

## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated income statements, mln USD

	2003	2004	2005	2006	2007
<b>REVENUES</b>					
Sales (including excise and export tariffs)	22,118	33,845	55,774	67,684	81,891
Equity share in income of affiliates	181	213	441	425	347
<b>Total revenues</b>	<b>22,299</b>	<b>34,058</b>	<b>56,215</b>	<b>68,109</b>	<b>82,238</b>
<b>COSTS AND OTHER DEDUCTIONS</b>					
Operating expenses	(2,546)	(2,880)	(3,443)	(4,652)	(6,172)
Cost of purchased crude oil, gas and products	(5,909)	(10,124)	(19,590)	(22,642)	(27,982)
Transportation expenses	(2,052)	(2,784)	(3,371)	(3,600)	(4,457)
Selling, general and administrative expenses	(1,800)	(2,024)	(2,578)	(2,885)	(3,207)
Depreciation, depletion and amortization	(920)	(1,075)	(1,315)	(1,851)	(2,172)
Taxes other than income taxes	(2,456)	(3,505)	(6,334)	(8,075)	(9,367)
Excise and export tariffs	(2,954)	(5,248)	(9,931)	(13,570)	(15,033)
Exploration expenses	(136)	(171)	(317)	(209)	(307)
Gain from sale of interest in Azeri – Chirag – Guneshli	1,130	–	–	–	–
(Loss) gain on disposals and impairments of assets	(69)	(213)	52	(148)	(123)
<b>Income from operating activities</b>	<b>4,587</b>	<b>6,034</b>	<b>9,388</b>	<b>10,477</b>	<b>13,418</b>
Interest expense	(273)	(300)	(275)	(302)	(333)
Interest and dividend income	139	180	96	111	135
Currency translation gain (loss)	148	135	(134)	169	93
Other non-operating (expense) income	11	21	(44)	(118)	(240)
Minority interest	(36)	(62)	(121)	(80)	(55)
<b>Income before income taxes</b>	<b>4,576</b>	<b>6,008</b>	<b>8,910</b>	<b>10,257</b>	<b>13,018</b>
Current income taxes	(939)	(1,614)	(2,301)	(2,906)	(3,410)
Deferred income taxes	(68)	(146)	(166)	133	(97)
<b>Total income tax expense</b>	<b>(1,007)</b>	<b>(1,760)</b>	<b>(2,467)</b>	<b>(2,773)</b>	<b>(3,507)</b>
Cumulative effect of change in accounting principle, net of tax	132	–	–	–	–
<b>Net income</b>	<b>3,701</b>	<b>4,248</b>	<b>6,443</b>	<b>7,484</b>	<b>9,511</b>
<b>Net income per common share (USD)</b>					
Basic	4.52	5.20	7.91	9.06	11.48
Diluted	4.45	5.13	7.79	9.04	11.48

## Consolidated balance sheet (as of December 31), mln USD

	2002	2003	2004	2005	2006	2007
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	1,252	1,435	1,257	1,650	752	841
Short-term investments	278	251	149	111	44	48
Accounts and notes receivable, net	2,511	3,790	3,867	5,533	5,158	7,467
Inventories	1,063	1,243	1,759	2,619	3,444	4,609
Prepaid taxes and other expenses	736	897	1,242	2,107	3,693	4,109
Other current assets	356	255	300	287	406	625
Assets held for sale	279	52	–	190	75	204
<b>Total current assets</b>	<b>6,475</b>	<b>7,923</b>	<b>8,574</b>	<b>12,497</b>	<b>13,572</b>	<b>17,903</b>
Investments	934	594	779	1,110	1,442	1,086
Property, plant and equipment	13,499	16,859	19,329	25,464	31,316	37,930
Deferred income tax assets	206	117	138	181	362	490
Goodwill and other intangible assets	399	523	610	680	791	934
Other non-current assets	488	558	331	413	754	1,289
<b>Total assets</b>	<b>22,001</b>	<b>26,574</b>	<b>29,761</b>	<b>40,345</b>	<b>48,237</b>	<b>59,632</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
<b>Current liabilities</b>						
Accounts payable	1,293	1,564	1,787	2,167	2,759	4,554
Short-term borrowings and current portion of long-term debt	1,772	1,412	1,265	853	1,377	2,214
Customer deposits and other borrowings of banking subsidiaries	755	1,007	3	–	–	–
Taxes payable	640	943	1,238	2,087	1,663	2,042
Other current liabilities	337	345	252	729	1,132	918
<b>Total current liabilities</b>	<b>4,797</b>	<b>5,271</b>	<b>4,545</b>	<b>5,836</b>	<b>6,931</b>	<b>9,728</b>
Long-term debt	1,666	2,392	2,609	4,137	4,807	4,829
Deferred income tax liabilities	261	497	698	1,830	2,116	2,079
Asset retirement obligations	–	210	307	387	608	811
Other long-term liabilities	397	249	338	332	352	395
Minority interest in subsidiary companies	880	483	453	1,019	523	577
<b>Total liabilities</b>	<b>8,001</b>	<b>9,102</b>	<b>8,950</b>	<b>13,541</b>	<b>15,337</b>	<b>18,419</b>
<b>Stockholders' equity</b>						
Common stock	15	15	15	15	15	15
Treasury stock, at cost	(428)	(435)	(706)	(527)	(1,098)	(1,591)
Additional paid-in capital	3,229	3,522	3,564	3,730	3,943	4,499
Retained earnings	11,186	14,371	17,938	23,586	30,061	38,349
Accumulated other comprehensive loss	(2)	(1)	–	–	(21)	(59)
<b>Total stockholders' equity</b>	<b>14,000</b>	<b>17,472</b>	<b>20,811</b>	<b>26,804</b>	<b>32,900</b>	<b>41,213</b>
<b>Total liabilities and stockholders' equity</b>	<b>22,001</b>	<b>26,574</b>	<b>29,761</b>	<b>40,345</b>	<b>48,237</b>	<b>59,632</b>

