Rosneft Oil Company
IFRS Results
Q2 2018

August 7, 2018

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Overview of Key Corporate Developments

Macroeconomic Environment[1]

Indicator	Q2'18	Q1'18	%	H1'18	H1'17	%
Urals, $/bbl	**72.5**	65.2	11.1%	**68.9**	50.5	36.3%
Urals, '000 Rub/bbl	**4.48**	3.71	20.7%	**4.09**	2.93	39.5%
Naphtha, '000 Rub/ton	**38.52**	31.79	21.2%	**35.10**	25.92	35.4%
Gasoil 0.1%, '000 Rub/ton	**40.13**	33.25	20.7%	**36.63**	26.68	37.3%
Fuel oil 3.5%, '000 Rub/ton	**25.09**	20.23	24.0%	**22.61**	16.67	35.6%
Average exchange rate, Rub/$	**61.8**	56.9	8.6%	**59.4**	58.0	2.4%
Inflation for the period (CPI), %	**1.3%**	0.8%	-	**2.1%**	2.3%	-

Key Events

- Early July the Company successfully ramped up production to the level preceding the OPEC+ restrictions (October 2016)
- The BoD approved additional initiatives to «Rosneft-2022» Strategy taking into account the message of the President of the Russian Federation Vladimir Putin to the Federal Assembly
- Initiatives aimed at enhancing shareholder returns and improving the Company's equity story were presented to the BoD
- The BoD approved the terms and launch of the open market share buyback program in the amount of up to $2 bn
- Final dividends for 2017 in the amount of Rub 6.65 per share were approved by the AGM representing 50% of IFRS net profit, raising total dividends for 2017 to Rub 10.48 per share
- Completed the modernization and commissioned the isopropylbenzol (cumene) unit at the Ufaorgsintez

Note: (1) Average prices and changes are calculated based on unrounded data of analytical agencies

Key Operational Highlights

indicator	Q2 2018	Q1 2018	%	H1 2018	H1 2017	%
Hydrocarbon production, incl. kboed	**5,706**	5,708	(0.0)%	**5,706**	5,744	(0.7)%
Oil and liquids kbpd	**4,604**	4,566	0.8%	**4,585**	4,593	(0.2)%
Gas kboed	**1,102**	1,142	(3.5)%	**1,121**	1,151	(2.6)%
Oil refining mmt	**28.1**	27.6	2.0%	**55.7**	56.0	(0.6)%
Refining depth, %	**74.9**	75.4	(0.5) p.p.	**75.2**	74.2	+1.0 p.p.

Key Financial Highlights

Indicator	Q2 2018	Q1 2018	%	H1 2018	H1 2017	%
EBITDA, Rub bn	**565**	385	46.8%	**950**	639	48.7%
Net Income, Rub bn *attributable to Rosneft shareholders*	**228**	81	>100%	**309**	75	>100%
Adjusted net income[1], Rub bn *attributable to Rosneft shareholders*	**257**	123	>100%	**380**	178	>100%
Adjusted operating cashflow[2], Rub bn	**450**	365	23.3%	**815**	585	39.3%
CAPEX, Rub bn	**229**	223	2.7%	**452**	407	11.1%
Free Cash Flow, Rub bn	**221**	142	55.6%	**363**	178	>100%
EBITDA, $ bn	**9.1**	6.8	33.8%	**15.9**	11.0	44.5%
Net Income, $ bn *attributable to Rosneft shareholders*	**3.6**	1.5	>100%	**5.1**	1.3	>100%
Adjusted net income[1], $ bn *attributable to Rosneft shareholders*	**4.2**	2.2	90.9%	**6.4**	3.1	>100%
Adjusted operating cashflow, $ bn	**7.3**	6.4	14.1%	**13.7**	9.1	50.5%
CAPEX, $ bn	**3.7**	3.9	(5.1)%	**7.6**	7.0	8,6%
Free Cash Flow, $ bn	**3.6**	2.5	44.0%	**6.1**	2.9	>100%
Urals price, th. Rub/bbl	**4.48**	3.71	20.7%	**4.09**	2.93	39.5%

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)

Operating Results

OPEC+ Deal

Rosneft daily liquids production[1]

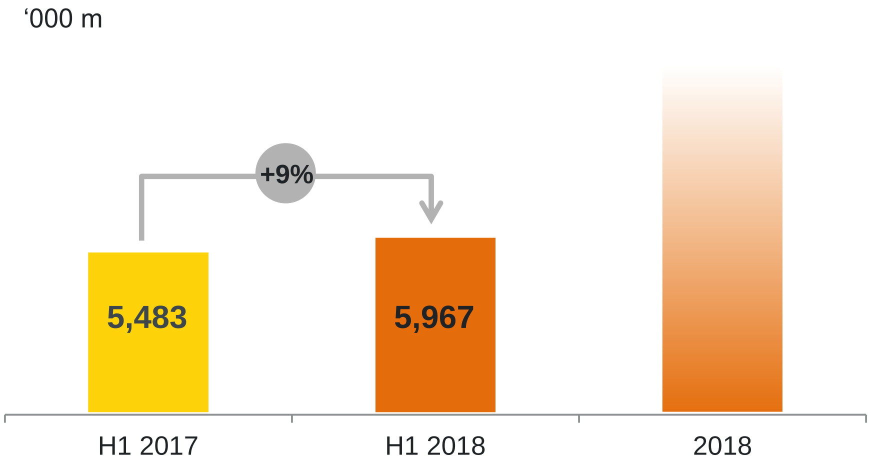
- On June 23, 2018 the 4th OPEC and non-OPEC Ministerial Meeting announced a production increase by 1 mmbpd starting July 2018
- In anticipation of the restrictions easing Rosneft tested the actual limits and rates of production recovery to the previous levels
- July 2018 liquids production in Russia reached 99,9% of the October 2016 levels
- Rosneft almost reaching October 2016 levels contributed most to the overall Russia production recovery
- Company's leading position in production recovery confirms the correct strategic approach to the output management
- Rosneft has technological capacities to ramp-up production by c. 200 kpd in Q3 2018, of which c. 120 kbd increase was already reached in June-July following the decisions made on June 22-23, 2018

** On November 30, 2016, the resolution of the 171st Meeting of the OPEC Conference was passed, which provided for an overall reduction in oil production by OPEC + countries by 1.8 mmbpd (Russia's share is 300,000 bpd)*

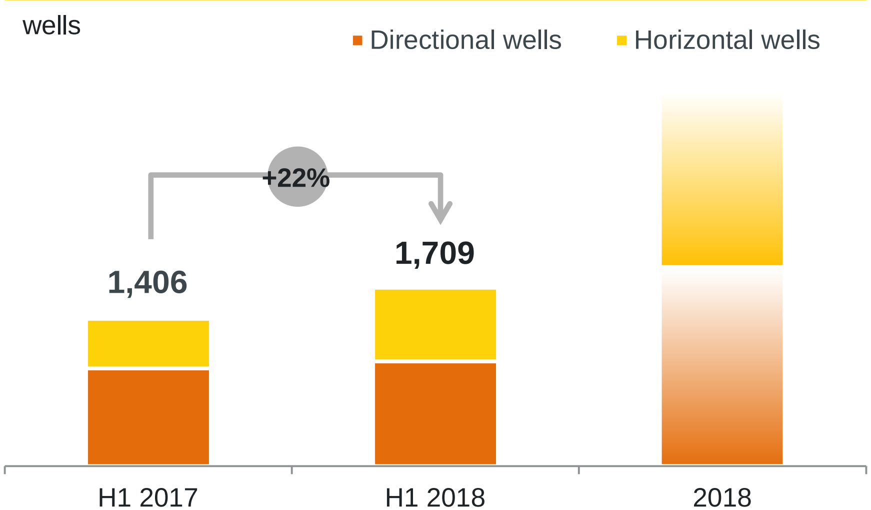
Note: (1) 30 days moving average

Development drilling

Development drilling footage



New well commissioning



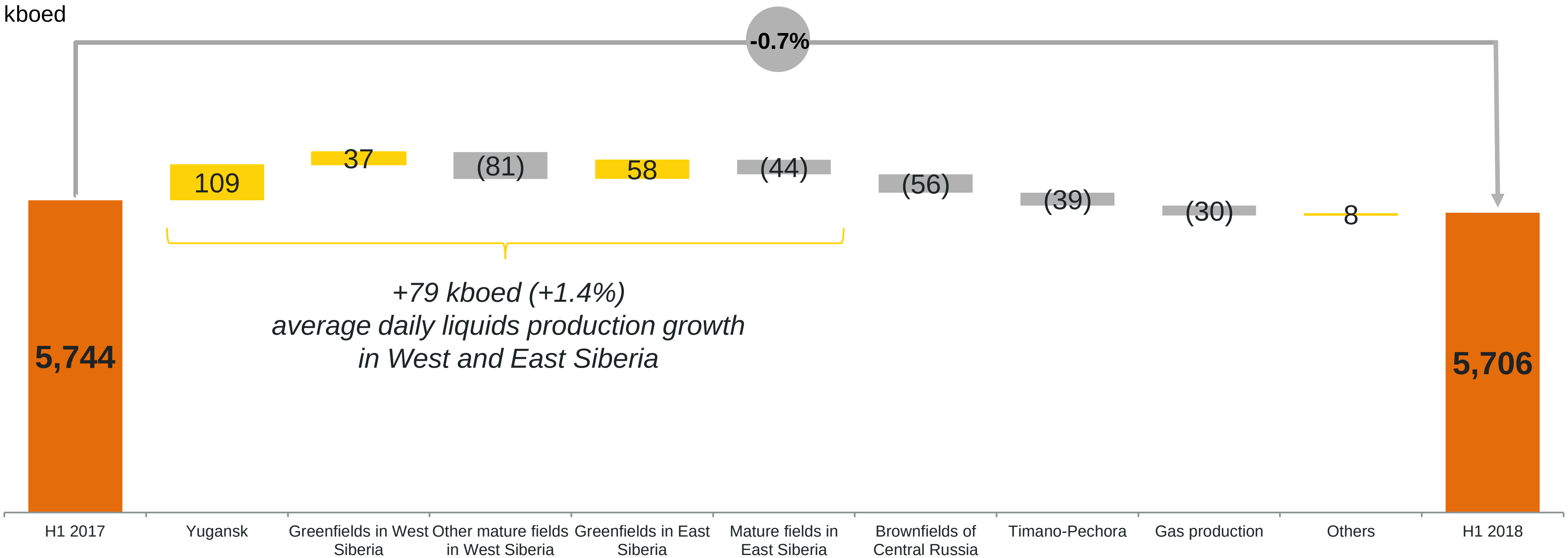
Key achievements in H1 2018

- Increase in development drilling footage by 24% YOY to c. 6 mln m with c. 60% share of in-house service
- 22% increase in new wells commissioning to 1,700 wells. Increase in the commissioning of new horizontal wells (HW) by 48% with their share growth to 41%. Growth in the number of HW with multi-stage hydrofracs by 66%
- Industry record set at construction of HW with a unique combined casing column – HW with a total depth exceeding 4,700 m and horizontal reach above 1,500 m was commissioned for 13.4 days at Yugansk
- Casing drilling successfully implemented at the Vankor field for the first time. Technology rollout will enable to reduce the wells construction cycle
- 15 high-tech wells commissioned at the Kondinskoe field (horizontal length of 1,000 m and 7-10 stage fracturing) with initial flow rates at 170-240 tpd, or 6-8x times above the 2017 region average

Plans for 2018

- Maintaining the development drilling footage
- New wells commissioning – not less than 2017 level, maintaining horizontal wells share of not less than 40%
- Further improvement in drilling and completion efficiency

