

ФБК | 25 лет

PJSC GAZPROM

**IFRS CONSOLIDATED INTERIM
CONDENSED FINANCIAL
INFORMATION
(UNAUDITED)**

30 September 2015

Moscow | 2015



Contents

Report on Review of Consolidated Interim Condensed Financial Information	3
Consolidated Interim Condensed Balance Sheet	4
Consolidated Interim Condensed Statement of Comprehensive Income	5
Consolidated Interim Condensed Statement of Cash Flows	6
Consolidated Interim Condensed Statement of Changes in Equity	7
Notes to the Consolidated Interim Condensed Financial Information:	
1 Nature of operations	8
2 Economic environment in the Russian Federation	8
3 Basis of presentation	8
4 Summary of significant accounting policies and accounting estimates	9
5 Segment information	10
6 Cash and cash equivalents	15
7 Accounts receivables and prepayments	15
8 Inventories	15
9 Property, plant and equipment	16
10 Investments in associated undertakings and joint ventures	17
11 Long-term accounts receivables and prepayments	19
12 Other non-current assets	19
13 Long-term borrowings, promissory notes	19
14 Profit tax	22
15 Equity	22
16 Sales	23
17 Operating expenses	23
18 Finance income and expenses	24
19 Basic and diluted earnings per share, attributable to owners of PJSC Gazprom	24
20 Provisions for liabilities and charges	24
21 Fair value of financial instruments	25
22 Acquisition of subsidiaries	27
23 Related parties	29
24 Commitments and contingencies	35
25 Post balance sheet events	38

FBK

44/1 Myasnitskay st. Moscow, Russia101990

T +7 (495) 737 5353| +7 (495) 737 5347

www.fbk.ru

Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and Board of Directors of PJSC Gazprom

Introduction

We have reviewed the accompanying consolidated interim condensed balance sheet of PJSC Gazprom as of 30 September 2015 and the related consolidated interim condensed statements of comprehensive income for the three-month and nine-month periods then ended, and of cash flows and changes in equity for the nine-month period then ended. Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Accounting Standard 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this consolidated interim condensed financial information 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 consolidated interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 Interim Financial Reporting.

President of FBK, LLC

S.M. Shapiguzov

(on the ground of the Charter)

28 December 2015
Moscow, Russian Federation



PJSC GAZPROM
CONSOLIDATED INTERIM CONDENSED BALANCE SHEET (UNAUDITED)
AS OF 30 SEPTEMBER 2015
(in millions of Russian Rubles)

Notes	30 September 2015	31 December 2014
Assets		
Current assets		
6	1,125,162	1,038,191
	Restricted cash	1,360
21	10,257	10,735
7	989,275	1,045,936
8	821,095	671,916
	VAT recoverable	201,991
	Other current assets	487,335
	3,636,475	3,461,155
Non-current assets		
9	10,543,280	9,950,209
	Goodwill	107,236
10	780,976	677,216
11	636,792	436,468
21	239,974	201,824
12	433,092	346,377
	12,741,350	11,716,315
	Total assets	16,377,825
Liabilities and equity		
Current liabilities		
	1,128,994	1,217,141
	Current profit tax payable	11,449
	Other tax payable	169,296
	Short-term borrowings, promissory notes and current portion of long-term borrowings	679,888
	1,989,627	1,855,947
Non-current liabilities		
13	2,467,993	2,224,042
20	374,299	297,106
14	644,283	594,098
	Other non-current liabilities	112,509
	3,599,084	3,201,502
	Total liabilities	5,588,711
Equity		
15	325,194	325,194
15	(103,919)	(103,919)
	Retained earnings and other reserves	10,245,454
	10,466,729	9,816,558
	Non-controlling interest	322,385
	Total equity	10,789,114
	Total liabilities and equity	16,377,825


A.B. Miller
Chairman of the Management Committee
28 December 2015

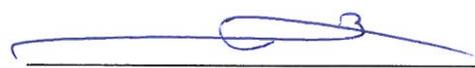

E.A. Vasilieva
Chief Accountant
28 December 2015

The accompanying notes on pages 8 to 38 are an integral part of this consolidated interim condensed financial information.

PJSC GAZPROM
CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2015
(in millions of Russian Rubles)

Notes	Three months ended 30 September		Nine months ended 30 September		
	2015	2014	2015	2014	
16	Sales	1,292,765	1,133,590	4,206,217	4,007,522
	Net gain (loss) from trading activity	16,273	(4,474)	8,320	9,903
17	Operating expenses	<u>(947,569)</u>	<u>(770,165)</u>	<u>(3,171,784)</u>	<u>(3,018,824)</u>
	Operating profit	361,469	358,951	1,042,753	998,601
18	Finance income	81,702	24,033	1,145,005	189,629
18	Finance expense	(471,746)	(283,343)	(1,421,168)	(501,883)
10	Share of net income of associated undertakings and joint ventures	31,766	23,609	93,181	71,493
	Gains (losses) on disposal of available-for-sale financial assets	<u>4,636</u>	<u>(955)</u>	<u>5,066</u>	<u>(981)</u>
	Profit before profit tax	7,827	122,295	864,837	756,859
	Current profit tax expense	(7,639)	(16,502)	(130,177)	(141,027)
	Deferred profit tax (expense) income	<u>(1,173)</u>	<u>1,635</u>	<u>(44,389)</u>	<u>(43,178)</u>
	Profit tax expense	(8,812)	(14,867)	(174,566)	(184,205)
	(Loss) profit for the period	(985)	107,428	690,271	572,654
	Other comprehensive income (loss):				
	Items that will not be reclassified to profit or loss:				
20	Remeasurements of post-employment benefit obligations	<u>34,224</u>	<u>(60,060)</u>	<u>(84,204)</u>	<u>(66,523)</u>
	Total items that will not be reclassified to profit or loss	34,224	(60,060)	(84,204)	(66,523)
	Items that may be reclassified subsequently to profit or loss:				
	Gains (losses) arising from change in fair value of available-for-sale financial assets, net of tax	8,511	(3,220)	47,294	(12,070)
	Share of other comprehensive income (loss) of associated undertakings and joint ventures	14,514	(1,806)	26,133	(5,209)
	Translation differences	233,749	129,112	164,804	142,779
	Losses from cash flow hedges, net of tax	<u>(18,255)</u>	<u>(9,770)</u>	<u>(4,777)</u>	<u>(16,741)</u>
	Total items that may be reclassified subsequently to profit or loss	238,519	114,316	233,454	108,759
	Other comprehensive income for the period, net of tax	272,743	54,256	149,250	42,236
	Total comprehensive income for the period	271,758	161,684	839,521	614,890
	(Loss) profit attributable to:				
	Owners of PJSC Gazprom	(2,000)	105,676	673,904	556,254
	Non-controlling interest	<u>1,015</u>	<u>1,752</u>	<u>16,367</u>	<u>16,400</u>
		(985)	107,428	690,271	572,654
	Total comprehensive income attributable to:				
	Owners of PJSC Gazprom	258,435	157,448	815,437	595,918
	Non-controlling interest	<u>13,323</u>	<u>4,236</u>	<u>24,084</u>	<u>18,972</u>
		271,758	161,684	839,521	614,890
19	Basic and diluted earnings per share for (loss) profit attributable to the owners of PJSC Gazprom (in Russian Rubles)	(0.09)	4.60	29.36	24.24

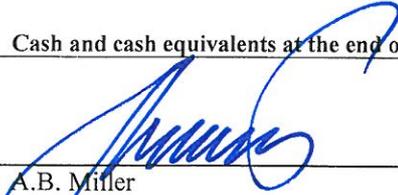

A.B. Miller
Chairman of the Management Committee
28 December 2015


E.A. Vasilieva
Chief Accountant
28 December 2015

The accompanying notes on pages 8 to 38 are an integral part of this consolidated interim condensed financial information.

PJSC GAZPROM
CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015
(in millions of Russian Rubles)

Notes	Nine months ended 30 September	
	2015	2014
	Cash flows from operating activities	
	864,837	756,859
	Profit before profit tax	
	Adjustments to profit before profit tax for:	
17	380,041	345,081
	Depreciation	
18	276,163	312,254
	Net finance expenses	
10	(93,181)	(71,493)
	Share of net income of associated undertakings and joint ventures	
	79,720	164,893
	Charge for provisions	
17	(21,625)	11,487
	Derivatives (gains) losses	
	(15,896)	(31,839)
	Other	
	605,222	730,383
	Total effect of adjustments	
	1,470,059	1,487,242
	Cash flows from operating activities before working capital changes	
	(1,835)	394
	(Increase) decrease in non-current assets	
	(503)	4,465
	(Decrease) increase in non-current liabilities	
	47,523	13,990
	Changes in working capital	
	(119,913)	(205,936)
	Profit tax paid	
	1,395,331	1,300,155
	Net cash from operating activities	
	Cash flows from investing activities	
	(1,165,551)	(930,005)
	Capital expenditures	
18	(89,754)	(54,924)
	Interest paid and capitalised	
	(43,371)	(45,269)
	Net change in loans issued	
	24,672	(18,926)
	Acquisition of subsidiaries, net of cash acquired	
	(1,240)	(71,782)
	Investments in associated undertakings and joint arrangements	
	39,895	32,148
	Interest received	
	(27,480)	1,574
	Change in available-for-sale long-term financial assets	
	52,265	90,147
	Proceeds from associated undertakings and joint ventures	
	-	(20,000)
	Long-term bank deposits placement	
	20,050	710
	Repayment of long-term bank deposits	
	(15,844)	(1,584)
	Other	
	(1,206,358)	(1,017,911)
	Net cash used in investing activities	
	Cash flows from financing activities	
	370,157	245,012
	Proceeds from long-term borrowings	
	(290,833)	(269,684)
	Repayment of long-term borrowings (including current portion of long-term borrowings)	
	123,760	49,046
	Proceeds from short-term borrowings	
	(125,400)	(44,930)
	Repayment of short-term borrowings	
	(202,957)	(175,283)
	Dividends paid	
18	(28,718)	(31,477)
	Interest paid	
	(123)	(13,327)
	Acquisition of non-controlling interests in subsidiaries	
	725	(1,209)
	Change in restricted cash	
	(153,389)	(241,852)
	Net cash used in financing activities	
	51,387	24,245
	Effect of foreign exchange rate changes on cash and cash equivalents	
	86,971	64,637
	Increase in cash and cash equivalents	
6	1,038,191	689,130
	Cash and cash equivalents at the beginning of reporting period	
6	1,125,162	753,767
	Cash and cash equivalents at the end of reporting period	


A.B. Miller
Chairman of the Management Committee
28 December 2015


E.A. Vasilieva
Chief Accountant
28 December 2015

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PJSC GAZPROM
CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015
(in millions of Russian Rubles)

Notes	Attributable to the owners of PJSC Gazprom							
	Number of shares out- standing (billions)	Share capital	Treasury shares	Retained earnings and other reserves	Total	Non- controlling interest	Total equity	
Nine months ended 30 September 2014								
	Balance as of 31 December 2013	23.0	325,194	(103,919)	9,098,315	9,319,590	314,764	9,634,354
	Profit for the period		-	-	556,254	556,254	16,400	572,654
20	Other comprehensive income (loss):							
	Remeasurements of post-employment benefit obligations		-	-	(66,523)	(66,523)	-	(66,523)
	Losses arising from change in fair value of available-for-sale financial assets, net of tax		-	-	(12,060)	(12,060)	(10)	(12,070)
	Share of other comprehensive loss of associated undertakings and joint ventures		-	-	(5,209)	(5,209)	-	(5,209)
	Translation differences		-	-	139,564	139,564	3,215	142,779
	Losses from cash flow hedges, net of tax		-	-	(16,108)	(16,108)	(633)	(16,741)
	Total comprehensive income for the nine months ended 30 September 2014		-	-	595,918	595,918	18,972	614,890
	Changes in non-controlling interest in subsidiaries		-	-	(4,761)	(4,761)	(13,534)	(18,295)
	Return of social assets to governmental authorities		-	-	(54)	(54)	-	(54)
	Dividends declared		-	-	(165,247)	(165,247)	(11,291)	(176,538)
	Balance as of 30 September 2014	23.0	325,194	(103,919)	9,524,171	9,745,446	308,911	10,054,357
Nine months ended 30 September 2015								
	Balance as of 31 December 2014	23.0	325,194	(103,919)	9,595,283	9,816,558	303,463	10,120,021
	Profit for the period		-	-	673,904	673,904	16,367	690,271
20	Other comprehensive income (loss):							
	Remeasurements of post-employment benefit obligations		-	-	(84,204)	(84,204)	-	(84,204)
	Gains (losses) arising from change in fair value of available-for-sale financial assets, net of tax		-	-	47,300	47,300	(6)	47,294
	Share of other comprehensive income of associated undertakings and joint ventures		-	-	26,133	26,133	-	26,133
	Translation differences		-	-	156,903	156,903	7,901	164,804
	Losses from cash flow hedges, net of tax		-	-	(4,599)	(4,599)	(178)	(4,777)
	Total comprehensive income for the nine months ended 30 September 2015		-	-	815,437	815,437	24,084	839,521
	Changes in non-controlling interest in subsidiaries		-	-	-	-	1,051	1,051
	Return of social assets to governmental authorities		-	-	(19)	(19)	-	(19)
	Dividends declared		-	-	(165,247)	(165,247)	(6,213)	(171,460)
	Balance as of 30 September 2015	23.0	325,194	(103,919)	10,245,454	10,466,729	322,385	10,789,114


A.B. Miller
Chairman of the Management Committee
28 December 2015


E.A. Vasilieva
Chief Accountant
28 December 2015

The accompanying notes on pages 8 to 38 are an integral part of this consolidated interim condensed financial information.

