Rosneft Oil Company
IFRS Results
Q1 2017

May 10, 2017

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Overview of Key Developments

Macroeconomic environment[1]

Indicator	Q1 2017	Q4 2016	%	Q1 2017	Q1 2016	%
Urals, $/bbl	**52.3**	48.3	8.2%	**52.3**	32.2	62.4%
Urals, ‘000 RUB/bbl	**3.07**	3.05	0.9%	**3.07**	2.40	28.1%
Naphtha, ‘000 RUB/ton	**27.8**	26.9	3.1%	**27.8**	22.8	21.9%
Gasoil 0.1%, ‘000 RUB/ton	**28.1**	28.3	(0.9)%	**28.1**	22.9	22.5%
Fuel oil 3.5%, ‘000 RUB/ton	**17.3**	16.7	3.5%	**17.3**	10.3	67.0%
Average exchange rate, RUB/$	**58.8**	63.1	(6.7)%	**58.8**	74.6	(21.2)%
Inflation for the period (CPI), %	**1.0%**	1.3%		**1.0%**	2.1%	

Key events

- The northernmost well Centralno-Olginskaya-1 (Khatangsky block) in the Russian Shelf of the East Arctic was spudded
- Acquisition of a 100% stake in Kondaneft was completed
- The Company together with Statoil started the first well drilling as part of hard-to-recover hydrocarbon Domanic reserves exploration in the Samara region
- Extension and increase in the volume of contracts to supply oil to the Chinese National Petroleum Corporation (CNPC) transiting Kazakhstan
- Signing a cooperation agreement in the exploration, production, infrastructure, logistics and trading of hydrocarbons with the Iraqi Kurdistan Regional Government

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

Key Operating Highlights

Indicator	Q1 2017	Q4 2016	%	Q1 2017	Q1 2016	%
Hydrocarbon production, incl. kboed	**5,785**	5,831	(0.8)%	5,785	5,208	11.1%
Crude oil and NGL, kboed	**4,620**	4,655	(0.8)%	4,620	4,089	13.0%
Gas, kboed	**1,165**	1,176	(0.9)%	1,165	1,119	4.1%
Hydrocarbon production[1], kboed	**5,785**	5,831	(0.8)%	5,785	5,650	2.4%
Refining throughput, mmt	**28.30**	30.37	(6.8)%	28.30	22.61	25.2%
Refining depth[1], %	**74.0%**	73.4%	+0.6 p.p.	74.0%	71.2%	+2.8 p.p.

Note: (1) Proforma data (Bashneft consolidated starting January 1, 2016)

Key Financial Highlights

Indicator	Q1 2017	Q4 2016	%	Q1 2017	Q1 2016	%
EBITDA, RUB bn	**333**	365	(8.8)%	333	273	22.0%
Net income, RUB bn *Attributable to Rosneft shareholders*	**13**	52	(75.0)%	13	12	8.3%
Adjusted net income[1], RUB bn *Attributable to Rosneft shareholders*	**112**	113	(0.9)%	112	94	19.1%
Adjusted operating cash flow[2], RUB bn	**281**	259	8.5%	281	269	4.5%
CAPEX, RUB bn	**192**	234	(17.9)%	192	154	24.7%
Free cash flow, RUB bn	**89**	25	>100%	89	115	(22.6)%
EBITDA, $ bn	**5.7**	5.8	(1.7)%	5.7	3.7	54.1%
Net income, $ bn *Attributable to Rosneft shareholders*	**0.2**	0.8	(75.0)%	0.2	0.2	-
Adjusted net income[1], $ bn *Attributable to Rosneft shareholders*	**1.9**	1.8	5.6%	1.9	1.3	46.2%
Adjusted operating cash flow[2], $ bn	**4.7**	4.1	14.6%	4.7	3.6	30.6%
CAPEX, $ bn	**3.3**	3.7	(10.8)%	3.3	2.1	57.1%
Free cash flow, $ bn	**1.4**	0.4	>100%	1.4	1.5	(6.7)%
Urals price, th. RUB/bbl	**3.07**	3.05	0.9%	3.07	2.40	28.1%

Note: (1) Adjusted for FX gains/losses and other one-off effects, (2) Adjusted for prepayments under long term crude oil supply contracts and operations with trading securities (RUB equivalent)

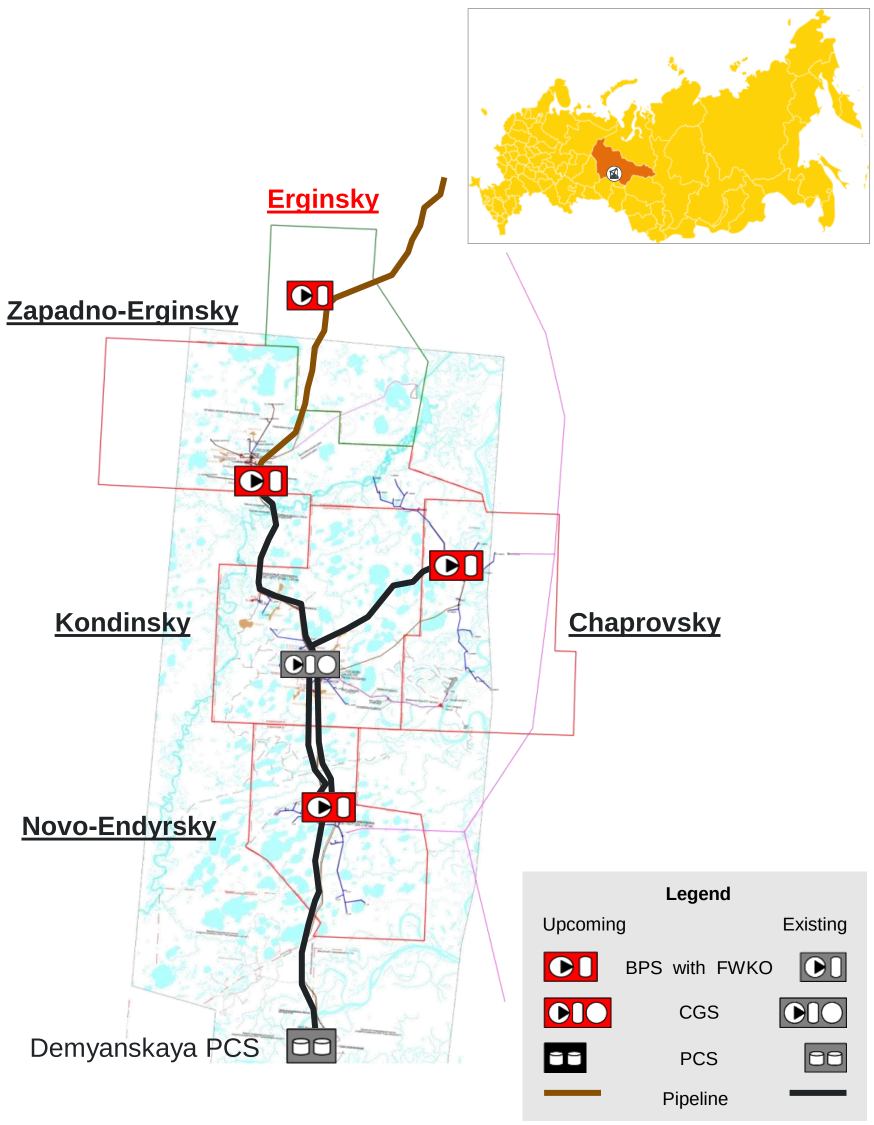
Acquisition of a 100% stake in Kondaneft

- On April 17 a 100% stake was acquired in the Kondaneft project, which is developing the Kondinsky, Zapadno-Erginsky, Chaprovsky and Novo-Endyrsky license areas in the Khanty-Mansiysk Autonomous District
- Stake value – RUB 40 bn

Deal rationale:

- Acquisition of a strategic asset in the new production hub
- Proximity to Priobskoe field, West Siberia's largest field, and to Erginskoe field (undistributed fund) – synergies from the joint use of infrastructure
- 95% of reserves are hard-to-recover applicable for MET relief

Indicator	Value
2P reserves (PRMS)	159 mmt
Target commissioning year:	
Kondinsky	*2017*
Zapadno-Erginsky	*2019*
Chaprovsky	*2019*
Novo-Endyrsky	*2020*
Production plateau	c. 4 mmt[1]

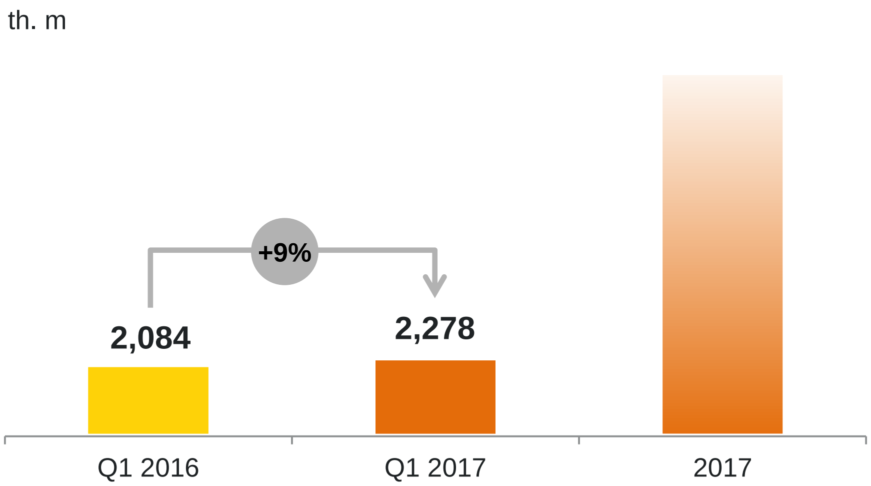


Note: (1) Preliminary estimate

Operating Results

Development Drilling

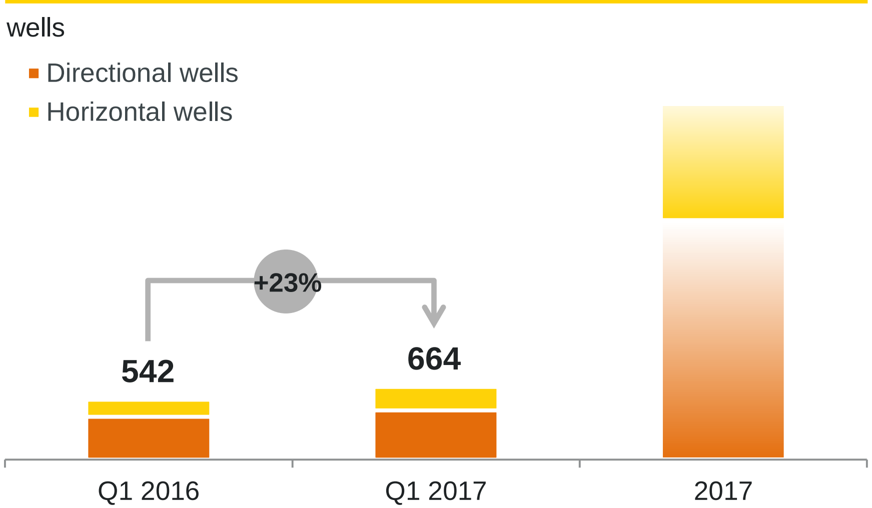
Development drilling footage



Key achievements in Q1 2017

- 9% growth in development drilling footage
- In-house service share c. 60% of total works
- Commissioning of new wells increased by 23%, including a 40% y-o-y increase in horizontal wells completion
- Commissioning of horizontal wells with multi stage hydrofracs rose by 42%
- The number of sidetracking operations increase by 7% with the incremental production growth by 13%

