

# ROSNEFT Q3 and 9M 2012 IFRS Financial Results



**1 November 2012**

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# Highlights

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- ▶ 9M 2012 hydrocarbons production of 2,662 kboe/d, up 3.4% y-o-y
- ▶ 9M 2012 crude production of 2,425 kb/d, up 2.1% y-o-y – in line with increased guidance given at H1
- ▶ 115% growth in EBITDA in Q3 vs. Q2, to RUB 191 bln, due to positive oil price environment, better price realisations, improved cost control and favourable tax timing effects
  - Lifting costs down in real terms
- ▶ Strong cashflow generation and reduction in net debt
- ▶ Record quarterly net income of RUB 181 bln due to strong underlying profitability and an after-tax gain of RUB 65 bln from the Itera acquisition
- ▶ Additional dividend of RUB 4.08 per share approved by the Board of directors, bringing total payout to 25% of IFRS net profit (2011)
- ▶ Significant corporate developments during the period:
  - Completed 51% acquisition of Itera
  - Heads of terms signed with BP and AAR in respect of their stakes in TNK-BP



# Results Overview

	9M'11	9M'12	Δ	Q2'12	Q3'12	Δ
Hydrocarbon production, th. boe per day	2,574	2,662	3.4%	2,621	2,729	4.1%
Crude oil production, th. barrels per day	2,374	2,425	2.1%	2,413	2,454	1.7%
Gas production , bcm	9.26	11.02	19.0%	3.22	4.30	33.5%
Petroleum products output, mln t	40.17	43.94	9.4%	13.67	15.44	12.9%
Revenues, RUB bln	1,954	2,268	16.1%	718	802	11.7%
EBITDA, RUB bln	498	445	(10.6%)	89	191	114.6%
Net income, RUB bln	247	285	15.4%	(8)	181	–
Operating cash flow, RUB bln <sup>(1)</sup>	370	376	1.6%	146	158	8.2%
Capital expenditures, RUB bln	258	344	33.3%	121	105	(13.2%)
Free cash flow, RUB bln	112	32	(71.4%)	25	53	112.0%
Net debt, RUB bln	443	625	182 bln	658	625	(33 bln)

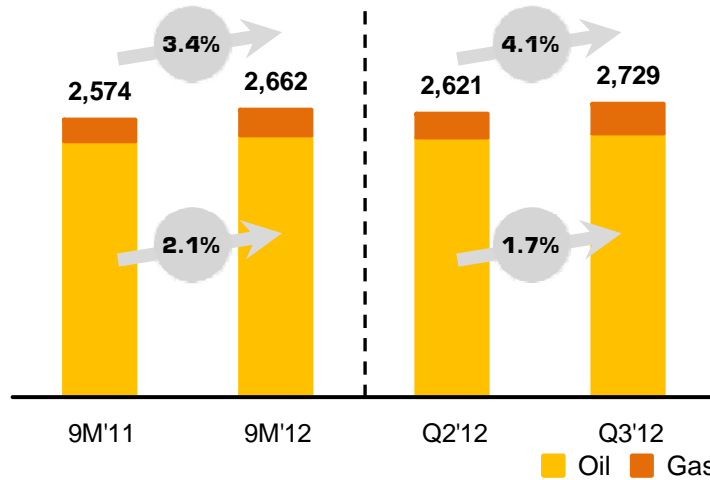
Note: (1) Operating cash flow is adjusted for the effect from operations with trading securities as part of Company's efforts to manage cash resources



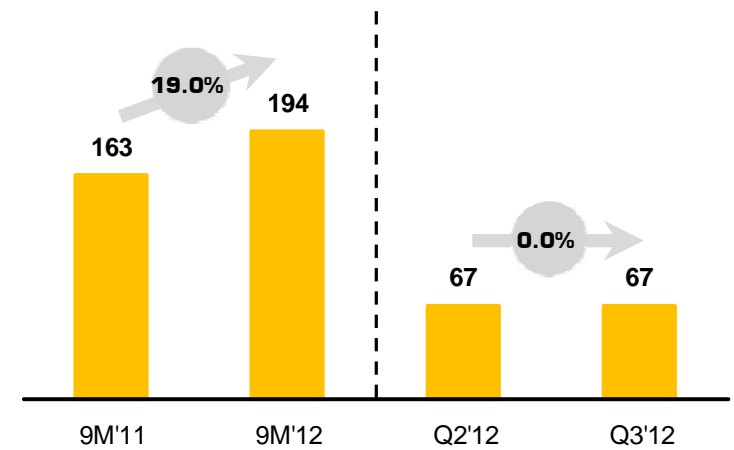
# Upstream

- ▶ 9M 2012 oil production growth in line with increased guidance at H1
- ▶ Vankor remains main growth driver – up 14.3% in Q3 vs. Q2
- ▶ Q3 gas production +33.5% following Itera acquisition
- ▶ Q3 lifting costs down in real terms despite higher utility costs
- ▶ Q3 capex flat vs. Q2 at RUB 67 bln

