



Gazprom neft Group

Interim Condensed Consolidated Financial Statements (unaudited)

30 June, 2015

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Report on Review of Interim Financial Statements

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 30 June 2015 and the related interim condensed consolidated statements of profit and loss and other comprehensive income for the three-month and six-month periods then ended, and changes in equity and cash flows for the six-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

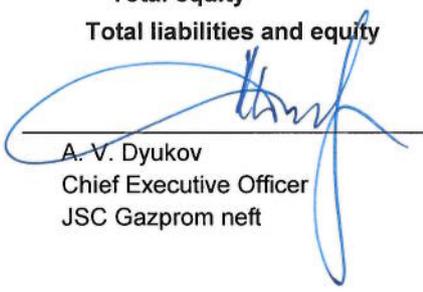
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim financial reporting".

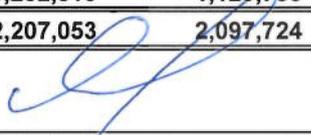
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12 August 2015

Moscow, Russian Federation

	Notes	30 June, 2015	31 December, 2014
Assets			
Current assets			
Cash and cash equivalents	6	52,659	53,167
Short-term financial assets	7	77,423	78,844
Trade and other receivables	8	127,994	103,014
Inventories	9	107,984	102,658
Current income tax prepayments		16,022	17,315
Other current assets	10	119,587	115,927
Total current assets		501,669	470,925
Non-current assets			
Property, plant and equipment	11	1,368,138	1,293,800
Goodwill and other intangible assets		68,442	71,240
Investments in associates and joint ventures	12	161,776	150,727
Long-term trade and other receivables		76	265
Long-term financial assets	13	48,879	37,631
Deferred income tax assets		9,694	31,460
Other non-current assets	14	48,379	41,676
Total non-current assets		1,705,384	1,626,799
Total assets		2,207,053	2,097,724
Liabilities and shareholders' equity			
Current liabilities			
Short-term debt and current portion of long-term debt	15	95,695	61,121
Trade and other payables	16	94,802	83,817
Other current liabilities		39,651	40,921
Current income tax payable		1,315	520
Other taxes payable	17	65,094	45,788
Provisions for liabilities and charges		12,976	18,564
Total current liabilities		309,533	250,731
Non-current liabilities			
Long-term debt	18	473,780	502,306
Other non-current financial liabilities		95,073	105,944
Deferred income tax liabilities		66,738	81,032
Provisions for liabilities and charges		27,183	25,876
Other non-current liabilities		1,933	2,050
Total non-current liabilities		664,707	717,208
Equity			
Share capital		98	98
Treasury shares		(1,170)	(1,170)
Additional paid-in capital		44,326	50,074
Retained earnings		1,109,268	1,005,642
Other reserves		9,920	11,104
Equity attributable to Gazprom нефт shareholders		1,162,442	1,065,748
Non-controlling interest		70,371	64,037
Total equity		1,232,813	1,129,785
Total liabilities and equity		2,207,053	2,097,724


