

Rosneft Oil Company IFRS Results Q4 and 12M 2017



March 19, 2018

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Macroeconomic Environment



| Indicator | 2017 | 2016 | % | Q4 17 | Q3 17 | % |
|-----------------------------------|--------------|-------|---------|-------|--------|--------|
| Urals, \$/bbl | 53.1 | 42.1 | 26.2% | 60.5 | 50.8 | 19.0% |
| Urals, '000 RUB/bbl | 3.10 | 2.82 | 9.9% | 3.53 | 3.00 | 17.8% |
| Naphtha, '000 RUB/ton | 27.56 | 24.95 | 10.4% | 31.71 | 26.65 | 19.0% |
| Gasoil 0.1%, '000 RUB/ton | 28.24 | 26.22 | 7.7% | 31.68 | 27.85 | 13.7% |
| Fuel oil 3.5%, '000 RUB/ton | 17.64 | 14.06 | 25.5% | 19.71 | 17.48 | 12.8% |
| Average exchange rate, RUB/\$ | 58.35 | 67.03 | (12.9)% | 58.41 | 59.02 | (1.0)% |
| Inflation for the period (CPI), % | 2.5% | 5.4% | - | 0.8% | (0.6)% | - |

Overview of Key Operational Developments



Exploration

- ▶ Seismic activity increase by more than 30%
- ▶ 86% success rate in on-shore exploration drilling
- ▶ 162 new deposits and 31 new fields were discovered with AB1C1+B2C2 reserves of about 233 mmtoe, AB1C1 reserves, additions from exploration amounted to 404 mmtoe



Production

- ▶ Growth in daily hydrocarbon production by 6.5% to 5.7 mmboe, including liquids - by 7.6% to 4.6 mln bbl
- ▶ 12.1 mln m – industry record in development drilling
- ▶ Gas production was up by 2% to 68.4 bcm



Service

- ▶ Maintaining the share of in-house services in development drilling at the level of ~60%
- ▶ Integration of Targin service assets



Overview of Key Developments



Refining

- ▶ Oil refining throughput amounted to 112.8 mmt (total) and 100.6 mmt (Russia)
- ▶ Euro-5 motor fuels production increase by 23% to 38.2 mmt at Russia refineries
- ▶ Light product yield improvement by 1.8 p.p. to 58.4% and refining depth - by 3.2 p.p. to 75.2% at the refineries in Russia
- ▶ Refining start in India



Commerce and Logistics

- ▶ Increase in eastward oil supplies by 10.7% to 47.7 mmt
- ▶ Agreements to increase oil supplies to CNPC
- ▶ Sales growth via high-margin retail channel by 7%

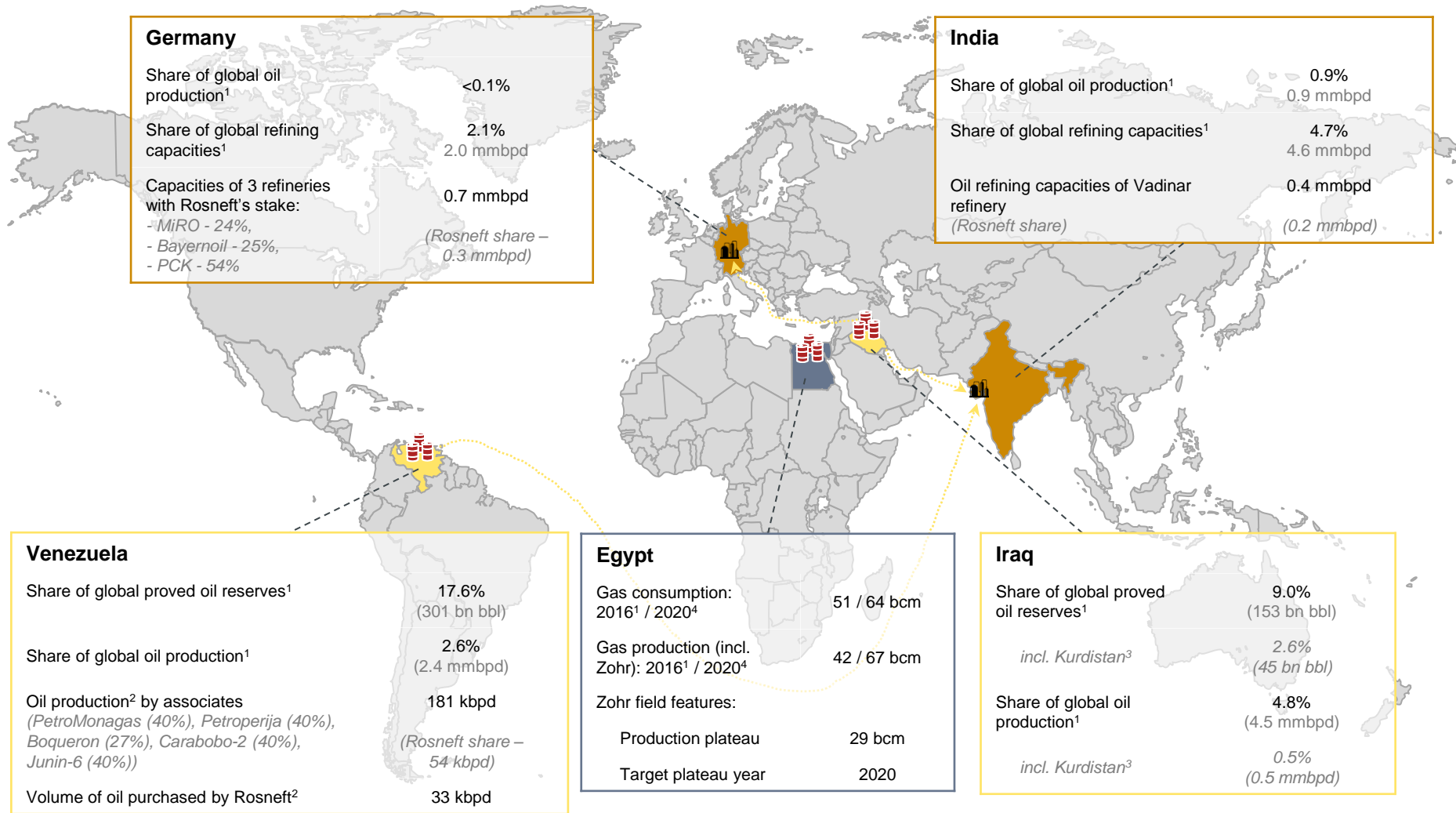


Cooperation with Partners

- ▶ Start of gas production at the Zohr field (Egypt) and pilot production at Carabobo 2 project (Venezuela)
- ▶ Agreements with BP on the implementation of development projects Kharampur and Festivalny LAs
- ▶ Set up a JV with Pertamina for construction of Tuban refinery and petrochemical complex



Major International Projects

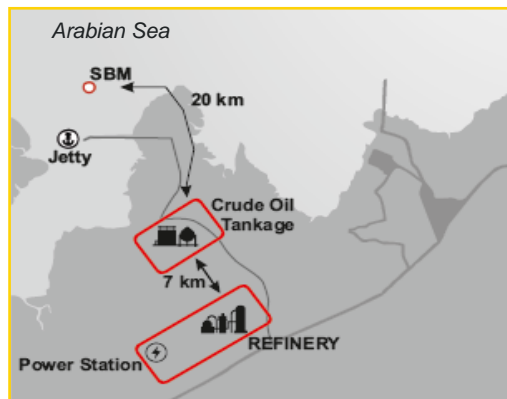


Note: (1) BP Statistical Review of World Energy for 2016 data; (2) Data for 2016; (3) Data from media sources as of 2016; (4) WoodMackenzie data (Q4 2017)

Completion of a 49% Stake Acquisition in Essar



Location



Asset Structure



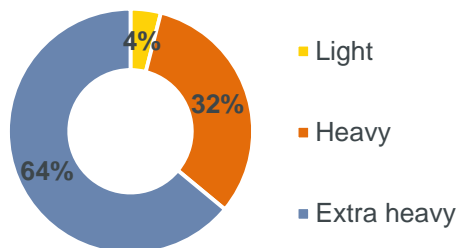
Refinery with 20 mmt capacity and 11.8 Nelson index + 3.7 mmt expansion project



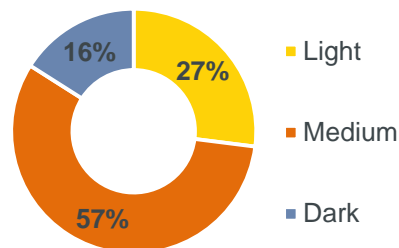
Retail network of about 4 100 sites with an extension by up to 1,000 sites per year

Structure of crude oil feedstock and oil products output

Oil



Products



- Rosneft closed the deal to acquire a 49% stake in Essar Oil Limited (EOL)
- 100% of EOL business is estimated at \$12.9 bn
- Payment for the stake in several tranches in 2017 (\$3.9 bn – 230 bn RUB)

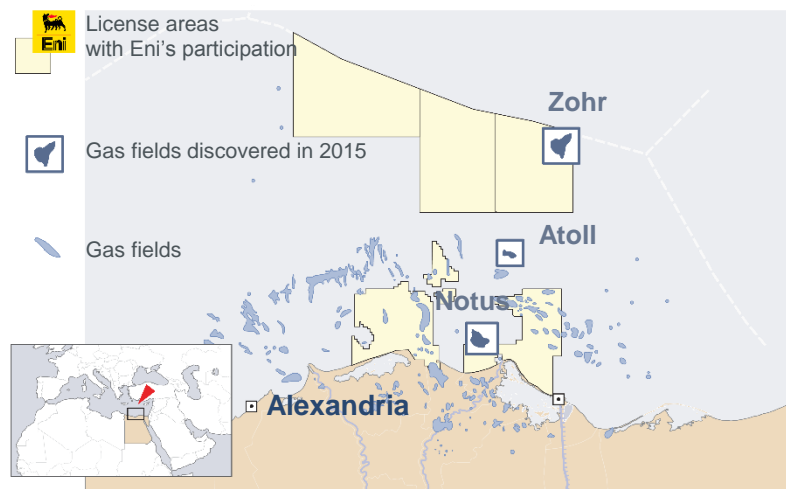
Deal rationale:

- Rosneft obtained a significant share in the second largest refinery in India with a high Nelson's Index of 11.8 (Top 10 refineries in this metric) and 95.5% refining depth rate:
 - High profitability of the petroleum products basket - gross margin of processing is ~\$9
 - High flexibility in terms of feedstock - possibility to process heavy Venezuelan oil
 - Availability of all required infrastructure: port, oil terminal and own power plant
 - Access to one of the fast-growing Asia markets – cumulative GDP growth in 2013-2016 – 29.8%
 - Potential hub for international trading expansion in the Asia-Pacific

Completion of a 30% Stake Acquisition in Zohr Project



Location



- Rosneft closed a deal to acquire a 30% share in the concession agreement for the development of the Zohr field from the Italian Eni
- The acquisition cost was at \$1.1 bn, Eni historical costs compensation before the deal closing date amounted to \$1.1 bn (to be compensated in accordance with the terms of the concession)
- The current shareholder structure¹ of the concession: Eni – 60%, Rosneft – 30%, BP – 10%

Deal rationale:

- Participation in one of the largest recent discoveries (more than 30% of estimated gas reserves in Egypt)
- Entering into a unique scale project at low cost of proved reserves
- Developed infrastructure
- Access to the strategically important gas consumption market with opportunities for further expansion in the region
- Diversification of the international projects portfolio

Key features²

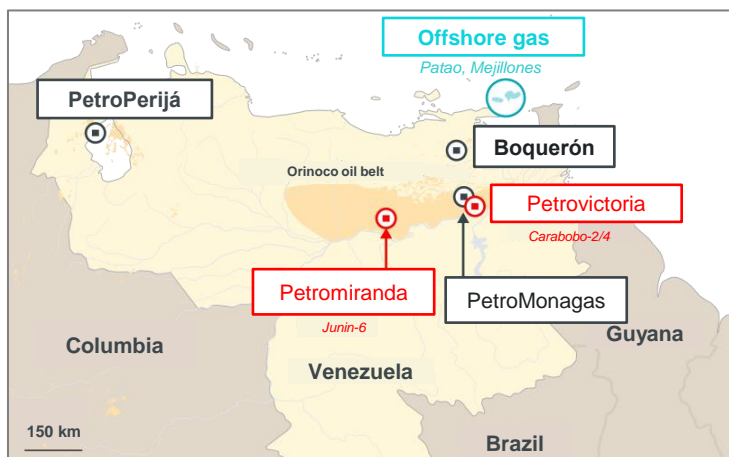
| | |
|--|-------------|
| Year of discovery by Eni | 2015 |
| Rosneft share in future investments (next 4 years) | >\$2 bn |
| Project Stage | Development |
| Geological reserves ³ | c. 850 bcm |
| Production plateau | 29 bcm |

