

Rosneft Oil Company IFRS Results Q4 and 12M 2019



February 19, 2020

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ESG is the Key Company Development Pattern



September 2019 - **The Russian Federation ratifies the Paris Climate Agreement**

UN Secretary-General Antonio Guterres called on all leaders to reduce GHG emissions **by 45 % over the next decade**, and to net **zero emissions by 2050**

The World Economic Forum's Global Risks Report: **Climate change risks are Top 5 Global Risks**

Rosneft response

Carbon management sub-committee was established

The Integrated **Carbon management plan** was approved by the CEO

«**Guiding Principles on Reducing Methane Emissions**» were signed

Cooperation Agreement with the Russian Ministry of Natural Resources was signed as a part of the national «**Environment**» **project** to preserve the biological diversity

Rub 300 bn of “green” investments in 2018-2022

8 mmt of CO₂e prevented GHG emissions
(by implementing Energy Saving Program)

Examples of ESG commitment



Arctic ecosystems research initiatives:
polar bear, walrus, ice studies



Projects to support indigenous people of the North: IT support at indigenous settlements, «Evenkiysky Reindeer» animal range research, «Northern friendship» - supporting indigenous languages

Top Quartile Industry Performance in International ESG Ratings



FTSE4Good

Rosneft included in the FTSE4Good Index

The FTSE Russell rating increased by 0.3 points to 3.8

Bloomberg

One of the leaders (ahead of most global oil and gas companies)

The rating increased by 2.08 points to 65.15

BP 67.6; Rosneft 65.15; Total 61.8; Eni 61; Shell 60.2, Lukoil 59.3; Repsol 58.9, Exxon 56; Equinor 55.2; Gazprom Neft 53.1; Chevron 51; Sinopec 48.5; Gazprom 44.8; PetroChina 38.6



The best Russian Company in the rating

The rating increased by 11 points to 32.7

Repsol 70.1; Eni 68.7; Shell 57.1; BP 53.9; Total 51.3; Equinor 41.3; Chevron 33.5; Rosneft 32.7; Lukoil 28.2; Exxon 22.7; Gazprom 10.4; PetroChina 10; Sinopec 4.8



The best Russian oil and gas company in the Global CDP climate change and water security rating

The climate change rating increased by four notches to B
Rosneft was assigned the B- water security rating
participating for the first time

*CDP Climate change: Eni A-; Total A-; Rosneft B; Equinor B; Shell B; Gazprom C; Lukoil D
CDP Water Security: Eni A-; Total A-; Rosneft B-; Gazprom C*



In the industry top-5

The rating increased by 8 points to A

*BP A; Shell A; Chevron A; Total A; Rosneft A; Exxon A; Equinor A; Eni A; Lukoil A;
Repsol A-; Gazprom Neft A-; Sinopec B+; PetroChina B; Gazprom B*



Record high rating improvement

The rating increased by 12 points to 57

* Refinitiv is in the process of merging with the London Stock Exchange Group



Financial Results



2019 Key Highlights



283 Rub bn

Record high dividends

884 Rub bn

Strong free cash flow

907 Rub bn

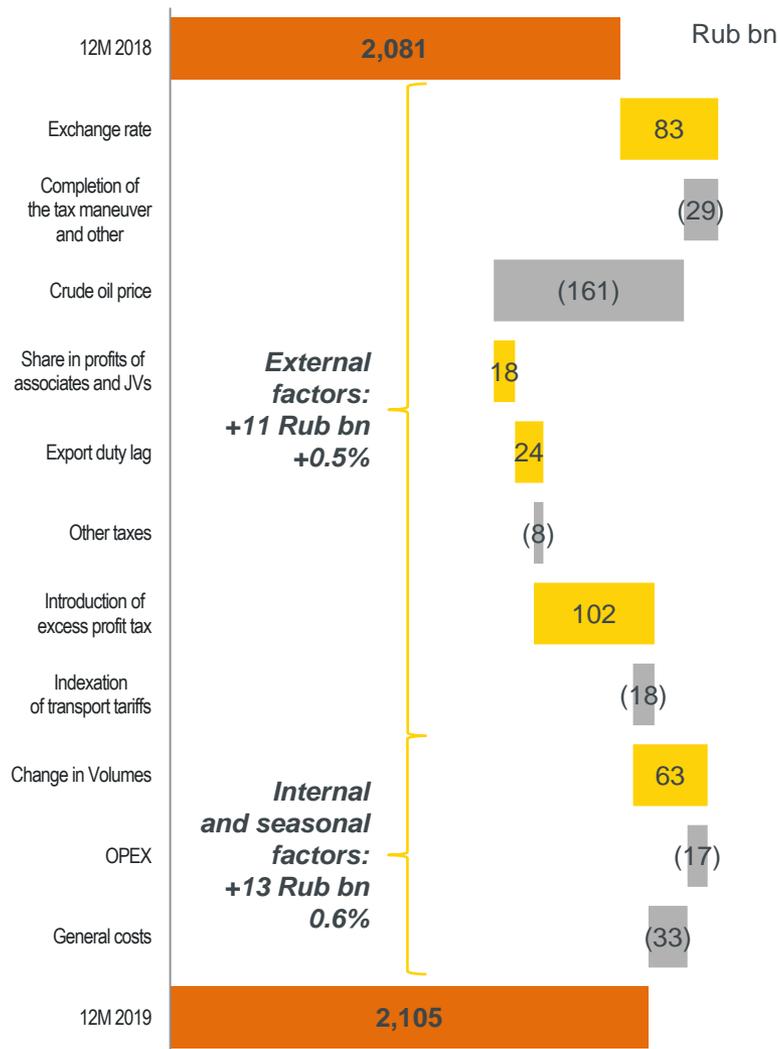
Reduction of financial debt
and trading liabilities



