

OJSC Rosneft Q3 and 9M 2013 IFRS Results



29 October, 2013



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Q3 2013 Key Operating and Financial Highlights⁽¹⁾

- ▶ **4,884 kboepd** – hydrocarbon production, growth by 2.0%
- ▶ **4,193 kbpd** – crude oil production, **~5% of global oil consumption⁽²⁾ in 2012**
- ▶ **10.82 bcm** – gas production, **the country's third gas producer**
- ▶ **26.0 mln t** – refinery throughput, growth by 10.2%
- ▶ **3.0 mln t** – domestic retail sales, growth by 7.1%
- ▶ **1,356 RUB bln** – revenue, 15.3% growth
- ▶ **303 RUB bln** – **record high EBITDA⁽³⁾**, 40.9% growth
- ▶ **280 RUB bln** – net income⁽⁴⁾, **x8 higher**
- ▶ **84 RUB bln** – free cash flow⁽⁵⁾, more than x2 higher

Crude oil production in Q3

40%

of the total production in Russia⁽⁶⁾

Refining throughput in Q3

32%

of the total refining in Russia ⁽⁶⁾

Note: (1) Compared to Q2'13; (2) According to BP Statistical Review; (3) Including the effect of TNK-BP assets revaluation related to previous 2013 periods (4) Net income includes preliminary gain recognition of 167 RUB bln on revaluation of TNK-BP assets and other effects of revaluation in the total amount of (30) RUB bln (5) Adjusted for operations with trading securities (outflow of 3 RUB bln in Q2'13), and one-off effect from prepayments under long-term oil supply contracts (26 and 49 RUB bln in Q2 and Q3 2013 respectively) (6) According to CDU TEK



Key Events⁽¹⁾

- ▶ Consolidation of NGK Itera and getting full control over Taas-Yuryakh Neftegazodobycha, acquisition of Alrosa gas assets and 19.6% stake in SeverEnergia agreed, heads of agreement on acquisition of a 51% interest in Petroresurs signed
- ▶ 2013 business plan of the integrated Company approved by the BoD
- ▶ Federal laws on the development of hard-to-recover reserves, offshore projects and clarification of the gas industry taxation with regard to specific deposit features (dt. July 23, 2013 #213-FZ, dt. September 30, 2013 #268-FZ and #263 FZ) adopted
- ▶ Agreements with Fortum and Enel on long-term gas supplies and with Sinopec on long-term crude oil supplies signed
- ▶ Jointly with ExxonMobil design subcontractors for the Russian Far East LNG project selected
- ▶ The package of agreements with Transneft on Skovorodino-Mohe pipeline capacity increase for 15 mln t from 2018 to 2037 signed
- ▶ Rosneft top managers significantly increased stakes in Company's charter capital



Macroeconomic Environment

	Q3'13	Q2'13	Δ	9M'13	9M'12	Δ
Average USD/RUB exchange rate	32.80	31.61	3.8%	31.62	31.10	1.7%
Inflation for the period, %	1.2	1.6		4.7	5.2	
Urals (FOB Primorsk), th. RUB/bbl	3.58	3.17	12.7%	3.36	3.40	(1.3)%
Gasoil 0.1% (FOB/CIF Med), th. RUB/t	30.5	27.5	10.8%	29.0	29.7	(2.4)%
Fuel oil 3.5% (FOB/CIF Med), th. RUB/ton	19.6	18.4	6.7%	18.9	20.1	(6.0)%
High octane gasoline (av. Russia), th. RUB/t	29.4	25.1	16.9%	26.9	24.8	8.3%
Diesel (av. Russia), th. RUB/t (summer)	25.9	24.9	3.9%	25.1	22.8	9.9%



Financial Results Overview

Item name ⁽¹⁾	Q3'13	Q2'13	Δ
Revenues and equity share in profits of associates and joint ventures	1,356	1,176	15.3%
<i>Oil, gas, petroleum products and petrochemicals sales</i>	<i>1,339</i>	<i>1,158</i>	<i>15.6%</i>
Total costs and expenses	1,173⁽²⁾	1,054	11.3%
EBITDA	303⁽²⁾	215	40.9%
<i>EBITDA margin</i>	<i>22.3%</i>	<i>18.3%</i>	
Net Income	280⁽³⁾	35	>100%
<i>Net Income margin</i>	<i>20.6%</i>	<i>3.0%</i>	
CAPEX	130	153	(15.0)%

Note: (1) In RUB bln unless otherwise stated (2) Including the effect of TNK-BP assets revaluation related to previous 2013 periods (3) Net income includes gain recognition of 167 RUB bln on revaluation of TNK-BP assets and other effects of revaluation in the total amount of (30) RUB bln



Efficient Maintenance of Production Levels

► Stable production at brownfields:

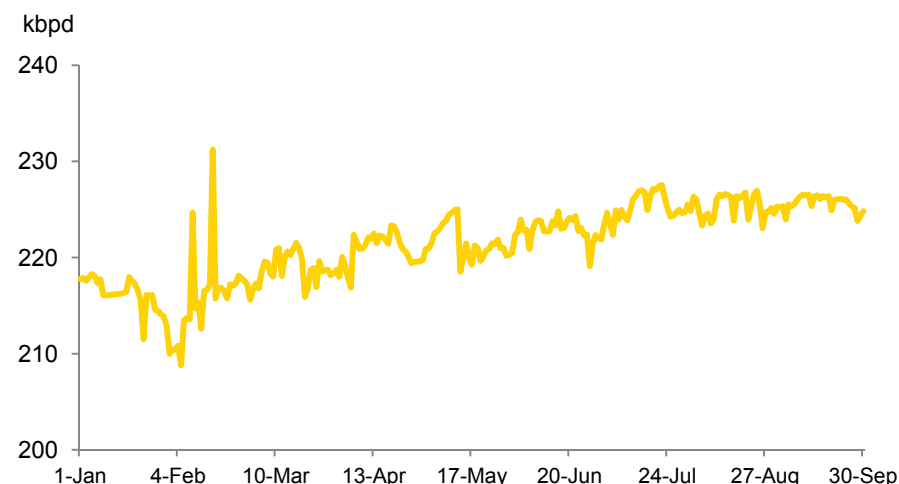
- ~1% production growth at Yuganskneftegaz and RN-Nyagan⁽¹⁾
- 2.5% and 1.6% production growth at Samaraneftgaz and Orenburgneft, respectively⁽¹⁾

► Greenfields – 18.7% of total production

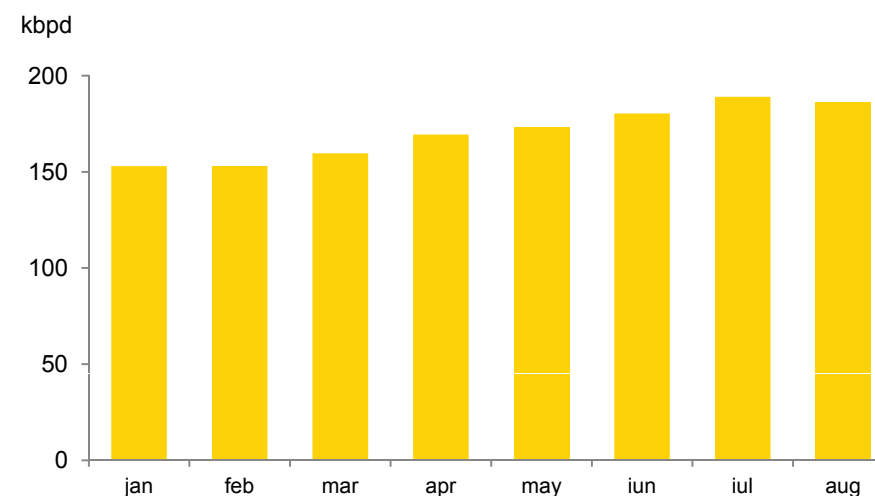
► Production growth at greenfields – 3.5%⁽¹⁾:

- Uvat: Integration of Tyamkinsky Hub into operation, commissioning of new wells and further progress in efficient drilling program
- Verkhnechonsk and Vankor: efficient drilling program and commissioning of new wells
- Accelerated commissioning of Suzun, Tagul, Russkoe and Lodochnoe fields: plan of cluster pad allocation developed, H1'14 – approval of field infrastructure development general scheme planned

Daily crude oil production at Samaraneftgaz in 2013



Average daily crude oil production at RN-Uvat in 2013



Note: (1) Compared to Q2'13



Progress in Gas Business Development

Production



Up to 21⁽¹⁾
bcm

Acquisition of 49% stake in  completed

Agreement on acquisition of   gas assets: 100% in Geotransgaz, Urengoi Gas Company, Irelyakhneft, ~100% in ALROSA -Gas

Binding agreement with  on acquisition of 19.6% stake in SeverEnergiya

LNG



5 mln t
capacity⁽²⁾


Jointly with **ExxonMobil** design contractors for the Russia's Far East LNG project selected:




Sales



Up to 9⁽¹⁾
bcm

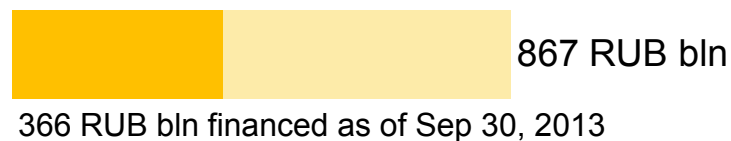
Agreement with  OAO «OTK-5» on gas supplies in **2014-2025**

Agreement with  on **8.3 bcm** additional gas supplies up to **2019**

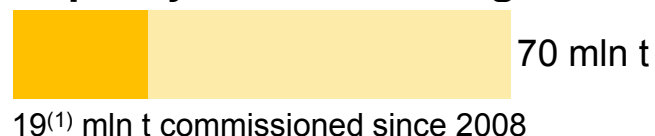


Refinery Modernization Program: On Track

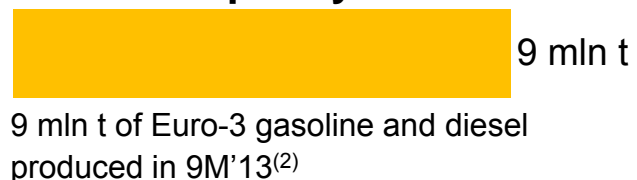
▶ CAPEX



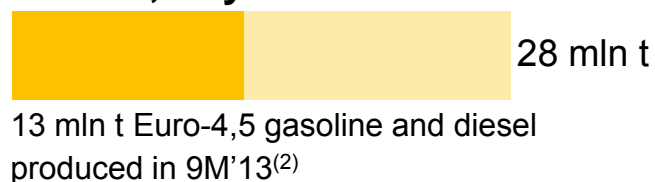
▶ Capacity commissioning



▶ Euro-3 output by 2014



▶ Euro-4,5 by 2015



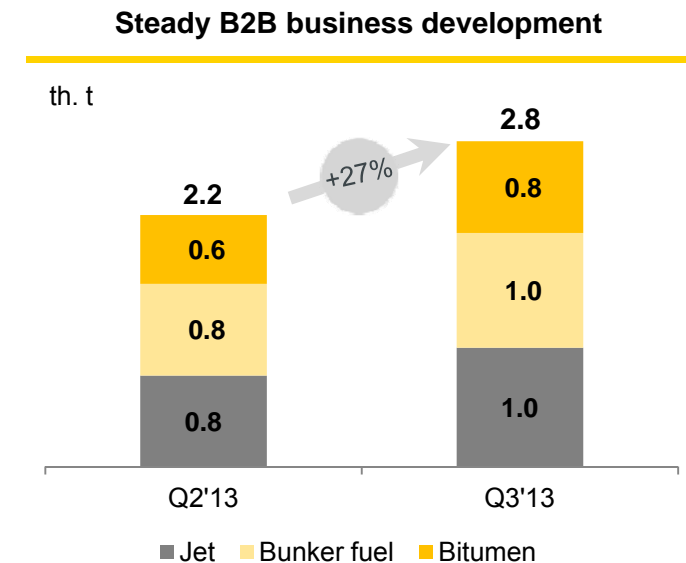
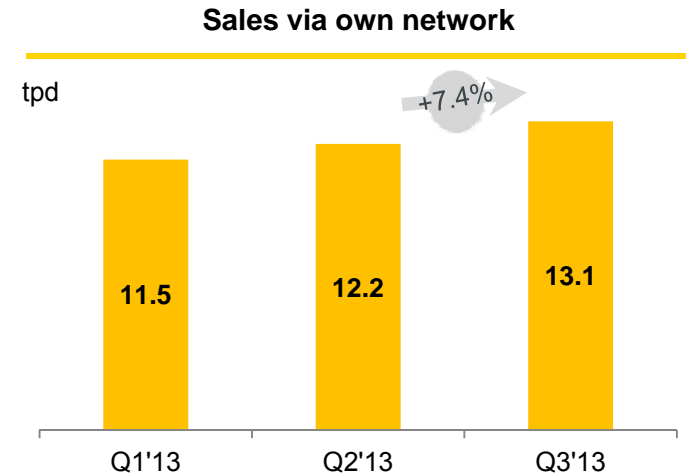
Q3'13 key events

- ▶ CDU-12 crude distillation unit commissioned at **Tuapse refinery**
- ▶ Euro-5 gasoline and jet production increased at **Achinsk** refinery due to optimization of process units operations along with naphtha cut down
- ▶ Additional **positive effect** for 9M'13 totaled **10 RUB bln** mainly due to product slate optimization
- ▶ **1,322 RUB/t** – refining margin in Q3'13

Increasing Marketing Efficiency



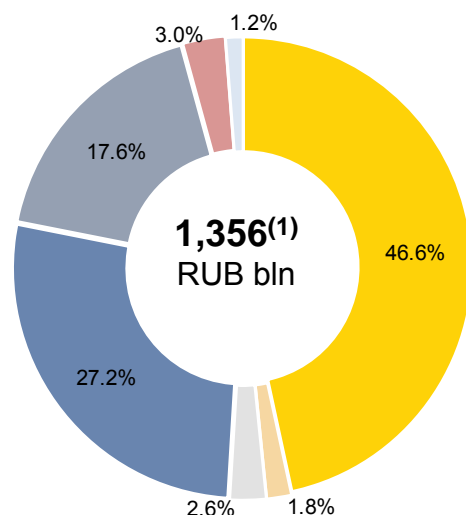
- ▶ Starting supplies to **Czech refineries** – premium market as compared to common export channels
- ▶ Starting supplies to **CNPC** under the new long-term oil supply contract
- ▶ **1.2 mln t** of crude sold on the domestic market under long-term contracts **at a premium** to the export netback
- ▶ Fuel oil sales through commodity exchange started in July 2013: **160 th. t** sold **at 30-50 USD/t premium** to export parity
- ▶ **4 filling stations** of the ‘Olympic’ format put into operation