PJSC GAZPROM
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

1 NATURE OF OPERATIONS

Public Joint Stock Company Gazprom (PJSC Gazprom) and its subsidiaries (the “Group”) operate one of the largest gas pipeline systems in the world, are responsible for the major part of gas production and high pressure gas transportation in the Russian Federation. The Group is a major supplier of gas to European countries. The Group is also engaged in oil production, refining activities, electric and heat energy generation. The Government of the Russian Federation is the ultimate controlling party of PJSC Gazprom and has a controlling interest (including both direct and indirect ownership) of over 50 % in PJSC Gazprom.

The Group is involved in the following principal activities:

- exploration and production of gas;
- transportation of gas;
- sales of gas within Russian Federation and abroad;
- gas storage;
- production of crude oil and gas condensate;
- processing of oil, gas condensate and other hydrocarbons, and sales of refined products;
- electric and heat energy generation and sales.

Other activities primarily include production of other goods, works and services.

The gas business is subject to seasonal fluctuations with peak demand in the first and fourth quarters of each year. Typically approximately 20 % and 70 % of total annual gas volumes are shipped in the three and nine months ended 30 September, respectively.

On 17 July 2015 Open Joint Stock Company Gazprom was renamed into Public Joint Stock Company Gazprom. The change in the Company’s legal status is reflected in the new version of the Articles of Association approved by the annual General Shareholders Meeting. The Company’s name was changed with a view to bring it in line with the provisions of Chapter IV of the Civil Code of the Russian Federation.

2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

The Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation.

The political and economic instability, situation in Ukraine, the current impact and ongoing situation with sanctions, uncertainty and volatility of the financial and trade markets and other risks have had and may continue to have effects on the Russian economy.

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. The future economic and regulatory situation and its impact on the Group’s operations may differ from management’s current expectations.

3 BASIS OF PRESENTATION

This consolidated interim condensed financial information is prepared in accordance with IAS 34 Interim Financial Reporting. The consolidated interim condensed financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards (“IFRS”).

The official Russian Ruble (“RUB”) to US Dollar (“USD”) foreign exchange rates as determined by the Central Bank of the Russian Federation were as follows:

- as of 30 September 2015 – 66.24 (as of 30 September 2014 – 39.39);
- as of 31 December 2014 – 56.26 (as of 31 December 2013 – 32.73).

The official RUB to Euro (“EUR”) foreign exchange rates as determined by the Central Bank of the Russian Federation were as follows:

- as of 30 September 2015 – 74.58 (as of 30 September 2014 – 49.95);
- as of 31 December 2014 – 68.34 (as of 31 December 2013 – 44.97).

PJSC GAZPROM
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The principal accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2014.

Profit tax in the interim periods is accrued using a tax rate that would be applicable to expected total annual earnings.

Application of new IFRSs

A number of amendments to current IFRSs and new IFRICs became effective for the periods beginning on or after 1 January 2015:

- Amendments to IAS 19 Employee benefit. The amendments allow entities to recognize employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service;
- Annual amendments to IFRSs 2012, 2013 and 2014.

The Group has reviewed amended standards while preparing this consolidated interim condensed financial information. The amended standards have no significant impact on the Group's consolidated interim condensed financial information.

Standards and Amendments to existing Standards that are not yet effective and have not been early adopted by the Group

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016. In particular, the Group has not early adopted the standards and amendments:

- The amendments to IFRS 11 Joint Arrangements (issued in May 2014 and effective for annual periods beginning on or after 1 January 2016) on accounting for acquisitions of interests in joint operations. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.
- The amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (issued in May 2014 and effective for annual periods beginning on or after 1 January 2016) on clarification of acceptable methods of depreciation and amortization. In this amendment the International Accounting Standards Board clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- IFRS 15 Revenue from Contracts with Customers (issued in May 2014 and effective for annual periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognized when the goods and services are transferred to the customer, at the transaction price. Any bundled goods and services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be recognized as an asset and amortized over the period when the benefits of the contract are consumed.
- The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments eliminate an inconsistency between the requirements of IFRS 10 Consolidated Financial Statements and those of IAS 28 Investments in Associates and Joint Ventures in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

PJSC GAZPROM
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(continued)

- The amendments to IAS 1 Presentation of Financial Statements (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016). The standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The standard also provides new guidance on subtotals in financial statements.
- The amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (issued in August 2014 and effective for annual periods on or after 1 January 2016). These standards were amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 Consolidated Financial Statements in such ultimate or any intermediate parent's financial statements.
- The amendments to IFRS 9 Financial Instruments (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). IFRS 9 Financial Instruments replaces those parts of IAS 39 Financial Instruments: Recognition and Measurement relating to the classification and measurement of financial assets. Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortized cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 Financial Instruments or continuing to apply IAS 39 Financial Instruments: Recognition and Measurement to all hedging instruments because the standard currently does not address accounting for macro hedging.

The Group is currently assessing the impact of the amendments on its financial position and results of operations.

5 SEGMENT INFORMATION

The Group operates as a vertically integrated business with substantially all external gas sales generated by the Distribution segment.

The Board of Directors and Management Committee of PJSC Gazprom (the Governing bodies) provide general management of the Group, an assessment of the operating results and allocate resources using different internal financial information.

Based on that the following reportable segments within the Group were determined:

- Production of gas – exploration and production of gas;
- Transport – transportation of gas;
- Distribution – sales of gas within Russian Federation and abroad;
- Gas storage – storage of extracted and purchased gas in underground gas storages;
- Production of crude oil and gas condensate – exploration and production of oil and gas condensate, sales of crude oil and gas condensate;
- Refining – processing of oil, gas condensate and other hydrocarbons, and sales of refined products;
- Electric and heat energy generation and sales.

Other activities have been included within “All other segments” column.

PJSC GAZPROM
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

5 SEGMENT INFORMATION (continued)

The inter-segment sales mainly consist of:

- Production of gas – sales of gas to the Distribution and Refining segments;
- Transport – rendering transportation services to the Distribution segment;
- Distribution – sales of gas to the Transport segment for own needs and to the Electric and heat energy generation and sales segment;
- Gas storage – sales of gas storage services to the Distribution segment;
- Production of crude oil and gas condensate – sales of oil and gas condensate to the Refining segment for further processing;
- Refining – sales of refined hydrocarbon products to other segments.

Internal transfer prices, mostly for Production of gas, Transport and Gas storage segments, are established by the management of the Group with the objective of providing specific funding requirements of the individual subsidiaries within each segment.

The Governing bodies assess the performance, assets and liabilities of the operating segments based on the internal financial reporting. The effects of certain non-recurring transactions and events, such as business acquisitions, and the effects of some adjustments that may be considered necessary to reconcile the internal financial information to IFRS consolidated financial statements are not included within the operating segments which are reviewed by the Governing bodies on a central basis. Gains and losses on available-for-sale financial assets and financial income and expenses are also not allocated to the operating segments.

PJSC GAZPROM
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

5 SEGMENT INFORMATION (continued)

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
<u>Nine months ended 30 September 2015</u>									
Total segment revenues	<u>518,220</u>	<u>765,600</u>	<u>2,411,385</u>	<u>35,099</u>	<u>656,795</u>	<u>1,182,605</u>	<u>291,603</u>	<u>189,160</u>	<u>6,050,467</u>
Inter-segment sales	504,976	626,532	151,509	33,549	472,159	7,527	-	-	1,796,252
External sales	13,244	139,068	2,259,876	1,550	184,636	1,175,078	291,603	189,160	4,254,215
Segment result	<u>38,343</u>	<u>39,024</u>	<u>486,969</u>	<u>5,426</u>	<u>84,560</u>	<u>162,659</u>	<u>18,150</u>	<u>(21,824)</u>	<u>813,307</u>
Depreciation	126,732	341,342	11,972	16,860	70,673	26,221	28,954	23,817	646,571
Share of net income (loss) of associated undertakings and joint ventures	5,280	14,317	15,870	(558)	68,709	3,292	(43)	(13,686)	93,181
<u>Nine months ended 30 September 2014</u>									
Total segment revenues	<u>491,332</u>	<u>718,370</u>	<u>2,236,308</u>	<u>32,599</u>	<u>537,074</u>	<u>1,234,156</u>	<u>291,941</u>	<u>149,987</u>	<u>5,691,767</u>
Inter-segment sales	479,084	593,091	164,152	30,713	384,680	7,646	-	-	1,659,366
External sales	12,248	125,279	2,072,156	1,886	152,394	1,226,510	291,941	149,987	4,032,401
Segment result	<u>26,718</u>	<u>54,610</u>	<u>501,542</u>	<u>7,061</u>	<u>59,606</u>	<u>201,296</u>	<u>18,776</u>	<u>(27,228)</u>	<u>842,381</u>
Depreciation	104,824	281,592	10,759	13,880	56,413	30,741	27,730	21,828	547,767
Share of net income (loss) of associated undertakings and joint ventures	2,963	8,256	7,902	(80)	47,641	2,167	(21)	2,665	71,493
<u>Three months ended 30 September 2015</u>									
Total segment revenues	<u>173,932</u>	<u>275,721</u>	<u>685,622</u>	<u>13,116</u>	<u>251,396</u>	<u>416,232</u>	<u>73,875</u>	<u>66,872</u>	<u>1,956,766</u>
Inter-segment sales	169,489	227,274	35,707	12,361	197,412	2,757	-	-	645,000
External sales	4,443	48,447	649,915	755	53,984	413,475	73,875	66,872	1,311,766
Segment result	<u>29,902</u>	<u>16,210</u>	<u>90,387</u>	<u>2,416</u>	<u>64,089</u>	<u>35,316</u>	<u>(14,743)</u>	<u>(7,637)</u>	<u>215,940</u>
Depreciation	42,131	113,419	3,577	5,626	23,816	9,677	9,786	9,481	217,513
Share of net income (loss) of associated undertakings and joint ventures	1,294	3,766	4,605	(294)	24,242	914	(34)	(2,727)	31,766
<u>Three months ended 30 September 2014</u>									
Total segment revenues	<u>153,895</u>	<u>246,956</u>	<u>529,512</u>	<u>12,198</u>	<u>168,064</u>	<u>435,119</u>	<u>73,258</u>	<u>46,830</u>	<u>1,665,832</u>
Inter-segment sales	149,334	204,398	36,340	11,580	120,468	2,241	-	-	524,361
External sales	4,561	42,558	493,172	618	47,596	432,878	73,258	46,830	1,141,471
Segment result	<u>12,333</u>	<u>26,683</u>	<u>185,958</u>	<u>3,239</u>	<u>12,896</u>	<u>98,799</u>	<u>(5,213)</u>	<u>(10,528)</u>	<u>324,167</u>
Depreciation	35,028	93,698	3,083	4,569	20,310	10,091	9,885	6,872	183,536
Share of net income (loss) of associated undertakings and joint ventures	954	5,569	1,779	(96)	13,379	469	(32)	1,587	23,609

PJSC GAZPROM
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

5 SEGMENT INFORMATION (continued)

A reconciliation of total reportable segments' results to total profit before profit tax in the consolidated interim condensed statement of comprehensive income is provided as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	2015	2014
Segment result for reportable segments	223,577	334,695	835,131	869,609
Other segments' result	(7,637)	(10,528)	(21,824)	(27,228)
Segment result	215,940	324,167	813,307	842,381
Difference in depreciation ¹	88,107	67,239	266,530	202,686
Expenses associated with pension obligations	(1,756)	(2,942)	(5,476)	(7,303)
Net finance expense	(390,044)	(259,310)	(276,163)	(312,254)
Gains (losses) on disposal of available-for-sale financial assets	4,636	(955)	5,066	(981)
Share of net income of associated undertakings and joint ventures	31,766	23,609	93,181	71,493
Derivatives gains (losses)	5,579	(2,033)	21,625	(11,487)
Charity and financial aid	(5,134)	(5,138)	(11,621)	(17,840)
Other	58,733	(22,342)	(41,612)	(9,836)
Profit before profit tax	7,827	122,295	864,837	756,859

¹ The difference in depreciation relates to adjustments of statutory fixed assets to comply with IFRS, such as reversal of revaluation of fixed assets recorded under Russian statutory accounting or accounting for historical hyperinflation which is not recorded under Russian statutory accounting.

A reconciliation of reportable segments' external sales to sales in the consolidated interim condensed statement of comprehensive income is provided as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	2015	2014
External sales for reportable segments	1,244,894	1,094,641	4,065,055	3,882,414
External sales for other segments	66,872	46,830	189,160	149,987
Total external segment sales	1,311,766	1,141,471	4,254,215	4,032,401
Differences in external sales ¹	(19,001)	(7,881)	(47,998)	(24,879)
Total sales per the consolidated interim condensed statement of comprehensive income	1,292,765	1,133,590	4,206,217	4,007,522

¹ The difference in external sales relates to adjustments of statutory sales to comply with IFRS, such as netting of sales of materials to subcontractors recorded under Russian statutory accounting and other adjustments.

Substantially all of the Group's operating assets are located in the Russian Federation. Segment assets consist primarily of property, plant and equipment, accounts receivable and prepayments, investments in associated undertakings and joint ventures and inventories. Cash and cash equivalents, restricted cash, VAT recoverable, goodwill, financial assets and other current and non-current assets are not considered to be segment assets but rather are managed on a central basis.

