



**Gazprom neft Group**

**Interim Condensed Consolidated Financial Statements (unaudited)**

**March 31, 2015**

**Gazprom нефт Group**  
**Interim Condensed Consolidated Financial Statements (unaudited)**  
**March 31, 2015**

**Contents**

Interim Condensed Consolidated Statement of Financial Position	2
Interim Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income	3
Interim Condensed Consolidated Statement of Changes in Shareholders' Equity	4
Interim Condensed Consolidated Statement of Cash Flows	5
Notes to the Interim Condensed Consolidated Financial Statements	
1. General	6
2. Summary of Significant Accounting Policies	6
3. Application of New IFRS	7
4. New Accounting Standards	7
5. Acquisition of Subsidiaries	7
6. Cash and Cash Equivalents	8
7. Short-term Financial Assets	8
8. Trade and Other Receivables	8
9. Inventories	9
10. Other Current Assets	9
11. Property, Plant and Equipment	10
12. Investments in Associates and Joint Ventures	11
13. Long-term Financial Assets	12
14. Other Non-Current Assets	13
15. Short-term Debt and Current Portion of Long-term Debt	13
16. Trade and Other Payables	13
17. Other Taxes Payable	13
18. Long-term Debt	14
19. Net Foreign Exchange Loss	14
20. Finance Income	14
21. Finance Expense	14
22. Fair Value Measurement	15
23. Commitments and Contingencies	15
24. Related Party Transactions	16
25. Segment Information	17



## ***Report on Review of Interim Financial Information***

To the Shareholders and Board of Directors of JSC Gazprom neft:

### **Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of JSC Gazprom neft and its subsidiaries (the "Group") as of 31 March 2015 and the related interim condensed consolidated statement of profit and loss and other comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim financial reporting". Our responsibility is to express a conclusion on this 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".

*ZAO PricewaterhouseCoopers Audit*

18 May 2015

Moscow, Russian Federation

	Notes	March 31, 2015	December 31, 2014
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	91,213	53,167
Short-term financial assets	7	58,258	78,844
Trade and other receivables	8	104,459	103,014
Inventories	9	113,284	102,658
Current income tax prepayments		16,672	17,315
Other current assets	10	114,106	115,927
<b>Total current assets</b>		<b>497,992</b>	<b>470,925</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	1,332,502	1,293,800
Goodwill and other intangible assets		68,735	71,240
Investments in associates and joint ventures	12	153,497	150,727
Long-term trade and other receivables		245	265
Long-term financial assets	13	44,365	37,631
Deferred income tax assets		34,488	31,460
Other non-current assets	14	49,249	41,676
<b>Total non-current assets</b>		<b>1,683,081</b>	<b>1,626,799</b>
<b>Total assets</b>		<b>2,181,073</b>	<b>2,097,724</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Short-term debt and current portion of long-term debt	15	119,461	61,121
Trade and other payables	16	83,992	83,817
Other current liabilities		37,752	40,921
Current income tax payable		2,180	520
Other taxes payable	17	62,181	45,788
Provisions for liabilities and charges		15,841	18,564
<b>Total current liabilities</b>		<b>321,407</b>	<b>250,731</b>
<b>Non-current liabilities</b>			
Long-term debt	18	481,052	502,306
Other non-current financial liabilities		99,895	105,944
Deferred income tax liabilities		84,550	81,032
Provisions for liabilities and charges		26,978	25,876
Other non-current liabilities		2,055	2,050
<b>Total non-current liabilities</b>		<b>694,530</b>	<b>717,208</b>
<b>Equity</b>			
Share capital		98	98
Treasury shares		(1,170)	(1,170)
Additional paid-in capital		44,300	50,074
Retained earnings		1,044,771	1,005,642
Other reserves		6,491	11,104
<b>Equity attributable to Gazprom neft shareholders</b>		<b>1,094,490</b>	<b>1,065,748</b>
Non-controlling interest		70,646	64,037
<b>Total equity</b>		<b>1,165,136</b>	<b>1,129,785</b>
<b>Total liabilities and equity</b>		<b>2,181,073</b>	<b>2,097,724</b>