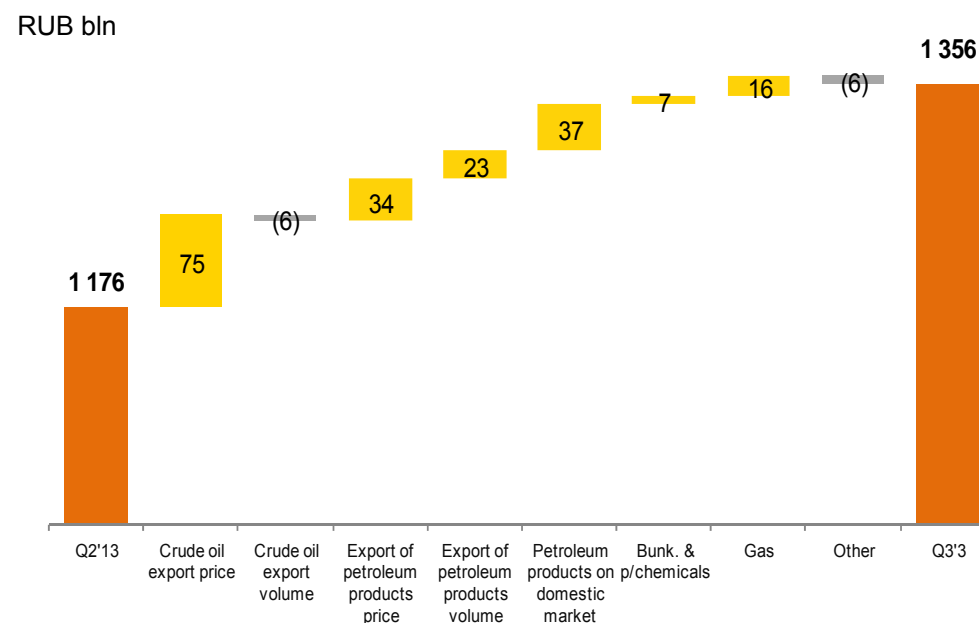
Revenue Structure and Growth

Revenue structure in Q3'13



- Crude export sales
- Gas sales
- Petroleum products domestic sales
- Other
- Crude domestic sales
- Petroleum products export sales
- Bunkering and petrochemicals sales

Revenue growth



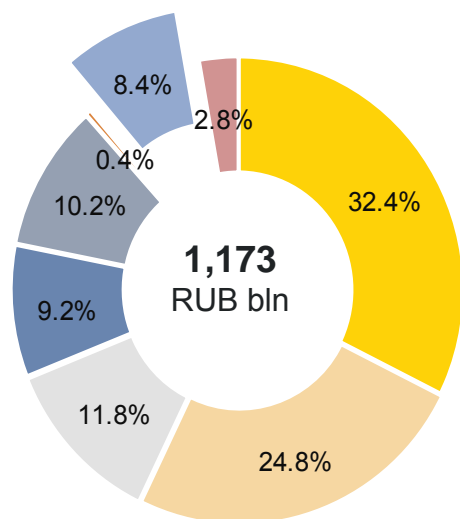
- Efficient gas monetization policy resulted in a revenue growth of **RUB 16 bln**
- Enjoying **high netbacks** on effective allocation of crude and petroleum product
- Domestic petroleum products sales volume in Q3'13 amounted to 9.7 mln t (+15.5% vs. Q2'13) – **accounting for more than 44% of Rosneft total output in Russia**

Note: (1) Including revenues and equity share in profits of associates and joint ventures



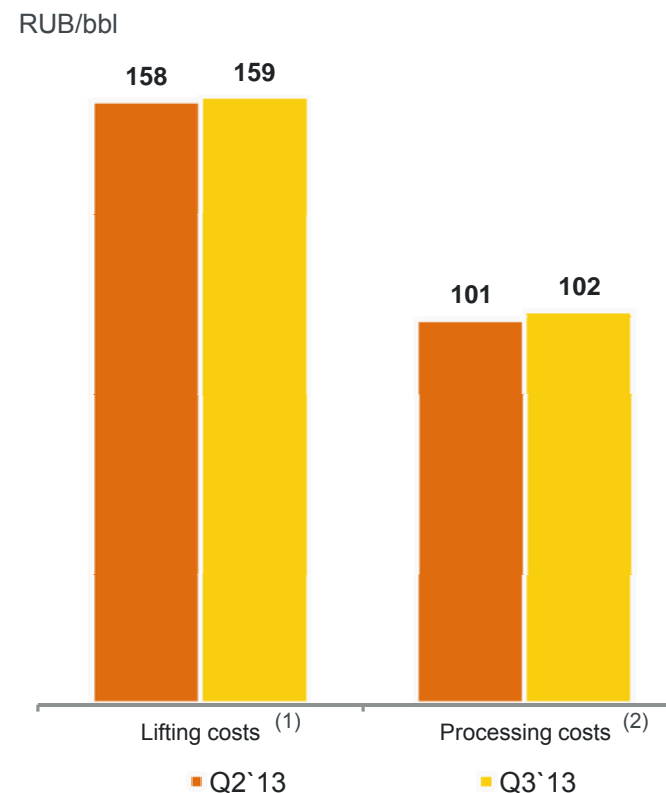
Cost Control

Cost structure in Q3`13



- Export customs duty
- Cost of purchased oil and petroleum products
- Depreciation, depletion and amortization
- Production and operating expenses
- Taxes in cost
- Transportation costs
- Exploration expenses
- General and administrative expenses

