

Rosneft Oil Company IFRS Results Q4 and 12M 2015



РОСНЕФТЬ



March 2016

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Macroeconomic Environment




Indicator	2015	2014	%	Q4 15	Q3 15	%
Urals, \$/bbl	51.4	97.6	(47.3)%	41.9	49.4	(15.1)%
Urals, th. RUB/bbl	3.14	3.75	(16.3)%	2.76	3.11	(11.1)%
Naphtha, th. RUB/t	26.86	31.36	(14.3)%	26.06	25.78	1.1%
Gasoil 0.1%, th. RUB/t	29.64	32.18	(7.9)%	26.14	29.62	(11.7)%
Fuel oil 3.5%, th. RUB/t	15.93	20.45	(22.1)%	12.46	15.58	(20.0)%
Average exchange rate, RUB/\$	60.96	38.42	58.6%	65.94	62.98	4.7%
Inflation over period (CPI), %	12.9%	11.4%	-	2.3%	1.7%	-

Source: average prices were calculated from unrounded data of analytical agencies

Overview of Key Developments



Exploration & HC Reserves	<ul style="list-style-type: none">▶ Record high exploration drilling success rate at 84%¹, 7 fields and 117 new deposits discovered² with 232 mmtoe of total C1+C2 reserves▶ ABC1 hydrocarbon reserves replacement ratio at 168%, SEC proven hydrocarbon reserves replacement ratio at 124%³	
Production	<ul style="list-style-type: none">▶ 1% hydrocarbon production growth to a record high of 254.2 mmtoe▶ 36% development drilling growth to 6.9 mln m▶ 10.2% gas production growth to 62.54 bcm	
Services	<ul style="list-style-type: none">▶ In-house rig fleet reached 223 operating units, number of crews rose to 208, share of internal services exceeded 50%▶ Successfully integrating new fracturing division from the acquired assets of Trican Well Service	
Refining	<ul style="list-style-type: none">▶ Full transition to Euro-5 motor fuels production for the Russian market in accordance with Technical Regulations requirements▶ Light product yield increased from 54.8% to 55.3%, refining depth improved from 65.3% to 66.5%	
Commerce & Logistics	<ul style="list-style-type: none">▶ Oil supplies to Asian market were up by 18.5% to 39.7 mmt▶ Contract with Polish PKN Orlen on crude oil supplies up to 25.2 mmt extended by 3 years (starting Feb 1, 2016 to Jan 31, 2019)	
Finance	<ul style="list-style-type: none">▶ Confident financial results despite negative macroeconomic environment: financing of approved investment program, keeping sustainably low unit OPEX in RUB terms, debt reduction	

Note: (1) For the last 5 years, (2) Including joint projects with partners, (3) Calculated using metric units

Key Operating Indicators



Indicator	2015	2014	%	Comment
SEC proven hydrocarbon reserves mmboe	34,465	33,977	+1.4%	Stable reserve replacement. RRR of 124% ¹
Hydrocarbon production, incl. kboed	5,159	5,106	+1.0%	Record high average daily hydrocarbon production
Crude oil and NGL, kboed	4,116	4,159	(1.0)%	Production decline rates at brownfields reduced due to expansion of the drilling program, commissioning of new wells and application of modern technologies
Gas, kboed	1,043	947	+10.2%	Increase of treated gas supplies in UGSS from Vankor, production start-up at new fields and ramp-up at existing fields
Refining throughput, mmt	96.90	99.83	(2.9)%	Redistribution of volumes towards superb margin sales channels in weak market conditions and adverse effect of tax maneuver on the downstream segment
Refining depth, %	66.5	65.3	+1.2 pp	Increase of vacuum gasoil production and optimization of secondary processes

Note: (1) Calculated using metric units

Key Financial Indicators (RUB bln)



Indicator	2015	2014	%	Q4 15	Q3 15	%
Revenues, RUB bln	5,150	5,503	(6.4)%	1,196	1,296	(7.7)%
EBITDA, RUB bln	1,245	1,057	+17.8%	278	297	(6.4)%
Net profit attributable to shareholders, RUB bln	355	348	+2.0%	53	112	(52.7)%
Operating cash flow ¹ , RUB bln	1,252	1,129	+10.9%	326	317	+2.8%
CAPEX, RUB bln	595	533	+11.6%	186	140	+32.9%
Net debt, RUB bln	1,694	2,467	(31.3)%	1,694	1,622	+4.4%
Urals, th. RUB/bbl	3.14	3.75	(16.3)%	2.76	3.11	(11.1)%

Notes:

(1) Excluding prepayments received in the amount of RUB 1,027 in Q3 2015 and RUB 497 bln in 2014

(2) Investment volume including equity investments exceeded RUB 600 bln

Key Financial Indicators (\$ bln)



Indicator	2015	2014	%	Q4 15	Q3 15	%
Revenues, \$ bln	86.9	146.7	(40.8)%	18.6	21.1	(11.8)%
EBITDA, \$ bln	20.8	29.0	(28.3)%	4.3	4.7	(8.5)%
Net profit attributable to shareholders, \$ bln	6.1	9.3	(34.4)%	0.8	1.8	(55.6)%
Operating cash flow ¹ , \$ bln	21.9	29.7	(26.3)%	5.3	5.2	+1.9%
CAPEX, \$ bln	9.7	13.9	(30.2)%	2.8	2.2	+27.3%
Net debt, \$ bln	23.2	43.8	(47.0)%	23.2	24.5	(5.3)%
Urals, \$/bbl	51.4	97.6	(47.3)%	41.9	49.4	(15.1)%

Note: (1) Excluding prepayments received in the amount of \$15.7 bln and \$14.8 bln in 2014



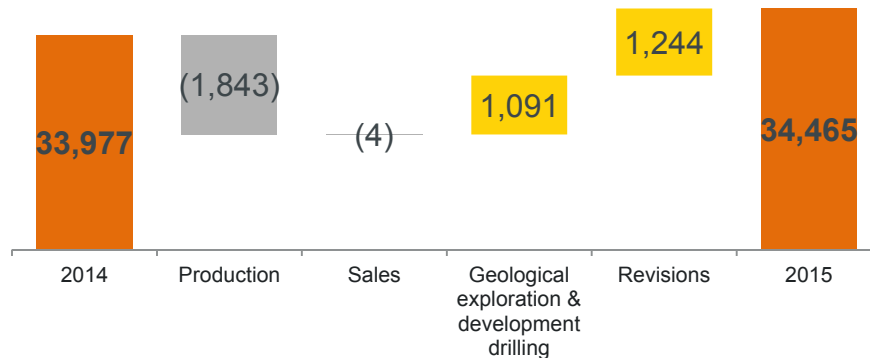
Operating Results

Exploration & Reserves



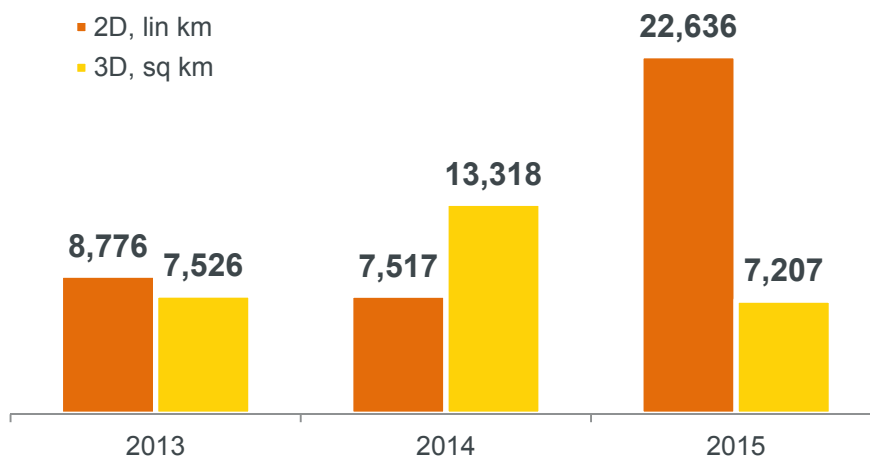
Reserves¹

mmboe



Seismic works

- 2D, lin km
- 3D, sq km



Key achievements for 2015

- ▶ 2D seismic tripled y/y with unprecedented work scope in the Arctic offshore
- ▶ Record high exploration drilling success rate of 84%
- ▶ 7 fields and 117 new deposits discovered² with 232 mmtoe of total C1+C2 reserves
- ▶ Reserves increment due to geological survey amounted to 276 mmtoe
- ▶ ABC1 hydrocarbon reserve replacement at the level of 429 mmt or ~168% of production in Russia
- ▶ Total SEC proven hydrocarbon reserves increased 1.4% to 34.5 bln boe
- ▶ Proven SEC reserve replacement ratio:
 - 124% in 2015
 - 188% average for 2013-2015
 - >200% average for 10 years
- ▶ PRMS 2P reserve replacement ratio³ amounted to 100% in 2015

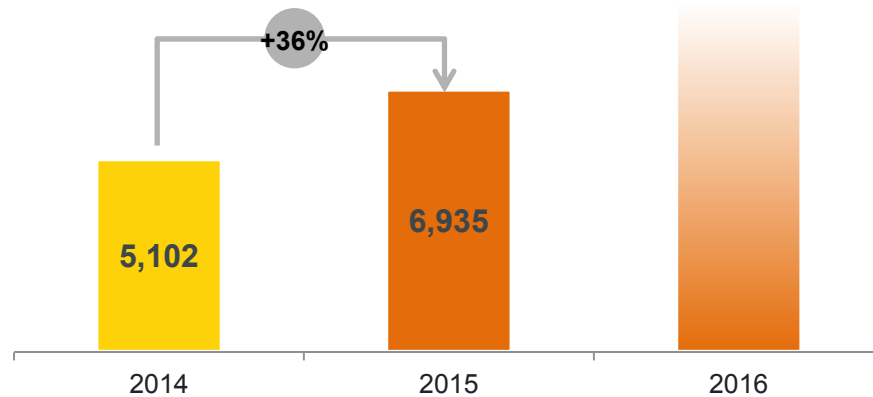
Note: (1) Proven SEC reserves, data provided in accordance with auditor report, (2) Including joint projects with partners, (3) Calculated using metric units