**Consolidated statements of cash flows, mln USD**

	2003	2004	2005	2006	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Net income</b>	<b>3,701</b>	<b>4,248</b>	<b>6,443</b>	<b>7,484</b>	<b>9,511</b>
Adjustments for non-cash items:					
Cumulative effect of change in accounting principle	(132)	–	–	–	–
Depreciation, depletion and amortization	920	1,075	1,315	1,851	2,172
Equity share in income of affiliates, net of dividends received	(122)	(169)	(397)	(106)	209
Gain from sale of interest in Azeri – Chirag – Guneshli	(1,130)	–	–	–	–
Dry hole write-offs	48	42	170	91	143
Loss (gain) on disposals and impairments of assets	69	213	(52)	148	123
Deferred income taxes	68	146	166	(133)	97
Non-cash currency translation loss (gain)	17	(4)	(26)	86	193
Non-cash investing activities	(64)	(123)	(133)	(123)	(36)
All other items – net	32	97	258	89	297
Changes in operating assets and liabilities:					
Accounts and notes receivable	(1,020)	(795)	(1,337)	388	(2,297)
Inventories	(153)	(571)	(735)	(816)	(1,148)
Accounts payable	186	306	245	592	1,599
Taxes payable	284	310	705	(430)	386
Other current assets and liabilities	232	(595)	(418)	(1,355)	(368)
<b>Net cash provided by operating activities</b>	<b>2,936</b>	<b>4,180</b>	<b>6,204</b>	<b>7,766</b>	<b>10,881</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisition of licenses	–	–	(3)	(7)	(255)
Capital expenditures	(2,881)	(3,248)	(3,979)	(6,419)	(9,071)
Proceeds from sale of property, plant and equipment	62	99	51	310	72
Purchases of investments	(459)	(540)	(242)	(312)	(206)
Proceeds from sale of investments	374	242	234	216	175
Proceeds from sale of interest in Azeri – Chirag – Guneshli	1,337	–	–	–	–
Sale of interests in subsidiaries and affiliated companies	–	183	588	71	1,136
Acquisitions of subsidiaries and minority shareholding interest (including advances related to these acquisitions), net of cash acquired	(1,225)	(477)	(2,874)	(1,374)	(1,566)
<b>Net cash used in investing activities</b>	<b>(2,792)</b>	<b>(3,741)</b>	<b>(6,225)</b>	<b>(7,515)</b>	<b>(9,715)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Net movements of short-term borrowings	220	(170)	(638)	700	(59)
Proceeds from issuance of long-term debt	1,445	1,191	2,474	1,092	2,307
Principal repayments of long-term debt	(1,124)	(778)	(704)	(1,077)	(1,632)
Dividends paid	(467)	(661)	(853)	(1,134)	(1,308)
Dividends paid on company common stock	(461)	(612)	(800)	(1,015)	(1,230)
Dividends paid to minority	(6)	(49)	(53)	(119)	(78)
Financing from related party and third party minority shareholders	–	–	101	–	177
Purchase of treasury stock	(368)	(502)	–	(782)	(712)
Proceeds from sale of treasury stock	290	273	46	–	129
Other – net	–	(3)	6	15	–
<b>Net cash (used in) provided by financing activities</b>	<b>(4)</b>	<b>(650)</b>	<b>432</b>	<b>(1,186)</b>	<b>(1,098)</b>
Effect of exchange rate changes on cash and cash equivalents	43	33	(18)	37	21
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>183</b>	<b>(178)</b>	<b>393</b>	<b>(898)</b>	<b>89</b>
Cash and cash equivalents at beginning of year	1,252	1,435	1,257	1,650	752
<b>Cash and cash equivalents at end of year</b>	<b>1,435</b>	<b>1,257</b>	<b>1,650</b>	<b>752</b>	<b>841</b>

### Consolidated statements of stockholders' equity and comprehensive income, mIn USD

	2003	2004	2005	2006	2007
<b>Common stock</b>					
Balance as of January 1	15	15	15	15	15
<b>Balance as of December 31</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>
<b>Treasury stock</b>					
Balance as of January 1	(428)	(435)	(706)	(527)	(1,098)
Stock purchased	(368)	(502)	–	(782)	(712)
Stock disposed	361	231	179	211	219
<b>Balance as of December 31</b>	<b>(435)</b>	<b>(706)</b>	<b>(527)</b>	<b>(1,098)</b>	<b>(1,591)</b>
<b>Additional paid-in capital</b>					
Balance as of January 1	3,229	3,522	3,564	3,730	3,943
Premium on non-outstanding shares issued	38	–	47	22	–
Effect of stock compensation plan	–	–	–	–	103
Proceeds from sale of treasury stock in excess of carrying amount	255	42	119	191	453
<b>Balance as of December 31</b>	<b>3,522</b>	<b>3,564</b>	<b>3,730</b>	<b>3,943</b>	<b>4,499</b>
<b>Retained earnings</b>					
Balance as of January 1	11,186	14,371	17,938	23,586	30,061
Net income (comprehensive income)	3,701	4,248	6,443	7,484	9,511
Net income (stockholders' equity)	3,701	4,248	6,443	7,484	9,511
Dividends on common stock	(516)	(681)	(795)	(1,009)	(1,223)
<b>Balance as of December 31</b>	<b>14,371</b>	<b>17,938</b>	<b>23,586</b>	<b>30,061</b>	<b>38,349</b>
<b>Accumulated other comprehensive loss, net of tax</b>					
Balance at January 1	(2)	(1)	–	–	(21)
Foreign currency translation adjustment (comprehensive income)	1	1	–	–	–
Foreign currency translation adjustment (stockholders' equity)	1	1	–	–	–
<b>Pension benefits:</b>					
Prior service cost (comprehensive income)	–	–	–	–	(16)
Prior service cost (stockholders' equity)	–	–	–	–	(16)
Actuarial loss (comprehensive income)	–	–	–	–	(22)
Actuarial loss (stockholders' equity)	–	–	–	–	(22)
Effect of initial adoption of SFAS No. 158	–	–	–	(21)	–
<b>Balance as of December 31</b>	<b>(1)</b>	<b>–</b>	<b>–</b>	<b>(21)</b>	<b>(59)</b>
Total comprehensive income for the year	3,702	4,249	6,443	7,484	9,473
<b>Total stockholders' equity as of December 31</b>	<b>17,472</b>	<b>20,811</b>	<b>26,804</b>	<b>32,900</b>	<b>41,213</b>

