



# ROSNEFT

## Q2 and 1H 2010 US GAAP Financial Results

August 02, 2010



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# Q2'10 and 1H'10 Highlights

## Positives

- Strong financial results:
  - EBITDA – **USD 4.7 bln** in Q2 and **USD 9.2 bln** in 1H
  - Net income – **USD 2.5 bln** in Q2 and **USD 5.0 bln** in 1H
  - Operating cash flow – **USD 7.2 bln** in 1H
  - Net debt decreased by **USD 2.7 bln** from December 31, 2009
- Crude oil production growth of **8.8%** in Q2'10 vs. Q2'09 and **1.2%** in Q2'10 vs. Q1'10
- Retail sales growth of **15%** q-on-q
- Sales of petroleum products through commodity exchanges – **1.7** mln tonnes in 1H, or **17%** of total domestic sales

## Challenges, Priorities

### Q2'10 - challenges

- Distribution of extra barrels of crude due to refineries turnaround
- Change in petroleum product slate due to refineries turnaround

### Q3-Q4'10 - priorities

- Continued cost control
- Meeting 2010 Business plan targets
- Continue discussion to update tax regime
- Develop 2011 Business plan



## Macroeconomic Environment

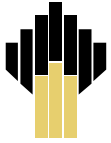
	Q2'10	Q1'10	Δ, %	1H'10	1H'09	Δ, %
Average USD/RUB exchange rate	30.24	29.89	1.2%	30.07	33.07	(9.1)%
Inflation for the period, %	1.2%	3.2%		4.4%	7.4%	
Real RUB appreciation/(depreciation) against USD for the period, %	(4.7)%	6.3%		1.2%	(16.1)%	
Urals FOB Primorsk, \$/bbl	75.3	73.4	2.6%	74.3	49.3	50.7%
Gasoil 0.1% (FOB/CIF Med), \$/tonne	671.7	632.8	6.2%	652.3	456.7	42.8%
Fuel oil 3.5% (FOB/CIF Med), \$/tonne	437.1	440.7	(0.8)%	438.9	277.0	58.4%
High octane gasoline (av. Russia), \$/tonne	694.9	635.0	9.4%	665.0	460.0	44.6%
Diesel (av. Russia), \$/tonne (summer)	472.1	435.3	8.4%	453.7	372.6	21.8%



## Q2`10 and 1H`10 Results Overview

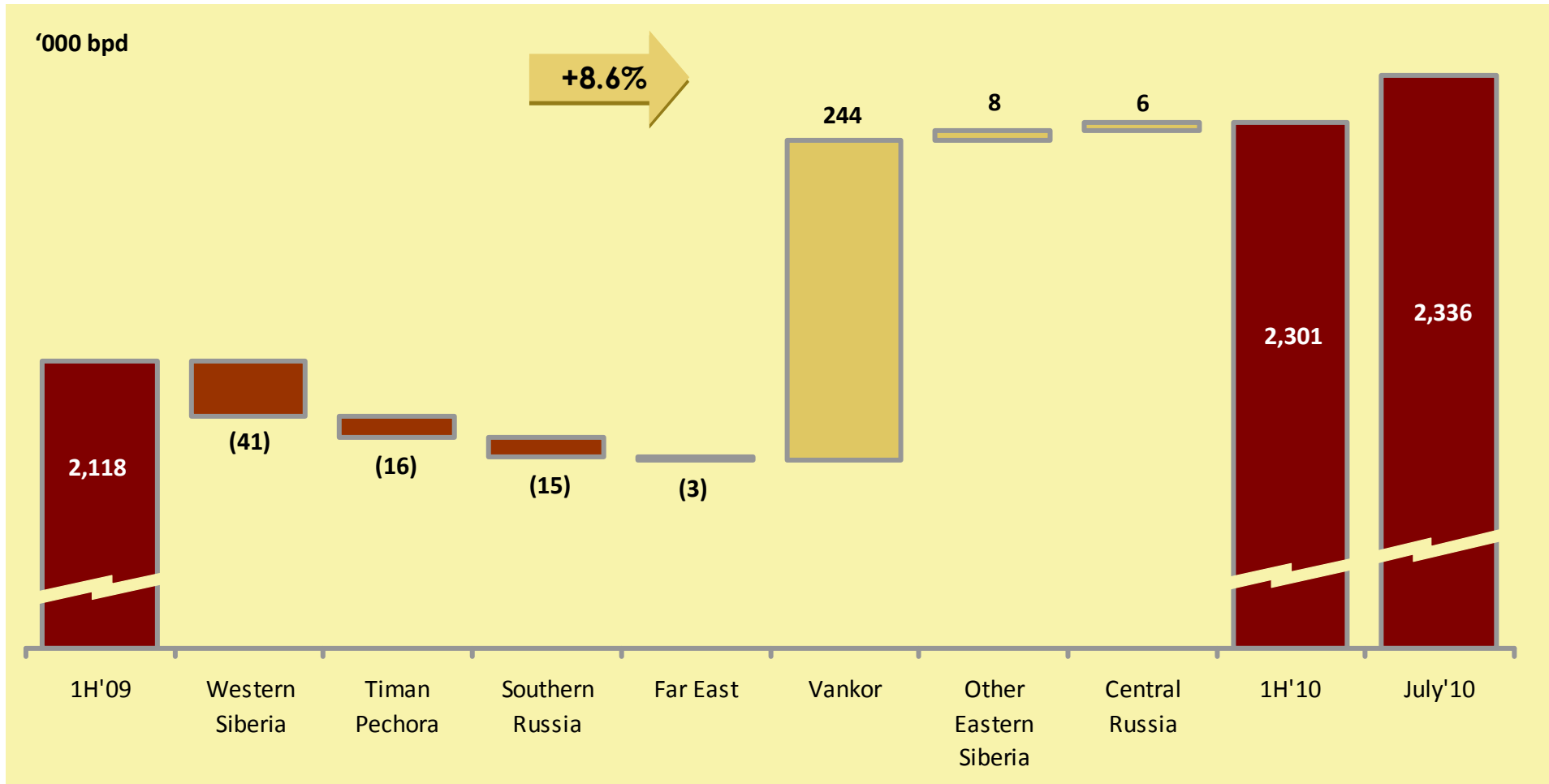
	Q2`10	Q1`10	Δ, %	1H`10	1H`09	Δ, %
<b>Daily crude oil production, th. bpd</b>	<b>2,315</b>	<b>2,288</b>	<b>1.2%</b>	<b>2,301</b>	<b>2,118</b>	<b>8.6%</b>
Gas production, bcm	2.96	3.27	(9.5)%	6.23	6.28	(0.8)%
<b>Petroleum product output, mln t</b>	<b>11.16</b>	<b>12.06</b>	<b>(7.5)%</b>	<b>23.22</b>	<b>23.25</b>	<b>(0.1)%</b>
Revenues, USD mln	15,431	14,761	4.5%	30,192	19,211	57.2%
<b>EBITDA, USD mln</b>	<b>4,745</b>	<b>4,443</b>	<b>6.8%</b>	<b>9,188</b>	<b>5,892</b>	<b>55.9%</b>
Adjusted net Income , USD mln	2,513	2,447	2.7%	4,960	3,617	37.1%
Operating cash flow <sup>1</sup> , USD mln	5,010	1,792	179.6%	6,802	5,047	34.8%
Capital expenditures, USD mln	2,091	1,754	19.2%	3,845	3,387	13.5%
<b>Net debt , USD mln</b>	<b>15,810</b>	<b>18,534</b>	<b>(14.7)%</b>	<b>15,810</b>	<b>19,177</b>	<b>(17.6)%</b>

1. Operating cash flow is adjusted for operations with trading securities as part of excess cash management (outflow of USD 305 mln in 1H`09, inflow of USD 380 mln in 1H`10, inflow of USD 495 mln in Q1`10, outflow of USD 115 mln in Q2`10).



# Daily Crude Oil Production

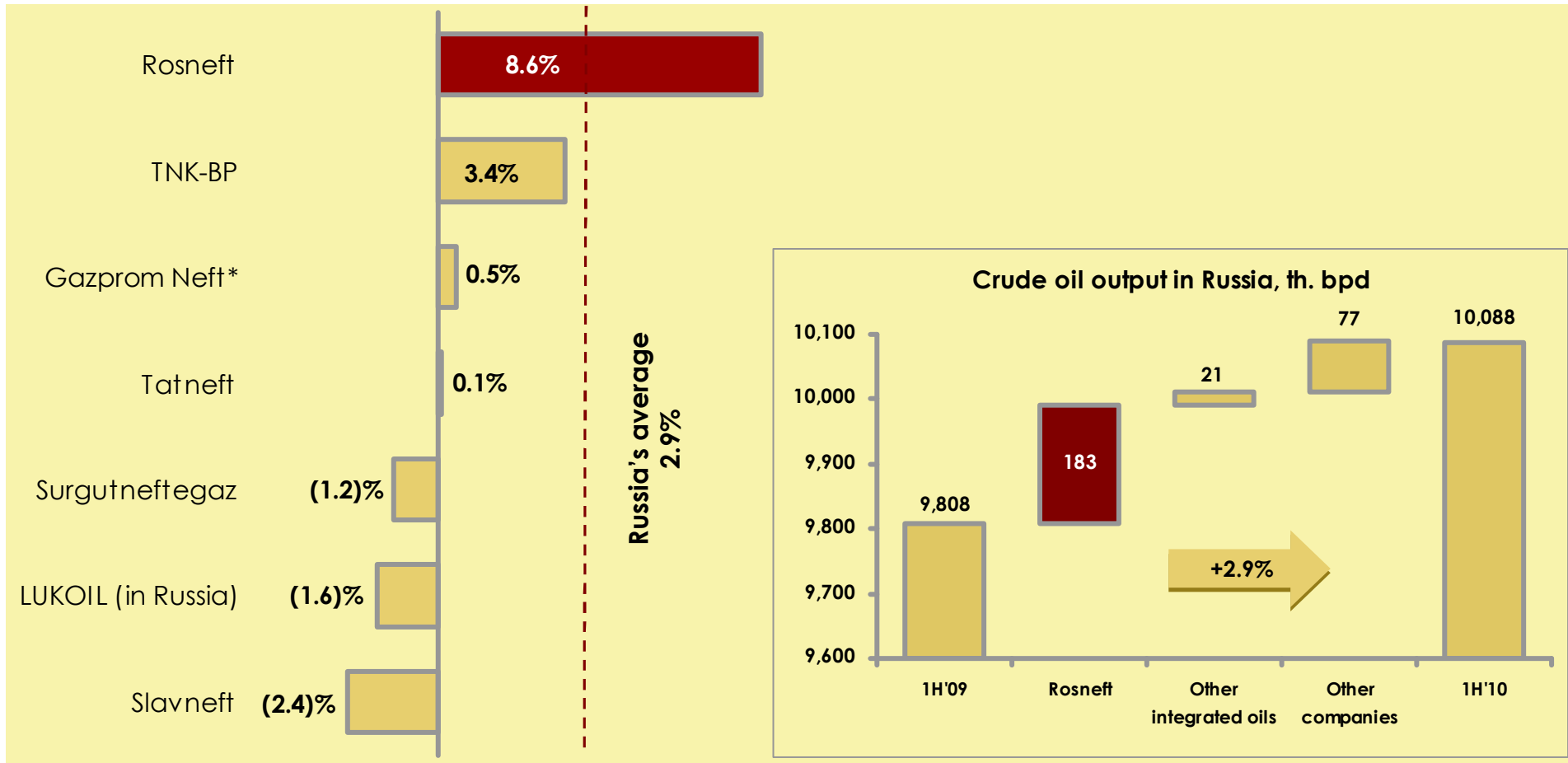
Daily Crude Oil Production Reconciliation, 1H'10 vs. 1H'09





