

CEO's ADDRESS

(June 22, 2017)

Dear shareholders, Dear guests of the Meeting and partners,

We are glad to greet you at the Annual General Meeting of Rosneft Shareholders. Today it is held in Sochi, as we rotate our General Meeting host city in line with our principle to be close to our shareholders. A number of our key subsidiaries are located here, in the south of our country, in Krasnodar Region, Ingushetia, Chechen Republic and Stavropol Region.

Company shareholders – individuals and institutional investors, representatives of our longstanding strategic shareholder BP, participate in the meeting today. We also welcome our new strategic shareholders: Sovereign Fund of Qatar and Glencore.

I would like give special greetings to Mr. Alsuwaidi, President of Research and Development, Qatar Foundation; Ambassador of Qatar, who is present here today and to our longstanding friend and partner, Ivan Glasenberg.

I would also like to thank representatives of our friends and partners, such as Eni, Statoil, Marubeni, SODECO, Bank of

China, Schneider Electric, Bank of America Merrill Lynch, Goldman Sachs, HSBC, Raiffeisenbank, Ernst & Young, Wood Mackenzie, DeGolyer and MacNaughton, as well as our Russian colleagues from Gazprombank, Otkritie Bank, Credit Bank of Moscow, Renaissance Capital, some of which are present here today. Thank you for finding time to work here with us today.

Past year was a milestone in completion of the Company 5 year transformation program, which shaped Rosneft as we know it today. I will highlight the main results of our work. Some of them have already been mentioned by the Board of Directors Chairman Andrey Belousov.

We have substantially improved Rosneft operational and financial results. Over the last 5 years liquid hydrocarbons production and oil refining nearly doubled while the gas production increased more than fivefold bringing Rosneft to a leadership position among public oil companies in terms of hydrocarbons production and reserves.

The main Company growth drivers are Rosneft technological leadership not only in Russia, but globally, accelerated modernization of the production capacity and principles of work, development of the corporate competences.

These factors made it possible for the Company **to expand its international presence** in the context growing competition and

industry crisis and to secure its presence at the regional markets such as Germany, Egypt, China, India, Venezuela, Vietnam, Poland, Czech Republic, Great Britain, Italy, Brazil, Indonesia and the Middle East. In a number of markets, which are important for us, such as Germany, Egypt, India, Venezuela and others we became the owners of the “first class” assets and an important part of the global oil and gas industry both at the production and the consumption markets.

The Company remains **one of the industry leaders in terms of industrial and environmental safety**. Over the past years we implemented a set of HSE-related actions that resulted in **reducing work-related injury rate by more than 30%** just over 2015-2016. This is a solid achievement.

Efficiency of the Upstream segment is one of the key features of the oil and gas companies, which is valued by the market and the investment community. We achieved one of the best global efficiency indicators for unit Opex and Capex in the Upstream. This success is based on implementation of new technologies (for the last 5 years the **share of the horizontal wells increased threefold** and exceeded 30%) and establishment of the efficient **internal oilfield service** division. New technologies development made it possible for the Company to start the efficient development of the **hard-to-recover reserves**,

increasing its production by factor of 15 in 2016.

A milestone and the key event in the international oil and gas industry last year was the privatization of 19.5% of Rosneft shares, as mentioned by Andrey Belousov, which was carried out as directed by the Russian Government and which allowed us to complete the establishment of Rosneft shareholding structure.

We were consistent in this work for 11 years and have achieved a unique result, when together with State's controlling stake, the Company has as its shareholders global technological and investment leaders, acknowledged global oil and gas market players - BP, Qatar Investment Authority, Glencore, Petronas, Fidelity, Blackrock, J.P. Morgan Asset Management. Such shareholding structure ensures a unique balanced composition, which accounts for both, private and public investors' interests.

