

The Power Within



PJSC Gazprom Annual Report 2016

Note. This Annual Report has been formed on the basis of Resolution No. 1 of PJSC Gazprom's Management Committee On Organisation of Work Related to Holding the Annual General Shareholders Meeting dated 26 January 2017.

The terms "PJSC Gazprom", "the Company" used in the Annual Report refer to the parent company of Gazprom Group, i.e. to Public Joint Stock Company Gazprom (until 17 June 2015 — Open Joint Stock Company Gazprom, JSC Gazprom). The terms "Gazprom Group", "the Group" or "Gazprom" imply PJSC Gazprom and its subsidiaries taken as a whole. For the purposes of the Annual Report, the lists of Gazprom Group's subsidiaries, companies classified as joint operations, affiliates and joint ventures were prepared on the basis used in the preparation of PJSC Gazprom's IFRS consolidated financial statements.

Similarly, "Gazprom Neft Group" and "Gazprom Neft" refer to PAO Gazprom Neft and its subsidiaries, "Gazprom energoholding" refers to OOO Gazprom energoholding and its subsidiaries, "Gazprom neftekhim Salavat" refers to OAO Gazprom neftekhim Salavat and its subsidiaries.

Some operating and financial results in the Annual Report are presented in accordance with IFRS and for Gazprom Group companies as a whole, for the purposes of PJSC Gazprom's IFRS consolidated financial statements for the year ended 31 December 2016 and may differ from similar indicators in PJSC Gazprom's reporting documents prepared under Russian Accounting Standards (RAS).

In this Annual Report, a number of Gazprom's operating and financial results are stated in compliance with the principles for preparing PJSC Gazprom's IFRS consolidated financial

statements. At the same time, some results of PJSC Gazprom, its subsidiaries, affiliates and joint ventures are stated in compliance with the principles for preparing management accounts. Figures calculated using these methods may differ due to differences in methodologies for preparing consolidated financial statements and management accounts.

The analysis of financial results should be considered in the context of PJSC Gazprom's audited IFRS consolidated financial statements for the year ended 31 December 2016.

The Annual Report also contains information related to Gazprom Group's business activities in the future, based on the forecast and estimates of Gazprom's management derived from the current situation. Actual results may differ from the said forecast and estimates due to the effect of various objective factors.

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Letter to Shareholders

by the Chairman of PJSC Gazprom's Board of Directors

and the Chairman of PJSC Gazprom's Management Committee

Dear Shareholders,

2016 was a challenging year for the global energy industry, as it had a number of macro-economic factors applying pressure, including low prices of oil. Nevertheless, Gazprom demonstrated significant results in production during the reporting year, having met all its obligations in providing gas to both domestic and foreign consumers, and continuing the implementation of all crucial strategic investment projects.

Major efforts were undertaken in Russia's East: Construction was continued at the Chayandinskoye field, as well as at the Amur gas processing plant. The gas from the former is scheduled to be the first transported through the Power of Siberia gas pipeline — 445 kilometres of which were completed by the end of 2016. The new powerful engineering complex will ensure reliable gas supplies to the Russian Far East and the growing Chinese market.

In the North of Russia, production at the largest field in the Yamal peninsula, Bovanenkovskoye, was increased to 264 mmcm of gas per day at peak rates. With its immense potential, the peninsula is fast becoming Russia's key gas production centre for many decades to come.

Running in parallel with the development of the Company's gas production facilities in Yamal, construction of the most advanced trunk gas pipelines was continued in Gazprom's active expansion of the high-tech northern gas transmission corridor — the leading and most vital gas artery of Russia's national Unified Gas Supply System.

In the reporting year, construction of the most advanced trunk gas pipelines was continued in this region: Bovanenkovo — Ukhta 2, and Ukhta — Torzhok 2, the Bovanenkovo — Ukhta 2 gas pipeline having been commissioned in January 2017.

The northern corridor, specifically via the Nord Stream 2 future gas pipeline, is the shortest and most efficient route to supply gas from Yamal to consumers within both the European region of Russia, and North-Western Europe. The Nord Stream 2 project is being implemented as per schedule, and pipe shipments were launched during the reporting year. In February 2017, a contract was signed for offshore installation of both strings of the gas pipeline.

The Turkish Stream export project targeting Turkey, Southern Europe, and South-Eastern Europe was resumed. In late 2016 to early 2017, contracts were signed for the construction of the first and second strings of the offshore section of the gas pipeline.

New export trunk gas pipelines will considerably improve the reliability of Russian gas supplies to foreign consumers, and, consequently, the energy security of respective countries.

Every year, declining domestic gas production in Europe increases the demand for additional import gas volumes. In 2016, the European market demonstrated the highest demand for Russian gas in the entire history of its commercial supply, with Gazprom's exports to far-abroad countries hitting a record level of 179.3 bcm.

In the domestic market, Gazprom yet again accomplished the imperative task of ensuring reliable gas supplies to domestic consumers during the winter peak load period. To satisfy the characteristically sporadic daily consumption at the cusp of the autumn/winter season, the potential capacity of the Company's underground gas storage facilities in Russia was raised to a new level of 801.3 mmcm per day.

Gazprom continued expansion of the Russian gas infrastructure, its key social project. In the reporting year, the Company arranged for the connection of 25,400 households, and 175 boiler houses, with the gas infrastructure coverage of Russia's territory reaching 67.2%.

Gazprom consistently hones its competitive edge in the electricity and capacity markets. In 2016, two new modern power units were commissioned at the Troitskaya GRES and Novocherkasskaya GRES, with an aggregate capacity of 1 GW.

Significant achievements were made in the oil business: The Arctic Gate ("Vorota Arktiki"), Gazprom's Arctic offshore oil loading terminal, was launched in the Ob Bay, thereby ensuring year-round tanker loadings with Yamal oil for further shipments via the Northern Sea Route.

In the reporting year, Messoyakhaneftegaz, 50% of which is owned by PAO Gazprom Neft, launched Russia's northernmost field under development, named Vostochno-Messoyakhskoye.

Adhering to the principles of sustainable development, Gazprom consistently minimised both its environmental and carbon footprints in 2016, by reducing greenhouse gas emissions, and implementing new energy-saving technologies. The Year of Occupational Health proved a success, achieving the lowest workplace injury rate over the past 17 years. Gazprom continues these efforts with vigour in its aim to reduce the injury rate to zero.

Dear Shareholders, the well-designed development strategy and its effective implementation enabled Gazprom to meet its targets and maintain financial stability. It can be taken into confidence that the Company's performance will remain at a prime level in future years.

Viktor Zubkov

Chairman of PJSC Gazprom's
Board of Directors



Alexey Miller

Chairman of PJSC Gazprom's
Management Committee



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Stable dividend levels
despite an unfavourable environment

Positive free cash flow generated
for the past 10 years

PJSC Gazprom's
dividend yield

5.2%

Dividends per
PJSC Gazprom's share

RUB 8.0397*

Net debt / adjusted EBITDA ratio
for Gazprom Group

1.5

Gazprom Group's profit margin for the year
attributable to owners of PJSC Gazprom

16%

Gazprom Group's
sales

RUB 6,111.1 bn

Gazprom Group's profit for the year
attributable to owners of PJSC Gazprom

RUB 951.6 bn

Gazprom Group's
free cash flow

RUB 202.2 bn

Gazprom Group's
capital investments

RUB 1,344.2 bn

For more details see the Financial Performance section. Pages 92–99.

* The total recommended amount of dividends for 2016 payable in 2017 is RUB 190,327.4 mm.

Gazprom Group encompasses all types of activities required to ensure uninterrupted supply of energy to consumers.

Its comprehensive vertically integrated business model complies with Gazprom's strategic goal by enhancing performance, improving reliability of supplies, and using the existing production and R&D capabilities.

All elements of Gazprom Group's business complement one another. At the same time, each element represents a complex system, an aggregate of tangible assets, human resources, accumulated experience and knowledge in relevant areas.

Consumers are the focus of the Group's operations. Stable, trust-based relationships with our consumers are the foundation for building long-term business value.

Gazprom Group is a major global energy company whose performance results influence a great number of stakeholders. These stakeholders include shareholders and investors, federal and local authorities of the Russian Federation, EU regulators and other gas market participants, local communities, business partners, NGOs, and employees.

Mission and strategic goal

PJSC Gazprom views its mission in reliable, efficient and balanced supply of natural gas, other energy resources and their derivatives to consumers.

PJSC Gazprom pursues the strategic goal of establishing itself as a leader among global energy companies by diversifying sales markets, ensuring reliable supplies, improving performance, and leveraging its R&D capabilities.

Resources and competitive advantages

Extensive resource base

Production assets

Established portfolio of long-term contracts for gas supplies to European and Asian consumers

Reputation as a reliable supplier

Access to international capital markets on terms acceptable to the Company

Human capital

Integrated corporate R&D capabilities

Gazprom Group has extensive hydrocarbon reserves, is engaged in exploration in Russia and abroad, and continuously monitors potential project and asset acquisitions.

Gazprom's essential resources and competitive advantages also include unique Unified Gas Supply System (UGSS) of Russia; vertical integration; favourable geographical position between Europe and Asia; a long history of cooperation with foreign partners; social policy that makes the Company an attractive employer for highly skilled professionals; extensive production, research and design capabilities.

For more details see the Operations and Marketing, Innovations and Import Substitution, Personnel sections. Pages 52–86, 87–91, 102–105.

Value creation and business operations

Hydrocarbon exploration and production

Gazprom's upstream operations include exploration and production of hydrocarbons.

Priorities at this stage include further development of the mineral resource base and large-scale reserve replacement. Gazprom Group strategically seeks to maintain hydrocarbon production volumes fully covered by demand.

Gas transportation and storage

Gazprom is both transporting its own gas and provides independent suppliers with access to its GTS.

Gas is supplied to consumers via Gazprom's pipeline network and using sea vessels, which transport natural gas in liquefied form.

Gazprom Group expands its existing gas transmission corridors and diversifies gas transportation routes.

Processing/Refining

Gazprom meets consumer demand for refined, gas chemical and petrochemical products.

Gazprom Group is focused on growing volumes of products with high added value.

Power generation

Presence in the power generation sector facilitates the entire Gazprom Group's business sustainability over the long term and helps create added value.

One of Gazprom's key objectives in this segment is to achieve synergies from combining its gas, and power and heat generation businesses.

Marketing

The final value chain element and the main source of the Group's revenue is sales of hydrocarbons and relevant refined products, electricity and heat.

Gazprom seeks to maintain the appeal of its oil and gas and of their refined products to Russian and foreign consumers, as well as to enhance access to end consumers and diversify export revenue sources.

For more details see the Outlook, Operations and Marketing, Risk Management sections. Pages 45–49, 52–86, 145–149.

Products and services

Natural gas

Gas transportation services

Oil

Gas condensate

Refined products

Electric power and heat

The Group's core products are natural gas, oil, gas condensate, refined products, power and heat. Its core services also include transportation of gas supplied by independent producers.

For more details see the Operations and Marketing section. Pages 52–86.

Other important aspects of activities

Significant contribution to the energy security of the Russian Federation

Ensuring reliable and stable supplies of gas and other high-quality products and services to consumers in Russia and abroad

Gas infrastructure expansion across Russian regions and developing their social and economic potential, paying taxes, and contributing to investment activities and improved business environment; job creation

Ensuring demand for Russian products; supporting SMEs

Staff training and social programmes

Involvement in the efforts to improve tax, land, natural resources, and environmental protection laws

Care for the environment and preservation of global natural resources

Support for vulnerable groups; constructing and developing sports and social and economic infrastructure

Support for education, science, culture and sport

For more details see the Gas Distribution and Gas Infrastructure Expansion, Development of NGV Fuel Markets section, the Innovations and Import Substitution section, the Environmental Protection section and the Procurement Performance section. Pages 66–68, 87–91, 110–114, 152–153.

(in 2016 or as at 31 December 2016)

Exploration

No. 1 globally in terms of natural gas reserves

17%	Share of global gas reserves*
72%	Share of Russian gas reserves*
1.1	Natural gas reserves replacement ratio*
0.98	Crude oil and gas condensate reserves replacement ratio*

* Including the Group's share in the reserves and production of entities in which Gazprom has investments classified as joint operations.

Production

No. 1 globally in terms of natural gas production

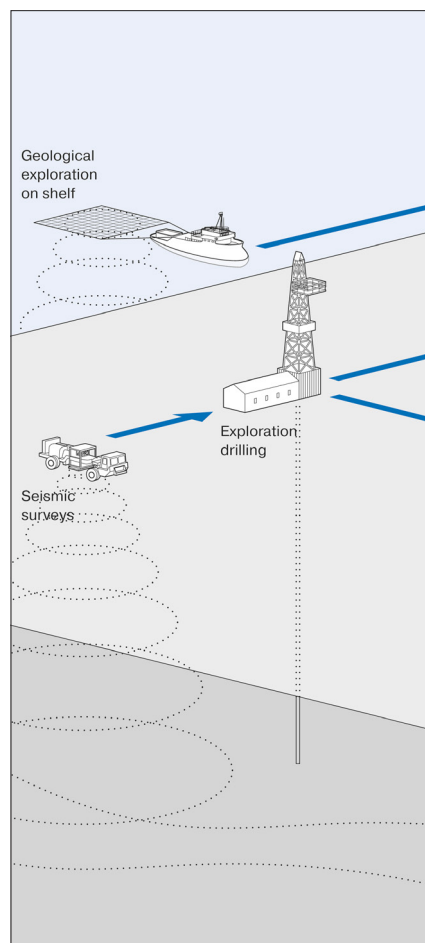
11%	Share of global gas production*
66%	Share of Russian gas production*
11%	Share of Russian oil and gas condensate production*
420.1 bcm	Natural and associated gas production in Russia*
63.0 mm tonnes	Oil and gas condensate production in Russia*

* Including the Group's share in the reserves and production of entities in which Gazprom has investments classified as joint operations.

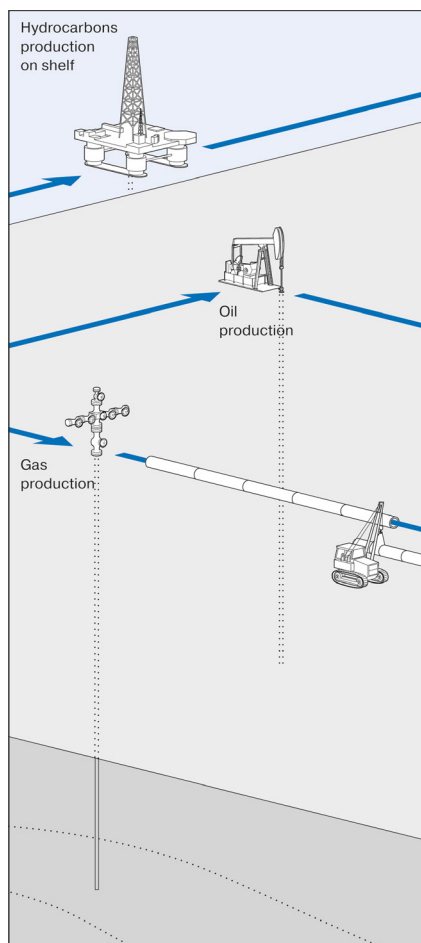
Transportation and storage

No. 1 globally in terms of length and capacity of gas transportation system

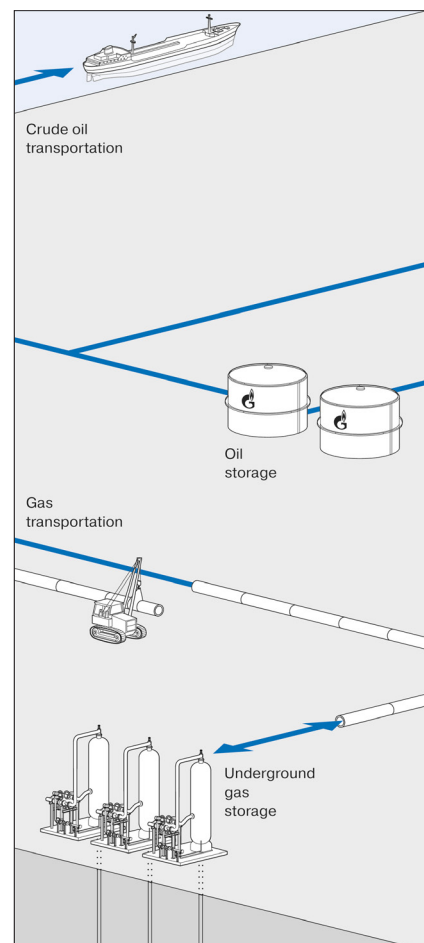
171.4 thousand km	Length of trunk pipelines in Russia
622.6 bcm	Gas transported in the GTS network in Russia
73.6 bcm	Aggregate active storage capacity in 26 UGSFs in Russia
5.0 bcm	Accessible active capacity in UGSFs in Europe



For more details see the Exploration and Production section. Pages 52–61.



For more details see the Exploration and Production section. Pages 52–61.



For more details see the Transportation and Underground Storage section. Pages 62–65.

Processing/Refining

No. 1 among Russian companies measured by gas processing

Approximately one half of total gas processing in Russia

One of the leaders among Russian oil and gas condensate refining companies

18%	Share of total Russian oil and stable gas condensate refining
31.0 bcm	Natural and associated gas processing*
65.9 mm tonnes	Oil and gas condensate refining*

* Not including raw materials supplied by customers.

Power generation

No. 1 in Russia by installed power generating capacity and electric power output in thermal power generation

The largest Russian heat energy producer

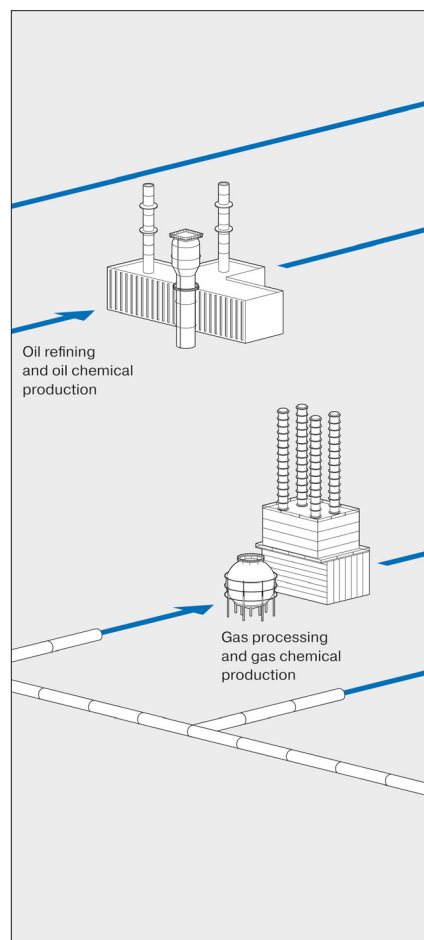
15%	Share in total Russian electric power generation
39.8 GW	Installed power generating capacity at 81 power stations in Russia
157.6 billion kWh	Electric power production
125.6 mm Gcal	Heat production

Marketing

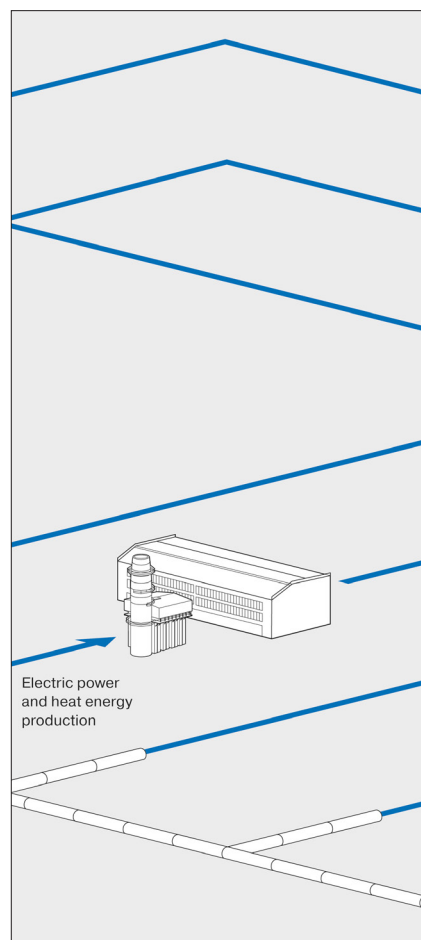
No. 1 gas exporter to the European market

Leading gas supplier to consumers in Russia and Former Soviet Union (FSU) countries

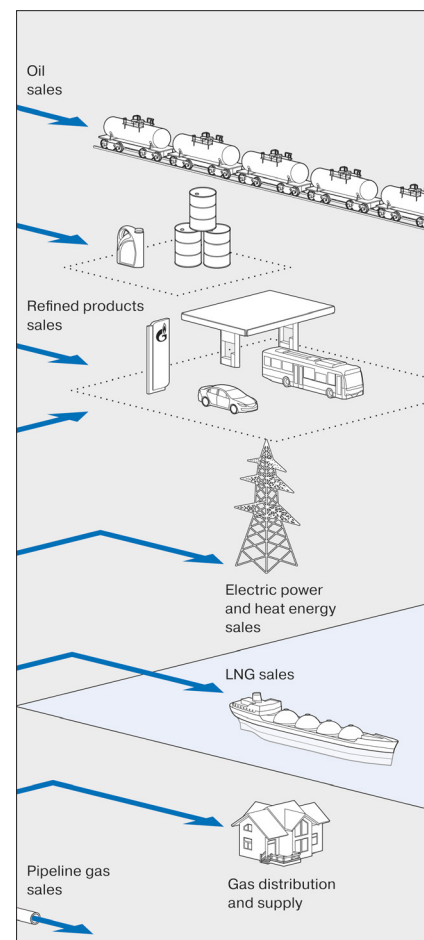
33.1%	Share of PJSC Gazprom's gas sales under contracts signed by OOO Gazprom export and Gazprom Schweiz AG in the total gas consumption in European far abroad countries
214.9 bcm	Gas sales in Russia
228.3 bcm	Gas sales to far abroad countries
33.2 bcm	Gas sales to FSU countries
68.1 mm tonnes	Refined product sales



For more details see the Hydrocarbon Processing and Gas and Oil Chemistry section. Pages 69–72.



For more details see the Power Generation section. Pages 73–76.



For more details see the Gas Distribution and Gas Infrastructure Expansion, Development of NGV Fuel Markets section and the Marketing section. Pages 66–68, 77–86.

Over the more than 20 years since it was founded in 1993, the Company has grown into one of the global energy market leaders.

Gazprom has diversified its core business. In addition to its gas business, the Group has been successfully operating in the oil and power markets: it ranks among Russia's top four oil companies and is Number One in Russia by installed thermal power generation capacity.

Gazprom has significantly expanded the geography of its operations. The Company entered the promising Asia-Pacific market, launched its operations in the Central Asia, Africa, and Latin America, and is a player in the global LNG trade.

Gazprom pioneered the development of the Russian Arctic shelf, launched a fundamentally new gas production hub in the Yamal Peninsula, and is building large-scale gas infrastructure in Russia's East. Gazprom was the first in Russia to introduce underwater production technology enabling gas extraction without above-water structures, and joined efforts with its foreign partners to launch Russia's first and only LNG plant.

This success is underpinned by the Company's long-term strategy, tight vertical integration and sound governance. This strong track-record provides a firm foundation for Gazprom's continued success in competing against global majors, implementing ambitious projects and achieving impressive results.

Milestones

17 February

Pursuant to the Russian Government's Resolution, in furtherance of the Presidential Decree, Gazprom State Gas Concern was reorganised into Gazprom Russian Joint Stock Company (RAO Gazprom).

31 May

RAO Gazprom's first annual General Shareholders Meeting was held.

November

Gas supply started via the Yamal — Europe gas pipeline, running across four countries: Russia, Belarus, Poland, and Germany.

20 February

Commercial gas supplies started via Blue Stream, Russia's first gas export offshore pipeline and one of the world's deepest undersea pipelines.

18 August

Gazprom's first LNG shipment to an Asian market, purchased by Japan.

1993 1994 1995 1998 1999 2001 2003 2005 2006

April

Privatisation of RAO Gazprom started.

26 June

Pursuant to the resolution of its General Shareholders Meeting, Gazprom Russian Joint Stock Company (RAO Gazprom) was reorganised into Gazprom Open Joint Stock Company (JSC Gazprom).

30 May

Alexey Miller was elected Chairman of the Company's Management Committee.

31 October

Gas production started at the Zapolyarnoye field, one of the largest in the world.

2 September

Gazprom's first LNG shipment; the gas tanker arrived at a US LNG regasification terminal.

21 October

Gazprom Group took control of 75.679% of OAO Sibneft, which laid a foundation for further development of Gazprom's oil business.

2016 in the Company's history

- All-time high exports of gas to far abroad countries were achieved
- The Company continued its project to launch gas supplies to China via the "eastern" route: construction at the Chayandinskoye field in Yakutia and exploration activities at the Kovyktinskoye field in the Irkutsk Region; construction of the Power of Siberia pipeline; construction of the Amur GPP.
- The Company was building up its gas production operations in the Yamal Peninsula and also expanded the northern gas transmission corridor: new production capacity added at the Bovanenkovskoye field, along with the linear section of the Bovanenkovo — Ukhta 2 trunk gas pipeline. Launch events for the facilities were held on 18 January 2017.
- The Company took steps to enable year-round oil shipments from the Yamal Peninsula by sea.
- The Turkish Stream Project was resumed.
- In cooperation with Gazprom Group, commercial production was launched at the Incahuasi gas condensate field in Bolivia.
- Efforts were continued to grow the share of LNG in the Group's trading portfolio.

December

The law prohibited the State from holding less than 50% plus one share in the Company. Restrictions were lifted on the acquisition of the Company's shares by foreign investors.

25 April

The Board of Directors approved JSC Gazprom's Power Generation Strategy, the implementation of which led to the Company becoming one of Russia's largest power producer and number one heat producer in the world.

18 December

The Yuzhno-Russkoye field came on stream, Russia's first international gas production project based on asset swap.

12 February

Russia's first coal bed methane project was launched in the Kemerovo Region.

29 September

Sobolevo — Petropavlovsk-Kamchatsky trunk pipeline was put into operation, bringing first natural gas supplies to the capital of the Kamchatka Territory.

23 March

An 800 MW CCGT plant was launched at the Kirishskaya GRES. It is the largest heat generation plant commissioned in 30 years and Russia's most powerful combined cycle gas turbine unit.

23 October

A new major gas production hub was launched in Russia in the Yamal Peninsula. The Bovanenkovskoye field and the Bovanenkovo — Ukhta trunk pipeline came on stream.

21 May

The Company and China's CNPC signed a contract for gas supplies — the 30-year gas supply contract for over 1 tcm is the biggest of its kind in the entire national history.

1 September

Welding of the first joint of the Power of Siberia trunk pipeline to transport gas from Yakutsk and Irkutsk gas production hubs to consumers in the Far East and China.

25 May

The Arctic Gate ("Vorota Arktiki"), a unique oil loading terminal, was commissioned, enabling, for the first time ever, year-round oil shipments from the Yamal Peninsula by sea.

16 September

In cooperation with Gazprom, commercial production was launched at the Incahuasi field, one of the largest gas condensate fields in Bolivia.

2007 2009 2010 2011 2012 2013 2014 2015 2016

18 February

Russia's first LNG plant was put into operation in Sakhalin.

26 August

Dzuarikau — Tskhinvali pipeline was commissioned, running over the mountainous part of the Greater Caucasus at altitudes of over 1,500 m.

6 June

Dzhubga — Lazarevskoye — Sochi, Russia's first offshore pipeline, was commissioned.

8 September

First section of the Sakhalin — Khabarovsk — Vladivostok gas transmission system, the Far East's first interregional GTS, was inaugurated.

8 November

Commercial gas supplies started via the Nord Stream pipeline, a fundamentally new Russian gas export supply route to Europe through the Baltic Sea.

25 November

The Company closed the deal to acquire 100% in OAO Beltransgaz, becoming the owner of Belarus GTS.

15 January

The Zapolyarnoye field reached its full projected capacity of 130 bcm of gas per year, becoming Russia's largest producing field.

23 October

Gazprom was the first in Russia to produce gas by using an underwater production system without recurring to above-water structures on the Kirinskoye field in the Sea of Okhotsk.

20 December

Oil production started at the Prirazlomnoye field in the Pechora Sea. It is Russia's first ever Arctic shelf project.

14 October

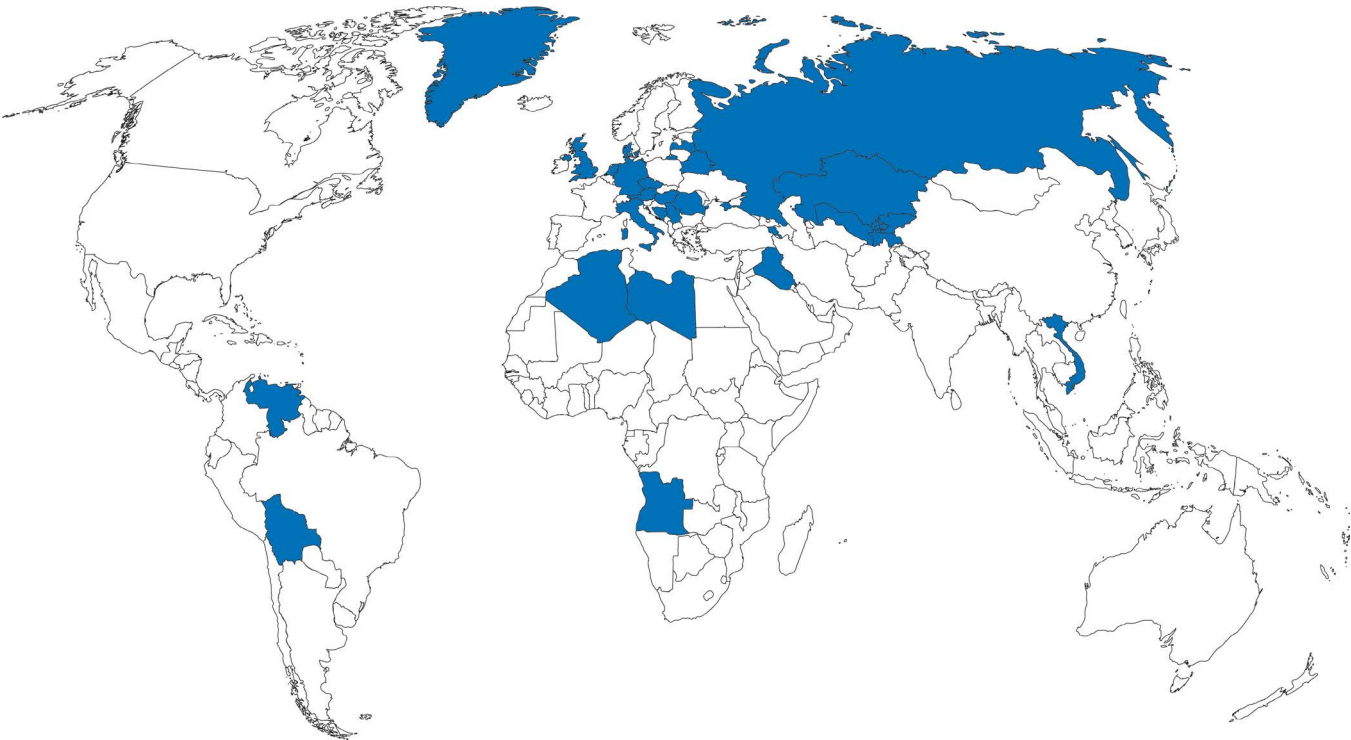
The Company launched the construction of the Amur GPP, Russia's largest gas processing facility that will be an essential part of the process chain of natural gas supply to China via the Power of Siberia gas pipeline.

27 October

The Company launched the construction of the Ukhta — Torzhok 2 gas pipeline designed to supply additional gas to Russia's North-West, to expand the gas infrastructure to domestic consumers and ensure export supplies via Nord Stream 2.

(in 2016 or as at 31 December 2016)

Gazprom Group's operating geography



Gazprom Group's marketing geography

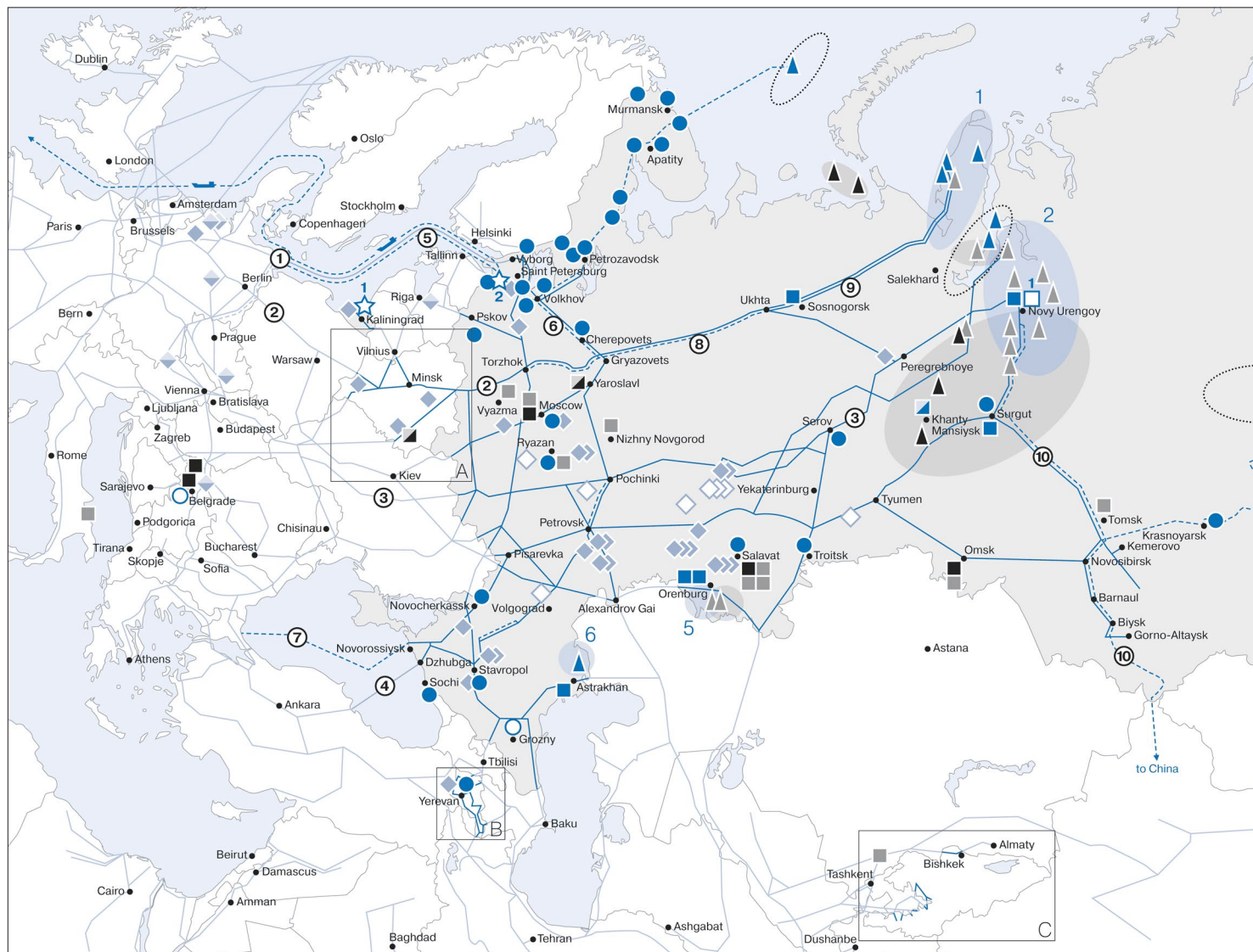


Countries		Operations											Marketing						
		Hydrocarbons prospecting and exploration	Gas and gas condensate production	Oil production	Gas transportation	Gas underground storage	Gas distribution	Gas processing	Oil refining	Production of electricity and heat	Oil and gas chemical production	Trunk pipeline gas sales	Sales of refined hydrocarbon products	Oil and gas condensate sales	LNG sales	Gas sales to end consumers	Electricity and heat sales	Product sales through the gasoline, CNG filling, gas filling and multi-fuel filling stations	
FSU	Russia																		
	Armenia	-	-	-				-	-		-			-	-				
	Azerbaijan	-	-	-				-	-	-	-			-	-				
	Belarus	-	-	-				-		-	-								
	Estonia	-	-	-				-	-	-	-				-				
	Georgia	-	-	-				-	-	-	-			-	-				
	Kazakhstan	-	-	-				-	-	-				-	-				
	Kyrgyzstan		-	-				-	-	-	-				-				
	Latvia	-	-	-				-	-	-	-				-				
	Lithuania	-	-	-				-	-	-	-				-				
	Moldova	-	-	-				-	-	-	-				-				
	South Ossetia	-	-	-				-	-	-	-				-				
	Tajikistan		-	-				-	-	-	-				-				
	Turkmenistan	-	-	-				-	-	-	-				-				
	Ukraine	-	-	-				-	-	-	-				-				
	Uzbekistan			-				-	-	-	-				-				
Europe	Albania	-	-	-				-	-	-	-			-	-				
	Austria	-	-	-				-	-	-	-								
	Belgium	-	-	-				-	-	-	-								
	Bosnia and Herzegovina		-	-				-	-	-	-				-				
	Bulgaria	-	-	-				-	-	-	-				-				
	Croatia	-	-	-				-	-	-	-				-				
	Cyprus	-	-	-				-	-	-	-				-				
	Czech Republic	-	-	-				-	-	-	-								
	Denmark		-	-				-	-	-	-				-				
	Finland	-	-	-				-	-	-	-				-				
	France	-	-	-				-	-	-	-								
	Germany	-	-	-				-	-	-	-								
	Greece	-	-	-				-	-	-	-				-				
	Hungary		-	-				-	-	-	-								
	Ireland	-	-	-				-	-	-	-								
	Italy	-	-	-				-	-	-					-				
	Macedonia	-	-	-				-	-	-	-								
	Malta	-	-	-				-	-	-	-				-				
	Montenegro	-	-	-				-	-	-	-				-				
	Netherlands			-				-	-	-	-				-				
	Norway	-	-	-				-	-	-	-				-				
	Poland	-	-	-				-	-	-	-								
	Portugal	-	-	-				-	-	-	-				-				
	Romania		-	-				-	-	-	-								
	Serbia							-	-						-				
	Slovakia	-	-	-				-	-	-	-								

Countries		Operations										Marketing						
		Hydrocarbons prospecting and exploration	Gas and gas condensate production	Oil production	Gas transportation	Gas underground storage	Gas distribution	Gas processing	Oil refining	Production of electricity and heat	Oil and gas chemical production	Trunk pipeline gas sales	Sales of refined hydrocarbon products	Oil and gas condensate sales	LNG sales	Gas sales to end consumers	Electricity and heat sales	Product sales through the gasoline, CNG filling, gas filling and multi-fuel filling stations
Europe	Slovenia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Spain	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Sweden	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Switzerland	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Turkey	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	United Kingdom	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	Algeria	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Angola	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Benin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Cameroon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Côte d'Ivoire	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	DRC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Egypt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Equatorial Guinea	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Ethiopia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Ghana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Guinea	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Guinea-Bissau	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Libya	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mauritania	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mauritius	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Morocco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Nigeria	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Senegal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Seychelles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	South Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Sudan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Tanzania	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Togo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Tunisia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Uganda	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Near and Middle East	Afghanistan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Iraq	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Israel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Jordan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Kuwait	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Lebanon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Qatar	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Saudi Arabia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Syria	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	UAE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Yemen	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Countries		Operations											Marketing					
		Hydrocarbons prospecting and exploration	Gas and gas condensate production	Oil production	Gas transportation	Gas underground storage	Gas distribution	Gas processing	Oil refining	Production of electricity and heat	Oil and gas chemical production	Trunk pipeline gas sales	Sales of refined hydrocarbon products	Oil and gas condensate sales	LNG sales	Gas sales to end consumers	Electricity and heat sales	Product sales through the gasoline, CNG filling, gas filling and multi-fuel filling stations
Asia-Pacific	Australia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Bangladesh	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Cambodia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	India	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Indonesia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Japan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Malaysia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Myanmar	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Papua New Guinea	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Philippines	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Singapore	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	South Korea	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Sri Lanka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Taiwan (China)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Thailand	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Vietnam	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
North America	Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mexico	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	United States	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central and South America	Argentina	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Bolivia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Brazil	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Chile	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Colombia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Costa Rica	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Ecuador	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	El Salvador	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Guatemala	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Guyana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Nicaragua	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Panama	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Paraguay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Peru	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Uruguay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Venezuela	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Other countries	Bahamas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dominican Republic		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jamaica		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maldives		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mongolia		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Gazprom Group's major production assets and projects in Russia, FSU and European far abroad countries



Largest fields

- ▲ Gas and gas condensate fields
- ▲ Oil fields
- ▲ Oil and gas, oil and gas condensate fields

Major trunk gas pipelines

- Gazprom Group's existing gas pipelines
- Other existing gas pipelines
- - - Gas pipelines under construction and projected gas pipelines

Gas production centres in operation

- 1 Yamal Peninsula
- 2 Nadym-Pur-Taz region
- 3 Sakhalin
- 4 Kamchatka
- 5 Orenburg
- 6 Astrakhan

Projected gas production centres

- 7 Irkutsk
- 8 Yakutsk
- Other

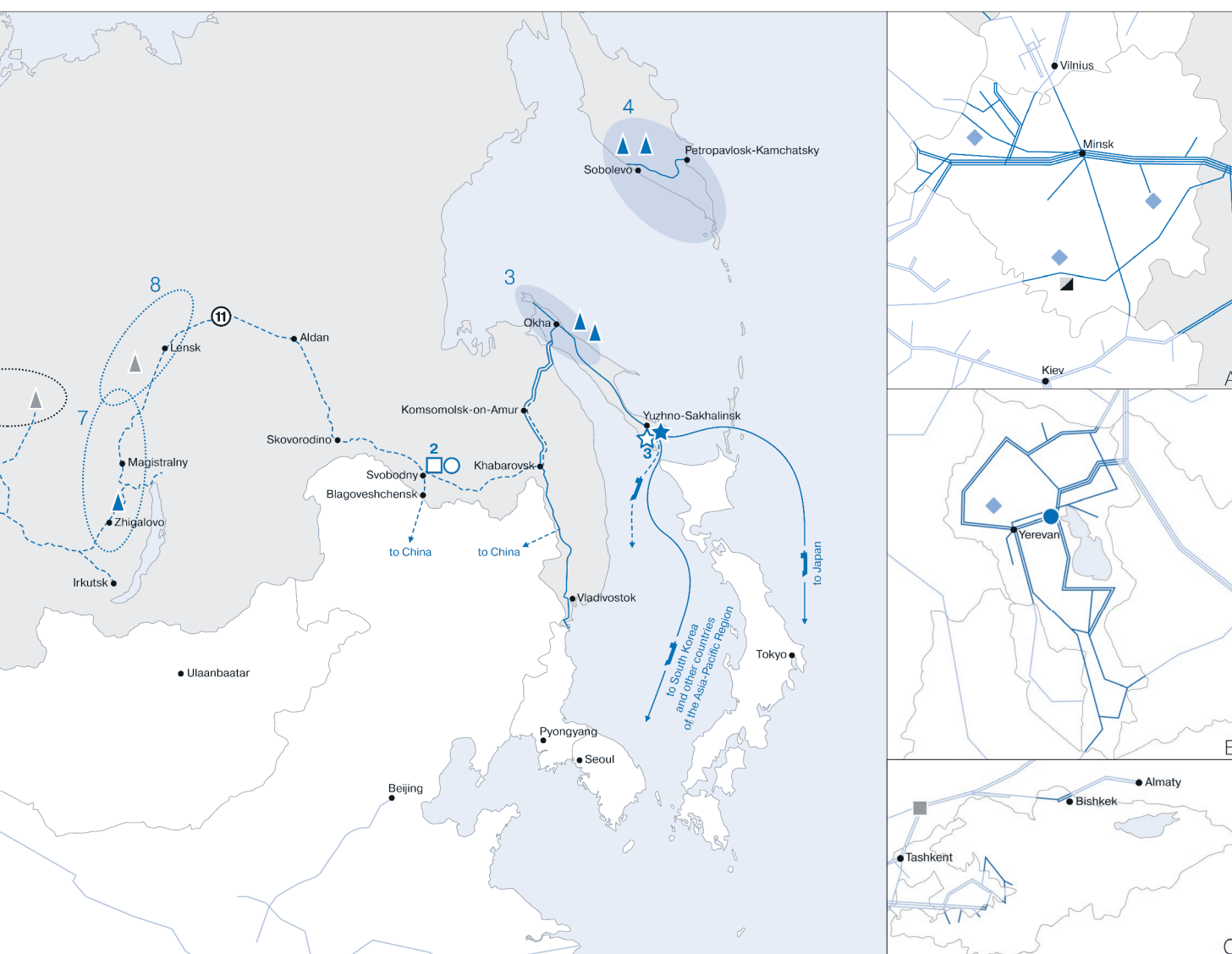
Existing oil production centres

Underground gas storage facilities

- ◆ Existing UGSFs
- ◆ Existing UGSFs co-invested by Gazprom Group
- ◇ UGSFs under construction and projected UGSFs

Power generation facilities

- Existing power generation facilities
- Power generation facilities under construction and projected power generation facilities



Existing refining/processing and petrochemical assets

- GPPs
- Refineries
- Petrochemical and gas chemical production
- Gazprom Group's access to the GPP's capacity
- Gazprom Group's access to the refinery's capacity

Projects in refining/processing, oil and gas chemistry

- 1 Novourengoysky Gas Chemical Complex
- 2 Amur GPP

LNG production and regasification assets

- ★ LNG plant, Sakhalin
- ★ 1 Kaliningrad regasification terminal project
- ★ 2 Baltic LNG — LNG plant project in Leningrad region
- ★ 3 Phase 3 of LNG plant, Sakhalin

LNG supply routes

- Existing LNG supply routes
- Projected LNG supply routes

Key gas export routes

- ① Nord Stream gas pipeline
- ② Yamal — Europe gas pipeline
- ③ Urengoy — Uzhgorod gas pipeline
- ④ Blue Stream gas pipeline

Gas transportation projects

- ⑤ Nord Stream 2 gas pipeline
- ⑥ Expansion of UGSS' gas transportation capacity at the Gryazovets — Slavyanskaya CS section in the North-West region
- ⑦ Turkish Stream gas pipeline
- ⑧ Ukhta — Torzhok 2 gas pipeline
- ⑨ Bovanenkovo — Ukhta gas pipeline (second line)
- ⑩ Power of Siberia 2 gas pipeline
- ⑪ Power of Siberia gas pipeline

PJSC Gazprom's Board of Directors (as at 31 December 2016)



**Viktor Alekseevich
Zubkov**

Chairman of
the Board of Directors

Non-executive director

Born in 1941.
Postgraduate vocational education.
Graduate of Leningrad Agricultural Institute.
Doctor of Economics.

2007–2008: Prime Minister of the Russian Federation.
2008–2012: First Deputy Prime Minister of the Russian Federation.
Since 2012 — Russian Special Presidential Representative for Cooperation with Gas Exporting Countries Forum.
2012–2014: member of the Board of Directors, Director General, Chairman of the Management Committee of OOO Gazprom gazomotornoe toplivo.
Since 2014 — Deputy Chairman of the Board of Directors of OOO Gazprom gazomotornoe toplivo.

Chairman of the Company's Board of Directors since 2008.
Mr Zubkov has no shareholding in PJSC Gazprom.



**Alexey Borisovich
Miller**

Deputy Chairman of
the Board of Directors

Executive Director

Born in 1962.
Postgraduate vocational education.
Graduate of N.A. Voznesensky Leningrad Finance and Economics Institute.
Candidate of Economics.

Since 2001 — Chairman of the Company's Management Committee.

Deputy Chairman of the Company's Board of Directors since 2002.
Mr Miller holds a 0.000958% stake in PJSC Gazprom.



**Andrey Igorevich
Akimov**

Non-executive director

Born in 1953.
Higher vocational education.
Graduate of Moscow Finance Academy.

Since 2002 — Chairman of the Management Board of Joint Stock Bank of Gas Industry Gazprombank (Closed Joint Stock Company);
since 2007 — Gazprombank (Open Joint Stock Company);
since 2014 — Gazprombank (Joint Stock Company).

Member of the Company's Board of Directors since 2011.
Mr Akimov has no shareholding in PJSC Gazprom.



**Timur Askarovich
Kulibaev**

Independent Director

Born in 1966.
Postgraduate vocational education.
Graduate of M.V. Lomonosov Moscow State University.
Candidate of Economics.

Since 2007 — Head of the Association of Legal Entities the Kazenergy Kazakh Association of Oil, Gas and Energy Companies.
Since 2010 — Chairman of the Presidium of the Atameken National Chamber of Entrepreneurs of the Republic of Kazakhstan.
In 2011 — member of the Board of Directors, and Chairman of the Management Board of AO Samruk-Kazyna National Welfare Fund.

Member of the Company's Board of Directors since 2011.
Mr Kulibaev has no shareholding in PJSC Gazprom.



**Vitaly Anatolievich
Markelov**

Executive Director

Born in 1963.
Postgraduate vocational education.
Graduate of S.P. Korolev Kuibyshev Aviation Institute.
Candidate of Technical Sciences.

2003–2011: Director General of OOO Tomsktransgaz
(since 2008 — OOO Gazprom transgaz Tomsk).
In 2011 — Director General of OOO Gazprom invest Vostok.
Since 2011 — Deputy Chairman of the Company's Management
Committee.

Member of the Company's Board of Directors since 2012.
Mr Markelov holds a 0.006203% stake in PJSC Gazprom.



**Viktor Georgievich
Martynov**

Independent Director

Chairman of the Board of Directors'
Audit Committee, member of the Board
of Directors' Nomination and
Remuneration Committee

Born in 1953.
Postgraduate vocational education.
Graduate of I.M. Gubkin Moscow Institute of the Petrochemical
and Gas Industry.
Candidate of Geology and Mineralogy, Doctor of Economics.

Since 2008 — Rector of I.M. Gubkin Russian State Oil and Gas University
(a federal budget-funded educational institution of higher professional
education, national research university).

Member of the Company's Board of Directors since 2013.
Mr Martynov has no shareholding in PJSC Gazprom.



**Vladimir Alexandrovich
Mau**

Independent Director

Member of the Board of Directors'
Audit Committee, member of the Board
of Directors' Nomination and
Remuneration Committee

Born in 1959.
Postgraduate vocational education.
Graduate of G.V. Plekhanov Moscow Institute of National Economy.
Doctor of Economics.

2002–2010: Rector of the State Educational Institution of Higher
Professional Education, the Academy of National Economy under
the Government of the Russian Federation.
Since 2010 — Rector of the Russian Presidential Academy of National
Economy and Public Administration (a federal state budget-funded
institution of higher education).

Member of the Company's Board of Directors since 2011.
Mr Mau has no shareholding in PJSC Gazprom.



**Alexander Valentinovich
Novak**

Non-executive director

Born in 1971.
Higher vocational education.
Graduate of Norilsk Industrial Institute.

2010–2012: Deputy Minister of Finance of the Russian Federation.
Since 2012 — Minister of Energy of the Russian Federation.

Member of the Company's Board of Directors since 2015.
Mr Novak has no shareholding in PJSC Gazprom.



**Dmitry Nikolayevich
Patrushev**

Non-executive director

Born in 1977.
Postgraduate vocational education.
Graduate of the State University of Management and of the Diplomatic Academy of the Russian Ministry of Foreign Affairs.
Doctor of Economics.

2007–2010: Senior Vice-President of OAO Vneshtorgbank.
Since 2010 — member of the Supervisory Board of AO Russian Agricultural Bank, Chairman of the Management Board of AO Russian Agricultural Bank.

Member of PJSC Gazprom's Board of Directors since 30 June 2016.
Mr Patrushev holds a 0.000204 % stake in PJSC Gazprom.



**Mikhail Leonidovich
Sereda**

Executive Director

Member of the Board of Directors'
Audit Committee, Chairman of the Board
of Directors' Nomination and
Remuneration Committee

Born in 1970.
Higher vocational education.
Graduate of Saint Petersburg State University of Economics and Finance.

Since 2004 — Deputy Chairman of the Management Committee —
Head of the Company Administration.

Member of the Company's Board of Directors since 2002.
Mr Sereda holds a 0.000232 % stake in PJSC Gazprom.



**Alexey Valentinovich
Ulyukaev**

Non-executive director

Born in 1956.
Postgraduate vocational education.
Graduate of M.V. Lomonosov Moscow State University.
Doctor of Economics.

2004–2013: First Deputy Chairman of the Central Bank of the Russian Federation.
2013–2016: Minister of Economic Development of the Russian Federation.

Member of PJSC Gazprom's Board of Directors since 30 June 2016.
Mr Ulyukaev has no shareholding in PJSC Gazprom.

Changes to the Board of Directors in 2016

Farit Rafikovich Gazizullin

member of PJSC Gazprom's Board of Directors until 30 June 2016

Dmitry Nikolayevich Patrushev

member of PJSC Gazprom's Board of Directors since 30 June 2016

Alexey Valentinovich Ulyukaev

member of PJSC Gazprom's Board of Directors since 30 June 2016.
Since November 2016, has not been actually involved in the activities of the Board of Directors due to pre-trial restriction.

Note. The status of a member of the Board of Directors has been determined in compliance with the criteria set by the Code of Corporate Governance approved by the Board of Directors of the Bank of Russia on 21 March 2014.



The biographical details of the members of PJSC Gazprom's Board of Directors are also available on PJSC Gazprom's website.

PJSC Gazprom's Management Committee (as at 31 December 2016)



**Alexey Borisovich
Miller**

Chairman of
PJSC Gazprom's
Management Committee

Born in 1962.
Postgraduate vocational education.
Graduate of N.A. Voznesensky Leningrad Finance and Economics
Institute.
Candidate of Economics.

Chairman of the Company's Management Committee since 2001.
Term of office — until 30 May 2021.
Mr Miller holds a 0.000958% stake in PJSC Gazprom.



**Elena Alexandrovna
Vasilieva**

Deputy Chairwoman of
PJSC Gazprom's
Management Committee —
Chief Accountant of
PJSC Gazprom

Born in 1959.
Higher vocational education.
Graduate of N.A. Voznesensky Leningrad Finance and Economics
Institute.

Member of the Company's Management Committee since 2001.
Term of office — until 26 November 2021.
Ms Vasilieva holds a 0.000281% stake in PJSC Gazprom.



**Valery Alexandrovich
Golubev**

Deputy Chairman of
PJSC Gazprom's
Management Committee

Born in 1952.
Postgraduate vocational education.
Graduate of V.I. Ulyanov (Lenin) Leningrad Electrotechnical Institute.
Doctor of Economics.

Member of the Company's Management Committee since 2003.
Term of office — until 18 April 2018.
Mr Golubev holds a 0.000232% stake in PJSC Gazprom.



**Alexander Nikolaevich
Kozlov**

Deputy Chairman of
PJSC Gazprom's
Management Committee

Born in 1952.
Higher vocational education.
Graduate of Moscow State Institute of International Relations
of the Ministry of Foreign Affairs of the USSR.

Member of the Company's Management Committee since 2005.
Term of office — until 17 March 2020.
Mr Kozlov holds a 0.000232 % stake in PJSC Gazprom.



**Andrey Vyacheslavovich
Kruglov**

Deputy Chairman of
PJSC Gazprom's
Management Committee

Born in 1969.
Postgraduate vocational education.
Graduate of Saint Petersburg Technological Institute of the Refrigeration
Industry.
Doctor of Economics.

Member of the Company's Management Committee since 2002.
Term of office — until 19 June 2017.
Mr Kruglov holds a 0.000735 % stake in PJSC Gazprom.



**Vitaly Anatolievich
Markelov**

Deputy Chairman of
PJSC Gazprom's
Management Committee

Born in 1963.
Postgraduate vocational education.
Graduate of S.P. Korolev Kuibyshev Aviation Institute.
Candidate of Technical Sciences.

Member of the Company's Management Committee since 2012.
Term of office — until 22 January 2017.
Mr Markelov holds a 0.006203% stake in PJSC Gazprom.



**Alexander Ivanovich
Medvedev**

Deputy Chairman of
PJSC Gazprom's
Management Committee

Born in 1955.
Postgraduate vocational education.
Graduate of Moscow Institute of Physics and Technology.
Candidate of Economics.

Member of the Company's Management Committee since 2002.
Term of office — until 26 September 2017.
Mr Medvedev holds a 0.000232 % stake in PJSC Gazprom.



**Sergey Fyodorovich
Khomyakov**

Deputy Chairman of
PJSC Gazprom's
Management Committee,
Director General of
PJSC Gazprom's
Corporate Security Service
Branch in Moscow

Born in 1953.
Postgraduate vocational education.
Graduate of V.I. Ulyanov (Lenin) Leningrad Electrotechnical Institute.
Candidate of Economics.

Member of the Company's Management Committee since 2007.
Term of office — until 15 March 2017.
Mr Khomyakov holds a 0.000232% stake in PJSC Gazprom.



**Oleg Evgenyevich
Aksyutin**

Head of Department
(prospective development)

Born in 1967.
Postgraduate vocational education.
Graduate of S.P. Korolev Kuibyshev Aviation Institute.
Doctor of Technical Sciences.

Member of the Company's Management Committee since 2008.
Term of office — until 4 November 2018.
Mr Aksyutin holds a 0.000218% stake in PJSC Gazprom.



**Nikolai Nikolaevich
Dubik**

Head of Department
(legal support)

Born in 1971.
Higher vocational education.
Graduate of M.V. Lomonosov Moscow State University.

Member of the Company's Management Committee since 2008.
Term of office — until 15 June 2018.
Mr Dubik holds a 0.000955 % stake in PJSC Gazprom.



**Vladimir Konstantinovich
Markov**

Head of Department
(relations with the Russian Federation
authorities)

Born in 1955.
Postgraduate vocational education.
Graduate of Ryazan Radio Engineering Institute.
Candidate of Law.

Member of the Company's Management Committee since 2012.
Term of office — until 22 January 2017.
Mr Markov holds a 0.000148% stake in PJSC Gazprom.



**Elena Vladimirovna
Mikhailova**

Head of Department
(asset management
and corporate relations),
Deputy Director General for
Corporate Relations
and Asset Management at
OOO Gazprom mezhregiongaz

Born in 1977.
Higher vocational education.
Graduate of Moscow State Industrial University.

Member of the Company's Management Committee since 2012.
Term of office — until 22 January 2017.
Ms Mikhailova holds a 0.000148% stake in PJSC Gazprom.



**Vyacheslav Alexandrovich
Mikhalevich**

Head of Department
(gas transportation
and underground storage)

Born in 1965.
Postgraduate vocational education.
Graduate of Bryansk Transport Machine-Building Institute.
Candidate of Technical Sciences.

Member of the Company's Management Committee since 2015.
Term of office — until 24 September 2020.
Mr Mikhalevich holds a 0.000424% stake in PJSC Gazprom.



**Sergey Frolovich
Prozorov**

Head of Department
(arrangement and management
of industrial facilities construction)

Born in 1958.
Higher vocational education.
Graduate of Bryansk Transport Machine-Building Institute.

Member of the Company's Management Committee since 2014.
Term of office — until 26 November 2019.
Mr Prozorov holds a 0.000148% stake in PJSC Gazprom.



**Kirill Gennadyevich
Seleznev**

Head of Department
(marketing; gas and liquid
hydrocarbons processing;
development of power
and heat generation),
Director General of
OOO Gazprom mezhregiongaz

Born in 1974.
Postgraduate vocational education.
Graduate of D.F. Ustinov Baltic State Technical University
and Saint Petersburg State University.
Candidate of Economics.

Member of the Company's Management Committee since 2002.
Term of office — until 26 September 2017.
Mr Seleznev holds a 0.000148% stake in PJSC Gazprom.



**Igor Yuryevich
Fyodorov**

Director General of
OOO Gazprom komplektatsiya

Born in 1965.
Postgraduate vocational education.
Graduate of A.A. Zhdanov Leningrad State University
and Saint Petersburg State Academy of Service and Economics.
Candidate of Economics.

Member of the Company's Management Committee since 2007.
Term of office — until 21 January 2017.
Mr Fyodorov holds a 0.000136% stake in PJSC Gazprom.



**Vsevolod Vladimirovich
Cherepanov**

Head of Department
(hydrocarbon exploration
and production)

Born in 1966.
Postgraduate vocational education.
Graduate of M.V. Lomonosov Moscow State University.
Candidate of Geology and Mineralogy.

Member of the Company's Management Committee since 2010.
Term of office — until 29 March 2020.
Mr Cherepanov holds a 0.000148 % stake in PJSC Gazprom.

**There were no changes to the Management Committee
in 2016**



The biographical details of the members of PJSC Gazprom's
Management Committee are also available on PJSC Gazprom's
website.

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Strategic Target Indicators (STIs)

PJSC Gazprom's strategic planning framework employs a two-tier system of Strategic Target Indicators (STIs).

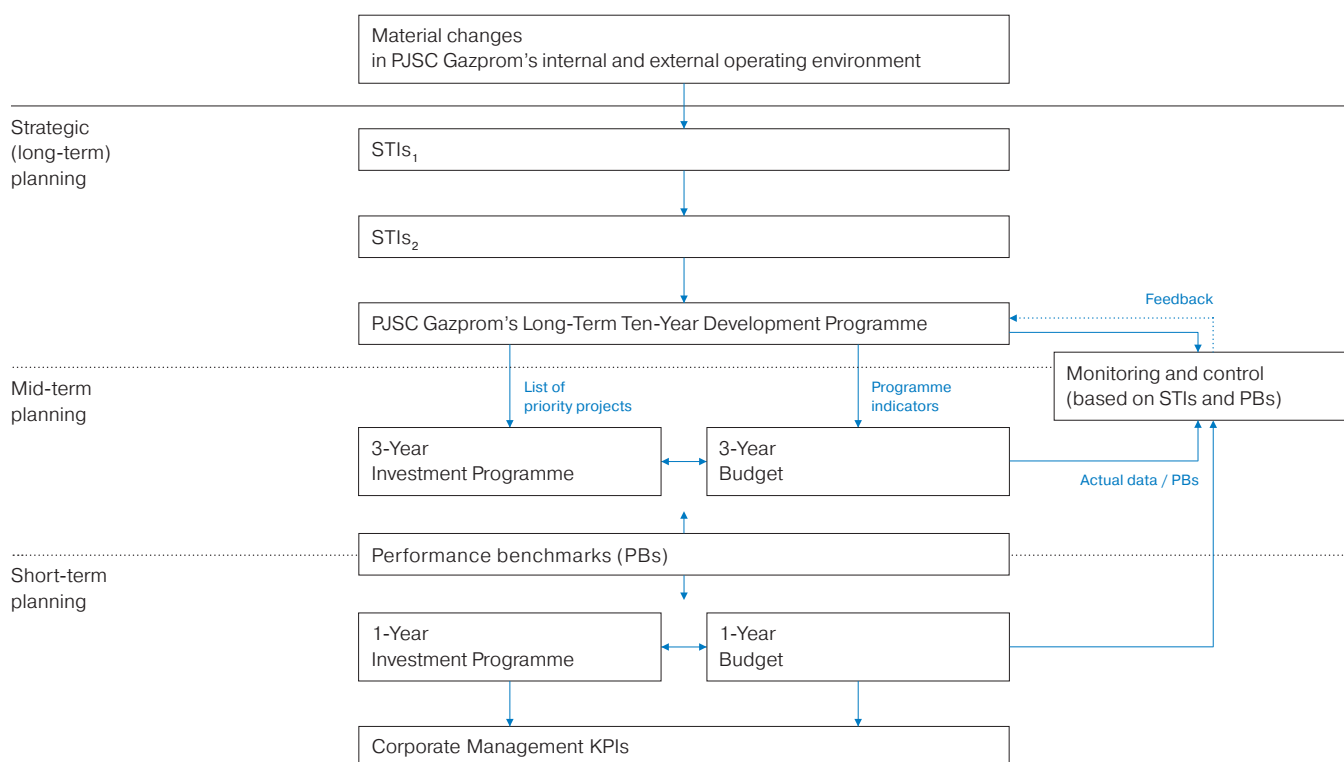
Tier-1 STIs (STIs₁) are set by the Company's Board of Directors for the end of a ten-year period and provide a basis for developing PJSC Gazprom's Long-Term Development Programme.

Tier-2 STIs (STIs₂) flesh out STIs₁ for specific lines of business and operations, providing more details on the

targets in production, marketing, economy, internal corporate processes, innovations, and HR management.

The STI-based long-term planning framework covers the operations of the Company and its key subsidiaries in the gas business. The Company is actively taking efforts to develop a mechanism to roll out the long-term planning framework to PJSC Gazprom's international operations and its oil and power generation businesses. This will help improve the Group's overall performance.

Interfaces between STI-based long-, mid-, and short-term planning frameworks



Long-Term Development Programme

PJSC Gazprom's Long-Term Development Programme is a key tool and reference point for the Company's longer term planning.

The Long-Term Development Programme is developed annually in accordance with JSC Gazprom's Planning Procedures Based on the Strategic Target Indicators (STIs) approved by resolution of JSC Gazprom's Management Committee in June 2006, and incorporating the Guidelines on Long-Term Development Programmes for Strategic Joint-

Stock Companies and Federal State Unitary Enterprises, and Open Joint-Stock Companies where the Aggregate Share of the Russian Federation Exceeds 50% (Russian Government Instruction No. ISH-P13-2583 dated 15 April 2014). The Programme is subject to approval by the Company's Board of Directors.

Its purpose is to provide a comprehensive integrated plan ensuring the Company's balanced and successful growth, achievement of STIs, and maximisation of systemic economic benefits based on risk and opportunity analysis.

The key objectives of the Long-Term Development Programme of PJSC Gazprom include:

- identifying priority areas for the development of PJSC Gazprom based on insights into trends in the global and Russian energy markets and competition analysis;
- defining development options and prioritising projects for PJSC Gazprom;
- financial and economic evaluation of the Company's development options;
- qualitative and quantitative assessment of PJSC Gazprom's strategic risks;
- drafting recommendations and developing activities to achieve PJSC Gazprom's strategic targets and support its sustainable growth.

**STIs, values at the end of a ten-year period
(approved by Resolution of the Board of Directors No. 1528
dated 29 December 2009)**

Item	Value
Economic profit growth	Positive
Return on capital (ROC) (return on capital employed)	At least 6%
Debt / equity ratio (ratio between debt and equity)	Not more than 40%
Gas production and sales volumes	
Gross production of natural gas	Not less than 550 bcm
Sales of natural gas	Not less than 490 bcm
Total gas reserves	Not less than 29 tcm of natural gas
Gas reserves replacement ratio	At least 100%

When drafting the Long-Term Development Programme, the Company factors in inputs and results provided by business units and subsidiaries of PJSC Gazprom, as well as resolutions by management bodies of PJSC Gazprom, including decisions by the Board of Directors of PJSC Gazprom made in accordance with the Russian Government directives for the government representatives on the Board of Directors of PJSC Gazprom, relating to the Long-Term Development Programme of PJSC Gazprom. The governing documents defining key Russian economy and energy sector development areas are: forecasts of national social and economic development, Russia's Energy Strategy, the General Scheme for the Development of the Gas Industry, key provisions of federal special-purpose action plans for the gas

industry, directives and other instructions of the Government of the Russian Federation, as well as other documents regulating development of the fuel and energy sector.

Russian Government Directives No. 4955p-P13 dated 17 July 2014 provide for audits of the implementation of the Long-Term Development Programme. In 2015, such audit of the Company's Long-Term Development Programme was carried out by OOO FBK. The audit was performed in accordance with the Standard for Conducting an Audit of the Implementation of the Long-Term Development Programme of PJSC Gazprom (approved by Resolution of the Board of Directors of PJSC Gazprom No. 2629 dated 26 November 2015) and the Terms of Reference for Conducting an Audit of the Implementation of the Long-Term Development Programme of PJSC Gazprom (approved by Resolution of the Board of Directors of PJSC Gazprom No. 2683 dated 15 March 2016). Based on the results of the audit procedures, the auditor prepared a report (No. 770 dated 28 March 2017), which concluded that Gazprom Group's current internal performance monitoring and reporting system and the relevant document flow could be considered effective and enabling the provision of reliable information about the progress on the the Long-Term Development Programme.

In September 2016, the Long-Term Development Programme of PJSC Gazprom (gas business, 2017–2026) was approved by the Resolution of the Board of Directors No. 2813 dated 27 September 2016 (Minutes of the Board of Directors' meeting No. 1099 dated 27 September 2016).

The Programme includes updated predictive scenarios of social and economic development developed by the Russian Ministry of Economic Development, as well as latest decisions on systemically important high-priority projects such as the Power of Siberia, the Amur GPP, Nord Stream 2, the Baltic LNG plant, Phase 3 of Sakhalin II LNG plant, the Turkish Stream, and LNG production at the Portovaya compressor station. Pursuant to Russian Government Directives No. 4531p-P13 On Amendments to the Company's Development Plans dated 28 June 2016, information about the implementation of Russian Government directives was added to the Directives section of the Long-Term Development Programme of PJSC Gazprom and projects pursued in the East of Russia were grouped into a separate subsection of the Programme.

For more details on flagship initiatives aimed at implementation of the Long-Term Development Programme of PJSC Gazprom (gas business, 2016–2025) approved by Resolution of the Board of Directors of PJSC Gazprom No. 2649 dated 28 December 2016 (Minutes of the Board of Directors' meeting No. 1053 dated 28 December 2016) in the reporting year see the Outlook section. Pages 45–49.

Mid- and Short-term Planning

Over the medium and short term, investment, financial and operational planning at PJSC Gazprom is streamlined into the budget planning framework.

Budget planning benchmarks are set by the performance benchmarks (PB) system based on the Long-Term Development Programme and fleshing out its indicators for a 1–3-year budgeting period.

Target key performance indicators (KPIs) for corporate management are fixed by the annual budget (financial plan) and the Investment Programme of PJSC Gazprom. The KPIs incorporate the Company's most important efficiency and effectiveness criteria and are to be approved by the Board of Directors.

The Company's KPI framework was approved by Resolution of the Board of Directors of JSC Gazprom No. 2435 dated 21 October 2014 (Minutes of the Board of Directors' meeting No. 972 dated 21 October 2014) as part of the Regulations on JSC Gazprom's Key Performance Indicators. Subsequently, the KPI framework was amended by the Company's Board of Directors to incorporate the instructions issued by government authorities. In particular, in 2016 a new mandatory KPI, Integral Key Performance Indicator for Innovation, was added to the Annual Bonus Scheme KPI list by Resolution of PJSC Gazprom's Board of Directors No. 2826 dated 14 October 2016 (Minutes of the Board of Directors' meeting No. 1102 dated 14 October 2016).

Corporate executive KPIs for 2016

KPI	Description
Financial and economic KPIs	
per unit costs in Production	total costs of gas producing subsidiaries divided by total volume of gas, unstable gas condensate and oil production
per unit costs in Transportation	total costs of gas transportation subsidiaries divided by total transportation volume
reduction of operating costs (expenses)	reduction of operating costs (expenses) in the reporting year
total shareholder return, TSR	estimated shareholder's income for the reporting year from share price growth and dividend received
ROE	ratio between net income and average annual shareholders' equity
labour productivity	total revenue from sales of products, proceeds from work done and services provided, revenue from sales of goods purchased for resale less expenses on purchase of such goods, divided by total man-hours worked by full-time employees and external part-time employees.

Industry-specific KPIs

gas sales by volume	PJSC Gazprom's gas sales by volume, including both its own gas and purchased gas
commissioning of priority production facilities	completion of activities related to commissioning of priority production facilities (as per the approved list)
integral key performance indicator for innovation	sum of scores reflecting the achievement of KPI targets, with application of weights allocated to each of the KPIs: <ul style="list-style-type: none"> — patents and licences obtained in the reporting year and during two preceding years; — technologies introduced based on R&D results under the Innovative Development Programme in the reporting year; — reduction of relative rates of greenhouse gas emissions expressed as CO₂ equivalent; — assessment of the quality of design / annual implementation of the Innovative Development Programme.

Target and actual values of corporate executive KPIs for 2016

KPI	Target value		Actual value	KPI achievement, % of the target	Explanation of difference between target and actual KPI values
	Initial	Adjusted			
Financial and economic KPIs					
per unit costs in Production, RUB/t c.e.	902.34*	1,028.39****	1,000.02	103	Higher volumes of gas production and transportation vs targets due to increased gas supplies to far abroad countries and domestic consumers
per unit costs in Transportation, RUB per unit of transportation (mcm/100 km)	63.98*	68.97****	68.59	101	
reduction of operating costs (expenses), %	2*	10**	19.22	192	Changes in operating costs (expenses) vs the 2014 baseline on a comparable basis (adjusted for inflation and the year-average RUB exchange rate)
total shareholder return, TSR	0.10*	No adjustments	0.185	185	PJSC Gazprom's share performance on the Moscow Exchange
ROE, %	6*	No adjustments	8.78	146	Changes in RUB/USD and RUB/EUR exchange rates
labour efficiency, RUB thousand/ man-hour	70.64*	65.10****	68.29	105	PJSC Gazprom's higher revenue and lower total man-hours worked compared to forecast.
Industry-specific KPIs					
gas sales by volume, bcm	439.46*	407.64****	421.14	103	Higher demand for gas from consumers in far abroad countries and Russia in comparison to values adopted when calculating target value.
commissioning of priority production facilities	10*	No adjustments	10	100	x
integral key performance indicator for innovation, %	95***	No adjustments	109.9	116	Effective organization and implementation of innovation.

* Resolution of PJSC Gazprom's Board of Directors No. 2697 dated 24 March 2016.

** Resolution of PJSC Gazprom's Board of Directors No. 2801 dated 7 September 2016.

*** Resolution of PJSC Gazprom's Board of Directors No. 2826 dated 14 October 2016.

**** Resolution of PJSC Gazprom's Board of Directors No. 2874 dated 22 December 2016.

KPI targets for 2016 were set by resolutions of the Board of Directors based on the Company's 2016 budget (financial plan) and investment programme, with some of the KPIs subsequently adjusted as per the new version of the 2016 budget (financial plan) and investment programme.

Adjustments to the approved KPI values were largely due to the negative impact of factors and macroeconomic conditions used in budget (financial plan) estimates, which are beyond the corporate executives' control, such as RUB/USD exchange rate, oil prices and changes in the key sales markets.

Target corporate executive KPIs for 2017 were approved by Resolution of PJSC Gazprom's Board of Directors No. 2929 dated 20 April 2017.

Target corporate executive KPIs for 2017	
KPI	Target value*
Financial and economic KPIs	
per unit costs in Production, RUB/t c.e.	1,001.69
per unit costs in Transportation, RUB per unit of transportation (mcm/100 km)	74.22
reduction of operating costs (expenses), %	2
total shareholder return, TSR	0.10
ROE, %	6
labour efficiency, RUB thousand/man-hour	62.92
Industry-specific KPIs	
gas sales by volume, bcm	402.39
commissioning of priority production facilities	10
integral key performance indicator for innovation, %	95
* KPI values were calculated in accordance with PJSC Gazprom's 2017 budget (financial plan) and investment programme approved by the Board of Directors and may be adjusted under the applicable procedures if the Board of Directors resolves to adopt new versions of these documents.	

Gazprom continues to deliver sustainable growth despite a challenging commodity market environment.

Stabilisation of Oil Prices at a Relatively Low Level

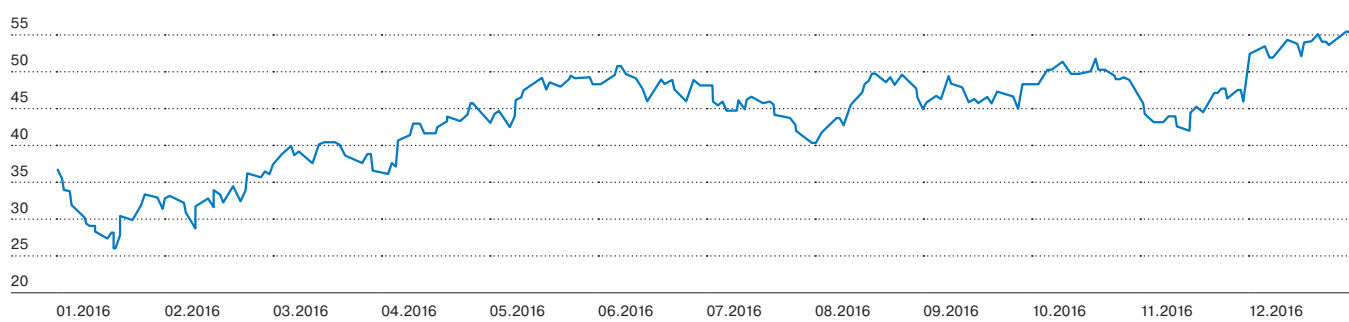
Stabilisation of oil prices at a relatively low level was an important outcome of 2016. In January 2016, oil prices dropped to the lowest level over the past few years, with Brent oil price falling to USD 27.9 per barrel. However, already in April–May prices rebounded to USD 45–50 per barrel.

Consultations among OPEC member countries and non-OPEC oil producers (above all, Russia) to freeze or cut

oil production were a key driver behind price recovery in 2016. On 30 November 2016, they agreed a supply cut. OPEC member countries agreed to reduce their total oil output by 1.2 million bpd to 32.5 million bpd from 1 January 2017. Non-OPEC oil producers agreed to cut their crude output by roughly 600 thousand bpd, with Russia accounting for 300 thousand bpd of the supply cut.

The arrangements reached are intended to be in place for half a year and may be extended up until the end of 2017. Capping of OPEC oil production will contribute to further stabilisation of oil prices.

Brent oil price in 2016, USD per barrel



Source: Platts

Record High Exports of Russian Gas to Europe

The reporting year saw record high gas supplies by PJSC Gazprom to Europe under contracts by OOO Gazprom export and Gazprom Schweiz AG. In 2016, supplies reached 179.3 bcm. The share of PJSC Gazprom's gas supplies under contracts by OOO Gazprom export and Gazprom Schweiz AG in the total consumption by European far abroad countries (including Turkey) rose to 33.1%.

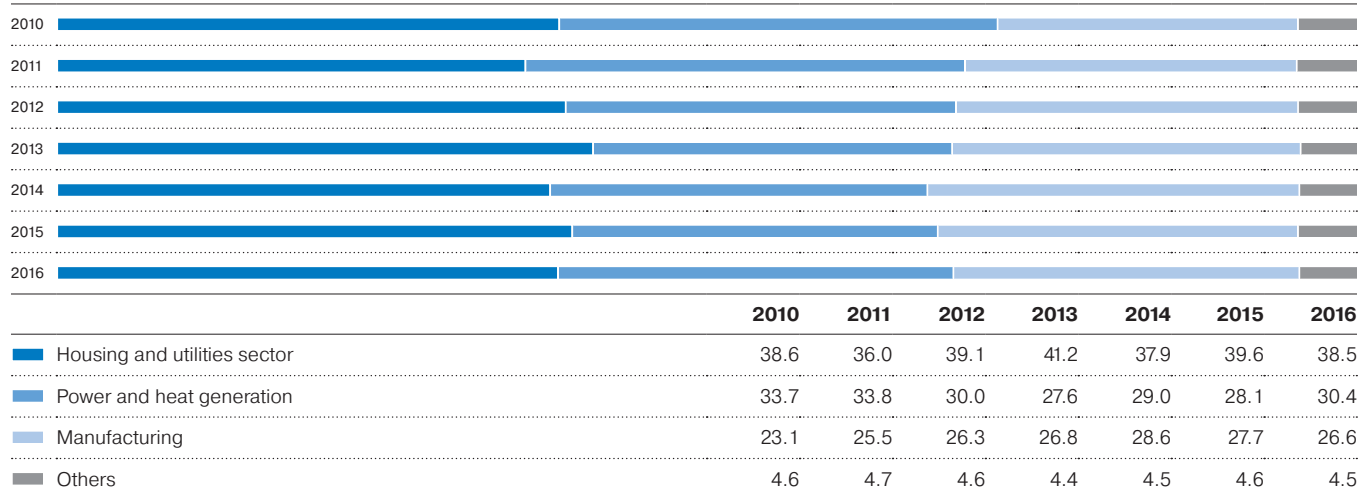
The growth in Russian gas supplies was driven by the following key factors: weather conditions, gas production decline in Europe and competitive prices for Russian gas.