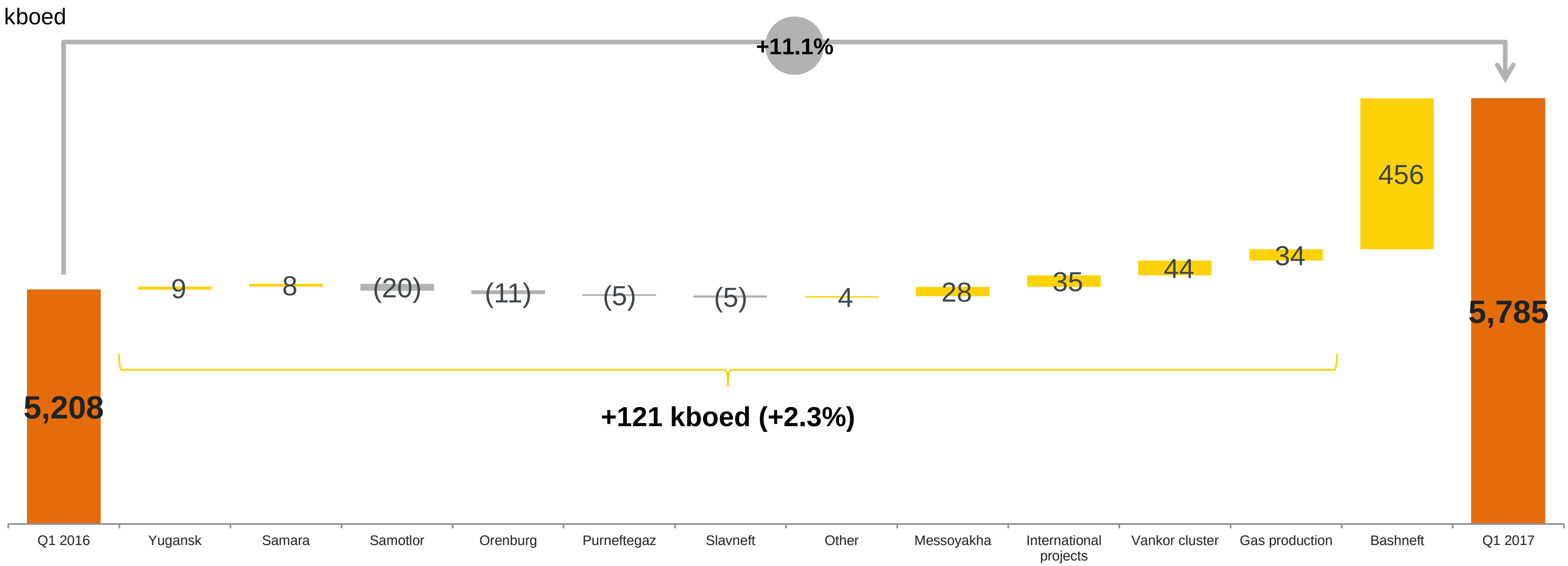
Commissioning of new oil wells



Plans for 2017

- Maintaining the required footage growth pace in development drilling: annual target – >10 mln m
- New wells completion plan – c. 3,000 wells with ~30% horizontal share
- Roll-out the technologies to enhance well drilling and completion efficiency, after the stage of the field trials:
  - the use of two-string design for horizontal well construction
  - pressure-controlled drilling

Hydrocarbon Production



- Growth of average daily hydrocarbon production through development of new projects and asset integration
- **Suzun / East Messoyakha:** the Company continues active development of the Suzun and East Messoyakhskoye fields, started in Q3 2016
- **Bashneft:** the acquisition in October 2016 contributed to the daily hydrocarbon production growth in Q1 2017
- **International Projects:** in May 2016 the Company increased its stake in Petromonagas JV (Venezuela)
- **Gas production:** commissioning of new wells at the Northern tip of the Chayvo field (Sakhalin Island) in 2016, design capacity reached by Rospan's Novo-Urengoy gas treatment unit in August 2016, commissioning of new wells at the Yem-Yegovskoye field and increase of gas supplies from Van-Yoganskoye field to Tyumen compressor station

Greenfields Development Status: Suzun and E. Messoyakha

Suzunskoye field

- In September 2016 the Company started the comprehensive testing of the oil production, treatment and transportation facilities
- 3P PRMS reserves as of Dec 31, 2016 are estimated at 80 mmtoe / 604 mmboe
- Field development in progress: ongoing work to set up the field's surface infrastructure at OTF Start-up Complexes 1 and 2, Suzun-Vankor oil pipeline, well pads and associated infrastructure facilities
- Accumulated production – 2.7 mmt, incl. 1.3 mmt in Q1 2017

East Messoyakhskoe field[1]

- On September 21, 2016 the northernmost onshore field in Russia was put into commercial operation
- 3P PRMS reserves as of Dec 31, 2016 are estimated at 211 mmtoe / 1,451 mmboe
- Construction of main infrastructure facilities completed. The field infrastructure and drilling pads setup is in progress
- Accumulated production – 1.4 mmt, incl. 0.7 mmt in Q1 2017

Note: (1) The field license is owned by Messoyakhaneftegaz, a JV with Gazpromneft (50%/50%), data provide for 100%

Progress in Key Projects: Yurubcheno-Tokhomskoe field

Indicator	Value
3P reserves (PRMS)	272 mmtoe / 2,078 mmboe
Commissioning year	2017
Production plateau	c. 5 mmtpa
Plateau to be achieved in	2019

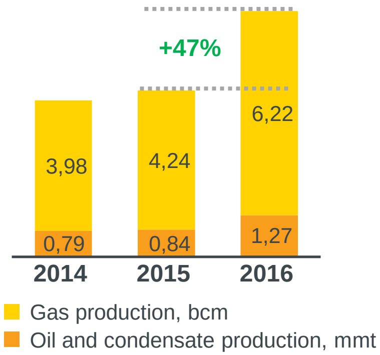
Current status and near-term plans

- The 1st mmt of oil produced since the development start
- In Q4 2016 early supplies started from the field to the Kuyumba-Taishet trunk pipeline system
- Further development drilling and filed infrastructure set-up: construction operations at the key infrastructure facilities, extension of the tank farm at OTF, construction of the field pipeline and other facilities
- Managed pressure drilling technology and multilateral drilling technology were successfully tested in order to enhance the efficiency of the field development. Potential roll out of the technologies is being assessed

Progress in Key Projects: Rospan

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

Indicator	Value
3P reserves (PRMS)	1.1 tcm of gas 160 mmt of oil and condensate
Annual production	in perspective: >19 bcm of gas > 5 mmt of liquids >1.2 mmt of LPG
Project capacity to be reached in	2019



Key facilities:

- Gas and condensate processing plant at the East-Urengoyskiy licence area
- Gas treatment unit at the Novo-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:

- A significant part of total wellstock drilled
- Novo-Urengoy gas treatment unit commissioned and reached its design capacity
- Favourable opinion of the State Expert Authority (GlavgosExpertiza) obtained for all the key infrastructure facilities
- Equipment suppliers and contractors defined
- Construction work at the main sites is at the active stage

Near-term plans:

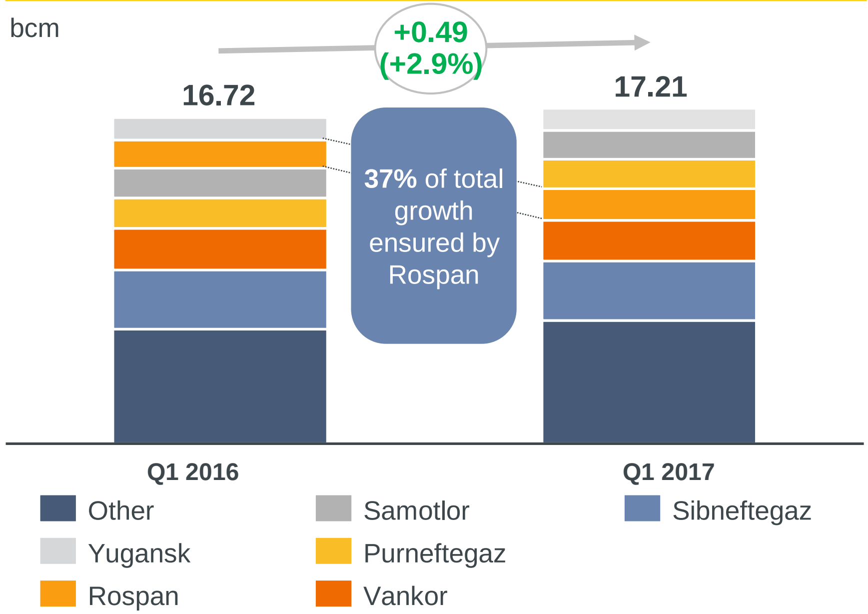
- Completing the key facilities
- Achieving the design production capacity in 2019