  
A. V. Dyukov  
Chief Executive Officer  
JSC Gazprom neft

  
A. V. Yankevich  
Chief Financial Officer  
JSC Gazprom neft

	Notes	Three months ended March 31, 2015	Three months ended March 31, 2014
<b>Sales</b>		380,035	385,170
Less export duties and sales related excise tax		(51,788)	(65,160)
<b>Total revenue from sales</b>	<b>25</b>	<b>328,247</b>	<b>320,010</b>
<b>Costs and other deductions</b>			
Purchases of oil, gas and petroleum products		(62,553)	(75,762)
Production and manufacturing expenses		(46,143)	(37,518)
Selling, general and administrative expenses		(21,407)	(17,190)
Transportation expenses		(31,311)	(28,730)
Depreciation, depletion and amortisation		(22,197)	(20,095)
Taxes other than income tax	<b>17</b>	(92,354)	(85,280)
Exploration expenses		(143)	(90)
<b>Total operating expenses</b>		<b>(276,108)</b>	<b>(264,665)</b>
Other (loss) / gain, net		(2,035)	307
<b>Operating profit</b>		<b>50,104</b>	<b>55,652</b>
Share of profit of associates and joint ventures	<b>12</b>	6,647	296
Net foreign exchange loss	<b>19</b>	(8,830)	(7,500)
Finance income	<b>20</b>	3,422	1,570
Finance expense	<b>21</b>	(6,923)	(2,896)
<b>Total other expense</b>		<b>(5,684)</b>	<b>(8,530)</b>
<b>Profit before income tax</b>		<b>44,420</b>	<b>47,122</b>
Current income tax expense		(7,059)	(8,024)
Deferred income tax benefit		304	186
<b>Total income tax expense</b>		<b>(6,755)</b>	<b>(7,838)</b>
<b>Profit for the period</b>		<b>37,665</b>	<b>39,284</b>
<b>Other comprehensive (loss) / income</b>			
Currency translation differences		(9,469)	11,473
Cash flow hedge, net of tax		281	(6,466)
Other comprehensive income		34	-
<b>Other comprehensive (loss) / income for the period</b>		<b>(9,154)</b>	<b>5,007</b>
<b>Total comprehensive income for the period</b>		<b>28,511</b>	<b>44,291</b>
<b>Profit / (loss) attributable to:</b>			
- Gazprom neft shareholders		39,129	37,816
- Non-controlling interest		(1,464)	1,468
<b>Profit for the period</b>		<b>37,665</b>	<b>39,284</b>
<b>Total comprehensive income / (loss) attributable to:</b>			
- Gazprom neft shareholders		34,516	39,467
- Non-controlling interest		(6,005)	4,824
<b>Total comprehensive income for the period</b>		<b>28,511</b>	<b>44,291</b>
Earnings per share attributable to Gazprom neft shareholders			
Basic earnings (RUB per share)		8.29	8.02
Diluted earnings (RUB per share)		8.29	8.02
Weighted-average number of common shares outstanding Basic and Diluted (millions)		4,718	4,718

	Attributable to Gazprom neft shareholders						Non-controlling interest	Total equity
	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Other reserves	Total		
<b>Balance as of January 1, 2015</b>	<b>98</b>	<b>(1,170)</b>	<b>50,074</b>	<b>1,005,642</b>	<b>11,104</b>	<b>1,065,748</b>	<b>64,037</b>	<b>1,129,785</b>
Profit / (loss) for the period	-	-	-	39,129	-	39,129	(1,464)	37,665
<b>Other comprehensive (loss) / income</b>								
Currency translation differences	-	-	-	-	(4,923)	(4,923)	(4,546)	(9,469)
Cash flow hedge, net of tax	-	-	-	-	281	281	-	281
Other comprehensive income	-	-	-	-	29	29	5	34
<b>Total comprehensive income / (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,129</b>	<b>(4,613)</b>	<b>34,516</b>	<b>(6,005)</b>	<b>28,511</b>
<b>Transactions with owners, recorded in equity</b>								
Transaction under common control (Note 5)	-	-	(5,774)	-	-	(5,774)	12,614	6,840
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>(5,774)</b>	<b>-</b>	<b>-</b>	<b>(5,774)</b>	<b>12,614</b>	<b>6,840</b>
<b>Balance as of March 31, 2015</b>	<b>98</b>	<b>(1,170)</b>	<b>44,300</b>	<b>1,044,771</b>	<b>6,491</b>	<b>1,094,490</b>	<b>70,646</b>	<b>1,165,136</b>

	Attributable to Gazprom neft shareholders						Non-controlling interest	Total equity
	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Other reserves	Total		
<b>Balance as of January 1, 2014</b>	<b>98</b>	<b>(1,170)</b>	<b>19,293</b>	<b>930,304</b>	<b>4,087</b>	<b>952,612</b>	<b>45,409</b>	<b>998,021</b>
Profit for the period	-	-	-	37,816	-	37,816	1,468	39,284
<b>Other comprehensive income / (loss)</b>								
Currency translation differences	-	-	-	-	8,117	8,117	3,356	11,473
Cash flow hedge, net of tax	-	-	-	-	(6,466)	(6,466)	-	(6,466)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,816</b>	<b>1,651</b>	<b>39,467</b>	<b>4,824</b>	<b>44,291</b>
<b>Balance as of March 31, 2014</b>	<b>98</b>	<b>(1,170)</b>	<b>19,293</b>	<b>968,120</b>	<b>5,738</b>	<b>992,079</b>	<b>50,233</b>	<b>1,042,312</b>

