

TOWARDS IDEALS OF EURASIAN INTEGRATION



РОСНЕФТЬ



I.I. Sechin
CEO Rosneft

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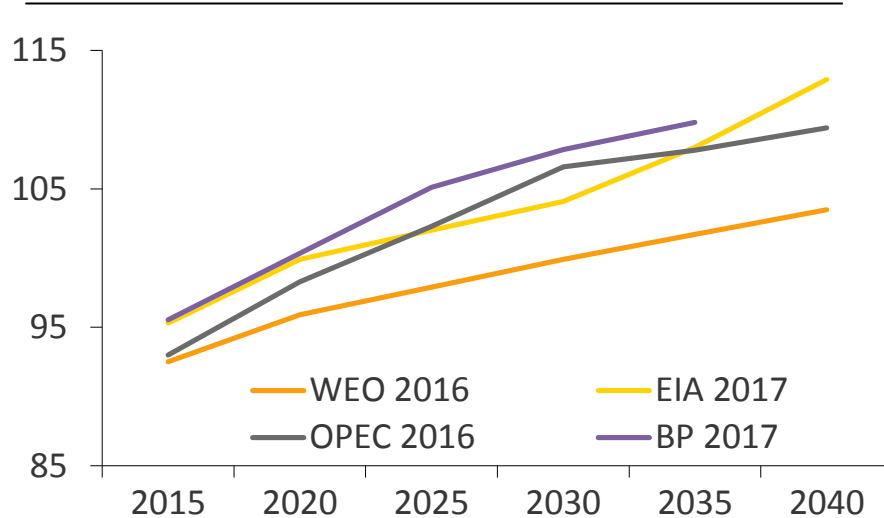
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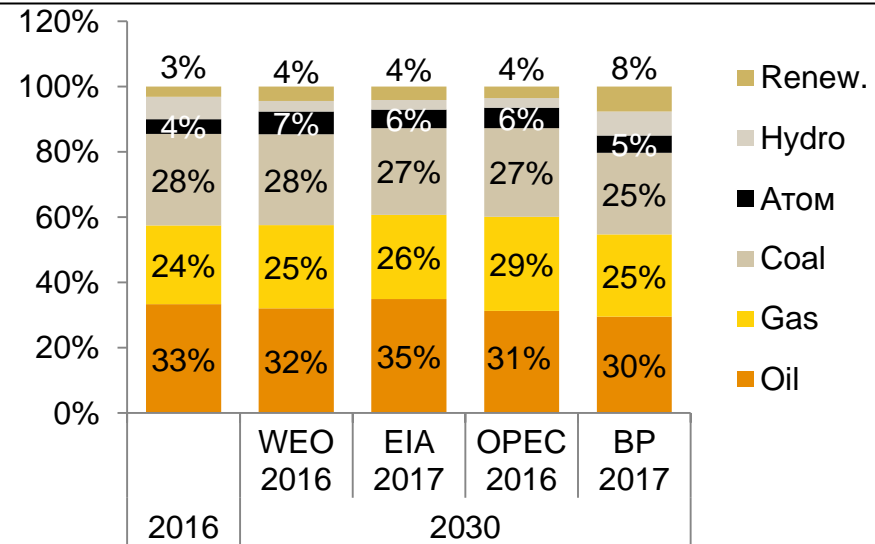


Changing Needs of Global Economy

Oil global Consumption Forecast, mmbpd liquids



Global primary energy consumption structure

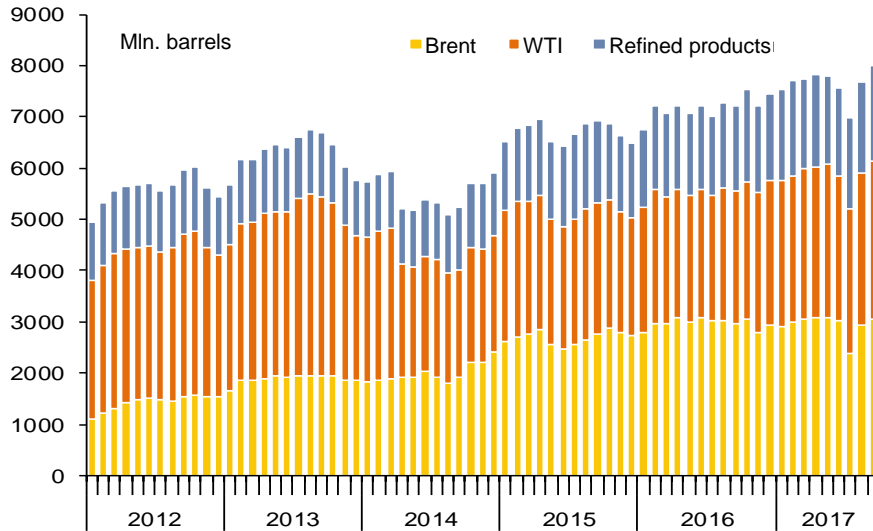


- Global oil demand will continuously grow in mid-term and long-term perspective. Yearly growth in the next 10 years will be 770 kbpd on average.
- The share of liquid hydrocarbons will remain around 30% of global primary energy consumption.

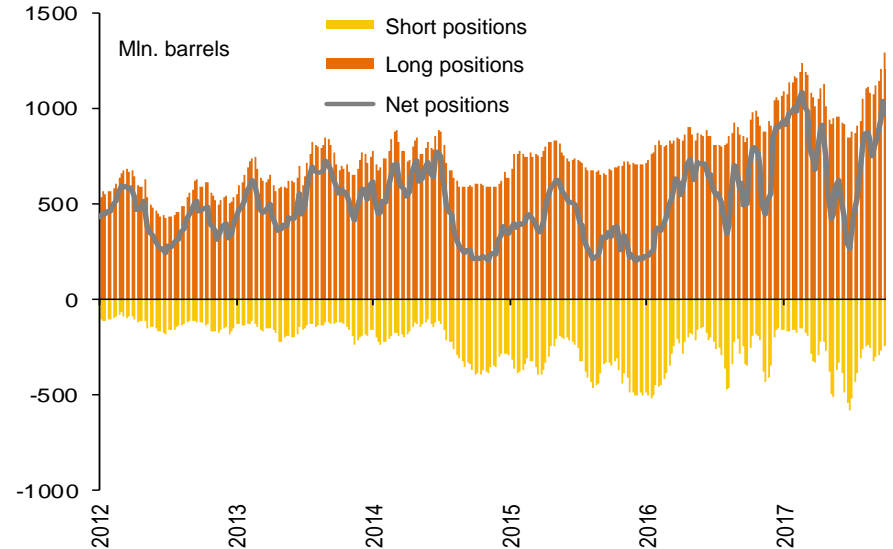
Financial Players Dominance in Crude Oil Pricing



