

GAZPROM GERMANIA

CONSOLIDATED FINANCIAL STATEMENTS 2018

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For computational reasons, rounding differences of \pm one unit (thousands of EUR, %, etc.) can occur in the tables.

ABBREVIATIONS

| | |
|----------------|--|
| bbl | Barrel |
| BEP | Bunde-Etzel-Pipelinegesellschaft mbH & Co. KG, Westerstede, Germany |
| CNG | Compressed natural gas |
| ECL | Expected credit loss |
| EMIR | European Market Infrastructure Regulation |
| EU | European Union |
| EUGAL | Europäische-Gas-Anbindungsleitung (European pipeline link) |
| EUR | Euro |
| FVTOCI | Fair value through other comprehensive income |
| FVTPL | Fair value through profit or loss |
| GASCADE | GASCADE Gastransport GmbH, Kassel, Germany |
| GAZPROM | PAO GAZPROM, Moscow, Russia |
| Gazprom export | OOO Gazprom export, St. Petersburg, Russia |
| GBP | British pound sterling |
| GM&T | Gazprom Marketing & Trading Ltd, London, United Kingdom |
| GPCH | GAZPROM Schweiz AG, Zug, Switzerland |
| GPG | GAZPROM Germania GmbH, Berlin, Germany |
| GWh | Gigawatt hour |
| HGB | Handelsgesetzbuch (German Commercial Code) |
| IFRS | International Financial Reporting Standards |
| kWh | Kilowatt hour |
| LNG | Liquefied natural gas |
| LPG | Liquefied petroleum gas |
| MiFID | Markets in Financial Instruments Directive |
| MWh | Megawatt hour |
| NCG | NetConnect Germany |
| NEL | Nordeuropäische-Erdgasleitung (Northern European natural gas pipeline) |
| NGV | Gazprom NGV Europe GmbH, Berlin, Germany |
| OPAL | Ostsee-Pipeline-Anbindungsleitung (Baltic Sea Pipeline Link) |
| REMIT | Regulation on wholesale energy market integrity and transparency |
| ROC | Risk Oversight Committee |
| RoU | Right of use |
| SOVAG | SCHWARZMEER UND OSTSEE Versicherungs-Aktiengesellschaft SOVAG, Hamburg, Germany |
| TTF | Title Transfer Facility |
| USD | United States Dollar |
| VaR | Value at Risk |
| WIEH | WIEH GmbH, Berlin, Germany |

| | |
|-------------|--|
| WIGA | WIGA Transport Beteiligungs-GmbH & Co. KG, Kassel, Germany |
| WINGAS | WINGAS GmbH, Kassel, Germany |
| Wintershall | Wintershall Holding GmbH, Kassel, Germany |

GROUP MANAGEMENT REPORT

GAZPROM Germania GmbH, Berlin, Germany (GPG), was founded in 1990 as a German subsidiary of Gazprom export, St Petersburg, Russia (Gazprom export), a limited liability company under Russian law, as part of the group of companies led by GAZPROM, Moscow, Russia (GAZPROM), a listed, public joint-stock company under Russian law, for the purpose of marketing Russian natural gas in Germany and Western Europe.

Since its foundation, GPG has developed into an international group. The GPG Group comprises 44 companies operating globally in 16 countries. Its main business areas are the trading and storage of natural gas. GPG, together with its subsidiaries and investments, realises GAZPROM's key commercial interests in Europe and Asia.

ECONOMIC AND REGULATORY CONDITIONS

GENERAL ECONOMIC CONDITIONS

The global economic trend in 2018 was characterised primarily by rising commodity prices and advancing private consumption in the major industrialised countries. As a result, industrial output rose as well. At the same time, political risks and trade disputes had a negative effect. Overall, economic growth remained steady at 3.7 %, although significant differences existed between countries.

| Gross domestic product growth in major markets (in %) | 2018 | 2017 |
|---|------|------|
| Gross world product | 3.7 | 3.6 |
| European Union (EU) | 2.1 | 2.3 |
| - Germany | 1.7 | 2.2 |
| - United Kingdom | 1.3 | 1.5 |
| China | 6.6 | 6.8 |
| Japan | 1.1 | 1.6 |
| South Korea | 2.8 | 3.0 |

The figures for 2018 are preliminary.

After a prolonged glut of crude oil and gas on the commodity markets, oil prices continued to rise during the year. This development was caused by higher demand as a result of economic growth, production restrictions by OPEC and other geopolitical factors. As a consequence, the average price in 2018 rose to USD 71.0 per barrel (bbl) (prior-year period: USD 54.3 per bbl). Rising oil prices also had a positive effect on the setting of prices for natural gas, resulting in a continuation of the prior-year trend towards higher energy prices.

EUROPE AND GERMANY

European demand for gas has risen steadily from year to year, not least due to the growing share of gas in the region's generation of power and the higher need in transportation. In addition, the closure in 2017 of Rough, a natural gas storage facility in the United Kingdom, and the further reduction of natural gas production in Groningen in the Netherlands forced northwest Europe to rely on other sources to cover seasonal fluctuations in demand.

Prices also developed positively on the major European gas-trading hubs, such as the Title Transfer Facility (TTF) in the Netherlands and the hub for the NetConnect Germany (NCG) trading area. The average price for natural gas on the TTF spot market rose from EUR 17.4 per megawatt hour (MWh) in 2017 to EUR 22.6 per MWh in 2018.

Natural gas imports are a significant component of Germany's energy supply because of the country's limited domestic production. The German Federal Office for Economic Affairs and Export Control states that natural gas imports amounted to 1,109,456 gigawatt hours (GWh) as at November 2018. That represents an increase of 9.0 % on the comparable period in 2017 (1,018,069 GWh).

The European power market was not as volatile in 2018 as in the years before. The average spot price for power on the European Energy Exchange was EUR 44.7 per MWh in 2018 (prior-year period: EUR 34.3 per MWh). This increase was caused because prices for coal and natural gas were more

stable. This stability meant that wholesale market prices for power were influenced only by the energy mix. Renewable energies are becoming increasingly important in this mix.

ASIA

The Asian market for liquefied natural gas (LNG) was shaped by both rising supply and growing demand because of the Chinese programme to convert from coal to natural gas. The generally improved economic environment also played a role. As a result, Chinese gas consumption in 2018 is estimated to have risen above 240.0 billion cubic metres for the first time ever (prior-year period: 200.0 billion cubic metres). This development is reflected in spot prices, which have risen throughout the entire Asian market since September 2017. Experts anticipate gas consumption will continue to rise in the coming years, primarily due to China's new policy on energy and the climate. Charter tariffs for LNG transport ships also continued to recover compared with the previous year.

ENERGY POLICY AND REGULATORY ENVIRONMENT

Experts predict that natural gas will substantially increase in prominence over the coming years. It could overtake oil by the mid-2020s to become the world's largest primary energy. Natural gas will continue to play a key role in helping to meet future lower-carbon energy requirements.

The vast majority of customers in the European Union are located in highly liquid and competitive gas markets, with prices reflecting the balance between supply and demand. New pipeline infrastructure offers the potential to enhance the flexibility of flows throughout Europe. It will improve the functioning of the European gas market and could result in reduced differentials between pricing hubs in different regions. There are challenges to the market position of natural gas, because regulatory issues – such as carbon pricing, emission caps, and pollution regulation – could pose risks to the future share of gas in the global power generation mix.

The political developments in Germany that influenced the 2018 financial year included the coalition negotiations and thus also the debates on the future direction of energy policy. The resulting coalition agreement became the first political document admitting that Germany would miss its 40 % greenhouse gas reduction target by 2020, achieving only about 30 %. The new cabinet installed a commission to produce an action plan showing how to close the gap by 2020 and reach the 2030 target. The commission's final report, which was published on 26 January 2019, contains a concrete exit path from coal-based energy production by the year 2038. In view of the resulting challenges to maintain the security of supply, the commission proposes the creation of the conditions necessary for the construction of new, highly efficient gas-fired power plants to generate power and heat. A rigorous change in fuel policy from coal to natural gas would make it possible for Germany to come much closer to its climate protection goals with comparatively low economic costs.

The public debates surrounding the emissions manipulation in the automotive industry and diesel bans have brought natural gas as an alternative fuel into discussion. The extension of the tax credit for natural gas as fuel until 2026 and the tightened greenhouse gas quota also set incentives for both end users and petrol station operators. Given that power will not be emission-free until 2030, climate protection goals will not be achievable solely through e-mobility. New registrations for passenger vehicles based on natural gas and LNG trucks in 2018 increased significantly throughout Europe in 2018.

One of this year's focal points for the GPG Group was the political classification of the role of natural gas in the energy system of the present and the future. The climate protection potential of natural gas was presented to public and political stakeholders. Discussions were held as well, not only at various energy industry events and congresses but also during events conducted by the GPG Group itself.

As a reliable partner of the European Union and a long-standing participant in the European energy market, GAZPROM took part in the European Commission's public consultation process on the Strategy for Long-term EU Greenhouse Gas Emissions Reductions initiative. GAZPROM also presented its vision with due regard to the long-term demand for low-carbon fuels. The GAZPROM Discussion Paper offers a three-stage decarbonisation plan for the EU economy. At the first stage, natural gas could effectively replace coal in power generation and other more polluting fuels in various sectors. At the

second stage, more significant rates of reducing CO₂ emissions could be reached through the wider use of methane-hydrogen energy carriers. Finally, CO₂ emissions could be almost completely eliminated by 2050 and beyond through the application of innovative technologies for producing hydrogen from methane. These technologies enable the sequestering of solid carbon for further use in sectors of the economy.

Several challenges lie ahead in 2019 for the energy and gas industry. On the European level, the Commission is preparing its Gas 2020 package, covering sector integration, renewables and decarbonised gas, and future gas market regulation. In Germany, a climate protection law with sector-specific CO₂ reduction targets for 2030, including concrete packages of measures to achieve these goals, is to be drafted, discussed broadly and adopted by the end of the year.

BUSINESS PERFORMANCE

GROUP PERFORMANCE

The GPG Group performed well overall during the reporting period, posting revenue of EUR 27,275.0 million (prior-year period: EUR 23,103.3 million). This year-on-year increase was the result of a rise in prices and sales volumes for natural gas. Modified EBITDA, the Group's target key performance indicator that results after adjustments are made to account for certain factors such as the initial application of new accounting standards, rose to EUR 350.0 million and thus exceeded the value planned in the previous year of EUR 246.3 million. This positive performance was mainly due to expanded margins and higher volumes of natural gas and LNG products.

In contrast, operating profit fell to EUR 30.2 million (prior-year period: EUR 277.4 million). This decrease was caused primarily by impairment losses recorded on tangible fixed assets, the negative effect of currency translation and changes in the fair value of commodity derivatives.

The gas transport business, which is operated in a joint venture with Wintershall Holding GmbH (Wintershall) and has a material effect on consolidated profit, continued to generate a stable contribution to earnings.

As a result of the aforementioned effects, profit for the year fell to EUR 121.9 million (prior-year period: EUR 364.8 million). Overall, however, we believe the GPG Group performed well in the 2018 financial year given the prevailing market conditions.

The GPG Group aims to become more flexible and efficient. To achieve this, the Group is continuing to reorganise and merge key areas of its operations. These changes in the Company's organisational structure are intended to simplify and optimise these areas. The management structure, which encompasses all of the Group's business areas, was restructured in the current financial year. Group companies will be gradually merged into a uniform functional structure under common management teams. The functions are currently being consolidated and business processes are being redefined in detail. In addition, the GPG Group made a decision during the financial year to divest portions of its end customer distribution activities by selling two subsidiaries. As at 31 December 2018, however, the respective companies were still fully integrated in the GPG Group, as the terms and conditions for the divestment have not been finalised.

The newly established Executive Committee performs the Company's operating management role within the GPG Group and ensures that business activities are coordinated throughout the Group. The strategic task of this management committee is to establish a Group-wide trading and marketing function that is represented at the most important locations, not only in Europe but also, in some cases, globally.

MARKETING AND TRADING BUSINESS

EUROPE AND GERMANY

The GPG Group trades natural gas in the markets of West and East Europe predominantly via the trading companies WINGAS GmbH (WINGAS) and WIEH GmbH (WIEH). WINGAS supplies primarily municipal utility companies, larger industrial businesses, power plants and regional gas supply companies in Germany and in other European countries. WIEH procures mostly Russian natural gas, which it then sells primarily to two German natural gas import companies.

UK-based Gazprom Marketing & Trading Ltd (GM&T) and its subsidiaries trade natural gas, LNG, liquefied petroleum gas (LPG), power, oil and refined products around the world. In addition, GAZPROM Schweiz AG (GPCH) and its subsidiaries market natural gas in Central Asia and East Europe.

The increase in revenue from natural gas by 16.4 % is primarily attributable to the stabilisation of prices and higher demand for natural gas. Sales growth was bolstered mainly by the steadily rising share of natural gas in power generation.

The market environment for trading in refined products remained stable compared to the previous year. Lower purchasing volumes were offset by rising prices. As a result, revenue generated with these products almost matched last year's level. In contrast to the previous year, volumes of gas condensate were again available in 2018 for trading purposes. The Group realised revenue of EUR 90.1 million with this product.

The European electricity market is experiencing increasing competition and growing demand for more flexible products. Although sales prices continued to rise, the decline in sales volumes led to revenue of EUR 127.4 million, a decrease on the previous year at EUR 195.2 million. The GPG Group is therefore constantly developing new digital solutions in order to adapt to rapidly changing market conditions and benefit from them.

ASIA

The main customers in Asia were China, Japan, South Korea, India and Taiwan. Growing demand on the Asian LNG market in 2018 is the reason for the increase in spot prices as well as for higher charter tariffs for LNG transport ships. These positive market conditions resulted in higher total revenue from the sale of LNG compared with the previous year. This increase amounted to 44.8 % on the previous year, with total revenue rising to EUR 1,416.2 million (prior-year period: EUR 977.8 million).

Trading activity with crude oil in China and South Korea resulted in improved results compared with the previous year. Rising prices for oil on the global markets led to a 36.7 % increase in revenue during 2018 to EUR 896.7 million (prior-year period: EUR 656.1 million).

GAS STORAGE

Astora GmbH & Co. KG is one of the largest operators of natural gas storage facilities in Europe. Besides the operation of natural gas storage facilities, its business activities also include the planning, construction and marketing of storage capacity. The GPG Group has a combined total storage capacity of 6.5 billion cubic metres due to its share of the Rehden, Jemgum and Haidach storage facilities. Revenue from the marketing of storage capacity totalled EUR 32.7 million in 2018 (prior-year period: EUR 30.4 million).

In addition, the GPG Group has a stake in a cavern storage facility through its investments in Etzel-Kavernenbetriebsgesellschaft mbH & Co. KG and Bunde-Etzel-Pipelinegesellschaft mbH & Co. KG (BEP). This highly flexible storage facility with 0.95 billion cubic metres of capacity has efficient access to Europe's major natural gas trading hubs. Despite good technical and operating conditions, Etzel-Kavernenbetriebsgesellschaft mbH & Co. KG realised an equity-accounted profit of EUR 0.0 million because of the difficult market environment (prior-year period: EUR 0.0 million).

GAS TRANSPORT

WIGA Transport Beteiligungs-GmbH & Co. KG (WIGA) is a joint venture operated by GPG and Wintershall. Subsidiaries of WIGA arrange for natural gas to be transported from the onshore connection point of the Nord Stream pipeline to the German-Czech border via the Baltic Sea Pipeline Link (OPAL) (transport capacity of 36 billion cubic metres), and towards the west via the NEL pipeline (transport capacity of 20 billion cubic metres) to Rehden in the German state of Lower Saxony. In addition, GASCADE Gas-transport GmbH's (GASCADE) network of gas pipelines transported 58.0 billion cubic metres of natural gas in Germany during 2018 (prior-year period: 53.4 billion cubic metres).

The ongoing project to expand transport capacity by building the Nord Stream 2 offshore pipeline has prompted WIGA and GASCADE to plan for the construction of a new European gas pipeline link (EUGAL). This new pipeline will transport the additional gas volumes from the onshore connection point in Lubmin to southern Germany and further to the Czech Republic. This initiative aims to increase the gas transport capacity between Russia and Europe by a further 55 billion cubic metres. The construction of the EUGAL pipeline is scheduled for completion at the end of 2020. The full exploitation of EUGAL's capacity, and ultimately its commercial success, will depend largely on the completion of the Nord Stream 2 offshore pipeline.

WIGA and its subsidiaries contributed an equity-accounted profit of EUR 90.4 million (prior-year period: EUR 84.1 million).

OTHER BUSINESS AREAS

Gazprom NGV Europe GmbH (NGV) implemented additional projects in 2018 to expand the market for natural gas as a fuel, which is an additional sales channel for Russian natural gas. As at the end of 2018, NGV operated 48 natural gas filling stations in Germany, 3 in Poland, and 16 in the Czech Republic.

NET ASSETS, FINANCIAL POSITION AND RESULT OF OPERATIONS

The GPG Group's business activities focus on contributing to the sustained growth in the value of the GAZPROM Group. The value of the GPG Group and its equity investments is measured and managed using a system of strategic performance indicators, of which the primary indicators are profit for the year, modified EBITDA and other secondary financial indicators.

The following is an overview of the GPG Group's key performance indicators.

| | | 31 December 2018 | 31 December 2017 | 31 December 2016 |
|--|---------------|---------------------|---------------------|---------------------|
| Revenue | EUR thousands | 27,275,000 | 23,103,255 | 21,141,251 |
| EBITDA | EUR thousands | 377,538 | 484,984 | 506,034 |
| EBIT | EUR thousands | 129,080 | 351,202 | 267,651 |
| EBT | EUR thousands | 126,597 | 359,293 | 269,603 |
| Net result | EUR thousands | 121,886 | 364,792 | 188,290 |
| Total assets | EUR thousands | 9,576,348 | 7,871,136 | 9,603,152 |
| Financial assets | EUR thousands | 1,546,854 | 1,318,051 | 1,651,245 |
| Short-term loans | EUR thousands | 273,556 | 19,599 | 13,176 |
| Long-term loans | EUR thousands | | 644 | 2,379 |
| Equity | EUR thousands | 2,563,884 | 3,630,795 | 4,039,916 |
| Equity ratio | % | 26.77 | 46.13 | 42.07 |
| net debt | EUR thousands | 106,506 | -417,283 | -827,977 |
| Modified EBITDA | EUR thousands | 350,029 | -34,992 | 380,635 |
| Net debt to modified EBITDA ratio (dynamic leverage) | | 0.30 | n/a | n/a |

EBITDA is the result of EBIT, less depreciation and allowances on receivables and inventories. Modified EBITDA is EBITDA including any additions or deductions associated with the calculation logic stipulated by the financial covenants for GPG's syndicated credit line. In 2018 the Group changed the calculation methodology. Exchange rate gains and losses, as well as the result from changes in fair value, are no longer deducted to derive modified EBITDA. If the current method had been applied in previous years, modified EBITDA would have been EUR 454.6 million in 2017 and EUR 478.6 million

in 2016. Net debt is calculated as the excess of financial liabilities over cash. If excess financial liabilities do not exist, the Group does not determine the dynamic leverage ratio, which compares net debt to modified EBITDA.

COMPARISON OF ACTUAL AND FORECASTED BUSINESS PERFORMANCE

The GPG Group's forecast for the 2018 financial year was a profit for the year of EUR 73.6 million. The actual profit for the year in 2018 was EUR 121.9 million, which exceeded the previous year's forecast by EUR 48.3 million. The profit for the year was negatively impacted by extraordinary effects, including impairment losses on non-current assets totalling EUR 148.8 million. Net of the negative extraordinary effects, the profit for the year would have been EUR 270.7 million. Modified EBITDA, the key performance indicator which was planned to be EUR 246.3 million, reached EUR 350.0 million in 2018. In summary, expanded margins and higher volumes of natural gas and LNG were the main reasons for the positive development of the adjusted profit.

RESULT OF OPERATIONS

The GPG Group increased its revenue in the financial year by 18.1 % to EUR 27,275.0 million (prior-year period: EUR 23,103.3 million). This increase was primarily due to revenue from trading with natural gas, which amounted to EUR 23,730.5 million (prior-year period: EUR 20,380.4 million), and with LNG, which stood at EUR 1,416.2 million (prior-year period: EUR 977.8 million).

The cost of materials increased by 15.9 % to EUR 26,504.7 million (prior-year period: EUR 22,858.8 million). The main reason for this increase was higher demand for natural gas in Europe and LNG in Asia, as well as rising procurement prices. This increase was offset by a 13.5% year-on-year decline in transit costs due to lower transit tariffs.

Other operating income declined by 81.3 % to EUR 77.2 million (prior-year period: EUR 412.2 million). This reduction was mostly due to lower income from foreign currency exchange differences in operating activities, which decreased from EUR 216.8 million in the previous year to EUR 0.1 million in 2018.

Employee benefits expense rose to EUR 281.8 million (prior-year period: EUR 248.5 million) due to non-recurring special effects associated with adjustments to personnel structures.

Depreciation and amortisation expense on property, plant and equipment as well as on intangible assets increased by EUR 129.9 million to EUR 248.5 million. This increase was caused primarily by impairment losses of EUR 148.8 million that were recorded in the financial year.

Other operating expense fell to EUR 239.5 million compared with the previous year (prior-year period: EUR 286.5 million). This decline resulted mainly from lower sponsoring costs.

The result of changes in fair value in operating activities totalling EUR -39.8 million (prior-year period: EUR 276.3 million) was mostly due to the remeasurement of derivative financial instruments as at the reporting date.

The net impact of the aforementioned effects caused operating profit to fall to EUR 30.2 million (prior-year period: EUR 277.4 million).

The financial result increased due to higher net income from investments and reached EUR 96.4 million in 2018 (prior-year period: EUR 81.9 million).

As a consequence of the effects mentioned above, profit for the year fell to EUR 121.9 million (prior-year period: EUR 364.8 million).

Other comprehensive income totalling EUR -51.0 million (prior-year period: EUR -87.2 million) reduced total comprehensive income in the financial year to EUR 70.9 million (prior-year period: EUR 277.6 million). The primary reason for the negative result in other comprehensive income was the reduction in the reserve for cash flow hedges to EUR -44.4 million (prior-year period: EUR 93.8 million).

NET ASSETS

The total assets of the GPG Group rose from EUR 7,871.1 million as at the end of 2017 to EUR 9,576.3 million. This increase by EUR 1,705.2 million, which was primarily attributable to current assets, was caused by a EUR 907.9 million increase in trade receivables, a rise of EUR 554.3 million in the fair value of short-term commodity derivatives, and an increase of EUR 398.1 million in inventories.

Current liabilities rose by EUR 2,467.4 million to total EUR 6,016.0 million (prior-year period: EUR 3,548.6 million). They are largely comprised of trade payables, derivative financial instruments and provisions. A timing difference resulted in a EUR 1,374.0 million year-on-year increase in trade payables as at the reporting date. The market value of derivative financial liabilities as at 31 December 2018 rose by EUR 560.7 million to EUR 1,248.4 million (prior-year period: EUR 687.8 million).

The total comprehensive income realised in the financial year only marginally offset the dividend payments made. Overall, therefore, equity decreased to EUR 2,563.9 million (prior-year period: EUR 3,630.8 million). This decline caused the equity ratio to fall from 46.1 % to 26.8 %.

FINANCIAL POSITION

Cash and cash equivalents totalled EUR 167.1 million as at the reporting date (prior-year period: EUR 437.5 million), which is equivalent to 1.7 % of total assets (prior-year period: 5.6 %). The GPG Group also has liquidity reserves from free overdraft credit lines and unused volumes from the syndicated credit facility totalling EUR 520.1 million (prior-year period: EUR 643.0 million).

Cash flows from operating activities stood at EUR 508.7 million during the reporting period. In the previous year, operating cash flow was impacted by a timing difference associated with an early payment of trade payables. It amounted to EUR -118.0 million.

Cash flows from investing activities fell by EUR 454.6 million to EUR 13.5 million. The comparable figure in the prior year was impacted by the repayment of a loan totalling EUR 430.0 million. The GPG Group's investment activity in 2018 focused on reinvesting the earnings from the gas transport business into the construction of the EUGAL pipeline. In addition, the Group invested in software, property, plant and equipment for natural gas storage, and other tangible fixed assets. These investments totalled EUR 56.4 million (prior-year period: EUR 55.5 million).

Cash flows from financing activities totalled EUR -805.5 million (prior-year period: EUR -681.8 million) and included predominantly net dividend payments of EUR -1,083.5 million (prior-year period: EUR -650.9 million).

The GPG Group's priorities in terms of financing activities included continuously increasing the efficiency of cash management, optimising working capital and securing a stable level of liquidity. In addition, the integration of Group-internal financing functions and structures supported the realisation of existing objectives. To support its global trading activities, the Group established or extended numerous guarantee lines, taking into account diversification aspects in the financial market.

The syndicated credit line for EUR 300.0 million, which was prolonged in 2016, served as the Group's most important liquidity and risk reserve. Furthermore, the revolving, one-year credit line totalling USD 250.0 million with a consortium of international banks was extended for a further year until July 2019. Neither credit line was utilised as at 31 December 2018.

In 2019 the Group will focus on optimising even further its Group-wide financing and liquidity management activities, and on developing alternative financing opportunities using existing resources. The Group's planning includes capital expenditure for the expansion of the EUGAL pipeline and natural gas storage facilities. This expenditure is to be financed through internal funding.

NON-FINANCIAL PERFORMANCE INDICATORS

HUMAN RESOURCES

The GPG Group's total number of employees changed as follows:

| | 2018 | 2017 |
|---|--------------|--------------|
| Gazprom Marketing & Trading Ltd, London (UK) | 383 | 390 |
| Gazprom Marketing & Trading Retail Ltd, London (UK) | 309 | 296 |
| WINGAS GmbH, Kassel (DE) | 330 | 431 |
| Others | 602 | 666 |
| Total employees | 1,624 | 1,783 |

Adjustments to the personnel structures within the GPG Group and the use of synergies led to a reduction in the average number of employees in 2018.

IT ENVIRONMENT

The GPG Group's IT activities aim to support the sales and trading operations of Group companies by establishing efficient solutions and providing a solid foundation for supporting corporate processes.

The Group-wide activities to consolidate and standardise IT services were continued in 2018. This initiative resulted in cost savings. In addition, GPG deploys major corporate applications centrally. This centralisation made an important contribution to achieving process harmonisation in the GPG Group.

Further areas of focus included support for GPG's holding functions, particularly regarding the optimisation of systems relating to financing, consolidation and subsequent reporting. These activities were carried out in order to implement the process requirements in connection with the ongoing financial market regulation.

SOCIAL COMMITMENT

Under the slogan "Energy Unites People", the GPG Group has long worked to promote a variety of projects in the areas of culture, education, social welfare and especially sports. With these efforts, the GPG Group has made a significant contribution to increasing the awareness of the GAZPROM brand in Germany and Europe.

The focus of the GPG Group's sports sponsorship activities during the reporting period was on the partnership with FC Schalke 04, a German premier-league football club. The GPG Group, which has been the club's general sponsor since 2007, has extended this partnership until 2022.

