

**BALANCE SHEET**  
as at 31 December 2015

Company PJSC Gazprom Neft  
Taxpayer identification number  
Activity oil and oil products wholesale trading  
Form of incorporation /ownership  
Public joint-stock company/Joint private and foreign ownership  
Unit of measurement: thousands of RUB  
Address 5-A, Galernaya st., Saint-Petersburg, 190000

Codes		
0710001		
31	12	2015
OKPO 42045241		
INN 5504036333		
OKVED 51.51		
1 22 47	34	
OKOPF/OKFS OKEI 384		

Notes	Parameter	Line code	At 31 December 2015	At 31 December 2014	At 31 December 2013
<b>ASSETS</b>					
<b>I. NON-CURRENT ASSETS</b>					
	Intangible assets, including:	1110	715,079	480,796	541,344
	intellectual property rights	1111	492,415	451,727	342,690
	other	1119	222,664	29,069	198,654
	Research and development	1120	182,994	132,595	104,972
	Intangible exploration assets	1130	-	-	2,920,227
	Fixed assets, including:	1150	2,261,162	2,805,017	6,585,184
5.2	fixed assets including:	1151	1,145,747	1,804,295	4,906,181
	buildings, structures, machinery and equipment, etc.	1153	1,145,747	1,804,295	4,906,181
5.3	Construction in progress	1154	1,115,415	1,000,722	1,679,003
5.6	Financial investments including:	1170	800,899,835	558,647,078	378,945,235
	investments in subsidiaries	1171	384,700,170	371,189,189	288,538,462
	investments in affiliates	1172	41,688,146	33,681,547	33,676,547
	investments in other entities	1173	4,076,362	4,127,362	4,045,712
	long-term loans and debt securities	1174	370,435,157	149,648,980	52,684,514
	Deferred tax assets	1180	3,138,006	4,366,936	16,627,477
5.4	Other non-current assets, including:	1190	16,757,463	12,024,130	5,212,087
	capitalized costs of land reclamation and liquidation of fixed assets	1191	8,093	7,977	7,977
	licenses	1192	-	201,500	201,500
	objects of non-exclusive rights	1193	6,248,639	5,376,298	3,926,249
	capital investment advances	1195	6,682,222	1,888,736	14,547
	other	1197	3,818,509	4,549,619	1,061,814
	<b>Total Section I</b>	<b>1100</b>	<b>823,954,539</b>	<b>578,456,552</b>	<b>410,936,526</b>

Notes	Parameter	Line code	At 31 December 2015	At 31 December 2014	At 31 December 2013
	<b>ASSETS</b>				
	<b>II. CURRENT ASSETS</b>				
5.5	Inventories, including:	1210	18,080,338	15,150,083	20,626,014
	raw materials and other inventories	1211	2,350,747	3,832,823	3,336,557
	work in progress	1212	726,944	527,770	744,378
	finished goods and goods for resale	1213	13,003,058	9,250,150	8,777,532
	goods dispatched	1215	1,420,944	1,072,531	7,099,050
	other inventories and expenses	1219	578,645	466,809	668,497
5.11	Input VAT	1220	10,080,194	6,619,959	7,972,343
5.7	Accounts receivable, including	1230	225,972,110	230,461,354	193,699,521
	Accounts receivable (payment expected beyond 12 months after the reporting date), including:	1231	28,296,190	6,002,469	5,860,387
	other debtors	1234	28,296,190	6,002,469	5,860,387
	Accounts receivable (payment expected within 12 months after the reporting date), including:	1235	197,675,920	224,458,885	187,839,134
	buyers and customers	1236	75,282,729	88,069,599	90,559,641
	advances paid	1238	28,628,898	29,022,376	21,855,561
	other debtors	1239	93,764,293	107,366,910	75,423,932
5.6	Financial investments (except for cash equivalents), including:	1240	239,471,506	317,590,563	138,095,629
	short-term loans and debt securities	1241	200,114,848	246,321,503	105,145,189
	bank deposits	1242	39,356,658	71,229,060	32,910,440
	other	1243	-	40,000	40,000
5.8	Cash and equivalents, including:	1250	82,546,302	23,712,457	72,129,361
	payment accounts	1252	13,520,148	13,169,835	5,717,520
	foreign currency accounts	1253	9,990,287	4,883,830	2,827,612
	other cash and equivalents	1259	59,035,867	5,658,792	63,584,229
	Other current assets	1260	435,747	335,395	992
	<b>Total Section II</b>	<b>1200</b>	<b>576,586,197</b>	<b>593,869,811</b>	<b>432,523,860</b>
	<b>BALANCE</b>	<b>1600</b>	<b>1,400,540,736</b>	<b>1,172,326,363</b>	<b>843,460,386</b>

Notes	Parameter	Line code	At 31 December 2015	At 31 December 2014	At 31 December 2013
	<b>LIABILITIES</b>				
	<b>III. EQUITY AND RESERVES</b>				
	Charter capital (share capital, statutory fund, partner's contributions)	1310	7,586	7,586	7,586
	Additional capital (w/o revaluation)	1350	7,807,598	7,807,598	7,807,598
	Statutory reserve	1360	379	379	379
	Retained earnings (loss)	1370	224,166,836	244,851,692	277,706,488
<b>5.17</b>	<b>Total Section III</b>	<b>1300</b>	<b>231,982,399</b>	<b>252,667,255</b>	<b>285,522,051</b>
	<b>IV. NON-CURRENT LIABILITIES</b>				
5.10	Borrowings, including:	1410	638,999,800	476,663,440	256,712,166
	bank loans due for repayment beyond 12 months	1411	316,808,855	206,631,215	63,797,141
	other loans due for repayment beyond 12 months	1412	322,190,945	270,032,225	192,915,025
	Deferred tax liabilities	1420	16,235,768	11,223,286	1,145,211
5.15	Estimated liabilities	1430	944,816	121,574	1,908,487
	<b>Total Section IV</b>	<b>1400</b>	<b>656,180,384</b>	<b>488,008,300</b>	<b>259,765,864</b>
	<b>V. CURRENT LIABILITIES</b>				
5.10	Borrowings, including:	1510	345,159,712	191,182,195	170,185,039
	bank loans due for repayment within 12 months	1511	21,864,810	-	-
	other loans due for repayment within 12 months	1512	211,266,931	149,725,705	144,798,426
	current portion of long term borrowings	1513	112,027,971	41,456,490	25,386,613
5.9	Accounts payable, including:	1520	164,536,452	235,665,746	126,382,254
	suppliers and contractors	1521	123,846,390	124,213,786	103,033,242
	payable to employees	1522	4,743	4,979	164,629
	payable to state non-budget funds	1523	271,100	205,268	125,936
	taxes and duties payable	1524	396,052	230,232	2,012,375
	other creditors, including:	1525	39,991,532	110,971,309	21,005,796
	advances received	1527	11,736,227	11,655,846	11,288,518
	other creditors	1528	28,255,305	99,315,463	9,717,278
	dividends payable to members (shareholders)	1529	26,635	40,172	40,276
	Income of future periods	1530	65,926	86,068	105,845
5.15	Estimated liabilities	1540	2,615,863	4,716,799	1,499,333
	<b>Total Section V</b>	<b>1500</b>	<b>512,377,953</b>	<b>431,650,808</b>	<b>298,172,471</b>
	<b>BALANCE</b>	<b>1700</b>	<b>1,400,540,736</b>	<b>1,172,326,363</b>	<b>843,460,386</b>

Chief Executive  
Officer                     <signed>                    A. V. Dyukov                      
(signature) (name)

Chief Accountant                     <signed>                    O. N. Makretskaya                      
(signature) (name)

04 March 2016

Seal: Public Joint Stock Company Gazprom Neft  
PJSC Gazprom Neft  
INN 5504036333  
OGRN 1025501701686

**Statement of Financial Results  
for 2015**

Company PJSC GAZPROM NEFT  
 Taxpayer identification number  
 Activity oil and oil products wholesale trading  
 Form of incorporation /ownership  
Public joint-stock company/Joint private and foreign ownership  
 Unit of measurement: thousands of RUB

	Codes		
OKUD	0710002		
Date (day, month, year)	31	12	2015
OKPO	42045241		
INN	5504036333		
OKVED	51.51		
OKOPF/OKFS	1 22 47	34	
OKEI	384		

Notes	Parameter	Line code	For 2015	For 2014
<b>5.12</b>	<b>Revenue</b>	<b>2110</b>	<b>1,272,981,108</b>	<b>1,249,467,114</b>
	including sales:			
	of oil and oil products	2111	1,235,694,187	1,214,515,027
	other	2119	37,286,921	34,952,087
<b>5.13</b>	<b>Cost of goods, work, services sold</b>	<b>2120</b>	<b>(1,020,658,612)</b>	<b>(851,124,055)</b>
	including sales:			
	of oil and oil products	2121	(988,240,566)	(820,849,558)
	other	2129	(32,418,046)	(30,274,497)
	<b>Gross profit</b>	<b>2100</b>	<b>252,322,496</b>	<b>398,343,059</b>
5.13	Sales expenses	2210	(206,620,311)	(298,366,226)
5.13	Administrative expenses	2220	(23,104,119)	(20,354,789)
	<b>Profit from sales</b>	<b>2200</b>	<b>22,598,066</b>	<b>79,622,044</b>
	Income from participation in other entities	2310	79,432,059	37,514,550
	Interest receivable	2320	17,431,531	19,722,653
	Interest payable	2330	(30,970,665)	(24,132,364)
5.14	Other income	2340	34,460,865	10,218,820
5.14	Other expenses	2350	(100,681,794)	(86,339,691)
	<b>Profit before tax</b>	<b>2300</b>	<b>22,270,062</b>	<b>36,606,012</b>
	<b>Profit tax, including:</b>	<b>2405</b>	<b>21,360,728</b>	<b>6,314,860</b>
5.11	current profit tax	2410	21,169,158	6,398,927
5.11	prior years profit tax	2411	191,570	(84,067)
5.11	incl. permanent tax liabilities (assets), line 2405	2421	(4,290,653)	2,101,007
5.11	Changes to deferred tax liabilities	2430	(5,419,339)	(10,078,075)
5.11	Changes to deferred tax assets	2450	(104,947)	1,759,335
5.11	Other	2460	(713416)	(14,071,207)
5.11	Redistribution of profit tax within CTG	2465	(21,247,338)	(6,399,442)
	<b>Net profit (loss) in the reporting period</b>	<b>2400</b>	<b>16,145,750</b>	<b>14,131,483</b>
	REFERENCE:			
	Total financial result for the period	2500	16,145,750	14,131,483
5.18	Basic earnings (loss) per share (RUB)	2900	3.41	2.98
	Diluted earnings (loss) per share	2910	3.41	2.98

Chief Executive

Officer                     <signed>                    A. V. Dyukov                      
 (signature) (name)

Chief Accountant                     <signed>                    O. N. Makretskaya                      
 (signature) (name)

04 March 2016

Seal: Public Joint Stock Company Gazprom Neft  
 PJSC Gazprom Neft  
 INN 5504036333  
 OGRN 1025501701686

**STATEMENT OF CHANGES IN EQUITY**

for 2015

Company PJSC GAZPROM NEFT  
 Taxpayer identification number  
 Activity oil and oil products wholesale trading  
 Form of incorporation /ownership  
Public joint-stock company/Joint private and foreign ownership  
 Unit of measurement: thousands of RUB

OKUD Form  
 Date (day, month, year)  
 OKPO  
 INN  
 OKVED  
 OKOPF/OKFS  
 OKEI

Codes		
0710003		
31	12	2015
42045241		
5504036333		
51.51		
1.22.47	34	
384		

Parameter	Code	Charter capital	Treasury shares	Additional capital	Statutory reserve	Retained earnings (loss)	Total
<b>Equity as at 31 December 2013</b>	<b>3100</b>	<b>7,586</b>	<b>-</b>	<b>7,807,598</b>	<b>379</b>	<b>277,706,488</b>	<b>285,522,051</b>
Including changes due to revaluation of fixed assets	3104	x	x	-	x	-	-
<b>2014</b>							
<b>Increase of equity – total:</b>	<b>3210</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,131,483</b>	<b>14,131,483</b>
including:							
net profit	3211	x	x	x	x	14,131,483	14,131,483
property revaluation	3212	x	x	-	x	-	-
incomes allocated directly to the increase of equity	3213	x	x	-	x	-	-
additional share issuance	3214	-	x	-	x	x	-
increased par value of shares	3215	-	x	-	x	-	-
reorganization of the legal entity	3216	-	-	-	-	-	-
buy-in	3217	x	-	x	x	x	-
other	3219	-	-	-	-	-	-
<b>Decrease of equity – total:</b>	<b>3220</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(46,986,279)</b>	<b>(46,986,279)</b>
including:							
loss	3221	x	x	x	x	-	-
property revaluation	3222	x	x	-	x	-	-
expenses allocated directly to the decrease of equity	3223	x	x	x	x	-	-
decreased par value of shares	3224	-	x	x	x	-	-
decreased number of shares	3225	-	-	x	x	x	-
reorganization of the legal entity	3226	-	-	-	-	-	-
dividends	3227	x	x	x	x	(46,986,279)	(46,986,279)
other	3229	-	-	-	-	-	-
Changes in additional capital	3230	x	x	-	x	-	-
Changes in statutory reserve	3240	x	x	x	-	-	-
<b>Equity as at 31 December 2014</b>	<b>3200</b>	<b>7,586</b>	<b>-</b>	<b>7,807,598</b>	<b>379</b>	<b>244,851,692</b>	<b>252,667,255</b>
<b>2015</b>							
<b>Increase of equity – total:</b>	<b>3310</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,155,042</b>	<b>16,155,042</b>
including:							
net profit	3311	x	x	x	x	16,145,750	16,145,750

Parameter	Code	Charter capital	Treasury shares	Additional capital	Statutory reserve	Retained earnings (loss)	Total
property revaluation	3312	x	x	-	x	x	-
incomes allocated directly to the increase of equity	3313	x	x	-	x	-	-
additional share issuance	3314	-	x	-	x	x	-
increased par value of shares	3315	-	x	-	x	x	-
reorganization of the legal entity	3316	-	-	-	-	-	-
buy-in	3317	x	-	x	x	x	-
other	3319	-	-	-	-	9,292	9,292
<b>Decrease of equity – total:</b>	<b>3320</b>	-	-	-	-	<b>(36,839,898)</b>	<b>(36,839,898)</b>
including:							
loss	3321	x	x	x	x	-	-
property revaluation	3322	x	x	-	x	x	-
expenses allocated directly to the decrease of equity	3323	x	x	x	x	-	-
decreased par value of shares	3324	-	x	x	x	-	-
decreased number of shares	3325	-	-	x	x	x	-
reorganization of the legal entity	3326	-	-	-	-	-	-
dividends	3327	x	x	x	x	(36,839,898)	(36,839,898)
other	3329	-	-	-	-	-	-
Changes in additional capital	3330	x	x	-	x	-	x
Changes in statutory reserve	3340	x	x	x	-	-	x
<b>Equity as at 31 December 2015</b>	<b>3300</b>	<b>7,586</b>	<b>-</b>	<b>7,807,598</b>	<b>379</b>	<b>224,166,836</b>	<b>231,982,399</b>