Note: (1) BP closed the deal on stake acquisition (a 10% stake in the project for \$375 mln, as of the deal closing date BP compensated to Eni historical costs in its share from 01.01.2016), in March 2018 Eni made an agreement with Mubadala fund to sell a 10% stake in the project for \$934 mln (as of the deal closing date, Mubadala will compensate to Eni historical costs in the fund's share from 01.01.2018); (2) Evaluation of 100% of the project, unless otherwise specified; (3) Eni's Estimate

Cooperation with Venezuela



Assets location



- ▶ The largest international assets with proved recoverable reserves in the share of Rosneft at the level of ~303 mln bbl (SEC)
- ▶ PetroMonagas, Boquerón, PetroPerijá are active upstream projects with positive cash flows received in the form of dividends
- ▶ Petromiranda, Petrovictoria are perspective projects with significant reserves in place
- ▶ Offshore gas – a new asset (Patao and Mejillones fields)

Prepayments made in 2014

RUB bn

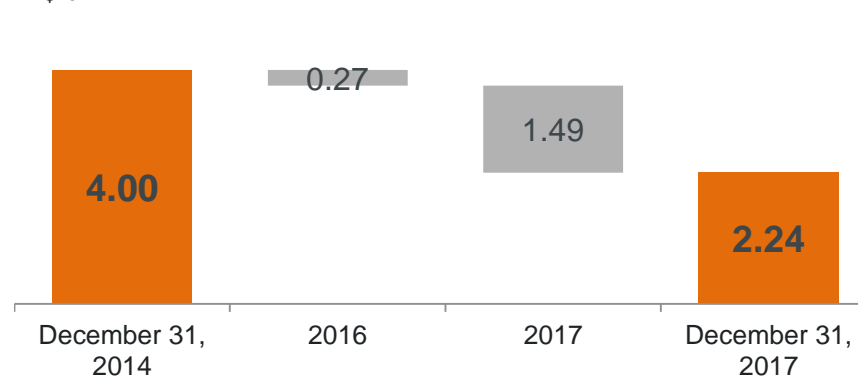
Balance sheet item based on accounting method as of 2017 end

| Balance sheet item based on accounting method before Dec. 31, 2017 | Balance sheet item based on accounting method after Dec. 31, 2017 |
|--|---|
| Long-term loans issued to associates and joint ventures | 130 |
| Other non-current non-financial assets | 53 |
| Prepayments made (current portion) | 77 |

- ▶ Presentation of prepayments in the IFRS report is unified now:
 - Long-term part – Other non-current non-financial assets
 - Short-term part – Prepayment and other current assets

Prepayments made in 2014

\$ bn



Key Operational Highlights



| Indicator | 2017 | 2016 | % | Comment |
|--|---------------|--------|-----------|---|
| SEC proven hydrocarbon reserves mmboc | 39,907 | 37,772 | +5.7% | Sustainable reserve replacement, reserves replacement ratio at 184% ¹ |
| Hydrocarbon production, incl. kboed | 5,718 | 5,369 | +6.5% | Bashneft consolidation, organic growth |
| Oil and liquids kbpd | 4,577 | 4,252 | +7.6% | Acquisition of Bashneft assets, production enhancement at the brownfields and active development of new projects, ownership increase in JV Petromonagas (Venezuela) |
| Gas kboed | 1,141 | 1,117 | +2.1% | Acquisition of Bashneft assets, production growth at Varyoganneftegaz, launch of new wells and active wells optimization at Sibneftegaz |
| Hydrocarbon production ² kboed | 5,718 | 5,701 | +0.3% | |
| Oil refining mmt | 112.80 | 100.26 | +12.5% | Integration of Bashneft assets |
| Refining depth (Russian refineries) % | 75.2% | 72.0% | +3.2 p.p. | Improved operating efficiency and optimization in Russian refineries operations |

Note: (1) Calculated using metric units, (2) Pro forma data (Bashneft consolidated starting Jan. 01, 2016)

Key Financial Highlights



| Indicator | 2017 | 2016 | % | Q4 17 | Q3 17 | % |
|--|--------------|-------|---------|-------|-------|---------|
| EBITDA, RUB bn | 1,403 | 1,278 | 9.8% | 393 | 371 | 5.9% |
| Net Income, RUB bn <i>attributable to Rosneft shareholders</i> | 222 | 174 | 27.6% | 100 | 47 | >100% |
| Adjusted net income ¹ , RUB bn <i>attributable to Rosneft shareholders</i> | 383 | 418 | (8.4)% | 102 | 114 | (10.5)% |
| Adjusted operating cashflow ² , RUB bn | 1,167 | 1,148 | 1.6% | 336 | 238 | 41.2% |
| CAPEX, RUB bn | 922 | 709 | 30.0% | 292 | 223 | 30.9% |
| Free Cash Flow, RUB bn | 245 | 439 | (44.2)% | 44 | 15 | >100% |
| EBITDA, USD bn | 24.0 | 19.3 | 24.4% | 6.7 | 6.3 | 6.3% |
| Net Income, USD bn <i>attributable to Rosneft shareholders</i> | 3.8 | 2.7 | 40.7% | 1.8 | 0.7 | >100.0% |
| Adjusted net income ¹ , USD bn <i>attributable to Rosneft shareholders</i> | 6.6 | 6.2 | 6.5% | 1.8 | 1.9 | (5.3)% |
| Adjusted operating cashflow, USD bn | 19.9 | 17.1 | 16.4% | 5.7 | 4.1 | 39.0% |
| CAPEX, USD bn | 15.8 | 10.7 | 47.7% | 5.0 | 3.8 | 31.6% |
| Free Cash Flow, USD bn | 4.1 | 6.4 | (35.9)% | 0.7 | 0.3 | >100% |
| Urals price, th. RUB/bbl | 3.10 | 2.82 | 9.9% | 3.53 | 3.00 | 17.8% |

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)



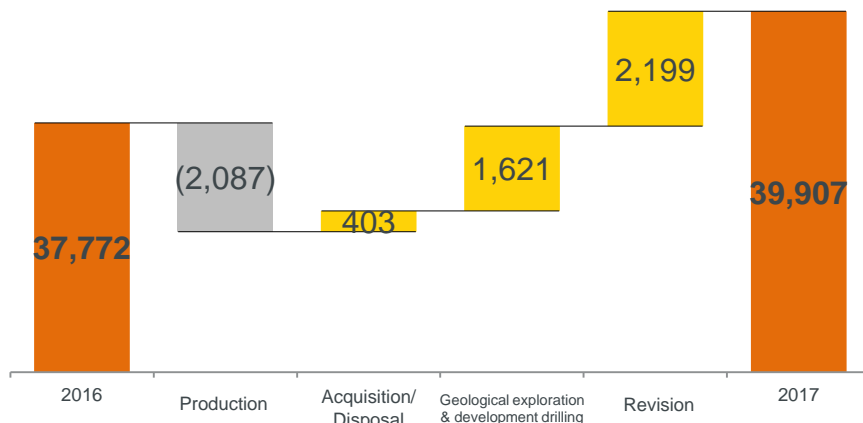
Operating Results

Exploration and Reserves



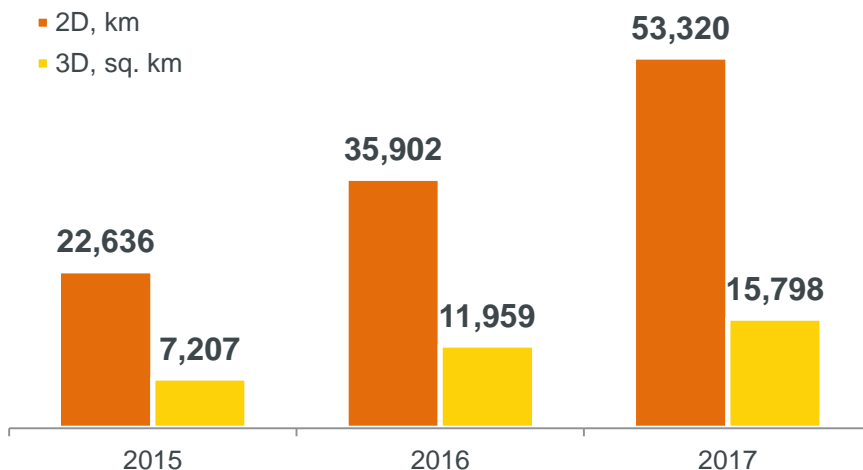
Reserves¹

mmboe



Seismic works

- 2D, km
- 3D, sq. km



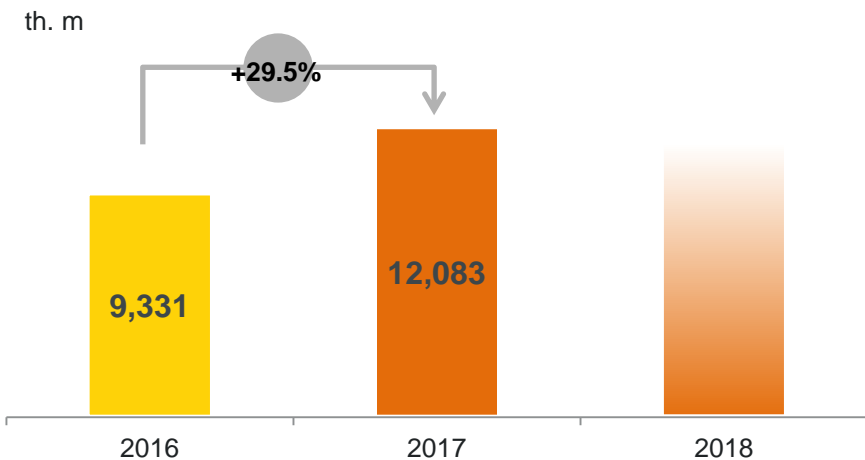
Key achievements in 2017

- 2D and 3D seismic works increased by >30% vs. 2016
- 86% - onshore exploration drilling success rate
- 31 fields and 162 new deposits were discovered with AB1C1+B2C2 reserves at 233 mmtoe²
- 404 mmtoe AB1C1 reserves additions by exploration
- AB1C1 hydrocarbon reserve replacement at 518 mmtoe, or 184% of the Company's production in Russia
- SEC proven reserves increased by 6% to 39.9 bn boe, reserves life at 20 years
- Proven SEC² hydrocarbon reserves replacement ratio:
 - 204% (184% organic growth) in 2017
 - 158% (149% organic growth) average in 2015-2017
 - c. 200% average for 10 years
- PRMS (2P)² reserves replacement ratio amounted to 197% in 2017