In addition, the GPG Group again collaborated with GAZPROM to implement major elements of the sponsoring for the UEFA Champions League. One of the focal points in the reporting year was the Group's involvement in the implementation of the sponsoring activities for the FIFA World Cup Russia 2018™ tournament. The GPG Group organised several aspects in this regard on behalf of GAZPROM, including the ticketing process in numerous Russian host cities. In 2018 the GPG Group also extended until 2023 its agreement as the exclusive international partner of FC Zenit St. Petersburg, a Russian premier-league football club.

In cycling, the GPG Group since 2016 has been the main sponsor and name-provider for the Russian professional cycling team Gazprom-RusVelo. This sponsorship has positioned the GAZPROM brand at international cycling races in Germany and Europe. In the sport of ice hockey, the GPG Group supports the Kassel Huskies, an ice hockey club in Germany.

The highlight of the Group's cultural sponsorship in 2018 was two concerts held in St. Petersburg and Berlin by the Russian-German Music Academy under the direction of Valery Gergiev. The GPG Group was the main sponsor of these events. In addition, the GPG Group continues to sponsor Germany's largest amusement park, the Europa Park in Rust.

REPORT ON OPPORTUNITIES AND RISKS

OPPORTUNITIES

The GAZPROM Group's strategic priorities continue to include ensuring the reliable supply of energy to Germany and Europe, and investing in infrastructure projects to boost supply security.

The performance of the GPG Group's business is exposed to price fluctuations on energy markets. After energy prices declined sharply in previous years, particularly for LNG, the recovery in prices continued in 2018. However, the likelihood that this recovery continues and the timing of the resulting positive effects cannot be clearly determined due to the volatility of the energy markets.

As domestic production of natural gas in Germany and Europe is falling, the GPG Group will likely also have significant opportunities in the future to gain further market share and increase its sales volumes. Although we anticipate the associated positive effects will not materialise until the medium to long-term, we judge they are highly likely and that they will result in material and probably long-term improvements in the performance of the business.

One significant project for the GPG Group is GAZPROM's Nord Stream 2 pipeline project, which is currently in the final planning stages. The project involves the construction of offshore pipelines from Russia to Germany, which are to run under the Baltic Sea and have an annual capacity of 55 billion cubic metres of natural gas. In addition, the Group via its WIGA holding will build the new EUGAL pipeline, to transport the additional volumes from the onshore connection point in Lubmin to southern Germany and further to the Czech Republic. The realisation of this project, in which an investor consortium is participating, began in 2017. The GPG Group anticipates this project will generate favourable prospects that will result in potentially sustained improvements in the performance of the business, and that these improvements can be achieved over the medium term.

The GPG Group aims to focus on and expand its core business models. Peripheral lines of business will be reorganised or discontinued. In addition, the Group is reorganising its management structures, enhancing its internal processes and reducing duplicate functions. In that way the GPG Group will operate more flexibly, effectively and profitably in the market. We estimate with medium confidence that this initiative will lead to lasting and significant positive effects on the performance of the business, with results apparent over the medium to long term.

RISK MANAGEMENT SYSTEM

The GPG Group's risk management system is an integral component of its business processes and activities. The system is aligned with the GPG Group to meet the GPG Group requirements on a sound Risk Management System. This process is run on the principle of three lines of defence, with the Risk Owners (principally the GPG Group Commercial Department and Support Functions) operating as the first-line of defence; the Risk Co-ordinators (the independent Group Risk Department) operating as the second-line of defence; and the Audit Function (Controls Review Department) operating as the third-line of defence. The GPG Group's Executive Committee has overall responsibility for the Group-wide risk management system.

RISK MANAGEMENT ORGANISATION

The GPG Commercial Department and Support Functions, as risk owners, are primarily responsible for managing the Group's risks, as risk realisation may lead to deviation from their targets. They are supported by Group Risk Department that provides an advisory, control and oversight function, independent of the Commercial and other Support Functions. Group Risk Department is led by the GPG Group Risks Director, who is part of the GPG Group Executive Committee. The GPG Group Executive Committee is ultimately responsible for the implementation of an effective Risk Management strategy throughout the Gazprom Germania Group. The GPG Group Executive Committee is further supported in its risk management responsibilities by the GPG Group Risk Oversight Committee (ROC). The ROC provides recommendations and advice to the GPG Group Executive Committee on risk-related mat-

ters and consists of members from the GAZPROM Risk and Legal Departments, as well as the Gazprom Export Risk Department.

The GPG Group risk management system is implemented in all fully consolidated entities of GPG Group. In the entities accounted for using the equity method GPG promotes best risk management practices through its shareholder representatives and includes the assessment of the respective risks in the GPG Group Liquidity and Economic capital analysis.

MANAGEMENT OF THE GROUP'S RISK EXPOSURES

The risk management processes of the GPG Group cover the identification, assessment, management, monitoring and reporting of Group-wide risks. They enable early recognition and effective management as well as timely implementation of risk mitigation measures.

The GPG Group's risk management aims to limit and reduce the negative effects of risks on the net assets, financial position and result of operations of the Group. The following risk management tools are used to ensure that Group-wide risks are covered at all times by sufficient capital and liquidity:

- **Strategic Risk Controls:** the GPG Group Executive Committee approves a high level summary of the authorised activities of the GPG Group and also approves a detailed list of markets and products that the Group can trade in.
- **Transaction Level Authorities:** the GPG Group Executive Committee approves thresholds above which commercial transactions of the Group companies will require ROC and GPG Group Executive Committee review.
- **Economic Capital:** Economic capital is the amount of aggregate risk of the company based on a targeted confidence interval over a 12-month time horizon. It is calculated monthly and measured against the Group's tangible net worth to ensure there is a sufficient equity buffer to absorb unexpected losses.
- **Liquidity Risk Reserve:** This is an estimation of the negative impact on planned cash flows from the realisation of operational, credit and market risks at a given confidence interval over 3-month and 12-month time horizons. This is then compared to the Group's committed funding and other identified mitigation actions to ensure the Group companies have sufficient liquidity to cover the realisation of unexpected risks.
- **Market Risk Limits:** the GPG Group Executive Committee sets limits both on the MVaR of the Group's trading activities and on the net open financial positions it can hold by commodity, market and tenor.
- **Credit Risk Limits:** the GPG Group Executive Committee approves credit limits for key counterparties to ensure credit risks are appropriately managed.

RISKS

TYPES OF RISK

The GPG Group faces risk arising from the business activities of its Group companies and investees. The main types of risk that may have a material effect on the net assets, financial position and result of operations are listed in the following sections.

MARKET RISK

Market risk is the risk of negative financial impact due to changes in market factors. Market factors include (but are not limited to) commodity and derivative prices, interest rates, foreign exchange rates, and volumes. In the GPG Group, market risks principally arise from marketing and trading activities and long-term supply contracts. These risks are managed by the Commercial Department, working closely with the Group Risk Department to make sure such risks are identified, assessed, managed, monitored and reported in an efficient and effective manner.

The Group maintains a relatively low level of exposure to market risk primarily by entering into offsetting contracts whereby the commercial terms are broadly matched. The Group however does hold some unhedged positions, subject to certain limits approved by the GPG Group Executive Committee, largely in relation to its proprietary energy trading business. The proprietary energy trading business exposes the Group to commodity price risk and foreign currency risk.

The Group uses a Value-at-Risk (VaR) measure to monitor and review its exposure to market risk. VaR is an estimate of the potential loss on a given position or portfolio of positions over a specific holding period, based on normal market conditions and within a given statistical confidence interval. The Group uses a Monte Carlo Simulation methodology for computing VaR, with a confidence interval of 97.5 % and an assumed holding period of 1 day.

It is recognised that VaR cannot be relied upon solely to predict the size of potential losses and additional techniques are employed to monitor market risk such as stress testing and sensitivity analysis. As at 31 December 2018, the share of market risk in the GPG Group's economic capital at a 99.84 % confidence interval was EUR 506.2 million (prior-year period: EUR 924.2 million).

COUNTERPARTY CREDIT RISK

Credit risk is the Risk of negative financial Impact due to a counterparty's failure to meet its contractual obligations in accordance with agreed terms. This includes failure to make payment(s), or general non-performance of the full contract terms.

The Group's counterparty credit risk mainly results from its marketing and trading and project activities of Group companies. Credit risk also arises from bank balances.

The main credit exposures are monitored by individual counterparty and by category of credit rating, and are subject to approved limits. Counterparty credit limits are approved by the GPG Group Executive Committee and by certain individuals to whom authority has been delegated by the GPG Group Risks Director. All counterparties are assigned a grading based on external ratings where available and an internal assessment methodology in other cases, with this used to set the maximum exposure that would be considered against any particular counterparty. The internal assessment methodology is reviewed by the ROC and approved by the GPG Group Risks Director. The credit exposure to each counterparty is then monitored on a daily basis to ensure those limits are not exceeded.

At the Group level, credit exposures are also consolidated and assessed using a VaR model to calculate credit value at risk. As at 31 December 2018, the share of credit risk in the GPG Group's economic capital at a 99.84 % confidence interval was EUR 416.3 million (prior-year period: EUR 263.0 million).

OPERATIONAL RISK

Operational risk is the risk of negative impact due to inadequate or failed internal processes, people and system, or from external events. Risk identification is carried out on an ongoing basis, all material identified risks are recorded in the Risk Register and the measures to manage these risks are monitored.

Other tools used to manage operational risks of the Group include the Incident Management System, the monitoring of Key Risk Indicators, and the maintenance of a Business Continuity Programme. The Incident Management System is used to report cases of operational risks realisation, document their analysis and developed measures to improve controls and processes to prevent such incidents reoccurring. Key Risk Indicator monitoring assesses changes in the level of operational risk associated with processes and controls and allows to implement preventive mitigation measures in the areas of concerns. The Business Continuity Programme is aimed at decreasing the negative impact from the severe disruption to core operations due to crisis situations.

The physical assets and projects that the GPG Group operates exposes the Company to particular environmental and technical risks. The Group's activities to minimise the risk in the operational phase of projects include installing quality assurance and control systems. Political and market develop-

ments – and their potential effects on the Group's project activities – are continuously monitored. Technical risk arising from the GPG Group's project activities is assessed based on expert estimates.

As at 31 December 2018, the share of operational risk in the GPG Group's economic capital was EUR 131.6 million (prior-year period: EUR 162.3 million). As part of its normal course of business, the GPG Group is also involved in ongoing legal disputes and arbitration proceedings through individual companies. Legally, the chances of success in such procedures are estimated to be high, but additional financial risks cannot be ruled out. Provisions were recognised for possible financial burdens arising from pending proceedings if their occurrence is more likely than not.

STRATEGIC RISK

Strategic risk is the risk that the Group is unable to achieve its financial objectives as a result of actions by governments, regulators and competitors, as well as risks associated with the long-term decision making within the Company. In the GPG Group, these risks are managed by the Strategy Department that works closely with the Legal, Regulatory and Risk Departments to make sure such risks are identified, assessed and mitigated where appropriate, as part of the Group's strategic planning process.

LIQUIDITY RISK

Liquidity risk is the risk that a company of the GPG Group cannot satisfy the financial obligations that arise during the course of business due to insufficient funding lines or available cash reserves. These risks are split between risks to the cash flow forecast and risks to the delivery of the Group's funding plan. These risks are managed by the Treasury Department, as the first line of defence, with support from the Group Risk Department. The Group conducts a regular review of the risks to the cash flow forecast, which principally stem from the potential realisation of market, credit and operational risks. These risks are then overlaid with the funding plan to ensure that the Group has sufficient committed funding or other identified mitigation actions to support both the cash forecast and the realisation of unexpected risks.

RISKS ASSOCIATED WITH BREXIT

Due to the high level of uncertainty about the outcome of Brexit negotiations and the issue of whether the UK will leave the EU on 29 March 2019 as the result of a "hard" Brexit, the GPG Group has been closely monitoring and working on mitigation of the associated risks.

The following key risks for the Group were identified:

- Risk to continuity of access to the European energy markets by the Group's trading entity based in the UK: The realisation of this risk would mean that the Group's UK based trading entities may not be able to nominate delivery of commodities in some of the EU markets, and therefore fulfil its obligations under the existing transactions beyond 29 March 2019. Measures are being taken by the Group to ensure the continuity of access to the EU markets, where the company is currently active. We estimate the residual risk as medium.
- Risk of non-compliance with the European regulatory framework, such as financial service regulations: The realisation of this risk would mean potentially losing the benefits of the Markets in Financial Instruments Directive (MiFID) ancillary exemption or breaching the relevant European Market Infrastructure Regulation (EMIR) thresholds. Based on an internal assessment and the information published by the EU regulators clarifying the treatment of various products in case of a "hard" Brexit, we assess this risk as relatively low.
- Risk of a potential tax impact:

Dividend distributions from the UK are currently not subject to German trade tax due to the EU Parent-Subsidiary Directive included in the German Trade Tax Act. Following the UK's exit from the EU, this provision can probably no longer be applied. As a consequence, significant activities

would have to be undertaken to minimise the impact of the trade tax on dividend income. In light of the far-reaching requirements, we anticipate that a significant portion of the dividend distributions of UK subsidiaries will be subject to trade tax for the first time following the UK's withdrawal from the EU.

In addition, the substance test could no longer be applied for UK income that qualifies as passive income under the German Controlled Foreign Corporation taxation regime. As a result, the passive income of UK subsidiaries would be subject to taxation at the level of the parent company. We also anticipate that compliance requirements will increase massively regarding corporate income taxation, VAT and energy taxation, as well as customs duties.

- Risk of a weakening GBP: A reduction in the value of sterling would lead to a lower value of GBP-denominated assets on the GPG Group balance sheet reported in EUR. It may also lead to a potential reduction in the EUR-equivalent of GBP denominated dividends declared by the British subsidiaries to their parent company (GPG). The GPG Group has undertaken specific actions to minimise these risks as it deems appropriate.

The GPG Group has established a cross-department team to work on the development of a contingency plan to mitigate identified risks. The team is undertaking mitigation plans in close cooperation with transport system operators, energy ministries, exchanges and national regulators. The process is sponsored and monitored by the Senior Management of the GPG Group, who makes decisions on efficient actions for risk mitigation.

OVERALL ASSESSMENT OF OPPORTUNITIES AND RISKS

The GPG Group actively endeavours to exploit the opportunities arising from the expected future increase in demand for Russian natural gas in Europe, and is well-positioned to do so with its natural gas trading and storage companies. The Group anticipates that the integration of its gas trading activities amid an effective use of the existing infrastructure will continue to have a positive effect on the sale of Russian natural gas in the Group's target markets.

The current focus of energy policy in favour of renewable energies, particularly in Germany, increases the complexity of the political environment, and also poses significant challenges for the natural gas industry. At the same time, this energy transition offers significant opportunities for natural gas, as it is an environmentally friendly and affordable source of energy. The benefits of using natural gas are particularly evident for heating, power and fuel purposes. The GPG Group aims to continue participating in this development.

Besides the aforementioned opportunities, the Group is also exposed to risks, particularly the following.

The GPG Group has a long investment horizon and therefore depends on reliable political and regulatory conditions. The current interventions in the energy sector could impact the Group's financial performance and are therefore considered to be a significant risk factor. Both the current price regulation for network usage and the potential price regulation for underground storage facilities have negative consequences for the trading and marketing of natural gas, and may have an adverse effect on the profitability of the Group's investments and project activities.

In addition, the effects of ongoing financial market regulation on the GPG Group's energy trading business are considered to be a risk. These regulatory initiatives include, in particular, the Regulation on Wholesale Energy Market Integrity and Transparency (REMIT), EMIR and MiFID, also known as MiFID II. The Group will continue to monitor these and other regulatory developments on an ongoing basis. The Group has taken requisite measures to meet regulatory requirements and has implemented adequate processes and controls. Potential declines in sales prices and demand as well as negative developments in price negotiations for gas supply contracts may have a detrimental effect on financial performance, and thus represent a risk for the Group.

In summary, there are no identifiable risks from today's perspective that could pose a threat to the continued existence of the GPG Group in the foreseeable future.

REPORT ON EXPECTED DEVELOPMENTS

The GPG Group operates in a market environment that is undergoing fundamental, swift and lasting change. The GPG Group aims to support the sale in Europe of Russian natural gas from the GAZPROM Group. Given declining natural gas production in Europe, nearly all Member States of the European Union are increasingly dependent on the import of natural gas, which is and remains a significant source of energy to ensure a secure, economic and environmentally friendly provision of energy. That also includes the use of natural gas in the markets for heating and power generation.

Natural gas storage facilities are strategic assets within both the GPG Group and the overall GAZPROM Group; these assets make a significant contribution to the security of the energy supply in Germany and throughout Europe. Competition in today's market environment is causing storage fees to fall below historical averages. GPG's management anticipates that storage fees will stabilise at today's low level.

In the gas transport segment, the GPG Group has been investing since 2018 via its WIGA holding in the construction of the EUGAL pipeline. The relevant German federal states issued all permits during the reporting year after conducting the corresponding planning permission hearings. The first portion of the pipeline is scheduled for completion at the end of 2019, and will be commissioned thereafter.

The measures launched in previous years to increase the profitability of the GPG Group are being expanded. These measures, which include the reorganisation of management structures, the elimination of duplicate functions and the optimisation of existing processes, may require additional changes in the organisation and management of the companies. Changes to the Group structure and the core business areas of individual companies also cannot be ruled out.

Under the aforementioned circumstances, the GPG Group expects for 2019 a modified EBITDA of EUR 236.4 million and a profit for the year of EUR 95.9 million.

CONSOLIDATED FINANCIAL STATEMENTS 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| EUR thousands | Notes | 2018 | 2017 |
|---|-------|----------------|----------------|
| Revenue | (1) | 27,275,000 | 23,103,255 |
| Other operating income | (2) | 77,181 | 412,172 |
| Cost of materials | (3) | -26,504,698 | -22,858,836 |
| Employee benefits | (4) | -281,778 | -248,528 |
| Depreciation and amortisation expense; impairment of intangible assets and property, plant, and equipment | (5) | -248,458 | -118,586 |
| Other tax expense | | -831 | -1,929 |
| Impairment result | (6) | -6,862 | |
| Other operating expense | (7) | -239,496 | -286,461 |
| Result from changes in fair value in operating activities | (8) | -39,835 | 276,337 |
| Operating result | | 30,225 | 277,423 |
| Interest income | (9) | 12,248 | 15,528 |
| Interest expense | (10) | -14,731 | -7,437 |
| Result from investments accounted for using the equity method | (11) | 100,394 | 75,246 |
| Other result from investments | (12) | 2,340 | |
| Other financial income | (13) | 829 | 7,685 |
| Other financial expense | (14) | -7,697 | -8,192 |
| Result from impairment of long-term financial assets | (6) | 3,791 | |
| Result from changes in fair value in financing activities | (15) | -801 | -961 |
| Result before tax | | 126,597 | 359,293 |
| Income tax | (16) | -4,712 | 5,499 |
| Result for the period | | 121,886 | 364,792 |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Changes in | | | |
| Share in other comprehensive income of investments accounted for using the equity method | | 248 | 501 |
| Defined benefit plans in accordance with IAS 19 | | 2,750 | 3,766 |
| Deferred tax | | -894 | -963 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Changes in | | | |
| Cash flow hedges | | -44,425 | 93,848 |
| Share in other comprehensive income of investments accounted for using the equity method | | -10,496 | -1,752 |
| Exchange rate differences from the translation of financial statements of non-euro Group companies | | 4,408 | -142,174 |
| Deferred tax | | -2,594 | -40,402 |
| Total other comprehensive income | (17) | -51,003 | -87,177 |
| Total comprehensive income | | 70,883 | 277,614 |
| Group result for the period | | 123,850 | 368,687 |
| Result for the period attributable to non-controlling interests | (18) | -1,965 | -3,895 |
| Total result for the period | | 121,886 | 364,792 |
| Total group comprehensive income | | 72,851 | 281,424 |
| Total comprehensive income attributable to non-controlling interests | (18) | -1,968 | -3,810 |
| Total comprehensive income | | 70,883 | 277,614 |

CONSOLIDATED BALANCE SHEET

| EUR thousands | Notes | 31 December 2018 | 31 December 2017 |
|---|-------|---------------------|---------------------|
| Cash and cash equivalents | (19) | 167,050 | 437,526 |
| Trade and other receivables | (20) | 5,847,421 | 4,372,110 |
| Receivables from income tax | (16) | 7,384 | 19,790 |
| Non-current assets held for sale | | 24 | 29 |
| Inventories | (21) | 825,913 | 427,823 |
| Total current assets | | 6,847,792 | 5,257,279 |
| Intangible assets | (22) | 135,460 | 161,481 |
| Property, plant, and equipment | (23) | 767,401 | 927,632 |
| Investments accounted for using the equity method | (24) | 733,084 | 688,498 |
| Other financial assets | (25) | 813,770 | 629,554 |
| Deferred tax assets | (26) | 278,841 | 206,692 |
| Total non-current assets | | 2,728,556 | 2,613,857 |
| Total assets | | 9,576,348 | 7,871,136 |
| Short-term provisions | (27) | 9,016 | 2,207 |
| Short-term and current portion of long-term financing liabilities | (28) | 273,556 | 19,599 |
| Short-term trade and other payables | (29) | 5,673,061 | 3,471,646 |
| Liabilities from income tax | (16) | 60,360 | 55,111 |
| Total current liabilities | | 6,015,993 | 3,548,563 |
| Deferred tax liabilities | (26) | 176,819 | 150,780 |
| Long-term provisions | (27) | 311,488 | 316,902 |
| Long-term financing liabilities | (28) | | 644 |
| Long-term trade and other payables | (29) | 508,164 | 223,451 |
| Total non-current liabilities | | 996,471 | 691,777 |
| Subscribed capital | (30) | 225,595 | 225,595 |
| Reserves | | 1,201,584 | 1,252,584 |
| Retained earnings | | 1,160,138 | 2,174,082 |
| Equity attributable to equity holders of the parent company | | 2,587,317 | 3,652,261 |
| Non-controlling interests | (31) | -23,433 | -21,465 |
| Total equity | | 2,563,884 | 3,630,795 |
| Total equity and liabilities | | 9,576,348 | 7,871,136 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Subscribed capital | Capital reserve | Reserve for changes in | | | | Retained earnings | Equity attributable to equity holders of the parent company | Non-controlling interests | Total |
|---------------------------------------|--------------------|-----------------|------------------------|---|--|--|-------------------|---|---------------------------|------------|
| | | | Cash flow hedges | Defined benefit plans in accordance with IAS 19 | Share in other comprehensive income of investments accounted for using the equity method | Exchange rate differences from the translation of financial statements of non-euro group companies | | | | |
| EUR thousands | | | | | | | | | | |
| 1 January 2017 | 225,595 | 1,124,937 | -4,095 | -8,406 | 16,581 | 212,113 | 2,490,617 | 4,057,342 | -17,426 | 4,039,916 |
| Changes to the scope of consolidation | | | | | | -1,284 | -21 | -1,305 | -229 | -1,535 |
| Dividends | | | | | | | -685,200 | -685,200 | | -685,200 |
| Total comprehensive income | | | 53,536 | 2,803 | -1,342 | -142,259 | 364,792 | 277,529 | 85 | 277,614 |
| Transfers | | | | | | | 3,895 | 3,895 | -3,895 | |
| 31 December 2017 | 225,595 | 1,124,937 | 49,441 | -5,604 | 15,239 | 68,570 | 2,174,082 | 3,652,261 | -21,465 | 3,630,795 |
| Adjustment opening balance | | | | | -2,596 | 2,596 | 2,782 | 2,782 | | 2,782 |
| Dividends | | | | | | | -1,140,576 | -1,140,576 | | -1,140,576 |
| Total comprehensive income | | | -46,958 | 1,856 | -7,711 | 1,814 | 121,886 | 70,886 | -3 | 70,883 |
| Transfers | | | | | | | 1,965 | 1,965 | -1,965 | |
| 31 December 2018 | 225,595 | 1,124,937 | 2,483 | -3,747 | 4,932 | 72,980 | 1,160,138 | 2,587,317 | -23,433 | 2,563,884 |

CONSOLIDATED CASH FLOW STATEMENT

| EUR thousands | Notes | 2018 | 2017 |
|--|-------|-----------------|-----------------|
| Cash receipts from: | | | |
| Sale of goods, products, works, and services | | 95,303,998 | 78,385,840 |
| Usage fees and other revenues | | 88,985 | 54,760 |
| Cash paid for: | | | |
| Purchased goods, works, and services | | -94,487,116 | -78,225,090 |
| Wages and salaries | | -247,645 | -254,842 |
| Interest and finance cost | | -15,302 | -11,997 |
| Paid or refunded income taxes | | -90,694 | -126,888 |
| Other taxes | | -43,544 | 60,199 |
| Cash flow from operating activities | | 508,682 | -118,018 |
| Cash receipts from: | | | |
| Interest | | 13,924 | 17,092 |
| Dividends | | 49,139 | 60,310 |
| Disposals of | | | |
| - Intangible assets | | 6 | 63 |
| - Property, plant and equipment | | 710 | 8,053 |
| - Loans | | 6,127 | 445,858 |
| - Investments accounted for using the equity method | | | 4,181 |
| - Other financial assets | | 114 | 610 |
| Cash paid for: | | | |
| Investments in | | | |
| - Intangible assets | | -19,868 | -18,321 |
| - Property, plant, and equipment | | -36,507 | -37,150 |
| - Investments accounted for using the equity method | | | -5,010 |
| - Loans granted | | -12 | -7,461 |
| - Other financial assets | | -97 | -130 |
| Cash flow from investing activities | | 13,536 | 468,096 |
| Cash receipts: | | | |
| from proceeds of financing liabilities | | 292,095 | 16,326 |
| Cash paid for: | | | |
| Dividends | (32) | -1,083,547 | -650,940 |
| Repayment of financing liabilities | | -14,011 | -47,200 |
| Cash flow from financing activities | | -805,463 | -681,815 |
| Total cash flows from continued operations | | -283,245 | -331,737 |
| Changes of non-current assets held for sale | | 6 | -6 |
| Total cash flows from discontinued operations | | 6 | -6 |
| Effect of exchange rate differences in cash and cash equivalents | | 12,816 | -74,263 |
| Changes to the scope of consolidation | | 6 | |
| Effect of loss allowances in cash and cash equivalents | | -15 | |
| Total changes in cash and cash equivalents | | -270,433 | -406,006 |
| Cash and cash equivalents on 1 January | | 437,526 | 843,532 |
| Cash and cash equivalents on 31 December | | 167,093 | 437,526 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL NOTES

GAZPROM Germania GmbH (GPG), which has its head office at Markgrafenstraße 23, 10117 Berlin, Germany, is registered in the Commercial Register of Berlin-Charlottenburg under HRB No. 36569.

The GPG Group's principal activity is the acquisition, management and sale of interests in companies, specifically in those dealing with the import, export and sale of natural gas, and with the planning, construction and use of natural gas facilities.

GPG uses its subsidiaries and investments to realise the significant commercial interests of GAZPROM, a public stock corporation based in Moscow, Russia (GAZPROM), particularly in the European and Asian regions.

