

Rosneft Oil Company IFRS Results Q1 2019



May 13, 2019

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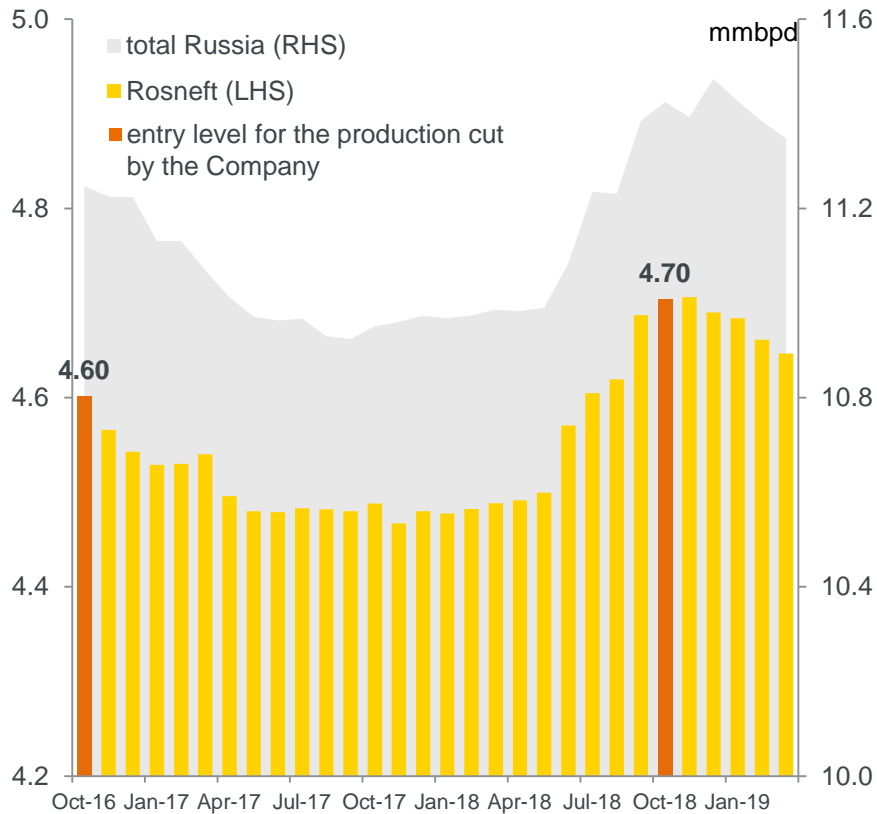
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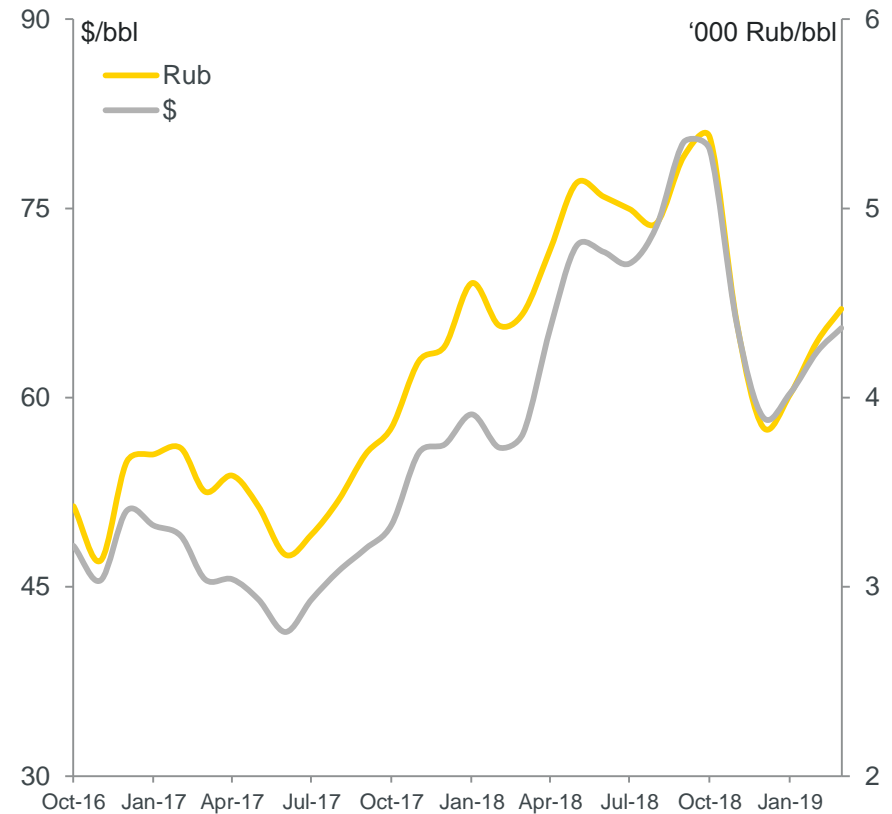
Navigating OPEC+ Environment



Crude oil and condensate production in Russia



Brent price



- ▶ Under the OPEC+ agreement Rosneft will cut its crude oil and condensate production by 2% (90 kbpd) vs October 2018 level by July 1, 2019
- ▶ In March 2019, average daily output in Russia amounted to 4.65 mmbpd (down 1% vs October 2018). Rosneft's share in the overall Russian production cut was c. 46%

Production Dynamics



Hydrocarbon production Q1 2019 vs Q1 2018

kboed

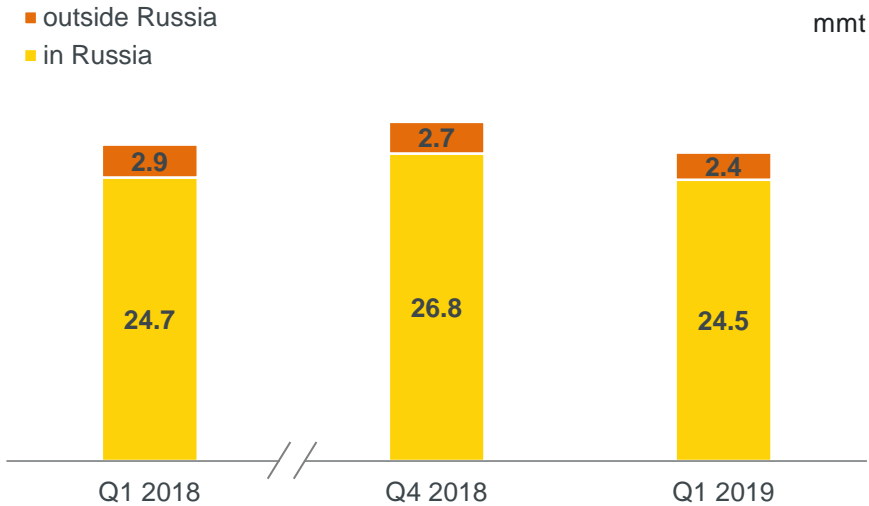


- ▶ Robust development of major greenfields (Kondinskoe, Srednebotuobinskoe, Yurubcheno-Tokhomscoe)
- ▶ Strong operating performance at Yugansk and a production ramp up at other brownfields (Samara, RN-Nyagan, Varyoganneftegas)
- ▶ Rapid development of the Zohr gas field (offshore Egypt)

