

2014 Rosneft Annual Report, Annual Financial Statements, Profit Distribution and Dividend Payment Approval



РОСНЕФТЬ



Igor Sechin
Chairman of the
Management Board,
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Saint Petersburg
17.06.2015

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Sustainable growth in 2014



Production		Revenue	
251.6 mmtoe	▲ 4.8%	5.5 RUB trln	▲ 17.2%
ABC1+C2 Reserves		EBITDA	
129 bboe	▲ 5.7%	1.1 RUB trln	▲ 11.6%
Crude and petroleum product sales		Net profit	
207.4 mmt	▲ 7.5%	350 RUB bln	▼ 9.8%
Gas sales		CAPEX	
56.5 bcm	▲ 44.7%	533 RUB bln	▼ 4.8%
Refining throughput in Russia		Free cash flow	
87 mmt	▲ 11.5%	596 RUB bln	▲ 192.2%

Note: (1) The growth percentage is calculated using the unrounded values, (2) The net profit for 2013 is normalized for the effect from revaluation of the purchased assets and liabilities of TNK-BP in the amount of RUB 167 bln, (3) FCF is adjusted for the effect from operations with trading securities and prepayments under the long-term crude oil supply contracts

Successful launch of offshore projects



Pobeda field discovery in the Kara Sea

- ▶ Drilling of Universitetskaya-1, the world's northernmost well, completed successfully
- ▶ Pobeda field discovered with 130 mmt initial recoverable light oil in place and 396 bcm of free gas



Production growth in the Sakhalin-1 with Arkutun-Dagi field launch

- ▶ Oil production started in the Arkutun-Dagi field using Berkut, the world's largest drilling platform. The Company's share in the production is 1.8 mmt (20% of the Sakhalin-1 total production plan)
- ▶ World drilling record set - the longest directional well Z-40 in the Chayvo Tip, 13,000 m long



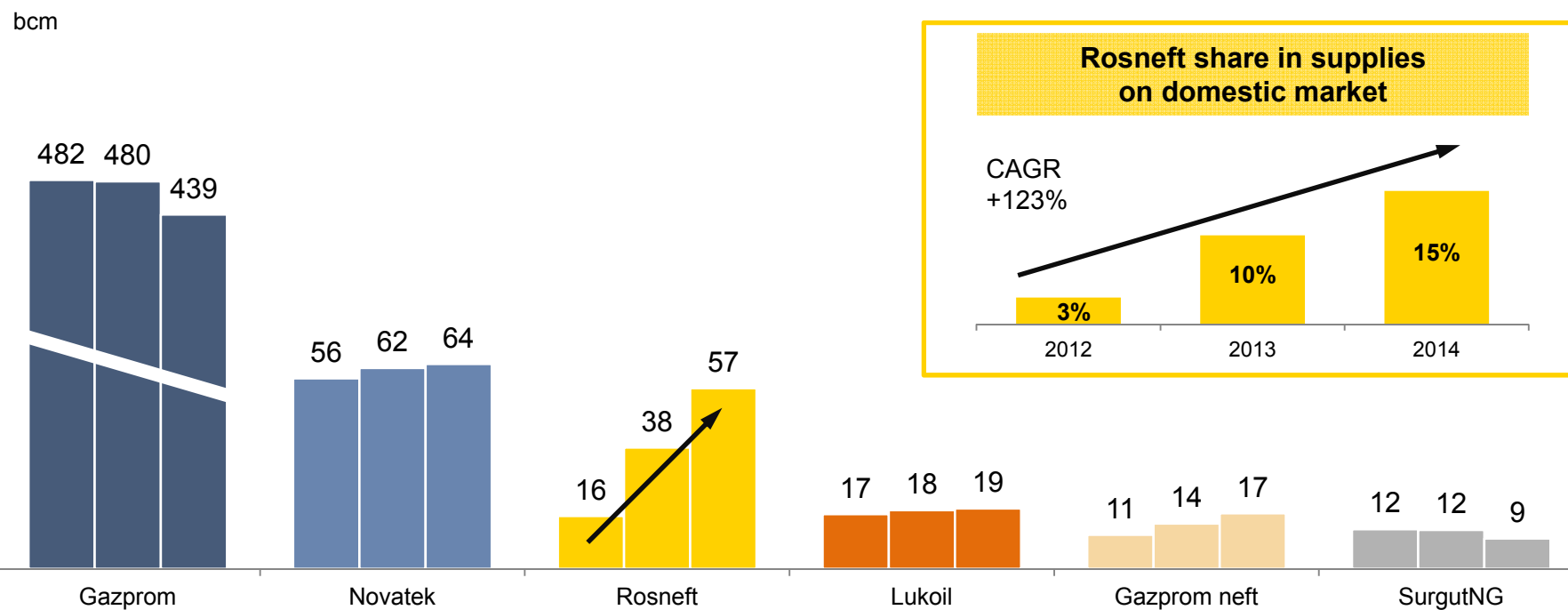
North Chaivo Field Development

- ▶ Production started using Yastreb, a unique onshore drilling rig (279 kt in 2014). Annual production - 1.6 mmt
- ▶ Two directional wells drilled - NC-1, (10,825 m) and NC-2 (9,923 m) Total startup rate of the two wells is >6 ktpd

