

**Management's Discussion and Analysis of Financial Condition and Results  
of Operations for the three months ended March 31, 2017 and 2016 and December 31, 2016**

## Definitions and conversions

The following discussion is intended to assist you in understanding the Group financial position as of March 31, 2017 and results of operations for the three months ended March 31, 2017 and 2016 and December 31, 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

1Q 2017	4Q 2016	Δ, %		3m		Δ, %
				2017	2016	
<b>Financial results (RUB million)</b>						
468,606	474,438	(1.2)	Sales*	468,606	366,002	28.0
117,794	131,329	(10.3)	Adjusted EBITDA**	117,794	96,365	22.2
5,366	5,791	(7.3)	RUB per toe of production	5,366	4,602	16.6
12.30	12.37	(0.6)	USD*** per boe of production	12.30	8.30	48.2
61,953	52,699	17.6	Profit attributable to Gazprom Neft shareholders	61,953	41,541	49.1
<b>Operational results</b>						
162.76	168.28	(3.3)	Hydrocarbon production including our share in joint ventures (MMboe)	162.76	155.60	4.6
21.95	22.68	(3.2)	Hydrocarbon production including our share in joint ventures (MMtoe)	21.95	20.94	4.8
1.81	1.83	(1.1)	Daily hydrocarbon production (MMboepd)	1.81	1.71	5.8
114.18	118.66	(3.8)	Crude oil and condensate production including our share in joint ventures (MMbbl)	114.18	107.38	6.3
291.37	297.76	(2.1)	Gas production including our share in joint ventures (bcf)	291.37	289.38	0.7
8.78	10.68	(17.8)	Refining throughput at own refineries and joint ventures (MMtonnes)	8.78	10.23	(14.2)

\* 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

### 1 Q 2017 highlights

- Received exploration and production licenses for Tazovskoye and Severo-Samburskoye fields in Yamalo-Nenets Autonomous Okrug
- In April 2017 Group placed ruble bonds with total par value of RUB 15 billion
- In March 2017 rating agency Standard&Poor's revised its outlook for Group from stable to positive.

### Results for 1Q 2017 compared with 1Q 2016

- Total hydrocarbon production, including the Group's share in joint ventures, increased by 4.8% to 21.95 MMtoe due to production growth at Novoport, Prirazlomnoye and Messoyakha fields and increased production in Iraq
- Total refining throughput declined by 14.2% due to planned reconstruction of "large ring" units at Moscow refinery and maintenance at Yaroslavl refinery
- Sales increased by 28.0% 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) and increase in crude oil prices have resulted in a 22.2% 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 and foreign exchange gains resulting from the revaluation of the Group's debt portfolio.

### Results for 1Q 2017 compared with 4Q 2016

- Total hydrocarbon production, including the Group's share in joint ventures, decreased Q-o-Q by 3.2% mainly due to decreased production in West Siberian fields, in Novoport resulted from logistic limitations connected with unfavorable weather conditions and planned production decline at Northgas
- Refining throughput declined by 17.8% Q-o-Q due to planned reconstruction of "large ring" units at Moscow refinery and maintenance at Yaroslavl refinery

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- Sales declined by 1.2% due to decreased petroleum product sales volumes. The decrease was partially offset by higher prices for crude oil and petroleum products and crude oil export sales growth
  - Repairs at the Group's refineries, higher MET and excise rates and production decline in Novoport due to logistic limitations resulted in an adjusted EBITDA decrease (10.3%). The adjusted EBITDA decrease was partially offset by reductions in expenses
  - Net profit attributable to Gazprom Neft shareholders increased, mainly due to foreign exchange gains resulting from the revaluation of the Group's debt portfolio and joint ventures profit growth.

## Operational data and analysis

### Production drilling

1Q	4Q			3m		
2017	2016	Δ, %		2017	2016	Δ, %
<b>Consolidated subsidiaries</b>						
494	553	(10.7)	Production drilling ('000 meters)	494	641	(22.9)
132	159	(17.0)	New production wells	132	162	(18.5)
52.65	58.81	(10.5)	Average new well flow (tonnes per day)	52.65	51.16	2.9
<b>Joint operations</b>						
158	217	(27.2)	Production drilling ('000 meters)	158	130	21.5
47	52	(9.6)	New production wells	47	59	(20.3)
<b>Joint ventures</b>						
310	294	5.4	Production drilling ('000 meters)	310	303	2.3
64	86	(25.6)	New production wells	64	53	20.8

- The decrease in production drilling and number of new production wells by consolidated subsidiaries Q-o-Q and Y-o-Y was due to the increased number of high-tech wells
- The decrease in average new well flow by consolidated subsidiaries Q-o-Q was due to declined share of high-debit wells at Novoport field placed on production
- The increase in average new well flow by consolidated subsidiaries by 2.9% Y-o-Y was due to the increased number of high-tech wells and the completion of high-debit well at Prirazlomnoye field
- The increase in production drilling and new wells by joint ventures Y-o-Y was due to placing Vostochno-Messoyakhskiye field on production.

**Production**

1Q	4Q			3m		
2017	2016	Δ, %		2017	2016	Δ, %
<b>(MMtonnes)</b>			<b>Crude oil and condensate</b>	<b>(MMtonnes)</b>		
3.09	3.38	(8.6)	Noyabrskneftegaz	3.09	3.49	(11.5)
3.56	3.65	(2.5)	Khantos**	3.56	3.62	(1.7)
1.17	1.20	(2.5)	Tomskneft	1.17	1.18	(0.8)
0.77	0.78	(1.3)	SPD	0.77	0.76	1.3
0.70	0.69	1.4	Orenburg***	0.70	0.69	1.4
0.24	0.25	(4.0)	NIS	0.24	0.26	(7.7)
0.41	0.42	(2.4)	Vostok****	0.41	0.42	(2.4)
1.13	1.32	(14.4)	Novy Port	1.13	0.31	>200
0.78	0.71	9.9	Prirazlomnoye	0.78	0.43	81.4
0.30	0.24	25.0	Badra & Kurdistan	0.30	0.16	87.5
0.02	0.03	(33.3)	Others	0.02	0.03	(33.3)
<b>12.17</b>	<b>12.67</b>	<b>(3.9)</b>	<b>Total production by subsidiaries and joint operations</b>	<b>12.17</b>	<b>11.35</b>	<b>7.2</b>
1.81	1.86	(2.7)	Share in Slavneft	1.81	1.89	(4.2)
0.92	0.95	(3.2)	Share in SeverEnergiya (Arcticgas)	0.92	0.97	(5.2)
0.10	0.12	(16.7)	Share in Northgas	0.10	0.15	(33.3)
0.33	0.31	6.5	Share in Messoyakha	0.33	-	-
<b>3.16</b>	<b>3.24</b>	<b>(2.5)</b>	<b>Share in production of joint ventures</b>	<b>3.16</b>	<b>3.01</b>	<b>5.0</b>
<b>15.33</b>	<b>15.91</b>	<b>(3.6)</b>	<b>Total crude oil and condensate production</b>	<b>15.33</b>	<b>14.36</b>	<b>6.8</b>
<b>(bcm)</b>			<b>Gas*</b>	<b>(bcm)</b>		
2.62	2.67	(1.9)	Noyabrskneftegaz	2.62	2.37	10.5
0.28	0.28	-	Khantos**	0.28	0.27	3.7
0.25	0.26	(3.8)	Tomskneft	0.25	0.21	19.0
0.03	0.03	-	SPD	0.03	0.03	-
0.63	0.58	8.6	Orenburg***	0.63	0.61	3.3
0.13	0.13	-	NIS	0.13	0.14	(7.1)
0.03	0.03	-	Vostok****	0.03	0.02	50.0
0.04	0.03	33.3	Others	0.04	0.03	33.3
<b>4.01</b>	<b>4.01</b>	<b>-</b>	<b>Total production by subsidiaries and joint operations</b>	<b>4.01</b>	<b>3.68</b>	<b>9.0</b>
0.12	0.11	9.1	Share in Slavneft	0.12	0.12	-
3.02	3.08	(1.9)	Share in SeverEnergiya (Arcticgas)	3.02	3.07	(1.6)
1.09	1.23	(11.4)	Share in Northgas	1.09	1.33	(18.0)
0.01	-	-	Share in Messoyakha	0.01	-	-
<b>4.24</b>	<b>4.42</b>	<b>(4.1)</b>	<b>Share in production of joint ventures</b>	<b>4.24</b>	<b>4.52</b>	<b>(6.2)</b>
<b>8.25</b>	<b>8.43</b>	<b>(2.1)</b>	<b>Total gas production</b>	<b>8.25</b>	<b>8.20</b>	<b>0.6</b>
<b>(MMtoe)</b>			<b>Hydrocarbons</b>	<b>(MMtoe)</b>		
15.39	15.89	(3.1)	Total production by subsidiaries and joint operations	15.39	14.31	7.5
6.56	6.79	(3.4)	Share in production of joint ventures	6.56	6.63	(1.1)
<b>21.95</b>	<b>22.68</b>	<b>(3.2)</b>	<b>Total hydrocarbon production</b>	<b>21.95</b>	<b>20.94</b>	<b>4.8</b>
<b>162.76</b>	<b>168.28</b>	<b>(3.3)</b>	<b>MMtoe</b>	<b>162.76</b>	<b>155.60</b>	<b>4.6</b>
<b>1.81</b>	<b>1.83</b>	<b>(1.1)</b>	<b>MMboe</b>	<b>1.81</b>	<b>1.71</b>	<b>5.8</b>
			<b>Daily hydrocarbon production (MMboepd)</b>			

