

Rosneft Oil Company IFRS Results Q2 2015



РОСНЕФТЬ



1 September 2015

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Overview of Key Developments



Macroeconomic environment¹

Indicator	2Q 15	1Q 15	%	1H 15	1H 14	%
Urals, \$/bbl	61.8	52.8	17.0%	57.3	107.1	(46.5)%
Urals, th. RUB/bbl	3.25	3.28	(1.0)%	3.29	3.75	(12.2)%
Naphtha, th. RUB/t	26.71	27.21	(1.8)%	26.96	31.64	(14.8)%
Gasoil 0.1%, th. RUB/t	29.99	32.30	(7.2)%	31.14	31.82	(2.1)%
Fuel oil 3.5%, th. RUB/t	15.88	15.75	0.8%	15.81	19.36	(18.3)%
Average exchange rate, RUB/\$	52.65	62.19	(15.3)%	57.40	34.98	64.1%
Inflation over period, %	1.1%	7.4%	-	8.5%	4.8%	-

Highlights

- ▶ Approval of annual dividends for 2014 at RUB 8.21 per share (paid in July 2015)
- ▶ Drilling works completion with Statoil at Pr1 formation of the Severo-Komsomolskoye field
- ▶ Signing an agreement with PKN Orlen to increase crude oil monthly supplies by 120 kt
- ▶ 20% stake disposal in Taas-Yuryakh Neftegazodobycha
- ▶ Signing the term sheet with BP for reorganization of ROG JV, acquiring 16.67% stake in Schwedt Refinery from Total

Source: Thomson Reuters

Note: (1) Average MED and NWE, Naphtha FOB MED, Gasoil 0.1% FOB ARA, Fuel oil 3.5% FOB NWE

Key Performance Indicators



Indicator	2Q 15	1Q 15	%	1H 15	1H 14	%
Hydrocarbon production kboepd	5,149	5,200	(1.0)%	5,175	5,075	2.0%
Crude oil and NGL production kbpd	4,126	4,131	(0.1)%	4,129	4,176	(1.1)%
Gas production, bcm	15.29	15.80	(3.2)%	31.09	26.72	16.4%
Oil Refining, mmt	23.75	24.34	(2.4)%	48.09	48.49	(0.8)%
Retail of oil products (domestic market), mmt	2.7	2.5	8.0%	5.2	5.3	(1.9)%

Key Financial Results



Indicator	2Q 15	1Q 15	%	1H 15	1H 14	%
Revenues, RUB bln	1,312	1,288	1.9%	2,600	2,810	(7.5)%
EBITDA, RUB bln	311	265	17.4%	576	593	(2.9)%
Adjusted EBITDA ¹ , RUB bln	326	286	14.0%	612	593	3.2%
Adjusted net profit ² , RUB bln	134	56	>100%	190	212	(10.4)%
Operating cash flow ³ , RUB bln	351	258	36.0%	609	470	29.6%
Capex, RUB bln	141	128	10.2%	269	237	13.5%
Free cash flow ³ , RUB bln	210	130	61.5%	340	233	45.9%
Net debt, RUB bln	2,215	2,529	(12.4)%	2,215	1,525	45.2%

Note: (1) Adjusted for the difference in the exchange rates applicable at recognition of the revenue from long-term oil supply contracts in 2Q and 1Q 2015 in the amount of RUB 15 bln and RUB 21 bln accordingly; (2) excluding profit from share in YuGP disposal in the amount of RUB 45 bln (nett) in 1Q 2014; (3) adjusted for trading securities transactions, and for recognition of prepayments for long-term crude supply contracts in the amount of RUB 21 bln in 1Q and 2Q 2015, and for prepayments in the amount of RUB 431 bln in 1H 2014.



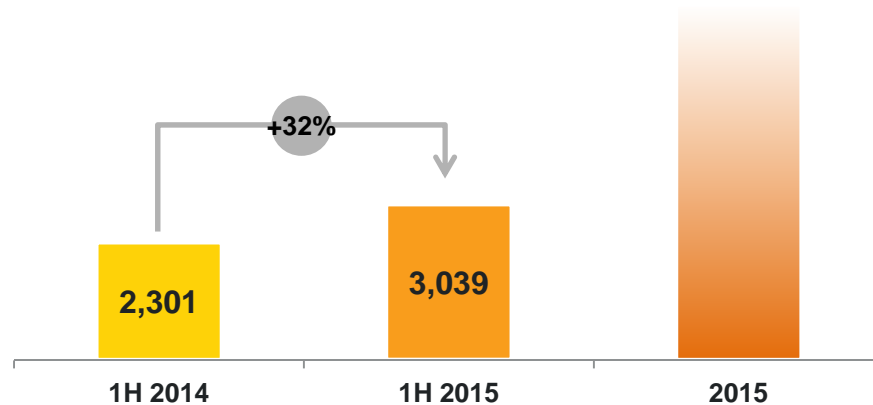
Operating Results

Drilling



Development drilling

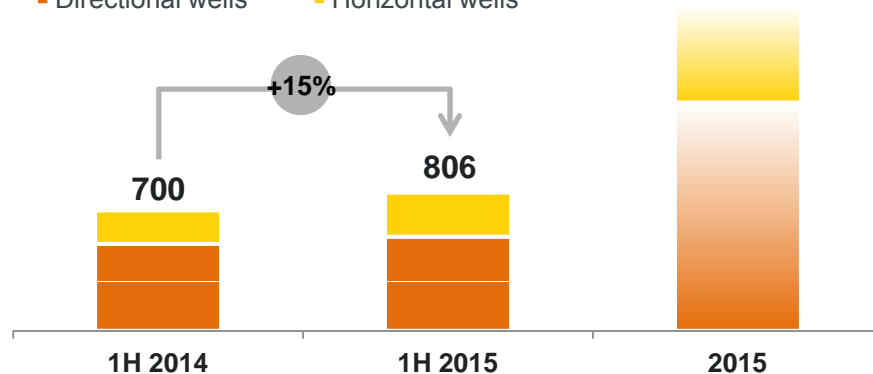
th. m



New wells completion

units

■ Directional wells ■ Horizontal wells



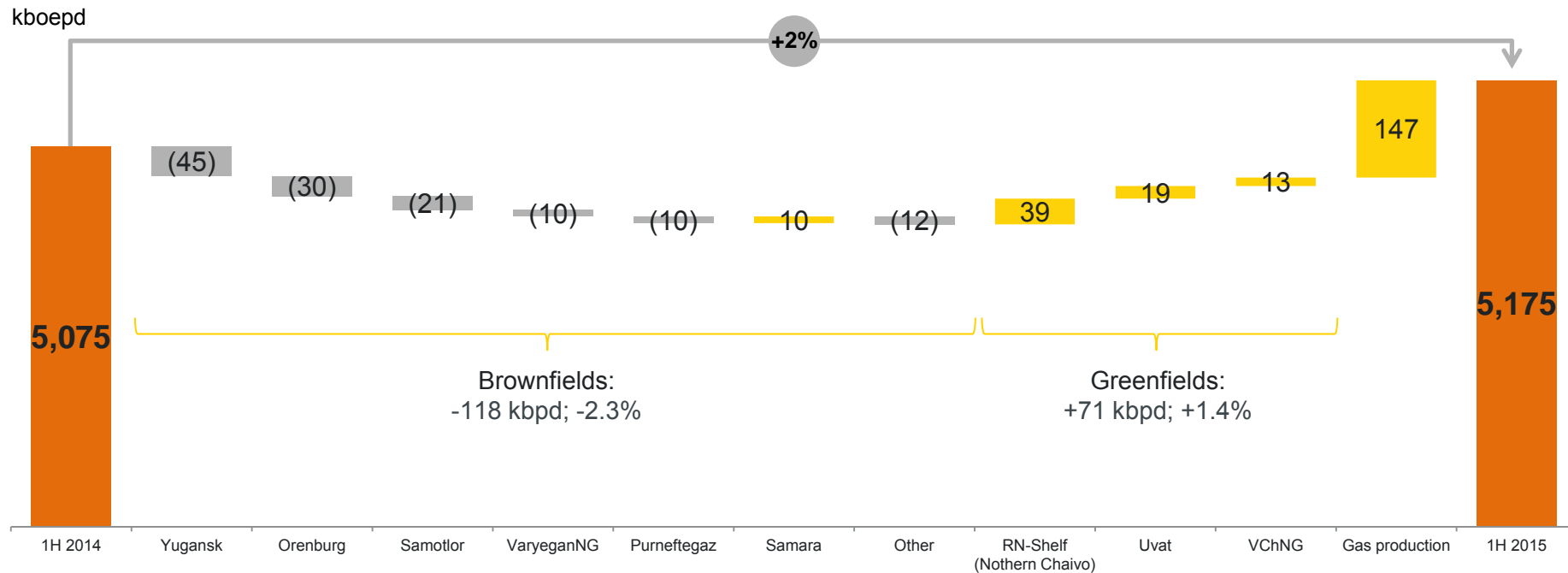
Key achievements in 1H 2015

- ▶ **SamaraNG:** optimization of the development drilling program improved flow rates from new wells to 67.5 t/d in 1H 2015. Launching 41 new wells ensured cumulative production of 186 kt, or up 70% vs. 1H14
- ▶ **YuganskNG:** the share of horizontal wells with multi-stage fracturing increased to 12% from 9% in 1H 2014
- ▶ Optimization of well construction technological programs – horizontal wells drilling rate increased by 8% y/y
- ▶ **Sakhalin-1:** setting a new world record in total well length drilled at the Chaivo field – 13,500 m