**Share activity, mln shares**

	2003	2004	2005	2006	2007
<b>Common stock, issued</b>					
Balance as of January 1	850	850.563	850.563	850.563	850.563
<b>Balance as of December 31</b>	<b>850</b>	<b>850.563</b>	<b>850.563</b>	<b>850.563</b>	<b>850.563</b>
<b>Treasury stock</b>					
Balance as of January 1	(27)	(26.336)	(33.884)	(21.667)	(23.632)
Purchase of treasury stock	(19)	(17.846)	–	(9.017)	(8.756)
Disposal of treasury stock	20	10.298	12.217	7.052	9.067
<b>Balance as of December 31</b>	<b>(26)</b>	<b>(33.884)</b>	<b>(21.667)</b>	<b>(23.632)</b>	<b>(23.321)</b>

**Capital expenditures\*, mln USD**

	2003	2004	2005	2006	2007
<b>Capital expenditures</b>					
<b>Exploration and production</b>	<b>1,784</b>	<b>2,289</b>	<b>2,918</b>	<b>5,120</b>	<b>7,262</b>
Russia	1,537	2,100	2,487	4,334	6,391
International	247	189	431	786	871
<b>Refining, marketing and distribution</b>	<b>1,175</b>	<b>1,070</b>	<b>1,129</b>	<b>1,475</b>	<b>1,822</b>
Russia	911	677	654	916	1,177
International	264	393	475	559	645
<b>Chemicals</b>	<b>39</b>	<b>71</b>	<b>77</b>	<b>172</b>	<b>171</b>
Russia	28	55	59	121	73
International	11	16	18	51	98
<b>Other</b>	<b>20</b>	<b>17</b>	<b>53</b>	<b>119</b>	<b>117</b>
<b>Total capital expenditures</b>	<b>3,018</b>	<b>3,447</b>	<b>4,177</b>	<b>6,886</b>	<b>9,372</b>

**Acquisitions of companies and Group investments\*\***

<b>Exploration and production</b>	<b>989</b>	<b>166</b>	<b>2,737</b>	<b>1,560</b>	<b>434</b>
Russia	989	23	778	1,469	77
International	–	143	1,959	91	357
<b>Refining, marketing and distribution</b>	<b>280</b>	<b>306</b>	<b>256</b>	<b>122</b>	<b>1,196</b>
Russia	23	1	27	122	685
International	257	305	229	–	511
<b>Chemicals</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Other</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>32</b>	<b>38</b>
<i>Less cash acquired</i>	<i>(44)</i>	<i>–</i>	<i>(119)</i>	<i>(26)</i>	<i>(102)</i>
<b>Total acquisitions of companies and Group investments</b>	<b>1,225</b>	<b>477</b>	<b>2,874</b>	<b>1,688</b>	<b>1,566</b>

\* Including non-cash transactions.

\*\* Including prepayments related to acquisitions of subsidiaries and buyout of minorities.

## FINANCIAL RATIOS

### Specific financial ratios

	2003*	2004	2005	2006	2007
Sales per boe of production**, USD per barrel	36.0	50.9	80.0	86.4	103.0
Income from operating activities per boe of production**, USD per barrel	5.6	9.1	13.5	13.4	16.9
EBITDA per boe of production**, USD per barrel	7.3	10.8	14.9	15.7	19.4
Net income per boe of production**, USD per barrel	4.2	6.4	9.2	9.6	12.0
Capital expenditures in exploration and production per boe of production**, USD per barrel	2.9	3.4	4.2	6.5	9.1
Capitalization per boe of reserves, USD per barrel	1.0	1.3	2.5	3.7	3.6
Capitalization per boe of production**, USD per barrel	32.2	38.8	72.5	95.5	93.1

\* Excluding gain from sale of interest in Azeri – Chirag – Guneshli.

\*\* Of marketable hydrocarbons.

### Profitability and efficiency ratios

#### Income margin

$$\text{Income margin} = \frac{\text{Income}}{\text{Sales}}$$

	2003*	2004	2005	2006	2007
Sales, mln USD	22,118	33,845	55,774	67,684	81,891
Income from operating activities, mln USD	3,457	6,034	9,388	10,477	13,418
Income before taxes, mln USD	3,446	6,008	8,910	10,257	13,018
Net income, mln USD	2,571	4,248	6,443	7,484	9,511
<b>Operating margin, %</b>	<b>15.6</b>	<b>17.8</b>	<b>16.8</b>	<b>15.5</b>	<b>16.4</b>
<b>Pretax margin, %</b>	<b>15.6</b>	<b>17.8</b>	<b>16.0</b>	<b>15.2</b>	<b>15.9</b>
<b>Net margin, %</b>	<b>11.6</b>	<b>12.6</b>	<b>11.6</b>	<b>11.1</b>	<b>11.6</b>