GPG is a subsidiary of the limited liability company Gazprom export, which is a GAZPROM subsidiary based in St. Petersburg, Russia (Gazprom export). GAZPROM prepares the consolidated financial statements for the maximum scope of consolidation in which GPG is included. The consolidated financial statements are available from GAZPROM at ul. Nametkina 16, V-420, GSP-7, 117 997 Moscow, Russia. The company is registered at the Registry Office of the Russian Federation, Moscow, under No. 022.726.

The managing directors prepared these consolidated financial statements as at the signature date. Gazprom export, the sole shareholder of GPG, is solely responsible for approving these consolidated financial statements. Section 325 of the German Commercial Code (HGB) stipulates that they must be submitted electronically to the operator of the German Federal Gazette (Bundesanzeiger) for subsequent publication in the Federal Gazette.

ACCOUNTING PRINCIPLES

Pursuant to section 315e (3) in conjunction with section 315e (1) HGB, the consolidated financial statements of GPG are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The company has chosen not to prepare consolidated financial statements in accordance with HGB, as permitted under section 315e (3) HGB.

GPG's consolidated financial statements are generally prepared using a cost model. Exceptions from this principle are disclosed in the Summary of Material Accounting Methods section, which describes the major accounting methods applied in these consolidated financial statements. These methods were applied consistently throughout all reported periods, except when otherwise indicated.

MANDATORY NEW IFRS, AMENDED STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP

The GPG Group in financial year 2018 adopted the following standards, amendments and interpretations that are mandatory for annual periods beginning on or after 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

The GPG Group made changes to its accounting methods as required in accordance with the transitional provisions of the respective IFRSs and interpretations thereof.

The first-time adoption of these standards – with the exception of the restatements listed below – did not have a material effect on GPG's consolidated financial statements.

The Group applied IFRS 9 and IFRS 15 in accordance with the modified retrospective method. Under this approach, the previous year's comparable values are not restated, and the retrospectively determined transition effects are recognised directly in the equity of the opening balance sheet of financial

year 2018. This means that the comparative information for financial year 2017 is based on the standards applicable until 31 December 2017.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 Financial Instruments replaces the requirements under IAS 39 Financial Instruments: Recognition and Measurement regarding the recognition, classification and measurement, impairment and accounting for hedging transactions.

The first-time adoption of the standard led to the following material effects:

Classification and measurement: The application of IFRS 9 to other investments, which pursuant to IAS 39 had been classified as available-for-sale financial assets and measured at amortised cost, resulted in a write-up totalling EUR 14.7 million. These financial instruments are recognised effective as of financial year 2018 in the balance sheet at fair value. Any changes in fair value, in accordance with the accounting option available to the Group, are recorded in other comprehensive income (fair value through OCI category (FVTOCI)). Changes in fair value on other investments for which this option does not apply are recognised in the income statement (fair value through profit or loss category (FVTPL)). All other financial assets and liabilities will be accounted for in the future as they have been in the past under IAS 39.

Impairment: The new impairment requirements under IFRS 9 – the Expected Credit Loss model (ECL) – have been applied since 2018 to financial assets measured at amortised cost, receivables stemming from finance leases, and financial guarantees. This new model replaces the Incurred Loss model under IAS 39. To implement the new requirements, the Group used the simplified impairment model for trade receivables. This approach requires that a risk provision is recognised for all instruments, regardless of their credit quality, in the amount of the expected losses over the residual term of the instrument. For the other financial instruments within the scope of the ECL model, the Group uses external and internal ratings in order to establish a risk provision for the loss expected within a 12-month period. Overall, the initial application of the ECL model as of 1 January 2018 increased the balance of the allowance for doubtful accounts by EUR 12.0 million.

Hedge accounting: The Group exercised its option and applied the new requirements for hedge accounting as of 1 January 2018. As the new requirements for hedge accounting are intended to improve the depiction of the Group's risk management, and the scope of potential hedged items and hedging transactions is larger, the Group has continued to account for all eligible hedging relationships under IAS 39 as hedging relationships under IFRS 9. Apart from the relief that IFRS 9 provides regarding hedge accounting, such as the removal of the effectiveness test (80 - 125 % corridor) or the expansion of the eligible hedged items and hedging transactions, there were no further effects when the standard was adopted for the first time.

In addition, the Group has applied the consequential amendments to IFRS 7 Financial Instruments: Disclosures to the disclosures in the notes for financial year 2018.

The following table shows the original classification and measurement categories under IAS 39 and the new categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018:

| Financial assets/liabilities in EUR thousands | Original carrying amount under IAS 39 | Changes under IFRS 9 | | Carrying amount under IFRS 9 | Original measurement category under IAS 39 | New measurement category under IFRS 9 |
|--|---|--------------------------|-----------------------------|---------------------------------------|---|---|
| | | Re- measure- ments | Re- classi- fications | | | |
| Cash and cash equivalents | 437,526 | -75 | | 437,451 | | |
| Trade receivables and other receivables | 3,433,177 | -2,902 | | 3,430,275 | Loans and receivables/ at amortised cost | Financial assets at amortised cost |
| Loans granted | 319,338 | -8,195 | | 311,143 | | |
| Other long-term receivables | 1,487 | -21 | | 1,466 | | |
| Derivative financial instruments, short-term and long-term | 953,838 | | | 953,838 | Held for trading at FVTPL | Financial assets at FVTPL |
| Derivative financial instruments under hedge accounting, short-term and long-term | 140,671 | | | 140,671 | Derivatives designated as hedging instruments at FVTOCI | Derivatives designated as hedging instruments at FVTOCI |
| Other investments | | | 20 | 20 | Available-for-sale at FVTOCI | Financial assets at FVTOCI |
| Other investments | 411 | 14,741 | -20 | 15,132 | Available-for-sale at cost | Financial assets at FVTPL |
| Total financial assets | 5,286,448 | 3,548 | | 5,289,996 | | |
| Financial liabilities short-term | 19,599 | | | 19,599 | | |
| Financial liabilities long-term | 644 | | | 644 | | |
| Trade and other payables short-term | 2,556,623 | | | 2,556,623 | Financial liabilities at amortised cost | Financial liabilities at amortised cost |
| Trade and other payables long-term | 4,346 | | | 4,346 | | |
| Derivative financial instruments | 818,605 | | | 818,605 | Held for trading at FVTPL | Financial liabilities at FVTPL |
| Derivative financial instruments under hedge accounting | 69,856 | | | 69,856 | Derivatives designated as hedging instruments at FVTOCI | Derivatives designated as hedging instruments at FVTOCI |
| Total financial liabilities | 3,469,673 | | | 3,469,673 | | |

The reconciliation of the accumulated profit as at 31 December 2017 to the opening balance sheet as at 1 January 2018 is presented in the following table:

| EUR thousands | 1 January 2018 |
|--|------------------|
| Opening retained earnings - IAS 39 | 2,174,082 |
| Reclassification and revaluation of investments from available-for-sale to FVTPL | 14,741 |
| Increase in loss allowance for cash and cash equivalents | -75 |
| Increase in loss allowance for trade receivables and other receivables | -2,902 |
| Increase in loss allowance for loans granted and for other long-term receivables | -8,216 |
| Adjustment related to financial instruments | 3,548 |
| Increase in loss allowance for financial guarantee contracts | -2,342 |
| Increase in loss allowance for at-equity companies | -85 |
| Increase in loss allowance for lease receivables | -40 |
| Net impact on deferred and income tax relating to loss allowances | 1,701 |
| Total adjustment to retained earnings due to adoption of IFRS 9 | 2,782 |
| Opening retained earnings - IFRS 9 | 2,176,864 |

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 Revenue from Contracts with Customers introduces a five-step model for the accounting of revenue generated from contracts with customers. The standard not only closes current regulatory gaps, such as requirements on the accounting for multiple-element arrangements, it also aims to achieve consistency in accounting for revenues through a more detailed presentation and explanation of the regulations. Under IFRS 15, revenue is recognised for the amount of consideration to which an entity expects to be entitled in exchange for providing goods or services to a customer. In addition, IFRS 15 increases current disclosure requirements in order to provide the users of financial statements with information that is more relevant for decision-making.

The new revenue standard replaces all IFRS revenue recognition requirements applicable until 31 December 2017.

All revenue realised from physically settled contracts is within the scope of the standard, and is therefore reported as revenue from contracts with customers. Income from leases and income realised in the form of net settlements are reported as other revenue.

A comprehensive analysis of the relevant contracts within the Group determined that the regulations regarding the amount of the transaction price and the timing of revenue recognition would have an effect on the accounting for some contracts. As the Group has determined that the resulting effects would not materially influence the informative value of the consolidated financial statements, no adjustments were made to the accounting methods for the affected contracts. The Group will regularly review and document the need for an adjustment for both the currently affected contracts and any newly concluded contracts. The accounting methods will be modified accordingly if the Group determines that the effects on the consolidated financial statements are material.

RELEVANT NEW STANDARDS PUBLISHED BUT NOT YET MANDATORY

The following new or amended accounting standards and interpretations have been published as at the publication date of these consolidated financial statements. However, the GPG Group has not adopted them because their use is not yet mandatory.

IFRS 16 LEASES

The IASB in January 2016 published IFRS 16 Leases, which specifies how an entity will recognise, measure, present and disclose leases. IFRS 16 replaces IAS 17 Leases, the currently applicable standard, and must be initially adopted for financial years that begin on or after 1 January 2019. The EU endorsed IFRS 16 on 9 November 2017. Although early adoption is fundamentally possible, GPG will not utilise this possibility. In addition, the Group will apply the simplified transitional regulations and will not restate the prior-year figures.

While for lessors the changes are limited to the presentation of subleases as well as sale and lease-back transactions, IFRS 16 prescribes for lessees a new accounting model – the Right-of-Use model (RoU). Under IFRS 16, lessees are required to capitalise and depreciate leased assets as RoU assets, in the sense of a non-financial asset. Liabilities must then include a corresponding finance lease liability in the amount of the present value of the future lease payments, and interest expense must be realised over the duration of the lease. IFRS 16 provides for simplifications, however, impacting the requirement that the RoU model must not be applied to leased assets with a market price of up to USD 5,000 and leases with a term of up to 12 months (optional).

The first-time adoption of the new standard will have a material effect on GPG's consolidated financial statements. This effect arises because many of the GPG Group's lessee contracts are included in the scope of the RoU model. These include, in particular, leased LNG transport ships, storage facilities and buildings. The Group has largely concluded the process to analyse and record the data on all potentially affected lease agreements. The current findings of the analysis regarding the first-time adoption of IFRS 16 are summarised below.

The Group anticipates total assets in the consolidated balance sheet will increase significantly by about EUR 940.0 million. This increase is broken down as follows:

- increase in fixed assets through the recognition of RoU assets by about EUR 680.0 million
- increase in receivables from finance leases by around EUR 260.0 million due to the changed classification for subleases, which, under IFRS 16, must be accounted for based on the main lease relationship
- increase in liabilities stemming from leases by about EUR 970.0 million
- decrease in equity, i.e. accumulated profit, by about EUR 30.0 million as a result of the application of the simplified retrospective transitional provision

In contrast, the overall effect on the income statement will be less. However, the type of costs in relation to leases will change. In the future, lease expense will decline by about EUR 115.0 million, but this

difference will be distributed accordingly to interest and depreciation expense. In addition, the Group will realise non-recurring income (day-one-gains) totalling about EUR 20.0 million as at the date of first-time adoption from the recognition of the aforementioned receivables from the finance lease. This non-recurring effect will result in a gain totalling about EUR 14.0 million in the year of first-time adoption. After adjusting for this effect and despite higher interest income on receivables from finance leases, profit in the year of first-time adoption will probably be reduced by about EUR 6.0 million. This decrease is attributable to the front-loading effect which occurs because the (degressive) net interest expense is initially higher, but this effect is then offset in subsequent periods.

Cash flows from operating activities will tend to rise because the principle amount of the lease payments will be transferred to the financing section of the statement of cash flows. Cash flows from financing activities will decrease accordingly. However, a material effect on the total amount of cash flows is not expected. The new lease requirements will also have an effect on some financial indicators; for example, metrics such as EBIT, operating profit, EBITDA and the dynamic leverage ratio will increase.

IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

The IASB in June 2017 published IFRIC 23 Uncertainty over Income Tax Treatments. IFRIC 23 specifies that IAS 12, not IAS 37, must be applied as the legal foundation for assessing uncertainties related to income tax. IFRIC 23 is initially mandatory for financial years that begin on or after 1 January 2019. Early adoption is permitted. The EU endorsed the interpretation in October 2018.

An entity must assess whether it is likely the corresponding taxation authority will accept the respective tax treatment that the entity has applied, or intends to apply, in its income tax declaration.

The GPG Group anticipates the application of IFRIC 23 will not result in any material changes to its accounting for uncertain current or deferred taxes.

IAS 28 LONG-TERM INTERESTS IN ASSOCIATES AND JOINT VENTURES

The IASB in October 2017 published an amendment to IAS 28 Investments in Associates and Joint Ventures. The EU has not yet endorsed this amendment. Its endorsement is expected in the first quarter of 2019. The changes contained in this amendment are mandatory for reporting periods that begin on or after 1 January 2019.

Until now, investments in associates and joint ventures that were accounted for under IAS 28 were excluded from the scope of IFRS 9. In the future, long-term investments that are deemed economically to be a net investment in an associate or joint venture must be accounted for using the provisions of IFRS 9, including the impairment requirements.

The GPG Group currently anticipates the amendment of IAS 28 will not have a material effect on the consolidated financial statements.

IFRS 3 BUSINESS COMBINATIONS

The IASB in October 2018 published an amendment to IFRS 3 Business Combinations regarding the definition of a business. The changes resulting from this amendment – assuming they are adopted into EU law – must be applied to business combinations with acquisition dates on or after 1 January 2020. Earlier application is permitted.

This amendment clarifies that a business comprises a group of activities and assets that contain at least one input and one substantial process, which together make a significant contribution to the production of an output. In addition, it defines an output as the delivery of goods or the rendering of services for customers; the reference to cost reductions has been removed. The amended requirements also contain an optional “concentration test”, which is intended to simplify the identification of a business.

The GPG Group anticipates the amendments to the standard will not have a material effect on the consolidated financial statements.

IAS 1 PRESENTATION OF FINANCIAL STATEMENTS AND IAS 8 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

The IASB in October 2018 published amendments to the Presentation of Financial Statements standard and the Accounting Policies, Changes in Accounting Estimates and Errors standard. The amendments relate to the definition of “material”. The amendments must be applied for the first time as of 1 January 2020. Early adoption is permitted. The amendments have not yet been adopted into EU law.

The amendments create a uniform and more precise definition of the materiality of financial information in IFRS. They also supplement this definition with accompanying examples. This involves harmonizing the definitions from the Conceptual Framework, IAS 1, IAS 8 and the IFRS Practice Statement 2 Making Materiality Judgements.

The GPG Group anticipates these amendments will not have a material effect on the consolidated financial statements.

IAS 19 EMPLOYEE BENEFITS

The IASB published amendments to the Employee Benefits standard in February 2018. The amendments are mandatory for reporting periods that begin on or after 1 January 2019. Earlier application is permitted. The EU has not yet endorsed the amendments.

IAS 19 stipulates that pension liabilities must be measured based on updated assumptions when plan amendments, curtailments or settlements take place. This amendment clarifies that following such an event, the service cost and net interest must be taken into account for the remainder of the period based on updated assumptions.

The GPG Group anticipates these amendments will not have a material effect on the consolidated financial statements.

CONCEPTUAL FRAMEWORK

The IASB published the revised Conceptual Framework in March 2018. The application of the revised Conceptual Framework is expected to take effect as of 1 January 2020. The amended standard has not yet been adopted into EU law.

The Conceptual Framework consists of a new overarching section entitled Status and Purpose of the Conceptual Framework, as well as now eight complete sections. They include The Reporting Entity section and the Presentation and Disclosure section. The Recognition section was supplemented with the Derecognition section. In addition, the contents were changed. For example, a distinction is no longer made in income between revenue, on the one hand, and gains, on the other.

The GPG Group currently anticipates these amendments will not have a material effect on the consolidated financial statements.

ANNUAL IMPROVEMENTS TO IFRS – 2015 TO 2017 CYCLE

Changes were made to four IFRS principles as part of the annual improvement cycle (2015 – 2017). These changes – assuming they are adopted into EU law – must be applied for the first time in the reporting period of a financial year beginning on or after 1 January 2019. Earlier application is permitted.

IFRS 3 has been amended to clarify that when an entity obtains control over a business in which it previously participated as a joint operation, the principles for gradual successive business combinations must be applied. In that case, the investment previously held by the acquirer must be remeasured.

IFRS 11 stipulates that if an entity obtains joint control of a business in which it previously participated as a joint operation, the previously held investment must not be remeasured.

IAS 12 was amended to specify that all income tax consequences of dividend payments must be taken into account in the same way as the income on which the dividends are based.

IAS 23 stipulates that when determining the financing cost rate, entities which raise general funding to procure qualifying assets do not have to take into account the cost of borrowings which were raised specifically in connection with the procurement of the qualifying assets until they are completed.

The Group currently anticipates these amendments will not have a material effect on the consolidated financial statements.

SUMMARY OF MATERIAL ACCOUNTING METHODS

CAPITAL CONSOLIDATION AND BUSINESS COMBINATIONS

The consolidated financial statements include the financial statements of GPG and the entities controlled by it (subsidiaries).

Control over a subsidiary requires that the investor is exposed to or has rights to variable returns from its engagement in the investee, and that the investor also has the right to affect those returns through its power over the investee. This control right can be exercised either based on simple voting rights, or through other contractual agreements. Controlled entities are consolidated in accordance with IFRS 10.

Non-controlling interests are reported as separate line items. An increase made to a majority interest is accounted for in accordance with the entity concept as a transaction between owners.

Entities over which the Group has significant influence (associates) and joint ventures are recognised in the balance sheet as at the acquisition date using the equity method in accordance with IAS 28. The principle applied to capital consolidation is also applied to any remaining differences. Goodwill is reported in the carrying amount of the equity investment.

Receivables and payables between fully consolidated companies are offset. Intragroup revenue and any other intragroup income as well as the corresponding expenses are eliminated.

Material intragroup profits and losses are eliminated as well. If the consolidation results in temporary differences between the IFRS-based accounts and the tax accounts, deferred taxes are recognised accordingly.

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are prepared in euros (EUR). Unless otherwise indicated, all amounts are shown in thousands of euros (EUR thousand).

Transactions in a foreign currency in the separate financial statements prepared in local currency by consolidated companies are translated into the reporting currency using the exchange rate of the transaction month. Monetary items are translated using the exchange rate prevailing on the financial reporting date. Foreign exchange differences from transactions in foreign currency are reported in profit and loss in the statement of comprehensive income, separated into operating and financing activities.

Financial statements prepared by consolidated companies in a foreign currency are translated into EUR using the functional currency concept. With the exception of seven foreign companies (prior-year period: eight), the functional currency of the foreign companies is their local currency, as these companies conduct their business activities in a financially, commercially and organisationally independent manner. The US dollar (USD), the most common transaction currency in the gas business, is used as an alternative functional currency.

Assets and liabilities are translated into EUR using the daily rate prevailing at the end of the reporting period, whereas the average exchange rate of the financial year is used to translate income and expenses, and historical foreign currency exchange rates are used to translate equity. The resulting foreign currency exchange differences are recognised directly in equity in the reserve for changes in exchange rate differences from the translation of financial statements of Group companies whose accounting records are not in EUR. This difference impacts profit or loss only when an entity is divested.

| Currency (1 EUR =) | Exchange rate 31 December 2018 | Exchange rate 31 December 2017 | Average exchange rate 2018 | Average exchange rate 2017 |
|------------------------------|-----------------------------------|-----------------------------------|----------------------------------|----------------------------------|
| US dollar (USD) | 1.14500 | 1.19930 | 1.18095 | 1.12968 |
| British pound sterling (GBP) | 0.89453 | 0.88723 | 0.88471 | 0.87667 |
| Swiss franc (CHF) | 1.12690 | 1.17020 | 1.15496 | 1.11167 |

The financial statements of the consolidated entities included in the Group accounts are prepared using uniform accounting policies.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset for one entity and to a financial liability or equity instrument for another entity.

Financial assets include primarily cash and cash equivalents, trade receivables, other loans granted and other receivables, and derivative financial assets held for trading.

IFRS 9 stipulates that they must be allocated to the categories At Amortised Cost, Fair Value Through Profit or Loss, and Fair Value Through Other Comprehensive Income.

Until 31 December 2017, financial assets were classified under the IAS 39 categories of Financial Instruments Held for Trading, Loans Granted and Receivables, Available-for-Sale Financial Instruments, and Financial Investments Held to Maturity. For further information on the accounting requirements for recognition under IAS 39 and their application in the GPG Group, please refer to the Summary of Material Accounting Methods chapter in the consolidated financial statements for 2017. In addition, please refer to the Accounting Principles chapter of this report, which presents the effects from the first-time adoption of IFRS 9.

Financial liabilities regularly create a contractual obligation to deliver cash or another financial asset to another party. They comprise primarily trade payables, liabilities to banks, liabilities stemming from finance leases, and derivative financial liabilities.

As a rule, financial instruments are **recognised** when a Group company becomes a party to the contractual provisions of the financial instrument. However, in customary purchases or sales under a contract whose terms require delivery of the asset within a timeframe generally established by regulation or convention of a given market (with the exception of derivative financial instruments), the settlement date, i.e. the day on which the asset is delivered by or to a Group company, is the date used for the initial recognition and disposal of the financial asset.

Financial assets and liabilities may be **reported** on a net basis only when a legally enforceable right currently exists to offset the amounts to report, and it is intended either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are **derecognised** if the Group has no control, or only partial control, of the asset due to realisation, transfer, abandonment or forfeiture of contractual usage rights. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is settled, cancelled or expires.

Primary financial assets are measured using the following methods:

- Loans granted and receivables are measured at amortised cost using the effective interest method. Cash and cash equivalents, trade receivables and other receivables usually have short residual maturities. Their carrying amounts thus usually correspond to their fair values. Cash and cash equivalents include cash on hand, bank balances, and short-term deposits with an original maturity of less than three months.

This category also includes loans receivable and other non-current receivables, which are reported under other financial assets.

The Group does not use its option to measure these items at fair value through profit or loss.

- Other investments are fundamentally assigned to the **Fair Value Through Other Comprehensive Income** category pursuant to IFRS 9. Any changes to fair value between the acquisition date and the reporting date are recognised through other comprehensive income in the reserve for changes in fair values. An exception is made for other investments in the form of a German partnership. These are assigned to the category At Fair Value Through Profit or Loss, and their changes in market value are recognised in profit or loss.

An active market does not exist for the other investments held by the GPG Group. Therefore, provided that reliable forecasts exist, the fair values are estimated and recognised based on the discounted cash flow method. Otherwise, these investments are measured at the cost of acquisition in accordance with IFRS 9.B5.2.3.

Starting in financial year 2018, the Group has applied the new Expected Credit Loss (ECL) model pursuant to IFRS 9 to financial instruments that are measured at amortised cost, and to granted financial guarantees. Trade receivables are subject to a simplified approach when determining the expected credit losses. Under this approach, a risk provision is established for all instruments regardless of their credit quality for the amount of the expected credit losses over the term of the instrument.

For the other financial instruments within the scope of the ECL model, the Group uses external and internal ratings in order to establish a risk provision at initial recognition for the loss expected within a 12-month period.

In the subsequent measurement, financial instruments with only limited credit risk remain classified in this category. Financial instruments with elevated default risk upon initial recognition are reviewed regularly to determine whether the probability of default has risen significantly since initial recognition. If that is the case, this would lead to the recognition of a risk provision in the amount of the expected credit loss over the term of the financial instrument. The same applies if objective evidence of an impairment exists. In addition, the instrument must be correspondingly classified as an impaired financial instrument (similar to the treatment under IAS 39). The Group in the financial year did not identify any significant increases in risk that led to the impairment of a financial instrument. For further detailed explanatory material, please refer to Note (33) Financial instruments and risk management.

The impairment loss is reversed if the amount of the impairment decreases in a subsequent period, and this decrease can be verifiably traced to an event occurring after the impairment loss was recognised. The reversal of the impairment loss cannot exceed what the amortised cost would have been on the date of the impairment reversal if the impairment loss had not been recognised. The reversal of the impairment loss is also recognised in profit or loss.

Primary financial liabilities are recognised at amortised cost using the effective interest rate method. The Group does not use its option to measure these items at fair value through profit or loss.

Financial guarantees issued by the Group are contractual arrangements requiring a payment to be made to reimburse the guarantee holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. When granted for the first time, financial guarantees are initially recognised as a liability at fair value, net of the transaction costs directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount initially recognised less cumulative income, and the amount of the expected credit loss under the ECL model in accordance with IFRS 9.

Derivative financial instruments include primarily trading agreements that are not intended for the receipt or delivery of non-financial items in connection with the Group's expected purchase, sale or usage requirements. Derivative financial instruments are regularly used to hedge against price, volume and currency risks from operating activities, as well as against interest rate risks from financing activities. Derivative financial instruments comprise contracts requiring physical delivery (usually forwards), as well as contracts that can be settled on a net basis, such as futures, swaps and options.

Derivative financial instruments are recognised at fair value in accordance with IFRS 9.

The fair value of energy trading contracts, commodity futures and swaps that are traded in active markets where observable market data exist is based on the quoted prices on the measurement date (Level 1 of the IFRS fair value hierarchy).

The Group uses customary valuation techniques to determine the fair value of financial instruments that are not traded in active markets. The fair value is based on inputs other than quoted prices that are observable either directly or indirectly (Level 2 in the IFRS fair value hierarchy).

Contracts that are measured based on non-observable market data belong to Level 3 of the IFRS fair value hierarchy. The Group measures these items using management's best estimates as derived from internally developed estimation models.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines at the end of each reporting period whether transfers have occurred between levels in the hierarchy due to remeasurements and the associated reclassifications (based on the lowest input level that is significant for the fair value measurement as a whole).

Derivative financial instruments that do not fulfil the conditions for **hedge accounting** must be classified as At Fair Value Through Profit or Loss and disclosed within financial assets or financial liabilities. The gain or loss resulting from subsequent measurement is recognised through profit or loss in the statement of comprehensive income. Unrealised gains or losses resulting from the fair value measurement of derivative financial instruments are disclosed under the result from changes in fair value, either in operating activities or in financing activities.

The Group uses a cash flow hedge to hedge future cash flows from assets and liabilities recognised in the balance sheet or from highly probable forecasted transactions. The effective portion of the change in value of the hedging instruments is recognised in equity in the relevant reserve until the corresponding hedged item is recognised in profit or loss. If a hedged future transaction later results in the recognition of a non-financial asset, the accumulated gains and losses of the derivative financial instrument recognised directly in equity will be accounted for as a reduction or increase in the cost of acquisition.

A fair value hedge is intended to hedge exposure to fluctuations in the fair values of assets and liabilities recognised in the balance sheet, or of firm commitments that are not yet recognised in the balance sheet. Any changes in the fair value of both the derivative designated as a hedging instrument and the market value of the relevant hedged item are recognised immediately in profit or loss in the statement of comprehensive income.

