

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 8.6% YOY in line with an increase in depreciable assets driven by implementation of the investment program and increased production.

TAXES OTHER THAN INCOME TAX (RUB MN)

Types of tax	2016	2017	Δ, %
Mineral extraction tax	237,300	329,579	38.9
Excise tax	112,102	128,229	14.4
Social security contributions	18,530	20,433	10.3
Other taxes	13,199	14,028	6.3
TOTAL TAXES OTHER THAN INCOME TAX	381,131	492,269	29.2

Taxes, excluding profit tax, grew by 29.2% YOY. The 38.9% increase in mineral extraction tax expenses resulted from growth in the tax rate under the Tax Code of the Russian Federation, the introduction of an additional mark-up factor as well as an increase in oil production volumes and oil prices. Excise tax expenses increased by 14.4% YOY due to higher rates.

SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTMENTS

SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTMENTS (RUB MN)

Companies	2016	2017	Δ, %
Slavneft	13,916	10,347	(25.6)
SeverEnergia (Arcticgas)	14,472	19,861	37.2
Messoyakha	(947)	9,976	-
Nortgaz	3,009	3,433	14.1
Other companies	3,666	1,887	(48.5)
SHARE OF PROFIT OF ASSOCIATES AND JOINT VENTURES	34,116	45,504	33.4

Share of Slavneft profit decreased YOY mainly due to a production decline, depreciation growth and decreased income from foreign exchange differences. Share of SeverEnergia (Arcticgas) profit increased by 37.2% YOY as a result of increased EBITDA and reduction of financial expenses. Share of Messoyakha profit increased YOY as a result of started commercial production in 4Q 2016.

OTHER INCOME AND EXPENSES

Other expenses decreased by 58.0% YOY. Other expenses in 2017 mainly include impairment provision of advances paid.

OTHER FINANCIAL ITEMS

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

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS (RUB MN)

Indicator	2016	2017	Δ, %
Net cash provided by operating activities	321,297	421,700	31.2
Net cash used in investing activities	(323,854)	(312,889)	(3.4)
Net cash used in financing activities	(68,430)	(50,521)	(26.2)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(70,987)	58,290	-

NET CASH PROVIDED BY OPERATING ACTIVITIES (RUB MN)

Indicator	2016	2017	Δ, %
Net cash provided by operating activities before changes in working capital, income tax, interest and dividends	361,567	439,320	21.5
Net changes in working capital	15,216	52,808	>200
Income tax paid	(22,158)	(36,530)	64.9
Interest paid	(36,476)	(39,449)	8.2
Dividends received	3,148	5,551	76.3
NET CASH PROVIDED BY OPERATING ACTIVITIES	321,297	421,700	31.2

Net cash provided by operating activities increased by 31.2% YOY primarily due to higher operating profit and changes in working capital.

NET CASH USED IN INVESTING ACTIVITIES (RUB MN)

Indicator	2016	2017	Δ, %
Capital expenditures	(384,817)	(357,090)	(7.2)
Acquisition of subsidiaries, shares in joint operations and equity affiliates	(2,028)	(8,345)	>200
Net changes in deposits	48,517	(5,933)	-
Net changes in loans issued and other investments	(2,104)	44,938	-
Other transactions	16,578	13,541	(18.3)
NET CASH USED IN INVESTING ACTIVITIES	(323,854)	(312,889)	(3.4)

Net cash used in investing activities decreased by 3.4% YOY due to lower capital expenditures and repayments of loans issued to Messoyakha.