Rosneft Oil Company
IFRS Results
12M and Q4 2018

February 5, 2019

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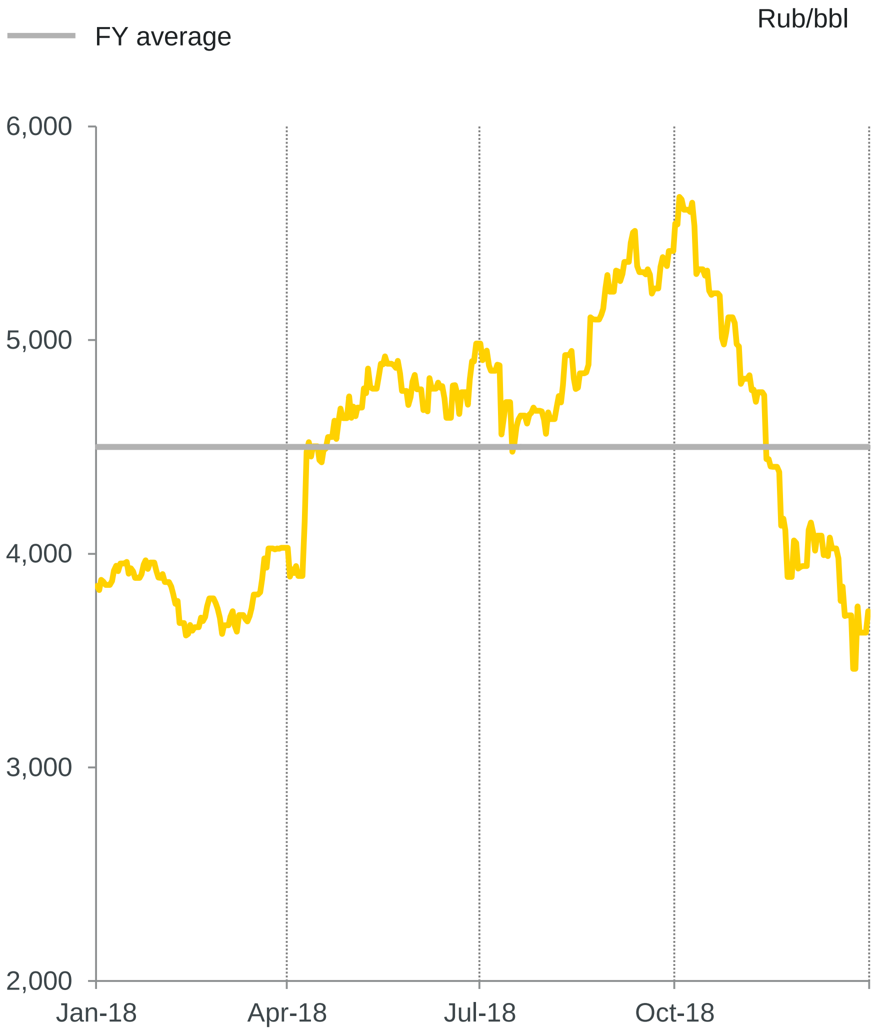
Macroeconomic Environment

Indicator	2018	2017	%	Q4'18	Q3'18	%
Urals, $/bbl	**69.8**	53.1	31.4%	**67.3**	74.2	(9.3)%
Urals, '000 Rub/bbl	**4.38**	3.10	41.2%	**4.48**	4.86	(8.0)%
Naphtha, '000 Rub/ton	**36.88**	27.56	33.8%	**35.10**	42.06	(16.5)%
Gasoil 0.1%, '000 Rub/ton	**39.53**	28.24	40.0%	**41.46**	43.44	(4.6)%
Fuel oil 3.5%, '000 Rub/ton	**24.90**	17.64	41.2%	**26.58**	27.94	(4.9)%
Average exchange rate, Rub/$	**62.71**	58.35	7.5%	**66.48**	65.53	1.4%
Inflation for the period (CPI), %	**4.3%**	2.5%	1.8 p.p.	**1.7%**	0.4%	1.3 p.p.

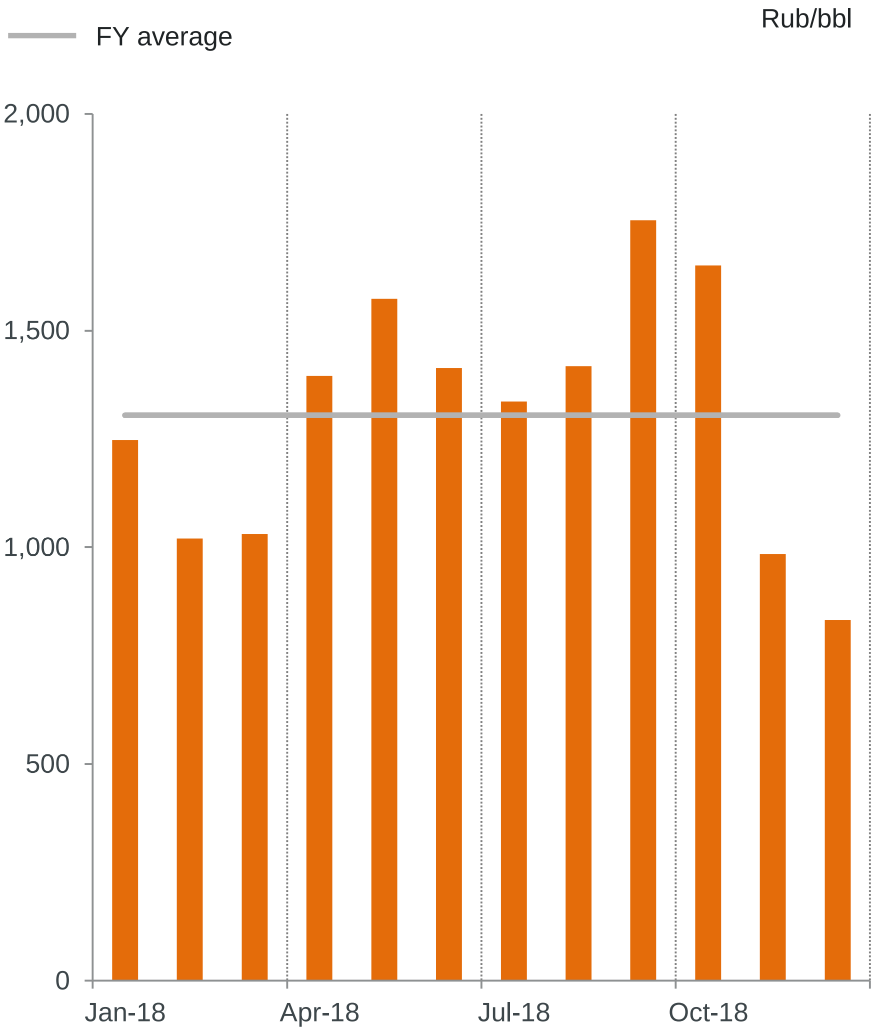
Note: Average prices and changes are calculated based on unrounded data of analytical agencies

Crude Oil Price and Gross Upstream Margin

Brent price



Gross upstream margin[1]



Note: (1) Calculated as Urals price less MET, export customs duty and transport costs

Key Achievements: Upstream

84% – success rate in on-shore exploration drilling

454 mmtoe – AB1C1 reserves additions from exploration, 23 new fields and 230 deposits were discovered with AB1C1+B2C2 reserves of about 250 mmtoe

173% - Proven SEC hydrocarbon reserves replacement ratio[1]

>12 mln m – high development drilling footage, >3,400 new wells commissioned

+2.1% – liquids production growth to 4.7 mmbpd

4 large greenfields with plateau production exceeding 140 mmbbl were launched

Note: (1) Calculated using metric units

Key Achievements: Downstream

115 mmt – refining throughput, including 103.3 mmt processed at Russian refineries

Commercial production of high octane gasolines Euro-6 and Pulsar 100 started

Laboratories and control rooms of the Production control center were fitted with advanced digital equipment

+24.1% – increase of crude oil supplies eastwards to 59.2 mmt

+16% – increase of sales volumes via the retail channel

Rosneft Deutschland implemented first deliveries of Alfabit bitumen product to its customers in Germany

Key Operational Highlights

Indicator	2018	2017	%	Comment
SEC proven hydrocarbon reserves mmboe	**41,431**	39,907	+3.9%	Successful exploration, commencement of new field areas, as well as development performance improvement
Hydrocarbon production, incl. kboed	**5,795**	5,718	+1.3%	
Oil and liquids kbpd	**4,673**	4,577	+2.1%	Efficient production recovery following the easing of the OPEC+ restrictions, active development of green- and brownfields
Gas kboed	**1,122**	1,141	-1.7%	APG production decline at some fields based on the development cost efficiency and taking into account the external constraints
Oil refining mmt	**115.04**	112.80	+2.0%	Increase of refining throughput at Russian assets following the improvement of market environment
Product output in Russia mmt	**99.73**	96.90	+2.9%	

Key Financial Highlights

Indicator	2018	2017	%	Q4'18	Q3'18	%
EBITDA, Rub bn	**2,081**	1,400	48.6%	**488**	643	(24.1)%
Net Income, Rub bn *attributable to Rosneft shareholders*	**549**	222	>100%	**109**	142	(23.2)%
Adjusted net income[1], Rub bn *attributable to Rosneft shareholders*	**828**	383	>100%	**185**	267	(30.7)%
Adjusted operating cashflow[2], Rub bn	**2,069**	1,167	77.3%	**518**	736	(29.6)%
CAPEX, Rub bn	**936**	922	1.5%	**257**	227	13.2%
Free Cash Flow, Rub bn	**1,133**	245	>100%	**261**	509	(48.7%)
EBITDA, $ bn	**33.1**	24.0	37.9%	**7.4**	9.8	(24.5)%
Net Income, $ bn *attributable to Rosneft shareholders*	**8.9**	3.8	>100%	**1.6**	2.3	(30.4)%
Adjusted net income[1], $ bn *attributable to Rosneft shareholders*	**13.1**	6.6	98.5%	**2.8**	4.1	(31.7)%
Adjusted operating cashflow, $ bn	**32.9**	19.9	65.3%	**7.9**	11.3	(30.1)%
CAPEX, $ bn	**15.0**	15.8	(5.1)%	**3.9**	3.5	11.4%
Free Cash Flow, $ bn	**17.9**	4.1	>100%	**4.0**	7.8	(48.7)%
Urals price, th. Rub/bbl	**4.38**	3.10	41.2%	**4.48**	4.86	(8.0)%

Note: (1) Adjusted for FX gains/losses and other one-off effects; (2) Adjusted for prepayments under long-term crude oil supply contracts (including accrued interest) and operations with trading securities (Rub equivalent)

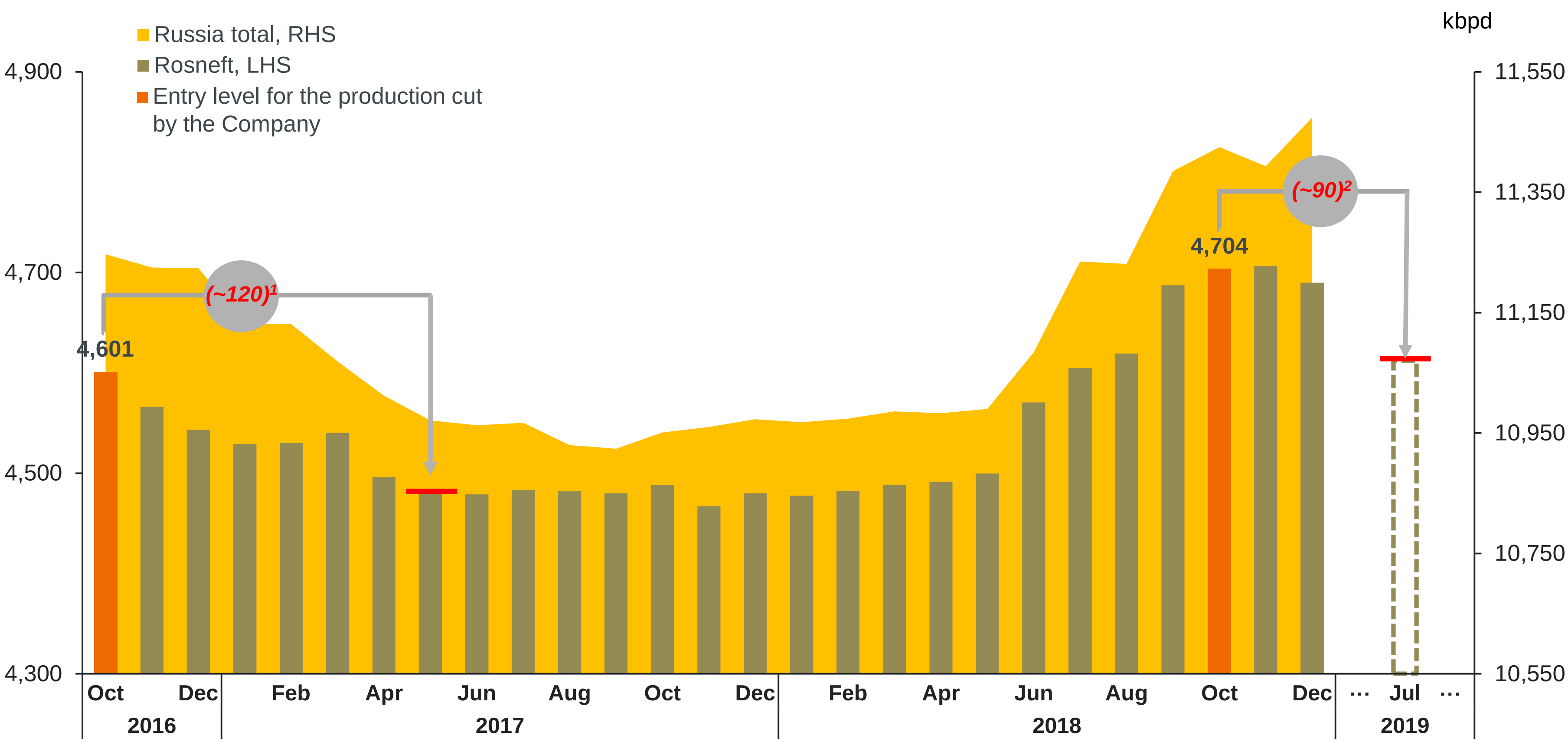
Regulatory changes in the O&G industry

	Initiative	Effect
Upstream	Introduction of PBT for new production regions and pilot projects in West Siberia	
	Extension of an existing MET rate component for 2021	
	Introduction of an additional MET rate component starting 2019	
	Completion of the Big tax maneuver: gradual reduction of the export customs duty to 0 (in 2019-2023) with and equivalent MET rate increase	
	Declarative order on export duty relief for low-margin projects in new regions was cancelled while the relief was preserved for the projects that had received it earlier. The remaining projects were provided with an opportunity to switch for PBT	
Downstream	Introduction of a reverse excise tax on crude as a compensation for the export duty margin loss following the completion of the tax maneuver, while:	
	for the regions distant from the export markets an additional factor was approved	
	Introduction of a «damper» component in the excise tax deduction	
	Introduction of a reverse excise tax on a dark bunker fuel starting 2022 (2019 for the Khabarovsk region)	
	Increase of gasoline and diesel excise tax by Rub 4,000 and Rub 3,000 respectively	
	Signing of an Agreement on a motor fuels price freeze at the domestic market	
Other	VAT rate increase from 18% to 20%	

