

Multipolar Energy

PJSC Gazprom Financial Report 2015

PJSC Gazprom Financial Report 2015

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To the Shareholders of Public Joint Stock Company Gazprom

Client

Public Joint Stock Company Gazprom (hereinafter — PJSC Gazprom).

State registration certificate No. 022.726, issued by Moscow Registration Chamber on 25 February 1993.

The registration entry was made in the Unified State Register of Legal Entities on 2 August 2002 under principal state registration number 1027700070518.

16, Nametkina str., Moscow, Russian Federation 117997.

Auditor

Limited Liability Company Accountants and business advisors (FBK, LLC) located at: 44/1, 2AB, Myasnitskaya St, Moscow, Russian Federation, 101990.

State registration certificate series YuZ 3 No. 484.583 RP, issued by Moscow Registration Chamber on 15 November 1993.

The registration entry was made in the Unified State Register of Legal Entities on 24 July 2002 under principal state registration number 1027700058286.

Member of non-profit partnership Auditor Association Sodruzhestvo.

Certificate of membership in a non-profit partnership Auditor Association Sodruzhestvo No. 7198, major registration record number (ORNZ) — 11506030481.

We have audited the attached financial statements of Public Joint Stock Company Gazprom which comprise the balance sheet as at 31 December 2015 and statement of financial results, attachments to the balance sheet and statement of financial results, including statement of changes in equity and statement of cash flows for 2015, explanatory notes to the balance sheet and statement of financial results.

PJSC Gazprom's responsibility for the financial statements

PJSC Gazprom's management is responsible for the preparation and fair presentation of these financial statements in accordance with the reporting rules established in the Russian Federation and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The auditor's responsibility

Our responsibility is to express an opinion on the fair presentation of the financial statements based on our audit. We conducted our audit in accordance with the Federal Auditing Standards. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PJSC Gazprom as at 31 December 2015, and the results of its financial performance and its cash flows for 2015 in accordance with the reporting rules established in the Russian Federation.

Other matter

The financial statements of PJSC Gazprom for the year ended 2014 were audited by another auditor — ZAO PwC Audit — who expressed an unmodified opinion on those statements on 27 March 2015.

President of FBK, LLC



S.M. Shapiguzov
Acting under the Articles of Association
Auditor Qualification Certificate
01-001230, ORNZ 29501041926

Audit engagement leader

M.A. Kolembet
Auditor Qualification Certificate
01-001271, ORNZ 20501041724

30 March 2016

| | | |
|---|-------------------------|----------------|
| Company PJSC GAZPROM | Form on OKUD | CODES |
| Taxpayer identification number | Date (day, month, year) | 0710001 |
| Field of activity wholesale | OKPO | 31 / 12 / 2015 |
| Legal form/property form Public Joint Stock Company | INN | 00040778 |
| Measurement unit: thousand of RUB | OKVED | 7736050003 |
| Address Russian Federation, 117997, Moscow, Nametkina str., 16, GSP-7 | OKOPF/OKFS | 51.51.3 |
| | OKEI | 1.22 47/ 31 |
| | | 384 |

| Note | Narrative | Line code | As at 31.12.2015 | As at 31.12.2014 | As at 31.12.2013 |
|------|---|-----------|------------------|------------------|------------------|
| | Assets | | | | |
| | I. Non-current assets | | | | |
| 1 | Intangible assets, including: | 1110 | 11,776,108 | 7,659,649 | 277,132 |
| | intellectual property rights | 1111 | 11,384,863 | 7,571,638 | 241,095 |
| | other | 1119 | 391,245 | 88,011 | 36,037 |
| 1 | Results of research and development | 1120 | 3,485,123 | 3,466,656 | 2,155,015 |
| 9 | Intangible exploration assets | 1130 | 111,637,226 | 112,010,828 | 78,324,056 |
| 9 | Tangible exploration assets | 1140 | 41,453,750 | 31,147,477 | 30,165,493 |
| 2 | Fixed assets, including: | 1150 | 6,854,031,578 | 6,722,378,077 | 5,718,189,804 |
| | fixed assets items, including: | 1151 | 6,365,470,264 | 6,434,475,251 | 5,654,253,785 |
| | land plots and natural resources | 1152 | 1,216,137 | 1,130,192 | 1,034,135 |
| | buildings, facilities, machinery and equipment | 1153 | 6,288,764,815 | 6,356,206,635 | 5,584,268,143 |
| | capital investments in progress | 1154 | 488,561,314 | 287,902,826 | 63,936,019 |
| 3 | Financial investments, including: | 1170 | 2,190,246,138 | 2,012,614,153 | 2,000,854,436 |
| | investments in subsidiaries | 1171 | 1,821,054,810 | 1,649,835,127 | 1,661,313,512 |
| | investments in associates | 1172 | 83,717,503 | 99,909,279 | 104,534,868 |
| | investments in other entities | 1173 | 261,708 | 713,080 | 715,324 |
| | loans provided to companies for a period over 12 months | 1174 | 145,516,964 | 194,595,652 | 119,013,856 |
| | Deferred tax assets | 1180 | 66,975,644 | 32,927,070 | 23,088,893 |
| | Other non-current assets | 1190 | 11,701,269 | 8,872,650 | 14,350,419 |
| | Total Section 1 | 1100 | 9,291,306,836 | 8,931,076,560 | 7,867,405,248 |

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| Note | Narrative | Line code | As at 31.12.2015 | As at 31.12.2014 | As at 31.12.2013 |
|---------------------------|--|-----------|------------------|------------------|------------------|
| Assets | | | | | |
| II. Current Assets | | | | | |
| 4 | Inventories, including: | 1210 | 539,864,750 | 491,437,777 | 402,256,939 |
| | raw materials and other inventories | 1211 | 4,607,980 | 3,541,526 | 3,620,353 |
| | work in progress | 1213 | 332,284,836 | 298,764,068 | 249,671,612 |
| | finished goods and goods for resale | 1214 | 199,359,939 | 186,050,803 | 146,310,669 |
| | goods dispatched | 1215 | 3,611,902 | 3,081,347 | 2,654,272 |
| | Value-added tax on goods purchased | 1220 | 67,036,633 | 69,933,019 | 56,729,385 |
| 5 | Accounts receivable, including: | 1230 | 2,515,375,547 | 1,959,540,653 | 2,119,271,161 |
| | Accounts receivable (payment expected beyond 12 months after the reporting date), including: | 1231 | 479,999,297 | 496,606,800 | 512,731,066 |
| | buyers and customers | 1232 | 2,061,484 | 3,837,690 | 6,508,098 |
| | advances issued | 1233 | 54,183 | – | 9,097,975 |
| | other debtors | 1234 | 477,883,630 | 492,769,110 | 497,124,993 |
| | Accounts receivable (payment expected within 12 months after the reporting date), including: | 1235 | 2,035,376,250 | 1,462,933,853 | 1,606,540,095 |
| | buyers and customers | 1236 | 827,675,095 | 567,356,737 | 627,091,365 |
| | advances issued | 1238 | 50,890,997 | 42,191,697 | 58,586,575 |
| | other debtors | 1239 | 1,156,810,158 | 853,385,419 | 920,862,155 |
| 3 | Financial investments (except for cash equivalents), including: | 1240 | 58,053,162 | 70,045,548 | 25,111,518 |
| | loans provided to companies for a period less than 12 months | 1241 | 57,884,402 | 48,486,396 | 23,543,609 |
| | Cash and cash equivalents, including: | 1250 | 506,973,421 | 725,100,916 | 380,231,778 |
| | cash in hand | 1251 | 27,062 | 16,993 | 27,282 |
| | settlement accounts | 1252 | 278,070,685 | 471,860,061 | 311,985,071 |
| | foreign currency accounts | 1253 | 227,226,726 | 253,136,708 | 67,638,473 |
| | other cash and cash equivalents | 1259 | 1,648,948 | 87,154 | 580,952 |
| | Other current assets | 1260 | 2,637,608 | 2,600,651 | 4,180,033 |
| | Total Section II | 1200 | 3,689,941,121 | 3,318,658,564 | 2,987,780,814 |
| | Balance | 1600 | 12,981,247,957 | 12,249,735,124 | 10,855,186,062 |

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| Note | Narrative | Line code | As at 31.12.2015 | As at 31.12.2014 | As at 31.12.2013 |
|---------------------------------|--|-----------|------------------|------------------|------------------|
| Equity and Liabilities | | | | | |
| III. Equity and Reserves | | | | | |
| | Charter capital | 1310 | 118,367,564 | 118,367,564 | 118,367,564 |
| | Own shares buy-back | 1320 | – | – | – |
| | Revaluation of non-current assets | 1340 | 5,022,862,838 | 5,025,377,538 | 4,326,532,592 |
| | Additional paid-in capital (without revaluation) | 1350 | – | – | – |
| | Reserve capital | 1360 | 8,636,001 | 8,636,001 | 8,636,001 |
| | Retained earnings (loss) | 1370 | 4,172,472,437 | 3,936,832,017 | 3,915,629,303 |
| | Social government fund | 1380 | – | – | – |
| | Total Section III | 1300 | 9,322,338,840 | 9,089,213,120 | 8,369,165,460 |

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| Note | Narrative | Line code | As at 31.12.2015 | As at 31.12.2014 | As at 31.12.2013 |
|------------------------------------|--|-----------|------------------|------------------|------------------|
| IV. Non-Current Liabilities | | | | | |
| | Borrowings and bank loans, including: | 1410 | 1,698,237,066 | 1,368,217,117 | 944,249,743 |
| | bank loans due for repayment beyond 12 months | 1411 | 193,196,529 | 43,313,605 | 35,789,939 |
| | other borrowings due for repayment beyond 12 months | 1412 | 1,505,040,537 | 1,324,903,512 | 908,459,804 |
| | Deferred tax liabilities | 1420 | 386,301,729 | 334,312,526 | 298,537,693 |
| 7 | Estimated liabilities | 1430 | - | - | - |
| 8 | Other liabilities | 1450 | 2,494,107 | 2,602,174 | 3,786,251 |
| | Total Section IV | 1400 | 2,087,032,902 | 1,705,131,817 | 1,246,573,687 |
| V. Current Liabilities | | | | | |
| | Borrowings and bank loans, including: | 1510 | 793,301,130 | 756,735,637 | 655,966,239 |
| | bank loans due for repayment within 12 months | 1511 | - | 26,695,588 | - |
| | other borrowings due for repayment within 12 months | 1512 | 38,906,644 | 33,037,483 | 53,497,429 |
| | current portion of long-term borrowings and bank loans | 1513 | 754,394,486 | 697,002,566 | 602,468,810 |
| 5 | Accounts payable, including: | 1520 | 672,170,249 | 639,986,936 | 553,363,884 |
| | suppliers and contractors | 1521 | 540,330,045 | 489,778,400 | 387,898,669 |
| | salaries payable | 1522 | 334,264 | 264,874 | 383,692 |
| | payable to state non-budget funds | 1523 | 151,780 | 90,525 | 101,158 |
| | taxes payable | 1524 | 24,314,332 | 14,679,988 | 23,004,964 |
| | other creditors, including: | 1525 | 106,103,114 | 134,521,188 | 141,746,432 |
| | advances from customers | 1527 | 67,734,771 | 106,110,006 | 97,646,011 |
| | other settlements | 1528 | 38,368,343 | 28,411,182 | 44,100,421 |
| | dividends payable to participants (shareholders) | 1529 | 936,714 | 651,961 | 228,969 |
| | Future periods income | 1530 | - | - | 940,619 |
| 7 | Estimated liabilities | 1540 | 106,404,836 | 58,667,614 | 29,176,173 |
| | Other liabilities | 1550 | - | - | - |
| | Total Section V | 1500 | 1,571,876,215 | 1,455,390,187 | 1,239,446,915 |
| | Balance | 1700 | 12,981,247,957 | 12,249,735,124 | 10,855,186,062 |

Chief Executive Officer _____  A.B. Miller

Chief Accountant _____  E.A. Vasilieva

30 March 2016

| | | |
|---|-------------------------|----------------|
| Company PJSC GAZPROM | Form on OKUD | CODES |
| Taxpayer identification number | Date (day, month, year) | 0710002 |
| Field of activity wholesale | OKPO | 31 / 12 / 2015 |
| Legal form/property form Public Joint Stock Company | INN | 00040778 |
| Measurement unit: thousand of RUB | OKVED | 7736050003 |
| | OKOPF/OKFS | 51.51.3 |
| | OKEI | 1.22 47/ 31 |
| | | 384 |

| Note | Narrative | Line code | For 2015 | For 2014 |
|------|--|-----------|-----------------|-----------------|
| | Sales of goods, products, works, services | | | |
| | (less VAT, excise tax and similar mandatory payments) | 2110 | 4,334,293,477 | 3,990,280,172 |
| | including: | | | |
| | gas | 2111 | 3,054,378,800 | 2,887,395,036 |
| | leased assets | 2112 | 728,068,425 | 604,297,807 |
| | gas transportation services | 2113 | 247,468,705 | 227,352,970 |
| | oil and gas refinery products | 2114 | 212,161,740 | 205,995,366 |
| | gas condensate | 2115 | 73,606,812 | 55,304,842 |
| | other | 2116 | 15,952,002 | 7,071,342 |
| | gas storage services | 2117 | 2,656,993 | 2,862,809 |
| 6 | Cost of goods, products, works, services sold | 2120 | (2,265,357,118) | (2,029,843,617) |
| | including: | | | |
| | gas | 2121 | (1,052,429,220) | (1,031,208,264) |
| | leased assets | 2122 | (717,876,095) | (602,605,545) |
| | gas transportation services | 2123 | (265,592,456) | (228,705,134) |
| | oil and gas refinery products | 2124 | (145,063,161) | (111,854,649) |
| | gas condensate | 2125 | (61,131,205) | (39,904,566) |
| | other | 2126 | (22,031,664) | (14,452,835) |
| | gas storage services | 2127 | (1,233,317) | (1,112,624) |
| | Gross profit (loss) | 2100 | 2,068,936,359 | 1,960,436,555 |
| 6 | Sales expenses | 2210 | (1,168,530,262) | (976,374,373) |
| 6 | General business expenses | 2220 | (88,466,076) | (63,847,644) |
| | Profit (loss) from sales | 2200 | 811,940,021 | 920,214,538 |
| | Income from participation in other entities | 2310 | 271,096,308 | 378,170,347 |
| | Interest receivable | 2320 | 76,266,778 | 52,168,226 |
| | Interest payable | 2330 | (117,347,453) | (84,333,437) |

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| Note | Narrative | Line code | For 2015 | For 2014 |
|------|--|-------------|---------------------|---------------------|
| | Other income | 2340 | 4,120,256,593 | 3,375,128,881 |
| | Other expenses | 2350 | (4,727,722,936) | (4,363,267,194) |
| | Profit (loss) before taxation | 2300 | 434,489,311 | 278,081,361 |
| | Income tax | 2405 | (14,074,835) | (54,193,723) |
| | including: | | | |
| | current income tax | 2410 | (14,074,273) | (54,082,641) |
| | prior year income tax | 2411 | (562) | (111,082) |
| | <i>including permanent tax liabilities (assets) from line 2405</i> | 2421 | (1,131,436) | 99,653,392 |
| | Changes in deferred tax liabilities | 2430 | (52,227,130) | (35,786,069) |
| | Changes in deferred tax assets | 2450 | 34,335,376 | 9,859,730 |
| | Other | 2460 | (209,957) | (11,898,618) |
| | Reallocation of income tax within the Consolidated Taxpayer Group | 2465 | 1,210,041 | 2,917,335 |
| | Net profit (loss) | 2400 | 403,522,806 | 188,980,016 |

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| Note | Narrative | Line code | For 2015 | For 2014 |
|------|---|-----------|-------------|-------------|
| | Reference | | | |
| | Result of revaluation of non-current assets not included to the net profit (loss) for the period | 2510 | - | 701,489,908 |
| | Results of other transactions not included to the net profit (loss) for the period | 2520 | 52,207 | 27,029 |
| | Cumulative financial result for the year | 2500 | 403,575,013 | 890,496,953 |
| | Basic earnings/ (loss) per share (RUB) | 2900 | 17.05 | 7.98 |
| | Basic diluted earnings/(loss) per share (in RUB) | 2910 | - | |

Chief Executive Officer _____  _____ A.B. Miller

Chief Accountant _____  _____ E.A. Vasilieva

30 March 2016

| | | | |
|---|--|-------------------------|----------------|
| | | Form on OKUD | CODES |
| | | Date (day, month, year) | 0710003 |
| Company PJSC GAZPROM | | OKPO | 31 / 12 / 2015 |
| Taxpayer identification number | | INN | 00040778 |
| Field of activity wholesale | | OKVED | 7736050003 |
| Legal form/property form Public Joint Stock Company | | OKOPF/OKFS | 51.51.3 |
| Measurement unit: thousand of RUB | | OKEI | 1.22 47/ 31 |
| | | | 384 |

1. Changes in equity

| Narrative | Line code | Charter capital | Own shares buy-back | Additional capital | Reserve capital | Accumulated profit (loss) | Social government fund | Total |
|--|-----------|-----------------|---------------------|--------------------|-----------------|---------------------------|------------------------|---------------|
| Equity as of | | | | | | | | |
| 31 December 2013 | 3100 | 118,367,564 | – | 4,326,532,592 | 8,636,001 | 3,915,629,303 | – | 8,369,165,460 |
| For 2014 | | | | | | | | |
| Increase in equity — total | 3210 | – | – | 703,594,216 | – | 189,007,045 | – | 892,601,261 |
| including: | | | | | | | | |
| net profit | 3211 | X | X | X | X | 188,980,016 | X | 188,980,016 |
| revaluation of assets | 3212 | X | X | 703,594,216 | X | – | – | 703,594,216 |
| income directly attributable to equity | 3213 | X | X | – | X | 27,029 | X | 27,029 |
| additional issue of shares | 3214 | – | X | – | X | X | X | – |
| increase in share par value | 3215 | – | X | – | X | – | X | – |
| reorganization of legal entity | 3216 | – | – | – | – | – | – | – |
| placement of buy-backed shares | 3217 | X | – | X | X | X | X | – |
| other | 3219 | – | – | – | – | – | X | – |
| Decrease in equity — total | 3220 | – | – | (2,104,308) | – | (170,449,293) | – | (172,553,601) |
| including: | | | | | | | | |
| loss | 3221 | X | X | X | X | – | X | – |
| revaluation of assets | 3222 | X | X | (2,104,308) | X | – | – | (2,104,308) |
| expenses directly attributable to equity | 3223 | X | X | X | X | – | – | – |
| decrease in share par value | 3224 | – | X | X | X | – | X | – |
| decrease in number of shares | 3225 | – | – | X | X | X | X | – |
| reorganization of legal entity | 3226 | – | – | – | – | – | – | – |
| dividends | 3227 | X | X | X | X | (170,449,293) | X | (170,449,293) |
| other | 3229 | – | – | – | – | – | X | – |

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| Narrative | Line code | Charter capital | Own shares buy-back | Additional capital | Reserve capital | Accumulated profit (loss) | Social government fund | Total |
|--|-----------|-----------------|---------------------|--------------------|-----------------|---------------------------|------------------------|---------------|
| Additional capital change | 3230 | X | X | (2,644,962) | X | 2,644,962 | X | – |
| Reserve capital change | 3240 | X | X | X | – | – | X | – |
| Equity as of 31 December 2014 | 3200 | 118,367,564 | – | 5,025,377,538 | 8,636,001 | 3,936,832,017 | – | 9,089,213,120 |
| For 2015 | | | | | | | | |
| Increase in equity — total | 3310 | – | – | – | – | 403,575,013 | – | 403,575,013 |
| including: | | | | | | | | |
| net profit | 3311 | X | X | X | X | 403,522,806 | X | 403,522,806 |
| revaluation of assets | 3312 | X | X | – | X | X | – | – |
| income directly attributable to equity | 3313 | X | X | – | X | 52,207 | X | 52,207 |
| additional shares issue | 3314 | – | X | – | X | X | X | – |
| increase in share par value | 3315 | – | X | – | X | – | X | – |
| reorganization of legal entity | 3316 | – | – | – | – | – | – | – |
| placement of buy-backed shares | 3317 | X | – | X | X | X | X | – |
| other | 3319 | – | – | – | – | – | X | – |
| Decrease in equity — total | 3320 | – | – | – | – | (170,449,293) | – | (170,449,293) |
| including: | | | | | | | | |
| loss | 3321 | X | X | X | X | – | X | – |
| revaluation of assets | 3322 | X | X | – | X | X | – | – |
| expenses directly attributable to equity | 3323 | X | X | X | X | – | – | – |
| decrease in share par value | 3324 | – | X | X | X | – | X | – |
| decrease in number of shares | 3325 | – | – | X | X | X | X | – |
| reorganization of legal entity | 3326 | – | – | – | – | – | – | – |
| dividends | 3327 | X | X | X | X | (170,449,293) | X | (170,449,293) |
| other | 3329 | – | – | – | – | – | X | – |
| Additional capital change | 3330 | X | X | (2,514,700) | X | 2,514,700 | X | – |
| Reserve capital change | 3340 | X | X | X | – | – | X | – |
| Equity as of 31 December 2015 | 3300 | 118,367,564 | – | 5,022,862,838 | 8,636,001 | 4,172,472,437 | – | 9,322,338,840 |


2. Restatements due to changes in accounting policies and correction of mistakes

| Narrative | Line code | As at 31 December 2013 | Changes in equity for 2014 | | As at 31 December 2014 |
|---|-----------|------------------------------|----------------------------|-------------------------|------------------------------|
| | | | From net profit (loss) | Due to other factors | |
| Equity — total before restatement | 3400 | 8,369,830,929 | 188,980,016 | 531,067,644 | 9,089,878,589 |
| restatement due to: | | | | | |
| changes in accounting policies | 3410 | (665,469) | – | – | (665,469) |
| corrections of accounting errors | 3420 | – | – | – | – |
| after restatement | 3500 | 8,369,165,460 | 188,980,016 | 531,067,644 | 9,089,213,120 |
| including: | | | | | |
| Retained earnings (uncovered loss): before restatement | 3401 | 3,916,294,772 | 188,980,016 | (167,777,302) | 3,937,497,486 |
| restatement due to: | | | | | |
| changes in accounting policies | 3411 | (665,469) | – | – | (665,469) |
| corrections of accounting errors | 3421 | – | – | – | – |
| after restatement | 3501 | 3,915,629,303 | 188,980,016 | (167,777,302) | 3,936,832,017 |
| Additional capital: before restatement | 3402 | 4,326,532,592 | – | 698,844,946 | 5,025,377,538 |
| restatements due to: | | | | | |
| changes in accounting policies | 3412 | – | – | – | – |
| corrections of accounting errors | 3422 | – | – | – | – |
| after restatement | 3502 | 4,326,532,592 | – | 698,844,946 | 5,025,377,538 |
| Reserve capital: before restatement | 3403 | 8,636,001 | – | – | 8,636,001 |
| restatements due to: | | | | | |
| changes in accounting policies | 3413 | – | – | – | – |
| corrections of accounting errors | 3423 | – | – | – | – |
| after restatement | 3503 | 8,636,001 | – | – | 8,636,001 |
| Own shares buy-back before restatement | 3404 | – | – | – | – |
| restatements due to: | | | | | |
| changes in accounting policies | 3414 | – | – | – | – |
| corrections of accounting errors | 3424 | – | – | – | – |
| after restatement | 3504 | – | – | – | – |
| Social government fund before restatement | 3405 | – | – | – | – |
| restatements due to: | | | | | |
| changes in accounting policies | 3415 | – | – | – | – |
| corrections of accounting errors | 3425 | – | – | – | – |
| after restatement | 3505 | – | – | – | – |

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3. Net assets

| Narrative | Line code | As at 31 December 2015 | As at 31 December 2014 | As at 31 December 2013 |
|------------------|------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Net, assets | 3600 | 9,322,338,840 | 9,089,213,120 | 8,369,165,460 |

Chief Executive Officer _____  _____ A.B. Miller

Chief Accountant _____  _____ E.A. Vasilieva

30 March 2016

| | | |
|---|-------------------------|----------------|
| Company PJSC GAZPROM | Form on OKUD | CODES |
| Taxpayer identification number | Date (day, month, year) | 0710004 |
| Field of activity wholesale | OKPO | 31 / 12 / 2015 |
| Legal form/property form Public Joint Stock Company | INN | 00040778 |
| Measurement unit: thousand of RUB | OKVED | 7736050003 |
| | OKOPF/OKFS | 51.51.3 |
| | OKEI | 1.22 47/ 31 |
| | | 384 |

| Narrative | Line code | For reporting period | For the same period of the prior year |
|--|-----------|----------------------|---------------------------------------|
| Cash flows from operating activities | | | |
| Receipts — total | 4110 | 4,728,851,572 | 4,861,382,027 |
| including: | | | |
| sales of products, goods, work and services | 4111 | 4,440,537,307 | 4,555,330,017 |
| rent payments, license payments, royalties, commissions and other payments | 4112 | — | — |
| resale of financial investments | 4113 | — | — |
| other receipts | 4119 | 288,314,265 | 306,052,010 |
| Payments — total | 4120 | (4,049,555,002) | (3,481,069,069) |
| including: | | | |
| to suppliers for raw materials, works, services | 4121 | (2,793,760,058) | (2,434,117,313) |
| wages and salaries | 4122 | (36,603,750) | (34,106,295) |
| interests on borrowings | 4123 | (111,994,733) | (82,214,113) |
| income tax | 4124 | (56,064,328) | (156,990,917) |
| other payments | 4129 | (1,051,132,133) | (773,640,431) |
| Net cash flows from operating activities | 4100 | 679,296,570 | 1,380,312,958 |

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| Narrative | Line code | For reporting period | For the same period of the prior year |
|--|-----------|----------------------|---------------------------------------|
| Cash flows from investing activities | | | |
| Receipts — total | 4210 | 358,534,202 | 429,312,171 |
| including: | | | |
| from sales of non-current assets (except for financial investments) | 4211 | 879,118 | 972,124 |
| sales of shares of other entities (ownership interest) | 4212 | 6,131,833 | 11,011,031 |
| from return of loans issued, sales of debt securities (sale of rights of claiming cash to third parties) | 4213 | 101,911,904 | 8,363,152 |
| dividends, interest from long-term financial investments and receipts from participation in other entities | 4214 | 247,855,122 | 401,965,105 |
| from sales of exploration assets | 4215 | — | — |
| other receipts | 4219 | 1,756,225 | 7,000,759 |
| Payments — total | 4220 | (1,037,076,175) | (1,042,504,859) |
| including: | | | |
| acquisition, construction, modernisation, reconstruction and preparation for the use of non-current assets | 4221 | (37,784,249) | (34,848,310) |
| acquisition of other entities shares | 4222 | (203,697,781) | (81,174,576) |
| acquisition of debt securities (rights of claiming cash from third parties), issue of loans to third parties | 4223 | (82,888,712) | (131,536,305) |
| borrowing costs included in the cost of the investment assets | 4224 | — | — |

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| Narrative | Line code | For reporting period | For the same period of the prior year |
|--|-------------|----------------------|---------------------------------------|
| construction/acquisition of exploration assets | 4225 | (27,688,910) | (66,020,062) |
| other payments | 4229 | (685,016,523) | (728,925,606) |
| Net cash flows from investment activities | 4200 | (678,541,973) | (613,192,688) |
| Cash flows from financing activities | | | |
| Receipts — total | 4310 | 309,758,112 | 213,691,865 |
| including: | | | |
| borrowings and bank loans | 4311 | 309,745,273 | 198,462,466 |
| contributions of owners (participants) | 4312 | – | – |
| issue of shares, increase in participation interest | 4313 | – | – |
| issue of bonds, promissory notes and other debt securities, etc. | 4314 | 1,284 | 14,998,125 |
| other receipts | 4319 | 11,555 | 231,274 |

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| Narrative | Line code | For reporting period | For the same period of the prior year |
|---|-------------|----------------------|---------------------------------------|
| Payments — total | | | |
| including: | 4320 | (573,542,349) | (699,315,668) |
| to owners (participants) due to the fact of share buy-back or cessation of membership | 4321 | – | – |
| dividends payments or other distribution of profit to owners | 4322 | (167,340,747) | (168,023,717) |
| redemption (buy-back) of promissory notes and other debt securities, loan repayment | 4323 | (406,150,047) | (528,432,376) |
| other payments | 4329 | (51,555) | (2,859,575) |
| Net cash flows from financing activities | 4300 | (263,784,237) | (485,623,803) |
| Net cash flows for the reporting period | 4400 | (263,029,640) | 281,496,467 |
| Cash and cash equivalents at the beginning of the reporting year | 4450 | 725,100,916 | 380,231,778 |
| Cash and cash equivalents as of the end of the reporting period | 4500 | 506,973,421 | 725,100,916 |
| Effect of changes in the Russian rouble exchange rate | 4490 | 44,902,145 | 63,372,671 |

Chief Executive Officer _____  A.B. MillerChief Accountant _____  E.A. Vasilieva

30 March 2016

1. Intangible assets and expenditure on R&D

1.1 Movement of intangible assets

| Narrative | Line code | Period | At the beginning of the year | | Changes for the period | | | | At the end of reporting period | |
|---|-----------|----------|------------------------------|--|------------------------|-----------|---------------------|-----------------|--------------------------------|--------------|
| | | | Initial cost | Accumulated amortisation and impairment losses | Additions | Disposals | Amortisation charge | Impairment loss | Revaluation | Initial cost |
| Intangible assets | 5100 | For 2015 | 9,026,991 | (1,455,353) | 4,772,987 | - | (959,762) | - | 13,799,978 | (2,415,115) |
| total | 5110 | For 2014 | 1,502,144 | (1,261,049) | 7,524,847 | - | (194,304) | - | 9,026,991 | (1,455,353) |
| including: | | | | | | | | | | |
| intellectual property (exclusive rights to intellectual property) | 5101 | For 2015 | 9,026,991 | (1,455,353) | 4,772,987 | - | (959,762) | - | 13,799,978 | (2,415,115) |
| | 5111 | For 2014 | 1,502,144 | (1,261,049) | 7,524,847 | - | (194,304) | - | 9,026,991 | (1,455,353) |
| Goodwill | 5102 | For 2015 | - | - | - | - | - | - | - | - |
| | 5112 | For 2014 | - | - | - | - | - | - | - | - |
| Other | 5104 | For 2015 | - | - | - | - | - | - | - | - |
| | 5114 | For 2014 | - | - | - | - | - | - | - | - |

1.2 The initial cost of intangible assets developed by the company

| Narrative | Line code | As at 31 December | |
|---|-----------|-------------------|-----------|
| | | 2015 | 2014 |
| Total | 5120 | 13,785,604 | 9,013,499 |
| including: | | | |
| intellectual property (exclusive rights to intellectual property) | 5121 | 13,785,604 | 9,013,499 |
| other | 5129 | - | - |

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1.3 Intangible assets fully amortised

| Narrative | Line code | As at 31 December 2015 | As at 31 December 2014 | As at 31 December 2013 |
|---|-----------|------------------------|------------------------|------------------------|
| Total | 5130 | 1,435,409 | 1,315,477 | 1,017,674 |
| including: | | | | |
| Intellectual property (exclusive rights to intellectual property) | 5131 | 1,435,409 | 1,315,477 | 1,017,674 |
| Goodwill | 5138 | — | — | — |
| Other | 5139 | — | — | — |

1.4 Movement of the results of research and development

| Narrative | Line code | Period | At the beginning of the year | | Changes for the period | | At the end of reporting period | | | |
|----------------------------|-----------|----------|------------------------------|---|------------------------|-----------|--------------------------------|---|------------|--------------|
| | | | Initial cost | Part of the cost recognised in expenses | Additions | Disposals | Initial cost | Part of the cost recognised in expenses | | |
| Research and Development — | 5140 | For 2015 | 27,690,461 | (24,245,881) | 4,792,019 | (492,998) | 492,998 | (4,770,166) | 31,989,482 | (28,523,049) |
| total | 5150 | For 2014 | 23,209,806 | (21,086,276) | 4,537,724 | (57,069) | 57,069 | (3,214,674) | 27,690,461 | (24,245,881) |

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1.5 Costs of research and development works and intangible assets acquisition in progress

| Narrative | Line code | Period | At the beginning of the year | Costs for the period | | Changes for the period | | At the end of reporting period |
|-----------------------------------|-----------|----------|------------------------------|----------------------|--|--|--|--------------------------------|
| | | | | Costs for the period | Written off to expenses (without positive results) | Recognised as intangible assets or R&D | Recognised as intangible assets or R&D | |
| Costs of R&D in progress — | 5160 | For 2015 | 22,076 | 4,794,255 | (5,622) | (4,792,019) | 18,690 | |
| total | 5170 | For 2014 | 33,485 | 4,622,559 | (96,244) | (4,537,724) | 22,076 | |
| Acquisitions of intangible assets | 5180 | For 2015 | 88,011 | 5,076,319 | (98) | (4,772,987) | 391,245 | |
| in progress — total | 5190 | For 2014 | 36,037 | 7,576,833 | (12) | (7,524,847) | 88,011 | |

2.2 Capital investments in progress

| Narrative | Line code | Period | At the beginning of the year | Changes for the period | | | At the end of reporting period | |
|--|-----------|----------|------------------------------|------------------------|--------------|---|--------------------------------|---------------|
| | | | | Costs for the period | Written off | Recognised as fixed assets or increased costs | | Other changes |
| Construction and activity in progress on acquisition, modernisation etc. | 5240 | For 2015 | 287,902,826 | 802,801,487 | (19,120,834) | (558,675,187) | (24,346,978) | 488,561,314 |
| of fixed assets — total | 5250 | For 2014 | 63,936,019 | 877,510,846 | (802,806) | (611,377,230) | (41,364,003) | 287,902,826 |
| including: | | | | | | | | |
| construction in progress | 5241 | For 2015 | 235,370,952 | 729,809,998 | (19,120,834) | (558,675,187) | (109,456) | 387,275,473 |
| | 5251 | For 2014 | 60,176,368 | 819,019,859 | (802,806) | (611,377,230) | (31,645,239) | 235,370,952 |
| equipment for installation | 5242 | For 2015 | 52,531,874 | 72,991,489 | — | — | (24,237,522) | 101,285,841 |
| | 5252 | For 2014 | 3,759,651 | 58,490,987 | — | — | (9,718,764) | 52,531,874 |

2.3 Change of the fixed assets' cost as a result of completion, equipping, reconstruction or partial liquidation

| Narrative | Line code | For 2015 | | For 2014 | |
|--|-----------|------------|--|------------|--|
| | | | | | |
| Increase in the cost of fixed assets as a result of completion, equipping, reconstruction or partial liquidation — total | 5260 | 11,274,332 | | 10,182,180 | |
| including: | | | | | |
| Trunk pipelines | 5261 | 814,381 | | 3,584,391 | |
| Wells | 5262 | 6,129,172 | | 2,919,062 | |
| Machinery and equipment | 5263 | 3,756,948 | | 2,466,588 | |
| Buildings and roads | 5264 | 164,138 | | 605,790 | |
| Other fixed assets | 5265 | 409,693 | | 606,349 | |
| Reducing the cost of fixed assets as a result of partial liquidation — total | 5270 | (382,450) | | (174,083) | |
| including: | | | | | |
| Trunk pipelines | 5271 | (188,123) | | (11,494) | |
| Wells | 5272 | (158,651) | | (56,540) | |
| Machinery and equipment | 5273 | (15,894) | | (44,932) | |
| Buildings and roads | 5274 | (5,972) | | (44,317) | |
| Other fixed assets | 5275 | (13,810) | | (16,800) | |

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2.4 Other use of fixed assets

| Narrative | Line code | As at 31 December 2015 | As at 31 December 2014 | As at 31 December 2013 |
|--|-----------|---------------------------|---------------------------|---------------------------|
| Leased out on-balance fixed assets | 5280 | 5,996,300,393 | 6,067,276,797 | 5,291,784,807 |
| Off-balance fixed assets leased to third parties | 5281 | - | - | - |
| On-balance fixed assets received in lease | 5282 | - | - | - |
| Off-balance fixed assets received in lease | 5283 | 84,616,777 | 16,126,278 | 25,332,819 |
| Real estate actually used and in the process of state registration | 5284 | 1,619,166,988 | 1,536,372,472 | 1,343,379,448 |
| Fixed assets transferred to conservation | 5285 | 102,030,028 | 97,705,171 | 104,242,127 |
| Other use of fixed assets (pledged and others) including: | 5286 | - | - | - |
| pledged fixed assets | 5287 | - | - | - |

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3. Financial investments

3.1 Movement of financial investments

| Narrative | Line code | Period | At the beginning of the year | | Changes for the period | | | At the end of reporting period | | | |
|------------------------------------|-----------|----------|------------------------------|--------------------|------------------------|---------------|-------------|--|--------------|--------------------|-------------|
| | | | Initial cost | Accrued adjustment | Additions | Disposals | Other | The current market value (impairment loss) | Initial cost | Accrued adjustment | |
| Long term financial assets — total | 5301 | For 2015 | 2,026,566,023 | 38,000,426 | 215,070,953 | (119,036,106) | 7,753,375 | 30,225,697 | 45,335,920 | 2,152,826,567 | 91,089,721 |
| | 5311 | For 2014 | 1,923,062,647 | 92,031,101 | 263,685,329 | (199,016,379) | (2,499,416) | 38,834,426 | (51,531,259) | 2,026,566,023 | 38,000,426 |
| Investments | 5302 | For 2015 | 1,704,568,032 | 45,889,454 | 133,716,624 | (30,393,526) | - | - | 51,253,437 | 1,807,891,130 | 97,142,891 |
| | 5312 | For 2014 | 1,666,644,625 | 99,919,079 | 146,541,285 | (108,617,878) | (2,499,416) | - | (51,530,209) | 1,704,568,032 | 45,889,454 |
| including: | | | | | | | | | | | |
| investments in subsidiaries | 53021 | For 2015 | 1,603,570,853 | 46,264,274 | 129,100,403 | (14,654,239) | - | - | 56,773,519 | 1,718,017,017 | 103,037,793 |
| | 53121 | For 2014 | 1,563,997,212 | 97,316,300 | 79,941,206 | (40,367,565) | - | - | (51,052,026) | 1,603,570,853 | 46,264,274 |
| investments in associates | 53022 | For 2015 | 100,283,938 | (374,659) | 4,492,499 | (15,164,193) | - | - | (5,520,082) | 89,612,244 | (5,894,741) |
| | 53122 | For 2014 | 101,931,928 | 2,602,940 | 66,560,353 | (68,208,343) | (2,499,416) | - | (478,183) | 100,283,938 | (374,659) |
| investments in other entities | 53023 | For 2015 | 713,241 | (161) | 123,722 | (575,094) | - | - | - | 261,869 | (161) |
| | 53123 | For 2014 | 715,485 | (161) | 39,726 | (41,970) | - | - | - | 713,241 | (161) |

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3.1 Movement of financial investments (continued)

| Narrative | Line code | Period | At the beginning of the year | | Changes for the period | | | At the end of reporting period | | | |
|--|-----------|----------|------------------------------|--------------------|------------------------|---------------|-------------|--|--------------|--------------------|-------------|
| | | | Initial cost | Accrued adjustment | Additions | Disposals | Other | The current market value (impairment loss) | Initial cost | Accrued adjustment | |
| Other long-term financial investments | 5303 | For 2015 | 321,997,991 | (7,889,028) | 81,354,329 | (88,642,580) | 7,753,375 | 30,225,697 | (5,917,517) | 344,935,437 | (6,053,170) |
| including: | 5313 | For 2014 | 256,418,022 | (7,887,978) | 117,144,044 | (90,398,501) | - | 38,834,426 | (1,050) | 321,997,991 | (7,889,028) |
| loans provided to companies for a period over 12 months | 53031 | For 2015 | 225,011,291 | - | 8,611,970 | (59,406,709) | - | 30,201,049 | (5,376,752) | 204,417,601 | (5,376,752) |
| | 53131 | For 2014 | 131,733,768 | - | 54,520,331 | (3,000) | - | 38,760,192 | - | 225,011,291 | - |
| joint activity | 53032 | For 2015 | 33,138,604 | (7,889,028) | 7,195,164 | (7,753,375) | 7,753,375 | - | (540,765) | 32,580,393 | (676,418) |
| | 53132 | For 2014 | 122,318,015 | (7,887,978) | 750,856 | (89,930,267) | - | - | (1,050) | 33,138,604 | (7,889,028) |
| third party promissory notes | 53033 | For 2015 | - | - | - | - | - | - | - | - | - |
| | 53133 | For 2014 | - | - | - | - | - | - | - | - | - |
| long-term deposits | 53034 | For 2015 | 20,124,717 | - | - | (20,065,408) | - | 24,648 | - | 83,957 | - |
| | 53134 | For 2014 | 515,717 | - | 20,000,000 | (465,234) | - | 74,234 | - | 20,124,717 | - |
| bonds | 53035 | For 2015 | - | - | - | - | - | - | - | - | - |
| | 53135 | For 2014 | - | - | - | - | - | - | - | - | - |
| other | 53036 | For 2015 | 43,723,379 | - | 65,547,195 | (1,417,088) | - | - | - | 107,853,486 | - |
| | 53136 | For 2014 | 1,850,522 | - | 41,872,857 | - | - | - | - | 43,723,379 | - |
| Short-term financial investments — total | 5305 | For 2015 | 18,093,252 | - | 11,141,472 | (24,851,712) | - | - | - | 4,383,012 | - |
| including: | 5315 | For 2014 | 10,872,206 | - | 18,505,914 | (11,283,729) | - | (1,139) | - | 18,093,252 | - |
| loans provided to companies for a period less than 12 months | 5306 | For 2015 | 18,070,757 | - | 8,729,547 | (22,439,787) | - | - | - | 4,360,517 | - |
| | 5316 | For 2014 | 10,823,697 | - | 15,143,117 | (7,896,057) | - | - | - | 18,070,757 | - |
| Other short-term financial investments | 5307 | For 2015 | 22,495 | - | 2,411,925 | (2,411,925) | - | - | - | 22,495 | - |
| including: | 5317 | For 2014 | 48,509 | - | 3,362,797 | (3,387,672) | - | (1,139) | - | 22,495 | - |
| short-term deposits | 53071 | For 2015 | - | - | - | - | - | - | - | - | - |
| | 53171 | For 2014 | - | - | 424,385 | (423,246) | - | (1,139) | - | - | - |
| third party promissory notes | 53072 | For 2015 | - | - | - | - | - | - | - | - | - |
| | 53172 | For 2014 | - | - | - | - | - | - | - | - | - |
| bonds | 53073 | For 2015 | - | - | - | - | - | - | - | - | - |
| | 53173 | For 2014 | - | - | - | - | - | - | - | - | - |
| other | 53074 | For 2015 | 22,495 | - | 2,411,925 | (2,411,925) | - | - | - | 22,495 | - |
| | 53174 | For 2014 | 48,509 | - | 2,998,412 | (2,964,426) | - | - | - | 22,495 | - |
| Financial investments — total | 5300 | For 2015 | 2,044,659,275 | 38,000,426 | 226,212,425 | (143,887,818) | 7,753,375 | 30,225,697 | 45,335,920 | 2,157,209,579 | 91,089,721 |
| | 5310 | For 2014 | 1,933,934,853 | 92,031,101 | 282,191,243 | (210,300,108) | (2,499,416) | 38,833,287 | (51,531,259) | 2,044,659,275 | 38,000,426 |

3.1.1 Current portion of long-term financial investments

| Narrative | Line code | Period | At the beginning of the year | | | At the end of reporting period | | |
|---|-----------|----------|------------------------------|---------------------------|--------------------|--------------------------------|------------------------|---------------------------|
| | | | Initial cost | Including current portion | Accrued adjustment | Including current portion | Accumulated adjustment | Including current portion |
| Long term financial investments — total | 5301 | For 2015 | 2,026,566,023 | 51,952,296 | 38,000,426 | 59,046,902 | 91,089,721 | (5,376,752) |
| | 5311 | For 2014 | 1,923,062,647 | 14,239,312 | 92,031,101 | 51,952,296 | 38,000,426 | — |
| Investments | 5302 | For 2015 | 1,704,568,032 | — | 45,889,454 | — | 97,142,891 | — |
| | 5312 | For 2014 | 1,666,644,625 | — | 99,919,079 | — | 45,889,454 | — |
| including: | | | | | | | | |
| investments in subsidiaries | 53021 | For 2015 | 1,603,570,853 | — | 46,264,274 | — | 103,037,793 | — |
| | 53121 | For 2014 | 1,563,997,212 | — | 97,316,300 | — | 46,264,274 | — |
| investments in associates | 53022 | For 2015 | 100,283,938 | — | (374,659) | — | (5,894,741) | — |
| | 53122 | For 2014 | 101,931,928 | — | 2,602,940 | — | (374,659) | — |
| investments in other entities | 53023 | For 2015 | 713,241 | — | (161) | — | (161) | — |
| | 53123 | For 2014 | 715,485 | — | (161) | — | (161) | — |
| Other long-term financial investments | 5303 | For 2015 | 321,997,991 | 51,952,296 | (7,889,028) | 59,046,902 | (6,053,170) | (5,376,752) |
| | 5313 | For 2014 | 256,418,022 | 14,239,312 | (7,887,978) | — | (7,889,028) | — |
| including: | | | | | | | | |
| loans provided to companies for a period over 12 months | 53031 | For 2015 | 225,011,291 | 30,415,639 | — | 58,900,637 | (5,376,752) | (5,376,752) |
| | 53131 | For 2014 | 131,733,768 | 12,719,912 | — | 30,415,639 | — | — |
| joint activity | 53032 | For 2015 | 33,138,604 | — | (7,889,028) | — | (676,418) | — |
| | 53132 | For 2014 | 122,318,015 | — | (7,887,978) | — | (7,889,028) | — |
| third party promissory notes | 53033 | For 2015 | — | — | — | — | — | — |
| | 53133 | For 2014 | — | — | — | — | — | — |
| long-term deposits | 53034 | For 2015 | 20,124,717 | 20,056,261 | — | 82,957 | — | — |
| | 53134 | For 2014 | 515,717 | 39,004 | — | 20,124,717 | 20,056,261 | — |
| bonds | 53035 | For 2015 | — | — | — | — | — | — |
| | 53135 | For 2014 | — | — | — | — | — | — |
| other | 53036 | For 2015 | 43,723,379 | 1,480,396 | — | 63,308 | — | — |
| | 53136 | For 2014 | 1,850,522 | 1,480,396 | — | 1,480,396 | — | — |

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3.2 Other use of financial investments

| Narrative | Line code | As at 31 December 2015 | As at 31 December 2014 | As at 31 December 2013 |
|---|-----------|---------------------------|---------------------------|---------------------------|
| Long-term financial investments pledged — total | 5320 | 15,274,472 | 15,274,472 | 15,274,472 |
| including: | | | | |
| investments | 5321 | 15,274,472 | 15,274,472 | 15,274,472 |
| investments in subsidiaries | 53211 | 15,274,472 | 15,274,472 | 15,274,472 |
| investments in associates | 53212 | — | — | — |
| investments in other entities | 53213 | — | — | — |
| other long-term financial investments | 5322 | — | — | — |
| third party promissory notes | 53221 | — | — | — |
| bonds | 53222 | — | — | — |
| other | 53223 | — | — | — |
| Long-term financial investments transferred to third parties (except sales) — total | 5325 | — | — | — |
| including: | | | | |
| investments | 5326 | — | — | — |
| investments in subsidiaries | 53261 | — | — | — |
| investments in associates | 53262 | — | — | — |
| investments in other entities | 53263 | — | — | — |
| other long-term financial investments | 5327 | — | — | — |
| third party promissory notes | 53271 | — | — | — |
| bonds | 53272 | — | — | — |
| other | 53273 | — | — | — |
| Short-term financial investments pledged — total | 5328 | — | — | — |
| including: | | | | |
| third party promissory notes | 53281 | — | — | — |
| bonds | 53282 | — | — | — |
| other | 53283 | — | — | — |
| Short-term financial investments transferred to third parties (except sales) — total | 5329 | — | — | — |
| including: | | | | |
| third party promissory notes | 53291 | — | — | — |
| bonds | 53292 | — | — | — |
| other | 53293 | — | — | — |