NYMEX and ICE crude oil futures open positions



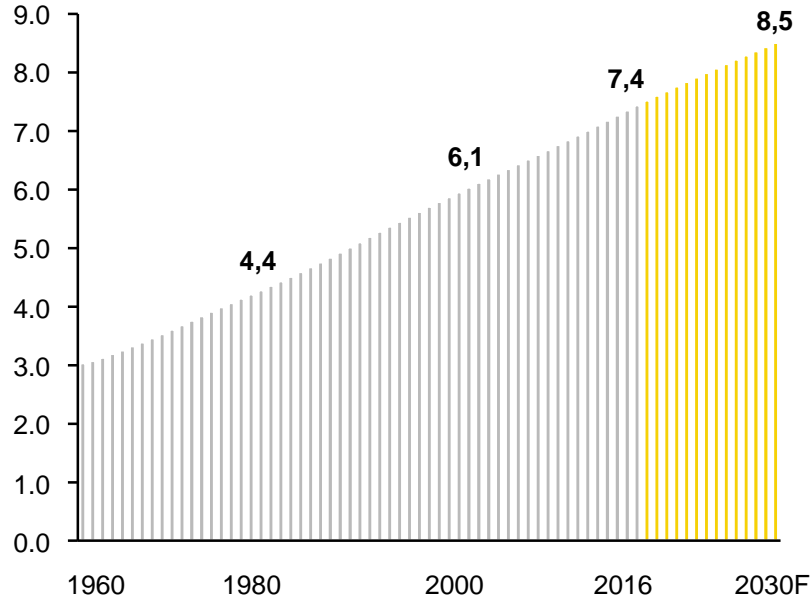
Money managers' WTI/Brent/Prod futures net positions



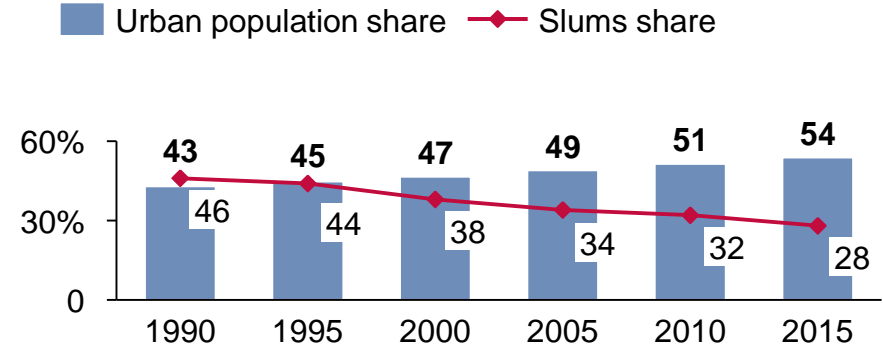
The Fundamental Driver Behind the Increasing Consumption – Growing Population and Life Quality



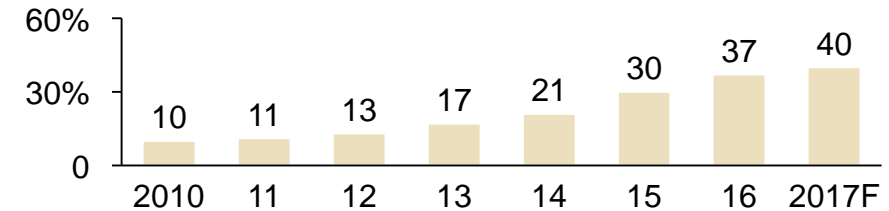
Global population growth 1960 – 2030, billion people



Global urbanization growth and decreasing share of slums



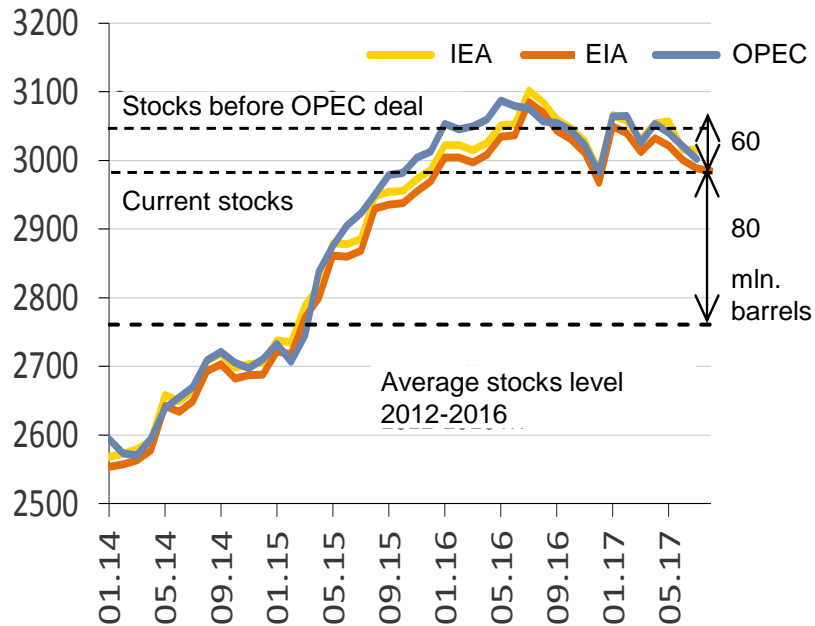
Share of SUVs in total car sales in China



