

April 29, 2020

**Gazprom's financial statements under International Financial Reporting Standards (IFRS)
for the year ended December 31, 2019**

Today PJSC Gazprom issued its audited consolidated financial statements prepared in accordance with International Financial Reporting Standards for the year ended December 31, 2019.

The table below presents the consolidated statement of comprehensive income prepared in accordance with IFRS for the years ended December 31, 2019 and December 31, 2018. All amounts are presented in millions of the Russian Rubles.

	Year ended December 31,	
	2019	2018
Sales	7,659,623	8,224,177
Net (loss) gain from trading activity	(24,957)	18,015
Operating expenses	(6,387,071)	(6,181,191)
Impairment loss on financial assets	(127,738)	(130,971)
Operating profit	1,119,857	1,930,030
Finance income	654,916	503,091
Finance expense	(354,835)	(813,042)
Share of profit of associates and joint ventures	207,127	232,483
Profit before profit tax	1,627,065	1,852,562
Current profit tax expense	(327,618)	(278,233)
Deferred profit tax expense	(29,930)	(45,333)
Profit tax	(357,548)	(323,566)
Profit for the year	1,269,517	1,528,996
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss:		
Gain arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	22,631	148,963
Remeasurement of provision for post-employment benefits	(186,066)	19,854
Total other comprehensive (loss) income that will not be reclassified to profit or loss	(163,435)	168,817
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive (loss) income of associates and joint ventures	(4,276)	13,923
Translation differences	(182,165)	222,221
Gain from hedging operations, net of tax	13,321	10,082
Total other comprehensive (loss) income that may be reclassified subsequently to profit or loss	(173,120)	246,226
Total other comprehensive (loss) income for the year, net of tax	(336,555)	415,043
Comprehensive income for the year	932,962	1,944,039

Profit for the year attributable to:

Owners of PJSC Gazprom	1,202,887	1,456,270
Non-controlling interest	<u>66,630</u>	<u>72,726</u>
	1,269,517	1,528,996

Comprehensive income for the year attributable to:

Owners of PJSC Gazprom	877,328	1,858,486
Non-controlling interest	<u>55,634</u>	<u>85,553</u>
	932,962	1,944,039

Sales (net of excise tax, VAT and customs duties) decreased by RUB 564,554 million, or 7%, to RUB 7,659,623 million for the year ended December 31, 2019 compared to the year ended December 31, 2018. The decrease in sales was mainly due to a decrease in sales of gas to Europe and other countries.

More detailed information concerning the main items of the sales structure for the years ended December 31, 2019 and December 31, 2018 is presented below.

in RUB million (unless indicated otherwise)	Year ended December 31,	
	2019	2018
Sales of gas		
<i>Europe and other countries</i>		
Net sales (net of excise tax and customs duties)	2,490,372	2,951,215
Volumes in bcm	232.4	243.3
Average price, RUB per mcm (including excise tax and customs duties)	13,613.0	15,499.5
<i>Former Soviet Union countries</i>		
Net sales (net of customs duties)	356,102	348,625
Volumes in bcm	38.7	38.1
Average price, RUB per mcm (including customs duties)	10,175.9	10,225.9
<i>Russian Federation</i>		
Net sales (net of VAT)	970,913	954,493
Volumes in bcm	235.8	239.7
Average price, RUB per mcm (net of VAT)	4,118.2	3,981.3
<i>Total gas sales</i>		
Retroactive gas price adjustments	(16,657)	49,338
Net sales (net of excise tax, VAT and customs duties)	3,800,730	4,303,671
Volumes in bcm	506.9	521.1
Net sales of refined products (net of excise tax, VAT and customs duties)	2,111,181	2,179,772
Net sales of crude oil and gas condensate (net of VAT and customs duties)	752,790	734,953
Electric and heat energy net sales (net of VAT)	518,373	522,095
Gas transportation net sales (net of VAT)	215,335	225,673
Other sales (net of VAT)	<u>261,214</u>	<u>258,013</u>
Total sales (net of excise tax, VAT and customs duties)	7,659,623	8,224,177

Net sales of gas decreased by RUB 502,941 million, or 12%, to RUB 3,800,730 million for the year ended December 31, 2019 compared to the year ended December 31, 2018, that was mainly due to a decrease in average prices and volumes of gas sold in the segment Europe and other countries.