We are proud of such shareholder structure. Our outstanding achievement is the transaction implementation in tough market environment when the oil price fell to its minimum in 2016. Not without vanity, I like to note, that the unique transaction has been implemented despite the unprecedented market volatility, increased market and country risks, restrictions for capital raising and tough oil

market price environment. Completion of the transaction early this year became an important threshold of the Company's market reputation. I would like to thank all the Company's employees and other transaction participants for the outstanding result. Our joint work on the privatization allowed to secure cumulative payments to the Russian budget in the amount of 30% from all the prior Russian privatization proceeds since 1991. (This calculation includes the transaction, completed on January 3, and the previous preliminary placement in London in 2006 as well as shares sale to BP. So the cumulative amount made 30% from all the privatization revenues of our country since 1991).

The Company also substantially improved the quality of its portfolio after acquiring **69.3% of Bashneft voting shares and prompt integration** of its business. Following integration of Bashneft volume of hydrocarbons production of the consolidated company **increased by 8%, oil refining increased by 20%, overall quality of the refining assets has substantially improved and we will continue the work to maximize the synergy effect. Just for the first two quarters of 2017 the cash synergy from Bashneft integration will exceed RUB 40 bln.**

Last year, despite high competition for the asset, we have signed a contract for the acquisition of **49% stake in the Indian**

company Essar Oil, owing one of the largest and the most technologically advanced refineries in the world (Vadinar deepwater port is in the transaction perimeter) and 2,700 retail sites in the context of liberalization of the largest fast growing economy in the world. I would like to inform you, that legal formalities to guarantee Rosneft participation in Essar Oil capital and asset management have been settled yesterday. It can be noted. Upon completion of the technical procedures the transaction may be considered as closed.

Zohr project, also mentioned by Andrey Belousov, has become another milestone project where we participate together with ENI and BP. Rosneft's share of gas production will be increased by 9 bcma when this highly efficient project will reach the target capacity in 2020. Efficiency of the gas monetization is secured by the proximity to the important sales markets.

In 2016 we **actively attracted foreign world class strategic partners** to our projects with additional value for our shareholders generation. Indian companies became minority shareholders in Vankor and Taas-Yuryakh projects. We have signed an agreement with the Chinese Beijing Gas on participation in VChNG. Total Company's proceeds from those deals amount to circa \$6 bln.

Today Rosneft is an acknowledged leader in the world oil and gas industry among public companies with largest and

first class resource base in Russia and abroad, including a unique potential of offshore projects, strict control over operating and investment expenses, that is achieved, among other factors, due to the availability of high-quality internal oilfield services, an efficient integrated business model, presence at the strategic international markets.

Company's operating performance last year was one of the best in the industry.

First of all, the Company **increased hydrocarbons recoverable reserves to 137 bln boe.** In 2016 Rosneft carried out a **record volume of seismic surveys: 36,000 km of 2D seismic, and 12,000 sq. km. 3D seismic. 85 E&A wells were completed and tested with a success rate of 80%.**

The Company has reached its record historic **hydrocarbons production level. In 2016 Rosneft produced 265 mtoe.** Following Bashneft consolidation hydrocarbons production reached 280 mtoe.

Company's efficient brownfield operation should be especially noted. From the beginning of July our largest asset Yuganskneftegaz will reach its maximum daily oil production since 1986 - 184.5 ktpd. New oil field development approaches are the factors of success. This subsidiary demonstrates record drilling pace – 1,436 new wells commissioned, which exceeds

2015 level by 59%, the number of well interventions significantly increased, including horizontal wells completion with multi stage fracturing.

Commissioning of the greenfields (such as Suzun, Messoyakha) and efficiency improvements at the brownfields, execution of the intensive drilling program, which is secured by the developed internal oilfield services, contributed to the oil production growth in 2016.

Annual **production drilling grew by 35%** to more than 9.3 mln meters, with an increase of new wells by 43% to more than 2,600. Considering the significant drilling enhancement the share of the **internal oilfield service**, the development of which is the Company focus, is steadily exceeding **50% of the annual service scope, which prevents other market participants from price fixing and aggravation of the contracted services economics.** **The number of workover and well completion crews increased by 30% to 694, and the number of the acting drilling and workover rigs reached 600** and their technical specifications substantially exceed the average industry indicators.

