# ROSNEFT INVESTOR DAY
# FINANCIALS


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**April 23, 2013**

# TNK-BP Acquisition: Financing

| Sources | |
|---|---|
| **Existing cash resources** | Cash equivalents and short-term financial assets on the balance sheet of Rosneft amounted to over $12.6 bn[1][2], as of Dec-31, 2012 |
| **Syndicate of international banks** | Loans from a syndicate of international banks provided financing in the amount of **$31 bn** |
| **Treasury shares** | Treasury shares – 12.84% (implying $10.9 bn) |
| **Other sources** | Russian banks loans in the amount of $6 bn |
| **Total** | **$44.4 bn** |

| Uses | |
|---|---|
| **50% interest in TNK-BP International Ltd. bought from BP** | Total consideration of **$27.5 bn**<br>▸ **$16.7 bn** in cash<br>▸ 12.84% shares in Rosneft |
| **50% interest in TNK-BP International Ltd. bought from AAR** | **$27.7 bn** in cash |
| **Total** | **$44.4 bn** |

**Efficient combination** of debt/equity financing of **the world largest** M&A deal in terms of cash consideration



*Notes: (1) Converted from RUB at 31.12.2012 exchange rate of 30.3727; (2) Not all available cash was used*

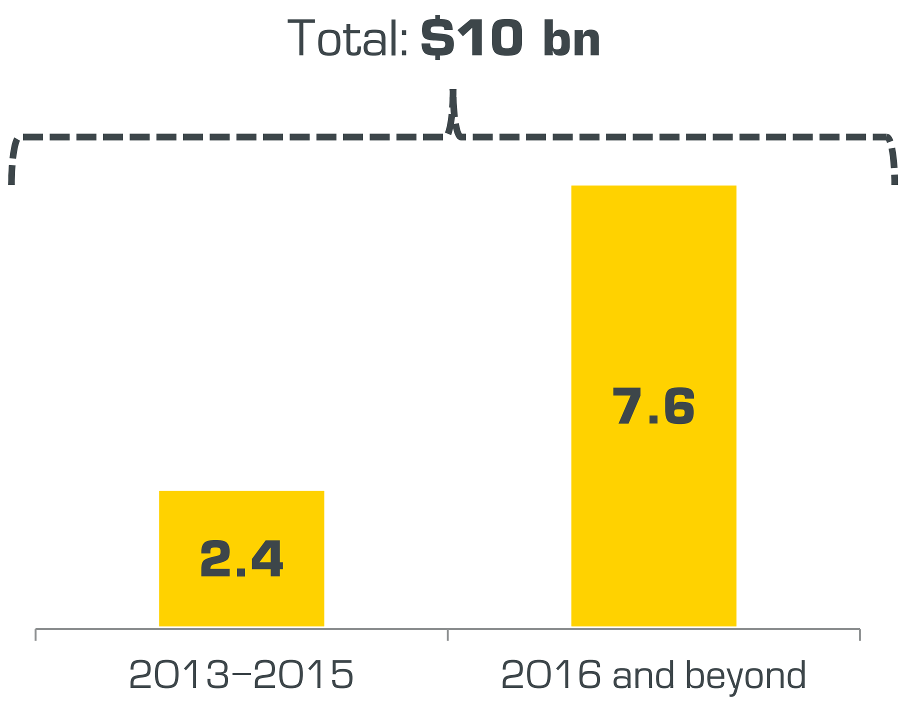
# Pro forma Income Statement

| *$ bn* | 12M 2012 |
|---|---|
| **Revenues** | **159.2** |
| Costs and expenses | (139.8) |
| Operating profit | 19.4 |
| Other income (net) | 2.1 |
| Profit before taxes | 21.5 |
| Income tax | (4.8) |
| **Net Income** | **16.7** |
| **EBITDA** | **33.4** |
| EBITDA margin | 21.0% |
| Net income margin | 10.5% |

** The information presented above is prepared for illustrative purposes only to show the effect of the acquisition of TNK-BP by the Company, as if it had occurred on 1 January 2012. This information, because of its nature, addresses a hypothetical situation and, therefore, does not reflect the Group's actual financial position had the combination been completed at the dates assumed or any other date and should not be regarded as an indication of the operating results generated by the Group or its future financial position.*