		Three months ended March 31, 2015	Three months ended March 31, 2014
<b>Cash flows from operating activities</b>			
Profit before income tax		44,420	47,122
<b>Adjustments for:</b>			
Share of profit of associates and joint ventures	12	(6,647)	(296)
(Gain) /loss on foreign exchange differences		(4,502)	10,986
Finance income	20	(3,422)	(1,570)
Finance expense	21	6,923	2,896
Depreciation, depletion and amortisation		22,197	20,095
Allowance for doubtful accounts		153	(62)
Other non-cash items		(295)	(1,393)
<b>Changes in working capital:</b>			
Accounts receivable		(1,096)	9,087
Inventories		(11,015)	(12,083)
Other assets		1,362	5,114
Accounts payable		(7,490)	(4,917)
Taxes payable		17,060	8,540
Other liabilities		8,844	(3,865)
Income taxes paid		(4,855)	(5,393)
Interest paid		(6,200)	(3,284)
<b>Net cash provided by operating activities</b>		<b>55,437</b>	<b>70,977</b>
<b>Cash flows from investing activities</b>			
Increase in cash due to acquisition of a subsidiary under common control (Note 5)		2,229	-
Acquisition of associates and joint ventures		-	(765)
Bank deposits placement		(18,827)	(8,606)
Repayment of bank deposits		52,746	41,244
Acquisition of other investments		(620)	-
Short-term loans issued		(229)	(217)
Repayment of short-term loans issued		179	24
Long-term loans issued		(5,335)	(3,376)
Repayment of long-term loans issued		192	541
Capital expenditures		(70,125)	(48,458)
Proceeds from sale of property, plant and equipment		337	181
Interest received		663	873
<b>Net cash used in investing activities</b>		<b>(38,790)</b>	<b>(18,559)</b>
<b>Cash flows from financing activities</b>			
Proceeds from short-term borrowings		26,929	1,655
Repayment of short-term borrowings		(7,306)	(696)
Proceeds from long-term borrowings		26,530	82,086
Repayment of long-term borrowings		(31,873)	(26,554)
Transaction costs directly attributable to the borrowings received		-	(1,324)
Dividends paid to Gazprom neft shareholders		-	(3)
Dividends paid to non-controlling interest		(171)	(317)
<b>Net cash provided by financing activities</b>		<b>14,109</b>	<b>54,847</b>
<b>Increase in cash and cash equivalents</b>		<b>30,756</b>	<b>107,265</b>
Effect of foreign exchange on cash and cash equivalents		7,290	1,917
<b>Cash and cash equivalents as of the beginning of the period</b>		<b>53,167</b>	<b>91,077</b>
<b>Cash and cash equivalents as of the end of the period</b>		<b>91,213</b>	<b>200,259</b>

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

## 1. General

### Description of Business

JSC 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 joint stock company and was set up in accordance with Russian regulations. JSC Gazprom ("Gazprom", a state controlled entity), the Group's ultimate parent company, owns 95.68% 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 for 2014, 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 for 2014.

Subsequent events occurring after March 31, 2015 were evaluated through May 18, 2015 the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

The results for the three months ended March 31, 2015 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 Consolidated Financial Statements as of and for the year ended December 31, 2014, except for those described in Application of new IFRS paragraph.



Foreign Currency Translation

The following exchange rates for Russian Roubles to US dollars, EURO and Serbian Dinars applied during the period:

	Average rate		Reporting date spot rate	
	Three months ended March 31, 2015	Three months ended March 31, 2014	March 31, 2015	December 31, 2014
USD 1	62.19	34.96	58.46	56.26
EUR 1	70.43	47.95	63.37	68.34
RSD 1	0.58	0.41	0.52	0.57

**3. Application of New IFRS**

The amendments to *IAS 19 – Employee Benefits* on contributions from employees or third parties to defined benefit plans became effective for the annual periods beginning on or after July 1, 2014. The amendment has no significant impact on Group’s Interim Condensed Consolidated Financial Statements.

**4. New Accounting Standards**

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after January 1, 2015 or later, and that the Group has not early adopted. The full list of such Standards and interpretations was disclosed in the Consolidated Financial Statements as of and for the year ended December 31, 2014. No new documents were issued during the three months period ended March 31, 2015.

Unless otherwise stated the new standards and interpretations are not expected to have significant impact on affect significantly the Group’s Consolidated Financial Statements.

**5. Acquisition of Subsidiaries**

Acquisition of Gazprom Resource Northgas

On July 1, 2014 the Group acquired an 18.2% share in LLC Gazprom Resource Northgas (a holding company which owns 50% share in Northgas) from Gazprombank for RUB 8.6 billion providing the Group with significant influence over Northgas due to presence in Board of Directors. In March 2015 the Group has obtained control over LLC Gazprom Resource Northgas based on signed management agreement and charter documents which provided the Group with a majority of voting rights which differ from the Group's share in equity. The transaction was treated as a transaction under common control (the other owner of LLC Gazprom Resource Northgas is a subsidiary of Gazprom) and was accounted for using predecessor accounting method. As a result of this transaction, non-controlling interest in the amount of RUB 12.6 billion was recognised and the difference between the Group's share in net assets and the initial cost of its investment reduced the additional-paid-in-capital for the period by RUB 5.8 billion.