Refining Efficiency Optimization



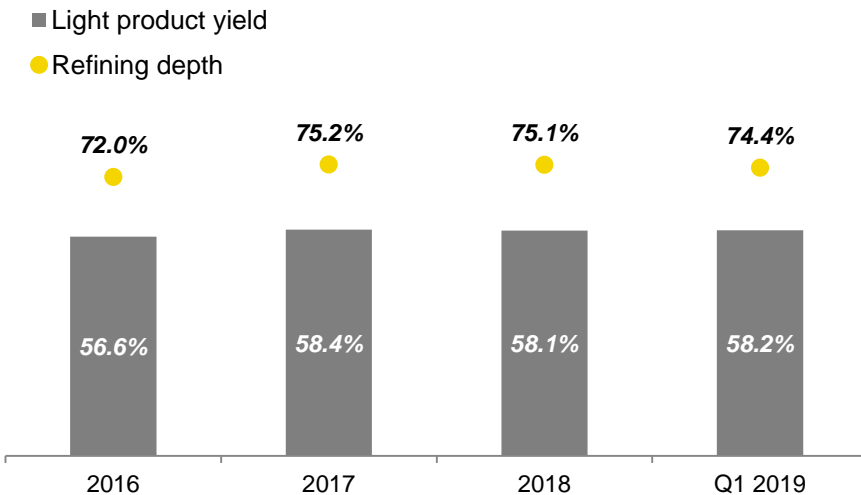
Crude oil processing



Q1 2019 results

- ▶ Reducing capacity utilization following a decrease in the current demand for petroleum products
- ▶ Maintenance and recovery works at German refineries
- ▶ In March 2019 commercial production of RON-100-K5 gasoline started at the Ufa group of refineries
- ▶ Reforming unit upgrade completed at the Ryazan refinery enabling to:
 - improve relative octane number of the motor gasoline component
 - increase turnaround cycle to 3 years