# Exercising Potential Synergies

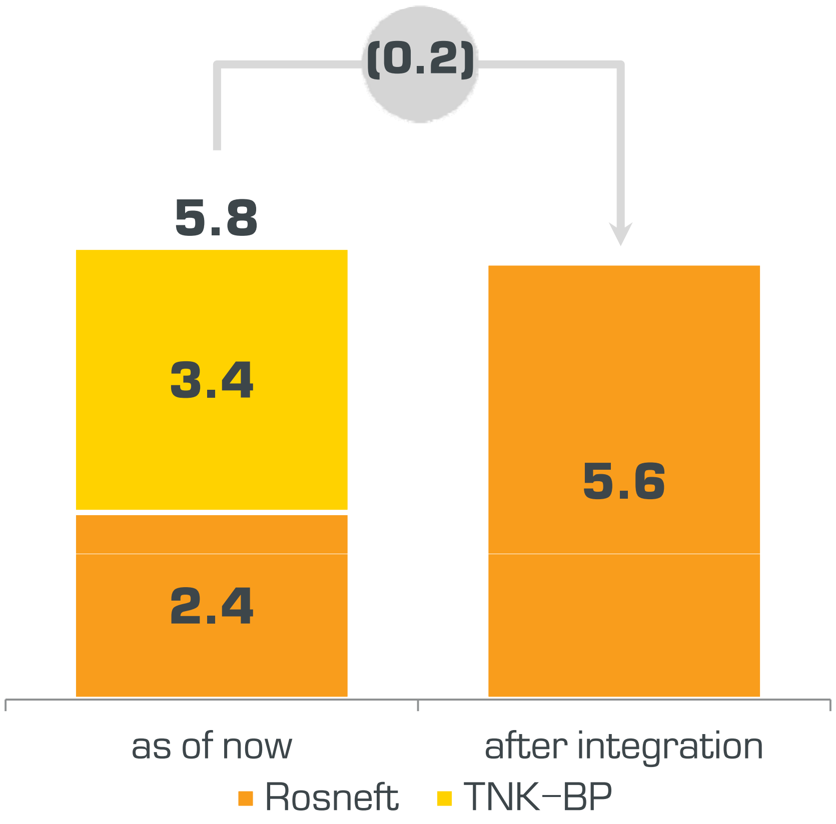
**Total value of synergies, $ bn**



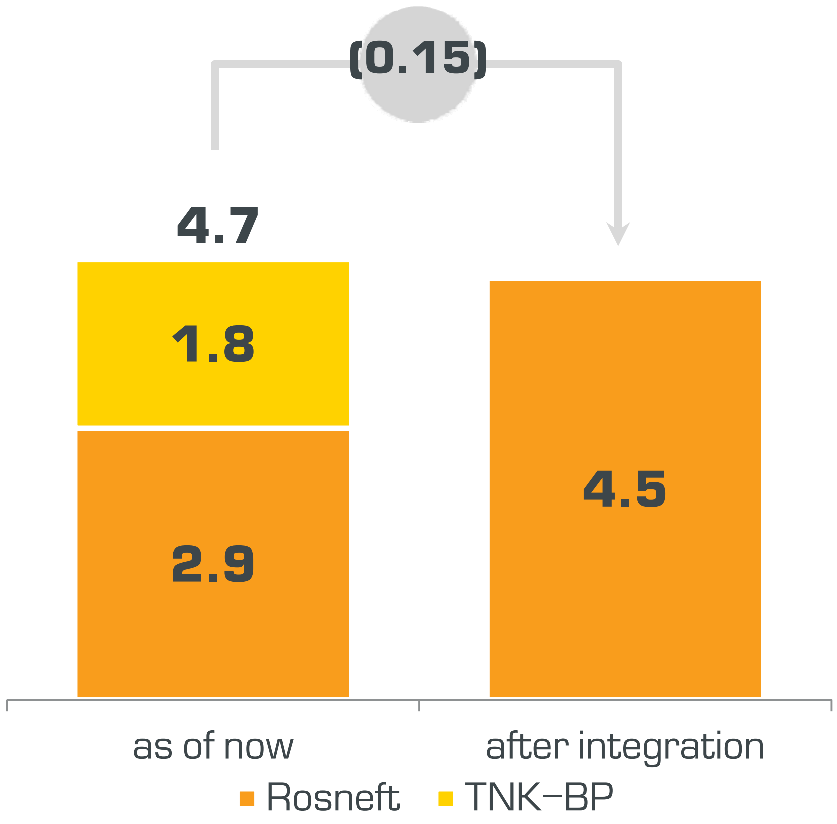

- Around **24%** of **$10 bn** of total synergies is expected to be obtained in 3 years from now
- CAPEX savings account for **$3.4 bn** of the total synergies
- Increase of operating efficiency to bring additional **$6.6 bn** of the total synergies

