Rosneft Oil Company
IFRS 2Q and 1H2014 Results

July 25, 2014

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2Q and 1H2014 Key Highlights:

Free Cash Flow Growth with Debt Reduction

Indicator	2Q2014	Change YoY	1H2014	Change YoY	Causes
Revenue, RUB bln	**1,435**	+22.0%	**2,810**	+41.3%	Sales volume growth
EBITDA, RUB bln	**304**	+41.4%	**593**	+59.8%	Control of operating and administrative expenses over MET and export duties growth
EBITDA margin, %	**21.2**	-	**21.1**	-	
Net Earnings[1], RUB bln	**172**	~5x	**260**	+89.8%	FX gains/losses, changes in finance costs
Free Cash Flow[2], RUB bln	**112**	>3x	**233**	>3x	CAPEX discipline
Net Debt, RUB bln	**1,495**	(19.7%)	**1,495**	(19.7%)	Positive cash flow, net debt reduction program

Note: (1) Net of effects from retrospective recognition of acquired TNK-BP assets and liabilities revaluation results (2) Excluding advance payments under long-term oil supply contracts

2Q and 1H2014 Key Highlights:

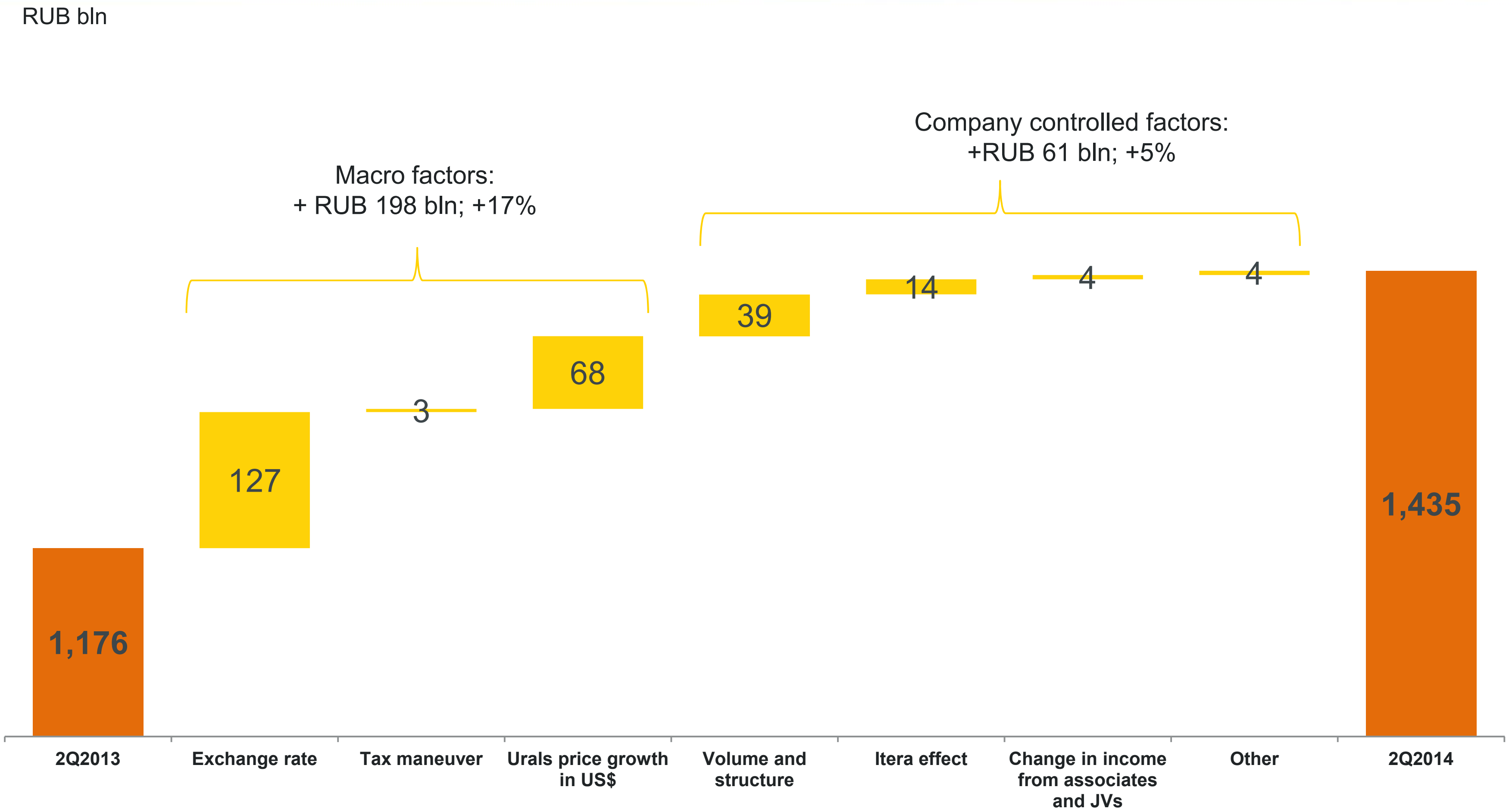
Greenfield Development Startup with Cost Control

Indicator	2Q2014	Change YoY	1H2014	Change YoY	Causes
Hydrocarbon production, mln boed	**5.0**	+4.6%	**5.0**	+4.6%	Stable production of crude oil, gas production increase
Lifting costs, RUB/boe	**146**	+4.3%	**139**	+10.3%	Electricity tariffs increase
Oil and petroleum product sales, mln t	**53**	+1.3%	**105**	+21.3%	Increase in export deliveries under the long-term contracts
Gas sales volume, bcm	**11.3**	+33.2%	**25.8**	+104.1%	Effective gas monetization policy
Refining throughput in Russia, th. tpd	**226**	–	**233**	+3.6%	Refinery modernization

Financial results

Revenues:

Increase of Sales Volumes and Optimization of Sales Channels

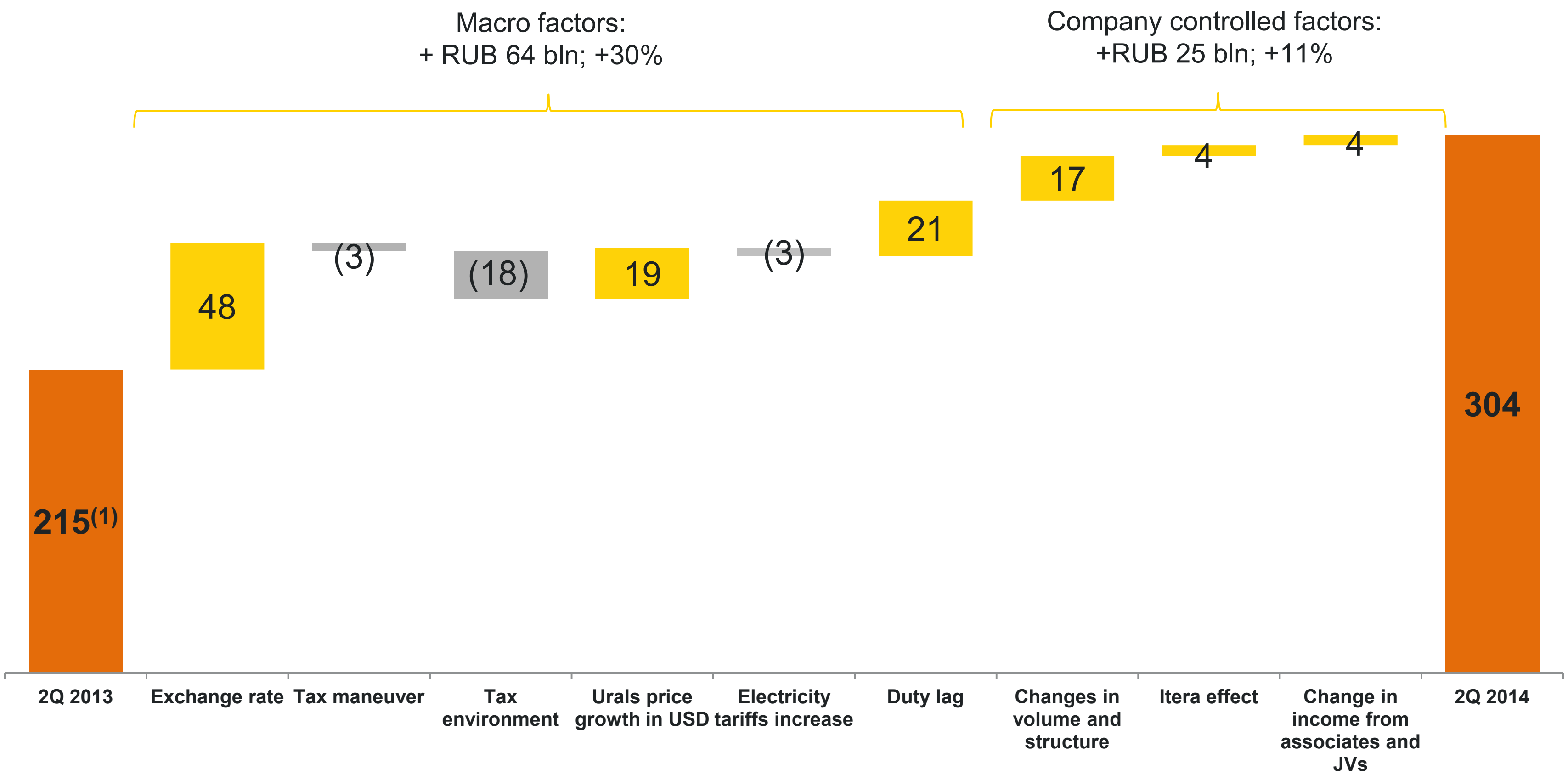


- Increase of export oil and oil products deliveries under the long-term supply contracts
- Increase in gas volumes as a result of successful implementation of major projects and APG utilization program

EBITDA:

Positive Contribution of Internal Factors

RUB bln

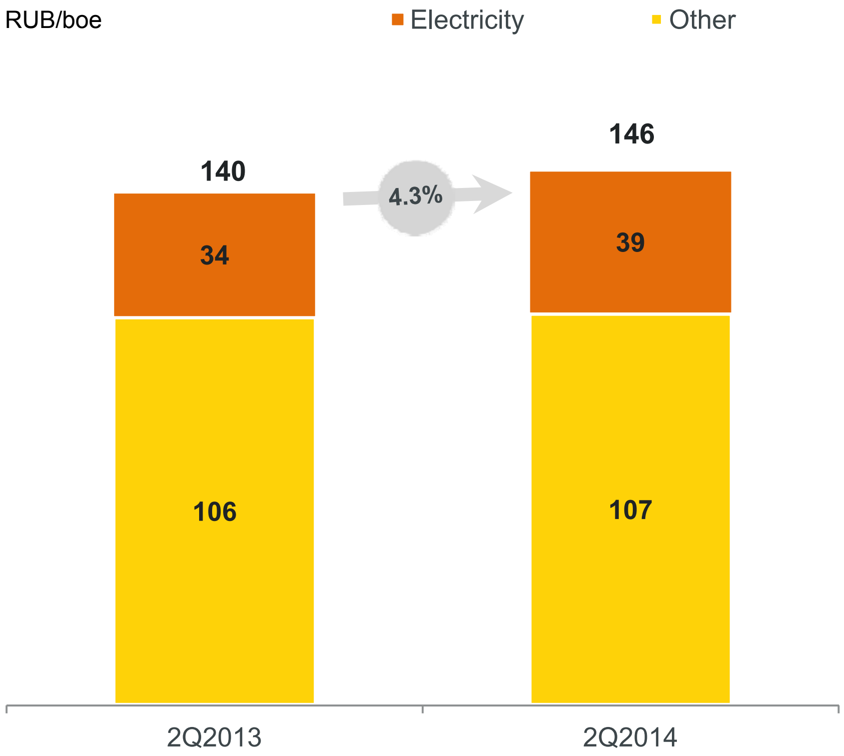


- EBITDA increase due to effective gas monetization policy
- Increase of sales volumes via the premium channels
- Positive macro environment

