



PUBLIC JOINT STOCK COMPANY GAZPROM NEFT
(GAZPROM NEFT PJSC)

PRESS RELEASE

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Gazprom Neft 1H 2018 net profit up 1.5-fold

- **Net profit of RUB166.4 billion, a 49.6% increase** on 1H 2017
- **Adjusted EBITDA* of RUB368.2 billion, a 49.8% increase** on 1H 2017
- **Free cash flow (FCF) of RUB47.5 billion, a 77% increase** on 1H 2017

For the first six months of 2018 Gazprom Neft achieved revenue** growth of 24.4% year-on-year, at one trillion, 137.7 billion rubles (RUB1,137,700,000,000). The Company achieved a 49.8% year-on-year increase in adjusted EBITDA, to RUB368.2 billion. This performance reflected positive market conditions for oil and oil products, production growth at the Company's new projects, and effective management initiatives. Net profit attributable to Gazprom Neft PJSC shareholders grew 49.6% year on year, to RUB166.4 billion. Growth in the Company's operating cash flow, as well as the completion of key infrastructure investments at new upstream projects, delivered positive free cash flow of RUB47.5 billion for 1H 2018.

Total hydrocarbon production (including Gazprom Neft's share in production at joint enterprises) in the first six months of 2018 amounted to 44.9 million tonnes of oil equivalent (mtoe), an increase of 2% year-on-year. This was driven by higher production at new fields (Novoportovskoye and Vostochno-Messoyakhskoye) and an increase in Gazprom Neft's interest in Arktikgaz, from 46.6% to 50% in March 2018.

First-half refining volumes increased by 9,8%, having been restored following the completion of a planned refinery maintenance in 1H 2017. Light petroleum product output also outperformed as a result of improved refining efficiency. The Company also increased its sales of oil products through premium sales channels, by 6.4% year-on-year, to 12.8 million tonnes.

Alexander Dyukov, Chairman of the Gazprom Neft Management Board, commented: "Gazprom Neft has seen a 1.5-fold increase in its operating profit in the first half of 2018, once again confirming its market-leading position in terms of financial growth. In an environment of curtailed oil production, the company has focused on increasing operating efficiency: industry trends and inflationary factors notwithstanding, Gazprom Neft reduced the unit costs of crude production at mature fields by eight percent year-on-year, as well as ensuring optimum refining volumes in current marketing conditions, and increasing sales of oil products."

* Adjusted EBITDA includes that proportion of EBITDA arising from associated or jointly controlled companies, calculated in terms of equity participation.

** With effect from 1 January 2018 the Group moved over to the new IFRS 15 definition of "Revenue from Contracts with Customers", leading to changes in accounting policies and adjustments to certain sums recognised in the company's financial accounts. Export duties are reflected in revenue totals, and the excise duty on sales levied in Serbia in the form of a sales tax is excluded.

Key financial data

2Q	1Q	Δ, %		6 months		Δ, %
2018	2018			2018	2017	
617,103	520,633	18.5	Sales (RUB millions)	1,137,736	914,332	24.4
639,592	541,202	18.2	Sales (revenue) including excise duties (RUB millions) ^{***}	1,180,794	944,274	25.0
193,130	137,449	40.5	EBITDA (RUB millions)	330,579	218,216	51.5
212,403	155,797	36.3	Adjusted EBITDA (RUB millions)	368,200	245,807	49.8
20.40	16.65	22.5	USD/boe	18.63	12.99	43.4
96,810	69,665	39.0	Profit attributable to shareholders in Gazprom Neft PJSC (RUB millions)	166,475	111,269	49.6
127,180	83,109	53.0	Cash flow from operations	210,289	181,128	16.1
35,949	11,585	210.3	Free cash flow	47,534	26,893	76.8
1.01	1.17	(13.9)	Net debt / EBITDA	1.01	1.37	(26.3)

Key operational data

2Q	1Q	Δ, %		6 months		Δ, %
2018	2018			2018	2017	
168.51	164.55	2.4	Hydrocarbon production including the company's share in joint ventures (mboe)	333.06	326.37	2.0
22.72	22.20	2.3	Hydrocarbon production including the company's share in joint ventures (mtoe)	44.92	44.02	2.0
10.44	10.13	3.1	Refining volumes at the company's own and jointly-owned facilities (million tonnes)	20.57	18.73	9.8
6.74	6.10	10.5	Sales volumes through premium channels (million tonnes)	12.84	12.07	6.4
2.81	2.67	5.4	Sales volumes through the Gazprom Neft filling station network (million tonnes)	5.48	5.23	4.8

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^{***} For reference – "Sales (revenue) including excise duties" include excise duties on sales in international markets (Sales), applied until Q4 2017.