Gas Business: organic production growth and efficient monetization

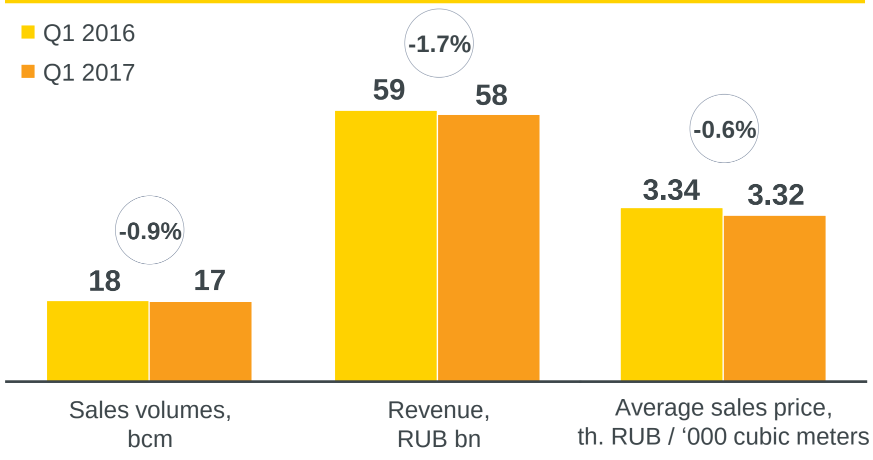
Key achievements in Q1 2017

- 2.9% production growth following:
  - Commissioning of 2 new wells at the Northern tip of the Chayvo field (Sakhalin island) in 2016
  - Rospan's Novo-Urengoy gas treatment unit commissioning and reaching its design capacity in Q3 2016
  - Commissioning of 3 new wells at the Yem-Yegovskoye field in Q1 2017
  - Gas production growth at the North-Varyoganskoye field on the back of new wells launch and growing gas supplies from Van-Yoganskoye field to Tyumen compressor station after renovation
- Associated petroleum gas (APG) utilization rate of 90% in Q1 2017
- Messoyakhaneftegaz, JV of Rosneft and Gazpromneft, obtained from the Federal Agency For Subsoil Use a license for exploration and evaluation of feasibility of construction and operation of underground gas storage facilities

Gas production

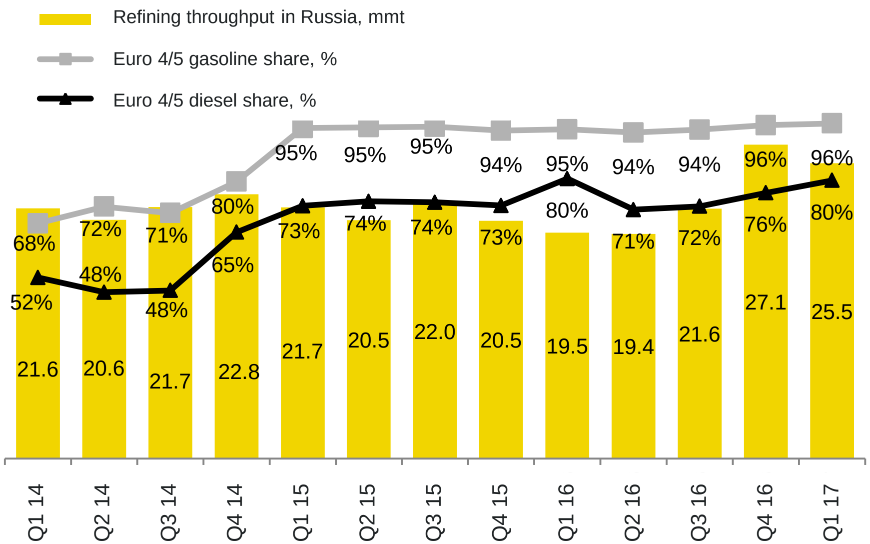


Gas sales in Russia



Refining: enhancement of efficiency through operating optimization and further modernization

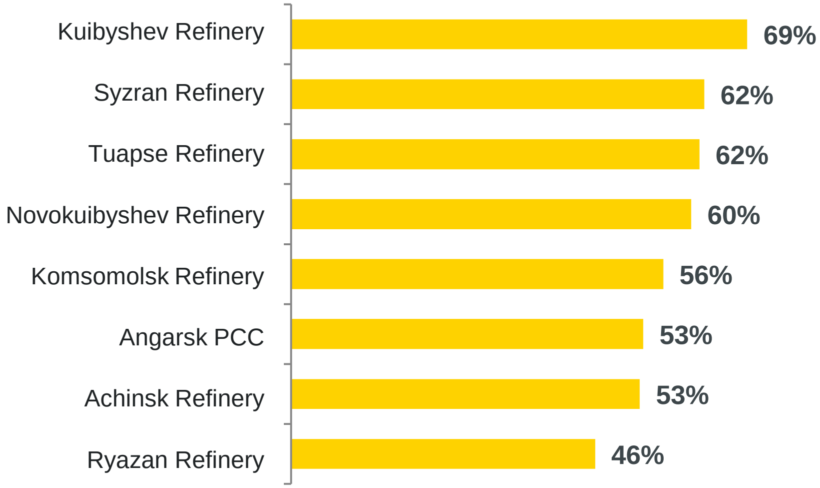
Refining and production of high-quality motor fuels



Key achievements in Q1 2017

- Q1 2017 light product yield way up to 58.7%, refining depth – to 74%
- As part of the integration processes, high-octane component deliveries started from the Ufa Refinery Group to the Rosneft refineries - improving operational efficiency of the refining portfolio, and reducing operating costs
- Supplies of own MTBE from Kuybyshev Refinery to Novo-Kuybyshev Refinery started

Progress in Refinery modernization program

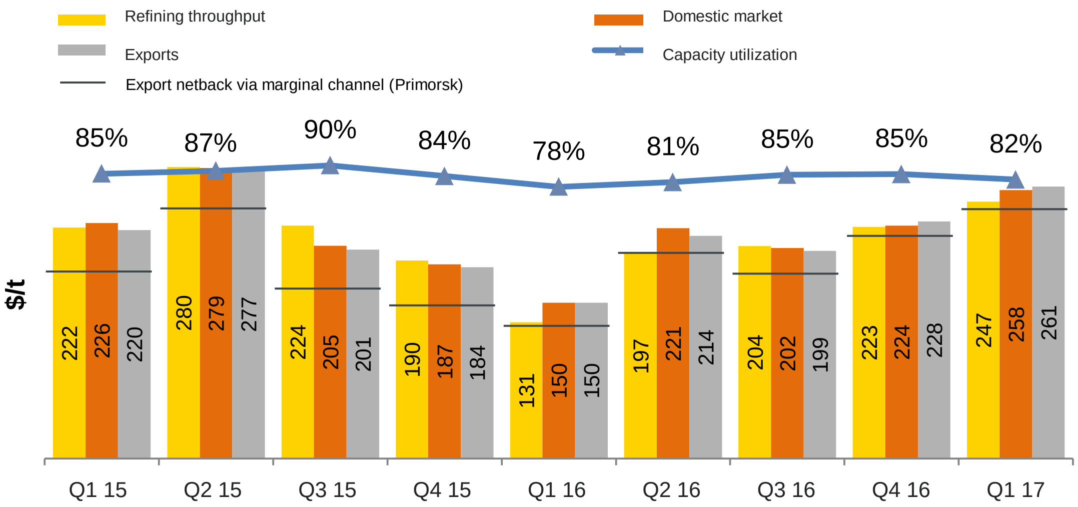


Plans for 2017

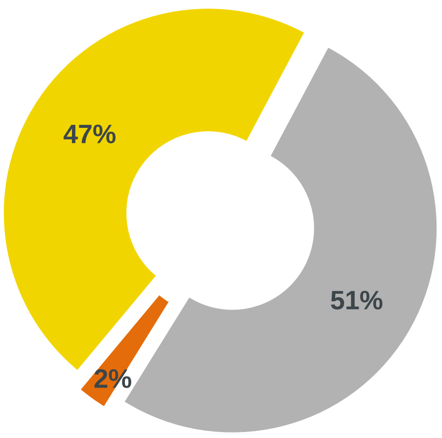
- Further progress in construction of facilities within the Refinery modernization program
- Implementation of highly efficient debottlenecking projects and bitumen production units development
- Bashneft integration activities
- The import substitution program
- Efficiency improvement and maintaining current assets

Crude Oil and Petroleum Product Sales

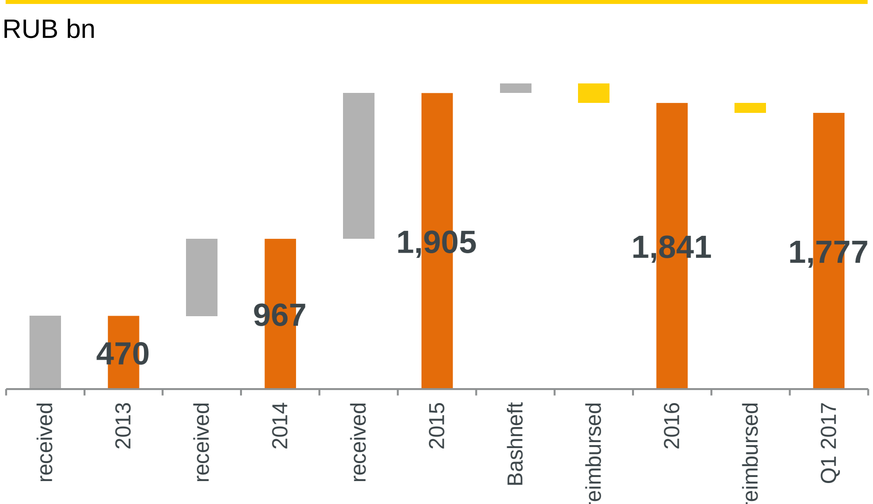
Netbacks of the main oil marketing channels



Oil marketing structure (Q1 2017)[1]



