



Gazprom Neft Group

Interim Condensed Consolidated Financial Statements (unaudited)

30 September 2015

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Report on Review of Interim Financial Statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of PJSC Gazprom Neft and its subsidiaries (the “Group”) as of 30 September 2015 and the related interim condensed consolidated statement of profit and loss and other comprehensive income for the three- and nine-month periods then ended, and changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, “Interim financial reporting”. Our responsibility is to express a conclusion on 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”.

AO PricewaterhouseCoopers Audit

20 November 2015

Moscow, Russian Federation

| | Notes | 30 September 2015 | 31 December 2014 |
|---|-------|----------------------|---------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 56,202 | 53,167 |
| Short-term financial assets | 7 | 91,509 | 78,844 |
| Trade and other receivables | 8 | 118,294 | 103,014 |
| Inventories | 9 | 113,763 | 102,658 |
| Current income tax prepayments | | 12,895 | 17,315 |
| Other current assets | 10 | 127,090 | 115,927 |
| Total current assets | | 519,753 | 470,925 |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 1,489,210 | 1,293,800 |
| Goodwill and other intangible assets | | 72,663 | 71,240 |
| Investments in associates and joint ventures | 12 | 169,007 | 150,727 |
| Long-term trade and other receivables | | 1,296 | 265 |
| Long-term financial assets | 13 | 61,754 | 37,631 |
| Deferred income tax assets | | 16,431 | 31,460 |
| Other non-current assets | 14 | 58,969 | 41,676 |
| Total non-current assets | | 1,869,330 | 1,626,799 |
| Total assets | | 2,389,083 | 2,097,724 |
| Liabilities and shareholders' equity | | | |
| Current liabilities | | | |
| Short-term debt and current portion of long-term debt | 15 | 133,251 | 61,121 |
| Trade and other payables | 16 | 143,440 | 83,817 |
| Other current liabilities | | 37,509 | 40,921 |
| Current income tax payable | | 1,779 | 520 |
| Other taxes payable | 17 | 57,860 | 45,788 |
| Provisions for liabilities and charges | | 15,020 | 18,564 |
| Total current liabilities | | 388,859 | 250,731 |
| Non-current liabilities | | | |
| Long-term debt | 18 | 539,597 | 502,306 |
| Other non-current financial liabilities | | 107,993 | 105,944 |
| Deferred income tax liabilities | | 66,274 | 81,032 |
| Provisions for liabilities and charges | | 30,331 | 25,876 |
| Other non-current liabilities | | 1,941 | 2,050 |
| Total non-current liabilities | | 746,136 | 717,208 |
| Equity | | | |
| Share capital | | 98 | 98 |
| Treasury shares | | (1,170) | (1,170) |
| Additional paid-in capital | | 44,326 | 50,074 |
| Retained earnings | | 1,099,714 | 1,005,642 |
| Other reserves | | 27,256 | 11,104 |
| Equity attributable to Gazprom Neft shareholders | | 1 170 224 | 1,065,748 |
| Non-controlling interest | | 83,864 | 64,037 |
| Total equity | | 1,254,088 | 1,129,785 |
| Total liabilities and equity | | 2,389,083 | 2,097,724 |


