

ФБК | 25 лет

PJSC GAZPROM

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

30 June 2015

Moscow | 2015



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## Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and Board of Directors of PJSC Gazprom

**Introduction**

We have reviewed the accompanying consolidated interim condensed balance sheet of PJSC Gazprom and its subsidiaries as of 30 June 2015 and the related consolidated interim condensed statements of comprehensive income for the three-month and six-month periods then ended, and of cash flows and changes in equity for the six-month period then ended. Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Accounting Standard 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

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

President of FBK, LLC

31 August 2015  
Moscow, Russian Federation

S.M. Shapiguzov

(on the ground of the Charter)



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

Notes		30 June 2015	31 December 2014
	<b>Assets</b>		
	<b>Current assets</b>		
6	Cash and cash equivalents	1,104,568	1,038,191
	Restricted cash	1,890	2,085
21	Short-term financial assets	10,381	10,735
7	Accounts receivable and prepayments	874,236	1,045,936
8	Inventories	690,744	671,916
	VAT recoverable	209,009	289,287
	Other current assets	<u>377,143</u>	<u>403,005</u>
		<b>3,267,971</b>	<b>3,461,155</b>
	<b>Non-current assets</b>		
9	Property, plant and equipment	10,143,082	9,950,209
	Goodwill	104,801	104,221
10	Investments in associated undertakings and joint ventures	712,038	677,216
11	Long-term accounts receivable and prepayments	546,841	436,468
21	Available-for-sale long-term financial assets	239,573	201,824
12	Other non-current assets	<u>342,920</u>	<u>346,377</u>
		<b><u>12,089,255</u></b>	<b><u>11,716,315</u></b>
	<b>Total assets</b>	<b>15,357,226</b>	<b>15,177,470</b>
	<b>Liabilities and equity</b>		
	<b>Current liabilities</b>		
	Accounts payable, accruals and provisions for liabilities and charges	1,071,807	1,217,141
	Current profit tax payable	7,751	8,402
	Other tax payable	167,493	165,622
	Short-term borrowings, promissory notes and current portion of long-term borrowings	<u>508,169</u>	<u>464,782</u>
		<b>1,755,220</b>	<b>1,855,947</b>
	<b>Non-current liabilities</b>		
13	Long-term borrowings, promissory notes	2,045,990	2,224,042
20	Provisions for liabilities and charges	343,219	297,106
14	Deferred tax liability	636,571	594,098
	Other non-current liabilities	<u>58,787</u>	<u>86,256</u>
		<b><u>3,084,567</u></b>	<b><u>3,201,502</u></b>
	<b>Total liabilities</b>	<b>4,839,787</b>	<b>5,057,449</b>
	<b>Equity</b>		
15	Share capital	325,194	325,194
15	Treasury shares	(103,919)	(103,919)
	Retained earnings and other reserves	<u>9,987,023</u>	<u>9,595,283</u>
		<b>10,208,298</b>	<b>9,816,558</b>
	Non-controlling interest	<u>309,141</u>	<u>303,463</u>
	<b>Total equity</b>	<b><u>10,517,439</u></b>	<b><u>10,120,021</u></b>
	<b>Total liabilities and equity</b>	<b>15,357,226</b>	<b>15,177,470</b>

  
M.L. Sereda  
Acting Chairman of the Management Committee  
31 August 2015

  
E.A. Vasilieva  
Chief Accountant  
31 August 2015

The accompanying notes on pages 8 to 36 are an integral part of this consolidated interim condensed financial information.

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

Notes	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
16	1,265,199	1,315,195	2,913,452	2,873,932
	10,060	10,575	(7,953)	14,377
17	(1,052,630)	(1,158,910)	(2,224,215)	(2,248,659)
	<b>222,629</b>	<b>166,860</b>	<b>681,284</b>	<b>639,650</b>
18	379,628	138,286	1,063,303	165,596
18	(265,834)	(15,453)	(949,422)	(218,540)
10	24,101	26,977	61,415	47,884
	392	(56)	430	(26)
	<b>360,916</b>	<b>316,614</b>	<b>857,010</b>	<b>634,564</b>
	(47,954)	(61,926)	(122,538)	(124,525)
	(11,324)	(21,126)	(43,216)	(44,813)
	(59,278)	(83,052)	(165,754)	(169,338)
	<b>301,638</b>	<b>233,562</b>	<b>691,256</b>	<b>465,226</b>
	<b>Other comprehensive income (loss):</b>			
	Items that will not be reclassified to profit or loss:			
20	(64,080)	(304)	(118,428)	(6,463)
	<b>(64,080)</b>	<b>(304)</b>	<b>(118,428)</b>	<b>(6,463)</b>
	Items that may be reclassified subsequently to profit or loss:			
	38,185	9,754	38,783	(8,850)
	7,502	(1,030)	11,619	(3,403)
	(58,119)	(60,017)	(68,945)	13,667
	10,708	3,416	13,478	(6,971)
	<b>(1,724)</b>	<b>(47,877)</b>	<b>(5,065)</b>	<b>(5,557)</b>
	<b>(65,804)</b>	<b>(48,181)</b>	<b>(123,493)</b>	<b>(12,020)</b>
	<b>235,834</b>	<b>185,381</b>	<b>567,763</b>	<b>453,206</b>
	<b>Profit attributable to:</b>			
	293,792	227,571	675,904	450,578
	7,846	5,991	15,352	14,648
	<b>301,638</b>	<b>233,562</b>	<b>691,256</b>	<b>465,226</b>
	<b>Total comprehensive income attributable to:</b>			
	228,803	182,610	557,002	438,470
	7,031	2,771	10,761	14,736
	<b>235,834</b>	<b>185,381</b>	<b>567,763</b>	<b>453,206</b>
19	<b>12.80</b>	<b>9.92</b>	<b>29.45</b>	<b>19.63</b>

M.L. Sereda  
Acting Chairman of the Management Committee  
31 August 2015

E.A. Vasilieva  
Chief Accountant  
31 August 2015

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

Notes	Six months ended 30 June	
	2015	2014
	<b>Cash flows from operating activities</b>	
	857,010	634,564
	<b>Profit before profit tax</b>	
	<b>Adjustments to profit before profit tax for:</b>	
17	250,635	228,784
	Depreciation	
18	(113,881)	52,944
	Net finance (income) expenses	
10	(61,415)	(47,884)
	Share of net income of associated undertakings and joint ventures	
	46,615	237,066
	Charge for provisions	
17	(16,046)	9,454
	Derivatives (gains) losses	
	(6,682)	10,109
	Other	
	99,226	490,473
	Total effect of adjustments	
	956,236	1,125,037
	<b>Cash flows from operating activities before working capital changes</b>	
	(5,219)	(950)
	Increase in non-current assets	
	(2,415)	5,239
	(Decrease) increase in non-current liabilities	
	131,053	(14,682)
	Changes in working capital	
	(94,418)	(128,501)
	Profit tax paid	
	985,237	986,143
	<b>Net cash from operating activities</b>	
	<b>Cash flows from investing activities</b>	
	(784,905)	(620,690)
	Capital expenditures	
18	(57,448)	(35,776)
	Interest paid and capitalised	
	(27,296)	(22,638)
	Net change in loans issued	
	303	(17,243)
	Acquisition of subsidiaries, net of cash acquired	
	(1,241)	(57,262)
	Investments in associated undertakings and joint arrangements	
	28,610	13,799
	Interest received	
	(36,677)	(615)
	Change in available-for-sale long-term financial assets	
	21,845	43,847
	Proceeds from associated undertakings and joint ventures	
	-	(20,115)
	Long-term bank deposits placement	
	20,050	526
	Repayment of long-term bank deposits	
	(2,614)	18,017
	Other	
	(839,373)	(698,150)
	<b>Net cash used in investing activities</b>	
	<b>Cash flows from financing activities</b>	
	122,387	205,223
	Proceeds from long-term borrowings	
	(172,725)	(174,186)
	Repayment of long-term borrowings (including current portion of long-term borrowings)	
	101,829	26,890
	Proceeds from short-term borrowings	
	(72,414)	(42,472)
	Repayment of short-term borrowings	
	(2,651)	(15,012)
	Dividends paid	
18	(29,956)	(27,329)
	Interest paid	
	-	(6)
	Purchase of treasury shares	
	(123)	-
	Acquisition of non-controlling interests in subsidiaries	
	195	(498)
	Change in restricted cash	
	(53,458)	(27,390)
	<b>Net cash used in financing activities</b>	
	(26,029)	(5,851)
	Effect of foreign exchange rate changes on cash and cash equivalents	
	66,377	254,752
	<b>Increase in cash and cash equivalents</b>	
6	1,038,191	689,130
	Cash and cash equivalents at the beginning of reporting period	
6	1,104,568	943,882
	<b>Cash and cash equivalents at the end of reporting period</b>	