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
30 September 2015									
Segment assets	2,328,562	6,144,438	1,598,360	289,380	1,787,705	1,913,766	796,213	693,042	15,551,466
Investments in associated undertakings and joint ventures	18,899	137,731	43,425	6,351	451,396	21,940	370	100,864	780,976
Capital additions ¹	102,452	280,503	9,938	17,205	196,039	110,202	48,840	39,283	804,462
31 December 2014									
Segment assets	2,276,369	6,088,335	1,454,300	280,762	1,896,609	1,378,295	799,914	661,507	14,836,091
Investments in associated undertakings and joint ventures	13,178	123,594	54,083	7,017	346,373	20,063	414	112,494	677,216
Capital additions ²	254,881	434,433	23,709	15,530	227,421	135,158	82,019	48,177	1,221,328

¹ Capital additions for the nine months ended 30 September 2015.

² Capital additions for the year ended 31 December 2014.

PJSC GAZPROM
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

5 SEGMENT INFORMATION (continued)

Reportable segments' assets are reconciled to total assets in the consolidated interim condensed balance sheet as follows:

	30 September 2015	31 December 2014
Segment assets for reportable segments	14,858,424	14,174,584
Other segments' assets	<u>693,042</u>	<u>661,507</u>
Total segment assets	15,551,466	14,836,091
Differences in property, plant and equipment, net ¹	(1,813,080)	(2,070,873)
Loan interest capitalised	574,295	467,373
Decommissioning costs	47,216	47,287
Cash and cash equivalents	1,125,162	1,038,191
Restricted cash	1,360	2,085
Short-term financial assets	10,257	10,735
VAT recoverable	201,991	289,287
Other current assets	487,335	403,005
Available-for-sale long-term financial assets	239,974	201,824
Goodwill	107,236	104,221
Other non-current assets	433,092	346,377
Inter-segment assets	(908,880)	(757,684)
Other	<u>320,401</u>	<u>259,551</u>
Total assets per the consolidated interim condensed balance sheet	16,377,825	15,177,470

¹ The difference in property, plant and equipment relates to adjustments of statutory fixed assets to comply with IFRS, such as reversal of revaluation of fixed assets recorded under Russian statutory accounting or accounting for historical hyperinflation which is not recorded under Russian statutory accounting.

Segment liabilities mainly comprise operating liabilities. Profit tax payable, deferred tax liabilities, provisions for liabilities and charges, short-term and long-term borrowings, including current portion of long-term borrowings, short-term and long-term promissory notes payable and other non-current liabilities are managed on a central basis.

Segment liabilities:

	30 September 2015	31 December 2014
Distribution	650,884	686,824
Production of crude oil and gas condensate	427,363	323,068
Refining	293,412	247,737
Transport	250,301	351,566
Production of gas	115,381	146,755
Electric and heat energy generation and sales	67,286	78,438
Gas storage	6,959	18,352
Other segments	<u>192,976</u>	<u>130,044</u>
Total	2,004,562	1,982,784

Reportable segments' liabilities are reconciled to total liabilities in the consolidated interim condensed balance sheet as follows:

	30 September 2015	31 December 2014
Segment liabilities for reportable segments	1,811,586	1,852,740
Other segments' liabilities	<u>192,976</u>	<u>130,044</u>
Total segment liabilities	2,004,562	1,982,784
Current profit tax payable	11,449	8,402
Short-term borrowings, promissory notes and current portion of long-term borrowings	679,888	464,782
Long-term borrowings and promissory notes	2,467,993	2,224,042
Provisions for liabilities and charges	374,299	297,106
Deferred tax liabilities	644,283	594,098
Other non-current liabilities	112,509	86,256
Dividends	6,080	4,759
Inter-segment liabilities	(908,880)	(757,684)
Other	<u>196,528</u>	<u>152,904</u>
Total liabilities per the consolidated interim condensed balance sheet	5,588,711	5,057,449

PJSC GAZPROM
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

6 CASH AND CASH EQUIVALENTS

Balances included within cash and cash equivalents in the consolidated interim condensed balance sheet represent cash on hand, balances with banks and term deposits with original maturity of three months or less.

	30 September 2015	31 December 2014
Cash on hand and bank balances payable on demand	1,023,022	969,440
Term deposits with original maturity of three months or less	<u>102,140</u>	<u>68,751</u>
	1,125,162	1,038,191

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 September 2015	31 December 2014
Trade receivables	597,554	683,967
Prepayments and advances	121,543	132,477
Other receivables	<u>270,178</u>	<u>229,492</u>
	989,275	1,045,936

Accounts receivable and prepayments are presented net of impairment provision of RUB 792,315 million and RUB 646,122 million as of 30 September 2015 and 31 December 2014, respectively.

Accounts receivable due from NJSC Naftogaz Ukraine in relation to gas sales are RUB 930 million and RUB nil million net of impairment provision of RUB 162,088 million and RUB 123,874 million as of 30 September 2015 and 31 December 2014, respectively.

8 INVENTORIES

Inventories are presented net of provision for obsolescence of RUB 5,982 million and RUB 6,888 million as of 30 September 2015 and 31 December 2014, respectively.

PJSC GAZPROM
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

9 PROPERTY, PLANT AND EQUIPMENT

	Total production assets (including production licenses)	Social assets	Assets under construction	Total
As of 31 December 2013				
Cost	10,942,398	94,737	1,822,794	12,859,929
Accumulated depreciation	<u>(3,886,334)</u>	<u>(33,507)</u>	-	<u>(3,919,841)</u>
Net book value as of 31 December 2013	7,056,064	61,230	1,822,794	8,940,088
Nine months ended 30 September 2014				
Net book value as of 31 December 2013	7,056,064	61,230	1,822,794	8,940,088
Depreciation	(344,901)	(1,964)	-	(346,865)
Additions	67,427	121	734,658	802,206
Acquisition of subsidiaries	9,406	-	396	9,802
Translation differences	42,648	15	3,936	46,599
Transfers	291,665	1,472	(293,137)	-
Disposals	(16,269)	(880)	(9,755)	(26,904)
Charge for impairment provision	-	-	<u>(77)</u>	<u>(77)</u>
Net book value as of 30 September 2014	7,106,040	59,994	2,258,815	9,424,849
Three months ended 31 December 2014				
Net book value as of 30 September 2014	7,106,040	59,994	2,258,815	9,424,849
Depreciation	(119,941)	(656)	-	(120,597)
Additions	64,868	1,243	485,774	551,885
Acquisition of subsidiaries	6,952	-	127,721	134,673
Translation differences	118,067	7	14,310	132,384
Transfers	759,971	24	(759,995)	-
Disposals	(80,107)	(1,243)	(15,248)	(96,598)
Charge for impairment provision	<u>(75,432)</u>	-	<u>(955)</u>	<u>(76,387)</u>
Net book value as of 31 December 2014	7,780,418	59,369	2,110,422	9,950,209
As of 31 December 2014				
Cost	12,150,747	94,965	2,110,422	14,356,134
Accumulated depreciation	<u>(4,370,329)</u>	<u>(35,596)</u>	-	<u>(4,405,925)</u>
Net book value as of 31 December 2014	7,780,418	59,369	2,110,422	9,950,209
Nine months ended 30 September 2015				
Net book value as of 31 December 2014	7,780,418	59,369	2,110,422	9,950,209
Depreciation	(378,954)	(1,968)	-	(380,922)
Additions	57,849	33	866,359	924,241
Acquisition of subsidiaries	36,041	-	12,106	48,147
Translation differences	55,578	(6)	23,188	78,760
Transfers	281,053	-	(281,053)	-
Disposals	(26,643)	(304)	(48,712)	(75,659)
Charge for impairment provision	-	-	<u>(1,496)</u>	<u>(1,496)</u>
Net book value as of 30 September 2015	7,805,342	57,124	2,680,814	10,543,280
As of 30 September 2015				
Cost	12,608,380	94,337	2,680,814	15,383,531
Accumulated depreciation	<u>(4,803,038)</u>	<u>(37,213)</u>	-	<u>(4,840,251)</u>
Net book value as of 30 September 2015	7,805,342	57,124	2,680,814	10,543,280

Production assets are shown net of provision for impairment of RUB 129,479 million as of 30 September 2015 and 31 December 2014. Assets under construction are presented net of provision for impairment of RUB 45,067 million and RUB 43,788 million as of 30 September 2015 and 31 December 2014, respectively.

Included in the property, plant and equipment are social assets (such as rest houses, housing, schools and medical facilities) vested to the Group at privatisation with a net book value of RUB 286 million and RUB 336 million as of 30 September 2015 and 31 December 2014, respectively.

PJSC GAZPROM
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

10 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINT VENTURES

Notes			Carrying value as of		Share of net income (loss) of associated undertakings and joint ventures for the nine months ended 30 September	
			30 September 2015	31 December 2014	2015	2014
23, 24	Sakhalin Energy Investment Company Ltd.	Associate	229,794	153,418	48,141	43,760
23	OJSC NGK Slavneft and its subsidiaries	Joint venture	118,893	113,676	5,257	2,344
23	Gazprombank (Joint-stock Company) and its subsidiaries	Associate	85,460	95,999	(14,164)	1,971
23	LLC Yamal razvitie and its subsidiaries	Joint venture	72,383	60,215	12,168	(1,966)
23	Nord Stream AG	Joint venture	60,501	52,944	10,053	6,435
23	WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries ¹	Associate	43,254	39,139	3,749	3,684
23, 24	SGT EuRoPol GAZ S.A.	Associate	30,899	27,857	214	116
23	JSC Achimgaz ²	Joint venture	23,744	16,844	6,900	5,069
23	Wintershall AG	Associate	19,213	17,640	43	(19)
23	KazRosGaz LLP	Joint venture	18,167	19,215	8,699	4,808
23	Gasum OY and its subsidiaries	Associate	9,572	6,915	1,597	356
23	JSC Latvijas Gaze	Associate	8,096	7,611	452	222
23	CJSC Northgas	Joint venture	7,403	4,730	2,673	3,355
22, 23	W & G Beteiligungs-GmbH & Co. KG and its subsidiaries ³	-	-	6,249	4,966	1,038
23	AB Lietuvos dujos ⁴	Associate	-	-	-	491
	AB Amber Grid ⁴	Associate	-	-	-	60
22	Shtokman Development AG ⁵	-	-	-	-	(510)
	South Stream Transport B.V. and its subsidiaries ⁶	Joint venture	-	-	-	(2,174)
	Other (net of provision for impairment of RUB 2,304 million and RUB 1,929 million as of 30 September 2015 and 31 December 2014)		<u>53,597</u>	<u>54,764</u>	<u>2,433</u>	<u>2,453</u>
			780,976	677,216	93,181	71,493

¹ In May 2014 the shares in all gas transportation companies that belonged to W & G Beteiligungs-GmbH & Co. KG were transferred to WIGA Transport Beteiligungs-GmbH & Co. KG. As of 30 September 2015 WIGA Transport Beteiligungs-GmbH & Co. KG forms an independent subgroup of associated undertakings.

² In July 2015 CJSC Achimgaz was renamed into JSC Achimgaz with a view to bring the name of the company in line with the provisions of Chapter IV of the Civil Code of the Russian Federation.

³ In September 2015 W & G Beteiligungs-GmbH & Co. KG and its subsidiaries became the Group subsidiaries (see Note 22).

⁴ In accordance with the provisions of the Third Energy Package of the European Union regarding the split between the gas transmission and distribution activities in August 2013 AB Lietuvos dujos transferred assets, liabilities and rights related to gas transportation to AB Amber Grid, an associate of the Group. In June 2014 the Group sold its 37 % interests in associates, AB Lietuvos dujos and AB Amber Grid, to companies controlled by the Republic of Lithuania for EUR 121 million.

⁵ As of 31 December 2014 an impairment provision was created for investment in Shtokman Development AG in the amount of RUB 27,378 million. Respective expense is included in share of net income of associated undertakings and joint ventures in the consolidated statement of comprehensive income for the year ended 31 December 2014. In July 2015 Shtokman Development AG became a Group subsidiary (see Note 22).

⁶ In December 2014 the Group became the owner of 100 % interest in South Stream Transport B.V., the company responsible for the offshore part of the South Stream project, by acquiring shares of EDF International S.A.S., Wintershall Holding GmbH and ENI International B.V.

Summarized financial information on the Group's principal associated undertakings and joint ventures is presented in tables below.

The values, disclosed in the tables, represent total assets, liabilities, revenues, income (loss) of the Group's principal associated undertakings and joint ventures and not the Group's share.

The differences between the carrying value of investments in associated undertakings and joint ventures and the calculated Group's share in their net assets are mostly attributable to translation differences.

PJSC GAZPROM
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

10 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINT VENTURES (continued)

	Percent of share capital held	Country of primary operations	30 September 2015		For the nine months ended 30 September 2015	
			Assets	Liabilities	Revenues	Income (loss)
Gazprombank (Joint-stock Company) and its subsidiaries ¹	37 %	Russia	4,785,098	4,360,639	134,703	(38,114)
Sakhalin Energy Investment Company Ltd. ²	50 %	Russia	1,214,976	785,275	288,519	96,282
Nord Stream AG ³	51 %	Russia, Germany	523,517	402,869	53,873	19,711
LLC Yamal razvitie and its subsidiaries	50 %	Russia	419,101	301,629	90,012	23,031
OJSC NGK Slavneft and its subsidiaries	50 %	Russia	401,937	170,159	173,636	10,544
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	50 %	Germany	271,097	178,145	31,735	7,500
Gasum OY and its subsidiaries	25 %	Finland	107,604	65,545	45,965	6,513
SGT EuRoPol GAZ S.A.	48 %	Poland	78,078	13,704	14,522	639
Wintershall AG ⁴	49 %	Libya	77,945	48,878	4,677	88
JSC Achimgaz	50 %	Russia	62,112	13,515	20,404	13,797
CJSC Northgas	50 %	Russia	50,474	36,498	21,505	2,868
JSC Latvijas Gaze	34 %	Latvia	43,834	11,161	20,831	1,330
KazRosGaz LLP	50 %	Kazakhstan	40,738	4,408	41,506	17,394
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries ⁵		Germany	-	-	692,927	10,402

¹ Presented revenue of Gazprombank (Joint-stock Company) and its subsidiaries includes revenue of media business, machinery business and other non-banking companies.

