

Rosneft Oil Company IFRS Results Q3 2019



November 6, 2019

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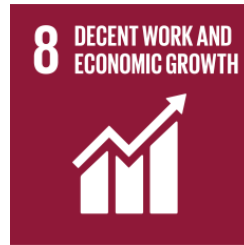
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Improving Rosneft's Investment Case through Effective ESG Communications

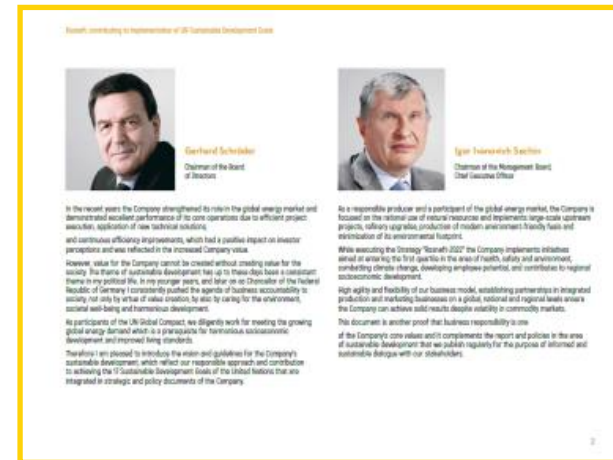


 On December 20, 2018 the Board of Directors approved Rosneft strategy related to commitment to the 17 Sustainable Development Goals of the United Nations¹

 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



<p>«The Guidelines for Methane Emission Reduction in Natural Gas Supply Chain»¹</p>	<p>«Rosneft-2022» Strategy: enter the first quartile of international oil and gas companies in the area of HSE</p>	<p>The Energy Saving Program in force since 2009</p>	<p>Innovative Development Program, 2018 investments</p>	<p>«Rosneft-2022» Strategy: incremental focus on</p>	<p>The social sphere investments in 2018</p>
<p>methane emission reduction by 46% in 2018 4 million tonne reduction in CO2 equivalent emissions</p>	<p>with leadership in unit GHG reduction</p>	<p>Rub 9.3 bn energy savings in 2018 (+3.3% YoY)</p>	<p>Rub 53.9 bn, (+9.6% YoY)</p>	<p>education, human capital development and social projects</p>	<p>Rub 45.7 bn, (+22% YoY)</p>



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



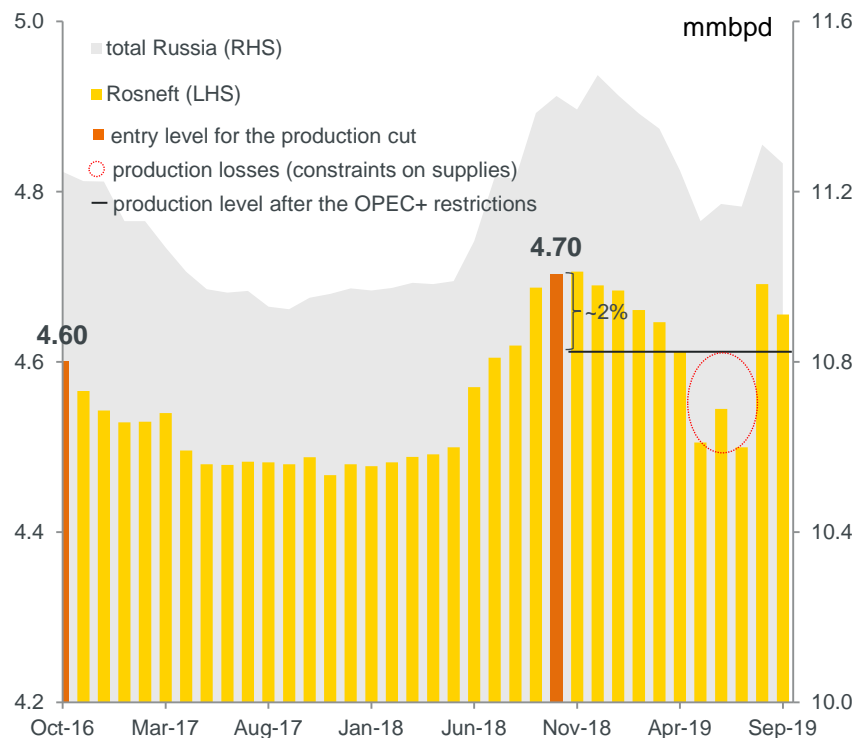
Rosneft and the Kidzania children's educational park held an excursion for children from rehabilitation centers and children's homes

Note: (1) On June 4, 2019 Rosneft has joined the initiative

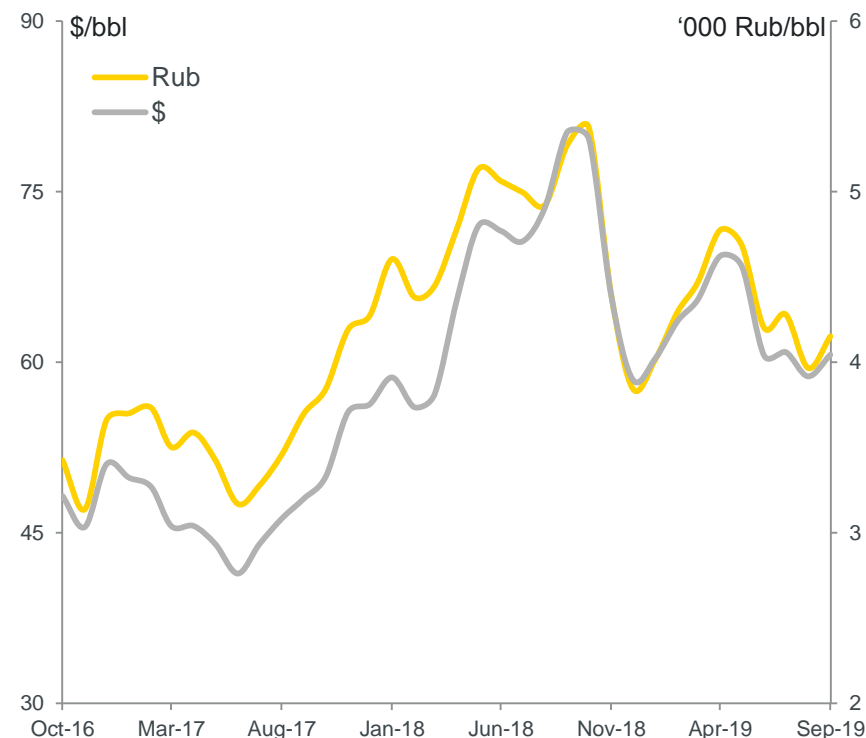
Navigating OPEC+ Environment



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-July 2019 (estimated at c. 1.8 mmt¹)
- Average daily liquids production for 9M 2019 fully met OPEC+ limitations

