

Oil and Gas Industry Barometer 2018

The base for future growth: maintaining performance indicators and keeping up with the pace of technology

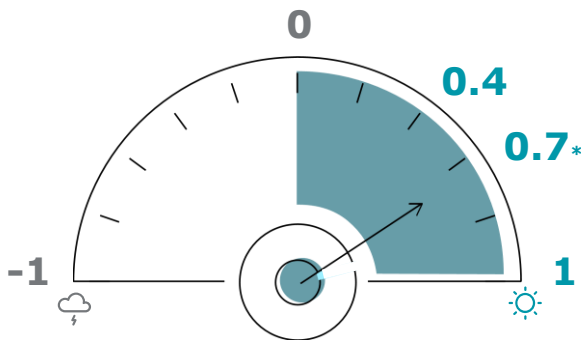
We are happy to present results of our annual research **"Oil and Gas Industry Barometer"**. This research based on expert interviews with top management of leading oil and gas companies in Russia.

We would like to thank our experts for their participation.

If you have any questions regarding research in oil and gas industry please contact Deloitte CIS Research Center cisresearchteam@deloitte.ru.

Market sentiment

Interviews with experts show that the representatives of the O&G industry are optimistic about both the current state of affairs and the outlook for the industry.



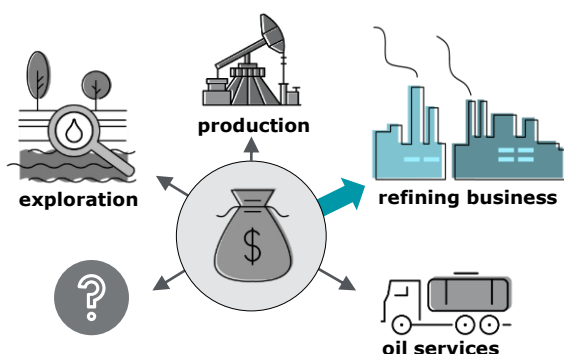
0.7* The current state of affairs in Russia's O&G industry

0.4 The current state of affairs in an archetypal Russian O&G company

0.4 The outlook for the Russian O&G industry

0.4 The outlook for an archetypal Russian O&G company

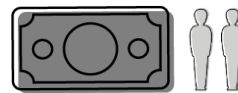
We polled our experts regarding the key areas of investment in 2018. The absolute majority is not going to invest in other industries and will remain 'faithful' to the O&G industry, particularly to the **refining business**.



Expectations for companies' key performance indicators

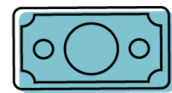
Our O&G experts expect the market to grow slightly in 2018.

to stay at the 2017 level



- Operating costs
- Cost of capital
- Headcount
- Average salary

slight growth



- The company's revenue
- The company's profit



The representatives of the O&G industry do not expect costs to change in the key operation areas such as seismic exploration, exploration drilling, or the number of filling stations. No increase in product investments or service range expansion is anticipated either.

Experts expect an insignificant increase in production drilling costs.

Expectations relating to the industry trends

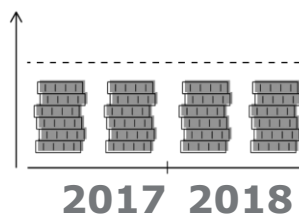


When speaking on the topic of oil demand in Russia in 2018, our O&G experts expect it to remain flat compared to the current levels.

The CEOs of O&G companies expect the global demand for oil to increase slightly.



The local demand for gas is likely to increase slightly. While the global demand for gas is set to grow significantly.



Our O&G experts believe that the oil and gas prices in 2H2018 are set to remain at the level of the end of 2017 or early 2018.

Drivers and barriers for the industry



Top 5 barriers

to industry development in 2018:

- Deficiencies of government regulation of the industry
- Growing field development costs
- Corruption
- Constrained accessibility of foreign capital
- Lack of high technology



Top 5 drivers

of industry development in 2018:

- Investments in technology development
- Business development through organic growth
- Launch of new products/services on the market
- Cost cutting
- Short-term capital optimization and operating model revision



Sources of financing

Top 3 sources of financing:



Russian investments



State subsidies



Loans from foreign banks

Technology and green initiatives

Our O&G experts singled out the following most sought after technologies in the industry:



Big data processing applications



Full automation of business process chains



Cloud-based information technologies

Companies allocate up to 1 percent of the revenue to R&D for leading-edge technology development and plan to increase investments to 1-5 percent of the revenue.

Overall, our O&G experts view the operations of companies in the area of green initiatives as rather active while the significance of environmental risks remains high. However, the efficiency of environmental risk management is seen as average, at most.

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