

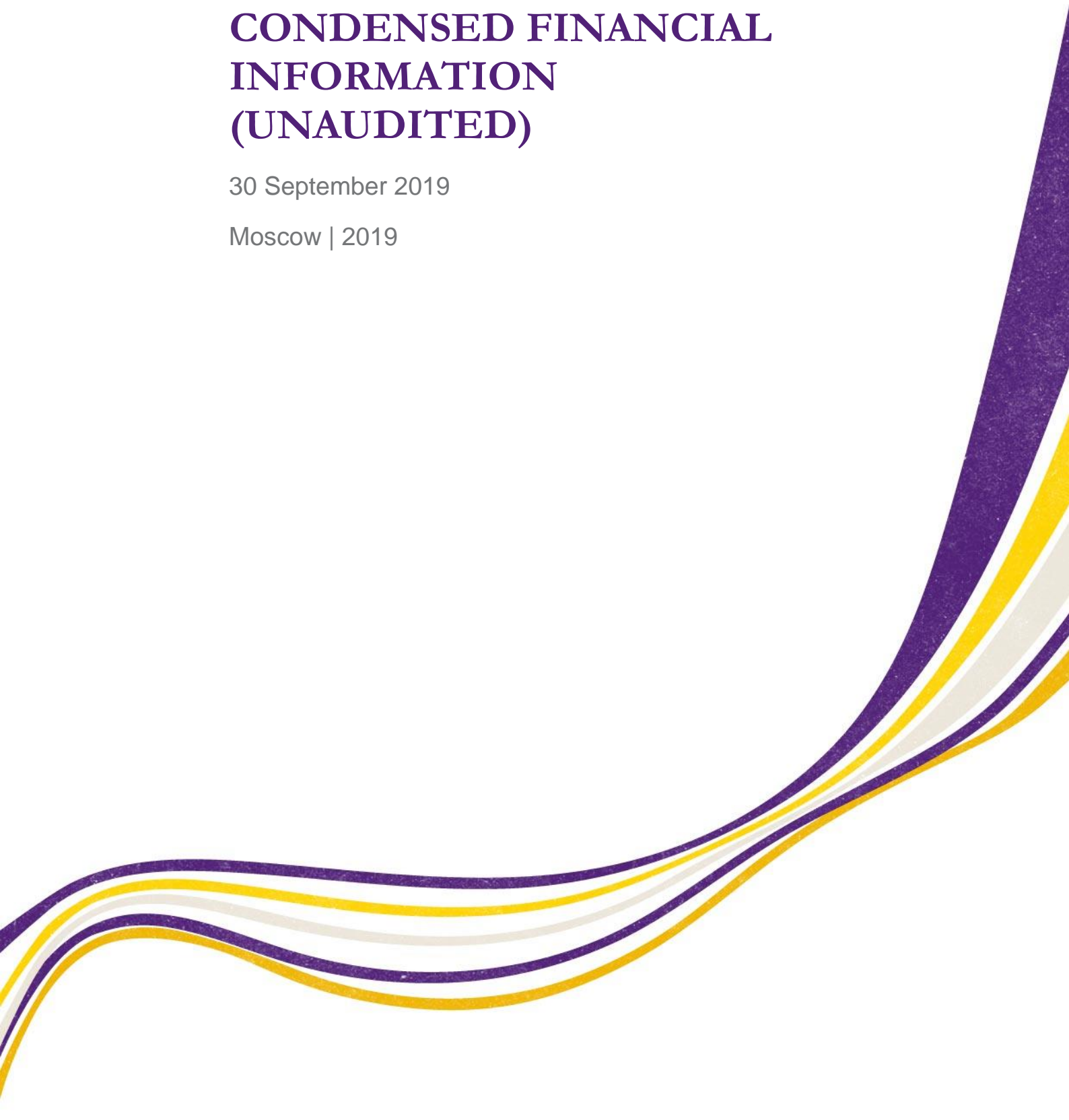
# ФБК

PJSC GAZPROM

## IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2019

Moscow | 2019



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# Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and the Board of Directors of PJSC Gazprom

## Introduction

We have reviewed the accompanying consolidated interim condensed balance sheet of PJSC Gazprom and its subsidiaries as of 30 September 2019 and the related consolidated interim condensed statement of comprehensive income for the three and nine months ended 30 September 2019, consolidated interim condensed statements of cash flows and changes in equity for the nine months ended 30 September 2019, and notes to the consolidated interim condensed financial information.

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

## Scope of Review

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

## Conclusion

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

President of FBK, LLC



Engagement partner



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

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

Date of the Report on Review  
28 November 2019

### Audited entity

#### Name:

Public Joint Stock Company Gazprom (PJSC Gazprom).

#### Address of the legal entity within its location:

16 Nametkina St, Moscow, 117420, Russian Federation.

#### State registration:

Registered by Moscow Registration Chamber on 25 February 1993, registration number 022.726.

The registration entry was made in the Unified State Register of Legal Entities on 2 August 2002 under primary state registration number 1027700070518.

### Auditor

#### Name:

FBK, LLC.

#### Address of the legal entity within its location:

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

#### State registration:

Registered by the Moscow Registration Chamber on 15 November 1993, registration number 484.583.

The registration entry was made in the Unified State Register of Legal Entities on 24 July 2002 under primary state registration number 1027700058286.

#### Membership in a self-regulatory organization of auditors:


Member of the Self-regulatory organization of auditors Association "Sodruzhestvo".

Primary number of registration entry in the register of auditors and audit organizations of the self-regulatory organization of auditors 11506030481.

**PJSC Gazprom**  
**Consolidated Interim Condensed Balance Sheet (unaudited)**  
**as of 30 September 2019**  
**(in millions of Russian Rubles)**

Notes	30 September 2019	31 December 2018
<b>Assets</b>		
<b>Current assets</b>		
6	960,597	849,419
	Short-term financial assets	26,859
7	906,982	1,222,735
8	965,575	909,677
	VAT recoverable	150,425
13	695,627	1,053,115
	<u>3,697,370</u>	<u>4,212,230</u>
<b>Non-current assets</b>		
9	14,308,754	13,809,434
10	217,194	-
	Goodwill	108,097
11	1,209,957	1,097,446
12	925,484	636,305
22	454,556	416,666
13	463,633	530,262
	<u>17,687,020</u>	<u>16,598,210</u>
<b>Total assets</b>	<b>21,384,390</b>	<b>20,810,440</b>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
	1,313,572	1,522,101
	10,415	34,708
	271,768	347,825
	518,266	569,061
	<u>2,114,021</u>	<u>2,473,695</u>
<b>Non-current liabilities</b>		
14	3,300,086	3,294,761
21	482,597	406,322
15	786,105	748,751
	203,168	-
	70,687	110,758
	<u>4,842,643</u>	<u>4,560,592</u>
<b>Total liabilities</b>	<b>6,956,664</b>	<b>7,034,287</b>
<b>Equity</b>		
16	325,194	325,194
16	(132,331)	(235,919)
	13,720,954	13,210,734
	<u>13,913,817</u>	<u>13,300,009</u>
	513,909	476,144
<b>Total equity</b>	<b>14,427,726</b>	<b>13,776,153</b>
<b>Total liabilities and equity</b>	<b>21,384,390</b>	<b>20,810,440</b>

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


  
E.A. Vasilieva  
Chief Accountant  
28 November 2019


The accompanying notes on pages 9 to 45 are an integral part of this consolidated interim condensed financial information.



**PJSC Gazprom**  
**Consolidated Interim Condensed Statement of Comprehensive Income (unaudited)**  
**for the Three and Nine Months Ended 30 September 2019**  
(in millions of Russian Rubles)

Notes		Three months ended		Nine months ended	
		2019	2018	2019	2018
17	Sales	1,621,588	1,930,036	5,698,339	5,901,591
	Net (loss) gain from trading activity	12,224	9,342	(20,391)	7,048
18	Operating expenses	(1,421,299)	(1,414,385)	(4,617,986)	(4,450,034)
	Impairment loss on financial assets	(20,760)	(19,315)	(87,331)	(73,654)
	<b>Operating profit</b>	<b>191,753</b>	<b>505,678</b>	<b>972,631</b>	<b>1,384,951</b>
19	Finance income	181,215	156,954	534,853	416,893
19	Finance expense	(163,471)	(240,290)	(287,964)	(635,122)
11	Share of profit of associates and joint ventures	64,679	57,597	179,934	149,180
	<b>Profit before profit tax</b>	<b>274,176</b>	<b>479,939</b>	<b>1,399,454</b>	<b>1,315,902</b>
	Current profit tax expense	(44,932)	(78,169)	(242,426)	(181,390)
	Deferred profit tax expense	(940)	(1,235)	(50,080)	(70,426)
	Profit tax	(45,872)	(79,404)	(292,506)	(251,816)
	<b>Profit for the period</b>	<b>228,304</b>	<b>400,535</b>	<b>1,106,948</b>	<b>1,064,086</b>
	<b>Other comprehensive income (loss):</b>				
	Items that will not be reclassified to profit or loss:				
	Gain (loss) arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	(9,901)	83,309	37,598	154,315
21	Remeasurement of provision for post-employment benefits	(6,743)	68,973	(84,595)	84,316
	<b>Total other comprehensive (loss) income that will not be reclassified to profit or loss</b>	<b>(16,644)</b>	<b>152,282</b>	<b>(46,997)</b>	<b>238,631</b>
	Items that may be reclassified subsequently to profit or loss:				
	Share of other comprehensive (loss) income of associates and joint ventures	(691)	1,657	(5,020)	3,315
	Translation differences	2,883	57,733	(137,745)	148,670
	Gain (loss) from hedging operations, net of tax	(5,370)	8,341	4,654	35,292
	<b>Total other comprehensive (loss) income that may be reclassified subsequently to profit or loss</b>	<b>(3,178)</b>	<b>67,731</b>	<b>(138,111)</b>	<b>187,277</b>
	<b>Other comprehensive (loss) income for the period, net of tax</b>	<b>(19,822)</b>	<b>220,013</b>	<b>(185,108)</b>	<b>425,908</b>
	<b>Comprehensive income for the period</b>	<b>208,482</b>	<b>620,548</b>	<b>921,840</b>	<b>1,489,994</b>
	<b>Profit for the period attributable to:</b>				
	Owners of PJSC Gazprom	211,789	386,446	1,048,286	1,017,250
	Non-controlling interest	16,515	14,089	58,662	46,836
		<b>228,304</b>	<b>400,535</b>	<b>1,106,948</b>	<b>1,064,086</b>
	<b>Comprehensive income for the period attributable to:</b>				
	Owners of PJSC Gazprom	192,778	603,019	872,366	1,434,403
	Non-controlling interest	15,704	17,529	49,474	55,591
		<b>208,482</b>	<b>620,548</b>	<b>921,840</b>	<b>1,489,994</b>
20	<b>Basic and diluted earnings per share attributable to the owners of PJSC Gazprom (in Russian Rubles)</b>	<b>9.37</b>	<b>17.49</b>	<b>47.07</b>	<b>46.03</b>

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


  
E.A. Vasilieva  
Chief Accountant  
28 November 2019

The accompanying notes on pages 9 to 45 are an integral part of this consolidated interim condensed financial information.

