

Rosneft Oil Company

IFRS Results

Q2 2020



August 14, 2020

Important Notice



Information herein has been prepared by the Company. The presented conclusions are based on the general information collected as of the date hereof and can be amended without any additional notice. The Company relies on the information obtained from the sources which it deems credible; however, it does not guarantee its accuracy or completeness.

These materials contain statements about future events and explanations representing a forecast of such events. Any assertion in these materials that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. We assume no obligations to update the forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting such statements.

This presentation does not constitute an offer to sell, or any solicitation of any offer to subscribe for or purchase any securities. It is understood that nothing in this report / presentation provides grounds for any contract or commitment whatsoever. The information herein should not for any purpose be deemed complete, accurate or impartial. The information herein is subject to verification, final formatting and modification. The contents hereof has not been verified by the Company. Accordingly, we did not and do not give on behalf of the Company, its shareholders, directors, officers or employees or any other person, any representations or warranties, either explicitly expressed or implied, as to the accuracy, completeness or objectivity of information or opinions contained in it. None of the directors of the Company, its shareholders, officers or employees or any other persons accepts any liability for any loss of any kind that may arise from any use of this presentation or its contents or otherwise arising in connection therewith.

Inclusive Approach* to Combat COVID-19



Concern for people's well-being is the Company's top priority

Strict compliance with sanitary and epidemiological requirements

- ✓ Regular testing, **over 270,000** test taken
- ✓ Over **16 mln units** of personal protective equipment
- ✓ Epidemiological alertness regime in **151 rotation camps**

Integrated pandemic threat response system

- ✓ The Company has ensured business continuity and maintained control over the performance of its core operations
- ✓ Safety of employees and customers at corporate retail sites
- ✓ Antiseptic components production: **21,700 tons** of acetone and **2,100 tons** of ethyl alcohol
- ✓ Providing support to medical institutions in the regions of the Company's presence
- ✓ Volunteer teams operate in more than **60** Group Subsidiaries



* The approach embraces the best Russian and international practices of combating COVID-19, including those recommended by Rospotrebnadzor
More information on https://www.rosneft.com/upload/site2/attach/0/87/03/Covid-19_ENG.pdf

H1 2020 Key ESG Results



Environmental



c. RUB 17 bn
«green» investments*

Social



Constant progress in occupational safety:
Process safety events rate
complies with top quartile**

Governance



Extension of goals and functions:
focus on social and environmental responsibility
**Board Strategy and Sustainable
Development Committee**

World-class
transparency and
information
disclosure

Rosneft: Contributing to Implementation of UN Sustainable Development Goals
2019 Sustainable Development Report
Rosneft Public Position in the Field of Human Rights
Declaration on Human Rights for interacting with suppliers of goods, works and services

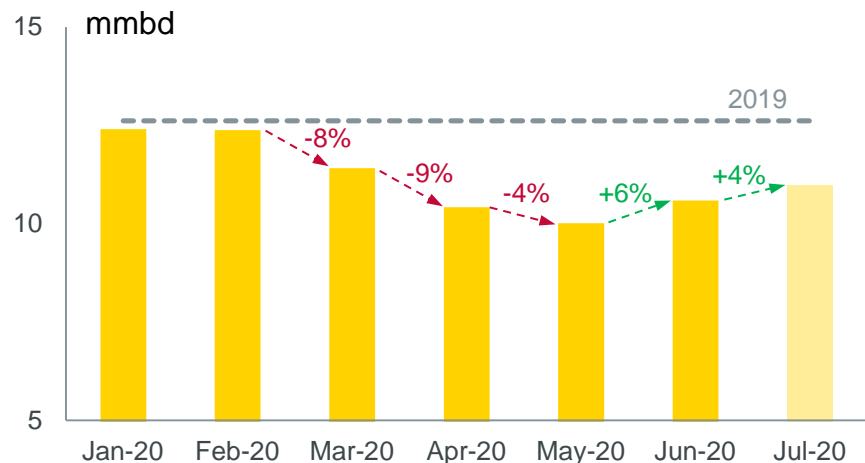
* Key investment patterns included the Gas Program, the Pipeline Reliability Improvement Program and efficient waste management

** Process safety events rate – the frequency of accidents with respect to occupational safety, falls into the top quartile of The International Association of Oil & Gas Producers (IOGP) and Conservation of Clean Air and Water in Europe (CONCAWE)

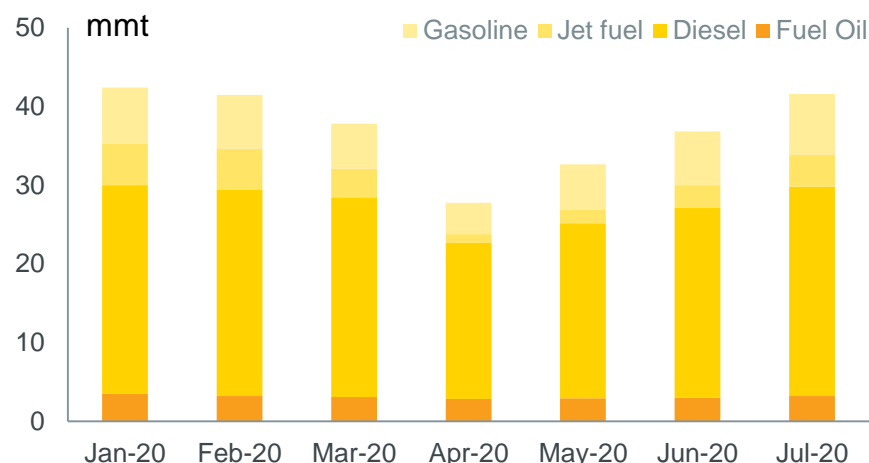
COVID-19 Impact on Crude Oil and Petroleum Products Demand



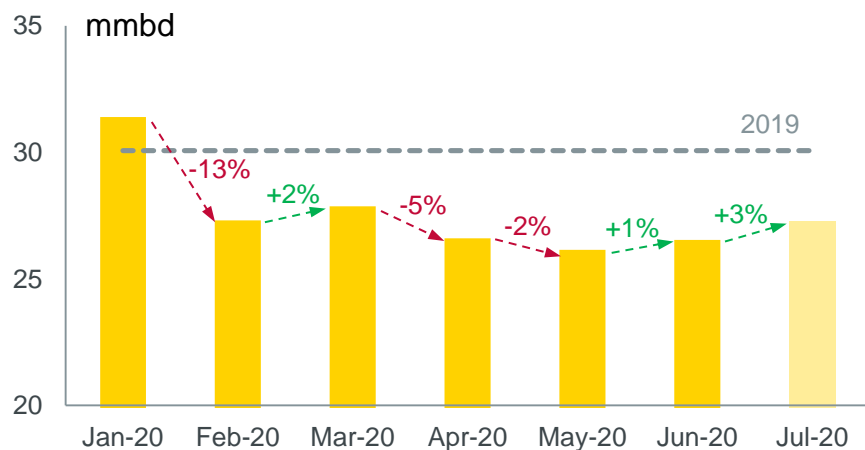
Oil demand in Europe



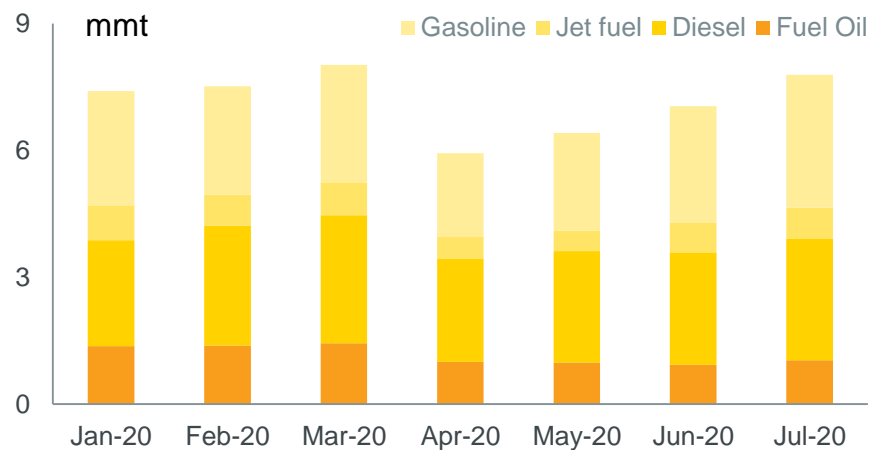
Main petroleum products demand in Europe



Oil demand in Asia-Pacific region



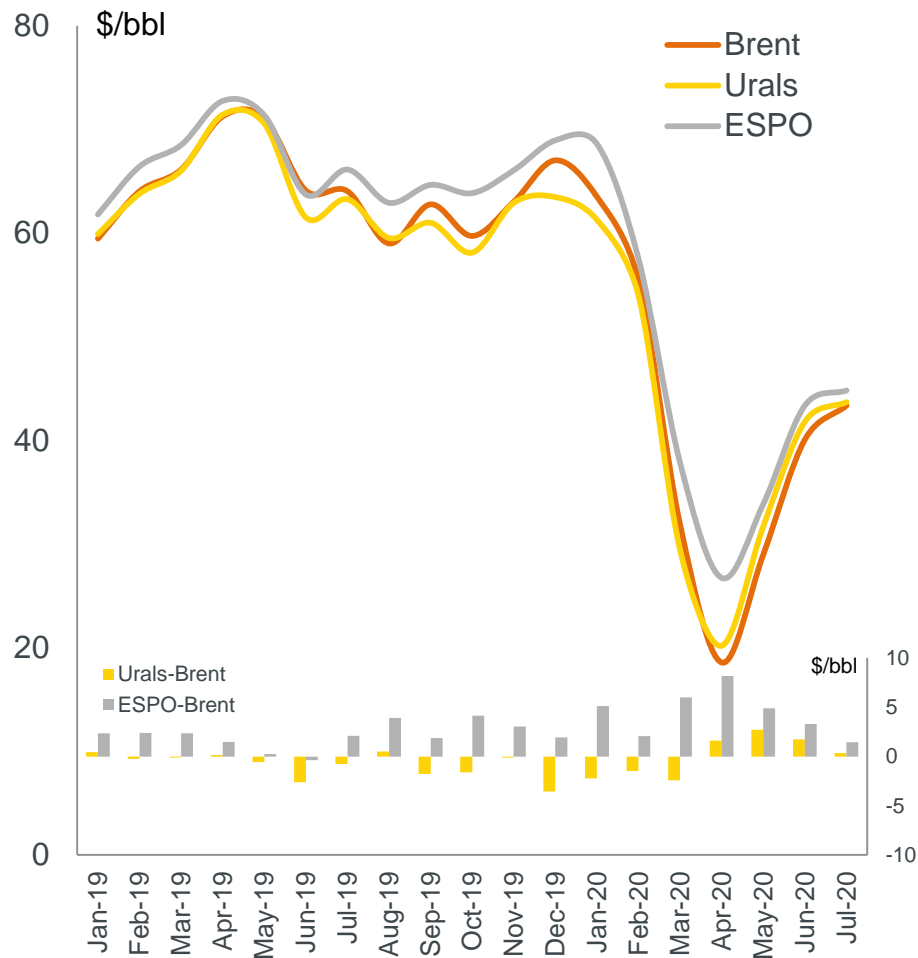
Domestic demand for main petroleum products



