

Rosneft Oil Company IFRS Results Q2 2019



РОСНЕФТЬ



August 21, 2019

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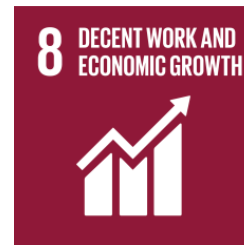
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Improving Rosneft's Investment Case through Effective ESG Communications

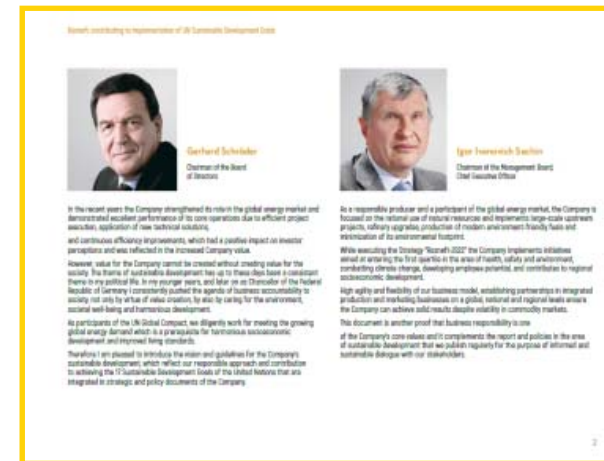


 On December 20, 2018 the Board of Directors approved Rosneft strategy related to commitment to the 17 Sustainable Development Goals of the United Nations¹

 Rosneft has determined five goals of strategic priority, directly supported by our core operations



 Public statement «Rosneft: contributing to implementation of UN Sustainable Development Goals» complies with the principles of openness, transparency and informed dialogue with shareholders, investors and other stakeholders.



Note: (1) «Rosneft: contributing to implementation of UN Sustainable Development Goals» was updated on 2018 data in April 2019 https://www.rosneft.com/Investors/Rosneft_contributing_to_implementation_of_UN

Responsible Business is the Company's Core Value



UN Global Compact Participant	«Rosneft-2022» Strategy: enter the first quartile of international oil and gas companies in the area of HSE	The Energy Saving Program in force since 2009	Innovative Development Program, 2018 investments	«Rosneft-2022» Strategy: incremental focus on	The social sphere investments in 2018
for 10 years	with leadership in unit GHG reduction	Rub 9.3 bn energy savings in 2018 (+3.3% YoY)	Rub 53.9 bn, (+9.6% YoY)	education, human capital development and social projects	Rub 45.7 bn, (+22% YoY)



In 2018, Rosneft launched sales of new motor fuels with improved characteristics, Euro-6 and Pulsar 100. The Company's retail network is a promising platform for developing the electric vehicles charging infrastructure

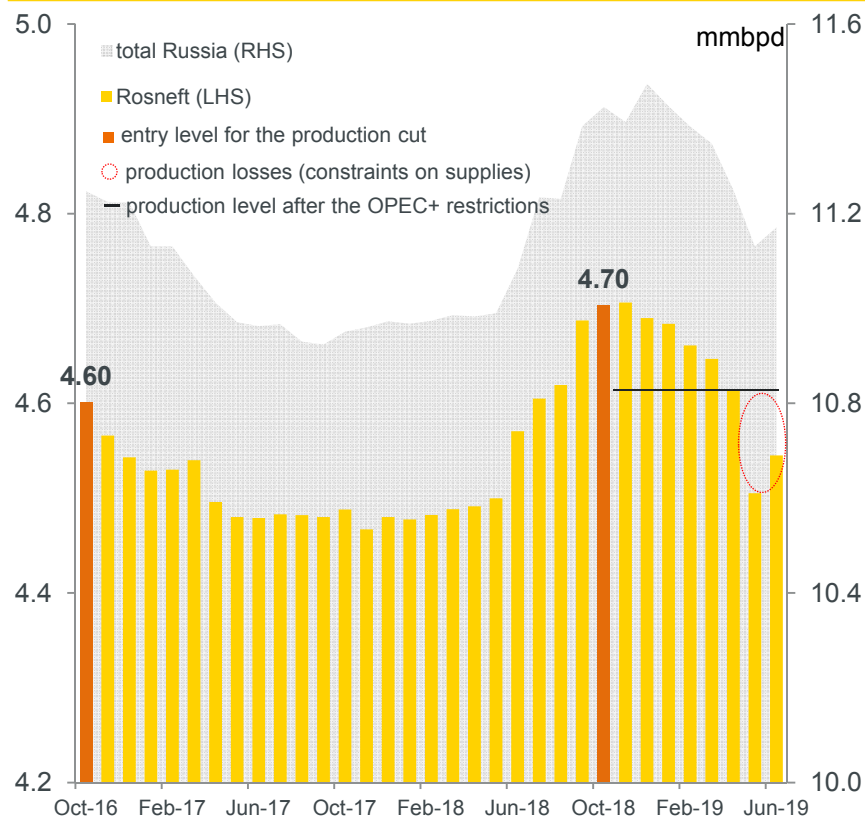


Rosneft and the Kidzania children's educational park held an excursion for children from rehabilitation centers and children's homes

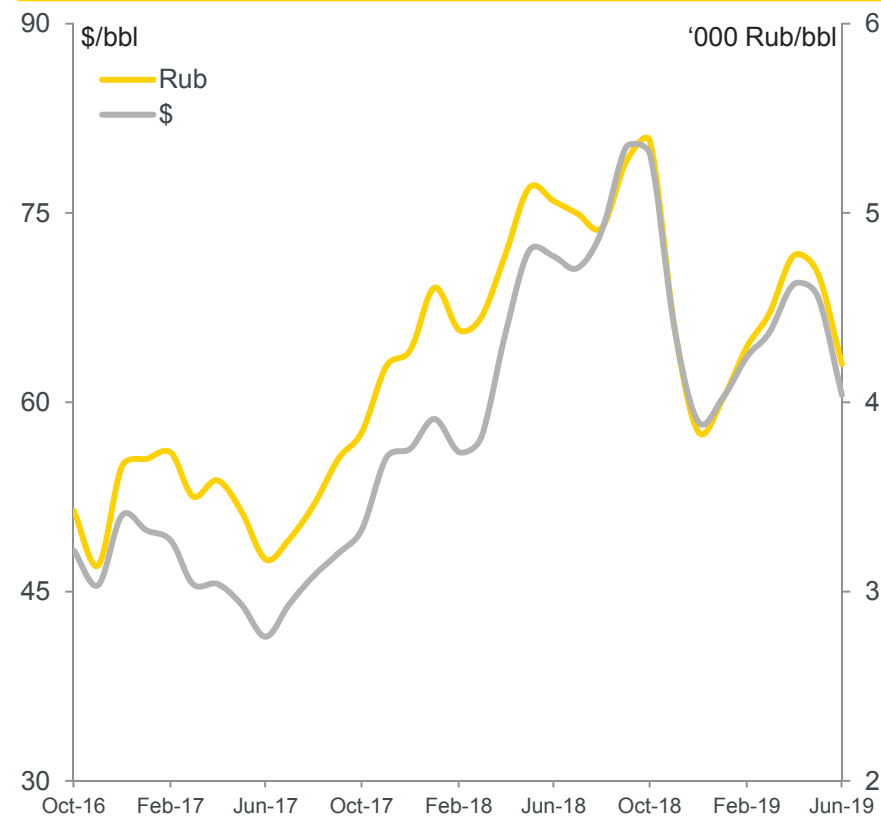
Navigating OPEC+ Environment



Crude oil and condensate production in Russia



Brent price



- Rosneft was in full compliance with the OPEC+ limitations. By July 1, 2019 the Company cut crude oil production in Russia by c. 2% vs the October 2018 level
- On July 2, 2019 at the 6th OPEC+ Ministerial Meeting it was agreed to extend voluntary production adjustments until April 1, 2020 on the same terms
- Temporary constraints on crude oil transfer to the Transneft trunk pipeline system were an additional factor for production declines in May-June 2019 (estimated at c. 1 mmt)

