

OJSC Rosneft

Operational and Financial Performance in 2Q and 1H 2013



29 July, 2013

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Substantial improvement of Key Operational and Financial Performance Indicators in 2Q and 1H 2013



- ▶ **96 mln tons (706.0 mln boe)** – hydrocarbons production by combined company (organic growth by 0.4%)*, organic growth of Rosneft by 2%***
- ▶ **0.53 mln tons per day** – production of liquid hydrocarbons, growth by 1%
- ▶ **106.2 mln bcm per day** – gas production, growth by 27%
- ▶ **47 mln tons** – crude oil processing of incorporated company, growth by 2%
- ▶ Stabilisation of brownfield production
- ▶ **58.8 th. tons per day** – record production level reached at Vankor in 2Q13
- ▶ **1,988 RUB bln** – revenue, growth by 34.0%, organic revenue growth - **35 RUB bln**, 2.4%*
- ▶ **371 RUB bln** – EBITDA growth of 36,4%, organic EBITDA growth – **5 RUB bln**, 1.8%*
- ▶ **68 RUB bln** – adjusted free cash flow**, **118 RUB bln** FCF organic growth compared to the first half of 2012
- ▶ **137 RUB bln** – net income, growth by 18.1%

* Compared to the first half of 2012 in accordance with combined proforma of Rosneft and TNK-BP. Hydrocarbon production doesn't include affiliates.

** Adjusted for the prepayments received under long-term oil supply contracts in the amount of 258 RUB bln including 26 RUB bln in 2Q13

*** Rosneft stand alone basis

Key events



- ▶ A number of agreements for priority business development areas signed at the St. Petersburg Economic Forum including:
 - Seven agreements with ExxonMobil for offshore hydrocarbon production development
 - Agreements with Statoil for development of four offshore hydrocarbon production projects in Russia
 - Agreements with Eni on development of three offshore hydrocarbon production projects in Russian
- ▶ Strategic Cooperation Agreement with GE on technology and applied research
- ▶ Gas business development
 - Acquisition of OOO NGK Itera gas assets on competitive terms in July 2013
 - Agreement with ExxonMobil on the project development for LNG plant construction in the Far East and agreement with Sakhalin Region on land plot allocation for plant construction
 - Heads of agreements on LNG supplies with SODECO, Marubeni and Vitol
- ▶ Development of tight reserves – agreements with Statoil and ExxonMobil
- ▶ 15 new licenses for Russian offshore areas with 16.7 bn toe of recoverable resources
- ▶ Acquisition of a 30% stake in 20 deepwater blocks of ExxonMobil in the Gulf of Mexico for exploration
- ▶ Venezuela parliament ratified an agreement between Rosneft and PDVSA on the beginning of a joint project for the production of hydrocarbons Carabobo-2 (resources c. 1.3 bln boe)
- ▶ Large-scale agreements on long-term oil supply with China National Petroleum Corporation, PKN Orlen, Trafigura on advance payment basis



Assessment of synergy effect

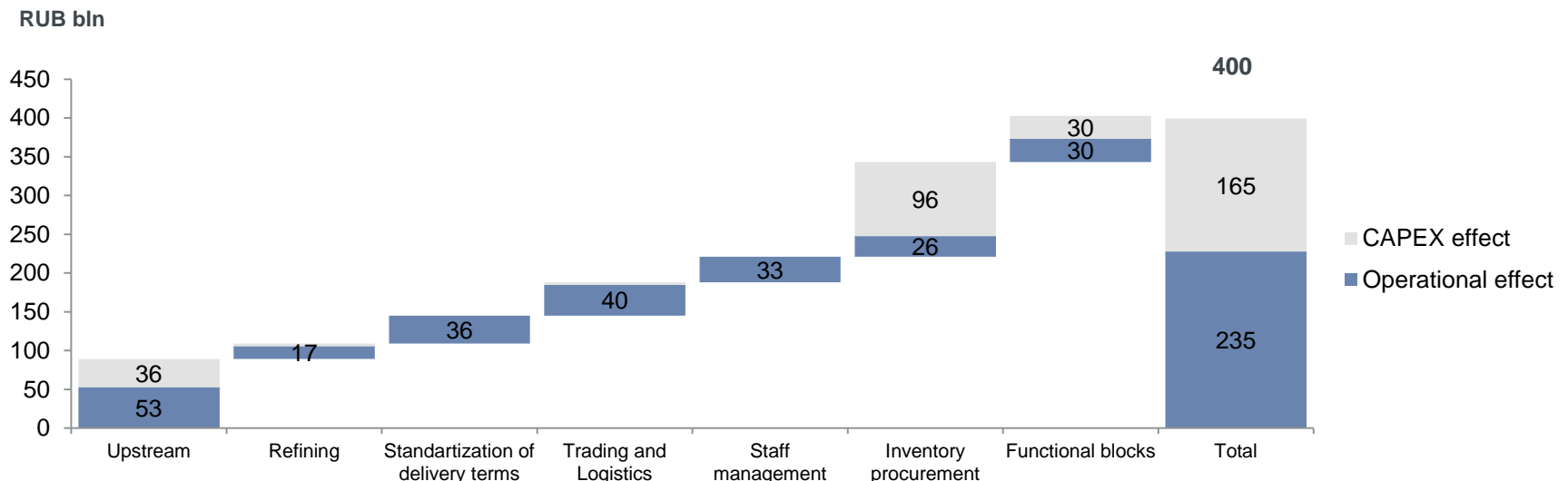
Exploration and Production

- ▶ **56 RUB bln** - development of Suzun, Tagul and Lodochnoye fields using Vankor field's infrastructure
- ▶ **19.6 RUB bln** - optimization of costs and asset management:
 - search and exploration of hydrocarbons in Irkutsk region based on Verkhnechonskoye field
 - establishment of a single office in Venezuela
- ▶ **6.4 RUB bln** – better efficiency of oilfield services – improvement of existing contractual terms

Refining, Trading and Logistics

- ▶ **Over 5 RUB bln** – reducing transportation costs through creation of common oil distribution balance
- ▶ **3.8 RUB bln** – geographic swap deals on the existing flows of light products between the oil product supply ventures
- ▶ **Over 1.9 RUB bln** – logistics cost saving effect from reduction of railway oil transportation tariffs

The overall synergy effect is estimated at 400 billion RUB of discounted cashflow



Note: estimated NPV of synergistic effects, the effect was calculated for the planning period of 2013 to 2030, the exchange rate of 33 RUB./\$1 US

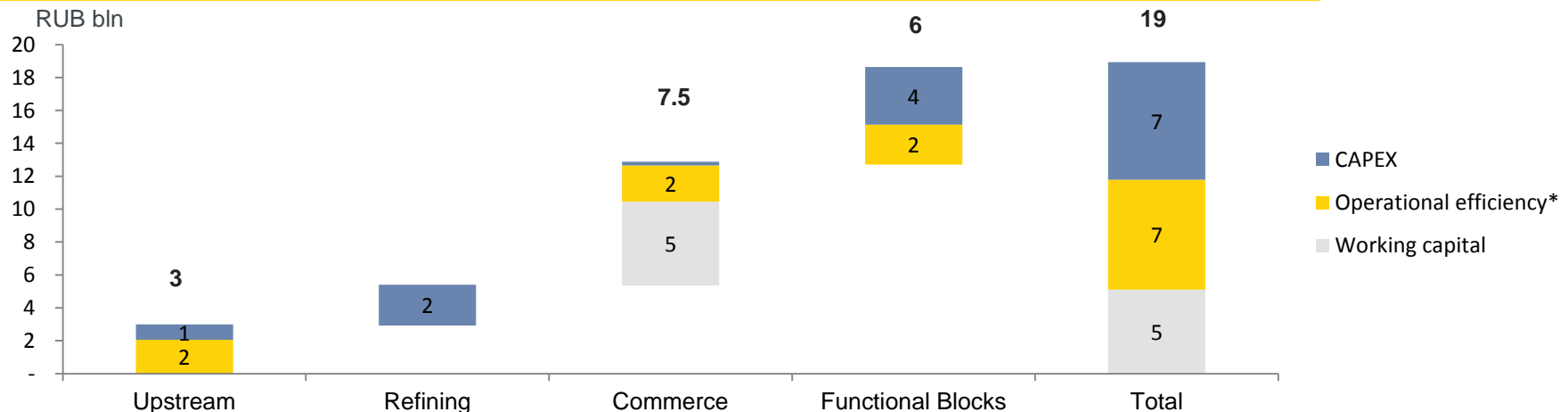


Positive operational effect and optimization of costs

19 bln RUB - expected synergy effect from assets integration in 2013

- ▶ Revising technical solutions and management approaches:
 - Using common electric power capacities and infrastructure at Yamal
 - Optimizing management structure of JV in Venezuela
- ▶ Applying standard contract terms to maximize Company's benefits
 - Export contracts & early payments unification
 - Improvement of contracts terms
 - Contract fees standardization
 - Central procurement
- ▶ Improving logistics:
 - Redirecting resources to high-yield export routes
 - Optimizing crude oil and petroleum products allocation
 - Implementing single crude oil balance

Structure of synergies by main business area in 2013 (estimate)