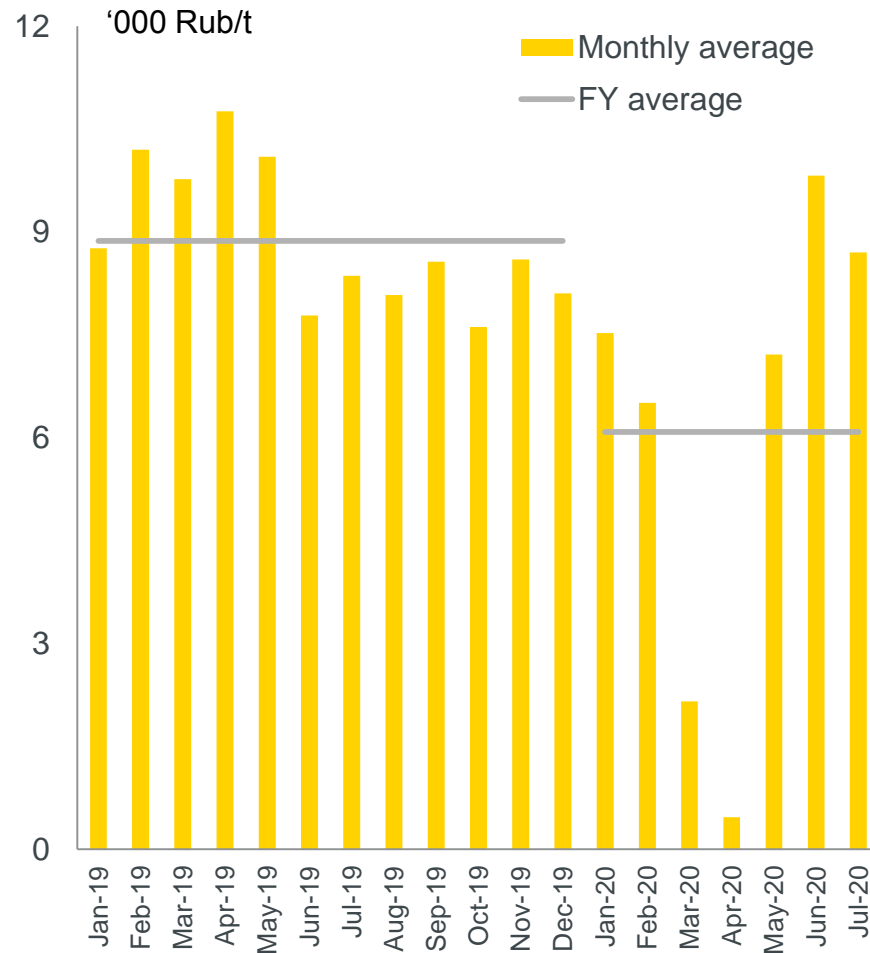
Record Low Oil Prices Followed by Partial Recovery



Oil prices and differentials¹



Gross Upstream margin²

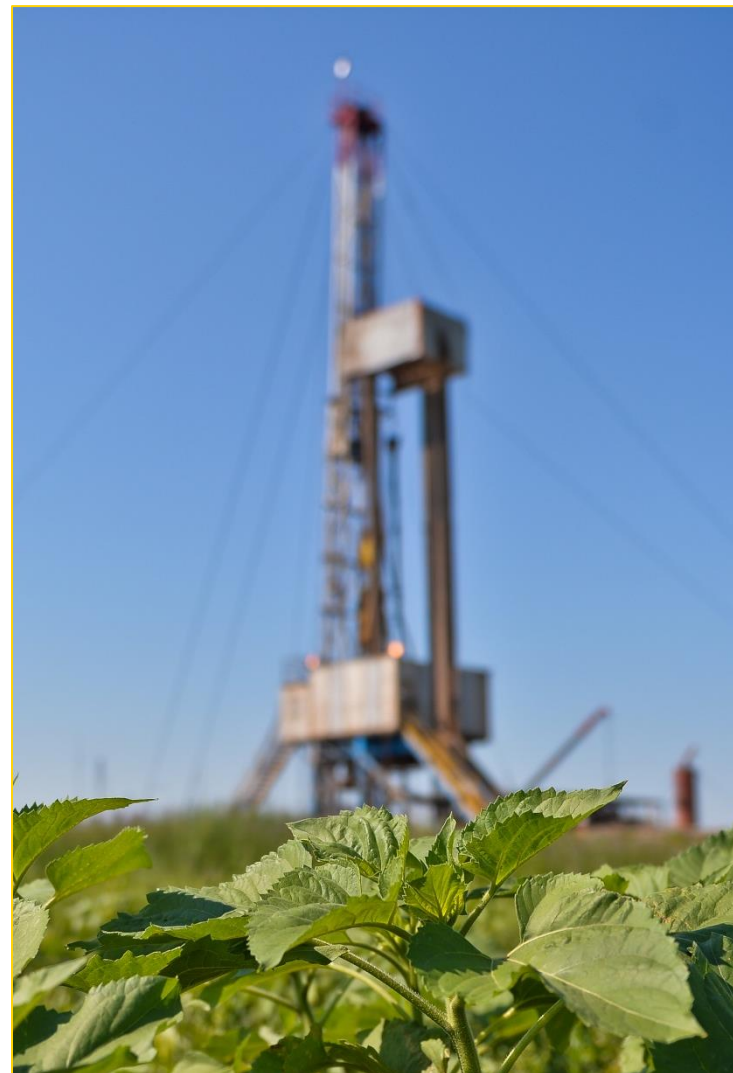


Note: (1) Monthly averages, (2) Calculated as Urals price less MET, export customs duty and transportation costs at the Yugansk-Primorsk route

Key H1 2020 Events



- 1 Final 2019 dividends approved. Payments completed ahead of schedule (July 14)
- 2 45 mln shares and GDRs for a total of c. \$196 mln have been purchased under the share buyback program¹
- 3 Positive free cash flow generation and debt decrease despite a 40% oil price drop and decline in demand
- 4 Production cuts under the new OPEC+ agreement
- 5 Completed the disposal of Venezuelan assets. Following the transaction 9.6% of treasury shares put on the Company's balance sheet



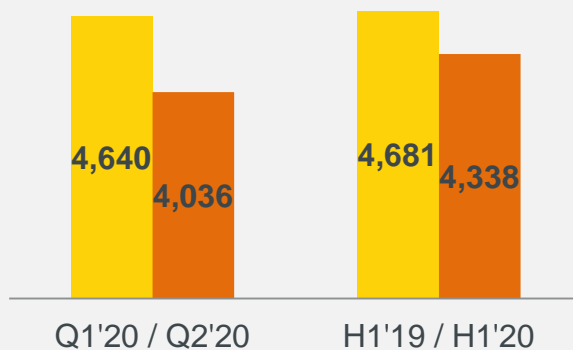
Operating Results



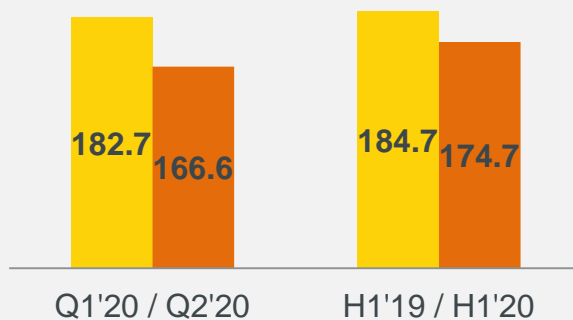
Key Operating Indicators



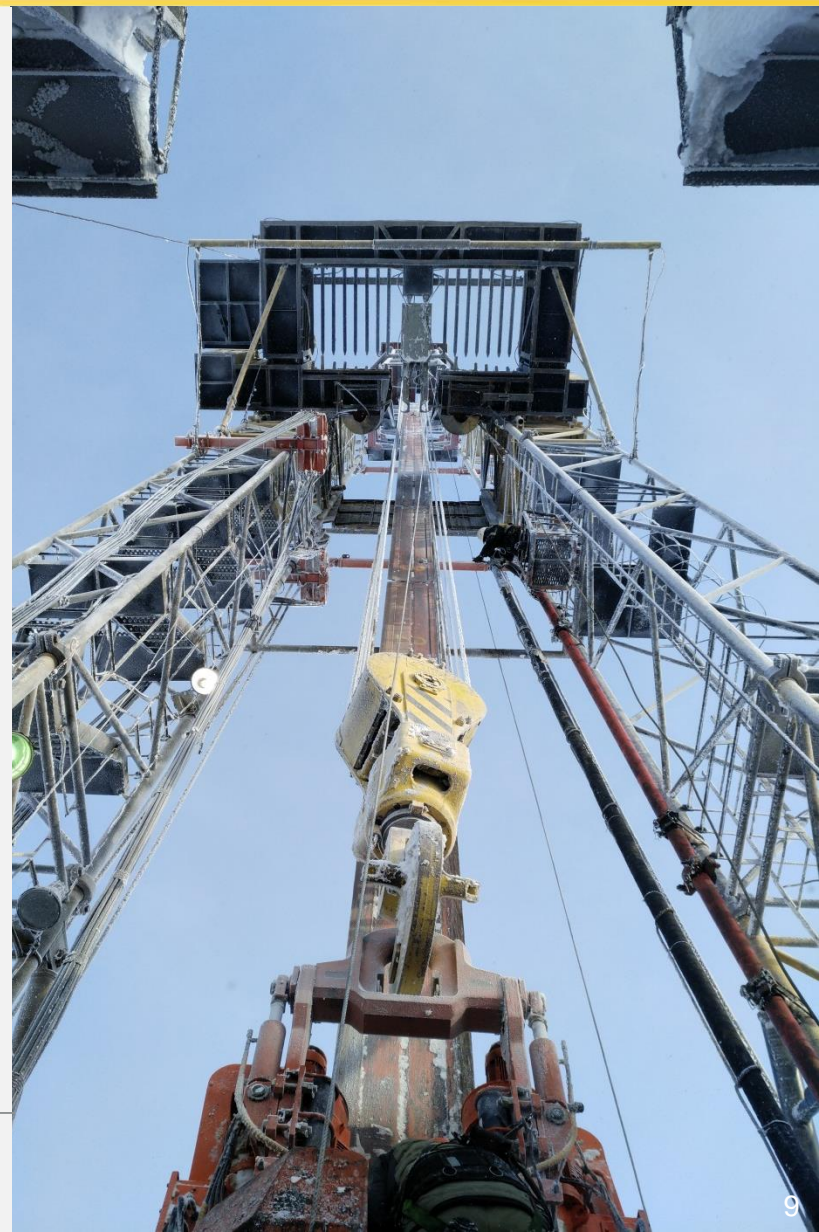
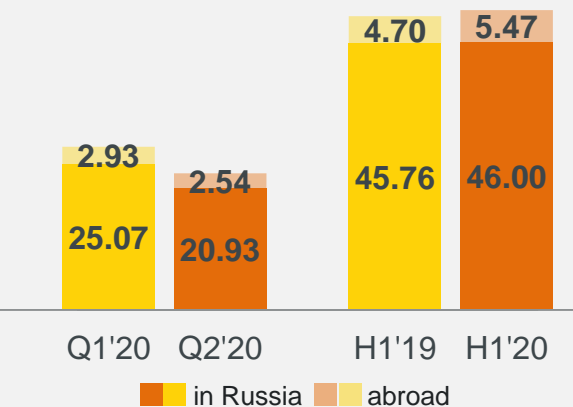
Oil production,
kbd