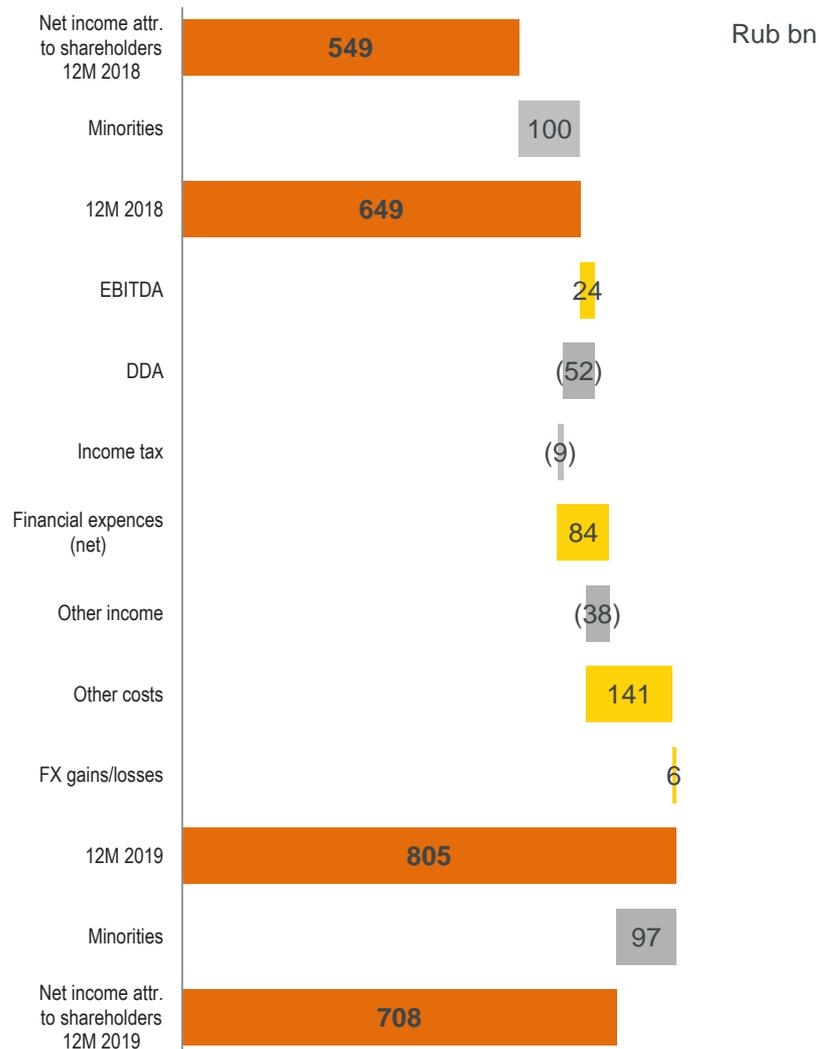
EBITDA and Net Income Dynamics



EBITDA 2019 vs 2018



Net Income 2019 vs 2018

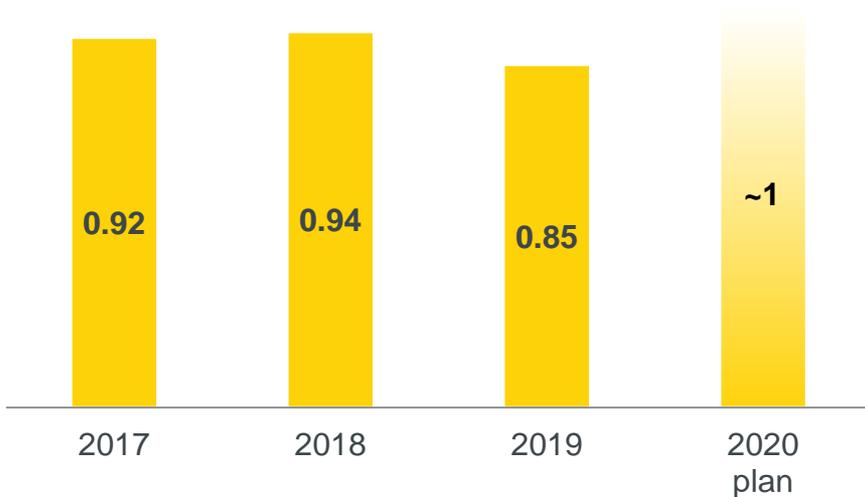


CAPEX



CAPEX evolution

Rub trln

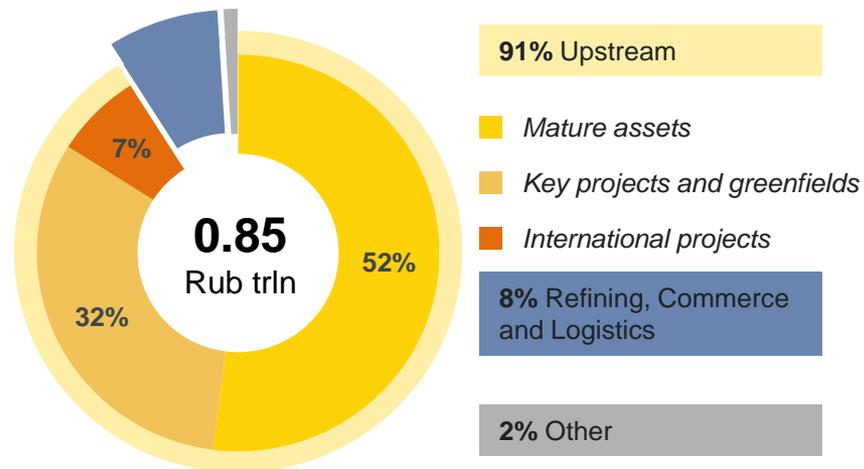


6,1 \$/boe
Unit Upstream CAPEX



>**90%**
Share of Upstream CAPEX

2019 CAPEX breakdown



91% Upstream

Mature assets

Key projects and greenfields

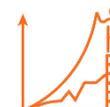
International projects

8% Refining, Commerce and Logistics

2% Other



~**270** Rub bn
Investments in new off- and onshore upstream projects

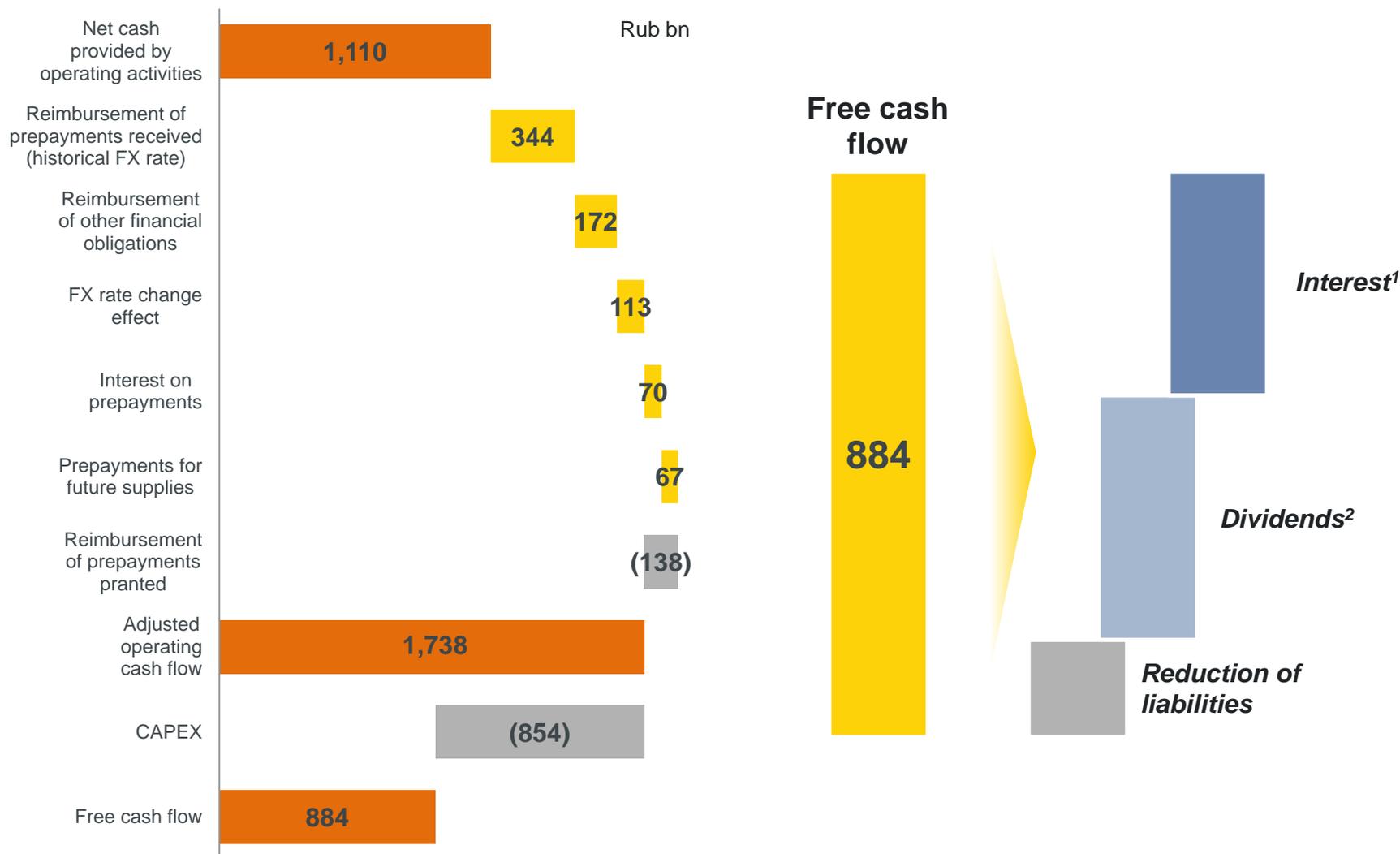


~**14%**
Hydrocarbon production of key projects and other greenfields (Upstream)

Free Cash Flow Allocation



Free cash flow calculation



Note: (1) Including interest on prepayments, (2) Including dividends paid to minorities

Delivering Rosneft-2022 Strategy in 2019



Enhancing yields

3.1 \$/boe

leadership in lifting costs¹

-13.8%

reduction of well costs²

>2.5%

refining and petrochemicals cost reduction³

Key projects delivery

22.5 mmt

liquids production at key projects

21 mmt

liquids production from hard-to-recover reserves

Structural and technological transformation

~99%

of drilling rigs connected to automatic data-collection systems⁴

~52 th.

