



Item 1:

# APPROVAL OF THE COMPANY'S ANNUAL REPORT

Sochi, June 22, 2017

# Important Notice



Information herein has been prepared by the Company. The presented conclusions are based on the general information collected as of the date hereof and can be amended without any additional notice. The Company relies on the information obtained from the sources which it deems credible; however, it does not guarantee its accuracy or completeness.

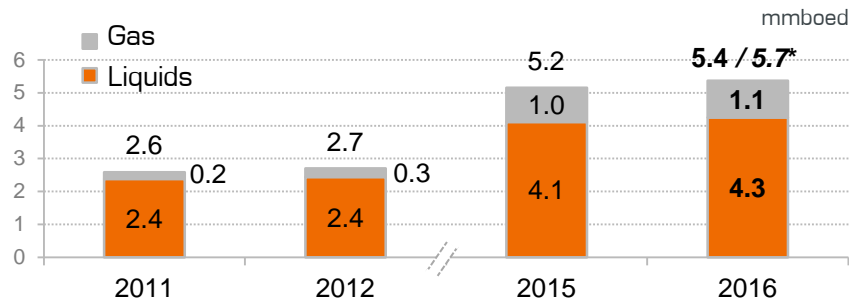
These materials contain statements about future events and explanations representing a forecast of such events. Any assertion in these materials that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. We assume no obligations to update the forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting such statements.

This presentation does not constitute an offer to sell, or any solicitation of any offer to subscribe for or purchase any securities. It is understood that nothing in this report / presentation provides grounds for any contract or commitment whatsoever. The information herein should not for any purpose be deemed complete, accurate or impartial. The information herein is subject to verification, final formatting and modification. The contents hereof has not been verified by the Company. Accordingly, we did not and do not give on behalf of the Company, its shareholders, directors, officers or employees or any other person, any representations or warranties, either explicitly expressed or implied, as to the accuracy, completeness or objectivity of information or opinions contained in it. None of the directors of the Company, its shareholders, officers or employees or any other persons accepts any liability for any loss of any kind that may arise from any use of this presentation or its contents or otherwise arising in connection therewith.

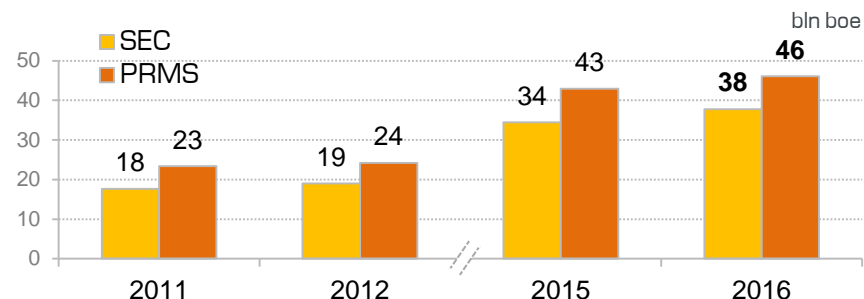
# The Company Evolution (2012–2016): More than Doubling of Business Scale



