Gazprom Neft Group

Interim Condensed Consolidated Financial Statements (unaudited)

As of and for the three months ended 31 March 2018

Report on Review of Interim Financial Statements

To the Shareholders and Board of Directors of PJSC Gazprom Neft:

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of PJSC Gazprom Neft and its subsidiaries (the "Group") as of 31 March 2018 and the related interim condensed consolidated statements of profit and loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

AO PricewaterhouseCoopers Audit

28 May 2018

Moscow, Russian Federation

I.V. Shanina, certified auditor (licence no. 01-001340), AO PricewaterhouseCoopers Audit

Audited entity: PJSC Gazprom Neft

State registration certificate № 38606450 issued by the Omsk Registration Bureau on 06 October 1995

Certificate of inclusion in the Unified State Register of Legal Entities issued on 21 August 2002 under registration № 1025501701686

Russian Federation, 190000, St. Petersburg, Galernaya str., 5, lit. A

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

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Gazprom Neft Group

Interim Condensed Consolidated Financial Statements (unaudited)
As of and for the three months ended 31 March 2018

Contents

Currency – RUB millions

	Notes	31 March 2018	31 December 2017
Assets			
Current assets			
Cash and cash equivalents	3	97,237	90,608
Short-term financial assets		4,691	10,449
Trade and other receivables	4	120,423	102,262
Inventories	5	122,964	118,322
Current income tax prepayments		2,604	2,540
Other taxes receivable	6	65,016	58,359
Other current assets	7	33,434	40,047
Total current assets		**446,369**	**422,587**
Non-current assets			
Property, plant and equipment	8	2,098,654	2,052,275
Goodwill and other intangible assets		73,572	74,187
Investments in associates and joint ventures	9	272,194	256,758
Long-term trade and other receivables		733	901
Long-term financial assets		19,310	31,293
Deferred income tax assets		17,214	17,867
Other non-current assets	10	69,833	74,140
Total non-current assets		**2,551,510**	**2,507,421**
Total assets		**2,997,879**	**2,930,008**
Liabilities and equity			
Current liabilities			
Short-term debt and current portion of long-term debt	11	119,090	131,760
Current finance lease liabilities	16	1,416	1,397
Trade and other payables	12	140,051	194,438
Other current liabilities	13	34,339	32,500
Current income tax payable		5,602	4,534
Other taxes payable	14	95,105	84,833
Provisions and other accrued liabilities		16,612	29,873
Total current liabilities		**412,215**	**479,335**
Non-current liabilities			
Long-term debt	15	591,320	548,654
Non-current finance lease liabilities	16	20,541	20,826
Other non-current financial liabilities	17	49,730	48,569
Deferred income tax liabilities		106,501	102,583
Provisions and other accrued liabilities		65,859	62,574
Other non-current liabilities		8,256	8,334
Total non-current liabilities		**842,207**	**791,540**
Equity			
Share capital		98	98
Treasury shares		(1,170)	(1,170)
Additional paid-in capital		62,256	62,256
Retained earnings		1,501,596	1,431,931
Other reserves		68,411	60,142
Equity attributable to Gazprom Neft shareholders		**1,631,191**	**1,553,257**
Non-controlling interest		112,266	105,876
Total equity		**1,743,457**	**1,659,133**
Total liabilities and equity		**2,997,879**	**2,930,008**

A. V. Dyukov
Chief Executive Officer
PJSC Gazprom Neft

A. V. Yankevich
Chief Financial Officer
PJSC Gazprom Neft

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements

	Notes	3 months ended 31 March 2018	3 months ended 31 March 2017
Revenue			
Crude oil, gas and petroleum products sales		504,355	439,987
Other revenue		16,278	14,707
Total revenue from sales	***23***	**520,633**	**454,694**
Costs and other deductions			
Purchases of oil, gas and petroleum products		(122,618)	(116,963)
Production and manufacturing expenses		(51,500)	(46,313)
Selling, general and administrative expenses		(24,211)	(23,711)
Transportation expenses		(36,680)	(36,650)
Depreciation, depletion and amortisation		(37,509)	(32,310)
Taxes other than income tax	***14***	(141,075)	(114,387)
Export duties		(21,599)	(23,529)
Exploration expenses		(269)	(104)
Total operating expenses		**(435,461)**	**(393,967)**
Operating profit		**85,172**	**60,727**
Share of profit of associates and joint ventures		14,768	10,818
Net foreign exchange (loss) / gain	***18***	(4,378)	13,182
Finance income		1,848	2,512
Finance expense	***19***	(5,945)	(6,719)
Other loss, net		(2,665)	(864)
Total other income		**3,628**	**18,929**
Profit before income tax		**88,800**	**79,656**
Current income tax expense		(11,106)	(10,164)
Deferred income tax expense		(3,549)	(4,758)
Total income tax expense		**(14,655)**	**(14,922)**
Profit for the period		**74,145**	**64,734**
Other comprehensive income / (loss) - to be reclassified to profit or loss			
Currency translation differences		4,025	(12,399)
Cash flow hedge, net of tax		6,151	5,049
Other comprehensive income		3	17
Other comprehensive income / (loss) for the period		**10,179**	**(7,333)**
Total comprehensive income for the period		**84,324**	**57,401**
Profit attributable to:			
- Gazprom Neft shareholders		69,665	61,953
- Non-controlling interest		4,480	2,781
Profit for the period		**74,145**	**64,734**
Total comprehensive income / (loss) attributable to:			
- Gazprom Neft shareholders		77,934	58,483
- Non-controlling interest		6,390	(1,082)
Total comprehensive income for the period		**84,324**	**57,401**
Earnings per share attributable to Gazprom Neft shareholders			
Basic earnings (RUB per share)		14.77	13.13
Diluted earnings (RUB per share)		14.77	13.13
Weighted-average number of common shares outstanding (millions)		4,718	4,718

