Rosneft Oil Company
IFRS Results
Q2 2016

August 17, 2016

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Overview of Key Developments

Macroeconomic environment[1]

Indicator	Q2 16	Q1 16	%	H1 16	H1 15	%
Urals, $/bbl	**43.8**	32.2	36.2%	**38.0**	57.3	(33.7)%
Urals, th. RUB/bbl	**2.89**	2.40	20.2%	**2.67**	3.29	(18.9)%
Naphta, th. RUB/ton	**25.4**	22.8	11.1%	**24.3**	27.5	(11.8)%
Gasoil 0.1%, th. RUB/ton	**26.7**	22.9	16.6%	**25.0**	31.0	(19.2)%
Fuel oil 3.5%, th. RUB/t	**13.4**	10.3	29.0%	**12.0**	17.5	(31.5)%
Average exchange rate, RUB/$	**65.89**	74.63	(11.7)%	**70.26**	57.40	22.4%
Inflation for the period (CPI), %	**1.2%**	2.1%		**3.3%**	8.5%	

Highlights

- Sale of 15% stake in Vankorneft to Indian ONGC Videsh Limited completed
- Sales and purchase agreement for 23.9% in Vankorneft and the shareholder agreement with the consortium of Indian investors
- Acquisition of a 23.33% stake in JV Petromonagas from Venezuelan PDVSA, increasing the Company's share to 40%
- Setting up JV with BP for development of perspective resources in the East and West Siberia
- Signing long-term contract with PetroVietnam Oil Corporation for the oil supplies in the amount of up to 96 mmt till 2040 signed
- Signing heads of agreement for the sale of a 20% stake in Verkhnechonskneftegaz to Beijing Enterprises

Source: average prices and changes are calculated based on unrounded data of analytical agencies

Key Operating Indicators

Indicator	Q2 2016	Q1 2016	%	H1 2016	H1 2015	%
Hydrocarbon production, incl. kboed	**5,216**	5,208	0.2%	**5,212**	5,175	0.7%
Crude oil and liquids production, kbpd	**4,111**	4,089	0.5%	**4,100**	4,129	(0.7)%
Gas production, kboepd	**1,105**	1,119	(1.3)%	**1,112**	1,046	6.3%
Refining throughput, mmt	**22.45**	22.61	(0.7)%	**45.06**	48.09	(6.3)%
Refining depth, %	**71.2%**	68.9%	+2.3 pp	**70.0%**	65.7%	+4.3 pp

Key Financial Indicators (RUB bln)

Indicator	Q2 2016	Q1 2016	%	H1 2016	H1 2015	%
Revenue	1,232	1,048	17.6%	2,280	2,658	(14.2)%
EBITDA	348	273	27.5%	621	670	(7.3)%
Net profit	89	14	>100%	103	190	(45.8)%
Net profit adjusted for one-off items[1]	154	93	65.6%	248	272	(8.8)%
Operating cash flow[1]	215	234	(8.1)%	449	609	(26.3)%
Capex	154	154	–	308	269	14.5%
Free cash flow[1]	61	80	(23.8)%	141	340	(58.5)%
Net debt	1,507	1,611	(6.5)%	1,507	2,215	(32.0)%
Urals[2], th. RUB/bbl	2.89	2.40	20.2%	2.67	3.29	(18.9)%

Note: (1) Calculated indicator adjusted for FOREX and other one-off effects (2) Calculation based on unrounded numbers

Key Financial Indicators ($ bln)

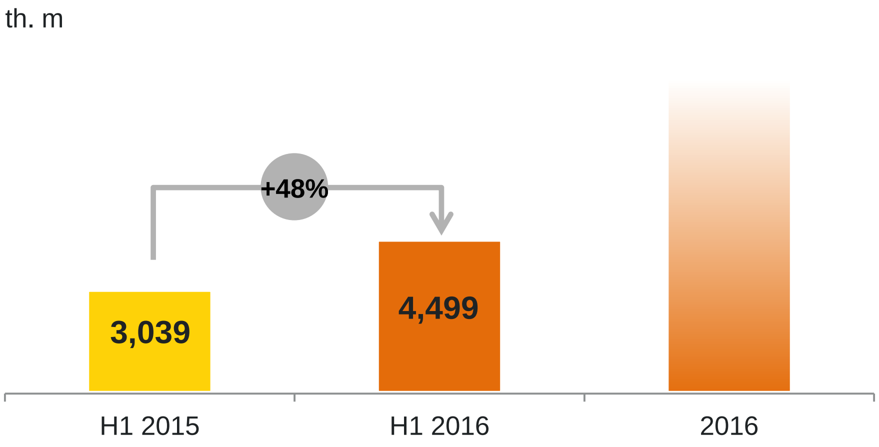
Indicator	Q2 2016	Q1 2016	%	H1 2016	H1 2015	%
Revenue	19.2	14.5	32.4%	33.7	47.2	(28.6)%
EBITDA	5.3	3.7	43.2%	9.0	11.8	(23.7)%
Net profit	1.4	0.2	>100%	1.6	3.5	(54.3)%
Net profit adjusted for one-off items[1]	2.3	1.3	76.9%	3.5	4.8	(27.1)%
Operating cash flow[1]	3.6	3.6	–	7.2	11.4	(36.8)%
Capex	2.3	2.1	9.5%	4.4	4.7	(6.4)%
Free cash flow[1]	1.3	1.5	(13.3)%	2.8	6.7	(58.2)%
Net debt	23.4	23.9	(2.1)%	23.4	39.9	(41.4)%
Urals[2], $/bbl	43.8	32.2	36.2%	38.0	57.3	(33.7)%

Note: (1) Calculated indicator adjusted for FOREX and other one-off effects (2) Calculation based on unrounded numbers

Operating Results

Development Drilling

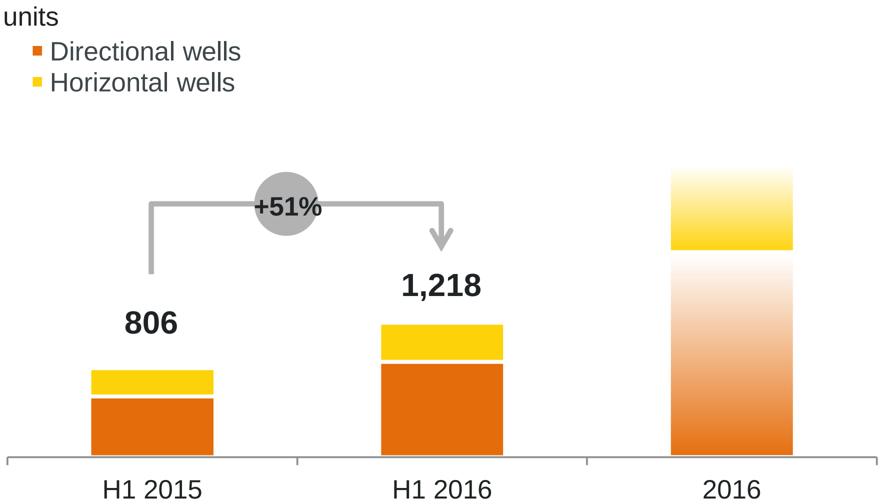
Drilling footage



Key achievements for H1 2016

- Increased footage in development drilling by 48% vs. H1 2015 with the share of in-house services in the total scope of work >50%
- All-time record for commissioning of new wells (1,218 wells). Increased commissioning of new horizontal wells (HW) >38% vs. H1 2015
- Reduced lean non-productive time resulted in the drilling rate increase by 19% as compared to H1 2015
- Efficient use of wellworks: > 56% growth in the number of new wells with multi-stage fracs; increase in the number of sidetracks by 12% with the incremental production of 0.8 mmt

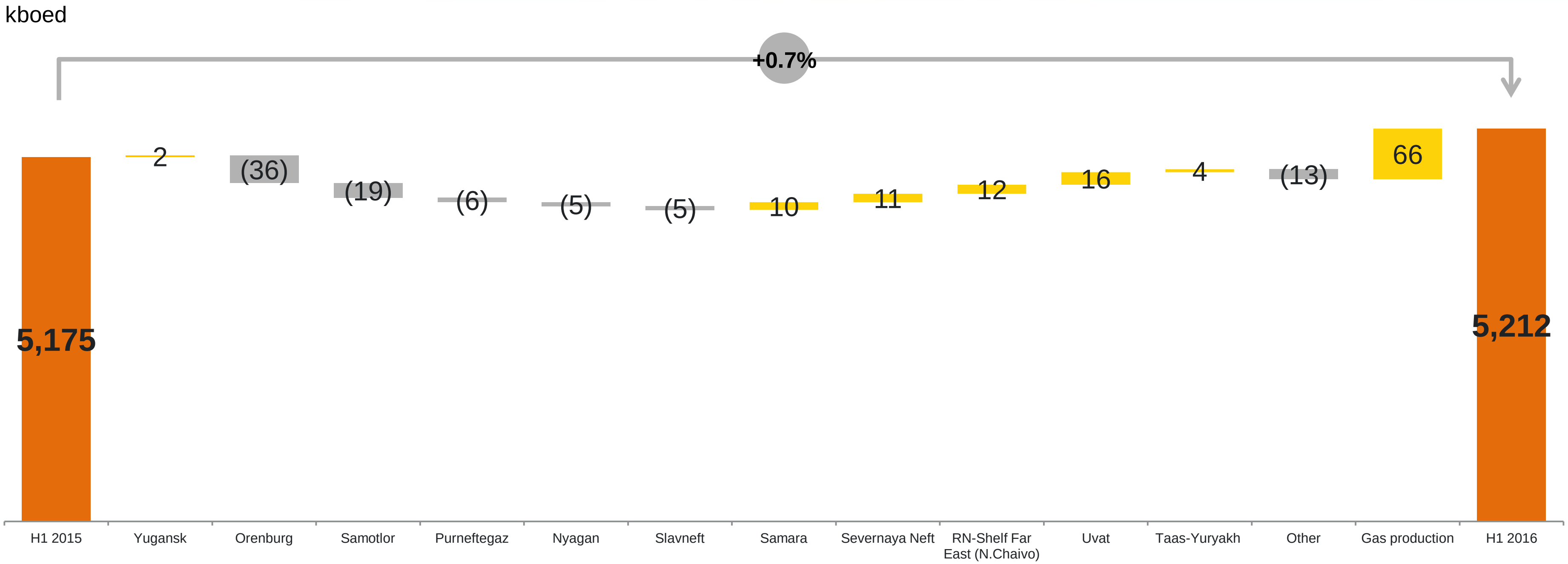
New oil wells completed



Plans for 2016

- Increase of footage in development drilling by at least 30%
- Over 2,500 wells with ~30% of horizontal wells - new wells commissioning plan
- Further enhancement of drilling efficiency:
  - Q3 - managed pressure drilling at Yurubcheno-Tokhomskoye field
  - Q4 - implementation of a pilot project of a two-string horizontal well with multifrac in Yuganskneftegaz