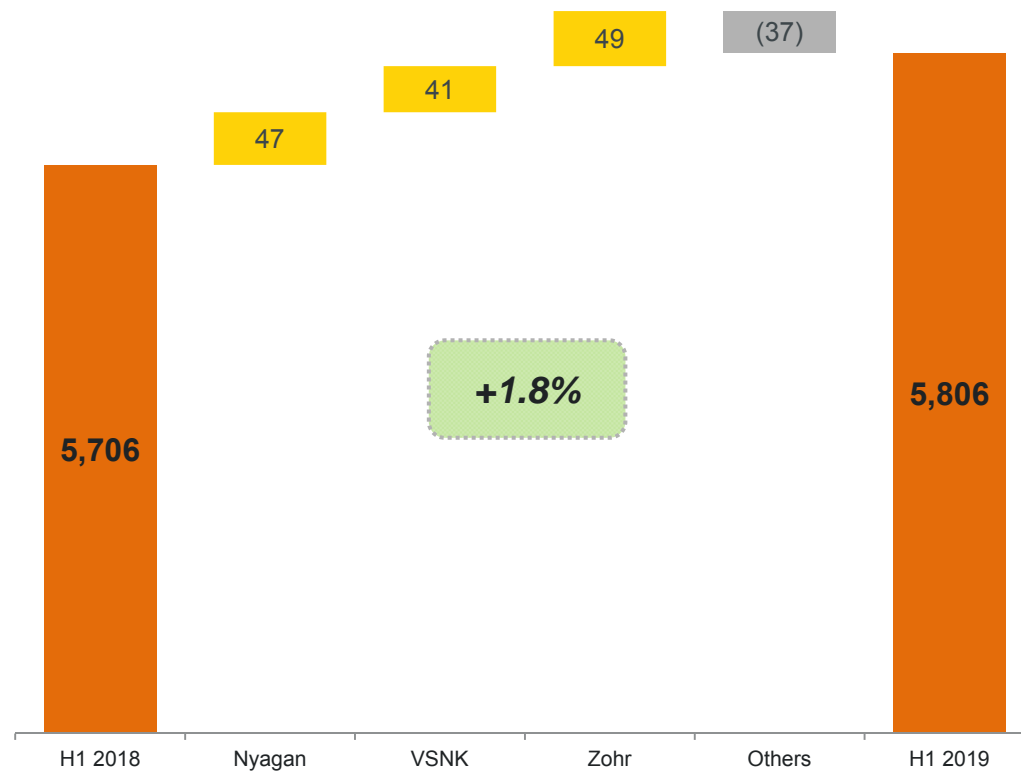
Source: Production data – CDU TEK, Company data; Crude prices – Bloomberg

Production Dynamics



Hydrocarbon production H1 2019 vs H1 2018

kboed

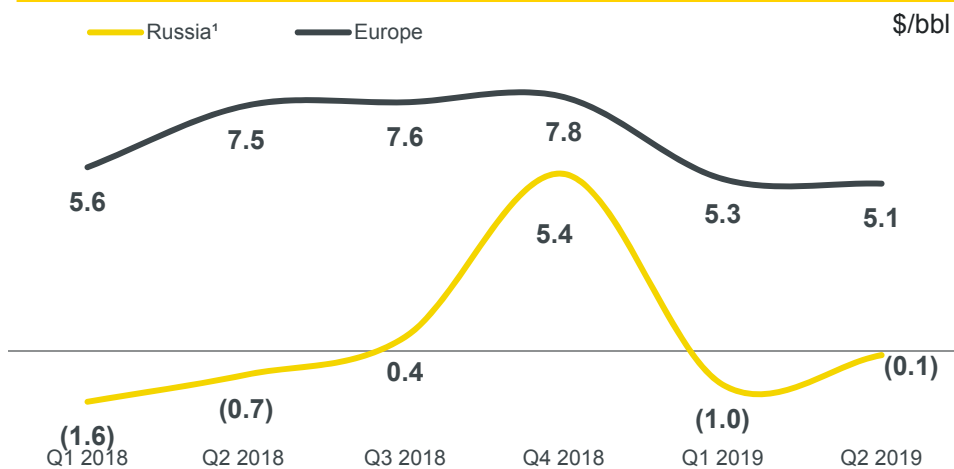


- ▶ Robust development of major greenfields (Kondinskoe, Srednebotuobinskoe, Yurubcheno-Tokhomscoe)
- ▶ Production ramp up at other brownfields (Samara, Nyagan, Varyoganneftegas)
- ▶ Rapid development of the Zohr gas field (offshore Egypt)

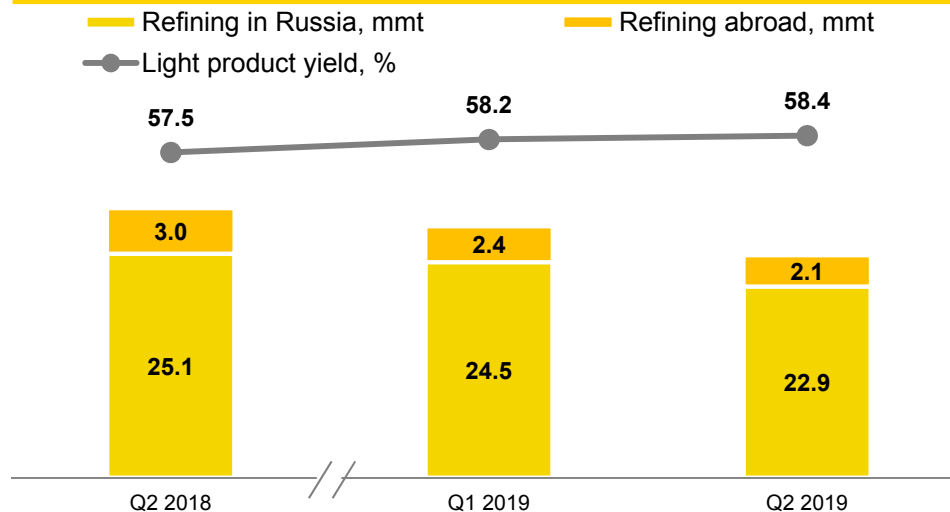
Refining



Refining margins



Key refining indicators



Note: (1) Including the reverse excise tax on crude and dampfer for motor fuels

Refining economics in Q2 2019

- ▶ Minor increase of margins in Russia due to dampfer growth QoQ
- ▶ Declining margins in Germany in H1 2019 following low gasoline crack spreads in the region and turnaround at PCK Schwedt in April