Development Drilling



Development drilling

th. m



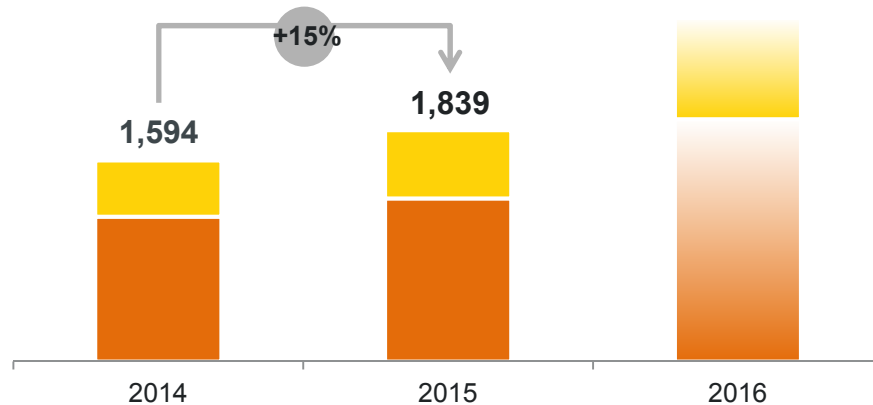
Key achievements for 2015

- ▶ Development drilling up 36%
- ▶ The share of production drilling performed by the internal service units exceeded 50%
- ▶ Record high number of new oil wells completed (1,839 wells). New horizontal wells completion is up 24% y/y
- ▶ Optimization of well construction technological programs – horizontal wells drilling rate increased by 6% compared to 2014
- ▶ Efficient wellwork – horizontal wells with multi-stage hydrofrac increased by ~45%; side-tracking operations increased by >44% with incremental production exceeding 2.6 mmt

New oil wells completed

units

- Directional wells
- Horizontal wells



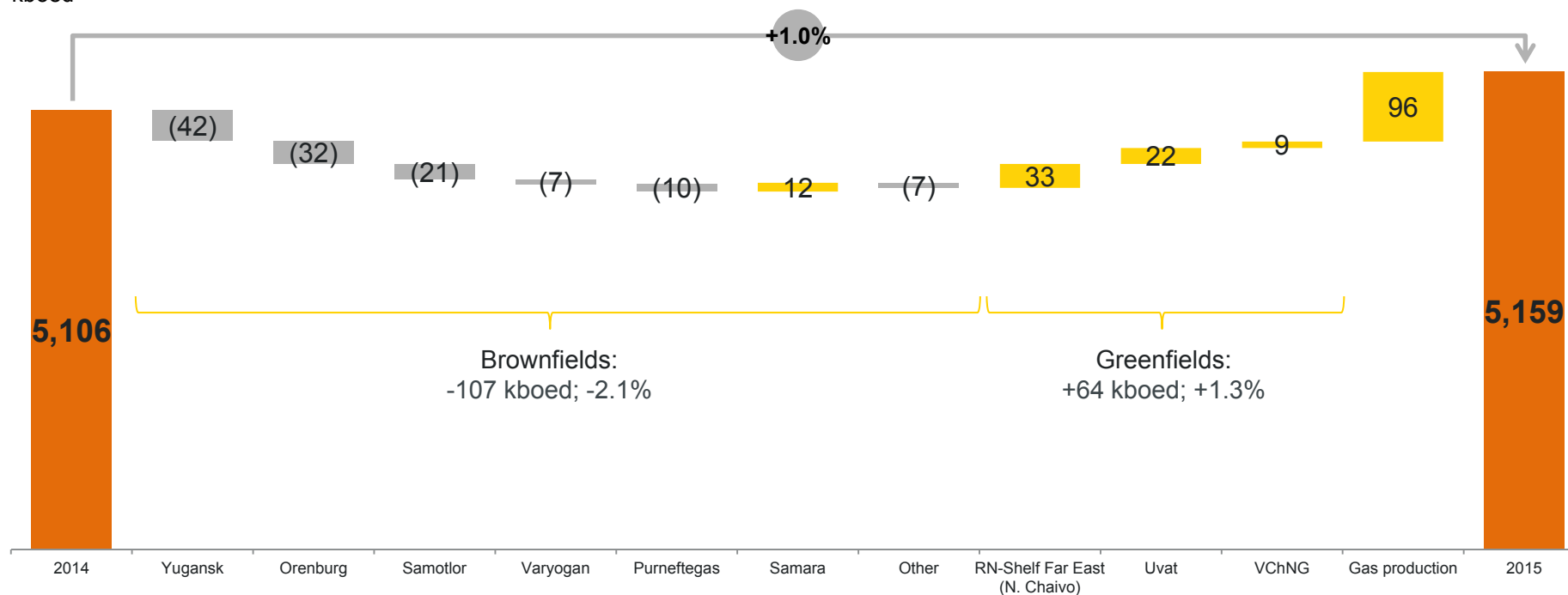
Plans for 2016

- ▶ Increase development drilling by at least 30% YoY
- ▶ New wells completion plan - over 2,500 wells of which no less than 30% are horizontal wells
- ▶ Further enhancement of drilling efficiency

Hydrocarbon Production



kboed



- ▶ **Greenfields production growth** on development drilling program ramp-up and successful use of workovers. Reducing of natural decline rates at Company's brownfields due to increase of the number and quality of wellworks.
- ▶ **Northern Chaivo:** over 2 mmt of oil cumulative production since the field development start-up in 2014. 3 extended reach oil wells with horizontal length of 10 km and total daily production of over 6kt were commissioned, 4th well construction is under way.
- ▶ **Uvat:** faster commissioning of new wells (94 wells in 2015), 3 new fields put on stream – Protozanovskoe, South Gavrikovskoe and Malyk field, development drilling started at Zapadno-Epassky field, additional commissioning of key infrastructure facilities.
- ▶ **Gas production:** production growth was mainly driven by the increase of treated gas supplies in UGSS from Vankor, production start-up at Khadyryakhinskiy license block in Dec 2014, commissioning of new gas wells at Tarasovskoe field in Purneftegaz in 2H 2014, increase of gas production at Rospan and pilot development of the Northern Chaivo field in Sakhalin

Progress in Key Projects in NAO



Labagan

- ▶ Commercial production started in 3Q 2015
- ▶ The first start-up complex launched at Labaganskoye field in Nenets Autonomous District
- ▶ Production to reach ~1 mmtoe in 2016
- ▶ PRMS 3P reserves as of Dec 31, 2015 estimated at 35 mmtoe / 241 mmboe
- ▶ 21 well commissioned in 2015 with total average production of 1.6 ktpd



Naul

- ▶ Commercial production to start in Q3 2016
- ▶ 2016 construction facilities: 2 pads with utilities, pressure pipeline (20 km), multiphase pump station and power park
- ▶ Target production in 2017 ~0,4 mmtoe
- ▶ PRMS 3P reserves as of Dec 31, 2015 estimated at 36 mmtoe / 239 mmboe
- ▶ 7 wells to be drilled in 2016 with average expected initial flow rates at 90.3 tpd



Progress in Key Projects in Yamalo-Nenets AD and North of Krasnoyarsk region



Suzun

- ▶ Field development in 2 stages:
 - Stage 1 - delivery of the key oil treatment and transportation facilities in 2016
 - Stage 2 - delivery of the key gas facilities and external power supply and auxiliary facilities in 2018
- ▶ Crude oil production plateau of ~4.5 mmt to be reached in 2017
- ▶ PRMS 3P reserves as of Dec 31, 2015 estimated at 75 mmtoe / 570 mmboe
- ▶ As part of FFD, 27 wells drilled; in progress - field infrastructure setup, construction of OTF, facilities, oil pipeline Suzun-Vankor



East-Messoyakha¹

- ▶ Field to be brought into development in Q4 2016
- ▶ Production plateau of ~5 mmt to be reached after 2018
- ▶ PRMS 3P reserves as of Dec 31, 2015 estimated at 212 mmtoe / 1,461 mmboe
- ▶ As part of FFD, 36 wells drilled; in progress - field infrastructure setup, construction of main facilities: CPF, GTTP, field support base, pressure pipeline for connection with main oil pipeline Zapolyarye - Purpe



Note: (1) Field license is owned by Messoyakhaneftegaz, a JV with Gazpromneft (50%/50%), above data are provided as 100%



Upstream Portfolio Optimization

- ▶ Bringing partners to the existing projects
 - Vankor
 - Activities to finalize the sale of 15% stake to ONGC are under way
 - MoU on cooperation assuming increase of ONGC stake to 26% signed
 - Heads of Terms on sale of 23.9% stake to the group of Indian companies signed
 - Taas-Yuryakh
 - Deal on sale of 20% stake to BP closed
 - Agreement on sale of 29.9% stake to consortium of Indian investors signed
- ▶ Attracting partners to the new projects to share risks, financing and transfer technologies in order to efficiently develop the fields
 - Sale of 49% stake in Yurubcheno-Tokhomscoe and Russkoe fields to Sinopec
- ▶ Low-margin assets optimization
 - Regular ranking, and prioritizing process; ongoing work with low-margin assets
 - Sale of 50% stake in Polar Lights closed



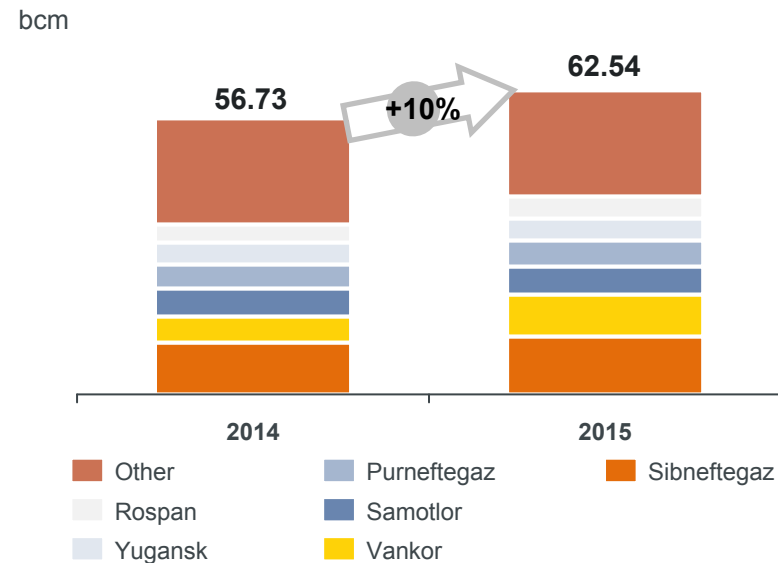
Gas Business: organic production growth and efficient monetization