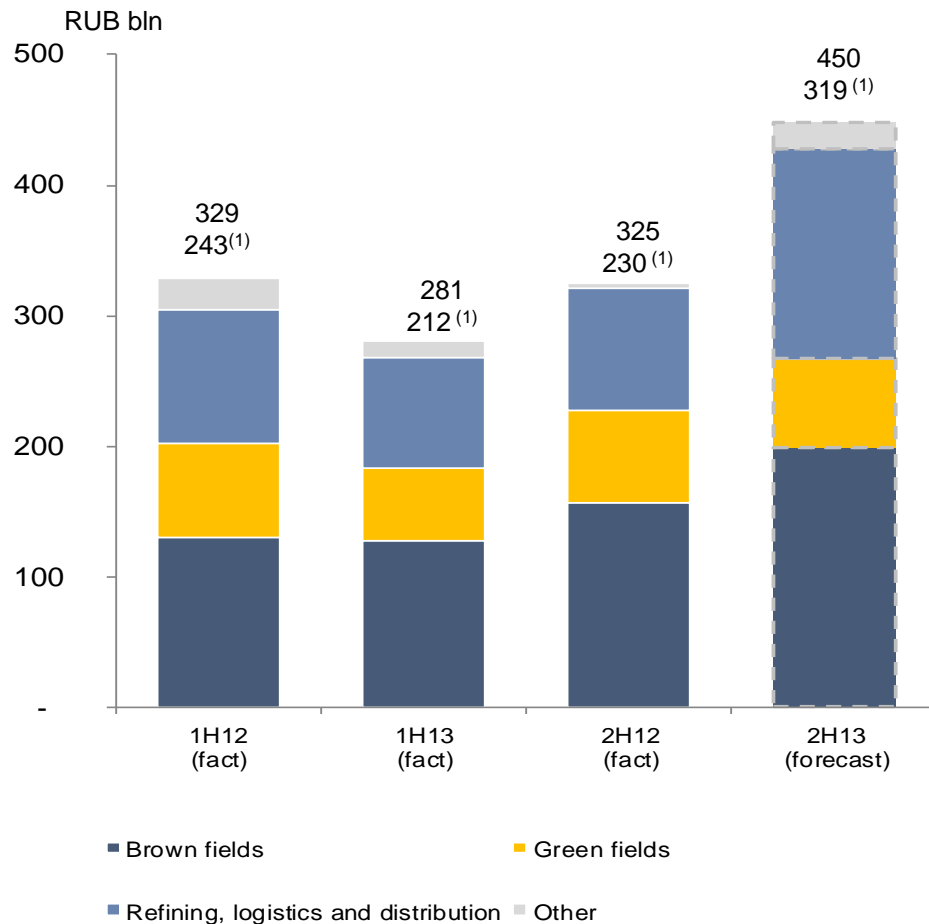


Note: Estimates based on oil price of \$100 US/bbl and the exchange rate of 32 RUB./\$1 US
*Operational efficiency includes cost, revenue and logistics optimization

Capital Expenditures control



CAPEX breakdown



► Priorities of CAPEX program:

- maintaining production at brownfields
- increasing production at greenfields
- refinery modernization

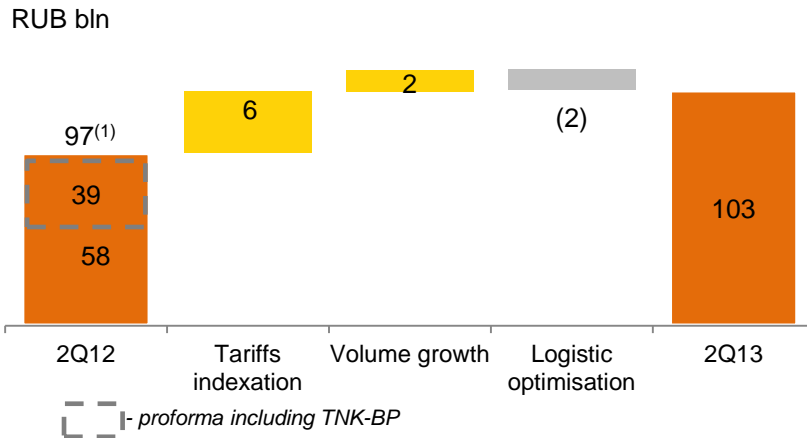
► Seasonal increase in E&P CAPEX 2H vs 1H

- 2013 CAPEX growth and shift to 2H due to integration process

Control over G&A & Transportation Expenses

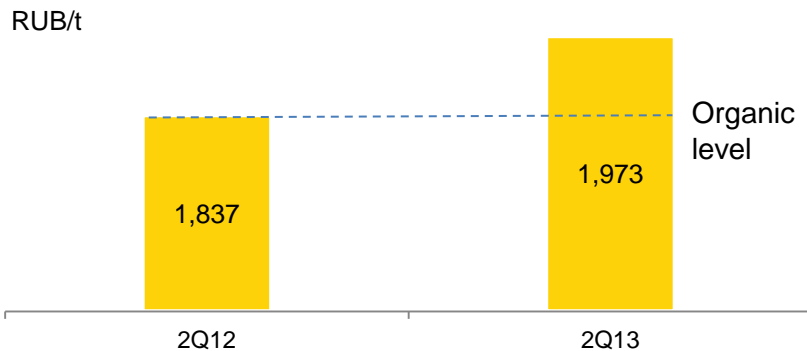


Transportation costs

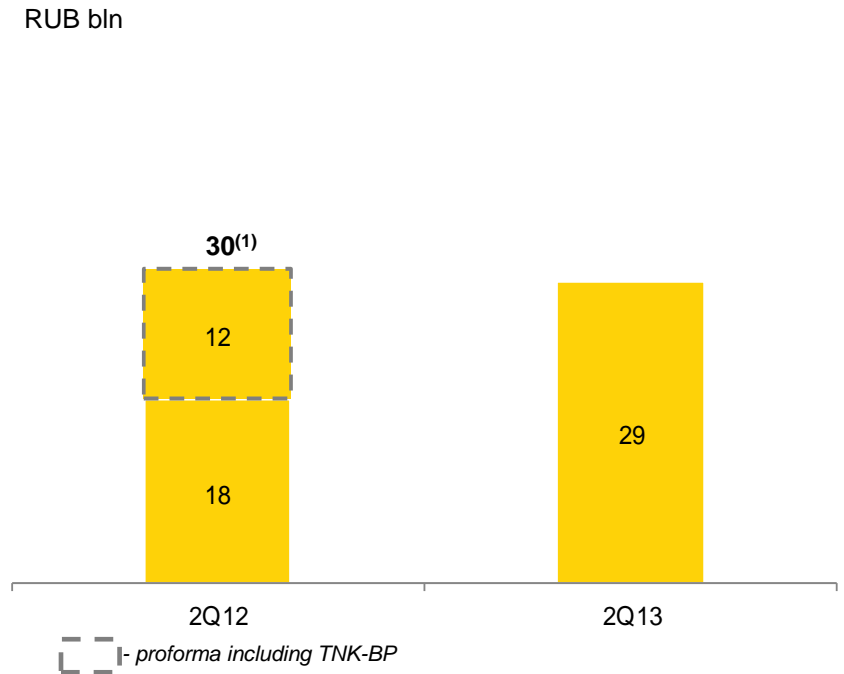


- Transportation tariffs indexation
- Increased volumes
- Optimization of the structure of transportation routes

Transportation costs



General and administrative costs



- Organic reduction due to effective cost control
- One-off commissions on advances from Glencore and Vitol, legal and consulting fees related to integration process

Note: (1) Proforma data for 2012, consolidated data for 2013.

Stabilizing production on brownfields and developing tight oil with advanced technology



➤ **3, 421 kb/d** - stabilizing production at mature fields

➤ Yuganskneftegas and Samotlorneftegas - over 40% of the United Company production (>1.7 mln b/d)

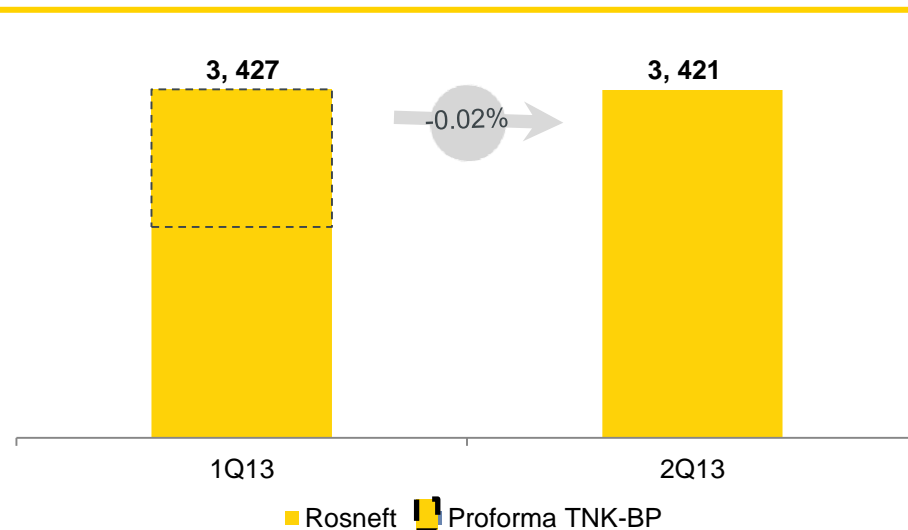
➤ **Efficient technology application across the united Company asset base**

- Horizontal wells with multi-stage hydrofracturing
- Waterflood management (FPM, water inflow control)
- Localization of residual reserves, sidetracking

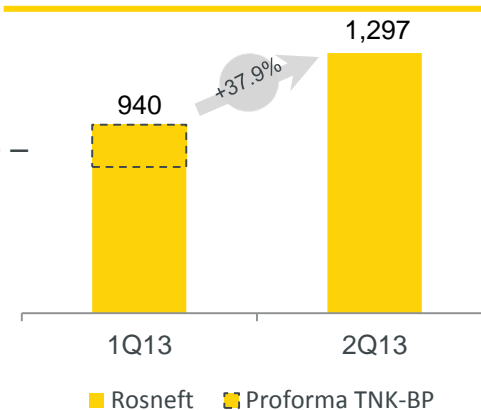
➤ **Tight oil reserves – priority in reserve development and enhanced oil recovery**

- Pilot projects at Northern Khokhryakovskoye and Yem-Yegovskoye fields – stable trends
- Northern Khokhryakovskoye field - 3 wells; average oil flow rate – 690 b/d per well
- Yem-Yegovskoye field - 2 wells; average oil flow rate – 409 b/d per well
- Testing production technologies to develop the Bazhenov formation, including the testing of well completion techniques never employed in Russia before