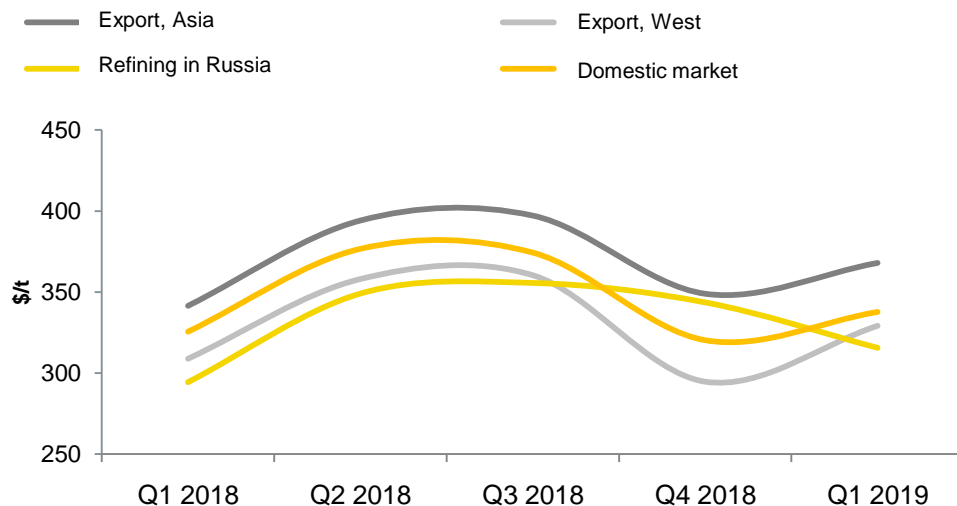
Key refining indicators in Russia



Focus on High-margin Distribution Channels

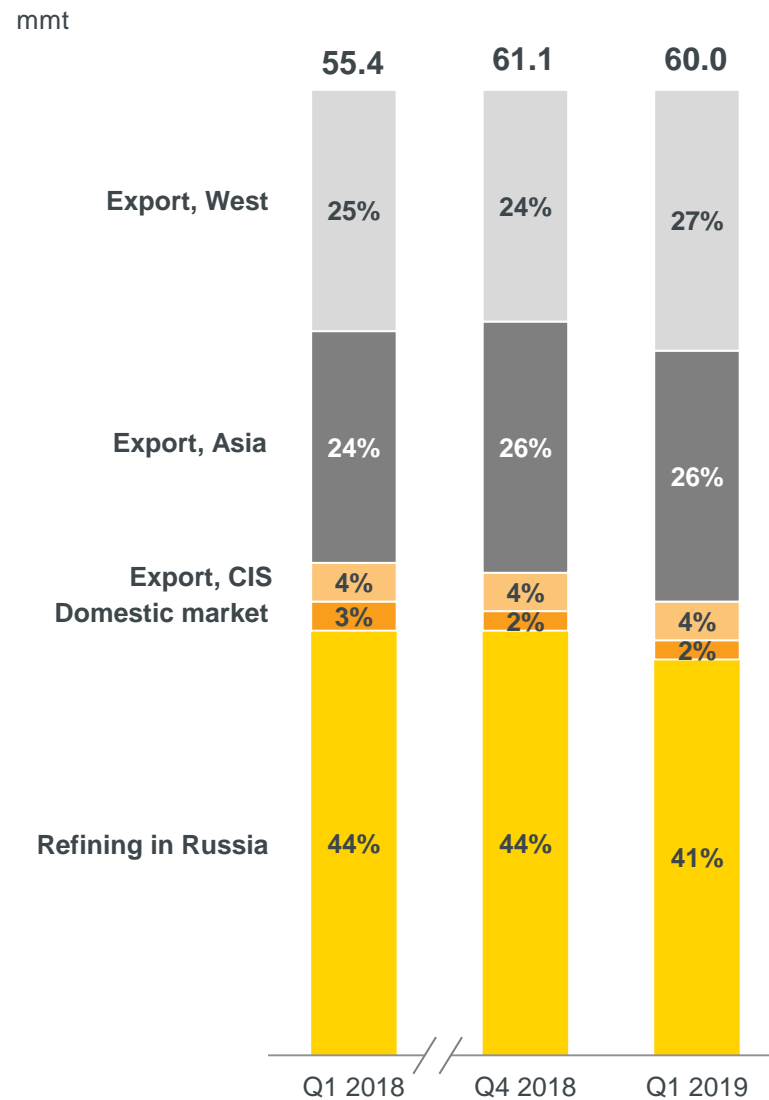


Netbacks for the main crude oil marketing channels



- Rosneft continued to diversify its export channels. In Q1 2019 crude oil supplies eastwards reached 15.9 mmt which accounted for 46.6% of total export deliveries
- In Q1 2019 motor fuel sales on the domestic market increased by 10.8% YoY to 7.2 mmt (-1.4% vs Q4 2018)
- Motor fuel sales via the exchange exceeded the required levels by 2.5x times for gasoline and by c. 2x times for diesel fuel

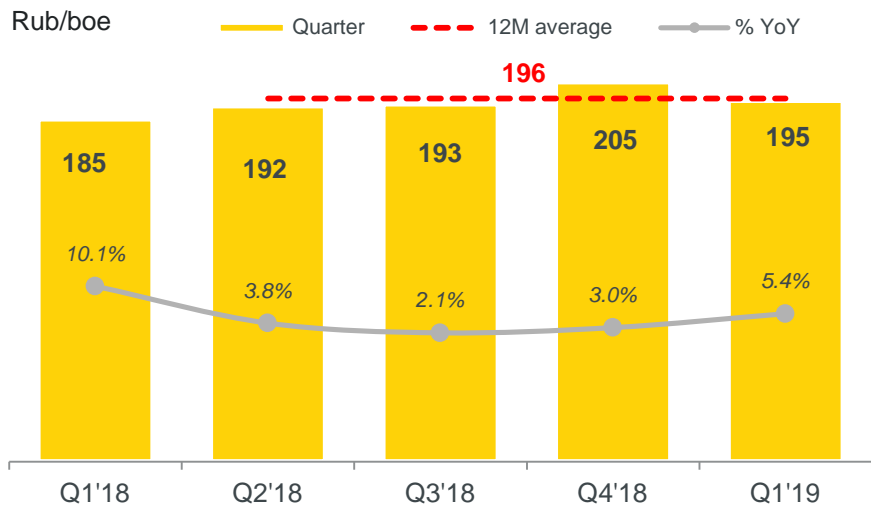
Crude oil marketing breakdown



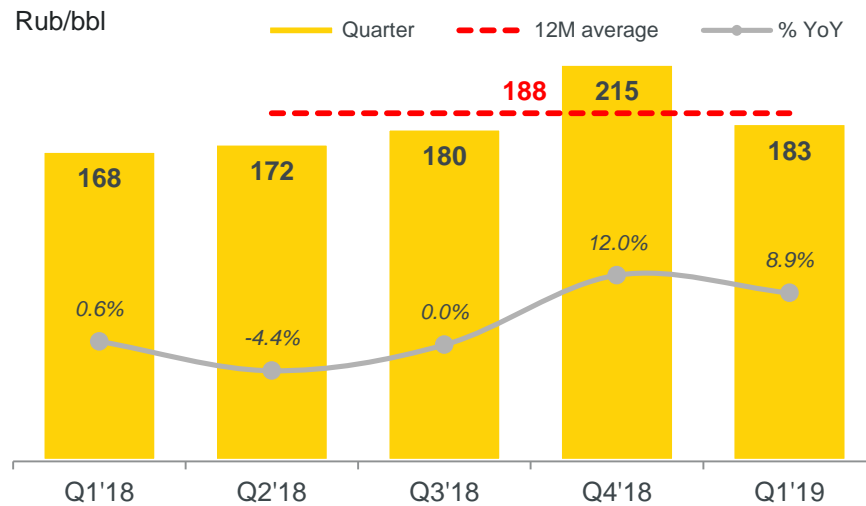
Efficient Control over the Costs



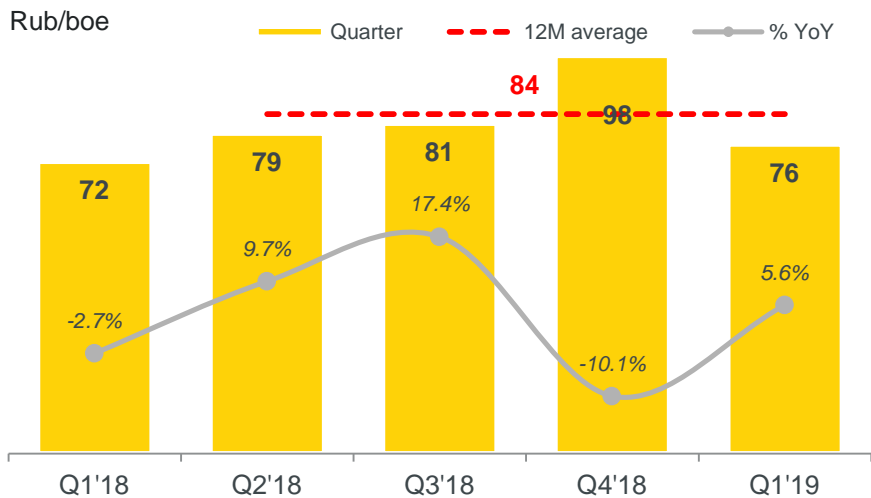
Lifting costs



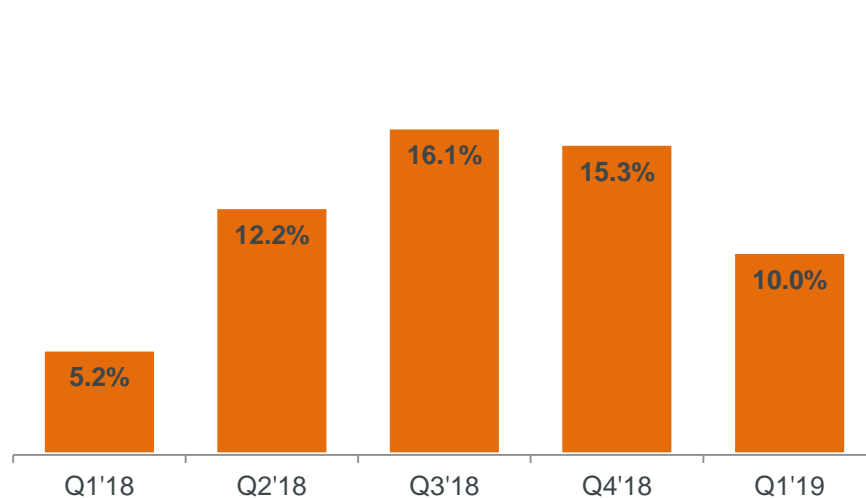
Refining costs in Russia



General and administrative costs¹



Producer Price Index (annual basis)