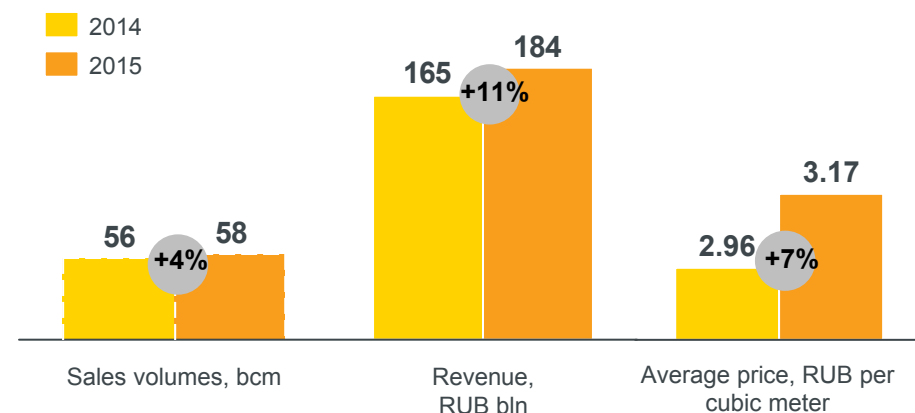
Key achievements for 2015

- ▶ 10% organic production growth
- ▶ APG utilization increase to 87.9% in 2015 (80.9% in 2014) mainly due to supplies from Vankor
- ▶ ABC1+C2 gas reserves increased by 4% to 7.5 tcm as of the year end
- ▶ Company share on domestic market reached ~16%¹ in 2015
- ▶ In Q4 2015 long-term contracts signed with EVRAZ subsidiaries for gas supplies in the amount of ~14 bcm for 10 years starting in 2016
- ▶ The Company supplied 2.4 bcm of gas through exchange platform SPIMEX (~35% of the total trading volume) in 2015
- ▶ Created JV with Alltech which will become the base for high-tech gas production hub in NAO. JV gas reserves to be monetized through production of LNG
- ▶ In Q4 2015 the 2nd stage of Novo-Urengoi gas and condensate treatment units of Rospan was launched in test mode. It will be a driver of production growth in the coming years

Gas production



Gas sales in Russia

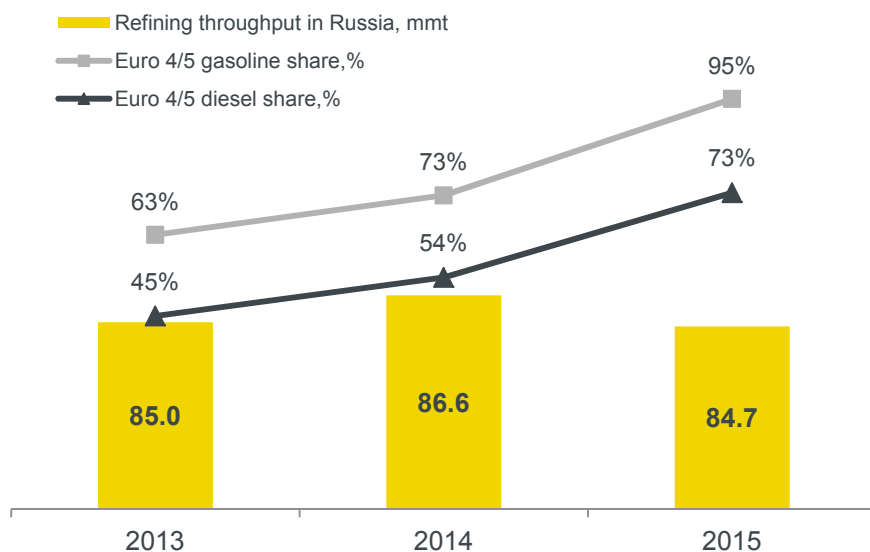


Note: (1) Preliminary estimates based on total domestic consumption forecast for 2015

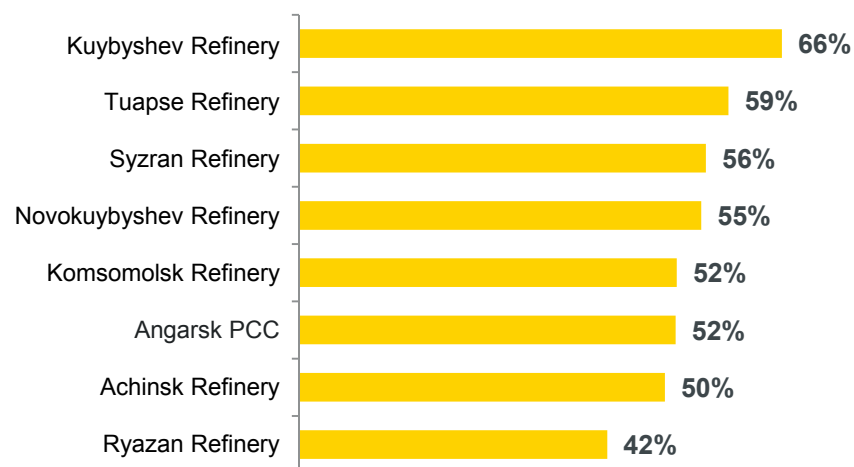
Refining: conversion to Euro-5 product quality



Processing and production of motor fuels



Progress in refineries upgrade program



Key achievements for 2015

- ▶ Light product yield improve from 54.8% to 55.3%, refining depth increase from 65.3% to 66.5%
- ▶ Full transition to Euro-5 motor fuels production for the Russian market in accordance with Technical Regulations requirements
- ▶ Commissioning of isomerization units in Kuibyshev refinery, Novokuybyshev refinery and Ryazan refinery and launch of MTBE in Angarsk petrochemical company
- ▶ Reconstruction of catalytic reforming unit at Syzran and Kuybyshev refineries completed

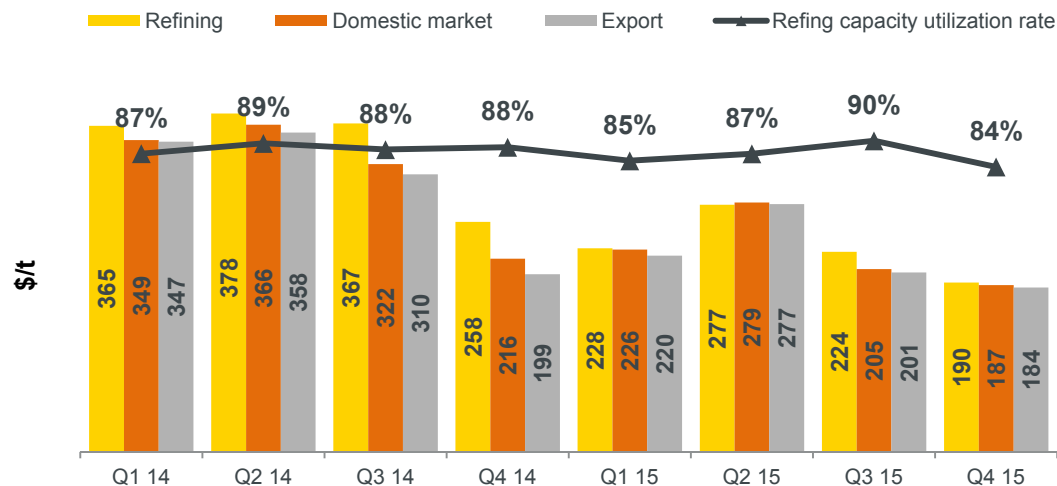
Plans for 2016

- ▶ Commissioning of FCC unit and MTBE unit at Kuibyshev refinery
- ▶ Further progress in facilities upgrade program
- ▶ Implementation of import substitution program - completion of catalyst regeneration project at Novokuybyshev catalyst plant
- ▶ Further improvement in efficiency and existing assets management

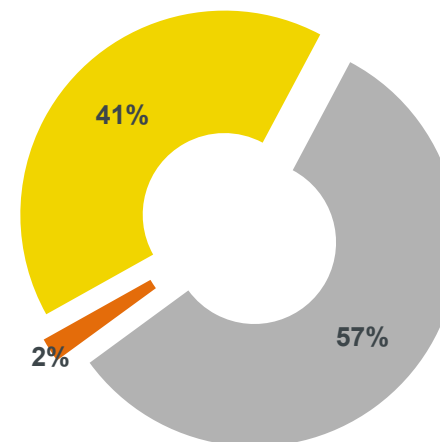
Crude Oil and Petroleum Products Sales



Netbacks of the main oil monetization channels

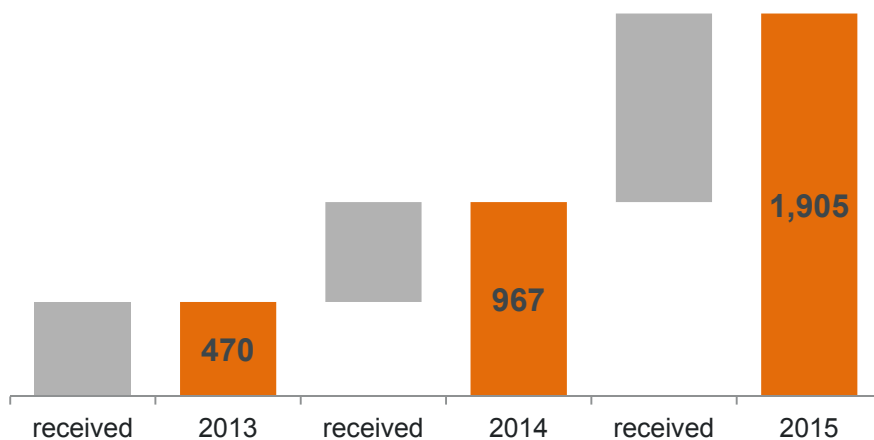


Oil monetization structure (Q4 15)¹



Prepayments under long-term oil supply contracts

RUB bln



- Oil supplies to Asian market increased by 18.5% to 39.7 mmt in 2015
- Signed a contract with ChemChina for the supply of 2.4 mmt/tpa of ESPO crude by July 2016
- Contract with Polish PKN Orlen on crude oil supplies up to 25.2 mmt extended by 3 years (starting Feb 1, 2016 to Jan 31, 2019)

