



## 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	11
6 Cash and cash equivalents	14
7 Accounts receivables and prepayments	14
8 Inventories	14
9 Property, plant and equipment	15
10 Investments in associated undertakings and joint ventures	16
11 Long-term accounts receivables and prepayments	18
12 Other non-current assets	18
13 Long-term borrowings, promissory notes	18
14 Profit tax	21
15 Equity	22
16 Sales	22
17 Operating expenses	23
18 Finance income and expenses	23
19 Basic and diluted earnings per share, attributable to owners of PJSC Gazprom	23
20 Provision for liabilities and charges	24
21 Fair value of financial instruments	25
22 Related parties	27
23 Commitments and contingencies	31
24 Post balance sheet events	34











**PJSC GAZPROM**  
**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

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**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 30 % of total annual gas volumes are shipped in the first calendar quarter.

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 International Accounting Standard 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 Rouble (“RUB”) to US Dollar (“USD”) foreign exchange rates as determined by the Central Bank of the Russian Federation were as follows:

- as of 31 March 2015 – 58.46 (as of 31 March 2014 – 35.69);
- as of 31 December 2014 – 56.26 (as of 31 December 2013 – 32.73).



**PJSC GAZPROM**  
**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

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**3 BASIS OF PRESENTATION (continued)**

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

- as of 31 March 2015 – 63.37 (as of 31 March 2014 – 49.05);
- as of 31 December 2014 – 68.34 (as of 31 December 2013 – 44.97).

**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 Interim Consolidated 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.

**PJSC GAZPROM**  
**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

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

- 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.
- 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). The amendments are under adopting for application in the Russian Federation. 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.

**PJSC GAZPROM**  
**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

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**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.

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) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

**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
<b>Three months ended 31 March 2015</b>									
<b>Total segment revenues</b>	<b>173,761</b>	<b>233,501</b>	<b>1,073,353</b>	<b>10,500</b>	<b>194,736</b>	<b>367,589</b>	<b>133,204</b>	<b>50,525</b>	<b>2,237,169</b>
Inter-segment sales	169,133	188,994	76,372	10,115	135,225	2,908	-	-	582,747
External sales	4,628	44,507	996,981	385	59,511	364,681	133,204	50,525	1,654,422
<b>Segment result</b>	<b>(12,526)</b>	<b>(3,324)</b>	<b>340,543</b>	<b>1,251</b>	<b>896</b>	<b>61,056</b>	<b>18,881</b>	<b>(7,178)</b>	<b>399,599</b>
Depreciation	42,151	113,890	4,476	5,620	21,934	9,576	8,915	7,590	214,152
Share of net income (loss) of associated undertakings and joint ventures	2,270	5,781	3,187	(251)	29,418	799	12	(3,902)	37,314
<b>Three months ended 31 March 2014</b>									
<b>Total segment revenues</b>	<b>180,471</b>	<b>238,091</b>	<b>988,698</b>	<b>9,707</b>	<b>183,086</b>	<b>383,592</b>	<b>134,614</b>	<b>53,517</b>	<b>2,171,776</b>
Inter-segment sales	176,534	197,790	82,683	8,899	133,747	2,934	-	-	602,587
External sales	3,937	40,301	906,015	808	49,339	380,658	134,614	53,517	1,569,189
<b>Segment result</b>	<b>9,700</b>	<b>17,430</b>	<b>277,661</b>	<b>2,072</b>	<b>26,260</b>	<b>68,045</b>	<b>21,194</b>	<b>(7,654)</b>	<b>414,708</b>
Depreciation	34,824	94,033	3,850	2,275	21,232	10,130	9,339	7,363	183,046
Share of net income (loss) of associated undertakings and joint ventures	1,029	1,077	3,324	143	15,907	759	21	(1,353)	20,907

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

	<b>For the three months ended 31 March</b>	
	<b>2015</b>	<b>2014</b>
Segment result for reportable segments	406,777	422,362
Other segments' result	<u>(7,178)</u>	<u>(7,654)</u>
<b>Segment result</b>	<b>399,599</b>	<b>414,708</b>
Difference in depreciation <sup>1</sup>	88,033	68,298
Expenses associated with pension obligations	(1,928)	(1,968)
Net finance income (expense)	87	(175,777)
Gains on disposal of available-for-sale financial assets	38	30
Share of net income of associated undertakings and joint ventures	37,314	20,907
Other	<u>(27,049)</u>	<u>(8,248)</u>
<b>Profit before profit tax</b>	<b>496,094</b>	<b>317,950</b>

<sup>1</sup> 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 statutory accounting.

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

	<b>For the three months ended 31 March</b>	
	<b>2015</b>	<b>2014</b>
External sales for reportable segments	1,603,897	1,515,672
External sales for other segments	<u>50,525</u>	<u>53,517</u>
<b>Total external segment sales</b>	<b>1,654,422</b>	<b>1,569,189</b>
Differences in external sales <sup>1</sup>	<u>(6,169)</u>	<u>(10,452)</u>
<b>Total sales per the consolidated interim condensed statement of comprehensive income</b>	<b>1,648,253</b>	<b>1,558,737</b>

<sup>1</sup> 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.

**PJSC GAZPROM**  
**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

**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
<b>31 March 2015</b>									
Segment assets	<u>2,257,478</u>	<u>6,024,751</u>	<u>1,502,631</u>	<u>277,576</u>	<u>1,751,030</u>	<u>1,678,054</u>	<u>818,538</u>	<u>619,219</u>	<u>14,929,277</u>
Investments in associated undertakings and joint ventures	15,329	110,874	55,394	6,640	377,807	20,311	425	113,315	700,095
Capital additions <sup>1</sup>	19,279	58,836	2,840	53,380	24,084	2,358	11,430	7,249	179,456
<b>31 December 2014</b>									
Segment assets	<u>2,276,369</u>	<u>6,088,335</u>	<u>1,454,300</u>	<u>280,762</u>	<u>1,896,609</u>	<u>1,378,295</u>	<u>799,914</u>	<u>661,507</u>	<u>14,836,091</u>
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 <sup>2</sup>	254,881	434,433	23,709	15,530	227,421	135,158	82,019	48,177	1,221,328

<sup>1</sup> Capital additions for the three months ended 31 March 2015.

<sup>2</sup> Capital additions for the year ended 31 December 2014.

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

	<b>31 March 2015</b>	<b>31 December 2014</b>
Segment assets for reportable segments	14,310,058	14,174,584
Other segments' assets	<u>619,219</u>	<u>661,507</u>
<b>Total segment assets</b>	<b>14,929,277</b>	<b>14,836,091</b>
Differences in property, plant and equipment, net <sup>1</sup>	(1,982,771)	(2,070,873)
Loan interest capitalised	466,310	467,373
Decommissioning costs	47,263	47,287
Cash and cash equivalents	1,228,145	1,038,191
Restricted cash	1,474	2,085
Short-term financial assets	9,450	10,735
VAT recoverable	259,127	289,287
Other current assets	277,417	403,005
Available-for-sale long-term financial assets	202,128	201,824
Goodwill	104,773	104,221
Other non-current assets	307,753	346,377
Inter-segment assets	(769,556)	(757,684)
Other	<u>303,373</u>	<u>259,551</u>
<b>Total assets per the consolidated interim condensed balance sheet</b>	<b>15,384,163</b>	<b>15,177,470</b>

<sup>1</sup> 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 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.