\* 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 6.8% Y-o-Y to 15.33 MMtonnes, driven by increased production at Novoport, Prirazlomnoye, Messoyakha fields and Iraq
- Group oil and condensate production Q-o-Q decreased by 3.6% to 15.33 MMtonnes primarily due to lower number of calendar days in 1Q. Average daily crude oil production decreased by 1.5% primarily due to production reduction in Noyabrsk region and decline in production in Novoport resulted from logistic limitations connected with unfavorable weather conditions
- Group natural gas production increased by 0.6% Y-o-Y, primarily due to higher natural gas production in Noyabrsk region resulted from new sales contracts, and the startup of a compressor station at Eti-Purovskoye field in 4Q 2016
- Average daily gas production in 1Q 2017 remained steady from 4Q 2016 levels.

## Crude oil purchases

1Q 2017	4Q 2016	Δ, %	(MMtonnes)	3m		
				2017	2016	Δ, %
1.77	2.14	(17.3)	Crude oil purchases in Russia *	1.77	2.21	(19.9)
0.31	0.50	(38.0)	Crude oil purchases internationally	0.31	0.19	63.2
<b>2.08</b>	<b>2.64</b>	<b>(21.2)</b>	<b>Total crude purchased</b>	<b>2.08</b>	<b>2.40</b>	<b>(13.3)</b>

\* 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 19.9% Y-o-Y due to a decline in effectiveness of domestic trading operations and lower production at own refineries.

## Refining

1Q 2017	4Q 2016	Δ, %	(MMtonnes)	3m		
				2017	2016	Δ, %
4.99	5.16	(3.3)	Omsk	4.99	5.08	(1.8)
1.32	2.66	(50.4)	Moscow	1.32	2.41	(45.2)
0.71	0.87	(18.4)	Pancevo	0.71	0.72	(1.4)
<b>7.02</b>	<b>8.69</b>	<b>(19.2)</b>	<b>Total throughput at refineries owned by subsidiaries</b>	<b>7.02</b>	<b>8.21</b>	<b>(14.5)</b>
1.76	1.99	(11.6)	Share in Yaroslavl	1.76	1.91	(7.9)
-	-	-	Share in Mozyr	-	0.11	-
<b>8.78</b>	<b>10.68</b>	<b>(17.8)</b>	<b>Total refining throughput</b>	<b>8.78</b>	<b>10.23</b>	<b>(14.2)</b>

### Production of petroleum products

1.76	2.30	(23.5)	Gasoline	1.76	2.23	(21.1)
1.76	2.30	(23.5)	Class 5	1.76	2.23	(21.1)
0.35	0.39	(10.3)	Naphtha	0.35	0.45	(22.2)
2.59	3.13	(17.3)	Diesel	2.59	2.96	(12.5)
0.02	0.04	(50.0)	Class 2 and below	0.02	0.03	(33.3)
2.57	3.09	(16.8)	Class 5	2.57	2.93	(12.3)
1.29	2.18	(40.8)	Fuel oil	1.29	1.71	(24.6)
0.61	0.72	(15.3)	Jet fuel	0.61	0.67	(9.0)
0.75	0.42	78.6	Bunker fuel	0.75	0.67	11.9
0.27	0.35	(22.9)	Bitumen	0.27	0.27	-
0.09	0.11	(18.2)	Lubricants	0.09	0.10	(10.0)
0.67	0.66	1.5	Other	0.67	0.62	8.1
<b>8.38</b>	<b>10.26</b>	<b>(18.3)</b>	<b>Total production</b>	<b>8.38</b>	<b>9.68</b>	<b>(13.4)</b>

- Total throughput declined by 14.2% Y-o-Y and 17.8% Q-o-Q due to planned reconstruction of "large ring" units at Moscow refinery and maintenance at Yaroslavl refinery
- Bunker fuel production increased and fuel oil production decreased Q-o-Q and Y-o-Y due to increased effectiveness of bunker fuel trading

- Bitumen production decreased by 22.9% Q-o-Q primarily due to seasonal factors
- High-octane gasoline production at Omsk refinery increased by 11.1% Y-o-Y due to complex activities for plant modernisation.

#### Petroleum product purchases on international markets

	1Q 2017		4Q 2016		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Diesel	1,746	0.06	2,707	0.09	(35.5)	(33.3)
Jet fuel	1,900	0.05	1,395	0.04	36.2	25.0
Bunker fuel	998	0.04	997	0.05	0.1	(20.0)
Lubricants	220	0.00	247	0.00	(10.9)	-
<b>Total</b>	<b>4,864</b>	<b>0.15</b>	<b>5,346</b>	<b>0.18</b>	<b>(9.0)</b>	<b>(16.7)</b>

	3m 2017		3m 2016		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Diesel	1,746	0.06	2,724	0.11	(35.9)	(45.5)
Jet fuel	1,900	0.05	468	0.01	>200	>200
Bunker fuel	998	0.04	757	0.03	31.8	33.3
Lubricants	220	0.00	331	0.00	(33.5)	-
<b>Total</b>	<b>4,864</b>	<b>0.15</b>	<b>4,280</b>	<b>0.15</b>	<b>13.6</b>	<b>-</b>

- Jet fuel purchases on international markets increased Y-o-Y due to geographic expansion and higher demand for international flights
- Diesel purchases decreased Y-o-Y due to accumulated diesel stock utilization.

