

**Management's Discussion and Analysis of Financial Condition and Results
of Operations for the three months ended September 30 and June 30, 2017 and the nine
months ended September 30, 2017 and 31, 2016**

Definitions and conversions

The following discussion is intended to assist you in understanding the Group financial position as of September 30, 2017 and results of operations for the three months ended September 30 and June 30, 2017 and the nine months ended September 30, 2017 and 2016 and should be read in conjunction with the Interim Condensed Consolidated Financial Statements and notes thereto, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

This report represents Group's financial condition and results of operations on a consolidated basis. In this report the terms "Gazprom Neft", "Company", "Group" represent PJSC Gazprom Neft, its consolidated subsidiaries and joint operations (as defined in IFRS 11) ("Tomskneft", "Salym petroleum development" (SPD) and Yuzhno-Priobskiy GPZ (UGPZ)). The term "Joint ventures" represents entities accounted for by the equity method.

Tonnes of crude oil produced are translated into barrels using conversion rates reflecting oil density from each of our oil fields. Crude oil purchased as well as other operational indicators expressed in barrels are translated from tonnes using a conversion rate of 7.33 barrels per tonne. Translations of cubic meters to cubic feet are made at the rate of 35.31 cubic feet per cubic meter. Translations of barrels of crude oil and liquid hydrocarbon into barrels of oil equivalent ("boe") are made at the rate of 1 barrel per boe and of cubic feet into boe at the rate of 6,000 cubic feet per boe.

Forward-looking statements

This discussion contains forward-looking statements concerning the financial condition, results of operations and businesses of Gazprom Neft and its consolidated subsidiaries. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those expressed or implied in these statements.

Forward-looking statements include, among other things, statements concerning the potential exposure of Gazprom Neft to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. These forward-looking statements are identified by their use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "objectives", "outlook", "probably", "project", "will", "seek", "target", "risks", "goals", "should" and similar terms and phrases. There are a number of factors that could affect the future operations of Gazprom Neft and could cause those results to differ materially from those expressed in the forward-looking statements contained in this Report, inclusively (without limitation): (a) price fluctuations in crude oil and gas; (b) changes in demand for the Company's products; (c) currency fluctuations; (d) drilling and production results; (e) reserve estimates; (f) loss of market and industry competition; (g) environmental and physical risks; (h) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; (i) economic and financial market conditions in various countries and regions; (j) political risks, project delay or advancement, approvals, and cost estimates; and (k) changes in trading conditions.

Key financial and operating data

3Q 2017	2Q 2017	Δ, %		9m		Δ, %
				2017	2016	
Financial results (RUB million)						
513,251	475,668	7.9	Sales*	1,457,525	1,221,326	19.3
153,439	128,013	19.9	Adjusted EBITDA**	399,246	324,869	22.9
6,663	5,800	14.9	RUB per toe of production	5,954	5,114	16.4
15.23	13.69	11.2	USD*** per boe of production	13.77	10.07	36.7
77,731	49,316	57.6	Profit attributable to Gazprom Neft shareholders	189,000	147,480	28.2
Operational results						
170.72	163.61	4.3	Hydrocarbon production including our share in joint ventures (MMboe)	497.10	471.89	5.3
23.03	22.07	4.3	Hydrocarbon production including our share in joint ventures (MMtoe)	67.05	63.52	5.6
1.86	1.80	3.3	Daily hydrocarbon production (MMboepd)	1.82	1.72	5.8
120.33	115.82	3.9	Crude oil and condensate production including our share in joint ventures (MMbbl)	350.33	328.37	6.7
302.38	286.89	5.4	Gas production including our share in joint ventures (bcf)	880.68	861.10	2.3
11.12	9.95	11.8	Refining throughput at own refineries and joint ventures (MMtonnes)	29.85	31.21	(4.4)

* Sales includes export duties and sales related excise tax

** EBITDA is a non-IFRS measure. A reconciliation of adjusted EBITDA to profit before income taxes is provided in the appendix

*** Translated to USD at the average exchange rate for the period

9 months 2017 highlights

- Received exploration and production licenses for:
 - Tazovskoye and Severo-Samburskoye fields in Yamalo-Nenets Autonomous Okrug
 - Novosamarskoye field in Orenburg region
 - Parabelskiy prospecting block in Tomsk region
 - Ayashskiy block at Ohotskoye Sea shelf
 - Zapadno-Chistinniy block in Khanty-Mansiysk Autonomous Okrug
- In June 2017 Group acquired a 25.02% stake (with the right to increase its share to 50%) in Evrotek-Yugra from Repsol (Spain company). Evtotek-Yugra holds exploration and production rights to seven license blocks in Khanty-Mansiysk Autonomous Okrug
- In April 2017 received export duties tax benefit for Kuyumba field in amount of 28.984 mln tonnes
- In October 2017 discovered new hydrocarbon field at Ayashskiy block at Ohotskoye Sea shelf with total geological reserves up to 255 MMtoe. Detailed reserve valuation will be available in the middle of 2018
- In April, August and September 2017 Group placed ruble bonds with total par value of RUB 55 billion
- In March 2017 rating agency Standard&Poor's revised its outlook for Group from stable to positive
- The Analytical Credit Rating Agency (ACRA) assigned Group a long-term credit rating of "AAA"(RU) with a stable outlook
- In September 2017 rating agency Dagong revised its outlook for Group from negative to stable and rating agency Fitch revised its outlook from stable to positive
- In June 2017 Company's shareholders approved record dividend payments for 2016 at RUB 10.68 per ordinary share
- In November 2017 the Board of Directors announced 9 months 2017 interim dividend of RUB 10 per ordinary share

Results for 9 months 2017 compared with 9 months 2016

- Total hydrocarbon production, including the Group's share in joint ventures, increased by 5.6% to 67.05 MMtoe due to production growth at Novoport, Messoyakha and Prirazlomnoye fields and increased production in Iraq

- Total refining throughput declined by 4.4% due to planned reconstruction and planned capital repair at Group refineries
- Sales increased by 19.3% due to higher crude oil production and higher prices for crude oil and petroleum products on the domestic and international markets
- Production growth at major projects (Novoport, Prirazlomnoye and Messoyakha), higher premium sales and an increase in crude oil and petroleum products prices have resulted in a 22.9% increase in an adjusted EBITDA. The increase was trimmed by MET and excise rates growth
- Net profit attributable to Gazprom Neft shareholders increased mainly due to increased EBITDA.

Results for 3Q 2017 compared with 2Q 2017

- Total hydrocarbon production, including the Group's share in joint ventures, increased Q-o-Q by 4.3%. Planned stoppage for technical modernization at OIFP Prirazlomnoye resulted in an increase in production at West-Siberian fields in line with production limits established by RF Ministry of Energy
- Refining throughput increased by 11.8% Q-o-Q due to completion of planned capital repair of "large ring" units at Moscow refinery and maintenance at Yaroslavl refinery in the middle of 2Q 2017. Crude processing volumes were optimized relative to crude oil and petroleum product prices and market conditions.
- Sales increased by 7.9% mainly due to increased petroleum product volumes sales and higher prices for oil and petroleum products. The increase was trimmed by a decrease of export sales volume
- Production increase, refining throughput growth and higher crude oil and petroleum product prices resulted in an adjusted EBITDA increase (19.9%)
- Net profit attributable to Gazprom Neft shareholders increased, mainly due to EBITDA growth and foreign exchange gain in 3Q 2017 resulting from the revaluation of the Group's debt portfolio vs. foreign exchange losses in 2Q 2017.

Operational data and analysis

Production drilling

3Q 2017	2Q 2017	Δ, %		9m 2017	2016	Δ, %
Consolidated subsidiaries						
736	705	4.4	Production drilling ('000 meters)	1,935	2,099	(7.8)
176	164	7.3	New production wells	472	533	(11.4)
64.98	77.26	(15.9)	Average new well flow (tonnes per day)	53.90	48.60	10.9
Joint operations						
220	241	(8.7)	Production drilling ('000 meters)	619	568	9.0
52	38	36.8	New production wells	137	161	(14.9)
Joint ventures						
487	394	23.6	Production drilling ('000 meters)	1,191	963	23.7
103	85	21.2	New production wells	252	201	25.4

- The decrease in production drilling and number of new production wells by consolidated subsidiaries Y-o-Y was due to the increased number of high-tech wells
- The increase in production drilling and number of new production wells by consolidated subsidiaries Q-o-Q was in line with the drilling plan
- The increase in average new well flow by consolidated subsidiaries by 10.9% Y-o-Y was due to the increased number of high-tech wells and the completion of high-debit wells at Novoport and Prirazlomnoye fields
- The decrease in production drilling by joint operations Q-o-Q was due to a decline in drilling volumes at Tomskneft. The increase in new wells by joint operations Q-o-Q was due to put in operation of previously drilled wells at SPD
- The increase in production drilling by joint operations Y-o-Y was due to drilling intensification at Tomskneft
- The decrease in new wells by joint operations Y-o-Y was due to the increased number of high-tech wells
- The increase in production drilling and new wells by joint ventures Y-o-Y was due to placing Vostochno-Messoyakhskoye field on production.

