

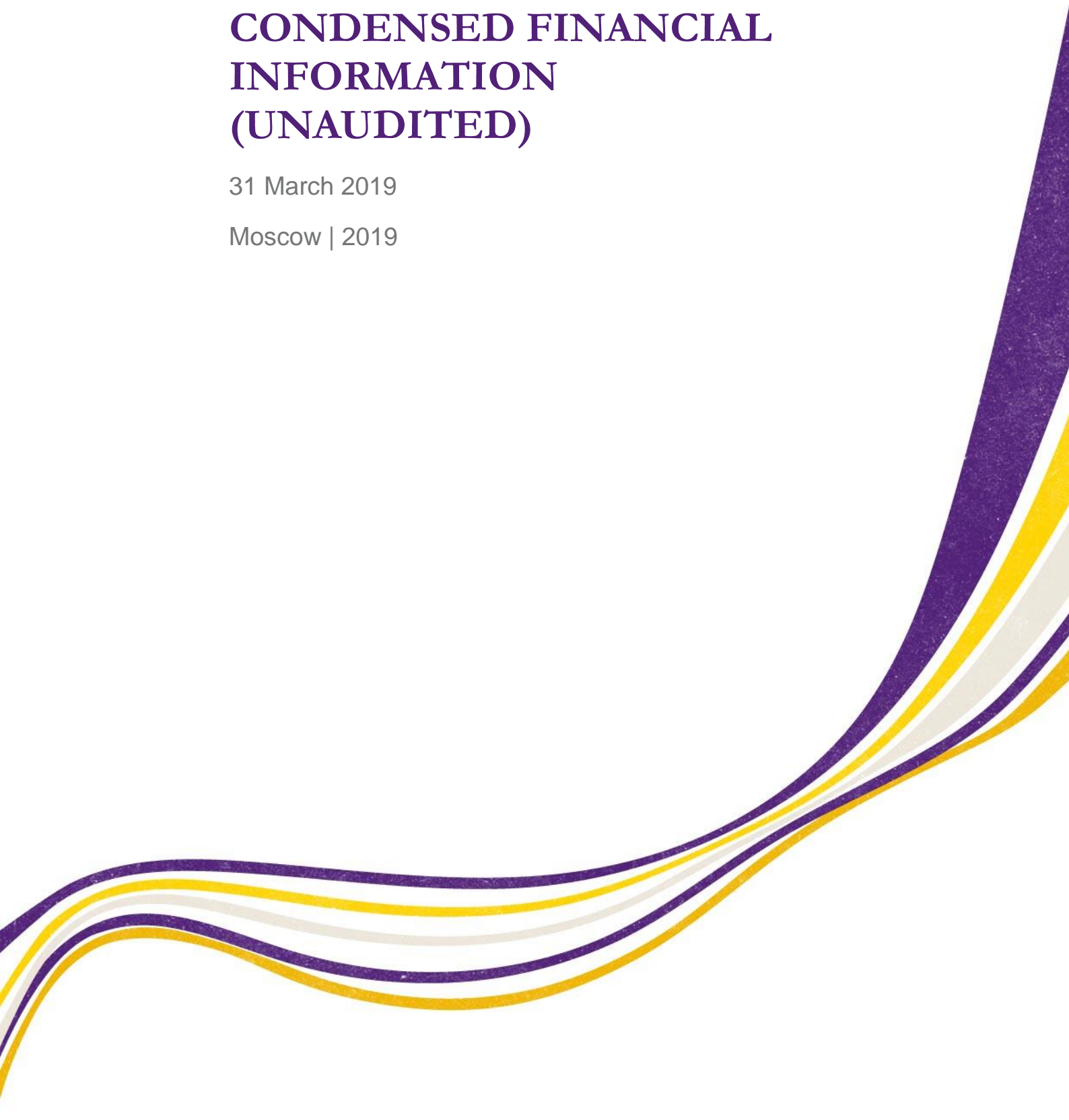


PJSC GAZPROM

**IFRS CONSOLIDATED INTERIM
CONDENSED FINANCIAL
INFORMATION
(UNAUDITED)**

31 March 2019

Moscow | 2019



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Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and the Board of Directors of PJSC Gazprom

Introduction

We have reviewed the accompanying consolidated interim condensed balance sheet of PJSC Gazprom and its subsidiaries as of 31 March 2019 and the related consolidated interim condensed statements of comprehensive income, cash flows and changes in equity for the three months ended 31 March 2019 and notes to the consolidated interim condensed financial information.

Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Accounting Standard 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

President of FBK, LLC



Engagement partner



S.M. Shapiguzov
(by virtue of the Charter,
audit qualification certificate 01-001230)

K.S. Shirikova, ACCA
(audit qualification certificate 01-000712)

Date of the Report on Review
28 May 2019

Audited entity

Name:

Public Joint Stock Company Gazprom (PJSC Gazprom).

Address of the legal entity within its location:

16, Nametkina St., Moscow, 117420, Russian Federation.

Official registration:

State Registration Certificate No.022.726, issued by Moscow Registration Chamber on 25 February 1993. The registration entry was made in the Unified State Register of Legal Entities on 2 August 2002 under principal state registration number 1027700070518.

Auditor

Name:

FBK, LLC.

Address of the legal entity within its location:

44/1, 2AB, Myasnitskaya St., Moscow, 101990, Russian Federation.

Official registration:

State Registration Certificate No.484.583 issued by Moscow Registration Chamber on 15 November 1993. The registration entry was made in the Unified State Register of Legal Entities on 24 July 2002 under principal state registration number 1027700058286.


Membership in self-regulatory organization of auditors:

Member of Self-regulatory organization of auditors Association "Sodruzhestvo". Principal number of registration entry in the register of auditors and audit organizations of the self-regulatory organization of auditors 11506030481.

PJSC GAZPROM
CONSOLIDATED INTERIM CONDENSED BALANCE SHEET (UNAUDITED)
AS OF 31 MARCH 2019
(in millions of Russian Rubles)

| Notes | | 31 March 2019 | 31 December 2018 |
|-------|---|-------------------|---------------------|
| | Assets | | |
| | Current assets | | |
| 6 | Cash and cash equivalents | 1,053,729 | 849,419 |
| | Short-term financial assets | 52,459 | 26,859 |
| 7 | Accounts receivable and prepayments | 1,172,988 | 1,222,735 |
| 8 | Inventories | 746,871 | 909,677 |
| | VAT recoverable | 127,096 | 150,425 |
| 13 | Other current assets | <u>1,018,261</u> | <u>1,053,115</u> |
| | | 4,171,404 | 4,212,230 |
| | Non-current assets | | |
| 9 | Property, plant and equipment | 13,803,466 | 13,809,434 |
| 10 | Right-of-use assets | 210,573 | - |
| | Goodwill | 107,797 | 108,097 |
| 11 | Investments in associates and joint ventures | 1,207,254 | 1,097,446 |
| 12 | Long-term accounts receivable and prepayments | 854,486 | 636,305 |
| 22 | Long-term financial assets | 393,413 | 416,666 |
| 13 | Other non-current assets | <u>486,348</u> | <u>530,262</u> |
| | | 17,063,337 | 16,598,210 |
| | Total assets | 21,234,741 | 20,810,440 |
| | Liabilities and equity | | |
| | Current liabilities | | |
| | Accounts payable, provisions and other liabilities | 1,308,088 | 1,522,101 |
| | Current profit tax payable | 61,329 | 34,708 |
| | Taxes other than on profit and fees payable | 369,837 | 347,825 |
| | Short-term borrowings, promissory notes and current portion of long-term borrowings | <u>631,772</u> | <u>569,061</u> |
| | | 2,371,026 | 2,473,695 |
| | Non-current liabilities | | |
| 14 | Long-term borrowings, promissory notes | 3,268,078 | 3,294,761 |
| 21 | Provisions | 417,528 | 406,322 |
| 15 | Deferred tax liabilities | 766,920 | 748,751 |
| | Long-term lease liabilities | 208,593 | - |
| | Other non-current liabilities | <u>56,947</u> | <u>110,758</u> |
| | | 4,718,066 | 4,560,592 |
| | Total liabilities | 7,089,092 | 7,034,287 |
| | Equity | | |
| 16 | Share capital | 325,194 | 325,194 |
| 16 | Treasury shares | (235,919) | (235,919) |
| | Retained earnings and other reserves | <u>13,565,381</u> | <u>13,210,734</u> |
| | | 13,654,656 | 13,300,009 |
| | Non-controlling interest | <u>490,993</u> | <u>476,144</u> |
| | Total equity | 14,145,649 | 13,776,153 |
| | Total liabilities and equity | 21,234,741 | 20,810,440 |


A.B. Miller
Chairman of the Management Committee
28 May 2019



E.A. Vasilieva
Chief Accountant
28 May 2019

The accompanying notes on pages 9 to 42 are an integral part of this consolidated interim condensed financial information.

PJSC GAZPROM
CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2019
(in millions of Russian Rubles)

| Notes | | Three months ended 31 March | |
|-------|--|--------------------------------|----------------|
| | | 2019 | 2018 |
| 17 | Sales | 2,291,821 | 2,138,331 |
| | Net (loss) gain from trading activity | (6,595) | 7,001 |
| 18 | Operating expenses | (1,782,216) | (1,651,346) |
| | Impairment loss on financial assets | (44,248) | (26,405) |
| | Operating profit | 458,762 | 467,581 |
| 19 | Finance income | 258,223 | 91,380 |
| 19 | Finance expense | (68,991) | (107,423) |
| 11 | Share of profit of associates and joint ventures | 63,932 | 43,680 |
| | Profit before profit tax | 711,926 | 495,218 |
| | Current profit tax expense | (120,264) | (46,842) |
| | Deferred profit tax expense | (32,149) | (56,207) |
| | Profit tax | (152,413) | (103,049) |
| | Profit for the period | 559,513 | 392,169 |
| | Other comprehensive income (loss): | | |
| | Items that will not be reclassified to profit or loss: | | |
| | (Loss) gain arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax | (23,167) | 28,077 |
| 21 | Remeasurement of provision for post-employment benefits | (24,113) | (11,363) |
| | Total other comprehensive (loss) income that will not be reclassified to profit or loss | (47,280) | 16,714 |
| | Items that may be reclassified subsequently to profit or loss: | | |
| | Share of other comprehensive (loss) income of associates and joint ventures | (1,896) | 1,488 |
| | Translation differences | (115,965) | 12,463 |
| | Gain from hedging operations, net of tax | 5,356 | 7,084 |
| | Total other comprehensive (loss) income that may be reclassified subsequently to profit or loss | (112,505) | 21,035 |
| | Total other comprehensive (loss) income for the period, net of tax | (159,785) | 37,749 |
| | Comprehensive income for the period | 399,728 | 429,918 |
| | Profit for the period attributable to: | | |
| | Owners of PJSC Gazprom | 535,908 | 371,623 |
| | Non-controlling interest | 23,605 | 20,546 |
| | | 559,513 | 392,169 |
| | Comprehensive income for the period attributable to: | | |
| | Owners of PJSC Gazprom | 383,210 | 406,874 |
| | Non-controlling interest | 16,518 | 23,044 |
| | | 399,728 | 429,918 |
| 20 | Basic and diluted earnings per share attributable to the owners of PJSC Gazprom (in Russian Rubles) | 24.25 | 16.82 |



A.B. Miller
Chairman of the Management Committee
28 May 2019



E.A. Vasilieva
Chief Accountant
28 May 2019

The accompanying notes on pages 9 to 42 are an integral part of this consolidated interim condensed financial information.

PJSC GAZPROM
CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2019
(in millions of Russian Rubles)

| Notes | | Three months ended 31 March | |
|-------|--|--------------------------------|------------------|
| | | 2019 | 2018 |
| | Cash flows from operating activities | | |
| | Profit before profit tax | 711,926 | 495,218 |
| | Adjustments to profit before profit tax for | | |
| 18 | Depreciation | 172,652 | 158,286 |
| 19 | Net finance (income) expense | (189,232) | 16,043 |
| 11 | Share of profit of associates and joint ventures | (63,932) | (43,680) |
| | Impairment loss on assets and change in provision for post-employment benefits | 55,010 | 41,669 |
| 18 | Derivatives loss | 7,064 | 12,452 |
| | Other | <u>43,452</u> | <u>17,365</u> |
| | Total effect of adjustments | <u>25,014</u> | <u>202,135</u> |
| | Cash flows from operating activities before working capital changes | 736,940 | 697,353 |
| | (Increase) decrease in non-current assets | (10,230) | 13,594 |
| | Decrease in non-current liabilities | (1,788) | (576) |
| | Changes in working capital | 63,682 | (147,341) |
| | Profit tax paid | <u>(103,684)</u> | <u>(101,090)</u> |
| | Net cash from operating activities | 684,920 | 461,940 |
| | Cash flows from investing activities | | |
| | Capital expenditures | (441,190) | (435,765) |
| 19 | Interest capitalised and paid | (31,941) | (31,486) |
| | Net change in loans issued | (110,690) | 4,038 |
| | Acquisition of subsidiaries, net of cash acquired | (2) | - |
| | Investments in associates and joint ventures | (51,382) | (862) |
| | Interest received | 23,340 | 37,527 |
| | Change in long-term financial assets measured at fair value through other comprehensive income | (3,917) | 855 |
| | Proceeds from associates and joint ventures | 8 | 14,282 |
| | Proceeds from the sale of subsidiaries | 319 | 580 |
| | Placement of long-term bank deposits | (100) | (5,697) |
| | Other | <u>(52,018)</u> | <u>(15,614)</u> |
| | Net cash used in investing activities | (667,573) | (432,142) |
| | Cash flows from financing activities | | |
| | Proceeds from long-term borrowings | 448,761 | 244,342 |
| | Repayment of long-term borrowings (including current portion of long-term borrowings) | (153,759) | (183,120) |
| | Proceeds from short-term borrowings | 13,668 | 20,842 |
| | Repayment of short-term borrowings | (28,158) | (21,657) |
| | Repayment of lease liabilities | (20,956) | - |
| | Dividends paid | (4,116) | (1,832) |
| 19 | Interest paid | (18,915) | (13,288) |
| | Other | - | <u>2,240</u> |
| | Net cash from financing activities | 236,525 | 47,527 |
| | Effect of foreign exchange rate changes on cash and cash equivalents | <u>(49,562)</u> | <u>4,723</u> |
| | Increase in cash and cash equivalents | 204,310 | 82,048 |
| 6 | Cash and cash equivalents at the beginning of the period | <u>849,419</u> | <u>869,007</u> |
| 6 | Cash and cash equivalents at the end of the period | 1,053,729 | 951,055 |


A.B. Miller
Chairman of the Management Committee
28 May 2019


E.A. Vasilieva
Chief Accountant
28 May 2019

The accompanying notes on pages 9 to 42 are an integral part of this consolidated interim condensed financial information.