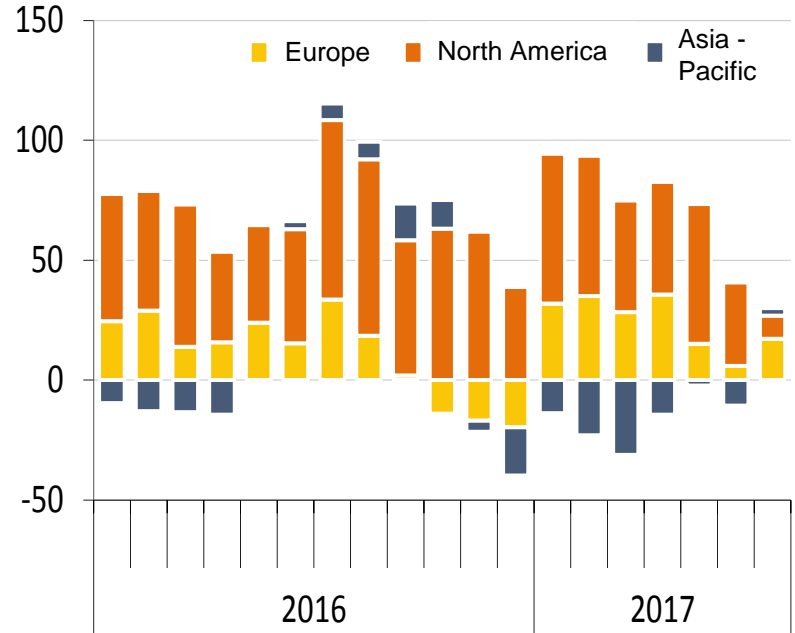


Crude Oil and Refined Products Stocks Dynamics

Commercial stocks of oil and refined products in OECD countries, mln. barrels



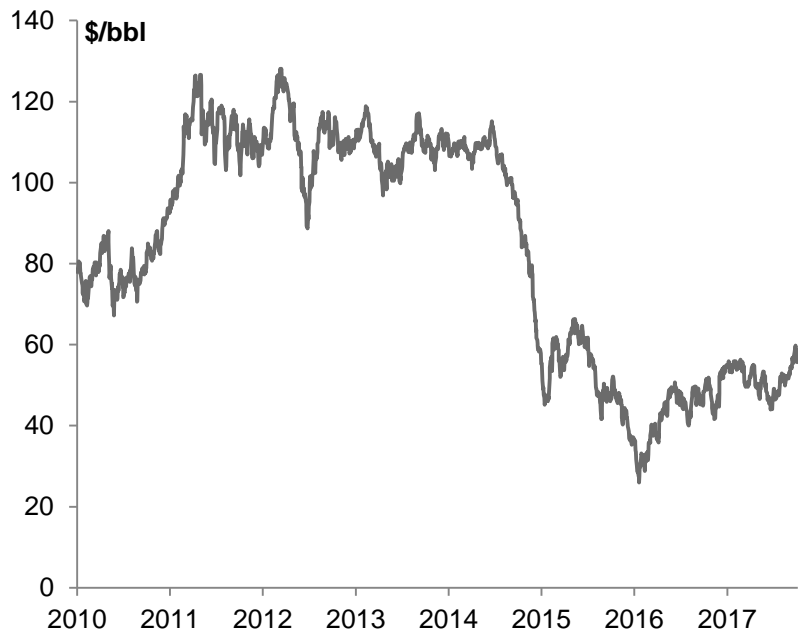
Changes in commercial stocks of crude oil in OECD countries, mln. barrels cumulative since 2016



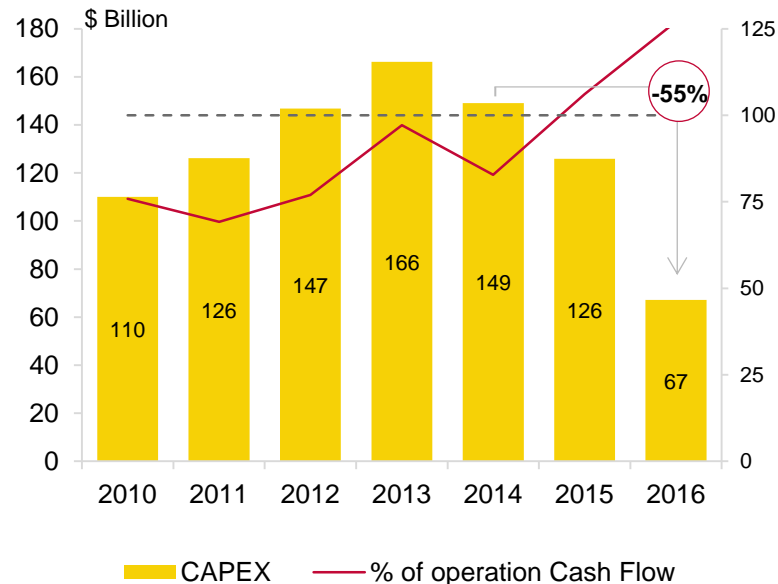
Short-Term Priorities of Financial Markets Have a Severe Impact on Oil Majors Long-Term Investments



