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Gazprom's financial information under International Financial Reporting Standards (IFRS) for the six months ended June 30, 2015

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, 2015.

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, 2015 and for the six months ended June 30, 2014. All amounts are presented in millions of the Russian Rubles.

	Six months ended June 30,	
	2015	2014
Sales	2,913,452	2,873,932
Net (loss) gain from trading activity	(7,953)	14,377
Operating expenses	<u>(2,224,215)</u>	<u>(2,248,659)</u>
Operating profit	681,284	639,650
Finance income	1,063,303	165,596
Finance expense	<u>(949,422)</u>	<u>(218,540)</u>
Share of net income of associated undertakings and joint ventures	61,415	47,884
Gains (losses) on disposal of available-for-sale financial assets	<u>430</u>	<u>(26)</u>
Profit before profit tax	857,010	634,564
Current profit tax expense	(122,538)	(124,525)
Deferred profit tax expense	<u>(43,216)</u>	<u>(44,813)</u>
Profit tax expense	<u>(165,754)</u>	<u>(169,338)</u>
Profit for the period	691,256	465,226
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations	<u>(118,428)</u>	<u>(6,463)</u>
Total items that will not be reclassified to profit or loss	(118,428)	(6,463)
Items that may be reclassified subsequently to profit or loss:		
Gains (losses) arising from change in fair value of available-for-sale financial assets, net of tax	38,783	(8,850)
Share of other comprehensive income (loss) of associated undertakings and joint ventures	11,619	(3,403)
Translation differences	<u>(68,945)</u>	<u>13,667</u>
Gains (losses) from cash flow hedges, net of tax	<u>13,478</u>	<u>(6,971)</u>
Total items that may be reclassified subsequently to profit or loss	(5,065)	(5,557)
Other comprehensive loss for the period, net of tax	(123,493)	(12,020)
Total comprehensive income for the period	567,763	453,206

Profit attributable to:

Owners of PJSC Gazprom	675,904	450,578
Non-controlling interest	<u>15,352</u>	<u>14,648</u>
	691,256	465,226

Total comprehensive income attributable to:

Owners of PJSC Gazprom	557,002	438,470
Non-controlling interest	<u>10,761</u>	<u>14,736</u>
	567,763	453,206

Total sales (net of excise tax, VAT and customs duties) increased by RUB 39,520 million, or 1 %, to RUB 2,913,452 million for the six months ended June 30, 2015 compared to the same period of the prior year. The increase in sales is mainly driven by the increase in gas sales to Europe and Other countries.

More detailed information concerning the main items of the sales' structure for the six months ended June 30, 2015 and June 30, 2014 is presented in the table below.

(RUB million unless indicated otherwise)	Six months ended June 30,	
	2015	2014
Sales of gas		
<i>Europe and Other countries</i>		
Net sales (net of excise tax and customs duties)	946,620	883,196
Volumes in bcm	80.4	86.0
Average price, RUB per mcm (including excise tax and customs duties)	15,551.5	12,843.4
<i>Former Soviet Union countries</i>		
Net sales (net of customs duties)	229,638	262,947
Volumes in bcm	20.9	30.7
Average price, RUB per mcm (including customs duties)	12,176.6	10,445.7
<i>Russian Federation</i>		
Net sales (net of VAT)	425,284	440,528
Volumes in bcm	120.0	125.4
Average price, RUB per mcm (net of VAT)	3,543.0	3,513.5
<i>Total sales of gas</i>		
Retroactive gas price adjustments	17,220	-
Net sales (net of VAT, excise tax and customs duties)	1,618,762	1,586,671
Volumes in bcm	221.3	242.1
Net sales of refined products (net of VAT, excise tax and customs duties)	761,603	793,632
Net electric and heat energy sales (net of VAT)	217,728	218,683
Net sales of crude oil and gas condensate (net of VAT and customs duties)	130,652	104,798
Net gas transportation sales (net of VAT)	90,621	82,721
Other revenues (net of VAT)	<u>94,086</u>	<u>87,427</u>
Total sales (net of VAT, excise tax and customs duties)	2,913,452	2,873,932

Net sales of gas increased by RUB 32,091 million, or 2 %, to RUB 1,618,762 million, for the six months ended June 30, 2015 compared to the same period of the prior year.

Net sales of gas to Europe and other countries increased by RUB 63,424 million, or 7 %, to RUB 946,620 million for the six months ended June 30, 2015 compared to the same period of the prior year. The overall increase in sales of gas to Europe and other countries was driven by the increase in average Russian Ruble price (including excise tax and customs duties) by 21 % compared to the same period of the prior year. The change was mainly driven by the increase in the foreign exchange rates which is partially compensated by the decrease in volumes of gas sold by 7 %, or 5.6 bcm.

Net sales of gas to Former Soviet Union countries decreased by RUB 33,309 million, or 13 %, to RUB 229,638 million for the six months ended June 30, 2015 compared to the same period of the prior year. The change was due to the decrease in volumes of gas sold by 32 %, or 9.8 bcm, which is partially compensated by the increase in average Russian Ruble price (including customs duties) by 17 %. The change was mainly driven by the increase in foreign exchange rates.

Net sales of gas in the Russian Federation decreased by RUB 15,244 million, or 3 %, to RUB 425,284 million for the six months ended June 30, 2015 compared to the same period of the prior year. This is primarily explained by the decrease in volumes of gas sold by 4 %, or 5.4 bcm.

Operating expenses decreased by RUB 24,444 million, or 1 %, to RUB 2,224,215 million for the six months ended June 30, 2015 compared to the same period of the prior year.

The major factor leading to a decrease in operating expenses was a decrease in charge for impairment provisions. This change is explained by charge for impairment provision for doubtful trade accounts receivable in the amount of RUB 215,832 million for the six months ended June 30, 2014 (primarily in respect of doubtful trade accounts receivable of NJSC Naftogaz Ukraine).

As a result of change in the exchange rates of the Russian Ruble against foreign currencies the net exchange gain disclosed in finance income and expenses amounted to RUB 85,071 million for the six months ended June 30, 2015 compared to net exchange loss of RUB 47,987 million for the same period of the prior year.

Profit attributable to owners of PJSC Gazprom for the six months ended June 30, 2015 totaled RUB 675,904 which is RUB 225,326 million, or 50 %, higher compared to the six months 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) decreased by RUB 201,042 million, or 12 %, from RUB 1,650,633 million as of December 31, 2014 to RUB 1,449,591 million as of June 30, 2015. This decrease resulted from decrease in long-term borrowings, change in foreign currency exchange rates (primarily, depreciation of Euro against the Russian Ruble) and increase in cash and cash equivalents.

More detailed information on the IFRS consolidated interim condensed financial information for the six months ended June 30, 2015 can be found on the PJSC Gazprom's site (www.gazprom.ru).

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