Production

3Q 2017	2Q 2017	Δ, %		9m 2017	2016	Δ, %
(MMtonnes)			Crude oil and condensate	(MMtonnes)		
3.74	2.87	30.3	Noyabrskneftegaz	9.70	10.43	(7.0)
3.76	3.53	6.5	Khantos**	10.85	10.89	(0.4)
1.17	1.15	1.7	Tomskneft	3.49	3.58	(2.5)
0.78	0.75	4.0	SPD	2.30	2.30	-
0.71	0.70	1.4	Orenburg***	2.11	2.07	1.9
0.25	0.24	4.2	NIS	0.73	0.77	(5.2)
0.42	0.41	2.4	Vostok****	1.24	1.27	(2.4)
1.60	1.54	3.9	Novy Port	4.27	1.60	166.9
0.14	0.84	(83.3)	Prirazlomnoye	1.76	1.44	22.2
0.34	0.30	13.3	Badra & Kurdistan	0.94	0.62	51.6
-	0.03	-	Others	0.05	0.07	(28.6)
12.91	12.36	4.4	Total production by subsidiaries and joint operations	37.44	35.04	6.8
1.83	1.81	1.1	Share in Slavneft	5.45	5.64	(3.4)
0.91	0.91	-	Share in SeverEnergiya (Arcticgas)	2.74	2.82	(2.8)
0.09	0.09	-	Share in Northgas	0.28	0.40	(30.0)
0.42	0.37	13.5	Share in Messoyakha	1.12	0.04	>200
3.25	3.18	2.2	Share in production of joint ventures	9.59	8.90	7.8
16.16	15.54	4.0	Total crude oil and condensate production	47.03	43.94	7.0
(bcm)			Gas*	(bcm)		
2.47	2.60	(5.0)	Noyabrskneftegaz	7.69	7.28	5.6
0.27	0.28	(3.6)	Khantos**	0.83	0.79	5.1
0.24	0.20	20.0	Tomskneft	0.69	0.64	7.8
0.04	0.03	33.3	SPD	0.10	0.10	-
0.62	0.64	(3.1)	Orenburg***	1.89	1.78	6.2
0.13	0.13	-	NIS	0.39	0.42	(7.1)
0.04	0.04	-	Vostok****	0.11	0.09	22.2
0.44	0.04	>200	Novy Port	0.50	0.03	>200
0.03	0.01	200.0	Others	0.06	0.04	50.0
4.28	3.97	7.8	Total production by subsidiaries and joint operations	12.26	11.17	9.8
0.11	0.11	-	Share in Slavneft	0.34	0.36	(5.6)
3.06	3.02	1.3	Share in SeverEnergiya (Arcticgas)	9.10	9.01	1.0
1.09	1.02	6.9	Share in Northgas	3.20	3.84	(16.7)
0.02	0.01	100.0	Share in Messoyakha	0.04	0.01	>200
4.28	4.16	2.9	Share in production of joint ventures	12.68	13.22	(4.1)
8.56	8.13	5.3	Total gas production	24.94	24.39	2.3
(MMtoe)			Hydrocarbons	(MMtoe)		
16.34	15.55	5.1	Total production by subsidiaries and joint operations	47.28	44.01	7.4
6.69	6.52	2.6	Share in production of joint ventures	19.77	19.51	1.3
23.03	22.07	4.3	Total hydrocarbon production	67.05	63.52	5.6
170.72	163.61	4.3	MMtoe	497.10	471.89	5.3
1.86	1.80	3.3	Daily hydrocarbon production (MMboepd)	1.82	1.72	5.8

* Production volume includes marketable gas and gas utilized in the Company's power plants

** Khantos oil production in 2016-2017 includes NGL in the share of Gazprom Neft (50%). Associated gas utilization excludes gas used for NGL production at UGPZ (50%)

*** Orenburg oil production since 3Q 2016 includes LPG. Associated gas utilization excludes gas used for LPG

**** Vostok oil production since 2017 includes DGS. Associated gas utilization excludes gas used for DGS

- Group daily hydrocarbon production increased by 5.8% Y-o-Y
- Group oil and condensate production increased by 7.0% Y-o-Y to 47.03 MMtonnes, driven by increased production at Novoport, Messoyakha, Prirazlomnoye fields and Iraq
- Group oil and condensate production Q-o-Q increased by 4.0% to 16.16 MMtonnes. Planned stoppage for technical modernization at OIFP Prirazlomnoye resulted in an increase in production at West-Siberian fields in line with production limits established by RF Ministry of Energy
- Group gas production increased by 2.3% Y-o-Y, primarily due to increase in associated gas utilization resulted from GPF commissioning at Novoport and the 4Q 2016 startup of a compressor station at Eti-Purovskoye field; higher natural gas production in Noyabrsk region according to new sales contracts
- Group natural gas production increased by 5.3% Q-o-Q due to putting in place of complex gas processing plant at Novoport.

Crude oil purchases

3Q 2017	2Q 2017	Δ, %	(MMtonnes)	9m		Δ, %
				2017	2016	
1.84	1.88	(2.1)	Crude oil purchases in Russia *	5.49	6.41	(14.4)
0.67	0.37	81.1	Crude oil purchases internationally	1.35	0.79	70.9
2.51	2.25	11.6	Total crude purchased	6.84	7.20	(5.0)

* Crude oil purchases in Russia:

- exclude purchases from the Group's joint ventures Slavneft and SeverEnergiya (Arcticgas)

- include purchase of stable gas condensate from Novatek (25% of Arcticgas production)

- Crude oil purchases in Russia decreased by 14.4% Y-o-Y due to a decline in effectiveness of domestic trading operations and lower production at own refineries.

Refining

3Q 2017	2Q 2017	Δ, %	(MMtonnes)	9m		Δ, %
				2017	2016	
5.31	4.80	10.6	Omsk	15.10	15.32	(1.4)
2.87	2.39	20.1	Moscow	6.58	8.05	(18.3)
0.89	0.82	8.5	Pancevo	2.42	2.23	8.5
9.07	8.01	13.2	Total throughput at refineries owned by subsidiaries	24.10	25.60	(5.9)
2.02	1.94	4.1	Share in Yaroslavl	5.72	5.48	4.4
0.03	-	-	Share in Mozyr	0.03	0.13	(76.9)
11.12	9.95	11.8	Total refining throughput	29.85	31.21	(4.4)

Production of petroleum products

2.53	2.18	16.1	Gasoline	6.47	6.88	(6.0)
2.53	2.18	16.1	Class 5	6.47	6.88	(6.0)
0.33	0.29	13.8	Naphtha	0.97	1.17	(17.1)
3.18	2.75	15.6	Diesel	8.52	8.89	(4.2)
0.03	0.04	(25.0)	Class 2 and below	0.09	0.09	-
3.15	2.71	16.2	Class 5	8.43	8.80	(4.2)
1.27	1.31	(3.1)	Fuel oil	3.87	4.54	(14.8)
0.89	0.81	9.9	Jet fuel	2.31	2.32	(0.4)
0.66	0.61	8.2	Bunker fuel	2.02	1.99	1.5
1.02	0.75	36.0	Bitumen	2.04	1.67	22.2
0.13	0.13	-	Lubricants	0.35	0.31	12.9
0.70	0.78	(10.3)	Other	2.15	1.92	12.0
10.71	9.61	11.4	Total production	28.70	29.69	(3.3)

- Total throughput declined by 4.4% Y-o-Y due to planned reconstruction and capital repair at Group refineries

- Refining throughput increased by 11.8% Q-o-Q due to completion of planned capital repair of “large ring” units at Moscow refinery and maintenance at Yaroslavl refinery in the middle of 2Q 2017. Crude processing volumes were optimized relative to crude oil and petroleum product prices and market conditions
- High-octane gasoline production increased by 16.1% and diesel production increased by 15.6% Q-o-Q due to completion of planned reconstruction and repair at Moscow refinery, throughput growth at Omsk and Yaroslavl refineries
- Fuel oil production decreased Y-o-Y due to a decline in oil refining and increased bitumen production
- Bitumen production increased by 36.0% Q-o-Q primarily due to seasonal factors and completion of reconstruction of bitumen plant at Omsk refinery (January-April 2017)
- Bitumen production increased by 22.2% Y-o-Y due to higher demand on domestic market and geographic expansion of export sales.

Petroleum product purchases on international markets

	3Q 2017		2Q 2017		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Diesel	2,872	0.09	2,695	0.11	6.6	(18.2)
Jet fuel	1,640	0.05	1,280	0.04	28.1	25.0
Bunker fuel	3,028	0.12	1,033	0.05	193.1	140.0
Lubricants	263	0.00	185	0.00	42.2	-
Total	7,803	0.26	5,193	0.20	50.3	30.0

	9m 2017		9m 2016		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Diesel	7,313	0.26	9,897	0.37	(26.1)	(29.7)
Jet fuel	4,820	0.14	2,272	0.07	112.1	100.0
Bunker fuel	5,059	0.21	2,118	0.08	138.9	162.5
Lubricants	668	0.00	829	0.01	(19.4)	-
Total	17,860	0.61	15,116	0.53	18.2	15.1

- Diesel purchases decreased Y-o-Y due to accumulated diesel stock utilization
- Jet fuel purchases on international markets increased Y-o-Y due to higher demand for international flights
- Bunker fuel purchases on international markets increased Y-o-Y due to higher sales in ports of Romania.

