

# ROSNEFT Q4 and 12M 2012 IFRS Results



**1 February 2013**



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# Results Overview

	FY '11	<b>FY '12</b>	Δ	Q3' 12	<b>Q4' 12</b>	Δ
Hydrocarbon production, kboe/d	2,586	<b>2,702</b>	4.5%	2,729	<b>2,823</b>	3.4%
Crude oil production, kbbl/d	2,380	<b>2,439</b>	2.5%	2,454	<b>2,479</b>	1.0%
Gas production, kboe /d	206	<b>263</b>	27.7%	275	<b>344</b>	25.1%
Petroleum products output, mln t	55.91	<b>59.59</b>	6.6%	15.55	<b>15.33</b>	(1.4%)
Revenues, RUB bln	2,718	<b>3,078</b>	13.2%	809	<b>790</b>	(2.3%)
EBITDA, RUB bln <sup>(1)</sup>	662	<b>609</b>	(8.0%)	198	<b>144</b>	(27.3%)
Net income, RUB bln	319	<b>342</b>	7.2%	181	<b>57</b>	(68.5%)
Operating cash flow, RUB bln <sup>(2)</sup>	490	<b>511</b>	4.3%	158	<b>135</b>	(14.6%)
Capital expenditures, RUB bln	391	<b>466</b>	19.2%	105	<b>122</b>	16.2%
Free cash flow, RUB bln	99	<b>45</b>	(54.5%)	53	<b>13</b>	(75.5%)
Net debt, RUB bln	432	<b>581</b>	34.5%	542	<b>581</b>	7.2%

Note: (1) EBITDA is calculated as the sum of the operating profit, D&A and depletion expenses for the respecting period, (2) Operating cash flow is adjusted for the effect from operations with trading securities as part of Company's excess cash management



# 2012 Highlights

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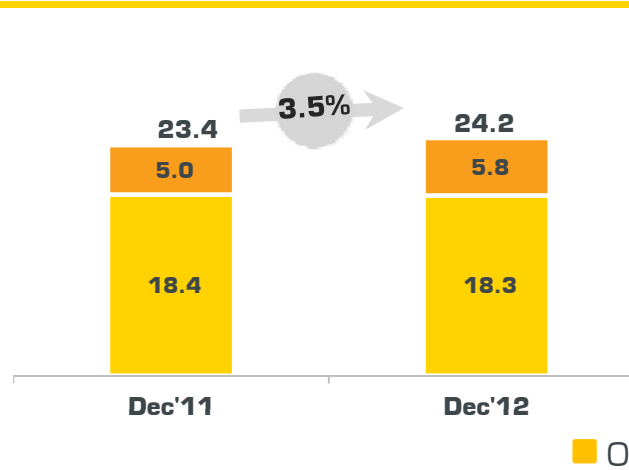
- ▶ Definitive agreements signed with **BP and AAR** in acquisition of **TNK-BP**
- ▶ Formed JV with **Itera** for production and sale of gas
- ▶ 25-year contract with **INTER RAO UES** envisaging annual supplies of up to 35 bcm of gas beginning in 2016
- ▶ Strategic agreements for **offshore development** concluded with **ExxonMobil, ENI and Statoil**
- ▶ Agreed to form JVs with **ExxonMobil and Statoil** in relation to development of **tight oil reserves**
- ▶ Acquired a 35.3% stake in **Taas-Yuryakh Project** and fully consolidated **VSNK** in Eastern Siberia
- ▶ Acquired 30% of ExxonMobil's stake in the Harmattan acreage in the **Cardium formation** in Canada
- ▶ Agreed to establish a JV with PDVSA to develop **Carabobo-2 block** in Venezuela



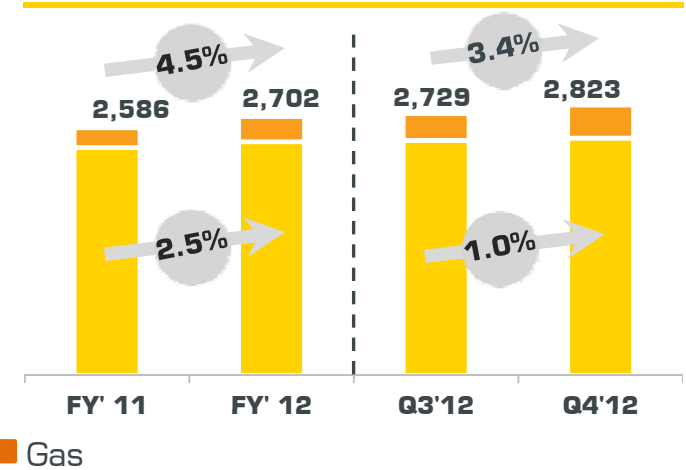
# Upstream

- SEC oil reserve replacement ratio of 131%
- Hydrocarbon production reached its record high of 2.7 mln boed
- Vankor, Verkhnechonsk, Yugansk, Samaraneftgaz and Udmurtneft contributed to 2.8% oil production growth Y-o-Y
- Gas production up 28.1% due to Itera acquisition and increased utilisation of associated gas
- Cost saving initiatives kept lifting cost growth well below inflation

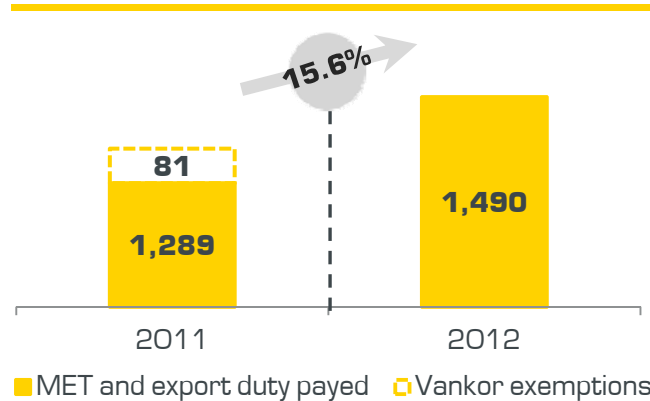
**Hydrocarbons 1P Reserves, bln boe**



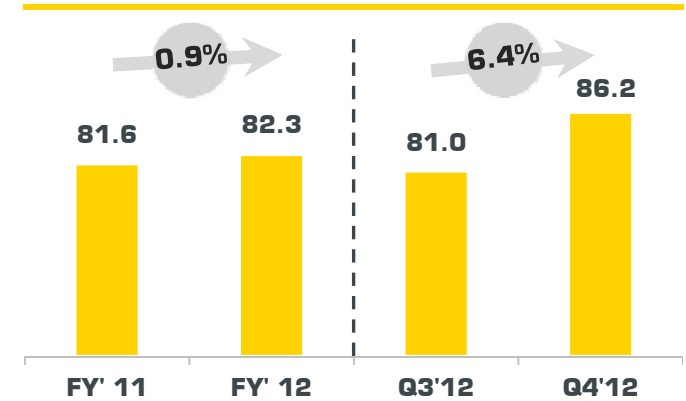
**Hydrocarbons production<sup>(1)</sup>, kboed**