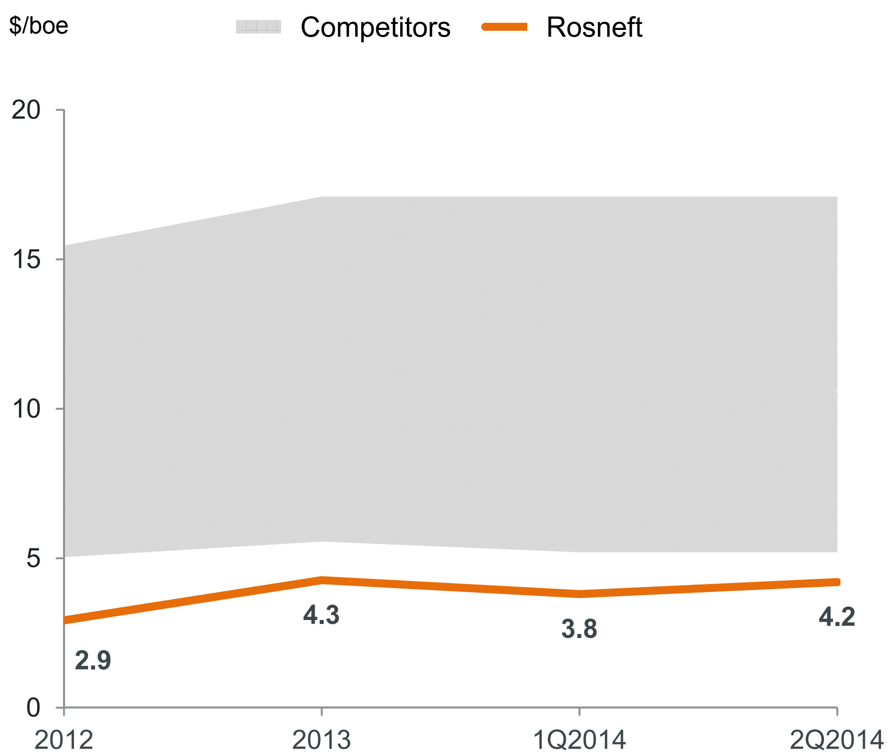
Note: (1) Net of effects from retrospective recognition of acquired TNK-BP assets and liabilities revaluation results

Operating Expenses:
Retaining Leadership in the Industry

Lifting costs



Benchmarking (1)



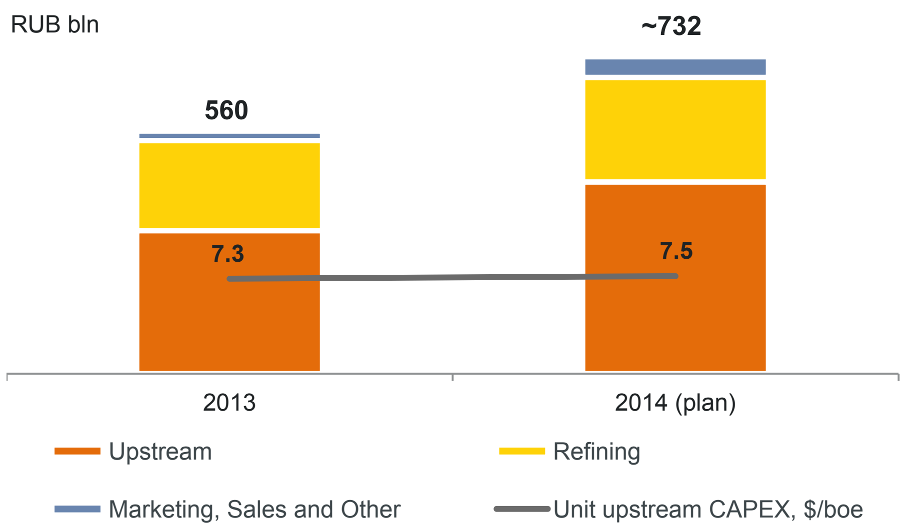
- The main factor for increase in unit cost is the growth of electricity tariffs

Note: (1) Competitors include ExxonMobil, Chevron, BP, Shell, Statoil, Petrobras, Petrochina, Lukoil and Gazprom neft. Exxon Mobil, BP, Shell, Statoil, PetroChina 1 and 2Q2014 data taken to be equal to 2013 level; Petrobras, Lukoil, Gazprom neft 2Q2014 data taken to be equal to 1Q2014 level.

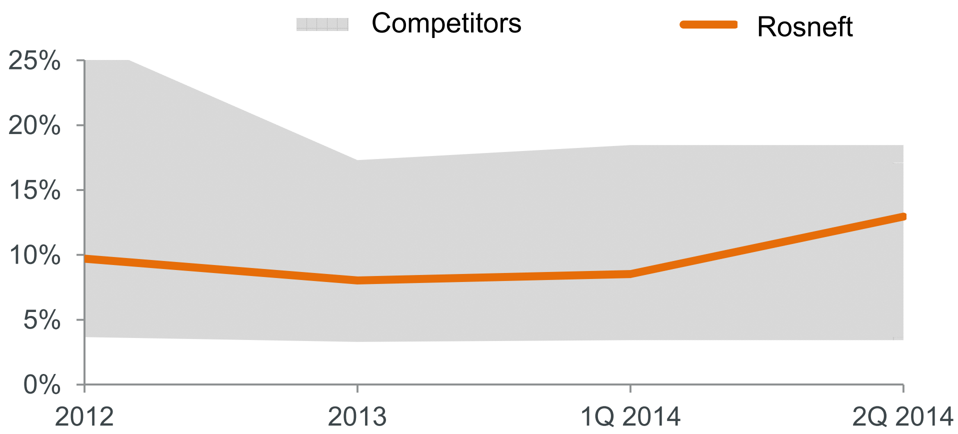
Capital Expenses:

Efficiency and Implementation of Major Projects as Scheduled

CAPEX dynamics



ROACE comparative analysis[1]



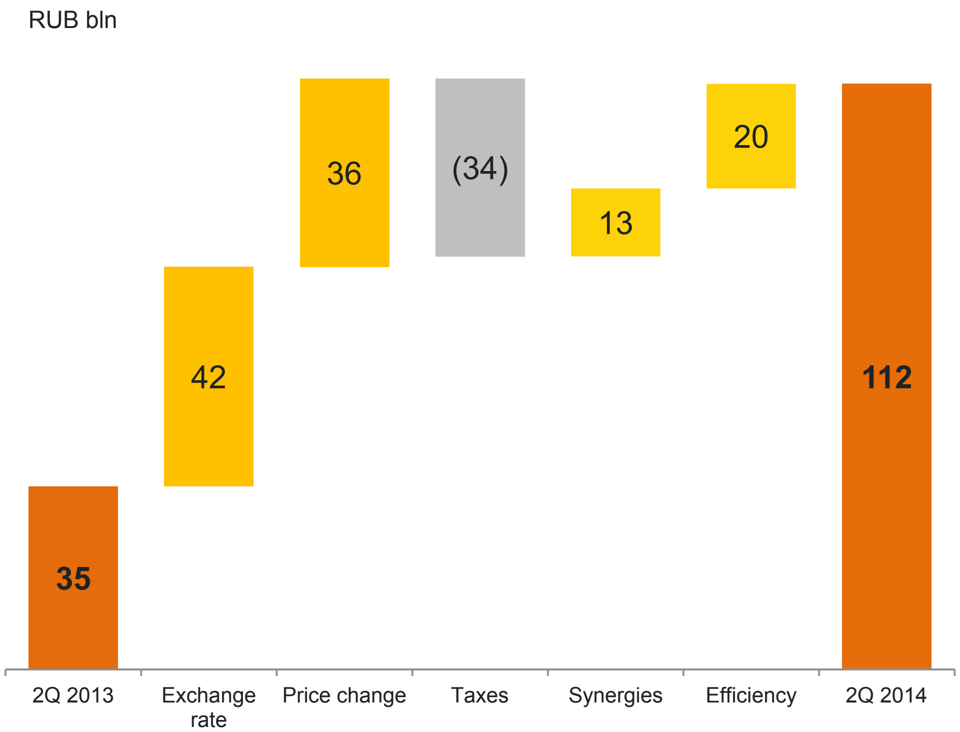
- Growth in 1H2014 vs. 1H2013 is associated with new assets consolidation and offshore development
- Target unit oil production CAPEX in 2014 – **$7.5/bbl**
- **Key 2014 projects are implemented in accordance with the strategy and the schedule:**
  - Offshore: Sakhalin-1 and North Chaivo development, exploration works at the Universitetskaya Structure in the Kara Sea
  - Gas projects development: Rospan, Kharampur, Kynsko-Chaselskoe
  - Focus on efficiency and sustaining production levels at brownfields. Preparation for the implementation of projects with tight oil reserves
  - Development of new production clusters in East Siberia based on Vankor, Verkhnechonsk and Yurubcheno-Tokhomskoe fields
  - Refinery modernization program, Phase 2 and Phase 3 Tuapse Refinery construction, start of design and survey work at the FEPCO site

Note: (1) Rosneft's ROACE indicated before revaluation of newly acquired assets, while with revaluation it was 11.4% in 2012 and 13% in 2013. Competitors include ExxonMobil, Chevron, Shell, Statoil, Petrobras, Petrochina, Lukoil and Gazprom neft . 2Q2014 data taken to be equal to 1Q2014 level.

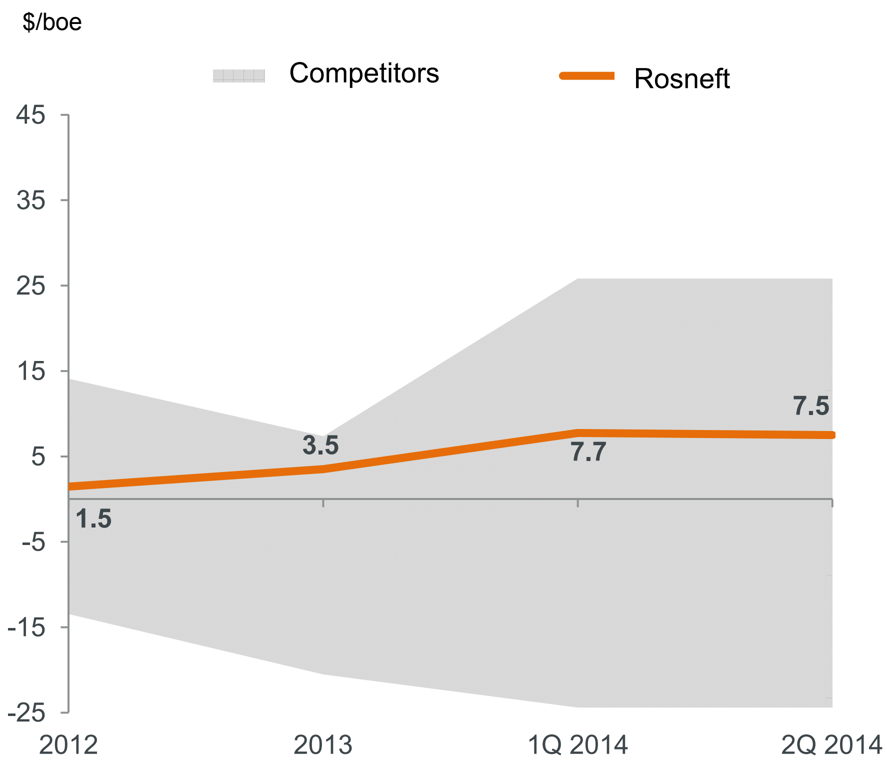
Free Cash Flow:

Sustainable Level due to Production Efficiency Growth

Free cash flow[(1)]



Benchmarking[(2)]



- Optimization of CAPEX and favorable macro environment

Note: (1) Excluding advance payments under long-term oil supply contracts of RUB 0 bln in 2Q2014 and RUB 26 bln in 2Q2013 and the effect from operations with trading securities
(2) Competitors include ExxonMobil, Chevron, BP, Shell, Statoil, Petrobras, Petrochina, Lukoil and Gazprom neft. 2Q2014 data taken to be equal to 1Q2014 level.

Increasing Efficiency and Cost Reduction:

Optimization of Tender Procedures and Contractual Arrangements

Zero inflation and procurement efficiency

- Centralized tender for proppant and drilling services, which allows to secure maximum discounts
- Prices for the services of some third-party contracts reduced by **1-6%** (oilfield services, fracking and workovers, construction of wells, etc.)

