

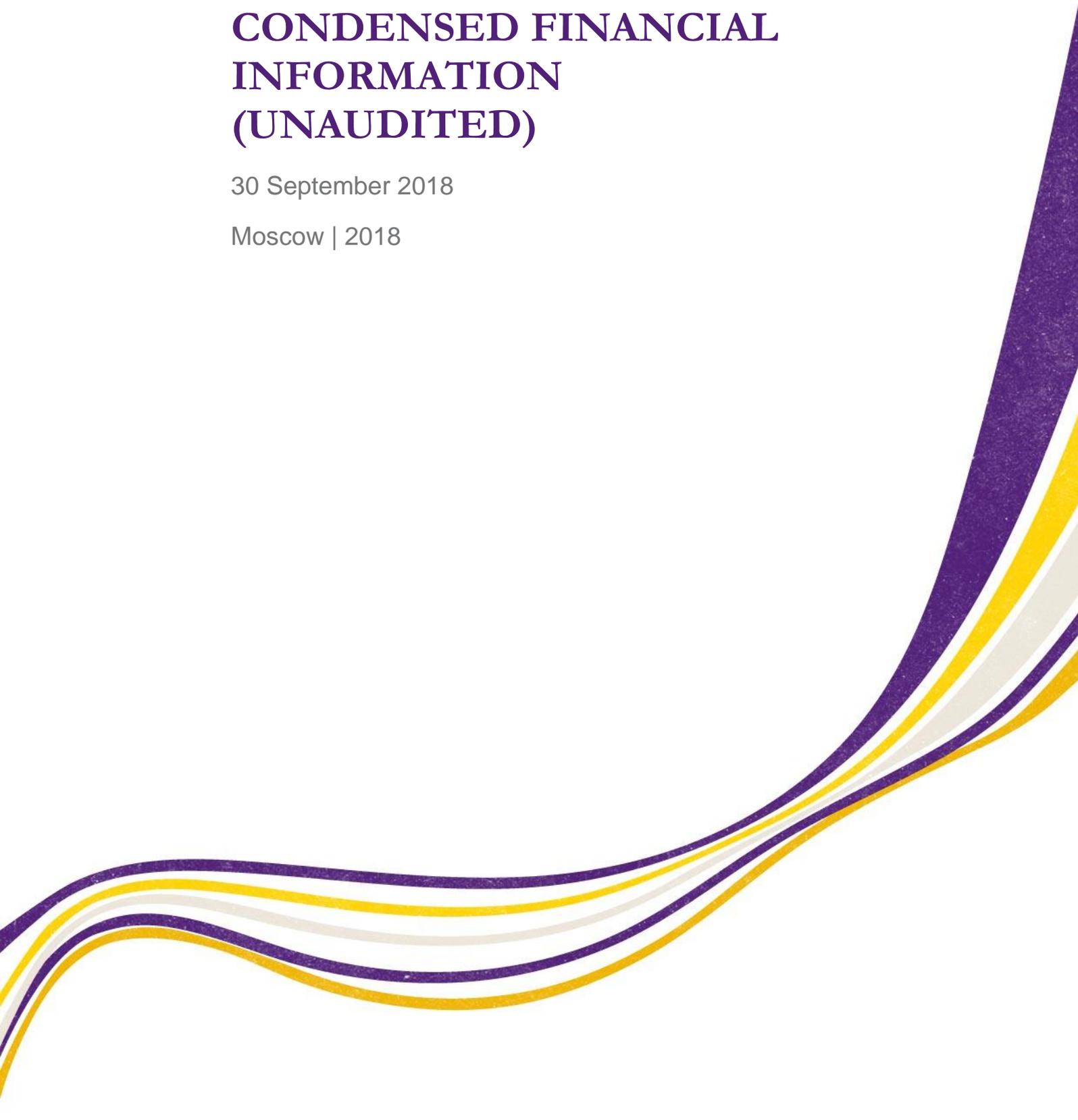
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PJSC GAZPROM

IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2018

Moscow | 2018



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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 2018 and the related consolidated interim condensed statement of comprehensive income for the three and nine months ended 30 September 2018, the consolidated interim condensed statements of cash flows and changes in equity for the nine months ended 30 September 2018 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 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.

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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:

29 November 2018

Audited entity

Name:

Public Joint Stock Company Gazprom (PJSC Gazprom).

Address of the legal entity within its location:

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

Official registration:

State Registration Certificate No. 002.726, issued by Moscow Registration Chamber on 25 February 1993. The registration entry was made in the Unified State Register of Legal Entities on 2 August 2002 under principal state registration number 1027700070518.

Auditor

Name:

FBK, LLC.

Address of the legal entity within its location:

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

Official registration:

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

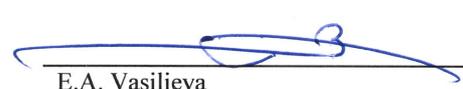
Membership in self-regulatory organization of auditors:

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

PJSC GAZPROM
CONSOLIDATED INTERIM CONDENSED BALANCE SHEET (UNAUDITED)
AS OF 30 SEPTEMBER 2018
(in millions of Russian Rubles)

Notes	30 September 2018	31 December 2017
Assets		
Current assets		
6	885,721	869,007
	62,600	31,057
7	1,085,447	1,122,724
8	938,999	772,314
	125,977	119,881
12	<u>728,325</u>	<u>554,283</u>
	3,827,069	3,469,266
Non-current assets		
9	13,377,197	12,545,079
	107,497	105,469
10	1,016,734	867,445
11	670,553	669,286
21	422,103	268,432
12	<u>514,009</u>	<u>313,793</u>
	16,108,093	14,769,504
	19,935,162	18,238,770
Liabilities and equity		
Current liabilities		
	1,364,943	1,378,182
	32,623	59,922
	312,621	276,607
	<u>782,760</u>	<u>874,805</u>
	2,492,947	2,589,516
Non-current liabilities		
13	2,729,567	2,391,713
20	483,002	469,453
14	774,709	699,413
	<u>129,177</u>	<u>73,194</u>
	4,116,455	3,633,773
	6,609,402	6,223,289
Equity		
15	325,194	325,194
15	(235,919)	(235,919)
	<u>12,786,824</u>	<u>11,539,811</u>
	12,876,099	11,629,086
	<u>449,661</u>	<u>386,395</u>
	13,325,760	12,015,481
	19,935,162	18,238,770


A.B. Miller
Chairman of the Management Committee
29 November 2018


E.A. Vasilieva
Chief Accountant
29 November 2018

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

PJSC GAZPROM
CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2018
(in millions of Russian Rubles)

Notes		Three months ended		Nine months ended	
		30 September		30 September	
		2018	2017	2018	2017
16	Sales	1,930,036	1,431,662	5,901,591	4,641,596
	Net gain (loss) from trading activity	9,342	5,918	7,048	(14,409)
17	Operating expenses	(1,414,385)	(1,214,231)	(4,450,034)	(3,876,133)
	Impairment loss on financial assets	<u>(19,315)</u>	<u>(11,666)</u>	<u>(73,654)</u>	<u>(55,020)</u>
	Operating profit	505,678	211,683	1,384,951	696,034
18	Finance income	156,954	102,305	416,893	338,349
18	Finance expense	(240,290)	(78,710)	(635,122)	(318,337)
10	Share of profit of associates and joint ventures	<u>57,597</u>	<u>27,861</u>	<u>149,180</u>	<u>83,830</u>
	Profit before profit tax	479,939	263,139	1,315,902	799,876
	Current profit tax expense	(78,169)	(47,657)	(181,390)	(130,819)
	Deferred profit tax expense	<u>(1,235)</u>	<u>(7,911)</u>	<u>(70,426)</u>	<u>(53,432)</u>
	Profit tax	(79,404)	(55,568)	(251,816)	(184,251)
	Profit for the period	400,535	207,571	1,064,086	615,625
	Other comprehensive income (loss):				
	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	83,309	7,138	154,315	(33,089)
20	Remeasurement of provision for post-employment benefits	<u>68,973</u>	<u>(44,515)</u>	<u>84,316</u>	<u>(58,751)</u>
	Total other comprehensive income (loss) that will not be reclassified to profit or loss	152,282	(37,377)	238,631	(91,840)
	Items that may be reclassified subsequently to profit or loss:				
	Share of other comprehensive income of associates and joint ventures	1,657	356	3,315	2,481
	Translation differences	57,733	(1,372)	148,670	21,741
	Gain (loss) from hedging operations, net of tax	<u>8,341</u>	<u>799</u>	<u>35,292</u>	<u>(3,624)</u>
	Total other comprehensive income (loss) that may be reclassified subsequently to profit or loss	67,731	(217)	187,277	20,598
	Total other comprehensive income (loss) for the period, net of tax	220,013	(37,594)	425,908	(71,242)
	Comprehensive income for the period	620,548	169,977	1,489,994	544,383
	Profit for the period attributable to:				
	Owners of PJSC Gazprom	386,446	200,488	1,017,250	581,834
	Non-controlling interest	<u>14,089</u>	<u>7,083</u>	<u>46,836</u>	<u>33,791</u>
		400,535	207,571	1,064,086	615,625
	Comprehensive income for the period attributable to:				
	Owners of PJSC Gazprom	603,019	161,156	1,434,403	504,183
	Non-controlling interest	<u>17,529</u>	<u>8,821</u>	<u>55,591</u>	<u>40,200</u>
		620,548	169,977	1,489,994	544,383
19	Basic and diluted earnings per share attributable to the owners of PJSC Gazprom (in Russian Rubles)	17.49	9.07	46.03	26.33

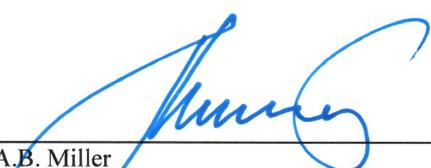

A.B. Miller
Chairman of the Management Committee
29 November 2018

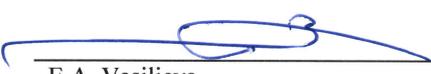

E.A. Vasilieva
Chief Accountant
29 November 2018

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

PJSC GAZPROM
CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018
(in millions of Russian Rubles)

Notes	Nine months ended 30 September		
	2018	2017	
	Cash flows from operating activities		
	Profit before profit tax	1,315,902	799,876
	Adjustments to profit before profit tax for		
17	Depreciation	476,136	448,579
18	Net finance expense (income)	218,229	(20,012)
10	Share of profit of associates and joint ventures	(149,180)	(83,830)
	Impairment loss on assets and change in provision for post-employment benefits	113,599	97,679
17	Derivatives gain	(6,072)	(11,699)
	Other	<u>9,001</u>	<u>(15,105)</u>
	Total effect of adjustments	<u>661,713</u>	<u>415,612</u>
	Cash flows from operating activities before working capital changes	1,977,615	1,215,488
	Increase in non-current assets	(5,569)	(1,936)
	Increase in non-current liabilities	5,251	7,479
	Changes in working capital	(337,673)	(417,746)
	Profit tax paid	<u>(213,276)</u>	<u>(190,468)</u>
	Net cash from operating activities	1,426,348	612,817
	Cash flows from investing activities		
	Capital expenditures	(1,191,595)	(987,823)
18	Interest capitalised and paid	(99,771)	(95,263)
	Net change in loans issued	13,513	9,950
	Acquisition of subsidiaries, net of cash acquired	(922)	(16)
	Investments in associates and joint ventures	(26,542)	(92,464)
	Interest received	70,376	42,254
	Change in long-term financial assets measured at fair value through other comprehensive income	7,423	473
	Proceeds from associates and joint ventures	61,514	40,048
	Proceeds from the sale of associates	-	487
	Proceeds from the sale of subsidiaries	577	-
	Placement of long-term bank deposits	(6,321)	(2,596)
	Repayment of long-term bank deposits	42,788	-
	Other	<u>(55,488)</u>	<u>1,013</u>
	Net cash used in investing activities	(1,184,448)	(1,083,937)
	Cash flows from financing activities		
	Proceeds from long-term borrowings	708,190	643,107
	Repayment of long-term borrowings (including current portion of long-term borrowings)	(779,447)	(425,909)
	Proceeds from short-term borrowings	32,774	112,127
	Repayment of short-term borrowings	(60,050)	(51,587)
	Dividends paid	(187,659)	(191,730)
18	Interest paid	(22,164)	(24,086)
	Acquisition of non-controlling interest in subsidiaries	(139)	(124)
	Proceeds from the sale of non-controlling interest in subsidiaries	20,728	-
	Other	<u>2,943</u>	<u>774</u>
	Net cash (used in) from financing activities	(284,824)	62,572
	Effect of foreign exchange rate changes on cash and cash equivalents	59,638	11,492
	Increase (decrease) in cash and cash equivalents	16,714	(397,056)
6	Cash and cash equivalents at the beginning of the period	<u>869,007</u>	<u>896,728</u>
6	Cash and cash equivalents at the end of the period	885,721	499,672