**MET and crude export duty, RUB/bbl**



**Lifting costs<sup>(2)</sup>, RUB/boe**

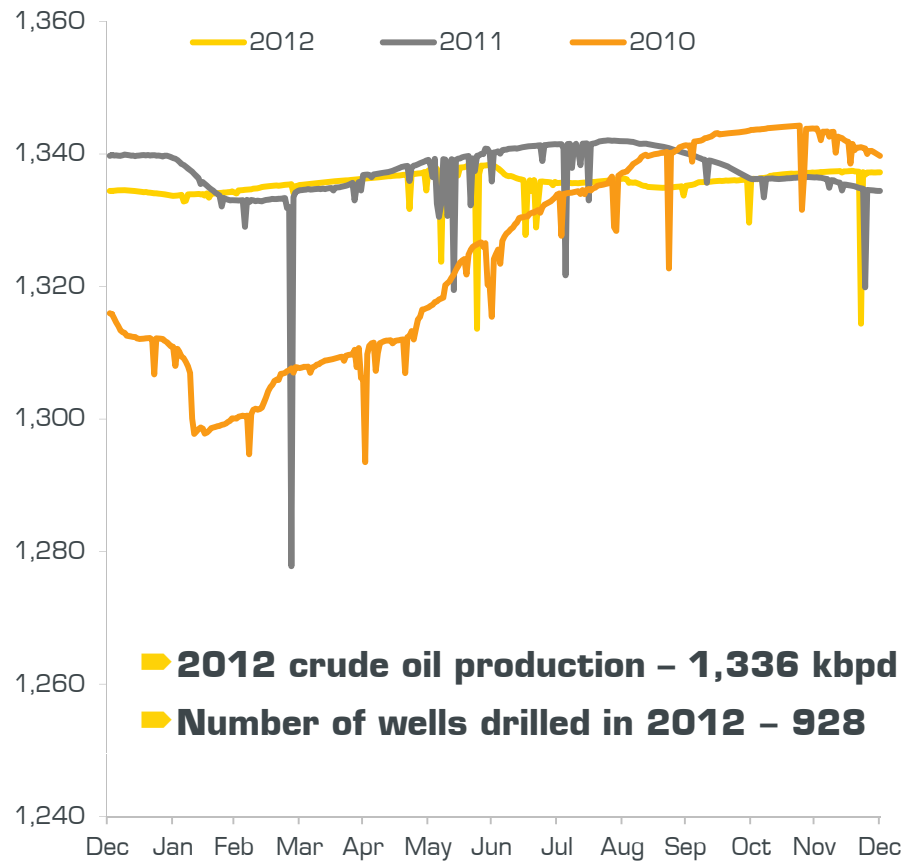


Note: (1) Including consolidated enterprises and share of production in affiliates (2) Include materials and supplies, equipment maintenance and repairs, wages and salaries, activities to enhance oil recovery, procurement of fuel and lubricants, electricity and other similar costs

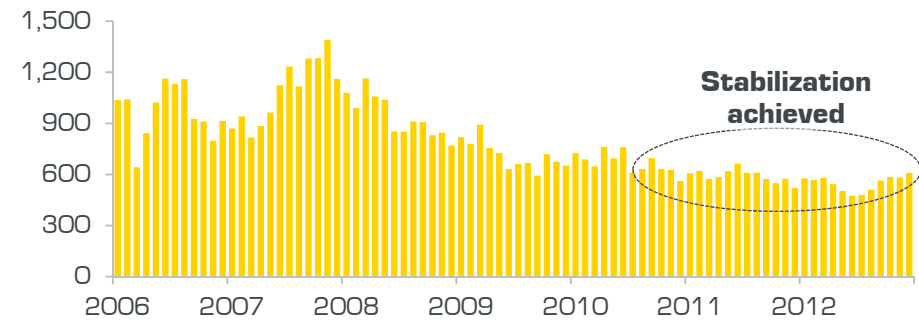


# Key Upstream Assets: Yugansk

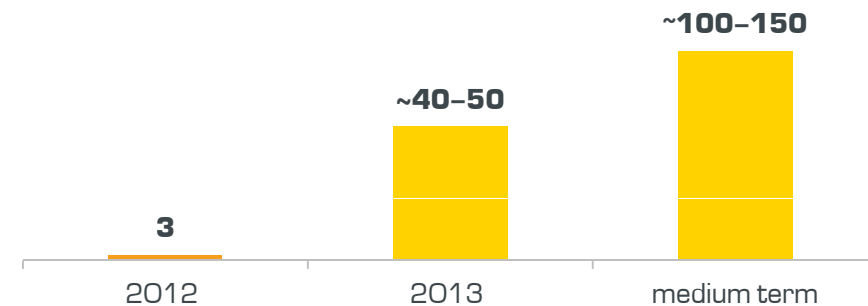
## Daily crude oil production, kbbl/d



## Initial flow rate of new wells, bbl/d



## Horizontal wells with multi-stage hydrofracs



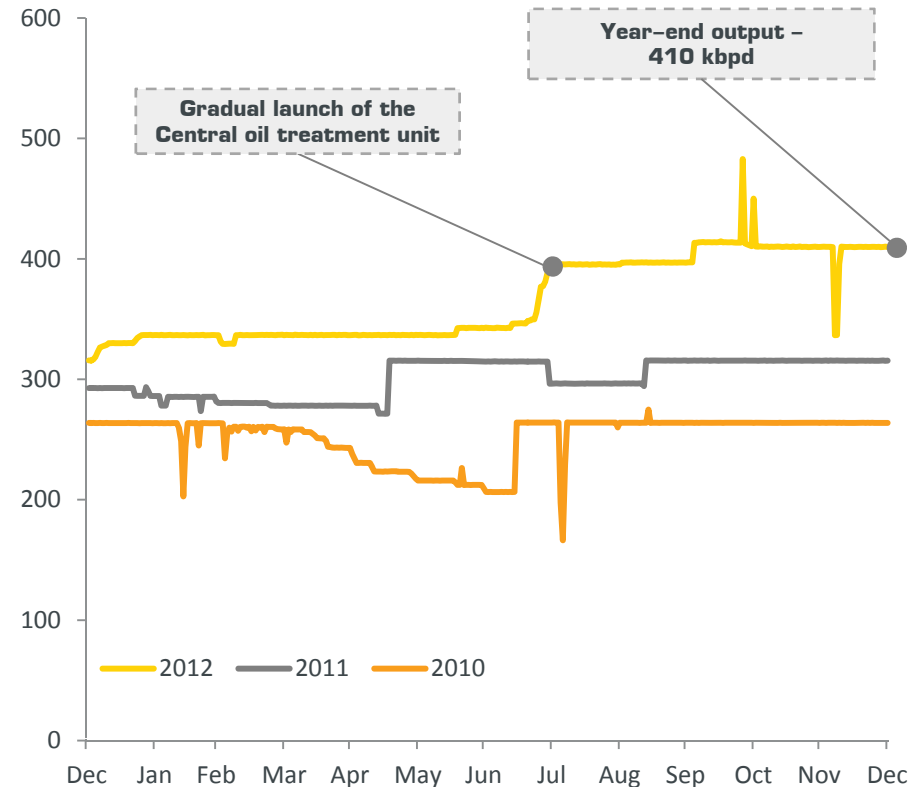


# Key Upstream Assets: Vankor

## 2012 Highlights

- ▶ **Crude oil production – 366 kbpd (+22.1% y-o-y)**
- ▶ **Average flow rates of new wells – 1.6 kbpd**
- ▶ **Number of new wells drilled – 83**
- ▶ **Production started at North-Vankor license block in May 2012**