² Country of incorporation is Bermuda Islands.

³ Country of incorporation is Switzerland.

⁴ Country of incorporation is Germany.

⁵ In September 2015 W & G Beteiligungs-GmbH & Co. KG and its subsidiaries became subsidiaries of the Group (see Note 22). Revenue and profit of these companies for the nine months ended 30 September 2015 were disclosed until the date of obtaining the control of these associated undertakings.

	Percent of share capital held	Country of primary operations	30 September 2014		For the nine months ended 30 September 2014	
			Assets	Liabilities	Revenues	Income (loss)
Gazprombank (Joint-stock Company) and its subsidiaries ¹	37 %	Russia	3,923,061	3,636,721	117,281	5,328
Sakhalin Energy Investment Company Ltd. ²	50 %	Russia	775,419	606,480	220,612	87,519
LLC Yamal razvitie and its subsidiaries	50 %	Russia	406,718	284,311	18,950	(8,931)
OJSC NGK Slavneft and its subsidiaries	50 %	Russia	378,030	141,406	156,311	4,707
Nord Stream AG ³	51 %	Russia, Germany	386,279	288,518	38,757	12,646
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	50 %	Germany	175,800	120,243	7,656	6,968
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	50 %	Germany	139,925	102,379	452,384	14,161
South Stream Transport B.V. and its subsidiaries ⁴	50 %	Russia, Bulgaria	98,368	27,741	13	(1,457)
Gasum OY and its subsidiaries	25 %	Finland	69,319	45,862	36,968	630
SGT EuRoPol GAZ S.A.	48 %	Poland	53,607	10,231	9,972	243
Wintershall AG ⁵	49 %	Libya	53,017	30,649	2,339	(38)
CJSC Northgas	50 %	Russia	49,728	36,855	21,033	6,709
JSC Achimgaz	50 %	Russia	43,640	12,478	14,642	10,135
Shtokman Development AG ³	75 %	Russia	42,623	2,285	-	(680)
KazRosGaz LLP	50 %	Kazakhstan	31,040	6,519	26,740	9,615
JSC Latvijas Gaze	34 %	Latvia	27,862	10,523	16,049	653
AB Lietuvos dujos ⁶	37 %	Lithuania	-	-	8,917	1,325
AB Amber Grid ⁶	37 %	Lithuania	-	-	1,059	163

¹ Presented revenue of Gazprombank (Joint-stock Company) and its subsidiaries includes revenue of media business, machinery business and other non-banking companies.

² Country of incorporation is Bermuda Islands.

³ Country of incorporation is Switzerland.

⁴ Country of incorporation is Netherlands.

⁵ Country of incorporation is Germany.

⁶ The revenue and profit of AB Lietuvos dujos and AB Amber Grid for the nine months ended 30 September 2014 are disclosed until the date of disposal of interests in these associates.

PJSC GAZPROM
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

10 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINT VENTURES (continued)

The estimated fair values of the Group investments in associated undertakings and joint ventures for which there are published price quotations were as follows:

	30 September 2015	31 December 2014
JSC Latvijas Gaze	9,293	8,479

11 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 September 2015	31 December 2014
Long-term accounts receivable and prepayments	220,537	182,817
Advances for assets under construction	416,255	253,651
	636,792	436,468

Long-term accounts receivable and prepayments and advances for assets under construction are presented net of impairment provision of RUB 8,646 million and RUB 33,015 million as of 30 September 2015 and 31 December 2014, respectively.

12 OTHER NON-CURRENT ASSETS

Included within other non-current assets is VAT recoverable related to assets under construction totalling RUB 80,093 million and RUB 49,543 million as of 30 September 2015 and 31 December 2014, respectively. Other non-current assets include net pension assets in the amount of RUB 66,517 million and RUB 111,742 million as of 30 September 2015 and 31 December 2014, respectively (see Note 20).

13 LONG-TERM BORROWINGS, PROMISSORY NOTES

	Currency	Final Maturity	30 September 2015	31 December 2014
Long-term borrowings and promissory notes payable to:				
Loan participation notes issued in April 2009 ¹	US Dollar	2019	155,083	128,793
Mizuho Bank Ltd. ²	US Dollar	2019	142,504	121,037
Loan participation notes issued in July 2012 ¹	Euro	2017	106,564	98,554
Loan participation notes issued in November 2013 ³	US Dollar	2023	101,392	84,851
China Construction Bank Corporation, Beijing branch ²	US Dollar	2020	99,930	-
Loan participation notes issued in September 2012 ³	US Dollar	2022	99,488	85,424
Loan participation notes issued in October 2007 ¹	Euro	2018	93,224	86,790
Loan participation notes issued in November 2006 ¹	US Dollar	2016	91,410	76,460
Loan participation notes issued in March 2007 ¹	US Dollar	2022	86,481	74,644
Loan participation notes issued in August 2007 ¹	US Dollar	2037	83,550	72,245
Loan participation notes issued in April 2004 ¹	US Dollar	2034	82,397	68,528
Loan participation notes issued in March 2013 ¹	Euro	2020	75,933	70,164
Loan participation notes issued in April 2008 ¹	US Dollar	2018	75,663	63,004
Loan participation notes issued in July 2013 ¹	Euro	2018	67,586	62,506
Loan participation notes issued in November 2011 ¹	US Dollar	2016	67,402	56,552
Loan participation notes issued in November 2010 ¹	US Dollar	2015	67,380	56,513
Loan participation notes issued in July 2012 ¹	US Dollar	2022	66,892	57,512
Loan participation notes issued in February 2013 ¹	US Dollar	2028	60,064	51,642
Loan participation notes issued in February 2014 ¹	Euro	2021	57,134	52,819
Loan participation notes issued in April 2013 ³	Euro	2018	56,640	52,277
Loan participation notes issued in February 2013 ¹	US Dollar	2020	53,301	45,705
PJSC Sberbank ⁵	US Dollar	2018	50,826	-
Loan participation notes issued in November 2014 ¹	US Dollar	2015	47,135	39,621
Loan participation notes issued in September 2013 ¹	British Pound Sterling	2020	44,618	41,334
Loan participation notes issued in November 2011 ¹	US Dollar	2021	40,192	34,644
Commerzbank International S.A.	US Dollar	2018	39,742	39,381
Loan participation notes issued in March 2007 ¹	Euro	2017	39,142	34,477
Loan participation notes issued in November 2006 ¹	Euro	2017	38,304	35,542
Loan participation notes issued in March 2013 ¹	Euro	2025	38,156	35,340
Loan participation notes issued in October 2013 ¹	Swiss Franc	2019	35,015	28,637

PJSC GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

13 LONG-TERM BORROWINGS, PROMISSORY NOTES (continued)

	Currency	Final Maturity	30 September 2015	31 December 2014
J.P. Morgan Europe Limited ²	US Dollar	2018	33,346	-
Deutsche Bank AG	US Dollar	2016	26,667	22,901
Alfa-Bank (Joint-stock Company)	US Dollar	2016	26,507	22,513
Intesa Sanpaolo S.p.A.	Euro	2016	26,230	-
PJSC Promsvyazbank	US Dollar	2020	23,183	-
Sumitomo Mitsui Banking Corporation Europe Limited ²	US Dollar	2016	23,088	39,396
BNP Paribas SA ²	Euro	2022	22,979	22,352
UniCredit Bank Austria AG	Euro	2019	22,578	-
JSC Rosselkhozbank ⁴	Russian Ruble	2019	22,515	10,010
Sumitomo Mitsui Finance Dublin Limited	US Dollar	2016	21,258	18,056
Banc of America Securities Limited	US Dollar	2018	20,192	17,005
Bank of Tokyo-Mitsubishi UFJ Ltd.	US Dollar	2016	19,892	16,896
PJSC Sberbank ⁵	Russian Ruble	2017	19,806	19,802
PJSC Sberbank ⁵	Euro	2020	17,969	-
PJSC Sberbank ⁵	Euro	2017	16,821	15,416
Russian bonds issued in November 2013 ⁶	Russian Ruble	2043	15,901	15,134
Russian bonds issued in November 2013 ⁶	Russian Ruble	2043	15,901	15,134
Bank of Tokyo-Mitsubishi UFJ Ltd. ²	US Dollar	2016	15,626	21,232
Banca Intesa a.d. Beograd	US Dollar	2019	15,327	8,450
Russian bonds issued in February 2013 ⁷	Russian Ruble	2016	15,126	15,407
Citibank International plc ²	US Dollar	2021	14,679	13,436
HSBC Bank plc	Euro	2022	14,487	14,108
Russian bonds issued in October 2014 ⁶	Russian Ruble	2044	13,646	13,821
Bank of America Securities Limited	Euro	2017	13,624	12,372
UniCredit Bank Austria AG	US Dollar	2018	13,349	11,253
Gazprombank (Joint-stock Company)	US Dollar	2016	13,247	11,252
UniCredit Bank AG ^{2, 8}	US Dollar	2018	13,064	14,421
PJSC Sberbank ⁵	Russian Ruble	2019	12,509	-
PJSC Sberbank ⁵	Russian Ruble	2019	12,509	-
PJSC Sberbank ⁵	Russian Ruble	2016	12,400	12,400
Banc of America Securities Limited	US Dollar	2016	11,928	10,132
Intesa Sanpaolo S.p.A.	Euro	2019	11,188	-
PJSC VTB Bank ⁹	US Dollar	2016	10,998	9,307
UniCredit Bank AG ^{2, 8}	Euro	2018	10,572	12,631
Russian bonds issued in April 2009 ³	Russian Ruble	2019	10,380	10,175
Gazprombank (Joint-stock Company)	Russian Ruble	2017	10,350	-
Russian bonds issued in December 2012 ³	Russian Ruble	2022	10,279	10,068
Russian bonds issued in February 2011 ³	Russian Ruble	2021	10,139	10,361
Russian bonds issued in February 2011 ³	Russian Ruble	2021	10,133	10,345
Russian bonds issued in February 2011 ³	Russian Ruble	2016	10,133	10,345
Russian bonds issued in February 2013 ⁷	Russian Ruble	2017	10,085	10,273
PJSC Sberbank ⁵	US Dollar	2018	10,022	8,449
PJSC Sberbank ⁵	Russian Ruble	2019	10,007	10,010
Gazprombank (Joint-stock Company)	Russian Ruble	2018	10,000	10,000
Gazprombank (Joint-stock Company)	Russian Ruble	2017	10,000	10,000
BNP Paribas SA ²	Euro	2023	8,702	8,384
PJSC Sberbank ⁵	Russian Ruble	2016	8,300	8,300
PJSC VTB Bank ⁹	Russian Ruble	2018	8,250	8,250
Credit Agricole CIB	Euro	2024	7,946	7,579
GC Vnesheconombank	Russian Ruble	2025	7,852	8,979
Sberbank Serbia a.d.	US Dollar	2019	5,969	5,071
PJSC Sberbank ⁵	Russian Ruble	2015	5,304	5,504
Russian bonds issued in February 2013 ⁷	Russian Ruble	2018	5,042	5,136
Alfa-Bank (Joint-stock Company)	Russian Ruble	2017	5,010	-
OJSC Bank ROSSIYA	Russian Ruble	2017	5,000	5,000
Sberbank Serbia a.d.	US Dollar	2017	4,987	4,231
UniCredit Bank AG ^{2, 8}	Russian Ruble	2018	1,893	2,352

PJSC GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

13 LONG-TERM BORROWINGS, PROMISSORY NOTES (continued)

	Currency	Final Maturity	30 September 2015	31 December 2014
Russian bonds issued in February 2012 ³	Russian Ruble	2022	439	10,335
Russian bonds issued in May 2005 ¹	Euro	2015	-	70,685
Russian bonds issued in July 2009 ¹	Euro	2015	-	62,372
The Royal Bank of Scotland AG ²	US Dollar	2015	-	26,939
Bank of Tokyo-Mitsubishi UFJ Ltd.	US Dollar	2015	-	16,970
Credit Agricole CIB	Euro	2015	-	16,431
Gazprombank (Joint-stock Company)	US Dollar	2015	-	9,620
OJSC Bank ROSSIYA	Russian Ruble	2015	-	5,000
Gazprombank (Joint-stock Company)	US Dollar	2015	-	3,584
Other long-term borrowings, promissory notes	Various	Various	<u>96,878</u>	<u>75,323</u>
Total long-term borrowings, promissory notes			<u>3,045,360</u>	<u>2,635,904</u>
Less: current portion of long-term borrowings			<u>(577,367)</u>	<u>(411,862)</u>
			<u>2,467,993</u>	<u>2,224,042</u>

¹ Issuer of these bonds is Gaz Capital S.A.

² Loans received from consortiums of banks, named lender is the bank-agent.

³ Issuer of these bonds is PJSC Gazprom Neft (on 13 October 2015 JSC Gazprom Neft was renamed into PJSC Gazprom Neft with a view to bring the name of the company in line with the provisions of Chapter IV of the Civil Code of the Russian Federation).

⁴ On 14 August 2015 OJSC Rosselkhozbank was renamed into JSC Rosselkhozbank with a view to bring the name of the company in line with the provisions of Chapter IV of the Civil Code of the Russian Federation.

⁵ On 24 July 2015 OJSC Sberbank of Russia was renamed into PJSC Sberbank.

⁶ Issuer of these bonds is PJSC Gazprom.

⁷ Issuer of these bonds is Gazprom capital LLC.