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

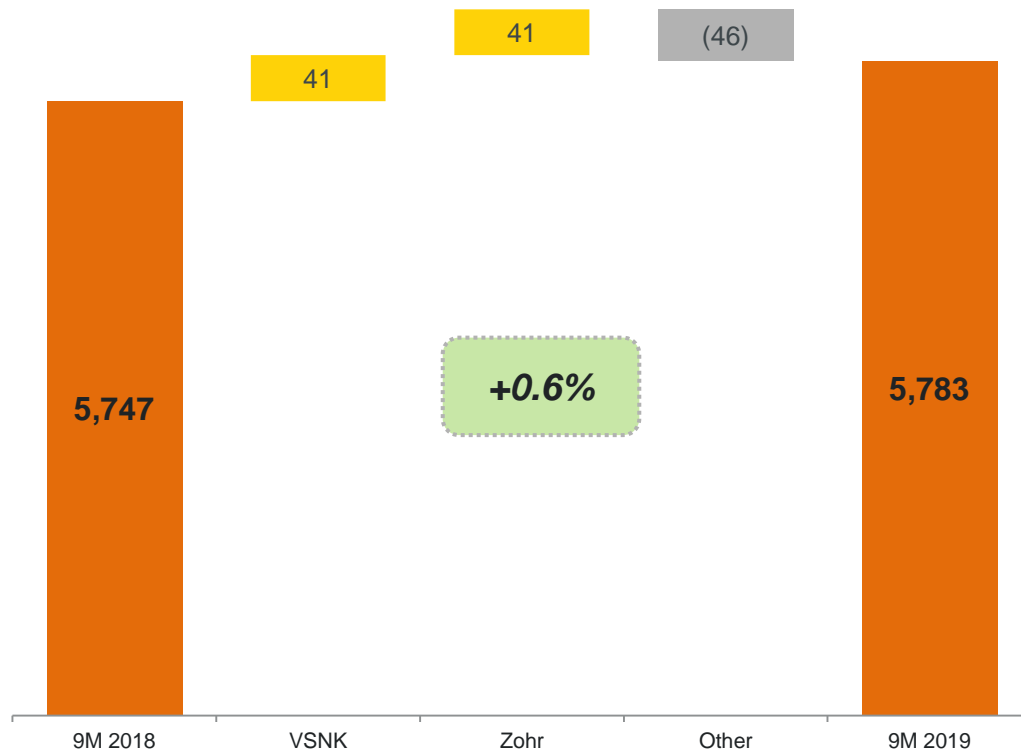
Note: (1) Including the share in JSC Slavneft-Megionneftegaz

Production Dynamics



Hydrocarbon production 9M 2019 vs 9M 2018

kboed



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

Vostok Oil – the New Oil Province in the North of the Krasnoyarsk Region



Strong government support

Strategically important new production area to satisfy growing future global oil demand

Tax incentives providing investors with favorable conditions and fiscal stability

Resource base

Significant reserves and resource potential of crude oil exceeding 37 bboe

Light sweet oil exceeds the quality of ESPO and Brent blends

Production potential

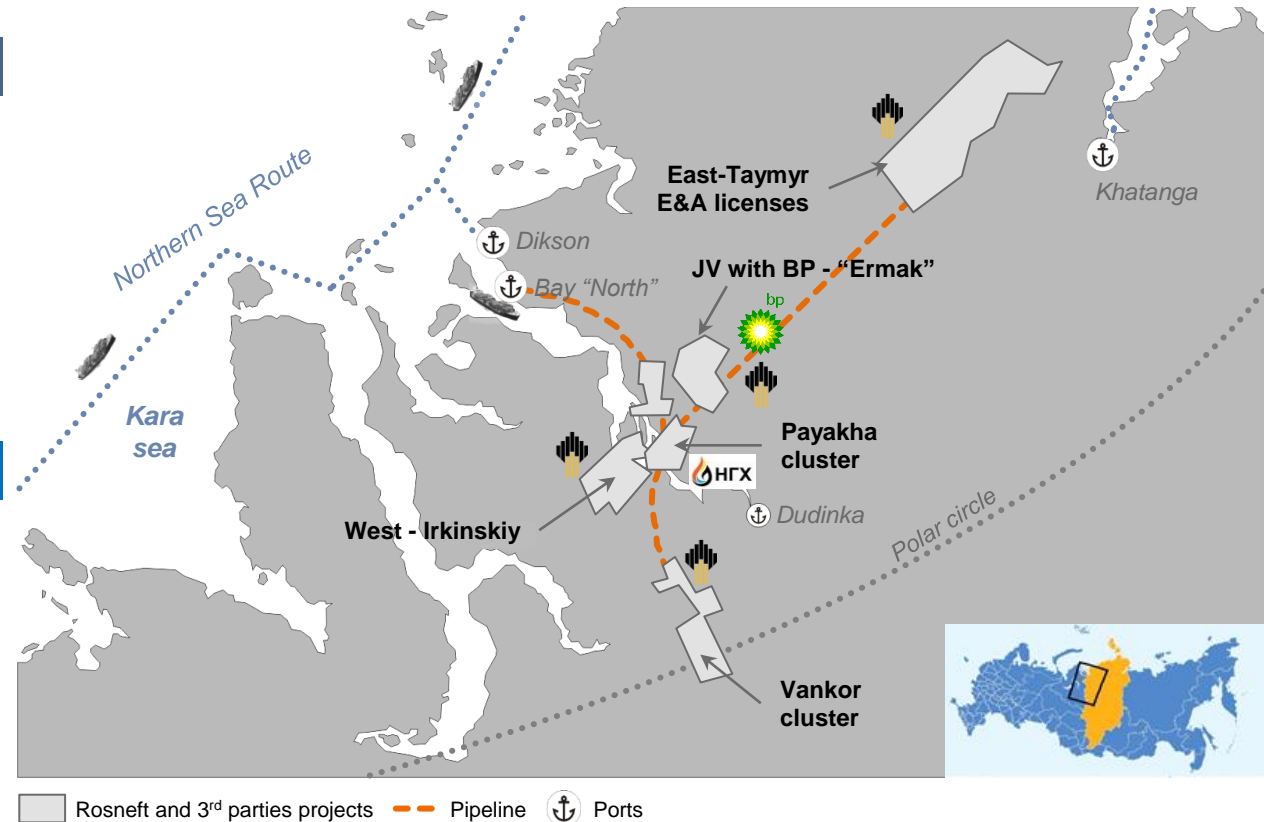
Estimated production plateau equals to the largest projects in the Middle East

Tested technologies and development plan – the project is a natural extension of the existing local technologies and infrastructure

Flexible logistics

Direct access to European and Asian Markets via the Northern Sea Route and a pricing premium for crude quality vs Brent