A. V. Dyukov
Chief Executive Officer
JSC Gazprom нефт


A. V. Yankevich
Chief Financial Officer
JSC Gazprom нефт

	Notes	Three months ended 30 June 2015	Three months ended 30 June 2014	Six months ended 30 June 2015	Six months ended 30 June 2014
Sales		423,225	429,338	803,260	814,508
Less export duties and sales related excise tax		(36,378)	(60,920)	(88,166)	(126,080)
Total revenue from sales	25	386,847	368,418	715,094	688,428
Costs and other deductions					
Purchases of oil, gas and petroleum products		(98,291)	(104,825)	(160,844)	(180,587)
Production and manufacturing expenses		(50,950)	(43,652)	(97,093)	(81,170)
Selling, general and administrative expenses		(23,438)	(20,660)	(44,845)	(37,850)
Transportation expenses		(34,458)	(27,035)	(65,769)	(55,765)
Depreciation, depletion and amortisation		(23,670)	(21,120)	(45,867)	(41,215)
Taxes other than income tax	17	(95,383)	(88,779)	(187,737)	(174,059)
Exploration expenses		(159)	(528)	(302)	(618)
Total operating expenses		(326,349)	(306,599)	(602,457)	(571,264)
Other gain / (loss), net	15	15,177	(1,812)	13,142	(1,505)
Operating profit		75,675	60,007	125,779	115,659
Share of profit of associates and joint ventures	12	10,618	4,196	17,265	4,492
Net foreign exchange gain / (loss)	19	8,087	2,189	(743)	(5,311)
Finance income	20	3,524	1,065	6,946	2,635
Finance expense	21	(6,815)	(2,946)	(13,738)	(5,842)
Total other income / (expense)		15,414	4,504	9,730	(4,026)
Profit before income tax		91,089	64,511	135,509	111,633
Current income tax expense		(7,987)	(10,734)	(15,046)	(18,758)
Deferred income tax expense		(7,563)	(2,561)	(7,259)	(2,375)
Total income tax expense		(15,550)	(13,295)	(22,305)	(21,133)
Profit for the period		75,539	51,216	113,204	90,500
Other comprehensive (loss) / income					
Currency translation differences		(5,542)	(10,181)	(15,011)	1,292
Cash flow hedge, net of tax		8,741	4,020	9,022	(2,446)
Other comprehensive (loss) / income		(162)	7	(128)	7
Other comprehensive income / (loss) for the period		3,037	(6,154)	(6,117)	(1,147)
Total comprehensive income for the period		78,576	45,062	107,087	89,353
Profit attributable to:					
- Gazprom neft shareholders		73,225	49,783	112,354	87,599
- Non-controlling interest		2,314	1,433	850	2,901
Profit for the period		75,539	51,216	113,204	90,500
Total comprehensive income attributable to:					
- Gazprom neft shareholders		76,654	46,836	111,170	86,303
- Non-controlling interest		1,922	(1,774)	(4,083)	3,050
Total comprehensive income for the period		78,576	45,062	107,087	89,353
Earnings per share attributable to Gazprom neft shareholders					
Basic earnings (RUB per share)		15,52	10,55	23,81	18,57
Diluted earnings (RUB per share)		15,52	10,55	23,81	18,57
Weighted-average number of common shares outstanding Basic and Diluted (millions)		4,718	4,718	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		
Balance as of 1 January 2015	98	(1,170)	50,074	1,005,642	11,104	1,065,748	64,037	1,129,785
Profit for the period	-	-	-	112,354	-	112,354	850	113,204
Other comprehensive (loss) / income								
Currency translation differences	-	-	-	-	(10,072)	(10,072)	(4,939)	(15,011)
Cash flow hedge, net of tax	-	-	-	-	9,022	9,022	-	9,022
Other comprehensive (loss) / income	-	-	-	-	(134)	(134)	6	(128)
Total comprehensive income / (loss) for the period	-	-	-	112,354	(1,184)	111,170	(4,083)	107,087
Transactions with owners, recorded in equity								
Dividends to equity holders	-	-	-	(8,728)	-	(8,728)	(2,392)	(11,120)
Transaction under common control (Note 5)	-	-	(5,748)	-	-	(5,748)	12,809	7,061
Total transactions with owners	-	-	(5,748)	(8,728)	-	(14,476)	10,417	(4,059)
Balance as of 30 June 2015	98	(1,170)	44,326	1,109,268	9,920	1,162,442	70,371	1,232,813