Controlled expenses



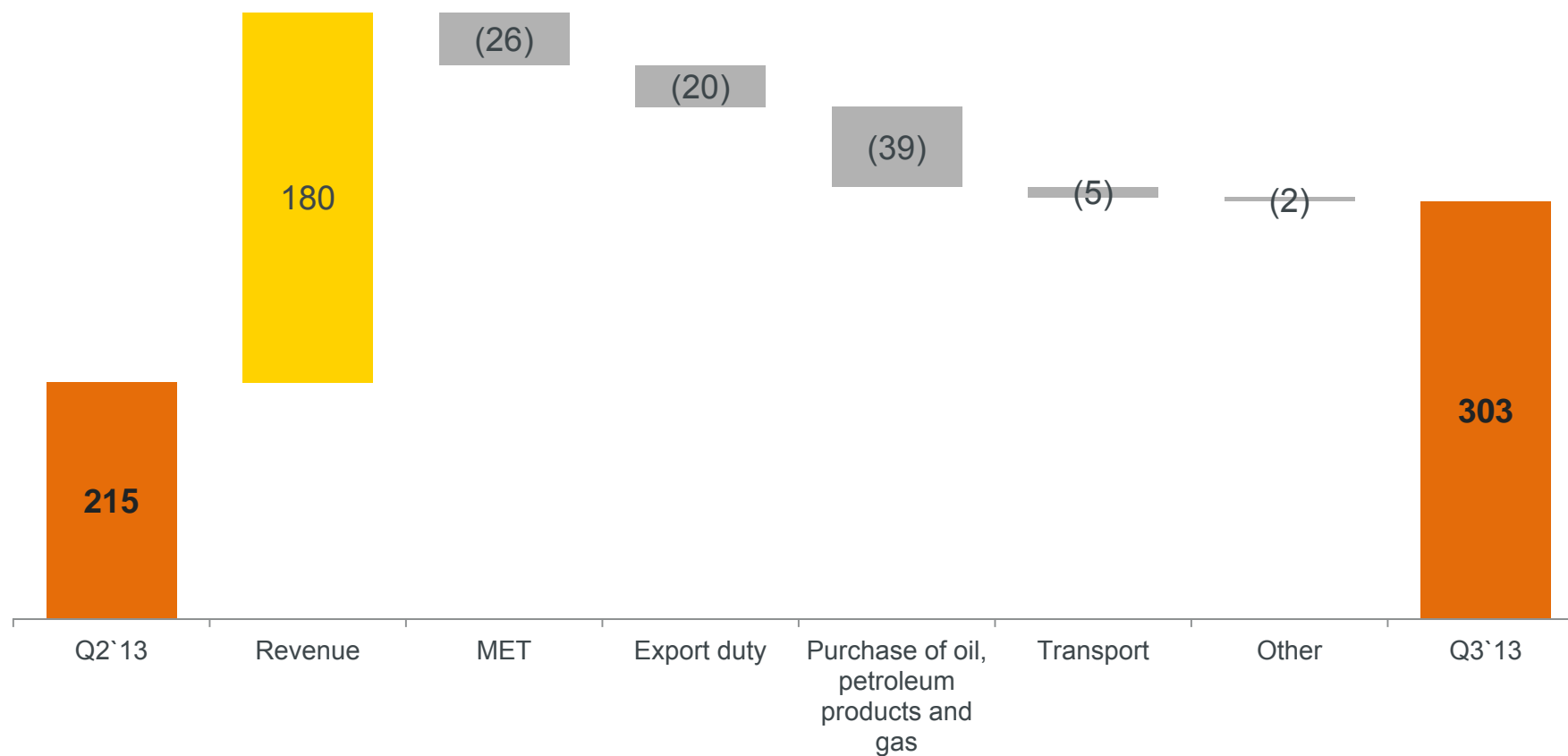
- **Taxes, customs duty and transportation costs** account for **c. 66%** Rosneft's costs
- Upstream and downstream Opex growth is **below the inflation rate**
- **4.9 USD/bbl – the lowest lifting costs globally** (3)

Note: (1) The unit cost value per barrel of oil produced (2) At Russian refineries (using conversion ratio from tonnes to barrels of 7.362) (3) Among public oil companies