Plans for 2015

- ▶ Development drilling increase (at least +30% y/y)
- ▶ **YuganskNG:** further increase in the number of horizontal wells with multi-stage fracturing (on average, every 10th well)
- ▶ **SamaraNG:** growing production from new wells (at least +25% y/y)
- ▶ **Severo-Komsomolskoye Field:** preparing for well tests, determining further prospects and ways to develop Pr1 formation

Production



- ▶ Greenfields production growth on development drilling program ramp-up and successful use of workovers
- ▶ Drilling and workovers programs with consistent investment efficiency, executed at YuganskNG, Samotlor and PurNG reduce brownfields natural decline rate
- ▶ **Northern Chayvo:** 1 mln t of crude oil produced in May (cumulatively since September 2014)
- ▶ **Uvat:** a new record in commercial onshore drilling rate in Russia: 7.5 days for 1,000 m (down 10% to min 2014); the Protozanovskoye field was launched (production peak at c.1 mmt)
- ▶ **VChNG:** As a result of infrastructure optimization, the oil treatment capacity increased by 25% to more than 8 mmtpa
- ▶ **Gas production:** Production growth on launching new production capacity and gas transportation facilities at PurNG and at Vankor; launching gas production at Khadyryakhinsky license area of Sibneftegaz in 2H14, and further improvement in APG utilization (mostly at Vankor)

Progress in Key Projects Development



Labaganskoye Field

- ▶ Development drilling started in 2Q15. The first well was commissioned in July 2015
- ▶ The 1st start-up complex at Labaganskoye field in NAO is to be launched by the end of 2015
- ▶ Production is expected to reach ~1 mtoe in 2016
- ▶ As of 31.12.2014, 3P reserves of the field were estimated at 161.9 mmboe (PRMS)
- ▶ Since July, 2015 7 wells launched with initial flow rates at 64-203 tpd



Severo-Komsomolskoye Field

- ▶ The field is characterized by complex geological structure with the oil rim of high-viscosity oil and presence of extensive gas cap
- ▶ On 23 May, 2013 Rosneft and Statoil signed an agreement on cooperation
- ▶ In 2015 the companies drilled two horizontal production wells
- ▶ For the first time in Russia the well was completed using the "open-hole – gravel packs" scheme at the 1,000 m-long horizontal section
- ▶ As of 31.12.2014, 3P reserves of this field were estimated at 888.9 mmboe (PRMS)



Partnership with BP in Taas-Yuryakh



Asset description

- ▶ The key field is Srednebotuobinskoye
- ▶ Start of commercial production – Oct 2013; current production rate ~20 kbpd; production plateau – 100 kbpd
- ▶ A 169 km long pipeline has been constructed to connect the field to ESPO
- ▶ The gas monetization is expected following the Power of Siberia pipeline commissioning
- ▶ MET holidays are in place till 2021



Deal advantages for shareholders

- ▶ Balance of Company cash flow: RUB 8 bln advance payment is received
- ▶ The 2nd stage of field development is been accelerated with the partner's financing and technological support
- ▶ The cost of arrangement exceeds the historical asset acquisition cost of \$717 mln for the 20% share
- ▶ Confirmation of Russian oil & gas sector attractiveness, maintaining the pace of eastern Siberia resource base development and increasing access to APR markets

Reserves as of 31.12.2014

Oil + Condensate, mmt		Gas, bcm	
2P	3P	2P	3P
137.6	241.6	68.3	79.2

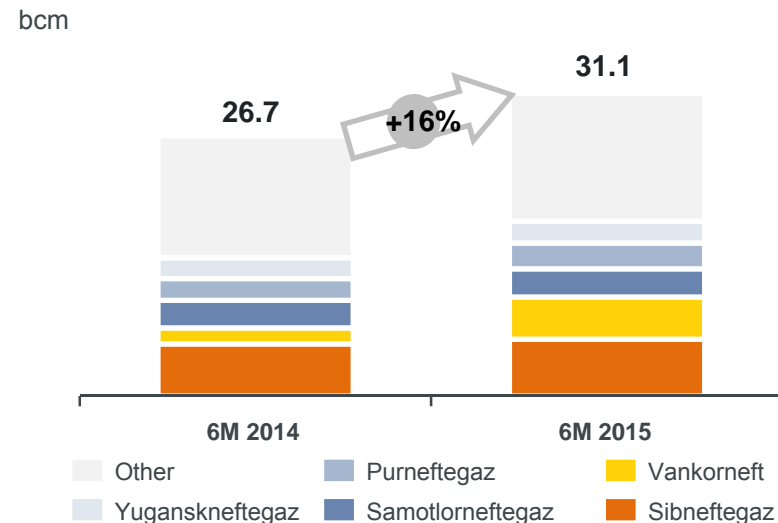
Gas Business: organic growth and efficient monetization



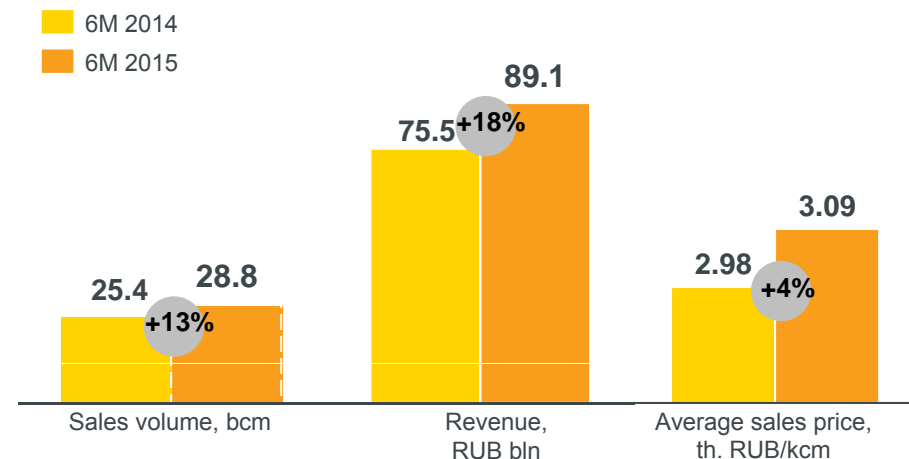
Key achievements over 6M 2015

- ▶ Gas production organic growth by 16% in 1H15 y/y (incl. natural gas - by 10.4%, APG - by 22.6%)
- ▶ Improvement in APG utilization up to 87% in 1H15 (up 10% y/y, mostly due to higher gas supplies from Vankor field to Gazprom grid)
- ▶ Average sales price in Russia rose by 4% y/y in 1H15, as a result of supplies¹ start under the new contracts
- ▶ In June 2015 the Russian Federal Tariff Service made a decision to increase wholesale prices on gas by 7.5% from July 1, and independent producers' tariffs for gas transportation by trunk pipelines by 2% on average across Russia
- ▶ In 1H15 Rosneft secured two thirds of gas exchange trading volume: contracts were concluded for supply of more than 1 bcm of gas

Gas production



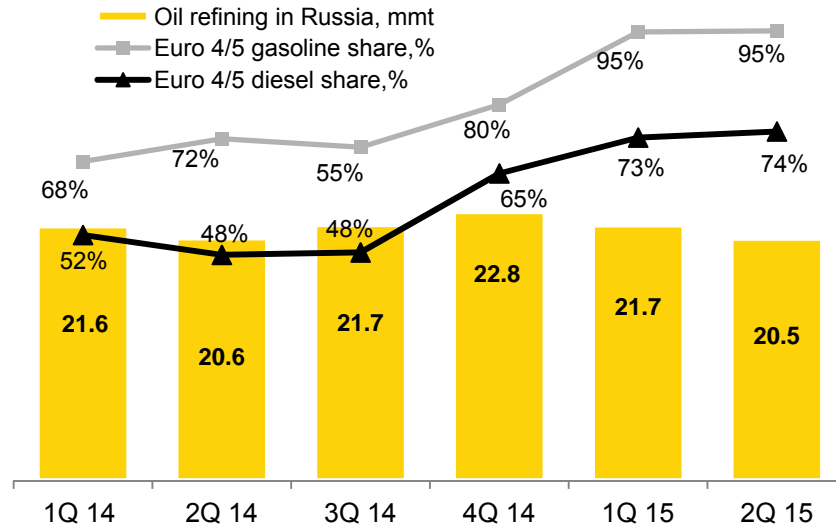
Gas sales in Russia



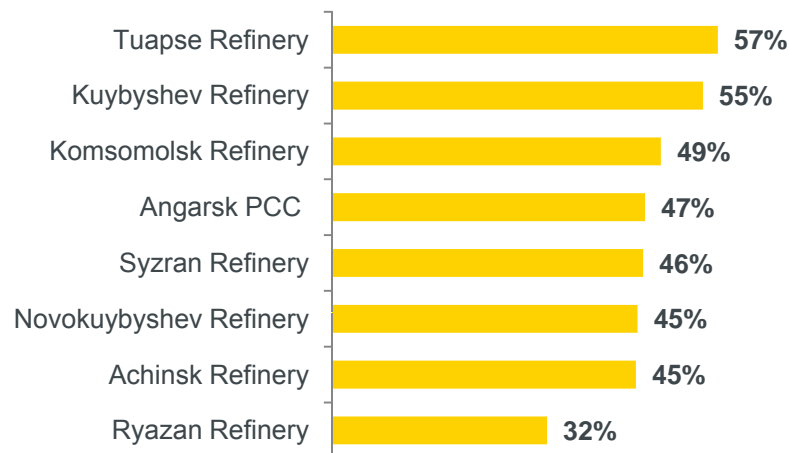
Refining



Refining throughput and light product yield in Russia



Progress in refineries upgrade program



Key achievements in 2Q15

- ▶ Full transition to production of Premium-95 gasoline Euro-5 at Angarsk PCC and diesel Euro-5 at Syzran refinery
- ▶ The output of Euro-4/5 motor fuels grew by 56% y/y
- ▶ Light crude oil supplies start to Syzran Refinery with the positive effect on refining margin exceeding RUB 200 mln over 2 months
- ▶ Supplies of own TAME octane boosters (Sanors)
- ▶ Launching vacuum gasoil production unit at Tuapse Refinery