	Attributable to Gazprom Neft shareholders						Non-controlling interest	Total equity
	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Other reserves	Total		
Balance as of 1 January 2014	98	(1,170)	19,293	930,304	4,087	952,612	45,409	998,021
Profit for the period	-	-	-	87,599	-	87,599	2,901	90,500
Other comprehensive income / (loss)								
Currency translation differences	-	-	-	-	1,143	1,143	149	1,292
Cash flow hedge, net of tax	-	-	-	-	(2,446)	(2,446)	-	(2,446)
Other comprehensive income	-	-	-	-	7	7	-	7
Total comprehensive income / (loss) for the period	-	-	-	87,599	(1,296)	86,303	3,050	89,353
Transactions with owners, recorded in equity								
Dividends to equity holders	-	-	-	(24,958)	-	(24,958)	(2,656)	(27,614)
Transaction under common control	-	-	1,213	-	-	1,213	-	1,213
Acquisition of non-controlling interest	-	-	(1,548)	-	-	(1,548)	946	(602)
Total transactions with owners	-	-	(335)	(24,958)	-	(25,293)	(1,710)	(27,003)
Balance as of 30 June 2014	98	(1,170)	18,958	992,945	2,791	1,013,622	46,749	1,060,371

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

		Six months ended 30 June 2015	Six months ended 30 June 2014
Cash flows from operating activities			
Profit before income tax		135,509	111,633
Adjustments for:			
Share of profit of associates and joint ventures	12	(17,265)	(4,492)
Loss on foreign exchange differences		743	5,556
Finance income	20	(6,946)	(2,635)
Finance expense	21	13,738	5,842
Depreciation, depletion and amortisation		45,867	41,215
Allowance for doubtful accounts		87	21
Write-off payables	15	(16,087)	-
Other non-cash items		(2,341)	(282)
Operating cash flow before changes in working capital		153,305	156,858
Changes in working capital:			
Accounts receivable		(10,878)	4,602
Inventories		1,035	(2,944)
Other assets		1,691	1,024
Accounts payable		4,102	(3,667)
Taxes payable		19,039	8,958
Other liabilities		(75)	2,450
Total effect of working capital changes		14,914	10,423
Income taxes paid		(12,726)	(15,432)
Interest paid		(13,314)	(7,846)
Dividends received		1,819	1,556
Net cash provided by operating activities		143,998	145,559
Cash flows from investing activities			
Acquisition of subsidiaries and joint operations, net of cash acquired		303	(7,063)
Increase in cash due to acquisition of a subsidiary under common control (Note 5)		2,229	-
Acquisition of associates and joint ventures		-	(45,135)
Bank deposits placement		(65,783)	(33,518)
Repayment of bank deposits		81,608	48,495
Acquisition of other investments		(621)	-
Short-term loans issued		(229)	(756)
Repayment of short-term loans issued		311	160
Long-term loans issued		(33,051)	(6,450)
Repayment of long-term loans issued		237	714
Capital expenditures		(148,084)	(107,585)
Proceeds from sale of property, plant and equipment		531	777
Interest received		1,356	1,766
Net cash used in investing activities		(161,193)	(148,595)
Cash flows from financing activities			
Proceeds from short-term borrowings		27,835	6,493
Repayment of short-term borrowings		(13,445)	(4,098)
Proceeds from long-term borrowings		39,031	84,083
Repayment of long-term borrowings		(32,658)	(28,509)
Transaction costs directly attributable to the borrowings received		-	(1,457)
Dividends paid to Gazprom Neft shareholders		(2,395)	(6,826)
Dividends paid to non-controlling interest		(232)	(407)
Acquisition of non-controlling interest in subsidiaries		-	(485)
Net cash provided by financing activities		18,136	48,794
Increase in cash and cash equivalents		941	45,758
Effect of foreign exchange on cash and cash equivalents		(1,449)	(6,566)
Cash and cash equivalents as of the beginning of the period		53,167	91,077
Cash and cash equivalents as of the end of the period		52,659	130,269

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. PSC 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 30 June 2015 were evaluated through 12 August 2015 the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

The results for the six months ended 30 June 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 31 December 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 30 June 2015	Three months ended 30 June 2014	Six months ended 30 June 2015	Six months ended 30 June 2014	30 June 2015	31 December 2014
USD 1	52.65	35.00	57.40	34.98	55.52	56.26
EUR 1	58.24	48.03	64.31	47.99	61.52	68.34
RSD 1	0.48	0.41	0.52	0.42	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 1 July 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 1 January 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 31 December 2014.