Hydrocarbon Production



- In anticipation of the OPEX+ restrictions easing Rosneft tested the actual limits and rates of production recovery to the previous levels
- In early July the production was almost restored to the level of October 2016. The Company has technological capacity to increase production further
- Average daily liquids production in West and East Siberia rose by +1.4% vs. H1 2017 on the back of the development of new projects and higher production at Yuganskneftegaz
- Sustainable production growth at the Company largest asset - Yuganskneftegaz (+8.4% YOY) with liquids production sustainably above 1.4 mmbpd
- Successful development of new high-margin projects: production at Kondinsky, YuTM and Srednebotuobinskoye fields reached 115 kbpd

Progress in Key Projects

Indicator	Yurubcheno-Tokhomskoe field	Kondinskoe field
3P reserves (PRMS)	282 mmtoe / 2,156 mmboe[1]	143 mmtoe / 1,036 mmboe
Commissioning year	2017	2017
Production in H1 2018	1.1 mmt	0.5 mmt
Production plateau (year)	c. 5 mmtpa (2019)	>2 mmtpa (2019)
Tax benefits	MET tax break	Reduced MET (hard-to-recover reserves)


Yurubcheno-Tokhomskoe field


Kondinskoye field

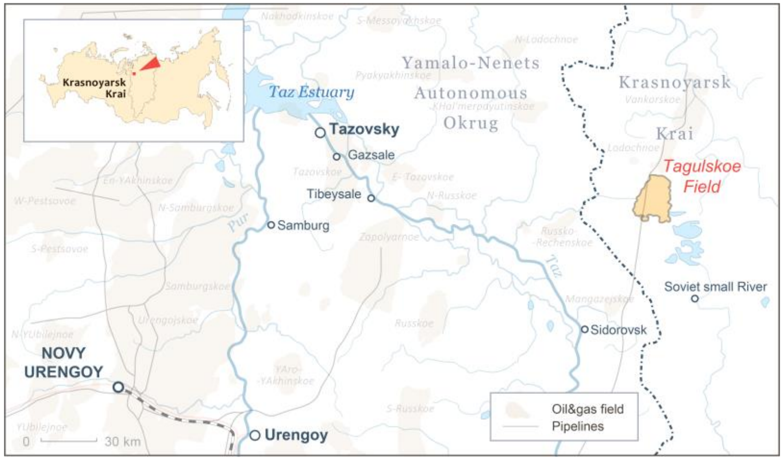
- In 2017, oil treatment facility (OTF-1) pilot operation started at the Yurubcheno-Tokhomskoye field in Eastern Siberia, as wells as the Pipeline offload facility – tie-in point of OPS-2
- Construction and installation of the first priority facilities are being finalized; preparation continues for the commissioning of the second stage facilities in the test mode, development drilling rates are boosting

- In November 2017, the Erginsky cluster 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 wells conversion to injection is being successfully implemented. In April 2018, a comprehensive testing of GTPP-36 MW started

Note: (1) Reserves data for the Yurubchensky block

Progress in Key Greenfields: Tagul Field

Indicator	Value
3P reserves (PRMS)	447 mmtoe / 3,180 mmboe
Commissioning year	2018
Plateau production (year)	>4.5 mmtpa (2022+)
Tax benefits	MET tax break

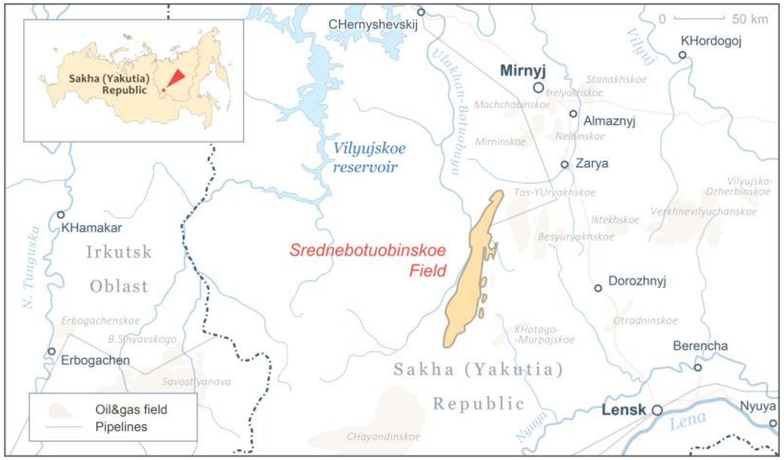


- As a part of the pilot project, construction of the first start-up complex of the oil treatment facility (OTF) with a design capacity of 2.3 mmtpa continues
- The OTF will be used for oil treatment to commercial quality and its subsequent transportation by a 4.5 km pipeline to the tie-in point at main oil pipeline Vankor-Purpe.
- Development drilling is in progress; 19 wells were drilled in H1 2018
- Well pads are being prepared for subsequent drilling; motor roads and energy facilities construction is in progress.

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

Indicator	Value
3P reserves (PRMS)	286 mmtoe / 2,096 mmboe
Commissioning year	2018
Plateau production (year)	c. 5 mmtpa (2022+)
Tax benefits	MET[1] and export duty tax break

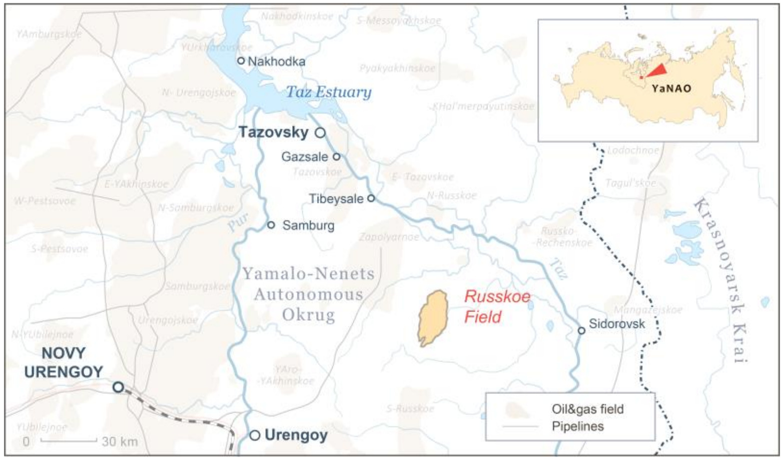
- As a part of the pilot project, Phase 1 of the key infrastructure facilities (oil pipeline, central processing facility, offload facility) was launched in 2017.
- Construction of the HP gas compressor station and gas turbine power station, preparation of well pads for drilling are underway
- The program of horizontal and multilateral wells drilling is in progress
- The program of pilot oil production from Osinsky horizon that encompasses hard-to-recover reserves is underway
- The oil production at the field reached almost 9 mmbbl in H1 2018



Note: (1) Tax holidays

Progress in Key Greenfields: Russkoe Field

Indicator	Value
3P reserves (PRMS)	426 mmtoe / 2,874 mmboe
Commissioning year	2018
Plateau production (year)	>6.5 mmtpa (2022+)
Tax benefits	MET tax break[1]



- By the end of Q2 2018, 147 wells were drilled with more than 9,500 tpd potential of oil production from hard-to-recover reserves
- During the pilot, 8 multilateral wells were drilled, incl. 3 wells based on on Fishbone technology
- Energy complex for power generation using associated petroleum gas was put into operation
- Construction and installation work at the key production facilities continues: oil pipeline CPF Russkoe - Zapolyarnoye Offload, Zapolyarnoe Offload Facility, CPF with water injection station at Russkoye field, as well as auxiliary and other facilities
- Well pads engineering for subsequent drilling is in progress

Note: (1) For the entire field development cycle (viscous oil)

Progress in Key Greenfields: Kuyumba Field[1]

Indicator	Value
3P reserves (PRMS)	282 mmtoe / 2,154 mmboe
Commissioning year[2]	2018
Plateau production (year)[2]	c. 3 mmtpa (2021+)
Tax benefits	MET[3] and export duty tax breaks

- During the pilot in 2017, connection was made to Head Pump Station No.1 of Transneft, and oil is being delivered to Kuyumba-Tayshet main pipeline
- Construction and installation works and pre-commissioning of oil gathering and treatment facilities (CPF and oil gathering line from the right bank of the Podkamennaya Tunguska River)
- The development drilling is being intensified, additional drilling rigs have been mobilized, the total number of rigs reaches 8
- Well pads excavation fits the drilling schedule

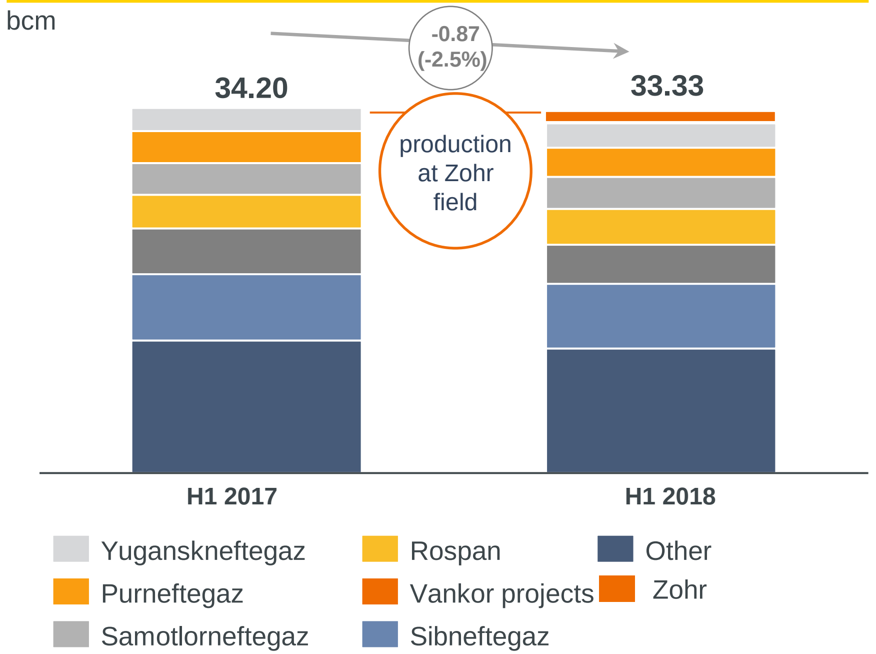
Note: (1) License for the Kuyumba field belongs to OOO «Slavneft-Krasnoyarskneftegaz», a JV with Gazpromneft, data for a 100% of the project; (2) Data on commissioning of the first start-up complex of the Kuyumba field, (3) Tax holidays