A. V. Dyukov
Chief Executive Officer
PJSC Gazprom Neft


A. V. Yankevich
Chief Financial Officer
PJSC Gazprom Neft

| | Notes | 3 months ended 30 September 2015 | 3 months ended 30 September 2014 | 9 months ended 30 September 2015 | 9 months ended 30 September 2014 |
|---|-----------|---|---|---|---|
| Sales | | 434,988 | 431,647 | 1,238,248 | 1,246,155 |
| Less export duties and sales related excise tax | | (50,262) | (57,758) | (138,428) | (183,838) |
| Total revenue from sales | 25 | 384,726 | 373,889 | 1,099,820 | 1,062,317 |
| Costs and other deductions | | | | | |
| Purchases of oil, gas and petroleum products | | (90,392) | (94,922) | (251,236) | (275,509) |
| Production and manufacturing expenses | | (52,630) | (43,864) | (149,723) | (125,034) |
| Selling, general and administrative expenses | | (23,183) | (20,028) | (67,840) | (57,452) |
| Net impairment (expense) / reversal of trade and other receivables | 8 | (6,469) | 87 | (6,657) | (339) |
| Transportation expenses | | (33,925) | (28,261) | (99,694) | (84,026) |
| Depreciation, depletion and amortisation | | (24,623) | (21,944) | (70,490) | (63,159) |
| Taxes other than income tax | 17 | (88,408) | (89,742) | (276,145) | (263,801) |
| Exploration expenses | | (229) | (98) | (531) | (716) |
| Total operating expenses | | (319,859) | (298,772) | (922,316) | (870,036) |
| Other (loss) / gain, net | 15 | (5,899) | (2,341) | 7,243 | (3,846) |
| Operating profit | | 58,968 | 72,776 | 184,747 | 188,435 |
| Share of profit of associates and joint ventures | 12 | 6,984 | 84 | 24,249 | 4,576 |
| Net foreign exchange loss | 19 | (40,238) | (9,243) | (40,981) | (14,554) |
| Finance income | 20 | 3,547 | 2,099 | 10,493 | 4,734 |
| Finance expense | 21 | (7,663) | (3,893) | (21,401) | (9,735) |
| Total other expense | | (37,370) | (10,953) | (27,640) | (14,979) |
| Profit before income tax | | 21,598 | 61,823 | 157,107 | 173,456 |
| Current income tax expense | | (11,717) | (7,700) | (26,763) | (26,458) |
| Deferred income tax benefit / (expense) | | 10,209 | (1,544) | 2,950 | (3,919) |
| Total income tax expense | | (1,508) | (9,244) | (23,813) | (30,377) |
| Profit for the period | | 20,090 | 52,579 | 133,294 | 143,079 |
| Other comprehensive income / (loss) | | | | | |
| Currency translation differences | | 41,841 | 15,272 | 26,830 | 16,564 |
| Cash flow hedge, net of tax | | (13,159) | (12,193) | (4,137) | (14,639) |
| Other comprehensive income | | 29 | 36 | (99) | 43 |
| Other comprehensive income for the period | | 28,711 | 3,115 | 22,594 | 1,968 |
| Total comprehensive income for the period | | 48,801 | 55,694 | 155,888 | 145,047 |
| Profit attributable to: | | | | | |
| - Gazprom Neft shareholders | | 18,527 | 51,932 | 130,881 | 139,531 |
| - Non-controlling interest | | 1,563 | 647 | 2,413 | 3,548 |
| Profit for the period | | 20,090 | 52,579 | 133,294 | 143,079 |
| Total comprehensive income attributable to: | | | | | |
| - Gazprom Neft shareholders | | 35,863 | 52,602 | 147,033 | 138,905 |
| - Non-controlling interest | | 12,938 | 3,092 | 8,855 | 6,142 |
| Total comprehensive income for the period | | 48,801 | 55,694 | 155,888 | 145,047 |
| Earnings per share attributable to Gazprom Neft shareholders | | | | | |
| Basic earnings (RUB per share) | | 3.93 | 11.01 | 27.74 | 29.57 |
| Diluted earnings (RUB per share) | | 3.93 | 11.01 | 27.74 | 29.57 |
| Weighted-average number of common shares outstanding Basic and Diluted (millions) | | 4,718 | 4,718 | 4,718 | 4,718 |

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

| | 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 | - | - | - | 130,881 | - | 130,881 | 2,413 | 133,294 |
| Other comprehensive income / (loss) | | | | | | | | |
| Currency translation differences | - | - | - | - | 20,394 | 20,394 | 6,436 | 26,830 |
| Cash flow hedge, net of tax | - | - | - | - | (4,137) | (4,137) | - | (4,137) |
| Other comprehensive (loss) / income | - | - | - | - | (105) | (105) | 6 | (99) |
| Total comprehensive income for the period | - | - | - | 130,881 | 16,152 | 147,033 | 8,855 | 155,888 |
| Transactions with owners, recorded in equity | | | | | | | | |
| Dividends to equity holders | - | - | - | (36,809) | - | (36,809) | (1,682) | (38,491) |
| Transaction under common control (Note 5) | - | - | (5,748) | - | - | (5,748) | 12,654 | 6,906 |
| Total transactions with owners | - | - | (5,748) | (36,809) | - | (42,557) | 10,972 | (31,585) |
| Balance as of 30 September 2015 | 98 | (1,170) | 44,326 | 1,099,714 | 27,256 | 1,170,224 | 83,864 | 1,254,088 |

| | 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 | - | - | - | 139 531 | - | 139 531 | 3 548 | 143 079 |
| Other comprehensive income / (loss) | | | | | | | | |
| Currency translation differences | - | - | - | - | 13 970 | 13 970 | 2 594 | 16 564 |
| Cash flow hedge, net of tax | - | - | - | - | (14 639) | (14 639) | - | (14 639) |
| Other comprehensive income | - | - | - | - | 43 | 43 | - | 43 |
| Total comprehensive income / (loss) for the period | - | - | - | 139 531 | (626) | 138 905 | 6 142 | 145 047 |
| Transactions with owners, recorded in equity | | | | | | | | |
| Dividends to equity holders | - | - | - | (46 755) | - | (46 755) | (2 654) | (49 409) |
| Transaction under common control | - | - | 201 | - | - | 201 | - | 201 |
| Acquisition of non-controlling interest | - | - | (2 355) | - | - | (2 355) | (2 018) | (4 373) |
| Total transactions with owners | - | - | (2 154) | (46 755) | - | (48 909) | (4 672) | (53 581) |
| Balance as of 30 September 2014 | 98 | (1 170) | 17 139 | 1 023 080 | 3 461 | 1 042 608 | 46 879 | 1 089 487 |

