

Rosneft Oil Company IFRS Results Q3 2015



РОСНЕФТЬ



November 25, 2015

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Overview of Key Developments



Macroeconomic environment¹

Indicator	Q3 15	Q2 15	%	9M 15	9M 14	%
Urals, \$/bbl	49.4	61.8	(20.1)%	54.6	105.1	(48.0)%
Urals, th. RUB/bbl	3.11	3.25	(4.4)%	3.24	3.72	(12.9)%
Naphtha, th. RUB/t	25.78	27.16	(5.1)%	27.03	31.62	(14.5)%
Gasoil 0.1%, th. RUB/t	29.62	30.09	(1.6)%	30.61	31.58	(3.1)%
Fuel oil 3.5%, th. RUB/t	15.58	17.31	(10.0)%	16.93	20.35	(16.8)%
Average exchange rate, RUB/\$	62.98	52.65	(19.6)%	59.28	35.39	(67.5)%
Inflation over period (CPI), %	1.7%	1.0%	-	10.4%	6.3%	-

Highlights

- ▶ Agreement with Indian ONGC on sale of 15% stake in Vankor
- ▶ Signing Heads of Agreement with Sinopec on cooperation within the proposed joint development of Russkoye and Yurubcheno-Tokhomskoye fields
- ▶ Acquisition of Russian assets of Trican Well Service
- ▶ Signing a contract with COSL to drill two exploration wells in the Sea of Okhotsk 2016
- ▶ Sale of 8.99% interest in Saras
- ▶ Signing Memorandum of Understanding with ChemChina for cooperation on the Far-East Petrochemical Company (FEPCO)

Source: Thomson Reuters

Note: (1) Urals average MED and NWE, Naphtha FOB/CIF MED, Gasoil 0.1% FOB/CIF MED, Fuel oil 3.5% FOB/CIF MED

Key Operating Indicators



Indicator	Q3 15	Q2 15	%	9M 15	9M 14	%
Hydrocarbon production, incl. kboed	5,081	5,149	(1,3)%	5,143	5,074	1.4%
Crude oil and NGL production, kboed	4,099	4,126	(0,7)%	4,119	4,162	(1.0)%
Gas production, kboed	982	1,023	(4.0)%	1,024	912	12.3%
Refining throughput, mmt	25.21	23.75	6.1%	73.31	73.59	(0.4)%
Retail sales of petroleum products (domestic market), mmt	2.9	2.7	7.4%	8.1	8.3	(2.4)%

Key Financial Indicators (RUB bln)



Indicator	Q3 15	Q2 15	%	9M 15	9M 14	%
Revenues, RUB bln	1,266	1,312	(3.5)%	3,866	4,192	(7.8)%
EBITDA, RUB bln	244	311	(21.5)%	820	869	(5.6)%
Adjusted EBITDA ¹ , RUB bln	267	326	(18.1)%	879	870	1.0%
Net profit, RUB bln	113	134	(15.7)%	303	261	16.1%
Operating cash flow ² , RUB bln	317	351	(9.7)%	926	774	19.6%
CAPEX, RUB bln	140	141	(0.7)%	409	370	10.5%
Net Debt, RUB bln	1,622	2,215	(26.8)%	1,622	1,772	(8.5)%
Urals, th. RUB/bbl	3.11	3.25	(4.4)%	3.24	3.72	(12.9)%

Note: (1) Adjusted for the difference in the exchange rates applicable at recognition of the revenue from long-term oil supply contracts in 3Q and 2Q 2015 in the amount of RUB 23 bln and RUB 15 bln respectively, as well as RUB 59 bln for 9M 2015, (2) Adjusted for operations with trading securities, and for recognition of prepayments for long-term crude oil supply contracts in the amount of RUB 22 bln and RUB 21 bln for 3Q and 2Q 2015 respectively and prepayments received in 3Q 2015 in the amount of RUB 1,027 bln

Key Financial Indicators (\$ bln)



Indicator	Q3 15	Q2 15	%	9M 15	9M 14	%
Revenues, \$ bln	20.6	25.2	(18.3)%	66.8	118.5	(43.6)%
EBITDA, \$ bln	4.2	6.3	(33.3)%	15.0	24.7	(39.3)%
Net profit, \$ bln	1.8	2.5	(28.0)%	5.3	7.3	(27.4)%
Operating cash flow ¹ , \$ bln	5.2	6.9	(24.6)%	16.6	22.0	(24.5)%
CAPEX, \$ bln	2.2	2.7	(18.5)%	6.9	10.4	(33.7)%
Net Debt, \$ bln	24.5	39.9	(38.6)%	24.5	45.0	(45.6)%
Urals, \$/bbl	49.4	61.8	(20.1)%	54.6	105.1	(48.0)%

Note: (1) Adjusted for operations with trading securities, and for recognition of prepayments for long-term crude oil supply contracts in the amount of RUB 22 bln and RUB 21 bln for 3Q and 2Q 2015 respectively and prepayments received in 3Q 2015 in the amount of RUB 1,027 bln



