Gazprom Neft Group

Interim Condensed Consolidated Financial Statements (unaudited)

As of and for the three and nine months ended 30 September 2017

Report on Review of Interim Financial Statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of PJSC Gazprom Neft and its subsidiaries (the "Group") as of 30 September 2017 and the related interim condensed consolidated statements of profit and loss and other comprehensive income for the three-month and nine-month periods then ended, and changes in shareholders' equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

AO PricewaterhouseCoopers Audit

13 November 2017

Moscow, Russian Federation

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

Audited entity: PJSC Gazprom Neft

State registration certificate № 38606450 issued by the Omsk Registration Bureau on 6 October 1995

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

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

Independent auditor: AO PricewaterhouseCoopers Audit

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

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

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

ORNZ 11603050547 in the register of auditors and audit organizations

Gazprom Neft Group

Interim Condensed Consolidated Financial Statements (unaudited)
As of and for the three and nine months ended 30 September 2017

Contents

Currency – RUB millions

	Notes	30 September 2017	31 December 2016
Assets			
Current assets			
Cash and cash equivalents	5	68,676	33,621
Short-term financial assets	6	38,175	42,113
Trade and other receivables	7	107,193	115,559
Inventories	8	107,066	100,701
Current income tax prepayments		3,177	10,353
Other taxes receivable	9	52,215	53,482
Other current assets	10	37,484	40,503
Total current assets		**413,986**	**396,332**
Non-current assets			
Property, plant and equipment	11	1,940,340	1,726,345
Goodwill and other intangible assets		70,892	70,151
Investments in associates and joint ventures	12	234,159	201,548
Long-term trade and other receivables		1,045	5,129
Long-term financial assets	13	41,550	40,167
Deferred income tax assets		6,848	8,039
Other non-current assets	14	84,872	101,100
Total non-current assets		**2,379,706**	**2,152,479**
Total assets		**2,793,692**	**2,548,811**
Liabilities and shareholders' equity			
Current liabilities			
Short-term debt and current portion of long-term debt	15	142,843	80,187
Current finance lease liabilities	21	1,381	-
Trade and other payables	16	137,788	95,624
Other current liabilities	17	35,490	28,680
Current income tax payable		5,154	2,296
Other taxes payable	18	80,446	67,259
Provisions and other accrued liabilities		18,021	15,406
Total current liabilities		**421,123**	**289,452**
Non-current liabilities			
Long-term debt	19	523,976	596,221
Non-current finance lease liabilities	21	21,322	-
Other non-current financial liabilities	20	59,285	89,744
Deferred income tax liabilities		92,554	81,347
Provisions and other accrued liabilities		50,358	45,942
Other non-current liabilities		2,576	1,938
Total non-current liabilities		**750,071**	**815,192**
Equity			
Share capital		98	98
Treasury shares		(1,170)	(1,170)
Additional paid-in capital		58,664	51,047
Retained earnings		1,414,822	1,276,210
Other reserves		50,048	33,955
Equity attributable to Gazprom Neft shareholders		**1,522,462**	**1,360,140**
Non-controlling interest		100,036	84,027
Total equity		**1,622,498**	**1,444,167**
Total liabilities and equity		**2,793,692**	**2,548,811**

A. V. Dyukov
Chief Executive Officer
PJSC Gazprom Neft

A. V. Yankevich
Chief Financial Officer
PJSC Gazprom Neft

	Notes	3 months ended 30 September 2017	3 months ended 30 September 2016	9 months ended 30 September 2017	9 months ended 30 September 2016
Sales		513,251	450,249	1,457,525	1,221,326
Less export duties and sales related excise tax		(33,749)	(40,804)	(105,666)	(110,206)
Total revenue from sales	*28*	**479,502**	**409,445**	**1,351,859**	**1,111,120**
Costs and other deductions					
Purchases of oil, gas and petroleum products		(107,576)	(94,534)	(334,536)	(252,862)
Production and manufacturing expenses		(57,225)	(51,464)	(157,597)	(145,270)
Selling, general and administrative expenses		(24,840)	(26,976)	(72,788)	(77,397)
Transportation expenses		(34,858)	(31,493)	(106,252)	(98,228)
Depreciation, depletion and amortisation		(35,781)	(29,039)	(102,075)	(89,268)
Taxes other than income tax	*18*	(130,491)	(104,530)	(356,522)	(273,662)
Exploration expenses		(123)	(9)	(269)	(308)
Total operating expenses		**(390,894)**	**(338,045)**	**(1,130,039)**	**(936,995)**
Operating profit		**88,608**	**71,400**	**221,820**	**174,125**
Share of profit of associates and joint ventures		12,526	8,437	31,236	24,468
Net foreign exchange gain	*22*	2,237	3,933	7,942	20,043
Finance income	*23*	3,041	3,038	8,266	8,302
Finance expense	*24*	(6,026)	(7,845)	(19,288)	(26,283)
Other gain / (loss), net		413	(2,613)	(2,964)	(14,766)
Total other income		**12,191**	**4,950**	**25,192**	**11,764**
Profit before income tax		**100,799**	**76,350**	**247,012**	**185,889**
Current income tax expense		(13,119)	(5,554)	(33,733)	(13,690)
Deferred income tax expense		(5,232)	(10,269)	(12,780)	(19,925)
Total income tax expense		**(18,351)**	**(15,823)**	**(46,513)**	**(33,615)**
Profit for the period		**82,448**	**60,527**	**200,499**	**152,274**
Other comprehensive income / (loss)					
Currency translation differences		2,832	(2,350)	13,446	(31,119)
Cash flow hedge, net of tax		3,431	2,692	9,336	31,469
Other comprehensive (loss) / income		(420)	4	76	(77)
Other comprehensive income for the period		**5,843**	**346**	**22,858**	**273**
Total comprehensive income for the period		**88,291**	**60,873**	**223,357**	**152,547**
Profit attributable to:					
- Gazprom Neft shareholders		77,731	57,085	189,000	147,480
- Non-controlling interest		4,717	3,442	11,499	4,794
Profit for the period		**82,448**	**60,527**	**200,499**	**152,274**
Total comprehensive income / (loss) attributable to:					
- Gazprom Neft shareholders		81,958	58,252	205,093	157,086
- Non-controlling interest		6,333	2,621	18,264	(4,539)
Total comprehensive income for the period		**88,291**	**60,873**	**223,357**	**152,547**
Earnings per share attributable to Gazprom Neft shareholders					
Basic earnings (RUB per share)		16.48	12.10	40.06	31.26
Diluted earnings (RUB per share)		16.48	12.10	40.06	31.26
Weighted-average number of common shares outstanding (millions)		4,718	4,718	4,718	4,718