No other new standards were issued during the six months period ended 30 June 2015.

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

5. Acquisition of Subsidiaries

Acquisition of Gazprom Resource Northgas

On 1 July 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:

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

6. Cash and Cash Equivalents

Cash and cash equivalents as of 30 June 2015 and 31 December 2014 comprise the following:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Cash on hand	648	791
Cash in bank	45,579	41,106
Deposits with original maturity of less than three months	3,824	8,928
Cash equivalents	2,608	2,342
Total cash and cash equivalents	52,659	53,167

7. Short-term Financial Assets

Short-term financial assets as of 30 June 2015 and 31 December 2014 comprise the following:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Deposits with original maturity more than 3 months less than 1 year	66,469	76,658
Short-term loans issued	10,822	2,184
Financial assets held to maturity	132	2
Total short-term financial assets	77,423	78,844

8. Trade and Other Receivables

Trade and other receivables as of 30 June 2015 and 31 December 2014 comprise the following:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Trade receivables	131,759	108,447
Other financial receivables	7,483	7,543
Less impairment provision	(11,248)	(12,976)
Total trade and other receivables	127,994	103,014

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

9. Inventories

Inventories as of 30 June 2015 and 31 December 2014 consist of the following:

	30 June 2015	31 December 2014
Crude oil and gas	19,266	22,619
Petroleum products and petrochemicals	44,669	41,787
Materials and supplies	40,599	34,422
Other	6,527	7,243
Less inventory provision	(3,077)	(3,413)
Total inventory	107,984	102,658

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 30 June is as follows:

	2015	2014
Buy / sell crude oil transactions for the period ended 30 June	37,966	21,313

10. Other Current Assets

Other current assets as of 30 June 2015 and 31 December 2014 consist of the following:

	30 June 2015	31 December 2014
Prepaid custom duties	7,355	18,178
Advances paid	36,821	39,782
Prepaid expenses	2,386	594
Value added tax receivable	54,207	42,281
Other assets	34,442	32,043
Less impairment provision	(15,624)	(16,951)
Total other current assets	119,587	115,927

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

11. Property, Plant and Equipment

Movements in property, plant and equipment for the periods ended 30 June 2015 and 2014 are as follows:

Cost	O&G properties	Refining assets	Marketing and distribution	Other assets	Assets under construction	Total
As of 1 January 2015	1,297,467	260,161	134,930	16,527	70,943	1,780,028
Additions	111,017	754	15	62	19,922	131,770
Acquisitions through business combinations	-	-	24	283	12	319
Changes in decommissioning obligations	597	-	-	-	-	597
Capitalised borrowing costs	5,133	-	-	-	894	6,027
Transfers	-	11,533	8,875	922	(21,330)	-
Internal movement	69	(18)	6	(51)	(6)	-
Disposals	(4,800)	(486)	(943)	(76)	(291)	(6,596)
Translation differences	(10,773)	(5,616)	(5,624)	(46)	(50)	(22,109)
As of 30 June 2015	1,398,710	266,328	137,283	17,621	70,094	1,890,036
Depreciation and impairment						
As of 1 January 2015	(383,368)	(68,350)	(32,593)	(1,917)	-	(486,228)
Depreciation charge	(33,400)	(5,046)	(5,247)	(432)	-	(44,125)
Impairment	(31)	-	-	-	-	(31)
Acquisitions through business combinations	-	-	-	(143)	-	(143)
Disposals	3,202	303	454	23	-	3,982
Translation differences	2,408	1,007	1,223	9	-	4,647
As of 30 June 2015	(411,189)	(72,086)	(36,163)	(2,460)	-	(521,898)
Net book value						
As of 1 January 2015	914,099	191,811	102,337	14,610	70,943	1,293,800
As of 30 June 2015	987,521	194,242	101,120	15,161	70,094	1,368,138

