

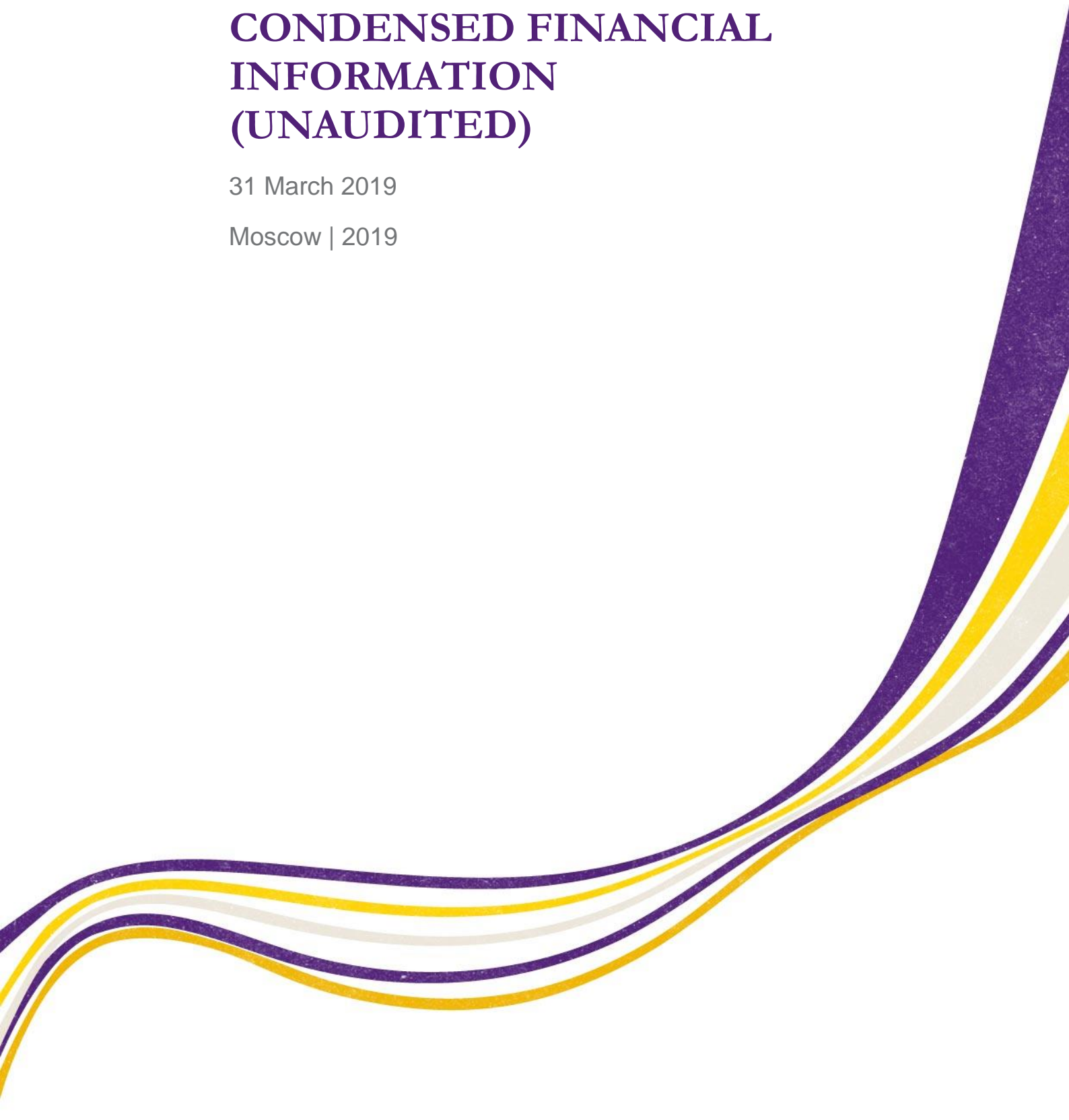
# ФБК

PJSC GAZPROM

## IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

31 March 2019

Moscow | 2019



## Contents

Report on Review of Consolidated Interim Condensed Financial Information .....	3
Consolidated interim condensed balance sheet .....	5
Consolidated interim condensed statement of comprehensive income .....	6
Consolidated interim condensed statement of cash flows .....	7
Consolidated interim condensed statement of changes in equity .....	8