Gas Business

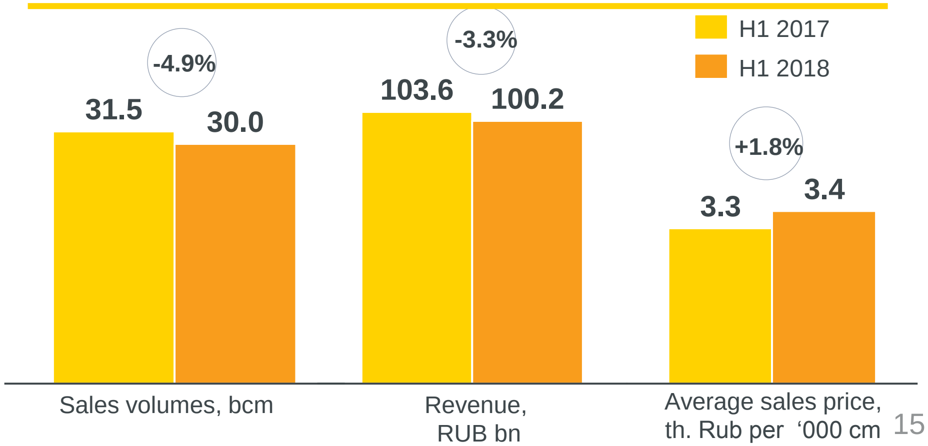
Key achievements in H1 2018

- A 2.5% gas production driven by a lower APG production at the fields with developing infrastructure, as well as at a number of other assets taking into account the development cost efficiency and the external limitations
- Commissioning of GTU in Q2 2018 at the Zohr field in Egypt, which is to boost output to 49.5 mmcmpd[1] in the near future
- AO Messoyakhaneftegaz received an approval from the Glavgosexpertiza of Russia for the project that allows increasing the efficiency APG utilization. The project involves the construction of well pads for APG injection into formation at the West Messoyakha field with an inter-field gas pipeline from the East Messoyakha. Gas from the underground storage can be utilized at later development stages

Gas production



Gas sales in Russia

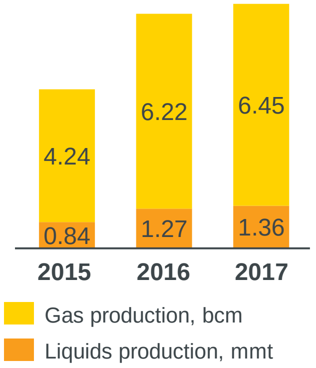


Note: (1) Data for 100% of the project

Progress Key Projects: Rospan

The project provides the major contribution to the Company production growth by 2020

Indicator	Value
3P reserves (PRMS)	0.9 tcm of gas, 191 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
Project capacity reaching year	2019



Основные объекты:

- 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 processing plant at the East-Urengoyskiy license area: installation of fired heaters at the thermal fluid treatment plant and thermal insulation on 2000 cubic meters tanks completed. Process equipment piping and valving is underway at the booster compressor station. Installation of internal contact devices started at the columns of the condensate stabilization line
- Gas turbine power plant at the East-Urengoyskiy license area: start-up and set-up of automation systems, communications, security and fire alarm and video surveillance completed
- Railroad Terminal: installation of LPG filling pipes on the rack, spherical tanks, heat treatment are underway; preparation for hydrotesting is in process. Laying of railway lines and track switches, installation of overpasses continues

At the above facilities, installation of metal structures, process pipework, cable-carrying systems and cables/conductors continues

- Construction of trunk and field pipelines, power supply facilities is underway

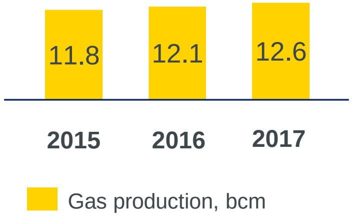
Near-term plans:

- Complete the construction and commission the key facilities
- Achievement of the design production capacity in 2019

Brownfields Development: Projects at Sibneftegaz

The Company's largest asset in terms of gas production. In H1 2018, production stood at 6.06 bcm

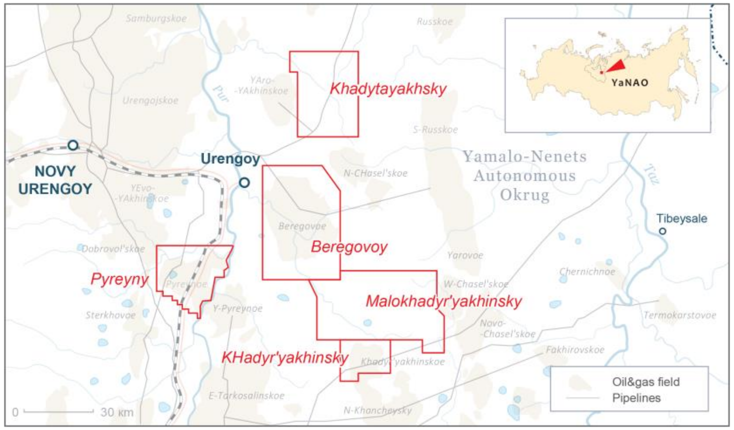
Indicator	Value
3P PRMS reserves (gas)	514 bcm
Commissioning year	2007 (Beregovoy LA) 2009 (Pyreyny LA) 2014 (Khadyryakhinsky LA)
Plateau production (gas)	>16 bcm
Year of plateau	2022



- Mature gas asset: by the end of H1 2018, the accumulated gas production was 108 bcm. The key asset of the Company is Beregovoye Oil and Gas Condensate Field
- 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

<u>Current status:</u>

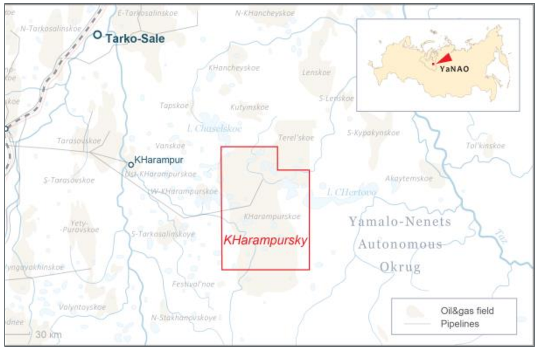
- Development drilling continues, construction of gas and condensate treatment unit and associated infrastructure facilities is underway at Beregovoye field
- Construction of a booster compressor station at Beregovoye oil and gas condensate field is underway, which will ensure the supply of gas to the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



Greemfileds Development: Kharampur

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

Indicator	Value
3P reserves (PRMS), gas	636 bcm[2]
Gas production plateau: Phase 1 (Senomanian)	> 11 bcmpa[3]
Production plateau of the 1st phase	2021



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, a road from the field to railways

Current status:

- 25 of 54 wells of the Cenomanian deposit have been drilled, works at the well pads are in progress; gas gathering networks, high voltage power lines are being built
- The gas pipeline: sites prepared for pipeline welding bases, 14 of 156 km of the pipeline are laid
- Site facilities: engineering onsite works were completed; gas treatment unit, access road and shift camp were built
- 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

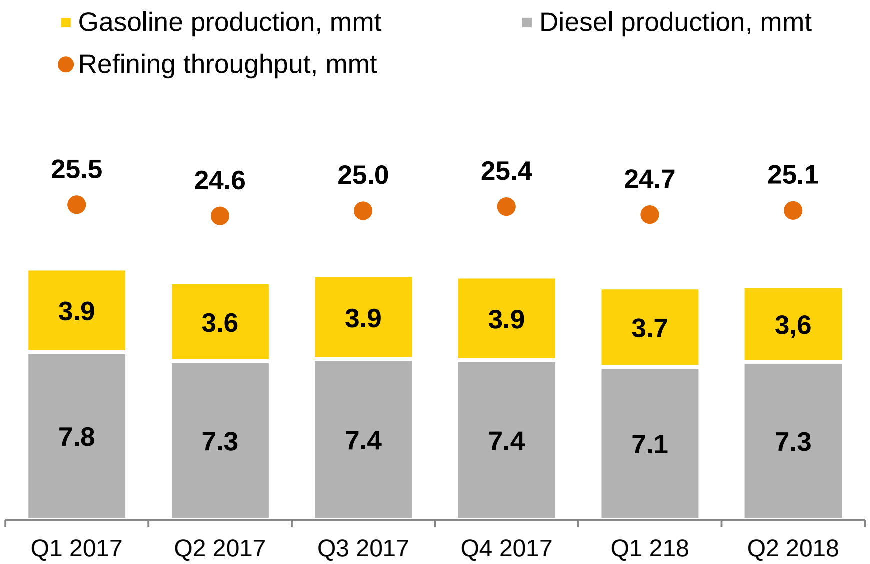
Near term plans:

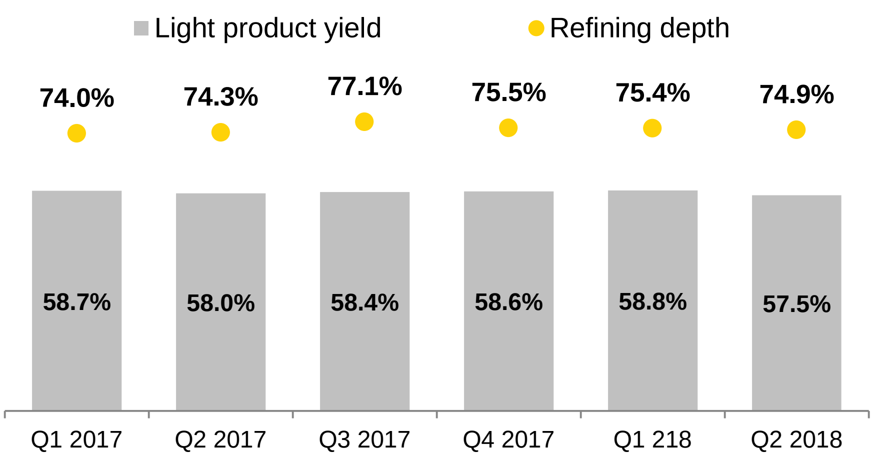
- Gas infrastructure setup to develop Cenomanian gas
- Pre-design study of the Turonian prospects for subsequent full-field development (phase 2)

Note: (1) The project involves a partner - BP, (2) without associated gas, including Turonian deposits, (3) dissolved in oil, with the potential for further growth to 25 bcmpa due to full-field development of the Turonian

Refining: Further Efficiency Improvement via Units Optimization and Modernization

Key refining highlights in Russia

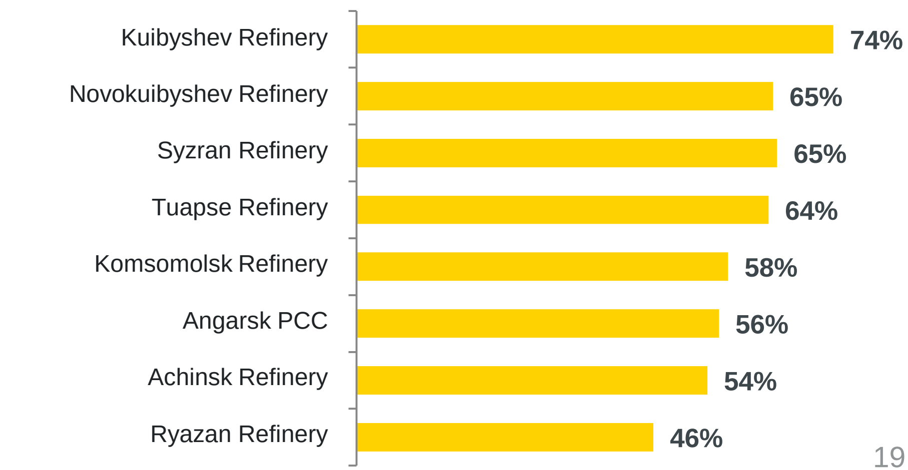




Key achievements in Q2 2018

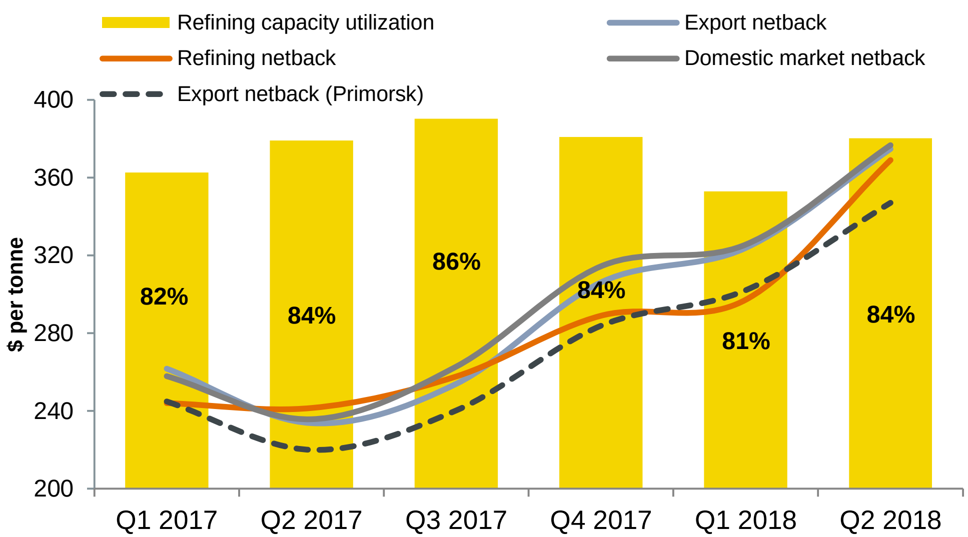
- In the course of Rosneft-2022 strategy implementation PAO Ufaorgsintez completed the largest investment project of the recent years aimed to upgrade the isopropylbenzene (cumene) plant in May 2018
- In April 2018, the Company's Ufa Group of refineries started industrial production of improved high-octane gasoline Ai-95 class «Euro-6»
- As part of the import substitution program, Ryazan refinery replaced the purchased catalysts at the hydrogen unit for the catalysts produced by the Angarsk Plant of Catalysts and Organic Synthesis