M.L. Sereda  
Acting Chairman of the Management Committee  
31 August 2015

E.A. Vasilieva  
Chief Accountant  
31 August 2015

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

Notes	Attributable to the owners of PJSC Gazprom							
	Number of shares out- standing (billions)	Share capital	Treasury shares	Retained earnings and other reserves	Total	Non- controlling interest	Total equity	
<b>Six months ended 30 June 2014</b>								
	<b>Balance as of 31 December 2013</b>	<b>23.0</b>	<b>325,194</b>	<b>(103,919)</b>	<b>9,098,315</b>	<b>9,319,590</b>	<b>314,764</b>	<b>9,634,354</b>
	Profit for the period		-	-	450,578	450,578	14,648	465,226
20	Other comprehensive income (loss):							
	Remeasurements of post-employment benefit obligations		-	-	(6,463)	(6,463)	-	(6,463)
	Losses arising from change in fair value of available-for-sale financial assets, net of tax		-	-	(8,847)	(8,847)	(3)	(8,850)
	Share of other comprehensive loss of associated undertakings and joint ventures		-	-	(3,403)	(3,403)	-	(3,403)
	Translation differences		-	-	13,470	13,470	197	13,667
	Losses from cash flow hedges, net of tax		-	-	(6,865)	(6,865)	(106)	(6,971)
	<b>Total comprehensive income for the six months ended 30 June 2014</b>		<b>-</b>	<b>-</b>	<b>438,470</b>	<b>438,470</b>	<b>14,736</b>	<b>453,206</b>
	Changes in non-controlling interest in subsidiaries		-	-	(3,162)	(3,162)	(2,871)	(6,033)
	Net treasury shares transactions		-	(6)	-	(6)	-	(6)
	Return of social assets to governmental authorities		-	-	(52)	(52)	-	(52)
	Dividends declared		-	-	(165,247)	(165,247)	(10,448)	(175,695)
	<b>Balance as of 30 June 2014</b>	<b>23.0</b>	<b>325,194</b>	<b>(103,925)</b>	<b>9,368,324</b>	<b>9,589,593</b>	<b>316,181</b>	<b>9,905,774</b>
<b>Six months ended 30 June 2015</b>								
	<b>Balance as of 31 December 2014</b>	<b>23.0</b>	<b>325,194</b>	<b>(103,919)</b>	<b>9,595,283</b>	<b>9,816,558</b>	<b>303,463</b>	<b>10,120,021</b>
	Profit for the period		-	-	675,904	675,904	15,352	691,256
20	Other comprehensive income (loss):							
	Remeasurements of post-employment benefit obligations		-	-	(118,428)	(118,428)	-	(118,428)
	Gains (losses) arising from change in fair value of available-for-sale financial assets, net of tax		-	-	38,789	38,789	(6)	38,783
	Share of other comprehensive income of associated undertakings and joint ventures		-	-	11,619	11,619	-	11,619
	Translation differences		-	-	(63,970)	(63,970)	(4,975)	(68,945)
	Gains from cash flow hedges, net of tax		-	-	13,088	13,088	390	13,478
	<b>Total comprehensive income for the six months ended 30 June 2015</b>		<b>-</b>	<b>-</b>	<b>557,002</b>	<b>557,002</b>	<b>10,761</b>	<b>567,763</b>
	Changes in non-controlling interest in subsidiaries		-	-	-	-	62	62
	Return of social assets to governmental authorities		-	-	(15)	(15)	-	(15)
	Dividends declared		-	-	(165,247)	(165,247)	(5,145)	(170,392)
	<b>Balance as of 30 June 2015</b>	<b>23.0</b>	<b>325,194</b>	<b>(103,919)</b>	<b>9,987,023</b>	<b>10,208,298</b>	<b>309,141</b>	<b>10,517,439</b>

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M.L. Sereda  
Acting Chairman of the Management Committee  
31 August 2015

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E.A. Vasilieva  
Chief Accountant  
31 August 2015

The accompanying notes on pages 8 to 36 are an integral part of this consolidated interim condensed financial information.

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

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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 and approximately 20 % in the second 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 IAS 34 Interim Financial Reporting. The consolidated interim condensed financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

- as of 30 June 2015 – 55.52 (as of 30 June 2014 – 33.63);
- 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) – 30 JUNE 2015**  
**(in millions of Russian Rubles)**

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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 30 June 2015 – 61.52 (as of 30 June 2014 – 45.83);
- 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) – 30 JUNE 2015**  
**(in millions of Russian Rubles)**

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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) – 30 JUNE 2015**  
**(in millions of Russian Rubles)**

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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.

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**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>Six months ended 30 June 2015</b>									
<b>Total segment revenues</b>	<b><u>344,288</u></b>	<b><u>489,879</u></b>	<b><u>1,725,763</u></b>	<b><u>21,983</u></b>	<b><u>405,399</u></b>	<b><u>766,373</u></b>	<b><u>217,728</u></b>	<b><u>122,288</u></b>	<b><u>4,093,701</u></b>
Inter-segment sales	335,487	399,258	115,802	21,188	274,747	4,770	-	-	1,151,252
External sales	8,801	90,621	1,609,961	795	130,652	761,603	217,728	122,288	2,942,449
<b>Segment result</b>	<b><u>8,441</u></b>	<b><u>22,814</u></b>	<b><u>396,582</u></b>	<b><u>3,010</u></b>	<b><u>20,471</u></b>	<b><u>127,343</u></b>	<b><u>32,893</u></b>	<b><u>(14,187)</u></b>	<b><u>597,367</u></b>
Depreciation	84,601	227,923	8,395	11,234	46,857	16,544	19,168	14,336	429,058
Share of net income (loss) of associated undertakings and joint ventures	3,986	10,551	11,265	(264)	44,467	2,378	(9)	(10,959)	61,415
<b>Six months ended 30 June 2014</b>									
<b>Total segment revenues</b>	<b><u>337,437</u></b>	<b><u>471,414</u></b>	<b><u>1,706,796</u></b>	<b><u>20,401</u></b>	<b><u>369,010</u></b>	<b><u>799,037</u></b>	<b><u>218,683</u></b>	<b><u>103,157</u></b>	<b><u>4,025,935</u></b>
Inter-segment sales	329,750	388,693	127,812	19,133	264,212	5,405	-	-	1,135,005
External sales	7,687	82,721	1,578,984	1,268	104,798	793,632	218,683	103,157	2,890,930
<b>Segment result</b>	<b><u>14,385</u></b>	<b><u>27,927</u></b>	<b><u>315,584</u></b>	<b><u>3,822</u></b>	<b><u>46,710</u></b>	<b><u>102,497</u></b>	<b><u>23,989</u></b>	<b><u>(16,700)</u></b>	<b><u>518,214</u></b>
Depreciation	69,796	187,894	7,676	9,311	36,103	20,650	17,845	14,956	364,231
Share of net income of associated undertakings and joint ventures	2,009	2,687	6,123	16	34,262	1,698	11	1,078	47,884
<b>Three months ended 30 June 2015</b>									
<b>Total segment revenues</b>	<b><u>170,527</u></b>	<b><u>256,378</u></b>	<b><u>652,410</u></b>	<b><u>11,483</u></b>	<b><u>210,663</u></b>	<b><u>398,784</u></b>	<b><u>84,524</u></b>	<b><u>71,763</u></b>	<b><u>1,856,532</u></b>
Inter-segment sales	166,354	210,264	39,430	11,073	139,522	1,862	-	-	568,505
External sales	4,173	46,114	612,980	410	71,141	396,922	84,524	71,763	1,288,027
<b>Segment result</b>	<b><u>20,967</u></b>	<b><u>26,138</u></b>	<b><u>56,039</u></b>	<b><u>1,759</u></b>	<b><u>19,575</u></b>	<b><u>66,287</u></b>	<b><u>14,012</u></b>	<b><u>(7,009)</u></b>	<b><u>197,768</u></b>
Depreciation	42,450	114,033	3,919	5,614	24,923	6,968	10,253	6,746	214,906
Share of net income (loss) of associated undertakings and joint ventures	1,716	4,770	8,078	(13)	15,049	1,579	(21)	(7,057)	24,101
<b>Three months ended 30 June 2014</b>									
<b>Total segment revenues</b>	<b><u>156,966</u></b>	<b><u>233,323</u></b>	<b><u>718,098</u></b>	<b><u>10,694</u></b>	<b><u>185,924</u></b>	<b><u>415,445</u></b>	<b><u>84,069</u></b>	<b><u>49,640</u></b>	<b><u>1,854,159</u></b>
Inter-segment sales	153,216	190,903	45,129	10,234	130,465	2,471	-	-	532,418
External sales	3,750	42,420	672,969	460	55,459	412,974	84,069	49,640	1,321,741
<b>Segment result</b>	<b><u>4,685</u></b>	<b><u>10,497</u></b>	<b><u>37,923</u></b>	<b><u>1,750</u></b>	<b><u>20,450</u></b>	<b><u>34,452</u></b>	<b><u>2,795</u></b>	<b><u>(9,046)</u></b>	<b><u>103,506</u></b>
Depreciation	34,972	93,861	3,826	7,036	14,871	10,520	8,506	7,593	181,185
Share of net income (loss) of associated undertakings and joint ventures	980	1,610	2,799	(127)	18,355	939	(10)	2,431	26,977

