

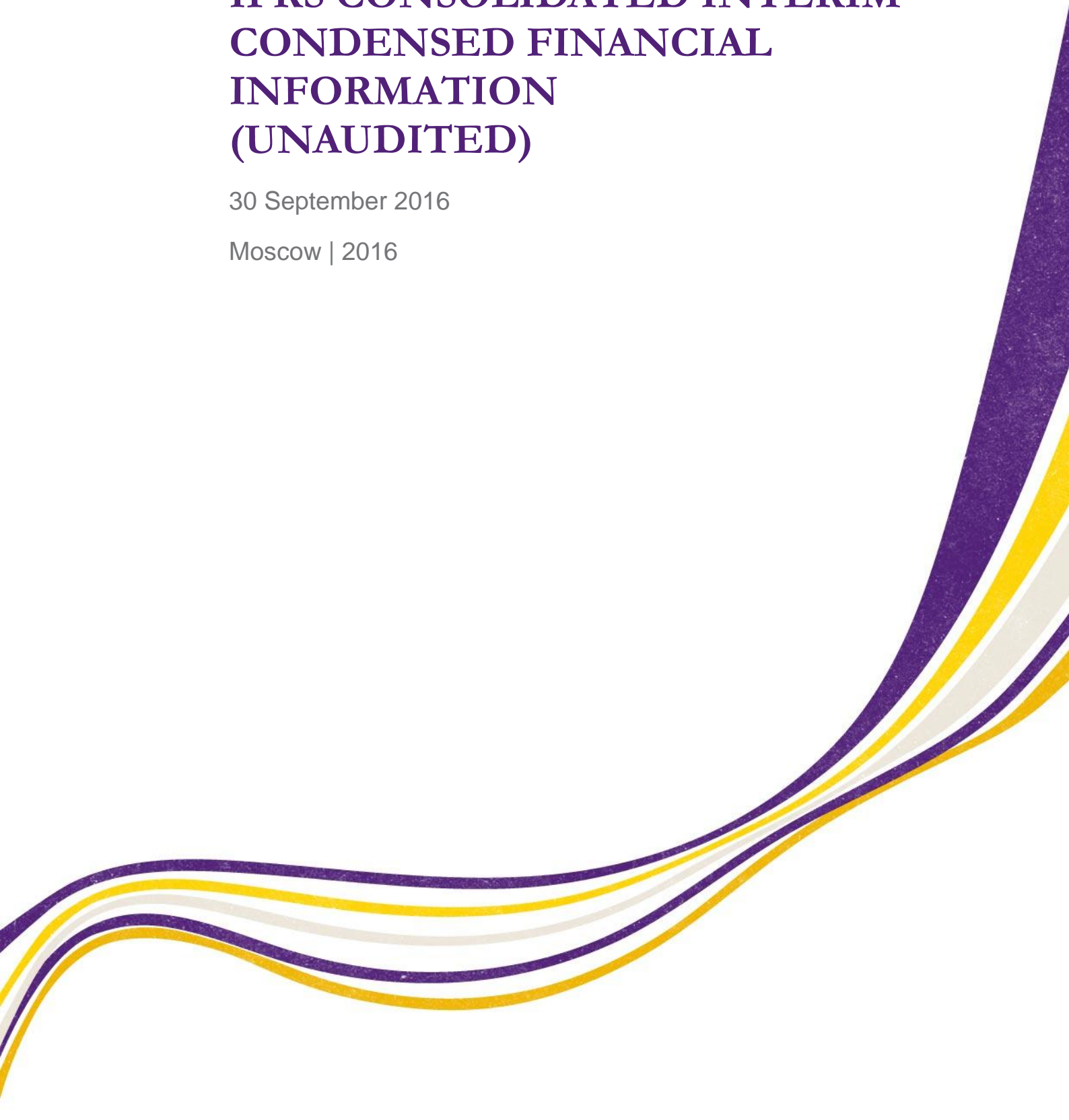
ФБК

PJSC GAZPROM

IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2016

Moscow | 2016



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Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and Board of Directors of PJSC Gazprom

Introduction

We have reviewed the accompanying consolidated interim condensed balance sheet of PJSC Gazprom as of 30 September 2016 and the related consolidated interim condensed statements of comprehensive income for the three-month and nine-month periods then ended, the related consolidated interim condensed statements of cash flows and changes in equity for the nine-month period then ended and notes to the consolidated interim condensed financial information. Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Accounting Standard 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

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

Conclusion

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

President of FBK, LLC

January 17, 2017
Moscow, Russian Federation




S.M. Shapiguzov
(on the ground of the Charter)

PJSC GAZPROM
CONSOLIDATED INTERIM CONDENSED BALANCE SHEET (UNAUDITED)
AS OF 30 SEPTEMBER 2016
(in millions of Russian Rubles)

| Notes | 30 September 2016 | 31 December 2015 |
|-------------------------------------|--------------------------|--------------------------|
| Assets | | |
| Current assets | | |
| 6 | 787,627 | 1,359,095 |
| | 3,249 | 1,815 |
| 21 | 12,038 | 12,570 |
| 7 | 925,163 | 1,114,207 |
| 8 | 831,997 | 804,364 |
| | 218,347 | 229,626 |
| | <u>295,393</u> | <u>472,045</u> |
| | 3,073,814 | 3,993,722 |
| Non-current assets | | |
| 9 | 11,311,016 | 11,003,881 |
| | 106,584 | 107,467 |
| 10 | 761,936 | 808,246 |
| 11 | 726,983 | 599,848 |
| 21 | 267,597 | 235,607 |
| 12 | <u>420,562</u> | <u>303,269</u> |
| | <u>13,594,678</u> | <u>13,058,318</u> |
| Total assets | 16,668,492 | 17,052,040 |
| Liabilities and equity | | |
| Current liabilities | | |
| | 1,026,044 | 1,298,006 |
| | 9,443 | 11,929 |
| | 188,056 | 168,394 |
| | <u>535,220</u> | <u>646,372</u> |
| | 1,758,763 | 2,124,701 |
| Non-current liabilities | | |
| 13 | 2,432,898 | 2,795,843 |
| 20 | 566,439 | 435,438 |
| 14 | 688,890 | 618,404 |
| | <u>107,329</u> | <u>163,032</u> |
| | <u>3,795,556</u> | <u>4,012,717</u> |
| Total liabilities | 5,554,319 | 6,137,418 |
| Equity | | |
| 15 | 325,194 | 325,194 |
| 15, 23 | (235,919) | (103,919) |
| | <u>10,682,371</u> | <u>10,368,311</u> |
| | 10,771,646 | 10,589,586 |
| | <u>342,527</u> | <u>325,036</u> |
| Total equity | <u>11,114,173</u> | <u>10,914,622</u> |
| Total liabilities and equity | 16,668,492 | 17,052,040 |



A.B. Milner
Chairman of the Management Committee
17 January 2017



E.A. Vasilieva
Chief Accountant
17 January 2017

The accompanying notes on pages 8 to 38 are an integral part of this consolidated interim condensed financial information.

PJSC GAZPROM
CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2016
(in millions of Russian Rubles)

| Notes | | Three months ended | | Nine months ended | |
|-------|--|----------------------|------------------|----------------------|--------------------|
| | | 30 September 2016 | 2015 | 30 September 2016 | 2015 |
| 16 | Sales | 1,256,992 | 1,292,765 | 4,321,364 | 4,206,217 |
| | Net gain from trading activity | 41,630 | 16,273 | 71,159 | 8,320 |
| 17 | Operating expenses | <u>(1,143,971)</u> | <u>(947,569)</u> | <u>(3,824,703)</u> | <u>(3,171,784)</u> |
| | Operating profit | 154,651 | 361,469 | 567,820 | 1,042,753 |
| 18 | Finance income | 115,996 | 81,702 | 816,264 | 1,145,005 |
| 18 | Finance expense | (132,100) | (471,746) | (499,487) | (1,421,168) |
| 10 | Share of net income of associates and joint ventures | 21,492 | 31,766 | 55,258 | 93,181 |
| | Gain on disposal of available-for-sale financial assets | 814 | 4,636 | 1,835 | 5,066 |
| | Profit before profit tax | 160,853 | 7,827 | 941,690 | 864,837 |
| | Current profit tax expense | (28,730) | (7,639) | (134,515) | (130,177) |
| | Deferred profit tax expense | <u>(20,137)</u> | <u>(1,173)</u> | <u>(69,784)</u> | <u>(44,389)</u> |
| | Profit tax | (48,867) | (8,812) | (204,299) | (174,566) |
| | Profit (loss) for the period | 111,986 | (985) | 737,391 | 690,271 |
| | Other comprehensive income (loss): | | | | |
| | Items that will not be reclassified to profit or loss: | | | | |
| 20 | Remeasurements of post-employment benefit obligations | <u>(13,821)</u> | 34,224 | <u>(92,446)</u> | <u>(84,204)</u> |
| | Total items that will not be reclassified to profit or loss | (13,821) | 34,224 | (92,446) | (84,204) |
| | Items that may be reclassified subsequently to profit or loss: | | | | |
| | Gain arising from change in fair value of available-for-sale financial assets, net of tax | 13,487 | 8,511 | 34,293 | 47,294 |
| | Share of other comprehensive (loss) income of associates and joint ventures | (3,238) | 14,514 | (7,756) | 26,133 |
| | Translation differences | (14,770) | 233,749 | (201,260) | 164,804 |
| | Gain (loss) from cash flow hedges, net of tax | <u>1,742</u> | <u>(18,255)</u> | <u>41,277</u> | <u>(4,777)</u> |
| | Total items that may be reclassified subsequently to profit or loss | (2,779) | 238,519 | (133,446) | 233,454 |
| | Other comprehensive (loss) income for the period, net of tax | (16,600) | 272,743 | (225,892) | 149,250 |
| | Total comprehensive income for the period | 95,386 | 271,758 | 511,499 | 839,521 |
| | Profit (loss) for the period attributable to: | | | | |
| | Owners of PJSC Gazprom | 102,161 | (2,000) | 709,321 | 673,904 |
| | Non-controlling interest | <u>9,825</u> | <u>1,015</u> | <u>28,070</u> | <u>16,367</u> |
| | | 111,986 | (985) | 737,391 | 690,271 |
| | Total comprehensive income for the period attributable to: | | | | |
| | Owners of PJSC Gazprom | 86,314 | 258,435 | 491,850 | 815,437 |
| | Non-controlling interest | <u>9,072</u> | <u>13,323</u> | <u>19,649</u> | <u>24,084</u> |
| | | 95,386 | 271,758 | 511,499 | 839,521 |
| 19 | Basic and diluted earnings per share for profit (loss) attributable to the owners of PJSC Gazprom (in Russian Rubles) | 4.60 | (0.09) | 31.24 | 29.36 |



A.B. Miller
Chairman of the Management Committee
17 January 2017



E.A. Vasilieva
Chief Accountant
17 January 2017

The accompanying notes on pages 8 to 38 are an integral part of this consolidated interim condensed financial information.

PJSC GAZPROM
CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016
(in millions of Russian Rubles)

| Notes | Nine months ended 30 September | |
|--------|---|--------------------|
| | 2016 | 2015 |
| | Cash flows from operating activities | |
| | 941,690 | 864,837 |
| | Profit before profit tax | |
| | Adjustments to profit before profit tax for: | |
| 17 | 423,650 | 380,041 |
| 18 | (316,777) | 276,163 |
| 10 | (55,258) | (93,181) |
| | 113,268 | 79,720 |
| 17 | 10,851 | (21,625) |
| | (1,835) | (5,066) |
| | <u>(43,234)</u> | <u>(10,830)</u> |
| | <u>130,665</u> | <u>605,222</u> |
| | <u>1,072,355</u> | <u>1,470,059</u> |
| | (17,695) | (1,835) |
| | (19,211) | (503) |
| | 234,561 | 47,523 |
| | <u>(93,535)</u> | <u>(119,913)</u> |
| | 1,176,475 | 1,395,331 |
| | Cash flows from investing activities | |
| | (1,069,326) | (1,165,551) |
| 18 | (99,817) | (89,754) |
| | (35,024) | (43,371) |
| | (1,093) | 24,672 |
| | (2,876) | (1,240) |
| | 110,774 | 39,895 |
| | 8,185 | (27,480) |
| | 20,386 | 52,265 |
| 10 | 22,787 | - |
| | (100,000) | - |
| | 70 | 20,050 |
| | <u>(41,751)</u> | <u>(15,844)</u> |
| | (1,187,685) | (1,206,358) |
| | Cash flows from financing activities | |
| | 325,298 | 370,157 |
| | (454,759) | (290,833) |
| | 106,980 | 123,760 |
| | (83,820) | (125,400) |
| | (181,326) | (202,957) |
| 18 | (38,824) | (28,718) |
| 15, 23 | (132,000) | - |
| | (124) | (123) |
| | 450 | - |
| | <u>(1,434)</u> | <u>725</u> |
| | (459,559) | (153,389) |
| | <u>(100,699)</u> | <u>51,387</u> |
| | (571,468) | 86,971 |
| 6 | <u>1,359,095</u> | <u>1,038,191</u> |
| 6 | 787,627 | 1,125,162 |


A.B. Miller
Chairman of the Management Committee
17 January 2017



E.A. Vasilieva
Chief Accountant
17 January 2017

The accompanying notes on pages 8 to 38 are an integral part of this consolidated interim condensed financial information.