4. Inventory

4.1 Movement of inventory

| Narrative | Line code | Period | At the beginning of reporting year | | | Changes for the period | | | At the end of reporting period | | | | |
|-------------------------------------|-----------|----------|------------------------------------|--|-------------|------------------------|-----------------|-----------------|---|---------------|--|------------|-------------|
| | | | Cost | Provision for impairment in value of inventory | Book value | Additions and expenses | Disposals | Impairment loss | Inventory turnover between groups (types) | Cost | Provision for impairment in value of inventory | Book value | |
| Inventory — total | | | | | | | | | | | | | |
| | 5400 | For 2015 | 491,437,777 | - | 491,437,777 | 2,623,300,763 | (2,574,878,194) | - | - | 4,404 | 539,864,750 | - | 539,864,750 |
| | 5420 | For 2014 | 402,256,939 | - | 402,256,939 | 2,338,606,707 | (2,249,426,009) | - | - | 140 | 491,437,777 | - | 491,437,777 |
| including: | | | | | | | | | | | | | |
| raw materials and other inventories | | | | | | | | | | | | | |
| | 5401 | For 2015 | 3,541,526 | - | 3,541,526 | 161,417,059 | (160,528,198) | - | - | 177,593 | 4,607,980 | - | 4,607,980 |
| | 5421 | For 2014 | 3,620,353 | - | 3,620,353 | 100,944,504 | (101,324,744) | - | - | 301,413 | 3,541,526 | - | 3,541,526 |
| livestock | | | | | | | | | | | | | |
| | 5402 | For 2015 | 33 | - | 33 | 60 | - | - | - | - | 93 | - | 93 |
| | 5422 | For 2014 | 33 | - | 33 | - | - | - | - | - | 33 | - | 33 |
| work in progress | | | | | | | | | | | | | |
| | 5403 | For 2015 | 298,764,068 | - | 298,764,068 | 1,202,516,186 | (455,044,974) | - | - | (713,950,444) | 332,284,836 | - | 332,284,836 |
| | 5423 | For 2014 | 249,671,612 | - | 249,671,612 | 1,025,642,480 | (463,173,632) | - | - | (513,376,392) | 298,764,068 | - | 298,764,068 |
| finished goods and goods for resale | | | | | | | | | | | | | |
| | 5404 | For 2015 | 186,050,803 | - | 186,050,803 | 1,259,366,273 | (532,597,287) | - | - | (713,459,850) | 199,359,939 | - | 199,359,939 |
| | 5424 | For 2014 | 146,310,669 | - | 146,310,669 | 1,211,935,735 | (533,529,748) | - | - | (638,665,853) | 186,050,803 | - | 186,050,803 |
| goods dispatched | | | | | | | | | | | | | |
| | 5405 | For 2015 | 3,081,347 | - | 3,081,347 | 1,185 | (1,426,707,735) | - | - | 1,427,237,105 | 3,611,902 | - | 3,611,902 |
| | 5425 | For 2014 | 2,654,272 | - | 2,654,272 | 83,988 | (1,151,397,885) | - | - | 1,151,740,972 | 3,081,347 | - | 3,081,347 |

5. Accounts receivable and accounts payable

5.1 The presence and movement of receivables

| Narrative | Line code | Period | At the beginning of the year | | | Changes for the period | | | | | | At the end of reporting period | | | | | |
|--|-----------|--------|--|-----------------------------|---------------------------|-----------------------------|---|-----------------------------|-----------------|-------------------------------|-------------|---|-------------------------------|--|-----------------------------|--|-----------------------------|
| | | | Recognised under the terms of the contract | Provision for doubtful debt | Recovery of doubtful debt | As a result of transactions | Interest, penalties and other charges due | Provision for doubtful debt | Settlement | Write off to financial result | Disposals | Recovery of the provision for doubtful debt | Writing off against provision | Recognised under the terms of the contract | Provision for doubtful debt | Recognised under the terms of the contract | Provision for doubtful debt |
| Long-term accounts receivable — total | | | 497,725,349 | (1,118,549) | | 5,258,420 | 31,199,756 | (330,530) | (2,189,413) | — | — | — | — | (50,545,736) | — | 481,448,376 | (1,449,079) |
| including: | | | | | | | | | | | | | | | | | |
| buyers and customers | | | 513,381,799 | (650,733) | | 100,208,088 | 6,669,948 | (467,816) | (445,492) | — | — | — | — | (122,088,994) | — | 497,725,349 | (1,118,549) |
| | | | | | | | | | | | | | | | | | |
| advances issued | | | 4,956,239 | (1,118,549) | | 330,530 | — | (330,530) | — | — | — | — | — | (1,776,206) | — | 3,510,563 | (1,449,079) |
| | | | | | | | | | | | | | | | | | |
| other debtors | | | 7,158,831 | (650,733) | | 467,816 | — | (467,816) | — | — | — | — | — | (2,670,408) | — | 4,956,239 | (1,118,549) |
| | | | | | | | | | | | | | | | | | |
| | | | — | — | | 54,183 | — | — | — | — | — | — | — | — | — | 54,183 | — |
| | | | 9,097,975 | — | | — | — | — | — | — | — | — | — | (9,097,975) | — | — | — |
| | | | | | | | | | | | | | | | | | |
| | | | 492,769,110 | — | | 4,873,707 | 31,199,756 | — | (2,189,413) | — | — | — | — | (48,769,530) | — | 477,883,630 | — |
| | | | | | | | | | | | | | | | | | |
| | | | 497,124,993 | — | | 99,740,272 | 6,669,948 | — | (445,492) | — | — | — | — | (110,320,611) | — | 492,769,110 | — |
| Short-term accounts receivable — total | | | 1,848,506,928 | (385,573,075) | | 9,999,739,390 | 317,157,642 | (190,500,357) | (9,614,998,707) | (1,609) | 10,500,302 | (8,506) | — | 50,545,736 | — | 2,600,940,874 | (565,564,624) |
| including: | | | | | | | | | | | | | | | | | |
| buyers and customers | | | 1,735,952,239 | (129,412,144) | | 8,969,451,549 | 425,580,250 | (417,664,488) | (9,424,283,280) | (280,973) | 161,501,706 | (1,851) | — | 122,088,994 | — | 1,848,506,928 | (385,573,075) |
| | | | | | | | | | | | | | | | | | |
| other debtors | | | 952,709,249 | (385,352,512) | | 5,564,721,648 | — | (187,423,564) | (5,129,256,234) | — | 10,500,302 | (15) | — | 1,776,206 | — | 1,389,950,854 | (562,275,759) |
| | | | | | | | | | | | | | | | | | |
| advances issued | | | 756,345,148 | (129,253,783) | | 5,141,842,688 | — | (417,600,435) | (4,948,148,901) | (94) | 161,501,706 | — | — | 2,670,408 | — | 952,709,249 | (385,352,512) |
| | | | | | | | | | | | | | | | | | |
| outstanding shareholders' contributions to charter capital | | | 42,333,739 | (142,042) | | 160,350,054 | — | (40,222) | (151,610,532) | — | — | — | — | — | — | 51,073,261 | (182,264) |
| | | | | | | | | | | | | | | | | | |
| other debtors | | | 58,679,979 | (93,404) | | 72,029,301 | — | (50,381) | (97,446,374) | (25,399) | — | (1,743) | — | 9,097,975 | — | 42,333,739 | (142,042) |
| | | | | | | | | | | | | | | | | | |
| Accounts receivable — total | | | 2,249,334,038 | (130,062,877) | | 9,089,659,637 | 432,250,198 | (418,132,304) | (9,424,728,772) | (280,973) | 161,501,706 | (1,851) | — | — | — | 2,346,232,277 | (386,691,624) |

5.2 Overdue accounts receivable

| Narrative | As at 31 December 2015 | | As at 31 December 2014 | | As at 31 December 2013 | | |
|----------------------------|------------------------|------------------|------------------------|------------------|------------------------|------------------|-------------|
| | Line code | Under a contract | Book value | Under a contract | Book value | Under a contract | Book value |
| Overdue receivable — total | 5540 | 806,690,284 | 244,361,668 | 585,515,554 | 199,958,571 | 277,486,497 | 152,509,334 |
| including: | | | | | | | |
| buyers and customers | 5541 | 766,474,830 | 204,419,146 | 542,890,742 | 157,554,322 | 251,780,088 | 126,961,286 |
| advances issued | 5542 | 2,753,750 | 2,571,486 | 630,422 | 488,380 | 173,949 | 80,545 |
| other debtors | 5543 | 37,461,704 | 37,371,036 | 41,994,390 | 41,915,869 | 25,532,460 | 25,467,503 |

5.3 The presence and movement of accounts payable

| Narrative | Line code | Period | At the beginning of the year | Changes for the period | | | Transfer from long-term to short-term (and vice versa) | At the end of reporting period |
|---|-----------|----------|------------------------------|---|------------|-------------------------------|--|--------------------------------|
| | | | | As a result of transactions | Additions | Disposals | | |
| | | | | Interest, penalties and other charges due | Settlement | Write off to financial result | | |
| Long-term accounts payable — total | 5551 | For 2015 | 2,602,174 | 15,846 | - | - | (123,913) | 2,494,107 |
| including: | | | | | | | | |
| supplier and contractors | 5571 | For 2014 | 3,786,251 | - | - | - | (1,184,077) | 2,602,174 |
| | 5552 | For 2015 | - | - | - | - | - | - |
| | 5572 | For 2014 | - | - | - | - | - | - |
| promissory notes payable | 5553 | For 2015 | - | - | - | - | - | - |
| | 5573 | For 2014 | - | - | - | - | - | - |
| restructured debt to budget and state non-budgetary funds | 5554 | For 2015 | - | - | - | - | - | - |
| | 5574 | For 2014 | - | - | - | - | - | - |
| advances from customers | 5555 | For 2015 | - | - | - | - | - | - |
| | 5575 | For 2014 | - | - | - | - | - | - |
| other creditors | 5556 | For 2015 | 2,602,174 | 15,846 | - | - | (123,913) | 2,494,107 |
| | 5576 | For 2014 | 3,786,251 | - | - | - | (1,184,077) | 2,602,174 |

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5.3 The presence and movement of accounts payable (continued)

| Narrative | Line code | Period | At the beginning of the year | Changes for the period | | | Transfer from long-term to short-term (and vice versa) | At the end of reporting period |
|--|-----------|----------|------------------------------|-----------------------------|---|-------------------------------|--|--------------------------------|
| | | | | Additions | Interest, penalties and other charges due | Disposals | | |
| | | | | As a result of transactions | Settlement | Write off to financial result | | |
| Short-term accounts payable — total | 5560 | For 2015 | 639,986,936 | 5,956,821,909 | 171,069,189 | (6,095,850,689) | 123,913 | 672,170,249 |
| | 5560 | For 2014 | 553,363,884 | 5,079,781,475 | 175,350,354 | (5,169,689,927) | 1,184,077 | 639,986,936 |
| including: | | | | | | | | |
| suppliers and contractors | 5561 | For 2015 | 489,778,400 | 3,552,687,173 | 215,118 | (3,502,350,625) | (21) | 540,330,045 |
| | 5561 | For 2014 | 387,898,669 | 3,082,272,240 | 360 | (2,980,392,828) | (41) | 489,778,400 |
| promissory notes payable | 5562 | For 2015 | — | — | — | — | — | — |
| | 5562 | For 2014 | — | — | — | — | — | — |
| payable to employees of organisation | 5563 | For 2015 | 264,874 | 44,675,515 | — | (44,606,028) | (97) | 334,264 |
| | 5563 | For 2014 | 383,692 | 39,758,703 | — | (39,877,521) | — | 264,874 |
| payable to state non-budget funds | 5564 | For 2015 | 90,525 | 9,433,571 | 315 | (9,372,631) | — | 151,780 |
| | 5564 | For 2014 | 101,158 | 7,381,025 | 12 | (7,391,670) | — | 90,525 |
| payable to budget | 5565 | For 2015 | 14,679,988 | 729,655,718 | 13,483 | (720,034,857) | — | 24,314,332 |
| | 5565 | For 2014 | 23,004,964 | 644,634,719 | 4,669,827 | (657,629,522) | — | 14,679,988 |
| advances from customers | 5566 | For 2015 | 106,110,006 | 1,105,079,702 | — | (1,143,454,259) | (678) | 67,734,771 |
| | 5566 | For 2014 | 97,646,011 | 945,627,009 | — | (937,161,231) | (1,783) | 106,110,006 |
| dividends payable to participants (shareholders) | 5567 | For 2015 | 651,961 | — | 170,449,293 | (170,164,540) | — | 936,714 |
| | 5567 | For 2014 | 228,969 | — | 170,449,300 | (170,026,308) | — | 651,961 |
| other creditors | 5568 | For 2015 | 28,411,182 | 515,290,230 | 410,980 | (505,867,749) | 123,913 | 38,368,343 |
| | 5568 | For 2014 | 44,100,421 | 360,107,779 | 230,855 | (377,210,847) | (1,103) | 28,411,182 |
| Accounts payable — total | 5550 | For 2015 | 642,569,110 | 5,956,837,755 | 171,069,189 | (6,095,850,689) | (1,009) | 674,664,356 |
| | 5570 | For 2014 | 557,150,135 | 5,079,781,475 | 175,350,354 | (5,169,689,927) | (2,927) | 642,569,110 |

5.4 Overdue accounts payable

| Narrative | Line code | As at 31 December 2015 | As at 31 December 2014 | As at 31 December 2013 |
|--|-----------|---------------------------|---------------------------|---------------------------|
| Overdue payables — total | 5590 | 143,364,213 | 141,867,986 | 123,528,736 |
| including: | | | | |
| suppliers and contractors | 5591 | 141,445,270 | 135,553,829 | 115,669,138 |
| promissory notes payable | 5592 | — | — | — |
| advances from customers | 5593 | — | — | — |
| dividends payable to participants (shareholders) | 5594 | — | — | — |
| others creditors | 5599 | 1,918,943 | 6,314,157 | 7,859,598 |

6. Cost of production

| Narrative | Line code | For 2015 | For 2014 |
|--|-----------|---------------|---------------|
| Material costs | 5610 | 1,719,735,160 | 1,426,029,405 |
| Payroll expenses | 5620 | 41,551,803 | 34,856,793 |
| Social contributions | 5630 | 8,934,102 | 6,698,856 |
| Depreciation | 5640 | 630,242,313 | 532,497,386 |
| Other expenses | 5650 | 153,497,394 | 125,732,549 |
| Total by cost element | 5660 | 2,553,960,772 | 2,125,814,989 |
| Change in the balances | | | |
| Increase [-]: | 5670 | | |
| finished goods | 5671 | (216,135,231) | (165,775,638) |
| other (except intratrim turnover costs) | 5672 | (739,647,247) | (524,423,322) |
| Decrease [+]: | 5680 | | |
| sale of finished products | 5681 | 32,060,154 | 25,580,545 |
| sale of goods for resale | 5682 | 499,305,002 | 506,914,125 |
| sale of goods dispatched | 5683 | 1,426,330,774 | 1,151,047,391 |
| Change in the balance of work in progress (increase [-]/decrease [+]) | 5690 | (33,520,768) | (49,092,456) |
| Total expenses attributable to ordinary activities | 5600 | 3,522,353,456 | 3,070,065,634 |

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7. Estimated liabilities

| Narrative | Line code | At the beginning of the year | Accrued | Used | Reversed | At the end of the year |
|---|-----------|------------------------------|-------------|--------------|--------------|------------------------|
| Estimated liabilities — total | 5700 | 58,667,614 | 104,701,193 | (31,831,673) | (25,132,298) | 106,404,836 |
| onerous contracts | 5702 | — | — | — | — | — |
| liabilities related to the future restructuring | 5703 | — | — | — | — | — |
| given guarantee commitment | 5704 | — | — | — | — | — |
| legal proceedings | 5705 | — | — | — | — | — |
| other estimated liabilities | 5706 | 51,834,915 | 94,658,596 | (23,600,214) | (25,032,460) | 97,860,837 |
| including adjustments to gas prices | 5707 | 51,253,268 | 93,878,698 | (23,045,671) | (24,932,052) | 97,154,243 |
| liabilities of paying remuneration based on performance results | 5708 | 3,810,716 | 4,795,555 | (3,715,647) | (97,179) | 4,793,445 |
| liabilities of vacation payment | 5708 | 3,021,983 | 5,247,042 | (4,515,812) | (2,659) | 3,750,554 |
| including repayment period up to 1 year | 5708 | 58,667,614 | — | — | — | 106,404,836 |

8. Security

| Narrative | Line code | As at 31 December 2015 | As at 31 December 2014 | As at 31 December 2013 |
|--|-----------|------------------------|------------------------|------------------------|
| Received — total | 5800 | 6,885,954 | 263,158 | 121,459 |
| including: | | | | |
| promissory notes | 5801 | — | — | — |
| assets under pledge | 5802 | — | — | 95,949 |
| including: | | | | |
| fixed assets | 5803 | — | — | 94,410 |
| securities and other financial investments | 5804 | — | — | — |
| other | 5805 | — | — | 1,539 |
| Issued — total | 5810 | 393,714,494 | 467,793,954 | 402,756,292 |
| including: | | | | |
| promissory notes | 5811 | — | — | — |
| assets under pledge | 5812 | 16,967,763 | 16,967,763 | 16,967,763 |
| including: | | | | |
| fixed assets | 5813 | — | — | — |
| securities and other financial investments | 5814 | 16,967,763 | 16,967,763 | 16,967,763 |
| other | 5815 | — | — | — |

9. Exploration assets

9.1 The presence and movement of exploration assets

| Narrative | Line code | Period | At the beginning of the year | | | Changes for the period | | | | | | At the end of reporting period | | | | |
|-------------------------------|-----------|----------|------------------------------|--------------------------|-----------------|------------------------|--------------|--------------|-------------|--------------|--------------------------|--------------------------------|--------------|--------------------------|-----------------|---|
| | | | Initial cost | Accumulated depreciation | Impairment loss | Additions | Disposals | Depreciation | Revaluation | Initial cost | Accumulated depreciation | Impairment loss | Initial cost | Accumulated depreciation | Impairment loss | |
| Intangible exploration assets | 6010 | For 2015 | 111,803,400 | - | - | - | (369,830) | - | - | - | - | - | - | 111,433,570 | - | - |
| | 6020 | For 2014 | 78,100,817 | - | - | 45,266,007 | (11,563,424) | - | - | - | - | - | - | 111,803,400 | - | - |
| including: | | | | | | | | | | | | | | | | |
| licences | 6011 | For 2015 | 111,803,400 | - | - | - | (369,830) | - | - | - | - | - | - | 111,433,570 | - | - |
| | 6021 | For 2014 | 78,100,817 | - | - | 45,266,007 | (11,563,424) | - | - | - | - | - | - | 111,803,400 | - | - |
| other | 6019 | For 2015 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 6029 | For 2014 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Tangible exploration assets | 6030 | For 2015 | 962,335 | - | - | 540,373 | - | - | - | - | - | - | - | 1,502,708 | - | - |
| | 6040 | For 2014 | - | - | - | 962,335 | - | - | - | - | - | - | - | 962,335 | - | - |
| including: | | | | | | | | | | | | | | | | |
| buildings and roads | 6031 | For 2015 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 6041 | For 2014 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| wells | 6032 | For 2015 | 962,335 | - | - | 540,373 | - | - | - | - | - | - | - | 1,502,708 | - | - |
| | 6042 | For 2014 | - | - | - | 962,335 | - | - | - | - | - | - | - | 962,335 | - | - |
| machinery and equipment | 6033 | For 2015 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 6043 | For 2014 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| other fixed assets | 6039 | For 2015 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 6049 | For 2014 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

9.2 Exploration expenses recognised as non-current assets

| Narrative | Line code | Period | At the beginning of the year | Changes for the period | | | At the end of reporting period | |
|---|-----------|----------|---------------------------------|----------------------------|-------------|---|--------------------------------------|---------------|
| | | | | Expenses for the period | Written off | Recognised as tangible exploration assets or intangible exploration assets | | Other changes |
| Exploration expenses recognised as intangible exploration assets | 6050 | For 2015 | 207,428 | 6,663 | (10,435) | — | 203,656 | |
| | 6060 | For 2014 | 223,239 | 45,250,196 | — | (45,266,007) | — | 207,428 |
| Exploration expenses recognised as tangible exploration assets | 6070 | For 2015 | 30,185,142 | 10,370,733 | (12,398) | (540,373) | (52,062) | 39,951,042 |
| | 6080 | For 2014 | 30,165,493 | 9,005,087 | (7,531,101) | (962,335) | (492,002) | 30,185,142 |

Chief Executive Officer _____ A.B. Miller

Chief Accountant _____ E.A. Vasilieva

30 March 2016

Explanatory Notes to Balance Sheet and Statement of Financial Results in the Statutory Financial Statements for 2015 (in thousand Russian Roubles, unless otherwise stated)

1. General information

The principle activity of PJSC Gazprom (the "Company") is the sale of natural gas. The Company is also involved in other types of activities, which include leasing of assets, gas transportation and storage services, sales of gas condensate and refined products.

The Company's registered address is: 16 Nametkina St., Moscow, Russian Federation 117997 and it has branches and representative offices in the following cities: Algiers, Astana, Ashkhabad, Bishkek, Brussels, Dokha, Ekaterinburg, Kiev, Kishenev, Krasnodar, Minsk, Moscow, Novy Urengoy, Beijing, Riga, Rio de Janeiro, Samara, St. Petersburg, Teheran, Tomsk, Khabarovsk, Yuzhno-Sakhalinsk and the Moscow region.

As at 31 December 2015, 2014 and 2013 the Company employed 24,840, 24,334 and 24,106 people, respectively.

As at 31 December 2015 members of the Board of Directors of PJSC Gazprom included:

Zubkov, Victor Alekseevich — Chairman of the Board of Directors

| | |
|-------------------------------|--------------------------------|
| Akimov, Andrey Igorevich | Mau, Vladimir Alexandrovich |
| Gazizullin, Farit Rafikovich | Miller, Alexei Borisovich |
| Kulibayev, Timur Askarovich | Novak, Alexander Valentinovich |
| Markelov, Vitaly Anatolievich | Sereda, Mikhail Leonidovich |
| Martynov, Victor Georgievich | |

As at 31 December 2015 members of the Management Committee of PJSC Gazprom included:

Miller, Alexei Borisovich — Chairman of the Management Committee

| | |
|----------------------------------|--------------------------------------|
| Aksyutin, Oleg Evgenievich | Medvedev, Alexander Ivanovich |
| Vasilieva, Elena Alexandrovna | Mikhailova, Elena Vladimirovna |
| Golubev, Valery Alexandrovich | Mikhalevko, Vyacheslav Alexandrovich |
| Dubik, Nikolay Nikolayevich | Prozorov, Sergei Frolovich |
| Kozlov, Alexander Nikolayevich | Seleznev, Kirill Gennadievich |
| Kruglov, Andrei Viacheslavovich | Fedorov, Igor Yuryevich |
| Markevov, Vitaly Anatolievich | Khomyakov, Sergei Fedorovich |
| Markov, Vladimir Konstantinovich | Cherepanov, Vsevolod Vladimirovich |

As at 31 December 2015 members of the Internal Audit Commission of PJSC Gazprom included:

Mikhina, Marina Vitalievna — Chairman of the Internal Audit Commission

| | |
|---------------------------------|-----------------------------------|
| Afoniashin, Alexey Anatolievich | Oganyan, Karen Iosifovich |
| Bikulov, Vadim Kasymovich | Platonov, Sergei Revazovich |
| Mironova, Margarita Ivanovna | Semerikova, Viktoria Vladimirovna |
| Nosov, Yury Stanislavovich | Fisenko, Tatyana Vladimirovna |

2. Significant accounting policies and basis of presentation

Basis of presentation

The financial statements have been prepared in accordance with the accounting and reporting rules applicable in the Russian Federation, specifically with Federal Law “On Accounting” dated 6 December 2011 No. 402-FZ, and the Regulations on Accounting and Reporting in the Russian Federation, approved by Order of the Ministry of Finance of the Russian Federation dated 29 July 1998 No. 34n, as well as the Accounting Policy Regulation approved by order of PJSC Gazprom of 31 December 2014 No. 654.

Assets and liabilities are measured at actual purchase costs, except for regularly re-valued fixed assets at the current (replacement) value, intangible and tangible exploration assets, investments for which current market price is determinable, estimated liabilities carried based on current valuation of the amount that will result in decrease of economic benefits and assets for which impairment provisions have been formed in accordance with the generally accepted procedure.

Assets, liabilities and transactions denominated in foreign currency

Business transactions in foreign currencies have been recorded using the official rouble exchange rate as at the date of the relevant transaction. Cash on currency and deposit accounts with banks, cash in hand, securities (except for shares), accounts receivable and payable, including loans issued and raised but without advances received and issued, prepayments and down payments denominated in foreign currency have been recorded using the official rouble exchange rate as at the reporting date.

As at 31 December 2015 the official exchange rates of Russian Ruble to US dollar and euro were: RUB 72.8827 to USD 1 (as at 31 December 2014 — RUB 56.2584, 31 December 2013 — RUB 32.7292) and RUB 79.6972 to EUR 1 (31 December 2014 — RUB 68.3427, 31 December 2013 — RUB 44.9699).

Exchange differences arising in the reporting year as a result of transactions involving assets and liabilities denominated in foreign currency as well as revaluation of such assets and liabilities as of the reporting date have been recorded within other income and expenses.

Current and non-current assets and liabilities

Accounts receivable and accounts payable, including loans and borrowings, are treated in the balance sheet as current assets and liabilities if the term of their circulation (maturity) does not exceed 12 months after the reporting date or is not specified. Accounts receivable and accounts payable including loans are treated as non-current, if the term of their circulation (maturity) exceeds 12 months after the reporting date. Investments are classified as long-term or short-term based on the anticipated period of their use (circulation, ownership or maturity) after the reporting date.

Research and development results

The balance sheet line “Results of research and development” includes expenses for completed research and development (R&D) works, which are not subject to legal protection in accordance with the effective legislation and whose results are used for the company’s production or management needs. These expenses are written-off against costs of production (works, services) during the year starting from the date of their actual use for production of products (works, services) on a straight-line basis by decreasing their historical cost. In addition, the above amount includes cost of purchase and creation of incomplete R&D accounted for within investments in non-current assets.

2. Significant accounting policies and basis of presentation (continued)

Intangible and tangible exploration assets

Exploration expenses recognized within tangible exploration assets relate to the following:

- expenses for drilling and development of prospecting and appraisal, exploratory and pre-drilled development wells (drilled at exploration stage until production's commercial viability is confirmed) with breakdown by fields (areas);
- expenses for purchasing and assembling buildings, installations, equipment and facilities, acquisition of vehicles used for prospecting, assessment of fields and exploration of mineral reserves.

Accounting items for tangible exploration assets include wells, buildings, machinery, equipment, installations, facilities, vehicles, metal structures, dedicated tooling and other tools.

Exploration expenses recognized within intangible exploration assets include expenses for acquisition of subsoil use rights.

Accounting items for intangible exploration assets include licences for geological survey, licences for geological survey and production; a standalone delivery (report) that summarizes results of performed surveys.

Original cost of the licence which grants the right to geological survey of a subsoil field or prospecting and exploration of mineral resources is depreciated on a straight-line basis during the licence period.

Original cost of the combined licence which in addition to the right to geological survey, evaluation of mineral resources and (or) their exploration grants the right to production of mineral resources is not subject to depreciation until production's commercial viability is confirmed.

Tangible exploration assets (machinery and equipment, installations, facilities, vehicles) are depreciated on a straight-line basis during the whole period of their useful lives. Depreciation charges are included in expenses incurred in exploration by respective areas. The Company determines useful lives of exploration assets under the procedure similar to determining useful lives of fixed assets.

When mineral production's commercial viability on subsoil area (field) is confirmed, exploration assets are tested for impairment and transferred to fixed assets, intangible assets or other non-current assets which are intended for development and production of mineral reserves.

The Company assesses whether there is any indication that exploration assets may be impaired as at 31 December of the reporting year and when production's commercial viability on subsoil site (field) is confirmed. The amounts of exploration assets' impairment were charged to other expenses of the reporting year.

Data about availability and movement of exploration assets are presented in table form 9.1 "Movement of Exploration Assets". Table form 9.2 "Exploration Expenses Recognized within Non-Current Assets" of the explanatory notes to balance sheet and statement of financial results includes data on exploration expenses related to acquisition (creation) of exploration assets.

Fixed assets

Fixed assets include assets which conform to the requirements of the Russian Accounting Regulation "Accounting for Fixed Assets" (RAR 6/01) approved by the order of the Russian Ministry of Finance dated 30 March 2001, No. 26n.

Real property assets which have been constructed, put into operation and are actually used but the title to which was not registered under the procedure established by the effective legislation are accounted for within fixed assets in a separate line.

The Company's fixed assets acquired before 1 January 2015 are recorded in the balance sheet at their current replacement cost determined as at 31 December 2014 less depreciation.

2. Significant accounting policies and basis of presentation (continued)

The fixed assets acquired as from 1 January 2015 are recorded at their historical cost less depreciation accumulated over the period of their useful lives.

Fixed assets acquired before 1 January 2002 are depreciated at uniform depreciation rates approved by Decree of the USSR Council of Ministers dated 22 October 1990, No. 1072 "On Uniform Depreciation Rates of Fixed Asset of the USSR National Economy". Fixed assets acquired after 1 January 2002 are depreciated at rates determined based on their estimated useful lives. Classification of fixed assets by depreciation groups approved by the Resolution of the Russian Government dated 1 January 2002 No. 1 ("the Classification"), is used as one of the sources of information about useful lives of fixed assets. Useful lives adopted by the Company for major groups of fixed assets are presented as follows:

| | Useful lives of assets carried on the balance sheet (number of years) | |
|-------------------------|---|------------------|
| | prior to 01.01.2002 | after 01.01.2002 |
| Trunk pipelines | 33 | 25 |
| Wells | 12–15 | 10–25 |
| Machinery and equipment | 10–18 | 3–18 |
| Buildings | 20–50 | 7–100 |

Fixed assets are depreciated on a straight line basis.

The following assets are not depreciated:

- land plots;
- suspended assets (above 3 months);
- housing assets commissioned prior to 1 January 2006 (similar assets acquired after 1 January 2006 are depreciated in accordance with the generally accepted procedure);
- fully depreciated assets that are still on the balance sheet.

Assets that comply with the criteria of their recognising as fixed assets and with value below RUB 40,000 (inclusively) per unit are recorded within inventory including assets (tools and other inventory) and special clothing, which are not fully consumed after their transfer to production and their useful life exceeds 12 months. Prior to 1 January 2011 assets with the cost below RUB 20,000 per unit were accounted for within inventory. To ensure safety of the assets with the value below RUB 20,000 and RUB 40,000 recorded within inventory when they are transferred in production or operation, the Company implemented the control over their movement. Fixed assets with the value between RUB 20,000 and RUB 40,000 which were recorded prior to 1 January 2011 are accounted for within fixed assets and depreciated under the generally accepted procedure.

Capital investments in progress

Capital investments in progress are represented by real estate assets under construction, which have not been put into operation, equipment subject to assemblage, equipment not subject to assemblage but stored in warehouses and intended for assets under construction and recorded within investments in non-current assets in a separate line, other capital investments not included within fixed assets.

Financial assets

Investments are recorded at their historical cost, being their actual cost of acquisition, except for investments for which the market value is determinable.

Investments for which the market value is determinable are recognized for accounting and reporting purposes as at the end of the reporting period by types of their current market value.

2. Significant accounting policies and basis of presentation (continued)

This value is determined at their average daily price (quote) for the transactions effected during the selling day at Moscow Interbank Currency Exchange and calculated under the procedure specified by the institutor of trading on the securities market. The current market value can be determined based on data of other institutors of trading including foreign ones having the respective licence issued by the national authorized body. The difference between the value of these investments as at the current reporting date and their prior value is recorded within other income and expenses.

Investments for which the fair market value cannot be reliably measured and significant and constant impairment indicators exist at the reporting date are presented in the year end balance sheet at their carrying (book) value net of the impairment provision. The investment impairment provision is determined annually based on the stock taking results as at 31 December of the reporting year. For the purposes of determining the provision amount the Company estimated the cost of investments, for which significant and constant impairment indicators exist, on the basis of the available information and created the investment impairment provision in the amount by which the carrying value (historical cost) of investments exceeded their estimated value. Changes in the above provision resulting from the year-end stock-take are posted to other expenses and income.

Securities which do not have market value (except for those individually identifiable, including promissory notes and certificates of deposit) are recorded upon their disposal (by types) under the FIFO method. Other investments (including individually identifiable securities (such as promissory notes and certificates of deposit) with an undeterminable market value are recorded upon disposal at the historic cost of each unit.

Income and expenses attributable to transactions with investments are recorded within other income and expenses.

Inventories

The main type of inventory is natural gas pumped into pipelines and underground storage. On the balance sheet gas inventories are measured at the weighted average cost.

Work-in-progress

The balance sheet line "Work-in-progress" includes gas transportation and storage costs attributable to outstanding gas balances.

Selling and administrative expenses

Selling expenses, except for the cost of natural gas transportation and storage, are written off in full on a monthly basis to general expenses. Costs of natural gas transportation and storage are allocated in proportion to the volumes of gas sold and to the volumes of gas pumped into underground storage within the reporting period.

Administrative expenses are expensed in full on a monthly basis.

Accounts receivable and accounts payable

Trade accounts receivable are recorded based on prices contracted between the Company and buyers (customers) taking into account all discounts and mark-ups provided by the Company. Bad debts are written-off when recognized as such based on the stock taking results.

Doubtful receivables that are very likely to become uncollectible are stated net of bad debt provisions. Bad debt provisions are recorded within other expenses. A corresponding amount of the provision is released and posted to other income after settlement of doubtful receivables previously provided for as bad debts.

2. Significant accounting policies and basis of presentation (continued)

In table form 5.1 “Movement of Receivables” of the notes to the balance sheet and statement of financial results the accounts receivable which arise and are repaid (written off) in the same reporting period are disclosed on a gross-up basis. Accounts payable are disclosed in a similar manner.

Cash equivalents and presentation of cash flows in the cash flow statement

Cash equivalents comprise highly liquid investments which are readily convertible into a predictable amount of cash and are only exposed to an insignificant risk of changes in value.

The Company recognizes within cash equivalents its short-term bank deposits with a maturity of up to 3 months and includes them in the balance sheet line “Cash and cash equivalents”.

The Company’s cash flows which cannot be clearly attributed to cash flows from operating, investing or financing activities are included in the cash flows from operating activities in the cash flow statement. These cash flows include indirect taxes paid to the budget and their reimbursements received from the budget.

Data about availability and movement of cash flows denominated in foreign currency for the purposes of presentation in the cash flow statement are translated into roubles at the official foreign currency exchange rate set by the Central Bank of Russia as of the date of payment or receipt thereof.

Any difference arising on translation of foreign currency-denominated cash flows, cash balances and cash equivalents at the exchange rates as at the date of transaction and reporting dates, is included in the line “Effect of changes in the Russian rouble exchange rate” in the cash flow statement.

The following items are presented on a net basis in the cash flow statement:

- receipts and payments arising from foreign exchange transactions;
- commissioner’s (agent’s) cash flows due to rendering agency services (except for the fees for services rendered);
- cash flows characterised by prompt turnover, large volume and short repayment periods;
- indirect taxes within receipts from customers and buyers and payments made to suppliers and contractors;
- other settlements that relate to the operations of company’s counterparties rather than its own operations.

Loans and borrowings received

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

Loans and (or) borrowings payable by the Company are recognized in the amount of actually received cash.

Loans and borrowings raised by the Company are mainly intended for corporate purposes. Under the contracts for the implementation of investment projects the Company provides its subsidiaries that act as property developers in these projects with loans. The Company does not calculate a share of interest on loans and borrowings which are not directly associated with financing the investing activities, to be included in the investment asset. This accounting treatment is based on the rationality requirement.

As at 31 December 2015 the RF Central Bank’s refinance rate is 11%. Over 2015 the RF Central Bank’s refinance rate has decreased from 17% to 11%.

2. Significant accounting policies and basis of presentation (continued)

Estimated liabilities

The Company recognizes the following estimated liabilities:

- remuneration based on annual performance results;
- payments of vacations;
- compensation payable to employees upon their retirement;
- other estimated liabilities.

Liabilities related to payments of the annual remuneration based on annual performance results are determined on the basis of stock take results and the adopted procedure for calculating remuneration based on annual performance results.

Liabilities related to vacation payments are determined based on the number of basic and additional vacation days earned but not used by all employees during their service at the Company as of the reporting date and their average daily salary.

Liabilities related to payments of one-time allowance upon retirement are made as at the date of the Company's employee reaching pension age and ceased upon expiration of six months from the reporting date.

The above estimated liabilities are recognized as at the reporting date.

In addition, the Company records estimated liabilities with regard to adjustments to gas prices arising out of requirements made by foreign buyers under the contractual terms. The effect of adjustments to gas prices including the respective impact on income tax is recognized in the financial statements when the probability that the liabilities arise is high and the liabilities can be reliably estimated.

Estimated liabilities are recognized within expenses incurred in ordinary activities and other expenses.

Estimated liabilities are recognized in the balance sheet line 1540 "Estimated liabilities".

Taxation

The Company is a responsible participant of the consolidated group of taxpayers (CGT) since 1 January 2012.

The Company independently prepares information about income tax in accordance with RAR 18/02. Temporary and permanent differences are determined by the Company based on its income and expenses included in the consolidated tax base of CGT in accordance with the Russian Tax Code. Current income tax is determined based on the accounting data and recognized in the statement of financial results in line 2410 "Current Income Tax". Difference between current income tax calculated by the Company for inclusion in the consolidated tax base of CGT and cash payable by the Company under the CGT agreement is recognized in line 2465 "Reallocation of Income Tax within the Consolidated Taxpayer Group" of the statement of financial results and taken into account to calculate the Company's net profit (loss) but not considered for calculating the Company's profit (loss) before tax.

Income tax payable related to CGT as a whole and to be paid by the Company as a responsible participant of CGT is recognized in balance sheet line 1524 "Taxes Payable".

Income tax overpayments related to CGT are recorded in balance sheet line 1239 "Other Debtors".

Balances on settlements with CGT participants related to CGT income tax payable (interim payment) are recognized in the balance sheet within current assets in line 1239 "Other Debtors" and current liabilities in line 1528 "Other Settlements" on a gross basis.

2. Significant accounting policies and basis of presentation (continued)

Revenue recognition

Revenue from sales of products and delivery of services is recognized as the products/services are delivered/provided and relevant settlement documents presented. Revenue is stated net of value-added tax, excise, customs duty and similar mandatory charges.

Segment information

The Company, its subsidiaries and associated companies (hereinafter — Gazprom Group) operates as a vertically-integrated business. The principal activities of Gazprom Group are exploration, production, gas transportation and storage, sales of gas in the Russian Federation and abroad, oil and gas condensate production, sale of oil and gas condensate, oil, gas condensate and other hydrocarbons refining and sales of refined products, sales of electricity and heat. Management information results are analysed on a regular basis by the Company's chief operating decision-makers responsible for distribution of resources within the Company and assessment of these results, is prepared with regard to Gazprom Group operations. Considering the fact that the Company's activities as a legal entity and its managing the Group's operations are tightly connected, the management decisions and distribution of resources are made by persons with respective powers at the Group level; separate management accounts that relate to the Company's operations exclusively and do not cover the whole Group, are not prepared with a breakdown by directions. Therefore, segment information is disclosed in Gazprom Group consolidated financial statements.

3. Changes in the accounting policies

No significant changes have been made to the Company's accounting policies for 2015 and 2016.

4. Adjustments to prior reporting period data

Certain data of columns "As at 31 December 2014" and "As at 31 December 2013" on the balance sheet and certain data of the statement of financial results and the statement of cash flows for 2014 were adjusted due to the following events:

1. An update was made to the asset classification to ensure compliance with the Methodology for Planning and Accounting for Costs of Natural Resources Development. As a result the assets were reclassified from line 1190 "Other Non-Current Assets" to line 1130 "Intangible Exploration Assets" and line 1140 "Tangible Exploration Assets" (adjustment No. 1).
2. A reclassification of advances paid to agents under the contracts relating to capital construction from line 1239 "Other Debtors" to line 1238 "Advances Issued" (adjustment No. 2).
3. An update was made to the classification of property tax expense accrued on the fixed asset items transferred to a fiduciary. These expenses were moved from line 2350 "Other Expenses" to line 2120 "Cost of goods, products, work, services sold" in the statement of financial results (adjustment No. 3).
4. An update was made to the distribution of costs of the auxiliary production held in a fiduciary capacity into costs attributable to ordinary activities and general business expenses. These costs were transferred from line 2120 "Cost of goods, products, work, services sold" to line 2220 "General business expenses" in the statement of financial results (adjustment No. 4).
5. Short-term interest-bearing loans issued and repaid are now presented within cash flows from investing activities. Earlier these loans were recognized within cash flows from operating activities in the statement of cash flows (adjustment No. 5).

4. Adjustments to prior reporting period data (continued)

6. Presentation on a net basis of customs duties paid and refunded (adjustment No. 6).
7. Presentation on a net basis of the profit tax paid by and refunded to the consolidated group of taxpayers (adjustment No. 7).

Adjustments to the 2013 and 2014 data in the annual financial statements for 2015:

| Line code | Narrative | Unadjusted | Number of adjustment | Adjustment RUB'000 | Adjusted |
|--|--|-----------------|-------------------------|-----------------------|-----------------|
| 2013 data adjustments | | | | | |
| Balance sheet | | | | | |
| 1130 | Intangible exploration assets | 78,174,655 | 1 | 149,401 | 78,324,056 |
| 1140 | Tangible exploration assets | 14,474,505 | 1 | 15,690,988 | 30,165,493 |
| 1190 | Other non-current assets | 30,190,808 | 1 | (15,840,389) | 14,350,419 |
| 1238 | advances issued | 58,558,434 | 2 | 28,141 | 58,586,575 |
| 1239 | other debtors | 920,890,296 | 2 | (28,141) | 920,862,155 |
| 2014 data adjustments | | | | | |
| Balance sheet | | | | | |
| 1130 | Intangible exploration assets | 111,861,427 | 1 | 149,401 | 112,010,828 |
| 1140 | Tangible exploration assets | 14,984,602 | 1 | 16,162,875 | 31,147,477 |
| 1190 | Other non-current assets | 25,184,926 | 1 | (16,312,276) | 8,872,650 |
| 1238 | advances issued | 41,466,603 | 2 | 725,094 | 42,191,697 |
| 1239 | other debtors | 854,110,513 | 2 | (725,094) | 853,385,419 |
| Statement of financial results | | | | | |
| 2120 | Cost of goods, products, work, services sold | (2,029,257,577) | 3, 4 | (586,040) | (2,029,843,617) |
| 2220 | General business expenses | (63,402,712) | 4 | (444,932) | (63,847,644) |
| 2350 | Other expenses | (4,364,298,166) | 3 | 1,030,972 | (4,363,267,194) |
| Cash flows statement | | | | | |
| Cash flow from operating activities | | | | | |
| 4110 | Total cash received | 4,896,360,065 | 5, 6, 7 | (34,978,038) | 4,861,382,027 |
| 4120 | Total cash paid | (3,523,294,166) | 5, 6, 7 | 42,225,097 | (3,481,069,069) |
| 4100 | Net cash from operating activities | 1,373,065,899 | | 7,247,059 | 1,380,312,958 |
| Cash flow from investing activities | | | | | |
| 4210 | Total cash received | 421,416,114 | 5 | 7,896,057 | 429,312,171 |
| 4220 | Total cash paid | (1,027,361,743) | 5 | (15,143,116) | (1,042,504,859) |
| 4200 | Net cash from investing activities | (605,945,629) | | (7,247,059) | (613,192,688) |

5. Fixed assets

| | Trunk pipelines | Wells | Machinery and equipment | Buildings | Other | Total |
|-------------------------------|----------------------|--------------------|----------------------------|--------------------|----------------------|----------------------|
| As at 31 December 2013 | | | | | | |
| Historical (replacement) cost | 9,704,668,096 | 1,234,709,926 | 2,098,224,503 | 669,818,386 | 1,835,928,561 | 15,543,349,472 |
| Accumulated depreciation | (6,668,598,213) | (929,370,767) | (1,430,500,138) | (275,085,156) | (585,541,413) | (9,889,095,687) |
| Net book value | 3,036,069,883 | 305,339,159 | 667,724,365 | 394,733,230 | 1,250,387,148 | 5,654,253,785 |
| As at 31 December 2014 | | | | | | |
| Historical (replacement) cost | 11,401,959,910 | 1,461,651,716 | 2,573,826,844 | 792,168,215 | 2,210,094,174 | 18,439,700,859 |
| Accumulated depreciation | (7,945,389,434) | (1,122,057,135) | (1,822,015,599) | (343,345,481) | (772,417,959) | (12,005,225,608) |
| Net book value | 3,456,570,476 | 339,594,581 | 751,811,245 | 448,822,734 | 1,437,676,215 | 6,434,475,251 |
| As at 31 December 2015 | | | | | | |
| Historical (replacement) cost | 11,581,231,656 | 1,473,147,174 | 2,748,045,071 | 816,943,762 | 2,361,783,541 | 18,981,151,204 |
| Accumulated depreciation | (8,249,917,641) | (1,165,141,438) | (1,957,965,100) | (365,079,887) | (877,576,874) | (12,615,680,940) |
| Net book value | 3,331,314,015 | 308,005,736 | 790,079,971 | 451,863,875 | 1,484,206,667 | 6,365,470,264 |

Net book value of fixed assets leased out to subsidiaries amounted to 5,852,628,672, 6,023,122,130 and 5,254,613,370 as at 31 December 2015, 2014 and 2013, respectively.

As at 31 December 2015, 2014 and 2013 fixed assets included also property items that had been constructed and put into operation but were still to be registered in the State Register, amounting to 1,619,166,988, 1,536,372,472 and 1,343,379,448, respectively (net of accumulated depreciation in the amount of 163,312,757, 110,554,545 and 57,022,375, respectively). As at 31 December 2015 the following production infrastructure facilities represent the most significant real property assets, the title to which is undergoing registration: gas trunk pipeline Bovanenkovo — Ukhta 526.7 km — 860.5 km 1st line; gas trunk pipeline Bovanenkovo — Ukhta 186.7 km — 526.7 km 1st line; gas trunk pipeline Sakhalin — Khabarovsk — Vladivostok, area of 1,136.0 km — 1,574.7 km; gas trunk pipeline Sakhalin — Khabarovsk — Vladivostok, area of 158.0 km — 505.0 km; gas trunk pipeline Bovanenkovo — Ukhta 2.9 km — 28.0/0 — 111.7 km 1st line.

Revaluation of fixed assets

The Company revalued its fixed assets as at 31 December 2014.

| | Trunk pipelines | Wells | Machinery and equipment | Buildings | Other | Total |
|--|--------------------|-------------------|----------------------------|-------------------|--------------------|--------------------|
| Revaluation surplus posted to additional capital | 396,031,914 | 45,401,508 | 67,928,113 | 52,806,295 | 141,426,386 | 703,594,216 |
| Revaluation surplus (in the part related to revaluation write down posted earlier to other income) | 21,453 | 42,885 | 372,577 | 333,910 | 626,243 | 1,397,068 |
| Revaluation write-down posted to other expenses | (1,793) | (4,926) | (361,361) | (235,288) | (399,667) | (1,003,035) |
| Revaluation write-down (in the part related to revaluation surplus posted earlier to additional capital) | (145,290) | (53,678) | (131,826) | (618,119) | (1,155,395) | (2,104,308) |
| Total revaluation of fixed assets at their current (replacement) cost | 395,906,284 | 45,385,789 | 67,807,503 | 52,286,798 | 140,497,567 | 701,883,941 |

5. Fixed assets (continued)

The analysis of the current (replacement) cost has shown that the value of current (replacement) cost of fixed assets as at 31 December 2015 differs insignificantly from their current (replacement) cost as at 31 December 2014 and therefore it was found unnecessary to make a revaluation as at 31 December 2015.

6. Investments

Long-term investments

Investments in subsidiaries and associates

Information on investments in subsidiaries and associates is provided in Note 18.

“Investments in subsidiaries” (balance sheet line 1171) are presented net of impairment provision of 26,557,377, 26,581,909 and 4,119,920 as at 31 December 2015, 2014 and 2013, respectively.

“Investments in associates” (balance sheet line 1172) are presented net of impairment provision of 6,260,993, 728,310 and 728,437 as at 31 December 2015, 2014 and 2013, respectively.

Investments in other entities

“Investments in other entities” (balance sheet line 1173) are presented net of impairment provision of 161 as at 31 December 2015, 2014 and 2013.

Loans provided to companies for a period over 12 months

“Loans provided to companies for a period over 12 months” (balance sheet line 1174) include long-term loans of 145,516,964, 194,595,652 and 119,013,856 as at 31 December 2015, 2014 and 2013, respectively.

Other long-term investments

Other long-term investments included within “Long-Term Investments” (balance sheet line 1170) are presented net of impairment provision of 676,418, 7,889,028 and 7,887,978 as at 31 December 2015, 2014 and 2013, respectively. The provision relates to investments in joint activities.

| | 31 December | | |
|---|--------------------|-------------------|--------------------|
| | 2015 | 2014 | 2013 |
| Joint activities | 31,903,975 | 25,249,576 | 114,430,037 |
| including: | | | |
| development of oil and gas fields on continental shelf of the Socialist Republic of Vietnam (operator — ZAO Gazprom Zarubezhneftegas) | 27,793,137 | 20,597,948 | 19,848,143 |
| development of a satellite communication system (operator — OAO Gazprom Space Systems) | 3,252,323 | 3,252,323 | 3,252,323 |
| development of oil and gas fields on the Barents and Pechora Seas shelf (operator — OOO Gazprom Neft Shelf) | — | — | 89,930,267 |
| Long-term deposits | — | 67,456 | 475,713 |
| Other | 107,791,178 | 42,243,983 | 371,126 |
| including: | | | |
| Investment in additional capital of South Stream Transport B.V. | 107,420,052 | 41,872,857 | — |
| South Pars (oil and gas field located in Iran) | 370,126 | 370,126 | 370,126 |
| Total | 139,695,153 | 67,561,015 | 115,276,876 |

6. Investments (continued)

Long-term investments include securities of other entities, mainly investments in the shares of subsidiaries and associates and other entities of 1,304,930,580, 1,227,953,737 and 1,210,666,485 as at 31 December 2015, 2014 and 2013, respectively, including securities of foreign issuers of 536,966,340, 537,888,702 and 492,129,234 as at 31 December 2015, 2014 and 2013, respectively.

