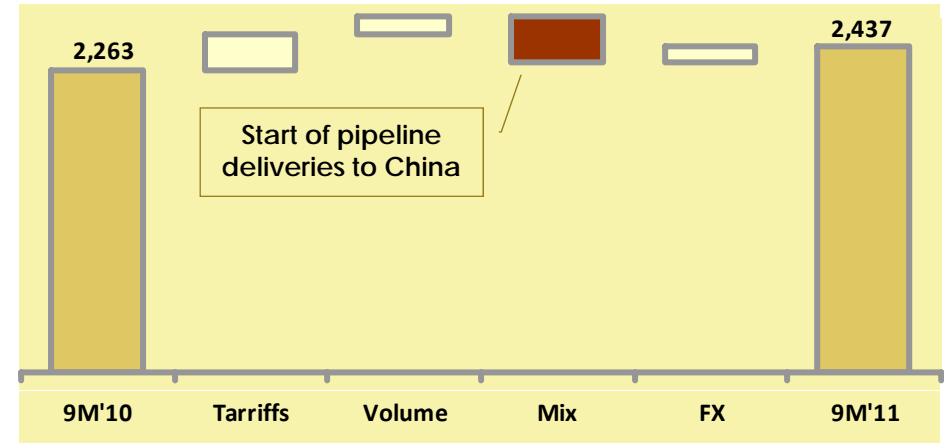
# Transportation Costs

9M'11 vs. 9M'10

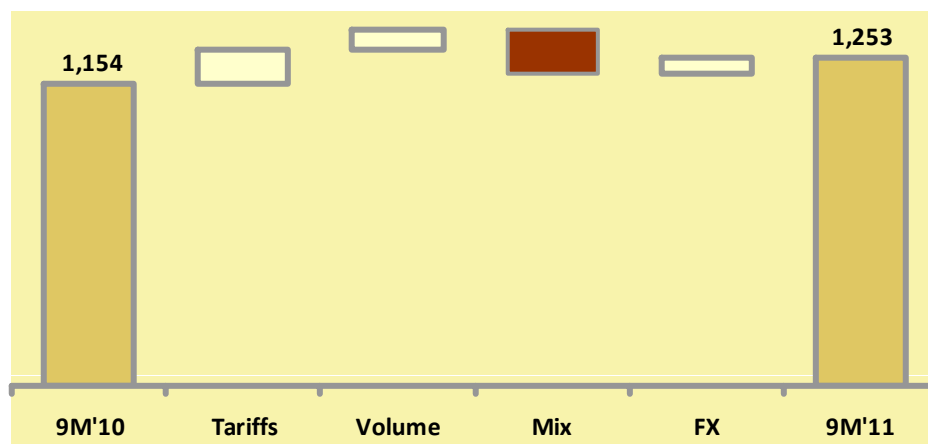
Total Transportation Costs, USD mln



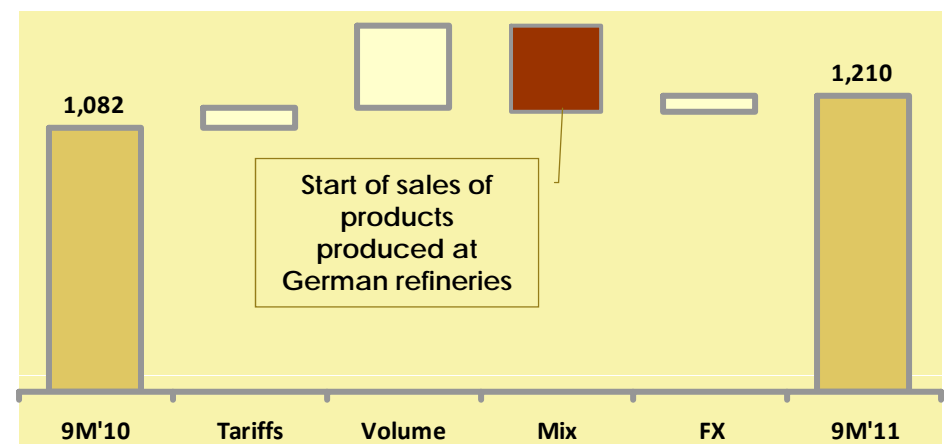
Transportation Costs for Crude Exports, USD mln