#### EBIT and EBITDA

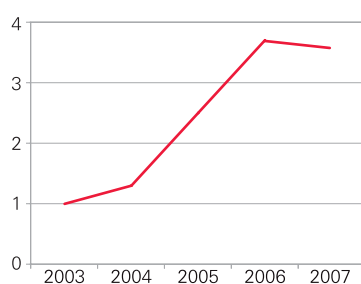
$$\text{EBIT} = \text{Income before income tax} + \text{Interest expense} - \text{Interest and dividend income}$$

$$\text{EBITDA} = \text{EBIT} + \text{Depreciation, depletion and amortization}$$

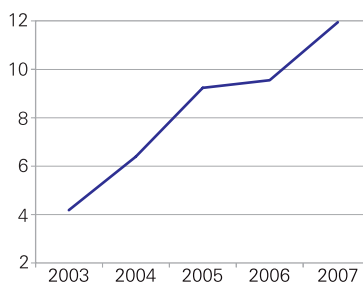
	2003*	2004	2005	2006	2007
Income before taxes, mln USD	3,446	6,008	8,910	10,257	13,018
Interest expense, mln USD	273	300	275	302	333
Interest and dividend income, mln USD	139	180	96	111	135
<b>EBIT, mln USD</b>	<b>3,580</b>	<b>6,128</b>	<b>9,089</b>	<b>10,448</b>	<b>13,216</b>
Depreciation, depletion and amortization, mln USD	920	1,075	1,315	1,851	2,172
<b>EBITDA, mln USD</b>	<b>4,500</b>	<b>7,203</b>	<b>10,404</b>	<b>12,299</b>	<b>15,388</b>
<b>EBIT margin, %</b>	<b>16.2</b>	<b>18.1</b>	<b>16.3</b>	<b>15.4</b>	<b>16.1</b>
<b>EBITDA margin, %</b>	<b>20.3</b>	<b>21.3</b>	<b>18.7</b>	<b>18.2</b>	<b>18.8</b>

\* Excluding gain from sale of interest in Azeri – Chirag – Guneshli.

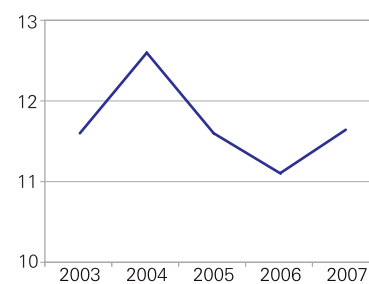
Market capitalization to proved hydrocarbon reserves, USD per boe



Net income to production, USD per boe



Net margin, %



### Return on equity

$$\text{Return on equity} = \frac{\text{Net income}}{\text{Average equity for the year}}$$

	2002	2003*	2004	2005	2006	2007
Equity, mln USD	14,000	17,472	20,811	26,804	32,900	41,213
Net income, mln USD		2,571	4,248	6,443	7,484	9,511
<b>Return on equity, %</b>		<b>16.3</b>	<b>22.2</b>	<b>27.1</b>	<b>25.1</b>	<b>25.7</b>

### Return on assets

$$\text{Return on assets} = \frac{\text{Net income}}{\text{Average assets for the year}}$$

	2002	2003*	2004	2005	2006	2007
Assets, mln USD	22,001	26,574	29,761	40,345	48,237	59,632
Net income, mln USD		2,571	4,248	6,443	7,484	9,511
<b>Return on assets, %</b>		<b>10.6</b>	<b>15.1</b>	<b>18.4</b>	<b>16.9</b>	<b>17.6</b>

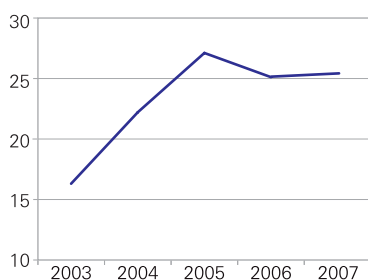
### Return on non-current assets

$$\text{Return on non-current assets} = \frac{\text{Net income}}{\text{Average non-current assets for the year}}$$

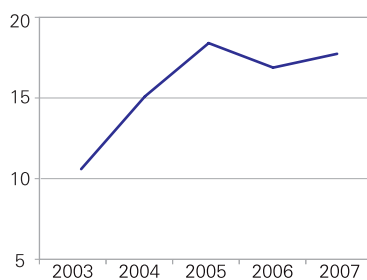
	2002	2003*	2004	2005	2006	2007
Non-current assets, mln USD	15,526	18,651	21,187	27,848	34,665	41,729
Net income, mln USD		2,571	4,248	6,443	7,484	9,511
<b>Return on non-current assets, %</b>		<b>15.0</b>	<b>21.3</b>	<b>26.3</b>	<b>23.9</b>	<b>24.9</b>

\* Excluding gain from sale of interest in Azeri – Chirag – Guneshli.

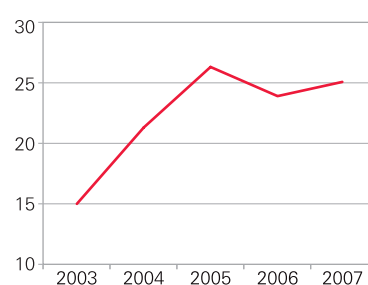
Return on equity, %



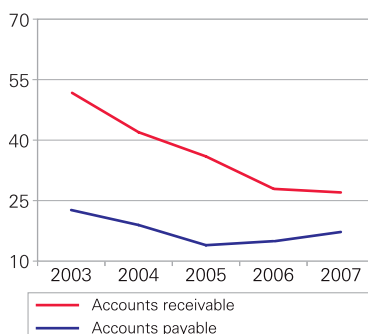
Return on assets, %



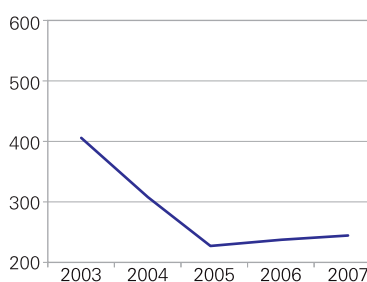
Return on non-current assets, %



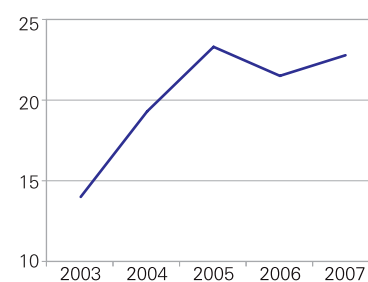
Turnover of accounts receivable and accounts payable, days