Additional information is provided in table forms 3.1 "Availability and movement of investments", 3.1.1 "Current part of long-term investments" and 3.2 "Other use of investments" of the Notes to the Balance Sheet and Statement of Financial Results. In table form 3.1 "Availability and movement of investments" data is presented with regard to the current part of long-term investments.

7. Other non-current assets

As at 31 December 2015, 2014 and 2013 other non-current assets included long-term advances paid under the capital construction agreement in the amount of 3,572,836, 0 and 0, respectively as well as the subsoil use licences of 2,326,775, 2,101,085 and 2,235,670 as at 31 December 2015, 2014 and 2013, respectively.

8. Accounts receivable

Trade receivables

| | 31 December | | |
|--|--------------------|--------------------|--------------------|
| | 2015 | 2014 | 2013 |
| Accounts receivable for gas sold: | 595,804,778 | 457,029,808 | 513,431,778 |
| in Russia | 316,375,927 | 192,083,656 | 182,201,567 |
| outside Russia (net of doubtful debt provision of 562,468,928, 385,397,886 and 129,811,259 as at 31 December 2015, 2014 and 2013, respectively), | | | |
| including: | 279,428,851 | 264,946,152 | 331,230,211 |
| to far abroad countries (net of doubtful debt provision of 13,114,650, 10,286,635 and 6,117,198 as at 31 December 2015, 2014 and 2013, respectively) | 232,399,369 | 216,266,208 | 212,798,084 |
| Accounts receivable for property lease services (net of doubtful debt provision of 1,156,229 and 973,327 as at 31 December 2015 and 2014, respectively). | 167,345,639 | 63,675,649 | 69,853,026 |
| Accounts receivable for services related to arrangement of gas transportation (net of doubtful debt provision of 93,026; 93,193 and 93,188 as at 31 December 2015, 2014 and 2013, respectively). | 7,827,370 | 8,181,783 | 4,247,862 |
| Accounts receivable for gas condensate and refined products sold (net of doubtful debt provision of 65; 65 and 69 as at 31 December 2015, 2014 and 2013, respectively). | 37,328,540 | 36,736,263 | 38,445,313 |
| Other trade receivables (net of doubtful debt provision of 6,590 and 6,590 as at 31 December 2014 and 2015, respectively; no doubtful debt provision was formed as at 31 December 2013). | 21,430,252 | 5,570,924 | 7,621,484 |
| Total | 829,736,579 | 571,194,427 | 633,599,463 |

The accounts receivable recorded in the balance sheet line "Trade receivables from buyers and customers" (payments expected within 12 months after the reporting date) (line 1236) are presented net of a bad debt provision of 562,275,759, 385,352,512 and 129,904,516 as at 31 December 2015, 2014 and 2013, respectively. The doubtful debt provisions were calculated

8. Accounts receivable (continued)

net of a deferred excise in the amount of 88,593, 101,437 and 119,384 as at 31 December 2015, 2014 and 2013, respectively. Deferred excise reduces the balance sheet line "Other Settlements" (line 1528).

The balance sheet line "Trade receivables from buyers and customers" (payments expected after more than 12 months from the reporting date)" (line 1232) includes a receivable due from ZAO Gazprom Neft Orenburg under a property purchase-sale agreement dated 2 July 2012 in the amount of 2,061,484, 3,092,226 and 4,122,968 as at 31 December 2015, 2014 and 2013, respectively, as well as a non-current portion of the receivable due from OAO Gazprom Neftekhim Salavat amounting to 0, 745,464 and 2,385,130 as at 31 December 2015, 2014 and 2013, respectively, that was restructured in 2012 in accordance with the debt restructuring agreement dated 1 February 2012.

Advances receivable

The balance sheet line "Advances issued" (line 1238) within accounts receivable payment for which is expected beyond 12 months after the reporting date, includes advances paid under the agency contracts on the implementation of investment projects in the amount of 34,157,997, 20,516,221 and 28,141 as at 31 December 2015, 2014 and 2013, respectively.

Other receivables

The Company concludes investment agreements with developers and agents (mainly its subsidiaries) for construction and commissioning of fixed assets. The Company is the owner of all assets constructed under such investment and agency agreements. Subsidiaries have no right to sell, pledge or otherwise dispose of such assets.

A long-term portion of accounts receivable from subsidiaries relates to amounts received for investment project financing and is presented in the balance sheet line "Receivables due from other debtors (payments expected after more than 12 months from the reporting date)" (line 1234) in the amount of 358,945,776, 378,016,350 and 478,598,621 as of 31 December 2015, 2014 and 2013, respectively.

A current portion of accounts receivable from subsidiaries relates to amounts received for investment project financing and is presented in the balance sheet line "Accounts receivable from Other Debtors (payments expected within 12 months after the reporting date)" (line 1239) in the amount of 414,960,617, 592,631,729 and 751,781,937 as at 31 December 2015, 2014 and 2013, respectively.

"Accounts receivable from Other Debtors" (payments expected within 12 months after the reporting date) (balance sheet line 1239) include accounts receivable from OOO Gazprom Energoholding related to the contract of guarantee of 21,508,289 as at 31 December 2014 and 2013. The Company issued a guarantee to secure the loans received by OOO Gazprom Energoholding from Gazprombank (Joint Stock Company) to finance the purchase of shares of energy companies. The debt of OOO Gazprom Energoholding was repaid in 2015.

Additional information is provided in table forms 5.1 "Balances and Movements of Accounts Receivable" and 5.2 "Past Due Accounts Receivable" of the Notes to the Balance Sheet and the Statement of Financial Results.

9. Cash and cash equivalents

The structure of cash and cash equivalents

| | 31 December | | |
|-----------------------------------|--------------------|--------------------|--------------------|
| | 2015 | 2014 | 2013 |
| Cash on hand | 27,062 | 16,993 | 27,282 |
| Cash on settlement accounts | 278,070,685 | 471,860,061 | 311,985,071 |
| Cash on foreign currency accounts | 227,226,726 | 253,136,708 | 67,638,473 |
| Cash on special bank accounts | 1,643,847 | 81,787 | 577,958 |
| Cash in transit | 5,101 | 5,367 | 2,994 |
| Total cash | 506,973,421 | 725,100,916 | 380,231,778 |

Cash flows from operating activities recognized in line “Other Receipts” (line 4119) of the cash flow statement include on a net basis cash received from members of the consolidated group of taxpayers (CGT) (established in 2012) for the purpose of CGT income tax settlements in the amount of 41,329,702 and 37,018,913 for 2015 and 2014, respectively; advances received from buyers (customers) in the amount of 30,410,875 and 35,732,482 for 2015 and 2014, respectively; proceeds on a net basis from the payment of interest free loans issued to subsidiaries in the amount of 40,554,425 and 11,128,819 for 2015 and 2014 respectively; proceeds from refunded profit tax in the amount of 0 and 55,953 for 2015 and 2014 respectively; net based indirect taxes related to operating activities that are presented within payments to suppliers and contractors and proceeds from buyers and customers amounting to 133,923,082 and 173,799,105 for 2015 and 2014, respectively.

The line “Income tax” (line 4124) includes a net based amount of the income tax attributable to the CGT in the amount of 56,064,328 and 156,990,917 for 2015 and 2014, respectively.

Cash flows from operating activities recognized in line “Other Payments” (line 4129) of the cash flow statement include contributions to subsidiaries’ property amounting to 116,719,038 and 70,863,643 for 2015 and 2014, respectively; interest free loans issued to subsidiaries amounting to 176,148,308 and 31,550,303 for 2015 and 2014, respectively; cash presented on a net basis used to pay customs duties amounting to 568,733,733 and 508,880,900 for 2015 and 2014, respectively; advances made to suppliers (contractors) amounting to 10,325,900 and 4,502,556 for 2015 and 2014, respectively; cash refunds to gas buyers due to adjusted gas prices amounting to 31,757,494 and 20,520,865 in 2015 and 2014, respectively.

Cash flows from investment operations recognized in line “Other Payments” (line 4229) of the cash flow statement include on a net basis cash used to finance investment agreements in the amount of 662,879,602 and 716,387,210 for 2015 and 2014, respectively; net based indirect taxes related to investing activities that are presented within payments to suppliers and contractors and proceeds from buyers and customers amounting to 11,010,012 and 8,465,325 for 2015 and 2014, respectively.

Cash flows from financing operations recognized in line “Other Payments” (line 4329) of the cash flow statement include cash used to repay finance lease obligations in the amount of 43,691 and 2,423,369 for 2015 and 2014, respectively; net based indirect taxes related to financing activities that are presented within lease payments amounting to 7,864 and 436,206 for 2015 and 2014, respectively.

10. Equity and reserves

Charter capital

The Company's charter capital amounts to 118,367,564 (23,673,513 thousand fully paid common shares with the nominal value of RUB 5 each) and it did not change in 2015.

In accordance with the decision of the general shareholders' meeting, final dividends on the Company 2014 results were accrued in the amount of RUB 7.20 per one common share. Dividends paid amounted to 169,886,970. Final dividends on the Company 2013 and 2012 results were accrued in the amount of RUB 7.20 and RUB 5.99 per one common share, dividends paid amounted to 170,146,732 and 141,734,649, respectively (including taxes).

Reserve capital

In 2015, 2014 and 2013 the Company did not make any contributions to the reserve fund from its net profit as the target limit of the fund was reached (7.3% of the charter capital).

11. Borrowings and loans

Bank loans

| Lender | Loan currency | Maturity | 31 December | | |
|--|---------------|-----------|--------------------|-------------------|-------------------|
| | | | 2014 | 2013 | 2012 |
| China Construction Bank Corporation | US Dollars | 2015–2020 | 111,077,214 | – | – |
| JP Morgan Europe Limited | US Dollars | 2015–2018 | 36,694,342 | – | – |
| Intesa Sanpaolo S.P.A. | Euro | 2015–2016 | 28,028,260 | – | – |
| UniCredit Bank Austria AG | Euro | 2015–2019 | 23,940,242 | – | – |
| BNP Paribas SA ¹ | Euro | 2013–2022 | 22,801,834 | 22,352,240 | 16,549,560 |
| Citibank N.A. ¹ | US Dollars | 2013–2021 | 14,734,060 | 13,435,720 | 9,020,276 |
| Bank of Tokyo-Mitsubishi UFJ Ltd. ¹ | US Dollars | 2013–2016 | 13,753,690 | 21,232,244 | 18,528,452 |
| Intesa Sanpaolo S.P.A. | Euro | 2015–2019 | 11,956,971 | – | – |
| Deutsche Bank AG | US Dollars | 2013–2014 | – | – | 2,345,529 |
| UniCredit Bank Austria AG | Euro | 2015 | – | 26,695,588 | – |
| Loans of other banks | US Dollars | Various | 2,650,475 | 1,879,440 | 1,178,494 |
| Total | | | 265,637,088 | 85,595,232 | 47,622,311 |
| including | | | | | |
| due within one year, including | | | | | |
| current portion of long-term loans | | | 72,440,559 | 42,281,627 | 11,832,372 |

¹ Loans received from bank syndicates, named lender is the bank agent.

Total amount of loans received in 2015 was 177,603,070; total amount of loans and interest repaid in 2015 was 47,569,122 (in 2014: total amount of loans received was 26,207,571 and total amount of loans repaid was 15,317,606; in 2013: total amount of loans received was 15,887,351 and total amount of loans repaid was 83,699,087).

In 2013–2015, the Company used the credit facility of 60,000,000 that was opened by Gazprombank (Joint Stock Company) in 2012 and is to be repaid in 2017.

In 2013, credit lines of 60,000,000 and 30,000,000 were opened for the Company by PJSC Sberbank and PJSC Bank VTB, respectively, to be repaid in 2018.

In December 2014, the Company received a short-term loan of 26,207,571 from UniCredit Bank Austria AG at the interest rate determined for each interest period at EURIBOR +2.75%, to be repaid in 2015. In December 2015 this loan was repaid.

11. Borrowings and loans (continued)

In December 2011, the Company received a loan of 25,416,080 from Bank of Tokyo-Mitsubishi UFJ Ltd. for the development of Bovanenkovo gas field, repayable in December 2016, with the interest rate determined for each interest period at LIBOR + 1.95%.

In August 2015, the Company borrowed a loan from China Construction Bank Corporation in the amount of 95,759,850 with the interest rate determined for each interest period at LIBOR + 3.50%, to be repaid in 2020.

In January 2015, the Company borrowed a loan from Intesa Sanpaolo S.P.A. in the amount of 27,149,150 with the interest rate determined for each interest period at EURIBOR + 2.75% to be repaid in 2016.

In April 2015, the Company received a loan of 26,986,400 from JP Morgan Europe Limited with the interest rate determined for each interest period at LIBOR + 3.25% to be repaid in 2018.

In July 2015, the Company received a loan of 18,496,680 from UniCredit Bank Austria AG with the interest rate determined for each interest period at EURIBOR + 3.60% to be repaid in 2019.

In June 2015, the Company borrowed a loan from Intesa Sanpaolo S.P.A. in the amount of 9,210,990 with the interest rate determined for each interest period at EURIBOR + 3.60% to be repaid in 2019.

A fixed interest rate on long-term foreign currency loans was 8.87% in 2015 and 2014 and it ranged from 8.87% to 9.63% in 2013. In addition, LIBOR and EURIBOR rates were also used in 2013–2015.

In 2015, a rate varying from 2.75% to 2.832% was used for short-term foreign currency loans, in 2014 the rate of 2.83% was used and the rate of 0.5% was used in 2013.

In 2013–2015, no short-term and long-term loans denominated in Russian Rubles were received.

Loans

| Lenders | Currency | Maturity | 31 December | | |
|--------------------------------|----------------|----------|-------------|-------------|-------------|
| | | | 2015 | 2014 | 2013 |
| Gazprom Sakhalin Holdings B.V. | US Dollars | 2015 | 392,542,314 | 373,307,206 | 379,748,578 |
| Gaz Capital S.A. | Euro | 2018 | 254,574,904 | 149,295,980 | 98,237,636 |
| Gaz Capital S.A. | Euro | 2017 | 196,579,419 | 168,572,651 | 110,921,799 |
| Gaz Capital S.A. | US Dollars | 2016 | 172,317,300 | 133,012,300 | 77,381,977 |
| Gaz Capital S.A. | US Dollars | 2022 | 171,206,892 | 132,155,173 | 76,883,329 |
| Gaz Capital S.A. | US Dollars | 2019 | 166,851,276 | 128,793,058 | 74,927,367 |
| Gaz Capital S.A. | Euro | 2020 | 130,021,678 | 111,497,424 | 73,361,888 |
| Gaz Capital S.A. | US Dollars | 2037 | 93,593,230 | 72,244,928 | 42,029,611 |
| Gaz Capital S.A. | US Dollars | 2034 | 88,778,588 | 68,528,489 | 39,867,848 |
| Gaz Capital S.A. | US Dollars | 2018 | 81,622,243 | 63,004,482 | 36,653,838 |
| Rosingaz Ltd. | Russian Rubles | 2016 | 78,132,232 | 70,651,374 | 65,814,508 |
| Gaz Capital S.A. | US Dollars | 2028 | 66,902,219 | 51,642,047 | 30,043,565 |
| Gaz Capital S.A. | Euro | 2021 | 61,594,581 | 52,819,171 | – |
| Gaz Capital S.A. | US Dollars | 2020 | 59,210,310 | 45,704,637 | 26,589,384 |
| Gaz Capital S.A. | US Dollars | 2021 | 44,881,167 | 34,643,923 | 20,154,641 |
| Gaz Capital S.A. | Euro | 2025 | 41,211,208 | 35,339,827 | 23,253,815 |
| Gaz Capital S.A. | Swiss francs | 2019 | 36,956,997 | 28,637,001 | 18,443,868 |
| OOO Gazprom Capital | Russian Rubles | 2016 | 15,421,644 | 15,418,520 | 15,415,397 |
| BO-19 series Russian bonds | Russian Rubles | 2043 | 15,245,550 | 15,133,800 | 15,102,000 |
| BO-20 series Russian bonds | Russian Rubles | 2043 | 15,245,550 | 15,133,800 | 15,102,000 |
| OOO Gazprom Capital | Russian Rubles | 2017 | 10,282,945 | 10,280,849 | 10,278,753 |

11. Borrowings and loans (continued)

| Lenders | Currency | Maturity | 31 December | | |
|--|----------------|-----------|----------------------|----------------------|----------------------|
| | | | 2015 | 2014 | 2013 |
| OOO Gazprom Capital | Russian Rubles | 2018 | 5,141,473 | 5,140,425 | 5,139,377 |
| OOO Gazprom Export | Russian Rubles | on demand | 3,500,000 | 3,500,000 | – |
| OOO Gazprom Komplektatsia | Russian Rubles | 2016 | 352,834 | 1,952,834 | 188,583 |
| Gaz Capital S.A. | Euro | 2015 | – | 133,056,410 | 87,551,904 |
| Gaz Capital S.A. | US Dollars | 2015 | – | 96,133,813 | 32,877,340 |
| Gaz Capital S.A. | Euro | 2014 | – | – | 68,340,759 |
| Gaz Capital S.A. | US Dollars | 2014 | – | – | 42,296,695 |
| BO-21 series Russian bonds | Russian Rubles | 2044 | – | 15,281,400 | – |
| OOO Gazprom Resource Nortgas | Russian Rubles | 2015 | – | 8,476,000 | – |
| White Night Finance B.V. | US Dollars | 2014 | – | – | 42,681,604 |
| Gazprom Finance B.V. | Russian Rubles | 2014 | – | – | 13,154,757 |
| A9 series Russian bonds | Russian Rubles | 2014 | – | – | 5,137,650 |
| A11 series Russian bonds | Russian Rubles | 2014 | – | – | 5,013,200 |
| Loans from subsidiaries | Russian Rubles | 2016 | 23,734,554 | – | – |
| Total | | | 2,225,901,108 | 2,039,357,522 | 1,552,593,671 |
| including | | | | | |
| due within one year, including current portion of long-term loans | | | 720,860,571 | 714,454,010 | 644,133,867 |

Total amount of loans received in 2015 was 296,467,462; total amount of loans and interest repaid in 2015 was 634,900,917 (in 2014 total amount of loans received was 187,254,897 and total amount of loans repaid was 595,328,883; in 2013 the total amount of loans received was 375,258,002 and the total amount of loans repaid was 199,256,886).

In August 2012, the Company raised a loan of 12,000,000 from Gazprom Finance B.V. In 2013, the loan was extended to 2014. In 2014 the interest rate was 6.86%, in 2013 and 2012 it ranged from 6.86% to 6.90% and from 6.00% to 6.90% respectively. In June 2014 the Company repaid this loan.

In 2013, the Company raised a loan from Gazprom Sakhalin Holdings B.V. totaling 78,861,616 and repaid the principal and interest on the loan in the amount of 3,464,192. In 2014, this loan was extended to 2015 and increased by 33,192,416 and also the principal and interest on the loan in the amount of 277,712,968 were repaid. In 2015, this loan was extended to 2016 and increased by 36,357,049 and also the principal and interest on the loan in the amount of 113,052,975 were repaid. In 2015, the interest rate ranged from 2.15% to 3.60%, in 2014 and 2013 from 1.20% to 2.15% and from 0.85% to 1.50%, respectively.

In February 2013, the Company raised two loans from Gaz Capital S.A. related to the issue of loan participation notes of 24,098,480 maturing in 2020 at 3.85% and of 27,110,790 maturing in 2028 at 4.95%.

In March 2013, the Company raised two loans from Gaz Capital S.A. related to the issue of loan participation notes of 39,875,200 maturing in 2020 at 3.389% and of 19,937,600 maturing in 2025 at 4.364%.

In 2013, the Company raised three loans from Gaz Capital S.A. related to the issue of loan participation notes — in July a loan of 38,450,610 maturing in 2018 at 3.7%; in September, a loan of 25,684,656 maturing in 2020 at 4.39%; and in October a loan of 17,741,700 maturing in 2019 at 2.85%.

11. Borrowings and loans (continued)

In 2014, the Company raised two loans from Gaz Capital S.A. related to the issue of loan participation notes — in February a loan of 36,649,050 maturing in 2021 at 3.6%; and in November a loan of 33,514,180 maturing in 2015 at 4.30%. In November 2015 this loan was repaid.

In October 2015, the Company raised a loan from Gaz Capital S.A related to the issue of loan participation notes in the amount of 72,050,600 maturing in 2018 at 4.625%.

In February 2013, the Company raised three loans from OOO Gazprom Capital of 5,000,000, 10,000,000 and 15,000,000 maturing in 2018, 2017 and 2016, at 7.65%, 7.65% and 7.60%, respectively.

In September 2014, the Company raised a short-term loan of 8,476,000 from OOO Gazprom Resource Nortgas at 8.17%. The Company repaid the full amount of this loan in September 2015.

In July 2013, the Company raised two loans from Rosingaz Ltd. in the amount of 20,000,000 and 19,000,000 at 7.50% and due to in 2013. In December 2013, these loans were extended to 2014 at 6.90% and repaid in 2014.

In June 2014, the Company raised two loans from Rosingaz Ltd. in the amount of 20,200,000 and 21,400,000 at 8.46% and due to in 2015. In 2015, these loans were extended to 2016 at 11.51%.

In 2015, in order to centralize the management of Gazprom Group cash flows the Company raised Russian Ruble loans from its subsidiaries at interest rate ranging from 0.00% to 12.61% to be repaid in 2016. The total amount of loans received was 188,059,813 and the total amount of loans and interest paid amounted to 164,371,690.

Interest rates on other Russian Ruble short-term loans ranged from 8.17% to 11.51% in 2015, from 8.17% to 8.46% in 2014 and from 6.90% to 7.50% in 2013.

Interest rates on other Russian Ruble long-term loans ranged from 1.50% to 11.51% in 2015, from 1.50% to 10.92% in 2014 and from 1.50% to 13.75% in 2013.

In 2014–2015, no short-term foreign currency loans were borrowed by the Company, in 2013 interest rate on short-term foreign currency loans was 2.00%.

Interest rates on foreign currency long-term loans received from Gaz Capital S.A. related to the issue of loan participation notes ranged from 2.85% to 9.25% in 2015, 2014 and 2013.

Interest rates on other foreign currency long-term loans ranged from 2.15% to 3.6% in 2015, from 1.20% to 10.50% in 2014 and from 0.85% to 10.50% in 2013.

The amounts of loans (borrowings) that the Company did not draw down for the reason of no need amounted to 71,167,080, 56,539,766 and 16,472,648 as at 31 December 2015, 2014 and 2013, respectively.

12. Taxation

Income tax

Income tax determined based on accounting profit (loss) and statutory rates (20%, 13%, 9%, 0%) amounted to 33,098,025 (provisional income tax expense) and a negative amount of 19,533,330 (provisional income tax benefit) in 2015 and 2014, respectively. According to the Company's data, the current income tax was 14,074,273 and 54,082,641 in 2015 and 2014, respectively.

According to the amended 2013 tax return submitted in 2015, the income tax amounted to 562. According to the amended tax returns submitted in 2014 for the period of 2012–2013, the income tax amounted to 111,082.

Permanent differences, which increase the taxable profit of the reporting year, amounted to 679,373,261 and 767,394,903 (net of the doubtful debt provision) in 2015 and 2014, respectively. An amount of permanent which decrease the taxable profit amounted to 685,517,819 and 271,152,971 (net of the doubtful debt provision) in 2015 and 2014, respectively. In 2015 the amount of permanent differences decreasing the taxable profit was greater than the amount

12. Taxation (continued)

of permanent differences increasing the taxable profit by 6,144,558. As a result the income tax amount calculated based on the tax profit is less than the provisional income tax expense at 1,131,436 unlike the year of 2014 when the amount of permanent differences increasing the taxable profit over the amount of permanent differences decreasing the taxable profit was 496,241,932 and resulted in an excess of the income tax amount calculated based on tax profit over the provisional income tax asset at 99,653,392.

Deductible temporary differences amounted to 254,266,660 and 113,531,688 in 2015 and 2014, respectively; deductible temporary differences settled amounted to 82,589,778 and 64,233,038 in 2015 and 2014, respectively. In 2015, newly originated deductible temporary differences exceeded redeemed deductible temporary differences by 171,676,882 and resulted in an increase of the deferred tax asset by 34,335,376. In 2014, originated deductible temporary differences exceeded redeemed deductible temporary differences by 49,298,650 and resulted in an increase of the deferred tax asset by 9,859,730.

Deductible temporary differences have primarily changed due to recognition in the accounting records of the bad debt provision as at 31 December 2015. Consequently deductible temporary differences originated in the amount of 131,267,074 and increased the deferred tax asset by 26,253,415. In 2014 no bad debt provision was recognized in the tax accounting.

In addition, net profit for 2015 was decreased by written off deferred tax assets of 286,802, such a decrease being recorded in the line "Other" (line 2460) in the statement of financial results. In 2014 net profit was decreased by deferred tax asset of 21,553.

Taxable temporary differences amounted to 276,773,098 in 2015 and to 277,951,756 in 2014; taxable temporary differences settled in 2015 and 2014 totaled 15,577,035 and 99,618,121, respectively. In 2015, newly originated taxable temporary differences exceeded the redeemed taxable temporary differences by 261,196,063 as a result of which the deferred tax liability increased by 52,227,130. In 2014 newly originated taxable temporary differences exceeded the redeemed taxable temporary differences by 178,333,635 as a result of which the deferred tax liability increased by 35,786,069.

Taxable temporary differences have primarily arisen from different methods of depreciation used for statutory accounting and tax accounting purposes, resulting in a deferred tax liability increase of 35,395,708 in 2015 (in 2014: 30,463,608).

In addition, net profit for 2015 was increased by written off deferred tax liabilities of 237,927, such an increase being recorded in the line "Other" (line 2460) in the statement of financial results. In 2014, net profit was increased by written off deferred tax liabilities in the amount of 11,236.

The CGT was established in Gazprom Group from 1 January 2012. PJSC Gazprom is the responsible member of the CGT. The contract on creation of the CGT Group consisting of 56 members was registered with the Interregional Inspectorate of the Russian Federal Tax Service dealing with major taxpayers No. 2 on 20 April 2012. In December 2012 an amendment to the contract on creation of Gazprom Group CGT was registered with the Interregional Inspectorate of the Russian Federal Tax Service dealing with major taxpayers No. 2. In accordance with the amendment the number of CGT members was increased to 65 participants from 1 January 2013. In 2013 Supplement No. 2 of 26 November 2013 to the contract on creation of Gazprom Group CGT was registered with the Interregional Inspectorate of the Russian Federal Tax Service dealing with major taxpayers No. 2. In accordance with the amendment the number of CGT members was increased to 69 participants from 1 January 2014. In 2014 Supplement No. 3 of 26 November 2014 to the contract on creation of Gazprom Group CGT was registered with the Interregional Inspectorate of the Russian Federal Tax Service dealing with major taxpayers No. 2. In accordance with the amendment the number of CGT members was decreased to 65 from 1 January 2015. In 2015 an amendment to the contract on creation of Gazprom Group CGT № 4 of 26 November 2015 was registered with the Interregional Inspectorate of the Russian Federal Tax Service dealing

12. Taxation (continued)

with major taxpayers No. 2. In accordance with the amendment the number of CGT members was increased to 67 participants from 1 January 2016.

The income tax of CGT for 2014 and 2015 amounted to 50,222,003 and 89,883,127, respectively.

Other taxes

VAT accrued upon dispatch (transfer) of goods (works, services, property rights) including VAT accrued upon receipt of payment, partial payment against forthcoming supplies of goods (works, services, property rights) and reversed amounts of previously accepted VAT with respect to payment, partial payment issued against forthcoming purchases of goods (works, services, property rights) totaled 503,639,045 and 477,175,016 for 2015 and 2014, respectively.

13. Accounts payable

As at 31 December 2015, 2014 and 2013 the balance sheet line "Advances Received" (line 1527) within accounts payable (payment expected within 12 months of the reporting date) includes the advances of 50,016,017, 75,007,577 and 92,350,297, respectively, received by the Company from gas customers under commission agreements between PJSC Gazprom and OOO Gazprom Export in accordance with the terms of gas supply contracts.

Trade accounts payable mainly include accounts payable to related parties (Note 18).

Additional information is provided in table forms 5.3 "Movement of Accounts Payable" and 5.4 "Past Due Accounts Payable" of the Notes to the Balance Sheet and Statement of Financial Results.

14. Sale of goods, work and services

| | 2015 | 2014 |
|--|----------------------|----------------------|
| Revenue from gas sales: | | |
| in Russia | 915,390,281 | 940,809,973 |
| outside Russia, including: | 2,138,988,519 | 1,946,585,062 |
| to far abroad countries | <u>1,748,053,925</u> | <u>1,552,179,456</u> |
| | 3,054,378,800 | 2,887,395,036 |
| Revenue from leasing out assets | 728,068,425 | 604,297,807 |
| Revenue from sale of gas condensate and refined products | 285,768,552 | 261,300,208 |
| Revenue from sale of gas transportation services | 247,468,705 | 227,352,970 |
| Other | <u>18,608,995</u> | <u>9,934,151</u> |
| Total | 4,334,293,477 | 3,990,280,172 |

Revenues from gas sales outside Russia include revenue from export gas sales through an agent as well. Revenues from sales of gas to far abroad countries in 2015 were reduced by 10,552,146 as an adjustment for gas supplies made in 2015, prices of which were revised in 2015. Revenues from sales of gas to far abroad countries in 2014 were reduced by 14,701,147 as an adjustment for gas supplies made in 2014, prices of which were revised in 2014.

14. Sale of goods, work and services (continued)

The Company's customers, each contributing material percentage of the total revenue from gas sales, are presented below:

| | 2015 | 2014 |
|------------------------------|-------------|-------------|
| OOO Gazprom Mezhrefiongaz | 791,887,357 | 828,649,404 |
| OOO Gazprom Transgaz Belarus | 170,151,334 | 137,116,797 |

15. Cost of goods, work and services sold and selling expenses (lines 2120 and 2210 in The Statement of Financial Results)

| | 2015 | 2014 |
|---|----------------------|----------------------|
| Purchase cost of gas, including gas sold | | |
| in Russia | 470,712,943 | 465,599,210 |
| outside Russia, including: | 581,716,277 | 565,609,054 |
| to far abroad countries | 509,298,647 | 489,118,916 |
| | 1,052,429,220 | 1,031,208,264 |
| Gas transportation costs, including gas sold | | |
| in Russia | 369,460,764 | 375,720,913 |
| outside Russia, including: | 784,530,582 | 588,970,526 |
| to far abroad countries | 687,049,655 | 492,779,889 |
| | 1,153,991,346 | 964,691,439 |
| Cost of assets leasing out | 717,876,095 | 602,605,545 |
| Cost of purchased gas condensate, oil products and their refinery and transportation | 220,733,276 | 163,442,149 |
| Cost of gas transportation services | 265,592,456 | 228,705,134 |
| Cost of other sales | 23,264,987 | 15,565,459 |
| Total | 3,433,887,380 | 3,006,217,990 |

16. Other income and expenses

| | 2015 | | 2014 | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Income | Expenses | Income | Expenses |
| Sale of foreign currency | 2,583,075,449 | 2,580,833,332 | 2,453,917,185 | 2,452,153,801 |
| Exchange differences on foreign currency transactions | 1,378,583,418 | 1,617,269,789 | 628,813,715 | 1,074,301,869 |
| Bad debt provision accrual/release | 10,487,458 | 190,830,887 | 161,483,759 | 418,132,304 |
| Movement of investments | 26,398,240 | 21,864,297 | 96,080,973 | 127,622,838 |
| Prior year profit (loss) | 24,755,820 | 3,918,214 | 25,831,674 | 7,265,119 |
| Recognition/release of estimated liabilities related to gas price adjustments (Note 19) | 24,932,052 | 93,878,699 | 2,246,369 | 50,815,713 |
| Investments impairment provision accrual/release | 9,043,682 | 12,715,975 | 127 | 22,463,039 |
| Contributions to subsidiaries' property | – | 116,719,038 | – | 70,863,643 |
| Costs of mineral resources development | – | 18,673,242 | – | 43,180,317 |
| Market value revaluation of investments | 56,761,588 | – | – | 29,068,347 |
| Charity expenses | – | 17,634,730 | – | 18,112,103 |
| Other | 6,218,886 | 53,384,733 | 6,755,079 | 49,288,101 |
| Total | 4,120,256,593 | 4,727,722,936 | 3,375,128,881 | 4,363,267,194 |

In 2015, due to an increase in the share quotation of investees the Company recognized a gain of 56,761,588 from market revaluation of investments as at 31 December 2015, including a gain of 56,748,987 on PJSC Gazprom Neft shares. Due to a decrease in the share quotation of investees the Company recognized a loss of 29,068,347 from market revaluation of investments as at 31 December 2014, including a loss of 28,590,037 on PJSC Gazprom Neft shares.

The Company's investments in its subsidiary and associates are of a long-term nature and are not intended to derive profit from movements of share quotations in the Russian stock exchanges.

In 2015, the line "Profit (loss) of previous years" demonstrated a positive effect of gas price revision amounting to 17,020,764. In 2014 the positive effect of gas price revision was 899,969. These adjustments relate to gas supplies of prior years for which price adjustments were agreed in 2015 and 2014, respectively.

The line "Contributions to Subsidiaries' Property" includes contributions paid into the property of subsidiaries under decisions adopted by the participant (the Company) in 2004–2015. As at 31 December 2015, 2014 and 2013 contributions in the subsidiaries' property that were to be made according to the taken decisions amounted to 152,118,825, 31,868,416 and 45,534,389, respectively.

Income and expenses from accrual and reversal of the bad debt provision are reported by the Company on a net basis except for a gain from a reversed bad debt provision relating to the debts settled during the year.

The line "Other Expenses" includes pension contributions of 1,580,128 and 1,218,271 transferred to PJSC Gazprom's joint account in NPF Gazfund in 2015 and 2014, respectively. Non-state pensions shall be paid to employees of the Company when corresponding conditions are met.

17. Earnings per share

Basic earnings per share have been calculated by dividing the net profit for the year by the weighted average number of common shares outstanding during the year. The weighted average number of shares totaled 23,673,513 thousand during the years ended 31 December 2015, 2014 and 2013.

As of the beginning and the end of the reporting period the Company did not have any potentially dilutive securities and therefore the diluted profit per share was not calculated.

18. Related parties

Major 100% subsidiaries of PJSC Gazprom

| | |
|------------------------------------|---------------------------------------|
| OOO Aviapredpriyatiye Gazprom Avia | OOO Gazprom SPG Vladivostok |
| OOO Gaz Oil | OOO Gazprom Telecom |
| ZAO Gazprom Armenia | OOO Gazpromtrans |
| OOO Gazprom VNIIGAZ | OAO Gazprom Transgaz Belarus |
| OOO Gazprom Gaznadzor | OOO Gazprom Transgaz Volgograd |
| OOO Gazprom Gazobezopasnost | OOO Gazprom Transgaz Ekaterinburg |
| OOO Gazprom Geologorazvedka | OOO Gazprom Transgaz Kazan |
| OOO Gazprom Georesource | OOO Gazprom Transgaz Krasnodar |
| OOO Gazprom Dobycha Irkutsk | OOO Gazprom Transgaz Makhachkala |
| OOO Gazprom Dobycha Krasnodar | OOO Gazprom Transgaz Moskva |
| OOO Gazprom Dobycha Kuznetsk | OOO Gazprom Transgaz Nizhny Novgorod |
| OOO Gazprom Dobycha Nadym | OOO Gazprom Transgaz Samara |
| OOO Gazprom Dobycha Noyabrsk | OOO Gazprom Transgaz Saint Petersburg |
| OOO Gazprom Dobycha Urengoy | OOO Gazprom Transgaz Saratov |
| OOO Gazprom Dobycha Shelf | OOO Gazprom Transgaz Stavropol |
| Yuzhno-Sakhalinsk | OOO Gazprom Transgaz Surgut |
| OOO Gazprom Dobycha Yamburg | OOO Gazprom Transgaz Tomsk |
| OOO Gazprom Invest | OOO Gazprom Transgaz Ufa |
| OOO Gazprom Investproject | OOO Gazprom Transgaz Ukhta |
| OOO Gazprom Investholding | OOO Gazprom Transgaz Chaykovsky |
| OOO Gazprom Inform | OOO Gazprom Transgaz Yugorsk |
| OOO Gazprom Capital | ZAO Gazprom Flot |
| OOO Gazprom Komplektatsia | OOO Gazprom Tsentrreremont |
| OOO Gazprom Kyrgyzstan | OOO Gazprom Export |
| OOO Gazprom Mezhtregiongaz | OOO Gazprom Energo |
| OOO Gazprom Pererabotka | OOO Gazprom Energoholding |
| OOO Gazprom Proektirovaniye | Gazprom (U.K.) Limited |
| OOO Gazprom PHG | OOO Novourengoysky GCC |
| OOO Gazprom Russkaya | South Stream Transport B.V. |
| (former — OOO Kovyktaneftegaz) | OOO TyumenNIIgiprogas |
| OOO Gazprom Svyaz | ZAO Yamalgazinvest |
| OOO Gazprom Sotsinvest | |

18. Related parties (continued)

In October 2015, the Company purchased 2,188,400 additional registered common shares of ZAO Gazprom Armenia for 1,464,923 placed in connection with the increase of the charter capital.

In 2015, the Company made an additional contribution of 80,269,668 to the charter capital of OOO Novourengoysky GCC. As at 31 December 2015, no increase in the charter capital of OOO Novourengoysky GCC was registered, therefore the Company recorded settlements related to the contribution to the charter capital of OOO Novourengoysky GCC within "Other Debtors" (payments expected within 12 months after the reporting date) (balance sheet line 1239).

Other major subsidiaries of PJSC Gazprom

| Company name | Share in the charter capital, % | Type of business | Location |
|---|---------------------------------------|---|-------------|
| SP OAO Brestgazoapparat | 51.0% | Manufacturing of household gas equipment | Belarus |
| OAO Vostokgazprom | 99.98% | Production, processing and sale of gas and gas condensate | Russia |
| Gazprom EP International B.V. | 0.02104% | Investment activities | Netherlands |
| OAO Gazmash | 99.99% | Manufacturing of household fuel using equipment | Russia |
| OOO Gazpromviet | 51.0% | Exploration, oil and gas transportation and processing | Russia |
| PJSC Gazprom Neft (former — OJSC Gazprom Neft) | 95.68% | Oil production, processing and sale | Russia |
| Gazprom Sakhalin Holdings B.V. | 97.01% | Financing and investing activities | Netherlands |
| OOO Gazprom Torgservice | 99.0% | Trading | Russia |
| OAO Gazpromrubeinvest | 99.87% | Manufacturing and sale of pipes | Russia |
| Gazprom Finance B.V. | 0.0056% | Financing and investing activities | Netherlands |
| Gazprom Holding Cooperativa U.A. | 99.99972% | Financing and investing activities | Netherlands |
| ZAO Gazprom YuRGM Development | 75.0% | Sale of hydrocarbons | Russia |
| ZAO Gazprom YuRGM Trading | 75.0% | Gas production, storage and transportation | Russia |
| OAO Daltransgaz | 87.99% | Gas transportation | Russia |
| OAO Kamchatgazprom | 92.25% | Production, processing and sale of gas and gas condensate | Russia |
| OOO Lazurnaya | 99.69% | Hotel business | Russia |
| South Stream Serbia AG | 51.0% | Design, construction and operation of the South Stream pipeline section | Serbia |
| OAO Severneftegazprom | 40.0% | Production, processing and sale of gas and gas condensate | Russia |
| OAO Tsentr gaz | 99.99% | Construction | Russia |
| OAO Chechengazprom | 99.99% | Gas delivery, transportation and sale in the Chechen Republic | Russia |

In November 2015, the Company purchased from Gazprom Finance B.V. 5.68% of the charter capital of PJSC Gazprom Neft for 39,029,422. As a result of this transaction the interest of the Company in PJSC Gazprom Neft grew from 90% to 95.68%.

18. Related parties (continued)

Major associates of PJSC Gazprom

| Company name | Share in the charter capital, % | Type of business | Location |
|-----------------------------------|---------------------------------------|--|-------------|
| AO Belgazprombank | 49.66% | Banking | Belarus |
| Gazprombank (Joint Stock Company) | 35.54% ¹ | Banking | Russia |
| AO Gastranzit | 40.22% | Construction, management and operation of industrial gas facilities | Ukraine |
| AO Gazum | 25.0% | Sale of gas | Finland |
| Pipeline Company Blue Stream B.V. | 50.0% | Gas transportation | Netherlands |
| AO EuRoPol Gas | 48.0% | Gas transportation and sale | Poland |
| TOO KazRosGaz | 50.0% | Gas transportation and sale | Kazakhstan |
| AO Latvijas Gaze | 34.0% | Gas transportation and sale | Latvia |
| ZAO Leader | 25.71% | Trust management of NSPF pension reserves, management of insurance companies and mutual funds | Russia |
| AO Moldovagaz | 50.0% | Gas transportation and sale | Moldova |
| Nord Stream AG | 51.0% | Design, construction and operation of the North Stream pipeline section | Switzerland |
| ZAO Rosshelf | 39.51% | Gas production | Russia |
| South Stream Austria GmbH | 50.0% | Design, construction and operation of the South Stream pipeline section | Austria |
| South Stream Bulgaria A.D. | 50.0% | Design, construction and operation of the South Stream pipeline section | Bulgaria |
| South Stream Hungary | 50.0% | Design, construction and operation of the South Stream pipeline section | Hungary |
| South Stream Greece S.A. | 50.0% | Design, construction and operation of the South Stream pipeline section | Greece |
| South Stream Slovenia LLC | 50.0% | Design, construction and operation of the South Stream pipeline section | Slovenia |
| OOO TsentrKaspneftegaz | 50.0% | Exploration of oil and gas fields | Russia |
| AO YugoRosGaz | 50.0% | Gas transportation and sale | Serbia |

¹ This is a stake of voting shares.

In December 2013, the Company made an additional contribution of 4,365,472 to the charter capital of South Stream Bulgaria A.D. The increase in the charter capital of South Stream Bulgaria AG was registered in 2015.

18. Related parties (continued)

Other major related parties

| | |
|---------------------------------------|---|
| Bosphorus Gas Corporation A.S. | OOO Gazprom Neftekhim Salavat |
| B&G Beteiligungs GmbH and Co. KG | OOO Gazprom Neft Shelf |
| Wintershall Erdgas | Gazprom (Switzerland) AG |
| Handelshaus GmbH & Co. KG | GASCADE Gastransport GmbH |
| WIEE AG (former — Wintershall Erdgas) | OPAL Gastransport GmbH and Co. KG |
| Handelshaus Zug AG | AO Overgas Inc. |
| Gazprom Austria GmbH | PAO WGC-2 |
| OOO Gazprom Gazoraspredelenie | ZAO Panrusgaz |
| AO Gazprom Gasenergaset | PremiumGas S.P.A. |
| (former — OAO Gazprom Gasenergaset) | AO Promgaz S.P.A. |
| Gazprom Germania GmbH | ZAO Purgaz |
| OOO Gazprom Dobycha Astrakhan | Rosingaz Ltd. |
| OOO Gazprom Dobycha Orenburg | Sakhalin Energy Investment Company Ltd. |
| OOO Gazprom Invest Vostok | OOO TGC-1 |
| ZAO Gazprom Invest Yug | Wingas GmbH |
| OOO Gazprom Engineering | OOO Gazprom Resource Nortgas |
| OOO Gazprom Szhizheny Gaz | AO Eesti Gaas |
| Gazprom Marketing and Trading Ltd. | OOO SOGAS |
| OOO Gazprom Podzemremont Orenburg | OOO Gazprom Sera (Sulphur) |
| OOO Gazprom Podzemremont Urengoy | |

The Company owns directly or through its subsidiaries the blocks of shares or has ownership interest in the above companies. In addition, the Company has its representatives in the Boards of Directors thus influencing their business significantly. The above companies (except for OAO Gazprom Neftekhim Salavat, AO Gazprom Gazenergaset, OOO Gazprom Podzemremont Orenburg, OOO Gazprom Podzemremont Urengoy, OOO Gazprom Resource Nortgas, PAO WGC-2, OAO TGC-1, OOO Gazprom Engineering, Rosingaz Ltd., ZAO Gazprom Invest Yug, OOO Gazprom Neft Shelf, OOO Gazprom Sera, OOO Gazprom Invest Vostok and OAO SOGAS) are involved in gas transportation and sale.

In March 2015, the stake of the Company in OOO Gazprom Dobycha Astrakhan fell from 100% to 1% in connection with transfer of its ownership interest in the charter capital amounting to 6,861,600 as a contribution to the charter capital of OOO Gazprom Pererabotka. As a result of this transaction OOO Gazprom Dobycha Astrakhan moved from the list of major 100% owned subsidiaries to the list of other major related parties.

In March 2015, the stake of the Company in OOO Gazprom Dobycha Orenburg fell from 100% to 1% in connection with transfer of its ownership interest in the charter capital amounting to 5,367,921 as a contribution to the charter capital of OOO Gazprom Pererabotka. As a result of this transaction OOO Gazprom Dobycha Orenburg moved from the list of major 100% owned subsidiaries to the list of other major related parties.

In November 2015, the stake of the Company in OOO Gazprom Invest Vostok fell from 100% to 1% in connection with sale of its ownership interest in the charter capital amounting to 23,000 to OOO Factoring-Finance. As a result of this transaction the company moved from the list of major 100% owned subsidiaries to the list of other major related parties.

18. Related parties (continued)

Related party transactions

Figures for 2013 and 2014 are adjusted so as to follow the comparability principle of current and prior period accounting information concerning transactions with related parties.

PJSC Gazprom's transactions with major wholly owned subsidiaries

| | 2015 | 2014 |
|---|---------------|---------------|
| Sale (net of VAT, excise, customs duties and similar payments): | | |
| gas | 1,099,743,531 | 1,093,436,790 |
| leased-out assets | 702,544,382 | 581,657,297 |
| gas transportation services | 11,600,397 | 13,493,378 |
| gas condensate and oil refinery products | 5,999,172 | 6,451,371 |
| Purchase: | | |
| gas transportation and storage services | 1,076,970,944 | 973,462,774 |
| gas | 536,148,392 | 522,397,051 |
| liquid hydrocarbons | 72,878,763 | 51,044,194 |
| liquid hydrocarbons processing services | 28,669,484 | 24,237,094 |

Prices for gas, gas transportation and storage services purchased from the major wholly owned subsidiaries of PJSC Gazprom (except for OJSC Gazprom Transgas Belarus) were set in accordance with the Price List named Internal Settlement (Wholesale) Prices of Gas and Internal Settlement Tariffs for Gas Transportation and Storage Services for PJSC Gazprom Entities as approved by PJSC Gazprom. Gas and gas transportation services were provided to the major wholly owned subsidiaries (except for OJSC Gazprom Transgas Belarus) based on the above Price List. Prices for liquid hydrocarbons and liquid hydrocarbons processing services purchased from the major wholly owned subsidiaries were set in accordance with the Price List named Internal Settlement Prices of Hydrocarbons and Hydrocarbon Processing Services for Making Contracts between PJSC Gazprom and its Subsidiaries, as approved by PJSC Gazprom. Prices for OJSC Gazprom Transgaz Belarus were set in accordance with the contract.

Accounts receivable from and accounts payable to major wholly owned subsidiaries of PJSC Gazprom were as follows:

| | 31 December | | |
|-------------|---------------|---------------|---------------|
| | 2015 | 2014 | 2013 |
| Receivables | 1,673,926,274 | 1,256,081,370 | 1,324,701,015 |
| Payables | 375,120,974 | 356,156,967 | 307,243,730 |

Accounts receivable include outstanding interest free loans given to the major wholly owned subsidiaries in the amount of 166,747,737, 31,153,854 and 10,732,370 as at 31 December 2015, 2014 and 2013, respectively.

18. Related parties (continued)

Loans due from the major wholly owned subsidiaries of PJSC Gazprom were as follows:

| | 31 December | | |
|--|-------------|------------|------------|
| | 2015 | 2014 | 2013 |
| Loans due to after more than 12 months of the reporting date | 1,862,500 | 51,700,500 | 51,885,000 |
| Loans due within 12 months of the reporting date | 1,211,000 | 15,485,809 | 4,374,099 |

Interest on loan that the Company granted to its major wholly owned subsidiaries was 3,289,990, 4,900,892 and 2,318,272 in 2015, 2014 and 2013, respectively. The Company granted loans to its major wholly owned subsidiaries at the interest rates in the range from 7.82% to 16.16%, from 7.05% to 10.81% and from 2.86% to 9.04% in 2015, 2014 and 2013, respectively.

Debt of the Company on loans it received from its major wholly owned subsidiaries was as follows:

| | 31 December | | |
|--|-------------|------------|------------|
| | 2015 | 2014 | 2013 |
| Loans due beyond 12 months of the reporting date | 15,000,000 | 31,952,834 | 30,188,583 |
| Loans due within 12 months of the reporting date | 42,900,749 | 4,339,794 | 833,527 |

As at 31 December 2015 the debt on loans received from OOO Gazprom Capital due after more than 12 months of the reporting date amounted to 15,000,000 and as at 31 December 2014 the debt on this loan was 30,000,000.

Interest on loans that the Company received from its major wholly owned subsidiaries was 2,346,654, 2,309,985 and 1,993,829 in 2015, 2014 and 2013, respectively.