Unit cost optimization

- Upstream energy efficiency improvement program is underway (including artificial lift, re-injection, etc.). Effect **>RUB 2 bln** in 2014
- Refineries' operating efficiency increase program is being implemented. Effect **>RUB 8 bln** in 2014
- Agreement reached with Mozyr Refinery management to reduce processing costs by **$3.5 per ton** in 2014
- Reduced forwarding agents' service costs through entering into long-term contracts for 2014-2016, with a total effect of **RUB 2.7 bln.**

CAPEX reduction and quality control

- Decrease in costs for road and field infrastructure development (audit and optimization of road routes, utilization of construction materials in the vicinity of the construction)
- Savings in power supply and oil treatment facilities construction at developing fields (effect in relation to VChNG – **RUB 1.3 bln** in 2014)

Optimization of Relationships with Suppliers and Contractors

Actions	Expected Result

- Build a standardized nomenclature
- Implement unified criteria and requirements
- Localize practices and technologies
- Create a network of qualified and reliable suppliers from among small and medium-sized businesses
- Run internal benchmarking
- Improve and formalize procurement activities
- Perform comprehensive process automation
- Conduct electronic procurement on the basis of own electronic trading ground

Discounts

Improved quality of goods, work and services supplied

Supplier market expansion

Reduced time of delivery

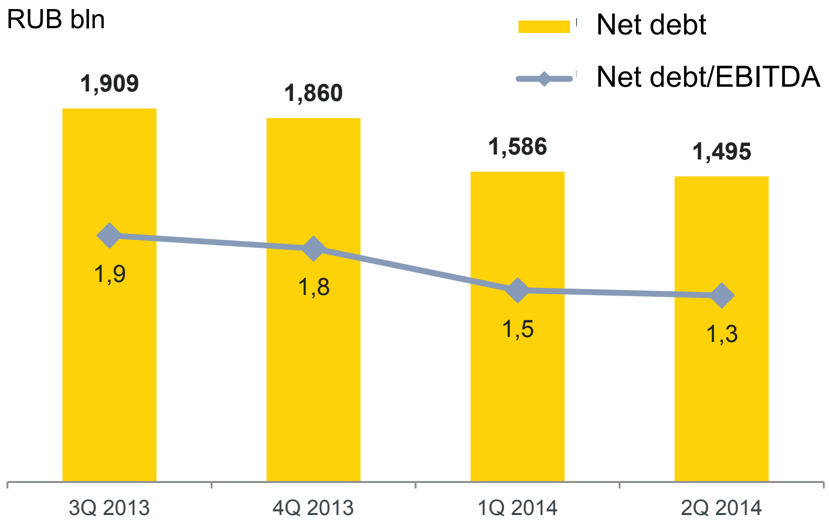
Improved transparency and efficiency

Reinforced control environment (reduced risks)

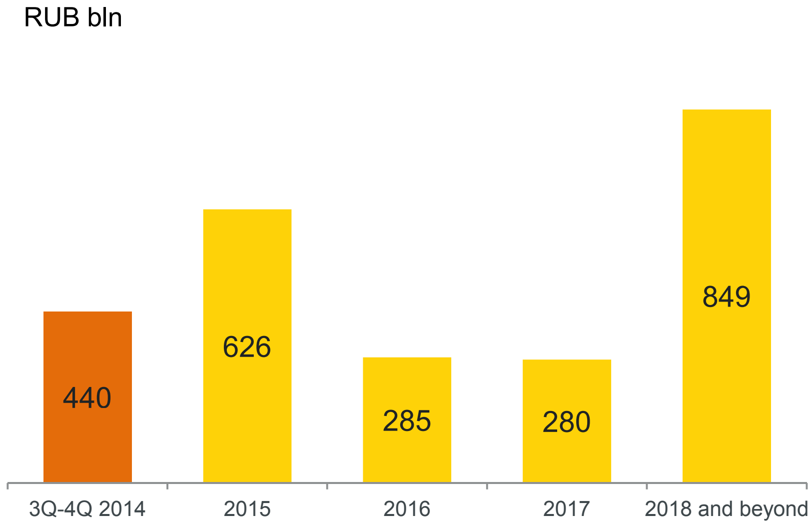
Financial Sustainability:

Efficient Management of Debt Portfolio

Net debt



Repayment schedule[1]



- Sustained focus on de-leveraging and financial sustainability improvement:
  - Over 1H2014, the consolidated debt burden reduced by RUB 188 bln ($7.5 bln)[2]. Net debt level has reduced by RUB 365 bln ($12.4 bln)[2] and amounted to RUB 1 495 bln ($44.5 bln)[3]
  - Net Debt / EBITDA ratio reduced from 1.8 to 1.3 over 1H2014
- Keep considerable cash balances and highly liquid short-term financial assets in the amount of RUB 684 billion (USD 20.3 billion)[3]
- Efficient management of debt portfolio by maturity dates and cost of new borrowings:
  - Partial pre-payments of short-term debt raised to acquire new assets
  - Over the 1H 2014, RUB 350 bln (USD 10.0 bln)[4] of debt was repaid, including RUB 193 bln (USD 5.5 bln)[4] of liabilities taken to finance new asset acquisitions

Note: (1) With future accrued interest at exchange rates and interest rates as of June 30, 2014 (excluding debt of other YUKOS Group companies), (2) Amounts are calculated based on USD exchange rate for the beginning and the end of the period (3) At the USD exchange rate as of June 30, 2014 (4) At the average USD exchange rate for the period

Operating results

Offshore Projects Development:

Arkutun-Dagi Field Development Startup

- **Berkut drilling platform**
  designed for year-round operations in the harsh environment of the Sea of Okhotsk
- Oil production – up to **12 th. tpd**
- First producing well –
  September-November 2014
- **First oil target date – December 2014.**
- Drilling with extended reach of up to 7 km
- Industry record of float over installation of the platform topside with the weight of 42 th. t
- Using friction pendulum foundations for reducing seismic vibrations

Offshore Projects Development:

Drilling at North Chaivo Field

- Area size – 172.5 sq. km
- The area is located in the shallow waters of Sakhalin North-East Shelf, at sea depths of up to 20 m
- C1+C2 reserves:
    - oil – 14.8 mln t
    - gas – 12.9 bcm
- First oil – 2014
- Peak oil production – 1.25 mln t (2017)
- Signed Agreement on Principles of Access to Sakhalin-1 Project Infrastructure Facilities
- In May 2014, drilling of 2 wells (a producing one and an exploratory one) commenced; the plan is to drill 5 oil and 3 gas wells in total
- Drilling with extended reach of up to 11 km
- Drilling is performed using the Yastreb drilling rig

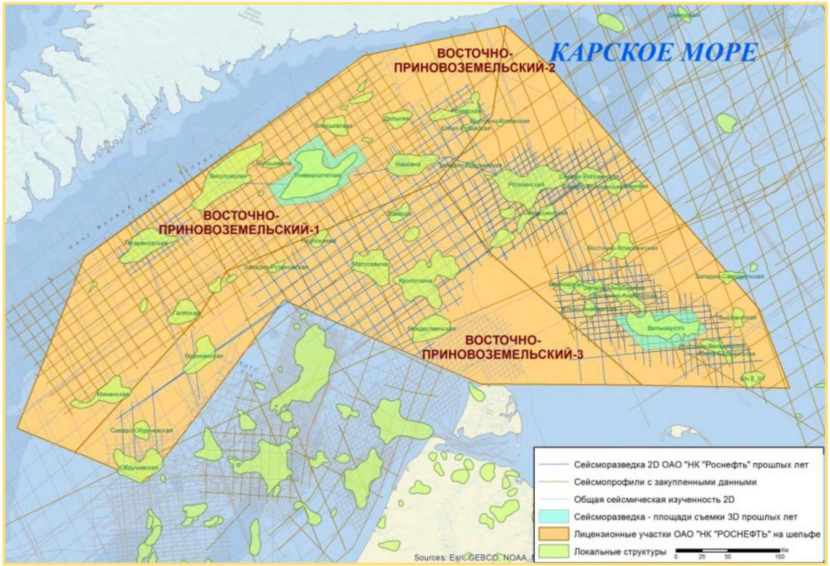
Offshore Projects Development:

Preparations for Drilling at the Universitetskaya Structure

- Development within strategic cooperation with ExxonMobil (100% carry financing of the first $1.7 bln for E&A, 50% – subsequent $500 mln, 33.3% thereafter)
- **Large-scale seismic survey (VP-1,2,3):**
  - 2D seismic of prior years – 8,278 km
  - Completed (by the beginning of 2014):
    2D: 11,827 km
    3D: 4,842 sq. km
  - 2014 Plan:
    2D: 6,551 km
    3D: 2,040 sq. km
- **2014**: drilling of Universitetskaya-1 exploration and appraisal well, mothballing
- **2015**: well tests, abandonment
- Start drilling 2nd well in the Kara Sea (Vikulovskaya or Nansen structure) – depending on 1st well drilling results

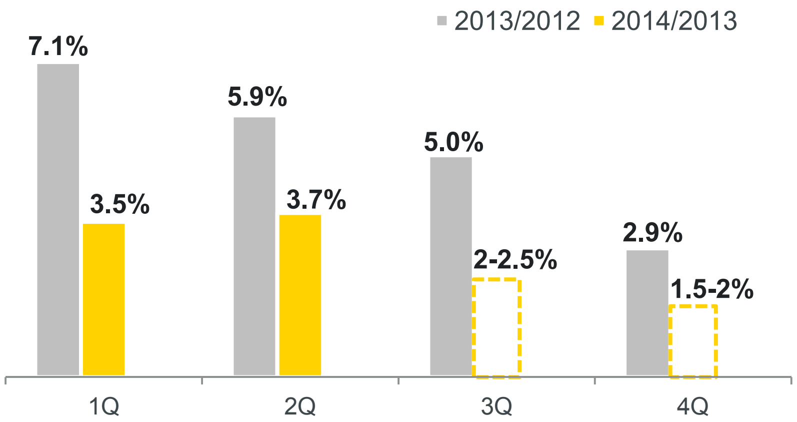
Key parameters

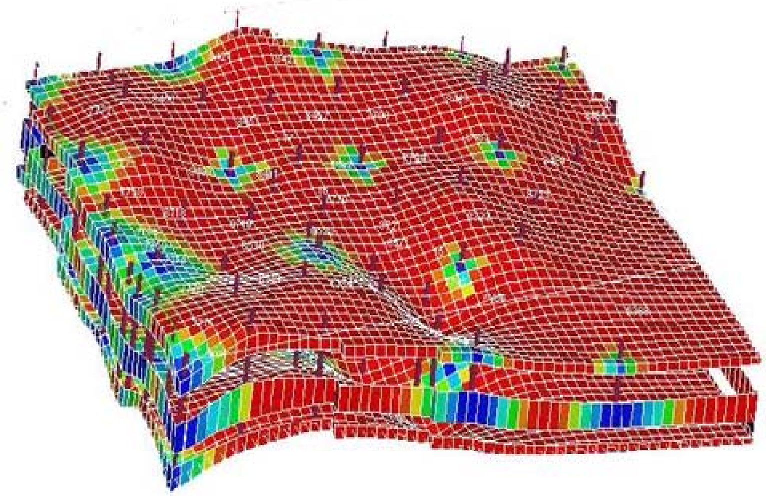
Area size (VP-1,2,3)	125.9 thousand sq.km
Number of formations	>25
Offshore distance	~130-300 km
Hydrocarbon resources	11.8 bln toe
1st well drilling	2014



Brownfields:
Cutting-edge Technologies for Production Stabilization

Reducing production decline rates(1)





Sector model of Priobskoe field, YuganskNG

Key achievements in 1H2014

- **Production stabilization due to:**
  - Additional wellwork program approved(2) (+1 mln t)
  - Wellwork intensification (418 wellworks executed, incremental production of 157 th. t)
  - Increase in number of horizontal wells with multi-stage hydrofracs by 61% compared to 1H2013
- **YuganskNG – optimization of development model:**
  - Additional wellworks (+85 th. t)
  - Increase in number of hydrofracs by 83% (+176 wells) and horizontal wells with multi-stage hydrofracs by 90% compared to 1H2013
- **Samotlor – reducing production decline rates:**
  - 4.6% in 2Q2014 vs 5.1% in 2Q2013
  - Increase in the number of recompletions to upper horizon (+151 wells, 43 th. t) compared to 1H2013

Key targets for 2H2014

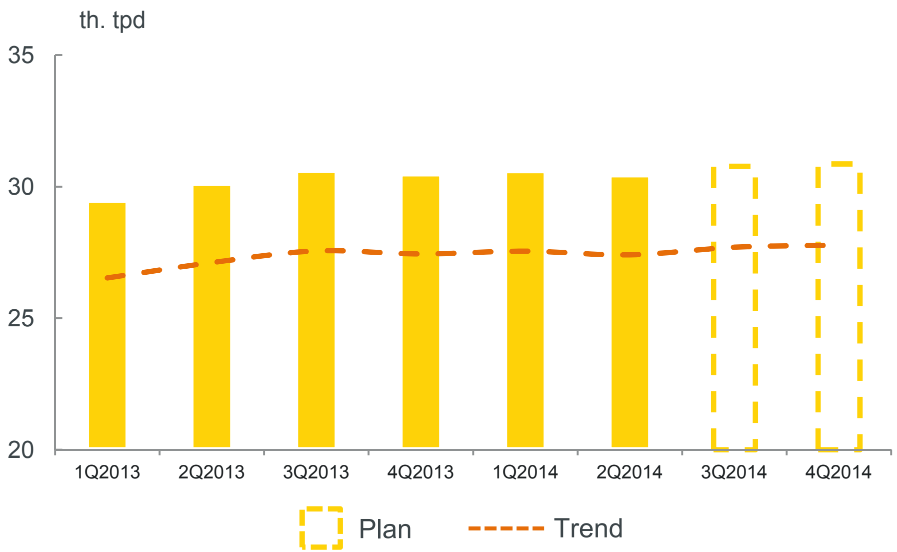
- New facilities for production drilling
- Operations with base fund, including formation pressure maintenance system

Note: (1) Total production of Samotlorneftegaz, RN-Nizhnevartovsk, Varyoganneftegaz, RN-Nyagan. (2) Including fracs (0.3 mln t), recompletion to upper horizon (0.1 mln t), VBD (0.1 mln t).