wells connected to automatic data-collection systems⁴

Digital services

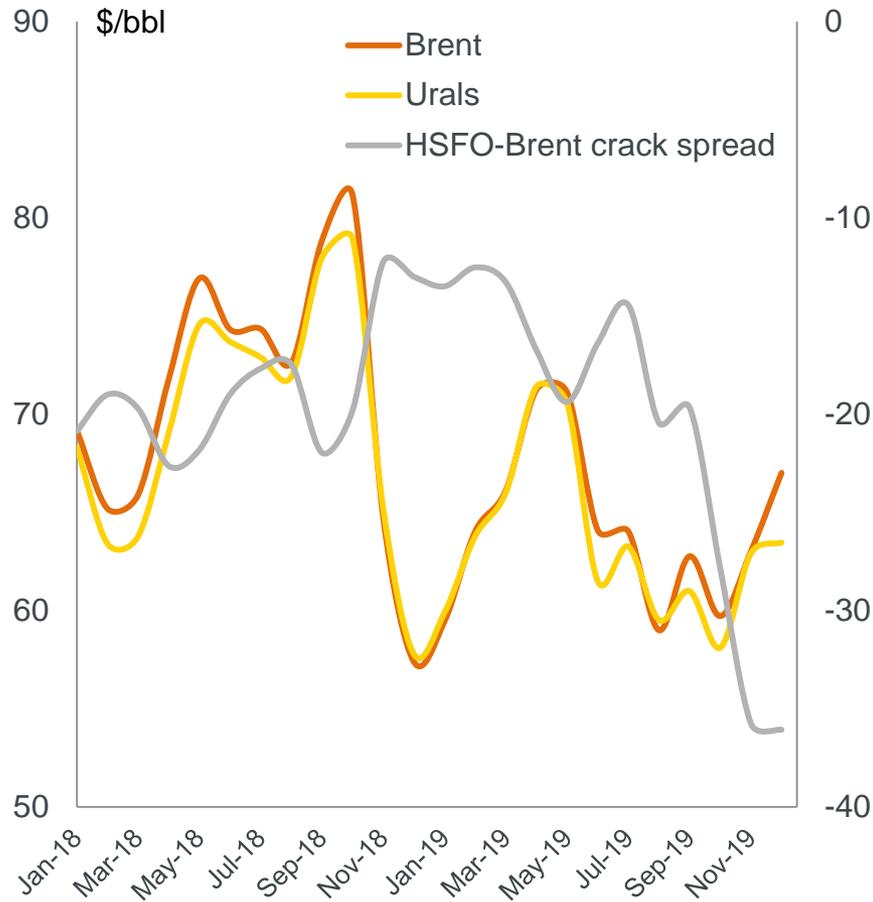
as part of Data processing center

Note: (1) Operating costs, (2) In comparable terms vs 2016 actual figures, (3) In comparable terms, expected results for 2019, (4) Information system «TIS-Dobycha». General implementation status from the beginning of initiatives.

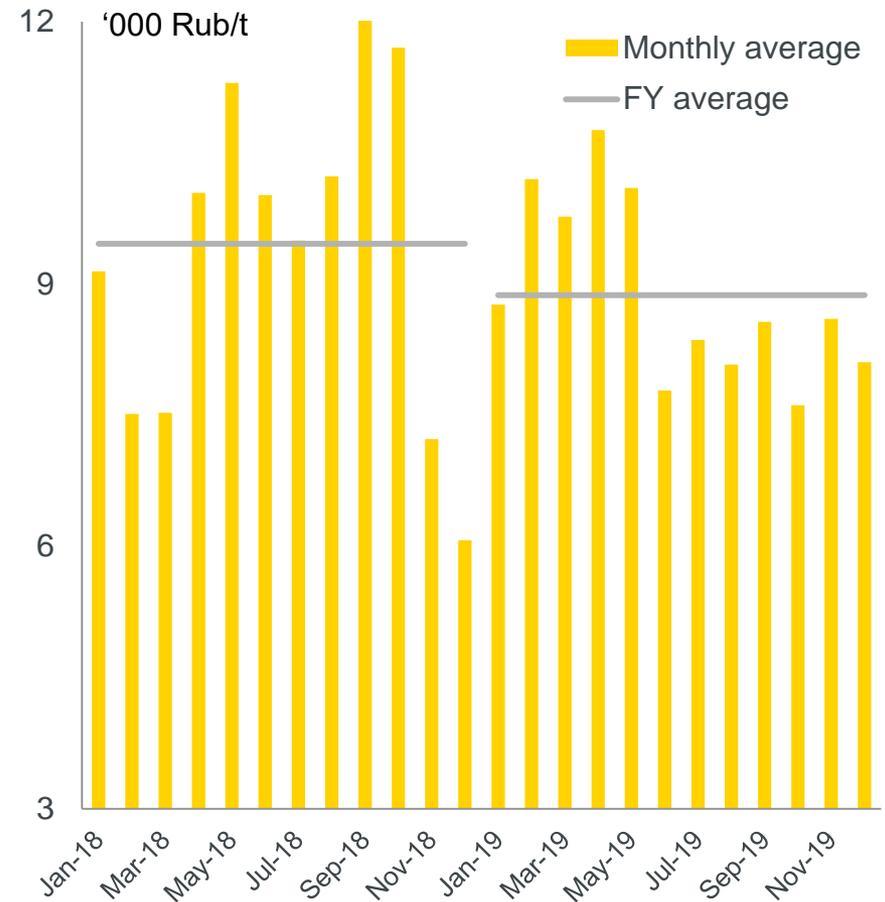
Oil Market Volatility



Crude oil and high-sulphur fuel oil prices



Gross upstream margin¹

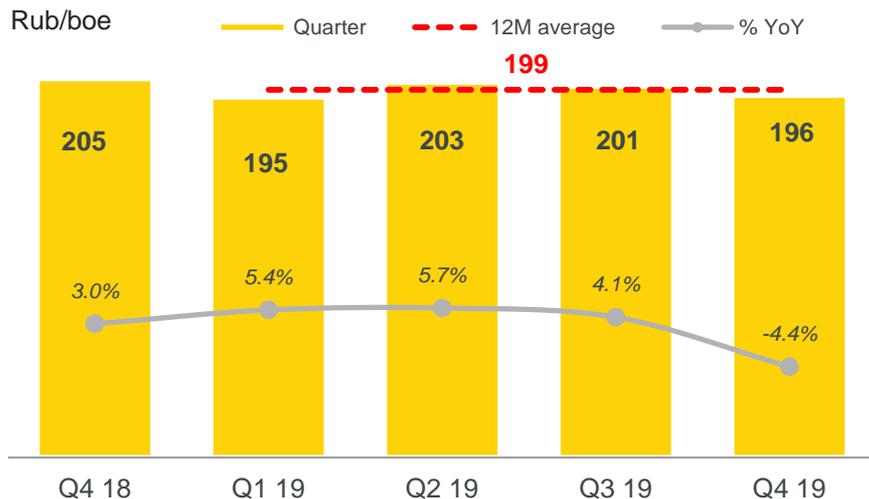


Note: (1) Calculated as Urals price less MET, export customs duty and transportation costs at the Yugansk-Primorsk route