Currency – RUB millions

	Attributable to Gazprom Neft shareholders							
	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Other reserves	Total	Non-controlling interest	Total equity
Balance as of 1 January 2017	**98**	**(1,170)**	**51,047**	**1,276,210**	**33,955**	**1,360,140**	**84,027**	**1,444,167**
Profit for the period	-	-	-	189,000	-	189,000	11,499	200,499
Other comprehensive income								
Currency translation differences	-	-	-	-	6,681	6,681	6,765	13,446
Cash flow hedge, net of tax	-	-	-	-	9,336	9,336	-	9,336
Other comprehensive income	-	-	-	-	76	76	-	76
Total comprehensive income for the period	**-**	**-**	**-**	**189,000**	**16,093**	**205,093**	**18,264**	**223,357**
Transactions with owners, recorded in equity								
Dividends to equity holders	-	-	-	(50,388)	-	(50,388)	(2,255)	(52,643)
Transaction under common control (Note 20)	-	-	7,617	-	-	7,617	-	7,617
Total transactions with owners	**-**	**-**	**7,617**	**(50,388)**	**-**	**(42,771)**	**(2,255)**	**(45,026)**
Balance as of 30 September 2017	**98**	**(1,170)**	**58,664**	**1,414,822**	**50,048**	**1,522,462**	**100,036**	**1,622,498**

	Attributable to Gazprom Neft shareholders							
	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Other reserves	Total	Non-controlling interest	Total equity
Balance as of 1 January 2016	**98**	**(1,170)**	**44,326**	**1,078,626**	**35,189**	**1,157,069**	**91,420**	**1,248,489**
Profit for the period	-	-	-	147,480	-	147,480	4,794	152,274
Other comprehensive (loss) / income								
Currency translation differences	-	-	-	-	(21,786)	(21,786)	(9,333)	(31,119)
Cash flow hedge, net of tax	-	-	-	-	31,469	31,469	-	31,469
Other comprehensive loss	-	-	-	-	(77)	(77)	-	(77)
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**147,480**	**9,606**	**157,086**	**(4,539)**	**152,547**
Transactions with owners, recorded in equity								
Dividends to equity holders	-	-	-	(2,595)	-	(2,595)	(1,131)	(3,726)
Acquisition through business combination	-	-	(114)	-	-	(114)	83	(31)
Total transactions with owners	**-**	**-**	**(114)**	**(2,595)**	**-**	**(2,709)**	**(1,048)**	**(3,757)**
Balance as of 30 September 2016	**98**	**(1,170)**	**44,212**	**1,223,511**	**44,795**	**1,311,446**	**85,833**	**1,397,279**

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

Currency – RUB millions

	Notes	9 months ended 30 September 2017	9 months ended 30 September 2016
Cash flows from operating activities			
Profit before income tax		247,012	185,889
Adjustments for:			
Share of profit of associates and joint ventures		(31,236)	(24,468)
Gain on foreign exchange differences	***22***	(7,942)	(20,043)
Finance income	***23***	(8,266)	(8,302)
Finance expense	***24***	19,288	26,283
Depreciation, depletion and amortisation		102,075	89,268
Net impairment of receivables and other assets		-	11,006
Other non-cash items		2,446	1,347
Operating cash flow before changes in working capital		**323,377**	**260,980**
Changes in working capital:			
Accounts receivable		13,780	(45,616)
Inventories		(7,458)	7,366
Taxes receivable		2,350	4,697
Other assets		2,417	15,092
Accounts payable		25,772	14,915
Taxes payable		12,731	18,850
Other liabilities		4,760	2,093
Total effect of working capital changes		**54,352**	**17,397**
Income taxes paid		(25,494)	(17,336)
Interest paid		(29,760)	(27,701)
Dividends received		3,306	2,274
Net cash provided by operating activities		**325,781**	**235,614**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		-	(1,040)
Acquisition of investments in joint ventures		(8,093)	(505)
Disposal of investments in joint ventures		476	-
Bank deposits placement		(5,019)	(24,931)
Repayment of bank deposits		1,076	73,238
Proceeds from sales of other investments		670	3,181
Short-term loans issued		-	(3,085)
Repayment of short-term loans issued		6,112	6,996
Long-term loans issued		(1,105)	(20,301)
Repayment of long-term loans issued		4,442	7,209
Purchases of property, plant and equipment and intangible assets		(242,768)	(266,004)
Proceeds from sale of property, plant and equipment, intangible assets and other non-current assets		2,006	898
Interest received		6,542	3,771
Net cash used in investing activities		**(235,661)**	**(220,573)**
Cash flows from financing activities			
Proceeds from short-term borrowings		1,479	36,506
Repayment of short-term borrowings		(8,423)	(31,467)
Proceeds from long-term borrowings		193,476	57,142
Repayment of long-term borrowings		(187,258)	(141,734)
Transaction costs directly attributable to the borrowings received		(173)	-
Dividends paid to Gazprom Neft shareholders		(50,383)	(2,598)
Dividends paid to non-controlling interest		(2,291)	(1,106)
Repayment of finance lease liabilities		(568)	-
Net cash used in financing activities		**(54,141)**	**(83,257)**
Increase / (decrease) in cash and cash equivalents		**35,979**	**(68,216)**
Effect of foreign exchange on cash and cash equivalents		(924)	(7,069)
Cash and cash equivalents as of the beginning of the period		**33,621**	**114,198**
Cash and cash equivalents as of the end of the period		**68,676**	**38,913**

