

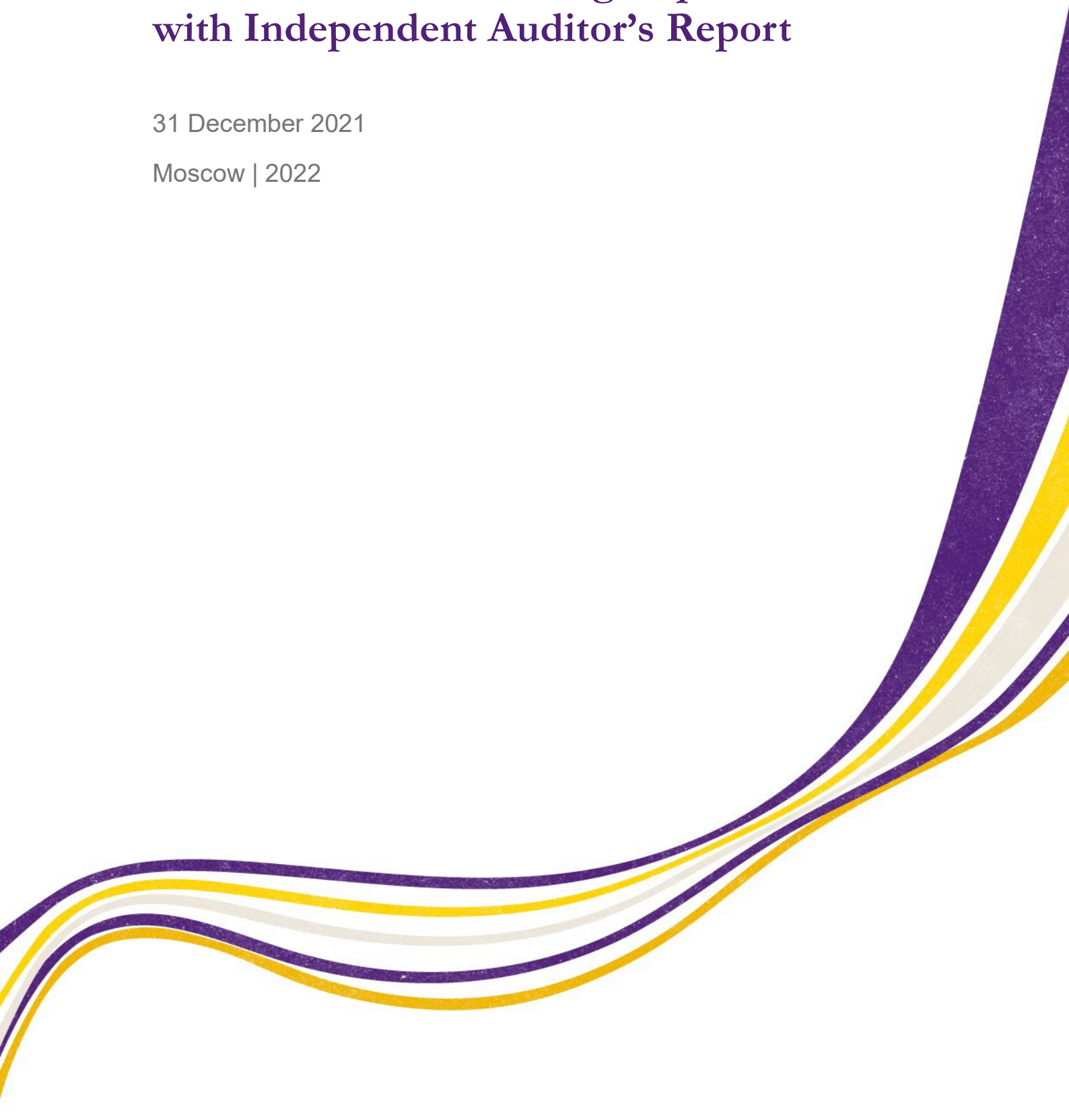


PJSC GAZPROM

Consolidated Accounting Reports with Independent Auditor's Report

31 December 2021

Moscow | 2022



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Independent Auditor's Report

To the Shareholders
of Public Joint Stock Company Gazprom

Opinion

We have audited the accompanying consolidated accounting reports of Public Joint Stock Company Gazprom ("PJSC Gazprom") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated statement of financial results, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated balance sheet and the consolidated statement of financial results, including a summary of significant accounting policies ("the consolidated accounting reports").

In our opinion, the accompanying consolidated accounting reports present fairly, in all material respects, the financial position of the Group as at 31 December 2021, its financial performance and its cash flows for the year then ended in accordance with the reporting rules established in the Methodology guidelines on preparing consolidated accounting reports approved by PJSC Gazprom on 5 August 2016 ("the Methodology guidelines") based on Russian accounting standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Accounting Reports* section of our report. We are independent of the Group in accordance with the Rules of Independence of the Auditors and Audit Organisations and the Code of Professional Ethics of the Auditors, which are in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards), and we have fulfilled our other ethical 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 opinion.

Emphasis of Matter – Accounting Principles

We draw attention to Note 2 "Significant Accounting Policies and Basis of Presentation in the Consolidated Accounting Reports" to the consolidated accounting reports, which describes accounting principles.

The consolidated accounting reports are prepared in accordance with the reporting rules established in the Methodology guidelines. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated accounting reports of the current period. These matters were addressed in the context of our audit of the consolidated accounting reports as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

During the audit we specially focused on revenue recognition as the revenue amount was material and revenue streams were formed in different geographic regions with significantly different terms of revenue recognition including price determination and change, transfer of risks and rewards.

We assessed the consistency in the application of the revenue recognition accounting policy applicable to various types of revenue and geographic regions. Our audit procedures in respect of the risk of material misstatement of revenue included, in particular, evaluation of the design of controls, assessment of the risk of material misstatement due to fraud or error and performance of substantive procedures in respect of the sales transactions. Based on the results of our audit procedures, we considered the position of the Group's management on the revenue recognition to be acceptable.

We paid special attention to the analysis and testing of estimated liabilities associated with gas price adjustments under long-term contracts and evaluation of existing controls in this area. The amount of the estimated gas price adjustments depends on the effective terms and conditions of the contracts and the results of the negotiations between the Group and the specific customers.

Information about sales, including information by geographic regions, is disclosed in Note 17 "Sales" to the consolidated accounting reports.

Revaluation of fixed assets

We consider this area to be one of the most significant audit areas in view of the material balances of fixed assets. The Group performs regular revaluation of fixed assets to ensure that the value of fixed assets at which they are recognised in consolidated accounting reports does not significantly differ from their current (replacement) cost.

As at 31 December 2021 several entities of the Group performed revaluation of fixed assets. We engaged our valuation experts to make a conclusion on the assumptions and methodology applied for the revaluation of fixed assets. Our audit procedures in respect of the revaluation performed included but were not limited to assessment of competency, qualification, experience and objectivity of the management's experts, sample checking of the accuracy of the models and methods used for the revaluation.

Based on the results of the audit procedures, we consider that the significant assumptions and methodology applied for the revaluation of fixed assets are acceptable.

Information about fixed assets is disclosed in Note 7 “Fixed assets” to the consolidated accounting reports.

Classification, measurement and disclosure of information about perpetual notes

Classification, measurement and disclosure of information about perpetual notes require detailed analysis of issuance terms and conditions of these instruments and application of management’s professional judgment and estimates to justify their accounting methods. Therefore, we consider that this area was one of most significance in our audit.

Our procedures included review of the issuance terms and conditions of the perpetual notes, which allowed the Group, acting in its sole discretion, to refuse to redeem the notes and, at any time and on any number of occasions, to decide to postpone interest payments or decide to refuse to pay interest. We paid special attention to the analysis of conditions which gave rise to an interest payment liability and checked that these conditions were under the Group’s control. We analysed key aspects of the Group’s methodology in respect of accounting methods adopted for transactions associated with the perpetual notes for compliance with the requirements of accounting regulations. In particular, we evaluated accounting methods selected to recognise costs associated with the issuance of the perpetual notes, accrue interest and recognise translation differences and tax effects on these transactions. We also analysed whether the disclosures in the Group’s consolidated accounting reports were sufficient.

Based on the results of our audit procedures, we found the position of the Group’s management on the classification, measurement and disclosure of information about the perpetual notes to be appropriate.

Information about methods used to account for the perpetual notes is disclosed in Note 2 “Significant Accounting Policies and Basis of Presentation in the Consolidated Accounting Reports” to the consolidated accounting reports, information about the issuance terms and conditions of the perpetual notes and transactions associated with them is disclosed in Note 14 “Equity” to the consolidated accounting reports.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of PJSC Gazprom for 2021, but does not include the consolidated accounting reports and our auditor’s report thereon. The Annual Report of PJSC Gazprom for 2021 is expected to be made available to us after the date of this auditor’s report.

Our opinion on the consolidated accounting reports does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated accounting reports, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated accounting reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report of PJSC Gazprom for 2021, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Accounting Reports

Management is responsible for the preparation and fair presentation of the consolidated accounting reports in accordance with the reporting rules established in the Methodology guidelines, and for such internal control as management determines is necessary to enable the preparation of consolidated accounting reports that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounting reports, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Accounting Reports

Our objectives are to obtain reasonable assurance about whether the consolidated accounting reports as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. 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 accounting reports.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated accounting reports, 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 opinion. 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;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Group's management;

d) conclude on the appropriateness of management's 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 our auditor's report to the related disclosures in the consolidated accounting reports or, if such disclosures are inadequate, to modify our opinion. 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 continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated accounting reports, including the disclosures, and whether the consolidated accounting reports represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounting reports. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated accounting reports of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

President of FBK, LLC

S.M. Shapiguzov
(by virtue of the Charter,
registration number 21606043397)

Engagement partner on the audit
resulting in this independent
auditor's report

K.S. Shirikova, FCCA
(registration number 21606042126)

Date of Independent auditor's report
26 April 2022

Audited entity

Name:

Public Joint Stock Company Gazprom
(PJSC Gazprom).

Address of the legal entity within its location:

2/3 Lakhtinsky Avenue, Bldg 1, St. Petersburg, 197229, Russian Federation.

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

Auditor

Name:

FBK, LLC

Address of the legal entity within its location:

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

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

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

PJSC Gazprom
Consolidated Balance Sheet
as of 31 December 2021
(in millions of Russian Rubles)

Note	ASSETS	As of 31 December 2021	As of 31 December 2020	As of 31 December 2019
	I. NON-CURRENT ASSETS			
	Intangible assets, including:	557,063	585,977	628,096
5	goodwill on subsidiaries	472,929	522,474	579,253
	Results of research and development	19,674	17,872	12,833
6	Intangible exploration assets	201,256	202,036	176,352
6	Tangible exploration assets	106,492	132,613	131,151
	Fixed assets, including:	16,411,935	14,440,094	13,673,869
7	Objects of fixed assets, including:	11,759,134	10,406,727	9,661,577
	buildings, constructions, machinery and equipment	11,441,933	10,097,013	9,338,587
8	Construction in progress	4,652,801	4,033,367	4,012,292
9, 20	Financial investments, including:	2,649,842	2,374,194	2,198,905
	investments in subsidiaries	218,440	267,149	226,517
	investments in associates	1,598,579	1,507,899	1,321,358
	investments in other companies	540,505	378,392	391,426
	loans issued to companies beyond 12 months	233,743	179,872	217,408
	other financial investments	58,575	40,882	42,196
16	Deferred tax assets	397,902	470,797	340,822
	Other non-current assets	<u>416,771</u>	<u>453,815</u>	<u>361,012</u>
	TOTAL Section I	20,760,935	18,677,398	17,523,040
	II. CURRENT ASSETS			
10	Inventories, including:	1,065,185	1,048,411	1,011,421
	raw materials and other inventories	206,399	196,055	196,632
	work in progress	65,714	97,458	70,354
	finished goods and goods for resale	776,168	742,843	727,169
	goods dispatched	16,904	12,055	17,266
	Value added tax on purchased goods	105,570	134,618	142,665
11	Accounts receivable, including:	2,957,694	1,849,353	1,486,079
	Accounts receivable (payment expected beyond			
	12 months of the reporting date), including:	230,029	180,626	156,850
	buyers and customers	141,338	105,548	98,298
	advances paid	22,980	17,582	14,310
	other accounts receivable	65,711	57,496	44,242
	Accounts receivable (payment expected within			
	12 months of the reporting date), including:	2,727,665	1,668,727	1,329,229
	buyers and customers	1,622,216	898,458	759,100
	advances paid	617,351	384,110	263,785
	other accounts receivable	488,098	386,159	306,344
12	Financial investments (except for cash equivalents),			
	including:	300,839	191,570	827,377
	loans issued to companies due within 12 months	74,182	145,700	94,302
	other financial investments	226,657	45,870	733,075
13	Cash and cash equivalents, including:	2,031,239	1,034,474	699,948
	cash on hand	689	568	650
	ruble bank accounts	502,585	358,506	399,720
	non-ruble bank accounts	1,150,927	372,895	166,835
	other monetary assets and cash equivalents	377,038	302,505	132,743
	Other current assets	<u>48,815</u>	<u>17,065</u>	<u>14,789</u>
	TOTAL Section II	<u>6,509,342</u>	<u>4,275,491</u>	<u>4,182,279</u>
	BALANCE	<u>27,270,277</u>	<u>22,952,889</u>	<u>21,705,319</u>

PJSC Gazprom
Consolidated Balance Sheet
as of 31 December 2021
(in millions of Russian Rubles)

Note	EQUITY AND LIABILITIES	As of 31 December 2021	As of 31 December 2020	As of 31 December 2019
III. EQUITY AND RESERVES				
14	Share capital	118,368	118,368	118,368
14	Treasury shares	(331)	(331)	(331)
	Revaluation of non-current assets	7,046,935	6,045,218	5,946,322
	Additional capital (less revaluation), including:	1,333,905	1,285,553	799,098
14	perpetual notes	313,190	195,616	-
	Legal reserves	88,437	63,317	46,009
	Retained earnings	8,739,588	6,801,643	7,541,206
2, 7	Social government fund	<u>458</u>	<u>495</u>	<u>493</u>
	TOTAL Section III	17,327,360	14,314,263	14,451,165
	Minority interest	515,617	439,895	409,749
IV. NON-CURRENT LIABILITIES				
15	Borrowings, including:	4,213,299	4,237,971	3,074,240
	bank borrowings due for repayment beyond 12 months of the reporting date	1,723,307	1,692,798	1,164,199
	loans due for repayment beyond 12 months of the reporting date	2,489,992	2,545,173	1,910,041
16	Deferred tax liabilities	1,317,984	1,026,530	1,015,812
23	Provisions	268,551	345,639	307,157
	Other liabilities	<u>173,338</u>	<u>105,486</u>	<u>45,872</u>
	TOTAL Section IV	<u>5,973,172</u>	<u>5,715,626</u>	<u>4,443,081</u>
V. CURRENT LIABILITIES				
15	Borrowings, including:	695,619	701,811	791,812
	bank borrowings due for repayment within 12 months of the reporting date	15,967	12,599	38,927
	loans due for repayment within 12 months of the reporting date	111,227	106,888	114,798
	current portion of loans and borrowings due for repayment beyond 12 months of the reporting date	568,425	582,324	638,087
	Accounts payable, including:	2,540,913	1,581,398	1,368,414
	suppliers and contractors	1,497,510	892,892	826,925
	salaries payable	23,766	42,772	30,087
	insurance contributions payable	14,372	16,035	12,014
	taxes and fees payable	495,443	278,452	298,974
	advances received	314,791	258,594	131,739
	other accounts payable	182,539	87,028	65,009
	dividends payable	12,492	5,625	3,666
	Income of future periods	3,383	2,328	5,586
23	Provisions	<u>214,213</u>	<u>197,568</u>	<u>235,512</u>
	TOTAL Section V	<u>3,454,128</u>	<u>2,483,105</u>	<u>2,401,324</u>
	BALANCE	27,270,277	22,952,889	21,705,319

