



Gazprom Neft Group

Interim Condensed Consolidated Financial Statements (unaudited)

31 March 2016



Report on Review of Interim Financial Statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of PJSC Gazprom Neft and its subsidiaries (the "Group") as of 31 March 2016 and the related interim condensed consolidated statement of profit and loss and other comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim financial reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

AO PricewaterhouseCoopers Audit

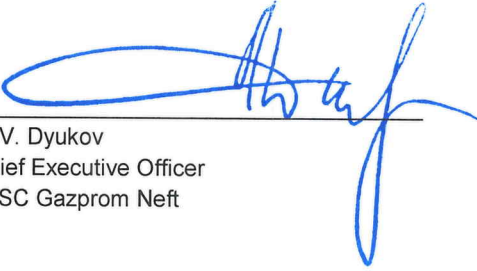
30 May 2016
Moscow, Russian Federation


Gazprom Neft Group
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31 March 2016

Contents

Interim Condensed Consolidated Statement of Financial Position	2
Interim Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income	3
Interim Condensed Consolidated Statement of Changes in Shareholders' Equity	4
Interim Condensed Consolidated Statement of Cash Flows	5
Notes to the Interim Condensed Consolidated Financial Statements	
1. General	6
2. Summary of Significant Accounting Policies	6
3. Application of New IFRS	7
4. New Accounting Standards	7
5. Cash and Cash Equivalents	8
6. Short-Term Financial Assets	8
7. Trade and Other Receivables	8
8. Inventories	8
9. Other Current Assets	9
10. Property, Plant and Equipment	9
11. Investments in Associates and Joint Ventures	10
12. Long-Term Financial Assets	12
13. Other Non-Current Assets	12
14. Short-Term Debt and Current Portion of Long-Term Debt	12
15. Trade and Other Payables	12
16. Other Taxes Payable	12
17. Long-Term Debt	13
18. Other Non-Current Financial Liabilities	14
19. Net Foreign Exchange Gain / Loss	14
20. Finance Income	14
21. Finance Expense	14
22. Fair Value Measurement	15
23. Commitments and Contingencies	15
24. Related Party Transactions	16
25. Segment Information	18
Contact information	21

	Notes	31 March 2016	31 December 2015
Assets			
Current assets			
Cash and cash equivalents	5	87,825	114,198
Short-term financial assets	6	25,468	65,157
Trade and other receivables	7	102,969	95,241
Inventories	8	90,082	102,378
Current income tax prepayments		13,634	13,903
Other current assets	9	106,997	119,867
Total current assets		426,975	510,744
Non-current assets			
Property, plant and equipment	10	1,610,044	1,587,653
Goodwill and other intangible assets		73,507	75,090
Investments in associates and joint ventures	11	173,425	169,611
Long-term trade and other receivables		8,376	8,867
Long-term financial assets	12	55,809	50,884
Deferred income tax assets		15,379	22,099
Other non-current assets	13	73,540	60,518
Total non-current assets		2,010,080	1,974,722
Total assets		2,437,055	2,485,466
Liabilities and shareholders' equity			
Current liabilities			
Short-term debt and current portion of long-term debt	14	108,326	147,319
Trade and other payables	15	95,007	104,830
Other current liabilities		27,278	32,870
Current income tax payable		1,845	1,096
Other taxes payable	16	54,130	49,011
Provisions for liabilities and charges		13,167	13,938
Total current liabilities		299,753	349,064
Non-current liabilities			
Long-term debt	17	624,832	670,779
Other non-current financial liabilities	18	107,443	115,375
Deferred income tax liabilities		67,885	68,752
Provisions for liabilities and charges		32,417	31,065
Other non-current liabilities		1,950	1,942
Total non-current liabilities		834,527	887,913
Equity			
Share capital		98	98
Treasury shares		(1,170)	(1,170)
Additional paid-in capital		44,212	44,326
Retained earnings		1,120,167	1,078,626
Other reserves		51,584	35,189
Equity attributable to Gazprom Neft shareholders		1,214,891	1,157,069
Non-controlling interest		87,884	91,420
Total equity		1,302,775	1,248,489
Total liabilities and equity		2,437,055	2,485,466


A. V. Dyukov
Chief Executive Officer
PJSC Gazprom Neft


A. V. Yankevich
Chief Financial Officer
PJSC Gazprom Neft

Gazprom Neft Group
Interim Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income (unaudited)
Currency – RUB millions (except per share data)