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**5 SEGMENT INFORMATION (continued)**

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:

	For the three months ended 30 June		For the six months ended 30 June	
	2015	2014	2015	2014
Segment result for reportable segments	204,777	112,552	611,554	534,914
Other segments' result	(7,009)	(9,046)	(14,187)	(16,700)
<b>Segment result</b>	<b>197,768</b>	<b>103,506</b>	<b>597,367</b>	<b>518,214</b>
Difference in depreciation <sup>1</sup>	88,542	67,149	178,423	135,447
Expenses associated with pension obligations	(1,792)	(2,393)	(3,720)	(4,361)
Net finance income (expense)	113,794	122,833	113,881	(52,944)
Gains (losses) on disposal of available-for-sale financial assets	392	(56)	430	(26)
Share of net income of associated undertakings and joint ventures	24,101	26,977	61,415	47,884
Other	(61,889)	(1,402)	(90,786)	(9,650)
<b>Profit before profit tax</b>	<b>360,916</b>	<b>316,614</b>	<b>857,010</b>	<b>634,564</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:

	For the three months ended 30 June		For the six months ended 30 June	
	2015	2014	2015	2014
External sales for reportable segments	1,216,264	1,272,101	2,820,161	2,787,773
External sales for other segments	71,763	49,640	122,288	103,157
<b>Total external segment sales</b>	<b>1,288,027</b>	<b>1,321,741</b>	<b>2,942,449</b>	<b>2,890,930</b>
Differences in external sales <sup>1</sup>	(22,828)	(6,546)	(28,997)	(16,998)
<b>Total sales per the consolidated interim condensed statement of comprehensive income</b>	<b>1,265,199</b>	<b>1,315,195</b>	<b>2,913,452</b>	<b>2,873,932</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.

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**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>30 June 2015</b>									
Segment assets	<u>2,252,390</u>	<u>6,076,731</u>	<u>1,354,804</u>	<u>278,545</u>	<u>1,776,023</u>	<u>1,731,817</u>	<u>790,169</u>	<u>632,946</u>	<u>14,893,425</u>
Investments in associated undertakings and joint ventures	17,294	119,838	62,280	6,592	386,847	17,755	405	101,027	712,038
Capital additions <sup>1</sup>	41,481	184,223	3,333	6,729	118,264	46,775	25,477	20,200	446,482
<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 six months ended 30 June 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>30 June 2015</b>	<b>31 December 2014</b>
Segment assets for reportable segments	14,260,479	14,174,584
Other segments' assets	<u>632,946</u>	<u>661,507</u>
<b>Total segment assets</b>	<b>14,893,425</b>	<b>14,836,091</b>
Differences in property, plant and equipment, net <sup>1</sup>	(1,896,604)	(2,070,873)
Loan interest capitalised	508,212	467,373
Decommissioning costs	47,216	47,287
Cash and cash equivalents	1,104,568	1,038,191
Restricted cash	1,890	2,085
Short-term financial assets	10,381	10,735
VAT recoverable	209,009	289,287
Other current assets	377,143	403,005
Available-for-sale long-term financial assets	239,573	201,824
Goodwill	104,801	104,221
Other non-current assets	342,920	346,377
Inter-segment assets	(809,895)	(757,684)
Other	<u>224,587</u>	<u>259,551</u>
<b>Total assets per the consolidated interim condensed balance sheet</b>	<b>15,357,226</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.

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**5 SEGMENT INFORMATION (continued)**

Segment liabilities:

	<b>30 June 2015</b>	<b>31 December 2014</b>
Distribution	553,821	686,824
Production of crude oil and gas condensate	387,231	323,068
Refining	266,259	247,737
Transport	206,936	351,566
Production of gas	96,469	146,755
Electric and heat energy generation and sales	53,781	78,438
Gas storage	5,337	18,352
Other segments	<u>180,506</u>	<u>130,044</u>
<b>Total</b>	<b><u>1,750,340</u></b>	<b><u>1,982,784</u></b>

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Segment liabilities for reportable segments	1,569,834	1,852,740
Other segments' liabilities	<u>180,506</u>	<u>130,044</u>
<b>Total segment liabilities</b>	<b><u>1,750,340</u></b>	<b><u>1,982,784</u></b>
Current profit tax payable	7,751	8,402
Short-term borrowings, promissory notes and current portion of long-term borrowings	508,169	464,782
Long-term borrowings and promissory notes	2,045,990	2,224,042
Provisions for liabilities and charges	343,219	297,106
Deferred tax liabilities	636,571	594,098
Other non-current liabilities	58,787	86,256
Dividends	173,575	4,759
Inter-segment liabilities	(809,895)	(757,684)
Other	<u>125,280</u>	<u>152,904</u>
<b>Total liabilities per the consolidated interim condensed balance sheet</b>	<b><u>4,839,787</u></b>	<b><u>5,057,449</u></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>30 June 2015</b>	<b>31 December 2014</b>
Cash on hand and bank balances payable on demand	998,783	969,440
Term deposits with original maturity of three months or less	<u>105,785</u>	<u>68,751</u>
	<b><u>1,104,568</u></b>	<b><u>1,038,191</u></b>

**7 ACCOUNTS RECEIVABLE AND PREPAYMENTS**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Trade receivables	574,439	683,967
Prepayments and advances	109,214	132,477
Other receivables	<u>190,583</u>	<u>229,492</u>
	<b><u>874,236</u></b>	<b><u>1,045,936</u></b>

Accounts receivable and prepayments are presented net of impairment provision of RUB 686,585 million and RUB 646,122 million as of 30 June 2015 and 31 December 2014, respectively.

Accounts receivable due from NJSC Naftogaz Ukraine in relation to gas sales are RUB 877 million and RUB nil million net of impairment provision of RUB 133,443 million and RUB 123,874 million as of 30 June 2015 and 31 December 2014, respectively.

**8 INVENTORIES**

Inventories are presented net of provision for obsolescence of RUB 6,406 million and RUB 6,888 million as of 30 June 2015 and 31 December 2014, respectively.