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

1. General

Description of business

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

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

2. Summary of significant accounting policies

Basis of presentation

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

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

The Group does not disclose information which would substantially duplicate the disclosures contained in its audited Consolidated Financial Statements as of and for the year ended 31 December 2016, such as significant accounting policies, estimates and judgements, financial risk disclosures or disclosures of financial line items, which have not changed significantly in amount or composition. Management of the Group believes that the disclosures in these Interim Condensed Consolidated Financial Statements are adequate to make the information presented not misleading if these Interim Condensed Consolidated Financial Statements are read in conjunction with the Group’s Consolidated Financial Statements as of and for the year ended 31 December 2016.

Subsequent events occurring after 30 September 2017 were evaluated through 13 November 2017, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

The results for the three and nine months ended 30 September 2017 are not necessarily indicative of the results expected for the full year.

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

Changes in significant accounting policies

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Consolidated Financial Statements are consistent with those applied during the preparation of the Consolidated Financial Statements as of and for the year ended 31 December 2016, except for those described in the Application of new IFRS paragraph.

Currency – RUB millions (unless otherwise stated)

Foreign currency translation

The following exchange rates for Roubles to US dollars, EURO and Serbian Dinars applied while preparing these Interim Condensed Consolidated Financial Statements:

	Reporting date spot rate	
	30 September 2017	**31 December 2016**
USD 1	58.02	60.66
EUR 1	68.45	63.81
RSD 1	0.57	0.52

3. Application of new IFRS

The following standards or amended standards became effective for the Group from 1 January 2017:

The amendments to IAS 7 – Statement of Cash Flow (issued in January 2016 effective for annual periods beginning on or after 1 January 2017) require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The Group will present the disclosure in the Consolidated Financial Statements as of and for the year ended 31 December 2017.

The amendments to IAS 12 – Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016 effective for annual periods beginning on or after 1 January 2017). These amendments did not have any material impact on the Group.

4. New accounting standards

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on 1 January 2018 or later, and that the Group has not early adopted.

IFRS 9 – Financial Instruments: Classification and Measurement (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value (either through profit and loss or other comprehensive income), and at amortised cost. The decision is to be made at initial recognition.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only. All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is no recycling of fair value gains and losses to profit or loss.

The Group is currently assessing the impact of the new standard on its Consolidated Financial Statements.

Currency – RUB millions (unless otherwise stated)

IFRS 15 – Revenue from Contracts with Customers (amended in April 2016 and effective for annual periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods and services are transferred to the customer, at the transaction price. Any bundled goods and services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The Group is currently assessing the impact of the new standard on its Consolidated Financial Statements.

IFRS 16 – Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019 with early adoption permitted in case of implementation of IFRS 15 Revenue from Contracts with Customers). Key features of the standard are:

- IFRS 16 changes the lessees accounting requirements given in IAS 17 and eliminates the classification of leases as either operating leases or finance leases. Instead, introduces a single lessee accounting model where a lessee is required to recognise:

  (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and

  (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.
- IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.
- IFRS 16 does not change the accounting for services.

The Group is currently assessing the impact of the new standard on its Consolidated Financial Statements.

IFRIC 23 – Uncertainty over Income Tax Treatments (issued in June 2017 and effective for annual periods beginning on or after 1 January 2019). IFRIC 23 clarifies the accounting for uncertainties in income taxes.

The Group is currently assessing the impact of the new interpretation on its Consolidated Financial Statements.

5. Cash and cash equivalents

Cash and cash equivalents as of 30 September 2017 and 31 December 2016 comprise the following:

	30 September 2017	31 December 2016
Cash on hand	937	882
Cash in bank	39,101	21,284
Deposits with original maturity of less than three months	25,256	8,647
Other cash equivalents	3,382	2,808
Total cash and cash equivalents	**68,676**	**33,621**

Currency – RUB millions (unless otherwise stated)

6. Short-term financial assets

Short-term financial assets as of 30 September 2017 and 31 December 2016 comprise the following:

	30 September 2017	31 December 2016
Short-term loans issued	35,603	41,136
Deposits with original maturity more than 3 months less than 1 year	2,572	886
Forward contracts - cash flow hedge	-	91
Total short-term financial assets	**38,175**	**42,113**

7. Trade and other receivables

Trade and other receivables as of 30 September 2017 and 31 December 2016 comprise the following:

	30 September 2017	31 December 2016
Trade receivables	111,706	121,229
Other financial receivables	8,311	6,604
Less impairment provision	(12,824)	(12,274)
Total trade and other receivables	**107,193**	**115,559**

Trade receivables represent amounts due from customers in the ordinary course of business and are short-term by nature.