**PJSC Gazprom**  
**Consolidated Interim Condensed Statement of Cash Flows (unaudited)**  
**for the Nine Months Ended 30 September 2019**  
**(in millions of Russian Rubles)**

Notes	Nine months ended	
	30 September 2019	2018
	<b>Cash flows from operating activities</b>	
	1,399,454	1,315,902
	<b>Profit before profit tax</b>	
	<b>Adjustments to profit before profit tax</b>	
18	525,044	476,136
	Depreciation	
19	(246,889)	218,229
	Net finance (income) expense	
11	(179,934)	(149,180)
	Share of profit of associates and joint ventures	
	118,309	113,599
	Impairment loss on assets and change in provision for post-employment benefits	
18	(7,364)	(6,072)
	Derivatives gain	
	32,417	9,001
	Other	
	241,583	661,713
	Total effect of adjustments	
	1,641,037	1,977,615
	Cash flows from operating activities before working capital changes	
	(17,610)	(5,569)
	Increase in non-current assets	
	9,854	5,251
	Increase in non-current liabilities	
	297,310	(337,673)
	Changes in working capital	
	(308,017)	(213,276)
	Profit tax paid	
	1,622,574	1,426,348
	<b>Net cash from operating activities</b>	
	<b>Cash flows from investing activities</b>	
	(1,224,735)	(1,191,595)
	Capital expenditures	
19	(93,087)	(99,771)
	Interest capitalised and paid	
	(133,896)	13,513
	Net change in loans issued	
	(70)	(922)
	Acquisition of subsidiaries, net of cash acquired	
	(65,777)	(26,542)
	Investments in associates and joint ventures	
	68,712	70,376
	Interest received	
	2,996	7,423
	Change in long-term financial assets measured at fair value through other comprehensive income	
	120,052	61,514
	Proceeds from associates and joint ventures	
	443	577
	Proceeds from sale of subsidiaries	
	(103)	(6,321)
	Placement of long-term bank deposits	
	1,331	42,788
	Repayment of long-term bank deposits	
	(56,345)	(55,488)
	Other	
	(1,380,479)	(1,184,448)
	<b>Net cash used in investing activities</b>	
	<b>Cash flows from financing activities</b>	
	806,054	708,190
	Proceeds from long-term borrowings	
	(554,571)	(779,447)
	Repayment of long-term borrowings (including current portion of long-term borrowings)	
	71,327	32,774
	Proceeds from short-term borrowings	
	(78,377)	(60,050)
	Repayment of short-term borrowings	
	(32,916)	-
	Repayment of lease liabilities	
	(375,683)	(187,659)
	Dividends paid	
19	(41,008)	(22,164)
	Interest paid	
	(124)	(139)
	Acquisition of non-controlling interests in subsidiaries	
	137,668	-
	Proceeds from sale of treasury shares	
	-	20,728
	Proceeds from sale of non-controlling interests in subsidiaries	
	1,500	2,943
	Other	
	(66,130)	(284,824)
	<b>Net cash used in financing activities</b>	
	(64,787)	59,638
	Effect of foreign exchange rate changes on cash and cash equivalents	
	111,178	16,714
	<b>Increase in cash and cash equivalents</b>	
6	849,419	869,007
	Cash and cash equivalents at the beginning of the period	
6	960,597	885,721
	<b>Cash and cash equivalents at the end of the period</b>	

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

  
E.A. Vasilieva  
Chief Accountant  
28 November 2019

The accompanying notes on pages 9 to 45 are an integral part of this consolidated interim condensed financial information.



**PJSC Gazprom**  
**Consolidated Interim Condensed Statement of Changes in Equity (unaudited)**  
**for the Nine Months Ended 30 September 2019**  
(in millions of Russian Rubles)

Notes	Equity attributable to the owners of PJSC Gazprom							
	Number of shares outstanding (billions)	Share capital	Treasury shares	Retained earnings and other reserves	Total	Non-controlling interest	Total equity	
	<b>Nine months ended 30 September 2018</b>							
	<b>Balance as of 31 December 2017</b>	22.1	325,194	(235,919)	11,539,811	11,629,086	386,395	12,015,481
	Effect of changes in accounting policies	-	-	-	(13,086)	(13,086)	(140)	(13,226)
	<b>Balance as of 1 January 2018 (restated)</b>	22.1	325,194	(235,919)	11,526,725	11,616,000	386,255	12,002,255
	Profit for the period	-	-	-	1,017,250	1,017,250	46,836	1,064,086
	Other comprehensive income (loss):							
	Gain (loss) arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	-	-	-	155,086	155,086	(771)	154,315
21	Remeasurement of provision for post-employment benefits	-	-	-	84,318	84,318	(2)	84,316
	Share of other comprehensive income of associates and joint ventures	-	-	-	3,315	3,315	-	3,315
	Translation differences	-	-	-	139,770	139,770	8,900	148,670
	Gain from hedging operations, net of tax	-	-	-	34,664	34,664	628	35,292
	<b>Comprehensive income for the period</b>	-	-	-	1,434,403	1,434,403	55,591	1,489,994
	Change in non-controlling interest in subsidiaries	-	-	-	3,425	3,425	19,095	22,520
	Return of social assets to the balance of governmental authorities	-	-	-	(42)	(42)	-	(42)
	Dividends declared	-	-	-	(177,687)	(177,687)	(11,280)	(188,967)
	<b>Balance as of 30 September 2018</b>	22.1	325,194	(235,919)	12,786,824	12,876,099	449,661	13,325,760
	<b>Nine months ended 30 September 2019</b>							
	<b>Balance as of 31 December 2018</b>	22.1	325,194	(235,919)	13,210,734	13,300,009	476,144	13,776,153
4	Effect of changes in accounting policies	-	-	-	(29,316)	(29,316)	(870)	(30,186)
	<b>Balance as of 1 January 2019 (restated)</b>	22.1	325,194	(235,919)	13,181,418	13,270,693	475,274	13,745,967
	Profit for the period	-	-	-	1,048,286	1,048,286	58,662	1,106,948
	Other comprehensive income (loss):							
	Gain arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	-	-	-	37,598	37,598	-	37,598
21	Remeasurement of provision for post-employment benefits	-	-	-	(84,565)	(84,565)	(30)	(84,595)
	Share of other comprehensive loss of associates and joint ventures	-	-	-	(5,020)	(5,020)	-	(5,020)
	Translation differences	-	-	-	(128,588)	(128,588)	(9,157)	(137,745)
	Gain (loss) from hedging operations, net of tax	-	-	-	4,655	4,655	(1)	4,654
	<b>Comprehensive income for the period</b>	-	-	-	872,366	872,366	49,474	921,840
	Change in non-controlling interest in subsidiaries	-	-	-	210	210	1,244	1,454
	Return of social assets to the balance of governmental authorities	-	-	-	(8)	(8)	-	(8)
16	Treasury shares transactions	0.7	-	103,588	34,055	137,643	-	137,643
	Dividends declared	-	-	-	(367,087)	(367,087)	(12,083)	(379,170)
	<b>Balance as of 30 September 2019</b>	22.8	325,194	(132,331)	13,720,954	13,913,817	513,909	14,427,726

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

E.A. Vasilieva  
Chief Accountant  
28 November 2019

The accompanying notes on pages 9 to 45 are an integral part of this consolidated interim condensed financial information.



**PJSC Gazprom**  
**Notes to the Consolidated Interim Condensed Financial Information**  
**(unaudited)**  
**30 September 2019**  
**(in millions of Russian Rubles)**

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**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 Group’s activity is subject to seasonal fluctuations with peak demand in the first and fourth quarters of a year. Typically approximately 20 % and 70 % of annual gas volume are shipped in the three and nine months ended 30 September, respectively.

**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 30 September 2019 – 64.4156 (of 30 September 2018 – 65.5906);
- 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 30 September 2019 – 70.3161 (as of 30 September 2018 – 76.2294);
- 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 has been prepared in accordance with the requirements of IAS 34 Interim Financial Reporting. The consolidated interim condensed financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018 prepared in accordance with International Financial Reporting Standards (“IFRS”).

**4 Summary of Significant Accounting Policies and Critical Judgements and Estimates in Their Application**

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

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

***Application of IFRS 16 Leases***

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

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

The Group applied the following practical expedients:

- the standard was applied to contracts that had been previously identified as leases applying IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease and was not applied to contracts that had not been previously identified as containing a lease applying IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease;
- leases for which the lease term ends within 12 months of the date of initial application of the standard were recognised as short-term leases and expenses associated with those leases were 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)**  
**30 September 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 a lease. A contract contains a 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 the 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.

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 to 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 the 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 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 a right-of-use 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 remeasurement of the lease liability.

***Application of Interpretations and Amendments to Standards***

The 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 reporting 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 reporting periods beginning on or after 1 January 2019). These amendments clarify that long-term interests in an associate or joint venture that form part of the net investments in the associate or joint venture should be accounted for in accordance with IFRS 9 Financial Instruments.
- The amendments to IFRS 9 Financial Instruments (issued in October 2017 and effective for annual reporting 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 reporting 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 reporting 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 reporting 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 reporting periods beginning on or after 1 January 2019). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs.

The Group reviewed this interpretation and these 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***

Certain amendments to standards are mandatory for the annual periods beginning on or after 1 January 2020. In particular, the Group has not early adopted the following amendments to standards:

- The amendments to IFRS 3 Business Combinations (issued in October 2018 and effective for annual reporting 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.



**4 Summary of Significant Accounting Policies and Critical Judgements and Estimates in Their Application (continued)**

- The amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (issued in October 2018 and effective for annual reporting periods beginning on or after 1 January 2020). The amendments clarify and bring into line the definition of the term “materiality”, as well as provide recommendations for improving the consistency in its application when referenced in IFRS.

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

**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 the performance 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 crude 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’ results 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 – rendering gas storage services to the Distribution of gas segment;
- Production of crude oil and gas condensate – sales of crude 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 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 are not allocated to the reportable segments. Finance income and expense are not allocated to the reportable segments.

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**5 Segment Information (continued)**