Transportation Costs for Crude Deliveries to Refineries, USD mln



Transportation Costs for Product Exports, USD mln







## Interest Expense

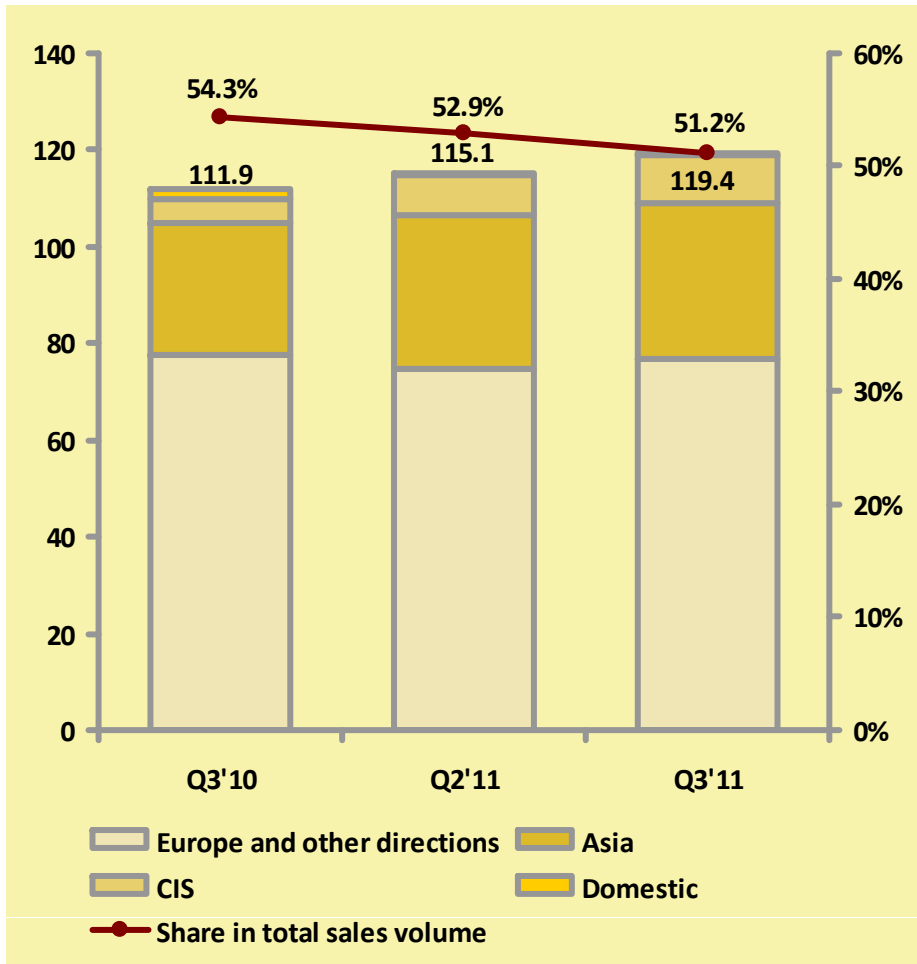
USD mln	9M'2011	Q3'11	Q2'11	Q1'11
1. Interest accrued according to loan agreements	520	172	161	187
2. Interest paid (cash)	628	178	179	271
3. Change in interest payables (1-2)	(108)	(6)	(18)	(84)
4. Interest capitalized*	334	129	111	94
5. Interest SWAP loss/(gain)	39	7	32	0
6. Debt issue cost	19	6	6	7
7. Other	57	11	26	20
8. Interest expense as reflected in P&L (1-4+5+6+7)	301	67	114	120

\* 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.