PBT – profit based tax, MET – mineral extraction tax, BTM – «big tax maneuver», VAT – value added tax

Production Restrictions under OPEC+ Agreement

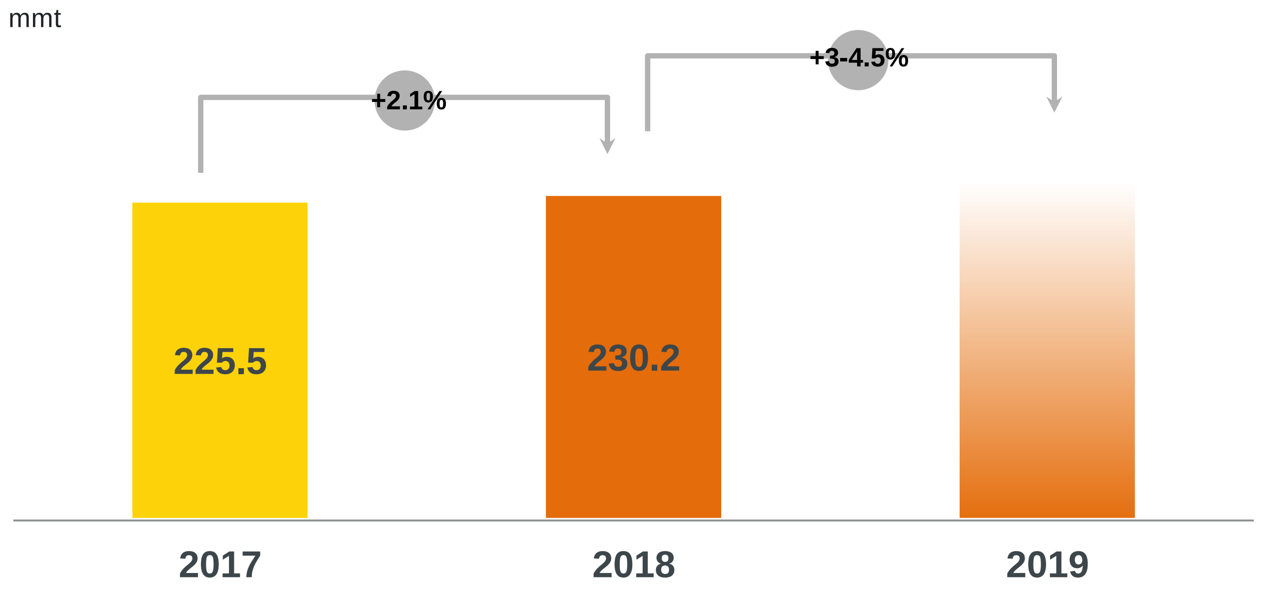
Liquids production in Russia



- Rosneft was a key contributor to the Russia overall production growth following the OPEC+ limitations easing. Liquids production in December 2018 increased by 4.7% YOY to 4.7 mmbpd

Source: CDU TEK, Company data
Note: (1) The reduction for the period from January 1, 2017 to April 30, 2017, (2) The reduction for the period from January 1, 2019 to July 1, 2019 with a revision option in April 2019

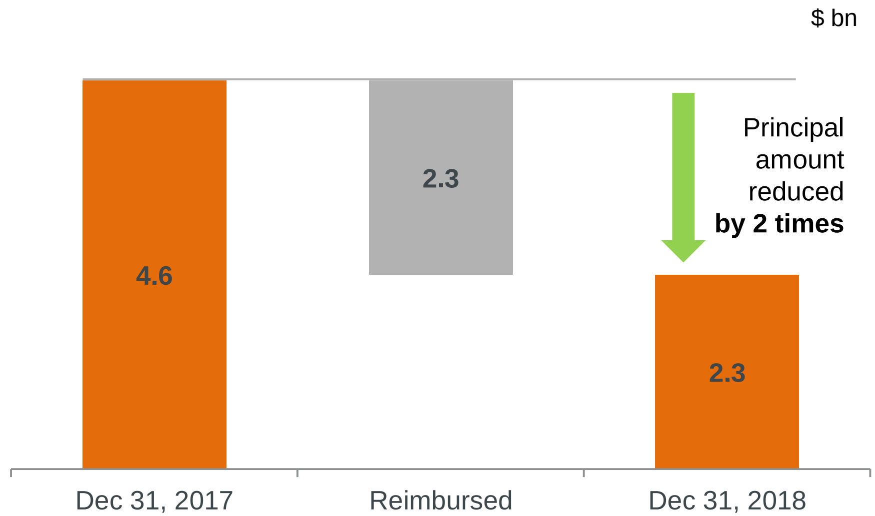
Rosneft Liquids Production with OPEC+ Restrictions Implied



- 2018 liquids production increased by 2.1% YoY due to record high output at Yugansk, the Company largest asset, launch of large greenfields as well as efficient management of the existing fields development while complying with OPEC+ restrictions
- Following the restrictions easing the Company managed to quickly ramp-up production. This was ensured by the right choice of assets for production cuts together with technologically optimal well stock management (high watercut and low-efficiency) at brownfields
- 2019 liquids production outlook implies 3-4.5% growth vs 2018 depending on OPEC+ agreement execution in H1 2019

Rosneft Assets in Venezuela

Reimbursement of prepayments in 2018[1]



Projects Rosneft participates in

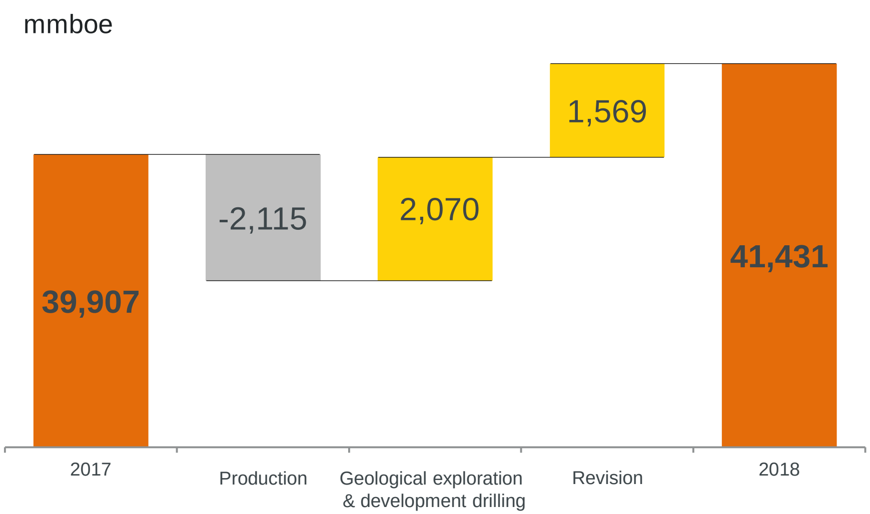
- 5 oil projects[2] with 2P PRMS with crude oil reserves exceeding 80 mmt[3] and annual production of 3.4 mmt[4] (Company share)
- 100% in gas project[5] (with export rights) with contingent gas resources exceeding 85 bcm[3]
- 2 OFS companies[6]
- All projects in Venezuela are implemented in accordance with applicable laws while all the related agreements are lawful and valid

Note: (1) Principal loan, excluding interest; (2) Petromonagas – 40%, Petromiranda – 32%, Petroperija – 40%, Boqueron – 26,67%, PetroVictoria – 40%; (3) As of the end of 2018 (4) For 2018; (5) Mejillones and Patao; (6) Perforosven – 51%, Precision Drilling – 100%.

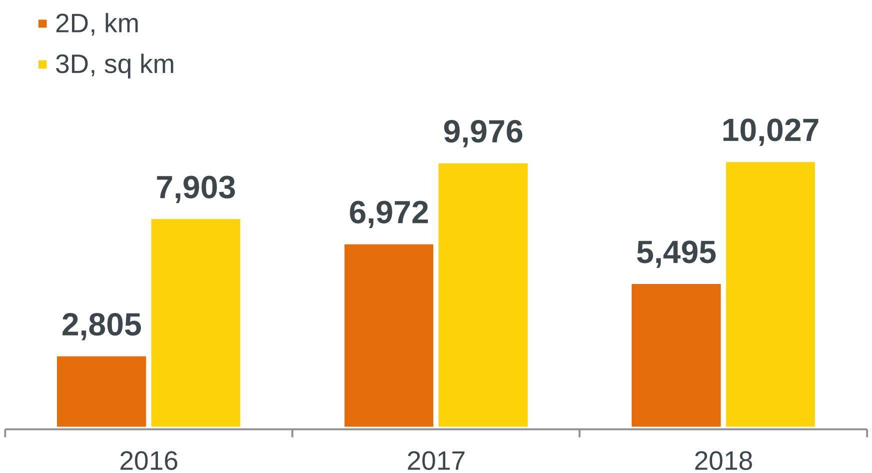
Operating Results

Exploration and Reserves

Reserves[1]



Seismic works (onshore)



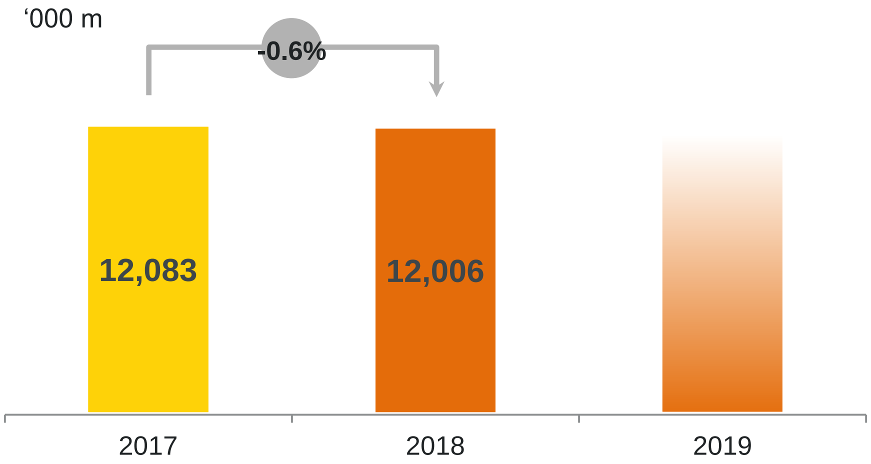
Key achievements in 2018

- Maintaining high levels of 2D and 3D seismic works (onshore)
- 84% - exploration drilling success rate (onshore Russia)
- 454 mmtoe AB1C1 reserves additions by exploration
- 23 new fields and 230 deposits were discovered with AB1C1+B2C2 reserves of about 250 mmtoe
- AB1C1 hydrocarbon reserve replacement at 393 mmtoe, or 138% of the Company’s production in Russia
- SEC proven reserves increased by 4% to 41.4 bn boe, reserves life at >20 years
- Proven SEC[2] hydrocarbon reserves replacement ratio:
  - 173% in 2018
  - 175% (165% organic growth) average in 2016-2018
  - c. 200% average for 10 years
- PRMS (2P) reserves replacement ratio amounted to 111%[2] in 2018

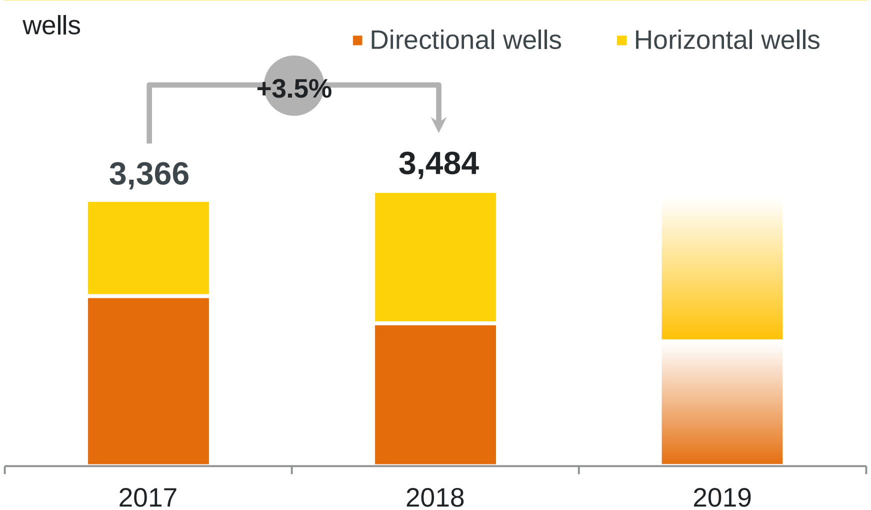
Note: (1) Proven SEC reserves (incl. fuel gas), (2) Calculated using metric units