Proactive gas business growth



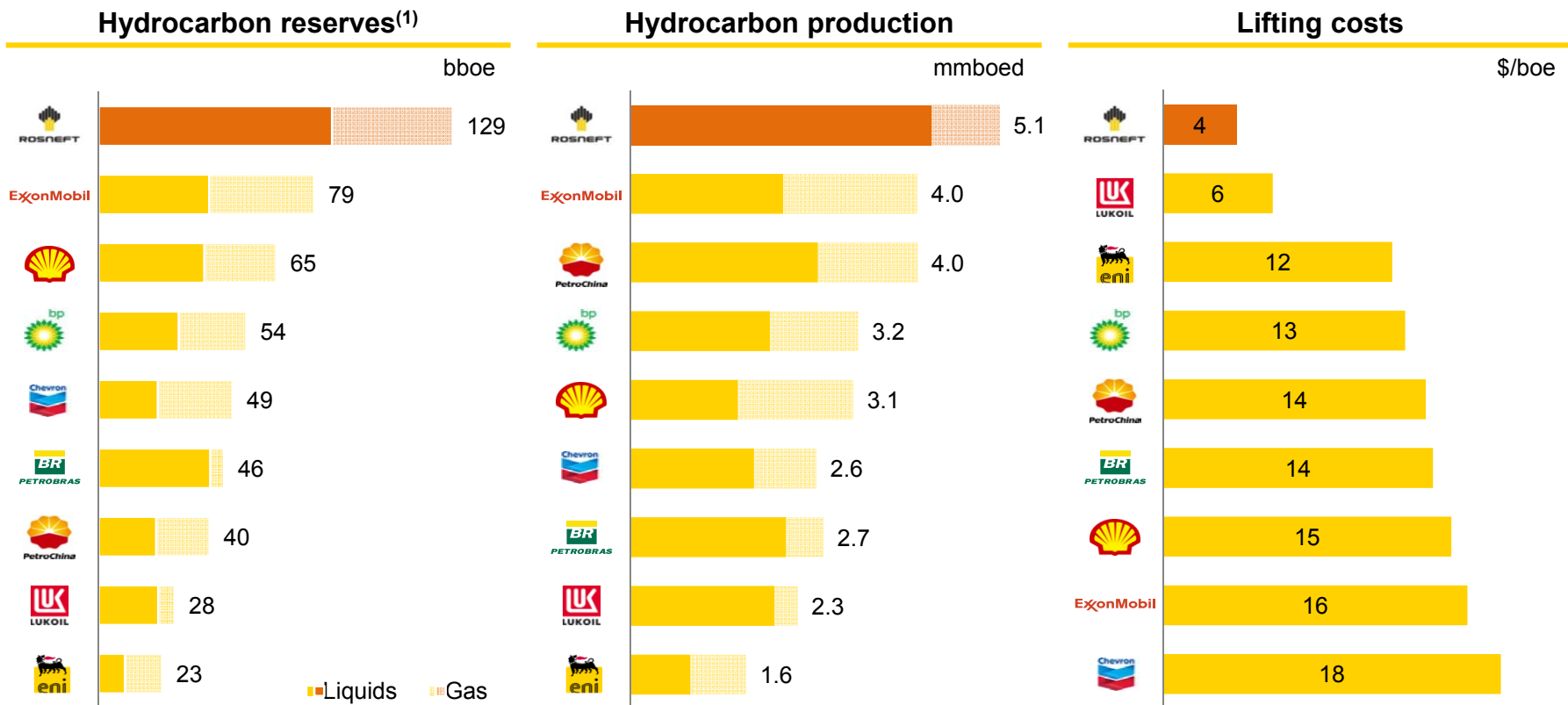
Gas production of major Russian companies in 2012-2014



Fivefold growth of the supplies on domestic market in 2012-2014

Sources: Central Dispatching Division of Fuel & Energy Complex, Rosneft management reporting, companies reporting