Progress in Refinery modernization program



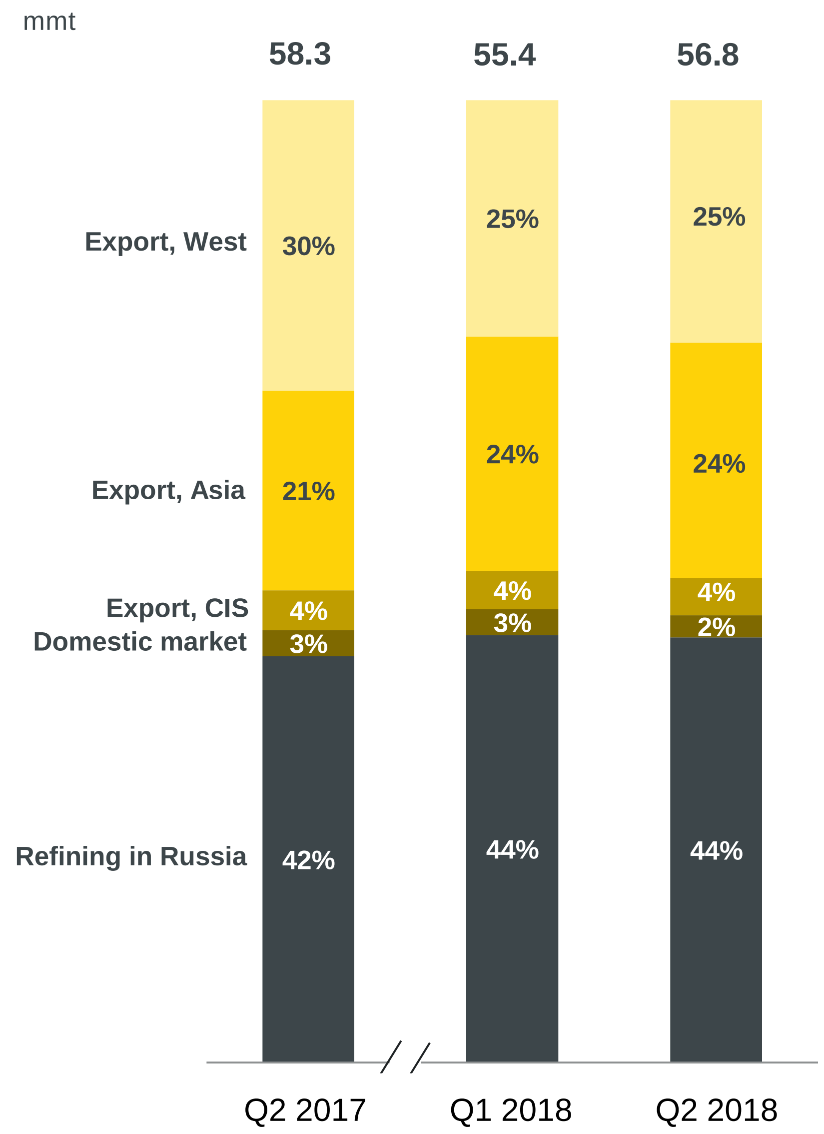
Profit Maximization from Crude Oil Marketing

Netbacks for the main crude oil marketing channels



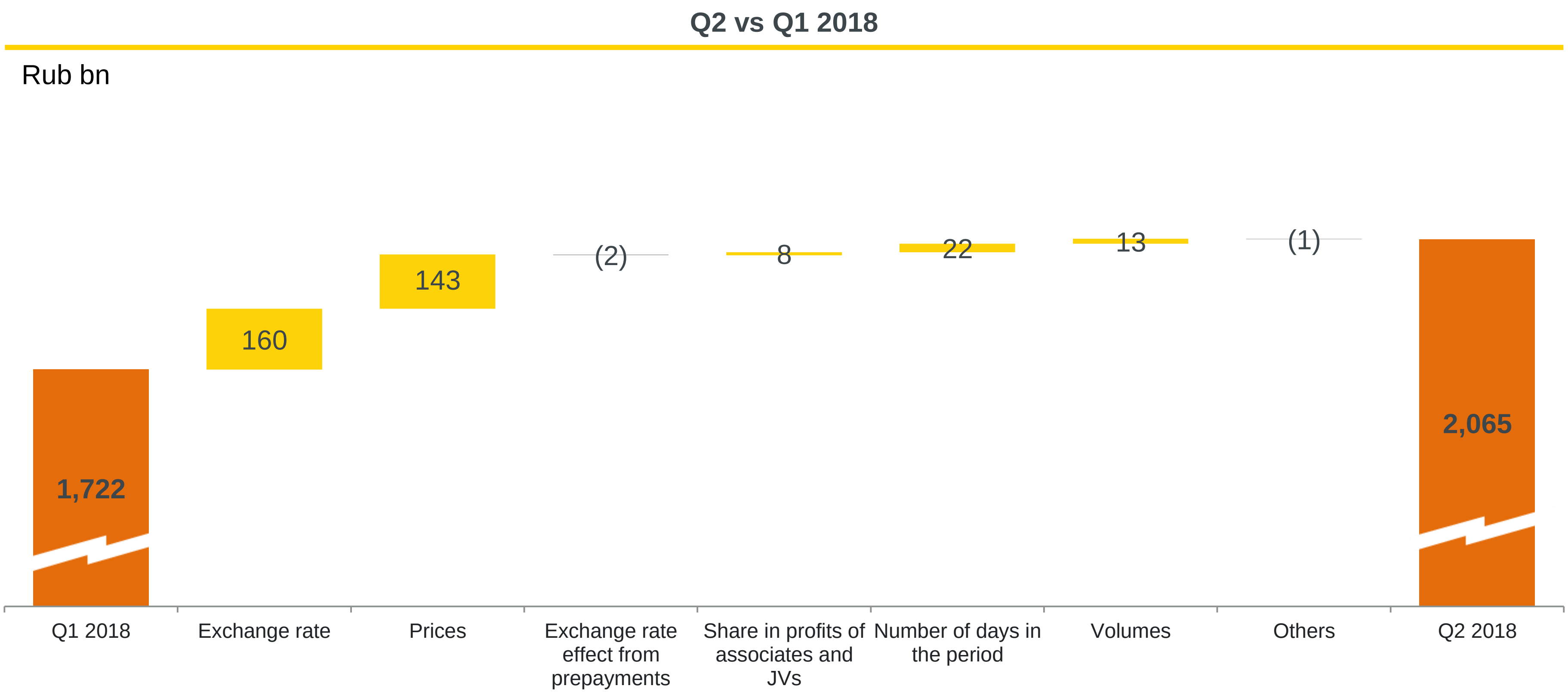
- Increase in oil supplies eastwards by 17% YOY to 27.4 mmt in H1 2018 (+2.9% QOQ to 13.9 mmt)
- A long-term contract (May 2018 - December 2020) was signed with Polish Grupa LOTOS SA for the supply of crude oil at 6.4-12.6 million tons via the Druzhba pipeline to Poland
- Long-term contracts for the supply of gasoline and diesel fuel with the largest Mongolian importers of petroleum products were signed. The total value of contracts is estimated at $ 2.1 bn

Oil marketing breakdown



Financial Results

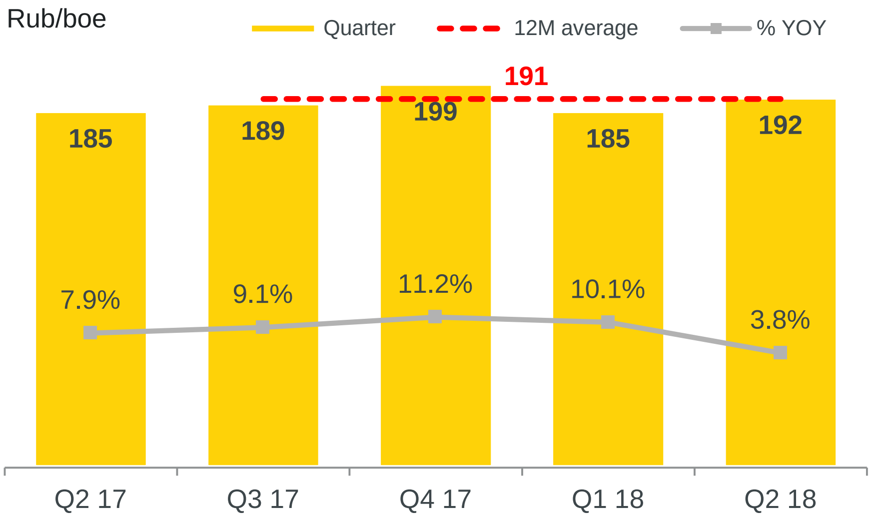
Revenue



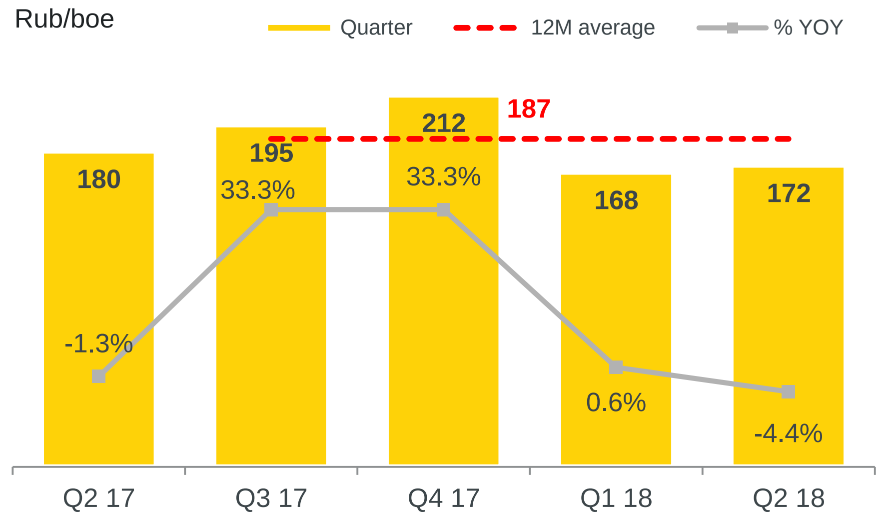
- Positive market environment – Urals price increased by 20.7% in ruble terms to Rub 4,500 per bbl
- Increase in crude oil and petroleum product sales
- Share in profit of associates and joint ventures rose by Rub 8 bn mainly on the back of strong price dynamics