	<b>Production of gas</b>	<b>Transportation</b>	<b>Distribution of gas</b>	<b>Gas storage</b>	<b>Production of crude oil and gas condensate</b>	<b>Refining</b>	<b>Electric and heat energy generation and sales</b>	<b>All other segments</b>	<b>Total</b>
<b><u>Three months ended 30 September 2019</u></b>									
<b>Sales of segments</b>	<b>244,382</b>	<b>302,316</b>	<b>711,664</b>	<b>17,036</b>	<b>398,415</b>	<b>550,299</b>	<b>95,300</b>	<b>81,778</b>	<b>2,401,190</b>
Inter-segment sales	238,675	252,450	48,239	16,112	207,981	1,744	-	-	765,201
External sales	5,707	49,866	663,425	924	190,434	548,555	95,300	81,778	1,635,989
<b>Financial result of segments</b>	<b>28,580</b>	<b>24,929</b>	<b>(57,659)</b>	<b>3,771</b>	<b>98,080</b>	<b>6,928</b>	<b>5,778</b>	<b>1,413</b>	<b>111,820</b>
Depreciation	44,176	123,647	4,701	7,179	38,429	7,768	15,262	11,360	252,522
Share of profit of associates and joint ventures	1,049	7,027	1,783	-	33,136	1,381	51	20,252	64,679
<b><u>Three months ended 30 September 2018</u></b>									
<b>Sales of segments</b>	<b>219,761</b>	<b>311,497</b>	<b>971,318</b>	<b>14,253</b>	<b>466,502</b>	<b>596,243</b>	<b>87,596</b>	<b>95,298</b>	<b>2,762,468</b>
Inter-segment sales	213,706	256,959	51,570	12,995	261,447	1,591	-	-	798,268
External sales	6,055	54,538	919,748	1,258	205,055	594,652	87,596	95,298	1,964,200
<b>Financial result of segments</b>	<b>(22,425)</b>	<b>27,783</b>	<b>234,826</b>	<b>606</b>	<b>162,513</b>	<b>35,979</b>	<b>(8,282)</b>	<b>9,408</b>	<b>440,408</b>
Depreciation	45,308	120,405	4,299	6,365	29,499	13,981	13,037	11,420	244,314
Share of profit (loss) of associates and joint ventures	2,493	5,902	393	-	39,237	1,549	(23)	8,046	57,597
<b><u>Nine months ended 30 September 2019</u></b>									
<b>Sales of segments</b>	<b>781,934</b>	<b>857,628</b>	<b>2,993,193</b>	<b>44,451</b>	<b>1,202,708</b>	<b>1,597,804</b>	<b>373,195</b>	<b>243,093</b>	<b>8,094,006</b>
Inter-segment sales	763,865	697,608	202,536	41,387	629,327	5,878	-	-	2,340,601
External sales	18,069	160,020	2,790,657	3,064	573,381	1,591,926	373,195	243,093	5,753,405
<b>Financial result of segments</b>	<b>71,428</b>	<b>62,212</b>	<b>444,836</b>	<b>6,943</b>	<b>290,206</b>	<b>41,718</b>	<b>47,752</b>	<b>(6,679)</b>	<b>958,416</b>
Depreciation	131,942	365,014	13,894	21,254	111,298	36,435	44,784	35,962	760,583
Share of profit of associates and joint ventures	4,297	21,088	3,724	-	111,919	3,721	89	35,096	179,934
<b><u>Nine months ended 30 September 2018</u></b>									
<b>Sales of segments</b>	<b>695,578</b>	<b>866,694</b>	<b>3,233,341</b>	<b>44,895</b>	<b>1,137,855</b>	<b>1,591,629</b>	<b>361,769</b>	<b>269,073</b>	<b>8,200,834</b>
Inter-segment sales	676,021	698,402	202,206	41,612	587,144	5,404	-	-	2,210,789
External sales	19,557	168,292	3,031,135	3,283	550,711	1,586,225	361,769	269,073	5,990,045
<b>Financial result of segments</b>	<b>6,638</b>	<b>41,532</b>	<b>617,785</b>	<b>7,717</b>	<b>317,317</b>	<b>155,818</b>	<b>32,317</b>	<b>33,515</b>	<b>1,212,639</b>
Depreciation	138,882	368,113	12,787	19,434	86,022	41,933	39,168	35,807	742,146
Share of profit of associates and joint ventures	6,129	18,227	205	-	107,558	3,852	59	13,150	149,180

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

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**5 Segment Information (continued)**

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

Notes	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
	110,407	431,000	965,095	1,179,124
	1,413	9,408	(6,679)	33,515
	<b>111,820</b>	<b>440,408</b>	<b>958,416</b>	<b>1,212,639</b>
	75,353	86,725	235,539	266,010
	223	(4,410)	(975)	(12,226)
19	17,744	(83,336)	246,889	(218,229)
11	64,679	57,597	179,934	149,180
18	17,415	22,227	7,364	6,072
	(13,058)	(39,272)	(227,713)	(87,544)
	<b>274,176</b>	<b>479,939</b>	<b>1,399,454</b>	<b>1,315,902</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 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
External sales of reportable segments	1,554,211	1,868,902	5,510,312	5,720,972
External sales of other segments	81,778	95,298	243,093	269,073
<b>Total external sales of segments</b>	<b>1,635,989</b>	<b>1,964,200</b>	<b>5,753,405</b>	<b>5,990,045</b>
Differences in external sales <sup>1</sup>	(14,401)	(34,164)	(55,066)	(88,454)
<b>Total sales in the consolidated interim condensed statement of comprehensive income</b>	<b>1,621,588</b>	<b>1,930,036</b>	<b>5,698,339</b>	<b>5,901,591</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.

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	Transpor- tation	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 30 September 2019</b>									
Assets of segments	2,750,948	7,020,520	1,633,918	378,049	2,979,415	2,292,040	897,700	1,510,287	19,462,877
Investments in associates and joint ventures	15,623	186,977	38,575	2	562,898	22,230	1,475	382,177	1,209,957
Capital expenditures <sup>1</sup>	177,314	329,864	10,554	8,047	198,537	263,581	47,434	82,599	1,117,930
<b>As of 31 December 2018</b>									
Assets of segments	2,743,944	7,023,399	1,719,640	393,700	2,898,071	2,059,715	911,036	1,428,467	19,177,972
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 nine months ended 30 September 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.

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**5 Segment Information (continued)**

Notes	<b>30 September 2019</b>	<b>31 December 2018</b>
Assets of reportable segments	17,952,590	17,749,505
Assets of other segments	<u>1,510,287</u>	<u>1,428,467</u>
<b>Total assets of segments</b>	<b>19,462,877</b>	<b>19,177,972</b>
Difference in property, plant and equipment, net <sup>1</sup>	(1,355,819)	(1,602,553)
Borrowing costs capitalised	898,073	808,251
6 Cash and cash equivalents	960,597	849,419
Short-term financial assets	50,850	26,859
VAT recoverable	117,739	150,425
13 Other current assets	695,627	1,053,115
Right-of-use assets	77,999	-
Goodwill	107,442	108,097
22 Long-term financial assets	454,556	416,666
13 Other non-current assets	463,633	530,262
Inter-segment assets	(860,391)	(956,216)
Other	<u>311,207</u>	<u>248,143</u>
<b>Total assets in the consolidated interim condensed balance sheet</b>	<b>21,384,390</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.

	<b>30 September 2019</b>	<b>31 December 2018</b>
Distribution of gas	865,009	905,778
Refining	551,643	546,611
Production of crude oil and gas condensate	288,118	216,553
Production of gas	236,530	314,613
Transportation	178,470	305,569
Electric and heat energy generation and sales	110,907	96,869
Gas storage	20,712	25,250
All other segments	<u>287,388</u>	<u>325,644</u>
<b>Total liabilities of segments</b>	<b>2,538,777</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>30 September 2019</b>	<b>31 December 2018</b>
Liabilities of reportable segments	2,251,389	2,411,243
Liabilities of other segments	<u>287,388</u>	<u>325,644</u>
<b>Total liabilities of segments</b>	<b>2,538,777</b>	<b>2,736,887</b>
Short-term lease liabilities	19,267	-
Current profit tax payable	10,415	34,708
Short-term borrowings, promissory notes and current portion of long-term borrowings	518,266	569,061
14 Long-term borrowings, promissory notes	3,300,086	3,294,761
21 Long-term provisions (except for provision for decommissioning and site restoration)	311,062	239,523
15 Deferred tax liabilities	786,105	748,751
Long-term lease liabilities	52,751	-
Other non-current liabilities	70,687	110,758
Dividends	4,441	7,586
Inter-segment liabilities	(860,391)	(956,216)
Other	<u>205,198</u>	<u>248,468</u>
<b>Total liabilities in the consolidated interim condensed balance sheet</b>	<b>6,956,664</b>	<b>7,034,287</b>



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**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>30 September 2019</b>	<b>31 December 2018</b>
Cash on hand and bank balances payable on demand	578,326	531,432
Term deposits with original maturity of three months or less	<u>382,271</u>	<u>317,987</u>
<b>Total cash and cash equivalents</b>	<b>960,597</b>	<b>849,419</b>

**7 Accounts Receivable and Prepayments**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Trade accounts receivable	593,912	912,109
Other accounts receivable	127,841	159,494
Advances paid and prepayments	97,769	80,241
Loans receivable	<u>87,460</u>	<u>70,891</u>
<b>Total accounts receivable and prepayments</b>	<b>906,982</b>	<b>1,222,735</b>

Accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 1,034,451 million and RUB 993,032 million, advances paid and prepayments are presented net of impairment allowance in the amount of RUB 12,438 million and RUB 12,314 million as of 30 September 2019 and 31 December 2018, respectively.

Accounts receivable due from NJSC Naftogaz Ukraine in relation to gas sales are RUB nil million as of 30 September 2019 and 31 December 2018 net of allowance for expected credit losses in the amount of RUB 167,675 million and RUB 147,241 million as of 30 September 2019 and 31 December 2018, respectively.

**8 Inventories**

Inventories are presented net of allowance for obsolescence in the amount of RUB 5,559 million and RUB 5,572 million as of 30 September 2019 and 31 December 2018, respectively.

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**9 Property, Plant and Equipment**

Notes	<b>Operating assets (including production licences)</b>	<b>Social assets</b>	<b>Assets under construction</b>	<b>Total</b>
<b>As of 31 December 2017</b>				
	15,164,745	96,791	3,384,995	18,646,531
	<u>(6,058,116)</u>	<u>(43,336)</u>	<u>-</u>	<u>(6,101,452)</u>
	<b>9,106,629</b>	<b>53,455</b>	<b>3,384,995</b>	<b>12,545,079</b>
<b>Nine months ended 30 September 2018</b>				
	9,106,629	53,455	3,384,995	12,545,079
	(474,144)	(1,714)	-	(475,858)
	71,289	-	1,164,283	1,235,572
	66,070	84	61,907	128,061
	205,705	-	(205,705)	-
	(25,780)	(10,082)	(15,477)	(51,339)
	<u>-</u>	<u>-</u>	<u>(4,318)</u>	<u>(4,318)</u>
	<b>8,949,769</b>	<b>41,743</b>	<b>4,385,685</b>	<b>13,377,197</b>
<b>Three months ended 31 December 2018</b>				
	8,949,769	41,743	4,385,685	13,377,197
	(166,822)	(743)	-	(167,565)
	4,469	-	715,811	720,280
	30,687	76	36,828	67,591
	836,957	3,207	(840,164)	-
	(147,721)	(1,102)	(22,156)	(170,979)
	<u>(26,291)</u>	<u>-</u>	<u>9,201</u>	<u>(17,090)</u>
	<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>				
	16,142,507	88,479	4,285,205	20,516,191
	<u>(6,661,459)</u>	<u>(45,298)</u>	<u>-</u>	<u>(6,706,757)</u>
	<b>9,481,048</b>	<b>43,181</b>	<b>4,285,205</b>	<b>13,809,434</b>
<b>Nine months ended 30 September 2019</b>				
	9,481,048	43,181	4,285,205	13,809,434
4, 10	(41,082)	-	-	(41,082)
	9,439,966	43,181	4,285,205	13,768,352
	(501,020)	(1,829)	-	(502,849)
	25,821	1	1,236,125	1,261,947
	(54,068)	(199)	(106,261)	(160,528)
	438,683	1,385	(440,068)	-
	(27,418)	(1,601)	(23,207)	(52,226)
	<u>-</u>	<u>-</u>	<u>(5,942)</u>	<u>(5,942)</u>
	<b>9,321,964</b>	<b>40,938</b>	<b>4,945,852</b>	<b>14,308,754</b>
<b>As of 30 September 2019</b>				
	16,313,699	87,172	4,945,852	21,346,723
	<u>(6,991,735)</u>	<u>(46,234)</u>	<u>-</u>	<u>(7,037,969)</u>
	<b>9,321,964</b>	<b>40,938</b>	<b>4,945,852</b>	<b>14,308,754</b>

Operating property, plant and equipment are presented net of allowance for impairment of RUB 205,348 million and RUB 214,222 million as of 30 September 2019 and 31 December 2018, respectively.

Assets under construction are presented net of allowance for impairment of RUB 186,638 million and RUB 191,326 million as of 30 September 2019 and 31 December 2018, respectively. The change in impairment allowance of assets under construction is mainly attributable to translation differences.