The following table presents information of LLC Gazprom Resource Northgas as of date of obtaining control:

	as of March 19, 2015
<b>Assets</b>	
Cash and cash equivalents	2,229
Other current assets	24
Loan issued	8,476
Investment in Northgas	4,730
<b>Total assets acquired</b>	<b>15,459</b>
<b>Liabilities</b>	
Other payables	(2)
<b>Total liabilities assumed</b>	<b>(2)</b>
Net assets acquired	15,457

## 6. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2015 and December 31, 2014 comprise the following:

	March 31, 2015	December 31, 2014
Cash on hand	782	791
Cash in bank	55,404	41,106
Deposits with original maturity of less than three months	31,944	8,928
Cash equivalents	3,083	2,342
<b>Total cash and cash equivalents</b>	<b>91,213</b>	<b>53,167</b>

## 7. Short-term Financial Assets

Short-term financial assets as of March 31, 2015 and December 31, 2014 comprise the following:

	March 31, 2015	December 31, 2014
Deposits with original maturity more than 3 months less than 1 year	47,494	76,658
Short-term loans issued	10,744	2,184
Financial assets held to maturity	20	2
<b>Total short-term financial assets</b>	<b>58,258</b>	<b>78,844</b>

## 8. Trade and Other Receivables

Trade and other receivables as of March 31, 2015 and December 31, 2014 comprise the following:

	March 31, 2015	December 31, 2014
Trade receivables	110,002	108,447
Other financial receivables	6,693	7,543
Less impairment provision	(12,236)	(12,976)
<b>Total trade and other receivables</b>	<b>104,459</b>	<b>103,014</b>

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

## 9. Inventories

Inventories as of March 31, 2015 and December 31, 2014 consist of the following:

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Crude oil and gas	21,391	22,619
Petroleum products and petrochemicals	47,991	41,787
Materials and supplies	39,723	34,422
Other	7,376	7,243
Less inventory provision	(3,197)	(3,413)
<b>Total inventory</b>	<b>113,284</b>	<b>102,658</b>

As part of the management of crude inventory, the Group may enter transactions to buy and sell crude oil from the same counterparty. Such transactions are referred to as buy / sell transactions and are undertaken in order to reduce transportation costs or to obtain alternate quality grades of crude oil. The total value of buy / sell transactions undertaken for the period ended March 31 is as follows:

	<b>2015</b>	<b>2014</b>
Buy / sell crude oil transactions for the period ended March 31	15,659	10,008

## 10. Other Current Assets

Other current assets as of March 31, 2015 and December 31, 2014 consist of the following:

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Prepaid custom duties	10,260	18,178
Advances paid	38,012	39,782
Prepaid expenses	672	594
Value added tax receivable	51,505	42,281
Other assets	29,801	32,043
Less impairment provision	(16,144)	(16,951)
<b>Total other current assets</b>	<b>114,106</b>	<b>115,927</b>

The impairment provision mainly relates to other assets represented by other receivables of Group's Serbian subsidiary.

## 11. Property, Plant and Equipment

Movements in property, plant and equipment for the periods ended March 31, 2015 and 2014 are as follows:

	O&G properties	Refining assets	Marketing and distribution	Other assets	Assets under construction	Total
<b>Cost</b>						
<i>As of January 1, 2015</i>	<b>1,297,467</b>	<b>260,161</b>	<b>134,930</b>	<b>16,527</b>	<b>70,943</b>	<b>1,780,028</b>
Additions	55,353	132	2	39	7,533	63,059
Changes in decommissioning obligations	938	-	-	-	-	938
Capitalised borrowing costs	3,090	-	-	-	660	3,750
Transfers	-	2,864	5,485	726	(9,075)	-
Internal movement	69	(18)	6	(51)	(6)	-
Disposals	(1,190)	(231)	(417)	(63)	(171)	(2,072)
Translation differences	3,558	(4,550)	(3,979)	(37)	(619)	(5,627)
<i>As of March 31, 2015</i>	<b>1,359,285</b>	<b>258,358</b>	<b>136,027</b>	<b>17,141</b>	<b>69,265</b>	<b>1,840,076</b>
<b>Depreciation and impairment</b>						
<i>As of January 1, 2015</i>	<b>(383,368)</b>	<b>(68,350)</b>	<b>(32,593)</b>	<b>(1,917)</b>	-	<b>(486,228)</b>
Depreciation charge	(15,756)	(2,534)	(2,683)	(233)	-	(21,206)
Disposals	222	136	182	20	-	560
Translation differences	(2,406)	856	842	8	-	(700)
<i>As of March 31, 2015</i>	<b>(401,308)</b>	<b>(69,892)</b>	<b>(34,252)</b>	<b>(2,122)</b>	-	<b>(507,574)</b>
<b>Net book value</b>						
<i>As of January 1, 2015</i>	<b>914,099</b>	<b>191,811</b>	<b>102,337</b>	<b>14,610</b>	<b>70,943</b>	<b>1,293,800</b>
<i>As of March 31, 2015</i>	<b>957,977</b>	<b>188,466</b>	<b>101,775</b>	<b>15,019</b>	<b>69,265</b>	<b>1,332,502</b>