A.B. Miller
Chairman of the Management Committee

M.N. Rosseev
Chief Accountant

26 April 2022

PJSC Gazprom
Consolidated Statement of Financial Results
for 2021
(in millions of Russian Rubles)

Note		For 2021	For 2020
17	Sales	10,498,687	6,430,900
18	Cost of sales	(7,277,168)	(5,677,656)
	Gross profit	3,221,519	753,244
18	Commercial expenses	(1,437)	(833)
18	Administrative expenses	(408,303)	(353,382)
	Profit from sales	2,811,779	399,029
	Income from investments in other companies	25,963	23,763
	Interest income	67,877	56,540
	Interest expense	(164,813)	(157,655)
19	Other income	7,332,327	5,557,651
19	Other expenses	(7,466,135)	(6,455,085)
9	Capitalised profit of associates	<u>267,531</u>	<u>155,602</u>
	Profit (loss) before profit tax	2,874,529	(420,155)
16	Profit tax, including:		
	current profit tax	(561,549)	69,272
	deferred profit tax	(496,601)	(74,660)
	previous years' profit tax	(105,307)	142,131
	Other	40,359	1,801
		<u>(10,394)</u>	<u>(3,520)</u>
	Net profit (loss) of the reporting period before minority interest	2,302,586	(354,403)
	Minority interest	<u>(56,565)</u>	<u>(16,093)</u>
	Net profit (loss) of the reporting period	2,246,021	(370,496)
FOR REFERENCE:			
7	Results of non-current assets revaluation not included into net profit (loss) of the reporting period	1,265,776	135,683
	Results of other transactions not included into net profit (loss) of the reporting period	(65,837)	296,168
	Profit tax from transactions which results not included into net profit (loss) of the reporting period	(255,696)	(27,163)
	Cumulative financial result for the the reporting period attributable to the owners of PJSC Gazprom	3,190,264	34,192
22	Basic earnings (loss) per share attributable to the owners of PJSC Gazprom (in Russian Rubles)	94.99	(15.67)

A.B. Miller
Chairman of the Management Committee

M.N. Rosseev
Chief Accountant

26 April 2022

PJSC Gazprom
Consolidated Statement of Changes in Equity
for 2021
(in millions of Russian Rubles)

Note		Share capital	Treasury shares	Additional capital	Legal reserves	Retained earnings	Social government fund	Total
	Equity as of 31 December 2019	118,368	(331)	6,745,420	46,009	7,541,206	493	14,451,165
	For 2020							
	Change in capital -- total,	-	-	399,190	159	(731,084)	2	(331,733)
	including:							
	net loss	-	-	-	-	(370,496)	-	(370,496)
7	revaluation of property	-	-	108,514	-	-	9	108,523
	differences resulting from							
	the translation of foreign							
	financial investments							
	into Russian Rubles	-	-	296,168	-	-	-	296,168
	change in structure and	-	-	(366)	159	1,469	-	1,262
	in interest in subsidiaries	-	-	-	-	(360,480)	-	(360,480)
	dividends	-	-	(5,126)	-	(1,577)	(7)	(6,710)
	other	-	-	(9,455)	-	9,455	-	-
	Change in additional capital	-	-	-	-	-	-	-
	Change in legal reserves	-	-	-	17,149	(17,149)	-	-
14	Perpetual notes transactions	-	-	195,616	-	(785)	-	194,831
	Equity as of 31 December 2020	118,368	(331)	7,330,771	63,317	6,801,643	495	14,314,263
	For 2021							
	Change in capital -- total,	-	-	941,135	35	1,959,898	(37)	2,901,031
	including:							
	net profit	-	-	-	-	2,246,021	-	2,246,021
7	revaluation of property	-	-	1,010,063	-	-	17	1,010,080
	differences resulting from							
	the translation of foreign							
	financial investments							
	into Russian Rubles	-	-	(65,837)	-	-	-	(65,837)
	change in structure and	-	-	183	35	15,406	(2)	15,622
	in interest in subsidiaries	-	-	-	-	(296,740)	-	(296,740)
	dividends	-	-	-	-	-	-	-
7	disposal and change in value	-	-	-	-	-	(13)	(13)
	of state social assets	-	-	(3,274)	-	(4,789)	(39)	(8,102)
	other	-	-	(8,640)	-	8,640	-	-
	Change in additional capital	-	-	-	-	-	-	-
	Change in legal reserves	-	-	-	25,085	(25,085)	-	-
14	Perpetual notes transactions	-	-	117,574	-	(5,508)	-	112,066
	Equity as of 31 December 2021	118,368	(331)	8,380,840	88,437	8,739,588	458	17,327,360

A.B. Miller
Chairman of the Management Committee

M.N. Rosseev
Chief Accountant

26 April 2022

PJSC Gazprom
Consolidated Statement of Cash Flows
for 2021
(in millions of Russian Rubles)

	For 2021	For 2020
Cash flows from operating activities		
Total cash received, including:	11,339,578	7,599,515
sales of products, goods, works and services	10,552,755	6,957,031
other receipts, including:	786,823	642,484
indirect taxes	378,393	257,141
advances received from buyers (customers)	258,512	274,473
Total cash paid, including:	(8,242,922)	(6,484,549)
payment for purchased raw materials, works and services	(3,757,737)	(3,150,394)
wages and salaries	(632,752)	(579,980)
interests on borrowings	(158,627)	(150,308)
profit tax	(347,392)	(106,945)
other payments, including:	(3,346,414)	(2,496,922)
settlements with customs	(1,232,297)	(472,031)
settlements with budget (except for profit tax)	(1,653,588)	(1,421,921)
advances paid	(74,811)	(92,981)
Net cash provided by operating activities	3,096,656	1,114,966
Cash flows from investing activities		
Total cash received, including:	567,666	1,396,891
sales of non-current assets (except for financial investments)	9,176	15,431
sales of other entities' shares (equity interests)	22,629	27,956
return of loans issued, sales of debt securities (assignment of cash from third parties)	84,222	151,645
dividends, interest from debt financial investments and receipts from participation in other entities	318,089	136,927
other receipts	133,550	1,064,932
Total cash paid, including:	(2,550,074)	(2,252,269)
purchase, construction, modernisation, reconstruction and preparation for use of non-current assets, including:	(1,709,819)	(1,416,825)
purchase of exploration assets	(40,883)	(39,406)
purchase of other entities' shares (equity interests)	(133,092)	(84,030)
purchase of debt securities (assignment of cash from third parties), loans issued	(105,704)	(189,238)
other payments, including:	(601,459)	(562,176)
indirect taxes	(257,443)	(197,780)
Net cash used in investing activities	(1,982,408)	(855,378)
Cash flows from financing activities		
Total cash received, including:	1,098,145	1,355,198
proceeds from loans and borrowings, issue of bonds, promissory notes and other debt securities	952,896	1,138,927
issuance of perpetual notes	120,000	197,468
other receipts	25,249	18,803
Total cash paid, including:	(1,188,610)	(1,352,255)
dividends and other distributions to owners (participants)	(324,374)	(389,974)
Interest paid on perpetual notes	(6,985)	-
payments related to issuance of perpetual notes	(922)	(2,637)
repayment of loans and borrowings, redemption (buyback) of bonds, promissory notes and other debt securities	(847,185)	(954,445)
other payments	(9,144)	(5,199)
Net cash (used in) from financing activities	(90,465)	2,943
Net cash for the reporting period	1,023,783	262,531
Cash and cash equivalents at the beginning of the reporting period	1,034,472	699,947
Cash and cash equivalents at the end of the reporting period	2,031,237	1,034,472
Impact of changes in exchange rates	(27,018)	71,994

A.B. Miller
Chairman of the Management Committee

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Chief Accountant

26 April 2022

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2021
(in millions of Russian Rubles)

1. General Information

Public Joint Stock Company Gazprom (PJSC Gazprom) and its subsidiaries (the “Group” or “Gazprom Group”) operate one of the largest gas pipeline systems in the world, provide for the major part of natural gas production and its transportation by high-pressure pipelines in the Russian Federation. The Group is also a major natural gas supplier to European countries. The Group is engaged in oil production, oil refining, electric and heat energy generation. The Russian Federation is the ultimate controlling party and has a controlling interest (including both direct and indirect ownership) of over 50 % in PJSC Gazprom.

The Group is involved in the following activities:

- exploration and production of gas;
- transportation of gas;
- sales of gas within the Russian Federation and abroad;
- gas storage;
- production of crude oil and gas condensate;
- processing of oil, gas condensate and other hydrocarbons and sales of refined products;
- electric and heat energy generation and sales.

Other activities include production of other goods, execution of other works and provision of other services.

The average number of employees during 2021 and 2020 was 464,642 persons and 465,926 persons, respectively.

2. Significant Accounting Policies and Basis of Presentation in the Consolidated Accounting Reports

Accounting principles

The consolidated accounting reports of the Group have been prepared in accordance with the accounting rules effective in the Russian Federation, in particular, the Federal Law On Accounting dated 6 December 2011 No. 402-FZ and the Regulation on Accounting and Reporting in the Russian Federation adopted by the Order of the Ministry of Finance of the Russian Federation dated 29 July 1998 No. 34n, other statutory accounting and reporting regulatory acts included in the accounting and reporting regulatory system of organisations in the Russian Federation and the Methodology guidelines on preparing consolidated accounting reports, approved by PJSC Gazprom on 5 August 2016 (the “Methodology guidelines”). The Methodology guidelines include principles and methods, comprised in the invalidated Methodology recommendations, approved by the Order of the Ministry of Finance of the Russian Federation dated 30 December 1996 No. 112, and are coherently applied by the Group to consolidated accounting report.

Assets and liabilities are accounted for at actual purchase costs, except for fixed assets that are revalued on a regular basis, financial investments for which fair value is determinable, provisions carried based on current valuation of the amount that will result in decrease of economic benefits and other assets against which impairment allowance have been formed in accordance with the applicable accounting rules and regulations.

Basis of consolidation

In accordance with the Methodology guidelines the consolidated balance sheet, the consolidated statement of financial results, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated balance sheet and the consolidated statement of financial results (the “consolidated accounting reports”) comprise a consolidation of the statutory accounting reports of PJSC Gazprom and its subsidiaries and associates of the Group.

Accounting policy of PJSC Gazprom and its subsidiaries for 2021 is approved by Order No. 575 dated 31 December 2020.

All significant investments in subsidiaries which exercise a significant influence on the financial position and financial results of the Group have been included in the consolidated accounting reports. Investments in companies with 50 % interest and more owned by the Group and in case the Group does not exercise control over these companies are accounted for as investments in associates in the consolidated balance sheet.

Consolidated accounting reports include investments in associates, acquisition price and financial results of which are stated on the equity basis in these consolidated accounting reports.

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2. Significant Accounting Policies and Basis of Presentation in the Consolidated Accounting Reports (continued)

Assets and liabilities denominated in foreign currency

Business transactions denominated in foreign currencies have been recorded using the official Russian Ruble (RUB) exchange rate determined by the Central Bank of the Russian Federation as of the date of the relevant transaction. Cash on currency and deposit accounts, cash on hand, securities (except for shares) and settlement balances, including loans issued and raised (except for advances received and issued, prepayments and down payments) denominated in foreign currency were recorded using the official Russian Ruble exchange rate as of the reporting date.

As of 31 December 2021 the exchange rates were: RUB 74.2926 to 1 US Dollar (“USD”) (as of 31 December 2020 – RUB 73.8757; 31 December 2019 – RUB 61.9057) and RUB 84.0695 to 1 Euro (“EUR”) (as of 31 December 2020 – RUB 90.6824; 31 December 2019 – RUB 69.3406).

Translation differences resulting from transactions with assets and liabilities denominated in foreign currency during the year, and from their recalculation as of the reporting date, are included in other income and expenses.

Translation differences arising from the translation of the assets and liabilities of foreign subsidiaries and associates are included into additional capital. Statements of financial results of these entities are translated at average exchange rate of relevant foreign currency for the relevant quarter.

Current and non-current assets and liabilities

In the consolidated balance sheet accounts receivable and accounts payable, including loans and borrowings, are treated as current if the term of their circulation (maturity) does not exceed 12 months after the reporting date or is not specified. All other assets and liabilities are treated as non-current.

Financial investments are classified as current or non-current based on the estimated period of use (circulation, possession or maturity) after the reporting date.

Goodwill on subsidiaries

In the consolidated accounting reports goodwill on subsidiaries represents the positive difference between the historic cost of acquired financial investments in subsidiaries and the nominal value of their shares at the date of acquisition. Goodwill is amortised on a straight-line basis over 20 years starting from the month following the month of acquisition of the financial investment. Amortisation charge of goodwill for the reporting period is represented within the line “Other expenses” of the consolidated statement of financial results.

Results of research and development

The line “Results of research and development” of the consolidated balance sheet includes expenses on completed research and development projects (“R&D”) with delivered results, which are not subject to legal protection under the applicable legislation or subject to legal protection but not properly documented, used for production or management needs of the Group. These expenses are written off on a straight-line basis to costs of production (goods, works and services) during the year from the time they were actually incurred. This line also includes expenses on R&D in progress recognised within investments into non-current assets.

Intangible and tangible exploration assets

Exploration costs accounted within tangible exploration assets include:

- expenditure on drilling and infrastructure development of prospecting, exploration and advance development wells (drilled at the exploration stage before the commercial practicability of minerals extraction is proved) broken down by fields (areas);
- acquisition and set-up costs of property, constructions, plant, equipment, vehicles used for prospecting, valuation of minerals fields and minerals exploration.

Tangible exploration assets include wells, construction metal structures, pipelines and other facilities, buildings, machinery, installations and other equipment, vehicles and other assets.

Exploration costs accounted within intangible exploration assets include expenditure on acquisition of the rights to use subsurface resources.

Intangible exploration assets include licences for geological survey, licences for exploration and production, licences for geological survey, exploration and production; a standalone delivery (report) that summarises results of performed surveys.

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2. Significant Accounting Policies and Basis of Presentation in the Consolidated Accounting Reports (continued)

Minerals prospecting and exploration licences are amortised on a straight-line basis during the period of the validity of the licenses.

Combined licences with rights on minerals prospecting, exploration and extraction are not amortised till the commercial practicability of minerals extraction is proved.

Tangible exploration assets, except for wells, are depreciated on a straight-line basis during the whole period of their useful lives. Depreciation charges are attributed to cost of geological exploration of an associated field. The Group determines useful lives of exploration assets similarly to determination of fixed assets useful lives.