Prepayments under LT supply contracts

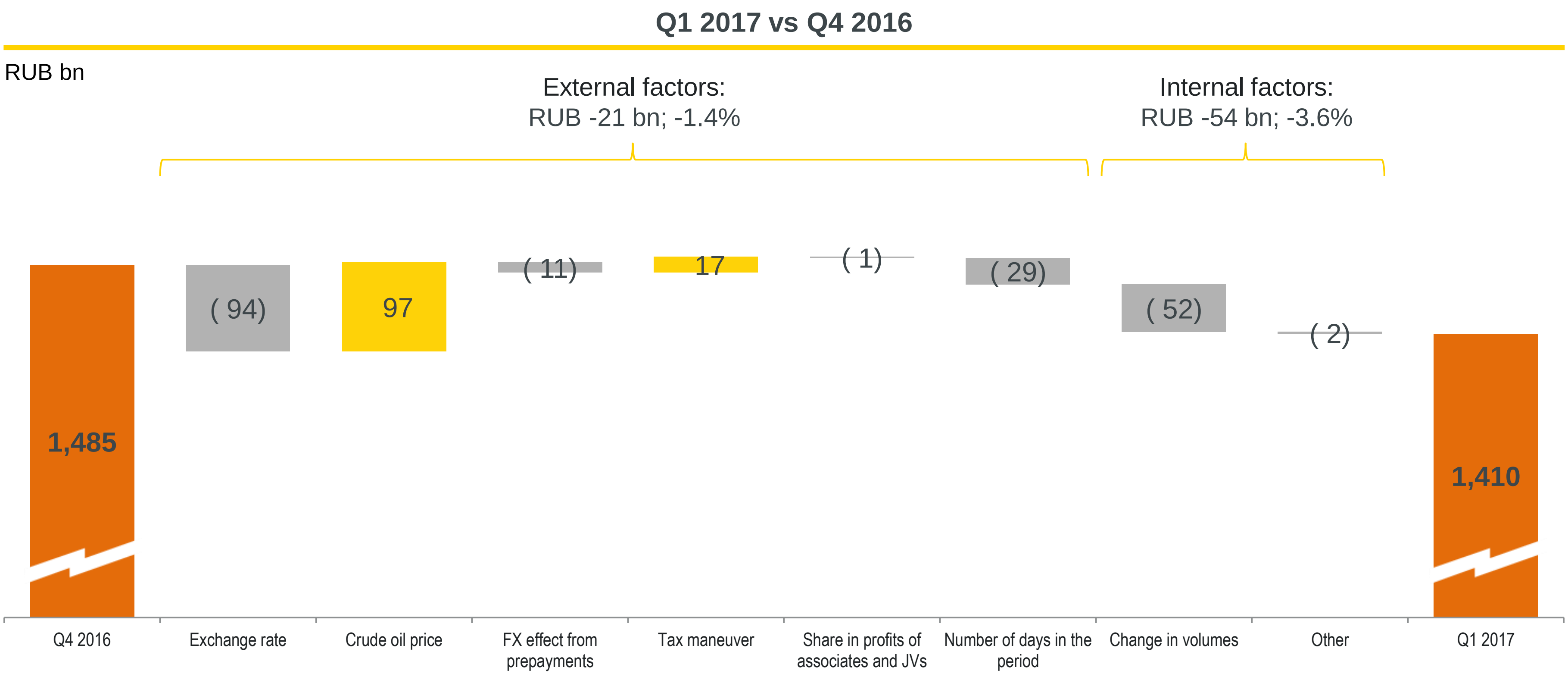


- Increased high margin oil supplies eastwards in Q1 2017 to 11.3 mmt
- Rosneft and Cubametales (Cuba) signed the contract on supply of c. 250,000 tons of oil/diesel fuel to Cuba
- Signing oil products supply contracts with the Turkish partners for the period of 2018-2020. The new agreements lay the foundation for signing the legally binding contracts for the supply of up to 4.6 mmt of oil products by 2020 to Demiroren Group Companies and up to 6 mmtpa of oil products to BA Gas Enerji Sanayi ve Ticaret A.S.

Note: (1) As % of the total crude oil supplies

Financial Results

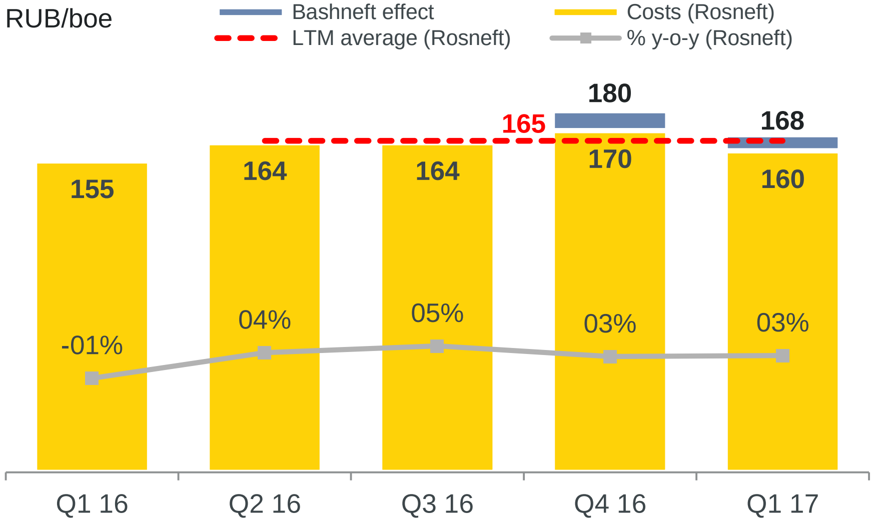
Revenue



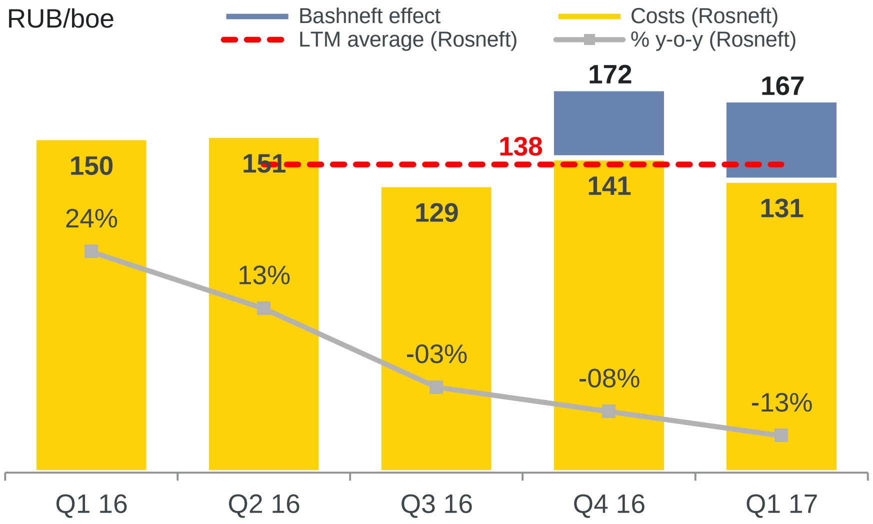
- Decrease in crude oil production and petroleum products output following some seasonal factors and fewer days in the period
- Lower crude oil export volumes
- Significant RUB appreciation