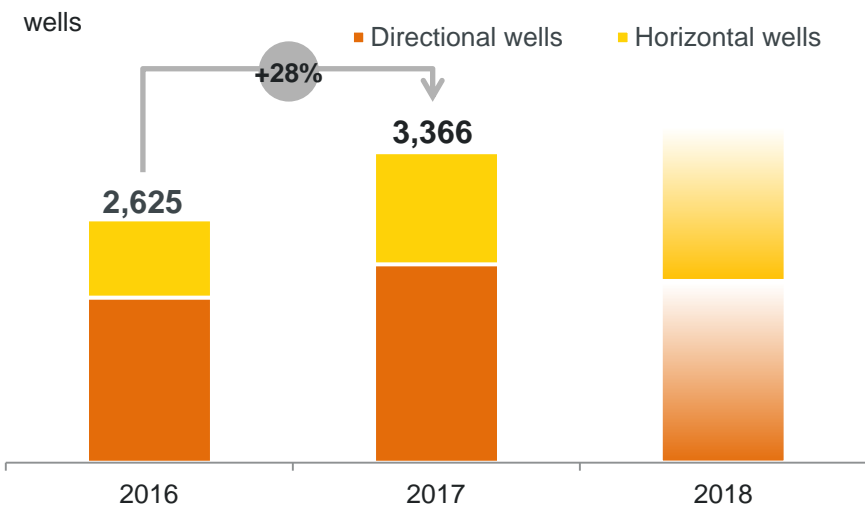
Development Drilling



Development drilling footage



New well commissioning



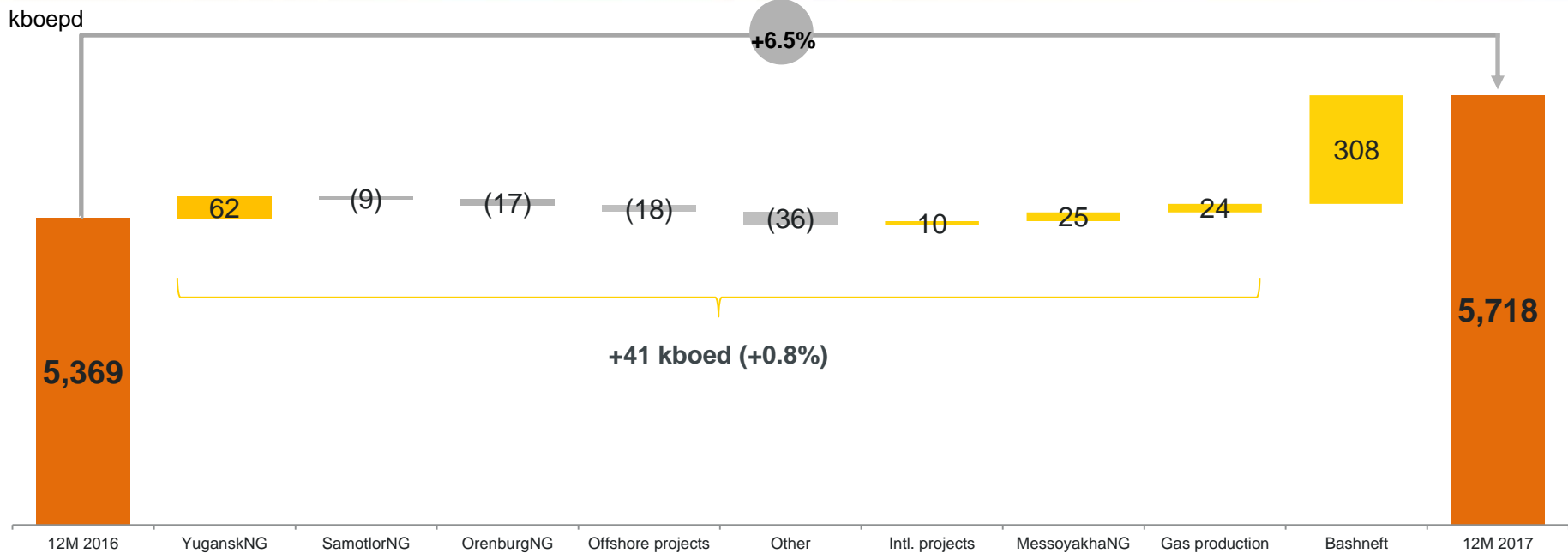
Key achievements in 2017

- ▶ 12.1 mln m – a new record in the development drilling (+29.5%) with ~60% in-house service share
- ▶ Commissioning of new wells up by 28% to 3.4 th. wells with an additional production of 19.5 mmt, increase in the commissioning of new horizontal wells (HW) by 43% (36% share), and HW with a multistage hydrofracs by 67%
- ▶ Acceleration in multi-hole wells (MHW) drilling based on the results of successful technology testing:
 - Number of MHW increase at Vankor cluster by 64%
 - Optimization of MHW drilling: a well with “Fishbone” technology was drilled at Srednebotuobinsky field with 5,030 m horizontal section (mother bore is 1,530 m with 7 sidetracks, 500 m each)
- ▶ Yuganskneftegaz and Samotlorneftegaz successfully tested a technology of well design optimization by increasing the length of the horizontal section and the number of hydrofracs stages

Plans for 2018

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

Hydrocarbon Production



- ▶ Daily hydrocarbon production growth on the back of the new projects development, Bashneft integration and production increase at a number of brownfields
- ▶ **Yugansk:** accelerating production growth on development drilling increase, modern technologies application and enhanced oil recovery methods using hydro fracturing operations
- ▶ **International Projects:** Petromonagas JV (Venezuela) stake increase in May 2016
- ▶ **Suzun / E. Messoyakha:** Active development of the Suzun and East Messoyakha fields started in Q3 2016, the field facilities expansion is ongoing
- ▶ **Gas production:** New wells launching at Varyoganneftegaz and increased gas delivery through the Tyumen compressor station after reconstruction, launch of new wells and wells optimization at Sibneftegaz

Progress in Key Projects



| Indicator | Yurubcheno-Tokhomskoye field | Kondinskoye field |
|------------------------|-------------------------------------|------------------------|
| 3P reserves (PRMS) | 282 mmtoe / 2,156 mmbœ ¹ | 143 mmtoe / 1,036 mmbœ |
| Commissioning year | 2017 | 2017 |
| Production in 2017 | 0.7 mmt | 0.2 mmt |
| Oil production plateau | ~5 mmtpa | >2 mmtpa |
| Target plateau year | 2019 | 2019 |



- ▶ Oil treatment facility (OTF-1) and the Pipeline offload facility – connection point of OPS-2 comprehensive technological testing launched at the Yurubcheno-Tokhomskoye field in Eastern Siberia

- ▶ Further comprehensive development of the extended priority section of YTF's Yurubchensky reservoir (development drilling, associated infrastructure construction)

- ▶ In November 2017, the Erginsky cluster start-up complex in West Siberia was officially commissioned and shipment of the first oil into Transneft pipeline system started

- ▶ Construction of the 1st start-up complex facilities completed. Development drilling and field infrastructure construction continued



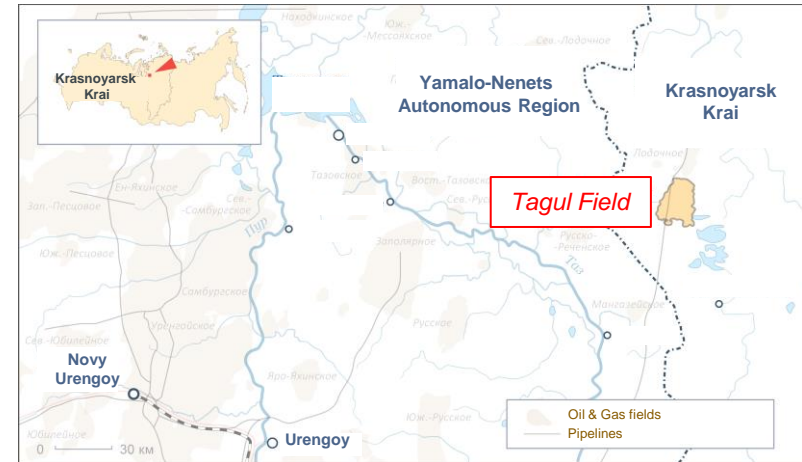
Note: (1) Data for the Yurubchensky block

Progress in Key Projects: Tagul Field



| Indicator | Value |
|------------------------|-------------------------|
| 3P reserves (PRMS) | 447 mmtoe / 3,180 mmboe |
| Commissioning year | 2018 |
| Oil production plateau | >4.5 mmtpa |
| Target plateau year | 2022+ |

- ▶ As part of the comprehensive technological testing phase, 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 crude oil processing and its further transportation by 4.5 km length pipeline to the connection point at the pipeline Vankor-Purpe trunk pipeline
- ▶ Development drilling is carried at 4 well pads
- ▶ Site preparation of well pads for further drilling, motor roads and energy facilities construction are in progress

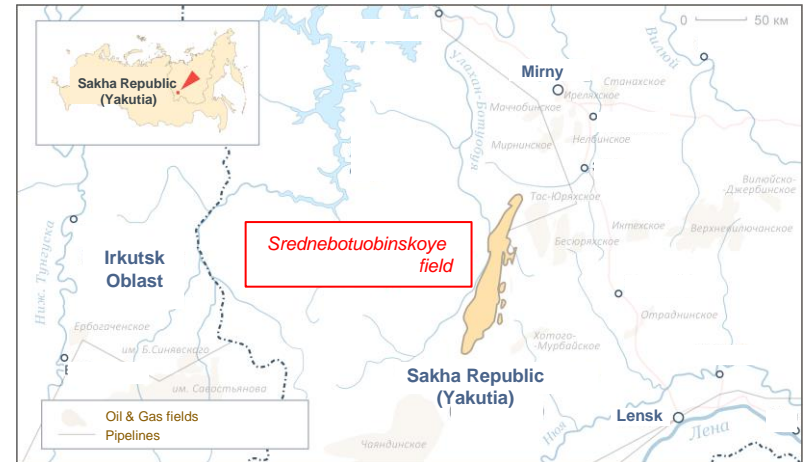


Progress in Key Projects: Taas-Yuryakh (Srednebotuobinskoye field, Stage 2)



| Indicator | Value |
|------------------------|-------------------------|
| 3P reserves (PRMS) | 286 mmtoe / 2,096 mmboe |
| Commissioning year | 2018 |
| Oil production plateau | ~5 mmtpa |
| Target plateau year | 2022+ |

- ▶ As part of the comprehensive technological testing phase, start-up complex 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
- ▶ 5 multilateral wells completed including 3 wells based on “Fishbone” technology (with 18 th. m actual drilling footage). Technical feasibility of such wells construction was confirmed to increase the productivity of wells and optimize the development
- ▶ Development drilling is in progress at 8 well pads



Progress in Key Projects: Russkoe Field



| Indicator | Value |
|------------------------|-------------------------|
| 3P reserves (PRMS) | 426 mmtoe / 2,874 mmboe |
| Commissioning year | 2018 |
| Oil production plateau | >6.5 mmtpa |
| Target plateau year | 2022+ |



- ▶ 83 wells were drilled in 2017. As part of the comprehensive technological testing phase in 2016-2017, 8 multilateral wells were drilled, including 3 wells based on the “Fishbone” technology. Construction of a well with a unique trajectory was successfully completed (with 867 m vertical length and the total length at 2,915 m)
- ▶ Construction and installation works at the key facilities are in progress: oil pipeline CPF Russkoe - Zapolyarnoye Offload, Zapolyarnoye Offload Facility, CPF with water injection station at Russkoye field and other facilities
- ▶ Preparation of well pads for further drilling is in progress

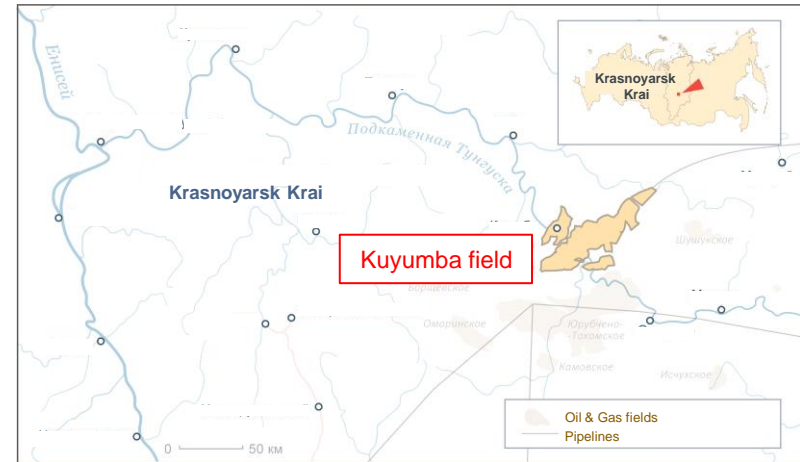


Progress in Key Projects: Kuyumba field¹



| Indicator | Value |
|-------------------------------------|-------------------------|
| 3P reserves (PRMS) | 282 mmtoe / 2,154 mmboe |
| Commissioning year ² | 2018 |
| Oil production plateau ² | ~3 mmtpa |
| Target plateau year ² | 2021+ |

- ▶ During the comprehensive technological testing phase, Head Pump Station No.1 connection was made, and oil is being delivered to Kuyumba-Tayshet trunk pipeline
- ▶ Main construction and installation works were started at the key facility – CPF: installation of the key process equipment, racks, tanks
- ▶ Construction and installation work is under way at the oil pipeline “Oil Gathering Pipeline Right Bank of the Podkamennaya Tunguska - CPF”
- ▶ Development drilling is in progress at 5 well pads
- ▶ Well pads preparation is on drilling schedule



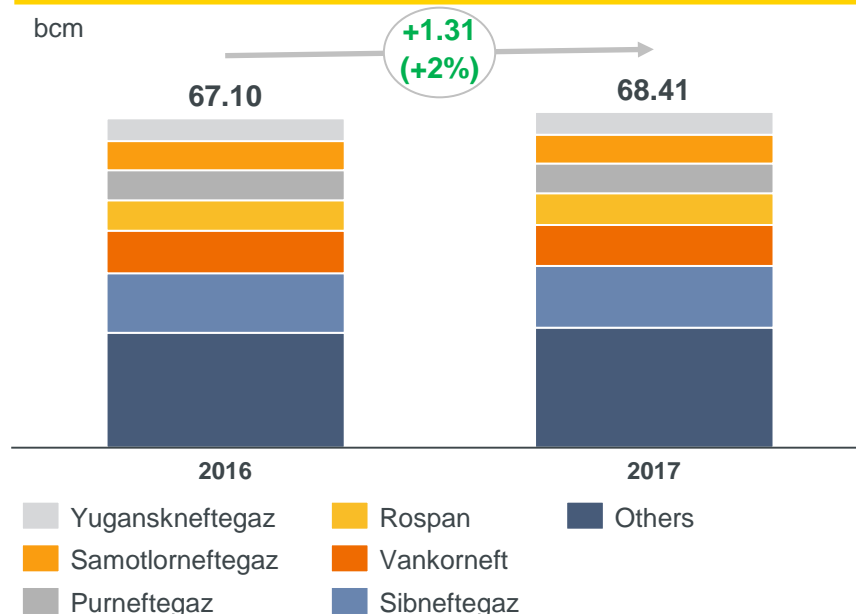
Gas Business: Organic Production Growth and Efficient Monetization