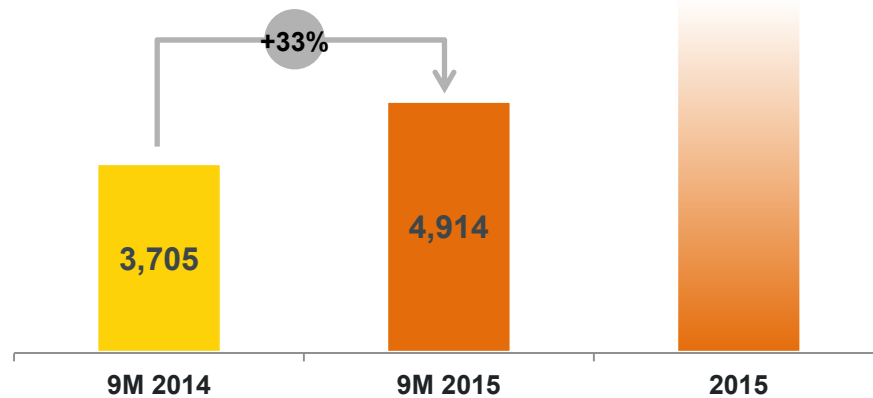
Operating Results

Development Drilling



Development drilling

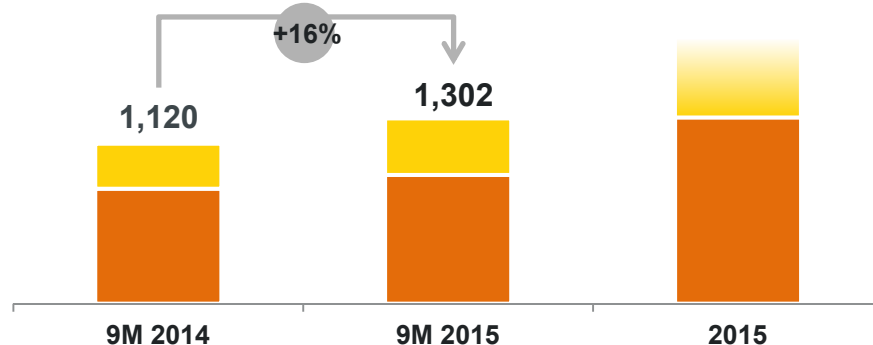
th. m



New oil wells completed

units

- Directional wells
- Horizontal wells



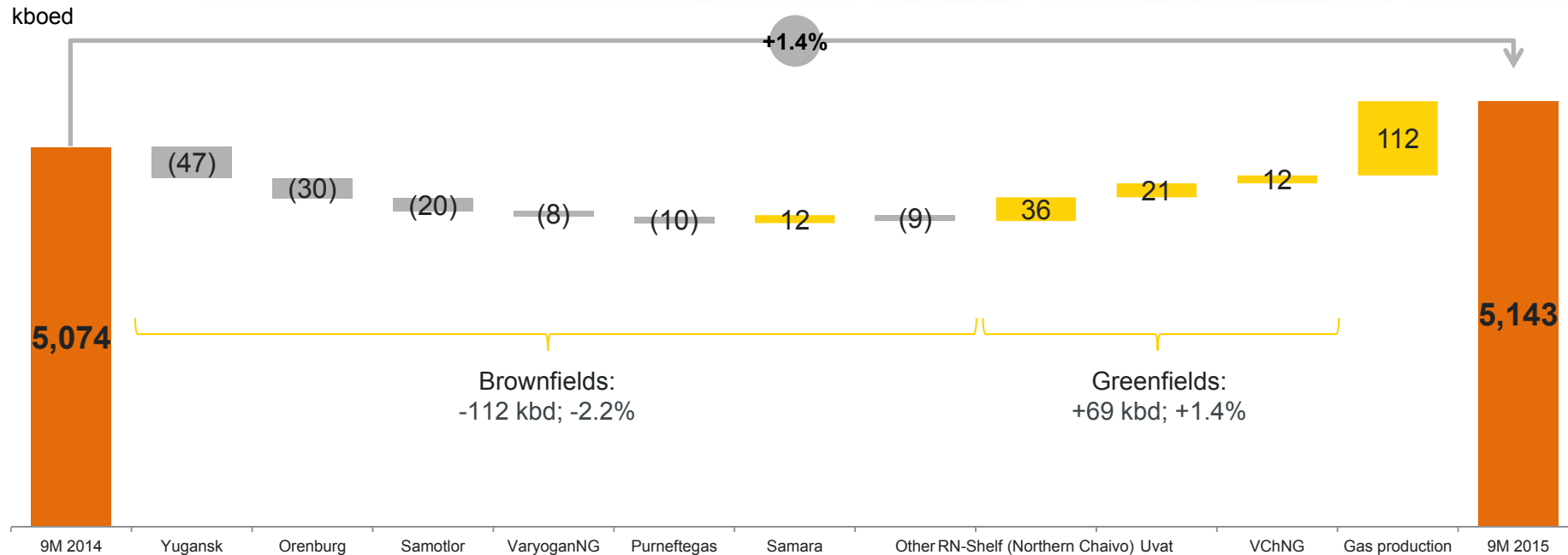
Key achievements for 9M 2015

- ▶ Development drilling up 33%
- ▶ Record new oil wells completion number (1,302). Share of horizontal wells rose by 25% in 9M 2015
- ▶ Optimization of well construction technological programs – horizontal wells drilling rate increased by 6% compared to 9M 2014
- ▶ Efficient wellwork – horizontal wells with multi-stage hydrofrac increased by ~40%; side-tracking operations increased by 48% with incremental production of about 1.5 mmt
- ▶ In-house service share exceeded 50%

Plans for 2015

- ▶ Increase in development drilling by at least 30% YoY
- ▶ New oil wells completion target – 1,700 with horizontal wells share of at least 30%
- ▶ Ensuring the target in-house service share of more than 50% in the mid-term
- ▶ Development of the captive frac division on the base of the acquired assets of Trican Well Services

Hydrocarbon Production



- **Greenfields production growth** on development drilling program ramp-up and successful use of workovers
- Drilling and workovers programs with consistent investment efficiency at mature West Siberian field and in Orenburg target reducing natural decline rates
- **Northern Chaivo:** third NC-3 well put into operation, the average flow rate achieved 7 ktpd
- **Uvat:** rapid development drilling pace ensured the footage of 337.5 th. m; 54 new wells with incremental production of more than 5.5 ktpd put into operation in Q3 2015, development drilling started at South-Gavrikovskoye, West-Epasskoye and Malyk fields (peak production at these fields is expected at about 1.6 mmt in 2017)
- **Gas production:** production growth on putting into operation gas wells at Tarasovskoe field (Purneftegas), production growth at Vankor due to construction of Vankor-Khalmerpayutinskoe gas pipeline

Progress in Key Projects Development



Labagan

- ▶ Commercial production started in 3Q 2015
- ▶ The first start-up complex launched at Labaganskoye field in NAO
- ▶ Production to reach ~1 mmtoe in 2016
- ▶ 3P PRMS reserves as of Dec 31, 2014 estimated at 161.9 mmboe
- ▶ 10 wells launched with initial flow rates of 165 tpd



Suzun

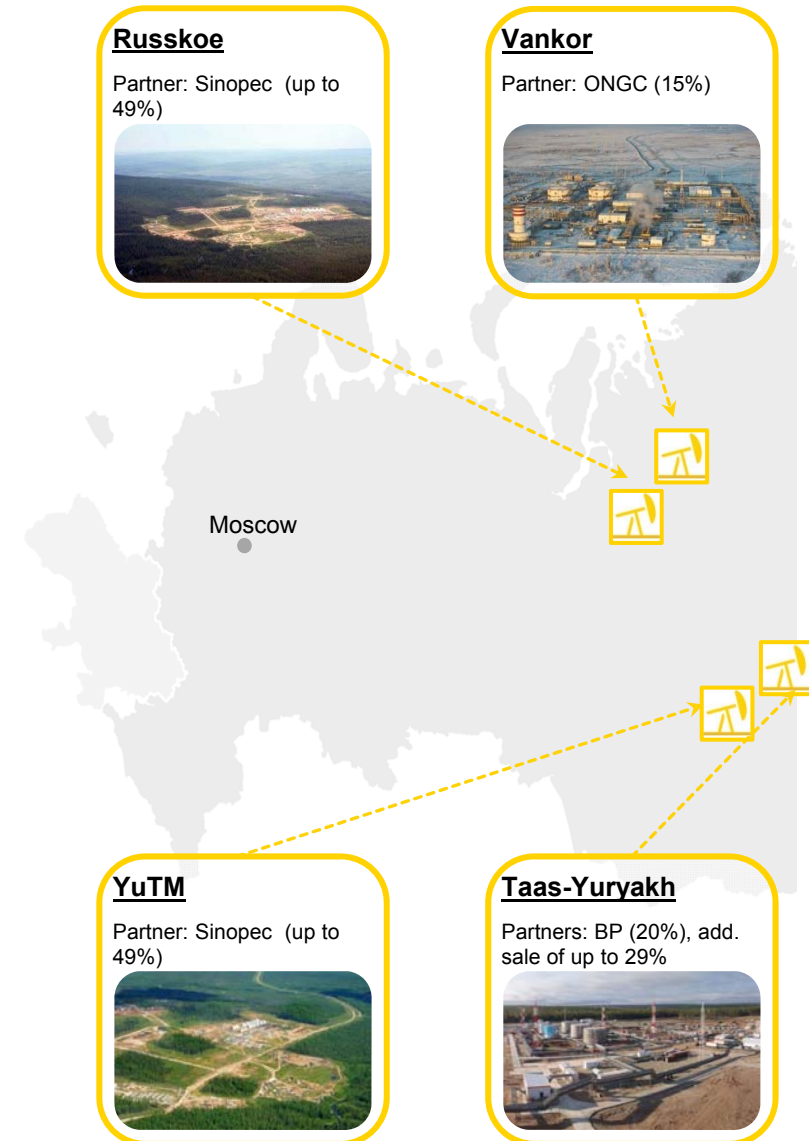
- ▶ Field development in 2 stages:
 - Stage 1 - delivery of the key oil treatment and transportation facilities in 2016
 - Stage 2 - delivery of the key gas facilities and external power supply and auxiliary facilities in 2018
- ▶ Crude oil production plateau of ~4.5 mmt to be reached in 2017
- ▶ 3P PRMS reserves as of Dec 31, 2014 estimated at 576.1 mmboe
- ▶ 14 wells drilled; construction of OTF, infrastructure and oil pipeline Suzun-Vankor are in progress





Upstream Portfolio Optimization

- ▶ Bringing partners to the existing projects
 - Sale of a 15% stake in Vankor to ONGC. Closing the Deal depends on the state authorities approval and the subsidiary reorganisation
 - Sale of a 20% stake in Taas-Yuryah to BP. Deal closing is scheduled by the end of 2015; potential sale of up to 29% stake additionally
- ▶ 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: a Heads of Agreement signed with Sinopec
- ▶ Tail asset optimization
 - Regular ranking and prioritizing process; ongoing work with tail assets



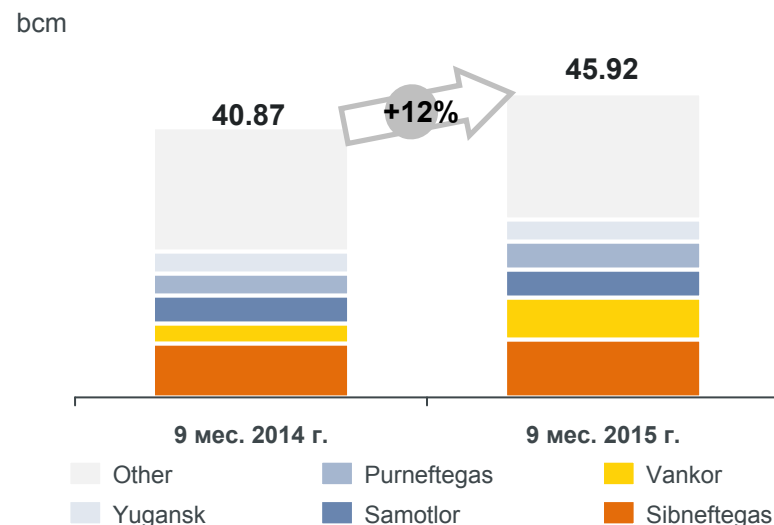
Gas Business: organic production growth and efficient monetization