EBITDA Reconciliation



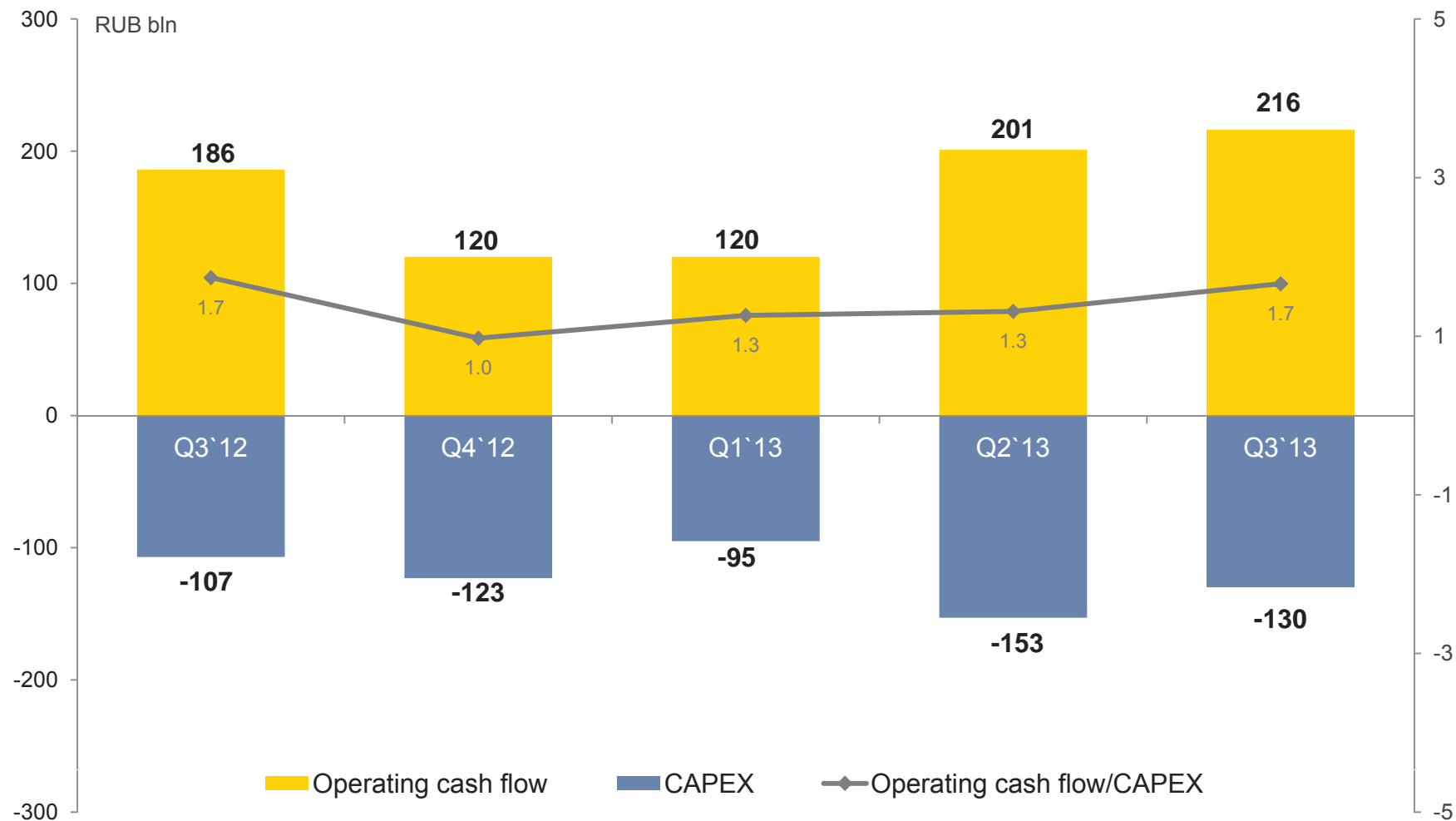
RUB bln



Stable Cash Flow to Finance Investment Program



Operating cash flow⁽¹⁾ and CAPEX

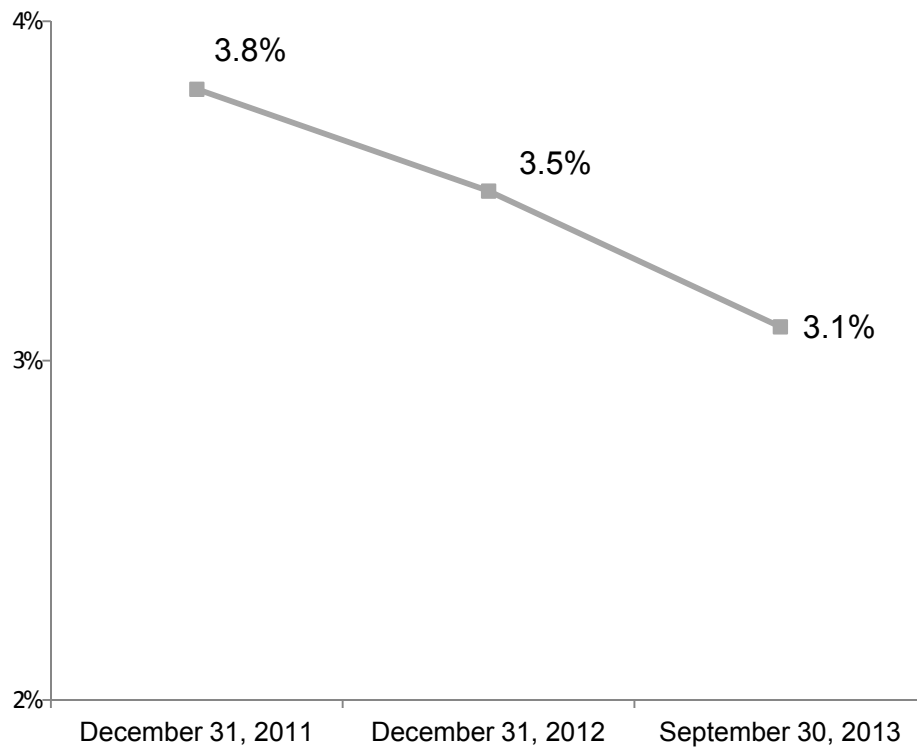


Note: (1) Adjusted for the effect from operations with trading securities, working capital change and the prepayments received under long-term oil supply contracts



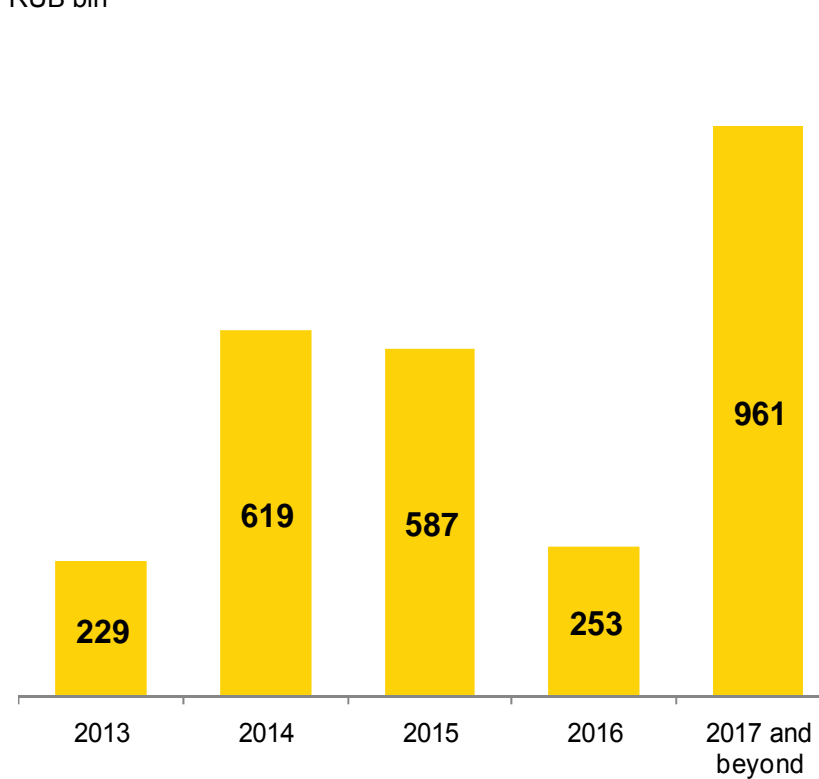
Credit Profile

Weighted average cost of debt, %



Repayment profile⁽¹⁾

RUB bln



- ▶ Long-term debt represents 77.8% of the total portfolio, including other short-term liabilities in the amount of RUB 6 bln
- ▶ Substantial cash on the Company's accounts (246 RUB bln as of September 30, 2013)

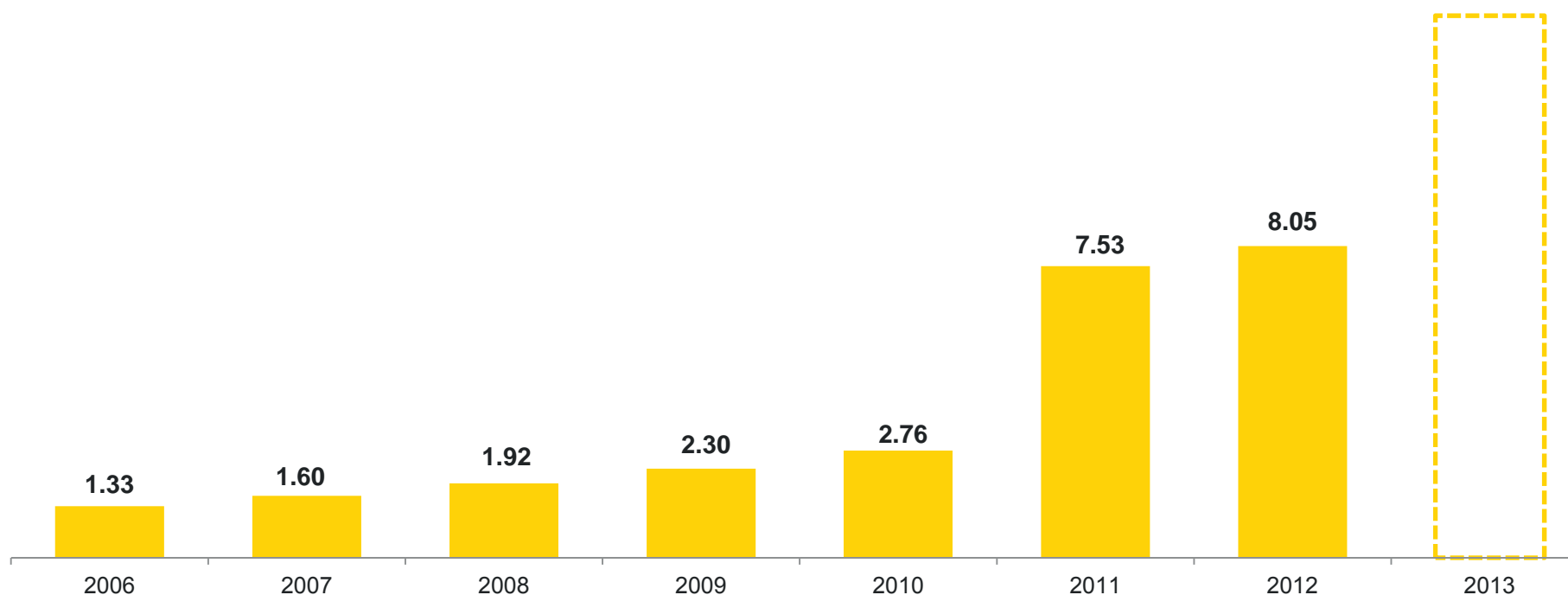
Note: (1) Including future interest accrued based on exchange and interest rates as of September 30, 2013 (excluding debt to other companies of Yukos group)