Note: (1) As a percentage of total crude oil supplies



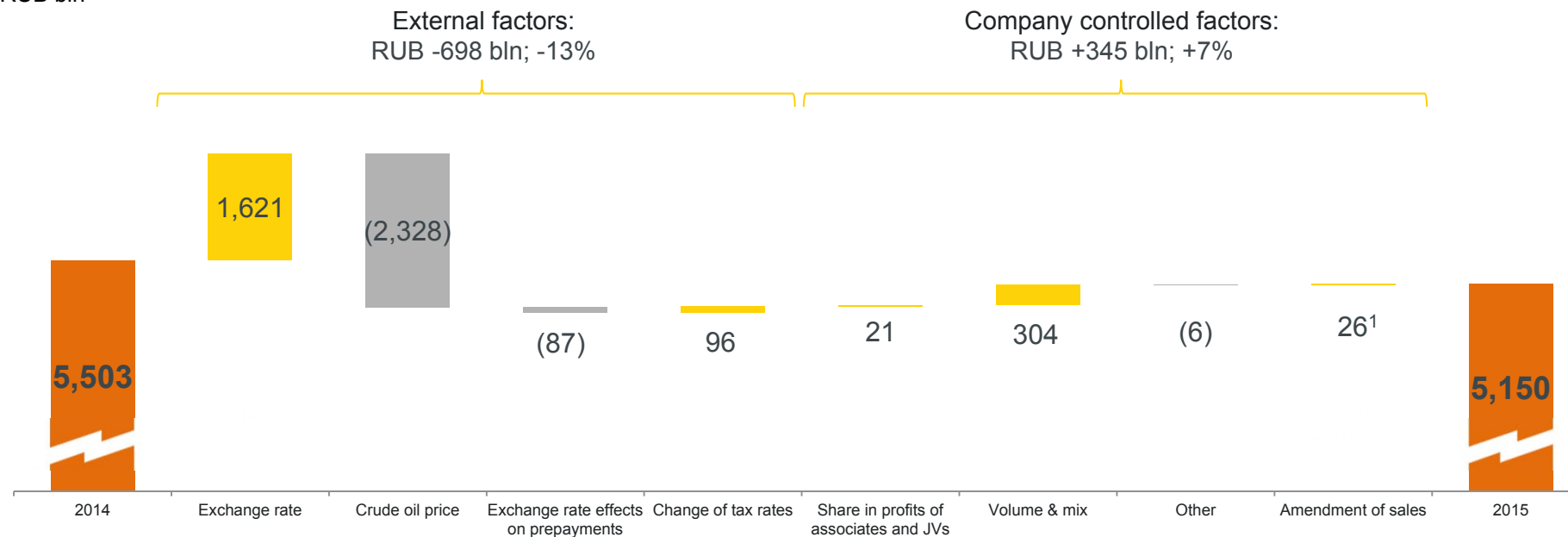
Financial Results

Revenue



2015 vs 2014

RUB bln



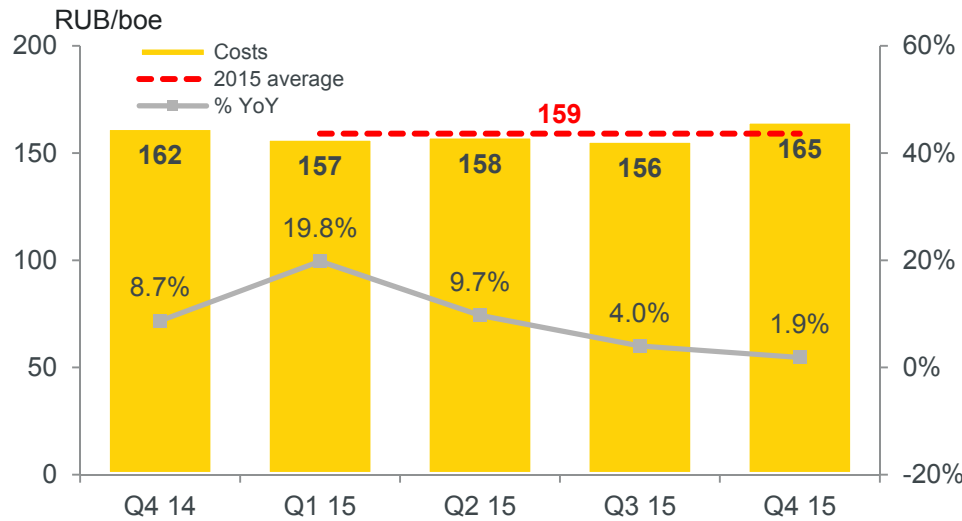
- ▶ 16.3% crude oil price drop in RUB terms
- ▶ Crude oil and petroleum product sales abroad up 6.0%
- ▶ 3.8% gas sales growth
- ▶ Effect of export duty decrease on domestic prices calculated on export parity basis amounted to RUB 96 bln

Note: (1) Amendments of sales and cost outside Russia related to update of invoices received from the partner are disclosed on gross basis with net impact of RUB (3.2) bln for the reporting period