## 2. Adjustments due to changes in accounting policy and correction of errors

Parameter	Code	At 31 December 2013	Equity changes in 2014		At 31 December 2014
			Due to net profit (loss)	Due to other factors	
<b>Equity – total</b>					
before adjustments	3400	-	-	-	-
adjustment due to:					
changes in accounting policy	3410	-	-	-	-
correction of errors	3420	-	-	-	-
after adjustments	3500	-	-	-	-
<b>including:</b>					
<b>Retained earnings (loss)</b>					
before adjustments	3401	-	-	-	-
adjustment due to:					
changes in accounting policy	3411	-	-	-	-
correction of errors	3421	-	-	-	-
after adjustments	3501	-	-	-	-
<b>Additional capital</b>					
before adjustments	3402	-	-	-	-
adjustment due to:					
changes in accounting policy	3412	-	-	-	-
correction of errors	3422	-	-	-	-
after adjustments	3502	-	-	-	-
<b>Statutory reserve</b>					
before adjustments	3403	-	-	-	-
adjustment due to:					
changes in accounting policy	3413	-	-	-	-
correction of errors	3423	-	-	-	-
after adjustments	3503	-	-	-	-
<b>Treasury shares</b>					
before adjustments	3404	-	-	-	-
adjustment due to:					
changes in accounting policy	3414	-	-	-	-
correction of errors	3424	-	-	-	-
after adjustments	3504	-	-	-	-
<b>State social fund</b>					
before adjustments	3405	-	-	-	-
adjustment due to:					
changes in accounting policy	3415	-	-	-	-
correction of errors	3425	-	-	-	-
after adjustments	3505	-	-	-	-

## 3. Net assets

Parameter	Code	At 31 December 2015	At 31 December 2014	At 31 December 2013
Net assets	3600	232,048,325	252,753,323	285,627,896

Chief Executive

Officer                     <signed>                    A. V. Dyukov                      
(signature) (name)

Chief Accountant                     <signed>                    O. N. Makretskaya                      
(signature) (name)

04 March 2016

Seal: Public Joint Stock Company Gazprom Neft  
PJSC Gazprom Neft  
INN 5504036333  
OGRN 1025501701686

## CASH FLOW STATEMENT

for 2015

Company PJSC Gazprom Neft  
 Taxpayer identification number  
 Activity oil and oil products wholesale trading  
 Form of incorporation /ownership  
Public joint-stock company/Joint private and foreign ownership  
 Unit of measurement: thousands of RUB

	Codes		
OKUD Form	0710004		
Date (day, month, year)	31	12	2015
OKPO	42045241		
INN	5504036333		
OKVED	51.51		
OKOPF/OKFS	1 22 47	34	
OKEI	384		

Parameter	Code	For 12 months of 2015	For 12 months of 2014
<b>Cash flows from operating activities</b>			
<b>Total cash received</b>			
including from:	<b>4110</b>	<b>1,235,826,335</b>	<b>1,274,855,187</b>
sale of goods, products, work and services	4111	1,209,375,667	1,235,473,812
lease payments, licence fees, royalty, commission charges, etc.	4112	351,183	617,226
other receipts:	4113	26,099,485	38,764,149
sale of other assets	4114	2	2,751
currency sales	4115	-	467,964
other receipts	4119	26,099,483	38,293,434
<b>Total cash used</b>			
including:	<b>4120</b>	<b>(1,214,334,078)</b>	<b>(1,171,536,584)</b>
purchased goods, work, services	4121	(1,036,925,736)	(877,757,722)
payroll	4122	(12,670,861)	(8,522,264)
interest on debt	4123	(29,227,833)	(22,413,397)
profit tax	4124	(970,112)	(11,384,668)
other expenses	4125	(134,539,536)	(251,458,533)
customs duties	4126	(113,004,000)	(237,970,200)
payments to non-budget funds	4127	(1,941,454)	(921,368)
sale of currency	4129	(774,221)	-
payment of taxes and duties, except for profit tax	4130	(337,231)	(515,360)
other expenses	4139	(18,482,630)	(12,051,605)
<b>Net cash flow from current operations</b>	<b>4100</b>	<b>21,492,257</b>	<b>103,318,603</b>
<b>Cash flows from investment activities</b>			
<b>Total cash received</b>			
including from:	4210	201,560,880	85,496,238
sale of non-current assets (excl. financial investments)	4211	1,128,685	10,992,847
sales of shares (holdings) in other entities	4212	35,976,707	-
repayment of loans, sales of debt securities (debt claims)	4213	72,099,089	35,965,192
dividends, interest on debt financial investments and similar			
proceeds from participation in other entities	4214	82,927,409	34,878,990
other proceeds	4219	9,428,990	3,659,209
<b>Total cash used</b>			
including:	<b>4220</b>	<b>(315,374,833)</b>	<b>(266,181,491)</b>
acquisition, creation, modernization, reconstruction and preparation for use of non-current assets	4221	(10,810,670)	(4,411,874)
acquisition of shares (holdings) in other entities	4222	(69,807,959)	(10,560,329)
acquisition of debt securities (debt claims), loans provided to other entities	4223	(229,076,820)	(248,414,883)
other payments	4229	(5,679,384)	(2,794,405)
<b>Net cash flow from investment activities</b>	<b>4200</b>	<b>(113,813,953)</b>	<b>(180,685,253)</b>



<b>Parameter</b>	<b>Code</b>	<b>For 12 months of 2015</b>	<b>For 12 months of 2014</b>
<b>Cash flows from financial activities</b>			
<b>Total cash received</b>			
including from:	4310	238,363,777	125,511,067
loans received	4311	238,355,635	125,510,993
other receipts	4319	8,142	74
<b>Total cash used</b>	<b>4320</b>	<b>(89,720,988)</b>	<b>(119,335,472)</b>
dividends and other distributions to owners (shareholders)	4322	(36,526,056)	(46,585,962)
redemption (buy-back) of promissory notes and other debt securities, repayment of loans	4323	(40,312,131)	(72,749,510)
sale of currency	4329	(12,882,801)	-
<b>Net cash flow from financial activities</b>	<b>4300</b>	<b>148,642,789</b>	<b>6,175,595</b>
<b>Net cash flows for the period</b>	<b>4400</b>	<b>56,321,093</b>	<b>(71,191,055)</b>
<b>Cash balance at the beginning of reporting period</b>	<b>4450</b>	<b>23,712,457</b>	<b>72,129,361</b>
<b>Cash balance at the end of reporting period</b>	<b>4500</b>	<b>82,546,302</b>	<b>23,712,457</b>
<b>Effect of exchange differences</b>	<b>4490</b>	<b>2,512,752</b>	<b>22,774,151</b>

Chief Executive

Officer                   <signed>                  A. V. Dyukov  
(signature) (name)

Chief Accountant                   <signed>                  O. N. Makretskaya  
(signature) (name)

04 March 2016

Seal: Public Joint Stock Company Gazprom Neft  
PJSC Gazprom Neft  
INN 5504036333  
OGRN 1025501701686

**NOTES TO THE BALANCE SHEET AND THE STATEMENT OF FINANCIAL RESULTS  
OF PUBLIC JOINT STOCK COMPANY “GAZPROM NEFT”  
FOR 2015**

**PJSC Gazprom Neft**  
**Notes to the balance sheet and the statement of financial results for 2015**  
**(RUB thousand, unless stated otherwise)**

These notes to the balance sheet and the statement of financial results are an integral part to the financial statements of PJSC Gazprom Neft for 2015 prepared pursuant to the applicable laws and regulations of the Russian Federation.

**I. GENERAL**

**1.1 Background**

Public Joint-Stock Company Gazprom Neft (PJSC Gazprom Neft – the short name, hereinafter the “Company”) was established pursuant to decree No. 1403 of the Russian President On Specifics of Privatization and Transformation into Joint-Stock Companies of State-Owned Companies, Production and Scientific Research Association in the Oil, Oil Processing Industry and Oil Product Supply Sector dated 17 November 1992, No. 872 On Establishment of Open Joint-Stock Company Siberian Oil Company dated 24 August 1995 and decree No. 972 of the Russian Government On Establishment of Open Joint-Stock Company Siberian Oil Company dated 29 September 1995.

In 2015, the Company was re-registered from an open joint-stock company into a public joint-stock company due to the requirement to bring the organizational and legal form of the Company in compliance with the changes to the Russian Civil Code made by Federal Law No. 99-FZ dated 05.05.2014 On Making Changes to Chapter 4 of Part I of the Russian Civil Code and Repeal of Certain Provisions of Russian Laws and Regulations.

**1.2. Registered address (location) of the Company**

The Company is registered at 5A, Galernaya St., Saint-Petersburg, Russian Federation, 190000 (postal address: 3-5 Pochtamtskya str., Saint-Petersburg, Russian Federation, 190000).

**1.3. Management bodies of the Company**

**General Shareholders’ Meeting of the Company**

The General Shareholders’ Meeting is the Company’s supreme management body. The scope of competence, method of convening, holding and proceedings during the General Shareholders’ Meeting of the Company are defined by the federal laws and regulations and the Company’s Charter.

**The Board of Directors of the Company**

The Company’s Board of Directors performs day-to-day management of the Company’s operations, excluding the matters reserved, pursuant to the federal laws and regulations and the Company’s Charter, to the General Shareholders’ Meeting. The Directors are appointed by the General Shareholders’ Meeting for the term lasting until the next annual General Shareholders’ Meeting.

As of 31 December 2015, the Board of Directors of PJSC Gazprom Neft is composed of the following members:

**Alexey Borisovich Miller**, Chairman of the Board of Directors of PJSC Gazprom, Chairman of the Management Board of PJSC Gazprom, Deputy Chairman of the Board of Directors of PJSC Gazprom;

**Vladimir Ivanovich Alisov**, First Deputy Head of Legal Department of PJSC Gazprom;

**Marat Marselevich Garaev**, First Deputy Head of Gas and Liquid Hydrocarbons Marketing and Processing Department of PJSC Gazprom;

**Valery Alexandrovich Golubev**, Deputy Chairman of the Management Board of PJSC Gazprom;

**Nikolay Nikolaevich Dubik**, member of the Management Board of PJSC Gazprom, Head of Legal Department of PJSC Gazprom;

**Alexander Valerievich Dyukov**, Chief Executive Officer, Chairman of the Management Board of PJSC Gazprom Neft;

**Andrey Vyacheslavovich Kruglov**, Deputy Chairman of the Management Board, Head of Financial and Economic Department of PJSC Gazprom;

**Elena Vladimirovna Mikhailova**, Member of the Management Board of PJSC Gazprom, Head of the

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Asset Management and Corporate Relations Department at PJSC Gazprom;

**Kirill Gennadievich Seleznev**, member of the Management Board of PJSC Gazprom, Head of Gas and Liquid Hydrocarbons Marketing and Processing Department;

**Valery Pavlovich Serdukov**, member of the Management Board of PJSC Gazprom;

**Mikhail Leonidovich Sereda**, member of the Board of Directors of PJSC Gazprom, Deputy Chairman of the Management Committee – Head of the Administration of the Management Board, PJSC Gazprom;

**Sergey Aleksandrovich Fursenko**, Chairman of the Board of Directors for LLC Gazprom Gas-Motor Fuel (a subsidiary of PJSC Gazprom);

**Vsevolod Vladimirovich Cherepanov**, member of the Management Board of PJSC Gazprom, Head of Gas, Gas Condensate and Oil Production of PJSC Gazprom;

#### **Sole-membered executive body of the Company**

In 2014 and 2015, the sole-membered executive body of the Company was the Chief Executive Officer Alexander Valerievich Dyukov.

#### **Collegial executive body of the Company**

Pursuant to the Charter, the collegial executive body of the Company is the Management Board. The Resolution of the Board of Directors dated 06.04.2015 determined the number of members in the Management Board – 11, Andrey Nikolaevich Patrushev was appointed to the Management Board (Minutes of the Board Meeting No. IIT-0102/19 dated 06.04.2015).

As of 31 December 2015, the Management Board of PJSC Gazprom Neft is composed of the following members:

**Alexander Valerievich Dyukov**, Chief Executive Officer, Chairman of the Management Board of PJSC Gazprom Neft;

**Igor Konstantinovich Antonov**, Member of the Management Board, Deputy CEO for Security of PJSC Gazprom Neft;

**Vitaliy Vitalievich Baranov**, Deputy Chairman of the Management Board, Deputy CEO for Administration of PJSC Gazprom Neft;

**Vladislav Valerievich Baryshnikov**, Member of the Management Board, Deputy CEO for International Business Development of PJSC Gazprom Neft;

**Alexander Mikhailovich Dybal**, Member of the Management Board, Deputy CEO for Corporate Communications of PJSC Gazprom Neft;

**Elena Anatolievna Ilyukhina**, Member of the Management Board, Deputy CEO for Legal and Corporate Affairs of PJSC Gazprom Neft;

**Kirill Albertovich Kravchenko**, Member of the Management Board, Deputy CEO for Foreign Projects of PJSC Gazprom Neft;

**Anatoly Moiseevich Cherner**, Deputy Chairman of the Management Board, Deputy CEO for Logistics, Processing and Sales of PJSC Gazprom Neft;

**Vadim Vladislavovich Yakovlev**, Deputy Chairman of the Management Board, First Deputy CEO of PJSC Gazprom Neft;

**Alexei Viktorovich Yankevich**, Member of the Management Board, Deputy CEO for Economics and Finance of PJSC Gazprom Neft;

#### **1.4. Control over the financial and business operations of the Company**

The financial and business operations of the Company is controlled by the Audit Commission. The Company's Audit Commission comprises five members appointed by the General Shareholders' Meeting for the term lasting until the next annual General Shareholders' Meeting.

The current members of the Audit Commission were appointed by the annual General Shareholders' Meeting on 05.06.2015.

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The Audit Commission of PJSC Gazprom Neft is composed of the following members:

**Margarita Ivanovna Mironova**, First Deputy Head of the Management Board Administration – Head of the Department of Internal Audit and Control of Subsidiaries Operations, Management Board Administration, PJSC Gazprom;

**Galina Yurievna Delvig**, Head of the Department of Internal Audit of PJSC Gazprom Neft;

**Vitaly Anatolievich Kovalev**, Deputy Head of Gas-supply Control Division of the Internal Audit and Control of Subsidiaries Operations Department, Management Board Administration, PJSC Gazprom;

**Anatoliy Anatolievich Kotlyar**, Deputy Head of the Division of the Internal Audit and Control of Subsidiaries Operations Department, Management Board Administration, PJSC Gazprom;

**Aleksandr Aleksandrovich Frolov**, Head of the CIS Division of the Department of Marketing, Gas and Liquid Hydrocarbons Processing of PJSC Gazprom;

### 1.5. The Company's operations

The Company's principal line of business is sale of crude oil and petroleum products. The Company also carries out other operations, including arranging transportation, lease of assets, provision of commission and other services.

The Company carries out its operations pursuant to the licenses received to perform certain types of operations:

- exploration and production of oil and gas;
- production of fresh groundwater;
- water resources management;
- etc.

The Company holds licenses for the exploration and production of oil and gas:

Licene holder	License block (field)	License		
		Series	Number	Type
PJSC Gazprom Neft	Pyakutinsky	CJIX	15956	HP
PJSC Gazprom Neft	West-Yubileiny	CJIX	02456	HЭ
PJSC Gazprom Neft	West-Yubileiny	CJIX	02457	III

The license to Pyakutinsky license block CJIX No. 15956 HP was issued to PJSC Gazprom Neft on 23.12.2015 as part of re-issuance to replace license CJIX No. 14614 HP (in connection with the change of name of the subsoil user from OJSC Gazprom Neft to PJSC Gazprom Neft).

Licenses to West-Yubileiny license block CJIX No. 02456 HЭ for hydrocarbon exploration and production within West-Yubileiny field and CJIX No. 02457 III for geology study of West-Yubileiny license block for the purposes of finding and evaluating hydrocarbon fields were registered on 10.12.2015.

The right to use the subsoil of the above license blocks was granted to PJSC Gazprom Neft due to the transfer of the right to use subsoil blocks from LLC Gazprom Production Nadym.