#### Petroleum product purchases in the CIS

	1Q 2017		4Q 2016		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	747	0.02	386	0.01	93.5	100.0
Low octane gasoline	95	0.00	142	0.01	(33.1)	-
Diesel	1,420	0.05	358	0.02	>200	150.0
Jet fuel	-	-	452	0.02	-	-
Other	110	0.02	-	-	-	-
<b>Total</b>	<b>2,372</b>	<b>0.09</b>	<b>1,338</b>	<b>0.06</b>	<b>77.3</b>	<b>50.0</b>

	3m 2017		3m 2016		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	747	0.02	235	0.01	>200	100.0
Low octane gasoline	95	0.00	196	0.01	(51.5)	-
Diesel	1,420	0.05	402	0.02	>200	150.0
Other	110	0.02	148	0.01	(25.7)	100.0
<b>Total</b>	<b>2,372</b>	<b>0.09</b>	<b>981</b>	<b>0.05</b>	<b>141.8</b>	<b>80.0</b>



## Domestic petroleum product purchases

	1Q 2017		4Q 2016		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	19,246	0.55	13,154	0.41	46.3	34.1
Low octane gasoline	-	-	224	0.00	-	-
Naphtha	-	-	79	0.00	-	-
Diesel	12,900	0.37	5,661	0.18	127.9	105.6
Fuel oil	-	-	50	0.01	-	-
Jet fuel	1,629	0.06	1,375	0.04	18.5	50.0
Bunker fuel	813	0.04	805	0.04	1.0	-
Lubricants	176	0.01	177	0.00	(0.6)	-
Petrochemicals	55	0.00	39	0.00	41.0	-
Other	1,601	0.04	751	0.03	113.2	33.3
<b>Total</b>	<b>36,420</b>	<b>1.07</b>	<b>22,315</b>	<b>0.71</b>	<b>63.2</b>	<b>50.7</b>

	3m 2017		3m 2016		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	19,246	0.55	9,082	0.30	111.9	83.3
Diesel	12,900	0.37	6,082	0.20	112.1	85.0
Fuel oil	-	-	10	0.00	-	-
Jet fuel	1,629	0.06	1,328	0.05	22.7	20.0
Bunker fuel	813	0.04	584	0.04	39.2	-
Lubricants	176	0.01	83	0.00	112.0	-
Petrochemicals	55	0.00	-	-	-	-
Other	1,601	0.04	275	0.01	>200	>200
<b>Total</b>	<b>36,420</b>	<b>1.07</b>	<b>17,444</b>	<b>0.60</b>	<b>108.8</b>	<b>78.3</b>

- Diesel, gasoline and jet fuel purchases increased Q-o-Q and Y-o-Y due to lower production at own refineries
- Domestic bunker fuel purchases remained unchanged at last year's level due to sustained demand for ultra-low sulfur fuel oil (ULSFO) as a result of the adoption of MARPOL standards in Northwest Europe.

## Petroleum product marketing through premium channels

1Q 2017	4Q 2016	Δ, %		3m 2017	2016	Δ, %
<b>(units)</b>			<b>Active retail stations</b>	<b>(units)</b>		
1,199	1,197	0.2	In Russia	1,199	1,175	2.0
187	200	(6.5)	In CIS	187	256	(27.0)
417	417	-	In Eastern Europe	417	418	(0.2)
<b>1,803</b>	<b>1,814</b>	<b>(0.6)</b>	<b>Total retail stations (as at the end of the period)</b>	<b>1,803</b>	<b>1,849</b>	<b>(2.5)</b>
<b>18.56</b>	<b>20.54</b>	<b>(9.6)</b>	<b>Average daily sales per retail site in Russia (tonnes per day)</b>	<b>18.56</b>	<b>17.52</b>	<b>5.9</b>
<b>(MMtonnes)</b>			<b>Sales volume through premium channels</b>	<b>(MMtonnes)</b>		
4.35	4.96	(12.3)	Gasoline and Diesel	4.35	4.33	0.5
0.56	0.67	(16.4)	Jet	0.56	0.55	1.8
0.56	0.66	(15.2)	Bunkering	0.56	0.71	(21.1)
0.06	0.07	(14.3)	Lubricants	0.06	0.05	20.0
0.03	0.06	(50.0)	Bitumen	0.03	0.01	200.0
<b>5.56</b>	<b>6.42</b>	<b>(13.4)</b>	<b>Total sales volume through premium channels</b>	<b>5.56</b>	<b>5.65</b>	<b>(1.6)</b>

- The total number of active retail stations decreased by 2.5% Y-o-Y due to the Group retail operations reorganisation in CIS
- Average daily sales per retail station in Russia increased by 5.9% Y-o-Y due to active retail business development and the Group's marketing activities
- Bunker oil sales decreased Y-o-Y due to lower demand at Far East and stormy weather at Black Sea
- Sales volumes through premium channels decreased by 13.4% Q-o-Q primarily due to seasonal factors.

## Results of operations

1Q	4Q			3m		
2017	2016	Δ, %	(RUB million)	2017	2016	Δ, %
468,606	474,438	(1.2)	Sales*	468,606	366,002	28.0
(37,441)	(39,950)	(6.3)	Less export duties and sales related excise tax	(37,441)	(36,050)	3.9
<b>431,165</b>	<b>434,488</b>	<b>(0.8)</b>	<b>Total revenue</b>	<b>431,165</b>	<b>329,952</b>	<b>30.7</b>
<b>Costs and other deductions</b>						
(116,963)	(98,432)	18.8	Purchases of oil, gas and petroleum products	(116,963)	(73,570)	59.0
(46,313)	(56,592)	(18.2)	Production and manufacturing expenses	(46,313)	(48,650)	(4.8)
(23,711)	(31,584)	(24.9)	Selling, general and administrative expenses	(23,711)	(24,422)	(2.9)
(36,650)	(34,756)	5.4	Transportation expenses	(36,650)	(34,915)	5.0
(32,310)	(40,487)	(20.2)	Depreciation, depletion and amortization	(32,310)	(27,886)	15.9
(114,387)	(107,469)	6.4	Taxes other than income tax	(114,387)	(70,610)	62.0
(104)	(887)	(88.3)	Exploration expenses	(104)	(108)	(3.7)
<b>(370,438)</b>	<b>(370,207)</b>	<b>0.1</b>	<b>Total operating expenses</b>	<b>(370,438)</b>	<b>(280,161)</b>	<b>32.2</b>
<b>60,727</b>	<b>64,281</b>	<b>(5.5)</b>	<b>Operating profit</b>	<b>60,727</b>	<b>49,791</b>	<b>22.0</b>
10,818	9,648	12.1	Share of profit of associates and joint ventures	10,818	5,724	89.0
13,182	8,257	59.6	Net foreign exchange gain	13,182	2,295	>200
2,512	2,769	(9.3)	Finance income	2,512	2,547	(1.4)
(6,719)	(7,999)	(16.0)	Finance expense	(6,719)	(9,724)	(30.9)
(864)	(3,306)	(73.9)	Other loss, net	(864)	(760)	13.7
<b>18,929</b>	<b>9,369</b>	<b>102.0</b>	<b>Total other income</b>	<b>18,929</b>	<b>82</b>	<b>&gt;200</b>
<b>79,656</b>	<b>73,650</b>	<b>8.2</b>	<b>(Loss) / Profit before income tax</b>	<b>79,656</b>	<b>49,873</b>	<b>59.7</b>
(10,164)	(7,600)	33.7	Current income tax (expense)	(10,164)	(1,637)	>200
(4,758)	(8,599)	(44.7)	Deferred income tax expense	(4,758)	(6,644)	(28.4)
<b>(14,922)</b>	<b>(16,199)</b>	<b>(7.9)</b>	<b>Total income tax benefit / (expense)</b>	<b>(14,922)</b>	<b>(8,281)</b>	<b>80.2</b>
<b>64,734</b>	<b>57,451</b>	<b>12.7</b>	<b>(Loss) / Profit for the period</b>	<b>64,734</b>	<b>41,592</b>	<b>55.6</b>
(2,781)	(4,752)	(41.5)	Less: Profit attributable to non-controlling interest	(2,781)	(51)	>200
<b>61,953</b>	<b>52,699</b>	<b>17.6</b>	<b>Profit attributable to Gazprom Neft shareholders</b>	<b>61,953</b>	<b>41,541</b>	<b>49.1</b>