Assets turnover, days



ROACE, %



## ROACE

$$\text{ROACE} = \frac{\text{Net income} + \text{Interest expense} \times (1 - \text{Effective income tax rate}) + \text{Minority interest}}{\text{Average for the year (Equity} + \text{Long-term debt} + \text{Short-term debt} + \text{Minority interest})}$$

	2002	2003*	2004	2005	2006	2007
Equity, mln USD	14,000	17,472	20,811	26,804	32,900	41,213
Long-term debt, mln USD	1,666	2,392	2,609	4,137	4,807	4,829
Short-term debt, mln USD	1,772	1,412	1,265	853	1,377	2,214
Minority interest in subsidiary companies, mln USD	880	483	453	1,019	523	577
Net income, mln USD		2,571	4,248	6,443	7,484	9,511
Interest expense, mln USD		273	300	275	302	333
Minority interest, mln USD		36	62	121	80	55
Effective income tax rate**, %		28.9	29.0	27.3	26.8	26.8
<b>ROACE, %</b>		<b>14.0</b>	<b>19.3</b>	<b>23.3</b>	<b>21.5</b>	<b>22.2</b>

\* Excluding gain from sale of interest in Azeri – Chirag – Guneshli.

\*\* Income taxes to income before income taxes before deduction of minority interest

## Assets turnover (as of December 31)

$$\text{Asset turnover} = \frac{\text{Assets} \times 365 \text{ days}}{\text{Sales}}$$

	2002	2003	2004	2005	2006	2007
Sales, mln USD		22,118	33,845	55,774	67,684	81,891
Assets, mln USD	22,001	26,574	29,761	40,345	48,237	59,632
<b>Asset turnover, days</b>		<b>401</b>	<b>305</b>	<b>229</b>	<b>239</b>	<b>240</b>

## Accounts payable turnover (as of December 31)

$$\text{Accounts payable turnover} = \frac{\text{Accounts payable} \times 365 \text{ days}}{\text{Sales}}$$

	2002	2003	2004	2005	2006	2007
Sales, mln USD		22,118	33,845	55,774	67,684	81,891
Accounts payable, mln USD	1,293	1,564	1,787	2,167	2,759	4,554
<b>Accounts payable turnover, days</b>		<b>24</b>	<b>18</b>	<b>13</b>	<b>13</b>	<b>16</b>

## Accounts receivable turnover (as of December 31)

$$\text{Accounts receivable turnover} = \frac{\text{Accounts receivable} \times 365 \text{ days}}{\text{Sales}}$$

	2002	2003	2004	2005	2006	2007
Sales, mln USD		22,118	33,845	55,774	67,684	81,891
Accounts receivable, mln USD	2,511	3,790	3,867	5,533	5,158	7,467
<b>Accounts receivable turnover, days</b>		<b>52</b>	<b>41</b>	<b>31</b>	<b>29</b>	<b>28</b>

## Gearing ratios

### Total debt to total capital (as of December 31)

	2003	2004	2005	2006	2007
Total debt, mln USD	4,811	3,877	4,990	6,184	7,043
Equity, mln USD	17,472	20,811	26,804	32,900	41,213
Total capital, mln USD	22,283	24,688	31,794	39,084	48,256
<b>Total debt to total capital, %</b>	<b>21.6</b>	<b>15.7</b>	<b>15.7</b>	<b>15.8</b>	<b>14.6</b>

### Total debt to equity (as of December 31)

	2003	2004	2005	2006	2007
Total debt, mln USD	4,811	3,877	4,990	6,184	7,043
Equity, mln USD	17,472	20,811	26,804	32,900	41,213
<b>Total debt to equity, %</b>	<b>27.5</b>	<b>18.6</b>	<b>18.6</b>	<b>18.8</b>	<b>17.1</b>

### Total debt to EBITDA (as of December 31)

	2003	2004	2005	2006	2007
Total debt, mln USD	4,811	3,877	4,990	6,184	7,043
EBITDA, mln USD	4,500	7,203	10,404	12,299	15,388
<b>Total debt to EBITDA, %</b>	<b>106.9</b>	<b>53.8</b>	<b>48.0</b>	<b>50.3</b>	<b>45.8</b>
Financial guarantees, mln USD	781	642	473	418	361
Adjusted total debt, mln USD	5,592	4,519	5,463	6,602	7,404
<b>Adjusted total debt to EBITDA, %</b>	<b>124.3</b>	<b>62.7</b>	<b>52.5</b>	<b>53.7</b>	<b>48.1</b>

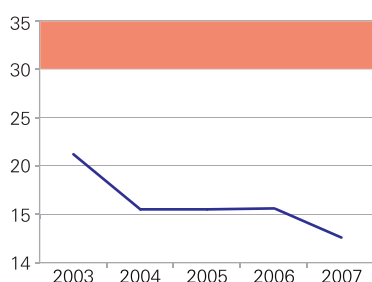
### Short-term debt to total debt (as of December 31)

	2003	2004	2005	2006	2007
Short-term debt, mln USD	1,412	1,265	853	1,377	2,214
Total debt, mln USD	4,811	3,877	4,990	6,184	7,043
<b>Short-term debt to total debt, %</b>	<b>29.3</b>	<b>32.6</b>	<b>17.1</b>	<b>22.3</b>	<b>31.4</b>