PJSC GAZPROM
CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016
(in millions of Russian Rubles)

| Notes | Attributable to the owners of PJSC Gazprom | | | | | | | |
|--|---|------------------|--------------------|---|-------------------|---------------------------------|-----------------|-------------------|
| | Number of shares out- standing (billions) | Share capital | Treasury shares | Retained earnings and other reserves | Total | Non- controlling interest | Total equity | |
| Nine months ended 30 September 2015 | | | | | | | | |
| | Balance as of 31 December 2014 | 23.0 | 325,194 | (103,919) | 9,595,283 | 9,816,558 | 303,463 | 10,120,021 |
| | Profit for the period | - | - | - | 673,904 | 673,904 | 16,367 | 690,271 |
| 20 | Other comprehensive income (loss): | | | | | | | |
| | Remeasurements of post-employment benefit obligations | - | - | - | (84,204) | (84,204) | - | (84,204) |
| | Gain (loss) arising from changes in fair value of available-for-sale financial assets, net of tax | - | - | - | 47,300 | 47,300 | (6) | 47,294 |
| | Share of other comprehensive income of associates and joint ventures | - | - | - | 26,133 | 26,133 | - | 26,133 |
| | Translation differences | - | - | - | 156,903 | 156,903 | 7,901 | 164,804 |
| | Loss from cash flow hedges, net of tax | - | - | - | (4,599) | (4,599) | (178) | (4,777) |
| | Total comprehensive income for the nine months ended 30 September 2015 | - | - | - | 815,437 | 815,437 | 24,084 | 839,521 |
| | Change in non-controlling interest in subsidiaries | - | - | - | - | - | 1,051 | 1,051 |
| | Return of social assets to governmental authorities | - | - | - | (19) | (19) | - | (19) |
| | Dividends declared | - | - | - | (165,247) | (165,247) | (6,213) | (171,460) |
| | Balance as of 30 September 2015 | 23.0 | 325,194 | (103,919) | 10,245,454 | 10,466,729 | 322,385 | 10,789,114 |
| Nine months ended 30 September 2016 | | | | | | | | |
| | Balance as of 31 December 2015 | 23.0 | 325,194 | (103,919) | 10,368,311 | 10,589,586 | 325,036 | 10,914,622 |
| | Profit for the period | - | - | - | 709,321 | 709,321 | 28,070 | 737,391 |
| 20 | Other comprehensive income (loss): | | | | | | | |
| | Remeasurements of post-employment benefit obligations | - | - | - | (92,451) | (92,451) | 5 | (92,446) |
| | Gain arising from changes in fair value of available-for-sale financial assets, net of tax | - | - | - | 34,288 | 34,288 | 5 | 34,293 |
| | Share of other comprehensive loss of associates and joint ventures | - | - | - | (7,756) | (7,756) | - | (7,756) |
| | Translation differences | - | - | - | (191,469) | (191,469) | (9,791) | (201,260) |
| | Gain from cash flow hedges, net of tax | - | - | - | 39,917 | 39,917 | 1,360 | 41,277 |
| | Total comprehensive income for the nine months ended 30 September 2016 | - | - | - | 491,850 | 491,850 | 19,649 | 511,499 |
| | Change in non-controlling interest in subsidiaries | - | - | - | (3,411) | (3,411) | 4,349 | 938 |
| | Return of social assets to governmental authorities | - | - | - | (7) | (7) | - | (7) |
| 15, 23 | Treasury shares | (0.9) | - | (132,000) | - | (132,000) | - | (132,000) |
| | Dividends declared | - | - | - | (174,372) | (174,372) | (6,507) | (180,879) |
| | Balance as of 30 September 2016 | 22.1 | 325,194 | (235,919) | 10,682,371 | 10,771,646 | 342,527 | 11,114,173 |


A.B. Miller
Chairman of the Management Committee
17 January 2017


E.A. Vasilieva
Chief Accountant
17 January 2017

The accompanying notes on pages 8 to 38 are an integral part of this consolidated interim condensed financial information.

PJSC GAZPROM
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2016
(in millions of Russian Rubles)

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 also engaged in oil production, refining activities, electric and heat energy generation. The Government of the Russian Federation is the ultimate controlling party of PJSC Gazprom and has a controlling interest (including both direct and indirect ownership) of over 50 % in PJSC Gazprom.

The Group is involved in the following principal activities:

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

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

The gas business is subject to seasonal fluctuations with peak demand in the first and fourth quarters of each year. Typically approximately 20 % and 70 % of total annual gas volumes are shipped in the three and nine months ended 30 September, respectively.

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 this consolidated interim condensed financial information.

2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

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

The political and economic instability, 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 30 September 2016 – 63.1581 (as of 30 September 2015 – 66.2367);
- as of 31 December 2015 – 72.8827 (as of 31 December 2014 – 56.2584).

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

- as of 30 September 2016 – 70.8823 (as of 30 September 2015 – 74.5825);
- as of 31 December 2015 – 79.6972 (as of 31 December 2014 – 68.3427).

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

3 BASIS OF PRESENTATION

This consolidated interim condensed financial information is prepared in accordance with IAS 34 Interim Financial Reporting. The consolidated interim condensed financial information should be read in

PJSC GAZPROM
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2016
(in millions of Russian Rubles)

3 BASIS OF PRESENTATION (continued)

conjunction with the consolidated financial statements for the year ended 31 December 2015 prepared in accordance with International Financial Reporting Standards (“IFRS”).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The significant accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2015.

Profit tax in the interim periods is accrued using a tax rate that would be applicable to expected total annual earnings.

Application of new IFRSs

A number of amendments to current IFRSs became effective for the periods beginning on or after 1 January 2016:

- The amendments to IFRS 11 Joint Arrangements (issued in May 2014) on accounting for acquisitions of interests in joint operations that constitutes a business.
- The amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (issued in May 2014) on clarification of acceptable methods of depreciation and amortization.
- The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (issued in September 2014) eliminate inconsistencies between the requirements dealing with the sale or contribution of assets between an investor and its associate or joint venture.
- 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 December 2014) clarify the rules concerning the accounting of investments in investment entities.
- The amendments to IAS 1 Presentation of Financial Statements (issued in December 2014). 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.
- Annual Improvements to IFRS, the period 2012-2014.

The Group has reviewed amended standards while preparing this consolidated interim condensed financial information. The amended standards have no significant impact on the Group’s consolidated interim condensed financial information.

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

Certain new standards, interpretations and amendments have been issued that are mandatory for the annual periods beginning on or after 1 January 2017. In particular, the Group has not early adopted the standards and amendments:

- 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. Revenue from sales of 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 amortised over the period when the benefits of the contract are consumed.

PJSC GAZPROM
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2016
(in millions of Russian Rubles)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(continued)

- 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 recognise 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.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued in December 2016 and effective for annual periods beginning on or after 1 January 2018) provides requirements to exchange rates that should be used on initial recognition of payment made or received in advance.
- 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 amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 Financial Instruments or continuing to apply IAS 39 Financial Instruments: Recognition and Measurement to all hedging instruments because the standard currently does not address accounting for macro hedging.
- The 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.
- The amendments to IAS 12 Income Taxes in the 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 amendments to IFRS 2 Share-based Payment (issued in June 2016 and effective for annual periods beginning on or after 1 January 2018). These amendments clarify accounting for a modification to the terms and conditions of a share-based payment and for withholding tax obligations on share-based payment transactions.
- The amendments to IFRS 4 Insurance Contracts (issued in September 2016 and effective for annual periods beginning on or after 1 January 2018) concern the issues of the application of IFRS 4 Insurance Contracts and IFRS 9 Financial Instruments at one time.
- The amendments to IAS 40 Investment Property (issued in December 2016 and effective for annual periods beginning on or after 1 January 2018). These amendments clarify the requirements on transfers to, or from, investment properties.

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

5 SEGMENT INFORMATION

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

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

PJSC GAZPROM
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2016
(in millions of Russian Rubles)

5 SEGMENT INFORMATION (continued)

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

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

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

The inter-segment sales mainly consist of:

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

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

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 consolidated interim condensed financial information 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.

| | 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 |
|---|--------------------------|-----------------------|----------------------------|--------------------|---|------------------|--|---------------------------|------------------|
| <u>Nine months ended</u> | | | | | | | | | |
| <u>30 September 2016</u> | | | | | | | | | |
| Total segment revenues | 536,707 | 764,263 | 2,471,231 | 39,229 | 711,532 | 1,102,962 | 322,708 | 226,182 | 6,174,814 |
| Inter-segment sales | 519,160 | 618,497 | 163,359 | 35,579 | 439,987 | 6,631 | - | - | 1,783,213 |
| External sales | 17,547 | 145,766 | 2,307,872 | 3,650 | 271,545 | 1,096,331 | 322,708 | 226,182 | 4,391,601 |
| Segment result | 26,354 | 50,854 | 129,666 | 5,423 | 42,985 | 56,722 | 24,223 | (2,978) | 333,249 |
| Depreciation | 128,139 | 347,643 | 13,619 | 17,768 | 82,374 | 22,883 | 34,179 | 27,534 | 674,139 |
| Share of net income (loss) of associates and joint ventures | 5,145 | 20,621 | 2,985 | (172) | 17,570 | 4,042 | (14) | 5,081 | 55,258 |
| <u>Nine months ended</u> | | | | | | | | | |
| <u>30 September 2015</u> | | | | | | | | | |
| Total segment revenues | 518,220 | 765,600 | 2,411,385 | 35,099 | 656,795 | 1,182,605 | 291,603 | 189,160 | 6,050,467 |
| Inter-segment sales | 504,976 | 626,532 | 151,509 | 33,549 | 472,159 | 7,527 | - | - | 1,796,252 |
| External sales | 13,244 | 139,068 | 2,259,876 | 1,550 | 184,636 | 1,175,078 | 291,603 | 189,160 | 4,254,215 |
| Segment result | 38,343 | 39,024 | 486,969 | 5,426 | 84,560 | 162,659 | 18,150 | (21,824) | 813,307 |
| Depreciation | 126,732 | 341,342 | 11,972 | 16,860 | 70,673 | 26,221 | 28,954 | 23,817 | 646,571 |
| Share of net income (loss) of associates and joint ventures | 5,280 | 14,317 | 15,870 | (558) | 68,709 | 3,292 | (43) | (13,686) | 93,181 |

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5 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 |
|---|-------------------|----------------|---------------------|---------------|--|----------------|---|--------------------|------------------|
| Three months ended 30 September 2016 | | | | | | | | | |
| Total segment revenues | 177,875 | 269,632 | 606,979 | 14,078 | 262,679 | 394,783 | 86,416 | 83,973 | 1,896,415 |
| Inter-segment sales | 172,671 | 219,638 | 42,035 | 12,734 | 157,683 | 1,920 | - | - | 606,681 |
| External sales | 5,204 | 49,994 | 564,944 | 1,344 | 104,996 | 392,863 | 86,416 | 83,973 | 1,289,734 |
| Segment result | 16,009 | 21,878 | (44,774) | 2,050 | 30,858 | 44,568 | (4,310) | (5,509) | 60,770 |
| Depreciation | 42,618 | 120,079 | 4,173 | 5,902 | 25,456 | 6,933 | 11,674 | 9,195 | 226,030 |
| Share of net income (loss) of associates and joint ventures | 1,712 | 8,030 | 1,252 | (185) | 7,709 | 1,229 | (80) | 1,825 | 21,492 |
| Three months ended 30 September 2015 | | | | | | | | | |
| Total segment revenues | 173,932 | 275,721 | 685,622 | 13,116 | 251,396 | 416,232 | 73,875 | 66,872 | 1,956,766 |
| Inter-segment sales | 169,489 | 227,274 | 35,707 | 12,361 | 197,412 | 2,757 | - | - | 645,000 |
| External sales | 4,443 | 48,447 | 649,915 | 755 | 53,984 | 413,475 | 73,875 | 66,872 | 1,311,766 |
| Segment result | 29,902 | 16,210 | 90,387 | 2,416 | 64,089 | 35,316 | (14,743) | (7,637) | 215,940 |
| Depreciation | 42,131 | 113,419 | 3,577 | 5,626 | 23,816 | 9,677 | 9,786 | 9,481 | 217,513 |
| Share of net income (loss) of associates and joint ventures | 1,294 | 3,766 | 4,605 | (294) | 24,242 | 914 | (34) | (2,727) | 31,766 |

A reconciliation of total reportable segments' results to total profit before profit tax in the consolidated interim condensed statement of comprehensive income is provided below.

| Notes | Three months ended 30 September | | Nine months ended 30 September | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| Segment result for reportable segments | 66,279 | 223,577 | 336,227 | 835,131 |
| Other segments' result | (5,509) | (7,637) | (2,978) | (21,824) |
| Segment result | 60,770 | 215,940 | 333,249 | 813,307 |
| Difference in depreciation ¹ | 84,495 | 88,107 | 250,489 | 266,530 |
| Expenses associated with pension obligations | (4,441) | (1,756) | (13,544) | (5,476) |
| 18 Net finance (expense) income | (16,104) | (390,044) | 316,777 | (276,163) |
| Gain on disposal of available-for-sale financial assets | 814 | 4,636 | 1,835 | 5,066 |
| 10 Share of net income of associates and joint ventures | 21,492 | 31,766 | 55,258 | 93,181 |
| Other | 13,827 | 59,178 | (2,374) | (31,608) |
| Profit before profit tax | 160,853 | 7,827 | 941,690 | 864,837 |

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.

A reconciliation of reportable segments' external sales to sales in the consolidated interim condensed statement of comprehensive income is provided below.