Increasing Dividend Yield

Rosneft's Dividend per share (DPS) growth

RUB



- ▶ Revaluation of TNK-BP assets **increases DPS by RUB 3.94**
- ▶ As a result of the management remuneration program Rosneft's top managers acquired more than **13 mln shares** in August. It exemplifies management confidence in the Company's further successful development

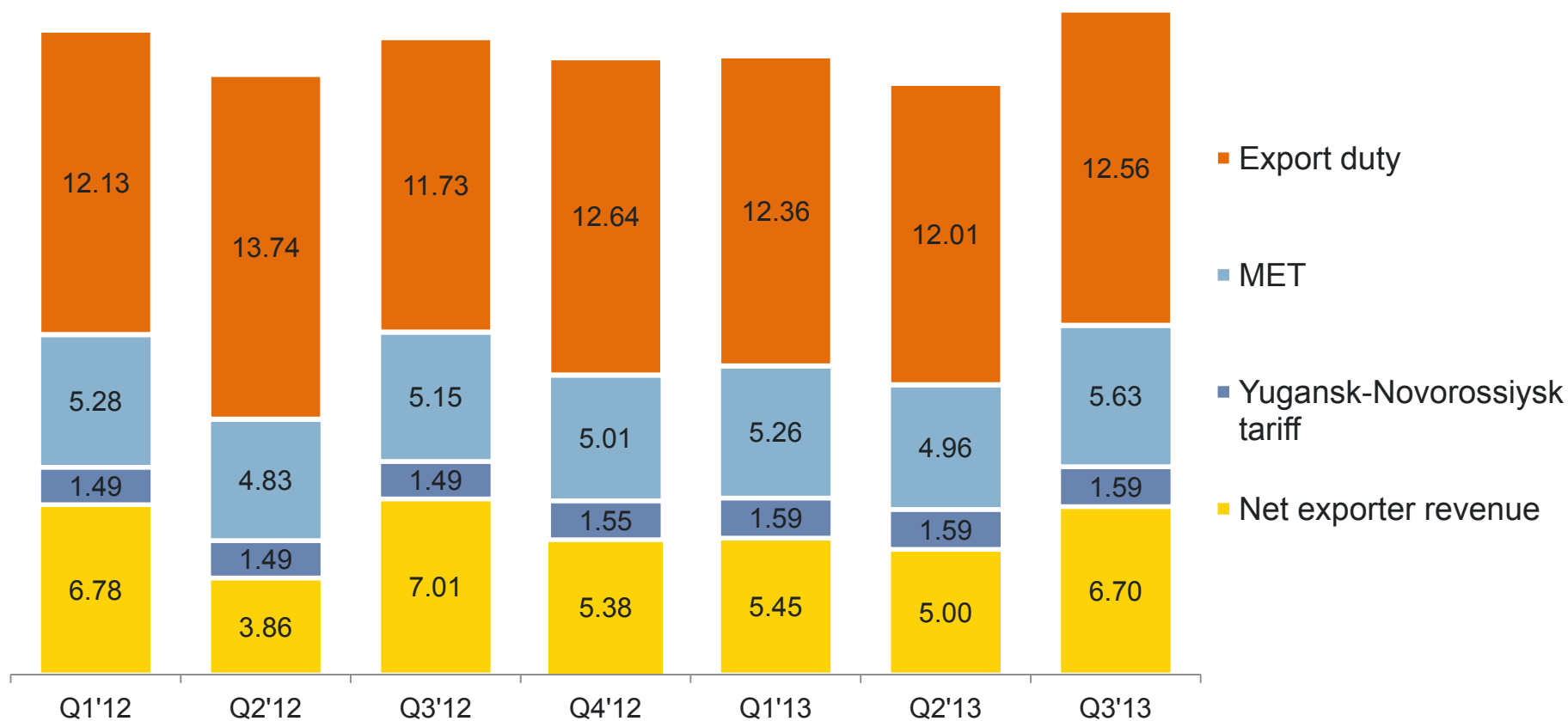


Appendix



Non-controlled Expenses

th. RUB/t



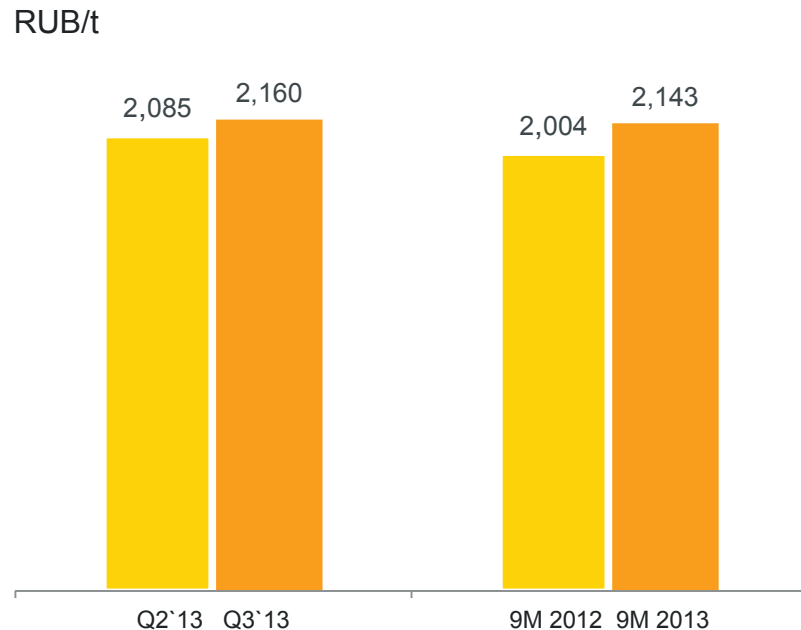
➤ Non-controlled expenses in crude oil price accounted for **75%**

➤ Net export revenue **up 34%**

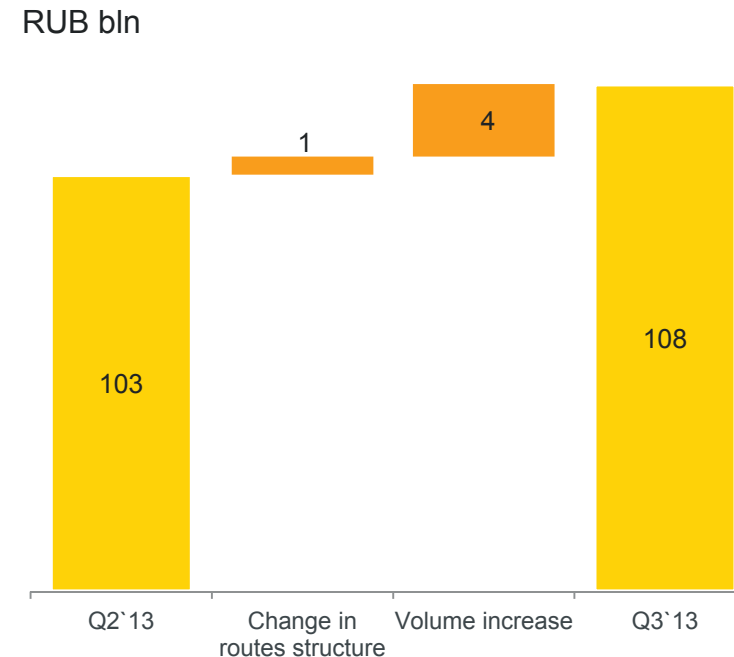
Transportation Costs



Transportation costs per unit⁽¹⁾



Transportation costs



► Changes of Transneft transportation tariffs:

- In January 2013 Transneft increased tariffs in comparison to December 2012 by 6.6% on average for export transportation and by 4.6% on average for domestic transportation of petroleum products
- Starting from February 1, 2013 Transneft increased tariffs for crude oil transportation by 9.7% on average in Belarus

► Changes of railroad transportation tariffs:

- In January 2013 tariffs for railroad transportation in Russia were increased by 9.0% on average. Railroad transportation tariffs in direction to ground export border-terminals were changed depending on the type of cargo from -15% to +6%

Note: (1) The total transportation costs per tonne of crude oil, petroleum products and petrochemicals sales, excluding supplies on FCA terms as well as from Tuapse refinery using own pipeline.

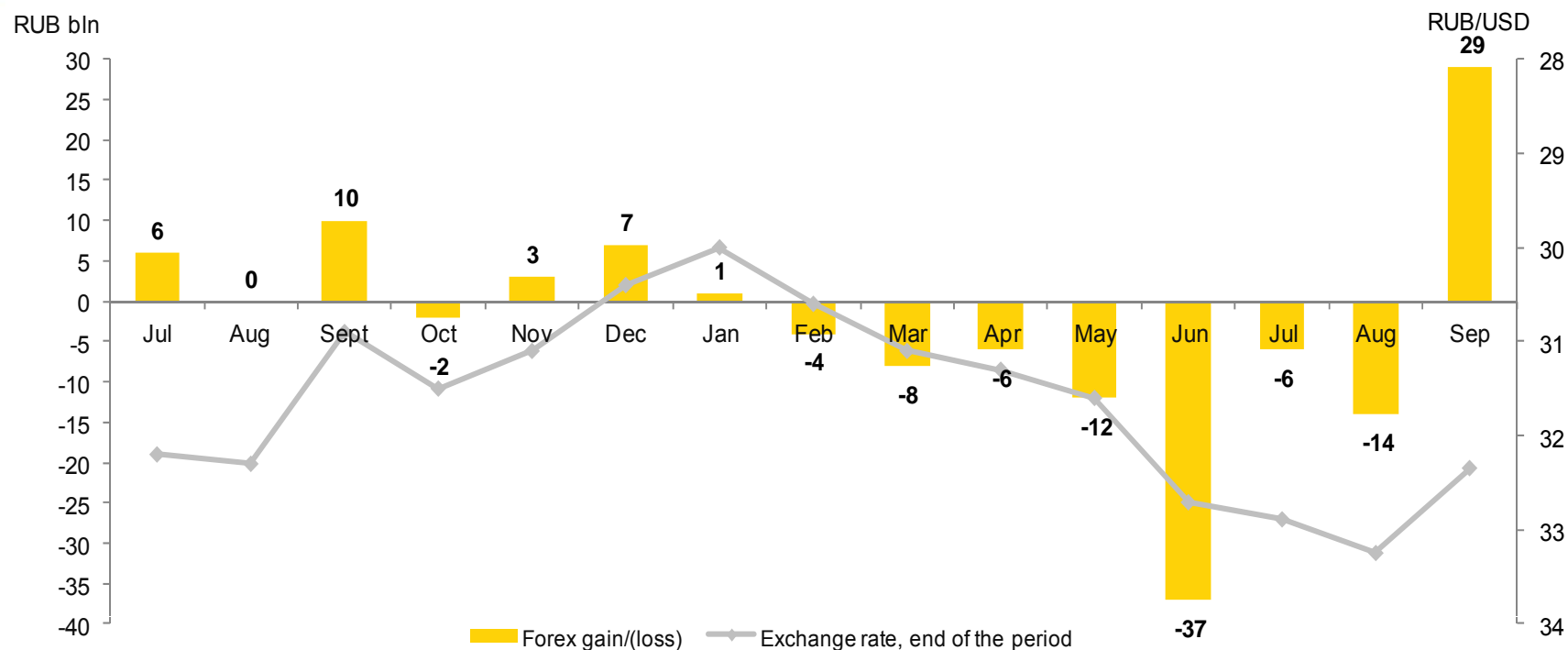
Finance Expenses, RUB bln



	Q3`13	Q2`13	Q1`13 ⁽³⁾	Δ Q3 – Q2 2013	Δ Q2 – Q1 2013
1. Interest accrued ⁽¹⁾	19	19	14	–	35.7%
2. Interest paid	22	14	15	57.1%	(6.7)%
3. Change in interest payables (1-2)	(3)	5	(1)	(160.0)%	(600.0)%
4. Interest capitalized ⁽²⁾	8	9	8	(11.1)%	12.5%
5. (Gain)/Loss from changes in fair value of financial assets	(5)	7	3	(171.4)%	133.3%
6. Increase in provision due to the unwinding of discount	3	1	1	200.0%	–
7. Other	2	4	1	(50.0)%	300.0%
8. Finance expenses (1-4+5+6+7)	11	22	11	(50.0)%	100.0%

Note: (1) Including interest accrued on loans and borrowings, promissory notes payable, RUB bonds and eurobonds (2) Capitalized interests are estimated in accordance with IAS 23 'Borrowing Costs'. The capitalization rate is calculated by dividing interest expenses on loans related to capital expenditures by the average balance of these loans. Interests capitalized are calculated by multiplying the average balance of construction in progress by the capitalization rate. (3) Including TNK-BP data from Jan 1, 2013 according to integrated Company's proforma