In case the commercial practicability of minerals extraction in a particular area of the field is proved the exploration assets are tested for impairment and transferred to fixed assets, intangible assets or other non-current assets, which are intended for mining and extraction of minerals.

The Group tests exploration assets for impairment as of 31 December of the reporting year and in case the commercial practicability of minerals extraction in a particular area of a field is proved. The amount of impairment of exploration assets is represented within other expenses for the reporting period.

Fixed assets

Fixed assets include assets which conform to the requirements of the Russian accounting rule “Accounting for Fixed Assets” (RAR 6/01) approved by Order of the Russian Ministry of Finance dated 30 March 2001, No. 26n, accounted for in accordance with the established procedure.

Completed fixed assets, which have been put into operation but documents for the state registration of title for which have not been submitted to the State Register are accounted separately within fixed assets.

In the consolidated accounting reports fixed assets are recorded at replacement cost net of depreciation accumulated for the period of their use.

As of 31 December 2021 the Group revalued land, property, plant, machinery and equipment, vehicles, inventory and other fixed assets at current replacement cost, defined by an independent appraiser. The result of the revaluation is reflected in the consolidated balance sheet as of 31 December 2021.

Certain fixed assets of the certain entities of the Group (including PJSC Gazprom Neft and its subsidiaries, PJSC OGK-2 and its subsidiaries, PJSC TGC-1 and its subsidiaries, PJSC MIPC and its subsidiaries) are reported at historical cost net of depreciation accumulated for the period of their use. The management of PJSC Gazprom does not believe that this has a material impact on the consolidated accounting reports.

Fixed assets recorded on the subsidiaries’ balance sheets include state social assets. The Group’s companies received these assets without title transfer, in the course of restructuring of the unified gas supply system and assets of the state gas concern Gazprom. These assets were accounted for in accordance with the procedures effective at that period by creating the fund of social assets in the amount equal to their net book value. When the subsidiaries were restructured to the subsidiary undertakings of the Group these assets jointly with the fund of social assets were transferred to the Group’s companies. When these assets are transferred to the municipal authorities (or disposed otherwise) their net book value is charged to the above mentioned fund recorded in line “Social government fund” of the consolidated balance sheet. Although this practice represents a deviation from the established procedure, Management of PJSC Gazprom believes that it ensures fair presentation of the Group’s property relations as the assets are used according to their functional purposes and the Group is held liable for their maintenance and safety.

Fixed assets accounted before 1 January 2002 are depreciated based on uniform depreciation rates approved by Decree of the USSR Council of Ministers dated 22 October 1990, No. 1072 “On Uniform Depreciation Rates of Fixed Assets of the USSR National Economy”. Fixed assets acquired after 1 January 2002 are depreciated at rates based on estimated useful lives of these assets. Classification of fixed assets by depreciation groups approved by Government Resolution of the Russian Federation No.1 dated 1 January 2002, is used as one of the sources of information about useful lives of fixed assets. The Group has adopted the following useful lives for fixed asset groups:

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2. Significant Accounting Policies and Basis of Presentation in the Consolidated Accounting Reports (continued)

	Useful lives of assets recorded on the balance sheet (number of years)	
	before 1 January 2002	after 1 January 2002
Trunk pipelines	33	25
Wells	12 – 15	7 – 25
Machinery and equipment	10 – 18	3 – 22
Buildings and roads	8 – 100	7 – 50
Social assets	5 – 50	5 – 50

All fixed assets are depreciated on a straight-line basis.

The following assets are not depreciated:

- land;
- suspended assets (above 3 months);
- state social assets;
- fully depreciated assets that are still on the balance sheet;
- housing assets commissioned prior to 1 January 2006, public amenities and other similar assets. (such assets acquired after 1 January 2006 are depreciated in accordance with the general procedure).

Investments in non-current assets

Investments in non-current assets include projects under construction which are not put into operation, equipment requiring assembly and other investments in non-current assets not accounted within fixed and intangible assets. Equipment requiring assembly which is in storage and which is meant for projects under construction is accounted within construction in progress separately.

Depending on how these assets will be accounted for after the investments into non-current assets are completed the items stated above are represented in lines “Intangible assets”, “Results of research and development”, “Intangible exploration assets”, “Tangible exploration assets” and “Construction in progress”.

Financial investments

Financial investments are recorded at historical cost represented by actual acquisition costs except for financial investments for which current market value is determinable and financial investments for which impairment allowance is created.

Financial investments for which current market value is determinable are revalued to their current market value as of the end of the reporting year. The difference between the assessment of such financial investments at the reporting date and the date of previous assessment is recorded in other income and expenses.

Financial investments for which current market value is non-determinable and there are indications as of the reporting date that the decline in their value is significant and constant are recorded in the consolidated balance sheet as of the end of the reporting year at their carrying (book) value net of impairment allowance. The financial investment impairment allowance is determined annually based on the stock taking results as of 31 December of the reporting year. While determining the allowance, the Group calculates the estimated value of financial investments, showing significant steady decline, based on available information and creates the financial investment impairment allowance in the amount by which the carrying (book) value of investments exceeds their estimated value. Changes in allowance introduced based on stock taking results as of 31 December are recognised in other income and expenses.

Securities (except for those individually identifiable, including promissory notes) which do not have market value upon disposal are measured by types under FIFO method in the statutory accounting records. Other financial investments (including individually identifiable securities such as promissory notes) for which current market value is not determinable are recorded upon disposal at the historical cost of each unit.

Income and expenses related to financial investments are included within other income and expenses.

Inventories and costs

Raw materials are recognised at their actual cost of purchase or production. Dispatch into production or other disposals of inventories are recorded using the average cost method.

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2. Significant Accounting Policies and Basis of Presentation in the Consolidated Accounting Reports (continued)

Oil and gas produced and purchased but unsold and retained in storages and pipelines as of the end of the reporting period are reported in line "Finished goods and goods for resale" of the consolidated balance sheet. Disposals of finished goods and goods for resale are recorded using the average cost method.

Transportation costs related to the transportation of natural gas on the territory of the Russian Federation and abroad are allocated between volumes of gas sold and gas in pipelines and storage as of the end of the reporting period. Transit costs for gas, oil and refined products are shown in the line "Cost of sales" of the consolidated statement of financial results.

Impairment allowance is created for raw materials and other inventories used in production, works and services, if current market value of those goods, works and services is less than their actual cost as of reporting date.

Work in progress is carried at actual cost of production less general administrative expenses.

Finished goods are carried at the simplified actual cost of production less general administrative expenses.

Non-current assets held for sale

A non-current asset for sale is measured at the book value of the respective fixed asset or another non-current asset as at the date of its reclassification to non-current assets held for sale.

Accounts receivable

Trade receivables are recorded based on prices contracted between the Group and buyers (customers) taking account of all discounts (markups) provided by the Group. Bad debts are written off when recognised as such.

Doubtful accounts receivable with high probability of nonredemption are represented net of bad debt allowance. Bad debt allowance is recorded within other expenses in the consolidated statement of financial results. Corresponding amount of allowance is recorded in other income (recognised as bad debt) upon repayment of doubtful receivables.

Cash equivalents and representation of cash flows in the consolidated statement of cash flows

Cash equivalents include most liquid financial investments, which are easily convertible into a known amount of cash and are not subject to risk of change in price.

The Group classifies short-term bank deposits with maturity up to 3 months as cash equivalents and represents them in the line "Cash and cash equivalents" in the consolidated balance sheet.

Cash flows of the Group which are not clearly identified as cash flows from operating, investment or financial activities are represented within operating activities in the consolidated statement of cash flow. Such cash flows include tax payments and reimbursement of indirect tax from the state budget.

For cash flow statement purposes cash flows denominated in foreign currency are recalculated using the official Russian Ruble exchange rate set by the Central bank of the Russian Federation as at the date of transaction.

Forex effect, arising from recalculation of cash flows and closing balances of cash and cash equivalents denominated in foreign currency using exchange rates as at date of transaction and reporting date, is included into the line "Impact of changes in exchange rates" in the consolidated statement of cash flows.

In the consolidated statements of cash flows the following cash flows are netted:

- cash outflow and cash inflow arising from foreign exchange operations;
- settlements with commissioner or agent in relation to rendering services (except for commission itself);
- cash flows with high turnover, large amounts and short pay-back period;
- indirect taxes within receipts from customers and buyers and payments made to suppliers and contractors;
- other settlements that relate rather to the activity of counterparties than to the activity of the Group itself.

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2. Significant Accounting Policies and Basis of Presentation in the Consolidated Accounting Reports (continued)

Additional capital

Issued notes that are repayable at the borrower's discretion are reported within additional capital provided that the notes have no maturity or their maturity may be extended many times and that the borrower has the right, at any time and on any number of occasions, to postpone interest payments or the right to decide to refuse to pay interest (subject to the fulfilment of the criteria for the recognition as equity financial instruments in accordance with IFRSs) ("perpetual notes").

Foreign currency perpetual loan participation notes are recognised at the official exchange rate as at the date of initial recognition.

In order to report potential cash outflows in the consolidated accounting reports, interest on foreign currency perpetual loan participation notes is accrued on a monthly basis, until the date when an interest payment liability arises, by decreasing retained earnings and increasing additional capital at the interest rate effective for the current interest period. Interest on foreign currency perpetual loan participation notes is accrued at the official exchange rate as at the date of initial recognition. A liability to pay interest on foreign currency perpetual loan participation notes is recognised at the official exchange rate as at the date when an interest payment liability arises.

In order to report potential cash outflows in the consolidated accounting reports, foreign currency perpetual loan participation notes and interest accrued on them, which are reported within equity, are translated into Russian Rubles at the official exchange rate as at the reporting date and as at the date of their transfer to liabilities. Gain or loss from the translation of foreign currency perpetual loan participation notes and interest into Russian Rubles is reported within additional capital and retained earnings.

The issuer may decide to refuse to pay interest on Russian Ruble perpetual notes. The Group accrues interest in the consolidated statement of changes in equity by decreasing the retained earnings item as at the date when an interest payment liability arises.

Additional costs associated with the issuance of perpetual notes are reported within retained earnings.

Loans and borrowings received

Interest on credits and loans received and additional costs attributable to the receipt of credits and loans are included in other expenses in the reporting period, in which they are incurred.

PJSC Gazprom is the Group's main credit raiser. The majority of the finance acquired are general purpose loans and borrowings. Due to investment process specifics and following the principle of rational accounting the Group does not calculate any interest for inclusion in the cost of investment assets on such loans and borrowings, which are not directly attributable to investing activities.

The Group accounts for loans or credits payable in the amounts actually received.

Provisions and contingent liabilities

The Group recognises the following provisions in accounting:

- bonus payments at the year end;
- vacations;
- retirement benefits payable as a lump sum;
- fixed assets liquidation and environmental restoration in the context of subsurface use;
- other provisions.

The amount of provisions for annual performance bonus payments is defined based on the stock-taking results and adopted procedure for accrual of annual performance bonus payments and recognised as at the end of the reporting year.

The amount of provisions for vacations is defined based on the quantity of days of annual and excess leave earned but not used by employees during the whole period of employment as at reporting date and the average daily salary. It is revised at reporting date.

Provisions for retirement benefits payable as a lump sum are accrued at the date when an employee becomes of pensionable age and are written off six months after this date.

The Group recognised provisions for gas price adjustment arising from the claims of foreign customers based on the contracts terms. The effect of gas price adjustment including corresponding impacts on profit tax are recorded in the consolidated accounting reports when they become probable and a reliable estimate of the amounts can be made.

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2. Significant Accounting Policies and Basis of Presentation in the Consolidated Accounting Reports (continued)

Provisions are attributed to general expenses and to other expenses in the consolidated statement of financial results.

Provisions for fixed assets liquidation and environmental restoration in the context of subsurface use are recognised within fixed assets value. Increase or decrease of the amount of contingent liability due to change in its value is attributed to other income and other expenses.

Deferred taxes

In the consolidated accounting reports of the Group permanent and temporary differences are reflected. Information about non-temporary and temporary differences is formed on the basis of the supporting documents. Current profit tax amount is determined based on theoretical expense (theoretical income) related to profit tax, non-temporary differences, deferred tax assets and liabilities for accounting purposes. This amount corresponds to current tax according to profit tax returns. On the consolidated balance sheet deferred tax assets and deferred tax liabilities are recorded within non-current assets and non-current liabilities on a gross-up basis.

Revenue and other income recognition

Revenues from sales of goods and services rendering are recognised at the moment when goods are shipped (or services rendered) and corresponding settlement documents are submitted to customers. In the consolidated accounting reports revenues are presented net of value added tax ("VAT"), customs duties and other similar mandatory payments.

Other income primarily include positive translation differences arising from foreign currency transactions, income from trading activity.

Expenses recognition

General expenses are those related to production, rendering of work and services, sales of goods.

Administrative expenses are general business expenses which are monthly written off to Cost of sales of the reporting period in full amount.

Other expenses primarily include negative translation differences arising from foreign currency transactions, expenses from trading activity.

In the consolidated statement of financial results other expenses are represented netted in relation to relevant income, if this is directly prescribed or is not prohibited by the accounting regulation and if expenses and related income resulted from the same or similar economic event are not material for description of financial position of the Group.

3. Changes in the Accounting Policies and Comparative Information for Previous Reporting Periods

Changes in the accounting policies for 2021

Due to the mandatory application from 1 January 2021 of the Russian Federal Accounting Standard "Inventories" (RFAS 5/2019) approved by order of the Russian Federation Ministry of Finance dated 15 November 2019 No. 180n, the following amendments were made to the Group's accounting policies for 2021: prospective recognition of the consequences of changes in the accounting policies due to the initial application of RFAS 5/2019 "Inventories", an amended list of assets treated as inventories, a procedure for the measurement of inventories at initial recognition, including when inventories are acquired with a deferred payment (payment by instalments), and an amended procedure for the establishment of inventory impairment allowance.

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3. Changes in the Accounting Policies and Comparative Information for Previous Reporting Periods (continued)

Changes in the accounting policies for 2022

Due to the application of the Russian Federal Accounting Standard “Fixed Assets” (RFAS 6/2020) approved by order of the Russian Federation Ministry of Finance dated 17 September 2020 No. 204n, the Group’s accounting policies for 2022 were supplemented with provisions on accounting for fixed assets.

Due to the application of the Russian Federal Accounting Standard “Capital Investments” (RFAS 26/2020) approved by order of the Russian Federation Ministry of Finance dated 17 September 2020 No. 204n, the accounting policies for 2022 were amended in respect of measurement of assets within investments in non-current assets.

Due to the application of the Russian Federal Accounting Standard “Lease Accounting” (RFAS 25/2018) approved by order of the Russian Federation Ministry of Finance dated 16 October 2018 No. 208n, the Group’s accounting policies for 2022 were supplemented with provisions on accounting for leases as a lessor and as a lessee.