Gas production,
mmcmd



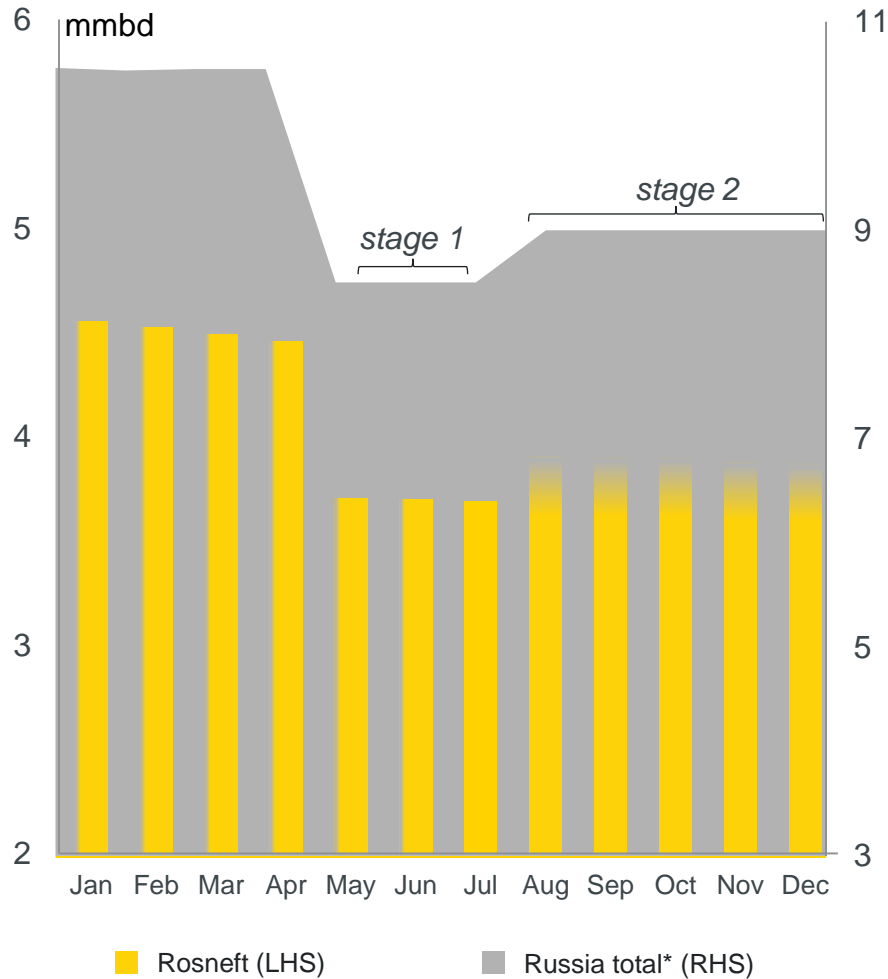
Petroleum product and petrochemical output,
mmt



Navigating OPEC+ Environment



Crude oil production in Russia (2020)

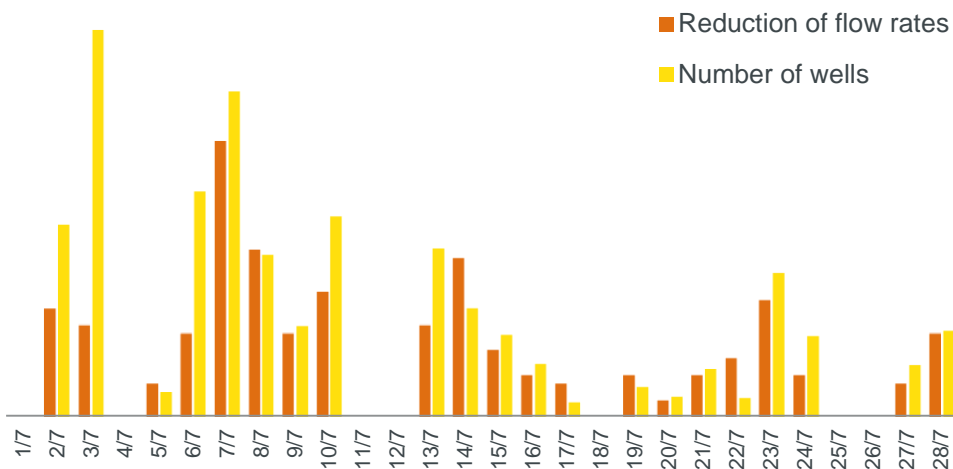


- ▶ The Company has started oil production cuts under the new OPEC+ agreement since May 2020
- ▶ Production cuts on a pro rata basis
- ▶ Production reduced by 18% in May-June vs Q1 2020 average
- ▶ Stage 1 extended till the end of July 2020
- ▶ The Company successively executes its approach to production cuts:
 - Asset selection (to cut production) is based on economic efficiency
 - Continued development of new fields
 - Efficient long-cycle wellworks to be continued according to schedule
 - Efficient well stock management

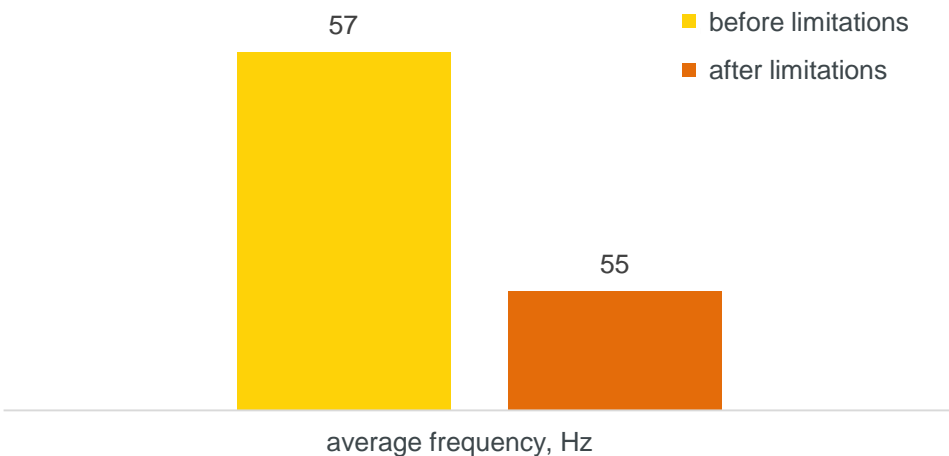
Examples of Successful Production Management



Regulating pump jacks parameters (Bashneft-Dobycha, lowering stroke length and pumping speed)



Average frequency of the active wells stock (Tomskneft, April-July 2020)



Regulation of the ESP* rotation frequency and the SRP** number of swings enables to quickly manage the operating mode of the mechanical well stock without replacing the equipment. These approaches are actively used on active wells stock

***EPS** – electrical submersible pump

****SRP** – sucker-rod pump

Development of Key Oil Projects



Сев. Комсомольское м/р	Лодочное месторождение
<p>3P (PRMS) reserves – 269 mmtoe¹</p> <p>The implementation of the 1st stage of full-scale field development (PK-1 horizon) has begun</p> <p>Development drilling is in progress, 43 wells have been drilled as of June 30, 2020</p> <p>Engineering preparation of the main facilities sites for the full-scale development of the field is underway</p>	<p>3P (PRMS) reserves – 85 mmtoe</p> <p>Pilot development programs are being implemented with connection to the facilities of the Vankor field, preparation for starting is underway</p> <p>Development drilling is in progress, 38 wells have been drilled as of June 30, 2020</p> <p>Construction and installation work is underway at infrastructure facilities and oil and gas processing facilities</p>
Erginskiy LA	Severo-Danilovskoye
<p>3P (PRMS) reserves – 89 mmtoe</p> <p>Launch year – 2020, production plateau – ~4.5 mmt (2024)</p> <p>Development drilling is in progress at 11 pads, 144 wells have been drilled as of June 30, 2020</p> <p>A 79 km pressure pipeline welding is nearing completion, preparatory work is underway to verify the testing of the pipeline at the finished sections</p> <p>Construction of infrastructure facilities, infield pipelines and electric power transmission lines are underway</p>	<p>3P (PRMS) reserves – 101 mmtoe</p> <p>Launch year – 2020, production plateau – ~2 mmt (2024)</p> <p>95 well to be drilled, 10 wells have been drilled as of June 30, 2020. The majority of wells will be horizontal</p> <p>Work continues on the construction of well pads, infrastructure facilities, the oil pipeline and the motor road (currently operated in a year-round technical mode) to the Verkhnechonskoye field</p>

Note: (1) Reserves volume of the entire field

Development of Key Gas Projects



Rospan

3P (PRMS) reserves – 897 bcm of gas; 204 mmt of gas condensate, LPG and oil

Production plateau – >21 bcm of gas, >5 mmt of stable condensate and oil, up to 1.3 mmt of LPG

Launch of the first stage – Dec. 2020, project daily production year – 2021, production plateau year – 2022

The installation of the main technological equipment, installation and testing of process pipelines and control gear at the first start-up complex of the gas and condensate processing facility of Vostochno-Urengoy sky LA and the railway terminal at the Korotchaev station were completed. The main construction and installation works at the oil processing facility have been completed. Commissioning activities are carried out «under load» on completed construction sub-facilities

Kharampur

3P (PRMS) reserves – 735 bcm of gas

Gas production plateau: 1st stage (Senoman) - ~11 bcm

Project launch – 2021; Production plateau year – 2022

Construction and installation work is underway at the complex gas processing facility; equipment is being installed at the commercial gas metering unit on the gas pipeline of external transport, welding of a tunnel for the construction of a crossing using the method of directional drilling across the river Ayvasedapur has begun

Construction works on the site and linear facilities, as well as other ground infrastructure facilities to be continued in 2020

Sibneftegaz

3P (PRMS) reserves – 514 bcm of gas

6M 2020 production – 5.25 bcm

Gas production plateau – >13 bcm

Production plateau year – 2022

Production drilling, work on the construction of gas processing and transportation facilities to be continued in 2020