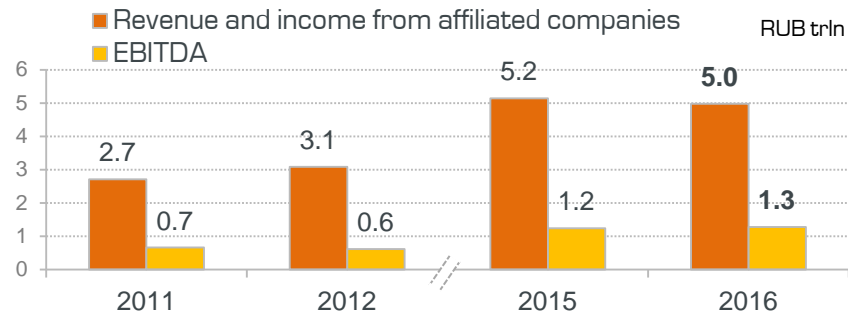
## Hydrocarbon production



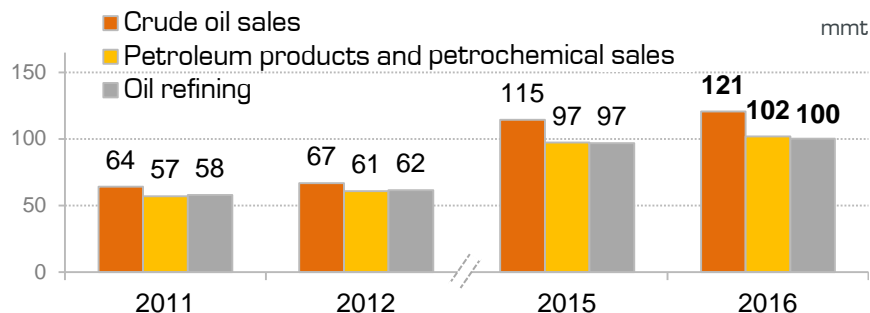
## Hydrocarbon proved reserves



## Revenue and EBITDA



## Refining and marketing

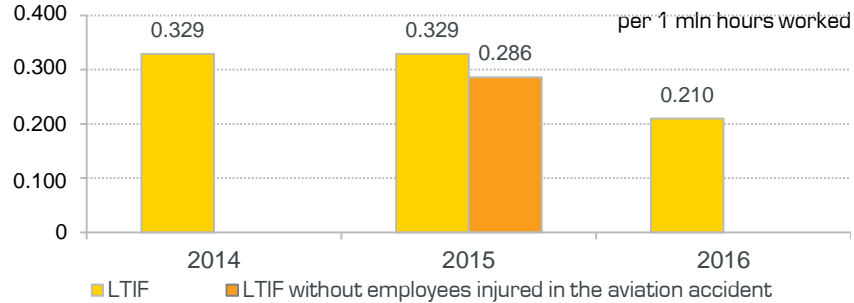


**Note:** \* Capacity includes Bashneft starting from January 1, 2016

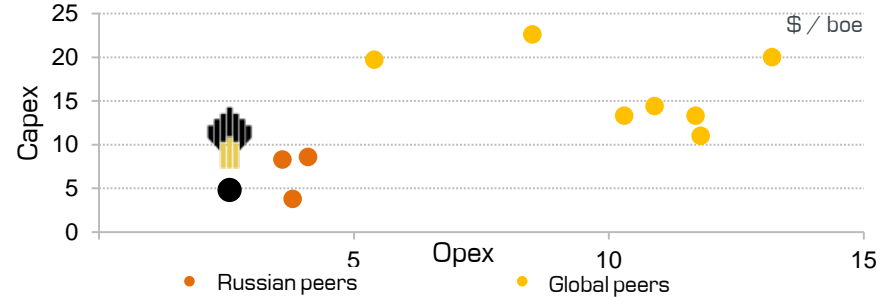
# The Company Evolution (2012–2016): Efficiency Improvement and Positions Strengthening