PJSC GAZPROM
CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2019
(in millions of Russian Rubles)

| Notes | Equity attributable to the owners of PJSC Gazprom | | | | | | | |
|-------|--|------------------|--------------------|---|-------------------|---------------------------------|-----------------|-------------------|
| | Number of shares out- standing (billions) | Share capital | Treasury shares | Retained earnings and other reserves | Total | Non- controlling interest | Total equity | |
| | Three months ended 31 March 2018 | | | | | | | |
| | Balance as of 31 December 2017 | 22.1 | 325,194 | (235,919) | 11,539,811 | 11,629,086 | 386,395 | 12,015,481 |
| | Effect of changes in accounting policies | - | - | - | (13,086) | (13,086) | (140) | (13,226) |
| | Balance as of 1 January 2018 (restated) | 22.1 | 325,194 | (235,919) | 11,526,725 | 11,616,000 | 386,255 | 12,002,255 |
| | Profit for the period | - | - | - | 371,623 | 371,623 | 20,546 | 392,169 |
| | Other comprehensive income (loss): | | | | | | | |
| | Gain arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax | - | - | - | 28,077 | 28,077 | - | 28,077 |
| 21 | Remeasurement of provision for post-employment benefits | - | - | - | (11,363) | (11,363) | - | (11,363) |
| | Share of other comprehensive income of associates and joint ventures | - | - | - | 1,488 | 1,488 | - | 1,488 |
| | Translation differences | - | - | - | 10,231 | 10,231 | 2,232 | 12,463 |
| | Gain from hedging operations, net of tax | - | - | - | 6,818 | 6,818 | 266 | 7,084 |
| | Comprehensive income for the three months ended 31 March 2018 | - | - | - | 406,874 | 406,874 | 23,044 | 429,918 |
| | Change in non-controlling interest in subsidiaries | - | - | - | 2,888 | 2,888 | (3,177) | (289) |
| | Balance as of 31 March 2018 | 22.1 | 325,194 | (235,919) | 11,936,487 | 12,025,762 | 406,122 | 12,431,884 |
| | Three months ended 31 March 2019 | | | | | | | |
| | Balance as of 31 December 2018 | 22.1 | 325,194 | (235,919) | 13,210,734 | 13,300,009 | 476,144 | 13,776,153 |
| 4 | Effect of changes in accounting policies | - | - | - | (29,316) | (29,316) | (870) | (30,186) |
| | Balance as of 1 January 2019 (restated) | 22.1 | 325,194 | (235,919) | 13,181,418 | 13,270,693 | 475,274 | 13,745,967 |
| | Profit for the period | - | - | - | 535,908 | 535,908 | 23,605 | 559,513 |
| | Other comprehensive income (loss): | | | | | | | |
| | Loss arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax | - | - | - | (23,167) | (23,167) | - | (23,167) |
| 21 | Remeasurement of provision for post-employment benefits | - | - | - | (24,113) | (24,113) | - | (24,113) |
| | Share of other comprehensive loss of associates and joint ventures | - | - | - | (1,896) | (1,896) | - | (1,896) |
| | Translation differences | - | - | - | (108,881) | (108,881) | (7,084) | (115,965) |
| | Gain (loss) from hedging operations, net of tax | - | - | - | 5,359 | 5,359 | (3) | 5,356 |
| | Comprehensive income for the three months ended 31 March 2019 | - | - | - | 383,210 | 383,210 | 16,518 | 399,728 |
| | Change in non-controlling interest in subsidiaries | - | - | - | 753 | 753 | (724) | 29 |
| | Dividends declared | - | - | - | - | - | (75) | (75) |
| | Balance as of 31 March 2019 | 22.1 | 325,194 | (235,919) | 13,565,381 | 13,654,656 | 490,993 | 14,145,649 |

A.B. Miller
Chairman of the Management Committee
28 May 2019

E.A. Vasilieva
Chief Accountant
28 May 2019

The accompanying notes on pages 9 to 42 are an integral part of this consolidated interim condensed financial information.

PJSC GAZPROM
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)
31 MARCH 2019
(in millions of Russian Rubles)

1 GENERAL INFORMATION

Public Joint Stock Company Gazprom (PJSC Gazprom) and its subsidiaries (the “Group” or “Gazprom Group”) operate one of the largest gas pipeline systems in the world, provide for the major part of natural gas production and high pressure gas transportation in the Russian Federation. The Group is also a major supplier of gas to European countries. The Group is engaged in oil production, oil refining, electric and heat energy generation. The Russian Federation is the ultimate controlling party of PJSC Gazprom and has a controlling interest (including both direct and indirect ownership) of over 50 % in PJSC Gazprom.

The Group is involved in the following activities:

- exploration and production of gas;
- transportation of gas;
- sales of gas within the Russian Federation and abroad;
- gas storage;
- production of crude oil and gas condensate;
- processing of oil, gas condensate and other hydrocarbons and sales of refined products;
- electric and heat energy generation and sales.

Other activities include production of other goods, other works and rendering of other services.

The gas business is subject to seasonal fluctuations with peak demand in the first and fourth quarters of each year. Typically approximately 30 % of total annual gas volumes are shipped in the first calendar quarter.

2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

The economy of the Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation of the Russian Federation is a subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation.

The political and economic instability, the situation in Ukraine, the current situation with sanctions, uncertainty and volatility of financial and trade markets and other risks have had and may continue to have effects on the Russian economy.

The official Russian Ruble (“RUB”) to US Dollar (“USD”) foreign exchange rate as determined by the Central Bank of the Russian Federation was as follows:

- as of 31 March 2019 – 64.7347 (of 31 March 2018 – 57.2649);
- as of 31 December 2018 – 69.4706 (as of 31 December 2017 – 57.6002).

The official RUB to Euro (“EUR”) foreign exchange rate as determined by the Central Bank of the Russian Federation was as follows:

- as of 31 March 2019 – 72.7230 (as of 31 March 2018 – 70.5618);
- as of 31 December 2018 – 79.4605 (as of 31 December 2017 – 68.8668).

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the Government of the Russian Federation to sustain growth and to change the tax, legal and regulatory frameworks. The management believes it is taking all necessary measures to support the sustainability and development of the Group’s business in the current business and economic environment. The future economic situation and the regulatory environment and their impact on the Group’s operations may differ from management’s current expectations.

3 BASIS OF PRESENTATION

This consolidated interim condensed financial information is prepared in accordance with requirements of IAS 34 Interim Financial Reporting. The consolidated interim condensed financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018 prepared in accordance with International Financial Reporting Standards (“IFRS”).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS AND ESTIMATES IN THEIR APPLICATION

The significant accounting policies followed by the Group and the critical accounting judgements and estimates in applying accounting policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2018, except for the application of IFRS 16 Leases that became effective on 1 January 2019.

Profit tax for the interim periods is accrued using a tax rate that would be applicable to expected profit for the year.

Application of IFRS 16 Leases

The Group has applied IFRS 16 Leases since 1 January 2019. This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases in financial statements.

The Group applied the retrospective approach, which means that the cumulative effect of initially applying IFRS 16 Leases was recognised at the date of initial application, i.e. 1 January 2019, without restatement of the comparative information.

The Group applied the following practical expedients:

- the standard was applied to contracts that had been previously identified as leases applying IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease and was not applied to contracts that had not been previously identified as containing a lease applying IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease;
- leases for which the lease term ends within 12 months of the date of initial application of the standard were recognised as short-term leases and expenses associated with those leases was included in the line "Rental expenses" within operating expenses in the consolidated interim condensed statement of comprehensive income;
- initial direct costs were excluded from the measurement of the right-of-use assets at the date of initial application;
- a single discount rate was applied to a portfolio of leases with similar characteristics.

The Group recognised lease liabilities at the date of initial application at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The weighted average incremental borrowing rate applied by the Group to lease liabilities at the date of initial application was 6.4 %.

For some leases the Group recognised right-of-use assets at the date of initial application at its carrying amount as if IFRS 16 Leases had been applied since the contract commencement date.

The difference between the carrying amount of assets and liabilities and their carrying amount at the date of initial application was recognised in the opening balance of retained earnings and other reserves and non-controlling interest in the consolidated interim condensed statement of changes in equity of the Group as of 1 January 2019.

The effect of the initial application of IFRS 16 Leases on the consolidated interim condensed balance sheet is provided in the table below.

PJSC GAZPROM
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)
31 MARCH 2019
(in millions of Russian Rubles)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS AND ESTIMATES IN THEIR APPLICATION (continued)

| Notes | 31 December 2018 | Effect of IFRS 16 Leases application | 1 January 2019 |
|--|---------------------|---|-------------------|
| Assets | | | |
| Accounts receivable and prepayments | 1,222,735 | 17,046 | 1,239,781 |
| 9, 10 Property, plant and equipment | 13,809,434 | (41,082) | 13,768,352 |
| 10 Right-of-use assets | - | 221,367 | 221,367 |
| Other non-current assets | 530,262 | (15) | 530,247 |
| Total assets | 20,810,440 | 197,316 | 21,007,756 |
| Liabilities and equity | | | |
| Accounts payable, provisions and other liabilities | 1,522,101 | 32,339 | 1,554,440 |
| 15 Deferred tax liabilities | 748,751 | (6,988) | 741,763 |
| Long-term lease liabilities | - | 225,986 | 225,986 |
| Other long-term liabilities | 110,758 | (23,835) | 86,923 |
| Total liabilities | 7,034,287 | 227,502 | 7,261,789 |
| Equity | | | |
| Retained earnings and other reserves | 13,210,734 | (29,316) | 13,181,418 |
| | 13,300,009 | (29,316) | 13,270,693 |
| Non-controlling interest | 476,144 | (870) | 475,274 |
| Total equity | 13,776,153 | (30,186) | 13,745,967 |
| Total liabilities and equity | 20,810,440 | 197,316 | 21,007,756 |

Accounting policy applied from 1 January 2019

At inception of a contract the Group estimates whether the contract contains lease. A contract contains lease if it contains enforceable rights and obligations under which the right to control the use of an identified asset is conveyed for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the commencement date – the date when the asset is available for use by the lessee.

Liabilities arising from a lease are initially measured at the present value of the lease payments that are not paid at that date. Lease liabilities include value of the following payments:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate initially measured using the index or rate as of the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- penalties for early terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease by the Group.

The lease payments are discounted using the Group's incremental borrowing rate, being the rate that as of the commencement date the Group would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value of the right-of-use asset in a similar economic environment.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs;
- an estimate of costs of dismantling and removing the underlying asset, restoring the site on which it is located or the underlying asset.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS AND ESTIMATES IN THEIR APPLICATION (continued)

The Group does not recognise a right-of-use asset and a lease liability for short-term leases, the term of which does not exceed 12 months, and for leased assets with of low value.

A right-of-use asset is depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of an asset is determined on the same basis as of the fixed asset. In addition, the value of a right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain revaluations of the lease liability.

Application of Interpretations and Amendments to Standards

Following interpretation and amendments to current standards became effective after 1 January 2019:

- IFRIC 23 Uncertainty over Income Tax Treatments (issued in June 2017 and effective for annual periods beginning on or after 1 January 2019) provides requirements in respect of recognising and measuring of a tax liability or a tax asset when there is uncertainty over income tax treatments.
- The amendments to IAS 28 Investments in Associates and Joint Ventures (issued in October 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify that long-term interests in an associate or joint venture that form a part of the net investments in the associate or joint venture should be accounted in accordance with IFRS 9 Financial Instruments.
- The amendments to IFRS 9 Financial Instruments (issued in October 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments enable to measure at amortised cost some prepayable financial assets with negative compensation.
- The amendments to IAS 23 Borrowing Costs (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify which borrowing costs are eligible for capitalisation in particular circumstances.
- The amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). The amendments clarify how obtaining control (or joint control) of a business that is a joint operation should be accounted if the entity already holds an interest in that business.
- The amendments to IAS 12 Income Taxes (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify income tax consequences of payments on instruments classified as equity.
- The amendments to IAS 19 Employee Benefits (issued in February 2018 and effective for annual periods beginning on or after 1 January 2019). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs.

The Group has reviewed this interpretation and amendments to standards while preparing the consolidated interim condensed financial information. The interpretation and amendments to standards have no significant impact on the Group's consolidated interim condensed financial information.

Amendments to existing Standards that are not yet effective and have not been early adopted by the Group

The Group has not early adopted the amendments to IFRS 3 Business Combinations (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020). These amendments clarify the definition of a business and simplify assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

The Group is currently assessing the impact of these amendments on its financial position and results of operations.

5 SEGMENT INFORMATION

The Group operates as a vertically integrated business with substantially all external gas sales generated by the Distribution of gas segment.

The Board of Directors and Management Committee of PJSC Gazprom (the “Governing bodies”) make key decisions managing the Group’s activity, assess operating results and allocate resources using different internal financial information.

Based on that information the following reportable segments were determined:

- Production of gas – exploration and production of gas;
- Transportation – transportation of gas;
- Distribution of gas – sales of gas within the Russian Federation and abroad;
- Gas storage – storage of extracted and purchased gas in underground gas storages;
- Production of crude oil and gas condensate – exploration and production of oil and gas condensate, sales of crude oil and gas condensate;
- Refining – processing of oil, gas condensate and other hydrocarbons, and sales of refined products;
- Electric and heat energy generation and sales.

Other activities have been included within “All other segments”.

The inter-segment sales mainly consist of the following operations:

- Production of gas – sales of gas to the Distribution of gas and Refining segments;
- Transportation – rendering gas transportation services to the Distribution of gas segment;
- Distribution of gas – sales of gas to the Transportation segment for own needs and to the Electric and heat energy generation and sales segment;
- Gas storage – sales of gas storage services to the Distribution of gas segment;
- Production of crude oil and gas condensate – sales of oil and gas condensate to the Refining segment for further processing;
- Refining – sales of refined hydrocarbon products to other segments.

Internal transfer prices, mostly for Production of gas, Transportation and Gas storage segments, are established by the management of the Group with the objective of providing specific funding requirements of the individual subsidiaries within each segment.

The Governing bodies of the Group assess the performance, assets and liabilities of the reportable segments on the basis of the internal financial information. The effects of certain significant transactions and events, such as business acquisitions, and the effects of some adjustments that may be considered necessary to reconcile the internal financial information of the Group to the corresponding data presented in the consolidated interim condensed financial information are reviewed by the Governing bodies on a central basis and not allocated to the reportable segments. Finance income and expense are not allocated to the reportable segments.

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5 SEGMENT INFORMATION (continued)

| | Production of gas | Transportation | Distribution of gas | Gas storage | Production of crude oil and gas condensate | Refining | Electric and heat energy generation and sales | All other segments | Total |
|---|-------------------|----------------|---------------------|---------------|--|----------------|---|--------------------|------------------|
| Three months ended 31 March 2019 | | | | | | | | | |
| Sales of segments | <u>281,802</u> | <u>270,596</u> | <u>1,395,074</u> | <u>12,622</u> | <u>399,252</u> | <u>509,195</u> | <u>173,413</u> | <u>82,878</u> | <u>3,124,832</u> |
| Inter-segment sales | 275,781 | 215,095 | 97,272 | 11,463 | 208,863 | 2,286 | - | - | 810,760 |
| External sales | 6,021 | 55,501 | 1,297,802 | 1,159 | 190,389 | 506,909 | 173,413 | 82,878 | 2,314,072 |
| Financial result of segments | 22,819 | 6,329 | 343,115 | 927 | 96,705 | 9,421 | 32,975 | (70) | 512,221 |
| Depreciation | 43,909 | 120,911 | 4,041 | 7,565 | 36,539 | 11,985 | 17,380 | 12,026 | 254,356 |
| Share of profit of associates and joint ventures | 1,988 | 7,818 | 726 | - | 43,483 | 1,090 | 24 | 8,803 | 63,932 |
| Three months ended 31 March 2018 | | | | | | | | | |
| Sales of segments | <u>233,275</u> | <u>273,655</u> | <u>1,312,059</u> | <u>14,467</u> | <u>314,356</u> | <u>471,506</u> | <u>175,486</u> | <u>90,537</u> | <u>2,885,341</u> |
| Inter-segment sales | 226,694 | 215,002 | 98,115 | 13,387 | 163,884 | 1,962 | - | - | 719,044 |
| External sales | 6,581 | 58,653 | 1,213,944 | 1,080 | 150,472 | 469,544 | 175,486 | 90,537 | 2,166,297 |
| Financial result of segments | 8,520 | 7,227 | 237,493 | 3,241 | 74,874 | 27,902 | 36,401 | 9,783 | 405,441 |
| Depreciation | 46,081 | 122,738 | 4,245 | 6,477 | 28,480 | 15,623 | 12,945 | 10,580 | 247,169 |
| Share of profit (loss) of associates and joint ventures | 1,695 | 5,743 | (1,135) | - | 28,120 | 762 | 63 | 8,432 | 43,680 |

Sales of Production of gas and Distribution of gas segments compose gas sales, sales of Gas storage segment are included in other sales.

The reconciliation of reportable segments' financial results to profit before profit tax in the consolidated interim condensed statement of comprehensive income is provided below.

| Notes | Three months ended 31 March | |
|---|-----------------------------|----------------|
| | 2019 | 2018 |
| Financial result of reportable segments | 512,291 | 395,658 |
| Financial result of other segments | (70) | 9,783 |
| Total financial result of segments | 512,221 | 405,441 |
| Difference in depreciation ¹ | 81,704 | 88,883 |
| Expenses associated with provision for post-employment benefits | 657 | (2,836) |
| 19 Net finance income (expense) | 189,232 | (16,043) |
| 11 Share of profit of associates and joint ventures | 63,932 | 43,680 |
| 18 Derivatives loss | (7,064) | (12,452) |
| Other | (128,756) | (11,455) |
| Total profit before profit tax in the consolidated interim condensed statement of comprehensive income | 711,926 | 495,218 |

¹ The difference in depreciation mainly relates to adjustments of property, plant and equipment under Russian statutory accounting to comply with IFRS, such as reversal of revaluation of property, plant and equipment recorded under Russian statutory accounting or adjustments related to operating of the Group in hyperinflation which are not recorded in accounting reports under Russian statutory accounting.