## Vankor daily crude oil production, kbb/d





# Offshore Development – Unique Potential

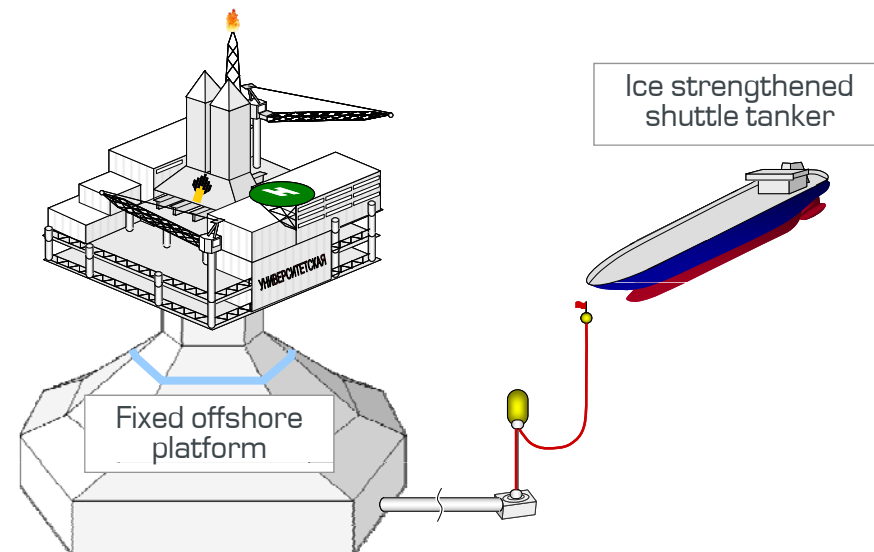
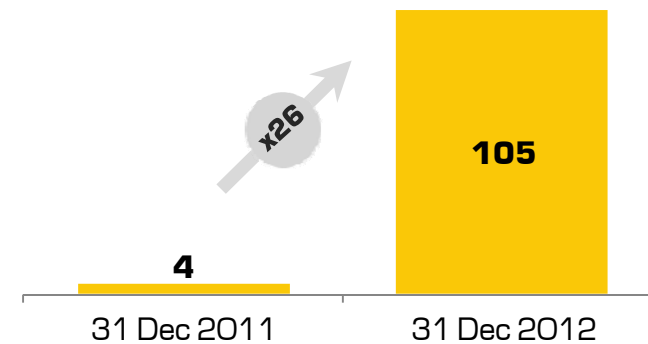
- ▶ **Prospective resources (D&M mean estimate):**
  - 102 bln bbls of oil & gas condensate
  - 14 tcm of gas
- ▶ **On January 31, 2013 government decree signed granting 12 more licenses <sup>(1)</sup>**
- ▶ **Strategic agreements for offshore development concluded with:**



- ▶ **Active Arctic offshore development :**
  - 5.3 th. km of 2D and 3.8 th.sq.km of 3D in 2012
  - First drilling candidate, Universitetskaya structure, chosen in the Kara Sea, drilling to begin in 2014 (1 year ahead of schedule)

## Present Worth of Offshore Prospective Resources, USD bln

*mean estimate by DeGolyer and MacNaughton*



Note: (1) Not included in the current DeGolyer & MacNaughton resource estimate

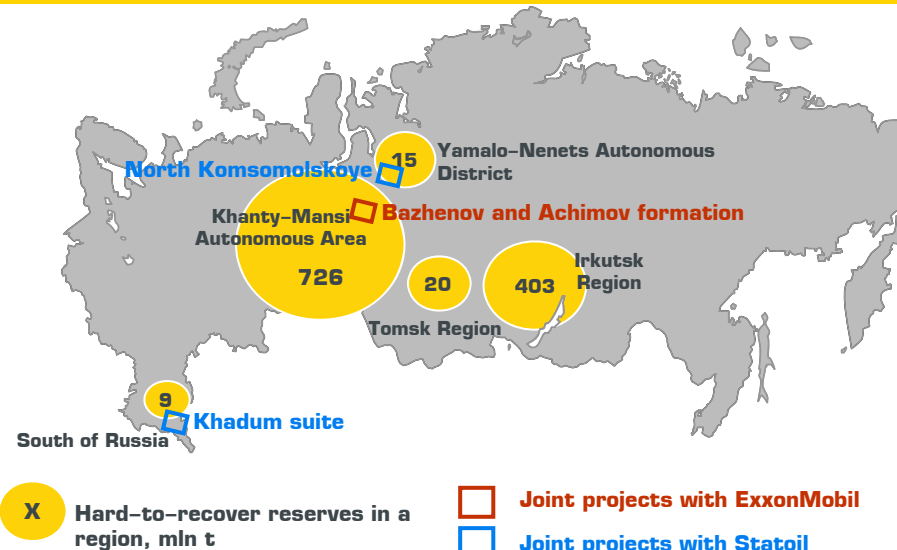




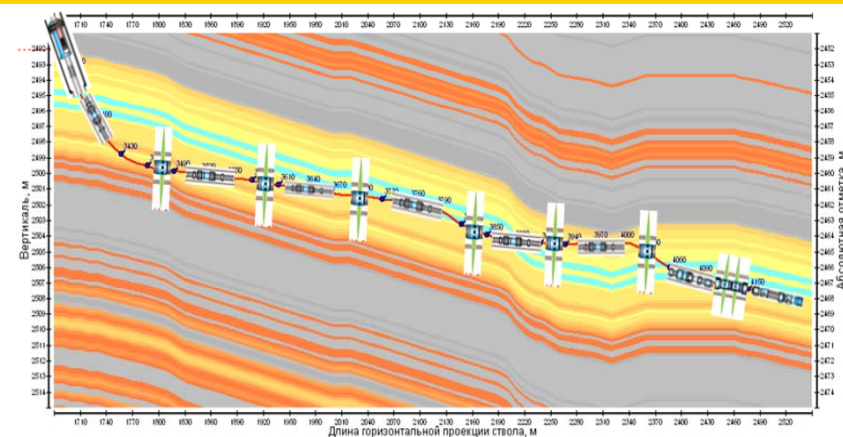
# Tight Oil Reserves Development Potential

- ▶ **Hard-to-recover reserves at Rosneft license areas are estimated at 8.8 bln bbl**
- ▶ **Annual production potential – over 300 kbpd**
- ▶ **Agreements signed with ExxonMobil and Statoil for joint study of these reserves:**
  - Pilot program developed with ExxonMobil for wells drilling in the Khanty–Mansi Autonomous Area. ExxonMobil to finance up to \$300 mln, the program to begin in 2013
  - Pilot program was prepared with Statoil, license areas were selected in the Western Siberia and Stavropol Region

