Contents
Auditor's Report ..................................................................................................................... 3
Consolidated balance sheet ..................................................................................................... 6
Consolidated statement of financial results ............................................................................ 8
Consolidated statement of changes in the shareholders’ equity .............................................. 9
Consolidated statement of cash flows ..................................................................................... 10

Notes to the consolidated accounting reports

1. General information ........................................................................................................... 11
2. Significant accounting policies and basis of presentation ................................................... 11
3. Changes in the accounting policies and comparative information for the previous reporting periods .................................................................................................................. 16
4. Segment information ........................................................................................................ 17
5. Goodwill on subsidiaries ..................................................................................................... 21
6. Exploration assets ............................................................................................................... 23
7. Fixed assets ........................................................................................................................ 24
8. Construction in progress ..................................................................................................... 25
9. Financial investments ......................................................................................................... 25
10. Inventories ....................................................................................................................... 27
11. Accounts receivable ......................................................................................................... 27
12. Financial investments (less cash equivalents) .................................................................. 28
13. Cash and cash equivalents ............................................................................................... 28
14. Equity ................................................................................................................................ 28
15. Borrowings ....................................................................................................................... 29
16. Taxation ............................................................................................................................ 33
17. Sales .................................................................................................................................. 34
18. Cost of sales, commercial and administrative expenses ..................................................... 35
19. Other income and expenses .............................................................................................. 36
20. Consolidated subsidiaries and associates of the Group ....................................................... 37
21. Related parties .................................................................................................................. 40
22. Earnings per share ............................................................................................................ 44
23. Acquisition of subsidiaries ............................................................................................... 44
24. Commitments and contingencies ...................................................................................... 45
25. Economic environment in the Russian Federation ............................................................ 50
26. Operating risks ................................................................................................................. 50
27. Post balance sheet events ................................................................................................ 51
Auditor’s Report
on Consolidated Accounting Reports

To the Shareholders and Board of Directors
of Public Joint Stock Company Gazprom

Audited entity

Company name:
Pubic Joint Stock Company Gazprom (PJSC Gazprom).

Address:
Russian Federation, 117997, Moscow, Nametkina St., 16.

State registration certificate:
Registered by the Moscow Registration Chamber on February 25, 1993, the certificate:
series No. 002.726. Entered in the Uniform State Register of Legal Entities on
August 2, 2002 under the main state number 1027700070518.

Auditor

Company name:
Limited Liability Company “Accountants and business advisors” (FBK, LLC).

Address:
Russian Federation, 101990, Moscow, Myasnitskaya St., 44/1, bld. 2, AB.

State registration certificate:
Registered by the Moscow Registration Chamber on November 15, 1993, the certificate:
series YZ 3 No. 484.583 RP. Entered in the Uniform State Register of Legal Entities on
July 24, 2002 under the main state number 1027700058286.

Membership in Self-Regulatory Organization of Auditors:
Self-regulatory organization of auditors Association “Sodruzhestvo”.

Number in the register of Self-Regulatory Organization of Auditors:
Certificate of membership in the Self-regulatory organization of auditors Association
“Sodruzhestvo” No. 7198, number in the register – 11506030481.
We have audited the accompanying consolidated accounting reports of PJSC Gazprom, which comprise the consolidated balance sheet as at December 31, 2016, and the consolidated statement of financial results, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ended December 31, 2016, and Notes to the consolidated accounting reports (hereinafter referred to as “the consolidated accounting reports”). The reports were prepared by the management of PJSC Gazprom in accordance with the reporting rules established in the Methodology guidelines on preparing consolidated accounting reports, approved by PJSC Gazprom (hereinafter referred to as “Methodology guidelines”), which are based on Russian accounting rules.

**Management’s Responsibility for the Consolidated Accounting Reports**

Management of the audited entity is responsible for preparation and fair presentation of these consolidated accounting reports in accordance with the reporting rules established in the Methodology guidelines and for such internal control as management determines is necessary to enable the preparation of the consolidated accounting reports that are free from material misstatements, whether due to fraud or error.

**Auditor’s Responsibility**

Our responsibility is to express opinion on these consolidated accounting reports based on our audit. We conducted our audit in accordance with Russian Federal Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated accounting reports are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounting reports. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated accounting reports, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated accounting reports in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of PJSC Gazprom, as well as evaluating the overall presentation of the consolidated accounting reports.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated accounting reports.
Opinion

In our opinion, the consolidated accounting reports of PJSC Gazprom for the year ended December 31, 2016 have been prepared fairly, in all material respects, in accordance with the reporting rules established in the Methodology guidelines on preparing consolidated accounting reports.

Basis of Preparation of the Consolidated Accounting Reports

Without modifying our opinion on the fairness of the consolidated accounting reports we draw attention to Note 2 which describes the basis of preparation of the consolidated accounting reports. The consolidated accounting reports have been prepared in accordance with reporting rules established in the Methodology guidelines.

S.M. Shapiguzov
(on the ground of the Charter, audit qualification certificate No. 01-001230, registration number 0901041926)

President of FBK, LLC

K.S. Shirikova
(audit qualification certificate No. 01-000712
dated July 9, 2012, registration number
20501042062)

Audit manager

27 April, 2017
### CONSOLIDATED BALANCE SHEET

as of 31 December 2016

(in millions of Russian Rubles)

<table>
<thead>
<tr>
<th>Note</th>
<th>ASSETS</th>
<th>As of 31 December 2016</th>
<th>As of 31 December 2015</th>
<th>As of 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>I. NON-CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Intangible assets, including:</td>
<td>779,418</td>
<td>844,925</td>
<td>875,418</td>
</tr>
<tr>
<td>5</td>
<td>goodwill on subsidiaries</td>
<td>752,525</td>
<td>817,501</td>
<td>856,397</td>
</tr>
<tr>
<td>6</td>
<td>Results of research and development</td>
<td>8,161</td>
<td>8,696</td>
<td>8,012</td>
</tr>
<tr>
<td>6</td>
<td>Intangible exploration assets</td>
<td>167,651</td>
<td>161,851</td>
<td>163,206</td>
</tr>
<tr>
<td>6</td>
<td>Tangible exploration assets</td>
<td>95,952</td>
<td>88,203</td>
<td>91,965</td>
</tr>
<tr>
<td>7</td>
<td>Fixed assets, including:</td>
<td>11,977,146</td>
<td>11,024,856</td>
<td>10,468,464</td>
</tr>
<tr>
<td>7</td>
<td>Objects of fixed assets, including:</td>
<td>9,705,138</td>
<td>8,869,274</td>
<td>8,608,333</td>
</tr>
<tr>
<td>8</td>
<td>Construction in progress</td>
<td>9,429,126</td>
<td>8,639,839</td>
<td>8,394,473</td>
</tr>
<tr>
<td>9,20</td>
<td>Financial investments, including:</td>
<td>1,475,787</td>
<td>1,428,139</td>
<td>1,275,352</td>
</tr>
<tr>
<td></td>
<td>investments in subsidiaries</td>
<td>153,636</td>
<td>139,553</td>
<td>127,459</td>
</tr>
<tr>
<td></td>
<td>investments in associates</td>
<td>857,741</td>
<td>906,078</td>
<td>769,069</td>
</tr>
<tr>
<td></td>
<td>investments in other companies</td>
<td>254,254</td>
<td>195,401</td>
<td>160,820</td>
</tr>
<tr>
<td></td>
<td>loans issued to companies beyond 12 months</td>
<td>129,273</td>
<td>149,053</td>
<td>187,743</td>
</tr>
<tr>
<td></td>
<td>other financial investments</td>
<td>80,883</td>
<td>38,054</td>
<td>30,261</td>
</tr>
<tr>
<td>16</td>
<td>Deferred tax assets</td>
<td>178,144</td>
<td>173,178</td>
<td>96,841</td>
</tr>
<tr>
<td></td>
<td>Other non-current assets</td>
<td>197,702</td>
<td>177,745</td>
<td>154,558</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL Section I</strong></td>
<td><strong>14,879,961</strong></td>
<td><strong>13,907,593</strong></td>
<td><strong>13,133,816</strong></td>
</tr>
<tr>
<td></td>
<td><strong>II. CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Inventories, including:</td>
<td>837,300</td>
<td>914,550</td>
<td>755,370</td>
</tr>
<tr>
<td></td>
<td>raw materials and other inventories</td>
<td>202,313</td>
<td>211,102</td>
<td>175,979</td>
</tr>
<tr>
<td></td>
<td>work in progress</td>
<td>18,945</td>
<td>21,081</td>
<td>24,432</td>
</tr>
<tr>
<td></td>
<td>finished goods and goods for resale</td>
<td>605,855</td>
<td>672,423</td>
<td>549,632</td>
</tr>
<tr>
<td></td>
<td>goods dispatched</td>
<td>10,187</td>
<td>9,944</td>
<td>5,327</td>
</tr>
<tr>
<td></td>
<td>Value added tax on purchased goods</td>
<td>194,084</td>
<td>228,510</td>
<td>291,598</td>
</tr>
<tr>
<td>11</td>
<td>Accounts receivable, including:</td>
<td>1,528,901</td>
<td>1,617,739</td>
<td>1,390,398</td>
</tr>
<tr>
<td></td>
<td>Accounts receivable (payment expected beyond 12 months of the reporting date), including:</td>
<td>87,855</td>
<td>72,368</td>
<td>69,578</td>
</tr>
<tr>
<td></td>
<td>buyers and customers</td>
<td>19,761</td>
<td>23,838</td>
<td>20,966</td>
</tr>
<tr>
<td></td>
<td>advances paid</td>
<td>3,161</td>
<td>3,109</td>
<td>1,646</td>
</tr>
<tr>
<td></td>
<td>other accounts receivable</td>
<td>64,933</td>
<td>45,421</td>
<td>46,966</td>
</tr>
<tr>
<td></td>
<td>Accounts receivable (payment expected within 12 months of the reporting date), including:</td>
<td>1,441,046</td>
<td>1,545,371</td>
<td>1,320,820</td>
</tr>
<tr>
<td></td>
<td>buyers and customers</td>
<td>840,759</td>
<td>796,745</td>
<td>688,327</td>
</tr>
<tr>
<td></td>
<td>advances paid</td>
<td>299,129</td>
<td>272,101</td>
<td>188,661</td>
</tr>
<tr>
<td></td>
<td>other accounts receivable</td>
<td>301,158</td>
<td>476,525</td>
<td>443,832</td>
</tr>
<tr>
<td>12</td>
<td>Financial investments (less cash equivalents), including:</td>
<td>298,793</td>
<td>233,746</td>
<td>276,054</td>
</tr>
<tr>
<td></td>
<td>loans issued to companies due within 12 months</td>
<td>142,393</td>
<td>91,411</td>
<td>120,465</td>
</tr>
<tr>
<td></td>
<td>other financial investments</td>
<td>156,400</td>
<td>142,335</td>
<td>155,589</td>
</tr>
<tr>
<td>13</td>
<td>Cash and cash equivalents, including:</td>
<td>890,878</td>
<td>1,366,200</td>
<td>1,048,298</td>
</tr>
<tr>
<td></td>
<td>cash on hand</td>
<td>940</td>
<td>1,058</td>
<td>852</td>
</tr>
<tr>
<td></td>
<td>ruble bank accounts</td>
<td>462,072</td>
<td>616,346</td>
<td>623,063</td>
</tr>
<tr>
<td></td>
<td>non-ruble bank accounts</td>
<td>328,660</td>
<td>575,665</td>
<td>347,978</td>
</tr>
<tr>
<td></td>
<td>other monetary assets and cash equivalents</td>
<td>99,206</td>
<td>173,131</td>
<td>76,405</td>
</tr>
<tr>
<td></td>
<td>Other current assets</td>
<td>10,724</td>
<td>12,710</td>
<td>9,658</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL Section II</strong></td>
<td><strong>3,760,680</strong></td>
<td><strong>4,373,455</strong></td>
<td><strong>3,771,376</strong></td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>18,640,641</strong></td>
<td><strong>18,281,048</strong></td>
<td><strong>16,905,192</strong></td>
</tr>
</tbody>
</table>
# PJSC GAZPROM
## CONSOLIDATED BALANCE SHEET
### as of 31 December 2016
#### (in millions of Russian Rubles)

<table>
<thead>
<tr>
<th>Note</th>
<th>EQUITY AND LIABILITIES</th>
<th>As of 31 December 2016</th>
<th>As of 31 December 2015</th>
<th>As of 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>Charter capital</td>
<td>118,368</td>
<td>118,368</td>
<td>118,368</td>
</tr>
<tr>
<td>14</td>
<td>Treasury shares</td>
<td>(258,786)</td>
<td>(126,786)</td>
<td>(126,786)</td>
</tr>
<tr>
<td></td>
<td>Revaluation of non-current assets</td>
<td>6,403,997</td>
<td>5,532,727</td>
<td>5,494,423</td>
</tr>
<tr>
<td></td>
<td>Additional capital (less revaluation)</td>
<td>723,997</td>
<td>1,011,407</td>
<td>747,666</td>
</tr>
<tr>
<td></td>
<td>Legal reserves</td>
<td>36,434</td>
<td>35,212</td>
<td>33,862</td>
</tr>
<tr>
<td></td>
<td>Retained earnings</td>
<td>6,350,634</td>
<td>5,895,586</td>
<td>5,718,511</td>
</tr>
<tr>
<td>2, 7</td>
<td>Social government fund</td>
<td>525</td>
<td>552</td>
<td>574</td>
</tr>
<tr>
<td></td>
<td>TOTAL Section III</td>
<td>13,375,169</td>
<td>12,467,866</td>
<td>11,986,618</td>
</tr>
<tr>
<td></td>
<td>Minority interest</td>
<td>322,571</td>
<td>312,084</td>
<td>296,629</td>
</tr>
<tr>
<td></td>
<td>V. CURRENT LIABILITIES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Borrowings, including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>bank borrowings due for repayment beyond 12 months of the reporting date</td>
<td>2,392,696</td>
<td>2,806,160</td>
<td>2,237,812</td>
</tr>
<tr>
<td></td>
<td>loans due for repayment beyond 12 months of the reporting date</td>
<td>862,081</td>
<td>957,527</td>
<td>613,032</td>
</tr>
<tr>
<td></td>
<td>Deferred tax liabilities</td>
<td>1,530,615</td>
<td>1,848,633</td>
<td>1,624,810</td>
</tr>
<tr>
<td>16</td>
<td>Estimated liabilities</td>
<td>539,221</td>
<td>500,839</td>
<td>440,325</td>
</tr>
<tr>
<td>24</td>
<td>Other liabilities</td>
<td>166,883</td>
<td>154,881</td>
<td>103,000</td>
</tr>
<tr>
<td></td>
<td>CURRENT LIABILITIES</td>
<td>17,790</td>
<td>11,414</td>
<td>8,940</td>
</tr>
<tr>
<td></td>
<td>TOTAL Section V</td>
<td>1,826,311</td>
<td>2,028,604</td>
<td>1,831,868</td>
</tr>
<tr>
<td></td>
<td>TOTAL EQUITY AND LIABILITIES</td>
<td>18,640,641</td>
<td>18,281,048</td>
<td>16,905,192</td>
</tr>
</tbody>
</table>

A.B. Miller  
Chairman of the Management Committee

E.A. Vasilieva  
Chief Accountant
<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>For 2016</th>
<th>For 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>Sales</td>
<td>6,290,240</td>
<td>6,222,515</td>
</tr>
<tr>
<td>18</td>
<td>Cost of sales</td>
<td>(5,227,837)</td>
<td>(4,660,430)</td>
</tr>
<tr>
<td>18</td>
<td>Gross profit</td>
<td>1,062,403</td>
<td>1,562,085</td>
</tr>
<tr>
<td>18</td>
<td>Commercial expenses</td>
<td>(318)</td>
<td>(431)</td>
</tr>
<tr>
<td>18</td>
<td>Administrative expenses</td>
<td>(338,105)</td>
<td>(323,667)</td>
</tr>
<tr>
<td></td>
<td>Profit from sales</td>
<td>723,980</td>
<td>1,237,987</td>
</tr>
<tr>
<td></td>
<td>Income from investments in other companies</td>
<td>17,055</td>
<td>10,495</td>
</tr>
<tr>
<td></td>
<td>Interest income</td>
<td>96,332</td>
<td>116,025</td>
</tr>
<tr>
<td></td>
<td>Interest expense</td>
<td>(164,391)</td>
<td>(149,545)</td>
</tr>
<tr>
<td>19</td>
<td>Other income</td>
<td>9,048,657</td>
<td>8,904,212</td>
</tr>
<tr>
<td>19</td>
<td>Other expenses</td>
<td>(8,906,239)</td>
<td>(9,872,274)</td>
</tr>
<tr>
<td>9</td>
<td>Capitalized profit of associates</td>
<td>107,521</td>
<td>135,995</td>
</tr>
<tr>
<td></td>
<td>Profit before profit tax</td>
<td>922,945</td>
<td>382,895</td>
</tr>
<tr>
<td>16</td>
<td>Profit tax, including:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>current profit tax</td>
<td>(217,613)</td>
<td>(93,182)</td>
</tr>
<tr>
<td></td>
<td>previous years’ profit tax</td>
<td>(218,267)</td>
<td>(93,263)</td>
</tr>
<tr>
<td></td>
<td>including: permanent tax liabilities</td>
<td>654</td>
<td>81</td>
</tr>
<tr>
<td></td>
<td>Change in deferred tax liabilities</td>
<td>73,278</td>
<td>7,286</td>
</tr>
<tr>
<td></td>
<td>Change in deferred tax assets</td>
<td>(34,261)</td>
<td>(53,251)</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>(3,852)</td>
<td>(2,516)</td>
</tr>
<tr>
<td></td>
<td>Net profit of the reporting period before minority interest</td>
<td>666,912</td>
<td>304,804</td>
</tr>
<tr>
<td></td>
<td>Minority interest</td>
<td>(32,263)</td>
<td>(8,776)</td>
</tr>
<tr>
<td></td>
<td>Net profit of the reporting period</td>
<td>634,649</td>
<td>296,028</td>
</tr>
</tbody>
</table>

FOR REFERENCE:

Results of fixed assets revaluation not included into net profit of the reporting period | 879,553 | 44,906 |
Results of other transactions not included into net profit of the reporting period | (284,399) | 262,430 |
Comprehensive income of the reporting period attributable to the owners of PJSC Gazprom | 1,229,803 | 603,364 |
Basic earnings per share for profit attributable to the owners of PJSC Gazprom (in Rubles) | 28.13 | 12.99 |

A.B. Miller
Chairman of the Management Committee

27 April 2017

E.A. Vasilieva
Chief Accountant
<table>
<thead>
<tr>
<th>Note</th>
<th>Share capital</th>
<th>Treasury shares</th>
<th>Additional capital</th>
<th>Legal reserves</th>
<th>Retained earnings</th>
<th>Social government fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>118,368</td>
<td>(126,786)</td>
<td>6,242,089</td>
<td>33,862</td>
<td>5,718,511</td>
<td>574</td>
<td>11,986,618</td>
</tr>
<tr>
<td>For 2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity as of 31 December 2014</td>
<td>118,368</td>
<td>(126,786)</td>
<td>6,242,089</td>
<td>33,862</td>
<td>5,718,511</td>
<td>574</td>
<td>11,986,618</td>
</tr>
<tr>
<td>Change of capital — total, including:</td>
<td>-</td>
<td>-</td>
<td>308,772</td>
<td>18</td>
<td>171,680</td>
<td>(22)</td>
<td>480,448</td>
</tr>
<tr>
<td>net profit</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>296,028</td>
<td>-</td>
<td>296,028</td>
</tr>
<tr>
<td>revaluation of property</td>
<td>-</td>
<td>-</td>
<td>44,906</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>44,906</td>
</tr>
<tr>
<td>differences resulting from the translation of foreign investments</td>
<td>-</td>
<td>-</td>
<td>262,360</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>262,360</td>
</tr>
<tr>
<td>change in the Group structure and change of interest in subsidiaries</td>
<td>-</td>
<td>-</td>
<td>1,072</td>
<td>18</td>
<td>44,180</td>
<td>-</td>
<td>45,270</td>
</tr>
<tr>
<td>dividends</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(165,247)</td>
<td>-</td>
<td>(165,247)</td>
</tr>
<tr>
<td>social assets transferred to state authorities</td>
<td>-</td>
<td>-</td>
<td>434</td>
<td>(3,281)</td>
<td>-</td>
<td>(2,847)</td>
<td></td>
</tr>
<tr>
<td>other</td>
<td>-</td>
<td>-</td>
<td>1,332</td>
<td>(1,332)</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Change of additional capital</td>
<td>-</td>
<td>-</td>
<td>(6,727)</td>
<td>6,727</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Change of legal reserves</td>
<td>-</td>
<td>-</td>
<td>1,332</td>
<td>(1,332)</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity as of 31 December 2015</td>
<td>118,368</td>
<td>(126,786)</td>
<td>6,544,134</td>
<td>35,212</td>
<td>5,895,586</td>
<td>552</td>
<td>12,467,066</td>
</tr>
<tr>
<td>Change of capital — total, including:</td>
<td>-</td>
<td>(132,000)</td>
<td>591,918</td>
<td>-</td>
<td>448,212</td>
<td>(27)</td>
<td>908,103</td>
</tr>
<tr>
<td>net profit</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>634,649</td>
<td>-</td>
<td>634,649</td>
</tr>
<tr>
<td>revaluation of property</td>
<td>-</td>
<td>-</td>
<td>879,553</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>879,553</td>
</tr>
<tr>
<td>differences resulting from the translation of foreign investments</td>
<td>-</td>
<td>-</td>
<td>(284,480)</td>
<td>-</td>
<td>-</td>
<td>(284,480)</td>
<td></td>
</tr>
<tr>
<td>change in the Group structure and change of interest in subsidiaries</td>
<td>-</td>
<td>-</td>
<td>(4,335)</td>
<td>-</td>
<td>(11,526)</td>
<td>-</td>
<td>(15,861)</td>
</tr>
<tr>
<td>dividends</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(174,372)</td>
<td>-</td>
<td>(174,372)</td>
</tr>
<tr>
<td>social assets transferred to state authorities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(27)</td>
<td>(27)</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change of additional capital</td>
<td>-</td>
<td>(132,000)</td>
<td>-</td>
<td>-</td>
<td>(132,000)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Change of legal reserves</td>
<td>-</td>
<td>-</td>
<td>(8,058)</td>
<td>8,058</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury shares</td>
<td>-</td>
<td>(132,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(132,000)</td>
<td></td>
</tr>
<tr>
<td>other</td>
<td>-</td>
<td>-</td>
<td>1,180</td>
<td>(539)</td>
<td>-</td>
<td>641</td>
<td></td>
</tr>
<tr>
<td>Change of additional capital</td>
<td>-</td>
<td>-</td>
<td>(8,058)</td>
<td>8,058</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Change of legal reserves</td>
<td>-</td>
<td>-</td>
<td>1,222</td>
<td>(1,222)</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Equity as of 31 December 2016</td>
<td>118,368</td>
<td>(258,786)</td>
<td>7,127,994</td>
<td>36,434</td>
<td>6,350,634</td>
<td>525</td>
<td>13,375,169</td>
</tr>
</tbody>
</table>