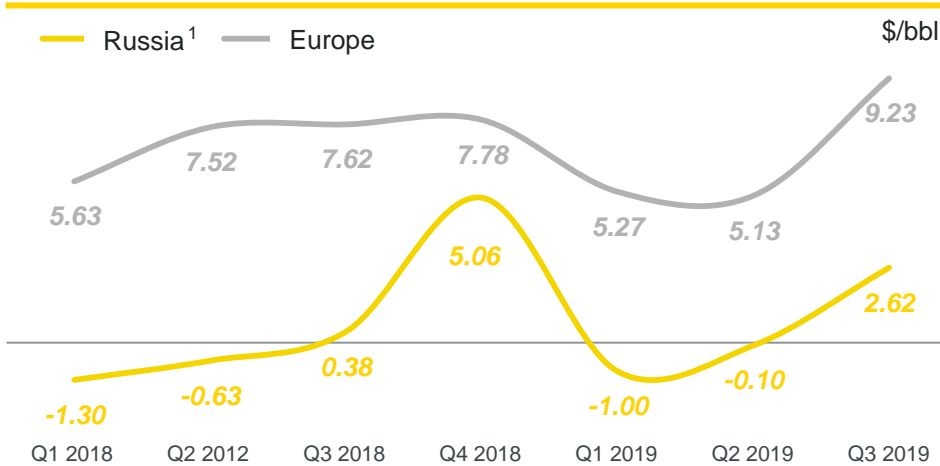
Long-reach tanker deliveries to the global markets competing with other supplies



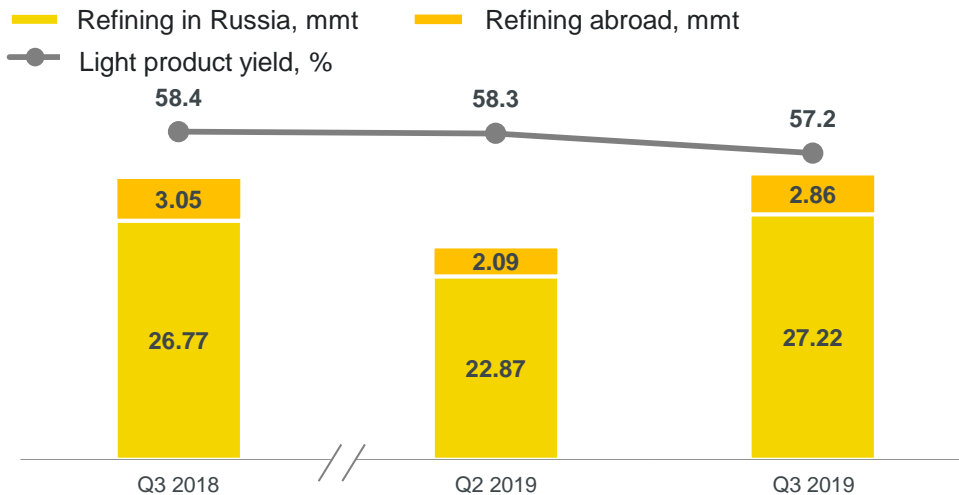
Refining



Refining margins



Key refining indicators



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

Refining economics in Q3 2019

- Refining margin in Q3 2019 exceeded the Q2 level mainly due to positive macro including falling Brent and growing wholesale gasoline prices
- Growing refining margins in Germany following crack spreads increase on key petroleum products as well as completion of turnaround at PCK Raffinerie GmbH

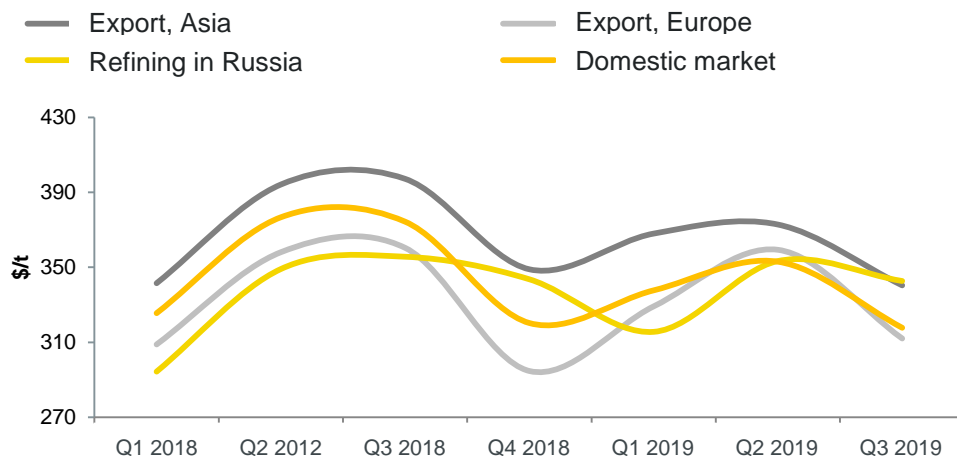
Q3 2019 achievements

- Bashneft** launched production of high-octane gasoline RON-100 under proprietary technology
- Komsomolsk refinery** launched production of low sulphur bunker fuel RMLS in full compliance with IMO 2020 standards
- RN-Kat** specializing in manufacturing of catalysts successfully tested the initial batch of hydrotreatment catalysts at the Ufa group of refineries enabling to produce Euro-5 compliant diesel fuel. This is the first ever hydrotreatment catalyst that allows to refuse of foreign analogues. The catalyst at least equals foreign samples while outperforms them on some parameters

Focus on Distribution Channels Development



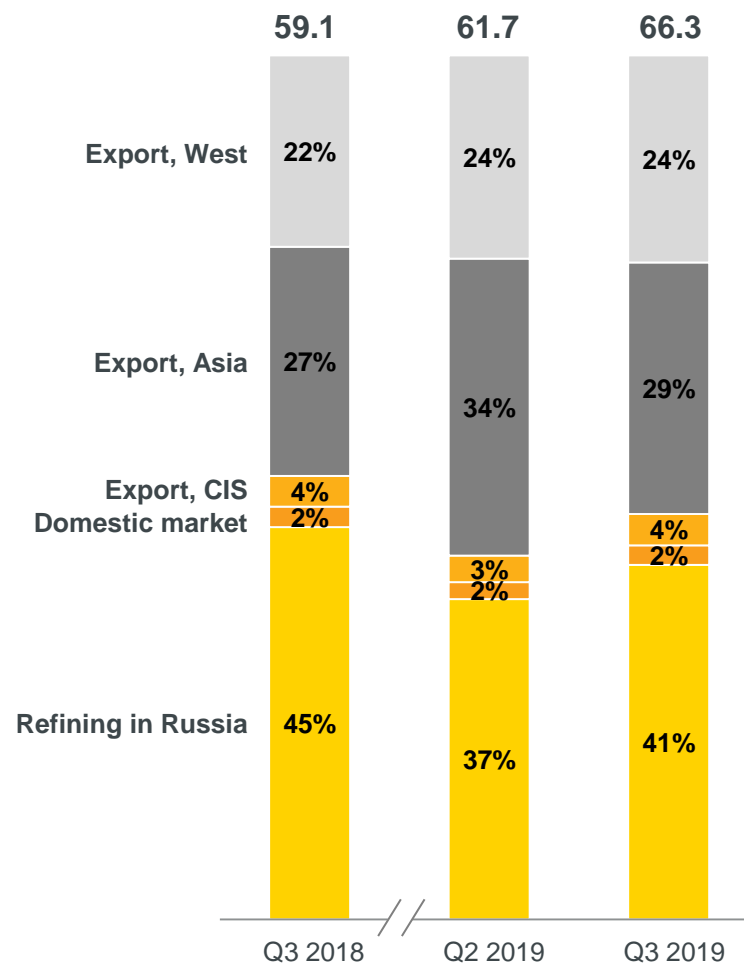
Netbacks for the main crude oil marketing channels