Currency – RUB millions

	Attributable to Gazprom Neft shareholders							
	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Other reserves	Total	Non-controlling interest	Total equity
Balance as of 1 January 2018	**98**	**(1,170)**	**62,256**	**1,431,931**	**60,142**	**1,553,257**	**105,876**	**1,659,133**
Profit for the period	-	-	-	69,665	-	69,665	4,480	74,145
Other comprehensive income								
Currency translation differences	-	-	-	-	2,115	2,115	1,910	4,025
Cash flow hedge, net of tax	-	-	-	-	6,151	6,151	-	6,151
Other comprehensive income	-	-	-	-	3	3	-	3
Total comprehensive income for the period	**-**	**-**	**-**	**69,665**	**8,269**	**77,934**	**6,390**	**84,324**
Balance as of 31 March 2018	**98**	**(1,170)**	**62,256**	**1,501,596**	**68,411**	**1,631,191**	**112,266**	**1,743,457**

	Attributable to Gazprom Neft shareholders							
	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Other reserves	Total	Non-controlling interest	Total equity
Balance as of 1 January 2017	**98**	**(1,170)**	**51,047**	**1,276,210**	**33,955**	**1,360,140**	**84,027**	**1,444,167**
Profit for the period	-	-	-	61,953	-	61,953	2,781	64,734
Other comprehensive (loss) / income								
Currency translation differences	-	-	-	-	(8,531)	(8,531)	(3,868)	(12,399)
Cash flow hedge, net of tax	-	-	-	-	5,049	5,049	-	5,049
Other comprehensive income	-	-	-	-	12	12	5	17
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**61,953**	**(3,470)**	**58,483**	**(1,082)**	**57,401**
Transactions with shareholders, recorded in equity								
Transaction under common control	-	-	7,617	-	-	7,617	-	7,617
Total transactions with shareholders	**-**	**-**	**7,617**	**-**	**-**	**7,617**	**-**	**7,617**
Balance as of 31 March 2017	**98**	**(1,170)**	**58,664**	**1,338,163**	**30,485**	**1,426,240**	**82,945**	**1,509,185**

Currency – RUB millions

	Notes	3 months ended 31 March 2018	3 months ended 31 March 2017
Cash flows from operating activities			
Profit before income tax		88,800	79,656
Adjustments for:			
Share of profit of associates and joint ventures		(14,768)	(10,818)
Net foreign exchange loss / (gain)	***18***	4,378	(13,182)
Finance income		(1,848)	(2,512)
Finance expense	***19***	5,945	6,719
Depreciation, depletion and amortisation		37,509	32,310
Other non-cash items		597	910
Operating cash flow before changes in working capital		**120,613**	**93,083**
Changes in working capital:			
Accounts receivable		(17,695)	(3,996)
Inventories		(4,288)	(908)
Taxes receivable		(6,974)	(6,051)
Other assets		6,746	7,149
Accounts payable		5,941	(3,012)
Taxes payable		10,295	2,727
Other liabilities		(11,891)	(7,638)
Total effect of working capital changes		**(17,866)**	**(11,729)**
Income taxes paid		(10,095)	(6,800)
Interest paid		(9,543)	(9,399)
Net cash provided by operating activities		**83,109**	**65,155**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		-	(324)
Disposal of investments in joint ventures		-	476
Bank deposits placement		(120)	(338)
Repayment of bank deposits		7,025	864
Short-term loans issued		(28)	-
Repayment of short-term loans issued		200	876
Long-term loans issued		(9)	-
Repayment of long-term loans issued		2,150	2,065
Purchases of property, plant and equipment and intangible assets		(71,524)	(65,665)
Proceeds from sale of property, plant and equipment, intangible assets		171	151
Interest received		9,917	723
Net cash used in investing activities		**(52,218)**	**(61,172)**
Cash flows from financing activities			
Proceeds from short-term borrowings		1,408	34,875
Repayment of short-term borrowings		(697)	(21,036)
Proceeds from long-term borrowings		79,493	17,098
Repayment of long-term borrowings		(57,533)	(24,559)
Transaction costs directly attributable to the borrowings received		(64)	-
Dividends paid to Gazprom Neft shareholders		(47,183)	-
Repayment of finance lease liabilities		(351)	(55)
Net cash (used in) / provided by financing activities		**(24,927)**	**6,323**
Increase in cash and cash equivalents		**5,964**	**10,306**
Effect of exchange rate changes on cash and cash equivalents		665	(2,371)
Cash and cash equivalents as of the beginning of the period		**90,608**	**33,621**
Cash and cash equivalents as of the end of the period		**97,237**	**41,556**

1. General

Description of business

PJSC Gazprom Neft (the "Company") and its subsidiaries (together referred to as the "Group") is a vertically integrated oil company operating in the Russian Federation, CIS and internationally. The Group's principal activities include exploration, production and development of crude oil and gas, production of refined petroleum products and distribution and marketing operations through its retail outlets.

The Company was incorporated in 1995 and is domiciled in the Russian Federation. The Company is a public joint stock company and was set up in accordance with Russian regulations. PJSC Gazprom ("Gazprom", a state controlled entity), the Group's ultimate parent company, owns 95.7% of the shares in the Company.

2. Summary of significant accounting policies

Basis of preparation

The Group maintains its books and records in accordance with accounting and taxation principles and practices mandated by legislation in the countries in which it operates (primarily the Russian Federation). The accompanying Interim Condensed Consolidated Financial Statements were primarily derived from the Group's statutory books and records with adjustments and reclassifications made to present them in accordance with International Financial Reporting Standards ("IFRS").

The Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard ***IAS 34 Interim Financial Reporting***.

