

August 29, 2017

**Gazprom's financial information under International Financial Reporting Standards (IFRS)
for the six months ended June 30, 2017**

Today PJSC Gazprom issued its unaudited consolidated interim condensed financial information prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) for the six months ended June 30, 2017.

The table below presents the unaudited consolidated interim condensed statement of comprehensive income prepared in accordance with IFRS for the six months ended June 30, 2017 and for the six months ended June 30, 2016. All amounts are presented in millions of the Russian Rubles.

	Six months ended June 30,	
	2017	2016
Sales	3,209,934	3,064,372
Net (loss) gain from trading activity	(20,327)	29,529
Operating expenses	<u>(2,705,306)</u>	<u>(2,680,732)</u>
Operating profit	484,301	413,169
Finance income	236,044	700,268
Finance expense	(239,627)	(367,387)
Share of net income of associates and joint ventures	55,969	33,766
Gain on disposal of available-for-sale financial assets	<u>50</u>	<u>1,021</u>
Profit before profit tax	536,737	780,837
Current profit tax expense	(83,162)	(105,785)
Deferred profit tax expense	<u>(45,521)</u>	<u>(49,647)</u>
Profit tax	(128,683)	(155,432)
Profit for the period	408,054	625,405
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations	<u>(14,236)</u>	<u>(78,625)</u>
Total items that will not be reclassified to profit or loss	(14,236)	(78,625)
Items that may be reclassified subsequently to profit or loss:		
(Loss) gain arising from change in fair value of available-for-sale financial assets, net of tax	(40,227)	20,806
Share of other comprehensive income (loss) of associates and joint ventures	2,125	(4,518)
Translation differences	23,113	(186,490)
(Loss) gain from cash flow hedges, net of tax	<u>(4,423)</u>	<u>39,535</u>
Total items that may be reclassified subsequently to profit or loss	(19,412)	(130,667)
Other comprehensive loss for the period, net of tax	(33,648)	(209,292)
Total comprehensive income for the period	374,406	416,113

Profit for the period attributable to:

Owners of PJSC Gazprom	381,346	607,160
Non-controlling interest	<u>26,708</u>	<u>18,245</u>
	408,054	625,405

Total comprehensive income for the period attributable to:

Owners of PJSC Gazprom	343,027	405,536
Non-controlling interest	<u>31,379</u>	<u>10,577</u>
	374,406	416,113

Total sales (net of excise tax, VAT and customs duties) increased by RUB 145,562 million, or 5 %, to RUB 3,209,934 million for the six months ended June 30, 2017 compared to the same period of the prior year. The increase in sales was mainly driven by an increase in sales of crude oil, refined products, electric and heat energy.

More detailed information concerning the main items of the sales' structure for the six months ended June 30, 2017 and June 30, 2016 is presented in the table below.

RUB million (unless indicated otherwise)	Six months ended June 30,	
	2017	2016
Sales of gas		
<i>Europe and Other countries</i>		
Net sales (net of excise tax and customs duties)	1,053,789	1,128,271
Volumes in bcm	119.1	109.4
Average price, RUB per mcm (including excise tax and customs duties)	11,117.2	12,798.3
<i>Former Soviet Union countries</i>		
Net sales (net of customs duties)	151,268	166,621
Volumes in bcm	18.4	16.4
Average price, RUB per mcm (including customs duties)	9,107.4	11,135.9
<i>Russian Federation</i>		
Net sales (net of VAT)	466,525	420,395
Volumes in bcm	124.1	109.7
Average price, RUB per mcm (net of VAT)	3,760.7	3,831.0
<i>Total sales of gas</i>		
Retroactive gas price adjustments	(7,304)	39,984
Net sales (net of excise tax, VAT and customs duties)	1,664,278	1,755,271
Volumes in bcm	261.6	235.5
Net sales of refined products (net of excise tax, VAT and customs duties)	780,812	703,468
Net sales of crude oil and gas condensate (net of VAT and customs duties)	273,298	166,549
Electric and heat energy net sales (net of VAT)	263,155	236,292
Gas transportation net sales (net of VAT)	117,482	95,772
Other revenues (net of VAT)	<u>110,909</u>	<u>107,020</u>
Total sales (net of excise tax, VAT and customs duties)	3,209,934	3,064,372

Net sales of gas decreased by RUB 90,933 million, or 5 %, to RUB 1,664,278 million for the six months ended June 30, 2017 compared to the same period of the prior year. The change was mainly due to an appreciation of the average exchange rate of Russian Ruble against US Dollar and Euro by 17 % and 20 % respectively for the six months ended June 30, 2017 compared to the same period of the prior year.