Petroleum product purchases in the CIS

	3Q 2017		2Q 2017		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	2,368	0.08	1,389	0.05	70.5	60.0
Low octane gasoline	38	0.01	34	0.00	11.8	-
Diesel	700	0.03	998	0.04	(29.9)	(25.0)
Other	73	0.01	76	0.01	(3.9)	-
Total	3,179	0.13	2,497	0.10	27.3	30.0

	9m 2017		9m 2016		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	4,504	0.15	1,354	0.05	>200	200.0
Low octane gasoline	167	0.01	360	0.01	(53.6)	-
Diesel	3,118	0.12	2,439	0.11	27.8	9.1
Other	259	0.04	269	0.01	(3.7)	>200
Total	8,048	0.32	4,422	0.18	82.0	77.8

Domestic petroleum product purchases

	3Q 2017		2Q 2017		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	16 380	0,44	13 285	0,37	23,3	18,9
Diesel	10 456	0,31	6 719	0,21	55,6	47,6
Jet fuel	3 316	0,10	2 277	0,08	45,6	25,0
Bunker fuel	893	0,04	871	0,04	2,5	-
Bitumen	471	0,03	156	0,02	>200	50,0
Other	1 410	0,03	2 201	0,06	(35,9)	(50,0)
Total	32 926	0,95	25 509	0,78	29,1	21,8

	9m 2017		9m 2016		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	48,911	1.36	31,858	0.96	53.5	41.7
Low octane gasoline	-	-	185	0.01	-	-
Diesel	30,075	0.89	17,610	0.57	70.8	56.1
Jet fuel	7,222	0.24	4,199	0.17	72.0	41.2
Bunker fuel	2,577	0.12	1,535	0.09	67.9	33.3
Bitumen	627	0.05	-	-	-	-
Lubricants	176	0.01	505	0.01	(65.1)	-
Petrochemicals	55	0.00	209	-	(73.7)	-
Other	5,212	0.13	715	0.04	>200	>200
Total	94,855	2.80	56,816	1.85	67.0	51.4

- Petroleum product purchases increased Q-o-Q mainly due to seasonal factors
- Petroleum product purchases increased Y-o-Y due to lower production at own refineries.

Petroleum product marketing through premium channels

3Q 2017	2Q 2017	Δ, %		9m		Δ, %
	(units)		Active retail stations	2017	2016	
1,175	1,201	(2.2)	In Russia	1,175	1,169	0.5
187	189	(1.1)	In CIS	187	259	(27.8)
413	413	-	In Eastern Europe	413	417	(1.0)
1,775	1,803	(1.6)	Total retail stations (as at the end of the period)	1,775	1,845	(3.8)
20.90	19.57	6.8	Average daily sales per retail site in Russia (tonnes per day)	19.68	18.84	4.5

(MMtonnes)		Sales volume through premium channels		(MMtonnes)		
5.54	4.90	13.1	Gasoline and Diesel	14.79	14.30	3.4
0.82	0.73	12.3	Jet	2.11	1.95	8.2
0.76	0.72	5.6	Bunkering	2.04	2.11	(3.3)
0.07	0.09	(22.2)	Lubricants	0.22	0.20	10.0
0.11	0.07	57.1	Bitumen	0.21	0.18	16.7
7.30	6.51	12.1	Total sales volume through premium channels	19.37	18.74	3.4

- The total number of active retail stations decreased by 3.8% Y-o-Y due to the Group retail operations reorganisation in CIS
- Average daily sales per retail station in Russia increased by 4.5% Y-o-Y due to active retail business development and the Group's marketing activities
- Bunker fuel sales decreased Y-o-Y due to shift to higher margin directions (North-East and Black Sea regions) from the Far East
- Sales volumes through premium channels increased by 12.1% Q-o-Q primarily due to seasonal factors and higher demand for petroleum products.

Results of operations

3Q	2Q			9m		
2017	2017	Δ, %	(RUB million)	2017	2016	Δ, %
513,251	475,668	7.9	Sales*	1,457,525	1,221,326	19.3
(33,749)	(34,476)	(2.1)	Less export duties and sales related excise tax	(105,666)	(110,206)	(4.1)
479,502	441,192	8.7	Total revenue	1,351,859	1,111,120	21.7
Costs and other deductions						
(107,576)	(109,997)	(2.2)	Purchases of oil, gas and petroleum products	(334,536)	(252,862)	32.3
(57,225)	(54,059)	5.9	Production and manufacturing expenses	(157,597)	(145,270)	8.5
(24,840)	(24,237)	2.5	Selling, general and administrative expenses	(72,788)	(77,397)	(6.0)
(34,858)	(34,744)	0.3	Transportation expenses	(106,252)	(98,228)	8.2
(35,781)	(33,984)	5.3	Depreciation, depletion and amortization	(102,075)	(89,268)	14.3
(130,491)	(111,644)	16.9	Taxes other than income tax	(356,522)	(273,662)	30.3
(123)	(42)	192.9	Exploration expenses	(269)	(308)	(12.7)
(390,894)	(368,707)	6.0	Total operating expenses	(1,130,039)	(936,995)	20.6
88,608	72,485	22.2	Operating profit	221,820	174,125	27.4
12,526	7,892	58.7	Share of profit of associates and joint ventures	31,236	24,468	27.7
2,237	(7,477)	-	Net foreign exchange gain / (loss)	7,942	20,043	(60.4)
3,041	2,713	12.1	Finance income	8,266	8,302	(0.4)
(6,026)	(6,543)	(7.9)	Finance expense	(19,288)	(26,283)	(26.6)
413	(2,513)	-	Other gain / (loss), net	(2,964)	(14,766)	(79.9)
12,191	(5,928)	-	Total other income / (expense)	25,192	11,764	114.1
100,799	66,557	51.4	(Loss) / Profit before income tax	247,012	185,889	32.9
(13,119)	(10,450)	25.5	Current income tax (expense)	(33,733)	(13,690)	146.4
(5,232)	(2,790)	87.5	Deferred income tax expense	(12,780)	(19,925)	(35.9)
(18,351)	(13,240)	38.6	Total income tax benefit / (expense)	(46,513)	(33,615)	38.4
82,448	53,317	54.6	(Loss) / Profit for the period	200,499	152,274	31.7
(4,717)	(4,001)	17.9	Less: Profit attributable to non-controlling interest	(11,499)	(4,794)	139.9
77,731	49,316	57.6	Profit attributable to Gazprom Neft shareholders	189,000	147,480	28.2

* Sales include export duties and sales related excise tax

Revenues

3Q	2Q			9m		
2017	2017	Δ, %	(RUB million)	2017	2016	Δ, %
Crude oil						
79,204	93,792	(15.6)	Export	260,902	141,138	84.9
86,723	105,623	(17.9)	Export sales	296,144	172,150	72.0
(7,519)	(11,831)	(36.4)	Less related export duties	(35,242)	(31,012)	13.6
5,154	4,944	4.2	International markets	14,993	8,704	72.3
6,439	7,099	(9.3)	Export to CIS	20,694	19,225	7.6
6,439	7,099	(9.3)	Export sales and sales in CIS	20,694	19,354	6.9
-	-	-	Less related export duties	-	(129)	-
16,869	18,116	(6.9)	Domestic	63,040	67,363	(6.4)
107,666	123,951	(13.1)	Total crude oil revenue	359,629	236,430	52.1
Gas						
298	398	(25.1)	International markets	1,005	1,441	(30.3)
9,373	9,066	3.4	Domestic	27,432	21,676	26.6
9,671	9,464	2.2	Total gas revenue	28,437	23,117	23.0
Petroleum products						
47,067	35,526	32.5	Export	143,239	132,029	8.5
53,548	42,097	27.2	Export sales	163,923	153,652	6.7
(6,481)	(6,571)	(1.4)	Less related export duties	(20,684)	(21,623)	(4.3)
30,722	25,295	21.5	International markets	78,871	71,488	10.3
50,141	41,158	21.8	Sales on international markets	127,708	128,137	(0.3)
(19,419)	(15,863)	22.4	Less sales related excise	(48,837)	(56,649)	(13.8)
21,205	18,210	16.4	CIS	55,405	52,131	6.3
21,535	18,421	16.9	Export sales and sales in CIS	56,308	52,924	6.4
(330)	(211)	56.4	Less related export duties	(903)	(793)	13.9
247,394	212,953	16.2	Domestic	640,390	552,932	15.8
346,388	291,984	18.6	Total petroleum products revenue	917,905	808,580	13.5
15,777	15,793	(0.1)	Other revenue	45,888	42,993	6.7
479,502	441,192	8.7	Total revenue	1,351,859	1,111,120	21.7