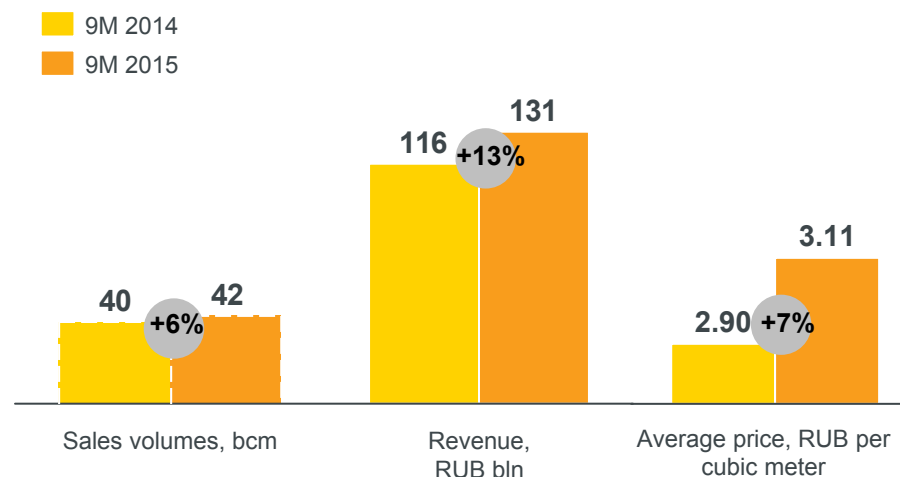
Key achievements for 9M 2015

- ▶ 12% organic production growth, including 5.3% in natural gas and 19.6% APG
- ▶ APG utilization increase to 86,8% vs. 78.6% in 9M 2014 mostly due to increased gas supplies from Vankor field to Gazprom pipeline
- ▶ Average price of gas sales in Russia for 9M 2015 rose by 7% as a result of supplies¹ under new contracts and also due to the indexation of regulated gas prices by 7.5% since July 1, 2015.
- ▶ For 9M 2015, Rosneft provided more than half of the trading volume on the stock exchange: contracts were concluded for supply of 2 bcm of gas
- ▶ Malokhadyryakhinsky license area acquisition with C3 gas reserves of 55 bcm
- ▶ In July, Rosneft and ExxonMobil filed a joint application for 4 license areas offshore Mozambique in the framework of the 5th licensing round. Relatively high gas exploration success potential was confirmed by geological surveys of both companies

Gas production



Gas sales in Russia

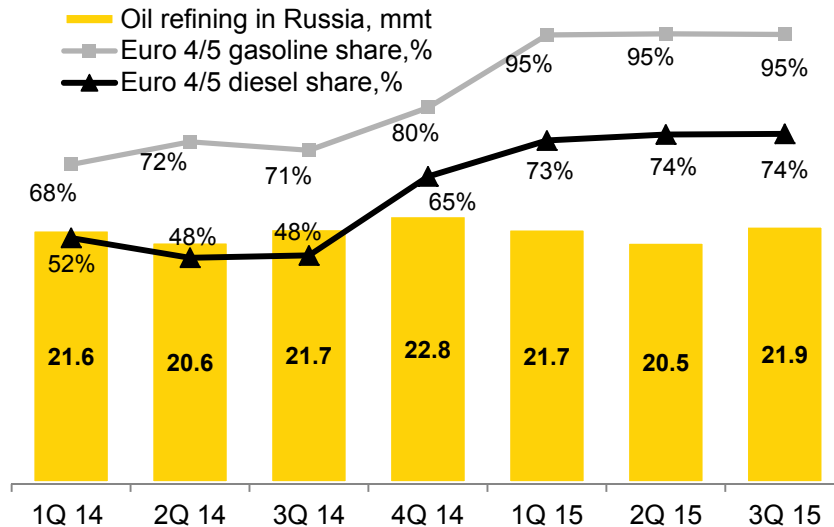


Note: (1) Supplies started on Jan 1, 2015

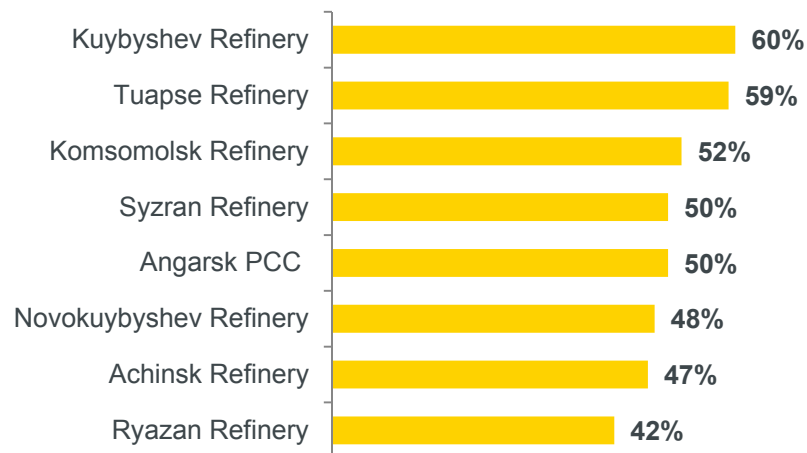
Refining: targeting full conversion to Euro-5



Processing and production of motor fuels in Russia



Progress in refineries upgrade program



Key achievements for 9Q 2015

- ▶ Euro-4/5 motor fuels production up 51% YoY
- ▶ Full conversion to production of Euro-5 diesel fuel at Novokuibyshevsk and Kuibyshevsk Refineries
- ▶ Within the program of import substitution, commercial production of steam reforming catalyst started at AZKiOS
- ▶ New RMG-380 marine fuel production and shipment started at Komsomolsk Refinery

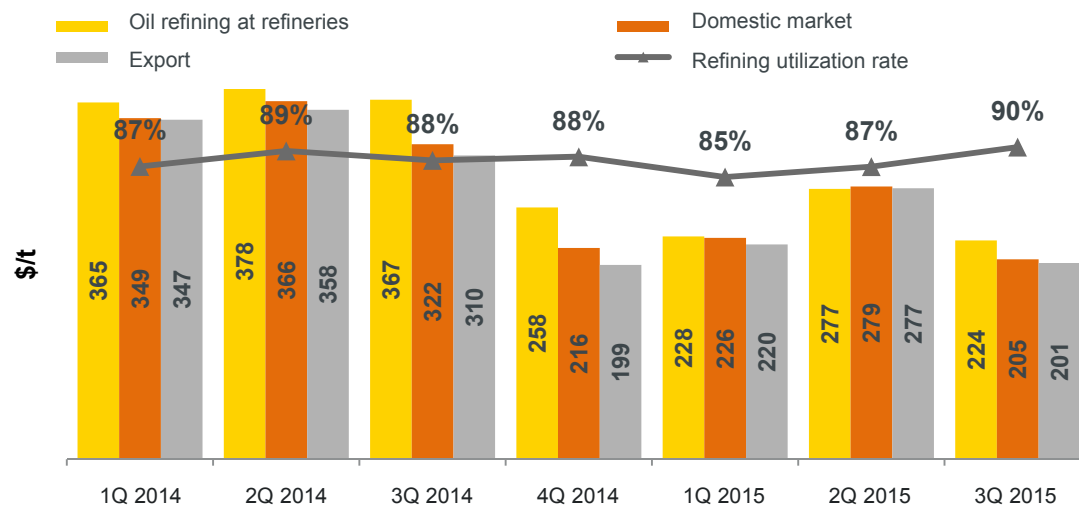
Plans for 2015

- ▶ Full transition to production of gasoline Euro-5 in Angarsk and Ryazan
- ▶ Transition to production of Euro-5 diesel fuel in Achinsk and Anrarsk
- ▶ MTBE unit launch in Angarsk
- ▶ Turnaround completion in Achinsk, Saratov and Syzran

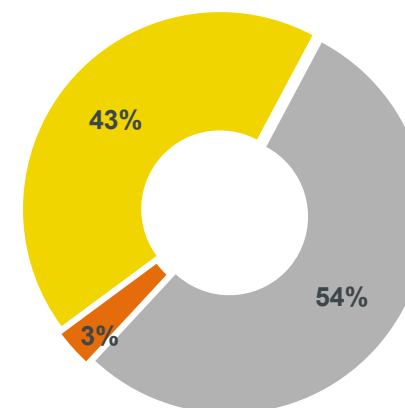
Crude Oil and Petroleum Products Sales



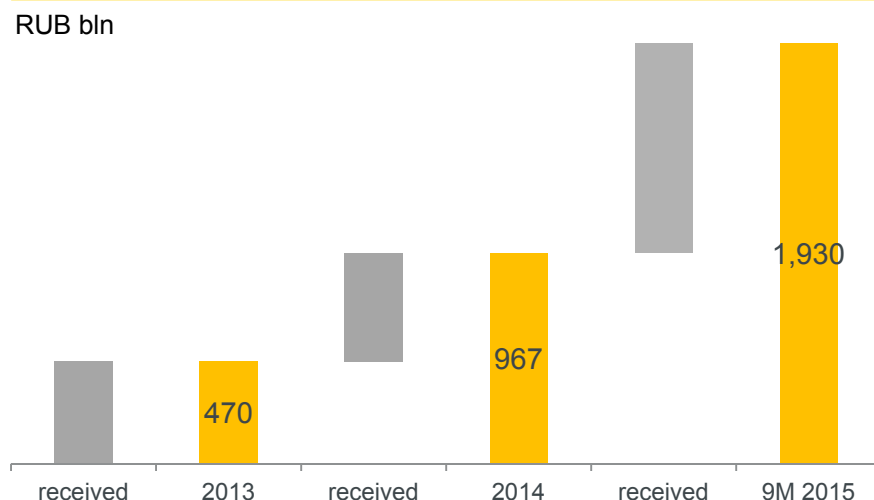
Netbacks of main oil monetization channels