# Efficient Cost Control

**Lifting costs, $ bn**




**SGA, $ bn**




Potential synergies and cost saving initiatives will enable to **reduce controllable expenses** at least by **$350 mln** annually

# CAPEX and Free Cash Flow

| | |
|---|---|
| **OCF** | ➨ Steady production growth<br>➨ Opportunity to reallocate goods and enjoy **higher netbacks**<br>➨ Able to **reduce expenses quickly** in order to meet existing commitments<br>➨ RUR/USD exchange rate serves an **effective defensive mechanism** |
| **CAPEX** | ➨ Key priorities: complete **refinery modernization**, **maintain production** at existing fields<br>➨ **$1** of CAPEX produces **$1.2** of CFAT on average<br>➨ Part of **CAPEX is flexible** and could be reduced in case of an oil price fall: greenfields are adjustable while non-core projects can be offset |
| **FCF** | ➨ Neutral to positive **FCF** enough to **maintain 25% dividend** payout |

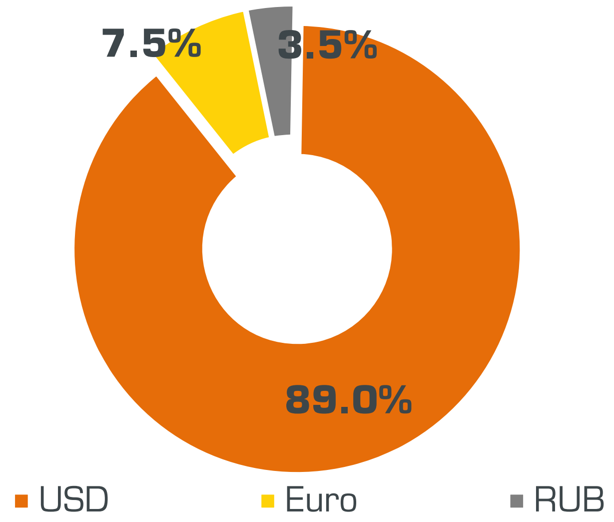
# Credit profile

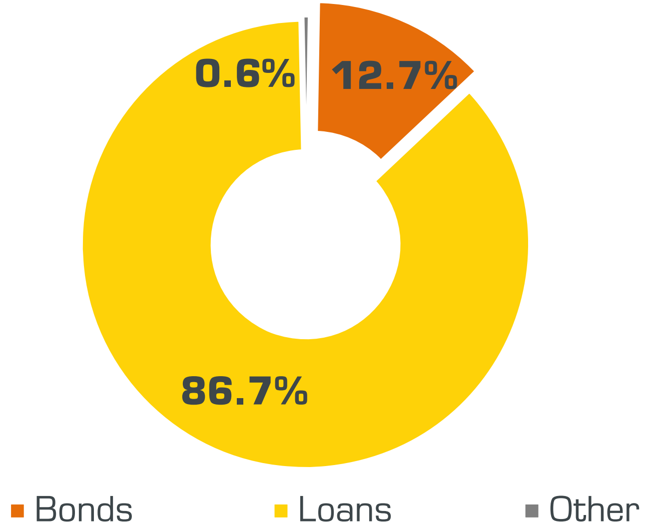
| | Dec 31, 2012[(1)] |
|---|---|
| Total debt, $ bn | 76.6 |
| Net Debt, $ bn | 66.8 |
| Net debt / LTM EBITDA | 2.0x |

## Credit ratings

| | |
|---|---|
| **S&P** | BBB (upgrade as of 16.04.2013) |
| **Moody's** | Baa1 |
| **Fitch** | BBB |