The Company received loans from its major wholly owned subsidiaries at the interest rates ranging from 0.00% to 12.61% in 2015; from 0.00% to 7.65% in 2014 and from 1.50% to 7.65% in 2013.

In 2015, the Company allocated cash of 164,336,037 for the increase of charter capitals of its major wholly owned subsidiaries (2014: 8,405,922 and 2013: 83,300,234). These amounts included 15,000,000 to increase the charter capital of OOO Gazprom Pererabotka (2014: 3,060,000; 2013: 10,000,000) and 55,100,000 to increase the charter capital of OOO Gazprom Energoholding (in 2013 50,000,000). In 2014 no cash was allocated to increase the charter capital of OOO Gazprom Energoholding.

Guarantees issued by the Company on behalf of its other major wholly owned subsidiaries totaled 289,534,098, 237,469,427 and 182,819,292 as of 31 December 2015, 2014 and 2013, respectively.

Transactions with other major subsidiaries

| | 2015 | 2014 |
|---|-------------|-------------|
| Sale (net of VAT, excise, customs duties and similar payments): | | |
| gas transportation services | 46,526,950 | 43,071,914 |
| gas | 13,831 | 8,212 |
| Purchase: | | |
| gas | 128,232,552 | 117,458,273 |
| liquid hydrocarbons | 18,612,267 | 14,180,805 |

18. Related parties (continued)

Prices of gas sold to other major subsidiaries were set up based on the contracts made between the parties.

Accounts receivable and accounts payable of other major subsidiaries of the Company were as follows:

| | 31 December | | |
|---------------------|-------------|------------|------------|
| | 2015 | 2014 | 2013 |
| Accounts receivable | 48,954,593 | 8,468,149 | 6,694,624 |
| Accounts payable | 17,642,535 | 19,296,109 | 20,252,455 |

The debt of other major subsidiaries of the Company due to the Company was as follows:

| | 31 December | | |
|--|-------------|------------|------------|
| | 2015 | 2014 | 2013 |
| Loans due beyond 12 months of the reporting date | 117,997,091 | 90,595,152 | 35,528,856 |
| Loans due within 12 months of the reporting date | 20,950,129 | 16,476,367 | 6,959,111 |

As at 31 December 2015, 2014 and 2013 loans due beyond 12 months are represented by the debt of the Company's subsidiary Gazprom EP International B.V. amounting to 117,997,091, 90,595,152 and 35,528,856, respectively. As at 31 December 2015, 2014 and 2013 loans due within 12 months are represented primarily by the debt of its subsidiary OAO Daltransgaz amounting to 3,849,809, 4,590,325 and 5,312,098, respectively; and by the debt of Gazprom EP International B.V. in the amount of 15,524,015 and 10,239,029 as at 31 December 2015 and 2014, respectively.

Interest on loans that the Company granted to its other major subsidiaries was 4,010,388, 2,207,438 and 1,278,262 in 2015, 2014 and 2013, respectively.

The Company granted loans to its other major subsidiaries at the interest rates ranging from 3.19% to 8.48% in 2015, 2014 and 2013.

The Company's accounts payable related to loans received from its other major subsidiaries were as follows:

| | 31 December | | |
|--|-------------|-------------|-------------|
| | 2015 | 2014 | 2013 |
| Loans due within 12 months of the reporting date | 392,542,314 | 373,307,206 | 392,903,335 |

As at 31 December 2015, 2014 and 2013 loans due within 12 months are represented basically by the loan payable to the subsidiary Gazprom Sakhalin Holdings B.V. in the amount of 392,542,314, 373,307,206 and 379,748,578, respectively.

Interest on loans that the Company received from its other major subsidiaries was 11,412,875; 7,346,104 and 4,422,660, respectively, including interest on the loan received from Gazprom Sakhalin Holdings B.V. amounting to 11,412,875, 6,528,874 and 3,562,211 in 2015, 2014 and 2013, respectively.

The Company received loans from its other major subsidiaries at interest rates ranging from 2.15% to 3.60% in 2015; from 1.2% to 8.46% in 2013 and from 0.85% to 6.9% in 2013.

Guarantees issued by the Company on behalf of its other major subsidiaries totaled 16,967,763, 17,131,361 and 16,967,763 as of 31 December 2015, 2014 and 2013, respectively.

18. Related parties (continued)

Transactions with major associates

| | 2015 | 2014 |
|---|-------------|------------|
| Sale (net of VAT, excise, customs duties and similar payments): | | |
| gas | 99,392,899 | 90,916,950 |
| Purchase: | | |
| gas transportation and storage services, including | 102,161,427 | 76,309,260 |
| through OOO Gazprom Export acting as the commissioner | 96,035,565 | 71,517,623 |

Prices of gas sold outside Russia to the major associates and prices of gas transportation and storage services purchased from the major associates were set based on the contracts.

Accounts receivable and accounts payable of the Company's major associates were as follows:

| | 31 December | | |
|---------------------|-------------|-------------|-------------|
| | 2015 | 2014 | 2013 |
| Accounts receivable | 419,866,481 | 284,768,895 | 142,360,315 |
| Accounts payable | 21,585,177 | 12,406,881 | 15,671,096 |

As at 31 December 2015, 2014 and 2013 the bad debt provisions of 361,887,737, 247,262,465 and 123,537,992, respectively were formed in respect to receivables from the major associates.

The debt of the other major subsidiaries of the Company in respect to the loans received was as follows:

| | 31 December | | |
|--|-------------|-----------|-----------|
| | 2015 | 2014 | 2013 |
| Loans due within 12 months of the reporting date | 4,957,373 | – | – |
| Loans due beyond 12 months of the reporting date | 3,862,565 | 3,816,845 | 3,781,146 |

As at 31 December 2015 loans due beyond 12 months of the reporting date are presented by the loan of 4,957,373 given to Belgazprombank, a joint Belarusian-Russian open joint-stock company. As at 31 December 2015, 2014 and 2013 loans due within 12 months of the reporting date are presented by the loan of 3,862,565, 3,816,845 and 3,781,146, respectively given to OOO Tsentrkaspneftegaz.

Interest on loans given by the Company to its major associates was 717,576, 322,603 and 319,255 in 2015, 2014 and 2013, respectively.

In 2015, the Company was giving loans to its major associates at interest rates ranging from 8.25% to 8.50% (in 2014 — 8.50%, 2013 — 8.50%).

Deposits placed with Gazprombank (Joint Stock Company) totaled 82,957, 20,123,717 and 514,717 as of 31 December 2015, 2014 and 2013, respectively.

| | 31 December | | |
|---|-------------|------------|---------|
| | 2015 | 2014 | 2013 |
| Deposits due beyond 12 months of the reporting date | – | 67,456 | 475,713 |
| Deposits due within 12 months of the reporting date | 82,957 | 20,056,261 | 39,004 |

18. Related parties (continued)

No loans were borrowed from the major associates in 2015, 2014 and 2013.

Guarantees issued by the Company on behalf of its major associates amounted to 26,975, 62,466 and 50,890,841 as at 31 December 2015, 2014 and 2013, respectively.

Information on cash flows related to transactions with major subsidiaries and associates of PJSC Gazprom

| Line code | Narrative | Over reporting period | including, major subsidiaries and associates | Over similar prior year period | including, major subsidiaries and associates |
|---|---|------------------------|--|--------------------------------|--|
| Cash flows from operating activities | | | | | |
| 4110 | Receipts — total, including: | 4,728,851,572 | 1,918,345,265 | 4,861,382,027 | 1,891,324,350 |
| 4111 | from sale of goods, products, work and services | 4,440,537,307 | 1,798,998,079 | 4,555,330,017 | 1,828,715,107 |
| 4112 | rent payments, licence payments, royalties, commissions and other similar payments | — | — | — | — |
| 4113 | resale of investments | — | — | — | — |
| 4119 | other receipts | 288,314,265 | 119,347,186 | 306,052,010 | 62,609,243 |
| 4120 | Payments — total, including: | (4,049,555,002) | (2,384,406,557) | (3,481,069,069) | (1,939,230,343) |
| 4121 | suppliers (contractors) — raw materials, work and services | (2,793,760,058) | (2,074,094,408) | (2,434,117,313) | (1,824,705,360) |
| 4122 | wages and salaries | (36,603,750) | — | (34,106,295) | — |
| 4123 | interest on debt liabilities | (111,994,733) | (13,547,129) | (82,214,113) | (11,517,985) |
| 4124 | income tax | (56,064,328) | — | (156,990,917) | — |
| 4129 | other payments | (1,051,132,133) | (296,765,020) | (773,640,431) | (103,006,998) |
| 4100 | Net cash flows from operating activities | 679,296,570 | (466,061,292) | 1,380,312,958 | (47,905,993) |
| Cash flows from investing activities | | | | | |
| 4210 | Receipts — total, including: | 358,534,202 | 326,624,780 | 429,312,171 | 398,495,684 |
| 4211 | from sale of non-current assets (except for investments) | 879,118 | — | 972,124 | — |
| 4212 | from sale of shares of other entities (ownership interest) | 6,131,833 | — | 11,011,031 | 2,682,300 |
| 4213 | from loan repayment, sale of debt securities (sale of rights to claim cash from third parties) | 101,911,904 | 94,613,281 | 8,363,152 | 4,888,267 |
| 4214 | dividends, interest on debt instruments and similar proceeds from participation in equity of other entities | 247,855,122 | 230,563,263 | 401,965,105 | 390,925,117 |
| 4219 | other receipts | 1,756,225 | 1,448,236 | 7,000,759 | — |
| 4220 | Payments — total, including: | (1,037,076,175) | (973,702,417) | (1,042,504,859) | (824,452,900) |
| 4221 | related to acquisition, creation, modernisation, reconstruction and preparation for use of non-current assets | (37,784,249) | (19,441,718) | (34,848,310) | (23,759,219) |
| 4222 | acquisition of other entities' shares (ownership interest) | (203,697,781) | (203,365,459) | (81,174,576) | (8,985,678) |
| 4223 | acquisition of debt securities (rights to claim cash from third parties), issue of loans to third parties | (82,888,712) | (82,660,004) | (131,536,305) | (102,670,284) |
| 4224 | costs of borrowing included in the cost of investment asset | — | — | — | — |
| 4225 | creation/acquisition of exploration assets | (27,688,910) | (27,307,574) | (66,020,062) | (16,286,789) |
| 4229 | other payments | (685,016,523) | (640,927,662) | (728,925,606) | (672,750,930) |
| 4200 | Net cash flows from investing activities | (678,541,973) | (647,077,637) | (613,192,688) | (425,957,216) |

18. Related parties (continued)

| Line code | Narrative | Over reporting period | including, major subsidiaries and associates | Over similar prior year period | including, major subsidiaries and associates |
|---|---|-----------------------|--|--------------------------------|--|
| Cash flows from financing activities | | | | | |
| 4310 | Receipts — total, including: | 309,758,112 | 59,558,901 | 213,691,865 | 52,015,667 |
| 4311 | borrowings and bank loans | 309,745,273 | 59,558,901 | 198,462,466 | 52,015,667 |
| 4312 | contributions of owners (participants) | — | — | — | — |
| 4313 | issue of shares, appreciation of ownership interest | — | — | — | — |
| 4314 | issue of bonds, promissory notes and other debt securities, etc. | 1,284 | — | 14,998,125 | — |
| 4319 | other receipts | 11,555 | — | 231,274 | — |
| 4320 | Payments — total, including: | (573,542,349) | (103,446,233) | (699,315,668) | (296,029,688) |
| 4321 | to owners (participants) in connection with share buy-back or cessation of membership | — | — | — | — |
| 4322 | dividend payments or other distribution of profit to owners (participants) | (167,340,747) | — | (168,023,717) | — |
| 4323 | redemption (buy-back) of promissory notes and other debt securities, loan repayment | (406,150,047) | (103,446,233) | (528,432,376) | (296,029,688) |
| 4329 | other payments | (51,555) | — | (2,859,575) | — |
| 4300 | Net cash flows from financing activities | (263,784,237) | (43,887,332) | (485,623,803) | (244,014,021) |
| 4400 | Net cash flows for the reporting period | (263,029,640) | (1,157,026,261) | 281,496,467 | (717,877,230) |

Transactions with other major related parties

| | 2015 | 2014 |
|---|-------------|-------------|
| Sale (net of VAT, excise, customs duties and similar payments): | | |
| gas | 538,875,540 | 451,386,323 |
| gas condensate and oil refinery products | 202,545,272 | 194,989,628 |
| gas transportation services | 38,194,898 | 38,062,694 |
| leased-out assets | 21,472,474 | 19,534,852 |
| Purchase: | | |
| gas | 311,789,123 | 361,204,973 |
| gas transportation and storage services, including | 21,615,163 | 17,397,844 |
| through OOO Gazprom Export acting as the commissioner | 21,550,800 | 17,344,914 |
| liquid hydrocarbons | 48,006,499 | 30,714,578 |
| oil product processing services | 18,427,793 | 11,940,052 |

Prices of gas sold outside Russia to other major related parties and prices of gas transportation and storage services purchased from other major related parties were set based on the contracts.

18. Related parties (continued)

Accounts receivable and accounts payable of the Company's other major related parties were as follows:

| | 31 December | | |
|---------------------|-------------|-------------|-------------|
| | 2015 | 2014 | 2013 |
| Accounts receivable | 319,587,441 | 280,356,968 | 319,710,347 |
| Accounts payable | 62,694,540 | 76,764,434 | 71,348,977 |

In 2015, 2014 and 2013 no doubtful debt provision was formed for accounts receivable from other major related parties of the Company.

The debt of other major related parties on loans received from the Company was as follows:

| | 31 December | | |
|--|-------------|------------|------------|
| | 2015 | 2014 | 2013 |
| Loans due beyond 12 months of the reporting date | 16,100,000 | 47,700,000 | 31,600,000 |
| Loans due within 12 months of the reporting date | 31,600,000 | 6,500,000 | – |

Interest on loans that the Company granted to its other major related parties in 2015 amounted to 4,242,886 (2014: 3,491,477, 2013: 380,064).

In 2015 the Company granted loans to its other major related parties at interest rates ranging from 7.91% to 8.18% (in 2014 — from 7.91% to 8.18%; 2013 — from 7.73% to 8.02%).

The Company's accounts payable related to loans received from other major related parties were as follows:

| | 31 December | | |
|---|-------------|------------|------------|
| | 2015 | 2014 | 2013 |
| Loans due to within 12 months of the reporting date | 78,664,932 | 79,127,374 | 65,814,508 |

Interest on loans that the Company received from other major related parties was 7,962,754, 5,143,070 and 4,335,067 in 2015, 2014 and 2013, respectively.

Interest on loans that the Company received from its other major related parties varied from 0.00% to 11.51% in 2015, from 6.90% to 10.92% in 2014 and from 6.90% to 7.85% in 2013.

Guarantees issued by the Company on behalf of its other major related parties totaled 13,589,460, 147,464,048 and 96,512,484 as at 31 December 2015, 2014 and 2013, respectively.

Information on cash flows related to transactions with other major related parties

| | 2015 | 2014 |
|---------------------------|-------------|-------------|
| Cash inflow | 941,684,602 | 911,998,186 |
| including: | | |
| from operating activities | 919,157,572 | 847,640,260 |
| from financing activities | 532,701 | 50,076,000 |
| from investing activities | 21,994,329 | 14,281,926 |

18. Related parties (continued)

| | 2015 | 2014 |
|---------------------------|-------------|-------------|
| Cash outflow | 478,132,252 | 570,215,681 |
| including: | | |
| from operating activities | 443,244,246 | 449,564,725 |
| from financing activities | 8,476,000 | 40,325,343 |
| from investing activities | 26,412,006 | 80,325,613 |

The line “Cash inflows from operating activities” primarily includes proceeds from sale of goods, products, works and services.

The line “Cash outflows used for operating activities” primarily includes payments to the suppliers (contractors) for raw materials, works and services.

Remuneration to key management personnel

Short-term compensation of key management personnel (the members of the Board of Directors and Management Committee of PJSC Gazprom), including salary, bonuses and remuneration for membership in the management bodies of the Company, amounted to 3,500,341, 3,118,188 and 2,261,612 for the years ended 31 December 2015, 2014 and 2013, respectively. Such amounts include personal income tax and insurance contributions. Government employees, who are members of the Board of Directors, do not receive any remuneration from the Company. Remuneration of members of the Board of Directors shall be approved by the annual meeting of shareholders. Compensation of key management personnel (other than remuneration of the Board of Directors) is determined by the terms of employment contracts. Key management personnel also receive certain short-term benefits related to healthcare.

According to the Russian legislation, the Company makes contributions to the Russian Federation State Pension Fund, Social Insurance Fund of the Russian Federation, Federal Compulsory Medical Insurance Fund calculated on the basis of salaries and other payments to employees including the key management personnel.

The Company also provided medical insurance and liability insurance for its key management personnel. Voluntary medical insurance amounted to 7,057,824 and 851 and the liability insurance was 1,607,1376 and 855 in 2015, 2014 and 2013, respectively.

19. Estimated and contingent liabilities

Estimated liabilities

Information on estimated liabilities is disclosed in Section 7 of the table enclosed in the Notes to the Balance Sheet and the Statement of Financial Results.

Estimated asset retirement liability and liability to restore environment disturbed by mineral extraction

The specifics of the subsoil use management process are as follows: the fixed assets items used in this process are owned by the Company but leased out to subsidiaries (users of mineral resources) and used by them in compliance with the terms and conditions of their licence agreements.

According to Articles 22.8 of Federal Law No. 2395-I of 21 February 1992 “On Subsoil” and subsoil use licence agreements, the user of mineral resources is obliged to bring the land plots and other natural sites disturbed by subsoil use to the condition appropriate for further use as well as to liquidate mine workings and wells that are not subject to further use.

19. Estimated and contingent liabilities (continued)

Consequently, the Company who owns fixed assets that have been leased out to the user of mineral resources, does not have any liability of dismantling fixed assets that are not subject for further use or restoring the environment disturbed by the subsoil use.

Pension liabilities

The Company operates a defined benefit plan. As the current legislation provides no guidance for recording pension liability accruals on accounts, the calculations of both pension liabilities and pension assets are only possible at the level of Gazprom Group and they are disclosed in the Notes to Gazprom Group's consolidated financial statements prepared in accordance with the International Financial Reporting Standards (www.gazprom.ru).

Estimated liabilities related to gas price adjustments

The Company has recognized estimated liabilities related to price adjustments with regard to delivered gas supplies caused by foreign customer claims based on contract conditions. The estimated liabilities of 97,154,243, 51,253,268 and 22,374,990 as at 31 December 2015, 2014 and 2013, respectively, do not include any potential adjustment of customs duties accrued earlier.

Contingencies

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

| | 31 December | | |
|--|--------------------|--------------------|--------------------|
| | 2015 | 2014 | 2013 |
| Guarantees issued on behalf of the following entities: | | | |
| OOO Novourengoysky GCC | 270,205,669 | 218,397,257 | 161,496,197 |
| OAO Gazprom Space Systems | 59,670,485 | 47,827,225 | 36,982,320 |
| OAO Severneftegazprom | 16,967,763 | 16,967,763 | 16,967,763 |
| OOO Gazprom Neft Shelf | 13,589,460 | 10,973,802 | 6,687,058 |
| OOO Gazprom Export | 11,476,148 | 10,099,486 | 6,645,521 |
| Blackrock Capital Investments Ltd. | 9,946,006 | 7,675,462 | 4,804,160 |
| OOO Gazprom Investproject | 7,852,281 | 8,972,684 | 14,677,574 |
| PAO Gazprom Automatisatison | 2,450,000 | – | 1,900,000 |
| AO Achimgaz | 1,476,393 | – | – |
| AO Gaztranzit | 26,975 | 62,466 | 60,568 |
| Sakhalin Energy Investment Company Ltd. | – | 136,490,246 | 89,825,426 |
| OOO VIS Manufacturing Firm | – | 7,016,244 | 8,164,256 |
| EM Interfinance Ltd | – | 3,064,641 | 3,668,031 |
| Nord Stream AG | – | – | 50,830,273 |
| Other | 53,314 | 246,678 | 47,145 |
| Total | 393,714,494 | 467,793,954 | 402,756,292 |

In June 2008, the Company issued a number of guarantees to Bank of Tokyo-Mitsubishi UFJ Ltd. for Sakhalin Energy Investment Company Ltd. within the Company's share (50%) in the liabilities of Sakhalin Energy Investment Company Ltd. regarding the loans received. The guarantees were issued for the period of loans received by Sakhalin Energy Investment Company Ltd. but not later than 15 December 2021. Total liabilities secured amounted to 136,490,246 and 89,825,426 as at 31 December 2014 and 2013, respectively. In March 2015,

19. Estimated and contingent liabilities (continued)

the guarantee agreement was terminated after a deed releasing PJSC Gazprom from guarantee was signed.

In 2011, Nord Stream AG, engaged in the construction of the Nord Stream pipeline, started Stage 2 of the project under which the second line of the pipeline was being built. In March 2011 the Company issued a guarantee to Societe Generale Bank for Nord Stream AG guaranteeing the completion of works under Stage 2 of Nord Stream pipeline construction project. According to the terms of this guarantee, the Company is obliged to repay the creditors of Stage 2 of the project a debt arising from its share (51%) if Nord Stream AG fails to pay its debt. The guarantee expires upon completion of construction and tests of the second pipeline. As at 31 December 2013 the guaranteed liabilities were 50,830,273. In June 2014 Stage 2 of the Nord Stream pipeline construction was finalized financially resulting in the termination of the guarantee agreement.

In January 2007, the Company issued guarantees for the liabilities of OOO Gazprom Neft Shelf to Blueward Shipping Company Ltd. and Nostalgic Moon Shipping Company Ltd. under shipping agreements. The guarantees will be valid for 25 years after the vessels are transferred to OOO Gazprom Neft Shelf. As at 31 December 2015, 2014 and 2013 the guarantees totaled 13,589,460, 10,973,802 and 6,687,058, respectively.

In 2006, the Company issued guarantees to Asset Repackaging Trust Five B.V. registered in the Netherlands, for companies (Blackrock Capital Investments Limited, EM Interfinance Limited) registered in Ireland in respect to the issued bonds maturing in June 2018 and December 2015, respectively. The bonds were issued to raise financing for construction of a transit gas pipeline in the territory of Poland to be carried out by AO EuroPol Gaz. Consequently, as at 31 December 2015, 2014 and 2013 the guarantees totaled 9,946,006, 10,740,103 and 8,472,191, respectively. Upon the discharge of payment obligations of EM Interfinance Ltd with respect to the bonds, the guarantee agreement ceased to be effective in December 2015.

In May 2010, the Company issued a guarantee valid till October 2023 to Bank BNP Pariba SA as a security of the loan granted to OAO Gazprom Space Systems. As at 31 December 2015, 2014 and 2013 the guarantee amounted to 12,461,834, 12,239,397 and 11,492,656, respectively.

In March 2011, the Company issued a guarantee valid till March 2016 to Bank of Tokyo Mitsubishi UFJ Ltd. as a security of the loan granted to OOO Novourengoysky GCC. As at 31 December 2015, 2014 and 2013 the guarantee amounted to 21,976,353, 16,955,815 and 10,228,115, respectively.

In July 2011, the Company issued a guarantee valid till July 2016 to Sumitomo Mitsui Finance Dublin Ltd as a security of the loan granted to OOO Novourengoysky GCC. As at 31 December 2015, 2014 and 2013 the guarantee amounted to 23,436,464, 18,074,256 and 10,921,796, respectively.

In December 2011, the Company issued a guarantee valid till December 2018 to OOO Regional'naya Finansovaya Compania as a security of the loan granted to OOO Novourengoysky GCC. In December 2014 OOO Regional'naya Finansovaya Compania assigned its claim rights under the loan agreement and guarantee agreement to Gazprombank (Joint Stock Company) with the same terms and conditions as they were at the date of assignment. As at 31 December 2015, 2014 and 2013 the guarantee amounted to 10,000,000.

In December 2011, the Company issued a guarantee valid till 2016 to Bank of America Securities Ltd. as a security of the loan granted to OOO Novourengoysky GCC. As at 31 December 2015, 2014 and 2013 the guarantee amounted to 118,408,008, 4,647,147 and 9,400,222, respectively.

In July 2012, the Company issued a guarantee valid till April 2015 to PJSC Sberbank of Russia as a security of the loan granted to OOO VIS Manufacturing Firm. As at 31 December 2014 and 2013 the guarantee amounted to 7,016,244 and 8,164,256, respectively. In March 2015 OOO VIS Manufacturing Firm repaid its loan and, therefore, the guarantee agreement was no longer effective.

19. Estimated and contingent liabilities (continued)

In August 2012, the Company issued a guarantee valid till April 2016 to Deutsche Bank AG as a security of the loan granted to OOO Novourengoysky GCC. As at 31 December 2015, 2014 and 2013 the guarantee amounted to 29,897,529, 23,022,409 and 14,701,241, respectively.

In August 2012, the Company issued a guarantee valid till June 2015 to Royal Bank of Scotland PLC as a security of the loan granted to OOO Novourengoysky GCC. As at 31 December 2014 and 2013 the guarantee amounted to 26,962,049 and 17,567,188, respectively. In August 2015 OOO Novourengoysky GCC repaid its loan and, therefore, the guarantee agreement was no longer effective.

In September 2012, the Company issued a guarantee valid till September 2015 to Credit Agricole Corporate and Investment Bank as a security of the loan granted to OOO Novourengoysky GCC. As at 31 December 2014 and 2013 the guarantee amounted to 16,520,262 and 11,376,754, respectively. In September 2015 OOO Novourengoysky GC repaid its loan and, therefore, the guarantee agreement was no longer effective.

In October 2012, the Company issued a guarantee valid till July 2017 to OOO Regional'naya Finansovaya Compania as a security of the loan granted to OOO Novourengoysky GCC. In December 2014 OOO Regional'naya Finansovaya Compania assigned its claim rights under the loan agreement and guarantee agreement to Gazprombank (Joint Stock Company) with the same terms and conditions as they were at the date of assignment. As at 31 December 2015, 2014 and 2013 the guarantee amounted to 10,000,000.

In November 2012, the Company issued a guarantee valid till October 2017 to Bank of America Securities Ltd. as a security of the loan granted to OOO Novourengoysky GCC. As at 31 December 2015, 2014 and 2013 the guarantee amounted to 14,603,683, 12,534,923 and 9,396,020, respectively.

In September 2013, the Company issued a guarantee valid till September 2018 to Bank of America Securities Ltd. as a security of the loan granted to OOO Gazprom Space Systems. As at 31 December 2015, 2014 and 2013 the guarantee amounted to 22,157,829, 17,061,100 and 11,475,265, respectively.

In October 2013, the Company issued a guarantee valid till October 2018 to Bank of America Securities Ltd. as a security of the loan granted to OOO Novourengoysky GCC. As at 31 December 2015, 2014 and 2013 the guarantee amounted to 22,274,253, 17,157,627 and 11,442,755, respectively.

In October 2013, the Company issued a guarantee valid till August 2017 to PJSC Sberbank of Russia as a security of the loan granted to OOO Novourengoysky GCC. As at 31 December 2015, 2014 and 2013 the guarantee amounted to 18,047,305, 15,484,310 and 11,247,482, respectively.

In December 2013, the Company issued a guarantee valid till December 2018 to UniCredit Bank Austria AG as a security of the loan granted to OOO Novourengoysky GCC. As at 31 December 2015, 2014 and 2013 the guarantee amounted to 14,825,963, 11,415,664 and 7,495,986, respectively.

In January 2014, the Company issued a guarantee valid till December 2018 to PJSC Sberbank of Russia as a security of the loan granted to OOO Novourengoysky GCC. As at 31 December 2015 and 2014 the guarantee amounted to 11,119,472 and 8,561,748, respectively.

In September 2014, the Company issued a guarantee valid till December 2019 to UniCredit Bank Austria AG as a security of the loan granted to OOO Gazprom Space Systems. As at 31 December 2015 and 2014 the guarantee amounted to 5,000,406 and 4,293,686, respectively.

In July 2015, the Company issued a guarantee valid till January 2017 to Wintershall Vermögens-verwaltungsgesellschaft mbh as a security of the loan granted to OAO Achimgaz. As at 31 December 2015 the guarantee amounted to 1,476,393.

In September 2015, the Company issued a guarantee valid till July 2021 to PJSC Sberbank of Russia as a security of the loan granted to OOO Novourengoysky GCC. As at 31 December 2015 the guarantee amounted to 56,235,662.

19. Estimated and contingent liabilities (continued)

In September 2015, the Company issued a guarantee valid till September 2023 to PJSC Sberbank of Russia as a security of the loan granted to OOO Novourengoytsky GCC. As at 31 December 2015 the guarantee amounted to 19,380,977.

In October 2015, the Company issued a guarantee valid till October 2020 to PJSC Bank VTB as a security of the loan granted to OAO Gazprom Space Systems. As at 31 December 2015 the guarantee amounted to 8,461,211.

Based on the Company's estimates, there are no third party liability secured by PJSC Gazprom's guarantee with any significant risk of default as at 31 December 2015, 2014 and 2013. The Company, therefore, did not record estimated liabilities for the issued guarantees as of 31 December 2015, 2014 and 2013.

Legal proceedings

On 16 June 2014, the Company addressed the Arbitration Court of Stockholm Chamber of Commerce, Sweden, with a request for arbitration aimed at demanding NAK Naftogaz to settle the outstanding gas payments and corresponding interest for the total amount of USD 4,500 million.

At the same time, on 16 June 2014, NAK Naftogaz Ukraine addressed the Arbitration Court of Stockholm Chamber of Commerce with a request for arbitration with regard to the Company, claiming to retrospectively change the price of gas and refund excessively paid amounts for the period from 20 May 2011 in the total amount of at least USD 6,000 million as well as to revoke the contract provision prohibiting the sale of gas supplied under the contract, outside Ukraine.

On 1 July 2014, NAK Naftogaz Ukraine and the Company provided their responses to corresponding arbitration requests. On 21 July 2014, both requests were combined into one litigation process.

On 31 January 2015, NAK Naftogaz Ukraine filed a claim to arbitration on the case. On 12 July 2015, the Company provided a response to the claim by NAK Naftogaz Ukraine and a counter-claim with a corrected total amount of its claims of USD 29,200 million. Verbal hearing is expected to commence in September — October 2016. The decision of the arbitration panel is scheduled for late 2016 — early 2017.

On 13 October 2014, NAK Naftogaz Ukraine addressed the Arbitration Court of Stockholm Chamber of Commerce, Sweden, with a request for arbitration with regard to the Company, seeking: (1) to acknowledge that rights and obligations of Naftogaz under the Contract on volumes and terms of gas transportation through Ukraine in 2009–2019 should be transferred to Ukrtransgas; (2) to acknowledge that certain provisions of Contract, that will be subsequently updated, are invalid and/or inoperative and should be supplemented with or substituted by provisions that will be updated in line with the energy and anti-monopoly legislation of Ukraine and EU; (3) to oblige Gazprom to pay a compensation of USD 3,200 million (and related interest) to NAK Naftogas Ukraine for the failure to provide agreed volumes of gas for transit; (4) to acknowledge that the transit tariff stipulated in the Contract should be revised in such a way as provided in further written statements of NAK Naftogas Ukraine in line with key principles of the Swedish contractual law. The claim amounts to approximately USD 6,200 million. On 28 November 2014, the Company responded to the request for arbitration. A new arbitration panel was formed on 11 December 2014. On 28 January 2015, the arbitration court made a decision not to combine the case with the above ones. On 30 April 2015, NAK Naftogaz Ukraine filed a claim increasing the amount of its claims, according to various estimates, up to USD 11–16 bn. Verbal hearing of the case is expected late September 2016 and decision of the arbitration panel is expected at the end of 2017.

The Company is also a party to certain legal proceedings arising in the ordinary course of business. There are no current legal proceedings or other claims outstanding which could have a material adverse effect on the results of operations or financial position of the Company.

19. Estimated and contingent liabilities (continued)

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations and frequent change. As of 31 December 2015, the management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency and customs positions will be sustained.

The Russian transfer pricing law grants taxpayers the right to justify their compliance with the arm's length principle at prices used in controlled transactions by preparing the tax control documentation.

The Company's management believe that the prices applied by the Company are at the market level and the Company has implemented internal control procedures to ensure compliance with transfer pricing law.

Since currently there is no practice for application of the new rules, therefore the outcome of any disputes with tax authorities over applied prices cannot be estimated reliably but may have a material effect on the Company's financial results and operations.

20. Business risks

The Company manages its risks in the framework of its integrated corporate system. Risk management is a permanent cyclic process of making and executing management decisions, that includes identification, assessment and measurement of risks, responding to risks, efficiency control and planning of risk management and monitoring. This process is integrated in the general management process aimed at optimizing the size of risks in line with the Company interests and covers all areas of its practical activities.

On its official website the Company should place information about the Company's position in the industry, including development trends in the corresponding market segment, the Company's level of adaptation to market conditions, main priority areas of the Company's activity, including its development prospects, as well as key information on risk factors associated with the Company's operation.

21. Information on production innovations and upgrade

Information on intangible assets that the Company developed or acquired, on movement of property, machinery and equipment as well as expenses incurred by the Company in the production innovation and upgrade process, if material, is disclosed in the relevant paragraphs of these Notes to the Balance Sheet and the Statement of Financial Results of the Company.

Chief Executive Officer _____  _____ A.B. Miller

Chief Accountant _____  _____ E.A. Vasilieva

30 March 2016

II PJSC Gazprom IFRS Consolidated Financial Statements 31 December 2015

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Auditor's Report on Consolidated Financial Statements for the year ended December 31, 2015

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

Audited entity

Company name:

Public Joint Stock Company Gazprom (PJSC Gazprom).

Address:

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

State registration certificate:

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

Auditor

Company name:

Limited Liability Company "Accountants and business advisors" (FBK, LLC).

Address:

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

State registration certificate:

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

Membership in Self-Regulatory Organization of Auditors:

Nonprofit Partnership "Auditor Association Sodruzhestvo".

Number in the register of Self-Regulatory Organization of Auditors:

Certificate of membership in Nonprofit Partnership "Auditor Association Sodruzhestvo" No. 7198, number in the register — 11506030481.

We have audited the accompanying consolidated financial statements of PJSC Gazprom, which comprise the consolidated balance sheet as at December 31, 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ended December 31, 2015, and Notes to the consolidated financial statements comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management of the audited entity is responsible for preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the audited entity, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of PJSC Gazprom as at December 31, 2015, and its financial performance and its cash flows for 2015 in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements of PJSC Gazprom for the year ended December 31, 2014, were audited by another auditor (ZAO "PricewaterhouseCoopers Audit") who expressed an unmodified opinion on those financial statements and dated its audit report April 28, 2015.

President of FBK, LLC



S.M. Shapiguzov
(on the ground of the Charter,
audit qualification certificate No. 01-001230,
registration number 29501041926)

Audit manager

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

April 25, 2016

| Notes | 31 December 2015 | 31 December 2014 | |
|--------------------------------|---|---------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| 8 | Cash and cash equivalents | 1,359,095 | 1,038,191 |
| | Restricted cash | 1,815 | 2,085 |
| 9 | Short-term financial assets | 12,570 | 10,735 |
| 10 | Accounts receivable and prepayments | 1,114,207 | 1,045,936 |
| 11 | Inventories | 804,364 | 671,916 |
| | VAT recoverable | 229,626 | 289,287 |
| 12 | Other current assets | 472,045 | 403,005 |
| | | 3,993,722 | 3,461,155 |
| Non-current assets | | | |
| 13 | Property, plant and equipment | 11,003,881 | 9,950,209 |
| 14 | Goodwill | 107,467 | 104,221 |
| 15 | Investments in associates and joint ventures | 808,246 | 677,216 |
| 16 | Long-term accounts receivable and prepayments | 599,848 | 436,468 |
| 17 | Available-for-sale long-term financial assets | 235,607 | 201,824 |
| 12 | Other non-current assets | 303,269 | 346,377 |
| | | 13,058,318 | 11,716,315 |
| | Total assets | 17,052,040 | 15,177,470 |
| Liabilities and equity | | | |
| Current liabilities | | | |
| 18 | Accounts payable, accruals and provisions for liabilities and charges | 1,298,006 | 1,217,141 |
| | Current profit tax payable | 11,929 | 8,402 |
| 19 | Other taxes payable | 168,394 | 165,622 |
| 20 | Short-term borrowings, promissory notes and current portion of long-term borrowings | 646,372 | 464,782 |
| | | 2,124,701 | 1,855,947 |
| Non-current liabilities | | | |
| 21 | Long-term borrowings, promissory notes | 2,795,843 | 2,224,042 |
| 24 | Provisions for liabilities and charges | 435,438 | 297,106 |
| 22 | Deferred tax liabilities | 618,404 | 594,098 |
| | Other non-current liabilities | 163,032 | 86,256 |
| | | 4,012,717 | 3,201,502 |
| | Total liabilities | 6,137,418 | 5,057,449 |

| Notes | | 31 December 2015 | 31 December 2014 |
|---------------|--------------------------------------|---------------------|---------------------|
| Equity | | | |
| 25 | Share capital | 325,194 | 325,194 |
| 25 | Treasury shares | (103,919) | (103,919) |
| 25 | Retained earnings and other reserves | 10,368,311 | 9,595,283 |
| | | 10,589,586 | 9,816,558 |
| 33 | Non-controlling interest | 325,036 | 303,463 |
| | Total equity | 10,914,622 | 10,120,021 |
| | Total liabilities and equity | 17,052,040 | 15,177,470 |

A.B. Miller
Chairman of the Management Committee

25 April 2016

E.A. Vasilieva
Chief Accountant

25 April 2016

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2015
(in millions of Russian Rubles)

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| Notes | Year ended 31 December | | |
|-------|---|------------------|------------------|
| | 2015 | 2014 | |
| 26 | Sales | 6,073,318 | 5,589,811 |
| | Net gain (loss) from trading activity | 3,704 | (22,510) |
| 27 | Operating expenses | (4,635,502) | (3,943,669) |
| 27 | Charge for impairment and other provisions, net | (213,219) | (313,208) |
| | Operating profit | 1,228,301 | 1,310,424 |
| 28 | Finance income | 990,346 | 389,804 |
| 28 | Finance expense | (1,409,087) | (1,438,541) |
| 15 | Share of net income of associates and joint ventures | 106,560 | 46,051 |
| | Gains (losses) on disposal of available-for-sale financial assets | 9,121 | (915) |
| | Profit before profit tax | 925,241 | 306,823 |
| | Current profit tax expense | (102,223) | (121,343) |
| | Deferred profit tax expense | (17,819) | (28,288) |
| 22 | Profit tax expense | (120,042) | (149,631) |
| | Profit for the year | 805,199 | 157,192 |
| | Other comprehensive income (loss): | | |
| | Items that will not be reclassified to profit or loss: | | |
| 24 | Remeasurements of post-employment benefit obligations | (169,059) | 34,438 |
| | Total items that will not be reclassified to profit or loss | (169,059) | 34,438 |
| | Items that may be reclassified subsequently to profit or loss: | | |
| | Gains (losses) arising from change in fair value of available-for-sale financial assets, net of tax | 43,172 | (2,933) |
| | Share of other comprehensive income (loss) of associates and joint ventures | 28,699 | (14,769) |
| | Translation differences | 282,924 | 570,402 |
| | Losses from cash flow hedges, net of tax | (22,862) | (60,550) |
| | Total items that may be reclassified subsequently to profit or loss | 331,933 | 492,150 |
| | Other comprehensive income for the year, net of tax | 162,874 | 526,588 |
| | Total comprehensive income for the year | 968,073 | 683,780 |
| | Profit (loss) attributable to: | | |
| | Owners of PJSC Gazprom | 787,056 | 159,004 |
| 33 | Non-controlling interest | 18,143 | (1,812) |
| | | 805,199 | 157,192 |
| | Total comprehensive income attributable to: | | |
| | Owners of PJSC Gazprom | 938,591 | 667,609 |
| | Non-controlling interest | 29,482 | 16,171 |
| | | 968,073 | 683,780 |
| 30 | Basic and diluted earnings per share for profit attributable to the owners of PJSC Gazprom (in Russian Rubles) | 34.29 | 6.93 |



A.B. Miller
Chairman of the Management Committee

25 April 2016



E.A. Vasilieva
Chief Accountant

25 April 2016

Consolidated Statement of Cash Flows
for the year ended 31 December 2015
(in millions of Russian Rubles)

| Notes | Year ended 31 December | | |
|--------|---|--------------------|--------------------|
| | 2015 | 2014 | |
| | Cash flows from operating activities | | |
| 31 | Net cash from operating activities | 2,030,927 | 1,915,769 |
| | Cash flows from investing activities | | |
| 13 | Capital expenditures | (1,641,024) | (1,262,140) |
| 13, 28 | Interest paid and capitalised | (128,211) | (94,016) |
| | Net change in loans issued | (25,063) | (50,780) |
| 34 | Acquisition of subsidiaries, net of cash acquired | 24,551 | (77,496) |
| 15 | Investments in associates and joint ventures | (1,554) | (84,570) |
| | Interest received | 54,243 | 51,825 |
| | Change in available-for-sale long-term financial assets | (27,396) | (3,257) |
| 15 | Proceeds from associates and joint ventures | 79,469 | 99,679 |
| | Long-term bank deposits placement | – | (20,467) |
| | Repayment of long-term bank deposits | 20,609 | 771 |
| | Other | (19,780) | (854) |
| | Net cash used in investing activities | (1,664,156) | (1,441,305) |
| | Cash flows from financing activities | | |
| 21 | Proceeds from long-term borrowings | 574,924 | 293,940 |
| 21 | Repayment of long-term borrowings (including current portion of long-term borrowings) | (467,831) | (352,885) |
| 20 | Proceeds from short-term borrowings | 62,401 | 69,885 |
| 20 | Repayment of short-term borrowings | (97,141) | (54,190) |
| 25 | Dividends paid | (170,702) | (178,947) |
| 28 | Interest paid | (40,100) | (27,803) |
| | Acquisition of non-controlling interest in subsidiaries | (126) | (10,903) |
| | Change in restricted cash | 270 | (1,684) |
| | Net cash used in financing activities | (138,305) | (262,587) |
| | Effect of foreign exchange rate changes on cash and cash equivalents | 92,438 | 137,184 |
| | Increase in cash and cash equivalents | 320,904 | 349,061 |
| 8 | Cash and cash equivalents at the beginning of the reporting year | 1,038,191 | 689,130 |
| 8 | Cash and cash equivalents at the end of the reporting year | 1,359,095 | 1,038,191 |

A.B. Miller
 Chairman of the Management Committee

25 April 2016

E.A. Vasilieva
 Chief Accountant

25 April 2016

**Consolidated Statement of Changes in Equity
for the year ended 31 December 2015
(in millions of Russian Rubles)**

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| Notes | Number of shares outstanding (billions) | Attributable to the owners of PJSC Gazprom | | | | Non-controlling | Total equity | |
|--------|---|--|-----------------|--------------------------------------|------------------|------------------|----------------|-------------------|
| | | Share capital | Treasury shares | Retained earnings and other reserves | Total | | | |
| | Balance as of 31 December 2013 | 23.0 | 325,194 | (103,919) | 9,098,315 | 9,319,590 | 314,764 | 9,634,354 |
| 33 | Profit (loss) for the year | – | – | – | 159,004 | 159,004 | (1,812) | 157,192 |
| | Other comprehensive income (loss): | | | | | | | |
| 24, 33 | Remeasurements of post-employment benefit obligations | – | – | – | 34,272 | 34,272 | 166 | 34,438 |
| 33 | Losses arising from change in fair value of available-for-sale financial assets, net of tax | – | – | – | (2,927) | (2,927) | (6) | (2,933) |
| | Share of other comprehensive loss of associates and joint ventures | – | – | – | (14,769) | (14,769) | – | (14,769) |
| 25, 33 | Translation differences | – | – | – | 550,191 | 550,191 | 20,211 | 570,402 |
| 33 | Losses from cash flow hedges, net of tax | – | – | – | (58,162) | (58,162) | (2,388) | (60,550) |
| | Total comprehensive income for the year ended 31 December 2014 | – | – | – | 667,609 | 667,609 | 16,171 | 683,780 |
| 33 | Changes in non-controlling interest in subsidiaries | – | – | – | (5,300) | (5,300) | (16,028) | (21,328) |
| 25 | Return of social assets to governmental authorities | – | – | – | (94) | (94) | – | (94) |
| 25, 33 | Dividends declared | – | – | – | (165,247) | (165,247) | (11,444) | (176,691) |
| | Balance as of 31 December 2014 | 23.0 | 325,194 | (103,919) | 9,595,283 | 9,816,558 | 303,463 | 10,120,021 |
| 33 | Profit for the year | – | – | – | 787,056 | 787,056 | 18,143 | 805,199 |
| | Other comprehensive income (loss): | | | | | | | |
| 24, 33 | Remeasurements of post-employment benefit obligations | – | – | – | (168,899) | (168,899) | (160) | (169,059) |
| 33 | Gains (losses) arising from change in fair value of available-for-sale financial assets, net of tax | – | – | – | 43,179 | 43,179 | (7) | 43,172 |
| | Share of other comprehensive income of associates and joint ventures | – | – | – | 28,699 | 28,699 | – | 28,699 |
| 25, 33 | Translation differences | – | – | – | 271,015 | 271,015 | 11,909 | 282,924 |
| 33 | Losses from cash flow hedges, net of tax | – | – | – | (22,459) | (22,459) | (403) | (22,862) |
| | Total comprehensive income for the year ended 31 December 2015 | – | – | – | 938,591 | 938,591 | 29,482 | 968,073 |

| Notes | Number of shares outstanding (billions) | Attributable to the owners of PJSC Gazprom | | | | Non-controlling | Total equity | |
|--------|---|--|-----------------|--------------------------------------|-------------------|-------------------|----------------|-------------------|
| | | Share capital | Treasury shares | Retained earnings and other reserves | Total | | | |
| 33 | Changes in non-controlling interest in subsidiaries | - | - | - | (281) | (281) | (1,535) | (1,816) |
| 25 | Return of social assets to governmental authorities | - | - | - | (35) | (35) | - | (35) |
| 25, 33 | Dividends declared | - | - | - | (165,247) | (165,247) | (6,374) | (171,621) |
| | Balance as of 31 December 2015 | 23.0 | 325,194 | (103,919) | 10,368,311 | 10,589,586 | 325,036 | 10,914,622 |

A.B. Miller
Chairman of the Management Committee

25 April 2016

E.A. Vasilieva
Chief Accountant

25 April 2016

1. Nature of operations

Public Joint Stock Company Gazprom (PJSC Gazprom) and its subsidiaries (the “Group” or “Gazprom Group”) operate one of the largest gas pipeline systems in the world, are responsible for the major part of gas production and high pressure gas transportation in the Russian Federation. The Group is a major supplier of gas to European countries. The Group is engaged in oil production, refining activities, electric and heat energy generation. The Government of the Russian Federation is the ultimate controlling party of PJSC Gazprom and has a controlling interest (including both direct and indirect ownership) of over 50% in PJSC Gazprom.

The Group is involved in the following principal activities:

- exploration and production of gas;
- transportation of gas;
- sales of gas within the Russian Federation and abroad;
- gas storage;
- production of crude oil and gas condensate;
- processing of oil, gas condensate and other hydrocarbons, and sales of refined products;
- electric and heat energy generation and sales.

Other activities primarily include production of other goods, works and services.

The weighted average number of employees during 2015 and 2014 was 449 thousand and 450 thousand, respectively.

On 17 July 2015 OJSC Gazprom was renamed into PJSC Gazprom. The change in the PJSC Gazprom’s legal status is reflected in the new version of the Articles of Association approved by the annual General Shareholders Meeting. The PJSC Gazprom’s name was changed with a view to bring it in line with the provisions of Chapter 4 of the Civil Code of the Russian Federation.

In 2016 and earlier, to ensure compliance with the provisions of Chapter 4 of the Civil Code of the Russian Federation, Russian companies registered in the territory of the Russian Federation as open and closed joint stock companies changed their legal structures. Names of the companies are given with regard to the announced changes as of the date of preparation of these consolidated financial statements.

2. Economic environment in the Russian Federation

The Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation (see Note 37).

The political and economic instability, situation in Ukraine, the current impact and ongoing situation with sanctions, uncertainty and volatility of the financial and trade markets and other risks have had and may continue to have effects on the Russian economy.

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

- as of 31 December 2015 — 72.8827;
- as of 31 December 2014 — 56.2584 (as of 31 December 2013 — 32.7292).

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

- as of 31 December 2015 — 79.6972;
- as of 31 December 2014 — 68.3427 (as of 31 December 2013 — 44.9699).

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. During 2015 the official Russian Ruble to US dollar and Euro foreign exchange rates fluctuated between 49.1777 and 72.8827 Russian Rubles per US dollar and 52.9087 and 81.1533 Russian Rubles per Euro. In addition during 2015 the key interest rate determined by the Central Bank of the Russian Federation decreased to 11% and actual inflation was 12.9%.

2. Economic environment in the Russian Federation (continued)

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the Government of the Russia Federation to sustain growth and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations.

3. Basis of presentation

These consolidated financial statements are prepared in accordance with, and comply with, International Financial Reporting Standards ("IFRS"), including International Accounting Standards and Interpretations issued by the International Accounting Standards Board and effective in the reporting period.