Kynsko-Chaselskoye Neftegaz

3P (PRMS) reserves – 195 bcm of gas

Production plateau – 8.7 bcm – Stage 1, >15 bcm – KChLA exploration

Project launch – 2026

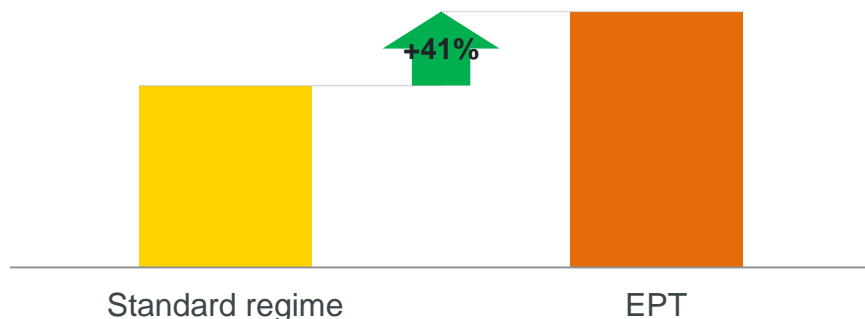


Excess Profit Tax Introduction Impact



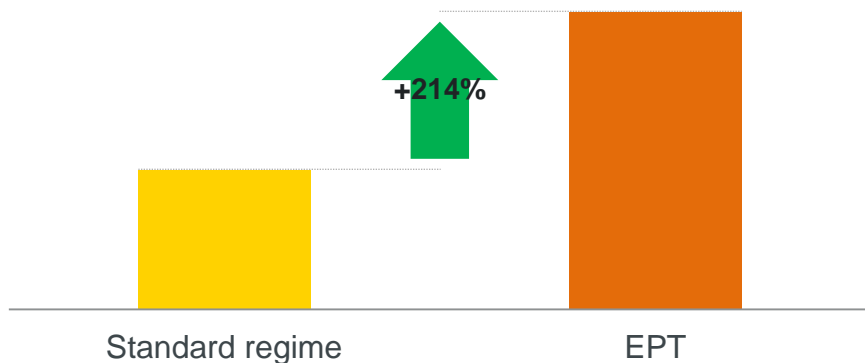
Crude oil production growth at fields that switched to EPT, 2019

mmt



Growth of investments at fields operating under EPT, 2019

Rub bn

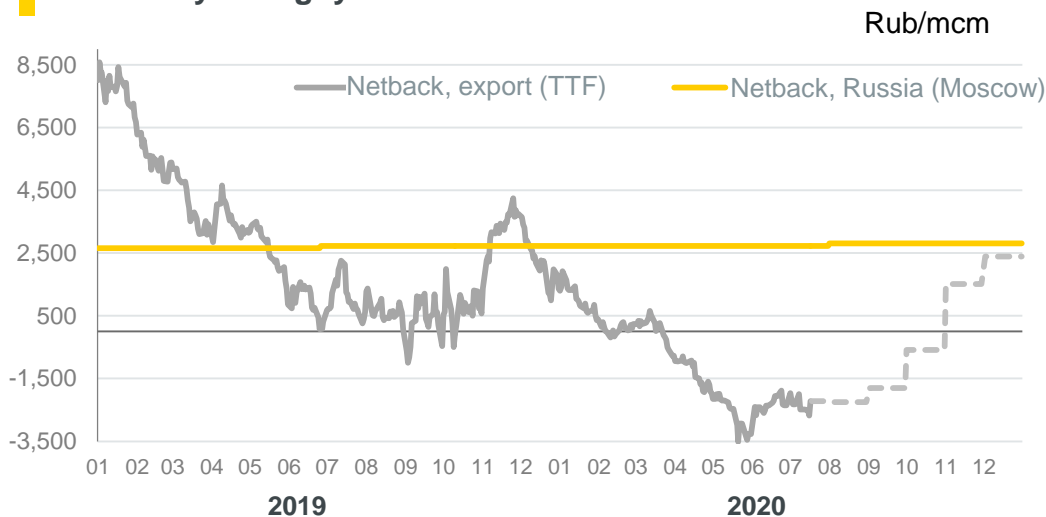


- ▶ The EPT regime was introduced since 2019
- ▶ It is an important step towards a sustainable and economically balanced fiscal regime in the industry
- ▶ It enables to improve economic efficiency and increase investments in projects which are economically unviable under the standard regime
- ▶ As a result of EPT introduction starting 2019:
 - total production at fields that switched to EPT grew by 41%
 - investments in projects increased by 2.1x times

Gas Business is Resistant to Volatile Prices at Global Markets



Domestic and export netback from Novy Urengoy



- ▶ Starting 2020 domestic gas netbacks have been more efficient compared to export deliveries at spot prices. Forward prices imply domestic market premiums throughout the year
- ▶ The Company's long-term domestic gas supply portfolio is up to 70 bcm per annum
- ▶ Power producers subject to the smallest demand reduction under restrictive measures comprise 60% of the supply portfolio

Competitive advantages of Rosneft's gas business:

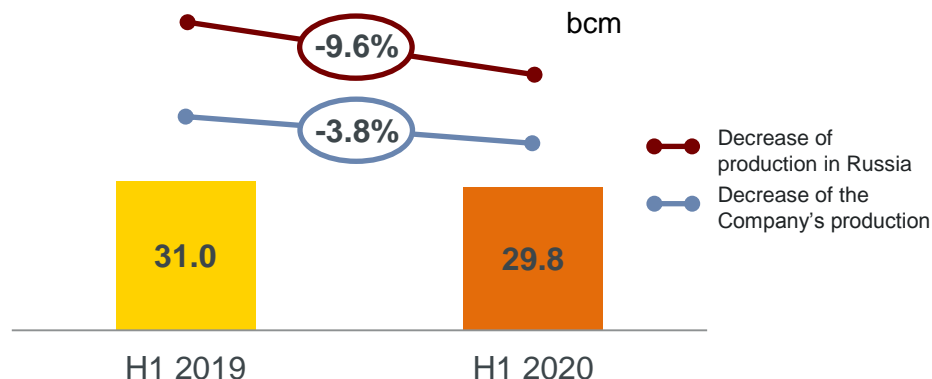
- ▶ Low risk profile of gas projects focused on the domestic market
- ▶ Stable and predicted cash flow, unaffected by the external environment
- ▶ No need to subsidize gas exports at the expense of the domestic market
- ▶ Gas condensate production is excluded from OPEC+ restrictions

Gas Business

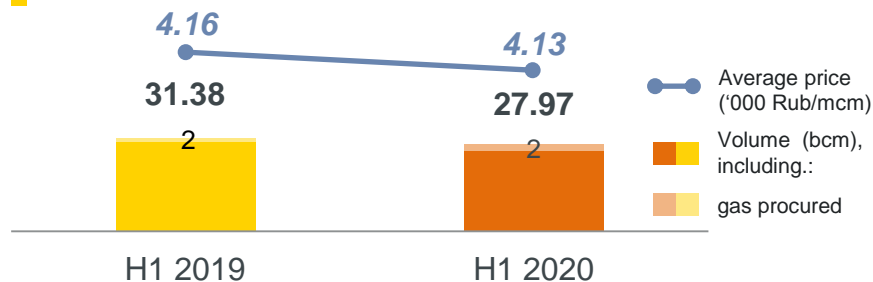


Gas production in Russia

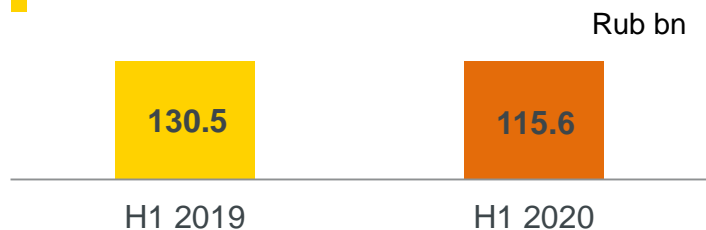
(OPEC+ impact is limited by the amount of associated gas)



Gas sales volumes and average price



Gas sales revenues



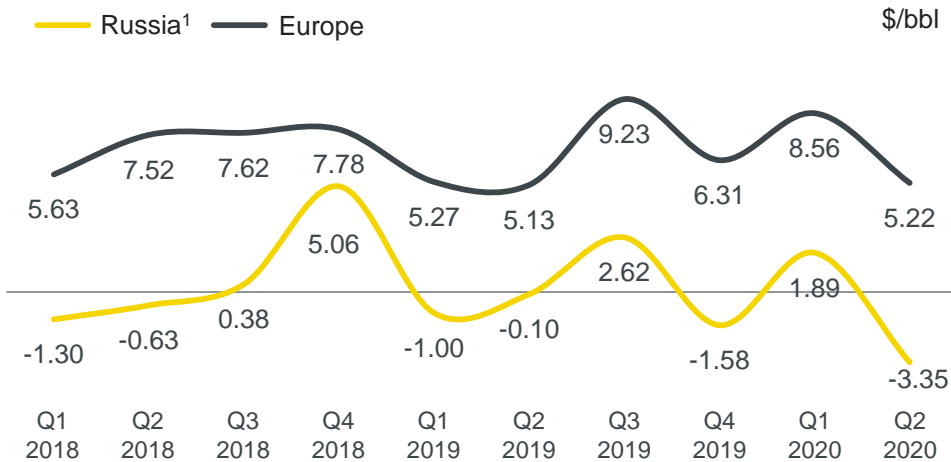
- ▶ The Company's H1 2020 gas production declined by c. 4% (YoY) compared to 9.6% total reduction in Russia¹
- ▶ The main growth driver is the Rospan project, which provides the largest incremental production increase for both gas and liquids. The launch of the project is planned for December 2020
- ▶ Projects development at Sibneftegaz and Kharampurneftegaz fields is in active phase
- ▶ According to the Federal Antimonopoly Service gas prices for industrial consumers and citizens have been increased by 3% starting August 1, 2020
- ▶ Decrease of revenues was caused by demand reduction following warm weather conditions as well as external factors that negatively influenced end consumers

Note: (1) Gas extracted less gas flared

Refining



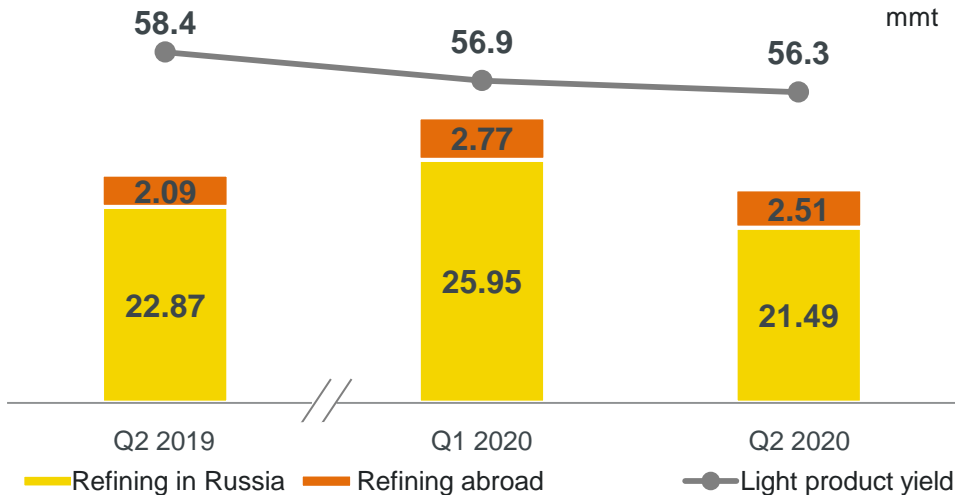
Refining margins



Refining economics in Q2 2020

- Decrease of refining margin in Russia during Q2 2020 was mainly caused by a negative impact of macro environment: outstripping recovery of oil prices against the lagging petroleum products prices, reduced refining volumes, as well as negative damper component of the excise tax
- Decline of refining margin in Germany QoQ driven by decrease in oil products demand amid COVID-19 pandemic