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|---------------------------------|------------------|--------------------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| External sales for reportable segments | 1,205,761 | 1,244,894 | 4,165,419 | 4,065,055 |
| External sales for other segments | 83,973 | 66,872 | 226,182 | 189,160 |
| Total external segment sales | 1,289,734 | 1,311,766 | 4,391,601 | 4,254,215 |
| Differences in external sales ¹ | (32,742) | (19,001) | (70,237) | (47,998) |
| Total sales per the consolidated interim condensed statement of comprehensive income | 1,256,992 | 1,292,765 | 4,321,364 | 4,206,217 |

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.

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5 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 |
|--|--------------------------|-----------------------|----------------------------|--------------------|---|-----------------|--|---------------------------|--------------|
| As of 30 September 2016 | | | | | | | | | |
| Segment assets | 2,355,137 | 5,978,835 | 1,504,894 | 371,091 | 2,249,823 | 1,266,160 | 841,791 | 975,260 | 15,542,991 |
| Investments in associates and joint ventures | 27,133 | 135,909 | 31,303 | 2,991 | 449,090 | 22,218 | 1,309 | 91,983 | 761,936 |
| Capital additions ¹ | 141,645 | 205,568 | 21,224 | 24,334 | 231,200 | 94,104 | 44,996 | 39,303 | 802,374 |
| As of 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 ² | 220,214 | 420,874 | 25,962 | 48,486 | 324,330 | 136,299 | 98,963 | 69,701 | 1,344,829 |

¹ Capital additions for the nine months ended 30 September 2016.

² Capital additions for the year ended 31 December 2015.

A reconciliation of reportable segments' assets to total assets in the consolidated interim condensed balance sheet is provided below.

| Notes | 30 September 2016 | 31 December 2015 |
|--|--------------------------|-------------------------|
| Segment assets for reportable segments | 14,567,731 | 14,797,753 |
| Other segments' assets | 975,260 | 885,287 |
| Total segment assets | 15,542,991 | 15,683,040 |
| Differences in property, plant and equipment, net ¹ | (1,533,000) | (1,778,015) |
| Loan interest capitalised | 717,100 | 645,109 |
| Capitalised expenses, related to decommissioning costs | 74,231 | 74,290 |
| 6 Cash and cash equivalents | 787,627 | 1,359,095 |
| Restricted cash | 3,249 | 1,815 |
| 21 Short-term financial assets | 12,038 | 12,570 |
| VAT recoverable | 218,347 | 229,626 |
| Other current assets | 295,393 | 472,045 |
| 21 Available-for-sale long-term financial assets | 267,597 | 235,607 |
| Goodwill | 106,584 | 107,467 |
| Other non-current assets | 420,562 | 303,269 |
| Inter-segment assets | (551,829) | (598,040) |
| Other | 307,602 | 304,162 |
| Total assets per the consolidated interim condensed balance sheet | 16,668,492 | 17,052,040 |

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 accounts payable arising in the course of operating activity. Profit tax payable, deferred tax liabilities, long-term provisions for liabilities and charges (excluding retroactive gas price adjustments), 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.

| | 30 September 2016 | 31 December 2015 |
|---|--------------------------|-------------------------|
| Distribution of gas | 643,458 | 703,268 |
| Refining | 285,516 | 255,370 |
| Transportation | 232,453 | 317,548 |
| Production of gas | 123,629 | 179,935 |
| Production of crude oil and gas condensate | 106,768 | 142,332 |
| Electric and heat energy generation and sales | 70,402 | 78,618 |
| Gas storage | 6,739 | 11,234 |
| Other segments | 149,659 | 220,394 |
| Total segment liabilities | 1,618,624 | 1,908,699 |

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5 SEGMENT INFORMATION (continued)

A reconciliation of reportable segments' liabilities to total liabilities in the consolidated interim condensed balance sheet is provided below.

| Notes | 30 September 2016 | 31 December 2015 |
|--|------------------------------|-----------------------------|
| Segment liabilities for reportable segments | 1,468,965 | 1,688,305 |
| Other segments' liabilities | <u>149,659</u> | <u>220,394</u> |
| Total segment liabilities | 1,618,624 | 1,908,699 |
| Current profit tax payable | 9,443 | 11,929 |
| Short-term borrowings, promissory notes and current portion of long-term borrowings | 535,220 | 646,372 |
| 13 Long-term borrowings and promissory notes | 2,432,898 | 2,795,843 |
| Long-term provisions for liabilities and charges (excluding retroactive gas price adjustments) | 515,976 | 435,438 |
| 14 Deferred tax liabilities | 688,890 | 618,404 |
| Other non-current liabilities | 107,329 | 163,032 |
| Dividends | 3,244 | 4,969 |
| Inter-segment liabilities | (551,829) | (598,040) |
| Other | <u>194,524</u> | <u>150,772</u> |
| Total liabilities per the consolidated interim condensed balance sheet | 5,554,319 | 6,137,418 |

6 CASH AND CASH EQUIVALENTS

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

| | 30 September 2016 | 31 December 2015 |
|--|------------------------------|-----------------------------|
| Cash on hand and bank balances payable on demand | 700,444 | 1,189,436 |
| Term deposits with original maturity of three months or less | <u>87,183</u> | <u>169,659</u> |
| Total cash and cash equivalents | 787,627 | 1,359,095 |

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

| | 30 September 2016 | 31 December 2015 |
|--|------------------------------|-----------------------------|
| Trade receivables | 584,084 | 726,156 |
| Short-term loans | 115,530 | 93,409 |
| Advances given and prepayments | 89,859 | 107,222 |
| Other receivables | <u>135,690</u> | <u>187,420</u> |
| Total accounts receivable and prepayments | 925,163 | 1,114,207 |

Accounts receivable and prepayments are presented net of impairment allowance of RUB 869,037 million and RUB 874,299 million as of 30 September 2016 and 31 December 2015, respectively.

Accounts receivable due from NJSC Naftogaz Ukraine in relation to gas sales are RUB nil million and RUB 5,528 million as of 30 September 2016 and 31 December 2015, respectively.

Accounts receivable are presented net of impairment allowance of RUB 184,773 million and RUB 187,228 million as of 30 September 2016 and 31 December 2015, respectively.

8 INVENTORIES

Inventories are presented net of allowance for obsolescence of RUB 4,473 million and RUB 7,177 million as of 30 September 2016 and 31 December 2015, respectively.

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9 PROPERTY, PLANT AND EQUIPMENT

| | Total operating assets (including production licenses) | Social assets | Assets under construction | Total |
|---|---|--------------------------|--------------------------------------|--------------------|
| As of 31 December 2014 | | | | |
| Cost | 12,150,747 | 94,965 | 2,110,422 | 14,356,134 |
| Accumulated depreciation | <u>(4,370,329)</u> | <u>(35,596)</u> | - | <u>(4,405,925)</u> |
| Net book value as of 31 December 2014 | 7,780,418 | 59,369 | 2,110,422 | 9,950,209 |
| Nine months ended 30 September 2015 | | | | |
| Net book value as of 31 December 2014 | 7,780,418 | 59,369 | 2,110,422 | 9,950,209 |
| Depreciation | (378,954) | (1,968) | - | (380,922) |
| Additions | 57,849 | 33 | 866,359 | 924,241 |
| Acquisition of subsidiaries | 36,041 | - | 12,106 | 48,147 |
| Translation differences | 55,578 | (6) | 23,188 | 78,760 |
| Transfers | 281,053 | - | (281,053) | - |
| Disposals | (26,643) | (304) | (48,712) | (75,659) |
| Charge for impairment allowance | <u>-</u> | <u>-</u> | <u>(1,496)</u> | <u>(1,496)</u> |
| Net book value as of 30 September 2015 | 7,805,342 | 57,124 | 2,680,814 | 10,543,280 |
| Three months ended 31 December 2015 | | | | |
| Net book value as of 30 September 2015 | 7,805,342 | 57,124 | 2,680,814 | 10,543,280 |
| Depreciation | (141,430) | (657) | - | (142,087) |
| Additions | 90,540 | 224 | 614,097 | 704,861 |
| Acquisition of subsidiaries | 7 | - | 317 | 324 |
| Translation differences | 48,706 | 9 | 14,200 | 62,915 |
| Transfers | 714,188 | 1,972 | (716,160) | - |
| Disposals | (30,934) | (570) | (5,922) | (37,426) |
| Charge for impairment allowance | <u>(57,259)</u> | <u>-</u> | <u>(70,727)</u> | <u>(127,986)</u> |
| Net book value as of 31 December 2015 | 8,429,160 | 58,102 | 2,516,619 | 11,003,881 |
| As of 31 December 2015 | | | | |
| Cost | 13,319,873 | 96,323 | 2,516,619 | 15,932,815 |
| Accumulated depreciation | <u>(4,890,713)</u> | <u>(38,221)</u> | - | <u>(4,928,934)</u> |
| Net book value as of 31 December 2015 | 8,429,160 | 58,102 | 2,516,619 | 11,003,881 |
| Nine months ended 30 September 2016 | | | | |
| Net book value as of 31 December 2015 | 8,429,160 | 58,102 | 2,516,619 | 11,003,881 |
| Depreciation | (421,965) | (1,966) | - | (423,931) |
| Additions | 75,186 | 535 | 817,429 | 893,150 |
| Translation differences | (86,378) | (41) | (22,988) | (109,407) |
| Transfers | 390,654 | 559 | (391,213) | - |
| Disposals | (19,979) | (1,187) | (25,470) | (46,636) |
| (Charge) release of impairment allowance | <u>(6,739)</u> | <u>-</u> | <u>698</u> | <u>(6,041)</u> |
| Net book value as of 30 September 2016 | 8,359,939 | 56,002 | 2,895,075 | 11,311,016 |
| As of 30 September 2016 | | | | |
| Cost | 13,672,617 | 96,189 | 2,895,075 | 16,663,881 |
| Accumulated depreciation | <u>(5,312,678)</u> | <u>(40,187)</u> | - | <u>(5,352,865)</u> |
| Net book value as of 30 September 2016 | 8,359,939 | 56,002 | 2,895,075 | 11,311,016 |

Operating assets are shown net of allowance for impairment of RUB 193,477 million and RUB 186,738 million as of 30 September 2016 and 31 December 2015, respectively.

Assets under construction are presented net of allowance for impairment of RUB 109,150 million and RUB 115,175 million as of 30 September 2016 and 31 December 2015, respectively. The change in impairment allowance of assets under construction is mainly attributable to translation differences.

Social assets (rest houses, housing, schools and medical facilities) vested to the Group at privatisation are included in the property, plant and equipment with a net book value of RUB 225 million and RUB 260 million as of 30 September 2016 and 31 December 2015, respectively.

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10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

| Notes | | | Carrying value as of | | Share of net income (loss) of associates and joint ventures for the nine months ended | |
|--------|---|---------------|----------------------|---------------------|--|---------------|
| | | | 30 September 2016 | 31 December 2015 | 30 September 2016 | 2015 |
| 23 | Sakhalin Energy Investment Company Ltd. | Associate | 210,418 | 240,831 | 1,062 | 48,141 |
| 23 | OJSC NGK Slavneft and its subsidiaries | Joint venture | 127,218 | 118,704 | 8,583 | 5,257 |
| 23 | LLC Yamal razvitie and its subsidiaries | Joint venture | 82,519 | 72,128 | 10,391 | 12,168 |
| 23, 24 | Gazprombank (Joint-stock Company) and its subsidiaries | Associate | 79,840 | 80,800 | 6,207 | (14,164) |
| 23 | Nord Stream AG | Joint venture | 63,127 | 69,617 | 13,839 | 10,053 |
| 23 | WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries | Associate | 43,599 | 47,154 | 6,707 | 3,749 |
| 23 | JSC Achimgaz | Joint venture | 32,030 | 26,281 | 6,783 | 6,900 |
| 23, 24 | SGT EuRoPol GAZ S.A. | Associate | 29,393 | 33,410 | 73 | 214 |
| 23 | Wintershall AG | Associate | 15,856 | 20,727 | (2,606) | 43 |
| 23 | KazRosGaz LLP | Joint venture | 14,351 | 20,960 | 2,847 | 8,699 |
| 23 | CJSC Northgas | Joint venture | 10,154 | 8,726 | 1,428 | 2,673 |
| 22, 23 | Wintershall Noordzee B.V. ¹ | Joint venture | 8,091 | 9,994 | (622) | - |
| 23 | JSC Latvijas Gaze | Associate | 7,696 | 8,981 | 547 | 452 |
| 23 | Gasum Oy and its subsidiaries ² | | - | 10,253 | - | 1,597 |
| 22, 23 | W & G Beteiligungs-GmbH & Co. KG and its subsidiaries ³ | | - | - | - | 4,966 |
| | Other (net of allowance for impairment of RUB 7,378 million and RUB 7,373 million as of 30 September 2016 and 31 December 2015, respectively) | | <u>37,644</u> | <u>39,680</u> | <u>19</u> | <u>2,433</u> |
| | | | 761,936 | 808,246 | 55,258 | 93,181 |

¹ In September 2015 the Group acquired the 50 % interests in Wintershall Noordzee B.V. are accounted for using the equity method since the acquisition date (see Note 22).

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

³ In September 2015 W & G Beteiligungs-GmbH & Co. KG and its subsidiaries became the Group subsidiaries (see Note 22). In August 2016 W & G Beteiligungs-GmbH & Co. KG was merged with WIBG GmbH.

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

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

The differences between the carrying value of investments in associates and joint ventures and the calculated Group's share in their net assets are mostly attributable to translation differences.