| | Notes | 9 months ended 30 September 2015 | 9 months ended 30 September 2014 |
|---|-------|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | | |
| Profit before income tax | | 157,107 | 173,456 |
| Adjustments for: | | | |
| Share of profit of associates and joint ventures | 12 | (24,249) | (4,576) |
| Loss on foreign exchange differences | | 40,981 | 18,810 |
| Finance income | 20 | (10,493) | (4,734) |
| Finance expense | 21 | 21,401 | 9,735 |
| Depreciation, depletion and amortisation | | 70,490 | 63,159 |
| Net impairment (expense) / reversal of trade and other receivables | 8 | 6,657 | 339 |
| Write-off payables | 15 | (16,087) | - |
| Other non-cash items | | (1,511) | 551 |
| Operating cash flow before changes in working capital | | 244,296 | 256,740 |
| Changes in working capital: | | | |
| Accounts receivable | | (13,599) | 3,689 |
| Inventories | | (2,861) | (1,077) |
| Other assets | | (4,060) | 8,703 |
| Accounts payable | | 21,029 | (6,986) |
| Taxes payable | | 10,883 | 4,028 |
| Other liabilities | | (1,667) | (790) |
| Total effect of working capital changes | | 9,725 | 7,567 |
| Income taxes paid | | (16,285) | (25,963) |
| Interest paid | | (20,524) | (11,821) |
| Dividends received | | 2,415 | 1,653 |
| Net cash provided by operating activities | | 219,627 | 228,176 |
| Cash flows from investing activities | | | |
| Acquisition of subsidiaries and joint operations, net of cash acquired | | 303 | (11,538) |
| Increase in cash due to acquisition of a subsidiary under common control (Note 5) | | 2,229 | - |
| Acquisition of associates and joint ventures | | - | (45,355) |
| Bank deposits placement | | (108,547) | (58,289) |
| Repayment of bank deposits | | 111,804 | 55,108 |
| Acquisition of other investments | | (661) | (2,405) |
| Short-term loans issued | | (25,663) | (833) |
| Repayment of short-term loans issued | | 24,373 | 169 |
| Long-term loans issued | | (20,037) | (14,633) |
| Repayment of long-term loans issued | | 169 | 1,052 |
| Capital expenditures | | (234,238) | (180,976) |
| Proceeds from sale of property, plant and equipment | | 1,714 | 1,036 |
| Interest received | | 6,738 | 2,127 |
| Net cash used in investing activities | | (241,816) | (254,537) |
| Cash flows from financing activities | | | |
| Proceeds from short-term borrowings | | 31,228 | 7,539 |
| Repayment of short-term borrowings | | (14,187) | (8,771) |
| Proceeds from long-term borrowings | | 66,929 | 99,077 |
| Repayment of long-term borrowings | | (51,995) | (36,120) |
| Transaction costs directly attributable to the borrowings received | | - | (1,743) |
| Dividends paid to Gazprom Neft shareholders | | (8,735) | (24,959) |
| Dividends paid to non-controlling interest | | (2,167) | (616) |
| Acquisition of non-controlling interest in subsidiaries | | - | (4,118) |
| Net cash provided by financing activities | | 21,073 | 30,289 |
| (Decrease) / increase in cash and cash equivalents | | (1,116) | 3,928 |
| Effect of foreign exchange on cash and cash equivalents | | 4,151 | 5,505 |
| 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 | | 56,202 | 100,510 |

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

1. General

Description of Business

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation

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

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

The Group does not disclose information which would substantially duplicate the disclosures contained in its audited Consolidated Financial Statements 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 September 2015 were evaluated through 20 November 2015 the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

The results for the nine months ended 30 September 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 the Consolidated Financial Statements as of and for the year ended 31 December 2014, except for those described in the Application of new IFRS paragraph.