The reconciliation of reportable segments' external sales to sales in the consolidated interim condensed statement of comprehensive income is provided below.

| | Three months ended 31 March | |
|--|-----------------------------|------------------|
| | 2019 | 2018 |
| External sales of reportable segments | 2,231,194 | 2,075,760 |
| External sales of other segments | 82,878 | 90,537 |
| Total external sales of segments | 2,314,072 | 2,166,297 |
| Differences in external sales ¹ | (22,251) | (27,966) |
| Total sales in the consolidated interim condensed statement of comprehensive income | 2,291,821 | 2,138,331 |

¹ The differences in external sales relate to adjustments of external sales under Russian statutory accounting to comply with IFRS, such as elimination of sales of materials to subcontractors and other adjustments.

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5 SEGMENT INFORMATION (continued)

Substantially the Group's assets are located in the Russian Federation. Assets of segments consist primarily of property, plant and equipment, accounts receivable and prepayments, investments in associates and joint ventures and inventories. Cash and cash equivalents, VAT recoverable, goodwill, financial assets and other current and non-current assets are not allocated to the segments and managed on a central basis.

| | Production of gas | Transportation | Distribution of gas | Gas storage | Production of crude oil and gas condensate | Refining | Electric and heat energy generation and sales | All other segments | Total |
|---|----------------------|------------------|------------------------|----------------|---|------------------|--|-----------------------|-------------------|
| As of 31 March 2019 | | | | | | | | | |
| Assets of segments | <u>2,751,350</u> | <u>7,072,790</u> | <u>1,625,911</u> | <u>412,996</u> | <u>3,062,601</u> | <u>2,144,896</u> | <u>928,893</u> | <u>1,314,831</u> | <u>19,314,268</u> |
| Investments in associates and joint ventures | 18,980 | 193,425 | 19,964 | 2 | 601,386 | 23,231 | 1,446 | 348,820 | 1,207,254 |
| Capital expenditures ¹ | 41,515 | 82,456 | 1,109 | 2,626 | 56,254 | 50,878 | 9,663 | 51,949 | 296,450 |
| As of 31 December 2018 | | | | | | | | | |
| Assets of segments | <u>2,743,944</u> | <u>7,023,399</u> | <u>1,719,640</u> | <u>393,700</u> | <u>2,898,071</u> | <u>2,059,715</u> | <u>911,036</u> | <u>1,428,467</u> | <u>19,177,972</u> |
| Investments in associates and joint ventures | 25,211 | 200,307 | 21,476 | 2 | 570,760 | 20,714 | 1,517 | 257,459 | 1,097,446 |
| Capital expenditures ² | 308,007 | 640,063 | 39,078 | 19,391 | 257,932 | 309,417 | 72,907 | 149,089 | 1,795,884 |

¹ Capital expenditures for the three months ended 31 March 2019.

² Capital expenditures for the year ended 31 December 2018.

The reconciliation of reportable segments' assets to total assets in the consolidated interim condensed balance sheet is provided below.

| Notes | 31 March 2019 | 31 December 2018 |
|---|-------------------|---------------------|
| Assets of reportable segments | 17,999,437 | 17,749,505 |
| Assets of other segments | <u>1,314,831</u> | <u>1,428,467</u> |
| Total assets of segments | 19,314,268 | 19,177,972 |
| Difference in property, plant and equipment, net ¹ | (1,500,831) | (1,602,553) |
| Borrowing costs capitalised | 853,996 | 808,251 |
| 6 Cash and cash equivalents | 1,053,729 | 849,419 |
| Short-term financial assets | 52,459 | 26,859 |
| VAT recoverable | 127,096 | 150,425 |
| 13 Other current assets | 1,018,261 | 1,053,115 |
| Right-of-use assets | 71,465 | - |
| Goodwill | 107,797 | 108,097 |
| 22 Long-term financial assets | 393,413 | 416,666 |
| 13 Other non-current assets | 486,348 | 530,262 |
| Inter-segment assets | (1,034,715) | (956,216) |
| Other | <u>291,455</u> | <u>248,143</u> |
| Total assets in the consolidated interim condensed balance sheet | 21,234,741 | 20,810,440 |

¹ The difference in property, plant and equipment relates to adjustments of property, plant and equipment under Russian statutory accounting to comply with IFRS, such as reversal of revaluation of property, plant and equipment recorded under Russian statutory accounting or adjustments related to operating of the Group in hyperinflation which are not recorded in accounting reports under Russian statutory accounting.

Liabilities of segments mainly comprise accounts payable arising in the course of operating activities. Current profit tax payable, deferred tax liabilities, long-term provisions (except for provision for decommissioning and site restoration), long-term and short-term borrowings, including current portion of long-term borrowings, long-term and short-term promissory notes payable and other non-current liabilities are not allocated to the reportable segments and managed on a central basis.

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5 SEGMENT INFORMATION (continued)

| | 31 March 2019 | 31 December 2018 |
|---|--------------------------|-----------------------------|
| Distribution of gas | 912,802 | 905,778 |
| Refining | 598,671 | 546,611 |
| Production of crude oil and gas condensate | 296,514 | 216,553 |
| Production of gas | 269,124 | 314,613 |
| Transportation | 203,421 | 305,569 |
| Electric and heat energy generation and sales | 104,356 | 96,869 |
| Gas storage | 40,159 | 25,250 |
| All other segments | <u>309,594</u> | <u>325,644</u> |
| Total liabilities of segments | 2,734,641 | 2,736,887 |

The reconciliation of reportable segments' liabilities to total liabilities in the consolidated interim condensed balance sheet is provided below.

| Notes | 31 March 2019 | 31 December 2018 |
|---|--------------------------|-----------------------------|
| Liabilities of reportable segments | 2,425,047 | 2,411,243 |
| Liabilities of other segments | <u>309,594</u> | <u>325,644</u> |
| Total liabilities of segments | 2,734,641 | 2,736,887 |
| Short-term lease liabilities | 14,714 | - |
| Current profit tax payable | 61,329 | 34,708 |
| Short-term borrowings, promissory notes and current portion of long-term borrowings | 631,772 | 569,061 |
| 14 Long-term borrowings, promissory notes | 3,268,078 | 3,294,761 |
| 21 Long-term provisions (except for provision for decommissioning and site restoration) | 250,558 | 239,523 |
| 15 Deferred tax liabilities | 766,920 | 748,751 |
| Long-term lease liabilities | 55,213 | - |
| Other non-current liabilities | 56,947 | 110,758 |
| Dividends | 3,354 | 7,586 |
| Inter-segment liabilities | (1,034,715) | (956,216) |
| Other | <u>280,281</u> | <u>248,468</u> |
| Total liabilities in the consolidated interim condensed balance sheet | 7,089,092 | 7,034,287 |

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, balances with banks and term deposits with the original maturity of three months or less.

| | 31 March 2019 | 31 December 2018 |
|--|--------------------------|-----------------------------|
| Cash on hand and bank balances payable on demand | 715,529 | 531,432 |
| Term deposits with original maturity of three months or less | <u>338,200</u> | <u>317,987</u> |
| Total cash and cash equivalents | 1,053,729 | 849,419 |

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

| | 31 March 2019 | 31 December 2018 |
|--|--------------------------|-----------------------------|
| Trade accounts receivable | 832,762 | 912,109 |
| Advances paid and prepayments | 124,161 | 80,241 |
| Other accounts receivable | 111,382 | 159,494 |
| Loans receivable | <u>104,683</u> | <u>70,891</u> |
| Total accounts receivable and prepayments | 1,172,988 | 1,222,735 |

Accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 998,586 million and RUB 993,032 million, advances paid and prepayments are presented net of impairment allowance in the amount of RUB 12,407 million and RUB 12,314 million as of 31 March 2019 and 31 December 2018, respectively.

Accounts receivable due from NJSC Naftogaz Ukraine in relation to gas sales are RUB nil million as of 31 March 2019 and 31 December 2018 net of allowance for expected credit losses in the amount of RUB 160,904 million and RUB 147,241 million as of 31 March 2019 and 31 December 2018, respectively.

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8 INVENTORIES

Inventories are presented net of allowance for obsolescence of RUB 5,543 million and RUB 5,572 million as of 31 March 2019 and 31 December 2018, respectively.

9 PROPERTY, PLANT AND EQUIPMENT

| Notes | Operating assets (including production licenses) | Social assets | Assets under construction | Total |
|--|---|------------------|------------------------------|--------------------|
| As of 31 December 2017 | | | | |
| Cost | 15,164,745 | 96,791 | 3,384,995 | 18,646,531 |
| Accumulated depreciation | <u>(6,058,116)</u> | <u>(43,336)</u> | <u>-</u> | <u>(6,101,452)</u> |
| Net book value as of 31 December 2017 | 9,106,629 | 53,455 | 3,384,995 | 12,545,079 |
| Three months ended 31 March 2018 | | | | |
| Net book value as of 31 December 2017 | 9,106,629 | 53,455 | 3,384,995 | 12,545,079 |
| Depreciation | (156,631) | (609) | - | (157,240) |
| Additions | 21,881 | - | 301,679 | 323,560 |
| Translation differences | 5,312 | 17 | 11,937 | 17,266 |
| Transfers | 61,587 | 40 | (61,627) | - |
| Disposals | (6,741) | (9,924) | (7,892) | (24,557) |
| Change in impairment allowance | <u>-</u> | <u>-</u> | <u>(3,864)</u> | <u>(3,864)</u> |
| Net book value as of 31 March 2018 | 9,032,037 | 42,979 | 3,625,228 | 12,700,244 |
| Nine months ended 31 December 2018 | | | | |
| Net book value as of 31 March 2018 | 9,032,037 | 42,979 | 3,625,228 | 12,700,244 |
| Depreciation | (484,335) | (1,848) | - | (486,183) |
| Additions | 5,260 | - | 1,622,472 | 1,627,732 |
| Translation differences | 91,445 | 143 | 86,798 | 178,386 |
| Transfers | 1,025,132 | 3,167 | (1,028,299) | - |
| Disposals | (162,200) | (1,260) | (29,741) | (193,201) |
| Change in impairment allowance | <u>(26,291)</u> | <u>-</u> | <u>8,747</u> | <u>(17,544)</u> |
| Net book value as of 31 December 2018 | 9,481,048 | 43,181 | 4,285,205 | 13,809,434 |
| As of 31 December 2018 | | | | |
| Cost | 16,142,507 | 88,479 | 4,285,205 | 20,516,191 |
| Accumulated depreciation | <u>(6,661,459)</u> | <u>(45,298)</u> | <u>-</u> | <u>(6,706,757)</u> |
| Net book value as of 31 December 2018 | 9,481,048 | 43,181 | 4,285,205 | 13,809,434 |
| Three months ended 31 March 2019 | | | | |
| Net book value as of 31 December 2018 | 9,481,048 | 43,181 | 4,285,205 | 13,809,434 |
| 4 Reclassification to right-of-use assets | (41,082) | - | - | (41,082) |
| Net book value as of 1 January 2019 | 9,439,966 | 43,181 | 4,285,205 | 13,768,352 |
| Depreciation | (165,553) | (607) | - | (166,160) |
| Additions | 6,380 | - | 342,063 | 348,443 |
| Translation differences | (47,342) | (160) | (75,650) | (123,152) |
| Transfers | 212,060 | 578 | (212,638) | - |
| Disposals | (12,201) | (339) | (8,131) | (20,671) |
| Change in impairment allowance | <u>-</u> | <u>-</u> | <u>(3,346)</u> | <u>(3,346)</u> |
| Net book value as of 31 March 2019 | 9,433,310 | 42,653 | 4,327,503 | 13,803,466 |
| As of 31 March 2019 | | | | |
| Cost | 16,139,121 | 87,465 | 4,327,503 | 20,554,089 |
| Accumulated depreciation | <u>(6,705,811)</u> | <u>(44,812)</u> | <u>-</u> | <u>(6,750,623)</u> |
| Net book value as of 31 March 2019 | 9,433,310 | 42,653 | 4,327,503 | 13,803,466 |

Operating property, plant and equipment are presented net of allowance for impairment of RUB 208,704 million and RUB 214,222 million as of 31 March 2019 and 31 December 2018, respectively.

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9 PROPERTY, PLANT AND EQUIPMENT (continued)

Assets under construction are presented net of allowance for impairment of RUB 187,389 million and RUB 191,326 million as of 31 March 2019 and 31 December 2018, respectively. The change in impairment allowance of assets under construction is mainly attributable to impairment allowance charge for objects planned for liquidation and translation differences.

Social assets (rest houses, housing, schools and medical facilities) included in the property, plant and equipment which were vested to the Group at privatization have a net book value of RUB 64 million and RUB 69 million as of 31 March 2019 and 31 December 2018, respectively.

10 RIGHT-OF-USE ASSETS

| | Operating assets | Social assets | Total |
|---|-------------------------|----------------------|----------------|
| Three months ended 31 March 2019 | | | |
| Net book value as of 31 December 2018 | - | - | - |
| Initial recognition | 148,877 | 31,408 | 180,285 |
| Reclassification from property, plant and equipment | <u>41,082</u> | - | <u>41,082</u> |
| Net book value as of 1 January 2019 | 189,959 | 31,408 | 221,367 |
| Depreciation | (6,417) | (1,428) | (7,845) |
| Additions as a result of new leases | 1,244 | - | 1,244 |
| Effect of leases modification | (43) | - | (43) |
| Translation differences | <u>(4,150)</u> | - | <u>(4,150)</u> |
| Net book value as of 31 March 2019 | 180,593 | 29,980 | 210,573 |
| As of 31 March 2019 | | | |
| Cost | 186,984 | 31,408 | 218,392 |
| Accumulated depreciation | <u>(6,391)</u> | <u>(1,428)</u> | <u>(7,819)</u> |
| Net book value as of 31 March 2019 | 180,593 | 29,980 | 210,573 |

Right-of-use assets are mainly represented by leases of ships, used for transportation of condensed gas and oil products, and leases of properties and land occupied by operating assets.

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11 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

| Notes | | | Carrying value as of | | Share of profit (loss) of associates and joint ventures for the three months ended | |
|--------|---|---------------|----------------------|---------------------|---|------------------|
| | | | 31 March 2019 | 31 December 2018 | 31 March 2019 | 31 March 2018 |
| 23, 24 | Gazprombank (Joint-stock Company) and its subsidiaries | Associate | 213,576 | 166,218 | 6,430 | 8,392 |
| 23, 24 | Sakhalin Energy Investment Company Ltd. | Associate | 202,628 | 196,679 | 19,728 | 14,110 |
| 23 | PJSC NGK Slavneft and its subsidiaries | Joint venture | 157,122 | 152,495 | 4,627 | 1,867 |
| 23 | JSC Arcticgas ¹ | Joint venture | 151,822 | 146,246 | 9,409 | 6,509 |
| 23, 24 | Nord Stream AG | Joint venture | 96,803 | 100,138 | 4,999 | 4,368 |
| 23 | WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries | Associate | 53,660 | 55,867 | 2,602 | 1,534 |
| 23 | JSC Messoyakhaneftegaz | Joint venture | 43,441 | 36,837 | 6,604 | 4,281 |
| 23 | JSC Achimgaz | Joint venture | 42,180 | 37,310 | 4,870 | 2,351 |
| 23 | JSC Gazstroypprom | Joint venture | 41,403 | - | 185 | - |
| 23 | JSC EUROPOL GAZ | Associate | 31,230 | 33,894 | 217 | (159) |
| | JSC NPF GAZFOND ² | Associate | 31,071 | 28,861 | 2,210 | - |
| | Wintershall AG | Associate | 16,416 | 18,026 | (67) | 60 |
| 23 | KazRosGas LLP | Joint venture | 11,263 | 11,758 | 285 | (1,054) |
| 23 | CJSC Northgas | Joint venture | 8,784 | 7,986 | 798 | 737 |
| 23 | Wintershall Noordzee B.V. | Joint venture | 7,668 | 8,125 | 71 | 171 |
| | Other (net of allowance for investments impairment in the amount of RUB 23,730 million and RUB 26,092 million as of 31 March 2019 and 31 December 2018, respectively) | | 98,187 | 97,006 | 964 | 513 |
| | | | 1,207,254 | 1,097,446 | 63,932 | 43,680 |

¹ In January 2018 LLC Yamal razvitie and its subsidiary LLC SeverEnergy were reorganised in the form of the merger with JSC Arcticgas (a former subsidiary of LLC SeverEnergy).