Development drilling

Development drilling footage



New well commissioning



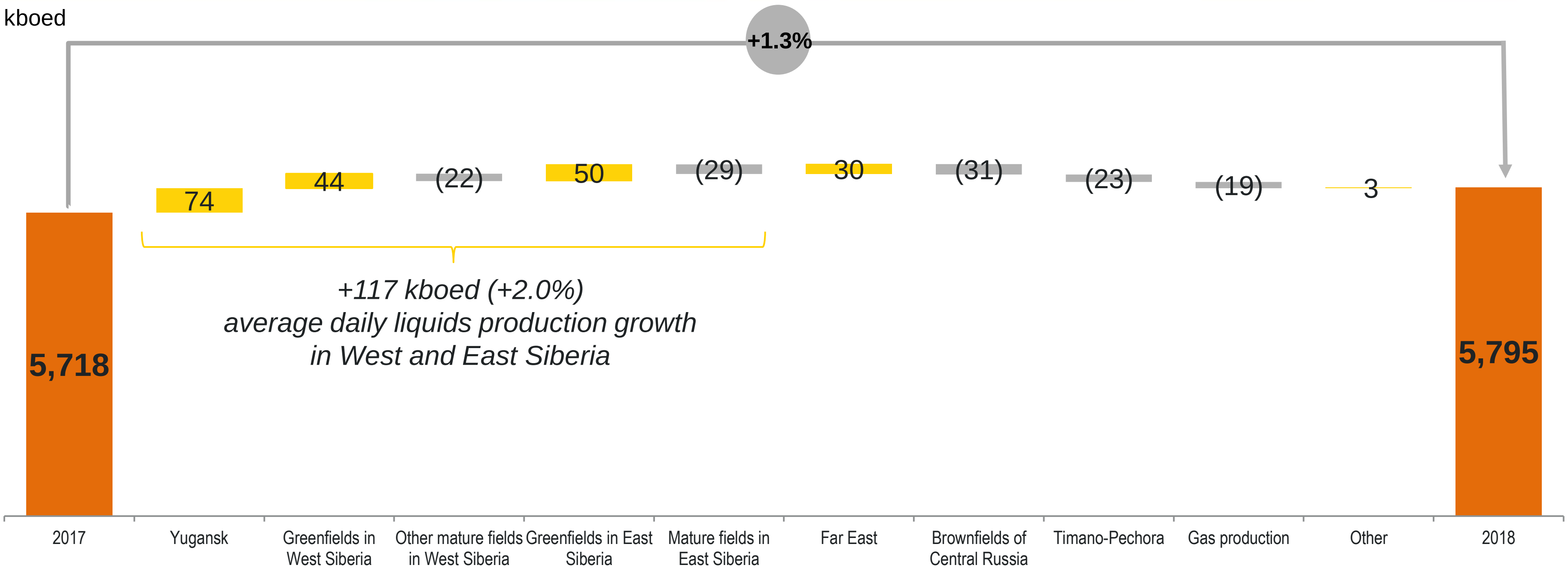
Key achievements in 2018

- Development drilling footage flat YOY – >12 mln m with >50% share of in-house service. Number of multilateral wells commissioned doubled
- 3.5% increase in new wells commissioning to >3.4 th. wells with incremental production of over 20 mmt. Increase in the commissioning of new horizontal wells (HW) by 38% with their share growth to 48%. Growth in the number of HW with multi-stage hydrofracs by 51%
- 23 HW commissioned at Uvat using batch drilling technology. The deepest one was at the Kosukhinskoe field (4,936 meters depth)
- Pilot works on drilling HW with an extended length (type 1) and number of hydrofracs (type 2) continued. Over 50 wells of type 1 and more than 380 well of type 2 launched at Yugansk and Samotlor

Plans for 2019

- Maintaining high levels of the development drilling footage
- Retaining high levels of new wells commissioning with horizontal wells share of not less than in 2018
- Further improvement in drilling and completion efficiency

Hydrocarbon Production



- In Q4 2018 hydrocarbon production reached 4.79 mmbpd (+5.3% vs Q4 2017)
- Average daily liquids production in West and East Siberia rose by +117 kboed (+2.0%) in 2018 YOY on the back of higher production at Yuganskneftegaz and the development of new projects
- Yuganskneftegaz set a new all-time production high (since 1964) of 1,462 kboed, annual production exceeded 519 mln bbl (+5.5% vs 2017)
- 2018 average daily production at greenfields launched in 2016-2018 exceeded 300 kboed
- Commissioning of new facilities (4 GTU, 2nd pipeline and 7 producing wells) at the Zohr field enabled increase of production to c. 12.2 bcm (2.2 bcm in the Company's share) in 2018

Progress in Key Projects

Indicator	Yurubcheno-Tokhomskoe field	Kondinskoe field
3P reserves (PRMS)	309 mmtoe / 2,368mmboe[1]	142 mmtoe / 1,034 mmboe
Commissioning year	2017	2017
Production in 2018	2.3 mmt	1.6 mmt
Production plateau (year)	c. 5 mmtpa (2019)	>2 mmtpa (2019)

- In 2017-2018, oil treatment facility (OTF-1) put into operation at the Yurubcheno-Tokhomskoye field in East Siberia, as wells as ATU and Pipeline offload facility – tie-in point of OPS-2
- For ensuring design level of production and treatment of oil (5 mmt of oil) the construction of OTF-2 and other field facilities is underway, development drilling is ramping up

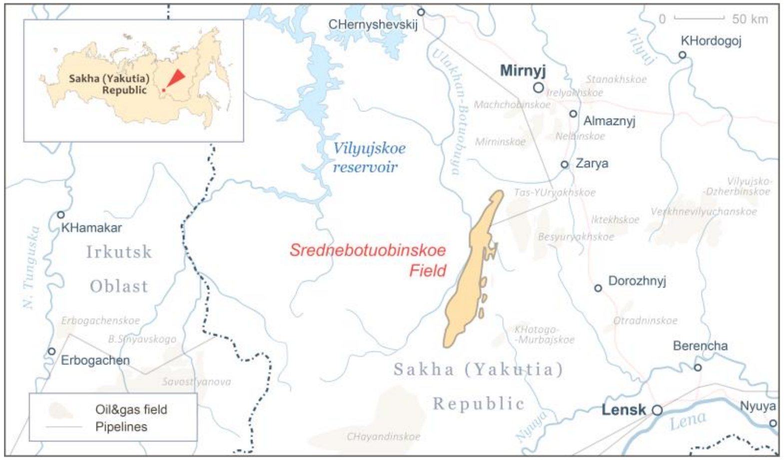
- In November 2017, the Erginsky cluster 1st start-up complex in West Siberia was officially commissioned; the first batch of commercial oil was shipped to the pipeline system of Transneft
- Development drilling, setup of new well pads and infrastructure facilities continue; the program of WW and wells conversion to injection is being successfully implemented.
  In April 2018 GTPP 36 MW was commissioned

Note: (1) Reserves data for the Yurubchensky block

Progress in Key Greenfields: Taas-Yuryakh (Srednebotuobinskoye Field, Stage 2)

Indicator	Value
3P reserves (PRMS)	281 mmtoe / 2,053 mmboe
Commissioning	Q4 2018
2018 production	2.9 mmt
Plateau production (year)	c. 5 mmtpa (2021+)

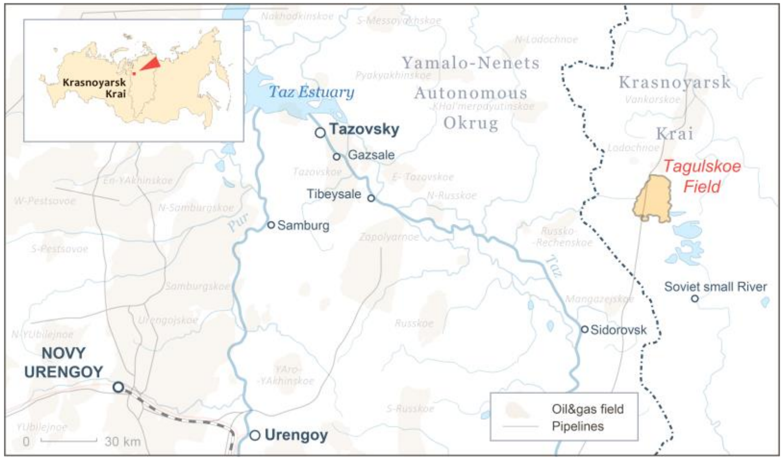
- Second stage facilities were launched (oil pipeline, central processing facility, crude oil delivery and acceptance point), which provide for the treatment and delivery of up to 5 mmtpa of oil
- Construction of the HP gas compressor station and gas turbine power station, preparation of well pads for drilling are underway
- The program of horizontal and multilateral wells drilling is in progress
- The program of pilot oil production from Osinsky horizon that holds hard-to-recover reserves is underway



Progress in Key Greenfields: Tagul Field

Indicator	Value
3P reserves (PRMS)	456 mmtoe / 3,251mmboe
Commissioning year	Q4 2018
2018 production	1.3 mmt
Plateau production (year)	>4.5 mmtpa (2022+)

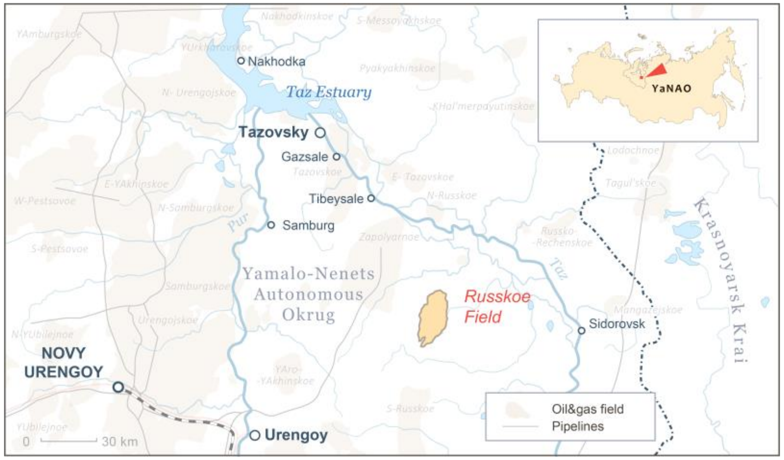
- Test production period completed
- The field was put on stream, 2018 production accounted for 1.3 mmt (using mobile oil treatment plants) which is in line with the field development plan
- Development drilling continues: 8 rigs mobilized in total, 52 wells drilled in 2018
- Construction of the first start-up complex of the oil treatment facility (OTF) with a design capacity of 2.3 mmtpa and well pads preparation continues



Progress in Key Greenfields: Russkoe Field

Indicator	Value
3P reserves (PRMS)	416 mmtoe / 2,799 mmboe
Commissioning year	Q4 2018
2018 production	0.3 mmt
Plateau production (year)	>6.5 mmtpa (2022+)

- The field was put on stream, 2018 production accounted for 0.3 mmt (using mobile oil treatment plants) which is in line with the field development plan
- As at the end of Q4 2018 over 190 wells were drilled with more than 11,000 tpd potential of oil production from hard-to-recover reserves. During the pilot, 8 multilateral wells were drilled, incl. 3 wells based on Fishbone technology
- Energy complex for power generation using associated petroleum gas was put into operation. Test of pressure pipeline CPF Russkoe - PSP Zapolyarnoe completed
- Construction and installation work at the key production facilities continues: Zapolyarnoye RPS, CPF with injection station at Russkoye field, as well as auxiliary and other infrastructure facilities



Progress in Key Greenfields: Kuyumba Field[1]

Indicator	Value
3P reserves (PRMS)	285 mmtoe / 2,176 mmboe
Commissioning year[2]	Q4 2018
2018 production	0.5 mmt
Plateau production (year)[2]	>3 mmtpa (2021+)

- The field was put on stream, the central production facility (CPF) was launched. 2018 production accounted for 0.5 mmt which is in line with the project documentation
- 33 wells drilled in 2018, 34 km of intrafield pipelines and rotator's camp for 100 people commissioned
- Works on CPF capacity additions (enabling 1.6 mmt production) and construction of oilfield facilities are underway
- Preparation of well pads for further drilling, motor roads, power, oil gathering, treatment and transportation facilities continues

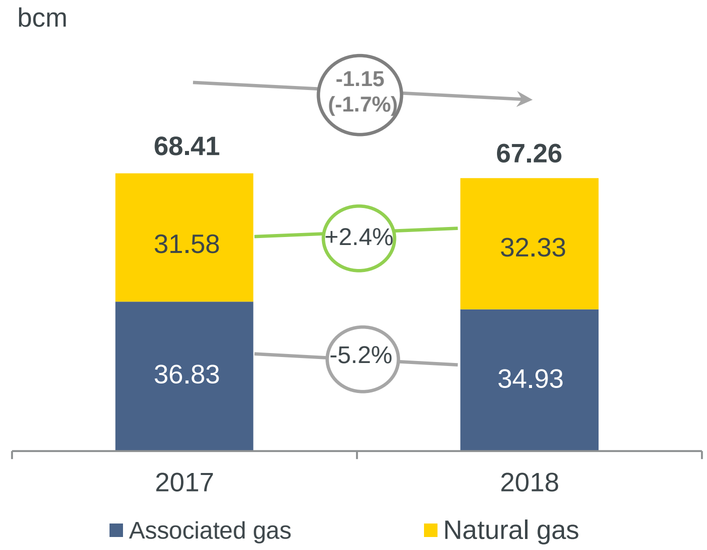
Note: (1) License for the Kuyumba field belongs to OOO «Slavneft-Krasnoyarskneftegaz», a JV with Gazpromneft, data for a 100% of the project; (2) Data on commissioning of the first start-up complex of the Kuyumba field

Gas Business

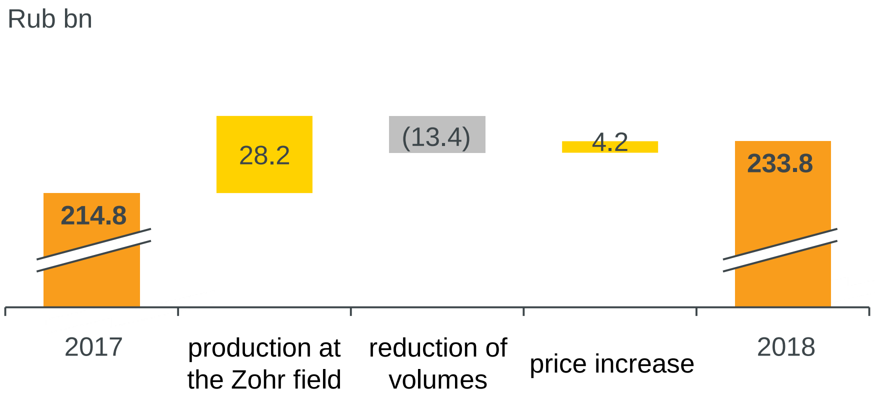
Key achievements for 2018

- Gas revenues increased by 8.8% in 2018 mainly driven by production growth at the Zohr field (offshore Egypt). Field development goes ahead of schedule. Gas production exceeded 57 mcm per day[1] for less than a year since the production startup
- 1.7% production decline related to reduction of APG production at some fields based on the development cost efficiency of and taking into account the external constraints
- An agreement signed with Beijing Gas to set up a joint venture for construction and operation of a network of CNG stations in Russia on the basis of Vankor UTT. Pursuant to the document, Beijing Gas will have a 45% stake. The parties will build about 170 CNG stations in Russia, and consider the options of using LNG as a motor fuel