Sales volumes

3Q	2Q			9m		
2017	2017	Δ, %		2017	2016	Δ, %
(MMtonnes)			Crude oil			
3.89	5.11	(23.9)	Export	13.67	8.67	57.7
0.26	0.20	30.0	Sales on international markets*	0.75	0.52	44.2
0.40	0.48	(16.7)	Export to CIS	1.26	1.37	(8.0)
1.19	1.39	(14.4)	Domestic sales	4.44	5.44	(18.4)
5.74	7.18	(20.1)	Total crude oil sales	20.12	16.00	25.8
(bcm)			Gas			
0.03	0.04	(25.0)	International markets	0.10	0.14	(28.6)
3.50	3.44	1.7	Domestic sales	10.47	9.83	6.5
3.53	3.48	1.4	Total gas sales	10.57	9.97	6.0
(MMtonnes)			Petroleum products			
2.27	2.01	12.9	Export	7.10	7.95	(10.7)
0.95	0.83	14.5	Sales on international markets	2.49	2.39	4.2
0.71	0.60	18.3	Export and sales in CIS	1.83	1.76	4.0
8.03	7.14	12.5	Domestic sales	21.07	20.60	2.3
11.96	10.58	13.0	Total petroleum products sales	32.49	32.70	(0.6)

* Including production sharing agreements (PSA)

Average realized sales prices

3Q 2017	2Q 2017	Δ, %		9m 2017	2016	Δ, %
(RUB per tonne)			Crude oil	(RUB per tonne)		
22,294	20,670	7.9	Export	21,664	19,856	9.1
16,098	14,790	8.8	Export and sales in CIS	16,424	14,127	16.3
14,176	13,033	8.8	Domestic sales	14,198	12,383	14.7
(RUB per tonne)			Petroleum products	(RUB per tonne)		
23,589	20,944	12.6	Export	23,088	19,327	19.5
30,331	30,702	(1.2)	Export and sales in CIS	30,769	30,070	2.3
30,809	29,825	3.3	Domestic sales	30,393	26,841	13.2

Crude oil sales

- Crude export volumes decreased by 23.9% Q-o-Q due to a decline in crude oil production at Prirazlomnoye field resulted from planned stoppage for technical modernization in 3Q 2017 and crude oil refining growth at Group refineries
- Crude export volumes increased by 57.7% Y-o-Y due to an increase in crude oil production at Novoport, Messoyakha and Prirazlomnoye fields and reduction of crude oil delivery to refineries
- Oil sales on international markets increased Y-o-Y due to production growth in Iraq
- Crude export volumes to the CIS decreased by 8.0% Y-o-Y due to a reduction of the oil export to Belarus resulted from limitations established by RF Ministry of Energy
- Domestic crude volumes decreased by 14.4% Q-o-Q due to higher crude oil delivery to Group refineries
- Domestic crude volumes decreased by 18.4% Y-o-Y mainly due to a decline in effectiveness of domestic trading.

Gas sales

- Domestic gas sales increased by 6.5% Y-o-Y due to increased natural gas production at consolidated subsidiaries.

Petroleum product exports

	3Q 2017		2Q 2017		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Naphtha	5,521	0.21	4,914	0.20	12.4	5.0
Diesel	18,582	0.63	9,704	0.37	91.5	70.3
Fuel oil	13,165	0.78	11,837	0.78	11.2	-
Jet fuel	3,208	0.10	2,453	0.08	30.8	25.0
Bunker fuel	8,605	0.34	5,381	0.25	59.9	36.0
Bitumen	362	0.02	153	0.01	136.6	100.0
Lubricants	1,093	0.01	1,119	0.02	(2.3)	(50.0)
Petrochemicals	540	0.04	736	0.03	(26.6)	33.3
Other	2,472	0.14	5,800	0.27	(57.4)	(48.1)
Total	53,548	2.27	42,097	2.01	27.2	12.9

	9m 2017		9m 2016		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	-	-	2,266	0.09	-	-
Naphtha	18,275	0.69	22,072	0.93	(17.2)	(25.8)
Diesel	57,856	2.04	65,138	2.61	(11.2)	(21.8)
Fuel oil	36,753	2.25	36,315	3.21	1.2	(29.9)
Jet fuel	8,547	0.26	4,928	0.16	73.4	62.5
Bunker fuel	23,233	1.04	11,309	0.52	105.4	100.0
Bitumen	745	0.05	441	0.04	68.9	25.0
Lubricants	3,450	0.06	4,214	0.09	(18.1)	(33.3)
Petrochemicals	2,808	0.12	4,312	0.16	(34.9)	(25.0)
Other	12,256	0.59	2,657	0.14	>200	>200
Total	163,923	7.10	153,652	7.95	6.7	(10.7)

- Petroleum product export volumes increased Q-o-Q due to a high margin of export sales to Netherlands, Germany and Denmark
- Bunker fuel volumes increased by 36.0% Q-o-Q mainly due to seasonal factors
- Petroleum product sales volumes decreased Y-o-Y due to a decline in production volumes
- Bunker fuel volumes increased twice Y-o-Y due to an increase in effectiveness of trading
- Jet fuel sales on international markets increased by 62.5% Y-o-Y due to higher demand for international flights and geographic expansion.

Petroleum product sales in the CIS

	3Q 2017		2Q 2017		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	7,973	0.24	7,413	0.21	7.6	14.3
Low octane gasoline	154	0.00	165	0.00	(6.7)	-
Naphtha	230	0.01	-	-	-	-
Diesel	8,304	0.25	7,033	0.22	18.1	13.6
Fuel oil	109	0.01	-	-	-	-
Jet fuel	794	0.02	1,665	0.06	(52.3)	(66.7)
Bitumen	1,754	0.13	877	0.06	100.0	116.7
Lubricants	820	0.02	751	0.02	9.2	-
Petrochemicals and Other	1,397	0.03	517	0.03	170.2	-
Total	21,535	0.71	18,421	0.60	16.9	18.3

	9m 2017		9m 2016		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	22,509	0.67	25,019	0.73	(10.0)	(8.2)
Low octane gasoline	500	0.01	2,242	0.08	(77.7)	(87.5)
Naphtha	230	0.01	-	-	-	-
Diesel	21,020	0.64	16,825	0.51	24.9	25.5
Fuel oil	109	0.01	476	0.07	(77.1)	(85.7)
Jet fuel	4,419	0.15	2,699	0.10	63.7	50.0
Bitumen	2,874	0.21	1,483	0.17	93.8	23.5
Lubricants	2,082	0.05	2,097	0.05	(0.7)	-
Petrochemicals and Other	2,565	0.08	2,083	0.05	23.1	60.0
Total	56,308	1.83	52,924	1.76	6.4	4.0

Domestic sales of petroleum products

	3Q 2017		2Q 2017		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	104,195	2.62	88,807	2.27	17.3	15.4
Low octane gasoline	279	0.01	217	0.01	28.6	-
Diesel	81,285	2.41	72,064	2.14	12.8	12.6
Fuel oil	3,910	0.40	3,112	0.36	25.6	11.1
Jet fuel	23,977	0.81	21,738	0.76	10.3	6.6
Bunker fuel	9,439	0.47	9,330	0.52	1.2	(9.6)
Bitumen	10,779	0.81	5,961	0.58	80.8	39.7
Lubricants	3,839	0.07	3,663	0.07	4.8	-
Petrochemicals	5,616	0.25	5,192	0.22	8.2	13.6
Other	4,075	0.18	2,869	0.21	42.0	(14.3)
Total	247,394	8.03	212,953	7.14	16.2	12.5

	9m 2017		9m 2016		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	269,442	6.92	244,666	6.73	10.1	2.8
Low octane gasoline	643	0.02	831	0.03	(22.6)	(33.3)
Diesel	214,861	6.34	180,467	5.92	19.1	7.1
Fuel oil	11,140	1.19	5,610	1.08	98.6	10.2
Jet fuel	62,549	2.13	56,053	2.17	11.6	(1.8)
Bunker fuel	26,460	1.42	23,165	1.71	14.2	(17.0)
Bitumen	18,549	1.60	10,434	1.35	77.8	18.5
Lubricants	10,126	0.19	8,996	0.18	12.6	5.6
Petrochemicals	16,714	0.68	14,611	0.83	14.4	(18.1)
Other	9,906	0.58	8,099	0.60	22.3	(3.3)
Total	640,390	21.07	552,932	20.60	15.8	2.3

- Petroleum product sales on the domestic market increased by 12.5% Q-o-Q mainly due to seasonal factors and production growth
- Bunker fuel sales decreased Y-o-Y due to shift to higher margin directions (North-East and Black Sea regions) from the Far East
- Bitumen sales increased by 18.5% Y-o-Y due to an increase in market share and geographic expansion of outside processing
- Petrochemicals volumes decreased Y-o-Y due to repairs at the Group's refineries.

Purchases of oil, gas and petroleum products

- Purchases of oil, gas, and petroleum products increased by 32.3% Y-o-Y due to increased volume of petroleum product purchases (connected with a refining decline) and an increase of purchased crude oil cost (connected with prices growth on domestic and international markets).

