

August 29, 2018

**Gazprom's financial information under International Financial Reporting Standards (IFRS)
for the six months ended June 30, 2018**

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, 2018.

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, 2018 and for the six months ended June 30, 2017. All amounts are presented in millions of the Russian Rubles.

	Six months ended June 30,	
	2018	2017
Sales	3,971,555	3,209,934
Net loss from trading activity	(2,294)	(20,327)
Operating expenses	(3,035,649)	(2,661,902)
Impairment loss on financial assets	<u>(54,339)</u>	<u>(43,354)</u>
Operating profit	879,273	484,351
Finance income	259,939	236,044
Finance expense	(394,832)	(239,627)
Share of net income of associates and joint ventures	<u>91,583</u>	<u>55,969</u>
Profit before profit tax	835,963	536,737
Current profit tax expense	(103,221)	(83,162)
Deferred profit tax expense	<u>(69,191)</u>	<u>(45,521)</u>
Profit tax	(172,412)	(128,683)
Profit for the period	663,551	408,054
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss:		
Gain (loss) arising from change in fair value of financial assets at fair value through other comprehensive income, net of tax	71,006	(40,227)
Remeasurements of post-employment benefit obligations	<u>15,343</u>	<u>(14,236)</u>
Total items that will not be reclassified to profit or loss	86,349	(54,463)
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of associates and joint ventures	1,658	2,125
Translation differences	90,937	23,113
Gain (loss) from cash flow hedges, net of tax	<u>26,951</u>	<u>(4,423)</u>
Total items that may be reclassified subsequently to profit or loss	119,546	20,815
Other comprehensive income (loss) for the period, net of tax	205,895	(33,648)

Total comprehensive income for the period	869,446	374,406
Profit for the period attributable to:		
Owners of PJSC Gazprom	630,804	381,346
Non-controlling interest	<u>32,747</u>	<u>26,708</u>
	663,551	408,054
Total comprehensive income for the period attributable to:		
Owners of PJSC Gazprom	831,384	343,027
Non-controlling interest	<u>38,062</u>	<u>31,379</u>
	869,446	374,406

Total sales (net of excise tax, VAT and customs duties) increased by RUB 761,621 million, or 24 %, to RUB 3,971,555 million for the six months ended June 30, 2018 compared to the same period of the prior year. The increase in sales revenues was mainly due to an increase in sales of gas, refined products, crude oil and gas condensate.

More detailed information concerning the main items of the sales structure for the six months ended June 30, 2018 and June 30, 2017 is presented in the table below.

RUB million (unless indicated otherwise)	Six months ended June 30,	
	2018	2017
Sales of gas		
<i>Europe and Other countries</i>		
Net sales (net of excise tax and customs duties)	1,411,305	1,053,789
Volumes in bcm	128.5	119.1
Average price, RUB per mcm (including excise tax and customs duties)	13,858.9	11,117.2
<i>Former Soviet Union countries</i>		
Net sales (net of customs duties)	167,024	151,268
Volumes in bcm	20.6	18.4
Average price, RUB per mcm (including customs duties)	8,935.2	9,107.4
<i>Russian Federation</i>		
Net sales (net of VAT)	508,765	466,525
Volumes in bcm	129.6	124.1
Average price, RUB per mcm (net of VAT)	3,925.8	3,760.7
<i>Total sales of gas</i>		
Retroactive gas price adjustments	37,795	(7,304)
Net sales (net of excise tax, VAT and customs duties)	2,124,889	1,664,278
Volumes in bcm	278.7	261.6
Net sales of refined products (net of excise tax, VAT and customs duties)	991,573	780,812
Net sales of crude oil and gas condensate (net of VAT and customs duties)	345,656	273,298
Electric and heat energy net sales (net of VAT)	274,173	263,155
Gas transportation net sales (net of VAT)	113,754	117,482
Other revenues (net of VAT)	<u>121,510</u>	<u>110,909</u>
Total sales (net of excise tax, VAT and customs duties)	3,971,555	3,209,934

Net sales of gas increased by RUB 460,611 million, or 28 %, to RUB 2,124,889 million for the six months ended June 30, 2018 compared to the same period of the prior year. The change was mainly due to an increase in average prices (including excise tax and customs duties) in the Europe and Other countries and an increase in volumes of gas sold in all geographic segments for the six months ended June 30, 2018 compared to the same period of the prior year.

