

OJSC Rosneft Q4 and FY2013 IFRS Results



February 4, 2014

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World-class oil and gas business

- Global leader in liquids reserves and production, growing resource base
- The leader of the Russian market along the value chain from oil processing to ultimate customers
- Unique portfolio of onshore greenfields, largest developer on the Russian Arctic shelf
- Russia's third largest gas producer

- ▶ SEC proved reserves – 33.0 bboe (+74%, organic growth of 11%)
- ▶ Oil reserves replacement ratio – **179%**
- ▶ Hydrocarbons production – **4.9 mmb/d**, incl. liquids production – **4.2 mmb/d** (+72%, organic growth of 1%)
- ▶ Refining throughput – **90.1 mln t** (+46%, organic growth of +1% to 97.7 mln t)
- ▶ Gas production – **38.2⁽¹⁾ bcm** (+133%, organic growth of 22%)
- ▶ **RUB 4,694 bln** – Revenues (+52%, organic growth of +2.5%)
- ▶ **RUB 947 bln** – EBITDA (+53%, organic growth of 0.1%)
- ▶ **RUB 52.89**– net earnings per share (+37,1%)
- ▶ **USD 4.8/bbl**–lifting costs
- ▶ **RUB 23 bln** – synergetic effect in 2013

Key changes in macroeconomic parameters



- ▶ Urals price drop by **2.3%** to **USD 107.7/bbl**
- ▶ US Dollar appreciation by **2.4%** to **RUB 31.85/USD**
- ▶ Crude base MET rate indexation by **5.4%** to **RUB 470**
- ▶ **Indexation of tariffs** for pipeline and railway transport on major crude and oil products supply routes by **4.6/6.6%⁽¹⁾** and **9%⁽²⁾** correspondingly
- ▶ Electricity **price growth** by **8.2%⁽³⁾**
- ▶ Oil products excise tax increase on the domestic market (from **24%** for oils up to **44%** for Euro-3 diesel fuel)