Brent price



Majors' capital expenditures*

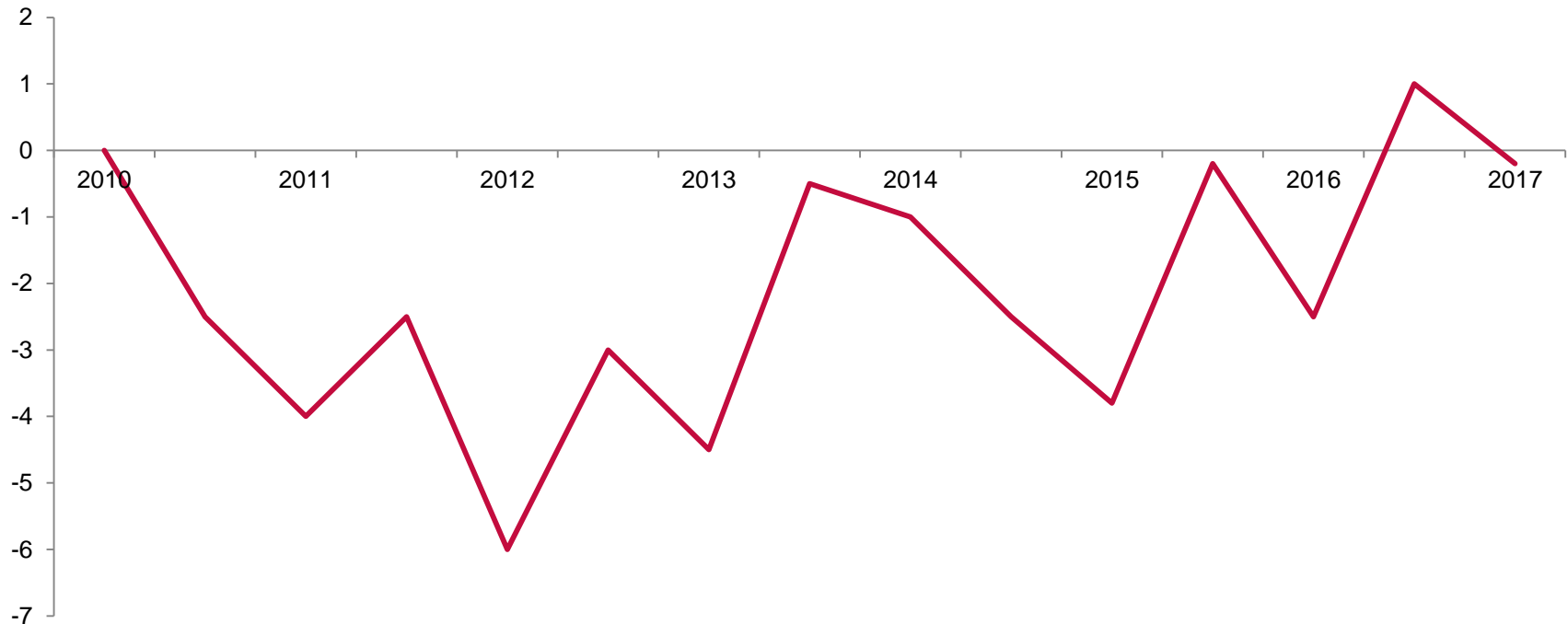


* ExxonMobil, Shell, BP, Chevron, Total
Source: Companies data

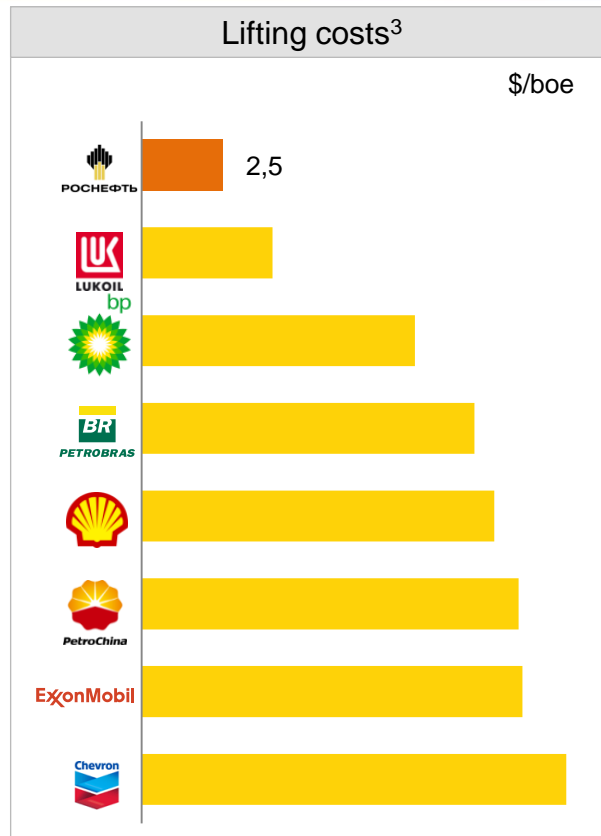
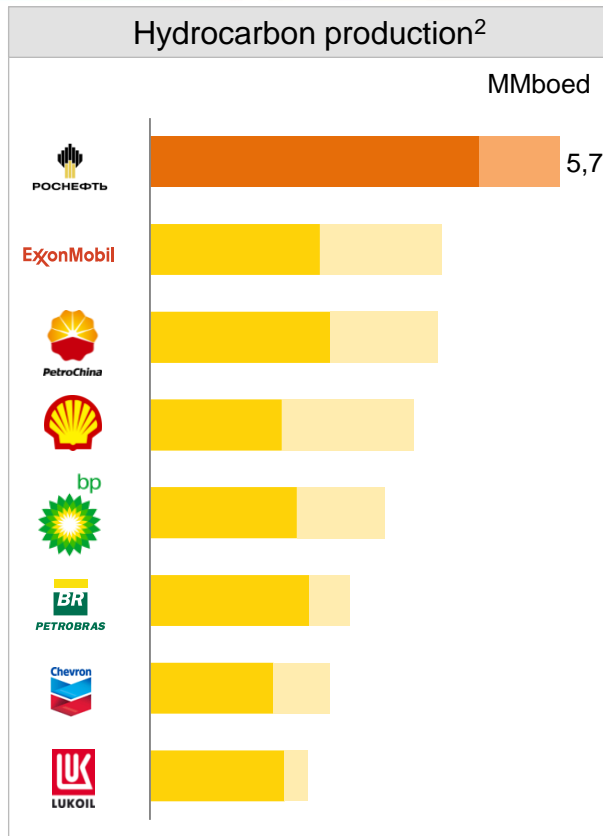
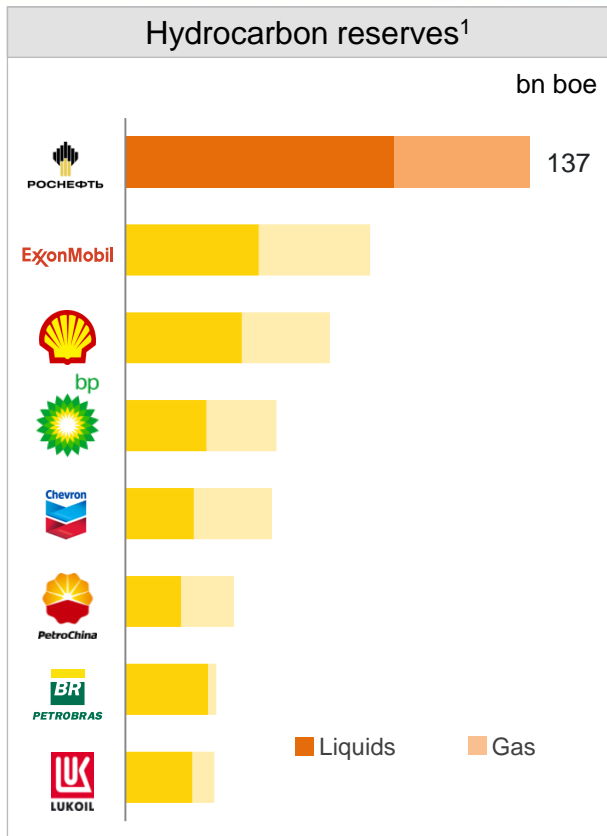
Since 2010, the Largest US Shale Oil Companies Had a Negative Free Cash Flow in 28 Quarters Out of 29



