



PUBLIC JOINT-STOCK COMPANY GAZPROM NEFT
(GAZPROM NEFT PJSC)

PRESS RELEASE

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Gazprom Neft reports 23% year-on-year increase in net income for H1 2017

Gazprom Neft (the “Company”) today publishes its consolidated IFRS financial statements for Q2 and H1 2017.

- *Net income of RUB 111 bn for H1 2017, a year-on-year increase of 23.1%, driven by organic growth and management efficiency initiatives*
- *Adjusted EBITDA* of RUB 246 bn for H1 2017, an increase of 20.8% year-on-year*
- *H1 2017 hydrocarbon production, inclusive of joint venture operations, up 5.3% year-on-year to 44.02 m tonnes of oil equivalent*

In H1 2017, the Company’s revenue, including duties (sales), increased by 22.5% year-on-year to RUB 944 bn. Adjusted EBITDA grew by 20.8% year-on-year to RUB 246 bn, supported by the successful development of new projects, recovery in crude oil and petroleum products prices and management efficiency initiatives.

The net income attributable to the Company’s shareholders amounted to RUB 111 bn in H1 2017, an increase of 23.1% year-on-year.

In H1 2017, hydrocarbon production, inclusive of joint venture operations, reached 44.02 m tonnes of oil equivalent, an increase of 5.3% year-on-year. This was driven by production ramp-up at the new Novoportovskoye, Prirazlomnoye and Messoyakha fields, as well as in Iraq.

The reduced volume of oil refining in H1 2017 was in-line with the Company’s annual production plan, which factors in scheduled overhaul of large-process ring units at the Moscow Refinery as well as crude oil distillation units (CDU-4) at the YaNOS Refinery. At the same time, in H1 2017 Gazprom Neft increased its retail sales in the fuel market by 6.1% and sold more than 5.2 m tonnes of petroleum products through its own filling station network.

Commenting on the H1 2017 results, **Alexander Dyukov, Chairman of the Management Board of Gazprom Neft**, said:

“The Company has delivered solid financial and operating results supported primarily by improved efficiencies across all business lines as well as strong organic growth. Gazprom Neft maintains a leading position in operational efficiency in the Russian oil

sector, whilst continuing to consistently expand the scale and geography of its operations despite challenging market conditions. We are focused on achieving our strategic objective to become a major international player with a diversified portfolio of assets across the value chain.”

* Adjusted EBITDA includes the share of EBITDA of associated and jointly controlled companies accounted for under the equity method

Financial highlights

Q2	Q1	Δ, %		6M		Δ, %
				2017	2016	
475,668	468,606	1.5	Sales (RUB m)	944,274	771,077	22.5
114,361	103,855	10.1	EBITDA (RUB m)	218,216	178,985	21.9
128,013	117,794	8.7	Adjusted EBITDA* (RUB m)	245,807	203,531	20.8
13.69	12.30	11.3	USD/boe	12.99	9.32	39.3
49,316	61,953	(20.4)	Income attributable to Gazprom Neft PJSC shareholders (RUB m)	111,269	90,395	23.1
115,973	65,155	78.0	Cash flow from operations	181,128	145,795	24.2
1.37	1.45	(5.5)	Net debt / EBITDA	1.37	1.81	(24.3)

Operating highlights

Q2	Q1	Δ, %		6M		Δ, %
				2017	2016	
163.61	162.76	0.5	Hydrocarbon production including our share of joint ventures (mboe)	326.37	310.76	5.0
22.07	21.95	0.5	Hydrocarbon production including our share of joint ventures (mtoe)	44.02	41.82	5.3
9.95	8.78	13.3	Refining at own refineries and joint venture refineries (mt)	18.73	20.65	(9.3)
6.51	5.56	17.1	Sales through premium channels (mt)	12.07	11.85	1.9
2.72	2.51	8.4	Sales through retail channels (mt)	5.23	4.93	6.1

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