Leadership strengthening at the global market

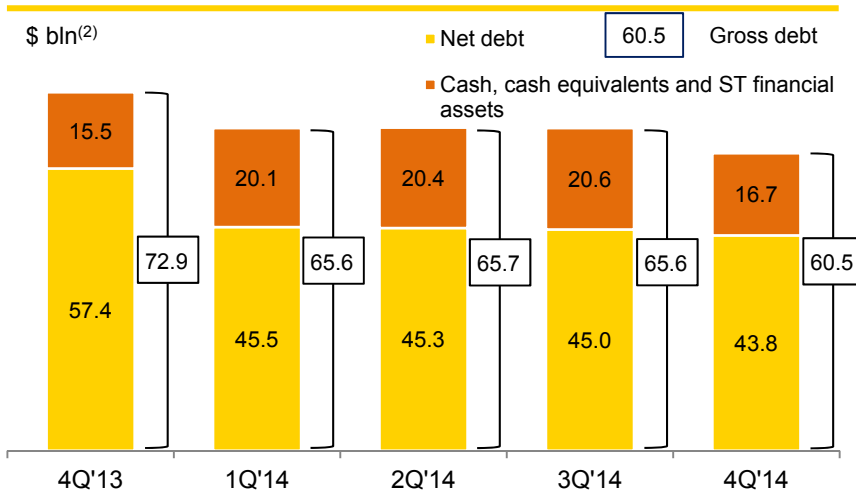


Note: (1) Among public oil companies. Wood Mackenzie data as of March 2015. Rosneft reserves classified according to ABC1 + C2 as of Dec 31, 2014, Lukoil reserves as of Dec 31, 2014 - the company's data

Meeting all financial obligations

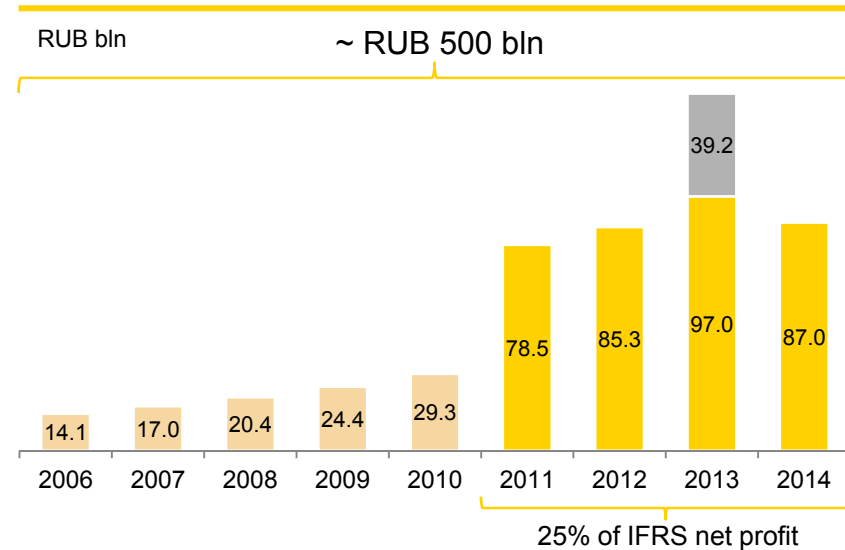


Debt and net debt dynamics



➤ Over 12 months 2014 the net debt downsized by **\$13.6 bln⁽²⁾**

Dividends payable



➤ Recommended dividend for 2014 – **8.21 RUB/share**

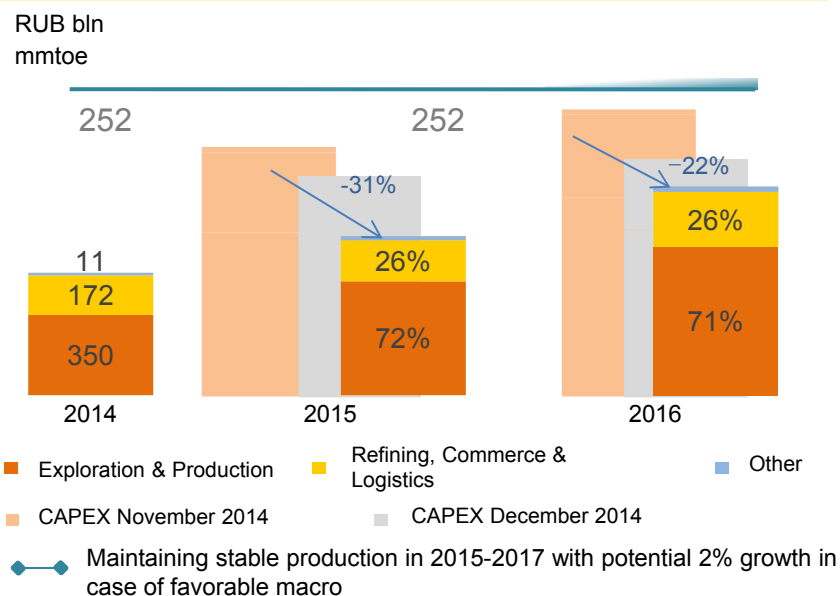
Over RUB 3 trln of taxes and customs duties accrued for 2014 – 1/5 of the Russian budget income

Note: (1) Taking into account the adjusted income by the amount of TNK-BP assets revaluation at RUB 167 bln, (2) Balance sheet data converted into USD at the exchange rate as of the end of the respective quarter