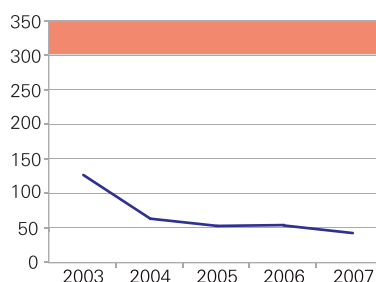
### Secured debt to total debt (as of December 31)

	2003	2004	2005	2006	2007
Secured debt, mln USD	2,175	2,171	1,672	715	378
Total debt, mln USD	4,811	3,877	4,990	6,184	7,043
<b>Secured debt to total debt, %</b>	<b>45.2</b>	<b>56.0</b>	<b>33.5</b>	<b>11.6</b>	<b>5.4</b>

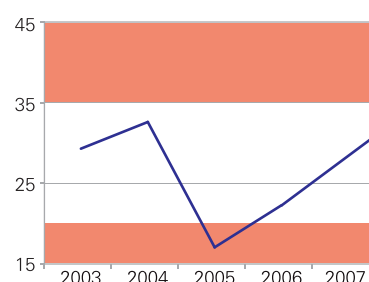
Total debt to total capital, %



Adjusted total debt to EBITDA, %



Short-term debt to total debt, %



**Financial guarantees to adjusted total debt (as of December 31)**

	2003	2004	2005	2006	2007
Financial guarantees, mln USD	781	642	473	418	361
Adjusted total debt, mln USD	5,592	4,519	5,463	6,602	7,404
<b>Financial guarantees to adjusted total debt, %</b>	<b>14.0</b>	<b>14.2</b>	<b>8.7</b>	<b>6.3</b>	<b>4.9</b>

**Fixed debt to total debt\* (as of December 31)**

	2003	2004	2005	2006	2007
Fixed debt, mln USD	761	1,074	907	2,214	3,947
Total debt*, mln USD	3,804	3,874	4,990	6,184	7,043
<b>Fixed debt to total debt, %</b>	<b>20.0</b>	<b>27.7</b>	<b>18.2</b>	<b>35.8</b>	<b>56.0</b>

\* Excluding liabilities of banking subsidiaries.

**Net debt (as of December 31)**

**Net debt = Long-term debt + Customer deposits of banking subsidiaries + Short-term debt – Cash**

	2003	2004	2005	2006	2007
Long-term debt, mln USD	2,392	2,609	4,137	4,807	4,829
Short-term debt, mln USD	1,412	1,265	853	1,377	2,214
Customer deposits and other borrowings of banking subsidiaries, mln USD	1,007	3	0	0	0
Cash and cash equivalents, mln USD	1,435	1,257	1,650	752	841
<b>Net debt, mln USD</b>	<b>3,376</b>	<b>2,620</b>	<b>3,340</b>	<b>5,432</b>	<b>6,202</b>
Cash of banking subsidiaries in roubles and other currencies, mln USD	667	176	102	130	47
Financial guarantees, mln USD	781	642	473	418	361
<b>Adjusted net debt, mln USD</b>	<b>4,824</b>	<b>3,438</b>	<b>3,915</b>	<b>5,980</b>	<b>6,610</b>

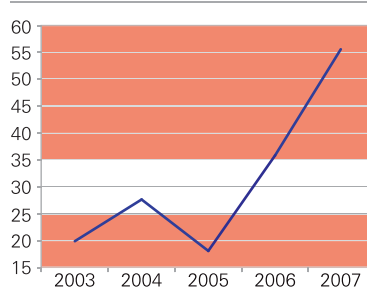
**Net debt to equity (as of December 31)**

	2003	2004	2005	2006	2007
Net debt, mln USD	3,376	2,620	3,340	5,432	6,202
Equity, mln USD	17,472	20,811	26,804	32,900	41,213
<b>Net debt to equity, %</b>	<b>19.3</b>	<b>12.6</b>	<b>12.5</b>	<b>16.5</b>	<b>15.0</b>
Adjusted net debt, mln USD	4,824	3,438	3,915	5,980	6,610
<b>Adjusted net debt to equity, %</b>	<b>27.6</b>	<b>16.5</b>	<b>14.6</b>	<b>18.2</b>	<b>16.0</b>

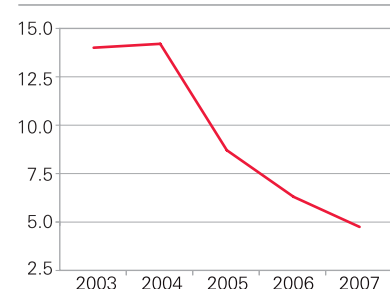
Secured debt to total debt, %



Fixed debt to total debt\*, %



Financial guarantees to adjusted total debt, %



\* Excluding liabilities of banking subsidiaries.

**Net debt to cash flow from operating activities (as of December 31)**

	2003	2004	2005	2006	2007
Net debt, mln USD	3,376	2,620	3,340	5,432	6,202
Cash flow from operating activities, mln USD	2,936	4,180	6,204	7,766	10,881
<b>Net debt to cash flow from operating activities, %</b>	<b>115.0</b>	<b>62.7</b>	<b>53.8</b>	<b>71.1</b>	<b>57.0</b>
Adjusted net debt, mln USD	4,824	3,438	3,915	5,980	6,610
<b>Adjusted net debt to cash flow from operating activities, %</b>	<b>164.3</b>	<b>82.2</b>	<b>63.1</b>	<b>78.3</b>	<b>60.7</b>

**EBITDA interest coverage**

	2003*	2004	2005	2006	2007
EBITDA, mln USD	4,500	7,203	10,404	12,299	15,388
Interest expense, mln USD	273	300	275	302	333
<b>EBITDA interest coverage</b>	<b>16.5</b>	<b>24.0</b>	<b>37.8</b>	<b>40.7</b>	<b>46.2</b>