The consolidated financial statements of the Group are prepared under the historical cost convention except for certain financial instruments as described in Note 5. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4. Scope of consolidation

As described in Note 5, these consolidated financial statements include consolidated subsidiaries, associates, joint ventures and operation of the Group. Significant changes in the Group's structure in 2015 and 2014 are described below.

Asset swap with Wintershall Holding GmbH

On 30 September 2015 PJSC Gazprom and Wintershall Holding GmbH completed the asset swap which was initially agreed in December 2013.

According to the Swap Agreement 25.01% of the interest in the capital of LLC Achim Development and 9% of ordinary shares, one class A preference share and one class B preference share of JSC Achim Trading which were recognised under other non-current assets in the consolidated financial statements of the Group have been transferred to Wintershall Holding GmbH in return for the 100% of the interest in WIBG GmbH¹ and for 50% of the interest in Wintershall Noordzee B.V. and Wintershall Services B.V. WIBG GmbH holds an equity interest of 50.02% and 50% in W & G Beteiligungs-GmbH & Co. KG and in WIEH GmbH & Co. KG², respectively.

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

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

The acquired 50% interests in Wintershall Noordzee B.V. and Wintershall Services B.V. are accounted for using the equity method since the acquisition date (see Note 34).

¹ On 8 October 2015 Wintershall Erdgas Beteiligungs GmbH was renamed into WIBG GmbH.

² On 6 November 2015 Wintershall Erdgas Handelshaus GmbH & Co. KG was renamed into WIEH GmbH & Co. KG.

4. Scope of consolidation (continued)

Acquisition of Shtokman Development AG

In July 2015 the Group became an owner of the 100% of shares of Shtokman Development AG. Before the acquisition date the Group held an equity interest of 75% in the company and accounted the investment as a joint venture using the equity method. The Group acquired remaining 25% of the shares of Shtokman Development AG from Total Shtokman B.V. for 25 thousand Swiss Franc (RUB 2 million) according to the terms of the Shareholder Agreement. The payment was made by cash (see Note 34).

Acquisition of South Stream Transport B.V.

In December 2014 the Group became the owner of 100% of the interest in South Stream Transport B.V., the company responsible for the offshore part of the South Stream project, by acquiring shares of EDF International S.A.S., Wintershall Holding GmbH and ENI International B.V. for EUR 883 million paid in cash. As a result of the acquisition, the Group obtained control over South Stream Transport B.V. (see Note 34).

5. Summary of significant accounting policies

The principal accounting policies followed by the Group are set out below.

5.1 Group accounting

Subsidiaries

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee.

Subsidiaries are consolidated from the date on which control is transferred to the Group (the acquisition date) and are deconsolidated from the date on which control ceases.

All inter-company transactions, balances and unrealized gains and losses on transactions between companies of the Group have been eliminated. Separate disclosure is made for non-controlling interests.

The acquisition method of accounting is used to account for the acquisition of subsidiaries, including those entities and businesses that are under common control. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

5. Summary of significant accounting policies (continued)

An acquirer should recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability which relate to measurement period adjustments are adjusted against goodwill. Changes which arise due to events occurring after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill.

Goodwill and non-controlling interest

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income. Goodwill is tested annually for impairment as well as when there are indications of impairment. For the purpose of impairment testing goodwill is allocated to the cash-generating units or groups of cash-generating units, as appropriate.

Non-controlling interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. The Group treats transactions with non-controlling interest as transactions with equity owners of the Group. In accordance with IFRS 3 Business Combinations, the acquirer recognises the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at the acquisition date, and any non-controlling interest in the acquiree is stated at the non-controlling interest proportion of the net fair value of those items.

Joint arrangements

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligation for the liabilities, relating to the arrangement. Where the Group acts as a joint operator, the Group recognises in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. With regards to joint arrangements, where the Group acts as a joint venture, the Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method.

Associates

Associates are entities over which the Group has significant influence and that are neither a subsidiary nor an interest in a joint arrangement. Significant influence occurs when the Group has the power to participate in the financial and operating policy decisions of an entity but has no control or joint control over those policies. Associates are accounted for using the equity method. The group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

5. Summary of significant accounting policies (continued)

The Group's interest in each associate is carried in the consolidated balance sheet at the amount that reflects cost, including the goodwill at the acquisition date, the Group's share of profit and losses and its share of post-acquisition movements in reserves recognised in equity. Allowances are recorded for any impairment in value.

Recognition of losses under equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

5.2 Financial instruments

Financial instruments carried on the consolidated balance sheet include financial assets, in particular cash and cash equivalents, accounts receivable and other financial assets, as well as financial liabilities, in particular accounts payable, loans and borrowings, promissory notes. The particular recognition and measurement methods adopted are disclosed in the individual policy statements associated with each item.

Accounting for financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts are initially recognised at the fair value and are subsequently measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the balance sheet date.

Fair value disclosure

The fair value of accounts receivable for disclosure purposes is measured by discounting the value of expected cash flows at the market rate of interest for similar borrower at the reporting date.

The fair value of financial liabilities and other financial instruments (except if publicly quoted) for disclosure purposes is measured by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The fair value of publicly quoted financial instruments for disclosure purposes are measured based on current market value at the last trading price on the reporting date.

5.3 Derivative financial instruments

As a part of trading activities the Group is also a party to derivative financial instruments including forward and options contracts for a foreign exchange rate, commodities and securities. The Group's policy is to measure these instruments at fair value, with resultant gains or losses being reported within the profit and loss section of the consolidated statement of comprehensive income. The fair value of derivative financial instruments is determined using an actual market information data and valuation techniques based on prevailing market interest rates for similar instruments as appropriate.

The Group routinely enters into sale and purchase transactions for the purchase and sales of gas, oil, oil products and other goods. The majority of these transactions are entered to meet supply requirements to fulfil contract obligations and for own consumption and are not within the scope of IAS 39 Financial instruments: recognition and measurement.

Sale and purchase transactions of gas, oil, oil products and other goods, which are not physically settled in accordance with the Group's expected operating activity or can be net settled under the terms of the respective contracts, are accounted for as derivative financial instruments in accordance with IAS 39 Financial instruments: recognition and measurement. These instruments

5. Summary of significant accounting policies (continued)

are considered as held for trading and related gains or losses are recorded within the profit and loss section of the consolidated statement of comprehensive income.

Derivative contracts embedded into sales and purchase contracts are separated from the host contracts and accounted for separately. Derivatives are carried at the fair value with gains and losses arising from changes in the fair values of derivatives included within the profit and loss section of the consolidated statement of comprehensive income in the period in which they arise.

5.4 Hedge accounting

The Group applies hedge accounting policy for those derivatives that are designated as a hedging instrument. The Group has designated only cash flow hedges — hedges against the exposure to the variability of cash flow currency exchange rates on highly probable forecast transactions. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. Any ineffective portion is ultimately recognised in profit and loss. Changes in the fair value of certain derivative instruments that do not qualify for hedge accounting are recognised immediately in profit and loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss on any associated hedging instrument that was reported in equity is immediately transferred to profit and loss.

The fair value of the hedge item is determined at the end of each reporting period with reference to the market value, which is typically determined by the credit institutions.

5.5 Non-derivative financial assets

The Group classifies its financial assets in the following categories:

- (a) *financial assets at fair value through profit or loss;*
- (b) *available-for-sale financial assets; and*
- (c) *loans and receivables.*

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation, which determines the method for measuring financial assets at the subsequent balance sheet date: amortised cost or fair value.

(a) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at the fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are expected to be realized within 12 months after the balance sheet date. Gains and losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are included within the profit and loss section of the consolidated statement of comprehensive income in the period in which they arise.

There were no material financial assets designated at the fair value through profit or loss at inception as of 31 December 2015 and 31 December 2014.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months after the balance sheet date.

5. Summary of significant accounting policies (continued)

Available-for-sale financial assets are measured at the fair value at inception and subsequently. Investments in quoted equity instruments classified as available-for-sale financial assets are measured at quoted market prices as of the reporting date. Investments in equity instruments for which there are no available market quotations are accounted for at the fair value. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price unless the fair value of that instrument is evidenced by comparison with the same instrument or based on a valuation technique whose variables include only data from observable markets. The fair value of unquoted debt instruments classified as available-for-sale financial assets is determined using discounted cash flow valuation techniques based on prevailing market interest rate for similar instruments.

Gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income and shown net of income tax in the consolidated statement of comprehensive income. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the consolidated statement of comprehensive income as gains (losses) on disposal of available-for-sale financial assets. Interest income on available-for-sale debt instruments, calculated using the effective interest method, is recognised within the profit and loss section of the consolidated statement of comprehensive income.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables are carried at amortized cost using the effective interest method. Gains and losses are recognised within the profit and loss section of the consolidated statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortization process.

Loans and receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

Impairment of financial assets

At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from other comprehensive income to profit or loss for the year. The impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment was recognised. For financial assets measured at amortized cost and available-for-sale financial assets which represent debt instruments, the reversal is recognised in profit or loss. For available-for-sale financial assets which represent equity instruments, the reversal is recognised directly in other comprehensive income. Impairment losses relating to assets recognised at cost cannot be reversed.

The allowance for impairment of accounts receivable is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 12 months overdue) are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the financial asset's original effective interest rate at the date of origination of the receivable. The amount of the allowance is recognised in the consolidated statement of comprehensive income within operating expenses.

5. Summary of significant accounting policies (continued)

5.6 Options on purchase or sale of financial assets

Options on purchase or sale of financial assets are presented in the consolidated financial statements at their fair value. These options are accounted for as assets when their fair value is positive (for call options) and as liabilities when the fair value is negative (for put options). Changes in the fair value of these options instruments are included within the profit and loss section of the consolidated statement of comprehensive income.

5.7 Cash and cash equivalents and restricted cash

Cash comprises cash on hand and balances with banks. Cash equivalents comprise short-term financial assets which are readily converted to cash and have an original maturity of three months or less. Restricted cash balances comprise balances of cash and cash equivalents which are restricted as to withdrawal under the terms of certain borrowings or under banking regulations. Restricted cash balances are excluded from cash and cash equivalents in the consolidated statement of cash flows.

5.8 Value added tax

In the Russian Federation the value added tax ("VAT") at a standard rate of 18% is payable on the difference between output VAT on sales of goods and services and recoverable input VAT charged by suppliers. Output VAT is charged on the earliest of the dates: either the date of the shipment of goods (works, services) or the date of advance payment by the buyer. Input VAT could be recovered when purchased goods (works, services) are accounted for and other necessary requirements provided by the tax legislation are met.

Export of goods and rendering certain services related to exported goods are subject to 0% VAT rate upon the submission of confirmation documents to the tax authorities. Input VAT related to operations that are subject to 0% VAT is recoverable. A limited list of goods, works and services are not subject to VAT. Input VAT related to non-VATable supply of goods, works and services generally is not recoverable and is included in the value of acquired goods, works and services.

VAT related to purchases (input VAT) and also VAT prepayments are recognised in the consolidated balance sheet within other current assets, while VAT related to sales (output VAT) is disclosed separately as a current liability. VAT presented within other non-current assets relates to assets under construction, which is expected to be recovered more than 12 months after the balance sheet date.

5.9 Mineral extraction tax

Mineral extraction tax ("MET") on hydrocarbons, including natural gas and crude oil, is due on the basis of quantities of natural resources extracted.

In the Russian Federation effective since 1 July 2014 a calculation formula of determining MET rate for natural gas and gas condensate was established instead of the fixed MET rate.

MET rate for natural gas is defined as the set of indicators:

- 1) the base rate of RUB 35 per thousand square meters of natural gas;
- 2) the base amount of hard coal equivalent, calculated on basis of macroeconomic factors, including oil and gas prices;
- 3) the rate reflecting the complexity of producing natural gas;
- 4) the rate of expenses for transporting gas.

5. Summary of significant accounting policies (continued)

A 0% MET rate is applied to natural gas extracted in a number of regions of the Russian Federation shall the specific criteria determined by respective tax legislation be fulfilled.

MET rate for natural gas was RUB 700 per thousand square meters to 1 July 2014. MET rate for gas condensate was RUB 42 per ton from 1 July 2014 to 31 December 2014. The tax rate is multiplied by the base amount of hard coal equivalent and by the rate reflecting the complexity of producing gas and (or) gas condensate in a raw hydrocarbon deposit. MET for gas condensate was RUB 647 per thousand square meters from 1 January 2014 to 30 June 2014.

In the Russian Federation MET for crude oil is defined as an amount of volume produced per fixed tax rate (RUB 766 per ton in 2015 and RUB 493 per ton in 2014) adjusted for coefficients that take into account volatility of crude oil prices on the global market, relative size of the field and degree of depletion of the specific field. Also 0% tax rate is applied to oil extracted in a number of regions of the Russian Federation shall the specific criteria determined by respective tax legislation be fulfilled.

MET is accrued as a tax on production and recorded within operating expenses.

5.10 Customs duties

The export of hydrocarbons, including natural gas and crude oil, outside of the Customs union, which includes the Russian Federation, Belarus and Kazakhstan, is subject to export customs duties. According to the Decree of the Government of the Russian Federation No.754 dated 30 August 2013 export of natural gas outside the boundaries of the Customs union is subject to a fixed 30% export customs duty rate levied on the customs value of the exported natural gas.

According to the Federal Law No.239-FZ dated 3 December 2012, starting from 1 April 2013 under the Resolution of the Russian Government No.276 dated 29 March 2013 export customs duty calculation methodology for oil and oil products was established based on which the Ministry of Economic Development of the Russian Federation determines export customs duty rates for the following calendar month.

Revenues are recognised net of the amount of custom duties.

5.11 Excise tax

Effective from 1 January 2015 natural gas is subject to a 30% excise tax, if provided by international treaties of the Russian Federation. Thus, at the present moment excisable oil products include gasoline, motor oil, diesel fuel and natural gas, while oil and gas condensate do not apply to excisable goods.

Within the Group, excise tax is imposed on the transfers of excisable oil products produced at group-owned refineries under a tolling arrangement to the Group company owning the product. The Group considers the excise tax on refining of oil products on a tolling basis as an operating expense. These taxes are not netted with revenue presented in the consolidated statement of comprehensive income.

5.12 Inventories

Inventories are valued at the lower of net realisable value and cost. Cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overhead but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses and completion costs.

5. Summary of significant accounting policies (continued)

5.13 Property, plant and equipment

Property, plant and equipment are carried at historical cost of acquisition or construction after deduction of accumulated depreciation and accumulated impairment. Gas and oil exploration and production activities are accounted for in accordance with the successful efforts method. Under the successful efforts method, costs of development and successful exploratory wells are capitalised. Costs of unsuccessful exploratory wells are expensed upon determination that the well does not justify commercial development. Other exploration costs are expensed as incurred. Exploration costs are classified as research and development expenses within operating expenses.

Major renewals and improvements are capitalised. Maintenance, repairs and minor renewals are expensed as incurred. Minor renewals include all expenditures that do not result in a technical enhancement of the asset beyond its original capability. Gains and losses arising from the disposal of property, plant and equipment are included within the profit and loss section of the consolidated statement of comprehensive income as incurred.

Property, plant and equipment include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Interest costs on borrowings are capitalised as part of the cost of assets under construction during the period of time that is required to construct and prepare the asset for its intended use. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs eligible for capitalisation.

Depletion of acquired production licenses is calculated using the units-of-production method for each field based upon proved reserves. Oil and gas reserves for this purpose are determined in accordance with the guidelines set by Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, the World Petroleum Congress, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers, and were estimated by independent reservoir engineers.

Depreciation of assets (other than production licenses) is calculated using the straight-line method over their estimated remaining useful lives, as follows:

| | Years |
|-------------------------|--------------|
| Pipelines | 25–34 |
| Wells | 7–40 |
| Machinery and equipment | 10–18 |
| Buildings | 30–40 |
| Roads | 20–40 |
| Social assets | 10–40 |

Depreciation on wells has been calculated on cost using the straight line method rather than, as is the more generally accepted international industry practice, on the unit-of-production method. The difference between straight line and units-of-production is not material for these consolidated financial statements. Assets under construction are not depreciated until they are placed in service.

The return to a governmental authority of state social assets (such as rest houses, housing, schools and medical facilities) retained by the Group at privatisation is recorded only upon the termination of operating responsibility for the social assets. The Group does not possess owner-

5. Summary of significant accounting policies (continued)

ship rights for the assets, but records them on its consolidated balance sheet up to the return to a governmental authority because the Group controls the benefits which are expected to flow from the use of the assets and bears all associated operational and custody risks. These disposals are considered to be shareholder transactions because they represent a return of assets for the benefit of governmental authorities, as contemplated in the original privatisation arrangements. Consequently, such disposals are accounted for as a reduction directly in equity.

5.14 Impairment of non-current non-financial assets

At each balance sheet date, management assesses whether there is any indication that the recoverable value of the Group's assets has declined below the carrying value. When such a decline is identified, the carrying amount is reduced to the estimated recoverable amount which is the higher of fair value less costs to sell and value in use. Individual assets are grouped for impairment assessment purposes into the cash-generating units at the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets.

Goodwill acquired in a business combination is assessed for the recoverability of its carrying value annually irrespective of whether there is any indication that impairment exists at the balance sheet date. Goodwill acquired through business combinations is allocated to cash-generating units (or groups of cash-generating units) to which goodwill relates. In assessing whether goodwill has been impaired, the carrying amount of the cash-generating unit (including goodwill) is compared with the recoverable amount of the respective cash-generating unit.

The amount of the reduction of the carrying amount of the cash-generating unit to the recoverable value is recorded within the profit and loss section of the consolidated statement of comprehensive income in the period in which the reduction is identified. Impairments, except those relating to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed. Impairment losses recognised for goodwill are not reversed in subsequent reporting periods.

5.15 Borrowings

Borrowings are recognised initially at their fair value which is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price, net of transaction costs incurred. In subsequent periods, borrowings are recognised at amortised cost, using the effective interest method; any difference between fair value of the proceeds (net of transaction costs) and the redemption amount is recognised as interest expense over the period of the borrowings.

5.16 Deferred tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred tax assets and liabilities are recorded for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deferred tax asset will be realised or if it can be offset against existing deferred tax liabilities. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on all temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary

5. Summary of significant accounting policies (continued)

difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

5.17 Foreign currency transactions

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Russian Rubles, which are the presentation currency of the Group's consolidated financial statements.

Monetary assets and liabilities denominated in foreign currencies are translated into Russian Rubles at the official exchange rates prevailing at the reporting date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the reporting date are recognised as exchange gains or losses within the profit and loss section of the consolidated statement of comprehensive income.

The balance sheets of foreign subsidiaries, associates and joint arrangements are translated into Rubles at the official exchange rate prevailing at the reporting date. Statements of comprehensive income of foreign entities are translated at average exchange rates for the year. Exchange differences arising on the translation of the net assets of foreign subsidiaries and associates are recognised as translation differences and recorded directly in equity.

Exchange restrictions and currency controls exist relating to converting the RUB into other currencies. The RUB is not freely convertible in most countries outside of the Russian Federation.

5.18 Provisions for liabilities and charges

Provisions, including provisions for post-employment benefit obligations and for decommissioning and site restoration costs, are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. As obligations are determined, they are recognised immediately based on the present value of the expected future cash outflows arising from the obligations. Initial estimates (and subsequent revisions to the estimates) of the cost of dismantling and removing the property, plant and equipment are capitalized as property, plant and equipment.

5.19 Equity

Treasury shares

When the Group companies purchase the equity share capital of PJSC Gazprom, the consideration paid including any attributable transaction costs is deducted from total equity as treasury shares until they are re-sold. When such shares are subsequently sold, any consideration received net of income taxes is included in equity. Treasury shares are recorded at weighted average cost. Gains (losses) arising from treasury shares transactions are recognised directly in the consolidated statement of changes in equity, net of associated costs including taxation.

Dividends

Dividends are recognised as a liability and deducted from equity in the period when it recommended by the Board of Directors and approved at the General Meeting of Shareholders.

5. Summary of significant accounting policies (continued)

5.20 Revenue recognition

Revenues are measured at the fair value of the consideration received or receivable. When the fair value of consideration received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up.

Sales, including gas, refined products, crude oil and gas condensate and electric and heat energy, are recognised for financial reporting purposes when products are delivered to customers and title passes and are stated net of VAT and other similar compulsory payments. Gas transportation sales are recognised when transportation services have been provided, as evidenced by delivery of gas in accordance with the contract.

Prices for natural gas and tariffs for transportation of gas to final consumers in the Russian Federation are regulated by the Federal Antimonopoly Service ("FAS"). Until 21 July 2015, these functions were performed by the Federal Tariff Service ("FTS"). Prices for gas sold to European countries are mainly calculated by a formula based on the number of oil product prices, in accordance with the terms of long-term contracts. Gas prices that are being implemented in countries of the former Soviet Union are defined in various ways, including using formulas similar to those used in contracts with European buyers.

Trading activity

Contracts to buy or sell non-financial items entered into for trading purposes and which do not meet the expected own-use requirements, such as contracts to sell or purchase commodities that can be net settled in cash or settled by entering into another contract, are recognised at fair value and associated gains or losses are recorded as Net gain (loss) from trading activity. These contracts are derivatives in the scope of IAS 39 for both measurement and disclosure.

The financial result generated by trading activities is reported as a net figure. Trading activities are mainly managed by Gazprom Marketing and Trading Ltd., a subsidiary of the Group, and relate partly to gas trading and power and emission rights trading activities.

5.21 Interest

Interest income and expense are recognised within the profit and loss section of the consolidated statement of comprehensive income for all interest bearing financial instruments on an accrual basis using the effective yield method. Interest income includes nominal interest and accrued discount and premium. When loans become doubtful of collection, they are written down to their recoverable amounts (using the original effective rate) and interest income is thereafter recognised based on the same effective rate of interest.

5.22 Research and development

Research expenditure is recognised as an expense as incurred. Development expenditure is recognised as intangible assets (within other non-current assets) to the extent that such expenditure is expected to generate future economic benefits. Other development expenditures are recognised as an expense as incurred. However, development costs previously recognised as an expense are not recognised as an asset in a subsequent period, even if the asset recognition criteria are subsequently met.

5. Summary of significant accounting policies (continued)

5.23 Employee benefits

Pension and other post-retirement benefits

The Group operates post-employment benefits, which are recorded in the consolidated financial statements under IAS 19 Employee Benefits. Defined benefit plan covers the majority employees of the Group. Pension costs are recognised using the projected unit credit method. The cost of providing pensions is accrued and charged to staff expense within operating expenses in the consolidated statement of comprehensive income reflecting the cost of benefits as they are earned over the service lives of employees. The post-employment benefit obligation is measured at the present value of the estimated future cash outflows using interest rates of government securities, which have the terms to maturity approximating the terms of the related liability.

Actuarial gains and losses on assets and liabilities arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise (see Note 24).

Past service costs are recognised immediately through profit or loss when they occur, in the period of a plan amendment.

Plan assets are measured at fair value and are subject to certain limitations (see Note 24). Fair value of plan assets is based on market prices. When no market price is available the fair value of plan assets is estimated by different valuation techniques, including discounted expected future cash flow using a discount rate that reflects both the risk associated with the plan assets and maturity or expected disposal date of these assets.

In the normal course of business the Group contributes to the Russian Federation State pension plan on behalf of its employees. Mandatory contributions to the State pension plan, which is a defined contribution plan, are expensed when incurred and are included within staff costs in operating expenses. The cost of providing other discretionary post-retirement obligations (including constructive obligations) is charged to the profit and losses of the consolidated statement of comprehensive income as they are earned over the average remaining service lives of employees.

Social expenses

The Group incurs employee costs related to the provision of benefits such as health and social infrastructure and services. These amounts principally represent an implicit cost of employing production workers and, accordingly, are charged to operating expenses in the consolidated statement of comprehensive income.

5.24 Recent accounting pronouncements

Application of new IFRSs

A number of amendments to current IFRSs and new IFRICs became effective for the periods beginning on or after 1 January 2015:

- Amendments to IAS 19 Employee benefit. The amendments allow entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service.
- Annual amendments to IFRSs 2012, 2013 and 2014.

The Group has reviewed amended standards while preparing these consolidated financial statements. The amended standards have no significant impact on the Group's consolidated financial statements.

5. Summary of significant accounting policies (continued)

Standards and Amendments to existing Standards that are not yet effective and have not been early adopted by the Group

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016. In particular, the Group has not early adopted the standards and amendments:

- IFRS 16 Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard replaces the previous IAS 17 Leases and establishes a general accounting model for all types of lease agreements in financial statements. All leases should be accounted in accordance with applicable principles of the financial lease accounting. Lessees are required to recognize assets and liabilities under lease agreements except cases specifically mentioned. Insignificant changes in the applicable accounting required IAS 17 Leases are implemented for lessors. Earlier application of the standard is permitted simultaneously with earlier application IFRS 15 Revenue from Contracts with Customers.
- IFRS 15 Revenue from Contracts with Customers (issued in May 2014 and effective for annual periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods and services are transferred to the customer, at the transaction price. Any bundled goods and services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be recognised as an asset and amortized over the period when the benefits of the contract are consumed.
- The amendments to IFRS 11 Joint Arrangements (issued in May 2014 and effective for annual periods beginning on or after 1 January 2016) on accounting for acquisitions of interests in joint operations. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.
- The amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (issued in May 2014 and effective for annual periods beginning on or after 1 January 2016) on clarification of acceptable methods of depreciation and amortization. In this amendment the International Accounting Standards Board clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments eliminate an inconsistency between the requirements of IFRS 10 Consolidated Financial Statements and those of IAS 28 Investments in Associates and Joint Ventures in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.
- The amendments to IAS 1 Presentation of Financial Statements (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016). The standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The standard also provides new guidance on subtotals in financial statements.

5. Summary of significant accounting policies (continued)

- The amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (issued in August 2014 and effective for annual periods on or after 1 January 2016). These standards were amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 Consolidated Financial Statements in such ultimate or any intermediate parent's financial statements.
- The amendments to IFRS 9 Financial Instruments (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). IFRS 9 Financial Instruments replaces those parts of IAS 39 Financial Instruments: Recognition and Measurement relating to the classification and measurement of financial assets. Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortized cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy a choice between applying the hedge accounting requirements of IFRS 9 Financial Instruments or continuing to apply IAS 39 Financial Instruments: Recognition and Measurement to all hedging instruments because the standard currently does not address accounting for macro hedging.
- Amendments to IAS 7 Cash Flow Statements (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017). The revised standard requires disclosing a reconciliation of movements for obligations arising from financing activities.
- Annual Improvements to IFRS, the period 2012–2014 (effective for annual periods beginning on or after 1 January 2016). The document includes the following amendments:
 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Disposal of assets (or disposal of groups) is carried out, usually through sale or distribution to owners. The amendment clarifies that the transition from one method of disposal to another should not be regarded as a new plan for retirement, and a continuation of the original plan. Thus, the application of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations is not discontinued. This amendment will be applied prospectively.
 - IFRS 7 Financial Instruments: Disclosures. The amendment clarifies that a service contract providing for the payment of fees may be a continuing involvement in the financial asset. To determine the need for disclosure of information an organization should assess the nature of the benefit and the agreement in accordance with the instructions of the continued participation in the IFRS 7 Financial Instruments: Disclosures. The assessment of any maintenance contracts are continuing involvement, it should be carried out retrospectively. However, the disclosure is not required for periods beginning before the annual period in which the entity first applies this amendment.
- Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017).

The Group is currently assessing the impact of the amendments on its financial position and results of operations.

6. Critical judgments and estimates in applying accounting policies

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as well as disclosures. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from management estimates, and management estimates can be revised in the future, either negatively or positively, depending upon the outcome or changes in expectations based on the facts surrounding each estimate.

Judgments that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are reported below.

6.1 Consolidation of subsidiaries

Management judgment is involved in the assessment of control and the consolidation of subsidiaries in the Group's consolidated financial statements taken into account voting rights and contractual arrangements with other shareholders.

6.2 Tax legislation and uncertain tax positions

Russian tax, currency and customs legislation is subject to varying interpretations (see Note 37).

The Group's uncertain tax positions (potential tax gains and losses) are reassessed by management at every balance sheet date. Liabilities are recorded for income tax positions that are determined by management based on the interpretation of current tax laws. Liabilities for penalties, interest and taxes other than profit tax are recognised based on management's best estimate of the expenditure required to settle tax obligations at the balance sheet date.

6.3 Assumptions to determine amount of provisions

Impairment allowance for accounts receivable

The impairment allowance for accounts receivable is based on the Group's assessment of the collectability and recoverable amount of specific customer accounts, being the present value of expected cash flows. If there is deterioration in a major customer's creditworthiness or actual defaults are higher or lower than the estimates, the actual results could differ from these estimates. The charges (and releases) for impairment of accounts receivable may be material (see Note 10).

Impairment of Property, plant and equipment and Goodwill

The estimation of forecasted cash flows for the purposes of impairment testing involves the application of a number of significant judgements and estimates to certain variables including volumes of production and extraction, prices on gas, oil, oil products, electrical power, operating costs, capital investment, hydrocarbon reserves estimates, and macroeconomic factors such as inflation and discount rates.

In addition, judgement is applied in determining the cash-generating units assessed for impairment. For the purposes of the goodwill impairment test, management considers gas production, transportation and distribution activities as part of one Gas cash-generating unit and monitors associated goodwill at this level. The Group's pipelines constitute a unified gas supply system, providing gas supply to customers in the Russian Federation, Former Soviet Union countries and Europe. The interaction of production of gas, transportation and distribution of gas activities provides the basis for capturing the benefits from synergies.

6. Critical judgments and estimates in applying accounting policies (continued)

The value in use of assets or cash-generating units related to oil and gas operations are based on their expected production volumes, which include both proved reserves as well as certain volumes of those that are expected to constitute proved and probable reserves in the future.

Impairment charges are disclosed in Notes 13, 14 and 27.

Accounting for provisions

Accounting for impairment includes allowances against capital construction projects, financial assets, other non-current assets and inventory obsolescence. Because of the Group's production cycle, the year end carrying values are assessed in light of forward looking plans finalised on or around year end.

Because of the production cycle of the Group, some important decisions about capital construction projects are taken at the end of the fiscal year. Accordingly, the Group typically has larger impairment charges or releases in the fourth quarter of the fiscal year as compared to other quarters.

6.4 Site restoration and environmental costs

Site restoration costs that may be incurred by the Group at the end of the operating life of certain Group's facilities and properties are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The cost is depreciated through the profit and loss of the consolidated statement of comprehensive income on a straight-line basis over the asset's productive life. Changes in the measurement of an existing site restoration obligation that result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate adjust the cost of the related asset in the current period. IFRS prescribes the recording of liabilities for these costs. Estimating the amounts and timing of those obligations that should be recorded requires significant judgment. This judgment is based on cost and engineering studies using currently available technology and is based on current environmental regulations. Liabilities for site restoration are subject to change because of change in laws and regulations, and their interpretation.

6.5 Useful lives of Property, plant and equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage based on production and reserve estimates, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments to future depreciation rates.

Were the estimated useful lives to decrease by 10% or increase by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2015 would be an increase by RUB 58,112 million or a decrease by RUB 47,546 million (2014: increase by RUB 51,940 million or decrease by RUB 42,497 million).

Based on the terms included in the licenses and past experience, management believes hydrocarbon production licenses, which are expected to be productive past their current expiration dates, will be extended at insignificant additional costs. Because of the anticipated license extensions, the assets are depreciated over their useful lives beyond the end of the current license term.

6. Critical judgments and estimates in applying accounting policies (continued)

6.6 Fair value estimation for financial instruments

The fair values of energy trading contracts, commodity futures and swaps are based on market quotes on measurement date (Level 1 in accordance with the valuation hierarchy). Customary valuation models are used to value financial instruments which are not traded in active markets. The fair values are based on inputs that are observable either directly or indirectly (Level 2 in accordance with the valuation hierarchy). Contracts that are valued based on non-observable market data belong to Level 3 in accordance with the valuation hierarchy. Management's best estimates based on internally developed models are used for the valuation. Where the valuation technique employed incorporates significant unobservable input data such as these long-term price assumptions, contracts have been categorised as Level 3 in accordance with the valuation hierarchy (see Note 39).

The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement of assets and liabilities within the levels of the fair value hierarchy.

6.7 Fair value estimation for acquisitions

In accounting for business combinations, the purchase price paid to acquire a business is allocated to its assets and liabilities based on the estimated fair values of the assets acquired and liabilities assumed as of the date of acquisition. The excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired is recorded as goodwill. A significant amount of judgment is involved in estimating the individual fair values of property, plant and equipment and identifiable intangible assets.

The estimates used in determining fair values are based on assumptions believed to be reasonable but which are inherently uncertain. Accordingly, actual results may differ from the projected results used to determine fair value.

6.8 Accounting for plan assets and pension liabilities

Pension plan liabilities are estimated using actuarial techniques and assumptions as disclosed in Note 24. Actual results may differ from the estimates, and the Group's estimates can be revised in the future based on changes in economic and financial conditions. In addition, certain plan assets included in NPF Gazfund are estimated using the fair value estimation techniques. Management makes judgments with respect to the selection of valuation model applied, the amount and timing of cash flows forecasts or other assumptions such as discount rates. The recognition of plan assets is limited by the estimated present value of future benefits which are available to the Group in relation to this plan. These benefits are determined using actuarial techniques and assumptions. The impact of the change in the limitation of the plan assets in accordance with IAS 19 Employee Benefits is disclosed in Note 24. The value of plan assets and the limit are subject to revision in the future.

6.9 Joint Arrangements

Upon adopting of IFRS 11 Joint Arrangements the Group applied judgement when assessing whether its joint arrangements represent a joint operation or a joint venture. The Group determined the type of joint arrangement in which it is involved by considering its rights and obligations arising from the arrangement including the assessment of the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. The Group has assessed the nature of its joint arrangements and

6. Critical judgments and estimates in applying accounting policies (continued)

determined them to be joint ventures, except for its investments in OJSC Tomskneft VNK, Salym Petroleum Development N.V., Blue Stream Pipeline company B.V., LLC Yuzhno-Priobskiy GPZ, Erdgasspeicher Peissen GmbH and Podzemno skladiste gasa Banatski Dvor d.o.o. which were determined to be joint operations.

7. Segment information

The Group operates as a vertically integrated business with substantially all external gas sales generated by the Distribution segment.

The Board of Directors and Management Committee of PJSC Gazprom (the “Governing bodies”) provide general management of the Group, assess operating results and allocate resources using different internal financial information.

Based on that the following reportable segments within the Group were determined:

- Production of gas — exploration and production of gas;
- Transportation — transportation of gas;
- Distribution of gas — sales of gas within Russian Federation and abroad;
- Gas storage — storage of extracted and purchased gas in underground gas storages;
- Production of crude oil and gas condensate — exploration and production of oil and gas condensate, sales of crude oil and gas condensate;
- Refining — processing of oil, gas condensate and other hydrocarbons, and sales of refined products;
- Electric and heat energy generation and sales.

Other activities have been included within “All other segments” column.

The inter-segment sales mainly consist of:

- Production of gas— sales of gas to the Distribution and Refining segments;
- Transportation — rendering transportation services to the Distribution segment;
- Distribution of gas — sales of gas to the Transportation segment for own needs and to the Electric and heat energy generation and sales segment;
- Gas storage — sales of gas storage services to the Distribution segment;
- Production of crude oil and gas condensate — sales of oil and gas condensate to the Refining segment for further processing;
- Refining — sales of refined hydrocarbon products to other segments.

Internal transfer prices, mostly for Production of gas, Transport and Gas storage segments, are established by the management of the Group with the objective of providing specific funding requirements of the individual subsidiaries within each segment.

The Governing bodies assess the performance, assets and liabilities of the operating segments based on the internal financial reporting. The effects of certain non-recurring transactions and events, such as business acquisitions, and the effects of some adjustments that may be considered necessary to reconcile the internal financial information to IFRS consolidated financial statements are not included within the operating segments which are reviewed by the Governing bodies on a central basis. Gains and losses on available-for-sale financial assets and financial income and expenses are also not allocated to the operating segments.

7. Segment information (continued)

| | Production of gas | Transportation | Distribution of gas | Gas storage | Production of crude oil and gas condensate | Refining | Electric and heat energy generation and sales | All other segments | Total |
|---|----------------------|------------------|------------------------|----------------|---|------------------|---|-----------------------|------------------|
| Year ended | | | | | | | | | |
| 31 December 2015 | | | | | | | | | |
| Total segment revenues | 707,284 | 1,063,138 | 3,636,183 | 47,144 | 874,099 | 1,565,902 | 424,665 | 287,411 | 8,605,826 |
| Inter-segment sales | 689,260 | 869,173 | 226,950 | 44,487 | 613,491 | 10,311 | – | – | 2,453,672 |
| External sales | 18,024 | 193,965 | 3,409,233 | 2,657 | 260,608 | 1,555,591 | 424,665 | 287,411 | 6,152,154 |
| Segment result | 11,724 | (11,768) | 595,837 | 4,707 | 89,730 | 140,160 | 37,475 | (4,214) | 863,651 |
| Depreciation | 168,631 | 450,705 | 12,787 | 22,854 | 95,858 | 36,204 | 39,575 | 35,722 | 862,336 |
| Share of net income (loss) of associates and joint ventures | 7,484 | 18,960 | 17,594 | (1,664) | 82,231 | 3,353 | 13 | (21,411) | 106,560 |
| Year ended | | | | | | | | | |
| 31 December 2014 | | | | | | | | | |
| Total segment revenues | 701,406 | 965,057 | 3,203,357 | 44,264 | 706,311 | 1,629,779 | 426,951 | 209,632 | 7,886,757 |
| Inter-segment sales | 682,338 | 792,215 | 237,040 | 41,461 | 497,077 | 10,565 | – | – | 2,260,696 |
| External sales | 19,068 | 172,842 | 2,966,317 | 2,803 | 209,234 | 1,619,214 | 426,951 | 209,632 | 5,626,061 |
| Segment result | 47,193 | 43,327 | 727,604 | 6,314 | 75,720 | 246,647 | (14,752) | (18,774) | 1,113,279 |
| Depreciation | 141,544 | 381,004 | 14,592 | 18,962 | 81,905 | 35,425 | 37,343 | 24,937 | 735,712 |
| Share of net (loss) income of associates and joint ventures | (22,277) | 9,895 | 10,934 | (2,724) | 55,396 | 602 | (14) | (5,761) | 46,051 |

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

| Notes | Year ended 31 December | |
|---|------------------------|------------------|
| | 2015 | 2014 |
| Segment result for reportable segments | 867,865 | 1,132,053 |
| Other segments' result | (4,214) | (18,774) |
| Segment result | 863,651 | 1,113,279 |
| Difference in depreciation ¹ | 347,136 | 263,561 |
| Income (expenses) associated with pension obligations | 2,588 | (3,387) |
| 28 Net finance expense | (418,741) | (1,048,737) |
| Gains (losses) on disposal of available-for-sale financial assets | 9,121 | (915) |
| 15 Share of net income of associates and joint ventures | 106,560 | 46,051 |
| 27 Derivatives gains (losses) | 88 | (7,141) |
| 14, 27 Impairment of goodwill | – | (47,620) |
| Other | 14,838 | (8,268) |
| Profit before profit tax | 925,241 | 306,823 |

¹ The difference in depreciation relates to adjustments of statutory fixed assets to comply with IFRS, such as reversal of revaluation of fixed assets recorded under Russian statutory accounting or accounting for historical hyperinflation which is not recorded under Russian statutory accounting.

7. Segment information (continued)

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

| | Year ended 31 December | |
|---|------------------------|------------------|
| | 2015 | 2014 |
| External sales for reportable segments | 5,864,743 | 5,416,429 |
| External sales for other segments | 287,411 | 209,632 |
| Total external segment sales | 6,152,154 | 5,626,061 |
| Differences in external sales ¹ | (78,836) | (36,250) |
| Total sales per the consolidated statement of comprehensive income | 6,073,318 | 5,589,811 |

¹ The difference in external sales relates to adjustments of statutory sales to comply with IFRS, such as netting of sales of materials to subcontractors recorded under Russian statutory accounting and other adjustments.

Substantially all of the Group's operating assets are located in the Russian Federation. Segment assets consist primarily of property, plant and equipment, accounts receivable and prepayments, investments in associates and joint ventures and inventories. Cash and cash equivalents, restricted cash, VAT recoverable, goodwill, financial assets and other current and non-current assets are not considered to be segment assets but rather are managed on a central basis.

| | Production of gas | Transportation | Distribution of gas | Gas storage | Production of crude oil and gas condensate | Refining | Electric and heat energy generation and sales | All other segments | Total |
|--|-------------------|----------------|---------------------|-------------|--|-----------|---|--------------------|------------|
| 31 December 2015 | | | | | | | | | |
| Segment assets | 2,357,813 | 6,119,073 | 1,677,460 | 348,857 | 2,183,335 | 1,260,557 | 850,658 | 885,287 | 15,683,040 |
| Investments in associates and joint ventures | 19,434 | 152,954 | 45,580 | 1,958 | 467,626 | 20,124 | 1,453 | 99,117 | 808,246 |
| Capital additions | 220,214 | 420,874 | 25,962 | 48,486 | 324,330 | 136,299 | 98,963 | 69,701 | 1,344,829 |
| 31 December 2014 | | | | | | | | | |
| Segment assets | 2,276,369 | 6,088,335 | 1,454,300 | 280,762 | 1,896,609 | 1,378,295 | 799,914 | 661,507 | 14,836,091 |
| Investments in associates and joint ventures | 13,178 | 123,594 | 54,083 | 7,017 | 346,373 | 20,063 | 414 | 112,494 | 677,216 |
| Capital additions | 254,881 | 434,433 | 23,709 | 15,530 | 227,421 | 135,158 | 82,019 | 48,177 | 1,221,328 |

7. Segment information (continued)

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

| Notes | 31 December | |
|--|-------------------|-------------------|
| | 2015 | 2014 |
| Segment assets for reportable segments | 14,797,753 | 14,174,584 |
| Other segments' assets | 885,287 | 661,507 |
| Total segment assets | 15,683,040 | 14,836,091 |
| Differences in property, plant and equipment, net ¹ | (1,778,015) | (2,070,873) |
| 13 Loan interest capitalised | 645,109 | 467,373 |
| Decommissioning costs | 74,290 | 47,287 |
| 8 Cash and cash equivalents | 1,359,095 | 1,038,191 |
| Restricted cash | 1,815 | 2,085 |
| 9 Short-term financial assets | 12,570 | 10,735 |
| VAT recoverable | 229,626 | 289,287 |
| Other current assets | 472,045 | 403,005 |
| 17 Available-for-sale long-term financial assets | 235,607 | 201,824 |
| 14 Goodwill | 107,467 | 104,221 |
| Other non-current assets | 303,269 | 346,377 |
| Inter-segment assets | (598,040) | (757,684) |
| Other | 304,162 | 259,551 |
| Total assets per the consolidated balance sheet | 17,052,040 | 15,177,470 |

¹ The difference in property, plant and equipment relates to adjustments of statutory fixed assets to comply with IFRS, such as reversal of revaluation of fixed assets recorded under Russian statutory accounting or accounting for historical hyperinflation which is not recorded under Russian statutory accounting.

Segment liabilities mainly comprise operating liabilities. Profit tax payable, deferred tax liabilities, provisions for liabilities and charges, short-term and long-term borrowings, including current portion of long-term borrowings, short-term and long-term promissory notes payable and other non-current liabilities are managed on a central basis.

Segment liabilities:

| | 31 December | |
|---|------------------|------------------|
| | 2015 | 2014 |
| Distribution of gas | 703,268 | 686,824 |
| Transportation | 317,548 | 351,566 |
| Refining | 255,370 | 247,737 |
| Production of gas | 179,935 | 146,755 |
| Production of crude oil and gas condensate | 142,332 | 323,068 |
| Electric and heat energy generation and sales | 78,618 | 78,438 |
| Gas storage | 11,234 | 18,352 |
| Other segments | 220,394 | 130,044 |
| Total segment liabilities | 1,908,699 | 1,982,784 |

7. Segment information (continued)

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

| Notes | 31 December | |
|--|------------------|------------------|
| | 2015 | 2014 |
| Segment liabilities for reportable segments | 1,688,305 | 1,852,740 |
| Other segments' liabilities | 220,394 | 130,044 |
| Total segment liabilities | 1,908,699 | 1,982,784 |
| Current profit tax payable | 11,929 | 8,402 |
| 20 Short-term borrowings, promissory notes and current portion of long-term borrowings | 646,372 | 464,782 |
| 21 Long-term borrowings and promissory notes | 2,795,843 | 2,224,042 |
| 24 Provisions for liabilities and charges | 435,438 | 297,106 |
| 22 Deferred tax liabilities | 618,404 | 594,098 |
| Other non-current liabilities | 163,032 | 86,256 |
| Dividends | 4,969 | 4,759 |
| Inter-segment liabilities | (598,040) | (757,684) |
| Other | 150,772 | 152,904 |
| Total liabilities per the consolidated balance sheet | 6,137,418 | 5,057,449 |

8. Cash and cash equivalents

Balances included within cash and cash equivalents in the consolidated balance sheet represent cash on hand, balances with banks and term deposits with original maturity of three months or less.

| | 31 December | |
|--|------------------|------------------|
| | 2015 | 2014 |
| Cash on hand and bank balances payable on demand | 1,189,436 | 969,440 |
| Term deposits with original maturity of three months or less | 169,659 | 68,751 |
| Total cash and cash equivalents | 1,359,095 | 1,038,191 |

The table below analyses credit quality of banks by external credit ratings at which the Group holds cash and cash equivalents. The ratings are shown under Standard & Poor's classification:

| | 31 December | |
|---|------------------|------------------|
| | 2015 | 2014 |
| Cash on hand | 1,058 | 852 |
| External credit rating of A-3 and above | 203,753 | 129,630 |
| External credit rating of B | 1,071,979 | 810,478 |
| No external credit rating | 82,305 | 97,231 |
| Total cash and cash equivalents | 1,359,095 | 1,038,191 |

The sovereign credit ratings of the Russian Federation published by Standard & Poor's are BB+ (negative outlook) and BBB- (negative outlook) as of 31 December 2015 and 31 December 2014, respectively.

9. Short-term financial assets

| | 31 December | |
|--|---------------|---------------|
| | 2015 | 2014 |
| Financial assets held for trading: | 9,976 | 6,718 |
| Bonds | 9,673 | 6,498 |
| Equity securities | 303 | 220 |
| Available-for-sale financial assets: | 2,594 | 4,017 |
| Equity securities | 2,032 | 2,863 |
| Promissory notes | 416 | 1,154 |
| Bonds | 146 | — |
| Total short-term financial assets | 12,570 | 10,735 |

Information about credit quality of short-term financial assets (excluding equity securities) is presented in the table below with reference to external credit ratings of related counterparties or financial instruments. The ratings are shown under Standard & Poor's classification:

| | 31 December | |
|---|---------------|--------------|
| | 2015 | 2014 |
| External credit rating of A-3 and above | 2,759 | 5,123 |
| External credit rating of B | 4,384 | 1,778 |
| No external credit rating | 3,092 | 751 |
| | 10,235 | 7,652 |

10. Accounts receivable and prepayments

| | 31 December | |
|--|------------------|------------------|
| | 2015 | 2014 |
| Financial assets | | |
| Trade receivables | 726,156 | 683,967 |
| Short-term loans | 93,409 | 121,063 |
| Other receivables | 187,420 | 108,429 |
| | 1,006,985 | 913,459 |
| Non-financial assets | | |
| Advances and prepayments | 107,222 | 132,477 |
| Total accounts receivable and prepayments | 1,114,207 | 1,045,936 |

The estimated fair value of short-term accounts receivable approximates their carrying value.

Trade receivables are presented net of impairment allowance of RUB 839,123 million and RUB 616,919 million as of 31 December 2015 and 31 December 2014, respectively.

Accounts receivable due from NJSC Naftogaz Ukraine in relation to gas sales are RUB 5,528 million and RUB nil million net of impairment allowance of RUB 187,228 million and RUB 123,874 million as of 31 December 2015 and 31 December 2014, respectively.

Short-term loans are presented net of impairment allowance of RUB 10,022 million and RUB 1,250 million as of 31 December 2015 and 31 December 2014, respectively.

Other receivables are presented net of impairment allowance of RUB 24,118 million and RUB 26,837 million as of 31 December 2015 and 31 December 2014, respectively.

Advances and prepayments are presented net of impairment allowance of RUB 1,036 million and RUB 1,116 million as of 31 December 2015 and 31 December 2014, respectively.