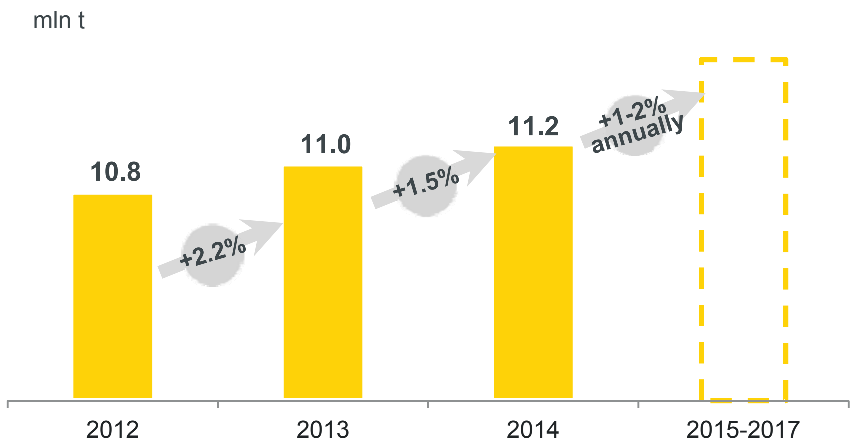
Brownfields:

Samaraneftegaz – Potential of Mid-term Growth

Oil production over time



Stable production growth



Profile and achievements for 2Q2014

- **One of the oldest oil producing assets in Volga-Urals**:
  - Over 77 years of oil production
  - Recoverable oil reserves (ABC1) – **358 mln t**
  - Reserve life – **32 years**
  - **161 licenses** for production and geological survey
- **Stable production growth (+1.1% YoY) on:**
  - Optimization of reservoir pressure maintenance system and wellworks on base well stock (**+60 th.t**)
  - Wells mothballing (**+22 th. t**)
  - Excessive scheduled launches and flow rates upon wells re-entry

Key targets

- Annual production growth by **1-2%** in 2015-2017
- Exploration program to increase production drilling to **100 wells** per annum before 2017 (+30% to 2014)
- Implementation of efficient wellworks program by development of missed reservoirs
- Development of Domanic tight reserves (potential reserves – **200 mln t**)
- Studies and development of extremely viscous oil fields (pilot production – 2018, resources **~310 million tons**)
- Launch of new licence blocks (Berezovsky, Samara)

Brownfields:

Production Maintenance by Development of Tight Oil Reserves

- **3 mln t**[(1)] – tight oil production for 1H2014 (**RUB 6 bln** in MET tax benefits)
- **80 wells** commissioned
- Execution of main agreements with Statoil and bp to create a JV for tight reserves development. Information collection, additional appraisal and horizontal well drilling planning is in progress.
- **Targets for 2H2014:**
  - Production of 3.2 mln t
  - Launching jointly with ExxonMobil horizontal well drilling with multi-stage hydrofracs in Bazhenov formations (5 wells in 2014-2015)
  - Setting up well pressure maintenance in Nyagan, well design optimization and developing approaches to ensure reduced cost access to tight reserves

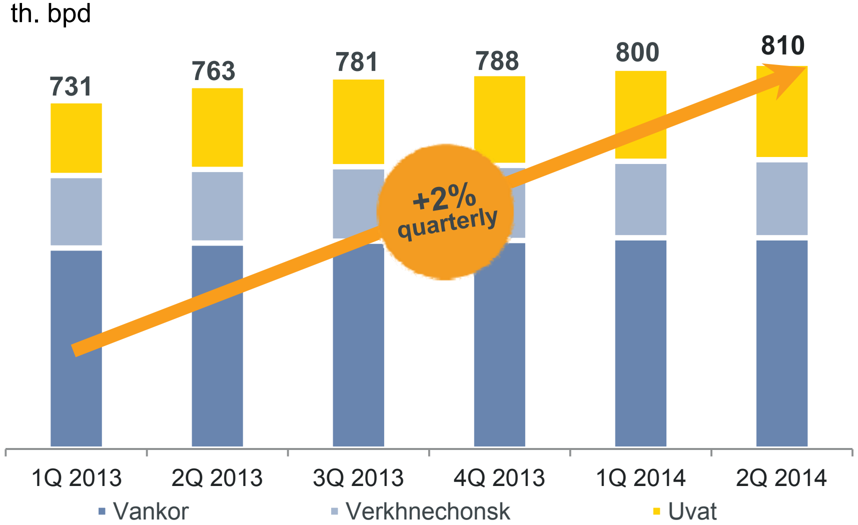
Key parameters

Tight oil reserves (SRR data as of Jan 1, 2013)	1,493 mln t
Annual production potential	8.7 mln t
Plateau production year	2018
Average flow rates	17.6 tpd

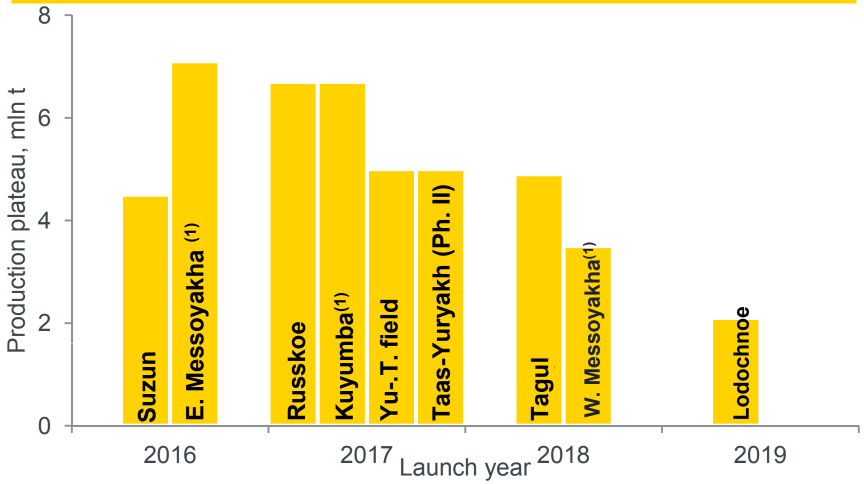
Note: (1) Production at Uvatneftegaz, Yuganskneftegaz, Nyaganneftegaz, Varyoganneftegaz, Tomskneft, Verkhnechonskneftegaz fields.
SRR – State Register of Mineral Reserves

Production Growth Drivers:
Siberian Greenfields

Greenfield production



New field launches



Note: (1)100% share. Rosnfet's share – 50%

Key accomplishments in 2Q2014

- **Uvat:**
  - Record drilling speed – 1,632 m per day
  - Ust-Tegusskoe CGF capacity increase from 6 to 7 mln t
- **VChNG:**
  - Daily production growth by 5.8% YoY
  - Surface infrastructure optimization
  - Wells operation intensification
- **Vankor:**
  - Daily production growth by 2.6% YoY
  - Schedule of expedited gas supply to Gazprom UGS

Key targets for 2H2014

- **Uvat:** increase Tyamkinskoe CPF capacity to 4.5 mln t
- **Vankor:** launch FWKO-North (Project Phase II), achieve projectgas injection rates
- Share of greenfields to reach **23% by 2018**, incl. 8% - share of East Siberia greenfields to be launched

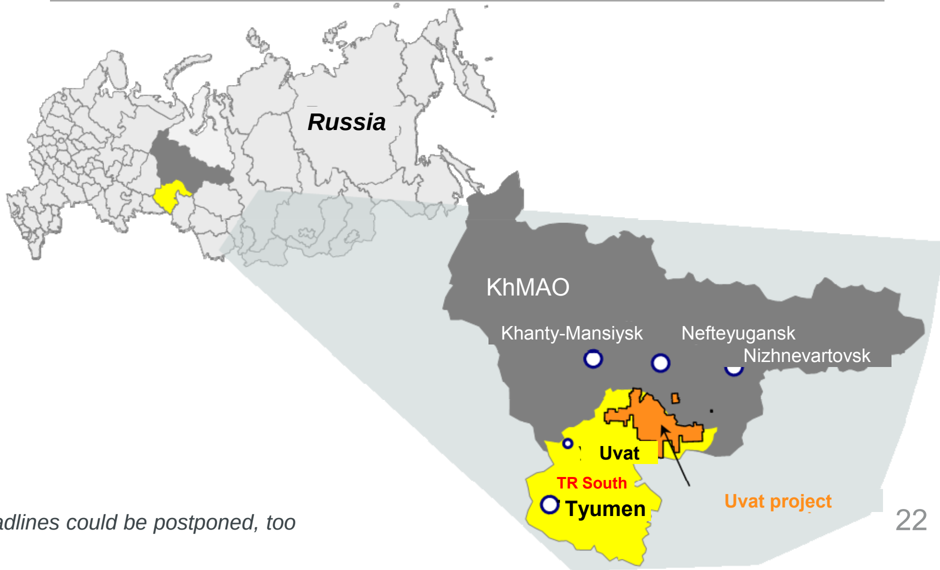
Production Growth Drivers:

Uvat

- **The Uvat project includes development of the following 3 assets:**
  - East Development Hub (infrastructure center set up, 73% of well stock drilled out)
  - Central Development Hub (first fields launched, active exploration program)
  - Kalchinsky asset (Development Phase III with declining production levels)
- **Specific features:**
  - Remote location, reserves scattered over large territory, initial non-existence of regional infrastructure
  - Subsidies provided by the Tyumen Regional Government
- **Some of the fields qualify for tight reserves tax benefit (a 0.8 coefficient to MET rate)**
- **2014-2018 Plan:**
  - **Central Development Hub**: devise field launch strategy, finalize the majority of exploration activities, Hub development(1)
  - Launch a regional-level facility: a 220 kV grid

Key features

Field oil reserves (ABC1+C2 as of Jan 1, 2014)	337 mln t
Commercial launch	Feb 16, 2009
Plateau production year	2016
Plateau production	10 mln t
Average producing well flow rate	59 tpd
New well flow rate	77 tpd
Water cut	54%



Note: (1) If the number of fields to be launched increases based on exploration project results, deadlines could be postponed, too

Production Growth Drivers:

Vankor Cluster

Key features

Project name	Suzun	Tagul	Lodochnoe
Oil reserves, mln t (recoverable C1+C2 reserves)	50.8	281.8	43.2
Commercial launch	2016	2018	2019
Plateau production year	2017	2022	2024
Plateau production, mln t	4.5	4.9	2.1
2014 CAPEX, RUB bln	15.3	3.5	1.6

- Fields located in the Turukhansk and Taymyr districts of the Krasnoyarsk Territory in the direct vicinity of Vankor
- Accelerated launch of fields as the Vankor infrastructure is completed (synergetic effect – **RUB 38 bln**)
- MET break period is extended till 2022
- Oil transportation via Vankor-Purpe pipeline (up to **25 mmta**)
- **Current status:**
  - Supplementary exploration, design survey and preparations for construction and assembly operations

