



**PJSC “RUSSNEFT” PRESS SERVICE
PRESS-RELEASE**

Tel.: (495) 411-63-24; (495) 411-63-21 Fax: (495) 411-63-19 E-mail: pr@russneft.ru www.russneft.ru	115054, Moscow, Pyatnitskaya str., 69
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PRESS-RELEASE

25 August 2017

**PJSC “RussNeft” publishes its financial results
under IFRS for H1 2017**

PJSC “RussNeft” (hereinafter “RussNeft” of “Company”) publishes its interim abbreviated consolidated financial statements for H1 2017 prepared under the International Financial Reporting Standards (“IFRS”).

Key indicators:

- In H1 2017, the revenue grew 15.4% against the same period last year and reached 57.7 billion roubles.
- The net profit accruing to the shareholders was 3.2 billion roubles which is 10.2 billion roubles less against H1 2016 mostly due to the lower exchange gain.
- EBITDA was 12.2 billion roubles, EBITDA margin was at a level of 21.1%.
- Oil sales increased 3% up to 3.6 million tonnes¹.
- The net debt was 80.7 billion roubles as of June 30, 2017; the net debt to EBITDA ratio² was at a level of 3.3.

¹ Less the Azerbaijan assets

² EBITDA is calculated for the last 12 months and reaches 24.7 billion roubles

Key financial results of the activity

billion roubles	H1 2017	H1 2016	Change
Revenue	57.7	50.0	15.4%
EBITDA ³	12.2	12.8	(4.7)%
EBITDA margin	21.1%	25.6%	(4.5) p.p.
Net profit accruing to the Company's shareholders	3.2	9.2	(65.2)%
Net profit (loss) accruing to the Company's shareholders (net of the exchange gain)	2.9	(1.4)	-

Financial and operational performance

In H1 2017, the Company demonstrated stable financial and operational results.

The revenue increased 15.4% up to 57.7 billion roubles. The revenue growth was due to the positive market environment as well as light increase of oil production against the same period of the last year.

In the reporting period, the net profit accruing to the shareholders was 3.2 billion roubles which was 65.2% below the level of the same period last year. The drop of the net profit was due to the essential reduction of the exchange gain. Discounting this factor, the net profit accruing to the shareholders was 2.9 billion roubles against the loss of 1.4 billion roubles in H1 2016.

EBITDA was 12.2 billion roubles which is 4.7% below the level of H1 2016. EBITDA margin reduced 4.5 percent points down to 21.1% in H1 2017. The EBITDA and EBITDA margin profiles were conditioned by the changes in the RF tax law as well as higher commercial and operational costs due to the inflationary component.

In H1 2017, the oil sales⁴ increased 3% up to 3.6 million tonnes including 2.1 million tonnes in the domestic market; the export sales were 1.5 million tonnes including Belarus.

Debt portfolio

As of June 30, 2017, the net debt was 80.7 billion roubles, with the net debt to EBITDA ratio⁵ of 3.3. The debt to VTB Bank got stabilized at a level of \$1.26 billion or 74.6 billion roubles.⁶

³ Including the adjustment for single-time expenses (income) and exchange gain

⁴ Based on the management accounts data including oil purchase from third parties

⁵ EBITDA was calculated for the last 12 months and reaches 24.7 billion roubles

⁶ According to the Central Bank of RF, the USD/RUB exchange rate was 59.0855 RUB/USD as of June 30, 2017

The Company consistently optimizes its debt portfolio. In 2015-2016, “RussNeft” repaid \$1.0 billion ahead of schedule and performed restructuring of the debt to VTB Bank extending the debt repayment due time through 2016 insignificantly increasing the interest rate.

Capital expenses⁷

The capital expenses in H1 2017 increased 68% against the same period last year and reached 12.7 billion roubles.

The capital expenses increased in the reporting period mostly due to the production drilling growth as well as the gas program implementation. In H1 2017, the drilling meterage increased 30% up to 225 thousand metres against the same period last year. 51 new production wells were commissioned after drilling.

The tests, performed at Sredne-Shapshinskoye field in H1 2017, showed high production rate from Bazhenov deposits of 100 tonnes per day. The development of Bazhenov formation is one of the most promising projects of the Company; its 2P reserves are 10.5 million tonnes of oil.

Tagrinskoye field gas transport infrastructure extension works were completed under the gas program which will allow the Company to sell extra volumes of the associated petroleum gas.

“RussNeft” will continue to implement its investment program in accordance with the updated strategy aiming at the hard-to-recover reserves development.

Full version of the financial results under IFRS is available at:

http://russneft.ru/shareholders/financial_statements/

Contact details for mass media

+7 (495) 411- 63- 24

pr@russneft.ru

Contact details for investors

+7 (495) 411-63-09

ir@russneft.ru

About the Company:

PJSC “RussNeft” ranks among the Top-10 largest oil companies by crude oil production in Russia.

The Company possesses a well-balanced portfolio of assets located in key Russian oil&gas provinces (West Siberia, Volga-Urals and Central Siberia) as well as in Azerbaijan.

Total 2P reserves of the Company exceed 200 million tonnes (SPE). The Company’s personnel are around 10,000 employees.

⁷ According to the management accounts data

The charter capital of the company consists of 294 120 000 ordinary shares and 98 032 000 cumulative privilege shares. Gutseriev's family members own 60% of the charter capital of the Company, Glencore plc and its subsidiaries own 25% of the charter capital of the Company, the other ordinary shares are in circulation at Moscow Exchange (MOEX: RNFT).

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