When a hedging relationship is initiated, both the hedging relationship as well as the risk management objectives and strategies behind the hedge are formally defined and documented. This documentation contains the determination of the hedging instrument, the hedged item or the hedged transaction, the type of risk to be hedged, and a description setting out how the Group assesses whether the hedging relationship meets the requirements for hedging effectiveness.

Price quotations on an active market are used to determine the fair value of derivative financial instruments. Otherwise, the measurement is made based on current market parameters using customary measurement models. Present values and discounted cash flow methods are used in the measurements. The Group intends to use the best information available by applying valuation methods that maximise the use of observable inputs.

Changes in the fair value of financial assets and financial liabilities measured at fair value through profit or loss are recognised as a result from changes in fair value, unless the instrument is designated in an effective hedging relationship.

In the normal course of its business, the Group acquires non-financial and financial instruments where the fair value on initial recognition is the transaction price, being the fair value of the consideration given or received. However, for certain transactions the fair value on initial recognition is based on other observable market data for the same instrument or is calculated using a valuation technique, where all input variables are based on observable market data. When evidence from observable data

exists, the Group recognises a “day-one” gain or loss at inception of the transaction in the statement of comprehensive income where the fair value is greater or less than the transaction price.

When significant unobservable market data are used to determine the fair value at the inception of the transaction, the difference between the transaction price and the fair value, calculated using valuation techniques as at the transaction date, is not recognised immediately. These “day-one” gains or losses are deferred and recognised in the statement of comprehensive income on a straight line or other appropriate basis, as observable market data becomes available.

INVENTORIES

If the trading activities fall within the scope of IFRS 9 (commodity derivatives), fair value is used to measure the stocks of merchandise that were acquired for resale within a short period after delivery for the purpose of generating a trading profit from fluctuations in the market price. The changes in fair value are recognised through profit or loss.

All other inventories outside the scope of IFRS 9 (contracts to receive or deliver non-financial items in accordance with the entity’s expected purchase, sale or usage requirements, and which are to be held further for this purpose) are measured at the lower of cost of acquisition and net realisable value in accordance with IAS 2. These are inventories that were purchased for optimisation and structuring purposes, and not for the realisation of a short-term trader margin. Acquisition and production costs are determined using the weighted average cost method or the first-in first-out (FIFO) method.

NON-CURRENT ASSETS HELD FOR SALE

A non-current asset or disposal group is classified as held for sale if its carrying amount is recovered principally through sale rather than through continuing use.

NON-CURRENT ASSETS

Acquired intangible assets excluding goodwill are measured at the cost of acquisition less straight-line depreciation pursuant to IAS 38. Goodwill is recognised in accordance with IFRS 3. Licensing agreements, which are disclosed under other intangible assets, are amortised in accordance with their useful life.

Development costs for internally developed software are recognised as an intangible asset if the Group can demonstrate it is technically feasible to complete the software, and that the Group intends to complete the internally developed software for internal use or resale. The asset is recognised only if it is probable that the internally developed software will generate expected future economic benefits. Internally developed software is amortised on a straight-line basis over its expected useful life.

If there are indications of impairment and the recoverable amount is less than the amortised cost, an impairment loss is recognised on the intangible asset. If the reasons for the impairment no longer exist, the impairment loss on the asset (except for goodwill) is reversed accordingly.

The estimated useful lives of the individual classes of intangible assets are as follows:

| | Useful life in years |
|--|----------------------|
| Goodwill | Indefinite |
| Contractual rights | 1-33 |
| Software purchased | 1-5 |
| Internally generated software | 1-5 |
| Other intangible assets (w/o software) | 1-5 |
| | or lifecycle |

Property, plant and equipment is measured in accordance with IAS 16 at cost less straight-line depreciation and impairment losses in case of an impairment. If there are indications that the reasons for the impairment losses recognised in previous years no longer exist, the impairment losses are reversed accordingly. If on an exceptional basis a depreciation method other than the straight-line method is

better suited to reflect the pattern in which the asset's economic benefits are consumed, this depreciation method is used.

Borrowing costs are capitalised if these costs are attributable to the acquisition or production period of the qualifying assets.

If components of an asset have different useful lives and if their cost accounts for a significant proportion of the total costs of the item of property, plant and equipment, each component is depreciated separately.

Obligations for the dismantling of assets are capitalised as a cost of acquisition in accordance with IAS 16.16 (c) to the extent of the provisions required for such obligations in accordance with IAS 37. The provision is recognised for the discounted settlement amount. The time value of money is recognised in profit or loss.

Costs incurred for the maintenance and repair of items of property, plant and equipment are expensed as incurred. Replacement costs and the costs of significant repair work are capitalised as subsequent costs of conversion when the recognition criteria are met.

The estimated useful lives of various property, plant and equipment are as follows:

| | Useful life in years |
|-----------------------------------|-------------------------------|
| Land | Indefinite |
| Buildings | 1-60 |
| Technical equipment and machinery | 1-33 |
| | or units of production method |
| Fixtures, fittings and equipment | 1-23 |

Investments accounted for using the equity method are reported in accordance with IAS 28. Investments are initially recognised at the cost of acquisition. The respective carrying amount is thereafter increased or decreased to recognise the Group's share of the profit or loss of the associate or joint venture after the date of acquisition.

The shareholder is able to exercise significant influence over an associate. Significant influence requires the power to participate in financial and operating policy decisions of an investee, but precludes control or joint management.

Joint management is exercised based on joint arrangements. Joint arrangements are classified as either joint operations or joint ventures.

Joint operations involve a joint agreement that transfers to the joint venturers direct rights to the assets and liabilities relating to the joint operation.

A joint venture grants to the joint venturers rights to the net assets or the earnings of the arrangement. A joint venturer of a joint venture has no rights to individual assets or liabilities of the joint venture. Joint ventures are recognised in the balance sheet using the equity method in accordance with IAS 28.

Impairment of non-current non-financial assets

Impairments are recognised on non-current assets when the asset's carrying amount exceeds the higher of its fair value less expected disposal costs, and value in use. Value in use is normally applied because the data used for this assessment are more reliable.

Regardless of whether there is an indication of impairment, goodwill and other intangibles not yet available for use (software in development) are tested for impairment once a year. Other non-current assets are tested when there is an indication of impairment.

Non-current assets are measured at the level of cash-generating units. These are defined as the smallest identifiable group of assets that can generate cash inflows from continuing use independently of cash inflows from other assets. Operating Group companies usually represent cash-generating units.

The Group determines value in use based on the present discounted value of the estimated future sustainable operating cash flows expected from continuing use of the asset in the future. This calculation is based on a ten-year plan approved by the Group's management. Management considers the cash flow projections for the ten-year period to be reliable, as a portion of the Group's contractual relationships have been concluded for long-term periods. If an asset is judged to have an indefinite useful life, the perpetual annuity is calculated based on the forecast for the last plan year.

CURRENT AND DEFERRED TAX

Tax expense for the reporting period comprises current and deferred tax.

Current tax expense is calculated in accordance with the tax rules applicable on the reporting date or in the future in the countries where GPG, its subsidiaries, joint ventures and associates operate.

The Group recognises and measures deferred tax in accordance with IAS 12 using the balance sheet liability method based on the tax rate expected at the time of realisation.

Deferred tax is recognised on the timing differences between the recognition and measurement of items in the tax accounts and the IFRS-based commercial balance sheet of the individual Group companies. The company-specific income tax rate is applied to this difference. Deferred tax resulting from consolidation entries is recognised separately.

Deferred tax assets are recognised for the anticipated tax benefits associated with tax loss carryforwards if it is sufficiently certain that these carryforwards will be utilised in the future. The recoverability of deferred tax assets is reviewed as at each reporting date. If the Group determines that the deferred tax assets are not recoverable, valuation allowances are established for the unrecoverable amounts.

As in the previous year, the income tax rate applied at GPG is 31.0 %. This rate consists of a 15.83 % corporation tax, including the solidarity surcharge on corporation tax, and a 15.17 % trade tax.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Employees of the entities included in the consolidated financial statements are entitled to receive a defined benefit or defined contribution pension under the respective entity's pension scheme. Pension provisions from **defined benefit plans** are recognised in the balance sheet using the projected unit credit method in accordance with IAS 19. This method takes into account not only the known pensions and entitlements as at the reporting date, but also expected future salary and pension increases. Actuarial gains and losses are recognised fully in the financial year in which they occur, and are reported in other comprehensive income.

Plan assets reduce the present value of the defined benefit obligation (DBO). If a pension plan is in surplus, a non-current asset is reported under other financial assets. Allocations to provisions for pensions including interest are included in operating profit.

When **defined contribution plans** are involved, the payments are expensed when due and reported in employee benefits expense.

Provisions for uncertain obligations to third parties pursuant to IAS 37 are recognised when an obligation to a third party exists as a result of a past event, the obligation is likely to result in a future outflow of resources, and the amount of this outflow can be reliably estimated. They are recognised at their expected settlement amount and are not offset against any recourse claims. Non-current provisions are recognised at their present value, provided that the effect is material. The periodic compounding is recognised as interest expense. Changes in provisions due to an adjustment of the interest rate are reported in operating profit, provided a related asset does not need to be adjusted.

Provisions for dismantling obligations are recognised for the future cost to dismantle and remove natural gas storage or extraction facilities and natural gas filling stations. They represent the major part of the provisions for uncertain obligations. The present value of the anticipated obligations is capitalised as an asset within property, plant and equipment. A corresponding provision is recognised

simultaneously in the same amount. The periodic interest cost from the unwinding of the discount is reported as finance expense. The discount rates used range between 1.00 % and 1.82 %. If any of the underlying estimates change, such as prices or discount rates, the carrying amount of the item of property, plant and equipment and the corresponding provision are modified accordingly.

CONTINGENT LIABILITIES

Contingent liabilities are not recognised in the balance sheet unless they have been assumed in the context of a company acquisition. They are disclosed in the notes if the existence of a possible obligation due to past events has yet to be confirmed on the basis of the occurrence or non-occurrence of one or more possible future events over which the Company does not exercise complete control; or an outflow of resources is not probable; or the amount of the obligation cannot be reliably estimated.

REVENUE

Revenue is recognised over the period when the performance is rendered or at the point in time when disposal over an asset has been transferred to the customer. That is usually the point in time when the asset is delivered and the risk of ownership has been transferred.

Revenue includes trading and non-trading revenue. The term non-trading is used to distinguish business activities undertaken for the purpose of supplying energy carriers of primarily Russian origin to end customers. This includes contracts that are entered into and held for receiving or delivering a non-financial item in accordance with the entity's expected purchase, sale or usage requirements. Non-trading revenue also comprises optimisation, structuring and other activities that are realised physically and which are conducted for receiving or delivering a non-financial item in connection with sales business oriented towards supplying end customers. Non-trading revenue is presented gross.

Revenue with physical delivery is deemed to be revenue from contracts with customers as defined in IFRS 15. In addition, revenue exists from lease agreements (IAS 17) and from financial trading activities without physical delivery (IFRS 9).

The performance obligations for the products LNG, LPG, crude oil, refined products, gas condensate, helium and emission rights are fulfilled at a specific point in time. In contrast, the performance obligations for the products and services associated with natural gas, power, storage and transport are fulfilled over a specific period of time. Fundamentally, these contracts with customers set out a specific performance obligation.

The vast majority of contracts have a payment term of 30 days. However, payment conditions with due dates for up to one year are also possible.

Revenue recognised over a specific period of time is measured using an output-based method that measures the natural gas and power volumes delivered to the customer. The Group deems this approach to be reliable because it is based on actually delivered quantities. Revenue is recognised after the performance is rendered or the product is delivered once the risk of ownership has been transferred.

Trading transactions recognised pursuant to IFRS 9 until realisation are aimed solely at achieving a trader margin. The realised gains and losses from trading activities are therefore reported in revenue on a net basis, i.e. including the realised gross margin.

FOREIGN EXCHANGE DIFFERENCES

In order to improve the depiction of the actual effects of volatility in foreign currency exchange differences, gains and losses (divided into realised and unrealised operating or financial activities) are netted in the statement of comprehensive income. A detailed breakdown is included in the notes to the consolidated statement of comprehensive income.

LEASES

The determination whether an agreement contains a lease is based on the economic purpose of the agreement. A leasing relationship can be classified as a finance or operating lease depending on the economic substance of the relationship. The classification does not depend on a specific form of the contract.

Leased items of property, plant and equipment for which consolidated Group companies bear the main risks and opportunities associated with the item (finance leases) are recognised in accordance with IAS 17 at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The item is depreciated on a straight-line basis over the economic life of the asset or the shorter lease contract term. The present value of the payment obligations resulting from the future lease rates is recognised as a liability.

Operating leases are expensed on a straight-line basis over the period of the lease.

ASSUMPTIONS AND ESTIMATES

The consolidated financial statements were prepared using assumptions and estimates that affect the value and presentation of the recognised financial assets and liabilities, income and expense, and contingent liabilities.

- Assumptions and estimates play a particularly important role when determining the fair values of **tangible and intangible assets** obtained when acquiring companies. To that end, assumptions were made regarding production and sales quantities as well as the development of prices over periods of up to 25 years.
- The post-tax **discount rates** used range between 5.38 % and 13.99 %, and were determined using the weighted average cost of capital (WACC) method. An energy-industry-specific beta factor of 0.696 was applied in the calculation of WACC.
- Moreover, forward-looking assumptions and estimates are also made when assessing the recoverability of **goodwill**.
- The fair values of **derivative financial instruments** that are not traded in active markets (Level 3 of the IFRS fair value hierarchy) are determined using measurement models. The choice of methods and inputs contained in the measurement models is based on market conditions. Any fluctuations in these conditions can have a significant influence on the measurement result.
- The assumptions and estimates made when measuring **provisions** relate to their probability and the discount rate. The inflation rate for services to be utilised in the future must also be estimated when measuring provisions.

The assumptions and estimates are based on the respective current circumstances and estimates. Actual results may differ from these estimates. The assumptions underlying the estimates are regularly reviewed. Changes to estimates that relate to only one period are implemented in this period only. However, if the changes affect the current period and subsequent periods, they are taken into account in all affected periods. GPG's risk management is based on the VaR approach. The Group therefore performs a sensitivity analysis beyond VaR when judged necessary. If material, the results of this sensitivity analysis are disclosed in the corresponding notes. We refer to Note (27) for the sensitivity analysis regarding provisions for pensions.

JUDGEMENTS

As part of a strategic review, the GPG Group has decided to explore opportunities to dispose a portion of its Retail business and has been engaged in talks with potential buyers regarding a sale of this business.

Even though the corresponding commercial discussions are still ongoing, the Group did not yet reach an agreement in this respect as at 31 December 2018. Whilst the Group considers the sale to be highly probable and expects it to be completed within 2019, the GPG Group does not consider the Retail business to be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets. As a consequence, the Retail business has not been classified as held for sale at the reporting date pursuant to IFRS 5.

CHANGES IN PRESENTATION

If any changes were made in the presentation of these consolidated financial statements, explanatory details are included in the corresponding notes.

SCOPE OF CONSOLIDATION

The scope of consolidation changed as follows:

| | Domestic | Foreign | Total |
|---|-----------|-----------|-----------|
| Parent company | 1 | | 1 |
| Controlled companies | 9 | 23 | 32 |
| Investments accounted for using the equity method | 6 | 5 | 11 |
| Number as of 31 December 2017 | 16 | 28 | 44 |
| Controlled companies | | 1 | 1 |
| Additions 2018 | | 1 | 1 |
| Investments accounted for using the equity method | | 1 | 1 |
| Disposals 2018 | | 1 | 1 |
| Parent company | 1 | | 1 |
| Controlled companies | 9 | 24 | 33 |
| Investments accounted for using the equity method | 6 | 4 | 10 |
| Number as of 31 December 2018 | 16 | 28 | 44 |

The **additions** of controlled entities in the financial year were as follows:

| | Date of first-time consolidation | Notes |
|--|----------------------------------|-------------|
| Subsidiary | | |
| VEMEX ENERGO s.r.o., Bratislava (Slovakia) | 10 August 2018 | Acquisition |

The Group did not make the corresponding disclosures in the notes in accordance with IFRS 3 because this information is not material.

The **disposals** of controlled entities in the financial year were as follows:

| | Date of deconsolidation | Notes |
|--|-------------------------|-------|
| Investments accounted for using the equity method | | |
| Bosphorus Gaz Corporation A.Ş., Istanbul (Turkey) | 11 September 2018 | Sale |

On 11 September 2018, GPG sold its investment in Bosphorus Gaz Corporation A.S. (BGC). The gain on the disposal amounted to EUR 9.3 million.

The following subsidiaries were included in the consolidated financial statements:

| Company, registered office | Shareholding 31 December 2018 (in %) | via | Shareholding 31 December 2017 (in %) | via |
|--|---|-------|---|-------|
| | | | | |
| 01 GAZPROM Schweiz AG, Zug (Switzerland) | 100.00 | GPG | 100.00 | GPG |
| 02 IMUK AG, Chur (Switzerland) | 100.00 | 01 | 100.00 | 01 |
| 03 Gazprom Marketing & Trading Ltd, London (United Kingdom) | 100.00 | GPG | 100.00 | GPG |
| 04 Gazprom Marketing & Trading Retail Ltd, London (United Kingdom) | 100.00 | 03 | 100.00 | 03 |
| 05 Gazprom Marketing & Trading France SAS, Nanterre (France) | 100.00 | 03 | 100.00 | 03 |
| 06 Gazprom Marketing & Trading Switzerland AG, Zug (Switzerland) | 100.00 | 03 | 100.00 | 03 |
| 07 Gazprom Marketing & Trading Singapore Pte Ltd, Singapore (Singapore) | 100.00 | 03 | 100.00 | 03 |
| 08 Gazprom Marketing & Trading USA Inc., Delaware (USA) | 100.00 | 03 | 100.00 | 03 |
| 09 Gazprom Global LNG Ltd, London (United Kingdom) | 100.00 | 03 | 100.00 | 03 |
| 10 Gazprom Mex (UK) 1 Ltd, London (United Kingdom) | 100.00 | 03 | 100.00 | 03 |
| 11 Gazprom Mex (UK) 2 Ltd, London (United Kingdom) | 100.00 | 10 | 100.00 | 10 |
| 12 Gazprom Marketing & Trading México S. de R.L. de C.V., Tijuana (Mexico) | 100.00 | 10/11 | 100.00 | 10/11 |
| 13 ZMB Gasspeicher Holding GmbH, Vienna (Austria) | 66.67 | GPG | 66.67 | GPG |
| 14 ZGG - Zarubezhgazneftechim Trading GmbH, Vienna (Austria) | 100.00 | GPG | 100.00 | GPG |
| 15 Gazprom NGV Europe GmbH, Berlin (Germany) | 100.00 | GPG | 100.00 | GPG |
| 16 Zweite Gazprom Projektgesellschaft mbH, Berlin (Germany) | 100.00 | GPG | 100.00 | GPG |
| 17 WIBG GmbH, Kassel (Germany) | 100.00 | GPG | 100.00 | GPG |
| 18 WIEH GmbH, Berlin (Germany) | 100.00 | 17 | 100.00 | 17 |
| 19 WIEE Hungary Kft., Budapest (Hungary) | 100.00 | 01 | 100.00 | 01 |
| 20 WIEE Bulgaria EOOD, Sofia (Bulgaria) | 100.00 | 01 | 100.00 | 01 |
| 21 WIEE Romania S.R.L., Bucharest (Romania) | 100.00 | 01 | 100.00 | 01 |
| 22 WIROM GAS S.A., Bucharest (Romania) | 51.12 | 01 | 51.12 | 01 |
| 23 WINGAS GmbH, Kassel (Germany) | 100.00 | 17 | 100.00 | 17 |
| 24 astora Beteiligungs-GmbH, Kassel (Germany) | 100.00 | 16 | 100.00 | 16 |
| 25 astora GmbH & Co. KG, Kassel (Germany) | 100.00 | 16 | 100.00 | 16 |
| 26 WINGAS UK Ltd, Richmond (United Kingdom) | 100.00 | 23 | 100.00 | 23 |
| 27 WINGAS Sales GmbH, Kassel (Germany) | 100.00 | 23 | 100.00 | 23 |
| 28 WINGAS Holding GmbH, Kassel (Germany) | 100.00 | 23 | 100.00 | 23 |
| 29 WINGAS Benelux BVBA, Brussels (Belgium) | 100.00 | 28 | 100.00 | 28 |
| 30 WINGAS Storage UK Ltd, London (United Kingdom) | 83.33 | 13/28 | 83.33 | 13/28 |
| 31 WGS Gas s.r.o., Prague (Czech Republic) | 100.00 | 17 | 100.00 | 17 |
| 32 Gazprom Turkey Enerji Anonim Şirketi, Istanbul (Turkey) | 100.00 | 01 | 100.00 | 01 |
| 33 VEMEX ENERGO s.r.o., Bratislava (Slovakia) | 100.00 | 23/28 | | |

The comprehensive income attributable to non-controlling interests is disclosed in Note (31).

WIBG and Zweite Gazprom Projektgesellschaft mbH chose to exercise the exemption provided for under section 264 (3) HGB.

The following joint ventures and associated companies are accounted for using the equity method:

| | Shareholding 31 December 2018 (in %) | | Shareholding 31 December 2017 (in %) | |
|--|---|-----|---|-----|
| Company, registered office | | via | | via |
| Joint ventures | | | | |
| 34 Gas Project Development Central Asia AG, Baar (Switzerland) ¹⁾ | 50.00 | GPG | 50.00 | GPG |
| 35 PremiumGas S.p.A., Bergamo (Italy) | 50.00 | GPG | 50.00 | GPG |
| 36 Industriekraftwerk Greifswald GmbH, Kassel (Germany) | 51.00 | 23 | 51.00 | 23 |
| Associated companies | | | | |
| 37 Gazprom Austria GmbH, Vienna (Austria) | 50.00 | 01 | 50.00 | 01 |
| 38 Etzel Kavernenbetriebs-Verwaltungsgesellschaft mbH, Bremen (Germany) | 33.33 | GPG | 33.33 | GPG |
| 39 Etzel Kavernenbetriebsgesellschaft mbH & Co KG, Bremen (Germany) | 33.33 | GPG | 33.33 | GPG |
| 40 VEMEX s.r.o., Prague (Czech Republic) ¹⁾ | 50.14 | GPG | 50.14 | GPG |
| 41 WIGA Verwaltungs-GmbH, Kassel (Germany) | 49.98 | GPG | 49.98 | GPG |
| 42 WIGA Transport Beteiligungs-GmbH & Co. KG, Kassel (Germany) ¹⁾ | 49.98 | GPG | 49.98 | GPG |
| 43 SCHWARZMEER UND OSTSEE Versicherungs-Aktiengesellschaft SOVAG, Hamburg (Germany) | | | | |
| ... Bosphorus Gaz Corporation A.Ş., Istanbul (Turkey) | 50.10 | GPG | 50.10 | GPG |
| | | | 71.00 | GPG |

¹⁾ Subsidiaries and investments consolidated within subgroup financial statements are not listed separately.

Despite its 50.14 % interest in the share capital of VEMEX s.r.o., the Group does not have a controlling influence on the company and its subsidiaries, as this would require not less than a 75.0 % voting majority under the company's articles of association.

The articles of association of Industriekraftwerk Greifswald GmbH require not less than a 75.0 % voting majority for significant decisions. Consequently, the Group does not have a controlling influence on this company, even though the Group has a 51.0 % interest in the company's share capital.

According to the articles of association of SCHWARZMEER UND OSTSEE Versicherungs-Aktiengesellschaft SOVAG (SOVAG), GPG can appoint only two of nine members of its Supervisory Board, even though GPG holds a 50.1 % interest in the company's share capital. Significant decisions, however, require a simple voting majority in the Supervisory Board. Consequently, GPG does not have a controlling influence on the company.

NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(1) REVENUE

The Group realises its revenue primarily from contracts with customers in accordance with the definition set out in IFRS 15. The exceptions include charter revenue for LNG transports under IAS 17, and revenue from financial market transactions without physical deliveries under IFRS 9. Both of these revenue types are recognised in other revenue. The following table shows the breakdown of revenue by products:

| EUR thousands | Type of activity | 2018 | 2017 |
|---|-------------------------|-------------------|-------------------|
| Natural gas | Trading and non-trading | 23,730,482 | 20,380,438 |
| Liquefied natural gas (LNG) | Non-trading | 1,416,194 | 977,788 |
| Liquefied petroleum gas (LPG) | Non-trading | 355,354 | 199,530 |
| Gas condensate | Non-trading | 90,096 | 875 |
| Helium | Non-trading | 2,305 | 4,722 |
| Oil | Non-trading | 896,712 | 656,122 |
| Refined products | Non-trading | 376,970 | 413,568 |
| Power and renewable energy certificates | Trading and non-trading | 127,448 | 195,245 |
| Emission allowances | Trading | 16,212 | -2,027 |
| Storage | Non-trading | 32,714 | 30,384 |
| Other revenue | Trading and non-trading | 230,514 | 246,609 |
| Total revenue | | 27,275,000 | 23,103,255 |
| thereof revenue from contracts with customers | | 27,285,318 | 23,094,976 |
| thereof other revenue | | -10,317 | 8,279 |

The revenue which contains trading activities is reported on a net basis in some cases. Trading revenue is offset with the corresponding cost of materials and reported on a net basis. The gross revenue from trading and non-trading activities totalled EUR 102,560.0 million in 2018 (prior-year period: EUR 82,203.4 million).

The revenue increase in 2018, which is attributable primarily to natural gas, was due to both higher sales prices and higher demand.

The increase in LNG revenue follows the positive trend of rising average LNG prices on the Asian market, the primary market for LNG sales by the GPG Group. The average annual market prices rose by 22.5 % compared with the previous year.

LPG revenue continued to rise sharply in 2018 on the prior year. Besides a modest recovery in market prices, this increase was due mostly to higher trading volumes in the spot markets.

In contrast to the previous year, volumes of gas condensate were again available in 2018 for trading purposes. The Group realised revenue of EUR 90.1 million with this product.

The trading with crude oil in 2018 was characterised primarily by a further rise in prices on the global markets. In addition, the Group was able to trade more volume. As a result, revenue from crude oil rose by 36.7 % on the previous year.

The market environment for trading in refined products remained stable compared to the previous year. Lower purchasing volumes were offset by rising prices. As a result, revenue generated with these products almost matched last year's level.

The revenue for power decreased year-on-year due to a decline in sales volume. This decrease reflects the elevated competitive pressure in the European power markets. In contrast, average power prices on the European spot market recovered marginally.

Other revenue decreased slightly on the previous year. It comprises mainly LNG transport tariffs, the remarketing of interconnector-pipeline capacity, and the realised result on commodity and foreign exchange derivatives, which are reported on a net basis.

(2) OTHER OPERATING INCOME

| EUR thousands | 2018 | 2017 |
|--|---------------|----------------|
| Income from rents and leases | 24,954 | 9,187 |
| Income from disposal of property, plant, and equipment | 41 | 3,391 |
| Net gains from foreign currency exchange differences in operating activities | 141 | 216,792 |
| Income from internally produced and capitalised assets | 7,309 | 7,330 |
| Reversal of allowances for doubtful accounts | | 4,534 |
| Sundry | 44,735 | 170,938 |
| Total other operating income | 77,181 | 412,172 |

Other operating income includes income realised from the positive conclusion of a legal dispute in the financial year. In addition, this line item contains a settlement payment associated with the asset swap undertaken in 2015.