⁸ Loans were obtained for development of Yuzhno-Russkoye oil and gas field.

⁹ On 2 July 2015 OJSC VTB Bank was renamed into PJSC VTB Bank with a view to bring the name of the company in line with the provisions of Chapter IV of the Civil Code of the Russian Federation.

	30 September 2015	31 December 2014
Due for repayment:		
Between one and two years	456,654	404,096
Between two and five years	1,225,490	970,608
After five years	<u>785,849</u>	<u>849,338</u>
	<u>2,467,993</u>	<u>2,224,042</u>

Long-term liabilities include fixed rate borrowings with a carrying value of RUB 2,188,002 million and RUB 2,044,351 million and fair value of RUB 2,167,415 million and RUB 1,893,394 million as of 30 September 2015 and 31 December 2014, respectively.

All other long-term liabilities have variable interest rates generally linked to LIBOR and EURIBOR. Their carrying value is RUB 857,358 million and RUB 591,553 million and fair value is RUB 845,155 million and RUB 534,708 million as of 30 September 2015 and 31 December 2014, respectively.

As of 30 September 2015 and 31 December 2014 according to the project facility agreement, signed within the framework of the development project of Yuzhno-Russkoye oil and gas field with the group of international financial institutions with UniCredit Bank AG acting as a facility agent, ordinary shares of OJSC Severneftegazprom with the pledge value of RUB 16,968 million and fixed assets with the pledge value of RUB 26,210 million were pledged to ING Bank N.V. (London branch) up to the date of full redemption of the liabilities on this agreement. As of 30 September 2015 and 31 December 2014 carrying amount of these fixed assets is RUB 22,042 million and RUB 24,044 million, respectively. Management of the Group does not expect any substantial consequences to occur which relate to respective pledge agreement.

Under the terms of the Russian bonds with the nominal value of RUB 10,000 million issued by PJSC Gazprom Neft in December 2012 due in 2022 bondholders can execute the right of early redemption in December 2017 at par, including interest accrued.

Under the terms of the Russian bonds with the nominal value of RUB 10,000 million issued by PJSC Gazprom Neft in February 2011 due in 2021 bondholders can execute the right of early redemption in February 2016 at par, including interest accrued.

Under the terms of the Russian bonds with the nominal value of RUB 10,000 million issued by PJSC Gazprom Neft in February 2011 due in 2021 bondholders can execute the right of early redemption in February 2018 at par, including interest accrued.

PJSC GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

13 LONG-TERM BORROWINGS, PROMISSORY NOTES (continued)

Under the terms of the Russian bonds with the nominal value of RUB 10,000 million issued by PJSC Gazprom Neft in April 2009 due in 2019 bondholders can execute the right of early redemption in April 2018 at par, including interest accrued.

The Group has no subordinated debt and no debt that may be converted into an equity interest in PJSC Gazprom.

14 PROFIT TAX

Profit tax is recognised based on the estimated average annual effective profit tax rate applied to the profit before tax for the nine months ended 30 September 2015. Differences between the recognition criteria in Russian statutory taxation regulations and IFRS give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. The tax effect of the movement on these temporary differences is recorded at the applicable statutory rates, including the prevailing rate of 20 % in the Russian Federation.

	30 September 2015	Differences recognition and reversals	Acquisition of subsidiaries	31 December 2014	30 September 2014	Differences recognition and reversals	31 December 2013
Tax effects of taxable temporary differences:							
Property, plant and equipment	(667,849)	(49,305)	2,210	(620,754)	(622,613)	(56,630)	(565,983)
Financial assets	(4,222)	6,363	(3,257)	(7,328)	(6,885)	2,788	(9,673)
Inventories	<u>(11,638)</u>	<u>(3,261)</u>	-	<u>(8,377)</u>	<u>(8,404)</u>	<u>(2,792)</u>	<u>(5,612)</u>
	(683,709)	(46,203)	(1,047)	(636,459)	(637,902)	(56,634)	(581,268)
Tax effects of deductible temporary differences:							
Tax losses carried forward	16,648	(3,473)	-	20,121	13,599	2,898	10,701
Retroactive gas price adjustments	17,588	5,917	-	11,671	7,745	3,033	4,712
Other deductible temporary differences	<u>5,190</u>	<u>(1,275)</u>	<u>(4,104)</u>	<u>10,569</u>	<u>9,269</u>	<u>2,283</u>	<u>6,986</u>
	39,426	1,169	(4,104)	42,361	30,613	8,214	22,399
Total net deferred tax liabilities	(644,283)	(45,034)	(5,151)	(594,098)	(607,289)	(48,420)	(558,869)

Taxable temporary differences recognized for the nine months ended 30 September 2015 include the effect of depreciation premium on certain property, plant and equipment. As a result a deferred tax liability related to property, plant and equipment was recognized in the amount of RUB 33,110 million with the corresponding offsetting credit to the current profit tax expense and therefore no net impact on the consolidated net profit for the nine months ended 30 September 2015.

Taxable temporary differences recognized for the nine months ended 30 September 2014 include the effect of depreciation premium on certain property, plant and equipment. As a result a deferred tax liability related to property, plant and equipment was recognized in the amount of RUB 23,741 million with the corresponding offsetting credit to the current profit tax expense and therefore no net impact on the consolidated net profit for the nine months ended 30 September 2014.

15 EQUITY

Share capital

Share capital authorised, issued and paid totals RUB 325,194 million as of 30 September 2015 and 31 December 2014 and consists of 23.7 billion ordinary shares, each with a historical par value of 5 Russian Rubles.

Treasury shares

As of 30 September 2015 and 31 December 2014 subsidiaries of PJSC Gazprom held 723 million of the ordinary shares of PJSC Gazprom, which are accounted for as treasury shares. The management of the Group controls the voting rights of these shares.

PJSC GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

16 SALES

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
Gas sales gross of excise tax and customs duties to customers in:				
Russian Federation	113,288	111,834	538,572	552,362
Former Soviet Union (excluding Russian Federation)	68,798	46,858	323,496	367,195
Europe and other countries	<u>633,319</u>	<u>428,659</u>	<u>1,883,132</u>	<u>1,532,699</u>
	815,405	587,351	2,745,200	2,452,256
Customs duties	(138,437)	(89,618)	(421,759)	(367,852)
Excise tax ¹	(17,464)	-	(62,395)	-
Retroactive gas price adjustments ²	<u>(5,146)</u>	-	<u>12,074</u>	-
Sales of gas	654,358	497,733	2,273,120	2,084,404
Sales of refined products to customers in:				
Russian Federation	276,413	267,536	737,682	717,329
Former Soviet Union (excluding Russian Federation)	28,712	21,762	76,547	56,962
Europe and other countries	<u>108,350</u>	<u>143,580</u>	<u>360,849</u>	<u>452,219</u>
Total sales of refined products	413,475	432,878	1,175,078	1,226,510
Sales of crude oil and gas condensate to customers in:				
Russian Federation	17,960	13,117	57,537	35,879
Former Soviet Union (excluding Russian Federation)	4,691	3,855	21,529	12,246
Europe and other countries	<u>31,333</u>	<u>30,624</u>	<u>105,570</u>	<u>104,269</u>
Total sales of crude oil and gas condensate	53,984	47,596	184,636	152,394
Electric and heat energy sales	73,875	73,258	291,603	291,941
Gas transportation sales	48,447	42,558	139,068	125,279
Other revenues	<u>48,626</u>	<u>39,567</u>	<u>142,712</u>	<u>126,994</u>
Total sales	<u>1,292,765</u>	<u>1,133,590</u>	<u>4,206,217</u>	<u>4,007,522</u>

¹ On 1 January 2015 changes came into effect to the Chapter 22 Excises of the Tax Code of the Russian Federation, according to which natural gas is subject to excise tax, if it is stipulated by international treaties of the Russian Federation. The disclosed information about revenue and excise tax reflects special aspects of the Group activities and also is made for the purpose of comparability of the financial figures.

² Retroactive gas price adjustments relate to gas deliveries in 2013-2014 for which a discount has been agreed or is in the process of negotiations. The effects of gas price adjustments, including corresponding impacts on profit tax, are recorded when they become probable and a reliable estimate of the amounts can be made. The effect of retroactive gas price adjustments on sales for the three and nine months ended 30 September 2015 was a credit of RUB 5,146 million and RUB 12 074 million reflecting a decrease in a related accrual following estimates made and agreements reached prior to the issuance of this consolidated interim condensed financial information.

17 OPERATING EXPENSES

Note	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
23				
Taxes other than on income	182,869	176,781	611,932	571,173
Purchased gas and oil	214,051	190,856	605,902	573,784
Staff costs	143,439	128,745	433,120	388,033
Transit of gas, oil and refined products	138,655	92,785	381,481	284,194
Depreciation	129,406	116,297	380,041	345,081
Materials	72,640	65,286	201,581	198,679
Cost of goods for resale, including refined products	53,499	86,330	145,772	209,641
Repairs and maintenance	51,514	48,774	106,109	120,982
Electricity and heating expenses	19,457	17,583	64,752	62,044
Charge for impairment provisions	22,391	(80,996)	51,964	138,453
Transportation services	10,686	6,595	30,891	22,629
Rental expenses	6,485	9,004	26,934	26,584
Research and development expenses	9,218	8,527	22,553	17,085
Social expenses	8,346	13,309	21,713	29,524
Insurance expenses	7,618	7,072	20,093	19,482
Processing services	4,931	4,540	14,004	13,257
Derivatives (gains) losses	(5,579)	2,033	(21,625)	11,487
Foreign exchange rate differences on operating items	(97,846)	(98,347)	(47,668)	(101,913)
Other	<u>57,910</u>	<u>48,603</u>	<u>229,111</u>	<u>181,046</u>
	<u>1,029,690</u>	<u>843,777</u>	<u>3,278,660</u>	<u>3,111,245</u>
Changes in inventories of finished goods, work in progress and other effects	<u>(82,121)</u>	<u>(73,612)</u>	<u>(106,876)</u>	<u>(92,421)</u>
Total operating expenses	<u>947,569</u>	<u>770,165</u>	<u>3,171,784</u>	<u>3,018,824</u>

PJSC GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

17 OPERATING EXPENSES (continued)

Staff costs include RUB 10,714 million and RUB 27,756 million of expenses associated with post-employment benefit obligations for the three and nine months ended 30 September 2015, respectively, and RUB 8,823 million and RUB 26,440 for the three and nine months ended 30 September 2014, respectively (see Note 20).

18 FINANCE INCOME AND EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
Foreign exchange gains	56,084	329	1,063,545	150,083
Interest income	<u>25,618</u>	<u>23,704</u>	<u>81,460</u>	<u>39,546</u>
Total finance income	81,702	24,033	1,145,005	189,629
Foreign exchange losses	456,462	273,056	1,378,852	470,797
Interest expense	<u>15,284</u>	<u>10,287</u>	<u>42,316</u>	<u>31,086</u>
Total finance expenses	471,746	283,343	1,421,168	501,883

Total interest paid amounted to RUB 31,068 million and RUB 118,472 million for the three and nine months ended 30 September 2015, respectively, and RUB 23,296 million and RUB 86,401 million for the three and nine months ended 30 September 2014, respectively.

Foreign exchange gains and losses for the nine months ended 30 September 2015 were recognized as a result of the appreciation of EUR and US Dollar against the Russian Ruble. Gains and losses primarily relate to revaluation of borrowings denominated in foreign currencies.

19 BASIC AND DILUTED EARNINGS PER SHARE, ATTRIBUTABLE TO OWNERS OF PJSC GAZPROM

Earnings per share attributable to owners of PJSC Gazprom have been calculated by dividing the profit, attributable to owners of PJSC Gazprom by the weighted average number of shares outstanding during the period, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares (see Note 15).

There were 23.0 billion weighted average shares outstanding for the three and nine months ended 30 September 2015 and 2014, respectively.

There are no dilutive financial instruments outstanding in the Group.

20 PROVISIONS FOR LIABILITIES AND CHARGES

	30 September 2015	31 December 2014
Provision for post-employment benefit obligations	219,712	171,275
Provision for decommissioning and site restoration costs	114,858	104,168
Other	<u>39,729</u>	<u>21,663</u>
	374,299	297,106

The Group operates post-employment benefits, which are recorded as defined benefit plan in the consolidated financial statements under IAS 19 Employee benefits. Defined benefit plan covers the majority employees of the Group. These benefits include pension benefits provided by the non-governmental pension fund, NPF Gazfund, and certain post-retirement benefits from the Group provided upon retirement.

The net pension assets related to benefits, provided by the pension plan NPF Gazfund in the amount of RUB 66,517 million and RUB 111,742 million as of 30 September 2015 and 31 December 2014, respectively, are presented within other non-current assets in the consolidated interim condensed balance sheet. In accordance with IAS 19 Employee benefits, pension assets are recorded at estimated fair value subject to certain limitations. As of 30 September 2015 and 31 December 2014 management estimated the fair value of these assets at RUB 418,842 million and RUB 391,227 million, respectively. The pension assets comprise shares of PJSC Gazprom, shares of Gazprombank (Joint-stock Company) and other assets held by NPF Gazfund.