A.B. Miller
Chairman of the Management Committee
29 November 2018


E.A. Vasilieva
Chief Accountant
29 November 2018

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

PJSC GAZPROM
CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018
(in millions of Russian Rubles)

Notes	Attributable to the owners of PJSC Gazprom							
	Number of shares out-standing (billions)	Share capital	Treasury shares	Retained earnings and other reserves	Total	Non-controlling interest	Total equity	
	Nine months ended 30 September 2017							
	Balance as of 31 December 2016	22.1	325,194	(235,919)	11,005,256	11,094,531	347,308	11,441,839
	Profit for the period	-	-	-	581,834	581,834	33,791	615,625
	Other comprehensive income (loss):							
	Loss arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	-	-	-	(33,089)	(33,089)	-	(33,089)
20	Remeasurement of provision for post-employment benefits	-	-	-	(58,734)	(58,734)	(17)	(58,751)
	Share of other comprehensive income of associates and joint ventures	-	-	-	2,481	2,481	-	2,481
	Translation differences	-	-	-	15,718	15,718	6,023	21,741
	(Loss) gain from hedging operations, net of tax	-	-	-	(4,027)	(4,027)	403	(3,624)
	Comprehensive income for the nine months ended 30 September 2017	-	-	-	504,183	504,183	40,200	544,383
	Change in non-controlling interest in subsidiaries	-	-	-	592	592	(683)	(91)
	Return of social assets to the balance of governmental authorities	-	-	-	(15)	(15)	-	(15)
	Dividends declared	-	-	-	(177,680)	(177,680)	(13,608)	(191,288)
	Balance as of 30 September 2017	22.1	325,194	(235,919)	11,332,336	11,421,611	373,217	11,794,828
	Nine months ended 30 September 2018							
	Balance as of 31 December 2017	22.1	325,194	(235,919)	11,539,811	11,629,086	386,395	12,015,481
4	Effect of changes in accounting policies	-	-	-	(13,086)	(13,086)	(140)	(13,226)
	Balance as of 1 January 2018 (restated)	22.1	325,194	(235,919)	11,526,725	11,616,000	386,255	12,002,255
	Profit for the period	-	-	-	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
20	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
	Comprehensive income for the nine months ended 30 September 2018	-	-	-	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)
	Balance as of 30 September 2018	22.1	325,194	(235,919)	12,786,824	12,876,099	449,661	13,325,760

A.B. Miller
Chairman of the Management Committee
29 November 2018

E.A. Vasilieva
Chief Accountant
29 November 2018

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

PJSC GAZPROM
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)
30 SEPTEMBER 2018
(in millions of Russian Rubles)

1 GENERAL INFORMATION

Public Joint Stock Company Gazprom (PJSC Gazprom) and its subsidiaries (the “Group” or “Gazprom Group”) operate one of the largest gas pipeline systems in the world, provide for the major part of natural gas production and high-pressure gas transportation in the Russian Federation. The Group is also a major supplier of gas to European countries. The Group is engaged in oil production, oil refining, electric and heat energy generation. The Government of 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, works and 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, situation in Ukraine, the current situation with sanctions, uncertainty and volatility of the 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 2018 – 65.5906 (as of 30 September 2017 – 58.0169);
- as of 31 December 2017 – 57.6002 (as of 31 December 2016 – 60.6569).

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 2018 – 76.2294 (as of 30 September 2017 – 68.4483);
- as of 31 December 2017 – 68.8668 (as of 31 December 2016 – 63.8111).

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. 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 and regulatory situation and its impact on the Group’s operations may differ from management’s current expectations.

3 BASIS OF PRESENTATION

This consolidated interim condensed financial information is prepared in accordance with requirements of IAS 34 Interim Financial Reporting. The consolidated interim condensed financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2017 prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

The significant accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2017, except for the application of new standards that became effective on 1 January 2018.

Profit tax for the interim periods is accrued using a tax rate that would be applicable to expected total annual earnings.

Application of New Standards

• **IFRS 9 Financial Instruments (issued in November 2009 and effective for annual periods beginning on or after 1 January 2018)**

a) Classification and measurement of financial assets

The Group classifies financial assets into three measurement categories: those measured subsequently at amortised cost, those measured subsequently at fair value with changes recognised in other comprehensive income, and those measured subsequently at fair value with changes recognised in profit or loss.

Financial assets measured subsequently at amortised cost

Such category of financial assets includes assets held to obtain contractual cash flows and it is expected that they will result in cash flows being solely payments of principal and interest.

There were no changes in classification of financial assets that previously were also measured at amortised cost.

Financial assets measured subsequently at fair value with changes recognised through other comprehensive income

Such category of financial assets includes debt-type assets held within business models whose objective is achieved by both collecting contractual cash flows and selling financial assets and it is expected that they will result in cash flows being solely payments of principal and interest.

Gain or loss associated with this category of financial assets are recognised in other comprehensive income, except for impairment gain or loss, interest income and foreign exchange gain and loss, which are recognised in profit or loss. When a financial asset is disposed of, cumulative previous gains or losses that have been recognised in other comprehensive income are reclassified from equity to profit or loss in the consolidated statement of comprehensive income. Interest income from these financial assets is calculated using the effective interest method and included in financial income.

The Group's management can make an irrevocable decision to recognise changes in fair value of equity instruments in other comprehensive income if the instrument is not held for trading. The Group's management has made a decision to recognise changes in fair value of the majority of equity instruments in other comprehensive income as such instruments are considered to be long-term strategic investments which are not expected to be sold in the short and medium term. Other comprehensive income or loss from changes in fair value of such instruments shall not be subsequently reclassified to profit or loss in the consolidated statement of comprehensive income.

These instruments were previously recognised by the Group in available-for-sale financial assets with changes in fair value recognised in other comprehensive income.

Financial assets measured subsequently at fair value with changes recognised through profit or loss

Financial assets that do not meet the criteria of recognition as financial assets measured at amortised cost or measured at fair value through other comprehensive income are measured at fair value through profit or loss. Such financial assets of the Group mainly include derivative financial instruments and financial instruments held for trading, as well as some equity instruments for which the Group has not made a decision to recognise changes in their fair value in other comprehensive income.

These instruments previously met the fair value with changes recognised through profit or loss criteria.

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

b) Impairment of financial assets

The Group applies the expected credit loss model to financial assets measured at amortised cost and at fair value through other comprehensive income, except for investments in equity instruments, and to contract assets.

The allowance for expected credit losses for a financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial asset has not increased significantly since initial recognition, the allowance for expected credit losses for that financial asset is measured at an amount equal to 12-month expected credit losses.

For trade receivables or contract assets, whether they contain a significant financing component or not, measurement based on lifetime expected credit losses is applied.

The applying of the new model resulted in insignificant increase in the amount of the allowance for expected credit losses.

c) Classification and measurement of financial liabilities

The Group classifies all financial liabilities as measured subsequently at amortised cost, except for:

- financial liabilities measured at fair value through profit or loss. Such liabilities, including derivative financial instruments, are measured subsequently at fair value;
- financial guarantee contracts. After initial recognition financial guarantee contracts are measured at the higher of the amount of loss allowance and the amount initially recognised less cumulative revenue recognised in accordance with IFRS 15 Revenue from Contracts with Customers;
- contingent consideration recognised in a business combination for which IFRS 3 Business Combinations is applied. Such contingent consideration is measured subsequently at fair value with changes recognised in profit or loss.

The Group does not choose to classify any financial liabilities as measured at fair value through profit or loss.

The Group previously applied similar classification and measurement of financial liabilities.

d) Hedge accounting

The Group's management has made a decision to apply the hedge accounting requirements of IFRS 9 Financial Instruments.

The Group applies hedge accounting to derivative financial instruments designated as hedging instruments. The Group applies the cash flow hedge to manage variability in cash flows that results from fluctuations in foreign exchange rates attributable to highly probable forecast transactions.

A qualifying hedging instrument must be designated in its entirety as a hedging instrument.

The effective portion of fair value changes of hedging instrument is recognised in other comprehensive income. Any remaining gains or losses on the hedging instrument that are hedge ineffectiveness are immediately recognised in profit or loss.

The effective portion of hedging is reclassified from equity to profit or loss as a reclassification adjustment in the same period during which the hedged expected future cash flows affect profit or loss. However, if all or a portion of that amount is not expected to be recovered in one or more future periods, the amount that is not expected to be recovered is immediately reclassified into profit or loss as a reclassification adjustment.

If the hedging instrument expires or is sold or the instrument no longer meets the criteria for hedge accounting, the cumulative gain and loss that has been recognised in equity remains in equity until the forecast transaction occurs. If the forecast transaction on hedging instrument is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in equity is immediately reclassified to profit or loss.

PJSC GAZPROM
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)
30 SEPTEMBER 2018
(in millions of Russian Rubles)

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

Previously the Group applied hedge accounting to the same derivatives designated as hedging instruments.

Thus, application of IFRS 9 Financial Instruments has not had a significant effect on the consolidated interim condensed financial information of the Group. The Group applied IFRS 9 Financial Instruments retrospectively and used an option not to restate prior periods in respect of new requirements. The effect of applying IFRS 9 Financial Instruments 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 2018.

	<u>1 January 2018</u>
Impairment loss on financial assets measured at amortised cost, net of tax	(2,696)
Revaluation of financial assets measured at fair value with changes recognised through profit or loss	1,015
Decrease in the cost of investment in associate Gazprombank (Joint-stock Company)	<u>(11,545)</u>
Total decrease in equity	<u>(13,226)</u>

• **IFRS 15 Revenue from Contracts with Customers (issued in May 2014 and effective for annual periods beginning on or after 1 January 2018)**

Revenue is recognised as the obligation to perform is fulfilled by transferring a promised good or service to a customer. An asset is transferred when the control over such asset is passed to the customer.

Except for the requirement for more detailed disclosure of revenue by geographic segments (see Note 16), application of IFRS 15 Revenue from Contracts with Customers has not had a significant effect on the consolidated interim condensed financial information of the Group. Therefore, comparative data and opening balance of retained earnings and other reserves and non-controlling interest as of 1 January 2018 have not been restated.

Application of Interpretations and Amendments to Standards

A number of interpretations and amendments to current standards became effective after 1 January 2018:

- IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued in December 2016) provides requirements for recognising a non-monetary asset or a non-monetary obligation arising as a result of committing or receiving prepayment until the recognition of the related asset, income or expense.
- The amendments to IFRS 2 Share-based Payment (issued in June 2016). These amendments clarify accounting for a modification to the terms and conditions of a share-based payment and for withholding tax obligations on share-based payment transactions.
- The amendments to IAS 40 Investment Property (issued in December 2016). These amendments clarify the criteria for the transfer of objects in the category or from the category of investment property.

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

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

Certain new standards, interpretations and amendments to standards have been issued that are mandatory for the annual periods beginning on or after 1 January 2019. In particular, the Group has not early adopted the standards, interpretations and amendments to standards:

- IFRS 16 Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The standard replaces the IAS 17 Leases and establishes a general accounting model for all types of lease agreements in the statement of financial position which is consistent to applicable principles of the financial lease accounting. Lessees are required to recognise assets and liabilities under lease agreements except cases specifically mentioned. Insignificant changes in the applicable accounting required IAS 17 Leases are implemented for lessors.

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

- IFRIC 23 Uncertainty over Income Tax Treatments (issued in June 2017 and effective for annual periods beginning on or after 1 January 2019) provides requirements in respect of recognising and measuring of a tax liability or a tax asset when there is uncertainty over income tax treatments.
- The amendments to IAS 28 Investments in Associates and Joint Ventures (issued in October 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify that long-term interests in an associate or joint venture that form a part of the net investments in the associate or joint venture should be accounted in accordance with IFRS 9 Financial Instruments.
- The amendments to IAS 23 Borrowing Costs (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify which borrowing costs are eligible for capitalisation in particular circumstances.
- The amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). The amendments clarify how obtaining control (or joint control) of a business that is a joint operation should be accounted if the entity already holds an interest in that business.
- The amendments to IAS 19 Employee Benefits (issued in February 2018 and effective for annual periods beginning on or after 1 January 2019). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs.
- The amendments to IFRS 3 Business Combinations (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020). These amendments clarify the definition of a business and simplify assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

The Group is currently assessing the impact of the new standard, the interpretation and the amendments on its financial position and results of operations.

5 SEGMENT INFORMATION

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

The Board of Directors and Management Committee of PJSC Gazprom (the “Governing bodies”) provide general management of the Group, an assessment of the operating results and allocate resources using different internal financial information.