A.B. Miller  
Chairman of the Management Committee  

27 April 2016

E.A. Vasilieva  
Chief Accountant
<table>
<thead>
<tr>
<th>Note</th>
<th>For 2016</th>
<th>For 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total cash received, including:</td>
<td>6,973,690</td>
<td>7,032,252</td>
</tr>
<tr>
<td>sales of products, goods, works and services</td>
<td>6,414,280</td>
<td>6,632,532</td>
</tr>
<tr>
<td>other receipts, including:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>indirect taxes</td>
<td>559,410</td>
<td>399,520</td>
</tr>
<tr>
<td>advances received from buyers (customers)</td>
<td>238,510</td>
<td>208,302</td>
</tr>
<tr>
<td>Total cash paid, including:</td>
<td>6,584,217</td>
<td>5,825,257</td>
</tr>
<tr>
<td>payment for purchased raw materials, works and services</td>
<td>(5,390,597)</td>
<td>(5,343,881)</td>
</tr>
<tr>
<td>wages and salaries</td>
<td>(2,693,802)</td>
<td>(2,719,510)</td>
</tr>
<tr>
<td>interests on borrowings</td>
<td>(150,732)</td>
<td>(148,018)</td>
</tr>
<tr>
<td>profit tax</td>
<td>(91,679)</td>
<td>(99,644)</td>
</tr>
<tr>
<td>other payments, including:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>settlements with customs</td>
<td>(1,992,385)</td>
<td>(1,954,448)</td>
</tr>
<tr>
<td>settlements with budget (less profit tax)</td>
<td>(617,788)</td>
<td>(693,746)</td>
</tr>
<tr>
<td>advances paid</td>
<td>(397,700)</td>
<td>(889,995)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>1,583,093</td>
<td>1,688,371</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total cash received, including:</td>
<td>324,790</td>
<td>362,587</td>
</tr>
<tr>
<td>sales of non-current assets (less financial investments)</td>
<td>8,709</td>
<td>6,419</td>
</tr>
<tr>
<td>sales of other entities’ shares (equity interests)</td>
<td>36,230</td>
<td>26,631</td>
</tr>
<tr>
<td>return of loans issued, sales of debt securities (assignment of cash from third parties)</td>
<td>37,902</td>
<td>83,393</td>
</tr>
<tr>
<td>dividends, interest from debt financial investments and receipts from participation in other entities</td>
<td>103,854</td>
<td>95,242</td>
</tr>
<tr>
<td>other receipts</td>
<td>138,055</td>
<td>150,902</td>
</tr>
<tr>
<td>Total cash paid, including:</td>
<td>(1,827,810)</td>
<td>(1,692,051)</td>
</tr>
<tr>
<td>purchase, construction, modernization, reconstruction and preparation for use of non-current assets, including:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>purchase of exploration assets</td>
<td>(1,332,552)</td>
<td>(1,247,189)</td>
</tr>
<tr>
<td>purchase of other entities’ shares (equity interests)</td>
<td>(62,485)</td>
<td>(43,198)</td>
</tr>
<tr>
<td>purchase of debt securities (assignment of cash from third parties), loans issued</td>
<td>(32,729)</td>
<td>(65,399)</td>
</tr>
<tr>
<td>other payments, including:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>indirect taxes</td>
<td>(230,368)</td>
<td>(104,305)</td>
</tr>
<tr>
<td><strong>Net cash used for investing activities</strong></td>
<td>(1,503,020)</td>
<td>(1,329,464)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total cash received, including:</td>
<td>648,772</td>
<td>614,277</td>
</tr>
<tr>
<td>loans and borrowings, issue of bonds, promissory notes and other debt securities</td>
<td>648,245</td>
<td>614,061</td>
</tr>
<tr>
<td>other receipts</td>
<td>527</td>
<td>216</td>
</tr>
<tr>
<td>Total cash paid, including:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>dividends and other distributions to owners (participants)</td>
<td>(1,076,921)</td>
<td>(747,721)</td>
</tr>
<tr>
<td>redemption (buyback) of promissory notes and other debt securities, loan repayment</td>
<td>(217,748)</td>
<td>(204,183)</td>
</tr>
<tr>
<td>payments to owners (participants) in connection with the redemption of their shares</td>
<td>(797,011)</td>
<td>(531,128)</td>
</tr>
<tr>
<td>other payments</td>
<td>(132,060)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash used for financing activities</strong></td>
<td>(428,149)</td>
<td>(133,444)</td>
</tr>
<tr>
<td><strong>Net cash for the reporting period</strong></td>
<td>(348,076)</td>
<td>225,463</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the beginning of the reporting period</strong></td>
<td>1,366,193</td>
<td>1,048,292</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the reporting period</strong></td>
<td>890,871</td>
<td>1,366,193</td>
</tr>
<tr>
<td><strong>Impact of changes in exchange rates</strong></td>
<td>(127,246)</td>
<td>92,438</td>
</tr>
</tbody>
</table>

A.B. Miller  
Chairman of the Management Committee

E.A. Vasilev  
Chief Accountant

27 April 2017
1. GENERAL INFORMATION

Public Joint Stock Company Gazprom (PJSC Gazprom) and its subsidiaries (the “Group” or “Gazprom 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 the 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 include production of other goods, works and services.

On average, the Group employed 451,617 and 445,470 people in 2016 and 2015, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Accounting principles

The consolidated accounting reports of the Group have been prepared in accordance with the accounting rules effective in the Russian Federation, in particular, the Federal Law On Accounting dated 6 December 2011 No. 402-FZ and the Regulation on Accounting and Reporting in the Russian Federation adopted by the Order of the Ministry of Finance of the Russian Federation dated 29 July 1998 No. 34n, other statutory accounting and reporting regulatory acts included in accounting and reporting regulatory system of organizations in the Russian Federation and the Methodology guidelines on preparing consolidated accounting reports, approved by PJSC Gazprom (the “Methodology guidelines”). The Methodology guidelines include principles and methods, comprised in the invalidated Methodology recommendations, approved by the Order of the Ministry of Finance of the Russian Federation dated December 30, 1996 No. 112, and are coherently applied by the Group to consolidated accounting report.

Assets and liabilities are accounted for at actual purchase costs, except for fixed assets that are revalued on a regular basis, investments for which fair value is determinable, estimated liabilities carried based on current valuation of the amount that will result in decrease of economic benefits and other assets against which impairment provisions have been formed in accordance with the applicable accounting rules and regulations.

Basis of consolidation

In accordance with the Methodology guidelines the consolidated balance sheet, consolidated statement of financial results, consolidated statement of changes in shareholder’s equity, consolidated statement of cash flows and the Notes to the consolidated accounting reports (together, the “consolidated accounting reports”) comprise a consolidation of the statutory accounting reports of PJSC Gazprom and its principal subsidiaries and associates.

Accounting policy for the year 2016 of PJSC Gazprom and its subsidiaries is approved by Order No. 824 dated 31 December 2015.

All significant investments in subsidiaries which exercise a significant influence on the financial position and financial results of the Group have been included in the consolidated accounting reports. Investments in companies with 50 % interest and more owned by the Group and in case the Group does not exercise control over these companies are accounted for as investments in associates in the consolidated balance sheet.

Consolidated accounting reports include investments in associates, acquisition price and financial results of which are stated on the equity basis in these consolidated accounting reports.

Assets and liabilities denominated in foreign currency

Business transactions denominated in foreign currencies have been recorded using the official Ruble exchange rate determined by Central Bank of the Russian Federation as of the date of the relevant transaction. Cash on currency and deposit accounts, cash on hand, securities (except for shares) and settlement balances, including loans issued and raised (except for advances received and issued, prepayments and down payments)
2. **SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)**

denominated in foreign currency were recorded using the official Ruble exchange rate as at reporting date.

In 2016 there was a rise of the official exchange rates of Russian Ruble (“RUB”) to US dollar (“USD”) and euro (“EUR”). As at 31 December 2016 the rates of exchange were: RUB 60.6569 to USD 1 (as at 31 December 2015 – RUB 72.8827; 31 December 2014 – RUB 56.2584) and RUB 63.8111 to EUR 1 (as at 31 December 2015 – RUB 79.6972; 31 December 2014 – RUB 68.3427).

Exchange differences resulting from transactions with assets and liabilities denominated in foreign currency during the year, and from their recalculation as of the reporting date, are included in the consolidated statement of financial results as other income and expenses.

Exchange differences arising from the translation of the assets and liabilities of foreign subsidiaries and associates are included into additional capital. Statements of financial results of foreign entities are translated at average exchange rate of relevant foreign currency for the relevant quarter.

**Current and non-current assets and liabilities**

In the consolidated balance sheet accounts receivable and accounts payable, including loans and borrowings, are treated as current if the term of their circulation (maturity) does not exceed 12 months after the reporting date or is not specified. All other assets and liabilities are treated as non-current.

Investments are classified as current or non-current based on the estimated period of use (circulation, possession or maturity) after the reporting date.

**Goodwill of subsidiaries**

In the consolidated accounting reports goodwill arising on the acquisition of subsidiary undertakings represents the positive difference between the historic cost of acquired investments in subsidiaries and the nominal value of their shares at the date of acquisition. Goodwill is amortized on a straight-line basis over 20 years starting from the month following the month of acquisition. Amortization charge of goodwill for the period is represented within other expenses in the consolidated statement of financial results.

**Results of research and development**

The line “Results of research and development” of the consolidated balance sheet includes expenses on completed research and development projects (“R&D”) with delivered results, which are not subject to legal protection under the applicable legislation or subject to legal protection but not properly documented, used for production or management needs of the Group. These expenses are written off on a straight-line basis to costs of production (goods, works and services) during the year from the time they were actually incurred. This line also includes expenses on R&D in progress recognised within investments into non-current assets.

**Intangible and tangible exploration assets**

Exploration costs accounted within tangible exploration assets include:

- expenditure on drilling and infrastructure development of prospecting, exploration and advance development wells (drilled at the exploration stage before the commercial practicability of minerals extraction is proved) broken down by fields (areas);
- acquisition and set-up costs of property, constructions, plant, equipment, vehicles used for prospecting, valuation of minerals fields and minerals exploration.

Tangible exploration assets include wells, property, plant, equipment, constructions, sets, vehicles, metalwork, special gear and tools.

Exploration costs accounted within intangible exploration assets include expenditure on acquisition of the rights to use subsurface resources.

Intangible exploration assets include geological exploration and mining licences; a standalone delivery (report) that summarizes results of performed surveys.

Minerals prospecting and exploration licences are amortized on a straight-line basis during the period of the validity of the licenses.

Combined licences with rights on minerals prospecting, exploration and extraction are not amortised till the commercial practicability of minerals extraction is proved.

Tangible exploration assets (machinery and equipment, installations, facilities, vehicles) are depreciated on a straight-line basis during the whole period of their useful lives. Depreciation charges are attributed to cost of geological exploration of an associated field. The Group determines useful lifes of exploration assets similarly to
determination of fixed assets useful lifes.

In case the commercial practicability of minerals extraction in a particular area of the filed is proved the exploration assets are tested for impairment and transferred to fixed assets, intangible assets or other non-current assets, which are intended for mining and extraction of minerals.

The Group tests exploration assets for impairment as of 31 December of the reporting year and in case the commercial practicability of minerals extraction in a particular area of a field is proved.

**Fixed assets**

Fixed assets include assets which conform to the requirements of the Russian accounting rule “Accounting for Fixed Assets” (RAR 6/01) approved by Order of the Russian Ministry of Finance dated 30 March 2001, No. 26n, accounted for in accordance with the established procedure.

Completed fixed assets, which have been put into operation but documents for the state registration of title for which have not been submitted to the State Register are accounted separately within fixed assets.

In the consolidated accounting reports fixed assets are recorded at replacement cost net of depreciation accumulated for the period of their use.

As of 31 December 2016 the Group revalued land, property, plant and equipment, inventory and other fixed assets at current replacement cost, defined by an independent appraiser. The result of the revaluation is reflected in the consolidated balance sheet as of 31 December 2016.

Certain assets of the certain entities of the Group (including PJSC Gazprom neft and its subsidiaries, PJCS WGC-2, OJSC TGС-1) are reported at historical cost net of depreciation accumulated for the period of their use. The management of PJSC Gazprom does not believe that this has a material impact on the consolidated accounting reports.

Fixed assets recorded on the subsidiaries’ balance sheets include state social assets. The Group’s companies received these assets without title transfer, in the course of restructuring of the unified gas supply system and assets of the state gas concern Gazprom. These assets were accounted for in accordance with the procedures effective at that period by creating the fund of social assets in the amount equal to their net book value. When the subsidiaries were restructured to the subsidiary undertakings of the Group these assets jointly with the fund of social assets were transferred to the Group’s companies. When these assets are transferred to the municipal authorities (or disposed otherwise) their net book value is charged to the above mentioned fund recorded in line “Social government fund” of the consolidated balance sheet. Although this practice represents a deviation from the established procedure, Management of PJSC Gazprom believes that it ensures fair presentation of the Group’s property relations as the assets are used according to their functional purposes and the Group is held liable for their maintenance and safety.

Fixed assets accounted before 1 January 2002 are depreciated based on uniform depreciation rates approved by Decree of the USSR Council of Ministers dated 22 October 1990, No. 1072 “On Uniform Depreciation Rates of Fixed Assets of the USSR National Economy”. Fixed assets acquired after 1 January 2002 are depreciated at rates based on estimated useful lives of these assets. Classification of fixed assets by depreciation groups approved by Government Resolution of the Russian Federation No.1 dated 1 January 2002, is used as one of the sources of information about useful lives of fixed assets. The Group has adopted the following useful lives for fixed asset groups:

<table>
<thead>
<tr>
<th>Useful lives of assets recorded on the balance sheet (number of years)</th>
<th>before 1 January 2002</th>
<th>after 1 January 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trunk pipelines</td>
<td>33</td>
<td>25</td>
</tr>
<tr>
<td>Wells</td>
<td>12 – 15</td>
<td>7 – 25</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>10 – 18</td>
<td>3 – 22</td>
</tr>
<tr>
<td>Buildings and roads</td>
<td>8 – 100</td>
<td>7 – 50</td>
</tr>
<tr>
<td>Social assets</td>
<td>5 – 50</td>
<td>5 – 50</td>
</tr>
</tbody>
</table>

All fixed assets are depreciated on a straight-line basis.
2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

The following assets are not depreciated:

- land;
- suspended assets (above 3 months);
- state social assets;
- fully depreciated assets that are still on the balance sheet;
- housing assets commissioned prior to 1 January 2006, public amenities and other similar assets. (such assets acquired after 1 January 2006 are depreciated in accordance with the general procedure).

*Investments in non-current assets*

Investments in non-current assets include projects under construction which are not put into operation, equipment requiring assembly and other investments in non-current assets not accounted within fixed and intangible assets. Equipment requiring assembly which is in storage and which is meant for projects under construction is accounted within construction in progress separately.

Depending on how these assets will be accounted for after the investments into non-current assets are completed the items stated above are represented in lines “Intangible assets”, “Results of research and development”, “Intangible exploration assets”, “Tangible exploration assets”, or “Construction in progress”.

*Financial investments*

Investments recorded at their historical cost (actual acquisition costs) except for investments for which market value is determinable and investments for which impairment allowance is created.

Investments for which market value is determinable are restated to their market value as of the end of the reporting year. The change in the investment value at the reporting date and the date of previous valuation is recorded in other income and expenses.

Investments for which market value is non-determinable and there are indications as of the reporting date that the decline in their value is significant and constant are recorded on the consolidated balance sheet as of the end of the reporting year at their carrying (book) value net of impairment allowance. The investment impairment allowance is determined annually based on the stock taking results as of 31 December. While determining the allowance, the Group calculated the estimated value of investments, showing significant steady decline, based on available information and created the investment impairment allowance in the amount by which the carrying value of investments exceeded their estimated value. Changes in allowance introduced based on stock-taking results as of 31 December are posted to other expenses and income.

Securities which do not have market value (except for those individually identifiable, including promissory notes and certificates of deposit) are recorded by types in the statutory accounting reports upon disposal under the first in, first out (FIFO) method. Other investments (including individually identifiable securities such as promissory notes and certificates of deposit) for which the market value is not determinable are recorded upon disposal at the historical cost of each unit.

Income and expenses related to investments are included within other income and expenses.

*Inventories and costs*

Raw materials are recognized at their actual cost of purchase or production. Dispatch into production or other disposals of inventories are recorded using the average cost method.

Oil and gas produced and purchased but unsold and retained in storages and pipelines as of the end of the reporting period are reported in line “Finished goods and goods for resale” of the consolidated balance sheet. Disposals of finished goods and goods for resale are recorded using the average cost method.

Transportation costs related to the transportation of natural gas on the territory of Russia and abroad are allocated between volumes of gas sold and gas in pipelines and storage as of the end of the reporting period. Transit costs for gas, oil and refined products are shown as Cost of sales of the consolidated statement of financial results.

Impairment allowance is created for raw materials and other inventories used in production, works and services, if current market value of those goods, works and services is less than their actual cost as of reporting date.

Work in progress is carried at actual cost of production less general administrative expenses.

Finished goods are carried at the simplified actual cost of production less general administrative expenses.
2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Accounts receivable

Trade receivables are recorded based on prices contracted between the Group and buyers (customers) taking account of all discounts (markups) provided by the Group. Bad debts are written off when recognized as such.

Doubtful accounts receivable with high probability of nonredemption are represented net of bad debt allowance. Bad debt allowance is recorded within other expenses in the consolidated statement of financial results. Corresponding amount of allowance is recorded in other income (recognized as bad debt) upon repayment of doubtful receivables.

Cash equivalents and representation of cash flows in the consolidated statement of cash flow

Cash equivalents include most liquid financial investments, which are easily convertible into a known amount of cash and are not subject to risk of change in price.

The Group classifies short-term bank deposits with maturity up to 3 months as cash equivalents and represents them in the line “Cash and cash equivalents” in the consolidated balance sheet.

Cash flows of the Group which are not clearly identified as cash flows from operating, investment or financial activities are represented within operating activities in the consolidated statement of cash flow. Such cash flows include tax payments and reimbursement of indirect tax from the state budget.

For cash flow statement purposes cash flows denominated in foreign currency are recalculated using the official Ruble exchange rate set by the Central bank of the Russian Federation as at the date of transaction.

Forex effect, arising from recalculation of cash flows and closing balances of cash and cash equivalents denominated in foreign currency using exchange rates as at date of transaction and reporting date, is included into the line “Impact of changes in Exchange rates” in the consolidated statement of cash flows.

In the consolidated statements of cash flows the following cash flows are netted:

- cash outflow and cash inflow arising from foreign exchange operations;
- settlements with commissioner or agent in relation to rendering services (except for commission itself);
- cash flows with high turnover, large amounts and short pay-back period;
- indirect taxes within receipts from customers and buyers and payments made to suppliers and contractors;
- other settlements that relate rather to the activity of counterparties than to the activity of the Group itself.

Loans and borrowings received

Interest on credits and loans received and additional costs attributable to the receipt of credits and loans are included in other expenses in the reporting period, in which they are incurred.

PJSC Gazprom is the Group's main credit raiser. The majority of the finance acquired are general purpose loans and borrowings. Due to investment process specifics and following the principle of rational accounting the Group does not calculate any interest for inclusion in the cost of investment assets on such loans and borrowings, which are not directly attributable to investing activities.

The Group accounts for loans or credits payable in the amounts actually received.

Provisions and contingent liabilities

The Group recognises the following provisions in accounting:

- bonus payments at the year end;
- vacations;
- retirement benefits payable as a lump sum;
- fixed assets liquidation and environmental restoration in the context of subsurface use;
- other provisions.

The amount of provisions for bonus payments at the year end is defined based on the stock-taking results and adopted procedure for accrual of bonus payments at the year end.
2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

The amount of provisions for vacations is defined based on the quantity of days of annual and excess leave earned but not used by employees during the whole period of employment as at reporting date and the average daily salary. It is revised at reporting date.

Provisions for retirement benefits payable as a lump sum are accrued at the date when an employee becomes of pensionable age and are written off 6 months after this date.

The Group recognised provisions for gas price adjustment arising from the claims of foreign customers based on the contracts terms. The effect of gas price adjustment including corresponding impacts on profit tax are recorded when they become probable and a reliable estimate of the amounts can be made.

Provisions are attributed to general expenses and to other expenses in the consolidated statement of financial results.

Provisions for fixed assets liquidation and environmental restoration in the context of subsurface use are recognized within fixed assets value. Increase or decrease of the amount of contingent liability due to change of its value is attributed to other income and other expenses.

Provisions are represented in the line “Estimated liabilities” in the consolidated balance sheet.

Deferred taxes

For the purposes of consolidated accounting reports the Group recognizes non-temporary tax assets and non-temporary tax liabilities, deferred tax assets and deferred tax liabilities, i.e. amounts that can affect current profit tax expenses in the current or future reporting periods.

Information about non-temporary and temporary differences is based on the supporting documents. Current profit tax is determined based on theoretical expense (theoretical income) related to profit tax, non-temporary tax assets and liabilities, deferred tax assets and liabilities for accounting purposes. The amount corresponds to current tax according to profit tax return. On the consolidated balance sheet deferred tax assets and deferred tax liabilities are recorded within non-current assets or non-current liabilities on a gross-up basis.

Revenue and other income recognition

Revenues from sales of goods and services rendering are recognized at the moment when goods are shipped (or services rendered) and corresponding settlement documents are submitted to customers. In the consolidated accounting reports revenues are presented net of value added tax, customs duties and other similar mandatory payments.

Other income primarily include transactions related to the sale of foreign currency, positive exchange differences arising from foreign currency transactions, income from trading operations without actual delivery.

Expenses recognition

General expenses are those related to production, rendering of work and services, sales of goods.

Administrative expenses are general business expenses which are monthly written off to Cost of sales of the reporting period in full amount.

Other expenses primarily include expenses related to the sale and purchase of foreign currency, negative exchange differences arising from foreign currency transactions, expenses associated with trading operations without actual delivery.

In the consolidated statement of financial results other expenses are represented netted in relation to relevant income, if this is directly prescribed or is not prohibited by the accounting regulation and if expenses and related income resulted from the same or similar economic event are not material for financial characteristics of the entity of the Group.

3. CHANGES IN THE ACCOUNTING POLICIES AND COMPARATIVE INFORMATION FOR THE PREVIOUS REPORTING PERIODS

Changes in the 2016 accounting policies

There were no significant changes in the 2016 accounting policies.

Changes in the 2017 accounting policies

There were no significant changes in the 2017 accounting policies.
3. CHANGES IN THE ACCOUNTING POLICIES AND COMPARATIVE INFORMATION FOR THE PREVIOUS REPORTING PERIODS (continued)

Changes in the comparative periods

Adjustments to the amounts as of 31 December 2015 in the consolidated balance sheet as of 31 December 2016

Columns “As of 31 December 2015” of the consolidated balance sheet as of 31 December 2016 were formed by the way of adjusting closing balances of the consolidated balance sheet as of 31 December 2015 due to the update was made to the classification of assets in accordance with the Methodology of planning and accounting for costs of natural resources development. As a result assets have been transferred intangible exploration assets (the line “Intangible exploration assets”) to tangible exploration assets (the line “Tangible exploration assets”).

<table>
<thead>
<tr>
<th>Line</th>
<th>Amount before adjustment</th>
<th>Adjustment</th>
<th>Amount after adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. NON-CURRENT ASSETS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible exploration assets</td>
<td>178,117</td>
<td>(16,266)</td>
<td>161,851</td>
</tr>
<tr>
<td>Tangible exploration assets</td>
<td>71,937</td>
<td>16,266</td>
<td>88,203</td>
</tr>
<tr>
<td>TOTAL Section I</td>
<td>13,907,593</td>
<td>-</td>
<td>13,907,593</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>18,281,048</td>
<td>-</td>
<td>18,281,048</td>
</tr>
</tbody>
</table>

4. SEGMENT INFORMATION

The Group operates as a vertically integrated business with substantially all external gas sales generated by the Distribution of gas 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;
- Transportation – transportation of gas;
- Distribution of gas – sales of gas within the 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 “Other” column.

The inter-segment sales mainly consist of:

- Production of gas – sales of gas to the Distribution of gas and Refining segments;
- Transportation – rendering transportation services to the Distribution of gas segment;
- Distribution of gas – sales of gas to the Transportation 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 of gas 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. Prices are determined based on principle “cost plus normal profit”.
4. SEGMENT INFORMATION (continued)

The Governing bodies assess the performance, assets and liabilities of the operating segments based on the internal financial reporting. Segment revenues of the Group are generated from transactions with customers. Profit tax expense and other similar mandatory payments, interest income and expense, income from investments in other companies are not included in the segment profit (loss). Other income and expenses are not allocated by segments because it is deemed impracticable and as the required allocation base is not available.