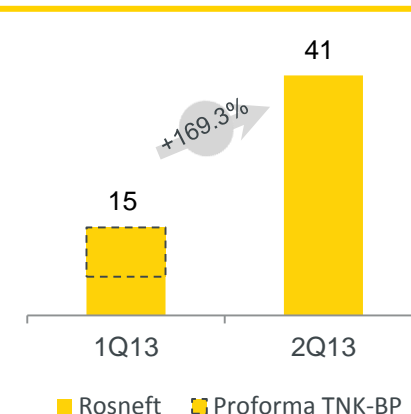
Production of oil and gas condensate from mature fields, kb/d



Production drilling on brownfields, km



Exploration drilling on brownfields, km



Medium-term production growth through acceleration of greenfield development



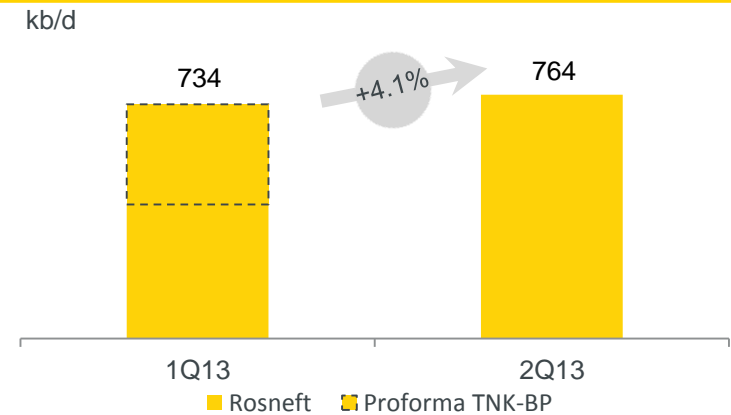
Greenfield contribution – 18.4% of the total production volume; stable growth rates

- Vankor - 433 kb/d, production growth by 2.5% through continued efficient drilling program; optimization of well operation modes
- Verkhnechonskoye - 155 kb/d, production growth by 1.8% through development of infrastructure; optimization of well operation modes
- Uvat - 176 kb/d, production growth by 12.2% through integration of Tyamkinsky Hub into operation

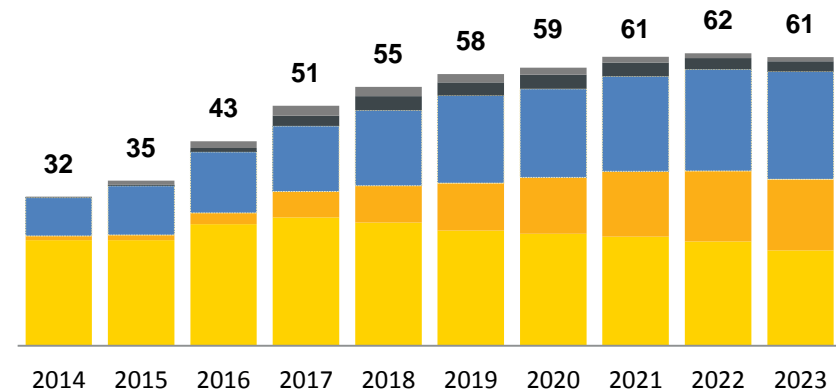
Accelerated commissioning of Suzun, Tagul and Russkoye fields – advantages of the united Company

- Oil transportation via Vankor - Purpe pipeline
- Construction of the common GTPS at Vankor Field
- Use of Vankor winter roads – optimization of logistics
- Centralized development and operation of fields based on ZAO Vankorneft

Production of oil and gas condensate from new fields



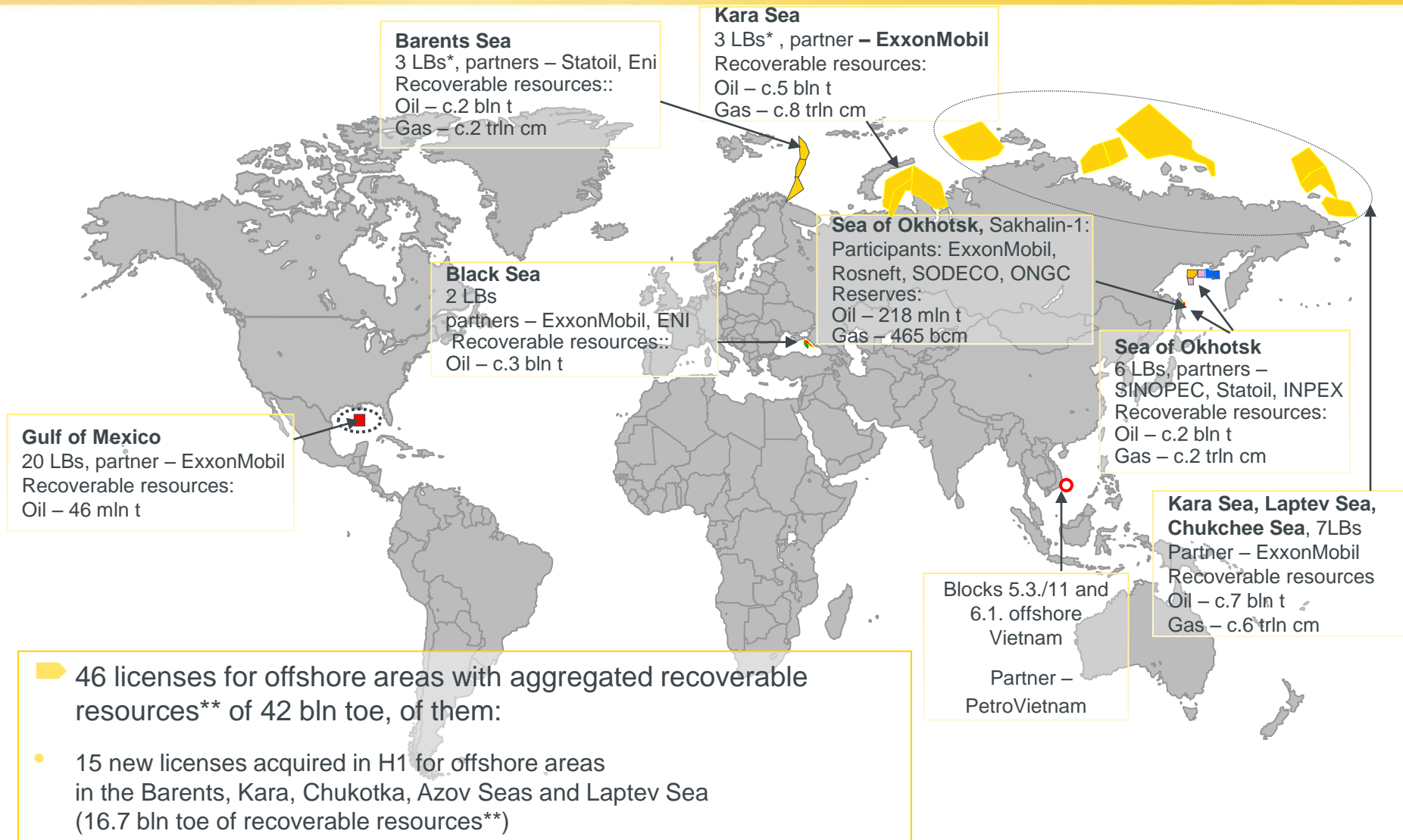
Production estimate of oil and gas condensate greenfields in 2014-2023, mln t



* Comparison of Q2 2013 with Q1 2013

Legend: Vankor Group (yellow), North Yamal (orange), Irkutsk and Evenkia (blue), Timano-Pechora (dark grey), Far East (light grey)

Unique opportunities for growth and value creation of the largest offshore project portfolio



* LB – License Block

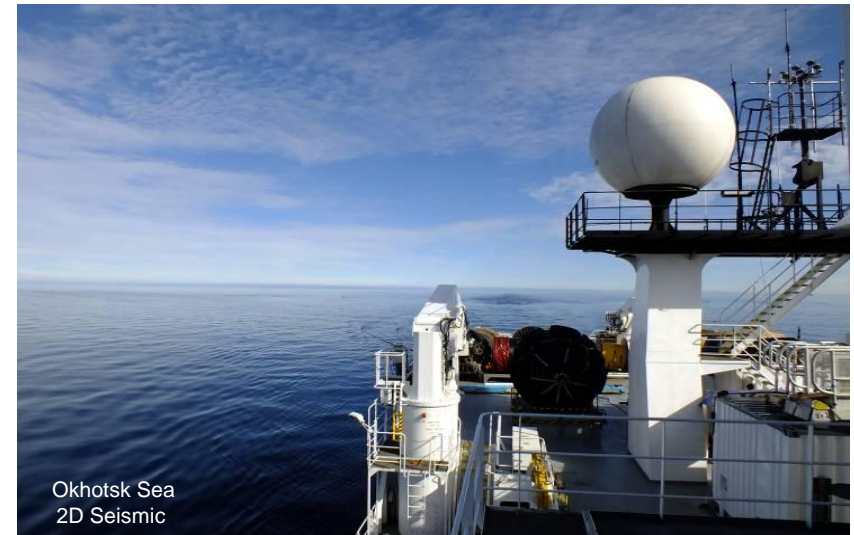
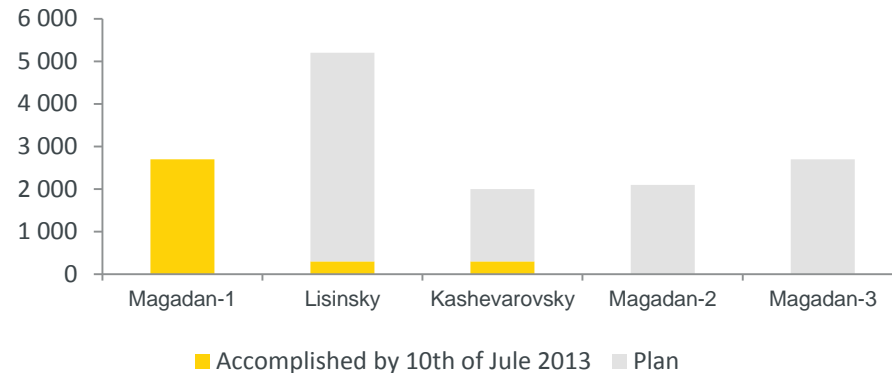
**Amount of resources is stated based on current estimation