The net gains from foreign currency exchange differences in operating activities result from exchange rate fluctuations in EUR, USD and GBP.

(3) COST OF MATERIALS

| EUR thousands | 2018 | 2017 |
|---|-------------------|-------------------|
| Natural gas | 22,321,944 | 19,210,444 |
| Liquefied natural gas (LNG) | 1,069,195 | 798,808 |
| Liquefied petroleum gas (LPG) | 353,666 | 198,357 |
| Gas condensate | 89,858 | 530 |
| Helium | 1,943 | 4,065 |
| Oil | 909,451 | 656,213 |
| Refined products | 372,273 | 398,460 |
| Power and renewable energy certificates | 130,615 | 201,222 |
| Transit costs | 839,254 | 970,679 |
| Vessel and storage leasing costs | 146,124 | 179,120 |
| Service and maintenance | 9,735 | 4,873 |
| Other cost of materials | 260,639 | 236,065 |
| Total cost of materials | 26,504,698 | 22,858,836 |

The cost of materials associated with trading activities is reported on a net basis. In financial year 2018, EUR -75,285.0 million (prior-year period: EUR -59,100.2 million) was offset against the corresponding trading revenue.

The cost of materials increased by EUR 3,645.9 million to EUR 26,504.7 million (prior-year period: EUR 22,858.8 million). The main drivers for this development were the increased demand for natural gas in Europe and LNG in Asia as well as rising purchase prices. In contrast, transit costs fell by 13.5 % compared to 2017 due to lower transit tariffs.

(4) EMPLOYEE BENEFITS

| EUR thousands | 2018 | 2017 |
|--|----------------|----------------|
| Salaries | 244,979 | 209,747 |
| Social security and other benefits | 17,227 | 17,443 |
| Retirement benefit costs | 19,572 | 21,338 |
| Total employee benefits expense | 281,778 | 248,528 |

Employee benefits expense rose in 2018 because of non-recurring effects associated with adjustments to the Group's personnel structures.

Retirement benefit costs, which contain the interest income and interest expense relating to defined benefit plans, include:

| EUR thousands | 2018 | 2017 |
|---|---------------|---------------|
| Current and past service cost | 2,759 | 3,259 |
| Net interest expenses or income | 779 | 711 |
| Defined benefit plans | 3,539 | 3,970 |
| Contributions to state pension plans | 9,346 | 10,599 |
| Contributions to the corporate pension scheme | 6,687 | 6,770 |
| Defined contribution plans | 16,033 | 17,368 |
| Total retirement benefit costs | 19,572 | 21,338 |

The average annual number of employees was:

| | 2018 | 2017 |
|--------------------------|--------------|--------------|
| Staff | 1,621 | 1,781 |
| Apprentices and trainees | 3 | 2 |
| Total employees | 1,624 | 1,783 |

Modifications to the personnel structures led to a decrease in the average number of employees in the GPG Group.

(5) DEPRECIATION AND AMORTISATION EXPENSE; IMPAIRMENT OF INTANGIBLE ASSETS AND OF PROPERTY, PLANT AND EQUIPMENT

| EUR thousands | Notes | 2018 | 2017 |
|---|-------|----------------|----------------|
| Depreciation and amortisation of | | | |
| - Intangible assets | (22) | 39,505 | 43,213 |
| - Property, plant and equipment | (23) | 60,192 | 60,783 |
| Total depreciation and amortisation | | 99,696 | 103,996 |
| Impairment of | | | |
| - Intangible assets | (22) | 4,698 | 119 |
| - Property, plant and equipment | (23) | 144,063 | 14,704 |
| Total impairment | | 148,762 | 14,824 |
| Revaluation gains | | | -234 |
| Total depreciation and amortisation expense; impairment of intangible assets and property, plant and equipment | | 248,458 | 118,586 |

Due to persistently uncertain forecasts, in particular changed price expectations regarding storage activities, the Group recognised impairment losses in 2018 on intangible assets and property, plant and equipment. For further explanations, please refer to notes (22) and (23).

(6) RESULT FROM LOSS ALLOWANCES

| EUR thousands | 2018 |
|---|---------------|
| Result from loss allowance on trade receivables, net | -11,633 |
| Result from loss allowance on other financial instruments and financial guarantees, net | 4,771 |
| Operating result from loss allowances | -6,862 |
| Result from impairment on long-term financial instruments | 3,791 |
| Total result from loss allowances | -3,071 |

The result from loss allowances on trade receivables relates primarily to receivables recognised in connection with customer contracts within the scope of IFRS 15.

(7) OTHER OPERATING EXPENSE

| EUR thousands | 2018 | 2017 |
|---|----------------|----------------|
| Promotion, sponsorship, representation | 74,515 | 101,716 |
| Legal and consulting fees | 22,575 | 30,205 |
| Net losses from foreign currency exchange differences in operating activities | 5,661 | 10,212 |
| Rents and leases | 19,649 | 21,673 |
| Allowances for doubtful receivables | | 15,055 |
| Impairment receivables | | 141 |
| Contractually agreed sales commission on natural gas contracts | 184 | 113 |
| Losses from disposal of intangible assets and property, plant and equipment | 231 | 149 |
| Other operating cost buildings | 7,993 | 7,782 |
| Travel expenses | 8,212 | 10,537 |
| Sundry | 100,477 | 88,877 |
| Total other operating expense | 239,496 | 286,461 |

Promotion, sponsorship and representation expenses decreased in the reporting period due to lower expenditure for sports sponsorship.

The expense from the allowance for doubtful accounts is presented separately in the income statement starting from 2018 due to the application of the new IFRS 9 accounting standard.

Sundry other operating expenses include the expenses for litigation and contractual penalties, as well as for other services, software and hardware, IT maintenance, telecommunication and information services.

(8) RESULT FROM CHANGES IN FAIR VALUE IN OPERATING ACTIVITIES

| EUR thousands | 2018 | 2017 |
|--|----------------|----------------|
| Gains/losses from fair value changes of derivative financial instruments | -39,835 | 277,340 |
| Changes in fair value of inventories | | -1,003 |
| Total result from changes in fair value in operating activities | -39,835 | 276,337 |

The result from changes in fair value in operating activities is attributable to the remeasurement of derivative financial instruments as at the reporting date. The decrease in the result is mostly due to the price trend as at the reporting date.

(9) INTEREST INCOME

| EUR thousands | 2018 | 2017 |
|------------------------------|---------------|---------------|
| Interest income from | | |
| - Financial instruments | 12,209 | 14,427 |
| - Finance leases | 39 | 42 |
| - Sundry | 1 | 1,059 |
| Total interest income | 12,248 | 15,528 |

(10) INTEREST EXPENSE

| EUR thousands | 2018 | 2017 |
|-------------------------------|---------------|--------------|
| Interest expense for | | |
| - Financial instruments | 8,899 | 4,345 |
| - Sundry | 5,832 | 3,092 |
| Total interest expense | 14,731 | 7,437 |

Sundry interest expense includes the interest cost resulting from the compounding of interest on provisions. Please refer to Note (27) in this regard.

(11) RESULT FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| EUR thousands | Notes | 2018 | 2017 |
|--|-------------|----------------|---------------|
| Share of profits | | 101,236 | 90,551 |
| Share of losses | | -843 | -15,305 |
| Total result from investments accounted for using the equity method | (23) | 100,394 | 75,246 |

The detailed breakdown of profit and loss components is presented in Note (24). The profit components from investments accounted for using the equity method include the EUR 9.3 million gain from the disposal of the investment in BGC.

(12) OTHER RESULT FROM INVESTMENTS

| EUR thousands | 2018 | 2017 |
|---|--------------|------|
| Result from fair value measurement of other investments | 2,340 | |
| Other result from investments | 2,340 | |

For explanatory material on the result from the fair value measurement of other investments, please refer to Note (25).

(13) OTHER FINANCIAL INCOME

| EUR thousands | 2018 | 2017 |
|--|------------|--------------|
| Net gains from foreign currency exchange differences in financing activities | 741 | 7,684 |
| Sundry | 88 | 1 |
| Total other financial income | 829 | 7,685 |

The revaluation gains on financial assets result from the partial reversal of impairment losses on loans in the amount of the principal payments made in 2018.

(14) OTHER FINANCIAL EXPENSE

| EUR thousands | 2018 | 2017 |
|---|--------------|--------------|
| Net losses from foreign currency exchange differences in financing activities | 2,032 | |
| Bank charges | 5,637 | 8,192 |
| Sundry | 28 | |
| Total other financial expense | 7,697 | 8,192 |

(15) RESULT FROM CHANGES IN FAIR VALUE IN FINANCING ACTIVITIES

| EUR thousands | 2018 | 2017 |
|--|-------------|-------------|
| Fair value changes of foreign exchange derivatives | -801 | -961 |
| Total result from changes in fair value in financing activities | -801 | -961 |

(16) INCOME TAXES

| EUR thousands | Notes | 2018 | 2017 |
|------------------------------|-------|--------------|---------------|
| Income tax for the period | | 51,129 | 68,394 |
| Income tax for prior periods | | -166 | -4,042 |
| Current tax | | 50,963 | 64,352 |
| Deferred tax | (26) | -46,251 | -69,851 |
| Total income tax | | 4,712 | -5,499 |

The income tax expense for the financial year, at EUR 51.1 million, is lower by EUR 17.3 million compared with the previous year. This decline is caused primarily by a lower income tax burden due to the adjustment of the scope of the tax group and the resulting extensive use of tax loss carryforwards.

The deferred tax income in the amount of EUR 46.3 million (income in the prior-year period: EUR 69.9 million) results mainly from the balance sheet differences that occurred in 2018 because of the write-down of tangible fixed assets (EUR 41.1 million).

The differences between the nominal and total income tax expense are presented below:

| | 2018 | | 2017 | |
|---|----------------|-------------|----------------|-------------|
| | EUR thousands | % | EUR thousands | % |
| Profit before tax | 126,597 | | 359,293 | |
| Calculated income tax | 39,245 | 31.0 | 111,381 | 31.0 |
| Tax effects from: | | | | |
| - Income tax for prior periods | -166 | -0.1 | -4,042 | -1.1 |
| - Deferred tax for prior periods | 371 | 0.3 | -1,779 | -0.5 |
| - Differences compared to individual tax rates | -69,163 | -54.6 | -47,594 | -13.2 |
| - Tax rate changes on deferred tax | -1,465 | -1.2 | -343 | |
| - Non-deductible expenses | 87,334 | 69.0 | 18,649 | 5.2 |
| - Tax-free income | -1,222 | -1.0 | -50,116 | -13.9 |
| - Changes on losses carried forward | 17,592 | 13.9 | 31,556 | 8.8 |
| - Investments accounted for using the equity method | -43,965 | -34.7 | -12,700 | -3.5 |
| - Differing tax rates/taxable base | -19,018 | -15.0 | -18,240 | -5.1 |
| - Others | -4,832 | -3.8 | -32,272 | -9.0 |
| Total income tax | 4,712 | 3.7 | -5,499 | -1.5 |

(17) OTHER COMPREHENSIVE INCOME

| | Changes in | | | | Total other comprehensive income |
|---|------------------|---|--|--|----------------------------------|
| | Cash flow hedges | Defined benefit plans in accordance with IAS 19 | Share in other comprehensive income of investments accounted for using the equity method | Exchange rate differences from the translation of financial statements of non-euro group companies | |
| EUR thousands | | | | | |
| 1 January 2017 | -4,095 | -8,406 | 16,581 | 210,924 | 215,004 |
| Changes to the scope of consolidation | | | | -1,545 | -1,545 |
| Exchange rate differences | | | 3,610 | | 3,610 |
| Additions | 65,181 | 683 | -4,805 | -143,550 | -82,491 |
| Recycling to income statement | 28,667 | | | | 28,667 |
| Disposals (included in other result from investments) | | | -56 | 1,376 | 1,320 |
| Disposals (included in employee benefits) | | 3,083 | | | 3,083 |
| Deferred tax | -40,311 | -963 | -91 | | -41,366 |
| Total changes | | | | | |
| 1 January - 31 December 2017 | 53,536 | 2,803 | -1,342 | -142,174 | -87,177 |
| 31 December 2017 | 49,441 | -5,604 | 15,239 | 67,205 | 126,282 |
| Adjustment opening balance | | | -2,596 | 2,596 | |
| Exchange rate differences | | | 14,985 | | 14,985 |
| Additions | 10,495 | 374 | 518 | 1,811 | 13,199 |
| Recycling to income statement | -54,920 | | | | -54,920 |
| Disposals (included in other result from investments) | | | -23,155 | | -23,155 |
| Disposals (included in employee benefits) | | 2,376 | | | 2,376 |
| Deferred tax | -2,534 | -894 | -60 | | -3,488 |
| Total changes | | | | | |
| 1 January - 31 December 2018 | -46,958 | 1,856 | -10,308 | 4,408 | -51,003 |
| 31 December 2018 | 2,483 | -3,747 | 4,932 | 71,613 | 75,279 |

All items of other comprehensive income, except for the obligations from defined benefit plans in accordance with IAS 19, will be recycled through profit or loss in future periods.

The change in cash flow hedges is due mostly to commodity derivatives.

The change in the reserve for exchange rate differences is attributable primarily to the development of the USD on the EUR.

(18) TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

| EUR thousands | 2018 | 2017 |
|---|---------------|---------------|
| Share of losses | -1,965 | -3,895 |
| Result for the period attributable to non-controlling interests | -1,965 | -3,895 |
| Changes in | | |
| Exchange rate differences from the translation of financial statements of non-euro group companies | -3 | 85 |
| Other comprehensive income attributable to non-controlling interests | -3 | 85 |
| Total comprehensive income attributable to non-controlling interests | -1,968 | -3,810 |

The breakdown of the result for the period attributable to non-controlling interests is disclosed in Note (31).

NOTES TO THE CONSOLIDATED BALANCE SHEET

(19) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and cash in banks.

The Group made short-term and fixed-term deposits for different periods of up to three months. Each deposit earned the prevailing market interest rate for short-term deposits.

Cash and cash equivalents are subject to the impairment regulations set out in IFRS 9. However, the impairment loss determined was immaterial.

There were no restrictions on the disposal of cash and cash equivalents as at 31 December 2018 and 31 December 2017.

(20) TRADE AND OTHER RECEIVABLES

| EUR thousands | Notes | 31 December 2018 | 31 December 2017 |
|--|-------|---------------------|---------------------|
| Primary financial instruments | | | |
| Trade receivables | | 4,289,422 | 3,381,557 |
| Other receivables | | 26,121 | 74,523 |
| Total primary financial instruments | (33) | 4,315,544 | 3,456,080 |
| Derivative financial instruments | | | |
| Commodity derivatives | | 1,342,601 | 788,351 |
| Foreign currency derivatives | | 20,807 | 21,844 |
| Total derivative financial instruments | (33) | 1,363,408 | 810,195 |
| Other assets | | | |
| Advance payments | | 105,410 | 51,812 |
| Other tax receivables | | 37,076 | 32,116 |
| Deferred expenses | | 25,983 | 21,908 |
| Total other assets | | 168,469 | 105,836 |
| Total trade and other receivables | | 5,847,421 | 4,372,110 |

Trade receivables rose because revenues in December 2018 were higher than in December 2017. The increase in derivative financial instruments as at 31 December 2018 results from greater trading quantities and higher market values as a consequence of the prices prevailing on the reporting date.

Information on related party transactions is disclosed in Note (38).

The net book value of the primary financial instruments after deducting allowances made is as follows:

| EUR thousands | 31 December 2018 | 31 December 2017 |
|--|---------------------|---------------------|
| Primary financial instruments, gross | 4,398,612 | 3,572,780 |
| Not in scope of IFRS 9 | | 22,874 |
| Allowances for doubtful accounts | -83,068 | -139,575 |
| Total primary financial instruments, book value | 4,315,544 | 3,456,080 |

The following table shows the change in the allowances for expected credit losses on trade and other receivables. It also presents how changes in the gross book values of financial instruments during the reporting period have led to changes in the risk provisioning.

| EUR thousands | 12-month expected credit losses | Lifetime expected credit losses | | Total |
|--|---------------------------------------|-------------------------------------|----------------------|----------------|
| | | credit-impaired financial assets | trade receivables | |
| 1 January 2018 after adjustments due to IFRS 9 | -716 | -115,338 | -26,442 | -142,496 |
| Exchange rate differences | -8 | | 124 | 116 |
| Derecognition without profit or loss effect | -30 | | 2,563 | 2,532 |
| Additions | -423 | -2,585 | -14,742 | -17,749 |
| Transfers | | 61,760 | | 61,760 |
| Disposals | 425 | 9,296 | 3,383 | 13,103 |
| Changes in credit risk parameters | -62 | | -274 | -335 |
| 31 December 2018 | -814 | -46,866 | -35,387 | -83,068 |

The allowance for doubtful accounts in the previous year changed as follows:

| EUR thousands | Allowances for doubtful accounts |
|---------------------------|-------------------------------------|
| 1 January 2017 | -132,222 |
| Exchange rate differences | 303 |
| Additions | -15,055 |
| Disposals | 7,413 |
| Transfers | -13 |
| 31 December 2017 | -139,575 |

In accordance with IFRS 9, the Group applies the simplified method for trade receivables without a significant financing component in order to determine the credit loss expected over the term of the receivable.

The default risks associated with the primary financial instruments as at 31 December 2017 can be assessed based on the following aging structure:

| EUR thousands | 31 December 2017 |
|--|---------------------|
| Receivables neither past due nor impaired | 3,066,178 |
| - up to 6 months past due | 231,241 |
| - over 6 months until the end of the following year 1 past due | 6,240 |
| - 1-3 years past due | 49,248 |
| - more than 3 years past due | 17,704 |
| Receivables impaired | 202,169 |
| Total primary financial instruments, gross | 3,572,780 |

Business partners did not furnish any collateral. The maximum credit risk of the primary financial instruments therefore corresponds to the net book value. There is no indication with regard to receivables which are neither impaired nor overdue as at the reporting date that the corresponding debtors might not fulfil their payment obligations.

The Group concludes master netting agreements and collateral agreements with its counterparties in connection with some financial instruments. These agreements provide the Group with the right to net a counterparty's receivables and payables in the event of a default by the counterparty (such as bankruptcy or a failure to pay or perform). In addition, the Group may liquidate any collateral and offset the proceeds against the net amount of the counterparty's liabilities.

The following two tables disclose information on the offsetting effects in the balance sheet as well as on the potential financial offsetting effects in respect of instruments subject to legally enforceable offsetting arrangements or similar agreements.

The "Potential offsetting" column discloses the amounts subject to a netting arrangement but which were not offset in the balance sheet because the conditions for offsetting were not fulfilled. In addition, the column also contains the collateral received or furnished in relation to total assets and total liabilities, as well as the received or pledged amounts of collateral in the form of cash or financial instruments which do not fulfil the conditions for offsetting in the balance sheet.

| EUR thousands | 2018 | | | | |
|--|--------------------------|-------------------|------------------------|----------------------|--|
| | Gross amounts recognised | Offsetting | Net amounts recognised | Potential offsetting | Net amounts after potential offsetting |
| Financial instruments assets | | | | | |
| Cash and cash equivalents | 167,065 | | 167,065 | | 167,065 |
| Trade receivables | 10,561,496 | 6,236,686 | 4,324,810 | 826,109 | 3,498,701 |
| Other assets | 86,041 | | 86,041 | | 86,041 |
| Interest receivables | 850 | | 850 | | 850 |
| Derivative financial instruments | 8,940,339 | 7,106,346 | 1,833,993 | 14,550 | 1,819,442 |
| Total financial instruments assets | 19,755,791 | 13,343,032 | 6,412,759 | 840,660 | 5,572,099 |
| Financial instruments liabilities | | | | | |
| Trade payables | 9,986,398 | 6,236,686 | 3,749,712 | 826,109 | 2,923,603 |
| Other liabilities | 65,043 | | 65,043 | | 65,043 |
| Interest liabilities | 1,880 | | 1,880 | | 1,880 |
| Derivative financial instruments | 8,826,652 | 7,106,346 | 1,720,306 | 14,550 | 1,705,755 |
| Total financial instruments liabilities | 18,879,973 | 13,343,032 | 5,536,940 | 840,660 | 4,696,281 |

| EUR thousands | 2017 | | | | |
|--|--------------------------|------------------|------------------------|----------------------|--|
| | Gross amounts recognised | Offsetting | Net amounts recognised | Potential offsetting | Net amounts after potential offsetting |
| Financial instruments assets | | | | | |
| Cash and cash equivalents | 437,526 | | 437,526 | | 437,526 |
| Trade receivables | 8,231,989 | 4,826,227 | 3,405,761 | 939,434 | 2,466,327 |
| Other assets | 189,540 | | 189,540 | | 189,540 |
| Interest receivables | 2,904 | | 2,904 | | 2,904 |
| Derivative financial instruments | 5,294,514 | 4,200,004 | 1,094,510 | 14,670 | 1,079,839 |
| Total financial instruments assets | 14,156,472 | 9,026,232 | 5,130,241 | 954,104 | 4,176,136 |
| Financial instruments liabilities | | | | | |
| Trade payables | 7,201,955 | 4,826,227 | 2,375,727 | 939,434 | 1,436,293 |
| Other liabilities | 57,701 | | 57,701 | | 57,701 |
| Derivative financial instruments | 5,088,466 | 4,200,004 | 888,461 | 14,670 | 873,791 |
| Total financial instruments liabilities | 12,348,121 | 9,026,232 | 3,321,890 | 954,104 | 2,367,785 |

The trade receivables shown in this schedule do not include any item-by-item allowances recognised on these receivables.

(21) INVENTORIES

The following inventories were recognised in the balance sheet as at the reporting date:

| EUR thousands | 31 December 2018 | 31 December 2017 |
|--|------------------|------------------|
| Natural gas | 492,519 | 358,738 |
| Natural gas (measured at fair value) | 194,044 | 7,013 |
| LNG | 44,673 | 16 |
| Power and renewable energy certificates | 50,044 | 6,807 |
| Power and renewable energy certificates (measured at fair value) | | 20,262 |
| Emission allowances (measured at fair value) | 34,825 | 29,158 |
| Raw materials, consumables, and goods for resale | 9,809 | 5,830 |
| Total inventories | 825,913 | 427,823 |

Unless disclosed otherwise, inventories are measured at the lower of cost and net realisable value.

Inventories measured at fair value are mainly held to generate a profit from short-term fluctuations in price. Changes in the fair values of inventories between the reporting dates are recognised through profit or loss. The fair value is determined based on the market price for the earliest delivery of the respective product as at the reporting date. Most of the inventories are classified in Level 2 of the fair value hierarchy. In the previous year, the major part was attributable to emission rights, which are classified as Level 1.

The Power and Renewable Energy Certificates line item includes Clean Energy certificates traded as part of the support models for renewable energies in the United Kingdom.

There were no restrictions on the disposal of inventories due to the collateralisation of loans as at 31 December 2018 (prior-year period: EUR 3.1 million).

The statement of comprehensive income includes in profit and loss the inventory change of EUR 394.1 million (prior-year period: EUR 402.6 million) in cost of materials, EUR 0.0 million (prior-year period: EUR -1.0 million) in the result from changes in fair value in operating activities, and EUR 2.4 million (prior-year period: EUR 17.1 million) as foreign currency exchange differences in operating activities. In addition, changes in the scope of consolidation increased inventories by EUR 1.6 million.

(22) CHANGE IN INTANGIBLE ASSETS

Intangible assets changed in the financial year as follows:

| EUR thousands | Goodwill | Software purchased | Software internally generated | Software under development | Contractual rights | Other intangible assets | Total intangible assets |
|---------------------------------------|----------|--------------------|-------------------------------|----------------------------|--------------------|-------------------------|-------------------------|
| 1 January 2017 | 1,249 | 115,721 | 60,289 | 18,077 | 109,872 | 20,092 | 325,300 |
| Exchange rate differences | -44 | -3,046 | -2,201 | -656 | -122 | -280 | -6,348 |
| Additions | | 3,356 | 4,255 | 10,384 | | 651 | 18,646 |
| Transfers | | 7,769 | 3,387 | -4,244 | 19,074 | -11,839 | 14,147 |
| Disposals | | -1,703 | | | | -49 | -1,752 |
| Total acquisition costs | | | | | | | |
| 31 December 2017 | 1,206 | 122,098 | 65,731 | 23,561 | 128,823 | 8,574 | 349,993 |
| 1 January 2017 | | 71,748 | 32,142 | | 21,432 | 11,135 | 136,456 |
| Exchange rate differences | | -2,077 | -1,253 | | -122 | -247 | -3,699 |
| Additions | | 15,978 | 11,116 | | 15,239 | 880 | 43,213 |
| Impairment | | 119 | | | | | 119 |
| Transfers | | 7,246 | -382 | | 11,431 | -4,184 | 14,112 |
| Disposals | | -1,647 | | | | -43 | -1,689 |
| Total accumulated amortisation | | | | | | | |
| 31 December 2017 | | 91,368 | 41,623 | | 47,980 | 7,540 | 188,512 |
| Total net book value | | | | | | | |
| 31 December 2017 | 1,206 | 30,730 | 24,107 | 23,561 | 80,843 | 1,034 | 161,481 |
| 1 January 2018 | 1,206 | 122,098 | 65,731 | 23,561 | 128,823 | 8,574 | 349,993 |
| Exchange rate differences | -10 | -881 | -663 | 41 | -27 | -59 | -1,600 |
| Changes to the scope of consolidation | | 64 | | | | | 64 |
| Additions | | 862 | | 19,023 | | 143 | 20,028 |
| Transfers | | 24,027 | 11,554 | -36,200 | | -463 | -1,082 |
| Disposals | | -436 | | -6 | | -53 | -495 |
| Total acquisition costs | | | | | | | |
| 31 December 2018 | 1,196 | 145,734 | 76,621 | 6,419 | 128,796 | 8,142 | 366,908 |
| 1 January 2018 | | 91,368 | 41,623 | | 47,980 | 7,540 | 188,512 |
| Exchange rate differences | | -564 | -452 | | -27 | -58 | -1,101 |
| Additions | | 14,825 | 10,235 | | 14,222 | 223 | 39,505 |
| Impairment | | | | | 4,698 | | 4,698 |
| Disposals | | -114 | | | | -53 | -166 |
| Total accumulated amortisation | | | | | | | |
| 31 December 2018 | | 105,515 | 51,406 | | 66,873 | 7,653 | 231,448 |
| Total net book value | | | | | | | |
| 31 December 2018 | 1,196 | 40,219 | 25,215 | 6,419 | 61,922 | 489 | 135,460 |

As in the previous year, the Group did not own any intangible assets with indefinite useful lives other than goodwill as at 31 December 2018.

Goodwill was tested in the annual impairment test using the discounted cash flow method in accordance with IAS 36. The value in use was determined using the present value of future free post-tax cash flows. The calculations are based on the current business plan with a planning horizon for up to ten years. The respective individual company was identified as the smallest cash-generating unit. The previous year's goodwill associated with the retail business in the UK was still recoverable as at the reporting date. The prior-period goodwill of Gazprom Marketing & Trading Retail Ltd remained unimpaired as at the reporting date.