The Group does not disclose information which would substantially duplicate the disclosures contained in its audited Consolidated Financial Statements as of and for the year ended 31 December 2017, such as significant accounting policies, estimates and judgements, financial risk disclosures or disclosures of financial line items, which have not changed significantly in amount or composition. These Interim Condensed Consolidated Financial Statements should be read in conjuction with the Group's Consolidated Financial Statements for 2017 prepared in accordance with International Financial Reporting Standards ("IFRS").

Subsequent events occurring after 31 March 2018 were evaluated through 28 May 2018, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

The results for the three months ended 31 March 2018 are not necessarily indicative of the results expected for the full year.

The Group as a whole is not subject to significant seasonal fluctuations.

Changes in significant accounting policies

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Consolidated Financial Statements are consistent with those applied during the preparation of the Consolidated Financial Statements as of and for the year ended 31 December 2017, except for those described below.

Currency – RUB millions (unless otherwise stated)

Application of new IFRS

Impact of adoption

The Group has adopted ***IFRS 9 – Financial instruments*** and ***IFRS 15 – Revenue from contracts with Customers*** from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements.

- IFRS 9 was generally adopted without restating comparative information; no significant adjustments were recognized in financial statements. The changes in classification categories didn't result in changes of presentation in Interim Condensed Consolidated Statement of Financial Position.
- In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively and has restated comparatives for 2017 financial year.

In summary, the following adjustments were made to amounts recognized in Interim Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income:

	3 months ended 31 March 2017	Reclassification	3 months ended 31 March 2017 (restated)
Revenue			
Crude oil, gas and petroleum products sales	416,847	23,140	439,987
Other revenue	14,318	389	14,707
Total revenue from sales	**431,165**	**23,529**	**454,694**
Costs and other deductions			
Export duties	-	(23,529)	(23,529)
Total operating expenses	**(370,438)**	**(23,529)**	**(393,967)**
Operating profit	**60,727**	**-**	**60,727**

- Reclassification of expenses with regard to export duties in the amount of RUB 23.5 billion,
- Reclassification of revenue from transportation services included in contract price from Sales of petroleum products to Other revenue in the amount of RUB 0.4 billion,
- Crude oil, gas and petroleum products sales are presented net of sales related excises in the amount of RUB 13.9 billion.

Other new standards and pronouncements. The following other new standards and pronouncements which became effective did not have any material impact on the Group:

- Amendments to IFRS 2 – Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Transfers of Investment Property - Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRIC 22 – Foreign currency transactions and advance consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

Accounting policies applied from 1 January 2018

IFRS 9 – Financial Instruments (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018)

From 1 January 2018 the Group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value through profit or loss (FVPL), those to be measured subsequently at fair value through other comprehensive income (FVOCI), and those to be measured subsequently at amortized cost.

The classification of debt instruments depends on the organization's business model for managing financial assets and whether contractual cash flows of an asset give rise to payments on specified dates that are solely payments of principal and interest (“SPPI”).

The Group presents in OCI changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short-to-medium term.

Financial assets and liabilities previously classified in accordance with IAS 39 Financial Instruments: Recognition and Measurement within categories loans and receivables, investments held to maturity and other financial liabilities measured at amortised cost using the effective interest method, in accordance with IFRS 9 “Financial instruments” are classified as financial assets and financial liabilities carried at amortised cost. Measurement of cash and cash equivalents, trade and other receivables and payables, long-term and short-term loans and investments, held-to-maturity investments has not changed and these financial instruments are measured at amortised cost.

The adoption of IFRS 9 did not significantly impact balance sheet classification of financial assets and liabilities in the Interim Condensed Consolidated Financial Statements of the Group. The amount of expected credit losses as at 1 January 2018 does not materially differ from the amount of recognized provisions and allowances in the Consolidated Financial Statements as at 31 December 2017 and therefore there is no quantitative effect of transition as of 1 January 2018.

New model for recognition of impairment losses - expected credit losses (ECL) model was introduced within the Group. For all trade receivables the Group applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics, type of products or services and the days past due. The Group calculates expected loss rates for trade receivables based on historical data which are a reasonable approximation of current loss rates.

In the reporting period the Group continued to apply IAS 39 for hedge accounting. In case of new hedging instruments arise the Group may revise its plans to switch to IFRS 9 in respect of hedging instruments in the following reporting periods.

IFRS 15 – Revenue from Contracts with Customers (amended in April 2016 and effective for annual periods beginning on or after 1 January 2018)

The Group recognizes Revenue from sales of crude oil, petroleum products, gas and other products and services when it satisfies a performance obligation and control over goods and services is passed. For the most contracts control over goods or services passes to a customer at point of time and consideration is unconditional because only the passage of time is required before the payment is due. Specifically:

- For export contracts control generally passes to buyer on the border of the Russian Federation, the Group is not responsible for transportation.
- For domestic contracts control generally passes when products are dispatched or delivered to customer. When control passes on delivery to customer transportation is not considered as a distinct performance obligation. In most contracts when control passes on dispatch the Group is not responsible for transportation or transportation is a distinct service provided to customer within a separate contract. In case of sales of petroleum products and transportation by railway performance obligation for transportation is considered to be distinct and excluded from contract price. The Group recognizes this type of revenue within Other revenue line.

The transaction price excludes amounts collected on behalf of third parties such as value added tax and sales related tax. The Group doesn't consider export duties as a part of transaction price and includes expenses with regard to export duties within operating expenses.

<u>New accounting standards</u>

IFRS 16 – Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit and loss and other comprehensive income.