Given large drilling scope the Company pays specific attention to the **drilling efficiency - so, the overall drilling rate increased by 12% over the previous year while the average well cost went down by 6%** while the tariffs were growing.

The Company is actively using highly technological oil field development with **horizontal wells**, their number **increased by 52%** in 2016 - up to 840 wells. In order to improve the efficiency of brownfields development the Company applies **multi-stage fracturing** of horizontal wells which allows to put edge and low-permeability field zones into commercial production. The number of new horizontal wells with multistage fracking **increased by 56%** in 2016. **About 10% of the total current producing well stock** of the Company, which exceeds 60 thousand, are now the **wells with horizontal completion, which secure 30% of the total production.**

Drilling technology with bottom hole pressure control has been successfully tested at Yurubcheno-Tokhoms koye field and drilling of **two-string wells with multistage fracturing** to reduce the drilling cycle by 30% was successfully tested in Yuganskneftegaz.

An **advanced large fracking technology** is applied at **Rospan** gas wells - with **two times less proppant injection as compared to the standard injection technology.** This drastically improves the efficiency of our work for gas and condensate production.

Another result of our work last year was reaching the **first place in volume of gas production in Russia among the**

independent producers. In Q4 2016 gas production hit the record of 193 mln cubic meters per day. Rosneft **gas business has high profitability and cash flow generation**, which are growing at high pace.

Gas production increased by more than 7% in 2016 and exceeded 67 bcm. Gas sales revenue went up by 14% and exceeded RUB 214 bln.

Gas business is one of the growth drivers for the Company. Substantial reserves and highly efficient gas projects portfolio make it possible for us to actively enhance gas production with the **average annual growth of more than 10%** and to become one of the three global gas producers at the **beginning of the next decade.** In 2018 we will start the second phase of the largest new hydrocarbon production project of the Company - Rospan, where the target total production in 2019 be circa 20 bcm of gas, 5 mln tons of gas condensate and oil and 1.2 mln tons of propane-butane mix.

Dear shareholders! The approved investment program for 2017-2018 includes annual investments of more than RUB 1 trln, half of it will be allocated to the new projects, most of which are at the final stage of construction. **Such program prepares us for the possible changes in the global market.** This year we plan to put into full production the **Yurubcheno-Tokhomskoye field.**

Next year we plan launch of **Russkoye and Tagulskoye** fields and **2nd phase of Srednebotuobinskoye**.

We continue implementation of our strategically important **offshore projects**. In 2016, Rosneft performed an **unprecedented scope of comprehensive geological and geophysical studies** in harsh Arctic and sub-Arctic environment. 54,500 km of 2D seismic in East-Arctic sector over 2014-2016, together with aerogravimagnetic and exploration **allowed to increase the number of prospects in the region from 57 to 172**.

Sakhalin offshore operations are especially important, as they provide technological and organizational competences, that should **become a foundation for successful implementation of Rosneft offshore projects portfolio**.

In 2016 we **have commissioned the fourth and the fifth wells in the northern tip of Chayvo field** at Sakhalin with the horizontal length of 11 km and increased the production up to 6.2 ktpd.

Currently, a **new record well O-5RD under Sakhalin 1** project is being completed, having **world record measured depth of 15 000 meters and vertical deviation of more than 14 000 meters**. **These results are unique for the global industry**.

Excellent world-class specialists, methods of environmental monitoring, exploration, infrastructure and production

technologies, applied in Sakhalin should all lay a **solid ground for Rosneft offshore business in for the decades to come.**

This year the Company will mark a **new page in the history of the Russian offshore development - exploration of resources** by drilling the first exploration well at “**Maria** structure” at the **Zapadno-Chernomorskaya** license area.