<table>
<thead>
<tr>
<th></th>
<th>Production of gas</th>
<th>Transportation</th>
<th>Distribution of gas</th>
<th>Gas storage</th>
<th>Production of crude oil and gas condensate</th>
<th>Refining</th>
<th>Electric and heat energy generation and sales</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For 2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total segment revenues</td>
<td>745,972</td>
<td>1,025,243</td>
<td>3,510,236</td>
<td>53,270</td>
<td>1,012,352</td>
<td>1,512,747</td>
<td>481,945</td>
<td>345,136</td>
<td>8,686,901</td>
</tr>
<tr>
<td>Inter-segment sales</td>
<td>723,169</td>
<td>850,550</td>
<td>251,699</td>
<td>48,275</td>
<td>514,072</td>
<td>8,896</td>
<td>-</td>
<td>-</td>
<td>2,396,661</td>
</tr>
<tr>
<td>External sales</td>
<td>22,803</td>
<td>174,693</td>
<td>3,258,537</td>
<td>4,995</td>
<td>498,280</td>
<td>1,503,851</td>
<td>481,945</td>
<td>345,136</td>
<td>6,290,240</td>
</tr>
<tr>
<td><strong>Segment result</strong></td>
<td>65,255</td>
<td>26,693</td>
<td>356,339</td>
<td>6,570</td>
<td>129,096</td>
<td>65,151</td>
<td>53,805</td>
<td>26,121</td>
<td>729,030</td>
</tr>
<tr>
<td>Depreciation</td>
<td>167,922</td>
<td>458,167</td>
<td>19,763</td>
<td>24,950</td>
<td>129,818</td>
<td>48,308</td>
<td>49,699</td>
<td>28,757</td>
<td>927,384</td>
</tr>
<tr>
<td>Capitalized profit / (loss) of associates</td>
<td>8,157</td>
<td>26,335</td>
<td>4,645</td>
<td>(3,159)</td>
<td>51,912</td>
<td>5,888</td>
<td>34</td>
<td>13,709</td>
<td>107,521</td>
</tr>
</tbody>
</table>

|                          |                   |                |                     |             |                                         |          |                                             |       |         |
| **For 2015**             |                   |                |                     |             |                                         |          |                                             |       |         |
| Total segment revenues   | 707,284           | 1,018,422      | 3,656,202           | 47,144      | 873,713                                  | 1,565,443| 425,367                                     | 286,631| 8,580,206|
| Inter-segment sales      | 689,260           | 864,984        | 226,950             | 44,487      | 521,699                                  | 10,311   | -                                           | -     | 2,357,691|
| External sales           | 18,024            | 153,438        | 3,429,252           | 2,657       | 352,014                                  | 1,555,132| 425,367                                     | 286,631| 6,222,515|
| **Segment result**       | 51,206            | 18,749         | 935,253             | 4,803       | 48,729                                   | 144,552  | 36,065                                      | 4,067 | 1,243,424|
| Depreciation             | 167,722           | 446,662        | 12,718              | 22,730      | 116,636                                  | 43,885   | 49,663                                      | 25,613| 885,629 |
| Capitalized profit / (loss) of associates | 5,151            | 22,927         | 17,673              | (1,664)     | 100,793                                  | 3,979    | 13                                          | (12,877)| 135,995  |

A reconciliation of total operating segment results to total profit before profit tax in the consolidated statement of financial results is provided as follows:

**Note**

<table>
<thead>
<tr>
<th></th>
<th>For 2016</th>
<th>For 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment result</td>
<td>729,030</td>
<td>1,243,424</td>
</tr>
<tr>
<td>Income from investments in other companies</td>
<td>17,055</td>
<td>10,495</td>
</tr>
<tr>
<td>Interest income</td>
<td>96,332</td>
<td>116,025</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(164,391)</td>
<td>(149,545)</td>
</tr>
<tr>
<td>Other income</td>
<td>9,048,657</td>
<td>8,904,212</td>
</tr>
<tr>
<td>Difference in depreciation</td>
<td>(8,906,209)</td>
<td>(9,872,274)</td>
</tr>
<tr>
<td>Capitalized profit of associates</td>
<td>(5,050)</td>
<td>(5,437)</td>
</tr>
<tr>
<td><strong>Profit before profit tax</strong></td>
<td><strong>922,945</strong></td>
<td><strong>382,895</strong></td>
</tr>
</tbody>
</table>

Segment assets include primarily tangible and intangible exploration assets, fixed assets, construction in progress, inventory, work in progress, accounts receivable and other non-current assets. Investments into unconsolidated subsidiaries, associates, equity investments and joint activity are allocated to the reporting segments on the basis of primary activity of these entities. Goodwill, deferred tax assets, value added tax, cash and cash equivalents, other financial investments, as well as loans issues to other entities are not included in segment assets as they are not directly related to the reporting segments and the required allocation base is not available.

Inter-segment operations represent the balance of intercompany transactions.
4. SEGMENT INFORMATION (continued)

Segment capital expenditures include capital investments in fixed assets of the corresponding periods.

<table>
<thead>
<tr>
<th>Segment</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Production of gas</td>
<td>Transportation</td>
<td>Distribution of gas</td>
</tr>
<tr>
<td>Segment assets</td>
<td>2,748,163</td>
<td>6,689,478</td>
<td>1,534,193</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>28,007</td>
<td>171,969</td>
<td>36,625</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>192,763</td>
<td>406,828</td>
<td>41,785</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Segment</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Production of gas</td>
<td>Transportation</td>
<td>Distribution of gas</td>
</tr>
<tr>
<td>Segment assets</td>
<td>2,525,390</td>
<td>6,182,739</td>
<td>1,665,732</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>19,433</td>
<td>184,812</td>
<td>49,842</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>198,246</td>
<td>420,874</td>
<td>25,962</td>
</tr>
</tbody>
</table>

Reportable segments’ assets are reconciled to total assets in the consolidated balance sheet as follows:

<table>
<thead>
<tr>
<th>Note</th>
<th>As of 31 December 2016</th>
<th>As of 31 December 2015</th>
<th>As of 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment assets for reportable segments</td>
<td>15,299,237</td>
<td>14,622,929</td>
<td>13,882,432</td>
</tr>
<tr>
<td>Other segments’ assets</td>
<td>1,145,339</td>
<td>1,060,235</td>
<td>854,283</td>
</tr>
<tr>
<td><strong>Total segment assets</strong></td>
<td><strong>16,444,576</strong></td>
<td><strong>15,683,164</strong></td>
<td><strong>14,736,715</strong></td>
</tr>
</tbody>
</table>

5 Goodwill | 752,525 | 817,501 | 856,397 |
| Loans issued to companies beyond 12 months | 129,273 | 149,053 | 187,743 |
| Other long-term financial investments | 80,883 | 38,054 | 30,261 |
| Deferred tax assets | 178,144 | 173,178 | 96,841 |
| Value added tax on purchased goods | 194,084 | 228,510 | 291,598 |
| Loans issued to companies due within 12 months | 142,393 | 91,411 | 120,465 |
| Other short-term financial investments | 156,400 | 142,335 | 155,589 |
| Cash and cash equivalents | 890,878 | 1,366,200 | 1,048,298 |
| Decommissioning costs | 85,527 | 69,758 | 70,587 |
| Inter-segment assets | (599,130) | (601,847) | (760,190) |
| Other | 185,088 | 123,731 | 70,888 |
| **Total assets per the balance sheet** | **18,640,641** | **18,281,048** | **16,905,192** |

Segment liabilities include primarily short-term liabilities except for profit tax and other taxes payable to the budget for which there is no basis for allocation and loans and borrowings received to finance the Group operations.

<table>
<thead>
<tr>
<th>Segment</th>
<th>As of 31 December 2016</th>
<th>As of 31 December 2015</th>
<th>As of 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Production of gas</td>
<td>Transportation</td>
<td>Distribution of gas</td>
</tr>
<tr>
<td>Segment liabilities</td>
<td>170,393</td>
<td>363,366</td>
<td>600,593</td>
</tr>
<tr>
<td>Segment liabilities</td>
<td>179,935</td>
<td>311,879</td>
<td>689,847</td>
</tr>
<tr>
<td>Segment liabilities</td>
<td>146,755</td>
<td>351,338</td>
<td>663,454</td>
</tr>
</tbody>
</table>
4. SEGMENT INFORMATION (continued)

Reportable segments’ liabilities are reconciled to total liabilities in the consolidated balance sheet as follows:

<table>
<thead>
<tr>
<th>Note</th>
<th>As of 31 December 2016</th>
<th>As of 31 December 2015</th>
<th>As of 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Segment liabilities for reportable segments</td>
<td>1,647,284</td>
<td>1,628,777</td>
</tr>
<tr>
<td></td>
<td>Other segments’ liabilities</td>
<td>145,019</td>
<td>218,560</td>
</tr>
<tr>
<td></td>
<td><strong>Total segments liabilities</strong></td>
<td><strong>1,792,303</strong></td>
<td><strong>1,847,337</strong></td>
</tr>
<tr>
<td>15</td>
<td>Long-term loans and borrowings</td>
<td>2,392,696</td>
<td>2,806,160</td>
</tr>
<tr>
<td></td>
<td>Deferred tax liabilities</td>
<td>539,221</td>
<td>500,839</td>
</tr>
<tr>
<td></td>
<td>Short-term loans and borrowings and current portion of long-term loans and borrowings</td>
<td>446,859</td>
<td>645,553</td>
</tr>
<tr>
<td></td>
<td>Dividends payable</td>
<td>3,028</td>
<td>4,969</td>
</tr>
<tr>
<td></td>
<td>Income of future periods</td>
<td>3,592</td>
<td>2,041</td>
</tr>
<tr>
<td></td>
<td>Contingent liabilities regarding fixed assets liquidation and environmental restoration in the context of subsurface use</td>
<td>143,072</td>
<td>139,250</td>
</tr>
<tr>
<td></td>
<td>Inter-segment liabilities</td>
<td>(599,130)</td>
<td>(601,847)</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>221,260</td>
<td>157,596</td>
</tr>
<tr>
<td></td>
<td><strong>Total liabilities per the balance sheet</strong></td>
<td><strong>4,942,901</strong></td>
<td><strong>5,501,898</strong></td>
</tr>
</tbody>
</table>

Information on sales by geographical segments is presented in Note 17. Information on assets by geographical segments is not disclosed as assets of the Group are mainly located on the territory of the Russian Federation.

Cash flows from operating, investing and financial activities for reporting segments are represented in the table below:

<table>
<thead>
<tr>
<th>For 2016</th>
<th>Production of gas</th>
<th>Transportation</th>
<th>Distribution of gas</th>
<th>Gas storage</th>
<th>Production of crude oil and gas condensate</th>
<th>Refining</th>
<th>Electric and heat energy generation and sales</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>34,057</td>
<td>178,012</td>
<td>3,606,667</td>
<td>3,479</td>
<td>528,605</td>
<td>1,562,959</td>
<td>458,576</td>
<td>241,312</td>
<td>6,613,667</td>
</tr>
<tr>
<td>Total cash received</td>
<td>34,057</td>
<td>178,012</td>
<td>3,606,667</td>
<td>3,479</td>
<td>528,605</td>
<td>1,562,959</td>
<td>458,576</td>
<td>241,312</td>
<td>6,613,667</td>
</tr>
<tr>
<td>Unallocated cash flows</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total cash paid</td>
<td>(575,178)</td>
<td>(634,441)</td>
<td>(1,592,367)</td>
<td>(15,970)</td>
<td>(740,884)</td>
<td>(1,001,762)</td>
<td>(311,227)</td>
<td>(170,631)</td>
<td>(5,042,460)</td>
</tr>
<tr>
<td>Unallocated cash flows</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Cash flows from investing activities

| Total cash received | 1,651 | 21 | 2,030 | - | 1,017 | 773 | 3,679 | 10,153 | 19,324 |
| Unallocated cash flows | - | - | - | - | - | - | - | - | - |
| Unallocated cash flows | - | - | - | - | - | - | - | - | - |

Cash flows from financial activities

| Total cash received | - | - | - | - | 4 | 19 | - | 504 | 527 |
| Unallocated cash flows | - | - | - | - | - | - | - | - | - |
| Total cash paid | (346) | (718) | (125) | - | (22) | (902) | (40) | (671) | (2,824) |
| Unallocated cash flows | - | - | - | - | - | - | - | - | (1,074,097) |
4. SEGMENT INFORMATION (continued)

<table>
<thead>
<tr>
<th>Production of gas</th>
<th>Transportation</th>
<th>Distribution of gas</th>
<th>Gas storage</th>
<th>Production of crude oil and gas condensate</th>
<th>Refining</th>
<th>Electric and heat energy generation and sales</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>For 2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total cash received</td>
<td>21,576</td>
<td>155,721</td>
<td>3,914,522</td>
<td>2,650</td>
<td>416,177</td>
<td>1,634,805</td>
<td>410,382</td>
<td>220,861</td>
</tr>
<tr>
<td>Unallocated cash flows</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total cash paid</td>
<td>(563,100)</td>
<td>(589,297)</td>
<td>(1,626,281)</td>
<td>(18,144)</td>
<td>(861,761)</td>
<td>(868,527)</td>
<td>(289,984)</td>
<td>(195,778)</td>
</tr>
<tr>
<td>Unallocated cash flows</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total cash received</td>
<td>2,105</td>
<td>-</td>
<td>23,264</td>
<td>-</td>
<td>125</td>
<td>1,143</td>
<td>1,988</td>
<td>10,052</td>
</tr>
<tr>
<td>Unallocated cash flows</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unallocated cash flows</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash flows from financial activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total cash received</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unallocated cash flows</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total cash paid</td>
<td>(2,046)</td>
<td>(5,356)</td>
<td>(317)</td>
<td>(97)</td>
<td>(219)</td>
<td>(1,600)</td>
<td>(121)</td>
<td>(833)</td>
</tr>
<tr>
<td>Unallocated cash flows</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

5. GOODWILL ON SUBSIDIARIES

<table>
<thead>
<tr>
<th>Note</th>
<th>Gross book value</th>
<th>Accumulated amortization</th>
<th>Net book value</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of 31 December 2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PJSC Gazprom nefte</td>
<td>539,720</td>
<td>(250,909)</td>
<td>288,811</td>
</tr>
<tr>
<td>OJSC Gazprom transgaz Belarus</td>
<td>146,316</td>
<td>(29,264)</td>
<td>117,052</td>
</tr>
<tr>
<td>JSC Gazpromneft – MNPZ</td>
<td>113,046</td>
<td>(34,109)</td>
<td>78,937</td>
</tr>
<tr>
<td>PJSC WGC-2</td>
<td>87,263</td>
<td>(32,893)</td>
<td>54,370</td>
</tr>
<tr>
<td>LLC Gazprom neftekhim Salavat</td>
<td>70,882</td>
<td>(12,407)</td>
<td>58,475</td>
</tr>
<tr>
<td>PJSC MIPC</td>
<td>70,014</td>
<td>(7,874)</td>
<td>62,140</td>
</tr>
<tr>
<td>PJSC Mosenergo</td>
<td>46,612</td>
<td>(19,646)</td>
<td>26,966</td>
</tr>
<tr>
<td>LLC Gazprom neftekhim Salavat</td>
<td>37,302</td>
<td>(20,164)</td>
<td>17,138</td>
</tr>
<tr>
<td>PJSC TGC-1</td>
<td>35,518</td>
<td>(10,656)</td>
<td>24,862</td>
</tr>
<tr>
<td>WIBG GmbH</td>
<td>31,112</td>
<td>(389)</td>
<td>30,723</td>
</tr>
<tr>
<td>JSC Gazprom gazoraspredelenie Sever</td>
<td>23,314</td>
<td>(4,357)</td>
<td>18,957</td>
</tr>
<tr>
<td>JSC Daltransgaz</td>
<td>6,990</td>
<td>(2,326)</td>
<td>4,664</td>
</tr>
<tr>
<td>JSC Yuzhuralneftegaz</td>
<td>6,815</td>
<td>(1,392)</td>
<td>5,423</td>
</tr>
<tr>
<td>Others</td>
<td>40,752</td>
<td>(11,769)</td>
<td>28,983</td>
</tr>
<tr>
<td>Total</td>
<td>1,255,656</td>
<td>(438,155)</td>
<td>817,501</td>
</tr>
</tbody>
</table>

Additions for 2016

<table>
<thead>
<tr>
<th>Note</th>
<th>Gross book value</th>
<th>Accumulated amortization</th>
<th>Net book value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>2,063</td>
<td>:</td>
<td>2,063</td>
</tr>
<tr>
<td>Total</td>
<td>2,063</td>
<td>-</td>
<td>2,063</td>
</tr>
</tbody>
</table>

Disposals for 2016

<table>
<thead>
<tr>
<th>Note</th>
<th>Gross book value</th>
<th>Accumulated amortization</th>
<th>Net book value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>(47)</td>
<td>47</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>(47)</td>
<td>47</td>
<td>-</td>
</tr>
</tbody>
</table>

2. 19 Amortization charge for 2016

<table>
<thead>
<tr>
<th>Note</th>
<th>Gross book value</th>
</tr>
</thead>
<tbody>
<tr>
<td>PJSC Gazprom nefte</td>
<td>(26,986)</td>
</tr>
<tr>
<td>OJSC Gazprom transgaz Belarus</td>
<td>(7,316)</td>
</tr>
<tr>
<td>JSC Gazpromneft – MNPZ</td>
<td>(5,650)</td>
</tr>
<tr>
<td>PJSC WGC-2</td>
<td>(4,350)</td>
</tr>
<tr>
<td>LLC Gazprom neftekhim Salavat</td>
<td>(3,545)</td>
</tr>
<tr>
<td>PJSC MIPC</td>
<td>(3,499)</td>
</tr>
<tr>
<td>PJSC Mosenergo</td>
<td>(2,333)</td>
</tr>
<tr>
<td>LLC Gazprom neftekhim Salavat</td>
<td>(1,865)</td>
</tr>
<tr>
<td>PJSC TGC-1</td>
<td>(1,776)</td>
</tr>
</tbody>
</table>
### 5. GOODWILL ON SUBSIDIARIES (continued)

<table>
<thead>
<tr>
<th>Note</th>
<th>Gross book value</th>
<th>Accumulated amortization</th>
<th>Net book value</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WIBG GmbH</td>
<td>(1,550)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JSC Gazprom gazoraspredelenie Sever</td>
<td>(1,168)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JSC Daltransgaz</td>
<td>(350)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JSC Yuzhuralneftegaz</td>
<td>(341)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>(2,056)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>(62,785)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Translation differences for 2016**

<table>
<thead>
<tr>
<th>Note</th>
<th>Gross book value</th>
<th>Accumulated amortization</th>
<th>Net book value</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WIBG GmbH</td>
<td>(4,493)</td>
<td>275</td>
<td>(4,218)</td>
</tr>
<tr>
<td>Others</td>
<td>(36)</td>
<td>-</td>
<td>(36)</td>
</tr>
<tr>
<td>Total</td>
<td>(4,529)</td>
<td>275</td>
<td>(4,254)</td>
</tr>
</tbody>
</table>

**As of 31 December 2016**

<table>
<thead>
<tr>
<th>Note</th>
<th>Gross book value</th>
<th>Accumulated amortization</th>
<th>Net book value</th>
</tr>
</thead>
<tbody>
<tr>
<td>PJSC Gazprom neft</td>
<td>539,720</td>
<td>(277,895)</td>
<td>261,825</td>
</tr>
<tr>
<td>OJSC Gazprom transgaz Belarus</td>
<td>146,316</td>
<td>(36,580)</td>
<td>109,736</td>
</tr>
<tr>
<td>JSC Gazpromneft – MNPZ</td>
<td>113,046</td>
<td>(39,759)</td>
<td>73,287</td>
</tr>
<tr>
<td>PJSC WGC-2</td>
<td>87,263</td>
<td>(37,243)</td>
<td>50,020</td>
</tr>
<tr>
<td>LLC Gazprom neftekhim Salavat</td>
<td>70,882</td>
<td>(15,952)</td>
<td>54,930</td>
</tr>
<tr>
<td>PJSC MIPC</td>
<td>70,014</td>
<td>(11,373)</td>
<td>58,641</td>
</tr>
<tr>
<td>PJSC Mosenergo</td>
<td>46,612</td>
<td>(21,979)</td>
<td>24,633</td>
</tr>
<tr>
<td>LLC Gazprom neft shelf</td>
<td>37,302</td>
<td>(22,029)</td>
<td>15,273</td>
</tr>
<tr>
<td>PJSC TGC-1</td>
<td>35,518</td>
<td>(12,432)</td>
<td>23,086</td>
</tr>
<tr>
<td>23</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WIBG GmbH</td>
<td>26,619</td>
<td>(1,664)</td>
<td>24,955</td>
</tr>
<tr>
<td>JSC Gazprom gazoraspredelenie Sever</td>
<td>23,314</td>
<td>(5,255)</td>
<td>17,789</td>
</tr>
<tr>
<td>JSC Daltransgaz</td>
<td>6,990</td>
<td>(2,676)</td>
<td>4,314</td>
</tr>
<tr>
<td>JSC Yuzhuralneftegaz</td>
<td>6,815</td>
<td>(1,733)</td>
<td>5,082</td>
</tr>
<tr>
<td>Others</td>
<td>42,732</td>
<td>(13,778)</td>
<td>28,954</td>
</tr>
<tr>
<td>Total</td>
<td>1,253,143</td>
<td>(500,618)</td>
<td>752,525</td>
</tr>
</tbody>
</table>
### EXPLORATION ASSETS

<table>
<thead>
<tr>
<th></th>
<th>As of 31 December 2015</th>
<th>Changes for 2016</th>
<th>As of 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Additions</td>
<td>Disposals</td>
<td>Intra-group</td>
</tr>
<tr>
<td><strong>Total Intangible exploration assets,</strong></td>
<td>161,851</td>
<td>32,987</td>
<td>(22,181)</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>licences on minerals prospecting, estimation, exploration and extraction expenditure on obtaining rights on subsurface use, expenditure on geological knowledge</td>
<td>140,731</td>
<td>205</td>
<td>(18,194)</td>
</tr>
<tr>
<td><strong>Total Tangible exploration assets,</strong></td>
<td>88,203</td>
<td>24,920</td>
<td>(14,784)</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>exploration expenses classified as tangible exploration assets</td>
<td>82,523</td>
<td>20,160</td>
<td>(12,978)</td>
</tr>
</tbody>
</table>

**As of 31 December 2014**

<table>
<thead>
<tr>
<th></th>
<th>163,206</th>
<th>20,205</th>
<th>(10,030)</th>
<th>(16,266)</th>
<th>-</th>
<th>4,736</th>
<th>161,851</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Additions</td>
<td>Disposals</td>
<td>Intra-group</td>
<td>Depreciation</td>
<td>Exchange</td>
<td>differences</td>
<td></td>
</tr>
<tr>
<td>licences on minerals prospecting, estimation, exploration and extraction expenditure on obtaining rights on subsurface use, expenditure on geological knowledge</td>
<td>140,742</td>
<td>-</td>
<td>(6,193)</td>
<td>6,182</td>
<td>-</td>
<td>-</td>
<td>140,731</td>
</tr>
<tr>
<td><strong>Total Tangible exploration assets,</strong></td>
<td>91,965</td>
<td>24,063</td>
<td>(49,511)</td>
<td>16,266</td>
<td>-</td>
<td>5,420</td>
<td>88,203</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>wells</td>
<td>3,847</td>
<td>6</td>
<td>(146)</td>
<td>1,973</td>
<td>-</td>
<td>-</td>
<td>5,680</td>
</tr>
<tr>
<td>exploration expenses classified as tangible exploration assets</td>
<td>88,118</td>
<td>24,057</td>
<td>(49,365)</td>
<td>14,293</td>
<td>-</td>
<td>5,420</td>
<td>82,523</td>
</tr>
</tbody>
</table>
### FIXED ASSETS