Efficient Cost Control



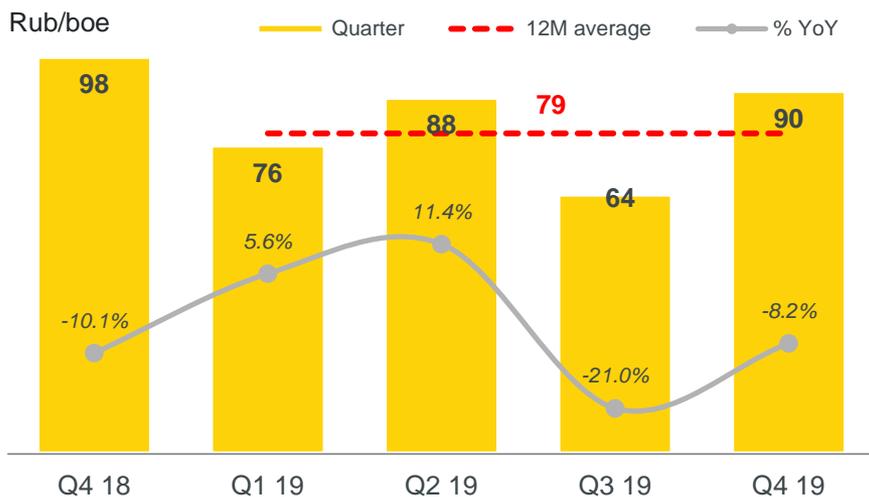
Lifting costs



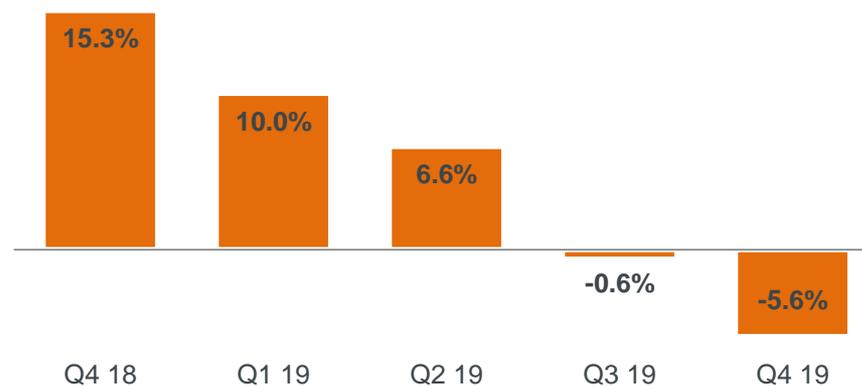
Refining costs in Russia



General and administrative costs¹



Producer Price Index (annual basis)

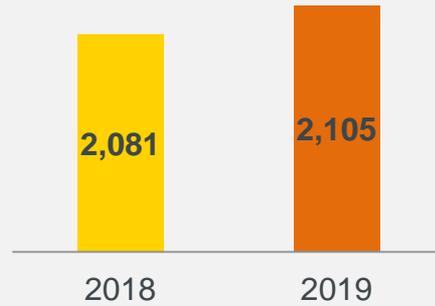


Note: (1) excl. provisions

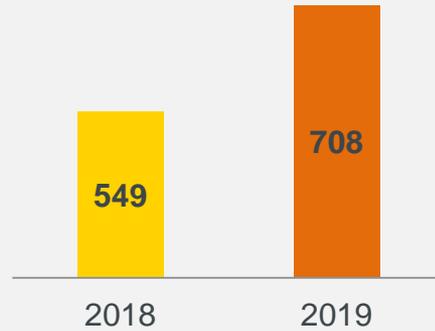
Financial Summary



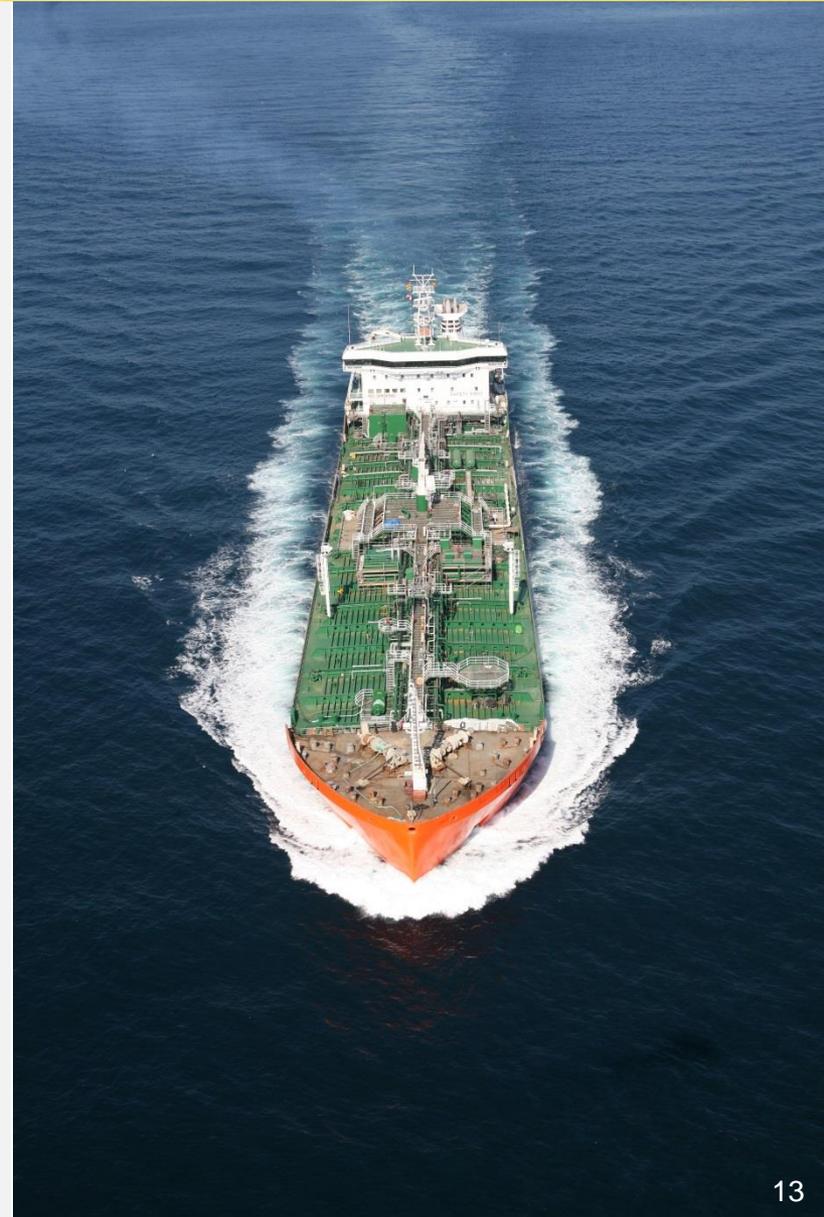
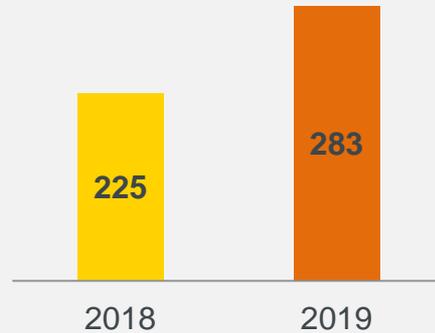
Record high EBITDA



Net income growth by 29%



Amount of dividends paid increased by more than 1/4



2020+ Growth Drivers



1

Operational

- Change in the structure of crude oil production to higher-margin barrels
- Proceeds from international projects including Zohr (offshore Egypt) and export pipeline concession (Kurdistan)
- Launch of Rospan gas field with high liquids component

2

Financial

- Introduction of new tax incentives for the Priobskoye oil field
- Interest expense reduction following:
 - a) a reduction of key rates
 - б) debt structure optimization

3

Accounting

- Impairment of assets in 1Q 2019 of RUB 90 bln creates a low-base effect for 2020
- Zero impact from cash flow hedges reclassified to profit and loss statement starting from January 1, 2020
- Lower negative impact of prepayments reimbursement recorded at historical FX rate on the balance sheet