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**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>Six months ended 30 June 2014</b>				
Net book value as of 31 December 2013	7,056,064	61,230	1,822,794	8,940,088
Depreciation	(227,404)	(1,309)	-	(228,713)
Additions	62,296	-	407,468	469,764
Acquisition of subsidiaries	9,406	-	396	9,802
Translation differences	2,149	(10)	201	2,340
Transfers	104,982	1,114	(106,096)	-
Disposals	(5,025)	(778)	(9,625)	(15,428)
Charge for impairment provision	-	-	<u>(75)</u>	<u>(75)</u>
<b>Net book value as of 30 June 2014</b>	<b>7,002,468</b>	<b>60,247</b>	<b>2,115,063</b>	<b>9,177,778</b>
<b>Six months ended 31 December 2014</b>				
Net book value as of 30 June 2014	7,002,468	60,247	2,115,063	9,177,778
Depreciation	(237,438)	(1,311)	-	(238,749)
Additions	69,999	1,364	812,964	884,327
Acquisition of subsidiaries	6,952	-	127,721	134,673
Translation differences	158,566	32	18,045	176,643
Transfers	946,654	382	(947,036)	-
Disposals	(91,351)	(1,345)	(15,378)	(108,074)
Charge for impairment provision	<u>(75,432)</u>	-	<u>(957)</u>	<u>(76,389)</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>Six months ended 30 June 2015</b>				
Net book value as of 31 December 2014	7,780,418	59,369	2,110,422	9,950,209
Depreciation	(250,338)	(1,314)	-	(251,652)
Additions	45,576	15	472,353	517,944
Translation differences	(26,959)	(14)	(10,798)	(37,771)
Transfers	181,521	-	(181,521)	-
Disposals	(17,192)	(176)	(17,929)	(35,297)
Charge for impairment provision	<u>(4)</u>	-	<u>(347)</u>	<u>(351)</u>
<b>Net book value as of 30 June 2015</b>	<b>7,713,022</b>	<b>57,880</b>	<b>2,372,180</b>	<b>10,143,082</b>
<b>As of 30 June 2015</b>				
Cost	12,333,689	94,790	2,372,180	14,800,659
Accumulated depreciation	<u>(4,620,667)</u>	<u>(36,910)</u>	-	<u>(4,657,577)</u>
<b>Net book value as of 30 June 2015</b>	<b>7,713,022</b>	<b>57,880</b>	<b>2,372,180</b>	<b>10,143,082</b>

Production assets are shown net of provision for impairment of RUB 129,483 million and RUB 129,479 million as of 30 June 2015 and 31 December 2014, respectively. Assets under construction are presented net of provision for impairment of RUB 44,135 million and RUB 43,788 million as of 30 June 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 301 million and RUB 336 million as of 30 June 2015 and 31 December 2014, respectively.

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

Notes			Carrying value as of		Share of net income (loss) of associated undertakings and joint ventures for the six months ended 30 June	
			30 June 2015	31 December 2014	2015	2014
22, 23	Sakhalin Energy Investment Company Ltd.	Associate	178,964	153,418	29,722	30,171
22	OJSC NGK Slavneft and its subsidiaries	Joint venture	119,224	113,676	5,548	3,864
22	Gazprombank (Joint-stock Company) and its subsidiaries	Associate	85,278	95,999	(11,252)	1,025
22	LLC Yamal razvitie and its subsidiaries	Joint venture	66,969	60,215	6,754	(2,018)
22	Nord Stream AG	Joint venture	57,153	52,944	6,546	4,350
22	WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries <sup>1</sup>	Associate	35,428	39,139	3,467	-
22, 23	SGT EuRoPol GAZ S.A.	Associate	25,880	27,857	223	(6)
22	KazRosGaz LLP		24,048	19,215	4,946	2,966
22	JSC Achimgaz <sup>2</sup>	Joint venture	22,303	16,844	5,459	3,464
22	Wintershall AG	Associate	16,142	17,640	107	25
22	W & G Beteiligungs-GmbH & Co. KG and its subsidiaries <sup>1</sup>	Associate	13,775	6,249	3,964	1,945
22	Gasum OY	Associate	8,041	6,915	1,763	530
22	JSC Latvijas Gaze	Associate	7,070	7,611	214	179
22	CJSC Northgas	Joint venture	6,530	4,730	1,800	2,328
	Shtokman Development AG <sup>3</sup>	Joint venture	-	-	-	(146)
22	AB Lietuvos dujos <sup>4</sup>	Associate	-	-	-	491
	AB Amber Grid <sup>4</sup>	Associate	-	-	-	60
	South Stream Transport B.V. and its subsidiaries <sup>5</sup>	Joint venture	-	-	-	(1,896)
	Other (net of provision for impairment of RUB 2,304 million and RUB 1,929 million as of 30 June 2015 and 31 December 2014)		<u>45,233</u>	<u>54,764</u>	<u>2,154</u>	<u>552</u>
			<b>712,038</b>	<b>677,216</b>	<b>61,415</b>	<b>47,884</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 30 June 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.

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

	Percent of share capital held	Country of primary operations	30 June 2015		For the six months ended 30 June 2015	
			Assets	Liabilities	Revenues	Income (loss)
Gazprombank (Joint-stock Company) and its subsidiaries <sup>1</sup>	37 %	Russia	4,472,731	4,177,753	85,399	(30,295)
Sakhalin Energy Investment Company Ltd. <sup>2</sup>	50 %	Russia	1,074,567	746,525	188,541	59,444
Nord Stream AG <sup>3</sup>	51 %	Russia, Germany	440,898	326,814	34,943	12,834
LLC Yamal razvitie and its subsidiaries	50 %	Russia	405,859	303,634	54,915	12,621
OJSC NGK Slavneft and its subsidiaries	50 %	Russia	404,837	172,873	119,682	11,681
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	50 %	Germany	213,220	146,165	22,133	6,936
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	50 %	Germany	169,464	136,747	481,863	8,189
Gasum OY	25 %	Finland	97,952	62,582	40,549	7,175
SGT EuRoPol GAZ S.A.	48 %	Poland	66,381	12,464	10,094	471
Wintershall AG <sup>4</sup>	49 %	Libya	65,558	39,718	4,677	218
JSC Achimgaz	50 %	Russia	58,799	13,083	15,001	10,916
CJSC Northgas	50 %	Russia	54,282	41,180	14,618	1,994
KazRosGaz LLP	50 %	Kazakhstan	53,261	5,170	27,599	9,890
JSC Latvijas Gaze	34 %	Latvia	35,829	9,859	15,733	629

<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	30 June 2014		For the six months ended 30 June 2014	
			Assets	Liabilities	Revenues	Income (loss)
Gazprombank (Joint-stock Company) and its subsidiaries <sup>1</sup>	37 %	Russia	3,688,612	3,412,423	79,925	2,779
Sakhalin Energy Investment Company Ltd. <sup>2</sup>	50 %	Russia	610,336	442,580	150,405	60,341
LLC Yamal razvitie and its subsidiaries	50 %	Russia	452,608	320,722	9,763	(5,666)
OJSC NGK Slavneft and its subsidiaries	50 %	Russia	379,305	138,361	106,870	7,755
Nord Stream AG <sup>3</sup>	51 %	Russia, Germany	353,294	262,236	25,913	8,530
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	50 %	Germany	162,766	85,368	301,362	4,598
South Stream Transport B.V. and its subsidiaries <sup>4</sup>	50 %	Russia, Bulgaria	63,110	19,556	13	(900)
Gasum OY	25 %	Finland	62,754	40,365	27,311	1,030
SGT EuRoPol GAZ S.A.	48 %	Poland	49,538	9,712	6,986	(11)
Wintershall AG <sup>5</sup>	49 %	Libya	47,560	26,133	2,339	51
CJSC Northgas	50 %	Russia	47,213	36,392	14,375	4,656
JSC Achimgaz	50 %	Russia	39,630	11,677	9,826	6,926
KazRosGaz LLP	50 %	Kazakhstan	30,671	4,921	19,602	5,930
Shtokman Development AG <sup>3</sup>	75 %	Russia	34,837	1,987	-	(194)
JSC Latvijas Gaze	34 %	Latvia	25,257	8,418	12,823	529
AB Amber Grid <sup>6</sup>	37 %	Lithuania	-	-	1,059	163
AB Lietuvos dujos <sup>6</sup>	37 %	Lithuania	-	-	8,917	1,325

<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 Netherlands.

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

<sup>6</sup> The revenue and profit of AB Lietuvos dujos and AB Amber Grid for the six months ended 30 June 2014 are disclosed until the date of disposal of interests in these associates.

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**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>30 June 2015</b>	<b>31 December 2014</b>
JSC Latvijas Gaze	8,306	8,479

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Long-term accounts receivable and prepayments	188,600	182,817
Advances for assets under construction	<u>358,241</u>	<u>253,651</u>
	<b>546,841</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 8,059 million and RUB 33,015 million as of 30 June 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 54,620 million and RUB 49,543 million as of 30 June 2015 and 31 December 2014, respectively. Other non-current assets include net pension assets in the amount of RUB 29,309 million and RUB 111,742 million as of 30 June 2015 and 31 December 2014, respectively (see Note 20).

