

May 31, 2017

**Gazprom's financial information under International Financial Reporting Standards (IFRS)
for the three months ended March 31, 2017**

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 three months ended March 31, 2017.

The table below presents the unaudited consolidated interim condensed statement of comprehensive income prepared in accordance with IFRS for the three months ended March 31, 2017 and for the three months ended March 31, 2016. All amounts are presented in millions of the Russian Rubles.

	Three months ended March 31,	
	2017	2016
Sales	1,815,301	1,737,364
Net (loss) gain from trading activity	(14,203)	18,508
Operating expenses	<u>(1,507,095)</u>	<u>(1,453,899)</u>
Operating profit	294,003	301,973
Finance income	183,132	403,339
Finance expense	(52,688)	(236,552)
Share of net income of associates and joint ventures	29,555	12,845
Gain on disposal of available-for-sale financial assets	46	355
Profit before profit tax	454,048	481,960
Current profit tax expense	(67,080)	(71,514)
Deferred profit tax expense	<u>(36,581)</u>	<u>(37,105)</u>
Profit tax	(103,661)	(108,619)
Profit for the period	350,387	373,341
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations	<u>(36,570)</u>	<u>(30,781)</u>
Total items that will not be reclassified to profit or loss	(36,570)	(30,781)
Items that may be reclassified subsequently to profit or loss:		
(Loss) gain arising from change in fair value of available-for-sale financial assets, net of tax	(26,807)	4,391
Share of other comprehensive income (loss) of associates and joint ventures	447	(3,557)
Translation differences	(81,672)	(97,948)
(Loss) gain from cash flow hedges, net of tax	<u>(2,214)</u>	<u>26,775</u>
Total items that may be reclassified subsequently to profit or loss	(110,246)	(70,339)
Other comprehensive loss for the period, net of tax	(146,816)	(101,120)
Total comprehensive income for the period	203,571	272,221

Profit for the period attributable to:

Owners of PJSC Gazprom	333,453	362,309
Non-controlling interest	<u>16,934</u>	<u>11,032</u>
	350,387	373,341

Total comprehensive income for the period attributable to:

Owners of PJSC Gazprom	191,166	265,181
Non-controlling interest	<u>12,405</u>	<u>7,040</u>
	203,571	272,221

Total sales (net of excise tax, VAT and customs duties) increased by RUB 77,937 million, or 4 %, to RUB 1,815,301 million for the three months ended March 31, 2017 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 refined products.

More detailed information concerning the main items of the sales' structure for the three months ended March 31, 2017 and March 31, 2016 is presented in the table below.

RUB million (unless indicated otherwise)	Three months ended March 31,	
	2017	2016
Sales of gas		
<i>Europe and Other countries</i>		
Net sales (net of excise tax and customs duties)	593,879	663,176
Volumes in bcm	65.6	58.1
Average price, RUB per mcm (including excise tax and customs duties)	11,226.3	14,049.3
<i>Former Soviet Union countries</i>		
Net sales (net of customs duties)	102,135	116,935
Volumes in bcm	12.5	10.9
Average price, RUB per mcm (including customs duties)	9,089.7	11,741.3
<i>Russian Federation</i>		
Net sales (net of VAT)	312,255	291,850
Volumes in bcm	81.7	75.4
Average price, RUB per mcm (net of VAT)	3,819.9	3,872.9
<i>Total sales of gas</i>		
Retroactive gas price adjustments	(249)	893
Net sales (net of excise tax, VAT and customs duties)	1,008,020	1,072,854
Volumes in bcm	159.8	144.4
Net sales of refined products (net of excise tax, VAT and customs duties)	393,663	337,940
Electric and heat energy net sales (net of VAT)	159,990	147,570
Net sales of crude oil and gas condensate (net of VAT and customs duties)	138,837	75,529
Gas transportation net sales (net of VAT)	58,587	47,596
Other revenues (net of VAT)	<u>56,204</u>	<u>55,875</u>
Total sales (net of excise tax, VAT and customs duties)	1,815,301	1,737,364

Net sales of gas decreased by RUB 64,834 million, or 6 %, to RUB 1,008,020 million for the three months ended March 31, 2017 compared to the same period of the prior year.

Net sales of gas to Europe and Other countries decreased by RUB 69,297 million, or 10 %, to RUB 593,879 million for the three months ended March 31, 2017 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 20 %, that was partially compensated by the increase in volumes of gas sold by 13 %, or 7.5 bcm.

Net sales of gas to Former Soviet Union countries decreased by RUB 14,800 million, or 13 %, to RUB 102,135 million for the three months ended March 31, 2017 compared to the same period of the prior year. The change was due to the decrease in average Russian Ruble prices (including customs duties) by 23 % that was partially compensated by the increase in volumes of gas sold by 15 %, or 1.6 bcm.

Net sales of gas in the Russian Federation increased by RUB 20,405 million, or 7 %, to RUB 312,255 million for the three months ended March 31, 2017 compared to the same period of the prior year. This is mainly explained by the increase in volumes of gas sold by 8 %, or 6.3 bcm, that was partially compensated by the decrease in average Russian Ruble prices (net of VAT) by 1 %.

Net sales of refined products increased by RUB 55,723 million, or 16 %, to RUB 393,663 million for the three months ended March 31, 2017 compared to the same period of the prior year. The increase in sales of refined products was due to an increase in average prices.

Net sales of crude oil and gas condensate increased by RUB 63,308 million, or 84 %, to RUB 138,837 million for the three months ended March 31, 2017 compared to the same period of the prior year. The increase in sales of crude oil was due to an increase in average prices in all geographic segments and also due to an increase in volumes of crude oil sold by Gazprom Neft Group to customers in Europe and Other countries.

Operating expenses increased by RUB 53,196 million, or 4 %, to RUB 1,507,095 million for the three months ended March 31, 2017 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: "Taxes other than on income" – the increase by RUB 77,367 million, or 36 %; "Cost of goods for resale, including refined products" – the increase by RUB 25,589 million, or 81 %, that was partially compensated by the decrease in a number of items such as: "Purchased gas and oil" – the decrease by RUB 29,035 million, or 8 %; "Transit of gas, oil and refined products" – the decrease by RUB 18,897 million, or 11 %.

Profit attributable to the owners of PJSC Gazprom for the three months ended March 31, 2017 totaled RUB 333,453 million which is RUB 28,856 million, or 8 % 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) increased by RUB 110,418 million, or 6 %, from RUB 1,932,895 million as of December 31, 2016 to RUB 2,043,313 million as of March 31, 2017. This increase was due to a decrease in cash and cash equivalents as of March 31, 2017.

More detailed information on the IFRS consolidated interim condensed financial information for the three months ended March 31, 2017 can be found on the PJSC Gazprom's site (www.gazprom.ru).

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