Note: (1) Oil products transportation on the internal market/export,

(2) Average for directions inside Russia

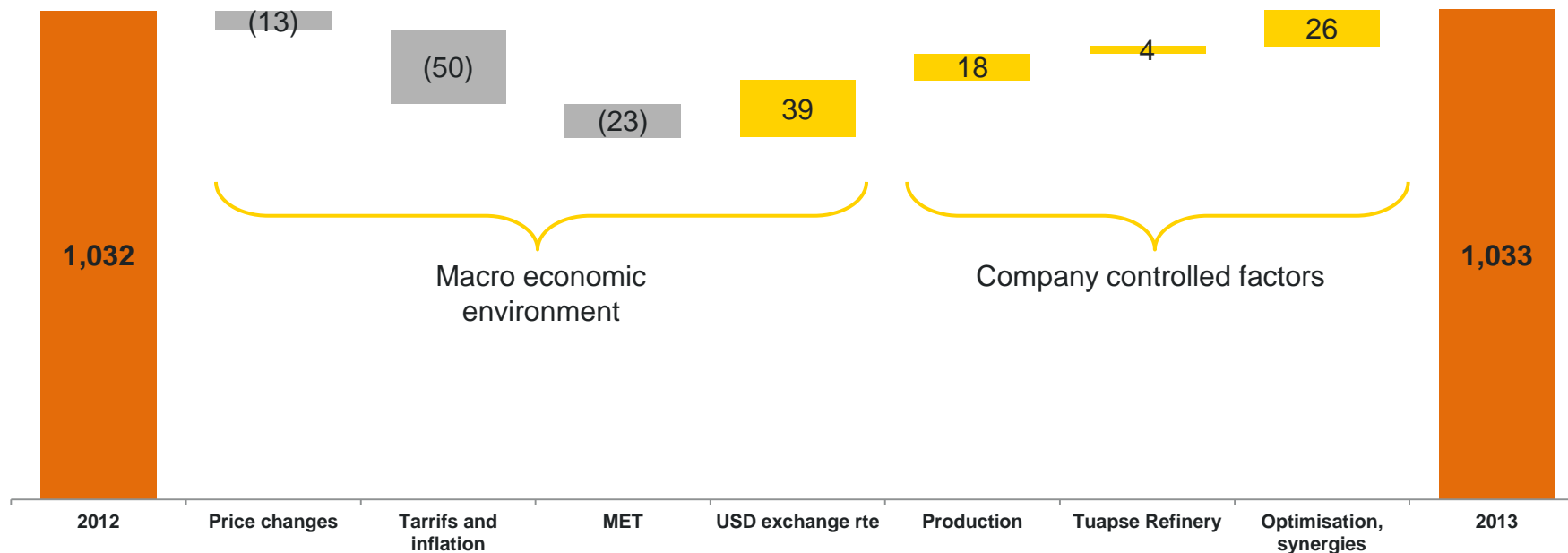
(3) Company data

EBITDA: positive input of controlled factors



EBITDA

RUB bln

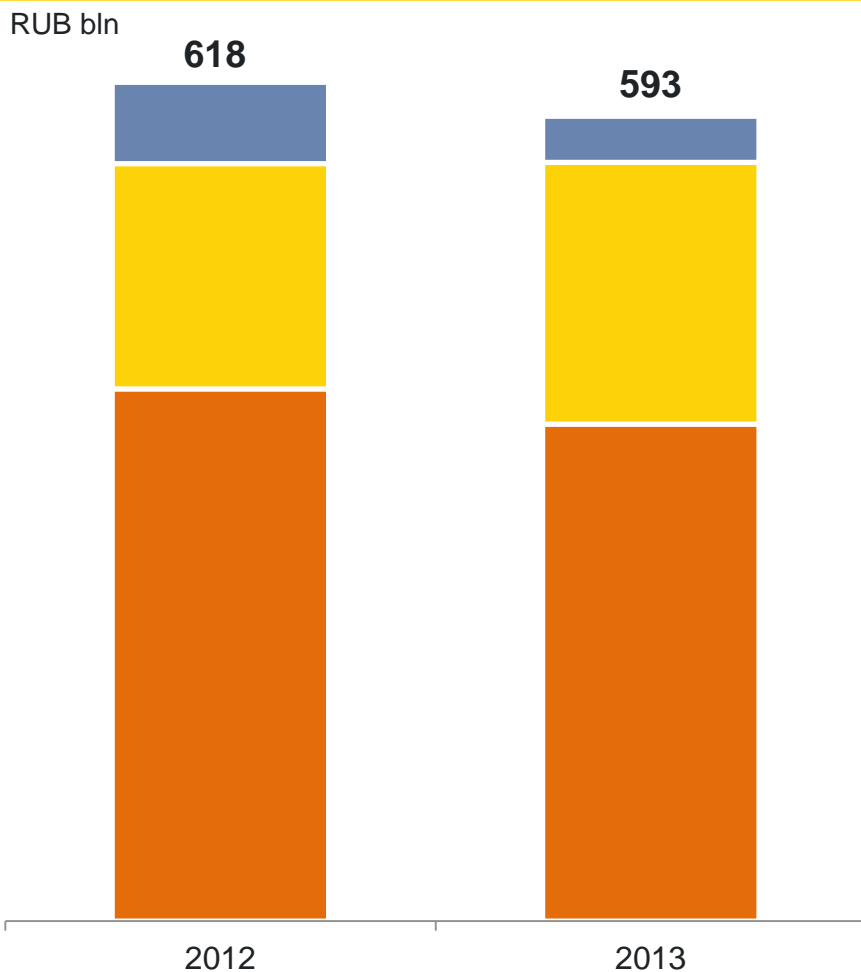


- Changes in macroeconomic environment negatively effected EBITDA in the amount of – **RUB 47 bln**
- Increase in efficiency and synergy contributed RUB **+48 bln**