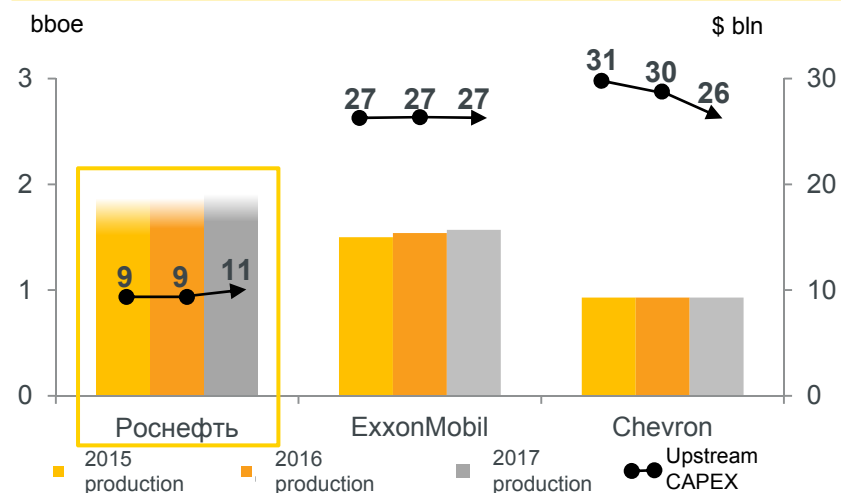
Robust business model: Investment Program flexibility



CAPEX and hydrocarbon production



Production growth and CAPEX increase*



- Amid 2 times oil price drop in 2014 and conservative planning parameters, the Company maintains a stable level of hydrocarbon production at the optimum level of investment within the funding constraints and execution of financial obligations

*Actual data and companies forecast 2015

Progressive launch of fields



- ▶ **1.9 bln toe** – total 3P reserves of the new fields in East Russia
- ▶ **>70 years** – potential of the Company's greenfields development
- ▶ Top production performance at the greenfields:
 - Vankor – to achieve the plateau of **22 mmt** (+2.6%)
 - VCNG – historic maximum daily production of **23.5 ktpd** (+6.5%)
 - Uvat – production peak of some **10 mmt** (+12.7%)
- ▶ To be put on stream soon:
 - 2015: Labaganskoye
 - 2016-2017: Suzun, Naulskoye, East Messoyakha

Key producing new assets



Greenfields



2013-2015

Osovey, N.Chaivo,
Labagan

2016-2017

Suzun, Naul, E.Massoyakha

2018-2019

Taas-Yuryakh, YTF, Russkoye

2020+

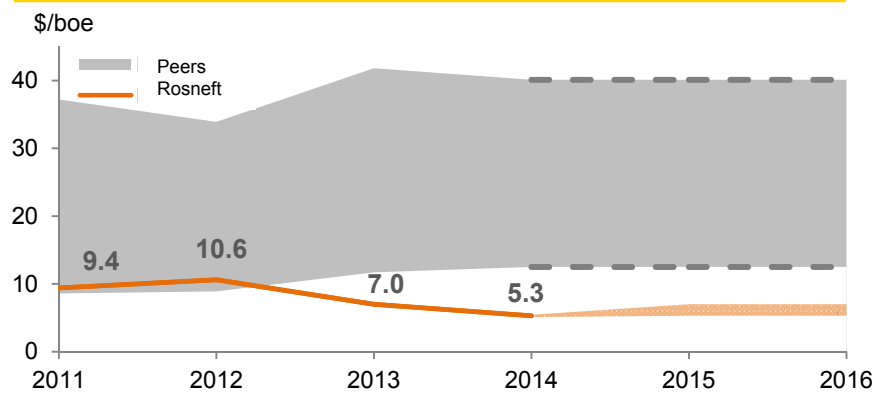
Tagul, Lodochnoye

Note: (1) Total 3P reserves as per PRMS (2) 100% specified. Rosneft share is 50%.