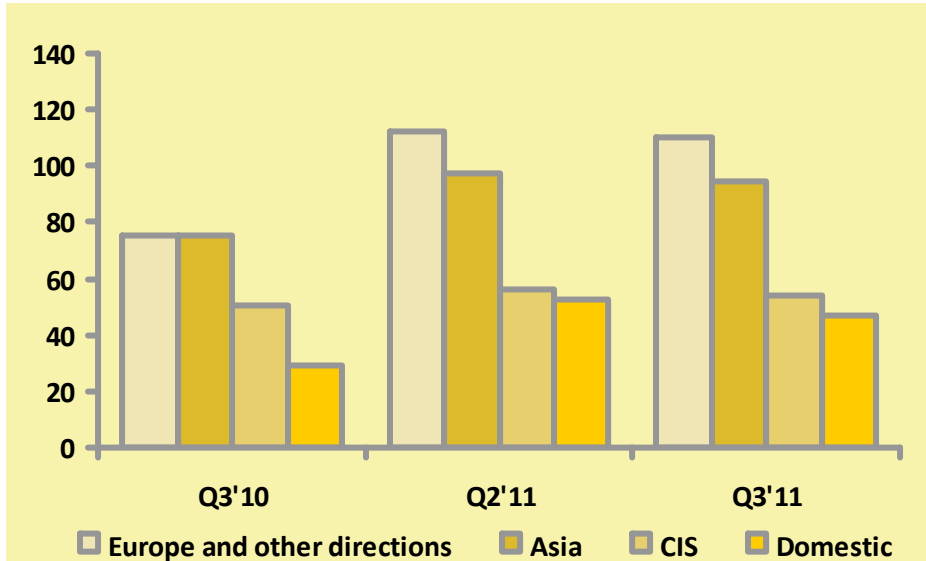


# Crude Oil Sales

Crude Oil and Condensate Sales Volumes, mln bbl



Average Prices, USD/bbl

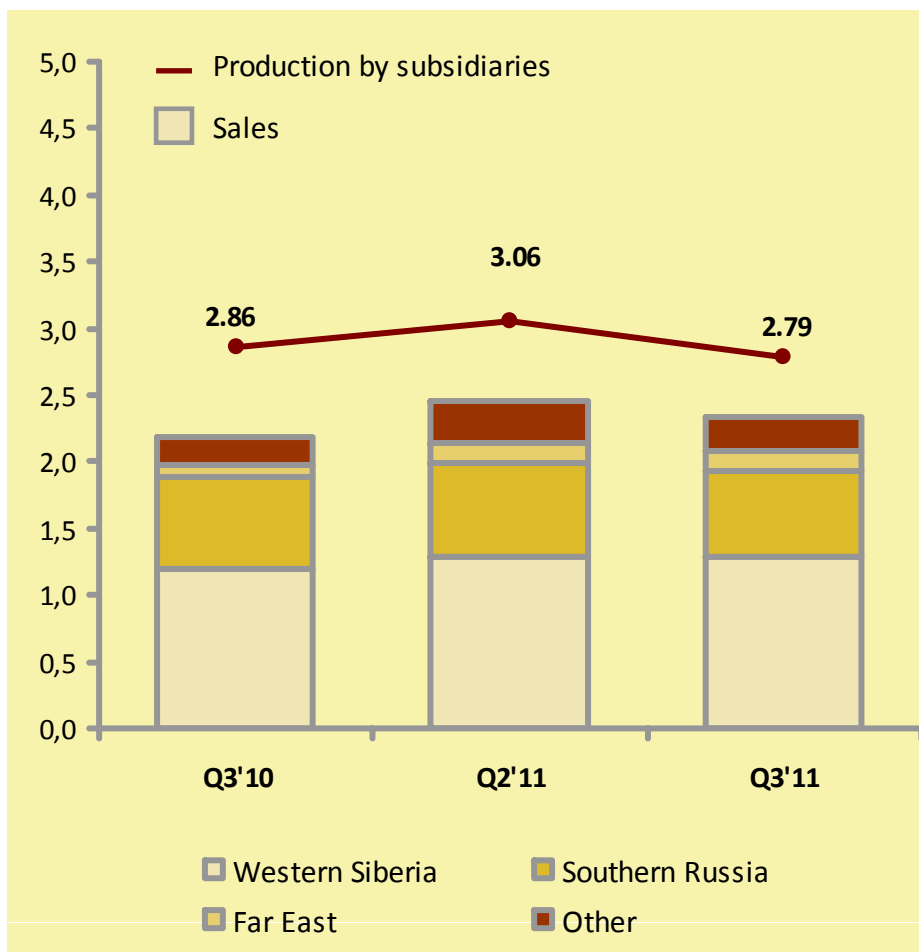


	Q3'10	Q2'11	Q3'11
	USD/bbl		
Average Brent (Platts)	76.9	117.4	113.5
Urals (average Med+NWE) (Platts)	75.6	114.0	111.5
Rosneft export			
Europe and other directions	75.0	112.5	110.2
Asia	75.5	97.4	94.3