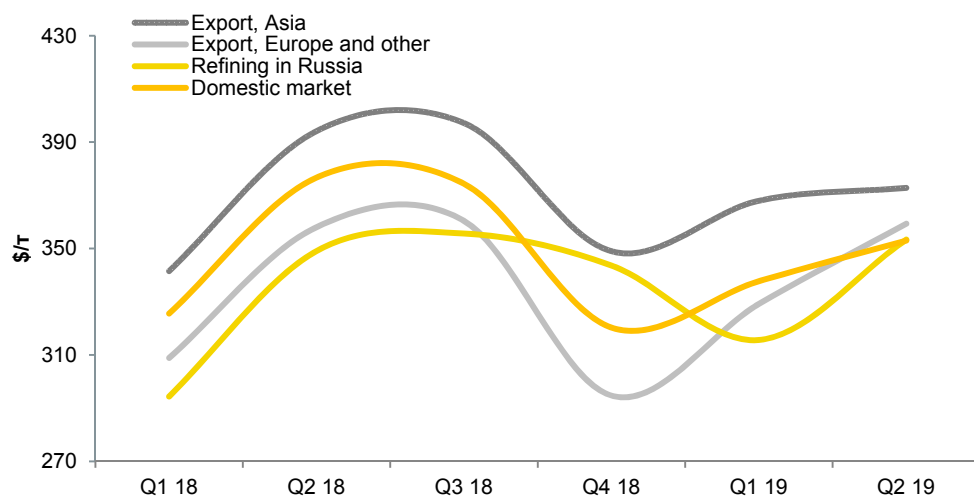
Q2 2019 achievements

- ▶ **Ryazan Refinery:** high-octane gasoline with improved environmental features (RON-95 Euro-6) production was launched
- ▶ **Ryazan Refinery:** 2 new reservoirs (total capacity of 20 kt) fitted with the remote control and product quality preservation systems were commissioned
- ▶ **Syzran Refinery:** 4 hydrogen-storage receivers were installed at the hydrogen production unit. Positive economic impact of Rub 40 mln p.a.

Focus on Distribution Channels Development

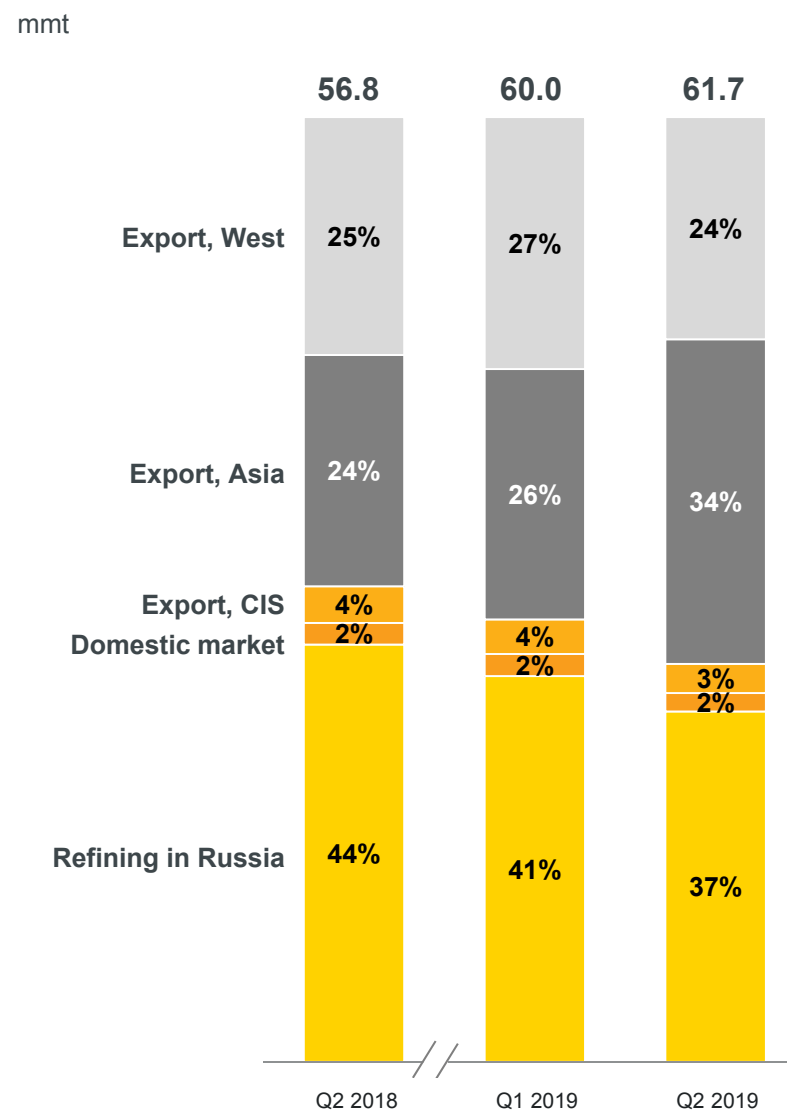


Netbacks for the main crude oil marketing channels



- ▶ Motor fuel sales on the domestic market increased by 3% YoY to 6.8 mmt in Q2 2019
- ▶ Motor fuel sales via the exchange exceeded the required levels (incl. gasoline by almost 2x times)
- ▶ Crude oil supplies eastwards reached 21.2 mmt with share increase to 56.4% of total exports
- ▶ An agreement of intent for cooperation in the field of propylene and various types of liquefied petroleum gases (LPG) transshipment was signed with Manzhouli Far East Gas Co. Ltd. (at the Manchuria terminal). Total planned capacity of the terminal is up to 3 mmtpa of LPG and propylene