Oil monetization structure (3Q 2015)¹



Prepayments under long-term oil supply contracts



- High-margin oil supplies to Asian markets increased by 15.3% YoY for 9M 2015
- Expansion of the product range for Asia-Pacific markets by launching the production of heavy oil export fuel at the Komsomolsk and Angarsk Refineries
- Direct contracts signed with KazMunaiGas for the supply of straight-run gasoline to Kazakhstan with \$25/ton extra margin

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

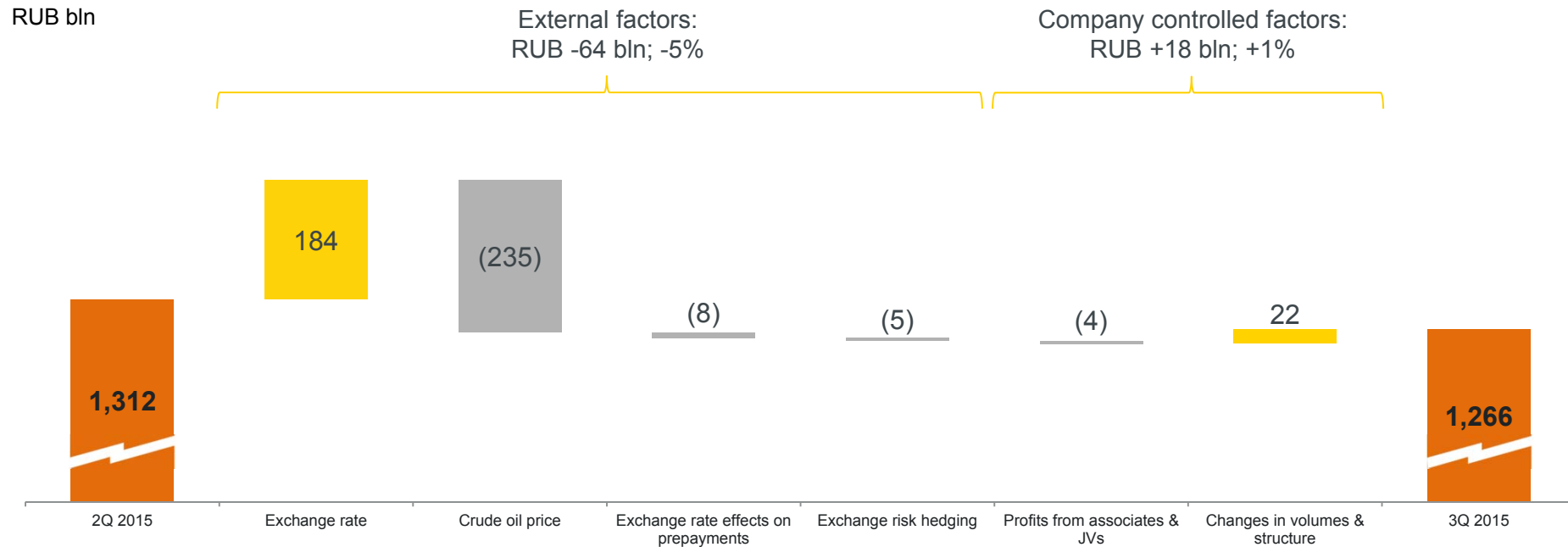


Financial Results

Revenue



3Q 2015 vs 2Q 2015

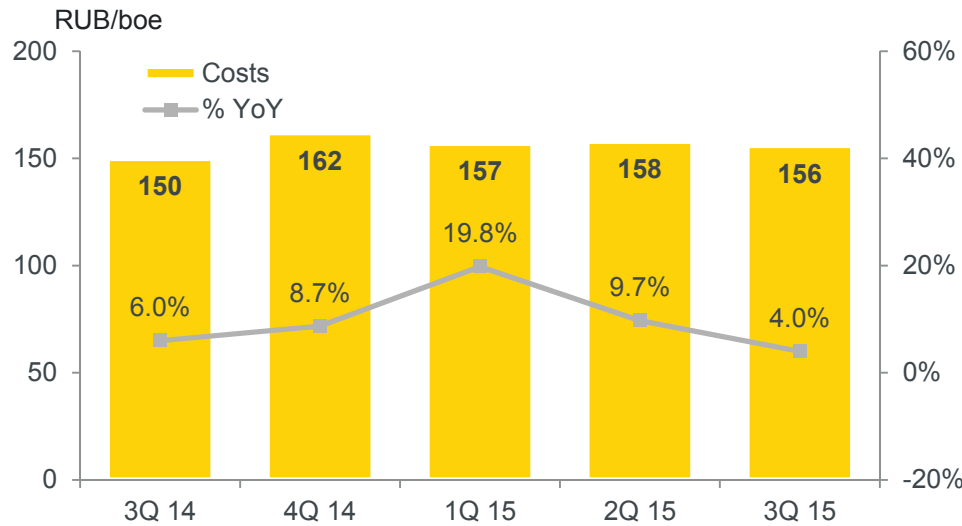


- ▶ Efficient sales mix management: increase of petroleum product sales on the domestic market as well as crude oil exports to non-CIS countries offset partially negative effect from oil price drop
- ▶ Domestic petroleum product sales increased by 9.6% while crude oil non-CIS export volumes by 2.0% in 3Q 2015 compared to 2Q 2015
- ▶ Significant decrease in crude oil and petroleum product price was not fully compensated by ruble depreciation