The recoverable amount of contractual rights that were impaired in financial year 2018 is EUR 56.3 million as of 31 December 2018 and corresponds to the value in use. The value in use was determined using a discount rate of 5.38 % (after tax).

No intangible assets were pledged as security for liabilities as at 31 December 2018 or as at 31 December 2017.

(23) CHANGE IN PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment changed in the financial year as follows:

| EUR thousands | Land and buildings | Plant and machinery | Fixtures, fittings and other equipment | Construction in progress | Total property, plant and equipment |
|---------------------------------------|--------------------|---------------------|--|--------------------------|-------------------------------------|
| 1 January 2017 | 115,573 | 1,365,631 | 197,898 | 172,768 | 1,851,871 |
| Exchange rate differences | -1,401 | -6,797 | -3,190 | -99 | -11,488 |
| Additions | -339 | 12,898 | 7,628 | 47,575 | 67,762 |
| Transfers | -795 | 58,303 | -690 | -56,878 | -61 |
| Disposals | -610 | -572 | -8,421 | -62 | -9,665 |
| Total acquisition costs | | | | | |
| 31 December 2017 | 112,428 | 1,429,463 | 193,224 | 163,304 | 1,898,419 |
| 1 January 2017 | 46,942 | 744,508 | 90,077 | 28,326 | 909,854 |
| Exchange rate differences | -1,142 | -6,128 | -2,193 | | -9,463 |
| Additions | 3,210 | 38,995 | 18,579 | | 60,783 |
| Impairment | 237 | 14,086 | 354 | 28 | 14,704 |
| Reversal of impairment | | -234 | | | -234 |
| Transfers | -48 | 1,919 | 30 | -1,927 | -25 |
| Disposals | -610 | -352 | -3,808 | -62 | -4,832 |
| Total accumulated depreciation | | | | | |
| 31 December 2017 | 48,590 | 792,793 | 103,038 | 26,365 | 970,787 |
| Total net book value | | | | | |
| 31 December 2017 | 63,837 | 636,669 | 90,186 | 136,939 | 927,632 |
| 1 January 2018 | 112,428 | 1,429,463 | 193,224 | 163,304 | 1,898,419 |
| Exchange rate differences | 530 | -1,297 | -159 | 12 | -915 |
| Changes to the scope of consolidation | | 27 | 5 | | 32 |
| Additions | 330 | 22,324 | 8,804 | 13,030 | 44,487 |
| Transfers | 1,889 | 48,462 | 2,630 | -51,900 | 1,082 |
| Disposals | | -331 | -4,528 | -1,138 | -5,996 |
| Total acquisition costs | | | | | |
| 31 December 2018 | 115,176 | 1,498,648 | 199,978 | 123,308 | 1,937,111 |
| 1 January 2018 | 48,590 | 792,793 | 103,038 | 26,365 | 970,787 |
| Exchange rate differences | 477 | -1,319 | -75 | | -917 |
| Additions | 3,215 | 40,227 | 16,749 | | 60,192 |
| Impairment | | 70,063 | | 74,000 | 144,063 |
| Transfers | 463 | | -463 | | |
| Disposals | | -287 | -2,989 | -1,138 | -4,414 |
| Total accumulated depreciation | | | | | |
| 31 December 2018 | 52,746 | 901,478 | 116,260 | 99,227 | 1,169,710 |
| Total net book value | | | | | |
| 31 December 2018 | 62,430 | 597,171 | 83,718 | 24,081 | 767,401 |

The recoverable amount of plant and machinery and related construction in progress, impaired in financial year 2018, is EUR 289.9 million as of 31 December 2018. This amount corresponds to the value in use. The value in use was determined using a discount rate of 5.38 % (after tax) and a permanent growth rate of 0.5 %.

No items of property, plant and equipment were pledged as security for liabilities as at 31 December 2018 or as at 31 December 2017.

(24) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method changed as follows:

| | Subgroup GPD | Subgroup VEMEX | Subgroup WIGA | BGC | Gazprom Austria | Promgas | EKG | Premium Gas | EKG- Verwal- tung | WIGA | IKG | SOVAG | Invest- ments accounted for using the equity method |
|--|-----------------|-------------------|------------------|---------|--------------------|---------|-----|----------------|-------------------------|------------|---------------|--------|--|
| EUR thousands | | | | | | | | | | | | | |
| 1 January 2017 | 13,808 | | 634,841 | | 1,368 | 6,107 | | 4,475 | 28 | 131 | 14,076 | | 674,835 |
| Additions and cash contribution and other increases in share capital | | | | | | | | | | | | 5,010 | 5,010 |
| Disposals | | | | | | -4,520 | | | | | | | -4,520 |
| Share of profits GPG | -1,268 | 850 | 84,069 | -6,343 | 3,900 | 243 | | -2,652 | | 2 | 1,731 | -5,005 | 75,526 |
| Retranslation differences | | | | | -3,101 | -2,542 | | | | | | | -5,643 |
| Share of other comprehensive income | -3,104 | -850 | 500 | 6,343 | | 712 | | | | | | -5 | 3,596 |
| Exchange differences from the translation of financial statements | -1,458 | -850 | | 6,343 | | 712 | | | | | | | 4,747 |
| Fair value available-for-sale financial assets | -1,646 | | | | | | | | | | | -5 | -1,651 |
| Defined benefit plans in accordance with IAS 19 | | | 500 | | | | | | | | | | 500 |
| Dividends | | | -59,639 | | -111 | | | | | | -557 | | -60,307 |
| Net book value 31 December 2017 | 9,436 | | 659,772 | | 2,056 | | | 1,823 | 28 | 133 | 15,250 | | 688,498 |
| 1 January 2018 | 9,436 | | 659,772 | | 2,056 | | | 1,823 | 28 | 133 | 15,250 | | 688,498 |
| Adjustment opening balance | | | -85 | | | | | | | | | | -85 |
| Additions and cash contribution and other increases in share capital | | | | 44,368 | | | | | | | | | 44,368 |
| Transfers | | | | -44,368 | | | | | | | | | -44,368 |
| Share of profits GPG | -168 | -674 | 90,396 | -13,878 | 167 | | | 864 | -1 | 2 | 531 | | 77,239 |
| Retranslation differences | | | | | 1,068 | | | | | | | | 1,068 |
| Share of other comprehensive income | 704 | 674 | 338 | 13,878 | -90 | | | | | | | | 15,503 |
| Exchange differences from the translation of financial statements | 433 | 674 | | 13,878 | | | | | | | | | 14,985 |
| Fair value of financial assets at FVTOCI | 270 | | | | | | | | | | | | 270 |
| Defined benefit plans in accordance with IAS 19 | | | 338 | | -90 | | | | | | | | 248 |
| Dividends | | | -47,346 | | -59 | | | | | -3 | -1,731 | | -49,139 |
| Net book value 31 December 2018 | 9,971 | | 703,075 | | 3,142 | | | 2,687 | 27 | 132 | 14,050 | | 733,084 |

Published price quotations are not available for investments accounted for using the equity method.

The value in use of investments accounted for using the equity method was determined in impairment testing based on the present value of future free post-tax cash flows. The calculations were based on current business plans with a planning horizon for up to ten years. The free cash flows were discounted individually for each company. The discount rates of between 5.38 % and 8.12 % (post-tax) in 2018 (prior-year period: 5.63 % to 7.69 %) were determined using the WACC method. An energy-industry-specific beta factor of 0.696 (prior-year period: 0.675) was applied in the WACC calculation. A maximum infinite growth rate of 0.5 % was assumed for the time period beyond the planning period.

The impairment tests performed by the Group for companies accounted for using the equity method did not identify a need to recognise an impairment.

As at 31 December 2018, investments accounted for using the equity method operate in the following business areas:

| Company | Company short description | Nature of activities |
|--|---------------------------|---------------------------|
| Etzel Kavernenbetriebsgesellschaft mbH & Co. KG | EKG | Gas storage |
| Etzel Kavernenbetriebs-Verwaltungsgesellschaft mbH | EKG-Verwaltung | Administration |
| Gazprom Austria GmbH | Gazprom Austria | Gas sales |
| Industriekraftwerk Greifswald GmbH | IKG | Heat and power generation |
| PremiumGas S.p.A. | PremiumGas | Gas sales |
| SCHWARZMEER UND OSTSEE Versicherungs-AG SOVAG | SOVAG | Insurance business |
| Subgroup Gas Project Development Central Asia AG | Subgroup GPD | Gas production |
| Subgroup VEMEX s.r.o. | Subgroup VEMEX | Gas sales |
| Subgroup WIGA Transport Beteiligungs-GmbH & Co. KG | Subgroup WIGA | Gas transport |
| WIGA Verwaltungs-GmbH | WIGA Verwaltung | Administration |

The following schedules show the development of selected items of the balance sheet and the statement of comprehensive income of the investments accounted for using the equity method:

| | Cash and cash equivalents (100 %) | Short-term financing liabilities (100 %) | Long-term financing liabilities (100 %) | Depreciation and amortisation (100 %) | Interest income (100 %) | Interest expense (100 %) | Income tax (100 %) |
|-------------------------------|--------------------------------------|---|--|--|----------------------------|-----------------------------|-----------------------|
| EUR thousands | | | | | | | |
| IKG | 8,533 | | | 1,771 | | | 422 |
| PremiumGas | 2,011 | | | 7 | 31 | | |
| Subgroup GPD | 8,852 | | | 1,222 | | | |
| Joint ventures | 19,396 | | | 3,000 | 31 | | 422 |
| EKG | 11,205 | | 220,149 | 13,692 | 13 | 7,878 | 24 |
| EKG-Verwaltung | 87 | | | | | | |
| Gazprom Austria | 5,896 | 3 | | 43 | 11 | 55 | 174 |
| SOVAG | 14,864 | | | | | | |
| Subgroup VEMEX | 1,866 | 23,347 | | 132 | 8 | 505 | 515 |
| Subgroup WIGA | 366 | | 1,823,339 | 192,984 | 5 | 21,113 | 31,603 |
| WIGA Verwaltung | 264 | | | | | | 1 |
| Associated companies | 34,548 | 23,350 | 2,043,488 | 206,851 | 39 | 29,551 | 32,317 |
| Total 31 December 2018 | 53,944 | 23,350 | 2,043,488 | 209,851 | 69 | 29,551 | 32,739 |

| | Cash and cash equivalents (100 %) | Short-term financing liabilities (100 %) | Long-term financing liabilities (100 %) | Depreciation and amortisation (100 %) | Interest income (100 %) | Interest expense (100 %) | Income tax (100 %) |
|-------------------------------|-----------------------------------|--|---|---------------------------------------|-------------------------|--------------------------|--------------------|
| EUR thousands | | | | | | | |
| IKG | 10,146 | | | 1,771 | | | 1,230 |
| PremiumGas | 1,141 | | | 7 | | | 1,145 |
| Promgas | | | | 402 | | | -1,652 |
| Subgroup GPD | 7,917 | | | 2,750 | | 58 | 1 |
| Joint ventures | 19,203 | | | 4,930 | | 58 | 725 |
| BGC | 10,901 | | | 508 | 182 | 1,296 | -1,275 |
| EKG | 4,886 | | 228,345 | 14,538 | 1 | 6,765 | -6,116 |
| EKG-Verwaltung | 85 | | | | | | |
| Gazprom Austria | 2,991 | 5 | | 447 | 13 | 45 | -1,779 |
| SOVAG | 14,864 | | | 901 | 804 | | 192 |
| Subgroup VEMEX | 3,295 | 27,533 | | 197 | 1 | 896 | -432 |
| Subgroup WIGA | 362 | | 1,822,162 | 211,937 | 10,019 | 32,128 | 28,173 |
| WIGA Verwaltung | 267 | | | | | | 1 |
| Associated companies | 37,651 | 27,538 | 2,050,506 | 228,529 | 11,020 | 41,130 | 18,764 |
| Total 31 December 2017 | 56,855 | 27,538 | 2,050,506 | 233,459 | 11,020 | 41,187 | 19,489 |

As in the previous year, there were no restrictions on the disposal of cash and cash equivalents as at 31 December 2017.

| | Current assets (100 %) | Non-current assets (100 %) | Current liabilities (100 %) | Non-current liabilities (100 %) | Revenue (100 %) | Result from continued operations (100 %) | Result for the period (100 %) | Other comprehensive income (100 %) | Total comprehensive income (100 %) |
|-------------------------------|------------------------|----------------------------|-----------------------------|---------------------------------|------------------|--|-------------------------------|------------------------------------|------------------------------------|
| EUR thousands | | | | | | | | | |
| IKG | 13,212 | 16,282 | 2,060 | 1,267 | 10,430 | 1,040 | 1,040 | | 1,040 |
| PremiumGas | 9,085 | 47 | 3,971 | 2,157 | | -539 | -539 | | -539 |
| Subgroup GPD | 14,263 | 6,764 | 1,817 | | 13,068 | -337 | -337 | 1,407 | 1,071 |
| Joint ventures | 36,560 | 23,092 | 7,848 | 3,424 | 23,498 | 164 | 164 | 1,407 | 1,571 |
| EKG | 13,882 | 254,193 | 15,750 | 235,716 | 67,205 | -1,744 | -1,744 | | -1,744 |
| EKG-Verwaltung | 87 | | 5 | | | | | | |
| Gazprom Austria | 9,443 | 364 | 7,114 | 638 | 90,049 | 418 | 418 | -225 | 193 |
| SOVAG | 126,024 | 68,237 | 23,133 | 136,156 | | | | | |
| Subgroup VEMEX | 17,683 | 143 | 57,547 | | 84,680 | -9,130 | -9,130 | 837 | -8,293 |
| Subgroup WIGA | 800,463 | 3,728,548 | 173,127 | 2,199,032 | 1,022,301 | 186,026 | 186,026 | 556 | 186,582 |
| WIGA Verwaltung | 264 | | 1 | | 5 | 4 | 4 | | 4 |
| Associated companies | 967,847 | 4,051,485 | 276,676 | 2,571,542 | 1,264,239 | 175,574 | 175,574 | 1,167 | 176,741 |
| Total 31 December 2018 | 1,004,407 | 4,074,577 | 284,524 | 2,574,966 | 1,287,737 | 175,738 | 175,738 | 2,575 | 178,313 |

| | Current assets (100 %) | Non-current assets (100 %) | Current liabilities (100 %) | Non-current liabilities (100 %) | Revenue (100 %) | Result from continued operations (100 %) | Result for the period (100 %) | Other comprehensive income (100 %) | Total comprehensive income (100 %) |
|-------------------------------|------------------------|----------------------------|-----------------------------|---------------------------------|------------------|--|-------------------------------|------------------------------------|------------------------------------|
| EUR thousands | | | | | | | | | |
| IKG | 12,908 | 18,053 | 1,186 | 1,255 | 13,750 | 3,393 | 3,393 | | 3,393 |
| PremiumGas | 10,181 | 54 | 3,128 | 5,831 | 17,677 | -5,726 | -5,726 | | -5,726 |
| Promgas | | | | | 265,646 | -4,300 | -4,300 | -536 | -4,835 |
| Subgroup GPD | 13,137 | 6,800 | 1,797 | | 14,160 | -2,536 | -2,536 | -6,208 | -8,744 |
| Joint ventures | 36,227 | 24,906 | 6,111 | 7,086 | 311,233 | -9,168 | -9,168 | -6,744 | -15,912 |
| BGC | 76,906 | 6,437 | 99,185 | 30,115 | 371,114 | -9,183 | -9,183 | 9,379 | 196 |
| EKG | 10,192 | 267,526 | 15,337 | 244,028 | 65,203 | -29,632 | -29,632 | | -29,632 |
| EKG-Verwaltung | 85 | | 2 | | | | | | |
| Gazprom Austria | 10,308 | 327 | 8,457 | 168 | 65,019 | -4,904 | -4,904 | | -4,904 |
| SOVAG | 126,024 | 68,237 | 23,133 | 136,156 | | -6,174 | -6,174 | -10 | -6,184 |
| Subgroup VEMEX | 43,054 | 4,131 | 78,542 | | 227,618 | -7,637 | -7,637 | -1,695 | -9,331 |
| Subgroup WIGA | 907,042 | 3,310,679 | 120,045 | 2,132,505 | 699,946 | 174,489 | 174,489 | 819 | 175,308 |
| WIGA Verwaltung | 267 | | 1 | | 5 | 4 | 4 | | 4 |
| Associated companies | 1,173,878 | 3,657,337 | 344,703 | 2,542,972 | 1,428,904 | 116,963 | 116,963 | 8,494 | 125,456 |
| Total 31 December 2017 | 1,210,105 | 3,682,243 | 350,814 | 2,550,058 | 1,740,136 | 107,795 | 107,795 | 1,750 | 109,545 |

(25) OTHER FINANCIAL ASSETS

| | Other invest- ments | Loans | Other long-term receivables | Total primary financial instruments measured in accordance with IFRS 9 | Long-term derivative financial instruments | Other receivables, prepaid and accrued expenses | Total other financial assets |
|------------------------------|---------------------------|---------|-----------------------------------|--|---|---|---------------------------------------|
| EUR thousands | | | | | | | |
| 1 January 2017 | 24,128 | 341,540 | 137,766 | 503,434 | | 491 | 503,925 |
| Exchange rate differences | -2,871 | | -224 | -3,095 | | -2 | -3,097 |
| Additions | | | 551 | 551 | | | 551 |
| Interest compounding | | 179 | 42 | 221 | | | 221 |
| Disposals | | -263 | -112,679 | -112,942 | | -455 | -113,397 |
| Transfers | | 21,504 | | 21,504 | | | 21,504 |
| Total acquisition costs | | | | | | | |
| 31 December 2017 | 21,257 | 362,960 | 25,457 | 409,673 | | 34 | 409,707 |
| 1 January 2017 | 23,717 | 20,004 | | 43,721 | | | 43,721 |
| Exchange rate differences | -2,871 | | | -2,871 | | | -2,871 |
| Disposals | | -243 | | -243 | | | -243 |
| Transfers | | 23,861 | | 23,861 | | | 23,861 |
| Total accumulated impairment | | | | | | | |
| 31 December 2017 | 20,845 | 43,622 | | 64,468 | | | 64,468 |
| 1 January 2017 | | | | | 516,207 | | 516,207 |
| Exchange rate differences | | | | | -13,683 | | -13,683 |
| Changes in fair value | | | | | -218,209 | | -218,209 |
| Total fair value measurement | | | | | | | |
| 31 December 2017 | | | | | 284,314 | | 284,314 |
| Net book value | | | | | | | |
| 31 December 2017 | 411 | 319,338 | 25,457 | 345,206 | 284,314 | 34 | 629,554 |
| 1 January 2018 | 21,257 | 362,960 | 25,457 | 409,673 | | 34 | 409,707 |
| Exchange rate differences | 989 | | 65 | 1,054 | | | 1,054 |
| Additions | | 1 | 17,601 | 17,602 | | 120 | 17,722 |
| Interest compounding | | 338 | 39 | 377 | | | 377 |
| Disposals | | -3,677 | -9,335 | -13,012 | | -12 | -13,024 |
| Transfers | | -2,419 | | -2,419 | | | -2,419 |
| Total acquisition costs | | | | | | | |
| 31 December 2018 | 22,245 | 357,204 | 33,827 | 413,276 | | 142 | 413,418 |
| 1 January 2018 | 20,845 | 43,622 | | 64,468 | | | 64,468 |
| Adjustment opening balance | -20,845 | 8,195 | 59 | -12,591 | | | -12,591 |
| Exchange rate differences | | | 1 | 1 | | | 1 |
| Impairment | | 12 | 5 | 17 | | | 17 |
| Reversal of impairment | | -572 | -2 | -574 | | | -574 |
| Disposals | | -3,234 | | -3,234 | | | -3,234 |
| Transfers | | | 17,393 | 17,393 | | | 17,393 |
| Total accumulated impairment | | | | | | | |
| 31 December 2018 | | 48,024 | 17,455 | 65,479 | | | 65,479 |
| 1 January 2018 | | | | | 284,314 | | 284,314 |
| Adjustment opening balance | -6,104 | | | -6,104 | | | -6,104 |
| Exchange rate differences | -989 | | | -989 | -3,827 | | -4,816 |
| Additions | 2,340 | | | 2,340 | | | 2,340 |
| Changes in fair value | | | | | 190,097 | | 190,097 |
| Total fair value measurement | | | | | | | |
| 31 December 2018 | -4,753 | | | -4,753 | 470,585 | | 465,832 |
| Net book value | | | | | | | |
| 31 December 2018 | 17,492 | 309,181 | 16,371 | 343,044 | 470,585 | 142 | 813,770 |

Other investments include:

| Company, registered office | Shareholding 31 December 2018 (in %) | via | Shareholding 31 December 2017 (in %) | via |
|--|---|-----|---|-----|
| | | | | |
| 44 Bunde-Etzel-Pipeline Verwaltungsgesellschaft mbH, Westerstede (Germany) | 16.00 | GPG | 16.00 | GPG |
| 45 Bunde-Etzel-Pipelinegesellschaft mbH & Co. KG, Westerstede (Germany) | 16.00 | GPG | 16.00 | GPG |
| 46 Gissarneftgaz LLC, Shurtan (Uzbekistan) | 5.00 | 01 | 5.00 | 01 |
| 47 Gas Trading S.A., Warsaw (Poland) | 2.27 | 18 | 2.27 | 18 |

BEP was measured in 2018 at fair value due to the first-time adoption of IFRS 9. The initial application effect totalling EUR 14.7 million was recognised directly in equity in accumulated profits. The subsequent measurement is reported as an addition under changes in fair value. The measurement of Bunde-Etzel-Verwaltungsgesellschaft mbH and Gas Trading S.A. determined a fair value that differed only immaterially from the corresponding carrying amount. As a result, the Group did not make an adjustment. Gissarneftgaz LLC was already measured at fair value in previous periods. Its value, as in the previous year, was EUR 0 as at 31 December 2018. The Group did not receive any dividend payments from the other investments.

Loans were granted to the following companies:

| EUR thousands | 31 December 2018 | 31 December 2017 |
|---|---------------------|---------------------|
| Investments accounted for using the equity method | 199,700 | 199,920 |
| Other companies | 109,480 | 119,418 |
| Total loans | 309,181 | 319,338 |

The expected credit loss on loans and other non-current receivables changed as follows:

| EUR thousands | 12-month expected credit losses | Lifetime expected credit losses on credit-impaired financial assets | Total |
|--|---------------------------------------|--|----------------|
| 1 January 2018 after adjustments due to IFRS 9 | -8,254 | -43,622 | -51,876 |
| Exchange rate differences | -1 | | -1 |
| Additions | -14 | | -14 |
| Transfers | | -17,393 | -17,393 |
| Disposals | 18 | 3,409 | 3,427 |
| Changes in credit risk parameters | 377 | | 377 |
| 31 December 2018 | -7,874 | -57,605 | -65,479 |

Long-term derivative financial instruments include:

| EUR thousands | Notes | 31 December 2018 | 31 December 2017 |
|---|-------------|---------------------|---------------------|
| Commodity derivatives | | 447,425 | 284,314 |
| Foreign currency derivatives | | 23,159 | |
| Total long-term derivative financial instruments | (33) | 470,585 | 284,314 |

The market values of derivative financial instruments increased as at 31 December 2018 due to market price developments and higher trading quantities as at the reporting date.

(26) DEFERRED TAX

Deferred tax assets and liabilities are related to the following balance sheet line items and circumstances:

| EUR thousands | Notes | 31 December 2018 | 31 December 2017 |
|---|-------|---------------------|---------------------|
| Current assets | | 66,587 | 70,281 |
| Non-current assets | | 154,227 | 106,416 |
| Current liabilities | | 168,047 | 68,413 |
| Non-current liabilities | | 142,712 | 133,151 |
| Tax losses carried forward | | 28,383 | 27,929 |
| Offsetting of deferred tax assets and liabilities | | -281,114 | -199,498 |
| Total deferred tax assets | | 278,841 | 206,692 |
| Current assets | | -144,924 | -41,851 |
| Non-current assets | | -216,427 | -221,619 |
| Current liabilities | | -62,932 | -46,965 |
| Non-current liabilities | | -33,651 | -39,843 |
| Offsetting of deferred tax assets and liabilities | | 281,114 | 199,498 |
| Total deferred tax liabilities | | -176,819 | -150,780 |
| Deferred tax from changes to the scope of consolidation, exchange rate differences, etc. | | -3,347 | 1,600 |
| Deferred tax component of income tax | (16) | -46,251 | -69,851 |
| Deferred tax in other comprehensive income | (17) | 3,488 | 41,366 |
| Total changes in deferred tax | | -46,110 | -26,885 |

| EUR thousands | 31 December 2018 | 31 December 2017 |
|--|---------------------|---------------------|
| Domestic tax losses carried forward | 812,754 | 711,149 |
| Foreign tax losses carried forward | 349,507 | 228,596 |
| Total tax losses carried forward | 1,162,262 | 939,745 |
| Deferred tax assets on losses carried forward gross | 215,273 | 186,507 |
| Write-down | -186,890 | -158,578 |
| Total net deferred tax losses carried forward | 28,383 | 27,929 |

Deferred tax not recognised in the balance sheet on investments in subsidiaries and joint ventures (IAS 12.81 (f) in conjunction with IAS 12.39) amount to EUR 5.8 million (prior-year period: EUR 7.4 million). The domestic tax losses carried forward are attributable to the following GPG tax losses: EUR 85.2 million (prior-year period: EUR 84.6 million) for interest carryforwards, EUR 680.4 million (prior-year period: EUR 576.3 million) for trade tax loss carryforwards, and EUR 47.1 million (prior-year period: EUR 50.2 million) for corporation tax loss carryforwards. Unimpaired deferred tax assets on tax loss carryforwards will be utilised over the long term.

(27) PROVISIONS

Provisions changed as follows:

| EUR thousands | Pensions | Exploration costs | Dismantling obligations | Financial guarantees | Others | Total provisions |
|----------------------------|---------------|-------------------|-------------------------|----------------------|---------------|------------------|
| 1 January 2017 | 47,439 | 21,542 | 158,680 | | 88,870 | 316,531 |
| Exchange rate differences | -242 | | -408 | | -30 | -680 |
| Interest compounding | 711 | 351 | 2,181 | | 41 | 3,284 |
| Utilisation | -1,051 | | -129 | | -8,726 | -9,906 |
| Reversals | | | | | -19,443 | -19,443 |
| Additions | 4,192 | 12,359 | 13,284 | | 3,442 | 33,277 |
| Transfers | -632 | | | | 632 | |
| Actuarial gains and losses | -3,954 | | | | | -3,954 |
| Total provisions | | | | | | |
| 31 December 2017 | 46,464 | 34,252 | 173,609 | | 64,785 | 319,110 |
| thereof short-term | | | 77 | | 2,130 | 2,207 |
| 1 January 2018 | 46,464 | 34,252 | 173,609 | | 64,785 | 319,110 |
| Adjustment opening balance | | | | 9,000 | | 9,000 |
| Exchange rate differences | 47 | | -130 | -30 | | -113 |
| Interest compounding | 779 | 614 | 2,470 | | 45 | 3,909 |
| Utilisation | -228 | -809 | -34 | | -576 | -1,646 |
| Reversals | -2,288 | | -243 | -2,202 | -14,168 | -18,902 |
| Additions | 5,732 | | 1,800 | 1,499 | 2,812 | 11,843 |
| Transfers | 53 | | | | | 53 |
| Actuarial gains and losses | -2,786 | | | | 36 | -2,750 |
| Total provisions | | | | | | |
| 31 December 2018 | 47,774 | 34,057 | 177,472 | 8,266 | 52,934 | 320,503 |
| thereof short-term | | | | 8,266 | 749 | 9,016 |

Provisions for exploration costs were made in connection with the obligations arising from storage facility projects.