### 1.6. Branches and representative offices (territorially autonomous units)

As of 31 December 2015, the Company had 11 territorially autonomous units:

No.	Name of the branch (structural unit)	Address
1	Moscow branch (responsible)	125A Profsoyuznaya street, Moscow 117647

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2	Autonomous unit of PJSC Gazprom Neft in Moscow	1 Kapotnya, building 3, 2 kvartal, Moscow, 109429
3	Autonomous unit of PJSC Gazprom Neft in Omsk region (responsible)	1 Gubkin ave., Omsk, Russia 644035
4	Autonomous unit of PJSC Gazprom Neft in Omsk region	54 Frunze street, Omsk, Russia 644043
5	Autonomous unit of PJSC Gazprom Neft in Saint-Petersburg at 1A Paradnaya street	1A Paradnaya street, Saint-Petersburg, 191014
6	Autonomous unit of PJSC Gazprom Neft in Noyabrsk	51 Lenin street, Noyabrsk, Yamalo-Nenets Autonomous district 629807
7	Autonomous unit of PJSC Gazprom Neft in Muravlenko	82/19 Lenin street, Muravlenko, Yamalo-Nenets Autonomous district 629601
8	Autonomous unit of PJSC Gazprom Neft in Khanty-Mansiysk	56 Linin sreet, Khanty-Mansiysk, Khanty–Mansi Autonomous Okrug-Yugra 628011
9	Autonomous unit of PJSC Gazprom Neft in Novosibirsk	52 Oktyabrskaya street, Novosibirsk, Novosibirsk region 630099
10	Autonomous unit of PJSC Gazprom Neft in Yekaterinburg	61 Sacco and Vanzetti street, Yekaterinburg, Sverdlovsk region 620014
11	Autonomous unit of PJSC Gazprom Neft in Saint-Petersburg, 20A Repishchev street	20A Repishchev street, Saint-Petersburg, 197375

During 2015, the structure of the territorially autonomous units did not undergo any changes:

**1.7. Information about the number of staff**

The average number of the Company's staff is 1,421 and 1,316 persons in 2015 and 2014 respectively.

The number of the Company's employees was 1,604, 1,390 and 1,300 as of 31.12.2015, 31.12.2014 and 31.12.2013 respectively.

**II. MATERIAL POINTS OF THE ACCOUNTING POLICY AND DISCLOSURES IN FINANCIAL STATEMENTS**

**2.1. Basis for preparation**

The Company's annual financial statements for 2015 were prepared pursuant to Federal Law No. 402-FZ On Accounting dated 06 December 2011, the Regulation on Accounting and Financial Statements in the Russian Federation approved by Order No. 34H of the Ministry of Finance of the Russian Federation dated 29 July 1998, Regulation on Accounting 'Accounting in Organization' (PBU 4/99) approved by Order No. 43H of the Ministry of Finance of the Russian Federation dated 6 July 1999, and other rules and regulations included in the system of accounting regulations related to organizations in the Russian Federation.

The persons responsible for arranging and mantling the accounting and preparing the financial statements are

CEO	Alexander Valerievich Dyukov
Chief Accountant	Olga Nikolaevna Makretskaya.

The Company's accounting policy was approved by the Company's Order No. 108-II dated 31.12.2014 On Approval of the Accounting Policy of PJSC Gazprom Neft for 2015.

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## **2.2 Assets and liabilities in foreign currency**

When accounting for the operations in foreign currencies (including those payable in roubles), the exchange rate for the relevant currency was used as published by the Bank of Russia on the date of the operation.

The value of the cash in bank accounts (bank deposits), cash and payment documents, securities (except shares), cash receivable and payable, including loans provided and received (excluding amounts received and advances paid and advance payments) denominated in foreign currency, is accounted for in the financial statements in the amounts calculated on the basis of the official exchange rate on the reporting date being:

Foreign currency	on 31.12.15	on 31.12.14	on 31.12.13
USD	72.8827	56.2584	32.7292
EUR	79.6972	68.3427	44.9699

The exchange rate differences occurring during the year in relation to the operations with assets and liabilities the value of which is expressed in foreign currencies and when their value is re-calculated as of the reporting date are shown without a breakdown as part of other income and expenses.

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

In the balance sheet, the accounts receivable and payable, including loans, is shown as current if the term of their maturity (repayment) is equal to or less than 12 months after the reporting date or is not set.

If accounts receivable and payable, including loans, at the beginning of the reporting period are classified as non-current and during the reporting period it became certain that the accounts receivable and payable will be repaid within 12 months after the reporting date, such accounts receivable and payable are reclassified as current. Such accounts receivable and payable are shown as current at the end of the reporting period.

The financial investments are classified as current or non-current on the basis of the anticipated time of their use (conversion, holding or repayment) after the reporting date.

## **2.4 Intangible assets**

In the balance sheet, the intangible assets are shown at their original cost less the amortization amount accumulated for the whole time of their use.

The intangible assets include the cost of purchasing the exclusive rights to intellectual property (including exclusive rights to software).

The amortization of the intangible assets is calculated using straight-line method. The Company sets the useful life for each kind of the amortized intangible assets when such assets are registered on the basis of the validity period of the rights and the period of control over the asset or the anticipated time of use of such asset during which the Company is expected to receive economic benefit (earnings), but not more than the company's period of operation.

The Company annually checks the useful life of the intangible asset to ascertain whether it is necessary to adjust it. If the length of the period during which it is planning to use the asset changes significantly, its useful life is subject to adjustment. Any adjustments that arise in connection with the above are shown as changes to estimated values.

The Company does not perform revaluation of intangible assets.

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Testing for impairment of intangible assets is carried out if there are any signs of such impairment pursuant to the procedure described in the International Financial Reporting Standards.

**2.5. Fixed assets**

Fixed assets include the assets that meet the requirements set out in the Regulation on Accounting 'Accounting for Fixed Assets' (PBU 6/01) approved by Order No. 26Н of the Russian Ministry of Finance dated 30.03.2001.

**2.5.1. Fixed assets**

Fixed assets include buildings, structures, machinery, equipment, vehicles with the useful life over 12 months.

The real estate objects that were completely built, commissioned and are used, if the title to such facilities has not been registered as required by law, are accounted for separately as part of fixed assets.

The objects that meet the criteria of their recognition as fixed assets and worth RUB 40,000 or less per unit are shown as inventories and are written off as soon as they are commissioned. In order to ensure the integrity and safekeeping of such assets during the production and operation, controls over changes to them have been put in place.

In the financial statements, the fixed assets are shown at their original value including the costs of their upgrade, reconstruction, completion and additional equipment less the depreciation accumulated during the time of their operation.

The fixed assets are registered on the books at their actual cost of purchase (construction).

The depreciation of fixed assets is accrued monthly using straight-line method on the basis of their useful life and applying the following standard rates:

- for the fixed assets purchased before 1 January 2002 – the standard rates set by the Unified Rates of Depreciation Deductions for Complete Restoration of Fixed Assets of the National Economy in the USSR (approved by Decree No. 1072 of the Soviet of Ministers dated 22.10.1990);
- for the fixed assets purchased after 1 January 2002 – the standard rules set by the Classification of Fixed Assets Included in Depreciation Groups (approved by Decree No. 1 of the Russian Government dated 01.01.2002).

Useful life of fixed asset groups as adopted by the Company:

Fixed asset group	Useful life of the objects registered on the books (years)	
	before 01.01.2002	from 01.01.2002
Wells	15	7-20
Structures	5-50	2-30
Transfer devices	10-20	5-25
Computer equipment	-	3-7
Machinery and equipment	2-20	2-30
Buildings	10-83	7-100

Depreciation is not assessed for:

- facilities to be suspended for periods over three months and during the restoration period of facilities with the duration over 12 months;
- fully depreciated facilities which have not been written off the books.



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The earnings and expenses of disposal and retirement of fixed assets are shown in the statement of financial results as part of other income and expenses.

The Company does not perform revaluation of fixed assets.

The leased fixed assets are shown on the balance sheet at the value shown in the lease agreement. The leased land plots and the land plots received for indefinite use are shown at their cadastral value. If the lease contract (including lease contract for any office or premises) does not include the value of the leased property, such property is accounted for off-balance indicating only its physical attributes (the area of such premises, the area of land plots etc.).

#### **2.5.2. Investments in non-current assets**

Investments in non-current assets include:

- capital construction in progress;
- costs of modernization, reconstruction;
- the value of the equipment to be installed in the facilities under construction (reconstruction);
- research and development in progress.

Investments in non-current assets include the interest on borrowed funds related to purchasing, building and/or making any assets preparation of which for use requires long period of time (over 12 months) and considerable costs of purchasing, building and/or making such assets.

In the balance sheet, the objects of investment in non-current assets are shown, subject to their materiality, under additionally introduced lines to “Intangible assets”, “Research and development”, “Fixed assets”, depending on which assets such objects will be recognized as after the relevant investment in non-current assets is completed.

#### **2.6. Financial investment**

Financial investments are shown at their original actual cost less the impairment, except the financial investments for which it is possible to determine the current market value as required by law. The latter are revaluated monthly at the current market value. The difference between the value of such financial investments as of the current reporting date and their previous evaluation is included in other income and expenses.

The financial investments for which the current market value is not determined are shown on the balance sheet as of the end of the reporting period at their accounting (balance sheet) value, except the investments in the companies in relation to which as of the above date there are conditions of stable material value reduction. On the basis of the information available to the Company, the calculated value of such financial investments as of the reporting date is determined. The excess accounting (balance sheet) value of such investment over their calculated value is covered by the reserve made to cover the impairment of financial investments, the total amount of such reserve is included in other expenses. The reserve to cover the impairment of financial investments is adjusted quarterly on the basis of the results of verification for impairment of financial investments.

Depending on the nature of financial investments, the way they were purchased and are used, the following may be used as a unit of financial investments: contribution to the charter capital, loan agreement, bank deposit agreement, series of securities issued etc.

The securities for which their current market value is not determined (other than notes) are shown in accounting records at the time of their disposal or retirement using the FIFO method. Other financial investments for which their current market value is not determined, are shown in accounting records at the time of their disposal or retirement at the original value of each accounting unit of financial investments.

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The financial investments for which the current market value is determined are shown at the time of their disposal or retirement at their last valuation.

Earnings and expenses related to financial investments are shown as other income and expenses.

## **2.7. Other on-current assets**

Other non-current assets include:

- capitalized costs of land remediation and liquidation of fixed assets;
- rights to use software products;
- advances paid for capital investments.

The capitalized costs of land remediation and liquidation of fixed assets, the rights to use software products are written off in equal amounts during the periods to which they relate.

## **2.8. Inventories**

The following assets owned by the Company are registered to be accounted for as inventories:

- those used as raw materials and other materials in the manufacturing of products, performance of works and provision of services;
- intended for sale;
- used for the Company's management purposes;

The Company's inventories include the following:

- raw materials – inventories used for the production of products, performance of works and provision of services;
- finished products – inventories for resale (final result of the production cycle, technical and qualitative characteristics of which meet the terms and conditions of the contract or requirements of other documents when required by law);
- goods – inventories purchased and received from other legal entities and physical persons to be sold;
- tools, equipment fixtures and fittings with useful life of less than one year;
- special instruments, special fixtures, special equipment, special clothing;
- assets which satisfy the criteria for being recognized as part of fixed assets, with the value of up to the limits set (RUB 40,000);
- other inventories.

If finished products (goods) are sold under agency contracts (commission agreements) or if the title to such products (goods) transfers after the date of dispatch, the value of such products (goods) as of the reporting date is shown as part of inventories in line 1215 "Goods shipped."

The inventories purchased for sale to contractors during performance of any work related to capital repairs or construction and as part of procurement for subsidiaries and other entities are accounted for as goods for resale and the earnings and expenses related to their sale are accounted for as part of earnings and expenses related to core operations.

The inventories are registered on the books at the actual cost.

The materials are evaluated at the time of release for production and other disposal using the average cost method. The materials which cannot normally substitute each other are written off at the value of each unit or at the cost of inventories in each individual batch.

The goods purchased for sale are evaluated and shown in the accounting records at the cost of their acquisition (purchase cost). When selling goods, their value is written off evaluated at average cost.

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Finished products are accounted for at their actual cost without general running costs. At the time of disposal, finished products are evaluated using the average cost method.

**2.9. The costs of production and sale, production in progress**

The costs of production in progress as shown on the balance sheet include the cost of semi-finished products made by the Company and evaluated at actual costs of production exclusive of general running costs.

The property tax payable to the budget is distributed among the cost accounts depending on the purpose of the fixed assets.

The selling expenses are written in full in full as part of the results of financial and business operations, except storage, packaging and transportation, which are allocated also to the remaining products unsold at the end of the reporting period.

The expenses are accounted for using the accrual method regardless of whether or not they were paid.

The general business expenses are written off monthly as management expenses in full as part of the results of financial and business operations

**2.10. Accounts receivable**

The trade receivables are determined on the basis of the prices as per the contracts between the Company and such buyers (customers) inclusive of VAT.

The trade receivables which were not paid or are highly unlikely to be paid within the time required under the respective contracts and not covered by relevant guarantees, suretyships or any other performance bond are shown in the balance sheet less the reserves made for bad debts.

Such reserves reflect the conservative estimate by the Company of the part of the amounts payable that are likely not to be paid. The reserves made to cover bad debts are shown as part of other expenses.

Bad debt is written off the balance sheet at the time when it is recognized as such and is accounted off balance for five years after it was written off in order to monitor the possibility of its recovery if the debtor's financial situation changes.

**2.11. Cash and cash equivalents**

The cash equivalents include highly liquid financial investments that may be easily converted into a cash amount known in advance and that are subject to insignificant risk of value change. The Company includes short-term bank deposits with the maturity of up to three months in cash equivalents and shows them in line "Cash and equivalents" on the balance sheet.

In the cash flow statement, the Company's cash flows which cannot be unambiguously classified as part of cash flows from current, investment and financial operations are referred to cash flows from current operations.

The cash and cash equivalents balance in foreign currency as the beginning and end of the reporting period are shown on the balance sheet and the cash flow statement in roubles in the amount calculated on the basis of the official exchange rate in effect on the relevant reporting date. The receipts and payments in foreign currencies are converted into roubles for the purposes of inclusion in the cash flow statement at the exchange rate published by the Bank of Russia on the date of the operation involving such receipt or payment of foreign currency. The operations of exchanging foreign currency into roubles and vice versa

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are not recognized as cash flows for the purposes of the cash flow statement.

The difference resulting from recalculation of cash flows and cash and cash equivalents balances expressed in foreign currency at the exchange rate in effect on the dated of the operations in foreign currency and on the reporting dates is included in the line of the cash flow statement "Exchange rate differences".

The cash flow statement the following are shown in the wound-up form:

- cash receipts from customers to be transferred to consignees, principals (if the Company is acting as a commission agent or agent);
- VAT amounts included in the receipts from buyers and customers, payments to suppliers and contractors and payments to the budget system and VAT reimbursed by it;
- the amounts related to provision (receipt) of intragroup loans characterized by fast turnover, large amounts and short terms;
- amounts related to buying and selling foreign currency;
- transactions of placing and return of cash to and from bank deposits effected during the presorting reporting period (excluding the interest accrued).

#### **2.12. Charter capital, additional capital and reserves**

The charter capital amount is equal to the amount required by the Company's Charter.

Pursuant to the Charter, the Company forms statutory reserves equal to 5% of the charter capital.

The additional capital includes the share premium.

#### **2.13. Loans received**

The debt under the loans received is shown inclusive of the interest payable at the end of the reporting period according to the terms and conditions of the agreements.

Interest under loans received is assessed by the Company as required by the loan and/or facility agreement and are recognized as other expenses during the reporting periods to which such accruals relate, except the interest included in the value of the investment asset.

Additional expenses related to receiving loans are included in equal amounts in other expenses during the term of the loan.

The loan liabilities shown in accounting as non-current and anticipated for payment within 12 months after the reporting date are shown in the financial statements as current.

#### **2.14. Estimated liabilities and contingent liabilities**

The Company creates estimated liabilities for payment of bonuses to employees on the basis of the year-end results, for payment of quarterly bonuses, milestone achievements, annual vacations and payments to retiring employees. The amounts of estimated liabilities accrued during the reporting period are accounted for as expenses for ordinary operations.