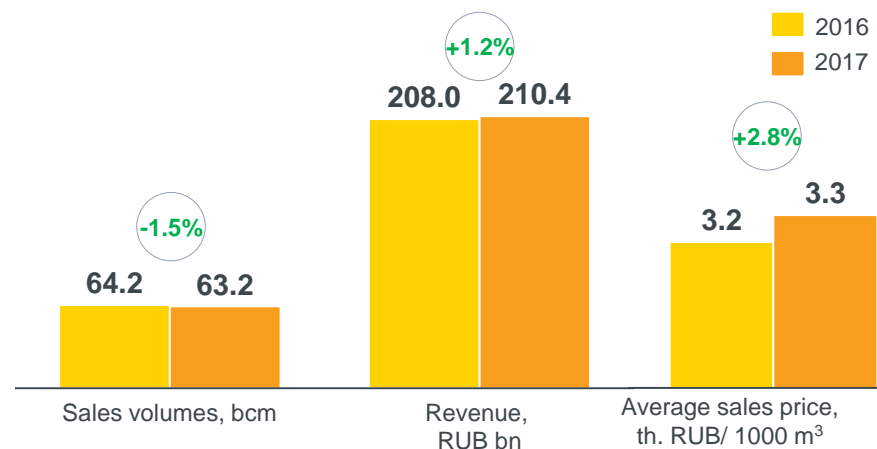
Key achievements in 2017

- ▶ 2% gas production growth on the back of:
 - Bashneft acquisition in Q4 2016
 - Commissioning of new wells at Varyoganneftegaz and increase of gas delivery through Tyumen compressor station after reconstruction
 - Commissioning of new wells and optimization of operating modes of existing wells at Sibneftegaz
- ▶ AB1C1+B2C2 gas reserves increased by 4% to 7.9 tcm¹ as of 2017 year end
- ▶ Agreement with BP to implement development projects Kharampur and Festivalny LAs with total geological gas reserves above 880 bcm located in the Yamalo-Nenetsky Autonomous Region. The Company will retain a 51% majority stake in the project, and BP will receive a 49% stake
- ▶ Gas production start at the Zohr project on the Egyptian shelf. A project of this scale implemented in partnership with foreign majors expands Rosneft's expertise in offshore development and strengthens the Company's position on the strategically important market in Egypt
- ▶ Obtaining a 30-year license for the development of the Patao and Mejillones gas fields on the shelf of Venezuela with gas export rights

Gas production



Gas sales in Russia



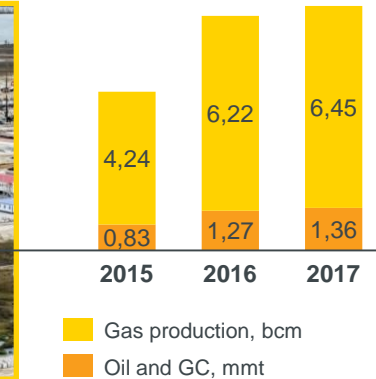
Note: (1) Preliminary data

Progress in Key Projects: Rospan



The project accounts for the largest production growth in the Company till 2020.

| Indicator | Value |
|---|---|
| 3P reserves (PRMS) | 0.9 tcm of gas 191 mmt of gas condensate, LPG and oil |
| Production, p.a. | Potential: > 19 bcm of gas > 5 mmt of liquids up to 1.3 mmt of LPG |
| Achievement of design production capacity | 2019 |



Key Facilities:

- ▶ GTU of Novo-Urengoiy LA (launched)
- ▶ GTU of Vostochno-Urengoiy LA
- ▶ Oil treatment facilities for Valanginian deposit, tank farm for oil storage and transshipment
- ▶ Loading railroad terminal at Korotchaev station with a tank farm for LPG storage
- ▶ Trunk and infield pipelines;
- ▶ Power supply facilities

Current status:

Key field facilities construction in active phase:

- ▶ GTU of Vostochno-Urengoiy LA: completed installation of the main process equipment at the condensate stabilization unit, low-temperature separation, installation of propane-butane stripping from methanol; installation of metalwork, process pipework and cable-carrying systems is continuing; work is underway at the booster compressor station – inner piping of compressor units;
- ▶ GTPP of Vostochno-Urengoiy LA: 7 gas turbine units and exhaust systems installed; hook-up and installation of the ventilation system are continuing;
- ▶ Valanginian OTF: installation of 8 tanks and steel structures of process racks completed; hook-up operations in progress.
- ▶ Construction of a filling railway terminal at Korotchaev station, main and infield pipelines and power supply facilities continues.

Near term plans:

- ▶ Complete the construction and commission the key facilities;
- ▶ Achieve the design capacity in 2019.

Brownfields and Greenfields development: Sibneftegaz



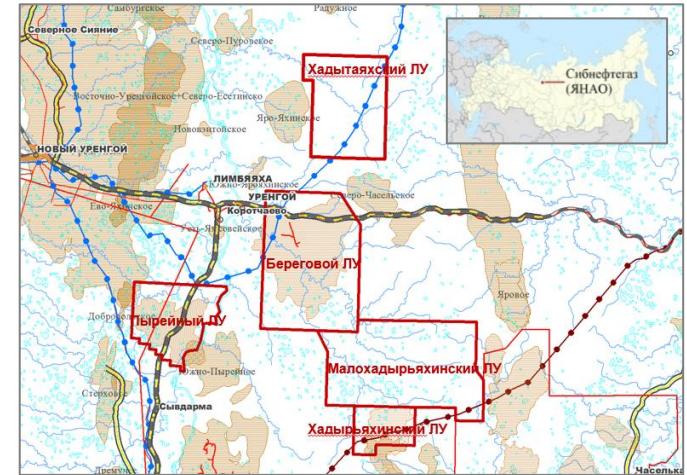
Company's largest asset in terms of gas production in 2017: 12.58 bcm

| Indicator | Value |
|--------------------------------------|---|
| 3P reserves (PRMS), gas | 514 bcm |
| Commissioning | 2007 (Beregovoy LA) 2009 (Pyreyny LA) 2014 (Khadyryakhinsky LA) |
| Gas production plateau | > 16 bcm |
| Production plateau to be achieved in | 2022 |

- ▶ Mature gas asset: in November 2017, the accumulated gas production was 100 bcm. The key asset of Sibneftegaz is Beregovoye Oil and Gas Condensate Field. Put on stream in 2007 with ca. 8 bcmpa current production
- ▶ Additional opportunities for production ramp-up with low capital investments are being implemented: Khadyryakhinsky LA development projects and the lower horizons of Beregovoye Oil and Gas Condensate Field with designed capacity to be achieved in 2019.
- ▶ Prospects of production at new LAs based on exploration results.

Current status:

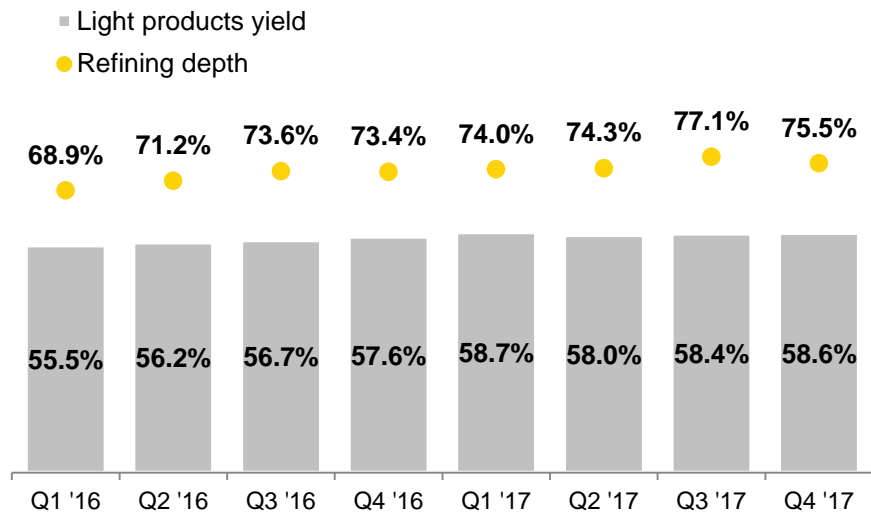
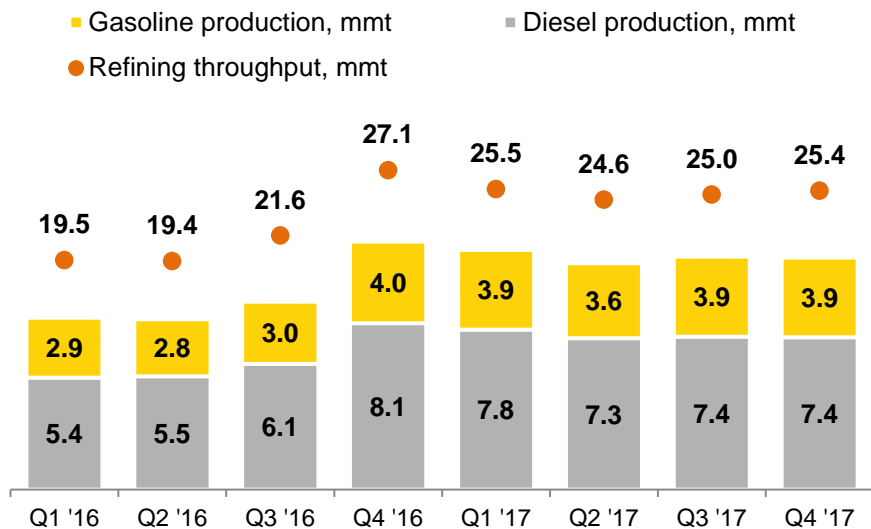
- ▶ Development drilling continues, construction of GTU and associated infrastructure facilities at Beregovoye Oil and Gas Condensate Field is underway
- ▶ Excavation of well pads for subsequent drilling, motor roads and energy facilities construction at all operating LAs are in progress



Refining: Efficiency Improvement via Operations Optimization and Further Modernization



Key refining highlights in Russia

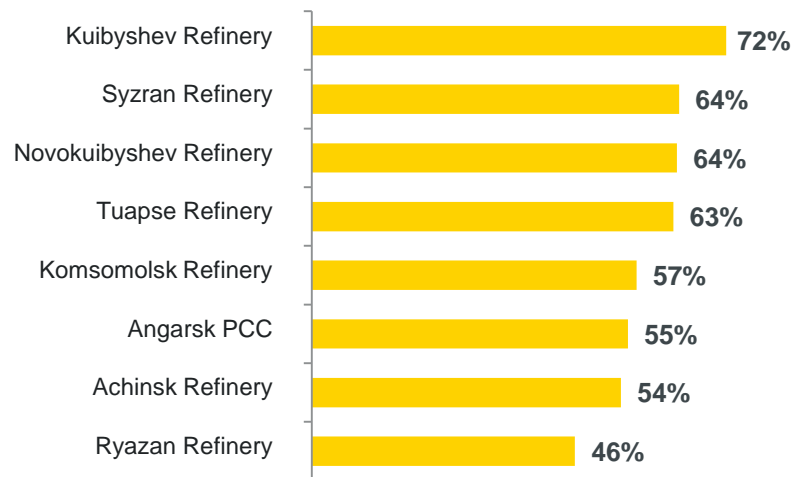


Note: Bashneft consolidation starting October 1, 2016

Key achievements in 2017

- Improvement in light product yield from 56.6% to 58.4% and refining depth from 72% to 75.2%
- Bashneft-Ufaneftekhim launched one of the world's largest biological waste treatment plants as part of main activities in the Year of Ecology-2017 in Russia. The project was completed with implementation of advanced technological solutions from General Electric
- As part of Rosneft import substitution program, the catalysts for the gasoline reforming units of the Kuibyshev and Saratov refineries were replaced with the catalysts produced at the Angarsk Plant for Catalysts and Organic Synthesis