## Projects with tight oil reserves



## Multi-stage hydrofracs in tight oil development (formation AC11, Priobskoe oil field)

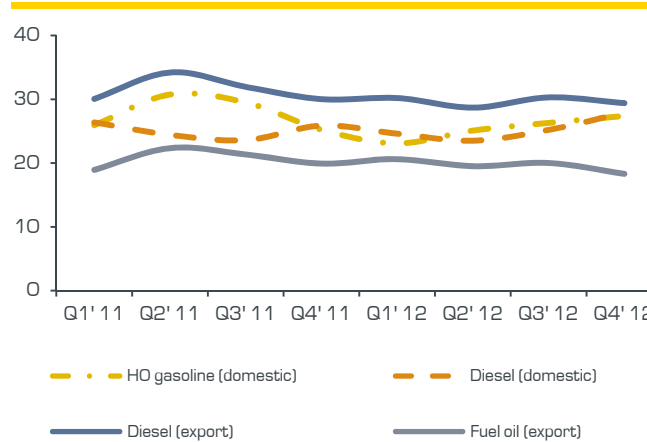




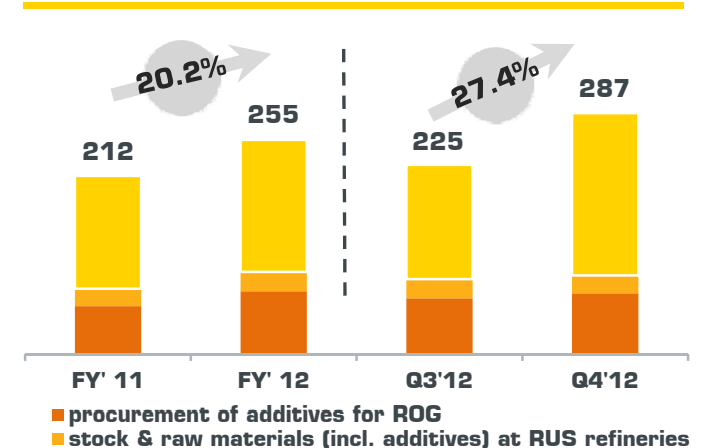
# Downstream

- ▶ Stable light product prices, lower pricing for heavy fuel oil
- ▶ Higher refining volumes due to the acquisition of a 50% stake in Ruhr Oel and higher refinery runs in Russia
- ▶ Higher refining costs largely due to increased use of additives for new products specification compliance, inclusion of higher complexity refineries in Germany and general input cost inflation

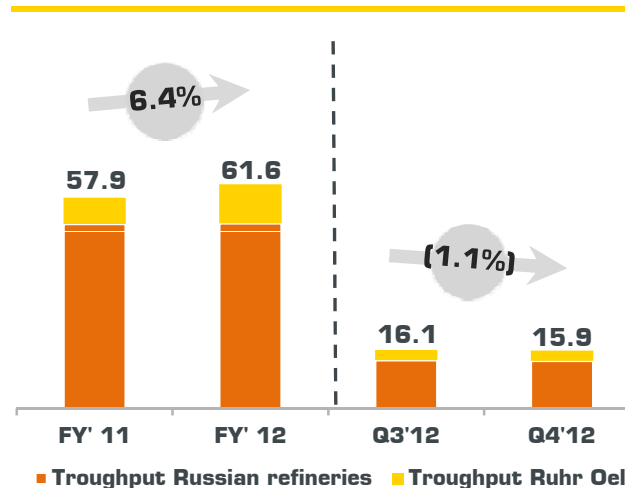
**Petroleum product prices, RUB th. per t.**



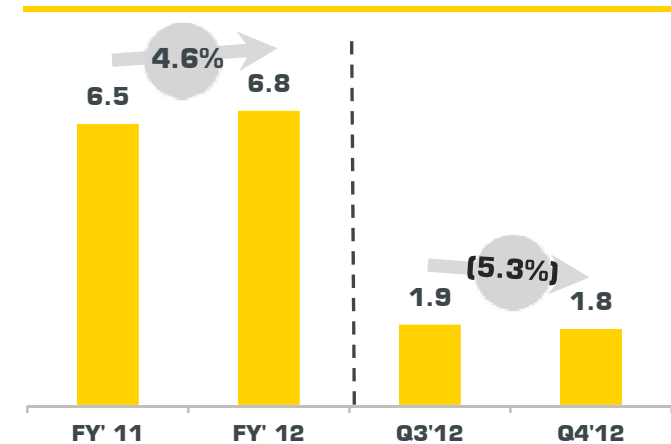
**Downstream OPEX, RUB/bbl of oil processed**



**Refinery throughput, mt**



**Domestic retail sales vol., mt**



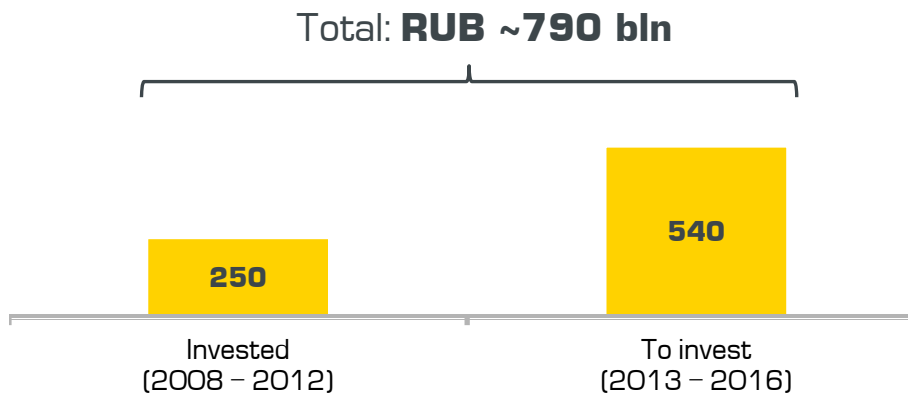


# Refinery Modernization Program in Russia

## Key Highlights

	FY '11	FY '12
Refinery throughput, kbpd	1,015	1,016
Refining capacity, kbpd	1,038	1,080
Product output, mln t	48.6	48.8
Light products yield, %	56%	57%
Euro-3 and higher motor fuels, mln t	8.7	10.9

## Refinery Modernization CAPEX, RUB bln



## Program Overview

### Rationale

- ▶ Build and upgrade production units to meet growing demand for high-quality fuels
- ▶ Increase output of high-margin petroleum products
- ▶ Comply with Euro-5 standards