	Notes	Three months ended 31 March 2016	Three months ended 31 March 2015
Sales		366,002	380,035
Less export duties and sales related excise tax		(36,050)	(51,788)
Total revenue from sales	25	329,952	328,247
Costs and other deductions			
Purchases of oil, gas and petroleum products		(73,570)	(62,553)
Production and manufacturing expenses		(48,650)	(46,143)
Selling, general and administrative expenses		(24,422)	(21,407)
Transportation expenses		(34,915)	(31,311)
Depreciation, depletion and amortisation		(27,989)	(22,197)
Taxes other than income tax	16	(70,610)	(92,354)
Exploration expenses		(108)	(143)
Total operating expenses		(280,264)	(276,108)
Other loss, net		(657)	(2,035)
Operating profit		49,031	50,104
Share of profit of associates and joint ventures	11	5,724	6,647
Net foreign exchange gain / (loss)	19	2,295	(8,830)
Finance income	20	2,547	3,422
Finance expense	21	(9,724)	(6,923)
Total other income / (expense)		842	(5,684)
Profit before income tax		49,873	44,420
Current income tax expense		(1,637)	(7,059)
Deferred income tax (expense) / benefit		(6,644)	304
Total income tax expense		(8,281)	(6,755)
Profit for the period		41,592	37,665
Other comprehensive (loss) / income			
Currency translation differences		(14,370)	(9,469)
Cash flow hedge, net of tax		27,120	281
Other comprehensive (loss) / income		(54)	34
Other comprehensive income / (loss) for the period		12,696	(9,154)
Total comprehensive income for the period		54,288	28,511
Profit / (loss) attributable to:			
- Gazprom Neft shareholders		41,541	39,129
- Non-controlling interest		51	(1,464)
Profit for the period		41,592	37,665
Total comprehensive income / (loss) attributable to:			
- Gazprom Neft shareholders		57,936	34,516
- Non-controlling interest		(3,648)	(6,005)
Total comprehensive income for the period		54,288	28,511
Earnings per share attributable to Gazprom Neft shareholders			
Basic earnings (RUB per share)		8.80	8.29
Diluted earnings (RUB per share)		8.80	8.29
Weighted-average number of common shares outstanding Basic and Diluted (millions)		4,718	4,718

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

	Attributable to Gazprom Neft shareholders					Total	Non-controlling interest	Total equity
	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Other reserves			
Balance as of 1 January 2016	98	(1,170)	44,326	1,078,626	35,189	1,157,069	91,420	1,248,489
Profit for the period	-	-	-	41,541	-	41,541	51	41,592
Other comprehensive (loss) / income								
Currency translation differences	-	-	-	-	(10,671)	(10,671)	(3,699)	(14,370)
Cash flow hedge, net of tax	-	-	-	-	27,120	27,120	-	27,120
Other comprehensive (loss) / income	-	-	-	-	(54)	(54)	-	(54)
Total comprehensive income / (loss) for the period	-	-	-	41,541	16,395	57,936	(3,648)	54,288
Transactions with owners, recorded in equity								
Acquisition through business combination	-	-	(114)	-	-	(114)	112	(2)
Total transactions with owners	-	-	(114)	-	-	(114)	112	(2)
Balance as of 31 March 2016	98	(1,170)	44,212	1,120,167	51,584	1,214,891	87,884	1,302,775

	Attributable to Gazprom Neft shareholders					Total	Non-controlling interest	Total equity
	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Other reserves			
Balance as of 1 January 2015	98	(1,170)	50,074	1,005,642	11,104	1,065,748	64,037	1,129,785
Profit / (loss) for the period	-	-	-	39,129	-	39,129	(1,464)	37,665
Other comprehensive (loss) / income								
Currency translation differences	-	-	-	-	(4,923)	(4,923)	(4,546)	(9,469)
Cash flow hedge, net of tax	-	-	-	-	281	281	-	281
Other comprehensive income	-	-	-	-	29	29	5	34
Total comprehensive income / (loss) for the period	-	-	-	39,129	(4,613)	34,516	(6,005)	28,511
Transactions with owners, recorded in equity								
Transaction under common control	-	-	(5,774)	-	-	(5,774)	12,614	6,840
Total transactions with owners	-	-	(5,774)	-	-	(5,774)	12,614	6,840
Balance as of 31 March 2015	98	(1,170)	44,300	1,044,771	6,491	1,094,490	70,646	1,165,136

	Notes	Three months ended 31 March 2016	Three months ended 31 March 2015
Cash flows from operating activities			
Profit before income tax		49,873	44,420
Adjustments for:			
Share of profit of associates and joint ventures	11	(5,724)	(6,647)
(Gain) /loss on foreign exchange differences	19	(2,295)	8,830
Finance income	20	(2,547)	(3,422)
Finance expense	21	9,724	6,923
Depreciation, depletion and amortisation		27,989	22,197
Impairment of trade and other receivables, net		-	153
Other non-cash items		(261)	(295)
Operating cash flow before changes in working capital		76,759	72,159
Changes in working capital:			
Accounts receivable		(14,557)	(1,403)
Inventories		7,431	(11,015)
Other assets		10,964	729
Accounts payable		15,115	(7,756)
Taxes payable		4,233	16,854
Other liabilities		(5,277)	(3,076)
Total effect of working capital changes		17,909	(5,667)
Income taxes paid		(3,902)	(4,855)
Interest paid		(8,958)	(6,200)
Dividends received		1,688	-
Net cash provided by operating activities		83,496	55,437
Cash flows from investing activities			
Acquisition of subsidiaries and joint operations, net of cash acquired		(417)	-
Increase in cash due to acquisition of a subsidiary under common control		-	2,229
Bank deposits placement		(8,171)	(18,827)
Repayment of bank deposits		48,355	52,746
Acquisition of other investments		-	(620)
Proceeds from sales of other investments		163	-
Short-term loans issued		(1)	(229)
Repayment of short-term loans issued		6,395	179
Long-term loans issued		(11,291)	(5,335)
Repayment of long-term loans issued		7,000	192
Purchases of property, plant and equipment and intangible assets		(83,900)	(70,125)
Proceeds from sale of property, plant and equipment and intangible assets		125	337
Interest received		1,806	663
Net cash used in investing activities		(39,936)	(38,790)
Cash flows from financing activities			
Proceeds from short-term borrowings		1,916	26,929
Repayment of short-term borrowings		(1,715)	(7,306)
Proceeds from long-term borrowings		25,000	26,530
Repayment of long-term borrowings		(92,370)	(31,873)
Dividends paid to non-controlling interest		-	(171)
Net cash (used in) / provided by financing activities		(67,169)	14,109
(Decrease) / increase in cash and cash equivalents		(23,609)	30,756
Effect of foreign exchange on cash and cash equivalents		(2,764)	7,290
Cash and cash equivalents as of the beginning of the period		114,198	53,167
Cash and cash equivalents as of the end of the period		87,825	91,213