Production and manufacturing expenses

3Q 2017	2Q 2017	Δ, %	(RUB million)	9m		
				2017	2016	Δ, %
29 134	27 750	5,0	Upstream expenses	82 774	77 370	7,0
1 783	1 785	(0,1)	RUB per toe	1 751	1 758	(0,4)
4,12	4,26	(3,3)	USD* per boe	4,09	3,51	16,7
22 293	21 193	5,2	Consolidated subsidiaries inside Russia including	63 557	57 963	9,7
1 656	1 658	(0,1)	RUB per toe	1 638	1 621	1,0
3,83	3,96	(3,3)	USD* per boe	3,83	3,23	18,6
17 457	17 000	2,7	Brownfields	50 737	47 955	5,8
1 718	1 860	(7,6)	RUB per toe	1 767	1 645	7,4
3,97	4,44	(10,6)	USD* per boe	4,13	3,28	25,9
4 836	4 193	15,3	Greenfields	12 820	10 008	28,1
1 465	1 152	27,2	RUB per toe	1 271	1 514	(16,1)
3,39	2,75	23,3	USD* per boe	2,97	3,02	(1,7)
2 127	2 104	1,1	Consolidated subsidiaries outside Russia (including PSA)**	5 998	7 382	(18,7)
3 039	3 188	(4,7)	RUB per toe	2 999	4 267	(29,7)
7,02	7,61	(7,8)	USD* per boe	7,01	8,51	(17,6)
4 714	4 453	5,9	Joint operations	13 219	12 025	9,9
2 182	2 120	2,9	RUB per toe	2 059	1 859	10,8
5,04	5,06	(0,4)	USD* per boe	4,82	3,71	29,9
13 853	13 521	2,5	Downstream expenses	39 745	37 828	5,1
7 753	7 100	9,2	Refining expenses at own refineries	22 071	21 196	4,1
855	886	(3,6)	RUB per tonne	916	828	10,6
1,98	2,12	(6,6)	USD* per bbl	2,14	1,65	29,7
3 172	2 957	7,3	Refining expenses at refineries of joint ventures***	8 889	9 271	(4,1)
1 547	1 524	1,5	RUB per tonne	1 546	1 653	(6,5)
3,58	3,64	(1,6)	USD* per bbl	3,62	3,30	9,7
2 928	3 464	(15,5)	Lubricants manufacturing expenses	8 785	7 361	19,3
8 478	7 494	13,1	Transportation expenses to refineries	21 455	21 643	(0,9)
5 760	5 294	8,8	Other operating expenses including	13 623	8 429	61,6
57 225	54 059	5,9	Total	157 597	145 270	8,5

* Translated to USD at the average exchange rate for the period

** PSA refers to production sharing agreement

*** Refining expenses of joint ventures is based on processing agreement

- Upstream expenses include expenditures for raw materials and supplies, maintenance and repairs of production equipment, labor costs, fuel and electricity costs, enhanced oil recovery activities and other similar costs at our upstream subsidiaries
- Upstream expenses per toe at consolidated subsidiaries in Russia increased by 1.0% Y-o-Y due to increased brownfields expenses which was partially offset by increased crude production at greenfields
- Upstream expenses per toe at consolidated subsidiaries at brownfields increased by 7.4% Y-o-Y due to:
 - o Higher natural monopoly tariffs
 - o Production decline in line with OPEC limits
 - o Increased share of equipment used under the electric submersible pump (ESP) rental program
 - o Increased wells repair expenses
 - o Inflationary pressure at cost of services and resources
 - o Increased expenses for associated gas processing.
- Upstream expenses per boe at consolidated subsidiaries outside Russia decreased by 17.6% Y-o-Y mainly due to production growth in Iraq
- Upstream expenses at joint operations increased by 10.8% Y-o-Y mainly due to:
 - o Higher natural monopoly tariffs

- o Increased share of equipment used under the electric submersible pump (ESP) rental program and growth of its maintenance costs
- o Increased wells repair expenses at SPD
- o Inflationary pressure at cost of services and resources.
- Refining expenses at the refineries of consolidated subsidiaries include expenditures for raw materials and supplies, maintenance and repairs of production equipment, labor and electricity costs, and other similar costs at the Group's refineries
- Refining expenses per tonne at own refineries decreased by 3.6% Q-o-Q due to production growth.
- Refining expenses per tonne at own refineries increased by 10.6% Y-o-Y primarily due to:
 - o Production decrease resulted from planned repairs
 - o Increased MTBE purchases to sustain gasoline production as a result of capital repair of "large ring" units at Moscow refinery in 1Q and 2Q 2017
 - o Increased expenses for natural gas consumption for own use purposes
 - o Higher tariffs of natural monopolies.
- Refining expenses per tonne at refineries of joint ventures declined by 6.5% Y-o-Y due to optimized expenses for compounds, chemicals and additives
- Transportation expenses to refineries increased by 13.1% Q-o-Q mainly due to increased crude oil volumes delivered to refineries
- Other operating expenses increased by 61.6% Y-o-Y due to increased services rendered to joint ventures.

Selling, general and administrative expenses

Selling, general and administrative expenses include general business expenses, wages, salaries (except wages and salaries at production subsidiaries and own refineries), insurance, legal fees, consulting and audit services, and other expenses.

- Selling, general and administrative expenses decreased by 6.0% Y-o-Y, driven mainly by decreased expenses at foreign subsidiaries due to ruble strengthening

Transportation expenses

Transportation expenses include costs to transport crude oil and petroleum products to final customers. These costs consist of pipeline transportation, sea freight, rail, shipping, handling, and other transportation costs.

- Transportation expenses increased by 8.2% Y-o-Y mainly due to higher export crude sales volumes.

Depreciation, depletion and amortization

Depreciation, depletion and amortization expenses include depreciation of oil and gas properties, refining and other assets and impairment provision.

- Depreciation, depletion and amortization expenses increase by 14.3% Y-o-Y and 5.3% Q-o-Q in line with an increase in depreciable assets driven by implementation of the investment program and increased production

Taxes other than income tax

3Q	2Q			9m		
2017	2017	Δ, %	(RUB million)	2017	2016	Δ, %
84,683	70,605	19.9	Mineral extraction tax	236,071	166,473	41.8
37,567	32,954	14.0	Excise tax	95,958	83,464	15.0
4,723	4,761	(0.8)	Social security contributions	14,583	13,490	8.1
3,518	3,324	5.8	Other taxes	9,910	10,235	(3.2)
130,491	111,644	16.9	Total taxes other than income tax	356,522	273,662	30.3

- MET increased by 19.9% Q-o-Q due to higher oil prices
- Excise taxes increased by 14.0% Q-o-Q due to increased production at refineries of consolidated subsidiaries in Russia 3Q 2017

- MET increased by 41.8% Y-o-Y due to higher rates according to the Tax Code, imposition of additional multiplying ratio, production growth and higher oil prices
- Excise taxes increased by 15.0% Y-o-Y due to higher rates according to the Tax Code.

Share of profit of equity accounted investments

3Q	2Q			9m		
2017	2017	Δ, %	(RUB million)	2017	2016	Δ, %
3,372	1,247	170.4	Slavneft	7,549	11,114	(32.1)
4,910	3,387	45.0	SeverEnergiya (Arcticgas)	12,672	10,391	22.0
2,868	1,962	46.2	Messoyakha	7,040	(1,300)	-
884	685	29.1	Nortgaz	2,514	1,428	76.1
492	611	(19.5)	Other companies	1,461	2,835	(48.5)
12,526	7,892	58.7	Share of profit of associates and joint ventures	31,236	24,468	27.7

- The Group's share in Slavneft's profit decreased Y-o-Y mainly due to a production decline and depreciation growth
- The Group's share in Slavneft's profit increased Q-o-Q mainly due to EBITDA growth resulted from higher crude oil prices
- The Group's share in profit of SeverEnergiya (Arcticgas) increased by 22.0% Y-o-Y as a result of increased EBITDA and reduction of financial expenses
- The Group's share in profit of Messoyakha increased Y-o-Y as a result of started commercial production in 4Q 2016.

Other income and expenses

- Other expenses decreased by 79.9% Y-o-Y. Other expenses in 2016 mainly include impairment provision of advances paid.

Other financial items

- Foreign exchange gains/losses were mainly due to revaluation of the portion of the Group's debt portfolio that is denominated in foreign currencies.

Liquidity and capital resources

Cash flows

(RUB million)	9m		
	2017	2016	Δ %
Net cash provided by operating activities	325,781	235,614	38.3
Net cash used in investing activities	(235,661)	(220,573)	6.8
Net cash used in financing activities	(54,141)	(83,257)	(35.0)
Increase / (Decrease) in cash and cash equivalents	35,979	(68,216)	-

Net cash provided by operating activities

(RUB million)	9m		
	2017	2016	Δ %
Net cash provided by operating activities before changes in working capital, income tax, interest and dividends	323,377	260,980	23.9
Net changes in working capital	54,352	17,397	>200
Income tax paid	(25,494)	(17,336)	47.1
Interest paid	(29,760)	(27,701)	7.4
Dividends received	3,306	2,274	45.4
Net cash provided by operating activities	325,781	235,614	38.3

- Net cash provided by operating activities increased by 38.3% Y-o-Y primarily due to higher operating profit and changes in working capital.

Net cash used in investing activities

(RUB million)	9m		
	2017	2016	Δ %
Capital expenditures	(242,768)	(266,004)	(8.7)
Acquisition of subsidiaries, shares in joint operations and equity affiliates	(8,093)	(1,545)	>200
Net changes in deposits	(3,943)	48,307	-
Net changes in loans issued and other investments	10,119	(6,000)	-
Other transactions	9,024	4,669	93.3
Net cash used in investing activities	(235,661)	(220,573)	6.8

- Net cash used in investing activities increased by 6.8% Y-o-Y due to lower repayments of bank deposits.