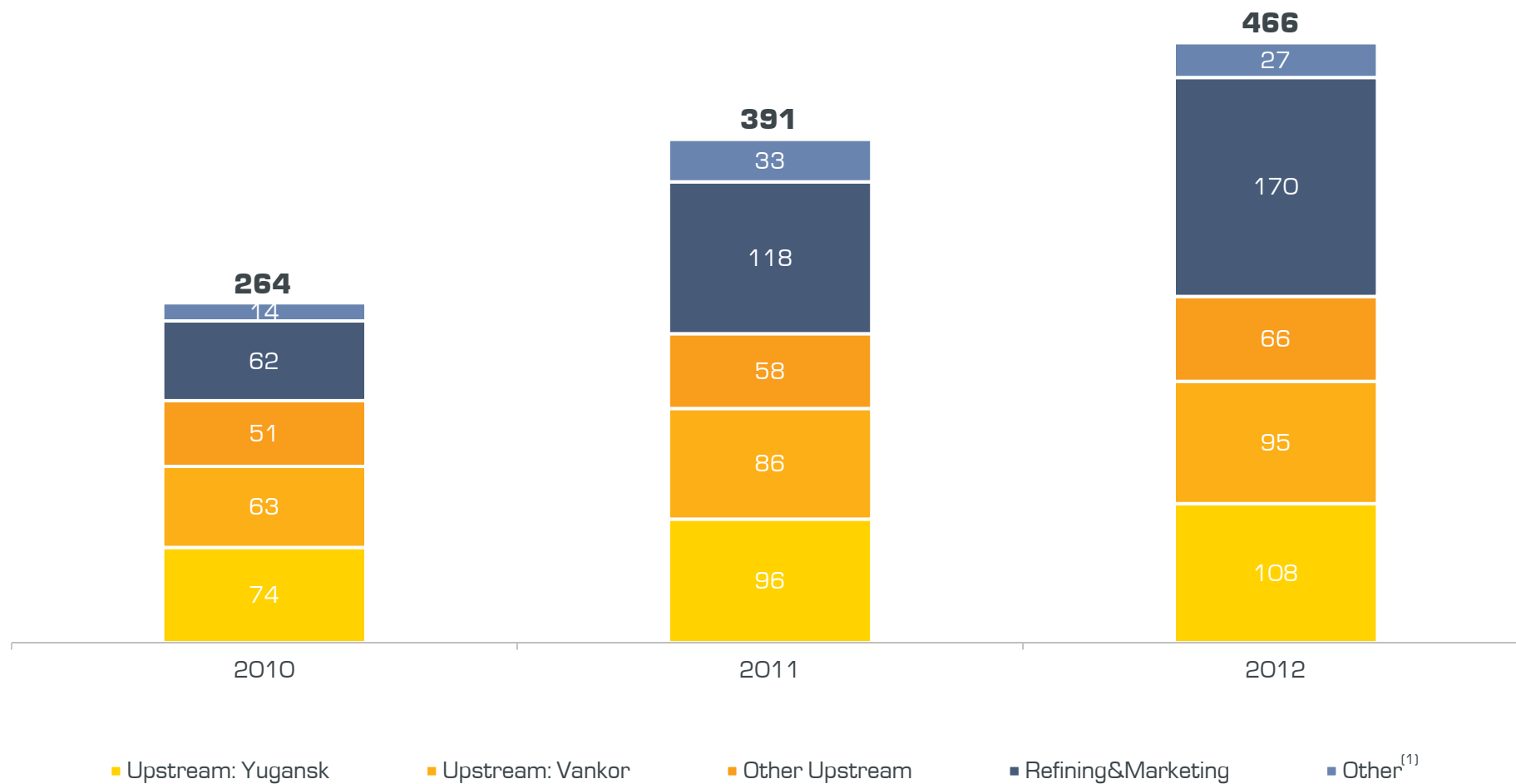
### 2012 Results

- ▶ Launch of coking and reforming units at Komsomolsk refinery
- ▶ Completion of construction works on the primary refining facility AVT-12 (**12 mln t** capacity) at Tuapse refinery
- ▶ **30** units under construction, **2** – under upgrade

# Capital Expenditures



## CAPEX, RUB bln



Note: (1) Other includes net change in stock of construction materials



# Appendix

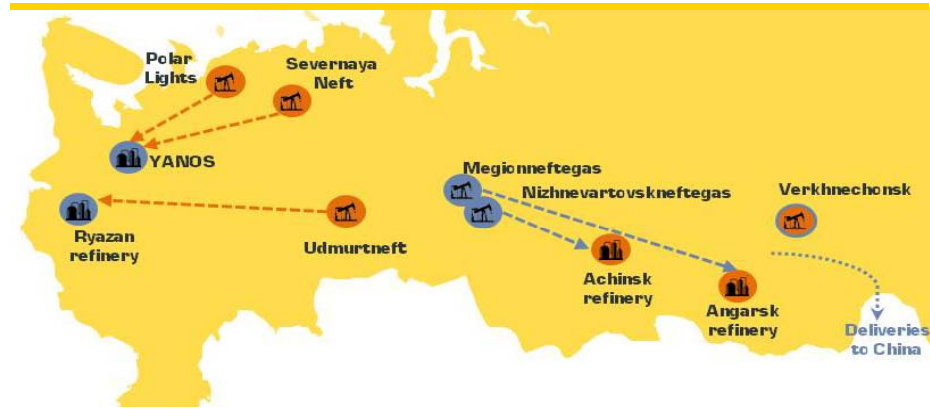


# Update on TNK–BP acquisition

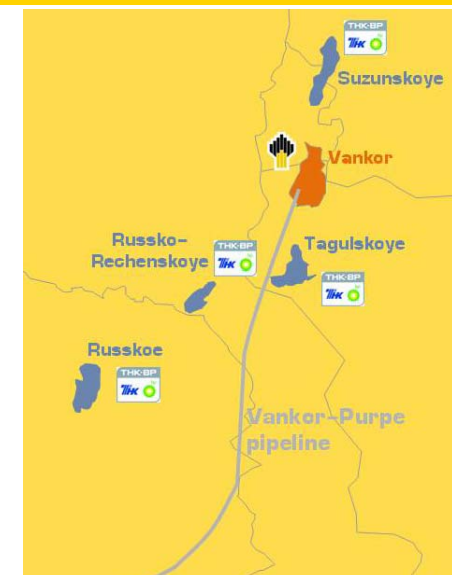
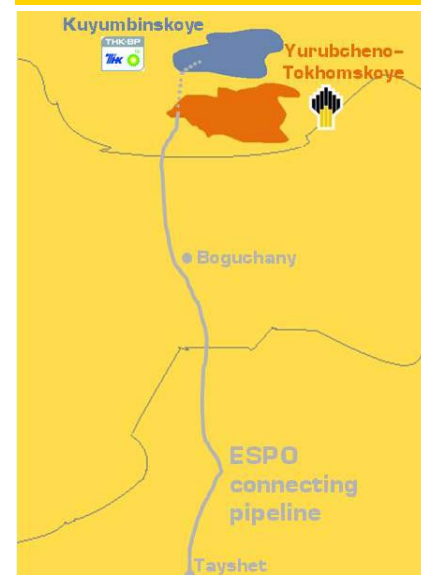
## Key Events

- ▶ Binding agreement signed to purchase AAR's stake in TNK–BP
- ▶ Rosneft 's BoD approved AAR's and BP's stake purchase
- ▶ Final government approval received
- ▶ Financing successfully secured
- ▶ Integration process launched, BP CEO Robert Dudley joined the steering committee
- ▶ Russian & Ukrainian Antimonopoly authorities approval received