<table>
<thead>
<tr>
<th>Note</th>
<th>Trunk pipelines</th>
<th>Wells</th>
<th>Machinery and equipment</th>
<th>Buildings and roads</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of 31 December 2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Historical (replacement) cost</td>
<td>11,497,053</td>
<td>2,247,608</td>
<td>3,626,071</td>
<td>2,073,151</td>
<td>3,032,276</td>
<td>22,476,159</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(8,000,577)</td>
<td>(1,513,542)</td>
<td>(2,434,261)</td>
<td>(770,092)</td>
<td>(1,149,354)</td>
<td>(13,867,826)</td>
</tr>
<tr>
<td>Net book value</td>
<td>3,496,476</td>
<td>734,066</td>
<td>1,191,810</td>
<td>1,303,059</td>
<td>1,882,922</td>
<td>8,608,333</td>
</tr>
</tbody>
</table>

| For 2015 | | | | | | |
| Historical (replacement) cost | | | | | | |
| Additions | 181,874 | 110,727 | 348,413 | 85,432 | 307,776 | 1,034,222 |
| Acquisition of subsidiaries | - | - | 109,269 | 6,308 | 690 | 116,267 |
| Disposals | (2,727) | (7,688) | (26,916) | (8,190) | (21,642) | (67,163) |
| Revaluation of fixed assets | 5,861 | 7,097 | 56,493 | 20,273 | 17,284 | 107,008 |
| Translation differences | 3,112 | 18,920 | 34,091 | 10,609 | 2,251 | 68,983 |
| Accumulated depreciation | (310,331) | (109,206) | (239,947) | (68,026) | (196,041) | (923,551) |
| 4 Depreciation | | | | | | |
| Acquisition of subsidiaries | - | - | (50,355) | (2,074) | (185) | (52,614) |
| Disposals | 2,594 | 6,393 | 26,916 | 3,075 | 18,451 | 57,429 |
| Revaluation of fixed assets | (3,215) | (3,318) | (31,180) | (11,396) | (11,721) | (60,830) |
| Translation differences | (1,177) | (2,967) | (12,674) | (1,580) | (411) | (18,809) |
| As of 31 December 2015 | | | | | | |
| Historical (replacement) cost | 11,685,172 | 2,376,665 | 4,147,421 | 2,187,583 | 3,338,635 | 23,735,476 |
| Accumulated depreciation | (8,312,706) | (1,622,640) | (2,741,501) | (850,093) | (1,339,262) | (14,866,202) |
| Net book value | 3,372,466 | 754,025 | 1,405,920 | 1,337,490 | 1,999,373 | 8,869,274 |

| For 2016 | | | | | | |
| Historical (replacement) cost | | | | | | |
| Additions | 113,883 | 149,920 | 300,178 | 101,265 | 338,590 | 1,003,836 |
| Disposals | (5,277) | (16,396) | (28,483) | (10,998) | (19,478) | (80,632) |
| Revaluation of fixed assets | 1,718,566 | 176,078 | 481,256 | 204,894 | 316,787 | 2,897,581 |
| Translation differences | (7,768) | (26,668) | (57,186) | (20,122) | (19,965) | (131,709) |
| Accumulated depreciation | (307,420) | (127,918) | (249,598) | (70,824) | (176,329) | (932,089) |
| 4 Depreciation | | | | | | |
| Disposals | 3,660 | 11,736 | 22,932 | 4,734 | 12,532 | 55,594 |
| Revaluation of fixed assets | (1,249,661) | (145,254) | (392,854) | (92,484) | (144,703) | (2,024,956) |
| Translation differences | 4,662 | 3,916 | 27,662 | 4,178 | 7,821 | 48,239 |
| As of 31 December 2016 | 3,643,111 | 779,439 | 1,509,827 | 1,458,133 | 2,314,628 | 9,705,138 |
| Historical (replacement) cost | 13,504,576 | 2,659,599 | 4,843,186 | 2,462,622 | 3,954,569 | 27,424,552 |
| Accumulated depreciation | (9,861,465) | (1,880,160) | (3,333,359) | (1,004,489) | (1,639,941) | (17,719,414) |
| Net book value | 3,643,111 | 779,439 | 1,509,827 | 1,458,133 | 2,314,628 | 9,705,138 |

In 2016 and 2015 the Group entities continued to transfer social assets which were obtained in the course of privatization to local authorities (see Note 2). The transferred assets which were obtained in the course of privatization amounted to RUB 16 million in 2016 (in 2015 – RUB 22 million).
8 CONSTRUCTION IN PROGRESS

<table>
<thead>
<tr>
<th></th>
<th>Construction in progress</th>
<th>Equipment for installation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of 31 December 2014</td>
<td>1,594,031</td>
<td>266,100</td>
<td>1,860,131</td>
</tr>
<tr>
<td>For 2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>1,094,608</td>
<td>168,098</td>
<td>1,262,706</td>
</tr>
<tr>
<td>Translation differences</td>
<td>30,250</td>
<td>-</td>
<td>30,250</td>
</tr>
<tr>
<td>Transfer of equipment for installation</td>
<td>150,048 (150,048)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer to Fixed assets</td>
<td>(963,826)</td>
<td>-</td>
<td>(963,826)</td>
</tr>
<tr>
<td>Other disposals (including write-off)</td>
<td>(31,283)</td>
<td>(2,396)</td>
<td>(33,679)</td>
</tr>
<tr>
<td>As of 31 December 2015</td>
<td>1,873,828</td>
<td>281,754</td>
<td>2,155,582</td>
</tr>
<tr>
<td>For 2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>1,077,874</td>
<td>128,465</td>
<td>1,206,339</td>
</tr>
<tr>
<td>Translation differences</td>
<td>(46,793)</td>
<td>(15)</td>
<td>(46,808)</td>
</tr>
<tr>
<td>Transfer of equipment for installation</td>
<td>99,480 (99,480)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer to Fixed assets</td>
<td>(987,000)</td>
<td>-</td>
<td>(987,000)</td>
</tr>
<tr>
<td>Other disposals (including write-off)</td>
<td>(54,668)</td>
<td>(1,437)</td>
<td>(56,105)</td>
</tr>
<tr>
<td>As of 31 December 2016</td>
<td>1,962,721</td>
<td>309,287</td>
<td>2,272,008</td>
</tr>
</tbody>
</table>

Construction in progress mostly consists of construction of transport infrastructure, including the implementation of projects on construction of the gas pipeline Bovanenko-Ukhta, Power of Siberia, construction of gas chemical complex (Novourengovsky GCC), development of Bovanenkovskoye field as well as construction of the oil rim Botuoba Chayandinskoye deposits of oil and gas field.

9 FINANCIAL INVESTMENTS

Long-term financial investments

Investments in subsidiaries

Investments in subsidiaries in the consolidated balance sheet are stated net of impairment allowance in the amount of RUB 11,787 million, RUB 10,270 million and RUB 9,003 million as of 31 December 2016, 2015 and 2014, respectively. The impairment allowance primarily relates to non-core investments.

Investments in associates

<table>
<thead>
<tr>
<th>Note</th>
<th>As of 31 December 2014</th>
<th>As of 31 December 2015</th>
<th>As of 31 December 2014</th>
<th>As of 31 December 2015</th>
<th>Capitalized profit / (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>21, 24</td>
<td>Sakhalin Energy Investment Company Ltd.</td>
<td>186,447</td>
<td>225,888</td>
<td>138,475</td>
<td>28,836</td>
</tr>
<tr>
<td>21</td>
<td>OJSC Tomskneft VNK and its subsidiaries</td>
<td>109,409</td>
<td>110,524</td>
<td>91,148</td>
<td>9,899</td>
</tr>
<tr>
<td>21</td>
<td>OJSC NGK Slavneft and its subsidiaries</td>
<td>96,480</td>
<td>82,565</td>
<td>73,301</td>
<td>13,915</td>
</tr>
<tr>
<td>21</td>
<td>Nord Stream AG</td>
<td>79,888</td>
<td>69,617</td>
<td>52,944</td>
<td>17,302</td>
</tr>
<tr>
<td>21</td>
<td>Gazprombank (Joint-stock Company)</td>
<td>72,209</td>
<td>61,393</td>
<td>78,157</td>
<td>10,816</td>
</tr>
<tr>
<td>21</td>
<td>LLC Yamal razvitie</td>
<td>41,281</td>
<td>41,281</td>
<td>26,358</td>
<td>-</td>
</tr>
<tr>
<td>21</td>
<td>WIGA Transport Beteiligungs-GmbH &amp; Co. KG and its subsidiaries</td>
<td>40,510</td>
<td>47,154</td>
<td>39,139</td>
<td>8,054</td>
</tr>
<tr>
<td>21</td>
<td>JSC Achimgaz</td>
<td>32,043</td>
<td>26,281</td>
<td>16,844</td>
<td>10,221</td>
</tr>
<tr>
<td>21, 24</td>
<td>SGT EuRoPol GAZ S.A.</td>
<td>26,387</td>
<td>33,410</td>
<td>27,857</td>
<td>770</td>
</tr>
<tr>
<td>21</td>
<td>Blue Stream Pipeline Company B.V.</td>
<td>24,341</td>
<td>31,732</td>
<td>25,872</td>
<td>202</td>
</tr>
<tr>
<td>21</td>
<td>KazRosGaz LLP</td>
<td>14,470</td>
<td>20,960</td>
<td>19,215</td>
<td>3,601</td>
</tr>
<tr>
<td>21</td>
<td>Wintershall AG</td>
<td>14,233</td>
<td>20,727</td>
<td>17,640</td>
<td>(2,746)</td>
</tr>
<tr>
<td>21</td>
<td>JSC Latvijas Gaze</td>
<td>13,941</td>
<td>17,738</td>
<td>15,182</td>
<td>1,064</td>
</tr>
<tr>
<td>21</td>
<td>CJSC Northgas</td>
<td>11,735</td>
<td>8,726</td>
<td>4,730</td>
<td>3,009</td>
</tr>
<tr>
<td>21</td>
<td>LLC Yuzhno-Priobsky GPZ</td>
<td>6,863</td>
<td>8,705</td>
<td>7,354</td>
<td>258</td>
</tr>
<tr>
<td>21</td>
<td>Salyam Petroleum Development N.V.</td>
<td>2,136</td>
<td>4,835</td>
<td>9,161</td>
<td>938</td>
</tr>
<tr>
<td>21</td>
<td>Gazprom Oy and its subsidiaries</td>
<td>-</td>
<td>10,253</td>
<td>6,915</td>
<td>-</td>
</tr>
<tr>
<td>21, 23</td>
<td>W &amp; G Beteiligungs-GmbH &amp; Co. KG and its subsidiaries</td>
<td>-</td>
<td>25,107</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>85,368</td>
<td>84,289</td>
<td>93,652</td>
<td>1,382</td>
<td>1,379</td>
</tr>
<tr>
<td>Total</td>
<td>857,741</td>
<td>906,078</td>
<td>769,069</td>
<td>107,521</td>
<td>135,995</td>
</tr>
</tbody>
</table>

1 In January 2016 PJSC Gazprom has sold its equity interest of 25% in Gasum Oy to the Government of Finland for EUR 251 million.
2 In September 2015 W & G Beteiligungs-GmbH & Co. KG and its subsidiaries became the Group subsidiaries (see Note 23).
3 In August 2016 W & G Beteiligungs-GmbH & Co. KG was merged with WIBG GmbH.
9. FINANCIAL INVESTMENTS (continued)

Investments in associates in the consolidated balance sheet are stated net of impairment allowance in the amount of RUB 8,982 million as of 31 December 2016, RUB 6,189 million as of 31 December 2015 and RUB 27,652 million as of 31 December 2014 (including impairment allowance for investment in Shitokman Development AG in the amount of RUB 27,378 million).

Investments in other companies

As of 31 December 2016, 2015 and 2014 the line “Investments in other companies” of the consolidated balance sheet includes an investment in PJSC NOVATEK in the amount of 9.99% of shares in charter capital with carrying value amounting to RUB 238,817 million, RUB 181,611 million and RUB 133,787 million, respectively.

The line “Investments in other companies” of the consolidated balance sheet also includes investments in shares of energy companies, with carrying value amounting to RUB 8,034 million, RUB 6,531 million and RUB 5,321 million as of 31 December 2016, 2015 and 2014, respectively. The impairment allowance primarily relates to non-core investments.

Loans issued to companies beyond 12 months

The line “Loans issued to companies beyond 12 months” of the consolidated balance sheet includes the loan to LLC Yamal razvitie, denominated in Russian Rubles maturing in 2021, in the amount of RUB 31,301 million, RUB 36,831 million and RUB 48,253 million as of 31 December 2016, 2015 and 2014, respectively.

The line “Loans issued to companies beyond 12 months” of the consolidated balance sheet includes the loan to JSC Gazprom teploenergo, denominated in Russian Rubles, in the amount of RUB nil million, RUB nil million and RUB 47,108 million as of 31 December 2016, 2015 and 2014, respectively.

The line “Loans issued to companies beyond 12 months” in the consolidated balance sheet includes a foreign currency loan to W & G Beteiligungs GmbH & Co. KG in the amount of RUB nil million, RUB nil million and RUB 26,161 million as of 31 December 2016, 2015 and 2014, respectively.

Loans issued to companies beyond 12 months in the consolidated balance sheet are stated net of impairment allowance in the amount of RUB 1,694 million, RUB 84 million and RUB 37 million as of 31 December 2016, 2015 and 2014, respectively.

Other financial investments

<table>
<thead>
<tr>
<th>Joint activity, including:</th>
<th>As of 31 December 2016</th>
<th>As of 31 December 2015</th>
<th>As of 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>development of oil and gas fields on the continental shelf of the Socialist Republic of Vietnam (operator – JSC Gazprom zarubezhneftegaz)</td>
<td>37,978</td>
<td>32,125</td>
<td>25,340</td>
</tr>
<tr>
<td>development of a satellite communication system (operator – JSC Gazprom Space Systems)</td>
<td>33,422</td>
<td>27,793</td>
<td>20,598</td>
</tr>
<tr>
<td>Other, including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>long-term deposits</td>
<td>42,905</td>
<td>5,929</td>
<td>4,921</td>
</tr>
<tr>
<td>third party promissory notes</td>
<td>42,230</td>
<td>5,064</td>
<td>3,035</td>
</tr>
<tr>
<td>South Pars project (oil and gas field in Iran)</td>
<td>120</td>
<td>390</td>
<td>1,282</td>
</tr>
<tr>
<td>Total</td>
<td>80,883</td>
<td>38,054</td>
<td>30,261</td>
</tr>
</tbody>
</table>

Other financial investments in the consolidated balance sheet are stated net of impairment allowance in the amount of RUB 541 million, RUB 731 million and RUB 7,918 million as of 31 December 2016, 2015 and 2014, respectively.
10 INVENTORIES

Raw materials and other inventories

In the consolidated balance sheet values of raw materials and other inventories in the amount of RUB 202,313 million, RUB 211,102 million and RUB 175,979 million are disclosed net of obsolete allowance in the amount of RUB 2,733 million, RUB 4,255 million and RUB 4,252 million as of 31 December 2016, 2015 and 2014, respectively.

Finished goods and goods for resale

In the consolidated balance sheet values of finished goods and goods for resale in the amount of RUB 605,855 million, RUB 672,423 million and RUB 549,632 million are disclosed net of obsolete allowance in the amount of RUB 840 million, RUB 1,563 million and RUB 1,623 million as of 31 December 2016, 2015 and 2014, respectively.

<table>
<thead>
<tr>
<th></th>
<th>As of 31 December 2016</th>
<th>As of 31 December 2015</th>
<th>As of 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas in pipelines and storages</td>
<td>508,463</td>
<td>571,838</td>
<td>472,643</td>
</tr>
<tr>
<td>Oil, gas condensate and refined products</td>
<td>63,471</td>
<td>58,554</td>
<td>54,259</td>
</tr>
<tr>
<td>Goods for resale</td>
<td>33,921</td>
<td>42,031</td>
<td>22,730</td>
</tr>
<tr>
<td>Total</td>
<td>605,855</td>
<td>672,423</td>
<td>549,632</td>
</tr>
</tbody>
</table>

11 ACCOUNTS RECEIVABLE

Accounts receivable (payment expected beyond 12 months of the reporting date)

The line “Accounts receivable” in the consolidated balance sheet includes long-term receivables for gas in the amount of RUB 1,978 million, RUB 5,518 million and RUB 1,140 million as of 31 December 2016, 2015 and 2014, respectively.

The line “Other receivables” in the consolidated balance sheet includes receivables, issued for capital construction purposes in the amount of RUB 31,643 million, RUB 14,123 million and RUB 16,291 million as of 31 December 2016, 2015 and 2014, respectively.

Accounts receivable (payment expected within 12 months of the reporting date)

The line “Accounts receivable from buyers and customers” in the consolidated balance sheet as of 31 December 2016, 2015 and 2014 includes the following:

<table>
<thead>
<tr>
<th></th>
<th>As of 31 December 2016</th>
<th>As of 31 December 2015</th>
<th>As of 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables from Europe and other countries, gas, crude oil, gas condensate and refined products customers</td>
<td>333,967</td>
<td>390,079</td>
<td>353,741</td>
</tr>
<tr>
<td>Receivables from Domestic gas, crude oil, gas condensate and refined products customers</td>
<td>207,166</td>
<td>168,802</td>
<td>146,295</td>
</tr>
<tr>
<td>Receivables from Former Soviet Union countries (excluding Russian Federation) gas, crude oil, gas condensate and refined products customers</td>
<td>57,788</td>
<td>43,488</td>
<td>25,914</td>
</tr>
<tr>
<td>Receivables from electric and heat energy sales customers</td>
<td>81,829</td>
<td>77,742</td>
<td>66,177</td>
</tr>
<tr>
<td>Other trade debtors</td>
<td>160,009</td>
<td>116,634</td>
<td>96,200</td>
</tr>
<tr>
<td>Total</td>
<td>840,759</td>
<td>796,745</td>
<td>688,327</td>
</tr>
</tbody>
</table>

As of 31 December 2016, 2015 and 2014 accounts receivable from buyers and customers are stated net of impairment allowance of RUB 832,910 million, RUB 840,335 million and RUB 621,932 million, respectively. The impairment allowance has been calculated net of deferred excise tax on natural gas of RUB 89 million, RUB 89 million and RUB 101 million as of 31 December 2016, 2015 and 2014, respectively.

As of 31 December 2016, 2015 and 2014 the line “Advances issued” in the consolidated balance sheet includes advances issued for capital construction purposes in the amount of RUB 240,036 million, RUB 214,558 million and RUB 135,632 million, respectively.
11. ACCOUNTS RECEIVABLE (continued)
The line “Advances paid” includes current portion of the long-term advance issued to PJSC Naftogaz of Ukraine in the amount of RUB nil million, RUB nil million and RUB 9,095 million as of 31 December 2016, 2015 and 2014, respectively.

As of 31 December 2016, 2015 and 2014 the line “Other accounts receivable” of the consolidated balance sheet includes the following:

<table>
<thead>
<tr>
<th></th>
<th>As of 31 December 2016</th>
<th>As of 31 December 2015</th>
<th>As of 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overpayment of taxes to the budget</td>
<td>113,783</td>
<td>228,562</td>
<td>215,452</td>
</tr>
<tr>
<td>Settlements on custom duties</td>
<td>13,707</td>
<td>46,446</td>
<td>85,432</td>
</tr>
<tr>
<td>Settlements on claims</td>
<td>2,534</td>
<td>4,069</td>
<td>4,291</td>
</tr>
<tr>
<td>Other</td>
<td>171,134</td>
<td>197,448</td>
<td>138,657</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>301,158</strong></td>
<td><strong>476,525</strong></td>
<td><strong>443,832</strong></td>
</tr>
</tbody>
</table>

Other accounts receivable are stated net of the impairment allowance amounting to RUB 44,819 million, RUB 38,091 million and RUB 30,418 million as of 31 December 2016, 2015 and 2014, respectively.

12. FINANCIAL INVESTMENTS (LESS CASH EQUIVALENTS)

*Loans issued to companies due within 12 months*

As of 31 December 2016, 2015 and 2014 the line “Loans issued to companies due within 12 months” in the consolidated balance sheet is stated net of the impairment allowance of RUB 9,263 million, RUB 10,022 million and RUB 164 million, respectively.

*Other financial investments*

<table>
<thead>
<tr>
<th></th>
<th>As of 31 December 2016</th>
<th>As of 31 December 2015</th>
<th>As of 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term deposits</td>
<td>144,035</td>
<td>126,528</td>
<td>140,200</td>
</tr>
<tr>
<td>Shares, bonds and participatory interests</td>
<td>11,363</td>
<td>12,153</td>
<td>9,581</td>
</tr>
<tr>
<td>Third party promissory notes</td>
<td>20</td>
<td>457</td>
<td>1,191</td>
</tr>
<tr>
<td>Other</td>
<td>982</td>
<td>3,197</td>
<td>4,617</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>156,400</strong></td>
<td><strong>142,335</strong></td>
<td><strong>155,589</strong></td>
</tr>
</tbody>
</table>

As of 31 December 2016, 2015 and 2014 the line “Other financial investments” in the consolidated balance sheet is stated net of the impairment allowance of RUB 760 million, RUB 664 million and RUB 559 million, respectively.

13. CASH AND CASH EQUIVALENTS

In the line “Other monetary assets and cash equivalents” in the consolidated balance sheet as of 31 December 2016, 2015 and 2014 there are no cash balances on bank accounts which are restricted as to withdrawal under the terms of certain loans and borrowings.

14. EQUITY

PJSC Gazprom’s charter capital amounted to RUB 118,368 million. The number of ordinary shares issued and paid did not change in 2016 and amounted to 23,674 million with nominal value of 5 Rubles each.

Treasury shares are recorded in the consolidated balance sheet at their purchase cost. The number of treasury shares held by subsidiaries of the Group totals 1,573 million as of 31 December 2016 and 723 million as of 31 December 2015 and 2014.

On 15 July 2016 the Group acquired from Vnesheconombank 211 million PJSC Gazprom’s ordinary shares and American depositary receipts representing 639 million PJSC Gazprom’s ordinary shares for RUB 132,000 million.

Shares held by subsidiaries are not taken into account in calculation of earnings per share (see Note 22).

The Group retains control over all treasury shares of PJSC Gazprom held by its subsidiaries.
14. **EQUITY (continued)**

In accordance with the decision of the General shareholders meeting, based on the 2015 results of PJSC Gazprom, final dividends were accrued and paid in 2016 in the amount of 7.89 Rubles per ordinary share. Based on the 2014 results dividends were accrued and paid in 2015 in the amount of 7.20 Rubles per ordinary share.