PJSC GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

20 PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Provision for post-employment benefit obligations recognized in the consolidated interim condensed balance sheet is as follows:

	30 September 2015		31 December 2014	
	Funded benefits - provided through NPF Gazfund	Unfunded liabilities - other benefits	Funded benefits - provided through NPF Gazfund	Unfunded liabilities - other benefits
Present value of benefit obligations	(352,325)	(219,712)	(279,485)	(171,275)
Fair value of plan assets	418,842	-	391,227	-
Net balance asset (liability)	66,517	(219,712)	111,742	(171,275)

The amounts associated with post-employment benefit obligations recognized in operating expenses are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
Current service cost	6,612	7,011	19,836	21,031
Net interest expense	1,861	1,812	5,679	5,409
Past service cost - changes in the consolidation perimeter	2,241	-	2,241	-
Total expenses included in staff costs	10,714	8,823	27,756	26,440

The principal assumptions used for post-employment benefit obligations for the nine months ended 30 September 2015 were the same as those applied for the year ended 31 December 2014 with exception of the discount rate based on interest rates of government securities. The decrease in the discount rate from 12.5 % to 10.9 % resulted in recognition of an actuarial loss of RUB 71,723 million in other comprehensive income for the nine months ended 30 September 2015.

Remeasurements to be recognized in other comprehensive income are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
Actuarial gains (losses)	2,160	1,199	(71,723)	52,926
Return on assets excluding amounts included in net interest expense	32,064	(61,259)	(12,481)	(119,449)
Total	34,224	(60,060)	(84,204)	(66,523)

21 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities is determined as follows:

a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market closing prices at the reporting date.

b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using various valuation techniques, primarily based on market or income approach, such as discounted cash flows valuation method. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Group specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

c) Financial instruments in Level 3

If one or more of the significant inputs in the valuation model used to fair value an instrument is not based on observable market data, the instrument is included in Level 3.

PJSC GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

21 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

As of 30 September 2015 and 31 December 2014 the Group had the following assets and liabilities that are measured at fair value:

	30 September 2015			Total
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non- observable inputs (Level 3)	
Financial assets held for trading:				
Equity securities	220	-	-	220
Bonds	7,376	-	-	7,376
Available-for-sale financial assets:				
Equity securities	2,139	-	-	2,139
Promissory notes	-	369	-	369
Bonds	<u>153</u>	<u>-</u>	<u>-</u>	<u>153</u>
Total short-term financial assets	9,888	369	-	10,257
Available-for-sale financial assets:				
Equity securities	192,266	40,584	6,393	239,243
Promissory notes	<u>-</u>	<u>731</u>	<u>-</u>	<u>731</u>
Total available-for-sale long-term financial assets	192,266	41,315	6,393	239,974
Derivatives	<u>10,879</u>	<u>104,329</u>	<u>256</u>	<u>115,464</u>
Total assets	213,033	146,013	6,649	365,695
Derivatives	<u>6,841</u>	<u>168,679</u>	<u>391</u>	<u>175,911</u>
Total liabilities	6,841	168,679	391	175,911

	31 December 2014			Total
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non- observable inputs (Level 3)	
Financial assets held for trading:				
Equity securities	220	-	-	220
Bonds	6,498	-	-	6,498
Available-for-sale financial assets:				
Equity securities	2,863	-	-	2,863
Promissory notes	<u>-</u>	<u>1,154</u>	<u>-</u>	<u>1,154</u>
Total short-term financial assets	9,581	1,154	-	10,735
Available-for-sale financial assets:				
Equity securities	139,108	55,155	6,724	200,987
Bonds	110	-	-	110
Promissory notes	<u>-</u>	<u>727</u>	<u>-</u>	<u>727</u>
Total available-for-sale long-term financial assets	139,218	55,882	6,724	201,824
Derivatives	<u>7,833</u>	<u>56,478</u>	<u>947</u>	<u>65,258</u>
Total assets	156,632	113,514	7,671	277,817
Derivatives	<u>11,185</u>	<u>122,871</u>	<u>383</u>	<u>134,439</u>
Total liabilities	11,185	122,871	383	134,439

There were no transfers between Levels 1, 2 and 3 and changes in valuation techniques during the period. For the three and nine months ended 30 September 2015 the Group has not reclassified losses arising from decrease in fair value of available-for-sale financial assets from other comprehensive income to profit or loss. For the three and nine months ended 30 September 2014 the Group has reclassified losses arising from decrease in fair value of available-for-sale financial assets from other comprehensive income to profit or loss in the amount of RUB 73 million and RUB 2,289 million, respectively.

Financial assets held for trading primarily comprise marketable equity and debt securities intended to generate short-term profits through trading.

PJSC GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

21 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Available-for-sale long-term financial assets in total amount of RUB 239,974 million and RUB 201,824 million are shown net of provision for impairment of RUB 1,925 million and RUB 1,797 million as of 30 September 2015 and 31 December 2014, respectively.

As of 30 September 2015 and 31 December 2014 long-term available-for-sale financial assets include OJSC NOVATEK shares in the amount of RUB 185,845 million and RUB 133,787 million, respectively.

Carrying value of financial assets and liabilities not measured at fair value approximate their fair value.

22 ACQUISITION OF SUBSIDIARIES

Asset swap with Wintershall Holding GmbH

On 30 September 2015 PJSC Gazprom and Wintershall Holding GmbH completed the asset swap which was initially agreed in December 2013. The Swap Agreement has retroactive economic effect to 1 April 2013.

According to the Swap Agreement 25.01 % of interest in the capital of LLC Achim Development and 9.00 % of ordinary shares, one class A preference share and one class B preference share of CJSC Achim Trading which were recognised under other investments in the consolidated financial statement of the Group have been transferred to Wintershall Holding GmbH in return for the 100.00 % of the interest in WIBG GmbH¹ and for 50.00 % of the interest in Wintershall Noordzee B.V. and Wintershall Services B.V. WIBG GmbH holds an equity interest of 50.02 % and 50.00 % in W & G Beteiligungs-GmbH & Co. KG and in WIEH GmbH & Co. KG², respectively.

The Group expects to get a cash compensation payment from Wintershall Holding GmbH. At the date of issue of this financial information the amount of this compensation payment cannot be estimated in a reliable manner, therefore the result of the transaction should be viewed as preliminary.

Prior to the swap transaction the Group held an equity interest of 49.98 % in W & G Beteiligungs-GmbH & Co. KG and of 50.00 % in WIEH GmbH & Co. KG. These subgroups were accounted for using the equity method. In addition at the acquisition date the Group held an equity interest of 33.33 % in WINGAS Storage UK Ltd., in which W & G Beteiligungs-GmbH & Co. KG held an equity interest of 50.00 %.

Economically, the Group acquired the remaining shares in the natural gas trading and storage operating companies W & G Beteiligungs-GmbH & Co. KG and WIEH GmbH & Co. KG and in their subsidiaries. Consequently as of 30 September 2015, the Group obtained control over these companies.

The acquired interests in Wintershall Noordzee B.V. and Wintershall Services B.V. will be accounted for using the equity method since the acquisition date.

The following table summarizes the fair values of transferred assets at the acquisition date:

	<u>Fair value</u>
Fair value of transferred shares and investments accounted for using the equity method before the business combination	60,640
Pre-existing relationships	25,885
Compensation payments	Subject to later <u>calculation</u>
Total	<u>86,525</u>

In accordance with IFRS 3 Business combinations the Group measured shares of LLC Achim Development and CJSC Achim Trading at fair value evaluated by an independent appraiser CJSC Deloitte & Touche CIS at the acquisition date. On 30 September 2015 the Group recognized the gain from the revaluation of disposed shares to their fair value in the amount of RUB 17,154 million in the consolidated interim condensed financial statement of comprehensive income within other operating expenses.

Previously held by the Group investments in W & G Beteiligungs-GmbH & Co. KG, WIEH GmbH & Co. KG and WINGAS Storage UK Ltd. were measured at fair value at the acquisition date. On 30 September 2015 the gain from the revaluation of investments accounted for using the equity method to fair value is recognized in the consolidated interim condensed financial statement of comprehensive income within other operating expenses in the amount of RUB 17,651 million.

¹ On 8 October 2015 Wintershall Erdgas Beteiligungs GmbH was renamed into WIBG GmbH.

² On 6 November 2015 Wintershall Erdgas Handelshaus GmbH & Co. KG was renamed into WIEH GmbH & Co. KG.

PJSC GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

22 ACQUISITION OF SUBSIDIARIES (continued)

In connection with derecognition of equity-accounted investments the Group reclassified to profit and loss the amount of RUB 9,096 million previously recognized in other comprehensive income arising mainly from hedge transactions.

In accordance with IFRS 3 Business Combinations, the Group recognized the acquired assets and liabilities based upon their provisional fair values. Final fair value should be recognized in the consolidated financial statements within twelve months of the acquisition date. All changes in fair values will be recorded retrospectively from the acquisition date.

Provisional fair value of assets acquired and liabilities assumed is as follows:

	<u>Fair value</u>
Current assets	
Cash and cash equivalents	24,369
Accounts receivable and prepayments	117,433
Inventories	<u>47,658</u>
	189,460
Non-current assets	
Property, plant and equipment	48,147
Long-term accounts receivable and prepayments	40,176
Other non-current assets	<u>9,078</u>
	97,401
Total assets	286,861
Current liabilities	
Accounts payable, accruals and provisions for liabilities and charges	106,858
Short-term borrowings, promissory notes and current portion of long-term borrowings	<u>29,066</u>
	135,924
Non-current liabilities	
Long-term borrowings, promissory notes	179
Provisions for liabilities and charges	15,979
Deferred tax liability	5,151
Other non-current liabilities	<u>30,183</u>
	51,492
Total liabilities	187,416
Net assets at the acquisition date	99,445

Preliminary result of the asset swap is as follows:

	<u>30 September 2015</u>
Fair value of transferred assets	86,525
Non-controlling interest measured at its proportionate share of the acquirees' net assets	1,130
Fair value of acquired assets	<u>99,445</u>
Gain from a bargain purchase	11,790

The gain from a bargain purchase identified as the excess of the fair value of assets acquired and liabilities assumed over the fair value of transferred assets is mainly related to the decrease of the energy market prices since the conception of the transaction. The gain from a bargain purchase is recognised in other operating income in the consolidated interim condensed financial statement of comprehensive income.

Fair value of acquired accounts receivables amounted to RUB 157,609 million as of 30 September 2015. Gross amount of accounts receivables at the acquisition date amounts to RUB 75,516 million. The best estimate of cash flows, that are expected not to be recovered, amounts to RUB 1,732 million at the acquisition date.

At the acquisition date contingencies related to judicial proceedings with fair value of RUB 2,707 million are accounted for within current provisions for liabilities and charges. The probability of unfavorable outcome of filed claim is estimated as medium.

If the acquisition occurred as of 1 January 2015 sales of the Group and the Group's profit before profit tax for the nine months ended 30 September 2015 would be higher by RUB 468,224 million and RUB 7,068 million, respectively.

PJSC GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

22 ACQUISITION OF SUBSIDIARIES (continued)

Acquisition of Shtokman Development AG

In July 2015 the Group became an owner of the 100 % of shares of Shtokman Development AG. Before the acquisition date the Group held an equity interest of 75 % in the company and accounted the investment as a joint venture using the equity method. At the acquisition date the investment in Shtokman Development AG was fully impaired. The impairment provision amounted to RUB 27,378 million.

The Group acquired remaining 25 % of the shares of Shtokman Development AG from Total Shtokman B.V. for 25 thousand Swiss Franc (RUB 2 million) according to the terms of the Shareholder Agreement. The payment was made by the cash.

According to IFRS 3 Business combinations the Group recognized the acquired assets and liabilities assumed based upon their provisional fair values. Final fair value should be recognized in the consolidated financial statements within twelve months of the acquisition date. All changes in fair values will be recorded retrospectively from the acquisition date.

In compliance with IFRS 3 Business combinations preliminary estimate of fair value of construction in progress is recognized as nil. As at the date of assessment decisions concerning the use of the assets under construction are not made.

Provisional fair value of acquired assets and liabilities assumed of Shtokman Development AG is as follows.

	<u>Fair value</u>
Current assets	
Cash and cash equivalents	1,767
Accounts receivable and prepayments	38
Inventories	1
VAT recoverable	<u>216</u>
	2,022
Non-current assets	
Property, plant and equipment	252
Long-term accounts receivable and prepayments	32
Other non-current assets	<u>8</u>
	292
Total assets	2,314
Current liabilities	
Accounts payable, accruals and provisions for liabilities and charges	30
Other tax payable	<u>9</u>
	39
Non-current liabilities	
Provisions for liabilities and charges	321
Other non-current liabilities	<u>14</u>
	335
Total liabilities	374
Net assets at the acquisition date	1,940
Acquisition cost	<u>2</u>
Gain from a bargain purchase	1,938

23 RELATED PARTIES

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding is detailed below.

PJSC GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

23 RELATED PARTIES (continued)

Government

The Government of the Russian Federation is the ultimate controlling party of PJSC Gazprom and has a controlling interest (including both direct and indirect ownership) of over 50 % in PJSC Gazprom.

The Government does not prepare consolidated financial statements for public use. Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

As a condition of privatization in 1992, the Government imposed an obligation on the Group to provide an uninterrupted supply of gas to customers in the Russian Federation at government controlled prices.

Parties under control of the Government

In the normal course of business the Group enters into transactions with other entities under Government control.

As of 30 September 2015 prices of natural gas sales, gas transportation and electricity tariffs in Russia are regulated by the Federal Antimonopoly Service ("FAS"). Until 21 July 2015 these functions were performed by the Federal Tariffs Service ("FTS").

Bank loans with related parties are provided on the basis of market rates. Taxes are accrued and settled in accordance with the applicable statutory rules.