CAPEX control and key projects execution



CAPEX



■ Exploration and production ■ Refining ■ Marketing, sales and other

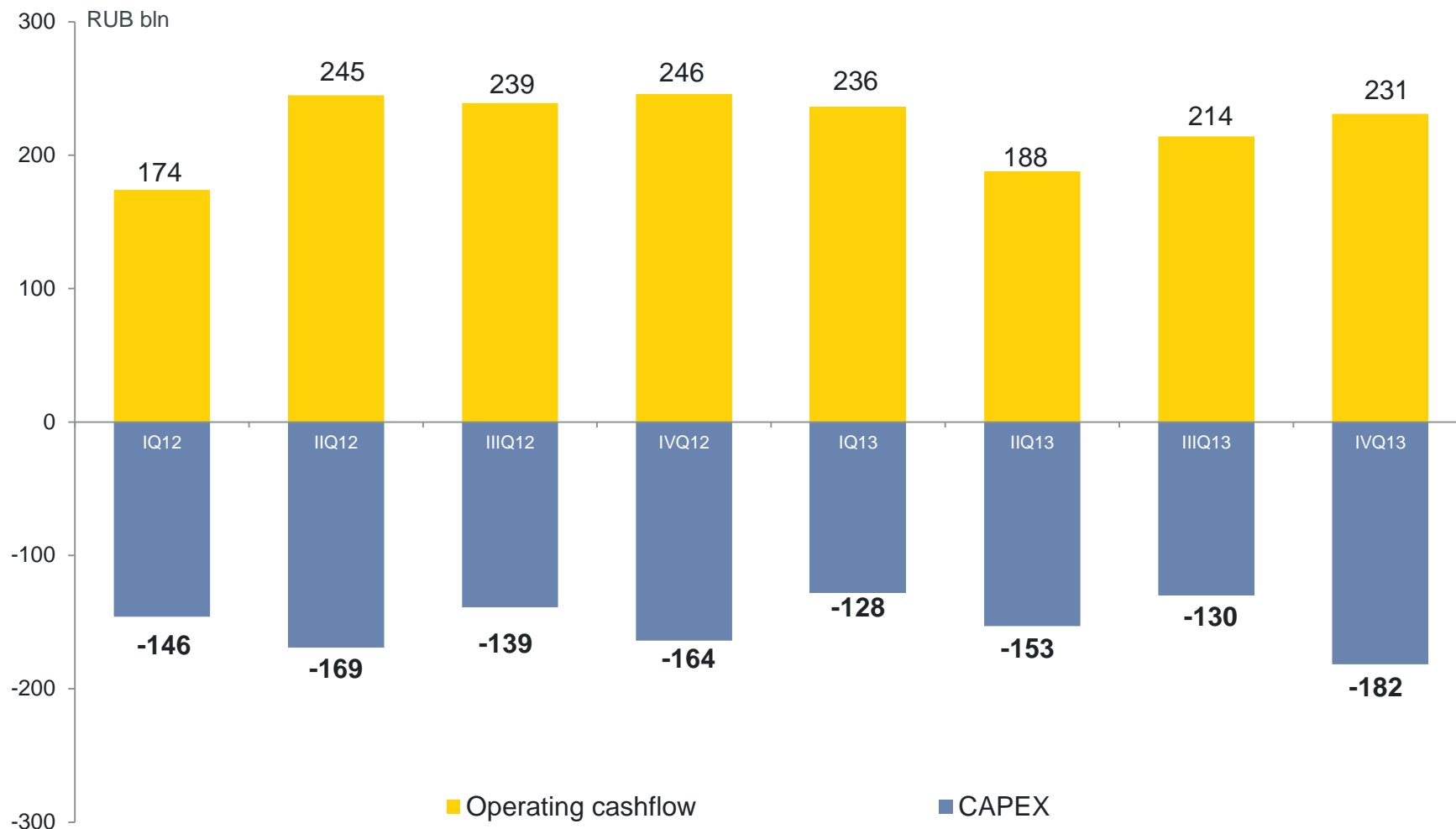
* Proforma data

- ▶ **7.6% decrease in exploration and production unit costs up to RUB 226/boe (USD 7.1/boe)**
- ▶ Efficient management of CAPEX programme ensured:
 - implementation of timely commissioning of capital construction objects in 2013 for more than **100% in the amount of ~ RUB 315 bln**
 - assured sustainable production growth and reserve replacement
 - timely refinery upgrade program implementation
- ▶ In 2013, Company sanctioned only high efficiency projects, meeting Company standards on internal rate of return (more than 150 projects)

Investment activities financed out of operating cash flows



Operating cash flows⁽¹⁾ and CAPEX



* Proforma data

Note: (1) Adjusted for transactions with trading portfolio securities and for the effect from prepayments under long-term crude oil supply contracts in the amount of RUB 470 bln

Credit Profile and De-Leveraging



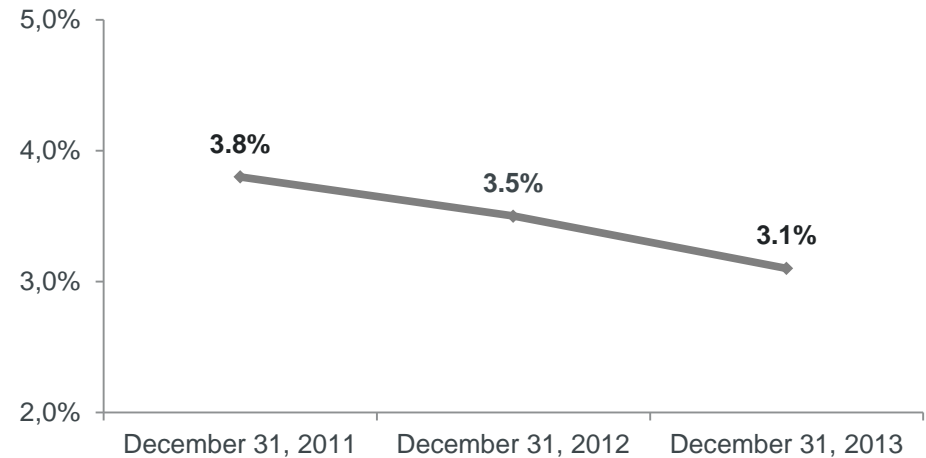
Choice of most effective loan instruments

- 2013 borrowings assured gradual increase in the average tenor of the debt portfolio and reduction of its weighted average value
- During 2013, RUB 110 bln worth of 10Y⁽²⁾ ruble bonds were issued – the largest issue of all Russian issuers

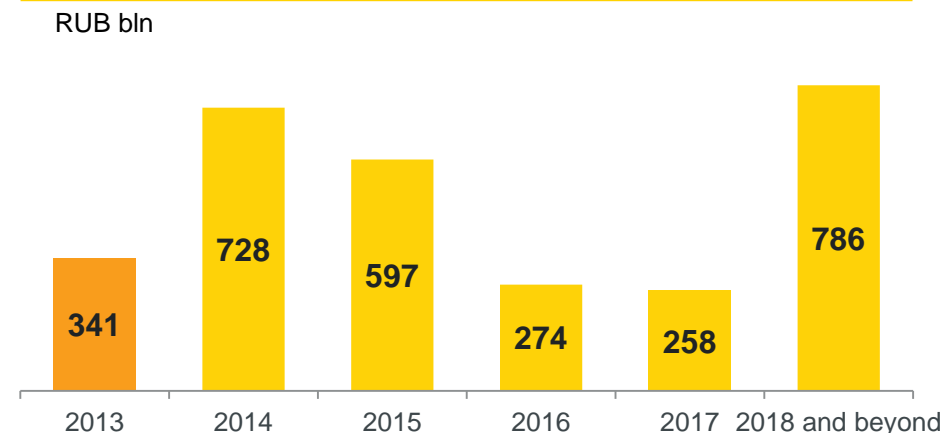
Gradual de-leveraging

- At the end of 2013, the Company repaid (partly through prepayment) part of the loan taken to acquire assets, total of USD 5.1 bln (RUB166.9 bln)
- Company intends to gradually de-leverage