Foreign Currency Translation

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

| | Average rate | | | | Reporting date spot rate | |
|-------|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|--------------------------|------------------|
| | Three months ended 30 September 2015 | Three months ended 30 September 2014 | Nine months ended 30 September 2015 | Nine months ended 30 September 2014 | 30 September 2015 | 31 December 2014 |
| USD 1 | 62.98 | 36.19 | 59.28 | 35.39 | 66.24 | 56.26 |
| EUR 1 | 70.11 | 47.99 | 66.26 | 47.99 | 74.58 | 68.34 |
| RSD 1 | 0.58 | 0.41 | 0.62 | 0.42 | 0.62 | 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 nine months period ended 30 September 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 SubsidiariesAcquisition 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 | <u>15,459</u> |
| Liabilities | |
| Other payables | (2) |
| Total liabilities assumed | <u>(2)</u> |
| Net assets acquired | 15,457 |

6. Cash and Cash Equivalents

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

| | <u>30 September 2015</u> | <u>31 December 2014</u> |
|---|--------------------------|-------------------------|
| Cash on hand | 848 | 791 |
| Cash in bank | 38,227 | 41,106 |
| Deposits with original maturity of less than three months | 14,932 | 8,928 |
| Cash equivalents | 2,195 | 2,342 |
| Total cash and cash equivalents | <u>56,202</u> | <u>53,167</u> |

7. Short-term Financial Assets

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

| | <u>30 September 2015</u> | <u>31 December 2014</u> |
|---|--------------------------|-------------------------|
| Deposits with original maturity more than 3 months less than 1 year | 88,952 | 76,658 |
| Short-term loans issued | 2,403 | 2,184 |
| Financial assets held to maturity | 154 | 2 |
| Total short-term financial assets | <u>91,509</u> | <u>78,844</u> |

8. Trade and Other Receivables

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

| | <u>30 September 2015</u> | <u>31 December 2014</u> |
|--|--------------------------|-------------------------|
| Trade receivables | 130,584 | 108,447 |
| Other financial receivables | 6,607 | 7,543 |
| Less impairment provision | (18,897) | (12,976) |
| Total trade and other receivables | <u>118,294</u> | <u>103,014</u> |

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

The increase in impairment provision mainly relates to trade receivables from OJSC "TRANSAERO Airlines" in amount of RUB 6.0 billion.

9. Inventories

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

| | 30 September 2015 | 31 December 2014 |
|---------------------------------------|--------------------------|-------------------------|
| Crude oil and gas | 19,688 | 22,619 |
| Petroleum products and petrochemicals | 47,316 | 41,787 |
| Materials and supplies | 41,892 | 34,422 |
| Other | 8,475 | 7,243 |
| Less provision | (3,608) | (3,413) |
| Total inventory | 113,763 | 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 September is as follows:

| | 2015 | 2014 |
|---|-------------|-------------|
| Buy / sell crude oil transactions for the period ended 30 September | 66,671 | 30,552 |

10. Other Current Assets

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

| | 30 September 2015 | 31 December 2014 |
|-----------------------------------|--------------------------|-------------------------|
| Prepaid custom duties | 7,004 | 18,178 |
| Advances paid | 45,071 | 39,782 |
| Prepaid expenses | 2,608 | 594 |
| Value added tax receivable | 51,366 | 42,281 |
| Other assets | 39,949 | 32,043 |
| Less impairment provision | (18,908) | (16,951) |
| Total other current assets | 127,090 | 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 September 2015 and 2014 are as follows:

| | O&G properties | Refining assets | Marketing and distribution | Other assets | Assets under construction | Total |
|--|------------------|-----------------|----------------------------|----------------|---------------------------|------------------|
| Cost | | | | | | |
| As of 1 January 2015 | 1,297,467 | 260,161 | 134,930 | 16,527 | 70,943 | 1,780,028 |
| Additions | 178,585 | 980 | 15 | 30 | 30,657 | 210,267 |
| Acquisitions through business combinations | - | - | 24 | 283 | 12 | 319 |
| Changes in decommissioning obligations | 771 | - | - | - | - | 771 |
| Capitalised borrowing costs | 8,983 | 1,706 | - | - | 54 | 10,743 |
| Transfers | - | 17,911 | 11,774 | 1,292 | (30,977) | - |
| Internal movement | (2,410) | 2,410 | - | - | - | - |
| Disposals | (8,334) | (667) | (856) | (100) | (605) | (10,561) |
| Translation differences | 53,614 | 6,126 | 2,695 | - | 506 | 62,941 |
| As of 30 September 2015 | 1,528,676 | 288,627 | 148,582 | 18,032 | 70,590 | 2,054,507 |
| Depreciation and impairment | | | | | | |
| As of 1 January 2015 | (383,368) | (68,350) | (32,593) | (1,917) | - | (486,228) |
| Depreciation charge | (50,607) | (8,040) | (7,946) | (703) | - | (67,296) |
| Impairment | - | - | - | - | - | - |
| Acquisitions through business combinations | - | - | - | (143) | - | (143) |
| Disposals | 5,369 | 388 | 834 | 32 | - | 6,623 |
| Translation differences | (16,347) | (1,371) | (525) | (10) | - | (18,253) |
| As of 30 September 2015 | (444,953) | (77,373) | (40,230) | (2,741) | - | (565,297) |
| Net book value | | | | | | |
| As of 1 January 2015 | 914,099 | 191,811 | 102,337 | 14,610 | 70,943 | 1,293,800 |
| As of 30 September 2015 | 1,083,723 | 211,254 | 108,352 | 15,291 | 70,590 | 1,489,210 |
| Cost | | | | | | |
| As of 1 January 2014 | 865,828 | 217,000 | 102,443 | 10,706 | 60,271 | 1,256,248 |
| Additions | 130,384 | 424 | 283 | 3,859 | 29,588 | 164,538 |
| Acquisitions through business combinations | 26,139 | - | 1,823 | 22 | 659 | 28,643 |
| Changes in decommissioning obligations | 3,493 | - | - | - | - | 3,493 |
| Capitalised borrowing costs | 5,795 | - | - | - | 1,374 | 7,169 |
| Transfers | - | 15,091 | 9,737 | 1,551 | (26,379) | - |
| Internal movement | 1,985 | (1,675) | (1,903) | (24) | 713 | (904) |
| Disposals | (5,025) | (798) | (1,417) | (115) | (559) | (7,914) |
| Translation differences | 28,846 | 2,744 | 3,170 | 26 | 559 | 35,345 |
| As of 30 September 2014 | 1,057,445 | 232,786 | 114,136 | 16,025 | 66,226 | 1,486,618 |
| Depreciation and impairment | | | | | | |
| As of 1 January 2014 | (281,435) | (56,211) | (21,829) | (1,230) | - | (360,705) |
| Depreciation charge | (47,083) | (6,735) | (6,891) | (439) | - | (61,148) |
| Acquisitions through business combinations | (387) | - | - | - | - | (387) |
| Internal movement | 303 | (370) | 1,068 | (97) | - | 904 |
| Disposals | 1,790 | 163 | 752 | 12 | - | 2,717 |
| Translation differences | (9,240) | (412) | (585) | (5) | - | (10,242) |
| As of 30 September 2014 | (336,052) | (63,565) | (27,485) | (1,759) | - | (428,861) |
| Net book value | | | | | | |
| As of 1 January 2014 | 584,393 | 160,789 | 80,614 | 9,476 | 60,271 | 895,543 |
| As of 30 September 2014 | 721,393 | 169,221 | 86,651 | 14,266 | 66,226 | 1,057,757 |

12. Investments in Associates and Joint Ventures

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

| | | Ownership percentage | 30 September 2015 | 31 December 2014 |
|--------------------------|---------------|-------------------------|----------------------|---------------------|
| Slavneft | Joint venture | 49.9 | 82,771 | 74,177 |
| SeverEnergy | Joint venture | 46.7 | 72,383 | 60,215 |
| Others | | | 13,853 | 16,335 |
| Total investments | | | 169,007 | 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 | 24,249 | 4,576 |
| Dividends declared | (2,862) | (7,453) |
| Increase in associates and joint ventures | - | 44,526 |
| Other changes in cost of associates and joint ventures | (3,107) | (678) |
| Carrying amount as of 30 September | 169,007 | 161,329 |

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 its 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. In July 2015 the Group and NOVATEK decided to increase Yamal Razvitie share capital by converting partially long-term loans and transferring of 6.4% Arctic Russia B.V. shares. In August 2015 the Group made contributions to the capital of Yamal Razvitie by converting partially long-term loans. As a result the Group's share increased from 45.1% to 46.7%. The carrying amount of the Group's investment exceeds the Group's share in the underlying net assets of SeverEnergy by RUB 17.5 billion as of 30 September 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 a holding company.

| | Slavneft | | SeverEnergy | |
|-----------------------------------|----------------------|---------------------|----------------------|---------------------|
| | 30 September 2015 | 31 December 2014 | 30 September 2015 | 31 December 2014 |
| Cash and cash equivalents | 8,923 | 13,709 | 7,370 | 698 |
| Other current assets | 19,873 | 17,568 | 17,645 | 9,413 |
| Non-current assets | 281,147 | 269,667 | 394,086 | 369,502 |
| Current financial liabilities | (52,196) | (68,967) | (113,310) | (112,478) |
| Other current liabilities | (22,415) | (20,109) | (10,854) | (2,289) |
| Non-current financial liabilities | (49,165) | (46,592) | (126,620) | (126,172) |
| Other non-current liabilities | (27,984) | (24,973) | (50,845) | (49,065) |
| Net assets | 158,183 | 140,303 | 117,472 | 89,609 |

| | 9 months ended 30 September 2015 | 9 months ended 30 September 2014 | 9 months ended 30 September 2015 | 9 months ended 30 September 2014 |
|--|--|--|--|--|
| | Revenue | 173,636 | 156,311 | 90,012 |
| Depreciation, depletion and amortisation | (23,833) | (22,505) | (13,314) | (4,863) |
| Finance income | 1,584 | 1,062 | 157 | 74 |
| Finance expense | (3,900) | (666) | (18,914) | (11,447) |
| Total income tax (expense) / benefit | (4,936) | (2,105) | (4,062) | 762 |
| Profit / (loss) for the period | 17,320 | 10,216 | 23,031 | (8,931) |
| Total comprehensive income / (loss) | 17,880 | 10,216 | 23,031 | (8,931) |

