

January 19, 2017

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

The table below presents the unaudited consolidated interim condensed statement of comprehensive income prepared in accordance with IFRS for the nine months ended September 30, 2016 and for the nine months ended September 30, 2015. All amounts are presented in millions of the Russian Rubles.

	Nine months ended September 30,	
	2016	2015
Sales	4,321,364	4,206,217
Net gain from trading activity	71,159	8,320
Operating expenses	<u>(3,824,703)</u>	<u>(3,171,784)</u>
Operating profit	567,820	1,042,753
Finance income	816,264	1,145,005
Finance expense	<u>(499,487)</u>	<u>(1,421,168)</u>
Share of net income of associates and joint ventures	55,258	93,181
Gain on disposal of available-for-sale financial assets	<u>1,835</u>	<u>5,066</u>
Profit before profit tax	941,690	864,837
Current profit tax expense	<u>(134,515)</u>	<u>(130,177)</u>
Deferred profit tax expense	<u>(69,784)</u>	<u>(44,389)</u>
Profit tax	<u>(204,299)</u>	<u>(174,566)</u>
Profit for the period	737,391	690,271
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations	<u>(92,446)</u>	<u>(84,204)</u>
Total items that will not be reclassified to profit or loss	(92,446)	(84,204)
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	34,293	47,294
Share of other comprehensive (loss) income of associates and joint ventures	<u>(7,756)</u>	<u>26,133</u>
Translation differences	<u>(201,260)</u>	<u>164,804</u>
Gain (loss) from cash flow hedges, net of tax	<u>41,277</u>	<u>(4,777)</u>
Total items that may be reclassified subsequently to profit or loss	(133,446)	233,454
Other comprehensive (loss) income for the period, net of tax	(225,892)	149,250

Total comprehensive income for the period	511,499	839,521
Profit for the period attributable to:		
Owners of PJSC Gazprom	709,321	673,904
Non-controlling interest	28,070	16,367
	737,391	690,271
Total comprehensive income for the period attributable to:		
Owners of PJSC Gazprom	491,850	815,437
Non-controlling interest	19,649	24,084
	511,499	839,521

Total sales (net of excise tax, VAT and customs duties) increased by RUB 115,147 million, or 3 %, to RUB 4,321,364 million for the nine months ended September 30, 2016 compared to the same period of the prior year. The increase in sales was 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 nine months ended September 30, 2016 and September 30, 2015 is presented in the table below.

(RUB million unless indicated otherwise)	Nine months ended September 30,	
	2016	2015
Sales of gas		
<i>Europe and Other countries</i>		
Net sales (net of excise tax and customs duties)	1,546,533	1,430,472
Volumes in bcm	160.9	125.3
Average price, RUB per mcm (including excise tax and customs duties)	11,993.7	15,033.7
<i>Former Soviet Union countries</i>		
Net sales (net of customs duties)	214,446	292,002
Volumes in bcm	22.0	27.2
Average price, RUB per mcm (including customs duties)	10,618.3	11,875.3
<i>Russian Federation</i>		
Net sales (net of VAT)	530,683	538,572
Volumes in bcm	139.7	150.6
Average price, RUB per mcm (net of VAT)	3,797.9	3,576.7
<i>Total sales of gas</i>		
Retroactive gas price adjustments	33,757	12,074
Net sales (net of excise tax, VAT and customs duties)	2,325,419	2,273,120
Volumes in bcm	322.6	303.1
Net sales of refined products (net of excise tax, VAT and customs duties)	1,096,331	1,175,078
Electric and heat energy net sales (net of VAT)	322,708	291,603
Net sales of crude oil and gas condensate (net of VAT and customs duties)	271,545	184,636
Gas transportation net sales (net of VAT)	145,766	139,068
Other revenues (net of VAT)	159,595	142,712
Total sales (net of excise tax, VAT and customs duties)	4,321,364	4,206,217

Net sales of gas increased by RUB 52,299 million, or 2 %, to RUB 2,325,419 million for the nine months ended September 30, 2016 compared to the same period of the prior year.

Net sales of gas to Europe and Other countries increased by RUB 116,061 million, or 8 %, to RUB 1,546,533 million for the nine months ended September 30, 2016 compared to the same period of the prior year. This was mainly driven by the increase in volumes of gas sold by 28 %, or 35.6 bcm, which

was partially compensated by the decrease in average Russian Ruble prices (including excise tax and customs duties) by 20 %.

Net sales of gas to Former Soviet Union countries decreased by RUB 77,556 million, or 27 %, to RUB 214,446 million for the nine months ended September 30, 2016 compared to the same period of the prior year. The change was due to the decrease in volumes of gas sold by 19 %, or 5.2 bcm, and the decrease in average Russian Ruble prices (including customs duties) by 11 %.

Net sales of gas in the Russian Federation decreased by RUB 7,889 million, or 1 %, to RUB 530,683 million for the nine months ended September 30, 2016 compared to the same period of the prior year. This is primarily explained by the decrease in volumes of gas sold by 7 %, or 10.9 bcm, that was partially compensated by the increase in average prices by 6 %.

Operating expenses increased by RUB 652,919 million, or 21 %, to RUB 3,824,703 million for the nine months ended September 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 290,280 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 72,615 million, or 19 %.

Profit attributable to the owners of PJSC Gazprom for the nine months ended September 30, 2016 totaled RUB 709,321 million which is RUB 35,417 million, or 5 %, 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) increased by RUB 97,371 million, or 5 %, from RUB 2,083,120 million as of December 31, 2015 to RUB 2,180,491 million as of September 30, 2016. This increase was resulted from a decrease in cash and cash equivalents as of September 30, 2016, that was partially compensated by a decrease in borrowings denominated in Ruble terms due to the depreciation of US Dollar and Euro.

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

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