² In December 2018 the Group as one of the founder of NPF GAZFOND become owner of 31 % of ordinary registered shares of JSC NPF GAZFOND established as a result of reorganisation of NPF GAZFOND from a non-profit organisation to a joint-stock company. The Group's share in JSC NPF GAZFOND voting shares was 42 %.

Summarised financial information of the Group's significant associates and joint ventures is presented below.

The disclosed values of assets, liabilities, revenues, profit (loss) of the Group's significant associates and joint ventures represent total values and not the Group's share of them.

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11 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

This financial information may be different from the financial statements of the associate and joint venture prepared and presented in accordance with IFRS due to adjustments required in application of equity method of accounting, such as fair value adjustments on identifiable assets and liabilities at the date of acquisition and adjustments on differences in accounting policies.

| | Ownership interest as of 31 March 2019, % | Country of primary operations | As of 31 March 2019 | | Three months ended 31 March 2019 | |
|--|--|-------------------------------------|---------------------|-------------|-------------------------------------|------------------|
| | | | Assets | Liabilities | Revenues | Profit (loss) |
| Gazprombank (Joint-stock Company) and its subsidiaries ^{1, 2} | 48 | Russia | 6,064,571 | 5,443,822 | 72,679 | 13,434 |
| Sakhalin Energy Investment Company Ltd. ³ | 50 | Russia | 1,121,546 | 716,290 | 109,196 | 39,454 |
| PJSC NGK Slavneft and its subsidiaries | 50 | Russia | 591,457 | 276,964 | 80,025 | 9,653 |
| Nord Stream AG ^{4, 5} | 51 | Germany | 460,921 | 271,111 | 20,114 | 9,802 |
| JSC Arcticgas | 50 | Russia | 446,308 | 163,207 | 47,565 | 18,819 |
| JSC NPF GAZFOND ² | 42 | Russia | 434,334 | 359,498 | - | 5,323 |
| WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries | 50 | Germany | 297,378 | 173,746 | 19,652 | 5,277 |
| JSC Gazstroyprom | 49 | Russia | 272,302 | 271,799 | 14,564 | 377 |
| JSC Messoyakhaneftegaz | 50 | Russia | 214,097 | 127,636 | 32,011 | 13,208 |
| JSC Achimgaz | 50 | Russia | 106,252 | 21,892 | 17,688 | 9,739 |
| Wintershall AG ⁶ | 49 | Libya | 70,507 | 46,841 | 1,766 | (137) |
| JSC EUROPOL GAZ | 48 | Poland | 67,752 | 2,690 | 5,399 | 463 |
| Wintershall Noordzee B.V. | 50 | Netherlands | 49,787 | 36,423 | 2,827 | 142 |
| CJSC Northgas | 50 | Russia | 47,130 | 28,626 | 5,316 | 1,596 |
| KazRosGaz LLP | 50 | Kazakhstan | 28,337 | 5,810 | 11,009 | 570 |

| | Ownership interest as of 31 December 2018, % | Country of primary operations | As of 31 December 2018 | | Three months ended 31 March 2018 | |
|--|---|-------------------------------------|------------------------|-------------|-------------------------------------|------------------|
| | | | Assets | Liabilities | Revenues | Profit (loss) |
| Gazprombank (Joint-stock Company) and its subsidiaries ^{1, 2} | 48 | Russia | 6,437,702 | 5,915,343 | 59,464 | 17,533 |
| Sakhalin Energy Investment Company Ltd. ³ | 50 | Russia | 1,102,931 | 709,575 | 90,334 | 28,220 |
| PJSC NGK Slavneft and its subsidiaries | 50 | Russia | 551,546 | 246,963 | 65,342 | 3,946 |
| Nord Stream AG ^{4, 5} | 51 | Germany | 489,723 | 293,372 | 18,825 | 8,565 |
| JSC Arcticgas | 50 | Russia | 439,148 | 168,497 | 41,971 | 13,937 |
| JSC NPF GAZFOND ² | 42 | Russia | 427,516 | 358,003 | - | - |
| WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries | 50 | Germany | 321,523 | 188,493 | 14,078 | 3,119 |
| JSC Messoyakhaneftegaz | 50 | Russia | 202,430 | 129,175 | 23,209 | 8,562 |
| JSC Achimgaz | 50 | Russia | 93,125 | 18,504 | 8,147 | 4,703 |
| Wintershall AG ⁶ | 49 | Libya | 78,622 | 53,527 | 1,448 | 122 |
| JSC EUROPOL GAZ | 48 | Poland | 72,453 | 1,843 | 4,866 | (366) |
| Wintershall Noordzee B.V. | 50 | Netherlands | 54,408 | 39,943 | 3,116 | 342 |
| CJSC Northgas | 50 | Russia | 46,496 | 29,589 | 5,340 | 1,474 |
| KazRosGaz LLP | 50 | Kazakhstan | 27,622 | 4,106 | 11,875 | (2,109) |

¹ The amount of revenue of Gazprombank (Joint-stock Company) and its subsidiaries includes revenue of media business, machinery business and other non-banking companies.

² Share in voting shares.

³ Country of incorporation is Bermuda Islands.

⁴ Country of incorporation is Switzerland.

⁵ The investment in the entity is accounted using the equity method, as the Group has no control over activities of the entity in accordance with provisions of its constituent documents.

⁶ Country of incorporation is Germany.

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12 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS

| | 31 March 2019 | 31 December 2018 |
|--|--------------------------|-----------------------------|
| Advances for assets under construction | 505,732 | 464,183 |
| Long-term accounts receivable | 311,362 | 151,131 |
| Long-term prepayments | 20,473 | 20,991 |
| Sub-lease long-term accounts receivable | 16,919 | - |
| Total long-term accounts receivable and prepayments | 854,486 | 636,305 |

Long-term accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 10,795 million and RUB 12,031 million as of 31 March 2019 and 31 December 2018, respectively. Prepayments and advances paid for assets under construction are presented net of impairment allowance in the amount of RUB 7,815 million and RUB 7,868 million as of 31 March 2019 and 31 December 2018, respectively.

13 OTHER CURRENT AND NON-CURRENT ASSETS

Other current assets are provided in the table below.

| Notes | 31 March 2019 | 31 December 2018 |
|-------------------------------------|--------------------------|-----------------------------|
| Short-term deposits | 765,849 | 796,140 |
| Prepaid VAT | 130,322 | 119,208 |
| 22 Derivative financial instruments | 82,843 | 107,868 |
| Prepaid profit tax | 9,871 | 6,117 |
| Other | 29,376 | 23,782 |
| Total other current assets | 1,018,261 | 1,053,115 |

Other non-current assets are provided in the table below.

| Notes | 31 March 2019 | 31 December 2018 |
|--|--------------------------|-----------------------------|
| 21 Net pension plan assets | 129,132 | 140,878 |
| Intangible assets | 50,800 | 52,753 |
| VAT recoverable related to assets under construction | 41,929 | 41,905 |
| 22 Derivative financial instruments | 28,456 | 37,393 |
| Long-term deposits | 1,412 | 1,432 |
| Other | 234,619 | 255,901 |
| Total other non-current assets | 486,348 | 530,262 |

14 LONG-TERM BORROWINGS, PROMISSORY NOTES

| | Currency | Final maturity | 31 March 2019 | 31 December 2018 |
|--|-----------------|---------------------------|--------------------------|-----------------------------|
| Long-term borrowings, promissory notes payable to: | | | | |
| Loan participation notes issued in April 2009 ¹ | US Dollar | 2019 | 151,566 | 159,040 |
| Loan participation notes issued in November 2013 ² | US Dollar | 2023 | 99,093 | 104,779 |
| Loan participation notes issued in September 2012 ² | US Dollar | 2022 | 97,232 | 105,485 |
| Gazprombank (Joint-stock Company) | Russian Ruble | 2027 | 97,170 | - |
| Intesa Sanpaolo Bank Luxembourg S.A. | Euro | 2023 | 87,192 | 94,883 |
| Loan participation notes issued in March 2007 ¹ | US Dollar | 2022 | 84,520 | 92,174 |
| Bank of China Limited, London branch | Euro | 2021 | 82,242 | 113,580 |
| Loan participation notes issued in August 2007 ¹ | US Dollar | 2037 | 81,656 | 89,212 |
| Loan participation notes issued in February 2019 ¹ | US Dollar | 2026 | 80,726 | - |
| Loan participation notes issued in April 2004 ¹ | US Dollar | 2034 | 80,528 | 84,622 |
| J.P. Morgan Europe Limited ³ | Euro | 2023 | 80,001 | 87,087 |
| Loan participation notes issued in November 2016 ¹ | Euro | 2023 | 73,090 | 79,268 |
| Loan participation notes issued in March 2013 ¹ | Euro | 2020 | 72,804 | 81,578 |
| J.P. Morgan Europe Limited ³ | Euro | 2022 | 72,614 | 78,987 |
| Loan participation notes issued in November 2018 ¹ | Euro | 2024 | 72,440 | 79,045 |

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14 LONG-TERM BORROWINGS, PROMISSORY NOTES (continued)

| | Currency | Final maturity | 31 March 2019 | 31 December 2018 |
|---|-----------------|-----------------------|----------------------|-------------------------|
| | British Pound | | | |
| Loan participation notes issued in April 2017 ^{1, 4} | Sterling | 2024 | 71,991 | 78,028 |
| Loan participation notes issued in July 2012 ¹ | US Dollar | 2022 | 65,376 | 71,018 |
| Loan participation notes issued in February 2013 ¹ | US Dollar | 2028 | 58,702 | 63,770 |
| Loan participation notes issued in February 2014 ¹ | Euro | 2021 | 54,725 | 61,412 |
| Loan participation notes issued in November 2017 ¹ | Euro | 2024 | 54,501 | 59,243 |
| Loan participation notes issued in March 2018 ¹ | Euro | 2026 | 54,077 | 60,239 |
| Loan participation notes issued in February 2013 ¹ | US Dollar | 2020 | 52,092 | 56,438 |
| UniCredit S.p.A. | Euro | 2022 | 50,630 | 55,329 |
| UniCredit S.p.A. | Euro | 2025 | 50,452 | 55,427 |
| Loan participation notes issued in March 2018 ¹ | Swiss Franc | 2023 | 48,406 | 53,161 |
| Loan participation notes issued in March 2017 ¹ | US Dollar | 2027 | 48,153 | 52,340 |
| Credit Agricole CIB | Euro | 2023 | 43,608 | 47,467 |
| | British Pound | | | |
| Loan participation notes issued in September 2013 ^{1, 4} | Sterling | 2020 | 43,506 | 48,058 |
| Credit Agricole CIB | Euro | 2022 | 43,389 | 55,722 |
| China Construction Bank Corporation, Beijing branch ³ | US Dollar | 2020 | 42,107 | 61,151 |
| Loan participation notes issued in November 2011 ¹ | US Dollar | 2021 | 39,281 | 42,780 |
| J.P. Morgan Europe Limited ³ | Euro | 2020 | 38,714 | 42,007 |
| Loan issued in December 2018 ⁵ | Japanese yen | 2028 | 37,549 | 40,411 |
| Loan participation notes issued in March 2013 ¹ | Euro | 2025 | 36,409 | 41,089 |
| MUFG Bank Ltd. | Euro | 2023 | 36,185 | - |
| Natixis ³ | Euro | 2024 | 36,042 | - |
| Loan participation notes issued in November 2016 ^{1, 4} | Swiss Franc | 2021 | 34,034 | 36,943 |
| Loan participation notes issued in July 2017 ^{1, 4} | Swiss Franc | 2022 | 33,311 | 36,207 |
| Loan participation notes issued in October 2013 ¹ | Swiss Franc | 2019 | 32,892 | 35,474 |
| Citibank Europ plc ³ | Euro | 2023 | 30,820 | 33,537 |
| PJSC Sberbank | Euro | 2023 | 29,498 | 29,861 |
| ING Bank, a branch of ING-DiBa AG | Euro | 2023 | 28,923 | 31,611 |
| Wintershall Nederland Transport and Trading B.V. ⁶ | Euro | 2019 | 27,578 | 26,245 |
| OMV Gas Marketing Trading & Finance B.V. ⁶ | Euro | 2019 | 27,578 | 26,245 |
| Shell Exploration and Production (LXXI) B.V. ⁶ | Euro | 2019 | 27,578 | 26,245 |
| Uniper Gas Transportation and Finance B.V. ⁶ | Euro | 2019 | 27,578 | 26,245 |
| Engie Energy Management Holding Switzerland AG ⁶ | Euro | 2019 | 27,577 | 26,243 |
| AO «ALFA-BANK» | US Dollar | 2021 | 25,910 | 27,803 |
| Russian bonds issued in October 2017 ² | Russian Ruble | 2022 | 25,860 | 25,376 |
| Wintershall Nederland Transport and Trading B.V. ⁶ | Euro | 2035 | 25,499 | 26,978 |
| Uniper Gas Transportation and Finance B.V. ⁶ | Euro | 2035 | 25,499 | 26,978 |
| OMV Gas Marketing Trading & Finance B.V. ⁶ | Euro | 2035 | 25,497 | 26,975 |
| Shell Exploration and Production (LXXI) B.V. ⁶ | Euro | 2035 | 25,497 | 26,975 |
| Engie Energy Management Holding Switzerland AG ⁶ | Euro | 2035 | 25,497 | 26,975 |
| UniCredit S.p.A. ³ | Euro | 2021 | 25,329 | 6,339 |
| Russian bonds issued in March 2018 ² | Russian Ruble | 2024 | 25,084 | 25,538 |
| Intesa Sanpaolo Bank Luxembourg S.A. ³ | Euro | 2021 | 25,043 | - |
| Gazprombank (Joint-stock Company) | US Dollar | 2019 | 23,304 | 25,009 |
| VTB Bank (Europe) SE | Euro | 2027 | 18,602 | 20,276 |
| PJSC Sberbank | Euro | 2022 | 17,553 | 19,149 |
| PJSC Sberbank | Euro | 2020 | 17,520 | 19,143 |
| UniCredit Bank Austria AG | Euro | 2021 | 17,492 | 21,254 |
| Russian bonds issued in April 2017 ² | Russian Ruble | 2022 | 15,605 | 15,282 |
| BANK ROSSIYA | Russian Ruble | 2022 | 15,283 | 15,281 |
| Russian bonds issued in November 2013 ⁷ | Russian Ruble | 2043 | 15,240 | 15,074 |
| Russian bonds issued in November 2013 ⁷ | Russian Ruble | 2043 | 15,240 | 15,074 |
| Russian bonds issued in July 2018 ⁷ | Russian Ruble | 2048 | 15,203 | 15,509 |

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14 LONG-TERM BORROWINGS, PROMISSORY NOTES (continued)

| | Currency | Final maturity | 31 March 2019 | 31 December 2018 |
|---|-----------------|-----------------------|----------------------|-------------------------|
| Russian bonds issued in July 2018 ⁷ | Russian Ruble | 2048 | 15,203 | 15,509 |
| Russian bonds issued in August 2017 ² | Russian Ruble | 2024 | 15,170 | 15,482 |
| Russian bonds issued in February 2017 ⁸ | Russian Ruble | 2027 | 15,168 | 15,505 |
| Russian bonds issued in February 2017 ⁸ | Russian Ruble | 2027 | 15,168 | 15,505 |
| Gazprombank (Joint-stock Company) | Russian Ruble | 2025 | 15,000 | 15,000 |
| Gazprombank (Joint-stock Company) | Russian Ruble | 2021 | 15,000 | 15,000 |
| Deutsche Bank Luxembourg S.A. | Euro | 2022 | 14,590 | 15,943 |
| BNP Paribas S.A. ³ | Euro | 2022 | 11,934 | 12,986 |
| Russian bonds issued in June 2016 ² | Russian Ruble | 2046 | 10,309 | 10,067 |
| Russian bonds issued in December 2017 ² | Russian Ruble | 2024 | 10,213 | 10,023 |
| Russian bonds issued in July 2018 ⁷ | Russian Ruble | 2033 | 10,135 | 10,340 |
| Russian bonds issued in February 2011 ² | Russian Ruble | 2021 | 10,127 | 10,319 |
| Russian bonds issued in August 2016 ² | Russian Ruble | 2046 | 10,085 | 10,322 |
| Russian bonds issued in February 2018 ⁸ | Russian Ruble | 2028 | 10,065 | 10,245 |
| Russian bonds issued in February 2018 ⁸ | Russian Ruble | 2028 | 10,065 | 10,245 |
| AO «ALFA-BANK» | Russian Ruble | 2023 | 10,007 | 10,007 |
| Gazprombank (Joint-stock Company) | US Dollar | 2019 | 8,804 | 22,925 |
| Mizuho Bank Ltd. ³ | US Dollar | 2019 | - | 17,339 |
| Other long-term borrowings, promissory notes | Various | Various | 557,259 | 515,495 |
| Total long-term borrowings, promissory notes | | | 3,836,195 | 3,788,931 |
| Less current portion of long-term borrowings | | | (568,117) | (494,170) |
| | | | 3,268,078 | 3,294,761 |

¹ Issuer of these bonds is Gaz Capital S.A. Bonds were issued under USD 40,000 million Programme for the Issuance of Loan Participation Notes.