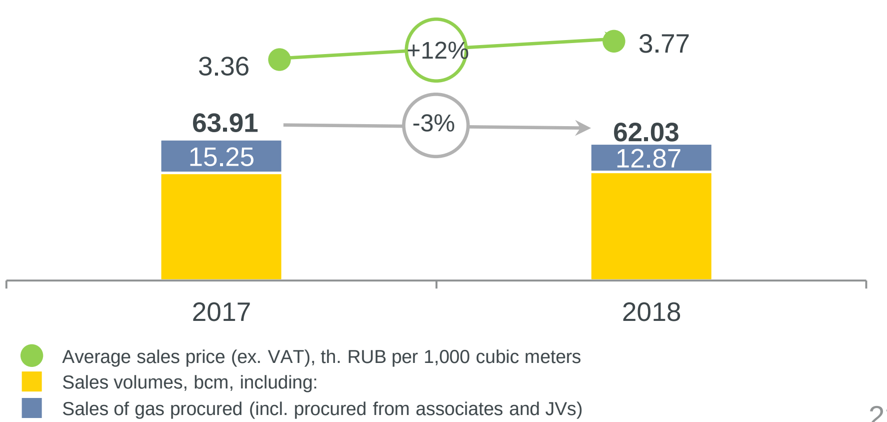
Gas production



Gas revenues



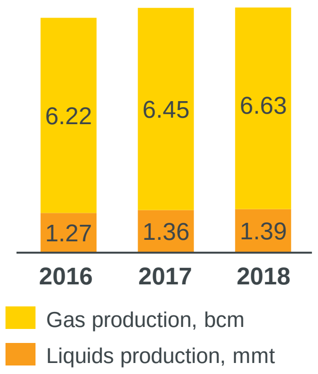
Gas sales



Progress Key Projects: Rospan

The project provides the major contribution to the Company near-term production growth

Indicator	Value
3P reserves (PRMS)	852 bcm of gas, 195 mmt of gas condensate, LPG and oil
Annual production	Potential: > 19 bcm of gas > 5 mmt of liquids up to 1.3 mmt of LPG
Commissioning year	2019



Key Facilities:

- Gas treatment unit at the Novo-Urengoyskiy license area (launched)
- Gas and condensate treatment unit at the East-Urengoyskiy license area
- Oil treatment facilities for the Valangian deposit, tank farm for oil storage and transshipment
- A loading railroad terminal at Korotchaevo station with a tank farm for LPG storage
- Trunk and field pipelines
- Power supply facilities

Current status:

Key field facilities construction in active phase:

- Gas and condensate treatment unit at Vostochno-Urengoisky LA: equipment installation at the methanol recovery unit (2nd stage) and hydrotesting of the spheric storage tank at the PBT warehouse completed. Work on installation of the heating systems is in progress
- Railroad Terminal: works on tying the equipment of the loading rack, installation and thermal treatment of spherical tanks are underway (9 of 11 tanks are completed). Laying of railway lines and track switches is 95%completed

At the above facilities as well as at GTPP of the Vostochno-Urengoisky LA installation of process pipework, cables/conductors is continuing

- Construction of main and infield pipelines, power supply facilities continues. Works at crossings of Transneft and Novatek (Yurkharovneftegaz) pipes completed

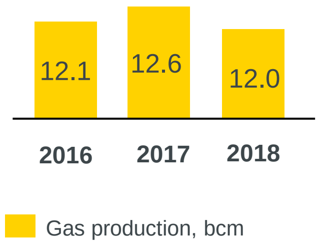
Near-term plans:

- Complete the construction and commission the key facilities in 2019

Brownfields Development: Development Projects at Sibneftegaz

The Company's largest asset in terms of gas production. In 2018 production stood at 11.96 bcm

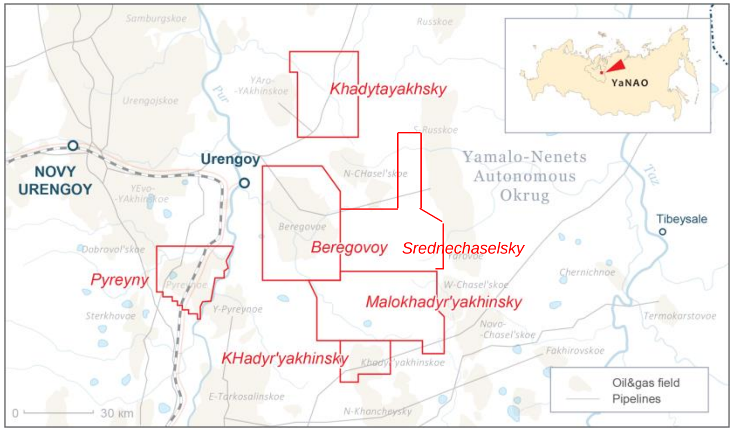
Indicator	Value
3P PRMS reserves (gas)	543 bcm
Commissioning year	2007 (Beregovoy LA) 2009 (Pyreyny LA) 2014 (Khadyryakhinsky LA)
Plateau production (gas)	>16 bcm
Year of plateau	2022



- Mature gas asset: by the end of 2018, the accumulated gas production was 114 bcm. The key asset of the Company is Beregovoye Oil and Gas Condensate Field
- Production decline vs previous periods caused by natural geological factors and will be compensated by the development of new projects in the near term
- Additional opportunities for production ramp-up with low capital investments are being implemented: Khadyryahinsky LA development projects and the lower horizons of Beregovoye Oil and Gas Condensate Field
- E&A specified the prospects of production in the new LAs

Current status:

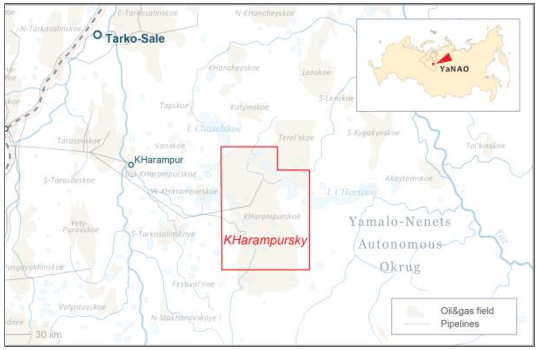
- Development drilling continues; construction of GTU and associated infrastructure facilities to ensure the development of the lower horizons at Beregovoye field is underway
- Construction of a booster compressor station at Beregovoye oil and gas condensate field is underway, which will ensure the supply of gas to the main pipelines without involvement of external compression service contractors



Greenfields Development: Kharampur

The most significant (after Rospan) project of the Company in terms of gas production growth[1]

Indicator	Value
3P reserves (PRMS), gas	650 bcm[2]
Gas production plateau: Phase 1 (Senomanian)	c. 11 bcmpa[3]
Commissioning year	2020



Development strategy:

- Phase 1 (Senomanian) : infrastructure pay-off through the development of gas with low lifting costs
- Phase 2 (Turonian): using the created gas infrastructure for efficient extraction of hard-to-recover gas
- Synergies: developed infrastructure of the existing oil field

Current status:

- 43 of 61 wells have been drilled, laboratory core analyses are underway, works at the well pads and motor roads are at the final stage; gas gathering networks, high voltage power lines are being built
- The gas pipeline: 32 of 156 km of the pipeline are laid, two-pipe sections welding is in progress
- Site Facilities: engineering works on access road, rotators' camp area and gas treatment unit are completed, manufacturing and insertion of piles for GTU started
- Work is underway aimed at pilot production from Turonian – long-term testing in 3 development wells, drilling and testing of new wells to determine the design and complete the wells

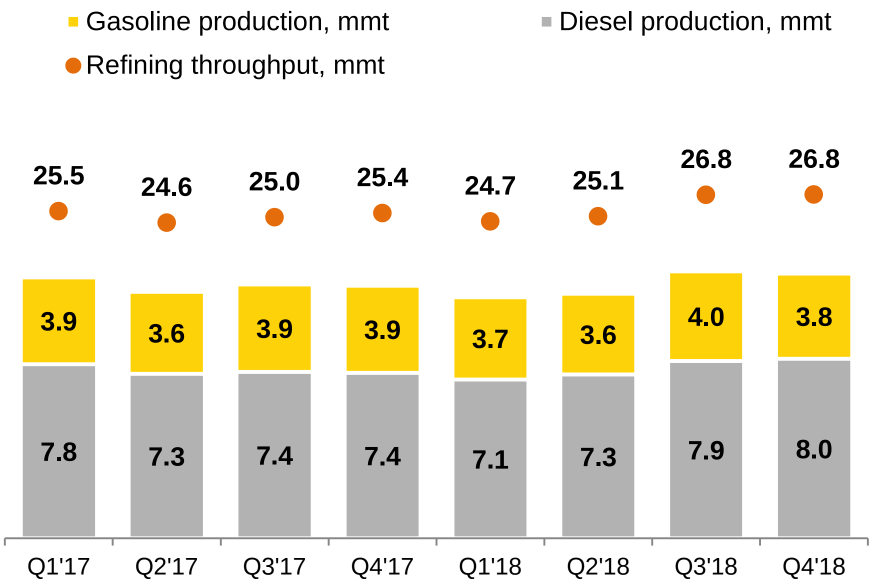
Near term plans:

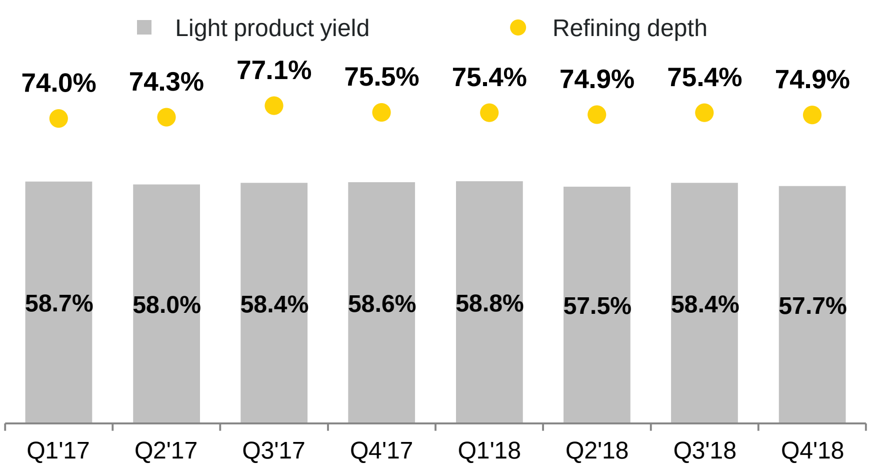
- Gas infrastructure setup to develop Cenomanian gas and construction of the GPU
- Pre-design study of the Turonian prospects for subsequent full-field development (phase 2)

Note: (1) The project involves a partner - BP, (2) without gas dissolved in oil taking into account reserves of Turonian deposit
(3) with the potential of further growth to 25 bcm p.a. through full scale development of Turonian deposit

Refining: Further Efficiency Improvement via Units Optimization

Key refining highlights in Russia



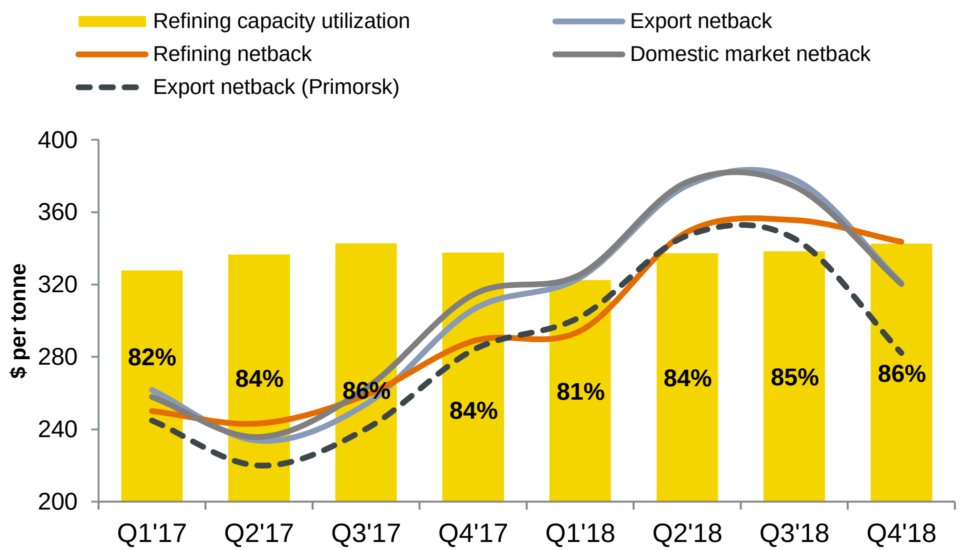


Key achievements in 2018

- Improved product slate at Russian refineries taking into account market demands:
  - High-octane gasoline RON 100 started at Ryazan Refinery
  - Ufa group of Refineries and Saratov Refinery started production of improved Euro-6 high-octane gasoline
  - Commercial production of road bitumen (complying with new EASC standards) started at the Ufa group of refineries
- Maintenance and upgrade programs are underway: installation works for column replacement on gas fractionation unit were completed at Angarsk Refinery, environmental facility at the Novokuibyshevsk Refinery – a post-treatment unit with membrane bioreactor commissioned
- Laboratories at Syzran Refinery and control room of the Production control center at Komsomolsk Refinery were fitted with advanced digital equipment