Based on that the following reportable segments within the Group were determined:

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

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

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

- Production of gas – sales of gas to the Distribution of gas and Refining segments;
- Transportation – rendering transportation services to the Distribution of gas segment;
- Distribution of gas – sales of gas to the Transportation segment for own needs and to the Electric and heat energy generation and sales segment;
- Gas storage – sales of gas storage services to the Distribution of gas segment;

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5 SEGMENT INFORMATION (continued)

- Production of crude oil and gas condensate – sales of oil and gas condensate to the Refining segment for further processing;
- Refining – sales of refined hydrocarbon products to other segments.

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

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

	Production of gas	Transportation	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
<u>Nine months ended</u>									
<u>30 September 2018</u>									
Sales of segments	<u>695,578</u>	<u>866,694</u>	<u>3,233,341</u>	<u>44,895</u>	<u>1,137,855</u>	<u>1,591,629</u>	<u>361,769</u>	<u>269,073</u>	<u>8,200,834</u>
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
Financial result of segments	<u>6,638</u>	<u>41,532</u>	<u>617,785</u>	<u>7,717</u>	<u>317,317</u>	<u>155,818</u>	<u>32,317</u>	<u>33,515</u>	<u>1,212,639</u>
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
<u>Nine months ended</u>									
<u>30 September 2017</u>									
Sales of segments	<u>712,531</u>	<u>842,221</u>	<u>2,500,209</u>	<u>41,549</u>	<u>840,719</u>	<u>1,232,907</u>	<u>349,599</u>	<u>260,581</u>	<u>6,780,316</u>
Inter-segment sales	695,548	667,693	184,961	38,752	452,766	6,097	-	-	2,045,817
External sales	16,983	174,528	2,315,248	2,797	387,953	1,226,810	349,599	260,581	4,734,499
Financial result of segments	<u>74,592</u>	<u>42,790</u>	<u>130,976</u>	<u>4,668</u>	<u>186,249</u>	<u>40,509</u>	<u>38,490</u>	<u>2,069</u>	<u>520,343</u>
Depreciation	139,255	387,360	13,630	21,181	86,376	34,172	35,432	25,690	743,096
Share of profit of associates and joint ventures	5,076	14,384	2,815	59	50,422	2,206	104	8,764	83,830

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5 SEGMENT INFORMATION (continued)

	Production of gas	Transportation	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
Three months ended 30 September 2018									
Sales of segments	219,761	311,497	971,318	14,253	466,502	596,243	87,596	95,298	2,762,468
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
Financial result of segments	(22,425)	27,783	234,826	606	162,513	35,979	(8,282)	9,408	440,408
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
Three months ended 30 September 2017									
Sales of segments	245,775	316,625	710,087	12,436	269,744	447,520	86,444	89,232	2,177,863
Inter-segment sales	240,181	259,579	47,728	11,163	155,089	1,522	-	-	715,262
External sales	5,594	57,046	662,359	1,273	114,655	445,998	86,444	89,232	1,462,601
Financial result of segments	36,186	45,144	(28,342)	(467)	67,065	27,477	(3,160)	(973)	142,930
Depreciation	45,192	125,233	5,098	6,887	28,397	6,371	10,949	4,845	232,972
Share of profit (loss) of associates and joint ventures	1,839	5,141	2,348	4	17,654	943	(77)	9	27,861

Segments' Production of gas and Distribution of gas sales compose gas sales, segment's Gas storage sales are included in other sales.

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	
	2018	2017	2018	2017
Financial result of reportable segments	431,000	143,903	1,179,124	518,274
Financial result of other segments	<u>9,408</u>	<u>(973)</u>	<u>33,515</u>	<u>2,069</u>
Total financial result of segments	440,408	142,930	1,212,639	520,343
Difference in depreciation ¹	86,725	87,697	266,010	294,518
Expenses associated with post-employment benefit obligations	(4,410)	(5,993)	(12,226)	(12,888)
18 Net finance (expense) income	(83,336)	23,595	(218,229)	20,012
10 Share of profit of associates and joint ventures	57,597	27,861	149,180	83,830
17 Derivatives gain	22,227	4,348	6,072	11,699
Other	<u>(39,272)</u>	<u>(17,299)</u>	<u>(87,544)</u>	<u>(117,638)</u>
Total profit before profit tax in the consolidated interim condensed statement of comprehensive income	479,939	263,139	1,315,902	799,876

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

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5 SEGMENT INFORMATION (continued)

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	
	2018	2017	2018	2017
External sales of reportable segments	1,868,902	1,373,369	5,720,972	4,473,918
External sales of other segments	95,298	89,232	269,073	260,581
Total external sales of segments	1,964,200	1,462,601	5,990,045	4,734,499
Differences in external sales ¹	(34,164)	(30,939)	(88,454)	(92,903)
Total sales in the consolidated interim condensed statement of comprehensive income	1,930,036	1,431,662	5,901,591	4,641,596

¹ The differences in external sales relate to adjustments of 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. Segment assets consist primarily of property, plant and equipment, accounts receivable and prepayments, investments in associates and joint ventures and inventories. Cash and cash equivalents, VAT recoverable, goodwill, financial assets and other current and non-current assets are not allocated to the segments and managed on a central basis.

	Production of gas	Transportation	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
As of 30 September 2018									
Assets of segments	2,665,236	6,840,375	1,844,097	335,953	2,830,455	1,960,685	857,700	1,290,298	18,624,799
Investments in associates and joint ventures	24,874	176,065	20,839	2	568,776	20,614	1,598	203,966	1,016,734
Capital expenditures ¹	168,426	405,293	27,582	6,396	172,259	208,141	35,950	84,449	1,108,496
As of 31 December 2017									
Assets of segments	2,677,231	6,721,549	1,669,202	347,929	2,516,019	1,715,485	868,933	1,131,509	17,647,857
Investments in associates and joint ventures	25,706	155,054	19,198	2	465,544	21,534	1,422	178,985	867,445
Capital expenditures ²	216,450	498,550	51,675	37,694	330,424	225,240	58,110	86,457	1,504,600

¹ Capital expenditures for the nine months ended 30 September 2018.

² Capital expenditures for the year ended 31 December 2017.

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

Notes	30 September 2018	31 December 2017
Assets of reportable segments	17,334,501	16,516,348
Assets of other segments	1,290,298	1,131,509
Total assets of segments	18,624,799	17,647,857
Differences in property, plant and equipment, net ¹	(1,628,303)	(1,967,878)
Borrowing costs capitalised	783,707	714,392
6 Cash and cash equivalents	885,721	869,007
Short-term financial assets	62,600	31,057
VAT recoverable	125,977	119,881
12 Other current assets	728,325	554,283
21 Long-term financial assets	422,103	268,432
Goodwill	107,497	105,469
12 Other non-current assets	514,009	313,793
Inter-segment assets	(849,957)	(742,369)
Other	158,684	324,846
Total assets in the consolidated interim condensed balance sheet	19,935,162	18,238,770

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

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5 SEGMENT INFORMATION (continued)

Segment liabilities 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, short-term and long-term promissory notes payable and other non-current liabilities are not allocated to the segments and managed on a central basis.

Liabilities of segments are provided in the table below.

	30 September 2018	31 December 2017
Distribution of gas	844,411	841,706
Refining	477,074	337,170
Production of gas	319,727	329,521
Transportation	244,170	306,235
Production of crude oil and gas condensate	219,871	217,805
Electric and heat energy generation and sales	90,684	82,315
Gas storage	23,145	24,416
All other segments	<u>263,991</u>	<u>287,748</u>
Total liabilities of segments	<u>2,483,073</u>	<u>2,426,916</u>

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

Notes	30 September 2018	31 December 2017
Liabilities of reportable segments	2,219,082	2,139,168
Liabilities of other segments	<u>263,991</u>	<u>287,748</u>
Total liabilities of segments	<u>2,483,073</u>	<u>2,426,916</u>
Current profit tax payable	32,623	59,922
Short-term borrowings, promissory notes and current portion of long-term borrowings	782,760	874,805
13 Long-term borrowings, promissory notes	2,729,567	2,391,713
20 Long-term provisions (except for provision for decommissioning and site restoration)	264,715	266,837
14 Deferred tax liabilities	774,709	699,413
Other non-current liabilities	129,177	73,194
Dividends	4,434	5,099
Inter-segment liabilities	(849,957)	(742,369)
Other	<u>258,301</u>	<u>167,759</u>
Total liabilities in the consolidated interim condensed balance sheet	<u>6,609,402</u>	<u>6,223,289</u>

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.

	30 September 2018	31 December 2017
Cash on hand and bank balances payable on demand	526,112	508,585
Term deposits with original maturity of three months or less	<u>359,609</u>	<u>360,422</u>
Total cash and cash equivalents	<u>885,721</u>	<u>869,007</u>

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 September 2018	31 December 2017
Trade receivables	800,518	758,150
Other receivables	114,693	136,980
Loans receivable	68,379	149,302
Advances paid and prepayments	<u>101,857</u>	<u>78,292</u>
Total accounts receivable and prepayments	<u>1,085,447</u>	<u>1,122,724</u>

Accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 911,847 million and RUB 781,978 million, prepayments are presented net of impairment allowance in the amount of RUB 12,359 million and RUB 12,542 million as of 30 September 2018 and 31 December 2017, respectively.

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7 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Accounts receivable due from NJS Naftogaz of Ukraine in relation to gas sales are RUB nil million as of 30 September 2018 and 31 December 2017 net of allowance for expected credit losses in the amount of RUB 121,946 million and RUB 80,231 million as of 30 September 2018 and 31 December 2017, respectively.

8 INVENTORIES

Inventories are presented net of allowance for obsolescence of RUB 5,002 million and RUB 4,974 million as of 30 September 2018 and 31 December 2017, respectively.

9 PROPERTY, PLANT AND EQUIPMENT

	Operating property, plant and equipment (including production licenses)	Social assets	Assets under construction	Total
As of 31 December 2016				
Cost	14,329,467	95,229	2,577,846	17,002,542
Accumulated depreciation	<u>(5,458,960)</u>	<u>(40,835)</u>	-	<u>(5,499,795)</u>
Net book value as of 31 December 2016	8,870,507	54,394	2,577,846	11,502,747
Nine months ended 30 September 2017				
Net book value as of 31 December 2016	8,870,507	54,394	2,577,846	11,502,747
Depreciation	(443,378)	(1,874)	-	(445,252)
Additions	46,546	443	938,792	985,781
Translation differences	8,828	20	19,412	28,260
Transfers	201,410	62	(201,472)	-
Disposals	(22,777)	(145)	(38,147)	(61,069)
Change in impairment allowance	<u>-</u>	<u>-</u>	<u>(5,138)</u>	<u>(5,138)</u>
Net book value as of 30 September 2017	8,661,136	52,900	3,291,293	12,005,329
Three months ended 31 December 2017				
Net book value as of 30 September 2017	8,661,136	52,900	3,291,293	12,005,329
Depreciation	(155,778)	(627)	-	(156,405)
Additions	100,298	300	601,507	702,105
Translation differences	(7,988)	(6)	2,127	(5,867)
Transfers	493,580	1,261	(494,841)	-
Disposals	(22,259)	(373)	(5,281)	(27,913)
Change in impairment allowance	<u>37,640</u>	<u>-</u>	<u>(9,810)</u>	<u>27,830</u>
Net book value as of 31 December 2017	9,106,629	53,455	3,384,995	12,545,079
As of 31 December 2017				
Cost	15,164,745	96,791	3,384,995	18,646,531
Accumulated depreciation	<u>(6,058,116)</u>	<u>(43,336)</u>	-	<u>(6,101,452)</u>
Net book value as of 31 December 2017	9,106,629	53,455	3,384,995	12,545,079
Nine months ended 30 September 2018				
Net book value as of 31 December 2017	9,106,629	53,455	3,384,995	12,545,079
Depreciation	(474,144)	(1,714)	-	(475,858)
Additions	71,289	-	1,164,283	1,235,572
Translation differences	66,070	84	61,907	128,061
Transfers	205,705	-	(205,705)	-
Disposals	(25,780)	(10,082)	(15,477)	(51,339)
Change in impairment allowance	<u>-</u>	<u>-</u>	<u>(4,318)</u>	<u>(4,318)</u>
Net book value as of 30 September 2018	8,949,769	41,743	4,385,685	13,377,197
As of 30 September 2018				
Cost	15,482,029	86,793	4,385,685	19,954,507
Accumulated depreciation	<u>(6,532,260)</u>	<u>(45,050)</u>	-	<u>(6,577,310)</u>
Net book value as of 30 September 2018	8,949,769	41,743	4,385,685	13,377,197

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9 PROPERTY, PLANT AND EQUIPMENT (continued)

Operating property, plant and equipment are presented net of allowance for impairment of RUB 158,214 million and RUB 157,849 million as of 30 September 2018 and 31 December 2017, respectively.