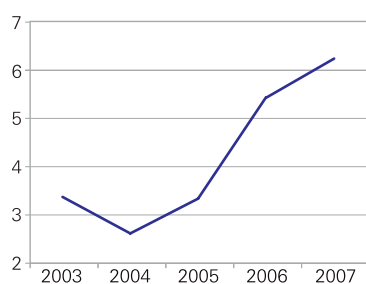
**Free cash flow**

	2003	2004	2005	2006	2007
Cash flow from operating activities, mln USD	2,936	4,180	6,204	7,766	10,881
Capital expenditures**, mln USD	2,881	3,248	3,982	6,426	9,326
<b>Free cash flow, mln USD</b>	<b>55</b>	<b>932</b>	<b>2,222</b>	<b>1,340</b>	<b>1,555</b>

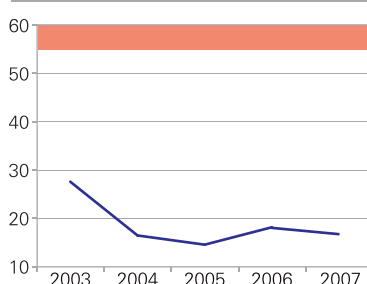
\* Excluding gain from sale of interest in Azeri – Chirag – Guneshli.

\*\* Including acquisition of licenses.

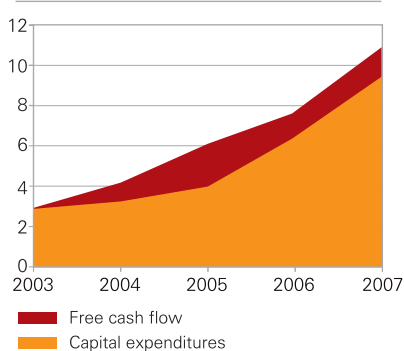
Net debt, bln USD



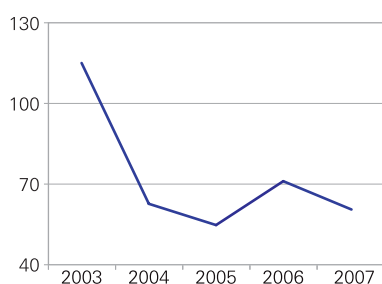
Adjusted net debt to equity, %



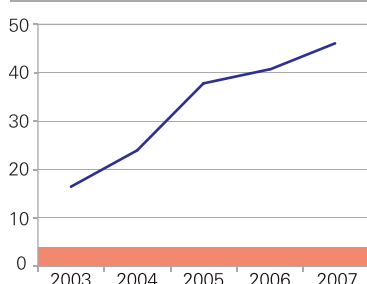
Structure of cash flow from operating activities, bln USD



Net debt to cash flow from operating activities, %



EBITDA interest coverage



## Liquidity ratios

### Cash ratio (as of December 31)

$$\text{Cash ratio} = \frac{\text{Cash and cash equivalents}}{\text{Current liabilities}}$$

	2003	2004	2005	2006	2007
Cash and cash equivalents, mln USD	1,435	1,257	1,650	752	841
Current liabilities, mln USD	5,271	4,545	5,836	6,931	9,728
<b>Cash ratio</b>	<b>0.27</b>	<b>0.28</b>	<b>0.28</b>	<b>0.11</b>	<b>0.09</b>

### Quick ratio (as of December 31)

$$\text{Quick ratio} = \frac{\text{Cash} + \text{Short-term investments} + \text{Accounts and notes receivable}}{\text{Current liabilities}}$$

	2003	2004	2005	2006	2007
Cash and cash equivalents, mln USD	1,435	1,257	1,650	752	841
Short-term investments, mln USD	251	149	111	44	48
Accounts receivable, mln USD	3,790	3,867	5,533	5,158	7,467
Current liabilities, mln USD	5,271	4,545	5,836	6,931	9,728
<b>Quick ratio</b>	<b>1.04</b>	<b>1.16</b>	<b>1.25</b>	<b>0.86</b>	<b>0.86</b>

### Current ratio (as of December 31)

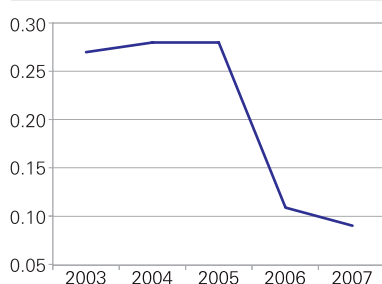
$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

	2003	2004	2005	2006	2007
Current assets, mln USD	7,923	8,574	12,497	13,572	17,903
Current liabilities, mln USD	5,271	4,545	5,836	6,931	9,728
<b>Current ratio</b>	<b>1.50</b>	<b>1.89</b>	<b>2.14</b>	<b>1.96</b>	<b>1.84</b>

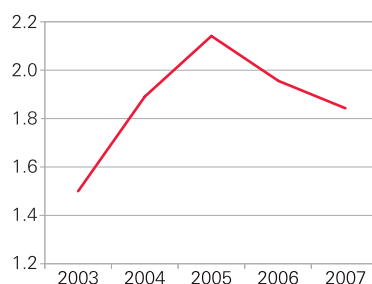
### Assets to equity (as of December 31)

	2003	2004	2005	2006	2007
Assets, mln USD	26,574	29,761	40,345	48,237	59,632
Equity, mln USD	17,472	20,811	26,804	32,900	41,213
<b>Assets to equity</b>	<b>1.52</b>	<b>1.43</b>	<b>1.51</b>	<b>1.47</b>	<b>1.45</b>