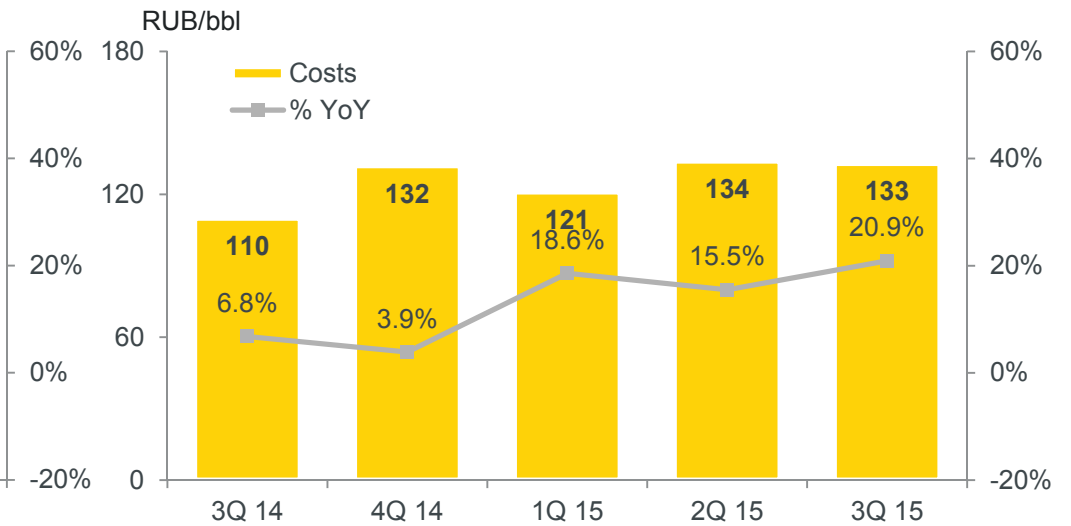
Operating Costs Dynamics



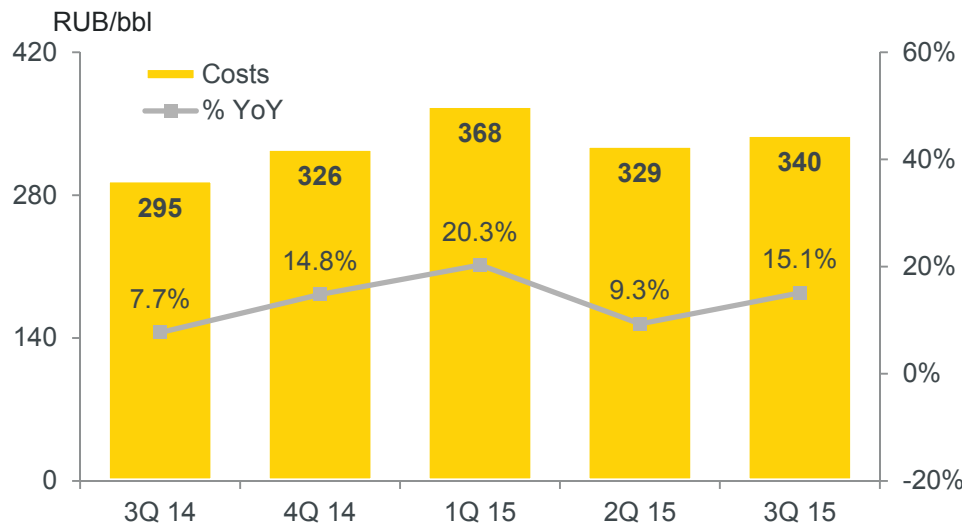
Lifting costs



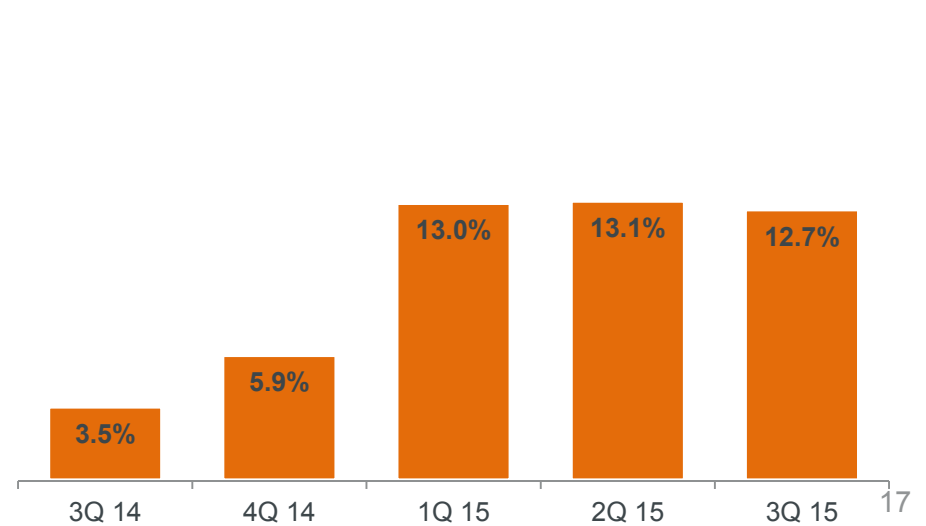
Refining costs in Russia



Transportation costs



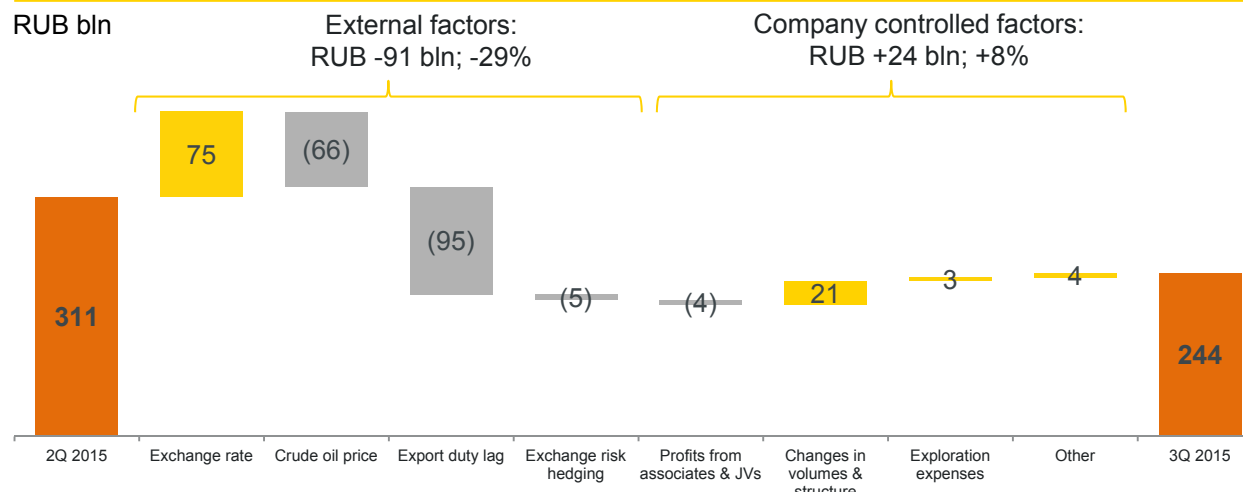
Producer price index



EBITDA and Net Profit

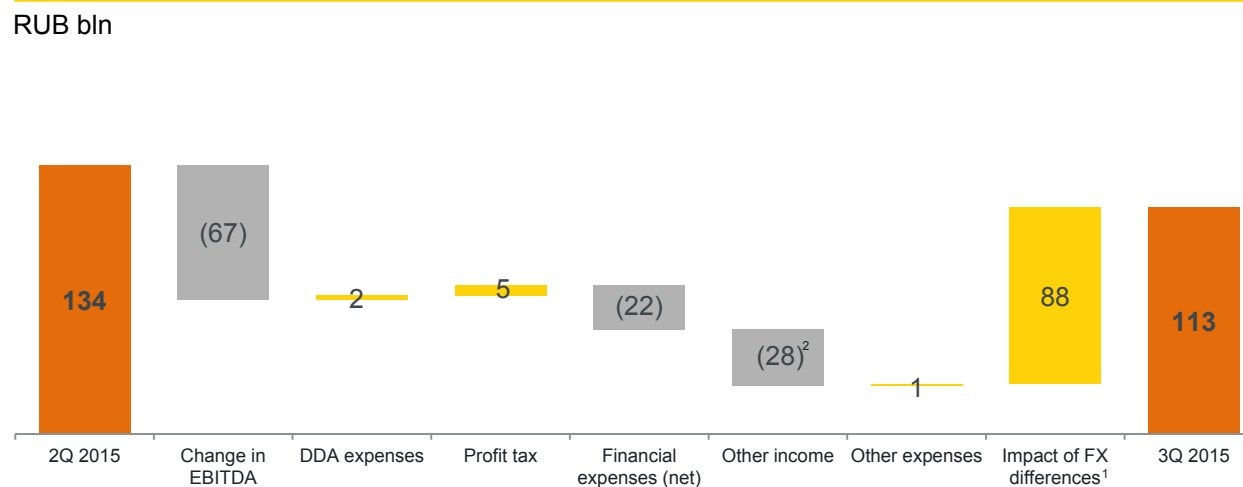


EBITDA 3Q 2015 vs 2Q 2015



- Substantial negative effect on EBITDA from export duty lag
- Negative impact on EBITDA from oil price drop was partially offset by ruble depreciation
- Efficient sales mix management and cost control efforts minimized negative effect from external factors
- FX rate risk management mitigated negative implication on the bottom line from EBITDA decline and change in financial expenses

Net Profit 3Q 2015 vs 2Q 2015

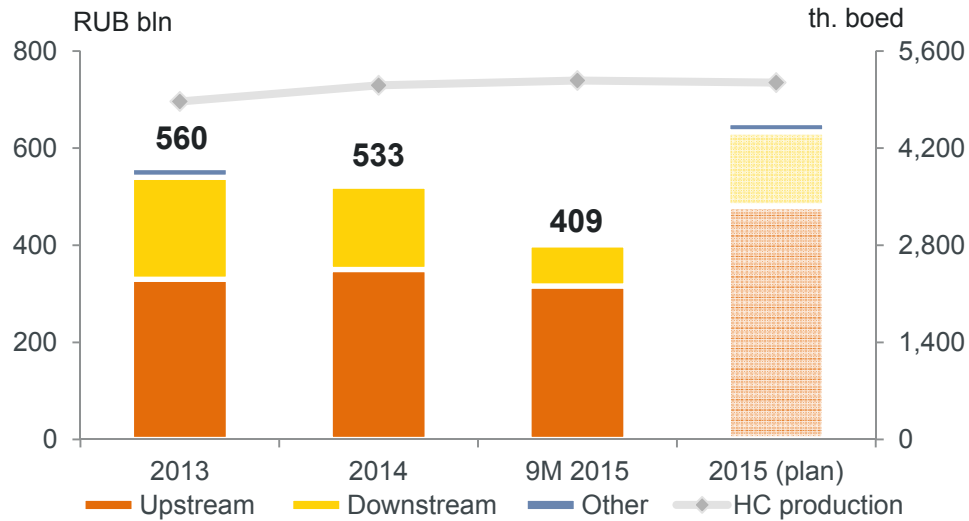


Note: (1) Foreign exchange gain for 3Q 2015 amounted to RUB 83 bln compared to RUB 5 bln loss in 2Q 2015, (2) In 2Q 2015 liabilities referred to legal proceeding were written off as they were settled out completely