# Daily Crude Oil Production (continued)

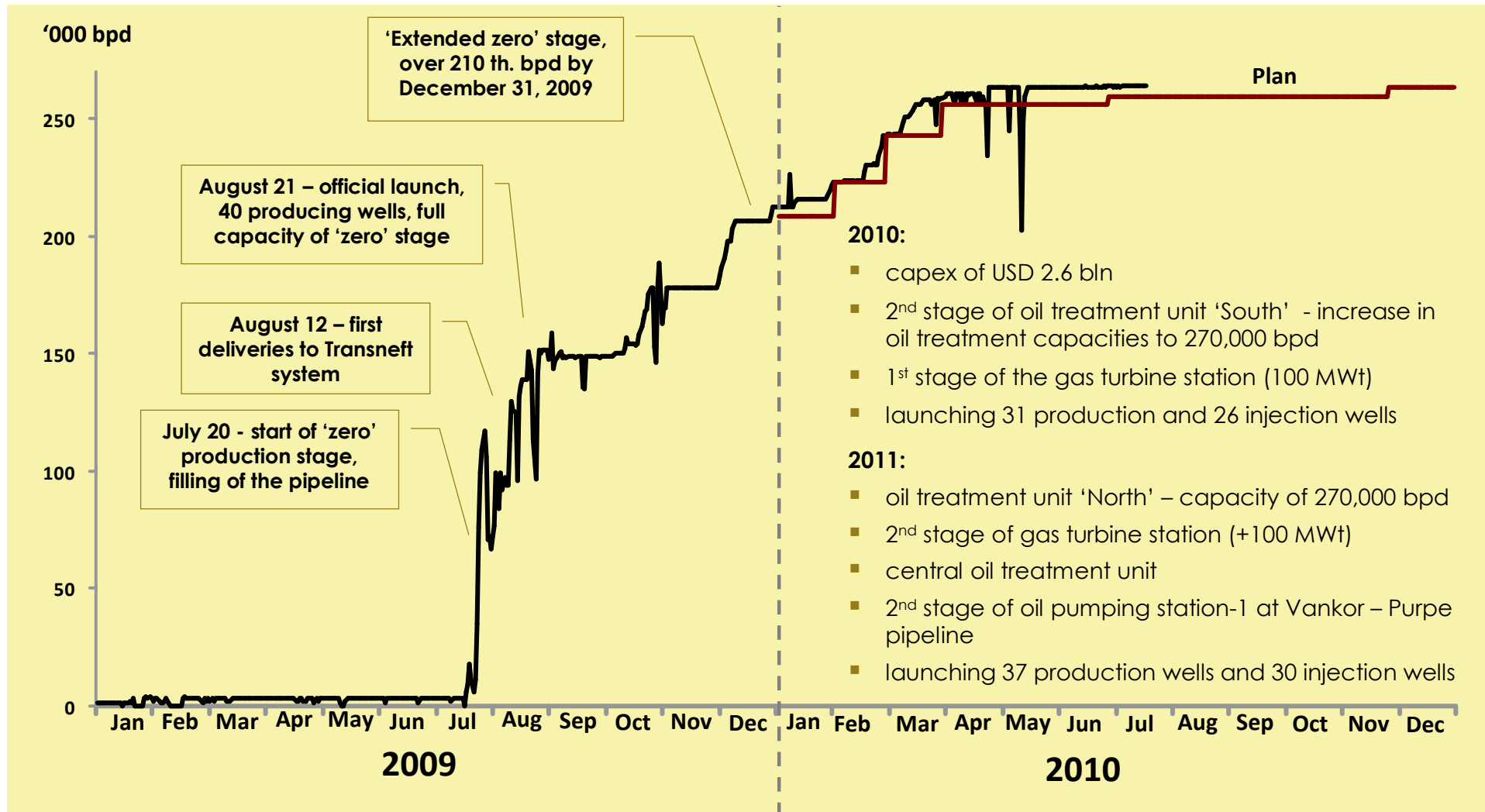
## Daily Crude Oil Production in Russia, 1H'10 vs 1H'09



\* Excluding share in Tomskneft.



# Vankor: Ahead of Plan

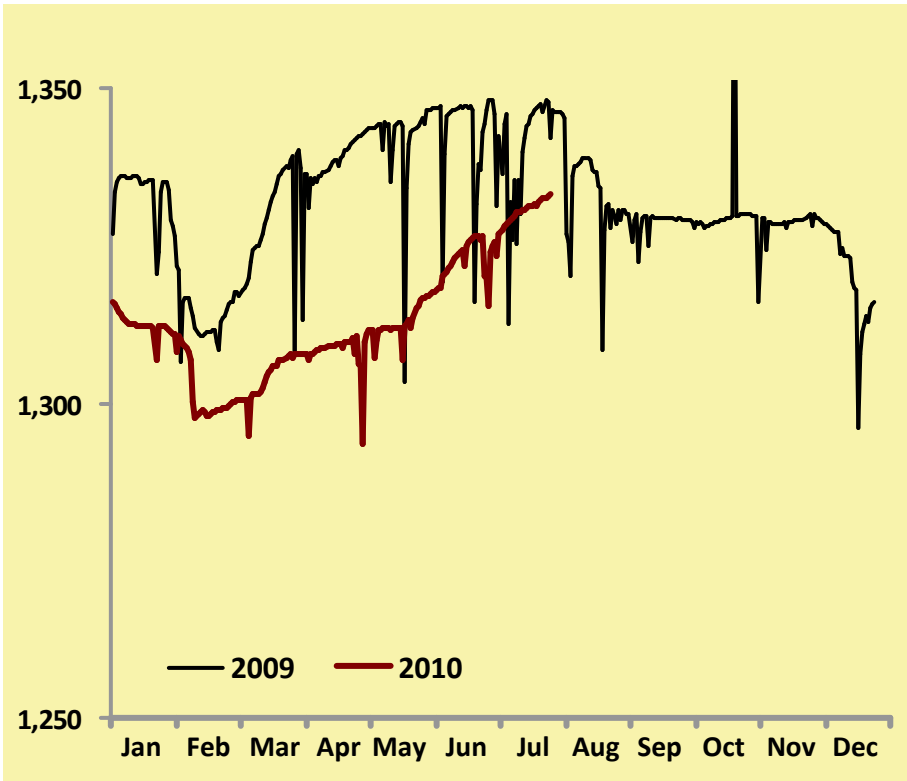




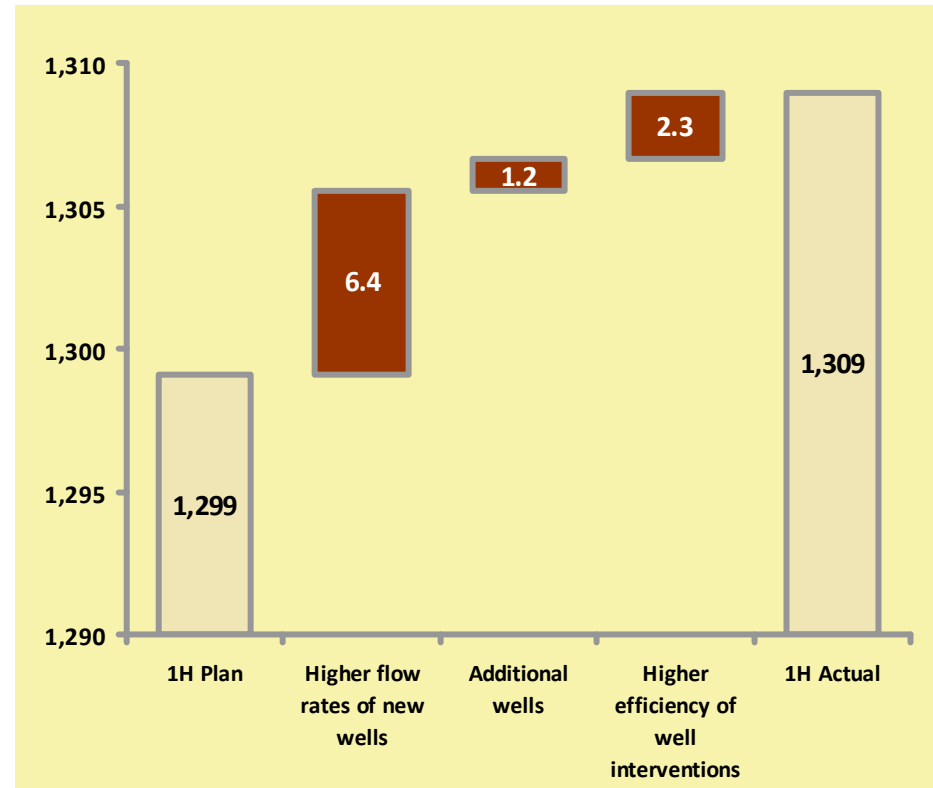


# Yugansk: Ahead of Plan

Yuganskneftegaz Daily Crude Oil Production, '000 bpd

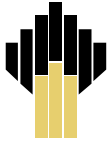


Plan-fact Analysis, '000 bpd

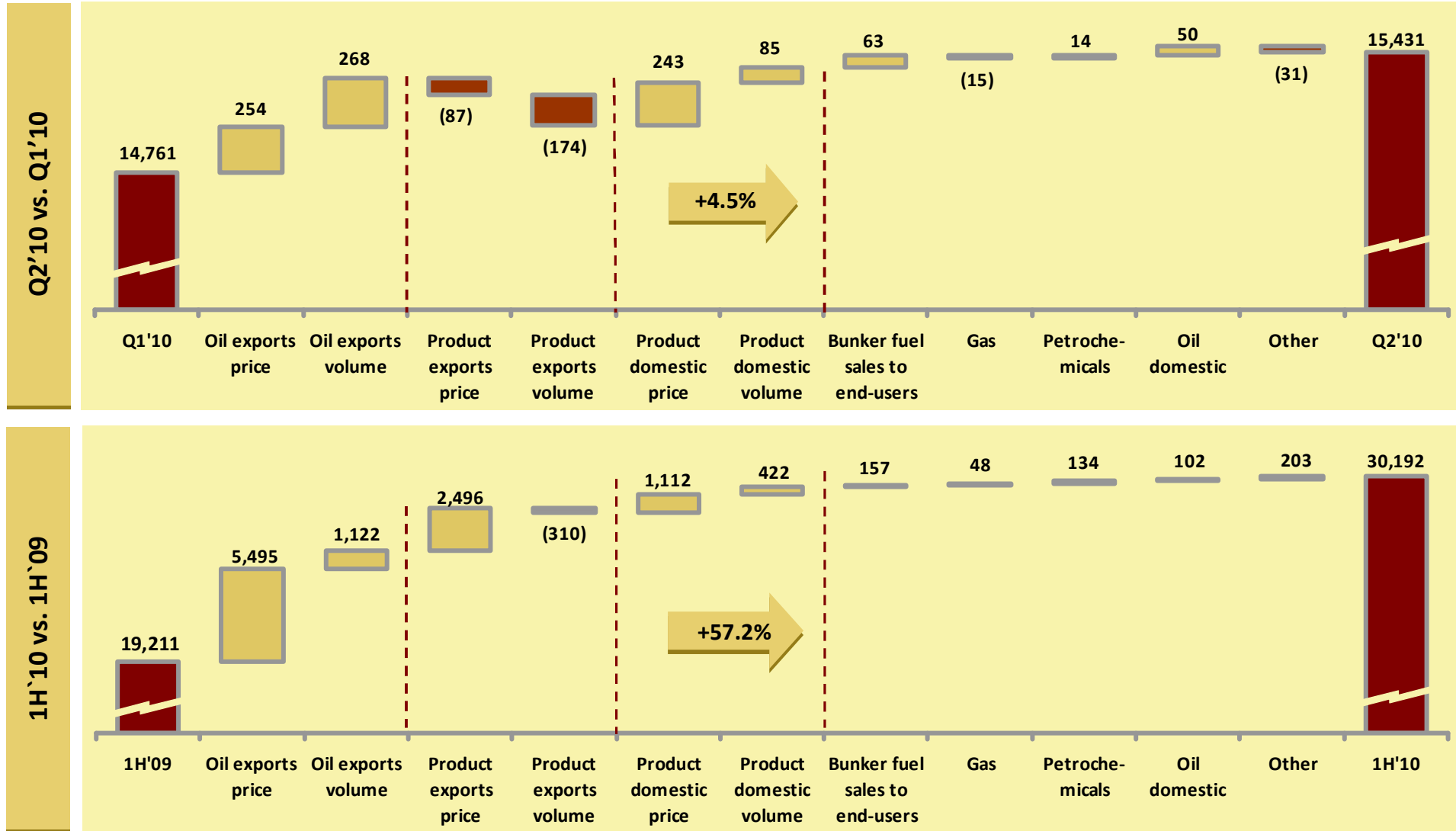


Yuganskneftegaz daily output in July was 3% higher than planned due to:

- Higher than expected initial and average flow rates of new wells and sidetracks due to optimization of well placement and completion
- Higher than expected efficiency of well interventions due to technological issues and choice of intervention techniques
- More wells drilled within planned budget due to lower than expected cost of a well