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

	<b>Currency</b>	<b>Final Maturity</b>	<b>30 June 2015</b>	<b>31 December 2014</b>
Long-term borrowings and promissory notes payable to:				
Loan participation notes issued in April 2009 <sup>1</sup>	US Dollar	2019	127,112	128,793
Mizuho Bank Ltd. <sup>2</sup>	US Dollar	2019	119,454	121,037
Loan participation notes issued in July 2012 <sup>1</sup>	Euro	2017	87,086	98,554
Loan participation notes issued in September 2012 <sup>3</sup>	US Dollar	2022	84,309	85,424
Loan participation notes issued in November 2013 <sup>3</sup>	US Dollar	2023	83,744	84,851
Loan participation notes issued in October 2007 <sup>1</sup>	Euro	2018	75,668	86,790
Loan participation notes issued in November 2006 <sup>1</sup>	US Dollar	2016	75,462	76,460
Loan participation notes issued in March 2007 <sup>1</sup>	US Dollar	2022	73,669	74,644
Loan participation notes issued in August 2007 <sup>1</sup>	US Dollar	2037	71,302	72,245
Loan participation notes issued in April 2004 <sup>1</sup>	US Dollar	2034	67,634	68,528
Loan participation notes issued in April 2008 <sup>1</sup>	US Dollar	2018	62,182	63,004
Loan participation notes issued in March 2013 <sup>1</sup>	Euro	2020	62,109	70,164
Loan participation notes issued in July 2013 <sup>1</sup>	Euro	2018	57,282	62,506
Loan participation notes issued in July 2012 <sup>1</sup>	US Dollar	2022	56,761	57,512
Loan participation notes issued in November 2011 <sup>1</sup>	US Dollar	2016	55,814	56,552
Loan participation notes issued in November 2010 <sup>1</sup>	US Dollar	2015	55,775	56,513
Loan participation notes issued in February 2013 <sup>1</sup>	US Dollar	2028	50,968	51,642
Loan participation notes issued in February 2014 <sup>1</sup>	Euro	2021	46,709	52,819
Loan participation notes issued in April 2013 <sup>3</sup>	Euro	2018	46,378	52,277
Loan participation notes issued in February 2013 <sup>1</sup>	US Dollar	2020	45,108	45,705
Loan participation notes issued in November 2014 <sup>1</sup>	US Dollar	2015	39,094	39,621
Commerzbank International S.A.	US Dollar	2018	38,867	39,381
Loan participation notes issued in September 2013 <sup>1</sup>	British Pound Sterling	2020	37,208	41,334
Loan participation notes issued in November 2011 <sup>1</sup>	US Dollar	2021	34,192	34,644
Loan participation notes issued in March 2007 <sup>1</sup>	Euro	2017	31,865	34,477
Loan participation notes issued in November 2006 <sup>1</sup>	Euro	2017	31,197	35,542
Loan participation notes issued in March 2013 <sup>1</sup>	Euro	2025	31,135	35,340
Loan participation notes issued in October 2013 <sup>1</sup>	Swiss Franc	2019	30,154	28,637

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

	Currency	Final Maturity	30 June 2015	31 December 2014
Sumitomo Mitsui Banking Corporation Europe Limited <sup>2</sup>	US Dollar	2016	29,166	39,396
J.P. Morgan Europe Limited <sup>2</sup>	US Dollar	2018	27,950	-
The Royal Bank of Scotland AG <sup>2</sup>	US Dollar	2015	26,016	26,939
Deutsche Bank AG	US Dollar	2016	22,598	22,901
JSC Rosselkhozbank <sup>4</sup>	Russian Ruble	2019	22,515	10,010
Alfa-Bank (Joint-stock Company)	US Dollar	2016	22,219	22,513
Intesa Sanpaolo S.p.A.	Euro	2016	21,634	-
PJSC Sberbank <sup>5</sup>	Russian Ruble	2017	19,806	19,802
BNP Paribas SA <sup>2</sup>	Euro	2022	18,860	22,352
Sumitomo Mitsui Finance Dublin Limited	US Dollar	2016	17,818	18,056
Banc of America Securities Limited	US Dollar	2018	16,785	17,005
Bank of Tokyo-Mitsubishi UFJ Ltd.	US Dollar	2015	16,751	16,970
Bank of Tokyo-Mitsubishi UFJ Ltd.	US Dollar	2016	16,675	16,896
Bank of Tokyo-Mitsubishi UFJ Ltd. <sup>2</sup>	US Dollar	2016	15,717	21,232
Russian bonds issued in February 2013 <sup>6</sup>	Russian Ruble	2016	15,404	15,407
Russian bonds issued in November 2013 <sup>7</sup>	Russian Ruble	2043	15,243	15,134
Russian bonds issued in November 2013 <sup>7</sup>	Russian Ruble	2043	15,243	15,134
Credit Agricole CIB	Euro	2015	14,789	16,431
PJSC Sberbank <sup>5</sup>	Euro	2017	13,876	15,416
Russian bonds issued in October 2014 <sup>7</sup>	Russian Ruble	2044	13,504	13,821
PJSC Sberbank <sup>5</sup>	Russian Ruble	2019	12,509	-
PJSC Sberbank <sup>5</sup>	Russian Ruble	2019	12,509	-
PJSC Sberbank <sup>5</sup>	Russian Ruble	2016	12,400	12,400
Citibank International plc <sup>2</sup>	US Dollar	2021	12,242	13,436
HSBC Bank plc	Euro	2022	11,905	14,108
Bank of America Securities Limited	Euro	2017	11,135	12,372
UniCredit Bank AG	US Dollar	2018	11,106	11,253
Gazprombank (Joint-stock Company)	US Dollar	2016	11,105	11,252
UniCredit Bank AG <sup>2, 8</sup>	US Dollar	2018	10,950	14,421
Russian bonds issued in February 2011 <sup>3</sup>	Russian Ruble	2021	10,358	10,361
Russian bonds issued in February 2011 <sup>3</sup>	Russian Ruble	2021	10,342	10,345
Russian bonds issued in February 2011 <sup>3</sup>	Russian Ruble	2016	10,342	10,345
Russian bonds issued in February 2013 <sup>6</sup>	Russian Ruble	2017	10,271	10,273
Russian bonds issued in April 2009 <sup>3</sup>	Russian Ruble	2019	10,173	10,175
Russian bonds issued in December 2012 <sup>3</sup>	Russian Ruble	2022	10,065	10,068
PJSC Sberbank <sup>5</sup>	Russian Ruble	2019	10,007	10,010
Gazprombank (Joint-stock Company)	Russian Ruble	2018	10,000	10,000
Gazprombank (Joint-stock Company)	Russian Ruble	2017	10,000	10,000
Banc of America Securities Limited	US Dollar	2016	9,999	10,132
Gazprombank (Joint-stock Company)	US Dollar	2015	9,495	9,620
Intesa Sanpaolo S.p.A.	Euro	2019	9,229	-
PJSC VTB Bank <sup>9</sup>	US Dollar	2016	9,219	9,307
UniCredit Bank AG <sup>2, 8</sup>	Euro	2018	8,720	12,631
Banca Intesa a.d. Beograd	US Dollar	2019	8,339	8,450
PJSC Sberbank <sup>5</sup>	US Dollar	2018	8,338	8,449
PJSC Sberbank <sup>5</sup>	Russian Ruble	2016	8,300	8,300
PJSC VTB Bank <sup>9</sup>	Russian Ruble	2018	8,250	8,250
GC Vnesheconombank	Russian Ruble	2025	7,852	8,979
BNP Paribas SA <sup>2</sup>	Euro	2023	7,050	8,384
Credit Agricole CIB	Euro	2024	6,467	7,579
Gazprombank (Joint-stock Company)	Russian Ruble	2016	6,350	-
PJSC Sberbank <sup>5</sup>	Russian Ruble	2015	5,504	5,504
Russian bonds issued in February 2013 <sup>6</sup>	Russian Ruble	2018	5,135	5,136
Alfa-Bank (Joint-stock Company)	Russian Ruble	2017	5,013	-

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

	Currency	Final Maturity	30 June 2015	31 December 2014
Sberbank Serbia a.d.	US Dollar	2019	5,005	5,071
OJSC Bank ROSSIYA	Russian Ruble	2016	5,000	5,000
OJSC Bank ROSSIYA	Russian Ruble	2017	5,000	5,000
Sberbank Serbia a.d.	US Dollar	2017	4,176	4,231
UniCredit Bank AG <sup>2, 8</sup>	Russian Ruble	2018	1,893	2,352
Russian bonds issued in February 2012 <sup>3</sup>	Russian Ruble	2022	452	10,335
Russian bonds issued in May 2005 <sup>1</sup>	Euro	2015	-	70,685
Russian bonds issued in July 2009 <sup>1</sup>	Euro	2015	-	62,372
Gazprombank (Joint-stock Company)	US Dollar	2015	-	3,584
Other long-term borrowings, promissory notes	Various	Various	75,922	75,323
<b>Total long-term borrowings, promissory notes</b>			<b>2,478,934</b>	<b>2,635,904</b>
Less: current portion of long-term borrowings			(432,944)	(411,862)
			<b>2,045,990</b>	<b>2,224,042</b>

<sup>1</sup> Issuer of these bonds is Gaz Capital S.A.