Gas Business:
Effective Production Growth

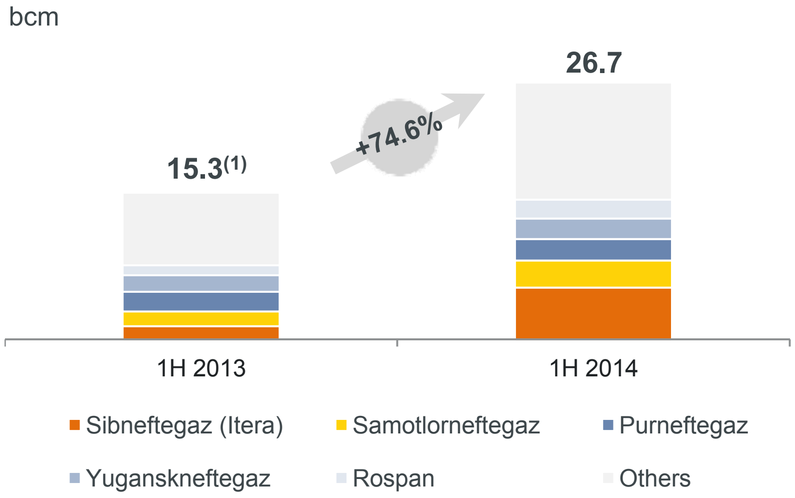
Key facts

- Average gas sales price growth by **42%** to th. RUB **3.0 per th. cm** in 1H2014
- Execution of long-term contracts for the supply of over **30 bcm of gas** to RUSAL, EvroSibEnergo, GAZ Group and EuroChem
- Execution of an Alltek framework cooperation agreement for field development in the Nenetsky Autonomous District:
  - Includes a JV in which Rosneft will receive a majority stake
  - C1+C2 reserves **~160 bcm**: Alltek will contribute to the JV licenses for the development of Korovinskoye and Kumzhinskoye fields
- Continued implementation of projects under the gas programme:
  - Launch of gas deliveries from Vankor to the Unified Gas Supply System
  - Commissioning of the Maysky Region Gas Transportation System in YuganskNG

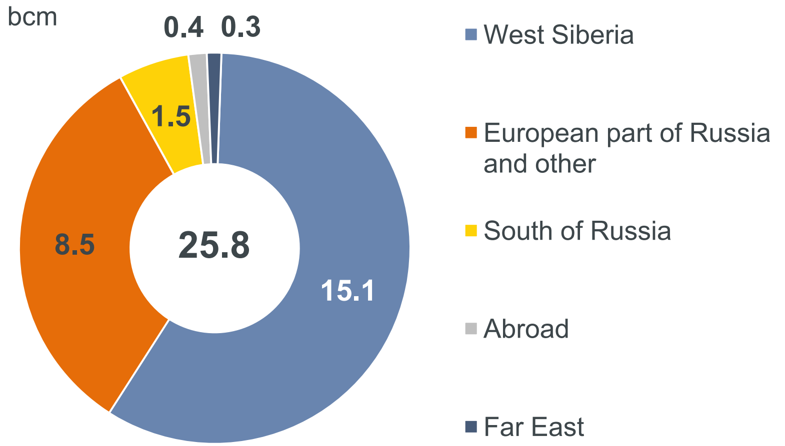
Key targets for 2H2014

- 95% associated gas utilization achieved at Vankor, Malo-Balykskoye field (YuganskNG) and at some of the fields of KrasnodarNG, OrenburgNG and StavropolNG
- Annual gas production of **55 bcm** achieved

Gas production



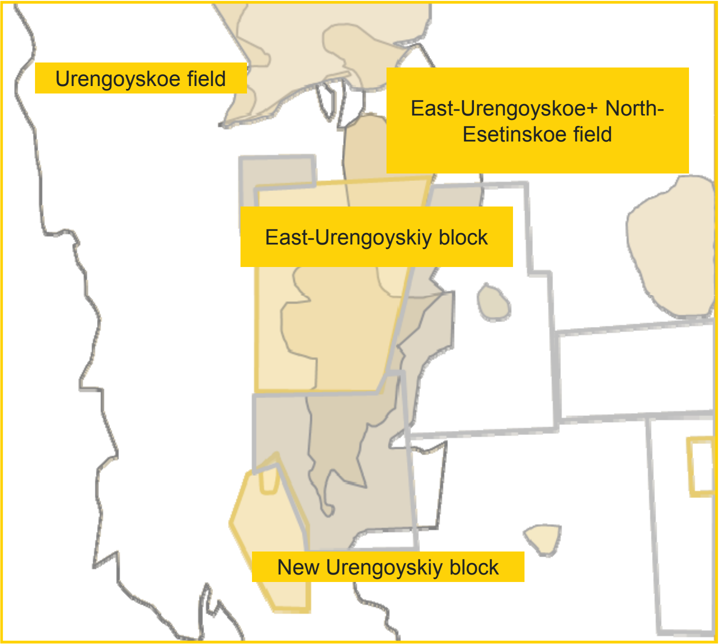
Gas sales in 1H2104



Note: (1) From the date of transition of control to Rosneft (in accordance with the IFRS)

Production Growth Drivers:

Rospan

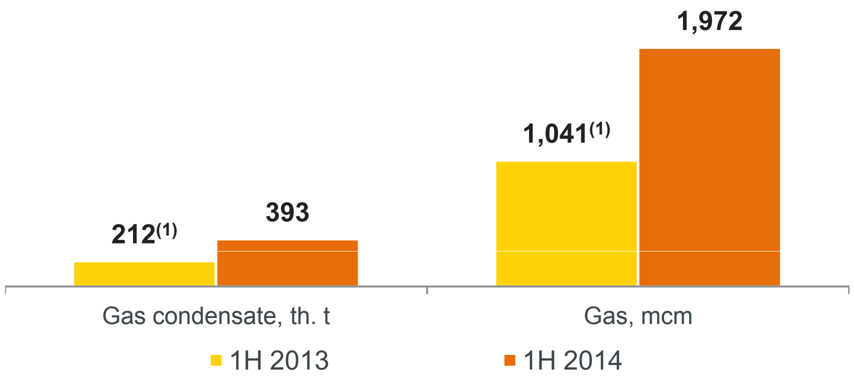


- An asset that will ensure maximum production growth in the next 5 years
- 2014-2018 savings of **~ RUB 26.3 bln** in **MET breaks** for gas and gas condensate
- **Key targets for 2H2014:**
  - Drilling of 9 wells
  - Construction of pad pipelines (11.2 km)
  - Continued construction of key facilities (gas processing plant and GVT-1200)
  - Annual production: **3.9 bcm**

Key parameters

Project gas reserves (ABC1+C2)	981 bcm
Plateau production year	2018
Plateau production	
Gas	18 bcm
Gas condensate	4.5 mln t

Gas and gas condensate production



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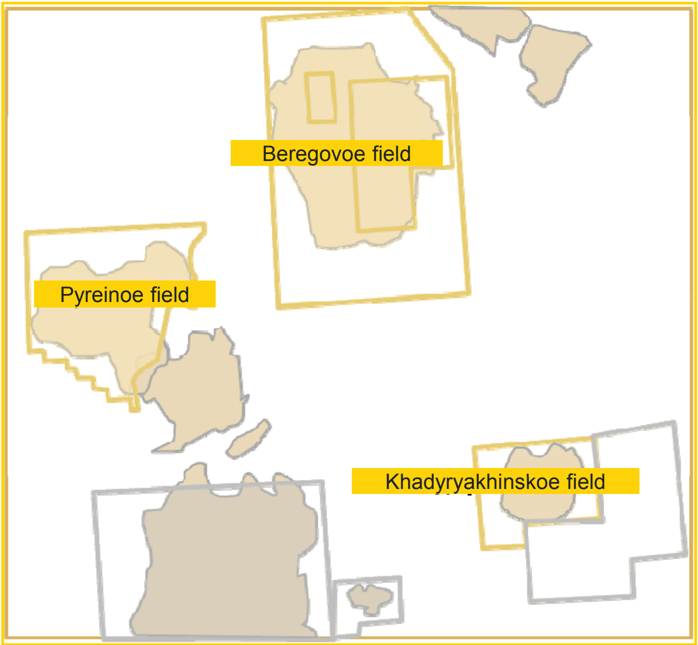
Production Growth Drivers:

Sibneftegaz

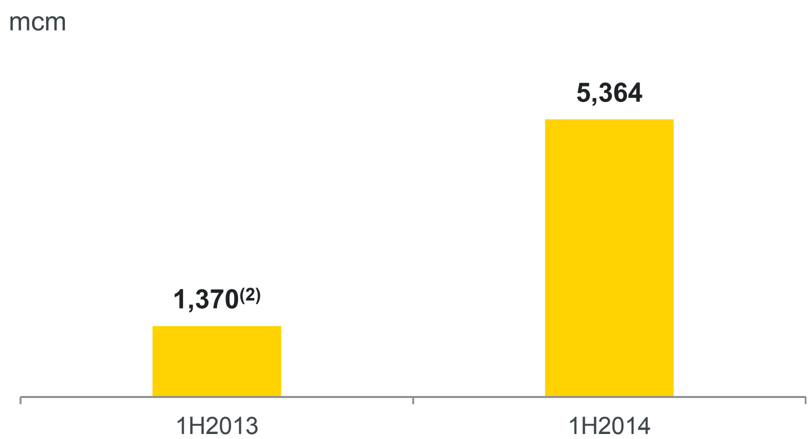


- Gas brownfield with a growth potential
- 2014-2018 savings of **~RUB 4 bln** in **MET breaks** for gas
- **Key targets for 2H2014:**
  - Start of the development of the gas condensate deposits of the Beregovoye oil and gas condensate field and Khadyryakhinskoe license area to increase gas production
  - gas production of **10.5 bcm**

Key parameters

Project gas reserves (ABC1+C2)	551 bcm
Plateau production year	2019
Plateau production	15.5 bcm(1)

Gas production



Note: (1) There is an additional growth potential after 2020 (2) From the date of transition of control to Rosneft (in accordance with the IFRS)

Entry into LNG Market:
Far East LNG

LNG plant key parameters

Plant location	Island of Sakhalin
Annual capacity	5 mln t
Year of commissioning	2018-2019
Resource base	>620 bcm
Potential expansion	Up to 10 mln t

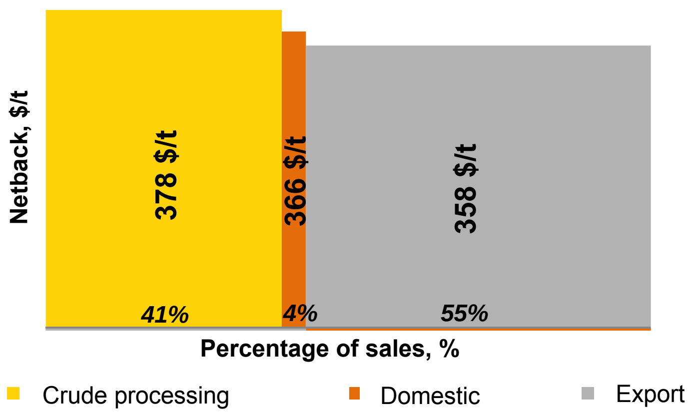
Project progress

- **June 2013** – an agreement signed with ExxonMobil for the construction of an LNG plant
- **June 2013** – agreements signed with SODECO, Marubeni and Vitol on the key terms and conditions of LNG deliveries
- **September 2013** – contractor selection and start of project design
- **June-July 2014** – the development of the Declaration of Intentions completed, a preliminary survey launched
- **2016** – final investment decision

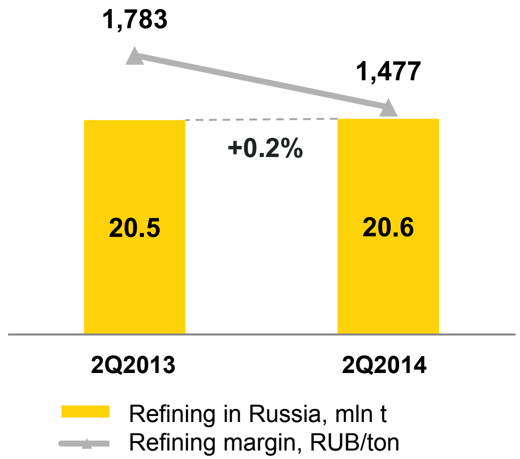
Refining:

High-margin Crude Monetization Channel

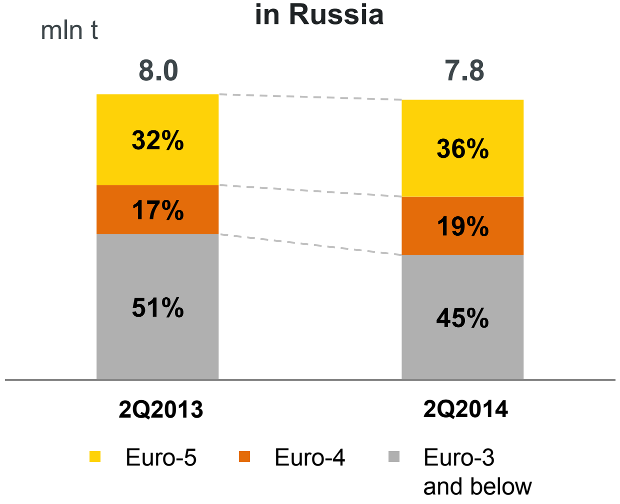
Oil monetization channels in 2Q2014: refining



Refinery throughput



Motor fuels production in Russia



Key achievements in 2Q2014

- **+ RUB 0.6 bln** due to operations optimization
- **+ RUB 1.3 bln** due to excise duty savings as a result of an increased production of Euro-4/5 motor fuels
- An action plan in place for an early commissioning of the MTBE Unit at Angarsk Petrochemical Company to increase high-octane motor gasolines production in 2015
- Key construction and installation work completed at the Isomerization Unit at the Kuybyshev Refinery: testing mode operations have started

Key objectives for 2H2014

- **Repairs** at the Achinsky Refinery: primary processing units startup and start of key oil products manufacturing in **Autumn 2014**
- **Russian refineries upgrade:** 4 units completed at the Ryazan, Novokuybyshevsk and Kuybyshev Refineries
- **FEPCO:** FEPCO external infrastructure facilities included into the Federal Special-Purpose Programme for the Development of the Far East and the Baikal Region until 2025

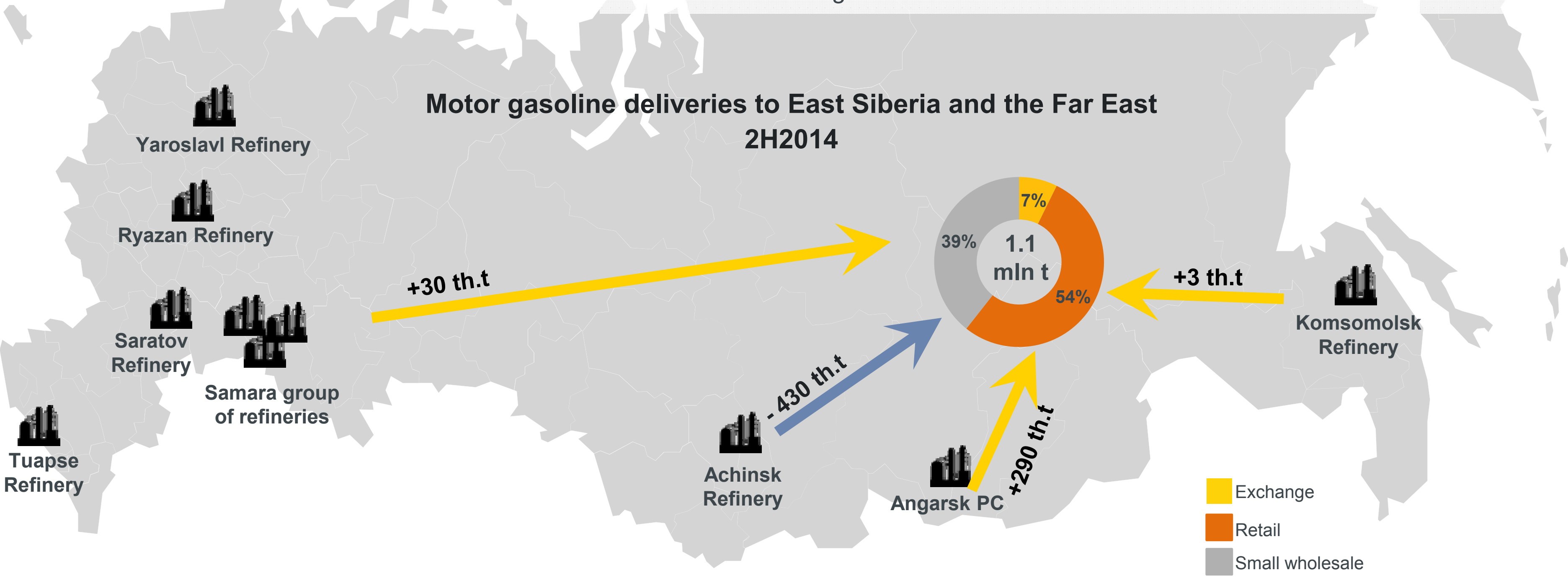
Oil Product Supplies to East Siberia and Far East

Achinsk Refinery accident

- 15 June 2014 saw an accident during start-up operations after a turnaround at the **Achinsk Refinery**
- The refinery is currently shut down, with off-schedule repairs in progress and no marketable production
- **Autumn 2014**: startup of primary processing facilities and production of key oil products

Plan in place to replace shortfall in volumes

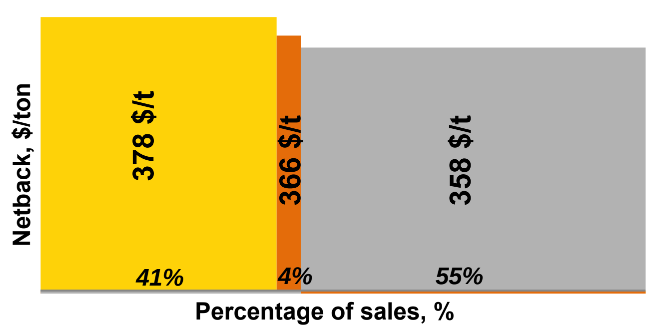
- Despite the emergency shutdown of the refinery, **supplies of oil products** to East Siberia and the Far East will continue **in full**
- **Actions to replace the shortfall in volumes:**
  - Motor fuels supply will be ensured based on processing at Angarsk Petrochemical Company and Komsomolsk Refinery, deliveries from the Samara group of refineries as well as oil product purchases from third-parties
  - Jet fuel supplies have been organized from Angarsk Petrochemical Company and fully satisfy the demand of air carriers and the needs of wholesale buyers at the exchange



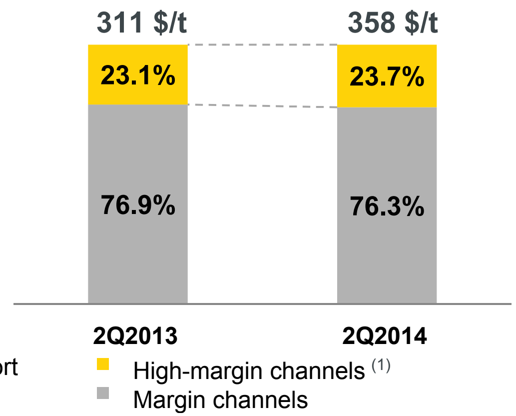
Oil and Oil Product Trading:

Increased Supplies via Premium Channels

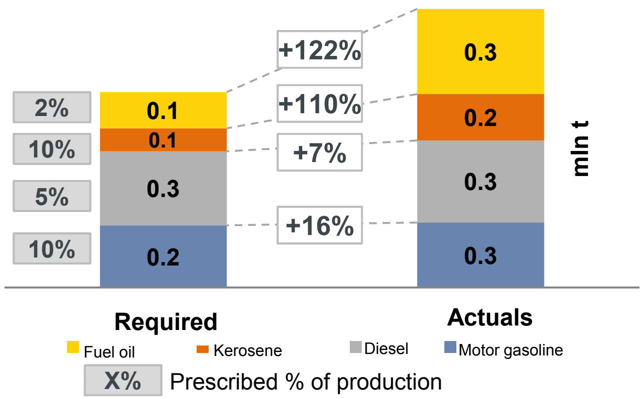
Oil monetization channels in 2Q2014: export



Oil export structure



Exchange-based trading on Russian domestic market in 2Q2014



Key achievements in 2Q2014

- **Long-term BP Oil Int. oil product supply contract** of up to 12 million tons within 5 years with an option of oil supply with advance payment of c. $2 bln. Start of deliveries: July-August 2014
- **PDVSA Contract** for the purchase of 66.5 mln barrels of crude and oil products, with advance payment ($2 bln)
- **Increased efficiency of ESPO crude sales** due to long-term contracts: key terms and conditions signed with PetroVietnam
- **Premium oil product sales at the exchange**: +$5-25 per tonn to alternative export sales channels

Key objectives for 2H2014

- Execution of long-term tenders for 2015, tender premium maximization
- Increasing the efficiency of fuel oil sales: increasing sales to industrial end users, continued segregated supplies to Ryazan, Yaroslavl and Saratov Refineries
- Expanding the effective sales channel to federal buyers by awarding Rosneft the single oil product supplier status

Note: (1) High-margin channels: De-Castri, CPC, Hungary, Slovakia, Kozmino, Belarus, Kazakhstan, Czech Republic

Retail sales and B2B:
Expanded Premium Channels

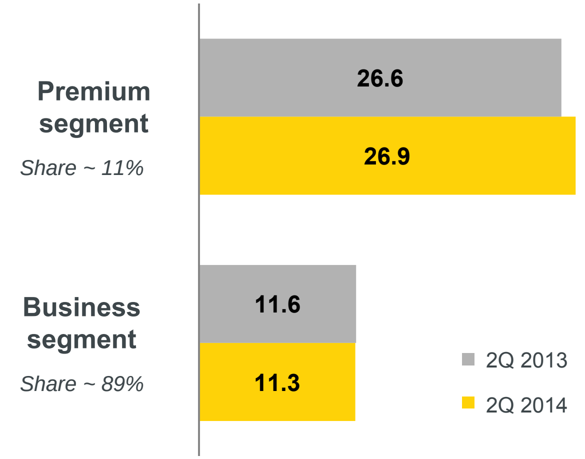
Key achievements in 2Q2014

- **Retail network:**
  - Subsidiary reorganization launched to increase efficiency and optimize costs
  - Compliance with the anti-monopoly legislation, including compliance with Federal Anti-Monopoly Service instructions
  - Retail sales automation pilot project implemented in Sochi
  - Increased revenues from non-fuel sales by +31% YoY
- **B2B Channels:**
  - Jet fuel: an increase in sales to end-customers due to expanded cooperation with major air carriers and the Russian Defense Ministry
  - Bunkering: an increase in premium sales by +33% YoY due to extended contracts with Maersk, CMA CGM and execution of new contracts with Sakhalin Energy, HYUNDAI, NYK, K-LINE, MOL, EVERGREEN in the Russia Far East

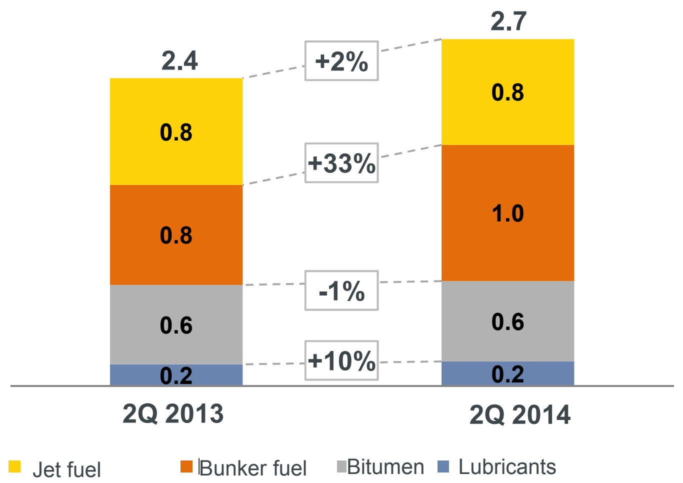
Key objectives for 2H 2014

- Start of rebranding of TNK retail sites to Rosneft brand
- Development of the international direction of bunkering
- Preparation of cooperation proposals for foreign operating companies and entry into international jet kerosene markets