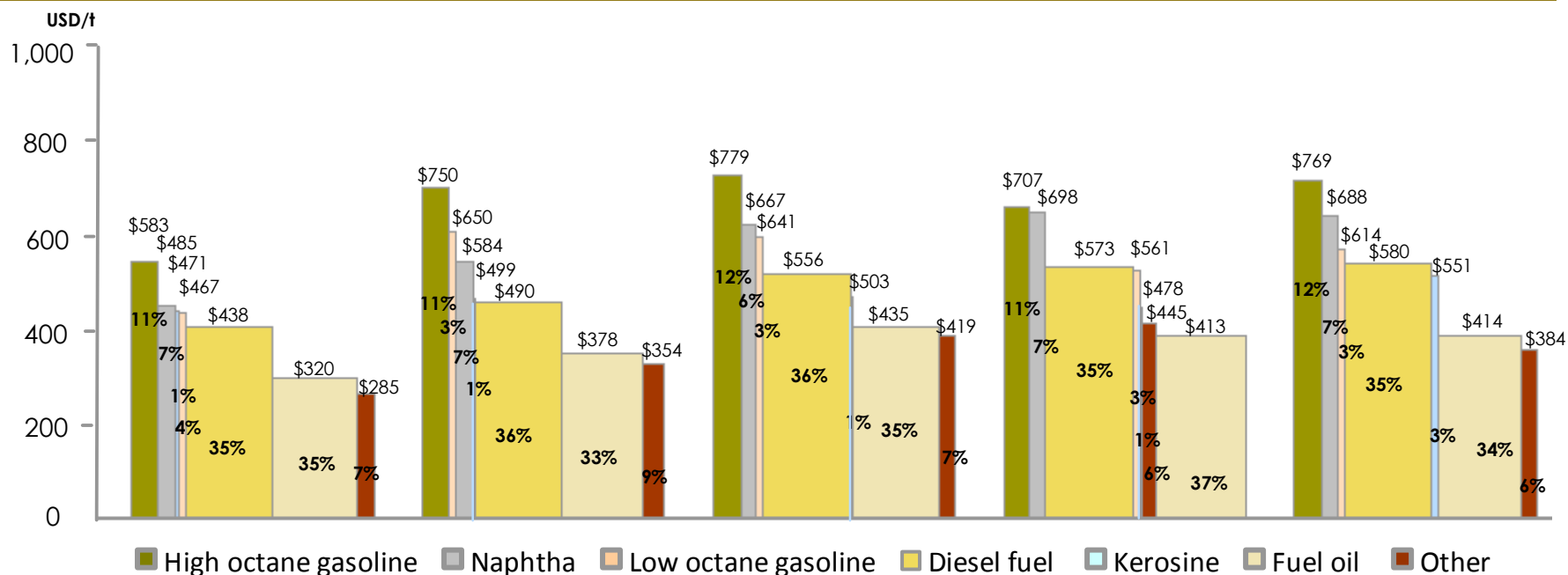
# Revenues Reconciliation, USD mln





# Petroleum Product Revenues

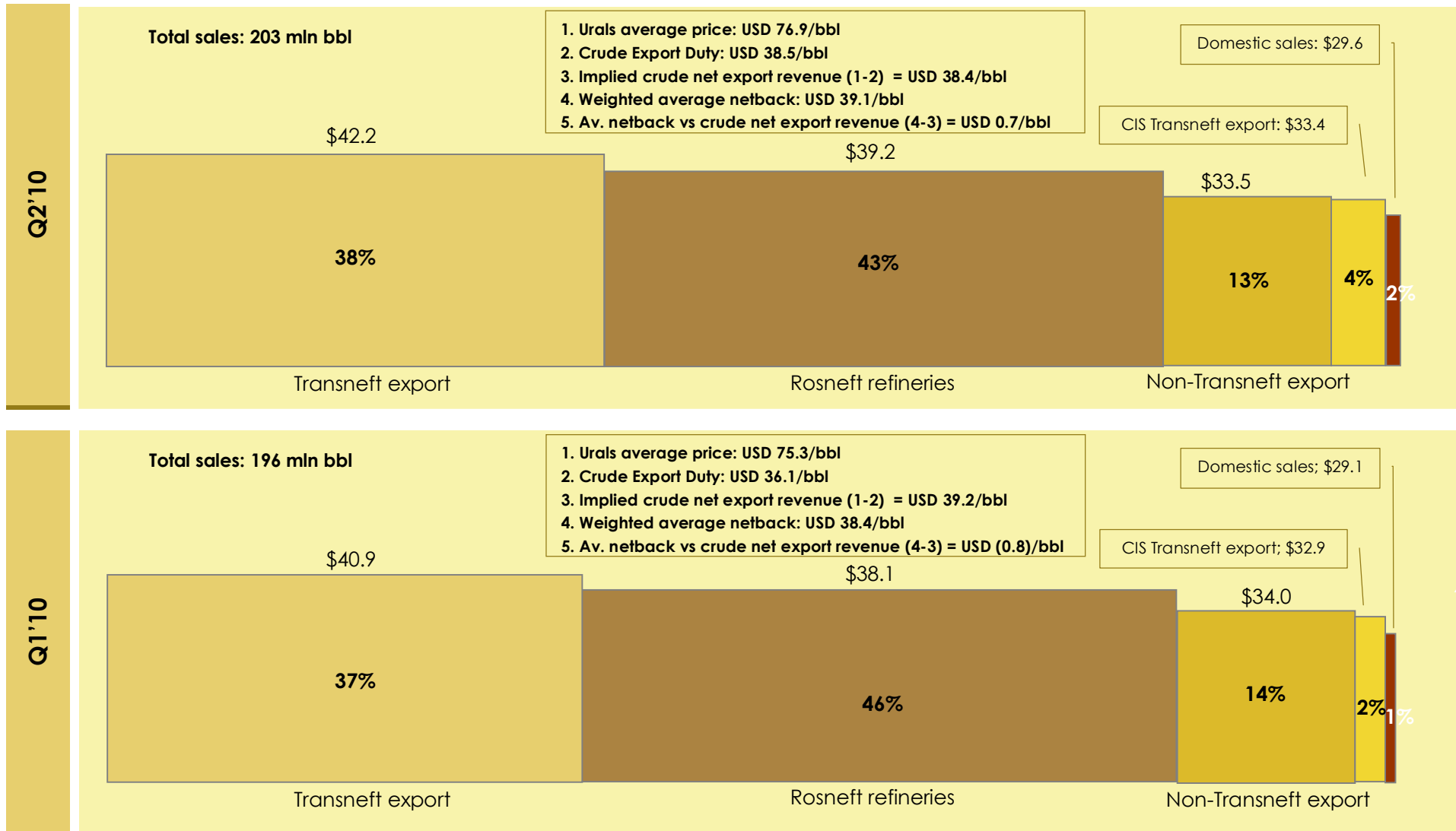
## Petroleum Products: Average Prices and Volume Breakdown

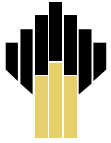


	Q2'09	Q3'09	Q4'09	Q1'10	Q2'10
Revenue, USD mln	4,877	5,839	5,988	6,208	6,338
Excise and export duty, USD mln	755	1,080	1,110	1,220	1,190
Net revenue, USD mln	4,122	4,759	4,878	4,988	5,148
Volume sold, mln tonnes	12.00	12.14	11.11	11.74	11.73
<b>Net revenue per tonne, USD</b>	<b>344</b>	<b>392</b>	<b>439</b>	<b>425</b>	<b>439</b>



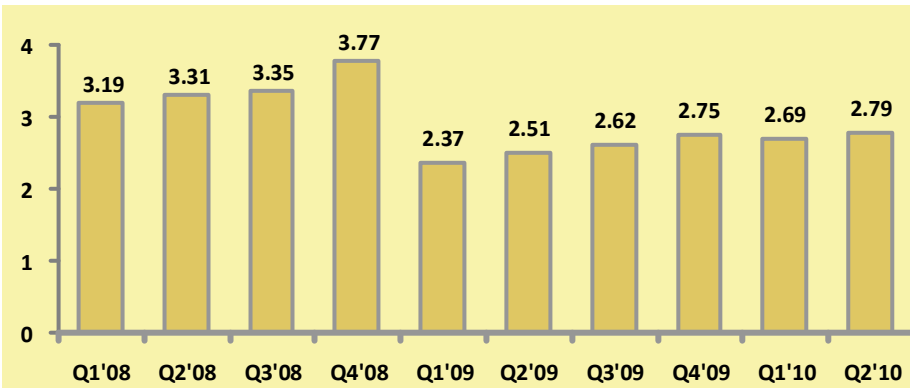
# Netback Ladder



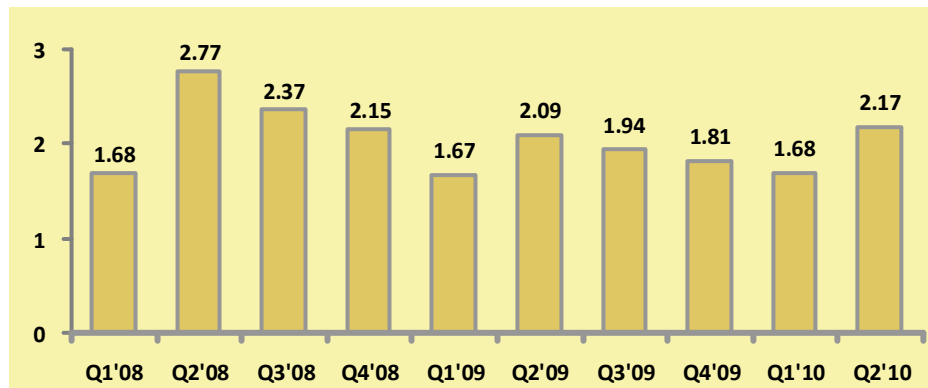


# Expenses Dynamics

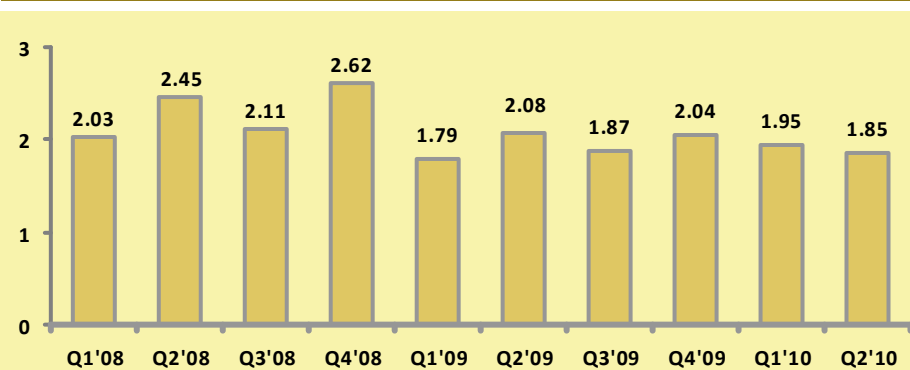
**Upstream Operating Expenses, USD/bbl of oil produced**



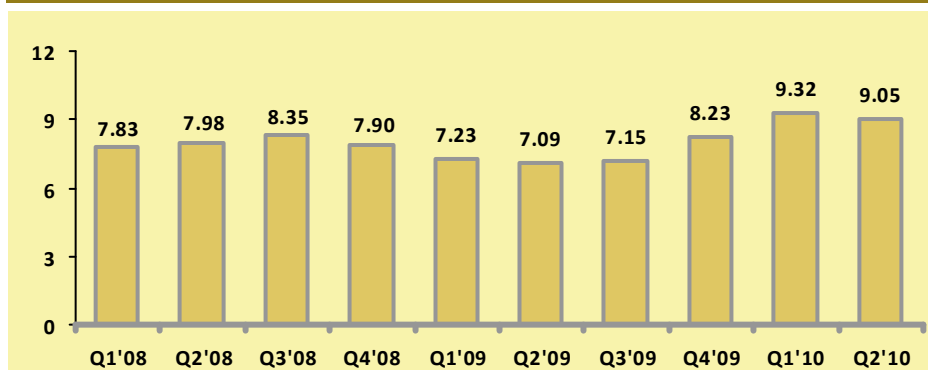
**Refining Operating Expenses, USD/bbl of oil processed**



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



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



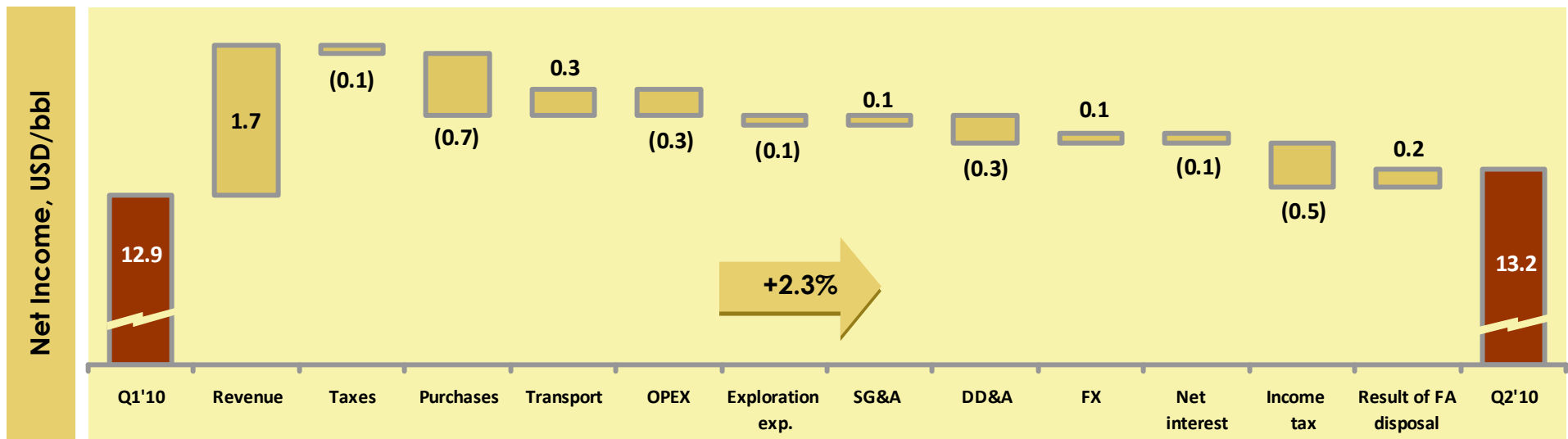
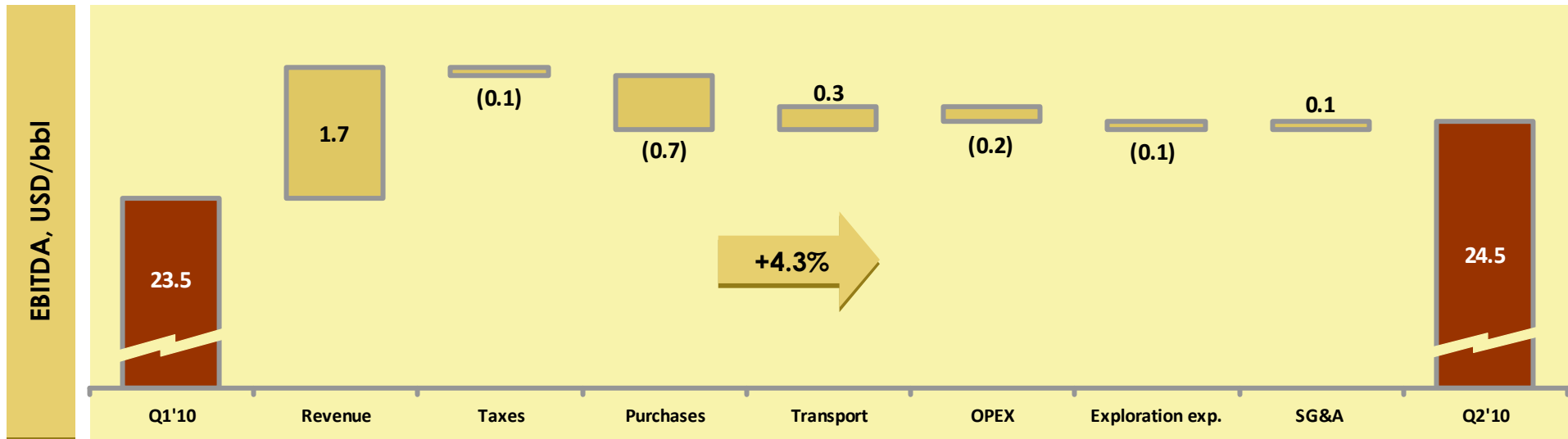
Upstream operating expenses include materials and electricity, workover, wages and salaries, and cost of transport to a trunk pipeline.