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10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

| | Percent of share capital held | Country of primary operations | As of 30 September 2016 | | Nine months ended 30 September 2016 | |
|---|-------------------------------|-------------------------------|-------------------------|-------------|-------------------------------------|---------------|
| | | | Assets | Liabilities | Revenues | Income (loss) |
| Gazprombank (Joint-stock Company) and its subsidiaries ¹ | 37 % | Russia | 4,806,660 | 4,432,118 | 147,640 | 16,698 |
| Sakhalin Energy Investment Company Ltd. ² | 50 % | Russia | 1,071,909 | 651,072 | 215,685 | 32,009 |
| Nord Stream AG ³ | 51 % | Russia, Germany | 475,951 | 350,153 | 62,003 | 25,148 |
| OJSC NGK Slavneft and its subsidiaries | 50 % | Russia | 428,237 | 170,767 | 158,234 | 18,081 |
| LLC Yamal razvitie and its subsidiaries | 50 % | Russia | 392,839 | 258,054 | 96,366 | 19,200 |
| WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries | 50 % | Germany | 256,284 | 162,276 | 29,951 | 16,129 |
| Wintershall AG ⁴ | 49 % | Libya | 74,551 | 51,346 | 2,106 | (5,319) |
| JSC Achimgaz | 50 % | Russia | 74,067 | 8,896 | 20,256 | 13,566 |
| SGT EuRoPol GAZ S.A. | 48 % | Poland | 69,930 | 8,694 | 14,498 | 422 |
| Wintershall Noordzee B.V. | 50 % | Netherlands | 60,431 | 46,198 | 8,212 | (1,231) |
| CJSC Northgas | 50 % | Russia | 56,516 | 35,270 | 19,147 | 2,857 |
| JSC Latvijas Gaze | 34 % | Latvia | 42,170 | 11,070 | 19,892 | 1,612 |
| KazRosGaz LLP | 50 % | Kazakhstan | 41,153 | 12,452 | 33,439 | 5,693 |

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

² Country of incorporation is Bermuda Islands.

³ Country of incorporation is Switzerland.

⁴ Country of incorporation is Germany.

| | Percent of share capital held | Country of primary operations | As of 30 September 2015 | | Nine months ended 30 September 2015 | |
|---|-------------------------------|-------------------------------|-------------------------|-------------|-------------------------------------|---------------|
| | | | Assets | Liabilities | Revenues | Income (Loss) |
| Gazprombank (Joint-stock Company) and its subsidiaries ¹ | 37 % | Russia | 4,785,098 | 4,360,639 | 134,703 | (38,114) |
| Sakhalin Energy Investment Company Ltd. ² | 50 % | Russia | 1,214,976 | 785,275 | 288,519 | 96,282 |
| Nord Stream AG ³ | 51 % | Russia, Germany | 523,517 | 402,869 | 53,873 | 19,711 |
| LLC Yamal razvitie and its subsidiaries | 50 % | Russia | 419,101 | 301,629 | 90,012 | 23,031 |
| OJSC NGK Slavneft and its subsidiaries | 50 % | Russia | 401,937 | 170,159 | 173,636 | 10,544 |
| WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries | 50 % | Germany | 271,097 | 178,145 | 31,735 | 7,500 |
| Gasum Oy and its subsidiaries | 25 % | Finland | 107,604 | 65,545 | 45,965 | 6,513 |
| SGT EuRoPol GAZ S.A. | 48 % | Poland | 78,078 | 13,704 | 14,522 | 639 |
| Wintershall AG ⁴ | 49 % | Libya | 77,945 | 48,878 | 4,677 | 88 |
| JSC Achimgaz | 50 % | Russia | 62,112 | 13,515 | 20,404 | 13,797 |
| CJSC Northgas | 50 % | Russia | 50,474 | 36,498 | 21,505 | 2,868 |
| JSC Latvijas Gaze | 34 % | Latvia | 43,834 | 11,161 | 20,831 | 1,330 |
| KazRosGaz LLP | 50 % | Kazakhstan | 40,738 | 4,408 | 41,506 | 17,394 |
| W & G Beteiligungs-GmbH & Co. KG and its subsidiaries ⁵ | - | Germany | - | - | 692,927 | 10,402 |

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

² Country of incorporation is Bermuda Islands.

³ Country of incorporation is Switzerland.

⁴ Country of incorporation is Germany.

⁵ In September 2015 W & G Beteiligungs-GmbH & Co. KG and its subsidiaries became the Group subsidiaries (see Note 22). In August 2016 W & G Beteiligungs-GmbH & Co. KG was merged with WIBG GmbH.

The estimated fair values of the Group investments in associates and joint ventures for which there are published price quotations are provided below.

| | 30 September 2016 | 31 December 2015 |
|-------------------|-------------------|------------------|
| JSC Latvijas Gaze | 7,308 | 10,552 |

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11 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS

| | 30 September 2016 | 31 December 2015 |
|--|------------------------------|-----------------------------|
| Long-term accounts receivable and prepayments | 272,062 | 216,103 |
| Advances for assets under construction | <u>454,921</u> | <u>383,745</u> |
| Total long-term accounts receivable and prepayments | 726,983 | 599,848 |

Long-term accounts receivable, prepayments and advances for assets under construction are presented net of impairment allowance of RUB 14,744 million and RUB 14,621 million as of 30 September 2016 and 31 December 2015, respectively.

12 OTHER NON-CURRENT ASSETS

Included within other non-current assets are VAT recoverable related to assets under construction totalling RUB 33,173 million and RUB 50,494 million and long-term deposits totalling RUB 100,001 million and RUB 5,064 million as of 30 September 2016 and 31 December 2015, respectively.

13 LONG-TERM BORROWINGS, PROMISSORY NOTES

| | Currency | Final Maturity | 30 September 2016 | 31 December 2015 |
|---|-----------------|---------------------------|------------------------------|-----------------------------|
| Long-term borrowings and promissory notes payable to: | | | | |
| Loan participation notes issued in April 2009 ¹ | US Dollar | 2019 | 147,875 | 166,851 |
| Bank of China Limited, London branch | Euro | 2021 | 141,792 | - |
| Loan participation notes issued in July 2012 ¹ | Euro | 2017 | 101,277 | 114,928 |
| Mizuho Bank Ltd. ² | US Dollar | 2019 | 97,063 | 156,821 |
| Loan participation notes issued in November 2013 ³ | US Dollar | 2023 | 96,679 | 109,925 |
| China Construction Bank Corporation, Beijing branch ² | US Dollar | 2020 | 95,307 | 111,077 |
| Loan participation notes issued in September 2012 ³ | US Dollar | 2022 | 94,864 | 110,666 |
| Loan participation notes issued in October 2007 ¹ | Euro | 2018 | 88,599 | 101,209 |
| Loan participation notes issued in November 2006 ¹ | US Dollar | 2016 | 87,161 | 99,054 |
| Loan participation notes issued in March 2007 ¹ | US Dollar | 2022 | 82,462 | 96,701 |
| Loan participation notes issued in August 2007 ¹ | US Dollar | 2037 | 79,667 | 93,593 |
| Loan participation notes issued in April 2004 ¹ | US Dollar | 2034 | 78,567 | 88,779 |
| Loan participation notes issued in October 2015 ¹ | Euro | 2018 | 74,026 | 80,475 |
| Loan participation notes issued in March 2013 ¹ | Euro | 2020 | 72,166 | 81,821 |
| Loan participation notes issued in April 2008 ¹ | US Dollar | 2018 | 72,146 | 81,622 |
| Loan participation notes issued in July 2013 ¹ | Euro | 2018 | 64,234 | 72,891 |
| Loan participation notes issued in July 2012 ¹ | US Dollar | 2022 | 63,783 | 74,506 |
| Loan participation notes issued in February 2013 ¹ | US Dollar | 2028 | 57,272 | 66,902 |
| Loan participation notes issued in February 2014 ¹ | Euro | 2021 | 54,300 | 61,595 |
| Loan participation notes issued in April 2013 ³ | Euro | 2018 | 53,835 | 60,967 |
| Loan participation notes issued in February 2013 ¹ | US Dollar | 2020 | 50,824 | 59,210 |
| PJSC Sberbank | US Dollar | 2018 | 48,000 | 56,231 |
| | British Pound | | | |
| Loan participation notes issued in September 2013 ¹ | Sterling | 2020 | 42,404 | 48,201 |
| Loan participation notes issued in November 2011 ¹ | US Dollar | 2021 | 38,324 | 44,881 |
| Loan participation notes issued in March 2007 ¹ | Euro | 2017 | 37,200 | 40,205 |
| Loan participation notes issued in November 2006 ¹ | Euro | 2017 | 36,404 | 41,447 |
| Loan participation notes issued in March 2013 ¹ | Euro | 2025 | 36,263 | 41,211 |
| Loan participation notes issued in October 2013 ¹ | Swiss Franc | 2019 | 33,387 | 36,957 |
| Loan participation notes issued in March 2016 ¹ | Swiss Franc | 2018 | 33,074 | - |
| Alfa-Bank (Joint-stock Company) | US Dollar | 2019 | 25,273 | 29,160 |
| Commerzbank International S.A. | US Dollar | 2018 | 25,257 | 43,730 |
| J.P. Morgan Europe Limited ² | US Dollar | 2018 | 23,687 | 36,694 |
| Gazprombank (Joint-stock Company) | US Dollar | 2018 | 22,737 | 26,238 |
| PJSC Promsvyazbank | US Dollar | 2020 | 22,105 | 25,509 |
| Gazprombank (Joint-stock Company) | US Dollar | 2018 | 20,842 | 24,051 |
| JSC Rosselkhozbank | Russian Ruble | 2019 | 20,012 | 30,029 |
| PJSC Sberbank | Russian Ruble | 2017 | 19,797 | 19,802 |
| Gazprombank (Joint-stock Company) | US Dollar | 2017 | 19,579 | 22,594 |

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13 LONG-TERM BORROWINGS, PROMISSORY NOTES (continued)

| | Currency | Final Maturity | 30 September 2016 | 31 December 2015 |
|--|-----------------|-----------------------|--------------------------|-------------------------|
| Banc of America Securities Limited | US Dollar | 2018 | 19,299 | 22,041 |
| BNP Paribas S.A. ² | Euro | 2022 | 18,912 | 22,802 |
| Bank of America Merrill Lynch International Limited | US Dollar | 2018 | 18,858 | 21,960 |
| UniCredit Bank Austria AG | Euro | 2019 | 18,015 | 23,940 |
| PJSC Sberbank | Euro | 2020 | 17,087 | 19,203 |
| PJSC Sberbank | Euro | 2017 | 15,982 | 17,971 |
| Russian bonds issued in November 2013 ⁴ | Russian Ruble | 2043 | 15,437 | 15,246 |
| Russian bonds issued in November 2013 ⁴ | Russian Ruble | 2043 | 15,437 | 15,246 |
| Russian bonds issued in March 2016 ³ | Russian Ruble | 2046 | 15,031 | - |
| Bank of America Securities Limited | Euro | 2017 | 12,934 | 14,420 |
| UniCredit Bank Austria AG | US Dollar | 2018 | 12,747 | 14,581 |
| PJSC Sberbank | Russian Ruble | 2019 | 12,508 | 12,514 |
| PJSC Sberbank | Russian Ruble | 2019 | 12,508 | 12,514 |
| HSBC Bank plc | Euro | 2022 | 11,932 | 14,394 |
| Citibank International plc ² | US Dollar | 2021 | 11,686 | 14,734 |
| BNP Paribas S.A. | Euro | 2023 | 11,424 | 13,559 |
| Banc of America Securities Limited | US Dollar | 2016 | 11,374 | 13,126 |
| Russian bonds issued in April 2009 ³ | Russian Ruble | 2019 | 10,384 | 10,177 |
| Russian bonds issued in June 2016 ³ | Russian Ruble | 2046 | 10,303 | - |
| UniCredit Bank Austria AG | Euro | 2021 | 10,300 | - |
| Russian bonds issued in December 2012 ³ | Russian Ruble | 2022 | 10,284 | 10,070 |
| Russian bonds issued in February 2011 ³ | Russian Ruble | 2021 | 10,144 | 10,363 |
| Russian bonds issued in February 2013 ⁵ | Russian Ruble | 2017 | 10,089 | 10,275 |
| Russian bonds issued in August 2016 ³ | Russian Ruble | 2046 | 10,080 | - |
| Russian bonds issued in March 2016 ³ | Russian Ruble | 2046 | 10,020 | - |
| PJSC Sberbank | Russian Ruble | 2019 | 10,006 | 10,011 |
| 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 | 2022 | 9,809 | 6,187 |
| PJSC Sberbank | US Dollar | 2018 | 9,792 | - |
| PJSC Sberbank | US Dollar | 2018 | 9,570 | 10,947 |
| Banca Intesa a.d. Beograd | US Dollar | 2019 | 9,488 | 10,947 |
| Intesa Sanpaolo S.p.A. | Euro | 2019 | 9,127 | 11,957 |
| JSC BANK ROSSIYA | Russian Ruble | 2019 | 8,730 | - |
| PJSC Sberbank | Russian Ruble | 2018 | 8,300 | - |
| PJSC VTB Bank | Russian Ruble | 2018 | 8,250 | 8,250 |
| PJSC Credit Bank of Moscow | US Dollar | 2018 | 7,895 | 5,831 |
| PJSC VTB Bank | Euro | 2020 | 7,511 | 8,449 |
| PJSC Sberbank | Russian Ruble | 2025 | 7,219 | 7,220 |
| BNP Paribas S.A. ² | Euro | 2022 | 7,177 | 8,650 |
| Credit Agricole CIB | Euro | 2024 | 6,766 | 8,018 |
| GC Vnesheconombank | Russian Ruble | 2025 | 6,503 | 7,852 |
| Sberbank Serbia a.d. | US Dollar | 2019 | 5,693 | 6,568 |
| Russian bonds issued in November 2015 ⁶ | Russian Ruble | 2020 | 5,203 | 5,058 |
| Russian bonds issued in November 2015 ⁶ | Russian Ruble | 2020 | 5,203 | 5,058 |
| PJSC VTB Bank | Russian Ruble | 2021 | 5,150 | - |
| Banca Intesa a.d. Beograd | Euro | 2018 | 5,116 | 5,754 |
| Russian bonds issued in February 2013 ⁵ | Russian Ruble | 2018 | 5,044 | 5,137 |
| Russian bonds issued in August 2016 ³ | Russian Ruble | 2046 | 5,040 | - |
| Alfa-Bank (Joint-stock Company) | Russian Ruble | 2019 | 5,006 | 5,011 |
| Gazprombank (Joint-stock Company) | Russian Ruble | 2019 | 5,006 | - |
| Sberbank Serbia a.d. | US Dollar | 2017 | 4,752 | 5,483 |
| Gazprombank (Joint-stock Company) | Russian Ruble | 2017 | 3,220 | 9,750 |
| Loan participation notes issued in November 2011 ¹ | US Dollar | 2016 | - | 73,264 |
| Deutsche Bank AG | US Dollar | 2016 | - | 29,690 |
| Intesa Sanpaolo S.p.A. | Euro | 2016 | - | 28,028 |
| Sumitomo Mitsui Banking Corporation Europ Limited ² | US Dollar | 2016 | - | 25,537 |