Current and non-current financial liabilities of SeverEnergy include RUB 142 billion Yamal Razvitie payables to Sberbank and the Group under the loan agreements as of 30 September 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 September 2015 and 31 December 2014 comprise the following:

| | 30 September 2015 | 31 December 2014 |
|---|-------------------|------------------|
| Long-term loans issued | 52,180 | 28,229 |
| Financial assets held to maturity | 2 | 112 |
| Available for sale financial assets | 11,061 | 10,266 |
| Less impairment provision | (1,489) | (976) |
| Total long-term financial assets | 61,754 | 37,631 |

14. Other Non-Current Assets

Other non-current assets are primarily comprised of advances provided on capital expenditures (RUB 58,965 million and RUB 38,400 million as of 30 September 2015 and 31 December 2014, respectively).

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

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

| | 30 September 2015 | 31 December 2014 |
|--|--------------------------|-------------------------|
| Bank loans | 23,903 | 4,875 |
| Other borrowings | 1,436 | 14,251 |
| Current portion of long-term debt | 107,912 | 41,995 |
| Total short-term debt and current portion of long-term debt | 133,251 | 61,121 |

Short-term bank loans and other borrowing include interest payable on short-term debt. 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. In July 2015 the Group refinanced maturing Facility under the club term and revolving facilities agreement with a number of banks in total amount 300 million USD by a new loan in the amount 300 million USD at an interest LIBOR + 1% per annum due for repayment on 31 of December 2015.

On 22 March 2015 companies of Rosneft's group concluded a settlement deed with companies of YUKOS's group (hereinafter – the "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 a 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 September 2015 and 31 December 2014 comprise the following:

| | 30 September 2015 | 31 December 2014 |
|---------------------------------------|--------------------------|-------------------------|
| Trade accounts payable | 81,848 | 65,624 |
| Dividends payable | 30,476 | 2,509 |
| Other accounts payable | 11,473 | 5,762 |
| Other current financial liabilities | 19,643 | 9,922 |
| Total trade and other payables | 143,440 | 83,817 |

17. Other Taxes Payable

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

| | 30 September 2015 | 31 December 2014 |
|----------------------------------|------------------------------|-----------------------------|
| Mineral extraction tax | 19,841 | 16,270 |
| VAT | 22,489 | 12,933 |
| Excise tax | 7,622 | 9,276 |
| Property tax | 2,366 | 2,389 |
| Other taxes | 5,542 | 4,920 |
| Total other taxes payable | 57,860 | 45,788 |

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

| | 3 months ended 30 September 2015 | 3 months ended 30 September 2014 | 9 months ended 30 September 2015 | 9 months ended 30 September 2014 |
|--|---|---|---|---|
| Mineral extraction tax | 63,052 | 59,995 | 204,236 | 182,240 |
| Excise tax | 19,691 | 24,406 | 53,432 | 64,653 |
| Property tax | 2,369 | 2,190 | 7,133 | 6,777 |
| Other taxes | 3,296 | 3,151 | 11,344 | 10,131 |
| Total taxes other than income tax | 88,408 | 89,742 | 276,145 | 263,801 |

18. Long-term Debt

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

| | 30 September 2015 | 31 December 2014 |
|--|------------------------------|-----------------------------|
| Bank loans | 336,445 | 258,087 |
| Bonds | 51,492 | 61,609 |
| Loan Participation Notes | 256,167 | 221,107 |
| Other borrowings | 3,405 | 3,498 |
| less current portion of long-term debt | (107,912) | (41,995) |
| Total long-term debt | 539,597 | 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 vary from 13.5% to 13.6% per annum respectively. In 2015 the Group borrowed RUB 25 billion under the agreements.

On 7 February 2012 the Group placed ten-year Rouble 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 in amount of RUB 9.6 billion.

In March 2015 the Group signed a long-term facility agreement in amount of USD 350 million (RUB 23.4 billion) with a Russian local bank. In August 2015 the Group signed additional agreements to the long-term facility agreements with an interest rate of LIBOR+5% per annum and date of repayment in September 2020. In September 2015 the Group borrowed USD 350 million (RUB 23.4 billion) under the agreement.