Accelerating offshore exploration activity



- ▶ Over USD 250 mln – repayment of one-off license fees and portion of historical costs in 2Q 2013
- ▶ Creating an Arctic research center with ExxonMobil (Rosneft 66.67%, ExxonMobil 33.33%)
- ▶ Arctic:
 - Barents Sea. 2D Seismic (15% of the plan) on Fedynskiy and Central-Barentsovskiy licensee areas (LA). In partnership with Eni
 - Pechora Sea. 3D Seismic (55% of the plan) on the Yuzhno-Russky License block (LB)
- ▶ Far East: Sea of Okhotsk
 - >2,500 running km – accelerated 2D seismic acquisition on Lisianskiy, Kashevarovskiy, Magadan-1 LBs. In partnership with Statoil
 - Equipment audit and mobilization of the 2D seismic vessel on Magadan-2 and Magadan-3 LBs. In partnership with Inpex
- ▶ Krasnodar Region: Black Sea
 - Geological engineering survey on 357 sq.km of deep sea areas of the Tuapse trough LB. In partnership with ExxonMobil

2D seismic survey in the Okhotsk Sea



Steady gas production growth, world class resource base and effective monetization

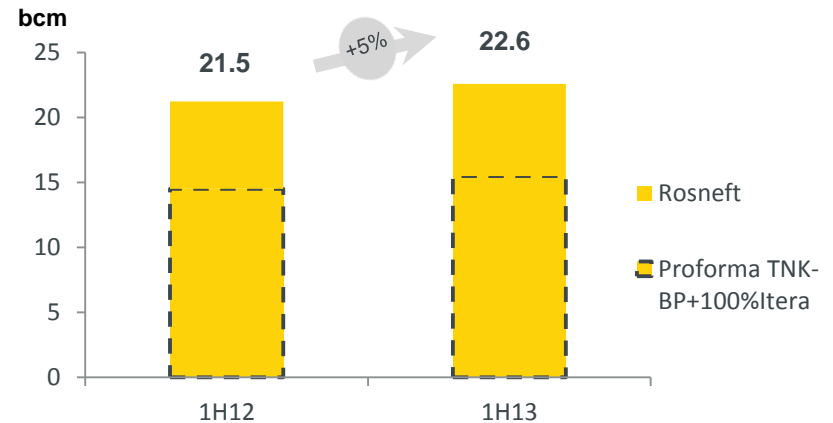


- Acquisition of OOO NGK Itera gas assets
 - competitive terms of acquisition – 1.57 USD/boe
 - synergy of gas supply by replacing gas purchased from Itera with own gas of Rosneft
- 69% of gas produced in 2Q 2013 sold to end consumers
- Monetizing future production – long-term gas sale contracts totaling 72 bcm per year
- Heads of Terms with ExxonMobil on studying prospects for an LNG plant with capacity of 5 mln t per annum and start of operations in 2018-2019
- The Agreement on key terms of LNG sales with Marubeni Co., Vitol and Sodeco for a total of 5 mln tons per year

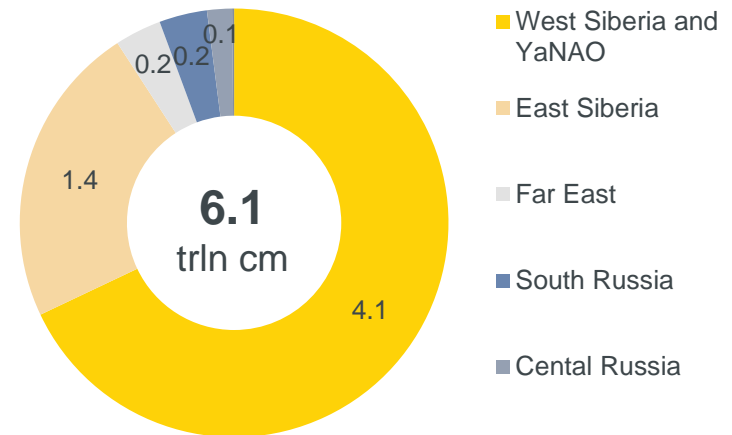
Rosneft offshore gas resources are estimated at c. 24 trln cm

* Data includes TNK-BP and 100% Itera gas sales and consumption for the respective periods for organic growth calculation purposes

Gas sales and own consumption *



Consolidated recoverable natural gas reserves of the joint Company



Growth in oil refining against successful implementation of the modernization program



▶ **20.6 mln tons**– Russian oil refining in 2Q 2013; 8% growth vs. 4.2% overall Russian growth

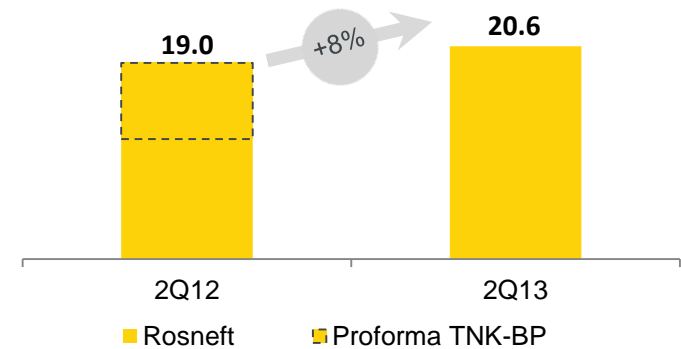
▶ Russian oil refining – the most profitable way to monetize crude; average refining margin in 2Q 2013 – RUB 1200 per ton

▶ Meeting the schedule of the Russian refineries upgrade program:

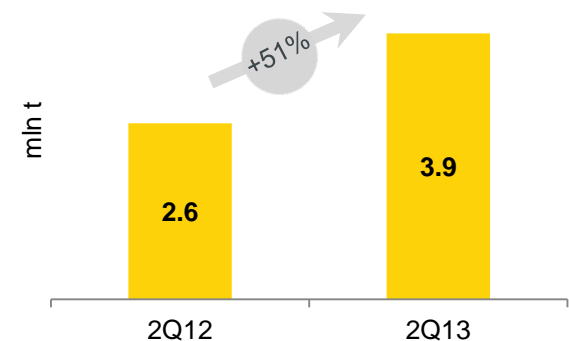
- Saratov refinery - Commissioning the Isomerization unit – full transition to Euro-5 gasoline production
- Angarsk petrochemical company – 2 reactors for a diesel hydrotreating unit installed
- Achinsk refinery – 4 hydrocracker reactors on the way to the refinery via the North Sea route

▶ **5.9 RUB bln** in 2Q 2013 – economic effect of the rapid switch to production of Euro-4 and Euro-5 motor oils at the Company's refineries

Refining growth in Russia, mln tons



Growth in output of Euro-4 and Euro-5 fuels in Russia

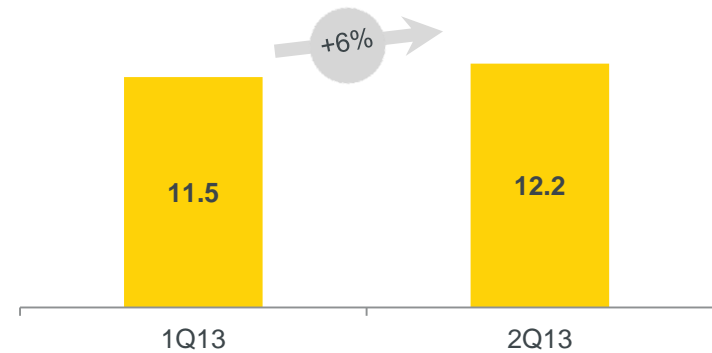


Substantial increase in petroleum products sales efficiency

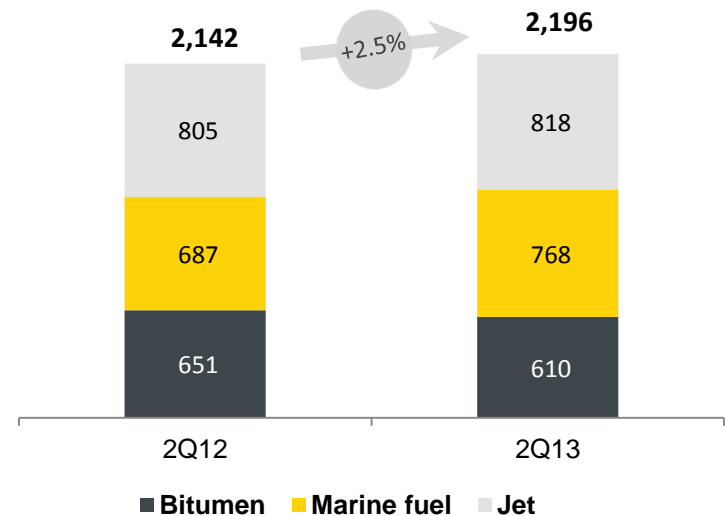


- ▶ Rapid growth in daily sales by gas stations and increase in retail sales profitability
- ▶ Steadily increasing direct sales of jet fuel ("direct aircraft fueling") - 69% in 2Q 2013, 4% growth by 1Q 2013
 - Acquisition of fuelling complexes network of OOO BATO in Anapa, Gelendzhik, Sochi, Krasnodar, Krasnoyarsk, Abakan
 - Leasing fuelling installations at the airports of Nizhnevartovsk, Nyagan', Noviy Urengoi
- ▶ Expanding bunkering operations in the Far East