## Crude and Product Supply Optimization



## Synergy in Joint Development Areas



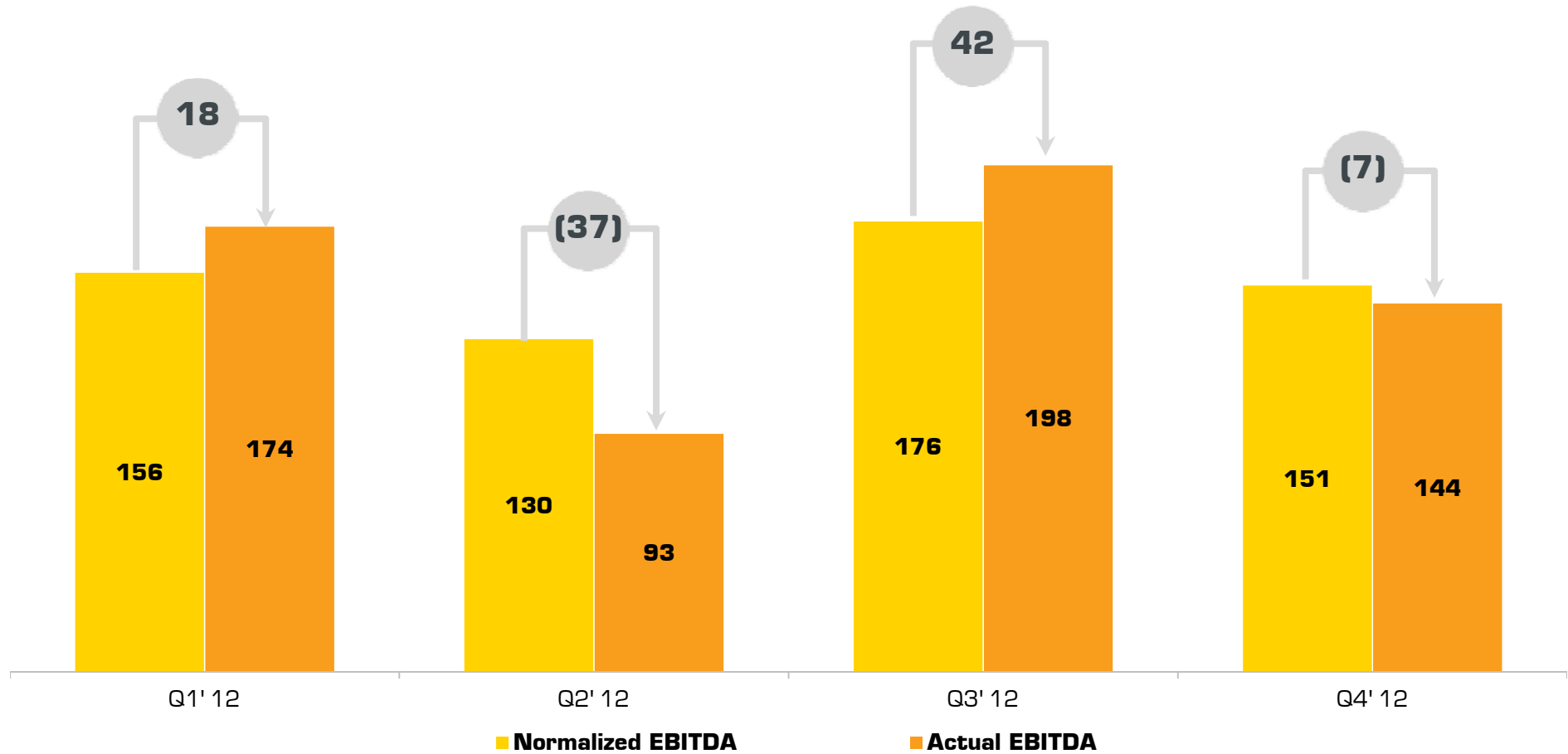
# Macroeconomic Environment



	FY '11	<b>FY '12</b>	Δ, %	Q3' 12	<b>Q4' 12</b>	Δ
Average USD/RUB exchange rate	29.39	<b>31.09</b>	5.8%	32.01	<b>31.08</b>	(2.9%)
Inflation for the period, %	6.1%	<b>6.6%</b>		2.0%	<b>1.4%</b>	
Urals FOB Primorsk, th. RUB/bbl	3.18	<b>3.39</b>	6.6%	3.45	<b>3.35</b>	(2.9%)
Gasoil 0.1% (FOB/CIF Med), th. RUB/tonne	27.4	<b>29.6</b>	8.0%	30.3	<b>29.4</b>	(3.0%)
Fuel oil 3.5% (FOB/CIF Med), th. RUB/tonne	17.9	<b>19.6</b>	9.5%	20.0	<b>18.3</b>	(8.5%)
High octane gasoline (av. Russia), th. RUB/tonne	24.1	<b>25.5</b>	5.8%	26.3	<b>27.4</b>	4.2%
Diesel (av. Russia), th. RUB/tonne (summer)	19.7	<b>23.2</b>	17.8%	23.8	<b>24.6</b>	3.4%