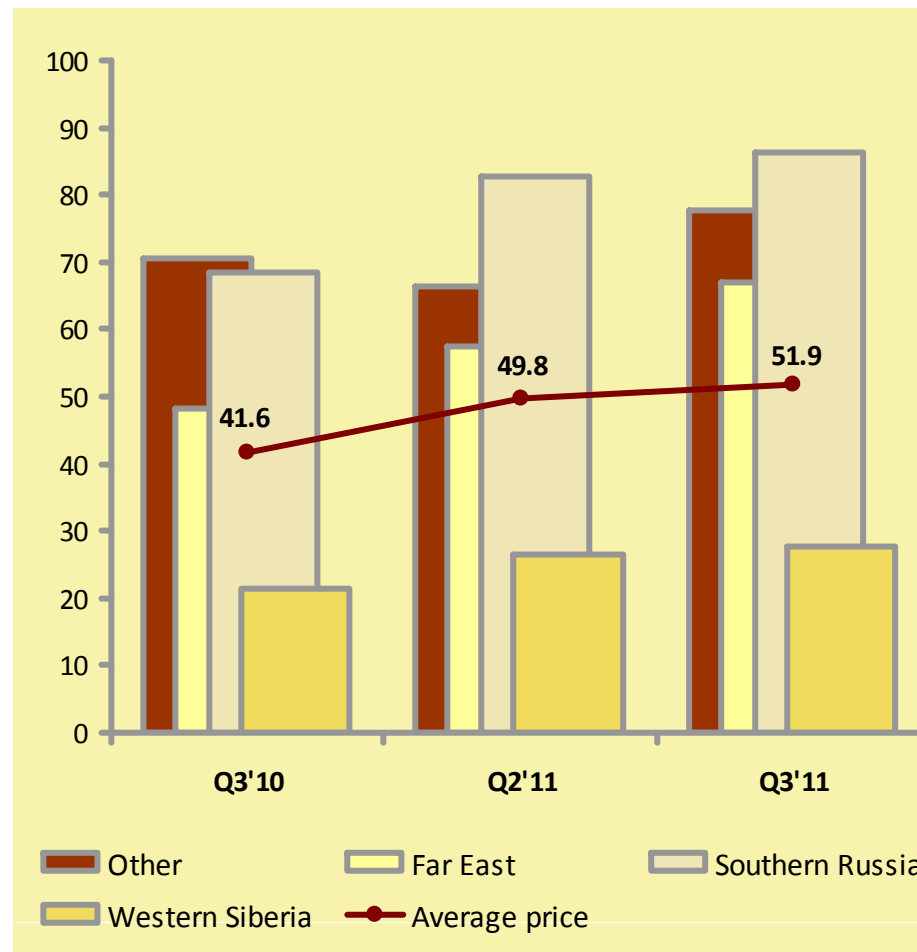


# Gas Production and Sales

## Gas Sales