Restatement of comparative information for previous reporting periods

Restatement of comparative information as of 31 December 2020 and 31 December 2019 in the consolidated balance sheet as of 31 December 2021

The comparative information in the column “As of 31 December 2020” and the column “As of 31 December 2019” of the consolidated balance sheet as of 31 December 2021 was formed by restating the data of the consolidated balance sheet as of 31 December 2020 and as of 31 December 2019 due to the following circumstances:

- application from 1 January 2021 of the Russian Federal Accounting Standard “Inventories” (RFAS 5/2019) approved by order of the Russian Russian Federation Ministry of Finance dated 15 November 2019 No. 180n;
- application from 1 January 2020 of the new version of RAR 18/02 “Accounting for Corporate Profit Tax Payments”.

	As of 31 December 2020			As of 31 December 2019		
	Before adjustment	Adjustment	After adjustment	Before adjustment	Adjustment	After adjustment
I. NON-CURRENT ASSETS						
Deferred tax assets	470,778	19	470,797	340,805	17	340,822
Other non-current assets	451,717	2,098	453,815	358,576	2,436	361,012
TOTAL Section I	18,675,281	2,117	18,677,398	17,520,587	2,453	17,523,040
II. CURRENT ASSETS						
Inventories, including:	1,050,528	(2,117)	1,048,411	1,013,867	(2,446)	1,011,421
raw materials and other inventories	198,172	(2,117)	196,055	199,078	(2,446)	196,632
work in progress	98,719	(1,261)	97,458	72,382	(2,028)	70,354
finished goods and goods for resale	741,582	1,261	742,843	725,141	2,028	727,169
Other current assets	17,046	19	17,065	14,779	10	14,789
TOTAL Section II	4,277,589	(2,098)	4,275,491	4,184,715	(2,436)	4,182,279
BALANCE	22,952,870	19	22,952,889	21,705,302	17	21,705,319
III. EQUITY AND RESERVES						
Revaluation of non-current assets	6,051,042	(5,824)	6,045,218	5,949,726	(3,404)	5,946,322
Retained earnings	6,802,428	(785)	6,801,643	7,542,196	(990)	7,541,206
TOTAL Section III	14,320,872	(6,609)	14,314,263	14,455,559	(4,394)	14,451,165
IV. NON-CURRENT LIABILITIES						
Deferred tax liabilities	1,019,902	6,628	1,026,530	1,011,401	4,411	1,015,812
TOTAL Section IV	5,708,998	6,628	5,715,626	4,438,670	4,411	4,443,081
BALANCE	22,952,870	19	22,952,889	21,705,302	17	21,705,319

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3. Changes in the Accounting Policies and Comparative Information for Previous Reporting Periods (continued)

Restatement of comparative information for 2020 in the consolidated statement of financial results for 2021

In connection with the application of the Russian Federal Accounting Standard “Inventories” (RFAS 5/2019) from 1 January 2021, the comparative information in the column “For 2020” in the lines “Cost of sales” and “Administrative expenses” was restated.

In connection with the application of the new version of RAR 18/02 “Accounting for Corporate Profit Tax Payments” from 1 January 2020, the comparative information in the column “For 2020” in the lines “deferred profit tax”, “Profit tax from transactions which results are not included into net profit (loss) of the reporting period” and “Cumulative financial result for the reporting period attributable to the owners of PJSC Gazprom” was restated.

	Before adjustment	For 2020 year	
		Adjustment	After adjustment
Sales	6,430,900	-	6,430,900
Cost of sales	(5,685,998)	8,342	(5,677,656)
Gross profit	744,902	8,342	753,244
Commercial expenses	(833)	-	(833)
Administrative expenses	<u>(345,040)</u>	<u>(8,342)</u>	<u>(353,382)</u>
Profit from sales	399,029	-	399,029
Loss before profit tax	(420,155)	-	(420,155)
Profit tax, including:	69,067	205	69,272
current profit tax	(74,660)	-	(74,660)
deferred profit tax	141,926	205	142,131
previous years' profit tax	1,801	-	1,801
Net profit (loss) of the reporting period	(370,701)	205	(370,496)
Profit tax from transactions which results not included into net profit (loss) of the reporting period	(24,740)	(2,423)	(27,163)
Cumulative financial result for the reporting period attributable to the owners of PJSC Gazprom	36,410	(2,218)	34,192
Basic earnings (loss) per share attributable to the owners of PJSC Gazprom (in Russian Rubles)	(15.68)	0.01	(15.67)

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4. Segment Information

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

The Board of Directors, Chairman of the Management Committee and Management Committee of PJSC Gazprom (the “Governing bodies”) make key decisions managing the Group’s activity, assess of the operating results and allocate resources using different internal financial information.

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

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

Other activities’ results have been included within All other segments.

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

- Production of gas – sales of gas to the Distribution of gas and Refining segments;
- Transportation of gas – rendering transportation services to the Distribution of gas segment;
- Distribution of gas – sales of gas to the Transportation of gas segment for operating needs and to the Electric and heat energy generation and sales segment;
- Gas storage – provision of gas storage services to the Distribution of gas segment;
- Production of crude oil and gas condensate – sales of crude oil and gas condensate to the Refining segment for further processing;
- Refining – sales of refined hydrocarbon products to other segments.

Internal transfer prices, mostly for Production of gas, Transportation of gas and Gas storage segments, are established by the management of the Group with the objective to meet funding requirements of particular subsidiaries within a segment.

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4. Segment Information (continued)

The Governing bodies of the Group assess the performance, assets and liabilities of the reportable segments on the basis of the internal financial reporting. Segment revenues of the Group are generated from transactions with customers. Profit tax expense and other similar mandatory payments, interest income and expense, income from investments in other companies are not included in the segment profit (loss). Other income and expenses are not allocated by segments because it is deemed impracticable and as the required allocation base is not available.

	Production of gas	Transportation of gas	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
For 2021									
Sales of segments	1,052,911	1,237,222	5,962,933	61,049	2,162,178	2,616,115	594,411	314,522	14,001,341
Inter-segment sales	1,029,170	1,057,116	366,611	56,284	973,290	20,183	-	-	3,502,654
External sales	23,741	180,106	5,596,322	4,765	1,188,888	2,595,932	594,411	314,522	10,498,687
Financial result of segments	38,766	125,422	1,786,964	5,336	699,766	(98,789)	73,232	181,082	2,811,779
Depreciation	211,865	470,364	16,581	29,860	204,075	76,266	56,537	39,926	1,105,474
Capitalised profit of associates	13,461	35,416	3,459	232	202,374	8,590	105	3,894	267,531
For 2020									
Sales of segments	846,279	1,153,102	3,303,882	59,736	1,107,667	1,819,242	498,417	327,993	9,116,318
Inter-segment sales	823,673	973,455	267,911	55,168	544,620	20,591	-	-	2,685,418
External sales	22,606	179,647	3,035,971	4,568	563,047	1,798,651	498,417	327,993	6,430,900
Financial result of segments	66,622	112,053	46,092	7,181	295,573	(204,059)	58,299	17,268	399,029
Depreciation	208,868	465,105	15,502	27,381	193,847	70,022	50,013	39,038	1,069,776
Capitalised profit of associates	3,274	32,308	1,260	590	82,813	3,238	84	32,035	155,602

The reconciliation of reportable segments' financial results to profit before profit tax in the consolidated statement of financial results is provided below.

Note	For 2021	For 2020
Financial result of segments	2,811,779	399,029
Income from investments in other companies	25,963	23,763
Interest income	67,877	56,540
Interest expense	(164,813)	(157,655)
19 Other income	7,332,327	5,557,651
19 Other expenses	(7,466,135)	(6,455,085)
9 Capitalised profit of associates	267,531	155,602
Profit (loss) before profit tax	2,874,529	(420,155)

Assets of segments include primarily tangible and intangible exploration assets, fixed assets, construction in progress, inventory, work in progress, accounts receivable and other non-current assets. Investments in unconsolidated subsidiaries, associates, equity investments in other companies and joint activity are allocated to the reportable segments on the basis of primary activity of an entity, in which corresponding investments were made. Goodwill, deferred tax assets, VAT, cash and cash equivalents, other financial investments, as well as loans issued to the entities are not included in assets of segments as they are not directly related to the reportable segments and the required allocation base is not available.

The Group's assets are primarily located in the Russian Federation. Information on non-current assets by geographic regions is not disclosed due to the fact that the carrying value of non-current assets located outside the Russian Federation is insignificant.

Inter-segment operations represent the balance of intercompany transactions.

Segments' capital expenditures include capital investments in fixed assets of the corresponding periods.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2021
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4. Segment Information (continued)

	Production of gas	Transportation of gas	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
As of 31 December 2021									
Assets of segments	3,899,512	8,386,473	2,548,923	375,562	2,993,373	2,898,417	983,119	2,203,533	24,288,912
Investments in associates	23,414	268,330	44,311	8,998	695,729	31,137	1,371	525,289	1,598,579
Capital expenditures ¹	440,811	486,578	50,767	11,520	302,945	328,512	88,609	227,914	1,937,656
As of 31 December 2020									
Assets of segments	3,283,779	7,267,915	1,800,403	341,436	2,729,366	2,592,846	849,543	2,163,366	21,028,654
Investments in associates	15,949	277,037	51,155	9,422	692,363	37,017	1,328	423,628	1,507,899
Capital expenditures ²	317,341	251,374	17,873	24,502	321,385	353,794	67,382	116,675	1,470,326
As of 31 December 2019									
Assets of segments	3,032,430	7,022,214	1,649,482	360,664	2,545,066	2,270,767	838,776	1,804,272	19,523,671
Investments in associates	15,829	205,119	44,378	6,504	640,902	28,702	1,100	378,824	1,321,358
Capital expenditures ³	329,362	464,135	25,827	13,188	248,725	409,764	72,151	196,264	1,759,416

¹ Capital expenditures for 2021.

² Capital expenditures for 2020.

³ Capital expenditures for 2019.

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

Note	As of 31 December 2021	As of 31 December 2020	As of 31 December 2019
Assets of reportable segments	22,085,379	18,865,288	17,719,399
Assets of other segments	2,203,533	2,163,366	1,804,272
Total assets of segments	24,288,912	21,028,654	19,523,671
5 Goodwill on subsidiaries	472,929	522,474	579,253
Loans issued to companies beyond 12 months	233,743	179,872	217,408
9 Other long-term financial investments	58,575	40,882	42,196
Deferred tax assets	397,902	470,778	340,805
VAT on purchased goods	105,570	134,618	142,665
Loans issued to companies due within 12 months	74,182	145,700	94,302
12 Other short-term financial investments	226,657	45,870	733,075
Cash and cash equivalents	2,031,239	1,034,474	699,948
Inter-segment assets	(1,025,883)	(950,754)	(921,217)
Other	406,451	300,302	253,196
Total assets in the consolidated balance sheet	27,270,277	22,952,870	21,705,302

Liabilities of segments mainly comprise accounts payable arising in the course of operating activities and long-term provision for decommissioning and site restoration costs related to subsurface use. Current profit tax payable and other taxes payable for which there is no basis for allocation, deferred tax liabilities, borrowings and other non-current liabilities are not allocated to the reportable segments and managed on a central basis.

	Production of gas	Transportation of gas	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
As of 31 December 2021									
Liabilities of segments	338,141	310,344	1,320,979	28,682	428,234	899,024	124,390	386,106	3,835,900
As of 31 December 2020									
Liabilities of segments	335,942	256,085	709,075	30,585	445,039	724,397	115,446	342,919	2,959,488
As of 31 December 2019									
Liabilities of segments	372,881	282,541	751,393	26,963	374,692	598,665	101,520	216,456	2,725,111

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2021
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4. Segment Information (continued)

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

Note		As of 31 December 2021	As of 31 December 2020	As of 31 December 2019
	Liabilities of reportable segments	3,449,794	2,616,569	2,508,655
	Liabilities of other segments	386,106	342,919	216,456
	Total liabilities of segments	3,835,900	2,959,488	2,725,111
15	Long-term loans and borrowings	4,213,299	4,237,971	3,074,240
	Deferred tax liabilities	1,317,984	1,026,530	1,015,812
15	Short-term loans and borrowings and current portion of long-term loans and borrowings	695,619	701,811	791,812
	Dividends payable	12,492	5,625	3,666
	Income of future periods	3,383	2,328	5,586
	Inter-segment liabilities	(1,025,883)	(950,754)	(921,217)
	Other	374,506	215,732	149,395
	Total liabilities in the consolidated balance sheet	9,427,300	8,198,731	6,844,405

Information on sales by geographical regions is presented in Note 17. Information on assets by geographical regions is not disclosed as assets of the Group are mainly located on the territory of the Russian Federation.

Cash flows from operating, investing and financial activities for reportable segments are provided below.

	Production of gas	Transportation of gas	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
For 2021									
Cash flows from operating activities									
Total cash received	27,139	177,829	5,948,036	2,452	1,115,976	2,667,729	560,749	395,878	10,895,788
Unallocated cash flows	-	-	-	-	-	-	-	-	443,790
Total cash paid	(847,688)	(605,007)	(2,483,900)	(20,381)	(1,402,704)	(1,530,337)	(356,447)	(409,409)	(7,655,873)
Unallocated cash flows	-	-	-	-	-	-	-	-	(587,049)
Cash flows from investing activities									
Total cash received	391	1	11,318	-	1,518	3,266	10,388	9,323	36,205
Unallocated cash flows	-	-	-	-	-	-	-	-	531,461
Total cash paid	(431,180)	(413,791)	(161,484)	(10,923)	(245,761)	(351,009)	(72,152)	(75,157)	(1,761,457)
Unallocated cash flows	-	-	-	-	-	-	-	-	(788,617)
Cash flows from financial activities									
Total cash received	-	-	-	-	-	11,534	2,505	11,210	25,249
Unallocated cash flows	-	-	-	-	-	-	-	-	1,072,896
Total cash paid	(319)	(1,150)	(120)	(81)	(121)	(174)	(8)	(6,892)	(8,865)
Unallocated cash flows	-	-	-	-	-	-	-	-	(1,179,745)

PJSC Gazprom
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4. Segment Information (continued)

	Production of gas	Transportation of gas	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
For 2020									
Cash flows from operating activities									
Total cash received	25,284	176,717	3,566,307	3,508	640,361	2,054,316	484,788	363,557	7,314,838
Unallocated cash flows	-	-	-	-	-	-	-	-	284,677
Total cash paid	(706,441)	(593,960)	(1,848,155)	(17,772)	(983,847)	(1,238,701)	(316,825)	(450,266)	(6,155,967)
Unallocated cash flows	-	-	-	-	-	-	-	-	(328,582)
Cash flows from investing activities									
Total cash received	5	425	769	-	157	594	14,339	17,560	33,849
Unallocated cash flows	-	-	-	-	-	-	-	-	1,363,042
Total cash paid	(290,349)	(325,177)	(87,070)	(10,318)	(253,939)	(348,241)	(58,398)	(67,038)	(1,440,530)
Unallocated cash flows	-	-	-	-	-	-	-	-	(811,739)
Cash flows from financial activities									
Total cash received	-	-	-	-	1,184	13,390	3,003	1,226	18,803
Unallocated cash flows	-	-	-	-	-	-	-	-	1,336,395
Total cash paid	(10)	(69)	(117)	-	(210)	(185)	(19)	(3,864)	(4,474)
Unallocated cash flows	-	-	-	-	-	-	-	-	(1,347,781)