	O&G properties	Refining assets	Marketing and distribution	Other assets	Assets under construction	Total
<b>Cost</b>						
<i>As of January 1, 2014</i>	<b>865,828</b>	<b>217,000</b>	<b>102,443</b>	<b>10,706</b>	<b>60,271</b>	<b>1,256,248</b>
Additions	37,182	87	269	4,048	9,280	50,866
Acquisitions through business combinations	-	-	1,823	-	347	2,170
Changes in decommissioning obligations	2,140	-	-	-	-	2,140
Capitalised borrowing costs	1,033	-	-	-	305	1,338
Transfers	-	5,809	3,324	375	(9,508)	-
Internal movement	58	(170)	(241)	8	300	(45)
Disposals	(1,219)	(226)	(445)	(81)	(200)	(2,171)
Translation differences	14,104	3,143	2,136	30	602	20,015
<i>As of March 31, 2014</i>	<b>919,126</b>	<b>225,643</b>	<b>109,309</b>	<b>15,086</b>	<b>61,397</b>	<b>1,330,561</b>
<b>Depreciation and impairment</b>						
<i>As of January 1, 2014</i>	<b>(281,435)</b>	<b>(56,211)</b>	<b>(21,829)</b>	<b>(1,230)</b>	-	<b>(360,705)</b>
Depreciation charge	(14,984)	(2,172)	(2,199)	(170)	-	(19,525)
Internal movement	6	(4)	43	-	-	45
Disposals	402	70	145	2	-	619
Translation differences	(4,189)	(457)	(345)	(6)	-	(4,997)
<i>As of March 31, 2014</i>	<b>(300,200)</b>	<b>(58,774)</b>	<b>(24,185)</b>	<b>(1,404)</b>	-	<b>(384,563)</b>
<b>Net book value</b>						
<i>As of January 1, 2014</i>	<b>584,393</b>	<b>160,789</b>	<b>80,614</b>	<b>9,476</b>	<b>60,271</b>	<b>895,543</b>
<i>As of March 31, 2014</i>	<b>618,926</b>	<b>166,869</b>	<b>85,124</b>	<b>13,682</b>	<b>61,397</b>	<b>945,998</b>

## 12. Investments in Associates and Joint Ventures

The carrying value of the investments in associates and joint ventures as of March 31, 2015 and December 31, 2014 are summarised below:

		Ownership percentage	March 31, 2015	December 31, 2014
Slavneft	Joint venture	49.9	77,507	74,177
SeverEnergy	Joint venture	45.1	62,840	60,215
Others			13,150	16,335
<b>Total investments</b>			<b>153,497</b>	<b>150,727</b>

The principal place of business of the most significant joint ventures and associates disclosed above is the Russian Federation. The reconciliation of carrying amount of investments in associates and joint ventures as of the beginning of the reporting period and as of the end of the reporting period is shown below:

	2015	2014
<b>Carrying amount as of January 1</b>	150,727	120,358
Share of profit of associates and joint ventures	6,647	296
Increase in associates and joint ventures	-	301
Other changes in cost of associates and joint ventures	(3,877)	97
<b>Carrying amount as of March 31</b>	<b>153,497</b>	<b>121,052</b>

### Slavneft

The Group's investment in JSC Slavneft and various minority stakes in Slavneft subsidiaries ("Slavneft") are held through a series of legal entities. Slavneft is 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 Rosneft.

### SeverEnergy

The Group's investment in SeverEnergy LLC (SeverEnergy) is held through Yamal Razvitie LLC (Yamal Razvitie, a 50%:50% joint venture between the Group and JSC NOVATEK). SeverEnergy is developing the Samburgskoye, Urengoisckoe and Yaro-Yakhinskoye oil fields and some other small oil and gas fields located in the Yamalo-Nenetskiy autonomous region of the Russian Federation.

The Group and NOVATEK negotiated a series of linked transactions that aim to simplify the ownership structure and achieve parity shareholdings in SeverEnergy upon completion. The Group provided several long-term loans to Yamal Razvitie of which Yamal Razvitie financed RUB 34.9 billion on acquisition of additional 20% share in Artic Russia B.V. The loans will form the Group's contribution in equity of Yamal Razvitie upon completion of the restructuring of the joint venture. The carrying amount of the Group's investment exceeds the Group's share in the underlying net assets of SeverEnergy by RUB 20.3 billion as of March 31, 2015 due to complex holding structure, current financing scheme and goodwill arising on acquisition (RUB 19.8 billion as of December 31, 2014).

The summarised financial information refers to the amounts included in the IFRS financial statements of the joint ventures. Summarised financial information on SeverEnergy includes assets and liabilities of Yamal Razvitie LLC as holding company.

	Slavneft		SeverEnergy	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Cash and cash equivalents	11,903	13,709	2,530	698
Other current assets	18,633	17,568	12,387	9,413
Non-current assets	274,383	269,667	380,274	369,502
Current financial liabilities	(59,207)	(68,967)	(125,205)	(112,478)
Other current liabilities	(23,871)	(20,109)	(6,437)	(2,289)
Non-current financial liabilities	(48,583)	(46,592)	(119,114)	(126,172)
Other non-current liabilities	(26,033)	(24,973)	(50,216)	(49,065)
<b>Net assets</b>	<b>147,225</b>	<b>140,303</b>	<b>94,219</b>	<b>89,609</b>

	Three months ended March 31, 2015	Three months ended March 31, 2014	Three months ended March 31, 2015	Three months ended March 31, 2014
	Revenue	58,709	51,588	23,631
Depreciation, depletion and amortisation	(7,636)	(6,702)	(3,437)	(1,779)
Finance income	591	378	34	34
Finance expense	(1,167)	(250)	(6,496)	(2,967)
Total income tax (expense) / benefit	(1,788)	(352)	(3,967)	255
Profit / (loss) for the period	6,651	2,067	4,607	(2,400)
Total comprehensive income / (loss)	6,922	2,067	4,607	(2,400)

Current and non-current financial liabilities of SeverEnergy include RUB 135 billion Yamal Razvitie payables to Sberbank and the Group under the loan agreements as of March 31, 2015 (RUB 130 billion as of December 31, 2014).

