

April 29, 2019

**Gazprom's financial statements under International Financial Reporting Standards (IFRS)
for the year ended December 31, 2018**

Today PJSC Gazprom issued its audited consolidated financial statements prepared in accordance with International Financial Reporting Standards for the year ended December 31, 2018.

The table below presents the consolidated statement of comprehensive income prepared in accordance with IFRS for the years ended December 31, 2018 and December 31, 2017. All amounts are presented in millions of the Russian Rubles.

	Year ended December 31,	
	2018	2017
Sales	8,224,177	6,546,143
Net gain (loss) from trading activity	18,015	(16,352)
Operating expenses	(6,181,191)	(5,697,056)
(Impairment loss) reversal of impairment loss on financial assets	(130,971)	38,670
Operating profit	1,930,030	871,405
Finance income	503,091	426,705
Finance expense	(813,042)	(407,044)
Share of profit of associates and joint ventures	232,483	126,940
Profit before profit tax	1,852,562	1,018,006
Current profit tax expense	(278,233)	(241,817)
Deferred profit tax expense	(45,333)	(9,310)
Profit tax	(323,566)	(251,127)
Profit for the year	1,528,996	766,879
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	148,963	(30,404)
Remeasurement of provision for post-employment benefits	19,854	(5,064)
Total other comprehensive income (loss) that will not be reclassified to profit or loss	168,817	(35,468)
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of associates and joint ventures	13,923	2,967
Translation differences	222,221	23,290
Gain from hedging operations, net of tax	10,082	13,601
Total other comprehensive income that may be reclassified subsequently to profit or loss	246,226	39,858
Total other comprehensive income for the year, net of tax	415,043	4,390
Comprehensive income for the year	1,944,039	771,269
Profit for the year attributable to:		
Owners of PJSC Gazprom	1,456,270	714,302
Non-controlling interest	72,726	52,577
	1,528,996	766,879

Comprehensive income for the year attributable to:

Owners of PJSC Gazprom	1,858,486	710,840
Non-controlling interest	<u>85,553</u>	<u>60,429</u>
	1,944,039	771,269

Sales (net of excise tax, VAT and customs duties) increased by RUB 1,678,034 million, or 26%, to RUB 8,224,177 million for the year ended December 31, 2018 compared to the year ended December 31, 2017. The increase in sales was mainly due to an increase in sales of gas, refined products, crude oil and gas condensate.

More detailed information concerning the main items of the sales structure for the years ended December 31, 2018 and December 31, 2017 is presented below.

in RUB million (unless indicated otherwise)	Year ended December 31,	
	2018	2017
Sales of gas		
<i>Europe and other countries</i>		
Net sales (net of excise tax and customs duties)	2,951,215	2,221,217
Volumes in bcm	243.3	242.0
Average price, RUB per mcm (including excise tax and customs duties)	15,499.5	11,670.5
<i>Former Soviet Union countries</i>		
Net sales (net of customs duties)	348,625	292,777
Volumes in bcm	38.1	35.0
Average price, RUB per mcm (including customs duties)	10,225.9	9,237.0
<i>Russian Federation</i>		
Net sales (net of VAT)	954,493	875,685
Volumes in bcm	239.7	229.9
Average price, RUB per mcm (net of VAT)	3,981.3	3,808.3
<i>Total sales of gas</i>		
Retroactive gas price adjustments	49,338	(49,092)
Net sales (net of excise tax, VAT and customs duties)	4,303,671	3,340,587
Volumes in bcm	521.1	506.9
Net sales of refined products (net of excise tax, VAT and customs duties)	2,179,772	1,687,090
Net sales of crude oil and gas condensate (net of VAT and customs duties)	734,953	539,958
Electric and heat energy net sales (net of VAT)	522,095	503,819
Gas transportation net sales (net of VAT)	225,673	235,061
Other sales (net of VAT)	<u>258,013</u>	<u>239,628</u>
Total sales (net of excise tax, VAT and customs duties)	8,224,177	6,546,143

Net sales of gas increased by RUB 963,084 million, or 29%, to RUB 4,303,671 million for the year ended December 31, 2018 compared to the year ended December 31, 2017, that was mainly due to an increase in average prices in the segment Europe and other countries.