Average sales per retail site, tpd



Sustainable B2B business development



Appendix

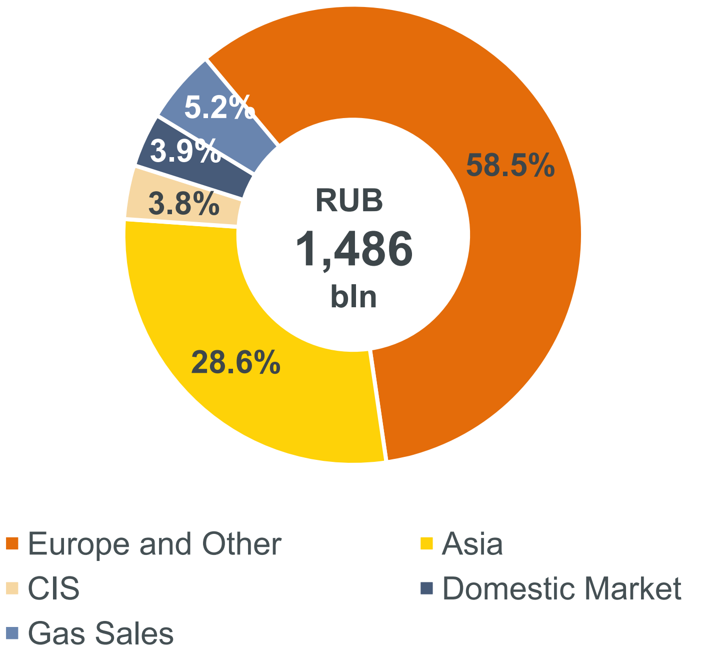
2Q 2014 Financial Results (USD bln)

Indicator	2Q 2014(1)	2Q 2013(1)	Change
Revenue	**41.0**	37.2	+10.2%
EBITDA	**8.7**	6.8	+27.9%
Net Profit	**4.9**	1.1	x4
Operating Cash Flow(2)	**7.0**	6.7	4.5%
Capital Expenditures	**3.8**	4.8	(20.8)%
Free Cash Flow(3)	**3.2**	1.1	x3
Net Debt	**44.5**	56.9	(21.8)%

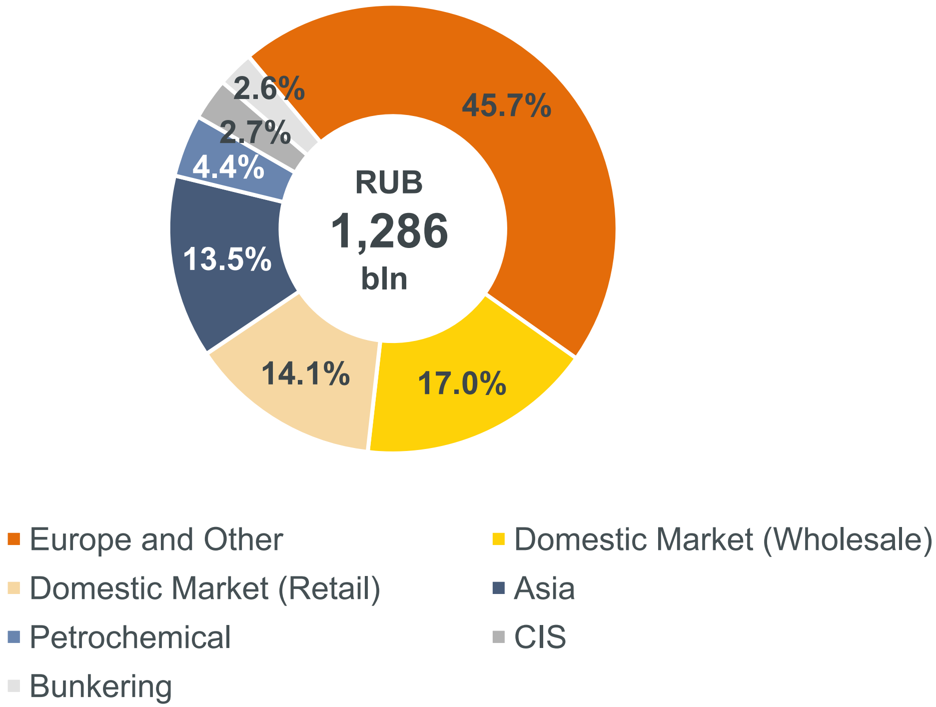
Note(1) All indicators, except Net Debt, are measured at the average exchange rate of the Central Bank for the relevant reporting period: 2Q 2013 – RUB 31.61 / $, 2Q 2014 – RUB 35.00 / $. The Net Debt value is measured at the exchange rate of the Central Bank as at the end of the relevant reporting period: as of June 30, 2014 – RUB 32.71/$, as of June 30, 2014 – RUB 33.63/$ (2) Operating Cash Flow adjusted for the effect of operations with trading securities (inflow of RUB 3 bln in 2Q 2013 and inflow of RUB 1 bln in 2Q 2014) amounted to RUB 214 bln in 2Q 2013 and RUB 245 bln in 2Q 2014. (3) Free Cash Flow adjusted for prepayments under long-term oil supply contracts (RUB 26 bln in 2Q 2013 and RUB 0 bln in 2Q 2014) amounted to RUB 35 bln in 2Q 2013 and RUB 112 bln in 2Q 2014.

Revenue:
Record 1H 2014 Result

Oil and Gas Sales

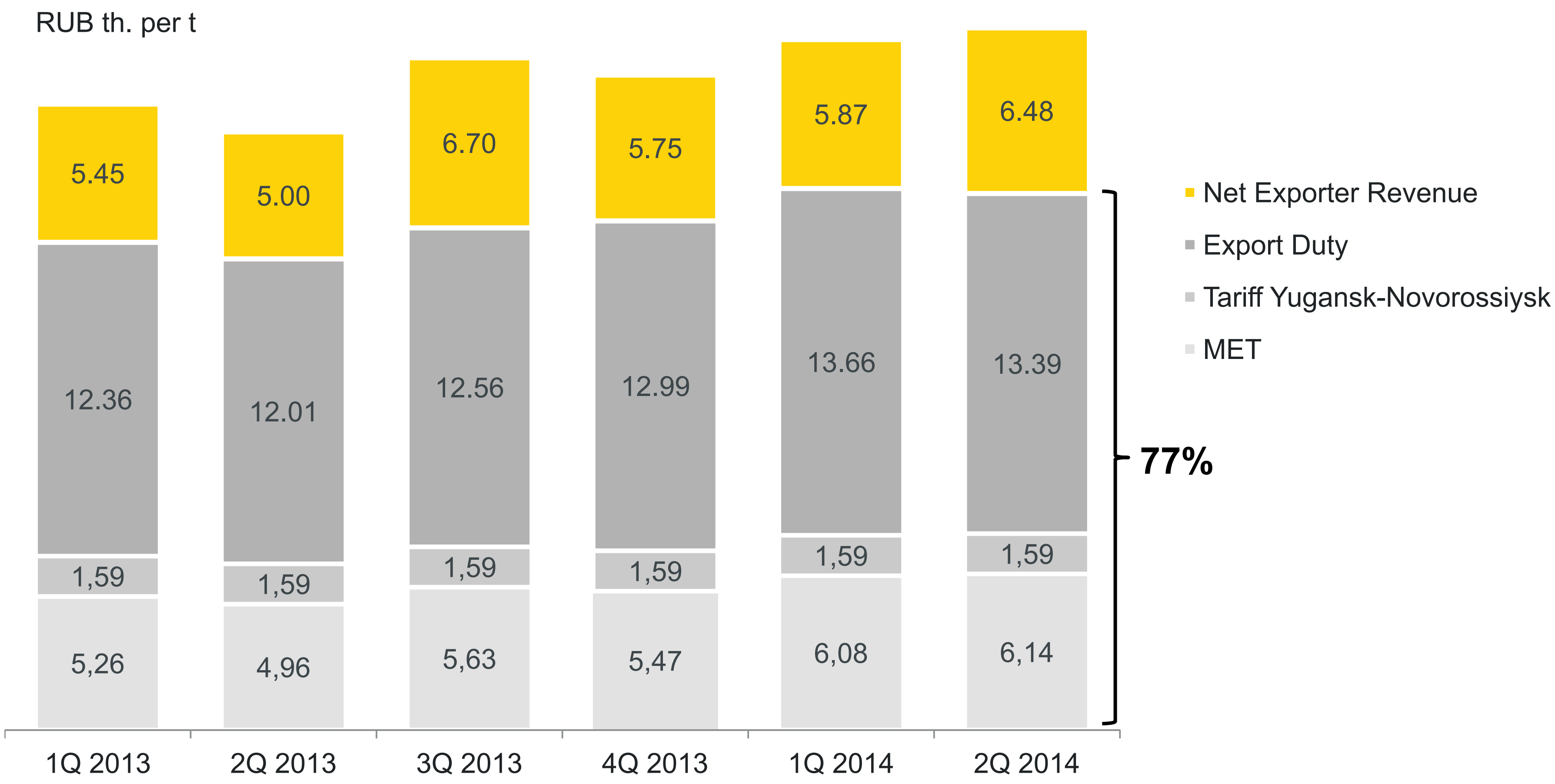


Petroleum Product Sales



- Increase in sales volumes in 1H 2014 compared to 1H 2013:
  - Oil sales increase by 19.6%, incl. 22.5% increase in export sales
  - Oil products sales by 23.9%, incl. 29.9% increase in export sales
- Increase in sales volumes by premium channels
- Positive macro environment

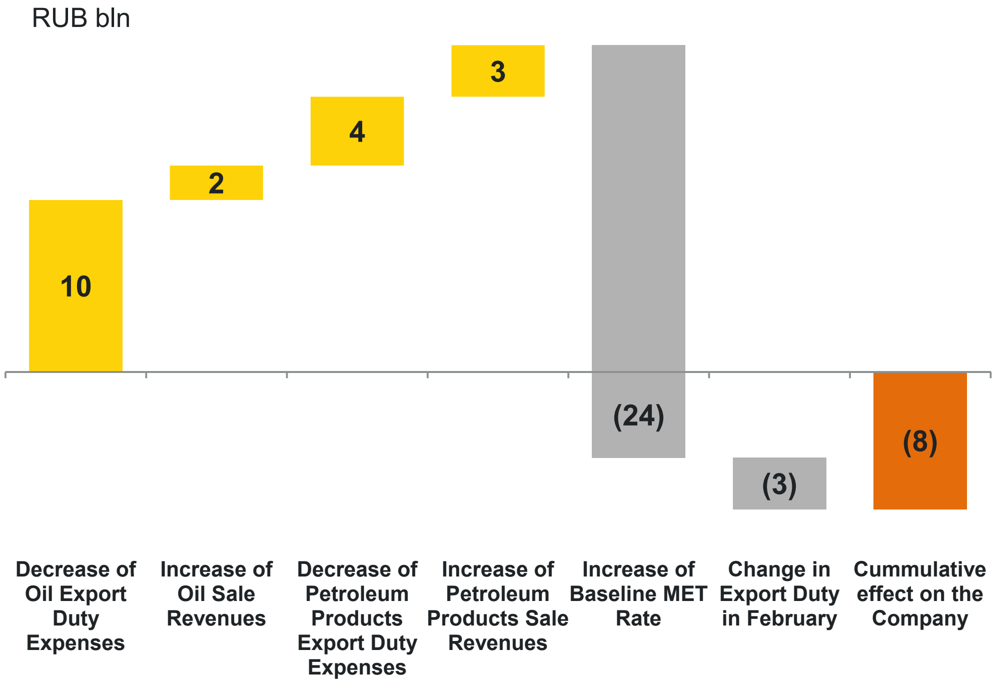
Non-Controlled Expenses



- In 2Q 2014 the share of Non-Controlled Expenses in oil price amounted to **77%**
- Net Exporter Revenue increased by **10.4%** QoQ in ruble terms

Tax Maneuver Effect

Tax Maneuver Effect in 1H 2014[(1),(2)]



Key Changes

Indicator	Before	After
Crude oil MET base rate, RUB	470	**493**
Maximum Crude Oil Export Duty Rate	60%	**59%**
Coefficient for Calculation of Diesel Fuel Export Duty Rate	0.66	**0.65**

- Cumulative 1H 2014 effect from implementation of the tax maneuver since January 1, 2014, has amounted to **minus RUB 8 bln**