Weighted average cost of debt



Repayment schedule⁽¹⁾

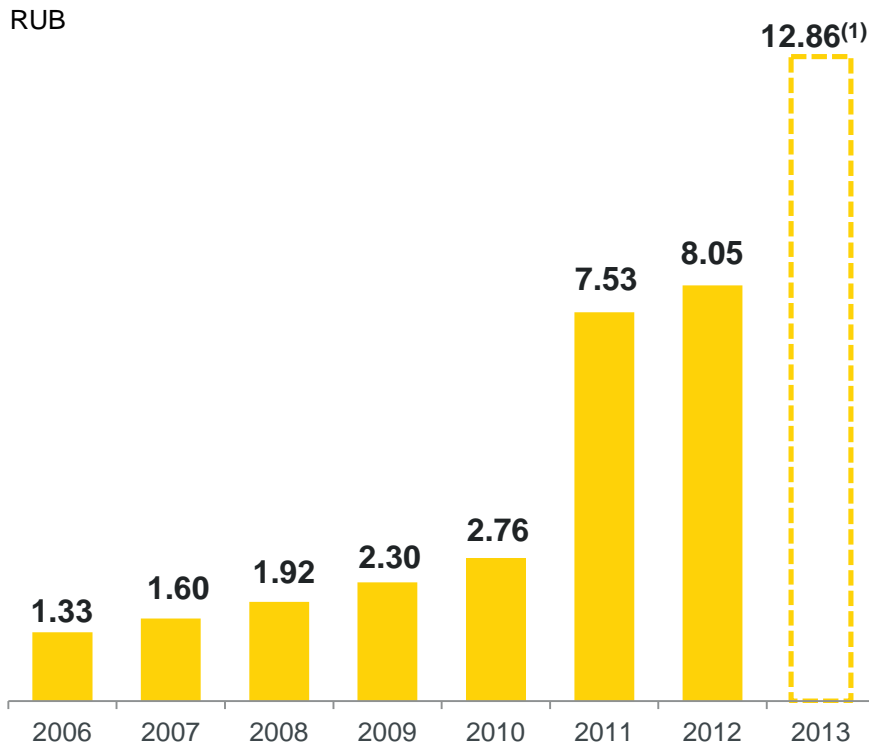


Note: (1) With future accrued interest by FX rate and interest rate as of Dec. 31, 2013 (without debt owed to other YUKOS Group companies),
(2) Permits offer in 5 years

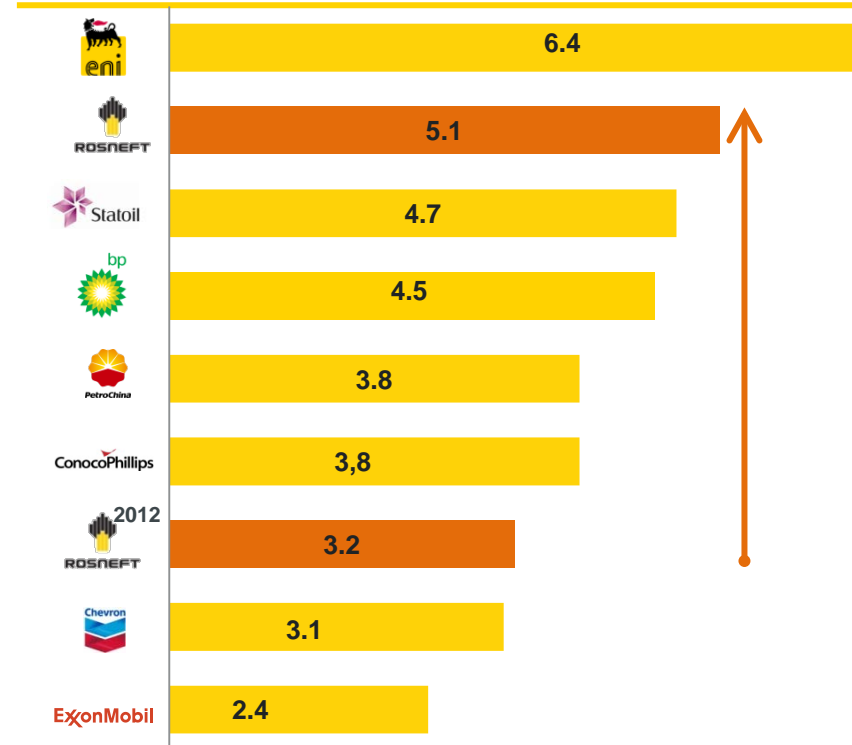
Dividend policy in line with accepted international practices



Growth in Rosneft dividends per share



Dividend yield, %⁽²⁾



- ▶ Dividend payouts at 25% of net IFRS earnings since 2012
- ▶ Expected dividend yield of **5.1%** matches the industry's best trends and reflects growth by 1.9 bp vs. 2012

Note: (1) Analytical calculation: 25% of 2013 net earnings, recommended dividend size will be approved by Company Board in late April

(2) 2013 Forecast. Analyst consensus according to Reuters at the end of 2013, Rosneft – Company calculation