**PJSC GAZPROM**  
**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

**5 SEGMENT INFORMATION (continued)**

Segment liabilities:

	<b>31 March 2015</b>	<b>31 December 2014</b>
Distribution	620,215	686,824
Production of crude oil and gas condensate	363,711	323,068
Refining	274,517	247,737
Transport	220,593	351,566
Production of gas	111,388	146,755
Electric and heat energy generation and sales	65,212	78,438
Gas storage	4,502	18,352
Other segments	<u>147,538</u>	<u>130,044</u>
	<b>1,807,676</b>	<b>1,982,784</b>

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

	<b>31 March 2015</b>	<b>31 December 2014</b>
Segment liabilities for reportable segments	1,660,138	1,852,740
Other segments' liabilities	<u>147,538</u>	<u>130,044</u>
<b>Total segment liabilities</b>	<b>1,807,676</b>	<b>1,982,784</b>
Current profit tax payable	43,700	8,402
Short-term borrowings, promissory notes and current portion of long- term borrowings	509,033	464,782
Long-term borrowings and promissory notes	2,167,378	2,224,042
Provisions for liabilities and charges	316,981	297,106
Deferred tax liabilities	626,292	594,098
Other non-current liabilities	67,978	86,256
Dividends	4,196	4,759
Inter-segment liabilities	(769,556)	(757,684)
Other	<u>158,317</u>	<u>152,904</u>
<b>Total liabilities per the consolidated interim condensed balance sheet</b>	<b>4,931,995</b>	<b>5,057,449</b>

**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.

	<b>31 March 2015</b>	<b>31 December 2014</b>
Cash on hand and bank balances payable on demand	1,075,384	969,440
Term deposits with original maturity of three months or less	<u>152,761</u>	<u>68,751</u>
	<b>1,228,145</b>	<b>1,038,191</b>

**7 ACCOUNTS RECEIVABLE AND PREPAYMENTS**

	<b>31 March 2015</b>	<b>31 December 2014</b>
Trade receivables	760,994	683,967
Prepayments and advances	114,215	132,477
Other receivables	<u>237,933</u>	<u>229,492</u>
	<b>1,113,142</b>	<b>1,045,936</b>

Accounts receivable and prepayments are presented net of impairment provision of RUB 689,451 million and RUB 646,122 million as of 31 March 2015 and 31 December 2014, respectively.

Accounts receivable due from NJSC Naftogaz Ukraine in relation to gas sales is RUB nil million net of impairment provision of RUB 136,464 million and RUB 123,874 million as of 31 March 2015 and 31 December 2014, respectively.

**8 INVENTORIES**

Inventories are presented net of provision for obsolescence of RUB 6,758 million and RUB 6,888 million as of 31 March 2015 and 31 December 2014, respectively.

**PJSC GAZPROM**  
**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

**9 PROPERTY, PLANT AND EQUIPMENT**

	<b>Total production assets (including production licenses)</b>	<b>Social assets</b>	<b>Assets under construction</b>	<b>Total</b>
<b>As of 31 December 2013</b>				
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>
<b>Net book value as of 31 December 2013</b>	<b>7,056,064</b>	<b>61,230</b>	<b>1,822,794</b>	<b>8,940,088</b>
<b>Three months ended 31 March 2014</b>				
Net book value as of 31 December 2013	7,056,064	61,230	1,822,794	8,940,088
Depreciation	(114,418)	(655)	-	(115,073)
Additions	40,927	-	185,801	226,728
Acquisition of subsidiaries	9,455	-	347	9,802
Translation differences	22,894	11	2,313	25,218
Transfers	37,188	41	(37,229)	-
Disposals	(4,937)	(21)	(3,507)	(8,465)
Charge for impairment provision	-	-	(61)	(61)
<b>Net book value as of 31 March 2014</b>	<b>7,047,173</b>	<b>60,606</b>	<b>1,970,458</b>	<b>9,078,237</b>
<b>Nine months ended 31 December 2014</b>				
Net book value as of 31 March 2014	7,047,173	60,606	1,970,458	9,078,237
Depreciation	(350,424)	(1,965)	-	(352,389)
Additions	91,368	1,364	1,034,631	1,127,363
Acquisition of subsidiaries	6,903	-	127,770	134,673
Translation differences	137,821	11	15,933	153,765
Transfers	1,014,448	1,455	(1,015,903)	-
Disposals	(91,439)	(2,102)	(21,496)	(115,037)
Release of impairment provision	<u>(75,432)</u>	-	<u>(971)</u>	<u>(76,403)</u>
<b>Net book value as of 31 December 2014</b>	<b>7,780,418</b>	<b>59,369</b>	<b>2,110,422</b>	<b>9,950,209</b>
<b>As of 31 December 2014</b>				
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>
<b>Net book value as of 31 December 2014</b>	<b>7,780,418</b>	<b>59,369</b>	<b>2,110,422</b>	<b>9,950,209</b>
<b>Three months ended 31 March 2015</b>				
Net book value as of 31 December 2014	7,780,418	59,369	2,110,422	9,950,209
Depreciation	(123,295)	(657)	-	(123,952)
Additions	16,968	94	212,182	229,244
Translation differences	(4,865)	6	(9,093)	(13,952)
Transfers	69,455	-	(69,455)	-
Disposals	(8,481)	(80)	(16,554)	(25,115)
(Charge for) release of impairment provision	<u>(3)</u>	-	<u>66</u>	<u>63</u>
<b>Net book value as of 31 March 2015</b>	<b>7,730,197</b>	<b>58,732</b>	<b>2,227,568</b>	<b>10,016,497</b>
<b>As of 31 March 2015</b>				
Cost	12,223,821	94,985	2,227,568	14,546,374
Accumulated depreciation	<u>(4,493,624)</u>	<u>(36,253)</u>	-	<u>(4,529,877)</u>
<b>Net book value as of 31 March 2015</b>	<b>7,730,197</b>	<b>58,732</b>	<b>2,227,568</b>	<b>10,016,497</b>

Production assets are shown net of provision for impairment of RUB 129,482 million and RUB 129,479 million as of 31 March 2015 and 31 December 2014. Assets under construction are presented net of provision for impairment of RUB 43,722 million and RUB 43,788 million as of 31 March 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 324 million and RUB 336 million as of 31 March 2015 and 31 December 2014, respectively.