High dividend yields covered by strong and growing free cash flow

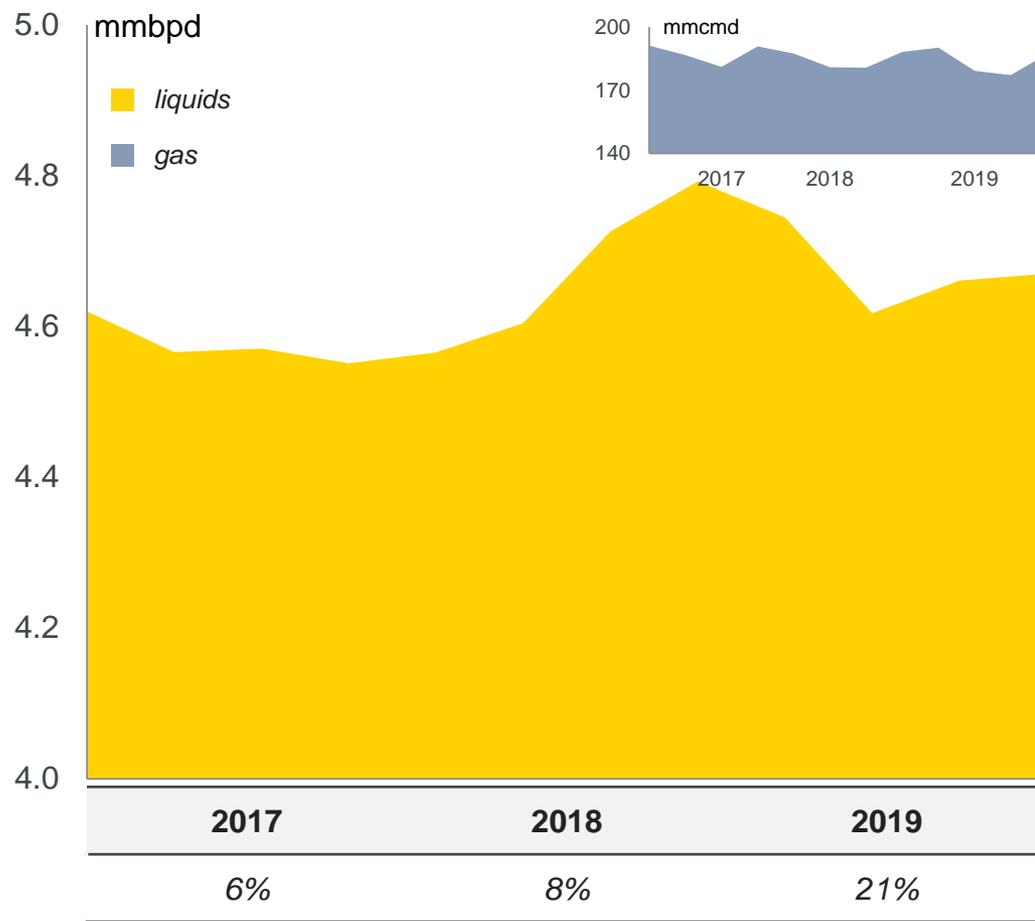
Operating Results



Production



Liquids production



XX% – share of high-margin barrels in total production. Includes fields that switched to excess profit taxation as well as greenfields MET and export duty tax breaks

- ▶ Rapid development of new large projects with incremental production growth of up to 140.3 mmbbl (+27% vs 2018)
- ▶ Accelerated development of hard-to-recover low taxed reserves ensuring production growth up to 154.7 mmbbl (+12% vs 2018)
- ▶ Reducing production decline rates at the Samotlor field following tax incentives introduction: c. 1% in 2018-2019 vs c. 5% in 2008-2017
- ▶ Excess profit taxation (EPT) regime improves the investment returns of new projects
- ▶ Approval of MET tax breaks for the Priobskoye field (to stimulate complex geology reserves development) is expected

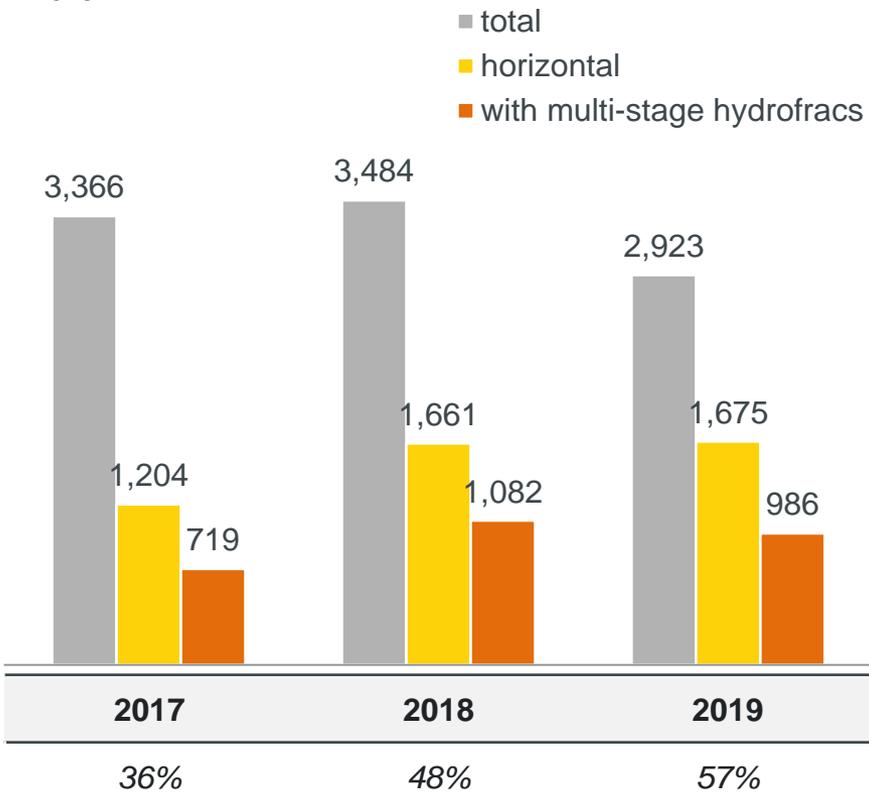
Increase of high-margin low taxed barrels under the OPEC+ limitations

Efficient Application of Advanced Technologies



Commissioning of new wells

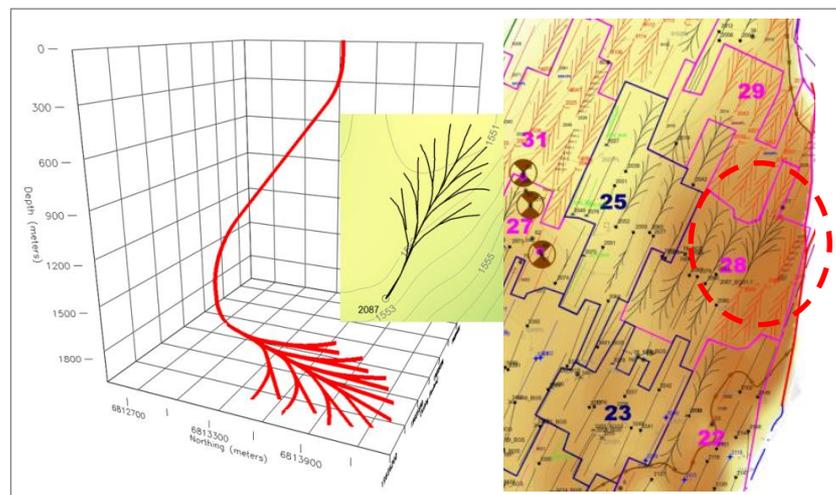
wells



XX% – share of horizontal wells in the total number of wells commissioned

Continuous work on improving new wells design aimed at enhancing field development efficiency:

- The share of horizontal wells increased to 57% of total wells (+21 p.p. vs 2017)
- Wide application of complex well completion methods:
 - share of horizontal wells with multi-stage hydrofracs increase to 34% (+3 p.p. vs 2018)
 - number of multilateral wells increased by 80% YoY
- Liquids production per horizontal well increased by 11% vs 2018 and is 2.4x times exceeds the level of inclined wells



Near-term Plans



Enhancing returns through continuous efficiency improvement



250 mmt
by 2022

Liquids production growth

>100 bcm
by 2022

Gas production growth with domestic market increase to 20%

>160 kbd
total fields' production
in 2022

Full development of large-scale projects (Erginskiy block, Chaprovskoye, Severo-Danilovskoye, Lodochnoye, Severo-Komsomolskoye fields)