\* Sales include export duties and sales related excise tax

## Revenues

1Q	4Q			3m		
2017	2016	Δ, %	(RUB million)	2017	2016	Δ, %
<b>Crude oil</b>						
87,906	83,999	4.7	Export	87,906	36,450	141.2
103,798	94,511	9.8	Export sales	103,798	45,423	128.5
(15,892)	(10,512)	51.2	Less related export duties	(15,892)	(8,973)	77.1
4,895	3,979	23.0	International markets	4,895	1,552	>200
7,156	4,303	66.3	Export to CIS	7,156	5,100	40.3
7,156	4,303	66.3	Export sales and sales in CIS	7,156	5,229	36.9
-	-	-	Less related export duties	-	(129)	-
28,055	27,446	2.2	Domestic	28,055	20,820	34.8
<b>128,012</b>	<b>119,727</b>	<b>6.9</b>	<b>Total crude oil revenue</b>	<b>128,012</b>	<b>63,922</b>	<b>100.3</b>
<b>Gas</b>						
309	412	(25.0)	International markets	309	622	(50.3)
8,993	8,440	6.6	Domestic	8,993	6,780	32.6
<b>9,302</b>	<b>8,852</b>	<b>5.1</b>	<b>Total gas revenue</b>	<b>9,302</b>	<b>7,402</b>	<b>25.7</b>
<b>Petroleum products</b>						
60,646	52,243	16.1	Export	60,646	46,613	30.1
68,278	62,185	9.8	Export sales	68,278	56,174	21.5
(7,632)	(9,942)	(23.2)	Less related export duties	(7,632)	(9,561)	(20.2)
22,854	27,952	(18.2)	International markets	22,854	20,863	9.5
36,409	47,110	(22.7)	Sales on international markets	36,409	38,043	(4.3)
(13,555)	(19,158)	(29.2)	Less sales related excise	(13,555)	(17,180)	(21.1)
15,990	19,707	(18.9)	CIS	15,990	15,938	0.3
16,352	20,045	(18.4)	Export sales and sales in CIS	16,352	16,145	1.3
(362)	(338)	7.1	Less related export duties	(362)	(207)	74.9
180,043	190,789	(5.6)	Domestic	180,043	160,231	12.4
<b>279,533</b>	<b>290,691</b>	<b>(3.8)</b>	<b>Total petroleum products revenue</b>	<b>279,533</b>	<b>243,645</b>	<b>14.7</b>
<b>14,318</b>	<b>15,218</b>	<b>(5.9)</b>	<b>Other revenue</b>	<b>14,318</b>	<b>14,983</b>	<b>(4.4)</b>
<b>431,165</b>	<b>434,488</b>	<b>(0.8)</b>	<b>Total revenue</b>	<b>431,165</b>	<b>329,952</b>	<b>30.7</b>

## Sales volumes

1Q	4Q			3m		
2017	2016	Δ, %		2017	2016	Δ, %
<b>(MMtonnes)</b>			<b>(MMtonnes)</b>			
<b>Crude oil</b>						
4.67	4.22	10.7	Export	4.67	2.63	77.6
0.29	0.21	38.1	Sales on international markets*	0.29	0.14	107.1
0.38	0.29	31.0	Export to CIS	0.38	0.49	(22.4)
1.86	1.99	(6.5)	Domestic sales	1.86	1.96	(5.1)
<b>7.20</b>	<b>6.71</b>	<b>7.3</b>	<b>Total crude oil sales</b>	<b>7.20</b>	<b>5.22</b>	<b>37.9</b>
<b>(bcm)</b>			<b>(bcm)</b>			
<b>Gas</b>						
0.03	0.04	(25.0)	International markets	0.03	0.05	(40.0)
3.53	3.45	2.3	Domestic sales	3.53	3.26	8.3
<b>3.56</b>	<b>3.49</b>	<b>2.0</b>	<b>Total gas sales</b>	<b>3.56</b>	<b>3.31</b>	<b>7.6</b>
<b>(MMtonnes)</b>			<b>(MMtonnes)</b>			
<b>Petroleum products</b>						
2.82	2.82	-	Export	2.82	3.27	(13.8)
0.71	0.91	(22.0)	Sales on international markets	0.71	0.70	1.4
0.52	0.65	(20.0)	Export and sales in CIS	0.52	0.54	(3.7)
5.90	6.51	(9.4)	Domestic sales	5.90	6.27	(5.9)
<b>9.95</b>	<b>10.89</b>	<b>(8.6)</b>	<b>Total petroleum products sales</b>	<b>9.95</b>	<b>10.78</b>	<b>(7.7)</b>

\* Including production sharing agreements (PSA)

## Average realized sales prices

1Q 2017	4Q 2016	Δ, %		3m 2017	3m 2016	Δ, %
<b>(RUB per tonne)</b>			<b>Crude oil</b>	<b>(RUB per tonne)</b>		
22,227	22,396	(0.8)	Export	22,227	17,271	28.7
18,832	14,838	26.9	Export and sales in CIS	18,832	10,671	76.5
15,083	13,792	9.4	Domestic sales	15,083	10,622	42.0
<b>(RUB per tonne)</b>			<b>Petroleum products</b>	<b>(RUB per tonne)</b>		
24,212	22,051	9.8	Export	24,212	17,179	40.9
31,446	30,838	2.0	Export and sales in CIS	31,446	29,898	5.2
30,516	29,307	4.1	Domestic sales	30,516	25,555	19.4

## Crude oil sales

- Crude export volumes increased by 10.7% Q-o-Q and 77.6% Y-o-Y due to an increase in crude oil production at Novoport, Prirazlomnoye and Messoyakha fields and reduction of crude oil delivery to refineries
- Oil sales on international markets increased Y-o-Y and Q-o-Q due to production growth in Iraq
- Crude export volumes to the CIS decreased by 22.4% Y-o-Y due to reduction of the oil export to Belarus
- Domestic crude volumes decreased by 6.5% Q-o-Q and 5.1% Y-o-Y mainly due to a decline in effectiveness of domestic trading.