### **Northgas**

On March 19, 2015 the Group has obtained control over Gazprom Resource Northgas (a holding company which owns 50% share in Northgas). As of December 31, 2014 the Group's effective share in Northgas was 9.1% (note 5) Investment in Northgas is included within Other investments

### **Others**

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

## **13. Long-term Financial Assets**

Long-term financial assets as of March 31, 2015 and December 31, 2014 comprise the following:

	March 31, 2015	December 31, 2014
Long-term loans issued	34,375	28,229
Financial assets held to maturity	120	112
Available for sale financial assets	10,794	10,266
Less impairment provision	(924)	(976)
<b>Total long-term financial assets</b>	<b>44,365</b>	<b>37,631</b>

**14. Other Non-Current Assets**

Other non-current assets are primarily comprised of advances provided on capital expenditures (RUB 45,947 million and RUB 38,400 million as of March 31, 2015 and December 31, 2014, respectively).

**15. Short-term Debt and Current Portion of Long-term Debt**

As of March 31, 2015 and December 31, 2014 the Group has short-term debt and current portion of long-term debt outstanding as follows:

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Bank loans	24,051	4,875
Other borrowings	15,037	14,251
Current portion of long-term debt	80,373	41,995
<b>Total short-term debt and current portion of long-term debt</b>	<b>119,461</b>	<b>61,121</b>

Current portion includes interest payable on long-term borrowings.

In January 2015 the Group obtained USD 300 million (RUB 16.9 billion) under the club term and revolving facilities agreement with a number of banks with maturity six months and interest rate of LIBOR plus 1% per annum.

**16. Trade and Other Payables**

Accounts payable as of March 31, 2015 and December 31, 2014 comprise the following:

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Trade accounts payable	55,683	65,624
Dividends payable	2,176	2,509
Other accounts payable	9,155	5,762
Other current financial liabilities	16,978	9,922
<b>Total trade and other payables</b>	<b>83,992</b>	<b>83,817</b>

**17. Other Taxes Payable**

Other taxes payable as of March 31, 2015 and December 31, 2014 comprise the following:

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Mineral extraction tax	23,819	16,270
VAT	23,184	12,933
Excise tax	7,259	9,276
Property tax	2,374	2,389
Other taxes	5,545	4,920
<b>Total other taxes payable</b>	<b>62,181</b>	<b>45,788</b>

Taxes other than income tax expense for the periods ended March 31, 2015 and 2014 comprise the following:

	<b>Three months ended March 31, 2015</b>	<b>Three months ended March 31, 2014</b>
Mineral extraction tax	68,666	60,482
Property tax	2,334	2,281
Excise tax	15,989	18,948
Other taxes	5,365	3,569
<b>Total taxes other than income tax</b>	<b>92,354</b>	<b>85,280</b>

**18. Long-term Debt**

As of March 31, 2015 and December 31, 2014 the Group has long-term outstanding debt as follows:

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Bank loans	282,070	258,087
Bonds	51,473	61,609
Loan Participation Notes	224,752	221,107
Other borrowings	3,130	3,498
less current portion of debt	(80,373)	(41,995)
<b>Total long-term debt</b>	<b>481,052</b>	<b>502,306</b>

In September 2014 the Group signed agreements to obtain long-term loans facilities from JSC Sberbank of Russia in the amount of RUB 22.5 billion and RUB 12.5 billion at interest rates varying from 13.48% to 13.58%, respectively, due in 2019. In 2015 the Group obtained RUB 25 billion under the agreements.

On February 7, 2012 the Group placed ten-year Ruble Bonds (11 series) with the total par value of RUB 10 billion. In February, 2015 the put option was exercised in amount of RUB 9.6 billion.

**19. Net Foreign Exchange Loss**

Net foreign exchange loss for the periods ended March 31, 2015 and 2014 comprise of the following:

	<b>Three months ended March 31, 2015</b>	<b>Three months ended March 31, 2014</b>
<b>Net foreign exchange loss on financing activities, including:</b>	<b>(12,815)</b>	<b>(15,227)</b>
foreign exchange gain	11,061	3,052
foreign exchange loss	(23,876)	(18,279)
Net foreign exchange gain on operating activities	3,985	7,727
<b>Net foreign exchange loss</b>	<b>(8,830)</b>	<b>(7,500)</b>

**20. Finance Income**

Finance income for the periods ended March 31, 2015 and 2014 comprise of the following:

	<b>Three months ended March 31, 2015</b>	<b>Three months ended March 31, 2014</b>
Interest income on cash and cash equivalents	644	306
Interest on bank deposits	1,456	764
Interest income on loans issued	1,322	500
<b>Total finance income</b>	<b>3,422</b>	<b>1,570</b>