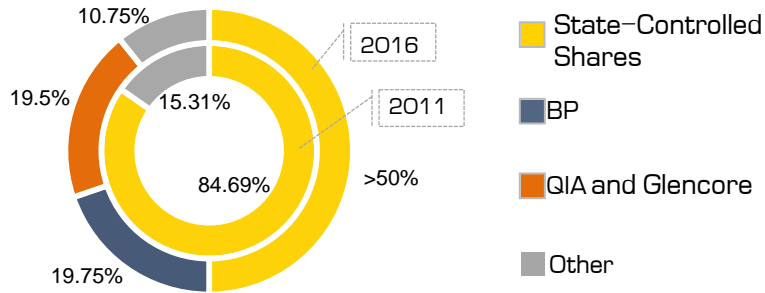
## Lost time injury frequency rate



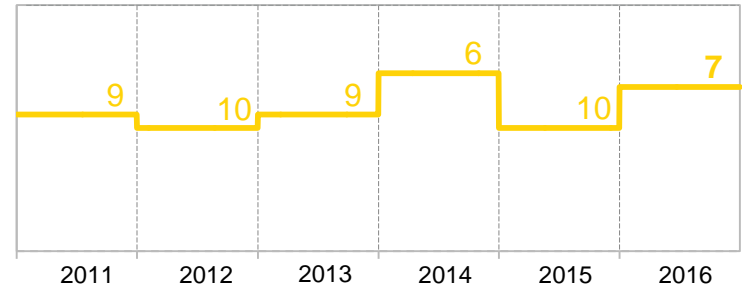
## Lifting costs in 2016



## Share capital structure



## Position in Platts Top 250 Global Energy Company Rankings





## Integrated privatization deal

# GLENCORE



جهاز قطر للاستثمار  
QATAR INVESTMENT AUTHORITY



## BASHNEFT

**50% stake in  
Bashneft**



## ROSNEFT

**19.5% stake in  
Rosneft**

# 1.04

RUB TRLN

Payments to the budget of the Russian Federation in Q4 2016 following the completion of an integrated deal involving the privatization of a 19.5% stake in Rosneft and a controlling stake in Bashneft

## International business and partnerships

# ESSAR

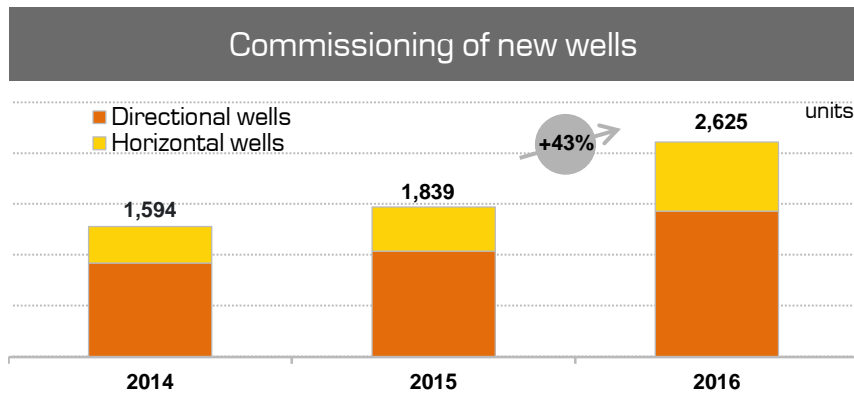
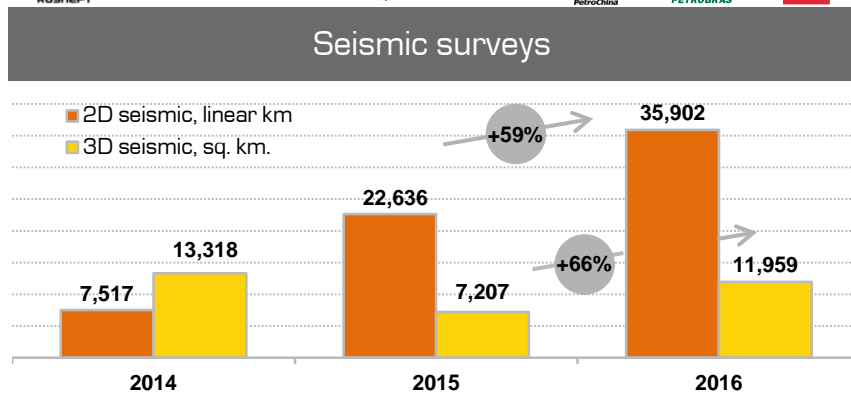
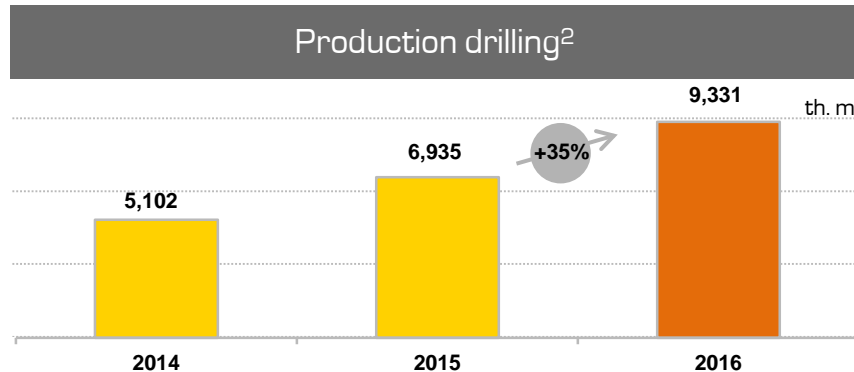
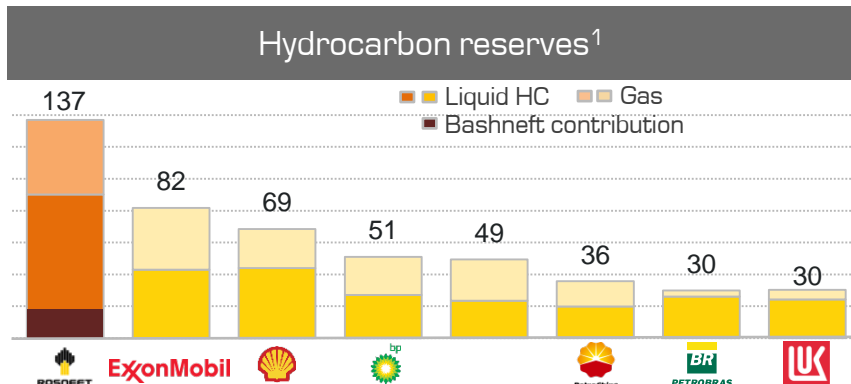
ऑयल इंडिया लिमिटेड  
Oil India Limited