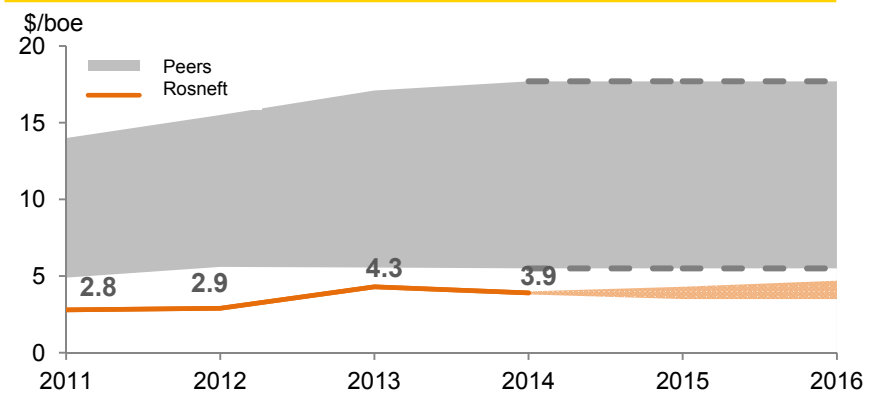
Maintaining efficiency



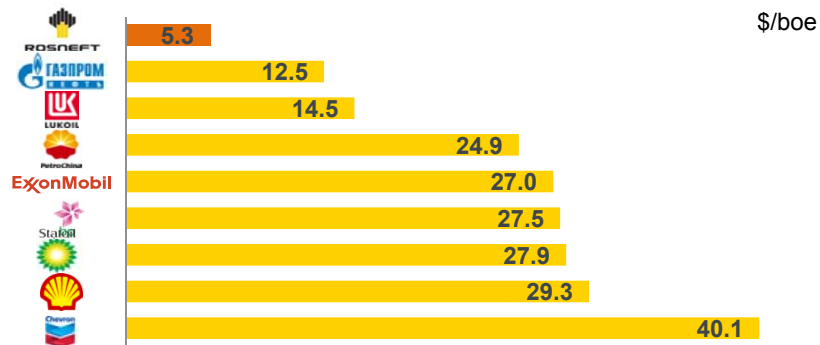
Upstream CAPEX



Lifting costs



2014 Upstream CAPEX



- Maintaining industry leadership in terms of unit CAPEX
- The industry's lowest effective unit Upstream Capex – 5.3 \$/boe in 2014, with an upward forecast not higher than 7.0 \$/boe in the medium term

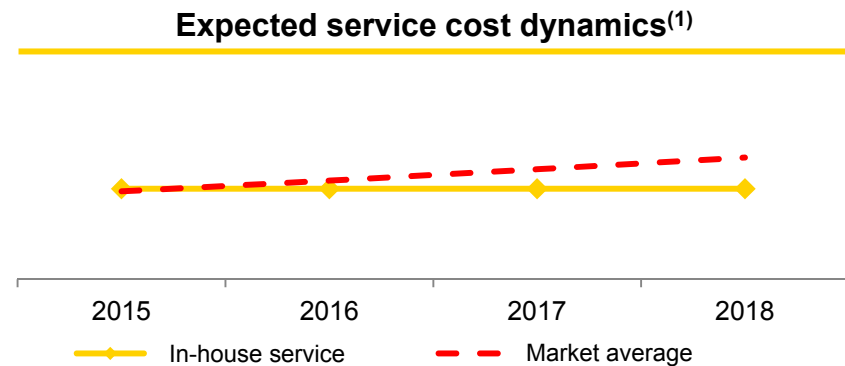
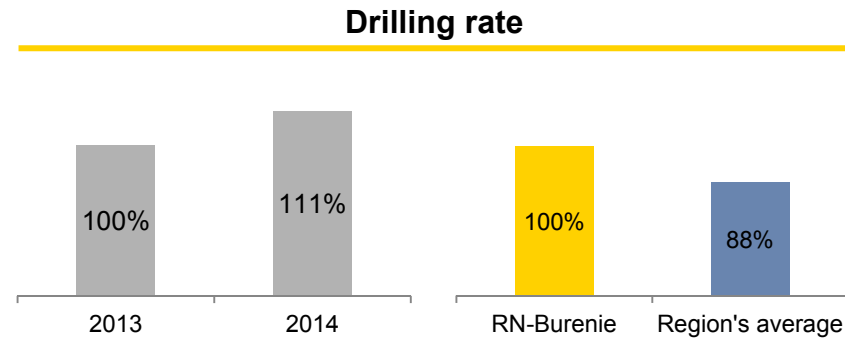
Strategic development of drilling services



- ▶ **Expanding in-house services based on RN-Burenie**
 - New assets integration (Weatherford, OBK) with drilling fleet expansion up to 213 rigs
 - Continue the program of business modernization and expansion in 2015 - 230 crews
 - Financial transparency and efficiency

- ▶ **Expanding in-house services based on RN-Service**
 - Strategy of repair service and vehicles development
 - Increase of captive WO crews to 530 in 2014
 - Equipment upgrades

- ▶ **Creation of internal services for hydraulic fracturing based on RN-GRP (RN-Frac)**
 - Timely support of the growing demand for fracturing
 - Support of the challenged reserve projects with the required capacities
 - Retaining the reasonable level of expenditures



Note: (1) Daily rate dynamics for BR 320m (Volga-Urals region)

Efficiency improvement in Upstream:

Ensure maximum production efficiency



Technology

Use of horizontal wells (HW)

- ▶ 245 HWs delivered in 2014 (+20% YoY)
- ▶ 16% of all new wells

Use of HWs with multi-stage hydrofracs

- ▶ 200 HWs with multi-stage hydrofracs delivered in 2014 (~x4 YoY)
- ▶ ~13% of all new wells

Continuous optimization of technological processes in drilling

- ▶ Technological operations at HW drilling optimized in RN-Yuganskneftegaz
- ▶ Average drilling cycle in RN-YNG reduced by 12 days