**21. Finance Expense**

Finance expense for the periods ended March 31, 2015 and 2014 comprise of the following:

	<b>Three months ended March 31, 2015</b>	<b>Three months ended March 31, 2014</b>
Interest expense	8,354	3,860
Decommissioning provision: unwinding of the present value discount	483	374
Less: capitalised interest	(1,914)	(1,338)
<b>Total finance expense</b>	<b>6,923</b>	<b>2,896</b>



## 22. 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 used as hedging instruments), 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 (as prices) or indirectly (derived from prices). 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 March 31, 2015 the fair value of bonds and Loan Participation Notes is RUB 249,210 million (as of December 31, 2014 – RUB 232,210 million). Carrying value of other financial assets and liabilities approximate their fair value.

## 23. 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 2012, 2013 and 2014 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 transfer pricing legislation was amended starting from January 1, 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 international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controllable transactions (transactions with a related party and some types of transactions with an unrelated party), if the transaction pricing was not at arm's length. The Group's transactions with related parties are subject to constant internal review for compliance with the new transfer pricing rules. The Group believes that the transfer pricing documentation that the Group has prepared to comply with the new legislation provides sufficient evidence to support the Group's tax positions and related tax returns. In addition in order to mitigate potential risks, the Group negotiates pricing approaches for major controllable transactions with tax authorities in advance. Nine pricing agreements between the Group and tax authorities regarding some significant intercompany transactions have been concluded in 2012-2014. Given that the practice of implementation of the new transfer pricing rules has not yet developed and some clauses of the new law have contradictions and cannot be called unambiguous, the impact of any challenge to the Group's transfer prices cannot be reliably estimated.

Economic Environment in the Russian Federation

The Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation 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 full list of sanctions was disclosed in the Consolidated Financial Statements as of and for the year ended December 31, 2014. No changes in sanctions occurred during the three months period ended March 31, 2015. The Group continues to assess the impact of the sanctions but currently does not believe they have a significant impact on these Interim Condensed Consolidated Financial Statements.

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 the Group does not therefore have any material environmental liabilities.

Capital Commitments

As of March 31, 2015 the Group has entered into contracts to purchase property, plant and equipment for RUB 236,687 million (December 31, 2014: RUB 168,156 million).

**24. Related Party Transactions**

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

As of March 31, 2015 and December 31, 2014 the outstanding balances with related parties were as follows:

<b>March 31, 2015</b>	<b>Parent company</b>	<b>Parent's subsidiaries and associates</b>	<b>Associates and joint ventures</b>
Cash and cash equivalents	-	14,265	-
Short-term financial assets	8,476	10,736	1,324
Trade and other receivables	2,585	2,678	19,446
Other assets	460	3,714	705
Long-term financial assets	-	-	26,899
<b>Total assets</b>	<b>11,521</b>	<b>31,393</b>	<b>48,374</b>
Short-term debt and other current financial liability	-	-	1,767
Trade and other payables	1,616	2,804	1,887
Other current liabilities	2,107	874	128
Long-term debt and other non-current financial liability	59,063	-	-
<b>Total liabilities</b>	<b>62,786</b>	<b>3,678</b>	<b>3,782</b>

<b>December 31, 2014</b>	<b>Parent company</b>	<b>Parent's subsidiaries and associates</b>	<b>Associates and joint ventures</b>
Cash and cash equivalents	-	13,780	-
Short-term financial assets	-	1,719	1,295
Trade and other receivables	1,257	3,038	13,190
Other assets	38	3,762	1,889
Long-term financial assets	-	-	23,541
<b>Total assets</b>	<b>1,295</b>	<b>22,299</b>	<b>39,915</b>
Short-term debt and other current financial liability	-	-	981
Trade and other payables	1,096	2,217	1,956
Other current liabilities	2,108	507	328
Long-term debt and other non-current financial liability	57,552	-	-
<b>Total liabilities</b>	<b>60,756</b>	<b>2,724</b>	<b>3,265</b>

For the periods ended March 31, 2015 and 2014 the following transactions occurred with related parties:

<b>Three months ended March 31, 2015</b>	<b>Parent company</b>	<b>Parent's subsidiaries and associates</b>	<b>Associates and joint ventures</b>
Crude oil, gas and oil products sales	4,977	8,097	14,965
Other revenue	2	169	4,516
Purchases of crude oil, gas and oil products	-	10,450	25,208
Production related services	6	3,306	4,907
Transportation costs	1,474	531	1,639
Interest income	59	208	808

<b>Three months ended March 31, 2014</b>	<b>Parent company</b>	<b>Parent's subsidiaries and associates</b>	<b>Associates and joint ventures</b>
Crude oil, gas and oil products sales	3,572	5,908	11,739
Other revenue	-	81	86
Purchases of crude oil, gas and oil products	-	7,822	22,224
Production related services	31	3,595	5,078
Transportation costs	1,401	606	623
Interest income	-	311	176

For the period ended March 31, 2015 the Group had a transaction with subsidiary of Gazprom (note 5).