According to the International Energy Agency data for 2015, natural gas accounts for approximately 22% of primary energy consumption in Europe. Over the past ten years, its share has decreased by two percentage points as compared to 2005, reflecting both the general reduction in consumption of fossil fuels and the growing rates of hydro- and renewable energy consumption across the region.

According to IHS, the largest European natural gas consumers are the housing and utilities sector consuming 39%, the power and heat production industry with 30%, and the manufacturing industries with 27%.

Based on preliminary estimates, gas consumption in European far abroad countries totalled 541.7 bcm in 2016, up by 35.1 bcm, or 6.9%, versus 2015.

Demand was mostly driven by increased gas consumption by the power generation sector, supported by declining gas prices and growing competitiveness of natural gas versus coal, and also by suspended operations of several nuclear power plants in France late in 2016 for the purpose of their inspection, which coincided with record low winter temperatures. In 2016, the weather index was generally below its average historical levels; however, due to the cold fourth quarter of 2016 slightly exceeded the 2015 level, which had a positive impact on gas consumption trends. The macroeconomic factors in European countries had a minor positive impact on gas consumption.

Gas consumption in European far abroad countries, broken down by economic sector, 2010–2016, %

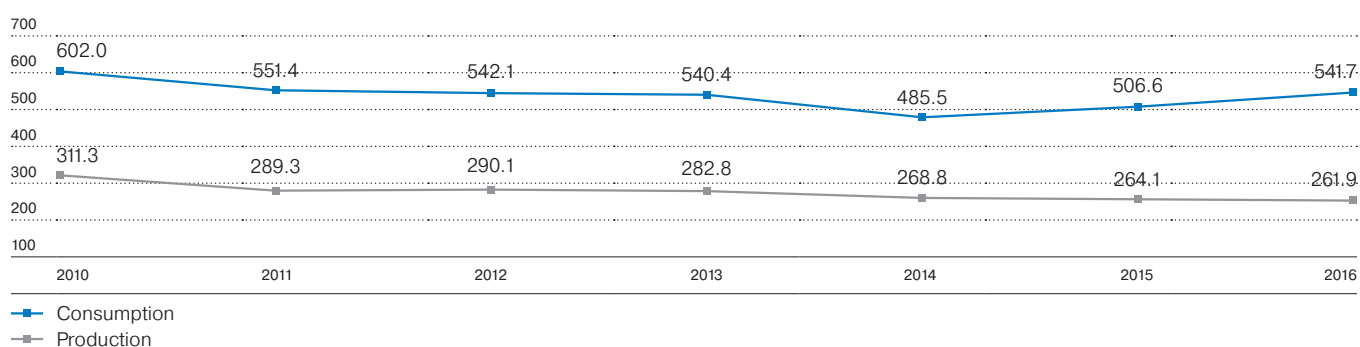
In 2016, European far abroad countries' own gas output dropped by 2.2 bcm, or 0.8%, year-on-year, totalling 261.9 bcm, mainly as a result of decreasing output at depleting fields in the Netherlands and gas production restrictions imposed to avoid seismic activity in the region. However, gas output in the UK increased slightly, partially offsetting the overall gas production declines in Europe.

In 2016, total gas exports to the European market increased by 37.3 bcm, up 15.4%. Gas exports to European far abroad countries under contracts by OOO Gazprom export and Gazprom Schweiz AG grew in 2016 by 19.9 bcm (+12.5%) year-on-year to 179.3 bcm. Gas supplies from

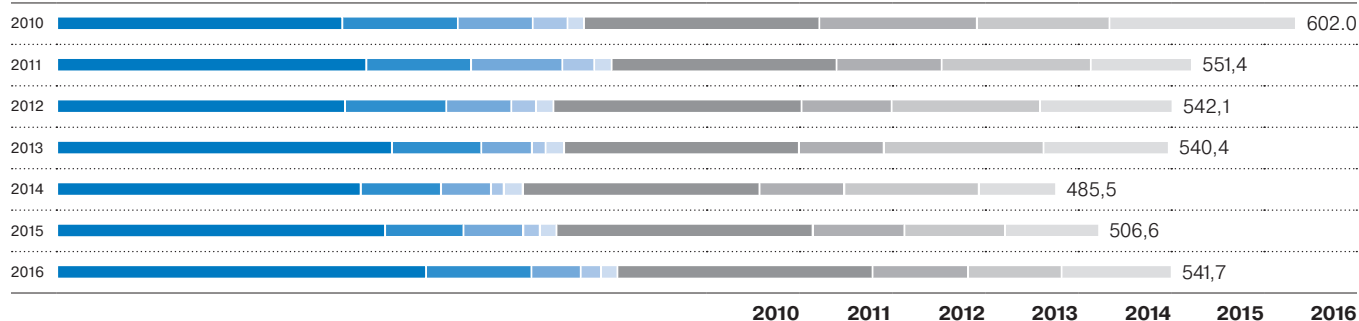
Algeria to Europe also increased significantly, by 13.1 bcm (+34.3%), to reach 51.2 bcm, driven both by lower contract prices, which are tied to oil prices, and revised contractual terms effective from Q4 2016, with a transition to prices pegged to gas trading hub indices.

Notwithstanding the projected significant growth, LNG imports to Europe in 2016 declined by 1.1 bcm (–1.9%) year-on-year to 55.5 bcm as a result of diversion of LNG supplies to growth markets that offer higher premium.

For more details on Gazprom Group's sales of natural gas to far abroad European countries in 2016 see the Marketing section. Pages 77–86.

Consumption and own production of gas in European far abroad countries, 2010–2016, bcm

Note. Calculated based on the International Energy Agency data, with natural gas volumes converted to Russian standards (calorific value of 8,850 kcal/cm at 20°C). Data for 2015 may differ from data in Annual Report 2015 due to amendments to international statistics.

Gas supplies to European far abroad countries, 2010–2016, bcm

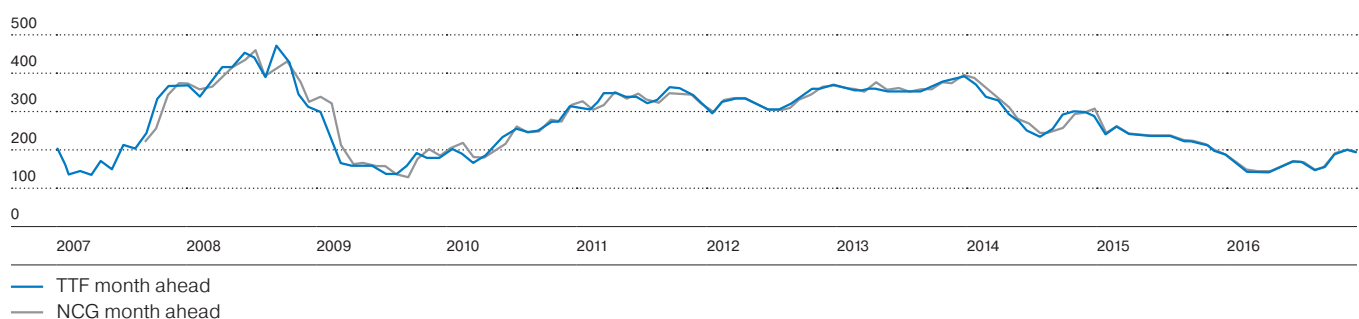
Supplies by major gas exporters							
PJSC Gazprom (contracts of OOO Gazprom export and Gazprom Schweiz AG)	138.6	150.3	139.9	162.7	147.6	159.4	179.3
Algeria (incl. LNG)	56.3	50.9	49.2	43.4	39.0	38.1	51.2
Qatar	37.3	44.3	31.6	24.6	24.3	29.1	24.0
Nigeria	16.6	15.5	12.0	6.7	6.2	8.0	9.8
Iran	8.0	8.5	8.5	9.0	9.2	8.1	8.0
Supplies by major European producers							
Norway	114.3	109.3	120.6	114.1	115.1	124.5	124.0
UK	64.5	51.1	43.8	41.2	41.2	44.6	46.4
The Netherlands	76.5	72.5	72.1	77.7	65.4	48.9	45.5
Other supplies (excluding reexport)	89.9	49.1	64.4	60.9	37.6	45.8	53.5

Note. Calculated based on the International Energy Agency data, with natural gas volumes converted to Russian standards (calorific value of 8,850 kcal/cm at 20°C). Data for 2015 may differ from data in Annual Report 2015 due to amendments to international statistics. The said values may differ from estimates due to rounding.

In 2016, prices at European trading hubs were increasing and highly correlated with prices linked to the oil product basket.

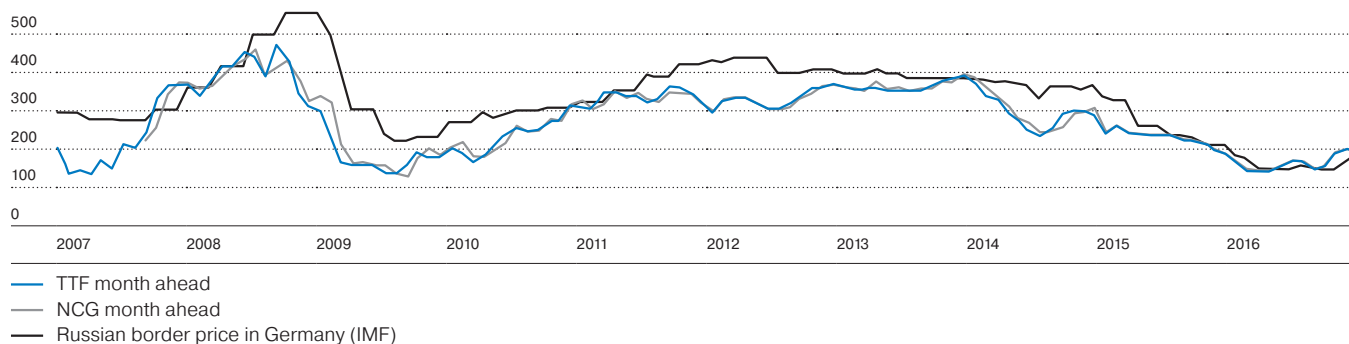
The price of gas supplied by PJSC Gazprom under long-term contracts included delivery to customer as per daily

orders. The contract gas price includes a premium for reliability and flexibility of supplies as opposed to the hub-traded gas which is supplied in standard equal lots over the contract term.

Weekly month-ahead prices for natural gas on TTF and NCG, 2007–2016, USD per mcm

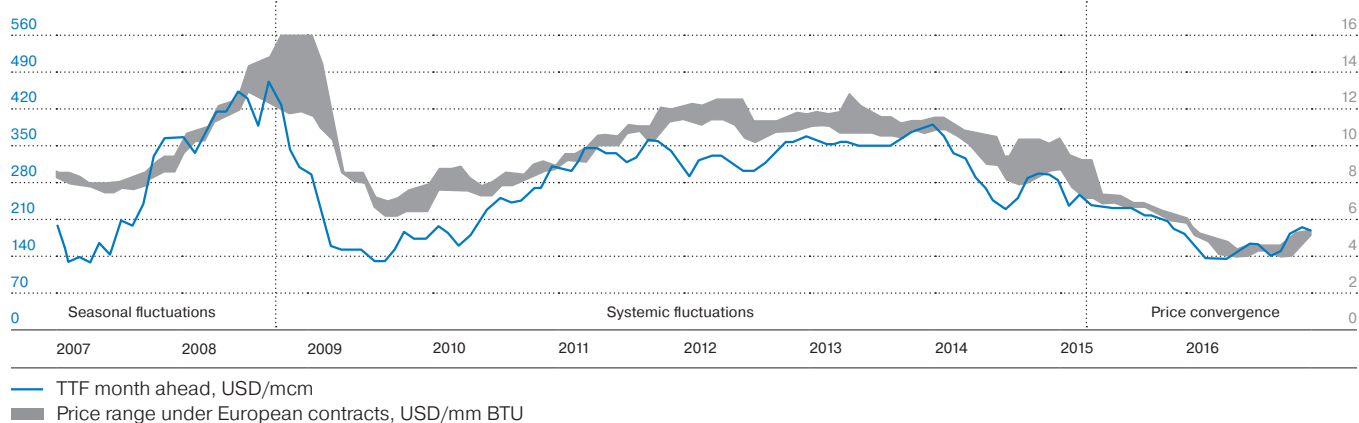
Source: Bloomberg

Hub prices vs PJSC Gazprom's long-term contract prices, 2007–2016, USD per mcm



Source: Bloomberg, IMF

Hub prices vs PJSC Gazprom's long-term contract prices, 2007–2016



Source: BAFA, Bloomberg, World Bank, IMF, International Energy Agency

Growth in Global LNG Trade

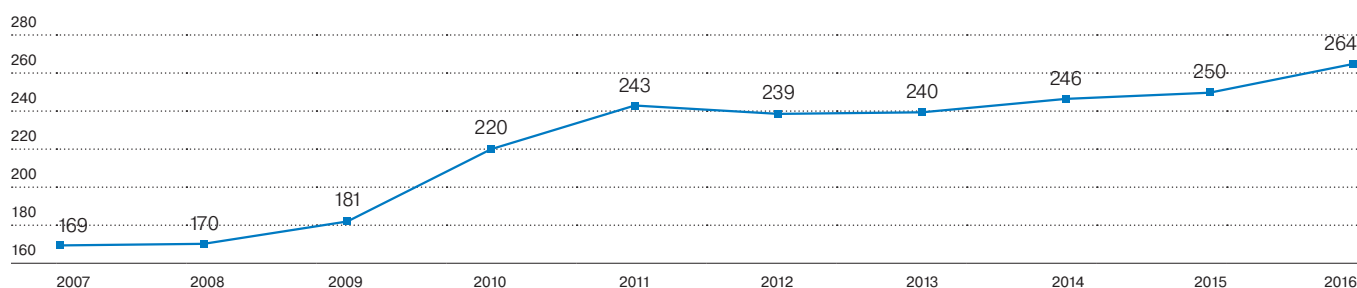
In 2016, global LNG sales increased by 13.7 mm tonnes (+5.5%) to 264 mm tonnes of LNG, the biggest gain since 2011.

Such an increase in LNG trade in 2016 is attributed mainly to the start-up of new LNG facilities in Australia (Australia Pacific, Gladstone and Gorgon) and the United States (Sabine Pass).

In 2016, demand growth concentrated mainly in Asia Pacific countries, above all China (+6.4 mm tonnes), India (+3.6 mm tonnes) and Pakistan (+1.7 mm tonnes). Growth

was driven by the launch of supplies under a number of earlier mid- and long-term contracts and also by increased LNG purchases on the spot market as a result of continued price declines. In addition, a significant increase in import supplies was seen in the Middle East (+2.5 mm tonnes) and North Africa (e.g. in Egypt, +4.1 mm tonnes). In 2016, Colombia and Jamaica joined the group of LNG importing countries.

In 2016, average LNG spot prices were lower than in 2015. In 2016, the average LNG spot price was USD 5.7 per mm BTU in Japanese and South Korean markets, and USD 4.7 per mm BTU at the NBP.

Global LNG sales, 2007–2016, mm tonnes

Note. The data were adjusted to exclude reexport volumes, and reflect LNG deliveries (including boil-off gas).

Recovery of China's Gas Consumption Growth Rates

Hydrocarbon consumption growth rates in China are an important factor affecting the forecasts of global energy market growth. As most forecasts suggest, China will account for up to 25% of global gas consumption growth. In addition, China is the highest-growth market for Russia's pipeline gas exports, so a special focus is made on analysing the demand for natural gas in China.

Despite an economic downturn, in 2016 natural gas consumption growth in China recovered to the average level over the last few years. According to China's National Development and Reform Commission (NDRC), in 2016, gas consumption in China exceeded 200 bcm, up by 7% year-on-year.

NDRC's data show that total natural gas imports to China increased by 17.4% year-on-year to reach 72.1 bcm. LNG imports grew by 32.5% to a total of 26.1 mm tonnes, driven largely by the start of supplies under earlier mid- and long-term LNG supply contracts.

In 2016, China published its new, 13th Five-Year National Socio-economic Development Plan for 2016–2020, which contains a policy statement feeding expectations that mid-term gas consumption growth rates will be high.

In particular, the new five-year plan assumes a lower share of coal in China's fuel mix and lower emissions of carbon dioxide and pollutants. According to the plan, China's natural gas consumption can reach 360 bcm by 2020, with the share of natural gas in China's fuel mix increasing from 5.9% in 2015 to 8.3%–10% in 2020. Exact targets will be fixed in sector-specific plans to be published in 2017.

Therefore, growing energy consumption in China, steps taken to encourage the use of natural gas and the Chinese government's drive to reduce the high share of coal in the country's fuel mix and improve the quality of environment in Chinese cities will help gas remain the fastest growing fuel on China's energy market.

Adoption of the Paris Agreement

At the 2015 United Nations Climate Change Conference held in Paris, over 150 heads of state and government approved a new international agreement aimed at keeping global average temperature from rising more than two degrees Celsius above pre-industrial levels. The Paris Agreement signing ceremony took place on 26 April 2016, and the Agreement officially entered into force on 4 November 2016.

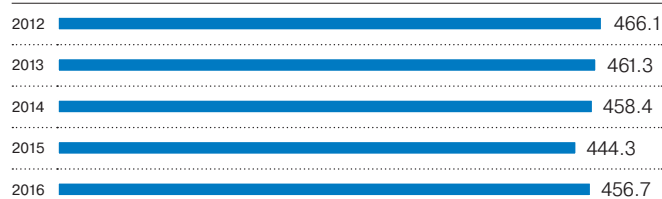
The Company believes that the Paris Agreement makes gas more competitive in its interfuel competition against coal. Natural gas is a cleaner fuel and has a carbon footprint half that of coal. This may become an important driver of global gas consumption growth, particularly in the power generation segment.

Gas Consumption Growth in Russia and Initiatives to Develop the Domestic Market

In 2016, gas consumption in Russia totalled 456.7 bcm, up 2.8% year-on-year. This growth was driven mainly by lower temperatures in Q4 2016.

In 2016, natural gas accounted for 53% in Russia's energy mix, remaining virtually flat over the past few years. The largest consumers of natural gas in Russia include power and heat generation industry (37%), household consumers (12%), the housing and utilities sector (9%), the oil industry (9%), and metallurgy (6%).

In Russia, gas is sold and purchased using two different pricing approaches, which results in the existence of two gas sales sectors.

Russia's gas consumption, 2012–2016, bcm

Gazprom's contribution to covering domestic gas consumption in Russia, 2012–2016

Item	2012	2013	2014	2015	2016
Domestic gas consumption in Russia, bcm	466.1	461.3	458.4	444.3	456.7
Supplies to Russian consumers via Gazprom's GTS (excluding GTS process needs), bcm	360.0	351.7	353.7	339.4	348.7
Share of Gazprom Group's production	274.7	254.5	237.0	211.2	210.2

Gas produced by subsidiaries of PJSC Gazprom is sold mostly at prices fixed by the Government.

Gas produced by independent oil and gas producers is sold at prices agreed by transacting parties. The key independent gas suppliers include NOVATEK and Rosneft Group.

In 2016, the Federal Antimonopoly Service (FAS Russia) suggested a pilot to deregulate wholesale prices for industrial consumers in three Russian regions (the Tyumen Region, the Yamal-Nenets Autonomous Area (YNAA) and the Khanty-Mansi Autonomous Area (KMAA)), starting from 2017. The key goal of the wholesale price deregulation pilot

is to gradually build a common economic space by ensuring equal gas sales conditions for all market players. Memoranda to that end were signed between FAS Russia and the governments of the Tyumen Region and KMAA in July 2016. A similar memorandum is being negotiated with the YNAA government.

The Forecast of Russia's Socio-economic Development drafted by the Russian Ministry of Economic Development and approved by the Government in October 2016 assumes increases in domestic regulated wholesale gas prices by 3.9% from 1 July 2017, by 3.4% from 1 July 2018 and by 3.1% from 1 July 2019.

Changes in regulated wholesale gas prices for industrial and household consumers as per the Forecast of the Ministry of Economic Development of the Russian Federation, 2017–2019, annual average increase vs the previous year, %

	2017	2018	2019
An average for all consumer groups	1.8	4.0	3.3
For consumer groups excluding household consumers	1.5	4.3	3.3
For household consumers	2.7	3.7	3.3

To facilitate the development of the Russian gas market, PJSC Gazprom has been growing gas sales through the Saint Petersburg International Mercantile Exchange (SPIMEX). In 2016, 16.7 bcm of gas was sold through the SPIMEX, including 10.7 bcm of gas sold by PJSC Gazprom. PJSC Gazprom's share of sales totalled 64%, with independent gas producers accounting for the remaining 36%. Gas sold through the exchange was supplied mainly to regions with high concentrations of industrial consumers or located close to gas fields: the Republic of Tatarstan (25.3%), the Belgorod Region (8.4%), the Perm Territory (6.7%), the Kurgan Region (4.8%), the Kirov Region (4.7%), the Tver Region (4.2%) and the Tula Region (4.2%). In 2016, average exchange prices were lower than the regulated prices.

PJSC Gazprom intends to continue exchange-based sales of gas, both with one-month and one-day, in 2017.

For more details on Gazprom Group's sales of natural gas in the Russian market in 2016 see the Marketing section. Pages 77–86.

Overall, developments in 2016 proved beneficial to PJSC Gazprom by consolidating its competitive advantages. The Company's performance in 2016 helped build a platform to facilitate further market share gains in European and Asian gas markets. Despite changes in the environment, PJSC Gazprom maintains strong position, supported by the world's largest natural gas reserves, well-developed production and transportation infrastructure, long-term contracts and diversified export routes.

The most important trends in the global energy industry driving longer-term development forecasts for the global fuel and energy sector include:

- population and economic growth in certain countries, first of all in Asia;
- emerging markets replacing developed European and North American economies as the largest energy consumers;
- development of energy saving technologies;
- growing exploration and development costs at new oil and gas fields;
- greater focus on environmental performance and climate change.

Global energy consumption will increase by almost a quarter by 2035 versus 2016, with almost two thirds of this growth coming from Asian countries. In addition, significant energy consumption growth rates will be seen in the regions comprised mostly of emerging markets, i.e. in Africa, the Middle East and South America.

In the period until 2035, growth rates for energy resource production and consumption will vary between different regions of the world. This will lead, in particular, to changes in the global oil, gas and coal trade. Still, FSU countries will remain the largest energy exporting region. Total energy exports from these countries will increase by almost 50 % by 2035, driven mostly by growing natural gas supplies. The Asian region will remain the largest energy importer: by 2035, the region will increase its oil imports by 30 %, coal imports by more than 40 % and natural gas imports by more than 2.5-fold.

Gas Business

In the longer term, gas production will increase in all regions of the world, except for Europe. The total growth in the global gas production will exceed 1 tcm by 2035. The greatest contribution to the growth in the global production of gas will come from FSU countries, above all, from the Russian Federation.

Risks affecting the achievement of PJSC Gazprom's strategic goals

- Risks related to the global economy
- Political risk
- Russian regulatory risks for the gas industry
- Unconventional gas development risks
- Renewable energy risks
- Risk of changes in the Russian currency regulation and tax legislation
- Risks related to changes in Russian rules on customs control and duties
- Market risks

For more details on the key risk drivers see the Risk Management section.
Pages 145–149.

The fastest growth in natural gas consumption will be demonstrated by the Asian region, with its share in the global gas consumption projected to increase from the current 18% to 25% by 2035.

Changes in PJSC Gazprom's development strategy

No significant adjustments have been made to PJSC Gazprom's strategy. Commissioning dates for certain fields were adjusted based on the current market forecasts.

The key change in the list of priority projects in 2016 was linked to the resumption of the Turkish Stream project, with Russia's UGSS expansion required to ensure gas supplies to the said offshore pipeline already completed.

Exploration and Production

Gas reserves in the conventional hydrocarbon fields operated by Gazprom Group will secure domestic gas supplies and gas exports for a longer term (70 years or more of supplies with the current annual gas production of 419.1 bcm (not including the share in the reserves of entities where Gazprom has investments classified as joint operations) and projected production increase to 550 bcm).

One of Gazprom's key production objectives is to achieve the projected production capacity of the existing fields, start developing new fields in the Nadym-Pur-Taz region, and launch production at unique, large fields in the Yamal Peninsula and on the continental shelf in northern seas to sustain and increase hydrocarbon output levels. Gazprom consistently adds production from the Nadym-Pur-Taz region and the Bovanenkovskoye field in the Yamal Peninsula.

Strategic priority production regions over the longer term include the Yamal Peninsula (Cenomanian-Aptian deposits of the Kharasaveyskoye field, Neocomian-Jurassic deposits of the Bovanenkovskoye and Kharasaveyskoye fields; Kruzenshternskoye field), and Russian northern seas (fields in the Ob and Taz Bays, primarily the Severo-Kamennomysskoye and Kamennomysskoye-Sea fields, the offshore Shtokman field in the Barents Sea).

Gazprom has been building gas production centres in Russia's Eastern regions. The Chayandinskoye oil and gas condensate field is the core field for the future Yakutsk gas production centre, and the Kovyktinskoye gas condensate field is key to the future Irkutsk gas production centre. The fields will comprise the resource base for the Power of Siberia pipeline. The top development priorities to boost output from the Sakhalin gas production centre include Sakhalin III fields: the Kirinskoye oil and gas and condensate field put into commercial development in 2014, and the Yuzhno-Kirinskoye gas and condensate field, one of Gazprom's priority projects in gas production over the long term.

Expansion of gas transportation capacity

Expansion of PJSC Gazprom's gas transportation capacity is planned in tandem and close coordination with the development of gas production and storage facilities, and also takes into account the degree of readiness to receive gas shown by new consumers, as well as export projects.

Timesales for commissioning new and upgrading existing gas transportation facilities are scheduled with a long-term perspective and depend on their effective utilisation periods and the need to maintain optimal throughput of the existing GTS. This approach helps prevent introducing excessive capacity, ensure efficient and flexible use of PJSC Gazprom's investments, and optimise gas transportation costs.

Apart from greenfield gas transportation projects, Gazprom also performs upgrades and technical re-equipment of its existing gas transportation facilities.

Gazprom is decommissioning excessive capacity of the Central Gas Transmission Corridor to improve operational efficiency of its gas transmission capacity taking into account the diversification of its gas export routes. Excess capacity is slated for retirement taking into account the need to have required back-up capacity available to maintain the reliability of the transportation network in the future.

To ensure gas supplies to the domestic market and meet its obligations under export contracts, PJSC Gazprom is implementing a number of gas transportation projects.

Gas pipeline systems Bovanenkovo — Ukhta and Ukhta — Torzhok are intended to carry gas from the Yamal fields.

In order to diversify export routes for Russian pipeline gas to PJSC Gazprom's traditional European market the Company initiated the Nord Stream 2 project. The new pipeline, to be laid from Russia to Germany across the Baltic Sea, will comprise two offshore strings with a capacity of 27.5 bcm each. Western and Central European countries are the project's target markets. Nord Stream 2 gas supplies are expected to be secured by the Gryazovets — Volkhov — Russia's Baltic Sea coast gas pipeline expansion. The Nord Stream 2 project is implemented on schedule, with both strings to be commissioned in Q4 2019.

Nord Stream 2 progress

- Pipes have been supplied to a coating site in Kotka, Finland, since September 2016 under the pipe supply contracts signed with OMK, ChelPipe and Europipe and under the coating, transportation and storage contract signed with WASCO. In February 2017, a contract was signed for the use of a coating site in Mukran, Germany. A number of material and equipment supply contracts were signed.
- An agreement of intent was signed with Allseas with respect to offshore installation of the first string of Nord Stream 2 with an option for second string installation (a contract is expected to be signed by mid-April 2017).
- National environmental impact assessment reports and a summary report required under the Convention on Environmental Impact Assessment in a Transboundary Context (Espoo Convention) are being prepared. The Company continues to prepare a set of final documents to obtain national pipeline construction permits from the Danish, German, Russian and Finnish authorities.
- An application for such construction permit was filed in Sweden in September 2016, as stipulated by the project schedule.
- Basic design of the offshore section is almost completed, and the detailed design stage started.

In the reporting year, the Turkish Stream project was resumed to supply Russia's natural gas across the Black Sea to Turkey and further to its neighbouring countries.

Resumption of the Turkish Stream project in 2016

In 2016, a number of permits were obtained from the Turkish side. In particular, the first permit for offshore section construction and an exploration permit with respect to the two strings of the offshore gas pipeline in Turkey's exclusive economic zone and territorial waters.

In October, Russia and Turkey signed an intergovernmental agreement providing for the construction of two Turkish Stream strings across the Black Sea bottom from Russia to Turkey, and of an onshore transit string to the border between Turkey and its neighbouring countries.

In December, a contract to install the first offshore string of the Turkish Stream, with an option for second string installation, was signed with Allseas Group. According to the work schedule, first string installation is to start in the summer of 2017.

In the reporting year, activities under the Memorandum of Understanding signed between PJSC Gazprom, Edison and DEPA in February 2016 with respect to a joint feasibility study of gas pipeline construction in Greece were completed, including analysis of various alternatives for constructing a gas pipeline from the Greek border to the point of connection with Italy's GTS. To formalise further cooperation principles, the parties are considering an agreement summarising the results of efforts under the Memorandum and setting out the principles to govern further partnership between the parties.

As part of its efforts to ensure geographic diversification of export routes for Russian gas supplies, the Company pays much attention to pipeline gas supplies from Russia to China.

Power of Siberia trunk pipeline project to transport gas from Yakutsk and Irkutsk gas production centres to consumers in the Far East and China is on track. Preparations are underway to start construction of a cross-border section, including an underwater crossing of the Amur River.

This project is pursued to meet the obligations under the 2014 agreement for Russian gas supplies to China via the eastern route. A 30-year contract was signed, which provides for exports of 38 bcm of gas per year. The gas purchase and sale agreement came into full force in May 2015, with eastern route supplies to start between 2019 and 2021. In the reporting year, PJSC Gazprom continued its efforts to agree with CNPC technical appendices to the agreement, covering various technical aspects of partnership between the parties for gas supplies via the eastern route.

PJSC Gazprom and CNPC continued discussion of delivery terms and conditions. In 2016, PJSC Gazprom also continued its feasibility study of pipeline gas supplies to China from Russia's Far East.

Expansion of the underground gas storage system

Gazprom's forward-looking plans provide for further expansion of its UGSF network in Russia, increasing the network's daily withdrawal capacity. This will help cut gas transportation costs and the cost of gas deliveries to consumers.

To achieve the above goal, PJSC Gazprom plans to:

- sustain the current UGSF performance through upgrade and re-equipment of the existing UGSFs;
- enhance capacities of the existing UGSFs (Kasymovskoye, Nevskoye, Krasnodarskoye, Udmurtskoye (reserve), and Kanchurinsko-Musinskoye UGSF complexes, as well as Sovkhoznoye and Stepnovskoye UGSFs);
- build and expand peak-shaving gas storage capacity in rock salt deposits (Volgogradskoye and Kaliningradskoye UGSFs);
- continue the implementation of well workover programme;
- build new UGSFs in high consumption regions: Arbusovskoye in the Volga Federal District, Bednodemyanovskoye in the Central Federal District, Shatrovskoye in the Ural Federal District; and
- explore opportunities for UGSF construction in the North-Western, Siberian and Far Eastern Federal Districts.

PJSC Gazprom carries out exploration to locate geological structures suitable for UGSF construction in the Arkhangelsk and Yaroslavl Regions, and in the southern part of Western and Eastern Siberia. In the Far East, Gazprom has launched efforts to identify structures suitable for housing helium storage facilities.

In terms of international underground gas storage expansion, the challenge is to enhance Gazprom Group's

UGSF capacity in foreign countries to an active capacity of at least 5% of annual exports by 2030, with a focus on constructing own UGSFs. To address this challenge, Gazprom continued the construction of the Katharina, Jemgum and Etzel UGSFs in Germany. In another milestone, the Dambořice UGSF in the Czech Republic was successfully launched in 2016.

A working group on underground gas storage was set up within the Joint Coordinating Committee (JCC) of PJSC Gazprom and CNPC to explore the opportunities for establishing a joint venture for underground gas storage in China with a view to ensure reliable supplies of Russian gas. In 2016, the parties agreed to jointly carry out four research projects (on a commercial basis) facilitating the development of China's underground gas storage system. These projects will significantly improve the reliability of Russian gas supplies and enable the optimisation of technical parameters and costs of the Power of Siberia and the Power of Siberia 2 export pipeline systems.

Expansion of gas and gas condensate processing and gas chemical production

To process the projected volumes of liquid hydrocarbons extracted through natural gas production at gas condensate fields in Western Siberia, the Company plans a capacity expansion and upgrade project at the Urengoy Condensate Pre-Transportation Preparation Plant to bring output up to the rated capacity, construction of Achimov deposit condensate and oil treatment and transportation facilities, completion of the construction of uncompleted sections of the Urengoy — Surgut gas condensate pipeline, and upgrade and re-equipment of the Surgut Condensate Stabilisation Plant.

PJSC Gazprom continues to implement a project to construct a gas chemical complex near Novy Urengoy, with gases recovered from de-ethanized gas condensate in the Nadym-Pur-Taz region to be used as a key feedstock.

Upgrade of the motor fuel production facilities is planned at the Astrakhan GPP to increase their output while ensuring compliance with Class 5 standards of the Technical Regulations.

Construction design is underway for the Amur GPP project near Svobodny in the Amur Region, to be supplied via the Power of Siberia gas pipeline with gas from the Yakutia and Irkutsk gas production centres currently developed by PJSC Gazprom under the Eastern Gas Programme.

Expansion of LNG production and trading

To ensure expansion of own LNG production capacity, the third process train of the Sakhalin II project (to 5.4 mm tonnes per annum) and the Baltic LNG project (10 mm tonnes per annum, with an expansion option to bring capacity to 15 mm tonnes of LNG per annum) are implemented.

Progress of strategically important LNG projects in 2016

- In the reporting year, Sakhalin Energy and its contractors, AO Giprogazcenter and Shell Global Solutions International, developed design documents to Russian and international standards (FEED) for the construction of the third process train at the LNG plant of the Sakhalin II project. Chiyoda, Japan, was selected as a FEED sub-contractor for the LNG plant expansion and shipment terminal construction. Similarly to the financing arrangements for the first two process trains of Sakhalin II LNG plant, project financing is planned to be used to help fund the third train project.
- PJSC Gazprom and Shell signed a Memorandum of Understanding with respect to the Baltic LNG project, which outlines the key stages in consideration of joint project implementation. The project time-scale will be determined after design documents are finalised.

Gazprom continues to expand the Group's LNG trading portfolio. Efforts are also taken to secure additional gas sales through contracts for small-scale LNG supplies, supported by additions to production capacity and expanded LNG production geography.

In 2016, the Company approved the Development Programme for Small-Scale LNG Production and Application to boost domestic gas sales, increase utilisation rates of gas distribution stations' capacity and reduce construction costs for gas transportation infrastructure projects.

For more details on the Programme see the Gas Distribution and Gas Infrastructure Expansion, and NGV Fuel Markets section. Pages 66–68.

Oil Business

Gazprom Group's oil business operates through its subsidiary, PAO Gazprom Neft, guided in its operations by the 2025 Development Strategy approved by PAO Gazprom Neft's Board of Directors in 2013.

Prospecting/exploration and production

In exploration and production, Gazprom Neft is focused on maintaining efficient production at mature fields and ensuring maximum ROI for new upstream projects.

Gazprom Neft Group seeks to raise its hydrocarbon production to 100 mm toe per year by 2020 and maintain this rate through 2025. The current proved reserves-to-production ratio is expected to be sustained. Annual proved and probable reserves replacement ratio, excluding acquisitions, is expected to be maintained at 100% until 2025. To achieve these targets, Gazprom Neft intends to maximise the profitability of the remaining resource extraction at its active production sites through the roll-out of best development optimisation practices, the reduction of the cost of tested production technologies, and the promotion and mass introduction of advanced technologies. A new production centre in the northern part of the Yamal-Nenets Autonomous Area is contemplated. Gazprom Neft treats unconventional reserves as a growth opportunity and will expand this asset class as an important component of its portfolio.

Oil refining

Implementing refinery upgrade programmes and improvements to operational efficiency remain to be Gazprom Neft's strategic priorities in the development of its Russian oil refinery business. It is expected that by 2025 Gazprom Neft's Russian oil refineries will achieve oil refining volumes of 40 mm tonnes with 95% processing depth and 80% yields for light products.

Phase 1 of a major refinery upgrade programme was completed, improving the quality of oil products, with all motor fuels now meeting Euro 5 standards. Key projects to boost processing depth and yields for light products, operational excellence projects and projects to reduce environmental footprint are underway. Construction of Group III base oil plant and detailing of OAO Slavneft-YANOS plant modernisation programme are on track; upgrade to the sulphuric acid alkylation plant at the Omsk Oil Refinery was completed; and catalytic cracking unit upgrade at the Moscow Refinery continues.

Sales

Gazprom Neft is focused on the following two key sales segments: motor fuel sales through the corporate retail chain and small wholesale channels, and oil products sales to industrial consumers. Each business line has its specific targets; however, the key target for the sales business is to market 100% of the oil products produced by Gazprom Neft Group's refineries via controlled sales channels to cover, to the maximum extent, the entire value chain of the oil business.

Motor fuel sales

By 2025, Gazprom Neft Group intends to increase its total motor fuel sales in Russia and the CIS to 19 mm tonnes, primarily by driving sales in the retail channel. To this end, Gazprom Neft plans to expand its filling station network to 1,450 stations by 2025.

Oil product sales to industrial consumers

To improve oil product sales performance, several premium segments were carved out such as jet fuels, lubricants, bituminous materials, petrochemicals, and bunker fuels.

In the distribution business, the company intends to further boost its sales, increase its market share, launch new products, and expand its sales platform.

The distribution network of ZAO Gazpromneft — Aero is focused on boosting the sales of jet fuels (to 5.5 mm tonnes by 2025), further increasing the number of own refuelling facilities, and expanding the airport networks. Sales in the bunkering segment are also expected to grow to 3.4 mm tonnes by 2025.

Power Generation Business

Power generation sector is a strategic line of business for Gazprom Group. Enhanced presence in the power generation sector will facilitate the entire Group's business sustainability over the long term and help generate extra revenues. Gazprom Group's Power Generation Strategy was adopted in 2007.

Strategic objectives in the power generation business include:

- optimisation of the generation capacity mix;
- diversification of tariff regulation risks;
- fuel mix diversification;
- operational excellence and cost optimisation.

Gazprom Group is developing its long-term power generation strategy until 2035; this effort includes analyses of the following:

- the results of the implementation of the Group's strategy adopted in 2007;
- the Group's operational and investment performance and improvement potential;
- opportunities to develop the power generation business;
- risk maps and risk mitigation activities.

The update of Gazprom Group's long-term power generation strategy is expected to be completed by the end of 2017.

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Exploration and Production

The combination of the world's largest resource base and global leadership in production capacity, along with a relentless focus on their development, are among Gazprom's key competitive advantages. With its unprecedented track record of operations across different continents, the Group stays innovative while engaging in ambitious, most challenging upstream projects.

In terms of gas reserves and production, Gazprom remains a leader among Russian and global public companies. The Group holds 17% of global reserves and 72% of Russian re-

serves, while its share in the global and Russian production stands at 11% and 66%, respectively. Gazprom has hydrocarbon resources in almost every oil and gas province in Russia, within its licence blocks. International reserves of the Group are insignificant.

According to DeGolyer and MacNaughton, Gazprom Group's proved and probable PRMS reserves as at 31 December 2016 were 23,855.1 bcm of natural gas, 1,018.9 mm tonnes of gas condensate, and 1,378.7 mm tonnes of oil, including shares in the reserves of entities in which Gazprom has investments classified as joint operations (24.2 bcm of natural gas and 160.2 mm tonnes of oil).

**Proved and probable PRMS hydrocarbon reserves of Gazprom Group
(including the Group's share in the production of entities in which Gazprom has investments classified as joint operations)**

	As at 31 December 2015	As at 31 December 2016
Natural gas, bcm	23,705.0	23,855.1
Gas condensate, mm tonnes	933.3	1,018.9
Oil, mm tonnes	1,355.4	1,378.7
Total, million boe*	171,414.9	173,260.1

* For management accounting purposes, Gazprom Group measures hydrocarbon reserves and production in metric units. In this Annual Report, gas reserves are converted from metric units to barrels of oil equivalent at a ratio of 1,000 cubic metres to 6.49 boe. For data comparability, the figure as at 31 December 2015 has been recalculated using the above ratio and so differs from the figure in Annual Report 2015.

The relevant conversion ratios are provided in the Glossary section.
Page 193.

Most of Gazprom Group's projects have been audited, totaling 95.4% of gas reserves, 93.5% of condensate reserves and 93.3% of oil reserves attributed to grades A+B₁+C₁.

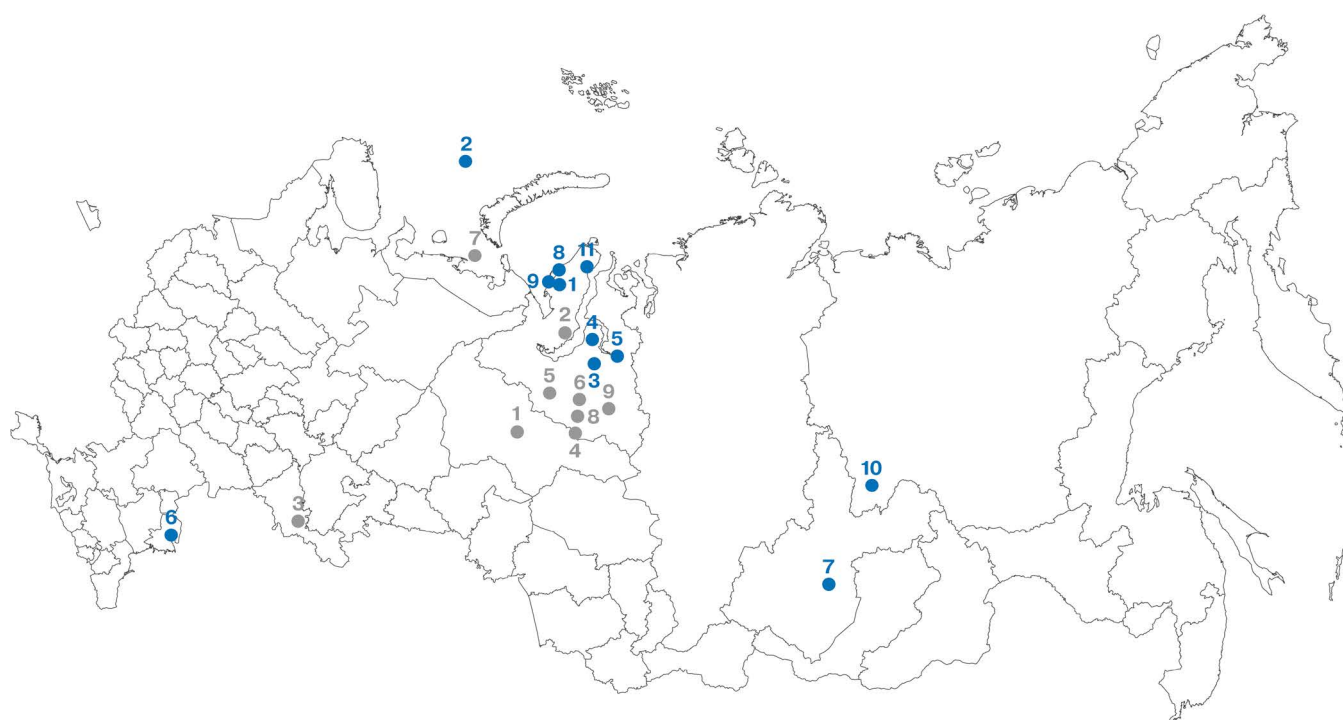
The volume of PRMS proved and probable hydrocarbon reserves of Gazprom Group increased by 1.8 bboe year-on-year. The increase in the proved and probable gas and

gas condensate reserves was driven by re-estimation of reserves and also factors in new development solutions for the Bovanenkovskoye and Yuzhno-Kirinskoye fields. The increase in the oil reserves resulted from the use of new technologies in production drilling at the fields operated by Gazprom Neft, including the Orenburgskoye (Western part), Novoportovskoye, Prirazlomnoye, Muravlenkovskoye and Novogodneye fields, and the discovery, in 2016, and subsequent audit of the Zapadno-Chatylkinskoye oil field.

Operations in Russia

Additions to the reserves base

Gazprom Group's fields in Russia with the largest reserves of natural gas and oil



Fields with the largest reserves of natural gas

- 1 Bovanenkovskoye
- 2 Shtokman
- 3 Urengoyevskoye
- 4 Yamburgskoye
- 5 Zapolyarnoye
- 6 Astrakhanskoye
- 7 Kovyktinskoye
- 8 Kharasaveyskoye
- 9 Kruzenshternskoye
- 10 Chayandinskoye
- 11 Severo-Tambeyskoye

Fields with the largest reserves of oil

- 1 Priobskoye
- 2 Novoportovskoye
- 3 Eastern block of the Orenburgskoye field
- 4 Vyngapurovskoye
- 5 Sutorminskoye and Severo-Karamovskoye
- 6 Vyngayakhinskoye
- 7 Prirazlomnoye
- 8 Novogodneye
- 9 Ety-Purovskoye

Note. The map shows Gazprom Group's hydrocarbon fields (excluding companies in which Gazprom has investments classified as joint operations) with combined reserves accounting for 70% or more of A+B₁+C₁ natural gas and oil reserves as at 31 December 2016.

As at 31 December 2016, Gazprom Group's A+B₁+C₁ hydrocarbon reserves in Russia were 36,443.9 bcm of natural gas, 1,534.9 mm tonnes of gas condensate, and 2,078.5 mm tonnes of oil, including the share in the reserves owned by entities in which Gazprom has investments classified as joint operations, standing at 25.0 bcm of gas, 2.9 mm tonnes of gas condensate and 197.6 mm tonnes of oil.

The Group's share in A+B₁+C₁ hydrocarbon reserves of affiliates and joint ventures as at 31 December 2016 was 999.1 bcm of gas, 104.5 mm tonnes of gas condensate, and 571.5 mm tonnes of oil.

New classification of hydrocarbon reserves in Russia

Under the new classification of Reserves and Resources of Oil and Flammable Gases, approved by the Ministry of Natural Resources and Environment of the Russian Federation, Decree No. 477 dated 1 November 2013 and effective from 1 January 2016, grades A+B₁+C₁ are explored reserves of high geological certainty and correspond to previously used A+B+C₁. The new classification introduces recoverable gas reserves, which were previously assumed to equal gas-in-place reserves. Estimation of recoverable hydrocarbon reserves will be based on field development design documents approved since 2016 onward.

Breakdown of Gazprom Group's explored gas reserves, %

Reserves securing stable production rates in areas covered by the existing UGSS	23.6
Reserves in continental-shelf fields	22.8
Reserves in remote fields with poor infrastructure	20.1
Reserves in the fields with declining production rates	15.9
Reserves in deep-lying complex deposits	9.6
Reserves in the Astrakhanskoye field (with environmental restrictions on gas production depth)	8.0

In 2016, exploration efforts focused on key subsoil use regions, including the European part of Russia, Eastern and Western Siberia, and the Far East and Arctic continental shelf.

2D and 3D seismic surveys conducted in Russia in the reporting year totalled 1.1 thousand linear km and 20.6 thousand square km, respectively. In the same period, exploration drilling totalled 111.6 thousand m of solid rock; 40 oil and gas wells were completed, with fluid flow received from 34 wells. The Company allocated RUB 79.0 bn for the above exploration programmes (inclusive of VAT).

In addition, for companies in which Gazprom has investments classified as joint operations, exploration drilling stood at 7.4 thousand m, with two exploration wells completed and one flowing.

Gazprom Group's hydrocarbon exploration projects in Russia in 2016

	Total	Including:	
		in the Far East and Eastern Siberia	on the continental shelf
Exploration drilling, thousand m	111.6	16.9	3.3
Completed exploration wells, units	40	8	1
including productive wells	34	7	1
2D seismic surveys, thousand linear km	1.1	—	—
3D seismic surveys, thousand square km	20.6	4.5	13.6
Exploration expenses (incl. VAT), RUB bn	79.0	20.3	32.9
Field discoveries	2	—	—
Deposit discoveries	15	—	—

The total exploration-based additions to Gazprom Group's reserves represented 65% of the overall increase in Russia.

In 2016, exploration-driven additions to Gazprom's hydrocarbon reserves in Russia totalled: 457.4 bcm of natural gas, 38.0 mm tonnes of gas condensate, and 19.3 mm tonnes of oil, including its share in the reserves owned by entities in which Gazprom has investments classified as joint operations in the amount of 0.09 bcm of gas, 0.01 mm tonnes of gas condensate, and 2.07 mm tonnes of oil.

A sizeable increase was achieved in gas reserves at the Yuzhno-Kirinskoye field (the Russian continental shelf of the Okhotsk Sea) — 187.9 bcm, Kovyktinskoye field (Irkutsk Region) 138.2 bcm, and Chayandinskoye field (Republic of Sakha (Yakutia)) 86.6 bcm, and oil reserves at the Zapadno-Chatylkinskoye field (Yamal-Nenets Autonomous Area) — 10.4 mm tonnes.

As a result of its exploration drilling activities, the Group discovered two oil fields, Zapadno-Chatylkinskoye in the Yamal-Nenets Autonomous Area and Novosamarskoye in the Orenburg Region, and 15 new deposits at earlier discov-

ered fields in the Yamal-Nenets Autonomous Area, Khanty-Mansi Autonomous Area — Yugra, Tomsk and Orenburg Regions. In addition, companies in which Gazprom has investments classified as joint operations, discovered two deposits in the Khanty-Mansi Autonomous Area — Yugra and one in the Tomsk Region.

A 3.3 thousand m deep prospecting well was also completed at the Yuzhno-Lunskaya structure located within the Kirinsky prospect. When tested, the well produced a substantial flow of natural gas and gas condensate signalling the discovery of a new field. Its reserves will be estimated in 2017.

The reserves replacement ratio was 1.10 for natural gas, and 0.98 for gas condensate and oil. The exploration success rate in 2016 was 30,501.8 boe per metre of drilled well (excluding companies in which Gazprom has investments classified as joint operations).

New licences obtained in 2016 increased Gazprom Group's A+B₁+C₁ oil reserves by: 257.5 bcm of gas, 10.9 mm tonnes of gas condensate, and 15.0 mm tonnes of oil. Five licences were obtained through auctions. The purchase cost of the blocks totalled RUB 24.1bn.

Field development

Gazprom Group's fields in Russia with the largest production of natural gas and oil



Fields with the largest production of natural gas

- 1 Zapolyarnoye
- 2 Urengoyevskoye
- 3 Bovanenkovskoye
- 4 Yamburgskoye
- 5 Yuzhno-Russkoye
- 6 Orenburgskoye

Fields with the largest production of oil

- 1 Priobskoye
- 2 Vyngapurovskoye
- 3 Novoportovskoye
- 4 Prirazlomnoye
- 5 Eastern block of the Orenburgskoye OGCF
- 6 Sutorminskoye
- 7 Vyngayakhinskoye
- 8 Kraineye
- 9 Zimneye

Note. The map shows Gazprom Group's hydrocarbon fields (excluding companies in which Gazprom has investments classified as joint operations) with combined production accounting for 70% or more of total natural gas and oil production in 2016.

As at 31 December 2016, Gazprom Group was developing 151 hydrocarbon fields in Russia.

In addition, 42 fields were developed by companies where Gazprom has investments classified as joint operations.

The Nadym-Pur-Tazovsky area in the Yamal-Nenets Autonomous Area remains Gazprom Group's key gas-producing region (91.7% of total gas produced in 2016). Oil reserves of the Group are developed mainly in the Yamal-Nenets Autonomous Area and Khanty-Mansi Autonomous Area — Yugra, as well as in the Irkutsk, Omsk, Orenburg, and Tomsk Regions, and on the Russian continental shelf of the Pechora Sea.

Gazprom Group's hydrocarbon production assets in Russia as at 31 December 2016

151	fields in development
7,441	gas producing wells
1,119.6 bcm	total design capacity of integrated and preliminary gas treatment units
8,681	oil producing wells

In 2016, Gazprom Group's gas output (excluding the share in production volumes of companies in which Gazprom has investments classified as joint operations) was 419.1 bcm, (including 9.4 bcm of APG), up by 0.6 bcm year-on-year. Overall, gas production has continued to trend downward since 2010, due to a markedly lower demand both domestically and globally and increased shipments by independent producers.

Gas production upside opportunities of Gazprom Group

Gazprom Group's production capacity can support output at levels higher than the actual ones by more than 150 bcm per year. Accordingly, the Group is able to promptly ramp up its gas shipments within and beyond Russia during the winter consumption peak period. E.g. on 29 November 2016, Gazprom shipped 614.5 mmcm of gas to far abroad markets, with a record high of 636.4 mmcm reported on 27 January 2017.

Hydrocarbon production by Gazprom Group in Russia

	2014	2015	2016
Natural and associated gas			
Gazprom Group, including the share in production volumes of companies in which Gazprom has investments classified as joint operations, bcm	444.9	419.5	420.1
Gazprom Group, bcm	443.9	418.5	419.1
Gazprom Group's share in production volumes of companies in which Gazprom has investments classified as joint operations, bcm	1.0	1.0	1.0
Gazprom Group's share in production volumes of affiliates and joint ventures, bcm	18.2	25.5	27.2
Gas condensate			
Gazprom Group, including the share in production volumes of companies in which Gazprom has investments classified as joint operations, mm tonnes	14.5	15.3	15.9
Gazprom Group, mm tonnes	14.5	15.3	15.9
Gazprom Group's share in production volumes of companies in which Gazprom has investments classified as joint operations, mm tonnes	—	—	—
Share of Gazprom Group in production volumes of affiliates and joint ventures, mm tonnes	2.3	4.7	5.2
Oil			
Gazprom Group, including the share in production volumes of companies in which Gazprom has investments classified as joint operations, mm tonnes	43.5	44.0	47.2
Gazprom Group, mm tonnes	35.3	36.0	39.3
Gazprom Group's share in production volumes of companies in which Gazprom has investments classified as joint operations, mm tonnes	8.2	8.0	7.9
Share of Gazprom Group in production volumes of affiliates and joint ventures, mm tonnes	10.0	9.6	9.9

Oil production in the reporting year (excluding the share in production volumes of companies in which Gazprom has investments classified as joint operations) totalled 39.3 mm tonnes, including 37.7 mm tonnes produced by Gazprom Neft Group. This increase was driven by the growing oil production at the Novoportovskoye and Prirazlomnoye, in the Orenburg Region, and at fields in the Khanty-Mansi Autonomous Area — Yugra.

Gas condensate production by Gazprom Group reached 15.9 mm tonnes.

If the Group's share in production volumes of companies in which Gazprom has investments classified as joint operations (1.0 bcm of natural and associated gas and 7.9 mm tonnes of oil) is taken into account, Gazprom Group produced 420.1 bcm of natural and associated gas, 15.9 mm tonnes of gas condensate, and 47.2 mm tonnes of oil.

Affiliates and joint ventures produced 27.2 bcm of gas, 5.2 mm tonnes of gas condensate, and 9.9 mm tonnes of oil (share attributable to Gazprom Group). The growth of gas and condensate production is attributable to larger gas and gas condensate production volumes at fields operated by OAO Arcticgas controlled by OOO SeverEnergia. Additionally, in 2016, oil production started at the Vostochno-Messoyakhskoye field (Tazovsky District of the Yamal-Nenets Autonomous Area). The relevant licence for hydrocarbon prospecting, exploration, and production is held by Messoyakhneftegaz JV. The company is owned by PAO Gazprom Neft operator and Rosneft as equal shareholders. The project has been implemented despite the lack of industrial and transport infrastructure. The field will reach its production peak of 5.6 mm tonnes of oil in 2020.

In 2016, the Group started oil production at the Vostochno-Messoyakhskoye field.

Profile of the Vostochno-Messoyakhskoye oil field development project

- The 98-km oil supply pipeline connecting the field to the Arctic Circle — Purpe trunk oil pipeline is heat-insulated against low Arctic temperatures. High-viscosity oil from the Vostochno-Messoyakhskoye field is heated at the central oil gathering facility prior to transportation.
- Two power plants with a combined capacity of over 90 MW were built at the field and the custody transfer station to fully cover the facilities' electricity needs.
- The field's complex geology necessitated the use of advanced drilling, well construction (including multihole wells), and formation pressure maintenance methods.
- Special technologies were used in field construction to minimise impacts on the Arctic environment. Specifically, the oil supply pipeline was raised above ground on special supports outfitted with a temperature stabilisation system to prevent melting permafrost. The underwater crossings of the oil pipeline were built across the rivers using the directional drilling method.

Development of Yamal Peninsula fields

Gazprom has been consistently adding production from its Bovanenkovskoye field. With 88 new wells on stream, its production well stock grew to 391 wells. In 2016, the Company also commissioned two booster compressor stations with a combined capacity of 160 MW. The stations are an essential link in the process chain of pre-transportation gas preparation. The field's peak production has grown from 218 mmcm per day to 264 mmcm per day. In 2016, the Bovanenkovskoye field produced 67.5 bcm of gas (up 5.6 bcm year-on-year), accounting for 16.1% of Gazprom Group's total production.

As part of the Novoportovskoye field development project, the Group made its first shipment of oil by sea from the Arctic Gate ("Vorota Arktiki") offshore terminal. In 2016, the field produced 2.9 mm tonnes of oil.

Launch of the Arctic Gate offshore loading terminal

The Arctic Gate is the first year-round Arctic offshore terminal with an annual throughput capacity of 8.5 mm tonnes, built in the Ob Bay near the Mys Kamenny settlement to supply oil by sea, including under extreme environmental conditions. The terminal meets the highest industrial and environmental safety standards. It is a "zero discharge" operation, which means that no foreign substances get into the Ob Bay waters. Crude oil is loaded using an Arctic Loading Tower Structure located 3.5 km offshore near Cape Kamenny.

Six Arc7 tankers and a supporting icebreaker were launched in 2016 to ensure year-round shipments of oil from the Novoportovskoye field.

Offshore fields development

In 2016, the Kirinskoye gas and condensate field on the Russian continental shelf of the Okhotsk Sea produced 0.7 bcm of gas. Production drilling goes on, with a total of 7.5 thousand m drilled in two completed wells.

In 2016, two new production wells with a combined length of 8,000 m were put into service at the Pirazlomnoye oil field. One of them is equipped with a Russian-made electric centrifugal pump, which resulted in a flow rate of 1,760 tonnes per day in the very first days of operation. It was the first use of high-tech Russian equipment in the Arctic offshore. In 2016, the field produced 2.2 mm tonnes of oil.

Eastern Siberia and the Russian Far East fields development

In 2016, the Company completed its exploration programme at the Chayandinskoye oil and gas condensate field (the core field of the Yakutsk gas production centre), and started the construction of production gas wells. A total of 124.4 thousand m of production wells were drilled in 2016. In the reporting year, the Company also continued follow-up exploration at the Kovyktinskoye gas condensate field (the core field of the Irkutsk gas production centre), currently in the pilot development phase. Exploration drilling here totalled 5.7 thousand m of solid rock. Tests of a pilot high-pressure membrane unit were continued at the field to separate helium from high-pressure natural gas. Gas from these fields will be transported via the Power of Siberia gas pipeline to consumers in the Russian Far East and exported to China.

In the Irkutsk Region, Gazprom Neft started pilot production at the Ignyalinskoye oil and gas condensate field. The first commercial oil inflow was produced by a reactivated exploration well in early 2016. The field is a part of the Chonsky project which combines high-potential exploration assets of Gazprom Neft.

Upgrades and technical re-equipment of gas production facilities

In 2016, the Group launched its Comprehensive Programme for Upgrading and Technical Re-equipment of Gas Production Facilities for 2016–2020. The Programme focuses on reliable, safe and economically viable operation of gas production facilities of Gazprom Group to maintain target gas production levels.

In the reporting year, activities provided for in the Programme covered the Yamburgskoye, Urengoykoye, Medvezhye, Yubileynoye, Zapadno-Tarkosalinskoye, Kom-somolskoye and Orenburgskoye oil and gas condensate fields, as well as Astrakhanskoye gas condensate field. In 2016, Gazprom Group spent RUB 6.8 bn (inclusive of VAT) to fund the Programme.

Improved APG utilisation levels

In 2016, APG utilisation reached 97.8% at Russian fields operated by PJSC Gazprom's gas production subsidiaries and 79.2% across Gazprom Neft Group (excluding joint operations).

The implementation of programmes to improve APG utilisation levels across its production assets is a strategic priority successfully addressed by Gazprom Group.

Gazprom Neft's efforts on efficient APG use seek to improve the performance of its gas business, achieve APG uti-

lisation targets (at least 95%), and mitigate adverse environmental impacts from gas flaring by oil and gas treatment and transportation facilities.

Gazprom Neft adopted an integrated approach to the design and implementation of APG utilisation improvement projects, the Group achieved steady increases in utilisation rates with oil production on the rise: 79.2% in 2016 vs 55% in 2010.

In 2016, Gazprom Group achieved a 82.2% APG utilisation rate across Russia.

In 2016, Gazprom Neft implemented the following projects on APG utilisation improvement:

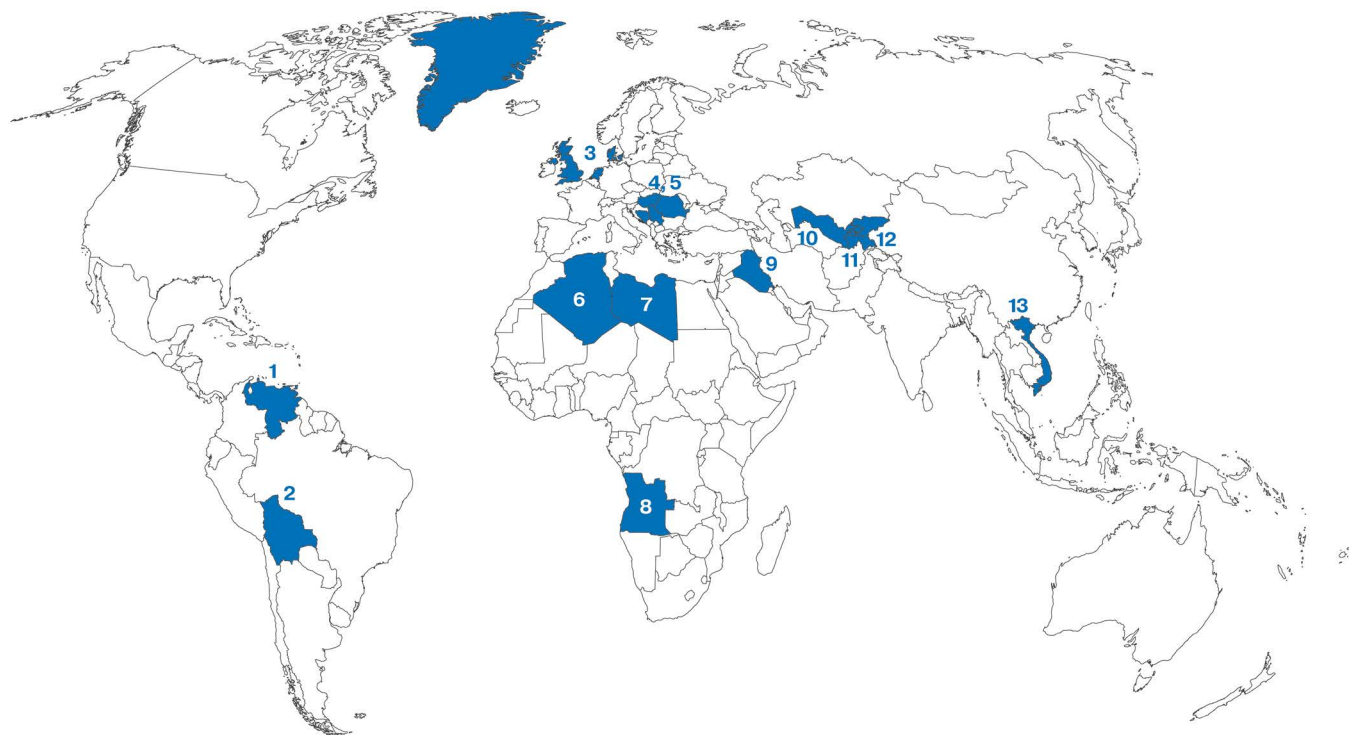
- launched a 24 MW gas turbine power plant to supply power to oil and gas production, treatment and transportation facilities at the Shinginskoye fields;
- launched a compressor station near booster pump station 2 at the Ety-Purovskoye field, with an annual capacity of 1,200 mmcm, which will increase APG utilisation at the Ety-Purovskoye, Vyngayakhinskoye and Valyntoyskoye fields to 99%.

In 2016, investments by Gazprom Neft in APG utilisation facilities totalled RUB 30.5 bn.

For more details on the application of new development technologies see the Innovations and Import Substitution section. Pages 87–91.

Operations outside Russia

Gazprom Group's hydrocarbon exploration and production activities outside Russia



1 Venezuela Junin-6 block 	2 Bolivia Ipati, Aquio and Azero licence blocks Ipati and Aquio licence blocks	3 UK, the Netherlands, Denmark Wingate, Winchelsea, Sillimanite, Ravn*, K18-Golf*, Q1-B*, Q1-D* in the North Sea 	4 Serbia 47 hydrocarbon fields in the development phase (NIS) 	5 Romania, Hungary, Bosnia and Herzegovina NIS projects
6 Algeria El-Assel licence block	7 Libya Licence blocks No. 19 and No. 64 Concessions C96 and C97* 	8 Angola NIS projects	9 Iraq Badra field, Garmian block (Kurdistan) Halabja and Shakal blocks (Kurdistan)	10 Uzbekistan Djel field Shakhpakhty field
11 Tajikistan Sarikamsh and Western Shohambary licence blocks	12 Kyrgyzstan Kugart and Vostochniy Mailisu-IV licence blocks	13 Vietnam Offshore Blocks 112 (incl. extension), and 129–132 05–2 and 05–3 in the South China Sea 		

	Hydrocarbon prospecting and exploration
	Oil production
	Gas and gas condensate production

* Via Gazprom Group's participation in a joint venture.

Core activities of Gazprom Group in other countries include prospecting and exploration for oil and natural gas, hydrocarbon production, oilfield services, as well as acquisition of oil and gas assets in key regions around the world.

In 2016, Gazprom Group continued prospecting, exploration and development of fields outside Russia under the relevant contracts. The geography of its international prospecting activities covered the CIS, Europe, Southeast Asia, Africa, the Middle East, and Latin America.

Exploration projects operated by Gazprom Group included exploration drilling in Algeria (142 m), Vietnam (195 m) and Serbia (9,391 m), seismic surveys in Kyrgyzstan, Algeria, Iraq (Kurdistan), and Serbia (1.5 thousand linear m and 0.8 thousand square km of 2D and 3D seismic surveys, respectively). The Company completed the construction of eight exploration wells (including seven productive wells).

Hydrocarbon production in international projects involving Gazprom Group

- Moc Tinh and Hai Thach fields located within licence blocks 05–2 and 05–3 in the Vietnamese section of the South China Sea (49% held by Gazprom Group). In 2016, the fields produced 2,142 mmcm of gas and 572.9 thousand tonnes of gas condensate (as compared to 1,883.7 mmcm and 435.9 thousand tonnes, respectively, in 2015).
- Wingate offshore field in the North Sea. The company which participates in the project on behalf of Gazprom Group, holds 20% of the project, while Wintershall Noordzee B.V., a joint venture, acts as the project operator, holding a 49.5% interest. In 2016, the field produced a total of 686 mmcm of gas and 3.4 thousand tonnes of gas condensate (as compared to 877.0 mmcm and 5.3 thousand tonnes, respectively, in 2015).
- Shakhpakhty field in Uzbekistan (5% held by the Group). In 2016, the field produced a total of 363.0 mmcm of natural gas (as compared to 357.4 mmcm in 2015).
- Junin-6 project in Venezuela (20% held by Gazprom Neft Group in the Russian segment of the project operated by OOO National Oil Consortium). In 2016, the field produced a total of 822.6 mm tonnes of oil. Follow-up exploration is underway, with a full-scale development programme currently designed. The consortium continues to carry out the Early Production project.
- Badrah field in Iraq (30% held by Gazprom Neft Group). In 2016, the field produced a total of 2.6 mm tonnes of oil. A third oil treatment line was commissioned in 2016, with gas programme infrastructure construction underway.
- Garmian block in Iraq (Kurdistan) (the Gazprom Neft Group subsidiary is operator, 40% held by Gazprom Neft Group). In 2016, production at the project totalled 193.1 thousand tonnes of oil.
- Incahuasi field (Ipati and Aquio blocks) in Bolivia (20% held by the Group). Since coming on stream in August 2016, the field has produced 740 mmcm of gas and 75.3 thousand tonnes of gas condensate. Gas is mainly exported to Argentina, while condensate is marketed domestically.

Note. Total production figures are given for each project, without separating the share attributable to Gazprom Group.

In Serbia, the Idos-Sever field with 0.4 mm tonnes of oil reserves was discovered by exploration drilling at the Severni Banat licence block.

In 2016, Gazprom Group spent RUB 12.7 bn on exploration projects outside Russia.

To explore potential projects, estimation of hydrocarbon resources was carried out at La Ceiba, Madidi and Vitiacua blocks in Bolivia, which will enable the Group to assess each of the exploration prospects for commercial viability. The Group also focused on selecting prospects for potential hydrocarbon exploration and production by Gazprom in Argentina.

In addition, the Group holds interests in a number of oil and gas projects that have entered the production phase.

The Incahuasi field (Bolivia, Ipati and Aquio blocks) was put on stream in August 2016 and achieved the production target of 6.5 mmcm of gas per day in November 2016. The field's gas-in-place reserves are estimated at 180 bcm. Phase 2 construction design activities are currently underway at the field.

In 2016, NIS, a Serbian subsidiary of Gazprom Neft Group, produced 1.0 mm tonnes of oil and gas condensate and 0.6 bcm of natural and associated gas in Serbia, and 51.8 thousand tonnes of oil in Angola. A range of initiatives implemented by the company (four new compressor stations and a gas-fired power plant launched, operating compressor stations re-engineered and hooked up) increased APG utilisation rates at its fields in Serbia to 88.6%.

Another joint venture, Wintershall Noordzee (50% held by the Group following an asset swap deal between PJSC Gazprom and Wintershall Holding GmbH), produced 1.0 bcm of gas in 2016.

Asset swap with OMV

In December 2016, PJSC Gazprom and OMV signed the Basic Agreement on asset swap. The deal will give OMV a 24.98% stake in the project for developing Blocks 4A and 5A of the Achimov formations in the Urengoy oil, gas and condensate field (Gazprom's interest will be reduced to 50.01%, while Wintershall Holding's stake will remain at 25.01%). PJSC Gazprom will also receive a 38.5 % stake in OMV Norge, a company focused on hydrocarbon exploration and production in Norway.

The deal is subject to an agreement on the final transaction documents, regulatory approvals and further corporate approvals.

In Lybia, associated company Wintershall AG (50% owned by the Group) operates nine fields on oil concessions C96 and C97. In 2016, the company produced 504 thousand tonnes of oil and 137 mmcm of gas. Production was confined to C96 block at 4.7–5.5 thousand tonnes per day.

Major investment projects

In 2016, capital expenditures totalled RUB 231.5 bn for gas production (2015: RUB 220.2 bn), and RUB 316.8 bn for oil and gas condensate production (2015: RUB 324.3 bn). Most capital investments in gas production were associated with the field construction to develop the Cenomanian-Aptian layers at the Bovanenkovskoye oil and gas condensate field, and in oil and gas condensate production, with field construction to develop the oil rim in the Botuobinsky horizon of the Chayandinskoye oil and gas condensate field and implementation of Gazprom Neft's projects, including construction and production drilling at the Novoportovskoye and Priobskoye fields, as well as at the Eastern block of the Orenburgskoye field. Long-term financial investments in oil and gas condensate exploration and production were associated with the Messoyakha project.

During 2016, Gazprom Group commissioned the following facilities in Russia:

- two booster compressor stations (Phase 2) of CGTU-2 at the Bovanenkovskoye oil and gas condensate field (Modules 1 and 2), with a combined capacity of 160 MW;
- a 112 MW booster compressor station (Phase 1) of CGTU-9 at the Kharvutinskaya area in the Yamburgskoye oil and gas condensate field;
- a 64 MW booster compressor station (Phase 1) at the Pestovaya area in the Urengoyevskoye oil and gas condensate field;
- 114 new gas production wells and 703 new oil production wells. Production drilling totalled 227.2 thousand m of gas wells and 2,735.8 thousand m of oil wells;
- The Arctic Gate ("Vorota Arktiki"), a unique oil loading terminal, as part of the development of Novoportovskoye field;
- Phase 1 of the booster pump station (BPS) at the Archinskoye field, with a free water knock-out and an annual capacity of up to 500 thousand tonnes of well fluid (on completion, the full capacity of the booster pump station will increase to 1.7 mm tonnes).

Also, as part of its APG utilisation improvement initiatives, Gazprom Neft commissioned 24 MW gas turbine power plants in Russia to supply power to oil and gas production, treatment and transportation facilities at the Shinginskoye fields and a compressor station near booster pump station 2 at the Ety-Purovskoye field.

Investment priorities for 2017

- Field construction to develop Cenomanian-Aptian layers at the Bovanenkovskoye oil and gas condensate field and production drilling as part of gas production development in the Yamal Peninsula.
- Production drilling and construction at the Chayandinskoye oil and gas condensate in the Russian Far East, and at the Kirinskoye gas and condensate field on the Russian continental shelf of the Okhotsk Sea.
- Field construction to develop the Achimov formations in the Urengoy oil, gas and condensate field, at the second pilot block (production drilling and connection of gas condensate wells to the comprehensive gas treatment unit (CGTU)).
- Production drilling and infrastructure build-out at the Novoportovskoye, Prirazlomnoye, and Vostochno-Messoyakhskoye fields.

For more details on Gazprom Group's key priority field development projects in Russia and international projects see Gazprom in Figures 2012–2016 Factbook.

Transportation and Underground Storage

Gazprom leverages its world's largest gas transportation system and its well-developed network of underground gas storage facilities in Russia and abroad to ensure highly reliable and flexible gas supplies to consumers according to their needs. The Company consistently strengthens this competitive advantage by creating new, high-performance gas transportation routes and boosting the capacity of UGSFs.

Transportation and underground storage in Russia

The Unified Gas Supply System (UGSS) of Russia is a centrally operated system of natural gas processing, transportation and storage. The UGSS incorporates the world's longest network of high-pressure trunk pipelines covering the European part of Russia and Western Siberia. In addition, the Group owns trunk pipelines in the Russian Far East: Sakhalin — Khabarovsk — Vladivostok, Oktyabrsky — Khabarovsk, and Sobolevo — Petropavlosk-Kamchatsky pipelines.

As at the end of 2016, the combined length of trunk pipelines and connections operated by the Group's gas trans-

portation subsidiaries in Russia totalled 171.4 thousand km. The gas transportation system (GTS) comprises 253 compressor stations (CSs), equipped with 3,852 gas pumping units with a combined capacity of 46.7 thousand MW.

In 2016, Gazprom's GTS transported 622.6 bcm of gas (as compared to 602.6 bcm in 2015). In 2016, the amount of natural gas consumed for GTS' own operational needs was 32.0 bcm, remaining flat year-on-year.

Supply and distribution of gas transported via Gazprom's GTS in Russia, as at 31 December 2016, thousand km

Less than 10 years (inclusive)	19.9
From 11 to 20 years (inclusive)	19.1
From 21 to 30 years (inclusive)	47.2
From 31 to 40 years (inclusive)	49.1
From 41 to 50 years (inclusive)	23.0
Over 50 years	13.1
Total	171.4

Supply and distribution of gas transported via Gazprom's GTS in Russia, bcm

	2014	2015	2016
Gas supplies into the GTS	627.5	602.6	622.6
including gas from the Far Eastern Federal District	3.3	3.4	3.5
Supplies into the system	588.7	574.2	573.8
including Central Asian gas	26.4	20.0	18.0
Gas withdrawn from UGSFs in Russia and Latvia	32.7	24.3	44.9
Reduction in GTS gas reserves	6.2	4.1	3.9
including gas from independent producers	2.8	1.2	1.4
Distribution from the GTS, total	627.5	602.6	622.6
Gas supplies to consumers in Russia	356.5	342.3	351.7
including gas from the Far Eastern Federal District	3.2	3.3	3.3
including Central Asian gas	0.0	0.0	0.0
Gas supplies outside Russia	196.3	196.8	209.4
including Central Asian gas	26.4	20.0	18.0
Gas injected into UGSFs in Russia	35.1	27.1	24.7
Gas consumption for own operational needs of the GTS and UGSFs	33.2	32.3	32.3
including gas from the Far Eastern Federal District	0.0	0.0	0.0
Increase in GTS reserves, and other	6.5	4.1	4.5
including gas from the Far Eastern Federal District	0.1	0.1	0.1

Gas transportation services to non-Group companies via Gazprom's GTS in Russia

	2014	2015	2016
Gas transported, bcm	121.1	121.5	129.0
including Russian gas	113.7	113.9	121.3
Companies serviced	24	22	24

As an owner of a GTS in Russia, PJSC Gazprom leases free pipeline capacity to companies outside Gazprom Group provided they have a gas production licence and a supply contract with the buyer of the supplied gas. Such third-party gas also needs to meet relevant technical standards.

In a continuous effort to improve safety and reliability of the GTS infrastructure and deliver operational excellence, the Group is introducing a GTS Operability and Integrity Management System. The effectiveness of GTS infrastructure maintenance activities depends on the accuracy of procedures for technical condition diagnostics and forecasting. In 2015, based on PJSC Gazprom's GTS Operability and Integrity Management System, the Company introduced the Trunk Pipeline Linear Section Comprehensive Overhaul Programme for 2016–2020, approved by Management Committee. In 2016, the Group took the following steps, driven by diagnostic data, to update the Programme:

- collected technical data sheet, engineering and geo-spatial data related to pipeline sections and their environment,
- calculated reliability metrics and probability of technology-related risks,

- made a list of pipeline sections, prioritising them and specifying repair methods for each section.

The updated Comprehensive Overhaul Programme will span the period until 2021. The expected economic benefit from the implementation of the GTS Operability and Integrity Management System will total RUB 935 mm over 2017–2019.

To ensure reliable and safe operation of fixed assets, PJSC Gazprom implements five-year Programmes for Upgrading and Technical Re-equipment of Gas Transportation Facilities.

In 2016, a meeting of PJSC Gazprom's Management Committee reviewed and approved the Comprehensive Programme for Upgrading and Technical Re-equipment of Gas Transportation Facilities for 2016–2020.

All overhauls of the gas transportation system facilities scheduled for the reporting year in relevant targeted comprehensive repair programmes were completed in full. Key drivers behind the changes in performance indicators included the technical condition of facilities under repair, higher prices of materials and equipment, and lower funding limits as a result of cost optimisation efforts.

Diagnostics and overhauls of trunk pipelines in Russia

	2014	2015	2016
Trunk pipeline diagnostics			
Inline inspections, thousand km	23.5	19.9	23.9
Corrosion inspections, thousand km	18.4	17.9	17.3
Overhauls			
Trunk pipelines, km	1,581	1,441	823
including trunk pipeline insulation repairs	977	675	299
Gas distribution stations, units	263	247	262

Russia's UGSS relies on underground gas storage facilities (UGSFs) for agile, smooth, safe and effective operation. UGSFs cover 20% to 40% of Gazprom's total gas supplies during the heating season. Proximity of networked UGSFs to consumer markets reliably ensures stable and flexible gas supplies.