10. Accounts receivable and prepayments (continued)

Other receivables are mainly represented by accounts receivable from Russian customers for various types of goods, works, and services.

| | 31 December | |
|--|----------------|----------------|
| | 2015 | 2014 |
| Short-term trade accounts receivable neither past due nor impaired | 655,288 | 604,199 |
| Short-term trade accounts receivable impaired and provided for | 850,737 | 647,006 |
| Impairment allowance at the end of the year | (839,123) | (616,919) |
| Short-term trade accounts receivable past due but not impaired | 59,254 | 49,681 |
| Total short-term trade accounts receivable | 726,156 | 683,967 |

Management's experience indicates customer payment histories in respect of trade accounts receivable neither past due nor impaired vary by geography. The credit quality of these assets can be analysed as follows:

| | 31 December | |
|--|----------------|----------------|
| | 2015 | 2014 |
| Europe and other countries gas, crude oil, gas condensate and refined products debtors | 388,284 | 338,363 |
| Domestic gas, crude oil, gas condensate and refined products debtors | 139,613 | 129,375 |
| Former Soviet Union countries (excluding the Russian Federation) gas, crude oil, gas condensate and refined products debtors | 23,803 | 30,255 |
| Electricity and heat sales debtors | 46,290 | 45,943 |
| Transportation services debtors | 3,628 | 3,953 |
| Other trade debtors | 53,670 | 56,310 |
| Total trade receivables neither past due nor impaired | 655,288 | 604,199 |

As of 31 December 2015 and 31 December 2014, the individually impaired receivables mainly relate to gas sales to certain Russian regions and Former Soviet Union countries. In management's view the receivables will be ultimately recovered. The ageing analysis of these receivables is as follows:

| | Gross book value 31 December | | Allowance 31 December | | Net book value 31 December | |
|---------------------------------|---------------------------------|----------------|--------------------------|------------------|-------------------------------|---------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Ageing from the due date | | | | | | |
| Up to 6 months | 77,508 | 124,549 | (69,793) | (104,788) | 7,715 | 19,761 |
| From 6 to 12 months | 69,191 | 123,951 | (68,101) | (121,310) | 1,090 | 2,641 |
| From 1 to 3 years | 329,384 | 146,053 | (326,815) | (139,017) | 2,569 | 7,036 |
| More than 3 years | 374,654 | 252,453 | (374,414) | (251,804) | 240 | 649 |
| | 850,737 | 647,006 | (839,123) | (616,919) | 11,614 | 30,087 |

10. Accounts receivable and prepayments (continued)

Movements of the Group's allowance for impairment of trade and other receivables are as follows:

| | Trade receivables | | Other receivables | |
|---|------------------------|----------------|------------------------|---------------|
| | Year ended 31 December | | Year ended 31 December | |
| | 2015 | 2014 | 2015 | 2014 |
| Impairment allowance at the beginning of the year | 616,919 | 315,332 | 26,837 | 18,139 |
| Impairment allowance accrued ¹ | 133,531 | 287,720 | 2,066 | 11,545 |
| Write-off of receivables during the year ² | (4,691) | (6,320) | (3,309) | (755) |
| Release of previously created allowance ¹ | (31,474) | (172,607) | (1,496) | (2,092) |
| Foreign exchange rate differences | 124,838 | 192,794 | 20 | — |
| Impairment allowance at the end of the year | 839,123 | 616,919 | 24,118 | 26,837 |

¹ The accrual and release of allowance for impaired receivables have been included in the line "Charge for impairment and other provisions, net" in the consolidated statement of comprehensive income.

² If there is no probability of cash receipt for the impaired accounts receivable which were previously provided for, the amount of respective accounts receivable is written-off by means of that allowance.

Trade accounts receivable past due but not impaired mainly relate to a number of customers for whom there is no recent history of material default. The ageing analysis of these trade receivables is as follows:

| | 31 December | |
|---------------------------------|---------------|---------------|
| | 2015 | 2014 |
| Ageing from the due date | | |
| Up to 6 months | 44,858 | 30,324 |
| From 6 to 12 months | 8,518 | 16,266 |
| From 1 to 3 years | 5,856 | 2,868 |
| More than 3 years | 22 | 223 |
| | 59,254 | 49,681 |

11. Inventories

| | 31 December | |
|--|----------------|----------------|
| | 2015 | 2014 |
| Gas in pipelines and storage | 525,822 | 429,062 |
| Materials and supplies (net of an obsolescence allowance of RUB 5,498 million and RUB 5,414 million as of 31 December 2015 and 31 December 2014, respectively) | 183,776 | 132,322 |
| Goods for resale (net of an obsolescence allowance of RUB 1,679 million and RUB 1,474 million as of 31 December 2015 and 31 December 2014, respectively) | 17,266 | 27,233 |
| Crude oil and refined products | 77,500 | 83,299 |
| Total inventories | 804,364 | 671,916 |

12. Other current and non-current assets

Included within other current assets are prepaid taxes, predominantly VAT in the amount of RUB 126,477 million and RUB 117,012 million and profit tax in the amount of RUB 97,218 million and RUB 92,122 million as of 31 December 2015 and 31 December 2014, respectively.

Included within other non-current assets is VAT recoverable related to assets under construction totalling RUB 50,494 million and RUB 49,543 million as of 31 December 2015 and 31 December 2014, respectively. Other non-current assets include net pension assets in the amount of RUB nil million and RUB 111,742 million as of 31 December 2015 and 31 December 2014, respectively (see Note 24).

13. Property, plant and equipment

| Notes | Pipelines | Wells | Machinery and equipment | Buildings and roads | Production licenses | Social assets | Assets under construction | Total |
|--|------------------|------------------|-------------------------|---------------------|---------------------|---------------|---------------------------|-------------------|
| As of 31 December 2013 | | | | | | | | |
| Cost | 3,089,096 | 1,344,235 | 3,233,208 | 2,777,460 | 498,399 | 94,737 | 1,822,794 | 12,859,929 |
| Accumulated depreciation | (1,159,698) | (460,718) | (1,243,122) | (830,465) | (192,331) | (33,507) | — | (3,919,841) |
| Net book value as of 31 December 2013 | 1,929,398 | 883,517 | 1,990,086 | 1,946,995 | 306,068 | 61,230 | 1,822,794 | 8,940,088 |
| Depreciation | (79,240) | (54,714) | (215,927) | (99,840) | (15,121) | (2,620) | — | (467,462) |
| Additions | 917 | 371 | 49,689 | 32,990 | 48,328 | 1,364 | 1,220,432 | 1,354,091 |
| Acquisition of subsidiaries | — | — | 1,115 | 15,243 | — | — | 128,117 | 144,475 |
| Translation differences | 8,556 | 64,279 | 33,578 | 29,482 | 24,820 | 22 | 18,246 | 178,983 |
| Transfers | 307,472 | 161,030 | 374,276 | 208,858 | — | 1,496 | (1,053,132) | — |
| Disposals and other | (383) | (72,673) | (11,079) | (9,955) | (2,286) | (2,123) | (25,003) | (123,502) |
| 27 Charge for impairment allowance | — | (18,702) | (35,207) | (19,167) | (2,356) | — | (1,032) | (76,464) |
| Net book value as of 31 December 2014 | 2,166,720 | 963,108 | 2,186,531 | 2,104,606 | 359,453 | 59,369 | 2,110,422 | 9,950,209 |
| As of 31 December 2014 | | | | | | | | |
| Cost | 3,415,966 | 1,478,790 | 3,652,413 | 3,036,673 | 566,905 | 94,965 | 2,110,422 | 14,356,134 |
| Accumulated depreciation | (1,249,246) | (515,682) | (1,465,882) | (932,067) | (207,452) | (35,596) | — | (4,405,925) |
| Net book value as of 31 December 2014 | 2,166,720 | 963,108 | 2,186,531 | 2,104,606 | 359,453 | 59,369 | 2,110,422 | 9,950,209 |
| Depreciation | (85,564) | (60,517) | (240,979) | (109,983) | (23,341) | (2,625) | — | (523,009) |
| Additions | 1,237 | 59,096 | 50,266 | 36,864 | 926 | 257 | 1,466,103 | 1,614,749 |
| Acquisition of subsidiaries | — | — | 29,709 | 3,681 | — | — | 12,110 | 45,500 |
| Translation differences | 5,478 | 35,665 | 36,851 | 12,005 | 16,943 | 3 | 37,701 | 144,646 |
| Transfers | 201,954 | 76,229 | 451,227 | 252,687 | 13,144 | 1,972 | (997,213) | — |
| Disposals and other | (663) | (5,199) | (42,756) | (8,737) | (222) | (874) | (40,281) | (98,732) |
| 27 Charge for impairment allowance | — | (57,259) | — | — | — | — | (72,223) | (129,482) |
| Net book value as of 31 December 2015 | 2,289,162 | 1,011,123 | 2,470,849 | 2,291,123 | 366,903 | 58,102 | 2,516,619 | 11,003,881 |
| As of 31 December 2015 | | | | | | | | |
| Cost | 3,623,972 | 1,587,322 | 4,177,710 | 3,333,173 | 597,696 | 96,323 | 2,516,619 | 15,932,815 |
| Accumulated depreciation | (1,334,810) | (576,199) | (1,706,861) | (1,042,050) | (230,793) | (38,221) | — | (4,928,934) |
| Net book value as of 31 December 2015 | 2,289,162 | 1,011,123 | 2,470,849 | 2,291,123 | 366,903 | 58,102 | 2,516,619 | 11,003,881 |

13. Property, plant and equipment (continued)

At the each balance sheet date management assess whether there is any indication that the recoverable value has declined below the carrying value of property, plant and equipment.

Operating assets are shown net of allowance for impairment of RUB 186,738 million and RUB 129,479 million as of 31 December 2015 and 31 December 2014, respectively.

In 2015, due to lower world oil prices the Group conducted an impairment test and recognised an impairment loss in respect of assets of oil in the amount of RUB 57,259 million.

Assets under construction are presented net of allowance for impairment of RUB 115,175 million and RUB 43,788 million as of 31 December 2015 and 31 December 2014, respectively. Charges for impairment allowance of assets under construction primarily relate to assets for which it is not yet probable that there will be future economic benefit.

In 2015, due to the uncertainties regarding the implementation of the project "South Stream" the Group recognised impairment losses in respect of facilities under construction in the amount of RUB 56,347 million.

Included in the property, plant and equipment are social assets (such as rest houses, housing, schools and medical facilities) vested to the Group at privatization with a net book value of RUB 260 million and RUB 336 million as of 31 December 2015 and 31 December 2014, respectively.

Included in additions above are capitalized borrowing costs of RUB 218,127 million and RUB 119,364 million for the years ended 31 December 2015 and 31 December 2014, respectively. Capitalization rates of 12.62% and 7.59% were used representing the weighted average borrowing cost including exchange losses on foreign currency borrowings for the years ended 31 December 2015 and 31 December 2014, respectively. Capitalization rates excluding exchange losses on foreign currency borrowings were 6.79% and 6.16% for the years ended 31 December 2015 and 31 December 2014, respectively.

The information regarding Group's exploration and evaluation assets (included within production licenses and assets under construction) is presented below:

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2015 | 2014 |
| Balance at the beginning of the year | 276,850 | 184,372 |
| Additions | 49,086 | 115,703 |
| Translation differences | 14,390 | 14,355 |
| Transfers | (40,668) | (17,230) |
| Disposals | (8,713) | (20,350) |
| Balance at the end of the year | 290,945 | 276,850 |

14. Goodwill

Movements of the Group's goodwill on subsidiaries are as follows:

| Notes | Year ended 31 December | |
|---|------------------------|----------------|
| | 2015 | 2014 |
| Balance at the beginning of the year | 104,221 | 151,189 |
| Additions | 3,698 | 3,735 |
| 27 Charge for impairment | - | (47,620) |
| Disposals | (452) | (3,083) |
| Balance at the end of the year | 107,467 | 104,221 |

14. Goodwill (continued)

Goodwill acquired through business combinations has been allocated to the related cash-generating units and segments within the following operations:

| | 31 December | |
|---|----------------|----------------|
| | 2015 | 2014 |
| Gas production, transportation and distribution | 70,022 | 70,475 |
| Production of crude oil and gas condensate | 34,997 | 31,299 |
| Electric and heat energy generation and sales | 2,448 | 2,447 |
| Total goodwill on subsidiaries | 107,467 | 104,221 |

As of 31 December 2015 the Group did not identify any indicators for recognising an impairment loss in relation to goodwill. Based on the results of the impairment test conducted as at 31 December 2014 the Group recognised an impairment loss in relation to goodwill in Refining and Electric and heat energy generation and sale segments in the amount of RUB 47,620 million.

15. Investments in associates and joint ventures

| Notes | | Carrying value as of 31 December | | Share of the income (loss) of associates and joint ventures for the year ended 31 December | | |
|--------|--|-------------------------------------|----------------|---|----------------|---------------|
| | | 2015 | 2014 | 2015 | 2014 | |
| 35, 36 | Sakhalin Energy Investment Company Ltd. | Associate | 240,831 | 153,418 | 61,290 | 58,888 |
| 35 | OJSC NGK Slavneft and its subsidiaries | Joint venture | 118,704 | 113,676 | 5,169 | (7,534) |
| 35 | Gazprombank (Joint-stock Company) and its subsidiaries | Associate | 80,800 | 95,999 | (21,221) | (6,145) |
| 35 | LLC Yamal razvitie and its subsidiaries | Joint venture | 72,128 | 60,215 | 11,914 | (1,809) |
| 35 | Nord Stream AG | Joint venture | 69,617 | 52,944 | 13,602 | 8,888 |
| 35 | WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries ¹ | Associate | 47,154 | 39,139 | 4,530 | 4,876 |
| 35, 36 | SGT EuRoPol GAZ S.A. | Associate | 33,410 | 27,857 | 514 | 188 |
| 35 | JSC Achimgaz | Joint venture | 26,281 | 16,844 | 9,437 | 6,888 |
| 35 | KazRosGaz LLP | Joint venture | 20,960 | 19,215 | 10,155 | 6,268 |
| 35 | Wintershall AG | Associate | 20,727 | 17,640 | 213 | 186 |
| 35 | Gasum OY and its subsidiaries | Associate | 10,253 | 6,915 | 1,619 | 229 |
| 35 | JSC Latvijas Gaze | Associate | 8,981 | 7,611 | 751 | 594 |
| 35 | CJSC Northgas | Joint venture | 8,726 | 4,730 | 3,996 | 4,322 |
| 34, 35 | W & G Beteiligungs-GmbH & Co. KG and its subsidiaries ^{1,2} | | – | 6,249 | 4,974 | 2,320 |
| 35 | AB Lietuvos dujos ³ | | – | – | – | 491 |
| | AB Amber Grid ³ | | – | – | – | 60 |
| 34 | Shtokman Development AG | | – | – | – | (27,888) |
| 34 | South Stream Transport B.V. and its subsidiaries | | – | – | – | (4,237) |
| | Other (net of allowance for impairment of RUB 7,373 million and RUB 1,929 million as of 31 December 2015 and 31 December 2014, respectively) | | 49,674 | 54,764 | (383) | (534) |
| | | | 808,246 | 677,216 | 106,560 | 46,051 |

¹ In May 2014 the shares in all gas transportation companies that belonged to W & G Beteiligungs-GmbH & Co. KG were transferred to WIGA Transport Beteiligungs-GmbH & Co. KG. As of 31 December 2015 WIGA Transport Beteiligungs-GmbH & Co. KG forms an independent subgroup of associates.

² In September 2015 W & G Beteiligungs-GmbH & Co. KG and its subsidiaries became the Group subsidiaries (see Note 34).

³ In accordance with the provisions of the Third Energy Package of the European Union regarding the split between the gas transmission and distribution activities in August 2013 AB Lietuvos dujos transferred assets, liabilities and rights related to gas transportation to AB Amber Grid, an associate of the Group. In June 2014 the Group sold its 37% interests in associates, AB Lietuvos dujos and AB Amber Grid, to companies controlled by the Republic of Lithuania for EUR 121 million.

15. Investments in associates and joint ventures (continued)

Movements in the carrying amount of the Group's investment in associates and joint ventures are as follows:

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2015 | 2014 |
| Balance at the beginning of the year | 677,216 | 549,684 |
| Share of net income of associates and joint ventures | 106,560 | 73,429 |
| Impairment of investment in Shtokman Development AG | – | (27,378) |
| Distributions from associates and joint ventures | (64,995) | (86,907) |
| Share of other comprehensive income (loss) of associates and joint ventures | 28,699 | (14,769) |
| Translation differences | 86,750 | 150,871 |
| Other acquisitions and disposals | (25,984) | 32,286 |
| Balance at the end of the year | 808,246 | 677,216 |

The estimated fair values of investments in associates and joint ventures for which there are published price quotations were as follows:

| | 31 December | |
|-------------------|-------------|-------|
| | 2015 | 2014 |
| JSC Latvijas Gaze | 10,552 | 8,479 |

Significant associates and joint ventures

| Notes | Country of primary operations | Country of incorporation | Nature of operations | Percent of ordinary shares held as of 31 December ¹ | | |
|-------|---|--------------------------|----------------------|--|------|----|
| | | | | 2015 | 2014 | |
| | JSC Achimgaz | Russia | Russia | Exploration and production of gas and gas condensate | 50 | 50 |
| | Bosphorus Gaz Corporation A.S. ² | Turkey | Turkey | Gas distribution | 71 | 71 |
| 34 | W & G Beteiligungs-GmbH & Co. KG | Germany | Germany | Gas distribution | – | 50 |
| | WIGA Transport Beteiligungs-GmbH & Co. KG | Germany | Germany | Gas transportation | 50 | 50 |
| | Wintershall AG | Libya | Germany | Production of oil and gas distribution | 49 | 49 |
| 34 | WIEH GmbH & Co. KG | Germany | Germany | Gas distribution | – | 50 |
| | Gaz Project Development Central Asia AG | Uzbekistan | Switzerland | Gas production | 50 | 50 |
| | Gazprombank (Joint-stock Company) | Russia | Russia | Banking | 37 | 37 |
| | Gasum OY | Finland | Finland | Gas distribution | 25 | 25 |
| | SGT EuRoPol GAZ S.A. | Poland | Poland | Transportation and gas distribution | 48 | 48 |
| | KazRosGaz LLP | Kazakhstan | Kazakhstan | Gas processing and sales of gas and refined products | 50 | 50 |
| | JSC Latvijas Gaze | Latvia | Latvia | Transportation and gas distribution | 34 | 34 |
| | JSV Moldovagaz | Moldova | Moldova | Transportation and gas distribution | 50 | 50 |

15. Investments in associates and joint ventures (continued)

| Notes | Country of primary operations | Country of incorporation | Nature of operations | Percent of ordinary shares held as of 31 December ¹ | |
|-------|-------------------------------|--------------------------|--|--|------|
| | | | | 2015 | 2014 |
| | Russia, Germany | Switzerland | Construction, gas transportation | 51 | 51 |
| | Russia | Russia | Exploration and sales of gas and gas condensate | 50 | 50 |
| | Bulgaria | Bulgaria | Gas distribution | 50 | 50 |
| | Hungary | Hungary | Gas distribution | 40 | 40 |
| | Greece | Greece | Gas distribution, construction | 50 | 50 |
| | Ukraine | Switzerland | Gas distribution | – | 50 |
| | Russia | Bermuda Islands | Oil production, production of LNG | 50 | 50 |
| | Russia | Russia | Production of oil, sales of oil and refined products | 50 | 50 |
| | Turkey | Turkey | Gas distribution | 45 | 45 |
| 34 | Russia | Switzerland | Exploration and production of gas | – | 75 |
| | Russia | Russia | Investment activities, assets management | 50 | 50 |

¹ Cumulative share of Group companies in charter capital of investees.

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

³ On 10 June 2015 RosUkrEnergy AG was liquidated.

⁴ LLC Yamal razvitie is a holder of 51% share in LLC SeverEnergiya. In August 2015 with the aim to simplify the ownership structure and achieve parity shareholdings in LLC SeverEnergiya the Group made an additional contribution to equity of LLC Yamal razvitie in the amount of RUB 14,922 million. The payment was performed by converting long-term loans. OJSC NOVATEK made an additional contribution to equity of LLC Yamal razvitie transferring 6.4% Arctic Russia B.V. shares, as well as RUB 2,512 million by converting long-term loans. As a result the effective Group's share in LLC SeverEnergiya increased from 43.15% to 44.65%.

Summarised financial information on the Group's significant associates and joint ventures is presented below.

The values, disclosed in the tables, represent total assets, liabilities, revenues, income (loss) of the Group's significant associates and joint ventures and not the Group's share.

The financial information may be different from information in the financial statements of the associate or joint venture prepared and presented in accordance with IFRS, due to adjustments required in application of equity method of accounting, such as fair value adjustments on identifiable assets and liabilities at the date of acquisition and adjustments on differences in accounting policies.

| | OJSC NGK Slavneft and its subsidiaries | Gazprombank (Joint-stock Company) and its subsidiaries ¹ | Sakhalin Energy Investment Company Ltd. |
|--|--|---|---|
| As of and for the year ended 31 December 2015 | | | |
| Cash and cash equivalents | 8,078 | 708,846 | 42,766 |
| Other current assets (excluding cash and cash equivalents) | 15,830 | 2,342,873 | 74,421 |
| Other non-current assets | 378,633 | 1,948,877 | 1,191,957 |
| Total assets | 402,541 | 5,000,596 | 1,309,144 |
| Current financial liabilities (excluding trade payables) | 26,986 | 3,433,715 | 56,520 |
| Other current liabilities (including trade payables) | 41,056 | 147,348 | 129,944 |
| Non-current financial liabilities | 54,562 | 973,550 | 295,369 |
| Other non-current liabilities | 48,145 | 37,134 | 375,537 |
| Total liabilities | 170,749 | 4,591,747 | 857,370 |

15. Investments in associates and joint ventures (continued)

| | OJSC NGK Slavneft and its subsidiaries | Gazprombank (Joint-stock Company) and its subsidiaries ¹ | Sakhalin Energy Investment Company Ltd. |
|--|---|---|---|
| Net assets (including non-controlling interest) | 231,792 | 408,849 | 451,774 |
| Percent of ordinary shares held | 50% | 37% | 50% |
| Carrying value | 118,704 | 80,800 | 240,831 |
| Revenue | 224,224 | 201,120 | 380,823 |
| Depreciation | (40,383) | (40,264) | (114,649) |
| Interest income | 2,074 | 370,945 | 1,017 |
| Interest expense | (5,279) | (274,886) | (13,759) |
| (Expenses) profit tax income | (6,486) | 5,673 | (58,234) |
| Profit (loss) for the year | 11,352 | (57,117) | 122,579 |
| Other comprehensive (loss) income for the year | (512) | 16,763 | 1,265 |
| Total comprehensive income (loss) for the year | 10,840 | (40,354) | 123,844 |
| Dividends received from associates and joint ventures | - | - | (23,449) |
| As of and for the year ended 31 December 2014 | | | |
| Cash and cash equivalents | 13,709 | 870,857 | 28,115 |
| Other current assets (excluding cash and cash equivalents) | 17,568 | 2,061,271 | 161,437 |
| Other non-current assets | 368,437 | 1,714,631 | 972,798 |
| Total assets | 399,714 | 4,646,759 | 1,162,350 |
| Current financial liabilities (excluding trade payables) | 44,221 | 2,942,067 | 136,283 |
| Other current liabilities (including trade payables) | 44,855 | 152,126 | 184,803 |
| Non-current financial liabilities | 46,592 | 1,204,013 | 269,108 |
| Other non-current liabilities | 44,727 | 31,331 | 295,207 |
| Total liabilities | 180,395 | 4,329,537 | 885,401 |
| Net assets (including non-controlling interest) | 219,319 | 317,222 | 276,949 |
| Percent of ordinary shares held | 50% | 37% | 50% |
| Carrying value | 113,676 | 95,999 | 153,418 |
| Revenue | 197,453 | 172,438 | 308,384 |
| Depreciation | (35,571) | (35,831) | (65,012) |
| Interest income | 1,472 | 269,623 | 523 |
| Interest expense | (1,530) | (173,004) | (10,050) |
| Profit tax income (expenses) | 1,999 | (9,906) | (84,095) |
| (Loss) profit for the year | (15,216) | (16,546) | 117,776 |
| Other comprehensive income for the year | 406 | 8,362 | 514 |
| Total comprehensive (loss) income for the year | (14,810) | (8,184) | 118,290 |
| Dividends received from associates and joint ventures | (5,901) | (2,354) | (50,045) |

¹ Presented revenue of Gazprombank (Joint-stock Company) and its subsidiaries include revenue of media business, machinery business and other non-banking companies.

15. Investments in associates and joint ventures (continued)

| | Assets | Liabilities | Revenues | Profit (loss) |
|--|---------|-------------|----------|---------------|
| As of and for the year ended 31 December 2015 | | | | |
| Nord Stream AG | 545,076 | 406,551 | 73,769 | 26,821 |
| LLC Yamal razvitie and its subsidiaries | 391,329 | 275,744 | 125,450 | 20,991 |
| WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries | 320,847 | 178,732 | 43,328 | 8,887 |
| Gasum OY and its subsidiaries | 113,612 | 68,825 | 61,414 | 6,284 |
| Wintershall AG | 86,850 | 56,098 | 8,349 | 435 |
| SGT EuRoPol GAZ S.A. | 83,320 | 13,715 | 20,005 | 1,312 |
| JSC Achimgaz | 65,018 | 11,345 | 28,798 | 18,873 |
| CJSC Northgas | 54,986 | 36,597 | 28,888 | 8,008 |
| KazRosGaz LLP | 48,942 | 7,025 | 56,774 | 20,307 |
| JSC Latvijas Gaze | 47,752 | 11,047 | 30,717 | 2,059 |
| W & G Beteiligungs-GmbH & Co. KG and its subsidiaries ¹ | – | – | 692,927 | 10,402 |

¹ Revenue and profit of W & G Beteiligungs-GmbH & Co. KG and its subsidiaries are disclosed until the date of obtaining the control of these associates (see Note 34).

| | Assets | Liabilities | Revenues | Profit (loss) |
|--|---------|-------------|----------|---------------|
| As of and for the year ended 31 December 2014 | | | | |
| Nord Stream AG | 489,767 | 383,935 | 54,646 | 17,567 |
| LLC Yamal razvitie and its subsidiaries | 379,613 | 290,004 | 32,110 | (4,341) |
| WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries | 241,203 | 162,894 | 17,145 | 3,231 |
| W & G Beteiligungs-GmbH & Co. KG and its subsidiaries | 208,835 | 188,070 | 657,725 | 8,916 |
| Gasum OY and its subsidiaries | 110,791 | 79,333 | 55,385 | (237) |
| SGT EuRoPol GAZ S.A. | 71,910 | 13,873 | 14,436 | 395 |
| Wintershall AG | 69,833 | 42,455 | 10,802 | 380 |
| CJSC Northgas | 57,564 | 46,456 | 28,125 | 8,643 |
| JSC Achimgaz | 47,850 | 13,050 | 20,513 | 13,773 |
| KazRosGaz LLP | 41,268 | 2,838 | 37,199 | 12,536 |
| JSC Latvijas Gaze | 38,905 | 9,417 | 26,108 | 1,748 |
| AB Lietuvos dujos | – | – | 8,917 | 1,325 |
| AB Amber Grid | – | – | 1,059 | 163 |
| South Stream Transport B.V. and its subsidiaries | – | – | 13 | (5,581) |
| Shtokman Development AG | – | – | – | (680) |

16. Long-term accounts receivable and prepayments

| | 31 December | |
|--|----------------|----------------|
| | 2015 | 2014 |
| Long-term accounts receivable and prepayments | 216,103 | 182,817 |
| Advances for assets under construction | 383,745 | 253,651 |
| Total long-term accounts receivable and prepayments | 599,848 | 436,468 |

Long-term accounts receivable, prepayments and advances for assets under construction are presented net of impairment allowance of RUB 14,621 million and RUB 33,015 million as of 31 December 2015 and 31 December 2014, respectively.

As of 31 December 2015 and 31 December 2014 long-term accounts receivable and prepayments with carrying value RUB 216,103 million and RUB 182,817 million have an estimated fair value RUB 210,757 million and RUB 169,979 million, respectively.

16. Long-term accounts receivable and prepayments (continued)

| | 31 December | |
|---|----------------|----------------|
| | 2015 | 2014 |
| Long-term accounts receivable neither past due nor impaired | 215,549 | 152,870 |
| Long-term accounts receivable impaired and provided for | 6,394 | 59,072 |
| Impairment allowance at the end of the year | (5,859) | (29,147) |
| Long-term accounts receivable past due but not impaired | 19 | 22 |
| Total long-term accounts receivable and prepayments | 216,103 | 182,817 |

| | 31 December | |
|--|----------------|----------------|
| | 2015 | 2014 |
| Long-term loans | 122,804 | 96,043 |
| Long-term trade receivables | 23,030 | 9,912 |
| Other long-term receivables ¹ | 69,715 | 46,915 |
| Total long-term accounts receivable neither past due nor impaired | 215,549 | 152,870 |

¹ Other long-term accounts receivable includes prepayments in the amount of RUB 2,977 million and RUB 1,567 million as of 31 December 2015 and 31 December 2014, respectively.

Management experience indicates that long-term loans granted mainly for capital construction purposes are of strong credit quality.

Movements of the Group's allowance for impairment of long-term accounts receivable and prepayments are as follows:

| | Year ended 31 December | |
|--|------------------------|---------------|
| | 2015 | 2014 |
| Impairment allowance at the beginning of the year | 29,147 | 14,083 |
| Impairment allowance accrued ¹ | 3,697 | 15,979 |
| Release of previously created allowance ¹ | (28,053) | (915) |
| Foreign exchange rate differences | 1,068 | — |
| Impairment allowance at the end of the year | 5,859 | 29,147 |

¹ The accrual and release of provision for impaired receivables have been included in the line "Charge for impairment and other provisions, net" in the consolidated statement of comprehensive income.

17. Available-for-sale long-term financial assets

| | 31 December | |
|--------------------------------|----------------|----------------|
| | 2015 | 2014 |
| Equity securities ¹ | 235,436 | 200,987 |
| Debt instruments | 171 | 837 |
| | 235,607 | 201,824 |

¹ As of 31 December 2015 and 31 December 2014 equity securities include OJSC NOVATEK shares in the amount of RUB 181,611 million and RUB 133,787 million, respectively.

Available-for-sale long-term financial assets are shown net of allowance for impairment of RUB 2,128 million and RUB 1,797 million as of 31 December 2015 and 31 December 2014, respectively.

Debt instruments include governmental bonds, corporate bonds and promissory notes on Group companies' balances which are assessed by management as of high credit quality.

17. Available-for-sale long-term financial assets (continued)

Movements in available-for-sale long-term financial assets are as follows:

| | Year ended 31 December | |
|--|------------------------|----------------|
| | 2015 | 2014 |
| Balance at the beginning of the year | 201,824 | 168,904 |
| Increase (decrease) in fair value of long-term available-for-sale financial assets | 49,257 | (8,811) |
| Acquisition of long-term available-for-sale financial assets | 702 | 47,393 |
| Disposal of long-term available-for-sale financial assets | (15,845) | (5,494) |
| Charge for impairment of long-term available-for-sale financial assets | (331) | (168) |
| Balance at the end of the year | 235,607 | 201,824 |

The maximum exposure to credit risk as of the reporting date is the fair value of the debt securities classified as available-for-sale. The impairment of available-for-sale assets has been performed using the quoted market prices.

18. Accounts payable and accrued charges

| | 31 December | |
|---|------------------|------------------|
| | 2015 | 2014 |
| Financial liabilities | | |
| Trade payables | 358,393 | 362,931 |
| Accounts payable for acquisition of property, plant and equipment | 337,868 | 347,379 |
| Derivative financial instruments | 150,068 | 66,820 |
| Provision under financial guarantees ¹ | 61,404 | 47,407 |
| Other payables ² | 266,265 | 239,054 |
| | 1,173,998 | 1,063,591 |
| Non-financial liabilities | | |
| Advances received | 116,307 | 152,122 |
| Accruals and deferred income | 7,701 | 1,428 |
| | 124,008 | 153,550 |
| | 1,298,006 | 1,217,141 |

¹ As of 31 December 2015 and 31 December 2014 provision under financial guarantees includes accrual related to financial guarantee contract issued to Gazprombank (Joint-stock Company) for Ostchem Holding Limited (see Notes 27 and 36).

² As of 31 December 2015 and 31 December 2014 other payables include RUB 102,134 million and RUB 58,164 of accruals for probable price adjustments related to natural gas deliveries made from 2013 to 2015, respectively.

Fair values of these liabilities approximate the carrying values.

19. Other taxes payable

| | 31 December | |
|----------------------------------|----------------|----------------|
| | 2015 | 2014 |
| VAT | 65,833 | 63,731 |
| MET | 45,721 | 52,203 |
| Property tax | 24,251 | 21,537 |
| Excise tax | 15,794 | 13,241 |
| Other taxes | 16,795 | 14,910 |
| Total other taxes payable | 168,394 | 165,622 |

20. Short-term borrowings, promissory notes and current portion of long-term borrowings

| | 31 December | |
|--|----------------|----------------|
| | 2015 | 2014 |
| Short-term borrowings and promissory notes: | | |
| Borrowings and promissory notes denominated in Russian Rubles | 12,766 | 14,718 |
| Foreign currency denominated borrowings | 39,236 | 38,202 |
| | 52,002 | 52,920 |
| Current portion of long-term borrowings (see Note 21) | 594,370 | 411,862 |
| Total short-term borrowings, promissory notes and current portion of long-term borrowings | 646,372 | 464,782 |

The weighted average effective interest rates at the balance sheet date were as follows:

| | 31 December | |
|---|-------------|--------|
| | 2015 | 2014 |
| Fixed rate short-term borrowings denominated in Russian Rubles | 10.02% | 14.19% |
| Fixed rate foreign currency denominated short-term borrowings | 9.12% | 7.78% |
| Variable rate short-term borrowings denominated in Russian Rubles | 13.72% | 7.23% |
| Variable rate foreign currency denominated short-term borrowings | 2.01% | 3.10% |

Fair values of these liabilities approximate the carrying values.

21. Long-term borrowings, promissory notes

| | Currency | Final Maturity | 31 December | |
|--|------------------------|----------------|-------------|---------|
| | | | 2015 | 2014 |
| Long-term borrowings and promissory notes payable to: | | | | |
| Loan participation notes issued in April 2009 ¹ | US Dollar | 2019 | 166,851 | 128,793 |
| Mizuho Bank Ltd. ² | US Dollar | 2019 | 156,821 | 121,037 |
| Loan participation notes issued in July 2012 ¹ | Euro | 2017 | 114,928 | 98,554 |
| China Construction Bank Corporation, Beijing branch ² | US Dollar | 2020 | 111,077 | – |
| Loan participation notes issued in September 2012 ³ | US Dollar | 2022 | 110,666 | 85,424 |
| Loan participation notes issued in November 2013 ³ | US Dollar | 2023 | 109,925 | 84,851 |
| Loan participation notes issued in October 2007 ¹ | Euro | 2018 | 101,209 | 86,790 |
| Loan participation notes issued in November 2006 ¹ | US Dollar | 2016 | 99,054 | 76,460 |
| Loan participation notes issued in March 2007 ¹ | US Dollar | 2022 | 96,701 | 74,644 |
| Loan participation notes issued in August 2007 ¹ | US Dollar | 2037 | 93,593 | 72,245 |
| Loan participation notes issued in April 2004 ¹ | US Dollar | 2034 | 88,779 | 68,528 |
| Loan participation notes issued in March 2013 ¹ | Euro | 2020 | 81,821 | 70,164 |
| Loan participation notes issued in April 2008 ¹ | US Dollar | 2018 | 81,622 | 63,004 |
| Loan participation notes issued in October 2015 ¹ | Euro | 2018 | 80,475 | – |
| Loan participation notes issued in July 2012 ¹ | US Dollar | 2022 | 74,506 | 57,512 |
| Loan participation notes issued in November 2011 ¹ | US Dollar | 2016 | 73,264 | 56,552 |
| Loan participation notes issued in July 2013 ¹ | Euro | 2018 | 72,891 | 62,506 |
| Loan participation notes issued in February 2013 ¹ | US Dollar | 2028 | 66,902 | 51,642 |
| Loan participation notes issued in February 2014 ¹ | Euro | 2021 | 61,595 | 52,819 |
| Loan participation notes issued in April 2013 ³ | Euro | 2018 | 60,967 | 52,277 |
| Loan participation notes issued in February 2013 ¹ | US Dollar | 2020 | 59,210 | 45,705 |
| PJSC Sberbank | US Dollar | 2018 | 56,231 | – |
| Loan participation notes issued in September 2013 ¹ | British Pound Sterling | 2020 | 48,201 | 41,334 |
| Loan participation notes issued in November 2011 ¹ | US Dollar | 2021 | 44,881 | 34,644 |
| Commerzbank International S.A. | US Dollar | 2018 | 43,730 | 39,381 |
| Loan participation notes issued in November 2006 ¹ | Euro | 2017 | 41,447 | 35,542 |
| Loan participation notes issued in March 2013 ¹ | Euro | 2025 | 41,211 | 35,340 |
| Loan participation notes issued in March 2007 ¹ | Euro | 2017 | 40,205 | 34,477 |
| Loan participation notes issued in October 2013 ¹ | Swiss Franc | 2019 | 36,957 | 28,637 |
| J.P. Morgan Europe Limited ² | US Dollar | 2018 | 36,694 | – |
| JSC Rosselkhozbank | Russian Ruble | 2019 | 30,029 | 10,010 |
| Deutsche Bank AG | US Dollar | 2016 | 29,690 | 22,901 |
| Alfa-Bank (Joint-stock Company) | US Dollar | 2016 | 29,160 | 22,513 |
| Intesa Sanpaolo S.p.A. | Euro | 2016 | 28,028 | – |
| Gazprombank (Joint-stock Company) | US Dollar | 2018 | 26,238 | – |
| Sumitomo Mitsui Banking Corporation Europe Limited ² | US Dollar | 2016 | 25,537 | 39,396 |
| PJSC Promsvyazbank | US Dollar | 2020 | 25,509 | – |
| Gazprombank (Joint-stock Company) | US Dollar | 2018 | 24,051 | – |
| UniCredit Bank Austria AG | Euro | 2019 | 23,940 | – |
| Sumitomo Mitsui Finance Dublin Limited | US Dollar | 2016 | 23,392 | 18,056 |
| BNP Paribas S.A. ² | Euro | 2022 | 22,802 | 22,352 |

21. Long-term borrowings, promissory notes (continued)

| | Currency | Final Maturity | 31 December | |
|---|---------------|----------------|-------------|--------|
| | | | 2015 | 2014 |
| Gazprombank (Joint-stock Company) | US Dollar | 2017 | 22,594 | – |
| Banc of America Securities Limited | US Dollar | 2018 | 22,041 | 17,005 |
| Bank of America Merrill Lynch International Limited | US Dollar | 2018 | 21,960 | – |
| Bank of Tokyo-Mitsubishi UFJ Ltd. | US Dollar | 2016 | 21,891 | 16,896 |
| PJSC Sberbank | Russian Ruble | 2017 | 19,802 | 19,802 |
| PJSC Sberbank | Euro | 2020 | 19,203 | – |
| PJSC Sberbank | Euro | 2017 | 17,971 | 15,416 |
| Russian bonds issued in February 2013 ⁴ | Russian Ruble | 2016 | 15,410 | 15,407 |
| Russian bonds issued in November 2013 ⁵ | Russian Ruble | 2043 | 15,246 | 15,134 |
| Russian bonds issued in November 2013 ⁵ | Russian Ruble | 2043 | 15,246 | 15,134 |
| Citibank International plc ² | US Dollar | 2021 | 14,734 | 13,436 |
| UniCredit Bank Austria AG | US Dollar | 2018 | 14,581 | 11,253 |
| Bank of America Securities Limited | Euro | 2017 | 14,420 | 12,372 |
| HSBC Bank plc | Euro | 2022 | 14,394 | 14,108 |
| UniCredit Bank AG ^{2, 6} | US Dollar | 2018 | 14,377 | 14,421 |
| Bank of Tokyo-Mitsubishi UFJ Ltd. ² | US Dollar | 2016 | 13,754 | 21,232 |
| BNP Paribas S.A. ² | Euro | 2023 | 13,559 | – |
| Banc of America Securities Limited | US Dollar | 2016 | 13,126 | 10,132 |
| PJSC Sberbank | Russian Ruble | 2019 | 12,514 | – |
| PJSC Sberbank | Russian Ruble | 2019 | 12,514 | – |
| PJSC Sberbank | Russian Ruble | 2016 | 12,400 | 12,400 |
| PJSC VTB Bank | US Dollar | 2016 | 12,104 | 9,307 |
| Intesa Sanpaolo S.p.A. | Euro | 2019 | 11,957 | – |
| UniCredit Bank AG ^{2, 6} | Euro | 2018 | 11,297 | 12,631 |
| Banca Intesa a.d. Beograd | US Dollar | 2019 | 10,947 | 8,450 |
| PJSC Sberbank | US Dollar | 2018 | 10,947 | 8,449 |
| Russian bonds issued in February 2011 ³ | Russian Ruble | 2021 | 10,363 | 10,361 |
| Russian bonds issued in February 2013 ⁴ | Russian Ruble | 2017 | 10,275 | 10,273 |
| Russian bonds issued in February 2011 ³ | Russian Ruble | 2016 | 10,259 | 10,345 |
| Russian bonds issued in February 2011 ³ | Russian Ruble | 2021 | 10,228 | 10,345 |
| Russian bonds issued in April 2009 ³ | Russian Ruble | 2019 | 10,177 | 10,175 |
| Russian bonds issued in December 2012 ³ | Russian Ruble | 2022 | 10,070 | 10,068 |
| PJSC Sberbank | Russian Ruble | 2019 | 10,011 | 10,010 |
| Gazprombank (Joint-stock Company) | Russian Ruble | 2018 | 10,000 | 10,000 |
| Gazprombank (Joint-stock Company) | Russian Ruble | 2017 | 10,000 | 10,000 |
| Gazprombank (Joint-stock Company) | Russian Ruble | 2017 | 9,750 | – |
| BNP Paribas S.A. ² | Euro | 2022 | 8,650 | 8,384 |
| PJSC VTB Bank | Euro | 2020 | 8,449 | – |
| PJSC Sberbank | Russian Ruble | 2016 | 8,300 | 8,300 |
| PJSC VTB Bank | Russian Ruble | 2018 | 8,250 | 8,250 |
| Credit Agricole CIB | Euro | 2024 | 8,018 | 7,579 |
| Gazprombank (Joint-stock Company) | US Dollar | 2016 | 8,017 | 11,252 |
| GC Vnesheconombank | Russian Ruble | 2025 | 7,852 | 8,979 |

21. Long-term borrowings, promissory notes (continued)

| | Currency | Final Maturity | 31 December | |
|---|---------------|----------------|------------------|------------------|
| | | | 2015 | 2014 |
| PJSC Sberbank | Russian Ruble | 2025 | 7,220 | – |
| Sberbank Serbia a.d. | US Dollar | 2019 | 6,568 | 5,071 |
| Gazprombank (Joint-stock Company) | Russian Ruble | 2022 | 6,187 | – |
| OJSC Credit Bank of Moscow | Russian Ruble | 2018 | 5,831 | – |
| Banca Intesa a.d. Beograd | Euro | 2018 | 5,754 | – |
| Sberbank Serbia a.d. | US Dollar | 2017 | 5,483 | 4,231 |
| Russian bonds issued in February 2013 ⁴ | Russian Ruble | 2018 | 5,137 | 5,136 |
| Russian bonds series 01 issued in November 2015 ⁷ | Russian Ruble | 2020 | 5,058 | – |
| Russian bonds series 02 issued in November 2015 ⁷ | Russian Ruble | 2020 | 5,058 | – |
| Alfa-Bank (Joint-stock Company) | Russian Ruble | 2017 | 5,011 | – |
| OJSC Bank ROSSIYA | Russian Ruble | 2017 | 5,000 | 5,000 |
| UniCredit Bank AG ^{2, 6} | Russian Ruble | 2018 | 1,894 | 2,352 |
| Russian bonds issued in February 2012 ³ | Russian Ruble | 2022 | 452 | 10,335 |
| Russian bonds issued in May 2005 ¹ | Euro | 2015 | – | 70,685 |
| Russian bonds issued in July 2009 ¹ | Euro | 2015 | – | 62,372 |
| Loan participation notes issued in November 2010 ¹ | US Dollar | 2015 | – | 56,513 |
| Loan participation notes issued in November 2014 ¹ | US Dollar | 2015 | – | 39,621 |
| The Royal Bank of Scotland AG ² | US Dollar | 2015 | – | 26,939 |
| Bank of Tokyo-Mitsubishi UFJ Ltd. | US Dollar | 2015 | – | 16,970 |
| Credit Agricole CIB | Euro | 2015 | – | 16,431 |
| Russian bonds issued in October 2014 ⁵ | Russian Ruble | 2015 | – | 13,821 |
| Gazprombank (Joint-stock Company) | US Dollar | 2015 | – | 9,620 |
| PJSC Sberbank | Russian Ruble | 2015 | – | 5,504 |
| OJSC Bank ROSSIYA | Russian Ruble | 2015 | – | 5,000 |
| Gazprombank (Joint-stock Company) | US Dollar | 2015 | – | 3,584 |
| Other long-term borrowings, promissory notes | Various | Various | 127,112 | 75,323 |
| Total long-term borrowings, promissory notes | | | 3,390,213 | 2,635,904 |
| Less: current portion of long-term borrowings | | | (594,370) | (411,862) |
| | | | 2,795,843 | 2,224,042 |

¹ Issuer of these bonds is Gaz Capital S.A.

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

³ Issuer of these bonds is PJSC Gazprom Neft.

⁴ Issuer of these bonds is Gazprom capital LLC.

⁵ Issuer of these bonds is PJSC Gazprom.

⁶ Loans were obtained for development of Yuzhno-Russkoye oil and gas field.

⁷ Issuer of these bonds is PJSC WGC-2.

| | 31 December | |
|--|------------------|------------------|
| | 2015 | 2014 |
| Long-term borrowings and promissory notes | | |
| denominated in Russian Rubles (including current portion of RUB 79,910 million and RUB 26,252 million as of 31 December 2015 and 31 December 2014, respectively) | 362,400 | 289,984 |
| denominated in foreign currency (including current portion of RUB 514,460 million and RUB 385,610 million as of 31 December 2015 and 31 December 2014, respectively) | 3,027,813 | 2,345,920 |
| | 3,390,213 | 2,635,904 |

21. Long-term borrowings, promissory notes (continued)

The analysis of due for repayment of borrowings and promissory notes is presented below.

| | 31 December | |
|----------------------------|------------------|------------------|
| | 2015 | 2014 |
| Due for repayment | | |
| Between one and two years | 472,657 | 404,096 |
| Between two and five years | 1,452,110 | 970,608 |
| After five years | 871,076 | 849,338 |
| | 2,795,843 | 2,224,042 |

Long-term liabilities include fixed rate borrowings with a carrying value of RUB 2,431,823 million and RUB 2,044,351 million and fair value of RUB 2,480,142 million and RUB 1,893,394 million as of 31 December 2015 and 31 December 2014, respectively.

All other long-term liabilities have variable interest rates generally linked to LIBOR and EURIBOR. Their carrying value is RUB 958,390 million and RUB 591,553 million and fair value is RUB 948,744 million and RUB 534,708 million as of 31 December 2015 and 31 December 2014, respectively.

In 2015 and 2014 the Group did not have material formal hedging arrangements to mitigate its foreign exchange risk or interest rate risk.

The weighted average effective interest rates at the balance sheet date were as follows:

| | 31 December | |
|--|-------------|-------|
| | 2015 | 2014 |
| Fixed rate long-term borrowings denominated in Russian Rubles | 10.68% | 9.85% |
| Fixed rate foreign currency denominated long-term borrowings | 5.63% | 5.65% |
| Variable rate long-term borrowings denominated in Russian Rubles | 15.70% | 9.75% |
| Variable rate foreign currency denominated long-term borrowings | 3.37% | 2.43% |

As of 31 December 2015 and 31 December 2014 according to the project facility agreement, signed within the framework of the development project of Yuzhno-Russkoe oil and gas field with the group of international financial institutions with UniCredit Bank AG acting as a facility agent, ordinary shares of OJSC Severneftegazprom with the pledge value of RUB 16,968 million and fixed assets with the pledge value of RUB 26,210 million were pledged to ING Bank N.V. (London branch) up to the date of full redemption of the liabilities on this agreement. As of 31 December 2015 and 31 December 2014 carrying amount of these fixed assets is RUB 21,654 million and RUB 24,044 million, respectively. Management of the Group does not expect any substantial consequences to occur which relate to respective pledge agreement.

Under the terms of the Russian bonds with the nominal value of RUB 10,000 million issued by PJSC Gazprom Neft in December 2012 due in 2022 bondholders can execute the right of early redemption in November 2017 at par, including interest accrued.

Under the terms of the Russian bonds with the nominal value of RUB 10,000 million issued by PJSC Gazprom Neft in February 2011 due in 2021 bondholders can execute the right of early redemption in February 2018 at par, including interest accrued.

Under the terms of the Russian bonds with the nominal value of RUB 10,000 million issued by PJSC Gazprom Neft in April 2009 due in 2019 bondholders can execute the right of early redemption in April 2018 at par, including interest accrued.

The Group has no subordinated debt and no debt that may be converted into an equity interest of the Group (see Note 25).