Net sales of gas to Europe and Other countries increased by RUB 357,516 million, or 34 %, to RUB 1 411 305 million for the six months ended June 30, 2018 compared to the same period of the prior year. The change was mainly due to the increase in average Russian Ruble prices (including excise tax and customs duties) by 25 % and the increase in volumes of the gas sold by 8 %, or 9.4 bcm.

Net sales of gas to Former Soviet Union countries increased by RUB 15,756 million, or 10 %, to RUB 167,024 million for the six months ended June 30, 2018 compared to the same period of the prior year. The change was due to the increase in volumes of gas sold by 12 %, or 2.2 bcm, that was partially compensated by the decrease in average Russian Ruble prices (including customs duties) by 2 %.

Net sales of gas in the Russian Federation increased by RUB 42,240 million, or 9 %, to RUB 508,765 million for the six months ended June 30, 2018 compared to the same period of the prior year. This change is explained by the increase in volumes of gas sold by 4 %, or 5.5 bcm, and the increase in average Russian Ruble prices (net of VAT) by 4 %.

Net sales of refined products (net of excise tax, VAT and customs duties) increased by RUB 210,761 million, or 27 %, to RUB 991,573 million for the six months ended June 30, 2018 compared to the same period of the prior year. The increase in sales of refined products was mainly due to an increase in average prices in all geographic segments and an increase in the Gazprom neft Group sales volumes.

Net sales of crude oil and gas condensate (net of VAT and customs duties) increased by RUB 72,358 million, or 26 %, to RUB 345,656 million for the six months ended June 30, 2018 compared to the same period of the prior year. The increase in sales of crude oil was mainly due to an increase in average prices by more than 30 % in all geographic segments that was partially compensated by a decrease in sales volumes.

Operating expenses increased by RUB 373,747 million, or 14 %, to RUB 3,035,649 million for the six months ended June 30, 2018 compared to the same period of the prior year.

The change in operating expenses is primarily explained by an increase in the item "Purchased gas and oil" by RUB 178,942 million, or 32 % for the six months ended June 30, 2018 compared to the same period of the prior year. The change was mainly due to an increase in volumes of gas and crude oil purchased from external suppliers and an increase in average gas and crude oil prices.

The line item "Taxes other than on income" increased by RUB 102,308 million, or 18 %, for the six months ended June 30, 2018 compared to the same period of the prior year. The increase is mainly due to an increase in mineral extraction tax by RUB 86,199 million, or 21 %, for the six months ended June 30, 2018 compared to the same period of the prior year.

For the six months ended June 30, 2018 the balance of foreign exchange differences reflected in "Net finance income (loss)" produced the loss in the amount of RUB 146,062 million compared to the loss of RUB 17,303 million for the same period of the prior year.

Profit attributable to the owners of PJSC Gazprom for the six months ended June 30, 2018 totalled RUB 630,804 million which is by RUB 249,458 million, or 65 %, more 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) increased by RUB 35,836 million, or 1 %, from RUB 2,397,511 million as of December 31, 2017 to RUB 2,433,347 million as of June 30, 2018. The increase was mainly due to an increase in the amount of long-term borrowings denominated in Russian Ruble terms caused by the appreciation of US Dollar and Euro against the Russian Ruble that was partially compensated by an increase in cash and cash equivalents balances.

More detailed information on the IFRS consolidated interim condensed financial information for the six months ended June 30, 2018 can be found on the PJSC Gazprom's site (www.gazprom.ru).

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