Operating Costs Dynamics

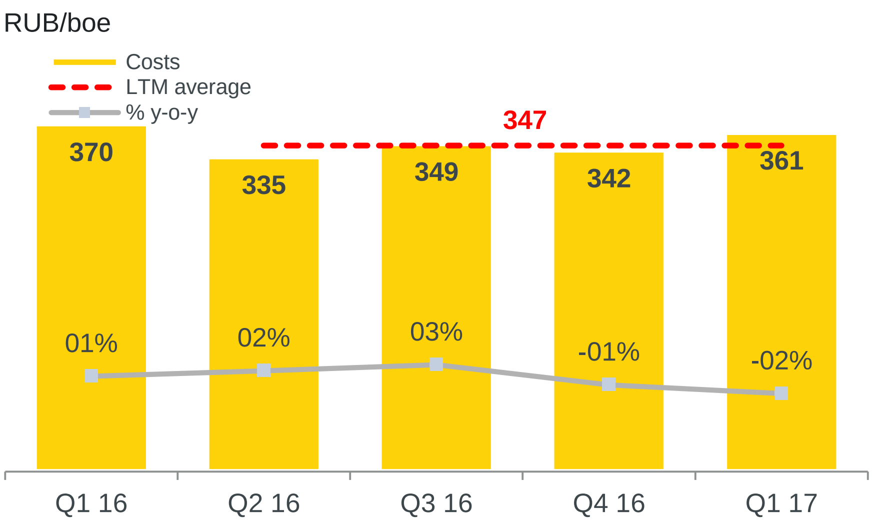
Lifting costs



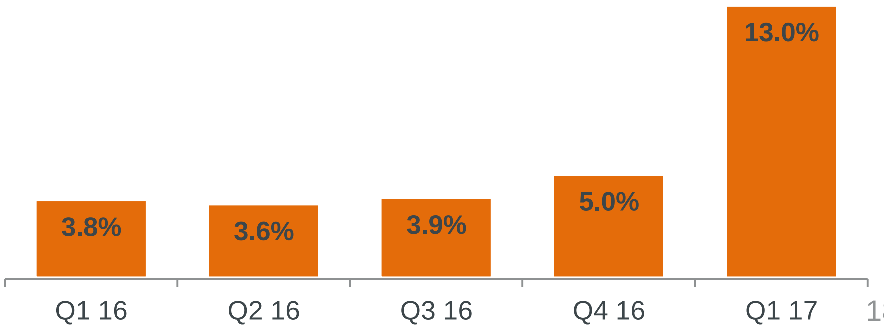
Refining costs in Russia



Transportation costs



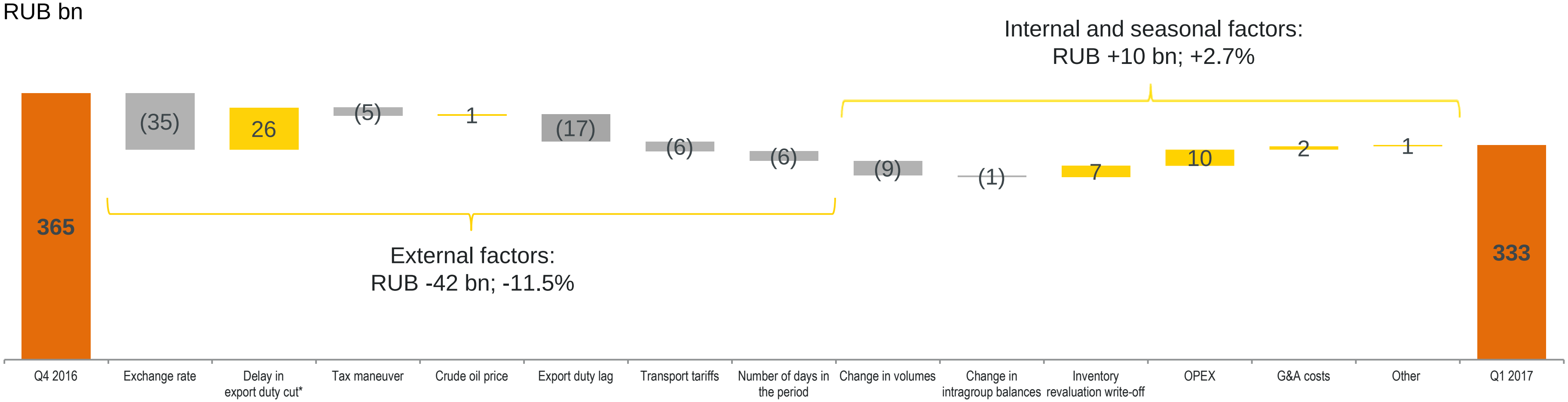
Producer price index (annual basis)



EBITDA and Net Income

EBITDA Q1 2017 vs Q4 2016

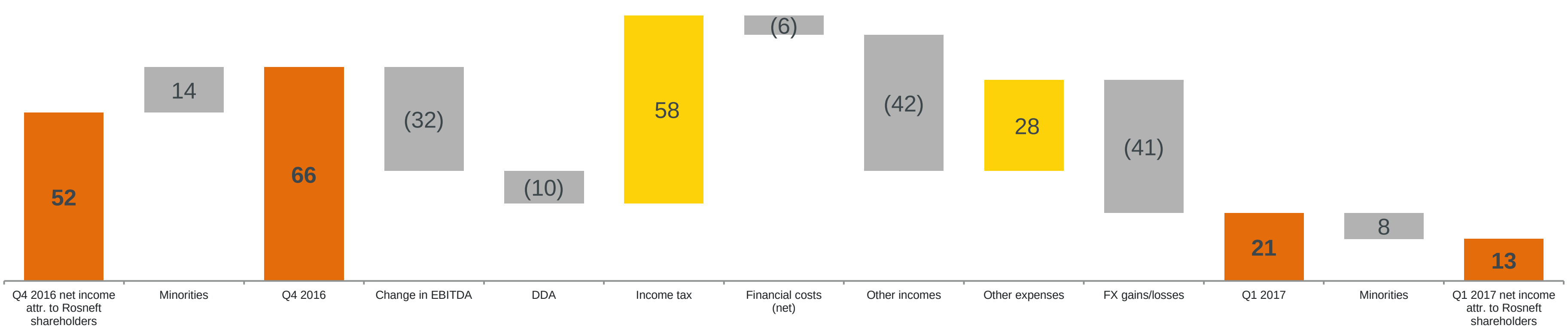
RUB bn



** The decrease in export duty coefficient from 42% to 36% in 2016 (according to the original tax maneuver) was cancelled*

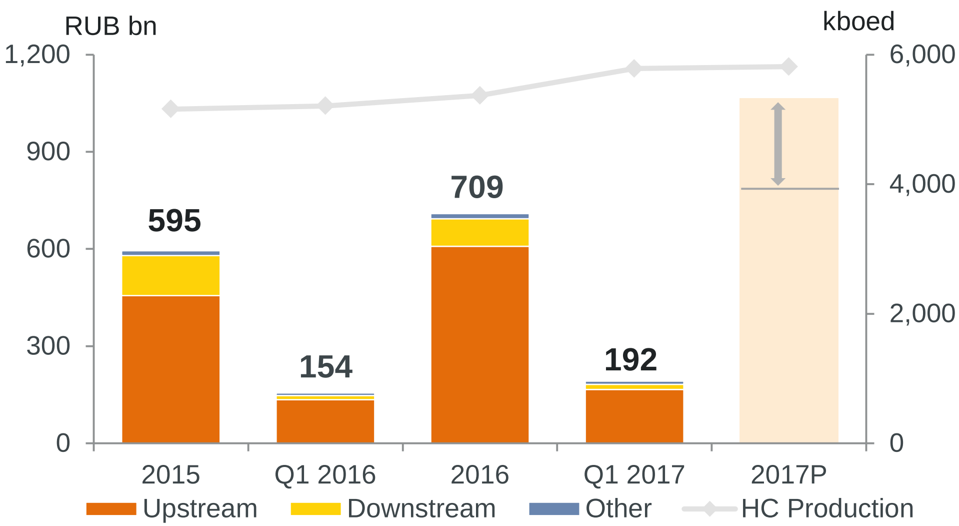
Net income Q1 2017 vs Q4 2016

RUB bn

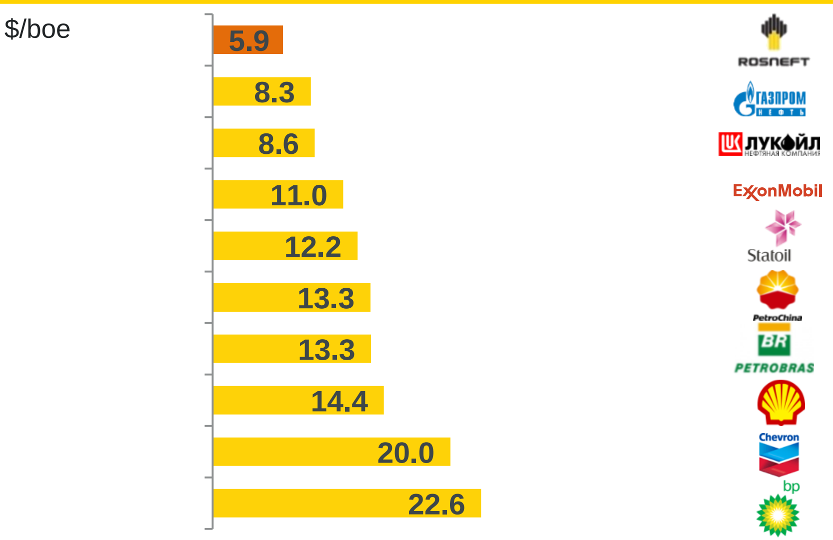


CAPEX

CAPEX and production



Upstream CAPEX Q1 2017[1]: benchmarking



- Q1 2017 CAPEX increase at 25% y-o-y was consistent with the strategic goals and mainly was driven by:
  - ongoing development of long-term major oil and gas production projects
  - growth in development drilling to maintain HC production
  - accelerated execution of highly efficient refining development projects
  - consolidation of Bashneft and other new assets
- In Q1 2017, the company implemented investment projects in the key business segments, taking into account the limitations in the oil output, weather conditions, seasonality and work schedule
- Maintaining leadership in unit upstream CAPEX efficiency in 2017 compared to key Russian and global peers while increasing the investment program:
  - Q1 2017 – $5.9 per boe
  - 2017 forecast – not higher than $7 per boe