<4 \$/boe

<7 \$/boe

average unit
OPEX and CAPEX
until 2022

Maintaining leadership in production efficiency

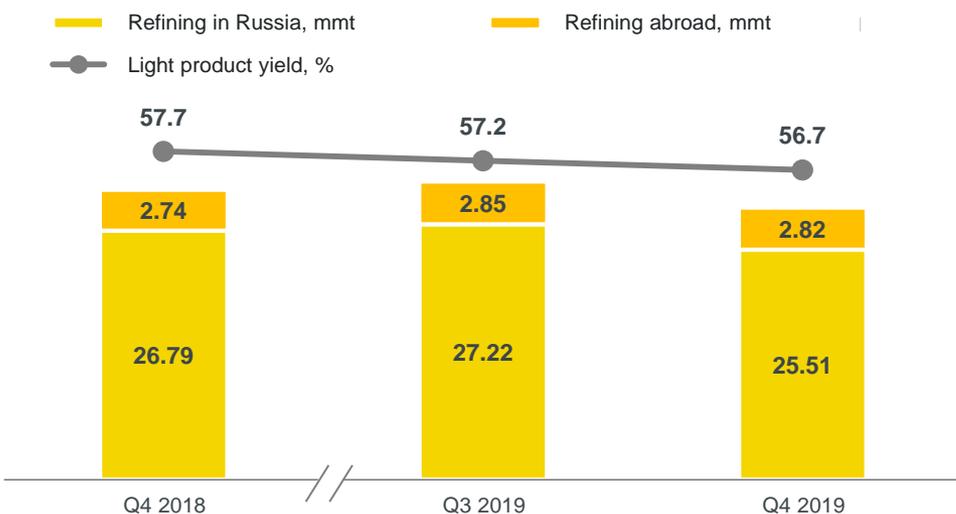
Refining



Refining margins



Key refining indicators



Note: (1) Including the reverse excise tax on crude and dampfer for motor fuels

Refining economics in Q4 2019

- ▶ Q4 2019 refining margin in Russia was negatively impacted by current macro environment: falling HSFO prices ahead of IMO implementation. Moreover, refining throughput reduced following turnarounds at some refineries
- ▶ Decrease of margins in Germany was mainly driven by falling gasoline and diesel crack spreads QoQ

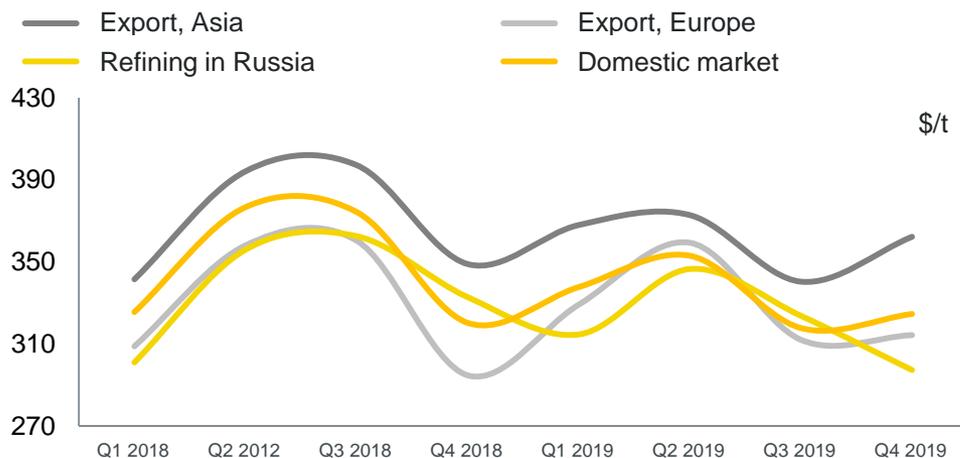
Q4 2019 results and achievements

- ▶ **Komsomolsk refinery and Ufa group of refineries** launched production of low-sulphur bunker fuel RMLS complying with IMO 2020 requirements
- ▶ **Ufa group of refineries** launched production of high-octane gasoline RON-100 under a proprietary technology
- ▶ New gasoline grade RON-95-K5 (Euro-6) with improved environmental standards was launched at the **Ryazan refinery** to supply Moscow region

Focus on Distribution Channels Development



Netbacks for the main crude oil marketing channels



- ▶ Motor fuel sales on the domestic market increased by 5.7% YoY to 29.9 mmt in 2019
- ▶ Motor fuel sales via the exchange exceeded the required levels by over 2x times
- ▶ Crude oil supplies eastwards reached 79.7 mmt for 12M 2019, (+34.6% YoY)
- ▶ In 2019 a 2-year contract signed with PKN Orlen SA for the supplies of crude towards Poland and extended a 3-year contract for the supplies of crude to the Czech refineries

Crude oil marketing breakdown



Premium Marketing Channels Development



Avia



Bunker fuel



Lubes



Bitumen

Key achievements

Jet supplies to the airports of the Moscow Air Cluster increased by 11% YoY

Number of into-plane fueling increased by 5% to over 230'000 operations

481'000 tons of jet fuel sold abroad jointly with RN Deutschland, into-plane fueling started in German airports

In 2019 RN-Bunker started bunkering of environmental friendly marine fuel with sulphur content below 0.1% (TMS type A). The fuel is in full compliance with MARPOL requirements

Introduction of new motor oil with extended drain interval Revolux D3 LL 15W-40

Expansion of lubes range with thread dopes used in drilling

Increase of large retail chain (>200 shops) footprint

New innovative product sales, polymer-bitumen binder, rose by 41% YoY (from 75.8 to 106.9 th. tons)

Sales volumes

3.8 mmt
jet fuel¹

2.8 mmt
bunker fuel

0.9 mmt
lubes

2.6 mmt
bitumen

Progress in Development of the Retail Channel



Retail

6% - increase of motor fuel sales¹

16% - increase of sales using fuel cards¹

Key achievements

Increasing the number of loyalty programs participants. As of Dec 31, 2019 13.6 mln people were involved in 64 Russian regions

Virtual cards «Family team» and «BP Club» were launched as well as VC for legal entities, payments through mobile apps was introduced at all sites under BP brand in Russia

Sales geography expansion:

- *branded gasoline Pulsar* - +2 new regions (52 retail sites) to 10 existing regions (61 retail site).
- *Euro 6 gasoline with improved features* - 9 regions of sales as of the year end (+6 regions vs 2018). The fuel was included in 100 Best Products of Russia

Acquisition of a 100% stake in the entities of «Petersburg Fuel Company» was completed. Following the deal the Company took the lead in one of the key country regions. Retail network expanded to 3'069 as of the year end

2,500 cars fill up daily at the 12 existing compressed natural gas sites, sales exceed 1.7-2 mcm monthly



By-product sales

2% - by-product and services revenues growth¹

6% - increase of hot beverages sales¹

Efforts undertaken

Comprehensive modernization of sites under BP brand focused on coffee supply – 14 cafés opened in 2019. Development of small-scale retail sites (BP) –5 sites opened

Food supply projects: at Company retail sites 1,450 hot dogs cooking modules are working, 2,530 retail sites equipped with coffee machines, at 780 retail sites self-service zones were opened, coffee corners were installed

A number of own brand products including water, sweet bars, napkins and glass cleaner was sold at 38 Company subsidiaries

Offer unification of cafés and shops at filling sites of «Petersburg Fuel Company» continues

Measurement automation is underway – 90% of procedures on product flows of filling stations and oil depots completed



Appendix



Key Operational Highlights



Indicator	Q4 2019	Q3 2019	%	2019	2018	%
Hydrocarbon production, incl. kboed	5,814	5,740	1.3%	5,791	5,795	(0.1)%
Liquids kbpd	4,674	4,661	0.3%	4,674	4,673	0.0%
Gas kboed	1,140	1,079	5.7%	1,117	1,122	(0.4)%
Oil refining mmt	28.33	30.07	(5.8) %	110.23	115.04	(4.2)%
Product output in Russia mmt	24.72	26.31	(6.0)%	96.78	99.73	(3.0)%