8. Inventories

Inventories as of 30 September 2017 and 31 December 2016 consist of the following:

	30 September 2017	31 December 2016
Petroleum products and petrochemicals	46,224	47,467
Materials and supplies	25,214	26,277
Crude oil and gas	27,669	20,059
Other	9,218	8,378
Less provision	(1,259)	(1,480)
Total inventory	**107,066**	**100,701**

9. Other taxes receivable

Other taxes receivable as of 30 September 2017 and 31 December 2016 comprise the following:

	30 September 2017	31 December 2016
Value added tax receivable	45,870	44,936
Prepaid custom duties	3,562	6,419
Other taxes prepaid	2,783	2,127
Total other taxes receivable	**52,215**	**53,482**

Currency – RUB millions (unless otherwise stated)

10. Other current assets

Other current assets as of 30 September 2017 and 31 December 2016 consist of the following:

	30 September 2017	31 December 2016
Advances paid	18,878	27,671
Prepaid expenses	3,753	1,104
Other assets	14,853	11,728
Total other current assets, net	**37,484**	**40,503**

11. Property, plant and equipment

Movements in property, plant and equipment for the nine months ended 30 September 2017 and 2016 are as follows:

	O&G properties	Refining assets	Marketing and distribution	Other assets	Assets under construction	Total
Cost						
As of 1 January 2017	**1,569,525**	**308,192**	**152,871**	**23,531**	**369,304**	**2,423,423**
Additions	1,384	1,461	-	-	283,416	286,261
Changes in decommissioning obligations	660	-	-	-	-	660
Capitalised borrowing costs	-	-	-	-	21,557	21,557
Transfers	118,449	10,709	30,033	1,996	(161,187)	-
Internal movement	(419)	(326)	195	18	532	-
Disposals	(6,032)	(1,773)	(844)	(426)	(797)	(9,872)
Translation differences	(2,819)	5,897	3,937	173	(1,276)	5,912
As of 30 September 2017	**1,680,748**	**324,160**	**186,192**	**25,292**	**511,549**	**2,727,941**
Depreciation and impairment						
As of 1 January 2017	**(553,140)**	**(89,106)**	**(49,052)**	**(5,780)**	**-**	**(697,078)**
Depreciation charge	(77,261)	(10,045)	(8,191)	(1,671)	-	(97,168)
Internal movement	65	31	33	(129)	-	-
Disposals	3,406	733	647	426	-	5,212
Translation differences	4,163	(1,675)	(967)	(88)	-	1,433
As of 30 September 2017	**(622,767)**	**(100,062)**	**(57,530)**	**(7,242)**	**-**	**(787,601)**
Net book value						
As of 1 January 2017	**1,016,385**	**219,086**	**103,819**	**17,751**	**369,304**	**1,726,345**
As of 30 September 2017	**1,057,981**	**224,098**	**128,662**	**18,050**	**511,549**	**1,940,340**

Capitalised borrowing costs for the nine months ended 30 September 2017 include interest expense in the amount of RUB 18.3 billion and exchange losses arising from foreign currency borrowings in the amount of RUB 3.3 billion.

Currency – RUB millions (unless otherwise stated)

	O&G properties	Refining assets	Marketing and distribution	Other assets	Assets under construction	Total
Cost						
As of 1 January 2016	**1,355,282**	**308,037**	**152,795**	**17,933**	**369,274**	**2,203,321**
Additions	1,961	1,233	-	-	217,591	220,785
Acquisitions through business combinations	-	38	-	452	16	506
Changes in decommissioning obligations	3,830	-	-	-	-	3,830
Capitalised borrowing costs	-	-	-	-	9,828	9,828
Transfers	119,770	16,242	6,388	1,138	(143,538)	-
Internal movement	25,570	(6,334)	5,528	1,900	(26,664)	-
Disposals	(3,547)	(731)	(1,048)	(257)	(1,175)	(6,758)
Translation differences	(45,638)	(8,976)	(8,466)	(239)	(14,847)	(78,166)
As of 30 September 2016	**1,457,228**	**309,509**	**155,197**	**20,927**	**410,485**	**2,353,346**
Depreciation and impairment						
As of 1 January 2016	**(489,288)**	**(81,461)**	**(41,440)**	**(3,479)**	**-**	**(615,668)**
Depreciation charge	(59,414)	(9,817)	(8,482)	(1,252)	-	(78,965)
Impairment	(5,028)	-	-	-	-	(5,028)
Internal movement	796	1,545	(1,146)	(1,195)	-	-
Disposals	2,661	132	660	248	-	3,701
Translation differences	20,763	2,117	2,221	110	-	25,211
As of 30 September 2016	**(529,510)**	**(87,484)**	**(48,187)**	**(5,568)**	**-**	**(670,749)**
Net book value						
As of 1 January 2016	**865,994**	**226,576**	**111,355**	**14,454**	**369,274**	**1,587,653**
As of 30 September 2016	**927,718**	**222,025**	**107,010**	**15,359**	**410,485**	**1,682,597**

12. Investments in associates and joint ventures

The carrying values of the investments in associates and joint ventures as of 30 September 2017 and 31 December 2016 are summarised below:

		Ownership percentage	30 September 2017	31 December 2016
Slavneft	Joint venture	49.9	104,111	97,084
SeverEnergy	Joint venture	46.7	97,352	86,599
Northgas	Joint venture	50.0	12,050	11,517
Messoyakha	Joint venture	50.0	15,030	353
Others			5,616	5,995
Total investments			**234,159**	**201,548**

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

Slavneft

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

Currency – RUB millions (unless otherwise stated)

SeverEnergy

The Group's investment in SeverEnergy LLC (SeverEnergy) is held through Yamal Razvitie LLC (Yamal Razvitie, an entity jointly controlled by the Group and PJSC NOVATEK). SeverEnergy, through its subsidiary OJSC Arctic Gas Company (Arcticgas), is developing the Samburgskoye, Urengoiskoe and Yaro-Yakhinskoye oil and gas condensate fields and some other small oil and gas condensate fields located in the Yamalo-Nenetskiy autonomous region of the Russian Federation.

The carrying amount of the Group's investment exceeds the Group's share in the underlying net assets of SeverEnergy by RUB 16.4 billion as of 30 September 2017 due to complex holding structure, current financing scheme and goodwill arising on acquisition (RUB 18.2 billion as of 31 December 2016).