15 **BORROWINGS**

**Bank borrowings**

<table>
<thead>
<tr>
<th>Lender</th>
<th>Currency</th>
<th>Final maturity</th>
<th>As of 31 December 2016</th>
<th>As of 31 December 2015</th>
<th>As of 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of China Limited, London branch</td>
<td>Euro</td>
<td>2021</td>
<td>128,789</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mizuho Bank Ltd.</td>
<td>US dollar</td>
<td>2019</td>
<td>93,228</td>
<td>156,821</td>
<td>121,037</td>
</tr>
<tr>
<td>China Construction Bank Corporation, Beijing branch</td>
<td>US dollar</td>
<td>2020</td>
<td>92,627</td>
<td>111,077</td>
<td>22,513</td>
</tr>
<tr>
<td>PJSC Sherbank</td>
<td>US dollar</td>
<td>2018</td>
<td>46,099</td>
<td>56,231</td>
<td>-</td>
</tr>
<tr>
<td>PJSC VTB Bank</td>
<td>Russian Ruble</td>
<td>2021</td>
<td>29,800</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Alfa-Bank (Joint-stock Company)</td>
<td>US dollar</td>
<td>2019</td>
<td>24,271</td>
<td>29,160</td>
<td>21,917</td>
</tr>
<tr>
<td>Commerzbank International S.A.</td>
<td>US dollar</td>
<td>2018</td>
<td>24,265</td>
<td>43,730</td>
<td>39,381</td>
</tr>
<tr>
<td>Gazprombank (Joint-stock Company)</td>
<td>US dollar</td>
<td>2018</td>
<td>21,836</td>
<td>26,238</td>
<td>-</td>
</tr>
<tr>
<td>Gazprombank (Joint-stock Company)</td>
<td>US dollar</td>
<td>2018</td>
<td>20,017</td>
<td>24,051</td>
<td>-</td>
</tr>
<tr>
<td>PJSC Sherbank</td>
<td>Russian Ruble</td>
<td>2017</td>
<td>19,802</td>
<td>19,802</td>
<td>19,802</td>
</tr>
<tr>
<td>UniCredit Bank Austria AG</td>
<td>Euro</td>
<td>2021</td>
<td>19,492</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>J.P.Morgan Europe Limited</td>
<td>US dollar</td>
<td>2018</td>
<td>18,962</td>
<td>36,694</td>
<td>-</td>
</tr>
<tr>
<td>Gazprombank (Joint-stock Company)</td>
<td>US dollar</td>
<td>2019</td>
<td>18,804</td>
<td>22,594</td>
<td>-</td>
</tr>
<tr>
<td>Banc of America Securities Limited</td>
<td>US dollar</td>
<td>2018</td>
<td>18,368</td>
<td>22,041</td>
<td>17,005</td>
</tr>
<tr>
<td>BNP Paribas S.A.</td>
<td>Euro</td>
<td>2022</td>
<td>15,644</td>
<td>22,802</td>
<td>22,352</td>
</tr>
<tr>
<td>PJSC Sherbank</td>
<td>Euro</td>
<td>2020</td>
<td>15,373</td>
<td>19,203</td>
<td>-</td>
</tr>
<tr>
<td>PJSC Sherbank</td>
<td>Russian Ruble</td>
<td>2021</td>
<td>15,068</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PJSC Sherbank</td>
<td>Russian Ruble</td>
<td>2021</td>
<td>15,067</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>UniCredit Bank Austria AG</td>
<td>Euro</td>
<td>2019</td>
<td>14,745</td>
<td>23,940</td>
<td>-</td>
</tr>
<tr>
<td>PJSC VTB Bank</td>
<td>Russian Ruble</td>
<td>2021</td>
<td>14,654</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PJSC Sherbank</td>
<td>Euro</td>
<td>2017</td>
<td>14,388</td>
<td>17,971</td>
<td>15,416</td>
</tr>
<tr>
<td>PJSC Sherbank</td>
<td>Russian Ruble</td>
<td>2019</td>
<td>12,511</td>
<td>12,514</td>
<td>-</td>
</tr>
<tr>
<td>PJSC Sherbank</td>
<td>Russian Ruble</td>
<td>2019</td>
<td>12,511</td>
<td>12,514</td>
<td>-</td>
</tr>
<tr>
<td>UniCredit Bank Austria AG</td>
<td>US dollar</td>
<td>2018</td>
<td>12,135</td>
<td>14,581</td>
<td>11,253</td>
</tr>
<tr>
<td>Banc of America Securities Limited</td>
<td>Euro</td>
<td>2017</td>
<td>11,541</td>
<td>14,420</td>
<td>12,372</td>
</tr>
<tr>
<td>Citibank International plc</td>
<td>US dollar</td>
<td>2021</td>
<td>10,042</td>
<td>14,734</td>
<td>13,436</td>
</tr>
<tr>
<td>PJSC Sherbank</td>
<td>Russian Ruble</td>
<td>2019</td>
<td>10,009</td>
<td>10,011</td>
<td>10,010</td>
</tr>
<tr>
<td>Gazprombank (Joint-stock Company)</td>
<td>Russian Ruble</td>
<td>2018</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Gazprombank (Joint-stock Company)</td>
<td>Russian Ruble</td>
<td>2017</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>HSBC Bank plc</td>
<td>Euro</td>
<td>2022</td>
<td>9,880</td>
<td>14,394</td>
<td>14,108</td>
</tr>
<tr>
<td>Gazprombank (Joint-stock Company)</td>
<td>Russian Ruble</td>
<td>2022</td>
<td>9,809</td>
<td>6,187</td>
<td>-</td>
</tr>
<tr>
<td>BNP Paribas S.A.</td>
<td>Euro</td>
<td>2023</td>
<td>9,451</td>
<td>13,559</td>
<td>-</td>
</tr>
<tr>
<td>Bank of America Merrill Lynch International Limited</td>
<td>US dollar</td>
<td>2018</td>
<td>9,157</td>
<td>21,960</td>
<td>-</td>
</tr>
<tr>
<td>Banca Intesa a.d. Beograd</td>
<td>US dollar</td>
<td>2019</td>
<td>9,114</td>
<td>10,947</td>
<td>8,450</td>
</tr>
<tr>
<td>PJSC Sherbank</td>
<td>US dollar</td>
<td>2018</td>
<td>9,113</td>
<td>10,947</td>
<td>8,449</td>
</tr>
<tr>
<td>PJSC VTB Bank</td>
<td>Russian Ruble</td>
<td>2018</td>
<td>8,250</td>
<td>8,250</td>
<td>8,250</td>
</tr>
<tr>
<td>PJSC Sherbank</td>
<td>Euro</td>
<td>2022</td>
<td>7,713</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PJSC Credit Bank of Moscow</td>
<td>US dollar</td>
<td>2018</td>
<td>7,582</td>
<td>5,831</td>
<td>-</td>
</tr>
<tr>
<td>PJSC Sherbank</td>
<td>Russian Ruble</td>
<td>2025</td>
<td>7,221</td>
<td>7,220</td>
<td>-</td>
</tr>
<tr>
<td>Intesa Sanpaolo S.p.A.</td>
<td>Euro</td>
<td>2019</td>
<td>6,848</td>
<td>11,957</td>
<td>-</td>
</tr>
<tr>
<td>PJSC VTB Bank</td>
<td>Euro</td>
<td>2020</td>
<td>6,761</td>
<td>8,449</td>
<td>-</td>
</tr>
<tr>
<td>PJSC VTB Bank</td>
<td>Russian Ruble</td>
<td>2019</td>
<td>6,510</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Alfa-Bank (Joint-stock Company)</td>
<td>Russian Ruble</td>
<td>2019</td>
<td>6,509</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>GC Vnesheconombank</td>
<td>Russian Ruble</td>
<td>2025</td>
<td>6,500</td>
<td>7,852</td>
<td>8,979</td>
</tr>
<tr>
<td>PJSC Sherbank</td>
<td>US dollar</td>
<td>2018</td>
<td>6,493</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>BNP Paribas S.A.</td>
<td>Euro</td>
<td>2022</td>
<td>6,176</td>
<td>9,003</td>
<td>8,826</td>
</tr>
<tr>
<td>Credit Agricole CIB</td>
<td>Euro</td>
<td>2024</td>
<td>5,868</td>
<td>8,245</td>
<td>7,856</td>
</tr>
<tr>
<td>PJSC Sherbank</td>
<td>Russian Ruble</td>
<td>2026</td>
<td>5,670</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sberbank Serbia a.d.</td>
<td>US dollar</td>
<td>2019</td>
<td>5,469</td>
<td>6,568</td>
<td>5,071</td>
</tr>
<tr>
<td>PJSC VTB Bank</td>
<td>Russian Ruble</td>
<td>2021</td>
<td>5,151</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Alfa-Bank (Joint-stock Company)</td>
<td>Russian Ruble</td>
<td>2019</td>
<td>5,008</td>
<td>5,011</td>
<td>-</td>
</tr>
</tbody>
</table>
### 15. BORROWINGS (continued)

<table>
<thead>
<tr>
<th>Lender</th>
<th>Currency</th>
<th>Final maturity</th>
<th>As of 31 December 2016</th>
<th>As of 31 December 2015</th>
<th>As of 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSC Bank ROSSIYA</td>
<td>Russian Ruble</td>
<td>2019</td>
<td>4,920</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Banca Intesa a.d. Beograd</td>
<td>Euro</td>
<td>2018</td>
<td>4,617</td>
<td>5,754</td>
<td>-</td>
</tr>
<tr>
<td>PJSC Sberbank</td>
<td>Russian Ruble</td>
<td>2018</td>
<td>3,759</td>
<td>3,759</td>
<td>3,759</td>
</tr>
<tr>
<td>Gazprombank (Joint-stock Company)</td>
<td>Russian Ruble</td>
<td>2017</td>
<td>3,220</td>
<td>9,750</td>
<td>-</td>
</tr>
<tr>
<td>JSC Rosselkhozbank</td>
<td>Russian Ruble</td>
<td>2016</td>
<td>-</td>
<td>30,029</td>
<td>10,010</td>
</tr>
<tr>
<td>Deutsche Bank AG</td>
<td>US dollar</td>
<td>2016</td>
<td>-</td>
<td>29,690</td>
<td>22,901</td>
</tr>
<tr>
<td>Intesa Sanpaolo S.p.A.</td>
<td>Euro</td>
<td>2016</td>
<td>-</td>
<td>28,028</td>
<td>-</td>
</tr>
<tr>
<td>Sumitomo Mitsui Banking Corporation</td>
<td>US dollar</td>
<td>2016</td>
<td>-</td>
<td>25,537</td>
<td>39,396</td>
</tr>
<tr>
<td>Various</td>
<td>Various</td>
<td>2016</td>
<td>-</td>
<td>25,509</td>
<td>-</td>
</tr>
<tr>
<td>Euro Limited</td>
<td>US dollar</td>
<td>2016</td>
<td>-</td>
<td>18,056</td>
<td>16,896</td>
</tr>
<tr>
<td>PJSC Promsvyazbank</td>
<td>US dollar</td>
<td>2016</td>
<td>-</td>
<td>12,104</td>
<td>9,307</td>
</tr>
<tr>
<td>Sumitomo Mitsui Finance Dublin</td>
<td>US dollar</td>
<td>2016</td>
<td>-</td>
<td>12,392</td>
<td>11,263</td>
</tr>
<tr>
<td>The Royal Bank of Scotland AG</td>
<td>US dollar</td>
<td>2015</td>
<td>-</td>
<td>-</td>
<td>26,939</td>
</tr>
<tr>
<td>UniCredit Bank AG</td>
<td>Euro</td>
<td>2016</td>
<td>-</td>
<td>3,800</td>
<td>8,300</td>
</tr>
<tr>
<td>Gazprombank (Joint-stock Company)</td>
<td>US dollar</td>
<td>2016</td>
<td>-</td>
<td>8,017</td>
<td>11,252</td>
</tr>
<tr>
<td>UniCredit Bank Luxembourg S.A.</td>
<td>Euro</td>
<td>2016</td>
<td>-</td>
<td>7,973</td>
<td>-</td>
</tr>
<tr>
<td>Sberbank Serbia a.d.</td>
<td>US dollar</td>
<td>2016</td>
<td>-</td>
<td>5,483</td>
<td>4,231</td>
</tr>
<tr>
<td>Banc of America Securities Limited</td>
<td>US dollar</td>
<td>2016</td>
<td>-</td>
<td>5,183</td>
<td>4,445</td>
</tr>
<tr>
<td>JSC Bank ROSSIYA</td>
<td>Russian Ruble</td>
<td>2016</td>
<td>-</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>UniCredit Bank AG</td>
<td>Russian Ruble</td>
<td>2016</td>
<td>-</td>
<td>1,894</td>
<td>2,352</td>
</tr>
<tr>
<td>The Royal Bank of Scotland AG</td>
<td>US dollar</td>
<td>2015</td>
<td>-</td>
<td>-</td>
<td>26,939</td>
</tr>
<tr>
<td>UniCredit Bank Austria AG</td>
<td>Euro</td>
<td>2015</td>
<td>-</td>
<td>-</td>
<td>26,696</td>
</tr>
<tr>
<td>Bank of Tokyo-Mitsubishi UFJ Ltd.</td>
<td>US dollar</td>
<td>2015</td>
<td>-</td>
<td>-</td>
<td>16,970</td>
</tr>
<tr>
<td>Credit Agricole CIB</td>
<td>Euro</td>
<td>2015</td>
<td>-</td>
<td>-</td>
<td>16,431</td>
</tr>
<tr>
<td>Gazprombank (Joint-stock Company)</td>
<td>US dollar</td>
<td>2015</td>
<td>-</td>
<td>-</td>
<td>9,620</td>
</tr>
<tr>
<td>PJSC Sberbank</td>
<td>Russian Ruble</td>
<td>2015</td>
<td>-</td>
<td>-</td>
<td>5,504</td>
</tr>
<tr>
<td>JSC Bank ROSSIYA</td>
<td>Russian Ruble</td>
<td>2015</td>
<td>-</td>
<td>-</td>
<td>5,000</td>
</tr>
<tr>
<td>Gazprombank (Joint-stock Company)</td>
<td>US dollar</td>
<td>2015</td>
<td>-</td>
<td>-</td>
<td>3,584</td>
</tr>
<tr>
<td>Other</td>
<td>Various</td>
<td>2016</td>
<td>133,280</td>
<td>113,919</td>
<td>69,414</td>
</tr>
<tr>
<td><strong>Total, including</strong></td>
<td><strong>due within one year, including current portion of long-term borrowings</strong></td>
<td></td>
<td><strong>1,080,097</strong></td>
<td><strong>1,345,540</strong></td>
<td><strong>801,445</strong></td>
</tr>
<tr>
<td><strong>2016</strong></td>
<td><strong>218,016</strong></td>
<td><strong>388,013</strong></td>
<td><strong>188,443</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Loans received from consortiums of banks, named lender is the bank-agent.
2 Loans were obtained for development of Yuzhno-Russkoye oil and gas field.

Long-term foreign currency denominated borrowings had fixed interest rates ranging from 2.90 % to 10.00 % and from 3.25 % to 10.00 % in 2016 and 2015, respectively. Also in 2016-2015 long-term foreign currency denominated borrowings had variable interest rates generally linked to LIBOR and EURIBOR.

Long-term borrowings denominated in Russian Rubles had fixed interest rates ranging from 8.14 % to 18.50 % and from 8.14 % to 19.39 % in 2016 and 2015, respectively.

Interest rates on short-term foreign currency denominated borrowings ranged from 1.68 % to 10.00 % and from 1.75 % to 10.00 %, in 2016 and 2015, respectively. Also in 2016 and 2015 short-term foreign currency denominated borrowings had variable interest rates linked to EURIBOR and LIBOR.

Short-term borrowings denominated in Russian Rubles had fixed interest rates ranging from 9.69 % to 19.77 % and from 10.00 % to 20.00 % in 2016 and 2015, respectively.
## 15. BORROWINGS (continued)

### Loans

<table>
<thead>
<tr>
<th>Borrowing / Creditors</th>
<th>Currency</th>
<th>Final maturity</th>
<th>As of 31 December 2016</th>
<th>As of 31 December 2015</th>
<th>As of 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan participation notes issued in April 2009¹</td>
<td>US dollar</td>
<td>2019</td>
<td>138,863</td>
<td>166,851</td>
<td>128,793</td>
</tr>
<tr>
<td>Loan participation notes issued in September 2012²</td>
<td>US dollar</td>
<td>2022</td>
<td>92,102</td>
<td>110,666</td>
<td>85,424</td>
</tr>
<tr>
<td>Loan participation notes issued in July 2013³</td>
<td>Euro</td>
<td>2017</td>
<td>92,019</td>
<td>114,928</td>
<td>98,554</td>
</tr>
<tr>
<td>Loan participation notes issued in November 2013³</td>
<td>US dollar</td>
<td>2023</td>
<td>91,485</td>
<td>109,925</td>
<td>84,851</td>
</tr>
<tr>
<td>Loan participation notes issued in October 2007⁷</td>
<td>Euro</td>
<td>2018</td>
<td>81,035</td>
<td>101,209</td>
<td>86,790</td>
</tr>
<tr>
<td>Loan participation notes issued in March 2007¹</td>
<td>US dollar</td>
<td>2022</td>
<td>80,480</td>
<td>96,701</td>
<td>74,644</td>
</tr>
<tr>
<td>Loan participation notes issued in August 2007⁷</td>
<td>US dollar</td>
<td>2037</td>
<td>77,893</td>
<td>93,593</td>
<td>72,245</td>
</tr>
<tr>
<td>Loan participation notes issued in April 2004⁴</td>
<td>US dollar</td>
<td>2034</td>
<td>73,886</td>
<td>88,779</td>
<td>68,528</td>
</tr>
<tr>
<td>Loan participation notes issued in April 2008⁸</td>
<td>US dollar</td>
<td>2018</td>
<td>67,930</td>
<td>81,622</td>
<td>63,004</td>
</tr>
<tr>
<td>Loan participation notes issued in March 2013¹</td>
<td>Euro</td>
<td>2020</td>
<td>65,512</td>
<td>81,821</td>
<td>70,164</td>
</tr>
<tr>
<td>Loan participation notes issued in October 2015⁵</td>
<td>Euro</td>
<td>2018</td>
<td>64,434</td>
<td>80,475</td>
<td>-</td>
</tr>
<tr>
<td>Loan participation notes issued in November 2016⁶</td>
<td>Euro</td>
<td>2023</td>
<td>64,057</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loan participation notes issued in July 2012⁷</td>
<td>US dollar</td>
<td>2022</td>
<td>62,008</td>
<td>74,506</td>
<td>57,512</td>
</tr>
<tr>
<td>Loan participation notes issued in July 2013³</td>
<td>Euro</td>
<td>2018</td>
<td>58,361</td>
<td>72,891</td>
<td>62,506</td>
</tr>
<tr>
<td>Loan participation notes issued in February 2013⁵</td>
<td>US dollar</td>
<td>2028</td>
<td>55,680</td>
<td>66,902</td>
<td>51,642</td>
</tr>
<tr>
<td>Loan participation notes issued in February 2014⁴</td>
<td>Euro</td>
<td>2021</td>
<td>49,317</td>
<td>61,595</td>
<td>52,819</td>
</tr>
<tr>
<td>Loan participation notes issued in February 2013⁵</td>
<td>US dollar</td>
<td>2020</td>
<td>49,278</td>
<td>59,210</td>
<td>45,705</td>
</tr>
<tr>
<td>Loan participation notes issued in April 2013²</td>
<td>Euro</td>
<td>2018</td>
<td>48,817</td>
<td>60,967</td>
<td>52,277</td>
</tr>
<tr>
<td>Loan participation notes issued in September 2013⁵</td>
<td>British Pound Sterling</td>
<td>2020</td>
<td>38,593</td>
<td>48,201</td>
<td>41,334</td>
</tr>
<tr>
<td>Loan participation notes issued in November 2011¹</td>
<td>US dollar</td>
<td>2021</td>
<td>37,353</td>
<td>44,881</td>
<td>34,644</td>
</tr>
<tr>
<td>Loan participation notes issued in November 2006¹</td>
<td>Euro</td>
<td>2017</td>
<td>33,185</td>
<td>41,447</td>
<td>35,542</td>
</tr>
<tr>
<td>Loan participation notes issued in March 2013¹</td>
<td>Euro</td>
<td>2025</td>
<td>32,997</td>
<td>41,211</td>
<td>35,340</td>
</tr>
<tr>
<td>Loan participation notes issued in March 2007¹</td>
<td>Euro</td>
<td>2017</td>
<td>32,191</td>
<td>40,205</td>
<td>34,477</td>
</tr>
<tr>
<td>Loan participation notes issued in October 2013¹</td>
<td>Swiss Franc</td>
<td>2019</td>
<td>29,863</td>
<td>36,957</td>
<td>28,637</td>
</tr>
<tr>
<td>Loan participation notes issued in November 2016¹</td>
<td>Swiss Franc</td>
<td>2021</td>
<td>29,826</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loan participation notes issued in March 2016¹</td>
<td>Swiss Franc</td>
<td>2018</td>
<td>29,794</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Russian bonds issued in March 2016²</td>
<td>Russian Ruble</td>
<td>2046</td>
<td>15,344</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Russian bonds issued in November 2013³</td>
<td>Russian Ruble</td>
<td>2043</td>
<td>15,111</td>
<td>15,246</td>
<td>15,134</td>
</tr>
</tbody>
</table>
### 15. BORROWINGS (continued)

<table>
<thead>
<tr>
<th>Borrowing / Creditors</th>
<th>Currency</th>
<th>Final maturity</th>
<th>As of 31 December 2016</th>
<th>As of 31 December 2015</th>
<th>As of 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian bonds issued in November 2013&lt;sup&gt;4&lt;/sup&gt;</td>
<td>Russian Ruble</td>
<td>2043</td>
<td>15,111</td>
<td>15,246</td>
<td>15,134</td>
</tr>
<tr>
<td>OJSC Tomskneft VNC</td>
<td>Russian Ruble</td>
<td>2020</td>
<td>12,812</td>
<td>12,985</td>
<td>13,170</td>
</tr>
<tr>
<td>Russian bonds issued in March 2016&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Russian Ruble</td>
<td>2046</td>
<td>10,378</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Russian bonds issued in February 2011&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Russian Ruble</td>
<td>2021</td>
<td>10,368</td>
<td>10,363</td>
<td>10,361</td>
</tr>
<tr>
<td>Russian bonds issued in August 2016&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Russian Ruble</td>
<td>2046</td>
<td>10,317</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Russian bonds series 05 issued in February 2013&lt;sup&gt;3&lt;/sup&gt;</td>
<td>Russian Ruble</td>
<td>2017</td>
<td>10,279</td>
<td>10,275</td>
<td>10,273</td>
</tr>
<tr>
<td>Russian bonds issued in April 2009&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Russian Ruble</td>
<td>2019</td>
<td>10,182</td>
<td>10,177</td>
<td>10,175</td>
</tr>
<tr>
<td>Russian bonds issued in December 2012&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Russian Ruble</td>
<td>2022</td>
<td>10,075</td>
<td>10,070</td>
<td>10,068</td>
</tr>
<tr>
<td>Russian bonds issued in June 2016&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Russian Ruble</td>
<td>2046</td>
<td>10,062</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Russian bonds issued in August 2016&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Russian Ruble</td>
<td>2046</td>
<td>5,158</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Russian bonds series 04 issued in February 2013&lt;sup&gt;3&lt;/sup&gt;</td>
<td>Russian Ruble</td>
<td>2018</td>
<td>5,140</td>
<td>5,137</td>
<td>5,136</td>
</tr>
<tr>
<td>Russian bonds series 01 issued in November 2015&lt;sup&gt;3&lt;/sup&gt;</td>
<td>Russian Ruble</td>
<td>2020</td>
<td>5,061</td>
<td>5,058</td>
<td>-</td>
</tr>
<tr>
<td>Russian bonds series 02 issued in November 2015&lt;sup&gt;3&lt;/sup&gt;</td>
<td>Russian Ruble</td>
<td>2020</td>
<td>5,061</td>
<td>5,058</td>
<td>-</td>
</tr>
<tr>
<td>Loan participation notes issued in November 2006&lt;sup&gt;1&lt;/sup&gt;</td>
<td>US dollar</td>
<td>2016</td>
<td>-</td>
<td>99,054</td>
<td>76,460</td>
</tr>
<tr>
<td>Loan participation notes issued in November 2011&lt;sup&gt;1&lt;/sup&gt;</td>
<td>US dollar</td>
<td>2016</td>
<td>-</td>
<td>73,264</td>
<td>56,552</td>
</tr>
<tr>
<td>Russian bonds series 06 issued in February 2013&lt;sup&gt;3&lt;/sup&gt;</td>
<td>Russian Ruble</td>
<td>2016</td>
<td>-</td>
<td>15,410</td>
<td>15,407</td>
</tr>
<tr>
<td>Russian bonds issued in February 2011&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Russian Ruble</td>
<td>2016</td>
<td>-</td>
<td>10,259</td>
<td>10,345</td>
</tr>
<tr>
<td>Russian bonds issued in February 2011&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Russian Ruble</td>
<td>2016</td>
<td>-</td>
<td>10,228</td>
<td>10,345</td>
</tr>
<tr>
<td>Russian bonds issued in February 2012&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Russian Ruble</td>
<td>2016</td>
<td>-</td>
<td>452</td>
<td>10,335</td>
</tr>
<tr>
<td>Russian bonds series 02 issued in March 2006&lt;sup&gt;6&lt;/sup&gt;</td>
<td>Russian Ruble</td>
<td>2016</td>
<td>-</td>
<td>108</td>
<td>108</td>
</tr>
<tr>
<td>Loan participation notes issued in May 2005&lt;sup&gt;4&lt;/sup&gt;</td>
<td>Euro</td>
<td>2015</td>
<td>-</td>
<td>-</td>
<td>70,685</td>
</tr>
<tr>
<td>Loan participation notes issued in July 2009&lt;sup&gt;1&lt;/sup&gt;</td>
<td>Euro</td>
<td>2015</td>
<td>-</td>
<td>-</td>
<td>62,372</td>
</tr>
<tr>
<td>Loan participation notes issued in November 2010&lt;sup&gt;1&lt;/sup&gt;</td>
<td>US dollar</td>
<td>2015</td>
<td>-</td>
<td>-</td>
<td>56,513</td>
</tr>
<tr>
<td>Loan participation notes issued in November 2014&lt;sup&gt;1&lt;/sup&gt;</td>
<td>US dollar</td>
<td>2015</td>
<td>-</td>
<td>-</td>
<td>39,621</td>
</tr>
<tr>
<td>Russian bonds issued in October 2014&lt;sup&gt;4&lt;/sup&gt;</td>
<td>Russian Ruble</td>
<td>2015</td>
<td>-</td>
<td>-</td>
<td>13,821</td>
</tr>
<tr>
<td>Other loans</td>
<td>Various</td>
<td>Various</td>
<td>32,040</td>
<td>22,240</td>
<td>23,911</td>
</tr>
<tr>
<td><strong>Total, including</strong></td>
<td></td>
<td></td>
<td><strong>1,759,458</strong></td>
<td><strong>2,106,173</strong></td>
<td><strong>1,901,358</strong></td>
</tr>
<tr>
<td>due within one year, including current portion of long-term borrowings</td>
<td></td>
<td></td>
<td>228,843</td>
<td>257,540</td>
<td>276,548</td>
</tr>
</tbody>
</table>

---

1. Issuer of these bonds is Gaz Capital S.A.  
2. Issuer of these bonds is PJSC Gazprom Neft.  
3. Issuer of these bonds is Gazprom Capital LLC.  
4. Issuer of these bonds is PJSC Gazprom.  
5. Issuer of these bonds is PJSC WGC-2.  
6. Issuer of these bonds is PJSC Mosenergo.
15. **BORROWINGS (continued)**

As at 31 December 2015 and 2014 according to the project facility agreement, signed within the framework of the development project of Yuzhno-Russkoe oil and gas field with the group of international financial institutions with UniCredit Bank AG acting as a facility agent, ordinary shares of OJSC Severneftegazprom with the pledge value of RUB 16,968 million and fixed assets with the pledge value of RUB 26,210 million were pledged to ING Bank N.V. (London branch) up to the date of full redemption of the liabilities on this agreement. As of 31 December 2015 and 2014 carrying amount of these fixed assets is RUB 14,873 million and RUB 17,058 million, respectively. As of 31 December 2016 the Group does not have pledged shares and pledged fixed assets because the agreement was repaid in August 2016.