19. Net Foreign Exchange Loss

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

| | 3 months ended 30 September 2015 | 3 months ended 30 September 2014 | 9 months ended 30 September 2015 | 9 months ended 30 September 2014 |
|--|---|---|---|---|
| Net foreign exchange loss on financing activities, including: | (72,373) | (25,050) | (68,334) | (31,907) |
| foreign exchange gain | 9,683 | 16,212 | 46,795 | 36,064 |
| foreign exchange loss | (82,056) | (41,262) | (115,129) | (67,971) |
| Net foreign exchange gain on operating activities | 32,135 | 15,807 | 27,353 | 17,353 |
| Net foreign exchange loss | (40,238) | (9,243) | (40,981) | (14,554) |

During the period ended 30 September 2015 the exchange losses in the amount of RUB 4.4 billion (for period ended 30 September 2014 – RUB 3.1 billion) arising from foreign currency borrowings was capitalised within borrowing costs to the extent that are regarded as an adjustment to interest costs.

20. Finance Income

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

| | 3 months ended 30 September 2015 | 3 months ended 30 September 2014 | 9 months ended 30 September 2015 | 9 months ended 30 September 2014 |
|--|---|---|---|---|
| Interest income on cash and cash equivalents | 546 | 410 | 1,840 | 1,013 |
| Interest on bank deposits | 1,327 | 594 | 4,017 | 1,683 |
| Interest income on loans issued | 1,672 | 1,095 | 4,619 | 2,038 |
| Other financial income | 2 | - | 17 | - |
| Total finance income | 3,547 | 2,099 | 10,493 | 4,734 |

21. Finance Expense

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

| | 3 months ended 30 September 2015 | 3 months ended 30 September 2014 | 9 months ended 30 September 2015 | 9 months ended 30 September 2014 |
|--|---|---|---|---|
| Interest expense | 9,300 | 4,699 | 25,984 | 12,464 |
| Decommissioning provision: unwinding of discount | 560 | 435 | 1,696 | 1,312 |
| Less: capitalised interest | (2,197) | (1,241) | (6,279) | (4,041) |
| Total finance expense | 7,663 | 3,893 | 21,401 | 9,735 |

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 September 2015 the fair value of Bonds and Loan Participation Notes is RUB 281,229 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 information on the main restrictions related to sanctions was disclosed in the Consolidated Financial Statements as of and for the year ended 31 December 2014. There were no significant changes in sanctions during the nine months period ended 30 September 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 September 2015 the Group has entered into contracts to purchase property, plant and equipment for RUB 272,811 million (31 December 2014: RUB 203,749 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 September 2015 and 31 December 2014 the outstanding balances with related parties were as follows:

| 30 September 2015 | Parent company | Parent's subsidiaries and associates | Associates and joint ventures |
|--|-----------------------|---|--------------------------------------|
| Cash and cash equivalents | - | 11,016 | - |
| Short-term financial assets | - | 24,994 | 1,456 |
| Trade and other receivables | 2,221 | 2,539 | 14,406 |
| Other assets | 479 | 5,541 | 946 |
| Long-term financial assets | - | | 40,570 |
| Total assets | 2,700 | 44,090 | 57,378 |
| Short-term debt and other current financial liability | - | - | 1,411 |
| Trade and other payables | 28,897 | 5,985 | 3,976 |
| Other current liabilities | 2,107 | 56 | 23 |
| Long-term debt and other non-current financial liability | 62,096 | - | - |
| Total liabilities | 93,100 | 6,041 | 5,410 |

| 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 September 2015 and 2014 the following transactions occurred with related parties:

| 9 months ended 30 September 2015 | Parent company | Parent's subsidiaries and associates | Associates and joint ventures |
|--|----------------|--------------------------------------|-------------------------------|
| Crude oil, gas and oil products sales | 14,675 | 26,139 | 43,298 |
| Other revenue | 6 | 671 | 20,480 |
| Purchases of crude oil, gas and oil products | - | 30,195 | 77,457 |
| Production related services | 21 | 11,434 | 14,200 |
| Transportation costs | 4,427 | 1,398 | 4,852 |
| Interest income | 370 | 1,273 | 2,700 |

| 9 months ended 30 September 2014 | Parent company | Parent's subsidiaries and associates | Associates and joint ventures |
|--|----------------|--------------------------------------|-------------------------------|
| Crude oil, gas and oil products sales | 11,240 | 15,888 | 32,649 |
| Other revenue | 14 | 222 | 7,742 |
| Purchases of crude oil, gas and oil products | - | 26,267 | 67,590 |
| Production related services | 4 | 9,678 | 15,135 |
| Transportation costs | 3,833 | 1,457 | 1,696 |
| Interest income | - | 873 | 954 |

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

Transactions with Key Management Personnel

For the periods ended 30 September 2015 and 2014 the Group recognised RUB 1,076 million and RUB 1,066 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 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 September 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.