1. General

Description of Business

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation

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

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

The Group does not disclose information which would substantially duplicate the disclosures contained in its audited Consolidated Financial Statements for 2015, such as significant accounting policies, estimates and judgements, financial risk disclosures or disclosures of financial line items, which have not changed significantly in amount or composition. Management of the Group believes that the disclosures in these Interim Condensed Consolidated Financial Statements are adequate to make the information presented not misleading if these Interim Condensed Consolidated Financial Statements are read in conjunction with the Group’s Consolidated Financial Statements for 2015.

Subsequent events occurring after 31 March 2016 were evaluated through 30 May 2016 the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

The results for the three months ended 31 March 2016 are not necessarily indicative of the results expected for the full year.

The Group as a whole is not subject to significant seasonal fluctuations.

Changes in Significant Accounting Policies

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Consolidated Financial Statements are consistent with those applied during the preparation of the Consolidated Financial Statements as of and for the year ended 31 December 2015, except for those described in the Application of new IFRS paragraph.

Foreign Currency Translation

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

	Reporting date spot rate	
	31 March 2016	31 December 2015
USD 1	67.61	72.88
EUR 1	76.54	79.70
RSD 1	0.62	0.66

3. Application of New IFRS

IFRS 14 - Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after January 1, 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. The Group is not subject to the Standard.

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

The following amended standards became effective for the Group from 1 January 2016, but did not have any material impact on the Group.

- Amendments to IFRS 11 – Joint Arrangements (issued in May 2014 and effective for annual periods beginning on or after January 1, 2016).
- 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 January 1, 2016).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- Amendments to IFRS 7 Financial instruments: Disclosure (issued in September 2014 and effective for annual periods on or after 1 January 2016).
- Amendments to IAS 19 Employee Benefits (issued in September 2014 and effective for annual periods on or after 1 January 2016).
- Amendments to IAS 34 Interim Financial Reporting (issued in September 2014 effective for annual periods beginning on or after January 1, 2016).

4. New Accounting Standards

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2017 or later, and that the Group has not early adopted. The full list of such Standards and interpretations was disclosed in the Consolidated Financial Statements as of and for the year ended 31 December 2015.

The following new standards were issued during the three months period ended 31 March 2016.

The amendments to IAS 12 - Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016 effective for annual periods beginning on or after January 1, 2017) on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The amendments to IAS 7 – Statement of Cash Flow (issued in January 2016 effective for annual periods beginning on or after January 1, 2017) require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes.

The new standards and interpretations are not expected to have significant impact on the Group's Consolidated Financial Statements.

5. Cash and Cash Equivalents

Cash and cash equivalents as of 31 March 2016 and 31 December 2015 comprise the following:

	31 March 2016	31 December 2015
Cash on hand	685	986
Cash in bank	82,248	39,937
Deposits with original maturity of less than three months	2,567	69,891
Other cash equivalents	2,325	3,384
Total cash and cash equivalents	87,825	114,198

6. Short-Term Financial Assets

Short-term financial assets as of 31 March 2016 and 31 December 2015 comprise the following:

	31 March 2016	31 December 2015
Short-term loans issued	15,976	15,802
Deposits with original maturity more than 3 months less than 1 year	9,492	49,206
Financial assets held to maturity	-	149
Total short-term financial assets	25,468	65,157

7. Trade and Other Receivables

Trade and other receivables as of 31 March 2016 and 31 December 2015 comprise the following:

	31 March 2016	31 December 2015
Trade receivables	118,883	112,572
Other financial receivables	6,540	7,254
Less impairment provision	(22,454)	(24,585)
Total trade and other receivables	102,969	95,241

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

8. Inventories

Inventories as of 31 March 2016 and 31 December 2015 consist of the following:

	31 March 2016	31 December 2015
Petroleum products and petrochemicals	37,867	41,692
Materials and supplies	30,810	38,782
Crude oil and gas	15,523	16,947
Other	9,081	8,497
Less inventory provision	(3,199)	(3,540)
Total inventory	90,082	102,378