**PJSC GAZPROM**  
**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

**10 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINT VENTURES**

Notes			Carrying value as of		Share of the income (loss) of associated undertakings and joint ventures for the three months ended 31 March	
			31 March 2015	31 December 2014	2015	2014
22, 23	Sakhalin Energy Investment Company Ltd.	Associate	179,966	153,418	23,602	15,863
22	OJSC NGK Slavneft and its subsidiaries	Joint venture	115,054	113,676	1,378	23
22	Gazprombank (Joint-stock Company) and its subsidiaries	Associate	93,960	95,999	(3,938)	(1,342)
22	LLC Yamal razvitie and its subsidiaries	Joint venture	62,840	60,215	2,625	(1,208)
22	Nord Stream AG	Joint venture	51,875	52,944	3,591	2,283
22	WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries <sup>1</sup>	Associate	34,906	39,139	2,008	-
22, 23	SGT EuRoPol GAZ S.A.	Associate	27,244	27,857	179	5
22	KazRosGaz LLP	Joint venture	20,774	19,215	869	2,282
22	JSC Achimgaz <sup>2</sup>	Joint venture	20,115	16,844	3,271	1,621
22	Wintershall AG	Associate	16,324	17,640	90	(71)
22	W & G Beteiligungs-GmbH & Co. KG and its subsidiaries <sup>1</sup>	Associate	7,526	6,249	1,799	706
22	JSC Latvijas Gaze	Associate	7,091	7,611	37	85
22	Gasum OY	Associate	6,624	6,915	238	274
22	CJSC Northgas	Joint venture	5,640	4,730	910	1,133
	Shtokman Development AG <sup>3</sup>	Joint venture	-	-	-	31
22	AB Lietuvos dujos <sup>4</sup>	Associate	-	-	-	171
	AB Amber Grid <sup>4</sup>	Associate	-	-	-	55
	South Stream Transport B.V. and its subsidiaries <sup>5</sup>	Joint venture	-	-	-	(1,345)
	Other (net of provision for impairment of RUB 1,923 million and RUB 1,929 million as of 31 March 2015 and 31 December 2014)		<u>50,156</u>	<u>54,764</u>	<u>655</u>	<u>341</u>
			<b>700,095</b>	<b>677,216</b>	<b>37,314</b>	<b>20,907</b>

<sup>1</sup> 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 31 March 2015 WIGA Transport Beteiligungs-GmbH & Co. KG forms an independent subgroup of associated undertakings.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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 Euro 121 million.

<sup>5</sup> 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) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

**10 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINT VENTURES (continued)**

	Percent of share capital held	Country of primary operations	As of 31 March 2015		For the three months ended 31 March 2015	
			Assets	Liabilities	Revenues	Income (loss)
Gazprombank (Joint-stock Company) and its subsidiaries <sup>1</sup>	37 %	Russia	4,600,547	4,282,576	48,478	(10,613)
Sakhalin Energy Investment Company Ltd. <sup>2</sup>	50 %	Russia	1,286,595	956,550	116,913	47,203
Nord Stream AG <sup>3</sup>	51 %	Russia, Germany	465,127	361,390	19,196	7,042
OJSC NGK Slavneft and its subsidiaries	50 %	Russia	399,802	176,671	58,709	2,763
LLC Yamal razvitie and its subsidiaries	50 %	Russia	395,191	300,972	23,631	4,607
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	50 %	Germany	219,245	152,196	12,333	4,018
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	50 %	Germany	202,634	178,111	307,115	3,865
Gasum OY	25 %	Finland	98,495	68,533	23,026	1,142
SGT EuRoPol GAZ S.A.	48 %	Poland	71,311	14,552	6,363	381
Wintershall AG <sup>4</sup>	49 %	Libya	66,929	40,653	2,069	183
JSC Achimgaz	50 %	Russia	55,517	14,176	8,846	6,541
CJSC Northgas	50 %	Russia	54,303	42,174	7,189	1,021
KazRosGaz LLP	50 %	Kazakhstan	47,761	6,216	13,876	1,737
JSC Latvijas Gaze	34 %	Latvia	38,180	11,627	11,228	111

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

<sup>2</sup> Country of incorporation is Bermuda Islands.

<sup>3</sup> Country of incorporation is Switzerland.

<sup>4</sup> Country of incorporation is Germany.

	Percent of share capital held	Country of primary operations	As of 31 March 2014		For the three months ended 31 March 2014	
			Assets	Liabilities	Revenues	Income (loss)
Gazprombank (Joint-stock Company) and its subsidiaries <sup>1</sup>	37 %	Russia	3,792,749	3,514,922	39,958	(3,651)
Sakhalin Energy Investment Company Ltd <sup>2</sup>	50 %	Russia	790,958	594,173	76,387	31,725
Nord Stream AG <sup>3</sup>	51 %	Russia, Germany	387,422	290,532	12,972	4,476
OJSC NGK Slavneft and its subsidiaries	50 %	Russia	380,741	135,845	51,588	150
LLC Yamal razvitie and its subsidiaries	50 %	Russia	355,723	300,006	4,462	(2,400)
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	50 %	Germany	319,233	236,506	179,109	3,769
SGT EuRoPol GAZ S.A.	48 %	Poland	53,668	11,173	4,026	10
Wintershall AG <sup>4</sup>	49 %	Libya	47,974	25,941	-	(146)
CJSC Northgas	50 %	Russia	44,690	36,260	6,972	2,266
Gasum OY	25 %	Finland	38,563	17,743	16,674	1,098
Shtokman Development AG <sup>3</sup>	75 %	Russia	38,106	2,152	-	41
JSC Achimgaz	50 %	Russia	35,330	11,063	4,671	3,241
South Stream Transport B.V. and its subsidiaries <sup>5</sup>	50 %	Russia, Bulgaria	34,647	17,559	13	202
JSC Latvijas Gaze	34 %	Latvia	29,754	11,950	8,999	252
KazRosGaz LLP	50 %	Kazakhstan	28,252	2,212	9,972	4,563
AB Amber Grid	37 %	Lithuania	14,801	7,565	719	150
AB Lietuvos dujos	37 %	Lithuania	11,919	4,745	7,188	461

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

<sup>2</sup> Country of incorporation is Bermuda Islands.

<sup>3</sup> Country of incorporation is Switzerland.

<sup>4</sup> Country of incorporation is Germany.

<sup>5</sup> Country of incorporation is Netherlands.

**PJSC GAZPROM**  
**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

**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:

	<b>31 March 2015</b>	<b>31 December 2014</b>
JSC Latvijas Gaze	8,369	8,479

**11 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS**

	<b>31 March 2015</b>	<b>31 December 2014</b>
Long-term accounts receivable and prepayments	205,512	182,817
Advances for assets under construction	<u>313,102</u>	<u>253,651</u>
	<b>518,614</b>	<b>436,468</b>

Long-term accounts receivable and prepayments and advances for assets under construction are presented net of impairment provision of RUB 30,506 million and RUB 33,015 million as of 31 March 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 52,388 million and RUB 49,543 million as of 31 March 2015 and 31 December 2014, respectively.

Other non-current assets include net pension assets in the amount of RUB 71,288 million and RUB 111,742 million as of 31 March 2015 and 31 December 2014, respectively (see Note 20).