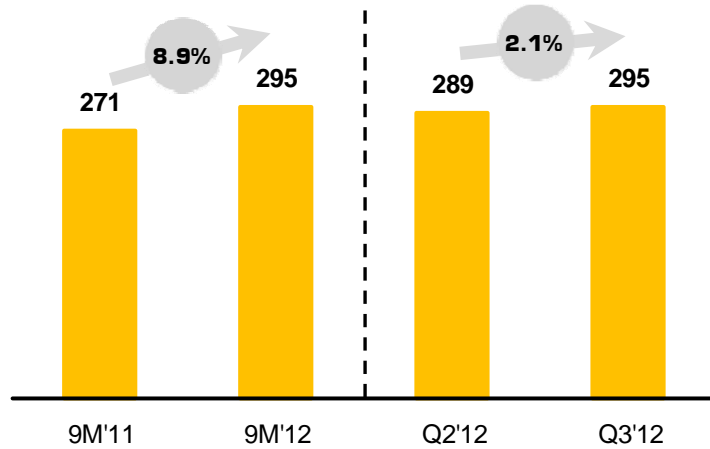
**Hydrocarbons Production, th. boe per day**



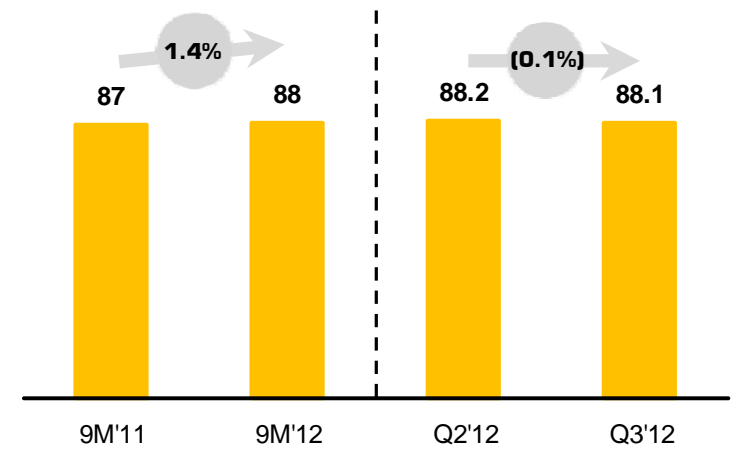
**Upstream Capex, RUB bln**



**Transportation Expense<sup>(1)</sup>, RUB/bbl**



**Upstream Opex<sup>(2)</sup>, RUB/bbl**



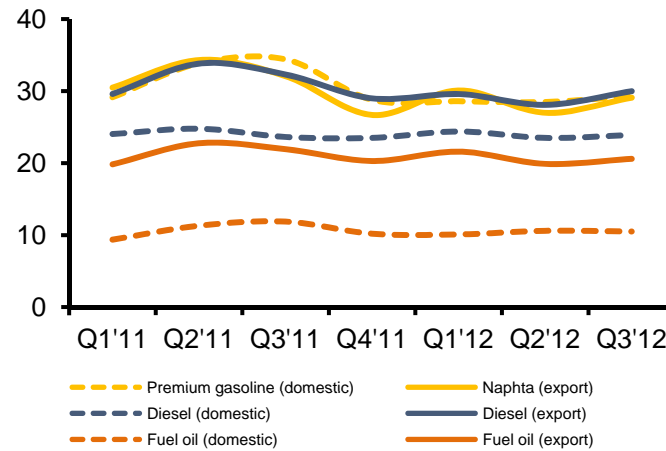
Note: (1) Transportation costs include costs to transport crude oil for refining and to end customers, and to deliver petroleum products from refineries to end customers (cost of pipeline and railroad transportation, handling, port fees, sea freight and other costs); (2) Upstream operating expenses include materials and electricity, workover, wages and salaries, and cost of transport to a trunk pipeline