### Notes to the consolidated interim condensed financial information:

1	General information .....	9
2	Economic environment in the Russian Federation .....	9
3	Basis of presentation .....	9
4	Summary of significant accounting policies and critical judgements and estimates in their application .....	10
5	Segment information .....	13
6	Cash and cash equivalents .....	16
7	Accounts receivable and prepayments .....	16
8	Inventories .....	17
9	Property, plant and equipment .....	17
10	Right-of-use assets .....	18
11	Investments in associates and joint ventures .....	19
12	Long-term accounts receivable and prepayments .....	21
13	Other current and non-current assets .....	21
14	Long-term borrowings, promissory notes .....	21
15	Profit tax .....	24
16	Equity .....	25
17	Sales .....	26
18	Operating expenses .....	27
19	Finance income and expense .....	27
20	Basic and diluted earnings per share attributable to the owners of PJSC Gazprom .....	27
21	Provisions .....	28
22	Fair value of financial instruments .....	29
23	Related parties .....	30
24	Commitments and contingencies .....	35
25	Events after reporting period .....	42















**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”).

**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**

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	<b>31 December 2018</b>	<b>Effect of IFRS 16 Leases application</b>	<b>1 January 2019</b>
<b>Assets</b>			
	1,222,735	17,046	1,239,781
9, 10	13,809,434	(41,082)	13,768,352
10	-	221,367	221,367
	<u>530,262</u>	<u>(15)</u>	<u>530,247</u>
	<b>20,810,440</b>	<b>197,316</b>	<b>21,007,756</b>
<b>Liabilities and equity</b>			
	1,522,101	32,339	1,554,440
15	748,751	(6,988)	741,763
	-	225,986	225,986
	<u>110,758</u>	<u>(23,835)</u>	<u>86,923</u>
	<b>7,034,287</b>	<b>227,502</b>	<b>7,261,789</b>
<b>Equity</b>			
	<u>13,210,734</u>	<u>(29,316)</u>	<u>13,181,418</u>
	<b>13,300,009</b>	<b>(29,316)</b>	<b>13,270,693</b>
	<u>476,144</u>	<u>(870)</u>	<u>475,274</u>
	<b>13,776,153</b>	<b>(30,186)</b>	<b>13,745,967</b>
	<b>20,810,440</b>	<b>197,316</b>	<b>21,007,756</b>

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.

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

**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
<b>Three months ended 31 March 2019</b>									
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
<b>Financial result of segments</b>	<b>22,819</b>	<b>6,329</b>	<b>343,115</b>	<b>927</b>	<b>96,705</b>	<b>9,421</b>	<b>32,975</b>	<b>(70)</b>	<b>512,221</b>
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
<b>Three months ended 31 March 2018</b>									
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
<b>Financial result of segments</b>	<b>8,520</b>	<b>7,227</b>	<b>237,493</b>	<b>3,241</b>	<b>74,874</b>	<b>27,902</b>	<b>36,401</b>	<b>9,783</b>	<b>405,441</b>
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
<b>Total financial result of segments</b>	<b>512,221</b>	<b>405,441</b>
Difference in depreciation <sup>1</sup>	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)
<b>Total profit before profit tax in the consolidated interim condensed statement of comprehensive income</b>	<b>711,926</b>	<b>495,218</b>

<sup>1</sup> 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
<b>Total external sales of segments</b>	<b>2,314,072</b>	<b>2,166,297</b>
Differences in external sales <sup>1</sup>	(22,251)	(27,966)
<b>Total sales in the consolidated interim condensed statement of comprehensive income</b>	<b>2,291,821</b>	<b>2,138,331</b>

<sup>1</sup> 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.

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

**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
<b>As of 31 March 2019</b>									
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 <sup>1</sup>	41,515	82,456	1,109	2,626	56,254	50,878	9,663	51,949	296,450
<b>As of 31 December 2018</b>									
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 <sup>2</sup>	308,007	640,063	39,078	19,391	257,932	309,417	72,907	149,089	1,795,884

<sup>1</sup> Capital expenditures for the three months ended 31 March 2019.

<sup>2</sup> 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>
<b>Total assets of segments</b>	<b>19,314,268</b>	<b>19,177,972</b>
Difference in property, plant and equipment, net <sup>1</sup>	(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>
<b>Total assets in the consolidated interim condensed balance sheet</b>	<b>21,234,741</b>	<b>20,810,440</b>

<sup>1</sup> 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.