² Issuer of these bonds is PJSC Gazprom Neft.

³ Loans received from consortiums of banks, named lender is the bank-agent.

⁴ According to the signed agreements between the bond issuer Gas Capital S.A. and the banks, settlements for the bonds are made in Euro (up to achieve of a coefficient based on the ratio of currency exchange rates set in the agreements).

⁵ Issuer of these bonds is GazAsia Capital S.A.

⁶ Borrowings were obtained for financing of the Nord Stream 2 project.

⁷ Issuer of these bonds is PJSC Gazprom.

⁸ Issuer of these bonds is Gazprom capital LLC.

The analysis of due for repayment of long-term borrowings and promissory notes is presented in the table below.

| Due for repayment of long-term borrowings, promissory notes | 31 March 2019 | 31 December 2018 |
|--|----------------------|-------------------------|
| Between one and two years | 571,377 | 607,775 |
| Between two and five years | 1,692,883 | 1,654,576 |
| After five years | 1,003,818 | 1,032,410 |
| | 3,268,078 | 3,294,761 |

Long-term liabilities include fixed rate borrowings with a carrying value of RUB 2,646,831 million and RUB 2,709,599 million and fair value of RUB 2,814,513 million and RUB 2,831,050 million as of 31 March 2019 and 31 December 2018, respectively.

All other long-term liabilities have variable interest rates generally linked to LIBOR and EURIBOR. Their carrying value is RUB 1,189,364 million and RUB 1,079,332 million and fair value is RUB 1,202,643 million and RUB 1,082,539 million as of 31 March 2019 and 31 December 2018, respectively.

As of 31 March 2019 and 31 December 2018 according to the agreements signed within the framework of financing the Nord Stream 2 project with Wintershall Nederland Transport and Trading B.V., OMV Gas Marketing Trading & Finance B.V., Shell Exploration and Production (LXXI) B.V., Engie Energy Management Holding Switzerland AG, Uniper Gas Transportation and Finance B.V., 100 % of shares of Nord Stream 2 AG held by PJSC Gazprom were pledged until a full settlement of the secured obligations.

Under the terms of the Russian bonds with the nominal value of RUB 15,000 million issued by PJSC Gazprom in July 2018 due in 2048 the issuer can execute the right of early redemption in July 2025.

Under the terms of the Russian bonds with the nominal value of RUB 15,000 million issued by PJSC Gazprom in July 2018 due in 2048 the issuer can execute the right of early redemption in July 2025.

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14 LONG-TERM BORROWINGS, PROMISSORY NOTES (continued)

Under the terms of the Russian bonds with the nominal value of RUB 10,000 million issued by PJSC Gazprom in July 2018 due in 2033 the issuer can execute the right of early redemption in July 2025.

Under the terms of the Russian bonds with the nominal value of RUB 30,000 million issued by Gazprom capital LLC in February 2018 due in 2028 the issuer can execute the right of early redemption in February 2025.

Under the terms of the Russian bonds with the nominal value of RUB 30,000 million issued by Gazprom capital LLC in February 2017 due in 2027 the issuer can execute the right of early redemption in February 2024.

Under the terms of the Russian bonds with the nominal value of RUB 15,000 million issued by PJSC Gazprom Neft in August 2016 due in 2046 bondholders can execute the right of early redemption in August 2021 at par, including interest accrued.

Under the terms of the Russian bonds with the nominal value of RUB 10,000 million issued by PJSC Gazprom Neft in June 2016 due in 2046 bondholders can execute the right of early redemption in June 2019 at par, including interest accrued.

The Group has no subordinated debt and no debt that may be converted into an equity interest of the Group (see Note 20).

15 PROFIT TAX

Profit tax is recognised based on the estimated average annual effective profit tax rate applied to the profit before profit tax for the three months ended 31 March 2019. Differences between the recognition criteria of assets and liabilities reflected in the IFRS consolidated interim condensed financial information and for the purposes of Russian statutory taxation give rise to certain temporary differences. The tax effect of the movement in these temporary differences is recorded at the applicable statutory rates with the prevailing rate of 20 % in the Russian Federation.

| | 31 March 2019 | Differences recognition and reversals | Effect of changes in accounting policies | 31 December 2018 | 31 March 2018 | Differences recognition and reversals | 31 December 2017 |
|---|------------------|---|---|---------------------|------------------|---|---------------------|
| Tax effects of taxable temporary differences: | | | | | | | |
| Property, plant and equipment | (895,363) | (22,575) | 2,619 | (875,407) | (852,321) | (21,086) | (831,235) |
| Inventories | 3,667 | (1,578) | - | 5,245 | (8,648) | 259 | (8,907) |
| | (891,696) | (24,153) | 2,619 | (870,162) | (860,969) | (20,827) | (840,142) |
| Tax effects of deductible temporary differences: | | | | | | | |
| Financial assets | 1,723 | 10 | - | 1,713 | 1,818 | 6,392 | (4,574) |
| Tax losses carried forward | 14,238 | (2,608) | - | 16,846 | 15,047 | 1,706 | 13,341 |
| Retroactive gas price adjustments | 6,848 | 189 | - | 6,659 | 23,810 | 1,350 | 22,460 |
| Accounts receivable | 80,267 | (443) | - | 80,710 | 50,925 | 3,854 | 47,071 |
| Accounts payable | - | - | - | - | - | (53,859) | 53,859 |
| Other deductible temporary differences | 21,700 | 1,848 | 4,369 | 15,483 | 13,165 | 4,593 | 8,572 |
| | 124,776 | (1,004) | 4,369 | 121,411 | 104,765 | (35,964) | 140,729 |
| Total net deferred tax liabilities | (766,920) | (25,157) | 6,988 | (748,751) | (756,204) | (56,791) | (699,413) |

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15 PROFIT TAX (continued)

Taxable temporary differences recognised for the three months ended 31 March 2019 and 31 March 2018 include the effect of depreciation premium on certain items of property, plant and equipment. The positive tax effect on these differences amounted to RUB 13,296 million and RUB 1,451 million and it was offset by the decrease in the current profit tax by the corresponding amount which did not have influence on profit for the three months ended 31 March 2019 and 31 March 2018.

16 EQUITY

Share capital

Share capital authorised, issued and paid totals RUB 325,194 million as of 31 March 2019 and 31 December 2018 and consists of 23.7 billion ordinary shares, each with a par value of 5 Russian Rubles.

Treasury shares

As of 31 March 2019 and 31 December 2018 subsidiaries of PJSC Gazprom held 1,573 million ordinary shares of PJSC Gazprom including American depositary receipts in the amount of 639 million PJSC Gazprom's ordinary shares, which are accounted for as treasury shares.

The shares including American depositary receipts held by PJSC Gazprom's subsidiaries represent 6.6 % of the total number of PJSC Gazprom's shares as of 31 March 2019 and 31 December 2018.

The management of the Group controls the voting rights of treasury shares.

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SALES

| | Three months ended 31 March | |
|--|--|-------------------------|
| | 2019 | 2018 |
| Gas sales gross of excise tax and customs duties: | | |
| Russian Federation | 348,930 | 350,547 |
| Former Soviet Union (excluding Russian Federation) | 133,950 | 123,813 |
| Europe and other countries | <u>1,064,207</u> | <u>940,098</u> |
| | 1,547,087 | 1,414,458 |
| Customs duties | (224,249) | (179,722) |
| Excise tax | (19,015) | (14,403) |
| Retroactive gas price adjustments ¹ | - | 192 |
| Total gas sales | <u>1,303,823</u> | <u>1,220,525</u> |
| Sales of refined products: | | |
| Russian Federation | 305,679 | 292,395 |
| Former Soviet Union (excluding Russian Federation) | 35,450 | 36,290 |
| Europe and other countries | <u>165,780</u> | <u>140,859</u> |
| Total sales of refined products | 506,909 | 469,544 |
| Sales of crude oil and gas condensate: | | |
| Russian Federation | 16,500 | 10,890 |
| Former Soviet Union (excluding Russian Federation) | 9,744 | 9,265 |
| Europe and other countries | <u>164,145</u> | <u>130,317</u> |
| Total sales of crude oil and gas condensate | 190,389 | 150,472 |
| Electric and heat energy sales: | | |
| Russian Federation | 165,514 | 170,672 |
| Former Soviet Union (excluding the Russian Federation) | 97 | 1,132 |
| Europe and other countries | <u>7,802</u> | <u>3,682</u> |
| Total electric and heat energy sales | 173,413 | 175,486 |
| Gas transportation sales: | | |
| Russian Federation | 54,128 | 57,524 |
| Former Soviet Union (excluding the Russian Federation) | 770 | 691 |
| Europe and other countries | <u>603</u> | <u>438</u> |
| Total gas transportation sales | 55,501 | 58,653 |
| Other sales: | | |
| Russian Federation | 50,811 | 50,854 |
| Former Soviet Union (excluding the Russian Federation) | 1,758 | 1,965 |
| Europe and other countries | <u>9,217</u> | <u>10,832</u> |
| Total other sales | <u>61,786</u> | <u>63,651</u> |
| Total sales | <u>2,291,821</u> | <u>2,138,331</u> |

¹ The effect of retroactive gas price adjustments relate to gas deliveries in previous years for which a price adjustment has been agreed or is in the process of negotiation. The effect of gas price adjustments, including corresponding impact on profit tax, is recorded in the consolidated interim condensed financial information when they become probable and a reliable estimate of the amounts can be made. The effects of retroactive gas price adjustments for the three months ended 31 March 2019 amounted to RUB nil million. The effects of retroactive gas price adjustments for the three months ended 31 March 2018 were recorded as the increase of sales by RUB 192 million. The effects increasing sales were due to recognition of adjustments increasing gas prices for the past periods and due to change of related accruals following agreements reached prior to the issuance of the respective consolidated interim condensed financial information.

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18 OPERATING EXPENSES

| | Three months ended 31 March | |
|--|------------------------------------|------------------|
| | 2019 | 2018 |
| Purchased gas and oil | 403,862 | 398,776 |
| Taxes other than on profit | 376,305 | 322,619 |
| Staff costs | 186,819 | 189,761 |
| Depreciation | 172,652 | 158,286 |
| Transit of gas, oil and refined products | 168,702 | 146,589 |
| Materials | 63,843 | 54,875 |
| Cost of goods for resale, including refined products | 56,066 | 62,124 |
| Foreign exchange rate differences on operating items | 47,251 | (18,612) |
| Electricity and heating expenses | 33,196 | 32,486 |
| Repairs and maintenance | 18,067 | 19,733 |
| Insurance expenses | 7,522 | 7,507 |
| Rental expenses | 7,303 | 9,767 |
| Derivatives loss | 7,064 | 12,452 |
| Social expenses | 6,793 | 9,097 |
| Transportation services | 6,268 | 9,106 |
| Processing services | 5,367 | 4,158 |
| Research and development expenses | 5,215 | 5,815 |
| Impairment loss on non-financial assets | 2,153 | 3,653 |
| Other | 138,612 | 98,665 |
| | 1,713,060 | 1,526,857 |
| Change in balances of finished goods, work in progress and other effects | 69,156 | 124,489 |
| Total operating expenses | 1,782,216 | 1,651,346 |

Staff costs include RUB 8,609 million and RUB 11,611 million of expenses for provision for post-employment benefits for the three months ended 31 March 2019 and 31 March 2018, respectively (see Note 21).

19 FINANCE INCOME AND EXPENSE

| | Three months ended 31 March | |
|------------------------------|------------------------------------|----------------|
| | 2019 | 2018 |
| Foreign exchange gain | 234,603 | 73,311 |
| Interest income | 23,620 | 18,069 |
| Total finance income | 258,223 | 91,380 |
| Foreign exchange loss | 50,618 | 94,409 |
| Interest expense | 18,373 | 13,014 |
| Total finance expense | 68,991 | 107,423 |

Total interest paid amounted to RUB 50,856 million and RUB 44,774 million for the three months ended 31 March 2019 and 31 March 2018, respectively.

Interest expense includes interest expense on lease obligations under IFRS 16 Leases at the amount of RUB 3,985 million for the three months ended 31 March 2019.

Foreign exchange gain and loss for the three month ended 31 March 2019 and 31 March 2018 were recognised as a result of change in Euro and the US Dollar exchange rates against the Russian Ruble. Gain and loss primarily relate to revaluation of borrowings denominated in foreign currencies.

20 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF PJSC GAZPROM

Earnings per share attributable to the owners of PJSC Gazprom have been calculated by dividing the profit for the period attributable to the owners of PJSC Gazprom by the weighted average number of ordinary shares outstanding, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares (see Note 16).

There were 22.1 billion of weighted average number of ordinary shares outstanding, excluding the weighted average number of treasury shares, for the three months ended 31 March 2019 and 31 March 2018.

There are no dilutive financial instruments outstanding in the Group.

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21 PROVISIONS

| | 31 March 2019 | 31 December 2018 |
|--|--------------------------|-----------------------------|
| Provision for post-employment benefits | 237,375 | 226,585 |
| Provision for decommissioning and site restoration | 166,970 | 166,799 |
| Other | <u>13,183</u> | <u>12,938</u> |
| Total provisions | 417,528 | 406,322 |

The Group operates post-employment and other employee benefits system, which is recorded as defined benefit plan in the consolidated interim condensed financial information under IAS 19 Employee Benefits. Defined benefit plan covers the majority of employees of the Group. These benefits include pension benefits provided by the non-governmental pension fund, JSC NPF GAZFOND, and post-employment benefits from the Group provided upon retirement.

The net pension plan assets related to benefits, provided by JSC NPF GAZFOND, are presented within other non-current assets in the consolidated interim condensed balance sheet in the amount of RUB 129,132 million and RUB 140,878 million as of 31 March 2019 and 31 December 2018, respectively (see Note 13).

In accordance with IAS 19 Employee Benefits, pension plan assets are recorded at estimated fair value subject to certain limitations. As of 31 March 2019 and 31 December 2018 management estimates the fair value of these assets at RUB 477,914 million and RUB 473,371 million, respectively. The pension plan assets comprise shares of PJSC Gazprom, shares of Gazprombank (Joint-stock Company) and other assets held by JSC NPF GAZFOND.

Net liabilities or assets related to post-employment benefits recognised in the consolidated interim condensed balance sheet are presented below.

| | 31 March 2019 | | 31 December 2018 | |
|---------------------------------------|--|--|--|--|
| | Pension plan provided through JSC NPF GAZFOND | Other post- employment benefits | Pension plan provided through JSC NPF GAZFOND | Other post- employment benefits |
| Present value of obligations | (348,782) | (237,375) | (332,493) | (226,585) |
| Fair value of plan assets | <u>477,914</u> | <u>-</u> | <u>473,371</u> | <u>-</u> |
| Total net assets (liabilities) | 129,132 | (237,375) | 140,878 | (226,585) |

Expenses for provision for post-employment benefits recognised in operating expenses are presented below (see Note 18).

| | Three months ended 31 March | |
|---|--|---------------|
| | 2019 | 2018 |
| Current service cost | 6,869 | 7,264 |
| Net interest expense | <u>1,740</u> | <u>4,347</u> |
| Total expenses included in staff costs within operating expenses | 8,609 | 11,611 |

The principal assumptions used for the evaluation of post-employment benefit obligations for the three months ended 31 March 2019 were the same as those applied for the year ended 31 December 2018 with exception of the discount rate determined by reference to market yields on government securities. The decrease in the discount rate from 8.8 % to 8.5 % resulted in recognition of an actuarial loss in the amount of RUB 15,420 million in other comprehensive income for the three months ended 31 March 2019. The decrease in the discount rate from 7.6 % to 7.3 % resulted in recognition of an actuarial loss in the amount of RUB 19,649 million in other comprehensive income for the three months ended 31 March 2018.