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).

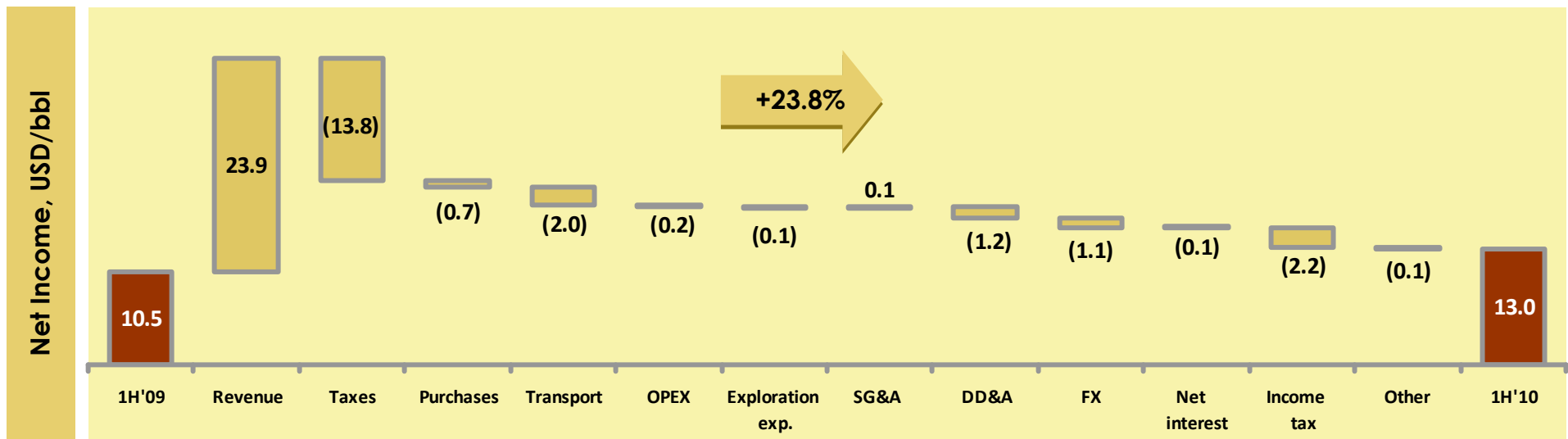
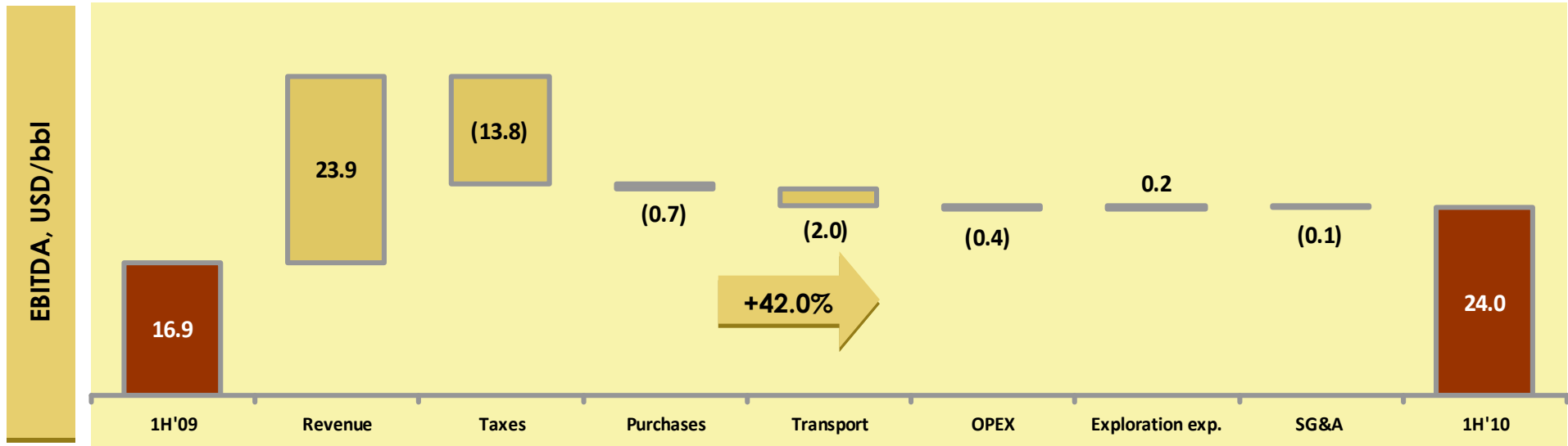


# EBITDA and Net Income per bbl Reconciliation: Q2'10 vs. Q1'10



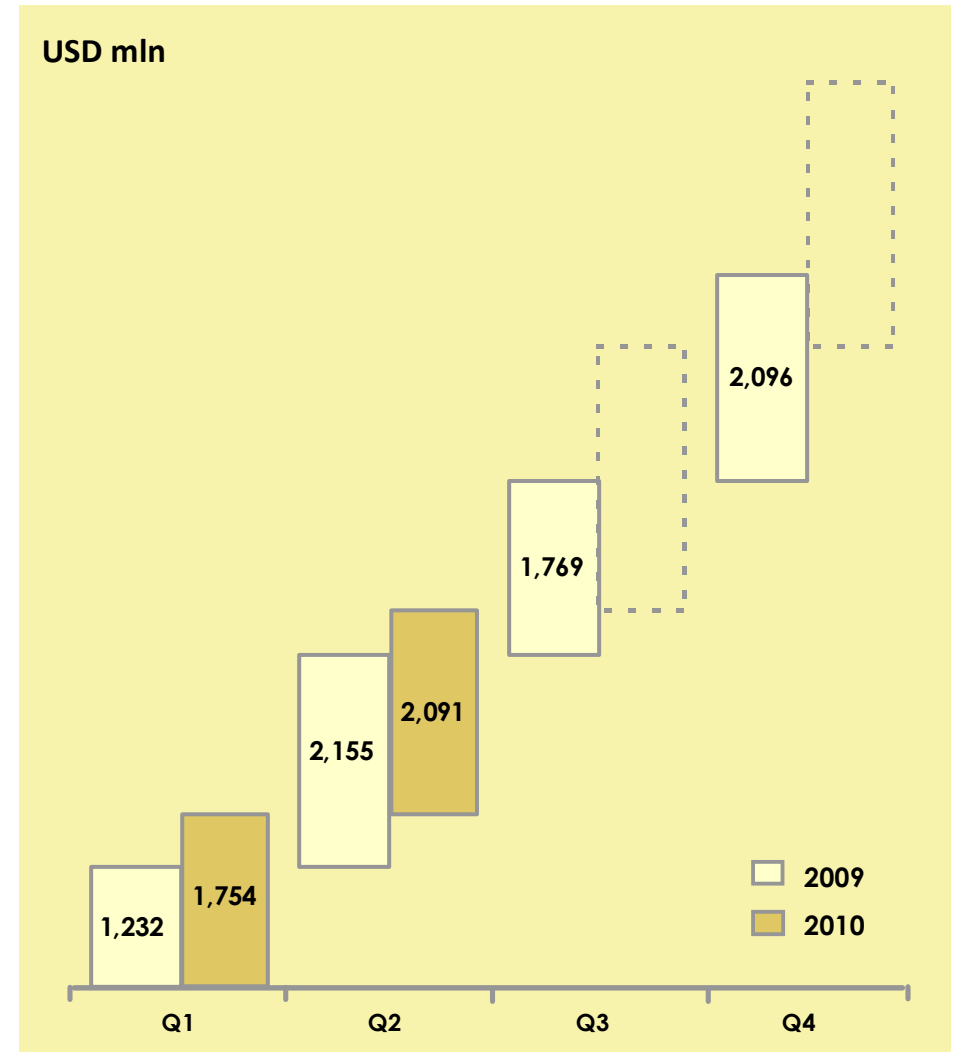
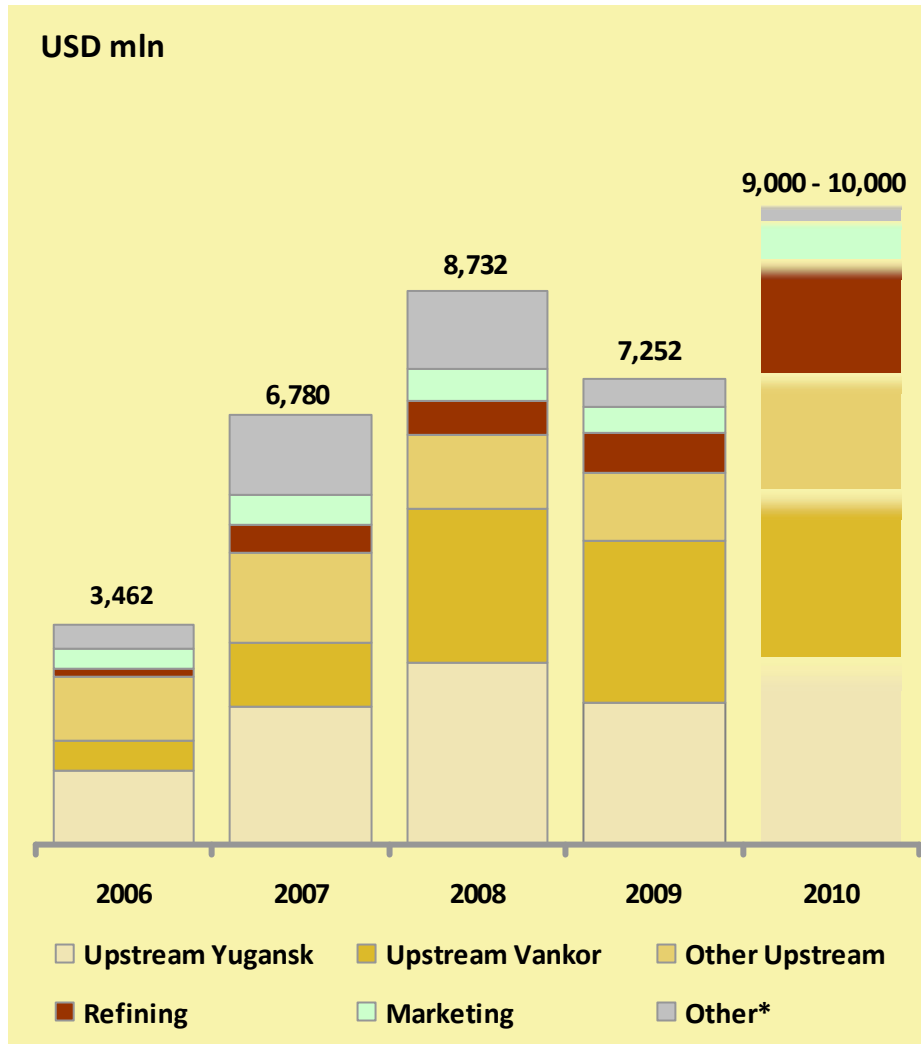