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13 LONG-TERM BORROWINGS, PROMISSORY NOTES (continued)

| | Currency | Final Maturity | 30 September 2016 | 31 December 2015 |
|---|-----------------|-----------------------|--------------------------|-------------------------|
| Sumitomo Mitsui Finance Dublin Limited | US Dollar | 2016 | - | 23,392 |
| Bank of Tokyo-Mitsubishi UFJ Ltd. | US Dollar | 2016 | - | 21,891 |
| Russian bonds issued in February 2013 ⁵ | Russian Ruble | 2016 | - | 15,410 |
| UniCredit Bank AG ^{2, 7} | US Dollar | 2016 | - | 14,377 |
| Bank of Tokyo-Mitsubishi UFJ Ltd. ² | US Dollar | 2016 | - | 13,754 |
| PJSC Sberbank | Russian Ruble | 2016 | - | 12,400 |
| PJSC VTB Bank | US Dollar | 2016 | - | 12,104 |
| UniCredit Bank AG ^{2, 7} | Euro | 2016 | - | 11,297 |
| Russian bonds issued in February 2011 ³ | Russian Ruble | 2016 | - | 10,259 |
| Russian bonds issued in February 2011 ³ | Russian Ruble | 2016 | - | 10,228 |
| PJSC Sberbank | Russian Ruble | 2016 | - | 8,300 |
| Gazprombank (Joint-stock Company) | US Dollar | 2016 | - | 8,017 |
| JSC BANK ROSSIYA | Russian Ruble | 2016 | - | 5,000 |
| UniCredit Bank AG ^{2, 7} | Russian Ruble | 2016 | - | 1,894 |
| Russian bonds issued in February 2012 ³ | Russian Ruble | 2016 | - | 452 |
| Other long-term borrowings, promissory notes | Various | Various | 106,287 | 127,112 |
| Total long-term borrowings, promissory notes | | | 2,897,882 | 3,390,213 |
| Less: current portion of long-term borrowings | | | (464,984) | (594,370) |
| | | | 2,432,898 | 2,795,843 |

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 PJSC Gazprom.

⁵ Issuer of these bonds is Gazprom capital LLC.

⁶ Issuer of these bonds is PJSC WGC-2.

⁷ Loans were obtained for development of Yuzhno-Russkoye oil and gas field.

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

| Due for repayment | 30 September 2016 | 31 December 2015 |
|----------------------------|--------------------------|-------------------------|
| between one and two years | 665,645 | 472,657 |
| between two and five years | 1,092,249 | 1,452,110 |
| after five years | 675,004 | 871,076 |
| | 2,432,898 | 2,795,843 |

Long-term liabilities include fixed rate borrowings with a carrying value of RUB 2,119,667 million and RUB 2,431,823 million and fair value of RUB 2,252,932 million and RUB 2,480,142 million as of 30 September 2016 and 31 December 2015, respectively.

All other long-term liabilities have variable interest rates generally linked to LIBOR and EURIBOR. Their carrying value is RUB 778,215 million and RUB 958,390 million and fair value is RUB 807,564 million and RUB 948,744 million as of 30 September 2016 and 31 December 2015, respectively.

As of 30 September 2016 and 31 December 2015 according to the project facility agreement, signed within the framework of the development project of Yuzhno-Russkoye 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 carrying amount of these fixed assets is RUB 21,654 million. As of 30 September 2016 the Group does not have pledged shares and pledged fixed assets because the agreement was repaid.

Under the terms of the Russian bonds with the nominal value of RUB 15,000 million issued by PJSC Gazprom Neft in August 2016 due in 2046 bondholders can execute the right of early redemption in August 2021 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 June 2016 due in 2046 bondholders can execute the right of early redemption in June 2019 at par, including interest accrued.

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Under the terms of the Russian bonds with the nominal value of RUB 25,000 million issued by PJSC Gazprom Neft in March 2016 due in 2046 bondholders can execute the right of early redemption in March 2021 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 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.

14 PROFIT TAX

Profit tax is recognised based on the estimated average annual effective profit tax rate applied to the profit before tax for the nine months ended 30 September 2016. Differences between the recognition criteria in IFRS and Russian statutory taxation regulations 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.

| | 30 September 2016 | Differences recognition and reversals | 31 December 2015 | 30 September 2015 | Differences recognition and reversals | Acquisition of subsidiaries | 31 December 2014 |
|---|-------------------------|--|---------------------|-------------------------|--|-----------------------------------|------------------------|
| Tax effects of taxable temporary differences: | | | | | | | |
| Property, plant and equipment | (731,474) | (45,404) | (686,070) | (667,849) | (49,305) | 2,210 | (620,754) |
| Financial assets | - | - | - | (4,222) | 6,363 | (3,257) | (7,328) |
| Inventories | <u>(14,298)</u> | <u>445</u> | <u>(14,743)</u> | <u>(11,638)</u> | <u>(3,261)</u> | - | <u>(8,377)</u> |
| | (745,772) | (44,959) | (700,813) | (683,709) | (46,203) | (1,047) | (636,459) |
| Tax effects of deductible temporary differences: | | | | | | | |
| Financial assets | 1,338 | 961 | 377 | - | - | - | - |
| Tax losses carried forward | 11,190 | (7,166) | 18,356 | 16,648 | (3,473) | - | 20,121 |
| Retroactive gas price adjustments | 22,537 | 1,937 | 20,600 | 17,588 | 5,917 | - | 11,671 |
| Other deductible temporary differences | <u>21,817</u> | <u>(21,259)</u> | <u>43,076</u> | <u>5,190</u> | <u>(1,275)</u> | <u>(4,104)</u> | <u>10,569</u> |
| | 56,882 | (25,527) | 82,409 | 39,426 | 1,169 | (4,104) | 42,361 |
| Total net deferred tax liabilities | (688,890) | (70,486) | (618,404) | (644,283) | (45,034) | (5,151) | (594,098) |

Taxable temporary differences recognised for the nine months ended 30 September 2016 and 2015 include the effect of depreciation premium on certain property, plant and equipment. A deferred tax liability related to property, plant and equipment was recognised in the amount of RUB 6,941 million and RUB 33,110 million with the corresponding offsetting credit to the current profit tax expense and therefore no net impact on the consolidated net profit for the nine months ended 30 September 2016 and 2015, respectively.

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15 EQUITY

Share capital

Share capital authorised, issued and paid totals RUB 325,194 million as of 30 September 2016 and 31 December 2015 and consists of 23.7 billion ordinary shares, each with a historical par value of 5 Russian Rubles.

Treasury shares

As of 30 September 2016 and 31 December 2015 subsidiaries of PJSC Gazprom held 1,573 million and 723 million ordinary shares of PJSC Gazprom, respectively, which are accounted for as treasury shares.

On 15 July 2016 the Group acquired from Vnesheconombank 211 million PJSC Gazprom's ordinary shares and American depositary receipts representing 639 million PJSC Gazprom's ordinary shares.

The management of the Group controls the voting rights of these shares.

16 SALES

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|--|-------------------------|---|-------------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Gas sales gross of excise tax and customs duties to customers in: | | | | |
| Russian Federation | 110,288 | 113,288 | 530,683 | 538,572 |
| Former Soviet Union (excluding Russian Federation) | 51,962 | 68,798 | 234,101 | 323,496 |
| Europe and other countries | <u>530,091</u> | <u>633,319</u> | <u>1,930,031</u> | <u>1,883,132</u> |
| | 692,341 | 815,405 | 2,694,815 | 2,745,200 |
| Customs duties | (108,108) | (138,437) | (374,815) | (421,759) |
| Excise tax | (7,858) | (17,464) | (28,338) | (62,395) |
| Retroactive gas price adjustments ¹ | <u>(6,227)</u> | <u>(5,146)</u> | <u>33,757</u> | <u>12,074</u> |
| Sales of gas | 570,148 | 654,358 | 2,325,419 | 2,273,120 |
| Sales of refined products to customers in: | | | | |
| Russian Federation | 271,879 | 276,413 | 721,802 | 737,682 |
| Former Soviet Union (excluding Russian Federation) | 21,885 | 28,712 | 64,047 | 76,547 |
| Europe and other countries | <u>99,099</u> | <u>108,350</u> | <u>310,482</u> | <u>360,849</u> |
| Total sales of refined products | 392,863 | 413,475 | 1,096,331 | 1,175,078 |
| Sales of crude oil and gas condensate to customers in: | | | | |
| Russian Federation | 20,841 | 17,960 | 56,821 | 57,537 |
| Former Soviet Union (excluding Russian Federation) | 5,094 | 4,691 | 19,225 | 21,529 |
| Europe and other countries | <u>79,061</u> | <u>31,333</u> | <u>195,499</u> | <u>105,570</u> |
| Total sales of crude oil and gas condensate | 104,996 | 53,984 | 271,545 | 184,636 |
| Electric and heat energy sales | 86,416 | 73,875 | 322,708 | 291,603 |
| Gas transportation sales | 49,994 | 48,447 | 145,766 | 139,068 |
| Other revenues | <u>52,575</u> | <u>48,626</u> | <u>159,595</u> | <u>142,712</u> |
| Total sales | <u>1,256,992</u> | <u>1,292,765</u> | <u>4,321,364</u> | <u>4,206,217</u> |

¹ Retroactive gas price adjustments relate to gas deliveries in 2013-2015 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 are reflected as a decrease of sales by RUB 6,227 million and as an increase of sales by RUB 33,757 million for the three and nine months ended 30 September 2016, respectively.

The effects of retroactive gas price adjustments on sales are reflected as a decrease of sales by RUB 5,146 million and as an increase of sales by RUB 12,074 million for the three and nine months ended 30 September 2015, respectively.

The effects decreasing sales are due to increase in related accruals following agreements reached prior to the issuance of the respective consolidated interim condensed financial information.

The effects increasing sales are due to recognition of adjustments increasing gas prices for the past periods and due to reverse of related accruals following agreements reached prior to the issuance of the respective consolidated interim condensed financial information.

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17 OPERATING EXPENSES

| | Three months ended 30 September | | Nine months ended 30 September | |
|--|------------------------------------|-------------------------|-----------------------------------|-------------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Purchased gas and oil | 268,924 | 214,051 | 896,182 | 605,902 |
| Taxes other than on income | 215,058 | 182,869 | 644,551 | 611,932 |
| Staff costs | 159,437 | 143,439 | 493,313 | 433,120 |
| Transit of gas, oil and refined products | 150,306 | 138,655 | 454,096 | 381,481 |
| Depreciation | 141,535 | 129,406 | 423,650 | 380,041 |
| Materials | 75,652 | 72,640 | 205,129 | 201,581 |
| Cost of goods for resale, including refined products | 57,909 | 53,499 | 133,998 | 145,772 |
| Repairs and maintenance | 46,798 | 51,514 | 108,626 | 106,109 |
| Charge for impairment and other provisions | 16,129 | 22,391 | 79,553 | 51,964 |
| Electricity and heating expenses | 24,900 | 19,457 | 69,854 | 64,752 |
| Rental expenses | 8,142 | 6,485 | 26,165 | 26,934 |
| Research and development expenses | 11,628 | 9,218 | 24,704 | 22,553 |
| Transportation services | 7,091 | 10,686 | 22,899 | 30,891 |
| Insurance expenses | 7,867 | 7,618 | 22,566 | 20,093 |
| Social expenses | 8,068 | 8,346 | 22,486 | 21,713 |
| Foreign exchange rate differences on operating items | (49,437) | (97,846) | 13,882 | (47,668) |
| Processing services | 3,822 | 4,931 | 11,643 | 14,004 |
| Derivatives loss (gain) | 648 | (5,579) | 10,851 | (21,625) |
| Other | 75,095 | 57,910 | 225,402 | 229,111 |
| | <u>1,229,572</u> | <u>1,029,690</u> | <u>3,889,550</u> | <u>3,278,660</u> |
| Changes in inventories of finished goods, work in progress and other effects | <u>(85,601)</u> | <u>(82,121)</u> | <u>(64,847)</u> | <u>(106,876)</u> |
| Total operating expenses | <u>1,143,971</u> | <u>947,569</u> | <u>3,824,703</u> | <u>3,171,784</u> |

Staff costs include RUB 11,235 million and RUB 33,715 million of expenses associated with post-employment benefit obligations for the three and nine months ended 30 September 2016, respectively, and RUB 10,714 million and RUB 27,756 million of expenses associated with post-employment benefit obligations for the three and nine months ended 30 September 2015, respectively (see Note 20).