**13 LONG-TERM BORROWINGS, PROMISSORY NOTES**

	<b>Currency</b>	<b>Final Maturity</b>	<b>31 March 2015</b>	<b>31 December 2014</b>
Long-term borrowings and promissory notes payable to:				
Loan participation notes issued in April 2009 <sup>2</sup>	US Dollar	2019	136,885	128,793
Mizuho Bank Ltd. <sup>1</sup>	US Dollar	2019	125,785	121,037
Loan participation notes issued in November 2013 <sup>3</sup>	US Dollar	2023	89,494	84,851
Loan participation notes issued in July 2012 <sup>2</sup>	Euro	2017	88,872	98,554
Loan participation notes issued in September 2012 <sup>3</sup>	US Dollar	2022	87,813	85,424
Loan participation notes issued in November 2006 <sup>2</sup>	US Dollar	2016	80,684	76,460
Loan participation notes issued in October 2007 <sup>2</sup>	Euro	2018	76,690	86,790
Loan participation notes issued in March 2007 <sup>2</sup>	US Dollar	2022	76,333	74,644
Loan participation notes issued in August 2007 <sup>2</sup>	US Dollar	2037	73,746	72,245
Loan participation notes issued in April 2004 <sup>2</sup>	US Dollar	2034	72,728	68,528
Loan participation notes issued in April 2008 <sup>2</sup>	US Dollar	2018	66,785	63,004
Loan participation notes issued in May 2005 <sup>2</sup>	Euro	2015	66,472	70,685
Loan participation notes issued in March 2013 <sup>2</sup>	Euro	2020	63,440	70,164
Loan participation notes issued in November 2011 <sup>2</sup>	US Dollar	2016	59,493	56,552
Loan participation notes issued in November 2010 <sup>2</sup>	US Dollar	2015	59,473	56,513
Loan participation notes issued in July 2012 <sup>2</sup>	US Dollar	2022	59,043	57,512
Loan participation notes issued in July 2013 <sup>2</sup>	Euro	2018	58,478	62,506
Loan participation notes issued in February 2013 <sup>2</sup>	US Dollar	2028	53,016	51,642
Loan participation notes issued in April 2013 <sup>3</sup>	Euro	2018	48,818	52,277
Loan participation notes issued in February 2014 <sup>2</sup>	Euro	2021	47,687	52,819
Loan participation notes issued in February 2013 <sup>2</sup>	US Dollar	2020	47,047	45,705
Loan participation notes issued in November 2014 <sup>2</sup>	US Dollar	2015	41,614	39,621
Commerzbank International S.A.	US Dollar	2018	40,925	39,381
Loan participation notes issued in September 2013 <sup>2</sup>	British Pound Sterling	2020	37,910	41,334
Loan participation notes issued in November 2011 <sup>2</sup>	US Dollar	2021	35,476	34,644
Loan participation notes issued in March 2007 <sup>2</sup>	Euro	2017	32,393	34,477
Loan participation notes issued in November 2006 <sup>2</sup>	Euro	2017	31,729	35,542
Loan participation notes issued in March 2013 <sup>2</sup>	Euro	2025	31,726	35,340
Loan participation notes issued in October 2013 <sup>2</sup>	Swiss Franc	2019	30,686	28,637

**PJSC GAZPROM**  
**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

**13 LONG-TERM BORROWINGS, PROMISSORY NOTES (continued)**

	Currency	Final Maturity	31 March 2015	31 December 2014
ZAO Mizuho Corporate Bank (Moscow) <sup>1</sup>	US Dollar	2016	30,566	39,396
The Royal Bank of Scotland AG <sup>1</sup>	US Dollar	2015	27,121	26,939
Deutsche Bank AG	US Dollar	2016	23,527	22,901
Alfa-Bank (Joint-stock Company)	US Dollar	2016	23,398	22,513
Intesa Sanpaolo S.p.A.	Euro	2016	22,285	-
BNP Paribas SA <sup>1</sup>	Euro	2022	20,833	22,352
OJSC Sberbank of Russia	Russian Rouble	2017	19,802	19,802
Bank of Tokyo-Mitsubishi UFJ Ltd. <sup>1</sup>	US Dollar	2016	19,302	21,232
Sumitomo Mitsui Finance Dublin Limited	US Dollar	2016	18,762	18,056
Banc of America Securities Limited	US Dollar	2018	17,814	17,005
Bank of Tokyo-Mitsubishi UFJ Ltd.	US Dollar	2016	17,558	16,896
Bank of Tokyo-Mitsubishi UFJ Ltd.	US Dollar	2015	17,540	16,970
Russian bonds issued in November 2013 <sup>4</sup>	Russian Rouble	2043	15,478	15,134
Russian bonds issued in November 2013 <sup>4</sup>	Russian Rouble	2043	15,478	15,134
Credit Agricole CIB	Euro	2015	15,235	16,431
Russian bonds issued in February 2013 <sup>5</sup>	Russian Rouble	2016	15,123	15,407
OJSC Sberbank of Russia	Euro	2017	14,292	15,416
Russian bonds issued in October 2014 <sup>4</sup>	Russian Rouble	2044	14,166	13,821
Citibank International plc <sup>1</sup>	US Dollar	2021	14,030	13,436
HSBC Bank plc	Euro	2022	13,134	14,108
OJSC Sberbank of Russia	Russian Rouble	2019	12,514	-
OJSC Sberbank of Russia	Russian Rouble	2019	12,514	-
OJSC Sberbank of Russia	Russian Rouble	2016	12,400	12,400
UniCredit Bank AG	US Dollar	2018	11,779	11,253
Gazprombank (Joint-stock Company)	US Dollar	2016	11,693	11,252
Bank of America Securities Limited	Euro	2017	11,579	12,372
UniCredit Bank AG <sup>1, 6</sup>	US Dollar	2018	11,531	14,421
Banc of America Securities Limited	US Dollar	2016	10,529	10,132
Russian bonds issued in April 2009 <sup>3</sup>	Russian Rouble	2019	10,377	10,175
Russian bonds issued in December 2012 <sup>3</sup>	Russian Rouble	2022	10,277	10,068
Russian bonds issued in February 2011 <sup>3</sup>	Russian Rouble	2021	10,137	10,361
Russian bonds issued in February 2011 <sup>3</sup>	Russian Rouble	2021	10,130	10,345
Russian bonds issued in February 2011 <sup>3</sup>	Russian Rouble	2016	10,130	10,345
Russian bonds issued in February 2013 <sup>5</sup>	Russian Rouble	2017	10,083	10,273
OJSC Sberbank of Russia	Russian Rouble	2019	10,011	10,010
OJSC Rosselkhozbank	Russian Rouble	2019	10,010	10,010
Gazprombank (Joint-stock Company)	Russian Rouble	2018	10,000	10,000
Gazprombank (Joint-stock Company)	Russian Rouble	2017	10,000	10,000
Gazprombank (Joint-stock Company)	US Dollar	2015	9,997	9,620
PJSC VTB Bank <sup>7</sup>	US Dollar	2016	9,678	9,307
UniCredit Bank AG <sup>1, 6</sup>	Euro	2018	8,984	12,631
OJSC Sberbank of Russia	US Dollar	2018	8,843	8,449
Banca Intesa a.d. Beograd	US Dollar	2019	8,782	8,450
OJSC Sberbank of Russia	Russian Rouble	2016	8,300	8,300
PJSC VTB Bank <sup>7</sup>	Russian Rouble	2018	8,250	8,250
GC Vnesheconombank	Russian Rouble	2025	7,848	8,979
BNP Paribas SA <sup>1</sup>	Euro	2023	7,810	8,384
Credit Agricole CIB	Euro	2024	7,058	7,579
OJSC Sberbank of Russia	Russian Rouble	2015	5,506	5,504
Sberbank Serbia a.d.	US Dollar	2019	5,271	5,071
Russian bonds issued in February 2013 <sup>5</sup>	Russian Rouble	2018	5,041	5,136
Alfa-Bank (Joint-stock Company)	Russian Rouble	2017	5,016	-
OJSC Bank ROSSIYA	Russian Rouble	2016	5,000	5,000
OJSC Bank ROSSIYA	Russian Rouble	2017	5,000	5,000