# EBITDA and Net Income per bbl Reconciliation: 1H'10 vs. 1H'09





# Capital Expenditures



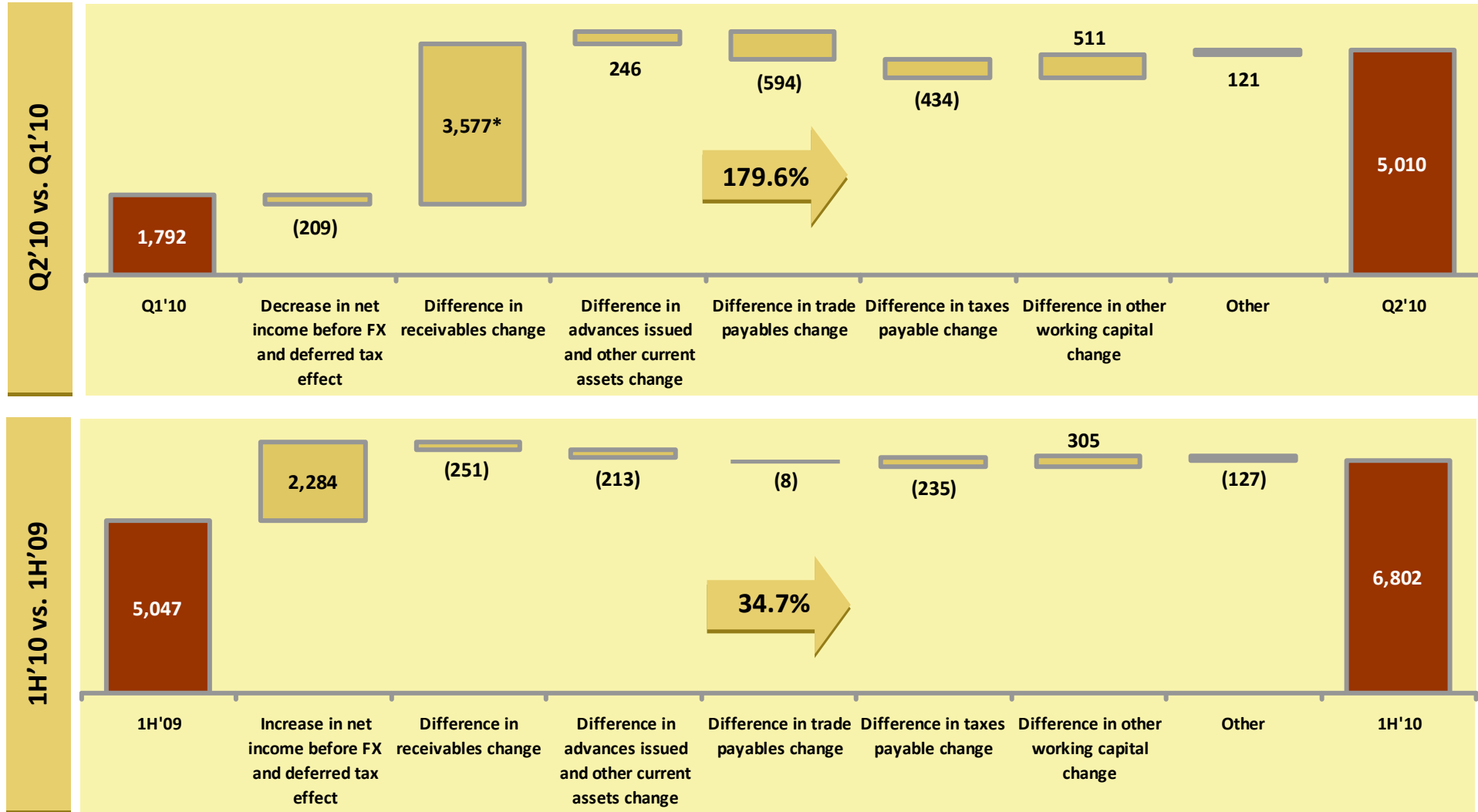
2009 and 2010 capex include capitalized interests of USD 354 mln and USD 350 mln respectively.

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





# Operating Cash Flow Reconciliation, USD mln



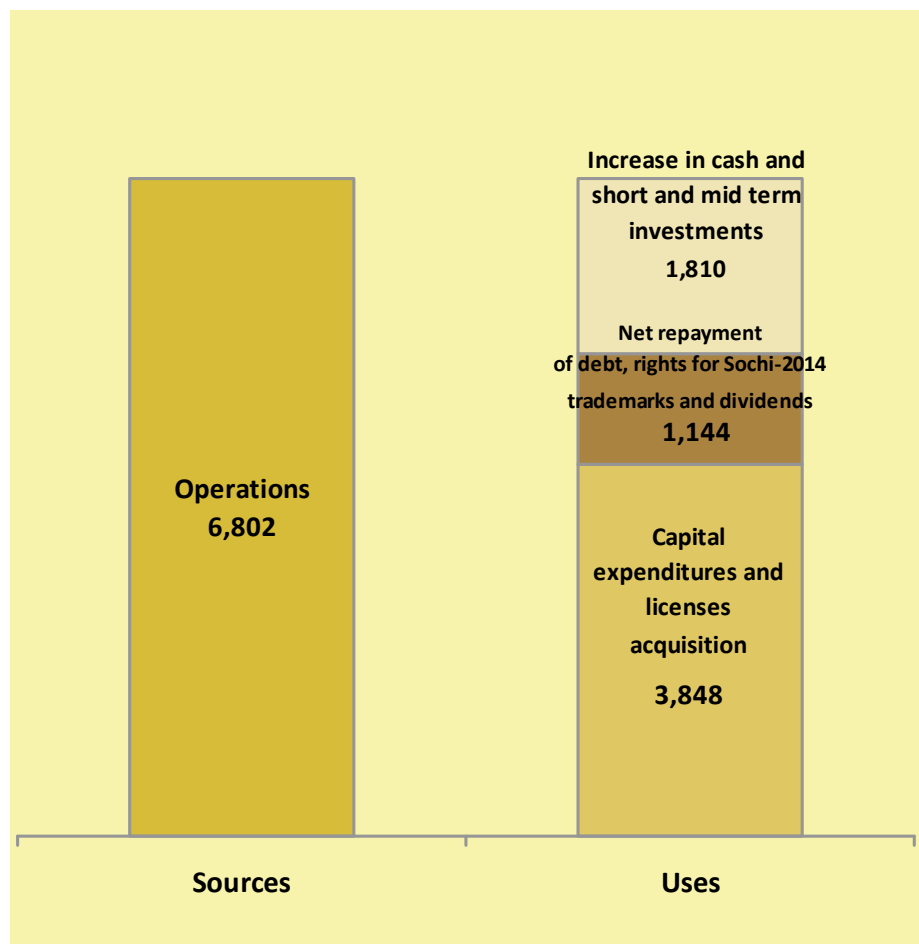
\* Freeze and collection of revenues due to Yukos Capital litigation.

Operating cash flow is adjusted for operations with trading securities as part of excess cash management (outflow of USD 305 mln in 1H'09, inflow of USD 380 mln in 1H'10, inflow of USD 495 mln in Q1'10, outflow of USD 115 mln in Q2'10).

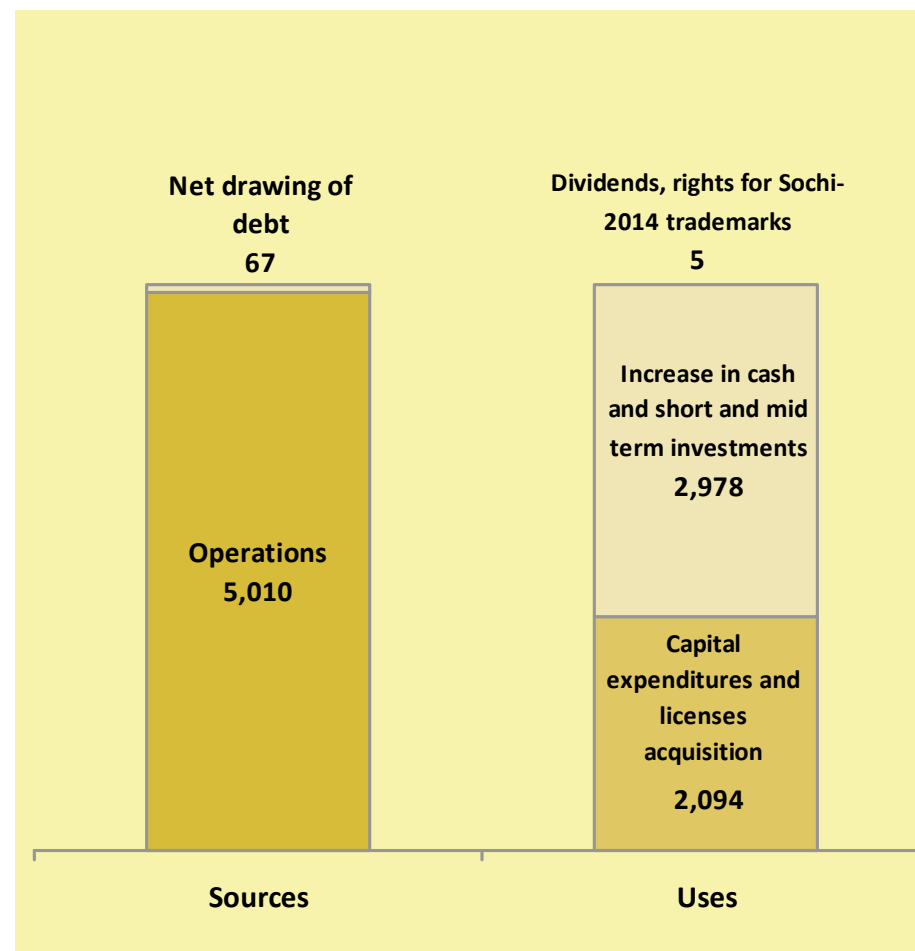


# Sources and Uses of Cash

H1'2010



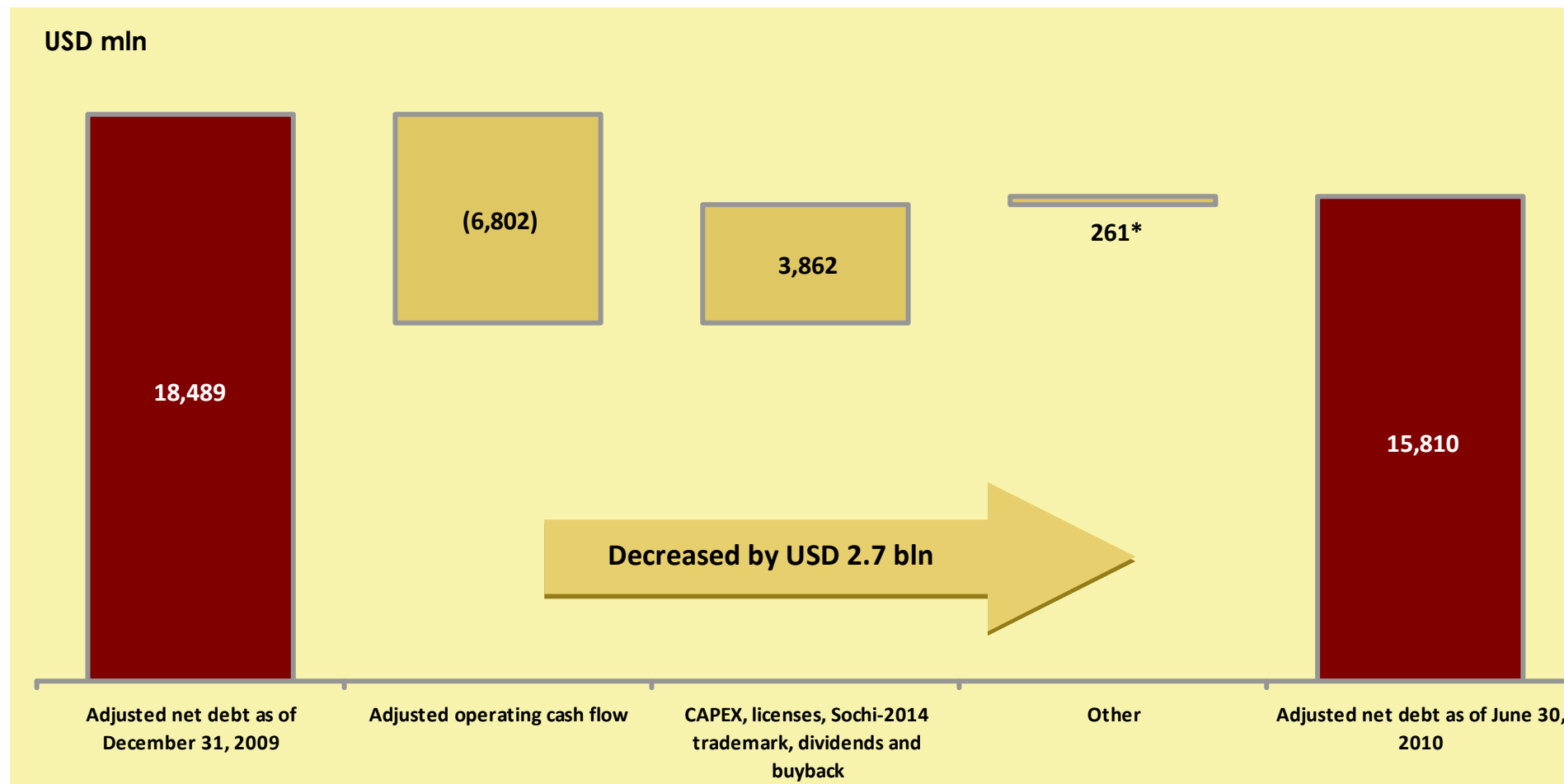
Q2'2010



Operating cash flow is adjusted for operations with trading securities as part of excess cash management (inflow of USD 380 mln in 1H'10, outflow of USD 115 mln in Q2'10).



# Net debt reconciliation



Net debt as of December 31, 2009 and as of June 30, 2010 is adjusted for short and medium term bank deposits and other short-term investments of USD 3,021 mln and of USD 3,236 mln as part of the excess cash management.