Cost	O&G properties	Refining assets	Marketing and distribution	Other assets	Assets under construction	Total
As of 1 January 2014	865,828	217,000	102,443	10,706	60,271	1,256,248
Additions	80,641	173	257	3,984	17,878	102,933
Acquisitions through business combinations	23,297	-	1,823	22	582	25,724
Changes in decommissioning obligations	2,947	-	-	-	-	2,947
Capitalised borrowing costs	2,260	-	-	-	540	2,800
Transfers	-	12,283	9,104	629	(22,016)	-
Internal movement	2,197	(2,717)	(1,858)	(21)	2,288	(111)
Disposals	(2,838)	(325)	(1,019)	(110)	(369)	(4,661)
Translation differences	2,933	154	(565)	3	40	2,565
As of 30 June 2014	977,265	226,568	110,185	15,213	59,214	1,388,445
Depreciation and impairment						
As of 1 January 2014	(281,435)	(56,211)	(21,829)	(1,230)	-	(360,705)
Depreciation charge	(30,626)	(4,512)	(4,500)	(337)	-	(39,975)
Acquisitions through business combinations	(335)	-	-	-	-	(335)
Internal movement	6	(4)	109	-	-	111
Disposals	1,296	53	489	8	-	1,846
Translation differences	(988)	10	152	-	-	(826)
As of 30 June 2014	(312,082)	(60,664)	(25,579)	(1,559)	-	(399,884)
Net book value						
As of 1 January 2014	584,393	160,789	80,614	9,476	60,271	895,543
As of 30 June 2014	665,183	165,904	84,606	13,654	59,214	988,561

12. Investments in Associates and Joint Ventures

The carrying value of the investments in associates and joint ventures as of 30 June 2015 and 31 December 2014 are summarised below:

		Ownership percentage	30 June 2015	31 December 2014
Slavneft	Joint venture	49.9	82,320	74,177
SeverEnergy	Joint venture	45.1	66,969	60,215
Others			12,487	16,335
Total investments			161,776	150,727

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
Carrying amount as of 1 January	150,727	120,358
Share of profit of associates and joint ventures	17,265	4,492
Dividends declared	(2,861)	(7,418)
Increase in associates and joint ventures	-	35,959
Other changes in cost of associates and joint ventures	(3,355)	(703)
Carrying amount as of 30 June	161,776	152,688

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 through subsidiary OJSC Arctic Gas Company (Arcticgas) is developing the Samburgskoye, Urengoiskoe 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 Arctic 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 20.9 billion as of 30 June 2015 due to complex holding structure, current financing scheme and goodwill arising on acquisition (RUB 19.8 billion as of 31 December 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	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Cash and cash equivalents	16,060	13,709	3,677	698
Other current assets	17,956	17,568	16,520	9,413
Non-current assets	277,354	269,667	385,662	369,502
Current financial liabilities	(43,070)	(68,967)	(119,008)	(112,478)
Other current liabilities	(24,767)	(20,109)	(8,526)	(2,289)
Non-current financial liabilities	(59,086)	(46,592)	(125,183)	(126,172)
Other non-current liabilities	(27,257)	(24,973)	(50,917)	(49,065)
Net assets	157,190	140,303	102,225	89,609

	Six months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
Revenue	119,682	106,870	54,915	9,763
Depreciation, depletion and amortisation	(15,544)	(14,230)	(7,723)	(3,489)
Finance income	1,105	836	74	(51)
Finance expense	(2,523)	(429)	(12,758)	(5,898)
Total income tax expense	(4,556)	(2,501)	(7,004)	(2,719)
Profit / (loss) for the period	16,985	11,422	12,621	(5,666)
Total comprehensive income / (loss)	16,887	11,422	12,621	(5,666)

Current and non-current financial liabilities of SeverEnergy include RUB 141 billion Yamal Razvitie payables to Sberbank and the Group under the loan agreements as of 30 June 2015 (RUB 130 billion as of 31 December 2014).