I am also pleased to report, that several days ago Rosneft pulled out **core indicating high oil saturation** from the upper section of the first target depth interval at **Central Olginskaya-1 well - the most northern well in the East Arctic offshore at Khatanga region** (where the drilling rig is located in the Khara-Tumus peninsula onshore, 200 meters away from the Laptev Sea). **The core, lifted from the depth of 2,300 meters indicates high reservoirs saturation with light oily fractions of hydrocarbons.**

Comprehensive studies, which we conducted in this region, show high probability of discovering new oil and gas province in the Laptev Sea region **with the total resources potential for geological reserves up to 9.5 bln toe. This group of fields is favorably located from the point of view of logistics to the Pacific Ocean, bringing Asian market closer. This project will become one of the most efficient and attractive projects in our portfolio.**

2016 was the first year, when the Company exceeded

100 mln tons volume of refining with 3.5% growth, while oil and petrochemical products sales grew by 4.6%. This year we will increase the refining volume by another 20 mln tons after acquisition of share in Essar project, which I have already mentioned.

As a result of upgrades at our Russian refineries, including commissioning of high-tech units at Kuibyshev and Angarsk refineries, **light products yield** grew to **56%**. **At the same time, production of Euro-5 gasoline and diesel fuel grew 1.5 times.**

Improved efficiency of conversion processes, development and production of new types of heavy fuel allowed a **15% reduction of fuel oil production** and an increase of conversion rate by 5.5 percentage points to **72%**.

Efforts continued aiming at **import substitution and own product range development** used in refining processes. Achinsk refinery began using its own catalyst for kerosene hydrotreatment, more own feedstock is used to load the petrochemical plants.

In 2016, the Company kept developing its **international trading business and expanding its international presence**, developing mutually beneficial long-term partnerships with the leading companies of the key countries in the world energy (such as PDVSA, CNPC, and global trading companies). In 2016, a joint venture was set up with the Italian company Pietro Barbaro for

vessel charter and efficient delivery of the Company's crude oil and petroleum products to the end consumers. This joint venture enabled Rosneft to become the owner of a whole tanker fleet, which we will use to transport our products by river-sea vessels.

Over 30 tankers are already under our management.

For the first time in the history of Rosneft's operations, highly profitable LNG supplies to Egypt were made.

Crude supplies to the East increased by 8.6% up to 43.1 mln t in 2016 through improved efficiency of sales and logistics. The Company signed several key oil supply contracts: a new contract was signed with ChemChina - one of the largest Chinese customers - and an additional agreement on increasing oil deliveries to China in transit through Kazakhstan up to 9 mln tons annually; supplies are made to CNPC through the port of Kozmino. As a result, we use all the possible supply routes.

One of the key milestones was the reorganization of our German business, where we opened a new office in Berlin with 50 staff, and plans to grow to 150. Asset swap with BP has been completed as part of Ruhr Oel GmbH JV reorganization, making Rosneft a controlling shareholder of Schwedt refinery in the East Germany, and increasing its share in Miro and Bayern Oil refineries. Thus, the Company became the third largest refiner in Germany with an annual throughput of 12.5 mtpa.

2016 was successful for our retail business: sales volumes grew by 6%, and EBITDA - by 5%. The Company operates in 66 regions of the Russian Federation and in several foreign markets. The retail business employs over 50,000 people, the number of retail transactions in 2016 **exceeded 600 mln.** One of our main priorities is stable supply of quality oil products to our clients, best quality services together with high sales efficiency. **The network of retail stations has become a basis for the development of non-fuel businesses - shops, cafes, banking services - its development is of the high priority to us.** Over the past 2 years, **we have increased the contribution of these businesses into consolidated revenue by 20%.**

The Company is making consistent efforts to ensure automated control over material flows and reduction of losses of hydrocarbons and oil products. In 2016, operational losses in Upstream were reduced by **10%**, and the amount of hydrocarbons for internal consumption went **down by 17%.**

We have built a reliable and efficient procurement process. The transparency of supply chain management, allowing for greater competition and equal access for market participants to procurement are ensured by an active use of modern electronic trading platforms and also by increasing the amount of long-term contracts. Over the year, **long-term contracts coverage** for the

range of key items **increased from 37% to 62%**. This ensures **the efficiency of procurement and enables purchase price reduction below inflation**.