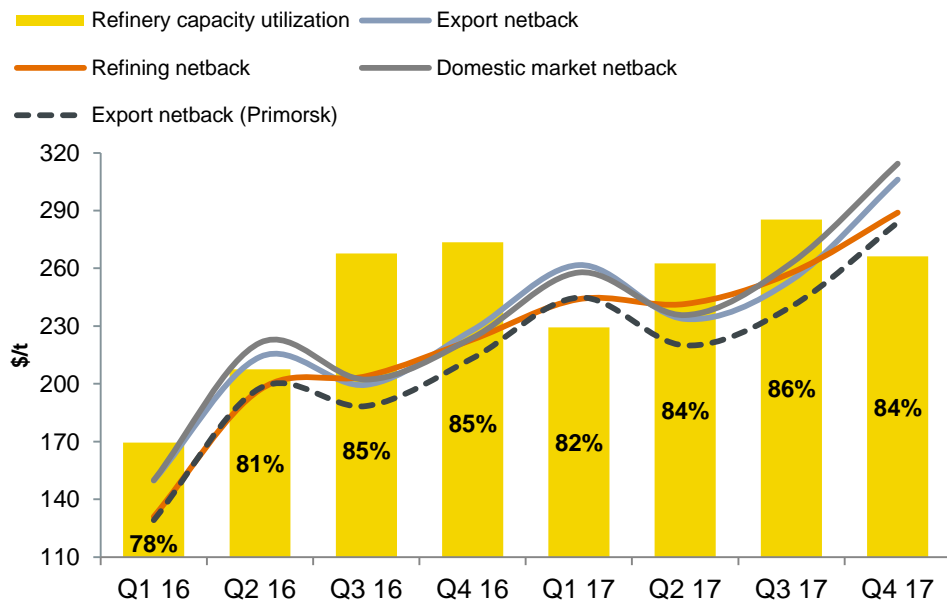
Progress in Refinery modernization program



Profit Maximization from Crude Oil Marketing

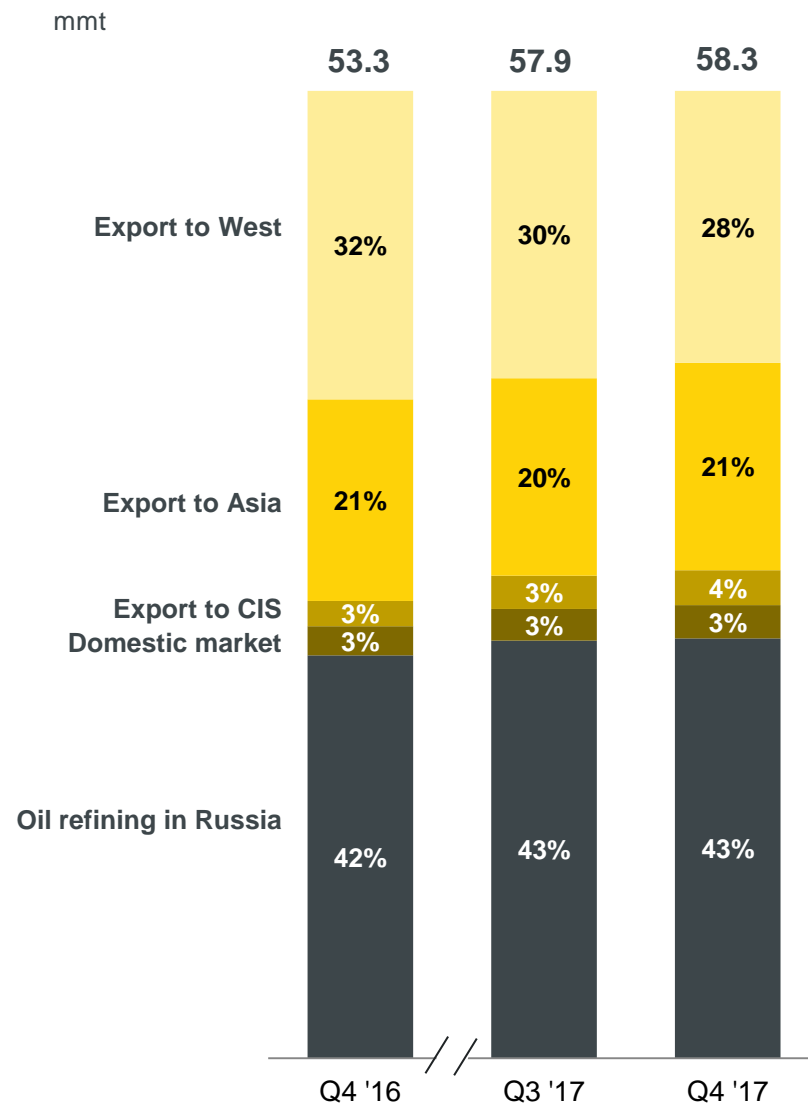


Netbacks of the main crude oil marketing channels



- ▶ Increase in crude oil supplies eastwards by 10.7% for 12M 2017 YoY to 47.7 mmt
- ▶ Signing of a supplemental agreement with CNPC to increase the supply of oil transiting through Kazakhstan (+3 mmt) and to extend the 2013 year contract till the end of 2023. The supplies volume to the destination will reach 91 mmt for a 10-year period

Oil marketing structure



Premium Marketing Channels



Aviation

Bunker fuel

Lubes

Bitumen

Sales volume and growth in 2017

Jet fuel
3.3 mmt

+10%
YoY

Bunker fuel
2.9 mmt

+46%
YoY

Lubes
1.1 mmt

+36%
YoY

Bitumen
2.6 mmt

+23%
YoY

Key achievements in 2017

Growth in sales at the Moscow aviation hub airports by 26% in 2017

A long-term contract was signed with the world's largest cruise company CARNIVAL CORPORATION & PLC for bunkering passenger ships in the port of St. Petersburg

An agreement was made with the key partner, PJSC KAMAZ, for the sale of gear oils for the first filling and steel-hardening oils for production needs

Increase in the sale of innovative polymer-modified asphalt cement by 70% YoY (up to 41 th. t)



Premium Marketing Channels: Retail



Retail development



Growth in motor fuel sales via filling stations by 7% YoY

Key achievements in 2017

- ▶ The federal roll-out of the new loyalty program was completed; as of Dec. 31, 2017, about 6.5 million participants were involved in 56 regions of the Russian Federation
- ▶ All Company retail sites were enabled to apply the cash register equipment for transferring the information on the cash and card payments in electronic format to the tax authorities. Installation of modern automated management systems at retail sites made it possible to secure total automatization of the Company retail sites
- ▶ Focus on the safety of oil products through a phased total automatization of all retail network material flows measurements: losses at oil depots decreased on 14% YoY, own needs fuel consumption – on 12% YoY
- ▶ Finalized the phase of target business processes designing and formalization as part of the main business processes reengineering project aimed at sales profitability growth, operating costs optimization, control level improvement and operational risks reduction

Development of the associated business at filling station



Revenue growth from related products and services by 4% YoY

Revenue growth from coffee-rooms at retail sites by 12% YoY

Ongoing activities

- ▶ Development of the basic foods offer
- ▶ Introduction of the Active Sales Program at the filling stations with a focus on the most marginal and seasonal goods at the cafe and at the store
- ▶ Training employees (from cashier operators to top management) and expertise development in the associated business field
- ▶ Introduction of common principles of product range management in order to increase sales of related products
- ▶ Implementation of Fair Price Program which implies marketing of related products at a comparable to major convenience store regional networks price level
- ▶ Improving the efficiency of inventory management in order to reduce the balance of low-turnover inventory



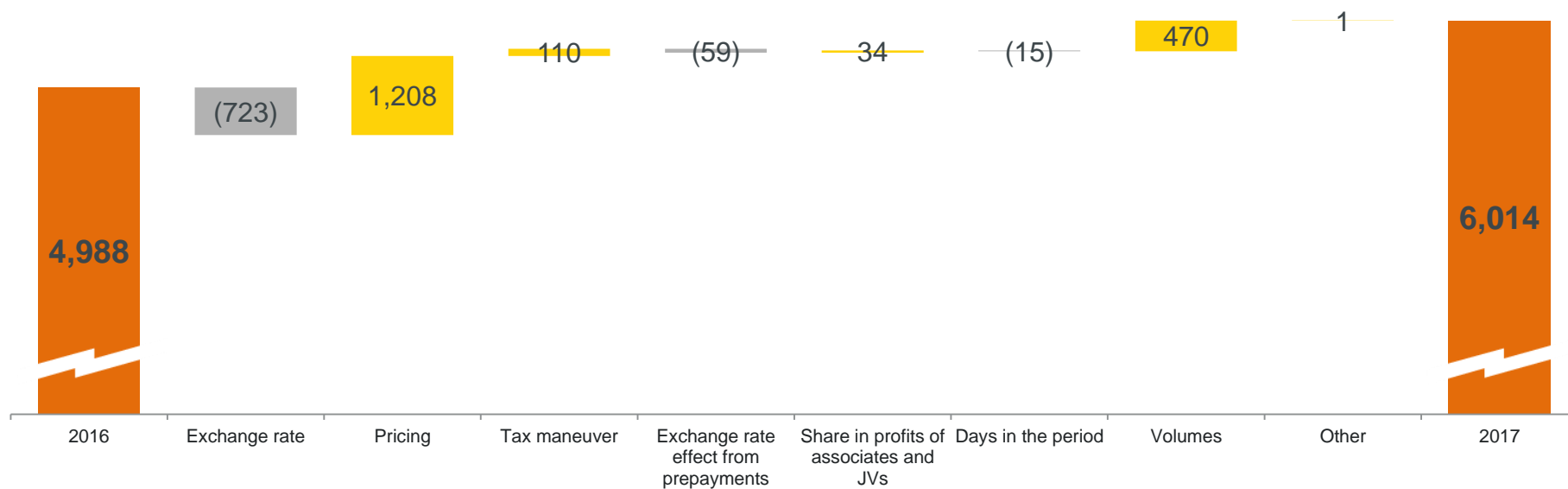
Financial Results

Revenue



2017 vs 2016

RUB bn

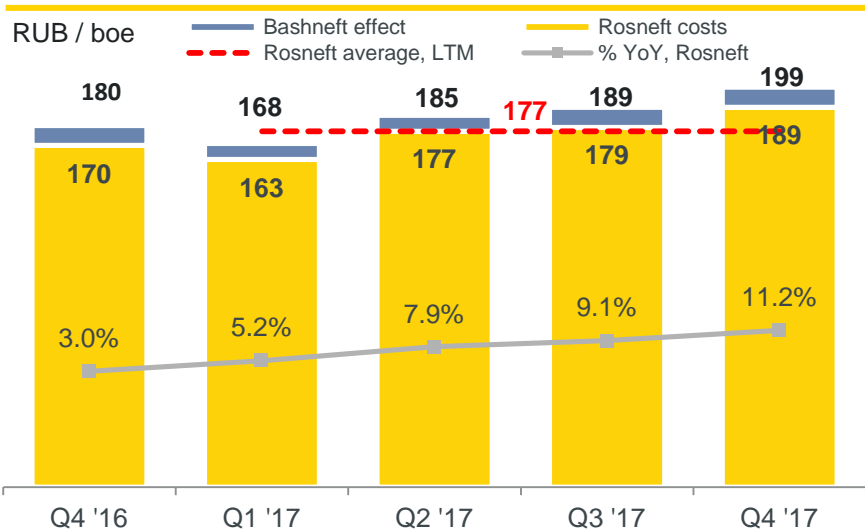


- ▶ Positive price dynamics on the market – Urals oil prices increase by 10% in rubles
- ▶ Crude oil and oil products sales increase due to new assets integration and organic production growth
- ▶ Domestic market supplies growth