## Gas sales

- Domestic gas sales increased by 2.3% Q-o-Q and 8.3% Y-o-Y due to increased natural gas production at consolidated subsidiaries.

## Petroleum product exports

	1Q 2017		4Q 2016		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Naphtha	7,840	0.28	7,505	0.28	4.5	-
Diesel	29,570	1.04	20,049	0.69	47.5	50.7
Fuel oil	11,751	0.69	23,673	1.42	(50.4)	(51.4)
Jet fuel	2,886	0.08	2,449	0.08	17.8	-
Bunker fuel	9,247	0.45	4,146	0.18	123.0	150.0
Bitumen	230	0.02	98	0.00	134.7	-
Lubricants	1,238	0.03	1,289	0.03	(4.0)	-
Petrochemicals	1,532	0.05	1,095	0.04	39.9	25.0
Other	3,984	0.18	1,881	0.10	111.8	80.0
<b>Total</b>	<b>68,278</b>	<b>2.82</b>	<b>62,185</b>	<b>2.82</b>	<b>9.8</b>	<b>-</b>

	3m 2017		3m 2016		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	-	-	1,660	0.07	-	-
Naphtha	7,840	0.28	8,778	0.39	(10.7)	(28.2)
Diesel	29,570	1.04	26,674	1.19	10.9	(12.6)
Fuel oil	11,751	0.69	10,481	1.26	12.1	(45.2)
Jet fuel	2,886	0.08	1,154	0.04	150.1	100.0
Bunker fuel	9,247	0.45	3,448	0.19	168.2	136.8
Bitumen	230	0.02	24	0.00	>200	-
Lubricants	1,238	0.03	1,708	0.04	(27.5)	(25.0)
Petrochemicals	1,532	0.05	1,666	0.06	(8.0)	(16.7)
Other	3,984	0.18	581	0.03	>200	>200
<b>Total</b>	<b>68,278</b>	<b>2.82</b>	<b>56,174</b>	<b>3.27</b>	<b>21.5</b>	<b>(13.8)</b>

- Petroleum product export volumes remained unchanged Q-o-Q
- Bunker fuel production increased and fuel oil production decreased Q-o-Q and Y-o-Y due to increased effectiveness of bunker fuel trading
- Jet fuel sales on international markets increased twice Y-o-Y due to geographic expansion and higher demand for international flights
- Petroleum product sales volumes decreased Y-o-Y due to a decline in production volumes.

### Petroleum product sales in the CIS

	1Q 2017		4Q 2016		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	7,123	0.22	8,149	0.24	(12.6)	(8.3)
Low octane gasoline	181	0.01	309	0.00	(41.4)	-
Diesel	5,683	0.17	8,343	0.26	(31.9)	(34.6)
Jet fuel	1,960	0.07	1,247	0.04	57.2	75.0
Bitumen	243	0.02	604	0.05	(59.8)	(60.0)
Lubricants	511	0.01	669	0.02	(23.6)	(50.0)
Petrochemicals and Other	651	0.02	724	0.04	(10.1)	(50.0)
<b>Total</b>	<b>16,352</b>	<b>0.52</b>	<b>20,045</b>	<b>0.65</b>	<b>(18.4)</b>	<b>(20.0)</b>

	3m 2017		3m 2016		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	7,123	0.22	7,636	0.22	(6.7)	-
Low octane gasoline	181	0.01	931	0.03	(80.6)	(66.7)
Diesel	5,683	0.17	4,727	0.13	20.2	30.8
Fuel oil	-	-	444	0.06	-	-
Jet fuel	1,960	0.07	1,198	0.04	63.6	75.0
Bitumen	243	0.02	138	0.02	76.1	-
Lubricants	511	0.01	527	0.01	(3.0)	-
Petrochemicals and Other	651	0.02	544	0.03	19.7	(33.3)
<b>Total</b>	<b>16,352</b>	<b>0.52</b>	<b>16,145</b>	<b>0.54</b>	<b>1.3</b>	<b>(3.7)</b>

### Domestic sales of petroleum products

	1Q 2017		4Q 2016		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	76,440	2.03	83,243	2.27	(8.2)	(10.6)
Low octane gasoline	147	0.00	220	0.00	(33.2)	-
Diesel	61,512	1.79	60,509	1.90	1.7	(5.8)
Fuel oil	4,118	0.43	4,573	0.54	(9.9)	(20.4)
Jet fuel	16,834	0.56	20,111	0.68	(16.3)	(17.6)
Bunker fuel	7,691	0.43	8,379	0.46	(8.2)	(6.5)
Bitumen	1,809	0.21	2,010	0.22	(10.0)	(4.5)
Lubricants	2,624	0.05	3,175	0.06	(17.4)	(16.7)
Petrochemicals	5,906	0.21	5,289	0.25	11.7	(16.0)
Other	2,962	0.19	3,280	0.13	(9.7)	46.2
<b>Total</b>	<b>180,043</b>	<b>5.90</b>	<b>190,789</b>	<b>6.51</b>	<b>(5.6)</b>	<b>(9.4)</b>

	3m 2017		3m 2016		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	76,440	2.03	71,725	2.11	6.6	(3.8)
Low octane gasoline	147	0.00	270	0.01	(45.6)	-
Diesel	61,512	1.79	52,817	1.75	16.5	2.3
Fuel oil	4,118	0.43	1,214	0.37	>200	16.2
Jet fuel	16,834	0.56	16,263	0.66	3.5	(15.2)
Bunker fuel	7,691	0.43	6,942	0.65	10.8	(33.8)
Bitumen	1,809	0.21	1,073	0.21	68.6	-
Lubricants	2,624	0.05	2,538	0.05	3.4	-
Petrochemicals	5,906	0.21	5,084	0.30	16.2	(30.0)
Other	2,962	0.19	2,305	0.16	28.5	18.8
<b>Total</b>	<b>180,043</b>	<b>5.90</b>	<b>160,231</b>	<b>6.27</b>	<b>12.4</b>	<b>(5.9)</b>

- Petroleum product sales on the domestic market decreased by 9.4% Q-o-Q and 5.9% Y-o-Y mainly due to a decline in production
- Jet fuel volumes decreased by 17.6% Q-o-Q and 15.2% Y-o-Y due to reduced demand at jet fuel market
- Bunker fuel sales decreased Y-o-Y due to lower demand at Far East and stormy weather at Black Sea
- Petrochemicals volumes decreased Q-o-Q and 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 59.0% Y-o-Y due to increased volume of petroleum products purchases (connected with a refining decline) and increased crude oil purchases cost (due to higher prices on international and domestic markets)
- Purchases of oil, gas, and petroleum products increased by 18.8% Q-o-Q due to increased volume of petroleum product purchases (connected with a refining decline) which was partially offset by a decline in crude oil volume purchases.