Well design optimization project

- ▶ In 2014, Vankor implemented a 2-string well design
- ▶ In 2015, a 2-string well design pilot scheduled in RN-YNG

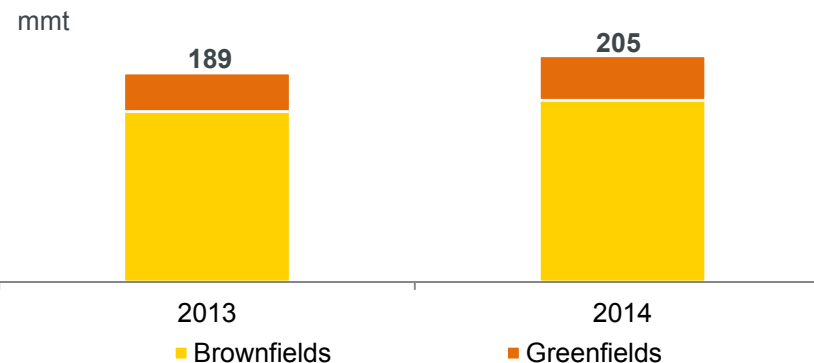
Using extended reach wells (ERW)

- ▶ 2 large step out wells drilled in Chaivo; total length is 10-11 km; well rate is 2-3 ktpd

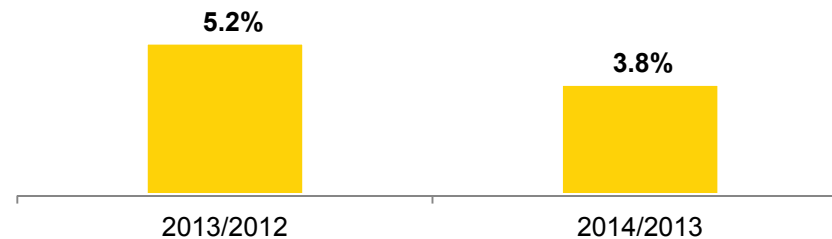
Using production drilling from offshore platforms

- ▶ Wells drilled on Sakhalin shelf and in the Kara Sea from offshore platforms

Liquids production



Decline rates stabilized in acquired brownfields⁽¹⁾



Note: (1) Gross production at Samotlorneftegaz (incl. RN-Nizhnevartovsk), Varyoganneftegaz, RN-Nyagan, (2) Indicator includes production at Vankor, VCNG and Uvat group

Equipment and technology localization for the fields



Rosneft approved the import substitution and equipment manufacture localization program

- ▶ **Primary objective:** Reducing the Company's dependence on foreign technology and develop the potential of domestic manufacturers of equipment
- ▶ **Tasks:** Signing strategic agreements with international manufacturers and start to assemble high-tech equipment in the Russian Federation by 2018
- ▶ **Focus Areas:** Marine and aviation technology for the offshore production, drilling equipment, oil refining, exploration, special software



Zvezda ship-building hub

- ▶ In the south of Primorski Krai, a project of the largest Russian shipyard Zvezda is in progress (startup in 2016). Covering the needs of the Russian companies in ships and marine equipment for the offshore. Zvezda-based cluster will create up to 10,000 hi-tech jobs.



Helicopters production

- ▶ An agreement on localization of helicopters production and maintenance was made to provide services for remote fields. The first helicopters to be assembled in 2016.



Localization Engineering Support

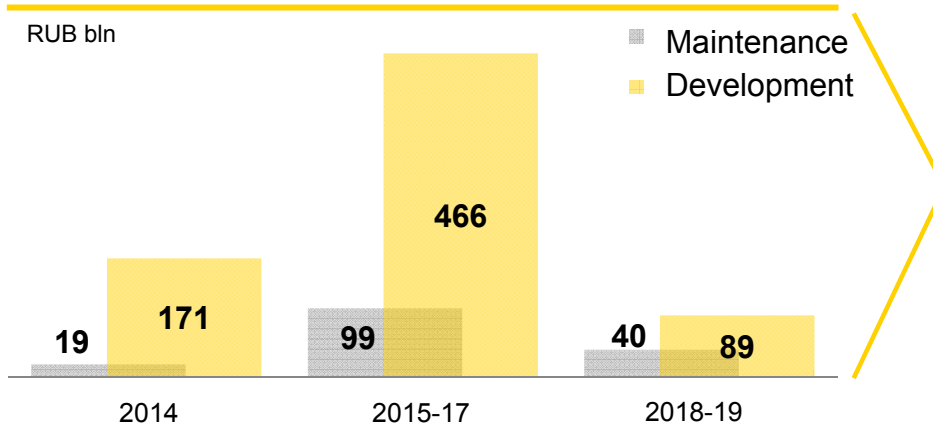
- ▶ Engineering Center Sapphire was set up (JV with General Electric); projects on localization of production of oil and gas, and marine equipment were specified.