Key refining indicators



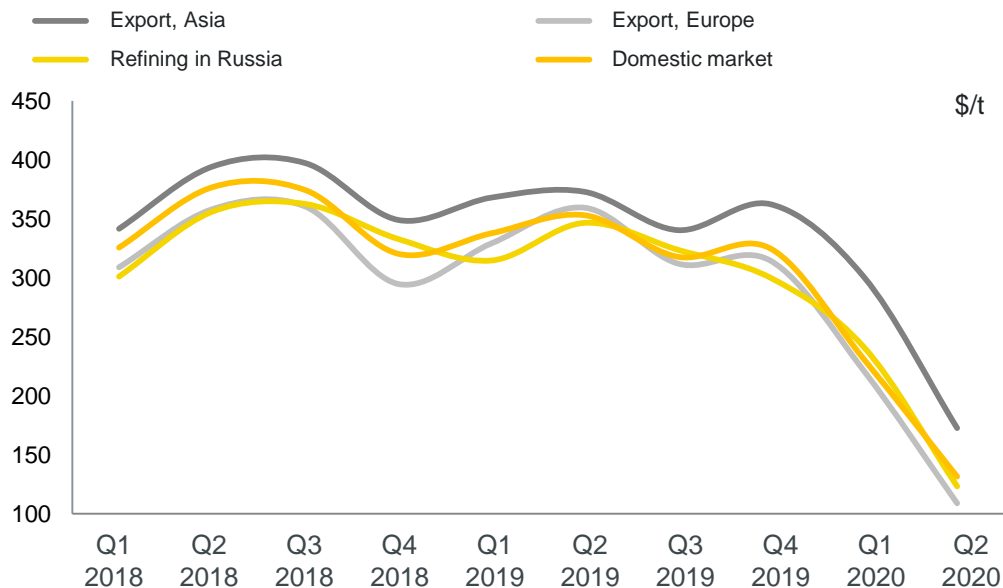
Q2 2020 results and achievements

- Over the reporting quarter the refining depth increased by 1.4 p.p. to 75.2%, light product yield reached 56.3%
- Syzran refinery launched production of RMLS low sulphur marine fuel in compliance with IMO 2020 requirements
- RMLS residual low sulphur marine fuel sales geography expansion: the start of fuel supply to the seaports of the Black Sea, Arctic and Baltic regions

Focus on Distribution Channels Development

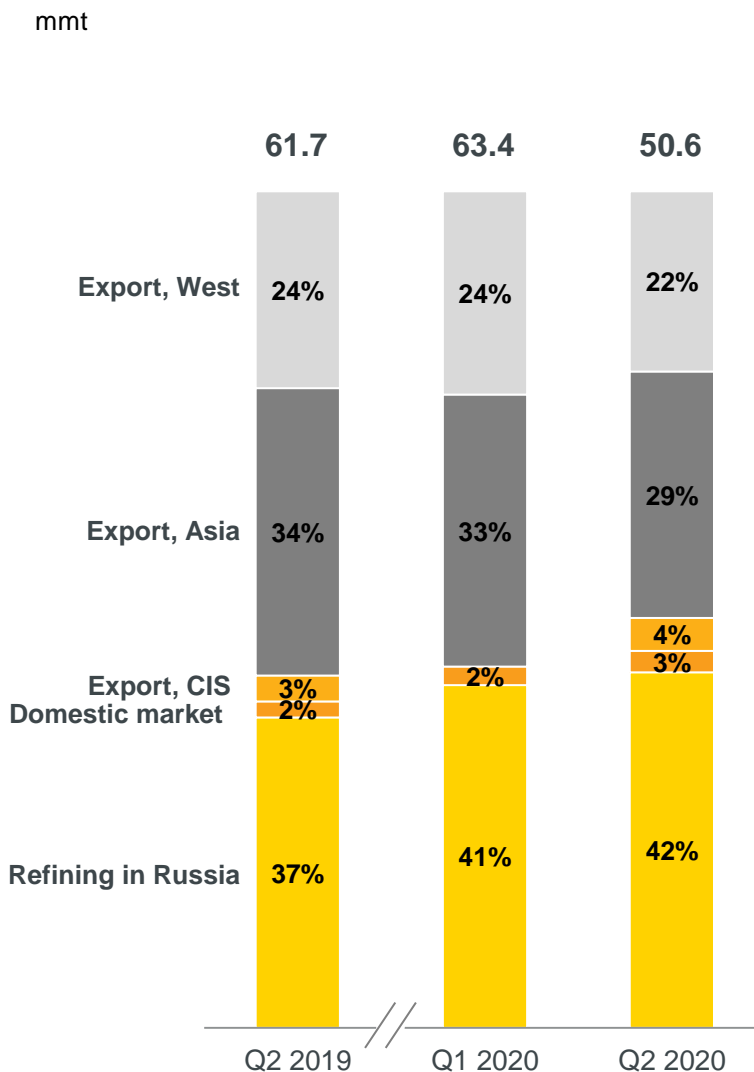


Netbacks of the main crude oil marketing channels



- ▶ Crude oil supplies eastwards reached 14.9 mmt, i.e. 57.8% of total sales to non-CIS countries
- ▶ In Q2 2020 crude oil exports to non-CIS countries reached 24.4 mmt while the share of 1+ years term contracts amounted to c. 90%
- ▶ Motor fuel sales via the exchange exceeded the required level by over 2x times

Crude oil marketing breakdown



Financial Results



Key Financial Indicators



479 Rub bn

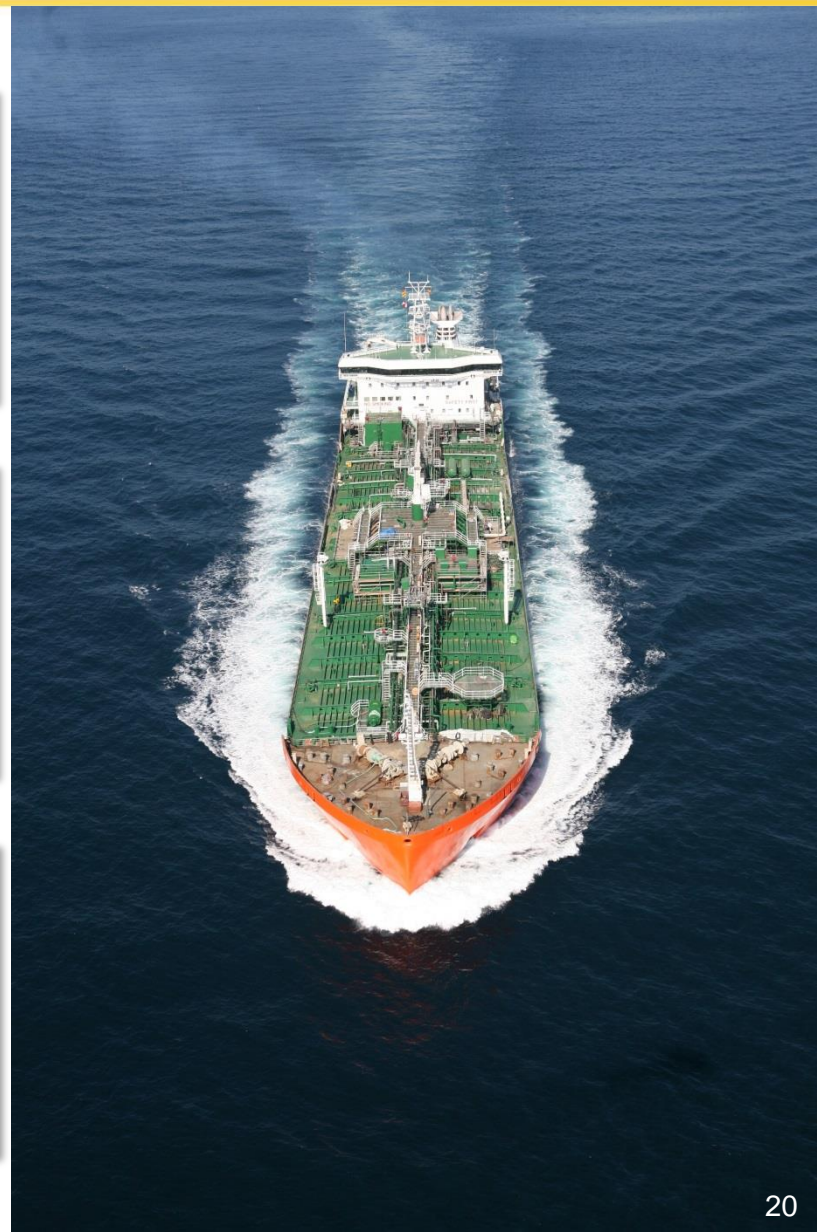
H1 2020 EBITDA amid the demand reduction and oil price drop

206 Rub bn

H1 2020 free cash flow

-4.3 \$ bn

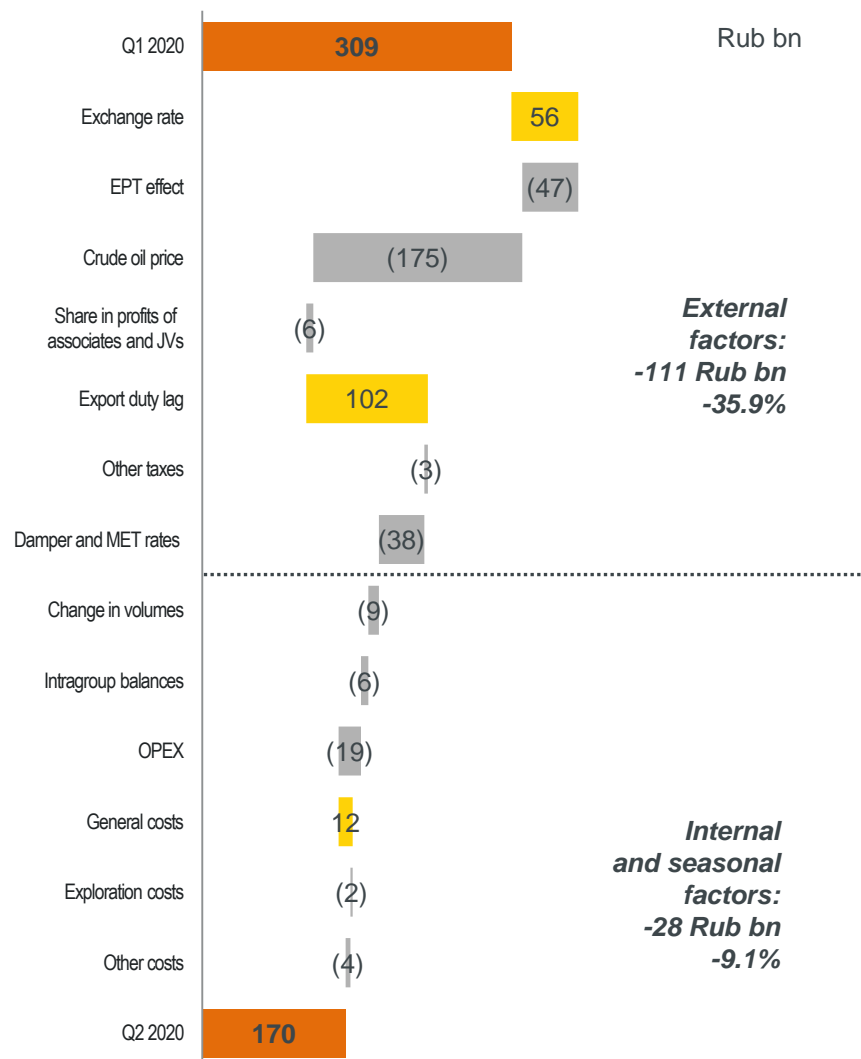
Reduction of debt and trading liabilities YTD