Operating Costs Dynamics

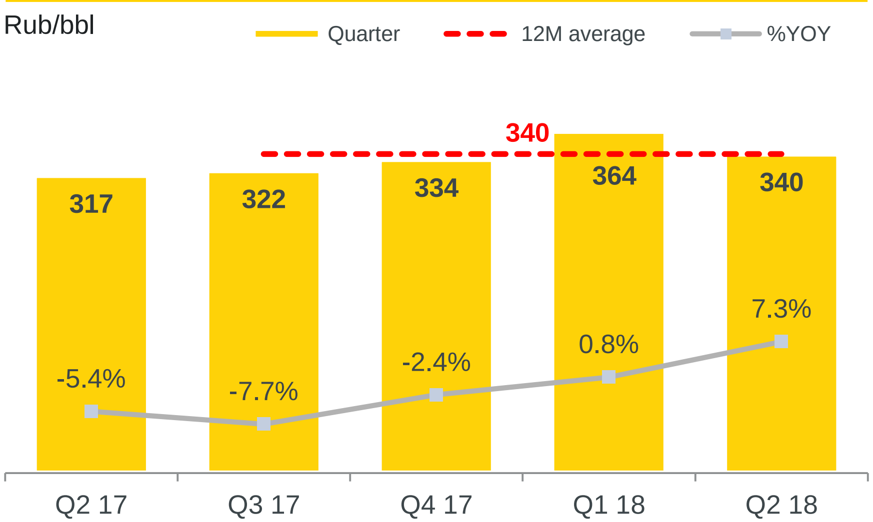
Lifting costs[1]



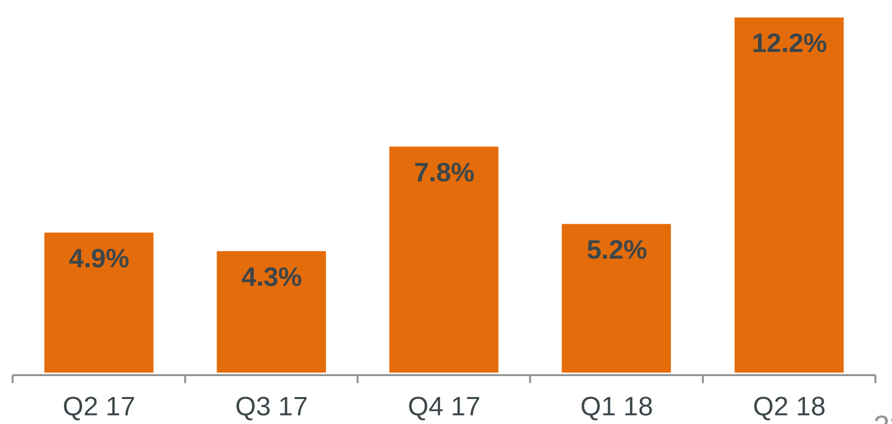
Refining costs in Russia[1]



Transportation costs



Producer Price Index (annual basis)

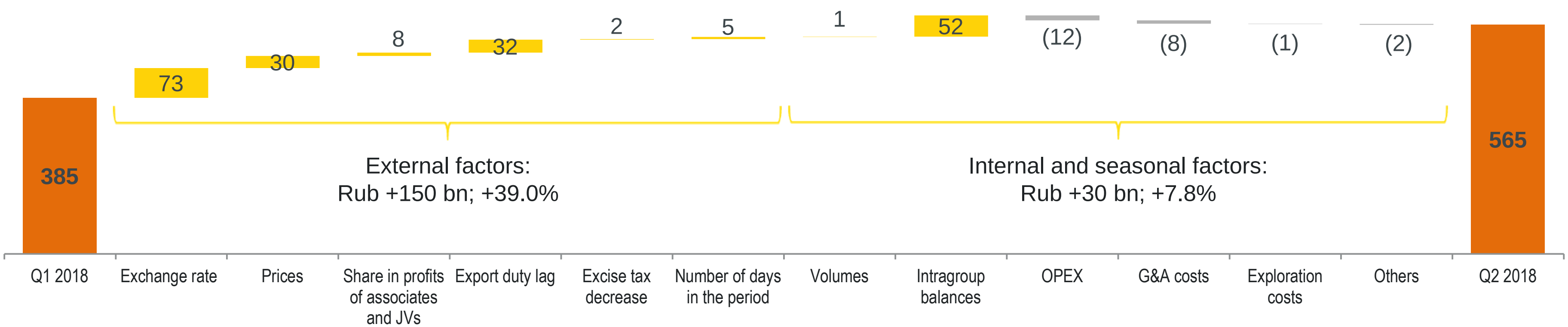


Note: (1) YOY percent change of unit costs in Q2-Q4 2017 calculated ex. Bashneft

EBITDA and Net Income

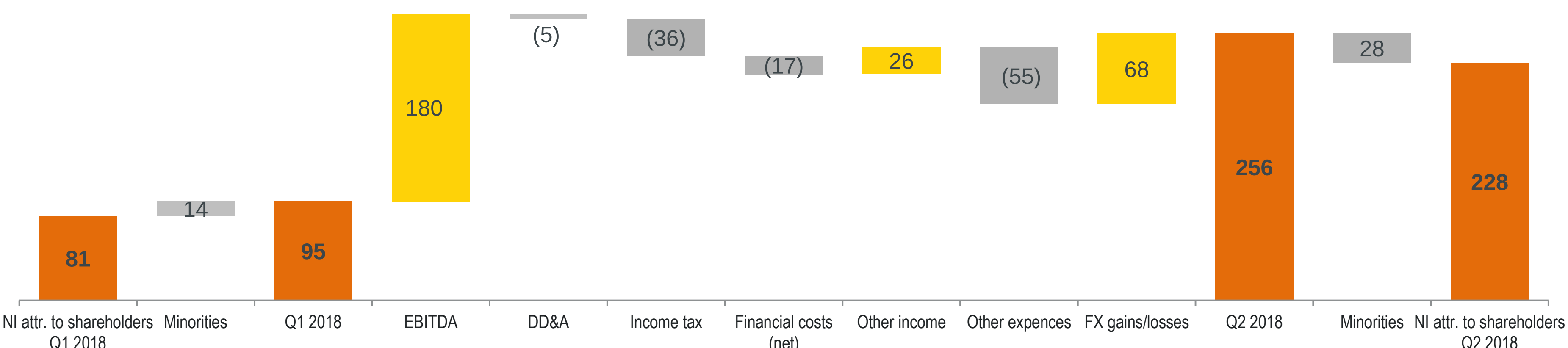
EBITDA Q2 vs Q1 2018

Rub bn



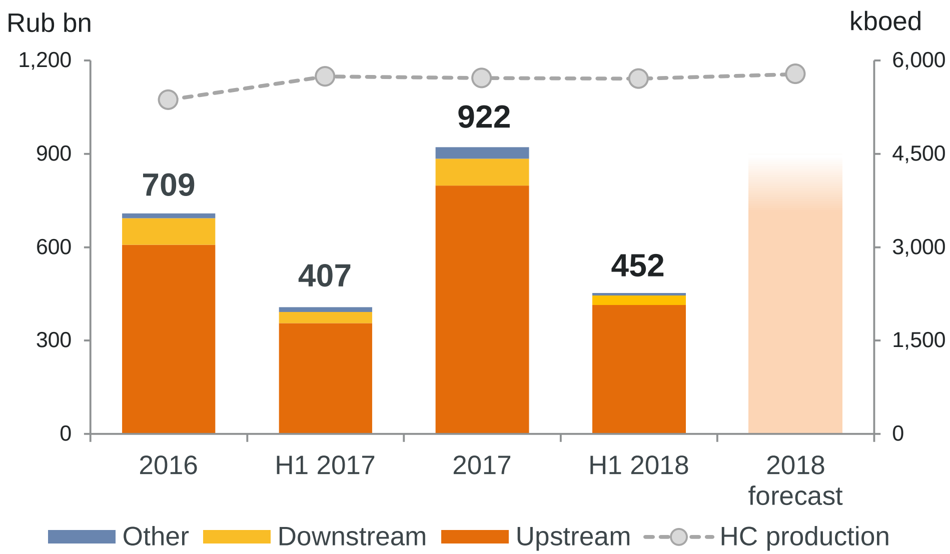
Net income Q2 vs Q1 2018

Rub bn

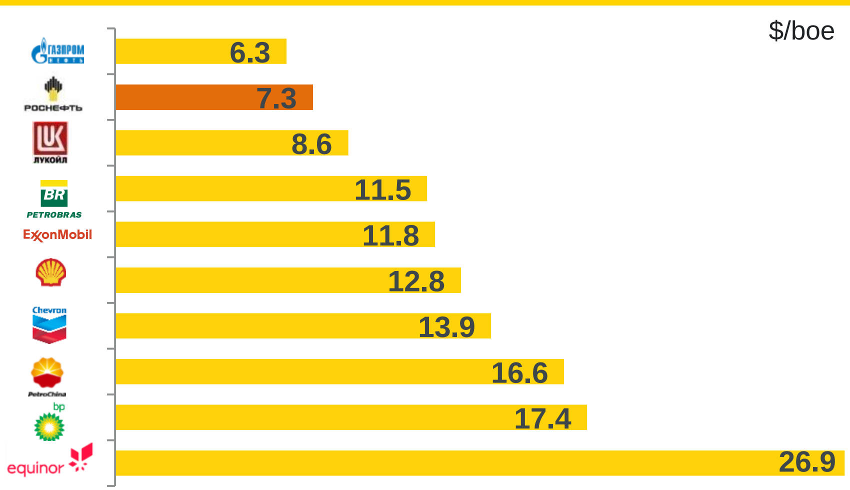


CAPEX

CAPEX and production



Upstream CAPEX 2018[1]: benchmarking

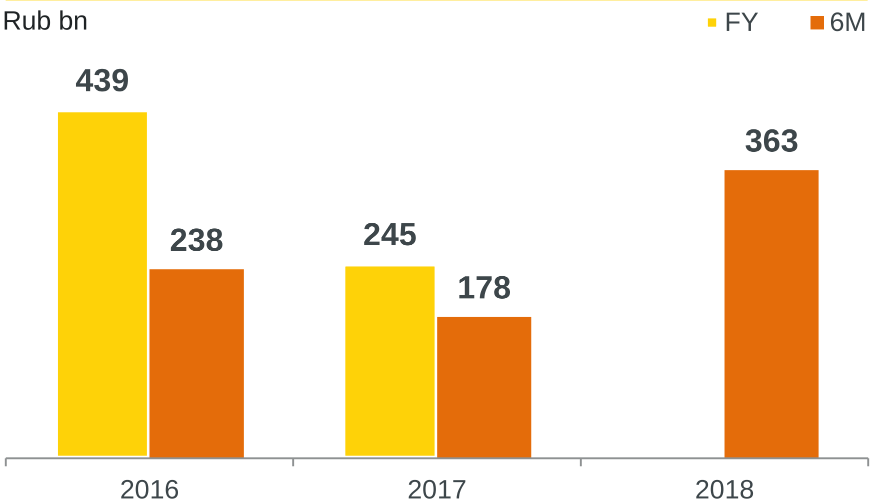


- H1 2018 CAPEX was in line with Company strategy and mainly included:
  - development drilling at mature assets to maintain production levels taking into account the OPEC+ restrictions
  - development of new high-quality fields (Vankor cluster, YuTM, Russkoye, Taas-Yuryakh, Yerginsky cluster, Rospan)
  - refinery upgrade projects
  - development of in-house OFS
- The Company constantly optimizes its investment program in order to improve returns, promptly responding to the volatility of the macro environment and giving a priority to the most efficient business segments
- In May this year CAPEX target cut to Rub 800 bn was announced in line with initiatives aimed at enhancing shareholder returns. This year upstream CAPEX budget may increase given the OPEC+ restrictions easing
- The company maintains leadership in unit Upstream CAPEX: $ 7.3 per boe in H1 2018