Net sales of gas to Europe and other countries increased by RUB 729,998 million, or 33%, to RUB 2,951,215 million for the year ended December 31, 2018 compared to the year ended December 31, 2017. The change was mainly due to the increase in average prices (including excise tax and customs duties) denominated in the Russian Ruble by 33%. At the same time average prices denominated in US Dollar increased by 23%.

Net sales of gas to Former Soviet Union countries increased by RUB 55,848 million, or 19%, to RUB 348,625 million for the year ended December 31, 2018 compared to the year ended December 31, 2017. The change was due to the increase in average prices (including customs duties) denominated in the Russian Ruble by 11% and the increase in volumes of gas sold by 9%, or 3.1 bcm. At the same time average prices denominated in US Dollar increased by 3%.

Net sales of gas in the Russian Federation increased by RUB 78,808 million, or 9%, to RUB 954,493 million for the year ended December 31, 2018 compared to the year ended December 31, 2017. This

change was mainly explained by the increase in average prices by 5% and the increase in volumes of gas sold by 4%, or 9.8 bcm.

Net sales of refined products increased by RUB 492,682 million, or 29%, to RUB 2,179,772 million for the year ended December 31, 2018 compared to the year ended December 31, 2017. The increase in net sales of refined products was due to an increase in average prices in all geographic segments and an increase in Gazprom neft Group sales volumes to customers in the Russian Federation, Europe and other countries.

Net sales of crude oil and gas condensate increased by RUB 194,995 million, or 36%, to RUB 734,953 million for the year ended December 31, 2018 compared to the year ended December 31, 2017. The increase in net sales of crude oil and gas condensate was mainly due to an increase in average prices.

Operating expenses increased by RUB 484,135 million, or 8%, to RUB 6,181,191 million for the year ended December 31, 2018 compared to the year ended December 31, 2017.

The change in operating expenses is primarily caused by an increase in the item "Taxes other than on profit" by RUB 252,219 million, or 20%, for the year ended December 31, 2018 compared to the year ended December 31, 2017. The increase is due to an increase in mineral extraction tax (MET) by RUB 248,654 million, or 27%, mainly as a result of a rise in crude oil prices, an increase in the adjusting coefficient in the MET formula for crude oil and an increase in coefficient values in the MET formula for gas.

The item "Purchased gas and oil" increased by RUB 232,684 million, or 19%, for the year ended December 31, 2018 compared to the year ended December 31, 2017, that was mainly due to an increase in average gas and oil prices.

The balance of foreign exchange rate differences reflected within the item "Net finance income (expense)" produced the loss in the amount of RUB 332,225 million for the year ended December 31, 2018 compared to the loss of RUB 10,728 million for the year ended December 31, 2017. There were the appreciation of US Dollar and Euro against the Russian Ruble by 21 % and 15 %, respectively, for the reporting year compared to the depreciation of US Dollar against the Russian Ruble by 5% and the appreciation of Euro against the Russian Ruble by 8% for the prior year.

Profit attributable to the owners of PJSC Gazprom for the year ended December 31, 2018 amounted to RUB 1,456,270 million which is by RUB 741,968 million, or 104 %, more than for the year ended December 31, 2017.

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 616,892 million, or 26%, from RUB 2,397,511 million as of December 31, 2017 to RUB 3,014,403 million as of December 31, 2018. This change was mainly due to an increase in the amount of long-term borrowings denominated in the Russian Ruble caused by the appreciation of US Dollar and Euro against the Russian Ruble.

More detailed information on the IFRS consolidated financial statements for the year ended December 31, 2018 can be found on the PJSC Gazprom's site (www.gazprom.ru).

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