Net sales of gas to Europe and Other countries decreased by RUB 74,482 million, or 7 %, to RUB 1,053,789 million for the six months ended June 30, 2017 compared to the same period of the prior year. This was mainly driven by the decrease in average Russian Ruble prices (including excise tax and customs

duties) by 13 %, that was partially compensated by the increase in volumes of gas sold by 9 %, or 9.7 bcm.

Net sales of gas to Former Soviet Union countries decreased by RUB 15,353 million, or 9 %, to RUB 151,268 million for the six months ended June 30, 2017 compared to the same period of the prior year. The change was due to the decrease in average Russian Ruble prices (including customs duties) by 18 % that was partially compensated by the increase in volumes of gas sold by 12 %, or 2.0 bcm.

Net sales of gas in the Russian Federation increased by RUB 46,130 million, or 11 %, to RUB 466,525 million for the six months ended June 30, 2017 compared to the same period of the prior year. This is mainly explained by the increase in volumes of gas sold by 13 %, or 14.4 bcm, that was partially compensated by the decrease in average Russian Ruble prices by 2 %.

Net sales of refined products increased by RUB 77,344 million, or 11 %, to RUB 780,812 million for the six months ended June 30, 2017 compared to the same period of the prior year. The increase in sales of refined products was due to an increase in average prices.

Net sales of crude oil and gas condensate increased by RUB 106,749 million, or 64 %, to RUB 273,298 million for the six months ended June 30, 2017 compared to the same period of the prior year. The increase in sales of crude oil was due to an increase in volumes of crude oil sold by Gazprom Neft Group to customers in Europe and Other countries due to crude oil production growth at Novoport, Prirazlomnoye and Messoyakha fields, decreased oil supplies to the refinery and increased production in Iraq as well as an increase in average prices in all geographic segments.

Electric and heat energy net sales increased by RUB 26,863 million, or 11 %, to RUB 263,155 million for the six months ended June 30, 2017 compared to the same period of the prior year. The increase of electric and heat energy sales was due to an increase in volumes of heat energy and capacity as well as due to a longer heating period.

Operating expenses increased by RUB 24,574 million, or 1 %, to RUB 2,705,306 million for the six months ended June 30, 2017 compared to the same period of the prior year.

The increase in operating expenses is explained by an increase in a number of items such as: "Taxes other than on income" – the increase by RUB 136,684 million, or 32 %; "Cost of goods for resale, including refined products" – the increase by RUB 36,750 million, or 48 %, that was partially compensated by a decrease in a number of items such as: "Purchased gas and oil" – the decrease by RUB 61,658 million, or 10 %; "Transit of gas, oil and refined products" – the decrease by RUB 15,959 million, or 5 %; "Foreign exchange rate differences on operating items" – the recognition of gain in the amount of RUB 8,760 million for the six months ended June 30, 2017 compared to the loss in the amount of RUB 63,319 for the same period of the prior year.

For the six months ended 30 June, 2017 the balance of translation differences reflected in "Net finance income (loss)" produced a loss in the amount of RUB 17,303 million compared to a gain of RUB 314,354 million for the same period of the prior year, which affected the decrease of the profit attributable to owners of PJSC Gazprom.

Profit attributable to the owners of PJSC Gazprom for the six months ended June 30, 2017 totalled RUB 381,346 million which is RUB 225,814 million, or 37 % less than for the same period of the prior year.

Net debt balance (defined as the sum of short-term borrowings, current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings, long-term promissory notes payable, net of cash and cash equivalents and balances of cash and cash equivalents restricted as to withdrawal under the terms of certain borrowings and other contractual obligations) increased by RUB 359,211 million, or 19 %, from RUB 1,932,895 million as of December 31, 2016 to RUB 2,292,106 million as of June 30, 2017. This increase was due to an increase in borrowing and a decrease in cash and cash equivalents. A decrease of cash balances was due to an increase of short-term deposits in the amount of RUB 359,418 million for the six months ended 30 June, 2017.

More detailed information on the IFRS consolidated interim condensed financial information for the six months ended June 30, 2017 can be found on the PJSC Gazprom's site (www.gazprom.ru).

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