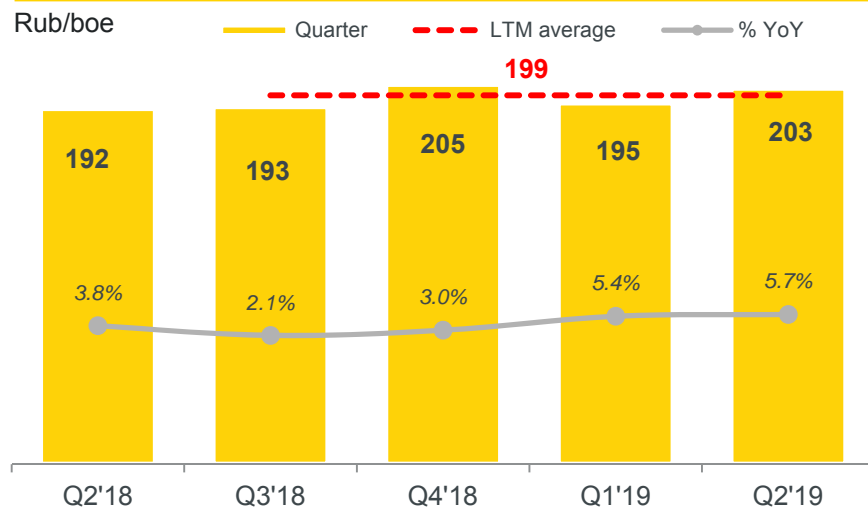
Crude oil marketing breakdown



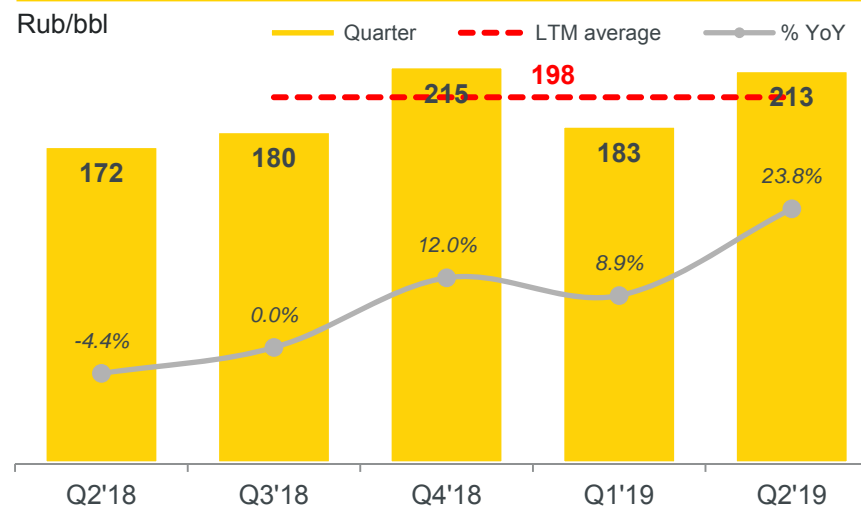
Efficient Control over the Costs



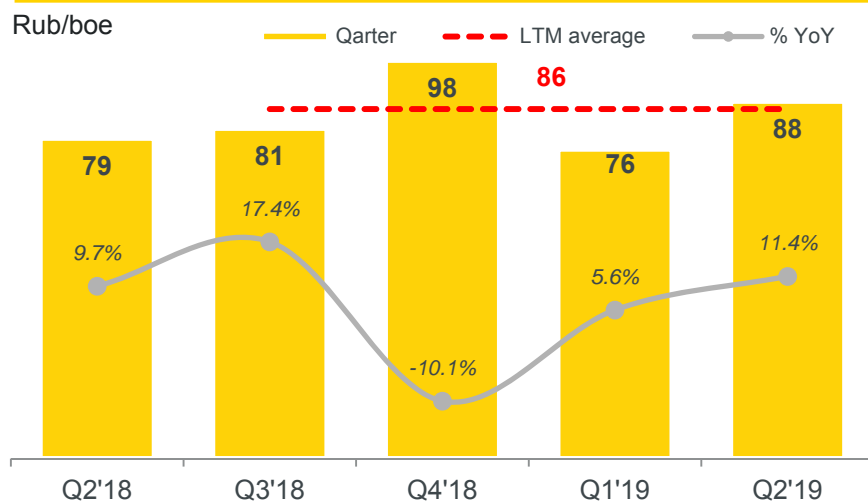
Lifting costs



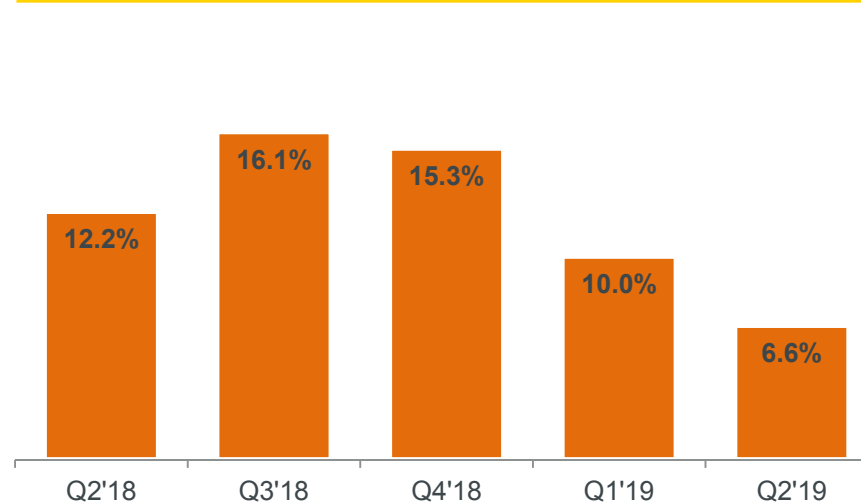
Refining costs in Russia



General and administrative costs¹



Producer Price Index (annual basis)