The Company creates estimated liabilities for payment of bonuses on the basis of achievement of long-term performance indicators. The amount of estimated liabilities as of the end of the reporting period is determined on the basis of the calculated amount of the anticipated costs related to payment of such bonuses at the end of the program cycle. The amounts of estimated liabilities accrued for the reporting period are shown as expenses related to core operations.

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Estimated liabilities related to pending, as of the reporting date, litigation are recognized in accounting when the outflow of economic benefits is highly probable as assessed on the date when the statements are prepared. The amounts of recognized estimated liability under pending, as of the reporting date, litigation are shown as other expenses.

Pursuant to clause 8, article 22 of Law No. 2395-1 of the Russian Federation “On Subsoil” dated 21 February 1992 and the licensing agreements, the Company must procure that the land plots and other natural sites damaged when using the subsoil be brought in the condition suitable for their subsequent use. The Company starts to establish estimated liabilities for the disassembly of well equipment and land rehabilitation from the time when the fixed assets are first built and wells are drilled in the fields. The capitalized costs of land rehabilitation and liquidation of fixed assets which match the amount of estimated liabilities are shown by the Company in line 1190 “Other non-current assets”, in the breakdown under line 1191 “Capitalized costs of land reclamation and liquidation of fixed assets”.

#### **2.15. Deferred taxes**

The Company shows in the accounting records and financial statements the deferred tax assets and deferred tax liabilities, permanent tax assets and permanent tax liabilities, i.e. the amounts that may affect the amount of the current profit tax during the current and/or following reporting periods.

The amount of the current profit tax is determined on the basis of accounting records, the amount of the current profit tax is equal to the amount of the assessed profit tax shown in the tax return for the profit tax in the reporting period, subject to the withheld amount of the tax on dividends received.

The amount of the deferred tax asset and deferred tax liability are shown in expanded form as part of non-current assets (line 1180 of the balance sheet “Deferred tax assets”) and non-current tax liabilities (line 1420 of the balance sheet “Deferred tax liabilities”) respectively.

#### **2.16. The profit tax associated with payments within the CTG**

Starting with 2013, the Company is the designated member of the consolidated taxpayer group (hereinafter the “CTG”)

As the designated member of the CTG, the Company shows assessment of the profit tax and the payments among the members under the agreement for establishment of the CTG using account 78 “Payments among members of the consolidated taxpayer group”.

The payments related to the profit tax within the CTG are effected according to the Accounting Principles for Tax Purposes of the Company and Subsidiaries for 2015 and the agreement for establishment of the CTG and the profit tax amount assessed by each member of the CTG on the basis of the amount of all of its income and expenses accounted for for tax purposes may differ from the CTG’s profit tax amount payable with respect to such member of the CTG.

The full owed amounts of the profit tax payable with respect to the CTG as a whole are shown in line 1520 “Accounts payable” in the breakdown line 1524 “taxes and duties payable”.

The amount owed by a member under the agreement for establishment of the CTG and the budget as relates to the CTG’s profit tax are shown in line 1230 “Accounts receivable” in the breakdown line 1239 “other debtors”.

In the Statement of Financial Results, line 2410 “current profit tax” shows the amount of profit tax of the responsible member of the CTG assessed by the Company to be included in the consolidated tax base of the CTG. The difference between the amount of the current profit tax assessed by the Company to be included in the consolidated tax basis of the CTG and the amount payable by the responsible member to the responsible member) of the CTG is shown in line 2465 “Redistribution of profit tax within CTG” of

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the Statement of Financial Results.

**2.17. Recognition of revenue from sales**

The proceeds from sales of goods, products and services (work) are recognized as revenue at the time when the ownership rights to goods or products are transferred (or the services are provided). The revenue from sales is shown in the statements less the value added tax, excise tax, and other similar mandatory payments.

Export customs duties are shown as part of sales expenses and do not reduce the amount of revenue from sales of goods (work, services).

**2.18. Other income and expenses**

The Company's other income and expenses includes:

- interest on bonds purchased – for each expired month according to the terms and conditions of such bonds' issuance;
- interest on loans provided – for each expired month according to the terms and conditions of relevant agreements;
- interest on the cash balance in payment accounts – for each expired month according to the terms and conditions of relevant agreements;
- interest under bank deposit agreements – for each expired month according to the terms and conditions of such agreements;
- income from participating in other entities (including dividends) – as soon as they are declared;
- other income.

Other expenses include:

- interest on loans received – for each expired month according to the terms and conditions of relevant agreements;
- expenses related to sale and other disposal of securities and shares;
- expenses of prior years discovered during the reporting period;
- charitable expenses;
- expenses related to derivative transactions;
- expenses related to establishing reserves to cover bad debt, impairment of financial investments;
- other expenses.

**III. CHANGES TO THE ACCOUNTING POLICY**

**3.1. Changes to the accounting policy in 2015**

The Company has not made any changes to the accounting policy for 2014 which may have a material effect on the figures shown in the accounting records and financial statements.

**3.2. Changes to the accounting policy in 2016**

No changes are expected to be made to the accounting policy in 2016 which have a material effect on the figures shown in the accounting records and financial statements.

**IV. ADJUSTMENT OF DATA FOR PREVIOUS REPORTING PERIOD**

The statement of financial results, starting from the financial records for 2015, shows, without a breakdown, certain amounts related to the transactions under forward contracts, interest risk insurance (hedging) and assignment of claim rights (lines 2340 and 2350 of the statement of financial results). The data with the breakdown are shown in section 5.4 of these Notes.

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In view of the above, certain parameters in column “for 2014” of the Statement of Financial Results were calculated by adjusting the relevant data of the report. See below the detailed information about such changes:

Line code	Line name	Amount before adjustment	Adjustment number	Adjustment	Amount after adjustment
<b>Adjustment of 2014 parameters</b>					
<b>Statement of Financial Results:</b>					
2340	Other income	17,572,857	1	(7,354,037)	10,218,820
2350	Other expenses	(93,693,728)	1	7,354,037	(86,339,691)

**V. EXPLANATIONS TO MATERIAL PARAMETERS**

The data “for 2014” in section V of the Notes are provided with the adjustments disclosed in section IV “Adjustment of data for previous reporting period”.

**5.1. Segment-related information**

• **Operational segments**

The Company and its subsidiaries and associated companies (hereinafter “Gazprom Neft Group”) is a vertically integrated group of oil companies operating in the Russian Federation, CIS countries and in other countries. The main operations performed by Gazprom Neft Group are exploration, development of oil and gas fields, oil and gas production, manufacturing and sale of oil products. The information, which is systematically analyzed by the persons authorized by the Company to make decisions related to distribution of resources within the Company, is formed in relation to Gazprom Neft Group as a whole. Taking into account the fact that the Company’s operation as a separate legal entity is not analysed when making management decisions and distributing resources by the persons with the relevant powers, the information is not grouped into reporting segments.

• **Geographical areas**

The Company identifies the following geographical areas:

- export and sales on the international market;
- domestic sales (Russian federation);
- CIS countries.

Information about the revenue from the sales into the above geographical areas is provided in section 5.12 of these Notes. The Company’s assets are mostly located in the Russian Federation, that is why the assets and capital investments refer to the same geographical area identified according to the location of the assets – the Russian Federation.

The Company sells crude oil and petroleum products primarily to the related parties. Information about the revenue from sales to the above customers is provided in clause 5.21 of these Notes.

**5.2. Fixed assets**

Table 1 Information about the existence and changes to the fixed assets

	Fixed assets, total:	Wells	Machinery and equipment	Buildings, structures and transfer devices, roads used for production purposes	Other fixed assets

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<b>Original value</b>					
<b>As of 31.12.14</b>	<b>3,782,241</b>	<b>287,222</b>	<b>2,746,680</b>	<b>379,996</b>	<b>368,343</b>
Receipt	561,310	-	468,104	9,115	84,091
Disposal or retirement	(1,053,216)	-	(681,299)	(341,392)	(30,526)
<b>As of 31.12.15</b>	<b>3,290,334</b>	<b>287,222</b>	<b>2,533,485</b>	<b>47,718</b>	<b>421,909</b>
<b>Depreciation</b>					
<b>As of 31.12.14</b>	<b>(1,977,946)</b>	<b>(9,677)</b>	<b>(1,754,646)</b>	<b>(73,017)</b>	<b>(140,605)</b>
Depreciation for the period	(895,764)	(10,152)	(795,601)	(37,559)	(52,451)
Disposal or retirement	729,122		614,227	92,229	22,666
<b>As of 31.12.15</b>	<b>(2,144,587)</b>	<b>(19,830)</b>	<b>(1,936,021)</b>	<b>(18,348)</b>	<b>(170,389)</b>
<b>Depreciated book value</b>					
<b>As of 31.12.14</b>	<b>1,804,295</b>	<b>277,545</b>	<b>992,033</b>	<b>306,979</b>	<b>227,739</b>
<b>As of 31.12.15</b>	<b>1,145,747</b>	<b>267,392</b>	<b>597,464</b>	<b>29,371</b>	<b>251,520</b>
<b>Original value</b>					
<b>As of 31.12.13</b>	<b>6,417,391</b>	<b>1,984,945</b>	<b>2,312,695</b>	<b>1,575,621</b>	<b>544,130</b>
Receipt	1,489,462	449,003	779,546	226,257	34,657
Disposal or retirement	(4,124,614)	(2,146,726)	(345,562)	(1,421,882)	(210,444)
<b>As of 31.12.14</b>	<b>3,782,240</b>	<b>287,222</b>	<b>2,746,680</b>	<b>379,996</b>	<b>368,343</b>
<b>Depreciation</b>					
<b>As of 31.12.13</b>	<b>(1,511,210)</b>	<b>(72,075)</b>	<b>(1,134,814)</b>	<b>(59,232)</b>	<b>(245,090)</b>
Depreciation for the period	(1,152,627)	(219,528)	(704,195)	(166,027)	(62,877)
Disposal or retirement	685,892	281,926	84,363	152,241	167,362
<b>As of 31.12.14</b>	<b>(1,977,945)</b>	<b>(9,677)</b>	<b>(1,754,646)</b>	<b>(73,017)</b>	<b>(140,605)</b>
<b>Depreciated book value</b>					
<b>As of 31.12.13</b>	<b>4,906,181</b>	<b>1,912,870</b>	<b>1,177,881</b>	<b>1,516,390</b>	<b>299,040</b>
<b>As of 31.12.14</b>	<b>1,804,295</b>	<b>277,545</b>	<b>992,033</b>	<b>306,979</b>	<b>227,739</b>

Table 2 Information about fixed assets which require state registration

	As of 31.12.15	As of 31.12.14	As of 31.12.13
Fixed assets for which state registration of title has not been completed	-	194,356	620,249
<i>Out of the above, those for which the documents for registration have not been accepted by the authorities</i>	-	-	294,023

Table 3 Information about the use of fixed assets

	As of 31.12.15	As of 31.12.14	As of 31.12.13
<b>Fixed assets leased out and registered on the balance sheet (depreciated book value) – total, including</b>	<b>185,194</b>	<b>627,222</b>	<b>3,522,004</b>
Machinery and equipment	18,777	194,842	270,663
Buildings, structures and transfer devices, roads	-	267,559	1,428,102
Wells	113,836	123,989	1,759,314
Other fixed assets	52,581	40,832	63,925
<b>Leased fixed assets registered off balance (value under lease contract or cadastral value) – total, including</b>	<b>2,876,730</b>	<b>4,404,722</b>	<b>4,524,611</b>
Land plots	112,526	1,755,218	1,888,856
Buildings, structures and transfer devices, roads	2,473,987	2,473,987	2,473,987
Machinery and equipment	122,102	82,544	81,501
Other fixed assets	168,115	92,973	80,266
<b>Fixed assets the operation of which has been suspended (depreciated book value) – total, including</b>	<b>213,197</b>	<b>213,591</b>	<b>290,859</b>



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Machinery and equipment	2,372	2,372	2,824
Buildings, structures and transfer devices, roads	-	394	394
Wells	210,825	210,825	277,545
Other fixed assets	-	-	10,096

The above includes the depreciated book value of the fixed assets leased out to subsidiaries (Group companies) of RUB 180,284 thousand, RUB 436,902 thousand and RUB 3,506,997 thousand as of 31.12.2015, 31.12.2014 and 31.12.2013 respectively.

The Company is the lessee of land plots with the area 338 hectares, 346 hectares and 2,225 hectares as of 31.12.2015, 31.12.2014 and 31.12.2013 respectively, which were not shown in money terms because the lease contracts do not specify their value.

### 5.3. Capital investment in fixed assets in progress

Table 4 Capital investment in fixed assets in progress

Parameter	Period	At the beginning of the year	Changes during the period			At the end of the period
			Expenses during the period	registered as fixed assets of value increased	Retired or disposed of	
<b>Construction in progress and purchase, modernization etc. operations in progress - total</b>	<b>2015</b>	<b>1,000,722</b>	<b>265,912</b>	<b>(151,087)</b>	<b>(132)</b>	<b>1,115,415</b>
	<b>2014</b>	<b>1,679,003</b>	<b>109,598</b>	<b>(773,309)</b>	<b>(14,570)</b>	<b>1,000,722</b>
including:	2015	4	215,864	-	-	215,868
equipment to be installed	2014	4	-	-	-	4
purchase of fixed assets	2015	5,516	1,054	(6,451)	-	119
	2014		11,536	(6,020)	-	5,516
construction in progress, including manufacturing its own fixed assets	2015	995,202	48,994	(144,635)	(132)	899,428
	2014	1,678,999	98,062	(767,289)	(14,570)	995,202

### 5.4. Other on-current assets

Line 1190 "Other on-current assets" of the balance sheet includes:

- Capitalized costs of land remediation and liquidation of fixed assets (line 1191) of RUB 8,093 thousand (RUB 7,977 thousand and RUB 7,977 thousand as of 31.12.14 and 31.12.13 respectively);
- Depreciated book value of non-exclusive rights to software (line 1193) of RUB 3,166,324 thousand (RUB 2,430,653 thousand and RUB 1,866,832 thousand as of 31.12.14 and 31.12.13 respectively);
- Costs of purchase of rights to software in progress (line 1193) of RUB 3,082,315 thousand (RUB 2,945,645 thousand and RUB 2,059,417 thousand as of 31.12.14 and 31.12.13 respectively);
- Advances paid as part of capital investment (line 1195) of RUB 6,682,222 thousand (RUB 1,888,736 thousand and RUB 14,547 thousand as of 31.12.14 and 31.12.13 respectively);
- Additional costs of raising financing (line 1197) of RUB 1,403,910 thousand (RUB 1,834,172 thousand and RUB 1,061,814 thousand as of 31.12.14 and 31.12.13 respectively);
- Other non-current assets (line 1197) of RUB 2,141,599 thousand (RUB 2,715,447 thousand as of 31.12.14).

### 5.5. Inventories

Table 5 Information about inventories

	Inventories - total:	raw materials and other materials and production progress	finished goods and goods for resale	goods shipped	other inventories and expenses
<b>As of 31.12.14</b>	<b>15,150,083</b>	<b>4,360,593</b>	<b>9,250,150</b>	<b>1,072,531</b>	<b>466,809</b>
Received	1,545,167,098	549,364,660	995,683,453	5	118,980
Written off	(1,542,236,843)	(550,141,552)	(975,655,278)	(16,432,869)	(7,144)
Turnover of inventories between their groups (types)	-	(506,010)	(16,275,267)	16,781,277	-
<b>As of 31.12.15</b>	<b>18,080,338</b>	<b>3,077,691</b>	<b>13,003,058</b>	<b>1,420,944</b>	<b>578,645</b>

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<b>As of 31.12.13</b>	<b>20,626,014</b>	<b>4,080,935</b>	<b>8,777,532</b>	<b>7,099,050</b>	<b>668,497</b>
Received	1,296,025,417	478,112,654	817,664,028	107	248,628
Written off	(1,301,501,348)	(478,031,120)	(729,741,300)	(93,278,612)	(450,316)
Turnover of inventories between their groups (types)	-	198,124	(87,450,110)	87,251,986	-
<b>As of 31.12.14</b>	<b>15,150,083</b>	<b>4,360,593</b>	<b>9,250,150</b>	<b>1,072,531</b>	<b>466,809</b>

Considering that the current market value of the products (work, services) produced by the Company matches or exceeds its actual cost, the reserve to cover the reduction in the value of the inventories used for the production of the above products (performance of work, provision of services) was not established.