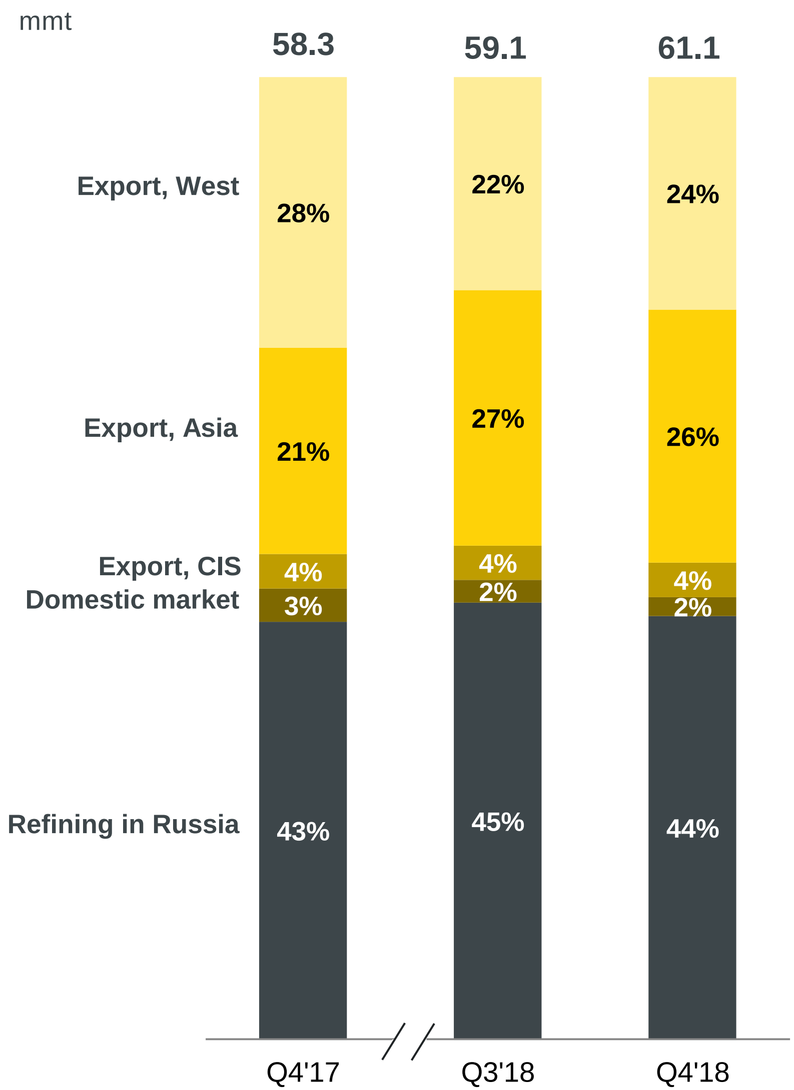
Profit Maximization from Crude Oil Marketing

Netbacks for the main crude oil marketing channels



- Increase in oil supplies eastwards by 24.1% to 59.2 mmt in 2018. In Q4 2018 the supplies equaled to 16.1 mmt (+2.6% QOQ)
- Signed long-term contract on the supplies of crude to: Poland in the amount of 6.4 to 12.6 mmt (with Grupa Lotos SA) and in Germany in the amount of 4.8-10.8 mmt (with TOTAL OIL TRADING SA)
- In H2 2018 annual export contracts on the supplies of crude to Germany in the amount of 3.9 mmt were signed with Shell and Eni and with SOCAR Trading S.A. on the delivery of crude to the Turkish refinery in the amount of up to 1 mmt
- During the first Russian-Chinese Energy Business Forum a contract with ChemChina was signed providing for the supplies of ESPO crude in the amount of up to 2.4 mmtpa (Feb 2019 – Jan 2020) via the Kozmino port

Oil marketing breakdown



Premium Marketing Channels Development

Avia

Bunker fuel

Lubes

Bitumen

Key achievements

Avia

In 2018 jet fuel sales increased by +6.1% YOY

Jet supplies to the airport of the Moscow Air Cluster increased by 11% in 2018

Bunker fuel

In 2018 bunker fuel sales grew by +10.7% YOY

During EEF-2018 long-term contract signed with one of the largest Russian fisheries «Russian Fishery»

Lubes

As of the year end Company produced lubes packed in oilcans with new design were presented in more than 7,000 independent retail outlets and c. 2,000 retail sites

Bitumen

Sales of the new innovative product, polymer-bitumen binder, rose by 85% YOY to 76,000 tonnes

Sales volumes

***3.5** mmt*
Jet fuel

***3.1** mmt*
Bunker fuel

***0.3** mmt*
Lubes

***2.6** mmt*
Bitumen

Progress in Development of the Retail Channel

Retail

16% - increase of motor fuel sales[1]

36% - increase of hot beverages sales vs 2017

55% - increase of hot beverages sales vs 2016

By-product sales

6% - by-product and services revenues growth[1]

14% - «cafe» category revenues growth[1]

Key achievements

In 58 Russian regions the work continued towards increasing the number of participants in loyalty programs. As of 2018 year end 10.3 mln participants were involved

Pilot project on the launch of virtual fuel card (as part of the B2B loyalty program) was realized

More than 8,000 quality control inspections were conducted at filling stations in 47 Russian regions with the use of own mobile laboratories

The Company received «Product of the year» prize for introducing the Pulsar fuel. The reward was received in «The most popular novelty product» nomination in the «Fuel» category.

The Company brought a new high-octane motor fuels on the Russian market: Pulsar 100, RON 95 based Euro-6 and a new fuels line-up with ACTIVE technology under BP brand

Efforts undertaken

As part of TNK retail site rebranding over 230 filling stations upgraded their appearance and shops as of the year end

The company expands its café product selection through introducing self-service zones and (coffee-corners) and installation of hot-dog modules

As part of product diversification a line of hot beverages was introduced at the federal level: 4 coffee and cocoa tastes (praline, pecan nut, etc.) as well as iced coffee

A new compact BP filling station was opened. 2/3 of the shopping area is attributed to the café mainly offering «to go» products

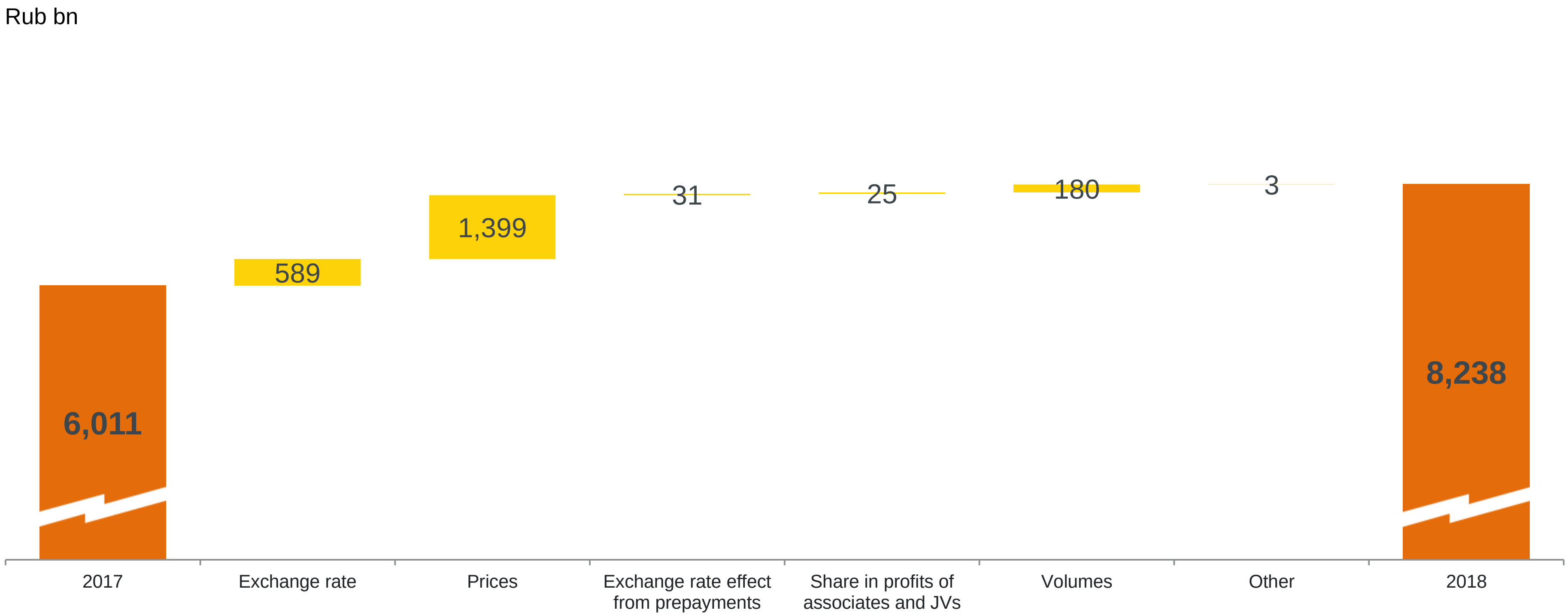
Product mix for the whole retail chain was optimized, a number of own brand products was introduced enabling to increase revenues in the following groups: water – by 7%, moist tissue by 28%, granola bars by 39%

Note: (1) 2018 vs 2017

Financial Results

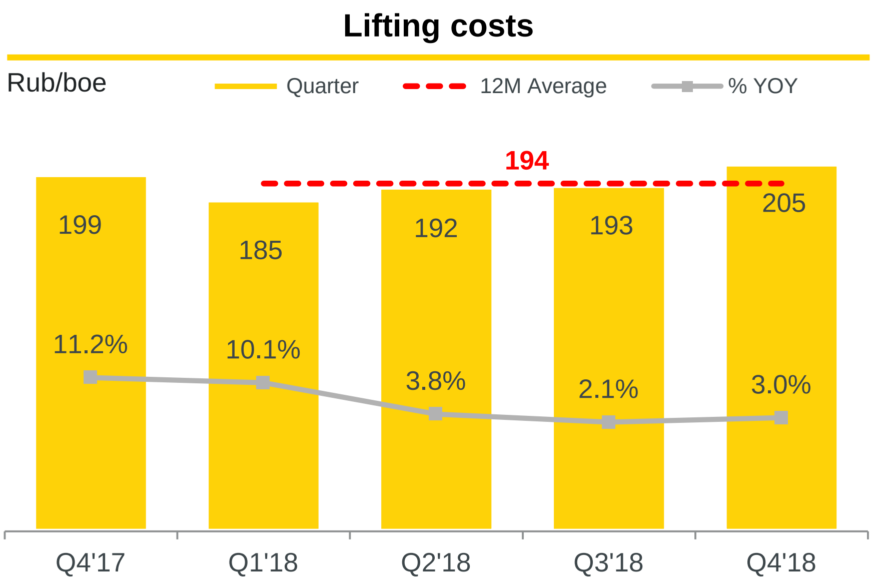
Revenue

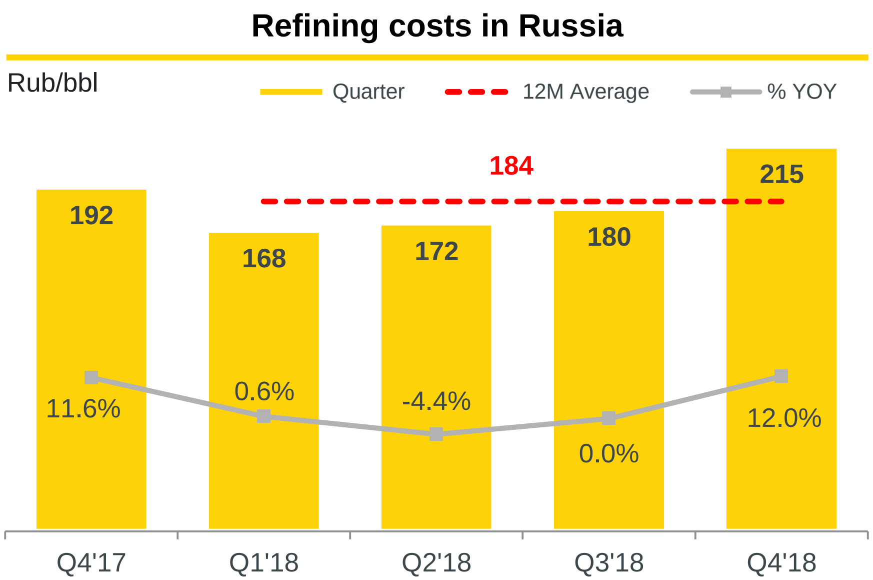
2018 vs 2017

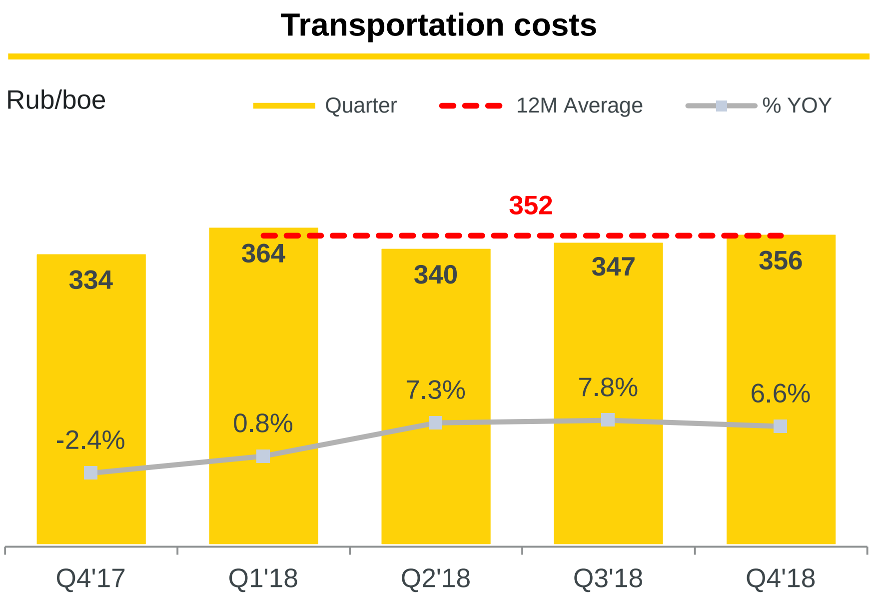


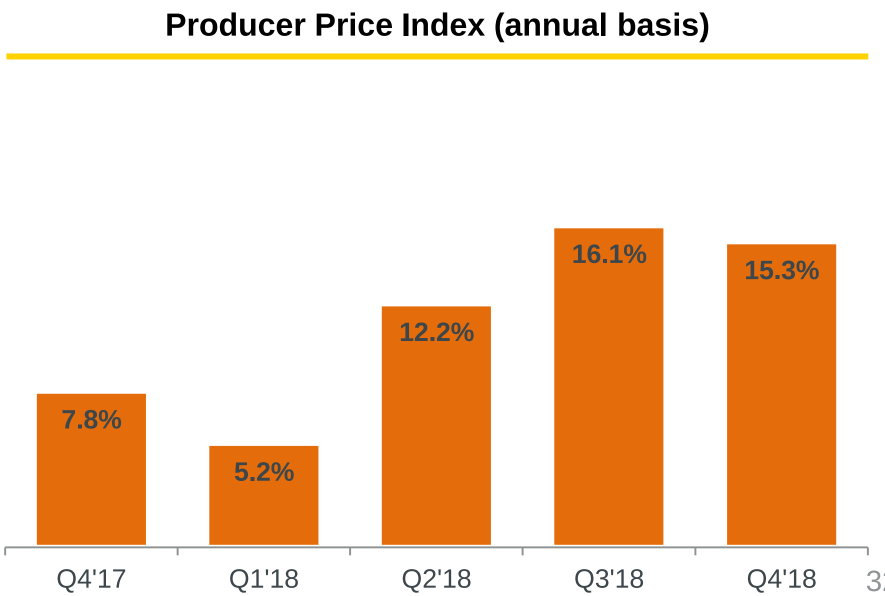
- Positive price environment – Urals price grew by 41% in Rub terms
- Increase of crude oil and petroleum products exports