18 FINANCE INCOME AND EXPENSES

| | Three months ended 30 September | | Nine months ended 30 September | |
|------------------------------|------------------------------------|----------------|-----------------------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Foreign exchange gain | 95,597 | 56,084 | 741,229 | 1,063,545 |
| Interest income | <u>20,399</u> | <u>25,618</u> | <u>75,035</u> | <u>81,460</u> |
| Total finance income | 115,996 | 81,702 | 816,264 | 1,145,005 |
| Foreign exchange loss | 115,809 | 456,462 | 447,087 | 1,378,852 |
| Interest expense | <u>16,291</u> | <u>15,284</u> | <u>52,400</u> | <u>42,316</u> |
| Total finance expense | 132,100 | 471,746 | 499,487 | 1,421,168 |

Total interest paid amounted to RUB 40,314 million and RUB 138,641 million for the three and nine months ended 30 September 2016, respectively, and RUB 31,068 million and RUB 118,472 million for the three and nine months ended 30 September 2015, respectively.

Foreign exchange gain and loss for the nine months ended 30 September 2016 and 2015 were recognised as a result of changes in rates of Euro and US Dollar against the Russian Rouble. Gain and loss primarily relate to revaluation of borrowings denominated in foreign currencies.

19 BASIC AND DILUTED EARNINGS PER SHARE, ATTRIBUTABLE TO OWNERS OF PJSC GAZPROM

Earnings per share attributable to owners of PJSC Gazprom have been calculated by dividing the profit, attributable to owners of PJSC Gazprom by the weighted average number of shares outstanding during the period, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares (see Note 15).

There were 22.23 billion and 22.71 billion weighted average shares outstanding for the three and nine months ended 30 September 2016, respectively, and 23.0 billion – for the three and nine months ended 30 September 2015.

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19 BASIC AND DILUTED EARNINGS PER SHARE, ATTRIBUTABLE TO OWNERS OF PJSC GAZPROM (continued)

There are no dilutive financial instruments outstanding in the Group.

20 PROVISIONS FOR LIABILITIES AND CHARGES

| | 30 September 2016 | 31 December 2015 |
|--|------------------------------|-----------------------------|
| Provision for post-employment benefit obligations | 340,848 | 233,077 |
| Provision for decommissioning and site restoration costs | 166,082 | 160,648 |
| Other | <u>59,509</u> | <u>41,713</u> |
| Total provisions for liabilities and charges | <u>566,439</u> | <u>435,438</u> |

The Group operates post-employment benefits system, which is recorded as defined benefit plan in the consolidated interim condensed financial information under IAS 19 Employee benefits. Defined benefit plan covers the majority employees of the Group. These benefits include pension benefits provided by the non-governmental pension fund, NPF Gazfund, and post-retirement benefits from the Group provided upon retirement.

The net pension liabilities related to benefits, provided by the pension plan NPF Gazfund in the amount of RUB 63,541 million and RUB 6,980 million as of 30 September 2016 and 31 December 2015, respectively, are presented within provisions for liabilities and charges in the consolidated interim condensed balance sheet.

In accordance with IAS 19 Employee benefits, pension assets are recorded at estimated fair value subject to certain limitations. As of 30 September 2016 and 31 December 2015 management estimated the fair value of these assets at RUB 371,278 million and RUB 349,585 million, respectively. The pension assets comprise shares of PJSC Gazprom, shares of Gazprombank (Joint-stock Company) and other assets held by NPF Gazfund.

Provision for post-employment benefit obligations recognised in the consolidated interim condensed balance sheet is provided below.

| | 30 September 2016 | | 31 December 2015 | |
|--------------------------------------|---|--|---|--|
| | 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 | (434,819) | (277,307) | (356,565) | (226,097) |
| Fair value of plan assets | <u>371,278</u> | - | <u>349,585</u> | - |
| Net balance liability | (63,541) | (277,307) | (6,980) | (226,097) |

The amounts associated with post-employment benefit obligations recognised in operating expenses are provided below.

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|--|----------------------|---|----------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Current service cost | 5,722 | 6,612 | 17,166 | 19,836 |
| Net interest expense | 5,513 | 1,861 | 16,549 | 5,679 |
| Past service cost - change in the consolidation perimeter | - | <u>2,241</u> | - | <u>2,241</u> |
| Total expenses included in staff costs | <u>11,235</u> | <u>10,714</u> | <u>33,715</u> | <u>27,756</u> |

The principal assumptions used for post-employment benefit obligations for the nine months ended 30 September 2016 were the same as those applied for the year ended 31 December 2015 with exception of the discount rate based on interest rates of government securities. The decrease in the discount rate from 9.5 % to 8.15% resulted in recognition of an actuarial loss of RUB 85,884 million in other comprehensive income for the nine months ended 30 September 2016.

Remeasurements to be recognised in other comprehensive income are provided below.

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20 PROVISIONS FOR LIABILITIES AND CHARGES (continued)

| | Three months ended 30 September | | Nine months ended 30 September | |
|--|------------------------------------|---------------|-----------------------------------|-----------------|
| | 2016 | 2015 | 2016 | 2015 |
| Actuarial (losses) gains | (11,305) | 2,160 | (85,884) | (71,723) |
| Return on assets excluding amounts included in net interest (expense) income | (2,524) | 32,064 | (6,902) | (12,481) |
| Exchange differences | <u>8</u> | <u>-</u> | <u>340</u> | <u>-</u> |
| Total | 13,821 | 34,224 | (92,446) | (84,204) |

21 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities is determined as follows:

a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market closing prices at the reporting date.

b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using various valuation techniques, primarily based on market or income approach, such as discounted cash flows valuation method. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Group specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

c) Financial instruments in Level 3

If one or more of the significant inputs in the valuation model used to fair value an instrument is not based on observable market data, the instrument is included in Level 3.

Long-term accounts receivables are fair valued at Level 3 (see Note 11), long-term borrowings – Level 2 (see Note 13).

As of 30 September 2016 and 31 December 2015 the Group had the following assets and liabilities that are measured at fair value:

| | 30 September 2016 | | | Total |
|--|---|---|---|----------------|
| | Quoted price in an active market (Level 1) | Valuation technique with inputs observable in markets (Level 2) | Valuation technique with significant non- observable inputs (Level 3) | |
| Financial assets held for trading: | | | | |
| Equity securities | 305 | - | - | 305 |
| Bonds | 11,446 | - | - | 11,446 |
| Available-for-sale financial assets: | | | | |
| Promissory notes | <u>-</u> | <u>287</u> | <u>-</u> | <u>287</u> |
| Total short-term financial assets | 11,751 | 287 | - | 12,038 |
| Available-for-sale financial assets: | | | | |
| Equity securities | 219,769 | 40,578 | 6,747 | 267,094 |
| Promissory notes | <u>-</u> | <u>503</u> | <u>-</u> | <u>503</u> |
| Total available-for-sale long-term financial assets | 219,769 | 41,081 | 6,747 | 267,597 |
| Derivatives | <u>9,145</u> | <u>104,020</u> | <u>1,929</u> | <u>115,094</u> |
| Total assets | 240,665 | 145,388 | 8,676 | 394,729 |
| Derivatives | <u>13,795</u> | <u>158,167</u> | <u>1,487</u> | <u>173,449</u> |
| Total liabilities | 13,795 | 158,167 | 1,487 | 173,449 |

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21 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

| | 31 December 2015 | | | Total |
|--|---|---|---|----------------|
| | Quoted price in an active market (Level 1) | Valuation technique with inputs observable in markets (Level 2) | Valuation technique with significant non- observable inputs (Level 3) | |
| Financial assets held for trading: | | | | |
| Equity securities | 303 | - | - | 303 |
| Bonds | 9,673 | - | - | 9,673 |
| Available-for-sale financial assets: | | | | |
| Equity securities | 2,032 | - | - | 2,032 |
| Bonds | 146 | - | - | 146 |
| Promissory notes | <u>-</u> | <u>416</u> | - | <u>416</u> |
| Total short-term financial assets | 12,154 | 416 | - | 12,570 |
| Available-for-sale financial assets: | | | | |
| Equity securities | 188,142 | 40,584 | 6,710 | 235,436 |
| Promissory notes | <u>-</u> | <u>171</u> | <u>-</u> | <u>171</u> |
| Total available-for-sale long-term financial assets | 188,142 | 40,755 | 6,710 | 235,607 |
| Derivatives | <u>7,079</u> | <u>167,630</u> | <u>4,931</u> | <u>179,640</u> |
| Total assets | 207,375 | 208,801 | 11,641 | 427,817 |
| Derivatives | <u>16,135</u> | <u>259,391</u> | <u>3,782</u> | <u>279,308</u> |
| Total liabilities | 16,135 | 259,391 | 3,782 | 279,308 |

There were no transfers between Levels 1, 2 and 3 and changes in valuation techniques during the period. For the three and nine months ended 30 September 2016 the Group has not reclassified losses arising from decrease in fair value of available-for-sale financial assets from other comprehensive income to profit or loss. For the three and nine months ended 30 September 2015 the Group has not reclassified losses arising from decrease in fair value of available-for-sale financial assets from other comprehensive income to profit or loss.

Financial assets held for trading primarily comprise marketable equity and debt securities intended to generate short-term profits through trading.

Available-for-sale long-term financial assets in the total amount of RUB 267,597 million and RUB 235,607 million are shown net of allowance for impairment of RUB 2,390 million and RUB 2,128 million as of 30 September 2016 and 31 December 2015, respectively.

As of 30 September 2016 and 31 December 2015 long-term available-for-sale financial assets include PJSC NOVATEK shares in the amount of RUB 210,733 million and RUB 181,611 million, respectively.

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

22 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 % 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 GmbH and for 50 % of the interest in Wintershall Noordzee B.V. and Wintershall Services B.V. WIBG GmbH holds an equity interest of 50.02 % and 50 % in W & G Beteiligungs-GmbH & Co. KG and in WIEH GmbH (formerly WIEH GmbH & Co. KG), respectively.

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

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22 ACQUISITION OF SUBSIDIARIES (continued)

Prior to the swap transaction the Group held an equity interest of 49.98 % in W & G Beteiligungs-GmbH & Co. KG and of 50 % in WIEH GmbH. These subgroups were accounted 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 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.

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

| | <u>Fair value</u> |
|--|----------------------|
| Fair value of transferred shares and investments accounted for using the equity method before the business combination | 64,059 |
| Pre-existing relationships | 25,885 |
| Compensation payment | <u>(2,170)</u> |
| Total | <u>87,774</u> |

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.

Previously held by the Group investments in W & G Beteiligungs-GmbH & Co. KG, WIEH GmbH and WINGAS Storage UK Ltd. were measured at fair value at the acquisition date.

In accordance with IFRS 3 Business Combinations, the Group recognised the acquired assets and liabilities based upon their fair values.

Fair value of assets acquired and liabilities assumed is provided below.

| | <u>Fair value</u> |
|---|-----------------------|
| Current assets | |
| Cash and cash equivalents | 24,247 |
| Accounts receivable and prepayments | 117,414 |
| Inventories | <u>47,658</u> |
| | <u>189,319</u> |
| 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 | <u>9,078</u> |
| | <u>95,709</u> |
| Total assets | <u>285,028</u> |
| 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 | <u>29,066</u> |
| | <u>133,216</u> |
| 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 | <u>30,184</u> |
| | <u>53,907</u> |
| Total liabilities | <u>187,123</u> |
| Net assets at the acquisition date | <u>97,905</u> |

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22 ACQUISITION OF SUBSIDIARIES (continued)

Result of the asset swap is provided below.

| | <u>Fair value</u> |
|--|---------------------|
| Fair value of transferred assets including compensation payments | 87,774 |
| Non-controlling interest measured at its proportionate share of the acquirees's net assets | 262 |
| Fair value of acquired assets | <u>97,905</u> |
| Gain from a bargain purchase | <u>9,869</u> |

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.

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 allowance amounted to RUB 27,378 million.

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

According to IFRS 3 Business combinations the Group recognised the acquired assets and liabilities assumed based upon their fair values.

In compliance with IFRS 3 Business combinations the 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 of Shtokman Development AG under construction are not made.

Fair value of acquired assets and liabilities assumed of Shtokman Development AG is provided below.

| | <u>Fair value</u> |
|---|---------------------|
| Current assets | |
| Cash and cash equivalents | 1,767 |
| Accounts receivable and prepayments | 38 |
| Inventories | 1 |
| VAT recoverable | <u>216</u> |
| | <u>2,022</u> |
| Non-current assets | |
| Property, plant and equipment | 252 |
| Long-term accounts receivable and prepayments | 32 |
| Other non-current assets | <u>8</u> |
| | <u>292</u> |
| Total assets | <u>2,314</u> |
| Current liabilities | |
| Accounts payable, accruals and provisions for liabilities and charges | 30 |
| Other tax payable | <u>9</u> |
| | <u>39</u> |
| Non-current liabilities | |
| Provisions for liabilities and charges | 321 |
| Other non-current liabilities | <u>14</u> |
| | <u>335</u> |
| Total liabilities | <u>374</u> |
| Net assets at the acquisition date | <u>1,940</u> |
| Acquisition cost | <u>2</u> |
| Gain from a bargain purchase | <u>1,938</u> |

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23 RELATED PARTIES

For the purpose of this consolidated interim condensed financial information, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24 Related Party Disclosures. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding is detailed below.