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

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

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

<sup>5</sup> On 24 July 2015 OJSC Sberbank of Russia was renamed into PJSC Sberbank.

<sup>6</sup> Issuer of these bonds is Gazprom capital LLC.

<sup>7</sup> Issuer of these bonds is PJSC Gazprom.

<sup>8</sup> Loans were obtained for development of Yuzhno-Russkoye oil and gas field.

<sup>9</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.

	30 June 2015	31 December 2014
Due for repayment:		
Between one and two years	456,488	404,096
Between two and five years	879,706	970,608
After five years	709,796	849,338
	<b>2,045,990</b>	<b>2,224,042</b>

Long-term liabilities include fixed rate borrowings with a carrying value of RUB 1,869,938 million and RUB 2,044,351 million and fair value of RUB 1,875,753 million and RUB 1,893,394 million as of 30 June 2015 and 31 December 2014, respectively.

All other long-term liabilities have variable interest rates generally linked to LIBOR and EURIBOR. Their carrying value is RUB 608,996 million and RUB 591,553 million and fair value is RUB 590,023 million and RUB 534,708 million as of 30 June 2015 and 31 December 2014, respectively.

As of 30 June 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 30 June 2015 and 31 December 2014 carrying amount of these fixed assets is RUB 22,384 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.

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**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 six months ended 30 June 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>30 June 2015</b>	<b>Differences recognition and reversals</b>	<b>31 December 2014</b>	<b>30 June 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	(664,127)	(43,373)	(620,754)	(615,513)	(49,530)	(565,983)
Financial assets	1,115	8,443	(7,328)	(8,457)	1,216	(9,673)
Inventories	<u>(11,542)</u>	<u>(3,165)</u>	<u>(8,377)</u>	<u>(6,732)</u>	<u>(1,120)</u>	<u>(5,612)</u>
	<b>(674,554)</b>	<b>(38,095)</b>	<b>(636,459)</b>	<b>(630,702)</b>	<b>(49,434)</b>	<b>(581,268)</b>
<b>Tax effects of deductible temporary differences:</b>						
Tax losses carried forward	19,245	(876)	20,121	10,240	(461)	10,701
Retroactive gas price adjustments	12,180	509	11,671	2,480	(2,232)	4,712
Other deductible temporary differences	<u>6,558</u>	<u>(4,011)</u>	<u>10,569</u>	<u>11,054</u>	<u>4,068</u>	<u>6,986</u>
	<b>37,983</b>	<b>(4,378)</b>	<b>42,361</b>	<b>23,774</b>	<b>1,375</b>	<b>22,399</b>
<b>Total net deferred tax liabilities</b>	<b>(636,571)</b>	<b>(42,473)</b>	<b>(594,098)</b>	<b>(606,928)</b>	<b>(48,059)</b>	<b>(558,869)</b>

Taxable temporary differences recognized for the six months ended 30 June 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 30,466 million with the corresponding offsetting credit to the current profit tax expense and therefore no net impact on the consolidated net profit for the six months ended 30 June 2015.

Taxable temporary differences recognized for the six months ended 30 June 2014 include the effect of depreciation premium on certain property, plant and equipment. As a result a deferred tax liability related to property, plant and equipment was recognized in the amount of RUB 23,121 million with the corresponding offsetting credit to the current profit tax expense and therefore no net impact on the consolidated net profit for the six months ended 30 June 2014.

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**15 EQUITY**

**Share capital**

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

**Treasury shares**

As of 30 June 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**

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
Gas sales gross of excise tax and customs duties to customers in:				
Russian Federation	138,731	141,714	425,284	440,528
Former Soviet Union (excluding Russian Federation)	80,890	182,316	254,698	320,337
Europe and other countries	<u>547,110</u>	<u>492,783</u>	<u>1,249,813</u>	<u>1,104,040</u>
	766,731	816,813	1,929,795	1,864,905
Customs duties	(133,654)	(140,094)	(283,322)	(278,234)
Excise tax <sup>1</sup>	(16,719)	-	(44,931)	-
Retroactive gas price adjustments <sup>2</sup>	<u>795</u>	<u>-</u>	<u>17,220</u>	<u>-</u>
Sales of gas	617,153	676,719	1,618,762	1,586,671
Sales of refined products to customers in:				
Russian Federation	247,414	240,845	461,269	449,793
Former Soviet Union (excluding Russian Federation)	25,807	17,393	47,835	35,200
Europe and other countries	<u>123,701</u>	<u>154,736</u>	<u>252,499</u>	<u>308,639</u>
Total sales of refined products	396,922	412,974	761,603	793,632
Sales of crude oil and gas condensate to customers in:				
Russian Federation	20,021	12,686	39,577	22,762
Former Soviet Union (excluding Russian Federation)	8,510	2,964	16,838	8,391
Europe and other countries	<u>42,610</u>	<u>39,809</u>	<u>74,237</u>	<u>73,645</u>
Total sales of crude oil and gas condensate	71,141	55,459	130,652	104,798
Electric and heat energy sales	84,524	84,069	217,728	218,683
Gas transportation sales	46,114	42,420	90,621	82,721
Other revenues	<u>49,345</u>	<u>43,554</u>	<u>94,086</u>	<u>87,427</u>
<b>Total sales</b>	<b>1,265,199</b>	<b>1,315,195</b>	<b>2,913,452</b>	<b>2,873,932</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 and six months ended 30 June 2015 was a credit of RUB 795 million and RUB 17,220 million reflecting a decrease in a related accrual following estimates made and agreements reached prior to the issuance of this consolidated interim condensed financial information.



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**20 PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Provision for post-employment benefit obligations	212,632	171,275
Provision for decommissioning and site restoration costs	109,724	104,168
Other	<u>20,863</u>	<u>21,663</u>
	<b>343,219</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 29,309 million and RUB 111,742 million as of 30 June 2015 and 31 December 2014, respectively, are presented within other non-current assets in the consolidated interim condensed balance sheet. In accordance with IAS 19 Employee benefits, pension assets are recorded at estimated fair value subject to certain limitations. As of 30 June 2015 and 31 December 2014 management estimated the fair value of these assets at RUB 373,455 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>30 June 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	(344,146)	(212,632)	(279,485)	(171,275)
Fair value of plan assets	<u>373,455</u>	<u>-</u>	<u>391,227</u>	<u>-</u>
<b>Net balance asset (liability)</b>	<b>29,309</b>	<b>(212,632)</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 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Current service cost	6,612	7,010	13,224	14,020
Net interest expense	<u>1,894</u>	<u>1,804</u>	<u>3,818</u>	<u>3,597</u>
<b>Total expenses included in staff costs</b>	<b>8,506</b>	<b>8,814</b>	<b>17,042</b>	<b>17,617</b>

The principal assumptions used for post-employment benefit obligations for the six months ended 30 June 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 73,883 million in other comprehensive income for the six months ended 30 June 2015.