Note: (1) Data for Rosneft and Equinor for H1 2018, for Petrobras, Lukoil and Gazpromneft – for Q1 2018, for other companies – for 2017

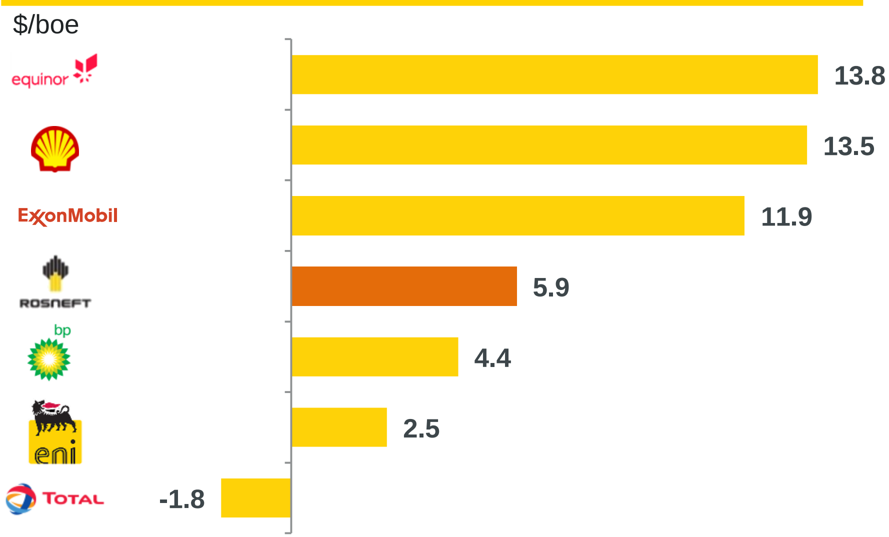
Free Cash Flow and Reimbursement of Prepayments

Free cash flow

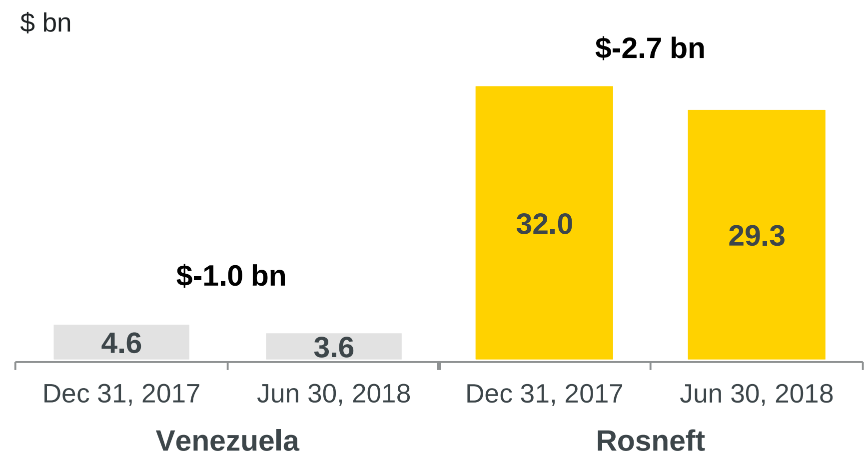


- Significant improvement in free cash flow: $3.6 bn in Q2 and $6.1 bn in H1 2018
- The highest free cash flow growth rates among the global O&G companies, leading positions in absolute terms

FCF H1 2018: benchmarking (majors)[1]



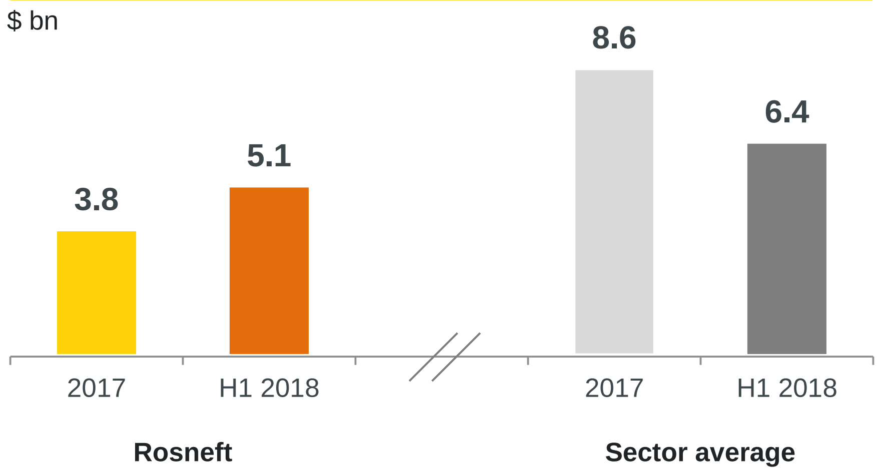
Reimbursement of prepayments[2]



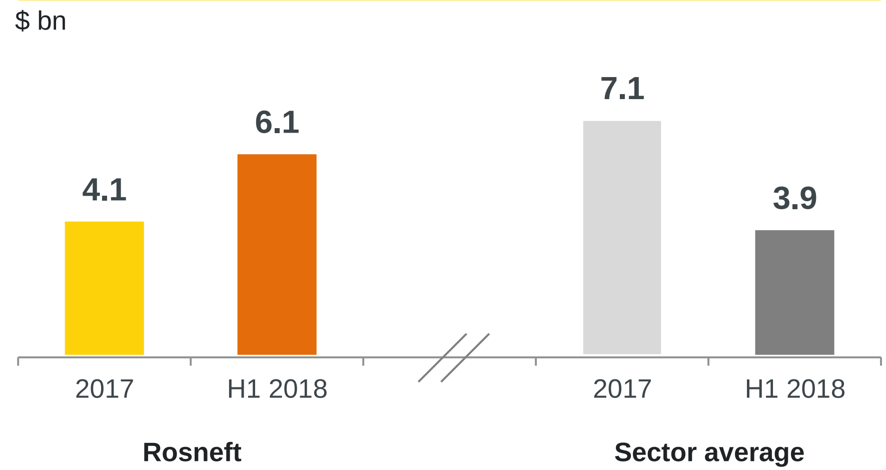
Note: 1) Calculated using total production (incl. associates and JVs), (2) Principal amount, excluding interest accrued and reclassification of the part of other financial obligations

Industry-leading
Free Cash Flow and Net Income Growth

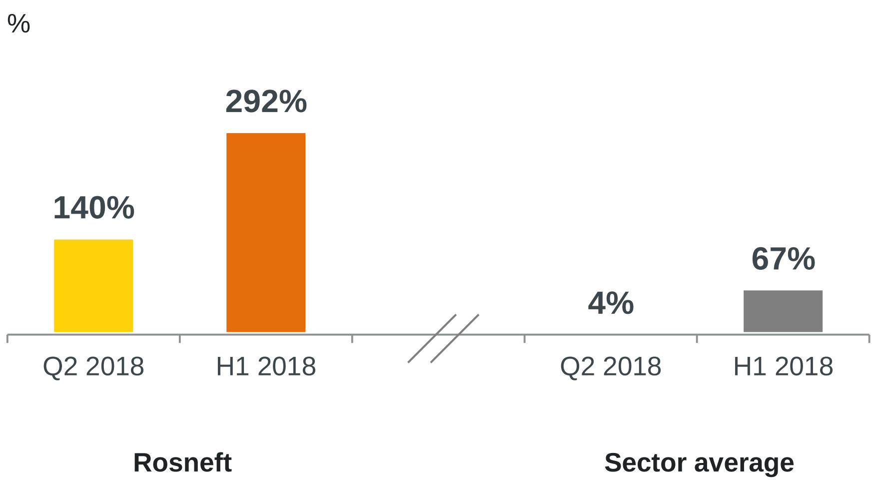
Net income



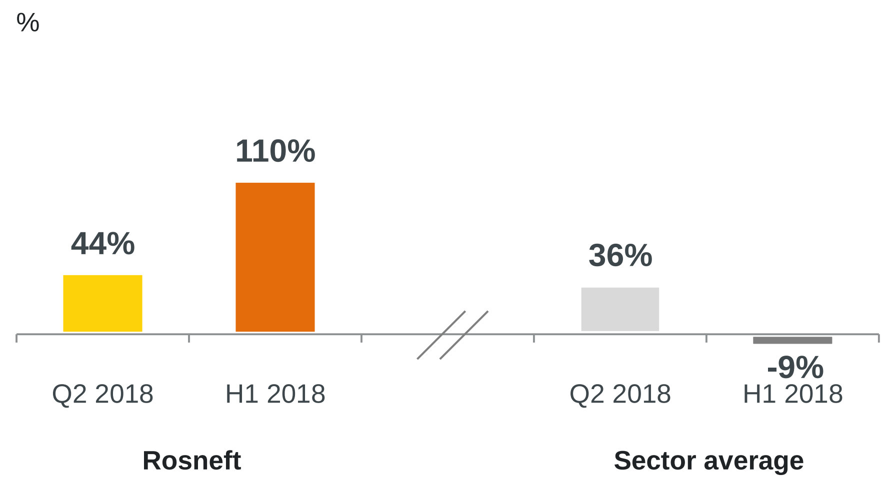
Free cash flow



Net income dynamics



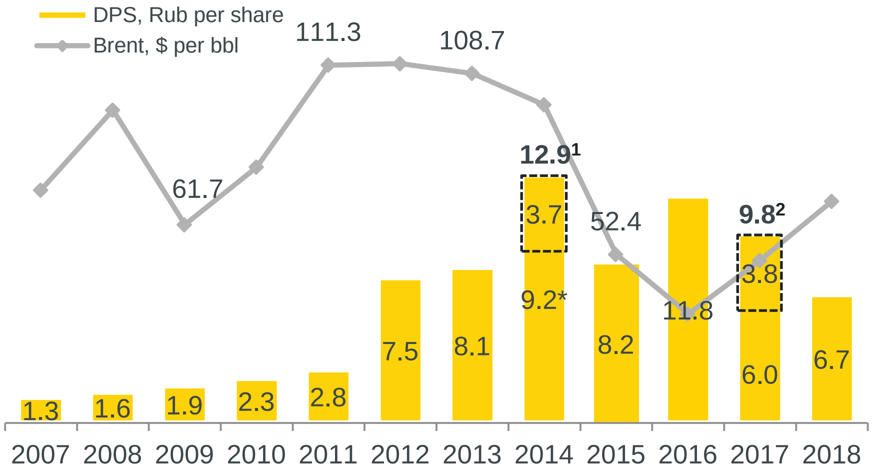
Free cash flow dynamics



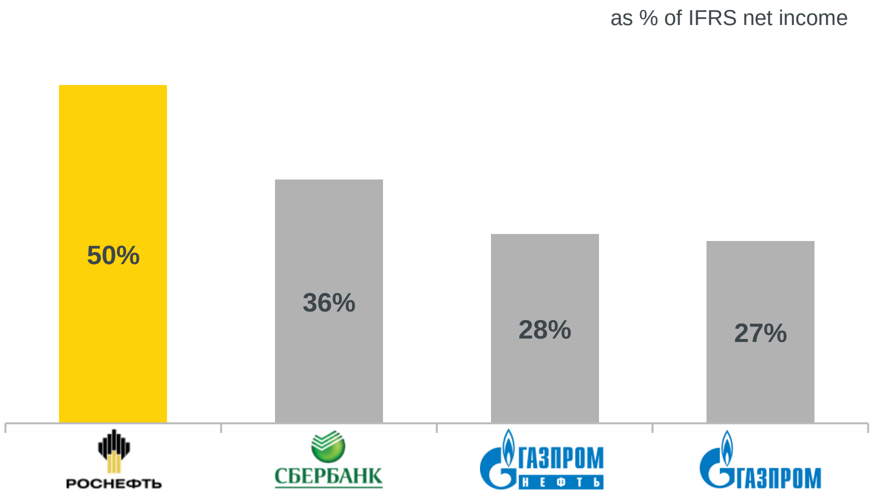
Note: (1) Sector average calculation includes data for ExxonMobil, Chevron, BP, Shell, Equinor, ENI u Total