## Debt Structure



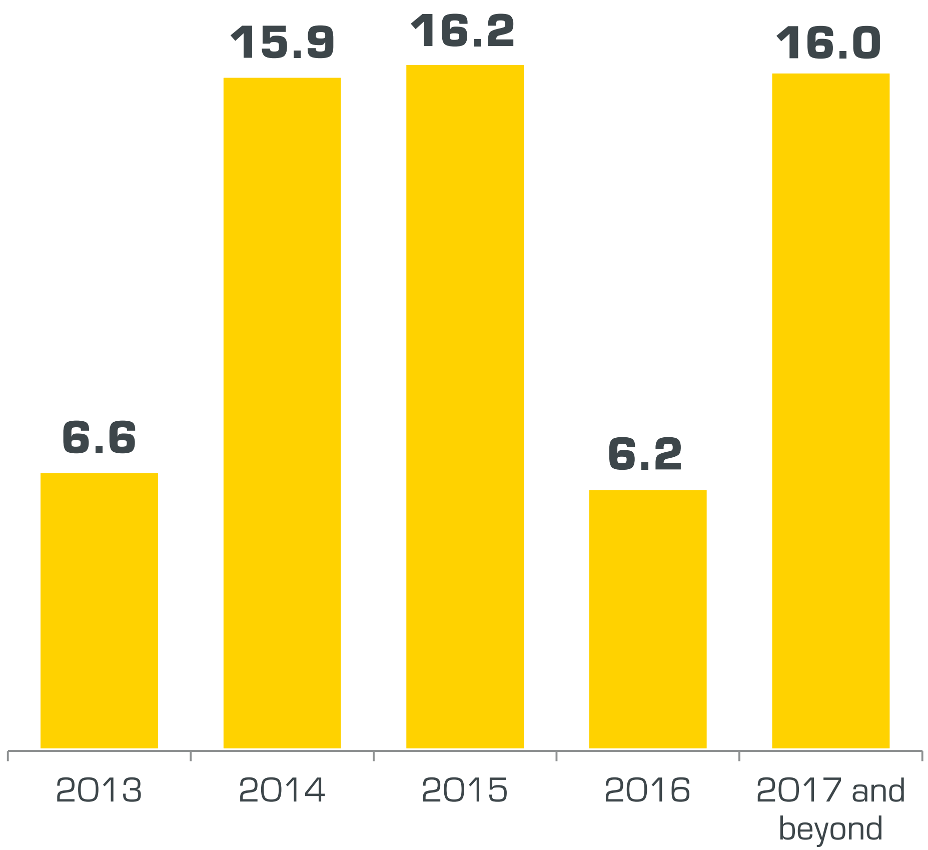




*Note: (1) Based on pro forma condensed financial statements of Rosneft and TNK-BP as of 31.12.2012*

# Maturity Profile

- To extend the company's debt profile by refinancing bridge–loans with LT instruments
- Develop long–term off–take contacts funding working capital
- Unique access to debt capital markets:
  - Eurobonds at record–low coupons issued in November 2012;
  - substantial demand generated in the syndicated loan and domestic bond markets

**Debt maturity profile, $ bn**



# Liquidity Sources

| | |
|---|---|
| **Eurobonds** | $10 bn program registered, two tranches of $1 and $2 bn issued expiring 2017 and 2022 respectively |
| **RUB bonds** | RUB 50 bn raised: two tranches of RUB 20 bn and 30 bn expiring 2018 and 2017 respectively |
| **Prepayment from off-takers** | $7.5 bn called ($10 bn committed, $2.5 bn remains available) |
| **Others** | Broad variety of liquidity sources available to the Group, including Eurobonds, RUB bonds, PXF loans, bank loans, etc. |