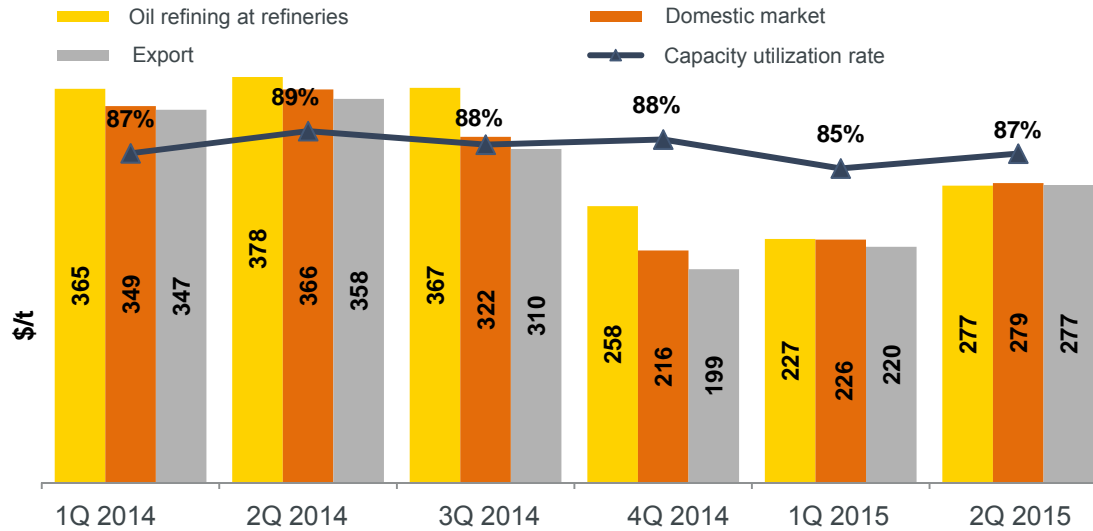
Plans for 2015

- ▶ Full transition to production of Euro-5 motor fuels at all refineries
- ▶ Launch of MTBE production unit and replacement of isomerization catalyst at Angarsk PCC
- ▶ Scheduled turnarounds in Sep-Oct at Achinsk, Saratov and Syzran refineries

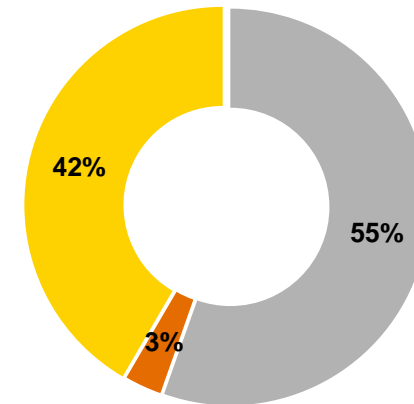
Crude and Product Sales



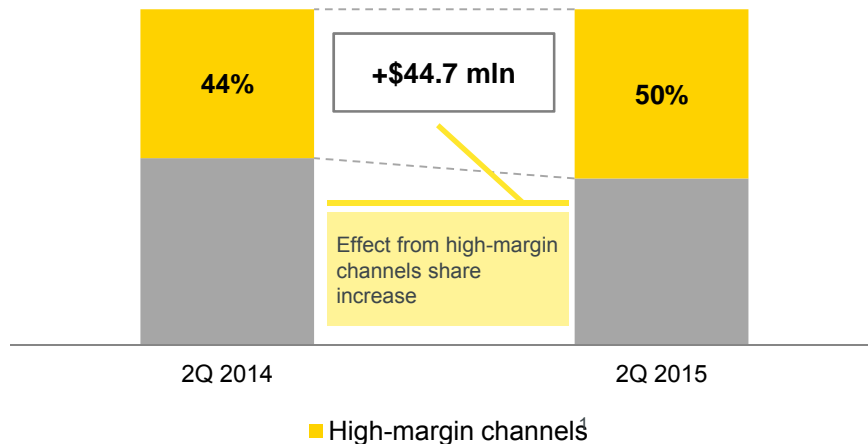
Netbacks of main oil monetization channels



Oil monetization structure (2Q 2015)



Share of high-margin channels



- Increase in oil and product sales by 1.1% q/q in 2Q15
- Increase in refining margin on domestic market premium recovery
- Premium supplies to the Eastern export routes increased by 20% y/y in 2Q15
- Further increase in the long-term contract volumes and expansion of oil product supply geography: ChemChina (up to 2.4 mmt), Trafigura (diesel fuel from Mozyr Refinery), expansion of jet fuel and lubes sales geography

Note: (1) High-margin channels: De-Kastri, Kozmino, China, CPC and some supplies to Europe