No inventories were pledged.

**5.6. Long-term and short-term financial investments**

Table 6 Information about the existence and changes to long-term financial investments

	Long-term financial investments	Investments			Loans provided	Other
		In subsidiaries	In affiliates	In other entities		
<b>Original values as of 31.12.13</b>	<b>449,044,758</b>	<b>358,637,860</b>	<b>33,676,547</b>	<b>4,045,837</b>	<b>52,684,514</b>	-
<b>Reserve to cover impairment</b>	<b>(70,099,523)</b>	<b>(70,099,398)</b>	-	<b>(125)</b>	-	-
<b>Balance-sheet value as of 31.12.13</b>	<b>378,945,235</b>	<b>288,538,462</b>	<b>33,676,547</b>	<b>4,045,712</b>	<b>52,684,514</b>	-
Received original value	211,120,564	86,658,009	5,000	-	98,030,769	26,426,786
Written-off original value	(129,521,341)	(74,106,675)	-	-	(29,366,466)	(26,048,200)
Written off reserve to cover impairment	70,099,393	70,099,393	-	-	-	-
Exchange rate differences	27,926,804	-	-	-	28,190,938	(264,134)
Changes to reserve to cover impairment / current market value	76,423	-	-	81,650	-	(5,227)
<b>Original value as of 31.12.14</b>	<b>558,647,208</b>	<b>371,189,194</b>	<b>33,681,547</b>	<b>4,127,487</b>	<b>149,539,755</b>	<b>109,225</b>
<b>Reserve to cover impairment</b>	<b>(130)</b>	<b>(5)</b>	-	<b>(125)</b>	-	-
<b>Balance-sheet value as of 31.12.14</b>	<b>558,647,078</b>	<b>371,189,189</b>	<b>33,681,547</b>	<b>4,127,362</b>	<b>149,539,755</b>	<b>109,225</b>
Received original value	349,287,672	13,510,981	14,922,349	-	320,854,342	-
Written-off original value	(128,444,134)	-	(6,915,750)	-	(121,424,414)	(103,970)
Written off reserve to cover impairment	-	-	-	-	-	-
Exchange rate differences	21,455,669	-	-	-	21,465,474	(9,805)
Changes to reserve to cover impairment / current market value	(46,449)	-	-	(51,000)	-	4,551
<b>Original value as of 31.12.15</b>	<b>800,950,965</b>	<b>384,700,175</b>	<b>41,688,146</b>	<b>4,127,487</b>	<b>370,435,157</b>	-
<b>Reserve to cover impairment</b>	<b>(51,130)</b>	<b>(5)</b>	-	<b>(51,125)</b>	-	-
<b>Balance-sheet value as of 31.12.15</b>	<b>800,899,835</b>	<b>384,700,170</b>	<b>41,688,146</b>	<b>4,076,362</b>	<b>370,435,157</b>	-

Increase of long-term financial investments as of 31.12.15 compared with 31.12.14 can be explained by the transactions performed in 2015 and aimed to increase contributions to subsidiaries and affiliates and provision of new long-term loans to subsidiaries.

The "Other" group includes bank deposits, debt securities (bonds, notes) and other long-term financial investments.

Information about the income from placing cash balances in bank deposits and income from loan

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provision is shown in section 5.14 of these Notes.

Table 7 List of material subsidiaries

Name	Participation, %, as of			Operations
	31.12.15	31.12.14	31.12.13	
"Nafta Industrija Srbije" A.D. Novi Sad	56.15	56.15	56.15	Exploration, production, processing and sale of crude oil and petroleum products, exploration and production of gas
OJSC Gazpromneft-Noyabrskneftegaz	99.02	99.02	99.02	Oil and gas production
OJSC Gazpromneft-Angara	100	100	100	Geological exploration, production, transportation and processing of oil and gas
LLC Gazpromneft-East	99.999	99.999	99.999	Production of crude oil and oil (associated) gas
LLC Gazpromneft-Yamal (previously LLC Gazprom Neft Novy Port)	90	90	90	Exploration and production of hydrocarbons
LLC Gazpromneft-Khantos	100	100	100	Geological exploration, production, transportation
LLC Gazpromneft-Sakhalin	100	100	100	Oil and gas production
CJSC Gazprom Neft-Orenburg	100	100	100	Production and sale of oil and associated gas
CJSC Gazprom Neft Shelf	100	100	-	Geological exploration, geophysical and geochemical work related to the study of subsoil
LLC Zapolyuarneft (subsidiary of OJSC Gazpromneft-Noyabrskneftegaz)	100	100	100	Oil and gas production
Gazprom Neft Badra B.V. (via subsidiaries)	100	100	100	Exploration and production of hydrocarbons
OJSC Gazpromneft-Moscow Refinery	100	100	-	Oil processing and sale of petroleum products
OJSC Gazpromneft-Omsk Refinery	100	100	100	Oil processing and sale of petroleum products
OJSC Gazpromneft-Kuzbass	100	100	100	Sale of petroleum products
LLC Gazprom Neft Corporate Sales (Previously LLC Gazpromneft-Nizhny Novgorod)	100	100	100	Sale of petroleum products
LLC Gazprom Neft Regional Sales	99.99	100	100	Sale of petroleum products
LLC Gazpromneft Marine Bunker	99	99	99	Sale of petroleum products
LLC Gazprom Neft-Lubricants	99	99	99	Sale of petroleum products
CJSC Gazpromneft-Aero	100	100	100	Wholesale trade in motor fuel, including aviation gasoline
LLC Gazpromneft-Centre	99.93	99.93	99.94	Operation of fuel stations
OJSC Gazpromneft-Tyumen	98.12	98.12	98.12	Sale of petroleum products
OJSC Gazpromneft-Yaroslavl	81.59	81.59	81.59	Whole sale and retail sale of petroleum products
OJSC Gazprom Neft-Ural	70.01	70.01	70.01	Sale of petroleum products
LLC ITSK	100	50	50	Consultancy related to computer hardware
LLC Gazprom Neft Invest	100	100	100	Personnel recruitment services
Lakhta Center (previously CJSC Okhta Social and Business Center)	100	100	100	Investment operations

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LLC Gazpromneftfinance	100	100	100	Investment operations
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Table 8 Information about the existence and changes to short-term financial investments

	<b>Short-term financial investments - total</b>	<b>Loans provided</b>	<b>Bank deposits</b>	<b>Other debt securities (bonds, notes)</b>	<b>Other</b>
<b>As of 31.12.13</b>	<b>138,095,629</b>	<b>105,145,189</b>	<b>32,910,440</b>	-	<b>40,000</b>
Received original value	254,759,804	137,718,894	117,040,910	-	-
Written-off original value	(114,689,504)	(13,175,249)	(101,514,255)	-	-
Exchange rate differences	39,424,634	16,632,669	22,791,965	-	-
<b>As of 31.12.14</b>	<b>317,590,563</b>	<b>246,321,503</b>	<b>71,229,060</b>	-	<b>40,000</b>
Received original value	358,484,045	271,643,723	86,736,352	103,970	-
Written-off original value	(469,728,157)	(333,994,482)	(135,693,675)	-	(40,000)
Exchange rate differences	33,125,747	15,998,314	17,084,921	42,512	-
Changes to the current market value	(692)	-	-	(692)	-
<b>As of 31.12.15</b>	<b>239,471,506</b>	<b>199,969,058</b>	<b>39,356,658</b>	<b>145,790</b>	-

Reserve to cover impairment of short-term financial investments was not made.

Short-term financial investments include mostly loans provided to subsidiaries. This information is further explained in section 5.21 of these Notes.

Information about the income from placing cash balances in bank deposits and income from loan provision is shown in section 5.14 of these Notes.

No financial investments were pledged.

Table 9 Maturity of the financial investments

Parameter	Interest rate, %	Balance as of			including financial investments with maturity		
					from 1 to 3 years		
		31.12.15	31.12.15	31.12.14	31.12.13	31.12.15	31.12.14
Loans with maturity over 12 months	from 0.01 to 18.42	370,435,157	149,539,755	52,684,514	309,547,031	52,161,674	18,824,003
Bonds with maturity over 12 months	5.33	-	109,225	-	-	109,225	-
Bonds with maturity under 12 months	5.33	145,790	-	-	X	X	X
Loans with maturity under 12 months	from 0.01 to 11.49	199,969,058	246,321,503	105,145,189	X	X	X
Bank deposits	from 1.45 to 2.15	39,356,658	71,229,060	32,910,440	X	X	X
Other		-	40,000	40,000	X	X	X

## 7. Accounts receivable

Table 10 Existence and changes to non-current accounts receivable

	<b>Total:</b>	<b>other</b>
<b>As of 31.12.13</b>	<b>5,860,387</b>	<b>5,860,387</b>
Received as a result of business operations	142,082	142,082
<b>As of 31.12.14</b>	<b>6,002,469</b>	<b>6,002,469</b>
Received as a result of business operations	22,293,721	22,293,721
<b>As of 31.12.15</b>	<b>28,296,190</b>	<b>28,296,190</b>

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Non-current accounts receivable show unpaid interest owed which were accrued on the long-term loans provided to subsidiaries

Table 11 Existence and changes to current accounts receivable

	<b>Total:</b>	<b>Buyers and customers</b>	<b>Advances paid</b>	<b>other</b>
<b>Current accounts receivable accounted for as per the contract terms</b>				
<i>As of 31.12.13</i>	<i>187,993,947</i>	<i>90,660,302</i>	<i>21,909,713</i>	<i>75,423,932</i>
Received as a result of business operations	40,498,025	-	7,207,457	33,290,568
Repayment	(2,463,388)	(2,463,388)	-	-
Written off as financial result	(1,359,931)	(12,394)	(1,085)	(1,346,452)
Written off out of reserve amount	(150,022)	(88,465)	(60,524)	(1,033)
<i>As of 31.12.14</i>	<i>224,518,632</i>	<i>88,096,055</i>	<i>29,055,561</i>	<i>107,367,016</i>
Repayment	(26,769,070)	(12,764,935)	(401,552)	(13,602,583)
Written off out of reserve amount	(4,896)	(1,257)	(3,560)	(79)
<i>As of 31.12.15</i>	<i>197,744,666</i>	<i>75,329,863</i>	<i>28,650,449</i>	<i>93,764,354</i>
<b>Reserve to cover bad debt</b>				
<i>As of 31.12.13</i>	<i>(154,813)</i>	<i>(100,661)</i>	<i>(54,152)</i>	-
Changes to reserve for the period	95,066	74,205	20,967	(106)
<i>As of 31.12.14</i>	<i>(59,747)</i>	<i>(26,456)</i>	<i>(33,185)</i>	<i>(106)</i>
Changes to reserve for the period	(8,998)	(20,678)	11,634	45
<i>As of 31.12.15</i>	<i>(68,745)</i>	<i>(47,134)</i>	<i>(21,551)</i>	<i>(61)</i>
<b>Balance-sheet value</b>				
<i>As of 31.12.13</i>	<i>187,839,134</i>	<i>90,559,641</i>	<i>21,855,561</i>	<i>75,423,932</i>
<i>As of 31.12.14</i>	<i>224,458,885</i>	<i>88,069,599</i>	<i>29,022,376</i>	<i>107,366,910</i>
<i>As of 31.12.15</i>	<i>197,675,920</i>	<i>75,282,729</i>	<i>28,628,898</i>	<i>93,764,293</i>

Changes to the accounts receivable are shown less the accounts receivable created and repaid during the reporting year.

### 5.8. Cash and equivalents

Table 12 Composition of cash and equivalents

<b>Parameter</b>	<b>As of 31.12.15</b>	<b>As of 31.12.14</b>	<b>As of 31.12.13</b>
Cash in payment accounts	13,520,148	13,169,835	5,717,520
Cash in foreign currency accounts	9,990,287	4,883,830	2,827,612
Bank deposits	59,034,987	5,657,875	63,583,360
Other cash equivalents	880	917	869

There is no cash restricted in terms of use.

Information about the income from and income from loan provision is shown in section 5.14 of these Notes.

Table 13 Cash in bank deposits

<b>Parameter</b>	<b>2015</b>	<b>2014</b>
Opening balance in bank deposits	5,657,875	63,583,360
Placed in bank deposits	185,433,246	526,846,690
Returned from bank deposits	(132,056,134)	(584,772,175)
Closing balance	59,034,987	5,657,875

Table 14 Additional information about additional cash which may be raised

<b>Parameter</b>	<b>As of 31.12.15</b>	<b>As of 31.12.13</b>	<b>As of 31.12.14</b>
Additional cash which may be raised	38,000,000	69,877,520	8,000,000

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The cash flows from the current operations, line “Other receipts” (4119) of the Cash Flow Statement includes, among other things:

- receipts from members of the CGT amounting to RUB 5,899,212 thousand in 2015 and RUB 5,967,913 thousand in 2014;
- return of advances paid amounting to RUB 5,207,908 thousand and RUB 6,551,914 thousand in 2015 and 2014 respectively;
- tax refund of RUB 1,930,160 thousand in 2015 and RUB 68,622 thousand in 2014;
- cash received in the form of interest on the balance in bank accounts amounting to RUB 2,050,226 thousand in 2015 and RUB 1,494,699 thousand in 2014;
- refund of customs payments of RUB 4,872,810 thousand for 2015 and RUB 5,061,222 thousand for 2014;
- VAT received of RUB 7,343,089 thousand for 2014. In 2015, VAT included in the receipts from buyers and customers, payments to suppliers and contractors and payments into the budget system and refunds from it resulted in the outflow of cash and is shown in line 4139 “Other payments”;
- Other receipts of RUB 6,139,167 thousand in 2015 and 11,805,975 thousand in 2014.

The cash flows from the current operations, line “Other payments” (4139) of the Cash Flow Statement includes, among other things:

- return of advance payments of RUB 4,538,081 thousand in 2015 and RUB 3,264,010 thousand in 2014;
- sponsorship and charitable donations, contributions to non-commercial partnerships amounting to RUB 1,100,713 thousand in 2015 and RUB 1,841,847 thousand in 2014;
- payments to other customers of RUB 1,475,750 thousand in 2015 and RUB 3,352,846 thousand in 2014;
- payments related to complaints amounting to RUB 912,722 thousand in 2015 and RUB 660,545 thousand in 2014;
- payment for bank services of RUB 695,881 thousand in 2015 and RUB 205,759 thousand in 2014;
- transfer of cash to members of the CGT amounting to RUB 5,601,728 thousand in 2015 and RUB 29,174 thousand in 2014;
- transfer of VAT included in the receipts from buyers and customers, payments to suppliers and contractors and payments amounting to RUB 3,973,899 thousand in 2015. In 2014, VAT included in the receipts from buyers and customers, payments to suppliers and contractors and payments into the budget system and refunds from it resulted in the inflow of cash shown in line 4119 “Other receipts”;
- other payments of RUB 183,856 thousand in 2015 and RUB 2,697,424 thousand in 2014.