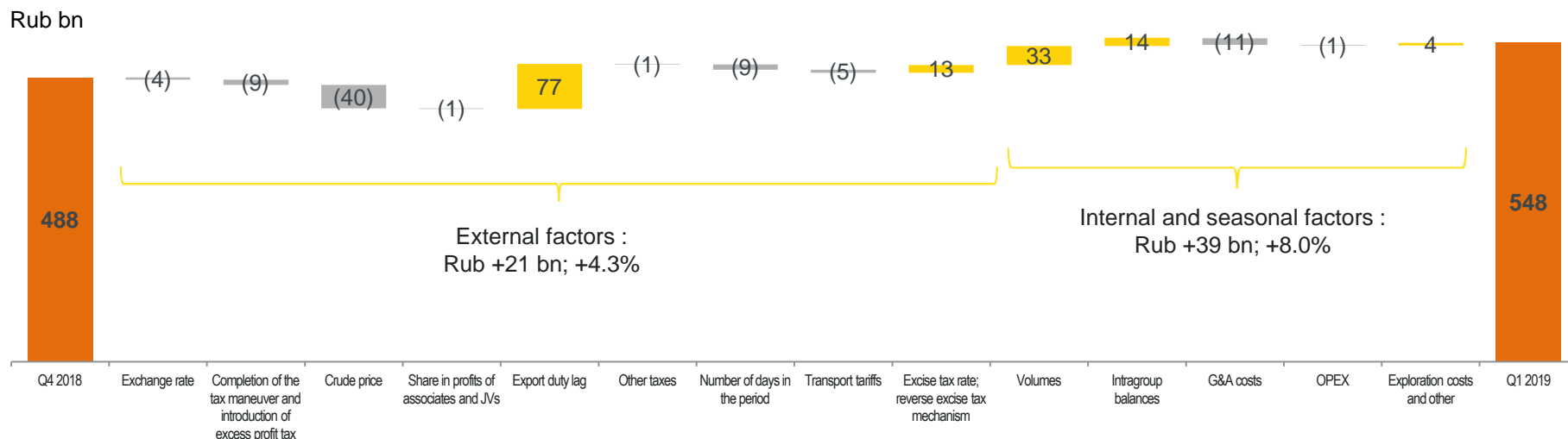


Note: (1) excl. provisions

Earnings Recovery



EBITDA Q1 2019 vs Q4 2018



Net income Q1 2019 vs Q4 2018

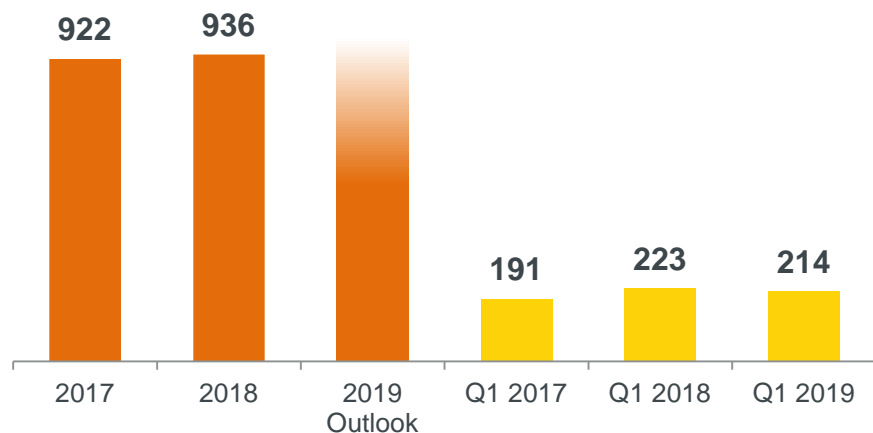


Focused on Value and Growth



CAPEX

Rub bn



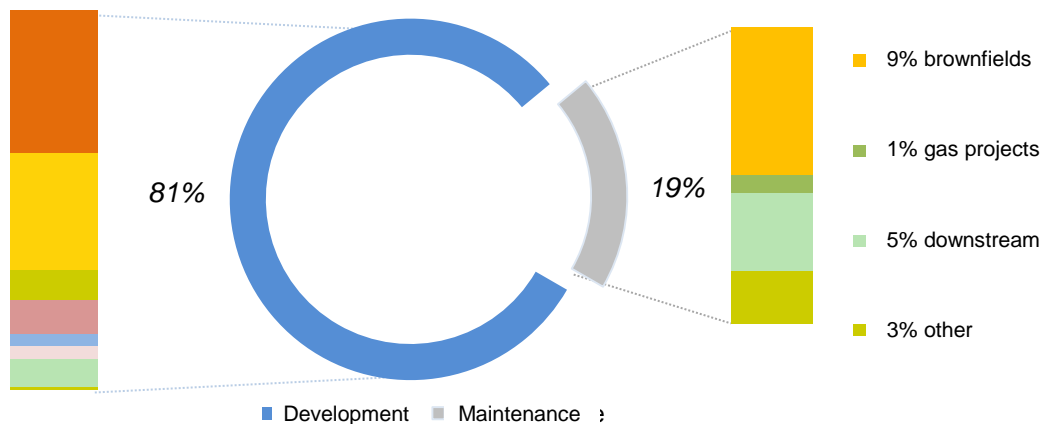
▶ Q1 2019 CAPEX was Rub 214 bn, nearly unchanged YoY (-4%)

Rosneft 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

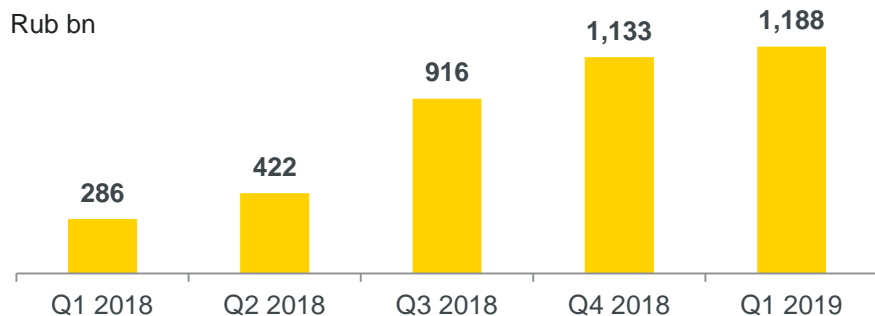
- 30% brownfields
- 25% greenfields
- 6% gas projects
- 7% international projects
- 3% offshore
- 3% OFS
- 6% downstream
- 1% other upstream