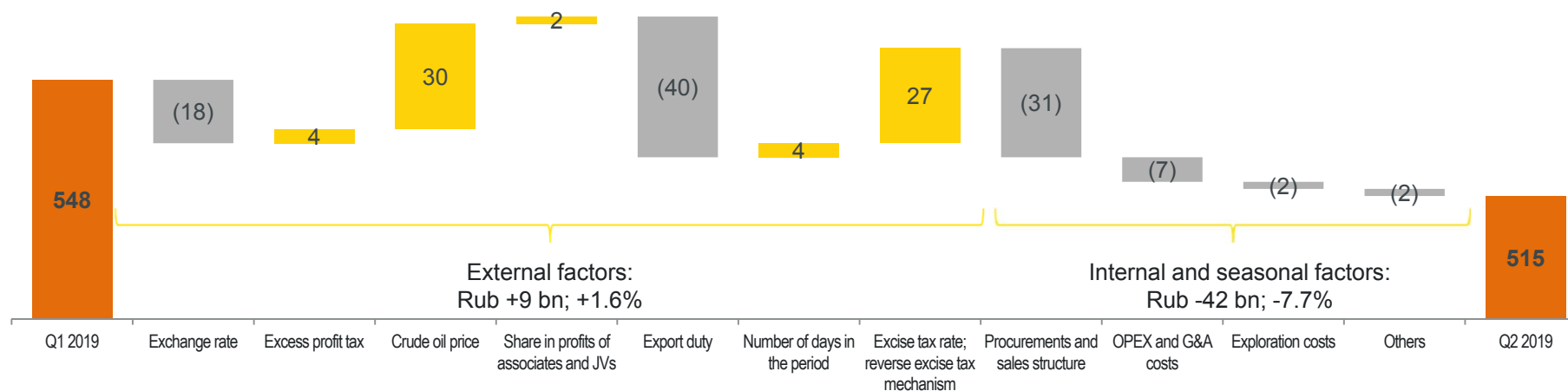
Note: (1) excl. provisions

Earnings Growth

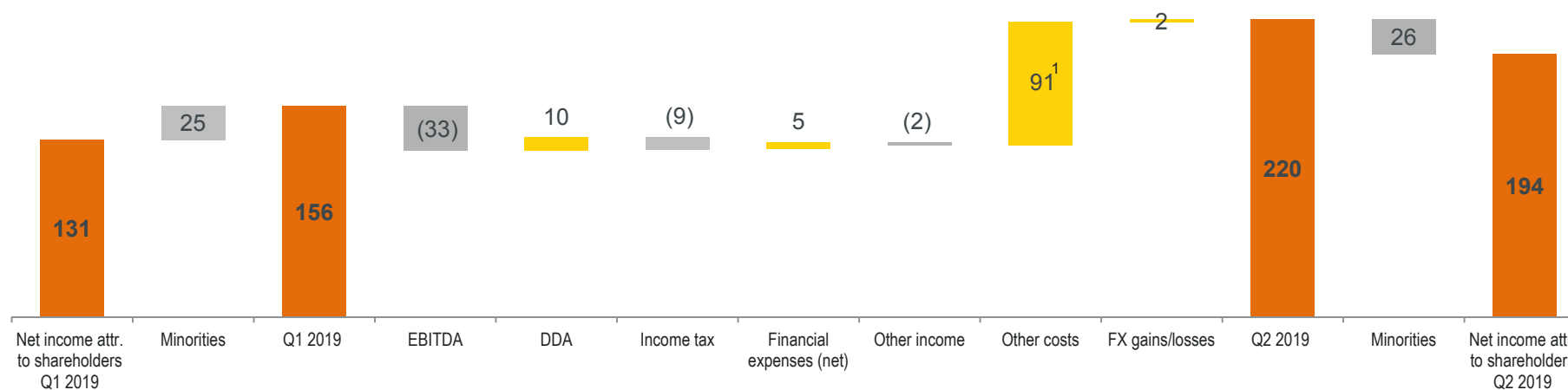


EBITDA Q2 vs Q1 2019

Rub bn



Net income Q2 vs Q1 2019



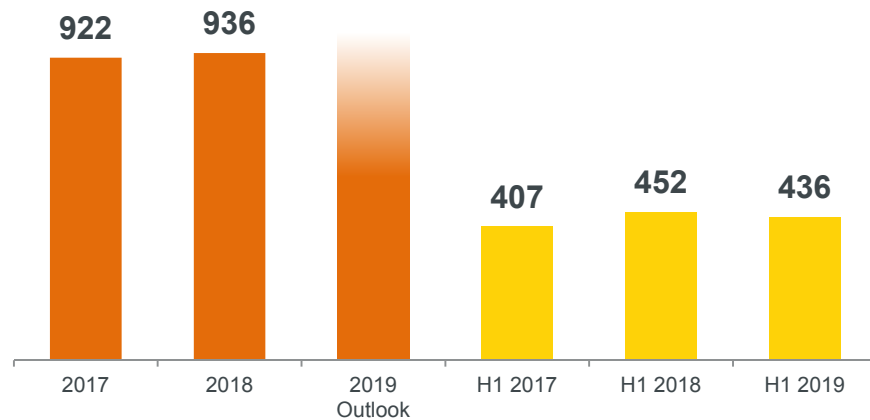
Note: (1) Positive QoQ effect following asset impairments of Rub 80 bn in Q1 2019

Focused on Value and Growth CAPEX



CAPEX

Rub bn



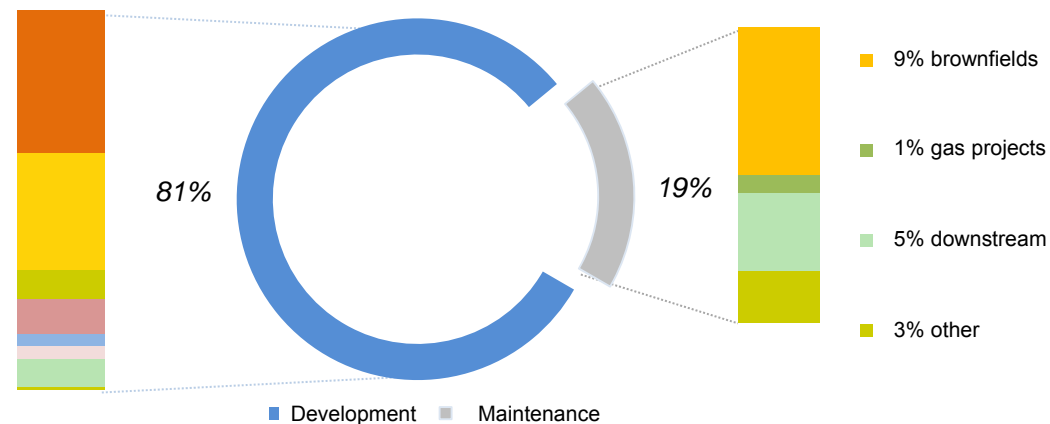
▶ H1 2019 CAPEX was Rub 436 bn down 3.5% YoY following drilling program optimization aimed at horizontal wells share increase to improve brownfields efficiency

CAPEX program priorities:

- maintaining stable production at brownfields through successful drilling and wellworks while preserving high investment efficiency
- execution of new highly-efficient upstream projects, their systematic launch and production ramp up
- construction and upgrade of refining units aimed at improvement of refining depth and light product yield
- development of in-house OFS

2019 CAPEX breakdown

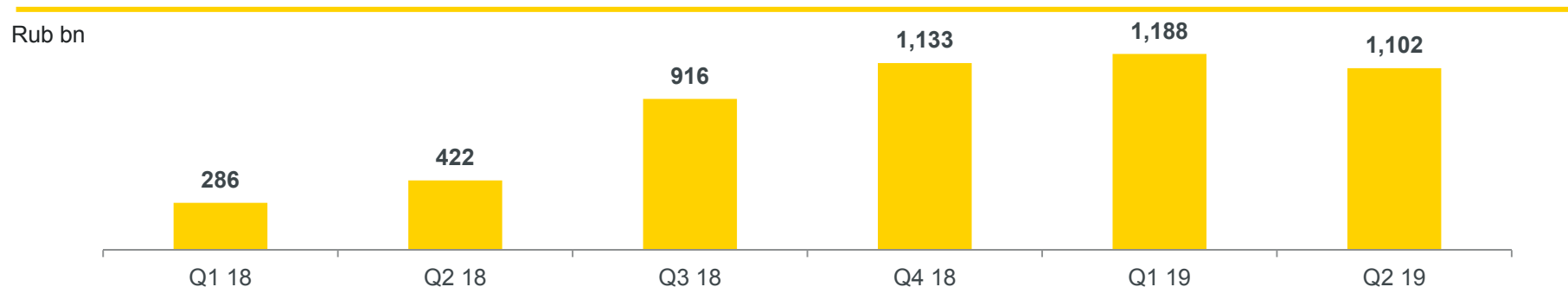
- 30% brownfields
- 25% greenfields
- 6% gas projects
- 7% international projects
- 3% offshore
- 3% OFS
- 6% downstream
- 1% other upstream



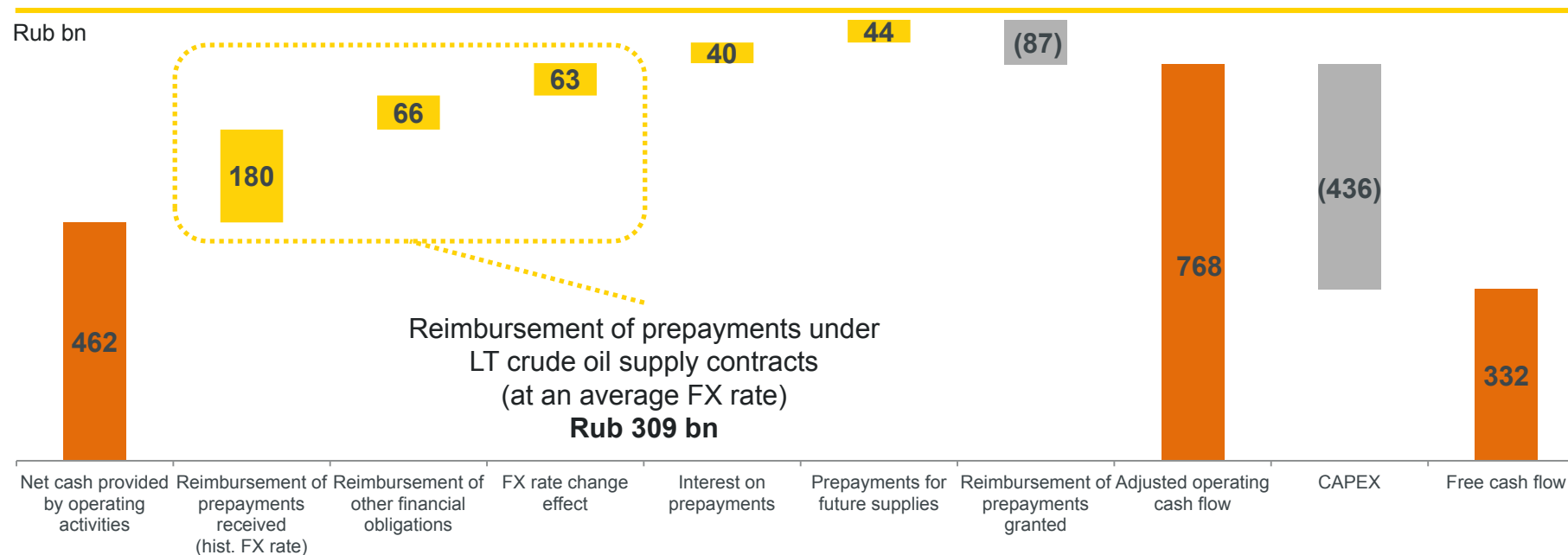
Sustainable Free Cash Flow Generation



Free cash flow (LTM)