- Motor fuel sales on the domestic market increased by 7.7% YoY to 22.4 mmt in 9M 2019
- Motor fuel sales via the exchange exceeded the required levels by over 2x times in Q3 2019
- Crude oil supplies eastwards reached 56.4 mmt for 9M 2019 (+31% YoY)
- In July 2019 Rosneft completed acquisition of a 100% stake in the entities of «Petersburg Fuel Company». Following the deal the Company expanded its presence in the key country regions as well as retail network by 141 filling station to 3 081 as of the end of September 2019

Crude oil marketing breakdown

mmt

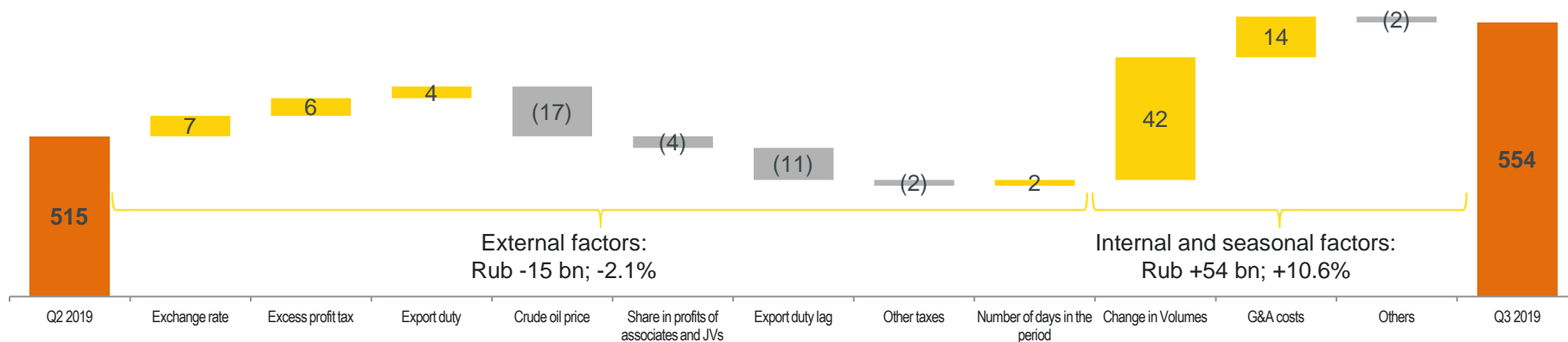


Earnings Growth

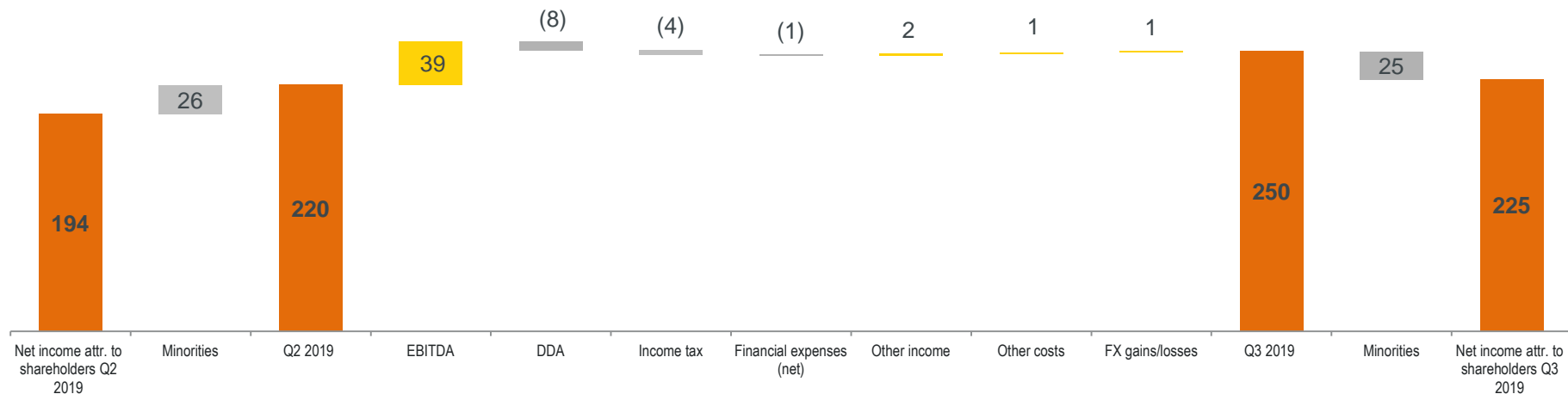