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

**5 SEGMENT INFORMATION (continued)**

	<b>31 March 2019</b>	<b>31 December 2018</b>
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>
<b>Total liabilities of segments</b>	<b>2,734,641</b>	<b>2,736,887</b>

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

Notes	<b>31 March 2019</b>	<b>31 December 2018</b>
Liabilities of reportable segments	2,425,047	2,411,243
Liabilities of other segments	<u>309,594</u>	<u>325,644</u>
<b>Total liabilities of segments</b>	<b>2,734,641</b>	<b>2,736,887</b>
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>
<b>Total liabilities in the consolidated interim condensed balance sheet</b>	<b>7,089,092</b>	<b>7,034,287</b>

**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.

	<b>31 March 2019</b>	<b>31 December 2018</b>
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>
<b>Total cash and cash equivalents</b>	<b>1,053,729</b>	<b>849,419</b>

**7 ACCOUNTS RECEIVABLE AND PREPAYMENTS**

	<b>31 March 2019</b>	<b>31 December 2018</b>
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>
<b>Total accounts receivable and prepayments</b>	<b>1,172,988</b>	<b>1,222,735</b>

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.



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

**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
<b>As of 31 December 2017</b>				
Cost	15,164,745	96,791	3,384,995	18,646,531
Accumulated depreciation	<u>(6,058,116)</u>	<u>(43,336)</u>	-	<u>(6,101,452)</u>
<b>Net book value as of 31 December 2017</b>	<b>9,106,629</b>	<b>53,455</b>	<b>3,384,995</b>	<b>12,545,079</b>
<b>Three months ended 31 March 2018</b>				
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>(3,864)</u>	<u>(3,864)</u>
<b>Net book value as of 31 March 2018</b>	<b>9,032,037</b>	<b>42,979</b>	<b>3,625,228</b>	<b>12,700,244</b>
<b>Nine months ended 31 December 2018</b>				
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>8,747</u>	<u>(17,544)</u>
<b>Net book value as of 31 December 2018</b>	<b>9,481,048</b>	<b>43,181</b>	<b>4,285,205</b>	<b>13,809,434</b>
<b>As of 31 December 2018</b>				
Cost	16,142,507	88,479	4,285,205	20,516,191
Accumulated depreciation	<u>(6,661,459)</u>	<u>(45,298)</u>	-	<u>(6,706,757)</u>
<b>Net book value as of 31 December 2018</b>	<b>9,481,048</b>	<b>43,181</b>	<b>4,285,205</b>	<b>13,809,434</b>
<b>Three months ended 31 March 2019</b>				
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>(3,346)</u>	<u>(3,346)</u>
<b>Net book value as of 31 March 2019</b>	<b>9,433,310</b>	<b>42,653</b>	<b>4,327,503</b>	<b>13,803,466</b>
<b>As of 31 March 2019</b>				
Cost	16,139,121	87,465	4,327,503	20,554,089
Accumulated depreciation	<u>(6,705,811)</u>	<u>(44,812)</u>	-	<u>(6,750,623)</u>
<b>Net book value as of 31 March 2019</b>	<b>9,433,310</b>	<b>42,653</b>	<b>4,327,503</b>	<b>13,803,466</b>

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.

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

**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**

	<u>Operating assets</u>	<u>Social assets</u>	<u>Total</u>
<b>Three months ended 31 March 2019</b>			
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>-</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>-</u>	<u>(4,150)</u>
<b>Net book value as of 31 March 2019</b>	<b>180,593</b>	<b>29,980</b>	<b>210,573</b>
<b>As of 31 March 2019</b>			
Cost	186,984	31,408	218,392
Accumulated depreciation	<u>(6,391)</u>	<u>(1,428)</u>	<u>(7,819)</u>
<b>Net book value as of 31 March 2019</b>	<b>180,593</b>	<b>29,980</b>	<b>210,573</b>

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.

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

**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	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 <sup>1</sup>	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 Gazstroyprom	Joint venture	41,403	-	185	-
23	JSC EUROPOL GAZ	Associate	31,230	33,894	217	(159)
	JSC NPF GAZFOND <sup>2</sup>	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)		<u>98,187</u>	<u>97,006</u>	<u>964</u>	<u>513</u>
			<b>1,207,254</b>	<b>1,097,446</b>	<b>63,932</b>	<b>43,680</b>

<sup>1</sup>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).

<sup>2</sup>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.