Long-term contracts for works and services enables to freeze prices of previous years for 2016-2018. Thus, we excluded the impact of additional negative factors. **The additional efficiency of such supply contracts with constant cost control exceeds 10-15% for key categories of goods in comparison with current and forecasted market prices**. A comparative analysis of the Company procurement prices history (2016 vs. 2015) compared to the indices of the Federal Statistical Service demonstrates that inflation was retained for 8 key groups of materials at a zero level. It should be noted, that the Company is working actively to expand the access to procurement for small and medium business, with which we have signed contracts for amount of circa RUB 109 bln.

Last year we continued efficiency improvement. **Growth of oil production operating expenses per barrel**, excluding acquisitions, amounted to 2.5%, **which is below the inflation rate**. **Unlike other companies, for 20 consecutive quarters Rosneft continues to demonstrate sustainable positive free cash flow**. Despite the oil prices drop both in dollar and ruble terms, **EBITDA grew by 3% up to RUB 1.3 trn**.

It is important that despite the growth of investments and strategic acquisitions to strengthen its competitive position, the Company maintains its **leverage at a comfortable level - about 1.5x net debt to EBITDA. High credit rating of the Company** is confirmed by the leading global rating agencies.

As one of the largest Russian companies, Rosneft is aiming not only at high operating performance, but also at **contributing to the development and prosperity of the country, improvement of citizens' living standards.**

The Company **operates in 70 regions of the Russian Federation.** Following 2016, **cooperation agreements were signed with 40 regions of the Russian Federation,** where the Company operates.

The Company employs more than 300 thousand people and about 70 thousand contractor's employees.

Rosneft management team is multinational with ample experience and skills in many areas of the oil and gas business.

The company pays great attention to assets integrity and sustainability. **Security function has carried out certain activities to prevent material and financial damage,** maintain a normal rate of production and product sales and prevent unauthorized access to data and Company infrastructure. Total direct economic impact from Security function operations to

prevent and compensate damage is assessed at the level of **more than RUB 33 bln** in 2016.

Dear shareholders, I would also like to note that the Company **plays an important role as a contributor to the Russian budget. Total payments to the Russian budget exceeded 3 trillion rubles in 2016. Rosneft is the largest taxpayer in the Country.**

Summarizing the past years, Rosneft has become one of the most efficient companies in the world in terms of hydrocarbons production unit costs (\$ 2.6 per boe in 2016), in terms of portfolio of assets and quality of management. **The Company has implemented the best world standards of corporate governance amongst public companies, ensuring the transparency of management decisions, aiming at creation of shareholder value, comprehensive risk assessment and prompt resolution of any issues.**

At the same time, dear shareholders, the market continues to evolve. In its current position the Company is able to respond to the fundamental market changes, in fact, we can note tectonic shifts characterized by increased competition, complete change in the composition and quality of world regulators, and fiercer country competition. As discussed with the **President of the Russian Federation during my latest report on the**

development of the Company global risks are getting higher. Mr. President drew our attention and instructed us to discuss with you during this meeting (AGM) the development prospects of the Company in the context of market volatility and to develop approaches aimed at keeping the Company's leading positions.

Therefore, dear shareholders, I would like to draw your attention and **would like to articulate the Company's key priorities**, which will form the foundation for the new strategy- **Rosneft-2022**. As per the request of the President of the Russian Federation, we will develop and submit it to the Board of Directors by the end of this year. This new strategy shall be based on **a step change in the Company's business through a technological breakthrough, full-scale application of digital technologies across the entire organization**, persistent drive at cost reduction, increase of Refining margins based on flexibility of product mix, and also through transition to new management philosophy and organizational design.

In Upstream, we aim at technological breakthrough in liquid hydrocarbon production. We will deliver this objective by **increasing the share of highly-productive horizontal wells to 40% by 2020** and multi-hole wells, applying high-tech completion methods, including **multi-stage fracturing** of new and existing

wells. To achieve this, we will undertake a comprehensive analysis of the existing well stock and will optimize our geological and development models for our key producing assets using productivity improvement technologies, 3D/4D geomechanical and physics-chemical modeling. Particular attention should be paid to improving the efficiency and sustainability of and **operation of the existing well stock** to be achieved by using **high-quality pumping equipment**, oilfield and third-party services with a set commitment to deliver improvement in **meantime between failures**.