Note: (1) Data for Rosneft and Statoil for Q1 2017, other companies – for 2016

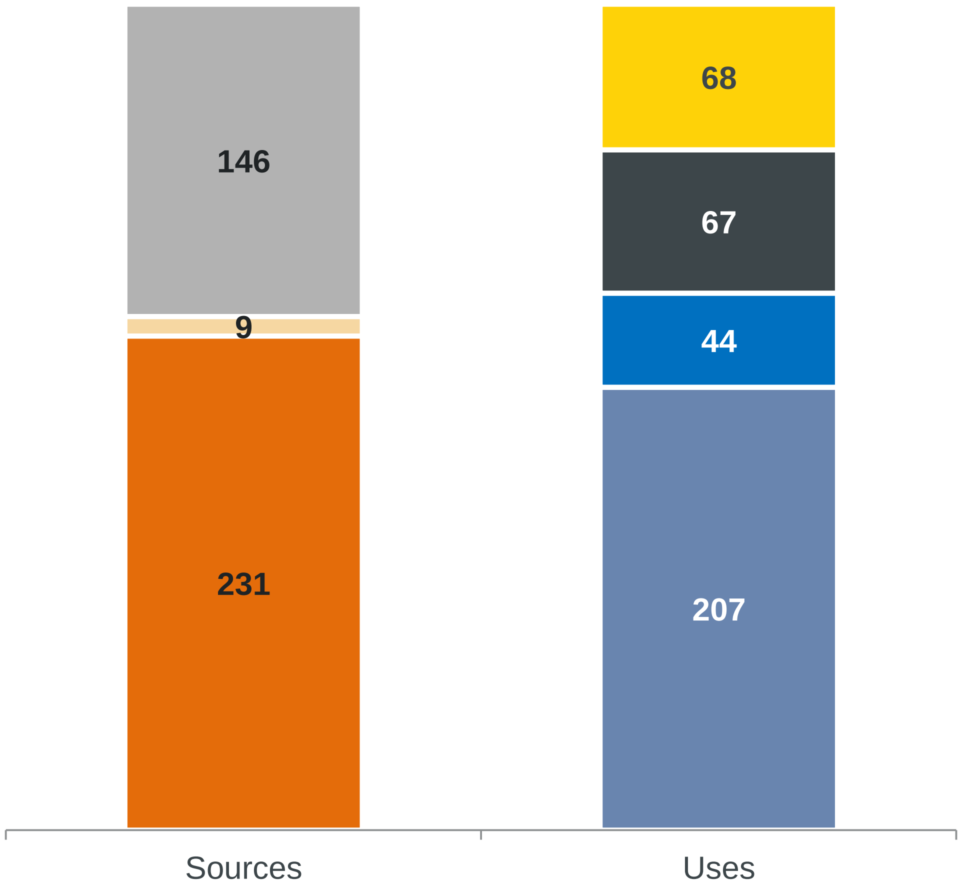
Sources and Uses of Cash

Q1 2017

RUB bn

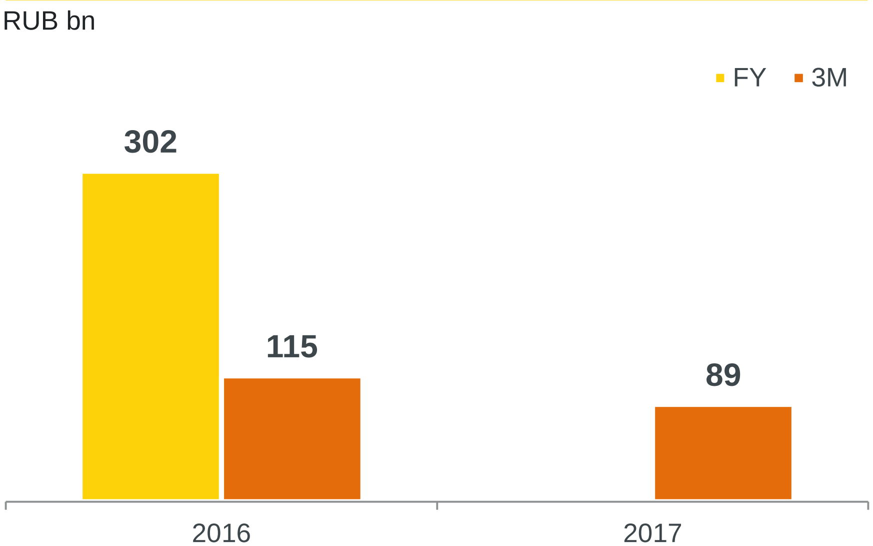
- Funds available for debt management (decrease)
- Assets disposal
- Operating cash flow

- Prepayments under crude oil and petroleum product supply contracts
- Assets acquisition
- Interest
- CAPEX and licenses



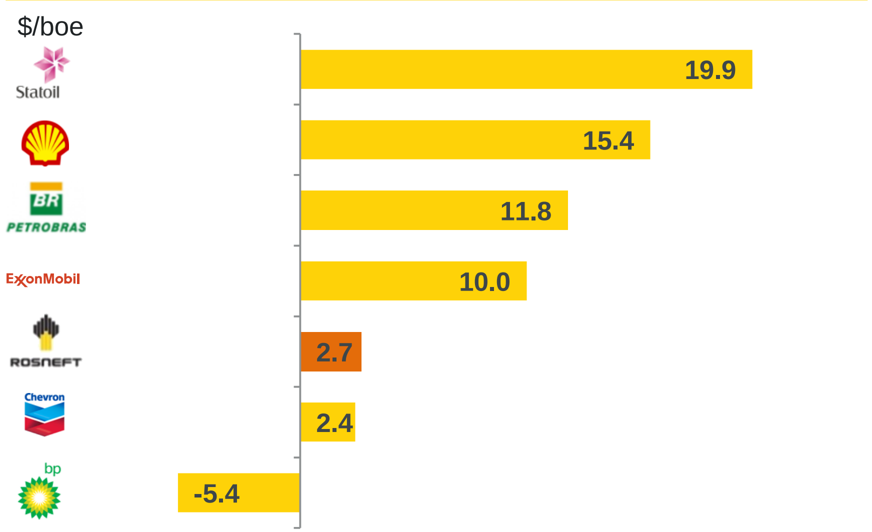
Free Cash Flow

Free cash flow

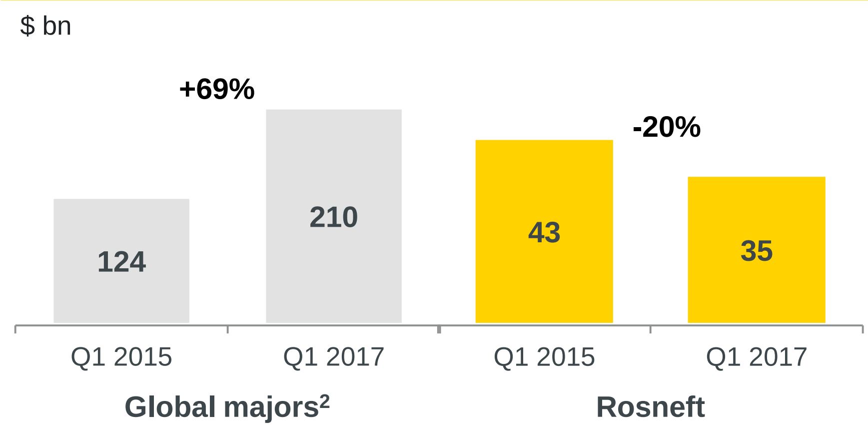


- Free cash flow grew q-o-q by 3,5x times on the back of lower impact from working capital changes due to crude oil prices stabilization and seasonally lower CAPEX
- Sustainably positive free cash flow ($2.7 per boe in Q1 2017)
- Rosneft maintains a comfortable level of financial leverage compared to a substantial debt burden increase by the peer group

Free cash flow Q1 2017: benchmarking (majors)[1]



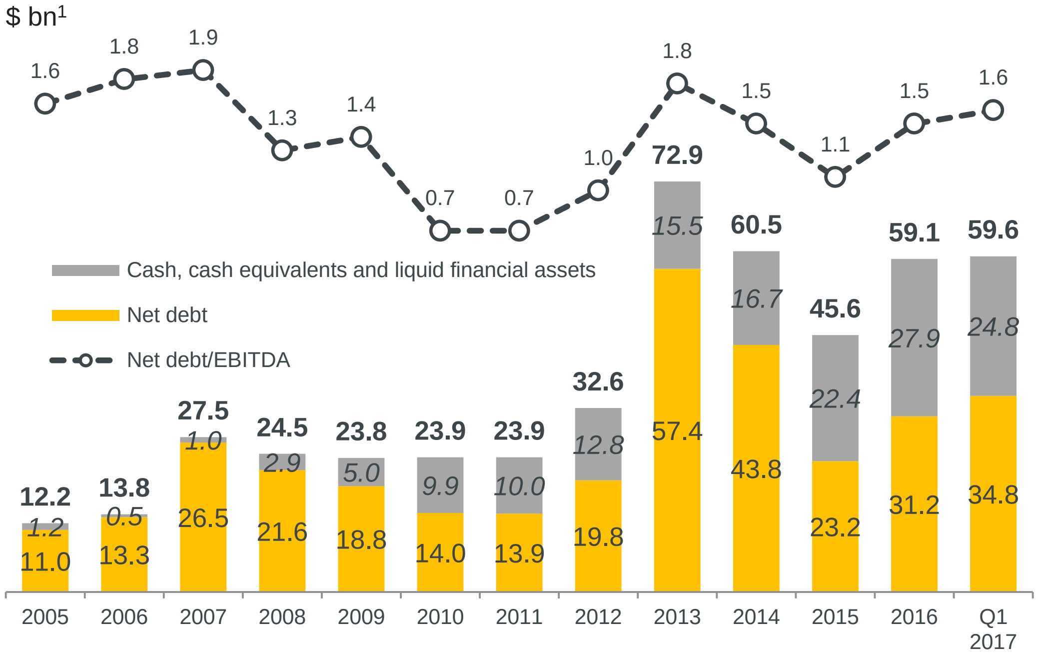
Net debt dynamics



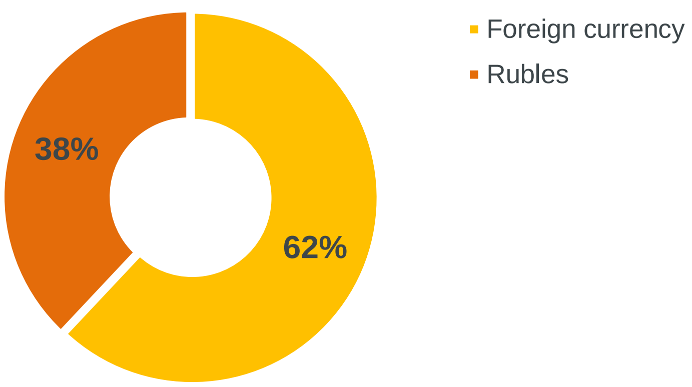
Note: (1) Data for Petrobras for 2016, other companies – cor Q1 2017., (2) Includes ExxonMobil, Shell, Chevron, Total and BP.