The Group measures the risk provision for financial guarantees using the expected 12-month credit loss, provided the credit risk has not risen significantly since initial recognition. Otherwise the Group applies the model based on the expected credit loss over the residual term.

The provisions recognised for financial guarantees changed as follows:

| EUR thousands | 12-month expected credit losses | Lifetime expected credit losses on credit-impaired financial assets | Total |
|--|---------------------------------|---|--------------|
| 1 January 2018 after adjustments due to IFRS 9 | 2,342 | 6,658 | 9,000 |
| Exchange rate differences | -30 | | -30 |
| Additions | 19 | 1,471 | 1,489 |
| Transfers | | | |
| Disposals | -2,202 | | -2,202 |
| Changes in credit risk parameters | 9 | | 9 |
| 31 December 2018 | 138 | 8,128 | 8,266 |

The following cash outflows are anticipated as a result of the provisions:

| EUR thousands | 31 December 2018 | 31 December 2017 |
|---|------------------|------------------|
| Following year 1 | 15,423 | 16,273 |
| Following year 2 | 12,481 | 13,366 |
| Following years 3-5 | 17,677 | 17,302 |
| Over 5 years | 395,324 | 500,225 |
| Total expected cash outflows from provisions | 440,905 | 547,167 |

Pension liabilities are based on collective agreements. The respective pension plans were financed by employer and employee contributions. Under these plans a distinction is made between different types of tariffs and contribution methods, which are ultimately relevant in the payout phase. The retirement benefits comprise retirement pensions, disability pensions, and spouse and survivor benefits. These are based on the contributions paid by the employer and the employees. External pension managers were responsible for the administration, payouts and actuarial valuation of the pensions. The corresponding funding companies ensure the benefits are paid.

The measurement in accordance with IAS 19 is based on the following assumptions:

| | 31 December 2018 | 31 December 2017 |
|--|---------------------|---------------------|
| Discount rates | 1.10 - 1.90 % | 0.80 - 1.70 % |
| Projected trends in wages and salaries | 1.00 - 2.75 % | 1.00 - 2.75 % |
| Projected pension trends | 0.00 - 1.50 % | 1.50 - 1.50 % |

The provisions for pensions changed as follows:

| EUR thousands | Defined benefit obligations (DBO) | Plan assets | Net of DBO and plan assets |
|-------------------------------|---|-------------|-------------------------------|
| 1 January 2017 | 47,439 | | 47,439 |
| Net interest | 711 | | 711 |
| Exchange rate differences | -242 | | -242 |
| Current and past service cost | 3,259 | | 3,259 |
| Benefits paid | 418 | | 418 |
| Actuarial gains and losses | -3,954 | | -3,954 |
| Transfers | -632 | | -632 |
| Other influences | -535 | | -535 |
| 31 December 2017 | 46,464 | | 46,464 |
| Adjustment opening balance | 19,974 | -19,974 | |
| Net interest | 1,117 | -338 | 779 |
| Exchange rate differences | 47 | | 47 |
| Current and past service cost | 2,759 | | 2,759 |
| Employer contributions | 771 | | 771 |
| Benefits paid | -502 | 242 | -261 |
| Actuarial gains and losses | -3,180 | 386 | -2,795 |
| Transfers | 9 | | 9 |
| 31 December 2018 | 47,484 | 290 | 47,774 |

Knowledgeable actuaries determined the following sensitivities based on a detailed evaluation. A change in the individual parameters by 0.25 percentage points or in mortality by one year amid otherwise unchanged assumptions would have had the following effects on the pension liabilities as at the end of financial year 2018:

| EUR thousands | 2018 | | 2017 | |
|--|----------|----------|----------|----------|
| | Increase | Decrease | Increase | Decrease |
| Expected development in discount rate | 1,529 | -1,384 | 1,483 | -1,341 |
| Expected development in projected future salary | 220 | -214 | 296 | -289 |
| Expected development in projected future benefit | 1,318 | -1,189 | 1,401 | -1,262 |
| Expected development in mortality | -858 | 844 | -821 | 806 |

The average maturity of the pension liabilities amounted to 18 years as at 31 December 2018.

(28) FINANCING LIABILITIES

| | Cash pool liabilities | Loans short-term | Other liabilities to banks short-term | Loans long-term | Other liabilities to banks long-term |
|---------------------------------------|-----------------------|------------------|---------------------------------------|-----------------|--------------------------------------|
| EUR thousands | | | | | |
| 1 January 2017 | 26 | 10,307 | 2,842 | | 2,379 |
| Changes to the scope of consolidation | | | | | |
| Exchange rate differences | | -17 | -176 | -12 | -15 |
| Additions | | 348 | 5,408 | | |
| Disposals | -10 | | -5 | -832 | |
| Transfers | | 876 | | 1,488 | -2,364 |
| 31 December 2017 | 16 | 11,514 | 8,069 | 644 | |
| 1 January 2018 | 16 | 11,514 | 8,069 | 644 | |
| Changes to the scope of consolidation | | | 4,470 | | |
| Exchange rate differences | | -1 | 7 | 1 | |
| Additions | 257,826 | 363 | 2 | | |
| Disposals | | -859 | -8,496 | | |
| Transfers | | 645 | | -645 | |
| 31 December 2018 | 257,842 | 11,662 | 4,052 | | |

Collateralisation was no longer necessary for other liabilities to banks as at 31 December 2018. In the previous year, the Group furnished inventories and trade receivables as collateral in the amount of EUR 5.4 million. The expected cash outflows are presented in Note (33).

The following loans have been taken:

| | Currency | Maturity | Nominal value | Interest rate 31 December 2018 | Interest rate 31 December 2017 | 31 December 2018 | thereof short-term | 31 December 2017 | thereof short-term |
|---|----------|----------|---------------|--------------------------------|--------------------------------|------------------|--------------------|------------------|--------------------|
| EUR thousands | | | | | | | | | |
| BRD-GSG S.M.C.C, Romania | RON | 2019 | 1,503 | 4.69 % floating | 3.36 % floating | 643 | 643 | 1,503 | 859 |
| From banks | | | | | | 643 | 643 | 1,503 | 859 |
| Centrex Europe Energy & Gas AG, Austria | EUR | 2018 | 8,500 | 3.23 % floating | 3.30 % floating | 11,019 | 11,019 | 10,655 | 10,655 |
| From third parties | | | | | | 11,019 | 11,019 | 10,655 | 10,655 |
| Total loans | | | | | | 11,662 | 11,662 | 12,158 | 11,514 |

The Group has the following credit lines at its disposal:

| | 31 December 2018 | 31 December 2017 |
|--|------------------|------------------|
| EUR thousands | | |
| Total loans from banks and third parties | 11,662 | 12,158 |
| Loan facilities not utilised: | | |
| - from banks | 520,052 | 643,032 |
| Total financing facilities | 531,714 | 655,190 |

Unused credit lines from banks primarily include a syndicated credit line of EUR 300.0 million and another credit line in the amount of USD 250.0 million.

(29) TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

| EUR thousands | Notes | 31 December 2018 | thereof short-term | 31 December 2017 | thereof short-term |
|---|-------|---------------------|-----------------------|---------------------|-----------------------|
| Primary financial instruments | | | | | |
| Trade payables | | 3,749,712 | 3,749,712 | 2,375,727 | 2,375,684 |
| Outstanding invoices | | 152,652 | 152,652 | 140,811 | 140,811 |
| Other liabilities | | 67,315 | 61,366 | 58,016 | 52,768 |
| Total primary financial instruments | (33) | 3,969,679 | 3,963,730 | 2,574,554 | 2,569,263 |
| Derivative financial instruments | | | | | |
| Commodity derivatives | | 1,700,691 | 1,230,557 | 848,488 | 648,592 |
| Foreign currency derivatives | | 19,614 | 17,885 | 39,973 | 39,180 |
| Total derivative financial instruments | (33) | 1,720,306 | 1,248,441 | 888,461 | 687,772 |
| Other liabilities | | | | | |
| Prepayments received | | 294,020 | 294,020 | 24,418 | 24,418 |
| Payables from other taxes | | 138,427 | 138,427 | 177,105 | 177,105 |
| Deferred income | | 58,794 | 28,443 | 30,559 | 13,089 |
| Total other liabilities | | 491,241 | 460,890 | 232,081 | 214,612 |
| Total trade and other payables | | 6,181,225 | 5,673,061 | 3,695,097 | 3,471,646 |

The market values of derivative financial instruments increased as at 31 December 2018 due to market price developments and trading volumes as at the reporting date.

The increase in prepayments received is attributable to gas trading transactions that are physically settled within three months.

The maturities of the primary and derivative financial instruments are as follows:

| EUR thousands | 31 December 2018 | 31 December 2017 |
|---|---------------------|---------------------|
| Primary financial instruments | | |
| Up to 6 months | 3,953,428 | 2,547,266 |
| Over 6 months until the end of the following year 1 | 10,302 | 21,997 |
| Following year 2 | 1,719 | 2,050 |
| Following years 3-5 | 2,189 | 1,510 |
| Over 5 years | 2,041 | 1,732 |
| Total primary financial instruments | 3,969,679 | 2,574,554 |
| Derivative financial instruments | | |
| Up to 6 months | 742,837 | 405,016 |
| Over 6 months until the end of the following year 1 | 505,604 | 282,756 |
| Following year 2 | 368,312 | 154,387 |
| Following years 3-5 | 103,552 | 46,303 |
| Total derivative financial instruments | 1,720,306 | 888,461 |
| Total financial instruments | 5,689,985 | 3,463,016 |

The maturities for derivative financial instruments are determined assuming that they are settled on a net basis based on the contractual maturities.

Payables from other taxes are as follows:

| EUR thousands | 31 December 2018 | 31 December 2017 |
|--|---------------------|---------------------|
| Value added tax | 59,867 | 103,240 |
| Other taxes | 78,560 | 73,864 |
| Total payables from other taxes | 138,427 | 177,105 |

(30) SUBSCRIBED CAPITAL

Subscribed capital consists of one share at a notional amount of EUR 225,595 thousand and is fully paid-in.

(31) NON-CONTROLLING INTERESTS

| Group company | Partner | Share- holding (in %) | 31 December 2018 EUR thousands | Share- holding (in %) | 31 December 2017 EUR thousands | change |
|--|---|-----------------------------|--|-----------------------------|--|---------------|
| | | | | | | |
| ZMB Gasspeicher Holding GmbH | Centrex Europe Energy & Gas AG, Vienna | 33.33 | -9,721 | 33.33 | -9,160 | -561 |
| WINGAS Storage UK Ltd | Centrex Europe Energy & Gas AG, Vienna | 16.67 | -15,490 | 16.67 | -15,177 | -313 |
| WIROM GAS S.A. | ENGIE Romania SA, Bucharest (former GDF SUEZ Energy Romania SA, Bucharest) | 48.88 | 1,778 | 48.88 | 2,822 | -1,044 |
| Total non-controlling interests | | | -23,433 | | -21,465 | -1,918 |

The changes in non-controlling interests are primarily attributable to the interests in the result for the period. Additional components are disclosed in the statement of changes in equity.

The Group does not disclose financial information in accordance with IFRS 12.12 (g) because this information is not material.

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**(32) DIVIDENDS PAID**

A decision was made in the reporting year to pay a gross dividend amounting to EUR 930.1 million. This dividend was paid to the shareholder in January 2018. In addition, an advance dividend in the amount of EUR 210.5 million from the current result was paid in July to the shareholder.

OTHER NOTES

(33) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The following table presents the carrying amounts and the categories of financial assets and financial liabilities:

| | Book value 31 December 2018 | Out of scope IFRS 9 | Measurement according to IFRS 9 | | | | Measurement according to IAS 17 Lease | Fair Value 31 December 2018 |
|---|-----------------------------------|------------------------|-------------------------------------|-------------------------|--|---------------------------|---|-----------------------------------|
| | | | Mandatorily measured at FVTPL | At amortised cost | Investments in equity instruments at FVTOCI | Under hedge accounting | | |
| EUR thousands | | | | | | | | |
| Derivative financial instruments assets short-term | 1,363,408 | | 1,195,321 | | | 168,087 | | 1,363,408 |
| Derivative financial instruments assets long-term | 470,585 | | 378,891 | | | 91,694 | | 470,585 |
| Total financial assets measured at fair value | 1,833,993 | | 1,574,212 | | | 259,781 | | 1,833,993 |
| Cash and cash equivalents | 167,050 | | | 167,050 | | | | 167,050 |
| Trade and other receivables | 4,315,544 | 9,096 | | 4,306,424 | | | 24 | 4,315,544 |
| Loans granted | 309,181 | | | 309,181 | | | | 309,181 |
| Other long-term receivables | 16,371 | 14,655 | | 1,563 | | | 153 | 16,371 |
| Total financial assets measured at amortised cost | 4,808,146 | 23,751 | | 4,784,217 | | | 178 | 4,808,146 |
| Total other investments | 17,492 | | 17,472 | | 20 | | | 17,492 |
| Financial liabilities short-term | -273,556 | | | -273,556 | | | | -273,556 |
| Trade and other payables short-term | -3,963,730 | -413 | | -3,963,317 | | | | -3,963,730 |
| Trade and other payables long-term | -5,949 | -532 | | -5,417 | | | | -5,949 |
| Provision financial guarantees short-term | -8,266 | | | | | | -8,266 | -8,266 |
| Total financial liabilities measured at amortised cost | -4,243,236 | -946 | | -4,242,290 | | | | -4,243,236 |
| Derivative financial instruments liabilities short-term | -1,248,441 | | -1,124,751 | | | -123,691 | | -1,248,441 |
| Derivative financial instruments liabilities long-term | -471,864 | | -335,940 | | | -135,924 | | -471,864 |
| Total financial liabilities measured at fair value | -1,720,306 | | -1,460,691 | | | -259,615 | | -1,720,306 |
| Net financial instruments | 696,090 | 22,805 | 130,993 | 541,927 | 20 | 166 | 178 | 696,090 |

| | Book value 31 December 2017 | Not in scope of IAS 39 | Measurement according to IAS 39 | | | | Measurement according to IAS 17 Leasing | Fair Value 31 December 2017 |
|--|-----------------------------------|------------------------------|---------------------------------|--|---|-----------------------------------|--|-----------------------------------|
| | | | Amortised cost | Fair value recognised through profit and loss | Fair value recognised directly in equity | Subject to hedge accounting | | |
| EUR thousands | | | | | | | | |
| Derivative financial instruments assets short-term | 810,195 | | | 682,155 | | 128,040 | | 810,195 |
| Derivative financial instruments assets long-term | 284,314 | | | 271,683 | | 12,631 | | 284,314 |
| Total financial instruments assets held for trading | 1,094,510 | | | 953,838 | | 140,671 | | 1,094,510 |
| Cash and cash equivalents | 437,526 | | 437,526 | | | | | 437,526 |
| Trade and other receivables | 3,456,080 | 22,874 | 3,433,177 | | | | 29 | 3,456,080 |
| Loans granted | 319,338 | | 319,338 | | | | | 319,338 |
| Other long-term receivables | 25,457 | 23,751 | 1,487 | | | | 219 | 25,457 |
| Total loans granted and receivables | 4,238,400 | 46,625 | 4,191,527 | | | | 247 | 4,238,400 |
| Total financial instruments available-for-sale | 411 | | 403 | | 8 | | | 411 |
| Financial liabilities short-term | -19,599 | | -19,599 | | | | | -19,599 |
| Financial liabilities long-term | -644 | | -644 | | | | | -644 |
| Trade and other payables short-term | -2,569,263 | -12,640 | -2,556,623 | | | | | -2,569,263 |
| Trade and other payables long-term | -5,292 | -946 | -4,346 | | | | | -5,292 |
| Total liabilities measured at amortised cost | -2,594,797 | -13,586 | -2,581,212 | | | | | -2,594,797 |
| Derivative financial instruments liabilities short-term | -687,772 | | | -630,108 | | -57,664 | | -687,772 |
| Derivative financial instruments liabilities long-term | -200,690 | | | -188,498 | | -12,192 | | -200,690 |
| Total financial instruments liabilities held for trading | -888,461 | | | -818,605 | | -69,856 | | -888,461 |
| Net financial instruments | 1,850,061 | 33,039 | 1,610,719 | 135,233 | 8 | 70,815 | 247 | 1,850,061 |

For details on other material effects on cash and cash equivalents, receivables and payables, as well as loans received and granted, please refer to the corresponding notes.

The income and expense as well as gains and losses recognised in the income statement from financial instruments are presented below as the net result by IFRS 9 measurement category:

| | 2018 | | | | | | Net gains and losses |
|--|--|---|--|--|-------------------------------|--|----------------------|
| | Financial assets mandatorily measured at fair value through profit or loss | Financial assets measured at amortised cost | Financial liabilities measured at amortised cost | Financial liabilities measured at fair value through profit or loss classified as held for trading | Financial guarantee contracts | Derivatives designated as hedging instruments (hedge accounting) | |
| EUR thousands | | | | | | | |
| From subsequent valuation at FV | 92,890 | | | -140,901 | | -46,958 | -94,969 |
| Change in loss allowance | | -3,774 | | | 703 | | -3,071 |
| Net gains from foreign currency exchange differences | | 53,156 | -52,192 | | | | 964 |
| Interest income | | 12,208 | | | | | 12,208 |
| Interest expense | | | -8,899 | | | | -8,899 |
| Fee income/ expense | | 5,244 | 393 | | | | 5,637 |
| Total net gains and losses | 92,890 | 66,834 | -60,699 | -140,901 | 703 | -46,958 | -88,130 |
| thereof through profit and loss | 92,890 | 66,834 | -60,699 | -140,901 | 703 | | -41,172 |
| thereof recognised directly in equity | | | | | | -46,958 | -46,958 |

| | Interest income | Interest expense | From other expenses | From subsequent valuation | | | Net result 2017 |
|---|-----------------|------------------|---------------------|---------------------------|---------------------------------------|------------|-----------------|
| | | | | At fair value | Foreign currency exchange differences | Impairment | |
| EUR thousands | | | | | | | |
| Loans granted and receivables | 14,427 | | -8,191 | | 214,265 | -15,196 | 205,304 |
| Financial assets and liabilities held for trading | | | | 276,379 | | | 276,379 |
| Liabilities accounted for at amortised cost | | -4,345 | | | | | -4,345 |
| Total net gain or loss | 14,427 | -4,345 | -8,191 | 276,379 | 214,265 | -15,196 | 477,338 |
| thereof through profit and loss | 14,427 | -4,345 | -8,191 | 276,379 | 214,265 | -15,196 | 477,338 |

Bank charges and interest expense from discounting are recognised under other expenses.

The following tables show, according to their level within the fair value hierarchy, the Group's assets and liabilities that were accounted for at fair value at the reporting date. Assets and liabilities are classified in their entirety based on the lowest level input that is significant to the fair value measurement as a whole. The Group's assessment of the significance of a particular input to the fair value measurement requires judgement, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy:

| EUR thousands | 31 December 2018 | | | |
|---|------------------|----------------|----------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Derivative financial instruments assets | | | | |
| Short-term | 91,091 | 1,264,910 | 7,408 | 1,363,408 |
| Long-term | 118,234 | 352,350 | | 470,585 |
| Derivative financial instruments liabilities | | | | |
| Short-term | -148,193 | -1,047,119 | -53,129 | -1,248,441 |
| Long-term | -146,267 | -318,931 | -6,666 | -471,864 |
| Other investments | | | 17,492 | 17,492 |
| Total financial instruments measured at fair value | -85,135 | 251,210 | -34,895 | 131,179 |

| EUR thousands | 31 December 2017 | | | |
|---|------------------|----------------|---------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Derivative financial instruments assets | | | | |
| Short-term | 104,296 | 678,155 | 27,744 | 810,195 |
| Long-term | 69,171 | 214,183 | 960 | 284,314 |
| Derivative financial instruments liabilities | | | | |
| Short-term | -100,375 | -554,104 | -33,292 | -687,772 |
| Long-term | -5,017 | -193,039 | -2,635 | -200,690 |
| Total financial instruments measured at fair value | 68,076 | 145,195 | -7,223 | 206,048 |

Most of the Group's financial instruments measured at fair value are classified in Level 1 or Level 2 of the fair value hierarchy. Fair value is based on either quoted market prices, or the measurement models contain inputs that are observable on the market. As at the end of the reporting period, the fair value of financial assets and liabilities that were traded in active markets was determined using average market prices. However, the Group also had financial assets and liabilities for which it used the bid price to determine the fair value of open net financial assets, and the asking price for open net financial liabilities.

If derivative financial instruments are not traded on an active market, or if their fair value is not based on observable market evidence, their fair value is determined using valuation techniques. These techniques include reference to recent transactions, comparison with the current market value of a similar financial instrument, DCF methods and option pricing models. To measure fair value, the Group used valuation techniques and inputs that it considered to be reliable. When doing so, it also made assumptions that are mainly based on the market conditions prevailing on the respective financial reporting date. In order to determine the fair value of embedded and written purchase options, the Group uses internally developed valuation models that included forwards with unsecured volumes. Estimates are necessary in these models for inputs such as implicit volatility, correlations, returns or long-term price assumptions. These estimates have a material influence on the resulting measurements.

No reclassifications were made between the fair value hierarchies.

Derivative financial instruments classified in Level 3 of the fair value hierarchy comprise in majority natural gas contracts with volume flexibility. The Group uses a proprietary model to forecast offtake volumes which determines the contracts' extrinsic value. While all inputs into the model are observable, the model itself is internally developed and includes certain volumetric assumptions that may be different from those used by another market participant. The remainder of Level 3 derivative assets and liabilities include options for power-transit costs. The fair value of these options was determined by price differences at different destination locations and by the time value of the options. The latter was materially influenced by the correlation of prices with each other. Furthermore, options as defined under IFRS 9.2.7 (until 31 December 2017 IAS 39.7) are reported under Level 3. Fair value in these cases is determined using a linear model.

As in the previous year, the impact of changes to non-observable parameters on the time values of Level 3 derivative financial instruments was not material as at 31 December 2018.

Financial instruments measured at Level 3 of the fair value hierarchy changed as follows:

| EUR thousands | Derivative financial instruments held for trading | | Financial assets (at FVTPL) | Total |
|--|--|---------------------------|--------------------------------|----------------|
| | Assets (at FVTPL) | Liabilities (at FVTPL) | | |
| 1 January 2017 | 55,555 | -44,185 | | 11,370 |
| Exchange rate differences | -1,644 | 1,172 | | -472 |
| Additions | | -39,200 | | -39,200 |
| Disposals | -25,206 | 46,285 | | 21,079 |
| 31 December 2017 | 28,704 | -35,927 | | -7,223 |
| Total gain or loss at the end of the reporting period | -26,850 | 8,257 | | -18,593 |
| thereof in result from changes in fair value in operating activities | -25,206 | 7,085 | | -18,121 |
| thereof directly in equity in exchange rate differences from the translation of financial statements of non-euro group companies | -1,644 | 1,172 | | -472 |
| 1 January 2018 | 28,704 | -35,927 | | -7,223 |
| Adjustment opening balance | | | 15,152 | 15,152 |
| Exchange rate differences | 1 | 542 | | 543 |
| Additions | 3,581 | -40,627 | 2,340 | -34,706 |
| Disposals | -24,879 | 16,216 | | -8,662 |
| 31 December 2018 | 7,408 | -59,795 | 17,492 | -34,895 |
| Total gain or loss at the end of the reporting period | -21,297 | -23,868 | 2,340 | -14,996 |
| thereof in result from changes in fair value in operating activities | -21,297 | -24,410 | | -17,569 |
| thereof in other result from investments | | | 2,340 | 2,340 |
| thereof directly in equity in exchange rate differences from the translation of financial statements of non-euro group companies | 1 | 542 | | 543 |

The restatement of the opening balance of financial assets (fair value through profit and loss) in the amount of EUR 15.2 million contains acquisition costs of EUR 0.4 million and the remeasurement effect of EUR 14.7 million recognised directly in equity when IFRS 9 was initially adopted.

Unrealised gains or losses relating to Level 3 derivative assets and liabilities held at the end of the reporting period were assumed to correspond to their carrying amounts (i.e. fair value of those assets and liabilities) as at 31 December 2018 due to their prevailing short-term nature.

Unrealised gains or losses relating to Level 3 financial assets at FVTPL (Other investments) held at the end of the reporting period amounts to EUR 2.3 million for 2018 (prior-year period: EUR 0.0 million).

Risks from derivative financial instruments (including foreign currency derivatives) were taken into account in the market risk limit of the entities holding the instrument. For further information on risk management, please refer to the explanatory material contained in the Group management report.

The following table shows the changes in the deferred day-one gains and losses:

| EUR thousands | 2018 | 2017 |
|--|---------------|--------------|
| Fair value of contracts not recognised through the statement of comprehensive income at 1 January | 7,748 | 8,095 |
| Exchange rate differences | -135 | -283 |
| Initial fair value of new contracts not recognised in the statement of comprehensive income | 17,245 | 7,647 |
| Fair value recognised in the statement of comprehensive income during the year | -10,702 | -7,712 |
| Fair value of contracts not recognised through the statement of comprehensive income at 31 December | 14,156 | 7,748 |

The maturities of the derivative financial instruments measured at fair value are as follows:

| EUR thousands | 31 December 2018 | 31 December 2017 |
|---|---------------------|---------------------|
| Up to 6 months | 62,727 | 110,499 |
| Over 6 months until the end of the following year 1 | 52,239 | 11,924 |
| Following year 2 | -41,620 | 61,309 |
| Following years 3-5 | 40,341 | 22,315 |
| Total fair values | 113,687 | 206,048 |

The GPG Group uses cash flow hedge accounting to better align its performance reporting with its hedging activities. The Group is exposed to cash flow variability mainly in respect of its natural gas and LNG marketing businesses and enters into various instruments to mitigate this exposure.

The Group did not have any hedge relationships classified as fair value hedges or hedges of net investments in foreign operations during this or the prior period.

The following table shows for each risk category the Group has hedged, and for which hedge accounting has been applied, how each risk arises, the hedging instruments used and the type of hedge accounting applied:

| Risk | Exposure arising from | Measurement | Hedging instruments | Hedge accounting |
|---|--|----------------------------|---------------------------------------|------------------|
| Market risk – commodity prices | Future commercial transactions with natural gas, power and LNG | VaR, cash flow forecasting | Commodity forwards, futures and swaps | Cash flow hedge |
| Market risk – emission allowance prices | Future commercial transactions with emission allowances | VaR, cash flow forecasting | Emission allowance forwards | Cash flow hedge |
| Market risk – foreign exchange rates | Future commercial transactions in foreign currency | VaR, cash flow forecasting | Foreign currency forwards | Cash flow hedge |

Hedging instruments are entered into where there is an economic relationship with the hedged item. Cash flow hedge accounting is applied to protect the Group against variability in the future cash flows associated with the highly probable sales and purchases of gas, power and associated usage of emissions allowances for retail and marketing business and the highly probable forecast purchases and sales of LNG. Cash flow variability is measured in the functional currency of the entity in which the underlying exposure exists.