Government (the 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.

The Government does not prepare consolidated financial statements for public use. The 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 of the Russian Federation 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 the Government control.

As of 30 September 2016 prices of natural gas sales, gas transportation and electricity tariffs in the Russian Federation are regulated by the Federal Antimonopoly Service ("FAS"). Until 21 July 2015 these functions were performed by the Federal Tariffs Service.

Bank loans with related parties are provided on the basis of market rates. Taxes are accrued and settled in accordance with the applicable statutory rules.

As of 30 September 2016 and 31 December 2015 and for the three and nine months ended 30 September 2016 and 2015, the Group had the following significant transactions and balances with the Government and parties under control of the Government.

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23 **RELATED PARTIES (continued)**

| | As of 30 September 2016 | | Three months ended 30 September 2016 | | Nine months ended 30 September 2016 | |
|---|-------------------------|-------------|--------------------------------------|----------|-------------------------------------|----------|
| | Assets | Liabilities | Income | Expenses | Income | Expenses |
| Transactions and balances with the Government | | | | | | |
| Current profit tax | 28,796 | 2,086 | - | 24,754 | - | 124,007 |
| Insurance contributions to non-budget funds | 618 | 7,377 | - | 23,816 | - | 82,355 |
| VAT recoverable / payable | 373,218 | 67,240 | - | - | - | - |
| Customs duties | 25,628 | - | - | - | - | - |
| Other taxes | 2,201 | 98,814 | - | 156,751 | - | 582,692 |
| Transactions and balances with other parties under control of the Government | | | | | | |
| Gas sales | - | - | 9,521 | - | 50,326 | - |
| Electricity and heating sales | - | - | 33,869 | - | 142,273 | - |
| Gas transportation sales | - | - | 11,638 | - | 34,071 | - |
| Other services sales | - | - | 851 | - | 2,300 | - |
| Accounts receivable | 40,697 | - | - | - | - | - |
| Oil and refined products transportation expenses | - | - | - | 28,324 | - | 85,751 |
| Accounts payable | - | 14,116 | - | - | - | - |
| Loans | - | 285,198 | - | - | - | - |
| Interest expense | - | - | - | 4,694 | - | 13,307 |
| Short-term financial assets | 10,795 | - | - | - | - | - |
| Available-for-sale long-term financial assets | 9,024 | - | - | - | - | - |
| <hr/> | | | | | | |
| | As of 31 December 2015 | | Three months ended 30 September 2015 | | Nine months ended 30 September 2015 | |
| | Assets | Liabilities | Income | Expenses | Income | Expenses |
| Transactions and balances with the Government | | | | | | |
| Current profit tax | 78,678 | 3,816 | - | 1,807 | - | 115,902 |
| Insurance contributions to non-budget funds | 688 | 7,369 | - | 29,008 | - | 88,847 |
| VAT recoverable / payable | 400,295 | 54,990 | - | - | - | - |
| Customs duties | 46,446 | - | - | - | - | - |
| Other taxes | 2,411 | 85,132 | - | 181,961 | - | 608,669 |
| Transactions and balances with other parties under control of the Government | | | | | | |
| Gas sales | - | - | 9,833 | - | 46,721 | - |
| Electricity and heating sales | - | - | 25,469 | - | 123,438 | - |
| Gas transportation sales | - | - | 9,669 | - | 30,899 | - |
| Other services sales | - | - | 995 | - | 2,752 | - |
| Accounts receivable | 40,431 | - | - | - | - | - |
| Oil and refined products transportation expenses | - | - | - | 30,685 | - | 88,176 |
| Accounts payable | - | 14,062 | - | - | - | - |
| Loans | - | 300,003 | - | - | - | - |
| Interest expense | - | - | - | 4,777 | - | 11,702 |
| Short-term financial assets | 9,859 | - | - | - | - | - |
| Available-for-sale long-term financial assets | 6,485 | - | - | - | - | - |

Gas sales and respective accounts receivable, oil transportation expenses and respective accounts payable included in the table above are related to major state controlled companies.

In the normal course of business the Group incurs electricity and heating expenses (see Note 17). A part of these expenses relates to purchases from the entities under Government control. Due to the specifics of the electricity market in the Russian Federation, these purchases can not be accurately separated from the purchases from private companies.

See the consolidated interim condensed statement of changes in equity for returns of social assets to governmental authorities during the nine months ended 30 September 2016 and 2015. See Note 9 for net book values as of 30 September 2016 and 31 December 2015 of social assets vested to the Group at privatisation.

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

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23 RELATED PARTIES (continued)

Compensation for key management personnel

Key management personnel (the members of the Board of Directors and Management Committee of PJSC Gazprom) receive short-term compensation, including salary, bonuses and remuneration for serving on the management bodies of various Group companies. Government officials, who are directors, do not receive remuneration from the Group. The remuneration for serving on the Boards of Directors of Group companies is subject to approval by the General Meeting of Shareholders of each Group company.

Compensation of key management personnel (other than remuneration for serving as directors of Group companies) is determined by the terms of the employment contracts. Key management personnel also receive certain short-term benefits related to healthcare.

According to Russian legislation, the Group makes contributions to the Russian Federation State pension fund for all of its employees including key management personnel.

Key management personnel also participate in certain post-retirement benefit programs. The programs include pension benefits provided by the non-governmental pension fund, NPF Gazfund, and a one-time retirement payment from the Group.

Employees of the majority of Group companies are eligible for such benefits.

The Group provided medical insurance and liability insurance for key management personnel.

Associates and joint ventures

For the three and nine months ended 30 September 2016 and 2015 and as of 30 September 2016 and 31 December 2015 the Group had the following significant transactions and balances with associates and joint ventures.

| | Three months ended 30 September | | Nine months ended 30 September | |
|--|--|-------------|---|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| | Revenues | | Revenues | |
| Gas sales | | | | |
| Panrusgaz Gas Trading Plc | 12,114 | 21,601 | 30,367 | 51,630 |
| JSV Moldovagaz | 3,622 | 5,100 | 18,124 | 23,891 |
| VEMEX s.r.o. and its subsidiaries | 2,177 | 874 | 11,547 | 2,661 |
| Bosphorus Gaz Corporation A.S. | 2,934 | 6,208 | 11,488 | 14,406 |
| KazRosGaz LLP | 1,216 | - | 7,365 | - |
| JSC Latvijas Gaze | 2,404 | 4,701 | 6,537 | 8,637 |
| CJSC Gazprom YRGM Trading ¹ | 1,956 | 4,657 | 5,588 | 11,725 |
| JSC Gazprom YRGM Development ¹ | 1,763 | 3,327 | 5,037 | 8,375 |
| SGT EuRoPol GAZ S.A. | 1,221 | 1,450 | 3,611 | 4,207 |
| PremiumGas S.p.A | - | - | 2,634 | - |
| W & G Beteiligungs-GmbH & Co. KG and its subsidiaries ² | - | 47,627 | - | 123,156 |
| WIEH GmbH ² | - | 40,760 | - | 109,935 |
| Gasum Oy ³ | - | 5,061 | - | 19,483 |
| Overgas Inc. AD | - | 557 | - | 3,366 |
| WIEE AG ² | - | - | - | 1,344 |
| Gas transportation sales | | | | |
| CJSC Gazprom YRGM Trading ¹ | 2,582 | 5,719 | 8,376 | 16,777 |
| JSC Gazprom YRGM Development ¹ | 2,328 | 4,085 | 7,550 | 11,983 |
| KazRosGaz LLP | 556 | 520 | 1,951 | 1,618 |
| Gas condensate, crude oil and refined products sales | | | | |
| OJSC NGK Slavneft and its subsidiaries | 9,069 | 8,415 | 30,569 | 34,184 |
| CJSC SOVEX | 1,293 | 1,562 | 2,672 | 3,646 |
| LLC NPP Neftekhimia | 600 | 721 | 1,749 | 2,022 |
| Sakhalin Energy Investment Company Ltd. | - | 213 | 1,260 | 1,352 |
| LLC Poliom | 278 | 691 | 1,048 | 1,937 |
| Operator services sales and other services sales | | | | |
| JSC Messoyakhaneftegaz | 839 | 6,853 | 3,660 | 20,076 |
| Gas refining services sales | | | | |
| KazRosGaz LLP | 1,712 | 1,372 | 5,810 | 4,341 |

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23 RELATED PARTIES (continued)

| | Three months ended 30 September | | Nine months ended 30 September | |
|--|------------------------------------|--------|-----------------------------------|--------|
| | 2016 | 2015 | 2016 | 2015 |
| | Expenses | | Expenses | |
| Purchased gas | | | | |
| LLC SeverEnergiya and its subsidiaries | 13,629 | 14,461 | 39,308 | 34,518 |
| KazRosGaz LLP | 7,959 | 11,986 | 24,475 | 35,292 |
| CJSC Gazprom YRGM Trading ¹ | 5,328 | 14,248 | 18,211 | 45,790 |
| JSC Gazprom YRGM Development ¹ | 4,752 | 10,180 | 16,383 | 32,726 |
| Sakhalin Energy Investment Company Ltd. | 3,492 | 5,786 | 8,360 | 14,912 |
| CJSC Northgas | 2,066 | 2,197 | 6,449 | 6,495 |
| VEMEX s.r.o. and its subsidiaries | 75 | 18 | 2,751 | 38 |
| W & G Beteiligungs-GmbH & Co. KG and its subsidiaries ² | - | 20,410 | - | 57,182 |
| Purchased transit of gas | | | | |
| Nord Stream AG | 19,529 | 19,277 | 60,945 | 54,099 |
| WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries | 15,002 | 4,522 | 31,026 | 17,878 |
| SGT EuRoPol GAZ S.A. | 3,925 | 4,378 | 12,055 | 12,331 |
| JSV Moldovagaz | 644 | 745 | 2,462 | 1,993 |
| Purchased crude oil and refined products | | | | |
| OJSC NGK Slavneft and its subsidiaries | 22,920 | 22,786 | 67,056 | 74,673 |
| Sakhalin Energy Investment Company Ltd. | 4,318 | 4,528 | 12,749 | 6,915 |
| Purchased services of gas and gas condensate extraction | | | | |
| JSC Achimgaz | 5,847 | 5,403 | 20,256 | 20,404 |
| Purchased processing services | | | | |
| OJSC NGK Slavneft and its subsidiaries | 3,497 | 3,756 | 9,828 | 10,476 |

¹ CJSC Gazprom YRGM Trading and JSC Gazprom YRGM Development are not associates and joint ventures.

² In September 2015 W & G Beteiligungs-GmbH & Co. KG and its subsidiaries, WIEH GmbH, WIEE AG (formerly Wintershall Erdgas Handelshaus Zug AG) became subsidiaries of the Group (see Note 22). In August 2016 W & G Beteiligungs-GmbH & Co. KG was merged with WIBG GmbH.

³ In January 2016 PJSC Gazprom has sold its equity interest of 25 % in Gasum Oy to the Government of Finland for EUR 251 million.

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 associates in the ordinary course of business at prices close to average market prices.

| | As of 30 September 2016 | | As of 31 December 2015 | |
|--|-------------------------|-------------|------------------------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| Short-term accounts receivable and prepayments | | | | |
| JSC Messoyakhaneftegaz | 18,133 | - | 19,742 | - |
| OJSC NGK Slavneft and its subsidiaries | 8,088 | - | 8,415 | - |
| KazRosGaz LLP | 7,959 | - | 842 | - |
| Overgas Inc. AD | 6,643 | - | 8,813 | - |
| Panrusgas Gas Trading Plc | 4,709 | - | 7,434 | - |
| Sakhalin Energy Investment Company Ltd. | 2,523 | - | 1,149 | - |
| Wintershall AG | 2,312 | - | 3,064 | - |
| CJSC Gazprom YRGM Trading | 1,700 | - | 2,756 | - |
| JSC Gazprom YRGM Development | 1,533 | - | 1,968 | - |
| VEMEX s.r.o. and its subsidiaries | 1,343 | - | 1,790 | - |
| Gazprombank (Joint-stock Company) and its subsidiaries | 1,313 | - | 35,831 | - |
| Wintershall Noordzee B.V. | 1,120 | - | - | - |
| JSC Latvijas Gaze | 1,115 | - | 730 | - |
| JSV Moldovagaz ¹ | - | - | 4,435 | - |
| Gasum Oy and its subsidiaries | - | - | 2,579 | - |

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23 RELATED PARTIES (continued)

| | As of 30 September 2016 | | As of 31 December 2015 | |
|--|-------------------------|-------------|------------------------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| Cash balances | | | | |
| Gazprombank (Joint-stock Company) and its subsidiaries | 409,230 | - | 883,194 | - |
| Long-term accounts receivable and prepayments | | | | |
| JSC Messoyakhaneftegaz | 37,761 | - | 15,172 | - |
| LLC Yamal razvitie and its subsidiaries | 20,410 | - | 1,460 | - |
| WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries | 14,171 | - | 15,933 | - |
| Gazprombank (Joint-stock Company) and its subsidiaries | 8,662 | - | 255 | - |
| Wintershall Noordzee B.V. | 5,287 | - | 3,742 | - |
| Etzel-Kavernenbetriebsgesellschaft mbH & Co. KG | 1,418 | - | 4,695 | - |
| Short-term accounts payable | | | | |
| Nord Stream AG | - | 6,357 | - | 7,170 |
| LLC SeverEnergiya and its subsidiaries | - | 5,347 | - | 5,755 |
| Sakhalin Energy Investment Company Ltd. | - | 3,769 | - | 854 |
| JSC Latvijas Gaze | - | 3,058 | - | 1,806 |
| OJSC NGK Slavneft and its subsidiaries | - | 2,809 | - | 1,510 |
| JSC Achimgaz | - | 2,443 | - | 4,506 |
| CJSC Gazprom YRGM Trading | - | 2,277 | - | 7,739 |
| JSC Gazprom YRGM Development | - | 2,009 | - | 5,690 |
| KazRosGaz LLP | - | 1,914 | - | 3,370 |
| SGT EuRoPol GAZ S.A. | - | 1,257 | - | 2,710 |
| Gasum Oy and its subsidiaries | - | - | - | 2,260 |
| Short-term borrowings (including current portion of long-term borrowings) | | | | |
| Gazprombank (Joint-stock Company) and its subsidiaries | - | 31,917 | - | 15,635 |
| Long-term borrowings | | | | |
| Gazprombank (Joint-stock Company) and its subsidiaries | - | 93,373 | - | 114,793 |

¹ Net of impairment allowance on accounts receivable in the amount of RUB 350,604 million and RUB 380,942 million as of 30 September 2016 and 31 December 2015, respectively.