22. Profit tax

Profit before profit tax for financial reporting purposes is reconciled to profit tax expense as follows:

| Notes | Year ended 31 December | |
|---|------------------------|------------------|
| | 2015 | 2014 |
| Profit before profit tax | 925,241 | 306,823 |
| Theoretical tax charge calculated at applicable tax rates | (185,048) | (61,365) |
| Tax effect of items which are not deductible or assessable for taxation purposes: | | |
| Non-deductible expenses, including: | | |
| Tax losses for which no deferred tax asset was recognised | (23,092) | (30,459) |
| Impairment in the South Stream project | (11,269) | – |
| 24, 27 Provision for post-employment benefit obligations | (7,111) | (6,263) |
| 27 Allowance for accounts receivable | – | (26,645) |
| 14, 27 Impairment of goodwill | – | (9,524) |
| 27 Provision under financial guarantees | – | (9,481) |
| Other non-deductible expenses | (22,591) | (26,952) |
| 15 Non-taxable profits of associates and joint ventures | 21,312 | 9,210 |
| Changes in tax policy regarding making of impairment allowance of accounts receivable | 71,406 | – |
| Other non-taxable income | 36,351 | 11,848 |
| Profit tax expense | (120,042) | (149,631) |

Differences between the recognition criteria in Russian statutory taxation regulations and IFRS give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. The tax effect of the movement on these temporary differences is recorded at the applicable statutory rates, including the prevailing rate of 20% in the Russian Federation.

| | Tax effects of taxable and deductible temporary differences: | | | | | | Total net deferred tax liabilities |
|--|--|------------------|-----------------|--------------------------|-----------------------------------|--|------------------------------------|
| | Property, plant and equipment | Financial assets | Inventories | Tax losses carry forward | Retroactive gas price adjustments | Other deductible temporary differences | |
| 31 December 2013 | (565,983) | (9,673) | (5,612) | 10,701 | 4,712 | 6,986 | (558,869) |
| Differences recognition and reversals recognised in profit or loss | (54,771) | 7,833 | (2,765) | 9,420 | 6,959 | 5,036 | (28,288) |
| Differences recognition and reversals recognised in other comprehensive income | – | (5,488) | – | – | – | (1,453) | (6,941) |
| 31 December 2014 | (620,754) | (7,328) | (8,377) | 20,121 | 11,671 | 10,569 | (594,098) |
| Differences recognition and reversals recognised in profit or loss | (65,316) | 10,737 | (6,366) | (1,765) | 8,929 | 35,962 | (17,819) |
| Differences recognition and reversals recognised in other comprehensive income | – | (3,032) | – | – | – | (3,455) | (6,487) |
| 31 December 2015 | (686,070) | 377 | (14,743) | 18,356 | 20,600 | 43,076 | (618,404) |

Taxable temporary differences recognised for the year ended 31 December 2015 and 31 December 2014 include the effect of depreciation premium on certain property, plant and equipment. As a result a deferred tax liability related to property, plant and equipment was

22. Profit tax (continued)

recognised in the amount of RUB 35,052 million and RUB 28,540 million, respectively, with the corresponding offsetting credit to the current profit tax expense and therefore no net impact on the consolidated net profit for the year ended 31 December 2015 and 31 December 2014.

The temporary differences associated with undistributed earnings of subsidiaries and associates amount to RUB 570,402 million and RUB 591,795 million as of 31 December 2015 and 31 December 2014, respectively. A deferred tax liability on these temporary differences was not recognised, because management controls the timing of the reversal of the temporary differences and believes that they will not be reversed in the foreseeable future.

Effective 1 January 2012, 55 major Russian subsidiaries of PJSC Gazprom formed a consolidated group of taxpayers ("CGT") with PJSC Gazprom acting as the responsible tax payer. During 2013, additional nine Russian subsidiaries of PJSC Gazprom joined the CGT. During 2014, four Russian subsidiaries of PJSC Gazprom left the CGT. During 2015, additional two Russian subsidiaries of PJSC Gazprom joined the CGT. In accordance with the Russian tax legislation, tax deductible losses can be offset against taxable profits among the companies within the CGT to the extent those losses and profits are recognised for tax purposes in the reporting year and, thus, are included into the tax base of the CGT. Tax assets recognised on losses prior to the formation of the CGT are written off.

23. Derivative financial instruments

The Group has outstanding commodity contracts measured at fair value. The fair value of derivatives is based on market quotes on measurement date or calculation using an agreed price formula.

Where appropriate, in order to manage currency risk the Group uses foreign currency derivatives.

The following table provides an analysis of the Group's position and fair value of derivatives outstanding as of the end of the reporting year. Fair values of derivatives are reflected at their gross value included in other assets and other liabilities in the consolidated balance sheet.

| | 31 December | |
|------------------------------|----------------|----------------|
| | 2015 | 2014 |
| Fair value | | |
| Assets | | |
| Commodity contracts | 175,517 | 58,099 |
| Foreign currency derivatives | 4,123 | 6,568 |
| Other derivatives | — | 591 |
| | 179,640 | 65,258 |
| Liabilities | | |
| Commodity contracts | 195,267 | 72,186 |
| Foreign currency derivatives | 82,719 | 62,116 |
| Other derivatives | 1,322 | 137 |
| | 279,308 | 134,439 |

Derivative financial instruments are mainly denominated in US dollars, Euros and Pounds sterling.

As of 31 December 2015 and 31 December 2014 the Group had outstanding foreign currency hedge contracts for a total notional value of USD 1,237 million and USD 1,642 million, respectively.

24. Provisions for liabilities and charges

| | 31 December | |
|--|----------------|----------------|
| | 2015 | 2014 |
| Provision for post-employment benefit obligations | 233,077 | 171,275 |
| Provision for decommissioning and site restoration costs | 160,648 | 104,168 |
| Other | 41,713 | 21,663 |
| Total provisions for liabilities and charges | 435,438 | 297,106 |

Provision for decommissioning and site restoration costs increased due to decrease in discount rate from 13.20% to 9.39% as of 31 December 2014 and 31 December 2015, respectively.

The Group operates post-employment benefits, which are recorded in the consolidated financial statements under IAS 19 Employee Benefits. Defined benefit plan covers the majority employees of the Group. The retirement benefit plan includes benefits of the following types: pension benefits paid to former employees through the non-state pension fund “Gazfund” (“NPF Gazfund”), lump sum payment upon retirement, financial aid provided to pensioners, financial aid and compensation to cover funeral expenses in the event of an employee’s.

The amount of benefits depends on the period of the employees’ service (years of service), salary level at retirement, predetermined fixed amount or a combination of these factors.

Principal actuarial assumptions used:

| | 31 December | |
|---|--|-------------------------|
| | 2015 | 2014 |
| Discount rate (nominal) | 9.5% | 12.5% |
| Future salary and pension increases (nominal) | 7.0% | 8.0% |
| Retirement ages | females 55, males 58 | females 54, males 58 |
| Turnover ratio p.a. | Age-related curve, 3.8% pa on average | |

Weighted-average duration of obligations is 13 years. The assumptions relating to life expectancy at expected pension age were 19.3 years for a 58 year old man and 28.5 years for a 55 year old woman in 2015. The assumptions relating to life expectancy at expected pension age were 19.3 years for a 58 year old man and 29.5 years for a 54 year old woman in 2014.

The amounts associated with post-employment benefit obligations recognised in the consolidated balance sheet are as follows:

| | 31 December 2015 | | 31 December 2014 | |
|--------------------------------------|--|---------------------------------------|--|---------------------------------------|
| | Funded benefits — provided through NPF Gazfund | Unfunded liabilities — other benefits | Funded benefits — provided through NPF Gazfund | Unfunded liabilities — other benefits |
| Present value of benefit obligations | (356,565) | (226,097) | (279,485) | (171,275) |
| Fair value of plan assets | 349,585 | — | 391,227 | — |
| Net balance (liability) asset | (6,980) | (226,097) | 111,742 | (171,275) |

The net pension liabilities related to benefits provided by the pension plan NPF Gazfund in the amount of RUB 6,980 million as of 31 December 2015 are included within provisions for liabilities and charges.

24. Provisions for liabilities and charges (continued)

The net pension assets related to benefits provided by the pension plan NPF Gazfund in the amount of RUB 111,742 million as of 31 December 2014 are included within other non-current assets.

Changes in the present value of the defined benefit obligations and fair value of plan assets for the years ended 31 December 2015 and 31 December 2014 are as follows:

| | Funded liabilities — benefits provided through NPF Gazfund | Fair value of plan asset | Net (asset) liability | Unfunded liabilities — other post-employ- ment benefits |
|--|--|-----------------------------|--------------------------|---|
| Opening balance as of 31 December 2014 | 279,485 | (391,227) | (111,742) | 171,275 |
| Current service cost | 11,371 | — | 11,371 | 10,020 |
| Past service cost | 3,869 | — | 3,869 | 871 |
| Net interest expense (income) | 34,927 | (49,135) | (14,208) | 21,416 |
| Total expenses included in staff cost | 50,167 | (49,135) | 1,032 | 32,307 |
| Remeasurements: | | | | |
| Actuarial losses arising from changes in financial assumptions | 54,041 | — | 54,041 | 36,609 |
| Actuarial gains arising from changes in demographic assumptions | (3,433) | — | (3,433) | (3,336) |
| Actuarial (gains) losses — Experience | (12,080) | — | (12,080) | 2,574 |
| Return on assets excluding amounts included in net interest expense | — | 94,479 | 94,479 | — |
| Exchange differences | — | — | — | 205 |
| Total recognised in other comprehensive loss | 38,528 | 94,479 | 133,007 | 36,052 |
| Benefits paid | (11,615) | 11,615 | — | (15,755) |
| Contributions by employer | — | (15,317) | (15,317) | — |
| Business combinations | — | — | — | 2,218 |
| Closing balance as of 31 December 2015 | 356,565 | (349,585) | 6,980 | 226,097 |
| | | | | |
| | Funded liabilities — benefits provided through NPF Gazfund | Fair value of plan asset | Net (asset) liability | Unfunded liabilities — other post-employ- ment benefits |
| Opening balance as of 31 December 2013 | 318,208 | (429,368) | (111,160) | 198,202 |
| Current service cost | 12,796 | — | 12,796 | 11,693 |
| Past service cost | 34 | — | 34 | 11 |
| Net interest expense (income) | 25,430 | (34,349) | (8,919) | 15,702 |
| Total expenses included in staff cost | 38,260 | (34,349) | 3,911 | 27,406 |
| Remeasurements: | | | | |
| Actuarial gains arising from changes in financial assumptions | (69,125) | — | (69,125) | (43,318) |
| Actuarial gains arising from changes in demographic assumptions | — | — | — | (99) |
| Actuarial losses — Experience | 3,089 | — | 3,089 | 1,256 |
| Return on assets excluding amounts included in net interest expense | — | 73,759 | 73,759 | — |
| Total recognised in other comprehensive (income) loss | (66,036) | 73,759 | 7,723 | (42,161) |
| Benefits paid | (10,947) | 10,947 | — | (12,118) |
| Contributions by employer | — | (12,216) | (12,216) | — |
| Business combinations | — | — | — | (54) |
| Closing balance as of 31 December 2014 | 279,485 | (391,227) | (111,742) | 171,275 |

24. Provisions for liabilities and charges (continued)

The major categories of plan assets as a fair value and percentage of total plan assets are as follows:

| | 31 December 2015 | | 31 December 2014 | |
|---------------------------------------|------------------|---------------------------|------------------|---------------------------|
| | Fair value | Percent in plan assets, % | Fair value | Percent in plan assets, % |
| Quoted plan asset, including | 159,946 | 45.8% | 124,194 | 31.7% |
| Mutual funds | 75,409 | 21.6% | 40,692 | 10.4% |
| Bonds | 51,812 | 14.8% | 27,895 | 7.1% |
| Shares | 32,725 | 9.4% | 55,607 | 14.2% |
| Other securities | – | – | – | – |
| Unquoted plan asset, including | 189,639 | 54.2% | 267,033 | 68.3% |
| Shares | 158,334 | 45.3% | 186,609 | 47.7% |
| Deposits | 13,785 | 3.9% | 31,114 | 8.0% |
| Mutual funds | 12,178 | 3.5% | 49,310 | 12.6% |
| Other securities | 5,342 | 1.5% | – | – |
| Total plan assets | 349,585 | 100% | 391,227 | 100% |

The amount of ordinary shares of PJSC Gazprom included in the fair value of plan assets comprises RUB 16,702 million and RUB 21,338 million as of 31 December 2015 and 31 December 2014, respectively.

Non-quoted equities within plan assets are mostly represented by Gazprombank (Joint-stock Company) shares which are measured at fair value (Level 2) using market approach valuation techniques based on available market data.

For the years ended 31 December 2015 and 31 December 2014 actual return on plan assets was a loss of RUB 45,344 million and loss of RUB 39,410 million primarily caused by the change of the fair value of plan assets.

The sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions as at 31 December 2015 is presented below:

| | Increase (decrease) of defined benefit obligation | Increase (decrease) of defined benefit obligation, % |
|--|---|--|
| Mortality rates lower by 20% | 24,039 | 4.18% |
| Mortality rates higher by 20% | (20,058) | (3.49%) |
| Discount rate lower by 1 pp | 58,324 | 10.15% |
| Discount rate higher by 1 pp | (49,379) | (8.60%) |
| Benefit growth lower by 1 pp | (50,878) | (8.86%) |
| Benefit growth higher by 1 pp | 59,207 | 10.31% |
| Staff turnover lower by 1 pp for all ages | 27,220 | 4.74% |
| Staff turnover higher by 1 pp for all ages | (23,864) | (4.15%) |
| Retirement ages lower by 1 year | 25,672 | 4.47% |
| Retirement ages higher by 1 year | (25,013) | (4.35%) |

The Group expects to contribute RUB 32,400 million to the defined benefit plans in 2016.

24. Provisions for liabilities and charges (continued)

Retirement benefit plan parameters and related risks

As a rule, the above benefits are indexed in line with inflation rate or salary growth for benefits that depend on salary level. All retirement benefit plans of the Group are exposed to inflation risk.

In addition to the inflation risk, the pension plan of the Group is exposed to mortality risk.

25. Equity

Share capital

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

Dividends

In 2015 PJSC Gazprom declared and paid dividends in the nominal amount of 7.20 Russian Rubles per share for the year ended 31 December 2014. In 2014 PJSC Gazprom declared and paid dividends in the nominal amount of 7.20 Russian Rubles per share for the year ended 31 December 2013.

Treasury shares

As of 31 December 2015 and 31 December 2014 subsidiaries of PJSC Gazprom held 723 million of the ordinary shares of PJSC Gazprom. Shares of PJSC Gazprom held by the subsidiaries represent 3.1% of PJSC Gazprom shares as of 31 December 2015 and 31 December 2014. The management of the Group controls the voting rights of these shares.

Retained earnings and other reserves

Included in retained earnings and other reserves are the effects of the cumulative restatement of the consolidated financial statements to the equivalent purchasing power of the Russian Ruble as of 31 December 2002, when Russian economy ceased to be hyperinflationary under IAS 29 Financial Reporting in Hyperinflation Economies. Also, retained earnings and other reserves include translation differences arising on the translation of the net assets of foreign subsidiaries, associates and joint arrangements in the amount of RUB 899,336 million and RUB 628,321 million as of 31 December 2015 and 31 December 2014, respectively.

Retained earnings and other reserves include a statutory fund for social assets, created in accordance with Russian legislation at the time of privatisation. From time to time, the Group negotiates to return certain of these assets to governmental authorities and this process may continue. Social assets with a net book value of RUB 94 million and RUB 35 million have been transferred to governmental authorities during the years ended 31 December 2014 and 31 December 2015, respectively. These transactions have been recorded as a reduction of retained earnings and other reserves.

The basis of distribution is defined by legislation as the current year net profit of the Group parent company, as calculated in accordance with Russian Accounting Rules. For the year ended 31 December 2015 the statutory profit of the parent company was RUB 403,523 million. However, the legislation and other statutory laws and regulations dealing with profit distribution are open to legal interpretation and accordingly management believes at present it would not be appropriate to disclose an amount for the distributable profits and reserves in these consolidated financial statements.

26. Sales

| | Year ended 31 December | |
|---|------------------------|------------------|
| | 2015 | 2014 |
| Gas sales gross of excise tax and customs duties to customers in: | | |
| Russian Federation | 805,615 | 820,567 |
| Former Soviet Union (excluding Russian Federation) | 480,204 | 486,079 |
| Europe and other countries | <u>2,776,860</u> | <u>2,149,976</u> |
| | 4,062,679 | 3,456,622 |
| Customs duties | (582,023) | (472,186) |
| Excise tax ¹ | (79,881) | – |
| Retroactive gas price adjustments ² | <u>26,482</u> | <u>949</u> |
| Total gas sales | 3,427,257 | 2,985,385 |
| Sales of refined products to customers in: | | |
| Russian Federation | 981,792 | 953,136 |
| Former Soviet Union (excluding the Russian Federation) | 105,335 | 79,874 |
| Europe and other countries | <u>468,464</u> | <u>586,204</u> |
| Total sales of refined products | 1,555,591 | 1,619,214 |
| Sales of crude oil and gas condensate to customers in: | | |
| Russian Federation | 77,519 | 51,603 |
| Former Soviet Union (excluding the Russian Federation) | 27,580 | 16,013 |
| Europe and other countries | <u>155,509</u> | <u>141,618</u> |
| Total sales of crude oil and gas condensate | 260,608 | 209,234 |
| Electric and heat energy sales: | | |
| Russian Federation | 403,084 | 409,087 |
| Former Soviet Union (excluding the Russian Federation) | 2,524 | 2,481 |
| Europe and other countries | <u>19,057</u> | <u>15,383</u> |
| Total electric and heat energy sales | 424,665 | 426,951 |
| Gas transportation sales: | | |
| Russian Federation | 191,648 | 171,147 |
| Former Soviet Union (excluding the Russian Federation) | 2,302 | 1,687 |
| Europe and other countries | <u>15</u> | <u>8</u> |
| Total gas transportation sales | 193,965 | 172,842 |
| Other revenues: | | |
| Russian Federation | 182,594 | 152,459 |
| Former Soviet Union (excluding the Russian Federation) | 6,497 | 4,757 |
| Europe and other countries | <u>22,141</u> | <u>18,969</u> |
| Total other revenues | <u>211,232</u> | <u>176,185</u> |
| Total sales | 6,073,318 | 5,589,811 |

¹ On 1 January 2015 changes came into effect to the Chapter 22 Excises of the Tax Code of the Russian Federation, according to which natural gas is subject to excise tax, if it is stipulated by international treaties of the Russian Federation. The disclosed information about revenue and excise tax reflects special aspects of the Group activities and also is made for the purpose of comparability of the financial figures.

² Retroactive gas price adjustments relate to gas deliveries in 2012–2014 for which a discount has been agreed or is in the process of negotiations. The effects of gas price adjustments, including corresponding impacts on profit tax, are recorded when they become probable and a reliable estimate of the amounts can be made. The effects of retroactive gas price adjustments on sales for the years ended 31 December 2015 and 31 December 2014 was an increase of RUB 26,482 million and RUB 949 million, respectively, reflecting a decrease in a related accruals following estimates made and agreements reached prior to the issuance of respective consolidated financial statements.

27. Operating expenses

| | Year ended 31 December | |
|--|------------------------|------------------|
| | 2015 | 2014 |
| Purchased gas and oil | 1,048,472 | 792,723 |
| Taxes other than profit tax | 805,132 | 775,826 |
| Staff costs | 590,981 | 516,778 |
| Transit of gas, oil and refined products | 534,503 | 399,561 |
| Depreciation | 515,200 | 472,151 |
| Materials | 299,182 | 267,552 |
| Cost of goods for resale, including refined products | 193,348 | 292,150 |
| Repairs and maintenance | 161,578 | 172,395 |
| Electricity and heating expenses | 91,822 | 87,228 |
| Rental expenses | 35,600 | 33,292 |
| Social expenses | 32,485 | 46,429 |
| Transportation services | 32,218 | 33,431 |
| Research and development expenses | 30,588 | 19,653 |
| Insurance expenses | 27,214 | 29,096 |
| Processing services | 18,810 | 18,121 |
| Derivatives (gains) losses | (88) | 7,141 |
| Foreign exchange rate differences on operating items | (25,581) | (243,438) |
| Other | 365,847 | 300,279 |
| | 4,757,311 | 4,020,368 |
| Changes in inventories of finished goods, work in progress and other effects | (121,809) | (76,699) |
| Total operating expenses | 4,635,502 | 3,943,669 |

Gas purchase expenses included within purchased gas and oil amounted to RUB 819,327 million and RUB 575,639 million for the years ended 31 December 2015 and 31 December 2014, respectively.

Staff costs include RUB 35,557 million and RUB 31,317 million of expenses associated with post-employment benefit obligations for the years ended 31 December 2015 and 31 December 2014, respectively (see Note 24).

Taxes other than profit tax consist of:

| | Year ended 31 December | |
|--|------------------------|----------------|
| | 2015 | 2014 |
| MET | 591,336 | 563,404 |
| Property tax | 112,568 | 89,010 |
| Excise tax | 88,580 | 112,533 |
| Other taxes | 12,648 | 10,879 |
| Total taxes other than profit tax | 805,132 | 775,826 |

27. Operating expenses (continued)

The amount recognised in the consolidated statement of comprehensive income related to net impairment charges for impairment and other provisions are as follows:

| Notes | Year ended 31 December | | |
|--------|---|----------------|----------------|
| | 2015 | 2014 | |
| 13 | Charge for allowance for impairment of property, plant and equipment | 129,482 | 76,464 |
| | Charge for allowance for accounts receivable | 81,994 | 133,225 |
| | Charge for allowance for investments | 1,454 | 6,499 |
| 11 | Charge for allowance for inventory obsolescence | 289 | 1,993 |
| 14 | Charge for impairment of goodwill | – | 47,620 |
| 18, 36 | Charge for provision under financial guarantees | – | 47,407 |
| | Total net impairment charges for impairment and other provisions | 213,219 | 313,208 |

28. Finance income and expenses

| | Year ended 31 December | |
|-------------------------------|------------------------|------------------|
| | 2015 | 2014 |
| Foreign exchange gains | 878,181 | 322,821 |
| Interest income | 112,165 | 66,983 |
| Total finance income | 990,346 | 389,804 |
| Foreign exchange losses | 1,342,230 | 1,393,792 |
| Interest expense | 66,857 | 44,749 |
| Total finance expenses | 1,409,087 | 1,438,541 |

Total interest paid amounted to RUB 168,311 million and RUB 121,819 million for the years ended 31 December 2015 and 31 December 2014, respectively.

Foreign exchange gains and losses for the years ended 31 December 2015 and 31 December 2014 were recognised as a result of the appreciation of US Dollar and Euro against the Russian Ruble. Gains and losses primarily relate to revaluation of borrowings denominated in foreign currencies.

29. Reconciliation of profit (loss), disclosed in consolidated statement of financial results, prepared in accordance with Russian Accounting Rules (RAR) to profit disclosed in IFRS Consolidated Statement of Comprehensive Income

| | Year ended 31 December | |
|---|------------------------|------------------|
| | 2015 | 2014 |
| RAR net profit (loss) for the year per consolidated statutory accounts | 304,804 | (124,704) |
| Effects of IFRS adjustments: | | |
| Classification of revaluation of available-for-sale financial assets | (43,179) | 8,859 |
| Difference in share of net income of associates and joint ventures | (9,166) | (15,942) |
| Differences in depreciation of property, plant and equipment | 388,723 | 287,212 |
| Reversal of goodwill amortisation | 62,184 | 62,218 |
| Loan interest and foreign exchange losses capitalized | 177,736 | 88,581 |
| Impairment and other provisions, including provision for pension obligations and unused vacations | (48,406) | (154,441) |
| Accounting for finance leases | 887 | 10,850 |
| Write-off of research and development expenses capitalized for RAR purposes | (6,956) | (6,509) |
| Fair value adjustment on derivatives | 88 | (7,141) |
| Differences in fixed assets disposal | (1,975) | 1,920 |
| Differences in financial results from acquisition of subsidiaries | 31,674 | – |
| Other effects | (51,215) | 6,289 |
| IFRS profit for the year | 805,199 | 157,192 |

30. Basic and diluted earnings per share, attributable to the owners of PJSC Gazprom

Earnings per share attributable to owners of PJSC Gazprom have been calculated by dividing the profit for the year, attributable to the owners of PJSC Gazprom by the annual weighted average number of shares outstanding, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares (see Note 25).

There were 23.0 billion weighted average shares outstanding for the years ended 31 December 2015 and 31 December 2014.

There are no dilutive financial instruments outstanding in the Group.

31. Net cash provided by operating activities

| Notes | Year ended 31 December | |
|--|------------------------|------------------|
| | 2015 | 2014 |
| Profit before profit tax | 925,241 | 306,823 |
| Adjustments to profit before profit tax for: | | |
| 27 Depreciation | 515,200 | 472,151 |
| 28 Net finance expense | 418,741 | 1,048,737 |
| 15 Share of net income of associates and joint ventures | (106,560) | (46,051) |
| 27 Charge for provisions | 248,776 | 344,525 |
| 27 Derivatives (gains) losses | (88) | 7,141 |
| (Gains) losses on disposal of available-for-sale financial assets | (9,121) | 915 |
| Other | (6,952) | 5,147 |
| Total effect of adjustments | 1,059,996 | 1,832,565 |
| Cash flows from operating activities before working capital changes | 1,985,237 | 2,139,388 |
| Decrease (increase) in non-current assets | 1,088 | (4,379) |
| (Decrease) increase in non-current liabilities | (7,481) | 5,221 |
| | 1,978,844 | 2,140,230 |
| Changes in working capital: | | |
| Increase in accounts receivable and prepayments | (732) | (84,076) |
| Increase in inventories | (78,157) | (108,161) |
| Decrease in other current assets | 297,491 | 149,672 |
| Decrease in accounts payable and accrued charges, excluding interest, dividends and capital construction | (67,769) | (3,331) |
| Settlements on taxes payable (other than profit tax) | 5,195 | 17,552 |
| Decrease in available-for-sale financial assets and financial assets held for trading | 784 | 16,557 |
| Total effect of working capital changes | 156,812 | (11,787) |
| Profit tax paid | (104,729) | (212,674) |
| Net cash from operating activities | 2,030,927 | 1,915,769 |

Total taxes and other similar payments paid in cash for the years 2015 and 2014:

| | Year ended 31 December | |
|---|------------------------|------------------|
| | 2015 | 2014 |
| Customs duties | 693,746 | 803,929 |
| MET | 599,433 | 561,402 |
| Excise | 219,105 | 147,586 |
| Property tax | 110,123 | 85,904 |
| Insurance contributions to non-budget funds | 108,151 | 74,686 |
| Profit tax | 104,729 | 212,674 |
| Personal income tax | 57,911 | 53,050 |
| VAT | 27,586 | 98,250 |
| Other | 25,880 | 25,512 |
| Total taxes paid | 1,946,664 | 2,062,993 |

32. Subsidiaries

Significant subsidiaries

| Subsidiaries | Country of primary operation | Percent of share capital as of 31 December ¹ | |
|---|------------------------------|---|------|
| | | 2015 | 2014 |
| LLC Aviapredpriyatie Gazprom avia | Russia | 100 | 100 |
| WIBG GmbH ² | Germany | 100 | – |
| OJSC Vostokgazprom | Russia | 100 | 100 |
| GAZPROM Schweiz AG | Switzerland | 100 | 100 |
| CJSC Gazprom Armenia | Armenia | 100 | 100 |
| LLC Gazprom VNIIGAZ | Russia | 100 | 100 |
| OJSC Gazprom gazoraspredelenie | Russia | 100 | 100 |
| JSC Gazprom gazoraspredelenie Sever | Russia | 96 | 96 |
| LLC Gazprom geologorazvedka | Russia | 100 | 100 |
| LLC Gazprom georesurs | Russia | 100 | 100 |
| GAZPROM Germania GmbH | Germany | 100 | 100 |
| Gazprom Gerosgaz Holdings B.V. | Netherlands | 100 | 100 |
| Gazprom Global LNG Ltd. | United Kingdom | 100 | 100 |
| LLC Gazprom dobycha Astrakhan | Russia | 100 | 100 |
| LLC Gazprom dobycha Krasnodar | Russia | 100 | 100 |
| LLC Gazprom dobycha Nadym | Russia | 100 | 100 |
| LLC Gazprom dobycha Noyabrsk | Russia | 100 | 100 |
| LLC Gazprom dobycha Orenburg | Russia | 100 | 100 |
| LLC Gazprom dobycha Urengoy | Russia | 100 | 100 |
| LLC Gazprom dobycha shelf Yuzhno-Sakhalinsk | Russia | 100 | 100 |
| LLC Gazprom dobycha Yamburg | Russia | 100 | 100 |
| LLC Gazprom invest | Russia | 100 | 100 |
| LLC Gazprom invest Vostok | Russia | 100 | 100 |
| LLC Gazprom invest RGK | Russia | 100 | 100 |
| CJSC Gazprom invest Yug | Russia | 100 | 100 |
| LLC Gazprom investholding | Russia | 100 | 100 |
| Gazprom International Germany GmbH | Germany | 100 | 100 |
| LLC Gazprom inform | Russia | 100 | 100 |
| LLC Gazprom komplektatsiya | Russia | 100 | 100 |
| Gazprom Marketing and Trading Ltd. | United Kingdom | 100 | 100 |
| LLC Gazprom mezhregiongaz | Russia | 100 | 100 |
| OJSC Gazprom neftekhim Salavat | Russia | 100 | 100 |
| PJSC Gazprom nefit | Russia | 96 | 96 |
| LLC Gazpromneft-Orenburg ³ | Russia | 100 | 100 |
| Gazprom Neft Trading GmbH ³ | Austria | 100 | 100 |
| LLC Gazprom nefit shelf ³ | Russia | 100 | 100 |
| LLC Gazprom pererabotka | Russia | 100 | 100 |
| LLC Gazprom podzemremont Orenburg | Russia | 100 | 100 |
| LLC Gazprom podzemremont Urengoy | Russia | 100 | 100 |
| LLC Gazprom PKhG | Russia | 100 | 100 |
| Gazprom Sakhalin Holdings B.V. | Netherlands | 100 | 100 |

32. Subsidiaries (continued)

| Subsidiaries | Country of primary operation | Percent of share capital as of 31 December ¹ | |
|--|------------------------------|---|------|
| | | 2015 | 2014 |
| LLC Gazprom torgservis | Russia | 100 | 100 |
| OJSC Gazprom transgaz Belarus | Belorussia | 100 | 100 |
| LLC Gazprom transgaz Volgograd | Russia | 100 | 100 |
| LLC Gazprom transgaz Ekaterinburg | Russia | 100 | 100 |
| LLC Gazprom transgaz Kazan | Russia | 100 | 100 |
| LLC Gazprom transgaz Krasnodar | Russia | 100 | 100 |
| LLC Gazprom transgaz Makhachkala | Russia | 100 | 100 |
| LLC Gazprom transgaz Moskva | Russia | 100 | 100 |
| LLC Gazprom transgaz Nizhny Novgorod | Russia | 100 | 100 |
| LLC Gazprom transgaz Samara | Russia | 100 | 100 |
| LLC Gazprom transgaz St. Petersburg | Russia | 100 | 100 |
| LLC Gazprom transgaz Saratov | Russia | 100 | 100 |
| LLC Gazprom transgaz Stavropol | Russia | 100 | 100 |
| LLC Gazprom transgaz Surgut | Russia | 100 | 100 |
| LLC Gazprom transgaz Tomsk | Russia | 100 | 100 |
| LLC Gazprom transgaz Ufa | Russia | 100 | 100 |
| LLC Gazprom transgaz Ukhta | Russia | 100 | 100 |
| LLC Gazprom transgaz Tchaikovsky | Russia | 100 | 100 |
| LLC Gazprom transgaz Yugorsk | Russia | 100 | 100 |
| Gazprom Finance B.V. | Netherlands | 100 | 100 |
| LLC Gazprom tsentrremont | Russia | 100 | 100 |
| LLC Gazprom export | Russia | 100 | 100 |
| LLC Gazprom energo | Russia | 100 | 100 |
| LLC Gazprom energoholding | Russia | 100 | 100 |
| Gazprom EP International B.V. | Netherlands | 100 | 100 |
| LLC Gazpromneft-Vostok ³ | Russia | 100 | 100 |
| JSC Gazpromneft-Kuzbass ³ | Russia | 100 | 100 |
| JSC Gazpromneft - MNPZ ³ | Russia | 100 | 100 |
| OJSC Gazpromneft-Noyabrskneftegaz ³ | Russia | 100 | 100 |
| JSC Gazpromneft-Omsk ³ | Russia | 100 | 100 |
| JSC Gazpromneft-ONPZ ³ | Russia | 100 | 100 |
| JSC Gazpromneft-Severo-Zapad ³ | Russia | 100 | 100 |
| LLC Gazpromneftfinans ³ | Russia | 100 | 100 |
| LLC Gazpromneft-Khantos ³ | Russia | 100 | 100 |
| LLC Gazpromneft-Centr ³ | Russia | 100 | 100 |
| LLC Gazpromtrans | Russia | 100 | 100 |
| OJSC Gazpromtrubinvest | Russia | 100 | 100 |
| LLC Gazprom flot | Russia | 100 | 100 |
| OJSC Daltransgaz | Russia | 100 | 100 |
| LLC Zapolyarneft ³ | Russia | 100 | 100 |
| PJSC Krasnoyarskgazprom | Russia | 75 | 75 |
| PJSC MIPC | Russia | 90 | 90 |
| PJSC Mosenergo | Russia | 53 | 53 |

32. Subsidiaries (continued)

| Subsidiaries | Country of primary operation | Percent of share capital as of 31 December ¹ | |
|--|------------------------------|---|------|
| | | 2015 | 2014 |
| Naftna Industrija Srbije a.d. ³ | Serbia | 56 | 56 |
| LLC Novourenogoy sky GCC | Russia | 100 | 100 |
| PJSC WGC-2 | Russia | 77 | 77 |
| CJSC Purgaz | Russia | 51 | 51 |
| OJSC Regiongazholding | Russia | 57 | 57 |
| CJSC Rosshelf | Russia | 57 | 57 |
| South Stream Transport B.V. | Russia, Bulgaria | 100 | 100 |
| OJSC Severneftegazprom ⁴ | Russia | 50 | 50 |
| Sibir Energy Ltd. ³ | United Kingdom | 100 | 100 |
| LLC Sibmetakhim | Russia | 100 | 100 |
| OJSC Spetsgazavtotrans | Russia | 51 | 51 |
| OJSC TGC-1 | Russia | 52 | 52 |
| OJSC Teploset Sankt-Peterburga | Russia | 75 | 75 |
| OJSC Tomskgazprom | Russia | 100 | 100 |
| LLC Faktoring-Finance | Russia | 90 | 90 |
| OJSC Tsentrgaz | Russia | 100 | 100 |
| JSC Tsentrenergogaz | Russia | 66 | 66 |
| JSC Yuzhuralneftegaz ³ | Russia | 88 | 88 |
| LLC Yamalgazinvest | Russia | 100 | 100 |

¹ Cumulative share of the Group in charter capital of investees.

² On 30 September 2015 in accordance with the Swap Agreement the Group acquired the 100% of the interest in WIBG GmbH (see Note 34).

³ Subsidiaries of PJSC Gazprom neft.

⁴ Group's portion of voting shares.

33. Non-controlling interest

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2015 | 2014 |
| Non-controlling interest at the beginning of the year | 303,463 | 314,764 |
| Non-controlling interest share of net profit (loss) of subsidiaries ¹ | 18,143 | (1,812) |
| Acquisition of the additional interest in LLC Gazprom Resurs Nortgaz | – | (8,110) |
| Acquisition of the additional interest in CJSC Gazprom Armenia | – | (3,467) |
| Acquisition of the additional interest in JSC Gazpromneft-MNPZ and its subsidiaries | – | (2,440) |
| Changes in interest in PJSC WGC-2 | 136 | (2,750) |
| Changes in the non-controlling interest as a result of other acquisitions and disposals | (1,671) | 739 |
| Losses from cash flow hedges | (403) | (2,388) |
| Losses arising from change in fair value of available-for-sale financial assets | (7) | (6) |
| Remeasurements of post-employment benefit obligations | (160) | 166 |
| Dividends | (6,374) | (11,444) |
| Translation differences | 11,909 | 20,211 |
| Non-controlling interest at the end of the year | 325,036 | 303,463 |

¹ Non-controlling interest share of net profit (loss) of subsidiaries includes share in impairment of assets in the amount of RUB 2,034 million and RUB 18,312 million for the years ended 31 December 2015 and 31 December 2014, respectively.

33. Non-controlling interest (continued)

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

| | Country of primary operation | Percent of share capital held by non-controlling interest ¹ | Profit (loss) attributable to non-controlling interest | Accumulated non-controlling interest in the subsidiary | Dividends paid to non-controlling interest during the year |
|--|------------------------------|--|--|--|--|
| As of and for the year ended 31 December 2015 | | | | | |
| Gazprom neft Group ² | Russia | 4% | 9,201 | 110,396 | 3,342 |
| Naftna Industrija Srbije a.d. Group | Serbia | 46% | 3,262 | 75,485 | 1,700 |
| Mosenergo Group | Russia | 46% | 4,741 | 82,529 | 184 |
| TGC-1 Group | Russia | 48% | 3,497 | 58,941 | 419 |
| WGC-2 Group | Russia | 19% | 472 | 29,367 | 167 |
| As of and for the year ended 31 December 2014 | | | | | |
| Gazprom neft Group ² | Russia | 4% | 8,609 | 92,473 | 4,578 |
| Naftna Industrija Srbije a.d. Group | Serbia | 46% | 5,081 | 61,775 | 2,314 |
| Mosenergo Group | Russia | 46% | (1,817) | 77,693 | 734 |
| TGC-1 Group | Russia | 48% | (9,912) | 55,936 | 310 |
| WGC-2 Group | Russia | 19% | (690) | 29,246 | – |

¹ Effective share held by non-controlling interest in charter capital of investments.

² Including non-controlling interest in Naftna Industrija Srbije a.d. Group.

The summarised financial information of these subsidiaries before inter-company eliminations was as follows:

| | Gazprom neft Group | Naftna Industrija Srbije a.d. Group | Mosenergo Group | TGC-1 Group | WGC-2 Group |
|--|--------------------|-------------------------------------|-----------------|-------------|-------------|
| As of and for the year ended 31 December 2015 | | | | | |
| Current assets | 511,348 | 56,620 | 67,777 | 19,673 | 34,896 |
| Non-current assets | 2,180,933 | 243,131 | 193,364 | 151,250 | 218,397 |
| Current liabilities | 346,534 | 43,006 | 23,725 | 20,617 | 49,652 |
| Non-current liabilities | 938,860 | 76,400 | 57,890 | 32,637 | 60,493 |
| Revenue | 1,467,943 | 183,022 | 171,932 | 69,585 | 112,465 |
| Profit for the year | 80,455 | 7,071 | 6,533 | 6,586 | 2,961 |
| Total comprehensive income for the year | 115,253 | 7,071 | 6,469 | 6,440 | 2,665 |
| Net cash from (used in): | | | | | |
| operating activities | 366,747 | 27,267 | 21,924 | 10,332 | 9,400 |
| investing activities | (431,349) | (18,379) | (25,028) | (9,687) | (25,915) |
| financing activities | 119,240 | (2,481) | (921) | (1,201) | 10,784 |

33. Non-controlling interest (continued)

| | Gazprom нефт Group | Naftna Industrija Srbije a.d. Group | Mosenergo Group | TGC-1 Group | WGC-2 Group |
|--|-----------------------|--|--------------------|----------------|----------------|
| As of and for the year ended 31 December 2014 | | | | | |
| Current assets | 463,429 | 62,066 | 60,702 | 20,017 | 33,171 |
| Non-current assets | 1,869,660 | 192,646 | 207,771 | 144,572 | 186,013 |
| Current liabilities | 216,750 | 42,726 | 22,812 | 16,866 | 18,675 |
| Non-current liabilities | 789,078 | 62,027 | 59,318 | 36,023 | 60,158 |
| Revenue | 1,409,010 | 153,706 | 164,018 | 69,064 | 116,265 |
| Profit (loss) for the year | 99,969 | 11,053 | 6,179 | (23,026) | 9,604 |
| Total comprehensive income (loss) for the year | 122,310 | 11,053 | 6,249 | (22,912) | 9,997 |
| Net cash from (used in): | | | | | |
| operating activities | 373,055 | 22,715 | 13,686 | 11,775 | 14,643 |
| investing activities | (484,912) | (19,314) | (22,463) | (5,837) | (16,576) |
| financing activities | 42,361 | (2,338) | 15,738 | (3,948) | 9,233 |

The rights of the non-controlling shareholders of the presented subgroups are determined by the respective laws of country of incorporation and the charter documents of the subsidiaries.

34. Acquisition of subsidiaries

Asset swap with Wintershall Holding GmbH

On 30 September 2015 PJSC Gazprom and Wintershall Holding GmbH completed the asset swap which was initially agreed in December 2013. The Swap Agreement has retroactive economic effect starting from 1 April 2013.

According to the Swap Agreement 25.01% of interest in the capital of LLC Achim Development and 9.00% of ordinary shares, one class A preference share and one class B preference share of JSC Achim Trading which were recognised under other non-current assets in the consolidated financial statements of the Group have been transferred to Wintershall Holding GmbH in return for the 100.00% of the interest in WIBG GmbH and for 50.00% of the interest in Wintershall Noordzee B.V. and Wintershall Services B.V. WIBG GmbH holds an equity interest of 50.02% and 50.00% in W & G Beteiligungs-GmbH & Co. KG and in WIEH GmbH & Co. KG, respectively.

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

Prior to the swap transaction the Group held an equity interest of 49.98% in W & G Beteiligungs-GmbH & Co. KG and of 50.00% in WIEH GmbH & Co. KG. These subgroups were accounted for using the equity method. In addition at the acquisition date the Group held an equity interest of 33.33% in WINGAS Storage UK Ltd., in which W & G Beteiligungs-GmbH & Co. KG held an equity interest of 50.00%.

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

The acquired 50% interests in Wintershall Noordzee B.V. and Wintershall Services B.V. are accounted for using the equity method since the acquisition date.

34. Acquisition of subsidiaries (continued)

The following table summarizes the fair values of transferred assets at the acquisition date:

| | Fair value |
|--|---------------|
| Fair value of transferred shares and investments accounted for using the equity method before the business combination | 64,059 |
| Pre-existing relationships | 25,885 |
| Preliminary compensation payments | (2,170) |
| Total | 87,774 |

In accordance with IFRS 3 Business combinations the Group measured shares of LLC Achim Development and JSC Achim Trading at fair value evaluated by an independent appraiser CJSC Deloitte & Touche CIS at the acquisition date. On 31 December 2015 the Group recognised the gain from the revaluation of disposed investments to their fair value in the amount of RUB 20,137 million in the consolidated financial statements of comprehensive income within other operating expenses.

Previously held by the Group investments in W & G Beteiligungs-GmbH & Co. KG, WIEH GmbH & Co. KG and WINGAS Storage UK Ltd. were measured at fair value at the acquisition date. On 31 December 2015 the gain from the revaluation of investments accounted for using the equity method to fair value is recognised in the consolidated financial statement of comprehensive income within other operating expenses in the amount of RUB 18,087 million.

In connection with derecognition of equity-accounted investments the Group recognised the loss in profit and loss within other operating expenses in the amount of RUB 9,034 million previously recognised in other comprehensive loss arising mainly from hedge transactions.

In accordance with IFRS 3 Business Combinations, the Group recognised the acquired assets and liabilities based upon their provisional fair values. Final fair value should be recognised in the consolidated financial statements within twelve months of the acquisition date. All changes in fair values will be recorded retrospectively from the acquisition date.

Provisional fair value of assets acquired and liabilities assumed is as follows:

| | Fair value |
|---|----------------|
| Current assets | |
| Cash and cash equivalents | 24,247 |
| Accounts receivable and prepayments | 117,414 |
| Inventories | 47,658 |
| | 189,319 |
| Non-current assets | |
| Property, plant and equipment | 45,500 |
| Investments in associates and joint ventures | 956 |
| Long-term accounts receivable and prepayments | 40,175 |
| Other non-current assets | 9,078 |
| | 95,709 |
| Total assets | 285,028 |

34. Acquisition of subsidiaries (continued)

| | Fair value |
|---|----------------|
| Current liabilities | |
| Accounts payable, accruals and provisions for liabilities and charges | 104,150 |
| Short-term borrowings, promissory notes and current portion of long-term borrowings | 29,066 |
| | 133,216 |
| Non-current liabilities | |
| Long-term borrowings, promissory notes | 179 |
| Provisions for liabilities and charges | 18,679 |
| Deferred tax liabilities | 4,865 |
| Other non-current liabilities | 30,184 |
| | 53,907 |
| Total liabilities | 187,123 |
| Net assets at the acquisition date | 97,905 |

Preliminary result of the asset swap is as follows:

| | 31 December 2015 |
|--|------------------|
| Fair value of transferred assets including preliminarily compensation payments | 87,774 |
| Non-controlling interest measured at its proportionate share of the acquirees's net assets | 262 |
| Fair value of acquired assets | 97,905 |
| Gain from a bargain purchase | 9,869 |

The gain from a bargain purchase identified as the excess of the fair value of assets acquired and liabilities assumed over the fair value of transferred assets is mainly related to the decrease of the energy market prices since the conception of the transaction. The gain from a bargain purchase is recognised in other operating income in the consolidated financial statement of comprehensive income.

Fair value of acquired accounts receivables amounted to RUB 157,589 million at the acquisition date. The amount of accounts receivables at the acquisition date amounts to RUB 75,517 million. The best estimate of cash flows, that are expected not to be recovered, amounts to RUB 1,729 million at the acquisition date.

At the acquisition date contingencies related to judicial proceedings with fair value of RUB 2,707 million are accounted for within current provisions for liabilities and chargers. The probability of unfavorable outcome of filed claim is estimated as medium.

If the acquisition occurred as of 1 January 2015 sales of the Group and the Group's profit before profit tax for the year ended 31 December 2015 would be higher by RUB 395,732 million and RUB 7,034 million, respectively.

Acquisition of Shtokman Development AG

In July 2015 the Group became an owner of the 100% of shares of Shtokman Development AG. Before the acquisition date the Group held an equity interest of 75% in the company and accounted the investment as a joint venture using the equity method. At the acquisition date the investment in Shtokman Development AG was fully impaired. The impairment provision amounted to RUB 27,378 million (see Note 15).

34. Acquisition of subsidiaries (continued)

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

According to IFRS 3 Business combinations the Group recognised the acquired assets and liabilities assumed based upon their provisional fair values. Final fair value should be recognised in the consolidated financial statements within twelve months of the acquisition date. All changes in fair values will be recorded retrospectively from the acquisition date.

In compliance with IFRS 3 Business combinations preliminary estimate of fair value of construction in progress is recognised as nil. As at the date of assessment decisions concerning the use of the assets under construction are not made.

Provisional fair value of acquired assets and liabilities assumed of Shtokman Development AG is as follows.

| | Fair value |
|---|--------------|
| Current assets | |
| Cash and cash equivalents | 1,767 |
| Accounts receivable and prepayments | 38 |
| Inventories | 1 |
| VAT recoverable | 216 |
| | 2,022 |
| Non-current assets | |
| Property, plant and equipment | 252 |
| Long-term accounts receivable and prepayments | 32 |
| Other non-current assets | 8 |
| | 292 |
| Total assets | 2,314 |
| Current liabilities | |
| Accounts payable, accruals and provisions for liabilities and charges | 30 |
| Other taxes payable | 9 |
| | 39 |
| Non-current liabilities | |
| Provisions for liabilities and charges | 321 |
| Other non-current liabilities | 14 |
| | 335 |
| Total liabilities | 374 |
| Net assets at the acquisition date | 1,940 |
| Acquisition cost | 2 |
| Gain from a bargain purchase | 1,938 |

Acquisition of the controlling interest in South Stream Transport B.V.

In December 2014 the Group became the owner of 100% of the interest in South Stream Transport B.V., the company responsible for the offshore part of the South Stream project. Until 29 December 2014, South Stream Transport B.V. was a joint project held by the Group (50%), ENI International B.V. (20%), EDF International S.A.S. (15%) and Wintershall Holding GmbH (15%). On 29 December 2014, the Group acquired the remaining 50% of the shares of South Stream Transport B.V. from the minority shareholders for consideration of EUR 883 million paid in cash. South Stream Transport B.V. was established for the planning, construction, and subsequent

34. Acquisition of subsidiaries (continued)

operation of the offshore pipeline through the Black Sea and had no notable operating activities up to and as of the purchase date other than the management of construction. Accordingly, this acquisition is outside the definition of business as defined in IFRS 3 Business Combinations and was considered by the Group as an acquisition of assets. The cost of the acquisition has been allocated based on the relative fair values of the assets (largely comprised of pipeline under construction), and liabilities acquired. Assets under construction in the amount of RUB 127,778 million are included in the line "acquisition of subsidiaries" as disclosed in Note 13. Capital expenditure commitments for the construction of the pipeline contracted as of 31 December 2014, but not yet incurred amounts to EUR 4,400 million.

35. Related parties

For the purpose of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24 Related Party Disclosures. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding is detailed below.

Government (Russian Federation)

The Government of the Russian Federation is the ultimate controlling party of PJSC Gazprom and has a controlling interest (including both direct and indirect ownership) of over 50% in PJSC Gazprom.

As of 31 December 2015 38.373% of PJSC Gazprom's issued shares were directly owned by the Government. Another 11.859% were owned by Government controlled entities.

The Government does not prepare consolidated financial statements for public use. Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

As a condition of privatization in 1992, the Government imposed an obligation on the Group to provide an uninterrupted supply of gas to customers in the Russian Federation at government controlled prices.

Parties under control of the Government

In the normal course of business the Group enters into transactions with other entities under Government control.