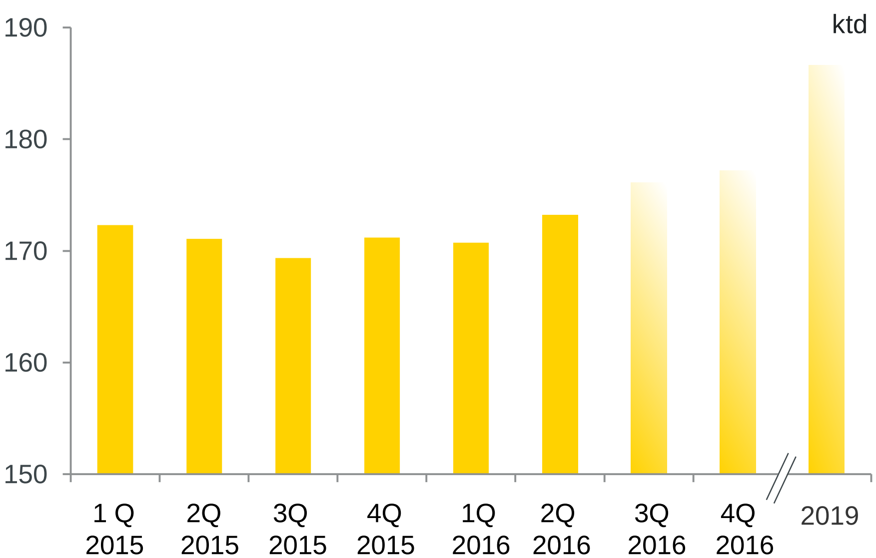
Hydrocarbon Production



- Production growth in the greenfields and containment of natural production decline rates at brownfields through expansion of the development drilling program and successful application of modern well interventions
- **Northern Oil**: further development of Labagan (21 new wells commissioned), 60th million ton of oil produced at the fields of the subsidiary
- **Northern Chayvo**: commissioning of the 3rd (end of 2015), the 4th (Q1 2016) and the 5th (Q2 2016) wells
- **Uvat**: 3 new fields were brought into commercial production in 2015 – Protozanovskoye, Yuzhno-Gavrikovskoye, Malyk, and Zapadno-Epasskoye in Q1 2016
- **Gas production**: Launch in Q4 2015 of the 2nd stage of Novo-Urengoy gas and gas condensate treatment plant at Rospan in a test mode, increased production capacities in the northern tip of Chayvo and commissioning of a gas treatment at Barsukovskoye field of Purneftegaz facility in December 2015

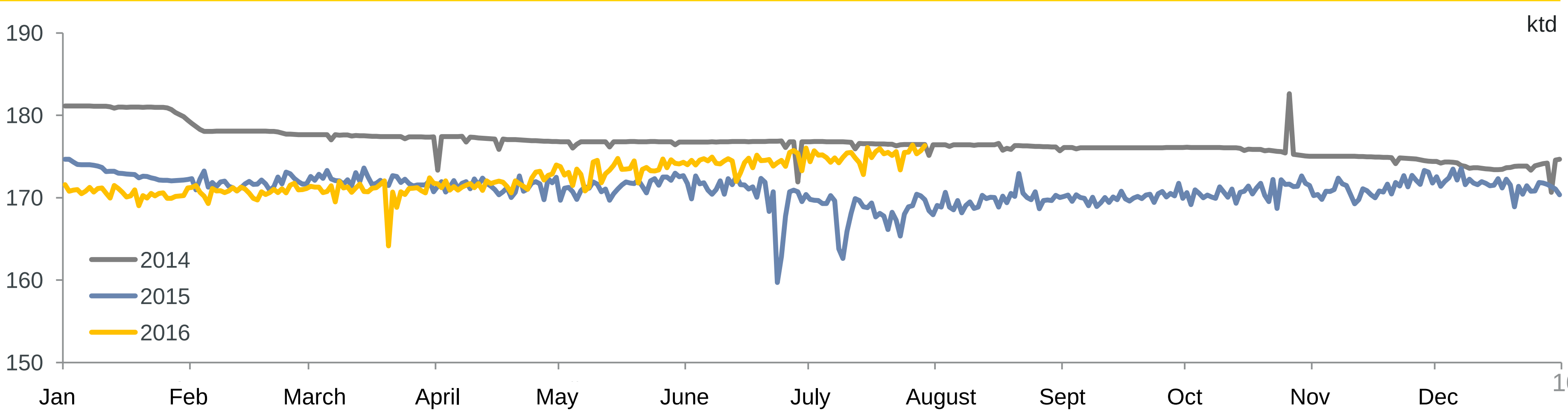
Yugansk – Planned Oil Production Growth up to 68 mmt in the Mid-Term

Average daily production in 2015-2019



- YNG provides for 31% of oil and gas condensate production of the Company
- Current recoverable reserves of oil and gas condensate in the amount of 2.7 bln tons allow raising the output up to 68 mmtpa in the mid-term via increased drilling and wellworks
- From July 2015 YNG demonstrates sustainable production growth
- Higher amount of development drilling, commissioning of new wells, sidetracking and other wellworks
- High potential for hard-to-recover reserves development via using efficient advanced technologies (~10 mmt by 2020)

Dynamics of daily production in 2014-2016



Progress of Projects in Nenets Autonomous Area

Labagan

- Commercial development started in Q3 2015
- In June 2016 the average daily production reached more than 2.6 ktpd
- The output is expected to reach ~1 mmtoe in 2016
- 35 mmtoe / 241 mmboe 3P PRMS reserves as of December 31, 2015
- 21 wells launched in 2015. In H1 2016, 21 wells were additionally commissioned with over 1.2 ktpd average daily total production

Naul

- Commercial development is to start in Q4 2016
- Construction in progress of 2 pads, pressure pipeline (20 km) and power center site
- The output is expected at ~0.4 mmtoe in 2017
- 36 mmtoe / 239 mmboe 3P PRMS reserves as of December 31, 2015
- Drilling of 6 wells planned for 2016, incl. 2 oil wells with average initial production rates of ca.100 tpd

Progress in Key Projects in YaNAO and North of Krasnoyarsk Region

Suzun

- Field commissioning is scheduled for September 2016
- Plateau is expected at ~4.5 mmt of oil in 2017
- 75 mmtoe / 570 mmboe 3P PRMS reserves as of December 31, 2015
- 47 wells drilled as part of FFD, construction of the first start-up complex CPF and Suzun-Vankor oil pipeline being completed; field infrastructure setup and construction of facilities in progress as of June 30, 2016

East-Messoyakha[1]

- Field commissioning is scheduled for September 2016
- Production growth over 5 mmt of oil beyond 2018
- 212 mmtoe / 1,461 mmboe of 3P PRMS reserves as of December 31, 2015
- As part of FFD 46 wells drilled as of June 30, 2016, construction of pressure pipeline for connection with main oil pipeline Zapolyarye – Purpe completed, field infrastructure setup, construction of main facilities in progress: CPF, GTTP, field support base, acceptance point,

Note: (1) Field license is owned by Messoyakhaneftegaz, a JV with Gazpromneft (50%/50%), above data are provided as 100%

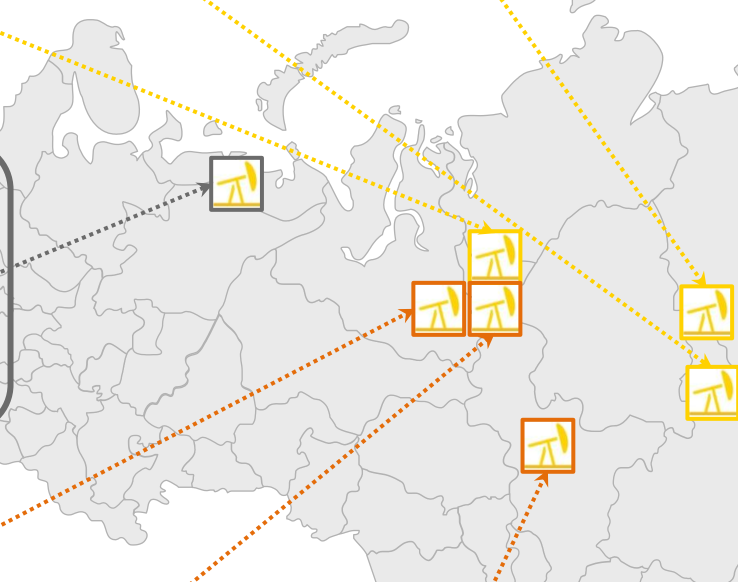
Upstream Portfolio Optimization

Vankor
Partner: ONGC (15%, to 26%), pool of Indian investors (up to 23.9%)

VCNG
Partners: Beijing Enterprises (20%)

Taas-Yuryakh
Partners: BP (20%), consortium of Indian investors (29.9%)

Polar Lights
Sale of 50% stake



Russkoe
Sale of up to 49% stake

Tagulskoe
Sale of up to 49% stake

YuTM:
Sale of up to 49% stake

Attracting partners in the current projects:

- Vankorneft
  - Transaction with the Indian ONGC on the sale of 15% stake closed, MoU on cooperation assuming increase ONGC's stake to 26% signed;
  - SPA for 23.9% with the group of Indian companies signed
- OOO Taas-Yuryakh Neftegazodobycha
  - Deal on sale of 20% stake to BP closed;
  - SPA for 29.9% stake with the group of Indian companies signed
- PAO Verkhnechonskneftegaz
  - Heads of agreement for potential sale of a 20% stake in PAO Verhnechonskneftegaz to Beijing Enterprises signed

Attracting partners to new projects in order to share risks, financing and transfer the technology for the most efficient approach to the fields development:

- Sale up to 49% in YuTM, Russkoye and Tagul fields

Optimizing low margin assets:

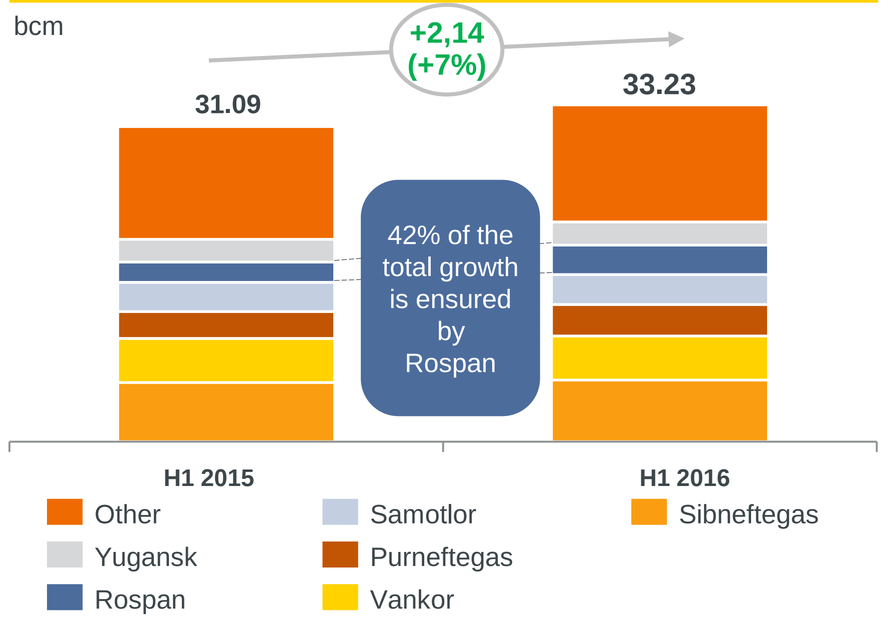
- Sale of 50% stake in Polar Lights closed

Gas Business: organic production growth and efficient monetization

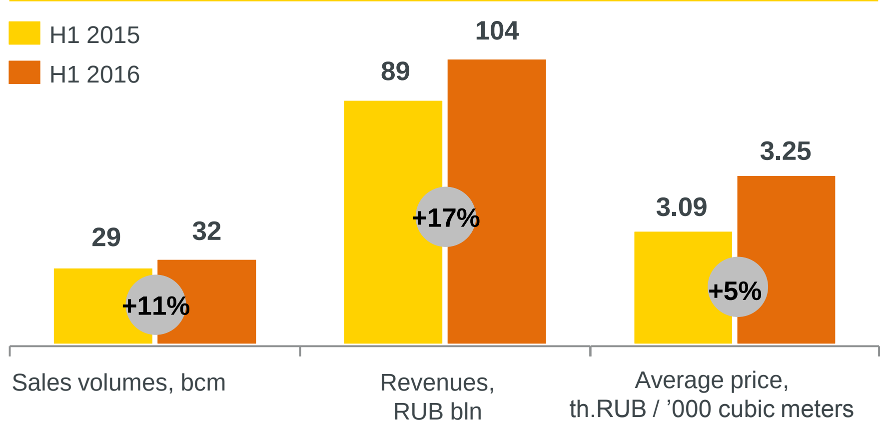
Key achievements in H1 2016

- 7% increase in gas production, mainly as a result of gas treatment facilities launch at Rospan at the end of 2015 and Purneftegaz, and commissioning of 1 new wells in the northern tip of Chayvo in H2 2016 and 1 new well in H1 2016
- Improvement of APG utilization up to 90% in H1 2016 (87% in H1 2015) mostly due to the launch of gas treatment facilities and transition to using APG instead of natural gas for power generation in RN-Vankor
- supplies under the long-term contract with INTER RAO, the largest consumer in Rosneft portfolio (ca. 30 bcm per year) started from January 1, 2016. All gas supply requests from the counterparties were fully met. Additionally, at SPIMEX ca. 1.5 bcm of gas was sold in H1 2016
- Gas transportation tariffs for independent producers indexation planned for 2016 in the amount of 2% would not take place due to lack of conditions for such increase. This will positively influence on gas sales profitability

Gas production

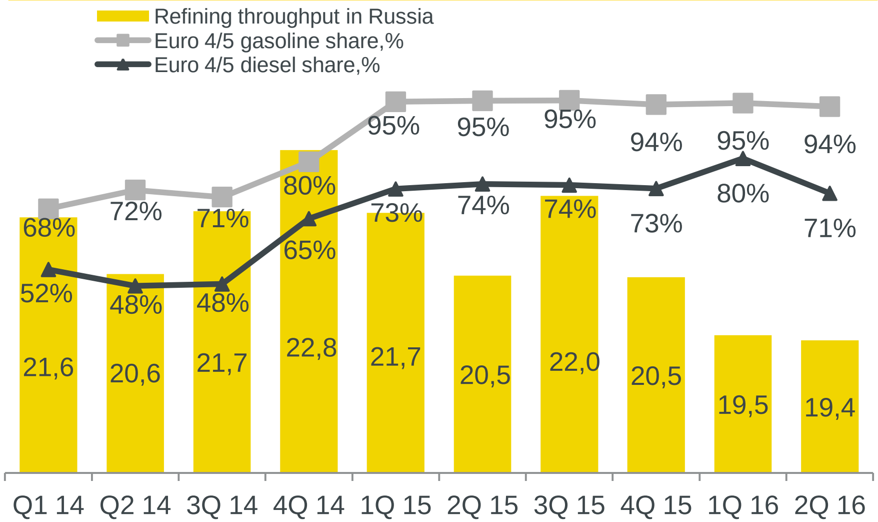


Gas sales in Russia



Refining

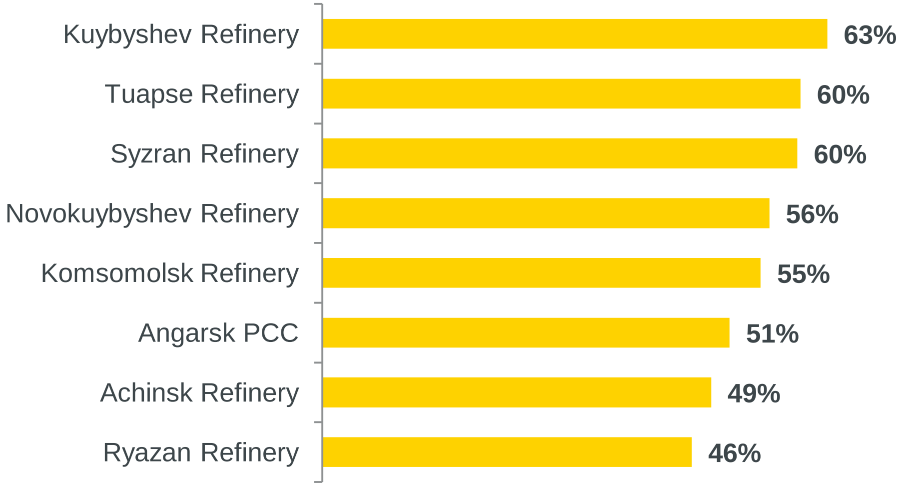
Processing and production of motor fuel



Key achievements in Q2 2016

- Light products yield in Q2 2016 increased to 56.2%, refining depth to 71.2%
- 47% yoy increase in production of Euro-5 motor fuels
- Construction of catalytic cracking unit at Kuybyshev refinery completed
- Complex testing of MTBE equipment at Kuybyshev refinery finished

Status of Refineries Upgrade Program delivery

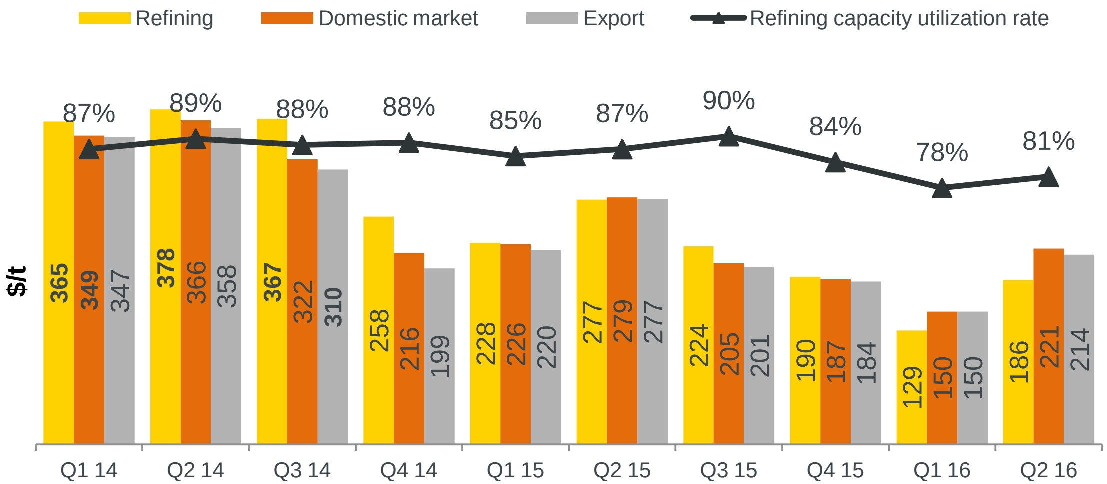


Plans for 2016

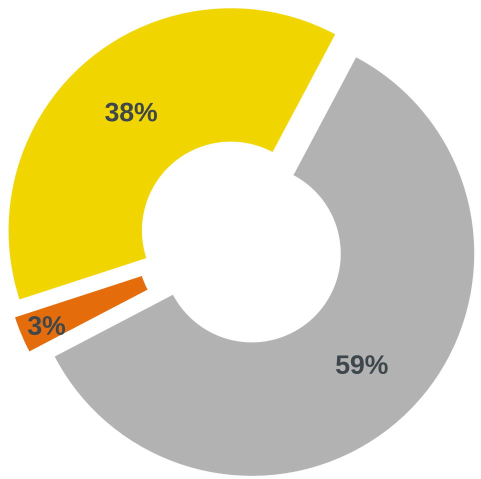
- Increased production of high-margin petroleum products by reducing the production of fuel oil
- Implementation of the import substitution program in the area of chemicals, catalysts and additives to motor fuels
- Further construction of facilities within the refinery modernization program
- Implementation of the program for efficiency improvement and maintaining assets

