



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

PRESS RELEASE

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Gazprom Neft reports Net Profit growth of 82.5 % Y-o-Y for its FY 2016 financial results

Gazprom Neft publishes its consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for Q4 and FY 2016.

Highlights:

- *Net Profit of RUB 200 bn for FY 2016, an increase of 82.5% Y-o-Y*
- *Adjusted EBITDA for FY 2016 increased 12.7% Y-o-Y, to RUB 456 bn*
- *Production for FY 2016 increased 8.2%, to 86.20m tonnes of oil equivalent*
- *Petroleum product sales through Gazprom Neft's retail network grew 2.9% Y-o-Y for 2016*
- *Q4 2016 adjusted EBITDA increased 8.2% Q-o-Q, amounting to RUB 131 bn. Net Profit was RUB 53 bn.*

Increased production and management efficiencies drove a 12.7% Y-o-Y increase in Adjusted EBITDA* (earnings before interest, income taxes, depreciation and amortization) for FY 2016, to RUB 456 bn. The net income attributable to shareholders of PJSC Gazprom Neft increased 82.5% Y-o-Y and amounted to RUB 200 bn.

In Q4 2016, adjusted EBITDA increased 8.2% Q-o-Q to RUB 131bn, due to significant production growth at the company's major new projects. The net income attributable to shareholders of PJSC Gazprom Neft amounted to RUB 53bn in Q4 2016.

In 2016, the company increased hydrocarbon production by 8.2% Y-o-Y, to 86.20m tonnes of oil equivalent (mtoe). This was supported by a number of factors: continuing production growth at the Novoportovskoye and Prirazlomnoye fields, and at the SeverEnergiya (Arcticgaz) fields, the commissioning of the East Messoyakhskoye field for industrial development; consolidation of 50% of the production volumes of Northgas CJSC; and an increase in the efficiency of beneficial use of gas produced in the Khanty-Mansi Autonomous Region (KMAR) and the Orenburg Region.

* *Adjusted EBITDA includes the share of EBITDA of associated and jointly controlled entities accounted for using the equity method*

The Gazprom Neft refineries and the processing assets of the company's joint ventures delivered total processing volumes of 41.89m tonnes in FY 2016, which was optimal given the demand and pricing environment for oil and petroleum products. At the same time, the company increased production of light petroleum products by 1.5% Y-o-Y, to 25.8m tonnes, growing the share of light oil product output, one of the key performance indicators of oil refining, by 2.6 percentage points, to 64.4%. Despite challenges in the petroleum product market, Gazprom Neft increased its retail sales by 2.9% having sold 10.45m tonnes of petroleum products through its retail network in 2016.

In Q4, Gazprom Neft increased hydrocarbon production by 4.6% Q-o-Q, to 22.68 mtoe, due to increased production at Novoportovskoye and the commissioning of the East Messoyakhskoye field in September 2016. The volume of oil refining in Q4 2016 increased by 1.1% Q-o-Q to 10.68m tonnes.

Alexander Dyukov, Chairman of the Management Board of Gazprom Neft, said: "Gazprom Neft's financial performance in 2016 is a clear demonstration of the strength of our business. The company has once again proven its consistently strong operations and is delivering a successful strategy despite challenging macro conditions.

Gazprom Neft's exceptional Net Profit growth in 2016 was supported by the company's strategic projects. In production, this primarily relates to Gazprom Neft's Arctic projects. In 2016, the company commenced the full-scale development of the Novoportovskoye and East Messoyakhskoye continental fields. At Prirazlomnoye, the only producing field on the Russian Arctic shelf, production in 2016 increased 2.5 times compared to 2015.

Through our constant focus on optimising operations at Gazprom Neft's oil refineries we are able to process profitably despite the challenging conditions. The company continues to enhance efficiency at its refineries as we implement the second stage of our modernization programme. An important project in 2016 for Gazprom Neft was the development of the production of catalysts in Omsk. The industry-wide significance of the project has been recognised by the Russian Ministry of Energy, which assigned it the status of a national project.

Despite an overall decline in market activity, the company increased petroleum product sales through its retail network, grew sales of high-tech bitumen products and lubricants, and extended its bulk fuel installation network at Russian airports.

Gazprom Neft's strong performance has enabled the company to maximise value for its shareholders. In 2016, the company's value in roubles reached a company record level. This market confidence is testament to our achievements and the hard work of our team across the business."

Financial Highlights

Q4	Q3	Δ, %		12 months		Δ, %
2016	2016			2016	2015	
474,438	450,249	5.4	Sales (RUB, m)	1,695,764	1,655,775	2.4

114,416	108,876	5.1	EBITDA (RUB, m)	402,277	345,160	16.5
131,329	121,338	8.2	Adjusted EBITDA* (RUB, m)	456,198	404,811	12.7
12.37	11.65	6.2	USD / barrels o.e.	10.63	11.21	(5.2)
52,699	57,085	(7.7)	Profit attributable to Gazprom Neft PJSC shareholders (RUB, m)	200,179	109,661	82.5
78,189	89,819	(12.9)	Cash flow from operations	313,803	285,175	10.0
1.60	1.78	(10.1)	Net debt / EBITDA	1.60	1.90	(15.8)

Operating Highlights

Q4 2016	Q3 2016	Δ, %		12 months		Δ, %
				2016	2015	
168.28	161.13	4.4	Hydrocarbon production taking into account the share in joint ventures (m barrels o.e.)	640.17	592.21	8.1
22.68	21.69	4.6	Hydrocarbon production taking into account the share in joint ventures (Mt o.e.)	86.20	79.70	8.2
10.68	10.56	1.1	Volume of processing at own refineries and joint venture refineries (Mt)	41.89	43.07	(2.7)
2.79	2.73	2.4	Sales through retail network (Mt)	10.45	10.16	2.9

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