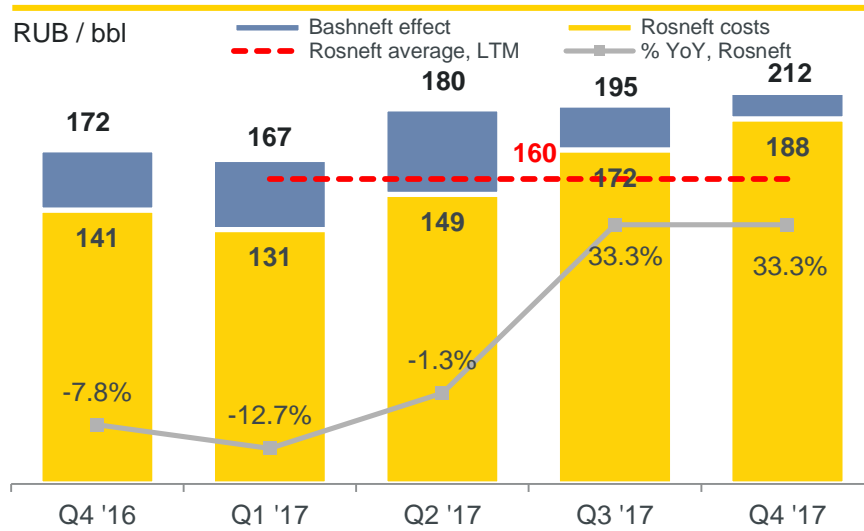
Operating Costs Dynamics



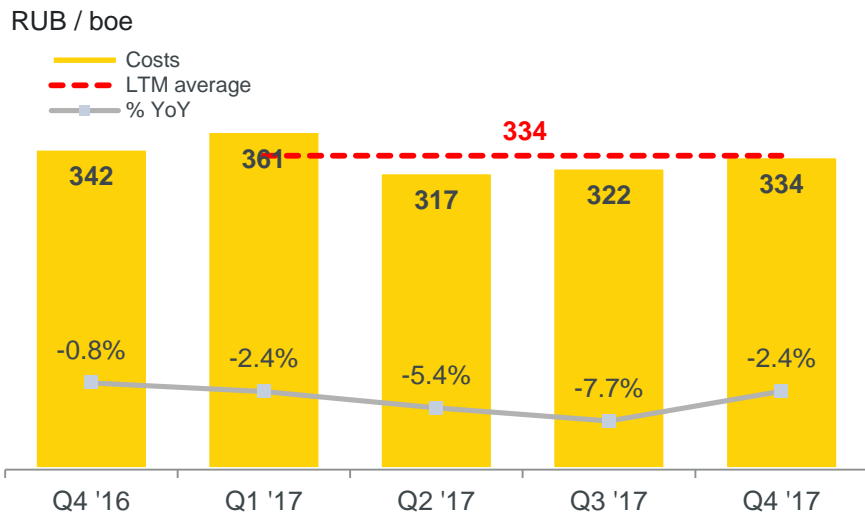
Lifting costs



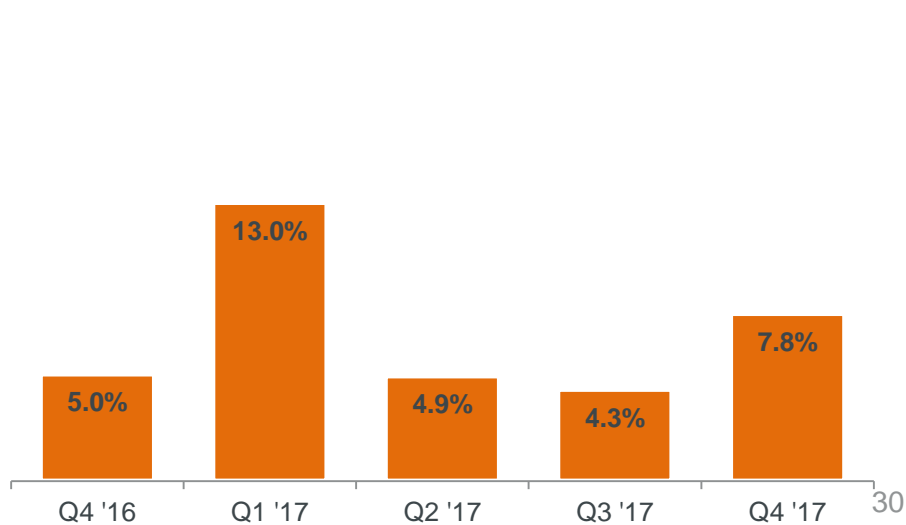
Refining costs in Russia



Transportation costs



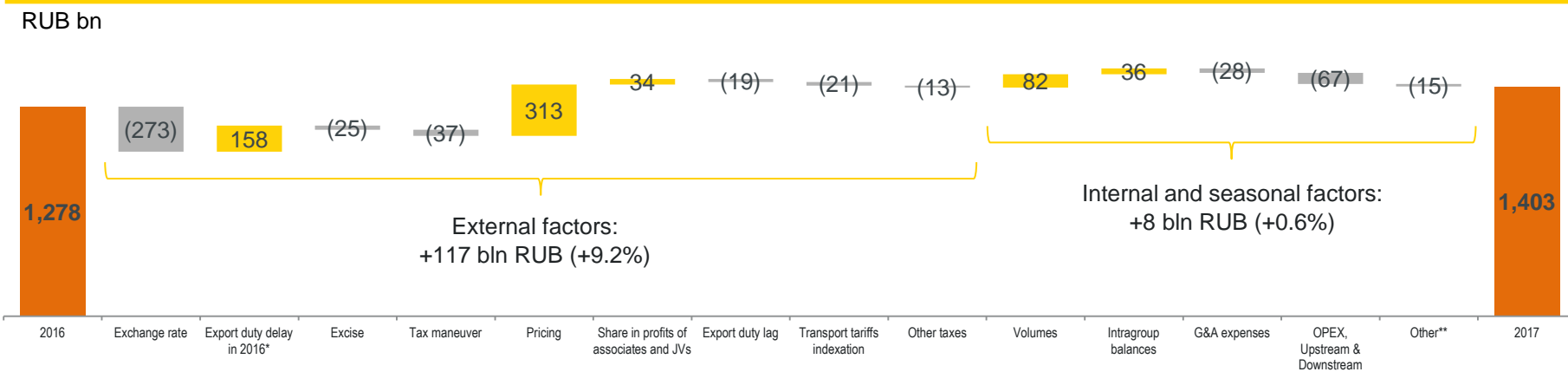
Producer Price Index (annual basis)



EBITDA and Net Income



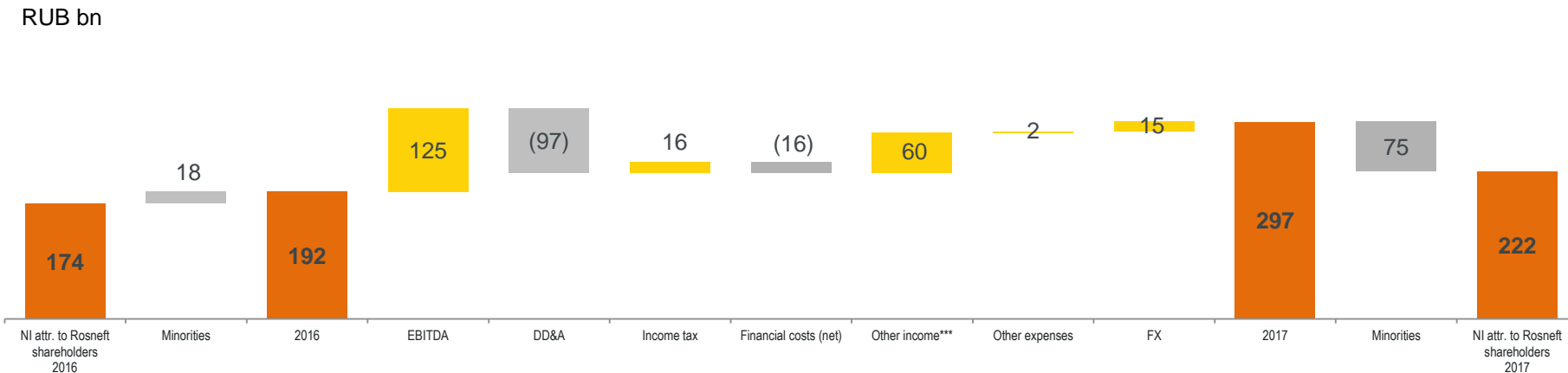
EBITDA 2017 vs. 2016



* Refusal to reduce export duty rate in 2016 from 42% to 36% (in accordance with the initial tax maneuver)

** Increased costs relate to the incurred expenses in terms of the development of strategic projects and acquisition of new assets

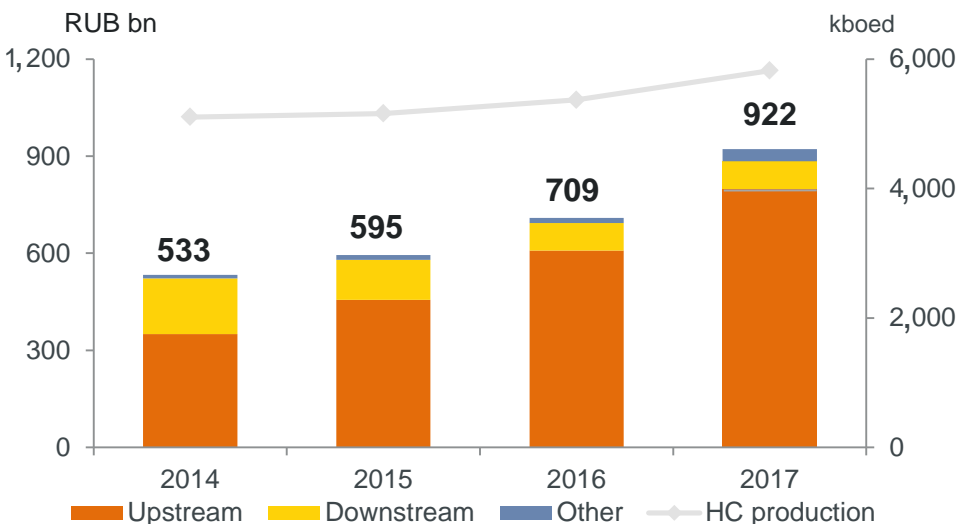
Net Income in 2017 vs. 2016



*** Including the effect of RUB 100 bln one-off income recognition in Q4 2017 following the results of the out-of-court settlement with JSFC "Sistema"

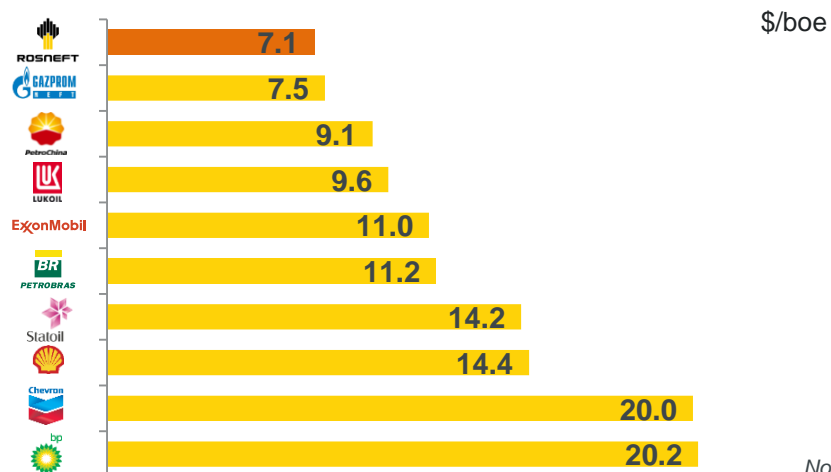


CapEx and Production



- 30% CapEx increase YoY
- The growth is in line with the Company's strategic goals and is mainly related to:
 - Development drilling expansion for meeting the strategic targets in hydrocarbons production growth
 - Further development of new high-quality oil and gas fields (Vankor cluster, YTF, Russkoye, Taas-Yuryakh, Rospan)
 - Integration of new assets (Erginsky cluster, Bashneft, Zohr)
 - Implementation of highly efficient projects in refining development
- About 80% of investments are allocated in efficient upstream and downstream development projects
- The Company maintains leadership in the upstream unit CapEx: \$7.1 per boe in 2017
- 2018 investment target is close to 2017 level

2017 Upstream CapEx¹: benchmarking

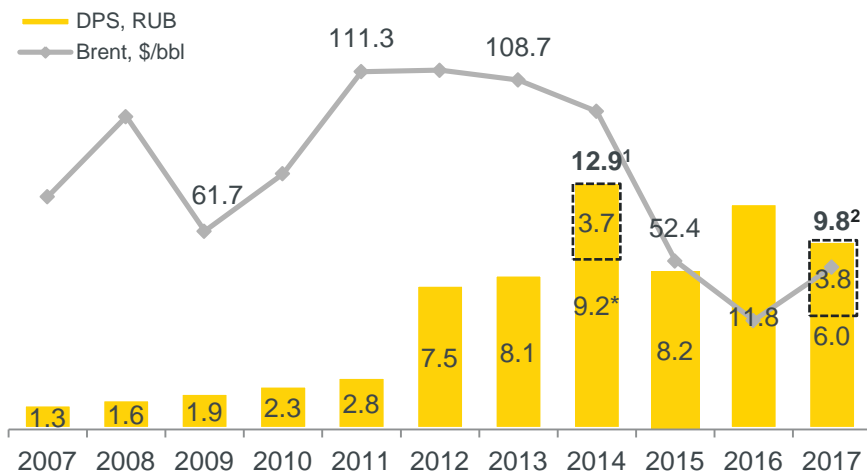


Note: (1) 2017 data for Rosneft, Statoil; 9M 2017 data for Petrobras, Lukoil, Gazprom Neft; 6M 2017 data for Petrochina, 2016 data for all other competitors.