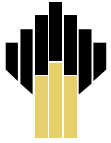
Operating cash flow is adjusted for operations with trading securities as part of excess cash management (inflow of USD 380 mln in 1H'10)

\* Mainly acquisition of available for sale securities by subsidiary bank.



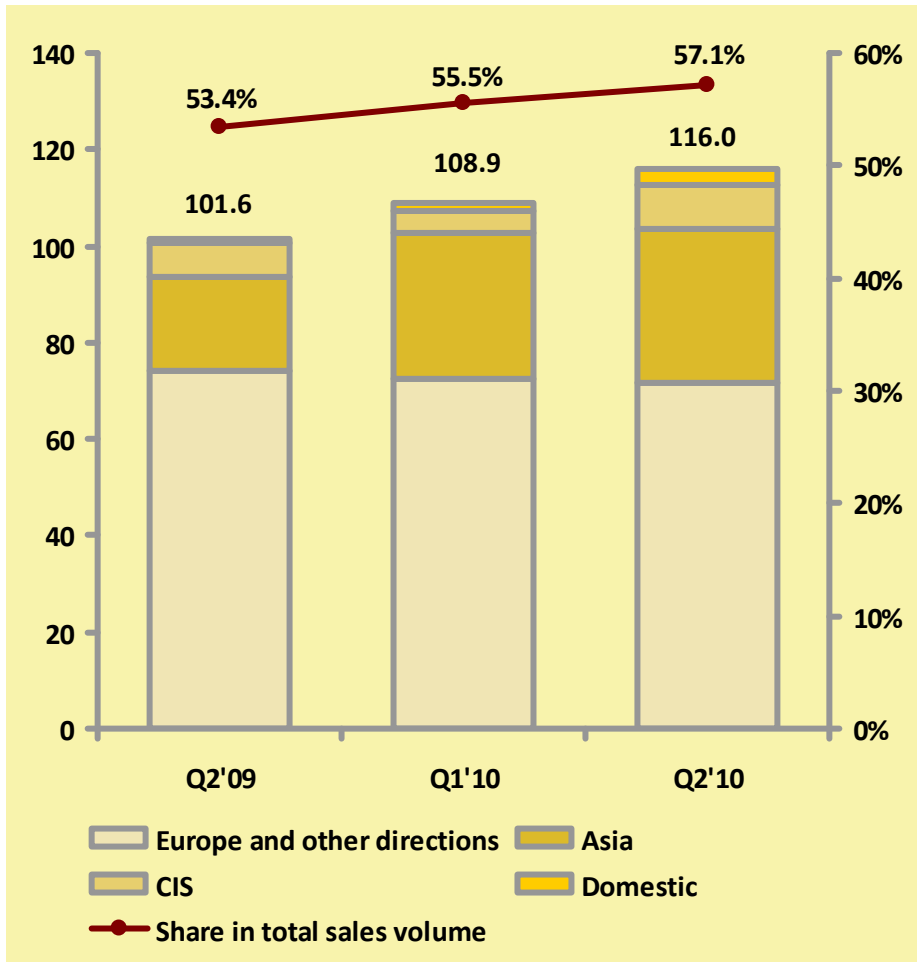
# Q2'10 and 1H`10 US GAAP Financial Results

## Appendix

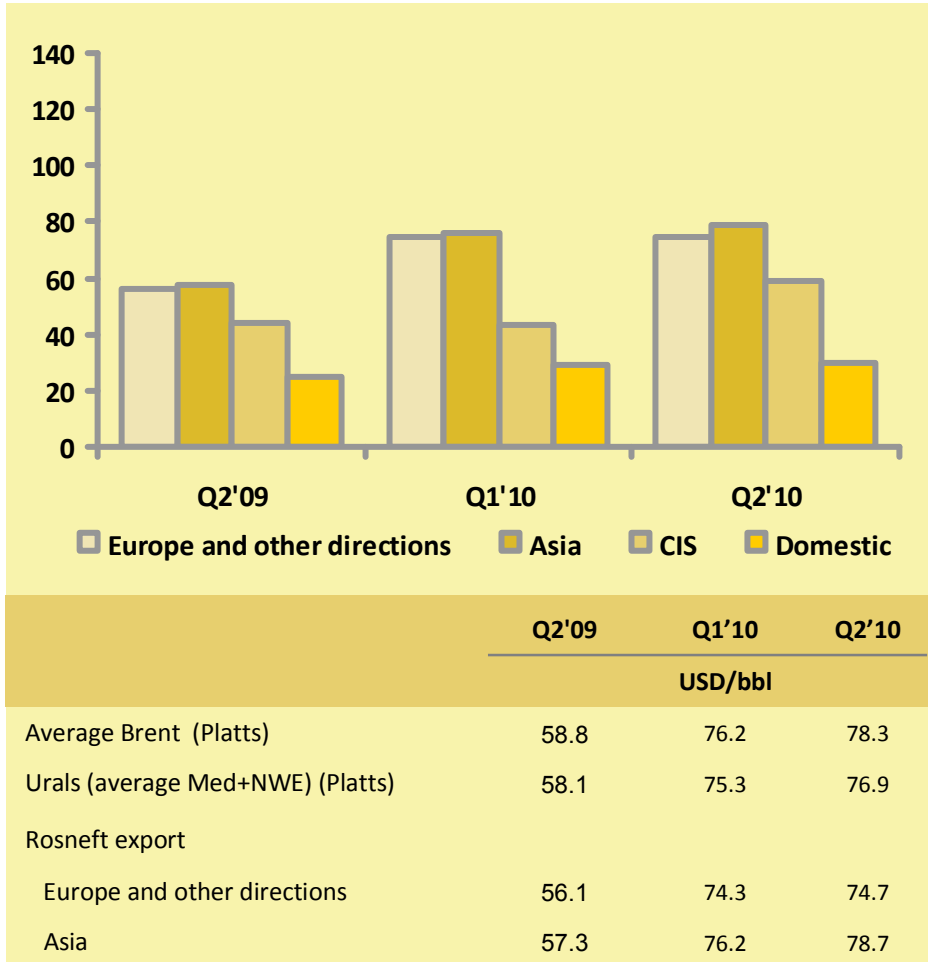


# Crude Oil Sales

Crude Oil and Condensate Sales Volumes, mln bbl



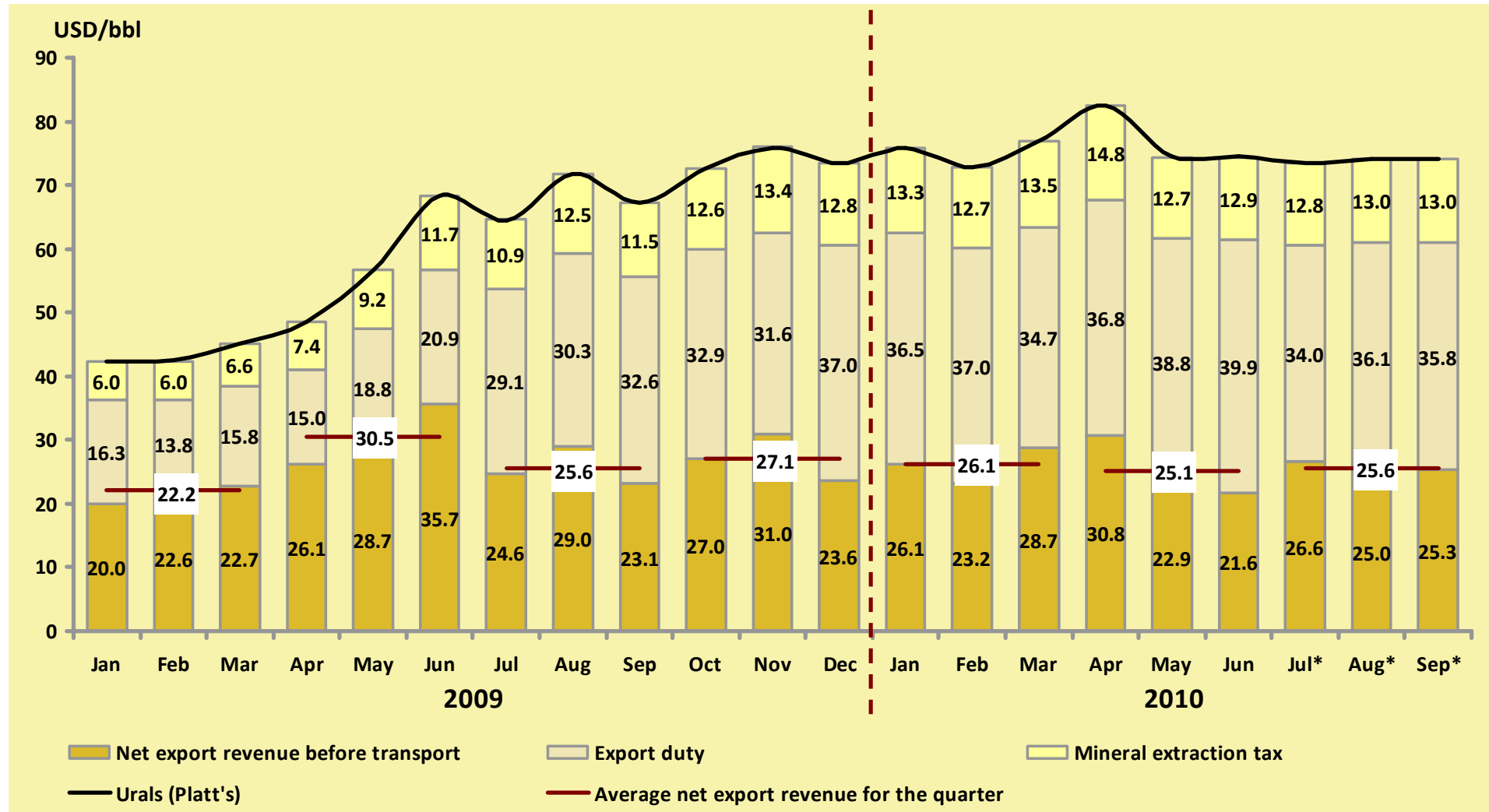
Average Prices, USD/bbl



	Q2'09	Q1'10	Q2'10
	USD/bbl		
Average Brent (Platts)	58.8	76.2	78.3
Urals (average Med+NWE) (Platts)	58.1	75.3	76.9
Rosneft export			
Europe and other directions	56.1	74.3	74.7
Asia	57.3	76.2	78.7



# Net Revenue of an Oil Exporter

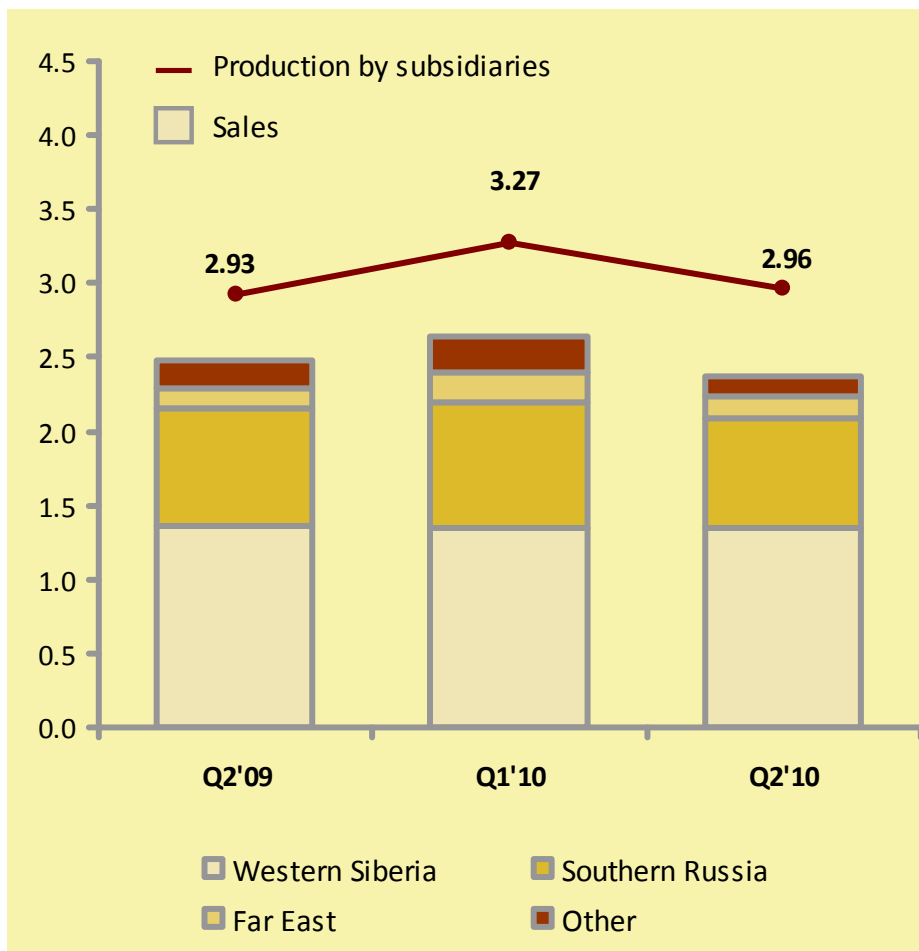


\* Assuming Urals price of USD 74 per bbl in the end of July, in August and September.