The following other new standards and pronouncements are not expected to have any material impact on the Group when adopted:

- IFRS 17 – Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- IFRIC 23 – Uncertainty over Income Tax Treatments (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

Currency – RUB millions (unless otherwise stated)

3. Cash and cash equivalents

Cash and cash equivalents as of 31 March 2018 and 31 December 2017 comprise the following:

	31 March 2018	31 December 2017
Cash on hand	848	946
Cash in bank	49,223	46,107
Deposits with original maturity of less than three months	44,195	28,816
Other cash equivalents	2,971	14,739
Total cash and cash equivalents	**97,237**	**90,608**

4. Trade and other receivables

Trade and other receivables as of 31 March 2018 and 31 December 2017 comprise the following:

	31 March 2018	31 December 2017
Trade receivables	125,869	107,758
Other financial receivables	2,120	2,071
Less impairment provision	(7,566)	(7,567)
Total trade and other receivables	**120,423**	**102,262**

5. Inventories

Inventories as of 31 March 2018 and 31 December 2017 consist of the following:

	31 March 2018	31 December 2017
Petroleum products and petrochemicals	55,449	55,828
Crude oil and gas	30,365	28,200
Materials and supplies	24,786	23,143
Other	12,364	11,151
Total inventory	**122,964**	**118,322**

6. Other taxes receivable

Other taxes receivable as of 31 March 2018 and 31 December 2017 comprise the following:

	31 March 2018	31 December 2017
Value added tax receivable	58,803	50,163
Prepaid custom duties	3,129	5,076
Other taxes prepaid	3,084	3,120
Total other taxes receivable	**65,016**	**58,359**

7. Other current assets

Other current assets as of 31 March 2018 and 31 December 2017 consist of the following:

	31 March 2018	31 December 2017
Advances paid	16,924	24,503
Prepaid expenses	3,328	1,955
Other assets	13,182	13,589
Total other current assets, net	**33,434**	**40,047**

Currency – RUB millions (unless otherwise stated)

8. Property, plant and equipment

Movements in property, plant and equipment for the three months ended 31 March 2018 and 2017 are as follows:

Cost	**O&G properties**	**Refining assets**	**Marketing and distribution**	**Other assets**	**Assets under constru-ction**	**Total**
As of 1 January 2018	**1,772,103**	**347,738**	**189,603**	**26,638**	**538,965**	**2,875,047**
Additions	1,161	371	-	-	66,795	68,327
Changes in decommissioning obligations	900	-	-	-	-	900
Capitalised borrowing costs	-	-	-	-	7,963	7,963
Transfers	35,140	2,582	3,909	610	(42,241)	-
Internal movement	(37)	160	30	64	(217)	-
Reclassification from other non-current assets	1,120	3,481	185	-	205	4,991
Disposals	(631)	(274)	(365)	(592)	(93)	(1,955)
Translation differences	1,029	1,676	1,527	53	14	4,299
As of 31 March 2018	**1,810,785**	**355,734**	**194,889**	**26,773**	**571,391**	**2,959,572**
Depreciation and impairment						
As of 1 January 2018	**(649,937)**	**(105,090)**	**(60,290)**	**(7,455)**	**-**	**(822,772)**
Depreciation charge	(28,687)	(3,949)	(2,944)	(638)	-	(36,218)
Internal movement	(104)	150	15	(61)	-	-
Reclassification from other non-current assets	(133)	(2,200)	(14)	-	-	(2,347)
Disposals	505	112	211	326	-	1,154
Translation differences	283	(505)	(485)	(28)	-	(735)
As of 31 March 2018	**(678,073)**	**(111,482)**	**(63,507)**	**(7,856)**	**-**	**(860,918)**
Net book value						
As of 1 January 2018	**1,122,166**	**242,648**	**129,313**	**19,183**	**538,965**	**2,052,275**
As of 31 March 2018	**1,132,712**	**244,252**	**131,382**	**18,917**	**571,391**	**2,098,654**

Capitalized borrowing costs for the three months ended 31 March 2018 include interest expense in the amount of RUB 7.0 billion and exchange losses arising from foreign currency borrowings in the amount of RUB 1.0 billion.

Cost	**O&G properties**	**Refining assets**	**Marketing and distribution**	**Other assets**	**Assets under construction**	**Total**
As of 1 January 2017	**1,569,525**	**308,192**	**152,871**	**23,531**	**369,304**	**2,423,423**
Additions	269	352	-	-	92,389	93,010
Changes in decommissioning obligations	624	-	-	-	-	624
Capitalised borrowing costs	-	-	-	-	5,480	5,480
Transfers	31,417	2,934	10,296	279	(44,926)	-
Internal movement	(92)	(86)	(278)	66	390	-
Disposals	(897)	(397)	(10)	(125)	(62)	(1,491)
Translation differences	(22,123)	(3,490)	(3,818)	(106)	(5,833)	(35,370)
As of 31 March 2017	**1,578,723**	**307,505**	**159,061**	**23,645**	**416,742**	**2,485,676**
Depreciation and impairment						
As of 1 January 2017	**(553,140)**	**(89,106)**	**(49,052)**	**(5,780)**	**-**	**(697,078)**
Depreciation charge	(24,428)	(3,237)	(2,637)	(541)	-	(30,843)
Internal movement	4	45	(56)	7	-	-
Disposals	459	26	4	122	-	611
Translation differences	10,909	922	1,119	51	-	13,001
As of 31 March 2017	**(566,196)**	**(91,350)**	**(50,622)**	**(6,141)**	**-**	**(714,309)**
Net book value						
As of 1 January 2017	**1,016,385**	**219,086**	**103,819**	**17,751**	**369,304**	**1,726,345**
As of 31 March 2017	**1,012,527**	**216,155**	**108,439**	**17,504**	**416,742**	**1,771,367**

Currency – RUB millions (unless otherwise stated)

9. Investments in associates and joint ventures

The carrying values of the investments in associates and joint ventures as of 31 March 2018 and 31 December 2017 are summarised below:

		31 March 2018		31 December 2017	
		Ownership percentage	**Carring value**	**Ownership percentage**	**Carring value**
Slavneft	Joint venture	49.9	114,322	49.9	111,679
Arcticgas	Joint venture	50.0	112,303	46.7	105,157
Northgas	Joint venture	50.0	13,305	50.0	12,568
Messoyakha	Joint venture	50.0	22,246	50.0	17,965
Others			10,018		9,389
Total investments			**272,194**		**256,758**

The principal place of business of the most significant associates and joint ventures disclosed above is the Russian Federation.