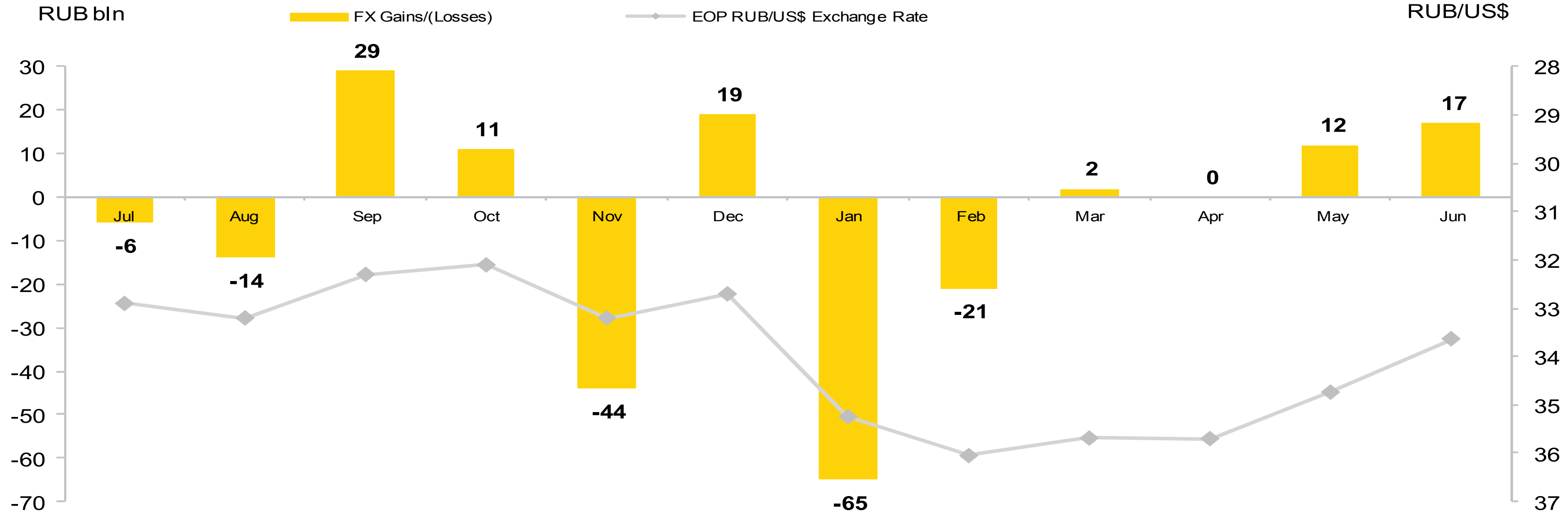
Note: (1) Increase of Sale Revenues envisages growth of domestic and CIS export prices for oil and petroleum products corresponding to increase of prices for export alternatives attributable to reduction of export duty rates. The effect is measured subject to volumes, Urals price, and rate for 6 months of 2014. (2) Decreased export duty rate was implemented in February, one month later than the increased MET rate.

Financing Costs, RUB bln

	2Q 2014	1Q 2014	Change	4Q 2013	3Q 2013
1. Interest Accrued(1)	**22**	22	-	21	19
2. Interest Paid	**18**	23	(21.7%)	18	22
3. Change in interest payable (1-2)	**4**	(1)	-	3	(3)
4. Capitalized Interest(2)	**10**	8	(25.0%)	9	8
5. Net (earnings)/loss from derivative transactions(3)	**(11)**	19	-	-	(5)
6. Reserves growth over time	**2**	2	-	3	3
7. Interest for use of funds under prepayment agreements	**6**	6	-	1	2
8. Other Interest Expenses	1	-	-	-	-
Total Financing Expense (1-4+5+6+7+8)	**10**	41	(75.6%)	16	11

Note: (1) Including interest accrued on credits and loans, notes, ruble bonds and Eurobonds. (2) Interest income is capitalized pursuant to IAS 23 "Borrowing Costs". Capitalization rate is calculated by division of interest expenses on capex-related loans by average balances due under such loans. The amount of capitalized interest is calculated by multiplication of average construction-in-progress balances by capitalization rate. (3) Changes in the quarterly net effect of DFI operations are caused by fluctuations in the FX component of currency/interest swaps and forwards.

FX Gains/(Losses)



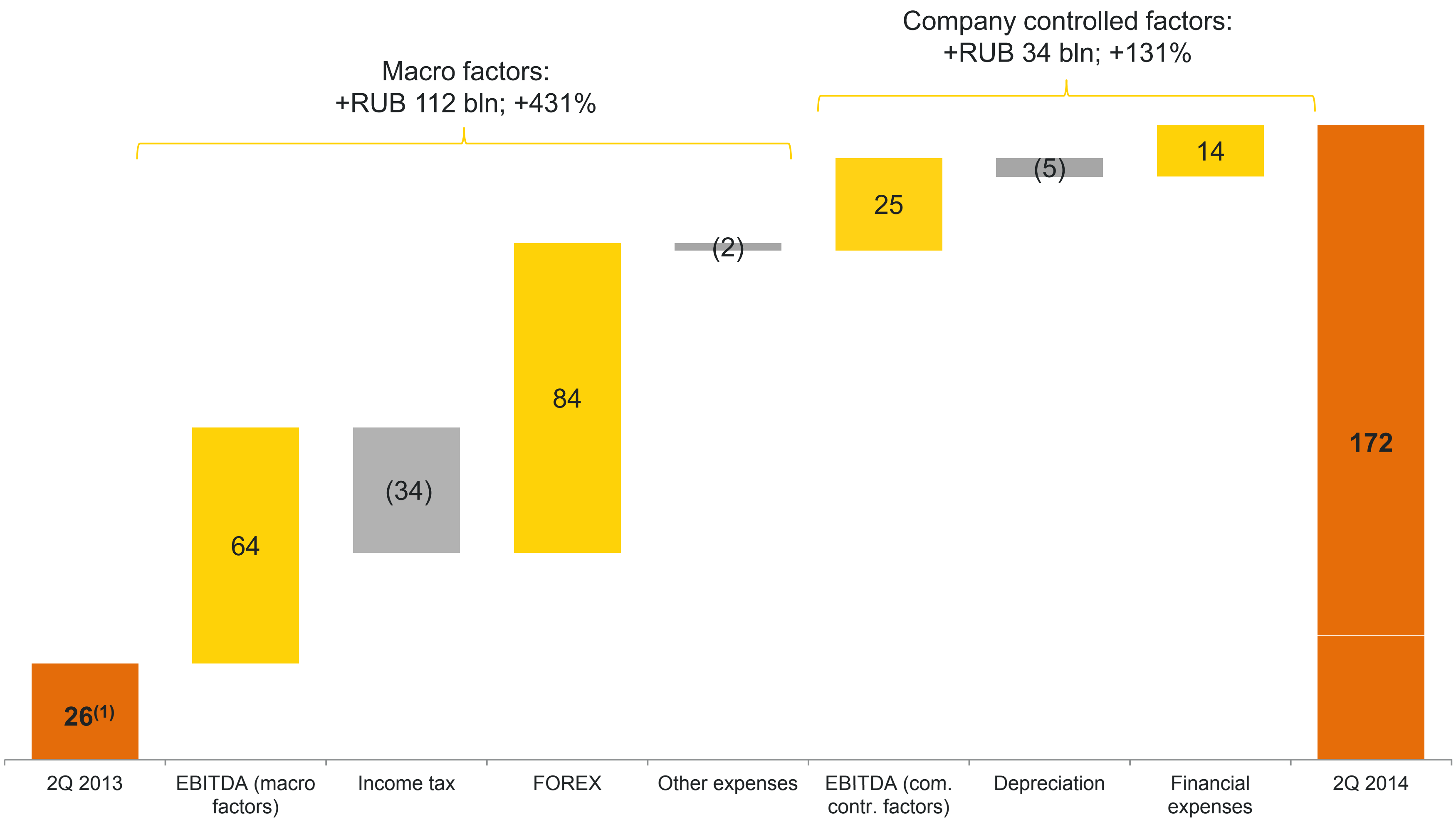
Average Monetary Position

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Cash, payables/receivables and other monetary positions denominated in foreign currencies	USD mln	32,051	27,407	31,686	25,752	26,025	24,784	46,895	35,670	29,907	29,197	29,412	29,844
Credits/loans denominated in foreign currencies	USD mln	(64,132)	(64,349)	(64,534)	(64,559)	(65,214)	(64,294)	(62,439)	(59,509)	(55,928)	(54,893)	(55,045)	(54,875)
Exchange rate change	RUB /USD	(0.2)	(0.4)	0.9	0.3	(1.1)	0.5	(2.5)	(0.8)	0.4	-	1.0	1.1
FX translation gains/(losses) as shown in Income Statement	**RUB bln**	**(6)**	**(14)**	**29**	**11**	**(44)**	**19**	**(65)**	**(21)**	**2**	**-**	**12**	**17**
FX translation gains/(losses) from remeasurement of foreign operations with monetary items as part of aggregate income	RUB bln	(3)	(1)	3	-	(4)	3	(17)	(5)	5	1	17	7
Total effect of FX translation gains/(losses)[1]	**RUB bln**	**(9)**	**(15)**	**32**	**11**	**(48)**	**22**	**(82)**	**(26)**	**7**	**1**	**29**	**24**

Note: (1) Inclusive of net result of operations with foreign currencies and other effects

Net Income

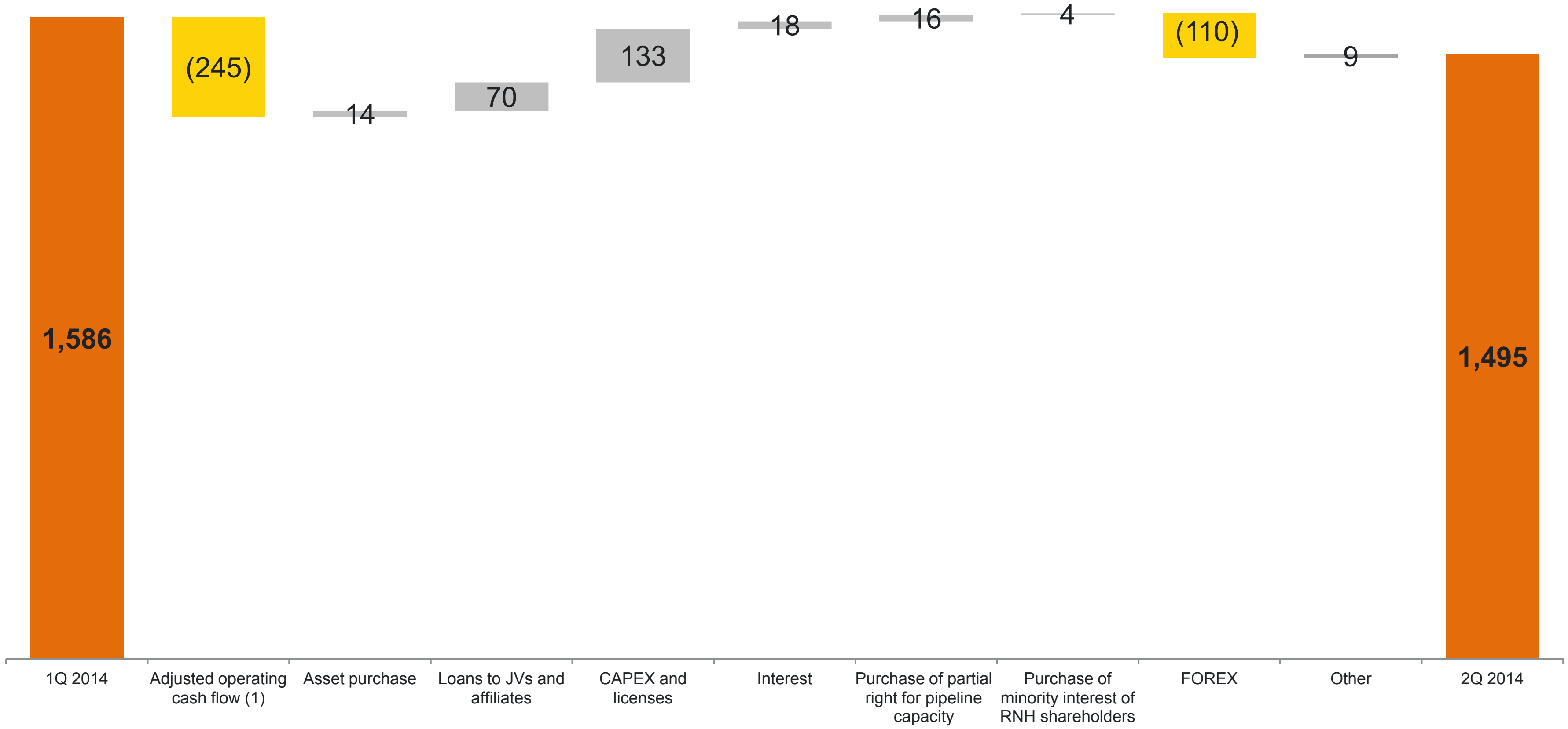
RUB bln



Note: (1) Including retroactive accounting for revaluation results of the purchased assets

Net Debt

RUB bln



Note: (1) Operating Cash Flows adjusted by effect from operations with traded securities

Q&A