Northgas

On 19 March 2015 the Group has obtained control over Gazprom Resource Northgas (a holding company which owns 50% share in Northgas). As of 31 December 2014 the Group's effective share in Northgas was 9.1% (note 5). The 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 30 June 2015 and 31 December 2014 comprise the following:

	30 June 2015	31 December 2014
Long-term loans issued	39,340	28,229
Financial assets held to maturity	2	112
Available for sale financial assets	10,815	10,266
Less impairment provision	(1,278)	(976)
Total long-term financial assets	48,879	37,631

14. Other Non-Current Assets

Other non-current assets are primarily comprised of advances provided on capital expenditures (RUB 45,529 million and RUB 38,400 million as of 30 June 2015 and 31 December 2014, respectively).

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

As of 30 June 2015 and 31 December 2014 the Group has short-term debt and current portion of long-term debt outstanding as follows:

	30 June 2015	31 December 2014
Bank loans	18,260	4,875
Other borrowings	964	14,251
Current portion of long-term debt	76,471	41,995
Total short-term debt and current portion of long-term debt	95,695	61,121

Current portion includes interest payable on long-term borrowings.

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

On 22 March 2015 companies of Rosneft's group concluded a settlement deed with companies of YUKOS's group (hereinafter – "Agreement"). In accordance with the Agreement the parties waived their mutual claims and terminated all existing court disputes, connected with the bankruptcy and liquidation of JSC "NK "YUKOS". The Agreement does not prescribe any monetary or other payments on behalf of companies of Rosneft's group. As a result companies of YUKOS's group waived all of their claims to JSC "Tomskneft" VNK. Upon completion of the agreement (in April 2015) the Group wrote off its share in the respective liability of JSC Tomskneft that resulted in gain in the amount of RUB 16.1 billion recognised within Other gain / (loss) in the interim condensed consolidated statement of profit and loss and other comprehensive income.

16. Trade and Other Payables

Accounts payable as of 30 June 2015 and 31 December 2014 comprise the following:

	30 June 2015	31 December 2014
Trade accounts payable	63,188	65,624
Dividends payable	10,797	2,509
Other accounts payable	6,424	5,762
Other current financial liabilities	14,393	9,922
Total trade and other payables	94,802	83,817

17. Other Taxes Payable

Other taxes payable as of 30 June 2015 and 31 December 2014 comprise the following:

	30 June 2015	31 December 2014
Mineral extraction tax	24,591	16,270
VAT	25,901	12,933
Excise tax	7,406	9,276
Property tax	2,360	2,389
Other taxes	4,836	4,920
Total other taxes payable	65,094	45,788

Taxes other than income tax expense for the periods ended 30 June 2015 and 2014 comprise the following:

	Three months ended 30 June 2015	Three months ended 30 June 2014	Six months ended 30 June 2015	Six months ended 30 June 2014
Mineral extraction tax	70,608	61,763	139,274	122,245
Property tax	3,176	2,306	5,510	4,587
Excise tax	17,752	21,299	33,741	40,247
Other taxes	3,847	3,411	9,212	6,980
Total taxes other than income tax	95,383	88,779	187,737	174,059

18. Long-term Debt

As of 30 June 2015 and 31 December 2014 the Group has long-term outstanding debt as follows:

	30 June 2015	31 December 2014
Bank loans	282,392	258,087
Bonds	51,719	61,609
Loan Participation Notes	213,144	221,107
Other borrowings	2,996	3,498
less current portion of debt	(76,471)	(41,995)
Total long-term debt	473,780	502,306

In September 2014 the Group signed a long-term facility agreement with JSC Rosselkhozbank in the amount of RUB 30 billion at an interest rate of 11.9% per annum due in September 2019. In April 2015 the Group borrowed RUB 12.5 billion under the agreement.