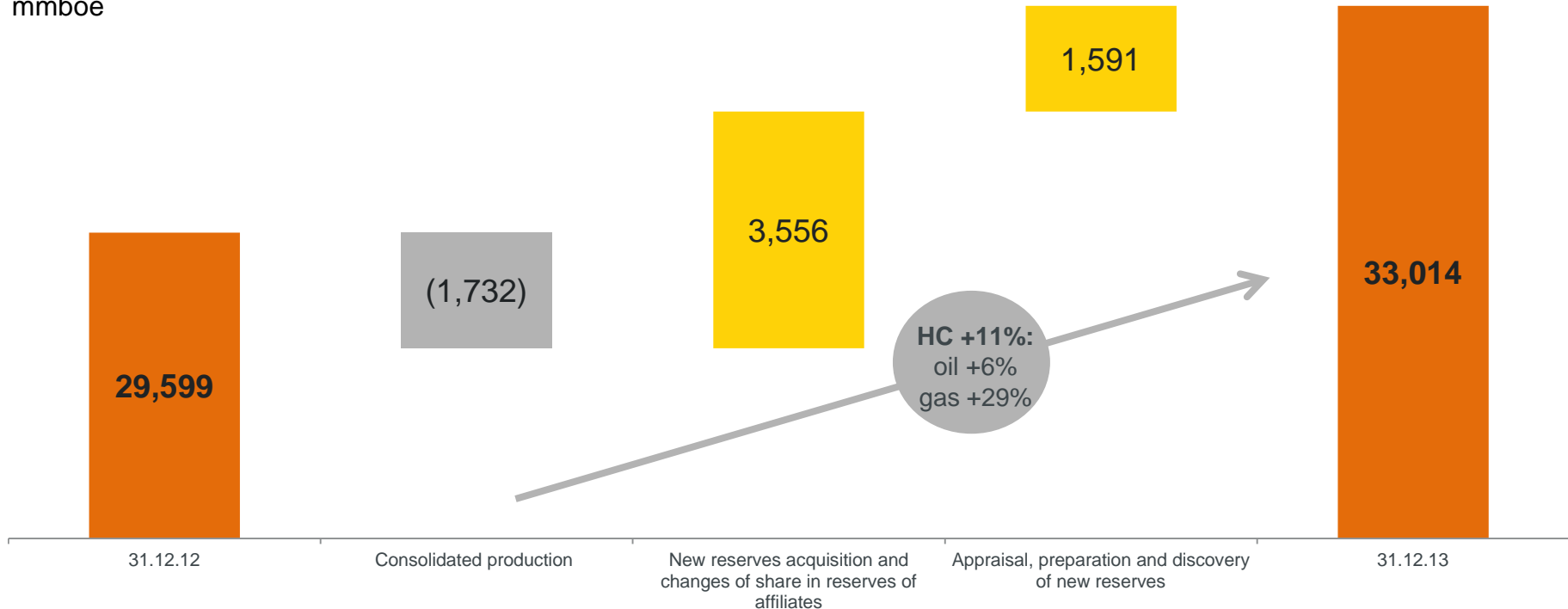


Operating results

Improved reserves quality and resource renewal on the back of record production (1)



mmboe



- ▶ Oil reserves replacement ratio comprised **179%**
- ▶ Estimated reserves value is **USD168 bn⁽²⁾ (+8% yoy)**
- ▶ Onshore exploration and appraisal drilling success rate comprised **76%** in 2013
- ▶ Hydrocarbon resources grew to **339 bboe**

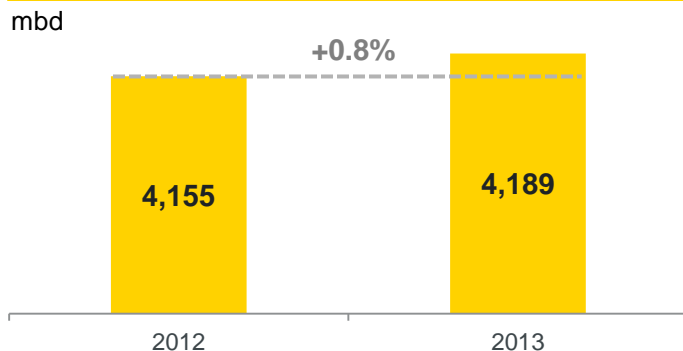
* Proforma data

Note: (1) According to SEC classification, (2) 10% discounted value, calculated by DeGolyer & MacNaughton

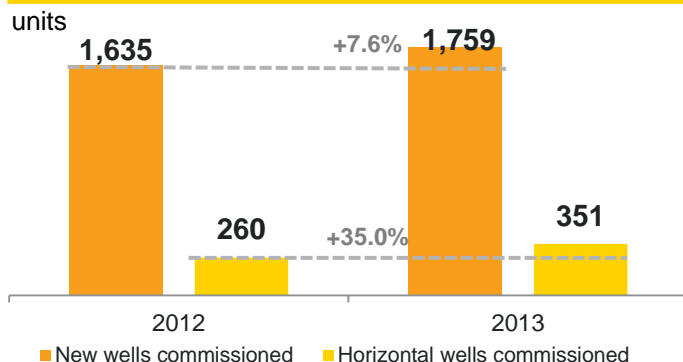
Record oil production as a result of stabilized brownfield output and greenfields progressing on track



Daily oil production⁽¹⁾



Wells commissioned^(3,4)



- ▶ Opened **6** fields and **70** new deposits
- ▶ Operational drilling footage – **6,082 thousand m⁽²⁾**
- ▶ Average well flow – **15.2 t/day⁽³⁾**, **1.5 times** above Russian average
- ▶ Greenfields accounted for **19%** of the total output in 2013
- ▶ Well completion is improving: in 2013, **>150** horizontal wells with multi-stage fracs were set in operation with flow rates being **2-3x** directional well flow rate
- ▶ Lowest oil production unit costs – **USD 4.8/bbl**
- ▶ In relation to 4 largest West Siberian subsidiaries (Samotlorneftegaz, Nizhnevartovsk, Varyoganneftegaz, Nyaganneftegaz), **a material slowdown in production decline rate was achieved, from 7% to 3% (4Q, qoq) on the back of capital cost reduction**

Note: (1) According to proforma data, with share in the production of affiliated companies, incl. production of liquid hydrocarbons, (2) All affiliated companies incl. Taas-Yuryakh starting 01/01/2013 (3) 100% consolidated affiliates incl. Taas – Yuryakh starting 01/01/2013 (4) Commissioning of new wells from drilling for production increase, horizontal wells, completed