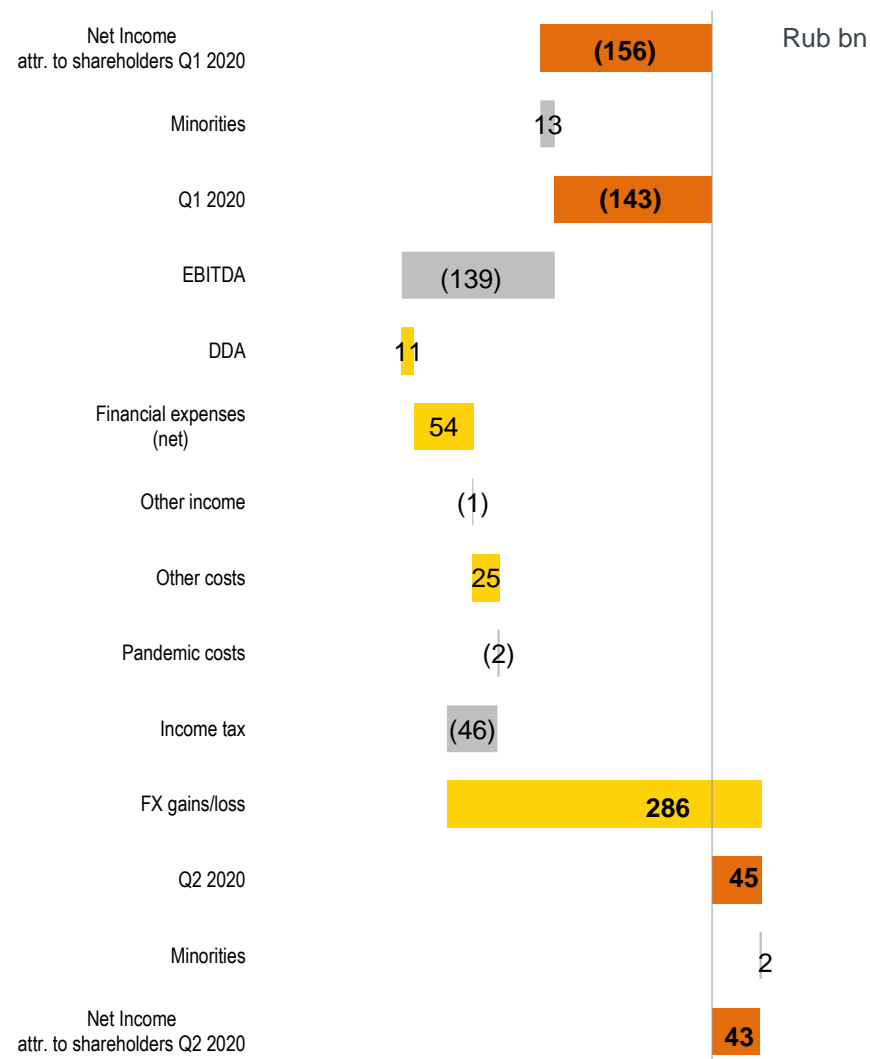
EBITDA and Net Income Dynamics



EBITDA Q2 2020 vs. Q1 2020



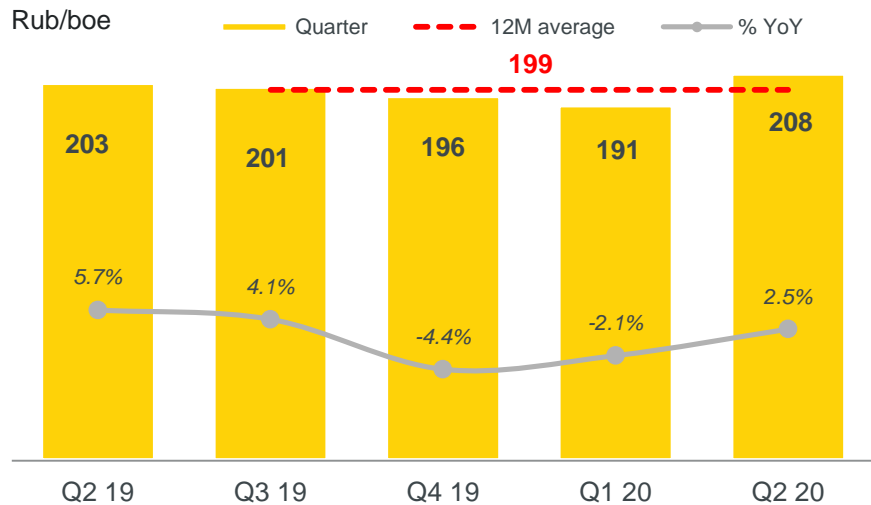
Net Income Q2 2020 vs. Q1 2020



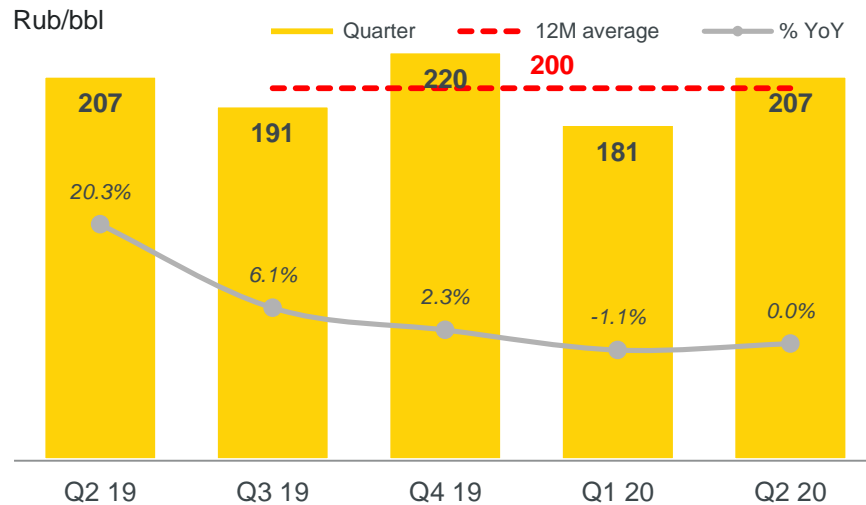
Efficient Cost Control



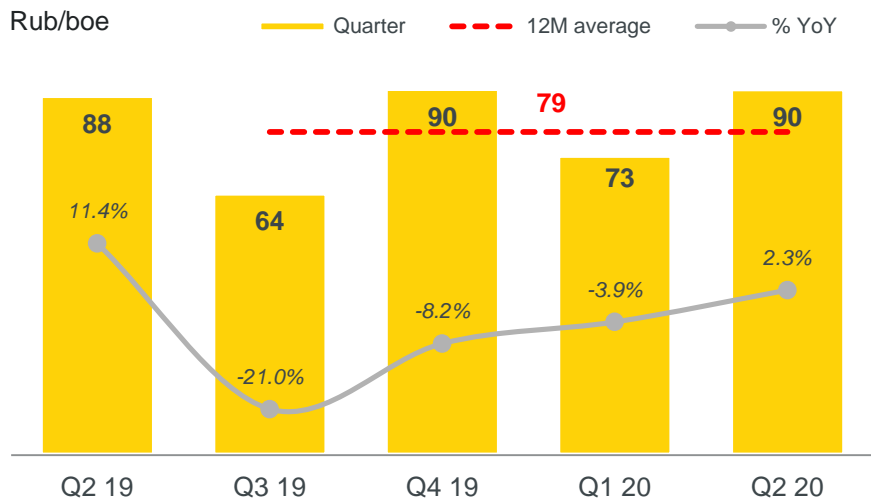
Lifting costs



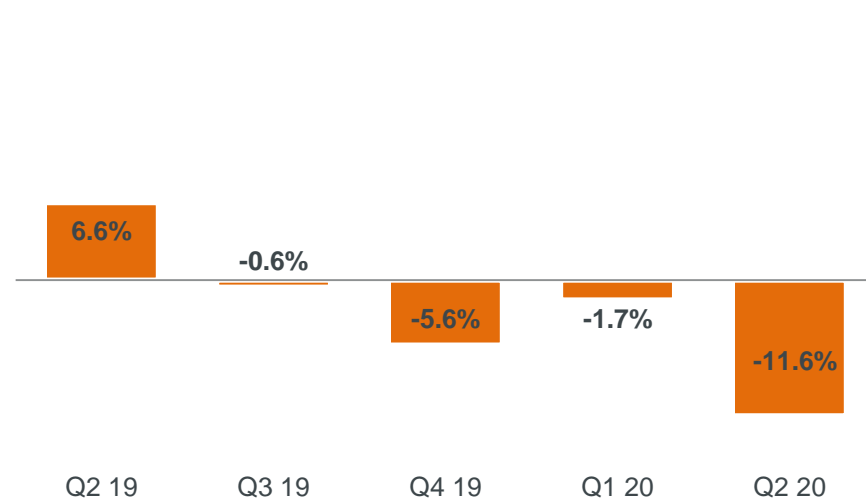
Refining costs in Russia



General and administrative costs¹



Producer Price Index (annual basis)