EBITDA Q3 vs Q2 2019

Rub bn



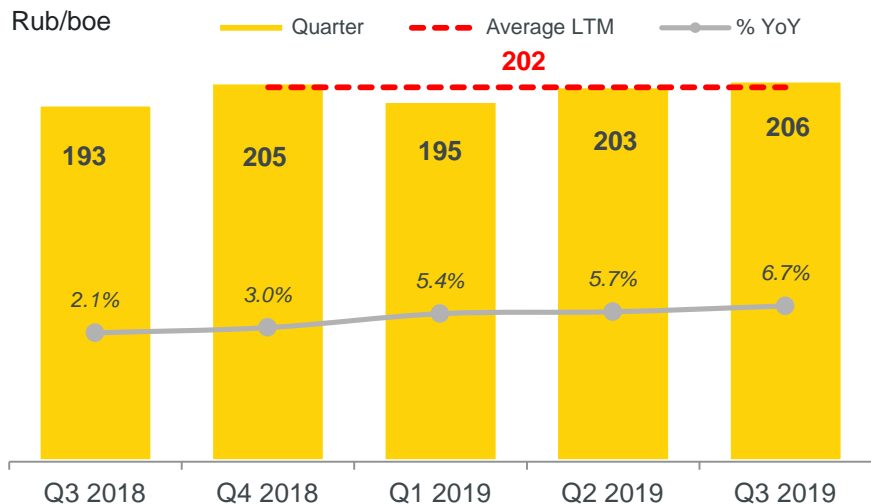
Net income Q3 vs Q2 2019



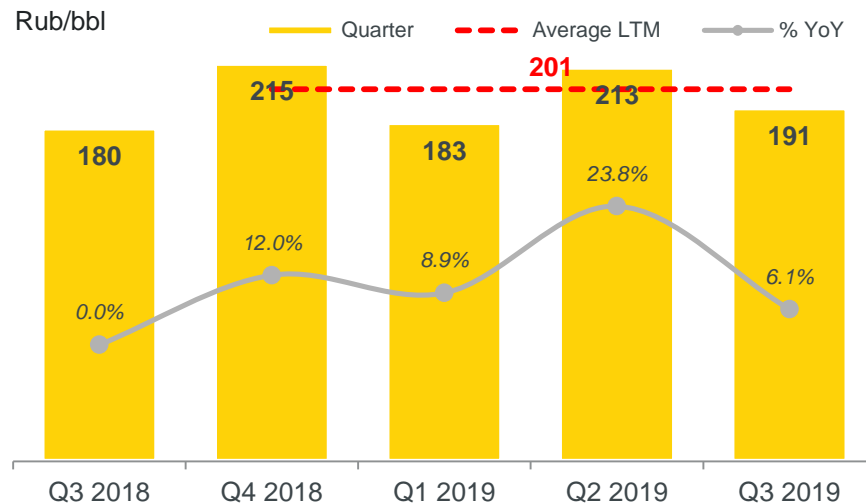
Efficient Cost Control



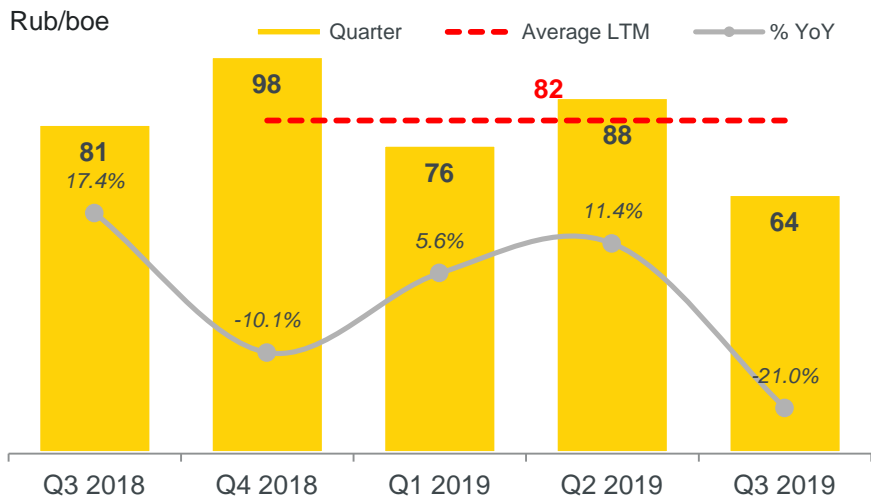
Lifting costs



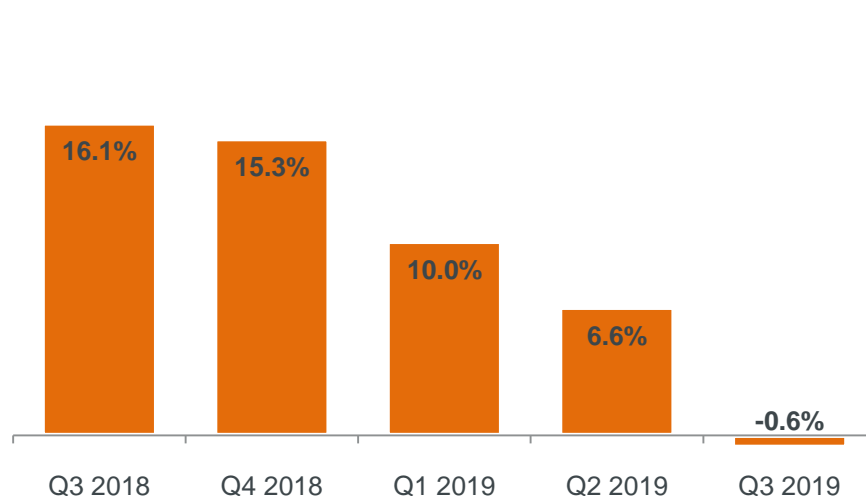
Refining costs in Russia



General and administrative costs¹



Producer Price Index (annual basis)

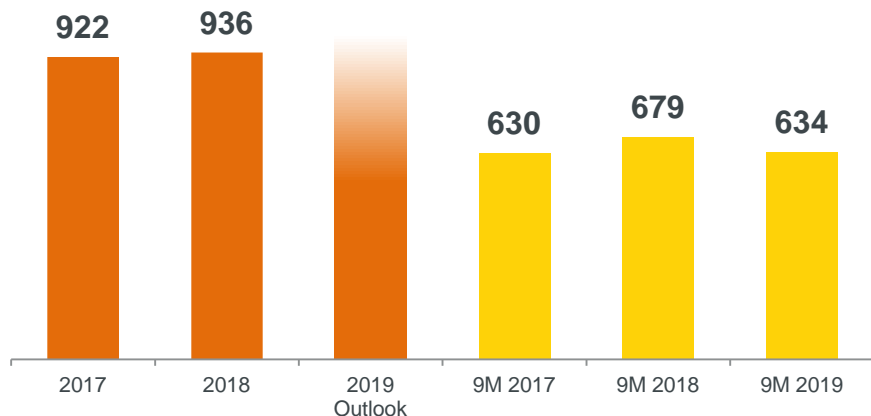


Note: (1) excl. provisions



CAPEX

Rub bn



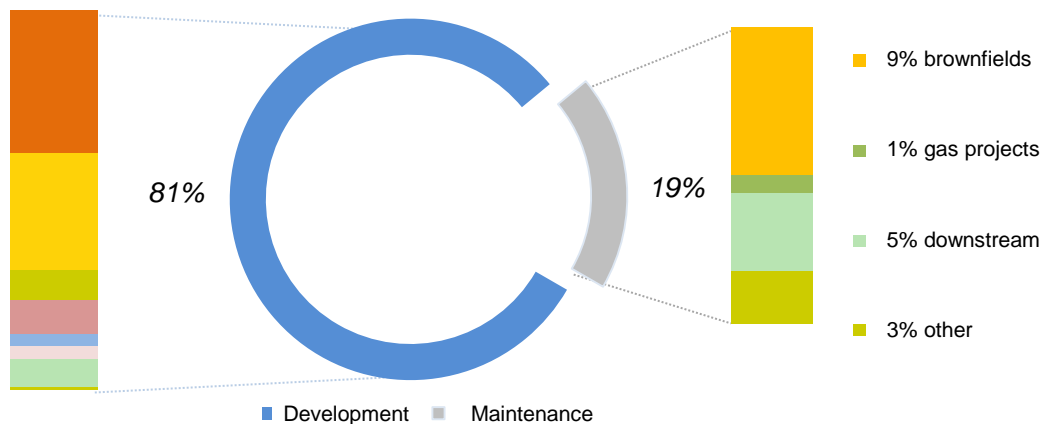
▶ 9M 2019 CAPEX was Rub 634 bn, down 7% YoY following drilling program optimization aimed at horizontal wells share increase to improve brownfields efficiency