Assets under construction are presented net of allowance for impairment of RUB 194,714 million and RUB 185,145 million as of 30 September 2018 and 31 December 2017, respectively. The change in impairment allowance of assets under construction is mainly attributable to impairment allowance charge for objects planned for liquidation and translation differences.

Social assets (rest houses, housing, schools and medical facilities) included in the property, plant and equipment which were vested to the Group at privatisation have a net book value of RUB 85 million and RUB 148 million as of 30 September 2018 and 31 December 2017, respectively.

10 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	
			30 September 2018	31 December 2017	2018	2017
22, 23	Sakhalin Energy Investment Company Ltd.	Associate	212,083	169,242	41,788	22,378
22	PJSC NGK Slavneft and its subsidiaries	Joint venture	152,000	140,548	11,452	5,095
22, 23	Gazprombank (Joint-stock Company) and its subsidiaries ¹	Associate	150,645	145,603	13,088	8,945
22	JSC Arcticgas ²	Joint venture	135,704	105,157	29,909	12,672
22, 23	Nord Stream AG	Joint venture	91,414	79,288	13,184	11,161
22	WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	Associate	51,427	45,436	4,561	3,704
22	JSC Achimgaz	Joint venture	35,626	33,509	8,198	6,674
22	JSC Messoyakhaneftegaz	Joint venture	33,349	17,965	20,584	7,040
22	JSC EUROPOL GAZ	Associate	32,483	29,588	482	(547)
22	Wintershall AG	Associate	17,269	15,645	62	107
22	KazRosGas LLP	Joint venture	11,228	9,435	548	2,514
22	CJSC Northgas	Joint venture	7,750	12,786	2,690	2,515
22	Wintershall Noordzee B.V.	Joint venture	7,411	6,532	133	(319)
	Other (net of allowance for investments impairment of RUB 22,910 million and RUB 21,795 million as of 30 September 2018 and 31 December 2017, respectively)		<u>78,345</u>	<u>56,711</u>	<u>2,501</u>	<u>1,891</u>
			1,016,734	867,445	149,180	83,830

¹ On 28 June 2017 the Group acquired 16 % ordinary shares of Gazprombank (Joint-stock Company) as a result of additional share issue for the amount of RUB 60,000 million. As a result of this transaction the effective ownership interest of the Group in Gazprombank (Joint-stock Company) increased from 37 % to 48 %.

² In January 2018 LLC Yamal razvitie and its subsidiary LLC SeverEnergy were reorganised in the form of the merger with JSC Arcticgas (a former subsidiary of LLC SeverEnergy). As of 31 December 2017 the investment in this line in the amount of RUB 105,157 million includes investments in LLC Yamal razvitie and its subsidiaries.

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.

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

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10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

	Ownership interest as of 30 September 2018	Country of primary operations	As of 30 September 2018		Nine months ended 30 September 2018	
			Assets	Liabilities	Revenue	Profit
Gazprombank (Joint-stock Company) and its subsidiaries ¹	48 % ²	Russia	6,119,261	5,627,659	188,085	41,007
Sakhalin Energy Investment Company Ltd. ³	50 %	Russia	1,094,276	670,109	278,285	83,575
PJSC NGK Slavneft and its subsidiaries	50 %	Russia	557,817	254,653	237,620	23,963
Nord Stream AG ⁴	51 %	Germany	477,536	298,292	59,103	25,851
JSC Arcticgas	50 %	Russia	426,552	176,986	147,368	60,738
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	50 %	Germany	291,426	177,509	51,438	9,318
JSC Messoyakhaneftegas	50 %	Russia	200,040	133,760	90,792	41,168
JSC Achimgaz	50 %	Russia	86,774	15,523	27,436	16,395
Wintershall AG ⁵	49 %	Libya	79,207	54,671	5,595	127
JSC EUROPOL GAZ	48 %	Poland	69,796	2,124	11,200	965
Wintershall Noordzee B.V.	50 %	Netherlands	55,173	41,378	10,535	267
CJSC Northgas	50 %	Russia	46,558	30,121	17,497	5,379
KazRosGaz LLP	50 %	Kazakhstan	28,202	5,747	33,142	1,994

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

² Ownership interest was determined on the base of ordinary shares less treasury shares.

³ Country of incorporation is Bermuda Islands.

⁴ Country of incorporation is Switzerland.

⁵ Country of incorporation is Germany.

	Ownership interest as of 31 December 2017	Country of primary operations	As of 31 December 2017		Nine months ended 30 September 2017	
			Assets	Liabilities	Revenue	Profit (loss)
Gazprombank (Joint-stock Company) and its subsidiaries ¹	48 % ²	Russia	5,439,664	4,957,243	157,259	34,389
Sakhalin Energy Investment Company Ltd. ³	50 %	Russia	944,134	605,649	225,452	44,756
PJSC NGK Slavneft and its subsidiaries	50 %	Russia	489,098	210,804	174,545	10,887
Nord Stream AG ⁴	51 %	Germany	437,421	281,955	52,449	21,883
JSC Arcticgas	50 %	Russia	401,450	212,622	104,402	27,057
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	50 %	Germany	252,107	155,126	27,162	8,083
JSC Messoyakhaneftegas	50 %	Russia	171,124	135,612	39,767	14,080
JSC Achimgaz	50 %	Russia	78,206	11,188	23,029	13,802
Wintershall AG ⁵	49 %	Libya	67,904	44,818	8,717	219
JSC EUROPOL GAZ	48 %	Poland	64,993	3,353	9,886	(1,176)
CJSC Northgas	50 %	Russia	58,730	32,221	16,725	5,031
Wintershall Noordzee B.V.	50 %	Netherlands	50,550	38,271	6,947	(637)
KazRosGaz LLP	50 %	Kazakhstan	30,824	11,953	32,572	5,029

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

² Ownership interest was determined on the base of ordinary shares less treasury shares.

³ Country of incorporation is Bermuda Islands.

⁴ Country of incorporation is Switzerland.

⁵ Country of incorporation is Germany.

11 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 September 2018	31 December 2017
Long-term accounts receivable and prepayments	161,051	183,894
Advances paid for assets under construction	509,502	485,392
Total long-term accounts receivable and prepayments	670,553	669,286

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11 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Long-term accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 12,190 million and RUB 8,810 million as of 30 September 2018 and 31 December 2017, respectively. Prepayments and advances paid for assets under construction are presented net of impairment allowance in the amount of RUB 8,024 million and RUB 7,508 million as of 30 September 2018 and 31 December 2017, respectively.

12 OTHER CURRENT AND NON-CURRENT ASSETS

Other current assets are provided in the table below.

Notes	30 September 2018	31 December 2017
Short-term deposits	421,221	327,969
21 Derivative financial instruments	181,246	55,202
Prepaid VAT	106,152	150,511
Prepaid profit tax	9,296	6,271
Other	<u>10,410</u>	<u>14,330</u>
Total other current assets	<u>728,325</u>	<u>554,283</u>

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

Notes	30 September 2018	31 December 2017
20 Net pension plan assets	91,416	27,173
21 Derivative financial instruments	88,226	19,575
Intangible assets	50,057	52,174
VAT recoverable related to assets under construction	44,510	36,681
Long-term deposits	1,365	1,559
Other	<u>238,435</u>	<u>176,631</u>
Total other non-current assets	<u>514,009</u>	<u>313,793</u>

13 LONG-TERM BORROWINGS, PROMISSORY NOTES

	Currency	Final maturity	30 September 2018	31 December 2017
Long-term borrowings, promissory notes payable to:				
Loan participation notes issued in April 2009 ¹	US Dollar	2019	153,570	131,865
Bank of China Limited, London branch	Euro	2021	107,794	137,186
Loan participation notes issued in November 2013 ²	US Dollar	2023	100,403	86,875
Loan participation notes issued in September 2012 ²	US Dollar	2022	98,518	87,461
Loan participation notes issued in March 2007 ¹	US Dollar	2022	85,638	76,424
Loan participation notes issued in August 2007 ¹	US Dollar	2037	82,735	73,968
Loan participation notes issued in April 2004 ¹	US Dollar	2034	81,593	70,163
Loan participation notes issued in October 2015 ¹	Euro	2018	79,610	69,539
Loan participation notes issued in November 2016 ¹	Euro	2023	77,780	68,530
Loan participation notes issued in March 2013 ¹	Euro	2020	77,610	70,702
J.P. Morgan Europe Limited ³	Euro	2022	76,076	68,256
	British Pound			
Loan participation notes issued in April 2017 ^{1,4}	Sterling	2024	75,440	67,474
Loan participation notes issued in July 2012 ¹	US Dollar	2022	66,240	58,883
Loan participation notes issued in February 2013 ¹	US Dollar	2028	59,478	52,874
Loan participation notes issued in February 2014 ¹	Euro	2021	58,396	53,224
Loan participation notes issued in November 2017 ¹	Euro	2024	57,755	51,194
Loan participation notes issued in March 2018 ¹	Euro	2026	57,389	-
China Construction Bank Corporation, Beijing branch ³	US Dollar	2020	56,870	75,699
Credit Agricole CIB	Euro	2022	53,075	48,138

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	Currency	Final maturity	30 September 2018	31 December 2017
UniCredit S.p.A.	Euro	2022	53,039	27,135
UniCredit S.p.A.	Euro	2025	52,868	-
Loan participation notes issued in February 2013 ¹	US Dollar	2020	52,781	46,795
J.P. Morgan Europe Limited ³	Euro	2020	50,736	54,522
Loan participation notes issued in March 2018 ¹	Swiss Franc	2023	50,350	-
Loan participation notes issued in March 2017 ¹	US Dollar	2027	48,768	43,261
Credit Agricole CIB	Euro	2023	45,647	-
	British Pound			
Loan participation notes issued in September 2013 ^{1,4}	Sterling	2020	45,603	41,651
Loan participation notes issued in November 2011 ¹	US Dollar	2021	39,800	35,470
Loan participation notes issued in March 2013 ¹	Euro	2025	38,999	35,611
Loan participation notes issued in November 2016 ^{1,4}	Swiss Franc	2021	36,121	31,923
Loan participation notes issued in July 2017 ^{1,4}	Swiss Franc	2022	34,520	31,272
Loan participation notes issued in March 2016 ¹	Swiss Franc	2018	34,497	29,438
Loan participation notes issued in October 2013 ¹	Swiss Franc	2019	34,467	29,641
ING Bank, a branch of ING-DiBa AG	Euro	2023	30,303	-
AO «ALFA-BANK»	US Dollar	2019	26,250	23,052
Russian bonds issued in October 2017 ²	Russian Ruble	2022	25,860	25,371
PJSC Sberbank	Euro	2023	25,438	-
Russian bonds issued in March 2018 ²	Russian Ruble	2024	25,084	-
Wintershall Nederland Transport and Trading B.V. ⁵	Euro	2035	25,066	20,555
Uniper Gas Transportation and Finance B.V. ⁵	Euro	2035	25,066	20,555
OMV Gas Marketing Trading & Finance B.V. ⁵	Euro	2035	25,064	20,554
Shell Exploration and Production (LXXI) B.V. ⁵	Euro	2035	25,064	20,554
Engie Energy Management Holding Switzerland AG ⁵	Euro	2035	25,064	20,554
Gazprombank (Joint-stock Company)	US Dollar	2019	23,613	20,736
UniCredit Bank Austria AG	Euro	2021	22,418	23,908
Gazprombank (Joint-stock Company)	US Dollar	2019	21,645	19,008
VTB Bank (Europe) SE	Euro	2027	20,647	19,640
Gazprombank (Joint-stock Company)	US Dollar	2019	20,333	17,856
Bank of America Securities Limited	US Dollar	2018	20,183	17,453
Mizuho Bank Ltd. ³	US Dollar	2019	20,174	53,130
Wintershall Nederland Transport and Trading B.V. ⁵	Euro	2019	19,658	3,119
OMV Gas Marketing Trading & Finance B.V. ⁵	Euro	2019	19,658	3,119
Shell Exploration and Production (LXXI) B.V. ⁵	Euro	2019	19,658	3,119
Uniper Gas Transportation and Finance B.V. ⁵	Euro	2019	19,658	3,119
PJSC Sberbank	Euro	2020	18,362	16,591
PJSC Sberbank	Euro	2022	18,348	15,736
Russian bonds issued in April 2017 ²	Russian Ruble	2022	15,603	15,276
Deutsche Bank Luxembourg S.A.	Euro	2022	15,294	13,818
BANK ROSSIYA	Russian Ruble	2022	15,272	15,012
Russian bonds issued in July 2018 ⁶	Russian Ruble	2048	15,203	-
Russian bonds issued in July 2018 ⁶	Russian Ruble	2048	15,203	-
Russian bonds issued in November 2013 ⁶	Russian Ruble	2043	15,182	15,059
Russian bonds issued in November 2013 ⁶	Russian Ruble	2043	15,182	15,059
Russian bonds issued in August 2017 ²	Russian Ruble	2024	15,169	15,476
Russian bonds issued in February 2017 ⁷	Russian Ruble	2027	15,168	15,501
Russian bonds issued in February 2017 ⁷	Russian Ruble	2027	15,168	15,501
Gazprombank (Joint-stock Company)	Russian Ruble	2025	15,000	15,001
BNP Paribas S.A. ³	Euro	2022	14,073	14,069
UniCredit Bank Austria AG	US Dollar	2018	13,292	11,526
Russian bonds issued in June 2016 ²	Russian Ruble	2046	10,309	10,064
Russian bonds issued in December 2017 ²	Russian Ruble	2024	10,213	10,021
Russian bonds issued in July 2018 ⁶	Russian Ruble	2033	10,135	-
Russian bonds issued in February 2011 ²	Russian Ruble	2021	10,127	10,371