Key Financial Highlights



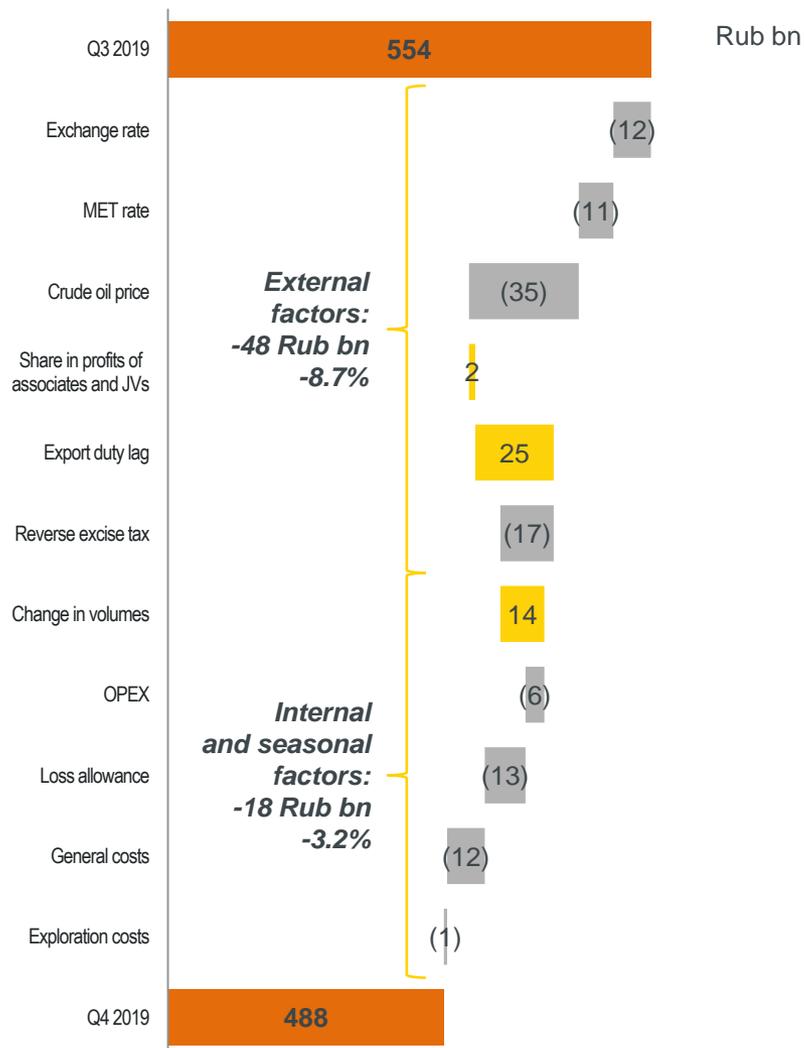
Indicator	Q4 2019	Q3 2019	%	2019	2018	%
EBITDA, Rub bn	488	554	(11.9)%	2,105	2,081	1.2%
Net Income, Rub bn <i>attributable to Rosneft shareholders</i>	158	225	(29.8)%	708	549	29.0%
Adjusted net income ¹ , Rub bn <i>attributable to Rosneft shareholders</i>	184	262	(29.8)%	917	828	10.7%
Adjusted operating cashflow ² , Rub bn	491	479	2.5%	1,738	2,069	(16.0)%
CAPEX, Rub bn	220	198	11.1%	854	936	(8.8)%
Free Cash Flow, Rub bn	271	281	(3.6)%	884	1,133	(22.0)%
EBITDA, \$ bn	7.7	8.5	(9.4)%	32.5	33.1	(1.8)%
Net Income, \$ bn <i>attributable to Rosneft shareholders</i>	2.4	3.6	(33.3)%	10.9	8.9	22.5%
Adjusted net income ¹ , \$ bn <i>attributable to Rosneft shareholders</i>	2.9	4.1	(29.3)%	14.2	13.1	8.4%
Adjusted operating cashflow ² , \$ bn	7.8	7.4	5.4%	26.9	32.9	(18.2)%
CAPEX, \$ bn	3.5	3.0	16.7%	13.2	15.0	(12.0)%
Free Cash Flow, \$ bn	4.3	4.4	(2.3)%	13.7	17.9	(23.5)%
Urals price, '000 Rub/bbl	3.92	3.96	(1.0)%	4.11	4.38	(6.2)%

Note: (1) Adjusted for FX gains/losses and other one-off effects; (2) Adjusted for prepayments under long-term crude oil supply contracts (including accrued interest) and operations with trading securities (RUB equivalent)

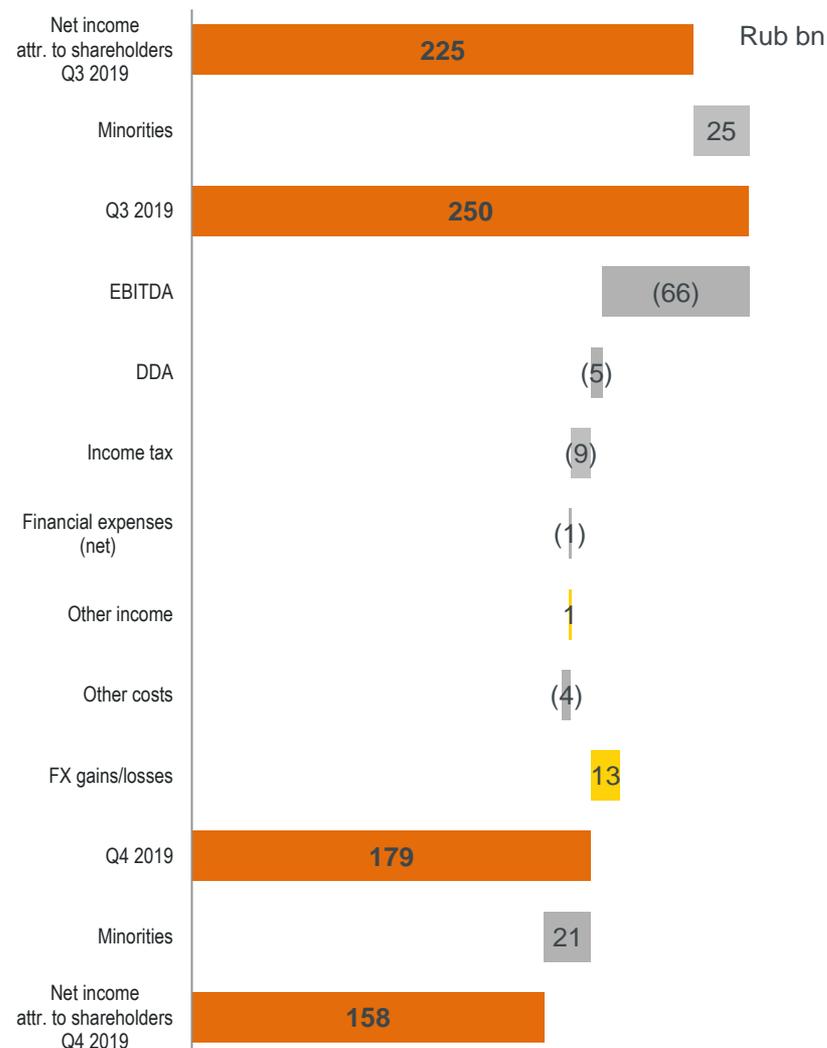
EBITDA and Net Income Dynamics



EBITDA Q4 vs Q3 2019



Net income Q4 vs Q3 2019



Key Projects Development



Severo-Komsomolskoye



3P reserves (PRMS)
- 269 mmtoe

1st phase of the full field development started

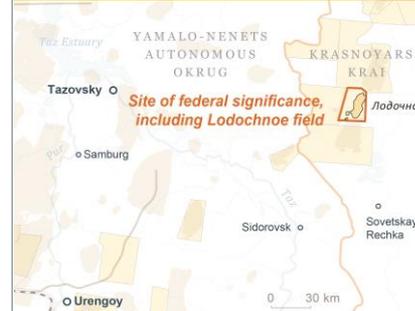
2019 production – 0.3 mmt¹ (>100% vs 2018)