Slavneft

OJSC NGK Slavneft and it's subsidiaries (Slavneft) are engaged in exploration, production and development of crude oil and gas and production of refined petroleum products. The control over Slavneft is divided equally between the Group and PJSC NK Rosneft.

Arcticgas

In January 2018 SeverEnergy LLC and Yamal Razvitie LLC were merged to JSC Arctic Gas Company (Arcticgas, an entity jointly controlled by the Group and PJSC NOVATEK). In March 2018 the loans issued by Gazprom Neft were converted to ordinary shares from additional share emission of Arcticgas. As result the Group's investment in Arcticgas (previously was held through SeverEnergy LLC and Yamal Razvitie LLC) increased from 46.7% as of 31 December 2017 to 50.0% as of 31 March 2018.

Arcticgas is developing the Samburgskoye, Urengoiskoe and Yaro-Yakhinskoye oil and gas condensate fields and some other small oil and gas condensate fields located in the Yamalo-Nenetskiy autonomous region of the Russian Federation.

Northgas

The Group's investment in CJSC Northgas (Northgas) is held through Gazprom Resource Northgas LLC which is controlled by the Group and owns a 50% share in Northgas. Northgas is engaged in development of natural gas and oil field.

Messoyakha

JSC Messoyakhaneftegas (Messoyakha) is developing the Vostochno-Messoyakhskoe and Zapadno-Messoyakhskoe oil and gas condensate fields. The control over Messoyakha is divided equally between the Group and PJSC NK Rosneft.

Currency – RUB millions (unless otherwise stated)

The summarised financial information for the significant associates and joint ventures as of 31 March 2018 and 31 December 2017 and for the three months ended 31 March 2018 and 2017 is presented in the tables below.

31 March 2018	**Slavneft**	**Arcticgas**	**Northgas**	**Messoyakha**
Cash and cash equivalents	3,283	16,625	2,146	3
Other current assets	58,044	17,961	3,918	22,790
Non-current assets	352,825	371,554	53,637	157,828
Current financial liabilities	(35,087)	(45,705)	(6,527)	(8,018)
Other current liabilities	(30,594)	(12,562)	(110)	(5,159)
Non-current financial liabilities	(91,204)	(94,113)	(20,023)	(114,522)
Other non-current liabilities	(41,881)	(50,995)	(5,058)	(8,848)
Net assets	**215,386**	**202,765**	**27,983**	**44,074**

31 December 2017	**Slavneft**	**SeverEnergy (Arcticgas)**	**Northgas**	**Messoyakha**
Cash and cash equivalents	4,153	8,658	1,409	1
Other current assets	54,479	133,617	3,256	18,654
Non-current assets	344,997	259,175	54,065	152,469
Current financial liabilities	(34,054)	(49,851)	(6,379)	(4,913)
Other current liabilities	(30,229)	(18,495)	(77)	(4,812)
Non-current financial liabilities	(88,198)	(91,811)	(21,109)	(116,815)
Other non-current liabilities	(41,229)	(52,465)	(4,656)	(9,072)
Net assets	**209,919**	**188,828**	**26,509**	**35,512**

3 months ended 31 March 2018	**Slavneft**	**Arcticgas**	**Northgas**	**Messoyakha**
Revenue	65,342	41,971	5,340	23,209
Depreciation and amortisation	(9,347)	(5,176)	(648)	(4,809)
Finance income	119	169	294	-
Finance expense	(2,288)	(2,956)	(597)	(1,884)
Total income tax expense	(1,359)	(4,302)	(371)	(1,755)
Profit for the period	5,500	13,937	1,474	8,562
Total comprehensive income for the period	5,500	13,937	1,474	8,562

3 months ended 31 March 2017	**Slavneft**	**SeverEnergy (Arcticgas)**	**Northgas**	**Messoyakha**
Revenue	58,039	36,172	5,867	12,327
Depreciation and amortisation	(8,538)	(5,574)	(604)	(1,802)
Finance income	322	326	279	3
Finance expense	(1,222)	(5,311)	(736)	(1,782)
Total income tax expense	(1,315)	(1,862)	(473)	(1,137)
Profit for the period	6,075	9,343	1,891	4,421
Total comprehensive income for the period	6,156	9,343	1,891	4,421

Others

The aggregate carrying amount of all individually immaterial associates and joint ventures as well as the Group’s share of those associates’ and joint ventures’ profit or loss and other comprehensive income are not significant for both reporting dates and periods.

Currency – RUB millions (unless otherwise stated)

10. Other non-current assets

Other non-current assets are primarily comprised of advances provided on capital expenditures (RUB 66.9 billion and RUB 69.3 billion as of 31 March 2018 and 31 December 2017, respectively).

11. Short-term debt and current portion of long-term debt

As of 31 March 2018 and 31 December 2017 the Group has short-term debt and current portion of long-term debt outstanding as follows:

	31 March 2018	31 December 2017
Current portion of long-term debt	117,977	131,360
Other borrowings	1,113	400
Total short-term debt and current portion of long-term debt	**119,090**	**131,760**

12. Trade and other payables

Accounts payable as of 31 March 2018 and 31 December 2017 comprise the following:

	31 March 2018	31 December 2017
Trade accounts payable	116,910	118,151
Forward contracts - cash flow hedge	9,721	16,758
Dividends payable	2,393	49,520
Other accounts payable	11,027	10,009
Total trade and other payables	**140,051**	**194,438**

13. Other current liabilities

Other current liabilities as of 31 March 2018 and 31 December 2017 comprise the following:

	31 March 2018	31 December 2017
Advances received	21,459	21,972
Payables to employees	4,843	3,182
Other non-financial payables	8,037	7,346
Total other current liabilities	**34,339**	**32,500**