Crude Oil and Petroleum Product Sales

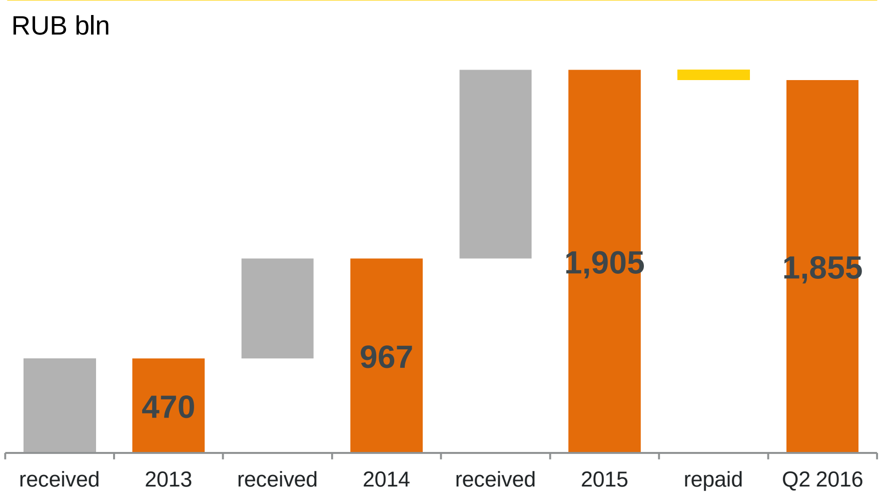
Netbacks of the main oil monetization channels



Oil monetization structure (Q2 2016)[1]



Profile of repayments for long term contacts



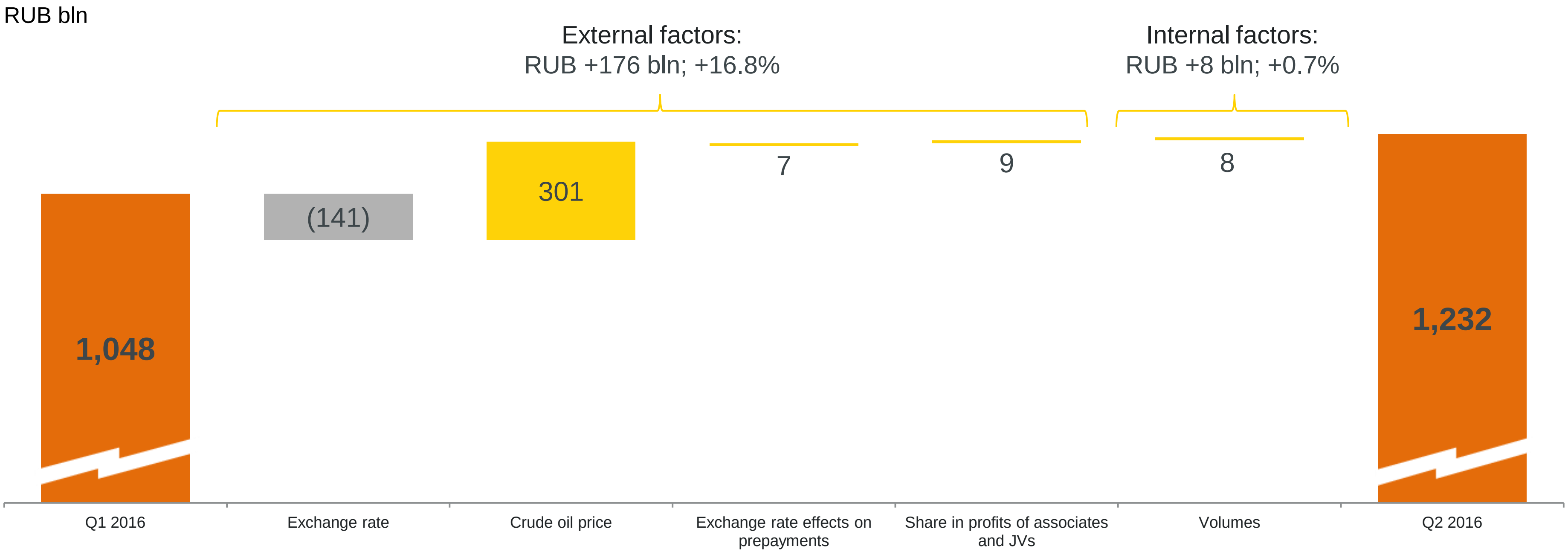
- Increase high-margin oil supplies eastwards by 11.5% to 10.7 mmt in Q2 2016
- Signing an agreement with Vietnamese PV Oil for supplies of up to 96 mmt in 2017-2040 signed
- Extension of the contract with PKN Orlen for crude supplies to the refinery in the Czech Republic with monthly supply volume from 230 to 440 kt
- Signing new contract for crude supplies via ESPO to ChemChina in the amount of 2.4 mmt from August 2016 to July 2017

Note: (1) in % of total oil supplies

Financial Results

Revenue

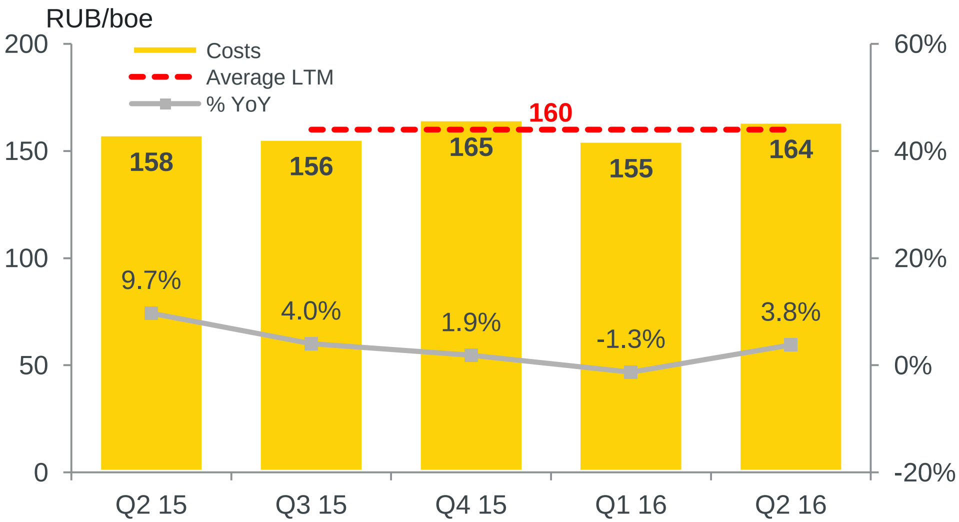
Q2 2016 vs Q1 2016



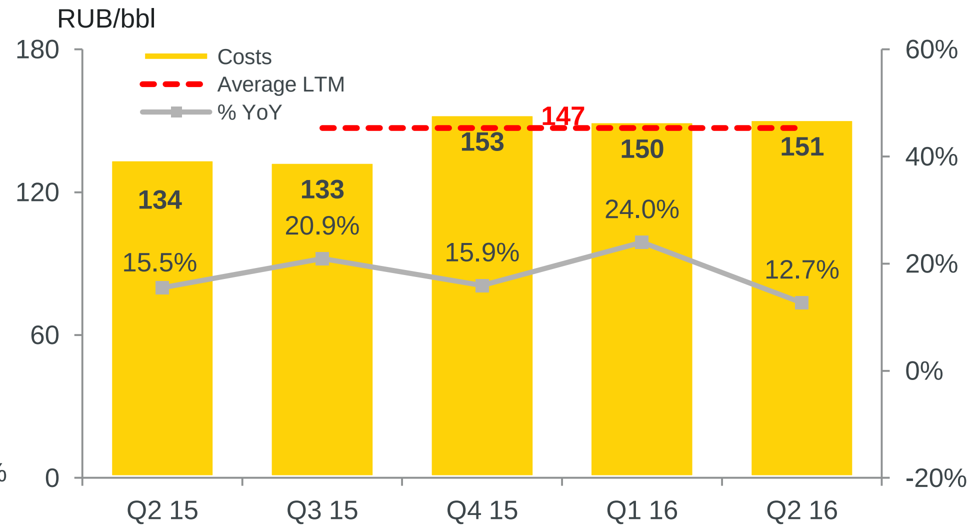
- Growth in oil prices by 20% in RUB terms
- Increase in volumes of crude oil and petroleum products sales to foreign countries (excl CIS) by 4.6% qoq
- Higher efficiency of sales channels