Northgas

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

Messoyakha

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

The summarised financial information for the significant associates and joint ventures as of 30 September 2017 and 31 December 2016 and for the nine months ended 30 September 2017 and 2016 is presented in the tables below.

30 September 2017	**Slavneft**	**SeverEnergy**	**Northgas**	**Messoyakha**
Cash and cash equivalents	3,444	12,024	2,624	1
Other current assets	59,532	16,415	3,136	8,407
Non-current assets	333,705	374,489	54,281	145,278
Current financial liabilities	(37,819)	(33,016)	(5,204)	(73,000)
Other current liabilities	(28,572)	(10,963)	(2,497)	(3,762)
Non-current financial liabilities	(87,840)	(132,206)	(22,079)	(41,323)
Other non-current liabilities	(38,292)	(53,223)	(4,789)	(5,961)
Net assets	**204,158**	**173,520**	**25,472**	**29,640**

31 December 2016	**Slavneft**	**SeverEnergy**	**Northgas**	**Messoyakha**
Cash and cash equivalents	4,333	13,530	277	98
Other current assets	22,505	16,506	3,280	15,684
Non-current assets	312,935	357,480	52,986	114,347
Current financial liabilities	(46,727)	(53,439)	(2,677)	(82,745)
Other current liabilities	(25,368)	(12,368)	(54)	(3,512)
Non-current financial liabilities	(42,876)	(123,252)	(24,990)	(37,920)
Other non-current liabilities	(36,587)	(51,995)	(4,415)	(5,665)
Net assets	**188,215**	**146,462**	**24,407**	**287**

Currency – RUB millions (unless otherwise stated)

9 months ended 30 September 2017	Slavneft	SeverEnergy	Northgas	Messoyakha
Revenue	174,545	104,402	16,725	39,767
Depreciation and amortisation	(27,571)	(17,302)	(1,796)	(7,382)
Finance income	839	760	863	3
Finance expense	(4,399)	(14,762)	(2,136)	(4,875)
Total income tax expense	(3,598)	(4,625)	(1,265)	(3,068)
Profit for the period	15,809	27,057	5,031	14,080
Total comprehensive income for the period	15,946	27,057	5,031	14,080

9 months ended 30 September 2016	Slavneft	SeverEnergy	Northgas	Messoyakha
Revenue	158,234	96,366	19,147	42
Depreciation and amortisation	(24,123)	(17,468)	(1,914)	(495)
Finance income	1,281	811	997	39
Finance expense	(5,065)	(20,217)	(2,870)	(4,689)
Total income tax (expense) / benefit	(6,022)	(1,945)	(816)	1,458
Profit / (loss) for the period	23,156	19,200	2,857	(5,895)
Total comprehensive income / (loss) for the period	23,033	19,200	2,857	(5,895)

Others

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

13. Long-term financial assets

Long-term financial assets as of 30 September 2017 and 31 December 2016 comprise the following:

	30 September 2017	31 December 2016
Long-term loans issued	33,365	34,015
Available for sale financial assets	7,479	7,549
Deposits with original maturity more than 1 year	2,297	-
Less impairment provision	(1,591)	(1,397)
Total long-term financial assets	**41,550**	**40,167**

14. Other non-current assets

Other non-current assets are primarily comprised of advances provided on capital expenditures (RUB 80.1 billion and RUB 97.2 billion as of 30 September 2017 and 31 December 2016, respectively).

Currency – RUB millions (unless otherwise stated)

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

As of 30 September 2017 and 31 December 2016 the Group has short-term debt and current portion of long-term debt outstanding as follows:

	30 September 2017	31 December 2016
Current portion of long-term debt	142,392	72,805
Bank loans	-	6,321
Other borrowings	451	1,061
Total short-term debt and current portion of long-term debt	**142,843**	**80,187**

Short-term debt and current portion of long-term debt include interest payable as of 30 September 2017 and 31 December 2016.

16. Trade and other payables

Accounts payable as of 30 September 2017 and 31 December 2016 comprise the following:

	30 September 2017	31 December 2016
Trade accounts payable	101,407	78,161
Forward contracts - cash flow hedge	26,777	11,358
Dividends payable	2,317	2,115
Other accounts payable	7,287	3,990
Total trade and other payables	**137,788**	**95,624**

17. Other current liabilities

Other current liabilities as of 30 September 2017 and 31 December 2016 comprise the following:

	30 September 2017	31 December 2016
Advances received	24,918	21,293
Payables to employees	3,716	2,627
Other non-financial payables	6,856	4,760
Total other current liabilities, net	**35,490**	**28,680**

18. Other taxes payable

Other taxes payable as of 30 September 2017 and 31 December 2016 comprise the following:

	30 September 2017	31 December 2016
Mineral extraction tax	28,447	25,261
VAT	28,819	20,140
Excise tax	13,399	11,389
Social security contributions	4,483	4,721
Other taxes	5,298	5,748
Total other taxes payable	**80,446**	**67,259**

Currency – RUB millions (unless otherwise stated)

Tax expense other than income tax expense for the three and nine months ended 30 September 2017 and 2016 comprise the following:

	3 months ended 30 September 2017	3 months ended 30 September 2016	9 months ended 30 September 2017	9 months ended 30 September 2016
Mineral extraction tax	84,683	63,745	236,071	166,473
Excise tax	37,567	33,054	95,958	83,464
Social security contributions	4,723	4,400	14,583	13,490
Other taxes	3,518	3,331	9,910	10,235
Total taxes other than income tax	**130,491**	**104,530**	**356,522**	**273,662**

19. Long-term debt

As of 30 September 2017 and 31 December 2016 the Group has long-term outstanding debt as follows:

	30 September 2017	31 December 2016
Bank loans	319,175	348,142
Loan participation notes	227,020	231,250
Bonds	112,097	81,879
Other borrowings	8,076	7,755
Less current portion of long-term debt	(142,392)	(72,805)
Total long-term debt	**523,976**	**596,221**

Bank loans

In March and September 2017 the Group performed principal repayment in the total amount of USD 614 million (RUB 35.8 billion) under the Club term loan facility with the syndicate of international banks (facility agent – Mizuho) according to the payment schedule.