Free cash flow for top-5 US shale oil companies, \$/boe

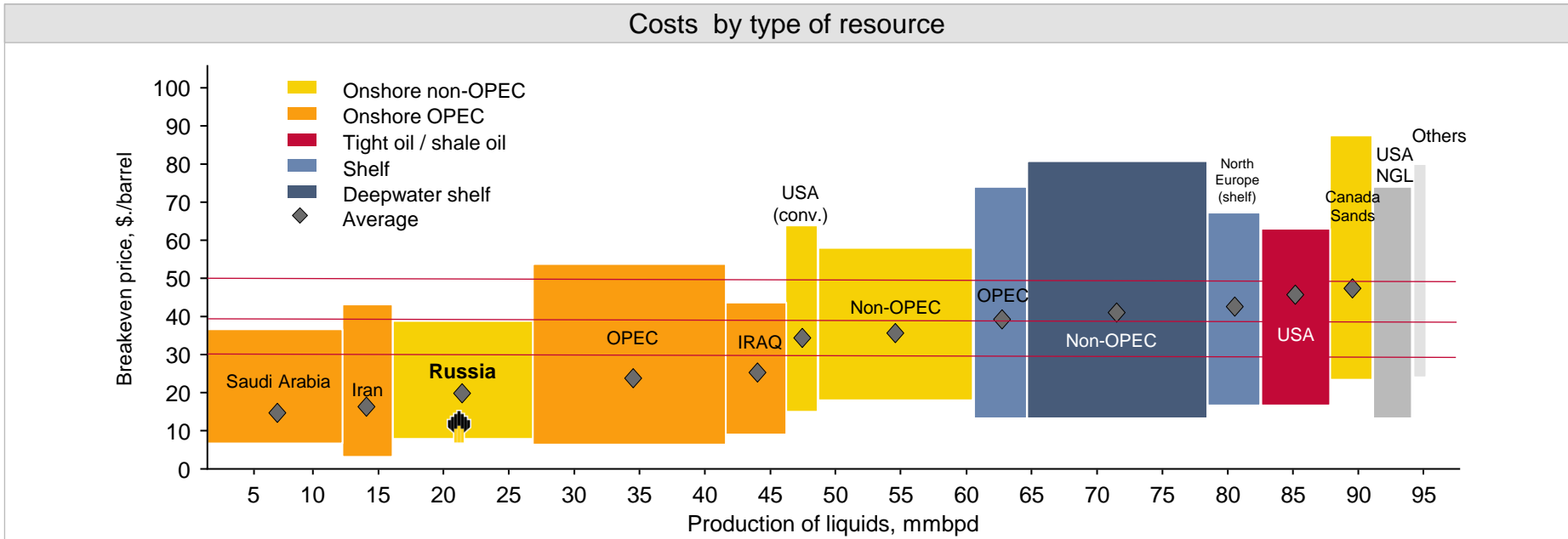


Rosneft Leadership in Reserves, Production and Efficiency



Note: (1) Rosneft AB1C1+B2C2 reserves under Russian classification as of 01 January 2017 (incl. Bashneft), data for other companies is taken from Wood Mackenzie reserve estimates including commercial and sub-commercial reserves; (2) PetroChina for 1Q 2017, Lukoil – preliminary data for 1H 2017; other companies – data for 1H 2017 (3) Rosneft, BP and Petrobras – for 1H 2017, other companies – data for 2016.

The Sustainability of the Russian Oil Industry

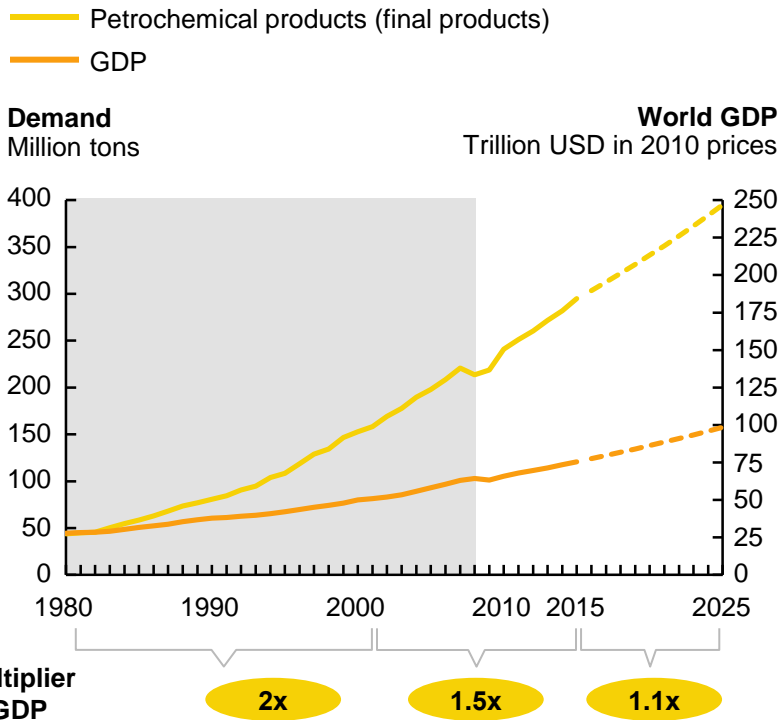


- A lot of new projects of Heavy oil, Canadian Oil Sands, as well as projects in mature basins on the shelf of West Africa, North Sea and Gulf of Mexico are not economically feasible for oil price below \$50/barrel.
- Projects worth more than \$800 billion with production of more than 12 MMbpd will not be approved at prices below \$50 per barrel