As part of the management of crude inventory, the Group may enter transactions to buy and sell crude oil from the same counterparty. Such transactions are referred to as buy / sell transactions and are undertaken in order to reduce transportation costs or to obtain alternate quality grades of crude oil. The total value of buy / sell transactions undertaken for the period ended 31 March is as follows:

	2016	2015
Buy / sell crude oil transactions for the period ended 31 March	16,299	15,659

9. Other Current Assets

Other current assets as of 31 March 2016 and 31 December 2015 consist of the following:

	31 March 2016	31 December 2015
Value added tax receivable	48,588	47,616
Advances paid	35,243	40,080
Prepaid custom duties	2,576	6,728
Prepaid expenses	2,309	999
Other assets	28,309	33,437
Less impairment provision	(10,028)	(8,993)
Total other current assets	106,997	119,867

The impairment provision mainly relates to other assets attributable to the Group's Serbian subsidiary.

10. Property, Plant and Equipment

Movements in property, plant and equipment for the three months ended 31 March 2016 and 2015 are as follows:

	O&G properties	Refining assets	Marketing and distribution	Other assets	Assets under construction	Total
Cost						
As of 1 January 2016	1,355,282	308,037	152,795	17,933	369,274	2,203,321
Additions	843	40	-	-	69,456	70,339
Acquisitions through business combinations	-	-	-	61	-	61
Changes in decommissioning obligations	1,115	-	-	-	-	1,115
Capitalised borrowing costs	-	-	-	-	3,056	3,056
Transfers	38,844	7,430	2,080	296	(48,650)	-
Internal movement	27,587	96	(124)	(88)	(27,471)	-
Disposals	(1,265)	(345)	(229)	(12)	(359)	(2,210)
Translation differences	(22,776)	(3,803)	(3,434)	(71)	(7,955)	(38,039)
As of 31 March 2016	1,399,630	311,455	151,088	18,119	357,351	2,237,643
Depreciation and impairment						
As of 1 January 2016	(489,288)	(81,461)	(41,440)	(3,479)	-	(615,668)
Depreciation charge	(19,194)	(2,951)	(2,818)	(683)	-	(25,646)
Disposals	970	55	123	(2)	-	1,146
Translation differences	10,701	870	971	27	-	12,569
As of 31 March 2016	(496,811)	(83,487)	(43,164)	(4,137)	-	(627,599)
Net book value						
As of 1 January 2016	865,994	226,576	111,355	14,454	369,274	1,587,653
As of 31 March 2016	902,819	227,968	107,924	13,982	357,351	1,610,044

	O&G properties	Refining assets	Marketing and distribution	Other assets	Assets under construction	Total
Cost						
<i>As of 1 January 2015</i>	1,120,873	260,219	134,430	18,659	245,847	1,780,028
Additions	3,381	132	-	-	59,546	63,059
Changes in decommissioning obligations	938	-	-	-	-	938
Capitalised borrowing costs	-	-	-	-	3,750	3,750
Transfers	30,618	2,864	5,487	765	(39,734)	-
Internal movement	(513)	(18)	6	(51)	576	-
Disposals	(755)	(231)	(417)	(63)	(606)	(2,072)
Translation differences	2,198	(4,550)	(3,979)	(37)	741	(5,627)
<i>As of 31 March 2015</i>	1,156,740	258,416	135,527	19,273	270,120	1,840,076
Depreciation and impairment						
<i>As of 1 January 2015</i>	(383,053)	(68,395)	(32,593)	(2,187)	-	(486,228)
Depreciation charge	(15,733)	(2,557)	(2,683)	(233)	-	(21,206)
Disposals	222	136	182	20	-	560
Translation differences	(2,406)	856	842	8	-	(700)
<i>As of 31 March 2015</i>	(400,970)	(69,960)	(34,252)	(2,392)	-	(507,574)
Net book value						
<i>As of 1 January 2015</i>	737,820	191,824	101,837	16,472	245,847	1,293,800
<i>As of 31 March 2015</i>	755,770	188,456	101,275	16,881	270,120	1,332,502

11. Investments in Associates and Joint Ventures

The carrying values of the investments in associates and joint ventures as of 31 March 2016 and 31 December 2015 are summarised below:

		Ownership percentage	31 March 2016	31 December 2015
Slavneft	Joint venture	49.9	86,606	83,301
SeverEnergy	Joint venture	46.7	74,448	72,128
Northgas	Joint venture	50.0	8,390	8,196
Others			3,981	5,986
Total investments			173,425	169,611

The principal place of business of the most significant joint ventures and associates disclosed above is the Russian Federation. The reconciliation of carrying amount of investments in associates and joint ventures as of the beginning of the reporting period and as of the end of the reporting period is shown below:

	2016	2015
Carrying amount as of 1 January	169,611	150,727
Share of profit of associates and joint ventures	5,724	6,647
Dividends declared	(1,763)	-
Share of other comprehensive loss of associates and joint ventures	(53)	-
Other changes in cost of associates and joint ventures	(94)	(3,877)
Carrying amount as of 31 March	173,425	153,497

Slavneft

The Group's investment in OJSC Slavneft and various minority stakes in Slavneft subsidiaries (Slavneft) are held through a series of legal entities. Slavneft is engaged in exploration, production and development of crude oil and gas and production of refined petroleum products. The control over Slavneft is divided equally between the Group and OJSC NK Rosneft.