In Russia, Gazprom operates 22 UGSFs in 26 geological structures: 17 facilities in depleted gas deposits, eight in aquifers, and one in a rock salt deposit. The storage facilities are located in 19 regions.

Their operation is supported by 18 compressor stations with an aggregate capacity of 916.5 MW; production wells total 2,681.

As at 31 December 2016, the Group's UGSFs in Russia had a total active capacity of 73.6 bcm. During 2016, withdrawal and injection amounts for Russian UGSFs totalled 44.9 bcm and 24.7 bcm of gas, respectively. The highest daily capacity of 507.1 mmcm was registered on 25 January 2016. The maximum daily capacity in 2016 increased by 11.4 mmcm year-on-year to 801.3 mmcm. By the 2016/2017 withdrawal season, operating gas reserves in Russian UGSFs had increased to 72.1 bcm, up 0.08 bcm year-on-year.

The growth in 2016 was driven by the recovery of the design capacity of wells and upgrades of Kanchurinsko-Musinskoye, Uvyazovskoye, Kasimovskoye and Kaluzhskoye UGSFs.

In 2016, the amount of natural gas consumed for UGSFs own operational needs was 0.308 bcm (as compared to 0.327 bcm in 2015).

Transportation and underground storage outside Russia

Gazprom Group companies own the gas transportation systems in Belarus, Armenia and Kyrgyzstan. OAO Gazprom transgaz Belarus is the Group's core gas transportation asset abroad, supplying natural gas to consumers in Belarus and carrying transit supplies of gas to Europe and the Kaliningrad Region. Daily requests of PJSC Gazprom to transport Russian natural gas through Belarus were satisfied in full.

Regular inline and corrosion inspections and overhauls of gas pipelines ensure safety and reliability of gas transportation in the above countries.

Gas transportation services in foreign countries are provided to Gazprom by a number of companies with a non-controlling participation of the Group. The key drivers of gas pipeline capacity utilization include demand from European consumers and regulatory restrictions by supervisory authorities on access to gas transportation facilities. Offshore cross-border pipeline systems constructed with the Group's involvement secured gas supplies to consumers in Northwest and Central Europe (Nord Stream, 43.8 bcm of gas in 2016, up 12.0% year-on-year) and Turkey (Blue Stream, 13.1 bcm in 2016, down 17% year-on-year).

To secure reliable and flexible gas supplies, Gazprom's export projects involve active utilisation of gas storage facilities located abroad: in Austria (Haidach), Germany (Rehden, Katharina and Etzel), Serbia (Banatski Dvor), the Netherlands (Bergermeer), and the Czech Republic (Dambořice). Additionally, a gas storage contract for UGSF capacity in the UK was valid throughout 2016.

Key metrics of Gazprom Group's gas transportation infrastructure outside Russia as at 31 December 2016

	Length, thousand km	Compressor stations, units	Gas injection into the GTS in 2016, bcm	
			Total	including gas in transit
Belarus (OAO Gazprom transgaz Belarus and Yamal — Europe trunk gas pipeline)	7.9	10	60.3	41.7
Armenia (ZAO Gazprom Armenia)	1.6	—	2.2	—
Kyrgyzstan (OsOO Gazprom Kyrgyzstan)	0.7	1	4.5	4.2

In 2016, Gazprom's own gas storage capacity in far abroad European countries totalled 5.0 bcm, with a daily capacity of 83.4 mmcm. A total of 2.6 bcm of gas were injected in 2016 into UGSFs in far abroad European countries, with a total gas withdrawal of 4.9 bcm.

Following an asset swap deal closed in 2015 between PJSC Gazprom and Wintershall Holding GmbH, Gazprom Group took control of WINGAS and its subsidiaries, and, accordingly, of Rehden and Jemgum UGSFs in Germany. The integration of these assets into Gazprom Germania Group propelled its market share in the EU UGSF capacity market from 0.8% to 6% (28 EU countries).

In FSU countries, Gazprom operates three gas storage facilities in Belarus (Pribugskoye, Osipovichskoye and Mozyrskoye UGSFs), one facility in Armenia (Abovyanskaya

underground gas storage station), and also has access to UGSF capacity in Latvia (Inchukalnskoe UGSF). The operating gas reserves in FSU UGSFs totalled 2.9 bcm as at 31 December 2016, with a daily capacity of 57.0 mmcm.

As at 31 December 2016, the active capacity of UGSFs used by Gazprom Group totalled 1.18 bcm of gas in Belarus (with a daily capacity of 34.0 mmcm); and 0.135 bcm (6.0 mmcm) and 1.6 bcm (17.0 mmcm) in Armenia and Latvia, respectively.

Foreign and Russian UGSFs operate in sync. When export gas supplies increase in the heating season, foreign UGSFs operate at their maximum capacity to deliver gas to consumers. Russian gas storage facilities ramp-up their throughput simultaneously with the foreign ones.

Major investment projects

Timelines for commissioning new and upgrading existing pipelines are scheduled with a long-term perspective and the following considerations:

- their effective utilisation periods;
- maintaining optimal throughput of the existing GTS.

This approach helps prevent introducing excessive capacity, make an efficient and flexible use of PJSC Gazprom's investments, and optimise gas transportation costs.

In 2016, Gazprom Group's capital investments in gas transportation totalled RUB 406.8 bn (2015: RUB 420.9 billion). The bulk of these capital expenditures was used to finance the construction of the Bovanenkovo — Ukhta trunk gas pipeline system, the implementation of the Power of Siberia project, the Ukhta — Torzhok Trunk Gas Pipeline System — Second Line (Yamal) project, and the UGSS expansion project to supply gas to a new pipeline under the Black Sea. Long-term financial investment was mostly focused the construction and upgrades of gas transportation facilities to support gas distribution in Kyrgyzstan. In 2016, Gazprom commissioned 770.6 km of trunk pipelines and connections, one compressor station and additional capacity totalling 488 MW in Russia.

Capital investments in underground gas storage amounted to RUB 35.6 bn in 2016 (2015: RUB 48.5 bn). The bulk of capital investments in underground gas storage in Russia was spent on the expansion of Punginskoye UGSF, upgrades of Sovkhoznoye UGSF and Stepnovskaya under-

ground gas storage station, on production drilling at underground gas storage facilities, and other initiatives. In 2016, Gazprom commissioned 0.06 bcm of active capacity and connected two production wells to enhance underground gas storage system in Russia.

In far abroad European countries, Gazprom Group invested mostly in the construction of Katharina, Dambořice and Jemgum UGSFs. In 2016, Gazprom Group's share in active capacity additions totalled 95.6 mmcm at Katharina UGSF, 60 mmcm at Jemgum UGSF and 58.5 mmcm at Dambořice UGSF.

Investment priorities in gas transportation in 2017

- Construction of the Power of Siberia trunk gas pipeline.
 - Implementation of a set of initiatives to develop the GTS in Russia's North-West, including the construction of the Ukhta — Torzhok trunk gas pipeline system — Second Line (Yamal) and the expansion of UGSS' gas transportation capacity at the Gryazovets — Slavyanskaya CS section in the North-West region.
 - Construction of the Bovanenkovo — Ukhta trunk gas pipeline system.
 - Implementation of the Turkish Stream and Nord Stream 2 projects.
-

Priority investment initiatives in gas underground storage in 2017

- Upgrades of existing and construction of new facilities at Kalinin-gradskoye UGSF.
 - Construction of Volgogradskoye UGSF.
-

For more details see the Innovations and Import Substitution section. Pages 87–91.

Gas Distribution and Gas Infrastructure Expansion, Development of NGV Fuel Markets

Expansion of the Russian gas infrastructure is a key social project for Gazprom. Every year, thousands of new residential and industrial consumers get access to the advantages offered by natural gas, an efficient and environmentally friendly fuel. The Company applies a comprehensive approach to building a new gas fuelling infrastructure to promote the use of NGV fuels.

Gazprom is the leading Russian gas company, ensuring reliability and safety of gas distribution networks. The Group's gas distribution networks are operated by AO Gazprom gazoraspredelenie, OOO Gazprom transgaz Kazan and OAO Chechengaz.

As at 31 December 2016, the Group's gas distribution subsidiaries and affiliates owned and operated:

- 760.1 thousand km of gas distribution networks;
- 325.6 thousand gas pressure reduction stations;
- 92.6 thousand electrochemical protection facilities.

In 2016, 208.0 bcm of natural gas were transported via gas distribution networks of Gazprom Group's gas distribution subsidiaries and affiliates. Gas was supplied to:

- 27.0 million apartments and private households;
- 32.9 thousand industrial facilities;
- 7.2 thousand agricultural facilities;
- 312.3 thousand utilities.

Gas infrastructure expansion across Russia

In the reporting year, the Company continued expansion of the Russian gas infrastructure, its key social project.

As part of the Programme for Expansion of Gas Infrastructure, in 2016, the Group completed the construction of 163 inter-community gas pipelines with a total length of 1,425 km in 29 Russian regions to supply gas to 254 locations. Under the Programme, 25.4 thousand households and 175 boiler houses, with a total annual gas consumption of 256 mmcm, will be ready to receive gas, provided that regional administrations fully meet their commitments.

In 2016, investments in the gas infrastructure expansion across Russia totalled RUB 25.0 bn.

By the end of 2016, the gas infrastructure coverage in Russia reached 67.2% (70.9% in urban and 57.1% in rural areas).

In their assessments of investment requirements, regional gas infrastructure expansion programmes take into account the percentage of payments for supplied gas and delivery by regional administrations on their obligations to ensure consumers' readiness to receive gas. The Programme for Expansion of Gas Infrastructure in Russian Regions for 2016 covers 67 regions, including the Tver

Region that has been excluded from the investment programme due to a high level of non-payments and failure by the regional administration to fulfil its obligations to ensure consumers' readiness to receive gas. For six regions (Dagestan, Ingushetia, Chechen Republic, Arkhangelsk, Kemerovo and Yaroslavl Regions), the Programme provides for a minimum investment level (RUB 5 mm), required to continue earlier work. The level of investment in these regions can be revised if they repay their debt for supplied gas and meet their obligations to ensure consumers' readiness to receive gas.

Non-payments by gas consumers in 2016 increased the Group's overdue receivables by RUB 10.7 bn to RUB 160.8 bn (with the North Caucasian Federal District accounting for 45%, or RUB 72.5 bn of this debt). 38% of this debt is due from residential consumers, and 32% from heat suppliers.

To ensure higher performance for PJSC Gazprom's capex, regional authorities in Russia should avoid discontinuing state subsidies for connecting households to gas grids without mobilising end consumers to pick up the bill at the same time. To this end, they should introduce programmes of subsidies and preferential loans to encourage residential consumers to fund their connections to a gas grid.

NGV fuel markets

As at 31 December 2016, volume-based CNG comprised 0.7% of the motor fuel market. In 2016, NGV fuel consumption in Russia was on a steady increase and grew by more than 18% year-on-year. Target segments for domestic and global CNG consumption are road passenger transport, municipal vehicles, cargo vehicles, and light commercial vehicles. Potential demand for CNG in Russia by 2020 is estimated at 1 bcm per year across all segments.

The Group is promoting the NGV fuel market (including sales of gas as a motor fuel) through OOO Gazprom gazomotornoe toplivo. It is owned on a parity basis by a subsidiary of PJSC Gazprom and a company of Gazprombank Group.

In the reporting year, Gazprom Group sold 480 mmcm of CNG from Russian CNG filling stations of the Group and OOO Gazprom gazomotornoe toplivo (435.9 mmcm in 2015). In 2016, the average selling price of CNG was RUB 13.30 per cubic metre.

As at 31 December 2016, more than 320 CNG filling stations were operating in Russia, of which 254 were owned by Gazprom Group and OOO Gazprom gazomotornoe toplivo. OOO Gazprom gazomotornoe toplivo is taking steps to consolidate the gas fuelling infrastructure of Gazprom Group. In 2016, the company bought out 27 CNG filling stations owned by PJSC Gazprom's subsidiaries. As at 31 December 2016, 162 CNG filling stations were bought out.

NGV infrastructure expansion

The Group's strategic approach to building a retail network in Russia is focused on accelerating the expansion of the NGV infrastructure in more than 50 priority regions and setting up NGV transit corridors.

To set up a single federal network of CNG filling stations, the Group takes on new gas fuelling infrastructure projects: in 2016, Gazprom Group commissioned 35 new CNG filling stations in 21 Russian regions and revamped four existing CNG filling stations. In addition, in 2016, PJSC Gazprom approved the 2017–2019 Programme for the construction of gas fuelling infrastructure at the industrial sites of PJSC Gazprom's subsidiaries, providing for the set-up of 100 CNG units to cover own fleet needs of 26 subsidiaries of PJSC Gazprom.

The Group installs CNG facilities both at conventional filling stations and at gas filling stations, which is essential for setting up the NGV infrastructure.

The Group is also focused on developing the infrastructure to produce and promote LNG as a motor fuel. In 2016, PJSC Gazprom adopted its 2016–2032 Development Programme for Small-Scale LNG Production and Application, which provides for construction of natural gas liquefaction plants based on various energy efficient liquefaction technologies. The Programme's pilots will use turbo expanders for LNG production at GDSS. Development of the small-scale LNG production segment will help PJSC Gazprom boost its domestic gas sales, increase the utilisation rates of existing gas distribution stations' capacity through the integrated use of production infrastructure, LNG complexes, reduce construction costs for gas transportation infrastructure projects while maintaining supplies to remote consumers and reducing load on pipelines by greater reliance on stored LNG.

Cooperation with Russian vehicle manufacturers and carriers

OOO Gazprom gazomotornoe toplivo promotes NGV fuel under the EcoGas brand and runs marketing campaigns to encourage consumers to convert their vehicles to natural gas. As at 31 December 2016, the Group had in place 38 cooperation agreements with Russian vehicle manufacturers and companies that offer natural gas conversion services.

The Group also established relations with municipal and commercial carriers, encouraging them to upgrade their vehicle fleets by acquiring natural gas vehicles, including through government subsidies. As at 31 December 2016, Gazprom signed 812 agreements of intent with consumers (including 193 agreements signed in the reporting year).

Since 2014, PJSC Gazprom has been using NGV fuel for its companies' fleets. This programme provides for phased substitution of liquid motor fuel-powered vehicles to gas-powered vehicles of Russian origin (manufactured by PAO KAMAZ, GAZ Group, OAO UAZ, OAO AVTOVAZ). In 2016, the ratio of gas-powered vehicles to the total fleet operated by subsidiaries was 28%. By 2020, the gas-powered fleet of PJSC Gazprom's subsidiaries is expected to reach 70%.

Government relations

Gazprom Group companies are actively working with regional government authorities to update the legal and regulatory framework so as to boost the Russian NGV fuel market and coordinate efforts of different stakeholders.

In particular, as part of these efforts, as at 31 December 2016, 35 Russian regions adopted their regional government programmes (subprogrammes) that promote NGV fuel markets and provide for NGV acquisition and CNG conversion targets; 18 Russian regions introduced zero or reduced transport tax rates for CNG vehicles, while six Russian regions recognised CNG filling station projects as Major Investment Projects.

In addition, Gazprom enters into agreements with regions to coordinate procurement of gas-powered vehicles with expansion rates of the gas fuelling infrastructure. As at 31 December 2016, such agreements were signed with 50 Russian regions.

Presence in the international NGV fuel market

In 2016, Gazprom Group was also present in the international NGV fuel segment of the European market via Gazprom NGV Europe GmbH, a 100% subsidiary (Germany, Czech Republic, Poland), and via NIS (a member of Gazprom Neft Group) that markets CNG in Serbia.

Establishment of Gazprom NGV Europe

Gazprom NGV Europe was founded in 2016 by Gazprom Germania GmbH that sold off its NGV assets, including the transfer of staff and reassignment of CNG and LNG supply contracts.

The NGV assets were spun off to comply with the requirements of the Third Energy Package on unbundling gas suppliers from network operators, and also to consolidate the NGV business in Northwest Europe. As at the end of 2016, Gazprom NGV Europe was a 100% subsidiary of Gazprom Germania.

In 2016, the number of its CNG filling stations in Europe increased to 60. Two cryo-filling stations also operate in Poland. As at 31 December 2016, seven CNG filling stations in the Czech Republic were owned by an affiliated company, Vemex s.r.o.

CNG sales at Gazprom Group's CNG filling stations outside Russia in 2016

Country	Operating CNG and cryo-filling stations as at 31 December 2016	Sales, bcm
Europe		
Germany	49	7.5
Czech Republic	8	1.1
Poland	3	2.9
Serbia	2	0.7
FSU		
Belarus	27	20.3
Armenia	8	8.6
Kyrgyzstan	4	2.7

In 2016, sales by Gazprom Group companies in Europe through own filling stations amounted to 11.1 mmcm (9.2 mmcm of CNG, and 1.9 mmcm of LNG). 1.1 mmcm were supplied via CNG filling stations leased by Vemex s.r.o. from Gazprom Group. Vemex s.r.o. sold 1.3 mmcm via its own CNG filling stations and 1.15 mmcm via CNG filling stations of third-party companies.

In 2016, OOO Gazprom gazomotornoe toplivo jointly with Gazprom EP International B.V. and PVGas opened an office of their joint venture, PVGAZPROM Natural Gas for Vehicles, in the Socialist Republic of Vietnam. The JV's capital of c. USD 9.5 mm is distributed as follows: OOO Gazprom gazomotornoe toplivo — 35.5%; Gazprom EP International B.V. — 35.5%; and PVGas — 29%. The joint venture started its operation in 2016 and will act as an operator to promote the NGV fuel market across the Socialist Republic of Vietnam. All necessary steps were taken to update the project's feasibility study in terms of market surveys, selected technology, and location of the production and distribution infrastructure, including the key technical and financial profile of the pilot project: a small-scale natural gas liquefaction plant producing up to 20 mmcm per year.

The Blue Corridor-2016, a motor rally across Russia and North European countries, including Germany, was held in June 2016 to promote NGV fuel in international markets. The rally was organised by Gazprom Group companies and Uniper SE.

The Blue Corridor motor rallies have been held since 2008.

Gazprom is also taking steps to increase penetration of small-scale LNG supplies in international markets. In 2016, the Group started a pre-investment study to build an investment case for a Black Sea LNG project. The plant's annual capacity is planned to be 0.5–1.0 mm tonnes of LNG. Its target markets will include Black Sea, Danube River Basin and Mediterranean countries.

Gazprom also exploring potential joint implementation of NGV and small-scale LNG infrastructure projects with its foreign partners. As part of these efforts, PJSC Gazprom signed a number of documents in 2016:

- A framework agreement with Fluxys SA, which is also designed to promote cooperation in the European small-scale LNG market, including under joint projects for construction and operation of receiving LNG terminals, LNG filling stations and other infrastructure;
- A memorandum of understanding with Mitsui & Co. Ltd. that reflects the parties' intention to cooperate in the feasibility study and market survey of potential LNG bunkering of marine vessels in Russia's Far East and the Asia-Pacific.

Hydrocarbon Processing and Gas and Oil Chemistry

Gazprom's key objective in hydrocarbon processing is to increase extraction of valuable components and boost the output of highly marketable products. To this end, the Group is upgrading existing gas and oil processing plants and launching new modern facilities.

In 2016, Gazprom Group (including its share in the APG processing volumes of OOO Yuzhno-Priobskiy GPP in which Gazprom has investments classified as joint operations) processed and refined 31.0 bcm of natural and associated gas (down 0.6% year-on-year) and 65.9 mm tonnes of crude oil

and gas condensate (down 1.3 % year-on-year), excluding tolling arrangements. The Group produced 50.2 mm tonnes of oil products (as compared to 51.3 mm tonnes in 2015), 3.5 mm tonnes of LHG (as compared to 3.5 mm tonnes in 2015), and 5.1 mmcm of helium (as compared to 5.0 mmcm in 2015), mineral fertilizers and raw materials for them — 1.0 mm tonnes (2015: 0.8 mm tonnes), monomers and polymers — 0.5 mm tonnes (2015: 0.4 mm tonnes).

For more details on Gazprom Group's hydrocarbon processing/refining capacities see Gazprom in Figures 2012–2016 Factbook.

Gazprom Group's hydrocarbon processing/refining volumes

	2014	2015	2016
Natural and associated gas, bcm	30.5	31.2	31.0
Oil and gas condensate, mm tonnes	68.0	66.8	65.9

Gazprom Group's output of oil products, mm tonnes

	2014	2015	2016
Diesel fuel	16.3	14.8	15.0
Motor gasoline	12.1	12.4	12.3
Fuel oil	9.3	8.4	7.8
Jet fuel	3.2	3.2	3.2
Lubricants	0.4	0.4	0.4
Other oil products	12.4	12.1	11.5
Total	53.7	51.3	50.2

Gas and gas condensate processing by Gazprom's gas processing and production subsidiaries

In 2016, PJSC Gazprom's gas processing and production subsidiaries processed and refined 29.0 bcm of natural gas (2015: 29.5 bcm of natural gas), 1.1 bcm of APG (2015: 1.2 bcm of APG), and 17.5 mm tonnes of crude oil and unstable gas condensate (2015: 17.3 mm tonnes), excluding tolling arrangements.

The drop in gas processing volumes against 2015 was due to declining gas production at the fields feeding the Orenburg GPP and Sosnogorsk GPP (Orenburgskoye and Vuktylskoye oil and gas condensate fields) and decrease in processing volumes at subsidiaries of OAO Vostokgazprom. Volumes of unstable condensate processing grew on the back of increased production of liquid hydrocarbons from the Achimov formations of the Urengoysskoye oil and gas condensate field.

In the reporting year, Sosnogorsk GPP received APG from OOO LUKOIL-Komi's northern fields representing an additional feedstock source — 276.6 mmcm were supplied, with supplies launched in 2015 through OOO Gas-oil trading under tolling agreements. In 2017–2021, the Group plans to process 500–600 mmcm of gas annually at this GPP. Efforts continued to arrange for APG deliveries from the Kyrtalskoye field operated by OOO LUKOIL-Komi. Liquefied hydrocarbon storage and loading scheme is under development.

A project to ramp up production at the Astrakhan GPP's pentane-hexane fraction isomerisation plant to its full rated capacity was successfully completed in 2016, which helped launch the production of Euro 5-compliant Premium Euro 95 motor gasoline and cut consumption of high-octane components three times.

In 2016, further efforts were made to consolidate Gazprom Group's gas processing assets within OOO Gazprom pererabotka, which provides for the integration of Orenburg Helium Plant, Orenburg GPP and Astrakhan GPP.

Gazprom Group's hydrocarbon processing, and gas chemical and petrochemical capacity as at 31 December 2016



1 Serbia Novi Sad Refinery Panchevo Refinery 7.31	2 Belarus Mozyr Refinery* 12.0	3 Moscow Moscow Refinery 12.15	4 Yaroslavl Slavneft-YANOS (Gazprom Group's access to 50% of capacity) 7.5	5 Sosnogorsk Sosnogorsk GPP 3.0 1.25**
6 Astrakhan Astrakhan GPP 12.0 7.3	7 Orenburg Orenburg GPP 37.5 6.26 Orenburg Helium Plant 15.0	8 Salavat Monomer plant Gas chemical plant Mineral fertilizers plant 1.0 Refinery 10.0	9 Khanty-Mansiysk Yuzhno-Priobskiy GPP (Gazprom Group's access to 50% of capacity) 0.45	10 Surgut Condensate stabilisation plant 12.05
11 Novy Urengoy Condensate pre-transportation preparation plant*** 13.67	12 Omsk Omsk Refinery 22.04	13 Tomsk Methanol plant 0.93		

Gas processing plant (GPP) with installed processing capacity

Oil refinery with installed processing capacity

Petrochemical and gas chemical production

Natural and associated gas, bcm

Oil, mm tonnes

Gas condensate, mm tonnes

Oil and gas condensate, mm tonnes

* The volume of oil refining at the Mozyr Refinery is determined by Gazprom Group's oil supply schedule approved by the Russian Ministry of Energy, and the scheme to share oil supplies between Gazprom Neft Group's own refineries and sales to the Mozyr Refinery as set out in the Intergovernmental Agreement between Russia and Belarus.

** Not including gas condensate stabilisation unit CSU-2 with a feedstock capacity 1.25 mm tonnes, in reserve as at 31 December 2015.

*** Capacity by non-degassed condensate; degassed condensate capacity is 12.2 mm tonnes.

Oil refining and petrochemistry at Gazprom Neft Group's facilities

In 2016, Gazprom Neft Group refined 41.9 mm tonnes of oil and stable gas condensate (2015: 43.1 mm tonnes) and 0.4 bcm of APG (2015: 0.1 bcm) supplied to the Yuzhno-Priobskiy GPP (share of Gazprom Neft). The decrease of 2.8% year-on-year in oil refining volumes is explained by lower refining efficiency in the current oil and oil products demand and pricing environment. In addition, yields for light products were increased during the reporting year, despite the overall decline in liquid hydrocarbon processing volumes.

Yuzhno-Priobskiy GPP

The Yuzhno-Priobskiy GPP, a joint venture between Gazprom Neft and PAO SIBUR Holding, forms a part of the Western Siberian petrochemical cluster that is being developed under the Governmental Gas Chemical and Petrochemical Industry Development Plan through 2030. The Yuzhno-Priobskiy GPP's refining capacity is 900 mmcm of APG per year. In 2016, the plant refined 882.5 mmcm of APG into 753.6 mmcm of dry stripped gas (DSG) and 263.1 thousand tonnes of natural gas liquids (NGL).

Product quality at Gazprom Neft Group's facilities is monitored on a continuous basis. The facilities produce only Euro-5 compliant motor fuels.

In 2016, five products marketed by Omsk GPP received awards of the Top-100 Russian Products contest.

The product range was diversified and extended. Lubricants range was expanded with the launches of 33 new products. In 2016, the Moscow Refinery started producing road bitumen under the EN 12591:2009 standard; polymer-bitumen binding materials (polymer asphalt) (used in road construction) on the basis of block copolymers like styrene-butadiene-styrene under the GOST R 52056-2003 standard; G-Way Styrelf polymer-modified bitumen with Amdor 20T adhesive additive; and viscous road oil bitumen under the GOST R 33133-2014 standard.

Based on the results of the certification audit conducted by SGS, 50/70 and 70/100 grade road bitumens were certified for compliance with EN 12591:2009 as meeting the requirements of the EU Regulations.

The Omsk Refinery continues implementing a large-scale programme to develop and produce new catalysts. In the reporting year, the refinery started producing Vanguard catalysts for catalytic cracking which enable increased output of Euro-5 high-octane gasoline components.

In 2016, Gazprom Neft Group considerably expanded its range of marketed lubricants and bituminous materials through the acquisition of a controlling stake in OOO Nova-Brit, the largest manufacturer of innovative bituminous products, and the acquisition of Rospolychem Group, a devel-

oper and manufacturer of specialised lubricants. With the acquisition of the interest in OOO Nova-Brit, Gazprom Neft Group entered the market for high-tech bituminous products used in road and airfield construction. The acquisition of Rospolychem enabled the start of lubricant supplies for the Ministry of Defence, pipe rolling industry (including for the needs of PJSC Gazprom's pipeline projects), for special equipment operated in the Far North, and for the plastics industry. This acquisition made Gazprom Neft Group the only Russian manufacturer of expander oils used in the production of large-diameter pipes and enabled it to capture a significant share of the domestic market in the segment of plasticisers for the chemical industry.

Oil refining, petrochemistry and mineral fertiliser production at Gazprom neftekhim Salavat's facilities

In 2016, production facilities of Gazprom neftekhim Salavat refined 6.5 mm tonnes of crude oil and gas condensate, including 4.4 mm tonnes of unstable gas condensate (2015: 6.4 mm tonnes of oil and gas condensate, including 4.0 mm tonnes of unstable gas condensate) and 0.5 bcm of natural gas (2015: 0.4 bcm of natural gas).

Higher volumes of gas condensate processing in 2016 were driven by the need to increase conversion rates at the refinery and reduce consumption of third-party feedstocks. Output of other oil products was increased (including marine fuel and gas condensate distillate), while production of motor gasolines was reduced due to commercial constraints. Refining depth at Gazprom neftekhim Salavat's refinery reached 87%.

In 2016, the feedstock mix at the refinery was expanded due to a shift towards feedstocks supplied by Gazprom Group companies. The refinery has made permanent arrangements for refining the crude oil from the Tsarichanskoye field and offering a higher content of light products as compared with Western Siberian oil, and the gas condensate fuel (M-100 grade fuel oil with a high content of diesel fraction and vacuum gas oil) produced by OOO Gazprom dobycha Astrakhan, which enabled an increase in the feedstock processing efficiency across Gazprom Group in general due to decrease in purchased oil from PAO Transneft.

In 2018, OOO Gazprom neftekhim Salavat plans to switch fully to feedstocks supplied by Gazprom Group companies. Changes in the composition of supplied feedstocks are aimed at reducing the share of low-margin products in the total output.

Gas processing volumes increased due to the transition of the Gas Chemical Plant facilities to a two-year repair cycle, boosting production of mineral fertilisers and relevant feedstocks at Gazprom neftekhim Salavat's facilities. The pyrolysis unit at Monomer plant was also shifted to a two-year repair cycle, enabling higher output of monomers and polymers.

Major investment projects

In 2016, Gazprom Group's capital investments in refining/processing totalled RUB 193.3 bn (compared to RUB 136.3 bn in 2015) and were allocated to the following projects:

- Construction of the Urengoy — Surgut gas condensate pipeline (Line 2). The 107 km — 288 km section;
- Phase 2 capacity expansion at the condensate pre-transportation preparation plant;
- Construction and upgrades of facilities at the Urengoy Condensate Pre-Transportation Preparation Plant;
- Construction of a stabilisation unit for Achimov deposit condensate from the Nadym-Pur-Taz region;
- Construction of the Urengoy — Purpe oil and condensate pipeline;
- Construction of the Urengoy oil pumping station;
- Phase 1 and Phase 2 upgrades at the Astrakhan Gas Processing Plant to ensure integrated operations;
- Construction of a plant to remove methanol from the propane fraction with a commercial product dehydration unit at the Surgut Condensate Stabilisation Plant;
- Construction and upgrade of production facilities at the Omsk Refinery (construction of an advanced oil refining facility, a delayed coking unit and a combined primary refining unit), Moscow Refinery (construction of a combined refining unit) and at the refinery operated by OAO Slavneft-YANOS joint venture;
- Construction and upgrade of refining and petrochemical facilities of Gazprom neftekhim Salavat;

For more details on the application of new processing/refining technologies see the Innovations and Import Substitution section. Pages 87–91.

In 2016 the Omsk Refinery completed a revamp project at the sulphuric acid alkylation unit, increasing its capacity from 342 to 430 thousand tonnes per year. The unit's revamp helped boost the processing of the butane-butylene fraction into a high-octane gasoline component, extend operation time between repairs to 365 days and reduce energy consumption.

During the reporting year, Gazprom neftekhim Salavat's Acrylic Acid and Acrylates Complex was put into operation. The plant has an annual production capacity of 80 thousand tonnes of butyl acrylate and 35 thousand tonnes of glacial acrylic acid (polymer grade).

In addition, OAO Slavneft-YANOS joint venture commissioned an airtight fuel oil loading station. The applied airtight fuel oil loading technology enables high-precision loading, improves industrial and environmental safety and reduces losses.

Investment priorities for 2017

- Implementation of projects to enable liquid hydrocarbon transportation from the Nadym-Pur-Taz region: Construction of the Urengoy — Purpe oil and condensate pipeline, Urengoy oil pumping station, stabilisation unit for Achimov deposit condensate from the Nadym-Pur-Taz region, and the "Urengoy — Surgut Gas Condensate Pipeline (Line 2). The 107 km — 288 km Section" project;
 - The Amur GPP construction project;
 - Construction and upgrades of refining and petrochemical facilities of Gazprom neftekhim Salavat;
 - Construction and upgrades of production facilities at the Omsk and Moscow Refineries of Gazprom Neft Group.
-

For more details on Gazprom Group's key processing projects see Gazprom in Figures 2012–2016 Factbook.

Power Generation

Gazprom is the Russian leader in heat power generation and the biggest investor in the industry. The Company consistently adds generating capacity, launching new high-performance power units. This focus drives Gazprom's competitive edge in the power and capacity markets.

Gazprom Group is the largest Russian owner of generating assets. Power stations operated by Gazprom energoholding, in which Gazprom Group's key generating assets (PAO Mosenergo, PAO TGC-1, PAO MIPC and PAO OGK-2) are consolidated, account for c. 17% (c. 39 GW) of the total installed capacity of Russia's Unified Energy System (UES).

Other generating assets include Novo-Salavatskaya CHPP with an installed capacity of 882 MW as at 31 Decem-

ber 2016 (including the capacity of the Novo-Salavatskaya CCGT, which was commissioned in 2016), Unit 5 of the Hrazdan TPP with an installed capacity of 467 MW in Armenia, owned by the Group's subsidiary ZAO Gazprom Armenia and other generating capacities in Russia and abroad.

Changes in the installed capacity in 2016 vs 2015 (as at 31 December 2015, Gazprom Group's installed power capacity was 39.1 GW and installed heat capacity was 69.4 thousand Gcal/h) were driven by the launches of new power units built under capacity supply agreements (CSAs), upgrade-driven changes in capacity of generating equipment, and decommissioning of obsolete and low-performing generating equipment in Gazprom energoholding companies.

Gazprom Group's generating assets as at 31 December 2016

	Installed power capacity, MW	Installed heat capacity, Gcal/h
Gazprom energoholding	38,869	65,856
Other generating assets in Russia and abroad	1,380	2,172
Total	40,249	68,028

Generation of power and heat

According to the UES System Operator, in 2016, power generation in Russia grew by 2.1% year-on-year to 1,071.7 billion kWh.

In 2016, the Group generated 156.8 billion kWh of power (up 6.4% year-on-year) and 125.6 mm Gcal of heat (up 7.3 year-on-year) at its generation assets in Russia.

As at the end of 2016, Gazprom accounted for 15% of power generation in Russia.

The growth in power generation was largely driven by higher capacity utilisation rates achieved at power stations through the UES System Operator's initiative launched to satisfy growing regional power needs, lower capacity utilisation at nuclear power stations due to an increase in unscheduled repairs, and the increased competitiveness of the Group's power stations in the day-ahead market.

Heat supplies from TPPs grew in 2016 from 2015 due to abnormally cold weather in the second half of the year.

Developments in the Moscow heat supply market in 2016 that are relevant to Gazprom Group

- PAO MIPC started taking steps to align its activities around a "single heat supplier" status the Company was granted in February 2015. This process involves full assignment of all PAO Mosenergo's contracts with heat consumers to PAO MIPC, renewal of contracts for heat delivery services with heat buyers. These activities may change the revenue and cost mix with implications for margins of the Group companies.
- On 16 December 2016, the Russian Ministry of Energy approved for the first time a heat supply plan for Troitsky and Novomoskovsky Administrative Districts. The plan enables the Group companies to step up their efforts to connect new consumers and thus increase their share in the Moscow heat market going forward.

In 2016, power generation by Gazprom Group abroad reached 0.8 billion kWh. Total power generation by Gazprom Group was 157.6 billion kWh.

For more details on Gazprom Group's generating capacity and output of power and heat see Gazprom in Figures 2012–2016 Factbook.

Gazprom energoholding's generating assets as at 31 December 2016

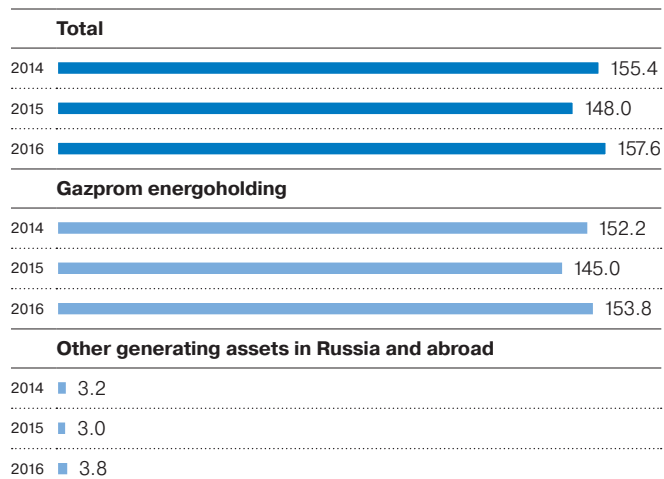


1 Adler Adler TPP PAO OGC-2 360 90*	2 Stavropol Stavropolskaya GRES PAO OGC-2 2,415 145	3 Novocherkassk Novocherkasskaya GRES PAO OGC-2 2,229 60	4 Moscow and the Moscow Region 15 power stations of PAO Mosenergo 12,963 42,894 PAO MI PC 4,261	5 Ryazan Ryazanskaya GRES PAO OGC-2 3,130 213
6 Pskov Pskovskaya GRES PAO OGC-2 440 84	7 Saint Petersburg, Republic of Karelia, the Leningrad and Murmansk Regions 53 power stations of PAO TGC-1* 6,952 14,532	8 Kirishi Kirishskaya GRES PAO OGC-2 2,595 1,234	9 Cherepovets Cherepovetskaya GRES PAO OGC-2 1,052 39	10 Troitsk Troitskaya GRES PAO OGC-2 1,400 315
11 Serov Serovskaya GRES PAO OGC-2 808 110	12 Surgut Surgutskaya GRES-1 PAO OGC-2 3,268 903	13 Krasnoyarsk Krasnoyarskaya GRES-2 PAO OGC-2 1,258 976		

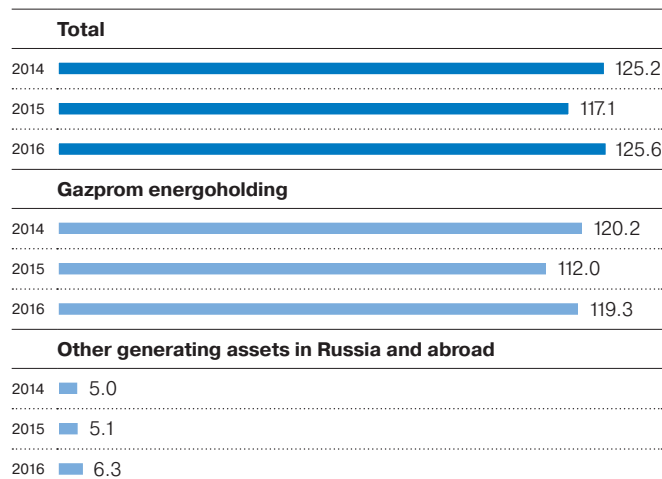
■ Installed power capacity, MW
■ Installed heat capacity, Gcal/h

* Decline in the installed heat capacity at the Adler TPP from 97.6 Gcal/h to 90.2 Gcal/h was due to the exclusion of heat supply from a water-to-water exchanger as a result of power unit recertification.

** Including the recently launched gas-turbine combined heat and power plant at power plant 1 of the Tsentralnaya CHPP of PAO TGC-1.

Power generation by Gazprom Group, billion kWh

Note. The table shows power generation, i.e. the amount of power generated by a power station.

Heat generation by Gazprom Group, mm Gcal

Note. The table shows heat supply from TPPs, i.e. the amount of heat supplied by a power station to consumers at the asset ownership / interface boundary points.

Volume-based fuel mix of Gazprom energoholding in Russia

	2014	2015	2016
Gas, bcm	41.5	38.2	41.3
including Gazprom Group's gas	28.3	25.5	28.1
Coal, mm tonnes	14.6	14.1	12.6
Fuel oil and other fuels, mm tonnes	0.3	0.3	0.3

Natural gas dominates the fuel mix of Gazprom energoholding power stations. However, given a significant share of coal in the fuel mix, a decision was made to acquire Angrensor Group, which is focused on the production of coal in Kazakhstan. The move was aimed at the diversification of the risk of supply shortfalls and optimisation of the pricing policy in the coal market.

Improvements in operational efficiency

Every generating company across Gazprom energoholding implements programmes to streamline costs and improve financial performance in the following focus areas:

- Improvement of the production system;
- Operational efficiency improvement programme;
- Cost reduction;
- Decommissioning/optimisation of low-performing and idle facilities;
- Non-core asset disposal.

The combined economic benefit from these programmes in 2016 totalled RUB 6.2 bn vs target RUB 5 bn.

In 2017, the Company will continue to implement operational efficiency improvement and cost reduction programmes, targeting savings of RUB 3.0 bn based on full-year results.

Economic benefit from operational efficiency improvement and cost reduction programmes across Gazprom energoholding in 2016, RUB bn

Subsidiary	Target	Actual benefit
PAO OGC-2	0.5	0.5
PAO TGC-1	0.9	1.3
PAO Mosenergo	1.7	3.1
PAO MIPC	1.9	1.3
Total	5.0	6.2

Major investment projects

Gazprom Group's investment programme is one of the biggest in the Russian power industry. The launch of the Grozny TPP in 2018 will complete the implementation of Gazprom energoholding's ambitious investment programme to build new generating capacity in line with its obligations under CSAs. The CSA investment programme implemented by the Group companies is expected to add 8.9 GW of new capacity in Russia over 2007–2018, with total investments for the same period exceeding RUB 450 bn (inclusive of VAT).

For more details on the application of new power generation technologies see the Innovations and Import Substitution section. Pages 87–91.

The Group's capital investments in power and heat generation and distribution in 2016 totalled RUB 63.5 bn (2015: RUB 98.9 bn).

The bulk of capital investments was channelled to new power unit projects at the Novocherkasskaya GRES, Troitskaya GRES, Groznenskaya GRES of PAO OGK-2, and at the Tsentralnaya CHPP of PAO TGC-1.

For more details on Gazprom Group's key power generation projects see Gazprom in Figures 2012–2016 Factbook.

In 2007–2016, the Group met over 96% of its obligations under the CSAs to add new generating capacity in Russia by 2018.

In 2016 alone, the Group commissioned 1,090 MW of new generating capacity in Russia. Additionally, the joint venture OOO Novo-Salavatskaya PGU launched a 432 MW Novo-Salavatskaya CCGT (PGU-410-T) (the asset was leased out to the Group's subsidiary OOO Novo-Salavatskaya CHPP).

Capacity commissioned by Gazprom Group's generating companies in 2016

- PAO OGK-2: 660 MW steam turbines at the Troitskaya GRES and a 330 MW steam turbine at the Novocherkasskaya GRES.
- PAO TGC-1: two gas-turbine combined heat and power plants with an aggregate capacity of 100 MW at the Tsentralnaya CHPP.

Outside Russia, in 2016, PAO Centerenergyholding, part of Gazprom energoholding, in conjunction with NIS (a Serbian subsidiary of Gazprom Neft Group) continued to implement a project to construct a power station with an installed capacity of up to 208 MW in Pancevo, Serbia, to meet the power and heat needs of a Pancevo-based oil refinery and a petrochemical complex operated by HIP Petrohemija. As at 31 December 2016, as a part of this project, Gazprom energoholding obtained documents for a land plot to site the facility, carried out pre-construction work and developed pre-FEED documents.

Monitoring of foreign power generation markets

The Company views the power generation segment as one of the strongest drivers of potential growth in global gas consumption. Therefore, the Company continues to constantly monitor the market for attractive business opportunities, including consideration of potential acquisitions of shares in foreign power generating assets to secure pipeline gas and LNG supplies to such assets.

In 2016, the Company signed agreements of intent to explore joint implementation of power generating projects in China (with CNPC) and Vietnam (with PetroVietnam). The Company plans to continue these efforts into 2017.

As instructed by the Board of Directors of PJSC Gazprom, the Company monitors power generation markets of the most promising Asian countries — China and Vietnam.

Retirement of obsolete and low-performing facilities is also a priority for Gazprom energoholding. The current capacity market auction rules impose strict requirements on the performance of generating equipment, leading to termination of capacity payments. Semi-fixed costs for such facilities may be covered if the operator is granted the status of a "must-run" generator; however, by no means all equipment meets these standards to make the operator eligible. In this way, the government encourages retirement of both physically and functionally obsolete generating facilities. A major challenge here is replacing heat generation capacity of retired facilities. Generating companies of Gazprom energoholding make consistent efforts to retire such facilities. In 2016, the Company decommissioned 1,531 MW of low-performing capacity and plans to retire another 806 MW of such facilities by 2020.

Marketing

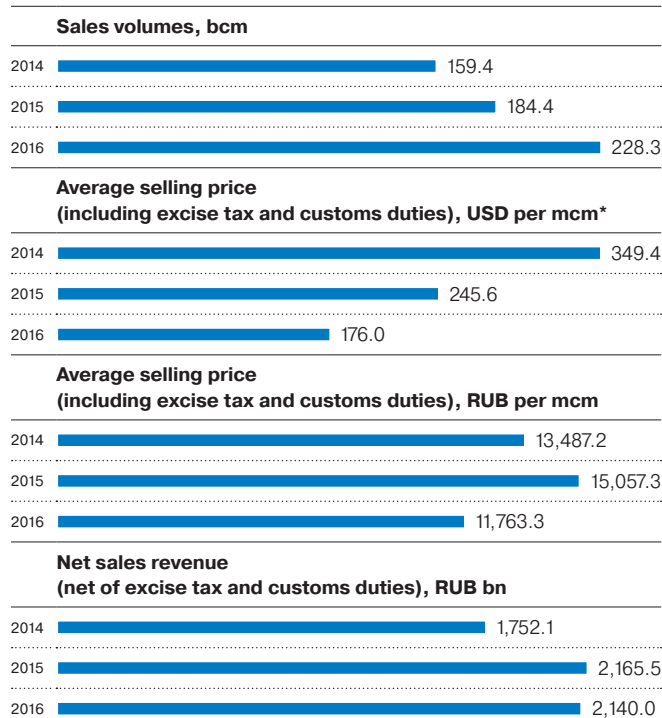
The Russian gas market is a priority market for Gazprom. Over half of the gas produced by the Company is sold to domestic consumers in virtually all Russian regions. Particular emphasis is placed on securing reliable gas supplies during the winter peak demand season. Gazprom is also a major supplier of natural gas to Europe and Turkey. In 2016, Russian gas exports to these markets reached a record level.

Far abroad gas markets

In 2016, Gazprom Group sold 228,3 bcm of natural gas to far abroad countries, up by 43.9 bcm, or 23.8%, year-on-year. Net sales revenue (net of excise tax and customs duties) was RUB 2,140 bn, down 1.2% year-on-year due to lower average selling prices.

Natural gas sold to far abroad countries in 2016 accounted for 48% of Gazprom Group's total gas sales (vs 41% in 2015) and 65% of total net revenue from gas sales (vs 63% in 2015).

Gazprom Group's sales of natural gas to far abroad countries



* Calculated based on the year-average RUB/USD exchange rate.

European gas market

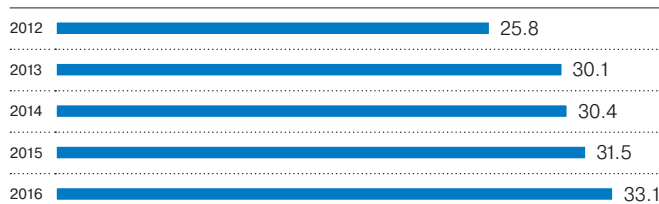
PJSC Gazprom is a major supplier of natural gas to the European market. PJSC Gazprom's gas supplies to European countries under the contracts with OOO Gazprom export in 2016 totalled 178.3 bcm, up 19.7 bcm or 12.4% year-on-year.

In 2016, declining domestic gas production in Europe and growing consumption drove an increase in PJSC Gazprom's share of the European gas market. The increase was also supported by PJSC Gazprom's competitive gas prices reflecting primarily changes in the oil prices over the period of six to nine months, with the oil prices falling to a 12-year low by the start of 2016.

A significant portion of gas sales are tied to various price indices at liquid trading hubs in Europe. The share of gas sales linked to oil product prices is shrinking.

Under the long-term contracts between OOO Gazprom export and counterparties, each party is entitled to request a revision of the contract price if any material changes occur on respective markets. The parties exercise this right when such material changes occur. Negotiations on price are currently underway with some of OOO Gazprom export's customers. Since the European gas market is heterogeneous, price negotiations with every individual customer have their own specifics. Negotiations with customers based in Northwest Europe take place amid liquidity growth at major trading hubs, while in other European regions, the impact of hub-based trading is less prominent. Disputes with some of the counterparties have been referred to international arbitration. The Company makes relevant public announcements as soon as agreements are reached or arbitral decisions are made.

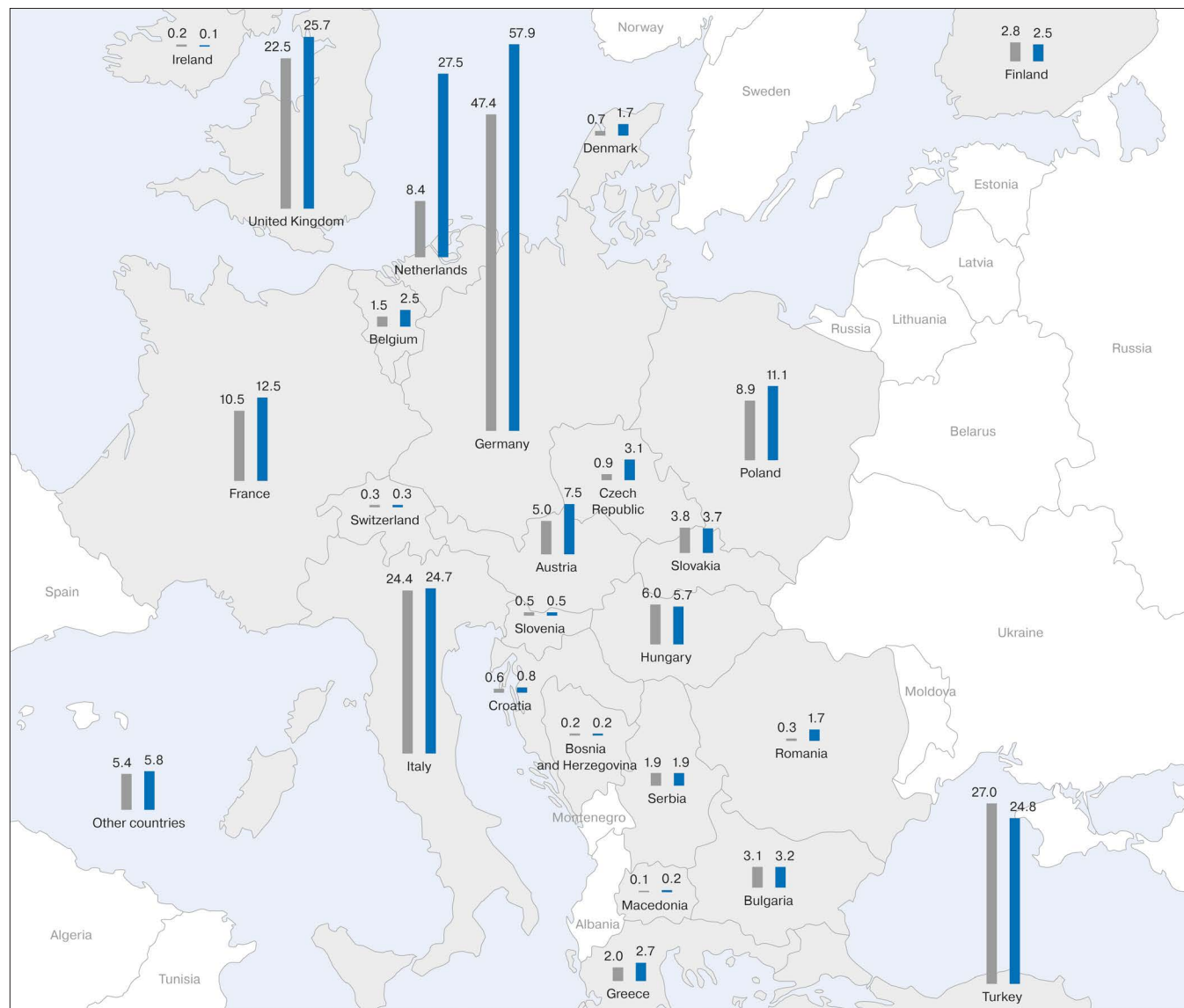
Share of PJSC Gazprom's gas sales under contracts by OOO Gazprom export and Gazprom Schweiz AG in the European consumption in 2012–2016, %



Note. Figures for 2015 and previous years may differ from the data in Annual Reports of PJSC Gazprom for previous periods since international statistics may be subsequently updated.

For more details see the Trends and Developments on Oil and Gas Markets section. Pages 39–44.

Gazprom Group's gas sales to far abroad countries, bcm



■ Gas sales in 2015
■ Gas sales in 2016

Note. Gazprom Group's sales to other countries include LNG sales and sales of gas in Vietnam under the Production Sharing Agreement for offshore gas from Blocks 05-2 and 05-3 in the South China Sea.

Further gas auctions for buyers from far abroad European countries

On 31 August, 1 and 2 September 2016, OOO Gazprom export held an auction for buyers in Northwest Europe for deliveries in the 2016/2017 winter season. As a result of the auction, c. 2 bcm of gas was sold to 11 companies, both traditional partners and new buyers.

Based on the results of completed gas auctions, this approach may be developed and used in the future to secure balancing sales in addition to the long-term contracts if required by market conditions.

Natural gas sales by Gazprom Group's subsidiaries (Gazprom Marketing & Trading Retail, Gazprom Schweiz AG, and WINGAS GmbH and its subsidiaries) directly to end consumers in the markets of far abroad European countries amounted to c. 25 bcm. WINGAS GmbH, a major gas supplier to utilities, industrial and power generation companies in Germany, the Netherlands, Belgium, Austria, and the Czech Republic, accounted for the bulk of sales (c. 80%). Gazprom Marketing & Trading Retail Ltd. sells natural gas to end consumers in the UK, France, Ireland and the Netherlands. Gazprom Marketing & Trading Retail Ltd. is the second largest natural gas supplier in the segment of small and medium industrial and commercial consumers in the UK, where it sells the bulk of its gas.

For more details on gas sales volumes to end consumers in far abroad countries see Gazprom in Figures 2012–2016 Factbook.

Integration of WINGAS GmbH and its subsidiaries into Gazprom Group

As part of the efforts to optimise export operations, integration of WINGAS GmbH and its subsidiaries into Gazprom Germania Group was completed. Initiatives are underway to improve the effectiveness of natural gas trading and marketing, and also to avoid overlaps between management functions, which will enable stronger positioning of Gazprom Germania Group among key players on the European gas market.

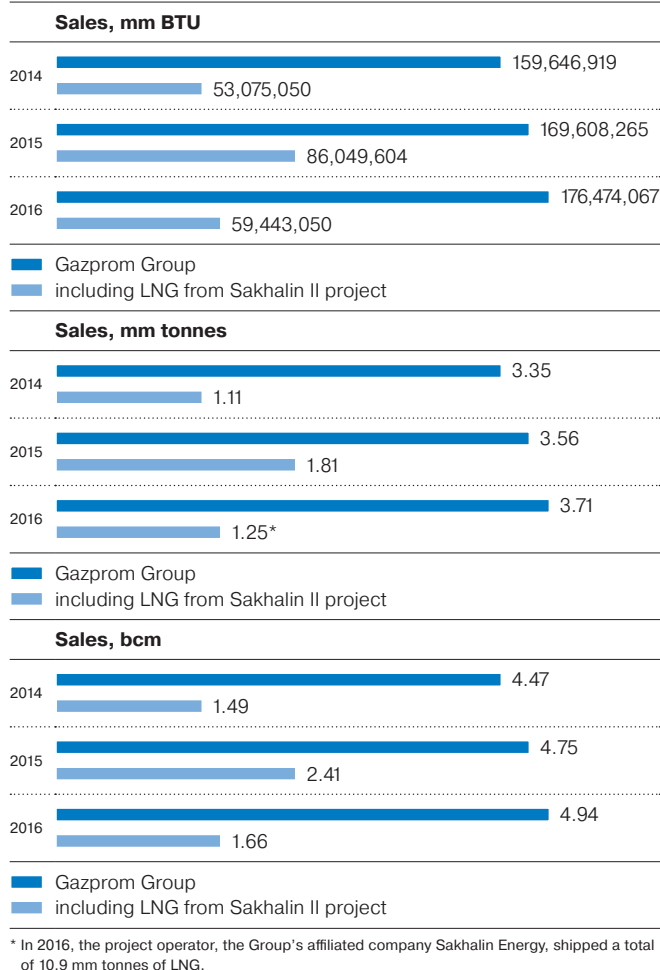
The Group's subsidiaries, Gazprom Marketing & Trading and WINGAS, are also engaged in trading operations on international exchanges to capture more of the value through optimising export supply portfolio. In 2016, the aggregate volume of transactions carried out by Gazprom Marketing & Trading and WINGAS on commodity exchanges amounted to 157 bcm. Direct involvement of these companies in exchange-based gas trading activity on the European market enables agile responses to changes in the pricing environment.

LNG sales

In 2016, despite strong competition, LNG sales by Gazprom Group grew by 4.1% year-on-year to 3.71 mm tonnes (4.94 bcm).

For more details see the Trends and Developments on Oil and Gas Markets section. Pages 39–44.

LNG sales by Gazprom Group



In 2016, Japan remained the key destination for LNG supplies in Gazprom Group's trading portfolio, accounting for c. 45% of total LNG sales. LNG shipments to Taiwan increased considerably. LNG shipments to Mexico and the UAE were resumed for the first time after a long interruption.

PJSC Gazprom continued to expand partnerships in LNG trade, including with new entrants in the global LNG market. In particular, in September 2016, PJSC Gazprom and Bahrain's Nogaholding signed a Memorandum of Understanding to cooperate in LNG, and in December 2016, PJSC Gazprom and KOGAS signed an Agreement of Cooperation, which envisages, inter alia, further coordination in LNG supplies.

For more details on Gazprom Group's LNG sales to different countries see Gazprom in Figures 2012–2016 Factbook.

Russian gas market

Gazprom is the largest natural gas supplier on the Russian market.

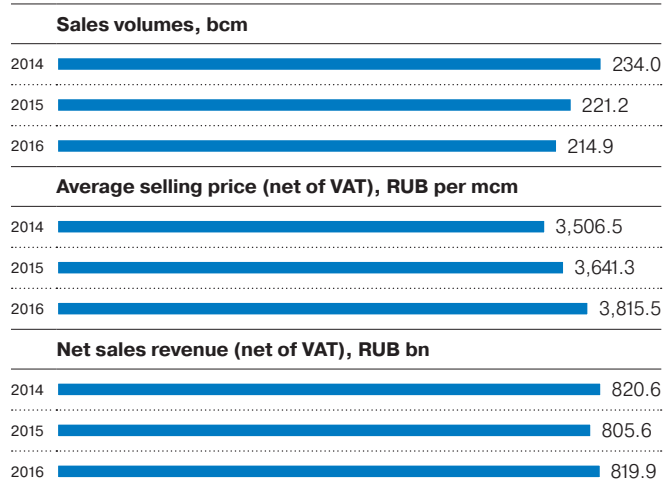
In 2016, Gazprom Group sold 214.9 bcm of gas to consumers in the Russian Federation, down 6.3 bcm year-on-year. Natural gas consumption in Russia totalled 456.7 bcm.

Gazprom boosted its natural gas sales to the Sverdlovsk, Nizhny Novgorod and Samara Regions. At the same time, gas supplies to certain regions decreased as large industrial consumers were buying gas from independent suppliers through trading systems (in the Belgorod, Vologda, Novgorod and Kirov Regions, and the Perm Territory). Besides, as from 2016, consumer demand in the Lipetsk Region is fully covered by independent producers.

PJSC Gazprom sold 10.7 bcm of natural gas through trading systems (an increase of 6.3 bcm year-on-year).

Net sales revenue was RUB 819.9 bn, up 1.8% year-on-year. Natural gas sold to Russian consumers in 2016 accounted for 45% (vs 50% in 2015) of Gazprom Group's total natural gas sales and c. 25% of total net revenue from gas sales (vs 24% in 2015).

Gas sales by Gazprom Group in Russia

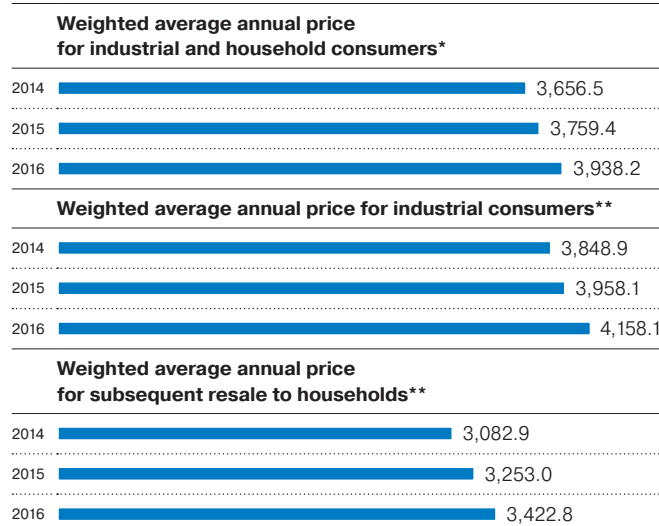


For more details see the Trends and Developments on Oil and Gas Markets section. Pages 39–44.

Major buyers of Gazprom Group's natural gas are generating companies, household consumers and utilities. Moreover, the Group's natural gas is heavily used in the steel-making, fertiliser, and cement industries, and other sectors of the economy.

In accordance with applicable Russian laws, end consumers buy gas at regulated prices which are differentiated by consumer group (households vs industrial consumers) and price range based on the relative distance between the gas production region and consumers. In 2016, wholesale gas prices for subsequent resale to household consumers were 18% lower than wholesale gas prices for industrial consumers.

Weighted average wholesale regulated prices (net of VAT) of PJSC Gazprom's gas for industrial and household consumers, RUB per mcm



* Calculated as the combined weighted average prices for industrial and household consumers for the year indicated. Weighting is based on actual volumes delivered to each price band for household and industrial consumers, respectively (exclusive of gas volumes supplied pursuant to Resolution of the Government of the Russian Federation No. 333 dated 28 May 2007 On Improvement of State Gas Price Regulation).

** Weighting is based on actual volumes delivered to each price band for each group of consumers separately, household and industrial consumers, respectively (exclusive of gas volumes supplied pursuant to Resolution of the Government of the Russian Federation No. 333 dated 28 May 2007 On Improvement of State Gas Price Regulation).

Note. Starting from 2016, weighted average wholesale regulated prices are stated inclusive of PJSC Gazprom's gas volumes sold to consumers in Russia's Far East. For data comparability, the figures for 2014–2015 have been rebased and so may differ from those in the Annual Report 2015.

FSU gas markets

Gazprom Group's gas sales to FSU countries

Sales volumes, bcm	
2014	48,1
2015	40,3
2016	33,2
Average selling price (including customs duties), USD per mcm*	
2014	262,1
2015	194,2
2016	153,6
Average selling price (including customs duties), RUB per mcm	
2014	10 115,9
2015	11 911,0
2016	10 263,1
Net sales revenue (net of customs duties), RUB bn	
2014	411,7
2015	429,7
2016	309,6

* Calculated based on the year-average RUB/USD exchange rate.

Gazprom Group covers a significant portion of natural gas demand in FSU countries.

In 2016, the Group sold 33.2 bcm of natural gas to FSU countries, with net sales revenue (net of customs duties)

amounting to RUB 309.6 bn, down 27.9% year-on-year, due to lower sales and lower average selling prices.

Natural gas sold to FSU countries in 2016 accounted for 7% (vs 9% in 2015) of Gazprom Group's total natural gas sales and 9% of total net revenue from gas sales (vs 13% in 2015).

The decrease in gas supplies to FSU countries in 2016 resulted from declines in demand, above all in Ukraine and the Baltic states. Lower gas consumption was driven by an overall economic situation, declining industrial production and a growing share of coal in the fuel mix.

Under contracts signed by Gazprom Group, natural gas is supplied to end consumers in Armenia, Belarus, Kyrgyzstan, Moldova and Lithuania.

In 2016, the Group extended auctions for sales of natural gas to FSU countries.

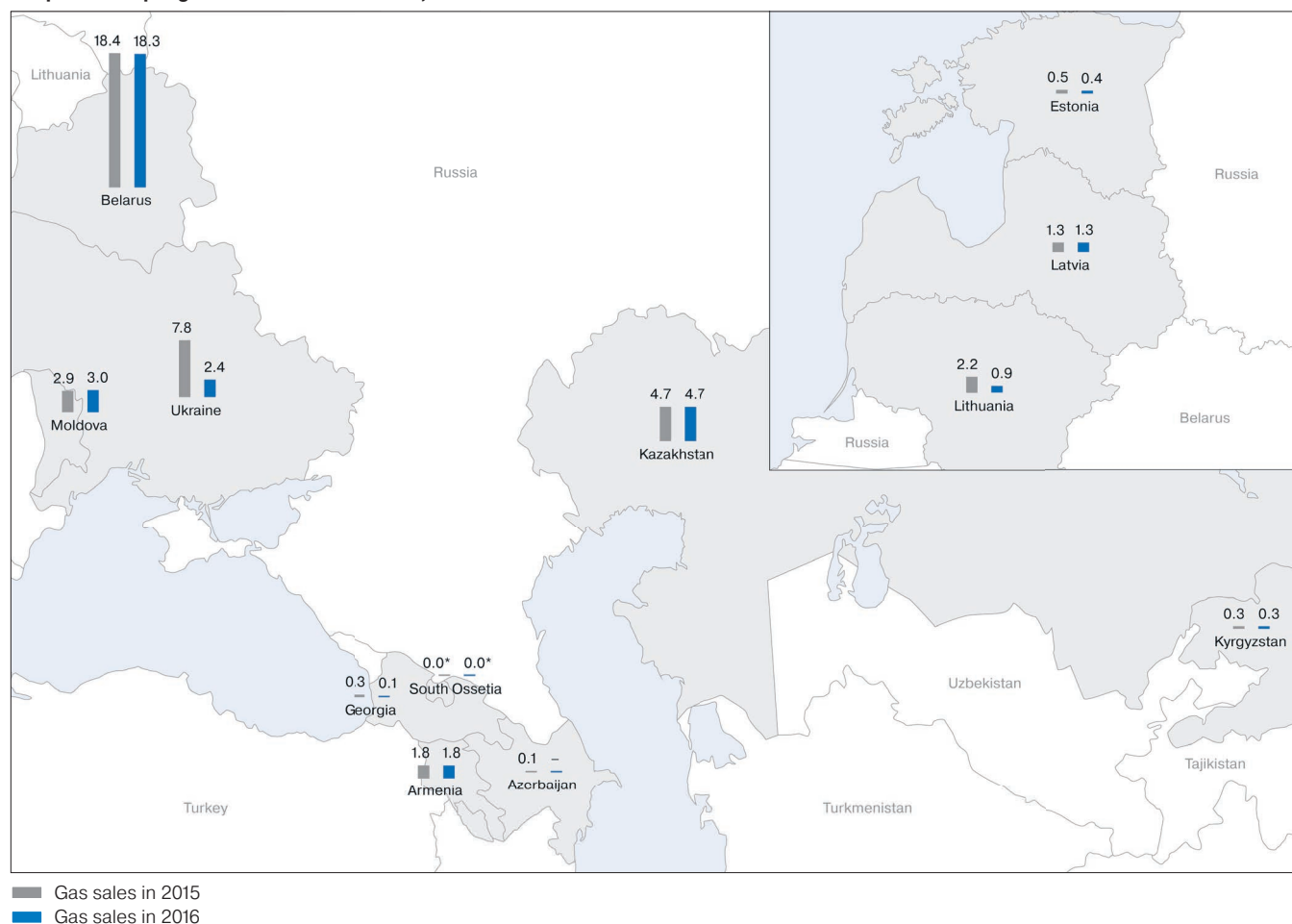
The first gas auction for buyers in the Baltic states

In March 2016, OOO Gazprom export held an auction for buyers in the Baltic states (Lithuania, Latvia) with deliveries in Q2–Q4 2016. As a result of the auction, over 420 bcm of gas were sold, mostly to PJSC Gazprom's traditional partners in the region.

In 2016, as part of its gas marketing cooperation efforts, the Group continued to purchase natural gas from Central Asian countries, albeit in smaller amounts. Price cuts were agreed upon with gas suppliers to reflect the decline in selling prices on the European gas market.

In 2016, Gazprom Group purchased a total of 19.1 bcm of gas from Central Asian countries.

Gazprom Group's gas sales in FSU countries, bcm



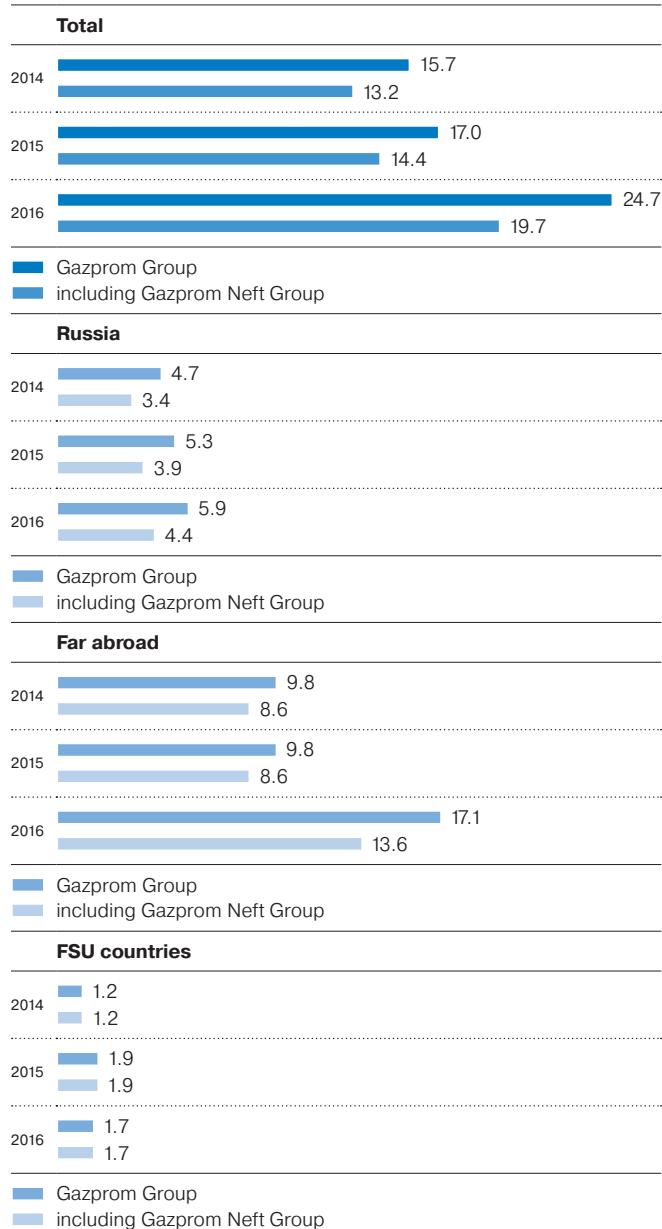
Gazprom Group's purchases of gas in Central Asia and Azerbaijan, bcm

Country	2014	2015	2016
For subsequent supplies to far abroad countries			
Turkmenistan	11.0	3.1	–
Uzbekistan	3.6	3.5	4.3
Kazakhstan	10.9	12.6	12.7
Azerbaijan	0.2	–	–
Weighted average purchase price on the border of supplying countries, USD per mcm			
	259.22	180.39	116.25
For subsequent supplies to Southern Kazakhstan			
Uzbekistan	3.7	2.9	1.9
For subsequent supplies to Kyrgyzstan			
Uzbekistan	0.0*	0.0*	0.0*
Kazakhstan	0.1	0.2	0.2

* less than 0.05.

Oil and gas condensate sales

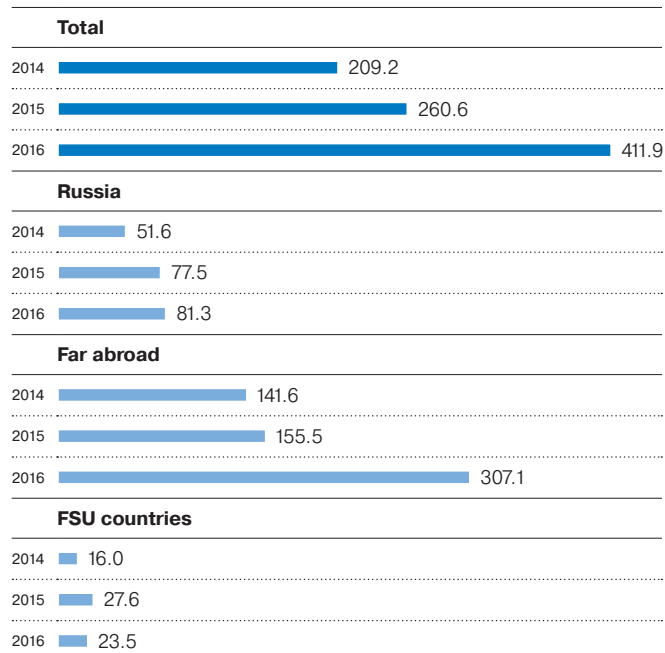
Crude oil and gas condensate sales volumes by Gazprom Group, mm tonnes



In 2016, Gazprom Group sold 24.7 mm tonnes of crude oil and stable gas condensate, up by 7.7 mm tonnes, or 45.3%, year-on-year, with total net sales revenue (net of VAT and customs duties) reaching RUB 411.9 bn, a significant increase over 2015, driven mostly by higher revenue from sales to far abroad countries.

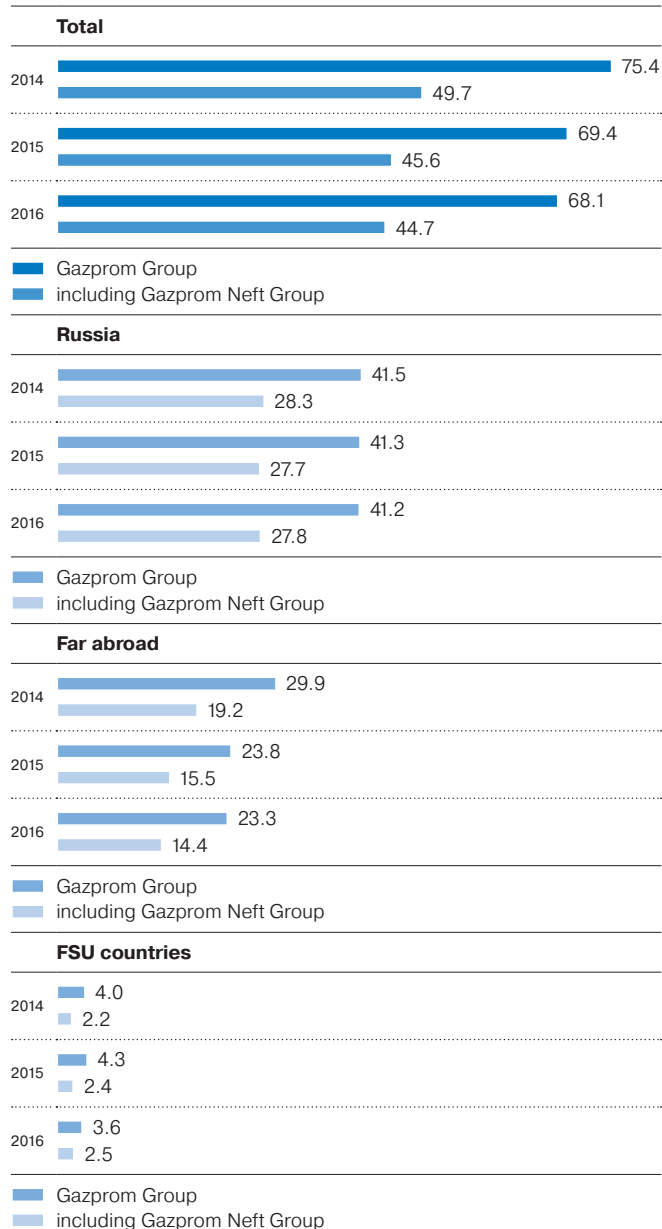
Higher sales to far abroad countries in 2016 are attributable to larger oil production volumes at the Novoportovskoye and Prirazlomnoye fields, start of production at the Vostochno-Messoyahskoye field in Russia, and oil production growth in Iraq. Lower sales in FSU countries were due to declining oil exports by Gazprom Neft to Belarus and Uzbekistan. An increase in sales in the domestic market was driven by higher efficiency of oil trading operations in the domestic market and oil production growth in the Orenburg region.

Net revenue from sales of crude oil and gas condensate (net of VAT and customs duties), RUB bn



Refined product sales

Sales volumes of refined oil and gas products by Gazprom Group, mm tonnes

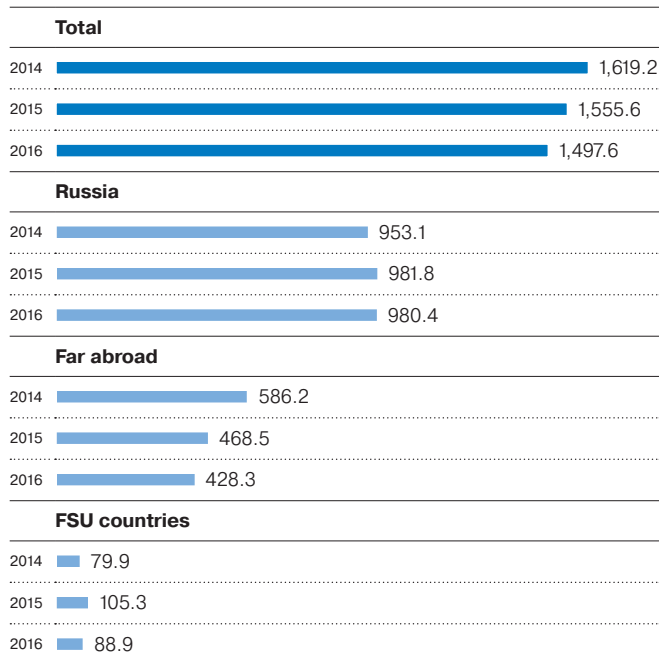


In 2016, Gazprom Group sold 68.1 mm tonnes of refined oil and gas products, with net sales revenue of RUB 1,497.6 bn (net of VAT, excise tax and customs duties).

Total sales of refined oil and gas products by Gazprom Group were down by 1.3 mm tonnes (or 1.9%), mostly due to weaker sales of other oil products by Gazprom Neft (resulting mostly from lower sales of marine fuel in the context of sluggish demand for transit bunkering by ship owners), and lower sales of fuel oil to far abroad countries due to lower output of dark products and higher yields of light products at refineries operated by Gazprom Neft Group. Sales of jet fuel were also down, due to weaker demand for international flights resulting from reduced tourist traffic.

At the same time, stronger sales of motor gasolines in far abroad and FSU countries and of diesel fuel domestically were reported (driven mostly by higher volumes of Gazprom Neft's operations with third-party resources). As at 31 December 2016, Gazprom Neft Group owned and operated an extensive network of 1,814 filling stations across Russia, FSU countries and Eastern Europe. In 2016, sales of refined products by Gazprom Neft Group via filling stations totalled 10.5 mm tonnes, of which 8.2 mm tonnes were sold in Russia.

Gazprom Group's net revenue from sales of refined products (net of VAT, excise tax and customs duties), RUB bn



Sales of mineral fertilisers to far abroad countries and domestically were up, driven by higher output of these products as a result of stabilised operations and idle time reduction.

Changes in global prices for refined oil and gas products put downward pressure on net rouble-denominated revenue from their sales.

Sales of refined products by Gazprom Group, mm tonnes

Refined products	2014	2015	2016
Motor gasoline	13.5	13.6	14.9
Diesel fuel	17.3	15.5	15.9
Jet fuel	4.0	3.8	3.5
Fuel oil	11.2	8.6	7.6
Lubricants	0.4	0.4	0.4
Liquefied hydrocarbon gases	5.4	4.8	4.5
Sulphur	5.5	5.2	5.5
Mineral fertilisers	0.7	0.7	1.0
Polymers	0.2	0.2	0.1
Other refined oil and gas products	17.3	16.6	14.7

Note. Excluding sales of helium.