14. Other taxes payable

Other taxes payable as of 31 March 2018 and 31 December 2017 comprise the following:

	31 March 2018	31 December 2017
Mineral extraction tax	31,225	31,807
VAT	37,361	27,515
Excise tax	14,406	13,201
Social security contributions	6,412	6,974
Other taxes	5,701	5,336
Total other taxes payable	**95,105**	**84,833**

Currency – RUB millions (unless otherwise stated)

Tax expense other than income tax expense for the three months ended 31 March 2018 and 2017 comprise the following:

	3 months ended 31 March 2018	3 months ended 31 March 2017
Mineral extraction tax	97,177	80,783
Excise tax	34,390	25,437
Social security contributions	5,750	5,099
Other taxes	3,758	3,068
Total taxes other than income tax	**141,075**	**114,387**

15. Long-term debt

As of 31 March 2018 and 31 December 2017 the Group has long-term outstanding debt as follows:

	31 March 2018	31 December 2017
Bank loans	331,292	303,173
Loan participation notes	227,165	226,110
Bonds	142,978	143,007
Other borrowings	7,862	7,724
Less current portion of long-term debt	(117,977)	(131,360)
Total long-term debt	**591,320**	**548,654**

Bank loans

In March 2018 the Group performed principal repayment in the total amount of USD 307.1 million (RUB 17.5 billion) under the Club term loan facility with the syndicate of international banks (facility agent – Mizuho) according to the payment schedule.

In March 2018 the Group performed principal repayment in the total amount of USD 100 million (RUB 5.8 billion) under the Club term loan facility with the syndicate of international banks (facility agent – Commerzbank) according to the payment schedule.

In January 2018 the Group borrowed RUB 51.3 billion under long-term facility agreements due payable in January 2023.

The loan agreements contain financial covenant that limits the Group’s ratio of “Consolidated financial indebtedness to Consolidated EBITDA”. The Group is in compliance with all covenants as of 31 March 2018 and 31 December 2017 and during three months ended 31 March 2018.

Bonds

In March 2018 the Group placed six-year Rouble Bonds (001P-06R series) with the total par value of RUB 25 billion. The bonds bear interest of 7.2% per annum.

In March 2018 the Group performed pre-scheduled principal repayment of bonds (series BO-02 and BO-07) in the total amount of RUB 25 billion. The bonds are fully repaid.

16. Finance lease

In 2016 the Group entered into agreements to lease vessels and the contracts were classified as a finance lease. In 2017 the Group became entitled to exercise the right to use the assets. The net book value of the leased assets as of 31 March 2018 is RUB 24.5 billion (RUB 24.8 billion as of 31 December 2017). At the end of lease term ownership title to the vessels transfers to the Group. The lease contract also contains an option for early purchase of the assets by the Group.

Currency – RUB millions (unless otherwise stated)

Net book value of other items of property, plant and equipment under finance lease contracts is non significant.

The reconciliation between future minimum lease payments and their present value as of 31 March 2018 and 31 December 2017 is presented in the table below:

	Minimum lease payments	Present value of minimum lease payments
31 March 2018		
Due within one year	2,773	2,682
Between one and five years	11,330	9,408
More than five years	16,573	9,867
Total minimum lease payments	**30,676**	**21,957**
31 December 2017		
Due within one year	2,784	2,693
Between one and five years	11,204	9,273
More than five years	17,355	10,257
Total minimum lease payments	**31,343**	**22,223**

The difference between the minimum lease payments and their present value represents future finance charges on finance lease liabilities.

17. Other non-current financial liabilities

Other non-current financial liabilities as of 31 March 2018 and 31 December 2017 comprise the following:

	31 March 2018	31 December 2017
Deferred consideration	48,592	47,245
Forward contracts - cash flow hedge	1,105	1,295
Other liabilities	33	29
Total other non-current financial liabilities	**49,730**	**48,569**

Deferred consideration represents liability to PJSC Gazprom for assets relating to Prirazlomnoe project.

18. Net foreign exchange loss / gain

Net foreign exchange gain for the three months ended 31 March 2018 and 2017 comprise the following:

	3 months ended 31 March 2018	3 months ended 31 March 2017
Net foreign exchange (loss) / gain on financing activities, including:	**(3,818)**	**27,104**
foreign exchange gain	1,580	28,278
foreign exchange loss	(5,398)	(1,174)
Net foreign exchange loss on operating activities	**(560)**	**(13,922)**
Net foreign exchange (loss) / gain	**(4,378)**	**13,182**

Currency – RUB millions (unless otherwise stated)

19. Finance expense

Finance expense for the three months ended 31 March 2018 and 2017 comprise the following:

	3 months ended 31 March 2018	3 months ended 31 March 2017
Interest expense	12,222	11,474
Decommissioning provision: unwinding of discount	735	725
Less: capitalised interest	(7,012)	(5,480)
Finance expense	**5,945**	**6,719**

20. Fair value measurement

The following assets and liabilities are measured at fair value in the Interim Condensed Consolidated Financial Statements: derivative financial instruments, equity investments and Stock Appreciation Rights plan (SARs). Derivative financial instruments and SARs refer to Level 2 of the fair value measurement hierarchy, i.e. their fair value is determined on the basis of inputs that are observable for the asset or liability either directly or indirectly. The fair value of the foreign exchange contracts is determined by using forward exchange rates at the reporting date with the resulting value discounted back to present value. The fair value of the liability under the SAR plan is estimated using the Black-Scholes-Merton option-pricing model by reference primarily to the Company’s share price, historic volatility in the share price, dividend yield and interest rates for periods comparable to the remaining life of the award. There were no transfers between the levels of the fair value hierarchy during the interim period. There are no significant assets or liabilities measured at fair value categorised within Level 1 or Level 3 of the fair value hierarchy.