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

**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 <sup>1,2</sup>	48	Russia	6,064,571	5,443,822	72,679	13,434
Sakhalin Energy Investment Company Ltd. <sup>3</sup>	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 <sup>4,5</sup>	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 <sup>2</sup>	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 <sup>6</sup>	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 <sup>1,2</sup>	48	Russia	6,437,702	5,915,343	59,464	17,533
Sakhalin Energy Investment Company Ltd. <sup>3</sup>	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 <sup>4,5</sup>	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 <sup>2</sup>	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 <sup>6</sup>	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)

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

<sup>2</sup> Share in voting shares.

<sup>3</sup> Country of incorporation is Bermuda Islands.

<sup>4</sup> Country of incorporation is Switzerland.

<sup>5</sup> 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.

<sup>6</sup> Country of incorporation is Germany.

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

**12 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS**

	<b>31 March 2019</b>	<b>31 December 2018</b>
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	<u>16,919</u>	<u>-</u>
<b>Total long-term accounts receivable and prepayments</b>	<b>854,486</b>	<b>636,305</b>

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	<b>31 March 2019</b>	<b>31 December 2018</b>
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	<u>29,376</u>	<u>23,782</u>
<b>Total other current assets</b>	<b>1,018,261</b>	<b>1,053,115</b>

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

Notes	<b>31 March 2019</b>	<b>31 December 2018</b>
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	<u>234,619</u>	<u>255,901</u>
<b>Total other non-current assets</b>	<b>486,348</b>	<b>530,262</b>

**14 LONG-TERM BORROWINGS, PROMISSORY NOTES**

	<b>Currency</b>	<b>Final maturity</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Long-term borrowings, promissory notes payable to:				
Loan participation notes issued in April 2009 <sup>1</sup>	US Dollar	2019	151,566	159,040
Loan participation notes issued in November 2013 <sup>2</sup>	US Dollar	2023	99,093	104,779
Loan participation notes issued in September 2012 <sup>2</sup>	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 <sup>1</sup>	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 <sup>1</sup>	US Dollar	2037	81,656	89,212
Loan participation notes issued in February 2019 <sup>1</sup>	US Dollar	2026	80,726	-
Loan participation notes issued in April 2004 <sup>1</sup>	US Dollar	2034	80,528	84,622
J.P. Morgan Europe Limited <sup>3</sup>	Euro	2023	80,001	87,087
Loan participation notes issued in November 2016 <sup>1</sup>	Euro	2023	73,090	79,268
Loan participation notes issued in March 2013 <sup>1</sup>	Euro	2020	72,804	81,578
J.P. Morgan Europe Limited <sup>3</sup>	Euro	2022	72,614	78,987
Loan participation notes issued in November 2018 <sup>1</sup>	Euro	2024	72,440	79,045