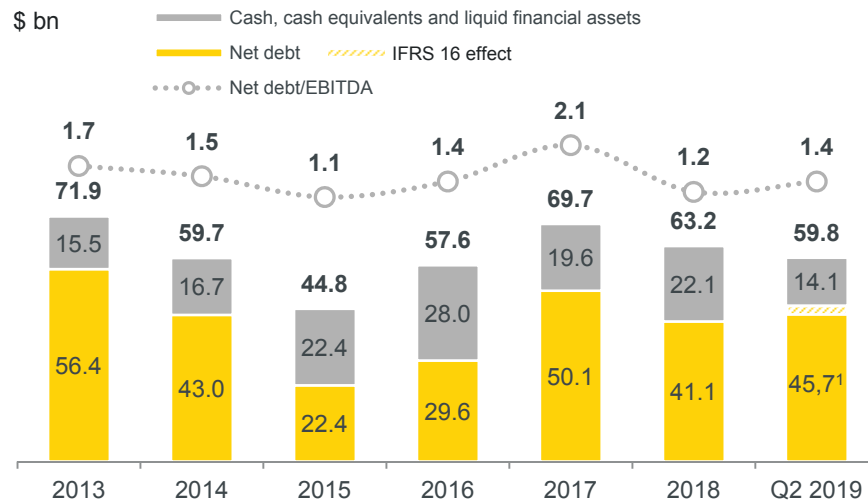
Free cash flow calculation (H1 2019)



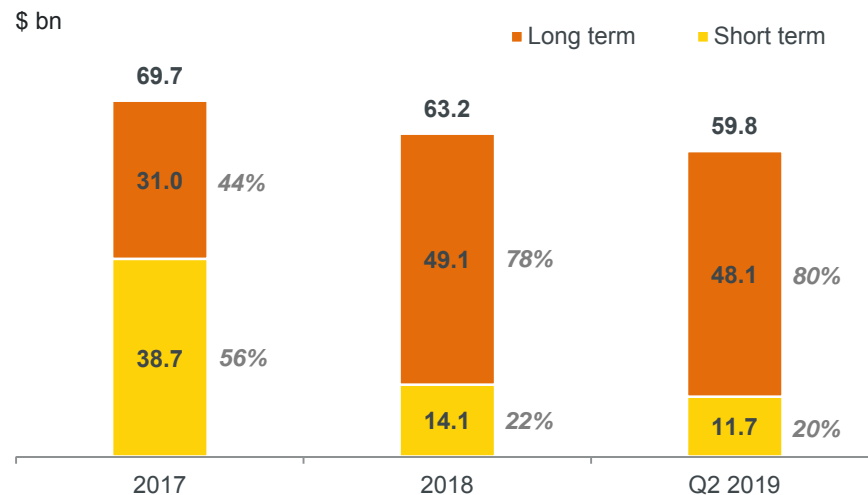
Financial Stability



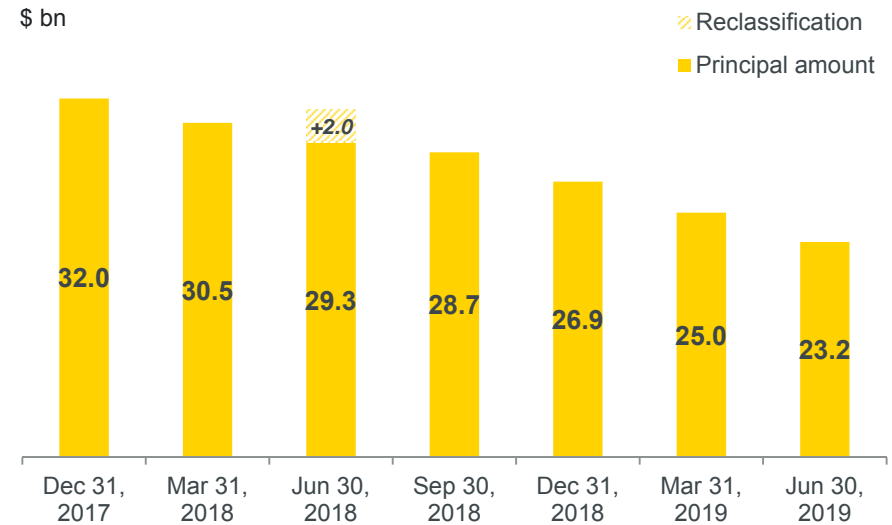
Debt evolution



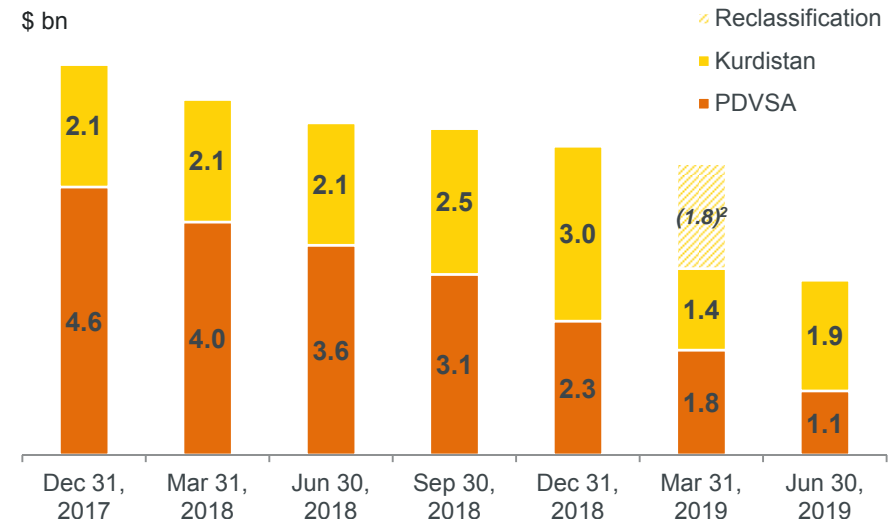
Short term debt reduction



Reimbursement of prepayments received



Reimbursement of prepayments provided



Note: (1) Including one-off increase of non-current assets and financial liabilities following the operating lease put onto the balance sheet in the amount of Rub 103 bn in accordance with IFRS 16 Leases, (2) Company contribution to the equity capital of a JV operating a pipeline in Kurdistan



Appendix

Key Operational Highlights



Indicator	Q2 19	Q1 19	%	H1 19	H1 18	%
Hydrocarbon production, incl. kboed	5,710	5,902	(3.3)%	5,806	5,706	1.8%
Liquids kbpd	4,618	4,744	(2.7)%	4,681	4,585	2.1%
Gas kboed	1,092	1,158	(5.7)%	1,125	1,121	0.4%
Oil refining mmt	24.96	26.87	(7.1)%	51.83	55.69	(6.9)%
Product output in Russia mmt	22.09	23.67	(6.7)%	45.76	48.11	(4.9)%