Financial Stability

Debt and net debt dynamics



Debt profile by currency

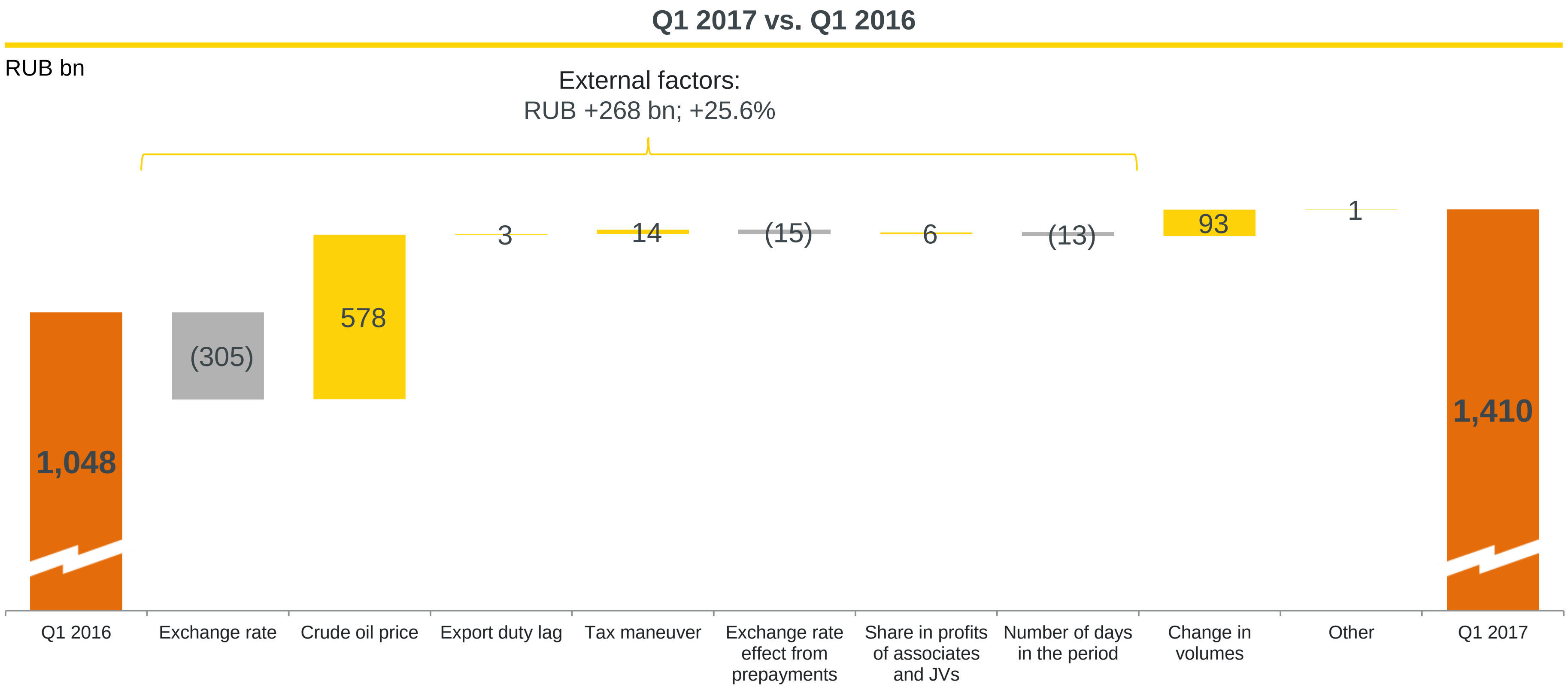


- Historically, net debt increase was mainly driven by the strategic M&A deals
- Active M&A cycles are followed by gradual deleveraging
- Current debt burden is comfortable for the Company – debt ratios are considerably below the peak levels
- Rosneft sustains significant cash pile (~$24.8 bn[1]) required for the debt management and covering potential costs related to M&A deals completion expected in H1 2017

Note: (1) All calculations are based on previously published financial statements (US GAAP before 2011), at the CBR USD exchange rate at the end of the reporting period; debt burden adjusted for finance lease liabilities and liabilities related to derivative financial instruments (in 2005-2011).

Appendix

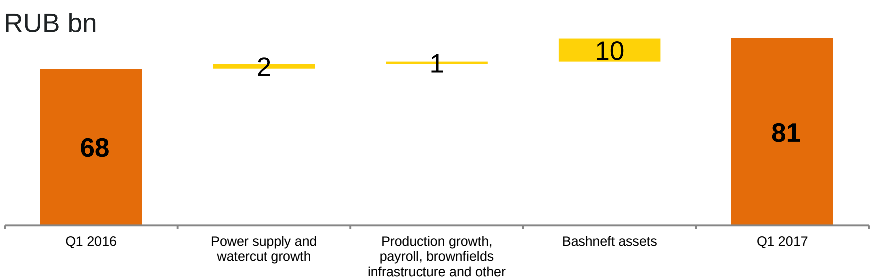
Revenue



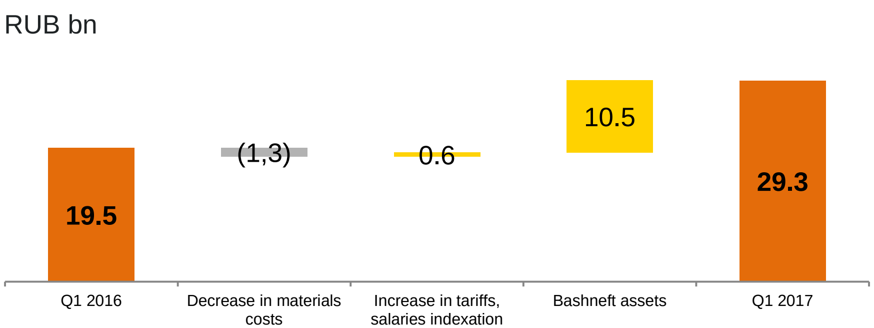
- Crude oil price increase by 28.1% in RUB terms
- Integration of new assets
- Increase of petroleum product exports non-CIS by 14.8% and domestic sales by 27.8% in the improving market conditions

Operating costs 2017 vs. 2016

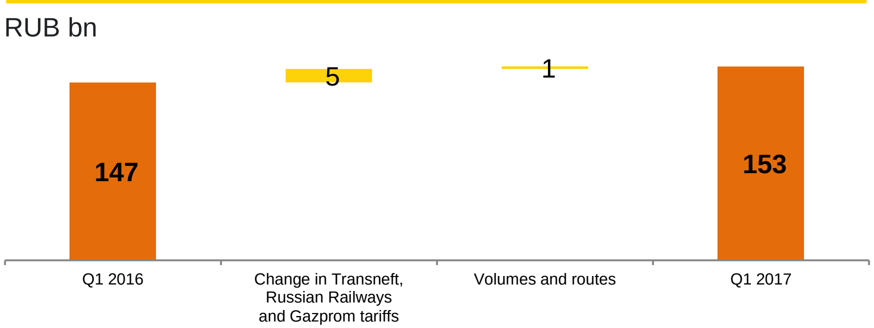
Lifting costs



Refining costs in Russia



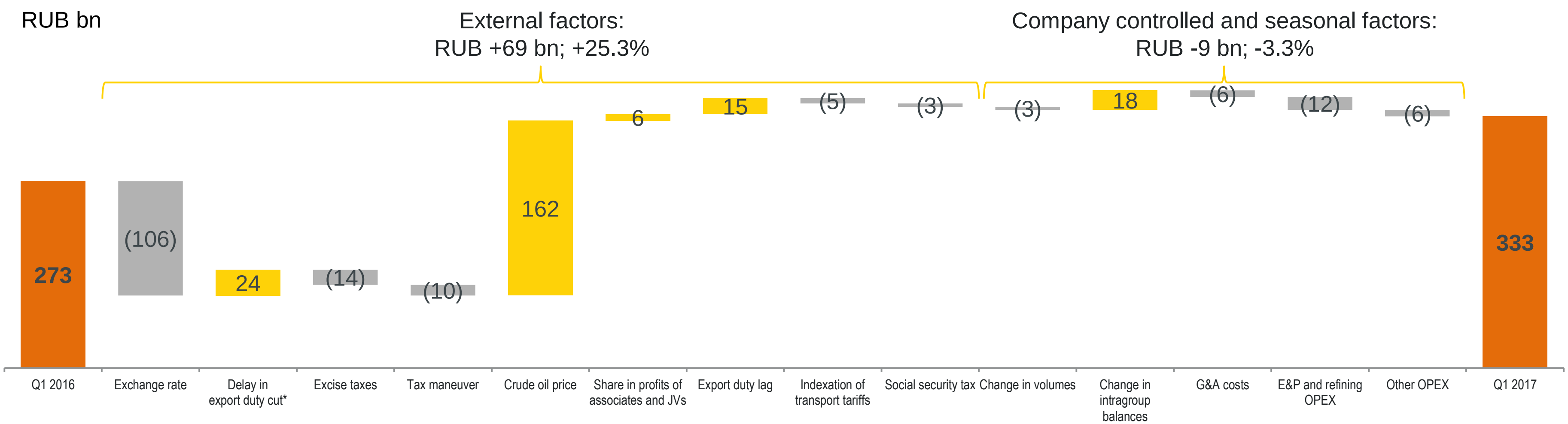
Transportation costs



- Lifting costs increase in Q1 2017 was mainly driven by the acquisition of Bashneft assets in October 2016
- Growth in the refining costs due to the natural monopolies tariffs and salaries indexation, as well as acquisition of Bashneft assets in October 2016
- Transneft trunk pipelines oil transportation tariffs indexation by 3,5%-4% starting from January 2017
- Indexation of transit transportation tariffs through Belarus by 7.7% starting February 1, 2017
- 13% CPI growth y-o-y

EBITDA and Net Income

EBITDA Q1 2017 vs. Q1 2016



** The decrease in export duty coefficient from 42% to 36% in 2016 (according to the original tax maneuver) was cancelled*

Net income Q1 2017 vs. Q1 2016

FX Risk Hedge

	Q1 2017, RUB bn		
	Before tax	Profit tax	Net of income tax
Recognized within other funds and reserves as of the start of the period	**(435)**	**87**	**(348)**
Foreign exchange risk management instruments gains/(losses) for the period	1	-	1
Exchange rate differences materialized for foreign exchange risk management tools	36	(7)	29
Total, recognized as part of other aggregate income (loss), over the period	**37**	**(7)**	**30**
Recognized within other funds and reserves	**(398)**	**80**	**(318)**

For reference:

Hedging amounts	**$ mln**	**CBR exchange rate, RUB/$**
As of December 31, 2015	3,918	72.8827
As of March 31, 2016	0	67.6076
As of June 30, 2016	0	64.2575
As of September 30, 2016	5,100	63.1581
As of December 31,2016	1,763	60.6569
As of March 31, 2017	0	56.3779

