

April 27, 2017

Gazprom's financial information under International Financial Reporting Standards (IFRS) for the year ended December 31, 2016

Today PJSC Gazprom issued its audited consolidated financial statements prepared in accordance with International Financial Reporting Standards for the year ended December 31, 2016.

The table below presents the consolidated statement of comprehensive income prepared in accordance with IFRS for the years ended December 31, 2016 and December 31, 2015. All amounts are presented in millions of the Russian Rubles.

	Year ended December 31,	
	2016	2015
Sales	6,111,051	6,073,318
Net gain from trading activity	3,382	3,704
Operating expenses	(5,244,983)	(4,635,502)
Charge for impairment and other provisions	(143,870)	(213,219)
Operating profit	725,580	1,228,301
Finance income	1,018,997	990,346
Finance expense	(543,370)	(1,409,087)
Share of net income of associates and joint ventures	82,872	106,560
Gain on disposal of available-for-sale financial assets	1,059	9,121
Profit before profit tax	1,285,138	925,241
Current profit tax expense	(218,113)	(102,223)
Deferred profit tax expense	(69,921)	(17,819)
Profit tax	(288,034)	(120,042)
	997,104	805,199
Profit for the year		
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations	33,118	(169,059)
Total items that will not be reclassified to profit or loss	33,118	(169,059)
Items that may be reclassified subsequently to profit or loss:		
Gain arising from change in fair value of available-for-sale financial assets, net of tax	62,133	43,172
Share of other comprehensive (loss) income of associates and joint ventures	(6,397)	28,699
Translation differences	(297,703)	282,924
Gain (loss) from cash flow hedges, net of tax	49,196	(22,862)
Total items that may be reclassified subsequently to profit or loss	(192,771)	331,933
Other comprehensive (loss) income for the year, net of tax	(159,653)	162,874
Total comprehensive income for the year	837,451	968,073

Profit for the year attributable to:

Owners of PJSC Gazprom	951,637	787,056
Non-controlling interest	<u>45,467</u>	<u>18,143</u>
	997,104	805,199

Total comprehensive income for the year attributable to:

Owners of PJSC Gazprom	806,903	938,591
Non-controlling interest	<u>30,548</u>	<u>29,482</u>
	837,451	968,073

Total sales (net of excise tax, VAT and customs duties) increased by RUB 37,733 million, or 1 %, to RUB 6,111,051 million for the year ended December 31, 2016 compared to the same period of the prior year. The increase in sales was mainly driven by an increase in sales of crude oil and gas condensate.

More detailed information concerning the main items of the sales' structure for the year ended December 31, 2016 and December 31, 2015 is presented in the table below.

(RUB million unless indicated otherwise)	Year ended December 31,	
	2016	2015
Sales of gas		
<i>Europe and Other countries</i>		
Net sales (net of excise tax and customs duties)	2,140,027	2,165,500
Volumes in bcm	228.3	184.4
Average price, RUB per mcm (including excise tax and customs duties)	11,763.3	15,057.3
<i>Former Soviet Union countries</i>		
Net sales (net of customs duties)	309,644	429,660
Volumes in bcm	33.2	40.3
Average price, RUB per mcm (including customs duties)	10,263.1	11,911.0
<i>Russian Federation</i>		
Net sales (net of VAT)	819,924	805,615
Volumes in bcm	214.9	221.2
Average price, RUB per mcm (net of VAT)	3,815.5	3,641.3
<i>Total sales of gas</i>		
Retroactive gas price adjustments	33,175	26,482
Net sales (net of excise tax, VAT and customs duties)	3,302,770	3,427,257
Volumes in bcm	476.4	445.9
Net sales of refined products (net of excise tax, VAT and customs duties)	1,497,562	1,555,591
Electric and heat energy net sales (net of VAT)	481,716	424,665
Net sales of crude oil and gas condensate (net of VAT and customs duties)	411,958	260,608
Gas transportation net sales (net of VAT)	198,971	193,965
Other revenues (net of VAT)	<u>218,074</u>	<u>211,232</u>
Total sales (net of excise tax, VAT and customs duties)	6,111,051	6,073,318

Net sales of gas decreased by RUB 124,487 million, or 4 %, to RUB 3,302,770 million for the year ended December 31, 2016 compared to the same period of the prior year.

Net sales of gas to Europe and Other countries decreased by RUB 25,473 million, or 1 %, to RUB 2,140,027 million for the year ended December 31, 2016 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 22 %, which was partially compensated by the increase in volumes of gas sold by 24 %, or 43.9 bcm.

Net sales of gas to Former Soviet Union countries decreased by RUB 120,016 million, or 28 %, to RUB 309,644 million for the year ended December 31, 2016 compared to the same period of the prior

year. The change was due to the decrease in volumes of gas sold by 18 %, or 7.1 bcm, and the decrease in average Russian Ruble prices (including customs duties) by 14 %.

Net sales of gas in the Russian Federation increased by RUB 14,309 million, or 2 %, to RUB 819,924 million for the year ended December 31, 2016 compared to the same period of the prior year. This is primarily explained by the increase in average prices by 5 % that was partially compensated by the decrease in volumes of gas sold by 3 %, or 6.3 bcm.

Net sales of crude oil and gas condensate increased by RUB 151,350 million, or 58 %, to RUB 411,958 million for the year ended December 31, 2016 compared to the same period of the prior year. This is explained by the increase in volumes of crude oil sold and the increase in average prices of Gazprom Neft Group for customers in Europe and Other countries.

Operating expenses increased by RUB 609,481 million, or 13 %, to RUB 5,244,983 million for the year ended December 31, 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” – the increase by RUB 109,113 million, or 10 % 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;

“Taxes other than on income” – the increase by RUB 95,265, or 12 %;

“Transit of gas, oil and refined products” – the increase by RUB 75,772, or 14 %.

In addition, the line “Foreign exchange rate differences on operating items” amounted to a net loss of RUB 52,880 million for the year ended December 31, 2016 compared to a net gain of RUB 25,581 million for year ended December 31, 2015 due to changes in exchange rates.

“Net finance income (expense)” include the net exchange gain of RUB 453,689 million for the year ended December 31, 2016 and the net exchange loss of RUB 464,049 million for the year ended December 31, 2015. For the reporting period the depreciation of US Dollar against the Russian Ruble resulted 17 %, the depreciation of Euro against the Russian Ruble resulted 20 % compared to the appreciation of US Dollar and Euro against the Russian Ruble by 30 % and 17 %, respectively, for the prior year.

Profit attributable to the owners of PJSC Gazprom for the year ended December 31, 2016 totaled RUB 951,637 million which is RUB 164,581 million, or 21 %, 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 and balances of cash and cash equivalents restricted as to withdrawal under the terms of certain borrowings and other contractual obligations) decreased by RUB 150,225 million, or 7 %, from RUB 2,083,120 million as of December 31, 2015 to RUB 1,932,895 million as of December 31, 2016. This decrease was resulted from a decrease in borrowings denominated in Ruble terms due to the depreciation of US Dollar and Euro, that was partially compensated by a decrease in cash and cash equivalents as of December 31, 2016.

More detailed information on the IFRS consolidated interim condensed financial information for the year ended December 31, 2016 can be found on the PJSC Gazprom’s site (www.gazprom.ru).

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