70% localization of all components to be reached by 2025

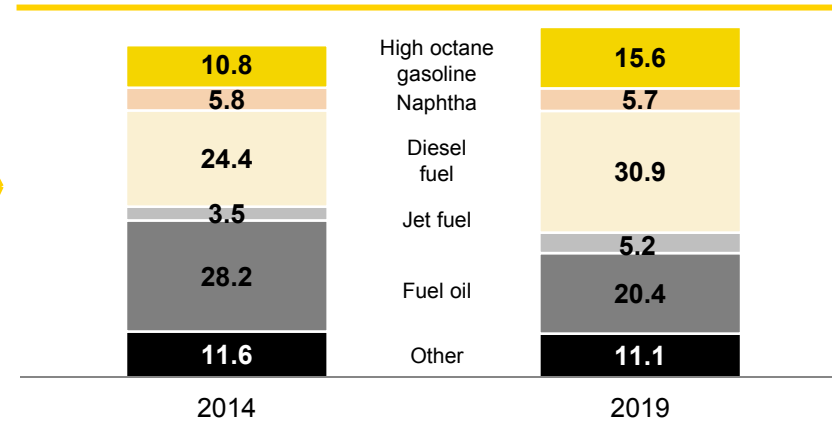
Current status of the refinery modernization program



Downstream CAPEX in 2014-2019



Light product yield will reach 65%



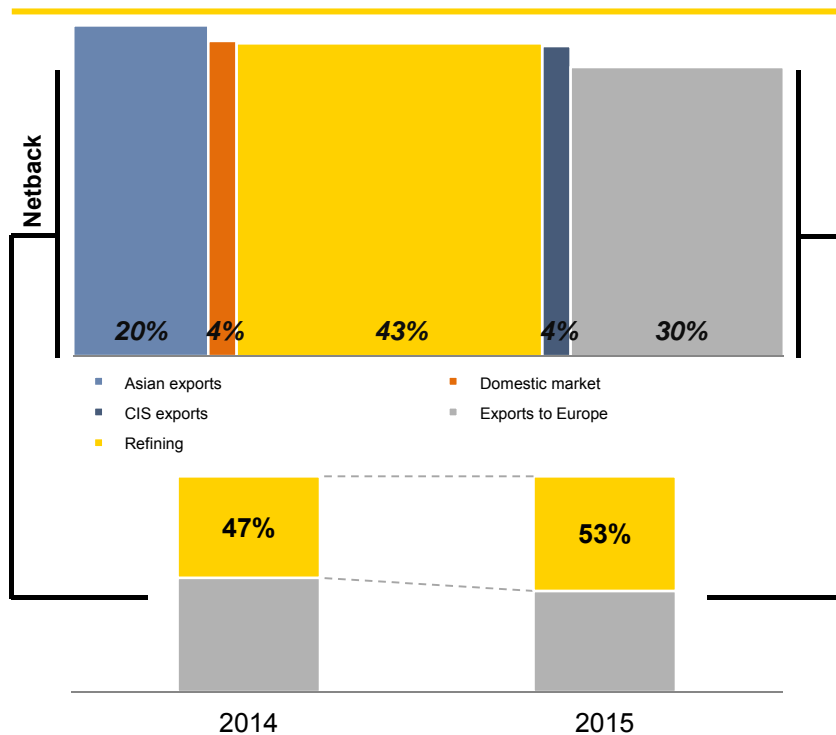
- ▶ The large-scale upgrade program includes construction and renovation of more than 30 units
- ▶ Development Capex is above RUB 500 bln till 2020
- ▶ Refinery yield planned to grow to 76%
- ▶ 3 times refining EBITDA growth to ~RUB 200 bln
- ▶ High attractiveness of investments, despite the change in taxation
- ▶ Priority given to the most efficient projects

*including VAT

Income maximization through logistics optimization



Oil monetization channels in 2015



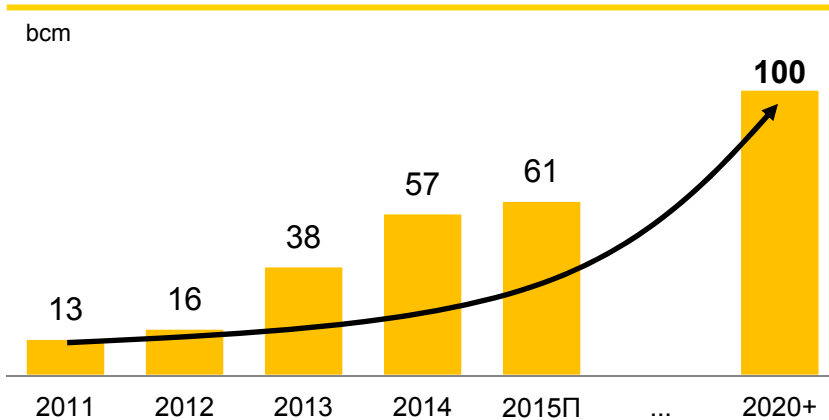
In 2015, we expect further growth in the share of high-margin oil export channels