Sustainable Free Cash Flow Generation



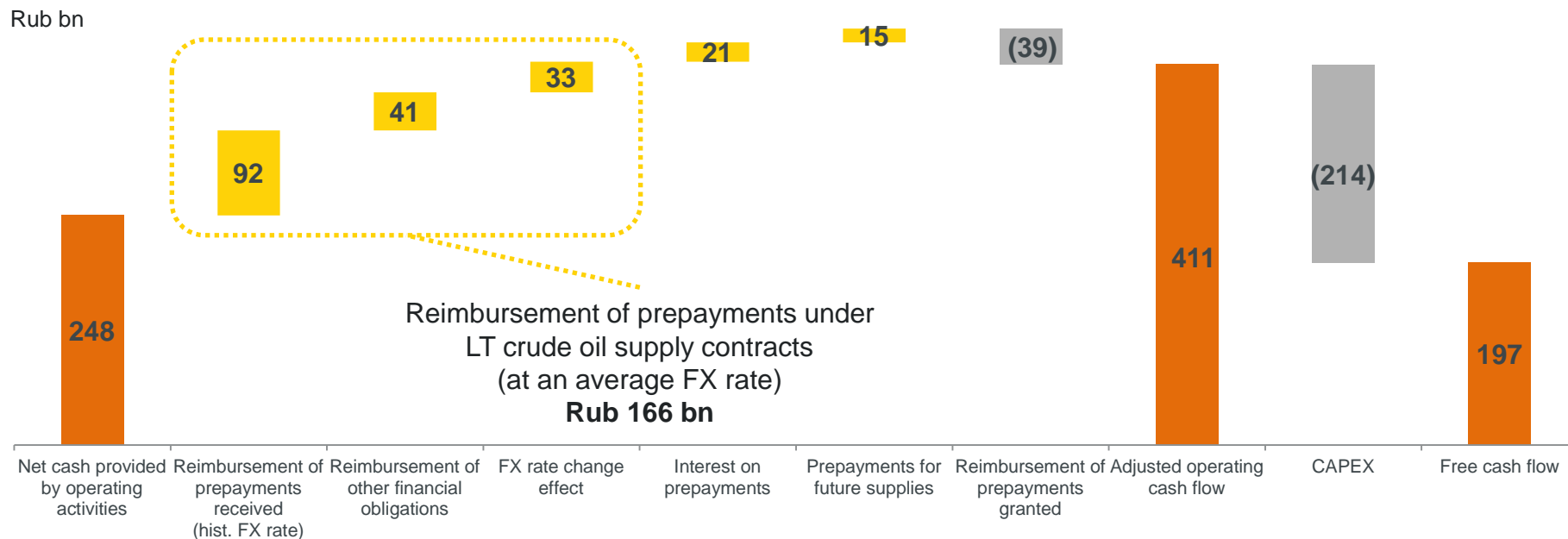
Free cash flow (LTM)



The Company's free cash flow **exceeded \$18 bn** for the last 12 month

Rosneft is one of the leaders globally in terms of free cash flow generation

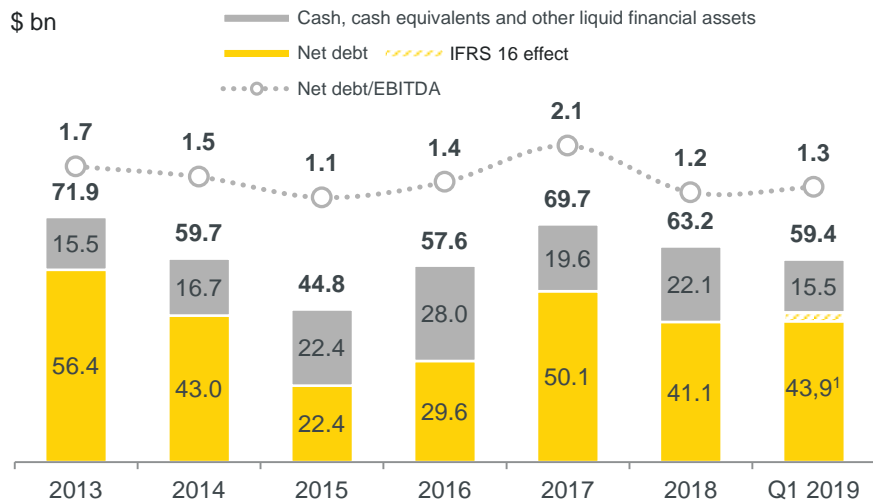
Free cash flow calculation (Q1 2019)