# Export Duty Lag Effect, RUB bln

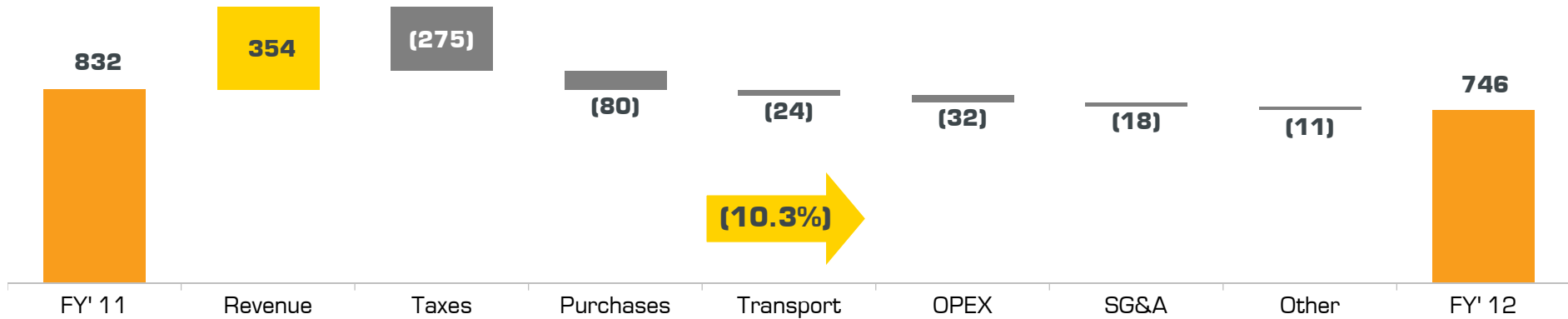




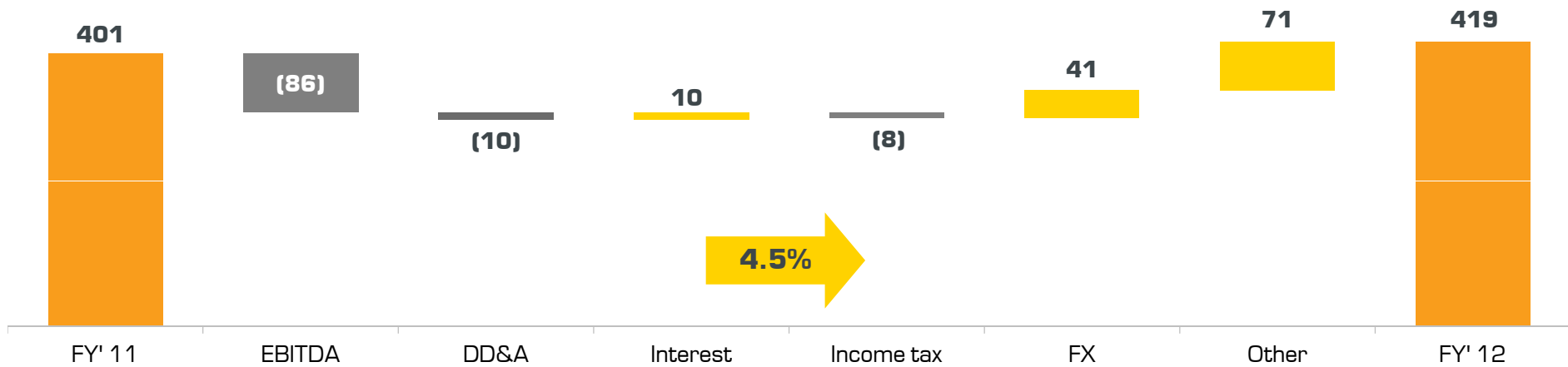
# EBITDA and Net Income Reconciliation



## 2011 vs 2012 EBITDA, RUB per bbl



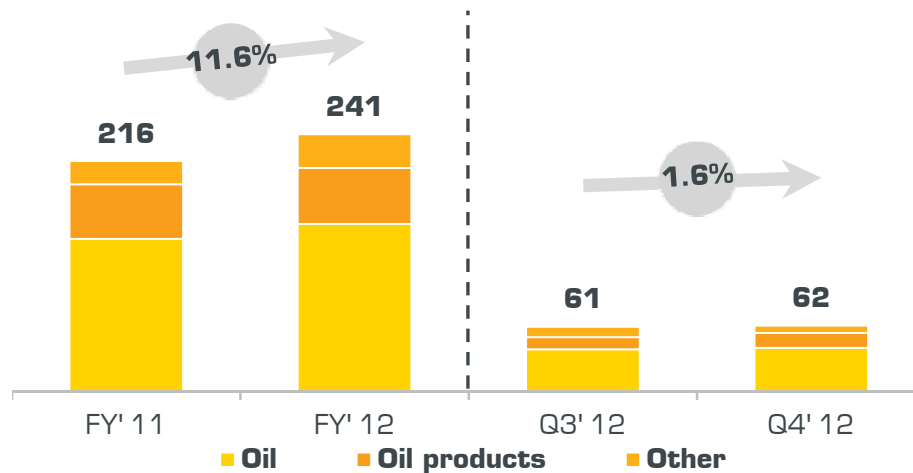
## 2011 vs 2012 Net Income, RUB per bbl



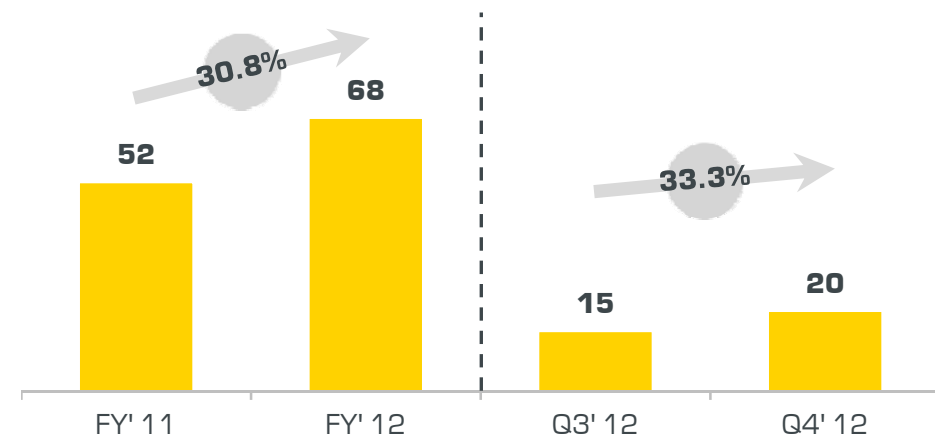


# Transportation Costs and G&A

## Transportation costs, RUB bln



## G&A, RUB bln



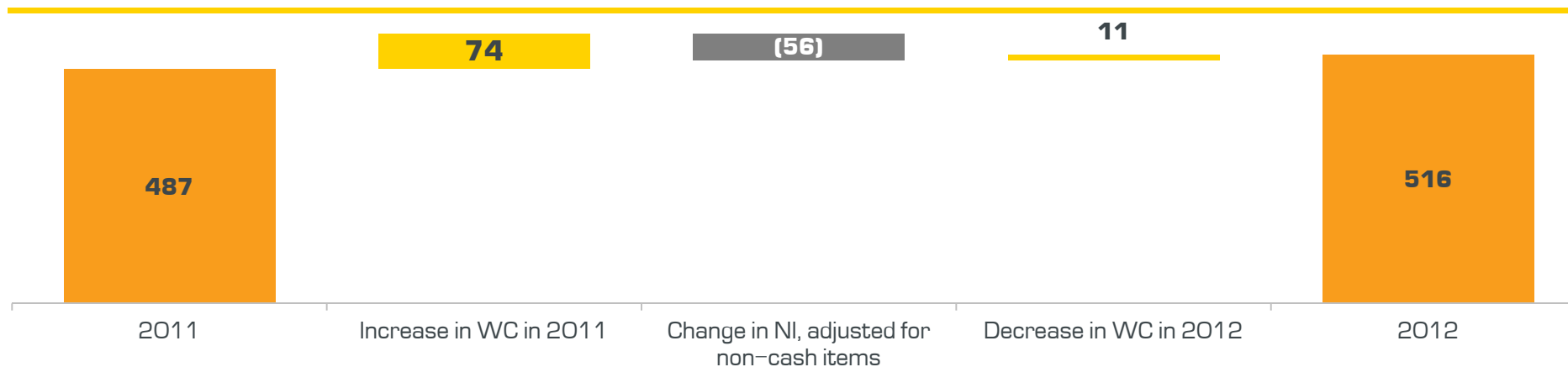
- ▶ 2012 growth in transportation tariffs was offset by optimization of routes:
  - supplies of Purneftegaz crude to CPC
  - increase in supplies of oil procured on the international market to ROG
- ▶ Q-o-Q 1.6% increase reflects Transneft tariffs growth in November 2012

- ▶ FY G&A were up 30.8% due to change in allowance for doubtful debt provisions, increased expenses for consulting and audit services
- ▶ 33.3% growth in G&A costs Q-o-Q was mainly due to increased audit and consulting expenses

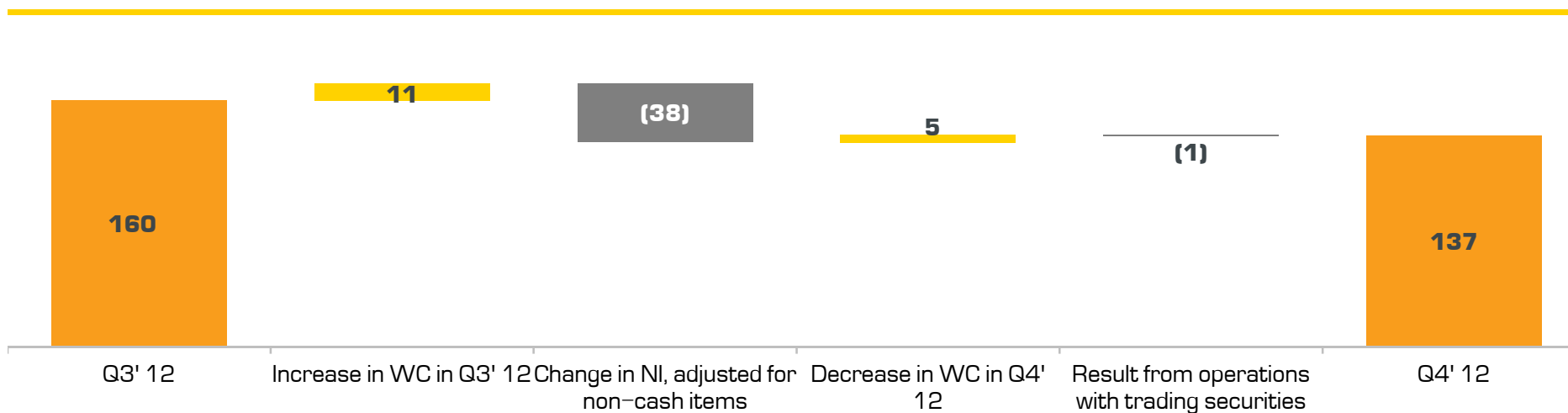
# Operating Cash Flow Reconciliation, RUB bln