In 2019 25 wells drilled, 1st phase of the preliminary water gathering unit launched, pipelines, well pads and motor road built

Exploration drilling, site preparation and phase one facilities construction scheduled for 2020

- Rosneft LA
- Oil & gas fields
- Crude pipelines

Lodochnoye



3P reserves (PRMS) - 85 mmtoe

Startup preparation is underway

2019 production – 0.64 mmt (>100% vs 2018)

16 wells drilled in 2019

Continued exploration drilling and construction of infrastructure facilities scheduled for 2020

Erginskiy cluster



3P reserves (PRMS) - 482 mmtoe

Kondinskoye (2017) and Zapadno-Erginskoye (2019) fields launched

2019 production – 2.8 mmt (+74% vs 2018)

Central gathering station capacity at Kondinskoye field expanded, ground infrastructure development completed

Works at Chaprovskoye, Erginskiy and Novo-Yendyrskiy LA continue

Danilovskiy cluster

3P reserves (PRMS) – 123 mmtoe

Preparation for the startup of the Severo-Danilovskoye field: construction of well pads, infrastructure facilities and pipeline started

Drilling of 95 wells planned

Synergies from joint usage of ground infrastructure of the Verkhnechonskoye field



Note: (1) PK1 formation

Progress on Key Projects: Rospan



MAJOR DRIVER OF THE COMPANY NEAR-TERM PRODUCTION GROWTH

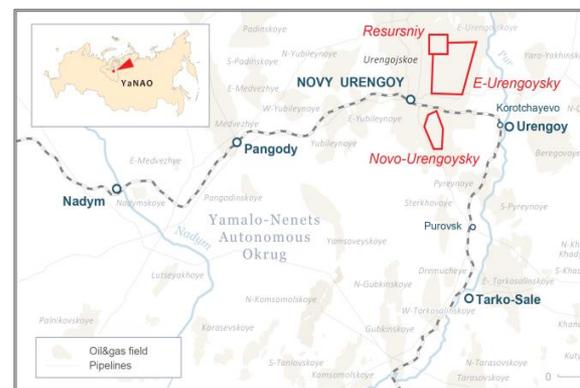
Indicator	Value
3P reserves (PRMS)	897 bcm of gas 204 mmt of gas condensate, LPG and oil
2019 production	6.7 bcm of gas 1.38 mmt of liquids
Annual production	Potential: > 21 bcm of gas > 5 mmt of liquids up to 1.3 mmt of LPG
Commissioning year	2020



Current status and Q4 2019 results:

By 2019 year end key field facilities construction was at final stage :

- ▶ Core-process equipment at the 1st startup complex of the gas and gas condensate treatment unit (Vostochno-Urengoiyskiy LA) was installed, main works on assembling and testing pipelines completed
- ▶ Main construction works at the oil treatment unit were completed, preparation for hot commissioning of core-process equipment is underway
- ▶ 6 of 7 gas-turbine units at the Vostochno-Urengoiyskiy LA were commissioned
- ▶ At the railroad terminal (Korotchaevo station) main works on installation of industrial pipelines, shut-off and control valves were completed



Gas Greenfields Development: Kharampur



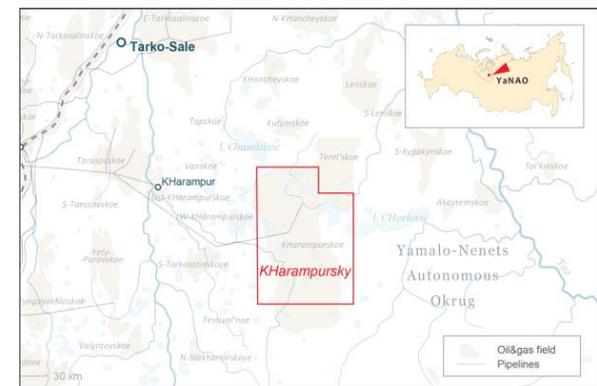
THE MOST SIGNIFICANT (AFTER ROSPAN) PROJECT IN TERMS OF GAS PRODUCTION GROWTH¹

Indicator	Value
3P reserves (PRMS), gas	735 bcm ²
Gas production plateau: Phase 1 (Senomanian)	c. 11 bcmpa ³
Commissioning year	2021



Current status and Q4 2019 results:

- Construction works at the gas treatment unit are underway: piling foundation, placing of concrete, steel frame installation
- Gas pipeline: construction works continue, 2nd underwater passage over the Vasseyakha river started
- 57 of 61 wells have been drilled. As part of pilot production of the Turonian deposit collection and interpretation of geological information from the 1st well continues
- Site preparation and access roads (to gas well pads) construction completed. Gas collection system, cluster pads and power facilities development continues.



Calculation of Adjusted OCF



Profit and Loss Statement

No	Indicator	2019, \$ bn
1	Revenue, incl.	135.8
	Reimbursement of prepayments and other financial obligations received	9.8
2	Costs and expenses, incl.	(113.9)
	Reimbursement of prepayments granted	(2.1)
3	Operating profit (1+2)	21.9
4	Expenses before income tax	(6.5)
5	Income before income tax (3+4)	15.4
6	Income tax	(3.0)
7	Net income (5+6)	12.4

Cash Flow Statement

2019, \$ bn	Indicator	No
12.4	Net income	1
10.9	Adjustments to reconcile net income to cash flow from operations, incl.	2
(7.1)	Reimbursement of prepayments received under crude oil and petroleum products supply contracts	
(2.7)	Reimbursement of other financial obligations received	
2.1	Reimbursement of prepayments granted under crude oil and petroleum products supply contracts	
(4.8)	Changes in operating assets and liabilities, incl.	3
(1.1)	Interest on prepayments under long-term crude oil supply contracts	
(1.4)	Income tax payments, interest and dividends received	4
17.1	Net cash from operating activities (1+2+3+4)	5
1.0	Prepayments for future supplies	6
8.8	Effect from prepayments	7
26.9	Adjusted operational cash flow (5+6+7)	8

Finance Expenses, Rub bn



Indicator	Q4 2019	Q3 2019	%	2019	2018	%
1. Interest accrued ¹	67	70	(4.3)%	282	282*	–
2. Interest paid and offset ²	72	70	2.9%	283	284	(0.4)%
3. Change in interest payable (1-2)	(5)	–	–	(1)	(2)	(50.0)%
4. Interest capitalized ³	37	39	(5.1)%	158	147	7.5%
5. Net loss from operations with financial derivatives ⁴	–	–	–	–	17	(100.0)%
6. Increase in provision due to the unwinding of a discount	5	4	25.0%	19	19	–
7. Interest on prepayments under long-term oil and petroleum products supply contracts	14	16	(12.5)%	70	91	(23.1)%
8. Change in fair value of financial assets	–	–	–	–	12	(100.0)%
9. Increase in loss allowance for expected credit losses on debt financial assets	2	1	100.0%	5	7	(28.6)%
10. Other finance expenses	–	4	(100.0)%	9	9*	–
Total finance expenses (1-4+5+6+7+8+9+10)	51	56	(8.9)%	227	290	(21.7)%

* Incl. reclassification of interest on lease agreements

Note: (1) Interest accrued on credits and loans and other financial obligations, (2) Interest is paid according to the schedule, (3) Interests paid shall be capitalized in accordance with IAS 23 standard Borrowing Costs. Capitalization rate is calculated by dividing the interest costs for borrowings related to capital expenditures by the average balance of loans. Capitalized interest shall be calculated by multiplying average balance of construction in progress by capitalization rate, (4) Net effect on operations with financial derivatives was related to FX component fluctuations of cross-currency interest rate swaps.

Variance Analysis



2019 EBITDA and net income sensitivity to +/- 10% change in Urals price

Rub bn



■ -10% 63.4 \$/bbl ■ +10%

2019 EBITDA and net income sensitivity to +/- 10% change in Rub/\$ exchange rate

млрд руб.



■ -10% 64.7 Rub/\$ ■ +10%

Questions & Answers