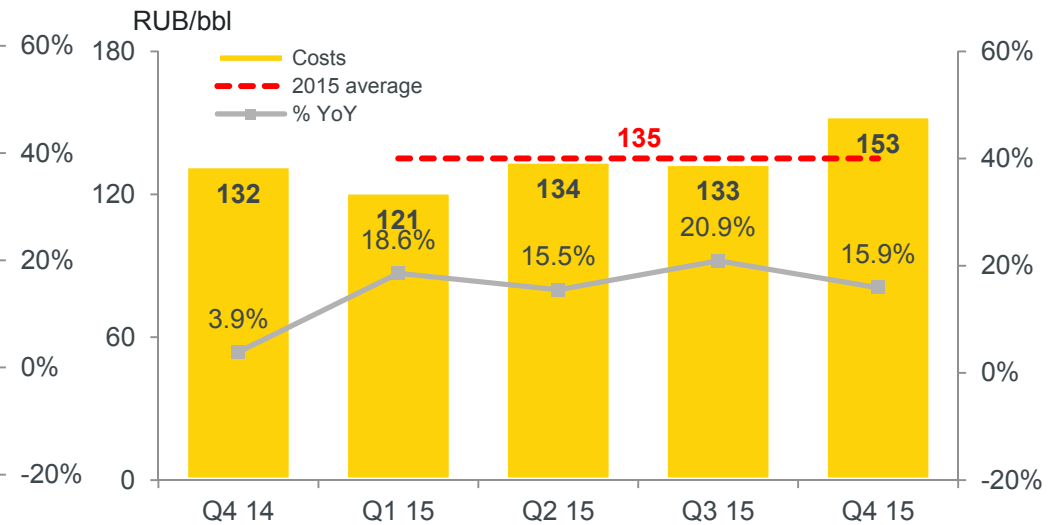
Operating Costs Dynamics



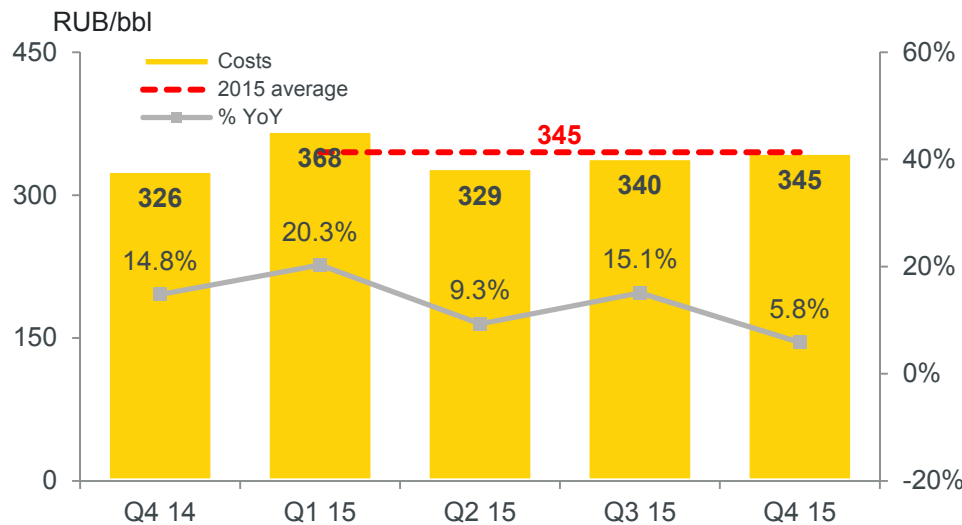
Lifting costs



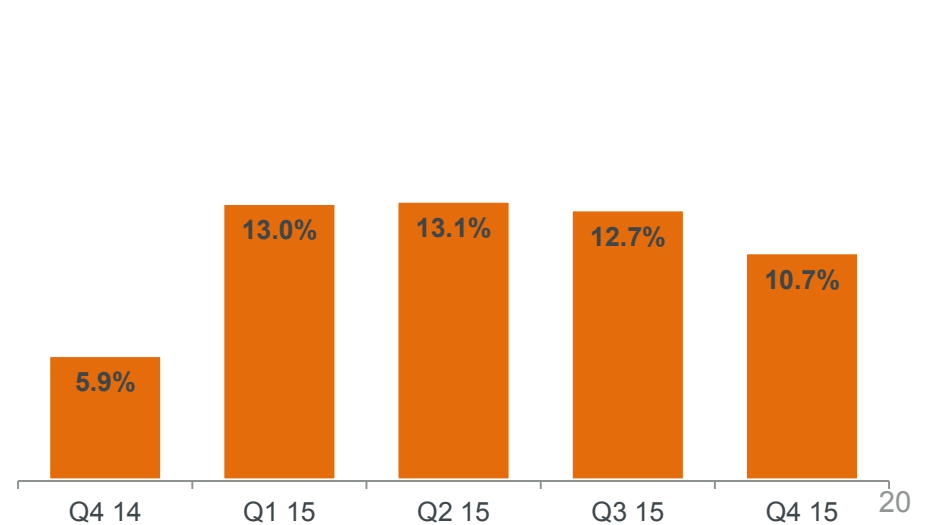
Refining costs in Russia



Transportation costs



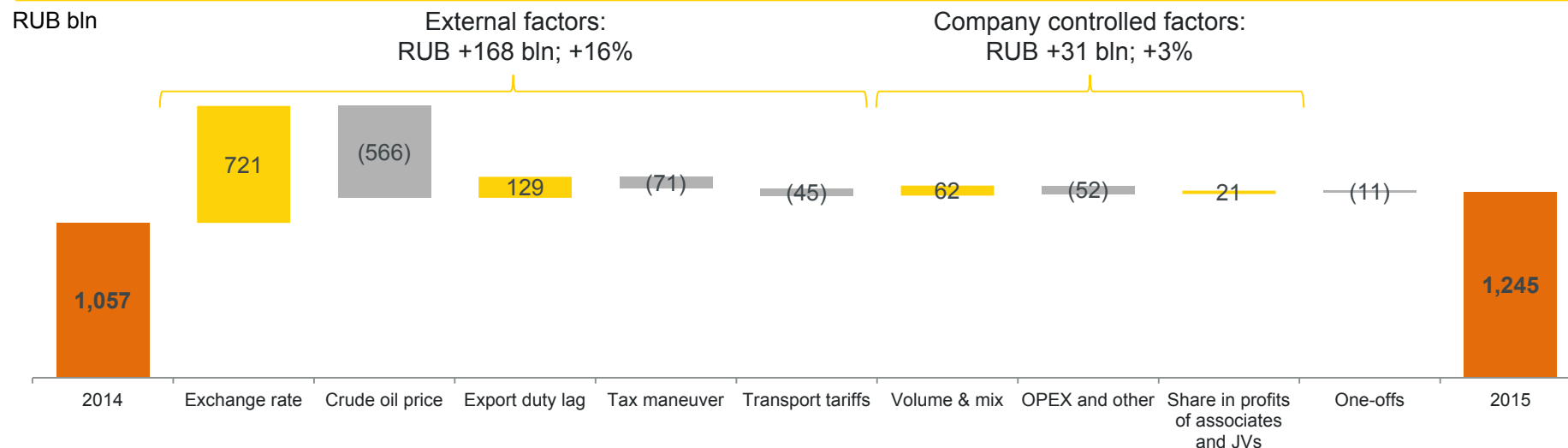
Producer price index (annual basis)



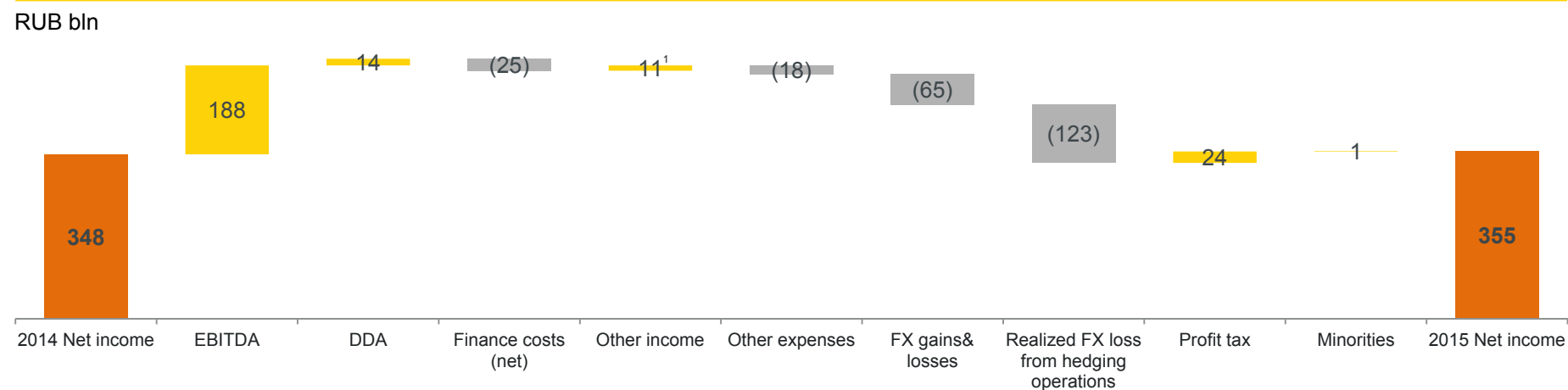
EBITDA and Net Profit



EBITDA 2015 vs 2014



Net income 2015 vs 2014

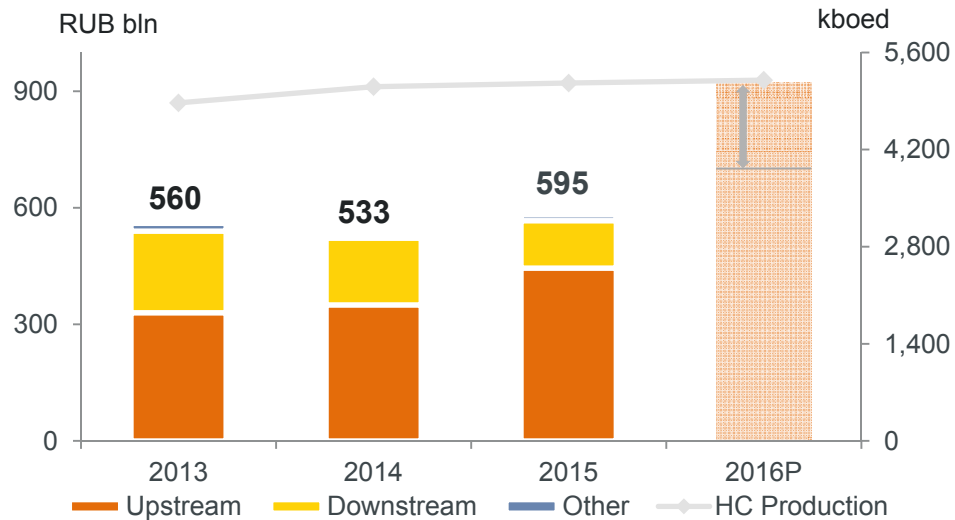


Note: (1) Other income includes proceeds from share in Yugrugaspererabotka sale in 1Q 2014 in the amount of RUB 56 bln, and income from litigation debt relief in 1H 2015 totaling RUB 37 bln as well as income from insurance indemnity, effect of disposal of equity investments and compensations under existing JVs in the amount of RUB 38 bln recognized in Q4 2015