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

**14 LONG-TERM BORROWINGS, PROMISSORY NOTES (continued)**

	<b>Currency</b>	<b>Final maturity</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
	British Pound			
Loan participation notes issued in April 2017 <sup>1,4</sup>	Sterling	2024	71,991	78,028
Loan participation notes issued in July 2012 <sup>1</sup>	US Dollar	2022	65,376	71,018
Loan participation notes issued in February 2013 <sup>1</sup>	US Dollar	2028	58,702	63,770
Loan participation notes issued in February 2014 <sup>1</sup>	Euro	2021	54,725	61,412
Loan participation notes issued in November 2017 <sup>1</sup>	Euro	2024	54,501	59,243
Loan participation notes issued in March 2018 <sup>1</sup>	Euro	2026	54,077	60,239
Loan participation notes issued in February 2013 <sup>1</sup>	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 <sup>1</sup>	Swiss Franc	2023	48,406	53,161
Loan participation notes issued in March 2017 <sup>1</sup>	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 <sup>1,4</sup>	Sterling	2020	43,506	48,058
Credit Agricole CIB	Euro	2022	43,389	55,722
China Construction Bank Corporation, Beijing branch <sup>3</sup>	US Dollar	2020	42,107	61,151
Loan participation notes issued in November 2011 <sup>1</sup>	US Dollar	2021	39,281	42,780
J.P. Morgan Europe Limited <sup>3</sup>	Euro	2020	38,714	42,007
Loan issued in December 2018 <sup>5</sup>	Japanese yen	2028	37,549	40,411
Loan participation notes issued in March 2013 <sup>1</sup>	Euro	2025	36,409	41,089
MUFG Bank Ltd.	Euro	2023	36,185	-
Natixis <sup>3</sup>	Euro	2024	36,042	-
Loan participation notes issued in November 2016 <sup>1,4</sup>	Swiss Franc	2021	34,034	36,943
Loan participation notes issued in July 2017 <sup>1,4</sup>	Swiss Franc	2022	33,311	36,207
Loan participation notes issued in October 2013 <sup>1</sup>	Swiss Franc	2019	32,892	35,474
Citibank Europ plc <sup>3</sup>	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. <sup>6</sup>	Euro	2019	27,578	26,245
OMV Gas Marketing Trading & Finance B.V. <sup>6</sup>	Euro	2019	27,578	26,245
Shell Exploration and Production (LXXI) B.V. <sup>6</sup>	Euro	2019	27,578	26,245
Uniper Gas Transportation and Finance B.V. <sup>6</sup>	Euro	2019	27,578	26,245
Engie Energy Management Holding Switzerland AG <sup>6</sup>	Euro	2019	27,577	26,243
AO «ALFA-BANK»	US Dollar	2021	25,910	27,803
Russian bonds issued in October 2017 <sup>2</sup>	Russian Ruble	2022	25,860	25,376
Wintershall Nederland Transport and Trading B.V. <sup>6</sup>	Euro	2035	25,499	26,978
Uniper Gas Transportation and Finance B.V. <sup>6</sup>	Euro	2035	25,499	26,978
OMV Gas Marketing Trading & Finance B.V. <sup>6</sup>	Euro	2035	25,497	26,975
Shell Exploration and Production (LXXI) B.V. <sup>6</sup>	Euro	2035	25,497	26,975
Engie Energy Management Holding Switzerland AG <sup>6</sup>	Euro	2035	25,497	26,975
UniCredit S.p.A. <sup>3</sup>	Euro	2021	25,329	6,339
Russian bonds issued in March 2018 <sup>2</sup>	Russian Ruble	2024	25,084	25,538
Intesa Sanpaolo Bank Luxembourg S.A. <sup>3</sup>	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 <sup>2</sup>	Russian Ruble	2022	15,605	15,282
BANK ROSSIYA	Russian Ruble	2022	15,283	15,281
Russian bonds issued in November 2013 <sup>7</sup>	Russian Ruble	2043	15,240	15,074
Russian bonds issued in November 2013 <sup>7</sup>	Russian Ruble	2043	15,240	15,074
Russian bonds issued in July 2018 <sup>7</sup>	Russian Ruble	2048	15,203	15,509

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

**14 LONG-TERM BORROWINGS, PROMISSORY NOTES (continued)**

	<b>Currency</b>	<b>Final maturity</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Russian bonds issued in July 2018 <sup>7</sup>	Russian Ruble	2048	15,203	15,509
Russian bonds issued in August 2017 <sup>2</sup>	Russian Ruble	2024	15,170	15,482
Russian bonds issued in February 2017 <sup>8</sup>	Russian Ruble	2027	15,168	15,505
Russian bonds issued in February 2017 <sup>8</sup>	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. <sup>3</sup>	Euro	2022	11,934	12,986
Russian bonds issued in June 2016 <sup>2</sup>	Russian Ruble	2046	10,309	10,067
Russian bonds issued in December 2017 <sup>2</sup>	Russian Ruble	2024	10,213	10,023
Russian bonds issued in July 2018 <sup>7</sup>	Russian Ruble	2033	10,135	10,340
Russian bonds issued in February 2011 <sup>2</sup>	Russian Ruble	2021	10,127	10,319
Russian bonds issued in August 2016 <sup>2</sup>	Russian Ruble	2046	10,085	10,322
Russian bonds issued in February 2018 <sup>8</sup>	Russian Ruble	2028	10,065	10,245
Russian bonds issued in February 2018 <sup>8</sup>	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. <sup>3</sup>	US Dollar	2019	-	17,339
Other long-term borrowings, promissory notes	Various	Various	<u>557,259</u>	<u>515,495</u>
<b>Total long-term borrowings, promissory notes</b>			<b>3,836,195</b>	<b>3,788,931</b>
Less current portion of long-term borrowings			<u>(568,117)</u>	<u>(494,170)</u>
			<b>3,268,078</b>	<b>3,294,761</b>

<sup>1</sup> 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.

<sup>2</sup> Issuer of these bonds is PJSC Gazprom Neft.