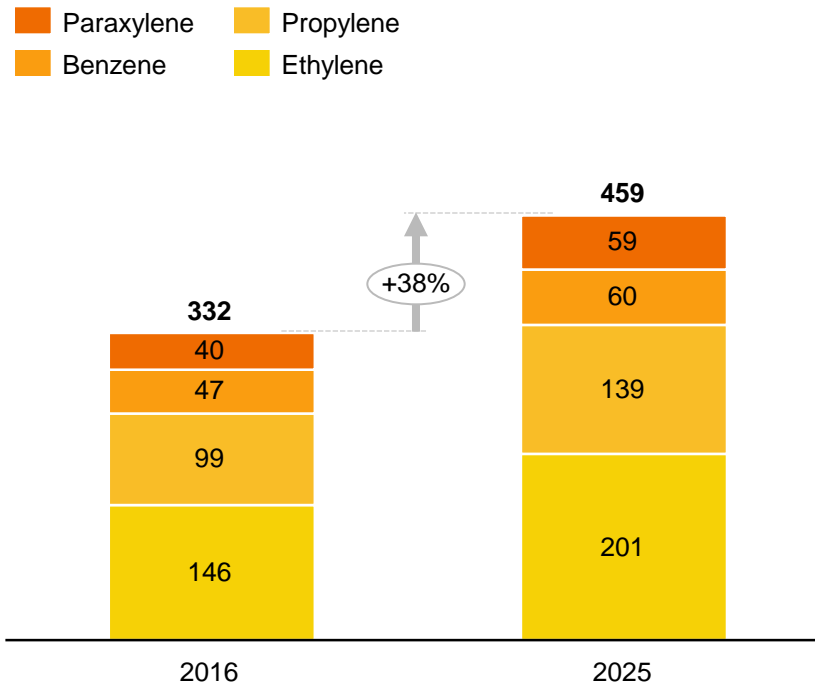
Demand Growth for Petrochemicals will Outpace the Growth of the Global Economy



Demand growth for petrochemicals and world GDP growth rates



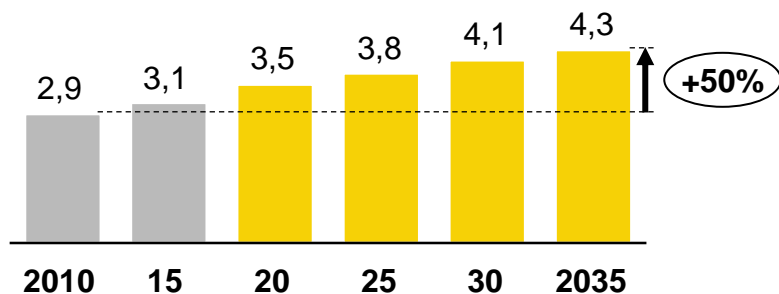
Demand for petrochemical products, million tons/y



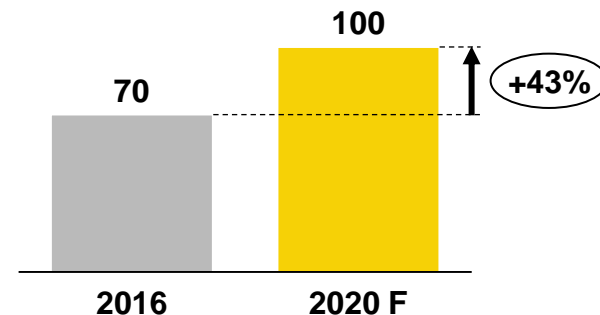
Natural Gas – a Promising Area for Growth in the Energy Sector



Natural Gas Global Demand, billion toe/y



Rosneft Strategic Goals:
Gas Production, billion m³/y



Greater Eurasia – Key Player on the Global Energy Market

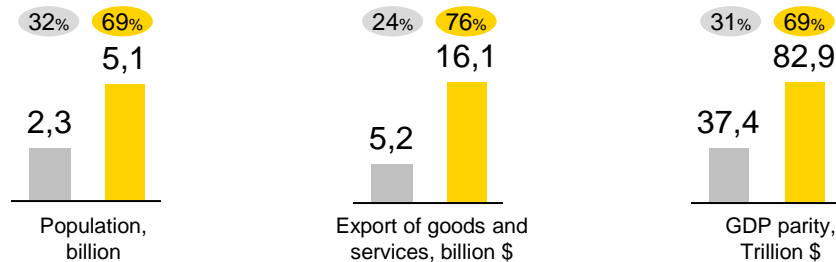


Greater Eurasia

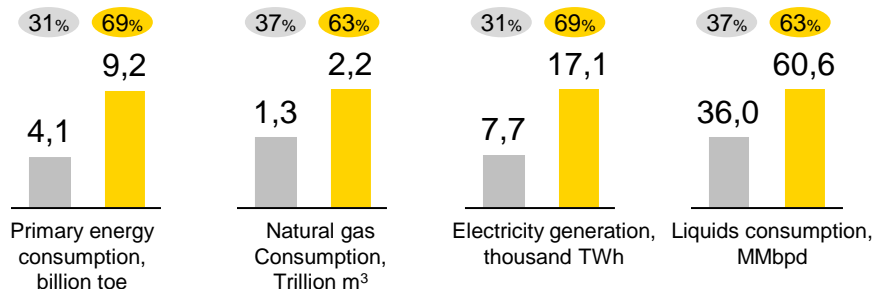
■ Countries of Large Eurasia
 ■ Other countries



Socio-Economic Indicators



Energy Indicators

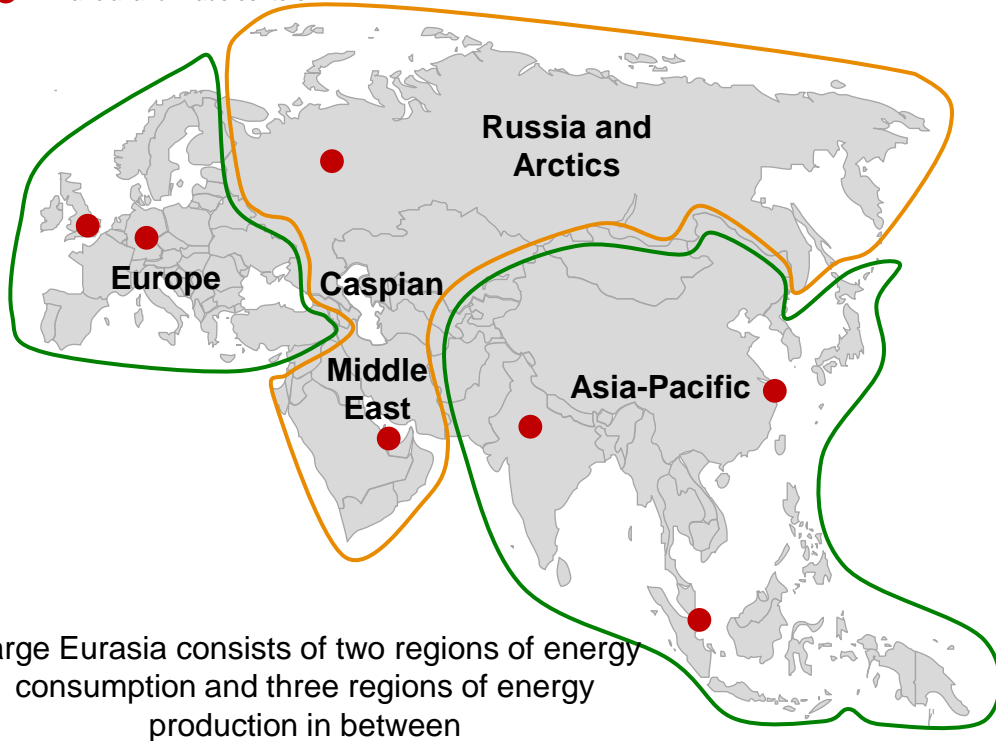


- By «**Greater Eurasia**» we refer to countries that are on the territory of the Eurasian continent. Large Eurasia includes 91 countries (excluding micro-states)
- Greater Eurasia represents **two-thirds of the world** based on the main socio-economic indicators