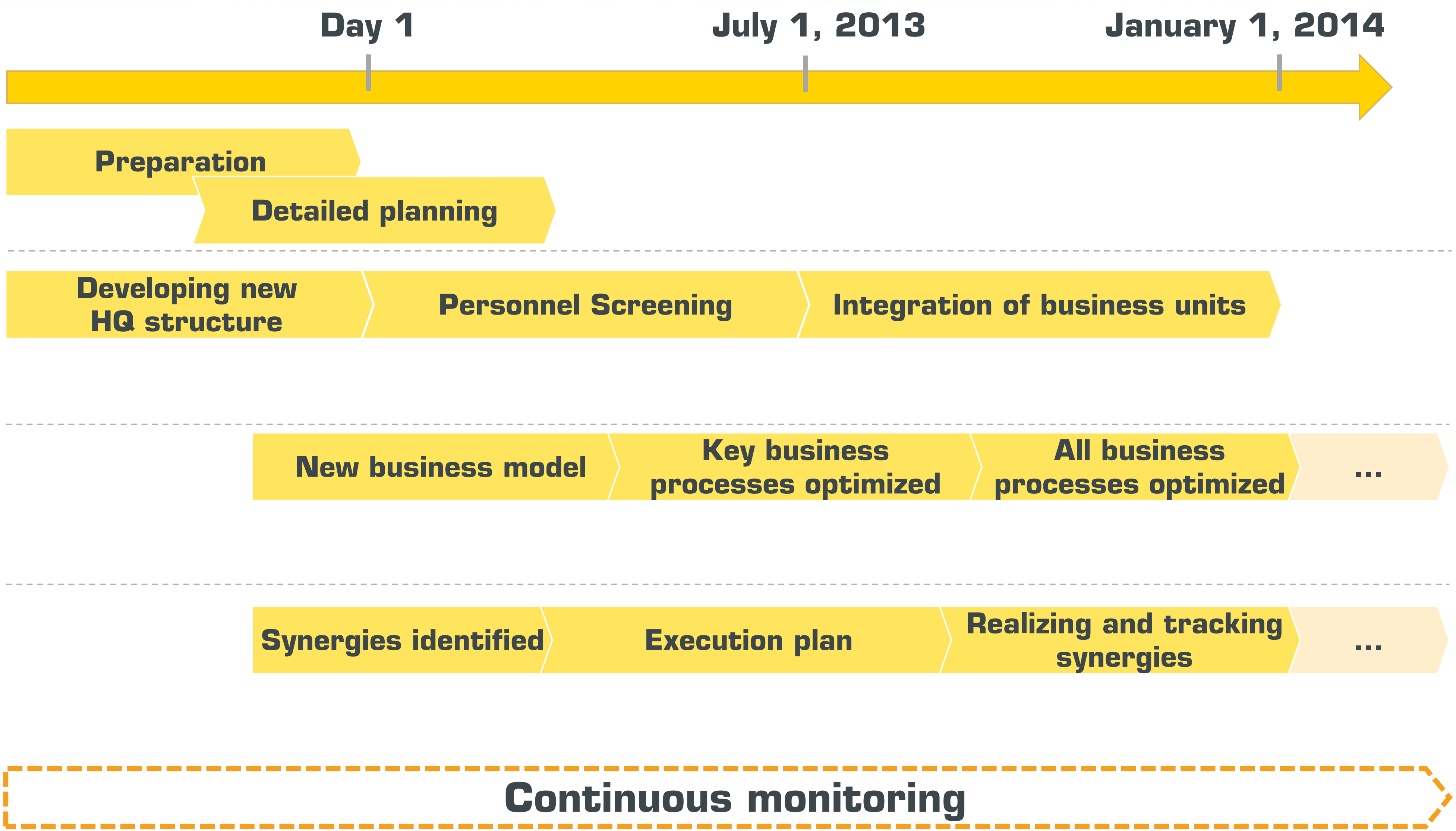
# Key Financial Priorities

| | |
|---|---|
| **Below inflation** | • **Cost saving**<br>Managing SGA and production costs |
| **Optimize** | • **CAPEX control**<br>Review current project portfolio to increase profitability |
| **Neutral to Positive** | • **Free cash flow after dividends**<br>Generate cash enough to satisfy share– and debt holders |
| **25%** | • **Dividend payout**<br>Provide growing yields to shareholders |
| **~2.0x** | • **Gradual decrease current level of leverage**<br>Minimize weight average cost of capital |

# Integration: Key Principles

- Full control over TNK–BP operations with minimal changes to structure and governance starting from Day 1
- Ensuring all business units going concern
- New management system retaining most qualified personnel
- Maximizing identified synergies
- Coordinating headquarters as a single supervising authority
- Regular communication with employees, investors, partners and other stakeholders

# Integration: Timeline



# Integration: Interim Results

- Detailed integration plan developed, key managers appointed
- Draft Company structure envisaging:
  - Higher responsibility of business divisions for financial performance and efficiency;
  - Client focused HR and Legal divisions;
  - Improved investment spending procedures;'
  - Centralized procurement.
- Taking control over TNK–BP operations:
  - Each working group supervising certain assets;
  - Legal scheme under development;
  - Regular staff meetings both at HQ and sites.
- Key synergies and risks identified
- Analyzing best industry practices to be implemented in the Company

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