As of 31 March 2018 the fair value of bonds and loan participation notes is RUB 373,855 million (RUB 378,085 million as of 31 December 2017). The fair value is derived from quotations in active market and related to Level 1 of the fair value hierarchy. Carrying value of other financial liabilities approximates their fair value.

21. Commitments and contingencies

Taxes

Russian tax and customs legislation is subject to frequent changes and varying interpretations. Management’s treatment of such legislation as applied to the transactions and activity of the Group, including calculation of taxes payable to federal, regional and municipal budgets, may be challenged by the relevant authorities. The Russian tax authorities may take a more assertive position in their treatment of legislation and assessments, and there is a risk that transactions and activities that have not been challenged in the past may be challenged later. As a result, additional taxes, penalties and interest may be accrued. Generally, taxpayers are subject to tax audits for a period of three calendar years immediately preceding the year in which the decision to carry out a tax audit has been taken. Under certain circumstances tax audits may cover longer periods. The years 2015 - 2017 are currently open for tax audit. Management believes it has adequately provided for any probable additional tax accruals that might arise from these tax audits.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. This legislation provides for the possibility of additional tax assessments for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm’s-length basis.

The compliance of the prices of the Group's controllable transactions with related parties with the transfer pricing rules is subject to regular internal control. Management believes that the transfer pricing documentation that the Group has prepared to confirm its compliance with the transfer pricing rules provides sufficient evidence to support the Group's tax positions and related tax returns. In addition in order to mitigate potential risks, the Group regularly negotiates approaches to defining prices used for tax purposes for major controllable transactions with tax authorities in advance. Nineteen pricing agreements between the Group and tax authorities regarding major intercompany transactions have been concluded in 2012-2018.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While Management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Economic environment in the Russian Federation

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy was growing in 2017 and 2018, after overcoming the economic recession of 2015 and 2016. The economy is negatively impacted by volatility of oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

In 2014 the U.S., the EU and certain other countries imposed sanctions on the Russian energy sector that partially apply to the Group. The information on the main restrictions related to sanctions was disclosed in the Consolidated Financial Statements as of and for the year ended 31 December 2014. In August 2017 the U.S. signed an act to impose further sanctions against the Russian Federation, North Korea and Iran. The Group assessed that the new sanctions don't have significant impact on its activity.

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its potential obligations under environmental regulation. Management is of the opinion that the Group has met the government's requirements concerning environmental matters, and therefore the Group does not have any material environmental liabilities.

Capital commitments

As of 31 March 2018 the Group has entered into contracts to purchase property, plant and equipment for RUB 343,509 million (RUB 328,697 million as of 31 December 2017).

Currency – RUB millions (unless otherwise stated)

22. Related party transactions

For the purpose of these Interim Condensed Consolidated Financial Statements parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24 – Related Party Disclosures. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The Group has applied the exemption as allowed by IAS 24 not to disclose all government related transactions, as the parent of the Company is effectively being controlled by the Russian Government. In the course of its ordinary business the Group enters into transactions with natural monopolies, transportation companies and other government-related entities. Such purchases and sales are individually insignificant and are generally entered into on market or regulated prices. Transactions with the state also include taxes which are detailed in Notes 6 and 14. The Group also leases vessels under time-charter agreements with a government related entity (lease expense amounted RUB 1.3 billion and RUB 1.3 billion for the three months ended 31 March 2018 and 2017, respectively). The tables below summarise transactions in the ordinary course of business with either the parent company or parent's subsidiaries and associates or associates and joint ventures of the Group.

The Group enters into transactions with related parties based on market or regulated prices. Short-term and long-term loans provided as well as debt are based on market conditions available for not related entities.

As of 31 March 2018 and 31 December 2017 the outstanding balances with related parties were as follows:

31 March 2018	**Parent company**	**Parent's subsidiaries and associates**	**Associates and joint ventures**
Cash and cash equivalents	-	26,784	-
Trade and other receivables	4,181	4,241	8,568
Other current assets	23	2,925	698
Long-term financial assets	-	-	16,973
Other non-current assets	-	284	-
Total assets	**4,204**	**34,234**	**26,239**
Short-term debt and other current financial liability	-	-	1,080
Trade and other payables	8,547	1,946	45,537
Other current liabilities	174	135	76
Long-term debt and other non-current financial liability	48,826	57,265	-
Other non-current liabilities	6,394	-	-
Total liabilities	**63,941**	**59,346**	**46,693**

Currency – RUB millions (unless otherwise stated)

31 December 2017	**Parent company**	**Parent's subsidiaries and associates**	**Associates and joint ventures**
Cash and cash equivalents	-	27,201	-
Short-term financial assets	-	1,322	-
Trade and other receivables	4,567	4,172	9,813
Other current assets	23	2,708	783
Long-term financial assets	-	-	27,673
Other non-current assets	-	309	-
Total assets	**4,590**	**35,712**	**38,269**
Short-term debt and other current financial liability	-	-	367
Trade and other payables	52,970	2,257	38,173
Other current liabilities	130	318	137
Long-term debt and other non-current financial liability	47,480	57,600	-
Other non-current liabilities	6,394	-	-
Total liabilities	**106,974**	**60,175**	**38,677**

For the three months ended 31 March 2018 and 2017 the following transactions occurred with related parties:

3 months ended 31 March 2018	**Parent company**	**Parent's subsidiaries and associates**	**Associates and joint ventures**
Crude oil, gas and petroleum products sales	10,306	9,033	14,720
Other revenue	46	822	1,674
Purchases of crude oil, gas and petroleum products	-	9,764	42,067
Production related services	4	5,934	5,537
Transportation costs	2,216	517	2,082
Interest expense	1,347	530	8
Interest income	-	167	437

3 months ended 31 March 2017	**Parent company**	**Parent's subsidiaries and associates**	**Associates and joint ventures**
Crude oil, gas and petroleum products sales	9,098	9,291	15,207
Other revenue	1	856	1,697
Purchases of crude oil, gas and petroleum products	-	11,011	31,432
Production related services	3	6,469	4,504
Transportation costs	2,345	385	2,765
Interest expense	1,384	638	17
Interest income	-	44	1,895

Transactions with Key Management Personnel

For the three months ended 31 March 2018 and 2017 the Group recognised RUB 362 million and RUB 218 million, respectively, as compensation for key management personnel (members of the Board of Directors and Management Committee). Key management remuneration includes salaries, bonuses, quarterly accruals of SAR and other contributions.