**PJSC GAZPROM**  
**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

**13 LONG-TERM BORROWINGS, PROMISSORY NOTES (continued)**

	Currency	Final Maturity	31 March 2015	31 December 2014
Sberbank Serbia a.d.	US Dollar	2017	4,397	4,231
Gazprombank (Joint-stock Company)	US Dollar	2015	3,724	3,584
UniCredit Bank AG <sup>1, 6</sup>	Russian Rouble	2018	1,894	2,352
Russian bonds issued in February 2012 <sup>3</sup>	Russian Rouble	2022	439	10,335
Russian bonds issued in July 2009 <sup>2</sup>	Euro	2015	-	62,372
Other long-term borrowings, promissory notes	Various	Various	<u>75,380</u>	<u>75,323</u>
<b>Total long-term borrowings, promissory notes</b>			<b>2,594,597</b>	<b>2,635,904</b>
Less: current portion of long-term borrowings			<u>(427,219)</u>	<u>(411,862)</u>
			<b>2,167,378</b>	<b>2,224,042</b>

<sup>1</sup> Loans received from syndicate of banks, named lender is the bank-agent.

<sup>2</sup> Issuer of these bonds is Gaz Capital S.A.

<sup>3</sup> Issuer of these bonds is JSC Gazprom Neft.

<sup>4</sup> Issuer of these bonds is PJSC Gazprom.

<sup>5</sup> Issuer of these bonds is Gazprom capital LLC.

<sup>6</sup> Loans were obtained for development of Yuzhno-Russkoye oil and gas field.

<sup>7</sup> 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.

	31 March 2015	31 December 2014
Due for repayment:		
Between one and two years	500,328	404,096
Between two and five years	902,645	970,608
After five years	<u>764,405</u>	<u>849,338</u>
	<b>2,167,378</b>	<b>2,224,042</b>

Long-term liabilities include fixed rate borrowings with a carrying value of RUB 1,990,090 million and RUB 2,044,351 million and fair value of RUB 1,935,557 million and RUB 1,893,394 million as of 31 March 2015 and as of 31 December 2014, respectively.

All other long-term liabilities have variable interest rates generally linked to LIBOR and EURIBOR. Their carrying value is RUB 604,507 million and RUB 591,553 million and fair value is RUB 578,738 million and RUB 534,708 million as of 31 March 2015 and as of 31 December 2014, respectively.

As of 31 March 2015 and 31 December 2014 according to the project facility agreement, signed within the framework of the development project of Yuzhno-Russkoe 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 31 March 2015 and 31 December 2014 carrying amount of these fixed assets is RUB 23,622 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 JSC 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 JSC 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 JSC 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 CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

**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 JSC 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 three months ended 31 March 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.

	<b>31 March 2015</b>	<b>Differences recognition and reversals</b>	<b>31 December 2014</b>	<b>31 March 2014</b>	<b>Differences recognition and reversals</b>	<b>31 December 2013</b>
<b>Tax effects of taxable temporary differences:</b>						
Property, plant and equipment	(658,298)	(37,544)	(620,754)	(601,275)	(35,292)	(565,983)
Financial assets	(7,516)	(188)	(7,328)	(8,156)	1,517	(9,673)
Inventories	<u>(8,973)</u>	<u>(596)</u>	<u>(8,377)</u>	<u>(4,204)</u>	<u>1,408</u>	<u>(5,612)</u>
	<b>(674,787)</b>	<b>(38,328)</b>	<b>(636,459)</b>	<b>(613,635)</b>	<b>(32,367)</b>	<b>(581,268)</b>
<b>Tax effects of deductible temporary differences:</b>						
Tax losses carried forward	24,225	4,104	20,121	10,570	(131)	10,701
Retroactive gas price adjustments	15,428	3,757	11,671	6,085	1,373	4,712
Other deductible temporary differences	<u>8,842</u>	<u>(1,727)</u>	<u>10,569</u>	<u>10,347</u>	<u>3,361</u>	<u>6,986</u>
	<b><u>48,495</u></b>	<b><u>6,134</u></b>	<b><u>42,361</u></b>	<b><u>27,002</u></b>	<b><u>4,603</u></b>	<b><u>22,399</u></b>
<b>Total net deferred tax liabilities</b>	<b>(626,292)</b>	<b>(32,194)</b>	<b>(594,098)</b>	<b>(586,633)</b>	<b>(27,764)</b>	<b>(558,869)</b>

Taxable temporary differences recognized for the three months ended 31 March 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 28,930 million with the corresponding offsetting credit to the current profit tax expense and therefore no net impact on the consolidated net profit for the three months ended 31 March 2015.

Taxable temporary differences recognized for the three months ended 31 March 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 22,498 million with the corresponding offsetting credit to the current profit tax expense and therefore no net impact on the consolidated net profit for the three months ended 31 March 2014.

**PJSC GAZPROM**  
**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

**15 EQUITY**

**Share capital**

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

**Treasury shares**

As of 31 March 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.

**16 SALES**

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2015</b>	<b>2014</b>
Gas sales gross of excise tax and customs duties to customers in:		
Russian Federation	286,553	298,814
Former Soviet Union (excluding Russian Federation)	173,808	138,021
Europe and other countries	<u>702,703</u>	<u>611,257</u>
	1,163,064	1,048,092
Customs duties	(149,668)	(138,140)
Excise tax <sup>1</sup>	(28,212)	-
Retroactive gas price adjustments <sup>2</sup>	<u>16,425</u>	<u>-</u>
Sales of gas	1,001,609	909,952
Sales of refined products to customers in:		
Russian Federation	213,855	208,948
Former Soviet Union (excluding Russian Federation)	22,028	17,807
Europe and other countries	<u>128,798</u>	<u>153,903</u>
Total sales of refined products	364,681	380,658
Sales of crude oil and gas condensate to customers in:		
Russian Federation	19,556	10,076
Former Soviet Union (excluding Russian Federation)	8,328	5,427
Europe and other countries	<u>31,627</u>	<u>33,836</u>
Total sales of crude oil and gas condensate	59,511	49,339
Electric and heat energy sales	133,204	134,614
Gas transportation sales	44,507	40,301
Other revenues	<u>44,741</u>	<u>43,873</u>
<b>Total sales</b>	<b><u>1,648,253</u></b>	<b><u>1,558,737</u></b>

<sup>1</sup> 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.