Sales through own network, t/day



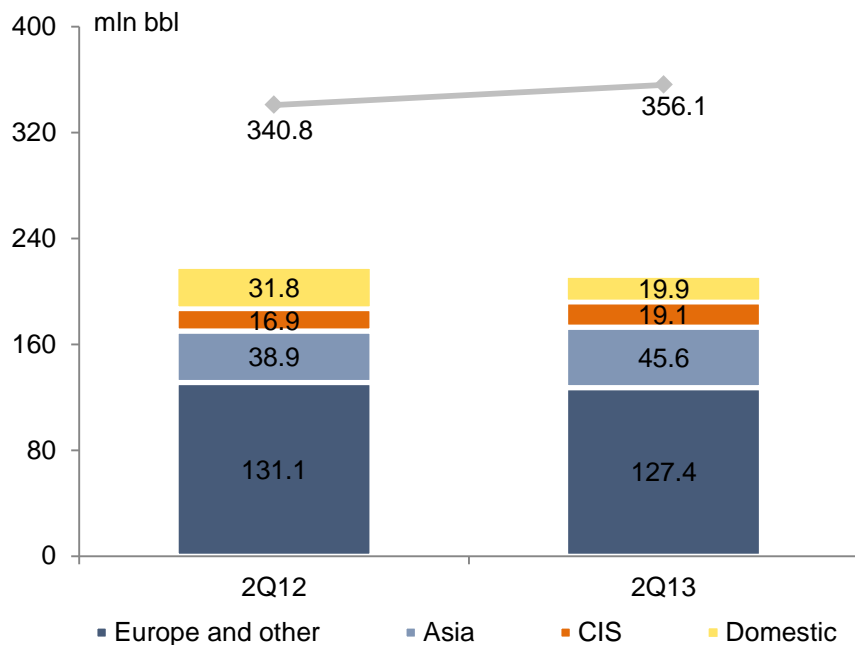
Steady B2B business development, kt



Crude Oil & Petroleum Products Sales of Rosneft



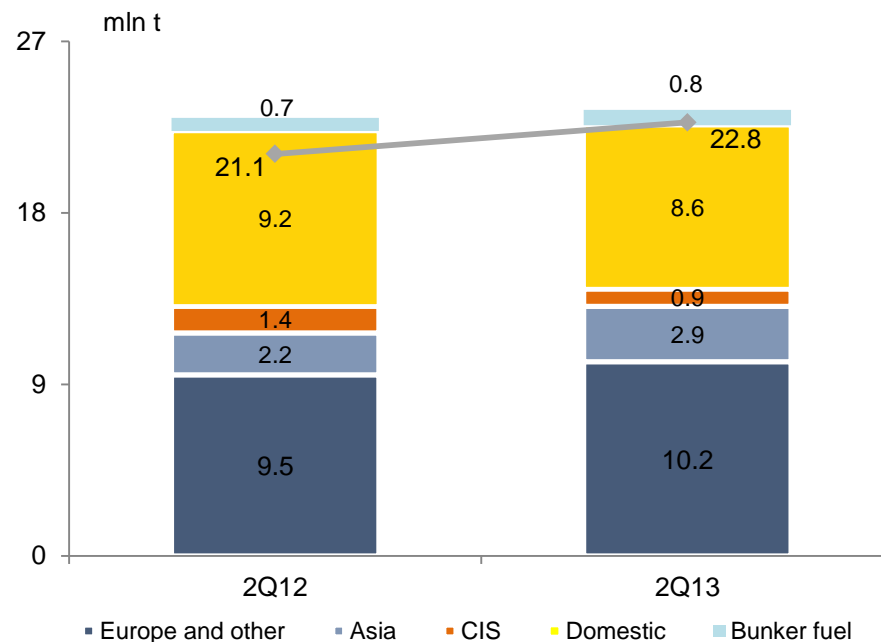
Crude oil sales & production



— production by subsidiaries

- Crude oil production growth
- Redirection of crude oil flows from domestic market to export
- Increase in share of sales to Asia

Petroleum and Petrochemical Products Sales

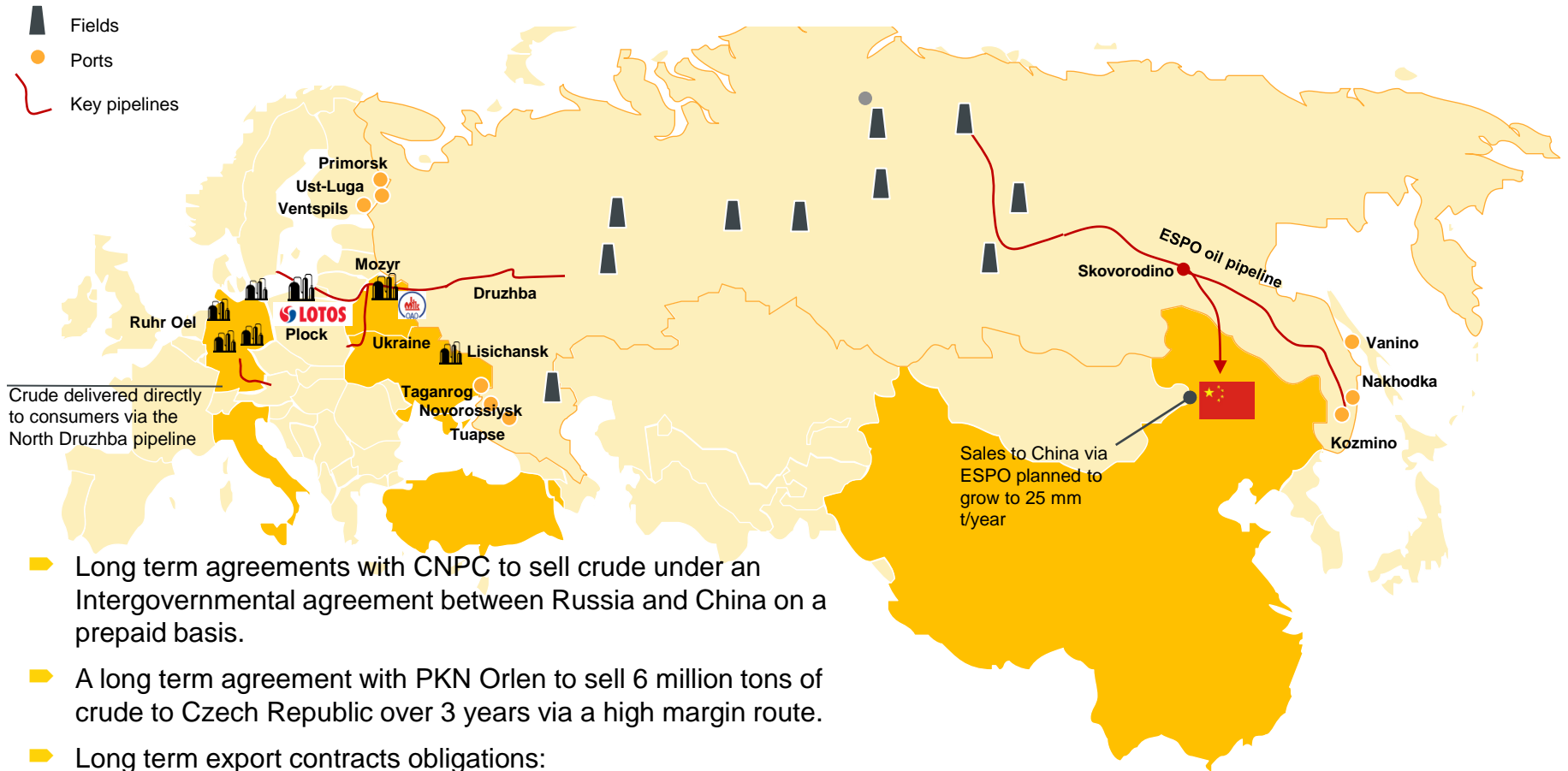


— production by subsidiaries

- Increase in crude oil refining and petroleum product output
- Redirection of petroleum product flows from domestic market to export
- Crude oil sales reduction and increase in petroleum product output and sales