The Group designates as the hedged item all risks associated with the highly probable forecast transaction, with the exception of some cash flow hedge relationships for which a risk component is designated as the hedged item.

For these hedge relationships, the Group considers the risk component hedge to better reflect the risk management objective given the availability and liquidity of hedging instruments in the underlying market. The risk components have been determined to be a separately identifiable and reliably measurable.

For all hedged risk exposures for which hedge accounting has been applied, the Group considers that an economic relationship exists between the hedged item and the hedging instruments, as the hedging instruments used are economically related to the underlying hedged risk. The Group assesses hedge effectiveness on a qualitative basis where the critical terms of the hedging instrument and the hedged item either match or are closely aligned. Retrospective hedge effectiveness is also used to support the assertion that the effectiveness requirements are met on an ongoing basis.

Gains and losses on hedging instruments are initially recognised in the cash flow hedge reserve, to the extent that the hedges are effective, and are transferred to the statements of comprehensive income when the forecast cash flows affect the statements of comprehensive income. In contrast, the amount of ineffectiveness is recognised in the statement of comprehensive income in the line result from changes in fair value in operating activities.

The Group has prepared the documentation required by IFRS 9 defining the hedging strategy, hedging instrument, hedged item and hedge effectiveness testing methodology used for each of these hedging strategies.

All movements in equity related to cash flow hedges are recognised in the cash flow hedge reserve presented in the statements of changes in equity.

The impact of hedging instruments on the consolidated balance sheet is as follows:

| | | | 2018 | | | | | | Change in fair value used for measuring ineffectiveness for the period | |
|-------------------------------------|-------------------------------|-----------------------|---|---|------------------|---|--|-------------------------|--|---|
| | | | Carrying amount of the hedging instrument | Notional amount of hedging instrument in local currency | | Nominal amount of the hedging instrument in cbm/kWh/t | | | | |
| | | | | EUR | USD ¹ | Emission allowances Quantity in 1,000 t | Gas related products Quantity in 1,000 cbm | Oil Quantity in 1,000 t | | Power and renewable energy certificates Quantity in 1,000 kWh |
| EUR thousands | Risk category | Derivative | | | | | | | | |
| Trade and other receivables | Commodity price risk | Swaps | 69,605 | | | | 2,646,038 | 280 | 91,041 | |
| | | Forwards/Futures | 92,069 | | | | 4,412,050 | 22,767 | 497,795 | |
| | Emission allowance price risk | Forwards/Futures | 6,107 | | | 3,936,880 | | | 6,107 | |
| | | Foreign exchange risk | Swaps | | 137,556 | | | | | |
| | | Forwards/Futures | 306 | 219,464 | | | | | 1,212 | |
| Other financial assets | Commodity price risk | Swaps | 51,124 | | | | 3,568,416 | | 88,477 | |
| | | Forwards/Futures | 31,165 | | | | 1,220,907 | 25,709 | 311 | |
| | Emission allowance price risk | Forwards/Futures | 9,405 | | | 6,063,110 | | | 8,599 | |
| | | Foreign exchange risk | Swaps | | 766,634 | | | | | |
| Short-term trade and other payables | Commodity price risk | Swaps | 66,807 | | | | 116,310 | 1,780 | -52,230 | |
| | | Forwards/Futures | 56,884 | | | | 3,815,889 | 54,272 | -440,832 | |
| | Foreign exchange risk | Swaps | | | 3,012 | | | | | |
| Long-term trade and other payables | Commodity price risk | Swaps | 124,992 | | | | 504,607 | 3,636 | -222,405 | |
| | | Forwards/Futures | 10,932 | | | | 565,924 | 36,235 | -5,592 | |
| | Foreign exchange risk | Swaps | | | 7,686 | | | | | |

¹ The risk management objective for these hedging relationships is to hedge the USD (functional currency of respective subsidiaries) cash flow variability related to the underlying index risk on the hedged item (LNG cargoes). Where the underlying commodity of the hedging instrument is denominated in a currency other than USD, currency forward contracts are used in combination with the commodity hedging instrument to hedge the cash flow variability. Hedge effectiveness is calculated on the aggregate fair value movements as a result of the two combined risks. The hedge documentation is also aligned with the above.

The effect of hedging instruments on the Group's financial position and performance is shown in the tables below:

| EUR thousands | | 31 December 2017 |
|--|--|---------------------|
| Cash flow hedges (net) | | |
| Commodity derivatives | | 71,721 |
| Foreign exchange derivatives | | -906 |
| Total financial instruments subject to hedge accounting (net) | | 70,815 |

The effects that hedging instruments had on the Group's financial position and results of operations are set out in the following tables:

| Product | Risk category | Less than 6 months | Between 6 and 12 months | Between 1 and 2 years | Between 2 and 5 years | Total |
|---|--|-----------------------|-------------------------------|-----------------------------|-----------------------------|------------|
| Emission allowances | Emission allowances price risk | | | | | |
| | Forward contracts (purchases) | | | | | |
| | Quantity in 1,000 t | | | 9,999,990 | | 9,999,990 |
| | Weighted average price in EUR/1,000 t | | | 0.02 | | 0.02 |
| Gas related products | Commodity price risk | | | | | |
| | Swap contracts (purchases) | | | | | |
| | Quantity in 1,000 cbm | 3,176,429 | 3,552,436 | 1,155,547 | 577,931 | 8,462,343 |
| | Weighted average price in EUR/1,000 cbm | 196.24 | 179.12 | 195.56 | 190.18 | 188.55 |
| | Swap contracts (sales) | | | | | |
| | Quantity in 1,000 cbm | 2,349,733 | 1,911,691 | 2,047,349 | 2,079,026 | 8,387,799 |
| | Weighted average price in EUR/1,000 cbm | 228.29 | 203.22 | 181.19 | 174.60 | 197.77 |
| Oil | Forward, futures and swap contracts (purchases) | | | | | |
| | Quantity in 1,000 t | 878 | 1,182 | 2,166 | 1,470 | 5,697 |
| | Weighted average price in EUR/1,000 t | 396,892.21 | 383,609.05 | 372,860.95 | 369,893.26 | 378,031.01 |
| Power and renewable energy certificates | Forward contracts (purchases) | | | | | |
| | Quantity in 1,000 kWh | 16,896 | 43,922 | 16,221 | 61,944 | 138,983 |
| | Weighted average price in EUR/1,000 kWh | 53.30 | 65.22 | 65.43 | 63.98 | 63.24 |

| EUR thousands | | | 2018 | | | |
|-------------------|---------------------|---|-----------------------|-------------------------------|-----------------------------|-----------------------------|
| Local Currency | Foreign Currency | Risk category | Less than 6 months | Between 6 and 12 months | Between 1 and 2 years | Between 2 and 5 years |
| EUR | USD | Foreign exchange risk | | | | |
| | | Highly probable forecast purchases in foreign currency | | | | |
| | | Nominal amount in foreign currency | 259,177 | | | 259,177 |
| | | Nominal amount in local currency | 219,464 | | | 219,464 |
| | | Weighted average exchange rate | 1.18 | | | 1.18 |
| USD | EUR | Highly probable forecast sales in foreign currency | | | | |
| | | Nominal amount in foreign currency | 4,834 | 62,493 | 326,753 | 419,028 |
| | | Nominal amount in local currency | 5,674 | 74,869 | 401,480 | 464,362 |
| | | Weighted average exchange rate | 0.85 | 0.83 | 0.81 | 0.90 |
| USD | GBP | Highly probable forecast sales in foreign currency | | | | |
| | | Nominal amount in foreign currency | 45,750 | 16,118 | 15,871 | 77,739 |
| | | Nominal amount in local currency | 59,424 | 20,983 | 20,755 | 101,162 |
| | | Weighted average exchange rate | 0.77 | 0.77 | 0.76 | 0.77 |

The values indicated under the USD/EUR or USD/GBP relationships of the currency hedging transactions are the currency forward contracts used in combination with commodity hedging instruments to hedge forecast LNG cargoes.

The impact of hedge items on the consolidated balance sheet is as follows:

| EUR thousands | Change in value used for calculating hedge ineffectiveness | Balance in cash flow hedge reserves for continuing hedges | Balance in cash flow hedge reserves from hedge relationships for which hedge accounting is no longer applied |
|---|--|---|--|
| Commodity price risk | | | |
| Highly probable forecast sale | -266,454 | -16,815 | 15,371 |
| Highly probable forecast purchase | 206,234 | -46,683 | 45,794 |
| Total commodity price risk 31 December 2018 | -60,221 | -63,498 | 61,165 |
| Emission allowance price risk | | | |
| Highly probable forecast purchase | 14,870 | 14,404 | |
| Emission allowance price risk 31 December 2018 | 14,870 | 14,404 | |
| Foreign exchange risk | | | |
| Highly probable forecast purchase | 1,212 | -201 | |
| Foreign exchange risk 31 December 2018 | 1,212 | -201 | |

The effect of the cash flow hedge in the consolidated statement of comprehensive income is as follows:

| EUR thousands | | 2018 | | |
|-------------------------------|----------------------------|---|--|---|
| Risk category | Type of hedging instrument | Change in the value of the hedging instrument recognised in OCI | Hedge ineffectiveness recognised in PL | Reclassification from CFH reserve to the following line items of consolidated statement of comprehensive income |
| | | | | Revenue Cost of materials |
| Foreign exchange risk | Forwards/Futures | -46 | | |
| Emission allowance price risk | Forwards/Futures | 14,870 | | -2,441 |
| Commodity price risk | Forwards/Futures | 56,601 | | 468,966 |
| | Options | | | |
| | Swaps | -61,741 | -470 | 12,396 |

The hedge ratio established for the Group's hedge relationships is 1:1.

No ineffectiveness has been recognised in the consolidated statement of comprehensive income for hedge accounting related to retail and marketing business of the Group as the terms of the hedging instrument and the hedged item are identical and therefore the hedge relationship is fully effective.

Sources of hedge ineffectiveness related to the hedging of LNG business include timing, location and benchmark basis differences between the hedged items and the hedging instruments.

The ineffective portion is recognised in the statement of comprehensive income in the result from changes in fair value in operating activities.

The Group's counterparty credit risk results mainly from its equity investments and financings, as well as from the marketing, trading and project activities of Group companies. Credit risk also arises from bank balances.

The main credit exposures are monitored by individual counterparty and by category of credit rating, and are subject to approved limits. Counterparty credit limits are approved by the GPG Group Executive Committee and by certain individuals to whom authority has been delegated by the GPG Group Director of Risk. All counterparties are assigned a grading based on external ratings where available and an internal assessment methodology in other cases, with this used to set the maximum exposure that would be considered against any particular counterparty. The internal assessment methodology is reviewed by the ROC and approved by the GPG Group Director of Risk. The credit exposure to each counterparty is then monitored on a daily basis to ensure those limits are not exceeded.

At a Group level, credit exposures are also consolidated and assessed on a VaR model to calculate credit value at risk.

The Group determines financial instruments with credit ratings AAA to BBB- as having low credit risk.

The Group uses the external (if available) and internal ratings to determine whether the credit risk on a financial instrument has significantly increased since initial recognition.

For its retail business, the Group defines default as having occurred where receivables are more than 90 days past due or where irrecoverability is certain.

The Group's write-off policy on retail trade receivables is to derecognise amounts where irrecoverability is certain such as where:

- The counterparty is in insolvency or bankruptcy proceedings, or undergoing financial reorganisation;
- The debt is considered uneconomical to pursue; or
- The debt has been passed to collection agencies and is more than 1 year overdue.

For non-retail trade receivables and trade receivables of the marketing business, due to the higher credit quality of the counterparties involved, and the low rate of expected credit loss, the write-off policy of the Group is to only derecognise amounts on an individual basis only where irrecoverability is certain.

The expected loss rate is calculated based on the counterparty's probability of default (PD) multiplied by the loss given default rate (LGD). The approach uses both historical and forward-looking data, including credit ratings, audited annual financial statements, credit default swaps pricing, and industry and company-specific analysis of the counterparty's future prospects.

The table below details the credit quality of the Group's financial assets and other items, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

| EUR thousands | | 2018 | | | |
|-------------------------|------------------------------------|---------------------------------------|---|---|-----------|
| | | Gross carrying amount | | | Total |
| | | 12-month expected credit losses | Life-time expected credit losses for credit-impaired financial assets | Simplified approach for trade receivables, lease receivables | |
| Rate of default risk | Balance sheet item | | | | |
| BBB- to AAA | Cash and cash equivalents | 164,358 | | | 164,358 |
| | Trade and other receivables | 11,788 | | 3,133,027 | 3,144,815 |
| | Loans granted | 210,826 | | | 210,826 |
| | Other long-term receivables | 616 | | | 616 |
| B- to BB+ | Cash and cash equivalents | 2,641 | | | 2,641 |
| | Trade and other receivables | 2,230 | | 981,678 | 983,908 |
| | Loans granted | 106,165 | | | 106,165 |
| | Other long-term receivables | 95 | | | 95 |
| | Provision for financial guarantees | 15,309 | | | 15,309 |
| C to CCC+ | Cash and cash equivalents | 66 | | | 66 |
| | Trade and other receivables | 3,822 | | 207,587 | 211,409 |
| | Loans granted | 1 | | | 1 |
| | Other long-term receivables | 1,064 | | | 1,064 |
| D | Trade and other receivables | | 46,866 | 2,518 | 49,384 |
| | Loans granted | | 40,213 | | 40,213 |
| | Other long-term receivables | | 17,396 | | 17,396 |
| | Provision for financial guarantees | | 8,098 | | 8,098 |

The maturity profile provided below presents the liquidity risk associated with the primary financial instruments:

| EUR thousands | 31 December 2018 | | | | |
|--|-----------------------|-------------------------------|-----------------------------|-----------------------------|-----------------|
| | Less than 6 months | Between 6 and 12 months | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
| Cash receipts for | | | | | |
| Cash and cash equivalents | 167,065 | | | | |
| Trade receivables gross | 4,310,507 | 14,358 | | | |
| Other non-interest bearing receivables short-term | 37,140 | 7,703 | 646 | | |
| Other interest bearing receivables short-term | 19,659 | | 44 | | |
| Loans | 2,393 | | | 354,811 | |
| Other long-term receivables | 484 | | 15,380 | 17,687 | 722 |
| Total cash receipts for primary financial instruments | 4,537,248 | 22,061 | 16,070 | 372,499 | 722 |
| Cash payments for | | | | | |
| Short-term borrowing/current part long term borrowing | 262,323 | 11,233 | | | |
| Trade payables short-term | 3,749,712 | | | | |
| Accrued invoices | 137,379 | 15,273 | | | |
| Other short-term debts | 54,421 | 6,532 | | | |
| Long-term borrowings | | | | | 41,136 |
| Primary financial instruments long-term | 908 | | 3,156 | 1,352 | |
| Total cash payments for primary financial instruments | 4,204,743 | 33,038 | 3,156 | 1,352 | 41,136 |

| EUR thousands | 31 December 2017 | | | | |
|--|-----------------------|-------------------------------|-----------------------------|-----------------------------|-----------------|
| | Less than 6 months | Between 6 and 12 months | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
| Cash receipts for | | | | | |
| Cash and cash equivalents | 439,231 | | | | |
| Trade receivables gross | 3,603,748 | 13,086 | | | |
| Other non-interest bearing receivables short-term | 145,327 | 51 | | | |
| Other interest bearing receivables short-term | 21,641 | | | | |
| Loans | 1 | | 2,341 | 6,999 | 353,619 |
| Other long-term receivables | 460 | | 1,012 | | 234 |
| Total cash receipts for primary financial instruments | 4,210,408 | 13,137 | 3,353 | 6,999 | 353,852 |
| Cash payments for | | | | | |
| Short-term borrowing/current part long term borrowing | 8,085 | 11,514 | | | |
| Trade payables short-term | 2,369,181 | 6,503 | | | |
| Accrued invoices | 102,213 | 38,598 | | | |
| Other short-term debts | 36,968 | 3,160 | | | |
| Long-term borrowings | | | 644 | | |
| Primary financial instruments long-term | | | 1,637 | 978 | 1,732 |
| Total cash payments for primary financial instruments | 2,516,447 | 59,775 | 2,281 | 978 | 1,732 |

The maturity profile provided below presents the liquidity risk associated with the derivative financial instruments:

| EUR thousands | 31 December 2018 | | | |
|--|-----------------------|-------------------------------|-----------------------------|-----------------------------|
| | Less than 6 months | Between 6 and 12 months | Between 1 and 2 years | Between 2 and 5 years |
| Cash receipts for | | | | |
| Commodity derivatives | -1,474,694 | -159,087 | -1,110,868 | -38,575 |
| Other derivatives | 14,340 | 7,649 | 12,561 | 10,598 |
| Total cash receipts for derivatives | -1,460,354 | -151,438 | -1,098,307 | -27,976 |
| Cash payments for | | | | |
| Commodity derivatives (assets) | 4,231,205 | 2,436,884 | 333,039 | 866,013 |
| Commodity derivatives (liabilities) | 486,082 | 524,112 | 928,930 | 581,530 |
| Other derivatives (assets) | 361 | | | |
| Other derivatives (liabilities) | 15,959 | 1,925 | 1,730 | |
| Total cash payments for derivatives | 4,733,608 | 2,962,922 | 1,263,699 | 1,447,542 |

| EUR thousands | 31 December 2017 | | | |
|--|--------------------|-------------------------|-----------------------|-----------------------|
| | Less than 6 months | Between 6 and 12 months | Between 1 and 2 years | Between 2 and 5 years |
| Cash receipts for | | | | |
| Commodity derivatives | 20,442,693 | 10,523,003 | 6,225,761 | 3,017,261 |
| Other derivatives | 49,984 | 8,141 | | |
| Total cash receipts for derivatives | 20,492,676 | 10,531,144 | 6,225,761 | 3,017,261 |
| Cash payments for | | | | |
| Commodity derivatives (assets) | 14,288,435 | 7,028,632 | 3,647,221 | 1,192,208 |
| Commodity derivatives (liabilities) | 7,685,075 | 3,800,259 | 1,828,330 | 484,597 |
| Other derivatives (assets) | 45,442 | 4,534 | | |
| Other derivatives (liabilities) | 31,918 | | 774 | 20 |
| Total cash payments for derivatives | 22,050,870 | 10,833,426 | 5,476,325 | 1,676,824 |

(34) LEASES

Income from subleases accounted for as operating leases totalled EUR 88.3 million in 2018 (previous year: EUR 84.5 million). The following cash proceeds from subleases are expected in subsequent years:

| EUR thousands | 31 December 2018 | 31 December 2017 |
|---------------------------------------|------------------|------------------|
| Following year 1 | 70,812 | 63,640 |
| Following years 2-5 | 178,696 | 168,640 |
| Over 5 years | 187,079 | 217,605 |
| Total future sublease payments | 436,587 | 449,885 |

The future lease payments as lessee from non-cancellable operating leases will probably be paid over the following residual maturities:

| EUR thousands | 31 December 2018 | 31 December 2017 |
|---|------------------|------------------|
| Following year 1 | 141,800 | 148,031 |
| Following years 2-5 | 468,481 | 458,084 |
| Over 5 years | 530,043 | 628,646 |
| Total payables from operating leases | 1,140,325 | 1,234,761 |

The obligations from rental and lease agreements concerned only those rental agreements in which the Group companies were not the economic owners of the leased assets. Lease contracts were concluded primarily for LNG transport ships, buildings, vehicles and office equipment.

(35) RISKS FROM LEGAL DISPUTES AND LITIGATION

The GPG Group is involved in ongoing legal disputes and arbitration proceedings through individual companies. Legally, the chances of success in such procedures are estimated to be high, but additional financial risks cannot be ruled out. Provisions were recognised for possible financial burdens arising from pending proceedings if their occurrence is more likely than not.

(36) CONTINGENT LIABILITIES

| EUR thousands | 31 December 2018 | 31 December 2017 |
|--|------------------|------------------|
| Liabilities arising from guarantees and letters of comfort | 15,309 | 37,457 |
| Total contingent liabilities | 15,309 | 37,457 |

Contingent liabilities exist as at the reporting date that may affect the future net assets, financial position and result of operations of the GPG Group. Management assesses the nature and amount of these contingent liabilities as well as the probability of their occurrence. The Group's estimation is that there is only a low probability that these contingent liabilities will lead to cash outflows.

The maturities of the contingent liabilities are as follows:

| EUR thousands | 31 December 2018 | 31 December 2017 |
|-------------------------------------|---------------------|---------------------|
| Following year 1 | 2,709 | 7,333 |
| Following years 2-5 | | 3,250 |
| Over 5 years | 12,600 | 26,874 |
| Total contingent liabilities | 15,309 | 37,457 |

(37) OTHER FINANCIAL COMMITMENTS

| EUR thousands | Notes | 31 December 2018 | 31 December 2017 |
|---|-------|---------------------|---------------------|
| Purchase commitments from investments in intangible assets (IAS 38.122a) | | 2 | 497 |
| Purchase commitments from investments in property, plant, and equipment (IAS 16.74c) | | 46 | 22 |
| Total purchase commitments from investments | | 48 | 519 |
| Commitments arising from gas purchase and other long-term purchase contracts thereof Gazprom export | | 79,671,718 | 74,943,518 |
| | | 67,605,403 | 65,538,141 |
| Commitments arising from long-term leases (excluding finance leases) | (34) | 1,140,325 | 1,234,761 |
| Total other financial commitments | | 80,812,091 | 76,178,797 |

The GPG Group's distribution companies procure natural gas partly on the basis of long-term purchase agreements that are subject to ongoing price changes. These purchase agreements are aligned to delivery contracts with natural gas customers.

The maturities of other financial commitments are as follows:

| EUR thousands | 31 December 2018 | 31 December 2017 |
|--|---------------------|---------------------|
| Following year 1 | 15,303,193 | 11,241,748 |
| Following years 2-5 | 25,454,158 | 21,907,082 |
| Over 5 years | 40,054,741 | 43,029,967 |
| Total other financial commitments | 80,812,091 | 76,178,797 |

(38) RELATED PARTY TRANSACTIONS

Related parties in accordance with IAS 24 Related Party Disclosures include companies that control or exercise a significant influence over GPG, as well as companies affiliated with GAZPROM. In addition, related parties also include all companies that are controlled or significantly influenced by GPG, as well as their Supervisory Board members and key management personnel.

The following business activities were conducted with these companies:

| EUR thousands | Revenue and other income | Supplies and services received | Assets | Liabilities |
|---|-----------------------------|-----------------------------------|----------------|------------------|
| Controlling companies | 1,967,680 | 13,251,420 | 355,623 | 1,491,255 |
| Other GAZPROM Group companies | 131,048 | 841,237 | 129,617 | 372,842 |
| Joint ventures | 3,452 | 2,419 | 298 | 113 |
| Associated companies | 61,130 | 167,207 | 204,693 | 772 |
| Total transactions with related parties 2018 | 2,163,310 | 14,262,282 | 690,231 | 1,864,982 |
| Controlling companies | 2,230,427 | 10,279,532 | 269,137 | 760,269 |
| Other GAZPROM Group companies | 168,630 | 1,079,977 | 153,388 | 121,027 |
| Joint ventures | 3,849 | 7,437 | 43 | 96 |
| Associated companies | 164,107 | 112,296 | 210,617 | 623 |
| Total transactions with related parties 2017 | 2,567,013 | 11,479,243 | 633,186 | 882,016 |

Distributions of dividends are not included in these disclosures. The outstanding assets and liabilities with related parties are settled in cash.

95.8 % (prior-year period: 94.1 %) of the revenue and other income from controlling companies was received from Gazprom export for natural gas deliveries.

95.6 % (prior-year period: 93.4 %) of the supplies and services procured from controlling companies were received from Gazprom export and related to natural gas deliveries, including transit tariffs.

The balance of allowances recognised for doubtful accounts with associated companies totalled EUR 32.5 million as at 31 December 2017 (prior-year period: EUR 115.5 million).

Liabilities from guarantee obligations and other financial commitments existed in 2018 in favour of associated companies amounting to EUR 0.0 million (prior-year period: EUR 9.8 million), and in favour of other companies of the GAZPROM Group amounting to EUR 12.6 million (prior-year period: EUR 25.1 million).

90.1 % (prior-year period: 88.6 %) of supplies and services received from other GAZPROM Group companies involved natural gas, LNG and oil deliveries including transit tariffs from KazRosGaz, a limited-liability company under Kazakh law, Almaty, Kazakhstan, and Sakhalin Energy Investment Company Ltd, Bermuda, Bermuda.

(39) REMUNERATION OF THE MANAGING DIRECTORS

The remuneration of the managing directors totalled EUR 5.2 million (prior-year period: EUR 5.6 million). As in the previous year, there were no retirement benefit obligations in relation to active and former managing directors.

(40) REMUNERATION OF THE GROUP AUDITOR

The following amounts were recognised in the financial year as expenses for the remuneration of the Group auditor:

| EUR thousands | 2018 | 2017 |
|--|--------------|------------|
| Annual statutory audit | 904 | 539 |
| Other auditing services | 7 | |
| Tax advice services | 165 | |
| Other services | 31 | 25 |
| Total Group auditor's remunerations | 1,107 | 564 |

(41) MATERIAL EVENTS AFTER THE REPORTING PERIOD

In January 2019, the Group was granted payments for services provided in the past as part of arbitration proceedings. There were no material effects on the financial accounting as at 31 December 2018.

On 21 February 2019, the shares in WIROM GAS S.A. were sold at a price of EUR 2.5 million. The pro rata net assets amounted to EUR -1.3 million as at 31 December 2018. The profit from the sale is estimated at EUR 3.8 million. The classification of the shares as non-current assets held for sale in accordance with IFRS 5 was waived due to materiality reasons.

Berlin, 15 March 2019

Mikhail Sereda
Managing Director

Petr Volkov
Managing Director

Igor Fedorov
Managing Director

INDEPENDENT AUDITOR'S REPORT

To GAZPROM Germania GmbH, Berlin

Audit Opinions

We have audited the consolidated financial statements of GAZPROM Germania GmbH, Berlin, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2018, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from January 1 to December 31, 2018, and notes to the consolidated financial statements, including the recognition and measurement policies presented therein. In addition we have audited the Group management report of GAZPROM Germania GmbH, Berlin, for the business year from January 1 to December 31, 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Article 315e paragraph 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Responsibilities of the Executive Directors for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Reports

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the

economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a

substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Berlin, March 15, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd.) Dr. Thomas Schmid
Wirtschaftsprüfer
(German Public Auditor)

(sgd.) ppa. Stefanie Bartel
Wirtschaftsprüferin
(German Public Auditor)

A nighttime aerial photograph of Berlin, Germany, featuring the Spree river and the illuminated dome of St. Nikolai Church. Overlaid on the image is a network diagram consisting of blue location pin icons connected by white curved lines, symbolizing a global or interconnected network.

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