Net sales of gas to Europe and other countries decreased by RUB 460,843 million, or 16%, to RUB 2,490,372 million for the year ended December 31, 2019 compared to the year ended December 31, 2018. The change was mainly due to the decrease in average prices (including excise tax and customs duties) denominated in the Russian Ruble by 12% and the decrease in volumes of gas sold by 4 %, or 10.9 bcm. At the same time average prices denominated in US Dollar decreased by 15%.

Net sales of gas to Former Soviet Union countries increased by RUB 7,477 million, or 2%, to RUB 356,102 million for the year ended December 31, 2019 compared to the year ended December 31, 2018. The change was mainly due to the increase in volumes of gas sold by 2%, or 0.6 bcm.

Net sales of gas in the Russian Federation increased by RUB 16,420 million, or 2%, to RUB 970,913 million for the year ended December 31, 2019 compared to the year ended December 31, 2018. This change was explained by the increase in average prices by 3% that was partially compensated by the 2 % decrease in volumes of gas sold, or 3.9 bcm.

Operating expenses increased by RUB 205,880 million, or 3%, to RUB 6,387,071 million for the year ended December 31, 2019 compared to the year ended December 31, 2018.

The change in operating expenses is primarily caused by an increase in the item "Staff costs" by RUB 148,896 million, or 25%, for the year ended December 31, 2019 compared to the year ended December 31, 2018. The increase was mainly due to the recognition of income from change in provision for post-employment benefits for the year ended December 31, 2018 caused by the increase in a retirement age according to the legislation of the Russian Federation.

The item "Foreign exchange differences on operating items" increased by RUB 106,316 million for the year ended December 31, 2019 compared to the year ended December 31, 2018 due to the revaluation of accounts receivable from foreign customers and loans issued, which was mainly caused by the depreciation of the US Dollar and the Euro against the Russian Ruble by 11 % and 13 %, respectively, for the year ended December 31, 2019 compared to the appreciation of the US Dollar and the Euro against the Russian Ruble by 21 % and 15 %, respectively, for the year ended December 31, 2018.

The item "Depreciation" increased by RUB 67,236 million for the year ended December 31, 2019 compared to the year ended December 31, 2018, that was mainly due to charging of depreciation of right-of-use assets caused by the application of IFRS 16 Leases since January 1, 2019.

The balance of foreign exchange differences reflected within the item "Net finance income (expense)" produced the gain in the amount of RUB 285,581 million for the year ended December 31, 2019 compared to the loss of RUB 332,225 million for the year ended December 31, 2018. There were the depreciation of US Dollar and Euro against the Russian Ruble by 11 % and 13 %, respectively, for the reporting year compared to the appreciation of US Dollar and Euro against the Russian Ruble by 21 % and 15 %, respectively, for the prior year.

Profit attributable to the owners of PJSC Gazprom for the year ended December 31, 2019 amounted to RUB 1,202,887 million which is by RUB 253,383 million, or 17 %, less than for the year ended December 31, 2018.

Net debt balance (defined as the sum of short-term borrowings, current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings, long-term promissory notes payable, net of cash and cash equivalents) increased by RUB 153,444 million, or 5%, from RUB 3,014,403 million as of December 31, 2018 to RUB 3,167,847 million as of December 31, 2019. This change was mainly due to a decrease in cash and cash equivalents balances.

More detailed information on the IFRS consolidated financial statements for the year ended December 31, 2019 can be found on the PJSC Gazprom's site (www.gazprom.ru).

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