Sales of helium by Gazprom Group

	2014	2015	2016
Gaseous helium, mmcm	2.7	3.0	3.2
Liquid helium, tonnes	140.0	314.2	299.3

Distribution of power and heat

All power produced by the Group's generating companies in Russia is sold on a fully liberalised wholesale electricity and capacity market. A small portion of generated power is exported to foreign countries — Norway and Finland. To carry out emergency repairs and fulfil power supply obligations under regulated contracts, the Group's generating companies purchase power on the wholesale market for subsequent resale.

In 2016, Gazprom Group sold 170.9 billion kWh of electricity and 99.7 mm Gcal of heat (2015: 166.2 billion kWh and 91.0 mm Gcal, respectively). In 2016, Gazprom Group's net revenue from power and heat sales (net of VAT), was RUB 481.7 bn, up RUB 57.0 bn, or 13.4%, year-on-year.

Increased electricity consumption and abnormal temperatures in the second half of the year drove price growth at the day-ahead market, securing extra revenues for Gazprom Group on the domestic market.

Gazprom energoholding's companies sell capacity at prices determined in accordance with the rules of the wholesale electricity and capacity market.

Gazprom Group's net revenue from power and heat sales (net of VAT), RUB bn

Total	
2014	427.0
2015	424.7
2016	481.7
Russia	
2014	409.1
2015	403.1
2016	461.9
Far abroad	
2014	15.4
2015	19.1
2016	17.3
FSU countries	
2014	2.5
2015	2.5
2016	2.5

Capacity supplied by Gazprom energoholding generating facilities on a “must-run” basis totalled 3.1 GW.

Two mechanisms are used to sell the capacity of Gazprom energoholding’s companies at the wholesale market:

- regulated pricing — capacity sales under regulated contracts, capacity supply agreements (CSAs) or sale and purchase agreements for capacity of generating facilities that supply capacity on a “must-run” basis;
- free pricing — trading in capacity at free (unregulated) prices determined based on the results of Competitive Capacity Outtake (CCO), or capacity market auctions. Before 2015, capacity market auctions were held only

for one year ahead (for the next year). In 2015, amendments introduced to the Rules of the Wholesale Electricity and Capacity Market completely changed the capacity auction model. The market switched from purchases based on free power flow zones to purchases based on price bands, enabling capacity purchase for several years ahead. A single CCO capacity price was also introduced, to be applied within every given price band. In 2015, a capacity market auction was held with delivery between 1 January 2016 and 31 December 2019. In 2016, capacity was auctioned with delivery between 1 January 2020 and 31 December 2020.

As a result of 2016–2020 capacity market auctions, all the capacity auctioned by PAO Mosenergo, PAO OGC-2 and PAO TGC-1 was sold out.

Volumes and prices of Gazprom energoholding’s capacity sold through CCO, 2016–2020

	2016	2017	2018	2019	2020
Capacity sale by price band, GW					
First band	24.9	24.9	25.5	26.0	26.3
Second band	1.3	1.3	1.3	1.2	1.3
CCO price, RUB/MW per month					
First band	112.6	113.2	111.0	110.5	115.2
Second band	189.2	181.8	185.7	190.3	190.5

OA Mezhtregionenergosbyt, a Gazprom Group company, is one of the leaders of the Russian power market. The company operates both on the wholesale and retail power markets, accounting for more than 95% of power supplies to Gazprom Group’s subsidiaries.

In 2016, Gazprom Group was also engaged in power trading operations at European trading hubs, with the aggregate volume of transactions totalling 840 TWh. Also in 2016, the Group supplied nearly 1.8 TWh of power to end consumers in the UK, Germany and the Netherlands.

Gazprom's consistent success in setting and achieving ambitious production goals is largely driven by its recognised technology leadership. The Company makes consistent efforts to develop proprietary innovative technologies and invests extensively in research and development.

Innovation

In its evolution as a global energy company and a reliable energy supplier, Gazprom focuses on research and application of new knowledge and technology, as well as on continuous improvement of its innovation capabilities and acceleration of innovation to address a number of strategic, technological and economic issues that such leadership involves.

By introducing new and unique hydrocarbon production and supply projects in Arctic regions, offshore the Okhotsk Sea, in Eastern Siberia and in the Far East, strategically important for the Russian economy, Gazprom drives new innovative and advanced solutions while maintaining its position of the country's largest consumer of innovative products.

In the reporting year, the Company developed PJSC Gazprom's Innovative Development Programme until 2025, approved by the Board of Directors Resolution No. 2762 (Minutes of the Board of Directors' meeting No. 1081 dated 21 June 2016). The Programme is a document for long-term planning and management, integrated into the Company's overall strategic development planning framework. The Programme covers the Company's gas, oil, and power generation businesses and provides for a range of interrelated activities to develop and introduce new technologies and innovative world-class products and services. The Programme also aims at fostering a favourable environment to promote innovative efforts both at Gazprom and in related industrial production sectors of Russia.

Technological priorities (key areas of technological development) set by PJSC Gazprom's Innovative Development Programme until 2025 are as follows:

- Hydrocarbon field exploration and appraisal technologies, including development of unconventional resources;
- technologies to improve performance of existing fields;
- hydrocarbon resource development technologies for the continental shelf;
- greenfield development technologies;
- technologies enhancing the performance of trunk gas pipelines and diversifying gas supply methods;
- technologies to improve performance of gas storage facilities;
- technologies to improve gas and gas condensate processing;
- LNG technologies;
- gas distribution and utilisation technologies.

In addition, the Programme identifies seven key priorities for organisational innovations:

- consistently deploy information technologies and automate business processes;
- develop a knowledge management system;
- introduce quality management systems;
- focus on operational excellence and roll-out of lean production principles;
- introduce production asset management system based on technical condition diagnostics and risk assessment;
- introduce a product/facility lifecycle management system based on cutting-edge digital technologies;
- streamline the corporate structure and business processes, including optimisation of the production structure and process chains, introduce the "core-competence" model in production, outsourcing auxiliary production and business processes and carving out existing non-core competencies into separate projects.

The objective of the Innovative Development Programme is to drive PJSC Gazprom's technological leadership and organisational development to maintain its position as a global energy company and reliable energy supplier.

Scientific and research organisations of PJSC Gazprom are key contributors to its effective innovative development. As part of its innovative activities, the Company also collaborates with external institutions, research centres, and anchor universities.

The Company has initiated and is continuing collaboration with small and medium-sized innovative enterprises. PJSC Gazprom enhances its technological, research, and innovative potential through close collaboration with leading global energy companies. Across Europe, its research partners are Uniper SE, BASF / Wintershall Holding GmbH, VNG-Verbundnetz Gas AG, and Siemens AG in Germany, N.V. Nederlandse Gasunie (The Netherlands), OMV Aktiengesellschaft (Austria), ENGIE and Schneider Electric in France, Srbijagas (Serbia), and Statoil ASA (Norway). In Asia Pacific, Gazprom fosters research and technology collaboration with KOGAS (South Korea), CNPC (China), PetroVietnam (Vietnam), and the Agency for Natural Resources and Energy of the Japanese Ministry of Economy, Trade and Industry.

PJSC Gazprom and its subsidiaries benefit from one of the largest networks of anchor universities and regional partner universities. Collaboration with universities is based on the principles of continuity, consistency, and innovation.

PJSC Gazprom makes consistent efforts to improve the organisation and effectiveness of its research and experimental activities, technology development and piloting. In 2016, PJSC Gazprom set up and launched a permanent R&D Committee, focusing mostly on developing coordinated proposals for R&D efforts.

In 2016, Gazprom Group's investments in research and development totalled RUB 6.3 bn (2015: RUB 9.9 bn).

PJSC Gazprom pursues a targeted policy of effective intellectual property management, which is consistently improved in line with the best national and global practices, including legal practices.

The Company has developed and successfully put in place an intellectual property management system, the essential purpose of which is to develop unified principles for setting-up procedures for the creation, legal protection, accounting for, commercialisation, and monitoring the use of intellectual property across Gazprom Group, as well as to develop an incentive scheme encouraging employees of Gazprom Group companies to create intellectual property.

The Company's performance in managing its intellectual property reflects, inter alia, PJSC Gazprom's progress in the implementation of its Innovative Development Programme.

As at 31 December 2016, Gazprom Group's subsidiaries held 2,269 intellectual property patents (205 of them obtained in the reporting year) and 991 software and database registration certificates (139 obtained in the reporting year). In its production operations, Gazprom Group uses 405 patented items. The economic effect from using patented items in operations exceeded RUB 7 bn. In the reporting year, PJSC Gazprom and its subsidiaries filed 227 patent applications.

Innovation in exploration

Innovations in exploration and appraisal improve overall performance and the accuracy of forecasting field development.

As part of its efforts to achieve more accurate reservoir simulation of the Chayandinskoye oil and gas condensate field, the Company explored the lithological and petrophysical heterogeneity of producing formations of the field's Vendian terrigenous deposits.

The Company continued implementing nuclear magnetic resonance tomography (NMRT) technology in various geological and operating conditions. The Company also developed corporate regulations governing the application of NMRT in oil and gas well logging at Gazprom Group's fields, a procedure for processing NMRT results, and specifications for NMRT equipment design and use.

The Company continues studying geological and productive characteristics of coal beds at Kuzbass CBM fields to increase well flow rates.

Innovation in field development and production

To improve field performance, including fields in new gas production regions and on the Arctic shelf, Gazprom carried out the following projects.

The Company prepared field development plans for the Chayandinskoye oil and gas condensate field and the Kovyktinskoye gas condensate field, taking into account the rough terrain and natural reserves in the area and providing for the application of advanced technologies for the production of hydrocarbon gas, oil, and valuable associated components (mostly helium) from horizontal and directional wells, as well as technologies to preserve concentrated helium.

For mature fields, the Company developed technologies to enhance hydrocarbon production using multi-flow gas dynamic tools, prevent ice and hydrate formation in gas production systems, and technologies for well killing and cleanout in case of abnormally low reservoir pressure.

For constructing (in salt deposits) and repairing wells under abnormal reservoir pressure and high temperatures, the Company developed new methods to manage the continuous phase of drilling fluids and process fluid formulations resistant against corrosive environments for use in the drilling, workover and servicing of wells penetrating salt bodies at high temperatures and abnormal reservoir pressures.

Gazprom developed a membrane technology to recover helium from natural gas for the sustainable development of helium-rich fields in Eastern Siberia and the Far East. The technology will be used at the Chayandinskoye oil and gas condensate field for the separation of helium concentrate from natural gas and its long-term storage in the reservoir. The Company continues testing membrane units of various manufacturers at a pilot helium separation plant. The Company also designed and launched the production of hollow-fibre and roll membrane gas separation units.

To tap the reserves of the Russian continental shelf, the Company developed technical solutions for hydrocarbon fields on extremely shallow freezing shelf (based on the example of the Priyamalsky Shelf of the Kara Sea). Based on the models of technological processes and technical and economic calculations of development options for the deep-water hydrocarbon fields in the Kara Sea using underwater production systems, the Company developed technical specifications for subsea production modules with a capacity of up to 10 bcm per year, including a subsea production system as well as separation, disposal, compression, power supply, and hydrate inhibitor injection units.

The Company carried out science-based research to back up technical requirements for technologies and equipment used to maintain and repair subsea facilities in challenging ice conditions without divers. One of the key areas of innovation in the oil business is the development of horizontal drilling technologies, first and foremost, to increase the length of horizontal sections of wells. At the Novoportovskoye field, the length of the horizontal section reached 2 thousand metres, setting a record for the Company.

An important area for the improvement of well completions is the further development of the multi-stage hydraulic fracturing technique. In March 2016, for the first time in the history of Gazprom Neft Group, OOO Gazpromneft-Khantos performed an 18-stage fracturing at the Yuzhno-Priobskoye field in the Khanty-Mansi Autonomous Area. The previous record was 15 stages of fracturing in a horizontal wellbore. In July 2016, the Company performed a 30-stage fracturing at the Yuzhno-Priobskoye field, the first operation of this kind in the Russian oil and gas industry.

Given the high share of mature fields, increasing oil recovery a priority of Gazprom Neft Group. To this end, Salym Petroleum Development N.V. (company in which Gazprom has investments classified as joint operations) is developing an alkaline-surfactant-polymer flooding technology, a chemical method for enhancing oil recovery by injecting a surfactant, sodium carbonate, and a polymer into the reservoir. The process was launched in March 2016, as part of a pilot project at the Zapadno-Salymskoye field.

Another priority in driving the technological development of the Group's oil business is economically viable development of the Bazhenov formation reserves. The technology is being developed along two lines:

- increasing the accuracy of forecasting the oil and gas potential of the Bazhenov formation;
- improving well drilling and completion technologies.

Along the first line, a consortium involving the Company and Russian research organisations, namely MIPT Engineering Centre, Gubkin Russian State Oil and Gas University, Lomonosov Moscow State University and Skoltech, developed the world's first hydraulic fracturing simulator for the Bazhenov formation. The technology can be used to predict fracture propagation through the formation, simulate fracture parameters, and estimate flow rates.

Along the second line, Gazprom Neft drilled high-tech wells to optimise technologies and reduce well costs. Gazprom Neft is carrying out pilots to study the Bazhenov formation at the Yuzhno-Priobskoye and Krasnoleninskoye fields in the Khanty-Mansi Autonomous Area and at the Vyn-gayakhinskoye field in the Yamal-Nenets Autonomous Area.

Innovation in gas transportation and underground storage

To ensure the continuity and reliability of gas supply, Gazprom is continuously improving its gas transportation technologies and equipment.

Research is continued into the use of hydrogen enriched syngas and methane hydrogen fuel mixtures as additives to gas turbine fuel. As part of the effort, the Company developed technical regulations for a system suppressing exhaust from the gas turbine drives of gas pumping units (GPUs) using the products of thermal conversion of part of fuel gas (syngas). A showcase of the technology was held. Effective factors include the reduction of emissions by GPU drives and increased fuel efficiency of GPU drives through a more thorough burning of fuel, particularly where load on GPU drives is reduced.

Research is underway to develop an energy-saving adsorption technology for natural gas transportation and storage in new porous nano materials and metal organic frameworks.

The Company tested a prototype of an adsorption gas terminal using an adsorbent with high adsorption and durability. This technology opens up the following opportunities: substantially improved safety of storage and transportation of natural gas, promoting the development of urban infrastructure for using methane as a motor fuel and reducing energy costs of injecting and withdrawing gas into and from storage facilities.

The Company developed a technology and a business case for building multi-level underground reservoirs for storing natural gas and helium in stratified layers of rock salt, typical of East Siberia. The technology is implemented according to a scheme where one production well is used for 2–4 cavities, which enables the involvement of up to 3–4 layers of salt of both high and low capacity (30–100 m) in underground storage, thus increasing the utilisation of subsoil and the volume of a single reservoir. The roll-out and replication of the technology will improve the effectiveness of activities addressing environmental problems associated with soil and water contamination in the regions where natural gas or helium are produced or stored by substantially reducing the area of subsoil operations and excavations. This technology project is of crucial importance for resolving natural gas and helium storage issues in the development of the Kovyktinskoye and Chayandinskoye fields.

Innovation in hydrocarbon processing

In oil refining, development and production of refining catalysts is a key driver of science-based technological progress.

The catalyst facility of the Omsk Refinery commenced the production of a new-generation catalyst of the Avangard series, developed through partnership with the Institute of Hydrocarbon Processing, Siberian Branch, Russian Academy of Sciences. The use of this catalyst at the refineries operated by Gazprom Neft will boost the output of high-octane Euro 5 compliant gasolines.

In 2016, the Avangard series catalyst was put to commercial use at the Omsk Refinery: since October 2016, the catalyst has been used at Section 200 of KT-1/1 catalytic cracking facility; in November, the refinery started loading the catalyst into FCCU G-43-103.

Innovation in power generation

OOO Gazprom energoholding, a group of power producers, develops and implements innovative technologies for heat and power generation at natural gas and coal fired power plants.

The innovative technologies developed and deployed by OOO Gazprom energoholding companies are aimed at:

- improving the efficiency of generating equipment;
- increasing the energy efficiency and saving energy in power generation and consumption;
- improving the environmental performance of production;
- expanding the use of renewables;
- implementation of advanced engineering solutions.

From 2007 to 2016, the generating companies of Gazprom Group successfully completed the following innovative projects:

- building an innovative 800-MW CCGT unit with a two-boiler single-turbine configuration based on the existing K-300 steam turbine (at the Kirishskaya GRES of PAO OGK-2);
- building a 330-MW coal-fired power unit with an innovative CFB boiler (at the Novocherkasskaya GRES of PAO OGK-2);
- building a 660-MW coal-fired power unit (at the Troitskaya GRES of PAO OGK-2).

Furthermore, the Company continues to upgrade and replace T-250/300-240 steam turbines at CHPP-22 of PAO Mosenergo. The T-250/300-240 turbine, which has been in operation for around 280 thousand hours since 1972, will be replaced with a new type of turbine, T-295/335-23.5. The T-295 four-cylinder turbine, to be produced specifically for the project, is the most powerful turbine ever produced by the Ural Turbine Works. Its maximum capacity can reach 335 MW.

Import Substitution

An action plan has been developed to meet the challenges of import substitution and identify the Company's needs for import-substituting equipment and technologies. It identifies priorities for competitive import substitution, potential designers and manufactures of functional counterparts of imported equipment, and activities to reduce reliance on imports through development, launching production and promotion of domestic products.

The action plan is implemented across a number of areas.

Technology partnerships with Russian oil and gas equipment manufacturers and Russian regions

The efforts to expand the use of Russian-made high-tech products for the benefit of PJSC Gazprom are underway as part of 15 roadmaps agreed with Russian regions, and 8 roadmaps developed for specific business lines and types of equipment.

Coordination of domestic manufacturer activities through industry associations

The coordination efforts undertaken by such associations as the "New Technologies in Gas Industry" Association of Equipment Manufacturers and the Pipe Producers Association seek to shape a common technical policy including quality standards and conformity assessment procedures, and develop consistent pricing approaches for PJSC Gazprom.

PJSC Gazprom's order set up the INTERGAZCERT Voluntary Certification System to protect Gazprom Group companies from substandard products and works/services.

The same document designated the Pipe Producers Association and the "New Technologies in Gas Industry" Association of Equipment Manufacturers as the Central Bodies of the INTERGAZCERT Voluntary Certification System for the following categories: "Tubular products" and "Process equipment and materials, power equipment, automation means and devices, computing hardware and software".

Manufacture of previously imported equipment in Russia

As part of the efforts to localise production of previously imported types of equipment in Russia, a four-party Agreement of Intent was signed, in June 2016, at the St. Petersburg International Economic Forum, to establish a joint venture (JV) between PJSC Gazprom, Linde AG, Power Machines and Salavatneftemash. Pursuant to the Agreement, the parties completed a feasibility study and prepared a business plan to manufacture Linde AG equipment in Russia and set up a JV to manufacture coil-wound heat exchangers.

R&D arrangements, including co-funding

In order to optimise the costs and timescales of projects to develop particularly important import-substituting materials and equipment and expedite their mass production Gazprom Group co-finances R&D in cooperation with domestic companies.

Long-term contracts as a framework for import-substitution projects

In 2016, the Company continued to sign long-term contracts with domestic manufacturers for mass production, supply, maintenance, service and repair of import-substituting products against guaranteed future supplies.

Currently, the Company maintains and executes five long-term contracts for the launch of import-substituting products with the following companies: TMK (casing and tubing for hostile environments); OMK (special-purpose ball valves); Tomsk Vakhrushev Electromechanical Plant (anti-surge and control valves); Kazancompressormash (TAKAT modular compressor units), and Salavat Catalyst Plant (ASM silica gel).

Steering Committee for import substitution and production localisation

The Steering Committee, led by Vitaly Markelov, Deputy Chairman of the Management Committee of PJSC Gazprom, spearheads the implementation of various procurement scenarios under import-substitution projects, coordinates the activities of PJSC Gazprom's business units, subsidiaries and entities to ensure their alignment around a common import substitution policy and fast decision-making to promote conditions that ensure timely and full satisfaction of the Company's needs in import-substituting products in the context of investment projects and production operations.

Interaction with the Russian Ministry of Industry and Trade in implementing government support and regulation measures in import-substituting equipment production

On 19 June 2015, PJSC Gazprom and the Russian Ministry of Industry and Trade signed a Programme for the Substitution of Imported Industrial Products Used by PJSC Gazprom and Its Subsidiaries and Other Affiliated Companies.

Assessment of economic benefits from import substitution initiatives

The Company assessed the economic impact achieved through the introduction of import-substituting technologies, equipment and materials at the facilities of PJSC Gazprom and its subsidiaries in 2015–2017. The total economic benefit from import substitution initiatives in four areas — deployment of domestic gas compressor equipment at UGSS facilities; manufacture of process equipment for hydrocarbon production in corrosive HPHT environments; implementation of a technology to produce an adsorbent for desulphurisation and CO₂ removal from natural gas and products separated from natural gas; implementation of the technology of trenchless construction and rehabilitation of underwater crossings — was estimated at RUB 10.9 bn for the period between 2015 and 2017. The impressive total economic benefits were achieved through the reduction of costs of imported equipment and materials.

The import substitution efforts undertaken in 2016 resulted in technological independence of PJSC Gazprom for 233 items on the List of Priority Products for Import Substitution and Production Localisation to Promote the Technological Development of PJSC Gazprom, reduced the consumption of imported equipment and enabled its phased substitution with domestic counterparts. The range of products critical to PJSC Gazprom was halved.

Balanced financial policy ensures Gazprom's financial stability, allows to maintain comfortable leverage and helps implement all strategic investment projects within the target time frame.

Financial Policy

As a priority in an unfavourable commodity markets environment, the Company relies on tough financial measures to maintain conservative cost discipline and a strong financial position of PJSC Gazprom, required to finance its priority investment projects.

For more details on external market conditions having a material effect on Gazprom Group in the reporting year, see the Trends and Developments on Oil and Gas Markets section and the Marketing section. Pages 39–44.

PJSC Gazprom pursues a consistent policy of improving its cost controls, reducing operating and capital costs and enhancing value for money.

When drafting its budget, PJSC Gazprom undertakes multi-stage optimisation of expense items by using cost engineering tools and specific cost values, and analysing changes in market prices. The costs are prioritised by relevance to effective support of day-to-day operations and unconditional performance of all contractual obligations. The projects made part of the Company's Investment Programme are prioritised within the limit set for priority investment projects.

In addition, the Company approves its annual Cost Optimisation (Reduction) Programme, which outlines additional ways to reduce certain cost items in its operating, investment and financial activities. The Company also implements a holistic action plan to optimise costs for certain lines of business, which lists specific measures to reduce current

investment, administrative and other expenses, such as reducing costs of shipment of goods, performing work and rendering services for the Group entities, and restraining inventory procurement costs.

These measures help capture significant economic benefits for planning and performing the Group's centralised procurement.

For more details on PJSC Gazprom's procurement see the PJSC Gazprom's Procurement Performance section. Pages 152–153.

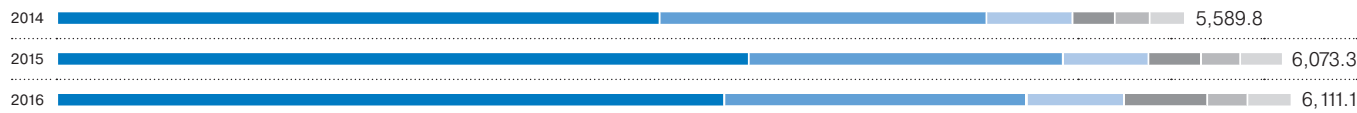
PJSC Gazprom's conservative budgeting, which relies on conservative assumptions regarding expected revenues, sets strict cost ceilings, and seeks to achieve budget surplus, is a crucial financial policy tool used to maintain the Company's financial stability.

For more details on PJSC Gazprom's dividend policy see the Share Capital and Securities Market section. Pages 154–161.

In addition, Treasury of Gazprom Group is taking efforts to centralise its cash flow management and improve intra-group liquidity management adjusted for financial risks, such as creating and expanding cash pools managed by PJSC Gazprom (for the Group's Russian entities) and Gazprom Holding Cooperatie U.A. (for the Group's foreign entities), centralising the payment function of Gazprom Group through OOO Gazprom Single Settlement Centre, and contributing to legal and regulatory reforms relevant for Gazprom Group's financial risk and liquidity management. The financial policy of PJSC Gazprom is also focused on strong debt management and balanced dividend payouts.

Key stages of PJSC Gazprom's measures to optimise investment costs

Stage	Description
1 Strategic planning	<ul style="list-style-type: none"> — Determine objectives and scenarios of growth — Select priority projects, design long-term financial models
2 FEED	<ul style="list-style-type: none"> — Develop design documents — Review and further develop design documents
3 Drafting a three-year budget and investment programme	<ul style="list-style-type: none"> — Determine capex and opex limits — Analyse the investment programme components and the costs of proposed investment projects — Prioritise and pre-approve of composition and volume of financing of investment projects
4 Drafting a one-year budget and investment programme	<ul style="list-style-type: none"> — Determine one-year capex limits — Perform a detailed, line-item cost and cost optimisation analysis, perform operating cost budgeting for the next year — Perform final selection from proposed investment projects — Adjust the budget and investment programme based on the results of the first six months
5 Project implementation	<ul style="list-style-type: none"> — Monitor project implementation — Optimise procurement, monitor contract performance

Revenue**Net sales revenue of Gazprom Group, RUB bn**


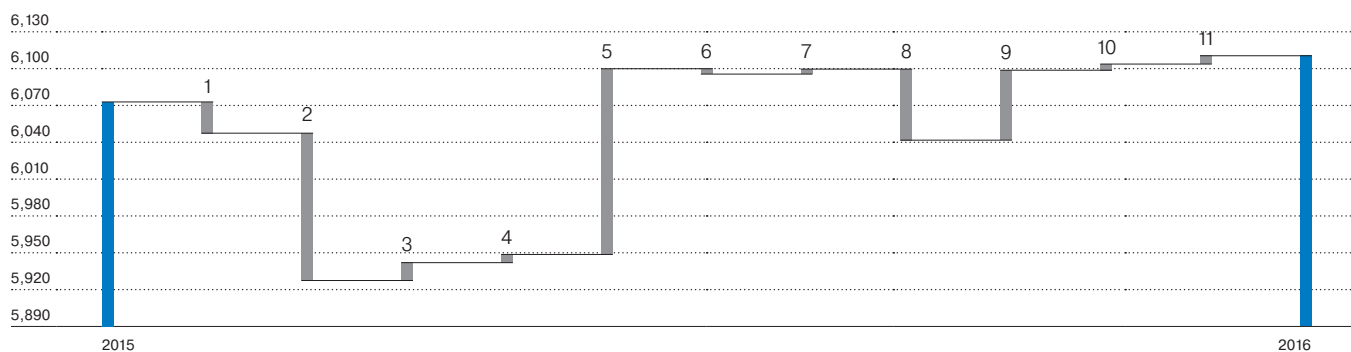
	2014	2015	2016
Net revenue from gas sales	2,985.4	3,427.2	3,302.8
Net revenue from refined products sales	1,619.2	1,555.6	1,497.6
Net revenue from electric and heat energy sales	427.0	424.7	481.7
Net revenue from sales of crude oil and gas condensate	209.2	260.6	411.9
Net revenue from gas transportation sales	172.8	194.0	199.0
Other revenues	176.2	211.2	218.1

Gazprom Group's sales revenue (net of VAT, excise tax and customs duties) in 2016 grew 0.6% year-on-year to RUB 6,111.1 bn. Main factors in revenue change were driven mostly by higher revenue from sales of crude oil and gas condensate to far abroad countries (up by RUB 151.3 bn),

with lower revenue from sales of gas to FSU countries (down by RUB 119.9 bn).

A significant part of the Group's sales revenue is denominated in foreign currencies (mostly in US dollars and euros).

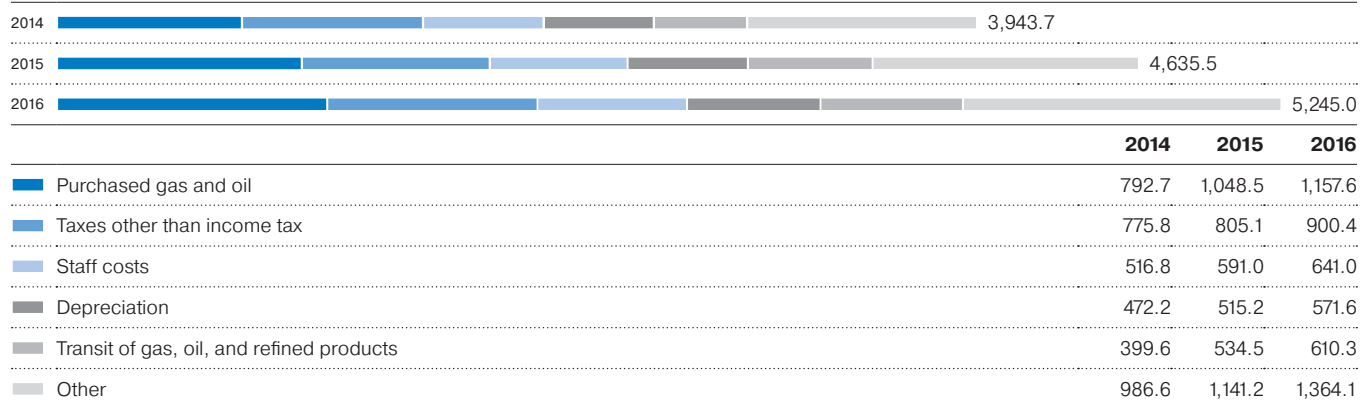
Factor analysis of Gazprom Group net revenue in 2016, RUB bn



	2015	2016	Effect
1 Net sales of natural gas to far abroad countries	2,165.5	2,140.0	-25.5
2 Net sales of natural gas to FSU countries	429.6	309.7	-119.9
3 Net sales of natural gas in Russian Federation	805.6	819.9	+14.3
4 Retroactive gas price adjustments	26.5	33.2	+6.7
5 Net sales of crude oil and gas condensate to far abroad countries	155.5	307.1	+151.6
6 Net sales of crude oil and gas condensate to FSU countries	27.6	23.5	-4.1
7 Net sales of crude oil and gas condensate in Russian Federation	77.5	81.3	+3.8
8 Net sales of refined products	1,555.6	1,497.6	-58.0
9 Electric and heat energy net sales	424.7	481.7	+57.0
10 Gas transportation net sales	194.0	199.0	+5.0
11 Other revenues	211.2	218.1	+6.9
Total	6,073.3	6,111.1	+37.8

Operating Expenses

Breakdown of Gazprom Group's operating expenses, RUB bn



In 2016, the Group's operating expenses (excluding asset impairment provision and other reserves) increased by 13.1% to RUB 5,245.0 bn (in 2015 — RUB 4,635.5 bn). Most operating expenses are out of the Group's control and include taxes and gas transit charges.

Gazprom is Russia's major taxpayer. In 2016, the taxes payable by the Group (net of income tax), totalled RUB 900.4 bn, up by RUB 95.3 bn year-on-year. Key factors behind the growth of taxes in the reporting year are as follows:

- a 36.7% upward revision of the coal equivalent unit used in the formula for calculating MET on flammable natural gas and gas condensate applied to Gazprom Group entities (up from 0.15 to 0.2051);
- a 11.9% increase in the MET base rate on crude oil (up

from RUB 766 to RUB 857 per tonne);

- a 25% upward revision of the coal equivalent unit used in the formula for calculating MET on gas condensate (due to an increase in the adjustment factor, up from 4.4 to 5.5);
- a 30% increase in the property tax rate applicable to trunk pipelines, power transmission lines, and facilities that comprise an integral technological part thereof (up from 1.0% to 1.3%);
- introduction of a new type of excisable goods, "middle distillates" (to refer to what was previously known as the "heating oil") and a 20% to 26% increase, from 1 April 2016, of excise tax rates for motor gasoline, diesel fuel, straight-run gasoline, and middle distillates.

Breakdown of Gazprom Group's taxes other than on income, RUB bn

2014	<div><div></div><div></div><div></div></div>	775.8
2015	<div><div></div><div></div><div></div></div>	805.1
2016	<div><div></div><div></div><div></div></div>	900.4

Profit

As a result of operating expenses growth exceeding the growth of sales, Gazprom Group's operating profit in 2016 declined by RUB 502.7 mm, or 40.9% year-on-year, to RUB 725.6 bn.

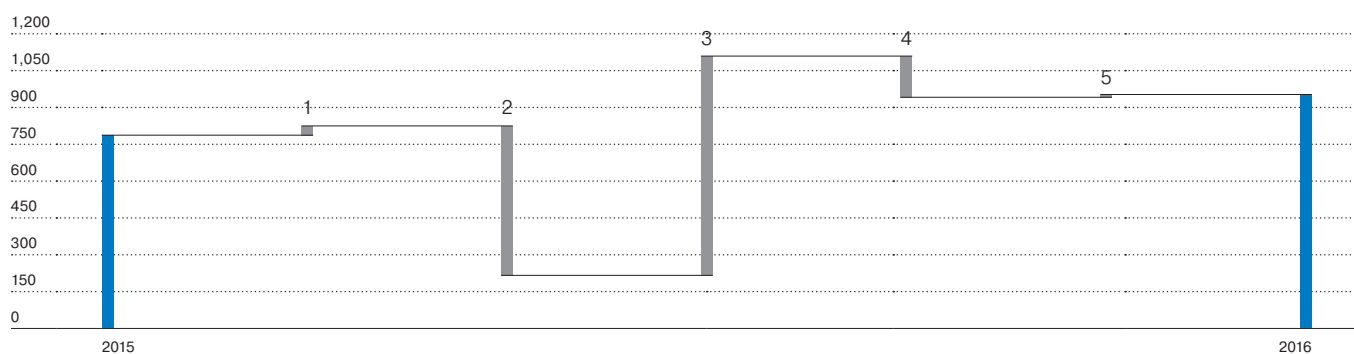
Adjusted EBITDA decreased by RUB 552.5 mm, or 29.5% year-on-year.

Gazprom Group's adjusted EBITDA margin in 2016 was 22%, a decrease year-on-year (31% in 2015).

Income tax in the reporting year was RUB 288.0 bn, a 2.4-fold increase year-on-year. Effective tax rate increased to 22.4% (2015: 13.0%) mainly due to an increase in expenses not deductible for tax purposes.

Gazprom Group's profit, RUB bn

Operating profit	
2014	1,310.4
2015	1,228.3
2016	725.6
Adjusted EBITDA	
2014	1,962.6
2015	1,874.7
2016	1,322.2
Profit for the year attributable to owners of PJSC Gazprom	
2014	159.0
2015	787.1
2016	951.6

Variation analysis of Gazprom Group's profit attributable to owners of PJSC Gazprom, 2016, RUB bn


	2015	2016	Effect
1 Net revenue from sales	6,073.3	6,111.1	+37.8
2 Operating expenses	-4,635.5	-5,245.0	-609.5
3 Net financial income (expense)	-418.7	475.6	+894.3
4 Income tax	-120.0	-288.0	-168.0
5 Other factors	-112.0	-102.1	+9.9
Profit for the year attributable to owners of PJSC Gazprom	787.1	951.6	+164.5

Profit attributable to owners of Gazprom Group totalled 951.6 RUB bn in 2016. Profit margin reached 16% (2015: 13%).

Lower adjusted EBITDA was due to deterioration of oil and gas market conditions, higher taxes, and a significant increase in trading with margins lower than in the Group's

key business lines, driven by consolidation of the trading business in Europe. Higher profit attributable to owners of PJSC Gazprom was mostly due to foreign-exchange gains on FX-denominated debt.

Profit margin, %

	2014	2015	2016
Adjusted EBITDA margin	35	31	22
Profit margin for the year attributable to owners of PJSC Gazprom	3	13	16

Capital Investments

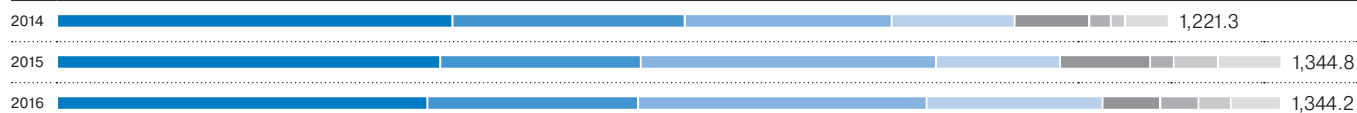
In 2016, Gazprom Group's capital investments amounted to RUB 1,344.2 bn (RUB 1,344.8 bn in 2015).

Transportation, Oil and Gas Condensate Production, and Gas Production segments account for the bulk of the Group's investments. The high share of the Transportation segment in the total capital investments is due to the concurrent implementation of a number of major gas transpor-

tation projects. With Gazprom Group's capex mostly denominated in Russian roubles, the Group's investment activity is less exposed to external factors.

Actual investment spending under 2017 programmes on gas, oil, electricity and heat generating assets will total RUB 1,798.7 mm.

For more details on Gazprom Group's key capital investments in 2016 and investment priorities for 2017 see the Operations and Marketing section. Pages 52–86.

Gazprom Group's capital investments, RUB bn

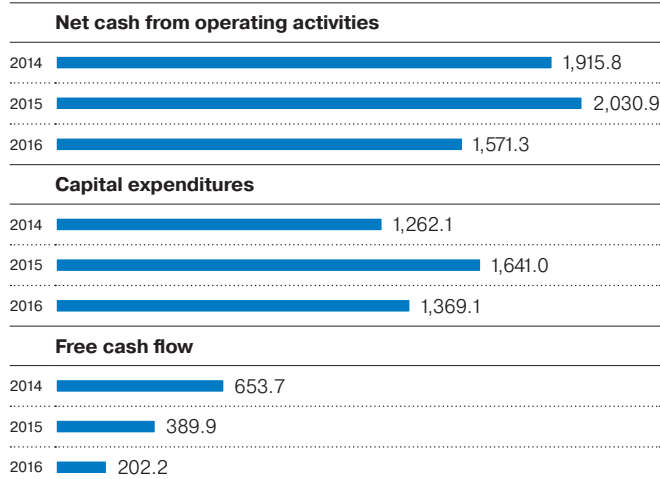
	2014	2015	2016
Transportation	434.4	420.9	406.8
Production of gas	254.9	220.2	231.5
Production of crude oil and gas condensate	227.4	324.3	316.8
Refining	135.2	136.3	193.3
Electric and heat energy generation and sales	82.0	98.9	63.5
Distribution of gas	23.7	26.0	41.8
Gas storage	15.5	48.5	35.6
All other segments	48.2	69.7	54.9

Note. Capital investments are shown as reported in the segment information section of PJSC Gazprom's IFRS consolidated financial statements.

Cash and Free Cash Flow

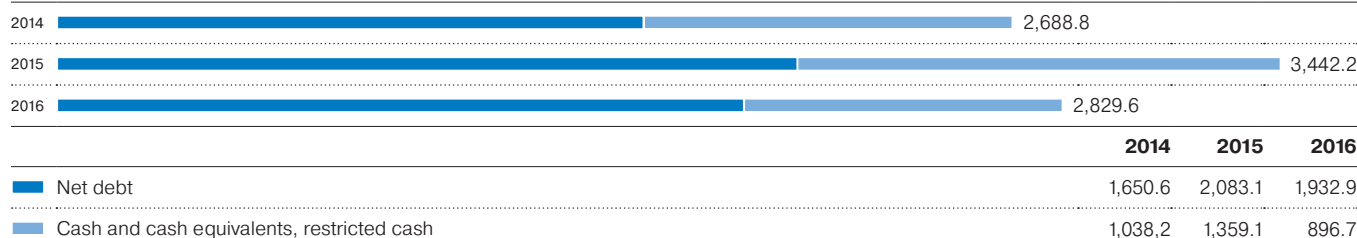
According to Gazprom Group's financial policy, capital investments are covered by the operating cash flow. In 2016, the Group's free cash flow totalled RUB 202.2 bn.

Reduced free cash flow as compared to 2015 was mostly due to the deteriorating environment on energy markets and an increased tax burden on Gazprom Group.

Gazprom Group's cash from operating activities, RUB bn

Debt Management

Gazprom Group's debt, RUB bn

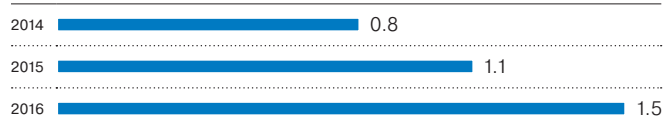


As at 31 December 2016, the total debt of Gazprom Group was RUB 2,829.6 bn, down 17.8% year-on-year.

The Group's net debt decreased by RUB 150.2 bn, or by 7.2% year-on-year, to RUB 1,932.9 bn as at 31 December 2016 (RUB 2,083.1 bn as at 31 December 2015). The decline was mostly driven by lower value of loans and borrowings in rouble equivalent due to weaker US dollar and euro, which was partially offset by lower balances of cash and cash equivalents.

In 2016, the Group's Net debt / Adjusted EBITDA ratio stood at comfortable 1.5.

Net debt / Adjusted EBITDA*



* Calculated as the ratio of net debt to adjusted EBITDA denominated in Russian roubles.

Gazprom Group companies are reliable borrowers on the domestic and international capital markets, able to raise funds at affordable interest rates.

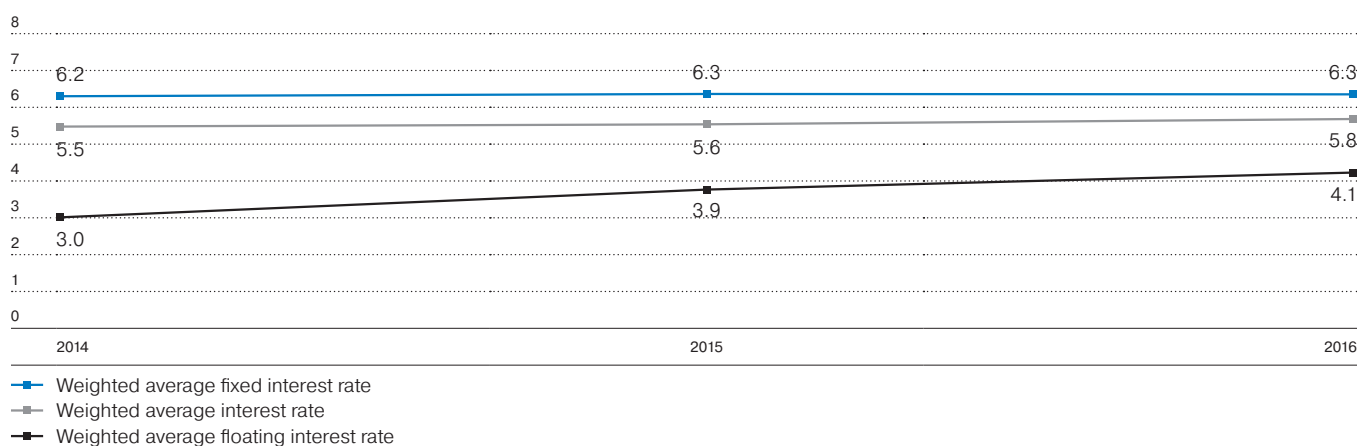
Gazprom takes a conservative approach towards selecting sources of finance and effectively uses borrowed funds. The Group's borrowed funds mainly come from foreign currency borrowings: c. 46% of its debt is denominated in US dollars and 34% in euros. This is due to a number of factors including low interest rates on foreign markets and a sizeable currency borrowings market as compared to rouble-denominated instruments. On top of that, Gazprom Group's debt currency profile reflects prevailing foreign currency revenues, thus creating a natural hedge for debt servicing.

Gazprom successfully raises capital funds on international debt markets.

Rouble-denominated loans prevailing in debt portfolios of Gazprom Group's subsidiaries account for nearly 17% of the Group's total debt.

The Group's debt portfolio is well-balanced in terms of maturity — loans maturing in more than five years account for about a fourth of the portfolio.

Cost of Gazprom Group's debt, %



Gazprom Group's bond issues and large loans on international markets in 2016

Transaction	Date	Size	Interest or coupon rate	Maturity	Value
Loan facility agreement with the Bank of China	March 2016	EUR 2 bn	EURIBOR +3.5%	2021	The largest deal in the Company's history in terms of the amount of financing attracted directly from one financial institution.
Eurobond issue under the EMTN Programme	March 2016	CHF 500 mm	3.375%	2018	The order book for the Eurobonds was closed with a negative new-issue premium (–10 bps)
Eurobond issue under the EMTN Programme	November 2016	EUR 1.0 bn	3.125%	2023	The coupon rate hit a record low among Russian issuers of 7-year Eurobonds denominated in euros.
Eurobond issue under the EMTN Programme	November 2016	CHF 500 mm	2.75%	2021	The coupon rate was the lowest among the outstanding issues under the EMTN Programme.
Credit Mizuho, SMBC and J.P. Morgan	December 2016	EURO 800 mm	EURIBOR +2.6%	2020	The cost of borrowing through club loans was considerably reduced.

For details on bond issues outstanding as at 31 December 2016 see the Share Capital and Securities Market section. Pages 154–161.

Gazprom Group's debt maturities, %

	2014	2015	2016
Less than 1 year	17	19	16
1–2 years	15	14	25
2–5 years	36	42	34
Over 5 years	32	25	25

Personnel	102
Occupational Health, Industrial and Fire Safety	106
Environmental Protection	110
Energy Saving and Energy Efficiency	115
Social Projects	117

Professional team is Gazprom's key asset and important advantage over competitors on the energy market. The Company fosters ongoing professional development and provides extensive social security benefits.

Gazprom Group upholds a set of fundamental principles and rights contained in the International Labour Organisation conventions, such as:

- freedom of association and the effective recognition of the right to collective bargaining;
- elimination of all forms of forced or compulsory labour;
- effective abolition of child labour; and
- elimination of discrimination in respect of employment and occupation.

Gazprom also adheres to international standards on hours and conditions of work, remuneration for work, social security, and holidays with pay.

PJSC Gazprom was placed first in the 2016 ranking of Russia's most attractive employers according to university students, compiled by Universum. PAO Gazprom Neft came third in the ranking.

In 2016, regulation of all social and labour relations within Gazprom Group was performed in accordance with the labour laws, the General Agreement between the National Associations of Trade Unions and Employers and the Russian Government, the Industry Agreement for Oil, Gas and Construction Companies, collective agreements, and internal regulations of Gazprom Group companies.


Personnel Structure

As at 31 December 2016, the total headcount of the Group was 467.4 thousand employees (as compared to 462.4 thousand in 2015). The headcount grew by 5.0 thousand people as Gazprom ramped up its production operations.

The Group's personnel includes 2,550 candidates and 163 doctors of science. About a half of Gazprom Group's employees have higher education degrees.


Employee turnover rates in Gazprom Group companies are low. For instance, during the reporting year, they were as low as 4.0% for Gazprom Group and 1.3% for subsidiaries engaged in production, transportation, storage and processing of gas.

Gazprom Group's personnel by Group companies as at 31 December 2016, %



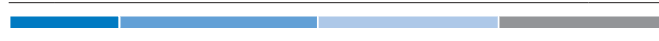
PJSC Gazprom (including branches and representative offices)	5.5
Men	4.7
Women	0.8
Major subsidiaries of Gazprom Group engaged in gas production, transportation, storage and processing	50.7
Men	38.2
Women	12.5
Gazprom neftekhim Salavat	3.3
Men	2.0
Women	1.3
Gazprom Neft	15.3
Men	9.2
Women	6.1
Gazprom energoholding	9.6
Men	6.3
Women	3.3
Other companies	15.6
Men	11.3
Women	4.3

Gazprom Group's personnel by category as at 31 December 2016, %



Blue collar	54.5
Men	42.5
Women	12.0
White collar	31.6
Men	18.6
Women	13.0
Managers	13.9
Men	10.6
Women	3.3

Gazprom Group's personnel by age as at 31 December 2016, %



Under 30 years old	16.9
30 to 40 years old	30.5
40 to 50 years old	27.8
Over 50 years old	24.8

Professional Development

Gazprom has in place a corporate Continuous Vocational Education and Training System designed to upgrade employee skills to meet the ever growing operational and performance requirements and support deployment of new technologies and expansion of the Group's regional footprint. Training is organised in educational organizations of the Company, in training and production centers of Gazprom subsidiaries, on the base or Russia's leading universities.

Gazprom's personnel training and retraining practices allow the Group to efficiently manage its personnel's expertise and build up a talent pool capable of achieving innovative growth goals.

In 2016, 337.5 thousand employees of Gazprom Group were trained under career enhancement and retraining programmes.

Vocational skills competitions

Vocational skills competitions are an effective tool used by Gazprom to incentivise and drive improvements in employee development, and promote transfer of professional skills and knowledge, and cultural exchanges.

In 2016, the Group organised computer-aided design and information technology competitions (hosted by the Saint Petersburg Branch of Gazprom Corporate Institute) and competitions for the Company's Best Underground Pipeline Corrosion Protection Technician (hosted by OOO Gazprom transgaz Yekaterinburg), Best Repair and Maintenance Electrician, and Best Gas Distribution Station Operator (hosted by OOO Gazprom transgaz Saratov).

Gazprom runs targeted employee training programmes tailored for specific activities, for example development of hydrocarbon fields on the continental shelf, gas transportation system dispatch control, LNG production, use of NGV fuel, use of innovative process equipment, etc.

Managing Gazprom's talent pool to nominate the best candidates for leadership roles is one of the top priorities to ensure the Company's successful operation. These efforts are aimed at ensuring that vacant management positions are filled in a timely and orderly manner by highly skilled candidates with management competencies. For this purpose, Gazprom Group companies organise regular, dedicated activities to train employees from the talent pool. In 2016, PJSC Gazprom launched two-year training programmes for the management talent pool.

Professional qualification system

PJSC Gazprom puts much effort in building a national qualification system. In 2016, the Company drafted seven occupational standards, or 40% of all occupational standards developed by oil and gas companies in the reporting year.

PJSC Gazprom's achievements in developing the national qualification system for the oil and gas industry were recognised by a diploma of the Russian Ministry of Energy. In 2016, the National Presidential Council for Professional Qualifications vested the Centre for Planning and Utilisation of Labour Resources (a private institution) with powers of the national Council for Professional Qualifications in the Oil and Gas Industry.

Talent Pool and Young Talent Management

The Company runs the Gazprom Classes project aimed at forming a talent pool from the most capable and success-driven students. In 2016, such classes were offered in 20 locations across Russia.

PJSC Gazprom organises targeted career training to create a talent pool for its subsidiaries by attracting the most promising university students who have competencies most valued in Gazprom Group companies.

[As at 31 December 2016, PJSC Gazprom signed collaboration agreements with 15 leading universities across Russia.](#)

In selecting university students, the Company uses a targeted approach aimed at filling the vacancies expected to arise in its subsidiaries by the time such students graduate. This approach allows Gazprom's students to be trained for specific strategic projects or objectives.

University students with the strongest drive for employment do internships at production facilities of PJSC Gazprom's subsidiaries and entities. Being a part of the training process, internships are meant to reinforce and broaden the knowledge gained by students at universities, develop required practical skills in their areas of expertise, and help them master the best working practices. In 2016, the Group provided internship and pre-graduation practice opportunities to 14,278 students of universities and vocational schools.

The Company holds regular Gazprom Days and Employment Fairs to improve recruitment and retention of university graduates in Gazprom Group and boost the profile of PJSC Gazprom subsidiaries and entities as attractive employers.

In 2016, Gazprom Group recruited 2,743 graduates fresh from universities or vocational schools, or 4% of total employees hired by the Group companies in the reporting year.

The Company runs a number of dedicated programmes allowing for better onboarding of young employees and those new to the gas industry, identifying their professional competencies and introducing them to the corporate culture. One such programme is the Young Specialist Training School, a corporate post-graduate training programme.

In the reporting year, the Best Young Innovator of PJSC Gazprom competition was staged for the first time.

The Group has established the Youth Coordination Council of PJSC Gazprom's subsidiaries and entities. The Company's subsidiaries have their own Councils of Young Researchers and Specialists and hold R&D conferences for young employees aged under 35.

Employee Remuneration

PJSC Gazprom has in place the Remuneration Management Policy for Employees of PJSC Gazprom's Entities. The policy sets out unified corporate remuneration standards for Gazprom Group's employees. Its purpose is to provide a framework for attracting and retaining staff with required qualifications and motivate employees to perform as expected.

Key objectives of the Remuneration Management Policy for Employees of PJSC Gazprom's Entities

- Ensure the use of unified corporate remuneration standards for employees
 - Ensure real wages growth consistent with the consumer price index
 - Ensure competitive pay levels for employees at PJSC Gazprom entities versus the market
 - Ensure that average monthly pay levels for employees at PJSC Gazprom entities are based on unified corporate remuneration standards
 - Ensure control over the application of remuneration schemes based on unified corporate reporting on HR costs.
-

Current remuneration schemes link fixed salaries and pay rates to qualifications and business skills, and also provide for monthly performance bonuses, premiums and additional allowances for work scope and conditions, ad hoc and annual bonuses.

Pursuant to the terms of the General Collective Agreement of PJSC Gazprom and its subsidiaries for 2016–2018, and taking into account the opinion of Gazprom Interregional Trade Union, fixed salaries and pay rates of employees

at PJSC Gazprom's budgeted entities located in Russia increased by 7.4% starting from 1 January 2016 and by 5% starting from 1 January 2017 to reflect the forecast growth of consumer price index as estimated by the Ministry of Economic Development of the Russian Federation.

Social Security and Social Partnership

PJSC Gazprom's social policy gives the Company a competitive advantage, raises its profile in the employment market and aims at attracting highly skilled professionals and retaining them in the Company in the longer run.

The key principle that underlies the implementation of PJSC Gazprom's social policy is the use of social partnership mechanism, i.e. a constructive dialogue between employees and employers on the matters related to the regulation of social and labour relations.

Gazprom Interregional Trade Union, which is part of the Russian Oil, Gas and Construction Workers' Union, is the party to the social partnership representing the interests of employees at PJSC Gazprom's subsidiaries and entities.

The key areas of employees' social security are set out in the General Collective Agreement of PJSC Gazprom, and in the collective agreements of Gazprom's subsidiaries, and provide for a range of social support measures offered to employees, including social benefits, personal insurance, and healthcare benefits.

To attract and retain key and highly skilled employees PJSC Gazprom runs a number of special corporate programmes, including

- a corporate housing programme, funded by both employees and the employer through bank mortgage lending facilities (using a co-financing approach); and
- a private pension arrangement run through Non-State Pension Fund GAZFOND.

The Company provides proper social protection and support to Great Patriotic War (WWII) veterans from among the retired employees of PJSC Gazprom and its subsidiaries. Veterans get financial assistance and are invited to corporate events held to celebrate them. War veterans also are involved in patriotic education programmes for young people.

Maintaining the traditions of supporting corporate mass sports and promoting healthy lifestyles among employees at subsidiaries has an important social bearing for all subsidiaries of PJSC Gazprom. Since 1996, the Company has regularly held winter and summer Spartakiads of PJSC Gazprom, primarily seeking to support and promote healthy lifestyles among employees and their families.

More than 1.5 thousand employees from 26 Gazprom's subsidiaries took part in its summer Spartakiad in 2016.

In February 2016, the Company held the 11th Winter Spartakiad hosted by Ufa, the capital of the Republic of Bashkortostan. The Spartakiad brought together more than 1,500 adult and young athletes representing 26 Gazprom subsidiaries from Russia, Belarus and, for the first time, Armenia. Over the course of a week, athletes competed in six sports (basketball, volleyball, cross-country skiing, futsal, table tennis and shooting sports) at eight sports venues in Ufa for 138 medal sets.

To encourage creativity and moral and aesthetic development among employees and their families, PJSC Gazprom has been running the Flare corporate festival for amateur

bands and individual amateur performers from among the staff of the Company's subsidiaries since 2003. Festival participants perform in front of a panel of professional judges in the Vocal Performance, Choreography, Music Band, Circus / Variety Show and Folk Music categories. In 2016, over 2,000 performers from 20 Gazprom subsidiaries based in Russia, Belarus, Armenia and Kazakhstan took part in two semifinals of the 7th Flare festival.

The success of the Company's social policy is seen in the consistent performance shown by the teams of PJSC Gazprom's subsidiaries and entities and in the adequate staffing levels and skills mix of staff.

Safety and comfort at the workplace and every employee's commitment to the safety culture are the underlying principles of Gazprom's production operations. The Company has in place a successful Unified Occupational Health and Safety Management System and implements accident and incident prevention programmes. 2016 was declared the Year of Occupational Health at Gazprom.

Safety and comfort at the workplace are the underlying principle of Gazprom's operations.

The Company is guided in its activities by the Labour Code of the Russian Federation, Federal Law No. 116-FZ On Industrial Safety of Hazardous Production Facilities, and PJSC Gazprom's Occupational Health and Safety (OHS) Policy approved in 2009.

Year of Occupational Health at Gazprom Group companies

By the resolution of PJSC Gazprom's Management Committee, 2016 was declared the Year of Occupational Health. More than 700 events organized by the Company as part of the Year of Occupational Health and involving over 325 thousand employees from 112 subsidiaries raised awareness of occupational safety issues and greatly improved the safety culture among employees of PJSC Gazprom.

The following goals underpin the Company's Policy:

- create safe labour conditions and protect the lives and health of employees;
- ensure reliable operation of hazardous industrial facilities;
- reduce the risks of incidents at hazardous industrial facilities.

Key OHS commitments of the Company

- Ongoing reduction in emergency, occupational injury and disease rates
- Compliance with the requirements of federal and regional laws, and internal OHS documents, including international standards and standards adopted by the Company
- Efficiency and continuous improvement of the occupational health and safety management system
- Prioritising actions and initiatives scheduled or being implemented to prevent the adverse impacts from operations on personnel and local communities over the response actions required to mitigate such impacts
- Identifying, assessing and mitigating OHS risks
- Implementing OHS management solutions, techniques and tools
- Active involvement of the personnel in OHS activities; fostering an environment, including employee incentives, that promotes responsible behaviours by each employee towards their own and other people's safety
- Allocating required financial, physical and technical resources to support the Policy's implementation
- Continuous improvement of OHS qualifications and competences
- Monitoring compliance with OHS requirements in operations
- Requiring that suppliers and contractors operating at the Company's facilities comply with the OHS standards and regulations used by the Company
- Regular review, adjustment and improvement, as well as timely communication to the Company's employees and other stakeholders, of PJSC Gazprom's OHS Policy.

Unified Occupational Health and Safety Management System

The Policy's key provisions are implemented via the Company's existing Unified Occupational Health and Safety Management System, comprising a set of regulations, activities and guidelines that unify all workflows to promote a safe and healthy working environment.

The organisational framework of the Unified Occupational Health and Safety Management System comprises PJSC Gazprom, its major gas exploration, production, processing, transportation and underground storage subsidiaries, and its subsidiaries supporting the operation of the Russian UGSS, with a total headcount of around 325 thousand employees.

Introduction of the management system compliant with OHSAS 18001 brings the Company a number of benefits:

- higher investment appeal;
- higher market value (capitalisation);
- lower unscheduled losses;
- improved business reputation of the Company;
- compliance with generally accepted international management practices;
- competitive advantages in bidding and contracting procedures;
- efficient use of resources;
- transformation of knowledge and skills into the Company's intellectual potential.

As at 31 December 2016, OHSAS 18001:2007 certificates were obtained by 43 affiliates of PJSC Gazprom.

The number of companies that have their Unified Occupational Health and Safety Management System certified keeps growing and will reach 54 by 2018.

Underlying standards and regulations of the Unified Occupational Health and Safety Management System are regularly revised and updated.

In 2014, the Company obtained a compliance certificate confirming that its Unified Occupational Health and Safety Management System was compliant with OHSAS 18001:2007 as regards gas, gas condensate and oil production, treatment, transportation, processing/refining, distribution and storage operations. The certificate covered PJSC Gazprom's headquarters and 26 subsidiaries. In 2016, the Unified Occupational Health and Safety Management System was adopted in 16 more subsidiaries and certified to OHSAS 18001:2007. The total number of PJSC Gazprom's and its subsidiaries' employees who successfully passed the certification process is 272 thousand persons.

To expand certification, the Company continues implementing PJSC Gazprom's Occupational Health and Safety Management System Implementation and Certification Schedule.

Occupational health and safety governance across PJSC Gazprom is provided by the Deputy Chairman of PJSC Gazprom's Management Committee in charge of Gazprom's operations departments. The Company has PJSC Gazprom's OHS Committee and OHS Administration.

In 2016, the Company successfully implemented a range of activities under its OHS commitments, with a number of targets achieved.

Accidents, incidents and fires in PJSC Gazprom's subsidiaries were investigated and learned from, with measures developed to prevent future recurrences.

A major OHS commitment by PJSC Gazprom consists in reducing the number of emergencies and occupational injury and disease rates on an ongoing basis.

PJSC Gazprom's OHS objectives for 2016

Objective	Target	Performance in 2016
Protect the lives and health of PJSC Gazprom's employees	Zero fatal injury rate in PJSC Gazprom (accidents)	Target not achieved. In 2016, four fatal accidents were registered in PJSC Gazprom.
	No serious injuries to employees during construction of PJSC Gazprom's new facilities	Target achieved. There were no serious injuries to employees during construction of PJSC Gazprom's new facilities.
	No injuries related to vehicle maintenance and repair	Target not achieved. In 2016, two employees were injured during vehicle maintenance and repair.
	Min. 5% reduction in the number of injuries caused by road traffic accidents in the Company (through the fault of the employee or the employer) vs the mid-term forecast using linear regression over the last 5 years	Target achieved. The number of injuries caused by road traffic accidents in the Company (through the fault of the employee or the employer) declined by 74% vs the mid-term forecast using linear regression over the last 5 years.
	Min. 10% reduction in AFR for employee injuries caused by falls from height vs the mid-term forecast using linear regression over the last 5 years	Target not achieved. AFR for employee injuries caused by falls from height increased by 1% vs the mid-term forecast using linear regression over the last 5 years.
	Min. 10% reduction in AFR for electrical injuries to employees vs the mid-term forecast using linear regression over the last 5 years	Target achieved. AFR for electrical injuries to employees declined by 67% vs the mid-term forecast using linear regression over the last 5 years.
Improved OHS competencies among the Company's employees	Zero injuries caused by inadequate arrangements for hazardous activities	Target not achieved. In 2016, 4 employees were injured due to inadequate arrangements for hazardous activities.
Improve workplace control over compliance with OHS requirements	5% year-on-year reduction in the number of breaches identified by OHS authorities	Target achieved. The number of breaches identified by OHS authorities declined 25% year-on-year.
	No repeat breaches identified by Level IV/V workplace control commissions and corporate control (supervisory) bodies	Target achieved. No repeat breaches identified by Level IV/V workplace control commissions and corporate control (supervisory) bodies were recorded.
Reduce cardiovascular mortality at workplaces	5% reduction in the cardiovascular mortality rate at workplaces vs the mid-term forecast using linear regression over the last 5 years	Target achieved. The cardiovascular mortality rate at workplaces declined by 20% vs the mid-term forecast using linear regression over the last 5 years.

PJSC Gazprom's OHS objectives for 2016

Objective	Target	Performance in 2016
Protect the lives and health of the Company's employees during cargo loading, unloading and handling operations	Zero injuries caused by cargo loading, unloading and handling operations	Target not achieved. In 2016, one employee was injured during cargo loading, unloading and handling operations.
Ensure reliable operation of hazardous industrial facilities (HIFs)	5% reduction in the number of accidents and incidents at hazardous industrial facilities of PJSC Gazprom vs the mid-term forecast using linear regression over the last 5 years	Target achieved. The number of accidents and incidents at hazardous industrial facilities of PJSC Gazprom declined by 30% vs the mid-term forecast using linear regression over the last 5 years.
	No incidents caused by breaches of operating conditions and modes of operation at HIFs	Target achieved. There were no incidents caused by breaches of operating conditions and modes of operation at HIFs.
	5% year-on-year reduction in natural gas losses caused by accidents and incidents at HIFs of PJSC Gazprom	Target achieved. Natural gas losses caused by accidents and incidents at HIFs of PJSC Gazprom declined by 12% year-on-year.
Ensuring fire safety at PJSC Gazprom's facilities	10% reduction in the number of fire outbreaks vs the mid-term forecast using linear regression over the last 5 years	Target achieved. There were no fire outbreaks vs the mid-term forecast using linear regression over the last 5 years.
	No fires at PJSC Gazprom's facilities	Target not achieved. In 2016, four fires broke out at PJSC Gazprom's facilities.

OHS activities carried out by the companies covered by the Company's Unified Occupational Health and Safety Management System helped reduce the number of injured in occupational accidents from 159 to 67 people, with the number of emergencies at hazardous industrial facilities brought down from 17 to 10, and the number of incidents down from 59 to 30 between 2012 and 2016.

OHS requirements for suppliers and contractors

One of the most critical OHS commitments by PJSC Gazprom is to require that suppliers and contractors operating at the facilities of PJSC Gazprom and its subsidiaries comply with the OHS standards and regulations used by the Company. The Company engages suppliers and contractors that share the principles of PJSC Gazprom's Policy. PJSC Gazprom and its subsidiaries have in place access control and safe working practices regulations approved by the heads of PJSC Gazprom's subsidiaries. The regulations govern contractor access to their premises and set out procedures for organising and carrying out contracted work on such premises. Contractors are informed of, and advised on the requirements of the Unified Occupational Health and Safety Management System, as well as the identified risks and changes affecting safety, during induction briefings, at contract execution stage, and when issued permits to perform their tasks (permits-to-work, operations certificates).

OHS expenses of the companies covered by the Unified Occupational Health and Safety Management System amounted to RUB 16.8 bn in 2016.

PJSC Gazprom's participation in ILO meeting on occupational health and safety in the oil and gas industry

In 2016, PJSC Gazprom represented the Russian Federation in the International Labour Organisation (Geneva, Switzerland) at the Tripartite Sectoral Meeting on Occupational Safety and Health and Skills in the Oil and Gas Industry Operating in Polar and Subarctic Climate Zones of the Northern Hemisphere. Given the wealth of unique experience and expertise gained by PJSC Gazprom in creating and maintaining safe operating conditions for processing facilities and infrastructure, building logistics chains and maintaining occupational health and safety while developing and operating oil and gas fields in the Arctic, a representative of PJSC Gazprom was included in the panel of ILO's eight representatives of employers.

PJSC Gazprom maintains long-term partnerships with Wintershall Holding and Shell to improve its corporate safety culture and information transparency.

Occupational Health and Safety in Gazprom Group companies outside of the Unified Occupational Health and Safety Management System

Gazprom Neft Group benefits from an integrated management system compliant with OHSAS 18001, ISO 14001 and ISO 9001 international standards and covering both environmental safety and occupational and health safety. Gazprom Neft Group's operations are aligned with the corporate Health, Safety and Environment (HSE) Policy and coordinated at the Corporate Centre level by the Occupational Safety Department. Gazprom Neft Group also has a Health, Safety and Environment Protection Board in place.

Gazprom Neft is implementing a long-term major initiative to cultivate a strong safety culture, with a strategy and

priorities developed for efforts in this area for the coming years, and a new corporate value articulated to highlight commitment to occupational safety: "Goal Zero: No harm to people, facilities and the environment." In addition to the implementation of the said long-term project, numerous activities were organised throughout 2016 as part of the Year of Occupational Health initiative to improve prevention of occupational injuries and working conditions.

At Gazprom energoholding, occupational health and safety issues are addressed in line with the requirements of Russian laws and applicable statutory regulations. CEOs of generating companies are responsible for compliance with these requirements, while relevant activities are coordinated by Chief Engineers of subsidiaries and branches (power plants).

Gazprom is a recognised leader in environmental responsibility among Russian energy companies. The Company has in place a robust corporate framework to ensure strict compliance with environmental laws. Apart from meeting its statutory commitments, Gazprom has always been known for its numerous voluntary environmental campaigns. 2017 was declared the Year of Ecology at Gazprom.

Gazprom applies a comprehensive environmental approach in regions in which it operates, driven by the principles of sustainability which balance economic growth with environmental conservation for the benefit of present and future generations.

PJSC Gazprom was the first Russian oil and gas company to adopt, in 1995, a corporate Environmental Policy.

The Company's Environmental Policy is the primary document governing PJSC Gazprom's environmental activities.

Assessment of Gazprom Group's Environmental Performance by Stakeholders

The Company's high ranking in independent public ratings demonstrate that its environmental efforts are extremely effective. In particular, in 2016, PJSC Gazprom was for the fifth time ranked as Russia's best energy sector company in the CDP's international rating of corporate climate reporting and GHG reduction strategy. PJSC Gazprom and Sakhalin Energy, its associated company, have retained their leadership in the Environmental Responsibility Rating of Oil and Gas Companies in Russia for a third consecutive year.

The updated version of the Environmental Policy approved by the Company's Management Committee in 2015 reflects key trends in environmental protection, energy efficiency and GHG reduction. The new version of the Environmental Policy sets out additional commitments to environmental safety that the Company undertakes in developing hydrocarbon fields on the Russian continental shelf and Arctic Zone and in minimising the risks of negative impact on the environment, including on particularly vulnerable natural sites and areas and features of high conservation value.



The text of the Environmental Policy is available at PJSC Gazprom's website.

Environmental Management System

The Environmental Management System (EMS), compliant with ISO 14001:2004 international standard, is a key tool to implement the Company's Environmental Policy.

The recertification and supervisory audits completed in 2015 and 2016 by DNV GL, a global independent certification body, confirmed the system's compliance with the standard's requirements.

PJSC Gazprom's EMS covers all management layers of the Company — from the Board of Directors to branches and production facilities of its subsidiaries. PJSC Gazprom's EMS covers 36 wholly-owned subsidiaries that are engaged in the core activities of exploration, production, transportation, storage and processing of gas and gas condensate or are managing capital projects.

PJSC Gazprom's Coordinating Committee for Environmental Protection and Energy Efficiency provides integrated management and overall coordination of environmental activities of the Group's business units. The Company's permanent Working Group for PJSC Gazprom's EMS Improvement provides an ongoing focus on integrated approach and coordination of environmental management activities among PJSC Gazprom's business units.

Environmental targets are set within PJSC Gazprom's EMS based on annually updated list of significant environmental impacts, and environmental activities are grouped into programmes and implemented. The Company has successfully met all Corporate Environmental Targets set for 2014–2016.

In 2016, PJSC Gazprom's updated environmental targets were approved for 2017–2019, measured against the 2014 baseline.

Those Gazprom Group companies that are not covered by PJSC Gazprom's EMS also have in place their own effective environmental management systems. Most of these systems are certified to ISO 14001:2004. Each EMS and its scope are customised to reflect the company's specific profile of operations.

Given the introduction of a new version of ISO 14001:2015 in 2015, the Company has prepared and put in place a plan to update and improve corporate procedures and regulations related to the operation of PJSC Gazprom's EMS, with relevant employee trainings currently underway. The Group is currently engaged in active preparations of its EMS for a recertification audit for the standard to be held in 2017.

For more details on the environmental management systems in the Group companies, see PJSC Gazprom's Environmental Report or information on the official websites of relevant companies.

Achievement of PJSC Gazprom's Corporate Environmental Targets in 2016

Corporate environmental target	Entities within the EMS scope	Improvement against the 2011 baseline, %
Reduction of methane emissions into the atmosphere (from GTS maintenance/repair operations)	All subsidiaries engaged in natural gas transportation	9.4
Reduction of specific emissions of nitrogen oxides into the atmosphere	All subsidiaries engaged in natural gas transportation	16.4
Reduction of waste and effluent water discharge into surface water bodies	All subsidiaries	34.5
Reduction of disposable waste share	All subsidiaries	9.2
Reduction of above-limit impact charges as an integral indicator of negative environmental impact	All subsidiaries	14.6
Reduction of specific fuel & energy consumption for own operational needs	All subsidiaries engaged in natural gas transportation	23.3

Environmental Footprint and Environmental Protection Costs in Russia

In 2016, total air pollution emissions made by Gazprom Group's stationary sources in Russia slightly increased year-on-year to 2,868.5 thousand tonnes.

In 2016, waste water discharge into surface water bodies across Gazprom Group stayed almost flat year-on-year.

Waste generation decreased 13%, mostly due to a 14% decline in bottom ash waste at Gazprom energoholding as the fuel mix shifted towards natural gas.

The area of land disturbed during the year decreased to 27 thousand hectares, due to the completion of construction projects by Gazprom Neft Group, including major seismic surveys. In 2016, land reclamation activities grew 133% year-on-year. Land reclamation activities will be continued in 2017.

Gazprom Group's environmental impact indicators (Russian operations)

Item	2014	2015	2016
Air pollution emissions, thousand tonnes	2,797.6	2,830.6	2,868.5
including			
carbon oxide	547.0	533.6	550.5
nitrogen oxides	313.1	286.3	288.5
sulphur dioxide	289.3	328.4	346.1
hydrocarbons (including methane)	1,398.5	1,430.8	1,462.3
Waste water discharge into surface water bodies, mmcm	4,179.1	3,853.8	3,855.5
including clean and treated as per standards	3,991.6	3,660.6	3,691.2
Waste generation, thousand tonnes	4,831.4	4,954.0	4,289.8
Area of land disturbed during the year, thousand ha	15.4	58.1	27.0
Area of land rehabilitated during the reporting year, thousand ha	12.6	18.2	42.5

Environmental Protection Costs of Gazprom Group (excluding joint operations) in Russia, RUB bn

Item	2014	2015	2016
Total current environmental protection costs	31.66	32.17	34.10
Environmental operating costs and fees for environmental protection services	27.45	29.21	31.91
Overhaul costs for fixed capital assets used in environmental protection	4.21	2.96	2.19
Capital investments into environmental protection and sustainable use of natural resources	15.58	15.75	22.54
Negative environmental impact charges	1.75	1.79	0.82



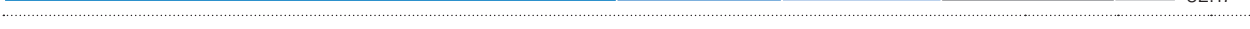
In 2016, current environmental protection costs of Gazprom Group in Russia (including operating expenses, service fees and overhaul costs) rose 6% year-on-year. Key drivers include higher waste water tariffs charged by water service companies, and higher costs of oil and product spill readiness activities at Sakhalin Energy.

In 2016, Gazprom Group's capital investments in environmental protection and sustainable use of natural resources in Russia were RUB 22.54 bn, marking a year-on-year increase of 43%. This growth was driven by active im-




plementation of investment programmes by Gazprom Neft to boost its APG utilisation capacity as well as by the construction of waste water treatment plants and land reclamation activities.

In 2016, Gazprom Group commissioned: 28 exhaust gas pollution control plants, with a capacity of 3,331.19 mcm per hour; 999 waste water treatment plants with a daily capacity of 156 mcm; 14 waste control and neutralisation plants with a capacity of 1,407.06 thousand tonnes per year.

Breakdown of current environmental costs of Gazprom Group (excluding joint operations) in Russia, RUB bn

2014					31.66
2015					32.17
2016					34.10
		2014	2015	2016	
Waste water collection and treatment		14.10	16.82	17.08	
Waste treatment		6.39	4.53	4.12	
Ambient air protection and climate change prevention		4.91	4.38	4.69	
Protection and remediation of land, and surface and ground waters		4.32	4.76	6.29	
Other activities		1.94	1.68	1.92	

Gazprom Group's capital investments (excluding joint operations) in environmental protection and sustainable use of natural resources (Russian operations), RUB bn

2014				15.58
2015				15.75
2016				22.54
		2014	2015	2016
Protection and sustainable use of water		6.34	8.33	11.79
Ambient air protection		4.75	1.55	7.55
Protection and sustainable use of land		3.03	5.03	2.88
Production waste disposal and recycling systems		0.74	0.00*	–
Waste disposal, neutralisation and landfill facilities and sites		0.52	0.70	0.03
Other areas		0.20	0.14	0.29

* less than 0.005.

Breakdown by impact of Gazprom Group's (excluding joint operations) negative environmental impact charges (Russian operations), RUB bn

2014	<div><div></div><div></div><div></div></div>	1.75
2015	<div><div></div><div></div><div></div></div>	1.79
2016	<div><div></div><div></div><div></div></div>	0.82

	2014	2015	2016
<div></div> Charges for air pollution emissions	0.87	0.88	0.43
<div></div> Charges for disposal of production and consumption waste	0.74	0.84	0.33
<div></div> Charges for discharge of pollutants into water bodies	0.14	0.07	0.06

In 2016, Gazprom Group paid RUB 0.82 bn of negative environmental impact charges to different level budgets in the Russian Federation, roughly flat year-on-year.

There were several drivers behind the reduction in the total environmental charges in 2016.

Resolution No. 913 On Rates of Charges for Adverse Environmental Impact and Surcharge Rates dated 13 September 2016 approved new charge rates and removed a number of surcharge rates. The amount of charges for pollutant emissions was halved, mainly through the reduction in the above-limit impact charges due to APG utilisation rate achieving 95% at some fields of Gazprom Neft.

Waste disposal fees decreased by 60% due to the reduction in the above-limit impact charges achieved by Gazprom Neft through improvements to the drilling waste accumulation management system.

In 2016, a total of 544 state environmental inspections of Gazprom Group's entities were held. In over 270 inspections (c. 50% of the total) no irregularities have been identified. Out of the total identified cases of irregularities, 45% did not pose any environmental threat and no fines or penalties were imposed. All breaches are remedied in time. In total, the Group paid RUB 23.7 mm of fines, including RUB 1.9 mm paid for breaches identified by audits in previous years. The Group companies paid a total of RUB 45.8 mm in compensation for environmental damage (including for previous years), including RUB 29.7 mm paid by Gazprom Neft.

For more details see PJSC Gazprom's Environmental Report.

Gazprom Group's Environmental Footprint Outside Russia

Gazprom Group's subsidiaries operating abroad are also committed to minimising their environmental footprint. Gazprom EP International B.V., a single operator of PJSC Gazprom's hydrocarbon field prospecting, exploration and development projects abroad adopts technology-driven and science-based innovations, including to mitigate environmental impacts. Environmental controls are in place at the company's production facilities. In FSU countries, the Group's subsidiaries ZAO Gazprom Armenia, OAO Gazprom transgaz Belarus, and OsOO Gazprom Kyrgyzstan also operate in strict compliance with their respective national laws. Since the dates the Group gained control of these companies, they have been improving their environmental management systems to bring them in line with PJSC Gazprom's corporate standards and ISO 14001. OAO Gazprom transgaz Belarus is covered by PJSC Gazprom's EMS. In 2016, no material fines or penalties were imposed on these subsidiaries by their respective national authorities.

Corporate Climate Policy

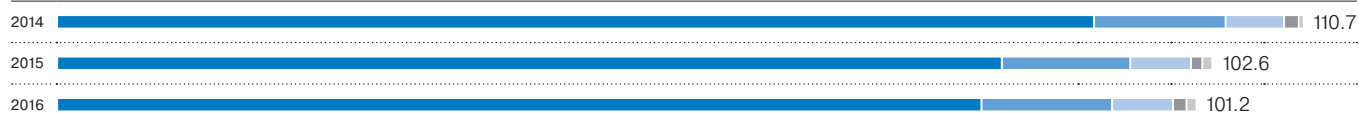
The Company's efforts to reduce its climate footprint are guided by Russia's Energy Strategy to 2030, the Russian State Environmental Protection Programme 2012–2020, and the Climate Doctrine of the Russian Federation.

Reduction of greenhouse gas emissions is an essential part of PJSC Gazprom's corporate strategy. It helps the Company maintain top scores in global sustainability ratings and contribute to the achievement of the national target of no more than 75% from the 1990 emissions level by 2020, approved by Presidential Decree No. 752 dated 30 September 2013.

In 2016, greenhouse gas emissions at facilities of PJSC Gazprom and its wholly-owned subsidiaries engaged in exploration, production, transportation, storage and processing of hydrocarbons, totalled 101.2 mm tonnes of CO₂ equivalent, including GHG emissions of subsidiaries supporting the UGSS' operation. The reduction in emissions was driven by the Group's energy saving efforts, including: lower natural gas consumption in the compression process, reduced venting during GTS repairs, and more efficient use of fuel and energy (FER).