## CHEMCHINA



# Record Operating Results



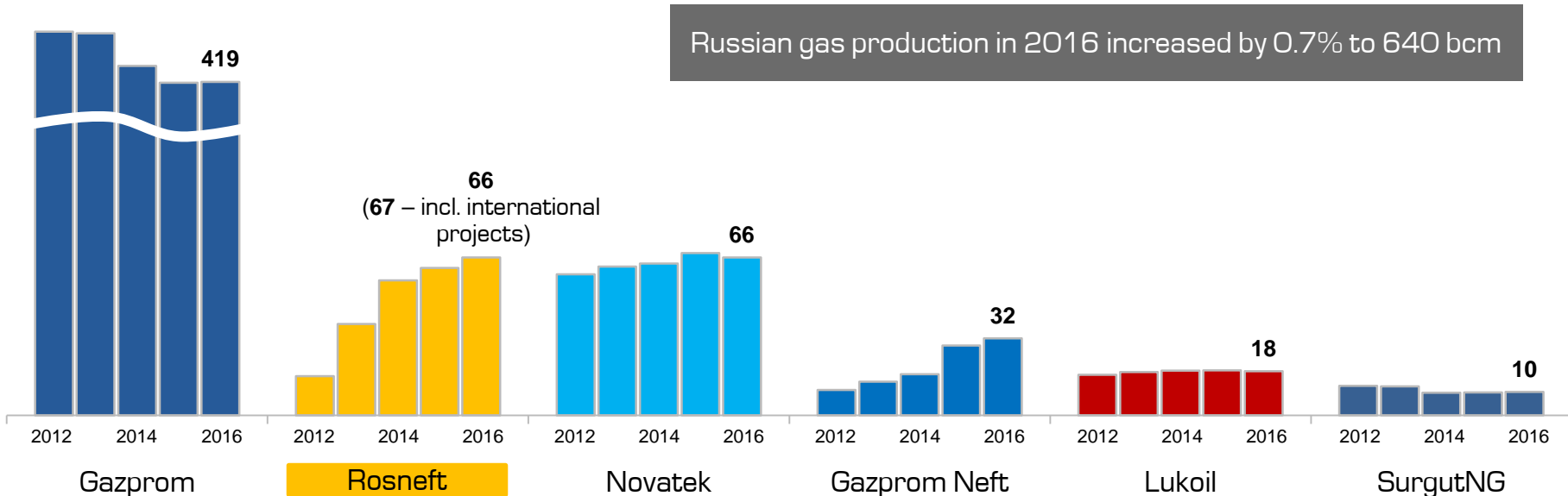
**Note:** (1) For Rosneft, data are provided on AB1C1+B2C2 reserves as of January 1, 2017 (incl. Bashneft); data on reserves of other companies are based on reserve appraisal by Wood Mackenzie, including commercial and sub-commercial reserves.