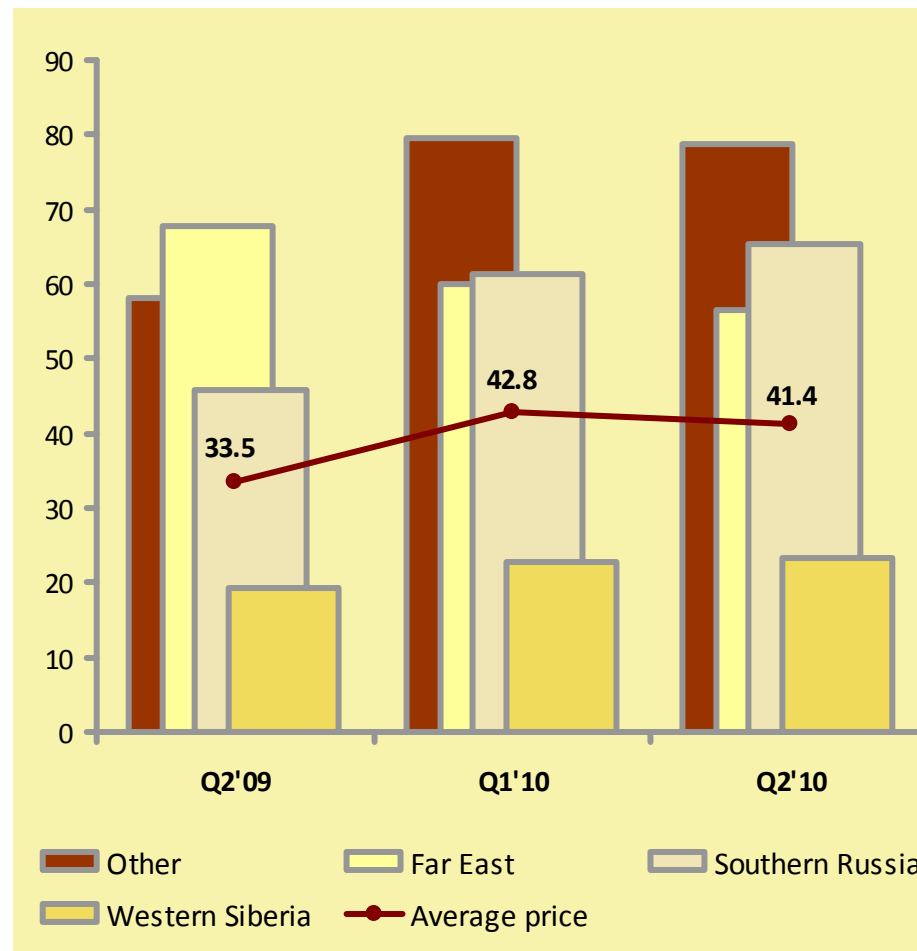


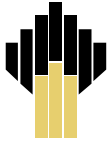
# Gas Production and Sales

## Gas Sales vs. Production, bcm

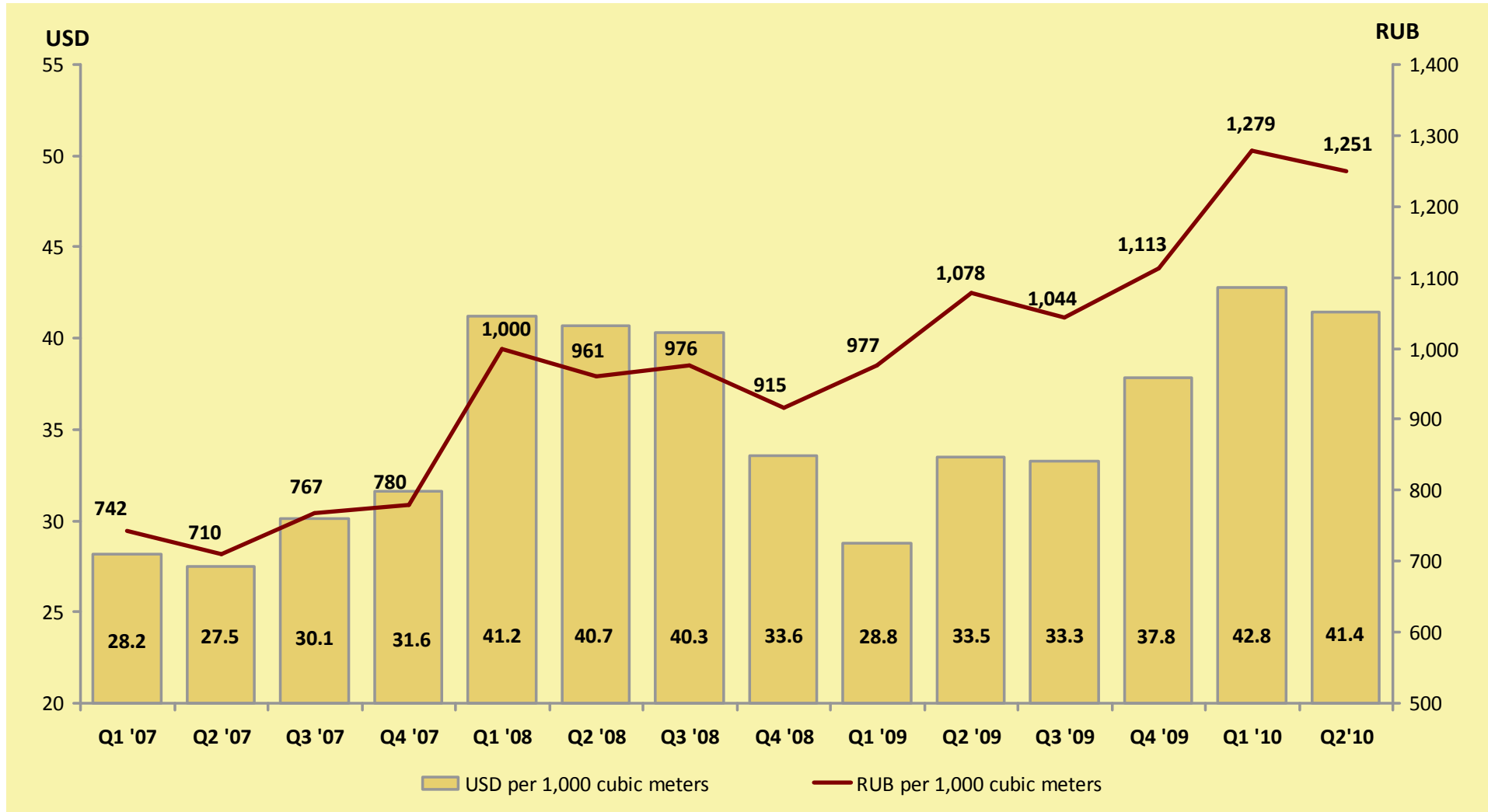


## Gas Sales Prices, USD per 1,000 cubic meters





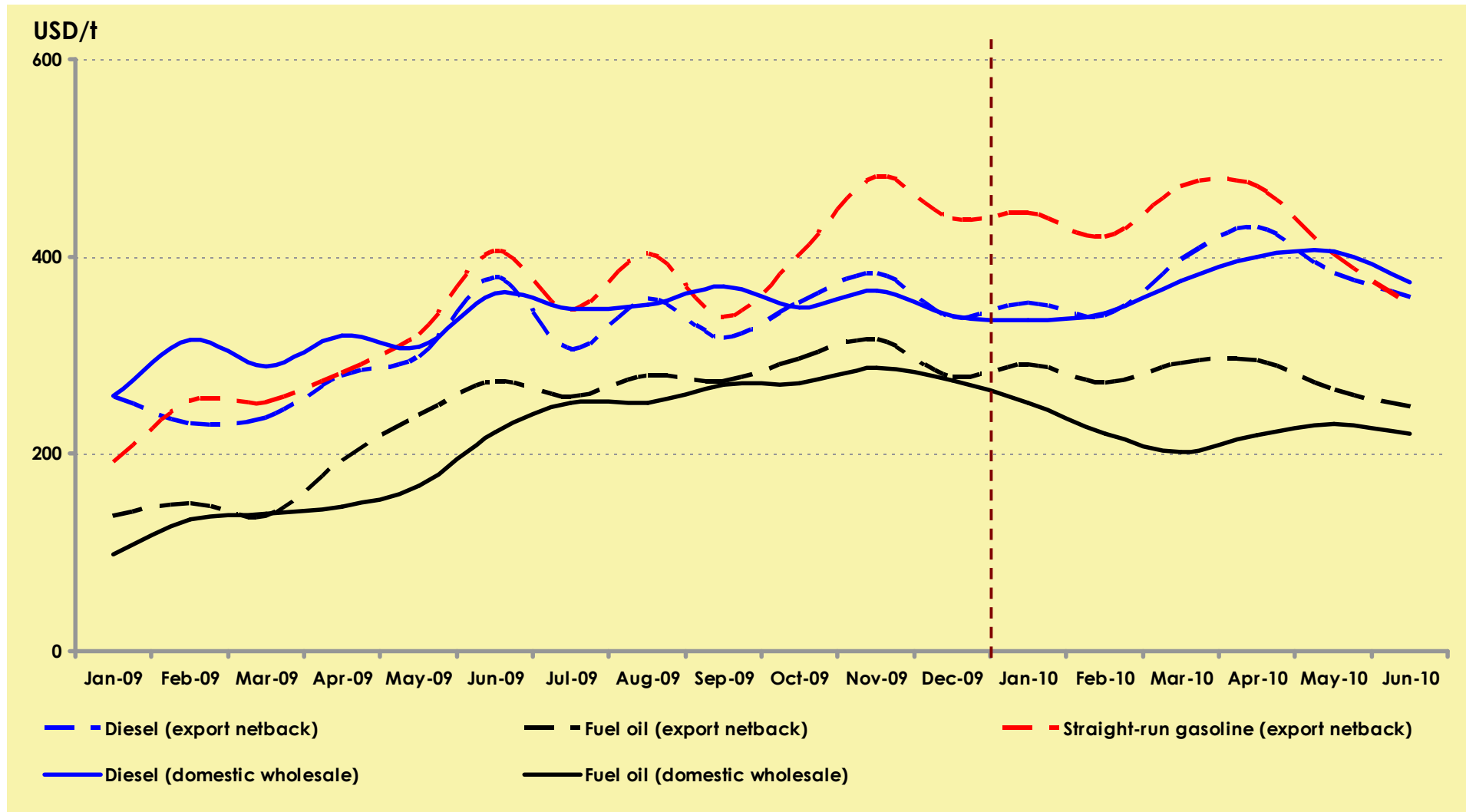
# Gas Sales Prices







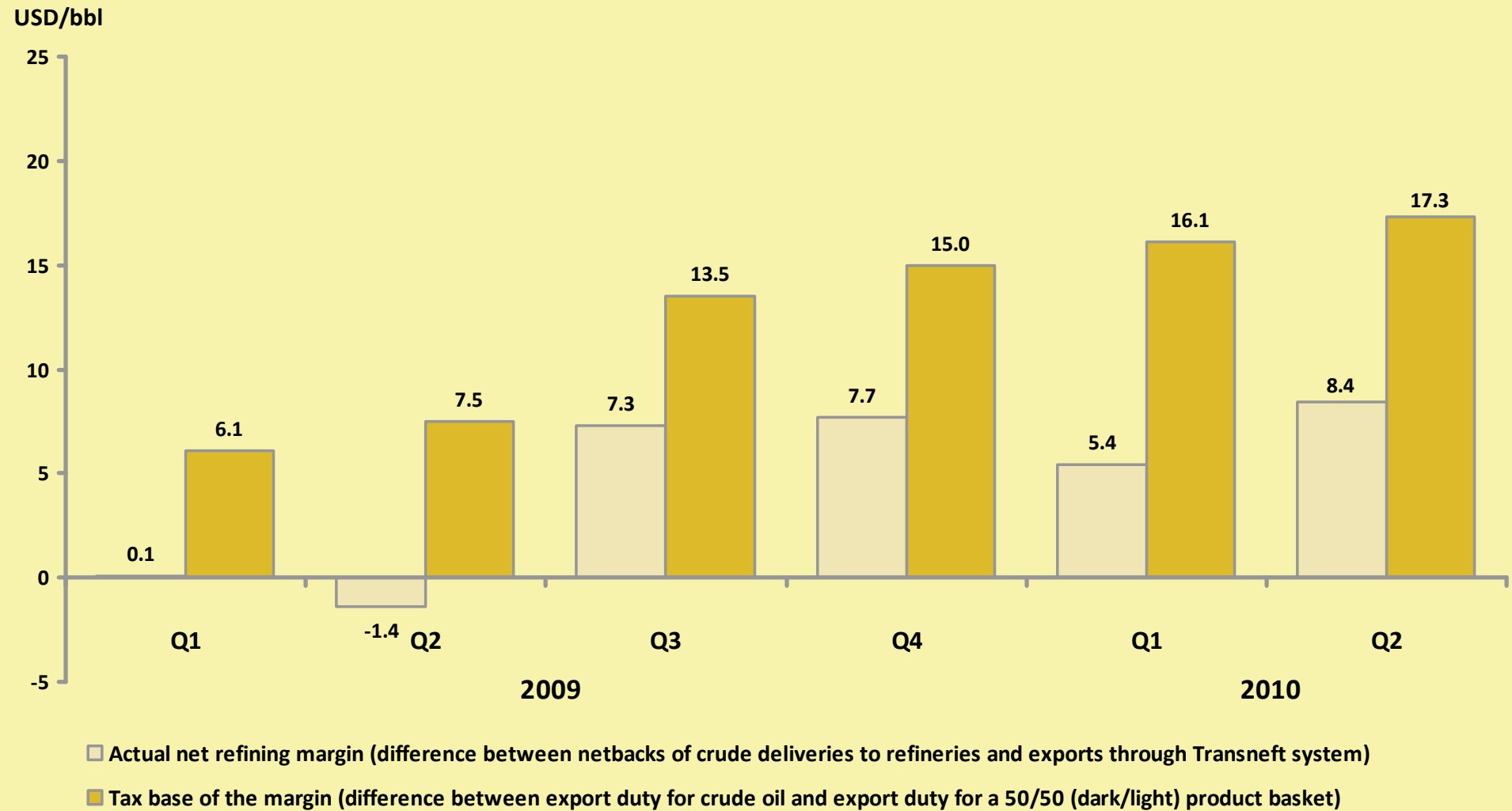
# Petroleum Product Prices in 2009-2010 (Rosneft Refineries)\*