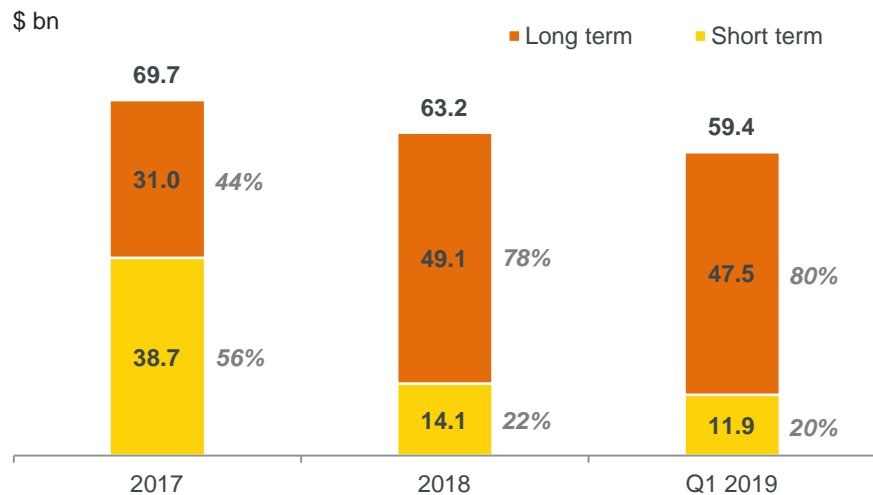
Financial Stability



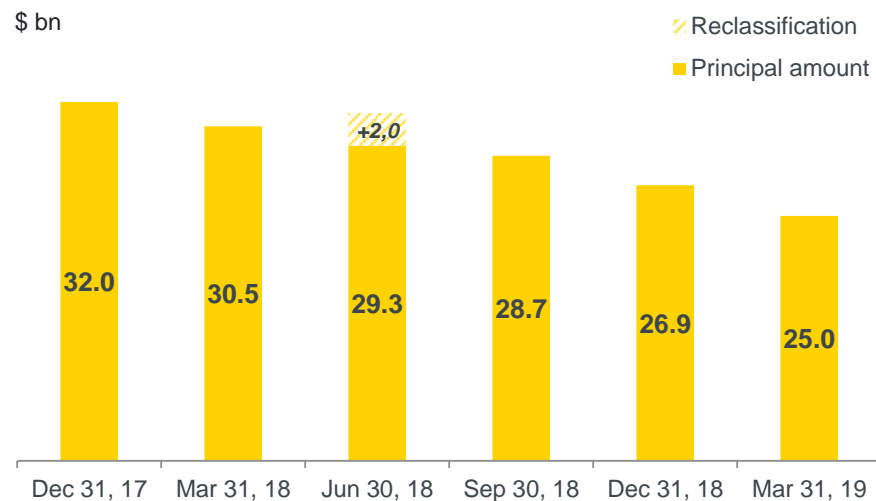
Debt evolution



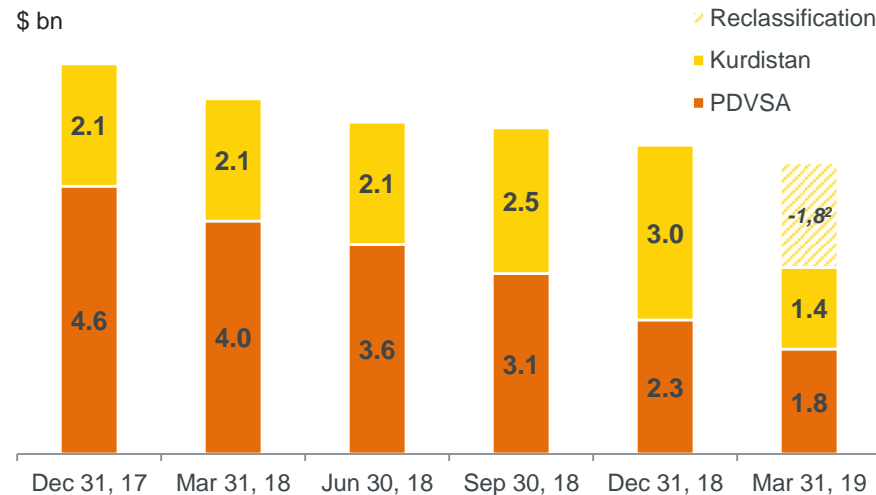
Short term debt reduction



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	Q1 2019	Q4 2018	%	Q1 2019	Q1 2018	%
Hydrocarbon production, incl. kboed	5,902	5,938	(0.6)%	5,902	5,708	3.4%
Oil and liquids kbpd	4,744	4,792	(1.0)%	4,744	4,566	3.9%
Gas kboed	1,158	1,146	1.0%	1,158	1,142	1.4%
Oil refining mmt	26.87	29.53	(9.0)%	26.87	27.57	(2.5)%
Product output in Russia mmt	23.67	25.80	(8.3)%	23.67	23.89	(0.9)%

Key Financial Highlights



Indicator	Q1'19	Q4'18	%	Q1'19	Q1'18	%
EBITDA, Rub bn	548	488	12.3%	548	385	42.3%
Net Income, Rub bn <i>attributable to Rosneft shareholders</i>	131	109	20.2%	131	81	61.7%
Adjusted net income ¹ , Rub bn <i>attributable to Rosneft shareholders</i>	242	185	30.9%	242	123	96.1%
Adjusted operating cashflow ² , Rub bn	411	518	(20.7)%	411	365	12.6%
CAPEX, Rub bn	214	257	(16.7)%	214	223	(4.0)%
Free Cash Flow, Rub bn	197	261	(24.5)%	197	142	38.7%
EBITDA, \$ bn	8.3	7.4	12.2%	8.3	6.8	22.1%
Net Income, \$ bn <i>attributable to Rosneft shareholders</i>	1.9	1.6	18.8%	1.9	1.5	26.7%
Adjusted net income ¹ , \$ bn <i>attributable to Rosneft shareholders</i>	3.7	2.8	31.6%	3.7	2.2	68.7%
Adjusted operating cashflow, \$ bn	6.2	7.9	(21.5)%	6.2	6.4	(3.1)%
CAPEX, \$ bn	3.2	3.9	(17.9)%	3.2	3.9	(17.9)%
Free Cash Flow, \$ bn	3.0	4.0	(25.0)%	3.0	2.5	20.0%
Urals price, th. Rub/bbl	4.18	4.48	(6.6)%	4.18	3.71	12.7%

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)

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, (+16% 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


Improving Rosneft's Investment Case through Effective ESG Communications

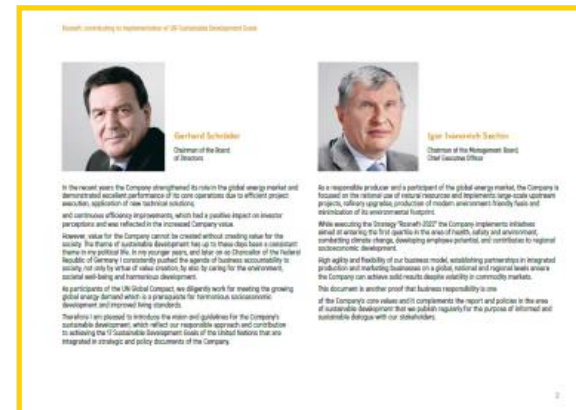


 On December 20, 2018 the Board of Directors approved Rosneft strategy related to commitment to the 17 Sustainable Development Goals of the United Nations¹

 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

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 / Q1 2019	4.1 / 0.6 mmt	4.5 / 1.2 mmt
Oil production plateau	~4.5 mmtpa	~6.0 mmtpa
Production plateau year ⁴	2019	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 / Q1 2019	2.3 / 1 mmt	1.6 / 0.6 mmt
Oil production plateau	~5 mmtpa	>2 mmtpa
Production plateau year ⁴	2019	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) Excluding the limitations set by the OPEC+ agreement

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 / Q1 2019	1.3 / 0.3 mmt	2.9 / 0.9 mmt
Oil production plateau	>4.5 mmtpa	~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 / Q1 2019	0.3 / 0.2 mmt	0.5 / 0.2 mmt
Oil production plateau	>6.5 mmtpa	>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