Dividend Policy

Dividend payments and oil prices



Payout ratios of the largest state controlled companies[3]



- 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
- On June 21, 2018 final dividend for 2017 in the amount of Rub 6.65 per share making making total dividends for 2017 equal to Rub 10.48 per share
- Interim dividends for H1 2018 will be approved in Q3 2018

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

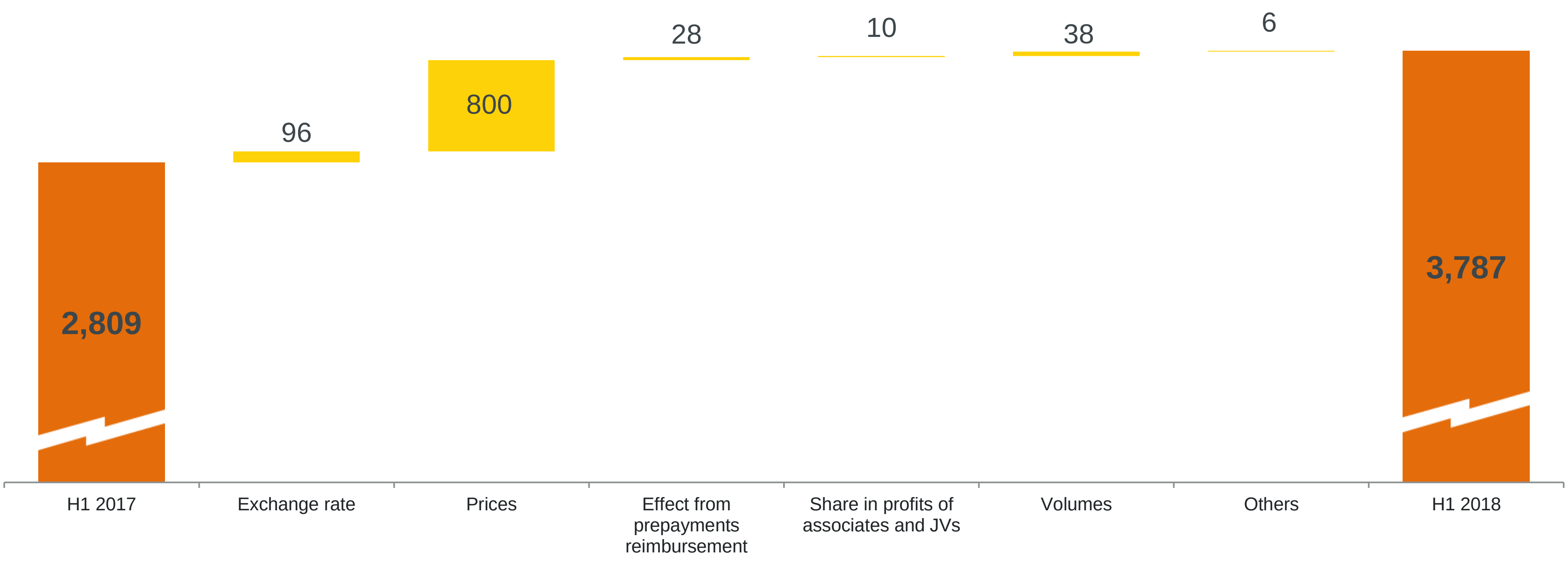
(1) Adjusted for RUB 167 bn revaluation effect of acquired TNK-BP assets; (2) Including dividends for H1 2017; (3) As % of 2017 IFRS net income; (4) As % of net income, according to dividend policy

Appendix

Revenue

H1 2018 vs H1 2017

Rub bn

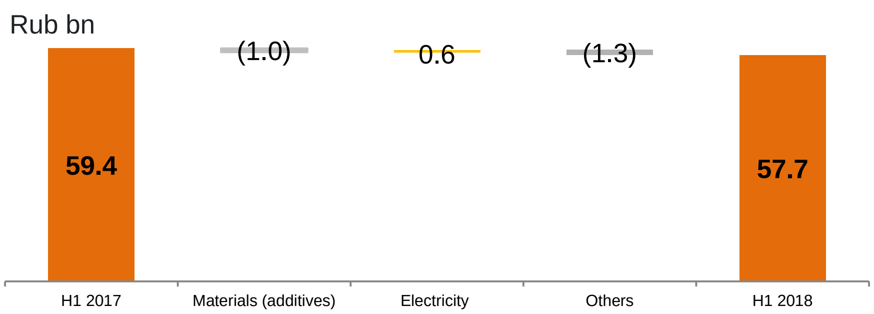


- Positive market environment – Urals price increased by 39.5% in ruble terns
- Petroleum product sales increase by 1.6%
- Share in profits of associates and JVs rose by Rub 10 bn
- Lower delivery obligations under long-term prepayment contracts

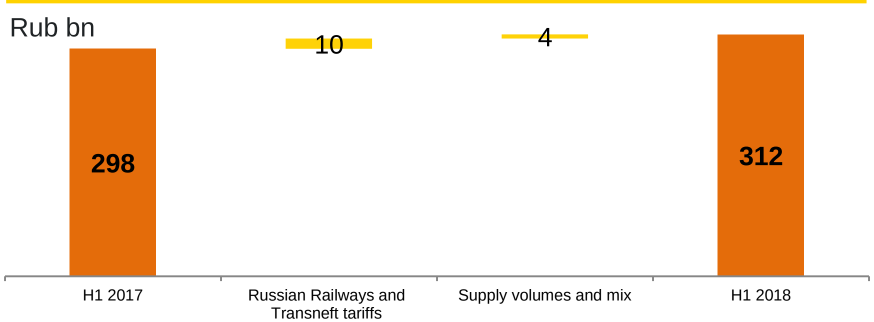
Costs in 2018 vs. 2017

Lifting costs

Refining costs in Russia



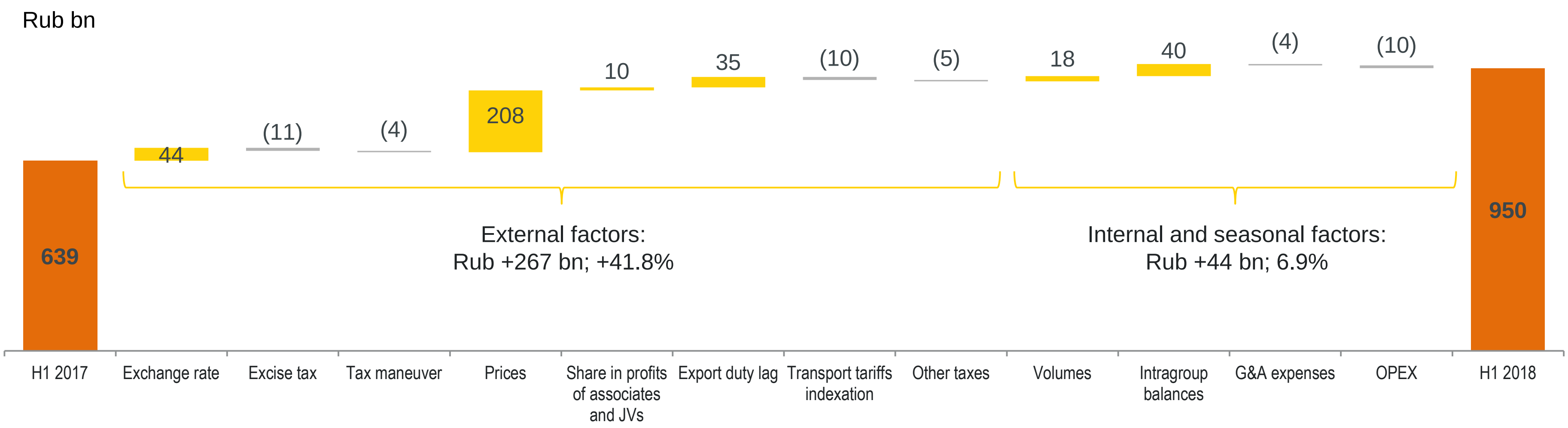
Transportation costs



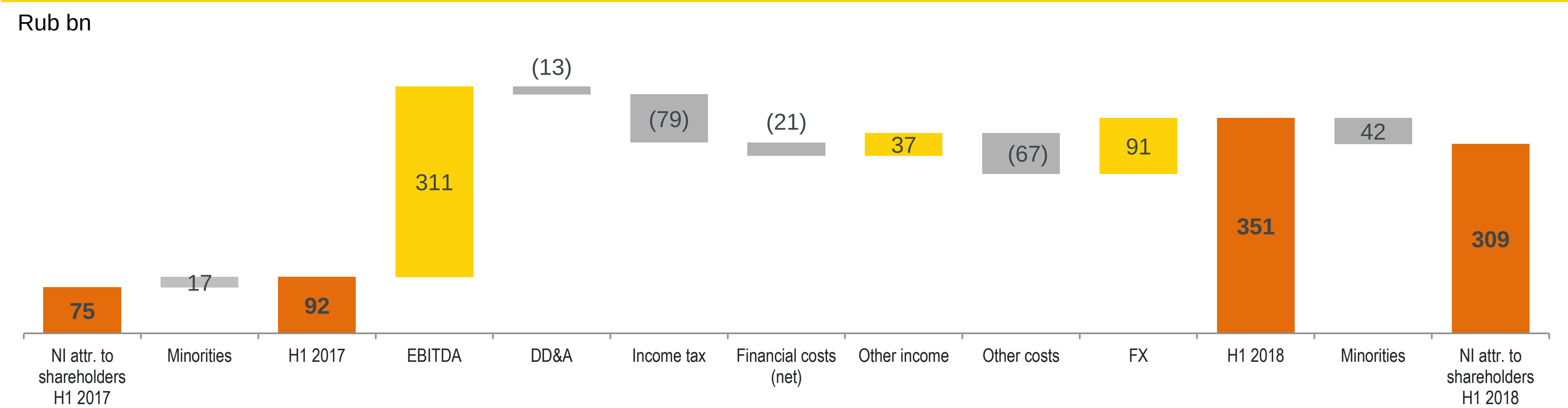
- H1 2018 lifting costs growth was mainly driven by higher electricity tariffs, repair and maintenance costs of growing well stock
- Lower refining cost reduction on capacity load and production services decrease , partially offset by natural monopolies' tariffs and salaries indexation
- The indexation 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 12.2%