Every year, PJSC Gazprom submits to the Federal Service for Hydrometeorology and Environmental Monitoring of Russia (Rosgidromet) the results of a quantitative assessment of its annual greenhouse gas emissions for the government agency to compile Russia's National Greenhouse Gas Inventory in line with the requirements of the United Nations Framework Convention on Climate Change (UNFCCC) and Russian laws. PJSC Gazprom is involved in preparing materials for Russia's National Communications on Greenhouse Gas Emissions. In 2016, PJSC Gazprom, jointly with the Russian Ministry of Energy, the International Sustainable Energy Development Centre, Institute of Global Climate and Ecology of the Federal Service for Hydrometeorology and Environmental Monitoring (Rosgidromet) and the Russian Academy of Sciences, was engaged in a project for developing and updating national GHG emission factors and parameters for the gas sector to bring design parameters in line with actual figures in the National Report on the National Inventory of Anthropogenic Emissions by Sources and Removals by Sinks of All Greenhouse Gases Not Controlled by the Montreal Protocol.

Since 2009, the Company has been involved in the Carbon Disclosure Project (CDP), an international investment partnership, and, since 2013, has been reporting more measures and providing additional data on indirect greenhouse gas emissions in its responses to CDP's questionnaires.

Greenhouse gas emissions at facilities of PJSC Gazprom and its wholly-owned subsidiaries, mm tonnes of CO₂ equivalent

	2014	2015	2016
Transportation	92.1	83.9	82.1
Production	11.7	11.4	11.6
Processing/Refining	5.2	5.4	5.4
UGSF	1.3	1.0	1.2
Other	0.4	0.9	0.9

Carbon Footprint Assessment of Natural Gas Exports to Far Abroad Countries

GHG emissions and climate issues grow increasingly important in relations with European partners. Carbon footprint (GHG emissions throughout the product lifecycle) is turning into a key environmental performance measure in the energy market. In 2016, German Zukunft ERDGAS initiated a study to demonstrate that natural gas is greener than other hydrocarbons.

Estimates made by German DBI show that carbon footprint averages 12.2 kg of CO₂ equivalent / GJ for Russian supplies of natural gas to Central Europe, and 9.3 kg of CO₂ equivalent / GJ for supplies via Nord Stream (2015 data). The study also demonstrates that carbon footprint by Russian natural gas has been steadily declining due to annual upgrades of the GTS, gains in its energy efficiency and growing share of exports via Nord Stream.

A greenhouse gas stocktaking system has been introduced in all subsidiaries of the Group (including Gazprom energo-holding and Gazprom Neft Group) and Sakhalin Energy (the Group's associate).

For more details see PJSC Gazprom's Environmental Report.

Gas flaring reduction projects can also greatly contribute to GHG emissions reduction in the oil and gas sector.

For more details see the Exploration and Production section. Pages 52–61.

Gazprom has been successfully implementing energy saving programmes for many years, with the key benefit of realising significant savings in gas, power and heat, and considerable reduction of environmental footprint. A combined impact is achieved above all through deployment of innovative technological solutions and equipment, and streamlined production processes.

PJSC Gazprom has been pursuing a consistent energy saving policy which is in line with Russia's Energy Strategy to 2030, and Federal Law No. 261 On Energy Saving and Improving Energy Efficiency and Amendments to Certain Legislative Acts of the Russian Federation dated 23 November 2009.

The Company's energy efficiency and energy saving objectives are set out in PJSC Gazprom's Energy Saving and Energy Efficiency Improvement Concept for 2011–2020:

- maximum realisation of energy-saving potential across all types of the Company operations based on the government-supported energy-saving policy of PJSC Gazprom and improvements to the energy management system;
- improving energy efficiency of PJSC Gazprom's subsidiaries and entities through the use of advanced technologies and equipment;
- reduction of the environmental footprint from operations.

PJSC Gazprom's energy saving potential for 2011–2020 is estimated at 28.2 mm t c.e.

The targets for improving production process energy efficiency at PJSC Gazprom in 2011–2020 include:

- reduction of specific natural gas consumption for own operational needs and losses in core operations of the Company by at least 11.4%;
- reduction of greenhouse gas emissions by at least 48.6 mm tonnes of CO₂ equivalent.

Actual savings in fuel and energy resources (FER) from energy saving and energy efficiency programmes of PJSC Gazprom in 2011–2016 were 15.3 mm t c.e., including: natural gas by 12.7 bcm; power by 1.5 billion kWh; and heat by 1.3 mm Gcal. The total amount of fuel and energy resources saved over this period exceeded saving targets by 30%. The Group also overperformed its target on specific gas consumption for own operational needs, cutting it by 22% against the 11.4% target by 2020.

In 2011–2016, the actual FER savings stood at RUB 40.8 bn.

Overall, between 2011 and 2016, PJSC Gazprom achieved its energy saving and energy efficiency targets set out in PJSC Gazprom's Energy Saving and Energy Efficiency Improvement Concept to 2020, as well as energy efficiency and energy saving targets set by the FTS of Russia (FAS of Russia since 2015).

In the Government Report On the Status of Energy Saving and Energy Efficiency in the Russian Federation in 2015, PJSC Gazprom was ranked No. 1 among oil and gas companies for effectiveness of energy saving and energy efficiency management system.

In 2016, total FER consumption was 52.73 mm t c.e.

In 2016, total FER savings stood at 2.76 mm t c.e.

FER consumption in 2016, by segment

Segment	Natural gas, mmcm	Electricity, million kWh	Thermal energy, thousand Gcal
Gas, gas condensate, and oil production	5,256.8	1,088.0	2,172.2
Gas transportation	32,489.5	6,255.2	3,684.8
Underground gas storage	316.1	91.1	224.6
Gas, gas condensate, and oil processing/refining	1,218.5	3,060.3	14,895.6
Gas distribution	658.6	164.6	998.9
Total	39,939.4	10,659.1	21,976.1
Total, thousand t c.e.	46.13	3.46	3.14

Note. FER consumption rates have been converted to t c.e. using the following ratios: 1 mcm of gas = 1.155 t c.e.; 1 thousand kWh = 0.325 t c.e.; 1 thousand Gcal = 0.143 t c.e.

FER savings in 2016, by segment

Segment	Natural gas, mmcm	Electricity, million kWh	Thermal energy, thousand Gcal
Gas, gas condensate, and oil production	281.4	14.4	16.1
Gas transportation	1,942.0	204.3	58.6
Underground gas storage	17.8	1.0	0.0
Gas, gas condensate, and oil processing/refining	41.6	35.0	178.9
Gas distribution	2.2	1.3	0.6
Total	2,285.0	256.0	254.2
Total, thousand t c.e.	2.64	0.08	0.04

Note. FER savings have been converted to t c.e. using the following ratios: 1 mcm of gas = 1.155 t c.e.; 1 thousand kWh = 0.325 t c.e.; 1 thousand Gcal = 0.143 t c.e.

In 2016, we continued implementing projects for the use of waste heat from exhaust gases at compressor stations (implemented by OOO Gazprom transgaz Yugorsk under an energy service contract), turbo-expanders at gas distribution stations (implemented by OOO Gazprom transgaz Tchaikovsky under an energy service contract), and venting reduction technologies during repairs, in particular, on mobile compressor stations. The Company also developed a Russian-made mobile compressor station. The station successfully passed acceptance tests at OOO Gazprom transgaz Kazan; and currently Gazprom is considering setting up a service company to provide gas recovery services.

Energy Saving and Energy Efficiency Objectives to 2019

The Company has developed PJSC Gazprom's Energy Saving and Energy Efficiency Improvement Concept for 2011–2020. The programme provides for saving c. 5 bcm of natural gas, 611 million kWh of power and 527 mm Gcal of heat during this period. More than 2,800 energy saving initiatives are planned to be implemented between 2017 and 2019 to secure more than 6 mm t c.e. of total FER savings worth more than RUB 18 bn.

Gazprom Neft, Gazprom energoholding and Gazprom neftekhim Salavat are not covered by PJSC Gazprom's Energy Saving Programme as they have in place their own energy saving programmes compliant with federal laws and corporate requirements of Gazprom Group.

Gazprom has been consistently supporting both elite and mass sports, adult and children's arts, and science. The Company has in place an extensive programme for building sports and social facilities for local communities.

PJSC Gazprom and its subsidiaries are actively engaged in a wide array of social and economic programmes and projects, both in Russia and internationally. Gazprom Group companies channel significant funds towards construction of sports and community facilities and restoration of cultural heritage sites, while promoting healthy lifestyles, fostering children's creativity and supporting arts and science. PJSC Gazprom's commitment to social development of the regions in which it operates is the Company's fundamental policy. In its charitable activities, the Company seeks to achieve social and economic development targets of regions in which it operates and strengthen partnership relations with local communities.


PJSC Gazprom and its subsidiaries focus its sponsorship and charity efforts on such areas of public life as physical education and sports, education, culture, science, and environmental protection. The Company also supports projects that aim to revive national spiritual and cultural values.

Gazprom for Children Programme

Being aware of the central role that the younger generations will play in the country's future, the Company places particular emphasis on projects providing support for the development of children and young people. The Gazprom for Children programme is PJSC Gazprom's key social responsibility project. It aims to create a favourable environment for harmonious intellectual, cultural and physical development of children and young people and get as many of them as possible into sports and arts. PJSC Gazprom is the only Russian company that implements such an ambitious social project.

Between 2007 and 2016, 1,443 various facilities were built in Russia under the Programme. In 2016, the Group completed five sports and recreation centres and 166 outdoor sports and fitness facilities, including 40 school stadiums and 126 school sports areas and 126 multicourts. In 2016, 32 infrastructure projects were under construction. Financing under the Programme covered 27 Russian regions (43 cities and over 150 other locations), and Kyrgyzstan as part of a standalone international economic cooperation project.

Breakdown of PJSC Gazprom's expenditures under the Gazprom for Children Programme by Russian Region in 2016, %



Kursk Region	13
Leningrad Region	13
Rostov Region	11
Saint Petersburg	10
Omsk Region	8
Chechen Republic	8
Krasnodar Territory	6
Khabarovsk Territory	4
Kaliningrad Region	3
Kirov Region	3
Other regions	21

The indoor sports facility featuring two ice rinks and commissioned in the Krasnogvardeysky District of Saint Petersburg was among the largest community facilities launched by the Group in 2016. The facility hosts Zvyozdny Lyod ("Starry Ice"), a specialised School of Olympic Reserve for children and youth, led by Tamara Moskvina and Aleksey Mishin, who used to brilliantly perform for Russia on the skating rink as now do their students.

Support for Renovation of War Memorials and Military Monuments

In 2016, Gazprom continued its support for Eternal Flame Memorials. The Group made donations to maintain 63 memorials in Russia's Hero Cities and Cities of Military Glory, including Mamayev Kurgan Memorial Complex to the Heroes of the Battle of Stalingrad in Volgograd, Memorial to the Defenders of the Soviet Arctic during the Great Patriotic War on the Zeleny Mys Mountain in Murmansk, Memorial to the Victims of Fascism at the Zmievskaia Balka site in Rostov-on-Don, Memorial to the Soviet Soldiers and Smolensk Residents Who Died during the Great Patriotic War on the Mound of Immortality in the Readovsky Park in Smolensk, the Eternal Flame on the Field of Mars in Saint Petersburg, and the Glory Obelisk on Mount Sapun in Sevastopol.

In 2016, gas distribution entities of Gazprom Group renovated the gas infrastructure of 1,371 Eternal Flame memorials in the run-up to the Victory Day. New memorial complexes were connected to the gas grid in a number of regions. A new Eternal Flame was lit at a mass grave on the bank of the Svir River in the town of Lodeynoye Pole (Leningrad Region) and at the memorial in the Takhtamukaysky District of the Republic of Adygeya. The Group continued its programme to permanently connect memorial complexes to its gas grid instead of using gas cylinders. In particular, a supply gas pipeline was built at the entry to the town of Belev in the Tula Region to connect its Mound of Glory memorial, which was previously fed from gas cylinders, to the gas grid.

OA Gazprom transgaz Belarus, Gazprom's subsidiary, continued renovating and restoring memorials and war cemeteries across the Republic of Belarus. 32 monuments were restored as part of the Victory Monuments project. Monuments restored in 2016 included a monument near Orsha where Katyusha multiple rocket launchers made their combat debut in July 1941 by firing their first salvo on a battlefield.

PJSC Gazprom also funded renovation projects at war grave sites in Latvia.

Support for Sports

Football for Friendship social responsibility project for children

In the reporting period, Gazprom Group continued to support Football for Friendship, an international social responsibility project for children, under a sponsorship contract with the UEFA Champions League. The project aims at promoting equality, tolerance and healthy lifestyles by getting children and teenagers into football.

The project's geographical coverage has been continuously expanding. The Fourth International Children's Forum took place in Milan, Italy, in 2016 just before the UEFA Champions League final. The number of countries that took part in the event rose from 24 to 32. For the first time in its history, the project brought together children from Asia, Africa, Europe and South America. The forum's events were covered by more than 200 reporters from leading world media, and by an international children's press centre with young journalists from participating countries.

More than 8,200 articles were published in top national and international media in 2016 in more than 30 countries. The total number of media that provided coverage exceeded 2,000, including Euronews, RT, Kommersant, Sovetsky Sport, Sport-Express, Match TV, La Gazzetta dello Sport, ItalPress, Syria TV, Le Parisien, Daily Mail, The Guardian, The Telegraph, Reuters, DPA, Sky TV, and Xinhua.

In 2016, the project won such high-profile international awards as Gold Quill and Sabre Awards.

The public was particularly impressed by a team representing Al-Vahda football club from Syria (Damascus). The

Arabic language desk of RT TV channel made a documentary, titled Three Days Without War, inspired by these children coming to the Football for Friendship forum from a war-ravaged country. The documentary was highly acclaimed across the globe. Its public premiere was held in Damascus before a 7,000 audience.

PJSC Gazprom's partnership with the UEFA Champions League

2016 marked the first season of a new three-year cycle of the sponsorship contract between PJSC Gazprom and the UEFA Champions League. This continued relationship with one of Europe's most popular and high-profile sports tournaments, works towards boosting the profile of PJSC Gazprom while also providing an excellent platform offering strong visibility opportunities.

Surveys run jointly with the UEFA Champions League show that positive attitudes towards PJSC Gazprom's brand and awareness of its operations continue to improve.

Collaboration with sports federations and sports clubs

In 2016, PJSC Gazprom continued to provide sponsorship support for the activities of the Russian Olympic Committee to help prepare Russian national teams for the coming Olympic Games. This relationship will be continued until the end of 2018.

In 2016, Gazprom continued maintaining close relations with sports federations. PJSC Gazprom acts as the principal sponsor of the Rhythmic Gymnastics Federation of Russia, Volleyball Federation of Russia, Russian Swimming Federation, Russian Biathlon Union, Russian Canoe Federation, and Federation of Billiard Sport of Russia. A number of major international tennis tournaments rely on the Group companies for sponsorship support, including St. Petersburg Ladies Trophy and ATP Federation's St. Petersburg Open, a men's tennis tournament, contested by leading athletes from among the world's top twenty tennis players.

Over the past several years, the Company has been financially supporting Russia's major equestrian competition, Russian Federation President's Cup horse race. Gazprom Group's financial support has also contributed to the success of the annual Nord Stream Race regatta and covered a number of projects run by the Saint Petersburg Yacht Club to develop and promote the sailing sports in Russia.

The 2016 Silk Road Rally was successfully held in the reporting year. Its participants started the race at the Red Square in Moscow on 8 July 2016 and finished it at the heart of Beijing 16 days later, having covered 10 thousand km. PJSC Gazprom, jointly with Chinese CNPC, acted as Principal Sponsor of this major international project, which was extensively covered by local and international media.

In 2016, PJSC Gazprom and its subsidiaries continued to provide sponsorship support to Zenit, Tom, Orenburg and Volgar football clubs, SKA, Avangard and Vityaz ice hockey clubs, Zenit-Kazan and Gazprom-Yugra volleyball clubs, and Fakel-Gazprom table tennis club.

The 22nd International Football Tournament between Teams of Parliaments, Governments, Regional and Municipal Administration was held in Sochi from 19 to 22 May 2016. The event is held annually with the support of the Football Union of Russia. It brought together over 20 teams from Belarus, Georgia, Kyrgyzstan, Kazakhstan, Moldova, and Russian territories and regions. PJSC Gazprom's team took part in the tournament, as in all previous years, and won it.

In 2016, PJSC Gazprom acted for the fourth time as Principal Sponsor of the Championship of South East Handball Association (SEHA GAZPROM LEAGUE). This time, the traditional Final Four was held in Varazdin (Croatia). SEHA GAZPROM LEAGUE supports a number of social projects that seek to promote both elite and mass sports, including among children and teenagers.

In 2016, PJSC Gazprom acted for the fifth time as Principal Sponsor of the International Balloon Meet in Velikiye Luki in the Pskov Region. The town hosted the XX Russian balloon championship in June 2016, which was contested by almost 50 teams.

Energy of Victories nationwide contest among sports journalists

In 2016, the Company, in conjunction with the Russian Olympic Committee, held the sixth nationwide contest among sports journalists Energy of Victories. The contest was first held by PJSC Gazprom in 2011, as part of the Programme for Construction of Energy, Infrastructure and Sports Facilities by Gazprom Group for the 22nd Winter Olympics in Sochi. Since then, over 1.7 thousand journalists from across Russia and 15 other countries have taken part in the competition.

Support for Culture and Arts

In 2016, PJSC Gazprom continued providing financial support for the reconstruction and restoration of the Church of the Resurrection that makes part of the Tsarskoye Selo palace-and-park ensemble (the Tsarskoye Selo State Museum-Preserve). PJSC Gazprom pays particular attention to the important task of reconstructing and preserving the Tsarskoye Selo palace-and-park ensemble as a world heritage site of outstanding value, showcasing the architecture and garden art of the 18th, 19th and early 20th centuries. The project spans four years, from 2015 to 2018.

In 2016, OOO Gazprom transgaz Saint Petersburg, Gazprom's subsidiary, supported a restoration project in the Chinese Palace in Oranienbaum that makes part of the Peterhof State Museum Reserve. The Palace was exquisitely decorated by European and Russian artists in a completely unique style. Gazprom Group companies are proud to contribute to preserving the cultural and historical heritage of Russia for future generations.

In addition to major restoration and reconstruction projects, in 2016 Gazprom Group provided support for the Hermitage XXI Century Foundation to finance the installation of a navigation system, in the General Staff Building of the State Hermitage Museum, for the D.S. Likhachev Interna-

tional Charitable Foundation to hold the International Peter the Great Congress and publish an encyclopaedia titled Peter the Great's Historical Sites in Russia, as well as for the international contemporary dance festival CONTEXT. Diana Vishneva.

In 2016, the Company continued to provide sponsorship support to Children's Radio, Russia's only radio station broadcasting exclusively children's content. Children's Radio is on air round the clock, broadcasting children's songs, plays, infotainment programmes and series, as well as awareness raising programmes for parents.

In 2016, as part of cooperative arrangements with international partners, PJSC Gazprom joined efforts with Verbundnetz Gas AG, Germany, to run a joint project, Russian Seasons in Germany and German Classics in Russia. The project offered a series of classical music concerts and master classes by top Russian and German music performers, held in Moscow, Saint Petersburg, Novosibirsk, Yekaterinburg, Astrakhan, Saratov, Berlin, Frankfurt, Dusseldorf, and Wiesbaden.

Gazprom supported the cultural and enlightenment programme of the Russian Orthodox Church in Italy, which included concerts of Vatican's Sistine Chapel Choir and the Moscow Synodal Choir.

For more than 10 years, PJSC Gazprom and CNPC have been holding their joint Arts Festival. The 10th Arts Festival was held in April 2016 in Kunming, China. The milestone 10th festival was attended by winners of the Flare festival — groups of amateur performers from OOO Gazprom dobycha Urengoy, OOO Gazprom dobycha Orenburg, OOO Gazprom transgaz Saint Petersburg, OOO Gazprom transgaz Tomsk, and OOO Gazprom transgaz Makhachkala. The guests enjoyed the remarkable shows by performers from CNPC, including a team representing its subsidiary, Yunnan Petrochemical Co. Ltd., which attended the festival for the first time.

Support for Vulnerable Groups

PJSC Gazprom's charitable activities include both large-scale social projects and targeted support for vulnerable groups.

In 2016, the Group financed expensive non-invasive and surgical treatment and rehabilitation therapy both in Russia and abroad, and acquired specialised and medical equipment, including wheelchairs, stairlifts, and high-performance bionic prosthetics to support severely ill children and people with disabilities. The Group also provided financial aid to low-income and large families.

In late December 2016, PJSC Gazprom organised a traditional New Year Eve show for vulnerable children, including orphans, disabled children, and children from low-income, foster and large families. Over 1 thousand children from children's homes, boarding schools, and other social care institutions based in Russian cities attended the event featuring an interactive show, The Adventures of a New Year Brigantine. At the end of the show, every kid was presented with a New Year gift.

Support to Indigenous Minorities of the North

PJSC Gazprom's subsidiaries provide annual charitable support to indigenous minorities of the North under cooperation agreements with municipalities of the Republic of Sakha (Yakutia), Yamal-Nenets Autonomous Area and Khanty-Mansi Autonomous Area — Yugra.

Support for Healthcare

In 2016, OOO Gazprom transgaz Saint Petersburg allocated funds for the construction of a Centre for Palliative Aid to Oncological and Cerebral Palsy Children in the village of Toksovo in the Leningrad Region. Financing of the project will be continued in 2017.

Support for Education

In 2016, the Company provided support for Gubkin Russian State Oil and Gas University as part of the Company's charitable activities, to finance security services for the University's buildings and dormitories, and financed the fire safety action plan for the University.

Gazprom Group companies provide financial support for local educational institutions in the regions in which they operate, with a particular focus on schools, including to carry out renovation projects, install equipment, and set up specialised classes.

In 2016, OOO Gazprom transgaz Yugorsk, a subsidiary of the Company, financed the launch of Quantorium children's technopark in Yugorsk to promote extracurricular science classes for children. The project is a public private partnership. The concept of Quantoriums has been promoted in Russia by the Agency for Strategic Initiatives to Promote New Projects, a federal operator of children's technoparks.

[The Quantorium technopark is a new model of extracurricular activities for children.](#)

The initiative seeks to build a robust multi-tier system of extracurricular activities for children based on the principles of public private partnership and put into practice advanced

additional education programmes so as to identify and develop capabilities in every kid.

Support for Revival of Spiritual Values

In all regions in which it operates, Gazprom Group finances initiatives and events aimed at revival and support of spiritual and traditional values of family, faith and faithfulness to the traditions of ancestors, including through joint efforts with people following different traditional religions. The Group companies support the construction and renovation of churches, mosques, monasteries and other religious sites.

Major projects that support revival of spiritual and traditional values and were financed by Gazprom Group companies in 2016 include renovation and restoration of the Cenobium of the Saint Alexander Nevsky Monastery (Saint Petersburg). The Group provided support for the construction of a religious and cultural historical centre in the village of Vyatsky Posad of the Orlovsky District in the Orel Region. On completion of the construction and redevelopment programme in 2017, the complex will become the largest Orthodox centre in the Central Federal District. The Centre includes: Church of Presentation of Jesus at the Temple; Museum of Orthodoxy; a school of trades; a refectory and a kitchen; an orthodox full secondary school for children from across Russia, including for children without parental care. The school's students will have an opportunity to live on the Centre's premises on full board terms. First students will be enrolled as early as in 2017.

Also, as part of relations with the Russian Orthodox Church, the Group financed the renovation of the Church of Our Lady of Kazan in Teply Stan (Moscow).

Sponsorship Support for Business Events

Over a number years, the Company has also been a sponsor of the Saint Petersburg International Economic Forum and the Sochi International Investment Forum.

In 2016, PJSC Gazprom and its subsidiaries also supported the Eastern Economic Forum in Vladivostok, attended by the country's leadership, Gaidar Forum — 2016 Russia and the World: Looking into the Future, and the 6th Saint Petersburg International Gas Forum, which evolved into a major venue for discussion of the industry's pressing issues.

Financial Support for other Social Initiatives and Projects

In the reporting year, PJSC Gazprom continued to provide charitable support under various social projects.

This included charitable aid to such not-for-profit organisations as the Amur Tiger Centre and Centre for the Preservation of the Far Eastern Leopard in the Russian Far East, which focus on protection and population growth of rare species included in the Red Data Book of the Russian Federation. As a responsible subsoil user, the Group

supports activities aimed at protecting rare species of animals.

PJSC Gazprom's subsidiaries also finance projects supported by the Russian Geographical Society in the Arctic, including monitoring of Arctic insular ecosystems, and preservation of rare species of marine mammals and polar bears in natural reserves in the north-east of the Barents Sea.

Moreover, the Company is involved in financing redevelopment and infrastructural improvements in a number of major cities of Russia, such as Saint Petersburg, Rostov-on-Don, Omsk, and Tomsk.

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Dear Shareholders,

Gazprom's strategic objective is to strengthen its leadership in the global energy market; the achievement of which lies in exemplary corporate governance. PJSC Gazprom's investment case and its sustainable long-term success are directly related to possessing a strong relationship between the Company's management team and shareholders, the quality of corporate decision-making, and robust controls embedded into internal processes.

Gazprom's corporate governance practices comply with Russian law, incorporating key recommendations of the Corporate Governance Code approved by the Bank of Russia, and reflecting both Russian and international best practice within the field. The Company's corporate governance model is built around the principles of infallible protection of shareholder rights and interests, balanced and effective risk management and internal control system, as well as maximum transparency.

The Board of Directors plays a key role in ensuring the Company's continued stable operation, by setting its development strategy with due consideration for the market environment and potential risks, monitoring the Company's performance, and conducting performance assessments of the management team.

Several crucial resolutions were passed by the Board of Directors during 2016. In particular, the role of Corporate Secretary at PJSC Gazprom was introduced, one of the responsibilities of which includes ensuring the Company's dynamic interaction with financial regulators and professional security traders. The Board of Directors has also set up a Nomination and Remuneration Committee, and appointed new members to the Audit Committee; most members of the two committees are independent directors — including the Chairman of the Audit Committee.

The specified steps have brought Gazprom's corporate governance structure into compliance with the new listing rules of both the Moscow Exchange and the Saint Petersburg Exchange. In January 2017, the Moscow Exchange confirmed the high level of the Company's corporate governance, with PJSC Gazprom's shares retaining their position on the first-level quotation list.


The Board of Directors has also approved and implemented a number of internal regulations which optimise the Company's risk management framework, along with the internal and external controls over the Company's activities. The innovations included the External Audit Policy for PJSC Gazprom, its Subsidiaries and Entities, and the Anti-Corruption Policy of PJSC Gazprom.

The Company's Coordinating Committee for Shareholder and Investor Relations has continued to play an active role in maintaining a transparent and constructive dialogue with the investment community.

Gazprom continues its focus on improving corporate governance, with its Board of Directors firmly committed to further enhancing the Company's business efficiency.

Viktor Zubkov

Chairman of the Board of Directors
of PJSC Gazprom



PJSC Gazprom's Corporate Governance Compliance Report, including statement of compliance with the corporate governance principles set out in the Russian Corporate Governance Code

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In 2016, PJSC Gazprom substantially improved its corporate governance through incorporating international best practices and following the requirements set out by the Moscow Exchange.

Key documents of PJSC Gazprom ensuring protection of shareholder rights

- Articles of Association of Public Joint Stock Company Gazprom;
- Code of Corporate Governance (Behaviour) of JSC Gazprom;
- Code of Corporate Ethics of PJSC Gazprom;
- Regulations on the General Shareholders Meeting of PJSC Gazprom;
- Regulations on the Board of Directors of PJSC Gazprom;
- Regulations on the Board of Directors' Audit Committee of JSC Gazprom;
- Regulations on the Board of Directors' Nomination and Remuneration Committee of PJSC Gazprom;
- Regulations on the Management Committee of PJSC Gazprom;
- Regulations on the Chairman of the Management Committee of PJSC Gazprom;
- Regulations on the Audit Commission of JSC Gazprom;
- Regulations on the Internal Control System of PJSC Gazprom;
- External Audit Policy for PJSC Gazprom, its subsidiaries and entities;
- Procedures for Documenting of Proposals and Requests of Shareholders Related to the Convocation of the General Shareholders Meeting of PJSC Gazprom;
- Dividend Policy of Joint Stock Company Gazprom;
- Regulations on the Information Disclosure of PJSC Gazprom;
- Procedure for Providing Information about PJSC Gazprom to Shareholders;
- Regulations of JSC Gazprom on Control of Compliance with the Laws on Countering the Unlawful Use of Insider Information and Market Manipulation;
- Anti-Corruption Policy of PJSC Gazprom;
- Regulations on the Hotline for Fighting Fraud, Corruption, and Embezzlement at Gazprom Group.



These documents are available on PJSC Gazprom's website.

The Board of Directors of PJSC Gazprom has a traditional focus on enhancing its corporate governance system to match the highest global standards. The Board of Directors believes that compliance with the principles and recommendations set out in the Corporate Governance Code, which is recommended as a guidance by the Bank of Russia, is key to the Company's long-term growth and stronger investment case.

The corporate governance practice pursued by PJSC Gazprom relies on compliance with the requirements of Russian laws, the requirements applicable to issuers and on balancing the interests of the state, shareholders and all stakeholders.

For PJSC Gazprom, the principles set forth in the Code are an important source used to develop its internal regulations and a benchmark for building the best corporate governance practice.

PJSC Gazprom's corporate governance model ensures:

- priority of shareholder rights and interests;
- strategic governance of the Company by the Board of Directors;
- effective supervision over the executive bodies by the Board of Directors; accountability of management bodies to shareholders;
- balanced and efficient internal audit and risk management;
- informational transparency;
- division of roles and responsibilities in Company management.

In 2016, PJSC Gazprom continued to improve its corporate governance standards.

In 2016, PJSC Gazprom updated, in line with the best practices, its key internal documents protecting shareholder rights.

1 Pursuant to the Resolution of the Annual General Shareholders Meeting dated 30 June 2016 (Minutes No. 1), PJSC Gazprom updated some internal documents, including those that seek to protect shareholders' corporate governance rights, specifically:

- amended the Articles of Association to refine the procedures for payment of dividend and redemption of shares at the request of shareholders;
- approved a new version of the Regulation on the General Shareholders Meeting of PJSC Gazprom, providing, among other things, for an updated procedure for notifying shareholders of the General Shareholders Meeting and voting results;
- approved a new version of the Regulations on the Board of Directors of PJSC Gazprom, incorporating the Code's recommendations to provide for remote attendance of the Board of Directors' meetings by the Board members through video conferencing, and amendments to the applicable laws;
- approved a new version of the Regulations on the Management Committee of PJSC Gazprom and the Regulations on the Chairman of the Management Committee PJSC Gazprom, providing for some organizational updates.

The Board of Directors of PJSC Gazprom passed resolutions on the Company's internal documents, specifically:

- approved a new version of the Procedures for Documenting of Proposals and Requests of Shareholders Related to the Convocation of the General Shareholders Meeting (Resolution of the Board of Directors of PJSC Gazprom No. 2872 dated 22 December 2016), incorporating the Code's recommendations and amendments to the applicable laws;
- approved the External Audit Policy for PJSC Gazprom, its subsidiaries and entities (Resolution of the Board of Directors of PJSC Gazprom No. 2847 dated 15 November 2016);
- approved the Anti-Corruption Policy of PJSC Gazprom (Resolution of the Board of Directors of PJSC Gazprom No. 2846 dated 15 November 2016). The document was developed as part of the risk management and internal control system and seeks to shape rules and procedures to deter corruption.

The Resolution of PJSC Gazprom's Management Committee (No. 47 dated 8 December 2016) approved a new version of the Procedure for Providing Information about PJSC Gazprom to Shareholders. Instruction No. 368 dated 25 November 2016 approved the Procedure for a Conflict of Interest Disclosure and Conflict of Interest Resolution.

2 To preview matters reserved to the Board of Directors, the Board set up a Nomination and Remuneration Committee of the Board of Directors of PJSC Gazprom and approved Regulation governing its activities (Board of Directors' Minutes No. 1100 dated 30 September 2016).

Most members of the new Nomination and Remuneration Committee of the Board of Directors of PJSC Gazprom are independent directors.

3 The Board of Directors of PJSC Gazprom resolved to introduce the role of the Company's Corporate Secretary (Board of Directors' Minutes No. 1100 dated 30 September 2016). The Corporate Secretary's functions are divided, to the extent recommended by the Code, between certain PJSC Gazprom's business units, in line with the regulations governing the Corporate Secretary functions adopted by such business units, approved by the Board of Directors.

PJSC Gazprom assessed compliance of PJSC Gazprom's corporate governance practices with the corporate governance principles recommended by the Code.

The methods used in such assessment specifically focused on the Code's key provisions, which include principles and recommendations corresponding to the mandatory requirements of the Russian stock exchanges (PAO Moscow

Exchange and PAO Saint Petersburg Exchange) applicable to issuers' corporate governance for the purposes of inclusion of their shares in the first (top) level quotation list (mandatory for PJSC Gazprom to maintain its top listing on these exchanges).

However, in accordance with the requirements of paragraph 70.4. of Regulations on Disclosing Information by the Issuers of Issue-Grade Securities No. 454-P approved by the Bank of Russia on 30 December 2014, key principles and recommendations of the Code not fully or not complied with at PJSC Gazprom are listed below, along with the description of corporate governance mechanisms and tools used by PJSC Gazprom instead (in place) of those recommended by the Code.

1 The Code recommends that independent directors constitute at least one third of the elected members of the board of directors (paragraph 2.4.3 of the Code).

In 2016, the Company did not comply with this principle of the Code.

The Board of Directors of PJSC Gazprom (11 members) was elected by the Annual General Shareholders Meeting on 30 June 2016 from among the nominees proposed by shareholders. The Board of Directors included three independent directors, two of which, Viktor Martynov and Vladimir Mau, members of the Board of Directors PJSC Gazprom, were determined to be independent by Resolution of the Board of Directors of PJSC Gazprom No. 2791 dated 23 August 2016, as part of the procedures provided for by the rules of Russian stock exchanges and the Code.

2 To preview matters of supervision over the company's financial and business, the Code recommends to set up an audit committee comprised of independent directors (paragraph 2.8.1, Recommendation 173 of the Code).

In 2016, the Company partially complied with this principle due in part to objective reasons (insufficient number of independent directors on the Board of Directors).

PJSC Gazprom has in place an Audit Committee of the Board of Directors comprising three members, two of which (including Viktor Martynov, Chairman of the Committee) are independent directors, in compliance with the independence criteria set by the rules of Russian stock exchanges and the Code.

- 3 To preview matters of adopting an effective and transparent remuneration scheme, the Code recommends to set up a remuneration committee comprised of independent directors and headed by an independent director who is not the chairman of the board of directors** (paragraph 2.8.2, Recommendation 179 of the Code).

To preview matters of talent management (succession planning), professional composition and efficiency of the board of directors, the Code recommends to set up a nomination (appointments and HR) committee, predominantly comprised of independent directors (paragraph 2.8.3 of the Code).

Where setting up a separate nomination committee is not practicable, its functions may be assigned to any other committee of the board of directors, i.e. a corporate governance committee or a remuneration committee (Recommendation 185 of the Code).

In 2016, the Company partially complied with this principle due in part to objective reasons (insufficient number of independent directors on the Board of Directors).

The Board of Directors of PJSC Gazprom set up a Nomination and Remuneration Committee of the Board of Directors of PJSC Gazprom. Most members of the Nomination and Remuneration Committee of the Board of Directors of PJSC Gazprom are independent directors.

In late 2016, the Moscow Exchange issued a written certification of compliance of PJSC Gazprom's corporate governance with the rules of the stock exchange, required to maintain the Company's shares on the first (top) level quotation list.

In 2016, PJSC Gazprom will take further steps to enhance its corporate governance practice, in particular, to increase transparency of the Company's operations and streamline business processes and internal regulations.

In 2017, PJSC Gazprom plans to conduct full-scale independent corporate governance audit and assess the performance of the Board of Directors, its committees and members by engaging an external advisor with global experience in such projects. Engagement of a qualified external advisor will help obtain professional and fair expert judgement and advice on enhancing the Company's corporate governance.

The Company also plans to continue improving its local regulatory framework, including in line with the recommendations set out in the Code.

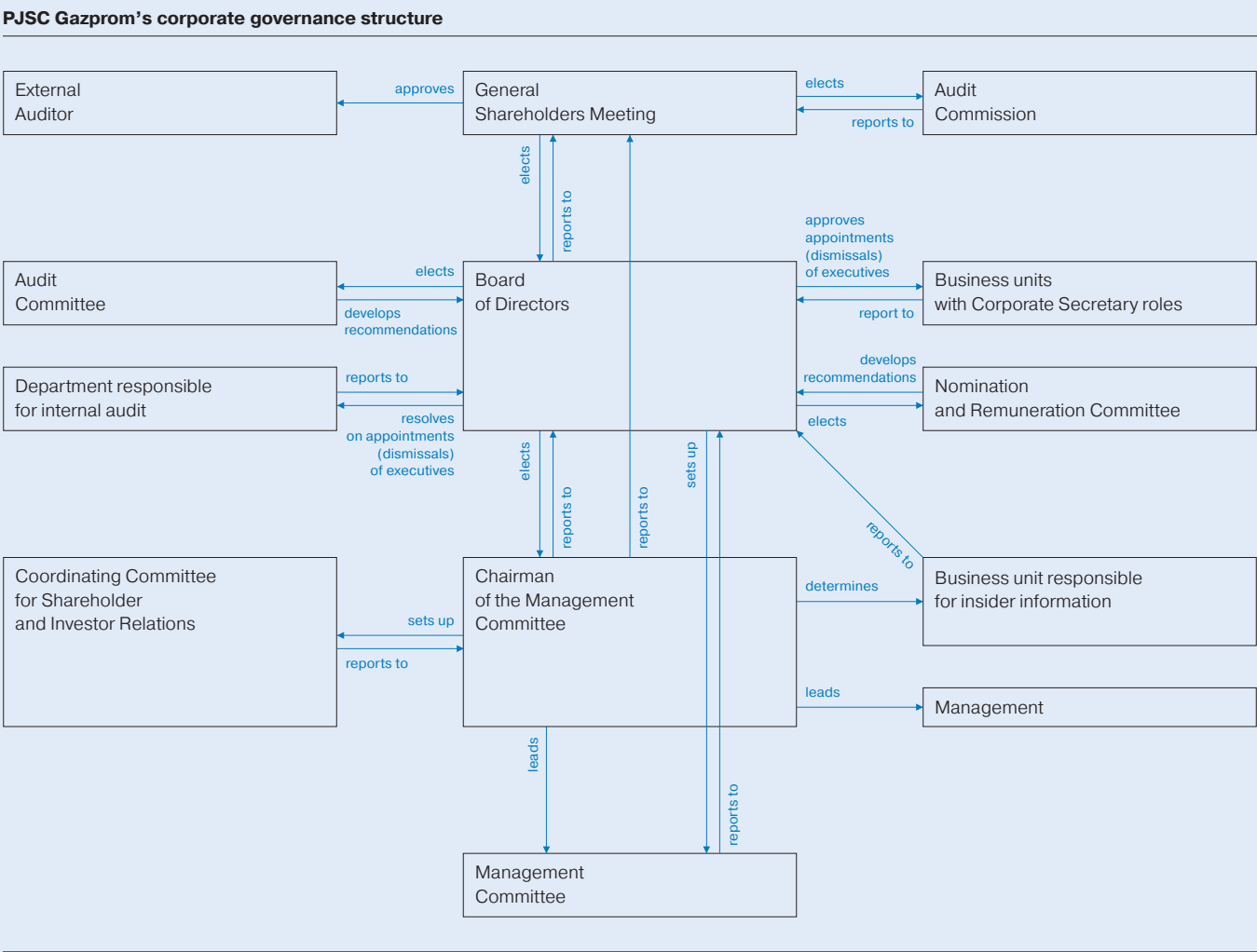
PJSC Gazprom's corporate governance pillars include management and supervisory bodies: the General Shareholders Meeting, the Board of Directors, the Management Committee, the Chairman of the Management Committee, and the Audit Commission. The Department of the Management Committee Administration responsible for internal audit performs fair assessment of the internal control performance and develops recommendations for improvement. The Company's financial and business performance is independently reviewed by an external auditor.

To preview most important matters of PJSC Gazprom's business reserved to the Board of Directors, the Board set

up the following committees: the Audit Committee and the Nomination and Remuneration Committee of the Board of Directors of PJSC Gazprom.

The duties and responsibilities of the Company's Corporate Secretary are shared by the following business units of PJSC Gazprom:

- Department of the Management Committee Administration (Yuri Nosov);
- Secretariat of the Management Committee Administration (Nikolai Kruglikov);
- Department Directorate (Alexey Finikov);
- Department Directorate Division (Maksim Babich).



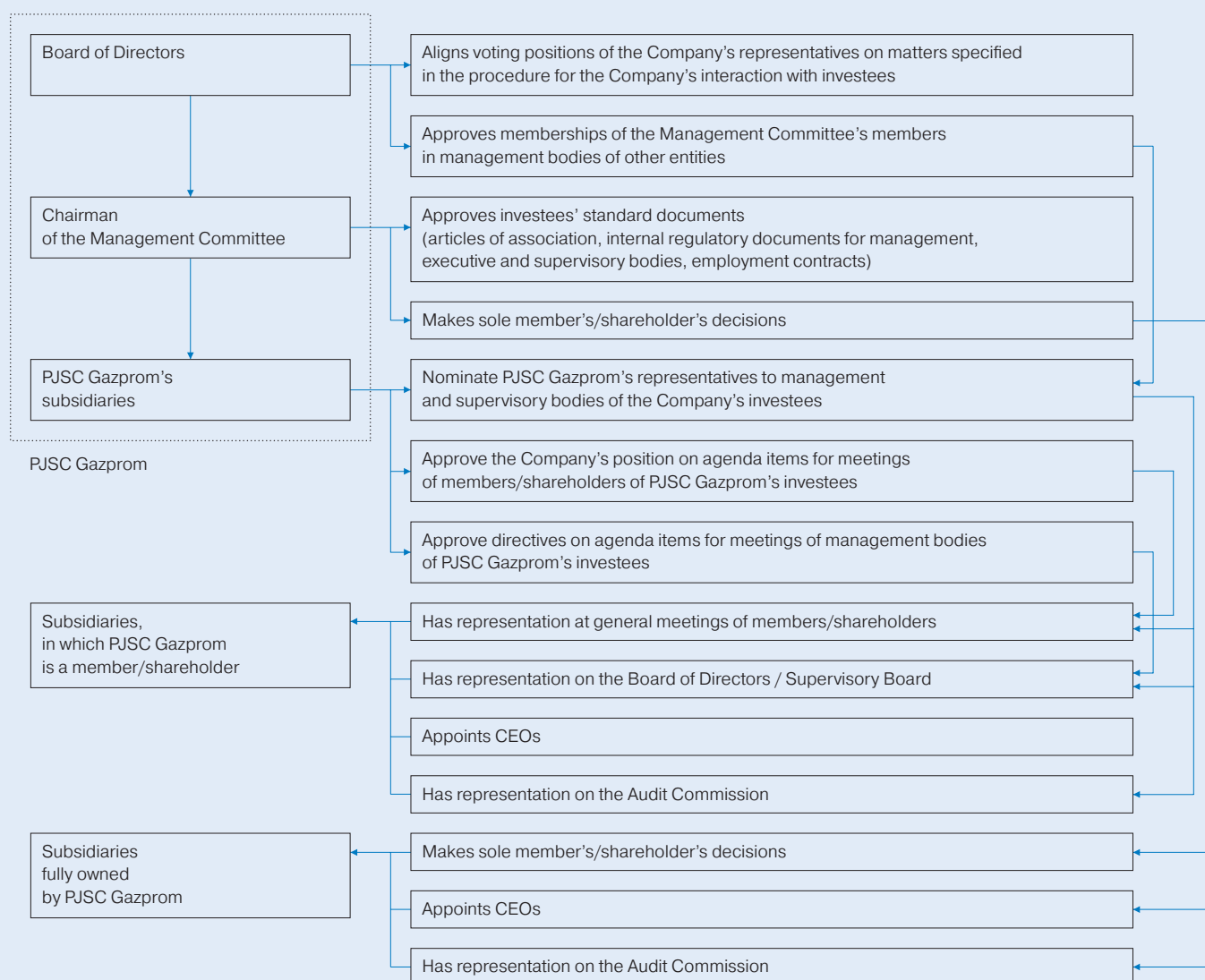
To maintain open and constructive dialogue with the investment community, PJSC Gazprom set up its Coordinating Committee for Shareholder and Investor Relations. The Committee is led by Andrey Kruglov, Deputy Chairman of PJSC Gazprom's Management Committee. The Committee also includes heads of business units responsible for development and implementation of the relevant strategy. Investor relations are governed by the annual plan of the Coordinating Committee.

To monitor the compliance of PJSC Gazprom and its employees with the laws on countering the misuse of insider information and market manipulation and the compliance with insider laws and regulations applicable to the Company, PJSC Gazprom set up a business unit responsible for insider information, which reports to PJSC Gazprom's Board of Directors.

PJSC Gazprom interacts with subsidiaries and other investees through having representation on the management and supervisory bodies of such entities, making decisions on their operations (for entities where the Company is the sole member/shareholder) in line with the applicable laws, exercising the Company's legitimate right to issue instructions, which are binding for its subsidiaries.

Supervision of investees' business performance is the responsibility of relevant business units of PJSC Gazprom. The Department responsible for asset management and corporate relations also coordinates, organises and provides guidelines for representatives of PJSC Gazprom on the management bodies of its investees.

Subsidiary management at PJSC Gazprom



General Shareholders Meeting

General Shareholders Meeting is the supreme management body of PJSC Gazprom and is held on an annual basis. Any General Shareholders Meeting other than the AGM shall be deemed extraordinary.

The voting power at General Shareholders Meetings is attributed to holders of the Company's ordinary shares. Any shareholder may participate in a General Shareholders Meeting in person or by proxy. A General Shareholders Meeting is duly constituted if attended by the shareholders holding in aggregate more than a half of voting shares.

The responsibilities of the General Shareholders Meeting include, inter alia, amending the Articles of Association of PJSC Gazprom, approval of annual reports and the Company's auditor, profit distribution, election of members to the Board of Directors and the Audit Commission, making decisions on reorganisation or liquidation of PJSC Gazprom and to increase or decrease the Company's charter capital.

Board of Directors

The Board of Directors is responsible for general management of PJSC Gazprom's operations except for the matters reserved to the General Shareholders Meeting. The Company's Board of Directors is elected by the General Shareholders Meeting and holds office until the next Annual General Shareholders Meeting.

Plans for assessment (self-assessment) of the Board of Directors, its Committees and members of the Board of Directors

In 2017, PJSC Gazprom plans to conduct full-scale independent corporate governance audit and assess the performance of the Board of Directors, its Committees and members by engaging an external advisor. The external assessment will be carried out on the basis of a dedicated methodology.

Recommendations to be received and implemented following this assessment are expected to help PJSC Gazprom optimise its procedures governing the Board of Directors and its Committees, and interaction between the Board of Directors and the management, as necessary.

The Board of Directors determines the Company's business priorities, approves the annual budget and investment programmes, makes decisions on convening General Shareholders Meetings and setting up executive bodies of PJSC Gazprom, develops recommendations on share dividend amounts and resolves other matters reserved to the Board of Directors by the Articles of Association of PJSC Gazprom.

In 2016, the number of independent directors on the Board of Directors was increased to 3 directors.

The Board of Directors of PJSC Gazprom has a well-balanced composition to ensure the performance of their tasks for the benefit of all shareholders and the Company as a whole. Independent directors play an important role in the corporate governance framework of PJSC Gazprom.

Independent directors serving on the Board of Directors of PJSC Gazprom

The Board of Directors includes three independent directors (Timur Kulibaev, Viktor Martynov and Vladimir Mau), two of which, Viktor Martynov and Vladimir Mau, who are members of PJSC Gazprom's Board of Directors, were determined to be independent by Resolution of the Board of Directors of PJSC Gazprom No. 2791 dated 23 August 2016. The procedure for determining members of the Board of Directors to be independent is set out in the Corporate Governance Code recommended as a guidance by the Bank of Russia and in the Rules of PAO Moscow Exchange. When the Board of Directors is re-elected, the procedure for determining members of the Board of Directors to be independent directors is reiterated.

Independent directors are fully involved in the activities of the Company's Board of Directors and initiate reviews of the Company's core business lines to be conducted by the Board. In the reporting year, the Board of Directors reviewed the following matters as proposed by its independent directors:

- PJSC Gazprom's strategy (including global growth and asset acquisition strategies, prospects for shale gas and LNG around the world; pricing of natural gas exports; energy efficiency improvements and reduction of GHG emissions);
- improvement of management performance (including disposal of non-core assets, implementation of the action plan (roadmap) to adopt the Corporate Governance Code, and anti-corruption efforts);
- assessment of the corporate HR policy and employee incentive schemes.

Independent directors comprise the majority of the Audit Committee and the Nomination and Remuneration Committee of the Board of Directors.

In the reporting year, outside the Board meetings, independent directors Vladimir Mau, Viktor Martynov and Timur Kulibaev held multiple meetings with Viktor Zubkov, Chairman of the Board of Directors, Alexey Miller, Chairman of the Management Committee, and other members of the Board of Directors and executives of the Company. During the meetings, they shared opinions on the reviewed matters, proposed matters for review by the Board of Directors, and discussed methods and efforts for the executive bodies of PJSC Gazprom to implement the Board of Directors' resolutions and prepare relevant reports.

Composition of the Board of Directors by status, %

Executive Director	27
Non-Executive Director	46
Independent Director	27

In 2016, the Board of Directors held a total of 65 meetings, including 11 meetings held in person and 54 meetings held in absentia.

At these meetings, the Board of Directors passed 232 resolutions, including 49 resolutions in person and 183 resolutions in absentia.

Matters reviewed by PJSC Gazprom's Board of Directors in 2016, by line of business, %

Financial and business activity, investment activity	31
Strategic development	28
HR policy	21
Improving corporate governance	18
Audit	

For more details on the Board of Directors' performance in 2016, see the Board of Directors' Report on PJSC Gazprom's Development in Priority Areas of Operation section. Pages 134–137.

Committees of the Board of Directors

The Committees' priorities are to conduct holistic previews of selected matters reserved to the Board of Directors of PJSC Gazprom and develop recommendations on resolutions for the Board of Directors.

Audit Committee of the Board of Directors

In 2016, the Audit Committee of the Board of Directors continued its work. The Audit Committee reports to the Company's Board of Directors and operates as set forth in the Regulations on the Board of Directors' Audit Committee of JSC Gazprom approved by Resolution of JSC Gazprom's Board of Directors No. 2314 dated 25 February 2014.

Composition of the Board of Directors' Audit Committee (elected by Resolution of the Board of Directors No. 2818 dated 30 September 2016)

- Committee Chairman: Viktor Martynov.
- Committee members: Mikhail Sereda, Vladimir Mau.

The Board of Directors' Audit Committee addressed the specific planned activities, meeting at least on a quarterly basis. In the reporting year, the Committee held 4 meetings in person and reviewed 11 agenda items.

In 2016, the Board of Directors' Audit Committee reviewed and approved a number of the Company's draft internal regulations to improve internal controls, external audit procedures and compliance with the Code of Corporate Ethics and the Anti-Corruption Policy.

Most relevant matters reviewed by the Board of Directors' Audit Committee in 2016

- OOO FBK's information on critical audit issues of PJSC Gazprom and its subsidiaries, following results of 2H 2015, and the external auditor's reports on independent and effective external audit.
- Draft External Audit Policy for PJSC Gazprom, its Subsidiaries and Entities.
- Draft Anti-Corruption Policy of PJSC Gazprom.
- Amendments to the Regulations on the Internal Control System of PJSC Gazprom.

The Audit Committee's principle recommendations to the Board of Directors on the above listed matters were based on or accounted for the provisions the Russian Corporate Governance Code. The Audit Committee maintained close contact with its external auditor OOO FBK, the Audit Commission and PJSC Gazprom's Department responsible for internal audit.

The Audit Committee assessed external and internal audits when reviewing the 2015 Performance Report of the Department responsible for internal audit, the audit matters of PJSC Gazprom and its subsidiaries following the results of 2H 2015, and when assessing the auditor's opinion on PJSC Gazprom's accounting statements.

Nomination and Remuneration Committee of the Board of Directors

In September 2016, PJSC Gazprom's Board of Directors set up its Nomination and Remuneration Committee and approved relevant Regulations on the Committee.

Composition of the Board of Directors' Nomination and Remuneration Committee (elected by Resolution of PJSC Gazprom's Board of Directors No. 2819 dated 30 September 2016)

- Committee Chairman: Mikhail Sereda.
- Committee members: Vladimir Mau and Viktor Martynov.

PJSC Gazprom's Nomination and Remuneration Committee of the Board of Directors started its specific planned activities in January 2017.

In the reporting year, PJSC Gazprom set up a Nomination and Remuneration Committee primarily comprising independent directors.

Most relevant matters to be reviewed by the Board of Directors' Nomination and Remuneration Committee in 1H 2017

- Election of members of PJSC Gazprom's Management Committee (six members).
- Approval of target (planned), threshold and maximum values of PJSC Gazprom's KPIs for 2017 to be used in the annual bonus scheme for the management of PJSC Gazprom.
- Remuneration of members of PJSC Gazprom's Board of Directors and Audit Commission.
- Approval of actual KPI values for PJSC Gazprom in 2016 to be used in the annual bonus scheme for the management of PJSC Gazprom.

Executive Bodies

Day-to-day operations of PJSC Gazprom are managed by the Chairman of the Management Committee (sole executive body) and the Management Committee (collegial executive body). They are responsible for implementing resolutions passed by the General Shareholders Meeting and the Board of Directors and are accountable to them.

The Chairman and members of the Management Committee are elected by the Board of Directors for a five-year term. The matters reserved by PJSC Gazprom's Articles of Association to the Management Committee include drafting of the annual budget, investment programmes, future and current action plans, preparing reports, gas flow management, and monitoring Russia's Unified Gas Supply System.

In 2016, the Management Committee held a total of 21 meetings, including 8 meetings held in absentia. At these meetings, the Management Committee passed 53 resolutions, including 45 resolutions passed in person and 8 resolutions passed in absentia.

Matters reviewed by PJSC Gazprom's Management Committee in 2016, by line of business, %

Corporate governance	36
Reliable operation of the UGSS and consumer gas supplies	17
Forward-looking plans and key business activity programmes of PJSC Gazprom	17
Preview of business priorities, strategy and budget of PJSC Gazprom	9
PJSC Gazprom's internal regulations on matters reserved to the Management Committee	6
Other matters reserved to the Management Committee	15

Audit Commission

The Audit Commission's authority is set forth in the Federal Law On Joint-Stock Companies and PJSC Gazprom's Articles of Association. The Audit Commission operates under the Regulations on the Audit Commission of JSC Gazprom approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting (Minutes No. 1 dated 28 June 2013).

Key roles of the Audit Commission

- Monitor fair presentation of PJSC Gazprom's financial and accounting statements and other information on the Company's financial and business operations and condition of its assets;
- supervise statutory compliance of PJSC Gazprom's accounting practices and of submission of its financial statements and information to relevant authorities and shareholders;
- enhance the Company's asset management and other financial and business operations of PJSC Gazprom, mitigate financial and operating risks and improve internal controls.

The Audit Commission has nine members and is elected by the General Shareholders Meeting.

The Audit Commission cooperates with the Audit Committee of the Board of Directors. Following an audit of PJSC Gazprom's financial and business operations, the Audit Commission presents its opinion confirming the fairness of data in the Company's statements and other financial documents.

Members of the Audit Commission elected by the General Shareholders Meeting on 30 June 2016

Name	Year of birth	Position as at 31 December 2016
Alexey Afonyashin	1983	Head of the Long-Term Strategy Directorate at the Strategy and Innovation Department of PAO Gazprom Neft
Vadim Bikulov	1957	Deputy Department Head, Directorate Head at the Department of the Management Committee Administration, Secretary of the Audit Commission of PJSC Gazprom
Alexander Gladkov	1969	Department Director of the Ministry of Energy of the Russian Federation
Margarita Mironova	1964	First Deputy Head of the Management Committee Administration, Department Head at the Management Committee Administration of PJSC Gazprom
Yury Nosov	1963	Deputy Head of the Management Committee Administration, Department Head at the Management Committee Administration, Executive Secretary of the Management Committee of PJSC Gazprom
Karen Oganyan	1974	Department Head of PJSC Gazprom
Sergey Platonov	1966	Deputy Department Director of the Ministry of Finance of Russia
Viktoria Semerikova	1983	Currently has no assigned roles
Tatiana Fisenko	1961	Department Director of the Ministry of Energy of the Russian Federation

In 2016, the Board of Directors of PJSC Gazprom was focused on fostering an environment conducive to PJSC Gazprom's consistent performance and growth as a global energy company, as well as on increasing its market capitalisation, strengthening the Company's investment case, ensuring efficient supervision of asset management, investment, financial and business activities, improving the effectiveness and transparency of its internal controls, enhancing the control and accountability framework of the Company's management bodies, and securing shareholder rights.

As part of its activities in the reporting year, the Board of Directors of PJSC Gazprom was consistently committed to its key role of determining priority areas of operation and strategy for PJSC Gazprom.

PJSC Gazprom's Board of Directors passed key resolutions in major areas of the Company's business.

Strategic Development

In 2016, the Board of Directors specifically focused on implementation and adjustment of strategic documents and development programmes adopted by the Board of Directors in previous reporting periods.

One of the Board of Directors meetings discussed the progress of the Innovative Development Programme until 2020 in the reporting period and its effect on the Company's financial performance, as well as effective use of funds allocated for research and development (R&D). The meeting also discussed other aspects of PJSC Gazprom's innovative development, such as implementation of comprehensive programmes developed through R&D, enhancement of corporate intellectual property management, collaboration with Russian manufacturers from associated industries, and strengthening partnerships between the Company and higher educational institutions.

[The economic benefit from using the results of 15 key R&D projects exceeded RUB 31 bn in 2011–2014.](#)

Additionally, in 2016, these results drove the Board of Directors' resolution to approve the updated PJSC Gazprom's Innovative Development Programme until 2020.

For more details on the Company's innovation performance, see the Innovations and Import Substitution section. Pages 87–91.

In the reporting year, the Board of Directors also approved the Company's efforts to drive the integration of Russian technologies in Gazprom Group's production operations. The meeting updated the Board of Directors on PJSC Gazprom's intentions to use advanced high-tech equipment, primarily Russia-made, at its facilities. At the same time, the Company's technical policy relies on its corporate standards, which are stricter than any relevant inter-

national or national documents. PJSC Gazprom has very stringent requirements to reliability and safety of purchased equipment, thus driving domestic manufacturers to upgrade their processes and produce competitive products.

For more details see the Import Substitution section. Pages 90–91.

A meeting of the Board of Directors discussed the implementation of the Programme for Expansion of Gas Infrastructure in Russian Regions. The Company fully meets its obligations to bring gas to specific locations. However, some regional administrations have failed to ensure consumers' readiness to receive gas in due time. At the meeting, the Board of Directors addressed yet another concern — growing non-payments for supplied gas, which hinder the expansion of gas infrastructure. The Company has to curtail its gas infrastructure expansion efforts in the regions that fail to meet their obligations to ensure gas consumers' readiness to receive gas supply and have the poorest payment discipline.

[In 2005–2015, PJSC Gazprom's investment in its Programme for Expansion of Gas Infrastructure totalled RUB 270.2 bn.](#)

The meeting touched upon development of general schemes for gas supply of Russia's federal districts, which was initiated in 2015 to improve regional gas supply arrangements by involving vacant capacity available in neighbouring Russian regions. The meeting also discussed the outcomes of pilot projects to deploy standalone gas grids to supply gas to consumers in distant areas of Russia with no access to trunk pipelines through small-scale LNG production. To develop a self-sustaining gas infrastructure in Russia, Gazprom needs to solve a number of pricing and tariff setting issues. The Board of Directors instructed the Management Committee to continue the implementation of the Programme for Expansion of Gas Infrastructure in Russian Regions.

[Over the last 10 years, the Programme increased the scale of gasification by 12.9% on average across Russia, to reach 66.2% by the beginning of 2016.](#)

The Board of Directors took note of the reported global prospects of shale gas and LNG industries, and opportunities and threats they pose for the Company. The attendees of the Board of Directors meeting noted that in the medium and long term, shale gas production outside North America will be limited to a small number of countries, while the USA will remain the largest global producer. In the foreseeable future, shale gas extraction in Russia is not likely to be viable due to abundance of conventional gas fields.

The discussions of LNG prospects also touched upon the launch of LNG supplies from the US East Coast. It was pointed out that in the European market American LNG is loosing to the pipeline gas supplied by PJSC Gazprom. Another focus for the Board of Directors was the key objective of growing the LNG share in PJSC Gazprom's portfolio to expand its sales geography and increase gas exports. Following the meeting, PJSC Gazprom's Management Committee was instructed to continue monitoring of shale gas and LNG developments in the global market.

In 2016, the Board of Directors of PJSC Gazprom was strongly focused on developing the Russian NGV fuel market. One of the meetings discussed the Company's active involvement in facilitating a wider use of NGV fuel in the Russian transport industry, specifically through developing the gas fuelling infrastructure, purchasing NGVs, collaborating with major vehicle manufacturers in NGV production, and maintaining dialogue with authorities on supporting the NGV fuel industry.

Following the meeting, the Management Committee was instructed to continue developing the Russian NGV fuel market.

One of the Board of Directors meetings discussed the pricing of natural gas exports. The meeting also emphasised that a combination of long-term contracts and new trading modes and frameworks will help Gazprom strengthen its market position and increase revenues from Russian gas exports.

A meeting of the Board approved a list of initiatives to increase the Company's share in the global gas market and associated markets. To capture industry developments, it is essential for PJSC Gazprom to update this document to ensure further successful growth as a global energy company.

List of key initiatives to increase PJSC Gazprom's share in the global gas market and associated markets (approved by Resolution of the Board of Directors No. 2678 dated 16 February 2016)

- Improve contracting for pipeline gas supplies in the modern context;
- Increase pipeline gas supplies from Russia to the Asia Pacific;
- Increase supplies of Gazprom Group's LNG to global markets, coordinated with the pipeline gas business;
- Deliver LNG production projects inside and outside Russia, including through partnerships;
- Develop small-scale LNG production and competitive supplies to external markets;
- Develop production and competitive supplies of higher-grade products, including liquefied helium, LHG and other valuable components of natural gas to global markets;
- Expand geography of the NGV fuel segment to external markets;
- Increase natural gas supplies to the foreign power generation segment, while mitigating potential adverse effect on Gazprom Group's sales portfolio;
- Expand geography of natural gas supplies to end consumers in foreign markets;
- Assist in improving sentiment towards natural gas in key foreign markets;
- Deliver strong management of the Company's expenditure on these initiatives.

Directors were informed that the updated list should factor in reviewed data on the Company's business priorities, particularly, to streamline pipeline gas and LNG supplies, and to set up and enhance new segments in the gas market. The meeting noted that stepping up the Company's efforts in Asia is vital for expanding its geographical footprint. Increased Russian pipeline gas supplies to China are of strategic importance.

One of the Board meetings discussed the influence of 2016 events on the long-term outlook for the global energy market. The meeting noted that recent economic and geopolitical events did not result in any substantial adjustments to the long-term outlook for the global energy market. The Company's position in the longer term are stable, including due to its access to the world's largest gas reserves, strong production and transportation infrastructures, long-term contracts and diversification of exports.

For more details on trends and developments in oil and gas markets, as well as on Gazprom Group's prospects, see the Strategy section. Pages 32–49.

In 2016, PJSC Gazprom's Board of Directors was specifically focused on the implementation of the Company's major investment projects. During one of its meetings, the Board of Directors pointed out that the Company was fully involved in large-scale building of new and expanding of the existing gas production, transportation and processing facilities across Russia. This is required to maintain strong domestic energy security, improve reliability of consumer gas supplies, create a suitable environment for entering new markets and increasing gas export supplies. The projects were fully on schedule. The meeting discussed the progress under the Eastern Gas Programme (development of Sakhalin III fields (Kirinskoye and Yuzhno-Kirinskoye), Chayandinskoye and Kovyktinskoye fields, construction of the Power of Siberia pipeline and the Amur GPP) and the development of the Bovanenkovskoye field, the biggest in the Yamal Peninsula.

The Board Directors were updated on the Company's comprehensive efforts to expand its gas transportation system in the corridor linking the Yamal Peninsula and the Gulf of Finland, to develop the GTS in Russia's South West, which enabled gas supplies into the prospective Turkish Stream offshore pipeline, as well as on the initiatives taken to improve the reliability of gas supplies in the Kaliningrad Region. The meeting also focused on PJSC Gazprom's efforts to consistently grow the potential maximum daily capacity of UGSFs in Russia and to develop liquid hydrocarbons processing capacity to support the planned substantial increase in production in the Nadym-Pur-Taz region. The Board of Directors instructed the Management Committee to continue the implementation of the Company's major investment projects.

Financial and Business Activity, Investment Activity, and Audit

About one third of the matters discussed by the Board of Directors throughout 2016 were related to supervision of financial, business, and investment activities.

The Company's core operations for 2016 were approved through the Investment Programme, the Budget (Financial Plan) and the Cost Optimisation (Reduction) Programme by the Resolution of the Board of Directors No. 2647 dated 28 December 2015 (Minutes of the Board of Directors' meeting No. 1053 dated 28 December 2015). Based on the Company's 6M 2016 results, the Board of Directors approved new versions of the Investment Programme, the Budget (Financial Plan), and the Cost Optimisation (Reduction) Programme for 2016 by the Resolution of the Board of Directors No. 2829 dated 18 October 2016 (Minutes of the Board of Directors' meeting No. 1103 dated 18 October 2016). The new version of the Investment Programme for 2016 provided for the total investment expenditure of RUB 853.0 bn, including long-term financial investments of RUB 173.2 bn, and for acquisition by PJSC Gazprom of non-current assets for RUB 10.4 bn. The new version of the Financial Plan for PJSC Gazprom's Investment Programme for 2016 totals RUB 854.0 bn. The new version of PJSC Gazprom's Budget for 2016 provided for RUB 187.8 bn of external borrowings. The adopted Financial Plan will enable PJSC Gazprom to meet its obligations in full and with no shortages.

The new version of the Cost Optimisation (Reduction) Programme for 2016 provides for initiatives to optimise (reduce) costs with the total planned benefit of RUB 16 bn.

In December 2016, following the review of the Company's preliminary results for 2016, the Board of Directors approved PJSC Gazprom's Investment Programme, Budget (Financial Plan) and Cost Optimisation (Reduction) Programme for 2017 by the Resolution of the Board of Directors No. 2870 dated 19 December 2016 (Minutes of the Board of Directors' meeting No. 1114 dated 19 December 2016). The Investment Programme of PJSC Gazprom for 2017 provides for the total investment expenditure of RUB 911.2 bn, including long-term financial investments of RUB 285.1 bn, and for acquisition by PJSC Gazprom of non-current assets for RUB 0.1 bn. The Financial Plan for PJSC Gazprom's Investment Programme for 2017 totals RUB 910.7 bn. PJSC Gazprom's Budget (Financial Plan) for 2017 provides for RUB 288.26 bn of external borrowings. The adopted Financial Plan will enable PJSC Gazprom to meet its obligations in full and with no shortages. The Cost Optimisation (Reduction) Programme for 2017 provides for initiatives to optimise (reduce) costs with the total planned benefit of RUB 12.2 bn.

The Board of Directors took note of the reported areas of cost optimisation (reduction) by Gazprom Group in 2016. PJSC Gazprom controls its costs in several key areas, such as drafting the Investment Programme and the Budget, developing and implementing the Cost Optimisation (Reduction) Programme, executing cost optimisation plans in specific business areas, and procuring goods, works and services. The Company is committed to further improve its cost optimisation approaches based on the industry's best practices. Following the meeting, the Management Committee was instructed to continue optimising (reducing) the Group's costs.

When discussing PJSC Gazprom's initiatives to enhance investor and shareholder relations, the Board of Directors noted that despite the challenging macroeconomic environment, the Company was fully involved in enhancing its effective and long-term investor relations. The Company's management and other representatives maintain direct contact with analysts and investors, thus ensuring first-hand detailed and up-to-date knowledge of PJSC Gazprom's operations, latest achievements and further growth strategy, which has a favourable effect on assessing potential investments in the Company's securities.

For more details on PJSC Gazprom's relations with investors and shareholders, see the Share Capital and Securities Market section. Pages 154–161.

The Company continues to improve its corporate governance to factor in the international best practices and to diversify its investor base and financing sources. Following the meeting, the Management Committee was instructed to continue enhancing investor and shareholder relations.

Improved Corporate Governance and HR Policy

The matters of improving the corporate governance and HR policy accounted for 39% of the total agenda items discussed by the Board of Directors in 2016.

As part of its improvement efforts, in the reporting year, the Board of Directors decided to set up its Nomination and Remuneration Committee and approved relevant Regulations on the Committee.

A meeting dedicated to reviewing the performance of PJSC Gazprom's HR policy and employee incentive schemes, and the delivery by the management of PJSC Gazprom and its major subsidiaries of their KPIs discussed the Company's business processes for engaging and retaining highly skilled professionals and enhancing their competencies. Following the meeting, the Management Committee was instructed to continue improving employee management and incentive schemes used by PJSC Gazprom, its subsidiaries and entities.

For more details on the Company's HR policy, see the Personnel section. Pages 102–105.

Corporate governance improvements discussed by the Board of Directors included the progress on the Action Plan (Roadmap) to adopt the Corporate Governance Code. In particular, this document provides for introduction of the role of the Corporate Secretary, a dedicated business unit authorised, in particular, to ensure strong relations with regulatory authorities and other professional security traders. The Board of Directors decided to distribute the Corporate Secretary roles between PJSC Gazprom's relevant business units.

For more details on the introduction of the role of the Corporate Secretary, see the Corporate Governance Framework section. Pages 128–133.

The Board of Directors also passed a number of resolutions to approve transactions with, and management of, the property and other assets of PJSC Gazprom and its subsidiaries (106 resolutions in total), including 79 resolutions on approval of related-party transactions and 18 resolutions on acquisition or disposal by PJSC Gazprom or its subsidiaries of shares or interest in the authorised capital of other entities, including their subsidiaries.

Documents defining remuneration of members of PJSC Gazprom's management and supervisory bodies

- Regulations on the Guidelines on Remuneration of the Board of Directors of JSC Gazprom (approved by Resolution of the Board of Directors No. 2523 dated 15 April 2015);
- Regulations on Remuneration of the Audit Commission of PJSC Gazprom (approved by Resolution of the Board of Directors No. 2641 dated 9 December 2015, as amended);
- Regulations on the Annual Bonus Scheme for the Management of PJSC Gazprom (approved by Resolution of JSC Gazprom's Board of Directors No. 927 dated 19 December 2006, as amended);
- Regulations on the Employee Equity Sharing Plan for the Management of PJSC Gazprom (approved by Resolution of JSC Gazprom's Board of Directors No. 2105 dated 26 December 2012, as amended);
- Regulations on PJSC Gazprom's Key Performance Indicators (approved by Resolution of JSC Gazprom's Board of Directors No. 2435 dated 21 October 2014, as amended).

Remuneration Scheme for Members of Executive Bodies and Other Key Employees of PJSC Gazprom

Short-term remuneration of members of PJSC Gazprom's executive bodies (Chairman of the Management Committee, members of the Management Committee) and other PJSC Gazprom's executives is determined by their employment agreements.

Remuneration paid by PJSC Gazprom to its key executives creates sufficient incentives for them to work efficiently, while enabling the Company to engage and retain competent and qualified specialists.

Key components of the system of remuneration of PJSC Gazprom's executives, including members of the Management Committee, are the Annual Bonus Scheme for the Management of PJSC Gazprom and the Employee Equity Sharing Plan for the Management of PJSC Gazprom.

The Annual Bonus Scheme covers the executives of PJSC Gazprom and its key gas production, transportation, underground storage, processing and sales subsidiaries. Executives' annual bonus is linked to the Company's performance (achievement of corporate key performance indicators (KPIs)) and personal contribution of executives (achievement of individual targets).

Weight of corporate KPIs for the management in the reporting period bonus, starting from 2016, %

Financial and economic KPIs		70
Per unit costs in Production		15
Per unit costs in Transportation		15
Return on equity, ROE		20
Total shareholder return, TSR		10
Reduction of operating costs (expenses)		5
Labour efficiency		5
Industry-specific KPIs		30
Gas sales by volume		10
Major production facilities commissioned		10
Integrated Innovation Key Performance Indicator		10

Performance against each KPI is factored in when calculating the annual bonus for the Company's management. Where a KPI is not achieved, the annual bonus is reduced. Thus, the amount of remuneration is linked to KPIs, and the management is motivated to achieve KPIs.

For more details on corporate KPIs for the management see the Strategy section. Pages 32–49.

The Employee Equity Sharing Plan for the Management aims to provide an extra financial incentive for PJSC Gazprom's management to support the Company's stock performance. The Programme, therefore, provides for the achievement of the following objectives:

- better align the interests of the Company's shareholders and management;
- link the Programme participants' extra income to PJSC Gazprom's share price growth.

The Programme stipulates holding of PJSC Gazprom's shares by executives. Executives can acquire shares at their own cost or with money lent by AO Gazprombank as part of the Programme. AO Gazprombank also provides depositary and broker services under the Programme. As a credit institution, AO Gazprombank performs the operator's functions under the Programme within the framework of its core operations.

PJSC Gazprom's executives holding positions of department heads or higher and the management of subsidiaries engaged in the core activities are eligible to participate in the Programme. In 2016, 71 executives were eligible to participate in the Programme.

Remuneration of Members of the Board of Directors

Pursuant to the Regulations on the Board of Directors of PJSC Gazprom and the Company's Articles of Association, members of the Board of Directors, during the period of their service, may be remunerated and/or reimbursed for expenses related to the performance of their duties as members of the Board of Directors if so resolved by the General Shareholders Meeting. The amount of such remuneration and/or reimbursement is determined by resolution of the General Shareholders Meeting.

In addition, during the year, members of the Board of Directors of PJSC Gazprom who are full-time employees of the Company are paid salaries attaching to their positions as per the employment agreements.

Remuneration of a member of the Board of Directors has a clear structure and is comprised of three parts: fixed base, additional and bonus. Fixed base remuneration is paid for acting as a member of the Board of Directors, additional remuneration is paid for additional responsibilities such as acting as Chairman of the Board of Directors, Deputy Chairman of the Board of Directors or for service on committees of the Board of Directors. In addition, the Guidelines on Remuneration of the Board of Directors of PJSC Gazprom provide for a bonus part for achieving corporate KPIs.

The Guidelines on Remuneration of the Board of Directors of PJSC Gazprom are developed in line with international best practices.

Remuneration of members of PJSC Gazprom's Board of Directors is adjusted to compensate for the negative impact of inflation. It is also stipulated that the Board of Directors may recommend to the General Shareholders Meeting to reduce remuneration payable to members of the Board of Directors against those calculated in accordance with the Guidelines due to existing economic conditions.

Remuneration Paid to Members of the Board of Directors, Members of the Management Committee and Chairman of the Management Committee

Short-term remuneration paid by PJSC Gazprom in 2016 to members of the Board of Directors, members of the Management Committee and the Chairman of the Management Committee (including salaries, bonuses and remuneration for their service on PJSC Gazprom's management bodies) amounted to RUB 3,196,598 thousand. The amount is inclusive of personal income tax and insurance premiums. Members of the Board of Directors holding public or civil office receive no remuneration from PJSC Gazprom.

Remuneration of members of the Board of Directors paid by the Company in 2016

Type of remuneration	Amount, RUB thousand
Remuneration for service on a management body	209,476
Salary	57,885
Bonuses	43,666
Reimbursement for expenses incurred by a member of a management body in connection with his/her duties	—
Other remuneration	10,520
Total	321,547

Note. The amounts are inclusive of personal income tax.

Remuneration of members of the Board of Directors for service on a management body paid in 2016			
Name	Position	Holding public or civil office	Amount, RUB
Viktor A. Zubkov	Chairman of the Board of Directors	Holds no such office	26,073,280
Alexey B. Miller	Deputy Chairman of the Board of Directors	Holds no such office	25,207,780
Valery A. Musin*	Member of the Board of Directors, Chairman of the Board of Directors' Audit Committee	Held no such office	10,878,495
Farit R. Gazizullin	Member of the Board of Directors, member of the Board of Directors' Audit Committee	Holds no such office	21,457,280
Mikhail L. Sereda	Member of the Board of Directors, member of the Board of Directors' Audit Committee	Holds no such office	21,457,280
Alexander V. Novak	Member of the Board of Directors	Holds an office	–
Vladimir A. Mau	Member of the Board of Directors	Holds no such office	20,880,280
Vitaly A. Markelov	Member of the Board of Directors	Holds no such office	20,880,280
Timur A. Kulibaev	Member of the Board of Directors	Holds no such office	20,880,280
Andrey I. Akimov	Member of the Board of Directors	Holds no such office	20,880,280
Viktor G. Martynov	Member of the Board of Directors	Holds no such office	20,880,280
Total			209,475,515
* Valery Musin was a member of the Board of Directors until 22 December 2015.			
Note. The amounts are inclusive of personal income tax.			

Remuneration of members of the Management Committee paid by the Company in 2016	
Type of remuneration	Amount, RUB thousand
Remuneration for service on a management body	–
Salary	1,213,506
Bonuses	1,176,159
Reimbursement for expenses incurred by a member of a management body in connection with his/her duties	–
Other remuneration	59,261
Total	2,448,926
Notes. 1. The amounts are inclusive of personal income tax. 2. Income received by members of PJSC Gazprom's Board of Directors who are also members of PJSC Gazprom's Management Committee and full-time employees of the Company for service on the Board of Directors was accounted for in the income received by members of the Board of Directors. Other types of remuneration paid to such members of the Board of Directors and/or reimbursement for their expenses are included in the total remuneration and/or reimbursement for expenses of PJSC Gazprom's Management Committee.	

In addition, PJSC Gazprom provides voluntary medical insurance to the Chairman of the Management Committee, members of the Management Committee and members of the Board of Directors employed by PJSC Gazprom. In 2016, voluntary medical insurance premiums were RUB 6,914 thousand.

Remuneration of Members of the Audit Commission of PJSC Gazprom

The Guidelines on Remuneration of Members of the Audit Commission of PJSC Gazprom approved by resolution of the Board of Directors, provide, inter alia, for the use of a personal involvement factor which reflects the member's attendance at the meetings of the Audit Commission and additional responsibilities as Chairman of the Audit Commission.

In 2016, remuneration paid to members of the Audit Commission for their service was RUB 24,965 thousand. The amount is inclusive of personal income tax.

Remuneration paid in 2016 to members of PJSC Gazprom's Audit Commission for service on a body exercising control over financial and business activities

Name	Position	Holding public or civil office	Remuneration paid, RUB
Marina V. Mikhina	Chairman of the Commission	Holds no such office	4,656,233
Karen I. Oganyan	Member of the Commission	Holds no such office	3,581,718
Vadim K. Bikulov	Member of the Commission (Secretary)	Holds no such office	3,581,718
Yury S. Nosov	Member of the Commission	Holds no such office	3,581,718
Margarita I. Mironova	Member of the Commission	Holds no such office	3,581,718
Alexey A. Afonyashin	Member of the Commission	Holds no such office	2,399,751
Viktoria V. Semerikova	Member of the Commission	Holds no such office	3,581,718
Sergey R. Platonov	Member of the Commission	Holds an office	–
Tatiana V. Fisenko	Member of the Commission	Holds an office	–
Total			24,964,574

Note. The amounts are inclusive of personal income tax.

As part of Gazprom Group's insurance arrangements, starting from 2008, liability insurance is offered to members of the Board of Directors (including independent directors but excluding directors who hold public office) and the Management Committee of PJSC Gazprom. The insurance covers damages to shareholders, lenders or other persons resulting from unintentional errors (omission) committed by policyholders in their management roles.