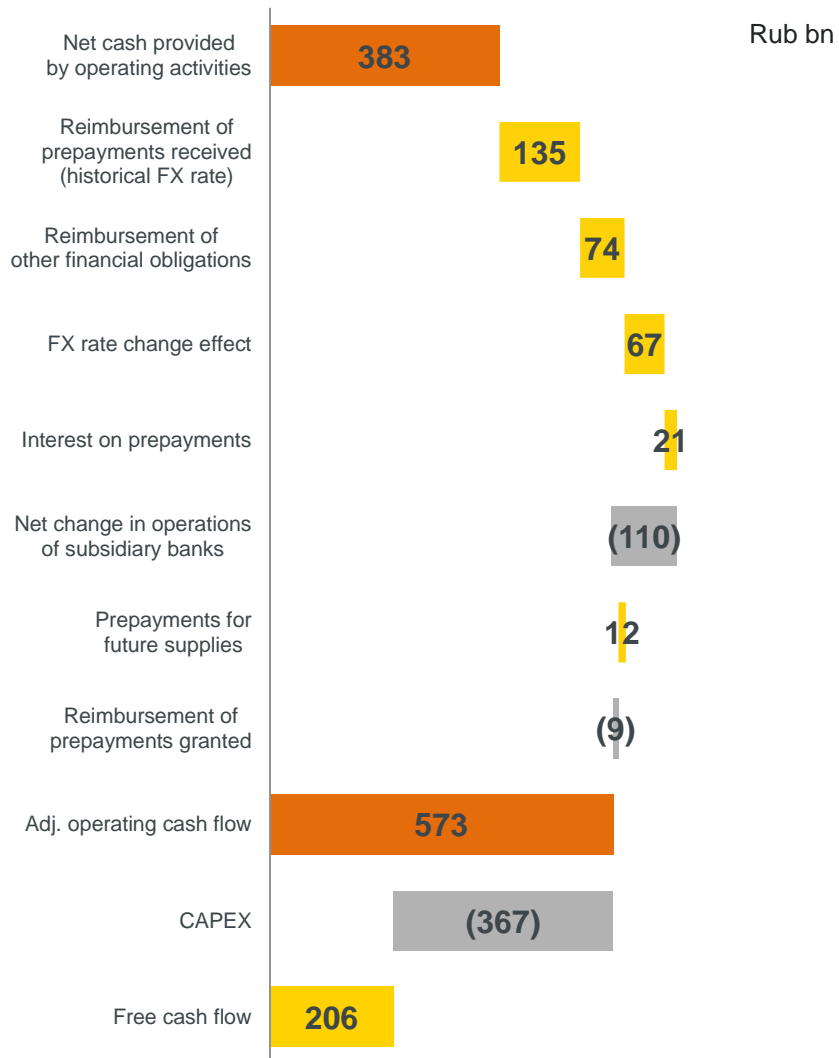


Note: (1) excl. provisions

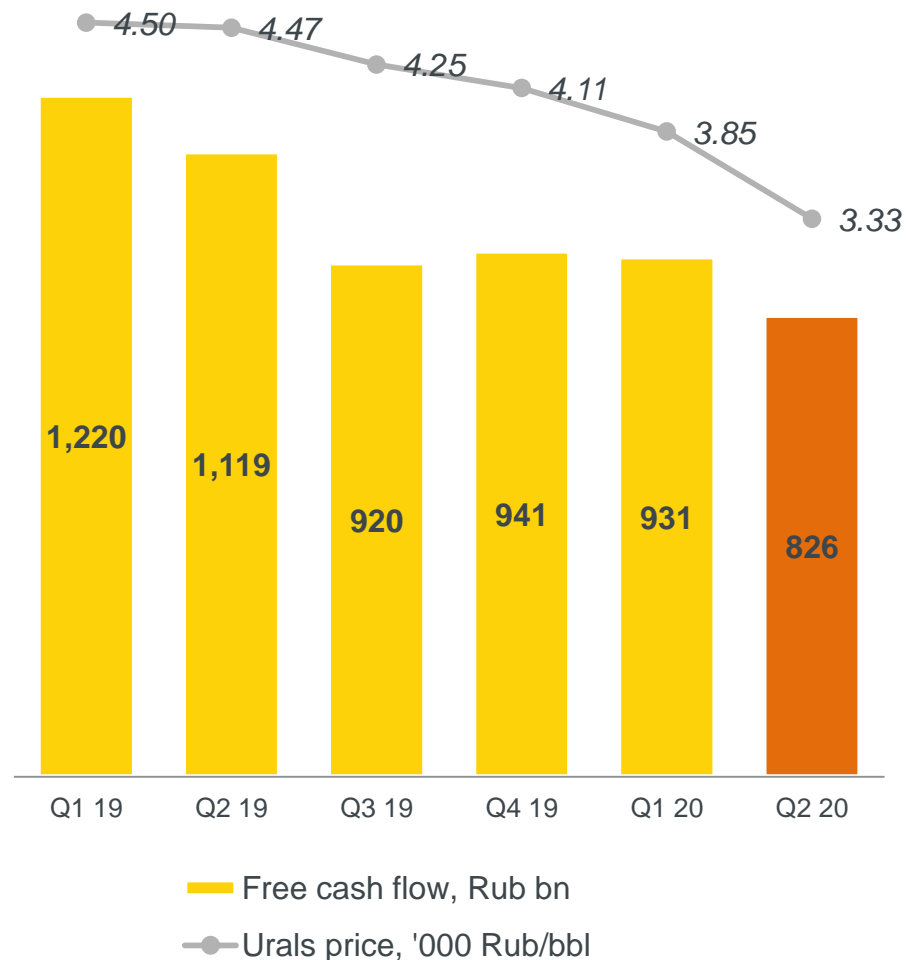
Strong Free Cash Flow



Free cash flow calculation



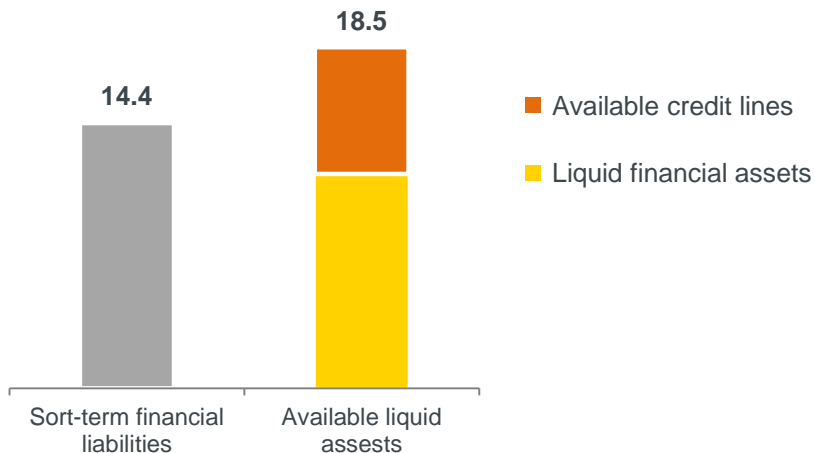
Crude oil price and free cash flow dynamics, LTM



Debt Optimization

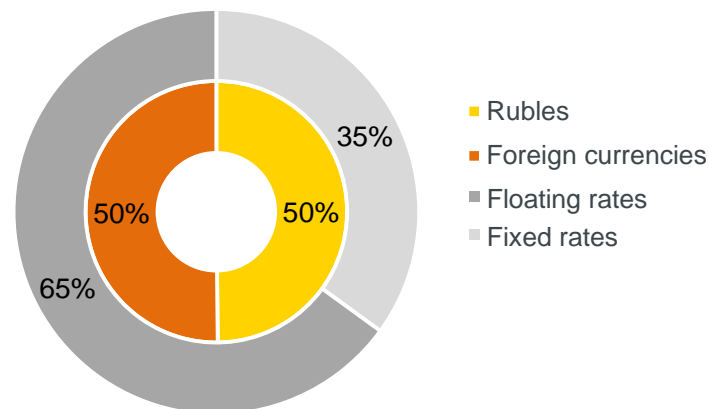


Liquidity position as of June 30, 2020, \$ bn

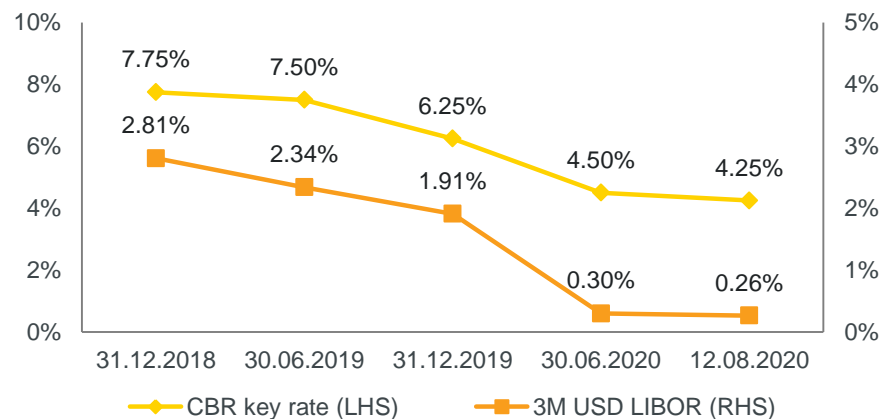


- ▶ Available liquid assets exceed short-term financial liabilities by 28%
- ▶ Interest expenses reduced by 21% (22 Rub bn) in H1 2020 (YoY)
- ▶ Reduction of financial debt and trading liabilities in H1 2020 by almost \$4.3 bn (-5.3%)

Financial debt breakdown as of June 30, 2020



CBR key rate and LIBOR

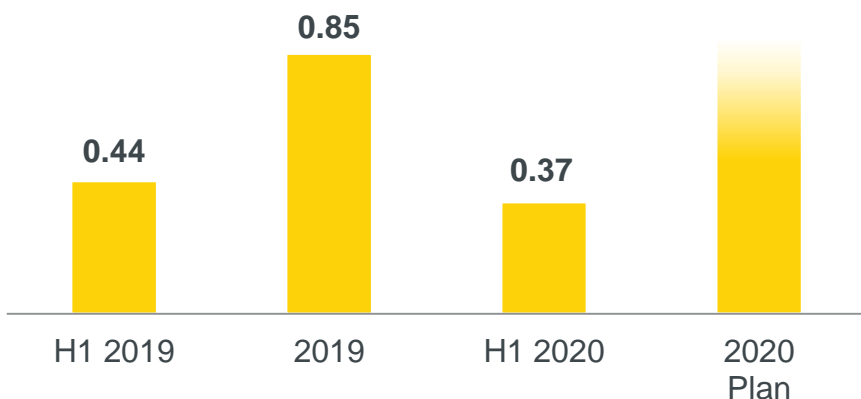


CAPEX



CAPEX evolution

Rub trln

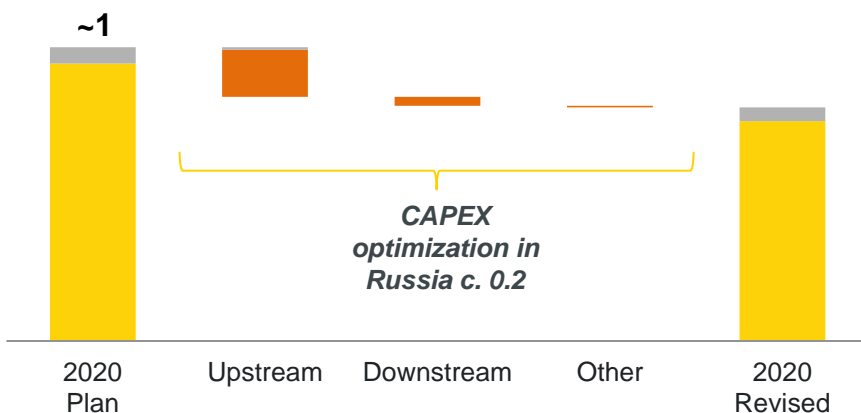


Following negative macro environment and production cuts the **CAPEX program was optimized by 20%**

The program still allows for **fast project development recovery** and production buildup whenever the market conditions change / production limitations will be lifted

Revision of CAPEX

Rub trln



■ Projects in Russia ■ International projects

Key areas for optimization

- ▶ Postponing/eliminating less economically viable projects
- ▶ Rising hurdle rates for certain groups of projects
- ▶ Maintaining active pre-investment work on high-margin perspective projects

Appendix



Key Operational Highlights



Indicator	Q2 2020	Q1 2020	%	H1 2020	H1 2019	%
Hydrocarbon production, incl. kboed	5,051	5,753	(12.2)%	5,402	5,806	(7.0)%
Liquids kbpd	4,036	4,640	(13.0)%	4,338	4,681	(7.3)%
Gas kboed	1,015	1,113	(8.8)%	1,064	1,125	(5.4)%
Oil refining mmt	24.00	28.72	(16.4)%	52.72	51.83	1.7%
Product output in Russia mmt	20.93	25.07	(16.5)%	46.00	45.76	0.5%