Successful execution of core production projects



► Samaraneftegaz: growing brownfield

- Production growth by **2.5%**⁽¹⁾, **5%** of the Company production
- **46** new wells set in operation
- Active application of the hydrofracturing technology
- Search and commissioning of missed deposits

► Vankor: largest greenfield project

- Production growth by **17%**, share of Russian production - **4%**
- **3** well pads set in operation
- Gas program implementation in progress; gas reinjection started in 4Q



► Uvat: the center of a new province

- Production growth by **26%**, **4%** of the Company production
- **2** new fields commissioned
- Efficient drilling program continued; completed construction of 139 wells
- Reduced baseline production decline rates as the result of successful well pressure maintenance program completion



* Proforma data

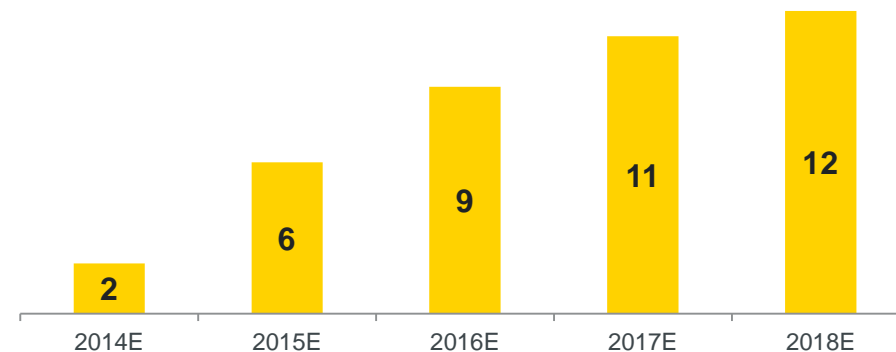
Note: (1) Hereinafter on this slide: daily production comparisons yoy

Rosneft – leader in developing Russian offshore



- ▶ Largest Russian offshore subsoil user : **> 45 bln toe of resources:**
 - **Over 20%** of World ocean offshore hydrocarbon resources⁽¹⁾
 - **c. 45%** of Russian offshore hydrocarbon resources ⁽²⁾
- ▶ **46** license blocks with **c. 1.4 mln sq.km** total acreage
- ▶ First exploration stage project carry financing from partners till 2018 at **USD 14.4 bln**

Exploratory wells drilling in 2014–2018⁽³⁾



- ▶ An unprecedented exploration program was completed in 2013:
 - 2D seismic – **32.5 thousand linear km**
 - 3D seismic – **2.6 thousand sq.km**
 - Engineering and geological research for drilling locations selection at 12 area

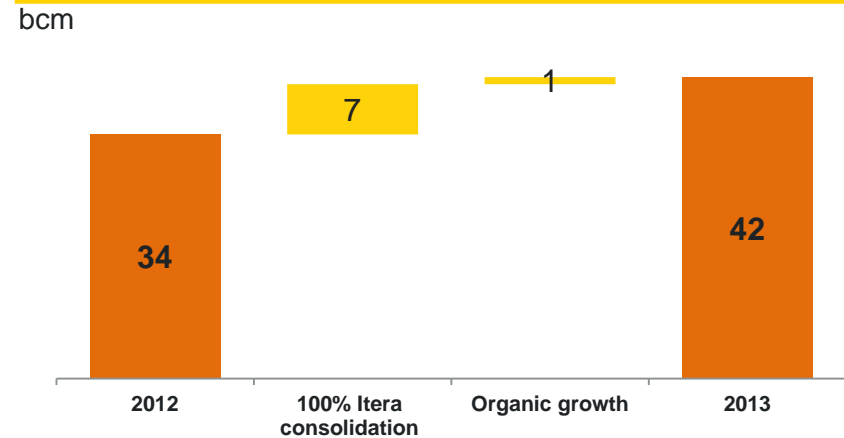
Gas business: world-class resource base and considerable production growth



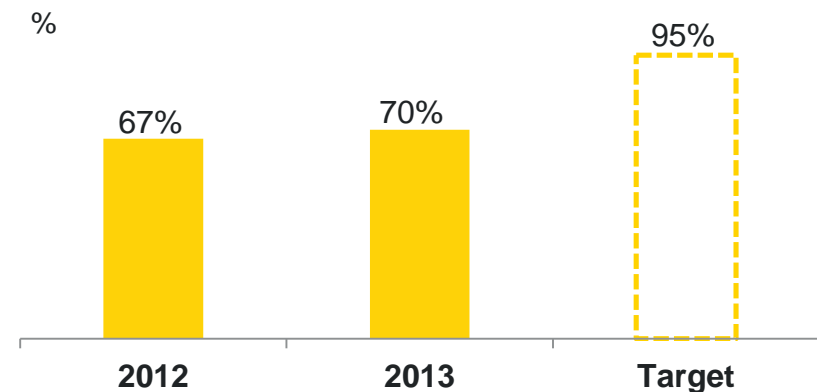
Key achievements of 2013

- ▶ **3-d largest gas producer in Russia**
- ▶ SEC gas reserves as of Dec. 31, 2013 amounted to **1.3 tcm**
- ▶ Company gas business development secured incremental revenues of **RUB 81 bln** in 2013
- ▶ The Board of Directors approved Rospan and Kharampur gas deposits development projects. Turonian gas pilot production program completed successfully (**3 wells**)
- ▶ Itera consolidation and Sibneftegaz share increase to ~100% will enable optimization of management decision making procedure and increase of sales portfolio management efficiency
- ▶ APG utilization objects commissioned at Yuganskneftegaz, Purneftegaz, Orenburgneft, Vankor field