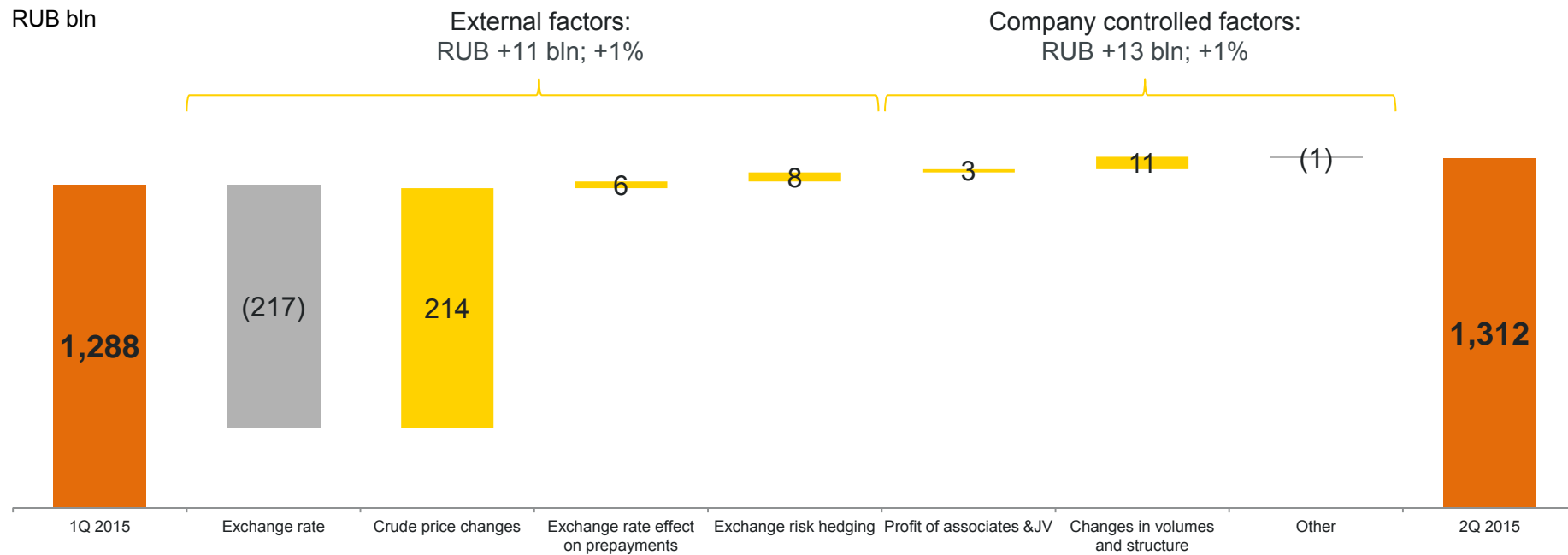


Financial Results

Revenues



2Q 2015 vs. 1Q 2015

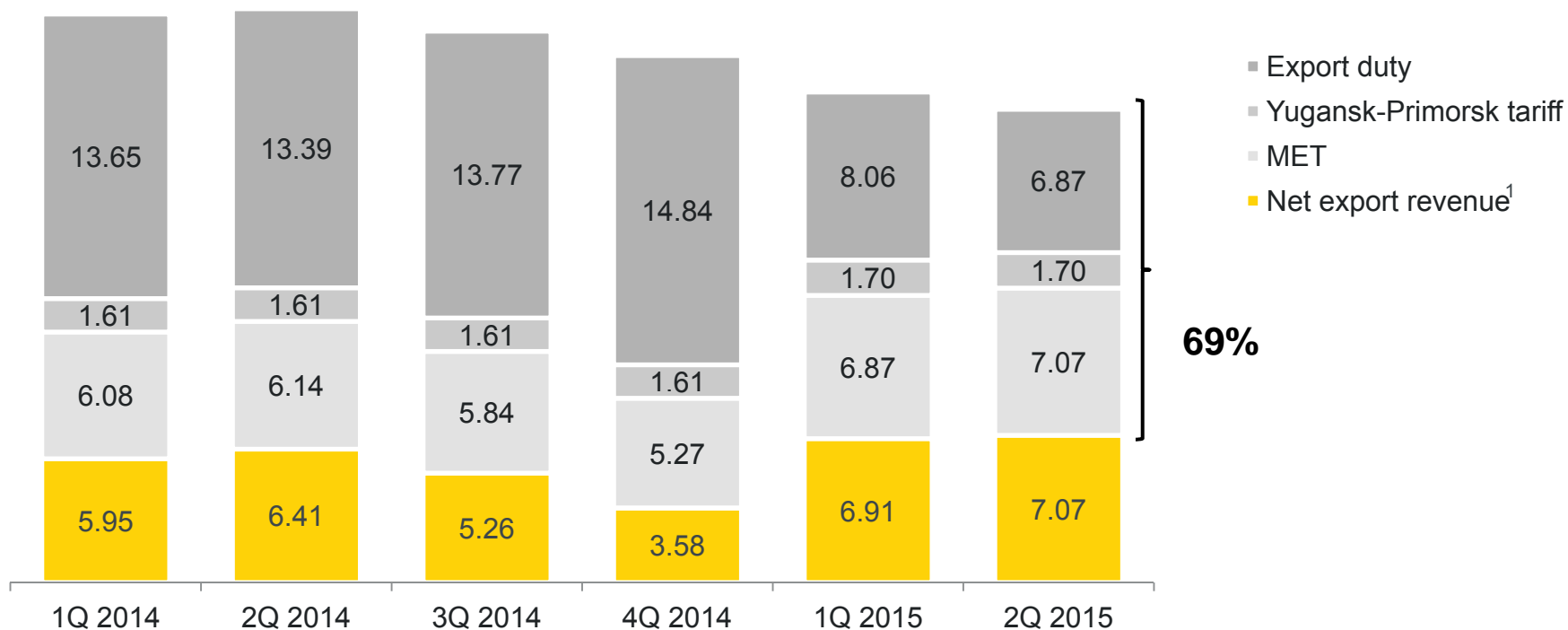


- ▶ **4.6% growth in oil export sales** to non-CIS countries under the long-term contracts based on prepayment
- ▶ **4.3% growth in oil product domestic sales** with recovering domestic market premiums
- ▶ Positive dynamics of Urals prices (17% Urals price growth) is balanced by ruble strengthening (15%)

Net Crude Oil Export Revenue



th. RUB/t



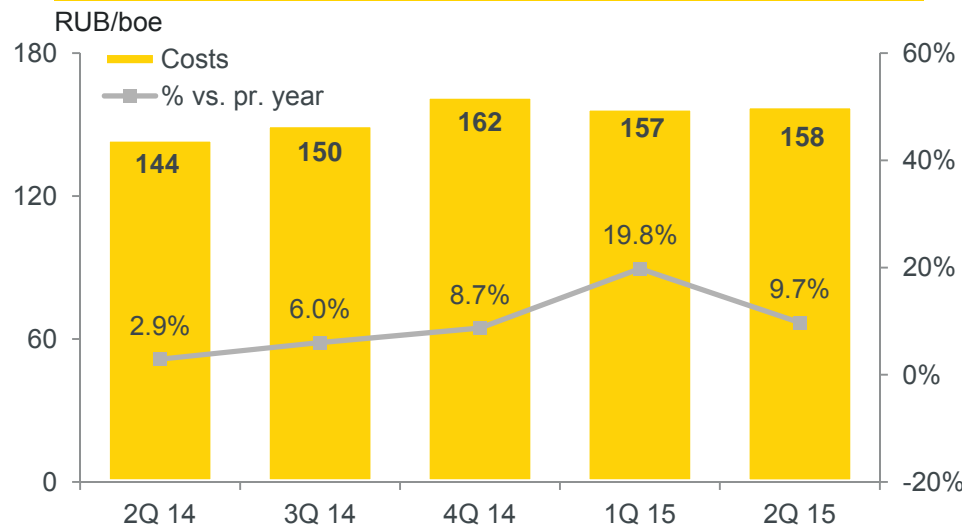
- ▶ The share of fiscal payments and natural monopolies tariffs in oil price amounted to 69% in 2Q15
- ▶ Net export revenue increased by **2.3%** in ruble terms q/q
- ▶ In 1H15 net export revenue increased by 13.2% vs. 1H14 and by 31.9% vs. 2014 level

Note: (1) Calculation based on average Urals prices (FOB Primorsk), converted into rubles on a day-to-day basis