Key Financial Highlights



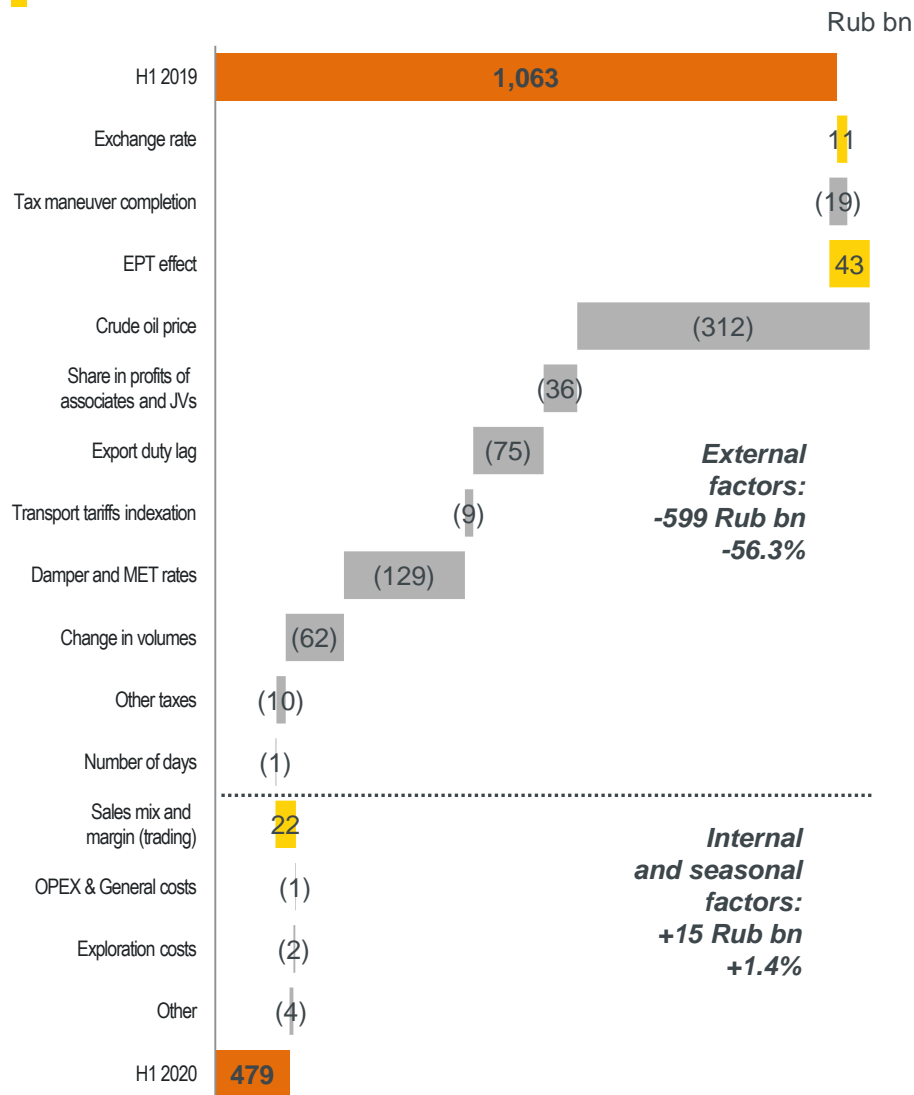
Indicator	Q2 2020	Q1 2020	%	H1 2020	H1 2019	%
EBITDA, Rub bn	170	309	(45.0)%	479	1,063	(54.9)%
Net Income, Rub bn <i>attributable to Rosneft shareholders</i>	43	(156)	–	(113)	325	–
Adjusted net income ¹ , Rub bn	(56)	34	–	(22)	472	–
Adjusted operating cashflow ² , Rub bn	169	404	(58.2)%	573	785	(27.0)%
CAPEX, Rub bn	182	185	(1.6)%	367	436	(15.8)%
Free Cash Flow, Rub bn	(13)	219	–	206	349	(41.0)%
EBITDA, \$ bn	2.5	4.9	(49.0)%	7.4	16.3	(54.6)%
Net Income, \$ bn <i>attributable to Rosneft shareholders</i>	0.7	(2.0)	–	(1.3)	4.9	–
Adjusted net income ¹ , \$ bn <i>attributable to Rosneft shareholders</i>	(0.8)	0.3	–	(0.3)	7.2	–
Adjusted operating cashflow ² , \$ bn	2.4	6.3	(61.9)%	8.7	12.0	(27.5)%
CAPEX, \$ bn	2.5	2.8	(10.7)%	5.3	6.7	(20.9)%
Free Cash Flow, \$ bn	(0.1)	3.5	–	3.4	5.3	(35.8)%
Urals price, '000 Rub/bbl	2.26	3.19	(29.2)%	2.75	4.28	(35.8)%

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), net change in operations of subsidiary banks and operations with trading securities (RUB equivalent)

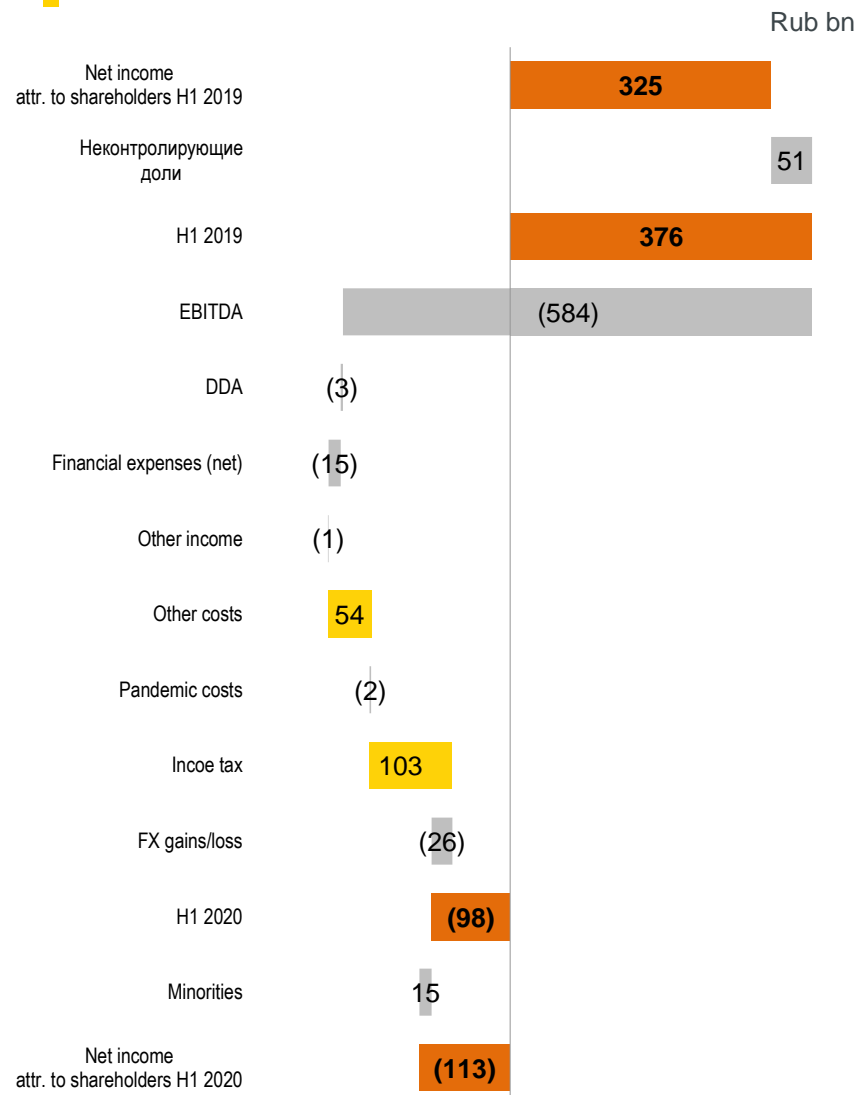
EBITDA and Net Income Dynamics



EBITDA H1 2019 vs. H1 2020



Net Income H1 2019 vs. H1 2020



Calculation of Adjusted OCF



Profit and Loss Statement

No	Indicator	H1 2020, \$ bn
1	Revenue, incl.	42.5
	Reimbursement of prepayments and other financial obligations received	4.0
2	Costs and expenses, incl.	(40.1)
	Reimbursement of prepayments granted	(0.2)
3	Operating profit (1+2)	2.4
4	Expenses before income tax	(3.7)
5	Income before income tax (3+4)	(1.3)
6	Income tax	0.2
7	Net income (5+6)	(1.1)

Cash Flow Statement

H1 2020, \$ bn	Indicator	No
(1.1)	Net income	1
4.0	Adjustments to reconcile net income to cash flow from operations, incl.	2
(2.9)	Reimbursement of prepayments received under crude oil and petroleum products supply contracts	
(1.1)	Reimbursement of other financial obligations received	
0.1	Reimbursement of prepayments granted under crude oil and petroleum products supply contracts	
3.5	Changes in operating assets and liabilities, incl.	3
(0.3)	Interest on prepayments under long-term crude oil supply contracts	
(0.4)	Income tax payments, interest and dividends received	4
6.0	Net cash from operating activities (1+2+3+4)	5
(1.7)	Net change in operations of subsidiary banks	6
0.2	Prepayments for future supplies	7
4.2	Effect from prepayments	8
8.7	Adjusted operational cash flow (5+6+7+8)	9

Finance Expenses, Rub bn



Indicator	Q2 2020	Q1 2020	%	H1 2020	H1 2019	%
1. Interest accrued ¹	63	65	(3.1)%	128	145	(11.7)%
2. Interest paid and offset ²	60	66	(9.1)%	126	141	(10.6)%
3. Change in interest payable (1-2)	3	(1)	–	2	4	(50,0)%
4. Interest capitalized ³	32	36	(11.1)%	68	82	(17.1)%
5. Net loss from operations with financial derivatives ⁴	(4)	7	–	3	–	–
6. Increase in provision due to the unwinding of a discount	6	6	–	12	10	20.0%
7. Interest on prepayments under long-term oil and petroleum products supply contracts	9	12	(25.0)%	21	40	(47.5)%
8. Change in fair value of financial assets	(20)	22	–	2	–	–
9. Increase in loss allowance for expected credit losses on debt financial assets	–	1	(100.0)%	1	2	(50.0)%
10. Other finance expenses	3	3	–	6	5	20.0%
Total finance expenses (1-4+5+6+7+8+9+10)	25	80	(68.8)%	105	120	(12.5)%

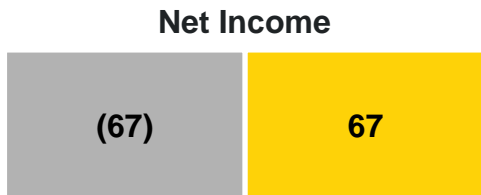
Note: (1) Interest accrued on credits and loans and other financial obligations, (2) Interest is paid according to the schedule, (3) Interests paid shall be capitalized in accordance with IAS 23 standard Borrowing Costs. Capitalization rate is calculated by dividing the interest costs for borrowings 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.

Variance Analysis



H1 2020 EBITDA and net income sensitivity to +/- 10% change in Urals price

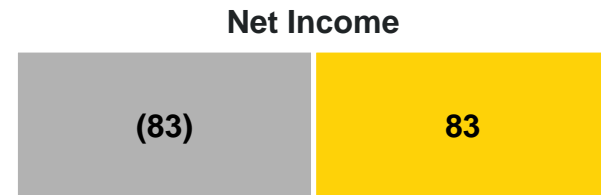
Run nb



■ -10% 39.7 \$/bbl ■ +10%

H1 2020 EBITDA and net income sensitivity to +/- 10% change in Rub/\$ exchange rate

Rub bn



■ -10% 69.3 Rub/\$ ■ +10%

Questions & Answers

