



PUBLIC JOINT STOCK COMPANY GAZPROM NEFT
(GAZPROM NEFT PJSC)

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Gazprom Neft reports IFRS financial results for 2Q and 1H 2016

Gazprom Neft PJSC has published its consolidated financial results, in accordance with International Financial Reporting Standards (IFRS) for 2Q and 1H 2016.

The current macroeconomic environment notwithstanding, increasing production and the adoption of various management decisions directed at optimising refining volumes as well as the range and nature of the company's product mix resulted in a 1.9% Y-o-Y increase in adjusted EBITDA (earnings before interest, taxation, depreciation and amortization), reaching 204 RUB billion.* After one-time adjustments (arising from provision charges for impairment, as well as advances against fixed (non-current) assets), net profit attributable to shareholders in Gazprom Neft PJSC in the first six months of 2016 reached 104 RUB billion, a 7.1% Y-o-Y increase.** Net profit attributable to shareholders in Gazprom Neft in 1H 2016 totaled 90.4 RUB billion.

Adjusted EBITDA for 2Q 2016 increased by 11.2% against 1Q 2016, reaching 107 RUB billion – the result of an upward crude price trend, in addition to higher prices for oil products in 2Q 2016. Net profit attributable to shareholders in Gazprom Neft PJSC totaled 48.9 RUB billion in 2Q 2016, an increase of more than 17.6% Q-o-Q. The rise in net profit is the result of the positive impact of higher adjusted EBITDA, as well as foreign currency gains on the revaluation of the company's loan portfolio.

1H 2016 results show a 10% Y-o-Y increase in hydrocarbon production, reaching 41.82 million tonnes of oil equivalent (mmtoe). This increase in production is the result of continuing production growth at SeverEnergia (Arcticgas) fields, sustained production volumes at Northgas, rising production at the Prirazlomnoye and Novoportovskoye fields, and increasing gas utilization at fields throughout the Khanty-Mansiysk and Orenburg regions, as well as the maintenance of production volumes at mature fields. Total production of hydrocarbons including the company's share in joint ventures reached 20.88 mtoe in 2Q 2016.

A total of 20.65 million tonnes of crude was processed at Gazprom Neft refineries and JV refining assets in 1H 2016 (a decrease of 3.1%). Refining volumes were maintained at an optimum level given the prevailing level of demand and the competitive pricing environment for oil and oil products. Production volumes of light oil products, moreover, were steady Y-o-Y.

Refining volumes at Gazprom Neft refineries increased by 1.9% in 2Q 2016, reaching 10.42 million tonnes. This growth was due to higher utilization rates at the Moscow refinery and NIS, in response to rising demand and a stronger price environment for crude and oil products.

Sales of oil products through premium retail channels reached 6.16 tonnes in 2Q 2016, a 9% rise Q-o-Q. Sales through the Gazprom Neft retail network throughout Russia and the CIS, as well as through the company's retail network in the Balkans, increased by 9.8% Q-o-Q, reaching 2.58 million tonnes.

**Adjusted EBITDA includes share of EBITDA from associated and jointly controlled companies recorded by equity accounting method*

***Net income for 6M 2016 was adjusted for the cost of impairment provisions for advances and fixed assets. Net income for 6M 2015 was adjusted for one-time profit from the write-off of liabilities associated with Tomskneft. Net income adjustments are made taking into account the effect on income tax.*

Key financial data

2Q 2016	1Q 2016	Δ, %		6 months		Δ, %
				2016	2015	
405,075	366,002	10.7	Sales (RUB million)	771,077	803,260	(4.0)
95,584	83,401	14.6	EBITDA (RUB million)	178,985	175,769	1.8
107,166	96,365	11.2	Adjusted EBITDA* (RUB million)	203,531	199,766	1.9
48,854	41,541	17.6	Profit attributable to Gazprom Neft shareholders (RUB million)	90,395	112,354	(19.5)
62,531	41,541	50.5	Adjusted for one-off items profit attributable to Gazprom Neft shareholders (RUB million)	104,072	97,199	7.1
62,299	83,496	(25.4)	Operating cash flow	145,795	143,998	1.2
1.81	1.83	(1.3)	Net debt / EBITDA	1.81	1.44	25.8

Key operational data

2Q 2016	1Q 2016			6 months		Δ, %
				2016	2015	
155.16	155.60	(0.3)	Hydrocarbon production including our share of joint ventures (MMboe)	310.76	282.06	10.2
10.42	10.23	1.9	Refining throughput at own refineries and joint ventures (MMtonnes)	20.65	21.32	(3.1)
6.16	5.65	9.0	Sales volume through premium channels (MMtonnes)	11.81	12.32	(4.1)
2.58	2.35	9.8	Sales volume through the Gazprom Neft filling station network (MMtonnes)	4.93	4.76	3.6

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