- **Geographical spread of the export routes:** Growth of supplies eastwards to 40%
- **Expansion of international presence:** New agreements planned with the Asian countries
- **Marketing efficiency improvement** with growing sales to the end users in Europe
- **Logistics optimization** involving 3rd party resources of crude and petroleum products
- **Expanding the marketing channels** in the regions of presence in CIS countries, access to new markets
- **Regional marketing carve out** to improve profitability of business

Maintaining a high rate of effective growth in gas business



Gas production



Growth of share in the domestic market



Creation of a value chain through heat marketing and development of regional gas sales



Development of gas processing and gas chemistry



Development of gas-engine fuels and low-tonnage LNG



Development of LNG production and supplies to global markets

Developing projects

Rospan

Production peak:

- 18 bcm of gas
- 4.5 mmt of gas condensate
- 1.6 mmt of LPG
- 0.7 mmt of oil

Sibneftegaz

Production peak:

- 15 bcm of gas
- 0.15 mmt of gas condensate

New projects

Kharampur

Production peak:

- Stage 1: 9 bcm
- Stage 2: 24 bcm

Kynsko-Chaselsky LA

Production peak:

- 7 bcm of gas
- 0.6 mmt of gas condensate

The current portfolio enables rapid increase in gas production and continue production growth after 2020

Industrial safety standards improvement



- ▶ Expenditures on industrial safety activities doubled to achieve RUB 12.4 bln
- ▶ Number of complex exercises and involved employees increased 1.5 times to 420 and 20.526 thousand respectively
- ▶ Number of fires at the sites of the Company reduced by 19%
- ▶ A long-term program for safety culture improvement and leadership awareness in industrial health and safety developed and approved

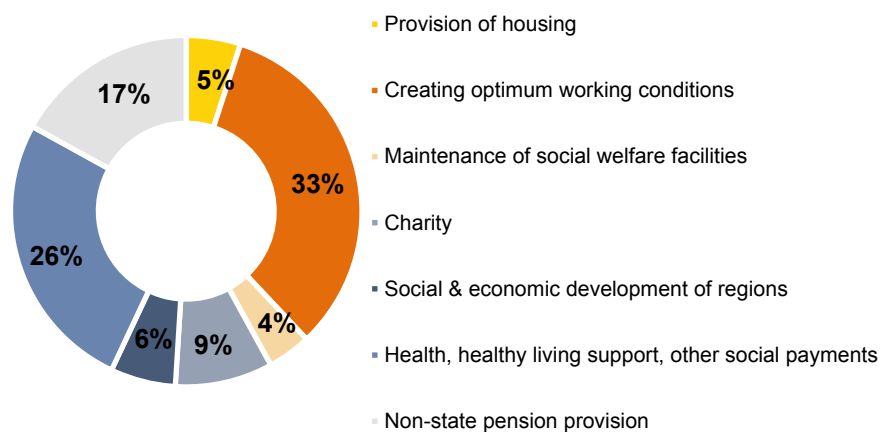


Implementation of the measures helped to decrease the number of accidents in the first five months of this year two times year on year

Social Responsibility



Social Programs financing in 2014



- Financing of the social programs in 2014 amounted to RUB 29.8 bln
- Majority shareholder of HC CSKA Moscow, the general partner of XXII Olympic Winter Games
- Priority of petroleum products supply to the domestic market at fair and affordable market prices
- Gas deliveries for the needs of the population and housing in the Southern Federal District, Western Siberia and the Far East

Draft decisions on 1- 4 agenda items



1. To approve the Rosneft Annual Report for 2014.
2. To approve the Annual Accounting Statements of Rosneft Oil Company for 2014, including Profit and Loss Statements (Profit and Loss Accounts).

3. To approve distribution of Rosneft profits based on 2014 fiscal year results as follows:

	RUB mln
Revenue	4,299,680.2
Expenditures for ordinary activities	(4,144,235.2)
Balance of other income and expenses	350,488.1
Profit tax, change in deferred tax assets and liabilities, tax effect from other operations not included in the net profit (loss) for the period under review	(4,608.8)
Net profit	501,324.3
Expenditures out of net profit	501,324.3
<i>including:</i>	
payment of dividends	87,011.0
allocation for investments, production, and social development of Rosneft	414,313.3

4. To pay dividends in the cash form based on 2014 fiscal year performance in the amount of 8 rubles 21 kopecks (eight rubles twenty one kopecks) per one issued share.

To fix the date when the entities entitled to dividends are specified – June 29, 2015.

Dividends payment to the nominal shareholders and the trustees being professional players in securities market who are registered in the register of shareholders shall be effected by July 13, 2015; payment to other entities registered in the register of shareholders to be effected by August 03, 2015.