We also believe that the technological breakthrough in the Upstream should be driven by **commercial drilling speed increase**, reduction in power consumption, and in **workovers and well work operation cycle reduction**.

Achieving this alongside with intensified activity in areas from well pad construction to bringing wells to target operation regime will enable us to achieve a comparable **reduction of the well construction cycle of 8-10 days less** coupled with **well costs reduction by 10% by 2020** (before taking into account the impact of increase in share of horizontal wells).

Our work on efficiency of oilfield services improvement will be extended to well workovers segment and other oilfield services segments.

The Company aims at long-term contracts with well-equipped contractors, operating safely and adhering to Rosneft's industrial safety standards, and who provide guarantees for wells and the work performed. The target in this area is to **increase crew productivity by 20-30% by 2020.**

Having a substantial and constantly renewed drilling and workover fleets, the Company sets the task of increasing their utilization based on optimized rigs location, logistics and their supporting infrastructure. Our drilling service has a task of **increasing rig utilization rate by 20-30% in the short-term.** The company will continue to focus on **bringing in technology partners**, both for Upstream projects, Oilfield and other support services. For instance, jointly with local producers, **we are planning to use polymer-composite materials**, produce casing pipes of various diameters from composite materials and use them in the Company's fields with casing drilling technology to **reduce well construction cycle and the number of technological operations.**

The Company has a **great potential to push its technological edge** through pilot testing at "tail" least productive wells that make about 5% of the total well stock or circa 3,000 wells, and where the Company will consider **working with innovative small and medium businesses** on pilot technological

platforms at "tail" assets.

We will maximize the scale effect in infrastructure and support businesses based on regional clusters (Vankor, Yugansk, Sakhalin). Alongside with this, **uniform design of linear objects (pipelines and field facilities, etc.) will be introduced, with the expected additional 10% unit cost reduction in capital construction by 2020.**

Upstream initiatives should ensure a 95-98% success rate in exploration, dramatic improvement in drilling efficiency through technology and sidetracking while maintaining economic efficiency. The important result of this work by 2022 will be an organic increase of the annual oil production by 30 million tons.

The main strategic objective of Downstream is to profitability enhancement across the entire "value chain".

Given strong competition in global markets, it is important to "get closer" to the end customer. This is the only way for us to retain premium sales channels and respond as quickly as possible to changes in the market. Therefore, the Company will set the priority to the **development of refining assets in developed and emerging markets, as well as creation of trading and marketing "hubs" in or close to key markets combining sales on FOB and CIF basis.** One such example is

Rosneft's newly set up European hub, which will supply not only Russian oil to its own refineries in Germany, but also work much more closely with end customers of refined products. The Indian Vadinar Refinery owned by Essar Oil with its own logistics and developed retail network will become the basis for a hub oriented to the fast growing Asia-Pacific market. **Setting up regional hubs or regional centers, "cutting the distance" to the end customer will enable us to fully utilize potential of transport substitution, open opportunities for joint use of the infrastructure of the Company's partners, our largest strategic shareholders, which are present here, to generate additional margin.**

The main objective for Rosneft's oil refining business in Russia, given modernization is completed, will be to increase the combined efficiency of the refined petroleum product mix and introduce effective tools to optimize the operating modes of the refineries. Our goal will be to reduce turnaround period by factor of 2 in five years.

Furthermore, a program will be launched at all refineries to improve accuracy of fuel metering with automated calculation of material balance and linking the results with refining managers' motivation.