Fixed interest rates on long-term foreign currency denominated loans ranged from 2.75 % to 9.25 % and from 2.85 % to 9.25 % in 2016 and 2015, respectively. Fixed interest rates on long-term loans denominated in Russian Rubles ranged from 1.00 % to 14.40 % and from 0.30 % to 14.00 % in 2016 and 2015, respectively.

In 2016 and 2015 fixed interest rates on short-term loans denominated in Russian Rubles ranged from 1.00 % to 13.00 % and from 0.30 % to 12.50 %, respectively.

16 **TAXATION**

*Profit tax*

In 2016 and 2015 theoretical profit tax determined based on accounting profit and statutory rates amounted to RUB 178,903 million and RUB 68,290 million, respectively. According to the tax returns the profit tax in 2016 and 2015 included within the line “Current profit tax” of the consolidated statement of financial results amounted to RUB 218,267 million and RUB 93,263 million, respectively.

According to updated tax returns submitted in 2016 the profit tax amounted to RUB 654 million. According to updated tax returns submitted in 2015 the profit tax amounted to RUB 81 million.

In 2016 permanent differences which increase the taxable profit exceeded permanent differences which decrease the taxable profit by RUB 346,073 million (in 2015 by RUB 23,358 million). The permanent differences principally arise from non-deductible expenses, such as excess of depreciation charge in respect of fixed assets revalued for accounting purposes as compared to depreciation charge for tax purposes, non-production costs, social expenses, charitable donations, and expenses exceeding prescribed limits.

In 2016 and 2015 incurred deductible temporary differences which impacted the difference between the theoretical profit tax expense and the current profit tax amounted to RUB 565,363 million and RUB 615,031 million, respectively.

Deductible temporary differences incurred in 2016 principally arise from accrual of contingent liabilities for gas price adjustment, longer useful lives of certain fixed asset items for tax purposes as compared to useful lives of these items for accounting purposes, the difference in impairment allowance of accounts receivable for accounting and tax purposes, the fact that expenses for geological and geophysical exploration are deductible for tax purposes later than for accounting purposes, and elimination in accounting records of unrealised income from intergroup transactions.

Deductible temporary differences settled in 2016 and 2015 totaled RUB 564,876 million and RUB 276,116 million, respectively. Settlement of these differences in 2015 is principally due to decrease of the current tax base related to contingent liabilities and geological and geophysical exploration expenses recognized for accounting purposes in prior periods, decrease of the current tax base by the amount of depreciation charge, accrued on fixed assets, useful life of which for tax purposes is longer than for accounting purposes, during prior tax periods, and recognition of the profit that was formerly excluded as unrealised income from intergroup transactions for accounting purposes in the current period.

In 2016 and 2015 incurred taxable temporary differences which impacted the difference between the theoretical profit tax expense and the current profit tax expense amounted to RUB 461,435 million and RUB 435,780 million, respectively. Taxable temporary differences in 2016 principally arise from longer useful lives of certain fixed asset items for accounting purposes as compared to useful lives of these items for tax purposes, application of a special depreciation premium of 10 % (30 % to fixed assets of the third-seventh depreciation groups), and the recognition for tax purposes of storage costs included in the cost of finished goods for accounting purposes.

Taxable temporary differences settled in 2016 and 2015 totaled RUB 297,933 million and RUB 185,831 million, respectively. Settlement of these differences in 2016 is principally due to increase of the current tax base by the amount of depreciation charge, accrued on fixed assets, useful life of which for accounting purposes is longer than for tax purposes, during prior tax periods, as well as by the amount of costs of storage included in the cost of finished goods recognized in prior period for accounting purposes.

33
16. **TAXATION (continued)**

Starting from 1 January 2012 the Group established the Consolidated Group of Taxpayers (the “CGT”), the liable partner of which is PJSC Gazprom. On 20 April 2012 the Interdistrict Inspectorate of the Federal Tax Service for Major Taxpayers No. 2 registered the agreement on establishment of CGT of the Group with 56 participants.

In December 2012 the Interdistrict Inspectorate of the Federal Tax Service for Major Taxpayers No. 2 registered an amendment to the agreement on establishment of CGT of the Group which increased the number of participants up to 65 starting from 1 January 2013.

In 2013 the Interdistrict Inspectorate of the Federal Tax Service for Major Taxpayers No. 2 registered an amendment No. 2 dated 26 November 2013 to the agreement on establishment of CGT of the Group which increased the number of participants up to 69 starting from 1 January 2014.

In 2014 the Interdistrict Inspectorate of the Federal Tax Service for Major Taxpayers No. 2 registered an amendment No. 3 dated 26 November 2014 to the agreement on establishment of CGT of the Group which decreased the number of participants to 65 starting from 1 January 2015.

In 2015 the Interdistrict Inspectorate of the Federal Tax Service for Major Taxpayers No. 2 registered an amendment No. 4 dated 26 November 2015 to the agreement on establishment of CGT of the Group which increased the number of participants to 67 starting from 1 January 2016.

The income tax of CGT for 2016 and 2015 amounted to RUR 170,581 million and RUR 50,222 million, respectively.

17. **SALES**

<table>
<thead>
<tr>
<th>Description</th>
<th>For 2016</th>
<th>For 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas sales (net of VAT, excise tax and other similar mandatory payments)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian Federation</td>
<td>804,712</td>
<td>775,826</td>
</tr>
<tr>
<td>Former Soviet Union countries (excluding Russian Federation)</td>
<td>309,644</td>
<td>429,660</td>
</tr>
<tr>
<td>Europe and other countries</td>
<td>2,166,984</td>
<td>2,241,790</td>
</tr>
<tr>
<td><strong>Net sales of gas</strong></td>
<td><strong>3,281,340</strong></td>
<td><strong>3,447,276</strong></td>
</tr>
<tr>
<td>Sales of refined products (net of VAT and other similar mandatory payments)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian Federation</td>
<td>986,704</td>
<td>981,333</td>
</tr>
<tr>
<td>Former Soviet Union countries (excluding Russian Federation)</td>
<td>88,885</td>
<td>105,335</td>
</tr>
<tr>
<td>Europe and other countries</td>
<td>428,262</td>
<td>468,464</td>
</tr>
<tr>
<td><strong>Net sales of refined products</strong></td>
<td><strong>1,503,851</strong></td>
<td><strong>1,555,132</strong></td>
</tr>
<tr>
<td>Sales of oil and gas condensate (net of VAT and other similar mandatory payments)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian Federation</td>
<td>167,614</td>
<td>168,925</td>
</tr>
<tr>
<td>Former Soviet Union countries (excluding Russian Federation)</td>
<td>23,528</td>
<td>27,580</td>
</tr>
<tr>
<td>Europe and other countries</td>
<td>307,138</td>
<td>155,509</td>
</tr>
<tr>
<td><strong>Net sales of oil and gas condensate</strong></td>
<td><strong>498,280</strong></td>
<td><strong>352,014</strong></td>
</tr>
<tr>
<td>Sales of electric and heat energy (net of VAT)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian Federation</td>
<td>462,137</td>
<td>403,786</td>
</tr>
<tr>
<td>Former Soviet Union countries (excluding Russian Federation)</td>
<td>2,458</td>
<td>2,524</td>
</tr>
<tr>
<td>Europe and other countries</td>
<td>17,350</td>
<td>19,057</td>
</tr>
<tr>
<td><strong>Net sales of electric and heat energy</strong></td>
<td><strong>481,945</strong></td>
<td><strong>425,367</strong></td>
</tr>
<tr>
<td>Sales of gas transportation services (net of VAT)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian Federation</td>
<td>170,811</td>
<td>151,121</td>
</tr>
<tr>
<td>Former Soviet Union countries (excluding Russian Federation)</td>
<td>2,689</td>
<td>2,302</td>
</tr>
<tr>
<td>Europe and other countries</td>
<td>1,193</td>
<td>15</td>
</tr>
<tr>
<td><strong>Net sales of gas transportation services</strong></td>
<td><strong>174,693</strong></td>
<td><strong>153,438</strong></td>
</tr>
<tr>
<td>Other sales (net of VAT)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian Federation</td>
<td>306,682</td>
<td>260,117</td>
</tr>
<tr>
<td>Former Soviet Union countries (excluding Russian Federation)</td>
<td>5,860</td>
<td>6,517</td>
</tr>
<tr>
<td>Europe and other countries</td>
<td>37,589</td>
<td>22,654</td>
</tr>
<tr>
<td><strong>Total other sales</strong></td>
<td><strong>350,131</strong></td>
<td><strong>289,288</strong></td>
</tr>
<tr>
<td><strong>Net sales</strong></td>
<td><strong>6,290,240</strong></td>
<td><strong>6,222,515</strong></td>
</tr>
</tbody>
</table>
17. **SALES (continued)**

Net sales of gas decreased by 5% in the year ended 31 December 2016 compared to the year ended 31 December 2015. The decrease of net sales of gas was mainly driven by the decrease of the average Russian Ruble prices in sales of gas to customers in Europe and other countries, Former Soviet Union countries (excluding Russian Federation) as well as the decrease in volumes of gas sold in Former Soviet Union countries.

The increase of net sales of oil and gas condensate in the year ended 31 December 2016 compared to the year ended 31 December 2015 is mainly driven by the increase in volumes sold and the increase in prices to customers in Europe and other countries.

18. **COST OF SALES, COMMERCIAL AND ADMINISTRATIVE EXPENSES**

<table>
<thead>
<tr>
<th></th>
<th>For 2016</th>
<th>For 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation and amortization</td>
<td>930,257</td>
<td>903,923</td>
</tr>
<tr>
<td>Taxes included in cost of sales</td>
<td>848,046</td>
<td>748,232</td>
</tr>
<tr>
<td>Purchased gas</td>
<td>827,155</td>
<td>686,315</td>
</tr>
<tr>
<td>Transit costs for gas, oil and refined products</td>
<td>610,444</td>
<td>531,560</td>
</tr>
<tr>
<td>Staff costs and social expenses</td>
<td>579,921</td>
<td>566,403</td>
</tr>
<tr>
<td>Purchased oil</td>
<td>442,361</td>
<td>420,767</td>
</tr>
<tr>
<td>Cost of goods for resale</td>
<td>293,856</td>
<td>262,056</td>
</tr>
<tr>
<td>Materials</td>
<td>290,943</td>
<td>299,660</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>148,860</td>
<td>160,923</td>
</tr>
<tr>
<td>Energy</td>
<td>95,725</td>
<td>88,202</td>
</tr>
<tr>
<td>Insurance</td>
<td>44,674</td>
<td>42,127</td>
</tr>
<tr>
<td>Rent, lease payments</td>
<td>31,731</td>
<td>42,166</td>
</tr>
<tr>
<td>Other</td>
<td>405,604</td>
<td>366,819</td>
</tr>
<tr>
<td>Changes in inventories of finished goods, work in progress and other effects</td>
<td>16,683</td>
<td>(134,625)</td>
</tr>
<tr>
<td><strong>Total cost of goods, products, works and services sold, commercial and administrative expenses</strong></td>
<td><strong>5,566,260</strong></td>
<td><strong>4,984,528</strong></td>
</tr>
</tbody>
</table>

The increase in cost of purchased gas is mainly related to the completion of the Swap Agreement between PJSC Gazprom and Wintershall Holding GmbH, which resulted in acquisition of control over the natural gas trading and storage operating companies W & G Beteiligungs-GmbH & Co. KG and WIEH GmbH and their subsidiaries by the Group.

Mineral Extraction Tax within the line “Taxes included in cost of sales” amounted to RUB 569,932 million and RUB 540,773 million for 2016 and 2015, respectively.

The cost of purchased oil increased mainly due to the increase in volumes of oil purchased from the third parties.

Other expenses primarily include transportation services, software services and maintenance, refining costs, advertisement, legal and consulting fees, cost of geologic and other services.
### OTHER INCOME AND EXPENSES

<table>
<thead>
<tr>
<th>Note</th>
<th>For 2016</th>
<th>For 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Income</td>
<td>Expenses</td>
</tr>
<tr>
<td></td>
<td>3,913,872</td>
<td>3,910,490</td>
</tr>
<tr>
<td></td>
<td>3,369,868</td>
<td>3,367,990</td>
</tr>
<tr>
<td></td>
<td>1,433,994</td>
<td>1,131,098</td>
</tr>
<tr>
<td>5</td>
<td>-</td>
<td>62,785</td>
</tr>
<tr>
<td>24</td>
<td>80,863</td>
<td>59,514</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>35,260</td>
</tr>
<tr>
<td></td>
<td>4,995</td>
<td>30,646</td>
</tr>
<tr>
<td></td>
<td>49,173</td>
<td>25,458</td>
</tr>
<tr>
<td></td>
<td>67,258</td>
<td>25,183</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>23,057</td>
</tr>
<tr>
<td></td>
<td>1,025</td>
<td>6,136</td>
</tr>
<tr>
<td></td>
<td>4,267</td>
<td>4,478</td>
</tr>
<tr>
<td></td>
<td>6,200</td>
<td>4,440</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>3,975</td>
</tr>
<tr>
<td></td>
<td>7,682</td>
<td>3,970</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>2,877</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>2,187</td>
</tr>
<tr>
<td></td>
<td>62,985</td>
<td>194</td>
</tr>
<tr>
<td></td>
<td>46,475</td>
<td>206,471</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,048,657</strong></td>
<td><strong>8,906,209</strong></td>
</tr>
</tbody>
</table>

The Group recognized estimated liability regarding possible gas price adjustment derived from foreign customers’ claims based on the contract terms. The provisions as of 31 December 2016 and 31 December 2015 in the amount of RUB 112,256 million and RUB 102,134 million respectively do not include possible correction of customs duties accrued formerly.

The line “Profit and losses of previous years identified in the reporting year” for the year ended 31 December 2016 includes positive effect of corrections regarding gas price adjustment in the amount of RUB 39,403 million. For the year ended 31 December 2015 positive effect of corrections regarding gas price adjustment amounted to RUB 17,021 million. These corrections refer to the price adjustment of gas delivered in previous periods for which an adjustment was agreed in 2016 and 2015, respectively.

Other income and expenses related to accrual (release) of bad debts and investment impairment allowances are presented netted.
### Consolidated Subsidiaries and Associates of the Group

**Principal subsidiaries as of 31 December 2016**

<table>
<thead>
<tr>
<th>Note</th>
<th>Company</th>
<th>Share in Charter Capital, %</th>
<th>Type of activity</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>LLC</td>
<td>Aviapredpriyatie Gazprom avia</td>
<td>100</td>
<td>Air transportation services; Construction and maintenance of gas pipelines, purchase, transportation, storage and distribution of natural gas</td>
<td>Russia</td>
</tr>
<tr>
<td>23</td>
<td>WIBG GmbH</td>
<td>100</td>
<td>Gas transportation and gas distribution</td>
<td>Germany</td>
</tr>
<tr>
<td>OJSC</td>
<td>Vostokgazprom</td>
<td>100</td>
<td>Gas production</td>
<td>Russia</td>
</tr>
<tr>
<td>GAZPROM Schweiz AG</td>
<td>100</td>
<td>Gas production</td>
<td>Switzerland</td>
<td></td>
</tr>
<tr>
<td>CJSC</td>
<td>Gazprom Armenia</td>
<td>100</td>
<td>Gas network operation</td>
<td>Armenia</td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom VNIIGAZ</td>
<td>100</td>
<td>Research and development</td>
<td>Russia</td>
</tr>
<tr>
<td>JSC</td>
<td>Gazprom gazoraspredelenie Sever</td>
<td>73</td>
<td>Gas network operation; Exploration, geophysics; Production of hydrocarbons; Development of hydrocarbon fields; Exploration, geophysics</td>
<td>Russia; Russia; Russia; Russia</td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom georesurs</td>
<td>100</td>
<td>Exploration, geophysics; Production of hydrocarbons</td>
<td>Russia</td>
</tr>
<tr>
<td>GAZPROM Germany GmbH</td>
<td>100</td>
<td>Gas distribution</td>
<td>Germany</td>
<td></td>
</tr>
<tr>
<td>Gazprom Gerosgaz Holdings B.V.</td>
<td>100</td>
<td>Investing; Participation in LNG production and realization projects</td>
<td>Netherlands, United Kingdom</td>
<td></td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom Global LNG Ltd.</td>
<td>100</td>
<td>Production and refining of hydrocarbons; Oil products trading; Exploration, refining and sales of crude oil</td>
<td>Russia, Austria, Russia</td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom dobycha Astarkhan</td>
<td>100</td>
<td>Gas production; Exploration, geophysics; Refining of hydrocarbons; Repair, modernization, reconstruction and conservation of gas production wells</td>
<td>Russia, Russia, Russia, Russia</td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom dobycha Krasnodar</td>
<td>100</td>
<td>Production of hydrocarbons; Exploration, geophysics; Refining of hydrocarbons; Repair, modernization, reconstruction and conservation of gas production wells</td>
<td>Russia, Russia, Russia, Russia</td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom dobycha Nadym</td>
<td>100</td>
<td>Production of hydrocarbons; Exploration, geophysics; Refining of hydrocarbons; Repair, modernization, reconstruction and conservation of gas production wells</td>
<td>Russia, Russia, Russia, Russia</td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom dobycha Noyabrsk</td>
<td>100</td>
<td>Production, refining and transportation of hydrocarbons; Exploration, geophysics; Refining of hydrocarbons; Repair, modernization, reconstruction and conservation of gas production wells</td>
<td>Russia, Russia, Russia, Russia</td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom dobycha Orenburg</td>
<td>100</td>
<td>Production of hydrocarbons; Exploration, geophysics; Refining of hydrocarbons; Repair, modernization, reconstruction and conservation of gas production wells</td>
<td>Russia, Russia, Russia, Russia</td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom dobycha Urengoy</td>
<td>100</td>
<td>Development of hydrocarbon fields; Exploration, geophysics; Refining of hydrocarbons; Repair, modernization, reconstruction and conservation of gas production wells</td>
<td>Russia, Russia, Russia, Russia</td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom dobycha shelf Yuzhno-Sakhalinsk</td>
<td>100</td>
<td>Exploration, geophysics; Refining of hydrocarbons; Repair, modernization, reconstruction and conservation of gas production wells</td>
<td>Russia, Russia, Russia, Russia</td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom dobycha Yamburg</td>
<td>100</td>
<td>Production of hydrocarbons; Construction</td>
<td>Russia, Russia</td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom invest</td>
<td>100</td>
<td>Construction</td>
<td>Russia</td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom invest Vostok</td>
<td>100</td>
<td>Construction</td>
<td>Russia</td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom invest RGK</td>
<td>100</td>
<td>Construction, information, consulting and transportation services</td>
<td>Russia, Russia</td>
</tr>
<tr>
<td>CJSC</td>
<td>Gazprom invest Yug</td>
<td>100</td>
<td>Construction</td>
<td>Russia</td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom investholding</td>
<td>100</td>
<td>Investing</td>
<td>Russia</td>
</tr>
<tr>
<td>Gazprom International Germany GmbH</td>
<td>100</td>
<td>Investing; Informational and technical assistance</td>
<td>Germany, Russia</td>
<td></td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom inform</td>
<td>100</td>
<td>Informational and technical assistance</td>
<td>Russia</td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom komplektatsiya</td>
<td>100</td>
<td>Trading</td>
<td>Russia</td>
</tr>
<tr>
<td>Gazprom Marketing and Trading Ltd.</td>
<td>100</td>
<td>Gas distribution</td>
<td>United Kingdom</td>
<td></td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom mezhregiongaz</td>
<td>100</td>
<td>Gas distribution; Processing and distribution of refined products; Exploration, refining and sales of crude oil</td>
<td>Russia, Russia, Russia</td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom neftekhim Salavat</td>
<td>100</td>
<td>Exploration, refining and sales of crude oil</td>
<td>Russia</td>
</tr>
<tr>
<td>PJSC</td>
<td>Gazprom neft</td>
<td>96</td>
<td>Oil products trading; Development of oil and gas fields; Refining of hydrocarbons; Repairs, modernization, reconstruction and conservation of gas production wells</td>
<td>Russia, Russia, Russia, Russia</td>
</tr>
<tr>
<td>Gazprom Neft Trading GmbH</td>
<td>100</td>
<td>Development of oil and gas fields</td>
<td>Russia</td>
<td></td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom neft shelf</td>
<td>100</td>
<td>Refining of hydrocarbons</td>
<td>Russia</td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom pererabotka</td>
<td>100</td>
<td>Repairs, modernization, reconstruction and conservation of gas production wells</td>
<td>Russia</td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom podzemremont Orenburg</td>
<td>100</td>
<td>Repairs, modernization, reconstruction and conservation of gas production wells</td>
<td>Russia</td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom podzemremont Urengoy</td>
<td>100</td>
<td>Gas storage</td>
<td>Russia</td>
</tr>
<tr>
<td>LLC</td>
<td>Gazprom PKhG</td>
<td>100</td>
<td>Gas storage</td>
<td>Russia</td>
</tr>
</tbody>
</table>
## 20. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP (continued)