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13 LONG-TERM BORROWINGS, PROMISSORY NOTES (continued)

	Currency	Final maturity	30 September 2018	31 December 2017
Russian bonds issued in August 2016 ²	Russian Ruble	2046	10,085	10,319
Russian bonds issued in February 2018 ⁷	Russian Ruble	2028	10,065	-
Russian bonds issued in February 2018 ⁷	Russian Ruble	2028	10,065	-
AO «ALFA-BANK»	Russian Ruble	2023	10,004	-
Gazprombank (Joint-stock Company)	Russian Ruble	2020	4,045	10,000
Russian bonds issued in April 2009 ²	Russian Ruble	2019	118	10,184
Loan participation notes issued in October 2007 ¹	Euro	2018	-	87,456
Loan participation notes issued in April 2008 ¹	US Dollar	2018	-	64,507
Loan participation notes issued in July 2013 ¹	Euro	2018	-	62,985
Loan participation notes issued in April 2013 ²	Euro	2018	-	52,684
PJSC Sberbank	US Dollar	2018	-	43,776
Russian bonds issued in March 2016 ²	Russian Ruble	2018	-	15,427
Commerzbank International S.A.	US Dollar	2018	-	11,522
Russian bonds issued in March 2016 ²	Russian Ruble	2018	-	10,303
Gazprombank (Joint-stock Company)	Russian Ruble	2018	-	10,000
Other long-term borrowings, promissory notes	Various	Various	520,671	476,517
Total long-term borrowings, promissory notes			3,447,426	3,180,337
Less: current portion of long-term borrowings			(717,859)	(788,624)
			2,729,567	2,391,713

¹ Issuer of these bonds is Gaz Capital S.A.

² Issuer of these bonds is PJSC Gazprom Neft.

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

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

⁵ Borrowings were obtained for financing of the Nord Stream 2 project.

⁶ Issuer of these bonds is PJSC Gazprom.

⁷ Issuer of these bonds is Gazprom capital LLC.

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

Due for repayment of long-term borrowings, promissory notes	30 September 2018	31 December 2017
between one and two years	535,337	481,070
between two and five years	1,136,253	1,087,239
after five years	1,057,977	823,404
	2,729,567	2,391,713

Long-term liabilities include fixed rate borrowings with a carrying value of RUB 2,571,719 million and RUB 2,355,672 million and fair value of RUB 2,709,445 million and RUB 2,605,734 million as of 30 September 2018 and 31 December 2017, respectively.

All other long-term borrowings have variable interest rates generally linked to LIBOR and EURIBOR. Their carrying value is RUB 875,707 million and RUB 824,665 million and fair value is RUB 878,477 million and RUB 837,266 million as of 30 September 2018 and 31 December 2017, respectively.

As of 30 September 2018 according to the agreements signed within the framework of financing the Nord Stream 2 project with Wintershall Nederland Transport and Trading B.V., OMV Gas Marketing Trading & Finance B.V., Shell Exploration and Production (LXXI) B.V., Engie Energy Management Holding Switzerland AG, Uniper Gas Transportation and Finance B.V., 100 % of shares of Nord Stream 2 AG held by PJSC Gazprom were pledged until a full settlement of the secured obligations.

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

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

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

Under the terms of the Russian bonds with the nominal value of RUB 30,000 million issued by

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13 LONG-TERM BORROWINGS, PROMISSORY NOTES (continued)

Gazprom capital LLC in February 2018 due in 2028 the issuer can execute the right of early redemption in February 2025.

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

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

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

The Group has no subordinated debt and no debt that may be converted into an equity interest of the Group (see Note 19).

14 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 2018. Differences between the recognition criteria of assets and liabilities reflected in IFRS financial statements 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 2018	Temporary differences recognition and reversals	31 December 2017	30 September 2017	Temporary differences recognition and reversals	31 December 2016
Tax effect of taxable temporary differences:						
Property, plant and equipment	(869,449)	(38,214)	(831,235)	(808,870)	(58,497)	(750,373)
Inventories	(7,341)	1,566	(8,907)	(7,449)	4,170	(11,619)
	(876,790)	(36,648)	(840,142)	(816,319)	(54,327)	(761,992)
Tax effect of deductible temporary differences:						
Financial assets	1,935	6,509	(4,574)	2,581	645	1,936
Tax losses carry forward	19,498	6,157	13,341	9,056	3,397	5,659
Retroactive gas price adjustments	8,364	(14,096)	22,460	22,626	(131)	22,757
Accounts receivable	68,761	21,690	47,071	34,684	(4,481)	39,165
Accounts payable	-	(53,859)	53,859	-	-	-
Other deductible temporary differences	3,523	(5,049)	8,572	4,805	833	3,972
	102,081	(38,648)	140,729	73,752	263	73,489
Total net deferred tax liabilities	(774,709)	(75,296)	(699,413)	(742,567)	(54,064)	(688,503)

Taxable temporary differences recognised for the nine months ended 30 September 2018 and 30 September 2017 include the effect of depreciation premium on certain items of property, plant and equipment. The negative tax effect on these differences for the nine months ended 30 September 2018 was RUB 5,897 million and it 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. The positive tax effect on these differences for the nine months ended 30 September 2017 amounted to RUB 11,532 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 2017.

15 EQUITY

Share capital

Share capital authorised, issued and paid totals RUB 325,194 million as of 30 September 2018 and 31 December 2017 and consists of 23.7 billion ordinary shares, each with a par value of 5 Russian Rubles.

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15 EQUITY (continued)

Treasury shares

As of 30 September 2018 and 31 December 2017 subsidiaries of PJSC Gazprom held 1,573 million ordinary shares of PJSC Gazprom including American depositary receipts in the amount of 639 million PJSC Gazprom's ordinary shares, which are accounted for as treasury shares.

In June 2017 the Group pledged American depositary receipts as security of liabilities in the amount of 506 million PJSC Gazprom's ordinary shares. On 1 November 2018 the pledge was terminated due to the repayment of liabilities secured by the pledge.

The shares including American depositary receipts held by PJSC Gazprom's subsidiaries represent 6.6 % of the total number of PJSC Gazprom's shares as of 30 September 2018 and 31 December 2017.

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

16 SALES

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
Gas sales gross of excise tax and customs duties to customers in:				
Russian Federation	128,108	121,453	636,873	587,978
Former Soviet Union (excluding Russian Federation)	77,447	55,925	261,226	223,119
Europe and other countries	<u>934,774</u>	<u>628,406</u>	<u>2,715,098</u>	<u>1,952,011</u>
	1,140,329	805,784	3,613,197	2,763,108
Customs duties	(202,636)	(125,639)	(562,300)	(388,590)
Excise tax	(11,781)	(14,268)	(37,891)	(37,059)
Retroactive gas price adjustments ¹	<u>(109)</u>	<u>2,076</u>	<u>37,686</u>	<u>(5,228)</u>
Total gas sales	925,803	667,953	3,050,692	2,332,231
Sales of refined products to customers in:				
Russian Federation	388,103	311,974	1,006,710	820,857
Former Soviet Union (excluding Russian Federation)	35,074	31,040	112,143	82,030
Europe and other countries	<u>171,475</u>	<u>102,984</u>	<u>467,372</u>	<u>323,923</u>
Total sales of refined products	594,652	445,998	1,586,225	1,226,810
Sales of crude oil and gas condensate to customers in:				
Russian Federation	17,721	14,842	49,112	56,299
Former Soviet Union (excluding Russian Federation)	10,349	6,477	29,433	20,732
Europe and other countries	<u>176,985</u>	<u>93,336</u>	<u>472,166</u>	<u>310,922</u>
Total sales of crude oil and gas condensate	205,055	114,655	550,711	387,953
Electric and heat energy sales				
Russian Federation	81,049	82,516	346,388	337,333
Former Soviet Union (excluding Russian Federation)	2,153	589	3,907	2,089
Europe and other countries	<u>4,394</u>	<u>3,339</u>	<u>11,474</u>	<u>10,177</u>
Total electric and heat energy sales	87,596	86,444	361,769	349,599
Gas transportation sales				
Russian Federation	53,178	55,757	164,475	170,354
Former Soviet Union (excluding Russian Federation)	629	545	2,053	1,790
Europe and other countries	<u>731</u>	<u>744</u>	<u>1,764</u>	<u>2,384</u>
Total gas transportation sales	54,538	57,046	168,292	174,528
Other sales				
Russian Federation	50,610	48,757	147,380	141,310
Former Soviet Union (excluding Russian Federation)	2,869	1,400	6,653	4,164
Europe and other countries	<u>8,913</u>	<u>9,409</u>	<u>29,869</u>	<u>25,001</u>
Total other sales	62,392	59,566	183,902	170,475
Total sales	1,930,036	1,431,662	5,901,591	4,641,596

¹ The effect of retroactive gas price adjustments relate to gas deliveries in previous years for which a price adjustment has been agreed or is in the process of negotiations. The effects of gas price adjustments, including corresponding impacts on profit tax, are 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 and nine months ended 30 September 2018 recorded as a decrease of sales by RUB 109 million and an increase of sales by RUB 37,686 million, respectively.

The effects of retroactive gas price adjustments for the three and nine months ended 30 September 2017 recorded as an increase of sales by RUB 2,076 million and a decrease of sales by RUB 5,228 million, respectively.

These effects are due to change of related accruals following agreements reached prior to the issuance of the respective consolidated interim condensed financial information and due to recognition of adjustments increasing gas prices for the past periods.

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17 OPERATING EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
Purchased gas and oil	368,419	272,407	1,112,961	838,007
Taxes other than on profit	386,480	303,565	1,054,965	869,742
Staff costs	183,560	173,907	562,331	514,981
Depreciation	157,589	145,276	476,136	448,579
Transit of gas, oil and refined products	169,509	152,486	472,992	440,317
Cost of goods for resale, including refined products	63,585	57,612	187,334	170,451
Materials	57,076	67,091	185,621	191,604
Repairs and maintenance	41,249	46,383	93,925	105,566
Electricity and heating expenses	23,797	24,547	81,405	77,631
Rental expenses	10,535	7,917	30,001	28,797
Social expenses	8,717	8,678	25,157	23,898
Insurance expenses	8,312	7,062	23,904	21,594
Transportation services	6,010	4,335	22,971	20,071
Processing services	4,958	4,338	14,079	11,789
Research and development expenses	1,294	4,029	8,823	10,236
(Profit on recovery) impairment loss on non-financial assets	(153)	(1,311)	5,005	9,539
Derivatives gain	(22,227)	(4,348)	(6,072)	(11,699)
Foreign exchange rate differences on operating items	(11,782)	(594)	(20,573)	(9,354)
Other	67,940	95,252	244,663	273,084
	1,524,868	1,368,632	4,575,628	4,034,833
Change in inventories of finished goods, work in progress and other effects	(110,483)	(154,401)	(125,594)	(158,700)
Total operating expenses	1,414,385	1,214,231	4,450,034	3,876,133

Staff costs include RUB 11,657 million and RUB 34,940 million of expenses for provision for post-employment benefits for the three and nine months ended 30 September 2018, respectively, and RUB 11,044 million and RUB 33,120 million for the three and nine months ended 30 September 2017, respectively (see Note 20).

18 FINANCE INCOME AND EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
Foreign exchange gain	140,237	81,564	363,328	272,945
Interest income	16,717	20,741	53,565	65,404
Total finance income	156,954	102,305	416,893	338,349
Foreign exchange loss	228,549	70,931	597,702	279,615
Interest expense	11,741	7,779	37,420	38,722
Total finance expense	240,290	78,710	635,122	318,337

Total interest paid amounted to RUB 39,155 million and RUB 121,935 million for the three and nine months ended 30 September 2018, respectively, and RUB 39,683 million and RUB 119,349 million for the three and nine months ended 30 September 2017, respectively.