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

	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Actuarial losses (gains)	(44,528)	1,279	(73,883)	51,727
Return on assets excluding amounts included in net interest expense	<u>(19,552)</u>	<u>(1,583)</u>	<u>(44,545)</u>	<u>(58,190)</u>
	<b>(64,080)</b>	<b>(304)</b>	<b>(118,428)</b>	<b>(6,463)</b>

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**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 30 June 2015 and 31 December 2014 the Group had the following assets and liabilities that are measured at fair value:

	30 June 2015			Total
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non- observable inputs (Level 3)	
<b>Financial assets held for trading:</b>				
Equity securities	220	-	-	220
Bonds	7,183	-	-	7,183
<b>Available-for-sale financial assets:</b>				
Equity securities	2,185	-	-	2,185
Promissory notes	-	661	-	661
Bonds	<u>132</u>	<u>-</u>	<u>-</u>	<u>132</u>
<b>Total short-term financial assets</b>	<b>9,720</b>	<b>661</b>	<b>-</b>	<b>10,381</b>
<b>Available-for-sale financial assets:</b>				
Equity securities	178,616	53,700	6,408	238,724
Promissory notes	<u>-</u>	<u>849</u>	<u>-</u>	<u>849</u>
<b>Total available-for-sale long-term financial assets</b>	<b>178,616</b>	<b>54,549</b>	<b>6,408</b>	<b>239,573</b>
Derivatives	<u>4,393</u>	<u>48,166</u>	<u>1,176</u>	<u>53,735</u>
<b>Total assets</b>	<b>192,729</b>	<b>103,376</b>	<b>7,584</b>	<b>303,689</b>
Derivatives	<u>6,126</u>	<u>87,153</u>	<u>412</u>	<u>93,691</u>
<b>Total liabilities</b>	<b>6,126</b>	<b>87,153</b>	<b>412</b>	<b>93,691</b>

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**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 and six months ended 30 June 2015 the Group has not reclassified losses arising from decrease in fair value of available-for-sale financial assets from other comprehensive income to profit or loss. For the three and six months ended 30 June 2014 the Group has reclassified losses arising from decrease in fair value of available-for-sale financial assets from other comprehensive income to profit or loss in the amount of RUB 572 million and RUB 2,216 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 239,573 million and RUB 201,824 million are shown net of provision for impairment of RUB 1,709 million and RUB 1,797 million as of 30 June 2015 and 31 December 2014, respectively.

As of 30 June 2015 and 31 December 2014 long-term available-for-sale financial assets include OJSC NOVATEK shares in the amount of RUB 171,451 million and RUB 133,787 million, respectively.

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

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

	30 June 2015		Three months ended 30 June 2015		Six months ended 30 June 2015	
	Assets	Liabilities	Income	Expenses	Income	Expenses
<b>Transactions and balances with the Government</b>						
Current profit tax	40,015	2,487	-	45,020	-	114,095
Insurance contributions to non-budget funds	259	8,538	-	28,287	-	59,839
VAT recoverable / payable	428,155	60,507	-	-	-	-
Customs duties	48,948	-	-	-	-	-
Other taxes	5,961	87,307	-	193,237	-	426,708
<b>Transactions and balances with other parties under control of the Government</b>						
Gas sales	-	-	12,013	-	36,888	-
Electricity and heating sales	-	-	47,029	-	118,701	-
Gas transportation sales	-	-	10,707	-	21,230	-
Other services sales	-	-	1,183	-	1,757	-
Accounts receivable	46,447	-	-	-	-	-
Oil and refined products transportation expenses	-	-	-	30,509	-	57,491
Accounts payable	-	12,909	-	-	-	-
Loans	-	173,953	-	-	-	-
Interest expense	-	-	-	3,801	-	6,925
Short-term financial assets	7,994	-	-	-	-	-
Available-for-sale long-term financial assets	7,175	-	-	-	-	-

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22 **RELATED PARTIES (continued)**

	31 December 2014		Three months ended 30 June 2014		Six months ended 30 June 2014	
	Assets	Liabilities	Income	Expenses	Income	Expenses
<b>Transactions and balances with the Government</b>						
Current profit tax	74,744	3,926	-	59,149	-	120,147
Insurance contributions to non-budget funds	621	5,649	-	23,216	-	50,515
VAT recoverable / payable	451,406	57,058	-	-	-	-
Customs duties	85,432	-	-	-	-	-
Other taxes	4,788	91,569	-	177,794	-	374,493
<b>Transactions and balances with other parties under control of the Government</b>						
Gas sales	-	-	12,819	-	35,809	-
Electricity and heating sales	-	-	47,430	-	127,888	-
Gas transportation sales	-	-	7,628	-	15,168	-
Other services sales	-	-	1,182	-	1,244	-
Accounts receivable	46,630	-	-	-	-	-
Oil and refined products transportation expenses	-	-	-	24,734	-	50,336
Accounts payable	-	14,442	-	-	-	-
Loans	-	140,168	-	-	-	-
Interest expense	-	-	-	2,230	-	4,089
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 six months ended 30 June 2015 and 2014. See Note 9 for net book values as of 30 June 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 and six months ended 30 June 2015 and 2014 and as of 30 June 2015 and 31 December 2014 the Group had the following significant transactions and balances with associated undertakings and joint ventures:

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22 **RELATED PARTIES (continued)**

	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>Revenues</b>		<b>Revenues</b>	
<b>Gas sales</b>				
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries <sup>1</sup>	36,982	26,850	75,529	58,069
Wintershall Erdgas Handelshaus GmbH & Co. KG	28,618	22,512	69,175	61,204
Panrusgaz Gas Trading Plc	13,382	16,879	30,029	32,561
JSV Moldovagaz	4,727	4,445	18,791	13,472
Gasum OY	4,285	5,535	14,422	15,152
Bosphorus Gaz Corporation A.S.	2,718	6,594	8,198	11,980
CJSC Gazprom YRGM Trading <sup>2</sup>	3,380	3,133	7,068	6,491
CJSC Gazprom YRGM Development <sup>2</sup>	2,414	2,237	5,048	4,636
JSC Latvijas Gaze	2,001	635	3,936	3,192
Overgaz Inc. AD	662	584	2,809	1,752
SGT EuRoPol GAZ S.A.	1,336	1,068	2,757	2,152
VEMEX s.r.o.	711	-	1,787	-
Wintershall Erdgas Handelshaus Zug AG <sup>3</sup>	-	-	1,344	2,432
AB Lietuvos dujos <sup>4</sup>	-	1,038	-	4,152
<b>Gas transportation sales</b>				
CJSC Gazprom YRGM Trading <sup>2</sup>	5,287	5,390	11,058	11,169
CJSC Gazprom YRGM Development <sup>2</sup>	3,776	3,850	7,898	7,978
<b>Gas condensate, crude oil and refined products sales</b>				
OJSC NGK Slavneft and its subsidiaries	13,154	8,073	25,769	14,526
JSC SOVEKS	1,251	1,524	2,084	2,717
LLC Gazpromneft – Aero Sheremetyevo <sup>5</sup>	-	-	-	3,022
<b>Operator services sales</b>				
CJSC Messoyakhaneftegaz	8,826	4,484	13,223	4,484
<b>Gas refining services sales</b>				
KazRosGaz LLP	1,384	1,390	2,969	2,897
	<b>Expenses</b>		<b>Expenses</b>	
<b>Purchased gas</b>				
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries <sup>1</sup>	14,430	13,781	36,772	31,923
CJSC Gazprom YRGM Trading <sup>2</sup>	13,764	14,807	31,542	31,320
KazRosGaz LLP	10,809	8,065	23,306	15,448
CJSC Gazprom YRGM Development <sup>2</sup>	9,838	10,580	22,546	22,381
LLC SeverEnergiya and its subsidiaries	11,552	2,974	20,057	5,646
Sakhalin Energy Investment Company Ltd.	3,418	4,277	9,126	6,187
CJSC Northgas	2,150	2,167	4,298	5,819
<b>Purchased transit of gas</b>				
Nord Stream AG	15,887	12,800	34,822	25,949
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries <sup>1</sup>	6,102	1,526	13,356	1,526
SGT EuRoPol GAZ S.A.	3,689	2,858	7,953	5,548
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries <sup>1</sup>	-	3,241	-	7,949
<b>Purchased crude oil</b>				
OJSC NGK Slavneft and its subsidiaries	26,846	24,069	51,887	46,155
Sakhalin Energy Investment Company Ltd.	29	2,852	2,387	8,562
<b>Purchased services of gas and gas condensate extraction</b>				
JSC Achimgaz	6,155	5,155	15,001	9,826
<b>Purchased processing services</b>				
OJSC NGK Slavneft and its subsidiaries	3,149	3,945	6,720	7,010

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**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 30 June 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.