Operating Costs Dynamics



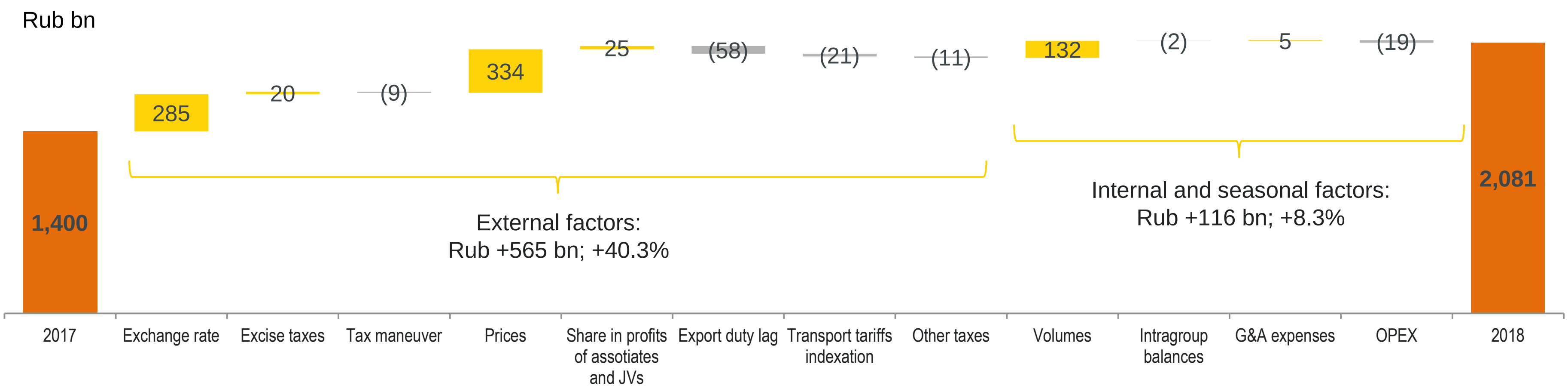




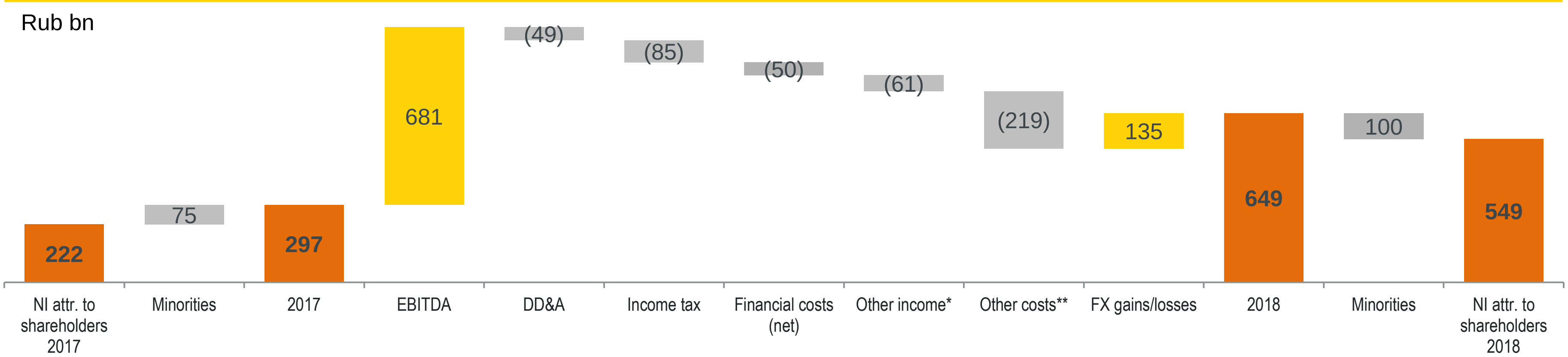


EBITDA and Net Income

EBITDA 2018 vs 2017



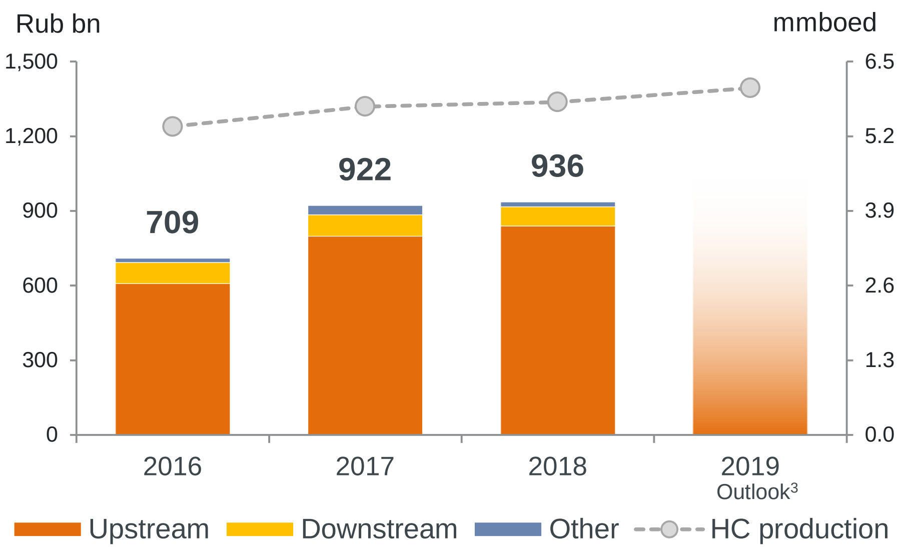
Net income 2018 vs 2017



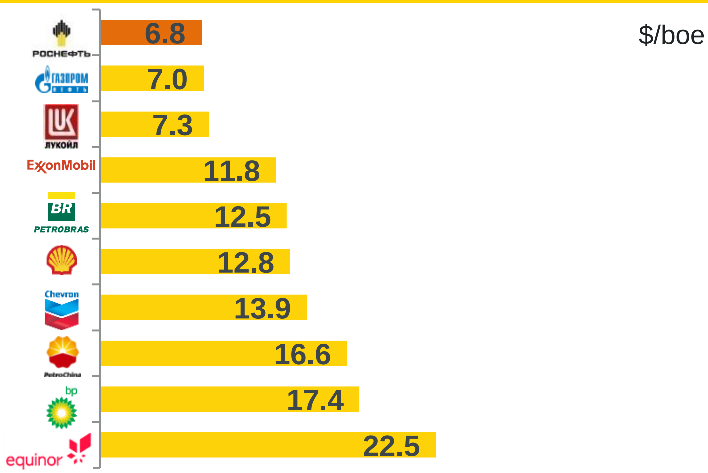
** Including the effect of RUB 100 bn one-off income recognition in Q4 2017 following the results of the out-of-court settlement with JSFC «Sistema»*
*** Including impairment of goodwill and other assets in the amount of Rub 219 bn in 2018*

CAPEX

CAPEX and production



Upstream CAPEX 2018[1]: benchmarking

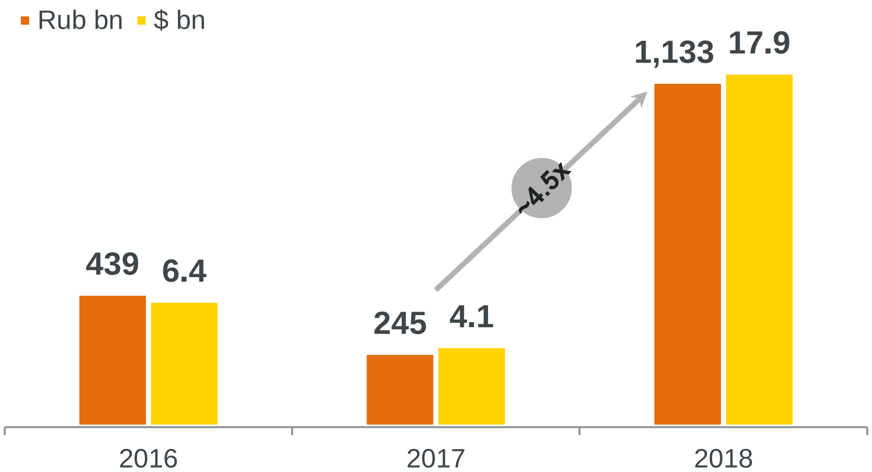


- CAPEX almost flat YOY (+1.5% in Rub terms). Investments were in line with the Company strategy and focused on:
  - development drilling and hydrofracturing at mature assets to maintain production levels taking into account the OPEC+ restrictions
  - greenfields development aimed at creating new large production hubs in the East Siberia and the Far East (Krasnoyarsk region, Yakutiya), the northern part of the West Siberia and traditional regions of operations
  - development and efficiency improvement of in-house OFS
  - construction of advanced refining units at oil processing plants
- Following the OPEC+ limitations easing, investments in upstream projects (with highest returns) were increased compared to CAPEX target cut to Rub 800 bn announced in May (as part of the initiatives aimed at enhancing shareholder returns)
- The Company maintains leadership in unit Upstream CAPEX ($6.8 per boe in 2018) while implementing intense investment program constantly optimizing project portfolio and meeting the production growth targets

Note: (1) Rosneft data for 2018, Gazpromneft, Lukoil, Petrobras and Equinor – for 9M 2018, other companies – for 2017 (2) In USD terms 2018 CAPEX reduced by 5% vs 2017, (3) 2019 Investment program is in line with Company strategic goals and the approved business plan

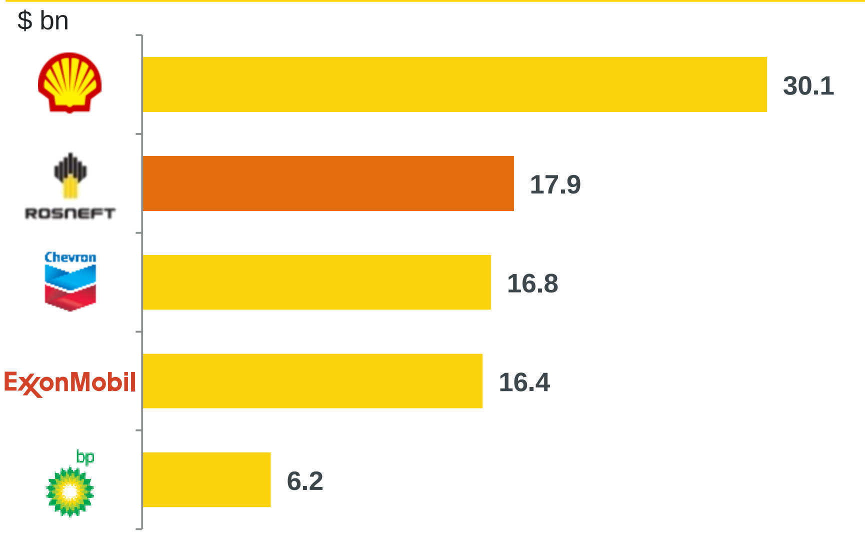
Free Cash Flow and Reimbursement of Prepayments

Free cash flow

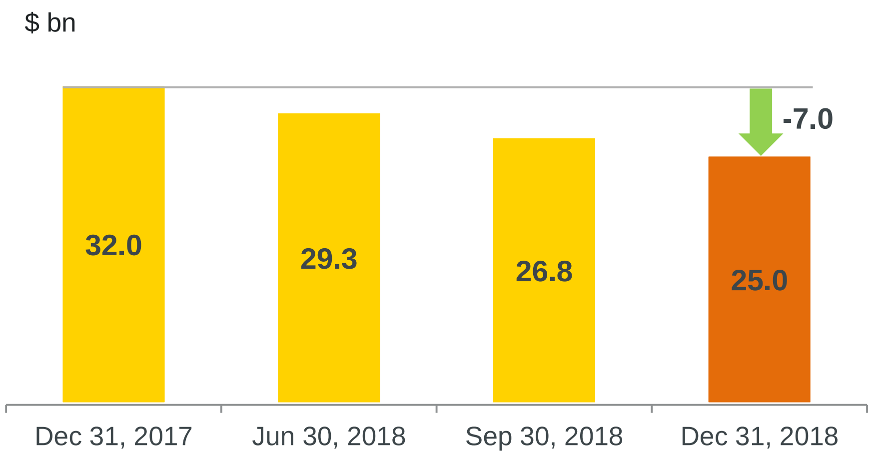


- Free cash flow growth by over 4x times to Rub 1.1 trln ($17.9 bn)
- Industry-leading free cash flow, timely debt service
- Organic free cash flow and reduction of debt burden are the Company strategic priorities

Free cash flow 2018: benchmarking (majors)



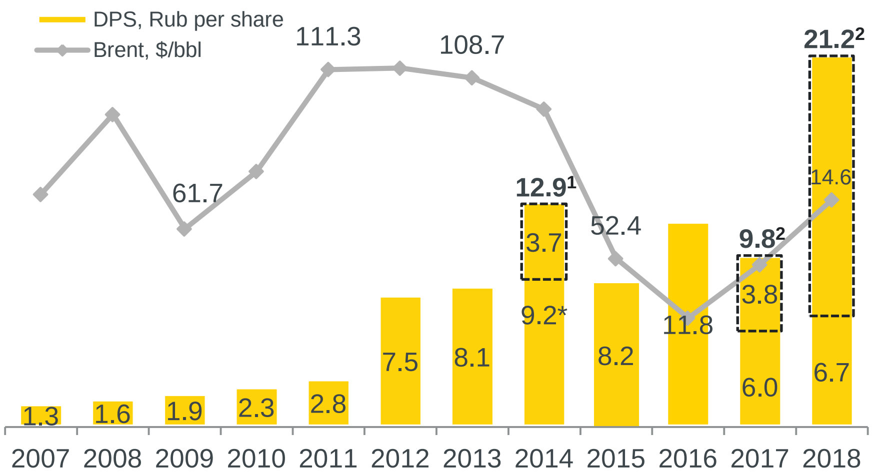
Reimbursement of prepayments[1]