Progress on a Key Project: Rospan



Major driver of the Company near-term production growth

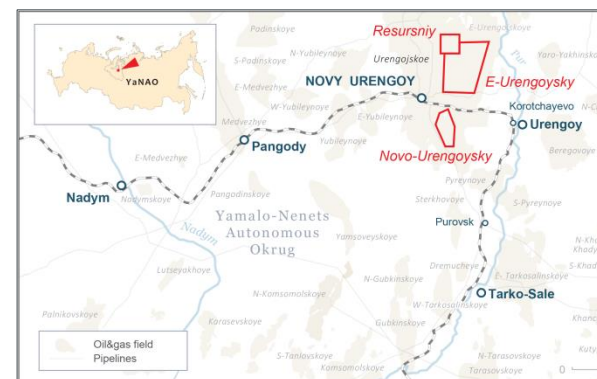
Indicator	Value
3P reserves (PRMS)	891 bcm of gas, 207 mmt of gas condensate, LPG and oil
2018 production	6.63 bcm of gas 1.39 mmt of liquids
Annual production	Potential: > 21 bcm of gas > 5 mmt of liquids up to 1.3 mmt of LPG
Commissioning year	2019



Current status and Q1 2019 results:

Key field facilities construction in active phase:

- ▶ Gas and condensate treatment unit at Vostochno-Urengoisky LA: connecting pipelines installation is in progress, the boiler was fired up. Heating system of the gas turbine power plant was launched
- ▶ Liquid rail unloading terminal at the Korotchaevo station: steel frame installation and tarnishing of loading racks continues, spherical tanks installation and heat treatment completed. Individual equipment testing is carried out
- ▶ Process piping and containments installation at oilfield facilities continues
- ▶ Trunk and infield pipelines, power supply facilities construction is underway



Gas Greenfield Development: Kharampur



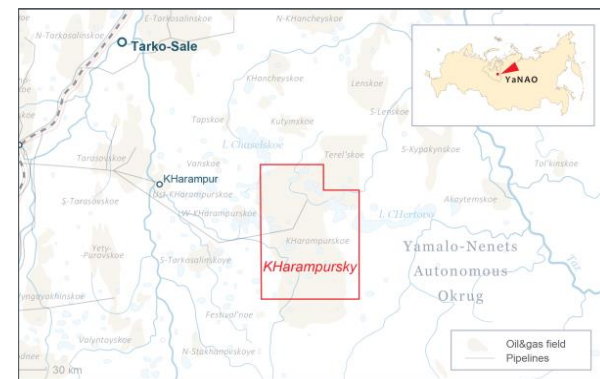
The most significant (after Rospan) project in terms of gas production growth¹

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 Q1 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
- ▶ 48 of 61 have been drilled, including 5 in Q1 2019
- ▶ The gas pipeline: construction works are underway, 44 of 156 km of linear pipeline are laid
- ▶ Site Facilities: site preparation of the approach road, rotators' camp and gas treatment unit was completed. Piling foundations of GTU facilities are under construction



Calculation of Adjusted OCF



Profit and Loss Statement

№	Indicator	Q1 2019, \$ bn
1	Revenue, incl.	31.9
	Reimbursement of prepayments and other financial obligations received	2.5
2	Costs and expenses, incl.	(26.2)
	Reimbursement of prepayments granted	(0.6)
3	Operating profit (1+2)	5.7
4	Expenses before income tax	(2.8)
5	Income before income tax (3+4)	2.9
6	Income tax	(0.6)
7	Net income (5+6)	2.3

Cash Flow Statement

Q1 2019, \$ bn	Indicator	№
2.3	Net income	1
3.6	Adjustments to reconcile net income to cash flow from operations, incl.	2
(1.9)	Reimbursement of prepayments received under crude oil and petroleum products supply contracts	
(0.6)	Reimbursement of other financial obligations received	
0.6	Reimbursement of prepayments granted under crude oil and petroleum products supply contracts	
(1.5)	Changes in operating assets and liabilities, incl.	3
(0.3)	Interest on prepayments under long-term crude oil supply contracts	
(0.6)	Income tax payments, interest and dividends received	4
3.8	Net cash from operating activities (1+2+3+4)	5
0.2	Prepayments for future supplies	6
2.2	Effect from prepayments	7
6.2	Adjusted operational cash flow (5+6+7)	8

Finance Expenses, Rub bn



Indicator	Q1 2019	Q4 2018	%	Q1 2019	Q1 2018	%
1. Interest accrued ¹	74	73	1.4%	74	65	13.8%
2. Interest paid ²	73	82	(11.0)%	73	61	19.7%
3. Change in interest payable (1-2)	1	(9)	–	1	4	(75.0)%
4. Interest capitalized ³	41	39	5.1%	41	33	24.2%
5. Net loss from operations with financial derivatives ⁴	–	3	(100.0)%	–	–	–
6. Increase in provision due to the unwinding of a discount	5	5	–	5	5	–
7. Interest on prepayments under long-term oil and petroleum products supply contracts	21	24	(12.5)%	21	20	5.0%
8. Change in fair value of financial assets	–	3	(100.0)%	–	–	–
9. Increase in loss allowance for expected credit losses on debt financial assets	1	1	–	1	–	–
10. Other finance expenses	4	3	33.3%	4	3	33.3%
Total finance expenses (1-4+5+6+7+8+9+10)	64	73	(12.3)%	64	60	6.7%

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.