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



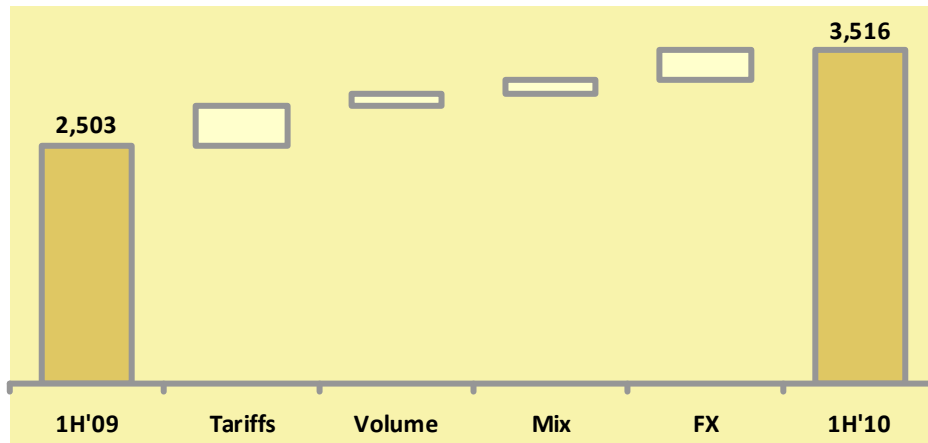
# Net Refining Margin



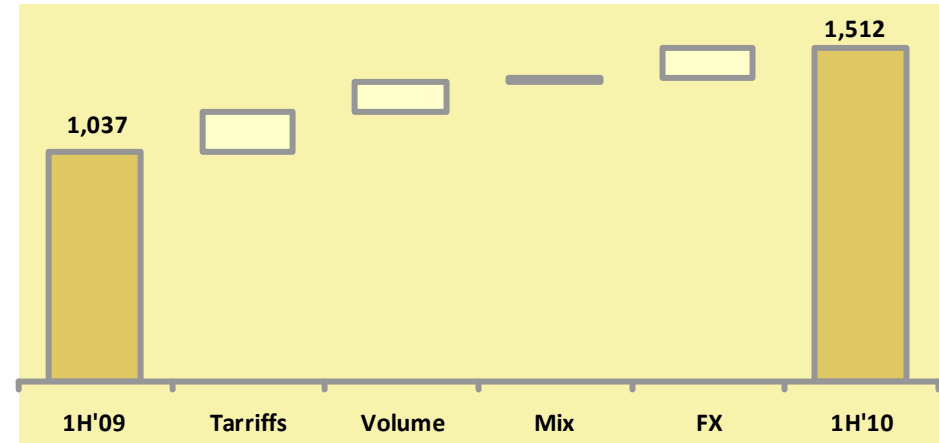


# Transportation Costs, Factor Analysis: 1H'10 vs. 1H'09

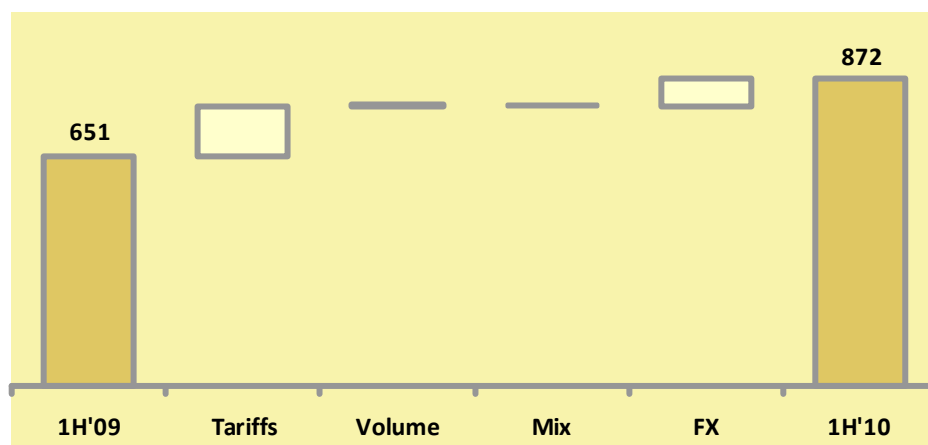
### Total Transportation Costs, USD mln



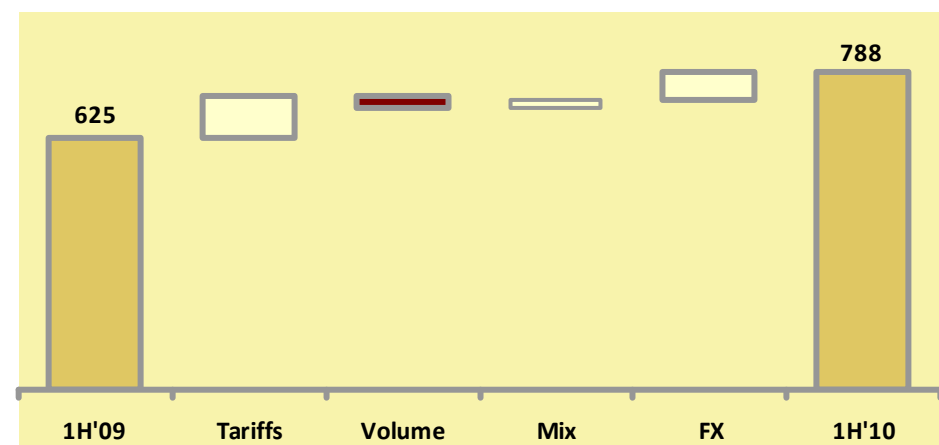
### Transportation Costs for Crude Exports, USD mln

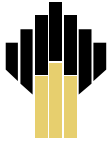


### Transportation Costs for Crude Deliveries to Refineries, USD mln



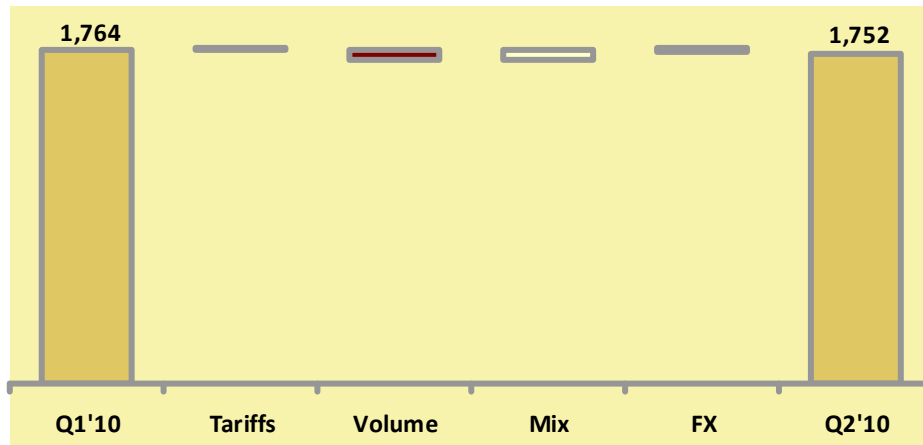
### Transportation Costs for Product Exports, USD mln



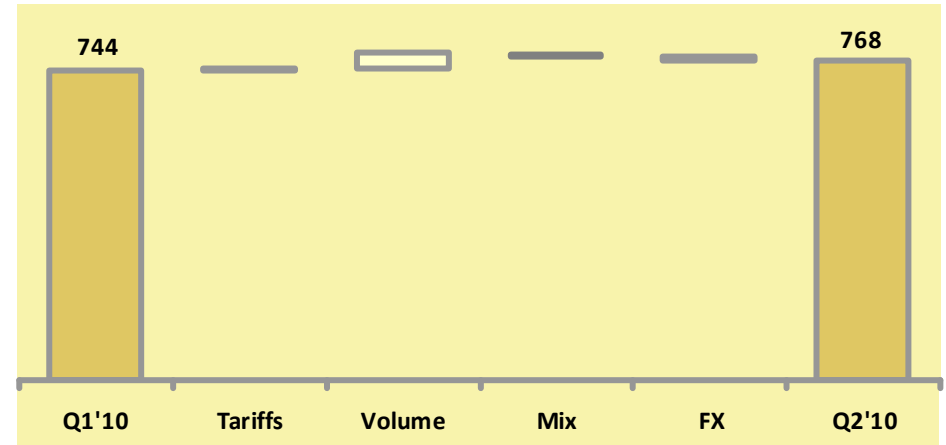


# Transportation Costs, Factor Analysis: Q2'10 vs. Q1'10

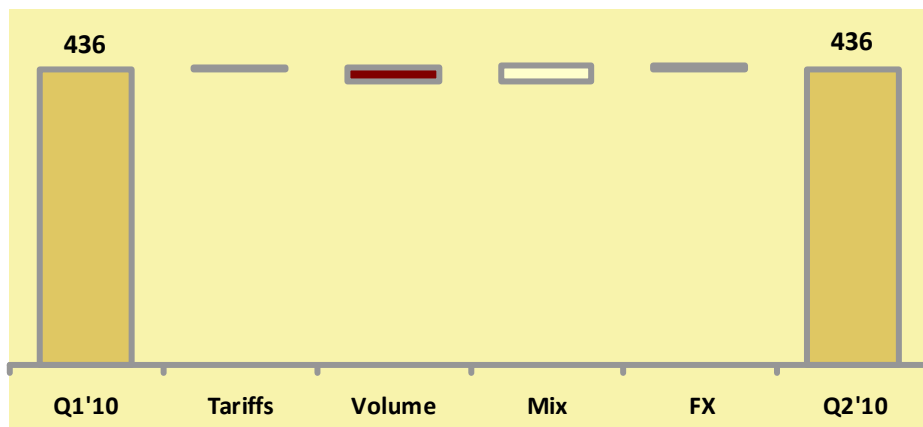
### Total Transportation Costs, USD mln



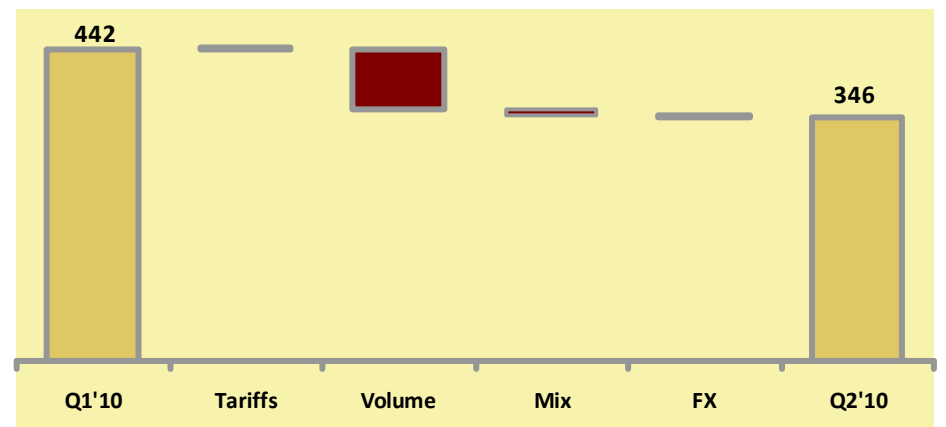
### Transportation Costs for Crude Exports, USD mln

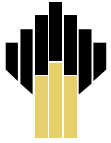


### Transportation Costs for Crude Deliveries to Refineries, USD mln



### Transportation Costs for Product Exports, USD mln





# Interest Expense

	Q2'10	Q1'10	Q4'09	Q3'09	Q2'09	Q1'09
1. Interest accrued according to loan agreements	172	172	198	160	220	240
2. Interest paid (cash)	42	235	74	134	320	162
3. Change in interest payables (1-2)	130	(63)	124	26	(100)	78
4. Interest capitalized*	83	73	79	85	141	119
4a. Change in relevant liability structure following repayment of ruble-denominated loans in Q2 and drawing of the Chinese loan				46		
4b. Change in calculation methodology			24			
5. Interest SWAP loss/(gain)	60	40	6	54	(24)	13
6. Debt issue cost	16	7	7	28	17	25
7. Other	15	16	5	2	2	6
8. Interest expense as reflected in P&L (1-4+4a+4b+5+6+7)	180	162	161	205	74	165

\* 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.