As of 31 December 2015 prices of natural gas sales, gas transportation and electricity tariffs in Russia are regulated by the FAS. Until 21 July 2015 these functions were performed by the FTS.

Bank loans with related parties are provided on the basis of market rates. Taxes are accrued and settled in accordance with the applicable statutory rules.

35. Related parties (continued)

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

| | As of 31 December 2015 | | Year ended 31 December 2015 | |
|---|------------------------|-------------|-----------------------------|----------|
| | Assets | Liabilities | Revenues | Expenses |
| Transactions and balances with the Government | | | | |
| Current profit tax | 78,678 | 3,816 | – | 85,542 |
| Insurance contributions to non-budget funds | 688 | 7,369 | – | 126,042 |
| VAT recoverable / payable | 400,295 | 54,990 | – | – |
| Customs duties | 46,446 | – | – | – |
| Other taxes | 2,411 | 85,132 | – | 800,605 |
| Transactions and balances with other parties under control of the Government | | | | |
| Gas sales | – | – | 70,439 | – |
| Electricity and heating sales | – | – | 190,891 | – |
| Gas transportation sales | – | – | 42,445 | – |
| Other services sales | – | – | 3,581 | – |
| Accounts receivable | 40,431 | – | – | – |
| Oil and refined products transportation expenses | – | – | – | 118,161 |
| Accounts payable | – | 14,062 | – | – |
| Loans | – | 300,003 | – | – |
| Interest expense | – | – | – | 17,205 |
| Short-term financial assets | 9,859 | – | – | – |
| Available-for-sale long-term financial assets | 6,485 | – | – | – |
| | As of 31 December 2014 | | Year ended 31 December 2014 | |
| | Assets | Liabilities | Revenues | Expenses |
| Transactions and balances with the Government | | | | |
| Current profit tax | 74,744 | 3,926 | – | 112,613 |
| Insurance contributions to non-budget funds | 621 | 5,649 | – | 98,097 |
| VAT recoverable / payable | 451,406 | 57,058 | – | – |
| Customs duties | 85,432 | – | – | – |
| Other taxes | 4,788 | 91,569 | – | 772,972 |
| Transactions and balances with other parties under control of the Government | | | | |
| Gas sales | – | – | 70,072 | – |
| Electricity and heating sales | – | – | 192,550 | – |
| Gas transportation sales | – | – | 34,296 | – |
| Other services sales | – | – | 2,398 | – |
| Accounts receivable | 45,694 | – | – | – |
| Oil and refined products transportation expenses | – | – | – | 99,102 |
| Accounts payable | – | 13,639 | – | – |
| Loans | – | 140,168 | – | – |
| Interest expense | – | – | – | 8,768 |
| Short-term financial assets | 7,444 | – | – | – |
| Available-for-sale long-term financial assets | 5,308 | – | – | – |

35. Related parties (continued)

Gas sales and respective accounts receivable, oil transportation expenses and respective accounts payable included in the table above are related to major state controlled companies.

In the normal course of business the Group incurs electricity and heating expenses (see Note 27). A part of these expenses relates to purchases from the entities under Government control. Due to the specifics of the electricity market in the Russian Federation, these purchases can not be accurately separated from the purchases from private companies.

See the consolidated statement of changes in equity for returns of social assets to governmental authorities during the years ended 31 December 2015 and 31 December 2014. See Note 13 for net book values as of 31 December 2015 and 31 December 2014 of social assets vested to the Group at privatisation.

Compensation for key management personnel

Key management personnel (the members of the Board of Directors and Management Committee of PJSC Gazprom) receive short-term compensation, including salary, bonuses and remuneration for serving on the management bodies of various Group companies, amounted to approximately RUB 4,801 million and RUB 4,393 million for the years ended 31 December 2015 and 31 December 2014, respectively. Government officials, who are directors, do not receive remuneration from the Group. The remuneration for serving on the Boards of Directors of Group companies is subject to approval by the General Meeting of Shareholders of each Group company. Compensation of key management personnel (other than remuneration for serving as directors of Group companies) is determined by the terms of the employment contracts. Key management personnel also receive certain short-term benefits related to healthcare.

According to Russian legislation, the Group makes contributions to the Russian Federation State pension fund for all of its employees including key management personnel. Key management personnel also participate in certain post-retirement benefit programs. The programs include pension benefits provided by the non-governmental pension fund, NPF Gazfund, and a one-time retirement payment from the Group.

Employees of the majority of Group companies are eligible for such benefits.

The Group provided medical insurance and liability insurance for key management personnel.

Associates and joint ventures

For the years ended 31 December 2015 and 31 December 2014 and as of 31 December 2015 and 31 December 2014 the Group had the following significant transactions and balances with associates and joint ventures.

| | Year ended 31 December | |
|--|------------------------|---------|
| | 2015 | 2014 |
| Revenues | | |
| Gas sales | | |
| W & G Beteiligungs-GmbH & Co. KG and its subsidiaries ^{1,2} | 123,156 | 130,533 |
| WIEH GmbH & Co. KG ² | 109,935 | 132,773 |
| Panrusgaz Gas Trading Plc | 69,345 | 56,523 |
| JSV Moldovagaz | 31,950 | 32,421 |
| Gasum OY | 24,999 | 29,987 |
| Bosphorus Gaz Corporation A.S. | 19,735 | 23,097 |
| CJSC Gazprom YRGM Trading ³ | 17,312 | 13,025 |

35. Related parties (continued)

| | Year ended 31 December | |
|---|------------------------|--------|
| | 2015 | 2014 |
| JSC Latvijas Gaze | 13,338 | 8,715 |
| JSC Gazprom YRGM Development ³ | 12,366 | 9,304 |
| VEMEX s.r.o. and its subsidiaries | 7,166 | 37 |
| SGT EuRoPol GAZ S.A. | 5,927 | 4,684 |
| Overgaz Inc. AD | 4,944 | 3,932 |
| KazRosGaz LLP | 3,598 | – |
| WIEE AG2 | 1,344 | 3,861 |
| AB Lietuvos dujos ⁴ | – | 4,152 |
| Gas transportation sales | | |
| CJSC Gazprom YRGM Trading ³ | 23,641 | 21,878 |
| JSC Gazprom YRGM Development ³ | 16,886 | 15,627 |
| KazRosGaz LLP | 2,299 | 1,682 |
| Gas condensate, crude oil and refined products sales | | |
| OJSC NGK Slavneft and its subsidiaries | 44,075 | 29,263 |
| JSC SOVEKS | 4,674 | 5,631 |
| LLC NPP Neftekhimia | 3,054 | 2,629 |
| Poliom Ltd | 2,744 | 1,843 |
| Sakhalin Energy Investment Company Ltd. | 2,233 | – |
| LLC Gazpromneft – Aero Sheremetyevo ⁵ | – | 3,022 |
| Operator services sales | | |
| CJSC Messoyakhaneftegaz | 31,142 | 9,960 |
| Gas refining services sales | | |
| KazRosGaz LLP | 5,940 | 5,712 |
| Expenses | | |
| Purchased gas | | |
| CJSC Gazprom YRGM Trading ³ | 62,560 | 59,151 |
| W & G Beteiligungs-GmbH & Co. KG and its subsidiaries ^{1,2} | 57,182 | 66,575 |
| LLC SeverEnergiya and its subsidiaries | 48,714 | 16,486 |
| JSC Gazprom YRGM Development ³ | 44,708 | 42,265 |
| KazRosGaz LLP | 44,624 | 28,428 |
| Sakhalin Energy Investment Company Ltd. | 20,226 | 14,838 |
| CJSC Northgas | 8,819 | 8,515 |
| Purchased transit of gas | | |
| Nord Stream AG | 73,966 | 55,471 |
| WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries ¹ | 24,386 | 11,306 |
| SGT EuRoPol GAZ S.A. | 17,881 | 13,143 |
| JSV Moldovagaz | 3,027 | 1,987 |
| W & G Beteiligungs-GmbH & Co. KG and its subsidiaries ^{1,2} | – | 7,949 |
| Purchased crude oil and refined products | | |
| OJSC NGK Slavneft and its subsidiaries | 95,752 | 83,225 |
| Sakhalin Energy Investment Company Ltd. | 9,140 | 19,243 |

35. Related parties (continued)

| | Year ended 31 December | |
|---|------------------------|--------|
| | 2015 | 2014 |
| Purchased services of gas and gas condensate extraction | | |
| JSC Achimgaz | 28,798 | 20,513 |
| Purchased processing services | | |
| OJSC NGK Slavneft and its subsidiaries | 14,179 | 12,838 |

¹ In May 2014 the shares in all gas transportation companies that belonged to W&G Beteiligungs-GmbH & Co. KG were transferred to WIGA Transport Beteiligungs-GmbH & Co. KG.

² In September 2015 W&G Beteiligungs-GmbH & Co. KG and its subsidiaries, WIEH GmbH & Co. KG, WIEE AG (formerly Wintershall Erdgas Handelshaus Zug AG) became subsidiaries of the Group (see Note 34).

³ CJSC Gazprom YRGM Trading and JSC Gazprom YRGM Development are not associates and joint ventures.

⁴ In accordance with the provisions of the Third Energy Package of the European Union regarding the split between the gas transmission and distribution activities in August 2013 AB Lietuvos dujos transferred assets, liabilities and rights related to gas transportation to AB Amber Grid, an associate of the Group. In June 2014 the Group sold its 37% interests in associates, AB Lietuvos dujos and AB Amber Grid, to companies controlled by the Republic of Lithuania for EUR 121 million.

⁵ In March 2014 the Group acquired 100% share in LLC Aero TO the only asset of which is 50% share in LLC Gazpromneft-Aero Sheremetyevo. As a result the Group's effective share in LLC Gazpromneft-Aero Sheremetyevo increased from 47.84% to 95.68% and the Group obtained control over LLC Gazpromneft-Aero Sheremetyevo.

Gas is sold to and purchased from associates in the Russian Federation mainly at the rates established by the FAS. Gas is sold and purchased outside the Russian Federation mainly under long-term contracts at prices indexed mainly to world oil product prices. The Group sells to and purchases oil from related parties in the ordinary course of business at prices close to average market prices.

| | 31 December 2015 | | 31 December 2014 | |
|--|------------------|-------------|------------------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| Short-term accounts receivable and prepayments | | | | |
| Gazprombank (Joint-stock Company) and its subsidiaries | 35,831 | – | 2,125 | – |
| CJSC Messoyakhaneftegaz | 19,742 | – | 1,869 | – |
| Overgaz Inc. AD | 8,813 | – | 9,246 | – |
| OJSC NGK Slavneft and its subsidiaries | 8,415 | – | 10,701 | – |
| Panrusgas Gas Trading Plc | 7,434 | – | 3,523 | – |
| JSV Moldovagaz ¹ | 4,435 | – | 1,281 | – |
| Wintershall AG | 3,064 | – | 2,567 | – |
| CJSC Gazprom YRGM Trading | 2,756 | – | 2,082 | – |
| Gasum OY | 2,579 | – | 5,353 | – |
| JSC Gazprom YRGM Development | 1,968 | – | 1,492 | – |
| VEMEX s.r.o. | 1,790 | – | 1,367 | – |
| Sakhalin Energy Investment Company Ltd. | 1,149 | – | 493 | – |
| Bosphorus Gaz Corporation A.S. | 314 | – | 1,349 | – |
| CJSC Northgas | 12 | – | 1,952 | – |
| WIEH GmbH & Co.KG | – | – | 20,739 | – |
| W & G Beteiligungs-GmbH & Co. KG and its subsidiaries | – | – | 17,448 | – |
| LLC Yamal razvitie | – | – | 1,272 | – |
| WIEE AG | – | – | 1,081 | – |
| Cash balances | | | | |
| Gazprombank (Joint-stock Company) and its subsidiaries | 883,194 | – | 637,788 | – |
| Long-term accounts receivable and prepayments | | | | |
| WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries | 15,933 | – | 13,663 | – |
| CJSC Messoyakhaneftegaz | 15,172 | – | 10,672 | – |
| Etsel Kavernenbetriebsgesellschaft mbH & Co. KG | 4,695 | – | 5,293 | – |
| Erdgasspeicher Peissen GmbH | 4,285 | – | 3,745 | – |

35. Related parties (continued)

| | 31 December 2015 | | 31 December 2014 | |
|--|------------------|-------------|------------------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| Wintershall Noordzee B.V. | 3,742 | – | – | – |
| LLC Yamal razvitie | 1,460 | – | 10,395 | – |
| Gazprombank (Joint-stock Company) and its subsidiaries | 255 | – | 4,119 | – |
| W & G Beteiligungs-GmbH & Co. KG and its subsidiaries | – | – | 26,161 | – |
| Short-term accounts payable | | | | |
| CJSC Gazprom YRGM Trading | – | 7,739 | – | 7,988 |
| Nord Stream AG | – | 7,170 | – | 6,098 |
| LLC SeverEnergiya and its subsidiaries | – | 5,755 | – | 3,368 |
| JSC Gazprom YRGM Development | – | 5,690 | – | 5,260 |
| JSC Achimgaz | – | 4,506 | – | 3,188 |
| KazRosGaz LLP | – | 3,370 | – | 2,925 |
| SGT EuRoPol GAZ S.A. | – | 2,710 | – | 2,272 |
| Gasum OY | – | 2,260 | – | – |
| JSC Latvijas Gaze | – | 1,806 | – | 214 |
| OJSC NGK Slavneft and its subsidiaries | – | 1,510 | – | 1,926 |
| Sakhalin Energy Investment Company Ltd. | – | 854 | – | 1,440 |
| W & G Beteiligungs-GmbH & Co. KG and its subsidiaries | – | – | – | 6,464 |
| Short-term borrowings | | | | |
| (including current portion of long-term borrowings) | | | | |
| Gazprombank (Joint-stock Company) and its subsidiaries | – | 15,635 | – | 24,397 |
| Long-term borrowings | | | | |
| Gazprombank (Joint-stock Company) and its subsidiaries | – | 114,793 | – | 36,490 |

¹ Net of impairment allowance on accounts receivable in the amount of RUB 380,942 million and RUB 273,143 million as of 31 December 2015 and 31 December 2014, respectively.

Investments in associates and joint ventures are disclosed in Note 15.

Financial guarantees issued by the Group for the associates and joint ventures are disclosed in Note 36.

36. Commitments and contingencies

Financial guarantees

| Notes | 31 December | |
|---|----------------|----------------|
| | 2015 | 2014 |
| Outstanding guarantees issued for: | | |
| 18, 27 Ostchem Holding Limited | 61,404 | 47,407 |
| Blackrock Capital Investments Limited | 9,946 | 7,675 |
| Sakhalin Energy Investment Company Ltd. | – | 136,490 |
| LLC Production Company VIS | – | 7,016 |
| EM Interfinance Limited | – | 3,065 |
| Other | 36,001 | 75,104 |
| Total financial guarantees | 107,351 | 276,757 |

36. Commitments and contingencies (continued)

In 2015 and 2014 counterparties fulfilled their obligations.

Included in financial guarantees are amounts denominated in US Dollars of USD 1,018 million and USD 3,814 million as of 31 December 2015 and 31 December 2014, respectively, as well as amounts denominated in Euros of EUR 72 million and EUR 356 million as of 31 December 2015 and 31 December 2014, respectively.

In June 2008 the Group provided a guarantee to the Bank of Tokyo-Mitsubishi UFJ Ltd. for Sakhalin Energy Investment Company Ltd. under the credit facility up to the amount of the Group's share (50%) in the obligations of Sakhalin Energy Investment Company Ltd. toward the Bank of Tokyo-Mitsubishi UFJ Ltd. As of 31 December 2015 and 31 December 2014 the above guarantee amounted to RUB nil million (USD nil million) and RUB 136,490 million (USD 2,426 million), respectively.

In December 2014 the Group provided a guarantee to Gazprombank (Joint-stock Company) related to debts from Ostchem Holding Limited under the credit facility for financing of operating activities. As of 31 December 2015 and 31 December 2014 the above guarantee amounted to RUB 61,404 million (USD 843 million) and RUB 47,407 million (USD 843 million), respectively, and was fully provided. Change in the value of guarantee is mainly attributed to the exchange difference between US Dollar and Russian Ruble.

In 2006 the Group issued guarantees to Asset Repackaging Trust Five B.V. (registered in Netherlands) in respect of bonds issued by five financing entities: Devere Capital International Limited, Blackrock Capital Investments Limited, DSL Assets International Limited, United Energy Investments Limited, EM Interfinance Limited (registered in Ireland) with due dates December 2012, June 2018, December 2009, December 2009 and December 2015, respectively. Bonds were issued for financing of construction of a transit pipeline in Poland by SGT EuRoPol GAZ S.A. In December 2009 loans issued by DSL Assets International Limited and United Energy Investments Limited were redeemed. In December 2012 loans issued by Devere Capital International Limited were redeemed. In December 2015 loans issued by EM Interfinance Limited were redeemed. As a result as of 31 December 2015 and 31 December 2014 the guarantees issued for Blackrock Capital Investments Limited and EM Interfinance Limited amounted to RUB 9,946 million (USD 136 million) and RUB 10,740 million (USD 191 million), respectively.

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

Other

The Group has transportation agreements with certain of its associates and joint ventures (see Note 35).

Capital commitments

The total investment program related to gas, oil and power assets for 2016 is RUB 1,528,652 million.

Operating lease commitments

As of 31 December 2015 and 31 December 2014 the Group does not have significant liabilities related to operating leases.

36. Commitments and contingencies (continued)

Supply commitments

The Group has entered into long-term supply contracts for periods ranging from 5 to 20 years with various companies operating in Europe. The volumes and prices in these contracts are subject to change due to various contractually defined factors. As of 31 December 2015 no loss is expected to result from these long-term commitments.

37. Operating risks

Operating environment

The operations and earnings of the Group continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in the Russian Federation. Due to the capital-intensive nature of the industry, the Group is also subject to physical risks of various kinds. It is impossible to predict the nature and frequency of these developments and events associated with these risks as well as their effect on future operations and earnings of the Group.

The future economic direction of the Russian Federation is largely dependent upon the world economic situation, effectiveness of economic, financial and monetary measures undertaken by the Government of the Russian Federation, together with tax, legal, regulatory, and political developments.

Taxation

The tax, currency and customs legislation in the Russian Federation is subject to varying interpretations and frequent changes. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. Management believes that its interpretation of the relevant legislation as of 31 December 2015 is appropriate and all of the Group's material tax, currency and customs positions will be sustainable.

Legal proceedings

On 16 June 2014, PJSC Gazprom submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against NJSC Naftogaz Ukraine to recover unpaid debt for gas supplied under the Contract No. KP dated 19 January 2009 regarding sale and purchase of natural gas in the years 2009-2019 (the "Contract No. KP"), and related interest charged. On 12 June 2015, PJSC Gazprom submitted to arbitration a review on the claim from NJSC Naftogaz Ukraine and new counter-claim, in which clarified its claims totalling to USD 29,200 million. On 9 October 2015 NJSC Naftogaz Ukraine sent a response on the claim from PJSC Gazprom. On 14 March 2016 PJSC Gazprom sent an answer on the response of NJSC Naftogaz Ukraine and increased the claim amount to USD 31,750 million.

At the same time on 16 June 2014, NJSC Naftogaz Ukraine submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against PJSC Gazprom seeking a retroactive revision of the price, compensation of all overpaid amounts starting from 20 May 2011 (according to plaintiff's estimates — not less than USD 6,000 million) and cancellation of the Contract No. KP prohibition on reexport of natural gas.

On 21 July 2014, both cases were consolidated. Oral hearing of the case is expected in September — October 2016. Decision of the arbitration panel is scheduled for late 2016 or early 2017.

37. Operating risks (continued)

On 13 October 2014 NJSC Naftogaz Ukraine submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against PJSC Gazprom, seeking:

- (1) to acknowledge that rights and obligations of NJSC Naftogaz Ukraine under Contract dated 19 January 2009 No. TCGU (the “Contract No. TCGU”) on volumes and terms of gas transportation through Ukraine in the years 2009–2019 should be transferred to PJSC Ukrtransgaz;
- (2) to acknowledge that certain provisions of the Contract No. TCGU, which will be subsequently updated, are invalid and / or inoperative and should be supplemented with or substituted by provisions which will be updated in line with the energy and anti-monopoly legislation of Ukraine and the European Union (“EU”);
- (3) to oblige PJSC Gazprom to pay a compensation of USD 3,200 million (and related interest) to NJSC Naftogaz Ukraine for the failure to provide gas for transit;
- (4) to acknowledge that the transit tariff stipulated in the Contract No. TCGU should be revised in such a way as provided in further written statements of NJSC Naftogaz Ukraine in line with key principles of the Swedish contractual law.

On 28 November 2014 PJSC Gazprom filed its response to the request of arbitration. On 11 December 2014 the arbitration panel was formed. On 28 January 2015 the arbitration court made a decision not to combine the case with the above ones. On 30 April 2015 NJSC Naftogaz Ukraine filed a claim, significantly increasing the amount of the claims, according to various estimates, up to USD 11,000–16,000 million. Oral hearing of the case is expected late November — early December 2016 and decision of the arbitration panel is expected by the end of January 2017.

On 3 October 2012, the Ministry of Energy of the Republic of Lithuania submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against PJSC Gazprom. The Ministry of Energy of the Republic of Lithuania declared that PJSC Gazprom violated the shareholders’ agreement with AB Lietuvos dujos, by unfair pricing of gas supplied to the Republic of Lithuania and claimed for LTL 5 billion compensation (as of 31 December 2015 — RUB 115,410 million). PJSC Gazprom did not agree to the claims and on 9 November 2012, filed with the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, response to the request for arbitration. Arbitration panel was formed and hearing on the merits took place from 1 to 9 July 2015. On 30 September 2015 the parties submitted additional written opinions based on analysis of hearing materials including witness statement and expert statement. The arbitrators’ decision is being expected up to 30 June 2016.

In August 2012 the European Commission initiated an investigation into a potential breach of the EU antimonopoly law by PJSC Gazprom. In April 2015 the European Commission adopted a Statement of Objections in the course of the ongoing antitrust investigation of PJSC Gazprom activity in the EU. The European Commission extended the deadline for providing a formal response to the Statement of objections until September 2015. In September 2015 PJSC Gazprom filed its proposal of antitrust investigation settlement to the European Commission. In December 2015 PJSC Gazprom’s representatives and the European Commission took part in closed-door oral hearings where PJSC Gazprom provided arguments which rendered the raised claims groundless. An oral hearing is just one of the stages of the ongoing antitrust investigation. Currently the parties continue discussing ways of reaching mutually satisfactory solution. PJSC Gazprom considers the claims brought by the European Commission to be unsubstantiated and expects the situation to be resolved in accordance with the agreement reached earlier between the Government of the Russian Federation and the European Commission. Currently it’s impossible to assess a potential negative impact of this ongoing investigation on activity of PJSC Gazprom in Europe and on financial position of PJSC Gazprom.

On 16 December 2015 South Stream Transport B.V., the subsidiary of the Group, was served with an official notification by the Secretariat of the Arbitration Court of the International Chamber of Commerce stating that Saipem S.p.A. submitted a request for arbitration against South Stream

37. Operating risks (continued)

Transport B.V. in view of unilateral termination by the latter of the agreement dated 14 March 2014 for the construction of the “South Stream” pipeline. In its request Saipem S.p.A. claimed to receive compensation for the work performed, reimbursement for the expenses incurred and for the termination of the agreement in the amount of about EUR 760 million plus interest (as of 31 December 2015 — RUB 60,570 million). On 16 February 2016 South Stream Transport B.V. sent a response to the request of Saipem S.p.A. for arbitration, where it rejected all the claims raised by Saipem S.p.A. and declared its intention to file a counterclaim. Saipem S.p.A. in its response as of 8 April 2016 to the counter-claim of South Stream Transport B.V. declared the groundlessness of the accusations. Currently the Arbitral Tribunal has been formed, parties and the Tribunal are arranging the schedule of the arbitration.

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

Sanctions

In 2014 and 2015 the EU, the United States (“U.S.”) and some other countries introduced a series of sanctions against the Russian Federation and some Russian entities. Some of these sanctions are aimed directly against PJSC Gazprom, PJSC Gazprom Neft and other companies, including Gazprombank (Joint-stock Company), and some of them include general restrictions of economic activity in certain sectors of the Russian economy.

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

- 1) transacting in, providing financing for, or otherwise dealing in new debt of longer than 90 days maturity or newly issued share capital, property or rights to property in respect of a number of Russian energy companies, including PJSC Gazprom Neft;
- 2) to carry out operations, to provide funding or otherwise make transactions related to new borrowings with maturity of longer than 30 days or newly issued share capital, property or rights to property of a number of Russian companies of the banking sector, including Gazprombank (Joint-stock Company);
- 3) providing, exporting, or reexporting, directly or indirectly, goods, services (except for financial services), or technology in support of potential exploration and production of oil in deep water, Arctic offshore, or shale formations in the Russian Federation, or in territorial waters claimed by the Russian Federation with participation of Russian companies, including PJSC Gazprom and PJSC Gazprom Neft. Since 7 August 2015 restriction includes the Yuzhno-Kirinskoye field located in the Sea of Okhotsk.

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

PJSC Gazprom is not expressly stated in the number of entities against whom the EU sanctions are imposed. However, PJSC Gazprom Neft and Gazprombank (Joint-stock Company), as well as their subsidiaries in which they own more than 50 percent interest in capital are subject to certain financial restrictions imposed by the EU. In addition, the EU imposed sanctions in relation to certain sectors of the Russian economy, affecting some of the activities of the Group in the field of oil production.

The sanctions imposed by the EU prohibit all citizens of countries-EU members, as well as to all legal entities and bodies established or created under the laws of the country-a member of the EU (both within the EU and abroad), as well as all legal entities, bodies in connection with any economic activities carried out in whole or in part within the EU:

37. Operating risks (continued)

- 1) provision of drilling, well testing, logging and completion and services and supply of specialized floating vessels necessary for deep water oil exploration and production, and (or) Arctic oil exploration and production, and shale oil projects in Russia, as well as the direct or indirect financing, financial assistance, technical and brokerage services in relation to these activities;
- 2) purchasing, selling, providing investment services for or assistance in the issuance of, or other dealings with transferable securities and money market instruments with a maturity of more than 90 days issued from 1 August 2014 to 12 September 2014 or more than 30 days, issued after 12 September 2014 by certain Russian companies in banking sector, including Gazprombank (Joint-stock Company);
- 3) purchase, sale, provision of investment services for or assisting in the issuance of, or other dealings with transferable securities and money market instruments issued by some Russian energy companies, including PJSC Gazprom Neft, after 12 September 2014 with maturity of more than 30 days;
- 4) providing after 12 September 2014 directly or indirectly or being part of any arrangement to make new loans or credit with a maturity of more than 30 days to a number of Russian companies (including PJSC Gazprom Neft and Gazprombank (Joint-stock Company)), except for loans or credit that have a specific and documented objective to provide financing for non-prohibited imports or exports of goods and non-financial services between the EU and Russia or for loans that have a specific and documented objective to provide emergency funding to meet solvency and liquidity criteria for legal entities established in the EU, whose proprietary rights are owned for more than 50 percent by any entity referred to above.

These EU sanctions also apply to any entity if 50 percent or more of its capital is owned, directly or indirectly, separately or in the aggregate, by sanctioned entities.

In June 2015 Canada imposed additional sanctions on the Russian energy sector, including PJSC Gazprom, PJSC Gazprom Neft and other oil and gas companies of the Russian Federation.

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

In November and December 2015 the Russian Federation adopted a number of special economic measures towards the Republic of Turkey. Thus a decision about suspension of the activity of the Russian-Turkish Intergovernmental Commission on Trade and Economic Cooperation is adopted.

Moreover the following projects have been suspended: negotiation process with the Turkish party on the Draft Agreement between the Government of the Russian Federation and the Government of the Republic of Turkey about trade in services and investments, Draft Medium-Term Programme of trade and economic, technical, scientific and cultural collaboration between the Government of the Russian Federation and the Government of the Republic of Turkey for the years 2016-2019 and on establishment of the Russian-Turkish fund on financing investment projects in the Russian Federation and the Republic of Turkey.

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

38. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to reduce potential adverse effects on the financial performance of the Group.

Risks are managed centrally and to some extent at the level of subsidiaries in accordance with Group policies.

Market risk

Market risk is a risk that changes in market prices, such as foreign currency exchange rates, interest rates, commodity prices and prices of marketable securities, will affect the Group's financial results or the value of its holdings of financial instruments.

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from assets, liabilities, commercial transactions and financing denominated in foreign currencies.

The carrying amounts of the Group's financial instruments are denominated in the following currencies:

| Notes | | Russian Ruble | US dollar | Euro | Other | Total |
|------------------------------------|--|------------------|------------------|------------------|----------------|------------------|
| 31 December 2015 | | | | | | |
| Financial assets | | | | | | |
| Current | | | | | | |
| 8 | Cash and cash equivalents | 660,664 | 468,936 | 170,407 | 59,088 | 1,359,095 |
| 9 | Short-term financial assets (excluding equity securities) | 10,089 | 146 | – | – | 10,235 |
| 10 | Trade and other accounts receivable | 467,587 | 217,425 | 216,775 | 105,198 | 1,006,985 |
| Non-current | | | | | | |
| 16 | Long-term accounts receivable (excluding prepayments) | 123,506 | 10,060 | 66,856 | 12,704 | 213,126 |
| 17 | Available-for-sale long-term financial assets (excluding equity securities) | 171 | – | – | – | 171 |
| Total financial assets | | 1,262,017 | 696,567 | 454,038 | 176,990 | 2,589,612 |
| Financial liabilities | | | | | | |
| Current | | | | | | |
| 18 | Accounts payable and accrued charges (excluding derivative financial instruments) | 713,374 | 121,705 | 128,627 | 60,224 | 1,023,930 |
| 20 | Short-term borrowings, promissory notes and current portion of long-term borrowings | 92,676 | 461,694 | 91,793 | 209 | 646,372 |
| Non-current | | | | | | |
| 21 | Long-term borrowings and promissory notes | 282,490 | 1,569,153 | 907,203 | 36,997 | 2,795,843 |
| Total financial liabilities | | 1,088,540 | 2,152,552 | 1,127,623 | 97,430 | 4,466,145 |

38. Financial risk factors (continued)

| Notes | | Russian Ruble | US dollar | Euro | Other | Total |
|------------------------------------|--|------------------|------------------|----------------|----------------|------------------|
| 31 December 2014 | | | | | | |
| Financial assets | | | | | | |
| Current | | | | | | |
| 8 | Cash and cash equivalents | 655,021 | 278,278 | 63,910 | 40,982 | 1,038,191 |
| 9 | Short-term financial assets (excluding equity securities) | 7,364 | 281 | – | 7 | 7,652 |
| 10 | Trade and other accounts receivable | 331,765 | 335,635 | 157,876 | 88,183 | 913,459 |
| Non-current | | | | | | |
| 16 | Long-term accounts receivable (excluding prepayments) | 170,652 | 2,914 | 6,946 | 738 | 181,250 |
| 17 | Available-for-sale long-term financial assets (excluding equity securities) | 727 | 110 | – | – | 837 |
| Total financial assets | | 1,165,529 | 617,218 | 228,732 | 129,910 | 2,141,389 |
| Financial liabilities | | | | | | |
| Current | | | | | | |
| 18 | Accounts payable and accrued charges (excluding derivative financial instruments) | 624,890 | 189,329 | 134,432 | 48,120 | 996,771 |
| 20 | Short-term borrowings, promissory notes and current portion of long-term borrowings | 40,970 | 219,498 | 203,729 | 585 | 464,782 |
| Non-current | | | | | | |
| 21 | Long-term borrowings and promissory notes | 263,732 | 1,279,396 | 652,233 | 28,681 | 2,224,042 |
| Total financial liabilities | | 929,592 | 1,688,223 | 990,394 | 77,386 | 3,685,595 |

See discussion of derivative financial instruments in Note 23.

The Group manages its net exposure to foreign exchange risk by balancing both financial assets and financial liabilities denominated in selected foreign currencies.

As of 31 December 2015, if the Russian Ruble had weakened by 20% against the US dollar with all other variables held constant, profit before profit tax would have been lower by RUB 291,197 million, mainly as a result of foreign exchange losses on translation of US dollar-denominated borrowings partially offset by foreign exchange gains on translation of US dollar-denominated trade receivables. As of 31 December 2014, if the Russian Ruble had weakened by 20% against the US dollar with all other variables held constant, profit before profit tax would have been lower by RUB 214,201 million, mainly as a result of foreign exchange losses on translation of US dollar-denominated borrowings partially offset by foreign exchange gains on translation of US dollar-denominated trade receivables. The effect of related Russian Ruble strengthening against the US dollar would have been approximately the same amount with opposite impact.

As of 31 December 2015, if the Russian Ruble had weakened by 20% against the Euro with all other variables held constant, profit before profit tax would have been lower by RUB 134,717 million, mainly as a result of foreign exchange losses on translation of euro-denominated borrowings partially offset by foreign exchange gains on translation of euro-denominated trade receivables. As of 31 December 2014, if the Russian Ruble had weakened by 20% against the Euro with all other variables held constant, profit before profit tax would have been lower by RUB 152,332 million, mainly as a result of foreign exchange losses on translation of euro-denominated borrowings partially offset by foreign exchange gains on translation of euro-denominated trade receivables.

The effect of related Russian Ruble strengthening against the Euro would have been approximately the same amount with opposite impact.

38. Financial risk factors (continued)

(b) Cash flow and fair value interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group's interest rate risk primarily arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The table below summarises the balance between long-term borrowings at fixed and at variable interest rates:

| Notes | 31 December | |
|---------------------|------------------|------------------|
| | 2015 | 2014 |
| 21 At fixed rate | 2,431,823 | 2,044,351 |
| 21 At variable rate | 958,390 | 591,553 |
| | 3,390,213 | 2,635,904 |

The Group does not have a formal policy of determining how much the Group's exposure should be to fixed or variable rates. However, the Group performs periodic analysis of the current interest rate environment and depending on that analysis at the time of raising new debts management makes decisions whether obtaining financing on fixed-rate or variable-rate basis would be more beneficial to the Group over the expected period until maturity.

During the years ended 31 December 2015 and 31 December 2014 the Group's borrowings at variable rates were mainly denominated in US dollar and Euro.

As of 31 December 2015, if benchmark interest rates on US dollar- and Euro-denominated borrowings at these dates had been 5% higher with all other variables held constant, profit before profit tax would have been lower by RUB 47,920 million for 2014, mainly as a result of higher interest expense on floating rate borrowings. As of 31 December 2014, if benchmark interest rates on US dollar- and Euro-denominated borrowings at these dates had been 5% higher with all other variables held constant, profit before profit tax would have been lower by RUB 29,578 million for 2014, mainly as a result of higher interest expense on floating rate borrowings. The effect of a corresponding decrease in benchmark interest rates is approximately equal and opposite.

(c) Commodity price risk

Commodity price risk is the risk or uncertainty arising from possible movements in prices for natural gas, crude oil and related products, and their impact on the Group's future performance and results of the Group's operations. A decline in the prices could result in a decrease in net income and cash flows.

The Group's overall strategy in production and sales of natural gas, crude oil and related products is centrally managed. Natural gas export prices to Europe and other countries are generally based on a formula linked to oil product prices, which in turn are linked to crude oil prices.

The Group's exposure to the commodity price risk is related essentially to the export market. As of 31 December 2015, if the average gas prices related to the export market had decreased by 10% with all other variables held constant, profit before profit tax would have been lower by RUB 262,164 million for 2015. As of 31 December 2014, if the average gas prices related to the export market had decreased by 10% with all other variables held constant, profit before profit tax would have been lower by RUB 216,481 million for 2014.

The Russian gas tariffs are regulated by the FAS and are as such less subject to significant price fluctuations.

The Group assesses on regular basis the potential scenarios of future fluctuation in commodity prices and their impacts on operational and investment decisions. However, in the current environment management estimates may materially differ from actual future impact on the Group's financial position.

38. Financial risk factors (continued)

(d) Securities price risk

The Group is exposed to movements in the equity securities prices because of financial assets held by the Group and classified on the consolidated balance sheet either as available for sale or at fair value through profit or loss (see Notes 9 and 17).

As of 31 December 2015 and 31 December 2014, if London Stock Exchange equity index, which affects the major part of Group's equity securities, had decreased by 20% with all other variables held constant, assuming the Group's equity instruments moved according to the historically high correlation with the index, Group's total comprehensive income for the year would have been RUB 47,016 million and RUB 41,970 million lower, respectively.

The Group is also exposed to equity securities prices used to assess the fair value of pension plan assets held by NPF Gazfund (see Note 24).

Credit risk

Credit risk refers to the risk exposure that a potential financial loss to the Group may occur if a counterparty defaults on its contractual obligations. The maximum exposure to credit risk is the value of the assets which might be lost.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Financial instruments, which potentially subject the Group to concentrations of credit risk, primarily consist of accounts receivable. Credit risks related to accounts receivable are systematically monitored, taking into account customer's financial position, past experience and other factors.

Management systematically reviews ageing analysis of receivables and uses this information for calculation of impairment provision (see Note 10). Credit risk exposure mainly depends on the individual characteristics of customers, more particularly customers default risk and country risk. Group operates with various customers and substantial part of sales relates to major customers.

Although collection of accounts receivable could be influenced by economic factors affecting these customers, management believes there is no significant risk of loss to the Group beyond the provisions already recorded.

Cash and cash equivalents are deposited only with banks that are considered by the Group to have a minimal risk of default.

The Group's maximum exposure to credit risk is presented in the table below.

| Notes | 31 December | | |
|--|--|------------------|------------------|
| | 2015 | 2014 | |
| 8 | Cash and cash equivalents | 1,359,095 | 1,038,191 |
| 9 | Debt securities | 10,235 | 8,489 |
| 10, 16 | Long-term and short-term trade and other accounts receivable | 1,223,088 | 1,096,276 |
| 36 | Financial guarantees | 107,351 | 276,757 |
| Total maximum exposure to credit risk | | 2,699,769 | 2,419,713 |

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. The Group liquidity is managed centrally. The management of the Group monitors the planned cash inflow and outflow.

38. Financial risk factors (continued)

Important factor in the Group's liquidity risk management is an access to a wide range of funding through capital markets and banks. Management aims is to maintain flexibility in financing sources by having committed facilities available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | Less than 6 months | Between 6 and 12 months | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|--|-----------------------|----------------------------|--------------------------|--------------------------|-----------------|
| As of 31 December 2015 | | | | | |
| Short-term and long-term loans and borrowings and promissory notes | 437,493 | 389,112 | 627,330 | 1,726,618 | 1,285,790 |
| Accounts payable and accrued charges (excluding derivative financial instruments and provision under financial guarantees) | 875,809 | 86,717 | – | – | – |
| Derivative financial instruments: | 99,054 | 51,014 | 61,777 | 50,090 | 17,373 |
| including foreign currency hedge contracts | 22,610 | 935 | 16,813 | 32,466 | 3,434 |
| Financial guarantees | 69,090 | 2,229 | 5,915 | 14,927 | 15,190 |
| As of 31 December 2014 | | | | | |
| Short-term and long-term loans and borrowings and promissory notes | 304,667 | 293,712 | 521,201 | 1,206,995 | 1,215,224 |
| Accounts payable and accrued charges (excluding derivative financial instruments and provision under financial guarantees) | 861,135 | 88,229 | – | – | – |
| Derivative financial instruments: | 46,478 | 20,342 | 31,589 | 34,201 | 1,829 |
| including foreign currency hedge contracts | 8,576 | 1,345 | 16,751 | 29,811 | 1,829 |
| Financial guarantees | 60,276 | 3,886 | 4,856 | 51,939 | 155,800 |

The Group's borrowing facilities do not usually include financial covenants which could trigger accelerated reimbursement of financing facilities. For those borrowing facilities where the Group has financial covenants, the Group is in compliance. If the financial covenants are not met, the Group reclassifies long term borrowing facilities into short term.

Capital risk management

The Group considers equity and debt to be the principal elements of capital management. The Group's objectives when managing capital are to safeguard the Group's position as a leading global energy company by further increasing the reliability of natural gas supplies and diversifying activities in the energy sector, both in the domestic and foreign markets.

In order to maintain or adjust the capital structure, the Group may revise its investment program, attract new or repay existing loans and borrowings or sell certain non-core assets.

The Group considers its target debt to equity ratio at the level of not more than 40%.

On the Group level capital is monitored on the basis of the net debt to adjusted EBITDA ratio. This ratio is calculated as net debt divided by adjusted EBITDA. Net debt is calculated as total debt (short-term borrowings and current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings, long-term promissory notes payable) less cash and cash equivalents and balances of cash and cash equivalents restricted as to withdrawal under the terms of certain borrowings and other contractual obligations.

38. Financial risk factors (continued)

Adjusted EBITDA is calculated as operating profit less depreciation and less provision for impairment of assets and other provisions (excluding provisions for accounts receivable and prepayments).

The net debt to adjusted EBITDA ratios at 31 December 2015 and 31 December 2014 were as follows:

| | 31 December | |
|---|-------------|-------------|
| | 2015 | 2014 |
| Total debt | 3,442,215 | 2,688,824 |
| Less: cash and cash equivalents | (1,359,095) | (1,038,191) |
| Net debt | 2,083,120 | 1,650,633 |
| Adjusted EBITDA | 1,874,726 | 1,962,558 |
| Net debt / Adjusted EBITDA ratio | 1.11 | 0.84 |

PJSC Gazprom has an investment grade credit rating of BB+ (negative outlook) by Standard & Poor's and BBB- (negative outlook) by Fitch Ratings as of 31 December 2015.

39. Fair value of financial instruments

The fair value of financial assets and liabilities is determined as follows:

a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market closing prices at the reporting date.

b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using various valuation techniques, primarily based on market or income approach, such as discounted cash flows valuation method. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Group specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

c) Financial instruments in Level 3

If one or more of the significant inputs in the valuation model used to fair value an instrument is not based on observable market data, the instrument is included in Level 3.

Long-term accounts receivables are fair valued at Level 3 (see Note 16), long-term borrowings — Level 2 (see Note 21).

39. Fair value of financial instruments (continued)

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

| Notes | Quoted price in an active market (Level 1) | Valuation technique with inputs observable in markets (Level 2) | Valuation technique with significant non-observable inputs (Level 3) | Total | |
|-------------------------|--|--|---|---------------|----------------|
| 31 December 2015 | | | | | |
| 9 | Financial assets held for trading: | | | | |
| | Equity securities | 303 | – | – | 303 |
| | Bonds | 9,673 | – | – | 9,673 |
| 9 | Available-for-sale financial assets: | | | | |
| | Equity securities | 2,032 | – | – | 2,032 |
| | Bonds | 146 | – | – | 146 |
| | Promissory notes | – | 416 | – | 416 |
| | Total short-term financial assets | 12,154 | 416 | – | 12,570 |
| 17 | Available-for-sale financial assets: | | | | |
| | Equity securities | 188,142 | 40,584 | 6,710 | 235,436 |
| | Promissory notes | – | 171 | – | 171 |
| | Total available-for-sale long-term financial assets | 188,142 | 40,755 | 6,710 | 235,607 |
| 23 | Derivative financial instruments | 7,079 | 167,630 | 4,931 | 179,640 |
| | Total assets | 207,375 | 208,801 | 11,641 | 427,817 |
| 23 | Derivative financial instruments | 16,135 | 259,391 | 3,782 | 279,308 |
| | Total liabilities | 16,135 | 259,391 | 3,782 | 279,308 |
| 31 December 2014 | | | | | |
| 9 | Financial assets held for trading: | | | | |
| | Equity securities | 220 | – | – | 220 |
| | Bonds | 6,498 | – | – | 6,498 |
| 9 | Available-for-sale financial assets: | | | | |
| | Equity securities | 2,863 | – | – | 2,863 |
| | Promissory notes | – | 1,154 | – | 1,154 |
| | Total short-term financial assets | 9,581 | 1,154 | – | 10,735 |
| 17 | Available-for-sale financial assets: | | | | |
| | Equity securities | 139,108 | 55,155 | 6,724 | 200,987 |
| | Bonds | 110 | – | – | 110 |
| | Promissory notes | – | 727 | – | 727 |
| | Total available-for-sale long-term financial assets | 139,218 | 55,882 | 6,724 | 201,824 |
| 23 | Derivative financial instruments | 7,833 | 56,478 | 947 | 65,258 |
| | Total assets | 156,632 | 113,514 | 7,671 | 277,817 |
| 23 | Derivative financial instruments | 11,185 | 122,871 | 383 | 134,439 |
| | Total liabilities | 11,185 | 122,871 | 383 | 134,439 |

The derivative financial instruments include natural gas contracts and are categorised in Levels 1, 2 and 3 of the fair value hierarchy. The contracts in Level 1 are valued using active market price of identical assets and liabilities. Due to absence of quoted prices or other observable,

39. Fair value of financial instruments (continued)

market-corroborated data the contracts in Level 2 are valued using internally developed models by the Group. These models include inputs such as: quoted forward prices, time value, volatility factors, current market prices, contractual prices and expected volumes of the underlying instruments. Where necessary, the price curves are extrapolated to the expiry of the contracts using all available external pricing information, historic and long-term pricing relationships. These valuations are categorised in Level 3.

40. Offsetting financial assets and financial liabilities

Foreign currency hedge contracts are categorised in Level 2. The Group uses estimation of fair value of foreign currency hedge contracts prepared by independent financial institutes. Valuation results are regularly reviewed by the Group management. No significant ineffectiveness occurred during the reporting year.

There were no transfers between Levels 1, 2 and 3 and changes in valuation techniques during the period. For the year ended 31 December 2015 and 31 December 2014 the Group has reclassified available-for-sale investments losses from other comprehensive income into the profit or loss in the amount of RUB 37 million and RUB 4,489 million, respectively.

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

In connection with its derivative activities, the Group generally enters into master netting agreements and collateral agreements with its counterparties. These agreements provide the Group with the right to, in the event of a default by the counterparty (such as bankruptcy or a failure to pay or perform), net counterparty's rights and obligations under the agreement and to liquidate and set off collateral against any net amount owed by the counterparty.

The following financial assets and liabilities are subject to offsetting, enforceable master netting agreements and similar agreements:

| | Gross amounts before offsetting | Amounts offset | Net amounts after offsetting in the consolidated balance sheet | Amounts subject to netting agreements |
|---|------------------------------------|-------------------|---|---|
| 31 December 2015 | | | | |
| Financial assets | | | | |
| Long-term and short-term trade and other accounts receivable (excluding prepayments) | 1,377,852 | 156,312 | 1,221,540 | – |
| Derivative financial instruments | 733,689 | 554,049 | 179,640 | 26,284 |
| Financial liabilities | | | | |
| Accounts payable and accrued charges (excluding derivative financial instruments) | 1,180,319 | 156,312 | 1,024,007 | – |
| Derivative financial instruments | 833,357 | 554,049 | 279,308 | 26,284 |
| 31 December 2014 | | | | |
| Financial assets | | | | |
| Long-term and short-term trade and other accounts receivable (excluding prepayments) | 1,109,964 | 15,255 | 1,094,709 | 40,023 |
| Derivative financial instruments | 321,568 | 256,310 | 65,258 | 49,150 |
| Financial liabilities | | | | |
| Accounts payable and accrued charges (excluding derivative financial instruments) | 1,012,026 | 15,255 | 996,771 | 40,023 |
| Derivative financial instruments | 390,749 | 256,310 | 134,439 | 49,150 |

41. Post balance sheet events

Financial investments

In January 2016 PJSC Gazprom has sold its equity interest of 25% in Gasum OY to the Government of Finland for EUR 251 million.

Borrowings and loans

In January 2016 the Group obtained a long-term loan from PJSC Sberbank in the amount of USD 165 million at an interest rate of 4.9% due in 2018.

In March 2016 the Group issued Loan Participation Notes in the amount of 500 million of Swiss Francs at an interest rate of 3.375% due in 2018 under USD 40,000 million Programme for the Issuance of Loan Participation Notes.

In March 2016 the Group obtained a long-term loan from Bank of China Limited, London branch in the amount of EUR 2,000 million at an interest rate of EURIBOR + 3.5% due in 2021.

In March 2016 the Group issued Russian bonds in the amount of RUB 25,000 million at an interest rate of 10.65% due in 2046. Under the terms of the bonds bondholders can execute the right of early redemption in 2021.

In January — March 2016 the Group signed agreements to obtain long-term loans from PJSC VTB Bank in the total amount of RUB 100,000 million at an interest rate within the range of current key rate of the Central Bank of the Russian Federation + 2% — the Central Bank of the Russian Federation + 2.014% due in 2021.

Legal proceedings

On 3 February 2016 under the EU Regulation № 1/2003 on the implementation of competition policy stipulated by Articles 101 and 102 of the EU Agreement the European Commission filed an official request to PJSC Gazprom for presenting information regarding the alleged infringement by PJSC Gazprom of the EU competition laws within the framework of gas supply to Bulgaria. The response to the request for information to the European Commission was filed by PJSC Gazprom on 7 April 2016. PJSC Gazprom's terms of contractual relationships with customers are defined by international legal obligations, commercial reasonableness and market conditions.

Russian Business Structures

| Abbreviation | Definition |
|--------------|----------------------------|
| PAO | Public Joint Stock Company |
| OAO | Open Joint Stock Company |
| OOO | Limited Liability Company |
| ZAO | Closed Joint Stock Company |
| AO | Joint Stock Company |

**PJSC Gazprom
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