<table>
<thead>
<tr>
<th>Note</th>
<th>Company</th>
<th>Share in Charter Capital, %</th>
<th>Type of activity</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gazprom Sakhalin Holdings B.V.</td>
<td>100</td>
<td>Foreign investing</td>
<td>Netherlands</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom torgservis</td>
<td>100</td>
<td>Trading</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>OJSC Gazprom transgaz Belarus</td>
<td>100</td>
<td>Gas transportation</td>
<td>Belorussia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom transgaz Volgograd</td>
<td>100</td>
<td>Gas transportation</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom transgaz Ekaterinburg</td>
<td>100</td>
<td>Gas transportation</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom transgaz Kazan</td>
<td>100</td>
<td>Gas transportation</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom transgaz Krasnodar</td>
<td>100</td>
<td>Gas transportation</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom transgaz Makhachkala</td>
<td>100</td>
<td>Gas transportation</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom transgaz Moskva</td>
<td>100</td>
<td>Gas transportation</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom transgaz Nizhny Novgorod</td>
<td>100</td>
<td>Gas transportation</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom transgaz Samara</td>
<td>100</td>
<td>Gas transportation</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom transgaz Saint-Petersburg</td>
<td>100</td>
<td>Gas transportation</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom transgaz Saratov</td>
<td>100</td>
<td>Gas transportation</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom transgaz Stavropol</td>
<td>100</td>
<td>Gas transportation</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom transgaz Surgut</td>
<td>100</td>
<td>Gas transportation</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom transgaz Tomsk</td>
<td>100</td>
<td>Gas transportation</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom transgaz Ufa</td>
<td>100</td>
<td>Gas transportation</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom transgaz Ukhta</td>
<td>100</td>
<td>Gas transportation</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom transgaz Tchaikovsky</td>
<td>100</td>
<td>Gas transportation</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom transgaz Yugorsk</td>
<td>100</td>
<td>Gas transportation</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>Gazprom Finance B.V.</td>
<td>100</td>
<td>Investing</td>
<td>Netherlands</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom tsentremont</td>
<td>100</td>
<td>Agency on technical maintenance and repairs</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom export</td>
<td>100</td>
<td>Foreign trade</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom energo</td>
<td>100</td>
<td>Electric energy transmission</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom energoholding</td>
<td>100</td>
<td>Investing, asset management</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>Gazprom EP International B.V.</td>
<td>100</td>
<td>Investing, asset management</td>
<td>Netherlands</td>
</tr>
<tr>
<td></td>
<td>JSC Gazprom YRG M Development</td>
<td>100</td>
<td>Raw hydrocarbons distribution</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>CJSC Gazprom YRG M Trading</td>
<td>100</td>
<td>Raw hydrocarbons distribution</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazpromneft-Vostok</td>
<td>100</td>
<td>Oil and gas production</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>JSC Gazpromneft-MNPZ</td>
<td>100</td>
<td>Oil refining</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>JSC Gazpromneft-Noyabrskneftegaz</td>
<td>100</td>
<td>Oil and gas production</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>JSC Gazpromneft-Omsk</td>
<td>100</td>
<td>Oil products trading</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>JSC Gazpromneft-ONPZ</td>
<td>100</td>
<td>Oil refining</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazpromneft-Orenburg</td>
<td>100</td>
<td>Exploration and sales of oil and petroleum gas</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>JSC Gazpromneft-Severo-Zapad</td>
<td>100</td>
<td>Oil products trading</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC GPN-Finans</td>
<td>100</td>
<td>Investing</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazpromneft-Khantos</td>
<td>100</td>
<td>Oil and gas production</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazpromneft-Centr</td>
<td>100</td>
<td>Oil products trading</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazpromtrans</td>
<td>100</td>
<td>Forwarding services</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>OJSC Gazpromtrubinvest</td>
<td>100</td>
<td>Production and sales of pipes</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Gazprom flot</td>
<td>100</td>
<td>Gas transportation</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>JSC Daltransgaz</td>
<td>100</td>
<td>Gas transportation</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Zapolyarneft</td>
<td>100</td>
<td>Oil and gas production</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>PJSC Krasnoyarskgazprom</td>
<td>100</td>
<td>Exploration, geophysics</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>PJSC MIPC</td>
<td>90</td>
<td>Production of electric and heat power, electric power supply services</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>PJSC Mosenergo</td>
<td>53</td>
<td></td>
<td>Russia</td>
</tr>
</tbody>
</table>
### CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP (continued)

<table>
<thead>
<tr>
<th>Note</th>
<th>Company</th>
<th>Share in Charter Capital, %(^1)</th>
<th>Type of activity</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.</td>
<td>Naftna industrija Srbije a.d.</td>
<td>56</td>
<td>Extraction and processing of oil, distribution of refined products</td>
<td>Serbia</td>
</tr>
<tr>
<td></td>
<td>LLC Novourengovsky GCC</td>
<td>100</td>
<td>Construction of gas chemical complex</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>PJSC WGC-2</td>
<td>77</td>
<td>Production and sales of electric and heat energy</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>CJSC Purgaz</td>
<td>51</td>
<td>Gas production</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>OJSC Regiougazholding</td>
<td>57</td>
<td>Construction and maintenance of gas facilities</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>CJSC Rosshelf</td>
<td>57</td>
<td>Investments in oil and gas fields</td>
<td>Russia</td>
</tr>
<tr>
<td>23</td>
<td>South Stream Transport B.V.</td>
<td>100</td>
<td>Construction, gas transportation, Exploration, processing and sales of gas and gas condensate</td>
<td>Netherlands</td>
</tr>
<tr>
<td></td>
<td>OJSC Severneftegazprom(^3)</td>
<td>50</td>
<td>Gas processing and sales of petrochemicals</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Sibmetakhim</td>
<td>100</td>
<td>Construction and transportation services</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>PJSC Gazprom spetsgazavtotrans</td>
<td>51</td>
<td>Production and sales of electric and heat energy</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>PJSC TGC-1</td>
<td>52</td>
<td>Transportation and distribution of electric and heat energy</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>JSC Teploset Sankt-Peterburga</td>
<td>75</td>
<td>Exploration, production, transportation of hydrocarbons</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>OJSC Tomskgazprom</td>
<td>100</td>
<td>Investment</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Faktoring-Finance</td>
<td>100</td>
<td>Construction</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>JSC Tsentrgaz</td>
<td>100</td>
<td>Repair and maintenance of gas equipment</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>JSC Gazprom centrenergogaz</td>
<td>66</td>
<td>Exploration and sales of oil and petroleum gas</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>JSC Yuzhuralneftegaz</td>
<td>88</td>
<td>Designing and construction of gas facilities</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>LLC Yamalgazinvest</td>
<td>100</td>
<td></td>
<td>Russia</td>
</tr>
</tbody>
</table>

\(^1\) Cumulative share of the Group in charter capital of investees.
\(^2\) On 30 September 2015 in accordance with the Swap Agreement the Group acquired the 100% of the interest in WIBG GmbH (see Note 23).
\(^3\) Group’s portion of voting shares.
## 20. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP (continued)

Principal associates as of 31 December 2016

<table>
<thead>
<tr>
<th>Company</th>
<th>Share in Charter Capital, %&lt;sup&gt;1&lt;/sup&gt;</th>
<th>Type of activity</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSC Achimgaz</td>
<td>50</td>
<td>Exploration and production of gas and gas condensate</td>
<td>Russia</td>
</tr>
<tr>
<td>Blue Stream Pipeline Company B.V.</td>
<td>50</td>
<td>Construction, gas transportation</td>
<td>Netherlands</td>
</tr>
<tr>
<td>Bosphorus Gaz Corporation A.S.&lt;sup&gt;2&lt;/sup&gt;</td>
<td>71</td>
<td>Gas distribution</td>
<td>Turkey</td>
</tr>
<tr>
<td>WIGA Transport Beteiligungs-GmbH &amp; Co. KG</td>
<td>50</td>
<td>Gas transportation</td>
<td>Germany</td>
</tr>
<tr>
<td>Wintershall AG</td>
<td>49</td>
<td>Production of oil and gas distribution</td>
<td>Germany</td>
</tr>
<tr>
<td>Gaz Project Development Central</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia AG</td>
<td>50</td>
<td>Gas production</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Gazprombank (Joint-stock Company)</td>
<td>36</td>
<td>Banking</td>
<td>Russia</td>
</tr>
<tr>
<td>SGT EuRoPol GAZ S.A.</td>
<td>48</td>
<td>Gas transportation and gas distribution</td>
<td>Poland</td>
</tr>
<tr>
<td>KazRosGaz LLP</td>
<td>50</td>
<td>Transportation and gas processing and sales of gas and refined products</td>
<td>Kazakhstan</td>
</tr>
<tr>
<td>JSC Latvijas Gaze</td>
<td>34</td>
<td>Transportation and gas distribution</td>
<td>Latvia</td>
</tr>
<tr>
<td>JSV Moldovagaz</td>
<td>50</td>
<td>Gas transportation</td>
<td>Moldova</td>
</tr>
<tr>
<td>Nord Stream AG&lt;sup&gt;2&lt;/sup&gt;</td>
<td>51</td>
<td>Gas transportation and sale of gas and gas condensate</td>
<td>Switzerland</td>
</tr>
<tr>
<td>CJSC Northgas</td>
<td>50</td>
<td>Gas production</td>
<td>Russia</td>
</tr>
<tr>
<td>Overgaz Inc. AD</td>
<td>50</td>
<td>Gas distribution</td>
<td>Bulgaria</td>
</tr>
<tr>
<td>CJSC Panrusgas</td>
<td>40</td>
<td>Gas distribution</td>
<td>Hungary</td>
</tr>
<tr>
<td>JSC Prometey Gaz</td>
<td>50</td>
<td>Gas distribution, construction</td>
<td>Greece</td>
</tr>
<tr>
<td>Sakhalin Energy Investment Company Ltd.</td>
<td>50</td>
<td>Oil production</td>
<td>Bermuda</td>
</tr>
<tr>
<td>CJSC Ngk Slavneft</td>
<td>50</td>
<td>Production, processing and sale of LNG</td>
<td>Islands</td>
</tr>
<tr>
<td>OJSC Tomskneft VNK</td>
<td>50</td>
<td>Oil production</td>
<td>Russia</td>
</tr>
<tr>
<td>JSC Turusgas</td>
<td>45</td>
<td>Gas distribution</td>
<td>Turkey</td>
</tr>
<tr>
<td>LLC Yuzhno-Priobsky GPZ</td>
<td>50</td>
<td>Processing of petroleum gas</td>
<td>Russia</td>
</tr>
<tr>
<td>LLC Yamal razvite</td>
<td>50</td>
<td>Investment, asset management</td>
<td>Russia</td>
</tr>
</tbody>
</table>

<sup>1</sup> Cumulative share of the Group in charter capital of investees.

<sup>2</sup> Investments in companies continue to be accounted under the equity method of accounting, as the Group did not obtain control due to its corporate governance structure.

## 21 RELATED PARTIES

As defined by RAR 11/2008 “Related parties”, parties are considered to be related if one party has the ability to control another party or exercise significant influence over another party in making financial and operational decisions, or parties are engaged in joint activity. A non-state pension fund acting in favor of entity’s employees is also considered a related party.

### Associates and other major related parties

In 2016 and 2015 the Group had following operations with major associates and other related parties:

<table>
<thead>
<tr>
<th>Revenue (net of VAT, excise and other similar mandatory payments)</th>
<th>For 2016</th>
<th>For 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Panrusgaz Gas Trading Plc</td>
<td>38,041</td>
<td>69,345</td>
</tr>
<tr>
<td>JSV Moldovagaz</td>
<td>24,849</td>
<td>31,950</td>
</tr>
<tr>
<td>VEMEX s.r.o. and its subsidiaries</td>
<td>16,046</td>
<td>7,166</td>
</tr>
<tr>
<td>Bosphorus Gaz Corporation A.S.</td>
<td>15,376</td>
<td>19,735</td>
</tr>
<tr>
<td>KazRosGaz LLP</td>
<td>10,509</td>
<td>3,598</td>
</tr>
</tbody>
</table>
21. RELATED PARTIES (continued)

<table>
<thead>
<tr>
<th></th>
<th>For 2016</th>
<th>For 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSC Latvijas Gaze</td>
<td>10,237</td>
<td>13,338</td>
</tr>
<tr>
<td>SGT EuRoPol GAZ S.A.</td>
<td>4,759</td>
<td>5,927</td>
</tr>
<tr>
<td>PremiumGas S.p.A</td>
<td>4,702</td>
<td>638</td>
</tr>
<tr>
<td>W &amp; G Beteiligungs-GmbH &amp; Co. KG and its subsidiaries</td>
<td>-</td>
<td>123,156</td>
</tr>
<tr>
<td>WIEH GmbH(^1)</td>
<td>-</td>
<td>109,935</td>
</tr>
<tr>
<td>Gasum Oy(^2)</td>
<td>-</td>
<td>24,999</td>
</tr>
<tr>
<td>Overgaz Inc. AD</td>
<td>-</td>
<td>4,944</td>
</tr>
<tr>
<td>WIEE AG(^1)</td>
<td>-</td>
<td>1,344</td>
</tr>
</tbody>
</table>

Gas transportation services
KazRosGaz LLP 2,688 2,299

Crude oil, gas condensate and refined products sales
OJSC NGK Slavneft and its subsidiaries 38,445 44,075
JSC SOVEX 3,696 4,674
LLC NPP Neftekhimia 2,379 3,054
Sakhalin Energy Investment Company Ltd. 2,054 2,233
Poliom Ltd 1,800 2,744

Operator services sales and other services sales
JSC Messoyakhaneftegas 4,538 31,142

Gas refining services
KazRosGas LLP 8,169 5,940

**Purchases**

Gas purchases
LLC SeverEnergiya and its subsidiaries 49,393 48,714
KazRosGaz LLP 32,567 44,624
Sakhalin Energy Investment Company Ltd. 11,811 20,226
CJSC Northgaz 8,512 8,819
VEMEX s.r.o. and its subsidiaries 3,885 1,512
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries\(^1\) - 57,182

Gas transportation services
Nord Stream AG 79,002 73,966
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries 38,035 24,386
SGT EuRoPol GAZ S.A. 16,613 17,881
Blue Stream Pipeline Company B.V. 4,000 4,188
JSV Moldovagaz 3,587 3,027

Oil and refined products purchases
OJSC NGK Slavneft and its subsidiaries 91,524 95,752
OJSC Tomskneft VNK and its subsidiaries 57,382 63,063
Salym Petroleum Development N.V. 36,958 37,086
Sakhalin Energy Investment Company Ltd. 19,090 9,140

Purchased services of gas and gas condensate extraction
JSC Achimgaz 27,994 28,798

Oil and oil product refining services
OJSC NGK Slavneft and its subsidiaries 13,313 14,179

**Pension fund contributions**

NPF GAZFOND 16,783 15,738

\(^1\) In September 2015 W&G Beteiligungs-GmbH & Co. KG and its subsidiaries, WIEH GmbH (formerly WIEH GmbH &Co. KG), WIEE AG (formerly Wintershall Erdgas Handelshaus Zug AG) became subsidiaries of the Group (see Note 23). In August 2016 W & G Beteiligungs-GmbH & Co. KG was merged with WIBG GmbH.

\(^2\) In January 2016 PJSC Gazprom has sold its equity interest of 25% in Gasum Oy to the Government of Finland for EUR 251 million.

In Russia the Group sold gas to associates mainly using tariffs set by the Federal Antimonopoly Service. Until 21 July 2015 these functions were performed by the Federal Tariffs Service. Export sales of gas are based on long-term contracts with prices linked to world energy commodity prices. The Group purchases oil and gas from associates in the ordinary course of business at prices close to average market prices.
21. RELATED PARTIES (continued)

The following balances of accounts receivable and accounts payable with major associates and other related parties were recorded on the consolidated balance sheet of the Group as of 31 December 2016, 2015 and 2014:

<table>
<thead>
<tr>
<th>Accounts receivable</th>
<th>As of 31 December</th>
<th>As of 31 December</th>
<th>As of 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Accounts receivable (payment expected within 12 months of the reporting date)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gazprombank (Joint-stock company)</td>
<td>14,312</td>
<td>36,301</td>
<td>2,430</td>
</tr>
<tr>
<td>OJSC NGK Slavneft and its subsidiaries</td>
<td>8,286</td>
<td>8,415</td>
<td>10,701</td>
</tr>
<tr>
<td>JSC Messoyakhaneftegas</td>
<td>8,190</td>
<td>8,576</td>
<td>1,869</td>
</tr>
<tr>
<td>KazRosGaz LLP</td>
<td>3,287</td>
<td>842</td>
<td>759</td>
</tr>
<tr>
<td>Panrusgaz Gas Trading Plc</td>
<td>3,175</td>
<td>7,434</td>
<td>3,523</td>
</tr>
<tr>
<td>Sakhalin Energy Investment Company Ltd.</td>
<td>2,733</td>
<td>1,149</td>
<td>493</td>
</tr>
<tr>
<td>VEMEX s.r.o. and its subsidiaries</td>
<td>1,422</td>
<td>1,790</td>
<td>1,367</td>
</tr>
<tr>
<td>Salym Petroleum Development N.V.</td>
<td>304</td>
<td>1,010</td>
<td>1,112</td>
</tr>
<tr>
<td>Overgaz Inc. AD</td>
<td>-</td>
<td>8,813</td>
<td>9,246</td>
</tr>
<tr>
<td>JSV Moldovagaz</td>
<td>-</td>
<td>4,435</td>
<td>1,281</td>
</tr>
<tr>
<td>Gasum Oy</td>
<td>-</td>
<td>2,579</td>
<td>5,353</td>
</tr>
<tr>
<td>Bosphorus Gaz Corporation A.S.</td>
<td>-</td>
<td>314</td>
<td>1,349</td>
</tr>
<tr>
<td>CJSC Northgas</td>
<td>-</td>
<td>12</td>
<td>1,952</td>
</tr>
<tr>
<td>WIEH GmbH</td>
<td>-</td>
<td>-</td>
<td>20,739</td>
</tr>
<tr>
<td>W &amp; G Beteiligungs-GmbH &amp; Co. KG. and its subsidiaries</td>
<td>-</td>
<td>-</td>
<td>17,448</td>
</tr>
<tr>
<td>LLC Yamal razvitie</td>
<td>-</td>
<td>-</td>
<td>1,272</td>
</tr>
<tr>
<td>WIEE AG</td>
<td>-</td>
<td>-</td>
<td>1,081</td>
</tr>
<tr>
<td>Accounts receivable (payment expected beyond 12 months of the reporting date)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LLC Yamal razvitie</td>
<td>8,913</td>
<td>2,487</td>
<td>1,272</td>
</tr>
<tr>
<td>JSC Messoyakhaneftegas</td>
<td>1,329</td>
<td>558</td>
<td>-</td>
</tr>
<tr>
<td>Gazprombank (Joint-stock company)</td>
<td>745</td>
<td>255</td>
<td>4,119</td>
</tr>
<tr>
<td>Other financial investments long-term</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gazprombank (Joint-stock company)</td>
<td>42,230</td>
<td>-</td>
<td>67</td>
</tr>
<tr>
<td>Other financial investments short-term</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gazprombank (Joint-stock company)</td>
<td>100,015</td>
<td>16,467</td>
<td>37,714</td>
</tr>
<tr>
<td>OJSC Belgazprombank</td>
<td>968</td>
<td>11,827</td>
<td>5,252</td>
</tr>
<tr>
<td>Cash balances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gazprombank (Joint-stock company)</td>
<td>518,697</td>
<td>903,376</td>
<td>657,578</td>
</tr>
<tr>
<td>Accounts payable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term accounts payable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nord Stream AG</td>
<td>5,723</td>
<td>7,170</td>
<td>6,098</td>
</tr>
<tr>
<td>Salym Petroleum Development N.V.</td>
<td>4,368</td>
<td>2,720</td>
<td>1,994</td>
</tr>
<tr>
<td>KazRosGaz LLP</td>
<td>4,186</td>
<td>3,370</td>
<td>2,925</td>
</tr>
<tr>
<td>OJSC NGK Slavneft and its subsidiaries</td>
<td>4,094</td>
<td>1,510</td>
<td>1,926</td>
</tr>
<tr>
<td>JSC Messoyakhaneftegas</td>
<td>3,694</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>LLC SeverEnergiya and its subsidiaries</td>
<td>3,436</td>
<td>5,755</td>
<td>3,368</td>
</tr>
<tr>
<td>JSC Achimgaz</td>
<td>3,025</td>
<td>4,506</td>
<td>3,188</td>
</tr>
<tr>
<td>Sakhalin Energy Investment Company Ltd.</td>
<td>2,948</td>
<td>854</td>
<td>1,440</td>
</tr>
<tr>
<td>SGT EuRoPol GAZ S.A.</td>
<td>2,100</td>
<td>2,710</td>
<td>2,272</td>
</tr>
<tr>
<td>JSC Latvijas Gaze</td>
<td>92</td>
<td>1,806</td>
<td>214</td>
</tr>
<tr>
<td>Gasum Oy</td>
<td>-</td>
<td>2,260</td>
<td>-</td>
</tr>
<tr>
<td>W &amp; G Beteiligungs-GmbH &amp; Co. KG. and its subsidiaries</td>
<td>-</td>
<td>-</td>
<td>6,464</td>
</tr>
</tbody>
</table>

1 Accounts receivable are stated net of allowance for doubtful debts amounting to RUB 6,380 million, RUB nil million and RUB nil million as of 31 December 2016, 2015 and 2014, respectively.
2 Accounts receivable are stated net of allowance for doubtful debts amounting to RUB 358,279 million, RUB 396,456 million and RUB 288,657 million as of 31 December 2016, 2015 and 2014, respectively.
21 RELATED PARTIES (continued)

Loans issued to major associates and promissory notes received from major associates as of 31 December 2016, 2015 and 2014 are presented as follows:

<table>
<thead>
<tr>
<th>Loans and promissory notes due for repayment beyond 12 months of the reporting date</th>
<th>As of 31 December 2016</th>
<th>As of 31 December 2015</th>
<th>As of 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>LLC Yamal razvitie</td>
<td>31,301</td>
<td>36,831</td>
<td>48,253</td>
</tr>
<tr>
<td>JSC Messoyakhaneftegaz</td>
<td>17,633</td>
<td>14,614</td>
<td>10,672</td>
</tr>
<tr>
<td>WIGA Transport Beteiligungs - GmbH &amp; Co. KG and its subsidiaries</td>
<td>12,757</td>
<td>15,933</td>
<td>13,663</td>
</tr>
<tr>
<td>Erdgasspeicher Peissen GmbH</td>
<td>6,764</td>
<td>8,448</td>
<td>3,745</td>
</tr>
<tr>
<td>OJSC Belgazprombank</td>
<td>4,957</td>
<td>4,957</td>
<td>-</td>
</tr>
<tr>
<td>Etzel-Kavernenbetriebsgesselschaft mbH &amp; Co. KG</td>
<td>-</td>
<td>4,695</td>
<td>5,293</td>
</tr>
<tr>
<td>Wintershall Noordzee B.V.</td>
<td>-</td>
<td>3,571</td>
<td>-</td>
</tr>
<tr>
<td>W &amp; G Beteiligungs-GmbH &amp; Co. KG and its subsidiaries</td>
<td>-</td>
<td>-</td>
<td>26,161</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loans and promissory notes due for repayment within 12 months of the reporting date</th>
<th>As of 31 December 2016</th>
<th>As of 31 December 2015</th>
<th>As of 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSC Messoyakhaneftegaz</td>
<td>32,340</td>
<td>11,166</td>
<td>-</td>
</tr>
<tr>
<td>Wintershall Noordzee B.V.</td>
<td>5,811</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Wintershall AG</td>
<td>1,811</td>
<td>3,064</td>
<td>2,567</td>
</tr>
</tbody>
</table>

Loans received from major associates as of 31 December 2016, 2015 and 2014 are presented as follows:

<table>
<thead>
<tr>
<th>Loans and borrowings due for repayment beyond 12 months of the reporting date</th>
<th>As of 31 December 2016</th>
<th>As of 31 December 2015</th>
<th>As of 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gazprombank (Joint-stock company)</td>
<td>88,850</td>
<td>114,793</td>
<td>36,490</td>
</tr>
<tr>
<td>OJSC Tomskneft VNK</td>
<td>12,812</td>
<td>12,985</td>
<td>13,170</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loans due for repayment within 12 months of the reporting date (including current portion of long-term liabilities)</th>
<th>As of 31 December 2016</th>
<th>As of 31 December 2015</th>
<th>As of 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gazprombank (Joint-stock company)</td>
<td>31,797</td>
<td>15,635</td>
<td>24,397</td>
</tr>
</tbody>
</table>

The Group received loans and borrowings from its major associates in Russian Rubles at rates ranging from 9.93 % to 13.75 % in 2016. The similar figure for 2015 was from 13.00 % to 14.50 %.

Besides, the Group received loans nominated in foreign currency at the rates ranging from 6.0 % to 9.5 % in 2016. The similar figure in 2015 was 6.0 %.

Remuneration to key management personnel

Key management personnel’s (the members of the Board of Directors and Management Committee of PJSC Gazprom) short-term compensation, including salary, bonuses and remuneration for serving in the management bodies of PJSC Gazprom and its subsidiaries, amounted to RUB 4 685 million and RUB 4 801 million for the years ended 31 December 2016 and 2015, respectively.

Government representatives serving in the Board of Directors do not receive any remuneration from PJSC Gazprom and its subsidiaries. Remuneration of members of the Board of Directors is approved by the annual meeting of shareholders. Compensation of key management personnel (other than remuneration of the Board of Directors) paid by PJSC Gazprom and its subsidiaries 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.