(2) IFRS data

# Efficient Monetization of Gas Reserves Potential



bcm



In 2016, Rosneft demonstrated the highest absolute increase in gas production among Russian producers (+ 4.4 bcm)  
Starting from September, 2016 Rosneft became the largest Russian independent gas producer based on daily production

# Exploring Offshore Development Potential



ONE OF ROSNEFT'S TOP STRATEGIC DEVELOPMENT PRIORITIES IN THE UPSTREAM SEGMENT IS TO DEVELOP HYDROCARBON RESOURCES ON THE RUSSIAN CONTINENTAL SHELF.



## STRATEGIC PRIORITIES

- Ranking of project portfolio
- Focus on high-priority projects – seismic surveys and prospecting drilling
- Planning of future full-scale projects

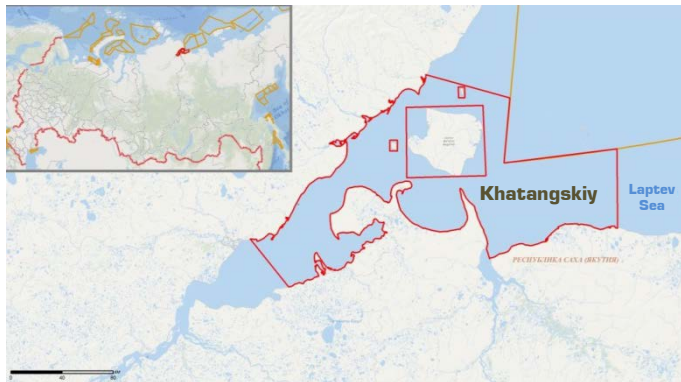


# 55

LICENSES FOR OFFSHORE AREAS IN THE ARCTIC, THE RUSSIAN FAR EAST AND THE SOUTHERN SEAS OF RUSSIA ARE HELD BY THE COMPANY







## License area characteristics

Acreage – **17,217.5 sq. km**

Sea depth – up to **32 m**

Forecasted recoverable resources (Rosneft estimation):

- oil – **154.4 mln t**

Occurrence depth of target horizons: **1,500 – 5,500 m**

Tsentralno-Olginskaya-1 – the first well which is drilled in the area of Laptev Sea (from the shore of the Khara-Tumus peninsula)

- Type – directional
- Drilled depth – **5,523 m**
- Vertical deviation – **2,301 m**
- Construction period – **April 2017 – January 2018**

## License obligations:

- 2017: airborne gravity and magnetic surveys – 17,217.5 linear km
- 2017 – 2021: 2D seismic surveys – 1,000 linear km
- Before the end of 2024: – 1 exploration well

## In case of field discovery:

- 3D seismic surveys (2027)
- 1 exploration well (2029)

## Current project status

### In 2016 completed:

- Airborne gravity and magnetic surveys – 20,000 linear km
- 2D seismic surveys – 828.9 linear km

### Plan for 2017:

- Drilling of Tsentralno-Olginskaya-1 exploration well, current status:
  - April 3 – start of the drilling
  - June – four core samples were taken from depths of 2,305 to 2,363 m which showed high oil saturation with light oily fractions
- 2D seismic surveys – 1,200 linear km (plus option on 1,272 linear km), current status – the works beginning in July

### On Khara-Tumus neighboring plot in 2016-2017 completed:

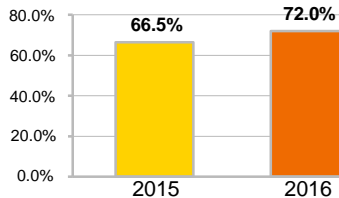
- 2D seismic surveys – 400 linear km
- core drill well

*As a result of completed works there were found new formations, Tsentralno-Olginskaya structure closure determined, layer stratification specified, geological risks decreased for drilling.*

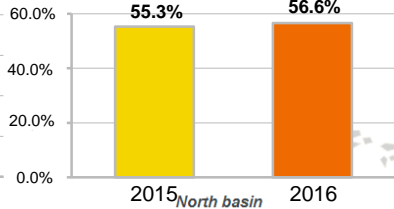
# Integrated Downstream Business Development with a wide geographical refinery coverage