vs. Production, bcm

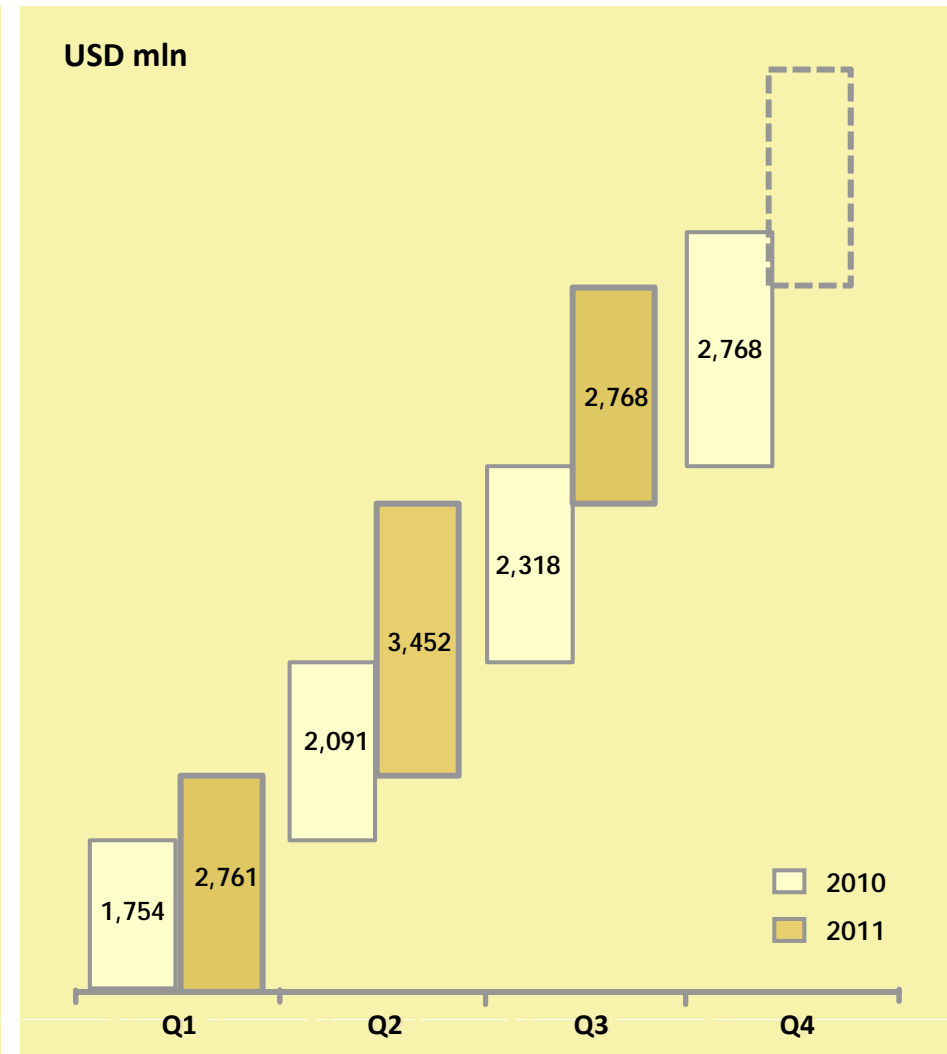
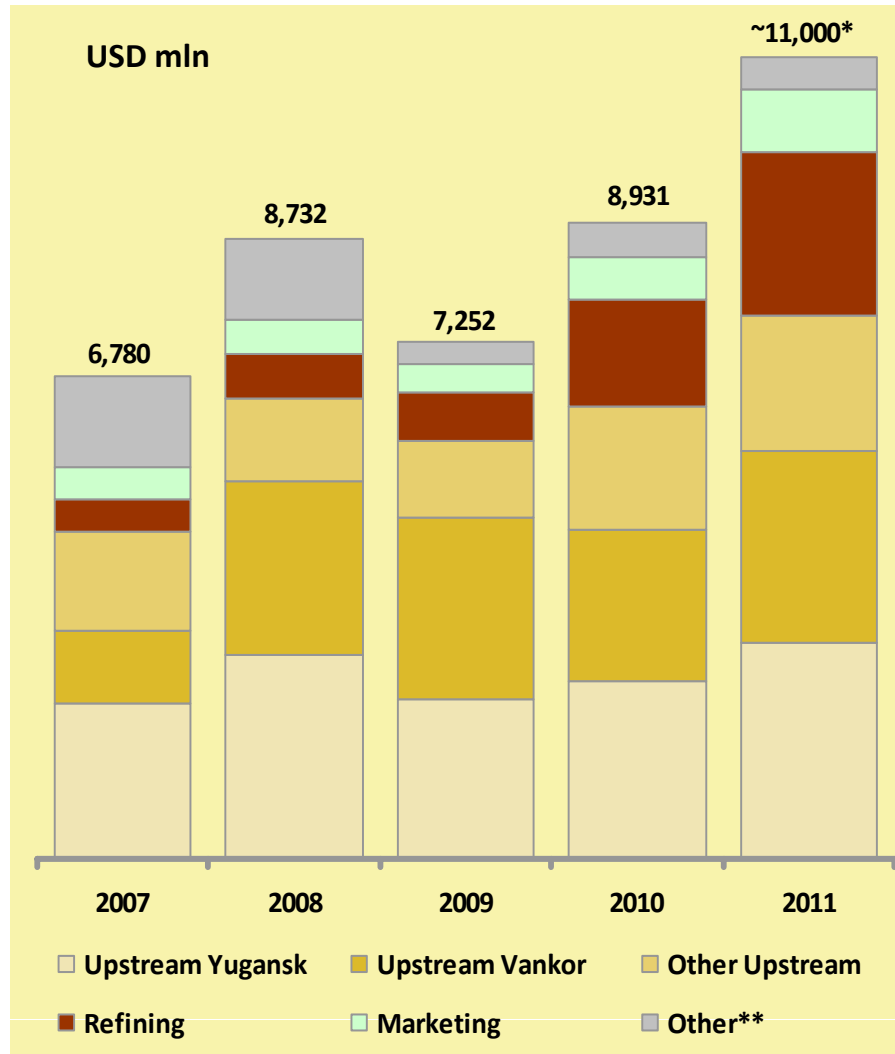