## 5.9. Accounts payable

Table 15 Existence and changes to accounts payable

Parameter	Total:	suppliers and contractors	payable to employees	payable to the budget and state non-budget funds	advances received	dividends payable to members (shareholders)	other creditors
<b>Current accounts payable as of 31.12.13</b>	<b>126,382,254</b>	<b>103,033,242</b>	<b>164,629</b>	<b>2,138,311</b>	<b>11,288,518</b>	<b>40,276</b>	<b>9,717,278</b>
- Received as a result of business operations	111,234,835	21,182,413	-	79,332	374,905	-	89,598,185
- interest payable, fines and other accruals	9,779	-	-	9,779	-	-	-

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- repayment of current accounts payable	(1,278,866)	-	(157,970)	(1,120,792)	-	(104)	-
- written off as financial result	(682,256)	(1,869)	(1,680)	(671,130)	(7,577)	-	-
<b>Current accounts payable as of 31.12.14</b>	<b>235,665,746</b>	<b>124,213,786</b>	<b>4,979</b>	<b>435,500</b>	<b>11,655,846</b>	<b>40,172</b>	<b>99,315,463</b>
- Received as a result of business operations	432,398	-	2,425	327,950	102,023	-	-
- interest payable, fines and other accruals	3,716	-	-	3,716	-	-	-
- repayment of current accounts payable	(71,420,126)	(355,758)	-	-	-	(13,537)	(71,050,831)
- written off as financial result	(145,282)	(11,638)	(2,661)	(100,014)	(21,642)	-	(9,327)
<b>Current accounts payable as of 31.12.15</b>	<b>164,536,452</b>	<b>123,846,390</b>	<b>4,743</b>	<b>667,152</b>	<b>11,736,227</b>	<b>26,635</b>	<b>28,255,305</b>

Changes to accounts payable are shown less the amounts payable created and repaid during the reporting year.

Table 16 Total accounts payable

Parameter	As of 31.12.15	As of 31.12.14	As of 31.12.13
<b>Accounts payable – total, including</b>	<b>164,536,452</b>	<b>235,665,746</b>	<b>126,382,254</b>
suppliers and contractors	123,846,390	124,213,786	103,033,242
payable to employees	4,743	4,979	164,629
payable to the budget and state non-budget funds	667,152	435,500	2,138,311
advances received	11,736,227	11,655,846	11,288,518
dividends payable to members (shareholders)	26,635	40,172	40,276
other creditors	28,255,305	99,315,463	9,717,278

As of 31.12.2015, line “Accounts payable” (1521 in the Balance Sheet) shows payables to suppliers and contractors, including amounts payable for the oil, petroleum products and gas supplied amounting to RUB 110,993,106 thousand (RUB 99,164,742 thousand and RUB 85,968,126 thousand as of 31.12.2014 and 31.12.2013 respectively).

Line “Other creditors” (1525 in the Balance Sheet) shows, among other things, payables under “Advances received” (line 1527 in the Balance Sheet) amounting to RUB 11,736,227 thousand (RUB 11,655,846 thousand and RUB 11,288,518 thousand as of 31.12.2014 and 31.12.2013 respectively). Advances are shown less the value-added tax amount of RUB 1,944,899 thousand (RUB 1,827,827 thousand and 1,878,312 thousand as of 31.12.2014 and 31.12.2013 respectively).

Line “Accounts payable to other creditors” (1528 in the Balance Sheet) includes payables:

- under transactions related to purchase of shares amounting to 19,537,234 thousand (RUB 91,210,441 thousand and RUB 8,819,775 thousand as of 31.12.14 and 31.12.13 respectively);
- in relation to profit tax (CGT) amounting to RUB 5,950,154 thousand (RUB 5,601,728 thousand and RUB 0 thousand as of 31.12.14 and 31.12.13 respectively).

## 5.10. Loans

### Bank loans

Table 17 Information about long-term and short-term loans

	Total:	including		
		Up to 1 year	1-3 years	Over 3 years
<b>Balance as of 31.12.15</b>	<b>425,806,683</b>	<b>108,997,828</b>	<b>102,035,780</b>	<b>214,773,075</b>
Bank loans (RUB)	65,068,223	68,223	-	65,000,000
Bank loans (USD)	346,343,986	106,872,257	102,035,780	137,435,949
Bank loans (EUR)	14,394,474	2,057,348	-	12,337,126
<b>Balance as of 31.12.14</b>	<b>233,939,928</b>	<b>27,308,713</b>	<b>19,577,923</b>	<b>187,053,292</b>

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Bank loans (RUB)	20,019,627	19,627	-	20,000,000
Bank loans (USD)	199,813,093	25,524,570	19,577,923	154,710,600
Bank loans (EUR)	14,107,208	1,764,516	-	12,342,692
<b>Balance as of 31.12.13</b>	<b>86,007,761</b>	<b>22,210,620</b>	<b>31,604,914</b>	<b>32,192,227</b>
Bank loans (RUB)	-	-	-	-
Bank loans (USD)	75,565,216	21,049,862	31,604,914	22,910,440
Bank loans (EUR)	10,442,545	1,160,758	-	9,281,787

The total amount of bank loans received in 2015 amounted to RUB 156,543,100 thousand (RUB 113,774,065 thousand in 2014), the total amount of loans repaid in 2015 (without the interest) amounted to RUB 30,741,607 thousand (RUB 49,455,679 thousand in 2014), the interest on bank loans paid in 2015 amounted to RUB 11,507,974 thousand (RUB 3,383,510 in 2014).

The weighted average effective interest rate for short-term and long-term bank loans was 4.49%, 2.71% and 1.84% as of 31.12.15, 31.12.14 and 31.12.13 respectively.

In the reporting year, the interest on bank loans included in other expenses amounted to RUB 11,438,203 thousand (RUB 3,289,303 thousand in 2014). Additional expense related to obtaining bank loans amounted to RUB 290,795 thousand and RUB 1,550,763 thousand in 2015 and 2014 respectively.

Information about the nature and value of the security provided and received with respect to the bank loans is given in section 5.19 of these Notes.

#### **Other loans received**

The total amount of other loans received in 2015 was RUB 1,670,197,989 thousand (RUB 1,257,295,113 thousand in 2014).

Table 18 Information about long-term and short-term other loans

	As of 31.12.15	As of 31.12.14	As of 31.12.13
Long-term loans	347,085,898	284,180,002	196,091,018
<i>Including those repayable within 12 months after the reporting date</i>	<i>24,894,953</i>	<i>14,147,777</i>	<i>3,175,993</i>
Short-term loans	211,266,931	149,725,705	144,798,426
<b>Total:</b>	<b>558,352,829</b>	<b>433,905,707</b>	<b>340,889,444</b>

In the reporting year, the amount of interest on loans (including bond-secured ones) included in other expenses was RUB 19,518,481 thousand (RUB 20,829,072 thousand in 2014).

## **5.11. Taxation**

### **Profit tax**

For the purposes of corporate profit tax, income is recognized during the reporting (tax) period when it occurred, regardless of the actual receipt of the cash, other property (works, services) and/or proprietary rights (accrual method).

For the purposes of accounting, any changes in the financial statements relating both to the reporting period and the prior periods are made to the statements prepared for the reporting period during which the errors were discovered. In connection with the above, income and expenses of prior years discovered during the reporting year are shown as part of lines "Other income" and "Other expenses" of the Statement of Financial Results of the reporting year and as part of lines "Other expenses out of profit" of the above statement as follows:

Table 19 Changes in the financial statements related to taxation

Line	Parameter	2015	2014
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number in Form No. 2		current year	prior years	total in the statement of financial results	current year	prior years	total in the statement of financial results
1	2	3	4	5	8	7	8
<b>2300</b>	<b>Profit (loss) before tax (total)</b>	<b>22,183,192</b>	<b>86,870</b>	<b>22,270,062</b>	<b>37,326,586</b>	<b>(720,574)</b>	<b>36,606,012</b>
	including Profit (loss) before tax 20% %	(57,248,867)	86,870	(57,161,997)	(187,965)	(720,574)	(908,538)
	Profit (loss) before tax 0%	78,818,819	-	78,818,819	37,508,823	-	37,508,823
	Profit (loss) before tax 9%	613,240	-	613,240	5,728	-	5,728
	Deemed expenses (deemed income) under profit tax 20%	(11,449,773)	17,374	(11,432,399)	(37,593)	(144,115)	(181,708)
	Deemed expenses (deemed income) under profit tax 9%	55,192	-	55,192	515	-	515
	Deemed expenses (deemed income) under profit tax (total)	(11,394,582)	17,374	(11,377,208)	(37,077)	(144,115)	(181,192)
2421	Permanent tax liabilities (assets)	(4,273,279)	(17,374)	(4,290,653)	1,956,892	144,115	2,101,007
2450	Changes to deferred tax assets	(356,683)	251,736	(104,947)	1,725,898	-	1,725,898
2430	Changes to deferred tax liabilities	(5,168,203)	(251,136)	(5,419,339)	(10,078,075)	-	(10,078,075)
2410	Current profit tax 20%	21,247,338	-	21,247,338	6,398,927	-	6,398,927
	Current profit tax 13(9)%	(78,181)	-	(78,181)	-	-	-
2411	Profit tax for prior years	-	191,570	191,570	-	(84,067)	(84,067)
2460	Other expenses out of profit	3,712	(717,127)	(713,415)	(14,037,770)	-	(14,037,770)
2465	Redistribution of profit tax within CTG	(21,247,338)	-	(21,247,338)	(6,399,442)	-	(6,399,442)
<b>2400</b>	<b>Net profit (loss) of the reporting period</b>	<b>16,662,019</b>	<b>(438,087)</b>	<b>16,145,750</b>	<b>14,936,123</b>	<b>(804,640)</b>	<b>14,131,483</b>

Pursuant to the Regulation on Accounting 'Accounting for Profit tax Payments' (PBU 18/02), the Company showed in its accounting records and in the Statement of Financial results for 2013 the following data:

Table 20 Payments to and from the budget in relation to the profit tax

No.	Line number in Form No. 2	Line/parameter	for 2015	for 2014
			(column 5 of table 19)	(column 8 of table 19)
1	2	3	4	5
<b>1</b>		<b>Profit (loss) before tax</b>	<b>22,270,062</b>	<b>36,606,012</b>
1.1		Profit (loss) before tax 20%	(57,161,997)	(908,538)
1.2		Profit (loss) before tax 9%	613,240	5,728
1.3		Profit (loss) before tax 0%	78,818,819	37,508,823
2		Deemed expenses (deemed income) under profit tax ( line 1.1 x20%)	(11,432,399)	(181,708)
<b>3</b>	<b>2421</b>	<b>Permanent tax liabilities (assets) (line 4 – line 6), including:</b>	<b>(4,290,653)</b>	<b>2,101,007</b>
4		Permanent tax liabilities (line 5x20%)	3,494,705	2,470,237
5		Permanent differences increasing taxable profit, including:	17,473,524	12,351,186
5.1		reserves to cover contingencies	-	-
5.1		expenses not accounted for for tax purposes	8,942,515	4,280,733
5.2		losses of prior years	241,421	853,280
5.3		exchange rate differences	1,378,841	7,217,173
5.4		expenses related to participation in the charter capital of	6,910,748	-

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		other entities		
6		Permanent tax assets (line 7x20%)	(7,785,358)	369,231
7		Permanent differences reducing taxable profit, including:	(38,926,790)	(1,846,153)
7.1		reinstatement of reserves in accounting records	(1,418,804)	-
7.2		exchange rate differences	(3,298,610)	(1,588,685)
7.3		income of prior years	(328,290)	(132,707)
7.4		Income related to participation in the charter capital of other entities	(31,535,254)	-
7.5		other	(2,345,832)	(124,761)
<b>8</b>	<b>2450</b>	<b>Deferred tax assets (line 9x20%)</b>	<b>(104,947)</b>	<b>1,725,898</b>
9		Temporary deductible differences, including:	(524,733)	8,629,489
9.1		interest receivable	-	423,836
9.2		loss from sale of fixed assets carried forward	(340,489)	180,923
9.3		loss from disposal or redemption of securities carried forward	(25,225)	37,699,407
9.4		use of the reserve to cover impairment of securities	-	(70,099,376)
9.5		hedging of exchange risks	-	(5,484,793)
9.6		deviation for tax purposes at the time of disposal or redemption of securities	-	28,737,715
9.7		deviation of income for tax purposes from actual income from disposal or redemption of securities	-	3,662,255
9.8		other	(159,019)	13,509,523
<b>10</b>	<b>2430</b>	<b>Deferred tax obligations (line 11x20%)</b>	<b>5,419,339</b>	<b>10,078,075</b>
11		Temporary taxable differences	27,096,695	50,390,374
11.1		differences in evaluation of finished products due to different rules of expense recognition	(1,300,449)	455,787
11.2		hedging of exchange risks	27,052,618	33,215,214
11.3		costs of developing natural resources	(139,827)	186,268
11.4		other	1,484,353	16,533,105
12		Taxable profit tax base (line 1 + line 5 - line 7+ line 9 - line 11)	(106,236,691)	(32,164,390)
		Taxable profit tax base included in CGT	(106,236,691)	(45,268,695)
<b>13</b>	<b>2410</b>	<b>Current profit tax</b>	<b>21,247,338</b>	<b>6,398,926</b>
14		Other expenses out of profit	(600,026)	(14,121,837)
14.1		tax on profit of prior years	191,570	(84,067)
14.2		profit tax 13(9)%	(78,181)	(515)
14.3		other expenses out of profit	3,712	(17,381)
14.4		Written off deferred tax assets in the form of deviation from the calculated value of securities (not accounted for for tax purposes)	-	(5,747,543)
14.5		Written off deferred tax assets in relation to deviation of income for tax purposes from actual income from disposal or redemption of securities	-	(732,450)
14.6		Written off deferred tax assets as loss from disposal or redemption of securities	-	(7,539,881)
14.7		Written off deferred tax assets for fixed assets disposed of or retired	(1,130,290)	-
14.8		Reinstated deferred tax assets related to loss from disposal or redemption of securities	6,306	-
14.9		Written off deferred tax obligations in relation to fixed assets disposed of or retired	406,857	-
<b>15</b>	<b>2465</b>	<b>Redistribution of profit tax within CTG</b>	<b>(21,247,338)</b>	<b>(6,399,442)</b>
<b>16</b>	<b>2400</b>	<b>Net profit (loss) of the reporting period (line 1 + line 13 + line 14 + line 8 - line 10 + line 15)</b>	<b>16,145,750</b>	<b>14,131,483</b>

The amount of assessment/reduction (repayment) of the deductible temporary differences (line 9 of Table 20) resulting in assessment/reduction (repayment) of the relevant deferred tax assets (line 8 of Table 20) and the amount of assessment/reduction (repayment) of the taxable temporary differences (line 11 of Table 20) resulting in assessment/reduction (repayment) of the relevant deferred tax assets (line 10 of Table 20) in 2015 and 2014 are shown in Table 21 and Table 22.