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

<sup>4</sup> 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).

<sup>5</sup> Issuer of these bonds is GazAsia Capital S.A.

<sup>6</sup> Borrowings were obtained for financing of the Nord Stream 2 project.

<sup>7</sup> Issuer of these bonds is PJSC Gazprom.

<sup>8</sup> 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.

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

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.

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

**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
<b>Tax effects of taxable temporary differences:</b>							
Property, plant and equipment	(895,363)	(22,575)	2,619	(875,407)	(852,321)	(21,086)	(831,235)
Inventories	<u>3,667</u>	<u>(1,578)</u>	<u>-</u>	<u>5,245</u>	<u>(8,648)</u>	<u>259</u>	<u>(8,907)</u>
	<b>(891,696)</b>	<b>(24,153)</b>	<b>2,619</b>	<b>(870,162)</b>	<b>(860,969)</b>	<b>(20,827)</b>	<b>(840,142)</b>
<b>Tax effects of deductible temporary differences:</b>							
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	<u>21,700</u>	<u>1,848</u>	<u>4,369</u>	<u>15,483</u>	<u>13,165</u>	<u>4,593</u>	<u>8,572</u>
	<b><u>124,776</u></b>	<b><u>(1,004)</u></b>	<b><u>4,369</u></b>	<b><u>121,411</u></b>	<b><u>104,765</u></b>	<b><u>(35,964)</u></b>	<b><u>140,729</u></b>
<b>Total net deferred tax liabilities</b>	<b>(766,920)</b>	<b>(25,157)</b>	<b>6,988</b>	<b>(748,751)</b>	<b>(756,204)</b>	<b>(56,791)</b>	<b>(699,413)</b>



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

---

**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 depository receipts in the amount of 639 million PJSC Gazprom's ordinary shares, which are accounted for as treasury shares.

The shares including American depository 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.

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

17 **SALES**

	<b>Three months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
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 <sup>1</sup>	<u>-</u>	<u>192</u>
Total gas sales	1,303,823	1,220,525
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	61,786	63,651
<b>Total sales</b>	<b><u>2,291,821</u></b>	<b><u>2,138,331</u></b>

<sup>1</sup> 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.

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

**18 OPERATING EXPENSES**

	<b>Three months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
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	<u>138,612</u>	<u>98,665</u>
	<b>1,713,060</b>	<b>1,526,857</b>
Change in balances of finished goods, work in progress and other effects	<u>69,156</u>	<u>124,489</u>
<b>Total operating expenses</b>	<b>1,782,216</b>	<b>1,651,346</b>

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**

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

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.

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

**21 PROVISIONS**

	<b>31 March 2019</b>	<b>31 December 2018</b>
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>
<b>Total provisions</b>	<b>417,528</b>	<b>406,322</b>

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.

	<b>31 March 2019</b>		<b>31 December 2018</b>	
	<b>Pension plan provided through JSC NPF GAZFOND</b>	<b>Other post- employment benefits</b>	<b>Pension plan provided through JSC NPF GAZFOND</b>	<b>Other post- employment benefits</b>
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>
<b>Total net assets (liabilities)</b>	<b>129,132</b>	<b>(237,375)</b>	<b>140,878</b>	<b>(226,585)</b>

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

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

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.

	<b>Three months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
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>
<b>Total</b>	<b>(24,113)</b>	<b>(11,363)</b>

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

**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	
	<b>Financial assets measured at fair value with changes recognised through profit or loss:</b>				
13	Derivative financial instruments	15,223	67,294	326	82,843
	Bonds	27,271	-	-	27,271
	Equity securities	210	-	-	210
	<b>Financial assets measured at fair value with changes recognised through other comprehensive income:</b>				
	Promissory notes	-	1	-	1
	<b>Total short-term financial assets measured at fair value</b>	<b>42,704</b>	<b>67,295</b>	<b>326</b>	<b>110,325</b>
	<b>Financial assets measured at fair value with changes recognised through profit or loss:</b>				
13	Derivative financial instruments	7,526	20,930	-	28,456
	Equity securities	-	-	2,062	2,062
	<b>Financial assets measured at fair value with changes recognised through other comprehensive income:</b>				
	Equity securities	341,912	43,594	5,578	391,084
	Promissory notes	-	267	-	267
	<b>Total long-term financial assets measured at fair value</b>	<b>349,438</b>	<b>64,791</b>	<b>7,640</b>	<b>421,869</b>
	<b>Total financial assets</b>	<b>392,142</b>	<b>132,086</b>	<b>7,966</b>	<b>532,194</b>
	<b>Financial liabilities measured at fair value with changes recognised through profit or loss:</b>				
	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
	<b>Total financial liabilities measured at fair value</b>	<b>9,878</b>	<b>106,123</b>	<b>5,706</b>	<b>121,707</b>

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

**22 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

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

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.