Foreign exchange gain and loss for the three and nine months ended 30 September 2018 and 30 September 2017 were recognised as a result of change in Euro and the US Dollar exchange rates against the Russian Ruble. Gain and loss primarily relate to revaluation of borrowings denominated in a foreign currency.

19 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 for the period by dividing the profit 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 15).

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19 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF PJSC GAZPROM (continued)

There were 22.1 billion of weighted average number of shares outstanding, excluding the weighted average number of treasury shares, for the three and nine months ended 30 September 2018 and for the three and nine months ended 30 September 2017.

There are no dilutive financial instruments outstanding in the Group.

20 PROVISIONS

	30 September 2018	31 December 2017
Provision for post-employment benefits	250,858	258,132
Provision for decommissioning and site restoration	218,287	202,616
Other	<u>13,857</u>	<u>8,705</u>
Total provisions	483,002	469,453

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

The net pension plan assets related to benefits, provided by NPF GAZFOND, are presented within other non-current assets in the consolidated interim condensed balance sheet in the amount of RUB 91,416 million and RUB 27,173 million as of 30 September 2018 and 31 December 2017, respectively (see Note 12).

In accordance with IAS 19 Employee Benefits, pension plan assets are recorded at estimated fair value subject to certain limitations. As of 30 September 2018 and 31 December 2017 management estimated the fair value of these assets at RUB 500,036 million and RUB 449,814 million, respectively. The pension plan assets comprise shares of PJSC Gazprom, shares of Gazprombank (Joint-stock Company) and other assets held by NPF GAZFOND.

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

	30 September 2018		31 December 2017	
	Funded benefits - provided through NPF GAZFOND	Unfunded liabilities - other benefits	Funded benefits - provided through NPF GAZFOND	Unfunded liabilities - other benefits
Present value of benefit obligations	(408,620)	(250,858)	(422,641)	(258,132)
Fair value of plan assets	<u>500,036</u>	<u>-</u>	<u>449,814</u>	<u>-</u>
Total net assets (liabilities)	91,416	(250,858)	27,173	(258,132)

The amounts of post-employment benefit obligations recognised in operating expenses are presented below (see Note 17).

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
Current service cost	7,264	6,441	21,790	19,323
Net interest expense	<u>4,393</u>	<u>4,603</u>	<u>13,150</u>	<u>13,797</u>
Total expenses included in staff costs	11,657	11,044	34,940	33,120

The principal assumptions used for the evaluation of post-employment benefit obligations for the three and nine months ended 30 September 2018 were the same as those applied for the year ended 31 December 2017 with exception of the discount rate based on the market yield on government securities. The increase in the discount rate from 7.8 % to 8.7 % resulted in recognition of an actuarial gain 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 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.

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20 PROVISIONS (continued)

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
Actuarial gains (losses)	52,295	(13,540)	63,631	(45,217)
Return on plan assets excluding amounts included in interest expense	16,826	(30,929)	21,028	(13,281)
Translation differences	<u>(148)</u>	<u>(46)</u>	<u>(343)</u>	<u>(253)</u>
Total	68,973	(44,515)	84,316	(58,751)

21 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

a) Financial instruments included in Level 1

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

b) Financial instruments included in Level 2

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

c) Financial instruments included in Level 3

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

The fair value of long-term accounts receivable is classified as Level 3 (see Note 11), long-term borrowings – Level 2 (see Note 13).

As of 30 September 2018 and 31 December 2017 the Group had the following assets and liabilities that are measured at fair value:

Notes	30 September 2018			
	Level 1	Level 2	Level 3	Total
	Financial assets measured at fair value with changes recognised through profit or loss:			
12	21,765	155,725	3,756	181,246
	23,251	-	-	23,251
	250	-	-	250
	Financial assets measured at fair value with changes recognised through other comprehensive income:			
	-	99	-	99
	45,266	155,824	3,756	204,846
	Financial assets measured at fair value with changes recognised through profit or loss:			
12	20,028	68,198	-	88,226
	-	-	1,896	1,896
	Financial assets measured at fair value with changes recognised through other comprehensive income:			
	370,879	43,594	5,474	419,947
	-	260	-	260
	390,907	112,052	7,370	510,329
	436,173	267,876	11,126	715,175
	Financial liabilities measured at fair value with changes recognised through profit or loss:			
	7,075	153,531	5,053	165,659
	<u>3,823</u>	<u>70,555</u>	<u>1,143</u>	<u>75,521</u>
	10,898	224,086	6,196	241,180

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21 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Notes	31 December 2017				
	Level 1	Level 2	Level 3	Total	
Financial assets measured at fair value with changes recognised through profit or loss:					
12	Derivative financial instruments	7,182	46,109	1,911	55,202
	Bonds	30,758	-	-	30,758
	Equity securities	206	-	-	206
Financial assets measured at fair value with changes recognised through other comprehensive income:					
	Promissory notes	-	93	-	93
Total short-term financial assets measured at fair value					
		38,146	46,202	1,911	86,259
Financial assets measured at fair value with changes recognised through profit or loss:					
12	Derivative financial instruments	4,764	14,745	66	19,575
	Equity securities	-	-	797	797
Financial assets measured at fair value with changes recognised through other comprehensive income:					
	Equity securities	215,733	43,594	8,059	267,386
	Promissory notes	-	249	-	249
Total long-term financial assets measured at fair value					
		220,497	58,588	8,922	288,007
Total financial assets					
		258,643	104,790	10,833	374,266
Financial liabilities measured at fair value with changes recognised through profit or loss:					
	Short-term derivative financial instruments	6,912	55,137	2,293	64,342
	Long-term derivative financial instruments	346	27,180	181	27,707
Total financial liabilities measured at fair value					
		7,258	82,317	2,474	92,049

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

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

As of 30 September 2018 and 31 December 2017 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 366,075 million and RUB 210,010 million, respectively.

22 RELATED 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 Government of 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 2018 38.373 % of PJSC Gazprom's issued shares are directly owned by the Government. 11.859 % of PJSC Gazprom's issued shares are owned by JSC Rosneftgaz and JSC Rosgazifikatsiya controlled by the Government.

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

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

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22 RELATED PARTIES (continued)

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 2018 prices of natural gas sales and gas transportation, electricity tariffs in the Russian Federation are regulated by the Federal Antimonopoly Service ("FAS").

Bank borrowings are provided on the basis of market rates. Taxes are accrued and settled in accordance with the applicable statutory rules.

As of 30 September 2018 and 31 December 2017 and for the three and nine months ended 30 September 2018 and for the three and nine months ended 30 September 2017, the Group had the following significant transactions and balances with the Government and parties under the Government control:

	As of		Three months ended		Nine months ended	
	30 September 2018	30 September 2018	30 September 2018	30 September 2018	30 September 2018	30 September 2018
	Assets	Liabilities	Income	Expenses	Income	Expenses
Transactions and balances with the Government						
Current profit tax	7,441	25,116	-	72,372	-	170,954
Insurance contributions	1,236	8,508	-	32,151	-	107,504
VAT recoverable / payable	268,053	102,617	-	-	-	-
Customs duties	19,316	-	-	-	-	-
Other taxes	3,711	179,528	-	360,179	-	983,119
Transactions and balances with entities under the Government control						
Gas sales	-	-	21,284	-	92,684	-
Electricity and heating sales	-	-	20,311	-	113,995	-
Gas transportation sales	-	-	11,629	-	33,735	-
Other services sales	-	-	1,916	-	5,124	-
Accounts receivable	37,512	-	-	-	-	-
Oil and refined products transportation expenses	-	-	-	30,097	-	92,045
Accounts payable	-	23,131	-	-	-	-
Borrowings	-	188,070	-	-	-	-
Interest expense	-	-	-	1,946	-	8,133
Short-term financial assets	17,873	-	-	-	-	-
Long-term financial assets	4,792	-	-	-	-	-
Transactions and balances with the Government						
Current profit tax	4,088	53,112	-	45,103	-	120,100
Insurance contributions	1,359	7,689	-	40,311	-	98,527
VAT recoverable / payable	300,567	90,632	-	-	-	-
Customs duties	16,249	-	-	-	-	-
Other taxes	4,029	153,784	-	282,790	-	816,764
Transactions and balances with entities under the Government control						
Gas sales	-	-	14,976	-	72,746	-
Electricity and heating sales	-	-	20,099	-	110,926	-
Gas transportation sales	-	-	12,462	-	36,753	-
Other services sales	-	-	2,775	-	4,511	-
Accounts receivable	43,701	-	-	-	-	-
Oil and refined products transportation expenses	-	-	-	30,662	-	91,477
Accounts payable	-	17,201	-	-	-	-
Borrowings	-	226,565	-	-	-	-
Interest expense	-	-	-	3,401	-	13,099
Short-term financial assets	27,472	-	-	-	-	-
Long-term financial assets	5,711	-	-	-	-	-

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22 RELATED PARTIES (continued)

Gas sales and respective accounts receivable, oil transportation expenses and respective accounts payable included in the table above are related to entities under the Government control.

See the consolidated interim condensed statement of changes in equity for returns of social assets to governmental authorities during for the nine months ended 30 September 2018 and 30 September 2017. See Note 9 for net book values as of 30 September 2018 and 31 December 2017 of social assets vested to the Group at privatisation.

Transactions with JSC FSC

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

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

	As of 30 September 2018		Three months ended 30 September 2018		Nine months ended 30 September 2018	
	Assets	Liabilities	Income	Expenses	Income	Expenses
Transactions and balances with JSC FSC						
Electricity and heating sales	-	-	33,253	-	109,347	-
Purchased electricity and heating	-	-	-	6,095	-	18,966
Accounts receivable	4,960	-	-	-	-	-
Accounts payable	-	1,686	-	-	-	-

	As of 31 December 2017		Three months ended 30 September 2017		Nine months ended 30 September 2017	
	Assets	Liabilities	Income	Expenses	Income	Expenses
Transactions and balances with JSC FSC						
Electricity and heating sales	-	-	35,149	-	110,892	-
Purchased electricity and heating	-	-	-	6,118	-	18,806
Accounts receivable	6,030	-	-	-	-	-
Accounts payable	-	1,856	-	-	-	-

Compensation for key management personnel

Key management personnel (the members of the Board of Directors and Management Committee of PJSC Gazprom) receive short-term compensation, including salary, bonuses and remuneration for serving on the management bodies of the Group's companies. The members of the Board of Directors, who are governmental officials, do not receive remuneration from the Group. The remuneration of the members of the Board of Directors is approved by the General Meeting of Shareholders of the Group's companies.

Compensation of key management personnel (other than remuneration of the members of the Board of Directors) is determined by the terms of the employment contracts. Key management personnel also receive certain short-term benefits related to healthcare.

According to the Russian legislation the Group makes contributions to the Russian Federation State pension fund for all of its employees including key management personnel.

Key management personnel are also entitled to post-retirement benefits. These benefits include pension benefits provided by the non-governmental pension fund, NPF GAZFOND, and one-time retirement payments from the Group (see Note 20).

Employees of the majority of the Group's companies are eligible for such post-retirement benefits.

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

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22 RELATED PARTIES (continued)

Associates and joint ventures

For the three and nine months ended 30 September 2018 and 30 September 2017 and also as of 30 September 2018 and 31 December 2017 significant transactions performed by the Group with associates and joint ventures and balances with associates and joint ventures are presented below.