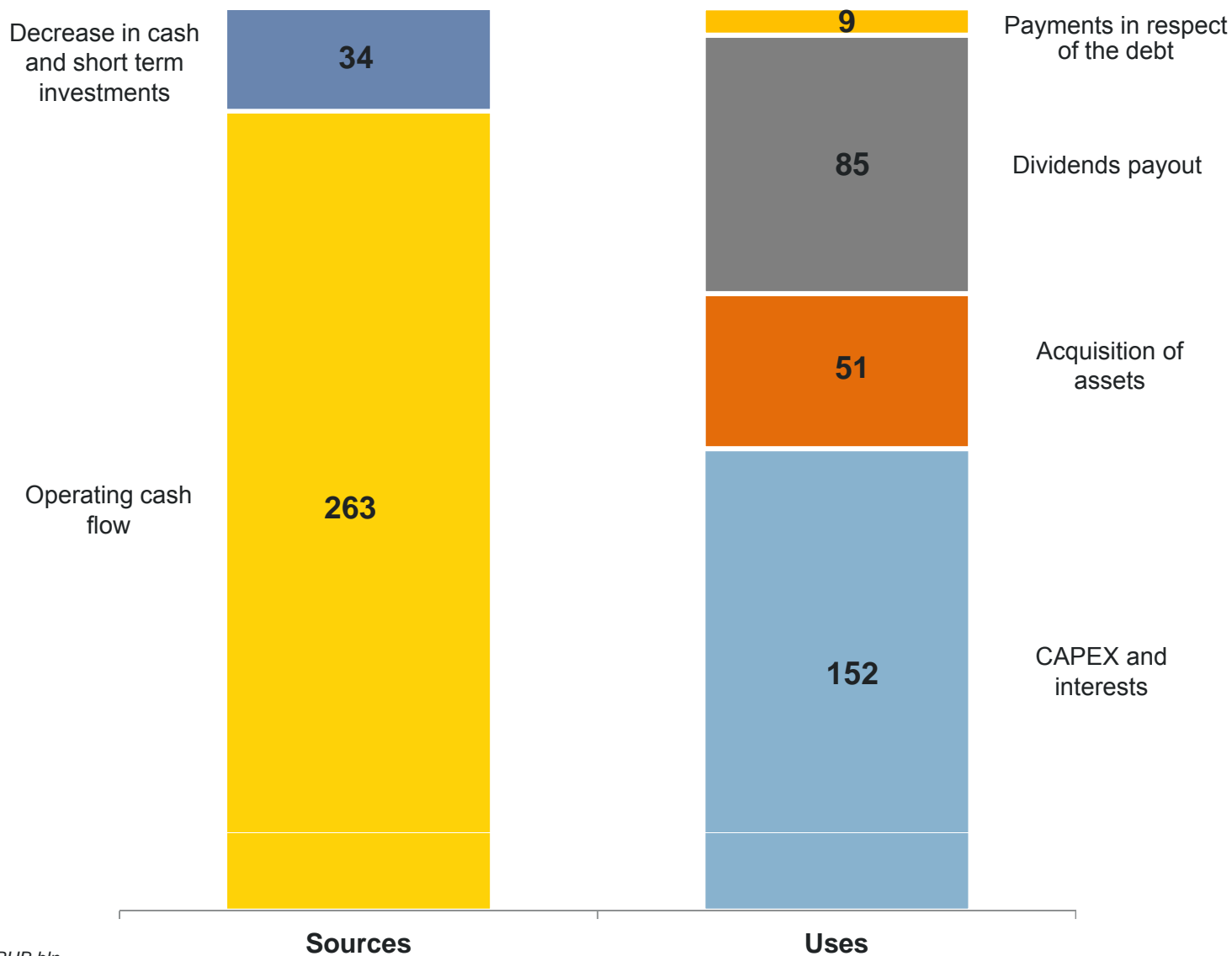
FX (loss)/gain



Average monetary position

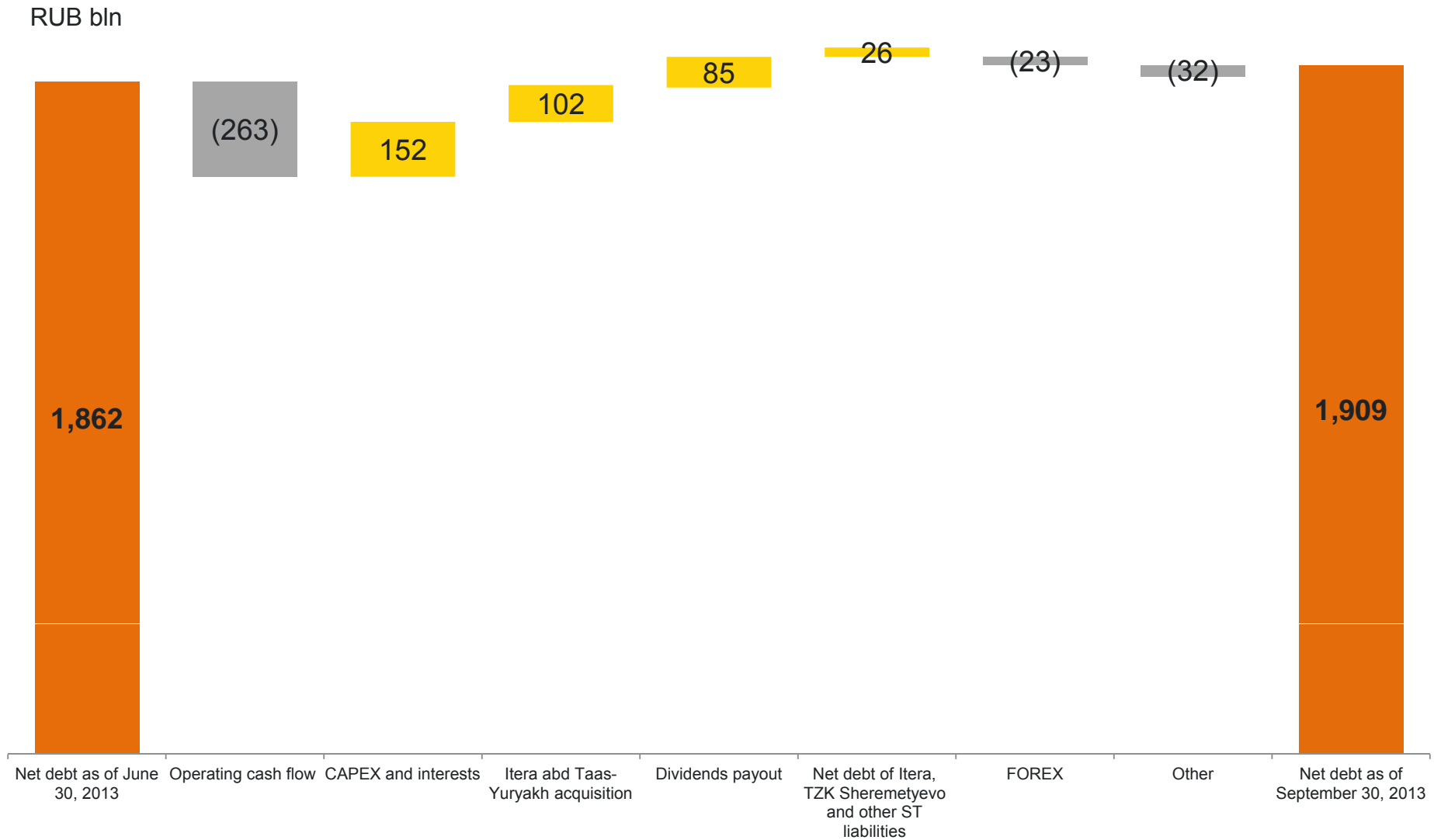
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
Cash, accounts receivable and payable and other monetary items in foreign currencies	USD mln	21,487	19,880	25,330	27,795	24,548	30,229	32,051	27,407	31,686
Loans and borrowings in foreign currencies	USD mln	(25,049)	(24,899)	(43,488)	(62,208)	(62,106)	(63,077)	(64,132)	(64,349)	(64,534)
Foreign exchange rate change	RUB /USD	0.3	(0.6)	(0.5)	(0.2)	(0.3)	(1.1)	(0.2)	(0.4)	0.9
FX gain/(loss)	RUB bln	1	(4)	(8)	(6)	(12)	(37)	(6)	(14)	29

Sources and Uses of Cash⁽¹⁾



Note: (1) Q3'13, RUB bln

Net Debt Reconciliation





Thank you for your attention