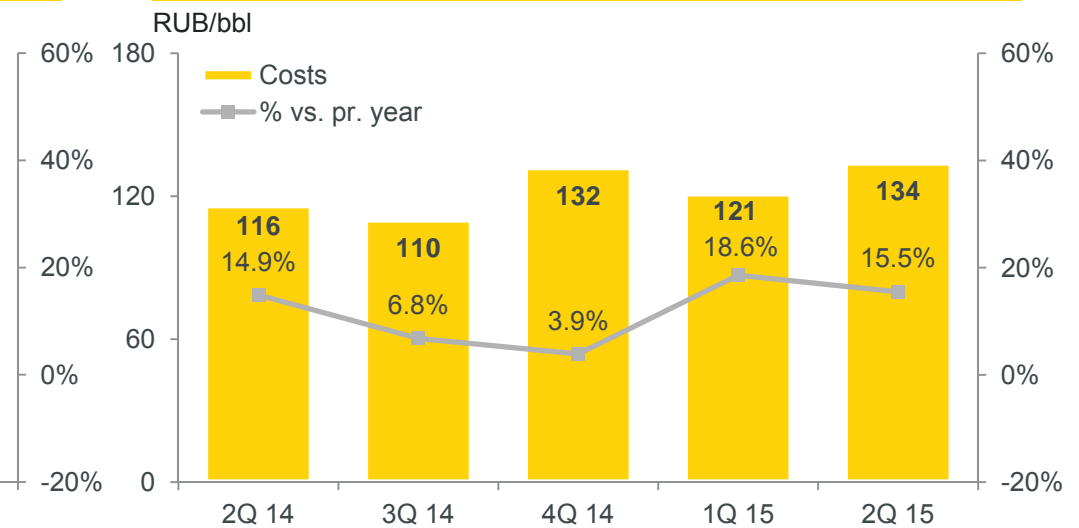
Operational Costs Dynamics



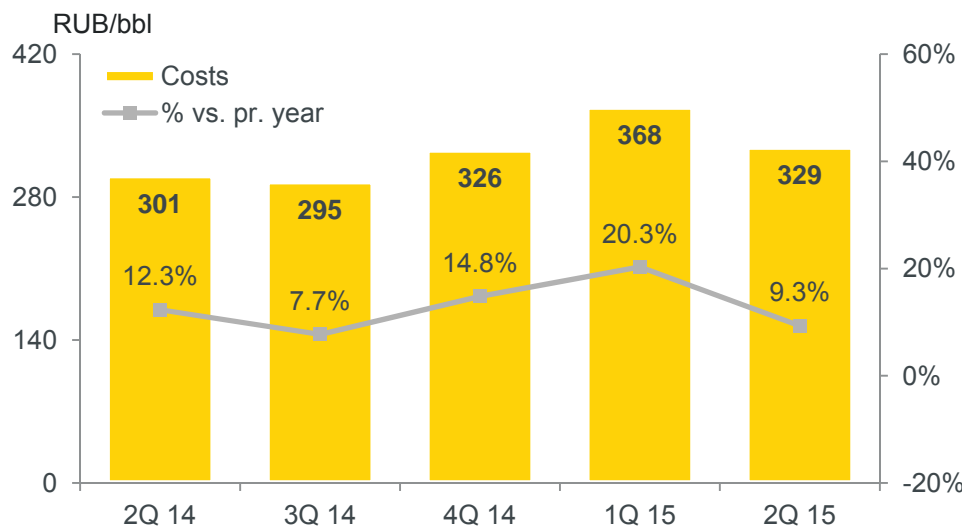
Lifting costs dynamics



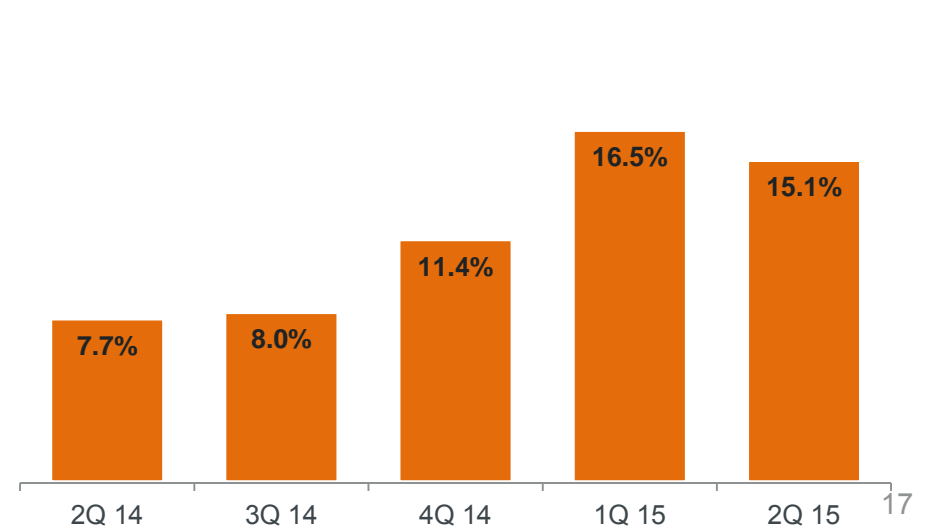
Refining costs in Russia dynamics



Transportation costs dynamics



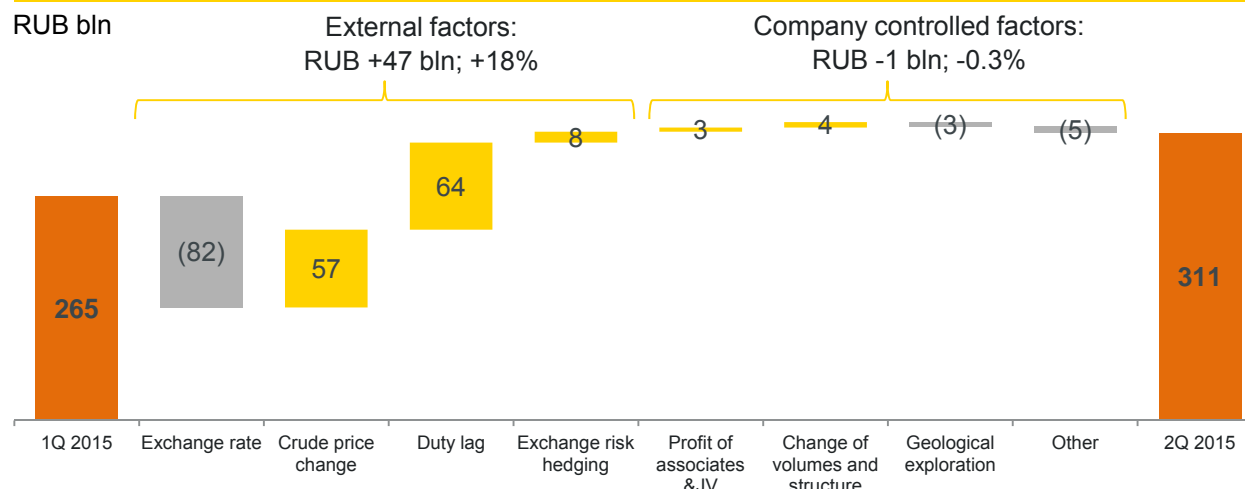
Annual inflation rates



EBITDA and Net Profit

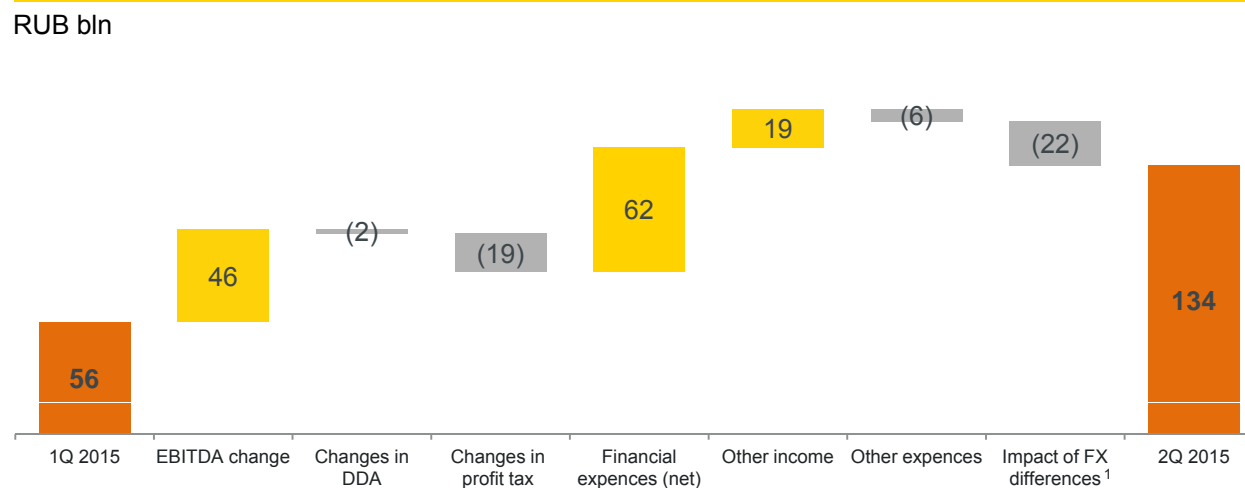


EBITDA in 2Q 2015 vs. 1Q 2015



- ▶ EBITDA growth by 17% in 2Q15 vs. 1Q15
- ▶ Positive effect of the time lag in export duties
- ▶ Growing profitability of domestic market
- ▶ Increasing premium export oil supplies

Net profit in 2Q 2015 vs. 1Q 2015



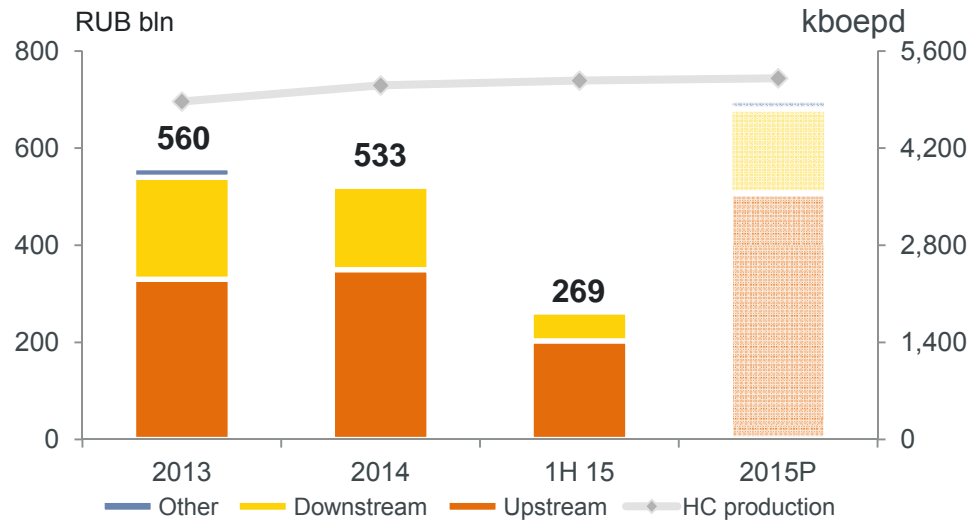
- ▶ More than twofold net profit growth in 2Q 2015 vs. 1Q 2015
- ▶ Decreased financial expenses due to lower debt servicing costs and partial termination of transactions with financial derivatives in 1Q 2015

Note: (1) Losses on foreign exchange differences within P&L amounted to RUB 5 bln in 2Q 2015 as compared with the profit of RUB 17 bln in 1Q 2015

Capex



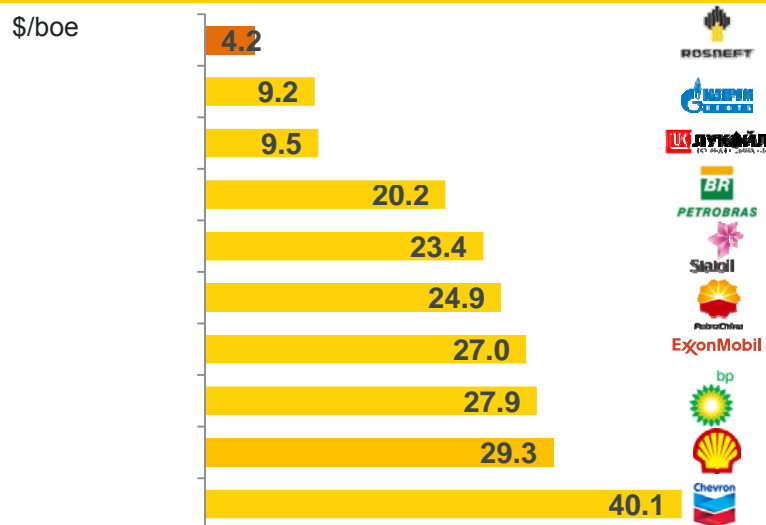
Capex and production



23.04.2015 The Board of Directors of the Company approved a revised 2015-2016 business plan developed in the conservative environment and ensuring delivery of the strategic objectives of the Company at a balanced financial structure with the existing restrictions on access to external financing

- 2015 Investment Program targets:
 - Sustain the level of hydrocarbons production not below the level of 2014
 - Ensure sufficient free cash flow and maximum retention of EBITDA
 - Focus on most efficient projects

Upstream CAPEX in 1H15: benchmarking



2015 capex growth projections are driven by the development drilling increase in order to sustain brownfields production on improved availability of drilling service; by accelerated infrastructure and greenfields development