Increasing sales via priority export routes

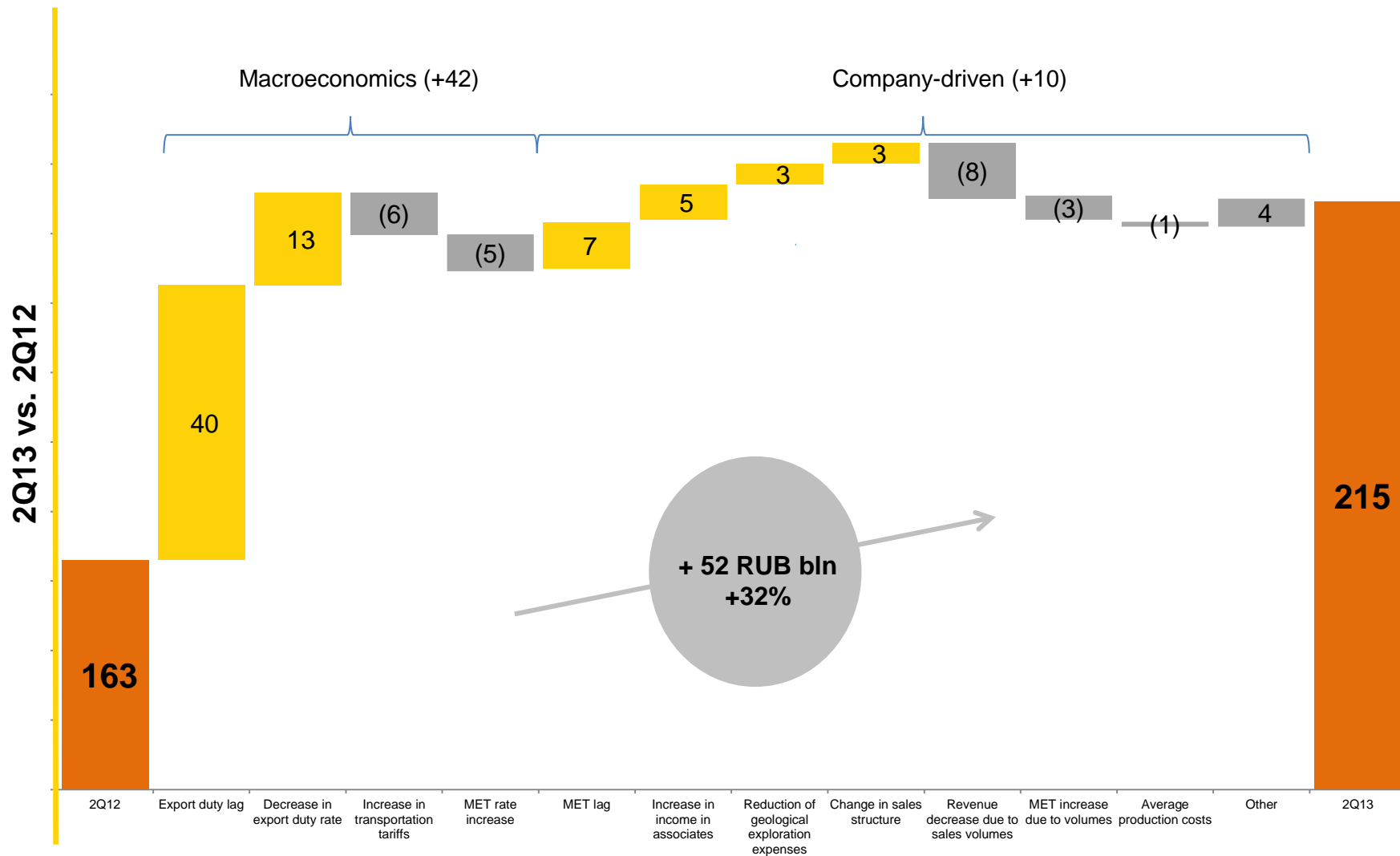


- ▶ Long term agreements with CNPC to sell crude under an Intergovernmental agreement between Russia and China on a prepaid basis.
- ▶ A long term agreement with PKN Orlen to sell 6 million tons of crude to Czech Republic over 3 years via a high margin route.
- ▶ Long term export contracts obligations:
 - Secure own production covering the needs of the domestic market
 - Available transportation capacity
 - Market based pricing



Finance

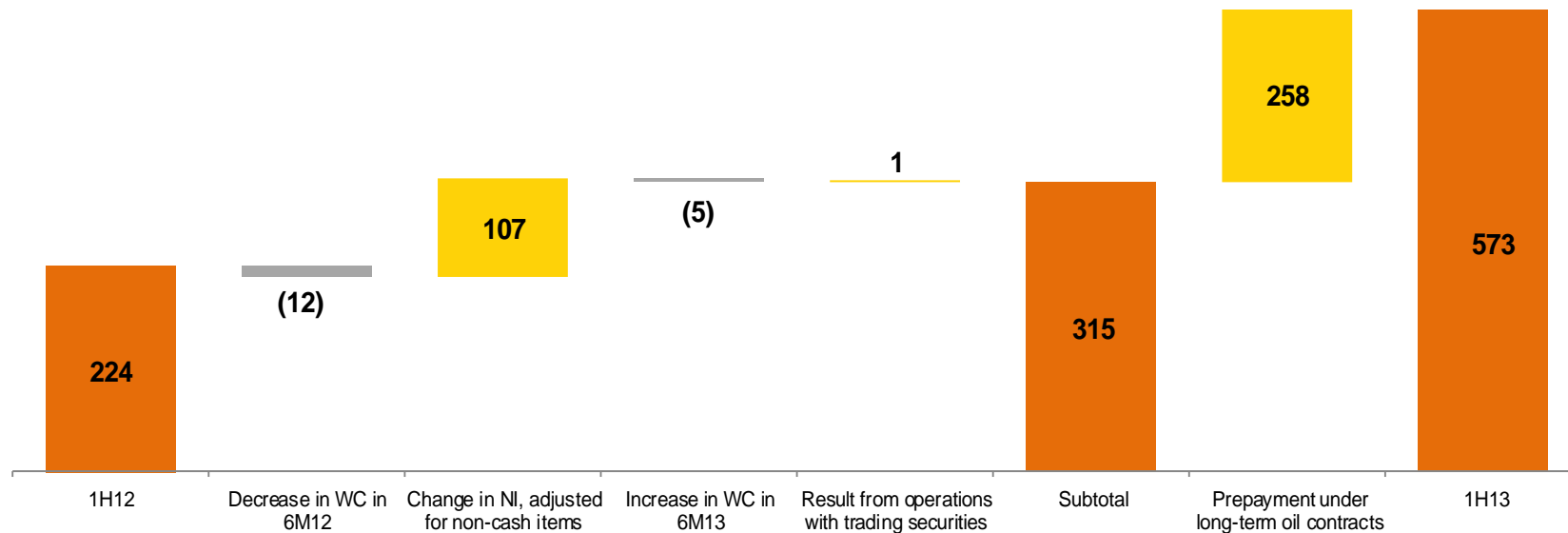
EBITDA, RUB bln



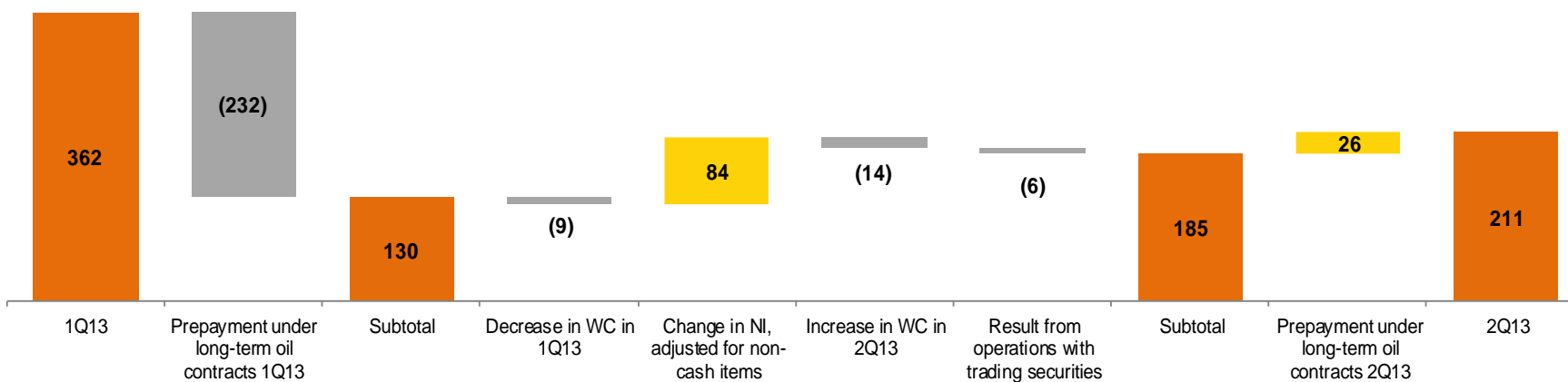
OCF Reconciliation, RUB bln



1H12 vs 1H13



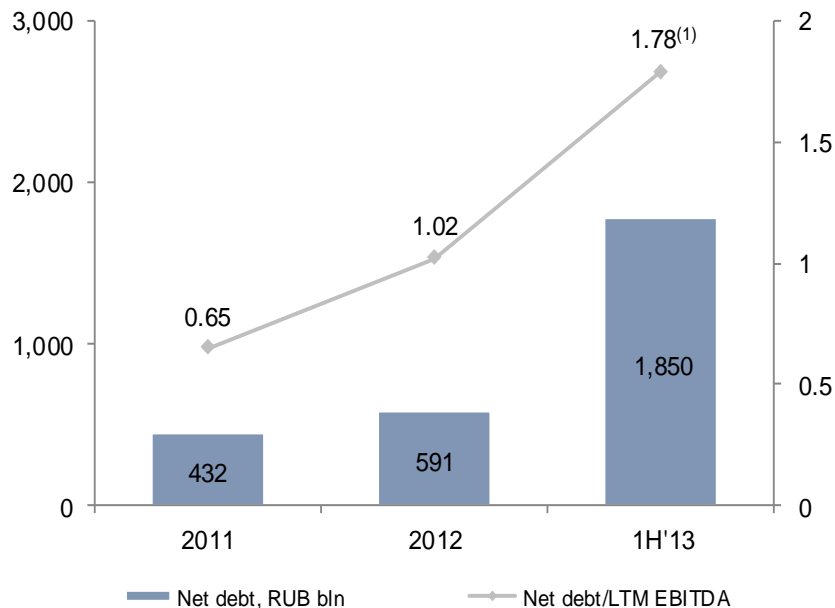
1Q13 vs 2Q13



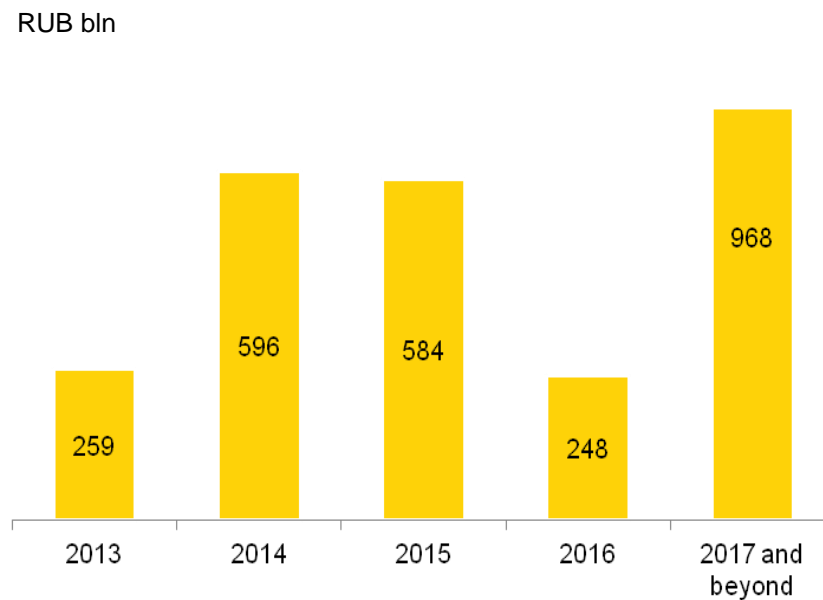
Credit Profile



Net debt



Repayment profile⁽²⁾



- 10-year coupon ruble bonds for a total amount of RUB 40 bln placed in June 2013, puttable in 5 years with 7.95% first coupon
- In June 2013, the Company drew down a USD 2 bln loan from China Development Bank with maturity in 2029.
- Company's financial ratios are well below restrictive covenants