In September 2014 the Group signed long-term facility agreements with JSC Sberbank of Russia in the amount of RUB 22.5 billion and RUB 12.5 billion due in September 2019. The interest rates varying from 13.48% to 13.58% per annum respectively. In 2015 the Group borrowed RUB 25 billion under the agreements.

On 7 February 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 by the bonds holders that resulted in the repurchase of the bonds by the Group with outflow in amount of RUB 9.6 billion.

19. Net Foreign Exchange Gain/(Loss)

Net foreign exchange loss for the periods ended 30 June 2015 and 2014 comprise of the following:

	Three months ended 30 June 2015	Three months ended 30 June 2014	Six months ended 30 June 2015	Six months ended 30 June 2014
Net foreign exchange gain / (loss) on financing activities, including:	16,854	8,370	4,039	(6,856)
foreign exchange gain	26,051	16,800	37,112	19,853
foreign exchange loss	(9,197)	(8,430)	(33,073)	(26,709)
Net foreign exchange (loss) / gain on operating activities	(8,767)	(6,181)	(4,782)	1,545
Net foreign exchange gain / (loss)	8,087	2,189	(743)	(5,311)

20. Finance Income

Finance income for the periods ended 30 June 2015 and 2014 comprise of the following:

	Three months ended 30 June 2015	Three months ended 30 June 2014	Six months ended 30 June 2015	Six months ended 30 June 2014
Interest income on cash and cash equivalents	650	297	1,294	603
Interest on bank deposits	1,234	325	2,690	1,089
Interest income on loans issued	1,625	443	2,947	943
Other financial income	15	-	15	-
Total finance income	3,524	1,065	6,946	2,635

21. Finance Expense

Finance expense for the periods ended 30 June 2015 and 2014 comprise of the following:

	Three months ended 30 June 2015	Three months ended 30 June 2014	Six months ended 30 June 2015	Six months ended 30 June 2014
Interest expense	8,330	4,016	16,684	7,876
Decommissioning provision: unwinding of the present value discount	653	392	1,136	766
Less: capitalised interest	(2,168)	(1,462)	(4,082)	(2,800)
Total finance expense	6,815	2,946	13,738	5,842

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 30 June 2015 the fair value of Bonds and Loan Participation Notes is RUB 250,445 million (as of 31 December 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 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 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 related party and some types of transactions with an unrelated parties), if the transaction pricing was not established in line with arm's length principles. The Group's controllable 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 been 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 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 31 December 2014. There were no any significant changes in sanctions occurred during the six months period ended 30 June 2015.

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 30 June 2015 the Group has entered into contracts to purchase property, plant and equipment for RUB 273,337 million (31 December 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 30 June 2015 and 31 December 2014 the outstanding balances with related parties were as follows:

30 June 2015	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Cash and cash equivalents	-	17,025	-
Short-term financial assets	8,476	18,798	1,396
Trade and other receivables	2,287	3,633	29,722
Other assets	335	3,553	708
Long-term financial assets	-	-	30,209
Total assets	11,098	43,009	62,035
Short-term debt and other current financial liability	-	-	940
Trade and other payables	7,113	4,314	3,738
Other current liabilities	2,129	517	86
Long-term debt and other non-current financial liability	60,552	-	-
Total liabilities	69,794	4,831	4,764

31 December 2014	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
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
Total assets	1,295	22,299	39,915
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	-	-
Total liabilities	60,756	2,724	3,265

For the periods ended 30 June 2015 and 2014 the following transactions occurred with related parties:

Six months ended 30 June 2015	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Crude oil, gas and oil products sales	10,035	18,404	31,215
Other revenue	4	301	13,486
Purchases of crude oil, gas and oil products	-	21,391	54,480
Production related services	10	7,534	9,111
Transportation costs	3,041	929	3,378
Interest income	231	796	1,726

Six months ended 30 June 2014	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Crude oil, gas and oil products sales	7,491	11,088	21,887
Other revenue	-	170	4,689
Purchases of crude oil, gas and oil products	-	18,068	46,413
Production related services	34	7,369	10,973
Transportation costs	2,634	1,338	1,630
Interest income	-	544	260

For the period ended 30 June 2015 the Group had a transaction with subsidiary of Gazprom (note 5).