The insurance agreement covers the following risks:

- third-party claims against members of the Board of Directors and Management Committee of PJSC Gazprom for damages resulting from unintentional errors committed by policyholders in their management roles;
- third-party claims against PJSC Gazprom for damages resulting from unintentional errors committed by members of the Board of Directors and Management Committee of PJSC Gazprom in their management roles: claims related to PJSC Gazprom's securities and claims initially filed against members of the Board of Directors or the Management Committee.

Insurance premiums and coverage amount under the insurance agreement signed in 2016 remained unchanged against 2015 at USD 1.575 million and USD 100 million, respectively.

Insurance programme optimisation plans in 2017

- Switch to a standard form of agreement for liability insurance used in the Western insurance and reinsurance market, referencing new regulations on securities trading adopted in the Russian Federation, USA or UK;
 - Include Department heads (who are not members of the Management Committee) in the list of insured persons;
 - Include additional coverage extensions with a larger insurer's indemnity limit, extend the deadline for notifying the insurer of claims received;
 - Reduce and update the list of uncovered risks (exclusions from the insurance coverage).
-

The insurance coverage under the current agreement for liability insurance of members of PJSC Gazprom's Board of Directors and Management Committee is in line with PJSC Gazprom's requirements and Russian and international insurance standards in terms of insured risks and indemnity limits.

Internal Control System

PJSC Gazprom's internal control system is crucial for protecting the interests of shareholders and investors. It represents an aggregate of internal control bodies and methods, rules of conduct and acts of employees in achieving PJSC Gazprom's objectives.

Objectives, goals and components of the internal control system, its operating principles, as well as PJSC Gazprom's management bodies and persons responsible for internal control are set forth in the Regulations on the Internal Control System of PJSC Gazprom (approved by Resolution of the Board of Directors No. 2315 dated 25 February 2014, as amended).

The internal control system is designed to provide reasonable assurance that the Company:

- performs efficiently;
- ensures completeness, timeliness and fairness of all types of PJSC Gazprom's accounts and reports;
- complies with applicable laws;
- prevents and counters corruption;
- protects its assets (including information assets).

Internal control system operating principles

- 1 Interaction
- 2 Continuous operation
- 3 Prompt response
- 4 Accountability
- 5 Development
- 6 Separation of duties
- 7 Compliance
- 8 Relevance
- 9 Functionality
- 10 Cost efficiency

Internal control is exercised by PJSC Gazprom's Board of Directors, Audit Committee of PJSC Gazprom's Board of Directors, PJSC Gazprom's Audit Commission, executive bodies (the Management Committee and Chairman of the Management Committee), heads of business units and other employees of the Company.

The internal control system in PJSC Gazprom generally complies with the corporate governance principles set out in the Russian Corporate Governance Code, and international practices.

The Department charged with internal audit carries out an objective and independent assessment of the internal control system.

Powers and responsibilities of bodies exercising internal control

- The Board of Directors and the Board's Audit Committee are responsible for establishing a corporate internal control policy.
- PJSC Gazprom's Audit Commission operates according to its authority determined by the Company's Articles of Association.
- The Chairman of the Management Committee ensures the development and efficient operation of the internal control and risk management system by approving regulations on internal control procedures and their implementation by the Company's business units according to their line of business.
- The management and employees of business units in PJSC Gazprom's business lines are responsible for the development, documentation, introduction, implementation, monitoring and improvement of internal control procedures.
- The Department of PJSC Gazprom charged with internal audit carries out independent and objective assessment of the effectiveness of the internal control system using a risk-based approach and makes recommendations on its improvement.

Internal Audit

Internal audit assists in achieving the Company's objectives through a structured and consistent approach to assessment and improvement of risk management, control and corporate governance processes.

Duties related to organising and conducting internal audits in PJSC Gazprom are assigned to the Department, a dedicated business unit of the Company; in PJSC Gazprom's subsidiaries and entities these duties are assigned to internal audit departments of such subsidiaries or entities. The Department's key priority is to provide PJSC Gazprom's Audit Committee and management with independent and objective assurances and advice as to the improvement of the Company's performance.

Activities of the Department are governed by PJSC Gazprom's Regulations on Internal Audit (approved by Resolution of the Board of Directors No. 2621 dated 6 November 2015), internal auditors' Code of Ethics (approved by Resolution of the Board of Directors No. 1956 dated 14 March 2012), JSC Gazprom's Internal Audit Development Concept (approved by the Board of Directors' Audit Committee on 25 June 2015), Regulations on the Department (approved by the Board of Directors' Audit Committee and PJSC Gazprom's Order No. 419 dated 23 June 2016), International Standards for the Professional Practice of Internal Auditing, and methodological guidelines on internal auditing of the Federal Agency for State Property Management.

The Department is administratively accountable to the Chairman of PJSC Gazprom's Management Committee within the Administration of the Management Committee and functionally accountable to the Board of Directors (through the Board of Directors' Audit Committee). Head of the Department is appointed and removed from office by the Chairman of the Company's Management Committee upon recommendation of the Deputy Chairman of the Management Committee — Head of the Administration of the Management Committee approved by the Board of Directors (through the Board of Directors' Audit Committee).

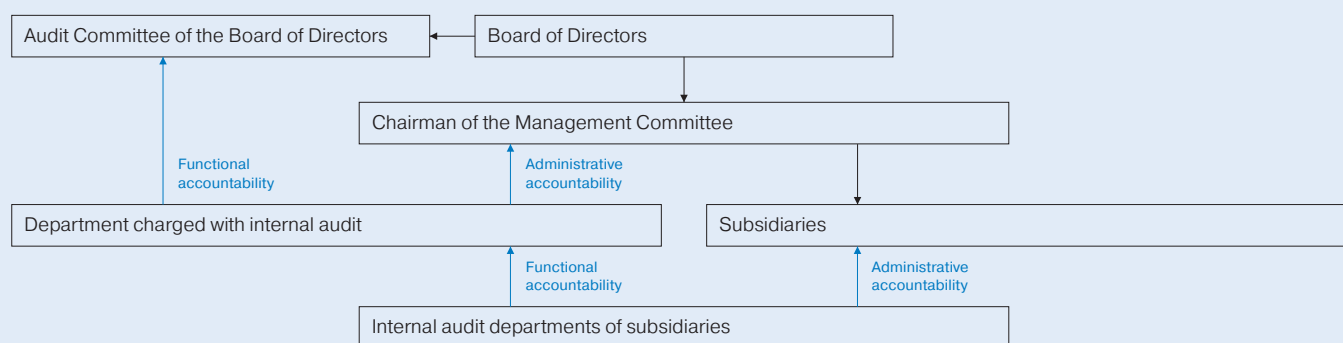
The Department organises and conducts internal audits of PJSC Gazprom's business units, subsidiaries and entities as per the established procedure and in accordance with the Russian and international best practices in internal audit. The purpose of the audits conducted in 2016 was to identify risks and assess the effectiveness of the Company's significant business lines and processes in terms of:

- achievement by the auditees of their objectives;
- efficiency and effectiveness of operations;
- protection of assets;
- compliance of operations with the terms and conditions of contracts, requirements of the laws and local regulations.

Results of internal audits conducted by the Department are used to develop and submit proposals to PJSC Gazprom's management on elimination of violations, irregularities and their causes. Based on the proposals made by the Department, the Chairman of the Management Committee gives instructions to PJSC Gazprom's business units, subsidiaries and entities aimed at improving the Company's performance. The Department monitors the execution of such instructions.

The internal audit system in the Company meets the corporate governance principles set out in the Russian Corporate Governance Code (principles 263–273). In December 2015, an external assessment was carried out and the opinion was given on compliance of PJSC Gazprom's internal audit function with the Definition of Internal Auditing, Code of Ethics and International Standards for the Professional Practice of Internal Auditing. In 2016, the Department used the assessment materials to develop and approve an Action Plan to Improve the Internal Audit Framework in PJSC Gazprom. The Department successfully completed all activities scheduled for 2016.

Internal audit system



→ Subordination
 → Accountability

External Auditor

PJSC Gazprom selects its auditor annually by a public tender in accordance with applicable Russian laws.

A public tender for the service contract to audit PJSC Gazprom's accounting (financial) statements, Gazprom Group's consolidated accounting statements and Gazprom Group's consolidated IFRS financial statements for 2016 was announced on 25 February 2016.

The agenda item On the Assessment of Candidates for PJSC Gazprom's Auditor Engaged to Audit the Company's Accounting Statements for 2016 was reviewed at the meeting of the Board of Directors' Audit Committee held in person on 19 April 2016.

In 2016, OOO FBK won the public tender among audit firms to conduct statutory annual audit of the PJSC Gazprom and was approved as auditor by the annual General Shareholders Meeting of PJSC Gazprom on 30 June 2016.

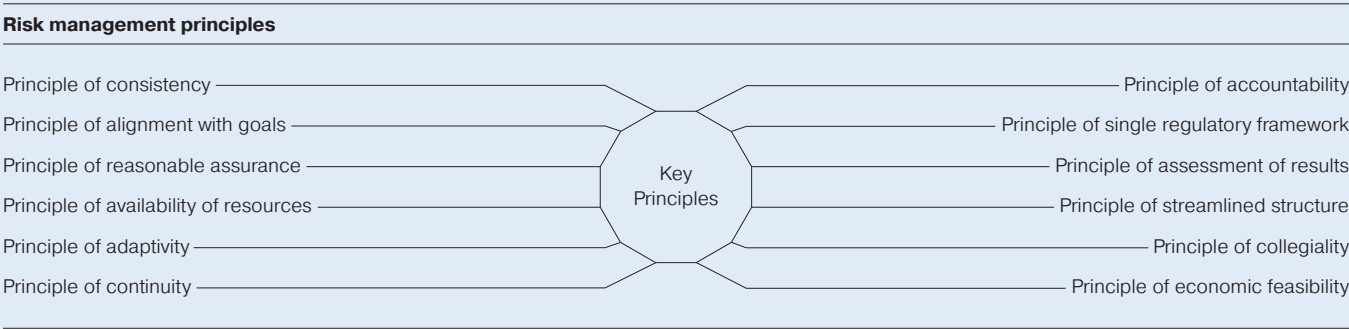
The contract price offered by the winner was RUB 228,000,000 (exclusive of VAT) and was approved by Resolution of the Board of Directors No. 2742 dated 19 May 2016.

In 2016, OOO FBK provided other audit-related services to PJSC Gazprom outside the audit contract. In 2016, a fee of RUB 7,686,649.8 (inclusive of VAT) was paid for other audit-related services.

Risk Management System

Gazprom has in place an effective system to promptly identify, analyse and determine responses to risks. It constitutes an integral part of business processes and ensures favourable conditions for Gazprom Group’s sustainable growth.

Acknowledging that its operations are exposed to uncertainties in the form of risks, the Company implements risk management measures to provide adequate assurances that the goals set for PJSC Gazprom by its governing bodies will be achieved.



The risk management system is based on the following key principles: consistency, alignment with goals; reasonable assurance; adaptability; availability of resources; continuity; collegiality; accountability; assessment of results; streamlined structure; single regulatory framework; economic feasibility.

PJSC Gazprom’s risk management system is defined as an aggregate of the organisational structure, internal regulations, corporate culture standards, methodologies and procedures aimed at providing adequate assurances that PJSC Gazprom’s goals will be achieved, and supporting the management and employees of PJSC Gazprom’s business units and subsidiaries in decision making in an uncertain environment. As an integral part of PJSC Gazprom’s corporate governance framework, it covers all management levels and business lines across the Company.

PJSC Gazprom’s risk management system complies with the principles set forth in the Russian Code of Corporate Governance.

The Board of Directors, the Board’s Audit Committee, the Management Committee, Gazprom Group’s business units and entities, and PJSC Gazprom’s business unit responsible for the risk management system development within the Administration of the Management Committee are involved in the operation of the risk management system.

Risk owners are PJSC Gazprom’s business units, Gazprom Group’s entities or employees responsible for the development, implementation and monitoring of risk management activities.

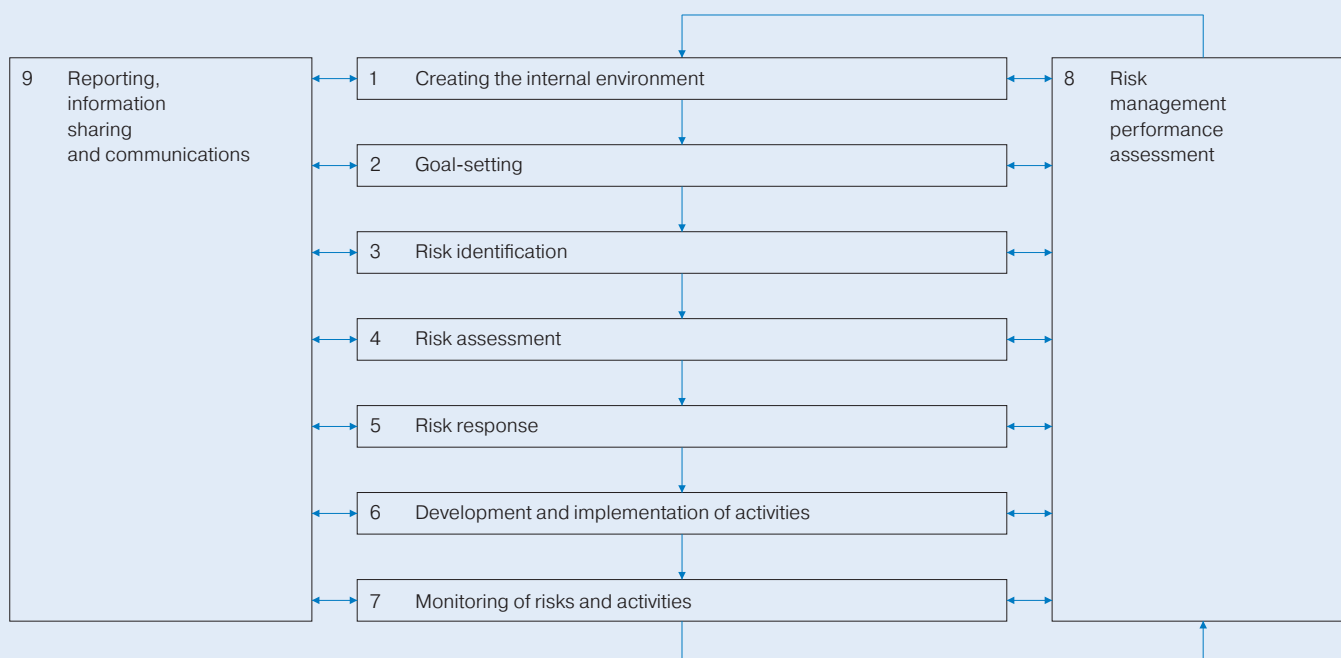
- Key tasks of PJSC Gazprom’s risk management function**
- Developing a single risk management policy;
 - Coordinating risk management activities;
 - Methodological support for the risk management process.

The risk management and internal control systems are inter-related.

PJSC Gazprom’s business units and subsidiaries are charged with risk identification and assessment, development and implementation of risk management activities, monitoring of risks and activities.

- Key areas of the risk management system development**
- Improve the regulatory and procedural framework;
 - Organise and coordinate activities aimed at development and phased introduction of the risk management system;
 - Improve preparation of periodic risk reports;
 - Organise activities to automate risk management processes;
 - Embed a risk management culture.

Risk management process



1	Creating the internal environment implies building a single risk management infrastructure, ensuring continuity of the risk management process, and embedding a corporate risk management culture.	4	Each identified risk is assessed. Qualitative, interval and quantitative methods can be used in risk assessment.	7	Monitoring includes assessment of the current risk levels, verification of progress of risk management activities and assessment of residual risk levels.
2	Goal-setting within the risk management system provides for determining maximum acceptable risk levels.	5	For the purposes of risk management, response options are determined: risk aversion (avoidance); acceptance; reduction (mitigation); redistribution (transfer).	8	Risk management performance assessment is based on internal and external assessment and self-assessment.
3	Risk identification serves to reveal and report threats and risks, both internal and external events that influence the achievement of goals and resolution of tasks.	6	Risk management activities are developed so as to gain reasonable assurance that the level of residual risk does not exceed the maximum acceptable risk level.	9	Risk reporting and sharing of risk information across all management levels follow a standard procedure and approved timelines.

Key Risk Factors

Strategic and country risks

Risks related to the global economy

An unfavourable economic environment can lead to a slow-down in energy demand and drive the cost of borrowed capital.

Risk management/mitigation

To ensure growth of revenue from energy sales PJSC Gazprom diversifies its markets and sales channels and expands the uses of natural gas. To maintain financial stability PJSC Gazprom optimises leverage.

European gas market risks

The EU pursues a policy of diversifying its gas supply sources and increasing the share of natural gas exchange trade, which affects PJSC Gazprom as one of the main suppliers of natural gas to the EU countries.

Risk management/mitigation

PJSC Gazprom ensures reliable and flexible gas supplies through long-term contracts. In September 2016, OOO Gazprom export held a gas auction to try out a new mechanism of gas sales in Europe. Additionally, to minimise the risk of lower supply levels a set of initiatives continues to be implemented to both build new infrastructure and bolster demand for natural gas, as well as strengthen the Company's position in the sectors with a potential for extra supplies.

Political risks

Starting from 2014, Russia is under sanctions imposed by the EU, the United States and other countries over the conflict in Ukraine. The continuation of the conflict is very likely to extend both the list of restrictive measures and the duration of the sanctions.

Risk management/mitigation

PJSC Gazprom pursues a policy of ensuring technological independence and import substitution to reduce the impact the economic restrictions imposed/reintroduced against Russia have on the Company.

Natural gas transit risks

Gas transit via FSU countries, in particular Ukraine, is associated with the risk of the counterparties defaulting on their transit obligations, which exposes Gazprom Group to the risk of improper performance of its obligations under gas supply contracts.

Risk management/mitigation

A number of measures are taken to reduce reliance on transit countries, including diversification of export routes, expanding access to UGSF abroad, and development of LNG trade.

Russian regulatory risks for the gas industry

PJSC Gazprom's operations as a natural monopoly are regulated by Federal Law No. 147-FZ dated 17 August 1995 On Natural Monopolies. The Government holds an interest of over 50% in the share capital of PJSC Gazprom.

Risk management/mitigation

PJSC Gazprom interacts with government authorities on a regular basis to improve the pricing policy and taxation of companies in the gas industry; objective supporting cases are prepared to inform decision making by PJSC Gazprom's Board of Directors.

Unconventional gas development risks

Unconventional gas production has been growing over the last ten years, primarily from shale deposits in the US, along with limited volumes in several other regions around the world.

In North America, it had a notable effect on the structure of gas supply sources and gas consumption, and drove the development of new LNG export projects, with the first one launched Q1 2016.

Certain countries in South America, Europe and South-East Asia, as well as one European country (the UK) remain interested in unconventional gas production; however, the risk that these regions will discontinue gas imports in the mid-term is still assessed as insignificant.

Risk management/mitigation

PJSC Gazprom continuously monitors the evolution of the shale gas industry and developments in other unconventional hydrocarbons industries around the world. The monitoring results, including the economics of unconventional gas production and its potential as a competition to PJSC Gazprom in its existing or prospective markets, are reviewed by PJSC Gazprom's Board of Directors on a regular basis, which enables the Company to build an effective region-specific marketing policy relying on different gas distribution mechanisms.

Renewable energy risks

Renewable energy output can be expected to grow in some countries, which may squeeze gas consumption in these markets.

Risk management/mitigation

The use of natural gas, inter alia, for power generation offers consumers economic, technological and environmental benefits, which, PJSC Gazprom believes, will support natural gas as the most common energy source. In most cases, renewable power generation supplements power generation from other sources and may entail certain risks for the natural gas market if aggressive policies of subsidising renewable energy are maintained at the national and/or supranational level.

Customs, currency and tax regulation risks

Risk of changes in the Russian currency regulation and tax legislation

Currency regulation and tax legislation risks persist, along with the risk of a heavier tax burden on companies operating in the fuel and energy sector. Changes in the Russian currency regulation and tax legislation, as well as tax legislation changes in the countries in which Gazprom Group has a presence may affect the operations of PJSC Gazprom and Gazprom Group's entities.

Risk management/mitigation

PJSC Gazprom consistently monitors changes in the currency and tax legislation, and relevant requirements are strictly complied with. PJSC Gazprom liaises with government authorities to ensure timely adjustment of its operations in line with changes in Russian and international laws.

Risks related to changes in Russian rules on customs control and duties

Customs authorities may introduce additional customs requirements if the rules of customs control and export duty payment are amended.

Risk management/mitigation

PJSC Gazprom complies with the requirements of customs laws, tracking proposed amendments to regulations at the earlier drafting stages, and submits its proposals while interacting with Russian government authorities.

Financial risks

Foreign exchange, interest rate and inflation risks

High exchange rate volatility coupled with income and expenses denominated in different currencies affect PJSC Gazprom's performance.

Risk management/mitigation

To minimise losses from exchange rate volatility, the Company hedges its foreign exchange and interest rate risks.

Credit and liquidity risks

Delayed or incomplete discharge of contractual obligations by some counterparties entails risks for PJSC Gazprom's operations.

Risk management/mitigation

Relations with credit institutions are subject to credit risk limits revised on a regular basis and reflecting, inter alia, the credit rating calculated by PJSC Gazprom, its subsidiaries and entities. Performance of contractual obligations is monitored.

Market risks

If oil prices and gas exchange quotations drop or remain at the current level over a long period of time, resulting risks may lead to a decline in revenues. There are also volume risks associated with a certain flexibility that buyers have in terms of gas offtake.

Risk management/mitigation

These risks are managed by modifying the existing, or entering into new, contracts aligned with the market situation, and by determining approved types of transactions and financial instruments and counterparties to enter into such transactions.

PJSC Gazprom's operating risks

Risks of early termination and suspension of subsoil licenses

Non-compliance with the licence agreements exposes PJSC Gazprom to risks of early termination or suspension of subsoil licences for the survey, exploration and production of hydrocarbons.

Risk management/mitigation

Regular monitoring, control of compliance with licence requirements and timely amendment of licence agreements minimise the likelihood of licence revocation and suspension.

Cost risks

Increased prices for equipment, technical devices, spare parts, as well as works and services, which form the actual cost of capital construction projects, constitute one of the most significant investment risks.

Risk management/mitigation

Competitive procurement, whereby the suppliers offering goods of adequate quality and submitting the lowest price bids are selected, helps cut the costs of procurement and sourcing of feedstock, materials, spare parts, works and services.

Facilities risks

The key operations, including hydrocarbon production, transportation, processing/refining and storage, carry process and engineering, natural and climatic risks, as well as risks of adverse actions by personnel or third parties.

Risk management/mitigation

The Unified Gas Supply System (UGSS) ensures reliable gas supplies. Stable operation of the system is achieved by implementing advanced and innovative diagnostic methods, carrying out timely overhaul and maintenance, revamping and upgrading existing facilities. Insurance coverage is provided to protect subsidiaries' property interests, which includes property insurance (including offshore facilities), business interruption insurance for GPPs, and liability insurance for construction, repair and operation of production facilities.

Hydrocarbon reserve estimation risks

PJSC Gazprom's strategic and financial goals depend on hydrocarbon reserves, and inaccuracies in reserve estimation entail risks for PJSC Gazprom's operations.

Risk management/mitigation

Independent reserve estimation procedures have been developed and are implemented in accordance with the Petroleum Resources Management System (PRMS) standards. The Company's reserves estimated under Russian reserves classification standards are recorded in its books only after the annual review and approval by the State Reserves Commission of the Russian Ministry of Natural Resources.

Environmental risks

The key operations, including hydrocarbon production, transportation, refining/processing and storage, carry environmental risks that may lead to legal, financial and reputational implications.

Risk management/mitigation

The Company is committed to maintaining its environmental policy, implementing programmes and initiatives to reduce its environmental footprint, carrying out environmental activities, taking out environmental risk insurance, and introducing environmental protection technologies. Most subsidiaries have in place and continuously improve environmental management systems certified to ISO 14001:2004.

Ensuring Compliance of Operations with the Laws on Anti-Corruption Practices, Countering the Misuse of Insider Information and Market Manipulation

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PJSC Gazprom and its subsidiaries operate in strict compliance with the laws of the Russian Federation and other countries of presence. The Company supervises compliance with law through its internal controls set to provide assurance of performance, including compliance with the applicable laws, and through its risk management system.

For details on PJSC Gazprom's internal controls see the Internal Control and Audit section; for details on risk managements see the Risk Management section. Pages 143–144, 145–149.

The Company has a special focus on compliance with anti-corruption regulations and countering misuse of insider information and market manipulation.

Anti-Corruption Policy

In accordance with Article 13.3 of Federal Law No. 273-FZ On Combating Corruption dated 25 December 2008, PJSC Gazprom has developed and adopted anti-corruption initiatives to:

- designate business units responsible for prevention of corruption and other offences;
- establish contacts with law enforcement agencies;
- develop and apply practices ensuring good faith performance of the Company;
- adopt the code of ethics and rules of business conduct for the Company's employees;
- prevent and resolve conflicts of interest;
- prevent unofficial reporting and the use of forged documents.

The Company adheres to core anti-corruption principles, the legal and organisational framework of preventing and countering corruption, and of minimising and/or mitigating corruption offences, while effective local regulations adopted as anti-corruption measures are designed to drive negative sentiment towards corrupt conduct, to prevent or resolve conflicts of interest, and to prevent bad faith and unlawful behaviour.

The Board of Directors regularly reviews matters related to anti-corruption practices in Gazprom Group.

The Company's Code of Corporate Ethics provides for corporate values and determines the fundamental rules of business conduct stemming from such values, which rule out any conflicts of interest and or cases of corruption, as well as cases of nepotism, with relatives directly or indirectly reporting to each other.

From the Code of Corporate Ethics of PJSC Gazprom

- PJSC Gazprom has established and maintains a zero-tolerance culture with regard to corruption. Both in the Russian Federation and abroad, the Company's employees shall abide by the requirements and restrictions imposed by anti-corruption laws.
- Employees shall not represent the Company in business relationships with any organisations, in which such employees have substantial personal interest distinct from the interests of PJSC Gazprom.
- In accordance with the Code of Corporate Ethics, all PJSC Gazprom's employees shall, in case of any questions on the rules of conduct, apply for clarifications to their immediate superior or the Corporate Ethics Commission, and shall promptly report all cases of being incited to commit actions violating the Code of Corporate Ethics of PJSC Gazprom.



The Code of Corporate Ethics of PJSC Gazprom is available on PJSC Gazprom's website.

The Code's provisions are mandatory for PJSC Gazprom's employees (including all members of the Management Committee and the Board of Directors employed by PJSC Gazprom) and the Company-controlled corporate entities, while being non-binding for individuals working under service contracts signed with PJSC Gazprom, as well as for contractors and consultants acting as designated agents for and on behalf of PJSC Gazprom before third parties.

PJSC Gazprom and its subsidiaries organise awareness days to communicate to its employees the effective rules of business, including anti-corruption corporate ethics, to ensure strict compliance therewith.

The Company set up the Corporate Ethics Commission, comprised of employees from different business units of PJSC Gazprom, to prevent, eliminate or mitigate conflicts of interest or their implications.

Information on conflicts of interest of members of the Board of Directors, the Management Committee, and the Chairman of the Management Committee of PJSC Gazprom

Members of the Management Committee and the Board of Directors of PJSC Gazprom who are also employees of PJSC Gazprom sign up to the Code of Corporate Ethics of PJSC Gazprom.

In 2016, the Corporate Ethics Commission of PJSC Gazprom received no reports on existing conflicts of interest of members of the Board of Directors, members of the Management Committee or the Chairman of the Management Committee of PJSC Gazprom.

Applications submitted to the Commission are reviewed on a FIFO basis, in accordance with the requirements of the applicable laws of the Russian Federation. In a number of cases, submitted applications are forwarded to PJSC Gazprom's subsidiaries for substantive reviews by the subsidiary's corporate ethics commission, with review results subsequently communicated to the Commission members.

Since 2016, the Ethics Commission has been part of the National Anti-Corruption Plan for 2016–2017 adopted by Presidential Decree No. 14 dated 1 April 2016. To develop anti-corruption mindsets, employees' applications for further clarifications on the rules of business conduct, including rules of anti-corruption ethics, may now be submitted to PJSC Gazprom's subsidiaries and business units.

The Ethics Commission monitors the performance of its peers at subsidiaries and collects information on events held by them to meet corporate requirements and restrictions, including nepotism, receiving of (giving) gifts, etc. The progress on and the results of these efforts are reported to members of the Ethics Commission at the Commission meetings held in person.

The Commission's performance is reported to the Chairman of PJSC Gazprom's Management Committee on an annual basis.

Since November 2014, PJSC Gazprom has operated a Hotline to report incidents of perceived fraud, corruption and embezzlement in Gazprom Group.



Hotline contact information is available on PJSC Gazprom's website.

Similar arrangements are in place at subsidiaries, such as PAO Gazprom Neft, OOO Gazprom transgaz Surgut, OOO Gazprom invest, and some others.

The Company pursues anti-corruption initiatives in its procurement activities: contracts with counterparties include a provision on disclosing ultimate beneficiaries. In 2016, Gazprom Group's tenders revealed 11 cases of bidders affiliated with business entities of PJSC Gazprom, which could lead to a conflict of interests. No contracts were signed with such affiliated bidders.

In 2016, the Company continued to enhance its anti-corruption framework: the Anti-Corruption Policy of PJSC Gazprom and anti-corruption amendments to the Regulations on the Internal Control System of PJSC Gazprom were adopted by resolutions of the PJSC Gazprom's Board of Directors.



The Anti-Corruption Policy of PJSC Gazprom is available on PJSC Gazprom's website.

PJSC Gazprom also issued relevant instructions to update the Company's internal anti-corruption regulations. To enhance its anti-corruption standards, Gazprom Group set up appropriate procedures in accordance with the applicable Russian laws and PJSC Gazprom's local regulations, which:

- inform on the emergence and resolution of a conflict of interest;
- report offences with signs of corruption committed by employees, counterparties or persons, which have become known to an employee, and introduce a procedure for dealing with allegations of corruption;
- report cases when an employee is incited to commit offences and introduce a procedure for reviewing such reports;
- protect whistle blowers who have reported offences relevant to operations of PJSC Gazprom.

Based on its Anti-Corruption Policy, PJSC Gazprom will continue the enhancement of its local regulations to expand anti-corruption measures.

Countering the Misuse of Insider Information and Market Manipulation

PJSC Gazprom is in compliance with the requirements of Federal Law No. 224-FZ On Countering the Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation dated 27 July 2010.

In 2016, the list of PJSC Gazprom's insider information was updated.

Compliance with the requirements of applicable laws is supervised by PJSC Gazprom and its employees through a responsible business unit reporting to PJSC Gazprom's Board of Directors.



The Regulation of JSC Gazprom on Control of Compliance with the Laws on Countering the Unlawful Use of Insider Information and Market Manipulation are available on PJSC Gazprom's website.

In the reporting year, the responsible business unit: updated and sent the list of insiders of PJSC Gazprom to stock exchanges (on request) trading in PJSC Gazprom's securities; received notifications on insider trading in PJSC Gazprom's financial instruments; sent out notifications to persons included in or removed from PJSC Gazprom's list of insiders; and advised PJSC Gazprom's employees on resolving any relevant issues.

The procurement practices of PJSC Gazprom and its subsidiaries are set out in accordance with the applicable Russian laws, including Federal Law No. 223-FZ On Procurement of Goods, Works and Services by Certain Types of Legal Entities and the Regulations on the Procurement of Goods, Works and Services by PJSC Gazprom and Gazprom Group Companies adopted in accordance with the applicable Russian laws and approved by Resolution of the Company's Board of Directors No. 1969 dated 19 April 2012.

PJSC Gazprom and its subsidiaries run an effective vertically integrated procurement system, which relies on the principles of open information, transparency, equal rights, promotion of fair competition, and wider and simpler contractor access to procurement to maximise value for-money, timely and full supply of goods, works or services with the price, quality and reliability required for safe operation of hazardous facilities.

The procurement procedures are public, transparent, standardised and straightforward to the maximum possible extent.

Procurement rules (the Regulations on Procurement) are available in the Unified Information System of public procurement of goods, works and services for state and municipal needs (www.zakupki.gov.ru) (Unified Information System) and on PJSC Gazprom's website (www.gazprom.ru). Information on procurement, including procurement plans, notices, minutes, details of the number and total price of contracts signed as a result of procurement procedures, including procurement from small and medium-sized enterprises (SMEs), information on signed contracts and their execution are published in the Unified Information System and made available to the general public.

In 2016, PJSC Gazprom and its subsidiaries entered into more than 18,000 contracts worth RUB 792 bn through a competitive procurement process and saved over RUB 30.4 bn.

Gazprom Group's competitive procurement is done in electronic format (with some exceptions) through the Electronic Trading Platform of Gazprombank (ETP-GPB) (Gazprom Group Procurement section) integrated with the Unified Information System.

The share of electronic procurement in the total value of competitive procurement by PJSC Gazprom and its subsidiaries exceeds 97%.

In 2015, PJSC Gazprom launched its Automated Electronic Procurement System covering the entire procurement cycle from planning to signing a contract.

The Regulations on Procurement provide for PJSC Gazprom to hold open pre-qualification to compile a Register of Gazprom Group's potential procurement par-

ticipants. As at 1 February 2017, PJSC Gazprom announced 61 different pre-qualifications on its website, applied for by 1,478 entities. Pre-qualified entities are included in the Register.

As part of the pre-qualification process, Gazprom Group's Central Procurement Office (PJSC Gazprom's Corporate Cost Management Department) monitors these entities on a quarterly basis to assess:

- current projects (volumes);
- availability of capacity to perform required work (utilisation rate);
- instances of deadline violation, change of price, reduced quality of work, negative references;
- participating in and winning PJSC Gazprom's tenders.

As a result of pre-qualification, as at 1 February 2017, the Register included 316 entities that proved their qualification for certain operations, including 128 SMEs.

To ensure efficient procurement, PJSC Gazprom uses all available tools (estimate standards, actual contract prices, consolidated specific values, market situation review) to set the best initial price of procured goods (works, services) before procurement is announced, and any methods permitted by Russian laws to reduce the price during the procurement, including by extending the bid filing period to involve more bidders, and bargaining on price bids.

For non-competitive procurement, Gazprom Group's Central Procurement Office and PJSC Gazprom's Budget Committee analyse the pricing procedure and justification of prices of contracts (with changes and amendments) to be signed by PJSC Gazprom, its subsidiaries and other Gazprom Group's entities based on the calculation of contract prices (cost of goods, works or services) presented by customers, including for compliance with the terms and conditions of contracts to be signed. The analysis reveals the potential to reduce prices by an average of 10%–15%.

Since all procurements are carried out to support smooth operation of Gazprom Group's entities, the ultimate measure and high performance indicator for the effective procurement system is PJSC Gazprom's performance in terms of gas supply reliability, capacity additions in Russia and abroad, and success of investment projects and programmes, i.e. contribution to national energy security.

For 2017, PJSC Gazprom is committed to improve its procurement framework to reflect recent trends and expanding requirements of the applicable Russian laws, including maximised automation and conversion into electronic format of all procurement stages within PJSC Gazprom's Automated Electronic Procurement System, as well as to increase procurement efficiency, including through supervision of the entire procurement cycle (from planning to contract execution) and reducing costs for Gazprom Group.

Enhancing Access for Small and Medium-Sized Enterprises (SMEs) to PJSC Gazprom's procurement opportunities

Pursuant to resolutions issued by Russian Government, the Company implements a number of activities to enhance SMEs' access to the procurement process of PJSC Gazprom.

- Since 2010, PJSC Gazprom has been cooperative with innovative SMEs under its Innovative Development Programme until 2020.
 - PJSC Gazprom also runs its Pilot SME Partnership Programme (published on PJSC Gazprom's website). As part of the Partnership Programme, PJSC Gazprom has developed a Register of Programme Participants, which is updated on PJSC Gazprom's official website.
 - Since 2015, PJSC Gazprom has been operating a single-window (one-stop) system to roll out innovative SME products. The Regulations on the Single Window System and application forms are available on PJSC Gazprom's official website.
 - The procurement process was simplified to the maximum possible extent, including conversion into electronic format via the Electronic Trading Platform of Gazprombank (ETP-GPB) and PJSC Gazprom's Automated Electronic Procurement System. The procurement process also provides for:
 - using a request for proposal (RFP) form, which contains a minimum required list of documents designed to simplify involvement of SMEs;
 - no bid bond requirement for SMEs under procurement items to which they are eligible.
 - A List of goods, works, and services to be procured by PJSC Gazprom from SMEs was developed, approved and published in the Unified Information System.
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Pursuant to the Russian Government's Resolution No. 1352 dated 11 December 2014 On Specifics of Participation of Small and Medium-Sized Enterprises in the Procurement of Goods, Works and Services by Certain Types of Legal Entities (Resolution No. 1352), PJSC Gazprom's Procurement Plan for 2016 designate procurement opportunities accessible exclusively to SMEs. In accordance with the applicable Russian laws, draft 2016 plans for procurement, by PJSC Gazprom and individual Gazprom Group's companies, of goods, works and services (including innovative and hi-tech products) set forth by Russian Government Decree No. 2258-r dated 6 November 2015, were duly agreed with Russian Small and Medium Business Corporation to ensure compliance with the requirements of the applicable Russian laws providing for involvement of SMEs in procurement, including allocation of the SME quota in the procurement plan.

In 2016, PJSC Gazprom's procurements from SMEs accounted for 26.2% (1,806 contracts worth RUB 72.2 bn), including 24.3% from procurements accessible exclusively to SMEs (624 contracts worth RUB 66.8 bn).

PJSC Gazprom fully complied with requirements for 2016 procurements from SMEs set forth by the Russian Government's Resolution No. 1352 (not less than 18% of the aggregate annual price of contracts concluded by customers as a result of the procurement process), and the aggregate annual price of contracts concluded by customers with SMEs as a result of the procurement process performed in accordance with sub-paragraph b, paragraph 4 of the Regulations approved by the Russian Government's Resolution No. 1352 (not less than 10% of the aggregate annual price of contracts concluded by customers as a result of the procurement process).

Gazprom fully meets its commitments to security holders, maintains strong relationships with Russian and foreign investors, and continues to improve its informational transparency.

Shareholding Structure

PJSC Gazprom's charter capital is RUB 118,367,564,500 divided into 23,673,512,900 ordinary shares with a par value of RUB 5 each. State registration number of the issue is 1-02-00028-A. The state registration date is 30 December 1998. The Company has no preferred shares.



The Memorandum of Intent of the Russian Federation as Major Shareholder of PJSC Gazprom regarding PJSC Gazprom's shares is available on PJSC Gazprom's website.

As major shareholder of PJSC Gazprom, the Russian Government holds a more than 50% controlling stake (including

direct and indirect ownership) in PJSC Gazprom. The Russian Federation does not have a special right to manage PJSC Gazprom's affairs (a "golden share").

As at 31 December 2016, depositary receipts were issued for 6,360 million ordinary shares of PJSC Gazprom, which accounts for 26.9% of PJSC Gazprom's charter capital.

Information on the shares of PJSC Gazprom owned by PJSC Gazprom and its subsidiaries

As at 31 December 2016, there were no PJSC Gazprom's shares the title to which was transferred to the Company. At the same time, as at the said date, PJSC Gazprom's subsidiaries held 1,573 million ordinary shares of the Company, or 6.6% of the total number of ordinary shares of PJSC Gazprom (as at 31 December 2015, they held 723 million ordinary shares of PJSC Gazprom, or 3.1% of the total number of shares). Such growth of shares owned by PJSC Gazprom's subsidiaries resulted from the purchase of 3.6% of PJSC Gazprom's shares as 211 million ordinary shares and ADRs on 639 million ordinary shares for the amount of RUB 132 bn by Gazprom Group's subsidiary from Vnesheconombank in July 2016.

The Group's management controls the voting rights attached to the repurchased shares.

PJSC Gazprom's shareholding structure, %

Name	As at 31 December 2015	As at 31 December 2016
The Russian Federation represented by the Federal Agency for State Property Management	38.37	38.37
AO Rosneftgaz*	10.97	10.97
OA O Rosgazifikatsiya**	0.89	0.89
ADR holders***	27.83	26.86
Other registered holders	21.94	22.91

* As at 31 December 2015 and 31 December 2016, the share of the Russian Federation represented by the Federal Agency for State Property Management in AO Rosneftgaz was 100%.

** As at 31 December 2015 and 31 December 2016, AO Rosneftgaz held 74.55% of shares in OA O Rosgazifikatsiya.

*** The Bank of New York Mellon issued ADRs on PJSC Gazprom's shares.

Stock Market and Capitalisation

PJSC Gazprom's shares were included in the first (top) level quotation list of two Russian exchanges — PAO Moscow Exchange and PAO Saint Petersburg Exchange.

In October 1996, PJSC Gazprom listed depositary receipts on the London Stock Exchange (LSE). The ADRs certifying the rights to PJSC Gazprom's ordinary shares under a foreign law were issued by The Bank of New York Mellon

as depositary bank. An ADR stands for two PJSC Gazprom's shares.

ADRs on PJSC Gazprom's shares are traded on London, Berlin and Frankfurt exchanges, PAO Moscow Exchange, the US OTC market, and on the Singapore OTC market among qualified institutional buyers (QIBs). The LSE accounts for the bulk of trade in PJSC Gazprom's ADRs.

PJSC Gazprom explores potential opportunities to enhance its presence on exchanges in the Asia Pacific.

Key facts of trading in PJSC Gazprom's shares and ADRs at PAO Moscow Exchange and LSE

	2015	2016	Change, %
PAO Moscow Exchange			
Share closing price, RUB			
year end	136.09	154.55	13.6
minimum	130.90	124.60	-4.8
maximum	163.00	168.47	3.4
Average daily trading volume, million	32.45	29.91	-7.8
Average daily trading volume, RUB bn	4.67	4.31	-7.7
LSE			
ADR closing price, USD			
year end	3.69	5.05	36.9
minimum	3.62	3.02	-16.6
maximum	6.24	5.27	-15.5
Average daily trading volume, million	16.43	15.89	-3.3
Average daily trading volume, USD mm	78.26	68.56	-12.4

In 2016, PJSC Gazprom's market capitalisation increased by 13.6% year-on-year; as at 31 December 2016, it was RUB 3.7 tn, or USD 60.3 bn.

In 2016, the total shareholder return was 0.185, signaling a significant increase year-on-year, which manifests growth in share price and in dividends paid in 2016 for the PJSC Gazprom's performance in 2015 at the rate of RUB 7.89 per share.

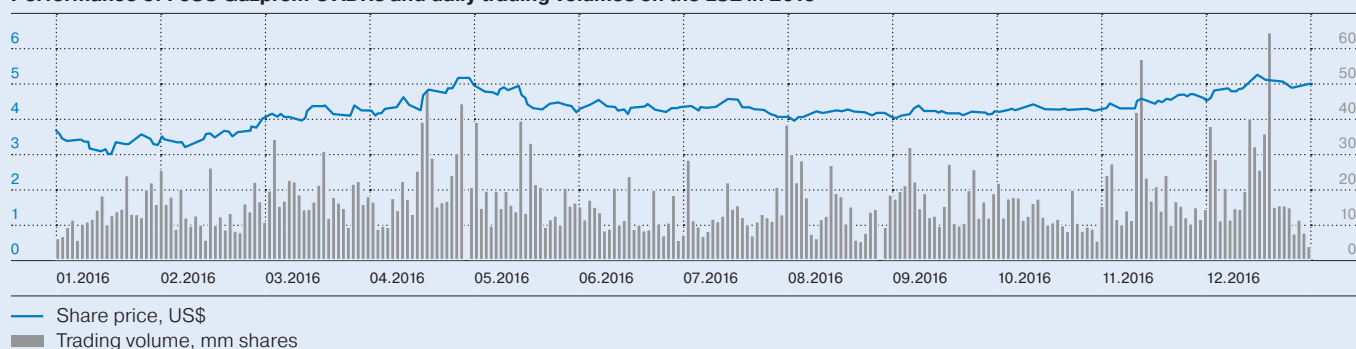
PJSC Gazprom's shares are on the list of underlying securities for stock indices, including MSCI Russia, MSCI Emerging Markets, FTSE Russia IOB, STOXX All Europe 100, as well as indices of leading Russian stock exchanges.

Main indices, which include the stock of PJSC Gazprom

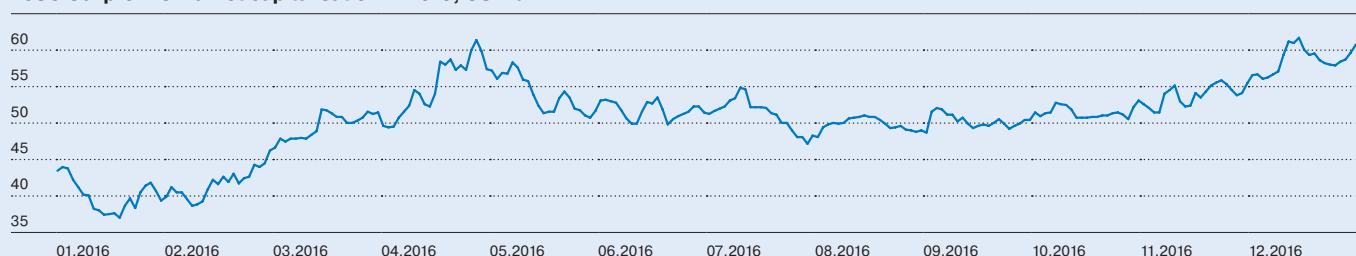
Index	PJSC Gazprom's share and DR index weight as at 31 December 2016
MSCI Russia	16.84
MSCI Emerging Markets	0.76
MICEX	14.68
MICEX Oil and Gas	14.36
RTS	14.68
RTS Oil and Gas	14.36

Performance of PJSC Gazprom's ordinary shares and daily trading volumes on PAO Moscow Exchange in 2016

Performance of PJSC Gazprom's ADRs and daily trading volumes on the LSE in 2016



PJSC Gazprom's market capitalisation in 2016, USD bn



Note. Market capitalisation calculated as the daily rouble-denominated closing price on PAO Moscow Exchange at the US dollar exchange rate of the Central Bank of Russia as of the respective date, multiplied by the total number of PJSC Gazprom's shares issued.

Dividend Policy

The Board of Directors, in preparing its recommendations for PJSC Gazprom's General Shareholders Meeting on profit distribution, including dividend payout, seeks to protect rights of, and increase returns for, its shareholders, both through paying out dividends and increasing the Company's capitalisation.

PJSC Gazprom's balanced dividend policy reflects the Company's commitment to achieve long-term growth targets and increase shareholder returns. During the past few years, despite volatile financial and oil and gas markets Gazprom has ensured a sustainable dividend per share of RUB 7.2 for 2013 and 2014, and RUB 7.89 for 2015. During the period, the dividend yield at PJSC Gazprom was a match for global energy majors.

Prospects of PJSC Gazprom's dividend policy

In 2018–2019, PJSC Gazprom will strive to maintain its rouble-denominated dividends at least at the same rate as in 2016. Dividend resolutions to be made in 2018–2019 will rely on additional annual analysis of international oil and gas market situation, net profit coverage by free cash flow, and financial market situation. Moreover, PJSC Gazprom is considering transition to dividend payments calculated based on Gazprom Group's consolidated IFRS profit.

For 2016, PJSC Gazprom's Board of Directors recommended to distribute RUB 190.3 bn in dividends or RUB 8.0397 per share. Therefore, dividends on shares of PJSC Gazprom recommended for distribution for 2016 amount to 20.0% of Gazprom Group's IFRS profit attributable to owners of PJSC Gazprom. The dividend yield would then stand at 5.2%.

PJSC Gazprom's dividend history in 2007–2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*
Dividend per share, RUB	2.66	0.36	2.39	3.85	8.97	5.99	7.20	7.20	7.89	8.0397
Dividend payment ratio, share of PJSC Gazprom's net profit under RAS (parent company), %	17	5	9	25	24	25	27	90	46	46
Dividend payment ratio, share of Gazprom Group's IFRS profit attributable to owners of PJSC Gazprom, %	10	1	7	9	16	12	15	107	24	20
PJSC Gazprom's dividend yield**, %	0.8	0.3	1.3	2.0	5.2	4.2	5.2	5.5	5.8	5.2

* Recommended dividends shown for 2016.

** Dividend yield in the relevant period is calculated as a ratio of dividends per share to the share price as at 31 December.



The Company's full dividend history is available on PJSC Gazprom's website.

PJSC Gazprom's dividends paid in 2016 for 2015 as at 31 December 2016

	Dividends accrued, RUB thousand	Dividends paid, RUB thousand	Outstanding, RUB thousand*	Outstanding/ accrued, %
Dividends on shares held by the Russian Federation represented by the Federal Agency for State Property Management	71,675,337	71,675,337	—	—
Dividends on shares held by individuals and corporate entities whose rights to shares are accounted for in the register	26,637,329	26,445,086	192,243	0.72
Dividends on shares held by individuals and corporate entities whose rights to shares are accounted for by the depositary maintaining a nominee holder account in the issuer's register**	88,471,232	88,311,096	160,136	0.18
Dividends on shares held by anonymous holders	119	—	119	100.00
Total	186,784,017	186,431,519	352,498	0.19

* No dividends were paid to individuals or corporate entities who provided no clear data required for dividend payouts in accordance with clause 8, Article 42 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995. Dividends accrued on shares held by anonymous holders are paid as soon as title to securities is established.

** PJSC Gazprom paid RUB 88,471,232 thousand in dividends to nominee holders on 3 August 2016 as part of execution of the AGM resolutions on payment of dividends based on PJSC Gazprom's 2015 results, dated 30 June 2016. As at 31 December 2016, the nominee holders failed to transfer RUB 160,136,000 in dividends in pursuance of their statutory obligation prescribed by the securities laws of the Russian Federation for reasons beyond their control (clause 8, Article 42 of Federal Law No. 208-FZ dated 26 December 1995).

PJSC Gazprom's dividends paid in 2016 for 2011–2014, RUB thousand

Shareholder category	Outstanding as at 1 January 2016	Paid in 2016	Reinstated in 2016 as retained earnings upon expiry of the limitation period	Outstanding as at 31 December 2016
Corporate entities*	29,551	479	26,773	2,299
Individuals*	406,057	29,437	32,499	344,121
Nominee holders**	497,366	295,421	–	201,945
Anonymous holders as the time of accrual***	3,740	142	3,414	184
Total	936,714	325,479	62,686	548,549

* No dividends were paid to individuals or corporate entities who provided no clear data required for dividend payouts in accordance with Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995.

** The nominee holders who failed to transfer dividends in pursuance of their statutory obligation prescribed by the securities laws of the Russian Federation for reasons beyond their control (clause 8, Article 42 of Federal Law No. 208-FZ dated 26 December 1995).

*** Dividends accrued on shares held by anonymous holders are paid as soon as title to securities is established.

Credit Ratings

Credit ratings assigned to PJSC Gazprom by the largest global rating agencies are comparable with sovereign foreign currency ratings of the Russian Federation.

Credit ratings of PJSC Gazprom as at 31 December 2016

Rating agency	Long-term foreign currency credit rating
Standard & Poor's	BB+ (outlook stable)
Fitch Ratings	BBB– (outlook stable)
Moody's	Ba1 (outlook negative)
Dagong	AAA (outlook stable)



For more details on PJSC Gazprom's credit ratings, visit the website.

Credit ratings of PJSC Gazprom assigned under Standard & Poor's, Fitch Ratings and Moody's methodologies are limited by the sovereign rating of the Russian Federation.

In 2016, Chinese rating agency Dagong confirmed PJSC Gazprom's highest credit rating (AAA), outlook stable, and rating agencies Fitch Ratings and Standard & Poor's revised their outlooks upward, changing them from negative to stable.

Bond Issues

To raise funds in international capital markets, PJSC Gazprom places bonds under the EMTN (Euro Medium Term Note) Programme and the ECP (European Commercial Paper, with maturity up to one year) Programme. The Company also places rouble bonds.

The ECP Programme is a revolving multi-currency credit line for up to USD 4 bn (the maximum outstanding principal amount), enabling timely management of PJSC Gazprom's short-term liquidity. As at 31 December 2016, there were no bonds under the ECP Programme in circulation.

The EMTN Programme is a revolving multi-currency credit line for up to USD 40 bn (the maximum outstanding principal amount).

As at 31 December 2016, there were 23 Eurobond issues outstanding for the total amount of USD 10.4 bn, EUR 8.8 bn, CHF 1.5 bn, and GBP 0.5 bn. The issuer is Gaz Capital S.A., a special-purpose vehicle.

PJSC Gazprom's Eurobonds are historically purchased by a wide range of investors with different country and institutional backgrounds.

As at 31 December 2016, there were 4 rouble bond issues outstanding for the total amount of RUB 45 bn.



For more details on PJSC Gazprom's bond issues, visit the website.

PJSC Gazprom's outstanding Eurobond issues placed under the EMTN Programme as at 31 December 2016

Issue Amount	Placement Date	Maturity Date	Coupon, %	ISIN
USD 1.2 bn	28.04.2004	28.04.2034	8.625	XS0191754729
EUR 0.5 bn	22.11.2006	22.03.2017	5.136	XS0276455937
EUR 0.5 bn	07.03.2007	02.11.2017	5.44	XS0290581569
USD 1.3 bn	07.03.2007	07.03.2022	6.51	XS0290580595
USD 1.25 bn	16.08.2007	16.08.2037	7.288	XS0316524130
EUR 1.2 bn	25.10.2007	13.02.2018	6.605	XS0327237136
USD 1.1 bn	11.04.2008	11.04.2018	8.146	XS0357281558
USD 2.25 bn	23.04.2009	23.04.2019	9.25	XS0424860947
USD 0.6 bn	23.11.2011	23.01.2021	5.999	XS0708813810
EUR 1.4 bn	19.07.2012	15.03.2017	3.755	XS0805582011
USD 1.0 bn	19.07.2012	19.07.2022	4.95	XS0805570354
USD 0.8 bn	06.02.2013	06.02.2020	3.85	XS0885733153
USD 0.9 bn	06.02.2013	06.02.2028	4.95	XS0885736925
EUR 1.0 bn	21.03.2013	20.03.2020	3.389	XS0906946008
EUR 0.5 bn	21.03.2013	21.03.2025	4.364	XS0906949523
EUR 0.9 bn	25.07.2013	25.07.2018	3.7	XS0954912514
GBP 0.5 bn	25.09.2013	25.09.2020	5.338	XS0974126186
CHF 0.5 bn	25.10.2013	25.10.2019	2.85	CH0226274261
EUR 0.75 bn	26.02.2014	26.02.2021	3.6	XS1038646078
EUR 1.0 bn	15.10.2015	15.10.2018	4.625	XS1307381928
CHF 0.5 bn	30.03.2016	30.11.2018	3.375	CH0317921671
EUR 1.0 bn	17.11.2016	17.11.2023	3.125	XS1521039054
CHF 0.5 bn	30.11.2016	30.11.2021	2.75	CH0346828400

PJSC Gazprom's rouble bonds outstanding as at 31 December 2016

Issue Amount	Placement Date	Maturity Date	Coupon, %	Registration Number	Issuer
RUB 15 bn	27.11.2013	21.10.2043	Calculated by issuer with formula*	4B02-19-00028-A	PJSC Gazprom
RUB 15 bn	27.11.2013	21.10.2043	Calculated by issuer with formula*	4B02-20-00028-A	PJSC Gazprom
RUB 5 bn	21.02.2013	15.02.2018	7.55	4-04-36400-R	OOO Gazprom capital**
RUB 10 bn	21.02.2013	16.02.2017	7.55	4-05-36400-R	OOO Gazprom capital**

* $K_i = (CPI - 100\%) + 1\%$, where:

K_i means the interest rate for the i-th coupon period, but not less than 0.01% per annum;

CPI means the consumer price index calculated for the Russian Federation and expressed as percentage year-on-year.

** Special-purpose subsidiary for raising funds in the Russian financial market.

Shareholder and Investor Relations

PJSC Gazprom's securities are among the most liquid financial instruments in the Russian market. The Company's investor base comprises several thousand institutional investors, including major foreign investors such as investment funds, pension funds, banks, and insurance companies, as well as private investors. Investors based in the United States, the UK, and mainland Europe remain the largest minority holders of PJSC Gazprom's shares and ADRs.

The Company fosters an ongoing dialogue with the investment community. Investment analysts and investors

are engaged regularly through a range of formats.

PJSC Gazprom promotes regular direct communication between the Company's management and analysts and investors, including through conference calls, road shows, or site visits to the Group's production facilities. Representatives of PJSC Gazprom and its subsidiaries have regular meetings with investors and are frequent speakers at national and global conferences held by leading investment banks. The Company also runs road shows in the regions with the highest concentrations of existing and potential investors.

2016 highlights in shareholder and investor relations

Date	Event
February	Investor day in New York (1 February) and London (4 February)
28 April	Publication of the 2015 Annual Financial Report under FSA requirements, including the 2015 Financial Statements under IFRS requirements Conference call with investors on Gazprom Group's 2015 Financial Statements under IFRS requirements
11 May (end of business day)	Record date for participation in Gazprom's Annual General Shareholders Meeting
25 May	Publication of PJSC Gazprom's Annual Report
16 June	Speech by Alexey Miller, Chairman of PJSC Gazprom's Management Committee, at the Geo-Economics of Large-Scale Infrastructure Projects panel session at the Saint Petersburg International Economic Forum
May–June	Press briefings of PJSC Gazprom's top management on annual results and key aspects of the Company's development
30 June	PJSC Gazprom's Annual General Shareholders Meeting
5–8 July	Investor visits to PJSC Gazprom's production facilities
10 August	Publication of Q1 2016 Financial Statements under IFRS requirements, a conference call with investors on the Financial Statements
29 August	Publication of Q2 2016 Financial Statements under IFRS requirements, a conference call with investors on the Financial Statements
2 September	Speech by Alexey Miller, Chairman of PJSC Gazprom's Management Committee, at the Eastern Economic Forum 2016
4 October	Speech by Alexey Miller, Chairman of PJSC Gazprom's Management Committee, at the Saint Petersburg International Gas Forum

Gazprom's annual Investor Day has gained good traction with investors. In February 2016, the event was held in New York and London and gathered about 200 portfolio managers and analysts from leading global investment funds and credit institutions. In addition, over 140 investors and analysts attended the event remotely via online broadcast.

Largest Russian and foreign investment banks publish regular analyst reports on PJSC Gazprom's shares. As at the end of 2016, most analysts recommended to "buy" and "hold". In addition, in 2016, some banks upgraded their guidance.

PJSC Gazprom intends to further streamline its relations with existing and potential investors and shareholders to increase the Company's capitalisation and reduce the cost of new borrowings. The Company's priorities are to develop efficient dialogue with existing investors and to expand its international investor base, including in Asia Pacific.



Contacts of investment analysts regularly covering PJSC Gazprom are available on PJSC Gazprom's website.

Guidance for PJSC Gazprom's shares in 2016

Company	Guidance, end of 2015	Guidance, end of 2016	Change
OOO BCS	Sell	Sell	Reiteration
OOO IC Veles Capital	Buy	Buy	Reiteration
AO VTB Capital	Hold	Hold	Reiteration
ATON	–	Hold	Renewing of the coverage
AO Gazprombank	Over-weight	Over-weight	Reiteration
Otkritie Capital	Buy	Buy	Reiteration
PAO BANK URALSIB	Hold	Buy	Upgrade
Bank of America Corporation	Neutral	Neutral	Reiteration
Citigroup	Buy	Buy	Reiteration
Credit Suisse	Under-weight	Under-weight	Reiteration
Deutsche Bank	Sell	Sell	Reiteration
Goldman Sachs	Sell	Hold	Upgrade
HSBC	Sell	Hold	Upgrade
J.P. Morgan	Over-weight	Over-weight	Reiteration
Morgan Stanley	Sell	Sell	Reiteration
Raiffeisen Bank	Hold	Hold	Reiteration
Renaissance Capital	Buy	Over-weight	Reiteration
Sberbank CIB	Hold	Hold	Reiteration
UBS	Buy	Hold	Downgrade

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In 2016, PJSC Gazprom closed no transactions treated as major transactions under the applicable laws of the Russian Federation.

All transactions approved by the General Shareholders Meeting and the Board of Directors and treated as interested-party transactions under the applicable Russian laws are aimed to support business and commercial operations of the Company and its corporate interests.

List of Interested-Party Transactions in 2016, approved by PJSC Gazprom's management bodies

Parties are recognised to be interested in transactions listed below if:

- a) members of management bodies of PJSC Gazprom are interested in such transactions as they:
 - hold positions in management bodies of legal entities that are parties to such transactions (paragraphs 1–9,

- 11–15, 17–37, 40–50, 54–56, 58–64, 66–77, 79–86, 88, 92–100, 102–108, 110–111),
- hold positions in management bodies of OOO Gazprom mezhregiongaz, AO SOGAZ INSURANCE or Nord Stream 2 AG that are parties to such transaction (paragraphs 78, 101),
- hold positions in management bodies of management companies of legal entities that are parties to such transactions (paragraphs 51–53, 87, 89, 91, 109),
- are parties to such transaction (paragraph 57, 65),
- are beneficiaries of such transaction (paragraphs 39, 90);
- b) the Russian Federation as a shareholder in PJSC Gazprom holding more than 20% of voting shares in the Company is interested in such transactions as it:
 - is a party to such transaction (paragraph 16),
 - owns more than 20% of shares in a legal entity that is a party to such transaction (paragraphs 10, 38).

1 Addendum No. 8 to Loan Agreement No. TCNG-0507 dated 29 May 2007, signed with OOO TsentrCaspNeftegaz Parties: PJSC Gazprom, OOO TsentrCaspNeftegaz. The addendum covers amendments to the loan agreement extending maturity of the principal and interest. Principal repayment date: not later than 25 December 2017. Interest rate — 11.5% per annum of the outstanding principal. The addendum shall become effective on the date when signed by the parties. The terms and conditions of the addendum apply to the parties from 1 September 2016. Interested party: Alexander Novak, member of the Board of Directors of PJSC Gazprom.

Approved by Resolution of PJSC Gazprom's Board of Directors No. 2867 dated 16 December 2016.

2 Addendum No. 11 to Loan Agreement No. TCNG-0507 dated 5 June 2008, signed with OOO TsentrCaspNeftegaz. Parties: PJSC Gazprom, OOO TsentrCaspNeftegaz. The addendum covers amendments to the loan agreement extending maturity of the principal and interest. Principal repayment date: not later than 25 December 2017. Interest rate — 11.5% per annum of the outstanding principal. The addendum shall become effective on the date when signed by the parties. The terms and conditions of the addendum apply to the parties from 1 September 2016. Interested party: Alexander Novak, member of the Board of Directors of PJSC Gazprom.

Approved by Resolution of PJSC Gazprom's Board of Directors No. 2866 dated 16 December 2016.

3 Contract for educational services with St. Petersburg State University of Economics (federal budget-funded educational institution of higher education). St. Petersburg State University of Economics (federal budget-funded educational institution of higher education) undertakes to provide PJSC Gazprom with educational services related to training in module 9 of the Gazprom MBA: Management of Oil and Gas Corporation in the Global Environment retraining programme (a two-year programme comprising nine modules) for a representative of PJSC Gazprom from 23 November 2016 to 25 November 2016, and PJSC Gazprom undertakes to pay for such services. Contract price: RUB 11,100,000, VAT-exempt pursuant to subparagraph 14, paragraph 2 of Article 149 of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Some terms and conditions of the contract apply to the parties from 16 May 2016. Interested parties: Alexey Miller, Dmitry Patrushev, members of PJSC Gazprom's management bodies.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

4 Addendum No. 1 to Contract for Natural Gas Transportation Services Using Gas Liquefaction Technology

No. GGESTs-2014 dated 1 September 2014 signed with AO Gazprom gazenergoset, reflecting a change of the title of the contract and its restatement. Transportation services delivery period: from 15 September 2014 to 15 September 2034. Price of the transportation services to be provided by AO Gazprom gazenergoset: RUB 11.00 per 1 cubic metre of natural gas under standard conditions (net of VAT). The addendum shall become effective on 1 February 2017. The terms and conditions of the addendum apply to the parties from 1 June 2015. Interested party: Andrey Kruglov, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

5 Addendum No. 24 to Gas Supply Contract No. 25 PK-2007 dated 13 December 2007 signed with OAO Severneftegazprom, adjusting natural gas volumes for 2017 and gas prices. OAO Severneftegazprom undertakes to supply and PJSC Gazprom undertakes to withdraw 9,924,810 mcm of gas in 2017. The price of gas supplied in 1H 2017 is RUB 2,037.50 per mcm. The addendum shall become effective on the date when signed by the parties. Interested parties: Vsevolod Cherepanov, Alexander Medvedev, Elena Mikhailova, members of PJSC Gazprom's collegial executive body.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

6 Contract with OOO Gazprom mezhregiongaz. PJSC Gazprom undertakes to supply to OOO Gazprom mezhregiongaz flammable natural gas, including dry stripped gas, produced by PJSC Gazprom and/or its affiliates (the "gas"), to be subsequently sold to consumers in the Russian Federation: the Republic of Dagestan, the Kabardino-Balkarian Republic, the Karachayevo-Cherkess Republic, the Republic of Ingushetia and the Republic of North Ossetia — Alania. The scope of supply from 1 January 2017 to 31 December 2017 shall be 5,390.8 mmcm. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

7 Contract with OOO Gazprom mezhregiongaz. PJSC Gazprom undertakes to supply to OOO Gazprom mezhregiongaz flammable natural gas, including dry stripped gas, produced by PJSC Gazprom and/or its affiliates (the "gas"), to be subsequently sold to consumers in the Chechen Republic, and OOO Gazprom mezhregiongaz undertakes to accept, and pay for, the gas supplied. The scope of supply from 1 January 2017 to 31 December 2017 shall be 1,748.1 mmcm. The contract shall become effective

on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

8 Addendum No. 9/17 to Gas Supply Contract No. MRG/np-2010/1-007/10 dated 30 July 2010 signed with OOO Gazprom mezhregiongaz, adjusting the gas supply volumes for 2017 and payments for the gas purchased. The addendum shall become effective on the date when signed by the parties. Some terms and conditions of the addendum apply to the parties from 15 September 2016. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

9 Addendum No. 8/17 to Gas Supply Contract No. S/MRGp-2011/1-005/11 dated 17 October 2011 signed with OOO Gazprom mezhregiongaz, adjusting the gas supply volumes for 2017. The scope of supply from 1 January 2017 to 31 December 2017 shall be 1,224.3 mmcm. The addendum shall become effective on the date when signed by the parties. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

10 Addendum No. 1 to Online Banking Service Agreement No. 1263 dated 16 December 2008, signed with VTB Bank (PAO). Parties: PJSC Gazprom and VTB Bank (PAO). The addendum restates Online Banking Service Agreement No. 1263 dated 16 December 2008 (the "Agreement"), inter alia, to update the terms used, the title and subject matter of the Agreement, and the parties' rights and obligations. Agreement title: Remote Banking Service Agreement. The Agreement and the Terms and Conditions of provision by VTB Bank (PAO) of the Remote Banking Service (the "Terms and Conditions") determine the procedure for electronic document exchange between the parties using the remote banking system. VTB Bank (PAO) has uploaded the Terms and Conditions to its website and updates them from time to time.

Based on the Agreement, bank account agreement(s) and other agreements signed between the parties, as well as on the effective schedule of fees for the services provided by VTB Bank (PAO) / individual fees (the "Fees"), VTB Bank (PAO) provides to PJSC Gazprom services related to receipt and transmission of electronic documents and performance, based on such documents, of banking and other transactions stipulated by such agreements, and PJSC Gazprom accepts and pays for such services. PJSC Gazprom pays a fee to VTB Bank (PAO) for its Remote Banking Service based on

the applicable Fees. The fee for the remote banking service is charged by VTB Bank (PAO) irrespective of whether any transactions have been performed on accounts or not.

The agreement shall become effective on the date when signed by the parties and shall be valid for an indefinite period. The addendum shall become effective on the date when signed by the parties. Interested party: the Russian Federation as PJSC Gazprom's shareholder holding over 20% of PJSC Gazprom's voting shares.

Approved by Resolution of JSC Gazprom's Board of Directors
No. 2640 dated 9 December 2015.

11 Contract with OOO Gazprom mezhregiongaz. PJSC Gazprom undertakes to supply to OOO Gazprom mezhregiongaz flammable natural gas, including dry stripped gas, produced by PJSC Gazprom and/or its affiliates (the "gas"), to be subsequently sold to consumers in the Russian Federation: the Republic of Daghestan, the Kabardino-Balkarian Republic, the Karachayev-Circassian Republic, the Republic of Ingushetia and the Republic of North Ossetia — Alania. The scope of supply from 1 January 2016 to 31 December 2016 shall be 5,297.2 mmcm. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 1 January 2016. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting dated 26 June 2015.

12 Contract with OOO Gazprom mezhregiongaz. PJSC Gazprom undertakes to supply to OOO Gazprom mezhregiongaz flammable natural gas, including dry stripped gas, produced by PJSC Gazprom and/or its affiliates (the "gas"), to be subsequently sold to consumers in the Chechen Republic, and OOO Gazprom mezhregiongaz undertakes to accept, and pay for, the gas supplied. The scope of supply from 1 January 2016 to 31 December 2016 shall be 1,748.1 mmcm. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 1 January 2016. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting dated 26 June 2015.

13 Contract for stock-taking of PJSC Gazprom's fixed assets signed with PAO Gazprom Neft. PAO Gazprom Neft undertakes to arrange and carry out stock-taking of PJSC Gazprom's fixed assets as at 27 October 2015, to be leased to PAO Gazprom Neft as from 27 October 2015, including preparing materials for downsizing of PJSC Gazprom's fixed assets, as instructed by PJSC Gazprom. PAO Gazprom Neft undertakes to carry out stock-taking from 27 October 2015 through 9 December 2015. Contract price: RUB 1,075.00 (net of VAT). The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 27 October 2015. Interested parties: Alexey Miller, Andrey Kruglov, Nikolai Dubik, Kirill Seleznev, Valery Golubev, Vsevolod Cherepanov, Elena Mikhailova, Mikhail Sereda, members of PJSC Gazprom's management bodies.

Approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting dated 26 June 2015.

14 Contract for gas transportation services in Russia in 2016, signed with TOO KazRosGaz. The contract covers services for organising the transportation of gas owned by TOO KazRosGaz across Russia to be exported from the Russian Federation between 1 January 2016 and 31 December 2016. TOO KazRosGaz engages PJSC Gazprom to arrange the transportation of up to 7,453 mmcm of gas owned by TOO KazRosGaz via the gas transportation system of the Russian Federation. TOO KazRosGaz undertakes to pay for PJSC Gazprom's services in accordance with the terms and conditions of the contract. The contract shall become effective on the date when signed by the parties, shall apply to the parties from 1 January 2016 and shall be valid through 31 December 2016, and as to payments — until the parties make all payments thereunder. Interested parties:

Alexander Medvedev, Kirill Seleznev, Valery Golubev, members of PJSC Gazprom's collegial executive body.

Approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting dated 26 June 2015.

15 Debt restructuring agreement signed with AO Gazprom gazenergoset. Parties: PJSC Gazprom and AO Gazprom gazenergoset. The agreement restructures the debt payable by AO Gazprom gazenergoset to PJSC Gazprom as at 1 August 2014 under Contracts No. G7011-003 dated 4 March 2011, No. G7013-002 dated 28 December 2012 and No. H7013-001 dated 28 December 2012; Oil & Gas Condensate Mixture and Stable Gas Condensate Supply Contract No. DPA-2014-01 dated 31 December 2013; Product Supply Contracts No. 18-08/13 dated 29 December 2012 and No. 28-08/13 dated 22 October 2013; Commercial Product Supply Contracts No. B75-G01313 dated 13 June 2013, No. B75-G01911 dated 21 February 2011, No. C75-G00212 dated 26 December 2011, No. D75-G09113 dated 11 November 2013, No. D75-G09213 dated 11 November 2013, No. D75-G09313 dated 11 November 2013, No. D75-G10113 dated 28 November 2013, No. D75-G01413 dated 11 June 2013; Product Supply Contracts No. D34-G02111 dated 1 March 2011, No. D34-G08510 dated 1 December 2010, No. D34-G08610 dated 1 December 2010, No. D34-G08710 dated 1 December 2010 and No. D34-G09010 dated 21 December 2010; Product Supply Contract No. 37-1003/10-13/SK dated 1 November 2013; Liquefied Hydrogen Fuel Gases (PBT) Supply Contract No. 2-10/11 dated 25 February 2011; Pentane-Hexane Fraction Supply Contract No. 3-10-07 dated 6 February 2007, Liquefied Hydrogen Fuel Gases (SPBT) Supply for the Housing and Utilities Sector No. 85-10(G) dated 22 September 2005, with restructuring involving payment by instalments.

Principal amount:

- under Contract No. G7011-003 dated 4 March 2011: RUB 21,831,599.69 (incl. VAT);
- under Contract No. G7013-002 dated 28 December 2012: RUB 569,345,100.64 (incl. VAT);
- under Contract No. H7013-001 dated 28 December 2012: RUB 7,587,878,757.86 (incl. VAT);
- under Oil & Gas Condensate Mixture and Stable Gas Condensate Supply Contract No. DPA-2014-01 dated 31 December 2013: RUB 146,606,440.94 (incl. VAT);
- under Product Supply Contract No. 18-08/13 dated 29 December 2012: RUB 45,571,308.70 (incl. VAT);
- under Product Supply Contract No. 28-08/13 dated 22 October 2013: RUB 99,944,712.08 (incl. VAT);
- under Commercial Product Supply Contract No. B75-G01313 dated 13 June 2013: RUB 27,081,484.61 (incl. VAT);
- under Commercial Product Supply Contract No. B75-G01911 dated 21 February 2011: RUB 88,349,596.17 (incl. VAT);
- under Commercial Product Supply Contract No. C75-G00212 dated 26 December 2011: RUB 219,705,822.50 (incl. VAT);
- under Commercial Product Supply Contract No. D75-G09113 dated 11 November 2013: RUB 4,671,906,503.50 (incl. VAT);
- under Commercial Product Supply Contract No. D75-G09213 dated 11 November 2013: RUB 328,200,334.56 (incl. VAT);
- under Commercial Product Supply Contract No. D75-G09313 dated 11 November 2013: RUB 493,844,526.19 (incl. VAT);
- under Commercial Product Supply Contract No. D75-G10113 dated 28 November 2013: RUB 1,019,592,865.00 (incl. VAT);
- under Commercial Product Supply Contract No. D75-G01413 dated 11 June 2013: RUB 402,487,160.43 (incl. VAT);
- under Product Supply Contract No. D34-G02111 dated 1 March 2011: RUB 39,446,809.55 (incl. VAT);
- under Product Supply Contract No. D34-G08510 dated 1 December 2010: RUB 70,938,355.00 (incl. VAT);
- under Product Supply Contract No. D34-G08610 dated 1 December 2010: RUB 5,007,695.80 (incl. VAT);
- under Product Supply Contract No. D34-G08710 dated 1 December 2010: RUB 115,056,058.12 (incl. VAT);
- under Product Supply Contract No. D34-G09010 dated 21 December 2010: RUB 9,207,649.04 (incl. VAT);
- under Product Supply Contract No. 37-1003/10-13/SK dated 1 November 2013: RUB 891,105.81 (incl. VAT);
- under Liquefied Hydrogen Fuel Gases (PBT) Supply Contract No. 2-10/11 dated 25 February 2011:

RUB 80,240,949.17 (incl. VAT);

- under Pentane-Hexane Fraction Supply Contract No. 3-10-07 dated 6 February 2007: RUB 45,848,312.95 (incl. VAT);
- under Contract for Liquefied Hydrogen Fuel Gases (SPBT) Supply for the Housing and Utilities Sector No. 85-10(G) dated 22 September 2005: RUB 1,028,542,221.00 (incl. VAT).

The debt under every contracts is repaid on a quarterly basis as per the attached payment schedule (the "Payment Schedule"), with amounts due transferred by AO Gazprom gazenergoset to PJSC Gazprom's bank account specified in the Bank Details section of the relevant contracts as follows:

- payment currency: RUB;
- payment date: 25th day of the last month of every quarter;
- amount payable under every contract: as per the Payment Schedule;
- debt restructuring period: 6 years (until 1 January 2022).

AO Gazprom gazenergoset pays no interest for using the payment-by-installment option granted by PJSC Gazprom.

In case AO Gazprom gazenergoset fails to meet the payment deadline under any of the contracts, PJSC Gazprom may charge a penalty of 1/180 of the refinancing rate of the Bank of Russia as at the date when the penalty is charged, applied to the amount payable under the Payment Schedule, for every day of delay. Interested party: Andrey Kruglov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of JSC Gazprom's Board of Directors
No. 2652 dated 29 December 2015.

16 Share purchase agreement with the Russian Federation represented by the Federal Agency for State Property Management. Parties: Seller — the Russian Federation represented by the Federal Agency for State Property Management. Buyer — PJSC Gazprom. The Russian Federation represented by the Federal Agency for State Property Management undertakes to transfer to PJSC Gazprom the title to, and PJSC Gazprom undertakes to accept, and pay for, one ordinary registered book-entry share in OAO Chechengazprom with the par value of RUB 100, representing 0.000001% of its authorised capital (the "Share"). Total Share price: RUB 221.00, VAT-exempt. PJSC Gazprom shall pay the total Share price as a lump sum by a bank transfer to the account of the Federal Treasury within nine business days from the effective date of the agreement.

The title to the Share passes to PJSC Gazprom when a relevant credit entry is made in PJSC Gazprom's account in the share register of OAO Chechengazprom. The agreement shall become effective on the 25th day after each and all of the following conditions are met:

- the agreement is signed by the parties;
- PJSC Gazprom's management bodies have approved the transaction to purchase the Share from the Russian Federation represented by the Federal Agency for State Property Management, and shall be valid until the earlier of:
 - (a) the date when the parties have fully performed their obligations;
 - (b) the early termination date.

Interested party: the Russian Federation as PJSC Gazprom's shareholder holding over 20% of PJSC Gazprom's voting shares.

Approved by Resolution of JSC Gazprom's Board of Directors
No. 2664 dated 29 January 2016.

17 Agreement on termination of PJSC Gazprom's surety contract dated 30 July 2014, signed with South Stream Transport B.V. Parties: Surety — PJSC Gazprom, Company — South Stream Transport B.V.

South Stream Transport B.V. agreed to release PJSC Gazprom from all of its obligations under the surety contract with respect to OOO Gazprom export's obligations under Gas Transportation Agreement dated 2 October 2013 (the "Surety Contract") and terminate the Surety Contract.

The Parties have unconditionally and irrevocably agreed that as soon as the agreement becomes effective:

- the Surety Contract dated 30 July 2014 shall terminate and PJSC Gazprom shall be fully, unconditionally and irrevocably released from liability and all obligations, whether past, present or future, that have accrued or otherwise arose under the Surety Contract dated 30 July 2014; and
- any claims and rights of action that either party may have or acquire against the other party under the

Surety Contract dated 30 July 2014, whether or not the parties (one of them) are aware of such claims or rights as at the date of this agreement, shall irrevocably terminate in their entirety and are cancelled. The agreement shall become effective on the date when signed by the parties. The agreement is governed by the English law.

Interested party: Oleg Aksyutin, member of PJSC Gazprom's collegial executive body.

[Approved by Resolution of PJSC Gazprom's Board of Directors](#)
[No. 2656 dated 19 January 2016.](#)

18 Research contract with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university). PJSC Gazprom engages Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university) to conduct research on development of the energy-efficient method to produce gas from low-temperature, low-permeability and clogged-up formations of Turonian horizons and the compositions to control gas hydration in the well-bore zone using kinetic inhibitors. PJSC Gazprom undertakes to accept, and pay for, the research. Overall delivery period: from 1 July 2015 through 12 December 2016. Contract price: RUB 18,000,027.84, VAT-exempt pursuant to subparagraph 16.1, paragraph 3 of Article 149 of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested parties: Viktor Martynov, Sergey Khomyakov, members of the Board of Directors of PJSC Gazprom.


[Approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting](#)
[dated 26 June 2015.](#)

19 Addendum No. 7 to Loan Agreement No. TCNG-0507 dated 29 May 2007, signed with OOO TsentrCaspNeftegaz. Parties: Lender — PJSC Gazprom, Borrower — OOO TsentrCaspNeftegaz. The addendum covers amendments to the loan agreement extending maturity of the principal. Principal repayment date: not later than 25 December 2016. The addendum shall become effective on the date when signed by the parties. The terms and conditions of the addendum apply to the parties from 24 December 2015. Interested party: Vsevolod Cherepanov, member of PJSC Gazprom's collegial executive body.

[Approved by Resolution of PJSC Gazprom's Board of Directors](#)
[No. 2671 dated 11 February 2016.](#)

20 Addendum No. 10 to Loan Agreement No. TCNG-0507 dated 5 June 2008, signed with OOO Tsentr-CaspNeftegaz. Parties: Lender — PJSC Gazprom, Borrower — OOO TsentrCaspNeftegaz. The addendum covers amendments to the loan agreement extending maturity of the principal. Principal repayment date: not later than 25 December 2016. The addendum shall become effective on the date when signed by the parties. The terms and conditions of the addendum apply to the parties from 24 December 2015. Interested party: Vsevolod Cherepanov, member of PJSC Gazprom's collegial executive body.

[Approved by Resolution of PJSC Gazprom's Board of Directors](#)
[No. 2672 dated 11 February 2016.](#)

21 Trademark assignment agreement signed with ZAO Gazprom Armenia. ZAO Gazprom Armenia shall assign to PJSC Gazprom the trademark  registered in blue and white colours / colour combination with Armenia's Intellectual Property Agency, certificate No. 3083, registration date: 12 May 1998, with respect to all goods and services of product classes 04, 39 and 42 of the International Classification of Goods and Services to which the trademark applies, and PJSC Gazprom shall pay ZAO Gazprom Armenia a fee of RUB 70,000, excluding VAT calculated at the rate determined under the applicable Russian laws, deducted from the remuneration and paid to the budget of the Russian Federation by PJSC Gazprom acting as a tax agent. Interested parties: Valery Golubev, Nikolai Dubik, Oleg Aksyutin, members of PJSC Gazprom's collegial executive body.

[Approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting](#)
[dated 26 June 2015.](#)



22 Contract for educational services with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university). Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university) undertakes to provide PJSC Gazprom, between 7 December 2015 and 25 November 2016, with services of retraining 1 PJSC Gazprom's specialist under the training programme Specialist in Underground Gas Storage, and PJSC Gazprom undertakes to pay for these services. Contract price: RUB 252,700.00, VAT-exempt pursuant to subparagraph 14, paragraph 2 of Article 149 of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 7 December 2015. Interested parties: Viktor Martynov, Sergey Khomyakov, members of PJSC Gazprom's management bodies.

[Approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting](#)
[dated 26 June 2015.](#)

23 Contract for educational services with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university). Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university) undertakes to provide PJSC Gazprom, between 25 January 2016 and 25 November 2016, with educational services for PJSC Gazprom's executives and specialists, and PJSC Gazprom undertakes to pay for these services. Contract price: RUB 423,500.00, VAT-exempt pursuant to subparagraph 14, paragraph 2 of Article 149 of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Some terms and conditions of the contract apply to the parties from 8 February 2016. Interested parties: Viktor Martynov, Sergey Khomyakov, members of PJSC Gazprom's management bodies.

[Approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting](#)
[dated 26 June 2015.](#)

24 Trademark Licence Agreement for the use of international trademarks in the Kyrgyz Republic with OsOO Gazprom Kyrgyzstan. PJSC Gazprom (the "Licensor") grants to OsOO Gazprom Kyrgyzstan (the "Licensee"), for the term of the agreement, an ordinary (non-exclusive) licence to use Licensor-owned international trademarks registered in the International Trademark Register by the International Office of the World Intellectual Property Organisation:

- Газпром international trademark, international registration number: 807840, international registration date: 22 April 2003,
 - international trademark , international registration number: 807842, international registration date: 22 April 2003; hereinafter collectively referred to as the "Licensor's Trademarks", and individually as the "Licensor's Trademark" for all goods or services of product classes 01–45 of the International Classification of Goods and Services to which the Licensor's Trademarks apply.
- The Licensee may use the Licensor's Trademarks throughout the Kyrgyz Republic (the "Territory"):
- on products, product labels, and packaging;
 - when providing services;
 - in cover, business or other documents;
 - in advertisements, print media, formal letterheads, billboards, including on office buildings, at industrial facilities, on workwear and other PPE items, and on exhibits at exhibitions and fairs;
 - on the Internet;
 - in the Licensee's business name;
 - in the Licensee's print media.
- For every trademark used (Gazprom, ) in the Territory, the Licensee pays the Licensor a quarterly trademark licence fee of USD 1,112.00 (net of applicable value added tax).

The agreement shall become effective in the Territory on the date when registered in the Patent Office. The agreement is valid until the expiry of the exclusive rights to all of the Licensor's Trademarks and may be subject to extension. The Licensor may unilaterally withdraw from the agreement at any time by written notice to the Licensee at least two months prior to the termination of the agreement.

Interested parties: Oleg Aksyutin, Nikolai Dubik, Vitaly Markelov, Sergey Prozorov, members of PJSC Gazprom's management bodies.

[Approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting](#)
[dated 26 June 2015.](#)

25 Contract signed with AO Druzhba. Parties: PJSC Gazprom, AO Druzhba. AO Druzhba shall:

- dispose of PJSC Gazprom's fixed assets (chlorination plant at the Druzhba holiday hotel);
- purchase from PJSC Gazprom any reusable materials and/or equipment (except for ferrous and non-ferrous scrap metal), if any such materials and/or equipment remain after the disposal of PJSC Gazprom's fixed assets.

Ferrous and non-ferrous scrap metal remaining after the disposal of PJSC Gazprom's fixed assets will be sold under an agency agreement, to be signed by the parties, for sale of ferrous and non-ferrous scrap metal remaining after the disposal (writing-off) of PJSC Gazprom's fixed assets.

The disposal of PJSC Gazprom's fixed assets under the contract shall be completed within 6 months after the parties sign a certificate of fixed assets acceptance for disposal as per form No. OS-1 (gas).

The price of PJSC Gazprom's fixed assets disposal is RUB 800,879.91, plus VAT of RUB 144,158.38.

PJSC Gazprom shall pay for the disposal of PJSC Gazprom's fixed assets by AO Druzhba by transferring the amount due to the bank account of AO Druzhba in the month following the month in which the parties sign a fixed assets disposal certificate as per form No. OS-4 (gas-liq), provided that an appropriate invoice has been issued by AO Druzhba.

Reusable materials and/or equipment (except for ferrous and non-ferrous scrap metal), if any remains after disposal, shall be purchased by AO Druzhba at the price specified in the tangible assets acceptance certificate, and for this purpose AO Druzhba shall transfer the amount due to PJSC Gazprom's bank account within 90 calendar days after the parties sign the tangible assets acceptance certificate according to subparagraph 2.1.7, paragraph 2.1 of the contract.

The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Alexander Kozlov, member of PJSC Gazprom's collegial executive body.

[Approved by Resolution of PJSC Gazprom's Board of Directors](#)
[No. 2701 dated 31 March 2016.](#)

26 Employer-sponsored education agreement with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university). Parties: PJSC Gazprom, Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university) (the "University").

The University undertakes to admit, on receipt of an application from PJSC Gazprom for employer-sponsored education for 2016, ("PJSC Gazprom's Application"), students who have entered into employer-sponsored agreements with PJSC Gazprom within the quota for employer-sponsored higher education and within the target numbers of admissions sponsored by the federal budget, budgets of constituent entities of the Russian Federation, or local budgets, while PJSC Gazprom undertakes to organise internships for those students who have entered into employer-sponsored education agreements in line with the University curricula. The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested parties: Viktor Martynov, Alexander Novak, Viktor Zubkov, Sergey Khomyakov, members of PJSC Gazprom's management bodies.

[Approved by Resolution of PJSC Gazprom's Board of Directors](#)
[No. 2705 dated 14 April 2016.](#)

27 Employer-sponsored education agreement with National Research Tomsk Polytechnic University (federal state autonomous educational institution of higher education). Parties: PJSC Gazprom, National Research Tomsk Polytechnic University (federal state autonomous educational institution of higher education) (the "University"). The University undertakes to admit, on receipt of an application from PJSC Gazprom for employer-sponsored education for 2016, ("PJSC Gazprom's Application"),

students who have entered into employer-sponsored agreements with PJSC Gazprom within the quota for employer-sponsored higher education and within the target numbers of admissions sponsored by the federal budget, budgets of constituent entities of the Russian Federation, or local budgets, while PJSC Gazprom undertakes to organise internships for those students who have entered into employer-sponsored education agreements in line with the University curricula. The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Sergey Khomyakov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2708 dated 14 April 2016.

28 Research contract with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university). PJSC Gazprom engages Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university) to conduct research on exploration of the lithological and petrophysical heterogeneity of producing formations of Vendian terrigenous deposits to achieve more accurate reservoir simulation of the Chayandinskoye oil and gas condensate field. PJSC Gazprom undertakes to accept, and pay for, the research. Overall delivery period: from 1 July 2015 through 31 December 2016. Contract price: RUB 31,859,600.00, VAT-exempt pursuant to subparagraph 16, paragraph 3 of Article 149 of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Some terms and conditions of the contract apply to the parties from 1 July 2015. Interested parties: Viktor Martynov, Alexander Novak, Viktor Zubkov, Sergey Khomyakov, members of PJSC Gazprom's management bodies.

Approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting dated 26 June 2015.

29 Addendum No. 1 to Contract for Training Services under a Higher Education Programme No. MG-152410-Z dated 1 September 2015 with St Petersburg State University of Economics (a federal budget-funded educational institution of higher education) and Alexey Basistiy. Parties: PJSC Gazprom, St Petersburg State University of Economics (a federal budget-funded educational institution of higher education), and Alexey Basistiy.

The addendum adjusts the educational services delivery period.

It extends the scope of obligations of PJSC Gazprom, requiring it to:

- ensure that Alexey Basistiy keeps his job throughout the training period;
- reimburse his training-related travel and accommodation expenses.

It also extends the scope of obligations of Alexey Basistiy, requiring him to:

- obtain a certificate of education;
- provide documents showing his academic achievements when so requested by PJSC Gazprom;
- work at PJSC Gazprom for at least three years after training completion;
- reimburse PJSC Gazprom's costs related to Alexey Basistiy's training under the education programme.

Delivery period: 1 September 2015 to 30 June 2017. The addendum shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations hereunder. Interested party: Alexey Miller, Deputy Chairman of the Board of Directors of PJSC Gazprom and Chairman of the Management Committee of PJSC Gazprom.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2689 dated 16 March 2016.

30 Addendum No. 1 to Contract for Training Services under a Higher Education Programme No. MG-152411-Z dated 1 September 2015 with St Petersburg State University of Economics (a federal budget-funded educational institution of higher education) and Sergey Bakhtin. Parties: PJSC Gazprom, St Petersburg State University of Economics (a federal budget-funded educational institution of higher education), and Sergey Bakhtin.

The addendum adjusts the educational services delivery period.

It extends the scope of obligations of PJSC Gazprom, requiring it to:

- ensure that Sergey Bakhtin keeps his job throughout the training period;
- reimburse his training-related travel and accommodation expenses.

It also extends the scope of obligations of Sergey Bakhtin, requiring him to:

- obtain a certificate of education;
 - provide documents showing his academic achievements when so requested by PJSC Gazprom;
 - work at PJSC Gazprom for at least three years after training completion;
 - reimburse PJSC Gazprom's costs related to Sergey Bakhtin's training under the education programme.
- Delivery period: 1 September 2015 to 30 June 2017. The addendum shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations hereunder. Interested party: Alexey Miller, Deputy Chairman of the Board of Directors of PJSC Gazprom and Chairman of the Management Committee of PJSC Gazprom.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2689 dated 16 March 2016.

31 Loan agreement with OOO Gazprom mezhregiongaz. Parties: PJSC Gazprom, OOO Gazprom mezhregiongaz. OOO Gazprom mezhregiongaz grants to PJSC Gazprom a loan for RUB 35,000,000,000.00 (the "loan amount" or "loan"), and PJSC Gazprom undertakes to repay to OOO Gazprom mezhregiongaz the loan amount and pay interest in the amount and in the manner set forth in the agreement.

The loan may be granted in full or in parts in accordance with PJSC Gazprom's written application(s).

If the loan amount is drawn down, PJSC Gazprom may, upon early repayment of the granted loan amount or part thereof, request that OOO Gazprom mezhregiongaz grant a loan in the amount not exceeding the repaid part of the loan.

Interest for the use of the loan is accrued at a fixed rate of 0%. In case OOO Gazprom mezhregiongaz ceases to be part of a consolidated group of taxpayers, the parties shall sign an addendum under which interest shall be accrued at MosPrime rate adjusted for credit risk premium.

The loan is granted until 31 December 2016 with subsequent annual renewal.

If PJSC Gazprom defaults on its obligations to repay the granted loan amount, OOO Gazprom mezhregiongaz may demand that PJSC Gazprom pay a penalty of 0.1% of the delayed amount for each day of delay.

The agreement shall become effective on the date when OOO Gazprom mezhregiongaz grants the loan amount or part thereof to PJSC Gazprom and shall be terminated by mutual agreement of the parties or on other grounds set forth in the agreement and applicable laws. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2769 dated 29 June 2016.

32 Loan agreement with OOO Gazprom mezhregiongaz. Parties: PJSC Gazprom, OOO Gazprom mezhregiongaz. PJSC Gazprom grants to OOO Gazprom mezhregiongaz a loan for RUB 10,000,000,000.00 (the "loan amount" or "loan"), and OOO Gazprom mezhregiongaz undertakes to repay to PJSC Gazprom the loan amount and pay interest in the amount and in the manner set forth in the agreement.

The loan may be granted in full or in parts in accordance with OOO Gazprom mezhregiongaz's written application(s).

If the loan amount is drawn down, OOO Gazprom mezhregiongaz may, upon early repayment of the granted loan amount or part thereof, request that PJSC Gazprom grant a loan in the amount not exceeding the repaid part of the loan.

Interest for the use of the loan is accrued at a fixed rate of 0%. In case OOO Gazprom mezhregiongaz ceases to be part of a consolidated group of taxpayers, the parties shall sign an addendum under which interest shall be accrued at MosPrime rate adjusted for credit risk premium.

The loan is granted until 31 December 2016 with subsequent annual renewal.

If OOO Gazprom mezhregiongaz defaults on its obligations to repay the granted loan amount, PJSC Gazprom may demand that OOO Gazprom mezhregiongaz pay a penalty of 0.1% of the delayed amount for each day of delay.

The agreement shall become effective on the date when PJSC Gazprom grants the loan amount or part thereof

to OOO Gazprom mezhregiongaz and shall be terminated by mutual agreement of the parties or on other grounds set forth in the agreement and applicable laws. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2769 dated 29 June 2016.

33 Agreement on the procedure for accounting for settlements under loan agreements between PJSC Gazprom and PJSC Gazprom's subsidiary. Parties: PJSC Gazprom, OOO Gazprom mezhregiongaz. The agreement stipulates the procedure for accounting for settlements by the parties: transfer of funds under the loan agreement between PJSC Gazprom and OOO Gazprom mezhregiongaz under which OOO Gazprom mezhregiongaz acts as lender ("Agreement No. 1") and loan agreement between PJSC Gazprom and OOO Gazprom mezhregiongaz under which PJSC Gazprom acts as lender ("Agreement No. 2").

The agreement applies exclusively to the granting and/or repayment of loan amounts under Agreement No. 1 and Agreement No. 2, including early repayment of loan amounts (principal) in full or in part, and does not apply to the payment (transfer) of accrued interest under Agreement No. 1 and Agreement No. 2.

The transfer of funds from OOO Gazprom mezhregiongaz to PJSC Gazprom with a reference to the agreement represents either of the following:

- early repayment of the principal under Agreement No. 2 (at the initiative of OOO Gazprom mezhregiongaz);
- early repayment of the principal under Agreement No. 2;
- loan granting under Agreement No. 1;
- early repayment of the principal under Agreement No. 2 in the amount outstanding under Agreement No. 2 (at the initiative of OOO Gazprom mezhregiongaz) and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2;
- early repayment of the principal under Agreement No. 2 in the amount outstanding under Agreement No. 2 and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2;
- repayment of the principal under Agreement No. 2 due to maturity of the loan under Agreement No. 2;
- or repayment of the principal under Agreement No. 2 due to maturity of the loan under Agreement No. 2 and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2.

The transfer of funds from PJSC Gazprom to OOO Gazprom mezhregiongaz with a reference to the agreement represents either of the following:

- early repayment of the principal under Agreement No. 1 (at the initiative of PJSC Gazprom);
- loan granting under Agreement No. 2;
- early repayment of the principal under Agreement No. 1 in the amount outstanding under Agreement No. 1 (at the initiative of PJSC Gazprom) and loan granting under Agreement No. 2 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 1;
- repayment of the principal under Agreement No. 1 due to expiration of Agreement No. 1;
- or repayment of the principal under Agreement No. 1 due to expiration of Agreement No. 1 and loan granting under Agreement No. 2 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 1.

The agreement shall become effective on the date when Agreement No. 1 or Agreement No. 2 becomes effective and shall be valid until the obligations under Agreement No. 1 and Agreement No. 2 are fully discharged. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2769 dated 29 June 2016.

34 Employer-sponsored education agreement with St Petersburg Electrotechnical University (federal state

autonomous educational institution of higher education). Parties: PJSC Gazprom, St Petersburg Electrotechnical University (federal state autonomous educational institution of higher education) (the "University"). The University undertakes to admit, on receipt of an application from PJSC Gazprom for employer-sponsored education for 2016, ("PJSC Gazprom's Application", attached), students who have entered into employer-sponsored agreements with PJSC Gazprom within the quota for employer-sponsored higher education and within the target numbers of admissions sponsored by the federal budget, budgets of constituent entities of the Russian Federation, or local budgets, while PJSC Gazprom undertakes to organise internships for those students who have entered into employer-sponsored education agreements in line with the University curricula. The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Sergey Khomyakov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2709 dated 14 April 2016.

35 Contract for educational services with St. Petersburg State University of Economics (federal budget-funded educational institution of higher education). Parties: PJSC Gazprom, St Petersburg State University of Economics (federal budget-funded educational institution of higher education) (the "University"). The University undertakes to provide PJSC Gazprom with educational services for PJSC Gazprom's executives and specialists under the educational programmes according to the Training Plan and for fees set for 2016 (the "Training Plan"), and PJSC Gazprom undertakes to pay for these services.

Total contract price in accordance with the Training Plan: RUB 549,100.00, VAT-exempt pursuant to subparagraph 14, paragraph 2 of Article 149 of the Tax Code of the Russian Federation.

PJSC Gazprom pays for the services provided by the University based on the actual number of trainees who have completed all training modules, in the month following the month when the acceptance certificate is signed by the parties.

Delivery period: 8 February 2016 to 28 October 2016. The terms of the contract, except for those on disclosing changes in the University's ownership structure to PJSC Gazprom, are applicable to the parties from 08 February 2016. Interested party: Alexey Miller, Deputy Chairman of the Board of Directors of PJSC Gazprom and Chairman of the Management Committee of PJSC Gazprom.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2752 dated 2 June 2016.

36 Research contract with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university). Since 2008 — Rector of the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education, national research university). PJSC Gazprom undertakes to accept, and pay for, the research. Overall delivery period: from 1 March 2016 through 30 October 2017. Contract price: RUB 3,400,000.00, VAT-exempt pursuant to subparagraph 16, paragraph 3 of Article 149 of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Some terms and conditions of the contract apply to the parties from 1 March 2016. Interested party: Alexey Miller, member of PJSC Gazprom's management body.

Approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting
dated 26 June 2015.

37 Contract for gas transportation services signed with PAO Gazprom Neft. Under the contract PJSC Gazprom organises transportation of gas owned by PAO Gazprom Neft, PJSC Gazprom's affiliate, across Russia, from Luginetskoye, Novogodneye, Vyngapurovskoye and Muravlenkovskoye fields from 01 January 2016 through 31 December 2016. Contract size in 2016 — 6,427.4 mmcm. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 1 January 2016. Interested party: Alexey Miller, member of PJSC Gazprom's management body.

Approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting
dated 26 June 2015.

38 Master agreement on forward transactions on financial markets with VTB Bank (PAO). Parties: PJSC Gazprom and VTB Bank (PAO). The master agreement describes how the transactions specified below (the "Transactions") shall be made and executed by the parties, as well as the causes when and the procedure how the parties' transaction-related obligations shall terminate and the methodology for determining the amount payable in connection with such termination. The Transactions governed by the master agreement include derivative contracts and non-derivative contracts dealing with foreign currency and (or) securities (excluding repurchase agreements). Interested party: the Russian Federation as PJSC Gazprom's shareholder holding over 20 % of PJSC Gazprom's voting shares.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2730 dated 13 May 2016.

39 Life insurance contract with OOO SK SOGAZ ZHIZN' INSURANCE. Parties: PJSC Gazprom and OOO SK SOGAZ ZHIZN' INSURANCE. Insured: Vitaly Markelov Beneficiaries — the insured or persons they designate as beneficiaries, or successors of the insured. The contract covers voluntary life insurance of the insured as per the Life Insurance Rules approved by the acting director general of OOO SK SOGAZ ZHIZN' INSURANCE on 10 November 2011 (the "Rules"), and the contract.

OOO SK SOGAZ ZHIZN' INSURANCE undertakes to make payouts under claims arising from the insured events as specified in the contract and the Rules, and PJSC Gazprom undertakes to pay the insurance premium as specified in the contract.

Insurance plans:

1. Endowment insurance policies providing coverage against death or living up to a certain age before the policy expires.
2. First-time diagnosis of a critical illness.
3. Total permanent disability.

Insured events: Insured events are listed in subparagraphs 3.2.1 through 3.2.4, paragraph 3.2 of the Rules. Insured amount per insured: RUB 16,474,680.00. Insurance premium per insured: RUB 10,717,527.00. The contract shall become effective from 1 July 2016 and shall be valid through 30 June 2021 or until the later of the policy end dates (inclusive). Interested party: Alexey Miller, member of PJSC Gazprom's management body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2759 dated 10 June 2016.


40 Employer-Sponsored Education Agreement with St. Petersburg State University of Economics (federal budget-funded educational institution of higher education). Parties: PJSC Gazprom and St Petersburg State University of Economics (federal budget-funded educational institution of higher education) (the "University").

The University undertakes to admit, on receipt of an application from PJSC Gazprom for employer-sponsored education for 2016, ("PJSC Gazprom's Application"), students who have entered into employer-sponsored agreements with PJSC Gazprom within the quota for employer-sponsored higher education and within the target numbers of admissions sponsored by the federal budget, budgets of constituent entities of the Russian Federation, or local budgets, while PJSC Gazprom undertakes to organise internships for those students who have entered into employer-sponsored education agreements in line with the University curricula. The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Alexey Miller, Deputy Chairman of the Board of Directors of PJSC Gazprom and Chairman of the Management Committee of PJSC Gazprom.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2706 dated 14 April 2016.



41 Trademark Licence Agreement for the use of trademarks in the Republic of Serbia with PAO Gazprom Neft. PJSC Gazprom (the "Licensor") grants to PAO Gazprom Neft (the "Licensee"), for the term of the agreement, an ordinary (non-exclusive) licence to use Licensor-owned international trademarks registered in the International Trademark Register by the International Office of the World

Intellectual Property Organisation:

- (i) Gazprom international trademark, international registration number: 807841, international registration date: 22 April 2003;
- (ii) Gazprom international trademark, international registration number: 807840, international registration date: 22 April 2003;
- (iii) Gazprom international trademark , hereinafter collectively referred to as the "Licensor's Trademarks", and individually as the "Licensor's Trademark", for all goods or services to which such Licensor's Trademark apply.

The Licensee may use the Licensor's Trademarks throughout the Republic of Armenia (the "Territory"):

- on products, product labels, and packaging;
- when providing services;
- in cover, business or other documents;
- in advertisements, print media, formal letterheads, billboards, and on exhibits at exhibitions and fairs;
- on the Internet;
- in the Licensee's business name;
- in the Licensee's print media.

The Licensee pays the Licensor a licence fee. The quarterly licence fee payable to the Licensor: for every trademark (Gazprom, , ) used in the Territory — USD 1,000.00 (net of applicable VAT), VAT-exempt in the Russian Federation. The agreement shall become effective in the Territory on the date of its registration with Armenia's Intellectual Property Agency. The agreement is valid until the expiry of the exclusive rights to all of the Licensor's Trademarks and may be subject to extension. The Licensor may unilaterally withdraw from the agreement at any time by written notice to the Licensee. Interested party: Andrey Kruglov, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting
dated 26 June 2015.

42 Contract for educational services with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university). Since 2008 — Rector of the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education, national research university). Contract price: RUB 3,000,000.00, VAT-exempt pursuant to subparagraph 14, paragraph 2 of Article 149 of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Some terms and conditions of the contract apply to the parties from 8 February 2015. Interested party: Alexey Miller, member of PJSC Gazprom's management body.

Approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting
dated 26 June 2015.

43 Research contract with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university). Since 2008 — Rector of the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education, national research university). PJSC Gazprom undertakes to accept, and pay for, the research. Overall delivery period: from 1 July 2015 through 30 December 2016. Contract price: RUB 19,581,721.26, VAT-exempt pursuant to subparagraph 16, paragraph 3 of Article 149 of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Some terms and conditions of the contract apply to the parties from 1 July 2015. Interested party: Alexey Miller, member of PJSC Gazprom's management body.

Approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting
dated 26 June 2015.

44 Research contract with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university). PJSC Gazprom engages Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education, national research university) to develop electronic courses in geological disciplines under the Oil and Gas Prospecting and Exploration professional training programme. PJSC Gazprom undertakes to accept, and pay for, the research. Overall delivery period: from

1 October 2015 through 30 November 2016. Contract price: RUB 3,000,000.00, VAT-exempt pursuant to subparagraph 16, paragraph 3 of Article 149 of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Some terms and conditions of the contract apply to the parties from 1 October 2015. Interested party: Alexey Miller, member of PJSC Gazprom's management body.

Approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting dated 26 June 2015.

45 Research contract with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university). Since 2008 — Rector of the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education, national research university). PJSC Gazprom undertakes to accept, and pay for, the research. Overall delivery period: from 1 November 2015 through 28 February 2017. Contract price: RUB 8,420,044.50, VAT-exempt. Pursuant to subparagraph 16, paragraph 3 of Article 149 of the Tax Code of the Russian Federation (subparagraph 16.1, paragraph 3 of Article 149 of the Tax Code of the Russian Federation). The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the agreement apply to the parties from 1 November 2015. Interested party: Alexey Miller, member of PJSC Gazprom's management body.

Approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting dated 26 June 2015.

46 Addendum No. 22 to Gas Supply Contract No. 25 Pk-2007 of 13 December 2007 signed with OAO Severneftegazprom, setting the gas price for 2H 2016. The price of gas supplied between 10 am on 1 July 2016 and 10 am on 1 January 2017 (2H of the supply year 2016) is RUB 2,208.02 per mcm. The addendum shall become effective on the date when signed by the parties. Interested parties: Vsevolod Cherepanov, Alexander Medvedev, Elena Mikhailova, members of PJSC Gazprom's collegial executive body.

Approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

47 Addendum No. 1 to the Quadripartite Agreement on Funding of Construction of a Transit Gas Pipeline System in the Republic of Poland of 20 May 1997 signed between PGNIG SA, Gas-Trading S.A. and EuRoPol GAZ s.a. Parties: PJSC Gazprom, PGNIG SA, Gas-Trading S.A., EuRoPol GAZ s.a. The addendum amends the agreement, lifting restrictions of dividend payments by EuRoPol GAZ s.a. The interested party is Alexander Medvedev, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors No. 2807 dated 27 September 2016.

48 Property Insurance Contract with AO SOGAZ INSURANCE. AO SOGAZ INSURANCE undertakes, for a fee (insurance premium) set out in the Property Insurance Contract (the "Contract") and on occurrence of an event specified in the Contract (an insured event) within the period specified in the Contract (the insurance period) in the territory specified in the Contract (the insurance territory), to indemnify PJSC Gazprom, or any other person to whose benefit the Contract is made (the beneficiary), for losses caused by such event (pay indemnity) in the amount set out in the Contract (the insured amount) provided that the indemnity amount per insured event would not exceed the indemnity limit (sub-limit) set out for AO SOGAZ INSURANCE in the Contract for each insured event. Unless otherwise specifically provided by the Contract, the insurance territory covers the territory and continental shelves of the Russian Federation, the Republic of Belarus, the Republic of Kazakhstan, the Republic of Abkhazia, and the Republic of South Ossetia. Insurance period (contract term): from 00:00 am on 1 July 2016 until 24:00 pm on 30 June 2017 (including both dates). Total insurance premium: RUB 6,165,000,000.00. The agreement shall become effective on the date when signed by the parties. The terms and conditions of the contract apply to the parties from 1 July 2016, covering insured accidents occurring after 30 June 2016. Interested

party: Alexey Miller, member of PJSC Gazprom's management body.

Approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

49 Property Insurance Contract with AO SOGAZ INSURANCE. AO SOGAZ INSURANCE undertakes, for a fee (insurance premium) set out in the Property Insurance Contract (the "Contract") and on occurrence of an event specified in the Contract (an insured event) within the period specified in the Contract (the insurance period) in the territory specified in the Contract (the insurance territory), to indemnify PJSC Gazprom, or any other person to whose benefit the Contract is made (the beneficiary), for losses caused by such event (pay indemnity) in the amount set out in the Contract (the insured amount) provided that the indemnity amount per insured event would not exceed the indemnity limit (sub-limit) set out for AO SOGAZ INSURANCE in the Contract for each insured event. Unless otherwise specifically provided by the Contract, the insurance territory covers the territory and continental shelves of the Russian Federation, the Republic of Belarus, the Republic of Kazakhstan, the Republic of Abkhazia, and the Republic of South Ossetia. Insurance period (contract term): from 00:00 am on 1 July 2016 until 24:00 pm on 30 June 2017 (including both dates). Total insurance premium: RUB 1,486,980,000.00. The agreement shall become effective on the date when signed by the parties. The terms and conditions of the contract apply to the parties from 1 July 2016, covering insured accidents occurring after 30 June 2016. Interested party: Alexey Miller, member of PJSC Gazprom's management body.

Approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

50 Contract for educational services with St. Petersburg State University of Economics (federal budget-funded educational institution of higher education). Parties: PJSC Gazprom, St Petersburg State University of Economics (federal budget-funded educational institution of higher education) (the "University"). The University undertakes to conduct training in modules 7, 8 and 9 of the Gazprom MBA — Petroleum Corporation Management in the Global Environment professional retraining programme (a two-year programme comprising nine modules) for PJSC Gazprom's representative Sergey Skrynniko, based on the agreed Curriculum and Schedule, in accordance with the Training Plan (the "Training Plan"), and PJSC Gazprom undertakes to pay for such services. Total contract price in accordance with the Training Plan: RUB 133,300.00, VAT-exempt pursuant to subparagraph 14, paragraph 2 of Article 149 of the Tax Code of the Russian Federation. PJSC Gazprom pays for the services provided by the University in the month following the month when the acceptance certificate is signed by the parties.

Delivery period: 16 May 2016 to 25 November 2016. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms of the contract, except for those on disclosing changes in the University's ownership structure to PJSC Gazprom, are applicable to the parties from 16 May 2016. Interested parties: Alexey Miller, Dmitry Patrushev, members of PJSC Gazprom's management bodies.

Approved by Resolution of PJSC Gazprom's Board of Directors No. 2778 dated 26 July 2016.

51 Loan agreement with AO Gazprom gazoraspredelenie (OOO Gazprom mezhrregiongaz is a management company acting as the sole executive body of AO Gazprom gazoraspredelenie). Parties: PJSC Gazprom and AO Gazprom gazoraspredelenie. AO Gazprom gazoraspredelenie grants to PJSC Gazprom a loan for RUB 38,000,000,000.00 (the "loan amount", "loan"), and PJSC Gazprom undertakes to repay to AO Gazprom gazoraspredelenie the loan amount and pay interest in the amount and in the manner set forth in the agreement.

The loan may be granted in full or in parts in accordance with PJSC Gazprom's written application(s). If the loan amount is drawn down, PJSC Gazprom may, upon early repayment of the granted loan amount or part thereof, request that AO Gazprom gazoraspredelenie grant a loan in the amount not exceeding the repaid part of the loan.

Interest for the use of the loan is accrued at a fixed rate of 0%.

In case AO Gazprom gazoraspredelenie ceases to be part of a consolidated group of taxpayers, the parties shall sign an addendum under which interest shall be accrued at MosPrime rate adjusted for credit risk premium.

The loan is granted until 31 December 2016 with subsequent annual renewal.

If PJSC Gazprom defaults on its obligations to repay the granted loan amount, AO Gazprom gazoraspredelenie may demand that PJSC Gazprom pay a penalty of 0.1% of the delayed amount for each day of delay.

Settlements between the parties shall be made through AO Gazprombank.

The agreement shall become effective on the date when AO Gazprom gazoraspredelenie grants the loan amount or part thereof to PJSC Gazprom and shall be terminated by mutual agreement of the parties or on other grounds set forth in the agreement and applicable laws. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors No. 2777 dated 26 July 2016.

52 Agreement on the procedure for accounting for settlements under loan agreements between PJSC Gazprom and PJSC Gazprom's subsidiary with AO Gazprom gazoraspredelenie (OOO Gazprom mezhrregiongaz is a management company acting as the sole executive body of AO Gazprom gazoraspredelenie). Parties: PJSC Gazprom and AO Gazprom gazoraspredelenie. The agreement stipulates the procedure for accounting for settlements by the parties: transfer of funds under the loan agreement between PJSC Gazprom and AO Gazprom gazoraspredelenie under which AO Gazprom gazoraspredelenie acts as lender ("Agreement No. 1") and loan agreement between PJSC Gazprom and AO Gazprom gazoraspredelenie, under which PJSC Gazprom acts as lender ("Agreement No. 2").

The agreement applies exclusively to the granting and/or repayment of loan amounts under Agreement No. 1 and Agreement No. 2, including early repayment of loan amounts (principal) in full or in part, and does not apply to the payment (transfer) of accrued interest under Agreement No. 1 and Agreement No. 2.

The transfer of funds from PJSC Gazprom gazoraspredelenie to PJSC Gazprom with a reference to the agreement represents either of the following, respectively:

- early repayment of the principal under Agreement No. 2 (at the initiative of AO Gazprom gazoraspredelenie);
- early repayment of the principal under Agreement No. 2;
- loan granting under Agreement No. 1;
- early repayment of the principal under Agreement No. 2 in the amount outstanding under Agreement No. 2 (at the initiative of AO Gazprom gazoraspredelenie) and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2;
- early repayment of the principal under Agreement No. 2 in the amount outstanding under Agreement No. 2 and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2;
- repayment of the principal under Agreement No. 2 due to maturity of the loan under Agreement No. 2;
- repayment of the principal under Agreement No. 2 due to maturity of the loan under Agreement No. 2 and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2.

The transfer of funds from PJSC Gazprom to AO Gazprom gazoraspredelenie with a reference to the agreement represents either of the following, respectively:

- early repayment of the principal under Agreement No. 1 (at the initiative of PJSC Gazprom);
- loan granting under Agreement No. 2;
- early repayment of the principal under Agreement No. 1 in the amount outstanding under Agreement No. 1 (at the initiative of PJSC Gazprom) and loan granting under Agreement No. 2 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 1;
- repayment of the principal under Agreement No. 1 due to expiration of Agreement No. 1;

— repayment of the principal under Agreement No. 1 due to expiration of Agreement No. 1 and loan granting under Agreement No. 2 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 1.

Any transfer of funds with a reference to the agreement shall be made through AO Gazprombank.

The agreement shall become effective on the date when Agreement No. 1 or Agreement No. 2 becomes effective and shall be valid until the termination of Agreement No. 1 or Agreement No. 2. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2777 dated 26 July 2016.

53 Agreement on the procedure for accounting for settlements under loan agreements between PJSC Gazprom and PJSC Gazprom's subsidiary with AO Gazprom gazoraspredelenie (OOO Gazprom mezhregiongaz is a management company acting as the sole executive body of AO Gazprom gazoraspredelenie). Parties: PJSC Gazprom and AO Gazprom gazoraspredelenie. The agreement stipulates the procedure for accounting for settlements by the parties: transfer of funds under the loan agreement between PJSC Gazprom and AO Gazprom gazoraspredelenie under which AO Gazprom gazoraspredelenie acts as lender ("Agreement No. 1") and loan agreement between PJSC Gazprom and AO Gazprom gazoraspredelenie under which PJSC Gazprom acts as lender ("Agreement No. 2").

The agreement applies exclusively to the granting and/or repayment of loan amounts under Agreement No. 1 and Agreement No. 2, including early repayment of loan amounts (principal) in full or in part, and does not apply to the payment (transfer) of accrued interest under Agreement No. 1 and Agreement No. 2.

Thus, the transfer of funds from AO Gazprom gazoraspredelenie to PJSC Gazprom with a reference to the agreement represents either of the following:

- early repayment of the principal under Agreement No. 2 (at the initiative of AO Gazprom gazoraspredelenie);
- early repayment of the principal under Agreement No. 2;
- loan granting under Agreement No. 1;
- early repayment of the principal under Agreement No. 2 in the amount outstanding under Agreement No. 2 (at the initiative of AO Gazprom gazoraspredelenie) and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2;
- early repayment of the principal under Agreement No. 2 in the amount outstanding under Agreement No. 2 and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2;
- repayment of the principal under Agreement No. 2 due to maturity of the loan under Agreement No. 2;
- repayment of the principal under Agreement No. 2 due to maturity of the loan under Agreement No. 2 and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2.

The transfer of funds from PJSC Gazprom to AO Gazprom gazoraspredelenie with a reference to the agreement represents either of the following, respectively:

- early repayment of the principal under Agreement No. 1 (at the initiative of PJSC Gazprom);
- loan granting under Agreement No. 2;
- early repayment of the principal under Agreement No. 1 in the amount outstanding under Agreement No. 1 (at the initiative of PJSC Gazprom) and loan granting under Agreement No. 2 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 1;
- repayment of the principal under Agreement No. 1 due to expiration of Agreement No. 1;
- repayment of the principal under Agreement No. 1 due to expiration of Agreement No. 1 and loan granting under Agreement No. 2 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 1.

Any transfer of funds with a reference to the agreement shall be made through OAO BANK ROSSIYA.

The agreement shall become effective on the date when Agreement No. 1 or Agreement No. 2 becomes effective and shall be valid until the termination of Agreement No. 1 or Agreement No. 2. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2777 dated 26 July 2016.

54 Loan agreement with OOO Gazprom investproject. Parties: PJSC Gazprom and OOO Gazprom investproject. OOO Gazprom investproject grants to PJSC Gazprom a loan for RUB 35,000,000,000.00 (the "loan amount", "loan"), and PJSC Gazprom undertakes to repay to OOO Gazprom investproject the loan amount and pay interest in the amount and in the manner set forth in the agreement.

The loan may be granted in full or in parts in accordance with PJSC Gazprom's written application(s).

If the loan amount is drawn down, PJSC Gazprom may, upon early repayment of the granted loan amount or part thereof, request that OOO Gazprom investproject grant a loan in the amount not exceeding the repaid part of the loan.

The interest rate is not fixed and is applied to each individual part of the loan depending on the actual period of use of the funds granted within each individual part of the loan, and the credit risk premium.

MosPrime rate adjusted for credit risk premium shall be used to calculate the interest rate.

The interest shall be paid on the last day of each calendar month.

The procedures for interest rate calculation and/or interest payment may be changed as agreed by and between PJSC Gazprom and OOO Gazprom investproject.

The loan is granted until 31 December 2016 with subsequent annual renewal.

If PJSC Gazprom defaults on its obligations to repay the granted loan amount, OOO Gazprom investproject may demand that PJSC Gazprom pay a penalty of 0.1% of the delayed amount for each day of delay.

The agreement shall become effective on the date when OOO Gazprom investproject grants the loan amount or part thereof to PJSC Gazprom and shall be terminated by mutual agreement of the parties or on other grounds set forth in the agreement and applicable laws. Interested parties: Sergey Khomyakov, Valery Golubev, Andrey Kruglov, Elena Mikhailova, members of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2781 dated 3 August 2016.

55 Agreement on the procedure for accounting for settlements under loan agreements between PJSC Gazprom and PJSC Gazprom's subsidiary. Parties: PJSC Gazprom and OOO Gazprom investproject. The agreement stipulates the procedure for accounting for settlements by the parties: transfer of funds under the loan agreement between PJSC Gazprom and OOO Gazprom investproject under which OOO Gazprom investproject acts as lender ("Agreement No. 1") and loan agreement between PJSC Gazprom and OOO Gazprom investproject under which PJSC Gazprom acts as lender ("Agreement No. 2").

The agreement applies exclusively to the granting and/or repayment of loan amounts under Agreement No. 1 and Agreement No. 2, including early repayment of loan amounts (principal) in full or in part, and does not apply to the payment (transfer) of accrued interest under Agreement No. 1 and Agreement No. 2.

The transfer of funds from OOO Gazprom investproject to PJSC Gazprom with a reference to the agreement represents either of the following, respectively:

- early repayment of the principal under Agreement No. 2 (at the initiative of OOO Gazprom investproject);
- early repayment of the principal under Agreement No. 2;
- loan granting under Agreement No. 1;
- early repayment of the principal under Agreement No. 2 in the amount outstanding under Agreement No. 2 (at the initiative of OOO Gazprom investproject) and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2;
- early repayment of the principal under Agreement No. 2 in the amount outstanding under Agreement No. 2 and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order

and the amount of outstanding principal under Agreement No. 2;

- repayment of the principal under Agreement No. 2 due to maturity of the loan under Agreement No. 2;
- repayment of the principal under Agreement No. 2 due to maturity of the loan under Agreement No. 2 and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2.

The transfer of funds from PJSC Gazprom to OOO Gazprom investproject with a reference to the agreement represents either of the following, respectively:

- early repayment of the principal under Agreement No. 1 (at the initiative of PJSC Gazprom);
- loan granting under Agreement No. 2;
- early repayment of the principal under Agreement No. 1 in the amount outstanding under Agreement No. 1 (at the initiative of PJSC Gazprom) and loan granting under Agreement No. 2 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 1;
- repayment of the principal under Agreement No. 1 due to expiration of Agreement No. 1;
- repayment of the principal under Agreement No. 1 due to expiration of Agreement No. 1 and loan granting under Agreement No. 2 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 1.

The agreement shall become effective on the date when Agreement No. 1 or Agreement No. 2 becomes effective and shall be valid until the termination of Agreement No. 1 or Agreement No. 2. Interested parties: Sergey Khomyakov, Valery Golubev, Andrey Kruglov, Elena Mikhailova, members of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2781 dated 3 August 2016.

56 Addendum No. 61 to Contract for Natural Gas Supply in 2000–2030 No. 1GLA-2000 dated 16 November 1999 with AO LatvijasGāze. Parties: PJSC Gazprom and AO LatvijasGāze. The addendum covers amendments providing for:

- determining the volume of gas pumped by PJSC Gazprom into Inčukalna skoe UGSF (the "IUGSF") to meet the needs of AO LatvijasGāze during the 2016 pumping season in the amount of 850 mcm;
- determining the procedure for payment for gas pumped into the IUGSF during the 2016 pumping season;
- extending the effective period of tariff rates for gas pumping into, withdrawal from and storage in IUGSF through 31 March 2017;
- setting the tariff for gas transportation through Latvia from 1 April 2016 to 31 March 2017;
- specifying penalty accrual procedure.

During the 2016 pumping season, AO LatvijasGāze undertakes, before or on the 25th day of each pumping month, to make an advance payment for the gas pumped by PJSC Gazprom into the IUGSF to be subsequently sold by AO LatvijasGāze from the IUGSF in the 2016–2017 withdrawal season under the following schedule:

- in July: EUR 21.5 mm,
- in August: EUR 21.5 mm,
- in September: EUR 21.5 mm.

The total amount of advance payments will be EUR 64.5 mm. Services for gas transportation through Latvia provided by AO LatvijasGāze from 1 April 2016 through 31 March 2017 shall be paid for at the rate of EUR 1.94 per mcm per 100 km. The Addendum shall become effective on the date when signed by the parties and shall apply to the parties from 1 April 2016. Interested parties: Kirill Seleznev, Elena Mikhailova, Nikolai Dubik, members of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2824 dated 3 October 2016.

57 Non-disclosure agreement with Dmitry Patrushev. Parties: PJSC Gazprom, the Company; Dmitry Patrushev, member of the Board of Directors. Dmitry Patrushev, exercising his powers in accordance with the applicable Russian laws, PJSC Gazprom's Articles of Association, the Regulation on the Board of Directors of PJSC Gazprom,

and other PJSC Gazprom's internal documents, undertakes not to disclose information classified as a commercial secret, or other confidential information of the Company or its counterparties.

The agreement shall become effective on the date when signed by the parties and shall be valid for five years after the termination of powers of a member of the Board of Directors.

If the powers of a member of the Board of Directors terminate on the date of the Company's General Shareholders Meeting and the member is re-elected to the Board of Directors for another term on that same day, the agreement shall be valid throughout that member's new term on the Board of Directors plus five years after its expiry date. Interested parties: Dmitry Patrushev, member of the Board of Directors of PJSC Gazprom.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2783 dated 3 August 2016.

58 Share purchase agreement with AO Gazprom gazenergoset. Parties: PJSC Gazprom and AO Gazprom gazenergoset. PJSC Gazprom undertakes to transfer to AO Gazprom gazenergoset the title to, and AO Gazprom gazenergoset undertakes to accept, and pay for, 2,099 ordinary registered shares in OAO Rostov Gas Filling Station with a par value of RUB 1 each, which is equivalent to 41.8% of its authorised capital, for RUB 50,000,000.00. The price of the shares is estimated by the parties at RUB 50,000,000.00. The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Elena Mikhailova, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2728 dated 13 May 2016.

59 Liability insurance contract with AO SOGAZ INSURANCE. The contract provides for liability insurance of PJSC Gazprom and/or insured persons against damages to third parties ("Third Parties" ("Beneficiaries")) resulting from unintentional errors committed by the insured persons in their management roles, in accordance with OAO SOGAZ INSURANCE's Rules for Insuring the Liability of Executives and Management Bodies of Legal Entities dated 29 April 2005. The insured amount (total indemnity limit) is a rouble equivalent of USD 100,000,000.00 at the exchange rate of the Central Bank of the Russian Federation as at the payment date. The total insurance premium is a rouble equivalent of USD 1,575,000.00. The insurance contract is valid for 1 year (12 months), becomes effective at 00:00 am on 1 October 2016 (insurance start date) and continues until 24:00 pm on 30 September 2017 (insurance end date). Interested parties: Alexey Miller, Andrey Kruglov, members of PJSC Gazprom's management bodies.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

60 Non-disclosure agreement with Gazprom Marketing & Trading Limited. Parties: PJSC Gazprom and Gazprom Marketing & Trading Limited. PJSC Gazprom and Gazprom Marketing & Trading Limited undertake:

- to ensure protection of information constituting a commercial secret (the "Information") received from each other, for the purposes of various business operations, such as supply, trade and marketing of energy products, including gas, electricity, crude oil, CNG, LNG, oil and natural gas products, helium, as well as currency trading operations, trading in the derivatives market, hedging operations; transportation by sea, retail sales and other non-core commercial activities (the "Operations");
- to use the Information strictly for the purposes of the Operations;
- not to sell, exchange, publish or otherwise disclose any of the received Information in any available way, including photocopying, reproduction or use of electronic media, without prior written consent of the disclosing party unless:
 - the party receiving the Information (the "Receiving Party") is required to fully or partially disclose this Information to competent authorities pursuant to any applicable laws, or court judgement, or government resolutions, orders, instructions or regulations provided that such Information is disclosed only to the extent required under applicable laws, and that the

Receiving Party has sent the disclosing party a relevant written request for a written consent to disclose such information prior to such disclosure;

- the Receiving Party can justify the need to disclose the received Information to its employees and officers to perform the Receiving Party's duties for the purposes of the Operations provided that the Receiving Party retains responsibility for ensuring that all persons to which the Information is disclosed comply with its protection requirements.

The agreement shall become effective on the date when signed and shall be valid until 31 December 2025. Interested parties: Mikhail Sereda, Nikolai Dubik, members of PJSC Gazprom's management bodies.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2786 dated 23 August 2016.

61 Contract for educational services with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university). Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university) undertakes to provide PJSC Gazprom, between 26 September 2016 and 23 June 2017, with services of retraining PJSC Gazprom's executives and specialists in agreed subjects, and PJSC Gazprom undertakes to pay for these services. Contract price: RUB 345,000.00, VAT-exempt pursuant to subparagraph 14, paragraph 2 of Article 149 of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested parties: Viktor Martynov, Alexander Novak, Viktor Zubkov, Sergey Khomyakov, members of PJSC Gazprom's management bodies.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

62 Loan agreement with OOO Gazprom gazomotornoe toplivo. Parties: PJSC Gazprom and OOO Gazprom gazomotornoe toplivo. OOO Gazprom gazomotornoe toplivo grants to PJSC Gazprom a loan for RUB 35,000,000,000.00 (the "loan amount", "loan"), and PJSC Gazprom undertakes to repay to OOO Gazprom gazomotornoe toplivo the loan amount and pay interest in the amount and in the manner set forth in the agreement.

The loan may be granted in full or in parts in accordance with PJSC Gazprom's written application(s).

If the loan amount is drawn down, PJSC Gazprom may, upon early repayment of the granted loan amount or part thereof, request that OOO Gazprom gazomotornoe toplivo grant a loan in the amount not exceeding the repaid part of the loan.

The interest rate is not fixed and is applied to each individual part of the loan depending on the actual period of use of the funds granted within each individual part of the loan, and the credit risk premium.

MosPrime rate adjusted for credit risk premium shall be used to calculate the interest rate.

Interest shall be paid on the last day of each calendar month.

The procedures for interest rate calculation and/or interest payment may be changed as agreed by and between PJSC Gazprom and OOO Gazprom gazomotornoe toplivo.

The loan is granted until 31 December 2016 with subsequent annual renewal.

If PJSC Gazprom defaults on its obligations to repay the granted loan amount, OOO Gazprom gazomotornoe toplivo may demand that PJSC Gazprom pay a penalty of 0.1% of the delayed amount for each day of delay.

The agreement shall become effective on the date when OOO Gazprom gazomotornoe toplivo grants the loan amount or part thereof to PJSC Gazprom and shall be terminated by mutual agreement of the parties or on other grounds set forth in the agreement and applicable laws. Interested parties: Vladimir Markov, Elena Mikhailova, Vitaly Markelov, Viktor Zubkov, Andrey Akimov, Vyacheslav Mikhailenko, members of PJSC Gazprom's management bodies.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2796 dated 1 September 2016.

63 Loan agreement with OOO Gazprom gazomotornoe toplivo. Parties: PJSC Gazprom and OOO Gazprom

gazomotornoe toplivo. PJSC Gazprom grants to OOO Gazprom gazomotornoe toplivo a loan for RUB 10,000,000,000.00 (the "loan amount", "loan"), and OOO Gazprom gazomotornoe toplivo undertakes to repay to PJSC Gazprom the loan amount and pay interest in the amount and in the manner set forth in the agreement.

The loan may be granted in full or in parts in accordance with OOO Gazprom gazomotornoe toplivo's written application(s).

If the loan amount is drawn down, OOO Gazprom gazomotornoe toplivo may, upon early repayment of the granted loan amount or part thereof, request that PJSC Gazprom grant a loan in the amount not exceeding the repaid part of the loan.

The interest rate is not fixed and is applied to each individual part of the loan depending on the actual period of use of the funds granted within each individual part of the loan, and the credit risk premium.

MosPrime rate adjusted for credit risk premium shall be used to calculate the interest rate.

Interest shall be paid on the last day of each calendar month.

The procedures for interest rate calculation and/or interest payment may be changed as agreed by and between PJSC Gazprom and OOO Gazprom gazomotornoe toplivo.

The loan is granted until 31 December 2016 with subsequent annual renewal.

If OOO Gazprom gazomotornoe toplivo defaults on its obligations to repay the granted loan amount, PJSC Gazprom may demand that OOO Gazprom gazomotornoe toplivo pay a penalty of 0.1% of the delayed amount for each day of delay.

The agreement shall become effective on the date when PJSC Gazprom grants the loan amount or part thereof to OOO Gazprom gazomotornoe toplivo and shall be terminated by mutual agreement of the parties or on other grounds set forth in the agreement and applicable laws. Interested parties: Vladimir Markov, Elena Mikhailova, Vitaly Markelov, Viktor Zubkov, Andrey Akimov, Vyacheslav Mikhailenko, members of PJSC Gazprom's management bodies.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2796 dated 1 September 2016.

64 Agreement on the procedure for accounting for settlements under loan agreements between PJSC Gazprom and PJSC Gazprom's subsidiary. Parties: PJSC Gazprom and OOO Gazprom gazomotornoe toplivo. The agreement stipulates the procedure for accounting for settlements by the parties: transfer of funds under the loan agreement between PJSC Gazprom and OOO Gazprom gazomotornoe toplivo under which OOO Gazprom gazomotornoe toplivo acts as lender ("Agreement No. 1") and loan agreement between PJSC Gazprom and OOO Gazprom gazomotornoe toplivo under which PJSC Gazprom acts as lender ("Agreement No. 2").

The agreement applies exclusively to the granting and/or repayment of loan amounts under Agreement No. 1 and Agreement No. 2, including early repayment of loan amounts (principal) in full or in part, and does not apply to the payment (transfer) of accrued interest under Agreement No. 1 and Agreement No. 2.

The transfer of funds from OOO Gazprom gazomotornoe toplivo to PJSC Gazprom with a reference to the agreement represents either of the following, respectively:

- early repayment of the principal under Agreement No. 2 (at the initiative of OOO Gazprom gazomotornoe toplivo);
- early repayment of the principal under Agreement No. 2;
- loan granting under Agreement No. 1;
- early repayment of the principal under Agreement No. 2 in the amount outstanding under Agreement No. 2 (at the initiative of OOO Gazprom gazomotornoe toplivo) and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2;
- early repayment of the principal under Agreement No. 2 in the amount outstanding under Agreement No. 2 and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2;
- repayment of the principal under Agreement No. 2 due to maturity of the loan under Agreement No. 2;
- repayment of the principal under Agreement No. 2 due to maturity of the loan under Agreement No. 2

and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2.

The transfer of funds from PJSC Gazprom to OOO Gazprom gazomotornoetopivo with a reference to the agreement represents either of the following, respectively:

- early repayment of the principal under Agreement No. 1 (at the initiative of PJSC Gazprom);
- loan granting under Agreement No. 2;
- early repayment of the principal under Agreement No. 1 in the amount outstanding under Agreement No. 1 (at the initiative of PJSC Gazprom) and loan granting under Agreement No. 2 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 1;
- repayment of the principal under Agreement No. 1 due to expiration of Agreement No. 1;
- repayment of the principal under Agreement No. 1 due to expiration of Agreement No. 1 and loan granting under Agreement No. 2 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 1.

The agreement shall become effective on the date when Agreement No. 1 or Agreement No. 2 becomes effective and shall be valid until the termination of Agreement No. 1 or Agreement No. 2. Interested parties: Vladimir Markov, Elena Mikhailova, Vitaly Markelov, Viktor Zubkov, Andrey Akimov, Vyacheslav Mikhaleenko, members of PJSC Gazprom's management bodies.

[Approved by Resolution of PJSC Gazprom's Board of Directors No. 2796 dated 1 September 2016.](#)

65 Non-disclosure agreement with Aleksey Ulyukaev. Parties: PJSC Gazprom, the Company; Aleksey Ulyukaev, member of the Board of Directors. Aleksey Ulyukaev, exercising his powers in accordance with the applicable Russian laws, PJSC Gazprom's Articles of Association, the Regulation on the Board of Directors of PJSC Gazprom, and other PJSC Gazprom internal documents, undertakes not to disclose information classified as a commercial secret, or other confidential information of the Company or its counterparties.

The agreement shall become effective on the date when signed by the parties and shall be valid for five years after the termination of powers of a member of the Board of Directors.

If the powers of a member of the Board of Directors terminates on the date of the Company's General Shareholders Meeting and the member is re-elected to the Board of Directors for another term on that same day, the agreement shall be valid throughout that member's new term on the Board of Directors plus five years after its expiry date. Interested party: Aleksey Ulyukaev, member of the Board of Directors of PJSC Gazprom.

[Approved by Resolution of PJSC Gazprom's Board of Directors No. 2782 dated 3 August 2016.](#)

66 Non-disclosure agreement with Gazprom (U.K.) Limited. Parties: PJSC Gazprom, Gazprom (U.K.) Limited. PJSC Gazprom and Gazprom (U.K.) Limited intend to provide each other with information classified as a commercial secret for the purposes of commercial operations of Gazprom Group (the "Operations") in accordance with the terms and conditions of the agreement. PJSC Gazprom and Gazprom (U.K.) Limited undertake to ensure protection of information constituting a commercial secret (the "Information"). If any personal data is provided, the parties agree to ensure its confidentiality in accordance with the laws applicable to the parties.

PJSC Gazprom and Gazprom (U.K.) Limited undertake to use the Information for the purposes of the Operations only. The parties undertake not to sell, exchange, publish or otherwise disclose any of the received Information in any available way, including photocopying, reproduction or use of electronic media, without prior written consent of the party that provided the Information (the "Disclosing Party") unless:

- the party receiving the Information (the "Receiving Party") is required to fully or partially disclose this Information to competent authorities pursuant to any applicable laws, or court judgement, or government resolutions, orders, instructions or regulations provided that such Information is disclosed only to the extent required under applicable laws, and that the Receiving Party has sent the Disclosing Party a

relevant written request for a written consent to disclose such information prior to such disclosure; the Receiving Party can justify the need to disclose the received Information to its employees and officers to perform the Receiving Party's duties for the purposes of the Operations provided that the Receiving Party retains responsibility for ensuring that all persons to which the Information is disclosed in accordance with this paragraph comply with its protection requirements.

The Receiving Party shall be liable for any costs or losses of the Disclosing Party resulting from or in connection with any Information disclosure committed by the Receiving Party in breach of the agreement or by a third party to which it provides such Information.

The agreement shall become effective on the date when signed by the parties and shall be valid for five years. Interested party: Mikhail Sereda, member of the Board of Directors of PJSC Gazprom.

[Approved by Resolution of PJSC Gazprom's Board of Directors No. 2808 dated 27 September 2016.](#)

67 Research contract with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university). PJSC Gazprom engages Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university) to conduct research on development of new, precious metal-free catalysts for efficient gas condensate processing into high added value products. PJSC Gazprom undertakes to accept, and pay for, the research. Overall delivery period: from 1 October 2016 through 30 September 2018. Contract price: RUB 38,782,190.00, VAT-exempt pursuant to subparagraph 16, paragraph 3 of Article 149 of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Some terms and conditions of the contract apply to the parties from 1 October 2016. Interested parties: Viktor Martynov, Alexander Novak, Viktor Zubkov, Sergey Khomyakov, members of PJSC Gazprom's management bodies.

[Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.](#)

68 Contract for educational services with St. Petersburg State University of Economics (federal budget-funded educational institution of higher education). St. Petersburg State University of Economics (a federal budget-funded educational institution of higher education) undertakes to provide PJSC Gazprom with educational services under the Master of Business Administration retraining programme Gazprom MBA: Management of Oil and Gas Corporation in the Global Environment (a two-year programme comprising nine modules) for a representative of PJSC Gazprom from 26 September 2016 to 12 September 2018, and PJSC Gazprom undertakes to pay for such services. Contract price: RUB 619,900.00, VAT-exempt pursuant to subparagraph 14, paragraph 2 of Article 149 of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Some terms and conditions of the contract apply to the parties from 26 September 2016. Interested parties: Alexey Miller, Dmitry Patrushev, members of PJSC Gazprom's management bodies.

[Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.](#)

69 Master agreement on maintaining minimum balance on client accounts with AO Gazprombank. The master agreement stipulates the procedure for interest accrual on the balance of PJSC Gazprom's bank account, subject to PJSC Gazprom and AO Gazprombank entering into a minimum balance agreement (transaction). Minimum balance may be maintained on any bank account owned by PJSC Gazprom, unless it conflicts with the respective bank account agreement (and subject to addenda to such bank account agreement, or other agreements regulating bank account management), account mode or the laws of the Russian Federation. The effective period of the master agreement shall be limited to the effective periods of bank account agreements entered into by and between PJSC Gazprom and AO Gazprombank. The master agreement shall become invalid upon expiry of all bank account agreements with AO Gazprombank. Interested

parties: Alexey Miller, Elena Vasilieva, Andrey Kruglov, Mikhail Sereda, Kirill Seleznev, Andrey Akimov, members of PJSC Gazprom's management bodies.

[Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.](#)

70 Research contract with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university). PJSC Gazprom engages Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university) to conduct research on development of the proposals on import substitution of oils, lubricants and technical liquids used in gas transportation and gas production facilities of PJSC Gazprom. PJSC Gazprom undertakes to accept, and pay for, the research. Overall delivery period: from 4 July 2016 through 4 December 2017. Contract price: RUB 14,734,369.13, VAT-exempt pursuant to subparagraph 16, paragraph 3 of Article 149 of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Some terms and conditions of the contract apply to the parties from 4 July 2016. Interested parties: Viktor Martynov, Alexander Novak, Viktor Zubkov, Sergey Khomyakov, members of PJSC Gazprom's management bodies.

[Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.](#)

71 Agreement on the procedure for accounting for settlements under loan agreements between PJSC Gazprom and PJSC Gazprom's subsidiary. Parties: PJSC Gazprom and AO Gazprom gazenergoset. The agreement stipulates the procedure for accounting for settlements by the parties: transfer of funds under the loan agreement between PJSC Gazprom and AO Gazprom gazenergoset under which AO Gazprom gazenergoset acts as lender ("Agreement No. 1") and loan agreement between PJSC Gazprom and AO Gazprom gazenergoset under which PJSC Gazprom acts as lender ("Agreement No. 2").

The agreement applies exclusively to the granting and/or repayment of loan amounts under Agreement No. 1 and Agreement No. 2, including early repayment of loan amounts (principal) in full or in part, and does not apply to the payment (transfer) of accrued interest under Agreement No. 1 and Agreement No. 2.

The transfer of funds from AO Gazprom gazenergoset to PJSC Gazprom with a reference to the agreement represents either of the following, respectively:

- early repayment of the principal under Agreement No. 2 (at the initiative of AO Gazprom gazenergoset);
- early repayment of the principal under Agreement No. 2;
- loan granting under Agreement No. 1;
- early repayment of the principal under Agreement No. 2 in the amount outstanding under Agreement No. 2 (at the initiative of AO Gazprom gazenergoset) and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2;
- early repayment of the principal under Agreement No. 2 in the amount outstanding under Agreement No. 2 and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2;
- repayment of the principal under Agreement No. 2 due to maturity of the loan under Agreement No. 2;
- repayment of the principal under Agreement No. 2 due to maturity of the loan under Agreement No. 2 and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2.

The transfer of funds from PJSC Gazprom to AO Gazprom gazenergoset with a reference to the agreement represents either of the following, respectively:

- early repayment of the principal under Agreement No. 1 (at the initiative of PJSC Gazprom);
- loan granting under Agreement No. 2;
- early repayment of the principal under Agreement No. 1 in the amount outstanding under Agreement No. 1 (at the initiative of PJSC Gazprom) and loan

- granting under Agreement No. 2 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 1;
- repayment of the principal under Agreement No. 1 due to expiration of Agreement No. 1;
- repayment of the principal under Agreement No. 1 due to expiration of Agreement No. 1 and loan granting under Agreement No. 2 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 1.

Any transfer of funds with a reference to the agreement shall be made through OAO BANK ROSSIYA.

The agreement shall become effective on the date when Agreement No. 1 or Agreement No. 2 becomes effective and shall be valid until the termination of Agreement No. 1 or Agreement No. 2. Interested party: Elena Mikhailova, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2837 dated 21 October 2016.

72 Loan agreement with AO Gazprom gazenergoset. Parties: PJSC Gazprom and AO Gazprom gazenergoset. AO Gazprom gazenergoset grants to PJSC Gazprom a loan for RUB 35,000,000,000.00 (the "loan amount", "loan"), and PJSC Gazprom undertakes to repay to AO Gazprom gazenergoset the loan amount and pay interest in the amount and in the manner set forth in the agreement.

The loan may be granted in full or in parts in accordance with PJSC Gazprom's written application(s).

If the loan amount is drawn down, PJSC Gazprom may, upon early repayment of the granted loan amount or part thereof, request that AO Gazprom gazenergoset grant a loan in the amount not exceeding the repaid part of the loan.

Interest for the use of the loan is accrued at a fixed rate of 0%.

In case AO Gazprom gazenergoset ceases to be part of a consolidated group of taxpayers, the parties shall sign an addendum under which interest shall be accrued at MosPrime rate adjusted for credit risk premium.

The loan is granted until 31 December 2016 with subsequent annual renewal.

If PJSC Gazprom defaults on its obligations to repay the granted loan amount, AO Gazprom gazenergoset may demand that PJSC Gazprom pay a penalty of 0.1% of the delayed amount for each day of delay.

Settlements between the parties shall be made through AO Gazprombank.

The agreement shall become effective on the date when AO Gazprom gazenergoset grants the loan amount or part thereof to PJSC Gazprom and shall be terminated by mutual agreement of the parties or on other grounds set forth in the agreement and applicable laws. Interested party: Elena Mikhailova, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2837 dated 21 October 2016.

73 Agreement on the procedure for accounting for settlements under loan agreements between PJSC Gazprom and PJSC Gazprom's subsidiary. Parties: PJSC Gazprom and AO Gazprom gazenergoset. The agreement stipulates the procedure for accounting for settlements by the parties: transfer of funds under the loan agreement between PJSC Gazprom and AO Gazprom gazenergoset under which AO Gazprom gazenergoset acts as lender ("Agreement No. 1") and loan agreement between PJSC Gazprom and AO Gazprom gazenergoset under which PJSC Gazprom acts as lender ("Agreement No. 2").

The agreement applies exclusively to the granting and/or repayment of loan amounts under Agreement No. 1 and Agreement No. 2, including early repayment of loan amounts (principal) in full or in part, and does not apply to the payment (transfer) of accrued interest under Agreement No. 1 and Agreement No. 2.

The transfer of funds from AO Gazprom gazenergoset to PJSC Gazprom with a reference to the agreement represents either of the following, respectively:

- early repayment of the principal under Agreement No. 2 (at the initiative of AO Gazprom gazenergoset);
- early repayment of the principal under Agreement No. 2;
- loan granting under Agreement No. 1;
- early repayment of the principal under Agreement No. 2 in the amount outstanding under Agreement No. 2 (at the initiative of AO Gazprom gazenergoset) and loan granting under Agreement No. 1 in the

amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2;

- early repayment of the principal under Agreement No. 2 in the amount outstanding under Agreement No. 2 and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2;
- repayment of the principal under Agreement No. 2 due to maturity of the loan under Agreement No. 2;
- repayment of the principal under Agreement No. 2 due to maturity of the loan under Agreement No. 2 and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2.

The transfer of funds from PJSC Gazprom to AO Gazprom gazenergoset with a reference to the agreement represents either of the following, respectively:

- early repayment of the principal under Agreement No. 1 (at the initiative of PJSC Gazprom);
- loan granting under Agreement No. 2;
- early repayment of the principal under Agreement No. 1 in the amount outstanding under Agreement No. 1 (at the initiative of PJSC Gazprom) and loan granting under Agreement No. 2 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 1;
- repayment of the principal under Agreement No. 1 due to expiration of Agreement No. 1;
- repayment of the principal under Agreement No. 1 due to expiration of Agreement No. 1 and loan granting under Agreement No. 2 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 1.

Any transfer of funds with a reference to the agreement shall be made through AO Gazprombank.

The agreement shall become effective on the date when Agreement No. 1 or Agreement No. 2 becomes effective and shall be valid until the termination of Agreement No. 1 or Agreement No. 2. Interested party: Elena Mikhailova, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2837 dated 21 October 2016.

74 Contract for training services under a higher education programme with St Petersburg State University of Economics (a federal budget-funded educational institution of higher education) and Vladimir Khalatin. Parties: PJSC Gazprom, St Petersburg State University of Economics (a federal budget-funded educational institution of higher education) (the "University") and Vladimir Khalatin. The University undertakes to provide training to Vladimir Khalatin under its core education programme, while PJSC Gazprom undertakes to pay for the training of Vladimir Khalatin.

Terms of training:

- education level: higher;
- qualification (degree): master;
- code, major field: 38.04.02 Management;
- programme: Strategic Management in a Global Energy Company (master degree);
- training form: intramural.

Vladimir Khalatin is to be trained under the educational programme of the University developed in compliance with the federal state educational standard.

Total contract price for the entire period of training of Vladimir Khalatin is RUB 400,000.00 (VAT-exempt pursuant to subparagraph 14, paragraph 2 of Article 149 of the Tax Code of the Russian Federation).

Contract price for each term of each academic year: RUB 100,000.00 (VAT-exempt pursuant to subparagraph 14, paragraph 2 of Article 149 of the Tax Code of the Russian Federation).

Payment is made for each term as follows:

- for the first term of training: not later than 1 November;
 - for subsequent odd-numbered terms of the relevant academic year: not later than 31 August;
 - for even-numbered terms of the relevant academic year: not later than 31 January.
- Delivery period: from 1 September 2016 through 30 June 2018.

The contract shall become effective on the date when signed and shall be valid until the parties have fully

performed their obligations thereunder. The contract applies to the parties from the earlier of the following dates:

- 1 September 2016;
- the date of the contract.

The contract shall terminate on 1 October 2016 if Vladimir Khalatin is not officially enrolled in the University by that date.

The contract shall be extended for the period when Vladimir Khalatin is on vacation provided in accordance with the laws of the Russian Federation. Interested parties: Alexey Miller, Dmitry Patrushev, members of PJSC Gazprom's management bodies.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2832 dated 21 October 2016.

75 Donation agreement with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university). Parties: PJSC Gazprom, Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher education, national research university) (the "University"). The agreement covers a donation of RUB 82,100,000.00 by PJSC Gazprom to the University to:

- ensure high performance of joint projects for the development of educational technologies and the University's training facilities;
- enhance the effectiveness of targeted professional training;
- improve the University's training programmes;
- organise internships for university staff involved in targeted professional training;
- improve career guidance to recruit the best graduate talent coming out of the University to positions at PJSC Gazprom's production facilities, including through the development of an internship framework for the University's students at such facilities, and provide financial support to talented faculty members actively engaged in targeted professional training carried out as part of statutory activities (the "Purposes").

PJSC Gazprom shall transfer RUB 82,100,000.00 to the University's bank account within the month following the month when the agreement is signed.

The University shall only use the money transferred by PJSC Gazprom for the above Purposes. PJSC Gazprom may request the University to report on the use of the funds donated by PJSC Gazprom in accordance with the intended purposes and provide copies of supporting financial documents.

PJSC Gazprom may cancel the donation if the University uses the funds for any purposes other than the Purposes in this agreement or changes the Purposes due to changed circumstances without first obtaining PJSC Gazprom's consent. In this case, the University fully refunds the money donated by PJSC Gazprom within one month upon receipt of PJSC Gazprom's request.

PJSC Gazprom may cancel the donation if the University fails to meet its obligation to inform PJSC Gazprom of changes in the University's ownership structure, including beneficiaries (including ultimate beneficiaries) and/or in executive bodies of the University.

The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested parties: Viktor Martynov, Alexander Novak, Viktor Zubkov, Sergey Khomyakov, members of PJSC Gazprom's management bodies.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2833 dated 21 October 2016.

76 Donation agreement with St Petersburg State University of Economics (a federal budget-funded educational institution of higher education). Parties: PJSC Gazprom and St Petersburg State University of Economics (federal budget-funded educational institution of higher education) (the "University"). The agreement covers a donation of RUB 81,100,000.00 by PJSC Gazprom to the University to:

- ensure high performance of joint projects for the development of educational technologies and the University's training facilities;
- enhance the effectiveness of targeted professional training;
- improve the University's training programmes;
- organise internships for university staff involved in targeted professional training;
- improve career guidance to recruit the best graduate talent coming out of the University to positions at

PJSC Gazprom's production facilities, including through the development of an internship framework for the University's students at such facilities, and provide financial support to talented faculty members actively engaged in targeted professional training carried out as part of statutory activities (the "Purposes").

PJSC Gazprom shall transfer RUB 81,100,000.00 to the University's bank account within the month following the month when the agreement is signed.

The University shall only use the money transferred by PJSC Gazprom for the above Purposes. PJSC Gazprom may request the University to report on the use of the funds donated by PJSC Gazprom in accordance with the intended purposes and provide copies of supporting financial documents.

PJSC Gazprom may cancel the donation if the University uses the funds for any purposes other than the Purposes in this agreement or changes the Purposes due to changed circumstances without first obtaining PJSC Gazprom's consent. In this case, the University fully refunds the money donated by PJSC Gazprom within one month upon receipt of PJSC Gazprom's request.

PJSC Gazprom may cancel the donation if the University fails to meet its obligation to inform PJSC Gazprom of changes in the University's ownership structure, including beneficiaries (including ultimate beneficiaries) and/or in executive bodies of the University.

The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested parties: Alexey Miller, Dmitry Patrushev, members of PJSC Gazprom's management bodies.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2834 dated 21 October 2016.

77 Donation agreement with National Research Tomsk Polytechnic University (federal state autonomous educational institution of higher education). Parties: PJSC Gazprom and National Research Tomsk Polytechnic University (federal state autonomous educational institution of higher education) (the "University"). The agreement covers a donation of RUB 41,100,000.00 by PJSC Gazprom to the University to:

- ensure high performance of joint projects for the development of educational technologies and the University's training facilities;
- enhance the effectiveness of targeted professional training;
- improve the University's training programmes;
- organise internships for university staff involved in targeted professional training;
- improve career guidance to recruit the best graduate talent coming out of the University to positions at PJSC Gazprom's production facilities, including through the development of an internship framework for the University's students at such facilities, and provide financial support to talented faculty members actively engaged in targeted professional training carried out as part of statutory activities (the "Purposes").

PJSC Gazprom shall transfer RUB 41,100,000.00 to the University's bank account within the month following the month when the agreement is signed.

The University shall only use the money transferred by PJSC Gazprom for the above Purposes. PJSC Gazprom may request the University to report on the use of the funds donated by PJSC Gazprom in accordance with the intended purposes and provide copies of supporting financial documents.

PJSC Gazprom may cancel the donation if the University uses the funds for any purposes other than the Purposes in this agreement or changes the Purposes due to changed circumstances without first obtaining PJSC Gazprom's consent. In this case, the University fully refunds the money donated by PJSC Gazprom within one month upon receipt of PJSC Gazprom's request.

PJSC Gazprom may cancel the donation if the University fails to meet its obligation to inform PJSC Gazprom of changes in the University's ownership structure, including beneficiaries (including ultimate beneficiaries) and/or in executive bodies of the University.

The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Sergey Khomyakov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2835 dated 21 October 2016.

78 Environmental (environmental risks) and third party liability insurance contract between PJSC Gazprom, OOO Gazprom dobycha Astrakhan, OOO Gazprom dobycha Krasnodar, OOO Gazprom dobycha Nadym, OOO Gazprom dobycha Noyabrsk, OOO Gazprom dobycha Orenburg, OOO Gazprom dobycha Urengoy, OOO Gazprom dobycha shelf Yuzhno-Sakhalinsk, OOO Gazprom dobycha Yamburg, OOO Gazprom transgaz Volgograd, OOO Gazprom transgaz Yekaterinburg, OOO Gazprom transgaz Kazan, OOO Gazprom transgaz Krasnodar, OOO Gazprom transgaz Makhachkala, OOO Gazprom transgaz Moscow, OOO Gazprom transgaz Nizhny Novgorod, OOO Gazprom transgaz Samara, OOO Gazprom transgaz Saint Petersburg, OOO Gazprom transgaz Saratov, OOO Gazprom transgaz Stavropol, OOO Gazprom transgaz Surgut, OOO Gazprom transgaz Tomsk, OOO Gazprom transgaz Ufa, OOO Gazprom transgaz Ukhta, OOO Gazprom transgaz Tchaikovsky, OOO Gazprom transgaz Yugorsk, OOO Gazprom geologorazvedka, OOO Gazprom mezhhregiongaz, OOO Gazprom pererabotka, OOO Gazprom PHG, and OOO Gazprom flot, OOO Gazprom dobycha Irkutsk, jointly and severally referred to as the Policyholder, and AO SOGAZ INSURANCE. The contract insures the Policyholder's third party liability arising from its insured activities. Insured activities include activities related to:

- 1) onshore and offshore drilling, construction, geological exploration and hydrocarbon production;
- 2) hydrocarbon transportation, treatment and processing;
- 3) storage of gas, crude oil, oil products and other treatment products, hydrocarbon feedstock processing;
- 4) non-core commercial and non-commercial activities directly related to the above activities, including:
 - a) operation and/or lawful use (ownership/use/disposal) of own and/or rented and/or leased buildings and premises, including non-production assets: offices, holiday hotels and other commercial real estate;
 - b) operation and/or use of hazardous facilities.

The insurance covers property interests of the Policyholder arising from their liability for damage to the environment, life, health and/or property of third parties caused by the insured activities, including emergencies (incidents) at hazardous facilities. The aggregate insured amount (total aggregate indemnity limit set out for AO SOGAZ INSURANCE in respect of all insured events that occur during the term of the contract) under Sections 9–11 of the contract is RUB 30,000,000,000.00 for the insurance period. The aggregate insured amount (total aggregate indemnity limit) payable by SOGAZ INSURANCE in accordance with the coverage of the Policyholder's liability as provided for in Federal Law No. 7-FZ dated 10 January 2002 On Environmental Protection and/or any other applicable law on environmental protection, subject to paragraph 10.3 of the contract, is RUB 15,000,000,000.00 for the insurance period. These insured amounts (total aggregate indemnity limits) are applied in excess of the agreed straight deductible. The insured amount (total aggregate indemnity limit) for the Policyholder's liability for injuries to individuals, damage to property of individuals or legal entities, or to environment caused by the insured activities (including as a result of an emergency situation (incident) at hazardous facilities) resulting from a terrorist attack or sabotage is set at RUB 100,000,000.00. Each insured event arising from the insured activities in the Russian continental shelf is subject to a straight deductible of RUB 75,000,000.00. Total insurance premium: RUB 767,111,100.00. The contract shall become effective at 00:00 am on 1 November 2016 and shall be valid until 24:00 pm on 31 October 2017. Interested parties: Alexey Miller, Andrey Kruglov, Kirill Seleznev, members of PJSC Gazprom's management bodies.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

79 Addendum No. 3 to contract for services related to pumping of natural gas into, storage in, and withdrawal from UGSF No. 38NPpkhg/k-2015/100015/03722D dated 15 May 2015 with Rosneft following the change of Rosneft's legal form from an OAO to a PAO, update of the subject matter of the contract and of gas transportation volumes in 2016 and 2017. The addendum shall become effective on the date when signed by the parties. Some terms and conditions of the addendum apply to the parties from 1 September 2016. Interested parties: Andrey Akimov, Alexander Novak, members of the Board of Directors of PJSC Gazprom.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

80 Suretyship agreement with OAO Gazprom Space Systems. Parties: PJSC Gazprom, OAO Gazprom Space Systems. Under the suretyship agreement dated 2 June 2016, PJSC Gazprom undertakes to UniCredit Bank Austria AG to secure obligations of OAO Gazprom Space Systems under the loan agreement (the "Suretyship"), while OAO Gazprom Space Systems undertakes to pay PJSC Gazprom a fee for the Suretyship.