#### Transactions with Key Management Personnel

For the periods ended March 31, 2015 and 2014 the Group recognised RUB 242 million and RUB 228 million, respectively, as compensation for key management personnel (members of the Board of Directors and Management Committee). Starting from the Consolidated Financial Statements for the period ended December 31, 2014 the Group also includes quarterly accruals of SAR in key management remuneration in addition to salaries, bonuses and other contributions.

## **25. Segment Information**

Presented below is information about the Group's operating segments for the periods ended March 31, 2015 and 2014. 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 and production 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 and refined petroleum products (refining and marketing). Corporate center expenses are presented within the Downstream segment.

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.

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

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.

**Three months ended March 31, 2015**

	<b>Upstream</b>	<b>Downstream</b>	<b>Eliminations</b>	<b>Total</b>
<b>Segment revenues</b>				
Refined products, oil and gas sales and other revenues :				
External customers	11,170	317,077	-	328,247
Inter-segment	136,545	4,937	(141,482)	-
<b>Total revenues</b>	<b>147,715</b>	<b>322,014</b>	<b>(141,482)</b>	<b>328,247</b>
<b>Segment results</b>				
Adjusted EBITDA	63,693	29,694	-	93,387
Depreciation, depletion and amortisation	15,821	6,376	-	22,197
<b>Capital expenditure</b>	<b>55,578</b>	<b>14,547</b>	<b>-</b>	<b>70,125</b>

**Three months ended March 31, 2014**

	<b>Upstream</b>	<b>Downstream</b>	<b>Eliminations</b>	<b>Total</b>
<b>Segment revenues</b>				
Refined products, oil and gas sales and other revenues :				
External customers	2,414	317,596	-	320,010
Inter-segment	120,451	2,166	(122,617)	-
<b>Total revenues</b>	<b>122,865</b>	<b>319,762</b>	<b>(122,617)</b>	<b>320,010</b>
<b>Segment results</b>				
Adjusted EBITDA	50,410	33,623	-	84,033
Depreciation, depletion and amortisation	15,079	5,016	-	20,095
<b>Capital expenditure</b>	<b>39,695</b>	<b>8,763</b>	<b>-</b>	<b>48,458</b>

The geographical segmentation of the Group's revenue and capital expenditures for the period ended March 31, 2015 and 2014 is presented below:

<b>Three months ended March 31, 2015</b>	<b>Russian Federation</b>	<b>CIS</b>	<b>Export and international operations</b>	<b>Total</b>
Sales of crude oil	21,250	8,328	39,753	69,331
Sales of petroleum products	156,593	17,148	115,678	289,419
Sales of gas	6,290	-	1,630	7,920
Other sales	11,489	468	1,408	13,365
Less custom duties and sales related excises	-	(363)	(51,425)	(51,788)
<b>Revenues from external customers, net</b>	<b>195,622</b>	<b>25,581</b>	<b>107,044</b>	<b>328,247</b>
<b>Three months ended March 31, 2014</b>				
Sales of crude oil	8,332	4,166	52,624	65,122
Sales of petroleum products	154,581	13,684	136,897	305,162
Sales of gas	6,379	-	692	7,071
Other sales	6,722	277	816	7,815
Less custom duties and sales related excises	-	(331)	(64,829)	(65,160)
<b>Revenues from external customers, net</b>	<b>176,014</b>	<b>17,796</b>	<b>126,200</b>	<b>320,010</b>
	<b>Russian Federation</b>	<b>CIS</b>	<b>Export and international operations</b>	<b>Total</b>
Non-current assets as of March 31, 2015	1,336,816	14,460	252,952	1,604,228
Capital expenditures for period ended March 31, 2015	58,969	70	11,086	70,125
Non-current assets as of December 31, 2014	1,288,625	15,332	253,751	1,557,708
Capital expenditures for period ended March 31, 2014	38,266	313	9,879	48,458

Adjusted EBITDA for the periods ended March 31, 2015 and 2014 is reconciled below:

	<b>Three months ended March 31, 2015</b>	<b>Three months ended March 31, 2014</b>
Profit for the period	37,665	39,284
Total income tax expense	6,755	7,838
Finance expense	6,923	2,896
Finance income	(3,422)	(1,570)
Depreciation, depletion and amortisation	22,197	20,095
Net foreign exchange loss	8,830	7,500
Other (loss) / gain, net	2,035	(307)
<b>EBITDA</b>	<b>80,983</b>	<b>75,736</b>
less share of profit of associates and joint ventures	(6,647)	(296)
add share of EBITDA of associates and joint ventures	19,051	8,593
<b>Total adjusted EBITDA</b>	<b>93,387</b>	<b>84,033</b>

**Gazprom Neft Group  
Contact Information**

**The Group's office is**

3-5 Pochtamskaya St.,  
St. Petersburg, Russian Federation  
190000

Telephone: 7 (812) 363-31-52

Hotline: 8-800-700-31-52

Fax: 7 (812) 363-31-51

[www.gazprom-neft.ru](http://www.gazprom-neft.ru)

**Investor Relations**

Tel.: +7 (812) 385-95-48

Email: [ir@gazprom-neft.ru](mailto:ir@gazprom-neft.ru)