Included in the property, plant and equipment, social assets (rest houses, housing, schools and medical facilities) which were vested to the Group at privatisation have a net book value of RUB 48 million and RUB 69 million as of 30 September 2019 and 31 December 2018, respectively.

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**10 Right-of-Use Assets**

Notes	<u>Operating assets</u>	<u>Social assets</u>	<u>Total</u>
<b>Nine months ended 30 September 2019</b>			
Net book value as of 31 December 2018	-	-	-
Initial recognition	148,877	31,408	180,285
4, 9 Reclassification from property, plant and equipment	<u>41,082</u>	<u>-</u>	<u>41,082</u>
<b>Net book value as of 1 January 2019</b>	<b>189,959</b>	<b>31,408</b>	<b>221,367</b>
Reclassification	25,992	(25,992)	-
Depreciation	(25,742)	(1,155)	(26,897)
Additions as a result of new leases	23,707	2,074	25,781
Effect of leases modification	2,381	(153)	2,228
Translation differences	<u>(5,285)</u>	<u>-</u>	<u>(5,285)</u>
<b>Net book value as of 30 September 2019</b>	<b>211,012</b>	<b>6,182</b>	<b>217,194</b>
<b>As of 30 September 2019</b>			
Cost	236,747	7,337	244,084
Accumulated depreciation	<u>(25,735)</u>	<u>(1,155)</u>	<u>(26,890)</u>
<b>Net book value as of 30 September 2019</b>	<b>211,012</b>	<b>6,182</b>	<b>217,194</b>

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

The total cash outflow under lease agreements amounted to RUB 45,853 million for the nine months ended 30 September 2019.

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**11 Investments in Associates and Joint Ventures**

Notes			Carrying value as of		Share of profit (loss) of associates and joint ventures for the nine months ended	
			30 September 2019	31 December 2018	30 September 2019	2018
23, 24	Gazprombank (Joint-stock Company) and its subsidiaries	Associate	220,696	166,218	20,542	13,088
23, 24	Sakhalin Energy Investment Company Ltd.	Associate	198,738	196,679	49,194	41,788
23	PJSC NGK Slavneft and its subsidiaries	Joint venture	160,988	152,495	8,493	11,452
23	JSC Arcticgas <sup>1</sup>	Joint venture	129,457	146,246	29,044	29,909
23, 24	Nord Stream AG	Joint venture	87,185	100,138	13,888	13,184
23	WIGA Transport Beteiligungs- GmbH & Co. KG and its subsidiaries	Associate	52,178	55,867	6,787	4,561
23	JSC Gazstroyprom	Associate	41,289	-	71	-
21, 23	JSC NPF GAZFOND <sup>2</sup>	Associate	40,113	28,861	11,252	-
23	JSC Messoyakhaneftegaz	Joint venture	39,807	36,837	20,271	20,584
23	JSC Achimgaz	Joint venture	35,021	37,310	11,274	8,198
23	JSC EUROPOL GAZ	Associate	29,821	33,894	413	482
	Wintershall AG	Associate	15,912	18,026	16	62
23	KazRosGas LLP	Joint venture	14,403	11,758	3,483	548
23	CJSC Northgas	Joint venture	9,772	7,986	2,336	2,690
23	Wintershall Noordzee B.V.	Joint venture	7,203	8,125	(416)	133
	Other (net of allowance for investments impairment in the amount of RUB 23,360 million and RUB 26,092 million as of 30 September 2019 and 31 December 2018, respectively)		<u>127,374</u>	<u>97,006</u>	<u>3,286</u>	<u>2,501</u>
			<b>1,209,957</b>	<b>1,097,446</b>	<b>179,934</b>	<b>149,180</b>

<sup>1</sup> In January 2018 LLC Yamal razvitie and its subsidiary LLC SeverEnergy were reorganised by merging with JSC Arcticgas (a former subsidiary of LLC SeverEnergy).

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

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

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



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**11 Investments in Associates and Joint Ventures (continued)**

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

	Ownership interest as of 30 September 2019, %	Country of primary operations	As of 30 September 2019		Nine months ended 30 September 2019	
			Assets	Liabilities	Revenues	Profit (loss)
Gazprombank (Joint-stock Company) and its subsidiaries <sup>1,2</sup>	48	Russia	6,179,656	5,544,328	191,722	64,073
Sakhalin Energy Investment Company Ltd. <sup>3</sup>	50	Russia	981,754	584,278	288,904	98,388
PJSC NGK Slavneft and its subsidiaries	50	Russia	598,864	275,697	239,311	17,725
JSC NPF GAZFOND <sup>2</sup>	42	Russia	455,906	359,293	-	27,101
Nord Stream AG <sup>4,5</sup>	51	Germany	420,448	249,495	58,895	27,232
JSC Arcticgas	50	Russia	409,817	175,237	145,668	58,087
JSC Gazstroyprom	49	Russia	333,649	249,387	53,871	18
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	50	Germany	300,498	174,858	58,700	13,787
JSC Messoyakhaneftegas	50	Russia	228,627	149,434	104,673	40,548
JSC Achimgaz	50	Russia	97,385	27,344	47,715	22,547
Wintershall AG <sup>6</sup>	49	Libya	68,735	45,392	5,866	33
JSC EUROPOL GAZ	48	Poland	63,595	1,469	11,572	898
CJSC Northgas	50	Russia	45,363	24,881	15,927	4,671
Wintershall Noordzee B.V.	50	Netherlands	45,307	33,357	6,111	(831)
KazRosGaz LLP	50	Kazakhstan	31,446	2,640	36,727	6,965

	Ownership interest as of 31 December 2018, %	Country of primary operations	As of 31 December 2018		Nine months ended 30 September 2018	
			Assets	Liabilities	Revenues	Profit
Gazprombank (Joint-stock Company) and its subsidiaries <sup>1,2</sup>	48	Russia	6,437,702	5,915,343	188,085	41,007
Sakhalin Energy Investment Company Ltd. <sup>3</sup>	50	Russia	1,102,931	709,575	278,285	83,575
PJSC NGK Slavneft and its subsidiaries	50	Russia	551,546	246,963	237,620	23,963
Nord Stream AG <sup>4,5</sup>	51	Germany	489,723	293,372	59,103	25,851
JSC Arcticgas	50	Russia	439,148	168,497	147,368	60,738
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	51,438	9,318
JSC Messoyakhaneftegas	50	Russia	202,430	129,175	90,792	41,168
JSC Achimgaz	50	Russia	93,125	18,504	27,436	16,395
Wintershall AG <sup>6</sup>	49	Libya	78,622	53,527	5,595	127
JSC EUROPOL GAZ	48	Poland	72,453	1,843	11,200	965
Wintershall Noordzee B.V.	50	Netherlands	54,408	39,943	10,535	267
CJSC Northgas	50	Russia	46,496	29,589	17,497	5,379
KazRosGaz LLP	50	Kazakhstan	27,622	4,106	33,142	1,994

<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> Incorporated in Bermuda Islands.

<sup>4</sup> Incorporated in Switzerland.

<sup>5</sup> The investment in the entity is accounted for 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> Incorporated in Germany.

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**12 Long-Term Accounts Receivable and Prepayments**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Advances for assets under construction	522,439	464,183
Long-term accounts receivable	364,756	151,131
Long-term prepayments	22,439	20,991
Sub-lease long-term accounts receivable	<u>15,850</u>	<u>-</u>
<b>Total long-term accounts receivable and prepayments</b>	<b>925,484</b>	<b>636,305</b>

Long-term accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 10,492 million and RUB 12,031 million as of 30 September 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 8,615 million and RUB 7,868 million as of 30 September 2019 and 31 December 2018, respectively.

**13 Other Current and Non-Current Assets**

Other current assets are provided in the table below.

Notes	<b>30 September 2019</b>	<b>31 December 2018</b>
Short-term deposits	391,063	796,140
Prepaid VAT	160,114	119,208
22 Derivative financial instruments	70,902	107,868
Prepaid profit tax	45,642	6,117
Other	<u>27,906</u>	<u>23,782</u>
<b>Total other current assets</b>	<b>695,627</b>	<b>1,053,115</b>

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

Notes	<b>30 September 2019</b>	<b>31 December 2018</b>
21 Net pension plan assets	104,128	140,878
Intangible assets	57,856	52,753
VAT related to assets under construction	31,033	41,905
22 Derivative financial instruments	24,079	37,393
Long-term deposits	184	1,432
Other	<u>246,353</u>	<u>255,901</u>
<b>Total other non-current assets</b>	<b>463,633</b>	<b>530,262</b>

**14 Long-Term Borrowings, Promissory Notes**

	<b>Currency</b>	<b>Final maturity</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
Long-term borrowings, promissory notes:				
Intesa Sanpaolo Bank Luxembourg S.A. <sup>1</sup>	Euro	2021	102,547	-
Gazprombank (Joint-stock Company)	Russian Ruble	2027	101,010	-
Loan participation notes issued in November 2013 <sup>2</sup>	US Dollar	2023	98,605	104,779
Loan participation notes issued in September 2012 <sup>2</sup>	US Dollar	2022	96,752	105,485
Intesa Sanpaolo Bank Luxembourg S.A. <sup>1</sup>	Euro	2023	84,370	94,883
Loan participation notes issued in March 2007 <sup>3</sup>	US Dollar	2022	84,104	92,174
Loan participation notes issued in August 2007 <sup>3</sup>	US Dollar	2037	81,253	89,212
Loan participation notes issued in February 2019 <sup>3</sup>	US Dollar	2026	80,380	-
Loan participation notes issued in April 2004 <sup>3</sup>	US Dollar	2034	80,132	84,622
J.P. Morgan Europe Limited <sup>1</sup>	Euro	2023	77,384	87,087
Loan participation notes issued in November 2016 <sup>3</sup>	Euro	2023	71,808	79,268
Loan participation notes issued in March 2013 <sup>3</sup>	Euro	2020	71,586	81,578
Loan participation notes issued in November 2018 <sup>3</sup>	Euro	2024	71,130	79,045
J.P. Morgan Europe Limited <sup>1</sup>	Euro	2022	70,265	78,987
	British Pound			
Loan participation notes issued in April 2017 <sup>3,4</sup>	Sterling	2024	69,639	78,028
Loan participation notes issued in July 2012 <sup>3</sup>	US Dollar	2022	65,053	71,018
Bank of China Limited, London branch	Euro	2021	59,624	113,580

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**14 Long-Term Borrowings, Promissory Notes (continued)**