▶ **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

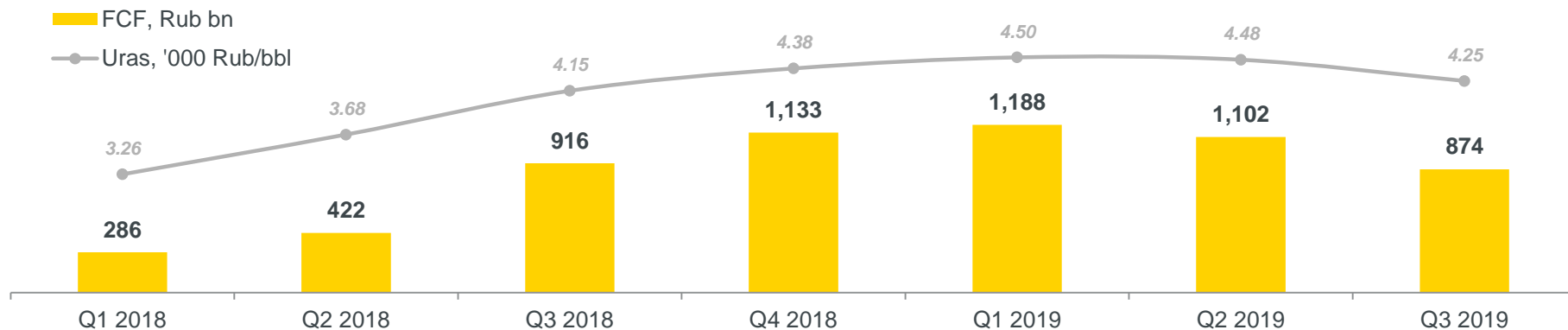
- 30% brownfields
- 25% greenfields
- 6% gas projects
- 7% international projects
- 3% offshore
- 3% OFS
- 6% downstream
- 1% other upstream



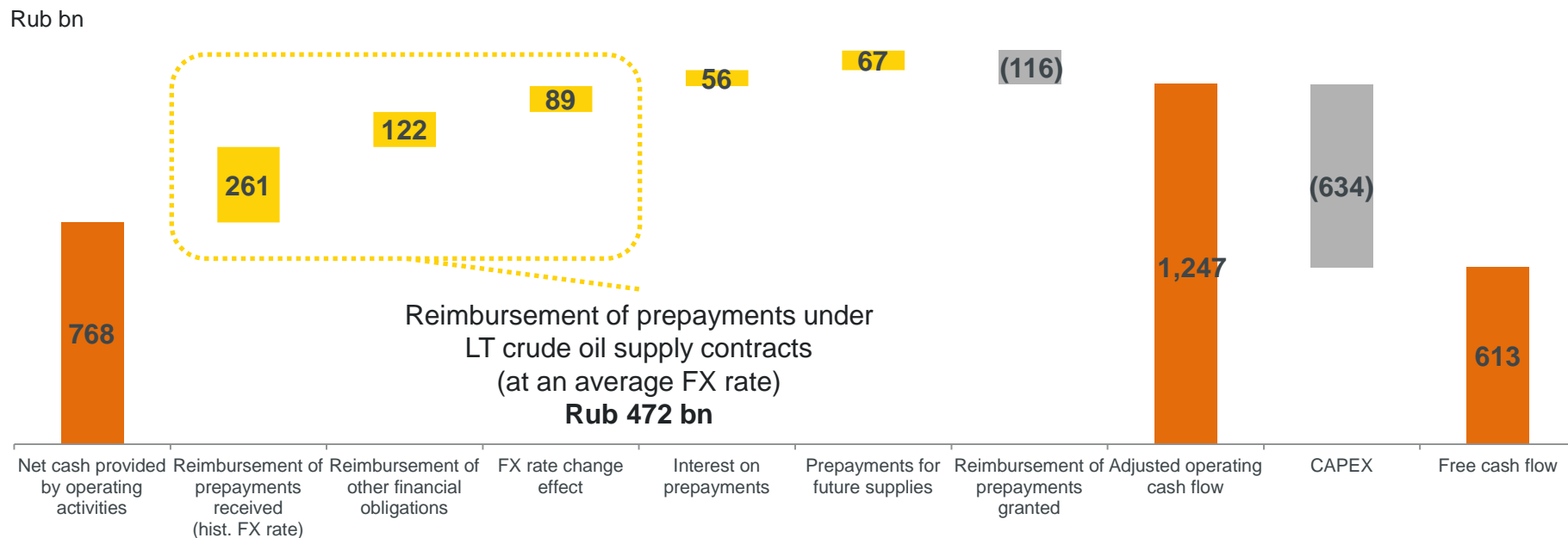
Sustainable Free Cash Flow Generation



Free cash flow and crude oil price (LTM)



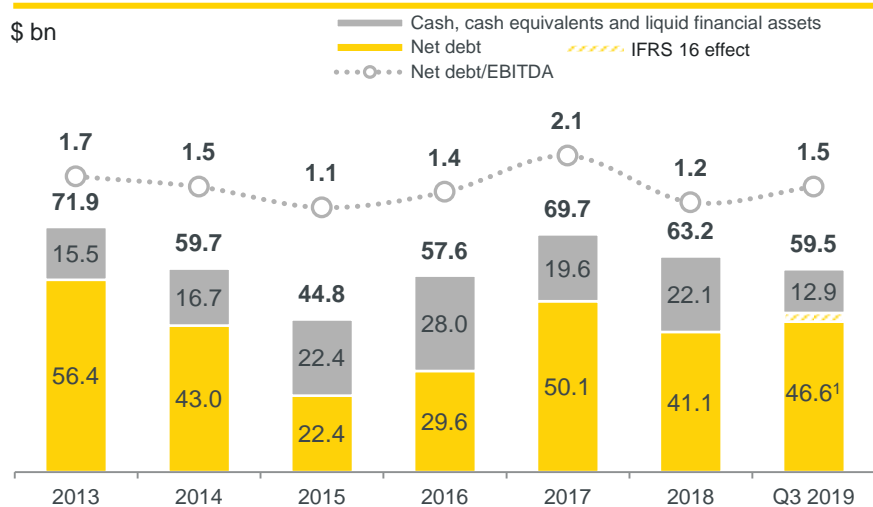
Free cash flow calculation (9M 2019)