## Gas Sales Prices, USD per 1,000 cubic meters





# 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.



## Non-controlled Expenses

		Q3'11	Q2'11	Δ, %	Q3'10	Δ, %
Export customs duty	USD/bbl	60.49	61.04	(0.9)%	35.82	68.9%
Yugansk – Novorossiysk tariff	RUB/t	1,453	1,445	0.6%	1,307	11.2%
Yugansk – Novorossiysk tariff	USD/bbl	6.84	7.06	(3.1)%	5.84	17.1%
MET	USD/bbl	21.40	21.82	(1.9)%	13.34	60.4%
Total non-controlled costs	USD/bbl	88.73	89.92	(1.3)%	55.0	61.3%
<b>Non-controlled costs / Urals FOB Novorossiysk</b>	<b>%</b>	<b>79.5%</b>	<b>79.4%</b>		<b>73.4%</b>	

- Transneft tariffs up 13.5% in 9M'11 vs. 9M'10 following two increases in 2010: by 3.3% from August 1, 2010 and by 9.9% from December 1, 2010 and increase in 2011: by 2.85% from September 1, 2011
- RZhD tariffs increased by 8.0% from January 1, 2011
- Preferential export duty on Vankor crude oil expired from May 1, 2011
- 90% export duty on gasoline and naphta introduced from May 1 and June 1, respectively
- Standard MET rate for Vankor crude oil from August 6, 2011