Operating Costs Dynamics

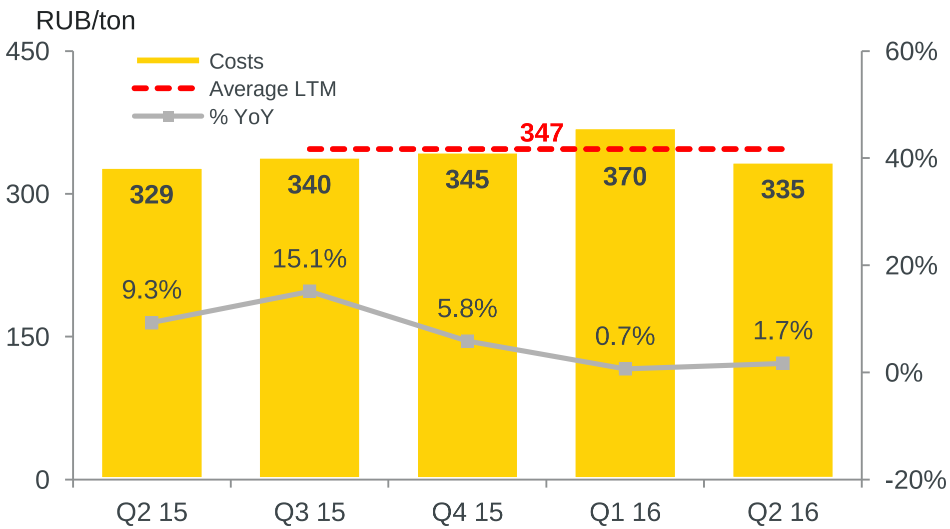
Lifting costs



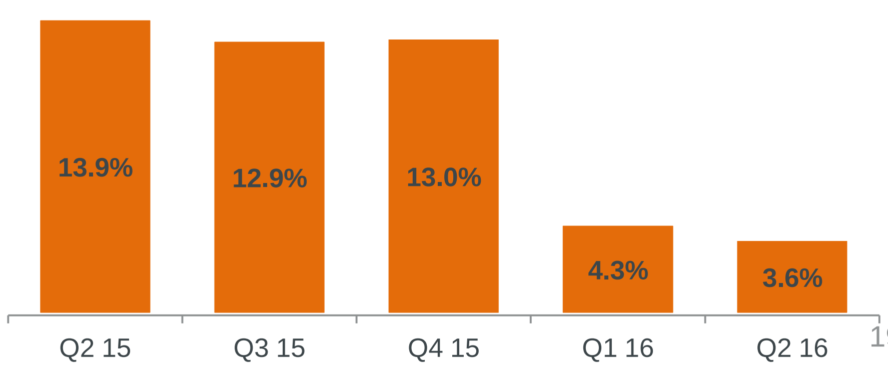
Refining costs in Russia



Transportation costs



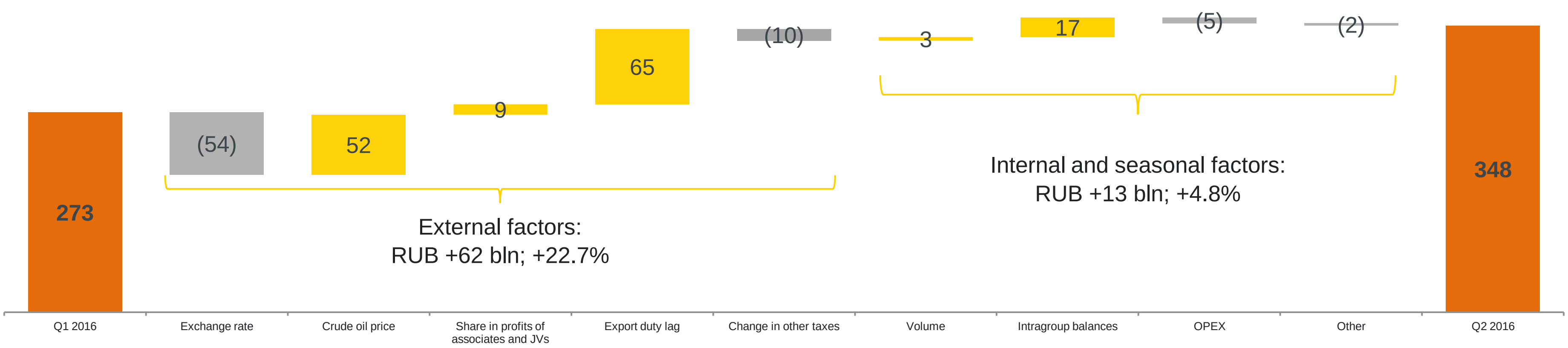
Producer price index (annual basis)



EBITDA and Net Income

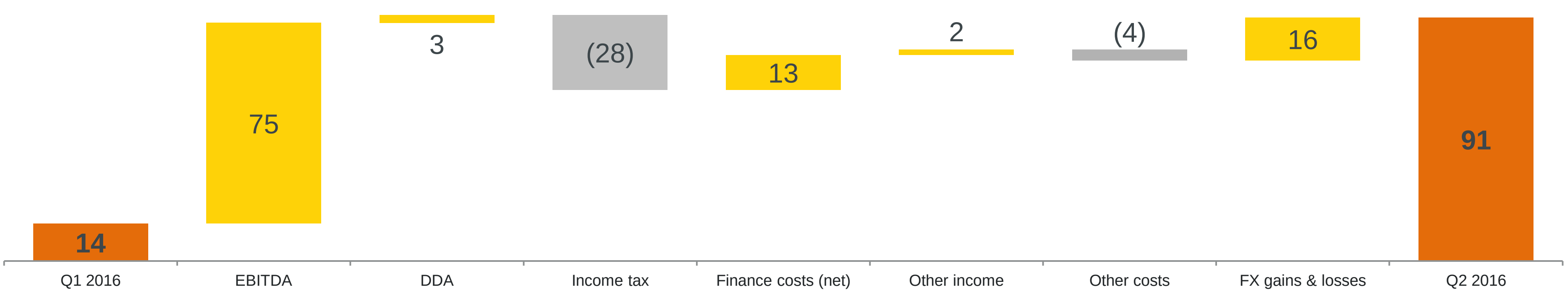
EBITDA in Q2 2016 vs Q1 2016

RUB bln



Net income in Q2 2016 vs Q1 2016

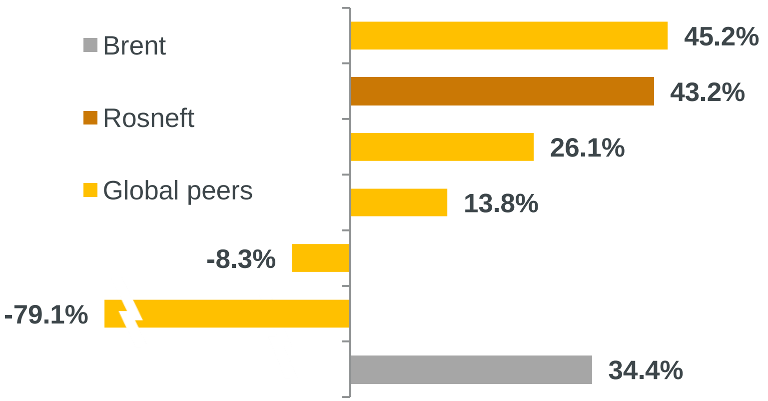
RUB bln



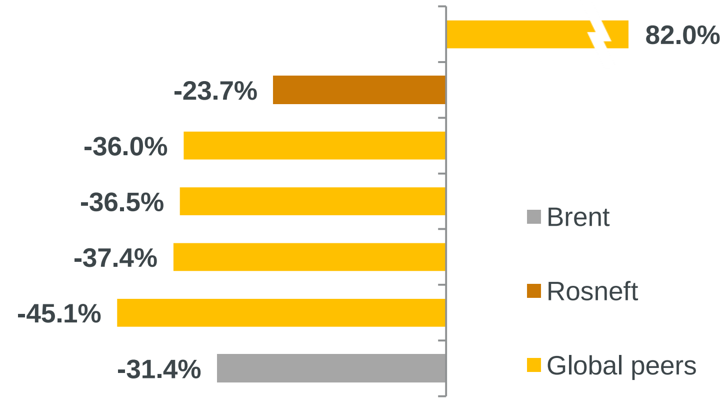
EBITDA and Net Income Compared to Global Peers

EBITDA in USD terms

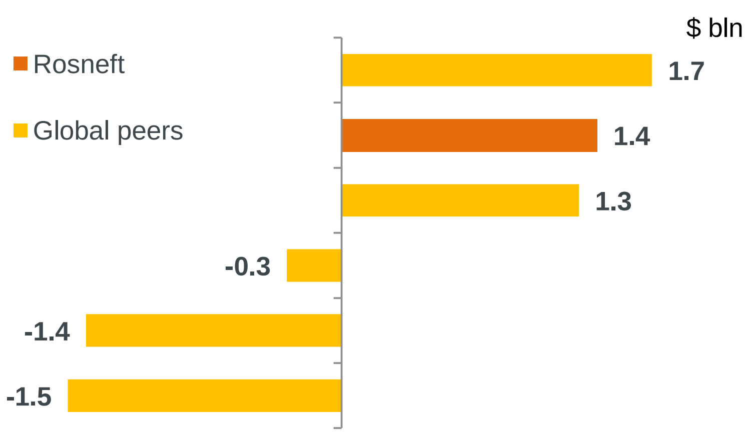
Q2 2016 vs Q1 2016



H1 2016 vs H1 2015



Net income in Q2 2016

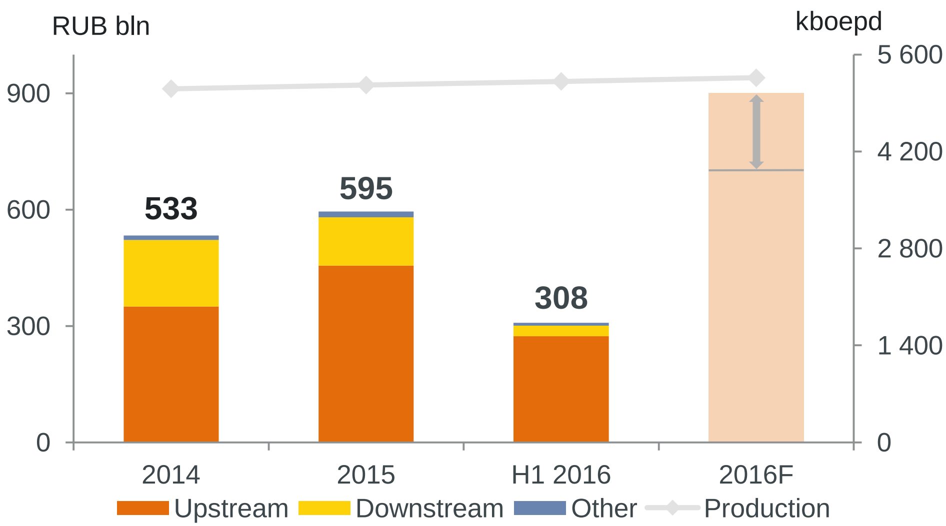


- One of the best EBITDA dynamic in the sector for both Q2 2016 and H1 2016 due to efficient cost control, efficiency improvement and weaker RUB
- High level of net income compared to losses of most of international peers[1] for Q2 2016