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	Income		Income	
Gas sales				
Panrusgas Co.	22,198	15,155	48,119	37,311
JSV Moldovagaz	5,369	3,329	17,898	11,713
JSC Latvijas Gaze	11,033	6,358	12,014	13,493
CJSC Gazprom YRGM Trading ¹	3,382	3,746	11,032	12,750
Bosphorus Gaz Corporation A.S.	2,046	2,140	8,784	11,330
JSC Gazprom YRGM Development ¹	2,416	2,676	7,880	9,107
Prometheus Gas S.A.	2,753	1,944	7,230	5,419
KazRosGas LLP	-	317	6,761	6,681
VEMEX s.r.o. and its subsidiaries	735	2,045	2,751	6,854
JSC EUROPOL GAZ	710	555	1,957	1,742
Gas transportation sales				
CJSC Gazprom YRGM Trading ¹	5,728	5,671	18,610	18,557
JSC Gazprom YRGM Development ¹	4,092	4,051	13,293	13,255
KazRosGas LLP	629	545	2,053	1,789
Gas condensate, crude oil and refined products sales				
PJSC NGK Slavneft and its subsidiaries	11,485	8,356	33,781	29,046
JSC SOVEX	2,382	1,277	5,407	3,681
LLC Poliom	1,423	594	3,577	2,132
LLC NPP Neftekhimia	1,372	698	3,411	1,844
Sakhalin Energy Investment Company Ltd.	-	15	1,985	1,391
Field operator services sales and other services sales				
JSC Messoyakhanefegas	689	614	2,825	3,230
PJSC NGK Slavneft and its subsidiaries	627	681	1,764	3,789
	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	Income		Income	
Gas processing services sales				
KazRosGas LLP	2,236	1,810	7,632	6,032
Interest income				
Gazprombank (Joint-stock Company) and its subsidiaries	8,317	9,925	26,582	31,043
JSC Messoyakhanefegas	-	1,604	551	4,901
	Expenses		Expenses	
Purchased gas				
CJSC Gazprom YRGM Trading ¹	14,324	12,223	45,240	39,760
JSC Gazprom YRGM Development ¹	10,240	8,733	32,340	28,442
JSC Arcticgas	12,422	13,880	26,284	35,024
KazRosGas LLP	7,895	10,105	22,314	24,658
Sakhalin Energy Investment Company Ltd.	3,514	6,442	10,768	10,781
CJSC Northgas	1,687	1,527	4,518	2,732

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22 RELATED PARTIES (continued)

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	Expenses		Expenses	
Purchased transit of gas				
Nord Stream AG	20,473	18,671	59,004	52,649
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	9,269	6,617	26,248	20,265
JSC EUROPOL GAZ	3,334	3,033	9,542	8,497
JSV Moldovagaz	738	728	2,390	2,532
Purchased crude oil and refined products				
PJSC NGK Slavneft and its subsidiaries	44,635	28,064	118,089	77,470
JSC Messoyakhaneftegas	18,348	7,857	45,386	19,438
Sakhalin Energy Investment Company Ltd.	3,807	4,240	7,362	10,827
Purchased services of gas and gas condensate production				
JSC Achimgaz	10,905	8,282	27,396	23,029
Purchased processing services				
PJSC NGK Slavneft and its subsidiaries	3,779	5,886	10,854	15,554
Purchased transit of crude oil and oil products				
JSC Messoyakhaneftegas	1,422	1,013	3,931	2,748
PJSC NGK Slavneft and its subsidiaries	980	1,218	2,773	4,544
Interest expense				
Gazprombank (Joint-stock Company) and its subsidiaries	3,030	3,357	9,006	8,393

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

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 2018		As of 31 December 2017	
	Assets	Liabilities	Assets	Liabilities
Short-term accounts receivable and prepayments				
Gazprombank (Joint-stock Company)	11,051	-	17,380	-
Panrusgas Co.	7,814	-	4,023	-
JSC Messoyakhaneftegas	5,748	-	796	-
PJSC NGK Slavneft and its subsidiaries	4,263	-	5,304	-
CJSC Gazprom YRGM Trading	3,001	-	2,327	-
JSC Gazprom YRGM Development	2,143	-	1,662	-
JSC Achimgaz	1,283	-	61	-
KazRosGas LLP	724	-	5,457	-
Sakhalin Energy Investment Company Ltd.	294	-	1,045	-
JSC Arcticgas	90	-	3,459	-
Bosphorus Gaz Corporation A.S.	-	-	2,603	-
Cash				
Gazprombank (Joint-stock Company) and its subsidiaries	424,847	-	388,436	-
OJSC Belgazprombank	8,033	-	19,320	-
Other current assets				
Gazprombank (Joint-stock Company)	397,736	-	290,322	-
OJSC Belgazprombank	8,373	-	7,436	-

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22 RELATED PARTIES (continued)

	As of 30 September 2018		As of 31 December 2017	
	Assets	Liabilities	Assets	Liabilities
Long-term accounts receivable and prepayments				
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	15,222	-	13,768	-
Wintershall Noordzee B.V.	6,149	-	5,595	-
OJSC Belgazprombank	4,957	-	4,957	-
JSC Evroteck-Yugra	2,024	-	1,514	-
Gazprombank (Joint-stock Company)	141	-	141	-
JSC Messoyakhaneftegas	-	-	24,414	-
JSC Arcticgas	-	-	4,483	-
Short-term accounts payable				
PJSC NGK Slavneft and its subsidiaries	-	59,740	-	31,164
JSC Messoyakhaneftegas	-	25,783	-	6,928
Nord Stream AG	-	6,812	-	6,172
CJSC Gazprom YRGM Trading	-	6,158	-	7,927
JSC Arcticgas	-	5,075	-	2,963
JSC Achimgaz	-	4,751	-	3,195
JSC Gazprom YRGM Development	-	4,395	-	5,662
JSC Latvijas Gaze	-	3,376	-	293
Prometheus Gas S.A.	-	1,740	-	-
KazRosGas LLP	-	1,169	-	2,079
JSC EUROPOL GAZ	-	1,087	-	2,078
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	-	745	-	1,957
Sakhalin Energy Investment Company Ltd.	-	704	-	5,710
Short-term borrowings (including current portion of long-term borrowings)				
Gazprombank (Joint-stock Company) and its subsidiaries	-	140,159	-	80,807
Long-term borrowings				
Gazprombank (Joint-stock Company)	-	22,533	-	87,511

Accounts receivable due from JSV Moldovagaz are RUB nil million as of 30 September 2018 and 31 December 2017 net of allowance for expected credit losses in the amount of RUB 400,298 million and RUB 339,481 million as of 30 September 2018 and 31 December 2017, respectively.

Accounts receivable for gas due from Overgas Inc. AD are RUB nil million as of 30 September 2018 and 31 December 2017 net of allowance for expected credit losses in the amount of RUB 6,899 million and RUB 6,058 million as of 30 September 2018 and 31 December 2017, respectively.

As of 30 September 2018 the Group sold the investment in the associate Bosphorus Gaz Corporation A.S. As of 31 December 2017 accounts receivable due from Bosphorus Gaz Corporation A.S. are RUB 2,603 million, net of allowance for expected credit losses in the amount of RUB 5,935 million.

Under the agreement of subordinated loan the Group provided cash to Gazprombank (Joint-stock Company) in the amount of RUB 15,542 million and RUB 3,880 million for the nine months ended 30 September 2018 and 30 September 2017, respectively.

Borrowings from Gazprombank (Joint-stock Company) and its subsidiaries are obtained on terms not substantially different from those on financial instruments with similar characteristics and equally exposed to influence of changes in economic or other factors. The amount of secured borrowings was RUB 60,000 million as of 30 September 2018 and 31 December 2017.

Information on investments in associates and joint ventures is disclosed in Note 10.

Financial guarantees issued by the Group for associates and joint ventures are disclosed in Note 23.

23 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 2018 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 the regarding 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 new counter-claim, in which it specified its claims totalling USD 29,200 million. On 9 October 2015 NJSC Naftogaz of Ukraine filed a defence to the claim from PJSC Gazprom. On 14 March 2016 PJSC Gazprom filed a reply to the defence of NJSC Naftogaz of Ukraine. The corrected amount of claim of PJSC Gazprom against NJSC Naftogaz of Ukraine exceeded USD 37,000 million. This amount includes the outstanding payment for the gas supplied in May-June 2014, and take-or-pay obligations for 2012-2016, and penalty interest for late payment for the gas supplied.

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

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

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

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

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

On 21 March 2018 PJSC Gazprom filed with the Court of Appeal of Svea (Sweden) a petition to challenge stated final decision of 22 December 2017 and to annul it partially. Preliminary court hearings in the cases on challenging the separate and final arbitration awards are planned for 27 November 2018.

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");

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3) to oblige PJSC Gazprom to pay a compensation of USD 3,200 million and related interest to NJSC Naftogaz of Ukraine for the failure to provide gas for transit;

4) to acknowledge that the transit tariff stipulated in Contract No. TKGU should be revised in such a way as will be provided in further written statements of NJSC Naftogaz of Ukraine in line with key principles of the Swedish contractual law.

On 28 November 2014 PJSC Gazprom filed its response to the request for arbitration. On 11 December 2014 the arbitration panel was formed. On 28 January 2015 the arbitration court made a decision not to combine the case with the above ones. On 30 April 2015 NJSC Naftogaz of Ukraine filed a claim, significantly increasing the amount of the claims, according to various estimates, up to USD 11,000-16,000 million. Oral hearings in the case were held, the parties provided post-hearing statements on 11 November 2016. On 2 February 2018 NJSC Naftogaz of Ukraine submitted the corrected amount of claim to the arbitration court, including a claim to recover damages for the failure to provide gas for transit and underpayment of the transit tariff for the second half of 2016 and 2017. Total amount of the claim filed by NJSC Naftogaz of Ukraine (without interest) was USD 14,865 million. On 16 February 2018 PJSC Gazprom submitted to the arbitration court a defence to this claim and a claim to refund the overpaid transit tariff for the period from April 2014 to December 2017 due to the change in the gas price under Contract No. KP for the purchase and sale of natural gas in 2009 - 2019 totaling USD 44 million without interest. The final award in the case was issued on 28 February 2018. The arbitration court rejected the request of NJSC Naftogaz of Ukraine to change the gas transit tariff, recognised almost all provisions of Contract No. TKGU as valid and refused application of the anti-monopoly legislation of Ukraine and the EU to the Contract. The arbitration court rejected the request of NJSC Naftogaz of Ukraine to transfer its rights and obligations under Contract No. TKGU to PJSC Ukrtransgaz or to another gas transportation system operator. The arbitration court satisfied the request of NJSC Naftogaz of Ukraine in the amount of USD 4,673 million for having provided less gas for transit to European consumers than stipulated in the Contract. With consideration for the amount awarded to PJSC Gazprom under the supply contract, the arbitration court set off counter-claims, as a result of which PJSC Gazprom is obliged to pay USD 2,560 million to NJSC Naftogaz of Ukraine. The amount of liabilities under the award is presented in the line "Accounts payable and provisions" in the consolidated interim condensed balance sheet. On 29 March 2018 PJSC Gazprom filed with the Court of Appeal of Svea (Sweden) a petition to challenge stated final award of 28 February 2018 and to annul it partially. On 13 June 2018 the court rendered the decision to suspend execution of the arbitration award and on 28 June 2018 the court confirmed its decision to suspend execution of the arbitration award in relation to recovery from PJSC Gazprom of the amount of USD 2,560 million awarded by the arbitrators. On 13 September 2018 upon a motion from NJSC Naftogaz of Ukraine the court annulled its decision to suspend execution of the arbitration award. PJSC Gazprom is planning to file a petition to the Swedish court to suspend execution of the arbitration award. Hearings in the case on challenging the arbitration award in the transit case have not been scheduled yet.

On 29 May 2018 PJSC Gazprom became aware of the fact that NJSC Naftogaz of Ukraine was taking actions to enforce the arbitration award in Switzerland. On 5 June 2018 PJSC Gazprom became aware of the fact that NJSC Naftogaz of Ukraine was taking similar actions in the Netherlands. On 22 June 2018 PJSC Gazprom received an order of the High Court of Justice (the United Kingdom) dated 18 June 2018 for the seizure of PJSC Gazprom's assets in the United Kingdom as requested by NJSC Naftogaz of Ukraine as part of its efforts to enforce the above mentioned arbitration award and the decision of the court of first instance dated 8 June 2018 on the enforcement of this decision. In particular on 30 May 2018 the shares in Blue Stream Pipeline Company B.V., the operator of the Blue Stream pipeline, owned by PJSC Gazprom and the receivables payable to PJSC Gazprom (with such receivables remaining at the disposal of the Dutch Group's companies) were seized pursuant to the decision of the District Court of Amsterdam. In addition, an injunction was issued seizing PJSC Gazprom's receivables from Nord Stream AG and Nord Stream 2 AG in Switzerland. Payments from these companies to PJSC Gazprom should be directed to the bailiff. PJSC Gazprom has not received any official notifications on this issue. PJSC Gazprom is currently challenging the actions taken by NJSC Naftogaz of Ukraine to enforce the arbitration award dated 28 February 2018, including the injunction, in Swiss, Dutch and British courts.

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On 2 August 2018 PJSC Gazprom filed a reasoned objection to the injunction to the Swiss court. The Swiss court has not rendered a final decision yet. On 13 September 2018 the High Court of England and Wales cancelled its order dated 18 June 2018 to seize PJSC Gazprom's assets in England and Wales. The condition for the cancellation was the obligation undertaken by PJSC Gazprom not to alienate shares of Nord Stream AG before the end of the hearings in the English court in the case on recognition and execution of the decision of the Stockholm arbitration court in the transit case dated 28 February 2018. The hearings in the case are preliminarily scheduled for February 2019.

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 to 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 the territory of Ukraine in order to restore the balance between contractual obligations and elimination of disproportions in terms of parties' contractual liabilities. On 22 May 2018 NJSC Naftogaz of Ukraine filed in response to this a request for arbitration and counter-claims in respect of the gas supply and transit contracts.