Gas production growth



APG utilization growth



Far East LNG: Pilot project of efficient offshore gas resources monetization



Project description

- ▶ Annual capacity – **5 mmt**
- ▶ Commissioning – **2018**
- ▶ Resource base: Sakhalin-1, Severo-Veninsky LB, other perspective LBs (Lebedinsky, Kaigano-Vasyukansky, Astrakhanovskoye Sea – Nekrasovskoe, Amur-Limansky)
- ▶ Potential expansion to **10 mmt**

Project implementation progress

- ▶ **June 2013** – signed LNG plant construction project development agreement with ExxonMobil
- ▶ **June 2013** – signed heads of terms for LNG deliveries with SODECO, Marubeni, Vitol;
- ▶ **September 2013** – FEED A contractor selection: CB&I and Foster Wheeler.
- ▶ **January 2014** – FEED B contractor selection tender completed











 Potential plant location

 Resource base

Refining and marketing in Russia: wide geographical presence along the value chain



-  Producing assets
-  Refineries
-  Own fuel-filling complex
-  Partners' fuel-filling complex
-  Commodity oil flow
-  Regions under retail coverage
-  Tanker/fuel vessel
-  Ports of presence



Refinery upgrade



Key events in 2013

- ▶ A record high volume of oil refining in Russia of ca. **~85 mln t** with a margin of **USD6/bbl**
- ▶ An effect of **+18 bln rubles** due to incremental production of Euro-4,5 motor fuels
- ▶ Completion of the first stage of **Tuapse refinery** reconstruction: capacity of primary distillation increased up to 12 mln t per year. Incremental effect on EBITDA – **RUB 4 bln**
- ▶ An Isomerization Unit is commissioned in the **Saratov Refinery**. Incremental effect – **1.6 bln RUB/year**
- ▶ Key large production equipment items are delivered to the **Komsomolsk, Achinsk, Novokuibyshevsk, Kuibyshev, Angarsk and Syzran Refineries**
- ▶ Changes in tax regime can result in optimization of **modernization program**

▶ Euro - 4,5 production by 2015



18 mln t of Euro-4,5 mogas and diesel was produced in 2013⁽¹⁾

▶ Gasoline production



12 mln t of gasoline was produced in 2013⁽¹⁾

▶ Conversion ratio



66% conversion ratio in 2013⁽¹⁾

■ 2013 actual **XX** Target ■ Addition to 2013

Expansion of premium retail and B2B channels



► Retail network – Russian market leader

- More than **2,400 retail sites** in the integrated Company
- **~20%** – Russian market share (leader)
- **11 mln t** – annual retail sales

► A leading player in the jet fuel market:

- **Operating control of refueling facilities** at the following airports: Sheremetyevo, Sochi, Krasnoyarsk, Krasnodar, Gelendzhik, Anapa, Rostov-on-Don, Abakan
- Operating footprint across airports has been expanded and **highly premium** 'in-wing' have been broadened through new counterparties
- The share of **premium sales** to airlines has reached **68%**

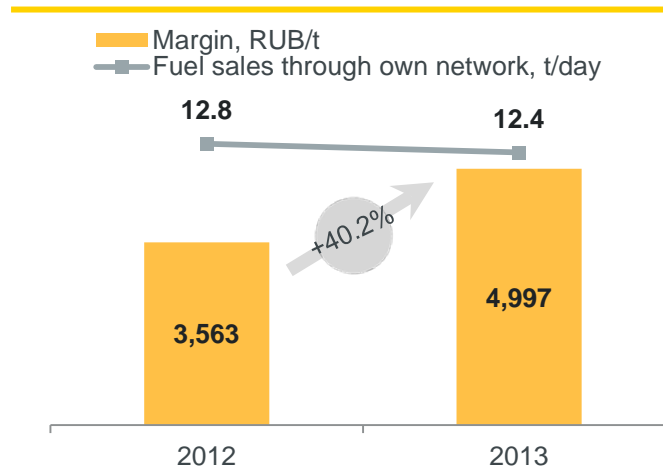
► Aggressive growth in the bunkering sector:

- **5-year contracts** signed with operators of Sakhalin-1 and Sakhalin-2 offshore projects
- Sales to major shipping companies Maersk and CMA CGM in the Far East have increased to **100 kt per month**
- The second **bunkering tanker** has been put into operation on the Black Sea under a time charter contract
- Almost **100% of sales are direct to vessels**

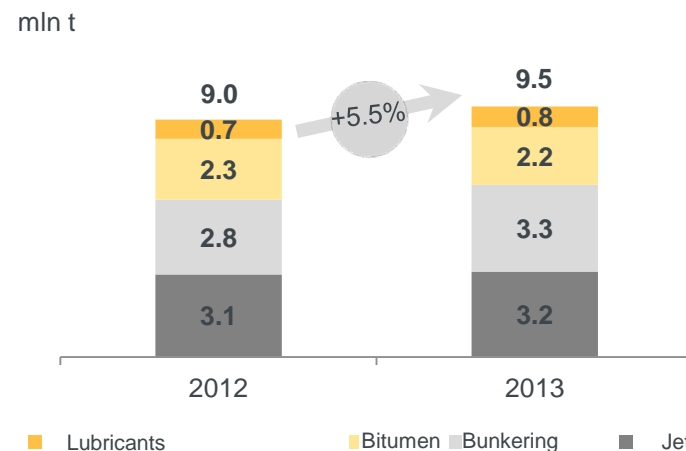
► Acquisition of Morgan Stanley international oil trading business:

- Promotion and optimization of opportunities along the whole marketing value chain
- Expansion of the resource base through access to third parties' volumes
- Gaining access to logistical asset network

Retail channel efficiency⁽¹⁾



Sustainable B2B development



* Proforma data

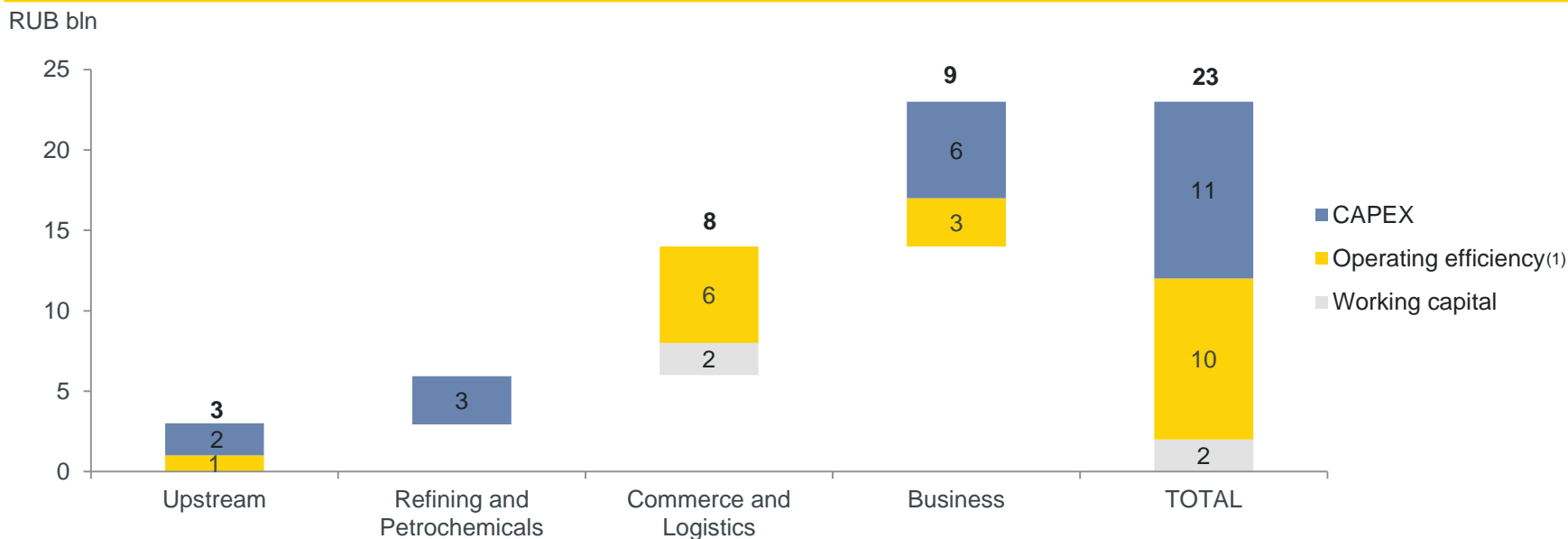
Note: (1) Retail margin for motor fuels is calculated as a difference between weighted averages of: sales price, refinery gate price and primary transport cost.

Integration of acquired assets: taking business to a new level, high operating efficiency, improved asset management



- ▶ Following the assets acquisition, the Company became the world leader among public oil companies in terms of hydrocarbon production and reserves
- ▶ The estimated aggregate synergy effect from acquisition reaches **RUB 400 bln** of discounted cash flow
- ▶ In 2013, the synergetic effect amounted to **RUB 23 bln**

Structure of synergies by core business segments in 2013



Note: (1) Operating efficiency includes optimization of costs, revenues and logistics.

Pro forma key financials for the integrated company



Pro forma of Key Financials. To facilitate comparability of Rosneft Group performance indicators for the whole calendar year, a pro forma of the integrated company's statements including new assets has been prepared for illustration purposes only. The pro forma shows the impact of new assets acquisition as of 21 March 2013 as if it occurred on 1 January 2012.

The Pro Forma of Key Financials is based on the combined statements of the Company and TNK-BP Limited International (TIL) using the consolidation principles (but not to the full extent) outlined in IAS 27 Consolidated and Separate Financial Statements and IFRS 3 Business Combinations. The Pro Forma of Financials for 12 months 2012 is based on public annual consolidated reports of the Company and TIL according to IFRS for 12 months 2012, and the Pro Forma for 3a 12 months 2013 is based on the public annual consolidated reports of the Company and TIL according to IFRS for 12 months 2013 and estimates of TIL financials for the first 79 days of 2013 (prior to acquisition). Bringing the Pro Forma financials in compliance with the requirements for IFRS consolidated reporting will require significant changes in the accounting policy (including changes in the functional currency), as well full elimination of intergroup turnovers and investments between the two companies, effect from the acquisition price distribution, etc.

By its nature, the pro forma represents assumptions, therefore it cannot reflect the actual financial position of the Group in the eventuality that the acquisition had been completed within the specified or any other time frame and should not be viewed as data on the Group performance or its future financial position.

The Pro Forma is prepared specifically for the purposes of comparing the 2012 and 2013 reporting periods and should be viewed together with Rosneft and TIL consolidated financial statements as of and for the year ended 31 December 2012, Rosneft consolidated financial statements as of and for the year ended 31 December 2013, taking into account the acquisition of new assets from 21 March 2013 and TIL consolidated financial statements for the first quarter of 2013, respectively, prepared in accordance with IFRS.



Thank you for your attention!