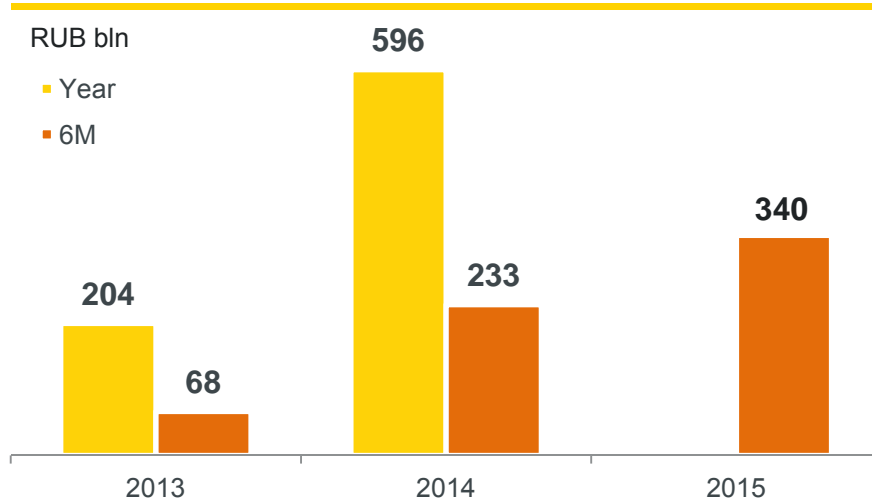
Retaining the leading position in capex efficiency in 2015: at c. \$5/boe

Note: (1) Rosneft, Petrobras, Statoil, Gazprom Neft data is for 1H 2015; Lukoil data is for 1Q 2015; other companies data is for 2014

Free Cash Flow

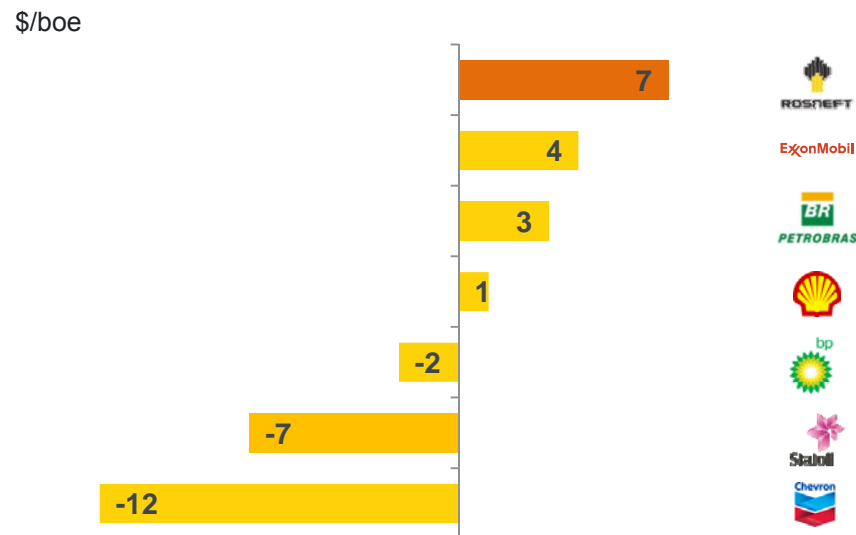


Free Cash Flow

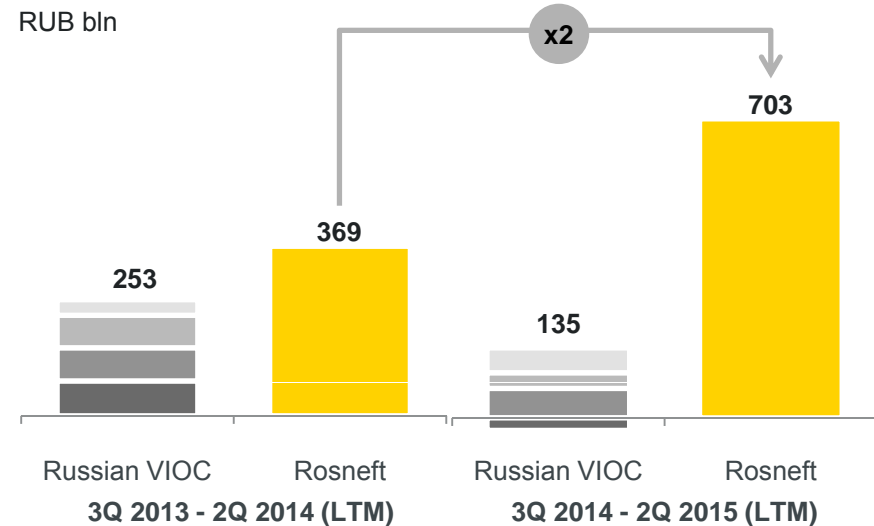


- Free Cash Flow increase by 46% y/y to RUB 340 bln in 1H15
- Despite worsening global market conditions, Rosneft keeps generating free cash flow at \$7/boe level demonstrating the best performance among public oil and gas companies
- Rosneft retains its leading position in terms of FCF generation in Russian oil and gas sector

FCF 1H 2015: benchmarking (majors)



FCF: benchmarking (Russian VIOC)