Dividend Policy



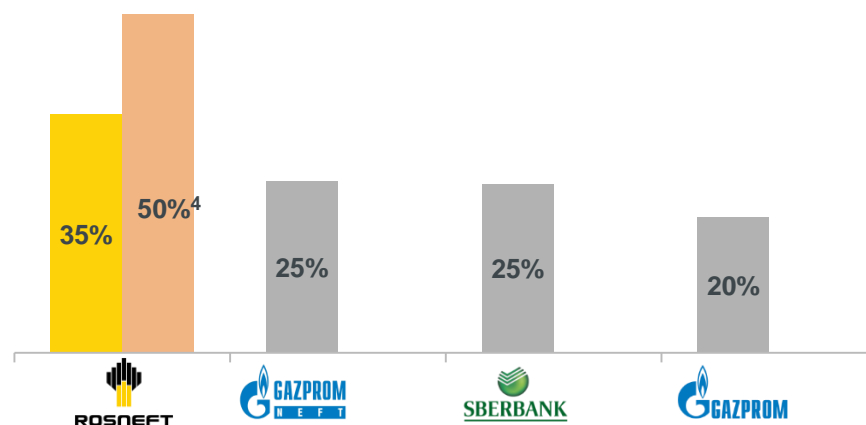
Dividend payments and oil prices



- ▶ BoD approved the changes in the dividend policy on 31 August 2017:
 - target payment amount: at least 50% of the IFRS net profit (the highest indicator in the sector)
 - frequency: at least twice a year
- ▶ Dividend for H1 2017 was at 3.83 RUB per share (paid in October)

State-controlled companies dividend payout ratios³

as a % of IFRS net income



| Company | Minimum payout ⁵ |
|----------------|-----------------------------|
| Rosneft | 50% IFRS |
| Gazprom | 17.5-35% RAS |
| Lukoil | 25% IFRS |
| Novatek | 30% IFRS |
| Surgutneftegaz | 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 dividends for H1 2017; (3) As a % of 2016 IFRS net income; (4) For H1 2017; (5) As % of net profit according to the dividend policy

Main Goals for 2018



Upstream

- Reserves replacement above 100%
- Hydrocarbon production growth
- Commissioning of the key projects on schedule

Downstream

- Efficiency and profitability improvement
- Expansion and diversification of marketing channels
- Products portfolio adjustment in line with the market trends

Efficiency improvement

- Keep controllable costs growth below inflation
- Accelerating activities and productivity growth

CapEx

- Investments at 2017 level
- Improving the quality of "on time / on budget" project management
- Maintaining high HSE standards

Debt management

- Reduction in short-term debt
- Meeting all the liabilities

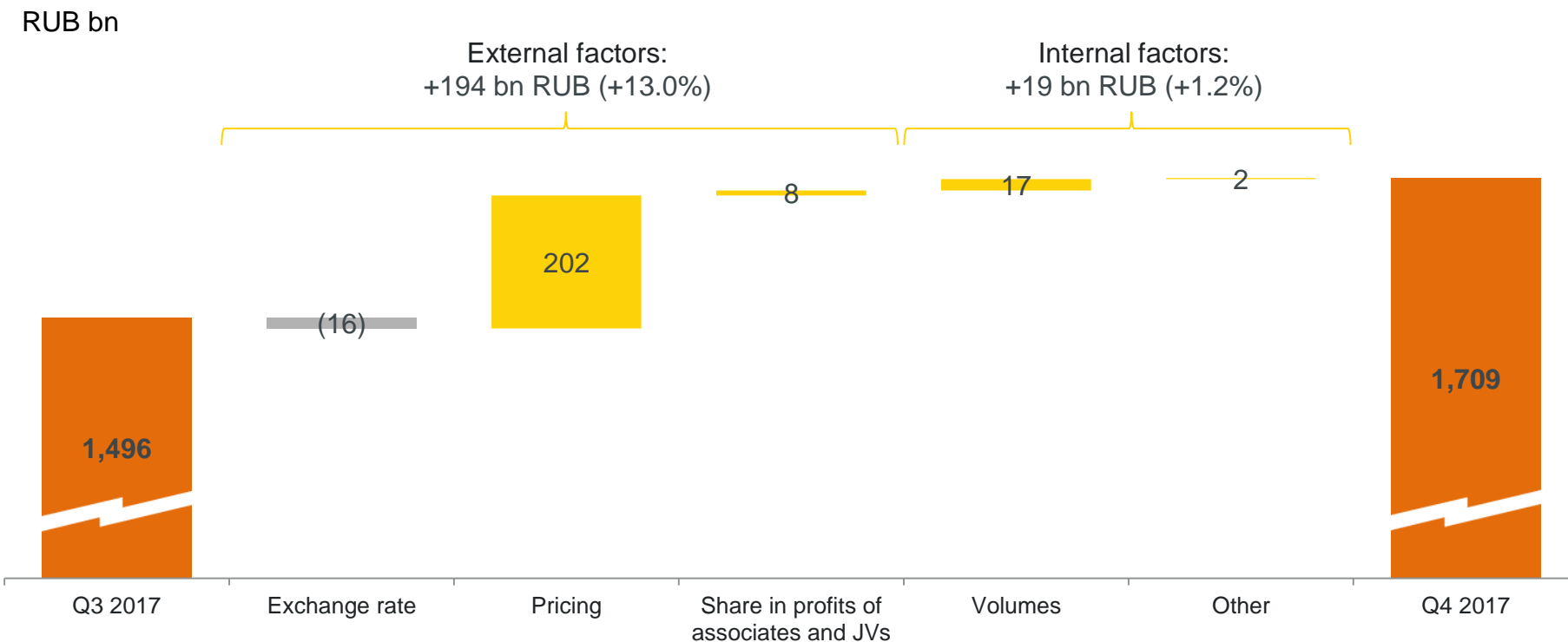


Appendix

Revenue



Q4 2017 vs. Q3 2017

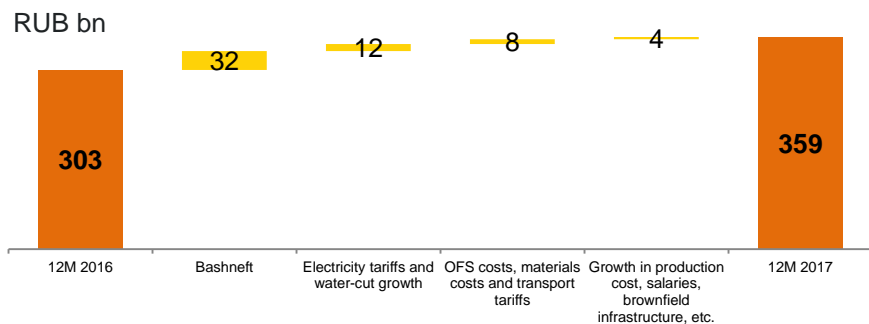


- ▶ Positive price dynamics on the market – Urals oil prices increase by 18% in rubles
- ▶ Increase in petroleum products exports to non-CIS countries (Europe and others)
- ▶ Growth in gas sales volumes

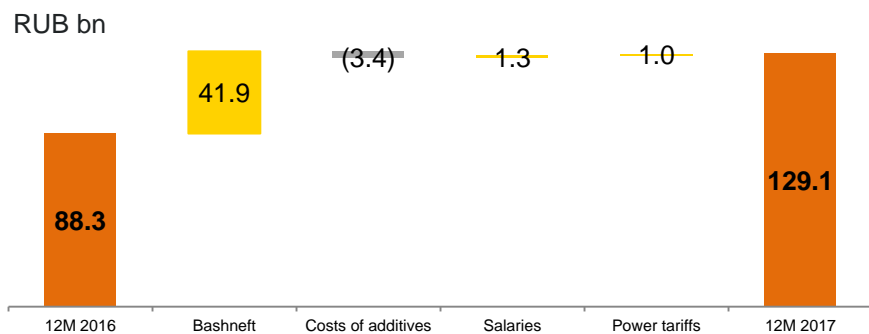
Costs in 2017 vs. 2016



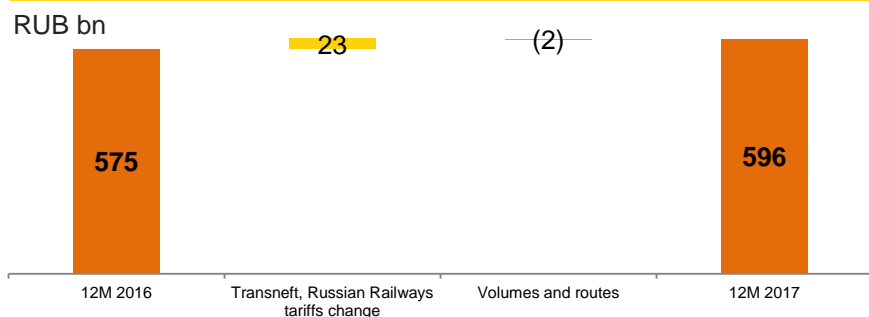
Lifting costs



Refining costs in Russia



Transportation costs

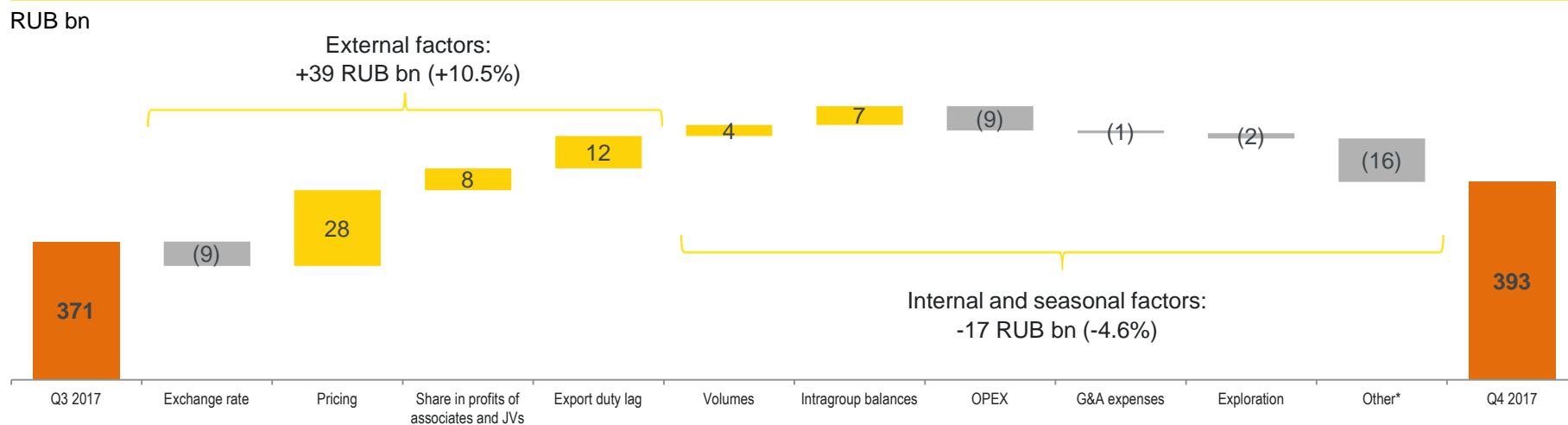


- ▶ 2017 lifting costs organic growth was mainly driven by higher electricity, transport, infrastructure facilities maintenance and equipment costs
- ▶ The increase in refining costs was mainly due to the Bashneft assets acquisition in October 2016, the growth in natural monopolies tariffs and indexation of salaries
- ▶ The indexation of Transneft tariffs for oil transportation via trunk pipelines by 3.5%-4% effective from January 2017 and 7.7% from February 1, 2017 for transit via Belarus
- ▶ PPI growth YOY was at 7.8%

EBITDA and Net Income

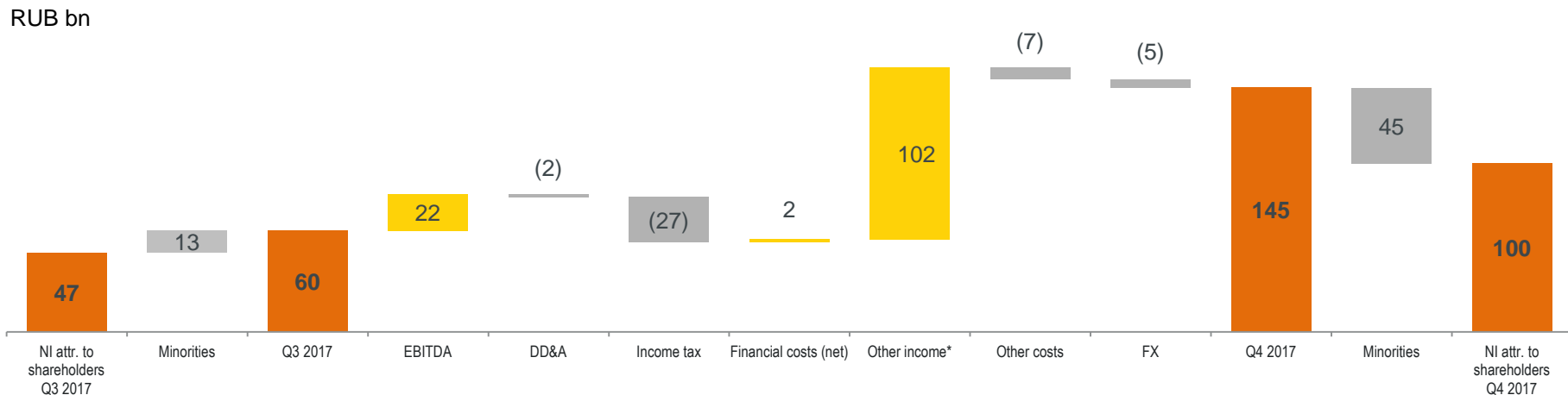


EBITDA Q4 vs. Q3 2017



* Increased costs relate to the incurred expenses in terms of the development of strategic projects and acquisition of new assets