SeverEnergy

The Group's investment in SeverEnergy LLC (SeverEnergy) is held through Yamal Razvitie LLC (Yamal Razvitie, an entity jointly controlled by the Group and OJSC NOVATEK). SeverEnergy, through its subsidiary OJSC Arctic Gas Company (Arcticgas), is developing the Samburgskoye, Urengoiskoe and Yaro-Yakhinskoye oil and gas condensate fields and some other small oil and gas condensate fields located in the Yamalo-Nenetskiy autonomous region of the Russian Federation.

The carrying amount of the Group's investment exceeds the Group's share in the underlying net assets of SeverEnergy by RUB 18.7 billion as of 31 March 2016 due to complex holding structure, current financing scheme and goodwill arising on acquisition (RUB 18.3 billion as of 31 December 2015).

Northgas

The Group's investment in CJSC Northgas (Northgas) is held through Gazprom Resource Northgas LLC which owns a 50% share in Northgas. Northgas is engaged in exploration and development of natural gas and oil.

The summarised financial information for the significant associates and joint ventures as of 31 March 2016 and 31 December 2015 and for the three months ended 31 March 2016 and 2015 is presented in the tables below.

	Slavneft		SeverEnergy		Northgas	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015	31 March 2016	31 December 2015
Cash and cash equivalents	13,262	8,078	11,040	13,875	1,032	2,160
Other current assets	22,588	15,830	14,110	13,941	3,704	3,131
Non-current assets	293,204	288,077	365,658	363,513	49,549	49,695
Current financial liabilities	(44,860)	(49,748)	(42,934)	(31,762)	(8,666)	(6,110)
Other current liabilities	(19,826)	(18,294)	(12,792)	(9,309)	(2,051)	(2,001)
Non-current financial liabilities	(67,299)	(54,562)	(163,622)	(185,376)	(21,493)	(24,841)
Other non-current liabilities	(30,837)	(30,034)	(51,944)	(49,297)	(3,916)	(3,645)
Net assets	166,232	159,347	119,516	115,585	18,159	18,389

	Slavneft		SeverEnergy		Northgas	
	3 months ended 31 March 2016	3 months ended 31 March 2015	3 months ended 31 March 2016	3 months ended 31 March 2015	3 months ended 31 March 2016	3 months ended 31 March 2015
Revenue	46,236	58,664	30,133	23,631	6,297	7,383
Depreciation, depletion and amortisation	(7,761)	(7,636)	(5,787)	(3,437)	(662)	(674)
Finance income	454	591	327	34	343	298
Finance expense	(1,706)	(1,167)	(6,620)	(6,496)	(996)	(1,033)
Total income tax expense	(2,149)	(1,788)	(406)	(3,967)	(506)	(664)
Profit / (loss) for the period	6,736	6,651	3,930	4,607	(229)	2,645
Total comprehensive income / (loss)	6,885	6,922	3,930	4,607	(229)	2,645

Others

The aggregate carrying amount of all individually immaterial joint ventures and associates as well as the Group's share of those joint ventures' and associates' profit or loss and other comprehensive income are not significant.

12. Long-Term Financial Assets

Long-term financial assets as of 31 March 2016 and 31 December 2015 comprise the following:

	31 March 2016	31 December 2015
Long-term loans issued	46,244	41,047
Available for sale financial assets	11,301	11,534
Less impairment provision	(1,736)	(1,697)
Total long-term financial assets	55,809	50,884

13. Other Non-Current Assets

Other non-current assets are primarily comprised of advances provided on capital expenditures (RUB 68.3 billion and RUB 55.2 billion as of 31 March 2016 and 31 December 2015, respectively).

14. Short-Term Debt and Current Portion of Long-Term Debt

As of 31 March 2016 and 31 December 2015 the Group has short-term debt and current portion of long-term debt outstanding as follows:

	31 March 2016	31 December 2015
Bank loans	23,874	24,193
Other borrowings	593	1,731
Current portion of long-term debt	83,859	121,395
Total short-term debt and current portion of long-term debt	108,326	147,319

Short-term bank loans and other borrowing include interest payable on short-term debt. Current portion includes interest payable on long-term borrowings.