Transactions with Key Management Personnel

For the periods ended 30 June 2015 and 2014 the Group recognised RUB 796 million and RUB 765 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 31 December 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 30 June 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).

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.

Six months ended 30 June 2015

	Upstream	Downstream	Eliminations	Total
Segment revenues				
Refined products, oil and gas sales and other revenues :				
External customers	31,735	683,359	-	715,094
Inter-segment	282,854	9,727	(292,581)	-
Total revenues	314,589	693,086	(292,581)	715,094
Segment results				
Adjusted EBITDA	139,665	60,101	-	199,766
Depreciation, depletion and amortisation	33,465	12,402	-	45,867
Capital expenditure	118,470	29,614	-	148,084

Six months ended 30 June 2014

	Upstream	Downstream	Eliminations	Total
Segment revenues				
Refined products, oil and gas sales and other revenues :				
External customers	9,546	678,882	-	688,428
Inter-segment	248,390	4,190	(252,580)	-
Total revenues	257,936	683,072	(252,580)	688,428
Segment results				
Adjusted EBITDA	105,883	72,500	-	178,383
Depreciation, depletion and amortisation	30,756	10,459	-	41,215
Capital expenditure	86,692	20,893	-	107,585

The geographical segmentation of the Group's revenue and capital expenditures for the period ended 30 June 2015 and 2014 is presented below:

Six months ended 30 June 2015

	Russian Federation	CIS	Export and international operations	Total
Sales of crude oil	42,431	17,225	87,279	146,935
Sales of petroleum products	346,273	35,227	222,964	604,464
Sales of gas	14,684	-	2,580	17,264
Other sales	31,196	961	2,440	34,597
Less custom duties and sales related excises	-	(425)	(87,741)	(88,166)
Revenues from external customers, net	434,584	52,988	227,522	715,094

Six months ended 30 June 2014

Sales of crude oil	18,707	8,331	106,422	133,460
Sales of petroleum products	339,416	28,197	279,353	646,966
Sales of gas	12,027	-	866	12,893
Other sales	18,825	616	1,748	21,189
Less custom duties and sales related excises	-	(398)	(125,682)	(126,080)
Revenues from external customers, net	388,975	36,746	262,707	688,428

	Russian Federation	CIS	Export and international operations	Total
Non-current assets as of 30 June 2015	1,387,746	13,373	245,692	1,646,811
Capital expenditures for period \ended 30 June 2015	128,938	227	18,919	148,084
Non-current assets as of 31 December 2014	1,288,625	15,332	253,751	1,557,708
Capital expenditures for period ended 30 June 2014	89,107	695	17,783	107,585

Adjusted EBITDA for the periods ended 30 June 2015 and 2014 is reconciled below:

	Three months ended 30 June 2015	Three months ended 30 June 2014	Six months ended 30 June 2015	Six months ended 30 June 2014
Profit for the period	75,539	51,216	113,204	90,500
Total income tax expense	15,550	13,295	22,305	21,133
Finance expense	6,815	2,946	13,738	5,842
Finance income	(3,524)	(1,065)	(6,946)	(2,635)
Depreciation, depletion and amortisation	23,670	21,120	45,867	41,215
Net foreign exchange gain / (loss)	(8,087)	(2,189)	743	5,311
Other gain / (loss), net	(15,177)	1,812	(13,142)	1,505
EBITDA	94,786	87,135	175,769	162,871
less share of profit of associates and joint ventures	(10,618)	(4,196)	(17,265)	(4,492)
add share of EBITDA of associates and joint ventures	22,211	11,411	41,262	20,004
Total adjusted EBITDA	106,379	94,350	199,766	178,383

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