## Production and manufacturing expenses

1Q	4Q			3m		
2017	2016	Δ, %	(RUB million)	2017	2016	Δ, %
<b>25,890</b>	<b>29,120</b>	<b>(11.1)</b>	<b>Upstream expenses</b>	<b>25,890</b>	<b>24,334</b>	<b>6.4</b>
<b>1,682</b>	<b>1,833</b>	<b>(8.2)</b>	<b>RUB per toe</b>	<b>1,682</b>	<b>1,700</b>	<b>(1.1)</b>
<b>3.90</b>	<b>3.96</b>	<b>(1.6)</b>	<b>USD<sup>1</sup> per boe</b>	<b>3.90</b>	<b>3.11</b>	<b>25.5</b>
20,071	22,429	(10.5)	Consolidated subsidiaries inside Russia including	20,071	18,472	8.7
1,597	1,719	(7.1)	RUB per toe	1,597	1,590	0.4
3.70	3.72	(0.4)	USD <sup>1</sup> per boe	3.70	2.91	27.4
16,280	18,005	(9.6)	Brownfields	16,280	15,496	5.1
1,728	1,830	(5.6)	RUB per toe	1,728	1,602	7.9
4.01	3.96	1.2	USD <sup>1</sup> per boe	4.01	2.93	36.8
3,791	4,424	(14.3)	Greenfields	3,791	2,976	27.4
1,203	1,378	(12.7)	RUB per toe	1,203	1,526	(21.1)
2.79	2.98	(6.4)	USD <sup>1</sup> per boe	2.79	3.30	(15.5)
1,767	2,273	(22.3)	Consolidated subsidiaries outside Russia (including PSA)**	1,767	2,117	(16.5)
2,761	3,788	(27.1)	RUB per toe	2,761	3,994	(30.9)
6.40	8.19	(21.9)	USD <sup>1</sup> per boe	6.40	7.30	(12.3)
4,052	4,418	(8.3)	Joint operations	4,052	3,745	8.2
1,876	1,990	(5.7)	RUB per toe	1,876	1,742	7.7
4.35	4.30	1.0	USD <sup>1</sup> per boe	4.35	3.18	36.6
<b>12,371</b>	<b>15,304</b>	<b>(19.2)</b>	<b>Downstream expenses</b>	<b>12,371</b>	<b>12,799</b>	<b>(3.3)</b>
7,218	9,423	(23.4)	Refining expenses at own refineries	7,218	7,238	(0.3)
1,028	1,084	(5.2)	RUB per tonne	1,028	882	16.6
2.38	2.35	1.6	USD <sup>1</sup> per bbl	2.38	1.61	47.9
2,760	3,182	(13.3)	Refining expenses at refineries of joint ventures***	2,760	3,398	(18.8)
1,568	1,599	(1.9)	RUB per tonne	1,568	1,682	(6.8)
3.64	3.46	5.1	USD <sup>1</sup> per bbl	3.64	3.08	18.2
2,393	2,699	(11.3)	Lubricants manufacturing expenses	2,393	2,163	10.6
<b>5,483</b>	<b>7,918</b>	<b>(30.8)</b>	<b>Transportation expenses to refineries</b>	<b>5,483</b>	<b>6,680</b>	<b>(17.9)</b>
<b>2,569</b>	<b>4,250</b>	<b>(39.6)</b>	<b>Other operating expenses</b>	<b>2,569</b>	<b>4,837</b>	<b>(46.9)</b>
<b>46,313</b>	<b>56,592</b>	<b>(18.2)</b>	<b>Total</b>	<b>46,313</b>	<b>48,650</b>	<b>(4.8)</b>

\* 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 0.4% 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 7.9% Y-o-Y due to:
  - o Higher natural monopoly tariffs
  - o Increase of water cut at fields of Noyabrsk region
  - o Increased share of equipment used under the electric submersible pump (ESP) rental program
- Upstream expenses at consolidated subsidiaries outside Russia decreased by 16.5% Y-o-Y and 22.3% Q-o-Q due to ruble strengthening
- Upstream expenses at joint operations increased by 8.2% Y-o-Y mainly due to:
  - o Higher tariffs
  - o An increase in average well stock in SPD
  - o An increase of water cut at Tomskneft fields



- 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 5.2% Q-o-Q due to:
  - Decreased expenditure on HSE program
  - Decreased current repair expenses at Omsk refinery
- Refining expenses per tonne at own refineries increased by 16.6% Y-o-Y primarily due to:
  - Increased expenses for fuel (natural gas consumption instead of fuel oil resulted from higher prices for fuel oil)
  - Increased expenditure on HSE program
  - Higher tariffs of natural monopolies
- Refining expenses per tonne at refineries of joint ventures declined by 6.8% Y-o-Y due to:
  - Decreased repair expenses
  - Optimized use of additives and components in diesel production
- Transportation expenses to refineries decreased by 30.8% Q-o-Q and 17.9% Y-o-Y mainly due to decreased crude oil volumes delivered to refineries.

### **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 2.9% Y-o-Y, driven mainly by decreased expenses at foreign subsidiaries due to ruble strengthening
- Selling, general and administrative expenses decreased by 24.9% Q-o-Q due to:
  - Decreased expenses at foreign subsidiaries due to ruble strengthening
  - Decreased expenses for marketing campaigns
  - Decreased selling expenses resulted from a reduction of petroleum product sales volumes.

### **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 in 1 Q 2017 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 15.9% Y-o-Y in line with an increase in depreciable assets driven by implementation of the investment program and increased production
- Depreciation, depletion and amortization expenses decreased by 20.2% Q-o-Q due to recognition of impairment provision related to oil and gas assets in Iraq in 4Q 2016.

### **Taxes other than income tax**

1Q	4Q			3m		
2017	2016	Δ, %	(RUB million)	2017	2016	Δ, %
80,783	70,827	14.1	Mineral extraction tax	80,783	40,599	99.0
25,437	28,638	(11.2)	Excise tax	25,437	20,745	22.6
5,099	5,040	1.2	Social security contributions	5,099	4,752	7.3
3,068	2,964	3.5	Other taxes	3,068	4,514	(32.0)
<b>114,387</b>	<b>107,469</b>	<b>6.4</b>	<b>Total taxes other than income tax</b>	<b>114,387</b>	<b>70,610</b>	<b>62.0</b>

- Taxes other than income tax increased by 6.4% Q-o-Q. MET increased by 14.1% Q-o-Q due to higher rates according to the Tax Code and higher oil prices. Excise taxes decreased by 11.2% Q-o-Q in the result of a decline in production at refineries of consolidated subsidiaries in Russia in 1Q 2017
- Taxes other than income tax increased by 62.0% Y-o-Y. MET increased by 99.0% Y-o-Y due to higher rates according to the Tax Code, imposition of additional multiplying ratio and higher oil prices. Excise taxes increased by 22.6% Q-o-Q due to higher rates according to the Tax Code.

### **Share of profit of equity accounted investments**

1Q	4Q			3m		
2017	2016	Δ, %	(RUB million)	2017	2016	Δ, %
2,930	2,802	4.6	Slavneft	2,930	3,358	(12.7)
4,375	4,081	7.2	SeverEnergiya (Arcticgas)	4,375	2,320	88.6
2,210	353	>200	Messoyakha	2,210	(696)	-
945	1,581	(40.2)	Nortgaz	945	(118)	-
358	831	(56.9)	Other companies	358	860	(58.4)
<b>10,818</b>	<b>9,648</b>	<b>12.1</b>	<b>Share of profit of associates and joint ventures</b>	<b>10,818</b>	<b>5,724</b>	<b>89.0</b>

- The Group's share in Slavneft's profit decreased Y-o-Y mainly due to decreased foreign exchange gains as a result of reduced share of debt denominated in foreign currencies
- The Group's share in profit of SeverEnergiya (Arcticgas) increased by 88.6% 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
- The Group's share in profit of Northgas decreased Q-o-Q as a result of production reduction.