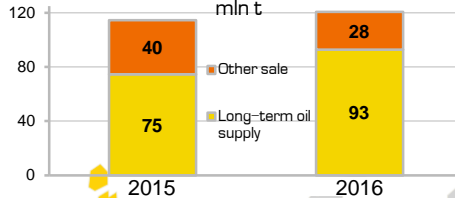
Conversion Rate at Rosneft's Refineries in Russia\*



Light Product Yield at Rosneft's Refineries in Russia\*



Crude Oil Sale into Long-Term Oil Supply Contracts, mln t



INCREASE IN CRUDE OIL SALES IN EASTWARD DIRECTION:

- to **43.1**\* mmt, + **8.6%**\* y-o-y

FUEL SALES INCREASE VIA HIGH-MARGIN STABLE CHANNELS:

- Increase in retail and small-scale wholesale network: **+6%**\*
- Number of operating filling stations increase: **+16%**\*
- 66** Russian regions covered by the retail business



**Note:** \* Taking into account the consolidation of PJSC Bashneft in 4Q 2016

# The Largest Consumer of Goods, Works and Services Among Russian Companies



Procurement process is based on products categories management principles

**2.69**  
**RUB trln**

**Procurement of goods, work and services from external counterparties**

**99%**  
**9,096**  
**procurements**

**Competitive procurements is exercised via electronic form**

Developing relations with small and medium-sized enterprises

Markets analysis and long-term cooperation

**108.9**  
**RUB bln**

**Total value of contracts concluded with small and medium-sized enterprises**

**62%**  
**602**  
**RUB bln**

**Share of procurement under long-term contracts**

Import substitution program implementation: share of Russian goods increased up to 90.5% – 7.5 p.p. growth vs 2015 level

**“...oil and gas companies transition on forming long-term orders on high-tech equipment guarantees stable development of oil and gas industry, machinery, services market, providing employment to all industries”**



<b>5.0</b> <b>RUB trln</b>	<b>▶ Revenue</b> Only 3% revenue decrease, despite a 10% decline in average RUB oil price
<b>1.3</b> <b>RUB trln</b>	<b>▶ EBITDA</b> 2016 EBITDA margin – 25 % (+1.2 p.p. y-o-y)
<b>181</b> <b>RUB bln</b>	<b>▶ Net income attributable to Rosneft shareholders</b> Decrease due to negative foreign exchange effects
<b>709</b> <b>RUB bln</b>	<b>▶ Capex</b> Maintenance a leadership in upstream capital investments efficiency
<b>302</b> <b>RUB bln</b>	<b>▶ Free cash flow</b> 1Q 2017: positive free cash flow for last 20 quarters
<b>31.2</b> <b>USD bln</b>	<b>▶ Net debt</b> Net Debt/EBITDA ratio at a comfortable level of 1.5x in USD terms

# For the Benefit of Russia



**>3**

RUB TRLN – Russian budget total payments

**1,273**

university graduates were hired by the Company in 2016

**24.7**

RUB BLN – social programs expenditure in 2016

**>30%**

in 2016, the number of occupational injuries decreased compared to 2015, which is a positive trend



**>60**

charity projects implemented in 2016

**>3.3**

RUB BLN – charity expenses in 2016

**73.9**

RUB BLN – The Company's expenditure on environmental protection in 2016





Enhancing technological edge of Upstream business allowing to grow annual oil production

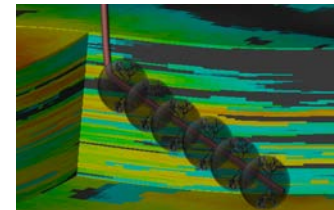
**by 30 mmt**



**growth by 1/3  
(up to 40%)**



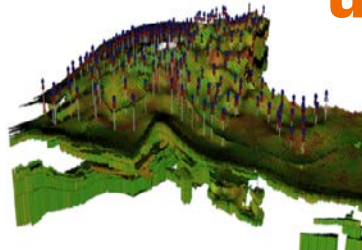
Of horizontal wells share in new drilling by 2020