- The weighted average cost of debt decreased from 4.1% to 3.1% over the past 12 months
- Long-term debt represents 79.1% of the total portfolio
- Substantial cash on Company's accounts

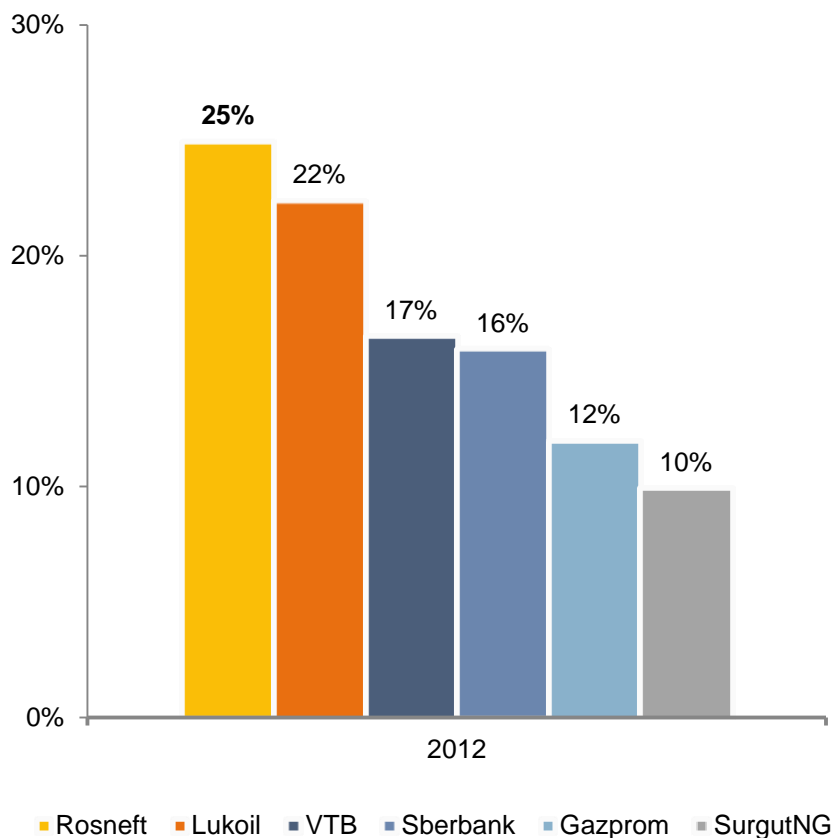
Note: (1) Including TNK-BP EBITDA for the last 12 months

(2) Including interest accrued based on exchange and interest rates as of June 30, 2013

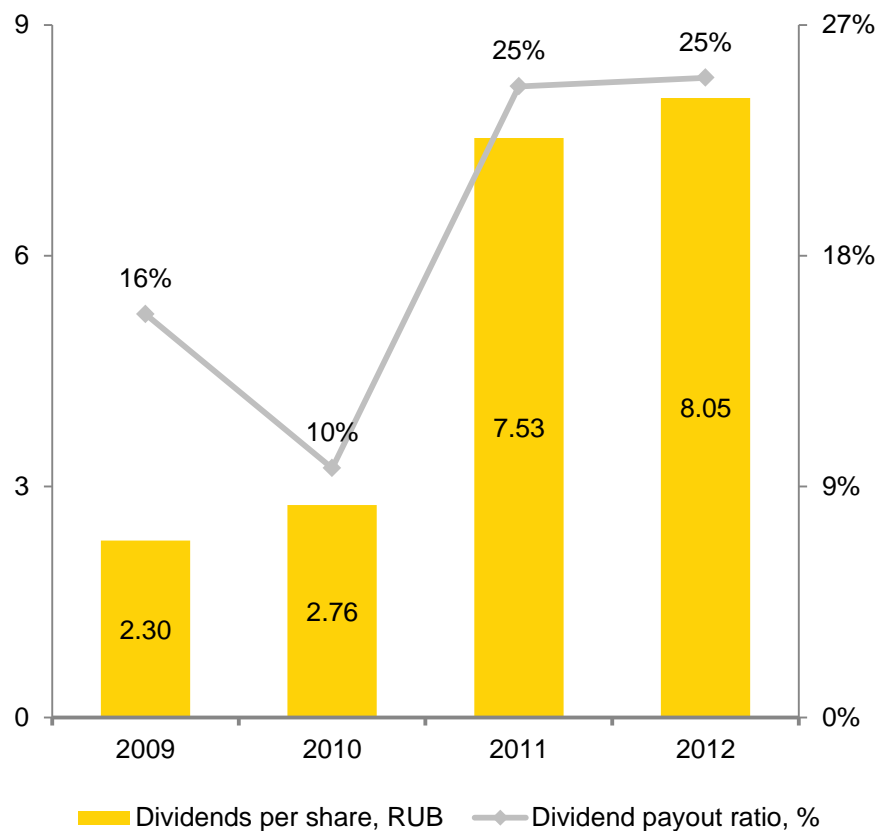
Dividends



Dividend payout ratio on common stock (% of net profit)



Rosneft dividend payout



➤ **AGM approved dividends for 2012 at RUB 8.05 per share (RUB 85.3 bln total)**



2013 Outlook

Exploration and Production

- ▶ Stabilization of production at brownfields fields
- ▶ Pilot projects to develop tight reserves
- ▶ Preparation to launch Yamal projects in 2016-2019
- ▶ Preparation for exploration drilling on the continental shelf in 2014

Refining, trading and logistics

- ▶ Developing an updated marketing strategy and portfolio review
- ▶ Launching 2nd phase of Tuapse refinery upgrade

Gas business

- ▶ Gas production growth and integration of purchased assets
- ▶ Increasing associated petroleum gas utilization rate
- ▶ Pilot projects for the development of Turonian deposits
- ▶ LNG production projects development in the Far East of Russia

International projects

- ▶ Developing projects in Venezuela
- ▶ Optimizing the international assets portfolio
- ▶ Progressing projects in the Gulf of Mexico and Canada

Efficient business development to increase the Company shareholder value



Appendix

Macroeconomic Environment



| | 2Q13 | 1Q13 | Δ | 1H13 | 1H12 | Δ |
|---|-------|-------|--------|-------|-------|--------|
| Average USD/RUB exchange rate | 31.61 | 30.41 | 3.9% | 31.02 | 30.64 | 1.2% |
| Inflation for the period, % | 1.6 | 1.9 | | 3.5 | 3.2 | |
| Urals FOB Primorsk, th. RUB/bbl | 3.17 | 3.32 | (4.5)% | 3.25 | 3.38 | (3.8)% |
| Gasoil 0.1% (FOB/CIF Med), th. RUB/ton | 27.5 | 29.0 | (5.2)% | 28.3 | 29.4 | (3.7)% |
| Fuel oil 3.5% (FOB/CIF Med), th. RUB/ton | 18.4 | 18.7 | (1.6)% | 18.5 | 20.1 | (8.0)% |
| High octane gasoline (av. Russia), th. RUB/ton | 25.1 | 26.2 | (4.2)% | 25.6 | 24.1 | 6.2% |
| Diesel (av. Russia), th. RUB/ton (summer) | 24.9 | 24.5 | 1.6% | 24.7 | 22.2 | 11.3% |