In March and September 2017 the Group performed principal repayment in the total amount of USD 200 million (RUB 11.5 billion) under the Club term loan facility with the syndicate of international banks (facility agent – Commerzbank) according to the payment schedule.

In May and June 2017 the Group performed pre-scheduled principal repayment in the total amount of RUB 65 billion under term and revolving loan facilities with Sberbank.

In June 2017 the Group borrowed RUB 42.4 billion under long-term facility agreements with VTB Bank (PJSC) due payable in June 2022.

In June 2017 the Group borrowed RUB 42.7 billion under long-term facility agreement with Sberbank due payable in June 2022.

The loan agreements contain financial covenant that limits the Group’s ratio of “Consolidated financial indebtedness to Consolidated EBITDA”. The Group is in compliance with all covenants as of 30 September 2017.

Bonds

In April 2017 the Group placed five-year Rouble Bonds (001P-01R series) with the total par value of RUB 15 billion. The bonds bear interest of 8.7% per annum.

In August 2017 the Group placed seven-year Rouble Bonds (001P-02R series) with the total par value of RUB 15 billion. The bonds bear interest of 8.25% per annum.

Currency – RUB millions (unless otherwise stated)

20. Other non-current financial liabilities

Other non-current financial liabilities as of 30 September 2017 and 31 December 2016 comprise the following:

	30 September 2017	31 December 2016
Deferred consideration	56,896	60,384
Forward contracts - cash flow hedge	1,380	28,015
Other liabilities	1,009	1,345
Total other non-current financial liabilities	**59,285**	**89,744**

Deferred consideration represents liability to PJSC Gazprom for assets relating to Prirazlomnoye project. In February 2017 the payment schedule was modified. The effect of the change in carrying value of liability due to the contract term revision in amount of RUB 7.6 billion was reflected in additional paid-in capital.

21. Finance lease

In 2016 the Group entered into an agreement to lease vessels and the contract was classified as a finance lease. During the nine months ended 30 September 2017 the Group became entitled to exercise the right to use the assets. The net book value of the leased assets as of 30 September 2017 is RUB 25.1 billion. Upon termination of lease term ownership title to the vessels transfers to the Group. The lease contract also contains an option for early purchase of the assets by the Group.

Net book value of other items of PPE under finance lease contracts is non significant.

The reconciliation between future minimum lease payments and their present value as of 30 September 2017 is presented in the table below:

	Minimum lease payments	Present value of minimum lease payments
30 September 2017		
Less than one year	2,795	2,703
Between one and five years	11,254	9,315
More than five years	18,860	10,685
Total minimum lease payments	**32,909**	**22,703**

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

Currency – RUB millions (unless otherwise stated)

22. Net foreign exchange gain

Net foreign exchange gain for the three and nine months ended 30 September 2017 and 2016 comprise the following:

	3 months ended 30 September 2017	3 months ended 30 September 2016	9 months ended 30 September 2017	9 months ended 30 September 2016
Net foreign exchange gain on financing activities, including:	**5,664**	**5,362**	**15,236**	**49,628**
foreign exchange gain	6,621	7,405	16,948	80,428
foreign exchange loss	(957)	(2,043)	(1,712)	(30,800)
Net foreign exchange loss on operating activities	**(3,427)**	**(1,429)**	**(7,294)**	**(29,585)**
Net foreign exchange gain	**2,237**	**3,933**	**7,942**	**20,043**

23. Finance income

Finance income for the three and nine months ended 30 September 2017 and 2016 comprise the following:

	3 months ended 30 September 2017	3 months ended 30 September 2016	9 months ended 30 September 2017	9 months ended 30 September 2016
Interest income on loans issued	2,012	2,043	6,111	5,454
Interest on bank deposits	689	521	1,387	1,463
Other financial income	340	474	768	1,385
Total finance income	**3,041**	**3,038**	**8,266**	**8,302**

24. Finance expense

Finance expense for the three and nine months ended 30 September 2017 and 2016 comprise the following:

	3 months ended 30 September 2017	3 months ended 30 September 2016	9 months ended 30 September 2017	9 months ended 30 September 2016
Interest expense	12,115	11,225	35,640	34,325
Decommissioning provision: unwinding of discount	657	594	1,962	1,786
Less: capitalised interest	(6,746)	(3,974)	(18,314)	(9,828)
Finance expense	**6,026**	**7,845**	**19,288**	**26,283**

25. Fair value measurement

The following assets and liabilities are measured at fair value in the Interim Condensed Consolidated Financial Statements: derivative financial instruments (forward exchange contracts and interest rate swaps used as hedging instrument), Stock Appreciation Rights plan (SARs) and financial investments classified as available for sale except for unquoted equity instruments whose fair value cannot be measured reliably that are carried at cost less any impairment losses. Derivative financial instruments and SARs refer to Level 2 of the fair value measurement hierarchy, i.e. their fair value is determined on the basis of inputs that are observable for the asset or liability either directly or indirectly. The fair value of the foreign exchange contracts is determined by using forward exchange rates at the reporting date with the resulting value discounted back to present value. The fair value of the liability under the SAR plan is estimated using the Black-Scholes-Merton option-pricing model by reference primarily to the Company's share price, historic volatility in the share price, dividend yield and interest rates for periods comparable to the remaining life of the award. There were no transfers between the levels of the fair value hierarchy during the interim period.