15. Trade and Other Payables

Accounts payable as of 31 March 2016 and 31 December 2015 comprise the following:

	31 March 2016	31 December 2015
Trade accounts payable	83,496	76,372
Dividends payable	2,536	2,659
Forward contracts - cash flow hedge	1,562	23,545
Other accounts payable	7,413	2,254
Total trade and other payables	95,007	104,830

16. Other Taxes Payable

Other taxes payable as of 31 March 2016 and 31 December 2015 comprise the following:

	31 March 2016	31 December 2015
VAT	18,766	17,578
Mineral extraction tax	15,824	14,898
Excise tax	9,228	6,738
Social security contributions	3,545	4,275
Property tax	2,423	2,329
Other taxes	4,344	3,193
Total other taxes payable	54,130	49,011

Tax expense other than income tax expense for the three months ended 31 March 2016 and 2015 comprise the following:

	Three months ended 31 March 2016	Three months ended 31 March 2015
Mineral extraction tax	40,599	68,666
Excise tax	20,745	15,989
Social security contributions	4,752	4,436
Property tax	2,590	2,334
Other taxes	1,924	929
Total taxes other than income tax	70,610	92,354

17. Long-Term Debt

As of 31 March 2016 and 31 December 2015 the Group has long-term outstanding debt as follows:

	31 March 2016	31 December 2015
Bank loans	381,866	451,887
Loan Participation Notes	262,756	280,193
Bonds	55,842	51,748
Other borrowings	8,227	8,346
less current portion of long-term debt	(83,859)	(121,395)
Total long-term debt	624,832	670,779

Bank loans

In February 2016 the Group repaid USD 174 million (RUB 13.3 billion) of Club term loan facility with the syndicate of international banks (facility agent – SMBC) under payment schedule.

In March 2016 the Group repaid USD 100 million (RUB 6.8 billion) of Club term loan facility with the group of international banks (facility agent – Commerzbank) under payment schedule.

In March 2016 the Group repaid USD 307 million (RUB 21.5 billion) of Club term loan facility with the group of international banks (facility agent – Mizuho) under payment schedule.

The loan agreements contain financial covenant that limits the Group's ratio of "Consolidated financial indebtedness to Consolidated EBITDA". The Group is in compliance with the covenant as of 31 March 2016.

Bonds

In February 2016 the Group redeemed Rouble bonds (series 8, 9 and 11) with the total par value of RUB 30 billion, including RUB 9.6 billion of series 11 repurchased by the Group in February 2015.

In March 2016 the Group placed thirty-year Rouble exchange traded bonds (series BO-02 and BO-07) with the total par value of RUB 25 billion. The bonds bear interest of 10.65% per annum. The issue has an embedded five-year put-option, providing the bondholders with the right to make the Group to repurchase them, and a two-year call option, allowing the early redemption of the bonds at the Group's decision.

18. Other Non-Current Financial Liabilities

Other non-current financial liabilities as of 31 March 2016 and 31 December 2015 comprise the following:

	31 March 2016	31 December 2015
Deferred consideration	62,197	60,603
Forward contracts - cash flow hedge	43,026	52,714
Other liabilities	2,220	2,058
Total other non-current financial liabilities	107,443	115,375

19. Net Foreign Exchange Gain / Loss

Net foreign exchange loss for the three months ended 31 March 2016 and 2015 comprise the following:

	Three months ended 31 March 2016	Three months ended 31 March 2015
Net foreign exchange gain / (loss) on financing activities, including:	18,021	(12,815)
foreign exchange gain	44,581	11,061
foreign exchange loss	(26,560)	(23,876)
Net foreign exchange (loss) / gain on operating activities	(15,726)	3,985
Net foreign exchange gain / (loss)	2,295	(8,830)

20. Finance Income

Finance income for the three months ended 31 March 2016 and 2015 comprise the following:

	Three months ended 31 March 2016	Three months ended 31 March 2015
Interest income on loans issued	1,600	1,322
Interest on bank deposits	582	1,456
Other financial income	365	644
Total finance income	2,547	3,422

21. Finance Expense

Finance expense for the three months ended 31 March 2016 and 2015 comprise the following:

	Three months ended 31 March 2016	Three months ended 31 March 2015
Interest expense	12,204	8,354
Decommissioning provision: unwinding of the present value discount	576	483
Less: capitalised interest	(3,056)	(1,914)
Finance expense	9,724	6,923

22. Fair Value Measurement

The following assets and liabilities are measured at fair value in the Interim Condensed Consolidated Financial Statements: derivative financial instruments (forward exchange contracts and interest rate swaps used as hedging instrument), Stock Appreciation Rights plan (SARs) and financial investments classified as available for sale except for unquoted equity instruments whose fair value cannot be measured reliably that are carried at cost less any impairment losses. Derivative financial instruments and SARs refer to Level 2 of the fair value measurement hierarchy, i.e. their fair value is determined on the basis of inputs that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices). There were no transfers between the levels of the fair value hierarchy during the interim period. There are no significant assets or liabilities measured at fair value categorised within Level 1 or Level 3 of the fair value hierarchy.

As of 31 March 2016 the fair value of bonds and loan participation notes is RUB 305,602 million (RUB 307,493 million as of 31 December 2015). Carrying value of other financial assets and liabilities approximate their fair value.