	<b>Currency</b>	<b>Final maturity</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
Loan participation notes issued in February 2013 <sup>3</sup>	US Dollar	2028	58,412	63,770
Loan participation notes issued in February 2014 <sup>3</sup>	Euro	2021	53,866	61,412
Loan participation notes issued in November 2017 <sup>3</sup>	Euro	2024	53,320	59,243
Loan participation notes issued in March 2018 <sup>3</sup>	Euro	2026	52,966	60,239
Loan participation notes issued in February 2013 <sup>3</sup>	US Dollar	2020	51,836	56,438
UniCredit S.p.A.	Euro	2022	48,980	55,329
UniCredit S.p.A.	Euro	2025	48,802	55,427
Loan participation notes issued in March 2018 <sup>3</sup>	Swiss Franc	2023	48,719	53,161
Loan participation notes issued in March 2017 <sup>3</sup>	US Dollar	2027	47,943	52,340
Credit Agricole CIB	Euro	2023	42,193	47,467
	British Pound			
Loan participation notes issued in September 2013 <sup>3,4</sup>	Sterling	2020	42,066	48,058
Loan participation notes issued in November 2011 <sup>3</sup>	US Dollar	2021	39,087	42,780
Loan issued in December 2018 <sup>5</sup>	Japanese yen	2028	38,410	40,411
Loan participation notes issued in March 2013 <sup>3</sup>	Euro	2025	35,971	41,089
MUFG Bank Ltd.	Euro	2023	35,039	-
Credit Agricole CIB	Euro	2022	34,946	55,722
Natixis <sup>1</sup>	Euro	2024	34,906	-
PJSC Sberbank	Euro	2023	33,480	29,861
Loan participation notes issued in November 2016 <sup>3,4</sup>	Swiss Franc	2021	33,370	36,943
Loan participation notes issued in October 2013 <sup>3</sup>	Swiss Franc	2019	33,294	35,474
Loan participation notes issued in July 2017 <sup>3,4</sup>	Swiss Franc	2022	31,894	36,207
Shell Exploration and Production (LXXI) B.V. <sup>6</sup>	Euro	2019	30,611	26,245
Wintershall Nederland Transport and Trading B.V. <sup>6</sup>	Euro	2019	30,611	26,245
Uniper Gas Transportation and Finance B.V. <sup>6</sup>	Euro	2019	30,611	26,245
OMV Gas Marketing Trading & Finance B.V. <sup>6</sup>	Euro	2019	30,611	26,245
Engie Energy Management Holding Switzerland AG <sup>6</sup>	Euro	2019	30,610	26,243
Citibank Europ plc <sup>1</sup>	Euro	2023	29,822	33,537
J.P. Morgan Europe Limited <sup>1</sup>	Euro	2020	28,084	42,007
ING Bank, a branch of ING-DiBa AG	Euro	2023	27,983	31,611
China Construction Bank Corporation, Beijing branch <sup>1</sup>	US Dollar	2020	27,907	61,151
Wintershall Nederland Transport and Trading B.V. <sup>6</sup>	Euro	2035	26,299	26,978
Uniper Gas Transportation and Finance B.V. <sup>6</sup>	Euro	2035	26,299	26,978
OMV Gas Marketing Trading & Finance B.V. <sup>6</sup>	Euro	2035	26,297	26,975
Shell Exploration and Production (LXXI) B.V. <sup>6</sup>	Euro	2035	26,297	26,975
Engie Energy Management Holding Switzerland AG <sup>6</sup>	Euro	2035	26,297	26,975
Russian bonds issued in October 2017 <sup>2</sup>	Russian Ruble	2022	25,866	25,376
Russian bonds issued in March 2018 <sup>2</sup>	Russian Ruble	2024	25,090	25,538
UniCredit S.p.A. <sup>1</sup>	Euro	2021	24,481	6,339
JSC ALFA-BANK	US Dollar	2021	23,524	27,803
PJSC Sberbank	Euro	2022	17,190	19,149
VTB Bank (Europe) SE	Euro	2027	16,930	20,276
Russian bonds issued in April 2017 <sup>2</sup>	Russian Ruble	2022	15,610	15,282
Russian bonds issued in June 2019 <sup>7</sup>	Russian Ruble	2022	15,384	-
Russian bonds issued in November 2013 <sup>8</sup>	Russian Ruble	2043	15,334	15,074
Russian bonds issued in November 2013 <sup>8</sup>	Russian Ruble	2043	15,334	15,074
Russian bonds issued in July 2019 <sup>7</sup>	Russian Ruble	2022	15,240	-
Russian bonds issued in July 2018 <sup>8</sup>	Russian Ruble	2048	15,206	15,509
Russian bonds issued in July 2018 <sup>8</sup>	Russian Ruble	2048	15,206	15,509
Russian bonds issued in August 2017 <sup>2</sup>	Russian Ruble	2024	15,174	15,482
Russian bonds issued in February 2017 <sup>7</sup>	Russian Ruble	2027	15,172	15,505
Russian bonds issued in February 2017 <sup>7</sup>	Russian Ruble	2027	15,172	15,505
JSC BANK "ROSSIYA"	Russian Ruble	2022	15,000	15,281
Gazprombank (Joint-stock Company)	Russian Ruble	2025	15,000	15,000
Gazprombank (Joint-stock Company)	Russian Ruble	2021	15,000	15,000
PJSC VTB Bank	Euro	2022	14,063	-

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**14 Long-Term Borrowings, Promissory Notes (continued)**

	<b>Currency</b>	<b>Final maturity</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
UniCredit Bank Austria AG	Euro	2021	13,151	21,254
Deutsche Bank Luxembourg S.A.	Euro	2022	13,022	15,943
Russian bonds issued in December 2017 <sup>2</sup>	Russian Ruble	2024	10,215	10,023
Russian bonds issued in July 2018 <sup>8</sup>	Russian Ruble	2033	10,138	10,340
Russian bonds issued in February 2011 <sup>2</sup>	Russian Ruble	2021	10,129	10,319
BNP Paribas S.A. <sup>1</sup>	Euro	2022	10,099	12,986
Russian bonds issued in August 2016 <sup>2</sup>	Russian Ruble	2046	10,088	10,322
Russian bonds issued in February 2018 <sup>7</sup>	Russian Ruble	2028	10,067	10,245
Russian bonds issued in February 2018 <sup>7</sup>	Russian Ruble	2028	10,067	10,245
JSC ALFA-BANK	Russian Ruble	2023	10,000	10,007
Russian bonds issued in June 2016 <sup>2</sup>	Russian Ruble	2046	1,207	10,067
Loan participation notes issued in April 2009 <sup>3</sup>	US Dollar	2019	-	159,040
Gazprombank (Joint-stock Company)	US Dollar	2019	-	25,009
Gazprombank (Joint-stock Company)	US Dollar	2019	-	22,925
PJSC Sberbank	Euro	2019	-	19,143
Mizuho Bank Ltd. <sup>1</sup>	US Dollar	2019	-	17,339
Other long-term borrowings, promissory notes	Various	Various	<u>621,570</u>	<u>515,495</u>
<b>Total long-term borrowings, promissory notes</b>			<b>3,738,210</b>	<b>3,788,931</b>
Less current portion of long-term borrowings			<u>(438,124)</u>	<u>(494,170)</u>
			<b>3,300,086</b>	<b>3,294,761</b>

<sup>1</sup> Loans received from consortiums of banks, named lender is the agent bank.

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

<sup>3</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>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 the achievement 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 Gazprom capital LLC.

<sup>8</sup> Issuer of these bonds is PJSC Gazprom.

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

<b>Maturity of long-term borrowings, promissory notes</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
between one and two years	605,749	607,775
between two and five years	1,774,418	1,654,576
after five years	<u>919,919</u>	<u>1,032,410</u>
	<b>3,300,086</b>	<b>3,294,761</b>

Long-term liabilities include fixed rate borrowings with a carrying value of RUB 2,475,879 million and RUB 2,709,599 million and fair value of RUB 2,699,493 million and RUB 2,831,050 million as of 30 September 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 1,262,331 million and RUB 1,079,332 million and fair value is RUB 1,279,516 million and RUB 1,082,539 million as of 30 September 2019 and 31 December 2018, respectively.

As of 30 September 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 the 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 and due in 2048 the issuer can execute the right of early redemption in July 2025.

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**14 Long-Term Borrowings, Promissory Notes (continued)**

Under the terms of the Russian bonds with the nominal value of RUB 15,000 million issued by PJSC Gazprom in July 2018 and 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 10,000 million issued by PJSC Gazprom in July 2018 and 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 and 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 and 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 and due in 2046 bondholders can execute the right of early redemption in August 2021 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 nine months ended 30 September 2019. Differences between the recognition criteria of assets and liabilities reflected in the 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.

	30 September 2019	Temporary differences recognition and reversal	1 January 2019	Effect of changes in accounting policies	31 December 2018	30 September 2018	Temporary differences recognition and reversal	31 December 2017
<b>Tax effect of taxable temporary differences:</b>								
Property, plant and equipment	(919,412)	(46,624)	(872,788)	2,619	(875,407)	(869,449)	(38,214)	(831,235)
Inventories	(563)	(5,808)	5,245	-	5,245	(7,341)	1,566	(8,907)
	<b>(919,975)</b>	<b>(52,432)</b>	<b>(867,543)</b>	<b>2,619</b>	<b>(870,162)</b>	<b>(876,790)</b>	<b>(36,648)</b>	<b>(840,142)</b>
<b>Tax effect of deductible temporary differences:</b>								
Financial assets	1,962	249	1,713	-	1,713	1,935	6,509	(4,574)
Tax losses carried forward	14,807	(2,039)	16,846	-	16,846	19,498	6,157	13,341
Retroactive gas price adjustments	11,110	4,451	6,659	-	6,659	8,364	(14,096)	22,460
Accounts receivable	86,187	5,477	80,710	-	80,710	68,761	21,690	47,071
Accounts payable	-	-	-	-	-	-	(53,859)	53,859
Other deductible temporary differences	19,804	(48)	19,852	4,369	15,483	3,523	(5,049)	8,572
	<b>133,870</b>	<b>8,090</b>	<b>125,780</b>	<b>4,369</b>	<b>121,411</b>	<b>102,081</b>	<b>(38,648)</b>	<b>140,729</b>
<b>Total net deferred tax liabilities</b>	<b>(786,105)</b>	<b>(44,342)</b>	<b>(741,763)</b>	<b>6,988</b>	<b>(748,751)</b>	<b>(774,709)</b>	<b>(75,296)</b>	<b>(699,413)</b>

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**15 Profit Tax (continued)**

Taxable temporary differences recognised for the nine months ended 30 September 2019 and 30 September 2018 include the effect of depreciation premium on certain items of property, plant and equipment. The positive tax effect on these differences for the nine months ended 30 September 2019 amounted to RUB 5,387 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 nine months ended 30 September 2019. The negative tax effect on these differences for the nine months ended 30 September 2018 was RUB 5,897 million and was offset by the increase in the current profit tax by the corresponding amount, which did not have influence on profit for the nine months ended 30 September 2018.

**16 Equity**

**Share Capital**

The share capital authorised, issued and paid totals RUB 325,194 million as of 30 September 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 30 September 2019 and 31 December 2018 subsidiaries of PJSC Gazprom held 880 million and 1,573 million ordinary shares of PJSC Gazprom, respectively, including American depositary receipts in the amount of 639 million PJSC Gazprom's ordinary shares, which are accounted for as treasury shares.

In July 2019 the Group sold 693,627,848 ordinary shares of PJSC Gazprom, which represent 2.93 % of the share capital, for 200.5 Russian Rubles per share by using the stock exchange transaction technology of PJSC Moscow Exchange MICEX-RTS.

The shares including American depositary receipts held by PJSC Gazprom's subsidiaries represented 3.7 % and 6.6 % of the total number of PJSC Gazprom's shares as of 30 September 2019 and 31 December 2018, respectively.