## 2011 vs 2012



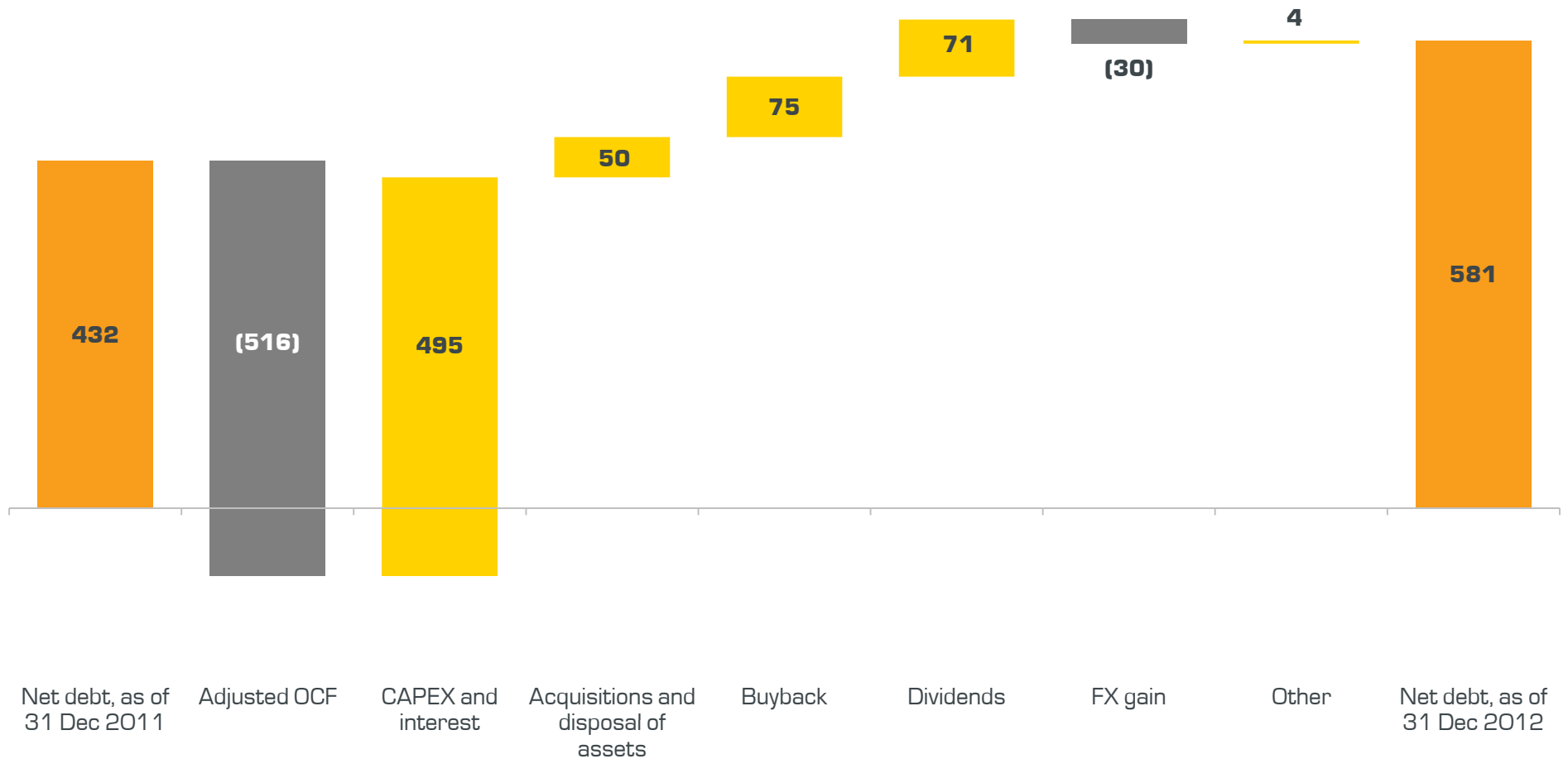
## 3Q'12 vs 4Q'12





# Net Debt Reconciliation, RUB bln

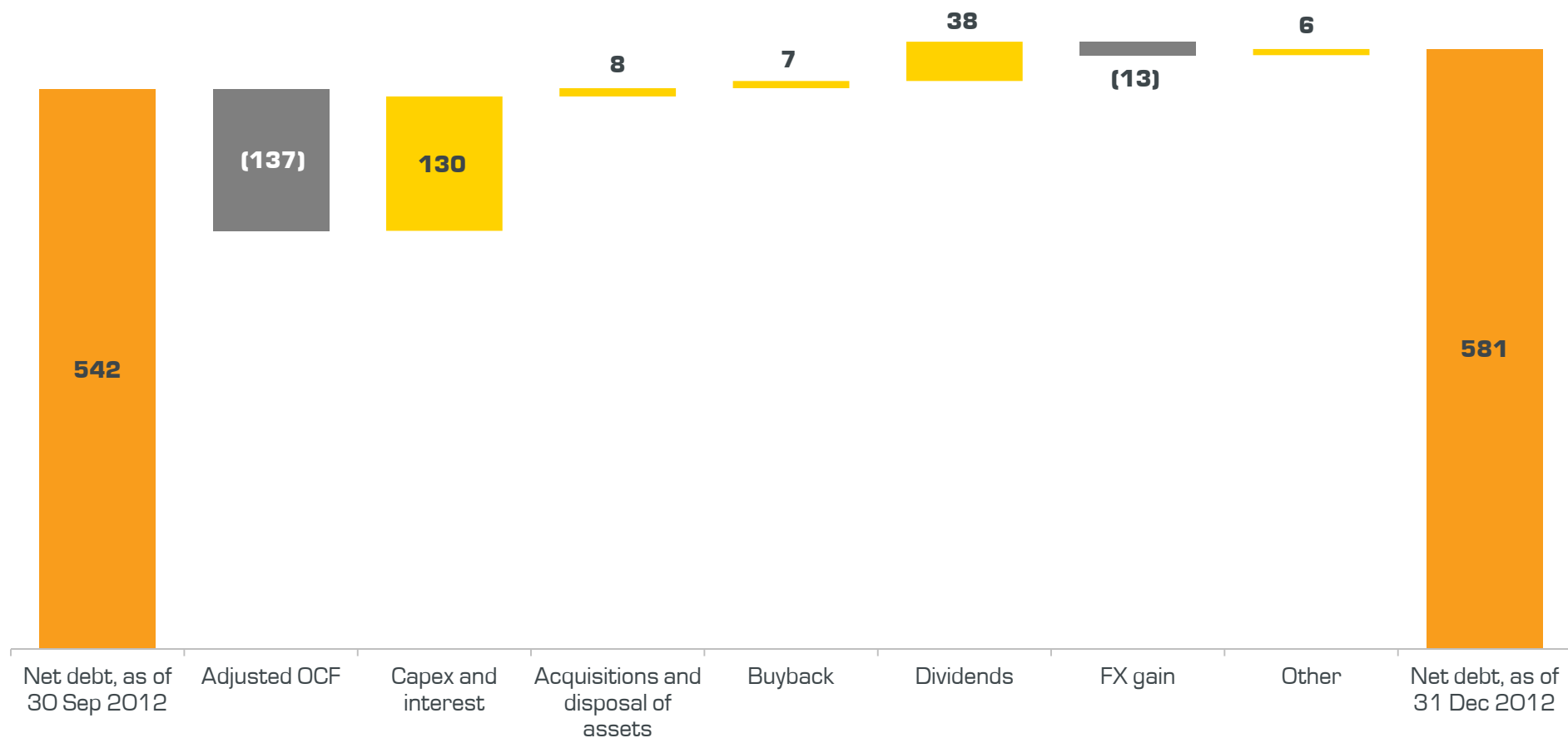
2011 vs 2012



# Net Debt Reconciliation, RUB bln



## Q3'12 vs Q4'12





# Credit Profile

	Dec 31, 2011	Dec 31, 2012
Total debt, RUB bln	748	963
Net Debt, RUB bln	432	581
Long-term debt, %	79.7%	86.9%
USD denominated debt, %	84.5%	70.2%
Gearing	17.3%	20.4%
Weighted average cost of debt	3.8%	3.5%
LTM EBITDA interest coverage	24.8x	17.4x
Net debt / LTM EBITDA	0.65x	0.95x

## Credit ratings

<b>S&amp;P</b>	BBB- (credit watch positive)
<b>Moody's</b>	Baa1 (credit watch negative)
<b>Fitch</b>	BBB (credit watch negative)

Note: (1) Exclude certain Yukos related debt in amount of RUB 48 bln

## Repayment profile, RUB bln