Table 21 Breakdown of temporary differences for 2015

		<b>2015</b>
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No.	Line number in Table 20	Parameter	assessed / reinstated	paid / written off	shown in column 4 of table 20
1	2	3	4	5	6
<b>As relates to assessed/paid temporary deductible differences</b>					
<b>1</b>	<b>8</b>	<b>Deferred tax assets (line 2x20%)</b>	<b>498,807</b>	<b>(603,754)</b>	<b>(104,947)</b>
2	9	temporary deductible differences, including:	2,494,037	(3,018,770)	(524,733)
2.1	9.2	loss from sale of fixed assets carried forward	640	(341,129)	(340,489)
2.2	9.3	loss from disposal or redemption of securities carried forward	-	(25,225)	(25,225)
2.3	9.8	прочие	2,493,397	(2,652,416)	(159,019)
<b>As relates to written off temporary deductible differences</b>					
<b>3</b>	<b>14.7 14.8</b>	<b>Deferred tax obligations (line 4x20%)</b>	<b>6,306</b>	<b>(1,130,290)</b>	<b>(1,123,984)</b>
4		temporary deductible differences, including:	31,532	(5,651,452)	(5,619,920)
4.1		Written off deferred tax assets for fixed assets disposed of or retired	-	(5,651,452)	(5,651,452)
4.2		Reinstated deferred tax assets related to loss from disposal or redemption of securities	31,532	-	31,532
<b>As relates to written off temporary taxable differences</b>					
<b>5</b>	<b>14.9</b>	<b>Deferred tax obligations (line 6x20%)</b>	<b>-</b>	<b>406,857</b>	<b>406,857</b>
6		Temporary taxable differences, including:	-	2,034,285	2,034,285
6.1		Written off deferred tax obligations in relation to fixed assets disposed of or retired	-	2,034,285	2,034,285
<b>As relates to assessed/paid temporary taxable differences</b>					
<b>7</b>	<b>10</b>	<b>Deferred tax obligations (line 8x20%)</b>	<b>20,027,244</b>	<b>(14,607,905)</b>	<b>5,419,339</b>
8	11	Temporary taxable differences, including:	100,136,219	(73,039,524)	27,096,695
8.1	11.1	differences in evaluation of finished products due to different rules of expense recognition	71,133,828	(72,434,277)	(1,300,449)
8.2	11.2	hedging of foreign exchange risks	27,052,618	-	27,052,618
8.3	11.3	costs of developing natural resources	144,316	(284,143)	(139,827)
8.4	11.4	other	1,805,458	(321,105)	1,484,353

Table 22 Breakdown of temporary differences for 2014 год

No.	Line number in Table 20	Parameter	2014		
			Assessed	Paid/written off	Shown in column 5 of Table 20
1	2	3	4	5	6
<b>As relates to assessed/paid temporary deductible differences</b>					
<b>1</b>	<b>8</b>	<b>Deferred tax assets (line 2x20%)</b>	<b>19,123,641</b>	<b>(17,397,743)</b>	<b>1,725,898</b>
2	9	temporary deductible differences, including:	95,618,205	(86,988,715)	8,629,490
2.1	9.1	Interest receivable	423,836	-	423,836
2.2	9.2	loss from sale of fixed assets carried forward	180,923	-	180,923
2.3	9.3	loss from disposal or redemption of securities carried forward	37,699,407	-	37,699,407
2.4	9.4	use of the reserve to cover impairment of securities	-	(70,099,376)	(70,099,376)
2.5	9.5	hedging of foreign exchange risks	-	(5,484,793)	(5,484,793)
2.6	9.6	deviation from calculated price of securities	28,737,715	-	28,737,715
2.7	9.7	deviation of income for tax purposes from actual income from disposal or redemption of securities	3,662,255	-	3,662,255
2.8	9.8	other	24,914,069	(11,404,546)	13,509,523
<b>As relates to written off temporary deductible differences</b>					
<b>3</b>		<b>Deferred tax assets (line 4x20%)</b>	<b>-</b>	<b>(14,019,873)</b>	<b>(14,019,873)</b>
4		temporary deductible differences, including:	-	(70,099,370)	(70,099,370)

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4.1		Written off deferred tax assets in the form of deviation from calculated price of securities (not accounted for for tax purposes)	-	(28,737,715)	(28,737,715)
4.2		Written off deferred tax assets related to deviation of income for tax purposes from actual income from disposal or redemption of securities	-	(3,662,250)	(3,662,250)
4.3		Written off deferred tax assets as loss from disposal or redemption of securities	-	(37,699,405)	(37,699,405)
<b>As relates to assessed/paid temporary taxable differences</b>					
<b>5</b>	<b>10</b>	<b>Deferred tax obligations (line 6x20%)</b>	<b>23,698,666</b>	<b>(13,620,591)</b>	<b>10,078,075</b>
6	11	Temporary taxable differences, including:	118,493,331	(68,102,956)	50,390,375
6.1	11.1	differences in evaluation of finished products due to different rules of expense recognition	61,486,698	(61,030,911)	455,787
6.2	11.2	hedging of foreign exchange risks	33,215,214	-	33,215,214
6.3	11.3	costs of developing natural resources	186,268	-	186,268
6.4	11.4	other	23,605,150	(7,072,045)	16,533,105

In 2013, CGT was established in Gazprom Neft Group, the designated members of which is PJSC Gazprom Neft. On 23 November 2011, the Inspectorate No. 1 of the Russian Tax Service for Major taxpayers registered under No. 6 the agreement establishing CGT comprising 10 members. On 03.12.2013, the Interregional Inspectorate of the Russian tax Service for Major Taxpayers No. 1 registered, under No. 6/1, Agreement No. 1 on changes to Agreement on Establishment of CGT pursuant to which with effect from 2014 the Group also includes LLC Gazpromneft Terminal SPb, LLC Gazpromneft Shilling, LLC Gazpromneft Invest, while CJSC Gazpromneft-Aero left it. On 09.12.2014 the Interregional Inspectorate of the Russian tax Service for Major Taxpayers No. 1 registered, under No. 2, Agreement No. 1 on changes to Agreement on Establishment of CGT pursuant to which with effect from 2016, the consolidated group of taxpayers Gazprom Neft also includes LLC Gazpromneft Bitumen Materials.

In 2015 and 2014, CGT experienced a tax loss of RUB 74,860,712 thousand and RUB 13,104,305 thousand respectively.

Pursuant to the adjusted tax returns for the corporate profit tax for CGT for 2013, the profit tax was reduced in 2015 by RUB 63,663 thousand.

#### **Value Added Tax**

Line 1220 "Income VAT" shows the VAT amounts invoiced by the Company's counterparties at the time of purchasing of goods (work, services), the Company, as of the end of the reporting period, due to non-compliance with the provisions of Articles 165-172 of the Russian tax Code, did not accept them for deduction and did not include them into the value of the assets acquired or into expenses.

This line shows the amounts for which the Company expects to make the deduction or include in the value the VAT amounts within 12 months after the reporting date.

The input VAT amount related to export operations which was not submitted by the Company for deduction to the budget, as of 31.12.2015 was RUB 10,032,284 thousand (RUB 6,574,210 thousand and RUB 7,972,343 thousand as of 31.12.2014 and as of 31.12.2013 respectively).

#### **5.12. Revenue from sale of goods, products, work, services**

Table 23 Revenue from sale of goods, products, work, services by segment

Segment	2015	2014	% from revenue		Changes to revenue
			2015	2014	
Export and sales in the international market	401,163,514	481,630,243	32%	39%	(80,466,729)
Domestic market	804,588,768	714,788,212	63%	57%	89,800,556
CIS	67,228,826	53,048,659	5%	4%	14,180,167

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<b>Total revenue from sales</b>	<b>1,272,981,108</b>	<b>1,249,467,114</b>			<b>23,513,994</b>
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See below the breakdown of revenue from sale of goods, products, work, services:

Table 24 breakdown of revenue from sale of goods and products

Segment	Quantity		% from total		Changes
	2015	2014	2015	2014	
<b>Crude oil sales, thousand tons</b>	<b>24,017</b>	<b>18,026</b>	<b>100%</b>	<b>100%</b>	<b>5,991</b>
in the Russian Federation	13,072	7,628	54%	42%	5,444
export	8,484	8,062	35%	45%	422
in CIS countries	2,461	2,336	10%	13%	125
<b>Sales of petroleum products, thousand tons</b>	<b>38,358</b>	<b>38,964</b>	<b>100%</b>	<b>100%</b>	<b>(606)</b>
in the Russian Federation	26,825	27,071	70%	69%	(246)
export	10,177	10,802	27%	28%	(625)
in CIS countries	1,356	1,091	4%	3%	265
<b>Sales of natural gas, thousand m<sup>3</sup></b>	<b>9,647</b>	<b>8,244</b>	<b>100%</b>	<b>100%</b>	<b>1,403</b>
in the Russian Federation	9,647	8,244	100%	100%	1,403

Despite the fall of prices of oil and petroleum products on the global markets, the increased quantity and sales prices on the internal market procured positive trends in revenues from sales with a 2% growth.

The RUB 80.5 billion decline in revenue from sales on the international market was caused by the reduction in the export oil prices and exports of petroleum products (0.6 million tons). The reduction of revenue from exports was balanced by the growth in the sales volumes in Russia due to the more attractive price situation on the internal market.

The growth of aggregate revenue from sales on the internal market by RUB 89.8 billion was due to larger volumes and revenue from sales of crude oil by RUB 38.5 (2.2 million tons) as a result of higher production volume and higher economic efficiency of trading operations in the Russian Federation, and by RUB 50.5 billion as a result of higher volume in substitution activities (3.2 million tons). Also, the growth of revenue from sales on the internal market was due to higher production and use of gas, which ensured its increase by RUB 3.7 billion and increase of other revenue by RUB 2.3 billion. The reduction of the quantity of petroleum products sold in Russia had an adverse effect on changes to the revenue from sales in Russia, which resulted in its decrease by RUB 5.2 billion.

The growth of the total revenue from sales to CIS countries by RUB 14.1 billion resulted from the growth of quantities and revenue from sales of petroleum products by RUB 7.9 billion (0.3 million tons), which was due to the favorable market situation in this segment, and of crude oil by RUB 6.3 billion (0.1 million tons), which resulted from the start of sales of crude oil to Uzbekistan and larger volumes sold to Mozyrsky Refinery.

### 5.13. Costs of production

Table 25 Costs of production

Parameter	2015	2014
Cost of materials	708,353,752	641,854,720
Payroll	9,957,909	8,929,979
Social welfare	1,774,165	1,038,839
Depreciation	1,841,686	1,829,712
Customs duties and charges	119,326,948	229,307,588
Other costs	95,878,953	76,997,518
<b>Total by elements</b>	<b>937,133,414</b>	<b>959,958,356</b>
<b>Actual cost of goods sold</b>	<b>317,474,548</b>	<b>204,116,204</b>
<b>Changes to the balance: Growth(-), Reduction (+)</b>	<b>(4,025,744)</b>	<b>5,553,902</b>
finished products	(3,747,880)	(889,654)
Other accounts (except internal turnovers)	(277,864)	6,443,556
<b>Changes to the balance of work in progress (Growth(-), Reduction (+))</b>	<b>(199,173)</b>	<b>216,608</b>
<b>Total expenses for core operations</b>	<b>1,250,383,044</b>	<b>1,169,845,070</b>

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Due to fixing a separate line for stating the actual cost of goods sold, the figures for 2014 were adjusted: the figure in line “Cost of materials” was reduced by RUB 204,116,204 thousand and the balance for goods for resale was adjusted by RUB 417,037 thousand.

**5.14. Other income and expenses**

Table 26 Other income and expenses

Line	Parameter	2015	2014
<b>2320</b>	<b>Interest receivable</b>	<b>17,431,531</b>	<b>19,722,653</b>
	including		
	Income from the bank account balance	2,050,226	1,494,699
	income from bonds	28,231	22,248
	interest on loans provided	11,515,823	16,467,778
	interest on loans provideds	3,810,577	1,737,928
	Other	26,674	-
<b>2330</b>	<b>Interest payable</b>	<b>(30,970,665)</b>	<b>(24,132,364)</b>
	including		
	Interest on loans received	(15,115,965)	(15,744,141)
	Interest on loans in foreign currency	(11,438,202)	(3,289,303)
	Interest on bonds	(4,402,516)	(5,084,931)
	Other	(13,982)	(13,989)
<b>2310</b>	<b>Income from participation in other entities</b>	<b>79,432,059</b>	<b>37,514,550</b>
	including		
	Dividends	79,432,059	37,514,550
<b>2340</b>	<b>Other income</b>	<b>34,460,865</b>	<b>10,218,820</b>
	including		
	Income from sale of foreign currency	-	952,366
	Proceeds from sale of fixed assets, intangible assets and inventories	296,995	3,665,984
	Income from hedging interest rate risks	161,392	813,296
	Income from commodity swap transactions	906,342	-
	Reinstatement of reserves (for estimates liabilities and bad debt)	247,329	8,033
	Proceeds from sale or other disposal of securities and shares	31,566,528	4,002,282
	Overdue accounts payable for which the period of limitation of actions has expired	1,596	-
	Fines and penalties received	700,719	479,185
	Income of prior years	297,660	137,127
	Other	282,304	160,547
<b>2350</b>	<b>Other expenses</b>	<b>(100,681,794)</b>	<b>(86,339,691)</b>
	including		
	Expenses related to sale of foreign currency	(610,306)	-
	Expenses related to derivative transactions	(13,044,164)	(316,877)
	Exchange rate difference	(69,150,214)	(72,153,737)
	Contributions to reserves (for contingencies and bad debt)	(180,427)	(62,989)
	Costs of sale of fixed assets, intangible assets and inventories	(238,542)	(3,426,181)
	Costs of sale and other disposal of securities and shares	(6,910,751)	(4,002,281)
	Bank services	(642,678)	(544,926)
	Fines and penalties paid	(980,071)	(668,835)
	Losses of prior years	(2,312,454)	(1,746,941)
	Charity	(4,070,009)	(1,790,623)
	Social welfare	(454,582)	(270,121)
	Other	(2,087,596)	(1,356,180)

The Statement of Financial Results shows net (without a breakdown) other income/expenses:

1. exchange rate differences equal to RUB (69,150,214) thousand (in 2014 – RUB (72,153,737) thousand, including:
  - income of RUB 331,522,814 thousand (in 2014 – RUB 170,884,987 thousand);
  - expenses of RUB 400,673,028 thousand (in 2014 – RUB 243,038,724 thousand).
2. derivative transactions in the form of forward contracts equal to RUB (13,044,164) thousand (in 2014 – RUB (316,877) thousand), including:

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- income of RUB 0 thousand (in 2014 – RUB 4,222,200 thousand);
- expenses of RUB 13,044,164 thousand (in 2014 – RUB 4,539,077 thousand).
- 3. insurance of interest rate risks (hedging) equal to RUB 161,392 thousand (in 2014 – RUB 813,296 thousand), including:
  - income of RUB 3,268,780 thousand (in 2014 – RUB 2,170,422 thousand);
  - expenses of RUB 3,107,388 thousand (in 2014 – RUB 1,357,126 thousand).
- 4. commodity swap transactions equal to RUB 906,342 thousand (in 2014 – RUB 0 thousand), including:
  - income of RUB 2,678,075 thousand (in 2014 год – RUB 0 thousand);
  - expenses of RUB 1,771,733 thousand (in 2014 год – RUB 0 thousand).
- 5. assignment of claim rights for 2014 equal to RUB 0 thousand, including:
  - income of RUB 1,774,711 thousand;
  - expenses of RUB 1,774,711 thousand.

**5.15. Estimated liabilities, contingent liabilities and contingent assets**

Table 28 Existence and changes to estimated liabilities

Parameter	Period	Opening balance	Created	Used	Reinstated	Moved to current	Closing balance
<b>Non-current estimated liabilities - total</b>	<b>2015</b>	<b>121,574</b>	<b>955,412</b>	-	<b>(132,170)</b>	-	<b>944,816</b>
	<b>2014</b>	<b>1,908,487</b>	<b>1,007,442</b>	<b>(10,109)</b>	<b>(44,466)</b>	<b>(2,739,779)</b>	<b>121,574</b>
including							
Payable to employees	2015	-	941,314	-	-	-	941,314
	2014	1,756,436	993,452	(10,109)	-	(2,739,779)	-
liquidation of fixed assets and land recultivation	2015	121,575	14,098	-	(132,170)	-	3,502
	2014	152,051	13,990	-	(44,466)	-	121,575
<b>Current estimated liabilities - total</b>	<b>2015</b>	<b>4,716,799</b>	<b>6,282,247</b>	<b>(8,383,183)</b>	-	-	<b>2,615,863</b>
	<b>2014</b>	<b>1,499,333</b>	<b>4,075,459</b>	<b>(3,597,772)</b>	-	<b>2,739,779</b>	<b>4,716,799</b>
including:							
Payable to employees	2015	4,476,464	6,282,247	(8,142,848)	-	-	2,615,863
	2014	1,499,333	3,835,124	(3,597,772)	-	2,739,779	4,476,464
Litigation	2015	240,335	-	(240,335)	-	-	-
	2014	-	240,335	-	-	-	240,335

**Contingent liabilities and contingent assets**

The Company is a party in a number of lawsuits that were created in the ordinary course of business. Currently existing claims and lawsuits against the Company cannot have a material adverse effect on the Company's operations or financial position.