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

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17 **Sales**

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
Gas sales gross of excise tax and customs duties:				
Russian Federation	147,869	128,108	666,125	636,873
Former Soviet Union (excluding the Russian Federation)	76,959	77,447	279,596	261,226
Europe and other countries	<u>586,778</u>	<u>934,774</u>	<u>2,393,535</u>	<u>2,715,098</u>
	811,606	1,140,329	3,339,256	3,613,197
Customs duties	(127,887)	(202,636)	(491,411)	(562,300)
Excise tax	(14,587)	(11,781)	(47,128)	(37,891)
Retroactive gas price adjustments <sup>1</sup>	-	(109)	8,009	37,686
Total gas sales	669,132	925,803	2,808,726	3,050,692
Sales of refined products:				
Russian Federation	371,825	388,103	1,020,696	1,006,710
Former Soviet Union (excluding the Russian Federation)	30,261	35,074	95,040	112,143
Europe and other countries	<u>146,469</u>	<u>171,475</u>	<u>476,190</u>	<u>467,372</u>
Total sales of refined products	548,555	594,652	1,591,926	1,586,225
Sales of crude oil and gas condensate:				
Russian Federation	14,232	17,721	47,164	49,112
Former Soviet Union (excluding the Russian Federation)	9,692	10,349	32,433	29,433
Europe and other countries	<u>166,510</u>	<u>176,985</u>	<u>493,784</u>	<u>472,166</u>
Total sales of crude oil and gas condensate	190,434	205,055	573,381	550,711
Electric and heat energy sales:				
Russian Federation	84,306	81,049	350,195	346,388
Former Soviet Union (excluding the Russian Federation)	2,066	2,153	2,978	3,907
Europe and other countries	<u>8,928</u>	<u>4,394</u>	<u>20,022</u>	<u>11,474</u>
Total electric and heat energy sales	95,300	87,596	373,195	361,769
Gas transportation sales:				
Russian Federation	48,663	53,178	156,201	164,475
Former Soviet Union (excluding the Russian Federation)	589	629	2,023	2,053
Europe and other countries	<u>614</u>	<u>731</u>	<u>1,796</u>	<u>1,764</u>
Total gas transportation sales	49,866	54,538	160,020	168,292
Other sales:				
Russian Federation	56,568	50,610	157,755	147,380
Former Soviet Union (excluding the Russian Federation)	1,756	2,869	5,560	6,653
Europe and other countries	<u>9,977</u>	<u>8,913</u>	<u>27,776</u>	<u>29,869</u>
Total other sales	68,301	62,392	191,091	183,902
<b>Total sales</b>	<b>1,621,588</b>	<b>1,930,036</b>	<b>5,698,339</b>	<b>5,901,591</b>

<sup>1</sup> The effect of retroactive gas price adjustments related 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 30 September 2019 amounted to RUB nil million. The effects of retroactive gas price adjustments for the nine months ended 30 September 2019 were recorded as an increase in sales by RUB 8,009 million. The effects of retroactive gas price adjustments for the three and nine months ended 30 September 2018 were recorded as a decrease of sales by RUB 109 million and an increase of sales by RUB 37,686 million, respectively. The effects increasing sales were due to recognition of adjustments increasing gas prices for the past periods and due to change of related accruals following agreements reached prior to the issuance of the respective consolidated interim condensed financial information.



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**18 Operating Expenses**

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
Taxes other than on profit	329,674	386,480	1,063,183	1,054,965
Purchased gas and oil	321,773	368,419	1,051,552	1,112,961
Staff costs	189,634	183,560	570,768	562,331
Depreciation	177,169	157,589	525,044	476,136
Transit of gas, oil and refined products	161,144	169,509	497,197	472,992
Cost of goods for resale, including refined products	69,078	63,585	194,924	187,334
Materials	45,430	57,076	192,823	185,621
Repairs and maintenance	46,400	41,249	99,761	93,925
Electricity and heating expenses	31,079	23,797	88,223	81,405
Foreign exchange differences on operating items	16,623	(11,782)	68,013	(20,573)
Social expenses	11,074	8,717	27,389	25,157
Insurance expenses	8,098	8,312	23,575	23,904
Transportation expenses	11,684	6,010	21,398	22,971
Rental expenses	6,851	10,535	19,735	30,001
Processing services	5,498	4,958	15,994	14,079
Research and development expenses	1,896	1,294	11,263	8,823
Impairment loss (reversal of impairment loss) on non-financial assets	3,076	(153)	4,878	5,005
Derivatives gain	(17,415)	(22,227)	(7,364)	(6,072)
Other	72,950	67,940	292,167	244,663
	<b>1,491,716</b>	<b>1,524,868</b>	<b>4,760,523</b>	<b>4,575,628</b>
Change in balances of finished goods, work in progress and other effects	<u>(70,417)</u>	<u>(110,483)</u>	<u>(142,537)</u>	<u>(125,594)</u>
<b>Total operating expenses</b>	<b>1,421,299</b>	<b>1,414,385</b>	<b>4,617,986</b>	<b>4,450,034</b>

Staff costs include RUB 8,778 million and RUB 26,100 million of expenses for provision for post-employment benefits for the three and nine months ended 30 September 2019, respectively, and RUB 11,657 million and RUB 34,940 million for the three and nine months ended 30 September 2018, respectively (see Note 21).

**19 Finance Income and Expense**

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
Foreign exchange gain	157,642	140,237	463,093	363,328
Interest income	<u>23,573</u>	<u>16,717</u>	<u>71,760</u>	<u>53,565</u>
<b>Total finance income</b>	<b>181,215</b>	<b>156,954</b>	<b>534,853</b>	<b>416,893</b>
Foreign exchange loss	145,313	228,549	232,277	597,702
Interest expense	<u>18,158</u>	<u>11,741</u>	<u>55,687</u>	<u>37,420</u>
<b>Total finance expense</b>	<b>163,471</b>	<b>240,290</b>	<b>287,964</b>	<b>635,122</b>

Total interest paid amounted to RUB 44,726 million and RUB 134,095 million for the three and nine months ended 30 September 2019, respectively, and RUB 39,155 million and RUB 121,935 million for the three and nine months ended 30 September 2018, respectively.

Interest expense includes interest expense on lease liabilities under IFRS 16 Leases in the amount of RUB 4,566 million and RUB 12,937 million for the three and nine months ended 30 September 2019, respectively.

Foreign exchange gain and loss for the nine months ended 30 September 2019 and 30 September 2018 were recognised as a result of change in the Euro and the US Dollar exchange rates against the Russian Ruble. Gain and loss primarily related to revaluation of borrowings denominated in foreign currencies.

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**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).

The weighted average number of ordinary shares outstanding, excluding the weighted average number of treasury shares, was 22.6 billion and 22.3 billion for the three and nine months ended 30 September 2019, respectively, and 22.1 billion for the three and nine months ended 30 September 2018.

There are no dilutive financial instruments in the Group.

**21 Provisions**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Provision for post-employment benefits	276,194	226,585
Provision for decommissioning and site restoration	171,535	166,799
Other	<u>34,868</u>	<u>12,938</u>
<b>Total provisions</b>	<b>482,597</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. The 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 104,128 million and RUB 140,878 million as of 30 September 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 30 September 2019 and 31 December 2018 management estimates the fair value of these assets in the amount of RUB 505,748 million and RUB 473,371 million, respectively. The pension plan assets comprise shares of Gazprombank (Joint-stock Company), corporate bonds, investments in mutual funds 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>30 September 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	(401,620)	(276,194)	(332,493)	(226,585)
Fair value of plan assets	<u>505,748</u>	<u>-</u>	<u>473,371</u>	<u>-</u>
<b>Total net assets (liabilities)</b>	<b>104,128</b>	<b>(276,194)</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 30 September</b>		<b>Nine months ended 30 September</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Current service cost	6,869	7,264	20,607	21,790
Net interest expense	<u>1,909</u>	<u>4,393</u>	<u>5,493</u>	<u>13,150</u>
<b>Total expenses included in staff costs within operating expenses</b>	<b>8,778</b>	<b>11,657</b>	<b>26,100</b>	<b>34,940</b>

The principal assumptions used for the measurement of post-employment benefit obligations for the three and nine months ended 30 September 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 7.5 % to 7.3 % resulted in recognition of an actuarial loss in the amount of

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**21 Provisions (continued)**

RUB 12,271 million in other comprehensive income for the three months ended 30 September 2019. The decrease in the discount rate from 8.8 % to 7.3 % resulted in recognition of an actuarial loss in the amount of RUB 80,681 million in other comprehensive income for the nine months ended 30 September 2019. The increase in the discount rate from 7.8 % to 8.7 % resulted in recognition of an actuarial gain in the amount of RUB 52,295 million in other comprehensive income for the three months ended 30 September 2018. The increase in the discount rate from 7.6 % to 8.7 % resulted in recognition of an actuarial gain in the amount of RUB 63,631 million in other comprehensive income for the nine months ended 30 September 2018.

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

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
Actuarial (loss) gain	(12,271)	52,295	(80,681)	63,631
Return on plan assets excluding amounts included in interest expense	5,435	16,826	(4,413)	21,028
Translation differences	93	(148)	499	(343)
<b>Total</b>	<b>(6,743)</b>	<b>68,973</b>	<b>(84,595)</b>	<b>84,316</b>

**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 flow 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 measure a financial instrument at fair value are based on observable data, such 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 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 30 September 2019 and 31 December 2018 the Group had the following assets and liabilities that are measured at fair value:

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**22 Fair Value of Financial Instruments (continued)**

Notes	30 September 2019			
	Level 1	Level 2	Level 3	Total
	<b>Financial assets measured at fair value with changes recognised through profit or loss:</b>			
13	7,689	62,213	1,000	70,902
	26,106	-	-	26,106
	212	-	-	212
	<b>Financial assets measured at fair value with changes recognised through other comprehensive income:</b>			
	-	1	-	1
	<b>34,007</b>	<b>62,214</b>	<b>1,000</b>	<b>97,221</b>
	<b>Financial assets measured at fair value with changes recognised through profit or loss:</b>			
13	5,467	18,233	379	24,079
	-	-	2,095	2,095
	<b>Financial assets measured at fair value with changes recognised through other comprehensive income:</b>			
	402,578	43,594	6,010	452,182
	-	279	-	279
	<b>408,045</b>	<b>62,106</b>	<b>8,484</b>	<b>478,635</b>
	<b>442,052</b>	<b>124,320</b>	<b>9,484</b>	<b>575,856</b>
	<b>Financial liabilities measured at fair value with changes recognised through profit or loss:</b>			
	8,816	53,469	2,613	64,898
	8,539	16,548	1,497	26,584
	<b>17,355</b>	<b>70,017</b>	<b>4,110</b>	<b>91,482</b>

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	7,238	100,041	589	107,868
	25,868	-	-	25,868
	207	-	752	959
	<b>Financial assets measured at fair value with changes recognised through other comprehensive income:</b>			
	-	32	-	32
	<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	9,395	27,998	-	37,393
	-	-	2,131	2,131
	<b>Financial assets measured at fair value with changes recognised through other comprehensive income:</b>			
	365,090	43,594	5,589	414,273
	-	262	-	262
	<b>374,485</b>	<b>71,854</b>	<b>7,720</b>	<b>454,059</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>			
	11,776	83,493	4,221	99,490
	11,622	42,344	529	54,495
	<b>23,398</b>	<b>125,837</b>	<b>4,750</b>	<b>153,985</b>

There were no transfers of financial instruments 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.

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**22 Fair Value of Financial Instruments (continued)**

As of 30 September 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 396,251 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 30 September 2019 the Government directly owns 38.373 % of PJSC Gazprom's issued shares. JSC Rosneftgaz and JSC Rosgazifikatsiya controlled by the Government own 11.859 % of PJSC Gazprom's issued shares.

The Government does not prepare consolidated financial statements for public use. The Governmental economic and social policies affect the Group's financial position, performance 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 30 September 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 30 September 2019 and 31 December 2018 and for the three and nine months ended 30 September 2019 and for the three and nine months ended 30 September 2018, the Group's significant transactions and balances with the Government and parties under the Government control are presented below.