23. Commitments and Contingencies

Taxes

Russian tax and customs legislation is subject to frequent changes and varying interpretations. Management's treatment of such legislation as applied to the transactions and activity of the Group, including calculation of taxes payable to federal, regional and municipal budgets, may be challenged by the relevant authorities. The Russian tax authorities may take a more assertive position in their treatment of legislation and assessments, and there is a risk that transactions and activities that have not been challenged in the past may be challenged later. As a result, additional taxes, penalties and interest may be accrued. Generally, taxpayers are subject to tax audits for a period of three calendar years immediately preceding the year in which the decision to carry out a tax audit has been taken. Under certain circumstances tax audits may cover longer periods. The years 2013, 2014 and 2015 are currently open for tax audit. Management believes it has adequately provided for any probable additional tax accruals that might arise from these tax audits.

Russian tax legislation on tax control over prices applied for tax purposes in related party transactions ("transfer pricing rules") was amended starting from 1 January 2012 to introduce significant reporting and documentation requirements regarding market environment at the date of transaction. Compared to the old rules the new transfer pricing rules appear to be more technically elaborate and better aligned with the Transfer Pricing Guidelines developed by the Organisation for Economic Cooperation and Development (OECD). The transfer pricing rules allow the tax authorities to make transfer pricing adjustments to the respective tax bases and impose additional tax liabilities in respect of controllable transactions (transactions with related parties and some transactions with unrelated parties), in cases where the prices of such transactions do not correspond to the ranges of prices deemed to be fair market prices for tax purposes defined in compliance with the said rules .

The compliance of the prices of the Group's controllable transactions with related parties with the transfer pricing rules is subject to regular internal control. The Group believes that the transfer pricing documentation that the Group has prepared to confirm its compliance with the transfer pricing rules provides sufficient evidence to support the Group's tax positions and related tax returns. In addition in order to mitigate potential risks, the Group regularly negotiates approaches to defining prices used for tax purposes for major controllable transactions with tax authorities in advance. Twelve pricing agreements between the Group and tax authorities regarding major intercompany transactions have been concluded in 2012-2015.

However, given that the practice of enforcement of the new transfer pricing rules has not yet developed and some clauses of the applicable law are ambiguous and contain contradictions, the impact of the transfer pricing rules on the Group's tax liabilities cannot be reliably estimated.

Economic Environment in the Russian Federation

The Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation. The political and economic instability, uncertainty and volatility of the financial markets and other risks may have negative effects on the Russian financial and corporate sectors. The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

In 2014 the U.S., the EU and certain other countries imposed sanctions on the Russian energy sector that partially apply to the Group. The information on the main restrictions related to sanctions was disclosed in the Consolidated Financial Statements as of and for the year 31 December 2015. There were no significant changes in sanctions during the three months ended 31 March 2016.

Environmental Matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its potential obligations under environmental regulation. Management is of the opinion that the Group has met the government's requirements concerning environmental matters, and the Group does not therefore have any material environmental liabilities.

Capital Commitments

As of 31 March 2016 the Group has entered into contracts to purchase property, plant and equipment for RUB 348,378 million (RUB 342,544 million as of 31 December 2015).

24. Related Party Transactions

For the purpose of these Interim Condensed Consolidated Financial Statements 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 Group has applied the exemption as allowed by IAS 24 not to disclose all government related transactions, as the parent of the Company is effectively being controlled by the Russian Government. In the course of its ordinary business, the Group enters into transactions with natural monopolies, transportation companies and other companies controlled by the Russian Government. Such purchases and sales are individually insignificant and are generally entered into on market or regulated prices. Transactions with the state also include taxes which are detailed in Notes 9 and 16. The tables below summarises transactions in the ordinary course of business with either the parent company or associates and joint ventures.

The Group enters into transactions with related parties based on market or regulated prices. Short-term and long-term loans provided as well as debt are based on market conditions available for not related entities.

As of 31 March 2016 and 31 December 2015 the outstanding balances with related parties were as follows:

31 March 2016	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Cash and cash equivalents	-	37,547	-
Short-term financial assets	-	5,279	15,245
Trade and other receivables	3,140	2,716	16,782
Other assets	465	4,809	581
Long-term financial assets	-	-	42,862
Total assets	3,605	50,351	75,470
Short-term debt and other current financial liability	-	-	531
Trade and other payables	3,627	4,168	4,350
Other current liabilities	2,108	250	18
Long-term debt and other non-current financial liability	64,387	67,608	-
Total liabilities	70,122	72,026	4,899

31 December 2015	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Cash and cash equivalents	-	15,402	-
Short-term financial assets	-	3,135	14,901
Trade and other receivables	1,232	2,895	17,941
Other assets	-	4,527	1,253
Long-term financial assets	10	503	30,791
Total assets	1,242	26,462	64,886
Short-term debt and other current financial liability	-	-	1,672
Trade and other payables	3,203	2,737	1,567
Other current liabilities	2,107	1,107	241
Long-term debt and other non-current financial liability	62,650	72,883	-
Total liabilities	67,960	76,727	3,480

For the three months ended 31 March 2016 and 2015 the following transactions occurred with related parties:

Three months ended 31 March 2016	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Crude oil, gas and oil products sales	4,668	9,851	11,379
Other revenue	2	905	1,932
Purchases of crude oil, gas and oil products	-	9,692	19,026
Production related services	8	4,432	4,853
Transportation costs	1,469	433	1,331
Interest expenses	1,594	1,083	56
Interest income	-	41	1,302