As of 30 September 2015 and 31 December 2014 and for the three and nine months ended 30 September 2015 and 2014, the Group had the following significant transactions and balances with the Government and parties under control of the Government:

	30 September 2015		Three months ended 30 September 2015		Nine months ended 30 September 2015	
	Assets	Liabilities	Income	Expenses	Income	Expenses
Transactions and balances with the Government						
Current profit tax	61,691	3,032	-	1,807	-	115,902
Insurance contributions to non-budget funds	495	6,844	-	29,008	-	88,847
VAT recoverable / payable	445,049	58,807	-	-	-	-
Customs duties	45,398	-	-	-	-	-
Other taxes	5,181	90,834	-	181,961	-	608,669
Transactions and balances with other parties under control of the Government						
Gas sales	-	-	9,833	-	46,721	-
Electricity and heating sales	-	-	33,588	-	152,289	-
Gas transportation sales	-	-	9,669	-	30,899	-
Other services sales	-	-	995	-	2,752	-
Accounts receivable	39,281	-	-	-	-	-
Oil and refined products transportation expenses	-	-	-	30,685	-	88,176
Accounts payable	-	16,800	-	-	-	-
Loans	-	255,953	-	-	-	-
Interest expense	-	-	-	4,777	-	11,702
Short-term financial assets	8,111	-	-	-	-	-
Available-for-sale long-term financial assets	6,443	-	-	-	-	-

PJSC GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

23 **RELATED PARTIES (continued)**

	31 December 2014		Three months ended 30 September 2014		Nine months ended 30 September 2014	
	Assets	Liabilities	Income	Expenses	Income	Expenses
Transactions and balances with the Government						
Current profit tax	74,744	3,926	-	13,631	-	133,778
Insurance contributions to non-budget funds	621	5,649	-	22,250	-	72,765
VAT recoverable / payable	451,406	57,058	-	-	-	-
Customs duties	85,432	-	-	-	-	-
Other taxes	4,788	91,569	-	176,781	-	570,638
Transactions and balances with other parties under control of the Government						
Gas sales	-	-	11,192	-	47,001	-
Electricity and heating sales	-	-	39,742	-	167,630	-
Gas transportation sales	-	-	8,542	-	23,710	-
Other services sales	-	-	509	-	1,753	-
Accounts receivable	46,630	-	-	-	-	-
Oil and refined products transportation expenses	-	-	-	22,556	-	72,892
Accounts payable	-	14,442	-	-	-	-
Loans	-	140,168	-	-	-	-
Interest expense	-	-	-	1,996	-	6,085
Short-term financial assets	7,444	-	-	-	-	-
Available-for-sale long-term financial assets	5,308	-	-	-	-	-

Gas sales and respective accounts receivable, oil transportation expenses and respective accounts payable included in the table above are related to major state controlled companies.

In the normal course of business the Group incurs electricity and heating expenses (see Note 17). A part of these expenses relates to purchases from the entities under Government control. Due to the specifics of the electricity market in the Russian Federation, these purchases can not be accurately separated from the purchases from private companies.

See the consolidated interim condensed statement of changes in equity for returns of social assets to government during the nine months ended 30 September 2015 and 2014. See Note 9 for net book values as of 30 September 2015 and 31 December 2014 of social assets vested to the Group at privatisation.

Compensation for key management personnel

Key management personnel (the members of the Board of Directors and Management Committee of PJSC Gazprom) receive short-term compensation, including salary, bonuses and remuneration for serving on the management bodies of various Group companies. Government officials, who are directors, do not receive remuneration from the Group. The remuneration for serving on the Boards of Directors of Group companies is subject to approval by the General Meeting of Shareholders of each Group company.

Compensation of key management personnel (other than remuneration for serving as directors of Group companies) is determined by the terms of the employment contracts. Key management personnel also receive certain short-term benefits related to healthcare.

According to Russian legislation, the Group makes contributions to the Russian Federation State pension fund for all of its employees including key management personnel.

Key management personnel also participate in certain post-retirement benefit programs. The programs include pension benefits provided by the non-governmental pension fund, NPF Gazfund, and a one-time retirement payment from the Group. Employees of the majority of Group companies are eligible for such benefits.

The Group provided medical insurance and liability insurance for key management personnel.

PJSC GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

23 RELATED PARTIES (continued)

Associated undertakings and joint ventures

For the three and nine months ended 30 September 2015 and 2014 and as of 30 September 2015 and 31 December 2014 the Group had the following significant transactions and balances with associated undertakings and joint ventures:

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
	Revenues		Revenues	
Gas sales				
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries ^{1,2}	47,627	31,706	123,156	89,775
WIEH GmbH & Co. KG ^{2,3}	40,760	27,046	109,935	88,250
Panrusgaz Gas Trading Plc	21,601	13,420	51,630	45,981
Bosphorus Gaz Corporation A.S.	6,208	6,571	14,406	18,551
JSV Moldovagaz	5,100	4,902	23,891	18,374
Gasum OY	5,061	4,815	19,483	19,967
JSC Latvijas Gaze	4,701	1,590	8,637	4,782
CJSC Gazprom YRGM Trading ⁴	4,657	2,906	11,725	9,397
CJSC Gazprom YRGM Development ⁴	3,327	2,076	8,375	6,712
SGT EuRoPol GAZ S.A.	1,450	1,055	4,207	3,207
VEMEX s.r.o.	874	-	2,661	-
Overgaz Inc. AD	557	613	3,366	2,365
WIEE AG ^{2,5,6}	-	162	1,344	2,594
AB Lietuvos dujos ⁷	-	-	-	4,152
Gas transportation sales				
CJSC Gazprom YRGM Trading ⁴	5,719	4,764	16,777	15,933
CJSC Gazprom YRGM Development ⁴	4,085	3,403	11,983	11,381
KazRosGaz LLP	520	360	1,618	1,149
Gas condensate, crude oil and refined products sales				
OJSC NGK Slavneft and its subsidiaries	8,415	7,464	34,184	21,990
JSC SOVEKS	1,562	1,673	3,646	4,390
LLC NPP Neftekhimia	721	802	2,022	2,169
Poliom Ltd	691	798	1,937	1,046
LLC Gazpromneft – Aero Sheremetyevo ⁸	-	-	-	3,022
Operator services sales				
CJSC Messoyakhaneftegaz	6,853	2,852	20,076	7,336
Gas refining services sales				
KazRosGaz LLP	1,372	1,262	4,341	4,159
	Expenses		Expenses	
Purchased gas				
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries ^{1,2}	20,410	15,954	57,182	47,877
LLC SeverEnergiya and its subsidiaries	14,461	4,159	34,518	9,805
CJSC Gazprom YRGM Trading ⁴	14,248	11,866	45,790	43,186
KazRosGaz LLP	11,986	5,757	35,292	21,205
CJSC Gazprom YRGM Development ⁴	10,180	8,479	32,726	30,860
Sakhalin Energy Investment Company Ltd.	5,786	3,723	14,912	9,910
CJSC Northgas	2,197	2,002	6,495	7,821
Purchased transit of gas				
Nord Stream AG	19,277	13,070	54,099	39,019
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries ¹	4,522	3,353	17,878	4,879
SGT EuRoPol GAZ S.A.	4,378	3,003	12,331	8,551
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries ^{1,2}	-	-	-	7,949

PJSC GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

23 RELATED PARTIES (continued)

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
	Expenses		Expenses	
Purchased crude oil				
OJSC NGK Slavneft and its subsidiaries	22,786	20,902	74,673	67,057
Sakhalin Energy Investment Company Ltd.	4,528	8,362	6,915	16,924
Purchased services of gas and gas condensate extraction				
JSC Achimgaz	5,403	4,816	20,404	14,642
Purchased processing services				
OJSC NGK Slavneft and its subsidiaries	3,756	2,389	10,476	9,399

¹ In May 2014 the shares in all gas transportation companies that belonged to W&G Beteiligungs-GmbH & Co. KG were transferred to WIGA Transport Beteiligungs-GmbH & Co. KG.

² In September 2015 W&G Beteiligungs-GmbH & Co. KG and WIEH GmbH & Co. KG. and their subsidiaries became subsidiaries of the Group (see Note 22).

³ On 6 November 2015 Wintershall Erdgas Handelshaus GmbH & Co. KG was renamed into WIEH GmbH & Co. KG.

⁴ CJSC Gazprom YRGM Trading and CJSC Gazprom YRGM Development are not associated undertakings and joint ventures.

⁵ On 1 October 2015 Wintershall Erdgas Handelshaus Zug AG was renamed into WIEE AG.

⁶ WIEE AG is subsidiary of WIEH GmbH & Co. KG.

⁷ In accordance with the provisions of the Third Energy Package of the European Union regarding the split between the gas transmission and distribution activities in August 2013 AB Lietuvos dujos transferred assets, liabilities and rights related to gas transportation to AB Amber Grid, an associate of the Group. In June 2014 the Group sold its 37 % interests in associates, AB Lietuvos dujos and AB Amber Grid, to companies controlled by the Republic of Lithuania for EUR 121 million.

⁸ In March 2014 the Group acquired 100 % share in LLC Aero TO the only asset of which is 50 % share in LLC Gazpromneft-Aero Sheremetyevo. As a result the Group's effective share in LLC Gazpromneft-Aero Sheremetyevo increased from 47.84 % to 95.68 % and the Group obtained control over LLC Gazpromneft-Aero Sheremetyevo.

Gas is sold to associated undertakings in the Russian Federation mainly at the rates established by the FAS. Gas is sold outside the Russian Federation mainly under long-term contracts at prices indexed mainly to world oil product prices.

PJSC GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

23 **RELATED PARTIES (continued)**

	30 September 2015		31 December 2014	
	Assets	Liabilities	Assets	Liabilities
Short-term accounts receivable and prepayments				
Gazprombank (Joint-stock Company) and its subsidiaries	27,126	-	2,125	-
Overgaz Inc. AD	9,416	-	9,246	-
OJSC NGK Slavneft and its subsidiaries	9,134	-	10,701	-
Bosphorus Gaz Corporation A.S.	8,016	-	1,349	-
Panrusgas Gas Trading Plc	7,940	-	3,523	-
CJSC Gazprom YRGM Trading	3,971	-	2,082	-
CJSC Messoyakhaneftegaz	2,991	-	1,869	-
Wintershall AG	2,982	-	2,567	-
VEMEX s.r.o.	2,673	-	1,367	-
Gasum OY	2,669	-	5,353	-
JSV Moldovagaz ¹	2,355	-	1,281	-
CJSC Gazprom YRGM Development	1,721	-	1,492	-
JSC Latvijas Gaze	1,655	-	60	-
SGT EuRoPol GAZ S.A.	1,501	-	737	-
WIEH GmbH & Co.KG	-	-	20,739	-
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	-	-	17,448	-
CJSC Northgas	-	-	1,952	-
LLC Yamal razvitie	-	-	1,272	-
WIEE AG	-	-	1,081	-
Cash balances				
Gazprombank (Joint-stock Company) and its subsidiaries	650,450	-	637,788	-
Long-term accounts receivable and prepayments				
CJSC Messoyakhaneftegaz	22,715	-	10,672	-
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	14,911	-	13,663	-
Erdgasspeicher Peissen GmbH	6,862	-	3,745	-
Etzel-Kavernenbetriebsgesellschaft mbH & Co. KG	5,978	-	5,293	-
LLC Yamal razvitie	4,028	-	10,395	-
Gazprombank (Joint-stock Company) and its subsidiaries	390	-	4,119	-
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	-	-	26,161	-
Short-term accounts payable				
JSC Latvijas Gaze	-	7,229	-	214
CJSC Gazprom YRGM Trading	-	7,077	-	7,988
Nord Stream AG	-	6,710	-	6,098
CJSC Gazprom YRGM Development	-	5,918	-	5,260
LLC SeverEnergia and its subsidiaries	-	5,578	-	3,368
OJSC NGK Slavneft and its subsidiaries	-	3,938	-	1,926
Sakhalin Energy Investment Company Ltd.	-	3,641	-	1,440
KazRosGaz LLP	-	2,598	-	2,925
JSC Achimgaz	-	2,168	-	3,188
SGT EuRoPol GAZ S.A.	-	1,483	-	2,272
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	-	-	-	6,464
Short-term borrowings (including current portion of long-term borrowings)				
Gazprombank (Joint-stock Company) and its subsidiaries	-	21,550	-	24,397
Long-term borrowings				
Gazprombank (Joint-stock Company) and its subsidiaries	-	40,947	-	36,490

¹ Net of impairment provision on accounts receivable in the amount of RUB 341,582 million and RUB 273,143 million as of 30 September 2015 and 31 December 2014.

Investments in associated undertakings and joint ventures are disclosed in Note 10.

Financial guarantees issued by the Group for the associated undertakings and joint ventures are disclosed in Note 24.

24 COMMITMENTS AND CONTINGENCIES

Taxation

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. Management believes that its interpretation of the relevant legislation as of 30 September 2015 is appropriate and all of the Group's material tax, currency and customs positions will be sustainable.

Legal proceedings

On 16 June 2014, PJSC Gazprom submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against NJSC Naftogaz Ukraine to recover more than USD 4,500 million unpaid debt for gas supplies and related interest charged. On 12 June 2015, PJSC Gazprom submitted to arbitration a review on the claim from NJSC Naftogaz Ukraine and new counter-claim, in which clarified its claims totalling to USD 29,200 million.

At the same time on 16 June 2014, NJSC Naftogaz Ukraine submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce against PJSC Gazprom seeking a retroactive revision of the price, compensation of all overpaid amounts starting from 20 May 2011 and cancellation of the contractual prohibition on reexport of natural gas. On 31 January 2015 NJSC Naftogaz Ukraine filed a claim to arbitration, increasing the amount of the claims up to USD 11,700 million.

On 21 July 2014, both cases were consolidated. Oral hearings will start not earlier than in February - March 2016. Decision of the arbitration panel is scheduled for late June 2016.