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

**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
<b>Transactions and balances with the Government</b>				
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
<b>Transactions and balances with entities under the Government control</b>				
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
<b>Transactions and balances with the Government</b>				
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
<b>Transactions and balances with entities under the Government control</b>				
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	-	-

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

**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
<b>Transactions and balances with JSC FSC</b>				
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
<b>Transactions and balances with JSC FSC</b>				
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.



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

**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.

	<b>Three months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>Income</b>	
<b>Gas sales</b>		
Panrusgas Co.	12,506	10,589
JSV Moldovagaz	10,648	8,053
CJSC Gazprom YRGM Trading <sup>1</sup>	4,843	3,967
JSC Gazprom YRGM Development <sup>1</sup>	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
<b>Gas transportation sales</b>		
CJSC Gazprom YRGM Trading <sup>1</sup>	6,674	6,680
JSC Gazprom YRGM Development <sup>1</sup>	4,767	4,772
<b>Gas condensate, crude oil and refined products sales</b>		
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
<b>Operator services sales and other services sales</b>		
JSC Messoyakhaneftegaz	1,084	940
<b>Gas refining services sales</b>		
KazRosGas LLP	3,122	2,733
<b>Interest income</b>		
Gazprombank (Joint-stock Company) and its subsidiaries	12,033	8,812
	<b>Expenses</b>	
<b>Purchased gas</b>		
CJSC Gazprom YRGM Trading <sup>1</sup>	17,375	15,705
JSC Gazprom YRGM Development <sup>1</sup>	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
<b>Purchased transit of gas</b>		
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
<b>Purchased crude oil and refined products</b>		
PJSC NGK Slavneft and its subsidiaries	40,263	32,271
JSC Messoyakhaneftegaz	15,993	11,602
Sakhalin Energy Investment Company Ltd.	3,478	2
<b>Purchased services of gas and gas condensate production</b>		
JSC Achimgaz	14,578	8,147

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

**23 RELATED PARTIES (continued)**

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

<sup>1</sup> 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.

	<b>As of 31 March 2019</b>		<b>As of 31 December 2018</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Short-term accounts receivable and prepayments</b>				
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	-
<b>Cash and cash equivalents</b>				
Gazprombank (Joint-stock Company) and its subsidiaries	352,512	-	436,061	-
OJSC Belgazprombank	29,571	-	14,446	-
<b>Short-term financial assets</b>				
Gazprombank (Joint-stock Company)	24,977	-	30	-
<b>Other current assets</b>				
Gazprombank (Joint-stock Company) and its subsidiaries	648,903	-	705,968	-
OJSC Belgazprombank	10,245	-	11,610	-
<b>Long-term accounts receivable and prepayments</b>				
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	-

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

**23 RELATED PARTIES (continued)**

	As of 31 March 2019		As of 31 December 2018	
	Assets	Liabilities	Assets	Liabilities
<b>Short-term accounts payable</b>				
PJSC NGK Slavneft and its subsidiaries	-	54,453	-	52,601
JSC Messoyakhaneftegas	-	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
<b>Short-term borrowings (including current portion of long-term borrowings)</b>				
Gazprombank (Joint-stock Company)	-	34,432	-	55,475
<b>Long-term borrowings</b>				
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

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

---

**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

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

---

**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

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

---

**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

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

---

**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

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

---

**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**

	<b>31 March 2019</b>	<b>31 December 2018</b>
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>
<b>Total financial guarantee contracts</b>	<b><u>216,859</u></b>	<b><u>320,668</u></b>

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.

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

---

**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**

---

The Company may be contacted at its registered office:

PJSC Gazprom  
Nametkina Str., 16  
V-420, GSP-7, 117997, Moscow  
Russia

Telephone: +7 (812) 609-41-29

Facsimile: +7 (812) 609-43-34

[www.gazprom.ru](http://www.gazprom.ru) (in Russian)

[www.gazprom.com](http://www.gazprom.com) (in English)