Net cash used in financing activities

(RUB million)	9m		
	2017	2016	Δ %
Net changes in debt	(726)	(79,553)	(99.1)
Payment of dividends to shareholders	(50,383)	(2,598)	>200
Other transactions	(3,032)	(1,106)	174.1
Net cash used in financing activities	(54,141)	(83,257)	(35.0)

- Net cash used in financing activities decreased by 35.0% Y-o-Y mainly due to a decline of net amount of new funds raised and repayments of loans and borrowings. Group paid dividends for 2016 in 3Q 2017.

Capital expenditures

(RUB million)	9m		Δ, %
	2017	2016	
Exploration and production	152,409	175,592	(13.2)
Consolidated subsidiaries	140,759	163,372	(13.8)
Joint operations	11,650	12,220	(4.7)
Refining	45,077	23,339	93.1
Marketing and distribution	4,502	4,358	3.3
Others	7,761	9,324	(16.8)
Subtotal capital expenditures	209,749	212,613	(1.3)
Change in advances issued and material used in capital expenditures, including	33,019	53,391	(38.2)
Total capital expenditures	242,768	266,004	(8.7)

- Capital expenditures for exploration and production decreased by 13.2% Y-o-Y due to:
 - Completion of first stage of infrastructure construction at Novoport field
 - Decreased drilling volumes at brownfields
- Capital expenditures for refining increased by 93.1% Y-o-Y due to the second stage of modernisation program at Omsk and Moscow refineries (catalytic cracking reconstruction and construction of plant “EURO+” at Moscow refinery).

Debt and liquidity

(RUB million)	September 30, 2017	December 31, 2016
Short-term loans and borrowings	142,843	80,187
Long-term loans and borrowings	523,976	596,221
Cash and cash equivalents	(68,676)	(33,621)
Short-term deposits	(2,572)	(886)
Net debt	595,571	641,901
Short-term debt / total debt, %	21.4	11.9
Net debt / EBITDA for 12 months preceding	1.27	1.60

- The Group’s diversified debt structure includes syndicated and bilateral loans, bonds and other instruments
- As at September 30, 2017 average debt maturity decreased to 3.53 years from 3.60 years as at December 31, 2016
- The average interest rate increased from 5.52% as at December 31, 2016 to 5.69% as at September 30, 2017 mainly due to the increased share of loans denominated in ruble in debt portfolio.

Financial appendix

EBITDA reconciliation

3Q 2017	2Q 2017	Δ, %	(RUB million)	9m		Δ, %
				2017	2016	
82,448	53,317	54.6	Profit for the period	200,499	152,274	31.7
18,351	13,240	38.6	Total income tax benefit / (expense)	46,513	33,615	38.4
6,026	6,543	(7.9)	Finance expense	19,288	26,283	(26.6)
(3,041)	(2,713)	12.1	Finance income	(8,266)	(8,302)	(0.4)
35,781	33,984	5.3	Depreciation, depletion and amortization	102,075	89,268	14.3
(2,237)	7,477	-	Net foreign exchange gain / (loss)	(7,942)	(20,043)	(60.4)
(413)	2,513	-	Other gain / (loss), net	2,964	14,766	(79.9)
136,915	114,361	19.7	EBITDA	355,131	287,861	23.4
(12,526)	(7,892)	58.7	less Share of profit of associates and joint ventures	(31,236)	(24,468)	27.7
29,050	21,544	34.8	add Share of EBITDA of equity accounted investments	75,351	61,476	22.6
153,439	128,013	19.9	Adjusted EBITDA	399,246	324,869	22.9

Financial ratios

Profitability

	September 30, 2017	September 30, 2016	Δ, p.p.
Adjusted EBITDA margin, %	29.53	29.24	0.3
Net profit margin, %	14.83	13.70	1.1
Return on assets (ROA), %	9.75	5.53	4.2
Return on equity (ROE), %	17.08	10.20	6.9
Adjusted Return on average capital employed (ROACE), %	13.05	10.39	2.7

Adjusted ROACE calculation

	September 30, 2017	September 30, 2016
For 12 months preceding		
Adjusted EBITDA	530,575	417,457
Depreciation, depletion and amortization	(176,939)	(161,992)
Effective income tax charge on EBIT	(75,876)	(56,917)
Adjusted EBIT*	277,760	198,548
Average capital employed	2,128,821	1,910,677
Adjusted ROACE	13.05	10.39

*Adjusted EBIT represents the Group's EBIT and its share in associates and joint ventures' EBIT

Liquidity

	September 30, 2017	September 30, 2016	Δ, %
Current ratio	0.98	1.27	(22.8)
Quick ratio	0.51	0.63	(19.0)
Cash ratio	0.25	0.20	25.0

Leverage

	September 30, 2017	September 30, 2016	Δ, p.p.
Net debt/ Total Assets, %	21.32	25.72	(4.4)
Net debt/ Equity, %	36.71	45.97	(9.3)
Gearing, %	26.66	31.53	(4.9)
			Δ, %
Net debt/ Market Capitalization	0.56	0.77	(27.3)
Net debt/ EBITDA	1.27	1.78	(28.7)
Total debt/ EBITDA	1.42	1.89	(24.9)

Main macroeconomic factors affecting operational results

The main factors affecting the Group's operational results include:

- Changes in market prices for crude oil and petroleum products
- Changes in the exchange rate between the Russian Ruble and the US dollar; inflation
- Taxation
- Changes in transportation tariffs for crude oil and petroleum products.

Changes in market prices for crude oil and petroleum products

Prices for crude oil and petroleum products on international and Russian markets are the primary factor affecting the Group's operational results.

Petroleum product prices on international markets are primarily determined by world prices for crude oil, petroleum product supply and demand, and competition on different markets. Petroleum product price trends on international markets in turn determine domestic prices. Price trends are different for different types of petroleum products.

The increase in crude oil and petroleum product prices on international markets in 9 months 2017 had a positive impact on the Group's results.

3Q 2017	2Q 2017	Δ, %		9m 2017	2016	Δ, %
(US\$/ barrel)			International market	(US\$/ barrel)		
52.08	49.83	4.5	Brent	51.93	41.88	24.0
50.88	48.84	4.2	Urals Spot (average Med + NWE)	50.70	40.00	26.8
(US\$/ tonne)				(US\$/ tonne)		
562.57	527.45	6.7	Premium gasoline (average NWE)	545.25	454.59	19.9
456.84	425.25	7.4	Naphtha (average Med. + NWE)	453.64	360.00	26.0
488.21	450.47	8.4	Diesel fuel (average NWE)	473.58	379.27	24.9
472.29	442.00	6.9	Gasoil 0.1% (average Med.)	464.18	372.57	24.6
287.98	268.77	7.1	Fuel oil 3.5% (average NWE)	279.07	181.05	54.1
(RUB/ tonne)			Domestic market	(RUB/ tonne)		
37,212	36,734	1.3	High-octane gasoline	36,624	34,390	6.5
33,715	30,820	9.4	Low-octane gasoline	31,622	29,549	7.0
33,094	31,353	5.6	Diesel fuel	31,936	27,206	17.4
9,698	8,331	16.4	Fuel oil	9,156	5,300	72.8

Sources: Platts (international), Kortes (domestic)

Ruble vs. US dollar exchange rate and inflation

The Group's presentation currency is the Russian ruble. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. For most entities, this is the Russian ruble.

3Q 2017	2Q 2017		9m 2017	2016
(0.6)	1.3	Change in Consumer Price Index (CPI), %	1.7	4.1
59.02	57.15	Average RUB/US\$ exchange rate for the period	58.33	68.37
59.09	56.38	US\$/ RUB exchange rate as of the beginning of the period	60.66	72.88
58.02	59.09	US\$/ RUB exchange rate as of the end of the period	58.02	63.16
(0.02)	0.05	Depreciation (appreciation) of Russian rouble to US\$, %	(0.04)	(0.13)

Taxation

Average tax rates effective in the reporting periods for the taxation of oil and gas companies in Russia

3Q 2017	2Q 2017	Δ, %		9m 2017	2016	Δ, %
	(US\$/ tonne)		Export duty	(US\$/ tonne)		
79.80	84.30	(5.3)	Crude oil	83.54	70.26	18.9
23.90	25.27	(5.4)	Light petroleum products	25.03	28.08	(10.9)
23.90	25.27	(5.4)	Diesel	25.03	28.08	(10.9)
23.90	25.27	(5.4)	Gasoline	25.03	42.80	(41.5)
43.83	46.33	(5.4)	Naphtha	45.91	49.83	(7.9)
79.80	84.30	(5.3)	Heavy petroleum products	83.54	57.57	45.1
			Mineral extraction tax			
7,818	7,027	11.3	Crude oil (RUB/ tonne)	7,604	5,437	39.9

Crude oil and petroleum products export duty rates

Resolution of the Russian Government No. 276 (March 29, 2013) establishes a methodology for the Ministry of Economic Development of the Russian Federation to calculate export duty rates for crude oil and certain petroleum products.