Investments in associates and joint ventures are disclosed in Note 10.

Financial guarantees issued by the Group for the associates and joint ventures are disclosed in Note 24.

24 COMMITMENTS AND CONTINGENCIES

Taxation

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. Management believes that its interpretation of the relevant legislation as of 30 September 2016 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

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24 COMMITMENTS AND CONTINGENCIES (continued)

Institute of the Stockholm Chamber of Commerce, Sweden, against PJSC Gazprom seeking a retroactive revision of the price, compensation of all overpaid amounts starting from 20 May 2011 and cancellation of the Contract No. KP prohibition on reexport of natural gas out of Ukraine. The clarified claims of NJSC Naftogaz Ukraine to PJSC Gazprom amounted to over USD 14,230 million.

On 21 July 2014 both cases were consolidated. Oral hearing of the case were held, the parties provided post-hearing statements on 11 November 2016. A decision of the arbitration panel is scheduled to the end of March 2017.

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. TKGU (the “Contract No. TKGU”) 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. TKGU, which will be subsequently updated, are invalid and / or inoperative and should be supplemented with or substituted by provisions which will be updated in line with the energy and anti-monopoly legislation of Ukraine and the European Union (“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. TKGU 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 hearings of the case were held, the parties provided post-hearing statements.

On 3 October 2012 the Ministry of Energy of the Republic of Lithuania submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against PJSC Gazprom. The Ministry of Energy of the Republic of Lithuania declared that PJSC Gazprom violated the shareholders’ agreement with AB Lietuvos dujos, by unfair pricing of gas supplied to the Republic of Lithuania and claimed for LTL 5,000 million compensation (at the exchange rate as of 30 September 2016 – RUB 102,645 million). PJSC Gazprom did not agree to the claims and on 9 November 2012, filed with the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, response to the request for arbitration. Arbitration panel was formed and hearing on the merits took place from 1 to 9 July 2015. On 30 September 2015 the parties submitted additional written opinions based on the analysis of the hearing materials including witness statement and expert statement. On 22 June 2016 the arbitration court made a final decision which rejects all claims raised by the Ministry of Energy of the Republic of Lithuania, including claims on unfair pricing of gas which PJSC Gazprom supplied to Lithuania in 2006-2015. On 22 September 2016 it became known that the Ministry of Energy of the Republic of Lithuania has filed appeal with the Court of Appeal of Stockholm, Sweden, to cancel the Final arbitration decision of 22 June 2016. PJSC Gazprom intends to contest the appeal officially on the receipt thereof.

In August 2012 the European Commission launched a formal stage of 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.

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24 COMMITMENTS AND CONTINGENCIES (continued)

On 16 December 2015 South Stream Transport B.V., the subsidiary of the Group, was served with an official notification by the Secretariat of the Arbitration Court of the International Chamber of Commerce stating that Saipem S.p.A. submitted a request for arbitration against South Stream Transport B.V. in view of unilateral termination by the latter of the agreement dated 14 March 2014 for the construction of the “South Stream” pipeline. In its request Saipem S.p.A. claimed to receive as a compensation for the work performed reimbursements for the expenses incurred and for the termination of the agreement in the amount of about EUR 760 million plus interest (at the exchange rate as of 30 September 2016 – RUB 53,871 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 have agreed on the schedule of the arbitration. On 30 September 2016 Saipem S.p.A. submitted its claim in its entirety with all attachments. The amount of claim of Saipem S.p.A. was reduced to the amount of EUR 679 million (at the exchange rate as of 30 September 2016 – RUB 48,129 million). South Stream Transport B.V. is to file a defense on the claim along with testimony and experts’ opinions which underpin the respondent’s argument before 6 March 2017.

On 25 January 2016 the Antimonopoly Committee of Ukraine decided to impose a fine on PJSC Gazprom in the amount of Ukrainian hryvnia 85,966 million (at the exchange rate as of 30 September 2016 – RUB 209,631 million) for violation of economic competition. On 12 April 2016 PJSC Gazprom filed an action with the Kiev Economic Court against the decision of the Antimonopoly Committee of Ukraine. On 13 April 2016 the action was returned unconsidered on formal grounds. On 4 May 2016 PJSC Gazprom filed an appeal with the Kiev Economic Court of Appeal which left the primary court’s award unchanged based on the decision of 18 May 2016. On 7 June 2016 PJSC Gazprom filed a cassation appeal with the Ukraine’s Higher Economic Court. The proceedings have not been scheduled. On 13 July 2016 the Ukraine’s Higher Economic Court dismissed the appeal of PJSC Gazprom and affirmed the ruling of the court of first appearance and the decision of appeals instance. On 2 September 2016 PJSC Gazprom filed with the Supreme Court of Ukraine a petition to review the judgements in the case delivered by the lower-level courts. On 13 September 2016 the Supreme Court of Ukraine rejected to move the petition forward to review the judgements delivered in the case by the lower-level courts. On 7 October 2016 the Kiev Economic Court determined to initiate proceedings in the case in view of the application filed by the Antimonopoly Committee of Ukraine along with a claim to impose a penalty in the amount of about USD 3,300 million on PJSC Gazprom, a fine in the amount of about USD 3,300 million and a demand to enforce PJSC Gazprom to fulfil a portion of its decision which pertains to the performance of the terms and conditions to the fullest extent of Contract No. TKGU regarding the volumes of gas intended for transit purposes. On 5 December 2016 the Court satisfied the claims of the Antimonopoly Committee of Ukraine to the fullest extent. On 15 December 2016 PJSC Gazprom filed an appeal with the Kiev Economic Court of Appeal against this decision. Consideration of the appeal by the Court is planned for 18 January 2017. Management of the Group believes that the charges are not founded.

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. Submitting a request is not the beginning of the formal investigatory phase, it doesn’t represent acknowledgment of the infringement by PJSC Gazprom of the EU competition laws and is aimed solely at collection of information. The subject of the request is providing information regarding relations PJSC Gazprom with wholesale gas buyers in Bulgaria. The response to the request for information to the European Commission was filed by PJSC Gazprom on 7 April 2016. PJSC Gazprom’s terms of contractual relationships with customers are defined by international legal obligations, commercial reasonableness and market conditions.

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.

24 COMMITMENTS AND CONTINGENCIES (continued)

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) (PJSC Gazprom is not on the list of restricted entities in this respect);
- 3) providing, exporting, or reexporting, directly or indirectly, goods, services (except for financial services), or technology in support of potential exploration and production of oil in deep water, Arctic offshore, or shale formations in the Russian Federation, or in territorial waters claimed by the Russian Federation with participation of Russian companies, including PJSC Gazprom and PJSC Gazprom Neft. Since 7 August 2015 restriction includes the Yuzhno-Kirinskoye field located in the Sea of Okhotsk.

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

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

The sanctions imposed by the EU prohibit all citizens of countries-EU members, as well as to all legal entities and bodies established or created under the laws of the country-a member of the EU (both within the EU and abroad), as well as all legal entities, bodies in connection with any economic activities carried out in whole or in part within the EU:

- 1) provision of drilling, well testing, logging and completion and services and supply of specialised floating vessels necessary for deep water oil exploration and production, and (or) Arctic oil exploration and production, and shale oil projects in Russia, as well as the direct or indirect financing, financial assistance, technical and brokerage services in relation to these activities;
- 2) purchasing, selling, providing investment services for or assistance in the issuance of, or other dealings with transferable securities and money market instruments with a maturity of more than 90 days issued from 1 August 2014 to 12 September 2014 or more than 30 days, issued after 12 September 2014 by certain Russian companies in banking sector, including Gazprombank (Joint-stock Company), excluding PJSC Gazprom;
- 3) purchase, sale, provision of investment services for or assisting in the issuance of, or other dealings with transferable securities and money market instruments issued by some Russian energy companies, including PJSC Gazprom Neft but excluding PJSC Gazprom, after 12 September 2014 with maturity of more than 30 days;
- 4) providing after 12 September 2014 directly or indirectly or being part of any arrangement to make new loans or credit with a maturity of more than 30 days to a number of Russian companies (including PJSC Gazprom Neft and Gazprombank (Joint-stock Company) but excluding PJSC Gazprom), except for loans or credit that have a specific and documented objective to provide financing for non-prohibited imports or exports of goods and non-financial services between the EU and the Russian Federation or for loans that have a specific and documented objective to provide emergency funding to meet solvency and liquidity criteria for legal entities established in the EU, whose proprietary rights are owned for more than 50 percent by any entity referred to above.

These EU sanctions also apply to any entity if 50 percent or more of its capital is owned, directly or indirectly, separately or in the aggregate, by sanctioned entities.

Canada and a number of other states also imposed sanctions against some Russian individuals and entities,

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24 COMMITMENTS AND CONTINGENCIES (continued)

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

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

Financial guarantees

| | 30 September 2016 | 31 December 2015 |
|---------------------------------------|------------------------------|-----------------------------|
| Outstanding guarantees issued for: | | |
| Ostchem Holding Limited | 56,172 | 61,404 |
| Blackrock Capital Investments Limited | 6,030 | 9,946 |
| Other | <u>42,163</u> | <u>36,001</u> |
| Total financial guarantees | <u>104,365</u> | <u>107,351</u> |

For the nine months ended 30 September 2016 and in 2015 counterparties fulfilled their obligations.

Included in financial guarantees are amounts denominated in US Dollars of USD 144 million and USD 1,018 million as of 30 September 2016 and 31 December 2015, respectively, as well as amounts denominated in Euros of EUR 81 million and EUR 72 million as of 30 September 2016 and 31 December 2015, respectively.

In December 2014 the Group provided a guarantee to Gazprombank (Joint-stock Company) related to debts from Ostchem Holding Limited under the credit facility for financing of operating activities. As of 30 September 2016 and 31 December 2015 the above guarantee amounted to RUB 56,172 million and RUB 61,404 million (USD 843 million), respectively, and was fully provided. The change in the value of guarantee is attributed to the exchange difference between US Dollar and the Russian Ruble and accrual of interests. In June 2016 the Group signed an amendment agreement with Gazprombank (Joint-stock Company) according to which the amount of the guarantee was converted into Russian Rubles at the conversion rate agreed between the parties.

In 2006 the Group guaranteed 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 30 September 2016 and 31 December 2015 the guarantees issued for Blackrock Capital Investments Limited and EM Interfinance Limited amounted to RUB 6,030 million (USD 95 million) and RUB 9,946 million (USD 136 million), respectively.

Capital commitments

The total investment program related to gas, oil and power assets for 2016 is RUB 1,628,359 million.

25 POST BALANCE SHEET EVENTS

Borrowings and loans

In October 2016 the Group signed an agreement to obtain a long-term loan from consortiums of banks in the amount of EUR 300 million with the option in the additional amount of EUR 200 million at an interest rate of EURIBOR + 0.9 % due in 2019 with the option of extending twice by one year. The bank-agent is UniCredit Luxembourg S.A.

In October 2016 the Group obtained a long-term loan from PJSC VTB Bank in the amount of RUB 14,650 million at an interest rate of 10.5 % due in 2021.

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25 POST BALANCE SHEET EVENTS (continued)

In November 2016 the Group obtained a long-term loan from PJSC Sberbank in the amount of RUB 15,000 million at an interest rate from 10.3 % to 10.5 % due in 2021.

In November-December 2016 the Group obtained a long-term loan from PJSC Sberbank in the total amount of RUB 15,000 million at an interest rate from 10.28 % to 10.48 % due in 2021.

In November 2016 the Group obtained a long-term loan from Gazprombank (Joint-stock Company) in the total amount of EUR 259 million at an interest rate from 2.9 % to 3.1 % due in 2022.

In November 2016 the Group issued Loan Participation Notes in the amount of EUR 1,000 million at an interest rate of 3.125 % due in 2023 under USD 40,000 million Programme for the Issuance of Loan Participation Notes.

In November 2016 the Group issued Loan Participation Notes in the amount of 500 million of Swiss Francs at an interest rate of 2.75 % due in 2021 under USD 40,000 million Programme for the Issuance of Loan Participation Notes.

In December 2016 the Group obtained long-term loans from PJSC VTB Bank in the total amount of RUB 29,800 million at an interest rate of 10.5 % due in 2021.

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

PJSC GAZPROM
INVESTORS RELATIONS

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