Sources and Uses of Cash

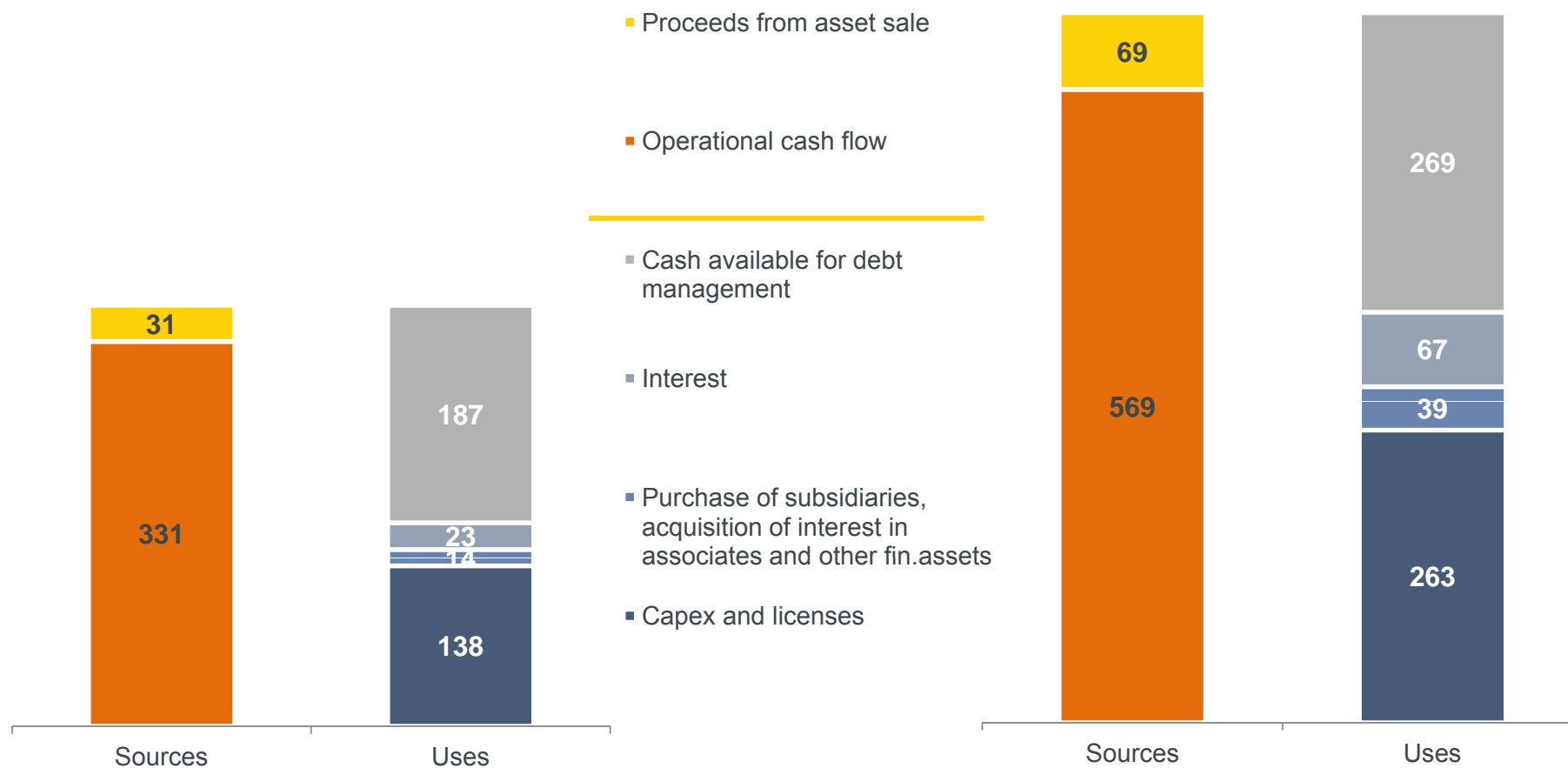


2Q 2015

1H 2015

RUB bln

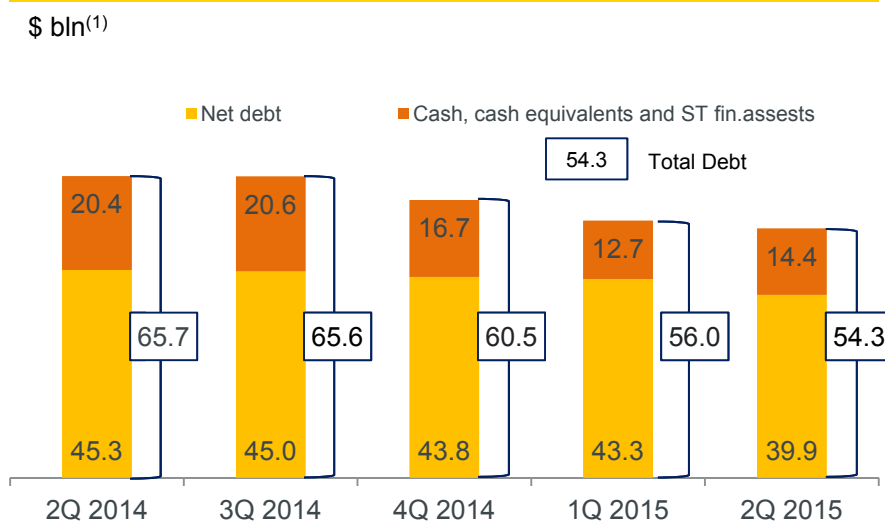
RUB bln



Financial Stability

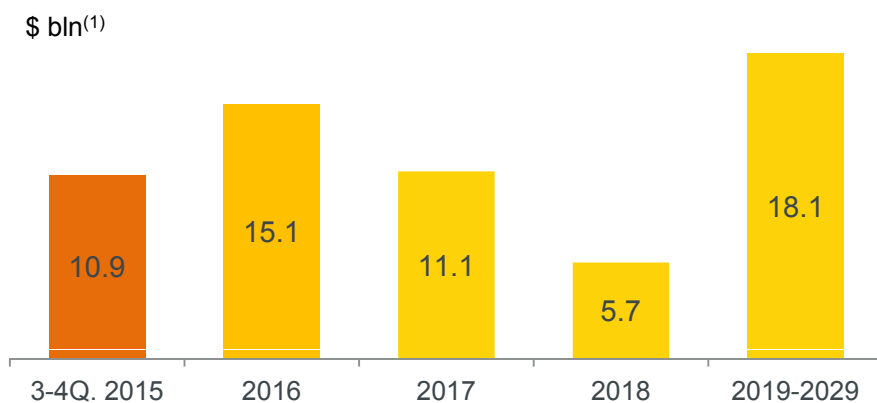


Debt and net debt dynamics



- ▶ For 6M 2015 - consolidated debt load was reduced by 10.2%, or by \$6.2 bln¹ to \$54.3 bln¹ (RUB 3,013 bln)
- ▶ For 6M 2015 net debt decreased by \$3.9 bln¹ YTD to \$39.9 bln¹ (RUB 2,215 bln)
- ▶ Free cash and short tem financial assets amounted to c.\$14.4 bln¹ (RUB 798 bln) as of June 30, 2015
- ▶ Repayments of financial liabilities were at \$5.9 bln³ (RUB 309 bln) in 2Q 2015 , including early repayment of the loans in the amount of c. \$0.6 bln⁴ (RUB 30 bln), including interests

Repayment schedule⁽²⁾



Note: (1) Based on the US dollar exchange rate established by the Central Bank of the Russian Federation as of the end of relevant reporting period, (2) With due account for the future interest to be accrued on currency exchange rates and interest rates as of 30.06.2015, (3) Based on the average US dollar exchange rate in 2Q 2015, (4) Based on the US dollar exchange rates established by the Central Bank of the Russian Federation as of the repayment dates

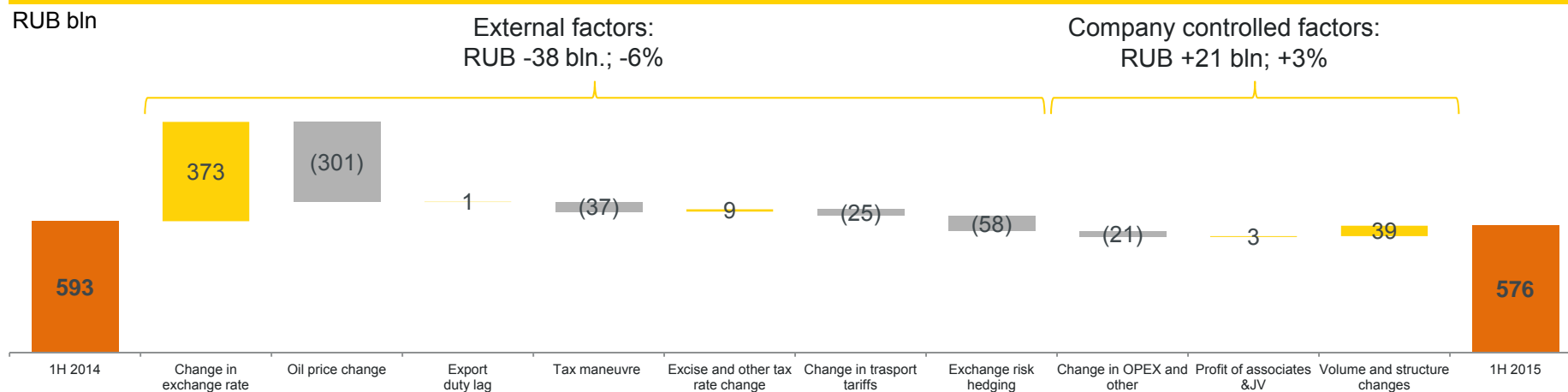


Appendix

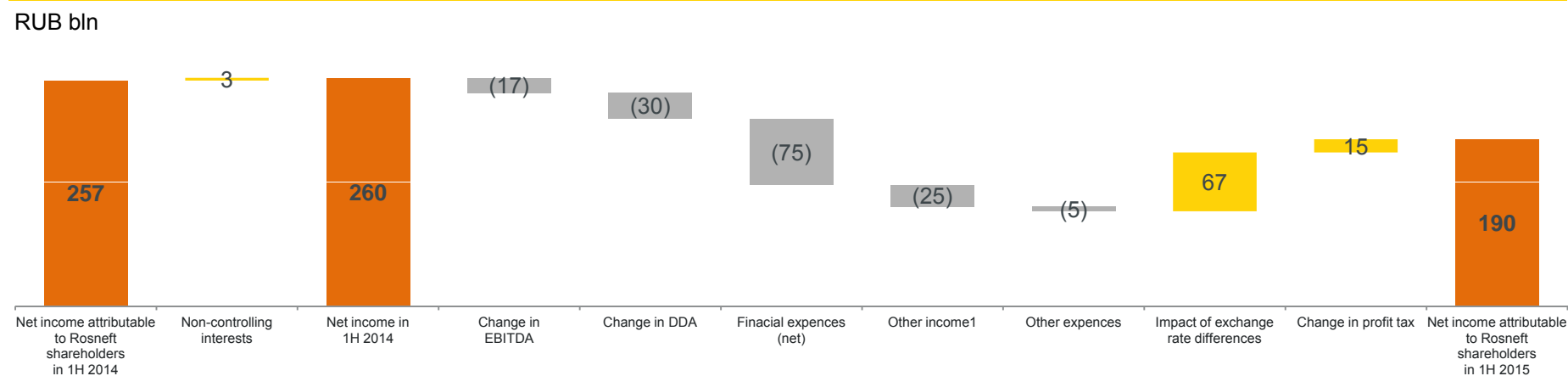
EBITDA and Net Profit



EBITDA 1H 2015 vs. 1H 2014



Net profit 1H 2015 vs. 1H 2014

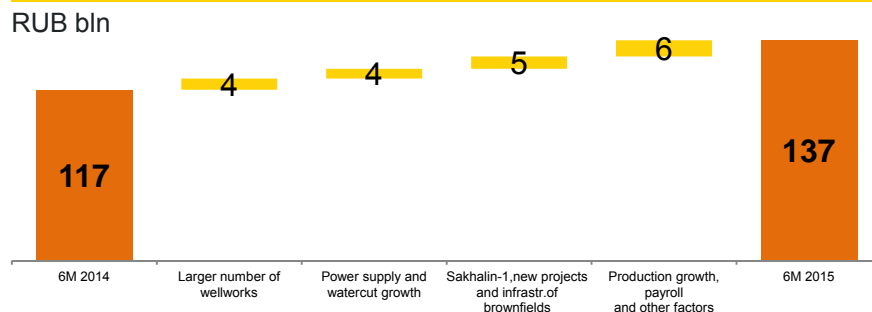


Note: (1) Other income includes proceeds from share in Yugrugaspererabotka sale in 1Q 2014 in the amount of RUB 56 bln, and revenue from litigation debt relief in 1H 2015 totaling RUB 37 bln

Changes in Expenses in 1H 15 vs. 1H 14



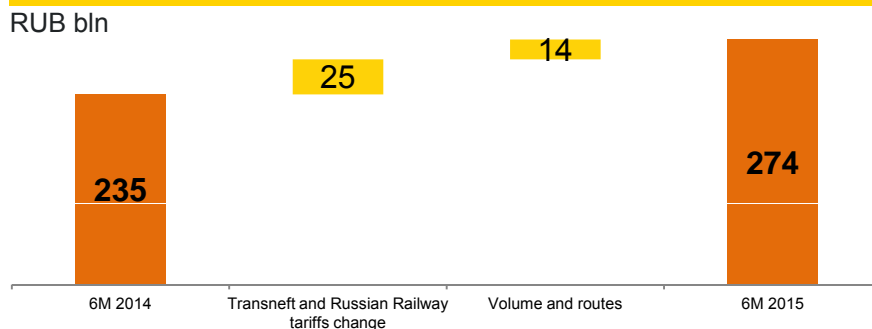
Lifting costs



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 of additives used for motor fuels production of Euro-4 and Euro-5
- ▶ 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
- ▶ 10% indexation of tariffs, charges and payments for cargo transportation and infrastructure utilization while handling transportation by Russian railways