Remeasurement of provision for post-employment benefits recognised in other comprehensive income is presented below.

| | Three months ended 31 March | |
|--|--|-----------------|
| | 2019 | 2018 |
| Actuarial loss | (15,420) | (19,649) |
| Return on plan assets excluding amounts included in interest expense | (9,051) | 8,366 |
| Translation differences | <u>358</u> | <u>(80)</u> |
| Total | (24,113) | (11,363) |

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22 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities is determined as follows:

a) Financial instruments included in Level 1

The fair value of financial instruments traded in active markets is based on quoted market closing prices at the date nearest to the reporting date.

b) Financial instruments included in Level 2

The fair value of financial instruments that are not traded in active markets is determined according to various valuation techniques, primarily based on the market or income approach, particularly the discounted cash flows valuation method. These valuation techniques maximise the use of observable inputs where they are available and rely as little as possible on the Group's specific assumptions. If all significant inputs required to fair value a financial instrument are based on observable data, such an instrument is included in Level 2.

c) Financial instruments included in Level 3

If one or more of the significant inputs used to measure the fair value of an instrument are not based on observable data, such an instrument is included in Level 3.

The fair value of long-term accounts receivable is classified as Level 3 (see Note 12), long-term borrowings – Level 2 (see Note 14).

As of 31 March 2019 and 31 December 2018 the Group had the following assets and liabilities that are measured at fair value:

| Notes | 31 March 2019 | | | |
|--|----------------|----------------|--------------|----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value with changes recognised through profit or loss: | | | | |
| 13 Derivative financial instruments | 15,223 | 67,294 | 326 | 82,843 |
| Bonds | 27,271 | - | - | 27,271 |
| Equity securities | 210 | - | - | 210 |
| Financial assets measured at fair value with changes recognised through other comprehensive income: | | | | |
| Promissory notes | - | 1 | - | 1 |
| Total short-term financial assets measured at fair value | 42,704 | 67,295 | 326 | 110,325 |
| Financial assets measured at fair value with changes recognised through profit or loss: | | | | |
| 13 Derivative financial instruments | 7,526 | 20,930 | - | 28,456 |
| Equity securities | - | - | 2,062 | 2,062 |
| Financial assets measured at fair value with changes recognised through other comprehensive income: | | | | |
| Equity securities | 341,912 | 43,594 | 5,578 | 391,084 |
| Promissory notes | - | 267 | - | 267 |
| Total long-term financial assets measured at fair value | 349,438 | 64,791 | 7,640 | 421,869 |
| Total financial assets | 392,142 | 132,086 | 7,966 | 532,194 |
| Financial liabilities measured at fair value with changes recognised through profit or loss: | | | | |
| Short-term derivative financial instruments | 5,696 | 84,348 | 4,988 | 95,032 |
| Long-term derivative financial instruments | 4,182 | 21,775 | 718 | 26,675 |
| Total financial liabilities measured at fair value | 9,878 | 106,123 | 5,706 | 121,707 |

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22 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

| Notes | 31 December 2018 | | | |
|--|------------------|----------------|--------------|----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value with changes recognised through profit or loss: | | | | |
| 13 Derivative financial instruments | 7,238 | 100,041 | 589 | 107,868 |
| Bonds | 25,868 | - | - | 25,868 |
| Equity securities | 207 | - | 752 | 959 |
| Financial assets measured at fair value with changes recognised through other comprehensive income: | | | | |
| Promissory notes | - | 32 | - | 32 |
| Total short-term financial assets measured at fair value | 33,313 | 100,073 | 1,341 | 134,727 |
| Financial assets measured at fair value with changes recognised through profit or loss: | | | | |
| 13 Derivative financial instruments | 9,395 | 27,998 | - | 37,393 |
| Equity securities | - | - | 2,131 | 2,131 |
| Financial assets measured at fair value with changes recognised through other comprehensive income: | | | | |
| Equity securities | 365,090 | 43,594 | 5,589 | 414,273 |
| Promissory notes | - | 262 | - | 262 |
| Total long-term financial assets measured at fair value | 374,485 | 71,854 | 7,720 | 454,059 |
| Total financial assets | 407,798 | 171,927 | 9,061 | 588,786 |
| Financial liabilities measured at fair value with changes recognised through profit or loss: | | | | |
| Short-term derivative financial instruments | 11,776 | 83,493 | 4,221 | 99,490 |
| Long-term derivative financial instruments | 11,622 | 42,344 | 529 | 54,495 |
| Total financial liabilities measured at fair value | 23,398 | 125,837 | 4,750 | 153,985 |

There were no transfers between Levels 1, 2 and 3 and changes in valuation techniques during the reporting period.

Financial assets measured at fair value with changes recognised through profit or loss include derivative financial instruments, equity and debt securities intended to generate short-term profit through trading.

As of 31 March 2019 and 31 December 2018 long-term financial assets measured at fair value with changes recognised through other comprehensive income include shares of PJSC NOVATEK in the amount of RUB 336,557 million and RUB 360,336 million, respectively.

23 RELATED PARTIES

For the purpose of the consolidated interim condensed financial information, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making operational and financial decisions as defined by IAS 24 Related Party Disclosures. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding is detailed below.

Government (Russian Federation)

The Russian Federation is the ultimate controlling party of PJSC Gazprom and has a controlling interest (including both direct and indirect ownership) of over 50 % in PJSC Gazprom.

As of 31 March 2019 38.373 % of PJSC Gazprom's issued shares are directly owned by the Government. 11.859 % of PJSC Gazprom's issued shares are owned by JSC Rosneftgaz and JSC Rosgazifikatsiya controlled by the Government.

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23 RELATED PARTIES (continued)

The Government does not prepare consolidated financial statements for public use. The Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

As a condition of privatisation in 1992, the Government of the Russian Federation imposed an obligation on the Group to provide an uninterrupted supply of gas to customers in the Russian Federation at government-controlled prices.

Parties under the Government control

In the normal course of business the Group enters into transactions with other entities under the Government control.

As of 31 March 2019 prices of natural gas and gas transportation, electricity tariffs in the Russian Federation are regulated by the FAS.

Bank borrowings are provided on the basis of market interest rates. Taxes are accrued and settled in accordance with the applicable current legislation.

As of 31 March 2019 and 31 December 2018 and for the three months ended 31 March 2019 and 31 March 2018 the Group had the following significant transactions and balances with the Government and parties under the Government control:

| | As of 31 March 2019 | | Three month ended 31 March 2019 | |
|---|---------------------|-------------|------------------------------------|----------|
| | Assets | Liabilities | Income | Expenses |
| Transactions and balances with the Government | | | | |
| Current profit tax | 7,339 | 54,787 | - | 116,440 |
| Insurance contributions | 959 | 12,654 | - | 40,560 |
| VAT | 291,905 | 164,995 | - | - |
| Customs duties | 33,840 | - | - | - |
| Other taxes | 19,683 | 167,453 | - | 355,187 |
| Transactions and balances with entities under the Government control | | | | |
| Gas sales | - | - | 54,200 | - |
| Electricity and heating sales | - | - | 63,955 | - |
| Gas transportation sales | - | - | 11,151 | - |
| Other services sales | - | - | 882 | - |
| Accounts receivable | 59,046 | - | - | - |
| Oil and refined products transportation expenses | - | - | - | 37,197 |
| Accounts payable | - | 20,015 | - | - |
| Borrowings | - | 183,964 | - | - |
| Interest expense | - | - | - | 3,077 |
| Short-term financial assets | 20,682 | - | - | - |
| Long-term financial assets | 5,344 | - | - | - |
| Short-term lease liabilities | - | 1,426 | - | - |
| Long-term lease liabilities | - | 15,918 | - | - |

| | As of 31 December 2018 | | Three months ended 31 March 2018 | |
|---|------------------------|-------------|-------------------------------------|----------|
| | Assets | Liabilities | Income | Expenses |
| Transactions and balances with the Government | | | | |
| Current profit tax | 5,011 | 26,296 | - | 44,114 |
| Insurance contributions | 1,526 | 9,449 | - | 39,735 |
| VAT | 304,159 | 140,085 | - | - |
| Customs duties | 11,187 | - | - | - |
| Other taxes | 5,056 | 172,901 | - | 300,965 |
| Transactions and balances with entities under the Government control | | | | |
| Gas sales | - | - | 48,169 | - |
| Electricity and heating sales | - | - | 65,304 | - |
| Gas transportation sales | - | - | 11,537 | - |
| Other services sales | - | - | 1,486 | - |
| Accounts receivable | 45,104 | - | - | - |
| Oil and refined products transportation expenses | - | - | - | 32,009 |
| Accounts payable | - | 18,671 | - | - |

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23 RELATED PARTIES (continued)

| | As of 31 December 2018 | | Three months ended 31 March 2018 | |
|-----------------------------|-------------------------------|--------------------|---|-----------------|
| | Assets | Liabilities | Income | Expenses |
| Borrowings | - | 206,681 | - | - |
| Interest expense | - | - | - | 3,293 |
| Short-term financial assets | 20,315 | - | - | - |
| Long-term financial assets | 4,742 | - | - | - |

See the consolidated interim condensed statement of changes in equity for returns of social assets to governmental authorities for the three months ended 31 March 2019 and 31 March 2018. See Note 9 for net book values as of 31 March 2019 and 31 December 2018 of social assets vested to the Group at privatisation.

Transactions with JSC FSC

Some of the transactions on the wholesale electricity and capacity market are conducted through commission agreements with JSC FSC. Current financial settling system of JSC FSC does not provide the ultimate counterparty with automated information about transactions and outstanding balances with the participants of the wholesale electricity and capacity market.

The Group's significant transactions and balances with JSC FSC are presented below.

| | As of 31 March 2019 | | Three months ended 31 March 2019 | |
|---|----------------------------|--------------------|---|-----------------|
| | Assets | Liabilities | Income | Expenses |
| Transactions and balances with JSC FSC | | | | |
| Electricity and heating sales | - | - | 47,964 | - |
| Purchased electricity and heating | - | - | - | 7,350 |
| Accounts receivable | 6,275 | - | - | - |
| Accounts payable | - | 1,822 | - | - |

| | As of 31 December 2018 | | Three month ended 31 March 2018 | |
|---|-------------------------------|--------------------|--|-----------------|
| | Assets | Liabilities | Income | Expenses |
| Transactions and balances with JSC FSC | | | | |
| Electricity and heating sales | - | - | 45,222 | - |
| Purchased electricity and heating | - | - | - | 7,081 |
| Accounts receivable | 6,920 | - | - | - |
| Accounts payable | - | 1,975 | - | - |

Compensation for key management personnel

Key management personnel (the members of the Board of Directors and Management Committee of PJSC Gazprom) receive short-term compensation, including salary, bonuses and remuneration for serving on the management bodies of the Group's entities.

The members of the Board of Directors, who are governmental officials, do not receive compensation from the Group.

The compensation of the members of the Board of Directors is approved by the Annual General Meeting of Shareholders of the Group's entities. Compensation of key management personnel (other than compensation of the members of the Board of Directors) is determined by the terms of the employment contracts. Key management personnel also receive certain short-term benefits related to healthcare.

According to the Russian legislation, the Group makes contributions to Pension Fund of the Russian Federation for all of its employees including key management personnel.

Key management personnel are also entitled to long-term post-employment benefits. These benefits include non-governmental pension benefits provided by JSC NPF GAZFOND, and lump-sum payments from the Group's entities provided upon retirement (see Note 21).

Employees of the majority of the Group's entities are eligible for such post-employment benefits.

The Group also provides medical insurance and liability insurance for key management personnel.

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23 RELATED PARTIES (continued)

Associates and joint ventures

For the three months ended 31 March 2019 and 31 March 2018 and as of 31 March 2019 and 31 December 2018 significant transactions performed by the Group with associates and joint ventures and balances with associates and joint ventures are presented below.

| | Three months ended 31 March | |
|--|------------------------------------|-------------|
| | 2019 | 2018 |
| | Income | |
| Gas sales | | |
| Panrusgas Co. | 12,506 | 10,589 |
| JSV Moldovagaz | 10,648 | 8,053 |
| CJSC Gazprom YRGM Trading ¹ | 4,843 | 3,967 |
| JSC Gazprom YRGM Development ¹ | 3,460 | 2,834 |
| KazRosGas LLP | 3,137 | 5,776 |
| Prometheus Gas S.A. | 2,973 | 2,059 |
| VEMEX s.r.o. and its subsidiaries | 303 | 1,002 |
| Bosphorus Gaz Corporation A.S. | - | 5,674 |
| Gas transportation sales | | |
| CJSC Gazprom YRGM Trading ¹ | 6,674 | 6,680 |
| JSC Gazprom YRGM Development ¹ | 4,767 | 4,772 |
| Gas condensate, crude oil and refined products sales | | |
| PJSC NGK Slavneft and its subsidiaries | 8,961 | 10,748 |
| Sakhalin Energy Investment Company Ltd. | 1,859 | 1,556 |
| LLC NPP Neftekhimia | 1,176 | 1,028 |
| LLC Poliom | 925 | 1,078 |
| JSC SOVEX | 923 | 1,207 |
| Operator services sales and other services sales | | |
| JSC Messoyakhaneftegaz | 1,084 | 940 |
| Gas refining services sales | | |
| KazRosGas LLP | 3,122 | 2,733 |
| Interest income | | |
| Gazprombank (Joint-stock Company) and its subsidiaries | 12,033 | 8,812 |
| | Expenses | |
| Purchased gas | | |
| CJSC Gazprom YRGM Trading ¹ | 17,375 | 15,705 |
| JSC Gazprom YRGM Development ¹ | 12,420 | 11,232 |
| KazRosGas LLP | 6,935 | 6,554 |
| Sakhalin Energy Investment Company Ltd. | 5,908 | 3,690 |
| JSC Arcticgas | 5,358 | 3,820 |
| CJSC Northgas | 1,549 | 1,294 |
| Purchased transit of gas | | |
| Nord Stream AG | 20,008 | 18,729 |
| WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries | 8,904 | 8,291 |
| JSC EUROPOL GAZ | 3,166 | 3,045 |
| JSV Moldovagaz | 554 | 1,028 |
| Purchased crude oil and refined products | | |
| PJSC NGK Slavneft and its subsidiaries | 40,263 | 32,271 |
| JSC Messoyakhaneftegaz | 15,993 | 11,602 |
| Sakhalin Energy Investment Company Ltd. | 3,478 | 2 |
| Purchased services of gas and gas condensate production | | |
| JSC Achimgaz | 14,578 | 8,147 |

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23 RELATED PARTIES (continued)

| | Three months ended 31 March | |
|--|------------------------------------|-------------|
| | 2019 | 2018 |
| | Expenses | |
| Purchased processing services | | |
| PJSC NGK Slavneft and its subsidiaries | 4,062 | 3,389 |
| Purchased transit of crude oil and oil products | | |
| JSC Messoyakhaneftegaz | 1,531 | 1,179 |
| PJSC NGK Slavneft and its subsidiaries | 987 | 904 |
| Interest expense | | |
| Gazprombank (Joint-stock Company) and its subsidiaries | 2,830 | 2,937 |

¹ CJSC Gazprom YRGM Trading and JSC Gazprom YRGM Development are not associates and joint ventures.

Under the agreement of subordinated loan the Group provided cash to Gazprombank (Joint-stock Company) in the amount of RUB 90,000 million and RUB 1,799 million for the three months ended 31 March 2019 and 31 March 2018, respectively.

Gas is sold to and purchased from the Group's associates and joint ventures in the Russian Federation mainly at the rates established by the FAS. Gas is sold and purchased outside the Russian Federation generally on a long-term basis at prices based on world prices of oil products.