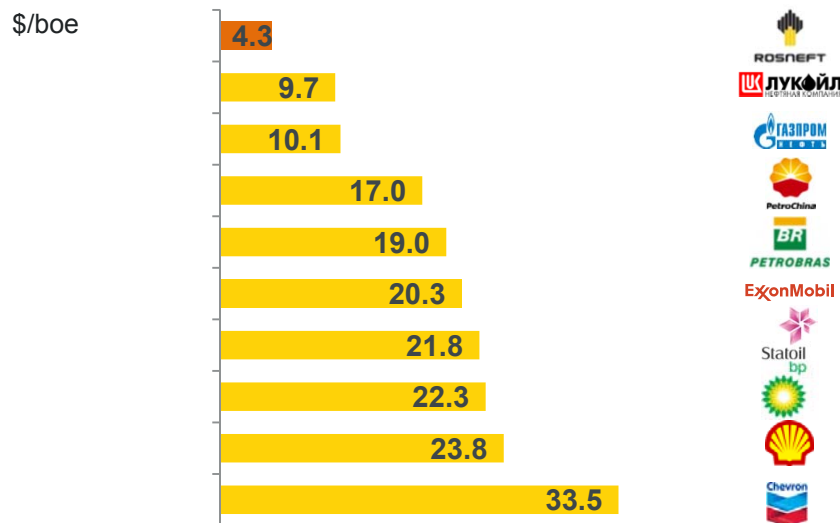
CAPEX



CAPEX and production



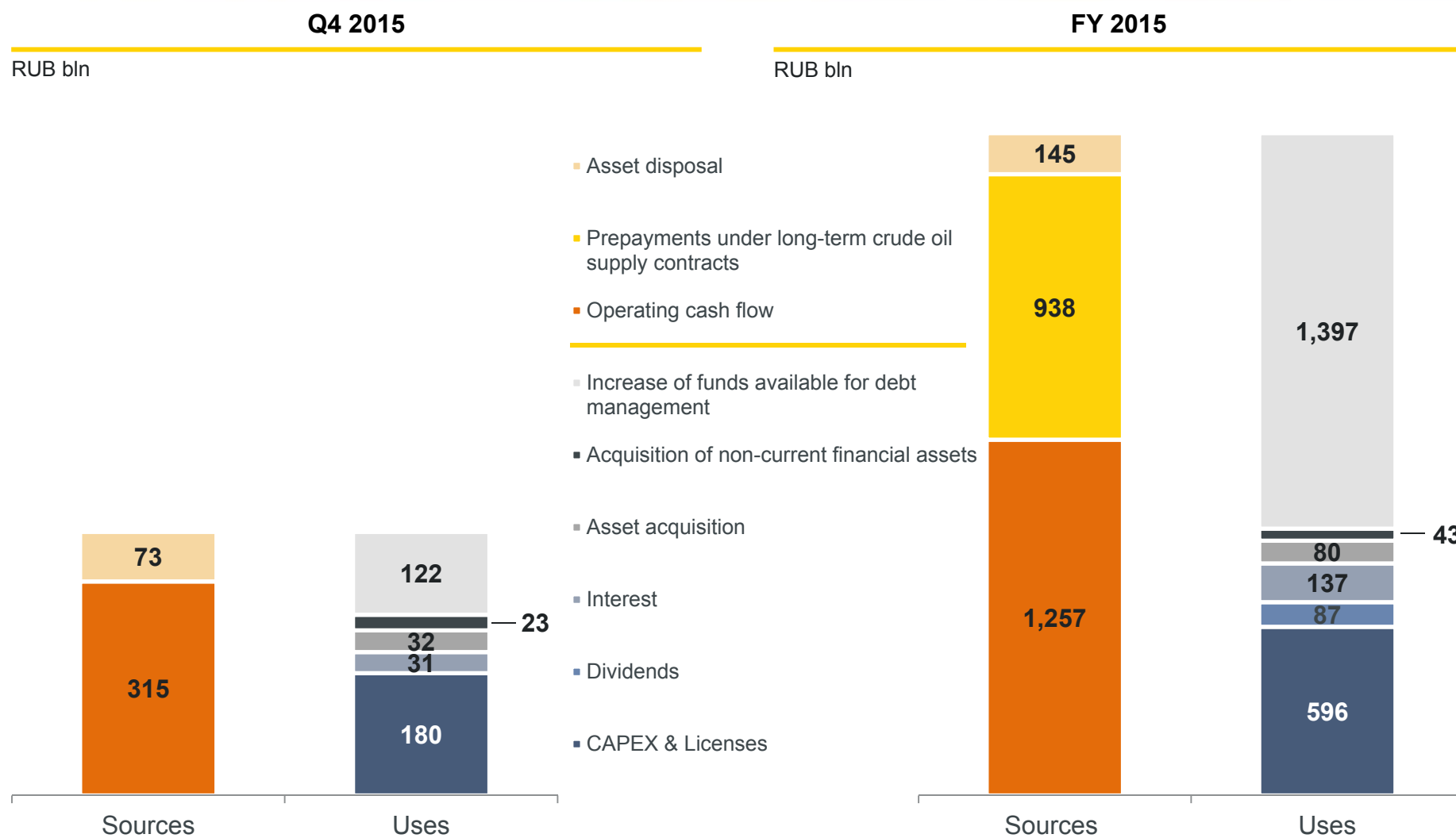
Upstream CAPEX 2015¹: benchmarking



- ▶ 11.6% CAPEX growth in 2015 due to:
 - Development drilling ramp-up at mature fields
 - Infrastructure setup and development of new fields: Suzun, Northern Chayvo, Yurubcheno-Tokhonskoye, Labaganskoye, Srednebotuobinskoye
- ▶ Maintained leadership in unit upstream CAPEX – \$4.3 per boe in 2015
- ▶ 2016 CAPEX increase factors:
 - Meet strategic target on hydrocarbon production growth
 - Investments growth in field infrastructure setup during implementation of new major projects (YuTM, Russkoye, Srednebotuobinskoye, Suzun) on the basis of the design and preparatory work carried out in the previous years
 - Exploration both onshore and offshore, in accordance with the license obligations to ensure production growth

Note: (1) Lukoil – data for 9M 2015

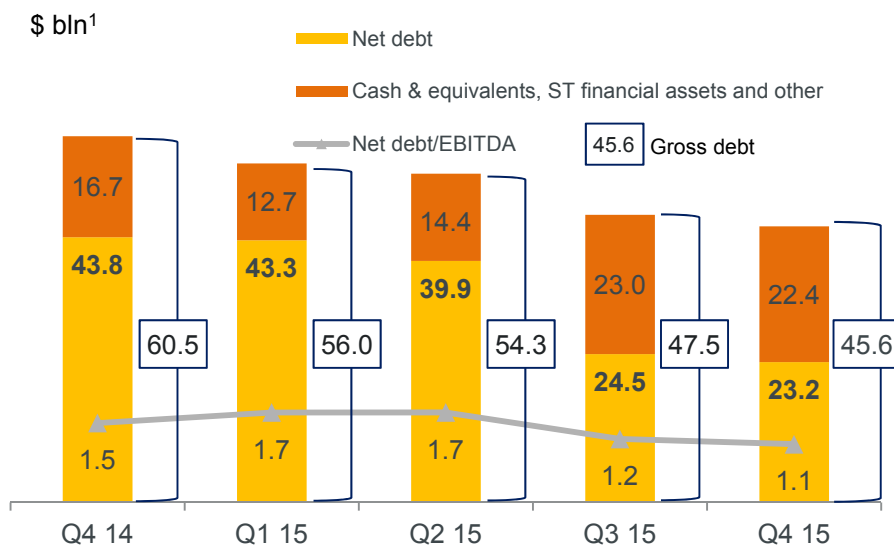
Sources and Uses of Cash



Financial Stability

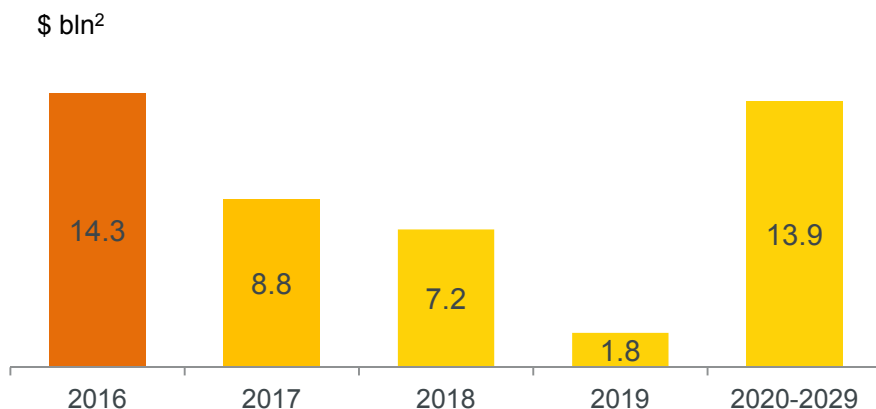


Debt and net debt dynamics

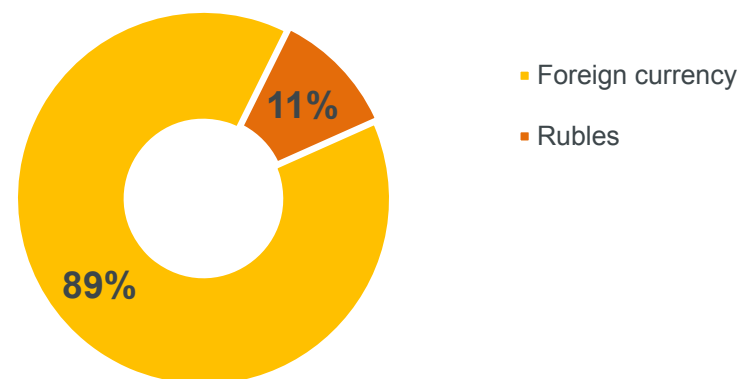


- Gross debt for 12M 2015 decreased by \$14.9 bln¹ (24.6%) to \$45.6 bln¹ (RUB 3,323 bln), net debt was down \$20.6 bln¹ (47.0%) to \$23.2 bln¹ (RUB 1,694 bln)
- Free cash, short-term financial assets and part of long-term deposits amounted to \$22.4 bln¹ (RUB 1,629 bln) as of Dec 31, 2015

Debt maturity profile



Debt profile by currency



Note: (1) Based on the CBR exchange rate as of the end of the relevant reporting period, (2) Excluding future interests accrued after Dec 31, 2015, including future lease payments

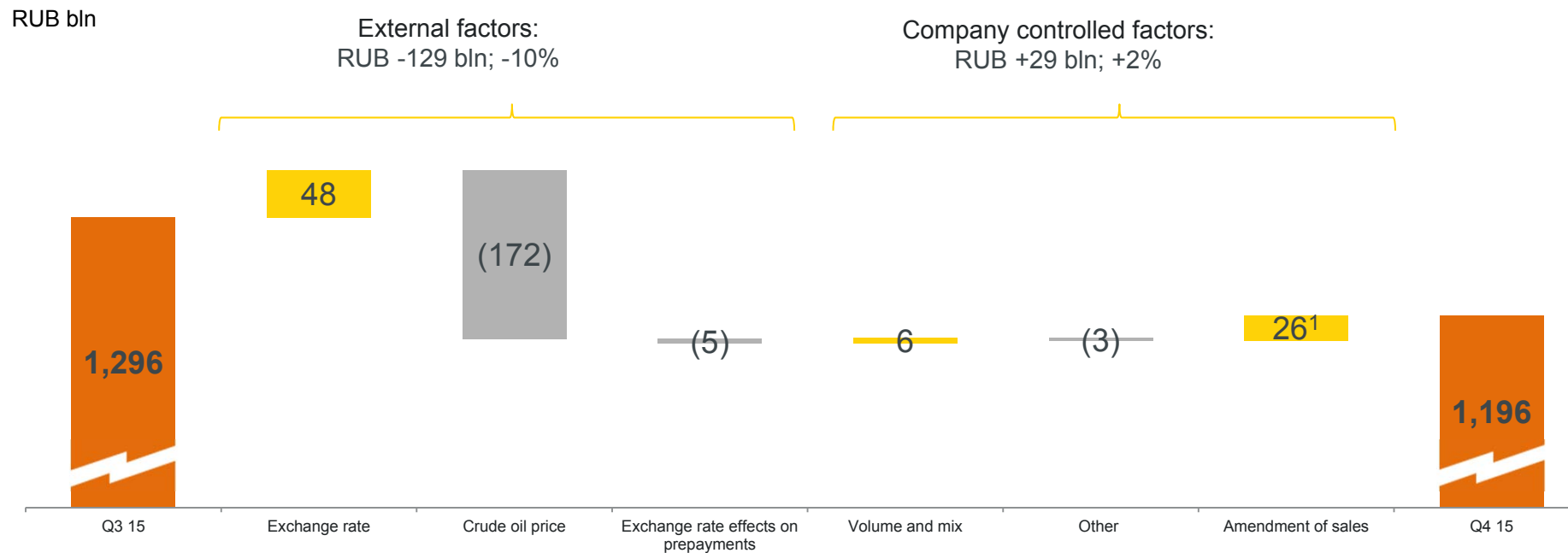


Appendix

Revenue



Q4 15 vs Q3 15



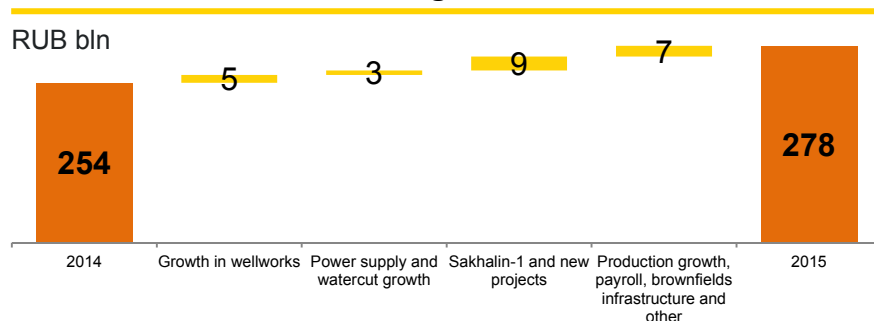
- ▶ 11.1% crude oil price drop in RUB terms QoQ
- ▶ Crude oil sales volumes up 1.7% QoQ
- ▶ 18.2% gas sales increase