OAO Gazprom Space Systems shall pay PJSC Gazprom a quarterly fee for the Suretyship. The fee for the Suretyship is 0.24% p.a. of the amount of cash (loan) granted to OAO Gazprom Space Systems and not repaid under the loan agreement, plus VAT at the rate determined under the applicable Russian tax laws.

If OAO Gazprom Space Systems delays payment of the fee, OAO Gazprom Space Systems shall pay a penalty at a rate of 1/180 of the refinancing rate of the Bank of Russia effective as at the date when the penalty is charged, applied to the amount of the non-performed or improperly performed obligation for each calendar day of delay starting from the date of failure to perform or improper performance by OAO Gazprom Space Systems of its obligations and to the date when such obligations have been properly performed. Payment of the penalty by OAO Gazprom Space Systems does not relieve it of its obligations under the suretyship agreement.

The agreement shall become effective on the date when signed by the parties and shall be valid until OAO Gazprom Space Systems and PJSC Gazprom have fully performed their obligations thereunder. Interested parties: Sergey Khomyakov, Mikhail Sereda, Vitaly Markelov, Vyacheslav Mikhaleenko, members of PJSC Gazprom's management bodies.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2850 dated 15 November 2016.

81 Contract for stock-taking of PJSC Gazprom's fixed assets signed with OAO Gazprom Space Systems. OAO Gazprom Space Systems undertakes to arrange and carry out stock-taking of PJSC Gazprom's fixed assets as at 26 October 2016, to be leased to OAO Gazprom Space Systems as from 26 October 2016, including preparing materials for downsizing of PJSC Gazprom's fixed assets, as instructed by PJSC Gazprom. OAO Gazprom Space Systems undertakes to carry out stock-taking from 26 October 2016 through 9 December 2016. Contract price: RUB 32,528.00 (net of VAT). The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 26 October 2016. Interested parties: Sergey Khomyakov, Mikhail Sereda, Vitaly Markelov, Vyacheslav Mikhaleenko, members of PJSC Gazprom's management bodies.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

82 Contract for stock-taking of PJSC Gazprom's fixed assets signed with OOO Gazprom mezhhregiongaz. OOO Gazprom mezhhregiongaz undertakes to arrange and carry out stock-taking of PJSC Gazprom's fixed assets as at 26 October 2016, to be leased to OOO Gazprom mezhhregiongaz as from 26 October 2016, including preparing materials for downsizing of PJSC Gazprom's fixed assets, as instructed by PJSC Gazprom. OOO Gazprom mezhhregiongaz undertakes to carry out stock-taking from 26 October 2016 through 9 December 2016. Contract price: RUB 2,150.00 (net of VAT). The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 26 October 2016. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

83 Contract for stock-taking of PJSC Gazprom's fixed assets signed with OOO Gazprom komplektsiya. OOO Gazprom komplektsiya undertakes to arrange and carry out stock-taking of PJSC Gazprom's fixed assets as at 26 October 2016, to be leased to OOO Gazprom komplektsiya as from 26 October 2016, including preparing materials for downsizing of PJSC Gazprom's fixed assets, as instructed by PJSC Gazprom. OOO Gazprom komplektsiya undertakes to carry out stock-taking from 26 October 2016 through 9 December 2016. Contract price: RUB 279,288.00 (net of VAT). The contract shall become effective on the date

when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 26 October 2016. Interested party: Igor Fyodorov, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

84 Contract for stock-taking of PJSC Gazprom's fixed assets signed with PAO Gazprom Neft. PAO Gazprom Neft undertakes to arrange and carry out stock-taking of PJSC Gazprom's fixed assets as at 26 October 2016, to be leased to PAO Gazprom Neft as from 30 November 2016, including preparing materials for downsizing of PJSC Gazprom's fixed assets, as instructed by PJSC Gazprom. PAO Gazprom Neft undertakes to carry out stock-taking from 26 October 2016 through 13 January 2017. Contract price: RUB 1,075.00 (net of VAT). The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 26 October 2016. Interested parties: Alexey Miller, Andrey Kruglov, Nikolai Dubik, Kirill Seleznev, Valery Golubev, Vsevolod Cherepanov, Elena Mikhailova, Mikhail Sereda, members of PJSC Gazprom's management bodies.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

85 Contract for stock-taking of PJSC Gazprom's fixed assets signed with OAO Vostokgazprom. OAO Vostokgazprom undertakes to arrange and carry out stock-taking of PJSC Gazprom's fixed assets as at 26 October 2016, to be leased to OAO Vostokgazprom as from 26 October 2016, including preparing materials for downsizing of PJSC Gazprom's fixed assets, as instructed by PJSC Gazprom. OAO Vostokgazprom undertakes to carry out stock-taking from 26 October 2016 through 9 December 2016. Contract price: RUB 1,000.00 (net of VAT). The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 26 October 2016. Interested parties: Mikhail Sereda, Kirill Seleznev, Andrey Kruglov, Elena Vasilieva, members of PJSC Gazprom's management bodies.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

86 Contract for stock-taking of PJSC Gazprom's fixed assets signed with AO Gazprom centrenergogaz. AO Gazprom centrenergogaz undertakes to arrange and carry out stock-taking of PJSC Gazprom's fixed assets as at 26 October 2016, to be leased to AO Gazprom centrenergogaz as from 26 October 2016, including preparing materials for downsizing of PJSC Gazprom's fixed assets, as instructed by PJSC Gazprom. AO Gazprom centrenergogaz undertakes to carry out stock-taking from 26 October 2016 through 9 December 2016. Contract price: RUB 29,494.00 (net of VAT). The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 26 October 2016. Interested party: Mikhail Sereda, member of the Board of Directors of PJSC Gazprom.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

87 Contract for stock-taking of PJSC Gazprom's fixed assets signed with AO Gazprom gazoraspredelenie (OOO Gazprom mezhhregiongaz is a management company acting as the sole executive body of AO Gazprom gazoraspredelenie). AO Gazprom gazoraspredelenie undertakes to arrange and carry out stock-taking of PJSC Gazprom's fixed assets as at 26 October 2016, to be leased to AO Gazprom gazoraspredelenie as from 26 October 2016, including preparing materials for downsizing of PJSC Gazprom's fixed assets, as instructed by PJSC Gazprom. AO Gazprom gazoraspredelenie undertakes to carry out stock-taking from 26 October 2016 through 9 December 2016. Contract price: RUB 1,197,600.00 (net of VAT). The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 26 October 2016. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

88 Agreement on disposal of the exclusive rights to trademarks with Gazprom Marketing & Trading Limited. Gazprom Marketing & Trading Limited transfers to PJSC Gazprom the full exclusive rights to the GAZPROM and GAZPROM UK TRADING trademarks registered in the United Kingdom Intellectual Property Office, certificate No. 2217196, registration date: 24 November 2000, with respect to all goods or services of product classes 04, 35, 37, 39 and 40 of the International Classification of Goods and Services to which the trademark applies, and certificate No. 2217144, registration date: 1 September 2000, with respect to all goods or services of product classes 04, 35, 37, 39, 40 and 42 of the International Classification of Goods and Services to which the trademark applies, and PJSC Gazprom pays the remuneration to Gazprom Marketing and Trading Limited in the amount of EUR 2,340.00, excluding value added tax calculated at the rate determined under the applicable Russian laws, deducted from the remuneration and paid to the budget of the Russian Federation by PJSC Gazprom acting as a tax agent. The agreement shall become effective on the date when signed by the parties. Interested parties: Mikhail Sereda, Nikolai Dubik, members of PJSC Gazprom's management bodies.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

89 Property lease agreement with AO Gazprom gazoraspredelenie (OOO Gazprom mezhhregiongaz is a management company acting as the sole executive body of AO Gazprom gazoraspredelenie). PJSC Gazprom undertakes to provide to AO Gazprom gazoraspredelenie, for a fee, for temporary possession and use property owned by PJSC Gazprom in a fit condition. Lease rate from 29 September 2016 through 30 September 2015: RUB 165,159.00 (net of VAT); lease rate from 1 October 2016 through 25 October 2016: RUB 1,997,888.00 (net of VAT). The agreement shall become effective on the date when signed by the parties and shall be valid until 25 October 2016. The terms and conditions of the agreement apply to the parties from 29 September 2016. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

90 Life insurance contract with OOO SK SOGAZ ZHIZN' INSURANCE. Parties: PJSC Gazprom and OOO SK SOGAZ ZHIZN' INSURANCE. Insured — Oleg Aksyutin, Vyacheslav Mikhailenko, Sergey Prozorov, Vsevolod Cherepanov. Beneficiaries — the insured or persons they designate as beneficiaries, or successors of the insured. The contract covers voluntary life insurance of the insured as per the life insurance rules approved by the acting director general of OOO SK SOGAZ ZHIZN' INSURANCE on 10 November 2011 (the "Rules"), and the contract.

OOO SK SOGAZ ZHIZN' INSURANCE undertakes to make payouts under claims arising from the insured events as specified in the contract and the Rules, and PJSC Gazprom undertakes to pay the insurance premium as specified in the contract.

Insurance plans:

1. Endowment insurance policies providing coverage against death or living up to a certain age before the policy expires;
 2. First-time diagnosis of a critical illness;
 3. Total permanent disability.
- Insured events are listed in subparagraphs 3.2.1 through 3.2.4, paragraph 3.2 of the Rules. Insured amount for the insured: RUB 37,268,160.00. Insurance premium for the insured: RUB 24,289,438.00. The contract shall become effective on 25 December 2016 and shall be valid through 24 December 2021 or until the later of the policy end dates (inclusive). Interested parties: Oleg Aksyutin, Vyacheslav Mikhailenko, Sergey Prozorov, Vsevolod Cherepanov, members of PJSC Gazprom's management bodies.

Approved by Resolution of PJSC Gazprom's Board of Directors No. 2868 dated 16 December 2016.

91 Property lease agreement with AO Gazprom gazoraspredelenie (OOO Gazprom mezhhregiongaz is a

management company acting as the sole executive body of AO Gazprom gazoraspredelenie). PJSC Gazprom undertakes to provide to AO Gazprom gazoraspredelenie, for a fee, for temporary possession and use property owned by PJSC Gazprom in a fit condition. Lease rate from 26 October 2016 through 30 November 2016: RUB 107,318,152.00 (net of VAT); lease rate in December 2016: RUB 89,915,208.00 (net of VAT); monthly lease rate in January 2017 through September 2017: RUB 87,254,988.00 (net of VAT); lease rate from 1 November 2017 through 24 November 2017: RUB 67,552,249.00 (net of VAT). The agreement shall become effective on the date when signed by the parties and shall be valid until 24 November 2017. The terms and conditions of the agreement apply to the parties from 26 November 2016. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

92 Travel insurance contract with AO SOGAZ INSURANCE. The contract covers the insurance of costs incurred by individuals — PJSC Gazprom's employees (the "Insured") on the move. Costs incurred by the Insured on the move mean costs incurred due to a sudden illness or accident of the Insured; the need for the Insured to return early in case of death of their close relatives; loss of baggage or documents; the need for the Insured to obtain legal advice on an emergency or a traffic accident that occurred during their travel; search and rescue of the Insured in an emergency (a situation that threatens their life or health); the Insured's third party liability arising during their travel. The total insurance premium under all insurance policies are capped at RUB 810,000.00. The contract shall become effective on 1 January 2017 and shall be valid through 31 December 2017. Interested parties: Alexey Miller, Andrey Kruglov, members of PJSC Gazprom's management bodies.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

93 Accident and health insurance contract with AO SOGAZ INSURANCE. The contract covers the insurance of the insured as per the accident and health insurance rules of AO SOGAZ INSURANCE. The insurance covers property interests of the insured arising from damage to their life and health caused by illness or accident. Total number of the insured: 3,413. Total insured amount is RUB 268,467,750,000.00; total insurance premium is RUB 45,565,480.70. The insurance premium is paid by PJSC Gazprom as a lump sum by a bank transfer to the account of AO SOGAZ INSURANCE before 29 December 2017. The contract shall become effective at 00:00 am on 1 January 2017 and shall be valid through 31 December 2017. Interested parties: Alexey Miller, Andrey Kruglov, members of PJSC Gazprom's management bodies.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

94 Voluntary health insurance contract with AO SOGAZ INSURANCE. On occurrence of an insured event, AO SOGAZ INSURANCE undertakes to organise, and pay for, healthcare services to be provided to the insured under Voluntary Health Insurance Plans, and PJSC Gazprom undertakes to pay the insurance premium. Total number of the insured: 12,356. Total insured amount is RUB 282,248,000,000.00; total insurance premium is RUB 2,489,983,000.00. The contract shall become effective at 00:00 am on 1 January 2017 and shall be valid until 24:00 pm on 31 December 2017. Interested parties: Alexey Miller, Andrey Kruglov, members of PJSC Gazprom's management bodies.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

95 Donation agreement with St Petersburg State University of Economics (a federal budget-funded educational institution of higher education). Parties: PJSC Gazprom and St Petersburg State University of Economics (federal budget-funded educational institution of higher education) (the "University"). The agreement covers a donation of RUB 2,600,000.00 by PJSC Gazprom to the University to:

- ensure high performance of joint projects for the development of educational technologies and the University's training facilities;

- enhance the effectiveness of targeted professional training;
- improve the University's training programmes;
- organise internships for university staff involved in targeted professional training;
- improve career guidance to recruit the best graduate talent coming out of the University to positions at PJSC Gazprom's production facilities, including through the development of an internship framework for the University's students at such facilities; and provide financial support to talented faculty members actively engaged in targeted professional training carried out as part of statutory activities (the "Purposes").

PJSC Gazprom shall transfer RUB 2,600,000.00 to the University's bank account within the month following the month when the agreement is signed.

The University shall only use the money transferred by PJSC Gazprom for the above Purposes. PJSC Gazprom may request the University to report on the use of the funds donated by PJSC Gazprom in accordance with the intended purposes and provide copies of supporting financial documents.

PJSC Gazprom may cancel the donation if the University uses the funds for any purposes other than the Purposes in this agreement or changes the Purposes due to changed circumstances without first obtaining PJSC Gazprom's consent. In this case, the University fully refunds the money donated by PJSC Gazprom within one month upon receipt of PJSC Gazprom's request.

PJSC Gazprom may cancel the donation if the University fails to meet its obligation to inform PJSC Gazprom of changes in the University's ownership structure, including beneficiaries (including ultimate beneficiaries) and/or in executive bodies of the University.

The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested parties: Alexey Miller, Dmitry Patrushev, members of PJSC Gazprom's management bodies.

[Approved by Resolution of PJSC Gazprom's Board of Directors](#)
[No. 2881 dated 28 December 2016.](#)

96 Donation agreement with Lomonosov Moscow State University (federal budget-funded educational institution of higher education). Parties: PJSC Gazprom, Lomonosov Moscow State University (federal budget-funded educational institution of higher education) (the "University"). The agreement covers a donation of RUB 5,000,000.00 by PJSC Gazprom to the University to:

- ensure high performance of joint projects for the development of educational technologies and the University's training facilities;
- enhance the effectiveness of targeted professional training;
- improve the University's training programmes;
- organise internships for the University's staff involved in targeted professional training;
- improve career guidance to recruit the best graduate talent coming out of the University to positions at PJSC Gazprom's production facilities, including through the development of an internship framework for the University's students at such facilities; and provide financial support to talented faculty members actively engaged in targeted professional training carried out as part of statutory activities (the "Purposes").

PJSC Gazprom shall transfer RUB 5,000,000.00 to the University's bank account within the month following the month when the agreement is signed.

The University shall only use the money transferred by PJSC Gazprom for the above Purposes. PJSC Gazprom may request the University to report on the use of the funds donated by PJSC Gazprom in accordance with the intended purpose and provide copies of supporting financial documents.

PJSC Gazprom may cancel the donation if the University uses the funds for any purposes other than the Purposes in this agreement or changes the Purposes due to changed circumstances without first obtaining PJSC Gazprom's consent. In this case, the University fully refunds the money donated by PJSC Gazprom within one month upon receipt of PJSC Gazprom's request.

PJSC Gazprom may cancel the donation if the University fails to meet its obligation to inform PJSC Gazprom of changes in the University's ownership structure, including beneficiaries (including ultimate beneficiaries) and/or in executive bodies of the University.

The agreement shall become effective on the date when signed by the parties and shall be valid until the parties

have fully performed their obligations thereunder. Interested party: Alexey Miller, Deputy Chairman of the Board of Directors of PJSC Gazprom and Chairman of the Management Committee of PJSC Gazprom.

[Approved by Resolution of PJSC Gazprom's Board of Directors](#)
[No. 2836 dated 21 October 2016.](#)

97 Donation agreement with St Petersburg Electro-technical University (federal autonomous educational institution of higher education). Parties: PJSC Gazprom, St Petersburg Electrotechnical University (federal autonomous educational institution of higher education) (the "University"). The agreement covers a donation of RUB 11,000,000.00 by PJSC Gazprom to the University to:

- ensure high performance of joint projects for the development of educational technologies and the University's training facilities;
- enhance the effectiveness of targeted professional training;
- improve the University's training programmes;
- organise internships for the University's staff involved in targeted professional training;
- improve career guidance to recruit the best graduate talent coming out of the University to positions at PJSC Gazprom's production facilities, including through the development of an internship framework for the University's students at such facilities; and provide financial support to talented faculty members actively engaged in targeted professional training carried out as part of statutory activities (the "Purposes").

PJSC Gazprom shall transfer RUB 11,000,000.00 to the University's bank account within the month following the month when the agreement is signed.

The University shall only use the money transferred by PJSC Gazprom for the above Purposes. PJSC Gazprom may request the University to report on the use of the funds donated by PJSC Gazprom in accordance with the intended purpose and provide copies of supporting financial documents.

PJSC Gazprom may cancel the donation if the University uses the funds for any purposes other than the Purposes in this agreement or changes the Purposes due to changed circumstances without first obtaining PJSC Gazprom's consent. In this case, the University fully refunds the money donated by PJSC Gazprom within one month upon receipt of PJSC Gazprom's request.

PJSC Gazprom may cancel the donation if the University fails to meet its obligation to inform PJSC Gazprom of changes in the University's ownership structure, including beneficiaries (including ultimate beneficiaries) and/or in executive bodies of the University.

The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Sergey Khomyakov, member of PJSC Gazprom's collegial executive body.

[Approved by Resolution of PJSC Gazprom's Board of Directors](#)
[No. 2882 dated 28 December 2016.](#)

98 Addendum No. 2 to the contract for compression between PJSC Gazprom and AO Gaztransit. Parties: PJSC Gazprom, AO Gaztransit. The addendum covers amendments to the Contract for Compression between PJSC Gazprom and AO Gaztransit dated 20 April 2000 (the "Contract") providing for:

- establishment of the parties' rights to offset similar counterclaims for the costs associated with the purchase of gas consumed to operate the compressor station;
- supplementing the Contract with a procedure for calculating costs associated with the purchase of gas consumed to operate the compressor station in US dollars on the basis of the official average exchange rate of the National Bank of Ukraine set for the relevant month.

The regulations on the right to offset similar counterclaims shall apply to the parties from 01 February 2016, and the regulations on the procedure for calculating costs associated with the purchase of gas consumed to operate the compressor station denominated in hryvnias, are applied from the moment of realization of expenses. Interested party: Alexander Medvedev, member of PJSC Gazprom's collegial executive body.

[Approved by Resolution of PJSC Gazprom's Board of Directors](#)
[No. 2806 dated 27 September 2016.](#)

99 Addendum No. 3 to the contract for compression dated 20 April 2000 between PJSC Gazprom and AO Gaztransit. Parties: PJSC Gazprom, AO Gaztransit. The addendum covers amendments to the Contract for Compression between PJSC Gazprom and AO Gaztransit dated 20 April 2000 (the "Contract") on the definition of terms; the determination of contract price, the payment and calculation procedure, the service period and liabilities of the parties.

Key changes in the terms established in the Contract: "Loopings" mean: separate pipeline sections owned by AO Gaztransit which are laid parallel to the existing Ananyev — Tiraspol — Izmail gas pipeline.

"Contract expiry date" means

- (i) 1 January 2020 or
- (ii) a later date which may be agreed by the parties.

"Service price" means, for each specific month, the price of the services to be paid this month and is determined on the basis of a commercial certificate.

The annual service price is USD 13,128,500.00. The annual service price may be revised as agreed by the parties.

The monthly service price shall be calculated according to the following formula: annual service price / number of days per year × number of days per month = monthly service price.

The parties established a transition period from 1 December 2016 to 31 December 2017 (inclusive) for which they have set the service price for each individual month in which the services are provided. PJSC Gazprom shall pay the monthly service price against the invoices to be issued by AO Gaztransit within five business days after the end of the relevant month. PJSC Gazprom shall pay each invoice not later than the date falling 20 days after the last day of the month to which the invoice applies (or on the next business day if such date falls on a non-business day). The actual date of payment under the Contract shall be the date of debiting PJSC Gazprom's bank account. Invoices shall be paid subject to the signed commercial certificate. Payments for services in the period from 01 December 2017 to 31 March 2017 (inclusive) may be made either in US dollars or partially in hryvnias. Partial (maximum 55% of the monthly service price) payments in hryvnias may be made by the parties provided that two commercial certificates are signed. To recalculate a part of the amount of the monthly service price from US dollars to hryvnias, the official exchange rate of the National Bank of Ukraine as at the date of the commercial certificate shall be used. Any amounts due and payable under the Contract not paid by the due date may be subject to a penalty (both before and after any proceedings) in the amount of 0.01% of delayed payments for each day of delay starting from the day following the payment day, but not more than 5% of the unpaid amount.

AO Gaztransit has the right to offset similar counterclaims for the amount of the monthly service price which is paid in hryvnias provided that PJSC Gazprom's counterclaims to AO Gaztransit are also denominated in hryvnias. Parties shall offset similar counterclaims on the basis of the commercial certificate and a relevant written application of AO Gaztransit. If similar counterclaims are offset, the parties shall sign a report reconciling the amount of financial obligations subject to be offset and a certificate confirming the offset of similar counterclaims. The addendum to the Contract shall become effective on 1 December 2016. The provision of the Contract stipulating that loopings shall be maintained and operated in a manner ensuring their fit condition for gas transportation shall apply to the parties from 1 July 2016. Interested party: Alexander Medvedev, member of PJSC Gazprom's collegial executive body.

[Approved by Resolution of PJSC Gazprom's Board of Directors](#)
[No. 2865 dated 16 December 2016.](#)

100 Contract for termination of the transportation agreement dated 5 September 2002 between PJSC Gazprom and AO Gaztransit. Parties: PJSC Gazprom, AO Gaztransit. PJSC Gazprom and AO Gaztransit agreed to terminate the Transportation Agreement between PJSC Gazprom and ZAO Gaztransit dated 5 September 2002 (the "Agreement") and to terminate all rights and obligations of the parties under the Agreement from 1 July 2016. The Contract shall become effective when PJSC Gazprom and AO Gaztransit sign addendum No. 3 to the Contract for Compression dated 20 April 2000 between PJSC Gazprom and AO Gaztransit (the "Contract") which covers, inter alia, amendments to the Contract stipulating that AO Gaztransit shall maintain and operate loopings (as defined in the Contract) in a manner ensuring their fit condition for gas transportation from 1 July 2016.

Amended (incorporated) terms of the Agreement: Article 16 (confidentiality), Article 18 (notices), Article 19

(disputes) and Article 20 (applicable law and dispute resolution) of the Agreement are incorporated by reference into the contract and apply to this contract as though they were set out in full in the contract, and references to "this Agreement" in these Articles shall also be construed as references to the contract. Interested party: Alexander Medvedev, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2864 dated 16 December 2016.

101 Agreement for termination of the Shareholders Agreement for Nord Stream 2 AG. Parties: PJSC Gazprom, Gazprom Gerosgaz Holdings B.V., Uniper Infrastructure B.V., Uniper Global Commodities SE, ENGIE Energy Management Holding Switzerland AG, GDF International, OMV Nord Stream II Holding AG, OMV Gas&Power GmbH, Shell Exploration and Production (LXXI) B.V., B.V. Dordtsche Petroleum Maatschappij, Wintershall Nederland B.V., Wintershall Holding GmbH, Nord Stream 2 AG.

The agreement covers the termination of the Shareholders Agreement for Nord Stream 2 AG, the third version of the shareholders agreement signed on 4 September 2015 amended and approved on 8 July 2016, ("Shareholders Agreement for Nord Stream 2 AG").

Each party to the agreement agrees to terminate the Shareholders Agreement for Nord Stream 2 AG to which each of them is a party.

The Shareholders Agreement for Nord Stream 2 AG shall be terminated when the agreement for its termination is signed.

All rights and obligations of the parties under the Shareholders Agreement for Nord Stream 2 AG shall become void when the agreement for the termination of the Shareholders Agreement for Nord Stream 2 AG is signed.

Applicable law: The agreement and all documents which are subject to signing in accordance therewith, unless otherwise directly stipulated in the documents, shall be governed by and construed in accordance with Swiss law (except for conflicts of laws principles) and the United Nations Convention on Contracts for the International Sale of Goods.

Interested parties: Vitaly Markelov, Oleg Aksyutin, Alexander Medvedev, members of PJSC Gazprom's management bodies.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2845 dated 10 November 2016.

102 Agreement with AO Gazprombank. PJSC Gazprom engages AO Gazprombank to execute documents with instructions of PJSC Gazprom signed as determined by PJSC Gazprom. The agreement shall become effective on the date when AO Gazprombank receives the Acceptance of an Offer, shall be deemed concluded for an indefinite period and shall be valid until its termination. Interested parties: Alexey Miller, Elena Vasilieva, Andrey Kruglov, Mikhail Sereda, Kirill Seleznev, Andrey Akimov, members of PJSC Gazprom's management bodies.

Approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting dated 26 June 2015..

103 Loan agreement with OOO Gazprom komplektatsiya. Parties: PJSC Gazprom and OOO Gazprom komplektatsiya. OOO Gazprom komplektatsiya grants to PJSC Gazprom a loan for RUB 35,000,000,000.00 (the "loan amount", "loan"), and PJSC Gazprom undertakes to repay to OOO Gazprom komplektatsiya the loan amount and pay interest in the amount and in the manner set forth in the agreement.

The loan may be granted in full or in parts in accordance with PJSC Gazprom's written application(s).

If the loan amount is drawn down, PJSC Gazprom may, upon early repayment of the granted loan amount or part thereof, request that OOO Gazprom komplektatsiya grant a loan in the amount not exceeding the repaid part of the loan.

Interest for the use of the loan is accrued at a fixed rate of 0%.

In case OOO Gazprom komplektatsiya ceases to be part of a consolidated group of taxpayers, the parties shall sign an addendum under which interest shall be accrued at MosPrime rate adjusted for credit risk premium.

The loan is granted until 31 December 2016 with subsequent annual renewal.

If PJSC Gazprom defaults on its obligations to repay the granted loan amount, OOO Gazprom komplektatsiya may demand that PJSC Gazprom pay a penalty of 0.1% of the delayed amount for each day of delay.

The agreement shall become effective on the date when OOO Gazprom komplektatsiya grants the loan amount or part thereof to PJSC Gazprom and shall be terminated by mutual agreement of the parties or on other grounds set forth in the agreement and applicable laws. Interested party: Igor Fyodorov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2750 dated 27 May 2016.

104 Loan agreement with OOO Gazprom komplektatsiya. Parties: PJSC Gazprom and OOO Gazprom komplektatsiya. PJSC Gazprom grants to OOO Gazprom komplektatsiya a loan for RUB 10,000,000,000.00 (the "loan amount", "loan"), and OOO Gazprom komplektatsiya undertakes to repay to PJSC Gazprom the loan amount and pay interest in the amount and in the manner set forth in the agreement.

The loan may be granted in full or in parts in accordance with OOO Gazprom komplektatsiya's written application(s).

If the loan amount is drawn down, OOO Gazprom komplektatsiya may, upon early repayment of the granted loan amount or part thereof, request that PJSC Gazprom grant a loan in the amount not exceeding the repaid part of the loan.

Interest for the use of the loan is accrued at a fixed rate of 0%.

In case OOO Gazprom komplektatsiya ceases to be part of a consolidated group of taxpayers, the parties shall sign an addendum under which interest shall be accrued at MosPrime rate adjusted for credit risk premium.

The loan is granted until 31 December 2016 with subsequent annual renewal.

If OOO Gazprom komplektatsiya defaults on its obligations to repay the granted loan amount, PJSC Gazprom may demand that OOO Gazprom komplektatsiya pay a penalty of 0.1% of the delayed amount for each day of delay.

The agreement shall become effective on the date when PJSC Gazprom grants the loan amount or part thereof to OOO Gazprom komplektatsiya and shall be terminated by mutual agreement of the parties or on other grounds set forth in the agreement and applicable laws. Interested party: Igor Fyodorov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2750 dated 27 May 2016.

105 Agreement on the procedure for accounting for settlements under loan agreements between PJSC Gazprom and PJSC Gazprom's subsidiary. Parties: PJSC Gazprom and OOO Gazprom komplektatsiya. The agreement stipulates the procedure for accounting for settlements by the parties: transfer of funds under loan agreement No. 1 dated 22 March 2016 signed between PJSC Gazprom and OOO Gazprom komplektatsiya under which OOO Gazprom komplektatsiya acts as lender ("agreement No. 1") and loan agreement No. 2 dated 22 March 2016 signed between PJSC Gazprom and OOO Gazprom komplektatsiya under which PJSC Gazprom acts as lender ("agreement No. 2"). The agreement applies exclusively to the extension and/or repayment of loan amounts under agreement No. 1 and agreement No. 2, including early repayment of loan amounts (principal) in full or in part, and does not apply to the payment (transfer) of accrued interest under agreement No. 1 and agreement No. 2.

The transfer of funds from OOO Gazprom komplektatsiya to PJSC Gazprom with a reference to the agreement represents either of the following:

- early repayment of the principal under agreement No. 2 (at the initiative of OOO Gazprom komplektatsiya);
- early repayment of the principal under Agreement No. 2;
- loan granting under Agreement No. 1;
- early repayment of the principal under Agreement No. 2 in the amount outstanding under Agreement No. 2 (at the initiative of OOO Gazprom komplektatsiya) and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2;
- early repayment of the principal under Agreement No. 2 in the amount outstanding under Agreement No. 2 and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2;

- repayment of the principal under agreement No. 2 due to maturity of the loan under agreement No. 2;
- or repayment of the principal under Agreement No. 2 due to maturity of the loan under Agreement No. 2 and loan granting under Agreement No. 1 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 2.

The transfer of funds from PJSC Gazprom to OOO Gazprom komplektatsiya with a reference to the agreement represents either of the following:

- early repayment of the principal under agreement No. 1 (at the initiative of PJSC Gazprom);
- loan granting under Agreement No. 2;
- early repayment of the principal under Agreement No. 1 in the amount outstanding under Agreement No. 1 (at the initiative of PJSC Gazprom) and loan granting under Agreement No. 2 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 1;
- repayment of the principal under agreement No. 1 due to expiration of agreement No. 1;
- or repayment of the principal under Agreement No. 1 due to expiration of Agreement No. 1 and loan granting under Agreement No. 2 in the amount equal to the difference between the transferred amount indicated in the payment order and the amount of outstanding principal under Agreement No. 1.

The agreement shall become effective on the date when agreement No. 1 or agreement No. 2 becomes effective and shall be valid until the termination of agreement No. 1 or agreement No. 2. Interested party: Igor Fyodorov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2750 dated 27 May 2016.

106 Agreement with AO Gazprombank. PJSC Gazprom engages AO Gazprombank to execute documents with instructions of PJSC Gazprom signed as determined by PJSC Gazprom. The agreement shall become effective on the date when AO Gazprombank receives the Acceptance of an Offer, shall be deemed concluded for an unlimited duration and shall be valid until its termination. Interested parties: Alexey Miller, Elena Vasilieva, Andrey Kruglov, Mikhail Sereda, Kirill Seleznev, Andrey Akimov, members of PJSC Gazprom's management bodies.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

107 Property lease agreement with AO Gazprom centrenergogaz. PJSC Gazprom undertakes to provide to AO Gazprom centrenergogaz, for a fee, for temporary possession and use property owned by PJSC Gazprom in a fit condition. Lease rate from 26 October 2016 through 31 December 2016: RUB 18,122,891.00 (net of VAT); monthly lease rate in January 2017 through September 2017: RUB 8,040,916.00 (net of VAT); lease rate from 1 October 2017 through 24 October 2017: RUB 6,225,225.00 (net of VAT). The agreement shall become effective on the date when signed by the parties and shall be valid until 24 October 2017. The terms and conditions of the agreement apply to the parties from 26 October 2016. Interested party: Mikhail Sereda, member of the Board of Directors of PJSC Gazprom.

Approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 30 June 2016.

108 Purchase and sale agreement with AO Centrenergogaz, OAO Gazprom for stakes in the authorised capitals of Limited Liability Company Gazprom podzemremont Orenburg and Limited Liability Company Gazprom podzemremont Urengoy. PJSC Gazprom undertakes to transfer to AO Centrenergogaz, OAO Gazprom the title to, and AO Centrenergogaz, OAO Gazprom undertakes to accept, and pay for, the stakes in the authorised capitals of OOO Gazprom podzemremont Orenburg ("Stake 1") and OOO Gazprom podzemremont Urengoy ("Stake 2"), collectively, the "Stakes". The par value of Stake 1 is RUB 75,021.00. The value of Stake 1 as assessed by an independent valuator is RUB 40,000.00. The size of Stake 1 in the authorised capital of OOO Gazprom podzemremont Orenburg is 0.01%. The value of Stake 1 is RUB 40,000.00, VAT-exempt pursuant to subparagraph 12, paragraph 2 of Article 149 of the Tax Code of the Russian Federation. The

par value of Stake 2 is RUB 50,500.00. The value of Stake 2 as assessed by an independent valuator is RUB 95,000.00. The size of Stake 2 in the authorised capital of OOO Gazprom podzemremontUrengoy is 0.01%. The value of Stake 2 is RUB 95 000.00, VAT-exempt pursuant to subparagraph 12, paragraph 2 of Article 149 of the Tax Code of the Russian Federation. AO Centrenergogaz, OAO Gazprom shall pay for the Stakes by a bank transfer to the bank account of PJSC Gazprom in the month following the month when the agreement is signed by the parties. The Stakes shall be transferred to AO Centrenergogaz, OAO Gazprom after a relevant entry has been made in the Uniform State Register of Legal Entities.

The agreement shall become effective on the date when certified by a notary and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Mikhail Sereda, member of PJSC Gazprom's management body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2767 dated 29 June 2016.

109 Share purchase agreement with OAO Gazprom gazoraspredelenie. Parties: PJSC Gazprom and OAO Gazprom gazoraspredelenie (OOO Gazprom mezhregiongaz is a management company acting as the sole executive body of OAO Gazprom gazoraspredelenie). PJSC Gazprom undertakes to transfer to OAO Gazprom gazoraspredelenie the title to, and OAO Gazprom gazoraspredelenie undertakes to accept, and pay for, shares in the following companies:

- 31,719 ordinary registered shares in AO Gazprom gazoraspredelenie Stavropol with a par value of RUB 5.00 each, which is equivalent to 24.40% of its authorised capital, for RUB 408,000,000.00;
- 20,728 ordinary registered shares in AO Tomskoblbgaz with a par value of RUB 1.00 each, which is equivalent to 52.25% of its authorised capital, for RUB 63,000,000.00;
- 52,906 ordinary registered shares in AO Gazprom gazoraspredelenie Far East with a par value of RUB 40.00 each, which is equivalent to 20.55% of its authorised capital, for RUB 124,000,000.00;
- 1,224,540 ordinary registered shares in AO Gazprom gazoraspredelenie Ryazan Region with a par value of RUB 5.00 each, which is equivalent to 25.50% of its authorised capital, for RUB 226,000,000.00;
- 14,127 ordinary registered shares in AO Gazprom gazoraspredelenie Kostroma with a par value of RUB 1.00 each, which is equivalent to 25.50% of its authorised capital, for RUB 434,000,000.00;
- 1,808 ordinary registered shares in AO Buryatgaz with a par value of RUB 1.00 each, which is equivalent to 25.50% of its authorised capital, for RUB 18,000,000.00;
- 11,483 ordinary registered shares in AO Gazprom gazoraspredelenie Nalchik with a par value of RUB 1.00 each, which is equivalent to 25.50% of its authorised capital, for RUB 230,000,000.00;
- 32,040 ordinary registered shares in PAO Gazprom gazoraspredelenie Rostov-on-Don with a par value of RUB 2,000.00 each, which is equivalent to 22.55% of its authorised capital, for RUB 974,000,000.00;
- 53,962 ordinary registered shares in AO Gazprom gazoraspredelenie Tula with a par value of RUB 1.00 each, which is equivalent to 34.03% of its authorised capital, for RUB 1,501,000,000.00;
- 42,620 ordinary registered shares in AO Gazprom gazoraspredelenie Elista with a par value of RUB 27.00 each, which is equivalent to 25.50% of its authorised capital, for RUB 399,000,000.00;
- 599 ordinary registered shares in OAO Gorno-Altai gaz with a par value of RUB 1.00 each, which is equivalent to 25.51% of its authorised capital, for RUB 10,000,000.00;
- 224,928 ordinary registered shares in AO Tyumenoblbgaz with a par value of RUB 0.05 each, which is equivalent to 25.56% of its authorised capital, for RUB 85,000,000.00;
- 1,124,930 ordinary registered shares in AO Saransk-megraigaz with a par value of RUB 100.00 each, which is equivalent to 100% of its authorised capital, for RUB 460,000,000.00;
- 25,548 ordinary registered shares in AO Gazprom gazoraspredelenie Leningrad Region with a par value of RUB 3,500.00 each, which is equivalent to 32.30% of its authorised capital, for RUB 540,000,000.00;
- 2,655 ordinary registered shares in AO Gatchinagaz with a par value of RUB 1.00 each, which is equivalent to 23.50% of its authorised capital, for RUB 36,000,000.00;
- 8,825 ordinary registered shares in OAO Gazprom

gazoraspredelenie Penza with a par value of RUB 1.00 each, which is equivalent to 25.50% of its authorised capital, for RUB 244,000,000.00;

- 5,265 ordinary registered shares in AO Irkutskoblbgaz with a par value of RUB 1.00 each, which is equivalent to 25.50% of its authorised capital, for RUB 86,000,000.00;
- 28,704 ordinary registered shares in OAO Murman-oblgaz with a par value RUB 0.125 each, which is equivalent to 25.50% of its authorised capital, for RUB 90,000,000.00;
- 6,956 ordinary registered shares in AO Karelgaz with a par value of RUB 1.00 each, which is equivalent to 25.50% of its authorised capital, for RUB 87,000,000.00;
- 1,162,122 ordinary registered shares in AO Omskoblbgaz with a par value of RUB 1.00 each, which is equivalent to 70.84% of its authorised capital, for RUB 469,000,000.00; and
- 528,025 ordinary registered shares in AO Gazprom gazoraspredelenie Krasnodar with a par value of RUB 0.04 each, which is equivalent to 25.50% of its authorised capital, for RUB 330,000,000.00 (the "Shares").

The price of the Shares is estimated by the parties at RUB 6,814,000,000.00.

The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2699 dated 24 March 2016.

110 Donation agreement with Gubkin Russian State Oil and Gas University (federal budget-funded educational institution of higher education, national research university). Parties: PJSC Gazprom and Gubkin Russian State Oil and Gas University (federal budget-funded educational institution of higher education, national research university) (the "University"). The agreement covers a donation of RUB 230,000,000.00 by PJSC Gazprom to the University to carry out the overhaul and upgrade of the University's training facilities to comply with the fire safety requirements of the applicable laws of the Russian Federation in 2016–2018 (the "Purposes").

PJSC Gazprom shall transfer the money to the University's bank account as follows:

- RUB 90,000,000 within the month following the month when the agreement is signed;
- RUB 90,000,000 by 31 January 2017;
- RUB 50,000,000 by 31 January 2018.

The University shall only use the money transferred by PJSC Gazprom for the above Purposes.

PJSC Gazprom may request the University to report on the use of the funds donated by PJSC Gazprom in accordance with the intended purpose and provide copies of supporting financial documents. PJSC Gazprom may cancel the donation if the University uses the money for any purposes other than the Purposes or changes the Purposes for any reasons without first obtaining PJSC Gazprom's consent. In this case, the University fully refunds the money donated by PJSC Gazprom within one month upon receipt of PJSC Gazprom's request.

PJSC Gazprom may cancel the donation if the University fails to meet its obligation to inform PJSC Gazprom of changes in the University's ownership structure, including beneficiaries (including ultimate beneficiaries) and/or in executive bodies of the University. The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested parties: Viktor Martynov, Alexander Novak, Viktor Zubkov, Sergey Khomyakov, members of PJSC Gazprom's management bodies.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2754 dated 2 June 2016.

111 Donation agreement with Gubkin Russian State Oil and Gas University (federal budget-funded educational institution of higher education, national research university). Parties: PJSC Gazprom and Gubkin Russian State Oil and Gas University (federal budget-funded educational institution of higher education, national research university) (the "University"). The agreement covers PJSC Gazprom's donation of RUB 380,122,072 to finance security services for the University's facilities and property in 2016–2018 (the "Purposes"). PJSC Gazprom shall transfer the money to the University's bank account as follows:

- RUB 56,747,436 within the month following the month when the agreement is signed;
- RUB 28,373,718 by 31 July 2016;
- RUB 28,373,718 by 31 October 2016;
- RUB 31,676,839 by 31 January 2017;
- RUB 31,676,839 by 30 April 2017;
- RUB 31,676,839 by 31 July 2017;
- RUB 31,676,839 by 31 October 2017;
- RUB 34,979,961 by 31 January 2018;
- RUB 34,979,961 by 30 April 2018;
- RUB 34,979,961 by 31 July 2018;
- RUB 34,979,961 by 31 October 2018.

The University shall only use the money transferred by PJSC Gazprom for the above Purposes.

PJSC Gazprom may request the University to report on the use of the funds donated by PJSC Gazprom in accordance with the intended purpose and provide copies of supporting financial documents.

PJSC Gazprom may cancel the donation if the University uses the money for any purposes other than the Purposes or changes the Purposes for any reasons without first obtaining PJSC Gazprom's consent. In this case, the University fully refunds the money donated by PJSC Gazprom within one month upon receipt of PJSC Gazprom's request.

PJSC Gazprom may cancel the donation if the University fails to meet its obligation to inform PJSC Gazprom of changes in the University's ownership structure, including beneficiaries (including ultimate beneficiaries) and/or in executive bodies of the University. The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested parties: Viktor Martynov, Alexander Novak, Viktor Zubkov, Sergey Khomyakov, members of PJSC Gazprom's management bodies.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2760 dated 10 June 2016.

112 Work contract with AO Giprospeftgaz. Parties: PJSC Gazprom and AO Giprospeftgaz. In accordance with PJSC Gazprom's terms of reference, AO Giprospeftgaz undertakes to develop detailed design documentation for the Ukhta — Torzhok Trunk Gas Pipeline System — Second Line (Yamal) facility, and PJSC Gazprom undertakes to accept, and pay for, the result of the work. The list and scope of the work to be performed by AO Giprospeftgaz are determined in the Terms of Reference for Developing Detailed Design Documentation (Appendix 1).

The breakdown of the work by stage and the deadlines for the performance thereof are determined in the Timetable for the Work Performance (Appendix 2).

Contract price: RUB 4,185,839.00, net of VAT (18%) of RUB 753,451.02. Total: RUB 4,939,290.02.

The contract shall become effective on the date when signed and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 1 March 2016. Interested party: Sergey Prozorov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors
No. 2857 dated 1 December 2016.

113 Designer supervision contract with AO Giprospeftgaz. Parties: PJSC Gazprom and AO Giprospeftgaz. AO Giprospeftgaz undertakes to provide services of designer supervision over the construction of the Novoprivodinskaya CS within the Ukhta — Torzhok Trunk Gas Pipeline System — Second Line (Yamal) project (the "Facility"), and PJSC Gazprom undertakes to pay for these services. The cost of services provided under the contract shall be agreed by the parties for the entire Facility construction period by preparing an estimate. The above estimate shall be prepared on the basis of the Designer Supervision Schedule (the "Schedule", Appendix 1) and on the basis of the Standard Indicators for Determining the Cost of Designer Supervision Services (the "Standards", Appendix 2). In case of changes in the effective pricing policy for FEED work and services provided by AO Giprospeftgaz, new standard indicators for determining the cost of designer supervision services shall be agreed by the parties by signing an addendum to the contract.

Contract price: RUB 18,384,687.00, net of VAT (18%) of RUB 3,309,243.66.

The cost of services shall be determined based on the actually provided services and the actual costs incurred by AO Giprospeftgaz within the limit of the contract price.

The services acceptance certificate, the VAT invoice and the executive estimate executed on completion of the work stage in accordance with the actual costs incurred by

AO Giprospeftgaz constitute a ground for payment for designer supervision services.

Payment for the above services shall be made by PJSC Gazprom from the settlement account of OOO Gazprom invest at the end of each quarter within 70 working days from the date the parties sign the services acceptance certificate, subject to the provision by AO Giprospeftgaz of the corresponding, duly executed invoice, VAT invoice and executive estimate to PJSC Gazprom. The payment date shall be the date of debiting the settlement account of OOO Gazprom invest.

Delivery period: from 1 September 2016 through 30 September 2018. The parties shall be liable for non-performance or improper performance of their obligations in accordance with the laws of the Russian Federation and the contract.

In case of late arrival of specialists of AO Giprospeftgaz at the Facility to provide designer supervision services, PJSC Gazprom is entitled to charge to AO Giprospeftgaz a penalty of 0.05% of the cost of services under the contract for the corresponding (current) year for each day of delay until the specialists of AO Giprospeftgaz arrive at the Facility.

In case of delayed payment by PJSC Gazprom for the services provided by AO Giprospeftgaz, AO Giprospeftgaz is entitled to charge to PJSC Gazprom a penalty of 0.05% of the unpaid cost of services for each day of delay until the actual performance of obligations.

In case of late review and signing by PJSC Gazprom of the services acceptance certificate, AO Giprospeftgaz is entitled to charge to Gazprom a penalty of 0.05% of the cost of services under the services acceptance certificate for each day of delay.

In case of ungrounded termination of services, AO Giprospeftgaz shall reimburse PJSC Gazprom for any losses incurred by the latter.

The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. In case the parties sign the contract after the date of the commencement of services stipulated in the Schedule, the contract provisions shall apply to the parties from the date of the commencement of services stipulated in the Schedule. Interested party: Sergey Prozorov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution of PJSC Gazprom's Board of Directors No. 2879 dated 28 December 2016.

Transactions in PJSC Gazprom's Shares made by Members of PJSC Gazprom's Board of Directors and Management Committee in 2016

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Name	Transaction date	Transaction type	Number of PJSC Gazprom's ordinary registered shares involved in the transaction
Viktor Zubkov	19 April 2016	disposal	103,850
Andrey Kruglov	13 April 2016	purchase	8,230
	13 April 2016	purchase	89,510
Dmitry Patrushev	6 July 2016	purchase	46,000
	8 August 2016	purchase	2,330

Actual proceeds from non-core asset disposal by PJSC Gazprom and its subsidiaries in 2016 totalled RUB 51.7 billion (less intra-group transactions — RUB 27.27 billion), including:

- owned by PJSC Gazprom — RUB 46.3 billion (less intra-group transactions — RUB 21.98 billion);
- owned by PJSC Gazprom's subsidiaries — RUB 5.4 billion (less intra-group transactions — RUB 5.29 billion).

Measures to ensure timely performance of instructions pursuant to documents issued by the President and Government of the Russian Federation

PJSC Gazprom is working to improve performance discipline, to ensure strict compliance with the performance deadlines of instructions issued by the Chairman of the Management Committee and the Administration of the Management Committee pursuant to documents issued by the President and Government of the Russian Federation.

The Company has developed a number of regulations on the procedure for executing instructions and implementing control over their execution. In determining the level of performance discipline, any default on the deadlines of instructions under documents issued by the President and Government of the Russian Federation is treated as a gross breach in the Annual Bonus Scheme for the Management of PJSC Gazprom. Matters related to the execution by the Company of instructions issued by the President and Government of the Russian Federation was discussed twice at meetings of the Board of Directors of PJSC Gazprom during the reporting year.

PJSC Gazprom's involvement in the development of policy documents determining the development of the fuel and energy sector of the Russian Federation

(paragraph 1 of the List of Instructions of Deputy Prime Minister of the Russian Federation Arkady Dvorkovich No. AD-P9-1045 dated 26 February 2016; subparagraph a), paragraph 2, section 1 of Minutes No. A4-26-575 of the meeting of the Russian Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security dated 27 October 2015)

The letter submitted to Minister of Energy of the Russian Federation Alexander Novak contained PJSC Gazprom's proposals for adjusting strategic policy documents covering the development of the fuel and energy sector, to be incorporated into draft reports to President of the Russian Federation Vladimir Putin, Chairman of the Commission.

(Minutes No. DM-P9-78pr of the meeting led by Prime Minister of the Russian Federation Dmitry Medvedev, dated 22 December 2016 regarding draft Russia's Energy Strategy to 2035)

The Company submitted a letter to Minister of Energy of the Russian Federation Alexander Novak, containing PJSC Gazprom's proposals on refining draft Russia's Energy Strategy to 2035.

Adoption by entities with a government stake of provisions of the Corporate Governance Code approved by the Bank of Russia's Board of Directors on 21 March 2014

(Instruction of Prime Minister of the Russian Federation Dmitry Medvedev No. DM-P36-46pr dated 28 May 2014)

Resolution of PJSC Gazprom's Board of Directors No. 2546 dated 19 May 2015 approved an Action Plan (Roadmap) to Adopt the Corporate Governance Code. In execution of the approved Action Plan, the Board of Directors of PJSC Gazprom resolved to introduce the role of the Company's Corporate Secretary (Board of Directors' Minutes No. 1100 dated 30 September 2016).

Preparation (updating) of plans (programmes) to reduce operating costs by the least 10% in 2016

(Instructions of the Government of the Russian Federation No. DM-P13-2pr dated 18 January 2016 (paragraph 4, section II) and No. ISh-P13-2047 dated 11 April 2016, Directives of the Government of the Russian Federation No. 4750p-P13 of 4 July 2016)

Resolution of the Board of Directors No. 2801 dated 7 September 2016 changed the Target (planned), threshold and maximum values of the Company's key performance indicators for 2016 used in the annual bonus scheme for PJSC Gazprom's management (approved by Resolution of PJSC Gazprom's Board of Directors No. 2697 dated 24 March 2016). The target value of the Reduction of Operating Costs (Expenses) KPI was changed from 2% to 10%.

Resolution of the Board of Directors No. 2849 dated 15 November 2016 amended the Regulations on PJSC Gazprom's Key Performance Indicators to exclude an interval (between 2% and 3%) of the target value of the Reduction of the Operating Costs (Expenses) KPI. Resolution of the Board of Directors No. 2855 dated 1 December 2016 made similar amendments to the Regulations on the Annual Bonus Scheme for the Management of PJSC Gazprom.

Inclusion of the integrated innovation key performance indicator in the list of key performance indicators for long-term development programmes and the list of key performance indicators for the top management

(Instructions of the Government of the Russian Federation No. AD-P36-6296 dated 15 September 2015 (paragraph 5), No. DM-P36-7563 dated 7 November 2015, No. AD-P36-8381 dated 10 December 2015 (paragraph 1), Directives of the Government of the Russian Federation No. 1472p-P13 dated 3 March 2015)

The integrated innovation key performance is included in the list of the corporate industry key performance indicators for the Annual Bonus Scheme for the Management of PJSC Gazprom as an additional ninth KPI (Resolution of the Board of Directors No. 2826 dated 14 October 2016) and in the Regulations on PJSC Gazprom's Key Performance Indicators (Resolution of the Board of Directors No. 2849 dated 15 November 2016).

Cooperation with Russian higher education institutions

(Instruction of the President of the Russian Federation No. PR-883 dated 30 April 2015)

In execution of the instruction, State Marine Technical University of St Petersburg was assigned the status of PJSC Gazprom's Anchor University on 1 January 2016. In 2016, the University held an Employment Fair of PJSC Gazprom's subsidiaries and entities, and RUB 10 million of charitable aid was provided. The University students took part in the Youth Day held as part of the 5th St Petersburg International Gas Forum.

In the reporting year, the status of PJSC Gazprom's Anchor University was also assigned to Tyumen State Oil and Gas University and Ufa State Petroleum Technological University.

Introduction of professional standards into the activities of PJSC Gazprom, its subsidiaries and entities

(Directives of the Government of the Russian Federation No. 5119p-P13 dated 14 July 2016 approved by First Deputy Prime Minister of the Russian Federation Igor Shuvalov)

The Board of Directors of PJSC Gazprom passed Resolution No. 2802 dated 7 September 2016 on introduction of professional standards into the activities of PJSC Gazprom, its subsidiaries and entities, instructing Chairman of PJSC Gazprom's Management Committee Alexey Miller to:

- ensure the introduction of professional standards into the activities of PJSC Gazprom, its subsidiaries and entities by approving and executing respective plans and keeping records of activities to introduce professional standards in management assessment and incentives within the framework of HR management in PJSC Gazprom, its subsidiaries and entities;
- at least once a year, initiate meetings of the Board of Directors of PJSC Gazprom regarding the introduction of professional standards into the activities of PJSC Gazprom, its subsidiaries and entities.

In execution of the resolution, the Company approved the Action Plan to Adopt Professional Standards in PJSC Gazprom, its Subsidiaries and Entities for 2017–2019.

Development and adoption of local regulations to determine procurement standards for certain goods, works and services, publish the procurement standards on the Company's corporate website, and mandatory compliance with the procurement standards in business planning and operations

(Directives of the Government of the Russian Federation No. 2793p-P13 dated 19 April 2016 approved by First Deputy Prime Minister of the Russian Federation Igor Shuvalov)

The Board of Directors of PJSC Gazprom passed Resolution No. 2770 dated 29 June 2016 on developing and adopting local regulations to determine procurement standards for certain goods, works and services; publishing the procurement standards on PJSC Gazprom's corporate website; and mandatory compliance with the procurement standards in business planning and operations, instructing Chairman of PJSC Gazprom's Management Committee Alexey Miller to ensure:

- 1) development and adoption of procurement standards for goods, works and services, setting maximum prices for such goods, works and services and/or requirements to the quantity, consumer properties and other characteristics of such goods, works and services;
- 2) publishing of the procurement standards on PJSC Gazprom's corporate website;
- 3) mandatory compliance with the procurement standards in business planning and operations;
- 4) annual monitoring, starting from 2017 (based on the results for financial year 2016), the results of PJSC Gazprom's procurement activities, including compliance with approved procurement plans and respective procurement standards for goods, works and services for the needs of PSJC Gazprom, and compliance of the intended purpose of the goods, works and services procured by PSJC Gazprom with the statutory activities of PSJC Gazprom;
- 5) annual adjustment (update) of the procurement standards for goods, works and services for the needs of PSJC Gazprom.

Procurement of Russian-produced competitive software required for PSJC Gazprom's operations

(Directives of the Government of the Russian Federation No. 4972p-P13 dated 11 July 2016 approved by First Deputy Prime Minister of the Russian Federation Igor Shuvalov)

Resolution of PJSC Gazprom's Board of Directors No. 2811 dated 27 September 2016 on the procurement of Russian-produced competitive software required for PSJC Gazprom's operations approved amendments to the Regulations on the Procurement of Goods, Works and Services by PJSC Gazprom and Gazprom Group Companies, approved by Resolution of the Board of Directors No. 1969 dated 19 April 2012 (Regulations on Procurement), to add to the Regulations on Procurement provisions regarding the specifics of the procurement of software required for the operations of PJSC Gazprom, its subsidiaries and entities in which PJSC Gazprom directly and/or indirectly holds a stake exceeding 50%.

Amendments to the procurement policy related to innovative construction materials

(Directives of the Government of the Russian Federation No. 6558p-P13 dated 5 September 2016 approved by First Deputy Prime Minister of the Russian Federation Igor Shuvalov)

The Board of Directors of PJSC Gazprom passed Resolution No. 2863 dated 7 December 2016 on amending the company's procurement policy in relation to innovative construction materials, instructing Chairman of PJSC Gazprom's Management Committee Alexey Miller to ensure:

- amendment of PJSC Gazprom's procurement policy to assign high priority to procurement of innovative construction materials;
- amendment of PJSC Gazprom's procurement policy to provide for the opportunity to sign long-term contracts with Russian producers of innovative construction materials with guaranteed supply volumes in the future, and with producers which have executed, in accordance with the established procedure, special investment contracts based on the production of such products;
- implementation of the above regulations in subsidiaries.

Extended application of factoring in the execution of supply (work, service) contracts

(Directives of the Government of the Russian Federation No. 7704p-P13 dated 11 October 2016 approved by First Deputy Prime Minister of the Russian Federation Igor Shuvalov)

Resolution of PJSC Gazprom's Board of Directors No. 2862 dated 7 December 2016 on extended application of factoring in the execution of supply (work, service) contracts approved the amendments to the Regulations on Procurement, pursuant to which:

- assignment of claims (factoring) under supply (work, services) contracts between PJSC Gazprom and small and medium-sized enterprises (SMEs) signed following procurement activities based on methods established by the Regulations on Procurement (except for tenders and auctions) shall be applied in accordance with the terms and procedure established by Chapter 43 of the Civil Code of the Russian Federation;
- the procedure for applying claim assignment (factoring) under supply (work, services) contracts between PJSC Gazprom and SMEs signed following procurement activities based on methods established by the Regulations on Procurement (except for tenders and auctions) shall be established by PJSC Gazprom's order and published on PJSC Gazprom's website at www.gazprom.ru, in the Small and Medium-Sized Enterprises section.

Application of methodological guidelines on the development of internal regulations governing the Company's operations

(Directives of the Government of the Russian Federation No. 3984p-P13 dated 24 June 2015 approved by First Deputy Prime Minister of the Russian Federation Igor Shuvalov)

Resolution of PJSC Gazprom's Board of Directors No. 2682 dated 15 March 2016 approved the Regulations on PJSC Gazprom's Investment Performance Improvement and Regulations on PJSC Gazprom's Operational Performance Improvement and Cost Reduction developed based on the methodological guidelines approved by the Government of the Russian Federation.

Disclosure of information on ownership structures, including beneficiaries, by counterparties under existing contracts

(Instruction of Prime Minister of the Russian Federation Vladimir Putin No. VP-P13-9308 dated 28 December 2011, Instruction of Deputy Prime Minister of the Russian Federation Igor Sechin No. IS-P13-80 dated 12 January 2012)

Between 1 January 2016 and 31 December 2016, PJSC Gazprom informed the Russian Ministry of Energy, Federal Tax Service, and Rosinfomonitoring of:

- 83,206 existing contracts (with 3,740 contracts signed by PJSC Gazprom and 79,466 contracts signed by its subsidiaries and affiliates directly and/or indirectly controlled by PJSC Gazprom by more than 50% in total);
- changes in the ownership structure and/or executive bodies of PJSC Gazprom's counterparties;
- changes in the ownership structure and/or executive bodies of the counterparties of subsidiaries and affiliates directly and/or indirectly controlled by PJSC Gazprom by more than 50% in total.

Implementation of programmes to dispose of PJSC Gazprom's non-core assets

(subparagraph c, paragraph 2 of Decree of the President of the Russian Federation No. 596 dated 7 May 2012)

To enhance efforts aimed at further optimisation and reduction of non-core assets, the Company's Board of Directors passed Resolution No. 2090 dated 14 December 2012 on the development and submission to the Board of Directors of JSC Gazprom of a programme for the disposal of JSC Gazprom's non-core assets in 1H 2013.

By Resolution No. 878 dated 18 June 2013 (Board of Directors' Minutes No. 878 dated 18 June 2013), JSC Gazprom's Board of Directors approved the Programme for the Disposal of PJSC Gazprom's Non-Core Assets for the three-year period (from 2H 2013 to 1H 2016).

Resolution of PJSC Gazprom's Board of Directors No. 2764 dated 21 June 2016 (Board of Directors' Minutes No. 1081 dated 21 June 2016) approved the Progress Report of PJSC Gazprom on the said Programme and the Programme for the Disposal of PJSC Gazprom's Non-Core Assets for the next three-year period (from 2H 2016 to 1H 2019). The implementation of the Programme from 2H 2013 to 1H 2016 resulted in an income of RUB 2.82 billion, net of VAT. The total income from the sale of such non-core assets was RUB 2.55 billion, net of VAT.

In 2H 2016, pursuant to Directive of the Government of the Russian Federation No. 4863p-P13 dated 7 July 2016 and directive of the Federal Agency for State Property Management, Resolution of PJSC Gazprom's Board of Directors No. 2810 dated 27 September 2016 (Board of Directors' Minutes No. 1098 dated 27 September 2016) approved the new Programme for the Disposal of PJSC Gazprom's Non-Core Assets and the Register of Gazprom's Non-Core Assets prepared by the Company based on the Methodological Guidelines for Identification and Disposal of Non-Core Assets approved by the Government of the Russian

Federation in July 2016, taking into account the specifics of PJSC Gazprom's business and the current practice of disposal of PJSC Gazprom's non-core assets.

By Resolution of PJSC Gazprom's Board of Directors No. 2875 dated 22 December 2016 (Board of Directors' Minutes No. 1115 dated 22 December 2016), the Company updated the Register of Gazprom's Non-Core Assets (the total book value of assets in the Register was RUB 4.63 billion) and approved the Action Plan for the Disposal of PJSC Gazprom's Non-Core Assets for 2017.

The Register comprises three sections: Long-Term Financial Investments (stock, shares), Real Property, and Movable Property.

The information on PJSC Gazprom's non-core assets subject to disposal and included in the Register of Gazprom's Non-Core Assets contains, in particular: the asset list, quantity; information on each non-core asset — name of the asset, type of activity associated with the asset, its book (depreciated) value, initial selling price (equal to its market value as assessed by an independent valuator), method of sale (primarily a trade sale process), and encumbrances.

The approval of the above Programmes and Registers was disclosed by PJSC Gazprom in the manner prescribed by the law by publishing appropriate open access information on its website. The current Programme and Register are also available on a dedicated website for Gazprom Group's non-core asset disposal www.gazpromnoncoreassets.ru, the link to which is available on PJSC Gazprom's website in the Asset Disposal section.

The actual cost of sale of PJSC Gazprom's non-core assets disposed of in 2016 under the said Programmes and Registers was RUB 52,446.89 thousand net of VAT. Pre-sale preparation and disposal of non-core assets resulted in the actual cost of sale exceeding the book value by RUB 42,965.18 thousand.

Implementation of the Programmes and Registers of PJSC Gazprom's Non-Core Assets in 2016

Asset	Inventory number (if applicable)	Balance sheet item containing the asset as at the reporting date prior to the asset disposal	Balance sheet item (analytics included) containing asset disposal income and expense (91.1xxx/91.2xxx)	Book value of asset, RUB thousand	Actual cost of sale, RUB thousand (net of VAT)	Actual cost of sale vs book value, RUB thousand (net of VAT)	Reason for difference between the actual cost of sale and book value
155 units of motor vehicles and special-purpose machinery	155 inventory numbers	1150	914101/911110	9,481.71	52,446.89	42,965.18	Pre-sale preparation and disposal of non-core assets
Total				9,481.71	52,446.89	42,965.18	

Placement of orders for the construction of vessels, drilling platforms and civil marine facilities with Russian companies

(paragraph 2 of the List of Instructions of President of the Russian Federation Vladimir Putin No. Pr-1919 dated 21 September 2015)

In execution of the instruction to set up the Zvezda Shipbuilding Complex in the Far East, the Company signed an agreement of intent with Far Eastern Shipbuilding and Ship Repair Centre on 26 January 2016 providing for placement of orders for the construction of vessels, drilling platforms and civil marine facilities at the Zvezda Shipbuilding Complex.

(paragraph 2, Section I of Minutes No. 1 dated 27 September 2016 of the sub-commission on the military-industrial complex of the Government Commission on import substitution)

In execution of the instruction, PJSC Gazprom prepared and sent for approval to Rosneft a schedule of orders for vessels and marine facility for the short and medium term. The progress report on the execution of the instruction was submitted to the Government Office of the Russian Federation.

Improvement of the tax legislation

(Instruction of Deputy Prime Minister of the Russian Federation Alexander Khloponin No. AKh-P9-1947 dated 7 April 2016, Minutes No. AKh-P9-35pr dated 1 June 2016)

Federal Law No. 463-FZ dated 28 December 2016 On Amending Part Two of the Tax Code of the Russian Federation introduced a multiplier of 1.5 to be applied to expenses for exploration and appraisal of new offshore hydrocarbon fields.

(Instruction of Deputy Prime Minister of the Russian Federation Arkady Dvorkovich No. AD-P9-880 dated 18 February 2016)

Federal Law No. 242-FZ dated 3 July 2016 amended Article 380 of the Tax Code of the Russian Federation, approved Decree of the Government of the Russian Federation No. 2188 dated 19 October 2016 on the list of real estate facilities of the Power of Siberia project in order to apply a zero tax rate on the property of legal entities for said facilities.

Gas infrastructure expansion and gas supplies in Russian regions

(paragraph 3 of the Instruction of President of the Russian Federation Vladimir Putin No. Pr-2281 dated 2 November 2015)

In execution of paragraph 3 of Instructions of President of the Russian Federation Vladimir Putin No. Pr-2281 dated 2 November 2015 on including the gas infrastructure expansion project at the VostochnyCosmodrome, PJSC Gazprom's Investment Programme for 2016, approved by Board of Directors' Resolution No. 2829 dated 18 October 2016, provides for capital investments in the design of the Uglegorsk Branch and Gas Distribution Station as part of the future design and survey plan.

The Company prepared proposals to include in the draft plan of PJSC Gazprom's Investment Programme for 2017 a capital investment limit for the investment project:

- as part of the future design and survey plan, in the amount of RUB 3.53 million;
- for the commencement of construction, in the amount of RUB 163.66 million.

The resolution of PJSC Gazprom regarding the approval of design documents is due in July 2017.

(Directive of the Government of the Russian Federation No. 7389p-P13 dated 6 September 2011)

PJSC Gazprom supplied gas from the Sakhalin II project in consideration for royalties to consumers on Sakhalin and in the Primorye Territory (acting as agent pursuant to Decree of the Government of the Russian Federation No. 1539-r dated 6 September 2011), while preparing the rationale for extending the term of said Decree.

(List of Instructions of President of the Russian Federation Vladimir Putin No. Pr-1919 dated 21 September 2015)

Construction of the branch to Nakhodka (first phase, to Zvezda facility, in execution of the List of Instructions of President of the Russian Federation Vladimir Putin to set up the Zvezda Shipbuilding Complex) was carried out; design and survey is under way for the second phase (to Vrangeli village). PJSC Gazprom is also preparing a set of measures to extend the Sakhalin — Khabarovsk — Vladivostok trunk pipeline to ensure transportation of the required volume of gas to Eastern Petrochemical Company, Nakhodka Mineral Fertiliser Plant and other potential consumers in the Primorye and Khabarovsk Territories, in accordance with the provided gas supply network connection specifications.

(instructions of Deputy Prime Minister of the Russian Federation, Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District Yuri Trutnev No. YuT-P9-5298 dated 6 August 2015, No. YuT-P16-11pr dated 13 December 2016, No. YuT-P16-11pr dated 24 March 2016)

In execution of the instructions, steps were taken to expand the gas infrastructure of the Mikhailovsky, Nadezhdinskaya and Komsomolsk territories of priority development.

(Minutes No. YuT-P9-30pr dated 26 April 2016 of the meeting held at the office of Deputy Prime Minister of the Russian Federation, Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District Yuri Trutnev)

In execution of the instruction, the General Scheme of Gas Supply and Gas Infrastructure Development of Amur Region was developed.

Arrangements were made to execute preliminary gas supply agreements with major industrial consumers in the Far East. The total value of potential supplies under the preliminary agreements exceeded 8.7 bcm per year.

(Instructions of President of the Russian Federation Vladimir Putin No. Pr-2678 dated 17 November 2014)

Pursuant to the Instructions of the President of the Russian Federation on gas infrastructure expansion in Kostroma Region, divisions of PJSC Gazprom considered the construction of the Galich — Manturovo — Sharya branch (Kostroma Region) and the branch to Soligalich. The Company submitted the progress report on the execution of the Instruction of the President of the Russian Federation to adjust design documents and include the Galich — Manturovo — Sharya branch (Kostroma Region) in the Capital Construction Plan of PJSC Gazprom's Investment Programme upon approval of the design documents (expected in Q2 2018).

During the design phase of the Soligalich branch project, work was carried out to confirm the gas consumption volume, as a result of which the implementation of the project at the expense of PJSC Gazprom was found to be inexpedient at the moment. In the Kostroma Region, gas is supplied by an independent supplier, PAO NOVATEK.

(Instruction of Deputy Prime Minister of the Russian Federation ArkadyDvorkovich No. AD-P9-6019 dated 10 October 2016 on the execution of Instruction of President of the Russian Federation Vladimir Putin No. Pr-1900 dated 2 October 2016 on the upgrade and commissioning of the Usolye (Pyskor) Gas Distribution Station before the end of 2016).

The Lyubimov Gas Distribution Station was included in the Design and Survey Plan of PJSC Gazprom's Investment Programme for 2017.

Promotion of NGV fuel

(paragraph 10 of the Automotive Industry Support Programme for 2016 approved by Decree of the Government of the Russian Federation No. 71-r dated 23 January 2016)

Based on Gazprom Group's proposals, the Russian Ministry of Industry and Trade developed the Rules for Providing Subsidies from the Federal Budget to the Manufacturers of Buses and Municipal Vehicles Using NGV Fuel, subsequently approved by Decree of the Government of the Russian Federation No. 667 dated 12 July 2016. According to the Russian Ministry of Industry and Trade, 100% of subsidies were utilised in 2016; 1,525 buses and utility vehicles using NGV fuel were sold.

Energy resource	2015	2016
Natural gas		
mmcm	21.7	20.7
RUB million (inclusive of VAT)	149.5	149.1
Power		
thousand MWh	122.5	140.6
RUB million (inclusive of VAT)	556.0	685.4
Heat energy		
thousand Gcal	55.4	92.2
RUB million (inclusive of VAT)	122.4	139.0
Motor gasoline		
million litres	2.1	1.7
RUB million (inclusive of VAT)	71.2	61.2
Diesel fuel		
thousand tonnes	1.9	2.0
RUB million (inclusive of VAT)	68.4	71.8
Note. PJSC Gazprom consumes no other energy resources in meaningful quantities.		

- Meetings of PJSC Gazprom's Board of Directors in 2016
- Meetings of the Audit Committee of PJSC Gazprom's Board of Directors in 2016
- Debt recovery litigations pending as at 31 December 2016
- List of entities in which PJSC Gazprom holds shares (interest) as at 31 December 2016



Information on Gazprom web site

Name	Definition
ADR	American depository receipt
AFR	Accident Frequency Rate
APG	Associated petroleum gas
BAFA	Federal Office for Economic Affairs and Export Control
bboe	Billion barrels of oil equivalent
bcm	Billion cubic meters
Brent	Benchmark crude oil sourced from the North Sea
CCGT	Combined Cycle Gas Turbine
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CGTU	Comprehensive gas treatment unit
CHPP	Combined Heat and Power Plant
CNG	Compressed natural gas
CS	Compressor station
CSA	Capacity supply agreement
DSG	Dry stripped gas
EBITDA	Earnings before interest, taxes, depreciation, and amortisation
EMS	Environmental Management System
EMTN	Euro medium-term note
Far abroad countries	Foreign countries, except for FSU countries, see the Europe and Other Countries geographical segment in the consolidated IFRS financial statements
FAS	Federal Antimonopoly Service
FEED	Front End Engineering Design
FSU countries	Former USSR republics, except for the Russian Federation
GHG	Greenhouse gases
GPP	Gas and/or condensate processing plant
GRES	State district power station
GTS	Gas transportation system
HSE	Health, Safety and Environment
IFRS	International Financial Reporting Standards
ISO 14001	International standard covering environmental management systems
ISO 9001	International standard covering quality management systems
JCC	Joint Coordinating Committee
KMAA	Khanty-Mansi Autonomous Area — Yugra
LHG	Liquefied hydrocarbon gas
LNG	Liquefied natural gas
LSE	London Stock Exchange
NCG	NetConnect Germany gas hub
NDRC	National Development and Reform Commission
NGV	Natural gas vehicle
OGCF	Oil and gas condensate field
OHS	Occupational Health and Safety
OHSAS 18001:2007	International standard covering occupational health and safety management systems

Name	Definition
OPEC	Organization of the Petroleum Exporting Countries
OTC	Over-the-counter (market)
PRMS	Petroleum Resources Management System
QIB	Qualified institutional buyer
R&D	Research and Development
RAS	Russian Accounting Standards
ROC	Return on capital
ROI	Return on investment
RUB	Russian ruble
SME	Small and Medium Enterprise
SPIMEX	Saint Petersburg International Mercantile Exchange
STI	Strategic Target Indicator
TPP	Thermal power plant
TSR	Total Shareholder Return
TTF	Title Transfer Facility
UEFA	Union of European Football Associations
UES	Unified Energy System
UGSF	Underground gas storage facility
UGSS	Unified Gas Supply System
UNFCCC	United Nations Framework Convention on Climate Change
USD	US dollar
USSR	Union of Soviet Socialist Republics
YNAA	Yamal-Nenets Autonomous Area

Conventions

Sign	Meaning
x	Data cannot be given.
–	Phenomenon is absent.
0.0	Less than 0.05.

Units of Measurement and Conversion Table

Name	Definition	Conversion
cm of gas	Cubic metre of natural gas measured at 1 atm, 20°C, with the calorific value of 8,850 kcal/cm (highest heat of combustion)	1 mcm of gas = 6.49 boe
BTU	British thermal unit	1 million BTUs = 0.028 mcm of LNG = 0.021 tonnes of LNG
tonne of oil	Tonne of oil	= 7.33 barrels of oil = 7.33 boe
tonne of gas condensate	Tonne of gas condensate	= 8.18 barrels of gas condensate = 8.18 boe

Russian business structures

Abbreviation	Definition
AO	Joint Stock Company
OA0	Open Joint Stock Company
OOO	Limited Liability Company
PAO	Public Joint Stock Company
ZAO	Closed Joint Stock Company

List of Foreign Companies Mentioned in the Report

Full name	Short name	Country
Bank of China	–	China
ZAO Gazprom Armenia	–	Armenia
OsOO Gazprom Kyrgyzstan	–	Kyrgyzstan
OAQ Gazprom transgaz Belarus	–	Belarus
Allseas Group S.A.	Allseas	Switzerland
Bank of America Corporation	–	USA
BASF SE	BASF	Germany
Bloomberg L.P.	Bloomberg	USA
China National Petroleum Corporation	CNPC	China
Citigroup Inc.	Citigroup	USA
Chiyoda Corporation	Chiyoda	Japan
Credit Suisse Group AG	Credit Suisse	Switzerland
Dagong Global Credit Rating Company Limited	Dagong	China
DeGolyer and MacNaughton	–	USA
Deutsche Bank AG	Deutsche Bank	Germany
DEPA SA	DEPA	Greece
Edison Spa	Edison	Italy
ENGIE S.A.	ENGIE	France
EUROPIPE GmbH	EUROPIPE	Germany
Fitch Ratings	–	USA
Fluxys SA	–	Belgium
Gazprom EP International B.V.	–	The Netherlands
Gazprom Germania GmbH	Gazprom Germania	Germany
Gazprom Holding Cooperatie U.A.	–	The Netherlands
Gazprom Marketing and Trading Ltd.	Gazprom Marketing and Trading	United Kingdom
Gazprom Marketing and Trading Retail Ltd.	Gazprom Marketing and Trading Retail	United Kingdom
Gazprom NGV Europe GmbH	–	Germany
Gazprom Schweiz AG	–	Germany
The Goldman Sachs Group, Inc.	Goldman Sachs	USA
HIP Petrohemija JSC	HIP Petrohemija	Serbia
HSBC Holdings plc	HSBC	United Kingdom
JPMorgan Chase & Co	J.P. Morgan	USA
Korea Gas Corporation	KOGAS	South Korea
Linde AG	–	Germany
Mitsui & Co. Ltd.	–	Japan
Mizuho Financial Group, Inc.	Mizuho	Japan
Moody's Investors Service	Moody's	USA
Morgan Stanley International Limited	Morgan Stanley	USA
N.V. NederlandseGasunie	–	The Netherlands
NaftnaIndustrijaSrbije A.D.	NIS	Serbia
The Oil & Gas Holding Company B.S.C. (c)	Nogaholding	Bahrein

Full name	Short name	Country
Nord Stream 2 AG	–	Switzerland
OMV Aktiengesellschaft	OMV	Austria
Otkritie Capital International Limited	Otkritie Capital	United Kingdom
S&P Global Platts	Platts	United Kingdom
PetroVietnam Gas Corporation	PV Gas	Vietnam
PVGAZPROM Natural Gas for Vehicles LLC	–	Vietnam
Raiffeisen Bank International AG	Raiffeisen Bank	Austria
Royal Dutch Shell plc.	Shell	United Kingdom
Shell Global Solutions International	–	United Kingdom
Sakhalin Energy Investment Company Ltd.	Sakhalin Energy	Bermuda Islands
Salym Petroleum Development N.V.	–	The Netherlands
JP «Srbijagas»	Srbijagas	Serbia
Siemens AG	–	Germany
Sumitomo Mitsui Banking Corporation	SMBC	Japan
Schneider Electric Group	Schneider Electric	France
Standard & Poor's	–	USA
Statoil ASA	–	Norway
The Bank of New York Mellon	–	USA
UBS Group AG	UBS	Switzerland
Uniper SE	–	Germany
Vemex s.r.o.	Vemex	Czech Republic
Vietnam Oil and Gas Group	PetroVietnam	Vietnam
VNG-Verbundnetz Gas AG	–	Germany
Wasco Energy Group of Companies	WASCO	Malaysia
WINGAS GmbH	WINGAS	Germany
Wintershall AG	–	Germany
Wintershall Holding GmbH	Wintershall Holding	Germany
Wintershall Noordzee B.V.	Wintershall Noordzee	The Netherlands
Yunnan Petrochemical Co. Ltd.	–	China
Zukunft ERDGAS e.V.	Zukunft ERDGAS	Germany

Full name

Public Joint Stock Company Gazprom

Abbreviated name

PJSC Gazprom

Location

Moscow, Russian Federation

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www.gazprom.com

E-mail

gazprom@gazprom.ru

Certificate of Entry in the Unified State Register of Legal Entities

Issued by the Moscow Department of the Ministry of Taxation of the Russian Federation on 2 August 2002, No. 1027700070518

Taxpayer Identification Number (INN)

7736050003

Contact for shareholders of PJSC Gazprom

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Contact for investors of PJSC Gazprom

Ivan Khromushin

Tel.: +7 812 609 4129

Fax: +7 812 609 4334

E-mail: ir@gazprom.ru

Auditor to PJSC Gazprom

Limited Liability Company Financial and Accounting Advisers (OOO FBK)

OOO FBK is a member of the self-regulated organisation of auditors

Auditor Association Sodruzhestvo Non-Profit Partnership

Location and mailing address: 44/1 Myasnitskaya St., Bld. 2 AB, Moscow, 101990, Russian Federation

Tel.: +7 495 737 5353

Fax: +7 495 737 5347

Website: www.fbk.ru

Registrar

Joint Stock Company, Specialised Registrar — Register Keeper for Gas Industry Shareholders (AO SR-DRAGa)

Location and mailing address: 71/32 Novocheremushkinskaya St., Moscow, 117420, Russian Federation

Tel.: +7 495 719 4044

Fax: +7 495 719 4585

Website: www.draga.ru

This Annual Report is approved by
PJSC Gazprom's General Shareholders Meeting
(Minutes No. 1 dated 4 July 2017),
pre-approved by
Resolution of PJSC Gazprom's Board of Directors
No. 2948 dated 19 May 2017
(Minutes No. 1141 dated 19 May 2017).

Chairman of PJSC Gazprom's
Management Committee
A.B. Miller

Chief Accountant
of PJSC Gazprom
E.A. Vasilieva