Crude oil is sold to and purchased from the Group's associates and joint ventures in the ordinary course of business at prices not significantly different from average market prices.

| | As of 31 March 2019 | | As of 31 December 2018 | |
|--|----------------------------|--------------------|-------------------------------|--------------------|
| | Assets | Liabilities | Assets | Liabilities |
| Short-term accounts receivable and prepayments | | | | |
| JSC Gazstroyprom | 39,276 | - | 46,746 | - |
| Gazprombank (Joint-stock Company) | 11,382 | - | 14,739 | - |
| Panrusgas Co. | 5,141 | - | 5,990 | - |
| Sakhalin Energy Investment Company Ltd. | 4,451 | - | 1,450 | - |
| CJSC Gazprom YRGM Trading | 4,351 | - | 2,488 | - |
| PJSC NGK Slavneft and its subsidiaries | 4,095 | - | 4,929 | - |
| KazRosGas LLP | 3,393 | - | 2,186 | - |
| JSC Gazprom YRGM Development | 3,108 | - | 1,777 | - |
| Prometheus Gas S.A. | 1,314 | - | 1,468 | - |
| JSC Messoyakhaneftegaz | 877 | - | 1,080 | - |
| Cash and cash equivalents | | | | |
| Gazprombank (Joint-stock Company) and its subsidiaries | 352,512 | - | 436,061 | - |
| OJSC Belgazprombank | 29,571 | - | 14,446 | - |
| Short-term financial assets | | | | |
| Gazprombank (Joint-stock Company) | 24,977 | - | 30 | - |
| Other current assets | | | | |
| Gazprombank (Joint-stock Company) and its subsidiaries | 648,903 | - | 705,968 | - |
| OJSC Belgazprombank | 10,245 | - | 11,610 | - |
| Long-term accounts receivable and prepayments | | | | |
| JSC Gazstroyprom | 131,478 | - | - | - |
| Sakhalin Energy Investment Company Ltd. | 15,348 | - | - | - |
| WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries | 14,538 | - | 15,869 | - |
| Wintershall Noordzee B.V. | 3,517 | - | 3,842 | - |
| JSC Evroteck-Yugra | 2,696 | - | 2,636 | - |
| OJSC Belgazprombank | 2,479 | - | 2,479 | - |
| CJSC Khanty-Mansiysk petroleum alliance | 1,073 | - | 1,060 | - |

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23 RELATED PARTIES (continued)

| | As of 31 March 2019 | | As of 31 December 2018 | |
|--|----------------------------|--------------------|-------------------------------|--------------------|
| | Assets | Liabilities | Assets | Liabilities |
| Short-term accounts payable | | | | |
| PJSC NGK Slavneft and its subsidiaries | - | 54,453 | - | 52,601 |
| JSC Messoyakhaneftegaz | - | 39,696 | - | 35,371 |
| CJSC Gazprom YRGM Trading | - | 7,201 | - | 9,057 |
| JSC Achimgaz | - | 6,705 | - | 5,054 |
| Nord Stream AG | - | 6,521 | - | 7,100 |
| JSC Gazprom YRGM Development | - | 5,144 | - | 6,469 |
| Sakhalin Energy Investment Company Ltd. | - | 4,834 | - | 4,746 |
| JSC Gazstroyprom | - | 4,041 | - | - |
| KazRosGas LLP | - | 3,610 | - | 2,362 |
| JSC Arcticgas | - | 2,624 | - | 403 |
| JSC EUROPOL GAZ | - | 1,062 | - | 2,258 |
| WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries | - | 650 | - | 2,345 |
| Short-term borrowings (including current portion of long-term borrowings) | | | | |
| Gazprombank (Joint-stock Company) | - | 34,432 | - | 55,475 |
| Long-term borrowings | | | | |
| Gazprombank (Joint-stock Company) | - | 138,331 | - | 37,905 |

Accounts receivable due from JSV Moldovagaz were RUB nil million as of 31 March 2019 and 31 December 2018 net of allowance for expected credit losses in the amount of RUB 410,503 million and RUB 431,660 million as of 31 March 2019 and 31 December 2018, respectively.

Accounts receivable for gas due from Overgas Inc. AD were RUB nil million as of 31 March 2019 and 31 December 2018 net of allowance for expected credit losses in the amount of RUB 6,809 million and RUB 7,307 million as of 31 March 2019 and 31 December 2018, respectively.

Borrowings from Gazprombank (Joint-stock Company) are obtained on terms not substantially different from those on financial instruments with similar characteristics and equally exposed to influence of changes in economic or other factors.

Information on investments in associates and joint ventures is disclosed in Note 11.

Information on transactions performed by the Group with JSC NPF GAZFOND is disclosed in Note 21.

Information on financial guarantees issued by the Group for associates and joint ventures is disclosed in Note 24.

24 COMMITMENTS AND CONTINGENCIES

Taxation

The Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. Management believes that its interpretation of the relevant legislation as of 31 March 2019 is appropriate and all of the Group's tax, currency and customs positions will be sustainable.

Legal proceedings

On 16 June 2014 PJSC Gazprom submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against NJSC Naftogaz of Ukraine to recover unpaid debt for gas supplied under Contract No. KP dated 19 January 2009 regarding the sale and purchase of natural gas in 2009-2019 ("Contract No. KP"), and related interest charged. On 12 June 2015 PJSC Gazprom submitted to arbitration a

24 COMMITMENTS AND CONTINGENCIES (continued)

defence to the claim from NJSC Naftogaz of Ukraine and a counter-claim, in which it specified its claims totalling USD 29,200 million. On 9 October 2015 NJSC Naftogaz of Ukraine filed a defence to the claim from PJSC Gazprom. On 14 March 2016 PJSC Gazprom filed a reply to the defence of NJSC Naftogaz of Ukraine. The corrected amount of claim of PJSC Gazprom against NJSC Naftogaz of Ukraine exceeded USD 37,000 million. This amount includes the outstanding payment for the gas supplied in May-June 2014, and take-or-pay obligations for 2012-2016, and penalty interest for late payment for the gas supplied.

At the same time on 16 June 2014 NJSC Naftogaz of Ukraine submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against PJSC Gazprom seeking a retroactive revision of the price of natural gas under Contract No. KP, compensation of all overpaid amounts starting from 20 May 2011 and cancellation of the provision of Contract No. KP which provided for the prohibition on reexport of natural gas out of Ukraine. The clarified claims of NJSC Naftogaz of Ukraine to PJSC Gazprom amounted to over USD 14,230 million.

On 21 July 2014 both cases were consolidated. Oral hearings in the case were held, the parties provided post-hearing statements on 11 November 2016.

On 31 May 2017 the arbitrators rendered an interim (separate) award on certain key legal issues. On 7 November 2017 PJSC Gazprom filed with the Court of Appeal of Svea (Sweden) a petition to challenge stated interim (separate) award and to annul it partially. The final decision on the case was rendered on 22 December 2017. The arbitrators recognised that the basic provisions of Contract No. KP were valid and satisfied the majority of the claims filed by PJSC Gazprom seeking payment for the gas supplied, which initiated the proceedings, and obliged NJSC Naftogaz of Ukraine:

- 1) to pay PJSC Gazprom the overdue debt for the gas supplied amounting to USD 2,019 million, and interest for the period from 22 December 2017 to the date of such payment at the rate of 0.03 % for each day of delay;
- 2) starting from 2018 to buy and pay for 5 billion cubic meters of gas annually or in case of the failure to buy this quantity to pay for 80 % of this volume.

On 17 January 2018 the arbitrators adjusted the amount owed by NJSC Naftogaz of Ukraine to PJSC Gazprom by increasing it up to USD 2,030 million.

On 21 March 2018 PJSC Gazprom filed with the Court of Appeal of Svea (Sweden) a petition to challenge stated final decision of 22 December 2017 and to annul it partially. In accordance with the preliminary schedule compiled by the Swedish court following the procedural hearings, court sittings in the case on challenging the separate arbitration award on the supply are scheduled for October 2019. Court sittings in the case on challenging the final arbitration award on the supply are scheduled for February 2020.

On 13 October 2014 NJSC Naftogaz of Ukraine submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against PJSC Gazprom, seeking:

- 1) to acknowledge that rights and obligations of NJSC Naftogaz of Ukraine under Contract No. TKGU dated 19 January 2009 ("Contract No. TKGU") on volumes and terms of gas transportation through Ukraine in 2009-2019 should be transferred to PJSC Ukrtransgaz;
- 2) to acknowledge that certain provisions of Contract No. TKGU, which will be subsequently updated, are invalid and / or inoperative and should be supplemented with or substituted by provisions which will be updated in line with the energy and anti-monopoly legislation of Ukraine and the European Union ("the EU");
- 3) to oblige PJSC Gazprom to pay a compensation of USD 3,200 million and related interest to NJSC Naftogaz of Ukraine for the failure to provide gas for transit;
- 4) to acknowledge that the transit tariff stipulated in Contract No. TKGU should be revised in such a way as will be provided in further written statements of NJSC Naftogaz of Ukraine in line with key principles of the Swedish contractual law.

On 28 November 2014 PJSC Gazprom filed its response to the request for arbitration. On 11 December 2014 the arbitration panel was formed. On 28 January 2015 the arbitration court made a decision not to combine the case with the above ones. On 30 April 2015 NJSC Naftogaz of Ukraine filed a claim, significantly increasing the amount of the claims, according to various estimates, up to USD 11,000-16,000 million. Oral hearings in the case were held, the parties provided post-hearing statements on 11 November 2016. On 2 February 2018 NJSC Naftogaz of Ukraine submitted the corrected amount of claim to the arbitration court, including a claim to recover damages for the failure to provide gas for transit and underpayment of the transit tariff for the second

24 COMMITMENTS AND CONTINGENCIES (continued)

half of 2016 and 2017. Total amount of the claim filed by NJSC Naftogaz of Ukraine (without interest) was USD 14,865 million. On 16 February 2018 PJSC Gazprom submitted to the arbitration court a defence to this claim and a claim to refund the overpaid transit tariff for the period from April 2014 to December 2017 due to the change in the gas price under Contract No. KP for the purchase and sale of natural gas in 2009 - 2019 totaling USD 44 million without interest. The final award in the case was issued on 28 February 2018. The arbitration court rejected the request of NJSC Naftogaz of Ukraine to change the gas transit tariff, recognised almost all provisions of Contract No. TKGU as valid and refused application of the anti-monopoly legislation of Ukraine and the EU to the Contract. The arbitration court rejected the request of NJSC Naftogaz of Ukraine to transfer its rights and obligations under Contract No. TKGU to PJSC Ukrtransgaz or to another gas transportation system operator. The arbitration court satisfied the request of NJSC Naftogaz of Ukraine in the amount of USD 4,673 million for having provided less gas for transit to European consumers than stipulated in the Contract. With consideration for the amount awarded to PJSC Gazprom under the supply contract, the arbitration court set off counter-claims, as a result of which PJSC Gazprom is obliged to pay USD 2,560 million to NJSC Naftogaz of Ukraine. The amount of liabilities under the award is presented in the line "Accounts payable, provisions and other liabilities" in the consolidated balance sheet. On 29 March 2018 PJSC Gazprom filed with the Court of Appeal of Svea (Sweden) a petition to challenge stated final award of 28 February 2018 and to annul it partially. On 13 June 2018 the court rendered the decision to suspend execution of the arbitration award and on 28 June 2018 the court confirmed its decision to suspend execution of the arbitration award in relation to recovery from PJSC Gazprom of the amount of USD 2,560 million awarded by the arbitrators. On 13 September 2018 upon a motion from NJSC Naftogaz of Ukraine the court annulled its decision to suspend execution of the arbitration award. Hearings in the case on challenging the arbitration award in the transit case have not been scheduled yet.

On 29 May 2018 PJSC Gazprom became aware of the fact that NJSC Naftogaz of Ukraine was taking actions to enforce the arbitration award in Switzerland. In particular, an injunction was issued seizing PJSC Gazprom's receivables from Nord Stream AG and Nord Stream 2 AG. Payments from these companies to PJSC Gazprom should be directed to the bailiff. PJSC Gazprom has not received any official notifications on this issue. On 2 August 2018 PJSC Gazprom filed a reasoned objection to the injunction to the Swiss court. On 16 January 2019 the Swiss court rendered a decision to fully annul the injunction seizing PJSC Gazprom's assets issued on 29 May 2018. Based on this court decision the shares of Nord Stream AG and Nord Stream 2 AG in Switzerland and PJSC Gazprom's receivables from these companies are no longer seized. On 5 June 2018 PJSC Gazprom became aware of the fact that NJSC Naftogaz of Ukraine was taking similar actions in the Netherlands. In particular on 30 May 2018 the shares in Blue Stream Pipeline Company B.V., the operator of the Blue Stream pipeline, owned by PJSC Gazprom and the receivables payable to PJSC Gazprom (with such receivables remaining at the disposal of the Dutch Group's companies) were seized pursuant to the decision of the District Court of Amsterdam.

On 17 September 2018 NJSC Naftogaz of Ukraine filed a motion in the Netherlands to recognise and enforce the arbitration award in the transit case. Hearings in the case are scheduled for December 2019.

On 22 June 2018 PJSC Gazprom received an order of the High Court of Justice (the United Kingdom) dated 18 June 2018 for the seizure of PJSC Gazprom's assets in the United Kingdom as requested by NJSC Naftogaz of Ukraine as part of its efforts to enforce the above mentioned arbitration award and the decision of the court of first instance dated 8 June 2018 on the enforcement of this decision. On 13 September 2018 the High Court of England and Wales cancelled its order dated 18 June 2018 to seize PJSC Gazprom's assets in England and Wales. The condition for the cancellation was the obligation undertaken by PJSC Gazprom not to alienate shares of Nord Stream AG before the end of the hearings in the English court in the case on recognition and execution of the decision of the Stockholm arbitration court in the transit case dated 28 February 2018. The hearings in the case were held on 12-13 February 2019. On 15 March 2019 the English court suspended the proceedings in the case on recognition and execution in England and Wales of the decision of the Stockholm arbitration court in the transit case dated 28 February 2018 until the end of the proceedings in the Court of Appeal of Svea (Sweden).

On 15 February 2019 NJSC Naftogaz of Ukraine sent to Luxembourg branches of the major banks and Gaz Capital S.A. a notification on the seizure of any liabilities and assets of PJSC Gazprom in Luxembourg. On 15 April 2019 PJSC Gazprom filed with the court of Luxembourg a petition to challenge the seizure and intervene in order to defend its rights. The preliminary hearings in the case are scheduled for June 2019. On 24 May 2019 PJSC Gazprom appealed to the Court of Appeal of Luxembourg against a decision of the court of Luxembourg of 12 March 2019, which had not come into effect, on the recognition and enforcement of the

24 COMMITMENTS AND CONTINGENCIES (continued)

arbitration award in the transit case in Luxembourg not to allow the infringement of its rights and legal interests. The date of hearings in the case has not been scheduled yet.

On 5 March 2018 PJSC Gazprom notified NJSC Naftogaz of Ukraine about the need to restore the balance of interests between the parties under gas supply and transit contracts disrupted by earlier awards of the Stockholm arbitration court and suggested negotiating this issue. Negotiations were unsuccessful, therefore, on 20 April 2018 PJSC Gazprom filed with the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, a request for arbitration seeking amendment or termination of contracts with NJSC Naftogaz of Ukraine for gas supply and gas transit through Ukraine in order to restore the balance between contractual obligations and eliminate disproportions in terms of the parties' contractual liabilities. On 22 May 2018 NJSC Naftogaz of Ukraine filed in response to this request for arbitration and counter-claims in respect of the gas supply and transit contracts. On 6 September 2018 the Stockholm Chamber of Commerce, Sweden, rendered a decision upon PJSC Gazprom's petition to consolidate these proceedings with the proceedings related to the request of NJSC Naftogaz of Ukraine to change the gas transit tariff. On 28 December 2018 the arbitration panel was formed. The hearings in the case are scheduled for April-May 2021.

On 10 July 2018 NJSC Naftogaz of Ukraine filed with the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, a request for arbitration for changing of the tariff for gas transit through Ukraine starting from 18 March 2018 and for recovery from PJSC Gazprom of USD 11,580 million for the period from 18 March 2018 until the expiration date of the effective gas transit contract (until 31 December 2019). PJSC Gazprom filed a response to this request for arbitration on 14 August 2018. On 6 September 2018 upon a motion from PJSC Gazprom the Stockholm Chamber of Commerce, Sweden, decided to consolidate these proceedings and those initiated to consider PJSC Gazprom's request to amend or terminate contracts with NJSC Naftogaz of Ukraine for gas supply and gas transit through Ukraine in order to restore the balance between contractual obligations and eliminate disproportions in terms of the parties' contractual liabilities. On 28 December 2018 the arbitration panel was formed. The hearings in the case are scheduled for April-May 2021.