Crude oil export duty rate

a) According to Russian Federal Law No. 5003-1 (May 21, 1993) clause 3.1. subclause 4, export duty rates for oil shall not exceed the marginal export duty rates calculated according to the following formulas:

Quoted Urals Price (P), USD/ tonne	Maximum Export Customs Duty Rate
≤109.50	0%
109.50 < P ≤ 146.00	35% x (P - 109.50)
146.00 < P ≤ 182.50	12.78 + 45% x (P - 146.00)
>182.50	29.20 + 42% x (P - 182.50) for 2016 29.20 + 30% x (P - 182.50) for 2017

Crude oil exports to Kazakhstan and Belarus are not subject to oil export duties. Crude oil export to Kyrgyzstan under indicative limits is not subject to oil export duties from 1 January 2017.

b) According to Federal Law No. 239-FZ (December 3, 2012), the Government of the Russian Federation establishes formulas for lower export duty rates for crude oil with special chemical and physical properties, identified by the specific customs codes (TN VED TS 2709 00 900 1 and 2709 00 900 3). According to Russian Government Resolution No. 276 (March 29, 2013), these lower export duty rates are calculated based on the average Urals price in the monitoring period using the following formula:

$$Ct = (P - 182.5) \times K - 56.57 - 0.14 \times P$$

where P is the Urals price (USD/tonne) and K is an incremental coefficient equal to 36% for 2016 and 30% for 2017 and following periods.

Resolution of the Russian Government No. 846 (September 26, 2013) sets out the rules for applying specific export duty rates and monitoring their use for crude oil produced, inter alia, at fields located in Sakha Republic (Yakutia), Irkutsk Oblast, Krasnoyarsk Krai, and to north of latitude 65° in Yamalo-Nenets Autonomous Okrug.

Order No. 868 (December 3, 2013) of the Ministry of Energy establishes the application form and methodology to analyze the applicability of these special rates for crude oil.

c) According to Federal Law No. 5003-1 (May 12, 1993) clause 35 subclause 1.1, crude oil produced at offshore fields is exempt from export duties until:

- March 31, 2032 – for fields located entirely in the Sea of Azov, or located 50% or more in the Baltic Sea, Black Sea (at water depths of less than 100 meters), Pechora Sea, White Sea, Sea of Okhotsk (to south of 55° N), or the Caspian Sea
- March 31, 2042 – for fields located 50% or more in the Black Sea (at depths exceeding 100 meters), Sea of Okhotsk (to north of 55°), or Barents Sea (to south of 72°N)
- Indefinitely – for fields located 50% or more in the Kara Sea, Barents Sea (to north of 72° N), or the Eastern Arctic (Laptev Sea, East Siberian Sea, Chukchi Sea, Bering Sea)

According to clause 11.1, subclause 5 of the Russian Federation Tax Code, a new offshore field is a field where commercial hydrocarbon production has commenced no earlier than January 1, 2016.

Export duty rate on petroleum products

In accordance with clause 3.1 of Russian Federal Law No. 5003-1 (May 21, 1993), the export duty rate on petroleum products is determined by the Government. Petroleum products exported to Kazakhstan, Belarus and Kyrgyzstan (till 31 december 2016) are not subject to export duties. Exports of petroleum products to Tajikistan, Armenia and Kyrgyzstan within the indicative limits are not subject to export duties from November 13, 2013, January 19, 2015 and January 1, 2017 respectively.

According to Resolution of the Russian Government No. 276 (March 29, 2013), the export duty rate on petroleum products is calculated using the following formula:

$R = K * R_{crude}$, where R_{crude} is the export duty rate per tonne of crude oil and K is a coefficient depending on the type of petroleum product.

The coefficients, K, for different petroleum products are as follows:

	2016	from 2017
Light and middle distillates		
Diesel	0.4	0.3
Lubricants oil		
Naphtha	0.71	0.55
Gasoline	0.61	0.3

Excise duties on petroleum products

In Russia, excise duties are paid by producers of refined products. Excise duties are also applied to petroleum products imported into Russia.

Clause 193 of the Russian Tax Code established the following excise duty rates for petroleum products (in rubles/tonne):

	2016 January 1-March 31	2016 April 1-December 31	2017	From 2018
Gasoline				
Below Class 5	10,500	13,100	13,100	13,100
Class 5	7,530	10,130	10,130	10,535
Naphtha	10,500	13,100	13,100	13,100
Diesel fuel	4,150	5,293	6,800	7,072
Motor oil	6,000	6,000	5,400	5,400
Middle distillate	4,150	5,293	7,800	8,112

Mineral extraction tax (MET) on crude oil

a) According to clause 342 of the Russian Tax Code the MET rate on crude oil (R, in rubles/tonne) is calculated using the following general formula:

	2016	from 2017
MET crude oil	857 x Kc - Dm	919 x Kc - Dm

Dm = $K_{met} \times K_c \times (1 - K_v \times K_z \times K_d \times K_{dv} \times K_{kan})$ for 2016.

Dm = $K_{met} \times K_c \times (1 - K_v \times K_z \times K_d \times K_{dv} \times K_{kan}) - K_k$ from 2017.

Kmet – 559 starting from 2016.

Kc reflects the volatility of crude oil prices at the global market. $K_c = (P - 15) \times D / 261$, where P is the average monthly Urals oil price at the Rotterdam and Mediterranean markets (in USD/bbl.) and D is the average monthly ruble/ US dollar exchange rate.

Kv characterizes the degree of depletion of the specific field, providing lower tax rates for highly depleted fields. Depletion is measured by N/V , where N is the cumulative production volume of the field and V is the total volume of initial extractable reserves as at January 1, 2006. For fields with depletion between 0.8 and 1, $K_v = 3.8 - 3.5 \times N / V$. Where depletion is greater than 1, K_v is 0.3. In all other cases $K_v = 1$. Where fields include deposits with $K_d < 1$, K_v is equal to 1.

Kz characterizes the size of the field (by reserves) and provides lower tax rates for small fields. For fields with initial reserves (designated by V_3 , defined as total extractable reserves for all categories as at January 1 of the year preceding the tax period) below 5 MMtonnes and depletion (N/V_3 , where N is the cumulative production volume of the field) less than 0.05, $K_z = 0.125 \times V_3 + 0.375$

Kd is designed for specific deposits with hard-to-recover oil. It varies between 0.2 and 1 depending on the deposit as follows:

- 0.2 – for oil produced from deposits with permeability no greater than $2 \times 10^{-3} \mu^2$ and effective formation thickness no greater than 10 meters
- 0.4 – for oil produced from deposits with permeability no greater than $2 \times 10^{-3} \mu^2$ and effective formation thickness greater than 10 meters
- 0.8 – for oil produced from deposits classified in the state mineral reserves balance as related to the Tyumen formation
- 1 – for oil produced from other deposits

Kdv characterizes the degree of depletion of the deposit, providing lower tax rates for highly depleted deposits. **Kdv** is applied when the oilfield contains any deposit with **Kd** less than 1. For deposits with **Kd** less than 1, depletion is measured by Ndv/Vdv , where **Ndv** is the cumulative production volume from the deposit and **Vdv** is total initial extractable reserves (total reserves for all categories as at January 1 of the year preceding the tax period). For deposits with depletion between 0.8 and 1, $Kdv = 3.8 - 3.5 * Ndv / Vdv$. Where depletion is greater than 1, **Kdv** is 0.3. In all other cases, **Kdv** = 1. **Kdv** for all other deposits (with **Kd** = 1) of the respective field is the value of **Kv** as calculated for the entire area.

Kkan characterizes the oil production region and oil quality. This coefficient provides lower tax rates for fields located partly or completely in regions with challenging climate and geological conditions (specifically, Yamal Peninsula in Yamalo-Nenets Autonomous Okrug, Irkutsk Oblast, and Sakha Republic (Yakutia)). The **Kkan** coefficient is set at 0 until the first day of the month following a month in which one of the following conditions is met: (1) Achieving a particular cumulative production level of the field; (2) Expiration of the stipulated term. When the tax exemption period expires **Kkan** is equal to 1.

Kk – 306 for 2017, 357 for 2018 and 428 from 2019.

b) According to the Russian Tax Code clause 342, subclause 2.1 and clause 338, subclause 6 the following ad valorem MET rates should be used for oil produced at new offshore fields (as a % of price):

- 30% for a five-year period counted from the start of commercial hydrocarbon production and ending not later than March 31, 2022 – for fields located entirely in the Sea of Azov or for fields located more than 50% in the Baltic Sea
- 15% for a seven-year period counted from the start of commercial hydrocarbon production and ending not later than March 31, 2032 – for fields located more than 50% in the Black Sea (at water depths of less than 100 meters), the Sea of Japan, Pechora Sea, White Sea, Sea of Okhotsk (to south of 55° N), Caspian Sea
- 10% for a ten-year period counted from the start of commercial hydrocarbon production ending not later than March 31, 2037 – for fields located more than 50% in the Sea of Okhotsk (to north of 55° N), Black Sea (at depths exceeding 100 meters), Barents Sea (to south of 72° N)
- 5% production for a 15-year period counted from the start of commercial hydrocarbon production ending not later than March 31, 2042 – for fields located more than 50% in the Kara Sea, Barents Sea (to north of 72° N), and Eastern Arctic (Laptev Sea, East Siberian Sea, Chukchi Sea, Bering Sea).