5. Goodwill on Subsidiaries

Note	Gross book value	Accumulated amortisation	Net book value
As of 31 December 2019			
PJSC Gazprom Neft	539,720	(358,854)	180,866
OJSC Gazprom transgaz Belarus	146,316	(58,528)	87,788
JSC Gazpromneft-MNPZ	113,046	(56,715)	56,331
PJSC OGK-2	87,263	(50,324)	36,939
LLC Gazprom neftekhim Salavat	70,882	(26,584)	44,298
PJSC MIPC	70,014	(21,875)	48,139
PJSC Mosenergo	46,612	(28,973)	17,639
LLC Gazprom нефт shelf	37,302	(27,624)	9,678
PJSC TGC-1	35,518	(17,760)	17,758
WIBG GmbH	28,925	(6,147)	22,778
JSC Gazprom gazoraspredelenie Sever	23,314	(9,021)	14,293
JSC REPH	9,960	-	9,960
JSC Daltransgaz	6,990	(3,725)	3,265
JSC Yuzhuralneftegaz	6,815	(2,756)	4,059
Others	46,141	(20,679)	25,462
Total	1,268,818	(689,565)	579,253
Disposals for 2020			
Others	(4)	-	(4)
Total	(4)	-	(4)

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5. Goodwill on Subsidiaries (continued)

Note	Gross book value	Accumulated amortisation	Net book value
19 Amortisation charge for 2020			
PJSC Gazprom Neft		(26,986)	
OJSC Gazprom transgaz Belarus		(7,316)	
JSC Gazpromneft-MNPZ		(5,652)	
PJSC OGK-2		(4,359)	
LLC Gazprom neftekhim Salavat		(3,544)	
PJSC MIPC		(3,500)	
PJSC Mosenergo		(2,331)	
LLC Gazprom neft shelf		(1,865)	
PJSC TGC-1		(1,776)	
WIBG GmbH		(1,721)	
JSC Gazprom gazoraspredelenie Sever		(1,166)	
JSC REPH		(498)	
JSC Daltransgaz		(349)	
JSC Yuzhuralneftegaz		(341)	
Others		<u>(2,233)</u>	
Total		(63,637)	
Translation differences for 2020			
WIBG GmbH	8,903	(2,062)	6,841
Others	<u>21</u>	<u>-</u>	<u>21</u>
Total	8,924	(2,062)	6,862
As of 31 December 2020			
PJSC Gazprom Neft	539,720	(385,840)	153,880
OJSC Gazprom transgaz Belarus	146,316	(65,844)	80,472
JSC Gazpromneft-MNPZ	113,046	(62,367)	50,679
PJSC OGK-2	87,263	(54,683)	32,580
LLC Gazprom neftekhim Salavat	70,882	(30,128)	40,754
PJSC MIPC	70,014	(25,375)	44,639
PJSC Mosenergo	46,612	(31,304)	15,308
WIBG GmbH	37,828	(9,930)	27,898
LLC Gazprom neft shelf	37,302	(29,489)	7,813
PJSC TGC-1	35,518	(19,536)	15,982
JSC Gazprom gazoraspredelenie Sever	23,314	(10,187)	13,127
JSC REPH	9,960	(498)	9,462
JSC Daltransgaz	6,990	(4,074)	2,916
JSC Yuzhuralneftegaz	6,815	(3,097)	3,718
Others	<u>46,158</u>	<u>(22,912)</u>	<u>23,246</u>
Total	1,277,738	(755,264)	522,474
Additions for 2021			
Centrex Europe Energy & Gas AG	<u>16,696</u>	-	<u>16,696</u>
Total	16,696	-	16,696
Disposals for 2021			
Others	<u>(284)</u>	<u>158</u>	<u>(126)</u>
Total	(284)	158	(126)

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5. Goodwill on Subsidiaries (continued)

Note	Gross book value	Accumulated amortisation	Net book value
19 Amortisation charge for 2021			
PJSC Gazprom Neft		(26,986)	
OJSC Gazprom transgaz Belarus		(7,316)	
JSC Gazpromneft-MNPZ		(5,652)	
PJSC OGK-2		(4,358)	
LLC Gazprom neftekhim Salavat		(3,544)	
PJSC MIPC		(3,499)	
PJSC Mosenergo		(2,333)	
LLC Gazprom neft shelf		(1,866)	
PJSC TGC-1		(1,776)	
WIBG GmbH		(1,818)	
JSC Gazprom gazoraspredelenie Sever		(1,166)	
JSC REPH		(498)	
Centrex Europe Energy & Gas AG		(417)	
JSC Daltransgaz		(349)	
JSC Yuzhuralneftegaz		(341)	
Others		<u>(2,226)</u>	
Total		(64,145)	
Translation differences for 2021			
WIBG GmbH	<u>(2,759)</u>	<u>789</u>	<u>(1,970)</u>
Total	(2,759)	789	(1,970)
As of 31 December 2021			
PJSC Gazprom Neft	539,720	(412,826)	126,894
OJSC Gazprom transgaz Belarus	146,316	(73,160)	73,156
JSC Gazpromneft-MNPZ	113,046	(68,019)	45,027
PJSC OGK-2	87,263	(59,041)	28,222
LLC Gazprom neftekhim Salavat	70,882	(33,672)	37,210
PJSC MIPC	70,014	(28,874)	41,140
PJSC Mosenergo	46,612	(33,637)	12,975
LLC Gazprom neft shelf	37,302	(31,355)	5,947
PJSC TGC-1	35,518	(21,312)	14,206
WIBG GmbH	35,069	(10,959)	24,110
JSC Gazprom gazoraspredelenie Sever	23,314	(11,353)	11,961
Centrex Europe Energy & Gas AG	16,696	(417)	16,279
JSC REPH	9,960	(996)	8,964
JSC Daltransgaz	6,990	(4,423)	2,567
JSC Yuzhuralneftegaz	6,815	(3,438)	3,377
Others	<u>45,874</u>	<u>(24,980)</u>	<u>20,894</u>
Total	1,291,391	(818,462)	472,929

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2021
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6. Exploration Assets

	As of 31 December 2020	Changes for 2021					As of 31 December 2021
		Additions	Disposals	Intra- group	Depreciation charge	Translation differences	
Intangible exploration assets – total,	202,036	37,889	(38,330)	-	(2)	(337)	201,256
including:							
licences on minerals prospecting,							
estimation, exploration and extraction	164,419	21,398	(35,891)	-	(2)	20	149,944
expenditure on obtaining rights on							
subsurface use, expenditure on							
geological knowledge	37,617	16,491	(2,439)	-	-	(357)	51,312
Tangible exploration assets – total,	132,613	62,636	(88,237)	-	-	(520)	106,492
including:							
wells	86,137	32,299	(62,885)	24,094	-	(141)	79,504
exploration expenses classified as tangible							
exploration assets	46,476	30,337	(25,352)	(24,094)	-	(379)	26,988

	As of 31 December 2019	Changes for 2020					As of 31 December 2020
		Additions	Disposals	Intra- group	Depreciation charge	Translation differences	
Intangible exploration assets – total,	176,352	37,145	(14,208)	-	(2)	2,749	202,036
including:							
licences on minerals prospecting,							
estimation, exploration and extraction	143,481	23,680	(3,750) ¹	-	(2)	1,010	164,419
expenditure on obtaining rights on							
subsurface use, expenditure on							
geological knowledge	32,871	13,465	(10,458)	-	-	1,739	37,617
Tangible exploration assets – total,	131,151	60,694	(60,992)	-	-	1,760	132,613
including:							
wells	86,264	29,800	(30,948) ²	-	-	1,021	86,137
exploration expenses classified as tangible							
exploration assets	44,887	30,894	(30,044)	-	-	739	46,476

¹ Including impairment loss in the amount of RUB 61 million.

² Including impairment loss in the amount of RUB 4,566 million.

PJSC Gazprom
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7. Fixed Assets

Note	Trunk pipelines	Wells	Machinery and equipment	Buildings and roads	Other	Total
As of 31 December 2019						
Historical (replacement) cost	14,163,710	2,508,631	5,520,156	2,851,801	5,313,802	30,358,100
Accumulated depreciation	(10,836,660)	(1,824,496)	(4,074,636)	(1,255,607)	(2,705,124)	(20,696,523)
Net book value	3,327,050	684,135	1,445,520	1,596,194	2,608,678	9,661,577
Changes for 2020						
Historical (replacement) cost						
Additions	589,976	227,523	330,016	105,629	290,137	1,543,281
Disposals	(3,596)	(21,017)	(34,414)	(17,805)	(65,301)	(142,133)
Revaluation	2,457	1,931	39,074	223,818	29,502	296,782
Translation differences	113,199	43,475	64,966	25,254	9,311	256,205
Accumulated depreciation						
4 Depreciation	(314,676)	(151,429)	(289,382)	(95,814)	(218,475)	(1,069,776)
Disposals	3,426	9,878	29,747	6,898	21,255	71,204
Revaluation of fixed assets	(1,896)	(1,865)	(19,178)	(117,117)	(18,600)	(158,656)
Translation differences	(880)	(13,734)	(28,158)	(8,709)	(276)	(51,757)
As of 31 December 2020						
Historical (replacement) cost	14,865,746	2,760,543	5,919,798	3,188,697	5,577,451	32,312,235
Accumulated depreciation	(11,150,686)	(1,981,646)	(4,381,607)	(1,470,349)	(2,921,220)	(21,905,508)
Net book value	3,715,060	778,897	1,538,191	1,718,348	2,656,231	10,406,727
Changes for 2021						
Historical (replacement) cost						
Additions	92,659	209,782	428,454	111,571	451,546	1,294,012
Disposals	(4,003)	(25,502)	(53,500)	(18,746)	(56,024)	(157,775)
Revaluation	3,445,686	335,828	895,566	397,965	816,640	5,891,685
Translation differences	(41,724)	(9,058)	(19,561)	(7,501)	(2,227)	(80,071)
Accumulated depreciation						
4 Depreciation	(296,624)	(160,751)	(304,912)	(98,328)	(244,858)	(1,105,473)
Disposals	2,436	19,389	44,081	7,974	39,966	113,846
Revaluation of fixed assets	(2,810,884)	(293,307)	(779,764)	(213,924)	(519,009)	(4,616,888)
Translation differences	76	2,717	7,512	3,008	(242)	13,071
As of 31 December 2021						
Historical (replacement) cost	18,358,364	3,271,593	7,170,757	3,671,986	6,787,386	39,260,086
Accumulated depreciation	(14,255,682)	(2,413,598)	(5,414,690)	(1,771,619)	(3,645,363)	(27,500,952)
Net book value	4,102,682	857,995	1,756,067	1,900,367	3,142,023	11,759,134

The Group entities transfer social assets which were obtained in the course of privatisation to local authorities (see Note 2). The transferred assets amounted to RUB 13 million in 2021 (in 2020 – RUB nil million).

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8. Construction in Progress

	Construction in progress	Equipment for installation	Total
As of 31 December 2019	3,669,135	343,157	4,012,292
Changes for 2020			
Capital expenditures	1,325,421	147,581	1,473,002
Translation differences	181,843	(24)	181,819
Transfer of equipment for installation	163,717	(163,717)	-
Transfer to fixed assets	(1,543,281)	-	(1,543,281)
Other disposals (including write-off)	(87,481)	(2,984)	(90,465)
As of 31 December 2020	3,709,354	324,013	4,033,367
Changes for 2021			
Capital expenditures	1,865,255	151,072	2,016,327
Translation differences	(58,116)	35	(58,081)
Transfer of equipment for installation	149,026	(149,026)	-
Transfer to fixed assets	(1,288,783)	-	(1,288,783)
Other disposals (including write-off)	(38,126)	(11,903)	(50,029)
As of 31 December 2021	4,338,610	314,191	4,652,801

Construction in progress mostly consists of construction of transport infrastructure, including the implementation of projects on construction of the gas pipelines Power of Siberia (including the Kovykta – Chayanda section), Sakhalin-Khabarovsk-Vladivostok and Nord Stream 2, development of the cenomanian-apian deposits of the Kharasaveyskoye gas condensate field, development of the Kovyktinskoye and Kirinskoye gas condensate fields, development of the Chayandinskoye oil and gas condensate field, as well as development of gas transmission capacities of the unified gas supply system of the North-West region (section Gryazovets – compressor station Slavyanskaya) and construction of Amur gas processing plant.

9. Financial Investments

Long-Term Financial Investments

Investments in subsidiaries

Data in the line “Investments in subsidiaries” of the consolidated balance sheet are stated net of impairment allowance of financial investments in the amount of RUB 21,119 million, RUB 24,690 million and RUB 18,956 million as of 31 December 2021, 2020 and 2019, respectively. The impairment allowance primarily relates to non-core investments in subsidiaries.

Investments in associates

Note		Carrying value			Capitalised profit (loss)	
		As of 31 December 2021	As of 31 December 2020	As of 31 December 2019	For 2021	For 2020
21, 23	Sakhalin Energy Investment Company Ltd.	211,660	218,721	176,609	74,414	39,815
21, 23	Gazprombank (Joint Stock Company) ¹	209,400	173,239	142,994	26,660	18,822
21	PJSC NGK Slavneft and its subsidiaries	155,111	138,781	138,067	14,923	338
21, 23	Nord Stream AG	125,779	127,647	91,389	23,836	22,083
21	JSC Arcticgas	123,883	160,312	136,262	62,946	34,300
21	JSC Tomskneft VNK and its subsidiaries	120,350	115,337	118,868	5,015	(3,532)
21, 23	JSC Gazstroyprom	88,376	42,567	43,129	(37,964)	(562)
	WIGA Transport Beteiligungs-GmbH & Co.					
21	KG and its subsidiaries	66,936	69,196	52,273	11,044	10,084
21	JSC Messoyakhaneftegaz	46,028	43,711	44,674	14,817	9,037
21	JSC Achimgaz	40,325	33,313	34,888	30,246	10,576
21	JSC NPF GAZFOND ²	37,884	34,863	32,729	3,021	2,134
21	JSC EUROPOL GAZ	35,397	37,522	30,117	1,189	343
	Wintershall AG	20,399	19,172	15,590	2,686	(1,066)
21	CJSC Northgas	15,409	12,226	10,526	3,184	1,700
21	JSC Latvijas Gaze and its subsidiaries	11,175	12,287	9,281	86	413
21	Blue Stream Pipeline Company B.V.	10,699	13,153	13,547	(653)	(324)
21	KazRosGas LLP	9,838	14,408	13,937	3,352	587
21	LLC Yuzhno-Priobskij GPZ	8,018	7,877	7,672	194	269

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9. Financial Investments (continued)

Note		Carrying value			Capitalised profit (loss)	
		As of 31 December 2021	As of 31 December 2020	As of 31 December 2019	For 2021	For 2020
21	Salym Petroleum Development N.V.	-	-	-	15,398	1,481
	Others	<u>261,912</u>	<u>233,567</u>	<u>208,806</u>	<u>13,137</u>	<u>9,104</u>
	Total	1,598,579	1,507,899	1,321,358	267,531	155,602

¹ In March 2020 the Group purchased Gazprombank (Joint Stock Company) ordinary shares from one of its shareholders, as the result of which the Group's share in voting shares increased from 46.02 % to 49.88 %.