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**23 Related Parties (continued)**

	As of		Three months ended		Nine months ended	
	30 September 2019	30 September 2019	30 September 2019	30 September 2019	30 September 2019	30 September 2019
	Assets	Liabilities	Income	Expenses	Income	Expenses
<b>Transactions and balances with the Government</b>						
Current profit tax	44,002	4,313	-	41,162	-	232,228
Insurance contributions	1,323	9,572	-	35,688	-	114,515
VAT	300,983	104,413	-	-	-	-
Customs duties	38,636	-	-	-	-	-
Other taxes	19,185	138,652	-	303,066	-	991,712
<b>Transactions and balances with entities under control of the Government</b>						
Gas sales	-	-	22,797	-	101,978	-
Electric and heat energy sales	-	-	24,038	-	121,232	-
Gas transportation sales	-	-	10,855	-	33,092	-
Other sales	-	-	1,727	-	3,652	-
Transit of oil and refined products expenses	-	-	-	30,919	-	101,040
Interest expense	-	-	-	4,487	-	13,345
Accounts receivable	42,309	-	-	-	-	-
Short-term financial assets	19,952	-	-	-	-	-
Long-term financial assets	6,316	-	-	-	-	-
Accounts payable	-	30,180	-	-	-	-
Borrowings	-	170,782	-	-	-	-
Short-term lease liabilities	-	6,683	-	-	-	-
Long-term lease liabilities	-	78,278	-	-	-	-

	As of		Three months ended		Nine months ended	
	31 December 2018	31 December 2018	30 September 2018	30 September 2018	30 September 2018	30 September 2018
	Assets	Liabilities	Income	Expenses	Income	Expenses
<b>Transactions and balances with the Government</b>						
Current profit tax	5,011	26,296	-	72,372	-	170,954
Insurance contributions	1,526	9,449	-	32,151	-	107,504
VAT	304,159	140,085	-	-	-	-
Customs duties	11,187	-	-	-	-	-
Other taxes	5,056	172,901	-	360,179	-	983,119
<b>Transactions and balances with entities under control of the Government</b>						
Gas sales	-	-	21,284	-	92,684	-
Electric and heat energy sales	-	-	20,311	-	113,995	-
Gas transportation sales	-	-	11,629	-	33,735	-
Other sales	-	-	1,916	-	5,124	-
Transit of oil and refined products expenses	-	-	-	30,097	-	92,045
Interest expense	-	-	-	1,946	-	8,133
Accounts receivable	45,104	-	-	-	-	-
Short-term financial assets	20,315	-	-	-	-	-
Long-term financial assets	4,742	-	-	-	-	-
Accounts payable	-	18,671	-	-	-	-
Borrowings	-	206,681	-	-	-	-

See the consolidated interim condensed statement of changes in equity for returns of social assets to governmental authorities for the nine months ended 30 September 2019 and for the nine months ended 30 September 2018. See Note 9 for the net book value of social assets vested to the Group at privatisation as of 30 September 2019 and 31 December 2018.

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**23 Related Parties (continued)**

**Transactions with JSC FSC**

Some of the transactions on the wholesale electricity and capacity market are conducted through commission agreements with JSC FSC. The current financial settling system of JSC FSC does not provide the ultimate counterparties with automatically generated 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 30 September 2019		Three months ended 30 September 2019		Nine months ended 30 September 2019	
	Assets	Liabilities	Income	Expenses	Income	Expenses
<b>Transactions and balances with JSC FSC</b>						
Electric and heat energy sales	-	-	34,997	-	122,339	-
Electricity and heating expenses	-	-	-	4,736	-	18,073
Accounts receivable	4,950	-	-	-	-	-
Accounts payable	-	1,563	-	-	-	-

	As of 31 December 2018		Three months ended 30 September 2018		Nine months ended 30 September 2018	
	Assets	Liabilities	Income	Expenses	Income	Expenses
<b>Transactions and balances with JSC FSC</b>						
Electric and heat energy sales	-	-	33,253	-	109,347	-
Electricity and heating expenses	-	-	-	6,095	-	18,966
Accounts receivable	6,920	-	-	-	-	-
Accounts payable	-	1,975	-	-	-	-

**Compensation for Key Management Personnel**

Key management personnel (the members of the Board of Directors and the 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 government officials, do not receive compensation from the Group.

The compensation of the members of the Board of Directors is approved by annual general meetings of the 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. Short-term compensation of key management personnel also includes benefits related to healthcare.

According to the Russian legislation, the Group makes contributions to the 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 key management personnel with medical insurance and liability insurance.



**PJSC Gazprom**  
**Notes to the Consolidated Interim Condensed Financial Information**  
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**23 Related Parties (continued)**

**Associates and Joint Ventures**

For the three and nine months ended 30 September 2019 and for the three and nine months ended 30 September 2018 and as of 30 September 2019 and 31 December 2018 the Group's significant transactions and balances with associates and joint ventures are presented below.

	<b>Three months ended 30 September</b>		<b>Nine months ended 30 September</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>Income</b>		<b>Income</b>	
<b>Gas sales</b>				
Panrusgaz Co.	9,148	22,198	33,343	48,119
JSV Moldovagaz	5,225	5,369	21,567	17,898
CJSC Gazprom YRGM Trading <sup>1</sup>	4,051	3,382	13,317	11,032
JSC Gazprom YRGM Development <sup>1</sup>	2,893	2,416	9,512	7,880
JSC Latvijas Gaze	4,817	11,033	8,196	12,014
Prometheus Gas S.A.	1,965	2,753	7,216	7,230
KazRosGas LLP	1,340	-	7,054	6,761
JSC EUROPOL GAZ	539	710	1,810	1,957
VEMEX s.r.o. and its subsidiaries	31	735	404	2,751
Bosphorus Gaz Corporation A.S.	-	2,046	-	8,784
<b>Gas transportation sales</b>				
CJSC Gazprom YRGM Trading <sup>1</sup>	5,756	5,728	18,525	18,610
JSC Gazprom YRGM Development <sup>1</sup>	4,111	4,092	13,232	13,293
KazRosGas LLP	589	629	2,022	2,053
<b>Crude oil, gas condensate and refined products sales</b>				
PJSC NGK Slavneft and its subsidiaries	8,584	11,485	28,981	33,781
JSC SOVEX	2,190	2,382	5,098	5,407
LLC NPP Neftekhimia	958	1,372	3,439	3,411
LLC Poliom	1,009	1,423	3,037	3,577
Sakhalin Energy Investment Company Ltd.	23	-	2,411	1,985
<b>Field operator services and other services sales</b>				
JSC Messoyakhaneftegaz	839	689	2,751	2,825
PJSC NGK Slavneft and its subsidiaries	619	627	1,906	1,764
<b>Gas refining services sales</b>				
KazRosGas LLP	2,406	2,236	8,256	7,632
<b>Interest income</b>				
Gazprombank (Joint-stock Company) and its subsidiaries	11,239	8,317	36,124	26,582
	<b>Expenses</b>		<b>Expenses</b>	
<b>Purchased gas</b>				
CJSC Gazprom YRGM Trading <sup>1</sup>	11,247	14,324	42,691	45,240
JSC Gazprom YRGM Development <sup>1</sup>	8,037	10,240	30,509	32,340
KazRosGas LLP	9,601	7,895	27,526	22,314
JSC Arcticgas	12,392	12,422	26,945	26,284
Sakhalin Energy Investment Company Ltd.	2,002	3,514	11,060	10,768
CJSC Northgas	1,582	1,687	4,695	4,518
<b>Transit of gas</b>				
Nord Stream AG	19,160	20,473	58,577	59,004
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	8,180	9,269	26,101	26,248
JSC EUROPOL GAZ	3,071	3,334	9,358	9,542
JSV Moldovagaz	400	738	1,373	2,390

**PJSC Gazprom**  
**Notes to the Consolidated Interim Condensed Financial Information**  
**(unaudited)**  
**30 September 2019**  
(in millions of Russian Rubles)

**23 Related Parties (continued)**

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
<b>Purchased crude oil and refined products</b>				
PJSC NGK Slavneft and its subsidiaries	41,209	44,635	121,133	118,089
JSC Messoyakhaneftegas	17,847	18,348	52,272	45,386
JSC Arcticgas	2,177	-	4,915	-
Sakhalin Energy Investment Company Ltd.	19	3,807	3,518	7,362
<b>Gas and gas condensate production</b>				
JSC Achimgaz	11,400	10,905	35,684	27,396
<b>Processing services</b>				
PJSC NGK Slavneft and its subsidiaries	4,104	3,779	11,332	10,854
<b>Transit of crude oil and oil refinery products</b>				
JSC Messoyakhaneftegas	1,801	1,422	4,929	3,931
PJSC NGK Slavneft and its subsidiaries	1,385	980	3,416	2,773
<b>Interest expense</b>				
Gazprombank (Joint-stock Company) and its subsidiaries	2,811	3,030	8,630	9,006

<sup>1</sup> CJSC Gazprom YRGM Trading and JSC Gazprom YRGM Development are not associates and joint ventures.

Under the agreement of subordinated debt the Group provided cash to Gazprombank (Joint-stock Company) in the amount of RUB nil million and RUB 90,000 million for the three and nine months ended 30 September 2019, and RUB 13,743 million and RUB 15,542 million for the three and nine months ended 30 September 2018, respectively.

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

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

	As of 30 September 2019		As of 31 December 2018	
	Assets	Liabilities	Assets	Liabilities
<b>Short-term accounts receivable and prepayments</b>				
JSC Gazstroyprom	43,862	-	46,746	-
JSC Messoyakhaneftegas	12,219	-	1,080	-
Gazprombank (Joint-stock Company)	8,077	-	14,739	-
PJSC NGK Slavneft and its subsidiaries	3,892	-	4,929	-
CJSC Gazprom YRGM Trading	3,732	-	2,488	-
Panrusgas Co.	3,344	-	5,990	-
KazRosGas LLP	2,766	-	2,186	-
JSC Gazprom YRGM Development	2,666	-	1,777	-
Sakhalin Energy Investment Company Ltd.	1,983	-	1,450	-
Prometheus Gas S.A.	822	-	1,468	-
<b>Cash and cash equivalents</b>				
Gazprombank (Joint-stock Company) and its subsidiaries	314,747	-	436,061	-
OJSC Belgazprombank	12,755	-	14,446	-

**PJSC Gazprom**  
**Notes to the Consolidated Interim Condensed Financial Information**  
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**23 Related Parties (continued)**

	As of 30 September 2019		As of 31 December 2018	
	Assets	Liabilities	Assets	Liabilities
<b>Short-term financial assets</b>				
Gazprombank (Joint-stock Company)	24,150	-	30	-
<b>Other current assets</b>				
Gazprombank (Joint-stock Company) and its subsidiaries	362,632	-	705,968	-
OJSC Belgazprombank	3,056	-	11,610	-
<b>Long-term accounts receivable and prepayments</b>				
JSC Gazstroyprom	163,309	-	-	-
TurkAkim Gaz Tasima A.S.	22,730	-	-	-
Sakhalin Energy Investment Company Ltd.	14,485	-	-	-
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	14,057	-	15,869	-
JSC Sibgazpolymer	6,586	-	-	-
LLC National Petroleum Consortium	4,401	-	-	-
Wintershall Noordzee B.V.	3,392	-	3,842	-
JSC Evroteck-Yugra	2,953	-	2,636	-
OJSC Belgazprombank	2,479	-	2,479	-
CJSC Khanty-Mansiysk petroleum alliance	1,153	-	1,060	-
<b>Short-term accounts payable</b>				
PJSC NGK Slavneft and its subsidiaries	-	57,108	-	52,601
JSC Messoyakhaneftegas	-	43,547	-	35,371
Nord Stream AG	-	6,287	-	7,100
JSC Achimgaz	-	5,778	-	5,054
JSC Gazstroyprom	-	5,720	-	-
JSC Arcticgas	-	5,239	-	403
CJSC Gazprom YRGM Trading	-	4,844	-	9,057
KazRosGas LLP	-	3,934	-	2,362
JSC Gazprom YRGM Development	-	3,457	-	6,469
JSC Latvijas Gaze	-	1,535	-	385
JSC EUROPOL GAZ	-	981	-	2,258
Sakhalin Energy Investment Company Ltd.	-	820	-	4,746
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	-	44	-	2,345
<b>Short-term borrowings (including current portion of long-term borrowings)</b>				
Gazprombank (Joint-stock Company) and its subsidiaries	-	27,878	-	55,475
<b>Long-term borrowings</b>				
Gazprombank (Joint-stock Company)	-	140,856	-	37,905

Accounts receivable due from JSV Moldovagaz were RUB nil million as of 30 September 2019 and 31 December 2018 net of allowance for expected credit losses in the amount of RUB 420,535 million and RUB 431,660 million as of 30 September 2019 and 31 December 2018, respectively.