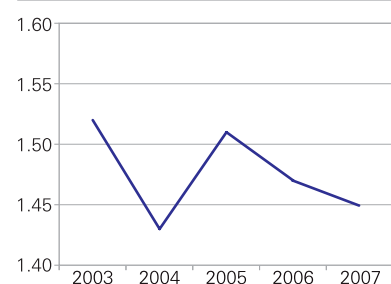
Cash ratio



Current ratio



Assets to equity



**Market valuation of the Company**
**Enterprise value (EV) (as of December 31)**

$$EV = \text{Market capitalization} + \text{Long-term debt} + \text{Short-term debt} - \text{Cash}$$

	2003	2004	2005	2006	2007
Market capitalization, mln USD	19,776	25,815	50,523	74,807	73,999
Long-term debt, mln USD	2,392	2,609	4,137	4,807	4,829
Short-term debt, mln USD	1,412	1,265	853	1,377	2,214
Cash and cash equivalents, mln USD	1,435	1,257	1,650	752	841
<b>EV, mln USD</b>	<b>22,145</b>	<b>28,432</b>	<b>53,863</b>	<b>80,239</b>	<b>80,201</b>

**EV/EBITDA (as of December 31)**

	2003*	2004	2005	2006	2007
EV, mln USD	22,145	28,432	53,863	80,239	80,201
EBITDA, mln USD	4,500	7,203	10,404	12,299	15,388
<b>EV/EBITDA</b>	<b>4.92</b>	<b>3.95</b>	<b>5.18</b>	<b>6.52</b>	<b>5.21</b>

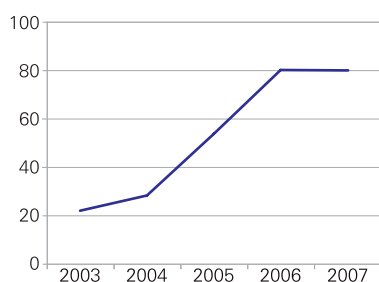
\* Excluding gain from sale of interest in Azeri – Chirag – Guneshli.

**EV/DACF (as of December 31)**

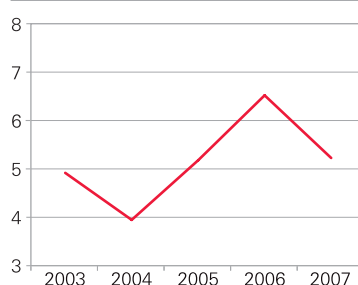
$$EV/DACF = \frac{EV}{\text{Cash flow from operating activities} + \text{Interest expense adjusted for income tax}}$$

	2003	2004	2005	2006	2007
EV, mln USD	22,145	28,432	53,863	80,239	80,201
Cash flow from operating activities, mln USD	2,936	4,180	6,204	7,766	10,881
Interest expense, mln USD	273	300	275	302	333
Interest expense adjusted by effective income tax rate, mln USD	194	213	200	221	244
DACF, mln USD	3,130	4,393	6,404	7,987	11,125
<b>EV/DACF</b>	<b>7.1</b>	<b>6.5</b>	<b>8.4</b>	<b>10.0</b>	<b>7.2</b>

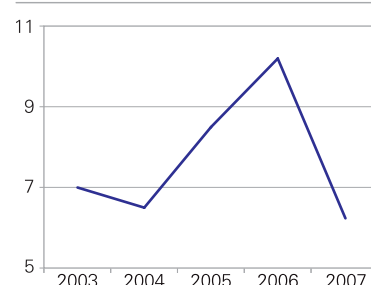
EV, bln USD



EV/EBITDA



EV/DACF



**Price to earnings (P/E) (as of December 31)**

	2003	2004	2005	2006	2007
Share price, USD	23.25	30.35	59.40	87.95	87.00
Basic earnings per share, USD	4.52	5.20	7.91	9.06	11.48
<b>P/E</b>	<b>5.14</b>	<b>5.84</b>	<b>7.51</b>	<b>9.71</b>	<b>7.58</b>

**Price to sales (P/S) (as of December 31)**

	2003	2004	2005	2006	2007
Market capitalization, mln USD	19,776	25,815	50,523	74,807	73,999
Sales, mln USD	22,118	33,845	55,774	67,684	81,891
<b>Price to sales</b>	<b>0.89</b>	<b>0.76</b>	<b>0.91</b>	<b>1.11</b>	<b>0.90</b>

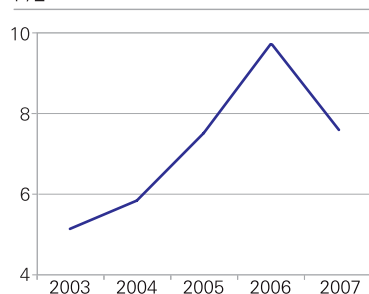
**Price to assets (as of December 31)**

	2003	2004	2005	2006	2007
Market capitalization, mln USD	19,776	25,815	50,523	74,807	73,999
Assets, mln USD	26,574	29,761	40,345	48,237	59,632
<b>Price to assets</b>	<b>0.74</b>	<b>0.87</b>	<b>1.25</b>	<b>1.55</b>	<b>1.24</b>

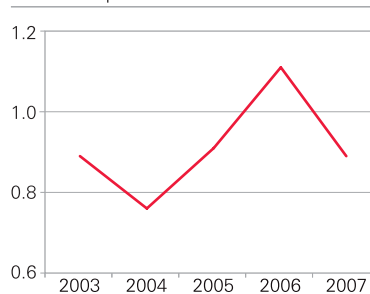
**Price to book (P/B) (as of December 31)**

	2003	2004	2005	2006	2007
Market capitalization, mln USD	19,776	25,815	50,523	74,807	73,999
Equity, mln USD	17,472	20,811	26,804	32,900	41,213
<b>Price to book</b>	<b>1.13</b>	<b>1.24</b>	<b>1.88</b>	<b>2.27</b>	<b>1.80</b>

P/E



Market capitalization to sales



Market capitalization to equity