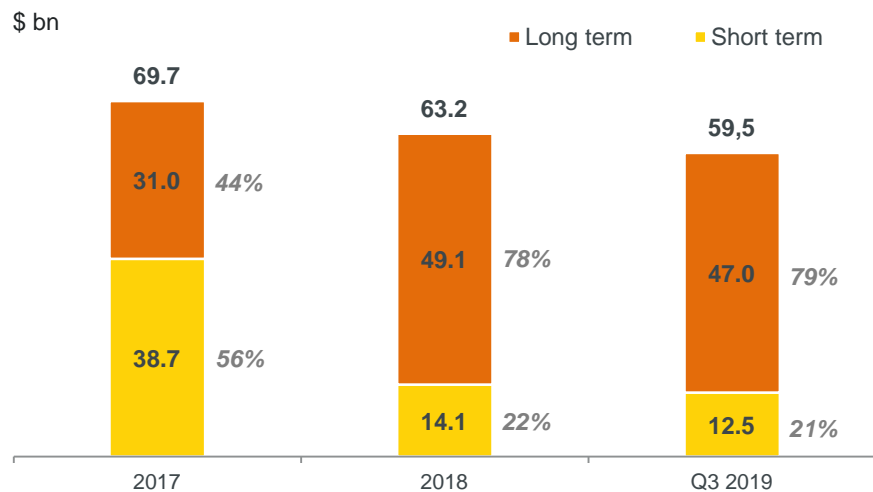
Financial Stability



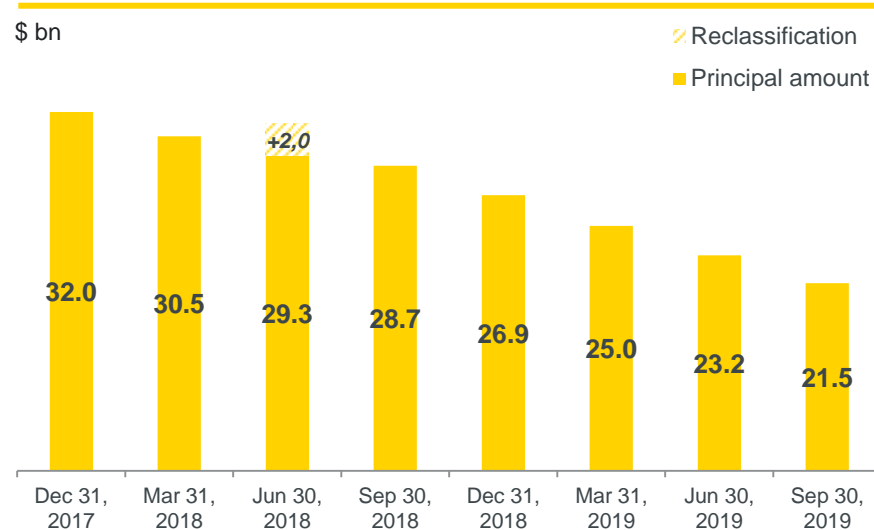
Debt evolution



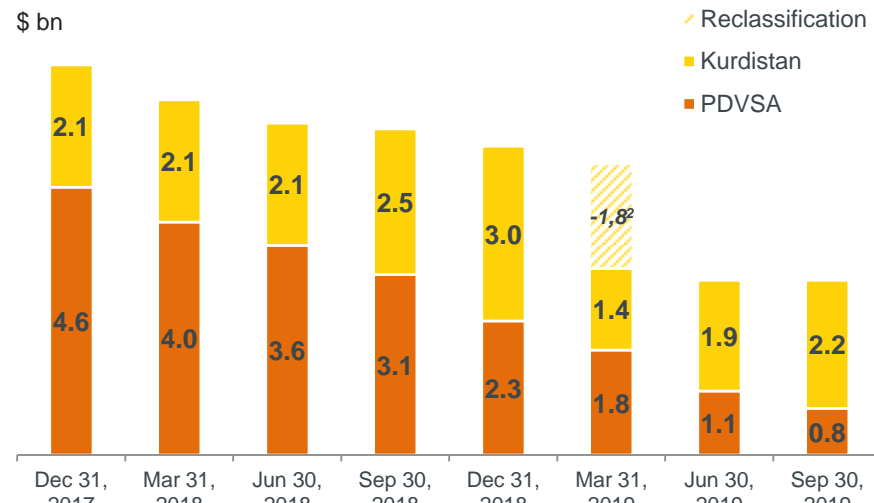
Short term debt reduction



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	Q3 19	Q2 19	%	9M 19	9M 18	%
Hydrocarbon production, incl. kboed	5,740	5,710	0.5%	5,783	5,747	0.6%
Liquids kbpd	4,661	4,618	0.9%	4,674	4,633	0.9%
Gas kboed	1,079	1,092	(1.2)%	1,109	1,114	(0.4)%
Oil refining mmt	30.07	24.96	20.5%	81.90	85.51	(4.2)%
Product output in Russia mmt	26.31	22.09	19.1%	72.07	73.93	(2.5)%

Key Financial Highlights



Indicator	Q3 19	Q2 19	%	9M 19	9M 18	%
EBITDA, Rub bn	554	515	7.6%	1,617	1,593	1.5%
Net Income, Rub bn <i>attributable to Rosneft shareholders</i>	225	194	16.0%	550	440	25.0%
Adjusted net income ¹ , Rub bn <i>attributable to Rosneft shareholders</i>	262	230	14.0%	733	644	14.0%
Adjusted operating cashflow ² , Rub bn	479	357	34.2%	1,247	1,551	(19.6)%
CAPEX, Rub bn	198	222	(10.8)%	634	679	(6.6)%
Free Cash Flow, Rub bn	281	135	>100%	613	872	(29.7)%
EBITDA, \$ bn	8.5	8.0	6.3%	24.8	25.7	(3.5)%
Net Income, \$ bn <i>attributable to Rosneft shareholders</i>	3.6	3.0	20.0%	8.5	7.3	16.4%
Adjusted net income ¹ , \$ bn <i>attributable to Rosneft shareholders</i>	4.1	3.6	14.0%	11.3	10.3	9.0%
Adjusted operating cashflow ² , \$ bn	7.4	5.5	34.5%	19.1	25.0	(23.6)%
CAPEX, \$ bn	3.0	3.5	(14.3)%	9.7	11.1	(12.6)%
Free Cash Flow, \$ bn	4.4	2.0	>100%	9.4	13.9	(32.4)%
Urals price, '000 Rub/bbl	3.96	4.38	(9.7)%	4.17	4.34	(3.9)%

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 / 9M 2019	4.1 / 2.0 mmt	4.5 / 4.0 mmt
Oil production plateau ⁴	> 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 / 9M 2019	2.3 / 3.1 mmt	1.6 / 2.0 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 / 9M 2019	1.3 / 1.0 mmt	2.9 / 2.9 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 / 9M 2019	0.3 / 0.6 mmt	0.5 / 0.7 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

Progress on a Key Project: Rospan



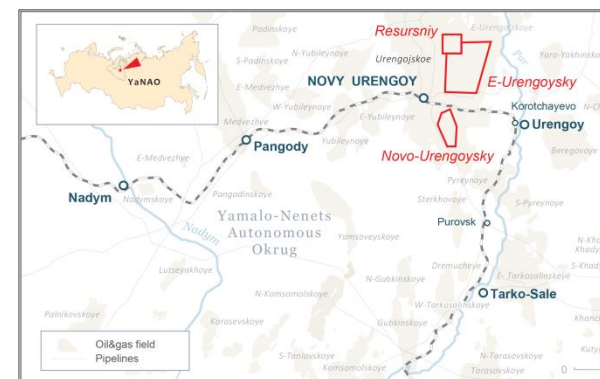
MAJOR DRIVER OF THE COMPANY NEAR-TERM PRODUCTION GROWTH

Indicator	Value
3P reserves (PRMS)	891 bcm of gas, 207 mmt of gas condensate, LPG and oil
9M 2019 production	4.9 bcm of gas 1.02 mmt of liquids
Annual production	Potential: > 21 bcm of gas > 5 mmt of liquids up to 1.3 mmt of LPG
Commissioning year	H1 2020

Current status and Q3 2019 results:

At 9M 2019 end key field facilities construction at final stage:

- 5 gas-turbine units were commissioned satisfying power demand of all 1st stage facilities
- Finalizing installation and construction works to ensure the readiness of the oil treatment unit, infield and trunk pipelines
- Rail unloading terminal at the Korotchaevo station: installation, tempering and hydro testing of spherical tanks was completed, setup of cable racks was finished. Installation of containments and individual equipment testing is underway
- Main on-site equipment at the Complex gas and gas condensate treatment unit of the Vostochno-Urengoiyskiy LA was installed, hydro-testing of pipelines and reservoirs, setup of electric equipment and containments is underway