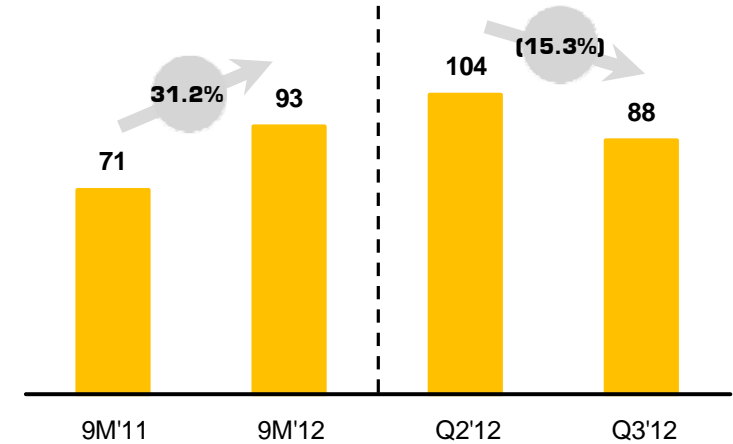
# Downstream

- ▶ 9M 2012 refinery opex up due mainly to increased use of additives required to produce higher specification products
- ▶ 9M 2012 retail products revenue growth +14.2%
- ▶ Throughput in Q3 +13.8% vs. Q2 following completion of scheduled maintenance at domestic and German refineries<sup>(1)</sup>

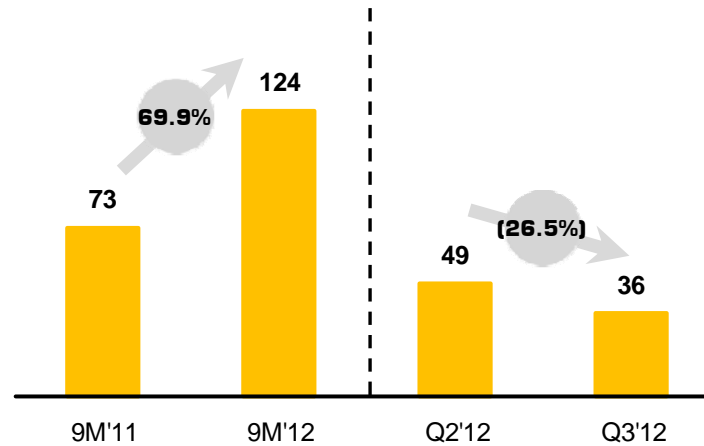
**Petroleum Product Prices, RUB th. per tonne**



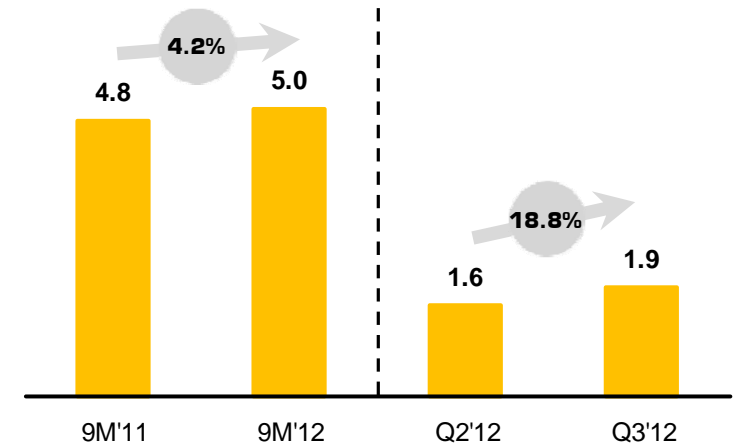
**Refining Opex, RUB/bbl of oil processed**



**Refining Capex, RUB bln**



**Domestic Retail Sales Volumes, mln tonnes**



Note: (1) Domestic refineries: Achinsk, Kuibyshev; German refinery: Gelsenkirchen



# Corporate and Other

- ▶ Cost reduction
  - Reduction in SG&A expenses from RUB 18 bln in Q2 to RUB 15 bln in Q3
- ▶ Strong balance sheet
  - Strong free cash flow generation of RUB 53 bln
  - 5% reduction in net debt
- ▶ Signed new long-term gas sale contracts bringing total contracted volumes to over 70 bcm by 2016
- ▶ Continued progress on new upstream tax legislation