The Russian tax law also provides for a zero MET rate on oil produced from deposits classified in the state mineral reserves balance as related to the Bazhenov formation, provided specific conditions set out in the Tax Code are met.

Effective MET rate for the Group

3Q	2Q			9m		
2017	2017	Δ, %		2017	2016	Δ, %
7,818	7,027	11.3	Nominal crude oil MET rate, RUB/tonne	7,604	5,437	39.9
6,813	5,922	15.0	Effective crude oil MET rate, RUB/tonne	6,448	4,915	31.2
1,005	1,105		Difference between nominal and effective rates, RUB/tonne	1,156	522	
12.9%	15.7%		Difference between nominal and effective rates, %	15.2%	9.6%	

In 9 months 2017, the Group's effective MET rate was 6,448 RUB/tonne, or 1,156 RUB/tonne lower than the nominal MET rate established in Russian legislation. The difference results from the application of certain coefficients (**Kv**, **Kz**, **Kd** and **Kkan**) that reduce the MET rate.

Mineral extraction tax (MET) on natural gas and gas condensate

Clause 342 of the Russian Federation Tax Code establishes mineral extraction tax rates for natural gas and gas condensate as follows:

MET on natural gas (RUB/mcm)	$35 * Eut * Kc + Tg$
MET on gas condensate (RUB/tonne)	$42 * Eut * Kc * Kkm$

Eut is the base value per fuel-equivalent unit calculated by the taxpayer depending on natural gas and gas condensate prices and their relative production amounts.

Kc characterizes the degree of difficulty of the extraction of natural gas and gas condensate. The coefficient is designed to reduce the tax rate on natural gas and gas condensate, and is equal to the lowest of the following reducing coefficients: Kr – depending on location, Kvg – for depleted deposits, Kgz – for deposits at depths of more than 1,700 meters, Kas – for deposits related to the regional gas supply system, and Korz – for deposits classified as Turonian formations.

Tg reflects gas transportation costs (set at zero for 2016-2017 according to the Federal Antimonopoly Service of the Russian Federation).

Kkm is a correction coefficient equal to 5.5/Kg for 2016 and 6.5/Kg for 2017, where Kg is a coefficient characterising export return per fuel-equivalent unit.

In 9 months 2017, the Group's effective MET rate for natural gas was 594 RUB per thousand m³, which is 22 RUB per thousand m³ lower than the nominal MET rate established in Russian legislation. The difference results from the application of tax benefits, especially coefficient Kc that reduce the MET rate.

Tax benefits

According to the effective tax legislation, the Group's subsidiaries apply the following tax benefits (including lower tax rates and coefficients that reduce the MET rate):

Tax benefits applied during 9 m 2017	Subsidiaries (Oil Fields) belonging to the Group
MET for gas	
Hard-to-recover coefficient Kc	OJSC Gazpromneft-Noyabrskneftegaz LLC Gazpromneft Yamal LLC Gazpromneft Orenburg
MET for oil	
Small fields coefficient Kz	OJSC Gazpromneft-Noyabrskneftegaz LLC Gazpromneft Orenburg
Depletion coefficient Kv	OJSC Gazpromneft-Noyabrskneftegaz LLC Gazpromneft-Vostok JSC Yuzhuralneftegas
Hard-to-recover coefficient Kd	OJSC Gazpromneft-Noyabrskneftegaz LLC Gazpromneft-Vostok LLC Zapolyarneft LLC Gazpromneft-Khantos
Highly depleted deposits coefficient Kdv	OJSC Gazpromneft-Noyabrskneftegaz LLC Gazpromneft-Vostok
Oil production region and oil quality factor Kkan	PJSC Gazpromneft LLC Gazpromneft-Angara LLC Gazpromneft-Yamal
Zero MET rate for fields classified as belonging to Bazhenov formation	LLC Gazpromneft-Khantos OJSC Gazpromneft-Noyabrskneftegaz
Lower MET rate for new offshore fields in the Pechora Sea	LLC Gazpromneft-Shelf
Profits tax	
16% rate (4% concession under Khanty-Mansiysk Autonomous Okrug regional legislation)	LLC Gazpromneft-Khantos
17% rate (3% concession under Yamalo-Nenets Autonomous Okrug regional legislation)	OJSC Gazpromneft-Noyabrskneftegaz
17% rate (3% concession under under Orenburg regional legislation)	JSC Yuzhuralneftegas
16.5% rate (3.5% concession under Yamalo-	OJSC Gazpromneft-Noyabrskneftegaz

Tax benefits applied during 9 m 2017	Subsidiaries (Oil Fields) belonging to the Group
Nenets Autonomous Okrug regional legislation)	LLC Zapolyarneft
19.475% rate (0.525% concession under Tumen regional legislation)	LLC Gazpromneft-Khantos
16.5% rate (3.5% concession under St. Petersburg regional legislation)	PJSC Gazpromneft JSC Gazpromneft Aero LLC Gazpromneft-NTC LLC Gazpromneft-Razvitie LLC Gazpromneft-Bisness Service LLC Gazpromneft-Regionalnie prodazhi LLC Gazpromneft-Marine Bunker
Property tax	
Property tax exemption for hydrocarbon fields in Khanty-Mansiysk Autonomous Okrug with the first hydrocarbon extraction after January 1, 2011 (under Khanty-Mansiysk Autonomous Okrug regional legislation)	LLC Gazpromneft-Khantos
Reduced tax rate 1.1% on property purchased/constructed for investment projects in Yamalo-Nenets Autonomous Okrug (under Yamalo-Nenets Autonomous Okrug regional legislation)	OJSC Gazpromneft-Noyabrskneftegaz LLC Zapolyarneft
Property tax exemption for investment projects in Orenburg region (under Orenburg regional legislation)	LLC Gazpromneft Orenburg
Property tax exemption for investment projects and properties put into operation in Tomsk region in amount under 50% of tax paid to Tomsk region budget (under Tomsk regional legislation)	LLC Gazpromneft Vostok

Transportation of crude oil and petroleum products

Transportation tariff policies are established by the state authorities to ensure a balance between the interests of the state and all participants in the transportation process. Transportation tariffs for natural monopolies are set by the Federal Tariff Service of the Russian Federation (FTS). Tariffs are dependent on transport destination, delivery volume, transportation distance, and several other factors. Changes in tariffs depend on inflation forecasts made by the Ministry of Economic Development of the Russian Federation, the investment needs of the owners of transportation infrastructure, other macroeconomic factors, and compensation of economically reasonable expenses incurred by natural monopolies. Tariffs are revised by the FTS at least annually, and comprise dispatch, loading, transshipment, pumping, and other tariffs.

The following table shows average transportation costs per tonne for the Group's crude oil for export and use at its refineries, as well as costs per tonne for transportation of its petroleum products from refineries for export:

3Q	2Q			9m		
2017	2017	Δ, %	(RUB per tonne)	2017	2016	Δ, %
Crude oil						
Export						
2,127	2,059	3.3	Pipeline	2,046	1,937	5.6
CIS						
1,539	1,562	(1.5)	Pipeline	1,558	1,510	3.2
Transportation to Refineries						
721	728	(1.0)	Omsk	716	673	6.3
1,519	1,503	1.0	Moscow	1,535	1,428	7.5
1,221	1,303	(6.3)	Yaroslavl	1,280	1,179	8.5
Petroleum products						
Export from ONPZ						
2,382	2,621	(9.1)	Gasoline	2,480	1,898	30.7
5,199	5,173	0.5	Fuel oil	5,259	5,677	(7.4)
3,805	4,004	(5.0)	Diesel fuel	3,993	4,956	(19.4)
Export from MNPZ						
1,931	2,911	(33.7)	Gasoline	2,505	1,746	43.4
3,137	3,077	1.9	Fuel oil	3,078	3,229	(4.7)
2,248	1,692	32.9	Diesel fuel	2,113	1,746	21.0
Export from YaNPZ						
2,822	2,781	1.5	Gasoline	2,736	1,696	61.3
2,924	2,899	0.9	Fuel oil	2,896	1,874	54.6
1,929	1,953	(1.2)	Diesel fuel	2,011	1,687	19.2

The Group's crude oil export route mix (tonnes) for 9 months 2017 and 9 months 2016 is presented below:

	9m	
	2017	2016
Crude oil export		
Primorsk Baltic Sea port	19.1%	7.5%
Ust-Luga Baltic Sea port	1.4%	0.0%
Druzhba pipeline	11.4%	13.7%
Port of Novorossiysk	13.7%	31.8%
ESPO pipeline and the port of Kozmino	11.3%	17.7%
Meget (pipeline and railway) China	0.2%	0.0%
Exported without using Transneft system, including:	42.9%	29.3%
Prirazlomnoye	13.0%	14.2%
Novoport	29.9%	15.1%
Total	100.0%	100.0%
Crude oil export to CIS countries		
Belarus	100.0%	98.7%
Uzbekistan	0.0%	1.3%
Total	100.0%	100.0%

www.gazprom-neft.com

Contacts: PJSC Gazprom Neft

Investor Relations Department email: ir@gazprom-neft.ru

Address: 3-5, Pochtamtskaya Street, St. Petersburg 190000, Russia

Phone: +7 812 385 95 48