<sup>2</sup> 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 month ended 31 March 2015 was a credit of RUB 16,425 reflecting a decrease in a related accrual following estimates made and agreements reached prior to the issuance of this consolidated interim condensed financial information.

**PJSC GAZPROM**  
**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

**17 OPERATING EXPENSES**

Note	Three months ended 31 March	
	2015	2014
23	234,139	205,713
	207,136	180,471
	145,097	129,000
	124,604	95,517
	124,271	114,748
	57,743	60,186
	41,839	61,201
	29,713	74,705
	25,511	23,946
	20,026	25,847
	9,163	8,427
	8,244	8,858
	7,265	6,312
	5,610	4,734
	5,463	5,983
	4,703	4,357
	17,444	(45,088)
	(14,290)	4,973
	90,333	76,772
	<b>1,144,014</b>	<b>1,046,662</b>
	<u>27,571</u>	<u>43,087</u>
<b>Total operating expenses</b>	<b>1,171,585</b>	<b>1,089,749</b>

Staff costs include RUB 8,536 million and RUB 8,803 million of expenses associated with post-employment benefit obligations for the three months ended 31 March 2015 and 2014, respectively (see Note 20).

**18 FINANCE INCOME AND EXPENSES**

	Three months ended 31 March	
	2015	2014
Foreign exchange gains	654,715	19,634
Interest income	<u>28,960</u>	<u>7,676</u>
<b>Total finance income</b>	<b>683,675</b>	<b>27,310</b>
Foreign exchange losses	669,808	191,610
Interest expense	<u>13,780</u>	<u>11,477</u>
<b>Total finance expenses</b>	<b>683,588</b>	<b>203,087</b>

Total interest paid amounted to RUB 50,036 million and RUB 35,900 million for the three months ended 31 March 2015 and 2014, respectively.

Foreign exchange gains and losses for the three months ended 31 March 2015 were recognized as a result of the depreciation of EUR against the Russian Rouble and appreciation of US Dollar against the Russian Rouble. 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 months ended 31 March 2015 and 2014, respectively.

There are no dilutive financial instruments outstanding in the Group.

**PJSC GAZPROM**  
**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

**20 PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>31 March 2015</b>	<b>31 December 2014</b>
Provision for post-employment benefit obligations	188,114	171,275
Provision for decommissioning and site restoration costs	107,212	104,168
Other	<u>21,655</u>	<u>21,663</u>
	<b>316,981</b>	<b>297,106</b>

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 71,288 million and RUB 111,742 million as of 31 March 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 31 March 2015 and 31 December 2014 management estimated the fair value of these assets at RUB 378,476 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.

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

	<b>31 March 2015</b>		<b>31 December 2014</b>	
	<b>Funded benefits - provided through NPF Gazfund</b>	<b>Unfunded liabilities - other benefits</b>	<b>Funded benefits - provided through NPF Gazfund</b>	<b>Unfunded liabilities - other benefits</b>
Present value of benefit obligations	(307,188)	(188,114)	(279,485)	(171,275)
Fair value of plan assets	<u>378,476</u>	<u>-</u>	<u>391,227</u>	<u>-</u>
<b>Net balance asset (liability)</b>	<b>71,288</b>	<b>(188,114)</b>	<b>111,742</b>	<b>(171,275)</b>

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

	<b>Three months ended 31 March</b>	
	<b>2015</b>	<b>2014</b>
Current service cost	6,612	7,010
Net interest expense	<u>1,924</u>	<u>1,793</u>
<b>Total expenses included in staff costs</b>	<b>8,536</b>	<b>8,803</b>

The principal assumptions used for post-employment benefit obligations for the three months ended 31 March 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 12.50 % to 11.80 % resulted in recognition of an actuarial loss of RUB 29,355 million in other comprehensive income for the three months ended 31 March 2015.

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

	<b>Three months ended 31 March</b>	
	<b>2015</b>	<b>2014</b>
Actuarial (losses) gains	(29,355)	50,448
Return on assets excluding amounts included in net interest expense	<u>(24,993)</u>	<u>(56,607)</u>
	<b>(54,348)</b>	<b>(6,159)</b>



**PJSC GAZPROM**  
**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

**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.

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

	<b>31 March 2015</b>			<b>Total</b>
	<b>Quoted price in an active market (Level 1)</b>	<b>Valuation technique with inputs observable in markets (Level 2)</b>	<b>Valuation technique with significant non- observable inputs (Level 3)</b>	
<b>Financial assets held for trading:</b>				
Equity securities	220	-	-	220
Bonds	6,069	-	-	6,069
<b>Available-for-sale financial assets:</b>				
Equity securities	2,356	-	-	2,356
Promissory notes	-	787	-	787
Bonds	<u>18</u>	<u>-</u>	<u>-</u>	<u>18</u>
<b>Total short-term financial assets</b>	<b>8,663</b>	<b>787</b>	<b>-</b>	<b>9,450</b>
<b>Available-for-sale financial assets:</b>				
Equity securities	140,453	54,094	6,683	201,230
Bonds	118	-	-	118
Promissory notes	<u>-</u>	<u>780</u>	<u>-</u>	<u>780</u>
<b>Total available-for-sale long-term financial assets</b>	<b>140,571</b>	<b>54,874</b>	<b>6,683</b>	<b>202,128</b>
Derivatives	<u>6,215</u>	<u>51,000</u>	<u>1,277</u>	<u>58,492</u>
<b>Total assets</b>	<b>155,449</b>	<b>106,661</b>	<b>7,960</b>	<b>270,070</b>
Derivatives	<u>7,665</u>	<u>103,386</u>	<u>248</u>	<u>111,299</u>
<b>Total liabilities</b>	<b>7,665</b>	<b>103,386</b>	<b>248</b>	<b>111,299</b>

**PJSC GAZPROM**  
**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

**21 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

	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)	
<b>Financial assets held for trading:</b>				
Equity securities	220	-	-	220
Bonds	6,498	-	-	6,498
<b>Available-for-sale financial assets:</b>				
Equity securities	2,863	-	-	2,863
Promissory notes	-	<u>1,154</u>	-	<u>1,154</u>
<b>Total short-term financial assets</b>	<b>9,581</b>	<b>1,154</b>	<b>-</b>	<b>10,735</b>
<b>Available-for-sale financial assets:</b>				
Equity securities	139,108	55,155	6,724	200,987
Bonds	110	-	-	110
Promissory notes	-	<u>727</u>	-	<u>727</u>
<b>Total available-for-sale long-term financial assets</b>	<b>139,218</b>	<b>55,882</b>	<b>6,724</b>	<b>201,824</b>
Derivatives	<u>7,833</u>	<u>56,478</u>	<u>947</u>	<u>65,258</u>
<b>Total assets</b>	<b>156,632</b>	<b>113,514</b>	<b>7,671</b>	<b>277,817</b>
Derivatives	<u>11,185</u>	<u>122,871</u>	<u>383</u>	<u>134,439</u>
<b>Total liabilities</b>	<b>11,185</b>	<b>122,871</b>	<b>383</b>	<b>134,439</b>

There were no transfers between Levels 1, 2 and 3 and changes in valuation techniques during the period. For the three months ended 31 March 2015 and 2014 the Group has recognised available-for-sale investments losses from other comprehensive income into the profit or loss in the amount of RUB nil million and RUB 1,644 million respectively.