PJSC Gazprom provided medical insurance and liability insurance to key management personnel. Voluntary medical insurance amounted to RUB 7 million (RUB 7 million for 2015) and liability insurance amounted to RUB 2 million for 2016 (RUB 2 million for 2015).
22 EARNINGS PER SHARE
Basic earnings per share have been calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the reporting year. The weighted average number of ordinary shares outstanding for 2016 and 2015 amounted to 22,561 million shares and 22,951 million shares respectively.
Diluted earnings per share have not been calculated due to the absence of instruments convertible to ordinary shares at the beginning and the end of the reporting period.

23 ACQUISITION OF SUBSIDIARIES

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

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

Asset swap with Wintershall Holding GmbH
On 30 September 2015 PJSC Gazprom and Wintershall Holding GmbH completed the asset swap which was initially agreed in December 2013. The Swap Agreement has retroactive economic effect to 1 April 2013. According to the Swap Agreement 25.01 % of interest in the capital of LLC Achim Development and 9 % of ordinary shares, one class A preference share and one class B preference share of JSC Achim Trading which were recognised under investments in subsidiaries in the consolidated accounting reports of the Group have been transferred to Wintershall Holding GmbH in return for the 100 % of the interest in WIBG GmbH and for 50 % of the interest in Wintershall Noordzee B.V. and Wintershall Services B.V. WIBG GmbH holds an equity interest of 50.02 % and 50 % in W & G Beteiligungs-GmbH & Co. KG and in WIEH GmbH, respectively.

The cash compensation from Wintershall Holding GmbH amounted to EUR 29 million (RUB 2,170 million – translated at the rate as of 30 September 2015).

Prior to the swap transaction the Group held an equity interest of 49.98 % in W & G Beteiligungs-GmbH & Co. KG and of 50 % in WIEH GmbH. These subgroups were accounted as investments in associates. In addition at the acquisition date the Group held an equity interest of 33.33 % in WINGAS Storage UK Ltd., in which W & G Beteiligungs-GmbH & Co. KG held an equity interest of 50 %.

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

The acquired 50 % interests in Wintershall Noordzee B.V. and Wintershall Services B.V. are accounted as investment in associates since the acquisition date.

As a result of these transactions goodwill in the amount of RUB 31,112 million has arisen in respect of WIBG GmbH.

Acquisition of South Stream Transport B.V.
In December 2014 the Group became the owner of 100 % of the interest in South Stream Transport B.V., the company responsible for the offshore part of the South Stream project. Until 29 December 2014, South Stream Transport B.V. was a joint project held by the Group (50 %), ENI International B.V. (20 %), EDF International S.A.S. (15 %) and Wintershall Holding GmbH (15 %). On 29 December 2014, the Group acquired the remaining 50 % of the shares of South Stream Transport B.V. from the minority shareholders for
23 ACQUISITION OF SUBSIDIARIES (continued)

consideration of EUR 883 million paid in cash. South Stream Transport B.V. was established for the
planning, construction, and subsequent operation of the offshore pipeline through the Black Sea and had no
notable operating activities up to and as of the purchase date other than the management of construction.

24 COMMITMENTS AND CONTINGENCIES

Estimated liabilities

<table>
<thead>
<tr>
<th>Estimated liabilities</th>
<th>As of 31 December 2015</th>
<th>Accrued</th>
<th>Utilized</th>
<th>Recovered</th>
<th>As of 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated liabilities on bonus payments at the year end</td>
<td>37,313</td>
<td>48,547</td>
<td>(44,645)</td>
<td>(1,826)</td>
<td>39,389</td>
</tr>
<tr>
<td>Estimated liabilities on vacations</td>
<td>29,280</td>
<td>57,709</td>
<td>(55,365)</td>
<td>(616)</td>
<td>31,008</td>
</tr>
<tr>
<td>Estimated liabilities on retirement benefits payable as a lump sum</td>
<td>22,778</td>
<td>14,348</td>
<td>(10,483)</td>
<td>(1,187)</td>
<td>25,456</td>
</tr>
<tr>
<td>Estimated liabilities regarding fixed assets liquidation and environmental restoration in the context of subsurface use</td>
<td>139,250</td>
<td>34,684</td>
<td>(2,761)</td>
<td>(28,100)</td>
<td>143,073</td>
</tr>
<tr>
<td>Other estimated liabilities, including:</td>
<td>244,787</td>
<td>73,815</td>
<td>(44,830)</td>
<td>(100,593)</td>
<td>173,179</td>
</tr>
<tr>
<td>estimated liabilities regarding gas price adjustment</td>
<td>102,134</td>
<td>19,119</td>
<td>(5,413)</td>
<td>(3,584)</td>
<td>112,256</td>
</tr>
<tr>
<td>guarantees issued</td>
<td>61,404</td>
<td>2,814</td>
<td>-</td>
<td>(60,791)</td>
<td>3,427</td>
</tr>
<tr>
<td><strong>Total, including:</strong></td>
<td><strong>473,408</strong></td>
<td><strong>229,103</strong></td>
<td><strong>(158,084)</strong></td>
<td><strong>(132,322)</strong></td>
<td><strong>412,105</strong></td>
</tr>
<tr>
<td><strong>with maturity up to 1 year</strong></td>
<td>318,527</td>
<td>179,781</td>
<td>(154,718)</td>
<td>(98,368)</td>
<td>245,222</td>
</tr>
</tbody>
</table>

As of 31 December 2014 | Accrued | Utilized | Recovered | As of 31 December 2015 | Utilized | Recovered |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated liabilities on bonus payments at the year end</td>
<td>34,530</td>
<td>47,332</td>
<td>(42,795)</td>
<td>(1,754)</td>
<td>37,313</td>
<td></td>
</tr>
<tr>
<td>Estimated liabilities on vacations</td>
<td>25,704</td>
<td>54,765</td>
<td>(50,964)</td>
<td>(225)</td>
<td>29,280</td>
<td></td>
</tr>
<tr>
<td>Estimated liabilities on retirement benefits payable as a lump sum</td>
<td>19,101</td>
<td>13,593</td>
<td>(9,338)</td>
<td>(578)</td>
<td>22,778</td>
<td></td>
</tr>
<tr>
<td>Estimated liabilities regarding fixed assets liquidation and environmental restoration in the context of subsurface use</td>
<td>98,069</td>
<td>42,176</td>
<td>(798)</td>
<td>(197)</td>
<td>139,250</td>
<td></td>
</tr>
<tr>
<td>Other estimated liabilities, including:</td>
<td>163,066</td>
<td>120,375</td>
<td>(25,232)</td>
<td>(13,422)</td>
<td>244,787</td>
<td></td>
</tr>
<tr>
<td>estimated liabilities regarding gas price adjustment</td>
<td>58,164</td>
<td>77,844</td>
<td>(22,859)</td>
<td>(11,015)</td>
<td>102,134</td>
<td></td>
</tr>
<tr>
<td>guarantees issued</td>
<td>47,407</td>
<td>13,997</td>
<td>-</td>
<td>-</td>
<td>61,404</td>
<td></td>
</tr>
<tr>
<td><strong>Total, including:</strong></td>
<td><strong>340,470</strong></td>
<td><strong>278,241</strong></td>
<td><strong>(129,127)</strong></td>
<td><strong>(16,176)</strong></td>
<td><strong>473,408</strong></td>
<td></td>
</tr>
<tr>
<td><strong>with maturity up to 1 year</strong></td>
<td>237,470</td>
<td>225,182</td>
<td>(128,048)</td>
<td>(16,077)</td>
<td>318,527</td>
<td></td>
</tr>
</tbody>
</table>

Pension obligations

Due to the fact that regulation of accrual of pension obligations in the accounting is not foreseen by the existing regulatory documents, calculation of pension obligations and assets is only possible for the Group as a whole and is provided in the Notes to the IFRS consolidated financial statements (www.gazprom.ru).

Guarantees issued

The following guarantees were issued to third parties on behalf of other entities:

<table>
<thead>
<tr>
<th>Outstanding guarantees issued on behalf of:</th>
<th>As of 31 December 2016</th>
<th>As of 31 December 2015</th>
<th>As of 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blackrock Capital Investments Limited</td>
<td>4,968</td>
<td>9,946</td>
<td>7,675</td>
</tr>
<tr>
<td>Ostchem Holding Limited</td>
<td>3,427</td>
<td>61,404</td>
<td>47,407</td>
</tr>
<tr>
<td>Sakhalin Energy Investment Company Ltd.</td>
<td>-</td>
<td>-</td>
<td>136,490</td>
</tr>
<tr>
<td>LLC Production Company VIS</td>
<td>-</td>
<td>-</td>
<td>7,016</td>
</tr>
<tr>
<td>EM Interfinance Limited</td>
<td>-</td>
<td>-</td>
<td>3,065</td>
</tr>
<tr>
<td>Other</td>
<td>36,412</td>
<td>36,001</td>
<td>75,104</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44,807</strong></td>
<td><strong>107,351</strong></td>
<td><strong>276,757</strong></td>
</tr>
</tbody>
</table>

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. In December 2015 loans issued by EM Interfinance Limited were redeemed. As a result the guarantees issued to Asset Repackaging Trust Five B.V. on behalf of Blackrock Capital Investments Limited and EM Interfinance Limited amounted to RUB 4,968 million, RUB 9,946 million and RUB 10,740 million as of 31 December 2016, 2015 and 2014, respectively.

In December 2014 the Group provided a guarantee to Gazprombank (Joint-stock company) on behalf of Ostchem Holding Limited under the credit facility for financing of operating activities. As of 31 December 2016, 31 December 2015 and 31 December 2014 the above guarantee amounted to RUB 3,427 million, RUB 61,404 million and RUB 47,407 million, respectively, and was fully provided by the Group. In June 2016 the Group signed an amendment agreement with Gazprombank (Joint-stock Company) according to which the amount of the guarantee was converted into Russian Rubles at the conversion rate agreed between the parties. The change in the amount of guarantee as of 31 December 2016 is mainly due to the partial assignment of Gazprombank (Joint-stock company) to RUB 54,099 million of the principal debt of the borrower under a loan agreement to a third party in December 2016.

In June 2008 the Group provided a guarantee to the Bank of Tokyo-Mitsubishi UFJ Ltd. on behalf of 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. The above guarantees amounted to RUB nil million, RUB nil million and RUB 136,490 million as of 31 December 2016, 2015 and 2014, respectively.

In July 2012 the Group provided a guarantee to PJSC Sherbank on behalf of LLC Production Company VIS as a security of credit facility for financing of construction projects for the Group. As of 31 December 2016, 2015 and 2014 the above guarantee amounted to RUB nil million, RUB nil million and RUB 7,016 million, respectively.

Other guarantees include mainly guarantees issued by the Group under equipment purchase or construction and installation works contracts.

Legal proceedings


At the same time on 16 June 2014 NJSC Naftogaz of Ukraine submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against PJSC Gazprom seeking a retroactive revision of the price, compensation of all overpaid amounts starting from 20 May 2011 and cancellation of the provision of Contract No. KP which provides for the prohibition on reexport of natural gas out of Ukraine. The clarified claims of NJSC Naftogaz of Ukraine to PJSC Gazprom amounted to over USD 14,230 million.

On 21 July 2014 both cases were consolidated. Oral hearings of the case were held, the parties provided post-hearing statements on 11 November 2016. The arbitration panel is expected to deliver its ruling on 30 June 2017.

On 13 October 2014 NJSC Naftogaz of 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 No. TKGU dated 19 January 2009 (“Contract No. TKGU”) on volumes and terms of gas transportation through Ukraine in the years 2009-2019 should be transferred to PJSC Ukrtransgaz;
COMMITMENTS AND CONTINGENCIES (continued)

(2) to acknowledge that certain provisions of Contract No. TKGU, 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 (“the EU”);

(3) to oblige PJSC Gazprom to pay a compensation of USD 3,200 million and related interest to NJSC Naftogaz of Ukraine for the failure to provide gas for transit;

(4) to acknowledge that the transit tariff stipulated in Contract No. TKGU should be revised in such a way as will be provided in further written statements of NJSC Naftogaz of Ukraine in line with key principles of the Swedish contractual law.

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 of Ukraine filed a claim, significantly increasing the amount of the claims, according to various estimates, up to USD 11,000-16,000 million. Oral hearings of the case were held, the parties provided post-hearing statements on 11 November 2016. The arbitration panel is expected to deliver its ruling on 30 June 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 5,000 million compensation (at the exchange rate as of 31 December 2016 – RUB 92,405 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, Sweden, response to the request for arbitration. Arbitration panel was formed and hearing on the merits took place from 1 to 9 July 2015. On 30 September 2015 the parties submitted additional written opinions based on the analysis of the hearing materials including witness statement and expert statement.

On 22 June 2016 the arbitration court made a final decision which rejects all claims raised by the Ministry of Energy of the Republic of Lithuania, including claims on unfair pricing of gas which PJSC Gazprom supplied to Lithuania in 2006-2015. On 22 September 2016 it became known that the Ministry of Energy of the Republic of Lithuania has filed appeal with the Court of Appeal of Stockholm, Sweden, to cancel the Final arbitration decision of 22 June 2016. On 4 April 2017 PJSC Gazprom officially received this appeal and is preparing a statement to contest it.

In August 2012 the European Commission launched a formal stage of investigation into a potential breach of the EU antitrust 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 European Commission extended the deadline for providing a formal response to the Statement of objections until September 2015. In September 2015 PJSC Gazprom filed its proposal of antitrust investigation settlement to the European Commission. In December 2015 PJSC Gazprom’s representatives and the European Commission took part in closed-door oral hearings where PJSC Gazprom provided arguments which rendered the raised claims groundless. An oral hearing is just one of the stages of the ongoing antitrust investigation. On 27 December 2016 PJSC Gazprom forwarded to the European Commission a formal proposal for the settlement of the investigation (commitments). On 13 March 2017 the European Commission launched a market test process of the commitments upon which it will be able to rightfully accept the commitments and close the investigation without recognising the Gazprom Group guilty of violating the antitrust law of the European Union. The period for the market testing procedure established by the European Commission is seven weeks. Currently it’s impossible to assess a potential negative impact of this ongoing investigation on activity of PJSC Gazprom in Europe and on financial position of PJSC Gazprom as a whole.

On 16 December 2015 South Stream Transport B.V., the subsidiary of the Group, was served with an official notification by the Secretariat of the Arbitration Court of the International Chamber of Commerce stating that Saipem S.p.A. submitted a request for arbitration against South Stream Transport B.V. in view of unilateral termination by the latter of the agreement dated 14 March 2014 for the construction of the “South Stream” pipeline. In its notice of arbitration Saipem S.p.A. claimed to receive from South Stream Transport B.V. as a compensation for the work performed reimbursements for the expenses incurred and for the termination of the agreement in the amount of about EUR 760 million plus interest (at the exchange rate as of 31 December 2016 – RUB 48,496 million). On 16 February 2016 South Stream Transport B.V. sent a response to the notice of arbitration of Saipem S.p.A., where it rejected all the claims raised by Saipem S.p.A. and declared its intention to file a counterclaim. On 30 September 2016 Saipem S.p.A. submitted its claim in its entirety with all attachments. The amount of claim of Saipem S.p.A. was reduced to the amount of EUR 679 million (at the exchange rate as of 31 December 2016 – RUB 43,328 million). On 10 March 2017
South Stream Transport B.V. filed a defense on the claim along with testimony and experts’ opinions which underpin the respondent’s argument, and a counter-claim in the amount of about EUR 730 million (at the exchange rate as of 31 December 2016 – RUB 46,582 million). The parties are currently undergoing a mutual information disclosure procedure. The hearings are scheduled for May 2018.

On 25 January 2016 the Antimonopoly Committee of Ukraine decided to impose a fine on PJSC Gazprom in the amount of Ukrainian hryvnia 85,966 million (at the exchange rate as of 31 December 2016 – RUB 192,414 million) for violation of economic competition. On 12 April 2016 PJSC Gazprom filed an action with the Kiev Economic Court against the decision of the Antimonopoly Committee of Ukraine. On 13 April 2016 the action was returned unconsidered on formal grounds. On 4 May 2016 PJSC Gazprom filed an appeal with the Kiev Economic Court of Appeal which left the primary court’s award unchanged based on the decision of 18 May 2016. On 7 June 2016 PJSC Gazprom filed a cassation appeal with the Ukraine’s Higher Economic Court. The proceedings have not been scheduled. On 13 July 2016 the Ukraine’s Higher Economic Court dismissed the appeal of PJSC Gazprom and affirmed the ruling of the court of first appearance and the decision of appeals instance. On 2 September 2016 PJSC Gazprom filed with the Supreme Court of Ukraine a petition to review the judgements in the case delivered by the lower-level courts.

On 13 September 2016 the Supreme Court of Ukraine rejected to move the petition forward to review the judgements delivered in the case by the lower-level courts. On 7 October 2016 the Kiev Economic Court determined to initiate proceedings in the case in view of the application filed by the Antimonopoly Committee of Ukraine along with a claim to impose a penalty in the amount of about USD 3,300 million on PJSC Gazprom, a fine in the amount of about USD 3,300 million and a demand to enforce PJSC Gazprom to fulfil a portion of its decision which pertains to the performance of the terms and conditions to the fullest extent of Contract No. TKGU regarding the volumes of gas intended for transit purposes. On 5 December 2016 the Court satisfied the claims of the Antimonopoly Committee of Ukraine to the fullest extent. On 22 February 2017 the Court dismissed the appeal of PJSC Gazprom keeping the first-instance court’s decision in force. On 14 March 2017 PJSC Gazprom filed with the Ukraine’s Higher Economic Court a cassation appeal on the decision of the Kiev Economic Court dated 5 December 2016 and the ruling of the Kiev Economic Court of Appeal dated 22 February 2017. Management of the Group believes that the charges are not issued.

On 3 February 2016 under EU Regulation № 1/2003 on the implementation of competition policy stipulated by Articles 101 and 102 of the EU Agreement the European Commission filed an official request to PJSC Gazprom for presenting information regarding the alleged infringement by PJSC Gazprom of the EU competition laws within the framework of gas supply to Bulgaria. Submitting a request is not the beginning of the formal investigatory phase, it doesn’t represent acknowledgment of the infringement by PJSC Gazprom of the EU competition laws and is aimed solely at collection of information. The subject of the request is providing information regarding relations PJSC Gazprom with wholesale gas buyers in Bulgaria. The response to the request for information to the European Commission was filed by PJSC Gazprom on 7 April 2016. PJSC Gazprom’s terms of contractual relationships with customers are defined by international legal obligations, commercial reasonableness and market conditions.

On 14 March 2017 the European Commission received a complaint from PGNiG S.A., Poland, stating that PJSC Gazprom and its subsidiary LLC Gazprom export allegedly violate Article 102 of the EU Agreement the European Commission. The complaint specifically states that PJSC Gazprom violates the antitrust law of the EU through:

1) applying unfair pricing policy with respect to PGNiG S.A.;
2) preventing cross-border gas sale;
3) tying commercial issues with infrastructure.

Based on the complaint, the European Commission registered case No. AT.40497. The commencement of the case does not necessarily entail formal proceedings and recognise PJSC Gazprom guilty of violation of the antitrust law of the European Union. It is currently impossible to assess a potential negative impact of this ongoing investigation on the activities of PJSC Gazprom in Europe and on a financial position of PJSC Gazprom.

The Group is also a party to certain other legal proceedings arising in the ordinary course of business and subject to various laws of environmental protection 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.
In 2014 and 2015 the EU, the United States (“U.S.”) and some other countries introduced a series of sanctions against the Russian Federation and some Russian entities. Some of these sanctions are aimed directly against PJSC Gazprom, PJSC Gazprom Neft and other companies, including Gazprombank (Joint-stock Company), and some of them include general restrictions of economic activity in certain sectors of the Russian economy.

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

1) transacting in, providing financing for, or otherwise dealing in new debt of longer than 90 days maturity or newly issued share capital, property or rights to property in respect of a number of Russian energy companies, including PJSC Gazprom Neft;

2) to carry out operations, to provide funding or otherwise make transactions related to new borrowings with maturity of longer than 30 days or newly issued share capital, property or rights to property of a number of Russian companies of the banking sector, including Gazprombank (Joint-stock Company) (PJSC Gazprom is not on the list of restricted entities in this respect);

3) providing, exporting, or reexporting, directly or indirectly, goods, services (except for financial services), or technology in support of potential exploration and production of oil in deep water, Arctic offshore, or shale formations in the Russian Federation, or in territorial waters claimed by the Russian Federation with participation of Russian companies, including PJSC Gazprom and PJSC Gazprom Neft. Since 7 August 2015 restriction includes the Yuzhno-Kirinskoye field located in the Sea of Okhotsk.

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

PJSC Gazprom is not expressly stated in the number of entities against whom the EU sanctions are imposed. However, PJSC Gazprom Neft and Gazprombank (Joint-stock Company), as well as their subsidiaries in which they own more than 50 percent interest in capital are subject to certain financial restrictions imposed by the EU.

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 specialised 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), excluding PJSC Gazprom;

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

4) providing after 12 September 2014 directly or indirectly or being part of any arrangement to make new loans or credit with a maturity of more than 30 days to a number of Russian companies (including PJSC Gazprom Neft and Gazprombank (Joint-stock Company) but excluding PJSC Gazprom), 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 the Russian Federation 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.
24 COMMITMENTS AND CONTINGENCIES (continued)

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

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

Taxation

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. Management believes that its interpretation of the relevant legislation as of 31 December 2016 is appropriate and all of the Group’s material tax, currency and customs positions will be sustainable.

The Russian legislation on transfer pricing grants the right to a taxpayer to validate compliance with market prices in controlled transactions through preparation of documentation for tax purposes.

The management of the Group believes that the Group sets market prices in its transactions and internal controls procedures were introduced to comply with tax legislative requirements on transfer pricing.

Currently the legal practice has not been established yet, consequences of the trials with tax authorities cannot be estimated reliably, however they can have significant impact on financial results and activities of the Group.

25 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

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

The political and economic instability, the current 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. During 2016 the official Russian Ruble to US dollar and Euro foreign exchange rates fluctuated between 60.2730 and 83.5913 Russian Rubles and 63.0214 and 91.1814 Russian Rubles per US dollar and Euro, respectively. In addition during 2016 the key interest rate determined by the Central Bank of the Russian Federation decreased to 10 % and actual inflation was 5.4 %.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the Government of the Russian Federation 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.

26 OPERATING RISKS

Risk management of the Group is conducted within the framework of a unified corporate system and is defined as a continuous cycle of management decision making and implementation composed of risk identification, estimation and valuation, risk response, efficiency control, planning of risk management and monitoring activities. This process is built into general governance, focused on risk optimization as consistent with the Group interests and spreads to all its activities.

The market position of the Group including trends of the corresponding market segment, adaptation to the market conditions, business priorities and perspectives as well as the Group’s key business risk factors are disclosed on the website www.gazprom.com.
POST BALANCE SHEET EVENTS

Borrowings and loans

In February 2017 the Group obtained a long-term loan from a consortium of banks in the total amount of EUR 800 million at an interest rate of EURIBOR + 2.6 % due in 2020 as part of the agreement concluded in December 2016. J.P. Morgan Europe Limited was appointed as a bank agent.

In February 2017 the Group issued Russian bonds in the total amount of RUB 30,000 million at an interest rate of 9.10 % due in 2024.

In March 2017 the Group obtained a long-term loan from Credit Agricole CIB in the amount of EUR 700 million at an interest rate of EURIBOR + 2.5 % due in 2022.

In March 2017 the Group obtained a long-term loan from Gazprombank (Joint-stock Company) in the amount of RUB 15,000 million at an interest rate of 10.25 % due in 2021.

In March 2017 the Group issued Loan Participation Notes in the amount of USD 750 million at an interest rate of 4.95 % due in 2027 under USD 40,000 million Programme for the Issuance of Loan Participation Notes.

In April 2017 the Group issued Loan Participation Notes in the amount of £50 million of British Pounds Sterling at an interest rate of 4.25 % due in 2024 under USD 40,000 million Programme for the Issuance of Loan Participation Notes.

In April 2017 the Group issued Russian bonds in the amount of RUB 15,000 million at an interest rate of 8.70 % due in 2022.

A.B. Miller
Chairman of the Management Committee

27 April 2017

E.A. Vasilieva
Chief Accountant