### **Other income and expenses**

- Other expenses decreased by 73.9% Q-o-Q. Other expenses in 4Q 2016 mainly include inventories disposal and non-current assets impairment.

### **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)	3m		
	2017	2016	Δ %
Net cash provided by operating activities	65,155	83,496	(22.0)
Net cash used in investing activities	(61,172)	(39,936)	53.2
Net cash provided by / (used in) financing activities	6,323	(67,169)	-
<b>Increase / (Decrease) in cash and cash equivalents</b>	<b>10,306</b>	<b>(23,609)</b>	<b>-</b>

### Net cash provided by operating activities

(RUB million)	3m		
	2017	2016	Δ %
Net cash provided by operating activities before changes in working capital, income tax, interest and dividends	93,083	76,759	21.3
Net changes in working capital	(11,729)	17,909	-
Income tax paid	(6,800)	(3,902)	74.3
Interest paid	(9,399)	(8,958)	4.9
Dividends received	-	1,688	-
<b>Net cash provided by operating activities</b>	<b>65,155</b>	<b>83,496</b>	<b>(22.0)</b>

- Net cash provided by operating activities decreased by 22.0% Y-o-Y primarily due to working capital changes.

### Net cash used in investing activities

(RUB million)	3m		
	2017	2016	Δ %
Capital expenditures	(65,665)	(83,900)	(21.7)
Acquisition of subsidiaries, shares in joint operations and equity affiliates	(324)	(417)	(22.3)
Net changes in deposits	526	40,184	(98.7)
Net changes in loans issued and other investments	2,941	2,266	29.8
Other transactions	1,350	1,931	(30.1)
<b>Net cash used in investing activities</b>	<b>(61,172)</b>	<b>(39,936)</b>	<b>53.2</b>

- Net cash used in investing activities increased by 53.2% Y-o-Y due to a decline in cash from return of deposits.

### Net cash used in financing activities

(RUB million)	3m		
	2017	2016	Δ %
Net changes in debt	6,378	(67,169)	-
Other transactions	(55)	-	-
<b>Net cash provided by / (used in) financing activities</b>	<b>6,323</b>	<b>(67,169)</b>	<b>-</b>

- New funds raised exceeded scheduled repayment of previously held borrowings in 3 months 2017.

## Capital expenditures

(RUB million)	3m		Δ, %
	2017	2016	
Exploration and production	40,936	58,132	(29.6)
Consolidated subsidiaries	37,651	54,034	(30.3)
Joint operations	3,285	4,098	(19.8)
Refining	10,062	5,131	96.1
Marketing and distribution	1,022	848	20.5
Others	8,142	2,203	>200
<b>Subtotal capital expenditures</b>	<b>60,162</b>	<b>66,314</b>	<b>(9.3)</b>
Change in advances issued and material used in capital expenditures, including	5,503	17,586	(68.7)
<b>Total capital expenditures</b>	<b>65,665</b>	<b>83,900</b>	<b>(21.7)</b>

- Capital expenditures for exploration and production decreased by 29.6% 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 96.1% 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)	March 31, 2017	December 31, 2016
Short-term loans and borrowings	99,637	80,187
Long-term loans and borrowings	553,315	596,221
Cash and cash equivalents	(41,556)	(33,621)
Short-term deposits	(354)	(886)
<b>Net debt</b>	<b>611,042</b>	<b>641,901</b>
Short-term debt / total debt, %	15.3	11.9
Net debt / EBITDA for 12 months preceding	1.45	1.60

- The Group’s diversified debt structure includes syndicated and bilateral loans, bonds and other instruments
- As at March 31, 2017, average debt maturity decreased to 3.43 years from 3.60 years as at December 31, 2016
- The average interest rate increased from 5.52% as at December 31, 2016 to 5.86% as at March 31, 2017 mainly due to the increased share of loans denominated in ruble in debt portfolio.

## Financial appendix

### EBITDA reconciliation

1Q	4Q			3m		
2017	2016	Δ, %	(RUB million)	2017	2016	Δ, %
<b>64,734</b>	<b>57,451</b>	<b>12.7</b>	<b>Profit for the period</b>	<b>64,734</b>	<b>41,592</b>	<b>55.6</b>
14,922	16,199	(7.9)	Total income tax benefit / (expense)	14,922	8,281	80.2
6,719	7,999	(16.0)	Finance expense	6,719	9,724	(30.9)
(2,512)	(2,769)	(9.3)	Finance income	(2,512)	(2,547)	(1.4)
32,310	40,487	(20.2)	Depreciation, depletion and amortization	32,310	27,886	15.9
(13,182)	(8,257)	59.6	Net foreign exchange gain	(13,182)	(2,295)	>200
864	3,306	(73.9)	Other loss, net	864	760	13.7
<b>103,855</b>	<b>114,416</b>	<b>(9.2)</b>	<b>EBITDA</b>	<b>103,855</b>	<b>83,401</b>	<b>24.5</b>
(10,818)	(9,648)	12.1	less Share of profit of associates and joint ventures	(10,818)	(5,724)	89.0
24,757	26,561	(6.8)	add Share of EBITDA of equity accounted investments	24,757	18,688	32.5
<b>117,794</b>	<b>131,329</b>	<b>(10.3)</b>	<b>Adjusted EBITDA</b>	<b>117,794</b>	<b>96,365</b>	<b>22.2</b>

### Financial ratios

#### Profitability

	March 31, 2017	March 31, 2016	Δ, p.p.
Adjusted EBITDA margin, %	27.32	29.21	(1.9)
Net profit margin, %	15.01	12.61	2.4
Return on assets (ROA), %	9.28	5.20	4.1
Return on equity (ROE), %	16.56	9.73	6.8
Adjusted Return on average capital employed (ROACE), %	12.13	11.69	0.4

#### Adjusted ROACE calculation

	March 31, 2017	March 31, 2016
<b>For 12 months preceding</b>		
Adjusted EBITDA	477,627	407,789
Depreciation, depletion and amortization	(164,408)	(147,879)
Effective income tax charge on EBIT	(67,084)	(51,447)
<b>Adjusted EBIT*</b>	<b>246,135</b>	<b>208,463</b>
<b>Average capital employed</b>	<b>2,029,352</b>	<b>1,782,709</b>
<b>Adjusted ROACE</b>	<b>12.13</b>	<b>11.69</b>

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

#### Liquidity

	March 31, 2017	March 31, 2016	Δ, %
Current ratio	1.31	1.42	(7.7)
Quick ratio	0.66	0.72	(8.3)
Cash ratio	0.28	0.38	(26.3)

## Leverage

	March 31, 2017	March 31, 2016	Δ, p.p.
Net debt/ Total Assets, %	23.68	26.09	(2.4)
Net debt/ Equity, %	40.49	48.81	(8.3)
Gearing, %	28.73	33.13	(4.4)
			Δ, %
Net debt/ Market Capitalization	0.64	0.90	(28.9)
Net debt/ EBITDA	1.45	1.83	(20.8)
Total debt/ EBITDA	1.54	2.11	(27.0)

## 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 3 months 2017 had a positive impact on the Group's results.

1Q 2017	4Q 2016	Δ, %		3m 2017	2016	Δ, %
<b>(US\$/ barrel)</b>			<b>International market</b>	<b>(US\$/ barrel)</b>		
53.78	49.33	9.0	Brent	53.78	33.94	58.5
52.30	48.12	8.7	Urals Spot (average Med + NWE)	52.30	32.19	62.5
<b>(US\$/ tonne)</b>				<b>(US\$/ tonne)</b>		
544.90	504.64	8.0	Premium gasoline (average NWE)	544.90	386.04	41.2
477.52	431.69	10.6	Naphtha (average Med. + NWE)	477.52	312.03	53.0
480.98	456.82	5.3	Diesel fuel (average NWE)	480.98	313.21	53.6
477.20	447.42	6.7	Gasoil 0.1% (average Med.)	477.20	307.26	55.3
279.97	256.87	9.0	Fuel oil 3.5% (average NWE)	279.97	127.55	119.5
<b>(RUB/ tonne)</b>			<b>Domestic market</b>	<b>(RUB/ tonne)</b>		
35,913	35,122	2.3	High-octane gasoline	35,913	31,669	13.4
30,293	30,777	(1.6)	Low-octane gasoline	30,293	26,126	16.0
31,343	30,226	3.7	Diesel fuel	31,343	25,970	20.7
9,434	8,288	13.8	Fuel oil	9,434	3,451	173.4

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.