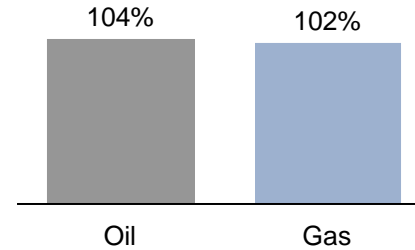


Greater Eurasia is a Balanced Region in Terms of Energy Resources

-  Regions of energy consumption
-  Regions of energy production
-  Financial and Trade centers



Greater Eurasia energy demand / production ratio, %

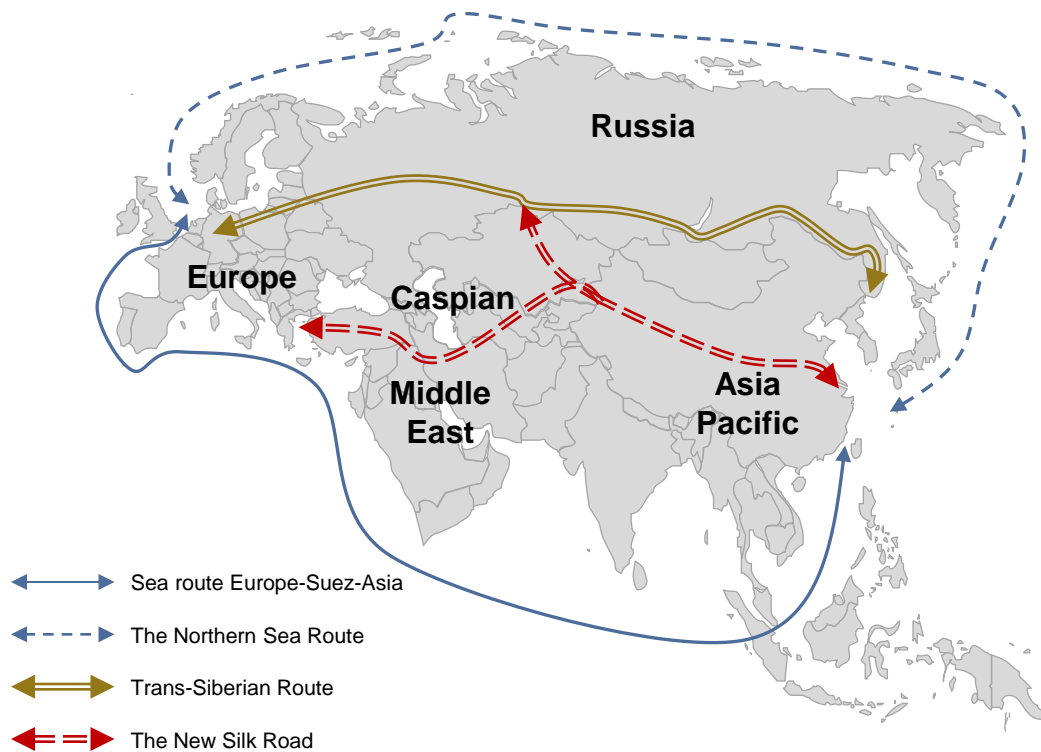


Greater Eurasia energy reserves / demand, years



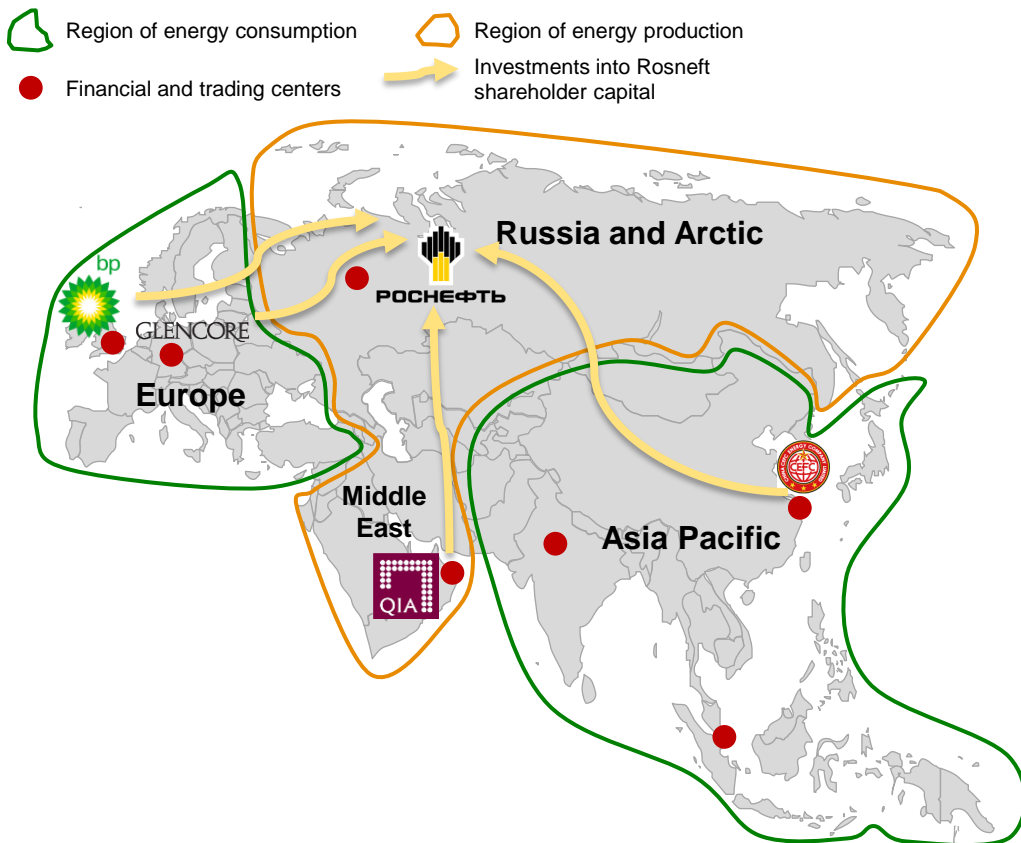
- Collectively Greater Eurasia is a perfectly balanced region in energy resources for the long-term
- Existing financial centers will provide financial services to growing energy flows