Three months ended 31 March 2015	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Crude oil, gas and oil products sales	4,977	8,097	14,965
Other revenue	2	169	4,516
Purchases of crude oil, gas and oil products	-	10,450	25,208
Production related services	6	3,306	4,907
Transportation costs	1,474	531	1,639
Interest income	59	208	808

Transactions with Key Management Personnel

For the three months ended 31 March 2016 and 2015 the Group recognised RUB 374 million and RUB 242 million, respectively, as compensation for key management personnel (members of the Board of Directors and Management Committee). The remuneration for the three month ended 31 March 2016 includes annual bonuses for the year ended 31 December 2015 while in 2015 annual bonuses for the year ended 31 December 2014 were accrued during the second and third quarters 2015. Key management remuneration includes salaries, bonuses, quarterly accruals of SAR and other contributions.

25. Segment Information

Presented below is information about the Group's operating segments for the three months ended 31 March 2016 and 2015. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

The Group manages its operations in 2 operating segments: Upstream and Downstream.

Upstream segment (exploration and production) includes the following Group operations: exploration, development and production of crude oil and natural gas (including joint ventures results), oil field services. Downstream segment (refining and marketing) processes crude into refined products and purchases, sells and transports crude and refined petroleum products.

Eliminations and other adjustments section encompasses elimination of inter-segment sales and related unrealised profits, mainly from the sale of crude oil and products, and other adjustments.

Intersegment revenues are based upon prices effective for local markets and linked to market prices.

Adjusted EBITDA represents the Group's EBITDA and its share in associates and joint ventures' EBITDA. Management believes that adjusted EBITDA represents useful means of assessing the performance of the Group's ongoing operating activities, as it reflects the Group's earnings trends without showing the impact of certain charges. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortisation, foreign exchange gain (loss), other non-operating expenses and includes the Group's share of profit of associates and joint ventures. EBITDA is a supplemental non-IFRS financial measure used by Management to evaluate operations.

Three months ended 31 March 2016

	Upstream	Downstream	Eliminations	Total
Revenue from sales:				
External customers	18,481	311,471	-	329,952
Inter-segment	109,462	5,268	(114,730)	-
Total revenue from sales	127,943	316,739	(114,730)	329,952
Adjusted EBITDA	62,262	34,103	-	96,365
Depreciation, depletion and amortisation	19,463	8,526	-	27,989
Capital expenditure	59,819	24,080	-	83,900

Three months ended**31 March 2015**

	Upstream	Downstream	Eliminations	Total
Revenue from sales:				
External customers	11,170	317,077	-	328,247
Inter-segment	136,545	4,937	(141,482)	-
Total revenue from sales	147,715	322,014	(141,482)	328,247
Segment results				
Adjusted EBITDA	63,693	29,694	-	93,387
Depreciation, depletion and amortisation	15,821	6,376	-	22,197
Capital expenditure	55,578	14,547	-	70,125

The geographical segmentation of the Group's revenue and capital expenditures for the period ended 31 March 2016 and 2015 is presented below:

Three months ended**31 March 2016**

	Russian Federation	CIS	Export and international operations	Total
Sales of crude oil	20,724	5,229	46,975	72,928
Sales of petroleum products	160,231	16,145	94,217	270,593
Sales of gas	6,876	-	622	7,498
Other sales	12,221	456	2,306	14,983
Less custom duties and sales related excises	-	(201)	(35,849)	(36,050)
Revenues from external customers, net	200,052	21,629	108,271	329,952

Three months ended**31 March 2015**

Sales of crude oil	21,250	8,328	39,753	69,331
Sales of petroleum products	156,593	17,148	115,678	289,419
Sales of gas	6,290	-	1,630	7,920
Other sales	11,489	468	1,408	13,365
Less custom duties and sales related excises	-	(363)	(51,425)	(51,788)
Revenues from external customers, net	195,622	25,581	107,044	328,247

	Russian Federation	CIS	Export and international operations	Total
Non-current assets as of 31 March 2016	1,623,420	12,770	358,511	1,994,701
Capital expenditures for the 3 months ended 31 March 2016	78,041	78	5,781	83,900
Non-current assets as of 31 December 2015	1,548,036	13,861	390,726	1,952,623
Capital expenditures for the 3 months ended 31 March 2015	58,969	70	11,086	70,125

Adjusted EBITDA for the three months ended 31 March 2016 and 2015 is reconciled below:

	Three months ended 31 March 2016	Three months ended 31 March 2015
Profit for the period	41,592	37,665
Total income tax expense	8,281	6,755
Finance expense	9,724	6,923
Finance income	(2,547)	(3,422)
Depreciation, depletion and amortisation	27,989	22,197
Net foreign exchange gain / (loss)	(2,295)	8,830
Other loss, net	657	2,035
EBITDA	83,401	80,983
less share of profit of associates and joint ventures	(5,724)	(6,647)
add share of EBITDA of associates and joint ventures	18,688	19,051
Total adjusted EBITDA	96,365	93,387

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