The Company is a surety in relation to liabilities of third parties, which is further explained in section 5.19 of these Notes. According to the Company estimates, no material obligations can be expected to be created in connection with the suretyships given.

**5.16. Hedging foreign exchange and interest rate risks**

The Company is exposed to the foreign exchange risk mainly due to the fact that the transactions for realizing and raising financing may be expressed in a currency other than the functional (local) currency of the Company.

The functional currency of the Company is the Russian rouble and the currency in which the majority of the above transactions are effected is the US dollar.

The Company's foreign exchange risk is greatly reduced due to its assets and liabilities denominated in foreign currency: the current structure of revenue and obligations is acting as a hedging mechanism where

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multidirectional cash flows balance each other. The Company uses hedging transactions with respect to the above cash flows denominated in foreign currency to prevent instability of the profit and loss parameters mainly for the transactions aimed at raising financing.

The Company's policy involves hedging the risk of volatility of cash flows due to changes to exchange rates for foreseeable transactions the probability of realizing which is high.

The material part of the Company's bank loans and other loans were received with a floating rate (linked to LIBOR or EURIBOR). In order to minimize the risk of adverse changes to LIBOR and EURIBOR, the Company's treasury analyses, from time to time, the current interest rates on the capital market and, depending on the results of such analysis, makes the decision whether it is necessary to hedge the interest rate or to raise debt financing at fixed or floating rates.

The financial result of the foreign exchange risk hedging transactions are shown as part of other income and expenses of the Company for the reporting period (section 5.14 of these Notes).

The detailed information related to the fair value of the pending cash flow hedging transactions and the time of their performance is provided in Note 33 "Cash flow hedging transactions" to the Consolidated Financial Statements of Gazprom Neft Group for 2015. Also, Note 34 "Financial risk management" contains information related to the management of financial risks in the Group.

#### **5.17. Capital and reserves**

As of 31.12.2015, the Company's charter capital was RUB 7,586 thousand represented by 4,741,299,639 thousand fully paid up ordinary registered shares, the above amount did not change in 2015. The par value of one ordinary registered share is RUB 0.0016.

Table 28 Key shareholders

Shareholder	% of charter capital
PJSC Gazprom	72.663
LLC Deutsche Bank (nominee)	20.0002
National Settlement Depository	7.06
Other	0.277

The shareholder register is maintained by Closed Joint-Stock Company Specialized Registrar for Gas Industry located at 71/32 Novocheremushkinskaya street, Moscow 117420.

The Company's additional capital at the end of the reporting period was RUB 7,807,598 thousand. During 2015, the Company's additional capital did not change.

During the reporting year no contributions were made to the reserve fund.

As resolved by the Company's general meeting, according to the Company's results for 2014, it was decided to pay the dividend of RUB 8,771,404 thousand (the dividend for 2014 was RUB 25,081,475 thousand.). As resolved by the Company's extraordinary general meeting, it was decided to pay the interim dividend of RUB 28,068,494 thousand (the interim dividend for the first half of 2014 was RUB 21,904,804 thousand.).

In the reporting period, records show return of unclaimed dividend of RUB 9,292, which is shown in line 3319 "Other" of the Statement of Changes in Equity.

#### **5.18. Profit (loss) per share**

Basic profit (loss) per share reflects the amount of the profit (loss) of the reporting year payable to the



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holders of ordinary shares. It is calculated as the ratio of the basic profit (loss) for the reporting year to the weighted average number of ordinary shares outstanding during the reporting year.

When calculating the weighted average number of common shares outstanding during the reporting year, the Company's shares purchased from the shareholders were excluded.

Table 29 Calculation of basic profit (loss) per share

Parameter	2015	2014
Basic profit per share, RUB thousand	16,145,750	14,131,483
Weighted average number of common shares outstanding during the reporting year, thousand shares	4,741,299,639	4,741,299,639
Basic profit per share, RUB	3.41	2.98

No securities which may have a diluting effect were issued.

### 5.19. Security for obligations

Table 30 Security for obligations

Parameter	As of 31.12.15	As of 31.12.14	As of 31.12.13
Security for obligations received - total	541,965	-	-
including:			
suretyships	541,965	-	-
Security for obligations provided - total	10,998,140	32,734,338	225,458
including:			
suretyships	10,998,140	32,734,338	225,458

Suretyships were issued to subsidiaries to secure the obligations created in the ordinary course of their business. The majority of security is provided under agreements for letters of credit.

### 5.20. Other aspects of the Company's operations

#### Environmental aspects

Operations of oil and gas companies are always exposed to the risk of causing damage to the environment. The Company believes that it is in compliance with the environmental laws and regulations, that is why the Company is not exposed to the risk of significant obligations, except those disclosed and accrued in these statements.

#### Insurance

The Company continues to insure its assets, vehicles, cargos, transport, construction and assembly and liability of officers.

### 5.21. Related-party transactions

In the course of its ordinary business, the Company makes transactions with the companies which are related parties pursuant to the Russian laws and regulations. Such transactions are effected under the market terms, payments to and from related parties are to be effected in cash.

The list of related parties is grouped on the basis of the nature of relationships between the companies subject to the substance-over-form requirement.

The transaction amounts and balances of payments to and from related parties are shown separately for the following groups of related parties with a different nature of relations with the Company:

- key shareholders;

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- subsidiaries;
- affiliates;
- key management personnel;
- other related parties.

**Transactions with the key shareholders**

The Company's revenue from sales of crude oil, gas and petroleum products to the key shareholder in 2015 amounted to RUB 18,612,267 thousand (in 2014 – RUB 14,180,805 thousand).

In 2015 and 2014, the Company purchased transportation services from the key shareholder to the total of RUB 5,999,734 thousand and 5,565,963 thousand respectively.

In 2015, the Company paid RUB 24,676,729 thousand in dividend to the key shareholder (in 2014 – RUB 31,473,152 thousand).

**Transactions with subsidiaries**

The list of the Company's subsidiaries is provide in table 7, section 5.6 of these Notes.

Table 31 Information about transactions with subsidiaries

<b>Transactions</b>	<b>2015</b>	<b>2014</b>
Sale of crude oil, gas and petroleum products	551,552,088	953,152,140
Other revenue	30,080,506	27,792,100
Purchase of crude oil, gas and petroleum products	(425,024,829)	(362,103,406)
Production-related expenses	(68,397,764)	(60,041,837)
Transportation expenses	(4,453,551)	(1,932,668)
Interest income	7,154,622	12,792,560
Loans received	113,969,238	58,028,352
Loans provided	(223,713,649)	(180,479,575)

Table 32 Information about transactions with subsidiaries

<b>Cash flows</b>	<b>2015</b>	<b>2014</b>
<b><i>Cash flows from current operations</i></b>		
Receipts	718,701,640	1,098,122,697
Payments	(678,777,259)	(572,989,840)
<b><i>Cash flows from investment operations</i></b>		
Receipts	137,128,128	81,712,310
Payments	(294,633,339)	(188,506,557)
<b><i>Cash flows from financial operations</i></b>		
Receipts	113,969,238	58,034,618
Payments	(32,826,544)	(68,851,643)

Table 33 Assets and liabilities affected by the transactions with subsidiaries

<b>Assets and liabilities</b>	<b>As of 31.12.15</b>	<b>As of 31.12.14</b>	<b>As of 31.12.13</b>
<b>Assets</b>			
Accounts receivable	125,227,771	153,196,416	119,727,769
Short-term loans provided	199,123,859	245,459,733	90,332,840
Long-term loans provided	330,704,287	99,397,664	46,757,562
<b>Liabilities</b>			
Current accounts payable	(135,175,878)	(213,927,850)	(110,743,024)
Short-term loans (including interest)	(209,595,224)	(148,744,926)	(144,082,217)
Long-term loans (including interest)	(13,769,945)	-	-

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**Transactions with affiliates**

Material affiliates of PJSC Gazprom Neft are:

1. OJSC Tomskneft BNK
2. Salym Petroleum Development
3. LLC Yamal Ravitie
4. OJSC Oil and Gas Company Slavneft

Table 34 Information about transactions with affiliates

<b>Transactions</b>	<b>2015</b>	<b>2014</b>
Sale of crude oil, gas and petroleum products	8,776,975	5,499,930
Other revenue	118,383	53,273
Purchase of crude oil, gas and petroleum products	(103,222,821)	(93,765,305)
Production-related expenses	(6,324,497)	(11,310,211)
Transportation expenses	(14,178,331)	(6,643,848)
Interest income	4,154,736	2,958,928
Loans received	825,000	975,780
Loans provided	(4,493,300)	(46,438,727)

Table 35 Information about transactions with affiliates

<b>Cash flows</b>	<b>2015</b>	<b>2014</b>
<i><b>Cash flows from current operations</b></i>		
Receipts	12,405,253	12,093,059
Payments	(142,259,739)	(140,141,478)
<i><b>Cash flows from investment operations</b></i>		
Receipts	2,550,000	139,191
Payments	(4,493,300)	(46,438,727)
<i><b>Cash flows from financial operations</b></i>		
Receipts	825,000	975,780
Payments	(157,000)	(1,715,659)

Table 36 Assets and liabilities affected by the transactions with affiliates

<b>Assets and liabilities</b>	<b>As of 31.12.15</b>	<b>As of 31.12.14</b>	<b>As of 31.12.13</b>
<b>Assets</b>			
Accounts receivable	7,159,406	4,953,834	1,519,551
Short-term loans provided	252,253	252,253	-
Long-term loans provided	36,830,952	48,253,474	2,200,000
<b>Liabilities</b>			
Current accounts payable	(6,837,575)	(2,893,693)	(4,686,209)
Short-term loans (including interest)	(1,671,706)	(980,779)	(734,756)
Long-term loans (including interest)	-	-	(1,000,000)

**Transactions with other related parties**

Table 37 Information about transactions with other related parties

<b>Transactions</b>	<b>2015</b>	<b>2014</b>
Sale of crude oil, gas and petroleum products	60,136,653	36,064,654
Other revenue	6,021	11,957
Purchase of crude oil, gas and petroleum products	(113,346,928)	(97,580,945)
Production-related expenses	(13,042,456)	(11,954,677)
Transportation expenses	(1,791,619)	(1,478,665)
Interest income	1,176,306	816,369
Loans received	71,321,500	-

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Loans provided	-	(3,150,000)
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Table 38 Information about transactions with other related parties

<b>Cash flows</b>	<b>2015</b>	<b>2014</b>
<b><i>Cash flows from current operations</i></b>		
Receipts	67,267,944	39,758,864
Payments	(165,217,143)	(152,699,159)
<b><i>Cash flows from investment operations</i></b>		
Receipts	2,413,422	3,468,390
Payments	(776)	(3,150,189)
<b><i>Cash flows from financial operations</i></b>		
Receipts	71,321,500	-
Payments	(1,778,336)	-

Table 39 Assets and liabilities affected by the transactions with other related parties

<b>Assets and liabilities</b>	<b>As of 31.12.15</b>	<b>As of 31.12.14</b>	<b>As of 31.12.13</b>
<b>Assets</b>			
Accounts receivable	5,581,431	7,069,249	6,563,601
Short-term loans provided	-	-	14,000,000
Long-term loans provided	-	-	2,577,000
<b>Liabilities</b>			
Current accounts payable	(2,587,314)	(2,288,825)	(2,889,922)
Short-term loans (including interest)	-	-	29
Long-term loans (including interest)	(72,882,700)	-	-

### **Key management personnel**

The Company includes its Directors and members of the Management Board in its key management personnel.

In 2015, the key management personnel received the total of RUB 1,342,849 thousand as remuneration (in 2014 – RUB 1,225,101 thousand). The taxes and other mandatory charges to various budgets and non-budget funds assessed on such remuneration amounted to RUB 370,329 thousand in 2015 (2014 – RUB 107,428 thousand).

The short-term remuneration includes the salary for the reporting period, annual paid leave and other payments.

### **5.22. Events after the reporting date**

In February 2016, the Company bought its rouble bonds (series 8, 9 and 11) with the total nominal value of RUB 20.4 billion.

### **5.23. Tax risk management**

Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation, including the allocation of tax payments to the Federal and Regional budgets, as applied to the transactions and activity of the Group may be challenged by the relevant authorities. The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that approach to the taxation of transactions and activities that was challenged in the past may be challenged in the future. As a result, significant additional taxes, penalties and interest may be assessed. Generally, during a tax audit, fiscal periods remain open to review by the authorities in respect of taxes for the preceding three calendar years. Under certain circumstances reviews by tax authorities may cover longer periods. The years 2012,

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2013 and 2014 are currently open for review. Management believes it has adequately provided for any probable losses that might arise from these matters

With effect from 1 January 2013, the Russian laws related to transfer pricing have been changed. In particular, new material requirements with respect to reporting the operations which are subject to control of tax authorities and to documenting the relevant market conditions at the time of such transactions. The new Russian rules of transfer pricing are more detailed and to a higher extent match the international transfer pricing principles developed by the Organization for Economic Cooperation and Development (OECD) than the old ones. The new transfer pricing rules allow the tax authorities to assess additional taxes in relation to the transactions controlled by tax authorities (transactions between related parties and certain types of transactions with third parties) due to the fact that the price in such transactions does not satisfy the principal of arm's length transactions.

The Company's controlled transactions are regularly analyzed by the corporate services to verify their compliance with transfer pricing laws and regulations. The Company's management believe that the documents prepared in relation to transfer pricing pursuant to the requirements of the new laws and regulations are sufficient for validating the Group's tax position and confirm the data contained in the tax returns submitted. In addition, in order to mitigate possible tax risks, the Group regularly holds negotiations with the tax authorities aiming to make agreements concerning transfer pricing. In 2012-2015, the Group made twelve agreements with tax authorities concerning transfer pricing in the most important intra-group transactions.

At the same time, because the practice of applying the transfer pricing rules has not yet been well established and some rules of the new law are contradictory and may be construed in different ways, the impact of the new transfer pricing rules on the Group's tax liabilities is impossible to determine reliably.

**5.24. Financial risk management**

Information about the Company's financial risk management is not shown in these financial statements because the Company's management analyses such risks only on Gazprom Neft Group level. Information about the financial risk management in Gazprom Neft Group is provided I its annual consolidated financial statements.

**5.25. Impact of sanctions**

The Russian economy is displaying certain specific features attributable to developing markets. The rules of administrative law in the Russian Federation (including tax, foreign currency and customs laws and regulations) leave room for varying interpretation and create additional difficulties for the companies operating in the Russian Federation. The political and economic instability, uncertainty and volatility of the stock market and other risks may have an adverse effect on the Russian financial and corporate sector. The future development of the Russian Federation depends on external factors and internal measures taken by the government to support the growth and make changes to the tax and regulative environmental. Management believe that it is taking all the required measures to maintain the stability and development of the Company's business in today's situation existing in business and economy.

In 2014, the USA, European Union and some other countries introduced sanctions against the Russian power sector, which are partially applicable to the Group. Information about the key sanction-related restrictions was provided in the Consolidated Financial Statements for the year ending on 31 December 2015.

Chief Executive Officer  
Chief Accountant

<signed>  
<signed>

A. V. Dyukov  
O. N. Makretskaya

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04 March 2016

Seal: Public Joint Stock Company Gazprom Neft  
PJSC Gazprom Neft  
INN 5504036333  
OGRN 1025501701686

**PJSC Gazprom Neft**  
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**(RUB thousand, unless stated otherwise)**

Director of Joint-Stock Company PricewaterhouseCoopers Audit  
I. V. Shanina  
04 March 2016

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<signed>

Seal: PricewaterhousCoopers Audit