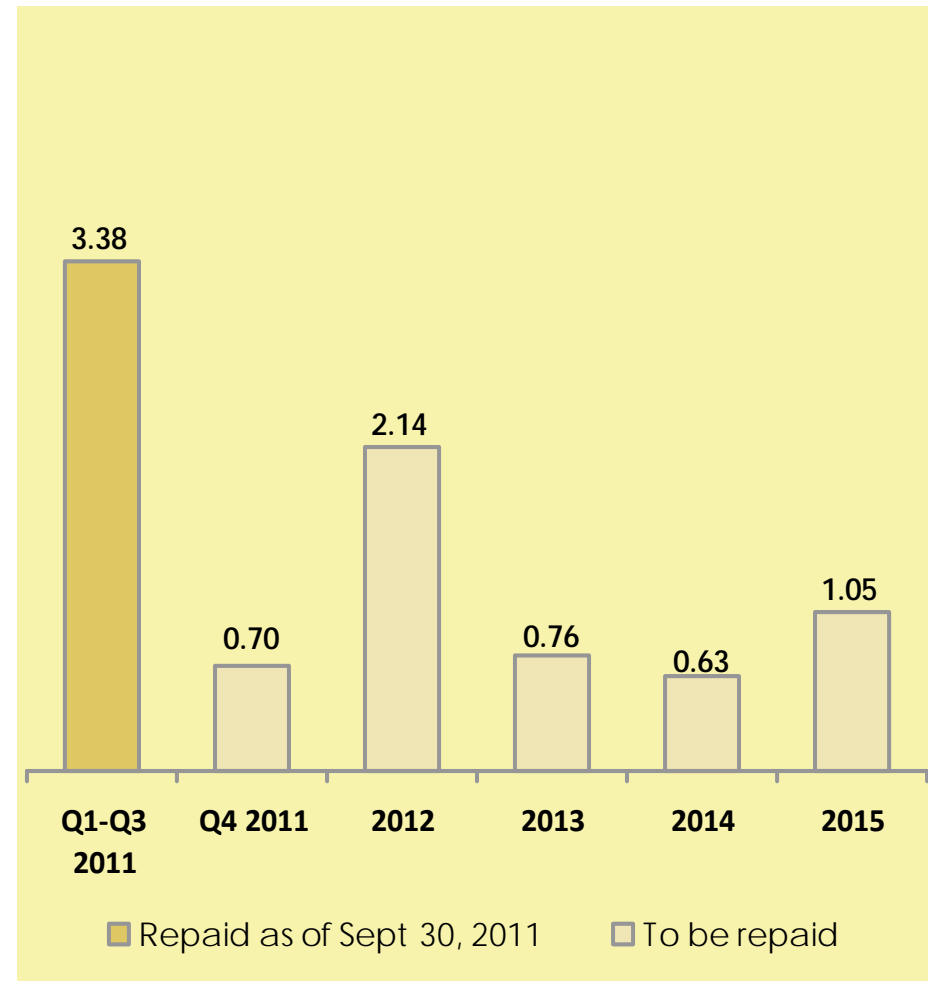
# Credit Profile

	Sept 30, 2011	Dec. 31, 2010
Total debt, USD bln	21.5	23.6
Net debt, USD bln	13.99	13.66
Long-term debt, %	76.9%	76.7%
USD denominated debt, %	85.9%	88.4%
Gearing (Net Debt to Net Debt + Equity)	18.2%	20.0%
Weighted av. cost of debt	3.85%	3.53%
LTM EBITDA interest coverage	32.6	28.2
Net debt / LTM EBITDA	0.62	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



# Cash Management

- Rosneft's total cash position including cash and equivalents and short-term investments related to cash management was USD 8.0 bln as of September 30, 2011
- 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 4.0 bln of cash and equivalents
  - USD 2.3 bln of short-term deposits denominated in foreign currency placed in leading local banks
  - USD 0.3 bln of short-term deposits denominated in RUB placed in leading local banks
  - USD 0.9 bln of short-term investments into state and corporate bonds and other securities
  - USD 0.5 bln of short-term promissory notes