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

Available-for-sale long-term financial assets in total amount of RUB 202,128 million and RUB 201,824 million are shown net of provision for impairment of RUB 1,745 million and RUB 1,797 million as of 31 March 2015 and 31 December 2014, respectively.

As of 31 March 2015 and 31 December 2014 long-term available-for-sale financial assets include OJSC NOVATEK shares in the amount of RUB 133,003 million and RUB 133,787 million, respectively.

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

**PJSC GAZPROM**  
**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

22

**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.

**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 privatisation 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 31 March 2015 prices of natural gas sales, gas transportation and electricity tariffs in Russia were regulated by the Federal Tariffs Service ("FTS"). According to the Presidential Edict 21 July 2015 the functions of the FTS were transferred to the Federal Antimonopoly Service ("FAS").

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

	As of 31 March 2015		Three months ended 31 March 2015	
	Assets	Liabilities	Income	Expenses
<b>Transactions and balances with the Government</b>				
Current profit tax	15,932	37,035	-	69,075
Insurance contributions to non-budget funds	309	9,169	-	31,552
VAT recoverable / payable	394,901	66,014	-	-
Customs duties	60,399	-	-	-
Other taxes	1,936	107,712	-	233,471
<b>Transactions and balances with other parties under control of the Government</b>				
Gas sales	-	-	24,875	-
Electricity and heating sales	-	-	71,672	-
Gas transportation sales	-	-	10,523	-
Other services sales	-	-	574	-
Accounts receivable	55,860	-	-	-
Oil and refined products transportation expenses	-	-	-	26,982
Accounts payable	-	13,816	-	-
Loans	-	161,838	-	-
Interest expense	-	-	-	3,124
Short-term financial assets	6,760	-	-	-
Available-for-sale long-term financial assets	7,450	-	-	-

**PJSC GAZPROM**  
**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

22 **RELATED PARTIES (continued)**

	As of 31 December 2014		Three months ended 31 March 2014	
	Assets	Liabilities	Income	Expenses
<b>Transactions and balances with the Government</b>				
Current profit tax	74,744	3,926	-	60,998
Insurance contributions to non-budget funds	621	5,649	-	27,299
VAT recoverable / payable	451,406	57,058	-	-
Customs duties	85,432	-	-	-
Other taxes	4,788	91,569	-	196,699
<b>Transactions and balances with other parties under control of the Government</b>				
Gas sales	-	-	22,990	-
Electricity and heating sales	-	-	80,458	-
Gas transportation sales	-	-	7,540	-
Other services sales	-	-	62	-
Accounts receivable	46,630	-	-	-
Oil and refined products transportation expenses	-	-	-	25,602
Accounts payable	-	14,442	-	-
Loans	-	140,168	-	-
Interest expense	-	-	-	1,859
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 three months ended 31 March 2015 and 2014. See Note 9 for net book values as of 31 March 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.

**Associated undertakings and joint ventures**

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

**PJSC GAZPROM**  
**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

**22 RELATED PARTIES (continued)**

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2015</b>	<b>2014</b>
	<b>Revenues</b>	
<b>Gas sales</b>		
Wintershall Erdgas Handelshaus GmbH & Co. KG	40,557	38,692
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries <sup>1</sup>	38,547	31,219
Panrusgas Gas Trading Plc	16,647	15,682
JSV Moldovagaz	14,064	9,027
Gasum OY	10,137	9,617
Bosphorus Gaz Corporation A.S.	5,480	5,386
CJSC Gazprom YRGM Trading <sup>2</sup>	3,688	3,358
CJSC Gazprom YRGM Development <sup>2</sup>	2,634	2,399
Overgaz Inc. AD	2,147	1,168
JSC Latvijas Gaze	1,935	2,557
SGT EuRoPol GAZ S. A.	1,421	1,084
Wintershall Erdgas Handelshaus Zug AG <sup>3</sup>	1,344	2,432
VEMEX s.r.o.	1,076	-
AB Lietuvos dujos <sup>4</sup>	-	3,114
<b>Gas transportation sales</b>		
CJSC Gazprom YRGM Trading <sup>2</sup>	5,771	5,779
CJSC Gazprom YRGM Development <sup>2</sup>	4,122	4,128
<b>Gas condensate, crude oil and refined products sales</b>		
OJSC NGK Slavneft and its subsidiaries	12,615	6,453
JSC SOVEKS	833	1,193
LLC Gazpromneft-Aero Sheremetyevo <sup>5</sup>	-	3,022
<b>Operator services sales</b>		
CJSC Messoyakhaneftegaz	4,397	-
<b>Gas refining services sales</b>		
KazRosGaz LLP	1,585	1,507
	<b>Expenses</b>	
<b>Purchased gas</b>		
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries <sup>1</sup>	22,342	18,142
CJSC Gazprom YRGM Trading <sup>2</sup>	17,778	16,513
CJSC Gazprom YRGM Development <sup>2</sup>	12,708	11,801
KazRosGaz LLP	12,497	7,383
LLC SeverEnergiya and its subsidiaries	8,505	2,672
Sakhalin Energy Investment Company Ltd	5,708	1,910
CJSC Northgas	2,148	3,652
<b>Purchased transit of gas</b>		
Nord Stream AG	18,935	13,149
SGT EuRoPol GAZ S.A.	4,264	2,690
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries <sup>1</sup>	7,254	-
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries <sup>1</sup>	-	4,708
<b>Purchased crude oil</b>		
OJSC NGK Slavneft and its subsidiaries	25,041	22,086
Sakhalin Energy Investment Company Ltd.	2,358	5,710
<b>Purchased services of gas and gas condensate extraction</b>		
JSC Achimgaz	8,846	4,671
<b>Purchased processing services</b>		
OJSC NGK Slavneft and its subsidiaries	3,571	3,065

**PJSC GAZPROM**  
**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

**22 RELATED PARTIES (continued)**

<sup>1</sup> 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 31 March 2015 WIGA Transport Beteiligungs-GmbH & Co. KG forms an independent subgroup of associated undertakings.

<sup>2</sup> CJSC Gazprom YRGM Trading and CJSC Gazprom YRGM Development are not associated undertakings and joint ventures.