CAPEX

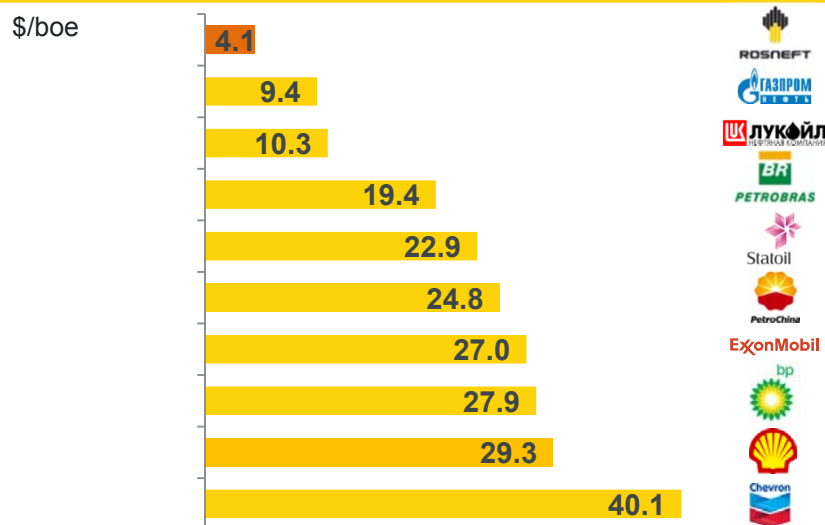


CAPEX and production



- Target 2015 CAPEX stays at RUB 650 bln
- Key investment program targets:
 - Sustaining the level of hydrocarbon production at least at the level of 2014 with focus on most efficient development projects
 - Securing sufficient free cash flows
- Expected 2015 CAPEX growth is driven by development drilling increase for mature fields production maintenance with improved availability of drilling service and ramp-up of the field infrastructure setup pace and development of new fields
- Retaining the leading position in CAPEX efficiency in 2015: at c. \$5 per boe

Upstream CAPEX 9M 2015¹: benchmarking

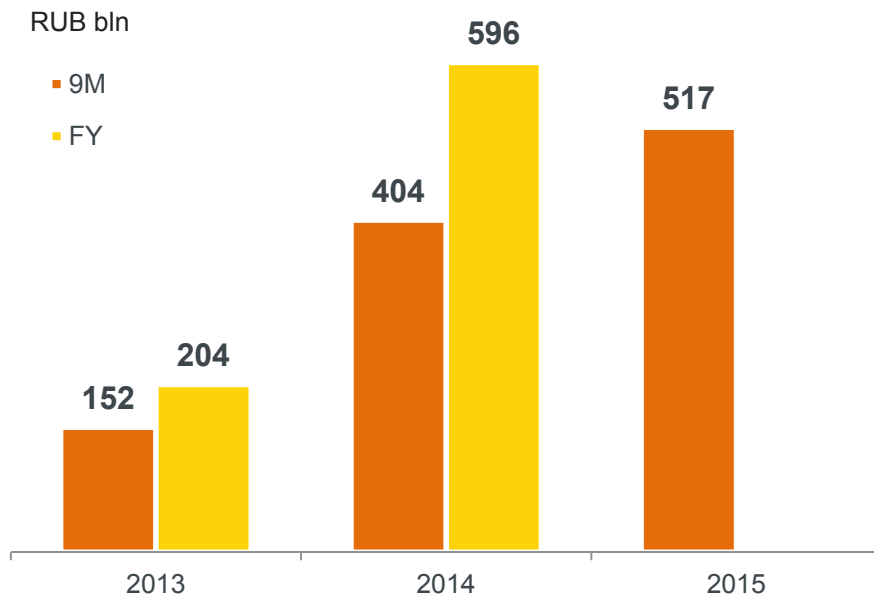


Note: (1) Rosneft, Statoil, Gazpromneft, Petrobras – 9M 2015 data. Lukoil – data for 1H 2015. Other companies – data for 2014

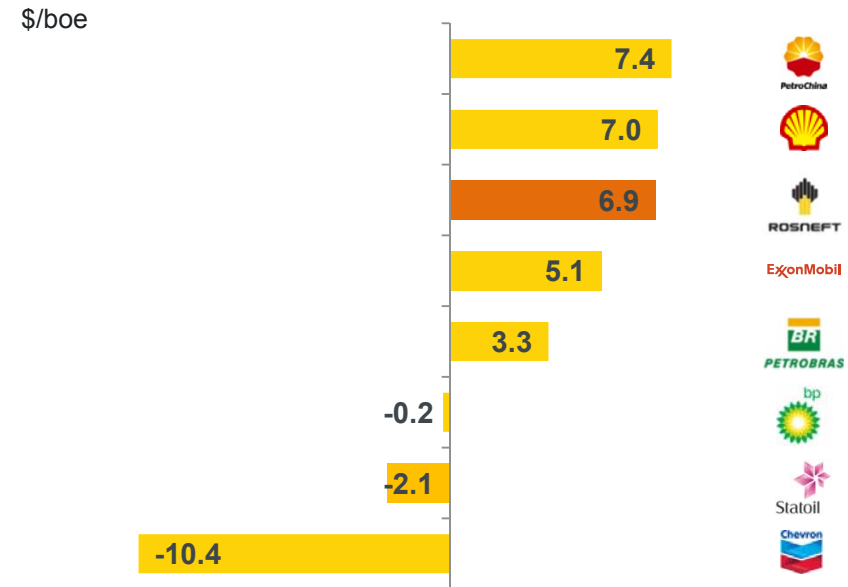
Free Cash Flow



Free cash flow



9M 2015¹ Free cash flow: benchmarking (majors)



- ▶ Despite worsening macro Rosneft continues generating ~\$7 per boe FCF being one of the global leaders among publicly traded O&G companies
- ▶ Rosneft retains its leading position in terms of FCF generation in Russian O&G sector