EBITDA and Net Income

EBITDA H1 2018 vs H1 2017



Net income H1 2018 vs H1 2017



FX Risk Hedge

	Q2 2018, Rub bn			H1 2018, 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	**(253)**	**51**	**(202)**	**(290)**	**58**	**(232)**
Foreign exchange effects recognized during the period	-	-	-	1	-	1
Foreign exchange effects reclassified to profit or loss	37	(8)	29	73	(15)	58
Total recognized in other comprehensive income/(loss) for the period	**37**	**(8)**	**29**	**74**	**(15)**	**59**
Recognized within other funds and reserves as of the period end	**(216)**	**43**	**(173)**	**(216)**	**43**	**(173)**

For reference:

Номинальные суммы объекта и инструментов хеджирования	$ 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

Calculation of Adjusted Operating Cash Flow

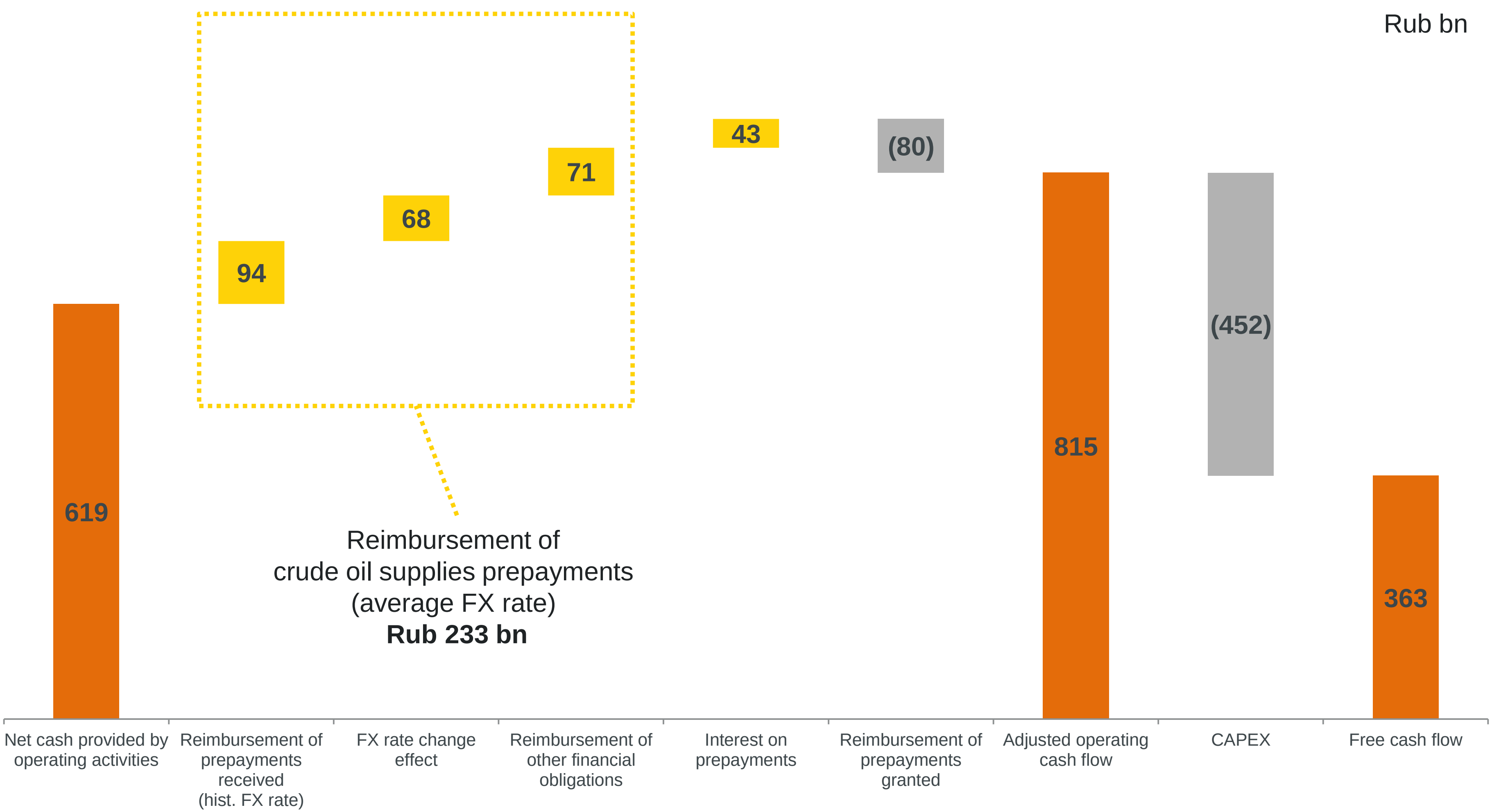
Profit and Loss Statement

#	Indicator	H1 2018, $ bn
1	**Revenue, incl.**	**64.8**
	Reimbursement of prepayments and other financial obligations received	3.9
2	Costs and expenses, incl.	(54.1)
	Reimbursement of prepayments granted	(1.3)
3	**Operating profit (1+2)**	**10.7**
4	Expenses before income tax	(3.3)
5	Income before income tax (3+4)	7.4
6	Income tax	(1.6)
7	**Net income (5+6)**	**5.8**

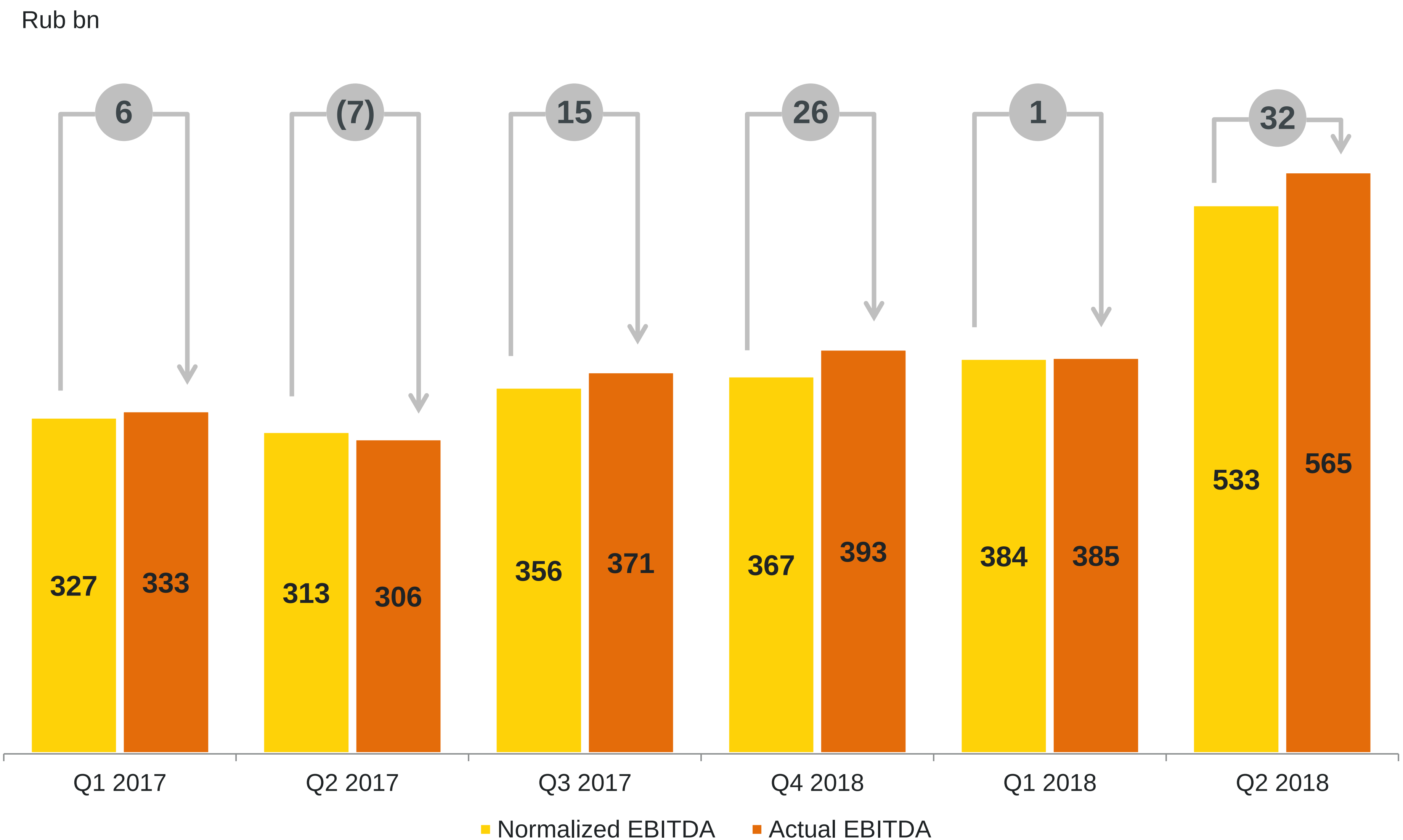
Cash Flow Statement

H1 2018, $ bn	Indicator	#
5.8	**Net income**	**1**
7.3	Adjustments to reconcile net income to cash flow from operations, incl.	2
(2.7)	Reimbursement of prepayments received under crude oil and petroleum products supply contracts	
(1.2)	Reimbursement of other financial obligations received	
1.3	Reimbursement of prepayments granted under crude oil and petroleum products supply contracts	
(1.5)	Changes in operating assets and liabilities, incl.	3
(0.7)	Interest on prepayments under long term crude oil supply contracts	
(1.2)	Income tax payments, interest and dividends received	4
10.4	**Net cash from operating activities (1+2+3+4)**	**5**
3.3	Effect from prepayments	6
13.7	**Adjusted operational cash flow (5+6)**	**7**

Operating Cash Flow Adjustment, H1 2018



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)

Financial Expenses, Rub bn

	Indicator	Q2 2018	Q1 2018	%	H1 2018	H1 2017	%
1.	**Interest accrued**[1]	**70**	65	7.7%	**135**	106	27.4%
2.	Interest paid[2]	**63**	61	3.3%	**124**	97	27.8%
3.	Change in interest payable (1-2)	**7**	4	75.0%	**11**	9	22.2%
4.	Interest capitalized[3]	**37**	33	12.1%	**70**	50	40.0%
5.	Net loss from operations with financial derivatives[4]	**9**	–	–	**9**	–	–
6.	Increase of provisions as a result of time passing	**4**	5	(20.0)%	**9**	8	12.5%
7.	Interest on prepayments under long term crude oil supply contracts	**23**	20	15.0%	**43**	41	4.9%
8.	Increase of provisions for future credit losses on debt financial instruments	**4**	–	–	**4**	–	–
9.	Other finance expenses	**3**	3	–	**6**	7	(14.3)%
	Total finance expenses (1-4+5+6+7)	**76**	60	26.7%	**136**	112	21.4%

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 in Q2 2018

Rub bn

-7.3 $/bbl **+7.3 $/bbl**

EBITDA

Net Income

Rub/$ exchange rate change in Q2 2018

Rub bn

-6.2 Rub/$** **+6.2 Rub/$

EBITDA

Net Income

- Average Urals price in Q2 2018 was 72.5 $/bbl. If the average price for the quarter had been 10% below (65.2 $/bbl), EBITDA would have decreased by Rub 64 bn, including the negative export duty lag effect of Rub 23 bn
- Average exchange rate in Q2 2018 was 61.8 Rub/$. If the average ruble rate for the quarter had weakened by 10% to Rub 68 per dollar, EBITDA would have gone up by Rub 69 bn

Questions and Answers