Note: (1) Amendments of sales and cost outside Russia related to update of invoices received from the partner are disclosed on gross basis with net impact of RUB (3.2) bln for the reporting period

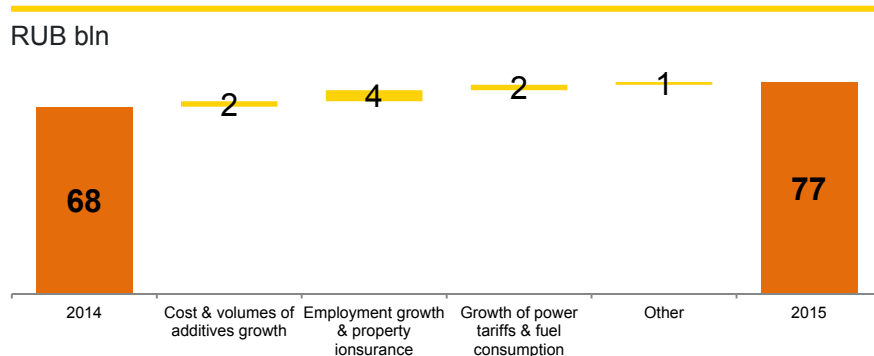
Changes in Expenses 2015 vs 2014



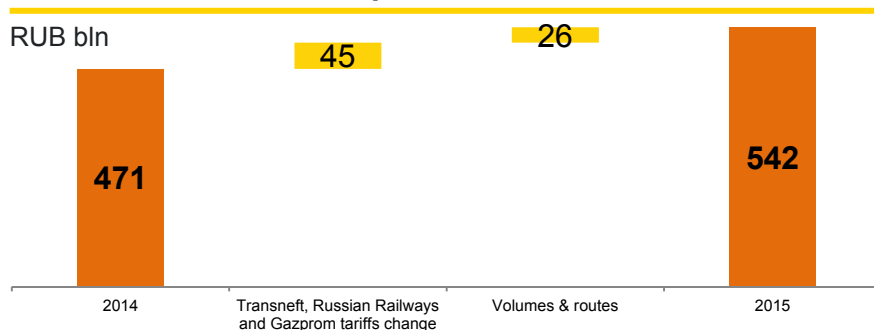
Lifting costs



Refining costs in Russia



Transportation costs



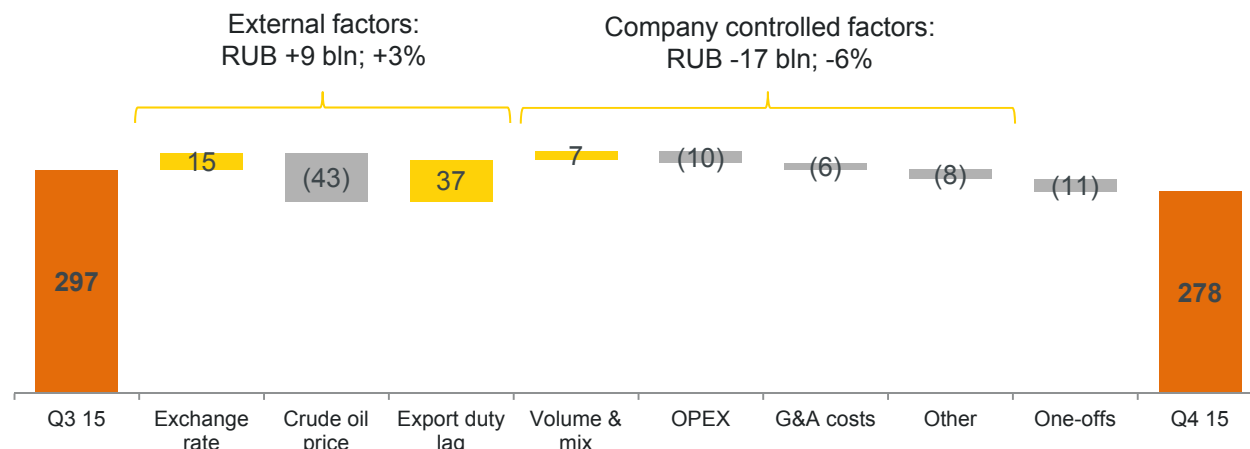
- ▶ Lifting costs growth due to increased workovers, natural watercut growth at brownfields, and power tariff increase
- ▶ From April 1, 2015, wages of subsidiaries employees were increased by 7.5%
- ▶ Refining costs growth due to increased costs and volumes of additives used for motor fuels production of Euro-4 and higher
- ▶ Growth in Transneft crude transportation by trunk pipelines tariffs by 6.5%, by 7.5% for ESPO deliveries from January 1, 2015
- ▶ Growth in Transneft product transportation tariffs by 10% from February 1, 2015
- ▶ Growth in Gazprom gas transportation tariffs via gas pipeline within Russia by 2% from July 1, 2015
- ▶ Starting Jan 1, 2015 10% indexation of tariffs, charges and payments for cargo transportation and infrastructure utilization while handling transportation by Russian railways
- ▶ 15.5% CPI growth YoY

EBITDA and Net Profit



EBITDA Q4 15 vs Q3 15

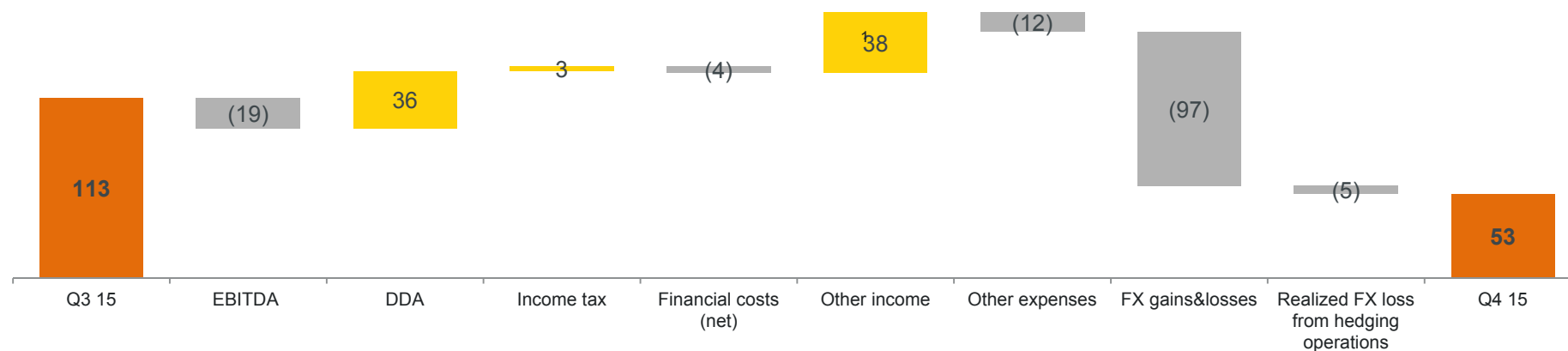
RUB bln



- ▶ Positive effect of export duty lag
- ▶ RUB depreciation partially offset negative effect of crude oil price drop
- ▶ Seasonal growth of OPEX and G&A costs

Net profit Q4 15 vs Q3 15

RUB bln



Note: (1) In Q4 15 the Company recognized income from insurance indemnity, effect of disposal of equity investments and compensations under existing JVs in the amount of RUB 38 bln

FX Exchange Risk Hedge



	2015, RUB bln			2014, RUB bln		
	Before tax	Profit tax	Net of income tax	Before tax	Profit tax	Net of income tax
Recognized as a part of other comprehensive income/(loss) as for the beginning of the period	(498)	100	(398)	–	–	–
Exchange gains/(losses) for the period	(215)	43	(172)	(498)	100	(398)
Recognized in revenues for the period	123	(25)	98	–	–	–
Recognized as a part of other comprehensive income/(loss) for the period	(92)	18	(74)	(498)	100	(398)
Recognized as a part of other comprehensive income/(loss) as period end	(590)	118	(472)	(498)	100	(398)

For reference:

Hedging amounts	\$ mln	CBR exchange rate, RUB/\$
As of Dec 31, 2014	29,490	56.2584
As of Mar 31, 2015	28,016	58.4643
As of Jun 30, 2015	15,999	55.5240
As of Sep 30, 2015	1,275	66.2367
As of Dec 31, 2015	3,918	72.8827

Change of EBITDA Calculation



Old methodology

#	Indicator	12M 2015, RUB bln
1	Revenues, incl.	5,027
	Effect from hedge operations	(123)
2	Costs & Expenses, incl.	4,442
3	DDA	450
4	EBITDA (1-2+3)	1,035
5	Effect of prepayments offsetting	87
6	Adjusted EBITDA (4+5)	1,122
	Net income	355