Note: (1) Estimated on the LTM basis

Sources and Uses of Cash

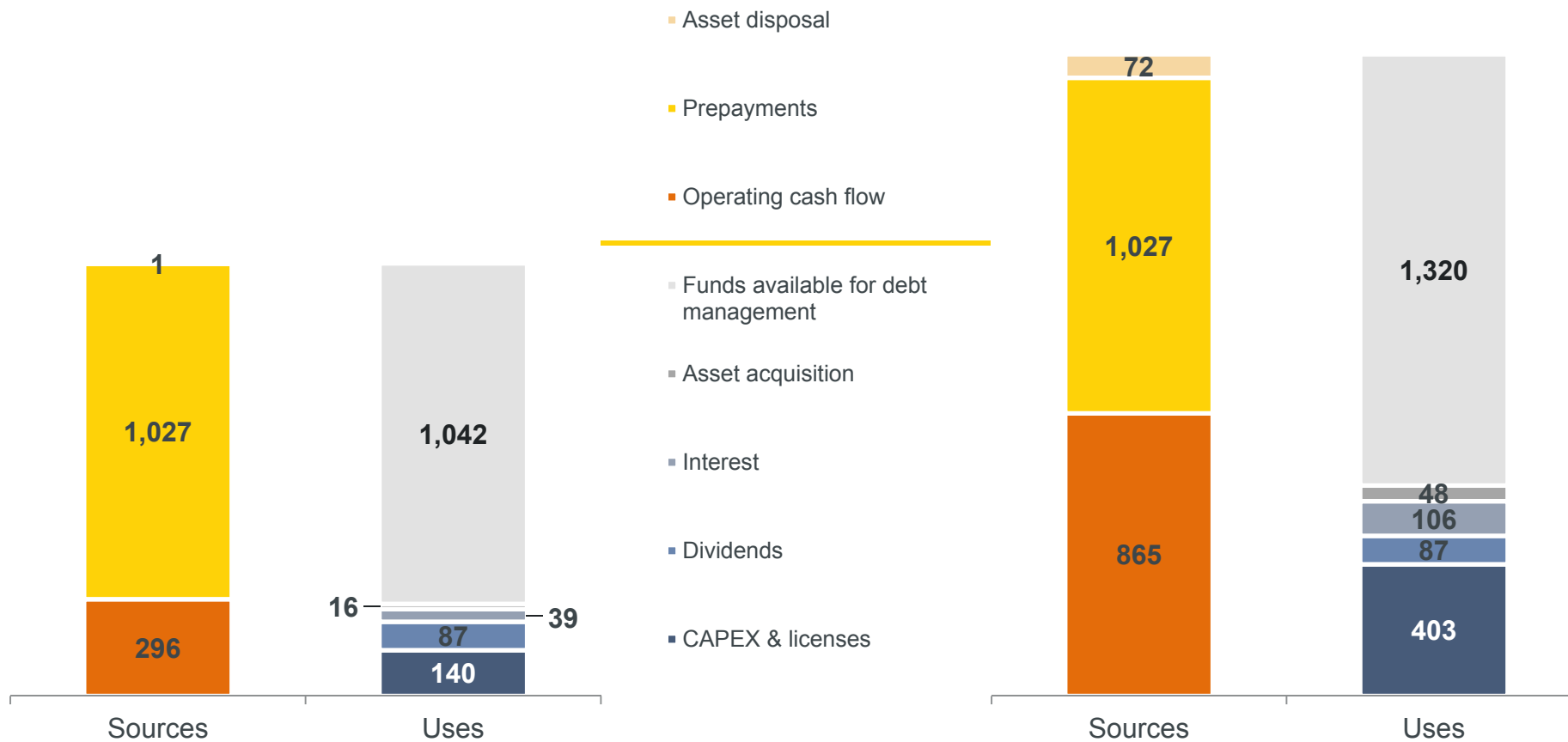


3Q 2015

9M 2015

RUB bln

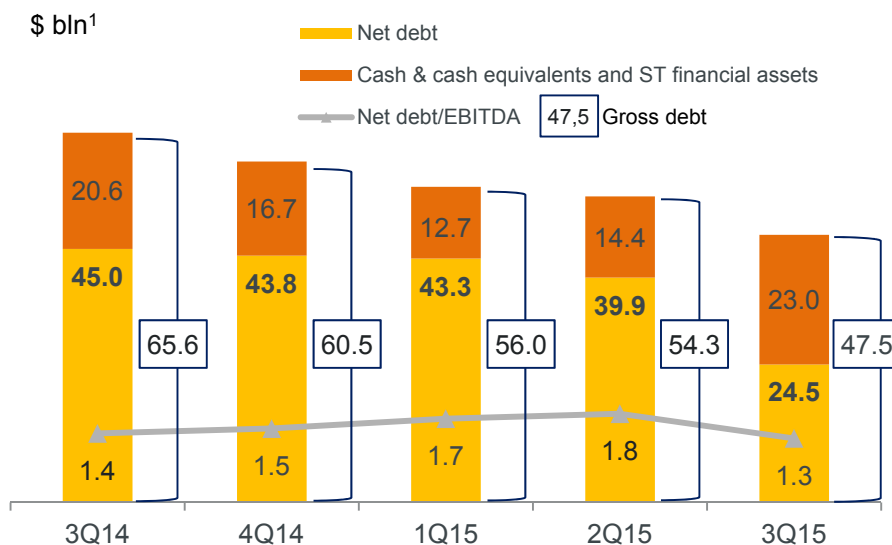
RUB bln



Financial Stability

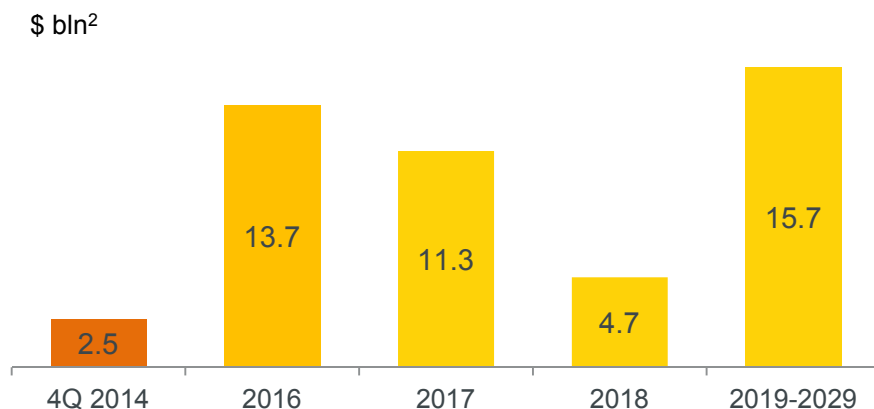


Debt and net debt dynamics

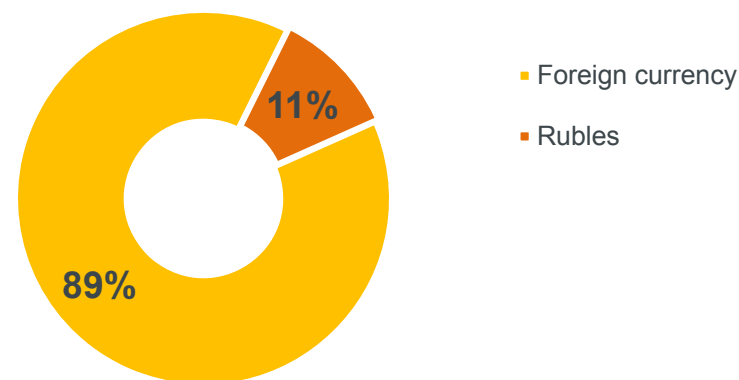


- For 9M 2015 consolidated gross debt was reduced by \$13.0 bln¹ (by 21,5%) to \$47.5 bln¹ (RUB 3,148 bln), net debt was down by \$19.3 bln¹ (by 44.1%) to \$24.5 bln¹ (RUB 1,622 bln)
- Free cash and short-term financial assets amounted to c. \$23.0 bln¹ (RUB 1,526 bln) as of Sep 30, 2015
- Repayments of financial liabilities were at \$7.9 bln³(RUB 496 bln) in 3Q 2015

Debt maturity profile



Debt profile by currency



Note: (1) Based on the CBR exchange rate as of the end of relevant reporting period, (2) Excluding future interests accrued after Sep 30, 2015, including future lease payments, (3) Based on the average 3Q 2015 exchange rate. Includes repayment of debt and interest accrued

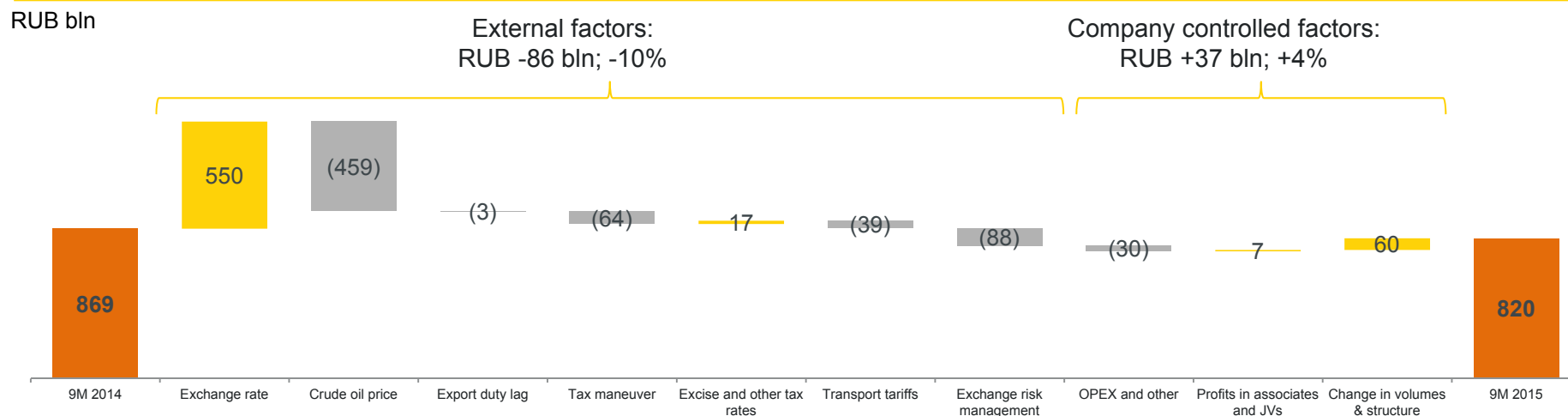


Appendix

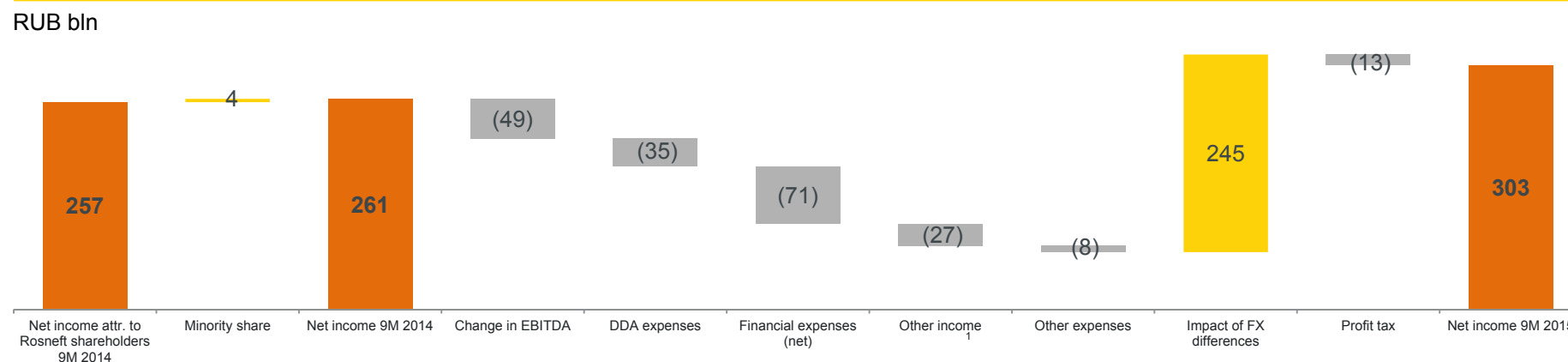
EBITDA and Net Profit



EBITDA 9M 2015 vs 9M 2014



Net profit 9M 2015 vs 9M 2014

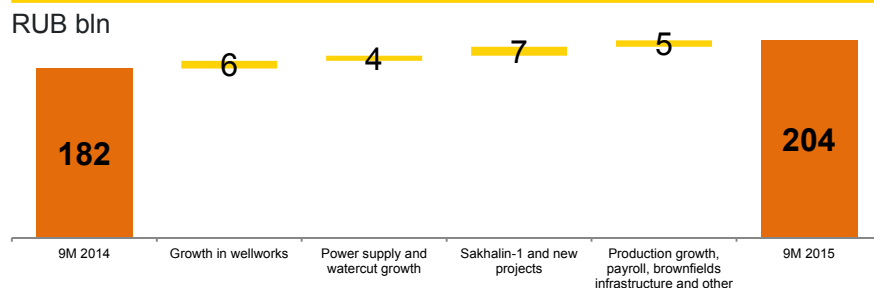


Note: (1) Other income includes proceeds from share in Yugrugaspererabotka sale in 1Q 2014 in the amount of RUB 56 bln, and income from litigation debt relief in 1H 2015 totaling RUB 37 bln