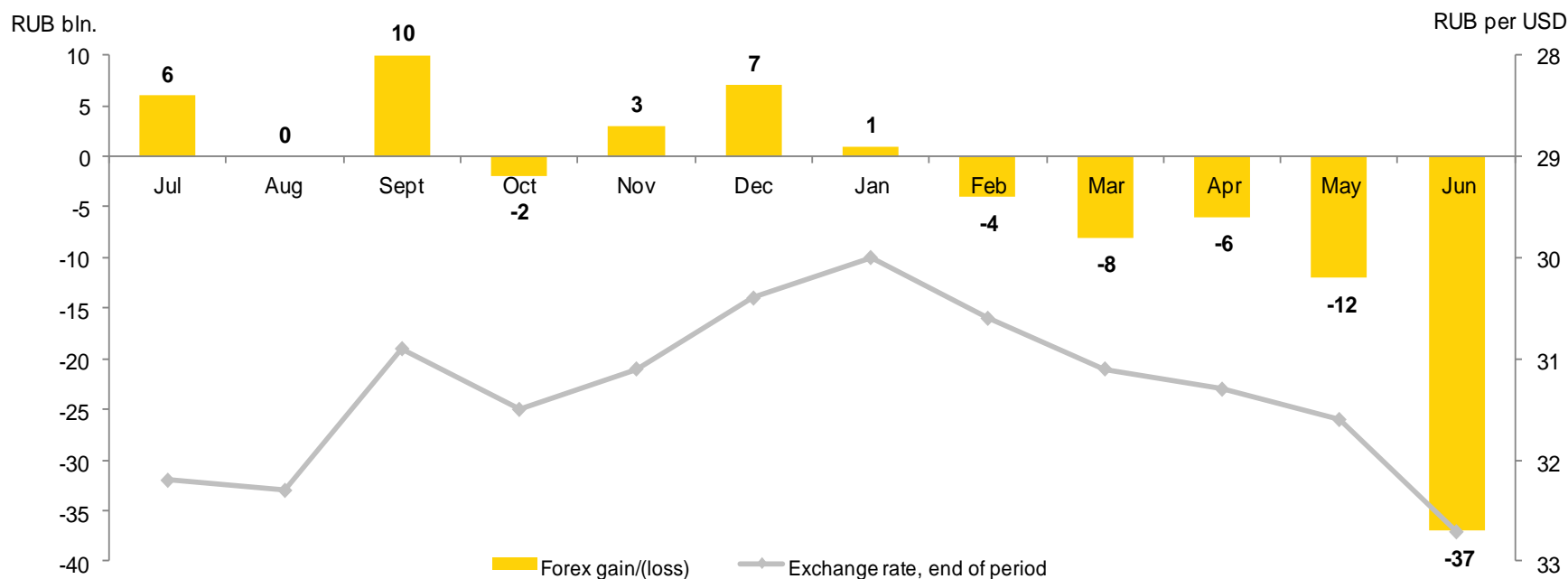
Finance expenses, RUB bln



| | 2Q13 | 1Q13 | Δ | 1H13 | 1H12 | Δ |
|---|-----------|------|--------|-----------|------|---------|
| 1. Interest accrued ⁽¹⁾ | 19 | 11 | 72.7% | 30 | 13 | 130.8% |
| 2. Interest paid | 14 | 9 | 55.6% | 23 | 12 | 91.7% |
| 3. Change in interest payables (1-2) | 5 | 2 | 150.0% | 7 | 1 | 600.0% |
| 4. Interest capitalized ⁽²⁾ | 9 | 7 | 28.6% | 16 | 10 | 60.0% |
| 5. Loss from changes in fair value of financial assets | 7 | 2 | 250.0% | 9 | 0 | – |
| 6. Increase in provision due to the unwinding of discount | 1 | 1 | – | 2 | 3 | (33.3)% |
| 7. Other | 4 | 0 | – | 4 | 1 | 300.0% |
| 8. Finance expenses (1-4+5+6+7) | 22 | 7 | 214.3% | 29 | 7 | 314.3% |

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.

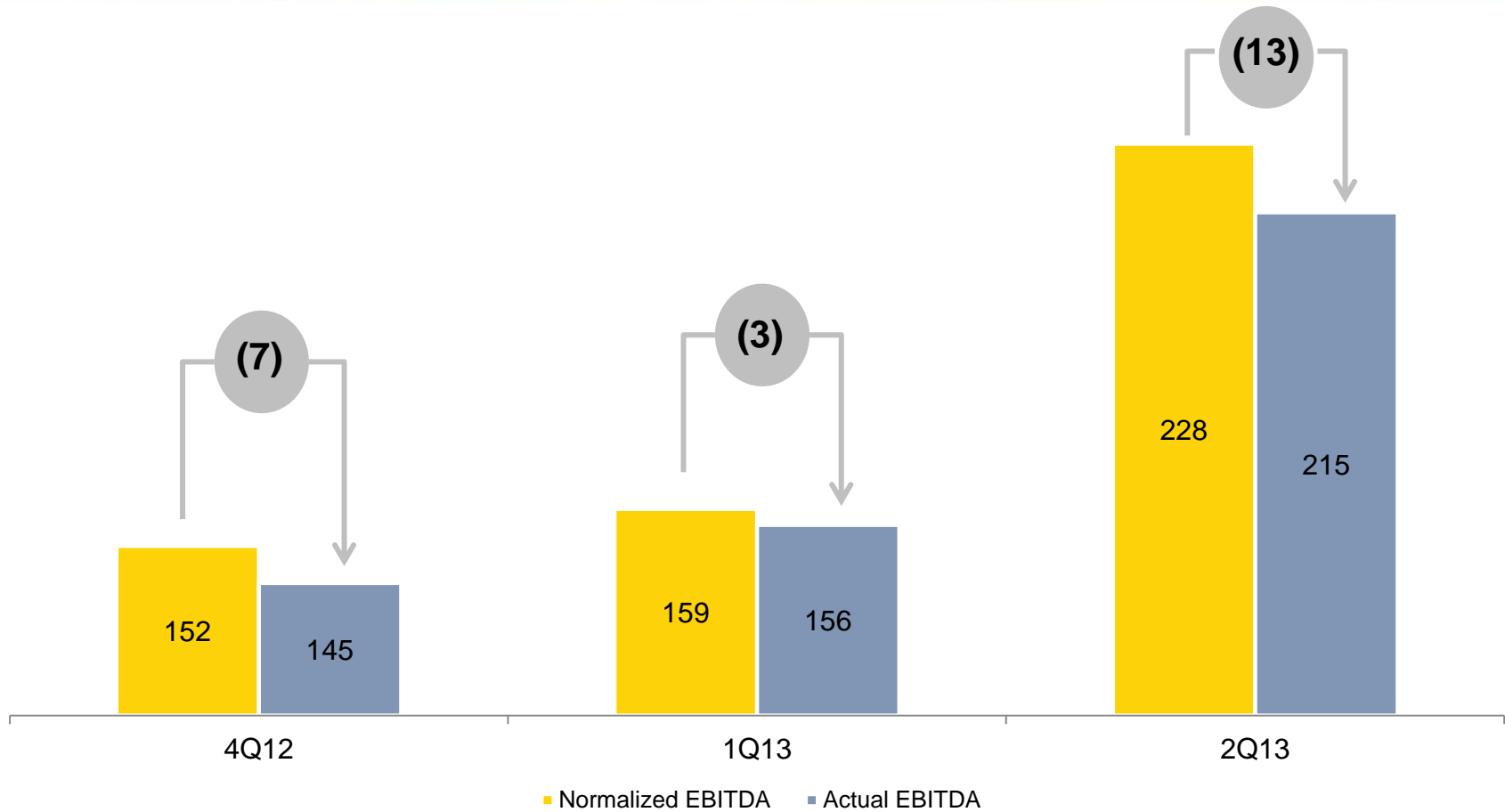
FX Losses for 1H 2013



Average monetary position

| | | Jan | Feb | Mar | Apr | May | Jun |
|--|----------------|----------|------------|------------|------------|-------------|-------------|
| 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 |
| Loans and borrowings in foreign currencies | USD mln | (25,049) | (24,899) | (43,488) | (62,208) | (62,106) | (63,077) |
| Foreign exchange rate change | RUB /USD | 0.3 | (0.6) | (0.5) | (0.2) | (0.3) | (1.1) |
| FX gain/(loss) | RUB bln | 1 | (4) | (8) | (6) | (12) | (37) |

Export Duty Lag Effect, RUB bln

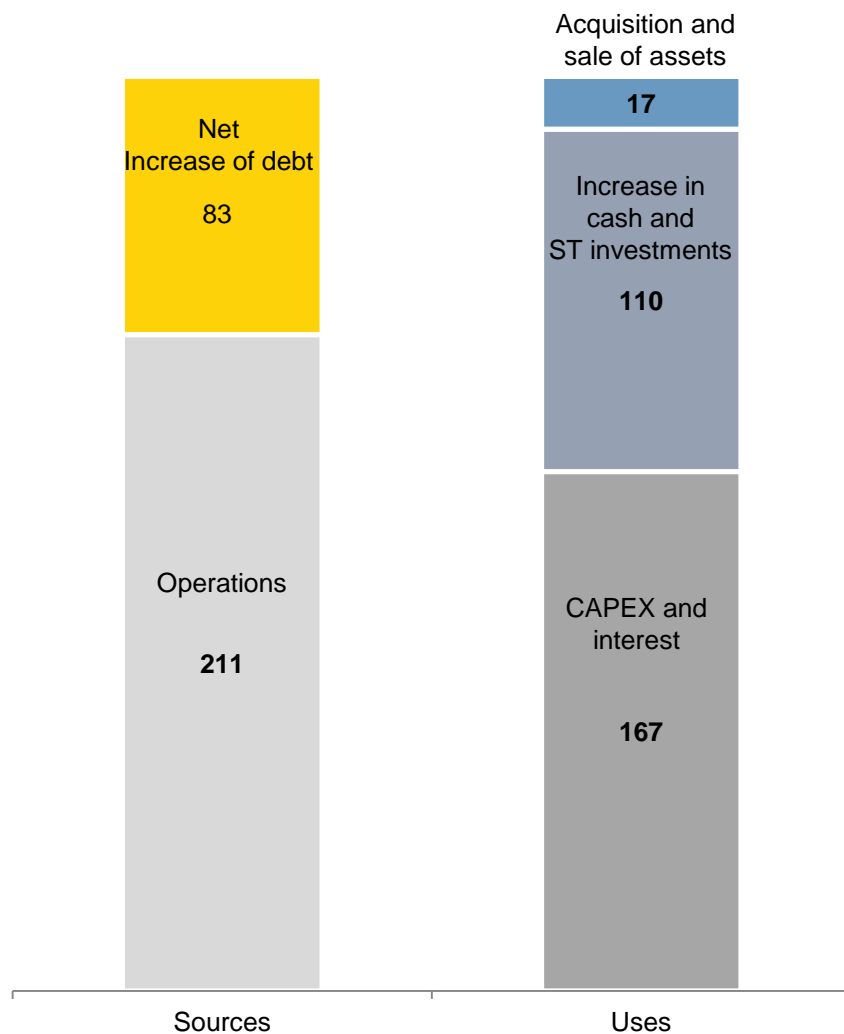


► Negative export duty lag effect up by RUB 10 bln QoQ

Sources and Uses of Cash



2Q13, RUB bln



1H13, RUB bln