On 10 July 2018 NJSC Naftogaz of Ukraine filed to 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 enforced 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 decided to consolidate this proceeding 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 the territory of Ukraine in order to restore the balance between contractual obligations and elimination of disproportions in terms of the parties' contractual liabilities. The parties have appointed the arbitrators, the chairman of the arbitration tribunal has not been appointed. The procedural schedule has not currently been compiled.

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 with 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 2018 – RUB 110,388 million). PJSC Gazprom did not agree to the claims and on 9 November 2012 filed with the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, a response to the request for arbitration. The Arbitration panel was formed and the hearing on the merits took place from 1 to 9 July 2015. On 30 September 2015 the parties submitted additional written opinions based on the analysis of the hearing materials including witness and expert statements. On 22 June 2016 the arbitration court issued a final award which rejects 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 of the case on 10 October 2017. PJSC Gazprom is keeping on analysing received documents and is preparing its legal position. The hearings in the case are scheduled for May 2019.

In December 2015 South Stream Transport B.V., a subsidiary of the Group, was served with an official notification by the Secretariat of the International Court of Arbitration of the International Chamber of Commerce stating that Saipem S.p.A. had submitted a request for arbitration against South Stream Transport B.V. in view of unilateral termination by South Stream Transport B.V. of the agreement dated 14 March 2014 for the construction of the "South Stream" pipeline. The amount of current claims of Saipem S.p.A. to South Stream Transport B.V. is about EUR 615 million (at the exchange rate as of 30 September 2018 – RUB 46,881 million). The parties are currently undergoing a mutual information disclosure procedure. The hearings are scheduled for June 2019.

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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 2018 – RUB 199,489 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. On 13 April 2016 the claim was returned unconsidered on formal grounds. On 4 May 2016 PJSC Gazprom filed an appeal with the Kiev Economic Court of Appeal which on 18 May 2016 left the decision of the court of first instance unchanged. On 7 June 2016 PJSC Gazprom filed a cassation petition with the Ukraine's Higher Economic Court. On 13 July 2016 the Ukraine's Higher Economic Court dismissed the appeal of PJSC Gazprom and affirmed the ruling of the court of first instance and the decision of the court of appeal. On 2 September 2016 PJSC Gazprom filed with the Supreme Court of Ukraine a petition to review the decisions in the case rendered by the lower courts. On 13 September 2016 the Supreme Court of Ukraine rejected to move the petition forward to review the judgements delivered in the case by the lower courts. On 7 October 2016 the Kiev Economic Court rendered a decision to initiate proceedings of the case due to the claim filed by the Antimonopoly Committee of Ukraine requesting for enforced recovery from PJSC Gazprom of the fine imposed by it amounting to about USD 3 billion, and the penalty amounting to about USD 3 billion and demanding for enforcement of PJSC Gazprom to fulfil to the full extent the part of its decision concerning fulfillment of the terms and conditions of Contract No. TKGU related to the volumes of gas for transit to be supplied. On 5 December 2016 the Court satisfied the claims of the Antimonopoly Committee of Ukraine to the fullest extent. On 22 February 2017 the Court dismissed the appeal of PJSC Gazprom keeping the first-instance court's decision in force. On 14 March 2017 PJSC Gazprom filed with the Ukraine's Higher Economic Court a cassation petition on the decision of the Kiev Economic Court dated 5 December 2016 and the ruling of the Kiev Economic Court of Appeal dated 22 February 2017. As a result of the Ukraine's Higher Economic Court sitting held on 16 May 2017 the cassation petition of PJSC Gazprom was left unsatisfied. On 11 August 2017 PJSC Gazprom filed with the Supreme Court of Ukraine an appeal with a demand to annul decisions of lower courts. On 11 September 2017 the Supreme Court of Ukraine left these decisions in force and the appeal of PJSC Gazprom was unsatisfied. In April 2017 the Antimonopoly Committee of Ukraine filed a request with the Department of State Executive Service of the Ministry of Justice of Ukraine for enforced recovery from PJSC Gazprom of an amount of 171,932 million Ukrainian hryvnia (about USD 6 billion). On 12 May 2017 PJSC Gazprom was served via its Kiev-based Representative office Orders 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 2018 – RUB 438,876 million), including an execution fee of 17,193 million Ukrainian hryvnia (at the exchange rate as of 30 September 2018 – RUB 39,897 million), the seizure of the bank accounts of the Kiev-based Representative office of PJSC Gazprom, dividends due to PJSC Gazprom for the participation in JSC Gaztransit, the shares of JSC Gaztransit owned by PJSC Gazprom, the shares of PJSC YUZHNIIGIPROGAZ Institute, equity interests in LLC Gazprom sbyt Ukraine, and LLC International Consortium for the Ukrainian Gas Transmission System Management and Development. PJSC Gazprom is currently challenging the actions under the enforcement proceedings in the Ukrainian courts. PJSC Gazprom is also considering other legal remedies to restore its violated rights. The shares of PJSC YUZHNIIGIPROGAZ Institute with a nominal value of 651,500 Ukrainian hryvnia (at the exchange rate as of 30 September 2018 – RUB 2 million) (estimated value – 6,241,386 Ukrainian hryvnia, at the exchange rate as of 30 September 2018 – RUB 14 million) were sold on 22 August 2018 in a forced sale auction.

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

On 15 October 2018 PGNiG S.A. 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 within the activity in EU member countries from the Central and Eastern Europe. The pro-competition commitments came into effect on 28 May 2018 when PJSC Gazprom was officially served with the adopted decision. The decision on the pro-competition commitments was published by the European Commission on 17 July 2018.

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On 3 February 2016 under Council Regulation (EC) No. 1/2003 on the implementation of the rules on competition laid down in Articles 101 and 102 of the Treaty on the Functioning of the EU the European Commission filed an official request to PJSC Gazprom for presenting information regarding the alleged infringement by PJSC Gazprom of the EU competition laws within the framework of gas supply to Bulgaria. Delivery of the request does not constitute an initiation of any formal stage of investigation or any accusation of committing any EU antitrust offense by PJSC Gazprom, and intended solely to collect corresponding information. The subject of the request is providing information regarding PJSC Gazprom's relations with wholesale gas buyers in Bulgaria. The response to the request for information to the European Commission was filed by PJSC Gazprom on 7 April 2016.

On 14 March 2017 the European Commission received a complaint from PGNiG S.A., Poland, stating that PJSC Gazprom and its subsidiary 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 violates the antitrust law of the EU through:

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

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

On 4 May 2018 PJSC Gazprom received a notice from Poland's antimonopoly authority on initiation of proceedings over alleged concentration exercised by PJSC Gazprom and foreign investors when implementing the Nord Stream 2 project (on the basis of "the establishment of a joint venture without obtaining the prior consent of the President of the Polish Office of Competition and Consumer Protection"). The notice states that in accordance with the Polish legislation the President of the Polish Office of Competition and Consumer 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 % annual turnover of the company). On 15 June 2018 PJSC Gazprom filed its objections to the position declared by Poland's antimonopoly authority and a motion to terminate the antitrust investigation.

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

Sanctions

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

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

- 1) transacting in, providing financing for, or otherwise dealing with new debt of longer than 90 days maturity (from 28 November 2017 – 60 days maturity) or newly issued share capital, property or rights to property in respect of a number of energy companies, including PJSC Gazprom Neft;
- 2) transacting in, providing financing for, or otherwise dealing with new debt of longer than 30 days maturity (from 28 November 2017 – 14 days maturity) or newly issued share capital, property or rights to property

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in respect of a number of Russian companies of the banking sector, including Gazprombank (Joint-stock Company) (PJSC Gazprom is not on the list of restricted entities in this respect);

3) providing, exporting, or reexporting, directly or indirectly, goods, services (except for financial services), or technology in support of potential exploration and production of oil in deep water, Arctic offshore, or shale formations in the Russian Federation, inland or in territorial waters claimed by the Russian Federation with participation of Russian companies, including PJSC Gazprom and PJSC Gazprom Neft. Since 7 August 2015 restriction has included the Yuzhno-Kirinskoye field located in the Sea of Okhotsk. According to the changes of 31 October 2017 the scope of the stated restriction is extended for projects that meet three criteria at the same time:

- projects start after 29 January 2018;
- projects relate to oil production around the world;
- Russian companies included in the Sectoral Sanctions Identifications List, including PJSC Gazprom and PJSC Gazprom Neft and their subsidiaries, own a share of 33 % and more in such project or control the majority of voting rights.

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

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

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

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

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

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

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

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

4) after 12 September 2014 providing directly or indirectly or being part of any arrangement to make new borrowings with a maturity exceeding 30 days to some Russian companies (including PJSC Gazprom Neft and Gazprombank (Joint-stock Company) but excluding PJSC Gazprom), except for borrowings that have a specific

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and documented objective to provide financing for non-prohibited imports or exports of goods and non-financial services between the EU and the Russian Federation or for borrowings that have a specific and documented objective to provide emergency funding to meet solvency and liquidity criteria for bodies established in the EU, whose proprietary rights are owned for more than 50 percent by any entity referred to above.

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

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

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

Financial guarantees

	30 September 2018	31 December 2017
Guarantees issued for:		
Nord Stream AG	137,160	128,913
LLC Stroygazconsulting	93,970	81,710
Sakhalin Energy Investment Company Ltd.	76,415	78,563
Other	<u>21,131</u>	<u>26,353</u>
Total financial guarantees	<u>328,676</u>	<u>315,539</u>

For the nine months ended 30 September 2018 and in 2017 counterparties fulfilled their contractual obligations.

Included in financial guarantees are amounts denominated in US Dollars of USD 1,165 million and USD 1,391 million as of 30 September 2018 and 31 December 2017, respectively, as well as amounts denominated in Euro of EUR 1,913 million and EUR 1,905 million as of 30 September 2018 and 31 December 2017, respectively.

In June 2008 the Group pledged the shares of Sakhalin Energy Investment Company Ltd. to the bank-agent Mizuho Bank Ltd. under the loan obligations of Sakhalin Energy Investment Company Ltd. As of 30 September 2018 and 31 December 2017 the amount of Sakhalin Energy Investment Company Ltd. obligations up to the amount of the Group's share (50 %) amounted to RUB 76,415 million (USD 1,165 million) and RUB 78,563 million (USD 1,364 million), respectively.

In March 2010 the Group pledged the shares of Nord Stream AG to the bank-agent Societe Generale under the obligations of Nord Stream AG under the project financing agreement. As of 30 September 2018 and 31 December 2017 the amount of Nord Stream AG obligations up to the amount of the Group's share (51 %) amounted to RUB 137,160 million (EUR 1,799 million) and RUB 128,913 million (EUR 1,872 million), respectively.

In December 2017 the Group provided guarantees to Gazprombank (Joint-stock Company) for LLC Stroygazconsulting under its loan obligations. As of 30 September 2018 and 31 December 2017 the guarantees amounted to RUB 93,970 million and RUB 81,710 million, respectively.

Capital commitments

The total investment utilisation in accordance with investment programme for 2018 for gas, oil, electricity and heat generating assets is expected to be RUB 1,920,518 million.

Operating lease commitments

As of 30 September 2018 and 31 December 2017 the Group does not have significant liabilities related to operating leases.

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Supply commitments

The Group has entered into long-term supply contracts for periods ranging from 5 to 20 years with various companies operating in Europe. The volumes and prices in these contracts are subject to change due to various contractually defined factors. As of 30 September 2018 no loss is expected to result from these long-term commitments.

24 EVENTS AFTER REPORTING PERIOD

Borrowings

In October 2018 the Group signed an agreement to obtain a long-term loan from PJSC Sberbank in the amount of RUB 10,000 million at an interest rate, which is set up according to each loan transaction, due in 2023. In November 2018 under that agreement the Group obtained RUB 5,300 million at an interest rate of 8.65 % due in 2019.

In October 2018 the Group obtained a long-term loan from Intesa Sanpaolo Bank Luxembourg in the amount of EUR 1,200 million at an interest rate of EURIBOR + 1.75 % due in 2023.

In October 2018 the Group obtained a long-term loan from J.P. Morgan Europe Limited in the amount of EUR 1,100 million at an interest rate of EURIBOR + 1.6 % due in 2023.

In October 2018 the Group obtained a long-term loan from Gazprombank (Joint-stock Company) in the amount of RUB 15,000 million due in 2021.

In November 2018 the subsidiary Nord Stream 2 AG obtained long-term loans from 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. in the amount of EUR 340 million within the terms of the long-term financing agreement signed between the parties in April 2017.

In November 2018 the Group issued Loan Participation Notes in the amount of EUR 1,000 million at an interest rate of 2.949 % due in 2024 under USD 40,000 million Programme for the Issuance of Loan Participation Notes.

PJSC GAZPROM
INVESTORS RELATIONS

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