Calculation of Adjusted Operating Cash Flow

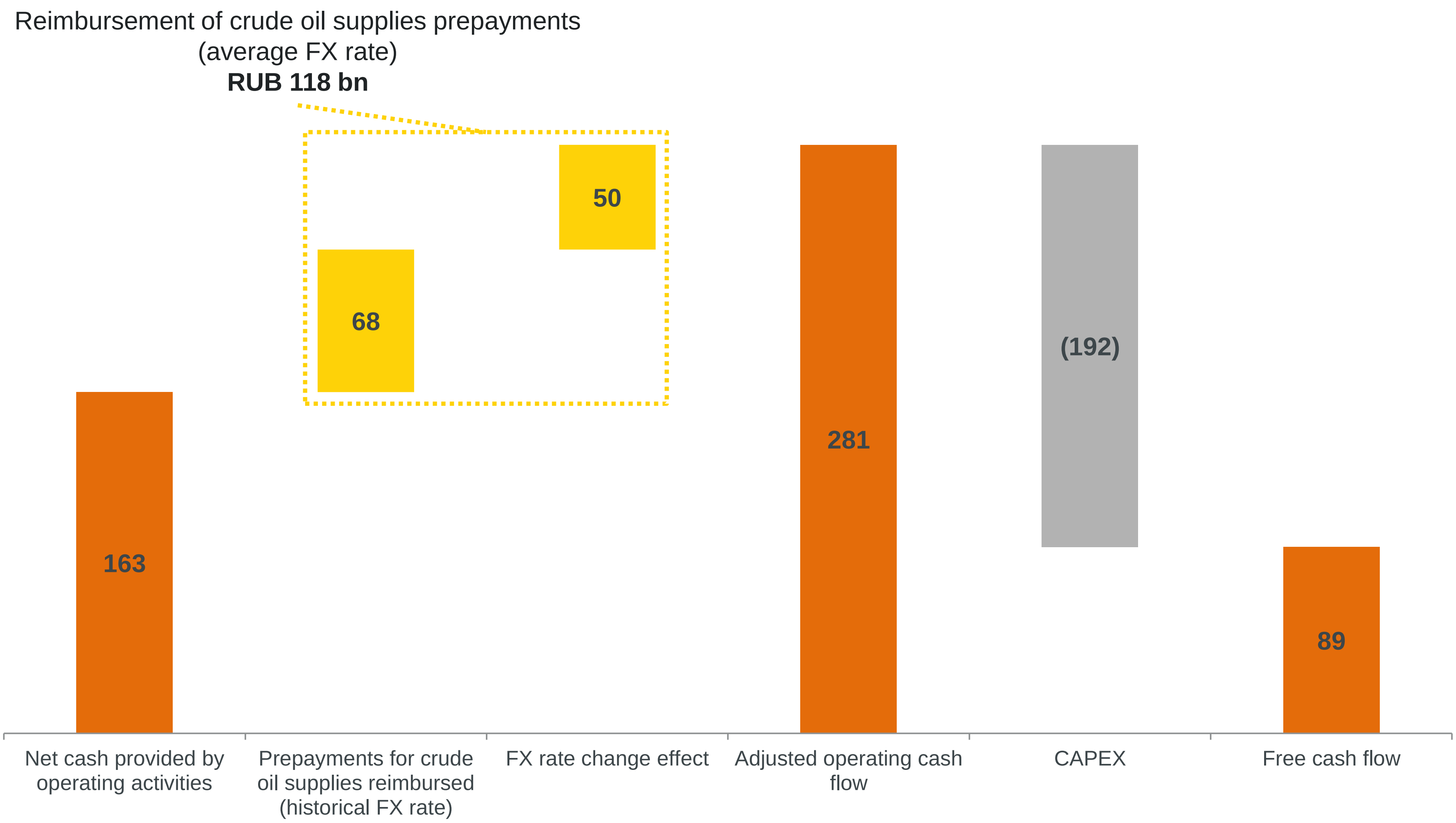
Profit and loss statement

#	Indicator	Q1 2017, $ bn
1	**Revenue, incl.**	**24.8**
	Prepayments reimbursed	2.0
2	Costs and expenses	(21.5)
3	**Operating profit (1+2)**	**3.3**
4	Expenses before income tax	(2.9)
5	Income before income taxes (3+4)	0.4
6	Profit tax	(0.1)
7	**Net income (5+6)**	**0.3**

Cash flow statement

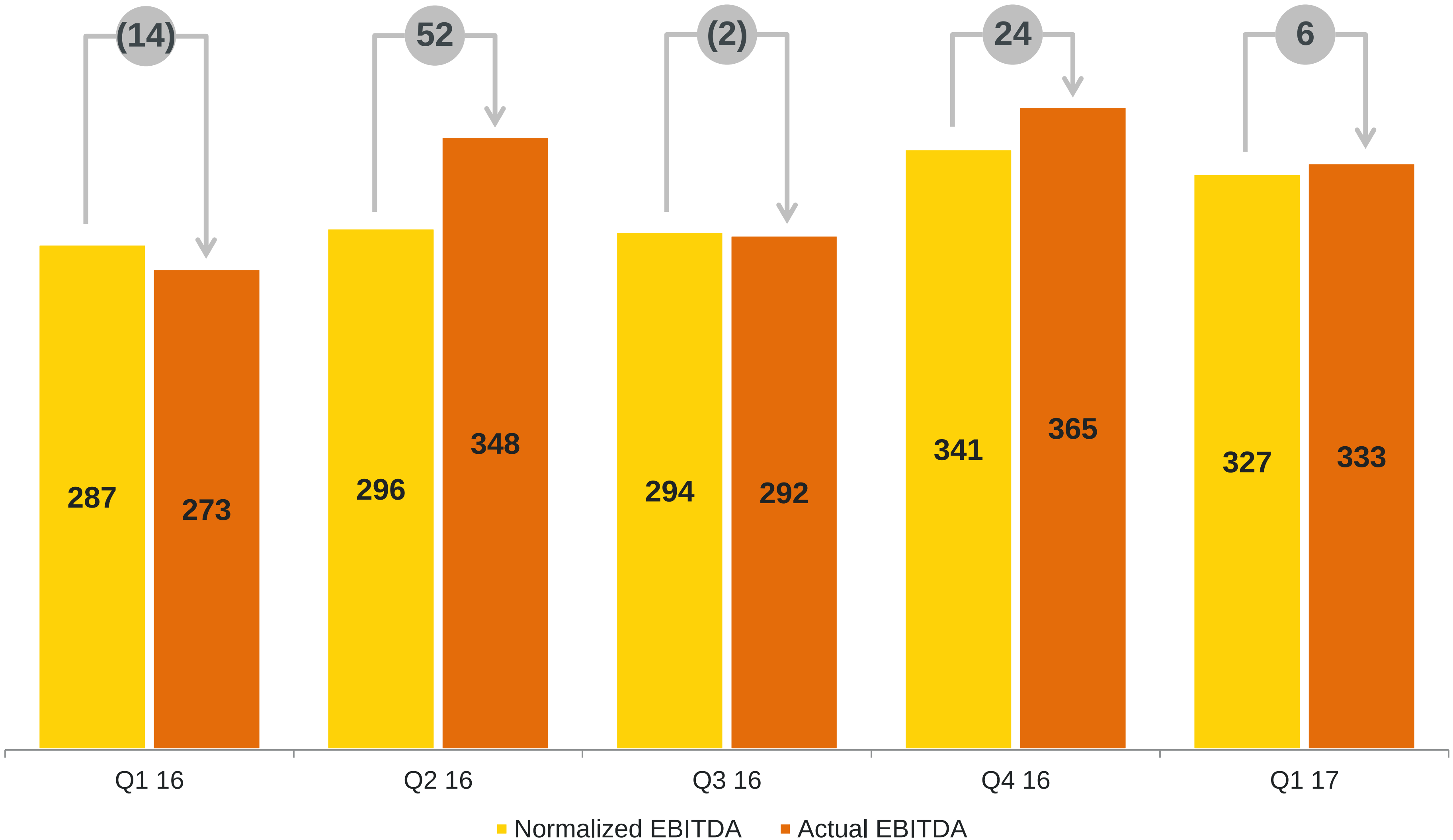
Q1 2017, $ bn	Indicator	#
0.3	**Net income**	**1**
4.0	Adjustments to reconcile net income to cash flow from operations	2
(1.3)	Changes in operating assets and liabilities, including	3
(2.0)	Prepayments reimbursed	
(0.3)	Income tax payments, interest and dividends received	4
2.7	**Net cash from operating activities (1+2+3+4)**	**5**
–	Operations with trading securities	6
2.0	Effect from prepayments and advances	7
4.7	**Adjusted operational cash flow (5+6+7)**	**9**

Adjusted Operating Cash Flow



Export Duty Lag

RUB bn



Note: The effect of the time lag in the establishment of import duties on the Company's EBITDA stands apart on this slide, i.e. (unlike the factor analysis) it is calculated for certain quarters and based on the volumes and the USD average exchange rate of respective quarter

Finance Expenses, RUB bn

	Indicator	Q1 2017	Q4 2016	%	Q1 2017	Q1 2016	%
1.	**Interest accrued**[1]	**52**	40	30.0%	52	36	44.4%
2.	Interest paid	**44**	35	25.7%	44	42	4.8%
3.	Change in interest payable (1-2)	**8**	5	60.0%	8	(6)	–
4.	Interest capitalized[2]	**23**	20	15.0%	23	15	53.3%
5.	Net (income)/loss from operations with financial derivatives[3]	–	–	–	–	2	(100.0)%
6.	Increase in provision due to the unwinding of a discount	**4**	4	–	4	4	–
7.	Interest on prepayments on long-term oil and petroleum products supply agreements	**21**	23	(8.7)%	21	24	(12.5)%
8.	Other finance expenses	**5**	5	–	5	1	>100%
9.	**Total finance expenses (1-4+5+6+7+8)**	**59**	52	13.5%	59	52	13.5%

Note: (1) Including interest charged on credits and loans, promissory notes, ruble bonds and Eurobonds, (2) 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 , (3) Net-effect changes in operations with financial derivatives resulted from fluctuations of currency component of the deals with cross-currency interest rate swaps.

EBITDA and Net Income Sensitivity

Urals price change

RUB bn	-3.3 $/bbl	+3.3 $/bbl
EBITDA	(22)	22
Net income	(17)	17

Exchange rate change

RUB bn	-1.8 RUB/$	+1.8 RUB/$
EBITDA	(15)	15
Net income	(12)	12

- In Q1 2017 average Urals price was at $52.3 per bbl. If Q1 2017 average price in was at $49 per bbl, EBITDA would have decreased by RUB 22 bn, including the negative export duty lag effect of RUB 6 bn
- In Q1 2017 average USD exchange rate was at 58.8 RUB/$. If Ruble appreciated in Q1 2017 to 57 RUB/$, EBITDA would have decreased by RUB 15 bn

Questions and Answers