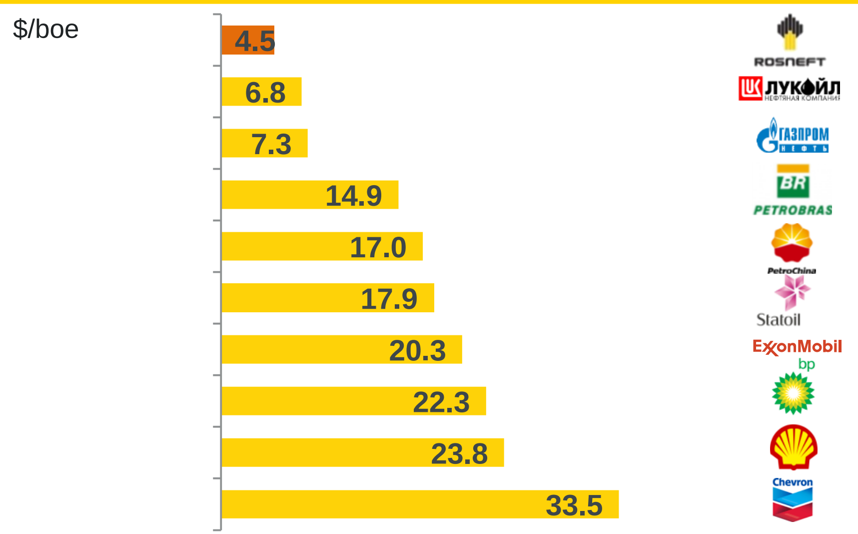
Note: (1) ExxonMobil, Chevron, Shell, BP, Statoil

CAPEX

Capex and production



Upstream Capex in H1 2016[1]: benchmarking

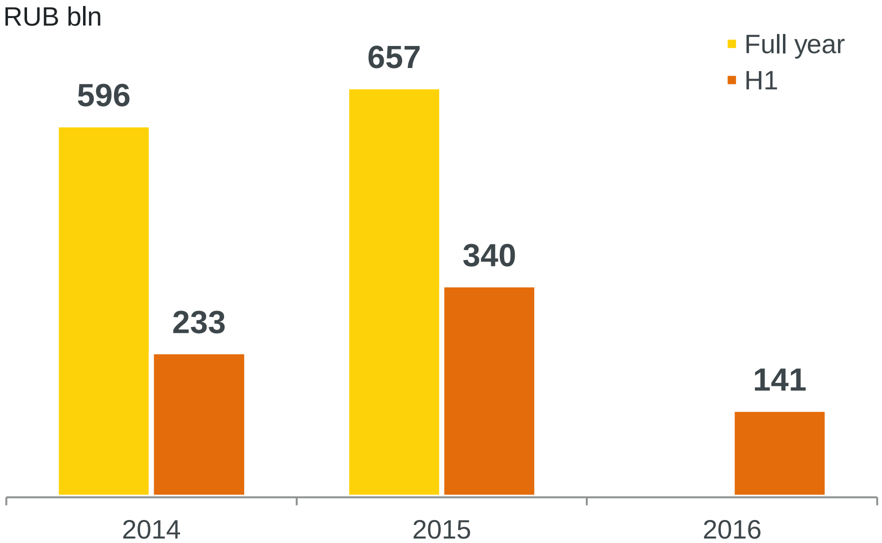


- **Increase in Upstream H1 2016 CAPEX (+33%)** YoY, focusing on meeting the strategic goals in hydrocarbon production growth:
  - Intensification in development drilling
  - start of active development phase of new major oil and gas production projects (Suzun, Srednebotuobinskoye, Yurubcheno-Tokhomskoye)
- **Investments in the oil refining and petrochemical plants** are mostly focusing on **commissioning of crackers** at Syzran, Kyubyshev and Novokyubyshev refineries
- **Confident leadership in unit Capex in Upstream** with build-up of the investment program as compared with the key local and international players:
  - H1 2016: $4.5/boe
  - expected level in 2016: ~$6/boe

Note: (1) Rosneft, Statoil – data for H1 2016, Petrobras, Lukoil, Gazprom Neft – data for Q1 2016; all other companies – data for 2015.

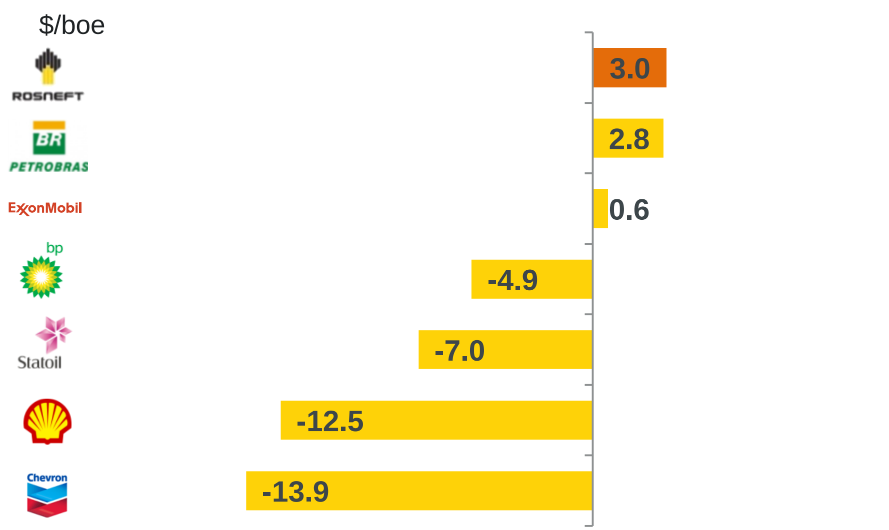
Free Cash Flow

Free Cash Flow

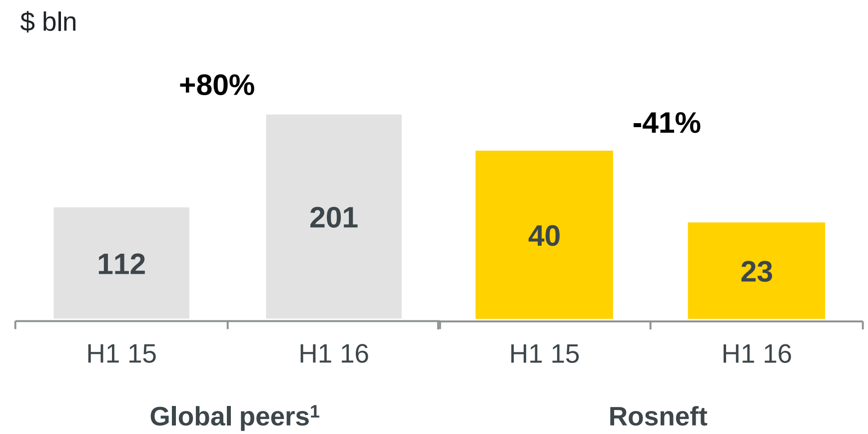


- As a result of complicated marco environment, increased fiscal burden and growing investments the free cash flow reduced by 59% to RUB 141 bln in H1 2016
- Rosneft retains its leadership in the global oil and gas sector in terms of the free cash flow generation
- In H1 2016 this indicator was at $3/boe as compared to the negative indicators demonstrated by majority of competitors
- Substantial net debt cut by the Company in comparison to jump in financial burden of the global peer group

FCF in H1 2016: benchmarking (majors)



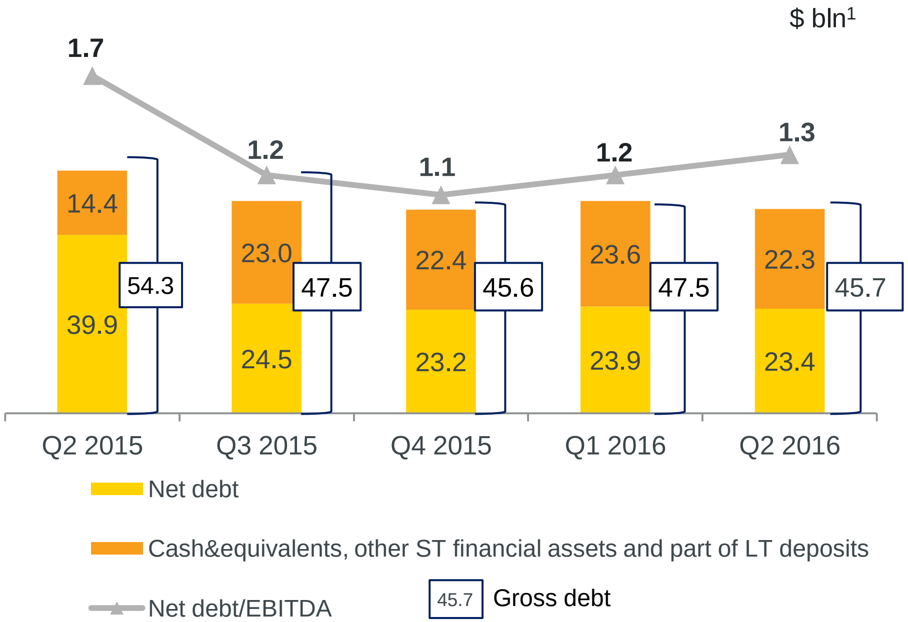
Net debt



Note: (1) incl. ExxonMobil, Chevron, Shell, BP, Statoil

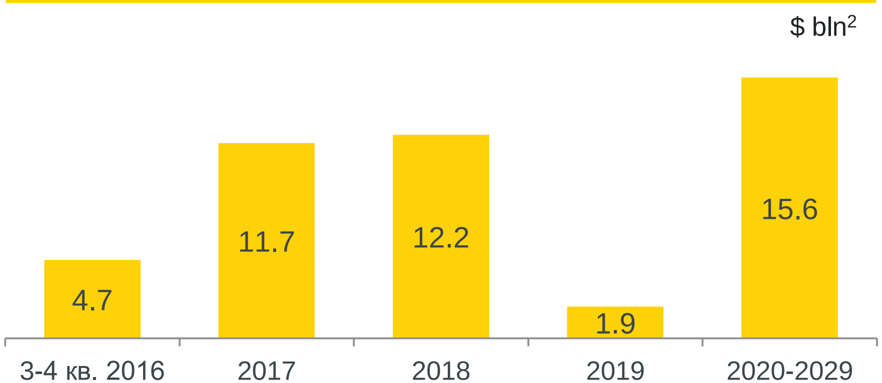
Financial Stability

Debt and net debt dynamics

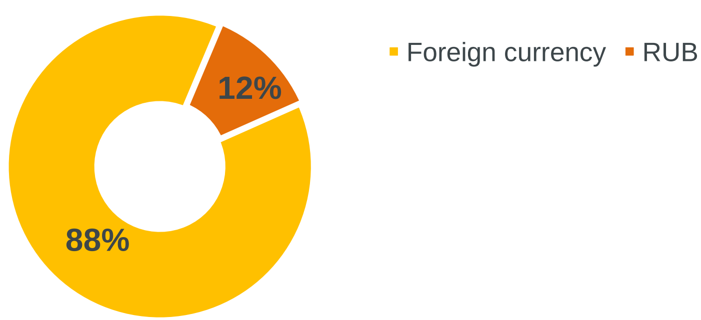


- Credit portfolio management:
  - Over the last 12 months, total debt decreased by 15.8%, net debt – by 41%
  - In 2Q 2016, total debt decreased by 3.8%[3], net debt was down by 2.1%[3]
- Liquidity:
  - Sustaining significant liquid assets amount[4] – more than $22 bln[1] at the end of Q2 2016
  - Smooth debt repayment schedule, no peak repayments