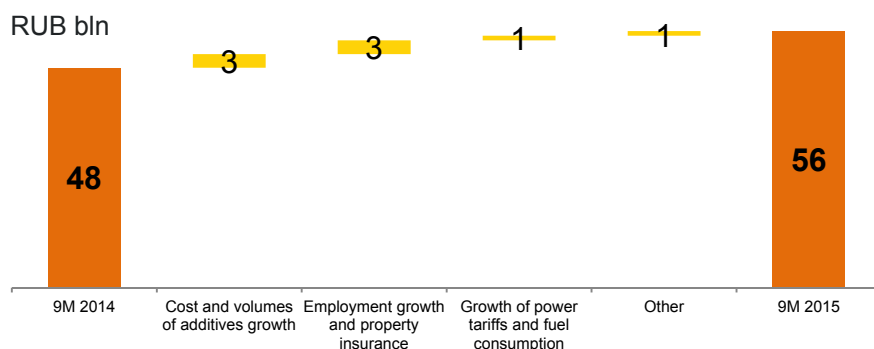
Changes in Expenses 9M 2015 vs 9M 2014



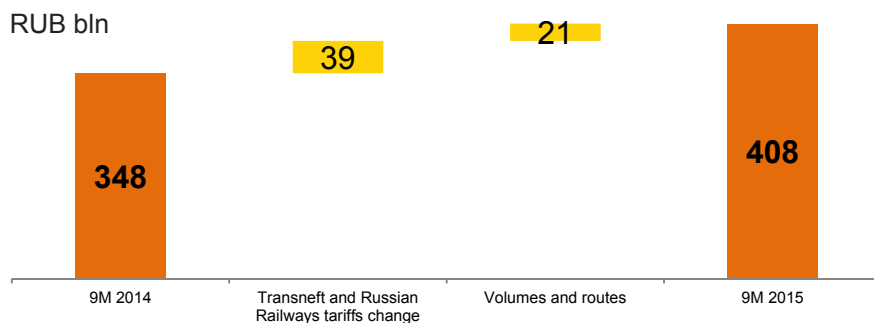
Lifting costs



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
- ▶ 10% indexation of tariffs, charges and payments for cargo transportation and infrastructure utilization while handling transportation by Russian railways
- ▶ 15.7% CPI growth YoY

FX Exchange Risk Hedge, RUB bln



Indicator	For 3M ended Sep 30, 2015			For 9M ended Sep 30, 2015		
	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	(460)	92	(368)	(498)	100	(398)
Exchange gains/(losses) for the period	(169)	34	(135)	(189)	38	(151)
Recognized in revenues for the period	30	(6)	24	88	(18)	70
Recognized as a part of other comprehensive income/(loss) for the period	(139)	28	(111)	(101)	20	(81)
Recognized as a part of other comprehensive income/(loss) as for Sep 30, 2015	(599)	120	(479)	(599)	120	(479)

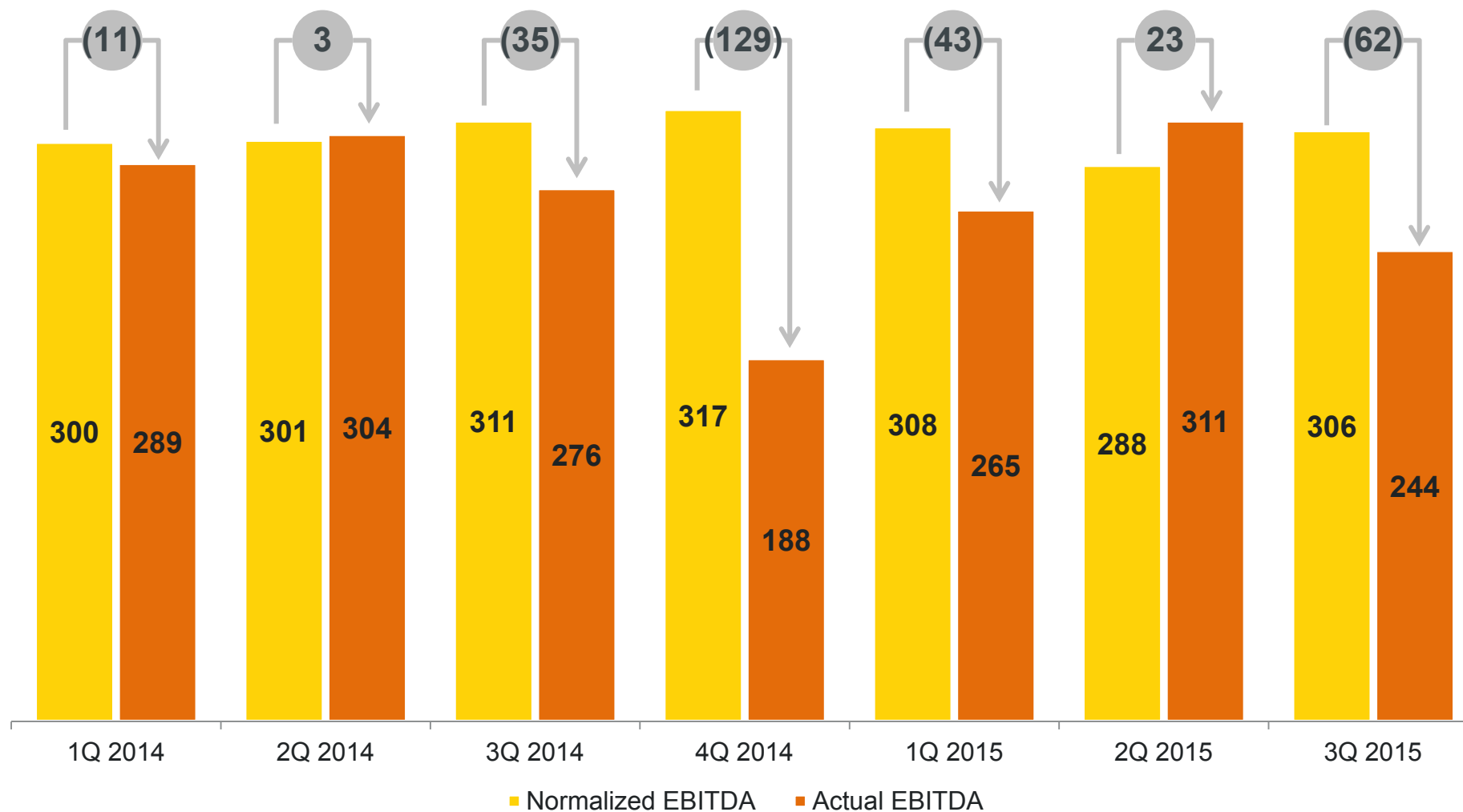
For reference:

Amount of hedging	\$ mln	CBR exchange rate
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

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	Q3 15	Q2 15	%	9M 15	9M 14	%
1. Interest accrued ¹	35	31	12.9%	107	67	59.7%
2. Interest paid	39	23	69.6%	106	66	60.6%
3. Change in interest payable (1-2)	(4)	8	–	1	1	–
4. Capitalized interest ²	13	11	18.2%	35	28	25.0%
5. Net loss from operations with financial derivatives ³	19	4	375.0%	81	47	72.3%
6. Increase in provisions due to time passing	3	3	–	9	6	50.0%
7. Interest on prepayments under long-term supply contracts	14	10	40.0%	36	19	89.5%
8. Other interest expenses	2	1	100.0%	3	1	200.0%
9. Total financial expenses (1-4+5+6+7+8)	60	38	57.9%	201	112	79.5%

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



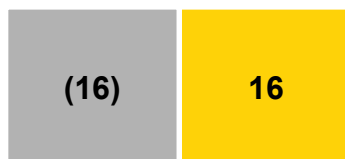
Urals price change

RUB bln -4,4 \$/bbl +4,4 \$/bbl

EBITDA



Net profit



Exchange rate change

RUB bln -4 RUB/\$ +4 RUB/\$

EBITDA



Net profit



- ▶ Average Urals price in 3Q 2015 was \$49.4 per bbl. If crude oil price for the same period was down to \$45, EBITDA would have declined by RUB 20 bln due to net price effect and RUB 11 bln additionally due to export duty lag
- ▶ Average USD exchange rate in 3Q 2015 was 63 RUB/\$. In case of additional RUB depreciation of 4 RUB/\$, EBITDA would have grown RUB 27 bln



Questions and Answers