Key Financial Highlights



Indicator	Q2 19	Q1 19	%	H1 19	H1 18	%
EBITDA, Rub bn	515	548	(6.0)%	1,063	950	11.9%
Net Income, Rub bn <i>attributable to Rosneft shareholders</i>	194	131	48.1%	325	298	9.1%
Adjusted net income ¹ , Rub bn <i>attributable to Rosneft shareholders</i>	230	242	(5.0)%	472	380	24.1%
Adjusted operating cashflow ² , Rub bn	357	411	(13.1)%	768	815	(5.8)%
CAPEX, Rub bn	222	214	3.7%	436	452	(3.5)%
Free Cash Flow, Rub bn	135	197	(31.5)%	332	363	(8.5)%
EBITDA, \$ bn	8.0	8.3	(3.6)%	16.3	15.9	2.5%
Net Income, \$ bn <i>attributable to Rosneft shareholders</i>	3.0	1.9	57.9%	4.9	5.0	(2.0)%
Adjusted net income ¹ , \$ bn <i>attributable to Rosneft shareholders</i>	3.6	3.7	(2.7)%	7.2	6.3	14.1%
Adjusted operating cashflow ² , \$ bn	5.5	6.2	(11.3)%	11.7	13.7	(14.6)%
CAPEX, \$ bn	3.5	3.2	9.4%	6.7	7.6	(11.8)%
Free Cash Flow, \$ bn	2.0	3.0	(33.3)%	5.0	6.1	(18.0)%
Urals price, th. Rub/bbl	4.38	4.18	4.8%	4.28	4.09	4.8%

Note: (1) Adjusted for FX gains/losses and other one-off effects; (2) Adjusted for prepayments under long-term crude oil supply contracts (including accrued interest) and operations with trading securities (RUB equivalent)

Projects Launched in 2016–2017



Indicator	Suzun	E. Messoyakha ²
Location	Krasnoyarsk Territory	Yamal-Nenets Autonomous District
3P PRMS reserves ¹	82 mmtoe / 623 mmboe	248 mmtoe / 1,707 mmboe
Commissioning year	2016	2016
Production in 2018 / H1 2019	4.1 / 1.2 mmt	4.5 / 2.5 mmt
Oil production plateau ⁴	c. 4.5 mmtpa	c. 6.0 mmtpa
Production plateau year	2020+	2021



Indicator	Yurubcheno-Tokhomscoe	Kondinskoe
Location	Krasnoyarsk Territory	Khanty-Mansi Autonomous District
3P PRMS reserves ¹	309 mmtoe / 2,368 mmboe ³	142 mmtoe / 1,034 mmboe
Commissioning year	2017	2017
Production in 2018 / H1 2019	2.3 / 2.1 mmt	1.6 / 1.3 mmt
Oil production plateau ⁴	c. 5 mmtpa	>2.5 mmtpa
Production plateau year	2020+	2019

Note: (1) As of December 31, 2018, (2) The field license is owned by Messoyakhaneftegaz, a JV with Gazpromneft (50%/50%), data for a 100% stake, (3) Data for the Yurubchensky block, (4) Production plateau figures provided regardless of OPEC+ limitations

Projects Launched in 2018



Indicator	Tagul field	Taas-Yuryakh (Srednebotuobinskoye field, Phase 2)
Location	Krasnoyarsk Territory	The Sakha Yakutia Republic
3P PRMS reserves ¹	456 mmtoe / 3,251 mmboe	281 mmtoe / 2,053 mmboe
Commissioning year	Q4 2018	Q4 2018
Production in 2018 / H1 2019	1.3 / 0.6 mmt	2.9 / 1.9 mmt
Oil production plateau	>4.5 mmtpa	c. 5 mmtpa
Production plateau year	2022+	2021+



Indicator	Russkoye field	Kuyumba field ^{3,4}
Location	Yamal-Nenets Autonomous District	Krasnoyarsk Territory
3P PRMS reserves ¹	416 mmtoe / 2,799 mmboe	285 mmtoe / 2,176 mmtoe
Commissioning year	Q4 2018 ²	Q4 2018
Production in 2018 / H1 2019	0.3 / 0.3 mmt	0.5 / 0.4 mmt
Oil production plateau	>6.5 mmtpa	c. 3 mmtpa
Production plateau year	2022+	2021+

Note: (1) As of December 31, 2018, (2) Production in accordance with the approved development documentation, (3) License for the Kuyumba field belongs to OOO «Slavneft-Krasnoyarskneftegaz», a JV with Gazpromneft, data for a 100% of the project, (4) Data on commissioning year, production plateau and plateau year of the first start-up complex

New project launched in 2019: Zapadno-Erginskoye field



Indicator	Value
3P reserves (PRMS)	33 mmtoe / 242 mmboe
Commissioning year	Q2 2019
Production plateau	c. 0.7 mmtpa (2022+)
Tax breaks	MET break (HTR)

- Second Erginsky cluster field was launched in June 2019
- Preparation for the production initiation was conducted in the shortest time possible - less than 1.5 years
- 54 wells were drilled, ground infrastructure is set up, including booster pump station and oil pipeline (48 m) to the Kondinskoye field CPF
- Gas turbine power station with 18 MW capacity was launched to provide the infrastructure facilities with energy, incl. by means of rational APG use
- Securing synergetic impact from the Erginsky cluster development via joint use of transport, energy supply and production controls



Progress on a Key Project: Rospan



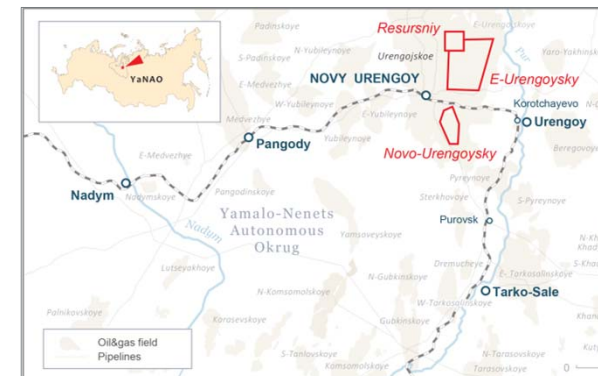
MAJOR DRIVER OF THE COMPANY NEAR-TERM PRODUCTION GROWTH

Indicator	Value
3P reserves (PRMS)	891 bcm of gas, 207 mmt of gas condensate, LPG and oil
H1 2019 production	3.3 bcm of gas 0.7 mmt of liquids
Annual production	Potential: > 21 bcm of gas > 5 mmt of liquids up to 1.3 mmt of LPG
Commissioning year	2019

Current status and Q2 2019 results:

Key field facilities construction in active phase (at H1 2019 end):

- ▶ Main on-site equipment at the Complex gas and gas condensate treatment unit of the Vostochno-Urengoiyskiy LA and liquid bulk terminal was installed; pipe-laying is near completion, hydro-testing of pipelines and reservoirs, setup of electric equipment and containments is underway
- ▶ 2 gas-turbine units at the gas-turbine power plant of the Vostochno-Urengoiyskiy LA were commissioned. Main facilities of the 1st stage were energized under the permanent network including Complex treatment units of a) gas and gas condensate and b) crude oil
- ▶ Key construction and installation works at trunk and infield pipelines are completed, pre-commissioning activities are underway