Geography of Greater Eurasia Provides Opportunities to Create a Unified Economic Landscape



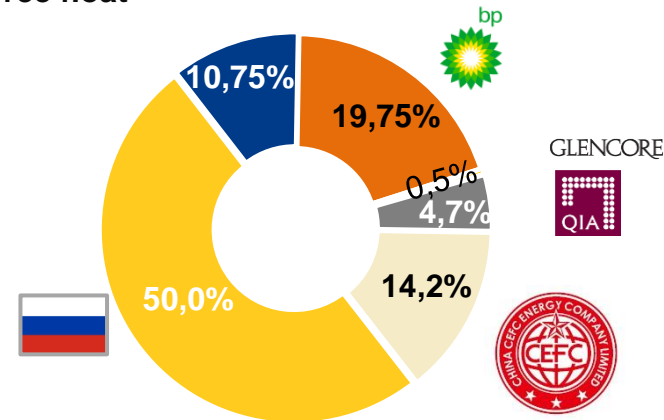
- Construction of alternative logistics routes is required for the development of Eurasian integration and trade:
 - **The New Silk Road** will connect China and Europe through Central Asia and the Middle East in the near future
 - **The Northern Sea Route** will connect Europe and Asia directly in the long term
 - High-speed trade routes by land need to be developed

Rosneft Shareholder Capital is an Example of the Effective Eurasian Integration



Rosneft shareholders*

Free float



- Eurasian integration implies involvement of energy consumers into energy production through investments into shareholder capital of producers
- Being shareholders of energy producers, consumers participate wisely in energy distribution by balancing their interests with producers' goal of continued business development

* After the deal between Glencore/QIA consortium and CEFC announced on 8 Sep 2017 is closed



Eurasia Integration Projects

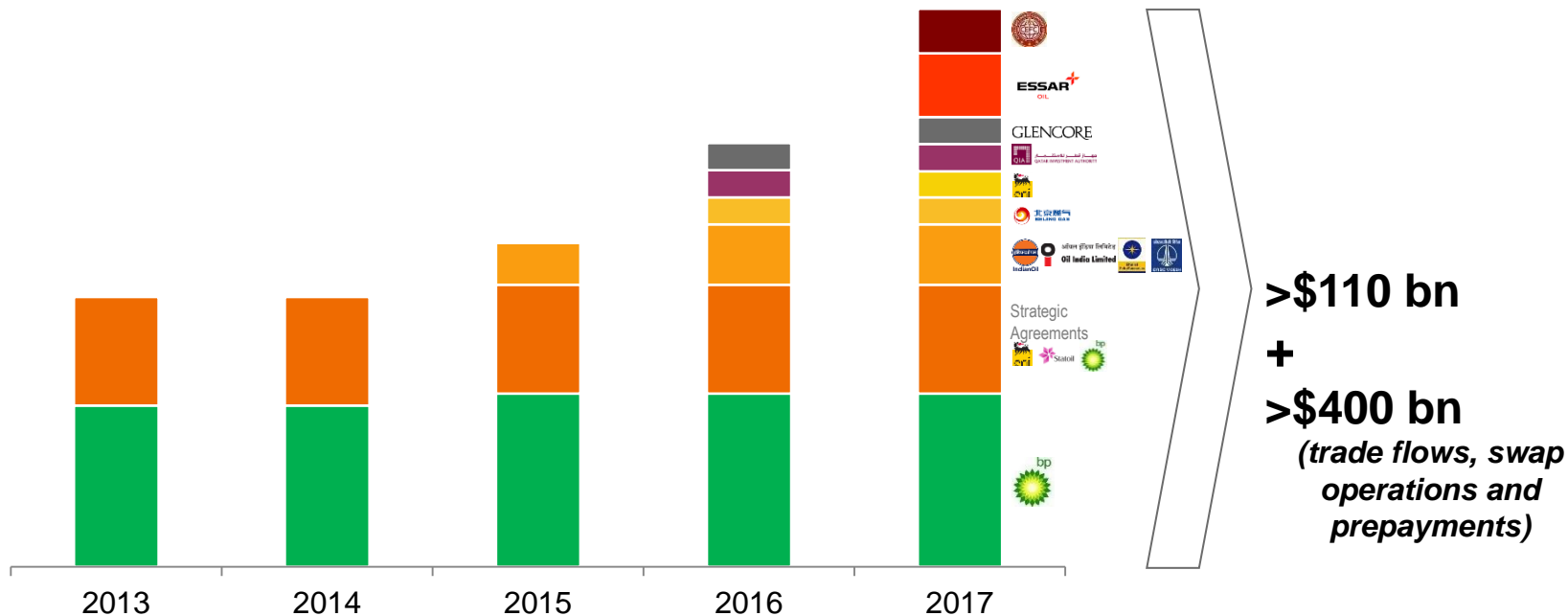


- Cooperation and integration between companies and regions should not become a zero-sum game
- All participants of the integration can create value for themselves while pursuing their interests:
 - Access to resources
 - Financing
 - Technologies
 - Markets
 - Human capital

Total Amount of Rosneft's Cooperation with the World's Leading Companies Exceeds \$0.5 trillion



Rosneft partnerships and deals with the world's leading companies





Key Conclusions

- Greater Eurasia – is a huge economic and energy space that has all the prerequisites for cooperation and economic integration.
- Eurasian gravity is stronger than any external influences. The movement towards united Eurasia is organic and natural.
- In the energy sector of Greater Eurasia mutual investments, the exchange of assets and technologies have already reached a large scale, despite such factors as sanctions pressure. Rosneft is one of the largest participants and drivers of such processes.
- Desynchronization of the investment cycle in the oil and gas industry with global economic dynamics creates prerequisites for a future oil shortage and price volatility increase.
- The strategy of the responsible hydrocarbon producer should account for both risks and uncertainties of the current state of the world oil market and the long-term outlook of the global economic development.