Hedging of Exchange Risk



Indicator	Effect before tax	Tax	Effect after tax
Recognized as a part of other comprehensive income/(loss), as of 31.12.2014	(498)	100	(398)
Exchange rate differences in 1Q 2015	(70)	14	(56)
Recognized in 1Q 2015 revenues	33	(7)	26
Recognized as a part of other comprehensive income/(loss) in 1Q 2015	(37)	7	(30)
Recognized as a part of other comprehensive income/(loss), as of 31.03.15	(535)	107	(428)
Exchange rate differences in 2Q 2015	50	(10)	40
Recognized in 2Q 2015 revenues	25	(5)	20
Recognized as a part of other comprehensive income/(loss), in 2Q 2015	75	(15)	60
Recognized as a part of other comprehensive income/(loss), as of 30.06.2015	(460)	92	(368)

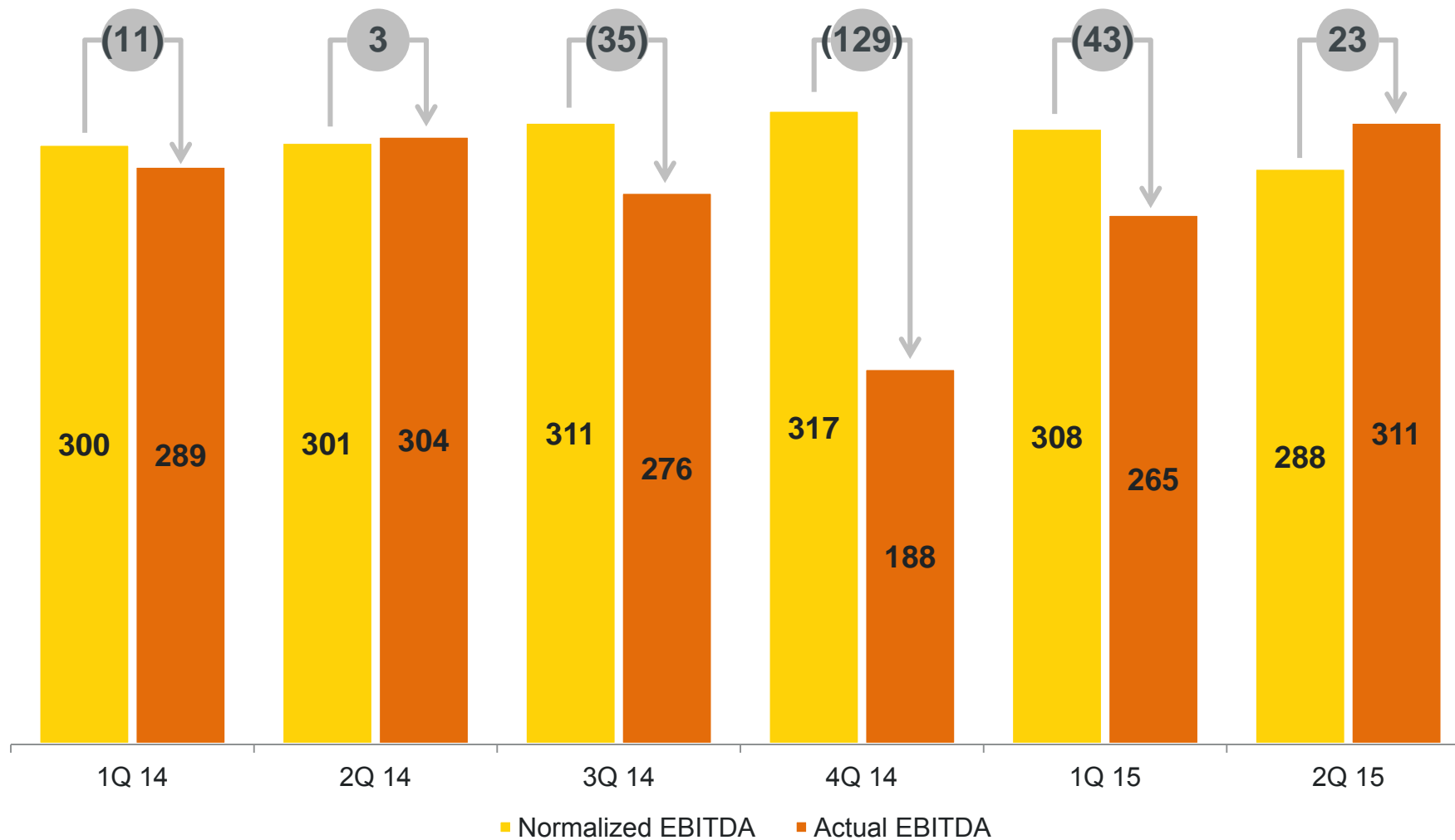
For reference:

Amount of hedging	\$ mln	RUB/USD exchange rate (CBR)
As of December 31, 2014	29,490	56.2584
As of March 31, 2015	28,016	58.4643
As of June 30, 2015	15,999	55.524

Time Lag for Export Duty



RUB bln



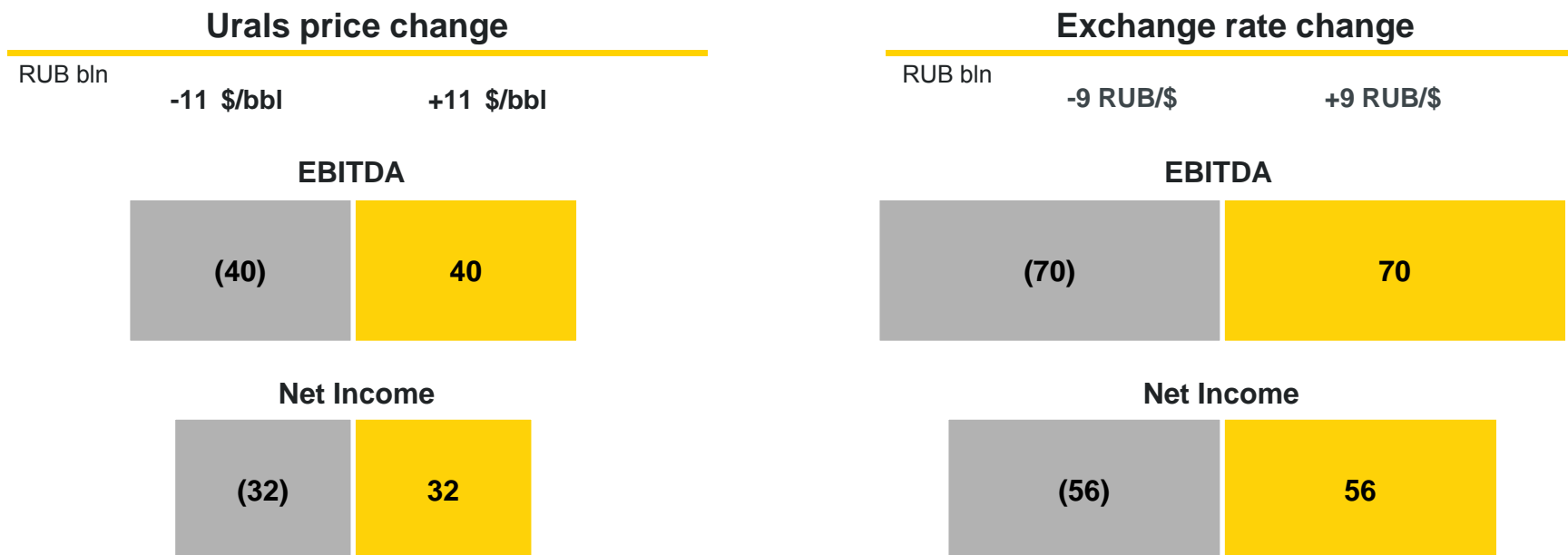
Financial costs, RUB bln



Indicator	2Q 15	1Q 15	%	1H 15	1H 14	%
1. Accrued interest¹	31	41	(24.4)%	72	44	63.6%
2. Paid interest	23	44	(47.7)%	67	41	63.4%
3. Change in interest payable (1-2)	8	(3)	–	5	3	66.7%
4. Capitalized interests ²	11	11	–	22	18	22.2%
5. Net loss from operations with financial derivatives ³	4	58	(93.1)%	62	8	>100%
6. Increase in provisions in time	3	3	–	6	4	50.0%
7. Interests for using cash payable under prepayment contracts	10	12	(16.7)%	22	12	83.3%
8. Other interest expenses	1	–	>100%	1	1	–
9. Total financial expenses (1-4+5+6+7+8)	38	103	(63.1)%	141	51	>100%

Note: (1) Including interest charged on credits and loans, promissory notes, rouble 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 forwards.

EBITDA and Net Income Sensitivity



- ▶ Average Urals price in 2Q 2015 was \$61.8 /bbl. If the average price went down to \$50/bbl over the same period, EBITDA would decline by RUB 40 bln due to change in price and also by RUB 43 bln due to lagging export taxation
- ▶ Average RUB/\$ rate was at 52.65 in 2Q 2015. If average RUB/\$ depreciated by 9 over the said period, EBITDA would increase by RUB 70 bln



Questions and Answers