

August 29, 2016

Gazprom's financial information under International Financial Reporting Standards (IFRS) for the six months ended June 30, 2016

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, 2016.

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, 2016 and for the six months ended June 30, 2015. All amounts are presented in millions of the Russian Rubles.

	Six months ended June 30,	
	2016	2015
Sales	3,064,372	2,913,452
Net gain (loss) from trading activity	29,529	(7,953)
Operating expenses	<u>(2,680,732)</u>	<u>(2,224,215)</u>
Operating profit	413,169	681,284
Finance income	700,268	1,063,303
Finance expense	<u>(367,387)</u>	<u>(949,422)</u>
Share of net income of associates and joint ventures	33,766	61,415
Gains on disposal of available-for-sale financial assets	<u>1,021</u>	<u>430</u>
Profit before profit tax	780,837	857,010
Current profit tax expense	(105,785)	(122,538)
Deferred profit tax expense	<u>(49,647)</u>	<u>(43,216)</u>
Profit tax expense	<u>(155,432)</u>	<u>(165,754)</u>
Profit for the period	625,405	691,256
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations	<u>(78,625)</u>	<u>(118,428)</u>
Total items that will not be reclassified to profit or loss	(78,625)	(118,428)
Items that may be reclassified subsequently to profit or loss:		
Gains arising from change in fair value of available-for-sale financial assets, net of tax	20,806	38,783
Share of other comprehensive (loss) income of associates and joint ventures	(4,518)	11,619
Translation differences	<u>(186,490)</u>	<u>(68,945)</u>
Gains from cash flow hedges, net of tax	<u>39,535</u>	<u>13,478</u>
Total items that may be reclassified subsequently to profit or loss	(130,667)	(5,065)
Other comprehensive loss for the period, net of tax	(209,292)	(123,493)
Total comprehensive income for the period	416,113	567,763

Profit for the period attributable to:

Owners of PJSC Gazprom	607,160	675,904
Non-controlling interest	<u>18,245</u>	<u>15,352</u>
	625,405	691,256

Total comprehensive income for the period attributable to:

Owners of PJSC Gazprom	405,536	557,002
Non-controlling interest	<u>10,577</u>	<u>10,761</u>
	416,113	567,763

Total sales (net of excise tax, VAT and customs duties) increased by RUB 150,920 million, or 5%, to RUB 3,064,372 million for the six months ended June 30, 2016 compared to the same period of the prior year. The increase in sales is mainly driven by the increase in sales of gas to Europe and Other countries.

More detailed information concerning the main items of the sales' structure for the six months ended June 30, 2016 and June 30, 2015 is presented in the table below.

(RUB million unless indicated otherwise)	Six months ended June 30,	
	2016	2015
Sales of gas		
<i>Europe and Other countries</i>		
Net sales (net of excise tax and customs duties)	1,128,271	946,620
Volumes in bcm	109.4	80.4
Average price, RUB per mcm (including excise tax and customs duties)	12,798.3	15,551.5
<i>Former Soviet Union countries</i>		
Net sales (net of customs duties)	166,621	229,638
Volumes in bcm	16.4	20.9
Average price, RUB per mcm (including customs duties)	11,135.9	12,176.6
<i>Russian Federation</i>		
Net sales (net of VAT)	420,395	425,284
Volumes in bcm	109.7	120.0
Average price, RUB per mcm (net of VAT)	3,831.0	3,543.0
<i>Total sales of gas</i>		
Retroactive gas price adjustments	39,984	17,220
Net sales (net of excise tax, VAT and customs duties)	1,755,271	1,618,762
Volumes in bcm	235.5	221.3
Net sales of refined products (net of excise tax, VAT and customs duties)	703,468	761,603
Net electric and heat energy sales (net of VAT)	236,292	217,728
Net sales of crude oil and gas condensate (net of VAT and customs duties)	166,549	130,652
Net gas transportation sales (net of VAT)	95,772	90,621
Other revenues (net of VAT)	<u>107,020</u>	<u>94,086</u>
Total sales (net of excise tax, VAT and customs duties)	3,064,372	2,913,452

Net sales of gas increased by RUB 136,509 million, or 8%, to RUB 1,755,271 million for the six months ended June 30, 2016 compared to the same period of the prior year.

Net sales of gas to Europe and Other countries increased by RUB 181,651 million, or 19%, to RUB 1,128,271 million for the six months ended June 30, 2016 compared to the same period of the prior year. This was mainly driven by the increase in volumes of gas sold by 36%, or 29.0 bcm, which was partially compensated by the decrease in average Russian Ruble prices (including excise tax and customs duties) by 18%.

Net sales of gas to Former Soviet Union countries decreased by RUB 63,017 million, or 27%, to RUB 166,621 million for the six months ended June 30, 2016 compared to the same period of the prior

year. The change was due to the decrease in volumes of gas sold by 22%, or 4.5 bcm, and the decrease in average Russian Ruble prices (including customs duties) by 9%.

Net sales of gas in the Russian Federation decreased by RUB 4,889 million, or 1%, to RUB 420,395 million for the six months ended June 30, 2016 compared to the same period of the prior year. This is primarily explained by the decrease in volumes of gas sold by 9%, or 10.3 bcm, that was partially compensated by the increase in average prices by 8%.

Operating expenses increased by RUB 456,517 million, or 21%, to RUB 2,680,732 million for the six months ended June 30, 2016 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:

“Purchased gas and oil” – an increase by RUB 235,407 million due to an increase in expenses for gas as a result of the change in the scope of consolidation related to the completion of the Swap Agreement between PJSC Gazprom and Wintershall Holding GmbH on 30 September 2015;

“Transit of gas, oil and refined products” – an increase by RUB 60,964 million, or 25%.

Profit attributable to the owners of PJSC Gazprom for the six months ended June 30, 2016 totaled RUB 607,160 million which is RUB 68,744 million, or 10% 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) decreased by RUB 319,993 million, or 15%, from RUB 2,083,120 million as of December 31, 2015 to RUB 1,763,127 million as of June 30, 2016. This decrease resulted from a change in foreign currency exchange rates (depreciation of US Dollar and Euro).

More detailed information on the IFRS consolidated interim condensed financial information for the six months ended June 30, 2016 can be found on the PJSC Gazprom’s site (www.gazprom.ru).

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