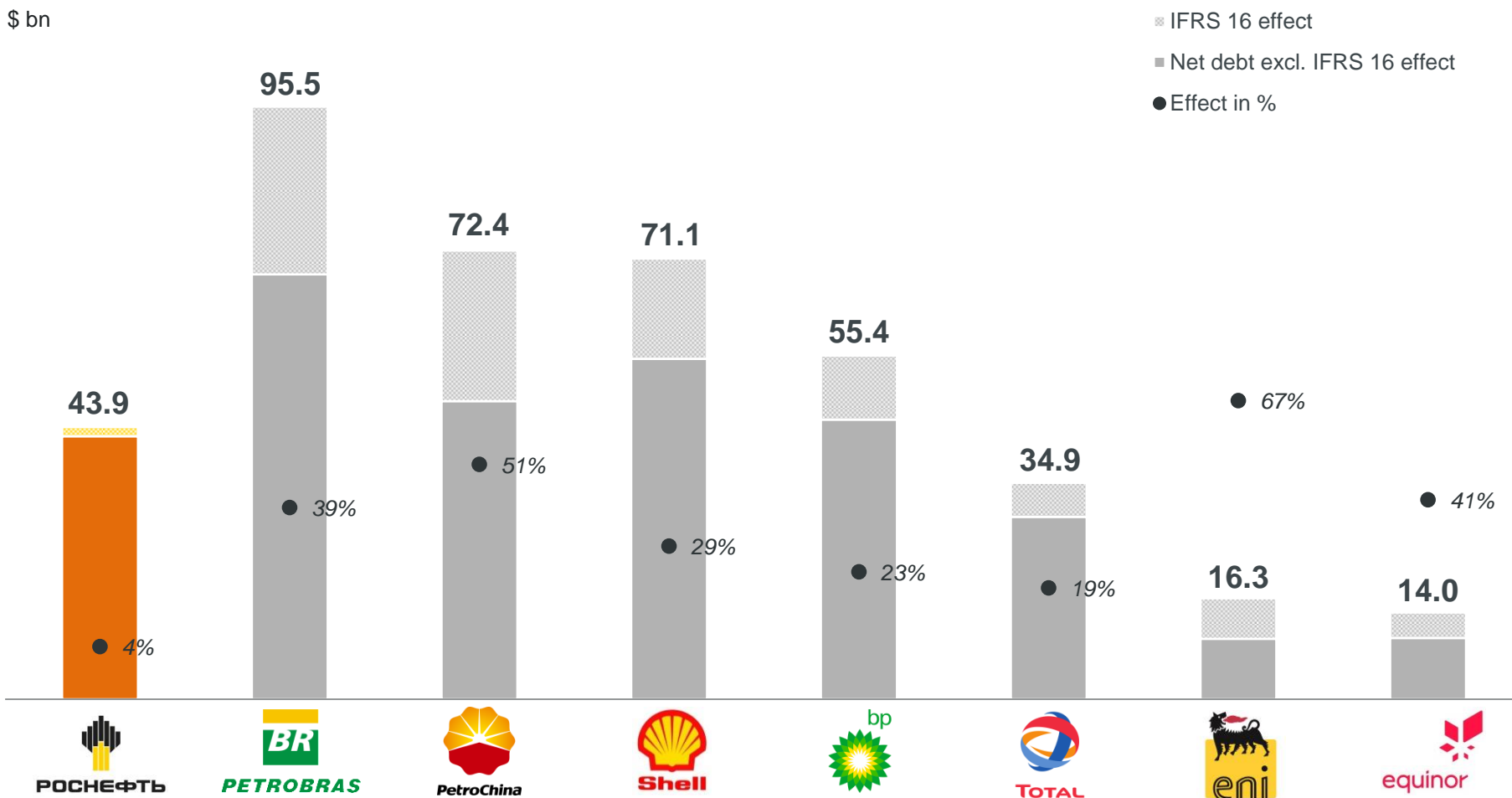
Marginal Effect from IFRS 16 Leases Implementation



Starting January 1, 2019 the new accounting standard IFRS 16 Leases came into effect. According to the standard operating leases previously taken to the profit and loss statement should be put onto the balance sheet similar to the financial leases

The impact of IFRS 16 Leases on net debt of oil and gas companies (Q1 2019)

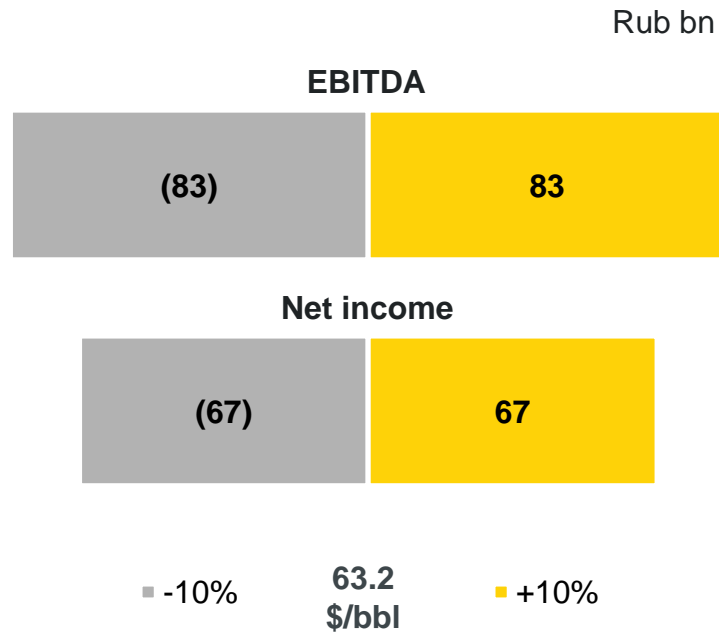
\$ bn



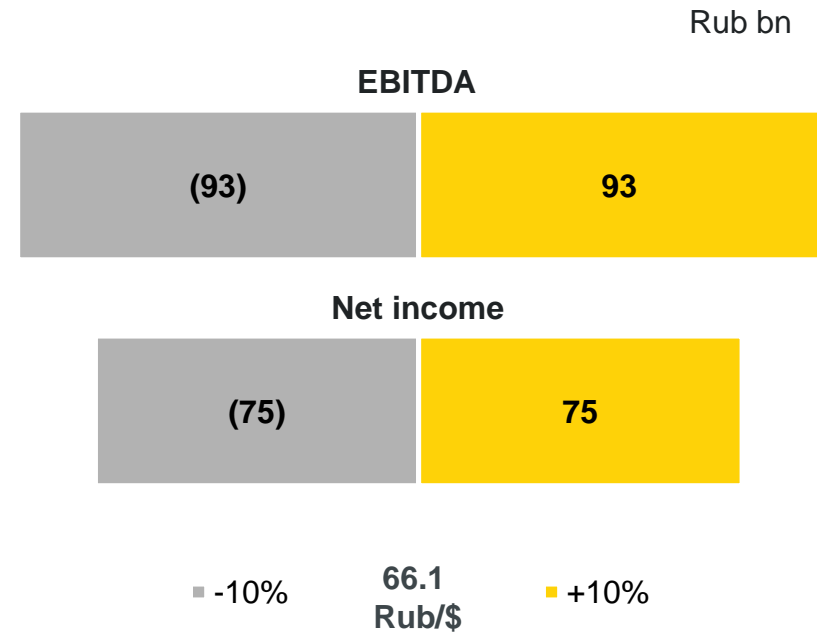
Sensitivity Analysis



Q1 2019 EBITDA and net income sensitivity to +/- 10% change in Urals price



Q1 2019 EBITDA and net income sensitivity to +/- 10% change in Rub/\$ exchange rate





Q&A