Debt maturity profile



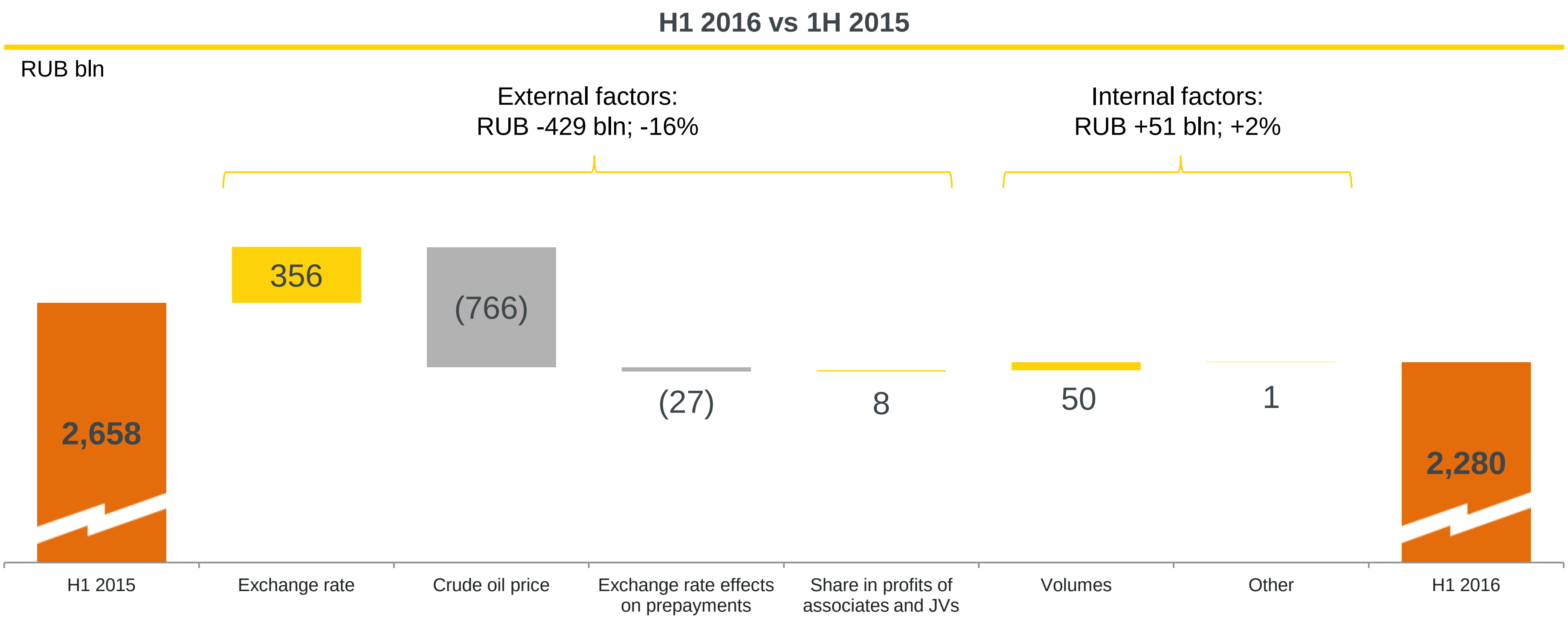
Debt profile by currency[5]



Notes: (1) At the exchange rate of the US dollar set by the RF Central Bank at the end of the reporting period; (2) At the exchange rates and interest rates as of 30.06.2016 (excluding future interest accrued, but taking into account future lease payments); (3) Compared with 2016; (4) Including free cash on the accounts, short-term financial assets and a portion of long-term deposits; (5) As of June 30, 2016.

Appendix

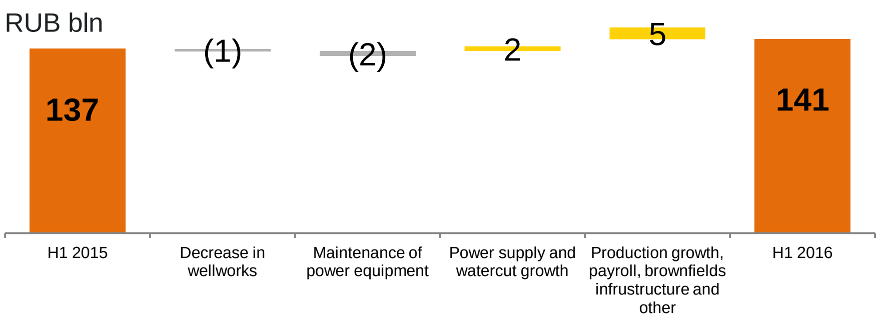
Revenues



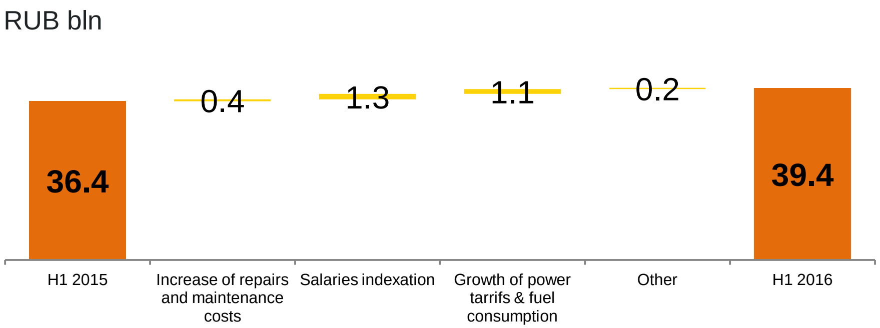
- Decline in oil prices by 18.9% in RUB terms
- Increase in the oil sales volumes by 7.7%, including export to foreign countries (excl CIS) by 8.7%
- Gas sales increased by 18.7% due to volume and price growth