Current methodology

#	Indicator	12M 2015, RUB bln
1	Revenues	5,150
2	Costs & Expenses, incl.	4,442
3	DDA	450
4	Effect of prepayments offsetting	87
5	EBITDA (1-2+3+4)	1,245
	Effect from hedge operations	(123)
	Net income	355

- ▶ Effect of realized FX loss from hedging operations is recognized in the Income statement as a separate line
- ▶ EBITDA changed in accordance with current methodology retrospectively

Adjusted Operating Cash Flow Calculation



Profit and Loss Statement

#	Indicator	2015, \$ bln
1	Revenues, incl.	86,9
	Offsetting of prepayments	2,8
2	Costs and expenses	(73,6)
3	Operating profit (1+2)	13,3
4	Other expenses before income tax	(5,4)
5	Profit before income tax (3+4)	7,9
6	Income Tax	(1,8)
7	Net profit (5+6)	6,1

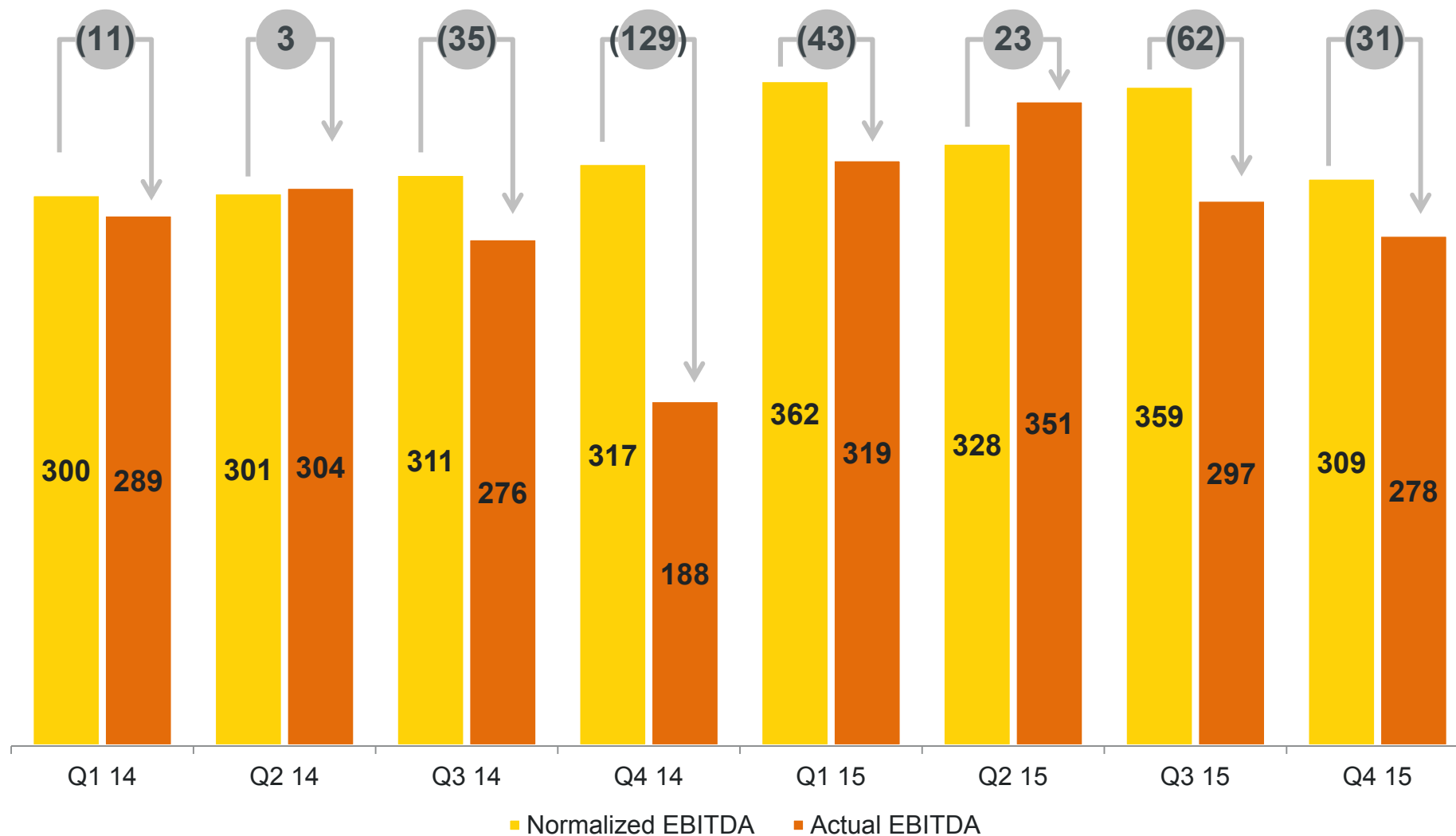
Cash flow statement

2015, \$ bln	Indicator	#
6,1	Net profit	1
13,0	Adjustments to reconcile net income to net cash provided by operating activities	2
17,1	Changes in operating assets and liabilities, incl.	3
(2,8)	Prepayments reimbursed	
15,7	Prepayments received	
(0,2)	Other adjustments	4
(1,0)	Income tax payments, interest and dividends received	5
34,9	Net cash provided by operating activities (1+2+3+4+5)	6
(0,1)	Operations with trading securities	7
(12,9)	Net effect from prepayments	8
21,9	Adjusted operating cash flow (6+7+8)	9

Export Duty Lag



RUB bln



Note: Export duty lag represented above should be treated separately from the factor analysis as it was calculated on a quarterly basis using exchange rates and volumes of the respective period

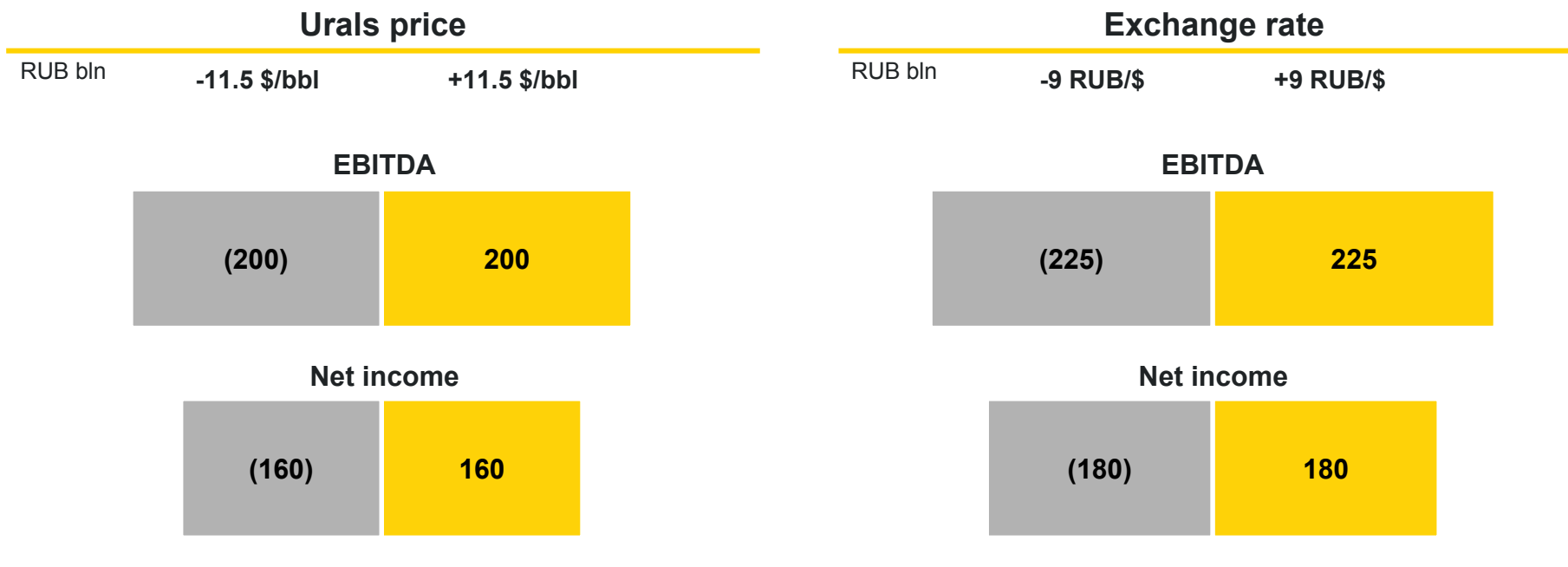
Financial Costs, RUB bln



Indicator	Q4 15	Q3 15	%	2015	2014	%
1. Interest accrued ¹	32	35	(8.6)%	139	96	44.8%
2. Interest paid	31	39	(20.5)%	137	96	42.7%
3. Change in interest payable (1-2)	1	(4)	–	2	–	–
4. Capitalized interest ²	13	13	–	48	39	23.1%
5. Net loss from operations with financial derivatives ³	23	19	21.1%	104	122	(14.8)%
6. Increase in provisions due to time passing	4	3	33.3%	13	9	44.4%
7. Interest on prepayments under long-term supply contracts	22	14	57.1%	58	28	107.1%
8. Other interest expenses	–	2	–	3	3	–
9. Total financial expenses (1-4+5+6+7+8)	68	60	13.3%	269	219	22.8%

Note: (1) Including interest charged on credits and loans, promissory notes, ruble bonds and Eurobonds, (2) Interests costs shall be capitalized in accordance with IAS 23 standard - «Cost of Loans». 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 (3) Quarterly net effect in operations with financial derivatives resulted from fluctuations of currency component of the deals with cross-currency and interest rate swaps and forward

EBITDA and Net Profit Sensitivity



- ▶ Average Urals price in 2015 was at 51.5 \$/bbl. In case it was 11.5 \$/bbl lower (\$40 per bbl), EBITDA would be RUB 200 bln lower
- ▶ Average exchange rate in 2015 was 61 RUB/\$. In case RUB was 9 RUB/\$ lower (70 RUB/\$), EBITDA would be RUB 225 bln higher



Questions and Answers