² In January 2020 the remaining 25 % of ordinary registered uncertificated shares not allocated at the date of JSC NPF GAZFOND state registration were distributed among its shareholders in proportion to the number of the shares they owned. The Group's voting share in JSC NPF GAZFOND did not change. As of 31 December 2020 the Group's share in voting shares is equal to ownership interest.

Data in the line "Investments in associates" of the consolidated balance sheet are stated net of impairment allowance of financial investments in the amount of RUB 24,208 million, RUB 20,272 million and RUB 21,360 million as of 31 December 2021, 2020 and 2019, respectively.

Investments in other companies

The line "Investments in other companies" of the consolidated balance sheet includes the investment in share capital of PJSC NOVATEK in the amount of 9.99 % of shares with carrying value amounting to RUB 527,769 million, RUB 362,681 million and RUB 380,811 million as of 31 December 2021, 2020 and 2019, respectively.

The line "Investments in other companies" of the consolidated balance sheet also includes the Group's investments in shares of energy companies, with total carrying value amounting to RUB 4,495 million, RUB 6,682 million and RUB 6,013 million as of 31 December 2021, 2020 and 2019, respectively.

Data in the line "Investments in other companies" of the consolidated balance sheet are stated net of impairment allowance of financial investments in the amount of RUB 372 million, RUB 333 million and RUB 453 million as of 31 December 2021, 2020 and 2019, respectively. The impairment allowance primarily relates to non-core investments in other companies.

Loans issued to companies beyond 12 months

Data in the line "Loans issued to companies beyond 12 months" of the consolidated balance sheet are stated net of impairment allowance of financial investments in the amount of RUB 3,384 million, RUB 1,528 million and RUB 943 million as of 31 December 2021, 2020 and 2019, respectively.

Other financial investments

	As of 31 December 2021	As of 31 December 2020	As of 31 December 2019
Joint activity, including:	39,572	39,218	38,855
development of oil and gas fields on the continental shelf of the Socialist Republic of Vietnam (operator – JSC Gazprom zarubezhneftegaz)	35,495	35,140	34,770
development of a satellite communication system (operator – JSC Gazprom Space Systems)	3,498	3,498	3,498
Other, including:	19,003	1,664	3,341
long-term deposits	18,903	1,562	3,277
third party promissory notes	-	-	1
Total	58,575	40,882	42,196

Data in the line "Other financial investments" of the consolidated balance sheet are stated net of impairment allowance of financial investments in the amount of RUB 139 million, RUB 171 million and RUB 248 million as of 31 December 2021, 2020 and 2019, respectively.

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10. Inventories

Raw materials and other inventories

In the consolidated balance sheet values of raw materials and other inventories in the amount of RUB 206,399 million, RUB 196,055 million and RUB 196,632 million as of 31 December 2021, 2020 and 2019, respectively, are disclosed net of obsolete allowance in the amount of RUB 7,122 million, RUB 6,052 million and RUB 4,299 million as of 31 December 2021, 2020 and 2019, respectively.

Finished goods and goods for resale

In the consolidated balance sheet values of finished goods and goods for resale in the amount of RUB 776,168 million, RUB 742,843 million and RUB 727,169 million as of 31 December 2021, 2020 and 2019, respectively, are disclosed net of obsolete allowance in the amount of RUB 2,823 million, RUB 6,018 million and RUB 3,963 million as of 31 December 2021, 2020 and 2019, respectively.

	As of 31 December 2021	As of 31 December 2020	As of 31 December 2019
Gas in pipelines and storages	630,650	633,735	614,997
Oil, gas condensate and refined products	103,780	67,022	75,355
Goods for resale	<u>41,738</u>	<u>42,086</u>	<u>36,817</u>
Total	776,168	742,843	727,169

11. Accounts Receivable

Accounts receivable payment expected beyond 12 months of the reporting date

The line “Accounts receivable from buyers and customers” of the consolidated balance sheet includes long-term receivables for gas in the amount of RUB 5,956 million, RUB 10,589 million and RUB 6,956 million as of 31 December 2021, 2020 and 2019, respectively.

The line “Other receivables” of the consolidated balance sheet includes receivables, issued for capital construction purposes in the amount of RUB 2,566 million, RUB 2,534 million and RUB 5,228 million as of 31 December 2021, 2020 and 2019, respectively.

Accounts receivable payment expected within 12 months of the reporting date

The line “Accounts receivable from buyers and customers” of the consolidated balance sheet as of 31 December 2021, 2020 and 2019 includes the following:

	As of 31 December 2021	As of 31 December 2020	As of 31 December 2019
Receivables of customers from Europe and other countries for gas, crude oil, gas condensate and refined products	1,127,340	464,571	385,202
Receivables of Domestic customers for gas, crude oil, gas condensate and refined products	247,382	194,575	189,798
Receivables of customers for electric and heat energy	97,374	69,464	71,908
Receivables of customers from Former Soviet Union countries (excluding Russian Federation) for gas, crude oil, gas condensate and refined products	36,043	31,232	29,737
Other trade debtors	<u>114,077</u>	<u>138,616</u>	<u>82,455</u>
Total	1,622,216	898,458	759,100

As of 31 December 2021, 2020 and 2019 accounts receivable in the line “Accounts receivable from buyers and customers” are stated net of bad debt allowance of RUB 1,022,526 million, RUB 974,357 million and RUB 839,676 million, respectively. As of 31 December 2021, 2020 and 2019 the bad debt allowance has been calculated net of deferred excise tax on natural gas of RUB nil million, RUB 89 million and RUB 89 million, respectively.

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11. Accounts Receivable (continued)

As of 31 December 2021, 2020 and 2019 the line “Advances issued” of the consolidated balance sheet includes advances issued to suppliers and contractors for capital construction purposes in the amount of RUB 496,540 million, RUB 311,647 million and RUB 208,778 million, respectively.

As of 31 December 2021, 2020 and 2019 the line “Other accounts receivable” of the consolidated balance sheet includes the following:

	As of 31 December 2021	As of 31 December 2020	As of 31 December 2019
Overpayment of taxes to the budget	271,495	168,771	148,030
Settlements on custom duties	78,113	15,567	26,595
Settlements on claims	5,413	3,944	4,549
Other	<u>133,077</u>	<u>197,877</u>	<u>127,170</u>
Total	488,098	386,159	306,344

The line “Other accounts receivable” is stated net of the bad debt allowance amounting to RUB 67,745 million, RUB 69,861 million and RUB 62,007 million as of 31 December 2021, 2020 and 2019, respectively.

12. Financial Investments (Except for Cash Equivalents)

Loans issued to companies due within 12 months

Data in the line “Loans issued to companies due within 12 months” of the consolidated balance sheet are stated net of impairment allowance of financial investments in the amount of RUB 9,305 million, RUB 14,704 million and RUB 8,236 million as of 31 December 2021, 2020 and 2019, respectively.

Other financial investments

	As of 31 December 2021	As of 31 December 2020	As of 31 December 2019
Short-term deposits	199,768	13,883	672,364
Shares, bonds and participatory interests	25,011	29,772	36,088
Third party promissory notes	207	205	23,979
Other	<u>1,671</u>	<u>2,010</u>	<u>644</u>
Total	226,657	45,870	733,075

Data in the line “Other financial investments” of the consolidated balance sheet are stated net of impairment allowance of financial investments in the amount of RUB 159 million, RUB 3,698 million and RUB 3,300 million as of 31 December 2021, 2020 and 2019, respectively.

13. Cash and Cash Equivalents

In the line “Other monetary assets and cash equivalents” of the consolidated balance sheet as of 31 December 2021, 2020 and 2019 there are no cash balances on bank accounts which are restricted as to withdrawal under the terms of certain loans and borrowings.

14. Equity

Share capital

PJSC Gazprom’s share capital amounted to RUB 118,368 million. The number of PJSC Gazprom’s ordinary shares issued and paid did not change in 2021 and amounted to 23,674 million with nominal value of 5 Russian Rubles each.

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14. Equity (continued)

Treasury shares

Treasury shares are recorded in the consolidated balance sheet at their purchase cost. As of 31 December 2021, 2020 and 2019 subsidiaries of PJSC Gazprom held 29 million PJSC Gazprom's ordinary shares, which were accounted for as treasury shares.

The shares held by PJSC Gazprom's subsidiaries represented 0.1 % of the total number of PJSC Gazprom's shares as of 31 December 2021, 2020 and 2019.

Shares held by subsidiaries of the Group are not taken into account in calculation of earnings per share (see Note 22).

The Group retains control over all treasury shares of PJSC Gazprom held by its subsidiaries.

Dividends

In accordance with the decision of the General shareholders meeting, based on the 2020 results of PJSC Gazprom, dividends in the amount of 12.55 Russian Rubles per ordinary share were accrued and paid in 2021. Based on the 2019 results of PJSC Gazprom, dividends in the amount of 15.24 Russian Rubles per ordinary share were accrued and paid in 2020.

Perpetual notes

The line "Additional capital" of the consolidated balance sheet includes perpetual callable loan participation notes with a par value of USD 1,400 million and EUR 1,000 million issued in October 2020, perpetual notes with a par value of RUB 60,000 million issued in June 2021 and perpetual notes with a par value of RUB 60,000 million issued in September 2021. Initial interest rates were set at 4.5985 % for the notes in USD, 3.8970 % for the notes in EUR, 8.4500 % for the notes in RUB issued in June 2021 and 8.600 % for the notes in RUB issued in September 2021. Notes interest rates are to be reviewed every five years.

The Group has an unconditional right, at any time and on any number of occasions, to postpone interest payment on foreign currency perpetual loan participation notes and a right to decide to refuse to pay interest on Russian Ruble perpetual notes.

Notes redemption may be postponed at the Group's discretion on an unlimited number of occasions for a period of at least five years. The Group has a right for the call of the notes in full (not partially) with simultaneous payment of interest accrued as at the call date.

As at 31 December 2021, the amount of perpetual notes, accrued interest and translation difference reported within additional capital amounted to RUB 106,069 million for the notes received in USD, RUB 87,121 million for the notes received in EUR and RUB 120,000 million for the notes received in RUB. As at 31 December 2020, the amount of perpetual notes, accrued interest and translation difference reported within additional capital amounted to RUB 104,285 million for the notes received in USD and RUB 91,331 million for the notes received in EUR.

In 2021, the Group accrued interest of RUB 8,140 million and RUB 2,528 million on the foreign currency and Russian Ruble perpetual notes, respectively, reported within additional capital by charging retained earnings. Retained earnings were also decreased by additional costs of RUB 950 million directly associated with the issuance of Russian Ruble perpetual notes. The translation loss and gain of RUB 614 million and RUB 6,724 million, respectively, from the translation of the foreign currency perpetual loan participation notes and accrued interest were charged to the retained earnings.

In 2020, the Group accrued interest of RUB 1,523 million on the foreign currency perpetual notes reported within additional capital by charging retained earnings. Retained earnings were also decreased by additional costs of RUB 2,659 million directly associated with the issuance of the foreign currency perpetual notes. The translation loss and gain of RUB 269 million and RUB 3,666 million, respectively, from the translation of the foreign currency perpetual notes, accrued interest and additional costs directly associated with their issuance were charged to the retained earnings.

In 2021 the Group recognised a liability to pay interest and redeemed interest on the foreign currency and Russian Ruble perpetual notes in the amount of RUB 4,455 million (RUB 4,457 million paid off including translation loss) and RUB 2,528 million (RUB 2,528 million paid off), respectively. In 2020 there was no redemption of interest on the foreign currency perpetual notes.

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15. Borrowings

	As of 31 December 2021	As of 31 December 2020	As of 31 December 2019
Bank borrowings, including:	1,847,382	2,020,887	1,625,177
due within one year, including current portion of long-term bank borrowings	124,075	328,089	460,978
Loans			
Loan participation notes ¹	2,033,943	1,837,251	1,388,509
Loans	558,216	580,161	456,477
Russian bonds ²	420,712	454,997	359,019
Other bonds ³	41,946	46,486	36,870
Promissory notes	6,719	-	-
Total loans, including:	3,061,536	2,918,895	2,240,875
due within one year, including current portion of long-term borrowings	571,544	373,722	330,834

¹The issuers of these bonds are Gaz Finance Plc. (the bonds were issued under EUR 30,000 million Programme for the Issuance of Loan Participation Notes), Gaz Capital S.A. (bonds were issued under USD 40,000 million Programme for the Issuance of Loan Participation Notes) and GPN Capital S.A.

²Issuer of these bonds are PJSC Gazprom Neft, Gazprom Capital LLC, PJSC Gazprom, PJSC OGC-2, PJSC MIPC, PJSC TGC-1.

³Issuer of these bonds is GazAsia Capital S.A.

Long-term foreign currency denominated borrowings had fixed interest rates ranging from 1.72 % to 8.87 % and from 1.79 % to 8.87 % in 2021 and 2020, respectively. Also in 2021 and 2020 long-term foreign currency denominated borrowings had variable interest rates generally linked to LIBOR and EURIBOR.

Long-term borrowings denominated in Russian Rubles had fixed interest rates ranging from 5.25 % to 10.75 % and from 5.25 % to 10.25 % in 2021 and 2020, respectively.

Short-term foreign currency denominated borrowings had fixed interest rates ranging from 0.00 % to 0.50 % and from 0.00 % to 3.10 % in 2021 and 2020, respectively. Also in 2021 and 2020 short-term foreign currency denominated borrowings had variable interest rates generally linked to LIBOR and EURIBOR.

Short-term borrowings denominated in Russian Rubles had fixed interest rates ranging from 2.00 % to 9.00 % and from 2.00 % to 9.00 % in 2021 and 2020, respectively.

As of 31 December 2021 and 31 December 2020 according to the agreements signed within the framework of financing the Nord Stream 2 project, 100 % of shares of Nord Stream 2 AG were pledged until a full settlement of the secured obligations.

As of 31 December 2021 and 31 December 2020 according to the agreements signed in December 2019 within the framework of financing the construction of the Amur gas processing plant, 99.99 % of interest in the charter capital of LLC Gazprom pererabotka Blagoveshchensk (a subsidiary) was pledged until a full settlement of the secured obligations. As of 31 December 2021 and 31 December 2020 the secured obligations to agent banks amounted to RUB 636,701 and RUB 471,558 million, respectively.

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

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

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

Under the terms of the Russian bonds with the nominal value of RUB 30,000 million issued by Gazprom capital LLC in February 2018 and due in 2028 the issuer can execute the right of early redemption in February 2025.

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

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15. Borrowings (continued)

Fixed interest rates on long-term foreign currency denominated loans ranged from 1.01 % to 13.30 % in 2021 and 2020, respectively.

Fixed interest rates on long-term loans denominated in Russian Rubles ranged from 4.19 % to 9.90 % and from 4.50 % to 9.40 % in 2021 and 2020, respectively.

Fixed interest rates on short-term loans denominated in Russian Rubles ranged from 0.00 % to 6.39 % and from 5.45 % to 12.00 % in 2021 and 2020, respectively.