Note: (1) Principal amount, excluding interest accrued and reclassification of the part of other financial obligations

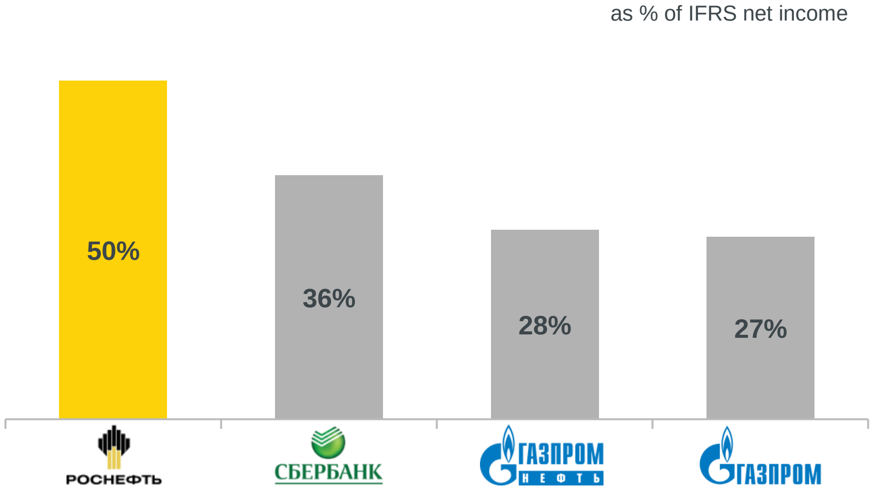
Dividend Policy

Dividend payments and oil prices



- In 2017 the new Dividend policy was approved:
  - Target payout ratio – minimum 50% of IFRS net income (the largest in the industry)
  - Frequency – at least twice a year
- The total amount of dividends paid in 2018 was Rub 225 bn, including Rub 155 bn (14.58 per share) for H1 2018

Payout ratios of the largest state controlled companies[3]



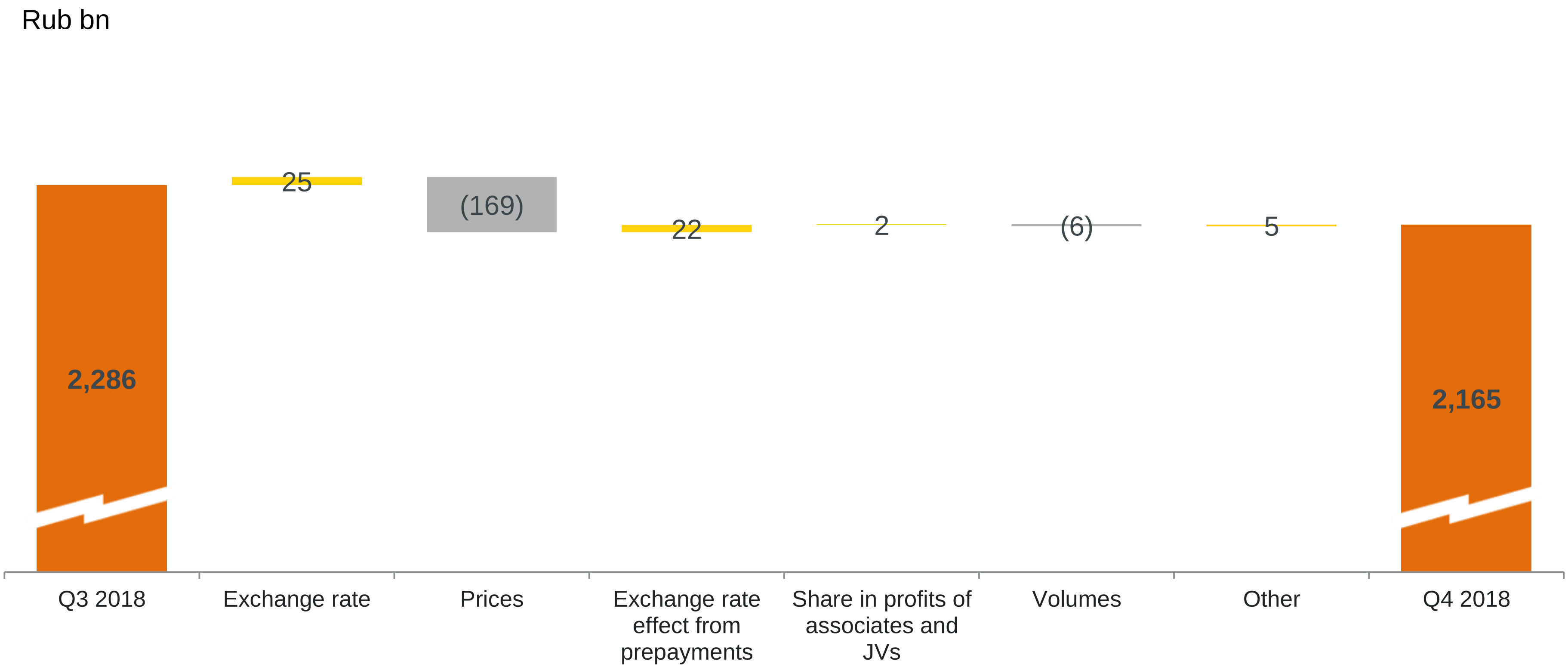
Company	Minimum payout ratio[4]
Rosneft	**50% IFRS**
Gazprom	17.5-35% RAS
Lukoil	25% IFRS
Novatek	30% IFRS
Surgutneftegas	10% IFRS
Gazprom neft	15% IFRS or 25% RAS
Tatneft	50% IFRS or RAS

Note: (1) Adjusted for RUB 167 bn revaluation effect of acquired TNK-BP assets; (2) Including interim dividends for H1 2017 and H1 2018; (3) As % of 2017 IFRS net income; (4) As % of net income, according to dividend policy

Appendix

Revenue

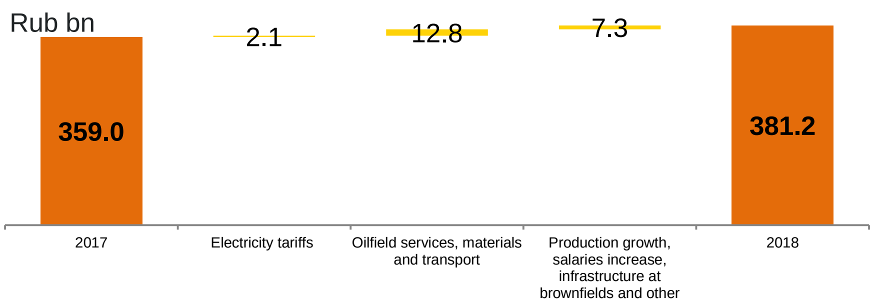
Q4 vs Q3 2018



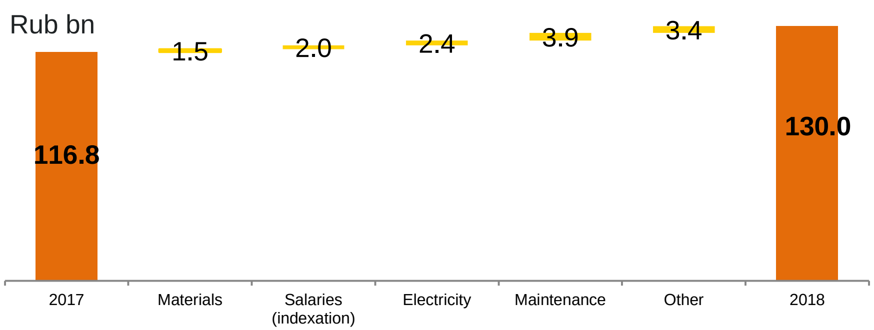
- Negative price environment – Urals price down by 8% in Rub terms
- Increase in exports of crude and reduction in petroleum product sales

Costs in 2018 vs. 2017

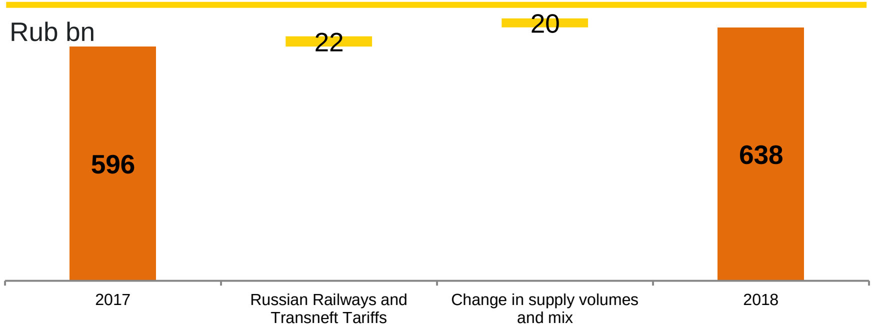
Lifting costs



Refining costs in Russia



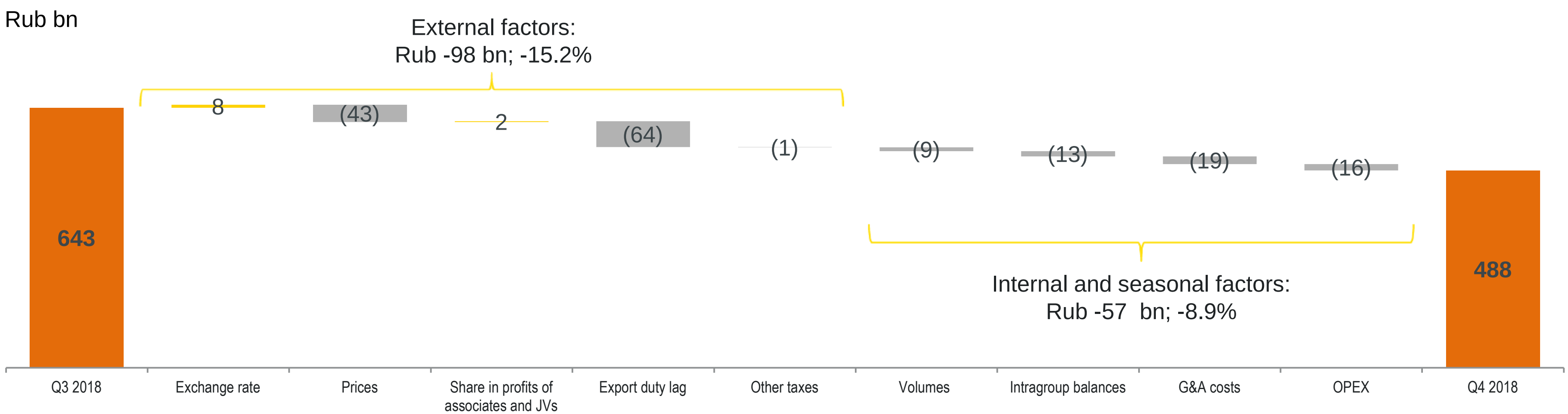
Transportation costs



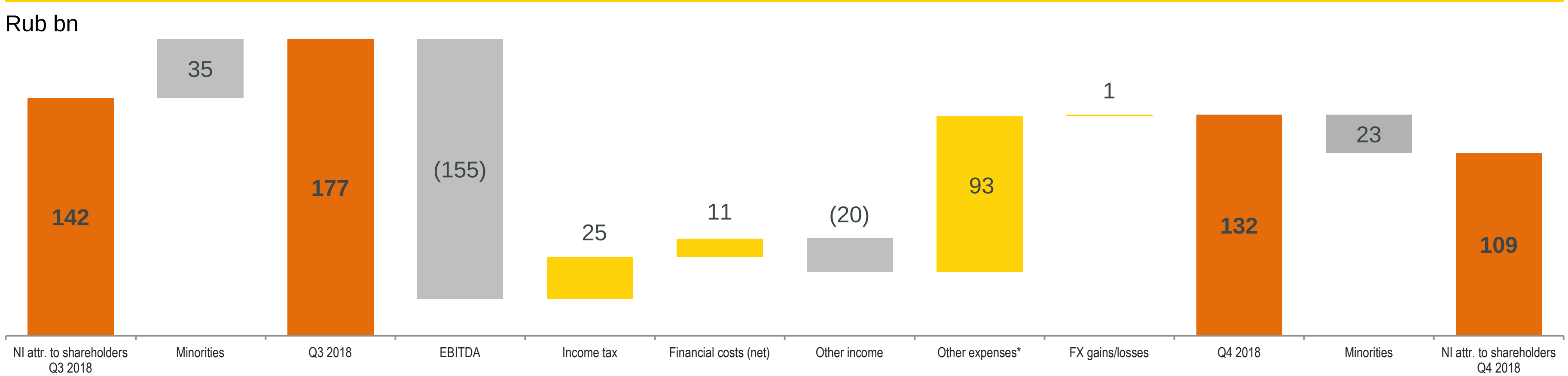
- 2018 lifting costs growth was mainly driven by tariffs indexation of natural monopolies, growth of repair and maintenance costs of growing well stock and other oilfield services, as well as associated costs on materials and transport
- Growing refining costs in Russia in 2018 on increased number of turnarounds, indexation of natural monopolies' tariffs and salaries
- The indexation of Transneft tariffs for oil transportation via trunk pipelines by 3.95% effective from January 2018
- The indexation of railroad tariffs by 5.4% starting January 2018 (vs. December 2017)
- PPI growth YoY was at 11.9%

EBITDA and Net Income

EBITDA Q4 2018 vs Q3 2018



Net income Q4 2018 vs Q3 2018



** Including the effect from assets impairment in the amount of Rub 136 bn in Q3 2018 and Rub 35 bn in Q4 2018*

FX Risk Hedge

	2018, Rub bn			2017, Rub bn		
	Before tax	Income tax	Net of income tax	Before tax	Income tax	Net of income tax
Recognized within other funds and reserves as of the start of the period	**(290)**	**58**	**(232)**	**(435)**	**87**	**(348)**
Foreign exchange effects recognized during the period	-	-	-	(1)	-	(1)
Foreign exchange effects reclassified to profit or loss	146	(29)	117	146	(29)	117
Total recognized in other comprehensive income/(loss) for the period	**146**	**(29)**	**117**	**145**	**(29)**	**116**
Recognized within other funds and reserves as of the period end	**(144)**	**29**	**(115)**	**(290)**	**58**	**(232)**