Currency – RUB millions (unless otherwise stated)

23. Segment information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

The Group manages its operations in 2 operating segments: Upstream and Downstream.

Upstream segment (exploration and production) includes the following Group operations: exploration, development, production and sale of crude oil and natural gas (including joint ventures results), oil field services. Downstream segment (refining and marketing) processes crude into refined products and purchases, sells and transports crude oil and refined petroleum products.

The information about the Group's operating segments for the three months ended 31 March 2018 and 2017 is presented below:

3 months ended 31 March 2018	**Upstream**	**Downstream**	**Eliminations**	**Total**
Revenue from sales:				
External customers	10,801	509,832	-	520,633
Inter-segment	229,862	4,848	(234,710)	-
Total revenue from sales	**240,663**	**514,680**	**(234,710)**	**520,633**
Adjusted EBITDA	137,088	18,709	-	155,797
Depreciation, depletion and amortisation	28,836	8,673	-	37,509
Capital expenditure	44,563	26,961	-	71,524

3 months ended 31 March 2017	**Upstream**	**Downstream**	**Eliminations**	**Total**
Revenue from sales:				
External customers	43,586	411,108	-	454,694
Inter-segment	136,900	5,253	(142,153)	-
Total revenue from sales	**180,486**	**416,361**	**(142,153)**	**454,694**
Adjusted EBITDA	98,561	19,233	-	117,794
Depreciation, depletion and amortisation	24,488	7,822	-	32,310
Capital expenditure	46,754	18,911	-	65,665

Intersegment revenues are based upon prices effective for local markets and linked to market prices.

Eliminations and other adjustments section encompasses elimination of inter-segment sales and related unrealised profits, mainly from the sale of crude oil and petroleum products, and other adjustments.

Adjusted EBITDA represents the Group's EBITDA and its share in associates' and joint ventures' EBITDA. Management believes that adjusted EBITDA represents useful means of assessing the performance of the Group's ongoing operating activities, as it reflects the Group's earnings trends without showing the impact of certain charges. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortisation, net foreign exchange gain (loss), other non-operating expenses and includes the Group's share of profit of associates and joint ventures. EBITDA is a supplemental non-IFRS financial measure used by Management to evaluate operations.

Currency – RUB millions (unless otherwise stated)

The geographical segmentation of the Group's revenue and capital expenditures for the three months ended 31 March 2018 and 2017 is presented below:

	Russian Federation	CIS	Export and international operations	Total
3 months ended 31 March 2018				
Sales of crude oil	15,262	9,505	124,424	149,191
Sales of petroleum products	218,387	19,597	108,292	346,276
Sales of gas	8,636	-	252	8,888
Other revenue	12,915	524	2,839	16,278
Revenues from external customers, net	**255,200**	**29,626**	**235,807**	**520,633**
3 months ended 31 March 2017				
Sales of crude oil	28,055	7,156	108,693	143,904
Sales of petroleum products	179,654	15,990	91,137	286,781
Sales of gas	8,993	-	309	9,302
Other revenue	12,315	447	1,945	14,707
Revenues from external customers, net	**229,017**	**23,593**	**202,084**	**454,694**

For the three months ended 31 March 2018 and 2017 export sales of crude oil include sales from upstream segment in the amount of RUB 6,523 million and RUB 41,315 million, respectively. The remaining amount of RUB 117,901 million for three months ended 31 March 2018 (RUB 67,378 million for three months ended 31 March 2017) represents sales from downstream segment.

	Russian Federation	CIS	Export and international operations	Total
Non-current assets as of 31 March 2018	2,201,223	10,970	322,103	2,534,296
Capital expenditures for 3 months ended 31 March 2018	64,316	81	7,127	71,524
Non-current assets as of 31 December 2017	2,159,510	11,097	318,947	2,489,554
Capital expenditures for 3 months ended 31 March 2017	61,737	49	3,879	65,665

Adjusted EBITDA for the three months ended 31 March 2018 and 2017 is reconciled below:

	3 months ended 31 March 2018	3 months ended 31 March 2017
Profit for the period	74,145	64,734
Total income tax expense	14,655	14,922
Finance expense	5,945	6,719
Finance income	(1,848)	(2,512)
Depreciation, depletion and amortisation	37,509	32,310
Net foreign exchange loss / (gain)	4,378	(13,182)
Other loss, net	2,665	864
EBITDA	**137,449**	**103,855**
less share of profit of associates and joint ventures	(14,768)	(10,818)
add share of EBITDA of associates and joint ventures	33,116	24,757
Total adjusted EBITDA	**155,797**	**117,794**

24. Subsequent events

In April 2018 the Board of Directors recommended to approve a dividend on the ordinary shares for 2017 in the amount of RUB 15.00 per share including an interim dividend on the ordinary shares in the amount of RUB 10.00 per share.

In April 2018 the Group redeemed Loan Participation Notes (LPN) placed in April 2013 with the total par value of EUR 750 million and redeemed Rouble bonds (series 4) with the total par value of RUB 9.9 billion.

The Group signed binding agreement on disposal of non-controlling interest equal to 49% of share capital of Gazpromneft-Vostok LLC to the Russian Direct Investment Fund and to Mubadala Petroleum. The deal will be completed untill the end of the year after fulfillment of contract determined obligations. The Group is currently assessing the impact of the deal on its Interim Condensed Consolidated Financial Statements.

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