Gas Greenfield Development: Kharampur

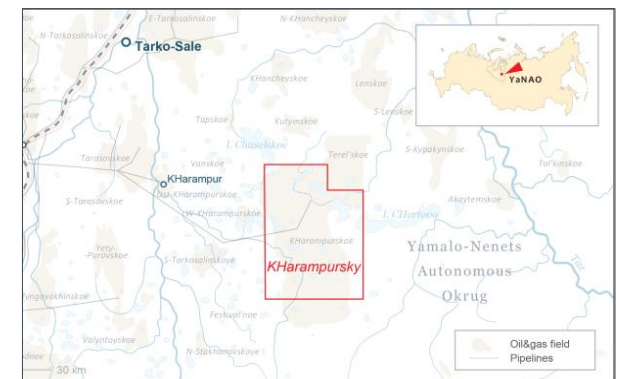


THE MOST SIGNIFICANT (AFTER ROSPAN) PROJECT IN TERMS OF GAS PRODUCTION GROWTH¹

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 Q3 2019 results:

- ▶ Gas collection systems, HV grids and cluster pads are under construction
- ▶ 57 of 61 wells have been drilled, including 5 wells in Q3 2019. As part of Turonian deposit operation 1 well was launched for ongoing debugging
- ▶ Installation and construction works of the gas pipeline are continued, water crossing through the river Pyakupur was completed
- ▶ The following site preparation was completed: rotators' camp, water development facilities and gas treatment unit. Construction and installation activities at the GTU are underway: construction of piling foundations, steel frame installation, pouring concrete



Calculation of Adjusted OCF



Profit and Loss Statement

№	Indicator	9M 2019, \$ bn
№	Indicator	100.6
1	Revenue, incl.	7.3
	Reimbursement of prepayments and other financial obligations received	(83.6)
2	Costs and expenses, incl.	(1.8)
	Reimbursement of prepayments granted	17.0
3	Operating profit (1+2)	(5.4)
4	Expenses before income tax	11.6
5	Income before income tax (3+4)	(2.0)
6	Income tax	9.6

Cash Flow Statement

9M 2019, \$ bn	Indicator	№
9.6	Net income	1
8.5	Adjustments to reconcile net income to cash flow from operations, incl.	2
(5.4)	Reimbursement of prepayments received under crude oil and petroleum products supply contracts	
(1.9)	Reimbursement of other financial obligations received	
1.8	Reimbursement of prepayments granted under crude oil and petroleum products supply contracts	
(5.2)	Changes in operating assets and liabilities, incl.	3
(0.9)	Interest on prepayments under long-term crude oil supply contracts	
(1.2)	Income tax payments, interest and dividends received	4
11.7	Net cash from operating activities (1+2+3+4)	5
1.0	Prepayments for future supplies	6
6.4	Effect from prepayments	7
19.1	Adjusted operational cash flow (5+6+7)	8

Finance Expenses, Rub bn



Indicator	Q3 19	Q2 19	%	9M 19	9M 18	%
1. Interest accrued ¹	70	71	(1.4)%	215	208	3.4%
2. Interest paid ²	70	68	2.9%	211	202	4.5%
3. Change in interest payable (1-2)	–	3	(100.0)%	4	6	(33.3)%
4. Interest capitalized ³	39	41	(4.9)%	121	108	12.0%
5. Net loss from operations with financial derivatives ⁴	–	–	–	–	14	(100.0)%
6. Increase in provision due to the unwinding of a discount	4	5	(20.0)%	14	14	–
7. Interest on prepayments under long-term oil and petroleum products supply contracts	16	19	(15.8)%	56	67	(16.4)%
8. Change in fair value of financial assets	–	–	–	–	9	(100.0)%
9. Increase in loss allowance for expected credit losses on debt financial assets	1	1	–	3	6	(50.0)%
10. Other finance expenses	4	1	>100.0%	9	7	28.6%
Total finance expenses (1-4+5+6+7+8+9+10)	56	56	–	176	217	(18.9)%

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



9M 2019 EBITDA and net income sensitivity to +/- 10% change in Urals price

Rub bn

EBITDA



Net Income



■ -10% 64.1 \$/bbl ■ +10%

9M 2019 EBITDA and net income sensitivity to +/- 10% change in Rub/\$ exchange rate

Rub bn

EBITDA



Net Income



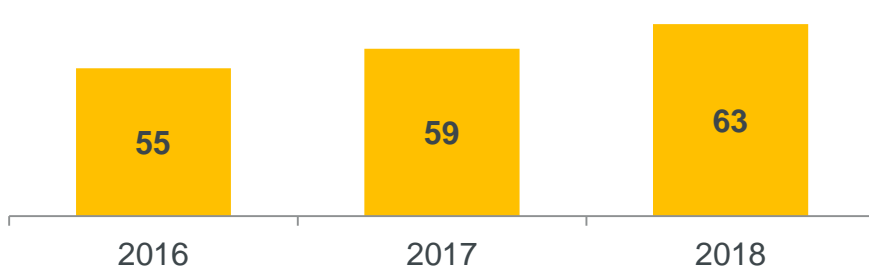
■ -10% 65.1 Rub/\$ ■ +10%

Openness and transparency in information disclosure – ESG ratings increases in the nine months of 2019



Bloomberg

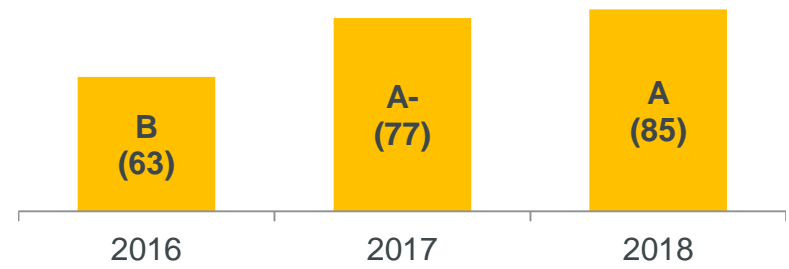
rating + 4 ↑



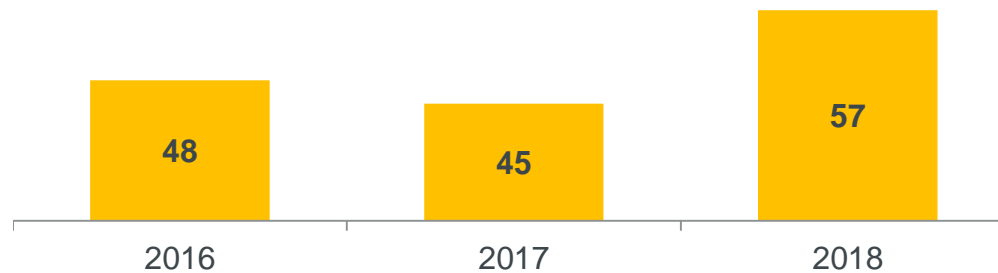
REFINITIV



rating + 8 ↑



SAM rating + 12 ↑



Ongoing engagement with **16 leading ESG agencies**



First **ESG seminar with Nordic investors** in Copenhagen (31 investment fund, 56 participants)



Q&A