There are no significant assets or liabilities measured at fair value categorised within Level 1 or Level 3 of the fair value hierarchy.

As of 30 September 2017 the fair value of bonds and loan participation notes is RUB 347,430 million (RUB 315,488 million as of 31 December 2016). Carrying value of other financial assets and liabilities approximate their fair value.

26. Commitments and contingencies

Taxes

Russian tax and customs legislation is subject to frequent changes and varying interpretations. Management's treatment of such legislation as applied to the transactions and activity of the Group, including calculation of taxes payable to federal, regional and municipal budgets, may be challenged by the relevant authorities. The Russian tax authorities may take a more assertive position in their treatment of legislation and assessments, and there is a risk that transactions and activities that have not been challenged in the past may be challenged later. As a result, additional taxes, penalties and interest may be accrued. Generally, taxpayers are subject to tax audits for a period of three calendar years immediately preceding the year in which the decision to carry out a tax audit has been taken. Under certain circumstances tax audits may cover longer periods. The years 2014-2017 are currently open for tax audit. Management believes it has adequately provided for any probable additional tax accruals that might arise from these tax audits.

Russian tax legislation on tax control over prices applied for tax purposes in related party transactions ("transfer pricing rules") was amended starting from 1 January 2012 to introduce significant reporting and documentation requirements regarding market environment at the date of transaction. Compared to the old rules the new transfer pricing rules appear to be more technically elaborate and better aligned with the Transfer Pricing Guidelines developed by the Organisation for Economic Cooperation and Development (OECD). The transfer pricing rules allow the tax authorities to make transfer pricing adjustments to the respective tax bases and impose additional tax liabilities in respect of controllable transactions (transactions with related parties and some transactions with unrelated parties), in cases where the prices of such transactions do not correspond to the ranges of prices deemed to be fair market prices for tax purposes defined in compliance with the said rules.

The compliance of the prices of the Group's controllable transactions with related parties with the transfer pricing rules is subject to regular internal control. Management believes that the transfer pricing documentation that the Group has prepared to confirm its compliance with the transfer pricing rules provides sufficient evidence to support the Group's tax positions and related tax returns. In addition in order to mitigate potential risks, the Group regularly negotiates approaches to defining prices used for tax purposes for major controllable transactions with tax authorities in advance. As of 30 September 2017 fifteen pricing agreements between the Group and tax authorities regarding major intercompany transactions have been concluded.

However, given that the practice of enforcement of the new transfer pricing rules has not yet developed and some clauses of the applicable law are ambiguous and contain contradictions, the impact of the transfer pricing rules on the Group's tax liabilities cannot be reliably estimated.

Economic environment in the Russian Federation

The Russian Federation displays certain characteristics of an emerging market. Tax, monopoly, currency and customs legislation of the Russian Federation is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation. The political and economic instability, uncertainty and volatility of the financial markets and other risks may have negative effects on the Russian financial and corporate sectors. The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

In 2014 the U.S., the EU and certain other countries imposed sanctions on the Russian energy sector that partially apply to the Group. The information on the main restrictions related to sanctions was disclosed in the Consolidated Financial Statements as of and for the year ended 31 December 2016. In August 2017 the U.S. signed an act to impose further sanctions against the Russian Federation, North Korea and Iran. The Group assessed that the new sanctions don't have significant impact on its activity.

Environmental matters

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

Capital commitments

As of 30 September 2017 the Group has entered into contracts to purchase property, plant and equipment for RUB 362,800 million (RUB 300,978 million as of 31 December 2016).

27. Related party transactions

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

The Group has applied the exemption as allowed by IAS 24 not to disclose all government related transactions, as the parent of the Company is effectively being controlled by the Russian Government. In the course of its ordinary business the Group enters into transactions with natural monopolies, transportation companies and other companies controlled by the Russian Government. Such purchases and sales are individually insignificant and are generally entered into on market or regulated prices. Transactions with the state also include taxes which are detailed in Notes 9 and 18. The Group also leases vessels under time-charter agreements with a government related entity (lease expense amounted RUB 4.0 billion for the nine months ended 30 September 2017). The tables below summarise transactions in the ordinary course of business with either the parent company or associates and joint ventures.

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

Currency – RUB millions (unless otherwise stated)

As of 30 September 2017 and 31 December 2016 the outstanding balances with related parties were as follows:

30 September 2017	**Parent company**	**Parent's subsidiaries and associates**	**Associates and joint ventures**
Cash and cash equivalents	-	15,627	-
Short-term financial assets	-	-	34,825
Trade and other receivables	7,407	4,939	12,157
Other assets	815	5,301	960
Long-term financial assets	-	-	29,625
Total assets	**8,222**	**25,867**	**77,567**
Short-term debt and other current financial liability	-	-	419
Trade and other payables	1,847	4,439	25,083
Other current liabilities	2,656	387	45
Long-term debt and other non-current financial liability	58,108	58,017	-
Total liabilities	**62,611**	**62,843**	**25,547**

31 December 2016	**Parent company**	**Parent's subsidiaries and associates**	**Associates and joint ventures**
Cash and cash equivalents	-	7,723	-
Short-term financial assets	-	860	40,381
Trade and other receivables	3,693	4,160	13,212
Other assets	614	4,290	1,224
Long-term financial assets	-	-	30,273
Total assets	**4,307**	**17,033**	**85,090**
Short-term debt and other current financial liability	-	-	1,029
Trade and other payables	1,921	3,236	8,066
Other current liabilities	772	392	201
Long-term debt and other non-current financial liability	60,276	60,657	-
Total liabilities	**62,969**	**64,285**	**9,296**

For the nine months ended 30 September 2017 and 2016 the following transactions occurred with related parties:

9 months ended 30 September 2017	**Parent company**	**Parent's subsidiaries and associates**	**Associates and joint ventures**
Crude oil, gas and oil products sales	26,240	28,541	38,979
Other revenue	3	4,505	7,250
Purchases of crude oil, gas and oil products	-	33,765	97,282
Production related services	24	22,741	15,867
Transportation costs	7,408	1,252	7,293
Interest expense	4,130	2,313	32
Interest income	-	141	5,640

Currency – RUB millions (unless otherwise stated)

9 months ended 30 September 2016	**Parent company**	**Parent's subsidiaries and associates**	**Associates and joint ventures**
Crude oil, gas and oil products sales	20,422	26,105	37,779
Other revenue	35	4,187	4,305
Purchases of crude oil, gas and oil products	-	29,162	67,563
Production related services	25	14,187	14,434
Transportation costs	5,277	1,337	4,056
Interest expense	4,927	2,907	114
Interest income	-	122	4,802

Transactions with Key Management Personnel

For the nine months ended 30 September 2017 and 2016 the Group recognised RUB 1,434 million and RUB 1,254 million, respectively, as compensation for key management personnel (members of the Board of Directors and Management Committee). Key management remuneration includes salaries, bonuses, quarterly accruals of SAR and other contributions.

28. Segment information

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

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

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

The information about the Group's operating segments for the nine months ended 30 September 2017 and 2016 is presented below:

9 months ended 30 September 2017	**Upstream**	**Downstream**	**Eliminations**	**Total**
Revenue from sales:				
External customers	156,171	1,195,688	-	1,351,859
Inter-segment	448,021	21,515	(469,536)	-
Total revenue from sales	**604,192**	**1,217,203**	**(469,536)**	**1,351,859**
Adjusted EBITDA	298,297	100,949	-	399,246
Depreciation, depletion and amortisation	78,214	23,861	-	102,075
Capital expenditure	151,487	91,281	-	242,768

Currency – RUB millions (unless otherwise stated)

9 months ended 30 September 2016	**Upstream**	**Downstream**	**Eliminations**	**Total**
Revenue from sales:				
External customers	75,383	1,035,737	-	1,111,120
Inter-segment	376,860	16,444	(393,304)	-
Total revenue from sales	**452,243**	**1,052,181**	**(393,304)**	**1,111,120**
Adjusted EBITDA	230,502	94,367	-	324,869
Depreciation, depletion and amortisation, including:	64,594	24,674	-	89,268
Impairment of assets	5,028	-	-	5,028
Capital expenditure	181,523	84,481	-	266,004

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

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

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

The geographical segmentation of the Group’s revenue and capital expenditures for the nine months ended 30 September 2017 and 2016 is presented below:

9 months ended 30 September 2017	**Russian Federation**	**CIS**	**Export and international operations**	**Total**
Sales of crude oil	63,040	20,694	311,137	394,871
Sales of petroleum products	640,390	56,308	291,631	988,329
Sales of gas	27,432	-	1,005	28,437
Other sales	35,957	1,553	8,378	45,888
Less custom duties and sales related excises	-	(903)	(104,763)	(105,666)
Revenues from external customers, net	**766,819**	**77,652**	**507,388**	**1,351,859**
9 months ended 30 September 2016				
Sales of crude oil	67,146	19,354	180,854	267,354
Sales of petroleum products	552,932	52,924	281,789	887,645
Sales of gas	21,893	-	1,441	23,334
Other sales	33,263	1,528	8,202	42,993
Less custom duties and sales related excises	-	(925)	(109,281)	(110,206)
Revenues from external customers, net	**675,234**	**72,881**	**363,005**	**1,111,120**

	Russian Federation	**CIS**	**Export and international operations**	**Total**
Non-current assets as of 30 September 2017	2,050,138	10,719	312,001	2,372,858
Capital expenditures for the 9 months ended 30 September 2017	226,210	661	15,897	242,768
Non-current assets as of 31 December 2016	1,822,912	11,396	310,132	2,144,440
Capital expenditures for the 9 months ended 30September 2016	247,786	435	17,783	266,004
Impairment of assets for the 9 months ended 30 September 2016	-	-	5,028	5,028

Currency – RUB millions (unless otherwise stated)

Adjusted EBITDA for the three and nine months ended 30 September 2017 and 2016 is reconciled below:

	3 months ended 30 September 2017	**3 months ended 30 September 2016**	**9 months ended 30 September 2017**	**9 months ended 30 September 2016**
Profit for the period	82,448	60,527	200,499	152,274
Total income tax expense	18,351	15,823	46,513	33,615
Finance expense	6,026	7,845	19,288	26,283
Finance income	(3,041)	(3,038)	(8,266)	(8,302)
Depreciation, depletion and amortisation	35,781	29,039	102,075	89,268
Net foreign exchange gain	(2,237)	(3,933)	(7,942)	(20,043)
Other gain / (loss), net	(413)	2,613	2,964	14,766
EBITDA	**136,915**	**108,876**	**355,131**	**287,861**
less share of profit of associates and joint ventures	(12,526)	(8,437)	(31,236)	(24,468)
add share of EBITDA of associates and joint ventures	29,050	20,899	75,351	61,476
Total adjusted EBITDA	**153,439**	**121,338**	**399,246**	**324,869**

29. Subsequent events

In October 2017 the Group placed five-year Rouble Bonds (001P-03R series) with the total par value of RUB 25 billion. The bonds bear interest of 7.85% per annum.

In October 2017 the Group performed pre-scheduled principal repayment in the total amount of RUB 14.7 billion under long-term facility agreement with VTB Bank (PJSC).

In November 2017 the Board of Directors recommended to approve interim dividends on the ordinary shares for the nine months ended 30 September 2017 in the amount of RUB 10 per share.

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