Net Income Q4 vs. Q3 2017



* Including the effect of RUB 100 bln one-off income recognition in Q4 2017 following the results of the out-of-court settlement with JSFC "Sistema"

FX Risk Hedge



| | 2017, RUB bn | | | 2016, 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 | (435) | 87 | (348) | (590) | 118 | (472) |
| Foreign exchange effects recognized during the period | (1) | - | (1) | 8 | (2) | 6 |
| Foreign exchange effects reclassified to profit or loss | 146 | (29) | 117 | 147 | (29) | 118 |
| Total recognized in other comprehensive income/(loss) for the period | 145 | (29) | 116 | 155 | (31) | 124 |
| Recognized within other funds and reserves as of the period end | (290) | 58 | (232) | (435) | 87 | (348) |

For reference:

| Nominal hedging amounts | \$ Mln | CBR exchange rate, RUB/\$ |
|--------------------------|--------|---------------------------|
| As of December 31, 2016 | 1,763 | 60.6569 |
| As of March 31, 2017 | 0 | 56.3779 |
| As of June 30, 2017 | 982 | 59.0855 |
| As of September 30, 2017 | 927 | 58.0169 |
| As of December 31, 2017 | 873 | 57.6002 |

Calculation of Adjusted Operating Cash Flow



Profit and Loss Statement

| # | Indicator | 2017 \$ bn |
|---|--------------------------------|---------------|
| 1 | Revenue, incl. | 106.4 |
| | Prepayment reimbursement | 9.3 |
| 2 | Costs and expenses | (92.4) |
| 3 | Operating profit (1+2) | 14.0 |
| 4 | Expenses before income tax | (7.2) |
| 5 | Income before income tax (3+4) | 6.7 |
| 6 | Income tax | (1.6) |
| 7 | Net income (5+6) | 5.1 |

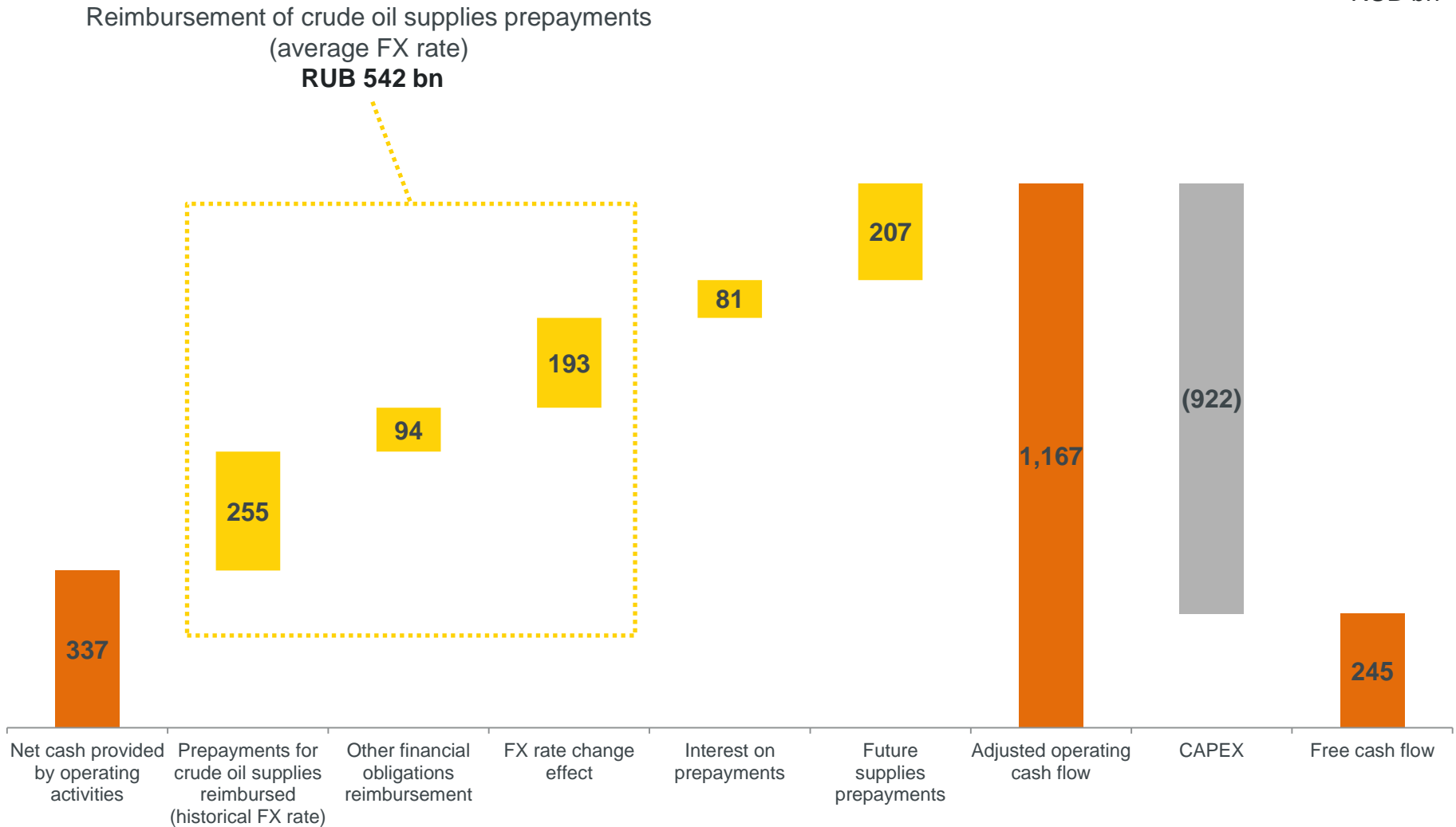
Cash Flow Statement

| 2017 \$ bn | Indicator | # |
|---------------|--|----------|
| 5.1 | Net profit | 1 |
| 12.2 | Adjustments to reconcile net income to cash flow from operations | 2 |
| (10.8) | Changes in operating assets and liabilities, including | 3 |
| (7.6) | Prepayments under long term oil supply contracts | |
| (1.7) | Other financial obligations | |
| (3.6) | Future deliveries financing | |
| (1.4) | Interest on prepayments under long term crude oil supply contracts | |
| (0.9) | Income tax payments, interest and dividends received | 4 |
| 5.6 | Net cash from operating activities (1+2+3+4) | 5 |
| 14.3 | Effect from prepayments | 6 |
| 19.9 | Adjusted operational cash flow (5+6) | 7 |

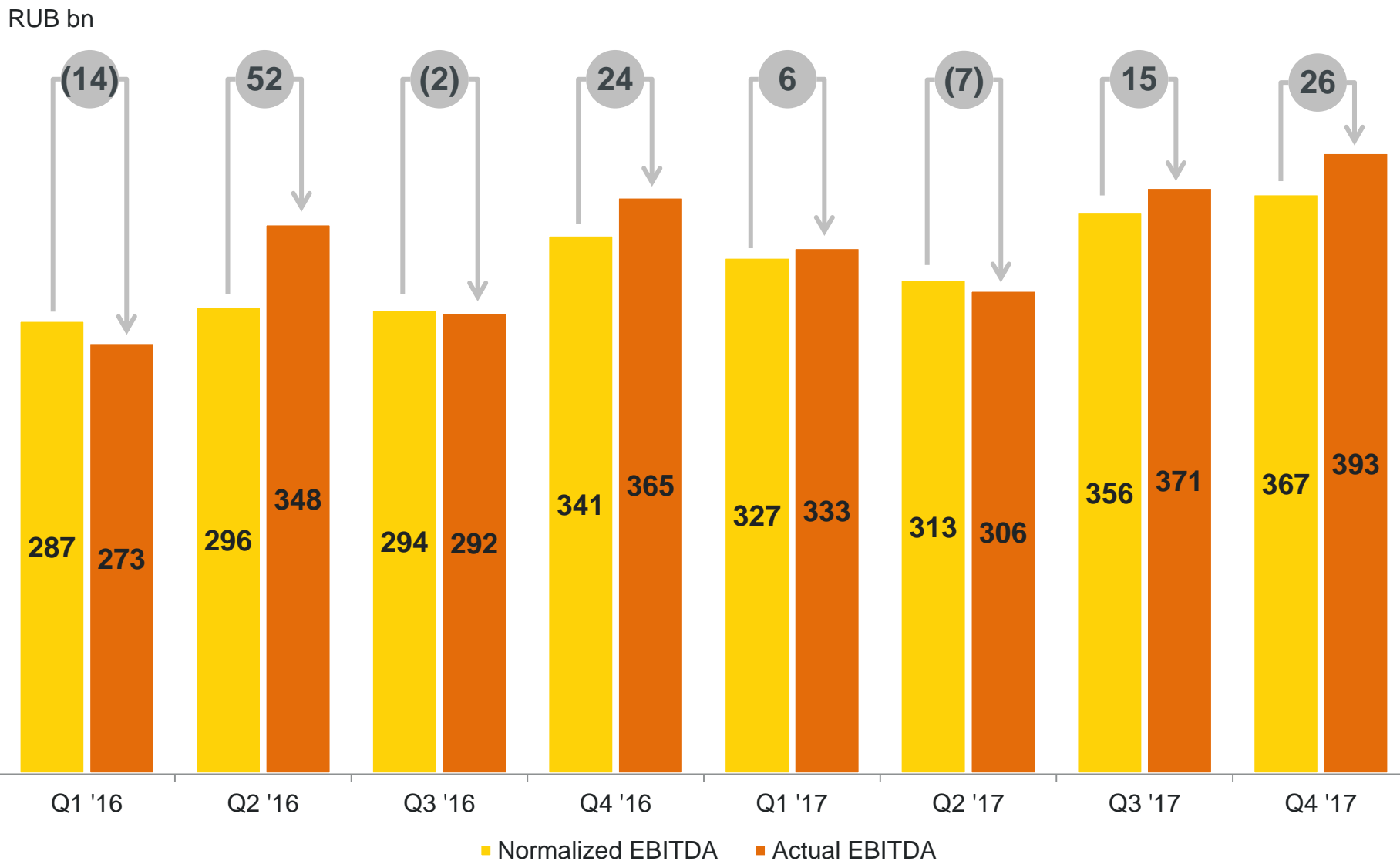
Operating Cash Flow Adjustment



RUB bn



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 | 2017 | 2016 | % | Q4 17 | Q3 17 | % |
|---|------|------|---------|-------|-------|---------|
| 1. Interest accrued ¹ | 230 | 144 | 59.7% | 68 | 56 | 21.4% |
| 2. Interest paid ² | 219 | 143 | 53.1% | 65 | 57 | 14.0% |
| 3. Change in interest payable (1-2) | 11 | 1 | >100% | 3 | (1) | – |
| 4. Interest capitalized ³ | 117 | 64 | 82.8% | 39 | 28 | 39.3% |
| 5. Increase in provision due to the unwinding of a discount | 17 | 15 | 13.3% | 4 | 5 | (20.0)% |
| 6. Interest on prepayments under long term crude oil supply contracts | 81 | 90 | (10.0)% | 20 | 20 | – |
| 7. Other finance expenses | 14 | 8 | 75.0% | 4 | 3 | 33.3% |
| 8. Total finance expenses (1-4+5+6+7) | 225 | 193 | 16.6% | 57 | 56 | 1.8% |

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

EBITDA and Net Income Sensitivity



Urals price change

RUB bn -5.3 \$/bbl +5.3 \$/bbl

EBITDA



Net Income



RUB/\$ FX rate change

RUB bn -5.8 RUB/\$ +5.8 RUB/\$

EBITDA



Net Income



- ▶ Average Urals price in 2017 was 53.1 \$/bbl. If the average price for the year had been 10% higher (\$58.4/bbl), EBITDA would have increased by RUB 126 bn, including the positive effect of RUB 19 bn through the deferred duty
- ▶ Average exchange rate for 2017 was 58.4 RUB/\$. If the average year's ruble exchange rate had weakened by 10% to RUB 64.2/\$, EBITDA would have gone up by RUB 190 bn



Questions and Answers