For reference:

Nominal hedging amounts	**$ mm**	**CBR exchange rate, Rub/$**
As of December 31, 2017	873	57.6002
As of March 31, 2018	818	57.2649
As of June 30, 2018	0	62.7565
As of September 30, 2018	0	65.5906
As of December 31, 2018	0	69.4706

Calculation of Adjusted Operating Cash Flow

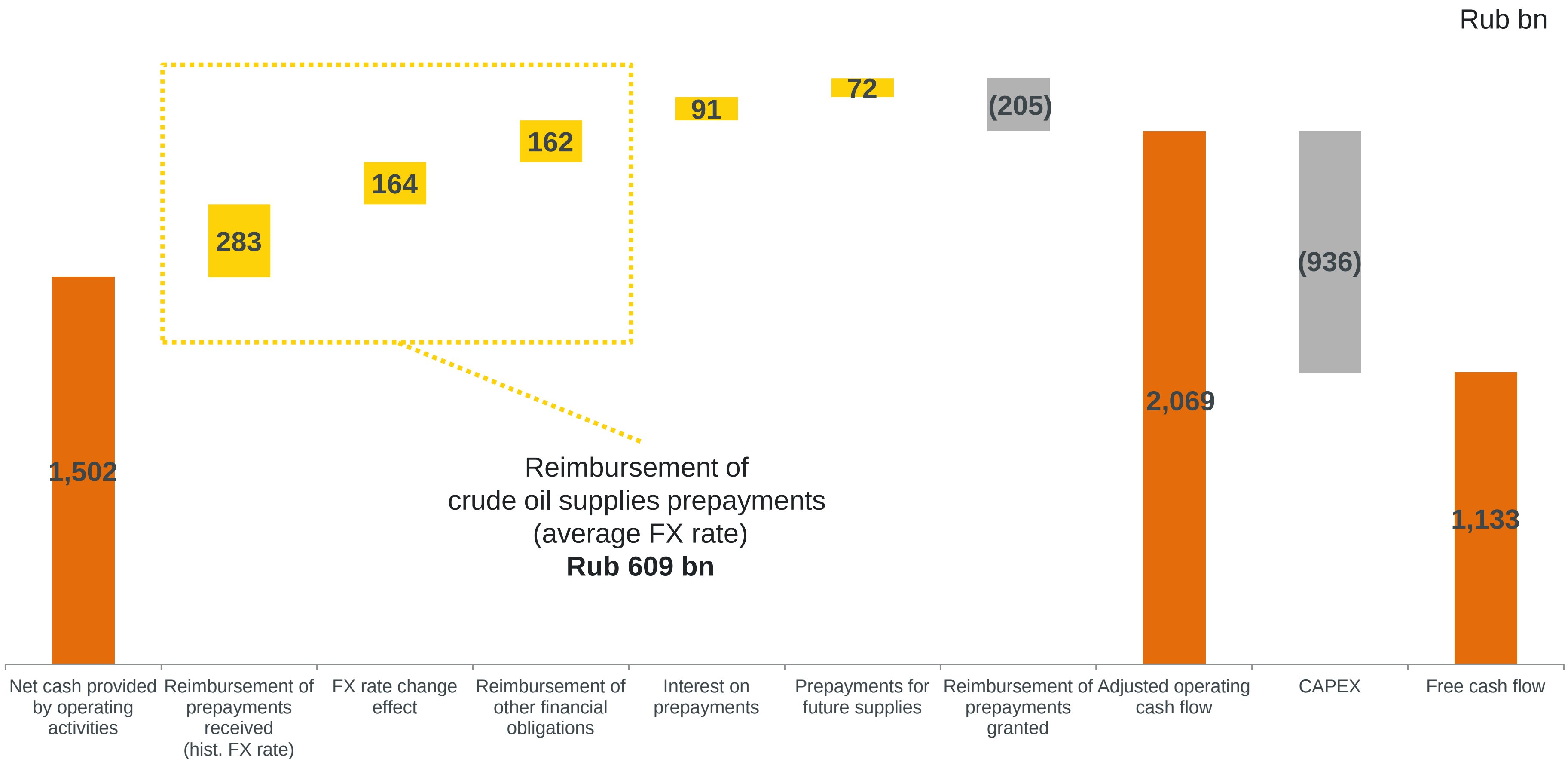
Profit and Loss Statement

№	Indicator	2018, $ bn
1	**Revenue, incl.**	**133.7**
	Reimbursement of prepayments and other financial obligations received	9.6
2	Costs and expenses, incl.	(110.8)
	Reimbursement of prepayments granted	(3.3)
3	**Operating profit (1+2)**	**22.9**
4	Expenses before income tax	(9.4)
5	Income before income tax (3+4)	13.5
6	Income tax	(3.0)
7	**Net income (5+6)**	**10.5**

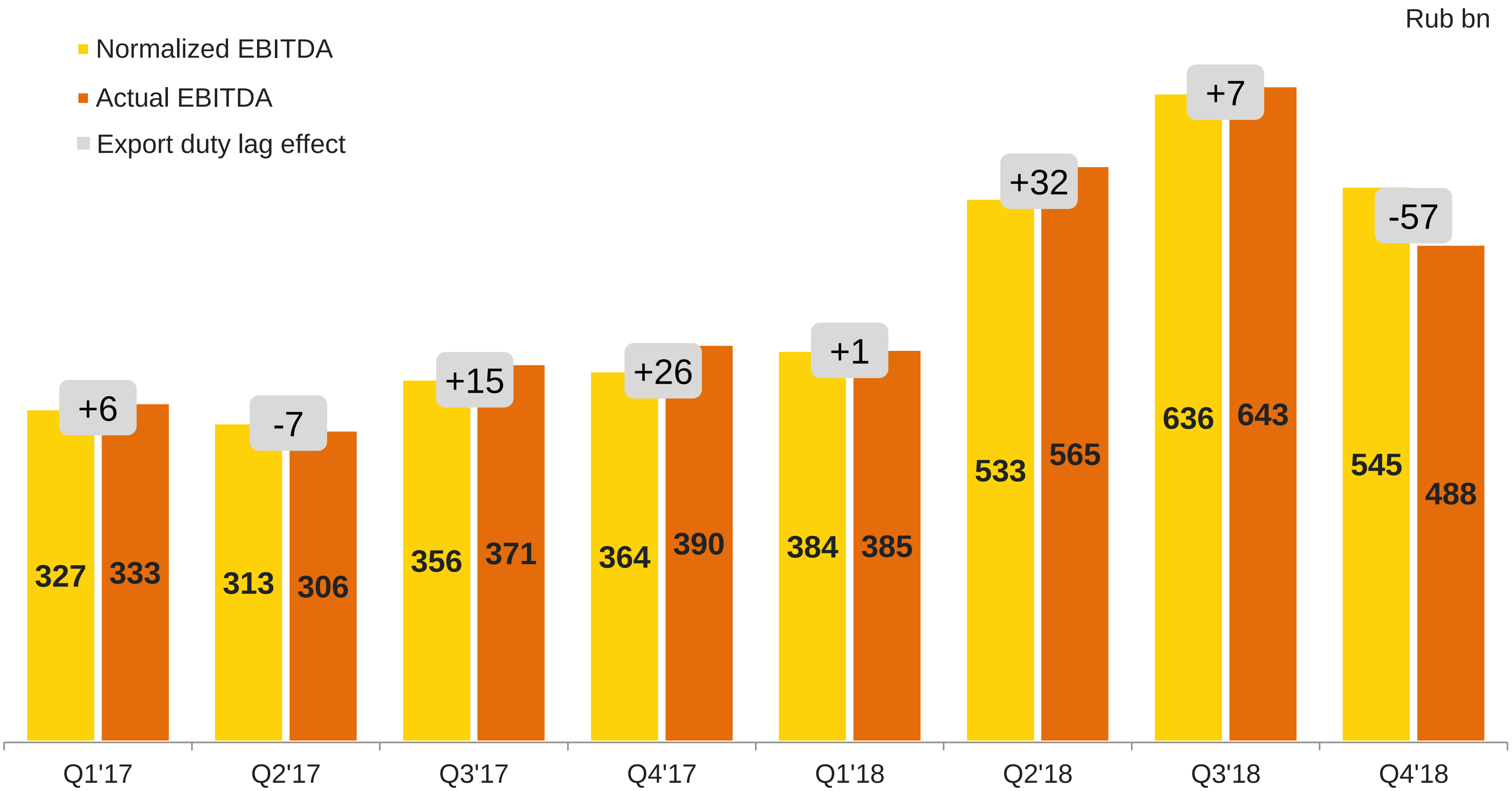
Cash Flow Statement

2018, $ bn	Indicator	№
10.5	**Net income**	**1**
15.3	Adjustments to reconcile net income to cash flow from operations, incl.	2
(7.0)	Reimbursement of prepayments received under crude oil and petroleum products supply contracts	
(2.6)	Reimbursement of other financial obligations received	
3.3	Reimbursement of prepayments granted under crude oil and petroleum products supply contracts	
0.3	Changes in operating assets and liabilities, incl.	3
(1.6)	Interest on prepayments under long-term crude oil supply contracts	
(2.2)	Income tax payments, interest and dividends received	4
23.9	**Net cash from operating activities (1+2+3+4)**	**5**
1.1	Prepayments for future supplies	6
7.9	Effect from prepayments	7
32.9	**Adjusted operational cash flow (5+6+7)**	**8**

Calculation of Adjusted Operating Cash Flow, FY2018



Export Duty Lag



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

Finance Expenses, Rub bn

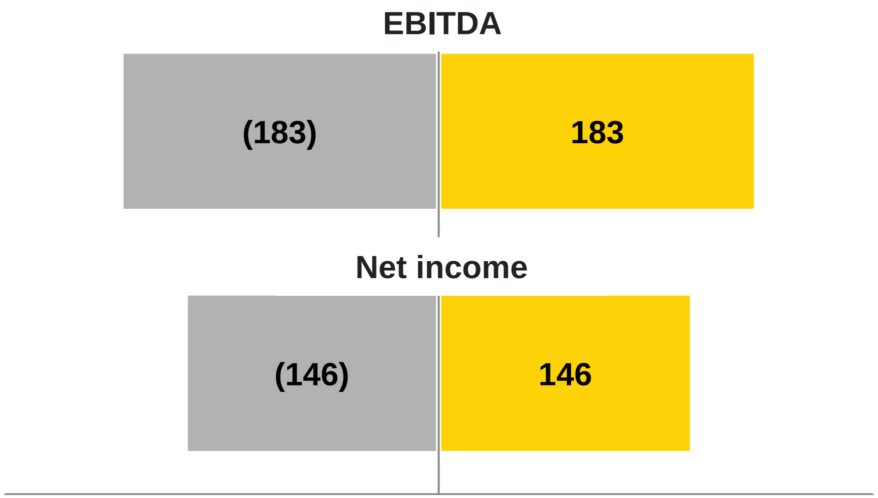
	Indicator	2018	2017	%	Q4'18	Q3'18	%
1.	**Interest accrued**[1]	**280**	230	21.7%	**73**	72	1.4%
2.	Interest paid[2]	**284**	219	29.7%	**82**	78	5.1%
3.	Change in interest payable (1-2)	**(4)**	11	–	**(9)**	(6)	50.0%
4.	Interest capitalized[3]	**147**	117	25.6%	**39**	38	2.6%
5.	Net loss from operations with financial derivatives[4]	**17**	–	–	**3**	5	(40.0)%
6.	Increase in provision due to the unwinding of a discount	**19**	17	11.8%	**5**	5	–
7.	Interest on prepayments under long-term oil and petroleum products supply contracts	**91**	81	12.3%	**24**	24	–
8.	Change in fair value of financial assets	**12**	–	–	**3**	9	(66.7)%
9.	Increase in loss allowance for expected credit losses on debt financial assets	**7**	–	–	**1**	2	(50.0)%
10.	Other finance expenses	**11**	14	(21.4)%	**3**	2	50.0%
	Total finance expenses (1-4+5+6+7+8+9+10)	**290**	225	28.9%	**73**	81	(9.9)%

Note: (1) Including interest charged on credits and loans, promissory notes, ruble bonds and eurobonds; (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 rate fluctuations of cross-currency interest rate swaps

EBITDA and Net Income Sensitivity

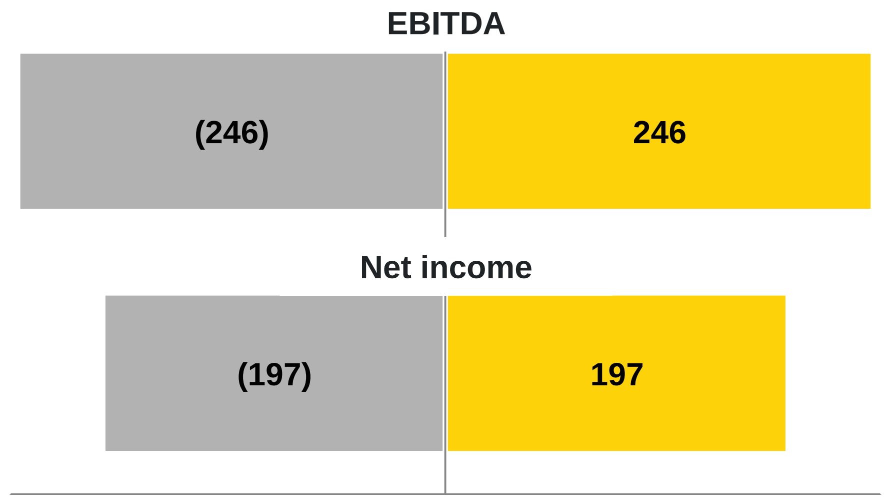
Urals price change

Rub bn | -7 $/bbl | +7 $/bbl



Rub/$ exchange rate change

Rub bn | -6.3 Rub/$ | +6.3 Rub/$



- Average Urals price in 2018 stood at 69.8 $/bbl. If the average price for the period had been 10% lower (62.8 $/bbl), EBITDA would have decreased by Rub 183 bn
- Average exchange rate in 2018 was 62.71 Rub/$. If the average ruble rate in 2018 had weakened by 10% to 69 Rub/$, EBITDA would have gone up by Rub 246 bn

Questions and Answers