Accounts receivable for gas due from Overgas Inc. AD were RUB nil million as of 30 September 2019 and 31 December 2018 net of allowance for expected credit losses in the amount of RUB 7,368 million and RUB 7,307 million as of 30 September 2019 and 31 December 2018, respectively.

Borrowings from Gazprombank (Joint-stock Company) were 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 30 September 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 defence to the claim from NJSC Naftogaz of Ukraine and a counter-claim, in which it adjusted the amount claimed to 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 adjusted amount claimed by 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 adjusted amount claimed by NJSC Naftogaz of Ukraine against 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 the stated interim (separate) award and to annul it partially. Hearings into the petition filed by PJSC Gazprom were held in October 2019. On 27 November 2019 the Court of Appeal of Svea, Sweden, rejected the petition filed by PJSC Gazprom.

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 metres 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 the 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 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");

**24 Commitments and Contingencies (continued)**

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 consolidate 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 adjusted amount of the claims 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 half of 2016 and 2017. The total amount of the claims 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 these claims 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 totalling 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 the stated final award of 28 February 2018 and to annul it partially. On 13 June 2018 the court rendered a 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 are scheduled for September-October 2020.

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 reasoned objections 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 debt payable to PJSC Gazprom (with such debt remaining at the disposal of the Group's Dutch 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.

According to media reports, in October 2019 the District Court of Amsterdam permitted NJSC Naftogaz of Ukraine to issue an injunction seizing the shares in South Stream Transport B.V., the operator of the TurkStream project. This will not affect the construction or operation of the TurkStream offshore gas pipeline. The shares in South Stream Transport B.V. are still owned by Group entities.

**24 Commitments and Contingencies (continued)**

On 22 June 2018 PJSC Gazprom received an order of the High Court of Justice of England and Wales dated 18 June 2018 for the seizure of PJSC Gazprom's assets in England and Wales as requested by NJSC Naftogaz of Ukraine 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 Justice 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 enforcement of the decision of the Stockholm arbitration court in the transit case dated 28 February 2018. 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 enforcement 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. As part of the proceedings in the case on recognition and execution of the award of the Stockholm arbitration court, in 2019 PJSC Gazprom made security payments totalling USD 345 million to the High Court of Justice of England and Wales.

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. On 8 July 2019 the Court of Luxembourg rejected PJSC Gazprom's motion to challenge the seizure. Despite the fact that PJSC Gazprom had not been served with the decision, the company appealed against it. Hearings into the complaint made by PJSC Gazprom are scheduled for January 2020.

On 5 November 2019 PJSC Gazprom became aware of the fact that NJSC Naftogaz of Ukraine had filed a motion with the City of Riga Vidzeme District Court (Latvia) to recognise and enforce the decision of the Stockholm arbitration court in the transit case dated 28 February 2018 in Latvia and to issue an injunction. Court sittings related to that motion are scheduled for the end of April 2020. PJSC Gazprom is exploring the ways to protect its interests.

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 a 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 motion 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. 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 1 November 2019 as part of these arbitration proceedings NJSC Naftogaz of Ukraine submitted a claim to the court with arguments in support of its objections to the claim made by PJSC Gazprom and claims to change the tariff for gas transit through Ukraine. On 28 December 2018 the arbitration panel was formed. Hearings in the case are scheduled for April-May 2021.

**24 Commitments and Contingencies (continued)**

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 30 September 2019 – RUB 101,825 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. 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. Hearings in the case were held in May 2019. On 4 July 2019 the Court of Appeal of Svea, Sweden, fully rejected Lithuania's motion to annul the award of the Stockholm arbitration court dated 22 June 2016. On 1 August 2019 it became known to PJSC Gazprom that Lithuania had appealed to the Supreme Court of Sweden.

In December 2015 South Stream Transport B.V., a subsidiary of the Group, was served with an official notification by the Secretariat of the 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 30 September 2019 – RUB 43,244 million). 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 30 September 2019 – RUB 229,714 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 2017 the Antimonopoly Committee of Ukraine filed a request with the Department of the 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 an 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 30 September 2019 – RUB 505,370 million), including an execution fee of 17,193 million Ukrainian hryvnia (at the exchange rate as of 30 September 2019 – RUB 45,943 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, 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 owned by PJSC Gazprom. 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 (estimated value – 6,241,386 Ukrainian hryvnia) 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 (estimated value – 44.22 million Ukrainian hryvnia) 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



**24 Commitments and Contingencies (continued)**

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. Hearings in the case are pre-scheduled for June 2021 (the date may be later rescheduled by the arbitration panel).

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 the EU member countries from 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.

These claims relate to issues covered by the European Commission investigation of PJSC Gazprom's and LLC Gazprom export's operation in the countries from Central and Eastern Europe, which formal phase was initiated in 2012 and finalised in 2018. On 17 April 2019 that complaint was rejected by the European Commission. In June 2019 PGNiG S.A. filed with the General Court of the EU a petition in respect of the rejection of that complaint by the European Commission.

On 4 May 2018 PJSC Gazprom received a notice from Poland's antimonopoly authority on initiation of investigation 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 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.

On 7 May 2019 the European Commission received a complaint from NJSC Naftogaz of Ukraine stating that PJSC Gazprom and its subsidiaries allegedly violated Article 102 of the Treaty on the Functioning of the EU. NJSC Naftogaz of Ukraine brings the following main charges in its complaint:

- 1) making "predatory" investments when implementing the Nord Stream 2 project;
- 2) blocking the virtual reverse flow of gas to Ukraine;
- 3) abusing PJSC Gazprom's dominance in pipeline gas export;
- 4) "margin decrease" when making gas supplies to the Federal Republic of Germany.

Based on the complaint, the European Commission registered case No. AT.40643. This does not necessarily entail formal investigation and does not constitute an accusation of PJSC Gazprom in violating the antitrust law of the EU.

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 financial performance or the financial position of the Group.

On 25 July 2019 Nord Stream 2 AG, a subsidiary of the Group, filed with the General Court of the EU a petition to declare the amendments to the EU Third Gas Directive entered into force on 23 May 2019 concerning the

**24 Commitments and Contingencies (continued)**

regulation of gas transmission from third countries, including the Russian Federation, invalid and to annul them because of their discriminatory nature, an infringement of the principles of equal treatment and proportionality, misuse of powers, as well as breach of procedural requirements.

On 26 July 2019 Nord Stream AG, a joint venture of the Group, filed with the General Court of the EU a petition to declare the amendments to the EU Third Gas Directive invalid as regards the provision setting forth the unreasonably short deadline for EU member states to grant derogations from provisions of the EU Third Gas Directive, which made it significantly less probable to obtain derogations.

On 26 September 2019 Nord Stream 2 AG sent a notification to the European Commission about the initiation of arbitration proceedings by the ad hoc arbitration tribunal established under the UNCITRAL Arbitration Rules against the EU under the Energy Charter Treaty. Nord Stream 2 AG believes that by making discriminatory amendments to the EU Third Gas Directive, the EU has breached its obligations under Articles 10 and 13 of the Energy Charter Treaty.

**Sanctions**

Since 2014 the EU, the United States (“U.S.”) and some other countries have 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. citizen and legal entities incorporated in the U.S. (including their foreign branches) and any person or entity in the U.S. or related to the territory of the 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 new equity, property, or interests in 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 new equity, property, or interests in 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 the 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.

**PJSC Gazprom**  
**Notes to the Consolidated Interim Condensed Financial Information**  
**(unaudited)**  
**30 September 2019**  
**(in millions of Russian Rubles)**

**24 Commitments and Contingencies (continued)**

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

1) provision of drilling, well 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 investment services for or assisting 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 the banking sector, including Gazprombank (Joint-stock Company), but excluding PJSC Gazprom;

3) purchasing, selling and providing 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 directly or indirectly making 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 financial performance.

**Financial Guarantee Contracts**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Guarantees issued for:		
Nord Stream AG	114,958	136,086
Sakhalin Energy Investment Company Ltd.	51,658	66,317
LLC Stroygazconsulting	-	87,094
Other	<u>71,447</u>	<u>31,171</u>
<b>Total financial guarantee contracts</b>	<b><u>238,063</u></b>	<b><u>320,668</u></b>

For the nine months ended 30 September 2019 and in 2018 counterparties fulfilled their contractual obligations.

**24 Commitments and Contingencies (continued)**

Financial guarantee contracts include financial guarantees denominated in US Dollars of USD 802 million and USD 955 million as of 30 September 2019 and 31 December 2018, respectively, as well as amounts denominated in Euros of EUR 2,302 million and EUR 1,879 million as of 30 September 2019 and 31 December 2018, respectively.

In June 2008 the Group pledged the shares of Sakhalin Energy Investment Company Ltd. to the agent bank Mizuho Bank Ltd. under the loan obligations of Sakhalin Energy Investment Company Ltd. As of 30 September 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 51,658 million (USD 802 million) and RUB 66,317 million (USD 955 million), respectively.

In March 2010 the Group pledged the shares of Nord Stream AG to the agent bank Societe Generale under the obligations of Nord Stream AG under the project financing agreement. As of 30 September 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 114,958 million (EUR 1,635 million) and RUB 136,086 million (EUR 1,713 million), respectively.

Since December 2017 to January 2019 the Group provided guarantees to Gazprombank (Joint-stock Company) for LLC Stroygazconsulting under its loan obligations. As of 30 September 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 the 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 2,125,943 million.

**Gas Transportation Commitments**

The Group is a party to a number of long-term agreements on booking capacity for gas transportation. As of 30 September 2019 these agreements are not expected to be onerous for the Group.

**25 Events After Reporting Period**

*Borrowings*

In October-November 2019 the Group obtained long-term loans from a consortium of banks in the total amount of EUR 433 million at an interest rate of EURIBOR + 1.6 % and due in 2021 under the agreement concluded in December 2018. Intesa Sanpaolo Bank Luxembourg S.A. was appointed as the agent bank.

In November 2019 the Group issued Russian bonds in the amount of RUB 25,000 million at an interest rate of 6.85 % and due in 2024.

*Treasury shares*

In November 2019 the Group sold 850,590,751 ordinary shares of PJSC Gazprom, which represent 3.59 % of the share capital, for 220.72 Russian Rubles per share by using the stock exchange transaction technology of PJSC Moscow Exchange MICEX-RTS.

**PJSC Gazprom**  
**Investors Relations**

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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)