



March 29, 2017

PJSC “RussNeft” publishes financial results in accordance with IFRS for 2016

PJSC “RussNeft” (hereinafter referred to as “RussNeft” or the “Company”) publishes its audited consolidated financial statement for 2016 prepared in accordance with the International Financial Reporting Standards (IFRS).

Highlights:

- In 2016 EBITDA grew by 21% up to 25.2 billion RUB, EBITDA margin increased by 4 p.p. up to 24%.
- The net profit amounted to 13.4 billion RUB against the loss of 26 billion RUB in 2015 mainly due to the negative effect of exchange rate differences.
- The oil production totaled 7.5 million tonnes in 2016¹.
- The Company made an early repayment of the debt in the amount of 1 billion USD (incl. 300 million USD in December 2015), which allowed to reduce the debt burden to a more comfortable level.
- The net debt amounted to 82.0 billion RUB as of the end of 2016, net debt/EBITDA ratio was 3.3.
- The Company's ordinary shares started trading at MOEX on November 25, 2016. The shares were included into the first quotation list of the stock exchange, the total demand exceeded the offering size by more than 30%.
- The debt was restructured and the payment schedule was revised in the end of 2016. The principal maturity was extended until March 2026 with the interest rate insignificant change.

Key financial results

billion RUB	2016	2015	Change
Revenue	105,0	104,8	+0,2%
EBITDA ²	25,2	20,9	+21%
EBITDA Margin	24%	20%	+4 p.p
Net profit (loss)	13,4	(26,0)	-
Net profit (loss), attributable to the shareholders of the Company	14,9	(27,7)	-

¹ Including production related to Azerbaijan assets in the amount of 0.5 million tonnes

² With adjustments for one-off expenses and exchange rate differences

Financial and operating performance

RussNeft showed sustainable financial and operational performance in 2016 despite the volatility in the commodity and foreign exchange markets. The revenue increased by 0.2% and amounted to 105.0 billion RUB. EBITDA amounted to 25.2 billion RUB which is 21% higher than in 2015. EBITDA margin grew by 4 p.p. up to 24% in 2016. Positive dynamics of EBITDA and EBITDA margin are mainly explained by an increase of high-margin oil volumes in the production structure as well as the positive effect of the time lag on export duty.

The net profit for the reporting period amounted to 13.4 billion RUB. The net profit negative values in 2015 were attributed to recognition of significant negative exchange rate differences.

In 2016 the volume of crude oil³ sales totaled 7.2 million tonnes including 4.4 million tonnes of oil sales at the domestic market and 2.8 million tonnes of export sales including million deliveries to the Republic of Belarus.

Debt portfolio

As at the end of 2016 the net debt was 82.0 billion RUB with net debt/EBITDA ratio of 3.3.

The management of the Company and its majority shareholders make significant efforts to optimise the debt portfolio. RussNeft repaid, ahead of schedule, 1.0 billion USD (66.8 billion RUB at the exchange rate as of the payment dates) to VTB bank including a partial repayment of 300 million USD (21.2 billion RUB at the rate as of the payment date) in April 2016. Early loan repayment was made using the money received from a related party to a bill of exchange agreement. During the year 2016, the Company issued shares to repay the bill debt by converting it into shares.

In December 2016, RussNeft also restructured its debt to VTB, which implies more comfortable conditions for the Company, in particular, extension of maturity until 2026 with insignificant increase of the rate.

Capital expenditures⁴

The debt restructuring allowed the Company to release the funds and use them to implement a renewed investment programme aimed at the increase of high-margin oil share in total production. Thus, CAPEX grew by 39% in 2016 compared to the previous year and reached 17.3 billion RUB.

In 2015-2016 the Company carried out a large-scale work to revise the field development technologies and consequently the CAPEX programme. Starting from 2016, RussNeft has been actively working on wells construction and bringing new reserves into production.

CAPEX growth in 2016 was mainly due to production drilling increase. The drilling meterage for 2016 amounted to 371 thousand meters, a 30% increase year-on-year. 105 new producing wells were put into operation which is 31% more than in 2015.

³ Based on management accounting data taking into account oil purchase from third parties

⁴ Based on management accounting data

As a result of the optimised programme for the development of brownfields and integration of new fields the Company managed to increase the average daily oil production by 6% in H2 2016.

Cost cutting programme and strategy

In November 2016, PJSC “RussNeft” Board of Directors accepted the new strategy providing the Company’s long-term and sustainable growth by increasing hydrocarbon production, including by developing hard-to-recover reserves. The strategy aimed at production growth up to 11 million tonnes per year by 2025.

In addition, the Programme of operational improvements was developed with the estimated potential economic effect amounting to 3 billion RUB by the end of 2021. The Programme is being implemented in the following key directions: increase of labor productivity, improving development and geology efficiency, and decrease in costs and time of well construction and other measures aimed at optimisation of operation processes and costs.

Full version of IFRS financial statements is available at the link:

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

For Media

+7 (495) 411 63 24

pr@russneft.ru

For Investors

+7 (495) 411-63-09

ir@russneft.ru

About the Company:

PJSC “RussNeft” is ranked among the 10 largest oil companies by crude oil production in Russia.

The Company possesses a well-balanced diversified asset portfolio 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 number of the Company’s personnel is around 10,000 employees.

The Charter Capital includes 294 120 000 of ordinary and 98 032 000 privileged shares. The Gutseriev family members own 60% of the Company’s Charter Capital, Glencore plc and its subsidiaries have 25% of the Charter Capital of the Company, other shares are traded at Moscow Exchange (MOEX: RNFT).

Information provided herein may contain estimates and forecasts in terms of PJSC “RussNeft” activity (hereinafter referred to as the “Company”). It is influenced by many external factors and due to that fact, provided being fully complied with all the continuing obligations under the acting laws and MOEX Listing Regulations, this information cannot claim accuracy and entirety and should not be considered as invitation for investment. Thus the actual performance and values can significantly differ from the plans or the expected activity results. PJSC “RussNeft” is not obliged (and directly states about having no such obligation) to update or amend any statements regarding the future results, both after receiving new information and on occurrence of any future events resulting from other reasons.