On 13 October 2014 NJSC Naftogaz Ukraine submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against PJSC Gazprom, seeking:

- (1) to acknowledge that rights and obligations of NJSC Naftogaz Ukraine under Contract on volumes and terms of gas transportation contract through Ukraine in 2009-2019 years should be transferred to PJSC Ukrtransgaz;
- (2) to acknowledge that certain provisions of Contract, which will be subsequently updated, are invalid and / or inoperative and should be supplemented with or substituted by provisions which will be updated in line with the energy and anti-monopoly legislation of Ukraine and the European Union ("EU");
- (3) to oblige PJSC Gazprom to pay a compensation of USD 3,200 million (and related interest) to NJSC Naftogaz Ukraine for the failure to provide gas for transit;
- (4) to acknowledge that the transit tariff stipulated in Contract should be revised in such a way as provided in further written statements of NJSC Naftogaz Ukraine in line with key principles of the Swedish contractual law.

The claim amounted to approximately USD 6,200 million. On 28 November 2014 PJSC Gazprom filed its response to the request of arbitration. On 11 December 2014 the arbitration panel was formed. On 28 January 2015 the arbitration court made a decision not to combine the case with the above ones. On 30 April 2015 NJSC Naftogaz Ukraine filed a claim, significantly increasing the amount of the claims, according to various estimates, up to USD 11,000-16,000 million. On 16 October 2015 PJSC Gazprom submitted to arbitration a review on the claim from NJSC Naftogaz Ukraine with documentary support of the position, submitting new counter-claim to NJSC Naftogaz Ukraine about payment of unsanctioned volume of gas located on the territory of Ukraine in the amount of USD 5.861 million. Verbal hearing of the case is expected late September 2016 and decision of the arbitration panel is expected by the end of January 2017.

On 3 October 2012, the Ministry of Energy of the Republic of Lithuania submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against PJSC Gazprom. The Ministry of Energy of the Republic of Lithuania declared that PJSC Gazprom violated the shareholders' agreement with AB Lietuvos dujos, by unfair pricing of gas supplied to the Republic of Lithuania and claimed for LTL 5 billion compensation (as of 30 September 2015 – RUB 108,003 million). PJSC Gazprom did not agree to the claims and on 9 November 2012, filed with the Arbitration Institute of the Stockholm Chamber of Commerce response to the request for arbitration. Arbitration panel was formed and hearing on the merits took place from 1 to 9 July 2015. As a result of the hearing the parties have until 30 September 2015 to submit further written statements on the basis of the analysis of materials of hearings, including testimony of witnesses and experts. On 30 September 2015 the parties submitted additional written opinions based on analysis of hearing materials including witness statement and expert statement. A decision of the arbitration is expected in the first half of 2016.

PJSC GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

24 COMMITMENTS AND CONTINGENCIES (continued)

In August 2012 the European Commission initiated an investigation into a potential breach of the EU antimonopoly law by PJSC Gazprom. In April 2015 the European Commission adopted a Statement of Objections in the course of the ongoing antitrust investigation of PJSC Gazprom activity in the EU. The deadline for providing a formal response to the Statement of objections, the European Commission extended until 11 September 2015. On 28 September 2015 PJSC Gazprom filed its response to the Statement of Objections of the European Commission. In September 2015 PJSC Gazprom filed proposal of antitrust investigation settlement to the European Commission.

The adoption of the Statement of Objections is just one of the stages of the antitrust investigation and does not imply holding PJSC Gazprom liable for any violation of the EU antitrust legislation. PJSC Gazprom considers the claims brought by the European Commission to be unsubstantiated and expects the situation to be resolved in accordance with the agreement reached earlier between the Government of the Russian Federation and the European Commission. Currently it's impossible to assess a potential negative impact of this ongoing investigation on activity of PJSC Gazprom in Europe and on financial position of PJSC Gazprom .

The Group is also a party to certain other legal proceedings arising in the ordinary course of business and subject to various environmental laws regarding handling, storage, and disposal of certain products, regulation by various governmental authorities. Management believes, there are no such current legal proceedings or other claims outstanding which could have a material adverse effect on the results of operations or financial position of the Group.

Sanctions

In 2014 the EU, the United States (“U.S.”) and some other countries introduced a series of sanctions against the Russian Federation and some Russian entities. Some of these sanctions are aimed directly against PJSC Gazprom, PJSC Gazprom Neft and other companies, including Gazprombank (Joint-stock Company), and some of them include general restrictions of economic activity in certain sectors of the Russian economy.

The U.S. sanctions prohibit any U.S. person, and U.S. incorporated entities (including their foreign branches) or any person or entity in the U.S. or related with the territory of U.S. from:

- 1) transacting in, providing financing for, or otherwise dealing in new debt of longer than 90 days maturity or newly issued share capital, property or rights to property in respect of a number of Russian energy companies, including PJSC Gazprom Neft;
- 2) to carry out operations, to provide funding or otherwise make transactions related to new borrowings with maturity of longer than 30 days or newly issued share capital, property or rights to property of a number of Russian companies of the banking sector, including Gazprombank (Joint-stock Company);
- 3) providing, exporting, or reexporting, directly or indirectly, goods, services (except for financial services), or technology in support of potential exploration and production of oil in deep water, Arctic offshore, or shale formations in the Russian Federation, or in territorial waters claimed by the Russian Federation with participation of Russian companies, including PJSC Gazprom and PJSC Gazprom Neft.

U.S. sanctions apply to any entity, in the capital of which the companies from the sanctions list directly or indirectly, individually or in the aggregate, own 50 or more percent interest in capital.

PJSC Gazprom is not expressly stated in the number of entities against whom the EU sanctions are imposed. However, PJSC Gazprom Neft and Gazprombank (Joint-stock Company), as well as their subsidiaries in which they own more than 50 percent interest in capital are subject to certain financial restrictions imposed by the EU. In addition, the EU imposed sanctions in relation to certain sectors of the Russian economy, affecting some of the activities of the Group in the field of oil production.

The sanctions imposed by the EU prohibit all citizens of countries-EU members, as well as to all legal entities and bodies established or created under the laws of the country-a member of the EU (both within the EU and abroad), as well as all legal entities, bodies in connection with any economic activities carried out in whole or in part within the EU:

- 1) provision of drilling, well testing, logging and completion and services and supply of specialized floating vessels necessary for deep water oil exploration and production, and (or) Arctic oil exploration and production, and shale oil projects in Russia, as well as the direct or indirect financing, financial assistance, technical and brokerage services in relation to these activities;

PJSC GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

24 COMMITMENTS AND CONTINGENCIES (continued)

2) purchasing, selling, providing investment services for or assistance in the issuance of, or other dealings with transferable securities and money market instruments with a maturity of more than 90 days issued from 1 August 2014 to 12 September 2014 or more than 30 days, issued after 12 September 2014 by certain Russian companies in banking sector, including Gazprombank (Joint-stock Company);

3) purchase, sale, provision of investment services for or assisting in the issuance of, or other dealings with transferable securities and money market instruments issued by some Russian energy companies, including PJSC Gazprom Neft, after 12 September 2014 with maturity of more than 30 days;

4) providing after 12 September 2014 directly or indirectly or being part of any arrangement to make new loans or credit with a maturity of more than 30 days to a number of Russian companies (including PJSC Gazprom Neft and Gazprombank (Joint-stock Company)), except for loans or credit that have a specific and documented objective to provide financing for non-prohibited imports or exports of goods and non-financial services between the EU and Russia or for loans that have a specific and documented objective to provide emergency funding to meet solvency and liquidity criteria for legal entities established in the EU, whose proprietary rights are owned for more than 50 percent by any entity referred to above.

These EU sanctions also apply to any entity if 50 percent or more of its capital is owned, directly or indirectly, separately or in the aggregate, by sanctioned entities.

Canada and some other countries have also introduced sanctions against some Russian individuals and legal entities, including PJSC Gazprom and PJSC Gazprom Neft.

In June 2015 Canada imposed additional sanctions on the Russian energy sector, including PJSC Gazprom, PJSC Gazprom Neft and other oil and gas companies of the Russian Federation.

Sanctions imposed by Canada prohibit any person in Canada and any Canadian citizen to transact in, provide financing for, or otherwise deal in new debt with maturity of more than 90 days for a number of Russian energy companies, including PJSC Gazprom and PJSC Gazprom Neft. In addition, there is the ongoing restriction on the export, sale and delivery by persons in Canada, Canadians and located outside the territory of Canada of certain goods to Russia or any person in Russia, if such goods are used for deep-water oil exploration (at a depth of more than 500 meters), for the exploration and production of oil in the Arctic, as well as the exploration and production of shale oil.

The Group continues to assess and monitor the impact of the ongoing sanctions but currently does not believe they have a significant impact on the financial position and results of operations of the Group.

Financial guarantees

	30 September 2015	31 December 2014
Outstanding guarantees issued for:		
Sakhalin Energy Investment Company Ltd.	149,608	136,490
Ostchem Holding Limited	55,804	47,407
Blackrock Capital Investments Limited	9,032	7,675
EM Interfinance Limited	896	3,065
LLC Production Company VIS	-	7,016
Other	<u>92,020</u>	<u>75,104</u>
Total financial guarantees	<u>307,360</u>	<u>276,757</u>

For the nine months ended 30 September 2015 and for 2014 counterparties fulfilled their obligations.

Included in financial guarantees are amounts denominated in US Dollars of USD 3,648 million and USD 3,814 million as of 30 September 2015 and 31 December 2014, respectively, as well as amounts denominated in Euros of EUR 373 million and EUR 356 million as of 30 September 2015 and 31 December 2014, respectively.

In June 2008 the Group provided a guarantee to the Bank of Tokyo-Mitsubishi UFJ Ltd. for Sakhalin Energy Investment Company Ltd. under the credit facility up to the amount of the Group's share (50 %) in the obligations of Sakhalin Energy Investment Company Ltd. toward the Bank of Tokyo-Mitsubishi UFJ Ltd. As of 30 September 2015 and 31 December 2014 the above guarantee amounted to RUB 149,608 million (USD 2,259 million) and RUB 136,490 million (USD 2,426 million), respectively.

In December 2014 the Group provided a guarantee to Gazprombank (Joint-stock Company) related to debts from Ostchem Holding Limited under the credit facility for financing of operating activities. As of

PJSC GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2015
(in millions of Russian Rubles)

24 COMMITMENTS AND CONTINGENCIES (continued)

30 September 2015 and 31 December 2014 the above guarantee amounted to RUB 55,804 million (USD 843 million) and RUB 47,407 million (USD 843 million), respectively, and was fully provided. Change in the value of guarantee is mainly attributed to the exchange difference between US Dollar and Russian Ruble.

In 2006 the Group guaranteed Asset Repackaging Trust Five B.V. (registered in Netherlands) bonds issued by five financing entities: Devere Capital International Limited, Blackrock Capital Investments Limited, DSL Assets International Limited, United Energy Investments Limited, EM Interfinance Limited (registered in Ireland) in regard to bonds issued with due dates December 2012, June 2018, December 2009, December 2009 and December 2015, respectively. Bonds were issued for financing of construction of a transit pipeline in Poland by SGT EuRoPol GAZ S.A. In December 2009 loans issued by DSL Assets International Limited and United Energy Investments Limited were redeemed. In December 2012 loans issued by Devere Capital International Limited were redeemed. As a result as of 30 September 2015 and 31 December 2014 the guarantees issued for Blackrock Capital Investments Limited and EM Interfinance Limited amounted to RUB 9,928 million (USD 150 million) and RUB 10,740 million (USD 191 million), respectively.

In July 2012 the Group provided a guarantee to PJSC Sberbank for LLC Production company VIS as a security of credit facility for financing of construction projects for Gazprom Group. As of 31 December 2014 the above guarantee amounted to RUB 7,016 million. As of 30 September 2015 the debt liabilities were redeemed.

Capital commitments

The total investment program related to gas, oil and power assets for 2015 is RUB 1,959,036 million.

25 POST BALANCE SHEET EVENTS

Borrowings and loans

In October 2015 the Group signed an agreement to obtain long-term loans from PJSC Sberbank in the amount of RUB 14,700 million at an interest rate of current key rate of the Central Bank of the Russian Federation (the Bank of Russia) + 2 % due in 2020 and in the amount of RUB 15,300 million at an interest rate of current key rate of the Bank of Russia + 1.91 % due in 2020.

In October 2015 the Group issued Loan Participation Notes in the amount of EUR 1,000 million at an interest rate of 4.625 % due in 2018 under USD 40,000 million Programme for the Issuance of Loan Participation Notes.

In November 2015 the Group issued Russian bonds in the amount of RUB 10,000 million at an interest rate of 11.5 % due in 2020.

Sanctions

In November and December 2015 the Russian Federation adopted a number of special economic measures towards the Republic of Turkey. Thus a decision about suspension of the activity of the Russian-Turkish Intergovernmental Commission on Trade and Economic Cooperation is adopted. Moreover the following projects have been suspended: negotiation process with the Turkish party on the Draft Agreement between the Government of the Russian Federation and the Government of the Republic of Turkey about trade in services and investments, Draft Medium-Term Programme of trade and economic, technical, scientific and cultural collaboration between the Government of the Russian Federation and the Government of the Republic of Turkey for the years 2016-2019 and on establishment of the Russian-Turkish fund on financing investment projects in the Russian Federation and the Republic of Turkey.

The Group is currently assessing an influence of adopted economic measures on its financial position and results of activity.

PJSC GAZPROM
INVESTORS RELATIONS

The Company may be contacted at its registered office:

PJSC Gazprom
Nametkina Str., 16
V-420, GSP-7, 117997, Moscow
Russia

Telephone: (7 495) 719 3001

Facsimile: (7 495) 719 8333, 719 8335

www.gazprom.ru (in Russian)

www.gazprom.com (in English)