16. Taxation

Profit tax

In accordance with RAR 18/02 “Accounting for Corporate Profit Tax Payments”, the Group has reflected the following indicators in the Consolidated Balance Sheet, as well as in the Consolidated Statement of Financial Results for 2021:

	For 2021	For 2020
Profit (loss) before profit tax	2,874,529	(420,155)
Theoretical tax charge calculated at applicable tax rates	(529,986)	83,344
Permanent (expense) income tax	(165,920)	(77,970)
(Loss) profit tax, including:	(561,549)	69,272
current profit tax	(496,601)	(74,660)
deferred profit tax ¹	(105,307)	142,131
previous years' profit tax	40,359	1,801

¹ Deferred income tax is due to the occurrence (repayment) of temporary differences in the reporting period. The tax effect of the movement in these temporary differences is reported at the rates set forth by the applicable legislation of the Russian Federation. Certain entities of the Gazprom Group enjoy preferential tax treatment, which allows them to pay income tax at a reduced rate.

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17.

Sales

	For 2021	For 2020
Gas sales (net of VAT, excise tax and other similar mandatory payments)		
Russian Federation	1,053,770	913,702
Former Soviet Union countries (excluding Russian Federation)	393,893	295,303
Europe and other countries	<u>4,172,400</u>	<u>1,849,572</u>
Total sales of gas	5,620,063	3,058,577
Sales of refined products (net of VAT and other similar mandatory payments)		
Russian Federation	1,674,584	1,222,111
Former Soviet Union countries (excluding Russian Federation)	158,528	107,167
Europe and other countries	<u>762,820</u>	<u>469,373</u>
Total sales of refined products	2,595,932	1,798,651
Sales of crude oil and gas condensate (net of VAT and other similar mandatory payments)		
Russian Federation	435,863	123,217
Former Soviet Union countries (excluding Russian Federation)	39,152	18,841
Europe and other countries	<u>713,873</u>	<u>420,989</u>
Total sales of crude oil and gas condensate	1,188,888	563,047
Sales of electric and heat energy (net of VAT)		
Russian Federation	553,044	466,638
Former Soviet Union countries (excluding Russian Federation)	31	4,199
Europe and other countries	<u>41,336</u>	<u>27,580</u>
Total sales of electric and heat energy	594,411	498,417
Sales of gas transportation services (net of VAT)		
Russian Federation	174,912	175,847
Former Soviet Union countries (excluding Russian Federation)	2,739	2,875
Europe and other countries	<u>2,455</u>	<u>925</u>
Total sales of gas transportation services	180,106	179,647
Other sales (net of VAT)		
Russian Federation	272,423	293,459
Former Soviet Union countries (excluding Russian Federation)	8,665	7,275
Europe and other countries	<u>38,199</u>	<u>31,827</u>
Total other sales	319,287	332,561
Total	10,498,687	6,430,900

Sales of gas increased by 84 % in 2021 compared to 2020. This change was mainly due to the increase in average prices on gas sales to customers in Europe and other countries.

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18. Cost of Sales, Commercial and Administrative Expenses

	For 2021	For 2020
Taxes included in cost of sales	1,431,811	1,179,888
Purchased gas	1,162,201	596,977
Depreciation and amortisation	1,109,099	1,084,530
Purchased oil	1,100,989	460,981
Staff costs and social expenses	790,632	743,988
Transit costs for gas, oil and refined products	688,724	668,092
Cost of goods for resale	320,695	250,548
Materials	266,086	256,362
Repairs and maintenance	182,051	154,993
Energy	133,511	110,782
Rent, lease payments	61,442	53,882
Insurance	45,246	39,804
Other	478,015	398,950
Changes in balances of finished goods, work in progress and other effects	<u>(83,594)</u>	<u>32,094</u>
Total cost of goods sold, products, works and services, commercial and administrative expenses	<u>7,686,908</u>	<u>6,031,871</u>

The increase in cost of purchased gas and oil was mainly related to the increase in average prices.

Mineral Extraction Tax within the line "Taxes included in cost of sales" amounted to RUB 1,266,037 million and RUB 749,112 million for 2021 and 2020, respectively.

Other expenses primarily included transportation services, software services and maintenance, refining costs, advertisement, legal and consulting fees, cost of geologic and other services.

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19. Other Income and Expenses

Note	For 2021		For 2020	
	Income	Expenses	Income	Expenses
	5,941,224	6,033,621	3,924,827	3,893,478
	872,274	816,577	1,432,163	1,801,618
	31,725	86,010	24,453	33,323
5	-	64,145	-	63,637
	59,726	62,304	37,510	25,824
	-	56,882	-	150,885
	-	43,426	-	40,401
	7,958	8,062	51,114	47,941
	-	5,954	-	6,098
	7,607	5,514	5,205	3,711
	-	4,915	-	4,178
	1,486	3,844	2,026	3,174
	8,457	3,349	2,183	1,700
	14,866	3,339	10,052	4,072
	165,640	3,109	1,669	18,408
	2,424	2,466	1,599	1,595
	-	1,133	-	3,653
23	65,595	-	-	121,077
	153,345	261,485	64,850	230,312
Total	7,332,327	7,466,135	5,557,651	6,455,085

The Group recognised provision regarding possible gas price adjustment derived from the claims of foreign customers based on the contract terms. The provisions as of 31 December 2021, 2020 and 2019 in the amount of RUB nil million, RUB 40,692 million and RUB 93,542 million respectively did not include possible correction of customs duties accrued formerly (see Note 23).

The line “Profits and losses of previous years identified in the reporting year” for 2021 includes negative effect of corrections regarding gas price adjustments in the amount of RUB 27,576 million. For 2020 positive effect of corrections regarding gas price adjustments was RUB 5,945 million. These corrections refer to the price adjustments of gas delivered in previous periods for which adjustments were agreed in 2021 and 2020, respectively.

Other income and expenses related to accrual (release) of bad debts and investment impairment allowances are presented in net form.

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20. Consolidated Subsidiaries and Associates

Principal subsidiaries as of 31 December 2021

Company	Ownership interest, %¹	Type of activity	Location
LLC Aviapredpriyatie Gazprom avia	100	Air transportation services	Russia
		Construction and maintenance of gas pipelines, purchase, transportation, storage and distribution of natural gas	
WIBG GmbH	100		Germany
WIEH GmbH	100	Gas sales	Germany
		Investing, asset management, gas sales	
WINGAS GmbH	100		Germany
JSC Vostokgazprom	100	Gas production	Russia
CJSC Gazprom Armenia	100	Transportation and gas sales	Armenia
JSC Gazprom gazoraspreделение	100	Gas network operation	Russia
GAZPROM Germania GmbH	100	Gas sales	Germany
		Sales of liquefied petroleum gas, oil products	
LLC Gazprom GNP Holding	100		Russia
LLC Gazprom dobycha Astrakhan	100	Production of hydrocarbons	Russia
LLC Gazprom dobycha Krasnodar	100	Gas production	Russia
LLC Gazprom dobycha Nadym	100	Production of hydrocarbons	Russia
LLC Gazprom dobycha Noyabrsk	100	Production of hydrocarbons	Russia
		Production and transportation of hydrocarbons	
LLC Gazprom dobycha Orenburg	100		Russia
		Production of natural gas, gas condensate and oil	
JSC Gazprom dobycha Tomsk	100		Russia
LLC Gazprom dobycha Urengoy	100	Production of hydrocarbons	Russia
LLC Gazprom dobycha Yamburg	100	Production of hydrocarbons	Russia
LLC Gazprom invest	100	Construction	Russia
		Information, consulting and transportation services	
LLC Gazprom invest RGK	100		Russia
		Contractor's function for the construction of engineering systems for gas supply	
LLC Gazprom investgazifikatsiya	100		Russia
LLC Gazprom capital	100	Investing	Russia
LLC Gazprom komplektatsiya	100	Trading	Russia
JSC Gazprom Space Systems	80	Satellite communication	Russia
Gazprom Marketing & Trading Ltd	100	Gas sales	United Kingdom
Gazprom Marketing & Trading Retail Ltd	100	Gas sales	United Kingdom
LLC Gazprom mezhregiongaz	100	Gas sales	Russia
LLC Gazprom mezhregiongaz Moskva	100	Gas sales	Russia
JSC Gazprom mezhregiongaz Nizhny Novgorod	51	Gas sales	Russia
LLC Gazprom mezhregiongaz Sankt-Peterburg	100	Gas sales	Russia
		Production and sales of petrochemicals	
LLC Gazprom metanol	100		Russia
		Processing and sales of refined products	
LLC Gazprom neftekhim Salavat	100		Russia
		Production, processing and sales of crude oil	
PJSC Gazprom Neft	96		Russia
Gazprom Neft Badra B.V.	100	Oil and gas production	Netherlands
Gazprom Neft Trading GmbH	100	Oil products sales	Austria
LLC Gazprom neft shelf	100	Development of oil and gas fields	Russia
		Construction of a gas chemical complex	
LLC Gazprom NGKHK	100		Russia
LLC Gazprom pererabotka	100	Processing of hydrocarbons	Russia
LLC Gazprom pererabotka Blagoveshchensk	100	Construction of Amur gas processing plant	Russia
LLC Gazprom PHG	100	Gas storage	Russia

PJSC Gazprom
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20. Consolidated Subsidiaries and Associates (continued)

Company	Ownership interest, %¹	Type of activity	Location
LLC Gazprom Sakhalin holding	100	Asset management	Russia
JSC Gazprom teploenergo	100	Generation of heat power, real estate rental operations	Russia
OJSC Gazprom transgaz Belarus	100	Transportation and gas distribution	Belorussia
LLC Gazprom transgaz Volgograd	100	Gas transportation	Russia
LLC Gazprom transgaz Ekaterinburg	100	Gas transportation	Russia
LLC Gazprom transgaz Kazan	100	Gas transportation	Russia
LLC Gazprom transgaz Krasnodar	100	Gas transportation	Russia
LLC Gazprom transgaz Moscow	100	Gas transportation	Russia
LLC Gazprom transgaz Nizhny Novgorod	100	Gas transportation	Russia
LLC Gazprom transgaz Samara	100	Gas transportation	Russia
LLC Gazprom transgaz St. Petersburg	100	Gas transportation	Russia
LLC Gazprom transgaz Saratov	100	Gas transportation	Russia
LLC Gazprom transgaz Stavropol	100	Gas transportation	Russia
LLC Gazprom transgaz Surgut	100	Gas transportation	Russia
LLC Gazprom transgaz Tomsk	100	Gas transportation	Russia
LLC Gazprom transgaz Ufa	100	Gas transportation	Russia
LLC Gazprom transgaz Ukhta	100	Gas transportation	Russia
LLC Gazprom transgaz Tchaikovsky	100	Gas transportation	Russia
LLC Gazprom transgaz Yugorsk	100	Gas transportation	Russia
Gazprom Finance B.V.	100	Investing	Netherlands
LLC Gazprom flot	100	Development of gas and oil fields on the continental shelf and ships management	Russia
Gazprom Holding Cooperatie U.A.	100	Investing, asset management	Netherlands
GAZPROM Schweiz AG	100	Gas sales	Switzerland
LLC Gazprom export	100	Foreign trade	Russia
JSC Gazprom energosbyt ²	81	Sales of electric energy	Russia
LLC Gazprom energoholding	100	Investing, asset management	Russia
Gazprom EP International B.V.	100	Investing, asset management	Netherlands
JSC Gazprom YRGM Development ²	100	Raw hydrocarbons sales	Russia
JSC Gazprom YRGM Trading ²	100	Raw hydrocarbons sales	Russia
LLC Gazpromneft Marine Bunker	100	Oil products trading	Russia
JSC Gazpromneft-Aero	100	Oil products trading	Russia
LLC Gazpromneft-Bitumen Materials	100	Production and sales of bitumen materials	Russia
LLC Gazpromneft-Vostok	51	Oil and gas production	Russia
JSC Gazpromneft-MNPZ	100	Processing and sales of refined products	Russia
JSC Gazpromneft-Noyabrskneftegaz	100	Oil and gas production	Russia
JSC Gazpromneft-ONPZ	100	Processing of oil	Russia
LLC Gazpromneft-Orenburg	100	Production and sales of oil and petroleum gas	Russia
LLC Gazpromneft Regional Sales	100	Oil products trading	Russia
LLC Gazpromneft-Lubricants	100	Production and sales of lubricants	Russia
LLC Gazpromneft-Khantos	100	Oil and gas production	Russia
LLC Gazpromneft-Centr	100	Oil products trading	Russia
LLC Gazpromneft-Yamal	100	Oil and associate gas production	Russia
LLC Gazpromtrans	100	Forwarding services	Russia
LLC GPN-Invest	100	Investing	Russia
LLC GPN-Finans	100	Investing	Russia
PJSC Mosenergo ²	54	Generation of electric and heat power, electric power supply services	Russia
PJSC MIPC ²	99	Generation, purchase and supply of heat energy	Russia

PJSC Gazprom
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20. Consolidated Subsidiaries and Associates (continued)

Company	Ownership interest, %¹	Type of activity	Location
Naftna Industrija Srbije a.d.	56	Production and processing of oil, sales of refined products	Serbia
Nord Stream 2 AG	100	Design, construction and operation of off-shore pipelines	Switzerland
PJSC OGK-2 ²	81	Generation and sales of electric and heat energy	Russia
JSC REPH	100	Production of engines and turbines	Russia
South Stream Transport B.V.	100	Construction, gas transportation	Netherlands
OJSC Severneftegazprom ²	50	Production, processing and sales of gas and gas condensate	Russia
PJSC TGC-1	52	Generation and sales of electric and heat energy	Russia
LLC Faktoring-Finance	100	Investing	Russia
PJSC Centerenergoholding	100	Investing	Russia

¹ Cumulative share of the Group in share capital of investees.

² Share in voting shares.

Significant associates as of 31 December 2021

Company	Ownership interest, %¹	Type of activity	Location
JSC Arcticgas	50	Production of oil and petroleum gas	Russia
Gazprombank (Joint Stock Company) ²	49.88	Banking	Russia
Nord Stream AG ³	51	Gas transportation	Switzerland Bermuda
Sakhalin Energy Investment Company Ltd.	50	Production of oil, LNG	Islands
PJSC NGK Slavneft	49.88	Production, processing and sales of oil	Russia
JSC Tomskneft VNK	50	Production of oil	Russia

¹ Cumulative share of the Group in share capital of investees.

² Share in voting shares.

³ Investment in the company is accounted under the equity method of accounting, as the Group did not obtain control due to its corporate governance structure.

21. Related Parties Operations

As defined by RAR 11/2008 "Related parties", parties are considered to be related if one party has the ability to control another party or exercise significant influence over another party in making financial and operational decisions, or parties are engaged in joint activity. A non-state pension fund acting in favor of entity's employees is also considered a related party.