<sup>3</sup> Wintershall Erdgas Handelshaus Zug AG is the subsidiary of Wintershall Erdgas Handelshaus GmbH & Co. KG.

<sup>4</sup> 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 Euro 121 million.

<sup>5</sup> 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.

	As of 31 March 2015		As of 31 December 2014	
	Assets	Liabilities	Assets	Liabilities
<b>Short-term accounts receivable and prepayments</b>				
Wintershall Erdgas Handelshaus GmbH & Co. KG	33,660	-	20,739	-
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	20,078	-	17,448	-
OJSC NGK Slavneft and its subsidiaries	12,078	-	10,701	-
Overgaz Inc. AD	9,789	-	9,246	-
Panrusgas Gas Trading Plc	6,217	-	3,523	-
CJSC Messoyakhaneftegaz	5,188	-	1,869	-
CJSC Gazprom YRGM Trading	5,115	-	2,082	-
Gasum OY	4,010	-	5,353	-
Gazprombank (Joint-stock Company) and its subsidiaries	3,109	-	2,125	-
CJSC Gazprom YRGM Development	2,658	-	1,492	-
Wintershall AG	2,367	-	2,567	-
Bosphorus Gaz Corporation A.S.	2,277	-	1,349	-
JSV Moldovagaz <sup>1</sup>	2,260	-	1,281	-
JSC Latvijas Gaze	2,031	-	60	-
LLC Yamal razvitie	1,645	-	1,272	-
Sakhalin Energy Investment Company Ltd.	1,440	-	493	-
Wintershall Erdgas Handelshaus Zug AG	202	-	1,081	-
CJSC Northgas	-	-	1,952	-
<b>Cash balances</b>				
Gazprombank (Joint-stock Company) and its subsidiaries	657,867	-	637,788	-
<b>Long-term accounts receivable and prepayments</b>				
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	24,258	-	26,161	-
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	12,669	-	13,663	-
LLC Yamal razvitie	12,581	-	10,395	-
Gazprombank (Joint-stock Company) and its subsidiaries	12,531	-	4,119	-
CJSC Messoyakhaneftegaz	12,191	-	10,672	-
Etzetl Kavernenbetriebsgesellschaft mbH & Co. KG	4,965	-	5,293	-
Erdgasspeicher Peissen GmbH	4,360	-	3,745	-

**PJSC GAZPROM**  
**NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

**22 RELATED PARTIES (continued)**

	As of 31 March 2015		As of 31 December 2014	
	Assets	Liabilities	Assets	Liabilities
<b>Short-term accounts payable</b>				
CJSC Gazprom YRGM Trading	-	7,521	-	7,988
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	-	6,046	-	6,464
Nord Stream AG	-	5,709	-	6,098
CJSC Gazprom YRGM Development	-	4,928	-	5,260
KazRosGaz LLP	-	4,509	-	2,925
JSC Achimgaz	-	3,395	-	3,188
JSC Latvijas Gaze	-	2,812	-	214
Sakhalin Energy Investment Company Ltd	-	2,792	-	1,440
OJSC NGK Slavneft and its subsidiaries	-	1,838	-	1,926
SGT EuRoPol GAZ S.A.	-	1,339	-	2,272
<b>Short-term borrowings (including current portion of long-term borrowings)</b>				
Gazprombank (Joint-stock Company) and its subsidiaries	-	28,736	-	24,397
<b>Long-term borrowings</b>				
Gazprombank (Joint-stock Company) and its subsidiaries	-	37,019	-	36,490

<sup>1</sup> Net of impairment provision on accounts receivable in the amount of RUB 295,963 million and RUB 273,143 million as of 31 March 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 23.

**23 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 31 March 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.

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, which according to the claim amounted to not less than USD 6,000 million and cancellation of the contractual prohibition on reexport of natural gas.

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");

**PJSC GAZPROM**  
**NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

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**23 COMMITMENTS AND CONTINGENCIES (continued)**

(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 amounts 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. 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 31 March 2015 – RUB 91,765 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.

In August 2012 the European Commission initiated an investigation into a potential breach of European Union 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 European Union. The deadline for providing a formal response to the Statement of objections, the European Commission extended until 11 September 2015. 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 European Union 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.

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 EU, the United States and some other countries introduced a series of sanctions against Russian Federation and some Russian entities. Some of these sanctions are aimed directly against the PJSC Gazprom, JSC 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 JSC 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 JSC Gazprom Neft.



**PJSC GAZPROM**  
**NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

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**23 COMMITMENTS AND CONTINGENCIES (continued)**

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, JSC 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;

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 JSC 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 JSC 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 JSC Gazprom Neft.

In June 2015 Canada imposed additional sanctions on the Russian energy sector, including PJSC Gazprom, JSC 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 JSC 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.

**PJSC GAZPROM**  
**NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2015**  
**(in millions of Russian Roubles)**

**23 COMMITMENTS AND CONTINGENCIES (continued)**

**Financial guarantees**

	<b>31 March 2015</b>	<b>31 December 2014</b>
Outstanding guarantees issued for:		
Sakhalin Energy Investment Company Ltd.	143,105	136,490
Ostchem Holding Limited	49,256	47,407
Blackrock Capital Investments Limited	7,975	7,675
EM Interfinance Limited	2,386	3,065
LLC Production Company VIS	-	7,016
Other	<u>72,376</u>	<u>75,104</u>
<b>Total financial guarantees</b>	<b><u>275,098</u></b>	<b><u>276,757</u></b>

For the three months ended 31 March 2015 and for 2014 counterparties fulfilled their obligations.

Included in financial guarantees are amounts denominated in USD of USD 3,825 million and USD 3,814 million as of 31 March 2015 and 31 December 2014, respectively, as well as amounts denominated in Euro of EUR 330 million and EUR 356 million as of 31 March 2015 and 31 December 2014.

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 31 March 2015 and 31 December 2014 the above guarantee amounted to RUB 143,105 million (USD 2,448 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 31 March 2015 and 31 December 2014 the above guarantee amounted to RUB 49,256 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 Rouble.

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 31 March 2015 and 31 December 2014 the guarantees issued for Blackrock Capital Investments Limited and EM Interfinance Limited amounted to RUB 10,361 million (USD 177 million) and RUB 10,740 million (USD 191 million), respectively.

In July 2012 the Group provided a guarantee to OJSC Sberbank of Russia 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 31 March 2015 the debt liabilities were redeemed.

**Capital commitments**

The total investment program related to gas, oil and power assets for 2015 is RUB 1,689,933 million.

**24 POST BALANCE SHEET EVENTS**

**Investments**

In July 2015 PJSC Gazprom acquired a 25 % interest in Shtokman Development AG from Total Shtokman B.V. As a result of this transaction the share of PJSC Gazprom in Shtokman Development AG increased to 100 %.



**PJSC GAZPROM**  
**INVESTORS RELATIONS**

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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](http://www.gazprom.ru) (in Russian)

[www.gazprom.com](http://www.gazprom.com) (in English)