**up to 95-98%**



Onshore exploration success rate increase based on advanced methods of E&A





Increasing share of Petrochemicals  
**to 20%**

With project financing and qualified  
industrial partners

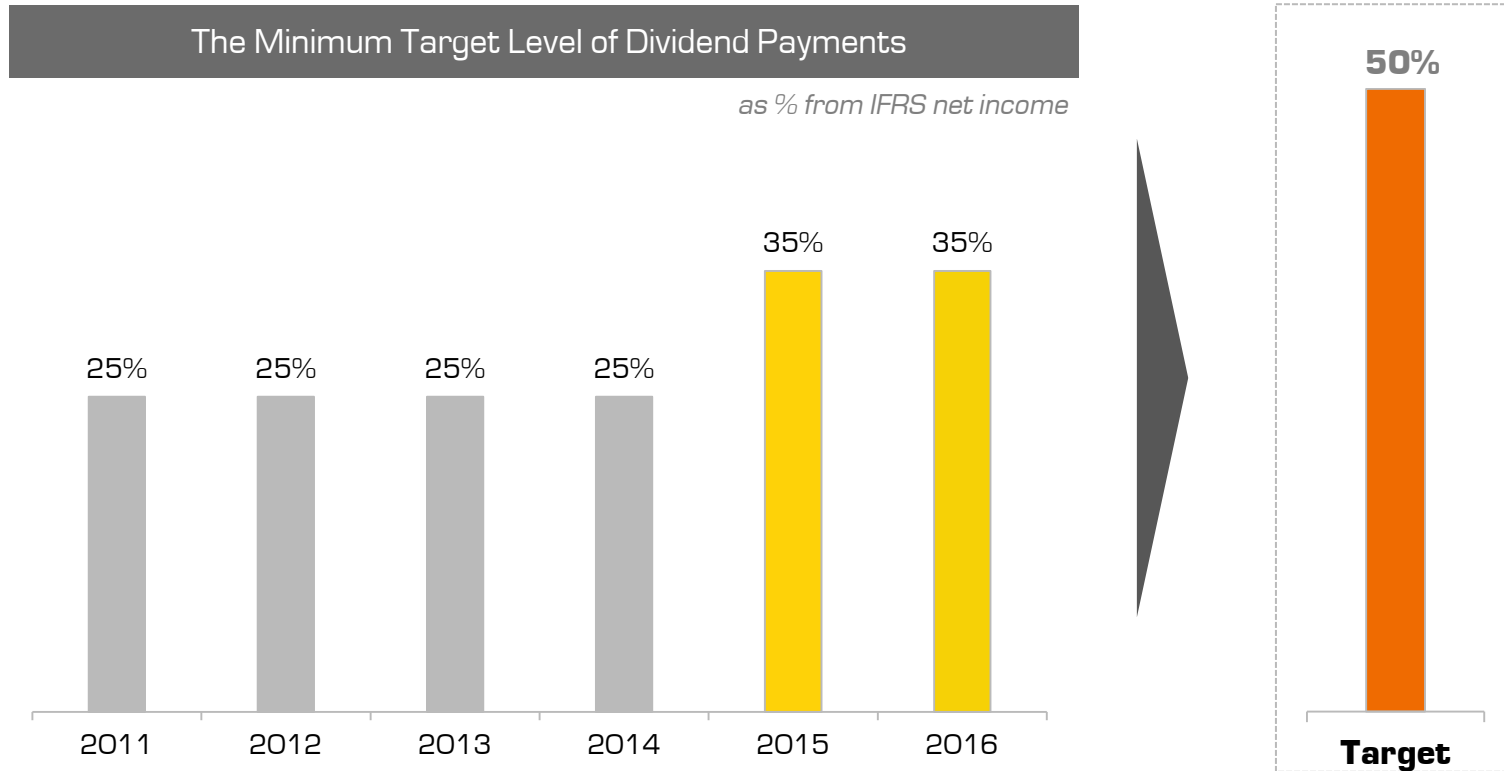


**Focus on increasing  
profitability of the  
downstream assets**

Through third-party volume trading and increase in  
share of premium sales channels



# Strategic Priorities: Increase of Dividend Payments







100% coverage of major production processes with the most advanced digital technologies by 2020



Reduction in hydrocarbons’ losses “from the wellhead to the gas fueling station” by 10–20%



# Strengthening of Industry—leading Position in Operating Efficiency, Investment Governance and Capital Discipline