In addition to work on the current portfolio of refining assets,

Rosneft will actively develop its petrochemical and gas chemical businesses. Implementation of large-scale Upstream projects, such as Rospan, will significantly increase the volume of available petrochemical feedstock (naphtha, LPGs, NGL). Based on resource potential, the Company will actively work to develop its petrochemical and gas chemical facilities on the basis of both Russian and foreign assets - the FEPCO project, the project based on the Novokuibyshev Petrochemical Company, petrochemical facilities based on Essar assets (India), Refinery in Tuban (Indonesia), Refinery in Tianjin (China). We see the medium term strategic goal to increase the percentage of petroleum and gas chemistry to 20% of the total throughput of Rosneft's refining facilities. Such investments will be done with project financing, as well as with involvement of qualified partners providing necessary technologies and access to sales channels, which is especially important. For these purposes I propose to set up a new Petrochemical Department.

As part of the new Rosneft strategy we will work on transition to a holding management structure with a pilot in retail business segment. The Company will have to improve dramatically the quality of the integrated "process-project-personnel" operations chain.

As I mentioned earlier, we propose to prepare retail business

spin-off as a first phase pilot project.

This will allow to crystallize the financial result, increase capitalization, and increase bottom line accountability.

Today, in Russia alone, Rosneft has the largest retail business with almost three thousand retail stations, 152 depots, and a strong brand - the value of which is not fully notable in the consolidated financial results. Therefore, spinning off this business will help us to achieve a number of goals in the interests of Rosneft shareholders. As I have already mentioned, we will bring this for approval by the Board of Directors by the end of this year.

To achieve technological breakthrough, we will need to engage the best technology partners with world-class reputation and competencies. For these purposes, a few days ago the Company signed an agreement to establish a joint venture with General Electric, which will aim to introduce state of the art digital technologies and new standards of Industrial Internet for Rosneft assets. The implementation of the latest digital solutions based on Predix and Meridium platforms will enable us to optimize the systems for collecting, processing and analyzing industrial data "from well to pump" - as part of the exploration and development of oil and gas fields, refining and petrochemical processes – we will maximize control of material flows and

reduction of the errors, losses and inaccuracies due to "human factor".

To achieve the above both in Upstream and Downstream, as well as the tasks of accelerated digitalization of business, it seems expedient to set up a **Rosneft Technological Council**, whose purpose will be to search for and identify promising technologies, strengthen internal technological competences, effectively implement new technological solutions for the Company's assets. I would like to express my gratitude to a number of our colleagues who have already accepted the invitation to join the Technological Council: Robert Dudley, Chief Executive Officer of BP, George Lorenzo Simonelli, President of GE Oil and Gas, representatives of Russian and foreign academic circles (including Vladimir Litvinenko, Rector of Mining Institute, Sadovnichy Viktor, rector of the Moscow State University, and Andrey Akimov who is a member of the Board of Directors, head of Gazprombank, and, as you may know, the bank is a shareholder of the largest production cluster closely related to our sector, including Uralmash - the drilling rigs manufacturer).

On behalf of the President of the Russian Federation, I would also like to discuss with you the proposal to increase dividend payout to 50% of IFRS based net profit, starting from 2017 onwards.

I must immediately say – that we support this decision, it will set an important trend in increasing the dividend yield for our shareholders and, in our view, will positively impact the Company's capitalization. We will soon submit our proposals to the Government of the Russian Federation.

The above strategic priorities of **Rosneft-2022** will add a "new quality" to the Company's development and will enhance the quality of management, making it not only in line with the requirements of the changing external environment, but also making the management system as adaptive as possible. **Implementation of Rosneft-2022 five-year development strategy will enable the Company to improve the long-term competitiveness of its business in the key areas, increase the annual production by 30 million tons of incremental oil, and create 25-30% of additional Rosneft capitalization relative to the current market value. I am certain that the Company and its management are capable to achieve set goals, and ensure a significant increase of returns to our highly respected shareholders.**

To conclude, I would like to quote our President Vladimir Putin in his message to the Federal Assembly about launching a "large-scale system-wide programme to develop an economy of a new technological generation, the so-called digital

economy," with leading Russian companies playing a key role in delivering this. We believe that it is Rosneft, with its powerful potential, continuously enhancing competencies in the most advanced technological areas, that can and should become such a foundation.

We will not to let you down.