	30 June 2015		December 2014	
	Assets	Liabilities	Assets	Liabilities
<b>Short-term accounts receivable and prepayments</b>				
Gazprombank (Joint-stock Company) and its subsidiaries	20,010	-	2,125	-
Wintershall Erdgas Handelshaus GmbH & Co. KG	15,690	-	20,739	-
CJSC Messoyakhaneftegaz	15,603	-	1,869	-
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	14,071	-	17,448	-
OJSC NGK Slavneft and its subsidiaries	11,210	-	10,701	-
Overgaz Inc. AD	8,102	-	9,246	-
Panrusgas Gas Trading Plc	6,091	-	3,523	-
CJSC Gazprom YRGM Trading	3,078	-	2,082	-
Wintershall AG	2,338	-	2,567	-
JSV Moldovagaz <sup>1</sup>	2,243	-	1,281	-
LLC Yamal razvitie	2,107	-	1,272	-
Gasum OY	1,902	-	5,353	-
CJSC Gazprom YRGM Development	1,228	-	1,492	-
Bosphorus Gaz Corporation A.S.	1,222	-	1,349	-
CJSC Northgas	-	-	1,952	-
Wintershall Erdgas Handelshaus Zug AG	-	-	1,081	-
<b>Cash balances</b>				
Gazprombank (Joint-stock Company) and its subsidiaries	669,836	-	637,788	-
<b>Long-term accounts receivable and prepayments</b>				
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	23,550	-	26,161	-
LLC Yamal razvitie	14,889	-	10,395	-
CJSC Messoyakhaneftegaz	12,601	-	10,672	-
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	12,299	-	13,663	-
Etzel-Kavernenbetriebsgesellschaft mbH & Co. KG	4,876	-	5,293	-
Erdgasspeicher Peissen GmbH	4,848	-	3,745	-
Gazprombank (Joint-stock Company) and its subsidiaries	657	-	4,119	-

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**22 RELATED PARTIES (continued)**

	30 June 2015		December 2014	
	Assets	Liabilities	Assets	Liabilities
<b>Short-term accounts payable</b>				
CJSC Gazprom YRGM Trading	-	6,803	-	7,988
Nord Stream AG	-	5,543	-	6,098
CJSC Gazprom YRGM Development	-	4,410	-	5,260
KazRosGaz LLP	-	4,300	-	2,925
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	-	5,914	-	6,464
JSC Latvijas Gaze	-	2,877	-	214
JSC Achimgaz	-	2,420	-	3,188
OJSC NGK Slavneft and its subsidiaries	-	2,366	-	1,926
Sakhalin Energy Investment Company Ltd.	-	1,748	-	1,440
SGT EuRoPol GAZ S.A.	-	1,247	-	2,272
<b>Short-term borrowings (including current portion of long-term borrowings)</b>				
Gazprombank (Joint-stock Company) and its subsidiaries	-	22,591	-	24,397
<b>Long-term borrowings</b>				
Gazprombank (Joint-stock Company) and its subsidiaries	-	43,532	-	36,490

<sup>1</sup> Net of impairment provision on accounts receivable in the amount of RUB 286,325 million and RUB 273,143 million as of 30 June 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 30 June 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");

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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 30 June 2015 – RUB 89,088 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 the EU antimonopoly law by PJSC Gazprom. In April 2015 the European Commission adopted a Statement of Objections in the course of the ongoing antitrust investigation of PJSC Gazprom activity in the EU. The deadline for providing a formal response to the Statement of objections, the European Commission extended until 11 September 2015. The adoption of the Statement of Objections is just one of the stages of the antitrust investigation and does not imply holding PJSC Gazprom liable for any violation of the EU antitrust legislation. PJSC Gazprom considers the claims brought by the European Commission to be unsubstantiated and expects the situation to be resolved in accordance with the agreement reached earlier between the Government of the Russian Federation and the European Commission.

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

**Sanctions**

In 2014 the EU, the United States (“U.S.”) and some other countries introduced a series of sanctions against the Russian Federation and some Russian entities. Some of these sanctions are aimed directly against PJSC Gazprom, 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.

**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.

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**Financial guarantees**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Outstanding guarantees issued for:		
Sakhalin Energy Investment Company Ltd.	124,265	136,490
Ostchem Holding Limited	46,779	47,407
Blackrock Capital Investments Limited	7,573	7,675
EM Interfinance Limited	1,509	3,065
LLC Production Company VIS	-	7,016
Other	<u>83,902</u>	<u>75,104</u>
<b>Total financial guarantees</b>	<b><u>264,028</u></b>	<b><u>276,757</u></b>

For the six months ended 30 June 2015 and for 2014 counterparties fulfilled their obligations.

Included in financial guarantees are amounts denominated in US Dollars of USD 3,618 million and USD 3,814 million as of 30 June 2015 and 31 December 2014, respectively, as well as amounts denominated in Euros of EUR 315 million and EUR 356 million as of 30 June 2015 and 31 December 2014, respectively.

In June 2008 the Group provided a guarantee to the Bank of Tokyo-Mitsubishi UFJ Ltd. for Sakhalin Energy Investment Company Ltd. under the credit facility up to the amount of the Group's share (50 %) in the obligations of Sakhalin Energy Investment Company Ltd. toward the Bank of Tokyo-Mitsubishi UFJ Ltd. As of 30 June 2015 and 31 December 2014 the above guarantee amounted to RUB 124,265 million (USD 2,238 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 30 June 2015 and 31 December 2014 the above guarantee amounted to RUB 46,779 million (USD 843 million) and RUB 47,407 million (USD 843 million), respectively, and was fully provided. Change in the value of guarantee is mainly attributed to the exchange difference between US Dollar and Russian Ruble.

In 2006 the Group guaranteed Asset Repackaging Trust Five B.V. (registered in Netherlands) bonds issued by five financing entities: Devere Capital International Limited, Blackrock Capital Investments Limited, DSL Assets International Limited, United Energy Investments Limited, EM Interfinance Limited (registered in Ireland) in regard to bonds issued with due dates December 2012, June 2018, December 2009, December 2009 and December 2015, respectively. Bonds were issued for financing of construction of a transit pipeline in Poland by SGT EuRoPol GAZ S.A. In December 2009 loans issued by DSL Assets International Limited and United Energy Investments Limited were redeemed. In December 2012 loans issued by Devere Capital International Limited were redeemed. As a result as of 30 June 2015 and 31 December 2014 the guarantees issued for Blackrock Capital Investments Limited and EM Interfinance Limited amounted to RUB 9,082 million (USD 163 million) and RUB 10,740 million (USD 191 million), respectively.

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

**Capital commitments**

The total investment program related to gas, oil and power assets for 2015 is RUB 1,690,488 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 %.

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**24 POST BALANCE SHEET EVENTS (continued)**

In August 2015 according to the procedures that aim to simplify the ownership structure and achieve parity shareholdings in LLC SeverEnergiya the Group contributed RUB 14,992 million as the additional contribution to the share capital of LLC Yamal razvitie. The settlement was made through conversion of loans granted to the entity. Accordingly OJSC Novatek contributed 6.4 % share in the share capital of Artic Russia B.V. and RUB 2,512 million as additional contribution to the share capital of LLC Yamal razvitie. As a result of these transactions the Group increased its effective share in LLC SeverEnergiya from 43.15 % to 44.65 %.

**Borrowings and loans**

In July 2015 the Group obtained a long-term loan from UniCredit Bank Austria AG in the amount of EUR 300 million at an interest rate of EURIBOR + 3.6 % due in 2019.

In July 2015 the Group obtained long-term loans from PJSC Sberbank in the amount of USD 760 million at an interest rate of LIBOR + 5.9 % due in 2018 and in the amount of EUR 240 million at an interest rate of EURIBOR + 5.45 % due in 2018.

In July 2015 the Group signed agreements to obtain long-term loans from Gazprombank (Joint-stock Company) in the amount of USD 310 million and USD 330 million at an interest rate of 6.95 % and 6.98 %, respectively, due in 2018.

In August 2015 the Group obtained a long-term loan from a consortium of banks in the amount of USD 1,500 million at an interest rate of LIBOR + 3.5 % due in 2020. China Construction Bank Corporation, Beijing branch was appointed as a bank agent.

**Sanctions**

On 7 August 2015 the U.S. imposed sanctions against Yuzhno-Kirinskoye field located in the Sea of Okhotsk. The U.S. sanctions prohibit supply in any way (by export, reexport or in-country transfers) by any persons whether they are the U.S. residents or from other jurisdictions, goods or technologies of the U.S. origin which are the subject to the U.S. Export Administration Regulations, for exploitation of the field.

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

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