Costs Dynamics H1 2016 vs H1 2015

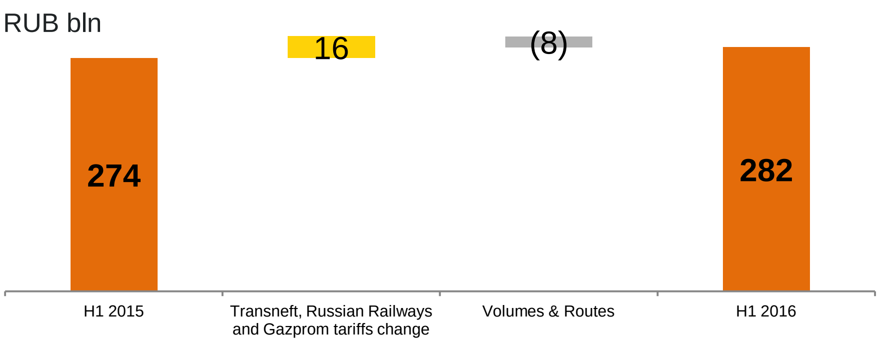
Lifting costs



Refining costs in Russia



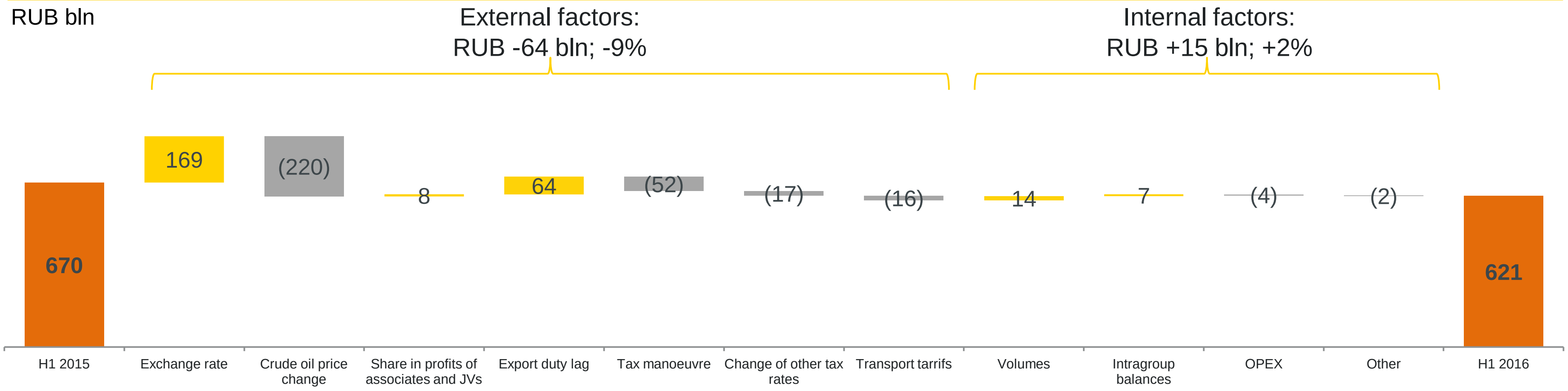
Transportation costs



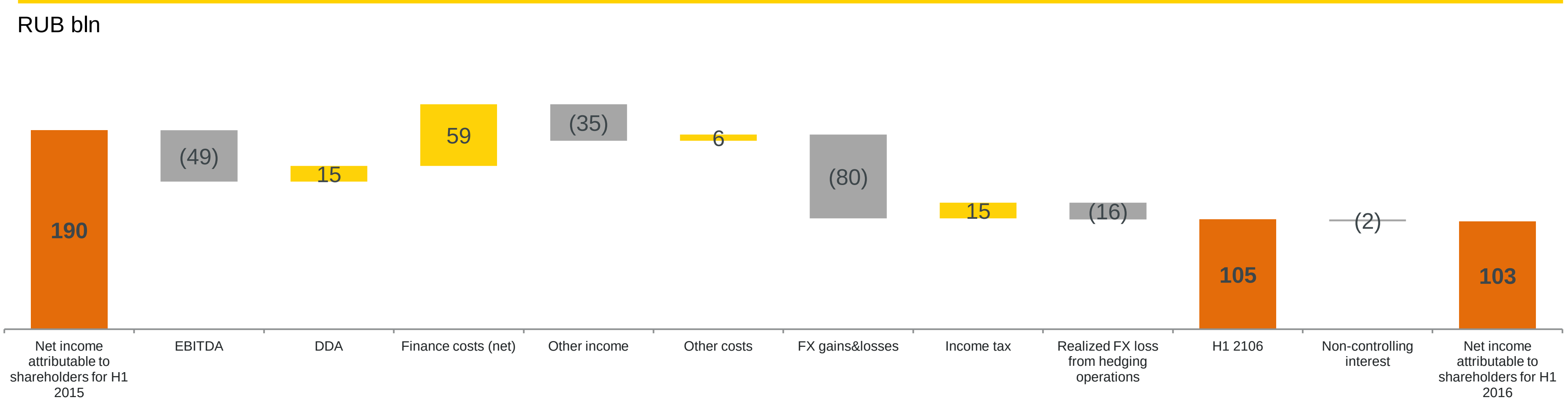
- Growing electricity costs (increased tariffs and watercut) and higher HC lifting expenses were partially offset by the planned reduction in wellwork costs and current workovers and power equipment maintenance costs coupled with the drilling program expansion
- Growth in refining expenses because of a change in the structure of products, growth of natural monopolies' tariffs and salaries indexation
- Growth in Transneft crude transportation tariffs through main pipelines by 5.76% and changes in the network tariffs effective from January 1, 2016
- Indexation in Transneft products transportation tariffs for most destinations by 12% effective from January 1, 2016
- 9% growth in Russian Railways tariffs, charges and payments for cargo transportation and infrastructure utilization vs. 2015
- 7.8% CPI growth, 3.9% PPI growth YoY

EBITDA and Net Income

EBITDA – 1H 2016 vs. 1H 2015



Net income H1 2016 vs. H1 2015



FX Exchange Risk Hedge

	Q2 2016, RUB bln			H1 2016, RUB bln		
	Before tax	Profit tax	Net of income tax	Before tax	Profit tax	Net of income tax
Recognized within other funds and reserves as of the start of the period	**(553)**	**111**	**(442)**	**(590)**	**118**	**(472)**
Exchange rate differences materialized for foreign exchange risk management tools	37	(8)	29	74	(15)	59
Total, recognized as part of other aggregate income (loss), over the period	**37**	**(8)**	**29**	**74**	**(15)**	**59**
Recognized within other funds and reserves as of 30 June 2016	**(516)**	**103**	**(413)**	**(516)**	**103**	**(413)**

Nominal amounts of the item and hedging instruments	$ mln
As of 31 December 2014	29,490
As of 31 March 2015	28,016
As of 30 June 2015	15,999
As of 30 September 2015	1,275
As of 31 December 2015	3,918
As of 31 March and 30 June 2016	0

For reference:
Forecast transfer of the accumulated losses from revaluation of foreign exchange risk management tools as recognized in other comprehensive income to gains and losses as of the end of Q2 2016, RUB bln:

Year	Q3-Q4 2016	2017	2018	2019	Total
Reclass	(73.5)	(147.5)	(147.5)	(147.5)	**(516)**
Profit tax	14.5	29.5	29.5	29.5	**103**
Total net of income tax	**(59)**	**(118)**	**(118)**	**(118)**	**(413)**

Adjusted Operating Cash Flow Calculation

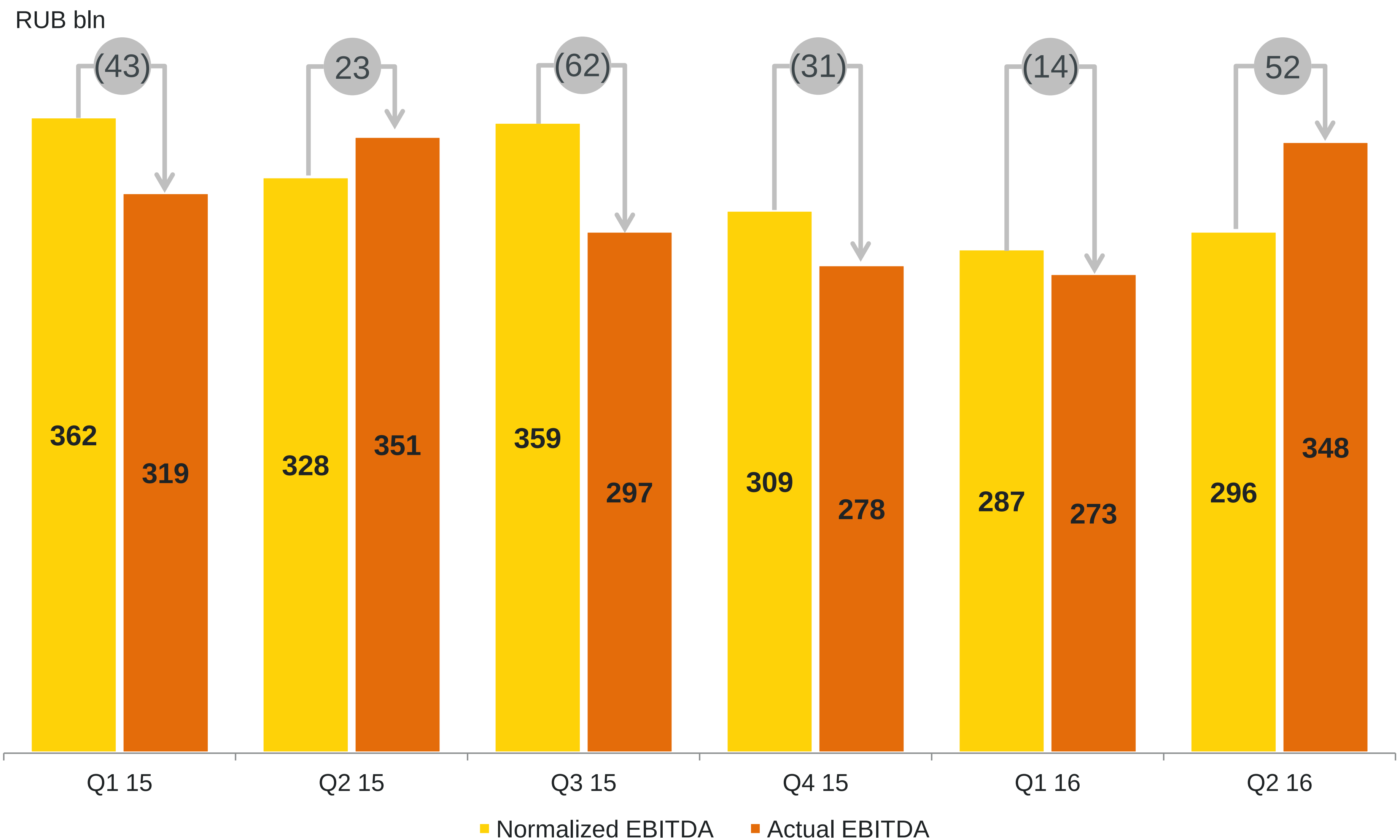
Profit and loss statement

#	Indicator	H1 2016, $ bln
1	**Revenue, incl.**	**33.7**
	Prepayment offset amount	1.8
2	Costs and expenses	(28.0)
3	**Operating profit (1+2)**	**5.7**
4	Expenses before income tax	(3.6)
5	Income before income taxes (3+4)	2.1
6	Profit tax	0.5
7	**Net income (5+6)**	**1.6**

Cash flow statement

H1 2016, $ bln	Indicator	#
1.6	**Net income**	**1**
6.5	Adjustments to reconcile net income to cash flow from operations	2
(3.1)	Changes in operating assets and liabilities, including	3
(1.8)	Prepayment offset amount	
(0.5)	Financing against future deliveries	
(0.1)	Income tax payments, interest and dividends received	4
4.9	**Net cash from operating activities (1+2+3+4)**	**5**
0	Operations with trading securities	6
2.3	Effect from prepayments and advances	7
7.2	**Adjusted operational cash flow (5+6+7)**	**8**

Export Duty Lag



Note: The effect of the time lag in the establishment of import duties on the Company's EBITDA stands apart on this slide, i.e. (unlike the factor analysis) it is calculated for certain quarters and based on the volumes and the USD average exchange rate of respective quarter

Financial Costs, RUB bln

	Indicator	Q2 16	Q1 16	%	H1 16	H1 15	%
1.	**Interest accrued**[1]	**34**	36	(5.6)%	**70**	72	(2.8)%
2.	Paid interest	**29**	42	(31.0)%	**71**	67	6.0%
3.	Change of interest payable (1-2)	**5**	(6)	–	**(1)**	5	–
4.	Capitalized interest[2]	**14**	15	(6.7)%	**29**	22	31.8%
5.	Net (income)/loss from operations with c financial derivatives[3]	**(2)**	2	–	–	62	–
6.	Increase of provisions as a result of time passing	**4**	4	–	**8**	6	33.3%
7.	Interest for using cash payable under advance payment contracts	**21**	24	(12.5)%	**45**	22	104.5%
8.	Other finance costs	**1**	1	–	**2**	1	100.0%
9.	**Total financial costs (1-4+5+6+7+8)**	**44**	52	(15.4)%	**96**	141	(31.9)%

Note: (1) Including interest charged on credits and loans, promissory notes, ruble bonds and Eurobonds; (2) Capital costs 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; (3) Net-effect changes in operations with financial derivatives resulted from fluctuations of currency component of the deals

EBITDA and Net Income Sensitivity

Urals price

RUB bln	-9.1 $/bbl	+9.1 $/bbl
EBITDA	(80)	80
Net income	(64)	64

Exchange rate

RUB bln	-8.8 RUB/$	+8.8 RUB/$
EBITDA	(59)	59
Net income	(47)	47

- Average Urals price in Q2 2016 amounted to $43.4/bbl If the average price of the said period had retained at $35/bbl, EBITDA would have reduced by RUB 80 bln, including the negative effect of the deferred duty in the amount of minus RUB 47 bln.
- Average US dollar exchange rate in Q2 2016 was RUB 65.9/$. If average ruble exchange rate had weakened to RUB75/$ within the said period, EBITDA would have gone up by RUB 59 bln.

Questions and Answers