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.

| 9 months ended 30 September 2015 | Upstream | Downstream | Eliminations | Total |
|--|-----------------|-------------------|---------------------|------------------|
| Revenue from sales: | | | | |
| External customers | 52,886 | 1,046,934 | - | 1,099,820 |
| Inter-segment | 412,095 | 14,273 | (426,368) | - |
| Total revenue from sales | 464,981 | 1,061,207 | (426,368) | 1,099,820 |
| Adjusted EBITDA | 207,347 | 104,876 | - | 312,223 |
| Depreciation, depletion and amortisation | 50,672 | 19,818 | - | 70,490 |
| Capital expenditure | 184,764 | 49,473 | - | 234,238 |
| 9 months ended 30 September 2014 | Upstream | Downstream | Eliminations | Total |
| Revenue from sales: | | | | |
| External customers | 15,494 | 1,046,823 | - | 1,062,317 |
| Inter-segment | 363,599 | 6,787 | (370,386) | - |
| Total revenue from sales | 379,093 | 1,053,610 | (370,386) | 1,062,317 |
| Adjusted EBITDA | 141,652 | 143,884 | - | 285,536 |
| Depreciation, depletion and amortisation | 47,310 | 15,849 | - | 63,159 |
| Capital expenditure | 144,340 | 36,636 | - | 180,976 |

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

| 9 months ended 30 September 2015 | Russian Federation | CIS | Export and international operations | Total |
|--|---------------------------|---------------|--|------------------|
| Sales of crude oil | 61,230 | 22,219 | 131,389 | 214,838 |
| Sales of petroleum products | 561,821 | 57,835 | 328,047 | 947,703 |
| Sales of gas | 20,972 | - | 3,115 | 24,087 |
| Other sales | 46,638 | 1,571 | 4,071 | 52,280 |
| Less custom duties and sales related excises | - | (744) | (137,684) | (138,428) |
| Total revenue from sales | 690,661 | 80,881 | 328,938 | 1,100,480 |
| 9 months ended 30 September 2014 | | | | |
| Sales of crude oil | 30,017 | 12,122 | 151,580 | 193,719 |
| Sales of petroleum products | 544,906 | 46,788 | 408,400 | 1,000,094 |
| Sales of gas | 17,182 | - | 1,251 | 18,433 |
| Other sales | 30,119 | 1,007 | 2,783 | 33,909 |
| Less custom duties and sales related excises | - | (469) | (183,369) | (183,838) |
| Total revenue from sales | 622,224 | 59,448 | 380,645 | 1,062,317 |

| | Russian Federation | CIS | Export and international operations | Total |
|---|---------------------------|------------|--|--------------|
| Non-current assets as of 30 September 2015 | 1,474,389 | 13,013 | 303,742 | 1,791,145 |
| Capital expenditures for period ended 30 September 2015 | 202,886 | 687 | 30,664 | 234,238 |
| Non-current assets as of 31 December 2014 | 1,288,625 | 15,332 | 253,751 | 1,557,708 |
| Capital expenditures for period ended 30 September 2014 | 154,559 | 934 | 25,483 | 180,976 |

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

| | 3 months ended 30 September 2015 | 3 months ended 30 September 2014 | 9 months ended 30 September 2015 | 9 months ended 30 September 2014 |
|---|---|---|---|---|
| Profit for the period | 20,090 | 52,579 | 133,294 | 143,079 |
| Total income tax expense | 1,508 | 9,244 | 23,813 | 30,377 |
| Finance expense | 7,663 | 3,893 | 21,401 | 9,735 |
| Finance income | (3,547) | (2,099) | (10,493) | (4,734) |
| Depreciation, depletion and amortisation | 24,623 | 21,944 | 70,490 | 63,159 |
| Net foreign exchange loss | 40,238 | 9,243 | 40,981 | 14,554 |
| Other loss / (gain), net | 5,899 | 2,341 | (7,243) | 3,846 |
| EBITDA | 96,474 | 97,145 | 272,243 | 260,016 |
| less share of profit of associates and joint ventures | (6,984) | (84) | (24,249) | (4,576) |
| add share of EBITDA of associates and joint ventures | 22,967 | 10,092 | 64,229 | 30,096 |
| Total adjusted EBITDA | 112,457 | 107,153 | 312,223 | 285,536 |

The Group's office is

3-5 Pochtamtskaya 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

Investor Relations

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

Email: ir@gazprom-neft.ru