On 3 October 2012 the Ministry of Energy of the Republic of Lithuania submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against PJSC Gazprom. The Ministry of Energy of the Republic of Lithuania declared that PJSC Gazprom violated the shareholders' agreement in respect of AB Lietuvos dujos, by unfair pricing of gas supplied to the Republic of Lithuania and claimed for LTL 5,000 million compensation (at the exchange rate as of 31 March 2019 – RUB 105,310 million). PJSC Gazprom did not agree to the claims and on 9 November 2012 filed with the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, a response to the request for arbitration. The hearing on the merits took place from 1 to 9 July 2015. On 30 September 2015 the parties submitted additional written opinions based on the analysis of the hearing materials including witness and expert statements. On 22 June 2016 the arbitration court issued a final award which rejected all claims raised by the Ministry of Energy of the Republic of Lithuania, including the claims on unfair pricing of the gas which PJSC Gazprom supplied to Lithuania in 2006-2015. On 22 September 2016 it became known that the Ministry of Energy of the Republic of Lithuania had filed a motion with the Court of Appeal of Stockholm, Sweden, to annul the Final arbitration award of 22 June 2016. On 4 April 2017 PJSC Gazprom was officially served with this motion. On 9 June 2017 PJSC Gazprom filed a defence to the claim with the Court of Appeal of Stockholm, Sweden. The Ministry of Energy of the Republic of Lithuania submitted its detailed written opinions on the case on 10 October 2017. The hearings in the case were held in May 2019. The rendering of a decision on the case is scheduled for July 2019.

In December 2015 South Stream Transport B.V., a subsidiary of the Group, was served with an official notification by the Secretariat of the International Court of Arbitration of the International Chamber of Commerce stating that Saipem S.p.A. had submitted a request for arbitration against South Stream Transport B.V. in view of unilateral termination by South Stream Transport B.V. of the agreement dated 14 March 2014 for the construction of the South Stream gas pipeline. The amount of final claims of Saipem S.p.A. to South Stream Transport B.V. was about EUR 615 million (at the exchange rate as of 31 March 2019 – RUB 44,725 million). The hearings were scheduled for June 2019. On 18 April 2019 Saipem S.p.A. and South Stream Transport B.V. agreed to terminate the legal proceedings initiated in December 2015 by signing a settlement agreement.

On 22 January 2016 the Antimonopoly Committee of Ukraine rendered a decision to impose a fine on PJSC Gazprom in the amount of 85,966 million Ukrainian hryvnia (at the exchange rate as of 31 March 2019 – RUB 204,606 million) for violation of economic competition. On 12 April 2016 PJSC Gazprom filed a claim with the Kiev Economic Court to challenge the decision of the Antimonopoly Committee of Ukraine. In April

24 COMMITMENTS AND CONTINGENCIES (continued)

2017 the Antimonopoly Committee of Ukraine filed a request with the Department of State Executive Service of the Ministry of Justice of Ukraine for enforced recovery from PJSC Gazprom of an amount of 171,932 million Ukrainian hryvnia (about USD 6 billion). On 12 May 2017 PJSC Gazprom was served via its Kiev-based Representative office Order of the Department of the State Executive Service of the Ministry of Justice of Ukraine on institution of enforcement proceedings to recover an amount of 189,125 million Ukrainian hryvnia (at the exchange rate as of 31 March 2019 – RUB 450,133 million), including an execution fee of 17,193 million Ukrainian hryvnia (at the exchange rate as of 31 March 2019 – RUB 40,921 million), and on the seizure of the bank accounts of the Kiev-based Representative office of PJSC Gazprom, dividends due to PJSC Gazprom for the participation in JSC Gaztransit, the shares of JSC Gaztransit owned by PJSC Gazprom, the shares of PJSC YUZHNIIGIPROGAZ Institute, equity interests in LLC Gazprom sbyt Ukraine, and LLC International Consortium for the Ukrainian Gas Transmission System Management and Development. PJSC Gazprom is currently challenging the actions under the enforcement proceedings in the Ukrainian courts. PJSC Gazprom is also considering other legal remedies to restore its violated rights.

The shares of PJSC YUZHNIIGIPROGAZ Institute with a nominal value of 651,500 Ukrainian hryvnia (at the exchange rate as of 31 March 2019 – RUB 2 million) (estimated value – 6,241,386 Ukrainian hryvnia, at the exchange rate as of 31 March 2019 – RUB 15 million) were sold on 22 August 2018 in a forced sale auction.

The shares of JSC Gaztransit with a nominal value of 33.3 million Ukrainian hryvnia (at the exchange rate as of 31 March 2019 – RUB 79 million) (estimated value – 44.22 million Ukrainian hryvnia, at the exchange rate as of 31 March 2019 – RUB 105 million) were sold on 29 January 2019 in a forced sale auction.

On 26 October 2018 pursuant to the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) PJSC Gazprom commenced an arbitration against Ukraine to protect its investments in Ukraine due to the fact that Ukraine represented by the Antimonopoly Committee of Ukraine had imposed an unjustified and unfair fine on PJSC Gazprom, which means that it violated PJSC Gazprom's rights guaranteed by the Agreement between the Government of the Russian Federation and the Cabinet of Ministers of Ukraine on the Encouragement and Mutual Protection of Investments dated 27 November 1998. The final procedural schedule has not currently been compiled.

On 15 October 2018 PGNiG S.A., Poland, filed a claim with the General Court of the EU for cancellation of the decision of the European Commission on the pro-competition commitments which completed the antitrust investigation against alleged breach of the EU antitrust law by PJSC Gazprom and its subsidiary LLC Gazprom export within the activity in EU member countries from the Central and Eastern Europe. The pro-competition commitments came into effect on 28 May 2018 when PJSC Gazprom was officially served with the adopted decision. The decision on the pro-competition commitments was published by the European Commission on 17 July 2018.

On 14 March 2017 the European Commission received a complaint from PGNiG S.A., Poland, stating that PJSC Gazprom and LLC Gazprom export allegedly violated Article 102 of the Treaty on the Functioning of the EU. In this complaint PGNiG S.A. states that PJSC Gazprom and LLC Gazprom export violate the antitrust law of the EU through:

- 1) applying unfair pricing policy with respect to PGNiG S.A.;
- 2) preventing cross-border gas sale;
- 3) tying commercial issues with infrastructure.

Based on this complaint, the European Commission registered case No. AT.40497. The commencement of the case does not necessarily entail formal investigation and constitute an accusation of PJSC Gazprom and LLC Gazprom export in violating the antitrust law of the EU. These claims relate to issues covered by the European Commission investigation of PJSC Gazprom's and LLC Gazprom export's operation in the countries of Central and Eastern Europe, which formal phase was initiated in 2012 and finalised in 2018. It is currently impossible to assess a potential negative impact of this ongoing investigation on Gazprom Group's operation in Europe and on the financial position of Gazprom Group as a whole.

On 4 May 2018 PJSC Gazprom received a notice from Poland's antimonopoly authority on initiation of proceedings over alleged concentration exercised by PJSC Gazprom and foreign investors when implementing the Nord Stream 2 project (on the basis of "the establishment of a joint venture without obtaining the prior consent of the President of the Polish Office of Competition and Consumer Protection"). The notice states that in accordance with the Polish legislation the President of the Polish Office of Competition and Consumer

24 COMMITMENTS AND CONTINGENCIES (continued)

Protection has the right to impose certain sanctions on companies that, in his opinion, exercise concentration without obtaining the consent of the Polish Office of Competition and Consumer Protection (in particular, to impose a fine of up to 10 % of the annual turnover of the company). On 15 June 2018 PJSC Gazprom filed its objections to the position declared by Poland's antimonopoly authority and a motion to terminate the antitrust investigation.

The Group is also a party to certain other legal proceedings arising in the ordinary course of business and subject to various regulations of environmental protection issued by various governmental authorities regarding handling, storage and disposal of certain products. Management believes that there are no such current legal proceedings or other claims outstanding, which could have a material adverse effect on the results of operations or the financial position of the Group.

Sanctions

Since 2014 the EU, the United States ("U.S.") and some other countries introduced a series of sanctions against the Russian Federation and some Russian legal entities. Some of these sanctions are aimed directly against PJSC Gazprom, PJSC Gazprom Neft and their subsidiaries and other companies, including Gazprombank (Joint-stock Company), and some of them include general restrictions of economic activity in certain sectors of the Russian Federation economy.

The U.S. sanctions prohibit any U.S. person and legal entities incorporated in U.S. (including their foreign branches) and any person or entity in the U.S. or related with the territory of U.S. from:

- 1) transacting in, providing financing for, or otherwise dealing with new debt of longer than 90 days maturity (from 28 November 2017 – 60 days maturity) or newly issued share capital, property or rights to property in respect of a number of energy companies, including PJSC Gazprom Neft;
- 2) transacting in, providing financing for, or otherwise dealing with new debt of longer than 30 days maturity (from 28 November 2017 – 14 days maturity) or newly issued share capital, property or rights to property in respect of a number of Russian companies of the banking sector, including Gazprombank (Joint-stock Company) (PJSC Gazprom is not on the list of restricted entities in this respect);
- 3) providing, exporting, or reexporting, directly or indirectly, goods, services (except for financial services), or technology in support of potential exploration and production of oil in deep water, Arctic offshore, or shale formations in the Russian Federation, inland or in territorial waters claimed by the Russian Federation with participation of Russian companies, including PJSC Gazprom and PJSC Gazprom Neft. Since 7 August 2015 restriction has included the Yuzhno-Kirinskoye field located in the Sea of Okhotsk. According to the changes of 31 October 2017 the scope of the stated restriction is extended for projects that meet three criteria at the same time:
 - the start date of projects – after 29 January 2018;
 - projects relate to oil production around the world;
 - Russian companies included in the Sectoral Sanctions Identifications List, including PJSC Gazprom and PJSC Gazprom Neft and their subsidiaries, own a share of 33 % and more in such project or control the majority of voting rights.

On 2 August 2017 the U.S. President signed the Countering America's Adversaries Through Sanctions Act (the "Act of 2 August 2017"), which expanded the U.S. sanctions regime against the Russian Federation. The Act of 2 August 2017, inter alia, gives the U.S. President the right to impose certain sanctions in interaction (coordination) with the U.S. allies against any person who after the adoption of the Act of 2 August 2017 consciously made investments or sold goods, supplied technologies or provided services to the Russian Federation (for the amount exceeding USD 1 million, or during the year – totally exceeding USD 5 million) in the construction and maintenance of Russian energy export pipelines. The implementation of these sanctions can create risks for the development of new prospective gas transportation projects of PJSC Gazprom.

The Act of 2 August 2017 creates the risk of extraterritorial application of certain U.S. sanctions and may adversely affect the participation of foreigners in certain new projects of PJSC Gazprom. At the same time, the provisions of the Act of 2 August 2017 should be applied along with the explanations of the U.S. Department of the Treasury and the U.S. Department of State.

U.S. sanctions apply to any entity, in the capital of which the companies from the sanctions list directly or indirectly, individually or in the aggregate, own 50 or more percent equity interest.

PJSC GAZPROM
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)
31 MARCH 2019
(in millions of Russian Rubles)

24 COMMITMENTS AND CONTINGENCIES (continued)

PJSC Gazprom is not expressly stated among the entities against whom the EU sanctions are imposed. However, PJSC Gazprom Neft and Gazprombank (Joint-stock Company), as well as their subsidiaries in which they own more than 50 percent equity interest are subject to certain financial restrictions imposed by the EU.

The sanctions imposed by the EU prohibit all citizens of EU member countries, as well as all legal entities, companies and bodies incorporated or established under the laws of an EU member country (both within the EU and abroad), as well as all legal entities, companies and bodies in connection with any economic activities carried out in whole or in part within the EU:

1) provision of drilling, wells testing, logging and completion services, supply of specialised floating vessels necessary for deep water oil exploration and production, and (or) Arctic oil exploration and production, and shale oil projects in Russia, as well as the direct or indirect financing, financial assistance, technical and brokerage services in relation to these activities;

2) purchasing, selling and providing of investment services for or assistance in the issuance of, or other dealings with transferable securities and money market instruments with a maturity of more than 90 days issued from 1 August 2014 to 12 September 2014 or more than 30 days, issued after 12 September 2014 by certain Russian companies in banking sector, including Gazprombank (Joint-stock Company), but excluding PJSC Gazprom;

3) purchasing, selling and providing of investment services for or assisting in the issuance of, or other dealings with transferable securities and money market instruments issued by some Russian energy companies, including PJSC Gazprom Neft but excluding PJSC Gazprom, after 12 September 2014 with a maturity of more than 30 days;

4) after 12 September 2014 providing directly or indirectly or being part of any arrangement to make new borrowings with a maturity exceeding 30 days to some Russian companies (including PJSC Gazprom Neft and Gazprombank (Joint-stock Company) but excluding PJSC Gazprom), except for borrowings that have a specific and documented objective to provide financing for non-prohibited imports or exports of goods and non-financial services between the EU and the Russian Federation or for borrowings that have a specific and documented objective to provide emergency funding to meet solvency and liquidity criteria for bodies established in the EU, whose proprietary rights are owned for more than 50 percent by any entity referred to above.

These EU sanctions also apply to any entity if 50 percent or more in its capital is owned, directly or indirectly, by entities that are subject to sanctions.

Canada and some other countries also imposed sanctions on some Russian individuals and legal entities, including PJSC Gazprom, PJSC Gazprom Neft and other oil and gas companies of the Russian Federation. Sanctions imposed by Canada prohibit any person in Canada and any Canadian citizen outside Canada to transact in, provide financing for, or otherwise deal in new debt of longer than 90 days' maturity for a number of Russian energy companies, including PJSC Gazprom and PJSC Gazprom Neft. Furthermore, there is an ongoing restriction on the export, sale and delivery by persons in Canada and Canadian citizens outside Canada of certain goods to the Russian Federation or any person in the Russian Federation, if such goods are used for deep-water oil exploration (at a depth of more than 500 metres), for oil exploration or production in the Arctic, as well as shale oil exploration or production.

The Group is currently assessing an influence of adopted economic measures on its financial position and results of operations.

Financial guarantee contracts

| | 31 March 2019 | 31 December 2018 |
|--|--------------------------|-----------------------------|
| Guarantees issued for: | | |
| Nord Stream AG | 124,979 | 136,086 |
| Sakhalin Energy Investment Company Ltd. | 61,829 | 66,317 |
| LLC Stroygazconsulting | - | 87,094 |
| Other | <u>30,051</u> | <u>31,171</u> |
| Total financial guarantee contracts | 216,859 | 320,668 |

For the three months ended 31 March 2019 and in 2018 counterparties fulfilled their contractual obligations.

Included in financial guarantee contracts amounts are denominated in US Dollars of USD 955 million and USD 955 million as of 31 March 2019 and 31 December 2018, respectively, as well as amounts denominated in Euros of EUR 1,900 million and EUR 1,879 million as of 31 March 2019 and 31 December 2018, respectively.

24 COMMITMENTS AND CONTINGENCIES (continued)

In June 2008 the Group pledged the shares of Sakhalin Energy Investment Company Ltd. to the bank-agent Mizuho Bank Ltd. under the loan obligations of Sakhalin Energy Investment Company Ltd. As of 31 March 2019 and 31 December 2018 the amount of Sakhalin Energy Investment Company Ltd. obligations up to the amount of the Group's share (50 %) amounted to RUB 61,829 million (USD 955 million) and RUB 66,317 million (USD 955 million), respectively.

In March 2010 the Group pledged the shares of Nord Stream AG to the bank-agent Societe Generale under the obligations of Nord Stream AG under the project financing agreement. As of 31 March 2019 and 31 December 2018 the amount of Nord Stream AG obligations up to the amount of the Group's share (51 %) amounted to RUB 124,979 million (EUR 1,719 million) and RUB 136,086 million (EUR 1,713 million), respectively.

Since December 2017 the Group provided guarantees to Gazprombank (Joint-stock Company) for LLC Stroygazconsulting under its loan obligations. As of 31 March 2019 and 31 December 2018 the guarantees amounted to RUB nil million and RUB 87,094 million, respectively. In January 2019 the Group terminated guarantees provided to Gazprombank (Joint-stock Company) for LLC Stroygazconsulting under its loan obligations.

Capital commitments

The total investment utilisation in accordance with investment programme of the Group for 2019 (for gas, oil, electricity, heat generating and other assets) and current similar intentions of the Group is RUB 2,078,526 million.

25 EVENTS AFTER REPORTING PERIOD

Borrowings

In April-May 2019 the Group obtained long-term loans from a consortium of banks in the total amount of EUR 190 million at an interest rate of EURIBOR + 1.6 % due in 2021 under the agreement concluded in December 2018. Intesa Sanpaolo Bank Luxembourg S.A. was appointed as a bank agent.

PJSC GAZPROM
INVESTORS RELATIONS

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