1Q	4Q		3m	
2017	2016		2017	2016
1.0	1.3	Change in Consumer Price Index (CPI), %	1.0	2.1
58.84	63.07	Average RUB/US\$ exchange rate for the period	58.84	74.63
60.66	63.16	US\$/ RUB exchange rate as of the beginning of the period	60.66	72.88
56.38	60.66	US\$/ RUB exchange rate as of the end of the period	56.38	67.61
(0.07)	(0.04)	Depreciation (appreciation) of Russian rouble to US\$, %	(0.07)	(0.07)

## Taxation

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

1Q	4Q		3m		
2017	2016	Δ, %	2017	2016	Δ, %
<b>(US\$/ tonne)</b>			<b>(US\$/ tonne)</b>		
<b>Export duty</b>					
86.53	91.67	(5.6)	86.53	54.93	57.5
25.93	36.60	(29.2)	25.93	21.97	18.0
25.93	36.60	(29.2)	25.93	21.97	18.0
25.93	55.87	(53.6)	25.93	33.47	(22.5)
47.57	65.03	(26.8)	47.57	38.97	22.1
86.53	75.13	15.2	86.53	45.00	92.3
<b>Mineral extraction tax</b>					
7,968	6,768	17.7	7,968	4,076	95.5

### 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.

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 are not subject to export duties. Exports of petroleum products to Tajikistan and Armenia within the indicative limits are not subject to export duties from November 13, 2013 and January 19, 2015, 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:

$R = K * R_{\text{crude}}$ , where  $R_{\text{crude}}$  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
<b>Gasoline</b>				
Below Class 5	10,500	13,100	13,100	13100
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.

, where

**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. is 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 from 2018.

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

1Q	4Q			3m		
2017	2016	Δ, %		2017	2016	Δ, %
7,968	6,768	17.7	Nominal crude oil MET rate, RUB/tonne	7,968	4,076	95.5
6,861	5,793	18.4	Effective crude oil MET rate, RUB/tonne	6,861	3,749	83.0
1,107	975		Difference between nominal and effective rates, RUB/tonne	1,107	327	
13.9%	14.4%		Difference between nominal and effective rates, %	13.9%	8.0%	

In 3 months 2017, the Group's effective MET rate was 6,861 RUB/tonne, or 1,107 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)	$42 * Eut * Kc * Kkm$

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**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:  $K_r$  – depending on location,  $K_{vg}$  – for depleted deposits,  $K_{gz}$  – for deposits at depths of more than 1,700 meters,  $K_{as}$  – for deposits related to the regional gas supply system, and  $K_{orz}$  – 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  $5.5/K_g$  for 2016 and  $6.5/K_g$  for 2017, where  $K_g$  is a coefficient characterising export return per fuel-equivalent unit.

In 3 months 2017, the Group's effective MET rate for natural gas was 592 RUB per thousand m<sup>3</sup>, which is 16 RUB per thousand m<sup>3</sup> lower than the nominal MET rate established in Russian legislation. The difference results from the application of tax benefits, especially coefficient  $K_c$  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 3 m 2017	Subsidiaries (Oil Fields) belonging to the Group
<b>MET for gas</b>	
Hard-to-recover coefficient Kc	LLC Gazpromneft Yamal LLC Gazpromneft Orenburg
<b>MET for oil</b>	
Small fields coefficient Kz	OJSC Gazpromneft-Noyabrskneftegaz LLC Gazpromneft Orenburg
Depletion coefficient Kv	OJSC Gazpromneft-Noyabrskneftegaz LLC Gazpromneft-Vostok JSC Yuzhuralneftegaz
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	LLC Gazpromneft-Angara LLC Gazpromneft-Yamal
Zero MET rate for fields classified as belonging to Bazhenov formation	LLC Gazpromneft-Khantos
Lower MET rate for new offshore fields in the Pechora Sea	LLC Gazpromneft-Shelf
<b>Profits tax</b>	
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
16.5% rate (3.5% concession under Yamalo-Nenets Autonomous Okrug regional legislation)	OJSC Gazpromneft-Noyabrskneftegaz 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-Business Service LLC Gazpromneft-Regionalnie prodazhi LLC Gazpromneft-Marine Bunker
<b>Property tax</b>	
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:

1Q	4Q			3m		
2017	2016	Δ, %	(RUB per tonne)	2017	2016	Δ, %
<b>Crude oil</b>						
Export						
1,952	1,895	3.0	Pipeline	1,952	1,940	0.6
CIS						
1,573	1,504	4.6	Pipeline	1,573	1,466	7.3
Transportation to Refineries						
698	659	5.9	Omsk	698	678	2.9
1,585	1,485	6.8	Moscow	1,585	1,287	23.1
1,316	1,346	(2.2)	Yaroslavl	1,316	1,224	7.5
<b>Petroleum products</b>						
Export from ONPZ						
2,438	2,143	13.8	Gasoline	2,438	1,942	25.6
5,406	5,389	0.3	Fuel oil	5,406	4,780	13.1
4,173	4,571	(8.7)	Diesel fuel	4,173	4,532	(7.9)
Export from MNPZ						
2,681	1,444	85.7	Gasoline	2,681	2,016	33.0
3,020	3,143	(3.9)	Fuel oil	3,020	2,971	1.6
2,400	1,916	25.3	Diesel fuel	2,400	2,005	19.7
Export from YaNPZ						
2,602	3,419	(23.9)	Gasoline	2,602	1,507	72.7
2,865	2,734	4.8	Fuel oil	2,865	1,651	73.5
2,155	2,177	(1.0)	Diesel fuel	2,155	1,515	42.3

The Group's crude oil export route mix (tonnes) for 3 months 2017 and 3 months 2016 is presented below:

	3m	
	2017	2016
<b>Crude oil export</b>		
Primorsk Baltic Sea port	26.4%	3.6%
Ust-Luga Baltic Sea port	4.1%	0.0%
Druzhba pipeline	10.2%	17.2%
Port of Novorossiysk	14.7%	36.3%
ESPO pipeline and the port of Kozmino	9.9%	18.1%
Exported without using Transneft system, including:	34.7%	24.8%
Prirazlomnoye	14.4%	16.0%
Novoport	20.3%	8.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Crude oil export to CIS countries</b>		
Belarus	100.0%	98.9%
Uzbekistan	0.0%	1.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

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