Gas Greenfield Development: Kharampur



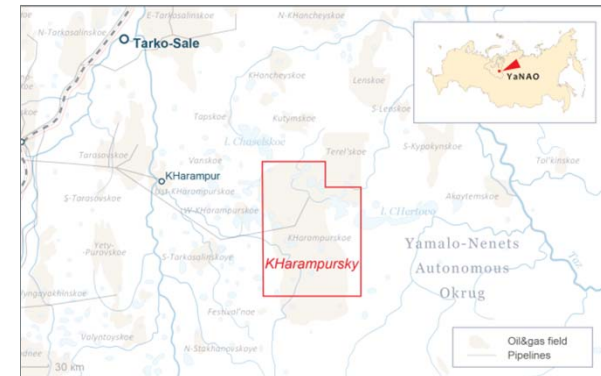
THE MOST SIGNIFICANT (AFTER ROSPAN) PROJECT IN TERMS OF GAS PRODUCTION GROWTH¹

Indicator	Value
3P reserves (PRMS), gas	650 bcm ²
Gas production plateau: Phase 1 (Senomanian)	c. 11 bcmpa ³
Commissioning year	2020



Current status and Q2 2019 results:

- ▶ FEED is at the final stage. Site preparation of well pads and roads is underway. Gas-collection systems and HV grids are under construction
- ▶ 52 of 61 wells have been drilled, including 4 in Q1 2019
- ▶ The gas pipeline: construction works are underway, 49 of 156 km of linear pipeline are laid
- ▶ Site Facilities: site preparation of the rotators' camp, water development facilities and gas treatment unit was completed. Construction and installation activities at the GTU are underway: construction of piling foundations, steel frame installation, pouring concrete



Note: (1) The project involves a partner - BP, (2) Excluding dissolved gas and including the reserves of Turonian deposit, (3) With the potential of further growth to 24 bcm p.a. through full scale development of Turonian deposit

Calculation of Adjusted OCF



Profit and Loss Statement

No	Indicator	H1 2019, \$ bn
1	Revenue, incl.	65.5
	Reimbursement of prepayments and other financial obligations received	4.7
2	Costs and expenses, incl.	(54.4)
	Reimbursement of prepayments granted	(1.3)
3	Operating profit (1+2)	11.1
4	Expenses before income tax	(4.1)
5	Income before income tax (3+4)	7.0
6	Income tax	(1.3)
7	Net income (5+6)	5.7

Cash Flow Statement

H1 2019, \$ bn	Indicator	No
5.7	Net income	1
6.1	Adjustments to reconcile net income to cash flow from operations, incl.	2
(3.7)	Reimbursement of prepayments received under crude oil and petroleum products supply contracts	
(1.0)	Reimbursement of other financial obligations received	
1.3	Reimbursement of prepayments granted under crude oil and petroleum products supply contracts	
(3.8)	Changes in operating assets and liabilities, incl.	3
(0.6)	Interest on prepayments under long-term crude oil supply contracts	
(1.0)	Income tax payments, interest and dividends received	4
7.0	Net cash from operating activities (1+2+3+4)	5
0.7	Prepayments for future supplies	6
4.0	Effect from prepayments	7
11.7	Adjusted operational cash flow (5+6+7)	8

Finance Expenses, Rub bn



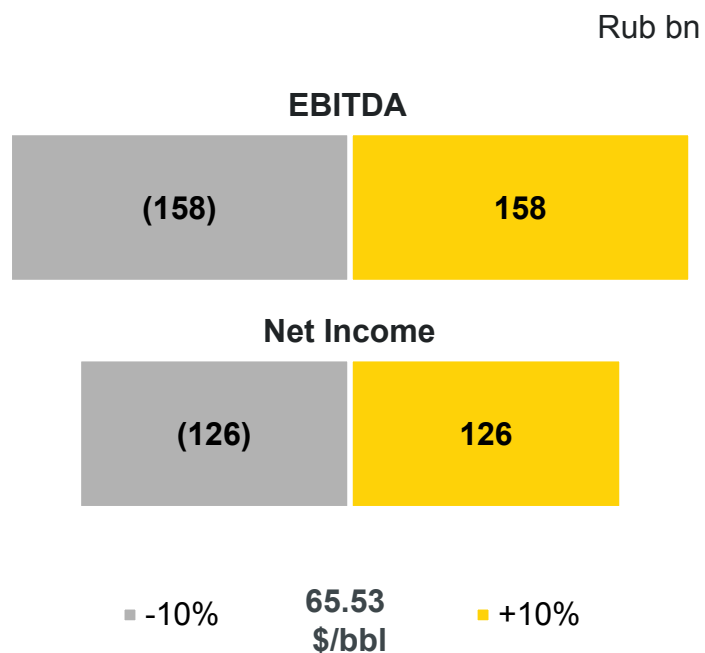
	Indicator	Q2 19	Q1 19	%	H1 19	H1 18	%
1.	Interest accrued ¹	71	74	(4.1)%	145	135	7.4%
2.	Interest paid ²	68	73	(6.8)%	141	124	13.7%
3.	Change in interest payable (1-2)	3	1	>100%	4	11	(63.6)%
4.	Interest capitalized ³	41	41	–	82	70	17.1%
5.	Net loss from operations with financial derivatives ⁴	–	–	–	–	9	(100.0)%
6.	Increase in provision due to the unwinding of a discount	5	5	–	10	9	11.1%
7.	Interest on prepayments under long-term oil and petroleum products supply contracts	19	21	(9.5)%	40	43	(7.0)%
8.	Increase in loss allowance for expected credit losses on debt financial assets	1	1	–	2	4	(50.0)%
9.	Other finance expenses	1	4	(75.0)%	5	5	–
	Total finance expenses (1-4+5+6+7+8+9)	56	64	(12.5)%	120	135	(11.1)%

Note: (1) Interest accrued on credits and loans and other financial obligations, (2) Interest is paid according to the schedule, (3) Interests paid shall be capitalized in accordance with IAS 23 standard Borrowing Costs. 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, (4) Net effect on operations with financial derivatives was related to FX component fluctuations of cross-currency interest rate swaps.

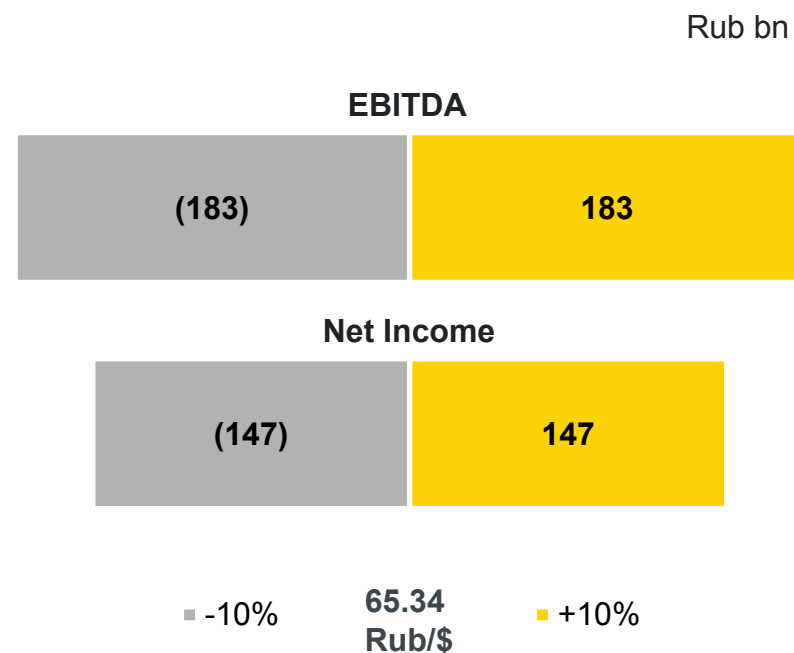
Sensitivity Analysis



H1 2019 EBITDA and net income sensitivity to +/- 10% change in Urals price



H1 2019 EBITDA and net income sensitivity to +/- 10% change in Rub/\$ exchange rate





Q&A