Associates and other major related parties

In 2021 and 2020 the Group had following operations with major associates and other related parties:

	For 2021	For 2020
Revenue (net of VAT and other similar mandatory payments)		
Gas sales		
Panrusgas Co.	59,596	25,724
JSV Moldovagaz	53,936	24,179
JSC Latvijas Gaze	24,092	6,708
Prometheus Gas S.A.	15,211	3,740
JSC EUROPOL GAZ	1,983	2,312
Gas transportation services		
KazRosGas LLP	2,739	2,874

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21. Related Parties Operations (continued)

	For 2021	For 2020
Crude oil, gas condensate and refined products sales		
PJSC NGK Slavneft and its subsidiaries	37,325	17,787
LLC NPP Neftekhimia	9,997	4,080
LLC Poliom	8,125	3,717
Sakhalin Energy Investment Company Ltd.	7,863	2,326
JSC SOVEX	6,768	2,635
Operator services sales and other services sales		
PJSC NGK Slavneft and its subsidiaries	3,965	3,491
JSC Messoyakhaneftegaz	3,795	3,865
Sakhalin Energy Investment Company Ltd.	1,839	1,774
Gas refining services		
KazRosGas LLP	10,300	10,865
Interest income		
Gazprombank (Joint Stock Company) and its subsidiaries	22,255	23,558
JSC Gazstroyprom	6,574	7,632
Other income (rental income)		
Sakhalin Energy Investment Company Ltd.	669	733
Purchases		
Gas purchases		
Sakhalin Energy Investment Company Ltd.	39,989	8,730
JSC Arcticgas	36,351	35,906
KazRosGas LLP	6,397	9,032
CJSC Northgas	4,633	5,261
JSC Tomskneft VNK and its subsidiaries	1,284	1,261
Gas transportation services		
Nord Stream AG	93,628	90,577
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	48,921	45,735
Blue Stream Pipeline Company B.V.	3,686	3,779
JSC EUROPOL GAZ	-	4,838
Oil and refined products purchases		
PJSC NGK Slavneft and its subsidiaries	152,836	82,730
JSC Messoyakhaneftegaz	87,474	48,701
Salym Petroleum Development N.V.	82,517	42,416
JSC Tomskneft VNK and its subsidiaries	80,348	39,752
JSC Arcticgas	6,075	4,395
KazRosGas LLP	6,033	2,149
LLC NPP Neftekhimia	1,401	726
Sakhalin Energy Investment Company Ltd.	-	2,097
Purchased services of gas and gas condensate products		
JSC Achimgaz	84,437	37,687
Purchased refining services		
PJSC NGK Slavneft and its subsidiaries	15,462	14,642
Purchased transit of crude oil and oil refinery products		
PJSC NGK Slavneft and its subsidiaries	9,343	5,821
JSC Messoyakhaneftegaz	7,418	7,651
Interest expense		
Gazprombank (Joint Stock Company) and its subsidiaries	14,422	11,235
Pension fund contributions		
JSC NPF GAZFOND	17,611	10,470

Under the agreement of subordinated loan the Group provided cash to Gazprombank (Joint Stock Company) in the amount of RUB nil million and RUB 40,000 million for 2021 and 2020, respectively.

In the Russian Federation the Group sold gas to associates mainly using tariffs set by the Federal Antimonopoly Service. Export sales of gas are based on long-term contracts with prices linked to world energy commodity prices. The Group purchases oil and gas from associates in the ordinary course of business at prices close to average market prices.

The following balances of accounts receivable and accounts payable with major associates and other related parties were recorded on the consolidated balance sheet of the Group as of 31 December 2021, 2020 and 2019:

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Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2021
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21. Related Parties Operations (continued)

	As of 31 December 2021	As of 31 December 2020	As of 31 December 2019
Accounts receivable			
Accounts receivable (payment expected within 12 months after the reporting date)			
JSC Gazstroyprom	288,449	160,049	39,884
Gazprombank (Joint Stock Company)	10,284	33,840	13,976
PJSC NGK Slavneft and its subsidiaries	5,697	3,450	5,580
Sakhalin Energy Investment Company Ltd.	3,492	2,484	1,592
Prometheus Gas S.A.	3,307	563	478
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	2,005	50	32
KazRosGas LLP	1,488	1,579	6,233
Erdgasspeicher Peissen GmbH	1,057	-	-
JSC Messoyakhaneftegaz	994	747	1,022
Blue Stream Pipeline Company B.V.	235	317	1,937
Overgas Inc. AD	-	8,286	-
LLC National Petroleum Consortium	-	1,487	1,324
Other non-current assets			
JSC Gazstroyprom	78,994	107,950	47,756
Accounts receivable (payment expected beyond 12 months after the reporting date)			
JSC Gazstroyprom	8,674	8,814	6,006
JSC Evrotek-Yugra	1,068	762	520
TurkAkim Gaz Tasima A.S.	-	1,111	-
Other long-term financial investments			
Gazprombank (Joint Stock Company)	-	-	1,238
Other short-term financial investments			
Gazprombank (Joint Stock Company) and its subsidiaries	194,197	2,290	612,352
OJSC Belgazprombank	3,222	16	2,444
Cash balances			
Gazprombank (Joint Stock Company) and its subsidiaries	573,744	457,123	359,882
OJSC Belgazprombank	1,931	29	15,621
Accounts payable			
Short-term accounts payable			
PJSC NGK Slavneft and its subsidiaries	112,249	53,286	103,617
JSC Gazstroyprom	85,885	57,618	26,794
JSC Messoyakhaneftegaz	47,518	33,670	41,882
JSC Achimgaz	15,898	5,476	4,668
TurkAkim Gaz Tasima A.S.	9,810	1,438	-
JSC Tomskneft VNK	9,471	3,658	1,000
Nord Stream AG	7,516	8,139	6,200
Salym Petroleum Development N.V.	6,813	4,413	7,002
JSC Arcticgas	4,278	3,367	2,023
LLC Yuzhno-Priobskij GPZ	3,533	3,223	2,777
Sakhalin Energy Investment Company Ltd.	2,666	864	1,037
JSC Latvijas Gaze	2,516	411	385
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	1,635	1,487	1,020
Erdgasspeicher Peissen GmbH	1,171	185	113
KazRosGas LLP	545	133	4,087
JSC EUROPOL GAZ	-	-	1,528

Accounts receivable for gas due from Overgas Inc. AD are RUB nil million as of 31 December 2021 and RUB 7,700 million as of 31 December 2020, 2019 net of bad debt allowance in the amount of RUB nil million, RUB nil million and RUB 6,511 million as of 31 December 2021, 2020 and 2019, respectively.

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21. Related Parties Operations (continued)

Accounts receivable due from JSV Moldovagaz are RUB 2,775 million as of 31 December 2021 and RUB nil million as of 31 December 2020 and 2019 net of bad debt allowance in the amount of RUB 577,334 million, RUB 524,138 million and RUB 427,772 million as of 31 December 2021, 2020 and 2019, respectively.

Loans issued to major associates and promissory notes received from major associates as of 31 December 2021, 2020 and 2019 are presented as follows:

	As of 31 December 2021	As of 31 December 2020	As of 31 December 2019
Loans and promissory notes due for repayment beyond 12 months after the reporting date			
JSC Gazstroyprom	79,381	100,430	135,479
TurkAkim Gaz Tasima A.S.	23,135	27,653	21,558
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	16,807	18,129	13,863
Erdgasspeicher Peissen GmbH	8,911	9,612	7,350
JSC Evrotek-Yugra	4,123	3,753	2,648
OJSC Belgazprombank	2,479	2,479	2,479
JSC Sibgazpolymer	-	-	5,214
CJSC Khanty-Mansiysk petroleum alliance	-	-	1,000
Loans and promissory notes due for repayment within 12 months after the reporting date			
TurkAkim Gaz Tasima A.S.	4,041	-	-
Gazprombank (Joint Stock Company)	-	-	23,814
Wintershall Noordzee B.V.	-	-	4,312

Loans received from major associates as of 31 December 2021, 2020 and 2019 are presented as follows:

	As of 31 December 2021	As of 31 December 2020	As of 31 December 2019
Borrowings due for repayment beyond 12 months after the reporting date			
Gazprombank (Joint Stock Company)	199,096	185,956	181,700
Borrowings due for repayment within 12 months after the reporting date (including current portion of long-term liabilities)			
Gazprombank (Joint Stock Company) and its subsidiaries	11,805	7,109	81,406
JSC Tomskneft VNK	9,347	9,017	16,124
JSC Gazstroyprom	86	5,549	-
WIGA Transport Beteiligungs-GmbH & Co. KG	-	27,918	-

Borrowings from Gazprombank (Joint Stock Company) were obtained on terms not substantially different from those on financial instruments with similar characteristics and are subject to influence of changes in economic or other factors.

The Group received loans and borrowings from its major associates in Russian Rubles at rates ranging from 0.00 % to 11.00 % in 2021. The similar rates ranging in 2020 was from 2.00 % to 9.00 %.

In 2021, the Group received loans nominated in foreign currency from its affiliates at the rate of 0.00%. In 2020, the Group received foreign currency loans at the rate from 0.00 % to 1.40 %.

Information on financial guarantees issued by the Group for associates is disclosed in Note 23.

Under the loan facility agreements concluded in 2019-2020 the Group has commitments to provide loans to JSC Gazstroyprom to repay its loan liability towards the bank in case of late payment. As of 31 December 2021 and 31 December 2020 the limit of loan facilities according to the concluded agreements amounted to RUB 297,002 million (RUB 60,000 million with the loan facilities valid until 29 November 2022, RUB 40,000 million – until 15 December 2022, RUB 197,002 million – until 31 December 2027), as of 31 December 2019 – RUB 106,500 million with the loan facilities valid until 31 December 2027.

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21. Related Parties Operations (continued)

The Group did not provide loans as of 31 December 2021, 31 December 2020 and 31 December 2019. The loan commitments of the Group are limited by the loan liabilities of JSC Gazstroyprom to the bank.

In 2019, the Group made borrowings secured by inventories due in 2020 under buyback agreements entered into with Gazprombank (Switzerland) Ltd. and GPB Financial Services Limited. The borrowings were repaid in August 2020. Amounts to be repaid under these borrowings were EUR 922 million as of 31 December 2019.

Compensation to key management personnel

Key management personnel's (the members of the Board of Directors and the Management Committee of PJSC Gazprom) short-term compensation, including salary, bonuses and compensation for serving in the management bodies of PJSC Gazprom and its subsidiaries, amounted to RUB 2,625 million and RUB 3,026 million for 2021 and 2020, respectively.

Government representatives serving in the Board of Directors do not receive any compensation from PJSC Gazprom and its subsidiaries. Compensation of the members of the Board of Directors is approved by the annual general meeting of shareholders. Compensation of key management personnel (other than compensation of the Board of Directors) paid by PJSC Gazprom and its subsidiaries is determined by the terms of the employment contracts. Short-term compensation of key management personnel also includes benefits related to healthcare.

According to the Russian legislation, the Group makes contributions to the Pension Fund of the Russian Federation for all of its employees including key management personnel.

PJSC Gazprom provides key management personnel with medical insurance and liability insurance. Voluntary medical insurance amounted to RUB 11 million for 2021 (RUB 10 million for 2020).

22. Earnings (Loss) per Share

Basic earnings (loss) per share attributable to the owners of PJSC Gazprom have been calculated by dividing the net profit (loss) for the reporting period by the annual weighted average number of ordinary shares outstanding, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares (see Note 14).

The weighted average number of ordinary shares outstanding, excluding the weighted average number of treasury shares, amounted to 23.6 billion shares for 2021 and 2020.

PJSC Gazprom had no dilutive securities at the beginning and the end of the reporting period, therefore diluted earnings per share were not calculated.

PJSC Gazprom
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23. Commitments and Contingencies

Provisions

	As of 31 December 2020	Accrued	Utilised	Recovered	As of 31 December 2021
Provision for annual performance bonus payments	73,570	108,533	(92,448)	(5,610)	84,045
Provision for vacations	36,803	84,725	(74,505)	(788)	46,235
Provision for retirement benefits payable as a lump sum	24,199	9,141	(7,053)	(1,238)	25,049
Provision for decommissioning and site restoration costs related to subsurface use	327,601	41,875	(3,014)	(124,966)	241,496
Other provisions, including: provisions regarding gas price adjustments	81,034	54,925	(7,987)	(42,033)	85,939
	<u>40,692</u>	<u>-</u>	<u>(4,097)</u>	<u>(36,595)</u>	<u>-</u>
Total, including:	543,207	299,199	(185,007)	(174,635)	482,764
with maturity up to one year	197,568	247,689	(181,743)	(49,301)	214,213

	As of 31 December 2019	Accrued	Utilised	Recovered	As of 31 December 2020
Provision for annual performance bonus payments	52,289	104,343	(63,504)	(19,558)	73,570
Provision for vacations	36,592	76,519	(68,218)	(8,090)	36,803
Provision for retirement benefits payable as a lump sum	25,640	10,893	(8,172)	(4,162)	24,199
Provision for decommissioning and site restoration costs related to subsurface use	271,886	65,143	(4,193)	(5,235)	327,601
Other provisions, including: provisions regarding gas price adjustments	156,262	67,049	(116,266)	(26,011)	81,034
	<u>93,542</u>	<u>52,680</u>	<u>(105,530)</u>	<u>-</u>	<u>40,692</u>
Total, including:	542,669	323,947	(260,353)	(63,056)	543,207
with maturity up to one year	235,512	253,847	(255,874)	(35,917)	197,568

Post-employment benefit obligations

Due to the fact that regulation of accrual of post-employment benefit obligations in the accounting is not foreseen by the existing regulatory documents, calculation of obligations and pension plan assets is provided in the Notes to the Gazprom Group' IFRS consolidated financial statements (www.gazprom.ru).

Guarantees issued

The Group provided guarantees to third parties on behalf of other entities. As of 31 December 2021, 2020 and 2019 the amount of the issued guarantees was RUB 239,309 million, RUB 261,162 million and RUB 219,092 million, respectively.

The total amount of guarantees issued by the Group to third parties on behalf of associates as of 31 December 2021, 2020 and 2019 amounted to RUB 129,516 million, RUB 174,835 million and RUB 169,119 million, respectively.

In March 2019, the Group pledged promissory notes to Gazprombank (Joint Stock Company) for a period up to November 2020, without the right to alienate or otherwise manage of them without the written consent of the pledgee, to secure the obligations of JSC Gazstroyprom under the loan agreement. In October 2020, the pledge was extended until January 2022, the subject of the pledge is all the rights of the claim for repayment of the debt arising from the promissory notes. In December 2021 the pledge was extended until February 2023. The collateral value of promissory notes and debt repayment rights as of 31 December 2021, 2020 and 2019 was RUB 4,889 million, RUB 31,639 million and RUB 23,814 million, respectively.

In November and December 2021, the Group provided a guarantee to secure the obligations of LLC RusChemAlliance under the loan agreement until September 2025. As of 31 December 2021 the amount of the issued guarantee was RUB 34,745 million.

PJSC Gazprom
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23. Commitments and Contingencies (continued)

Legal Proceedings

On 15 October 2018 PGNiG S.A., Poland, filed a claim with the General Court of the European Union (“the EU”) for cancellation of the decision of the European Commission on the pro-competition commitments which completed the antitrust investigation against alleged breach of the EU antitrust law by PJSC Gazprom and its subsidiary LLC Gazprom export within the activity in the EU member countries from Central and Eastern Europe. On 18–19 May 2021 hearings in the case were held in the General Court of the EU. By its decision dated 2 February 2022 (“the Decision”), the General Court of the EU dismissed the claim filed by PGNiG S.A. dated 15 October 2018. On 14 April 2022 it became known that PGNiG S.A. had filed an appeal against the Decision to the European Court of Justice.

On 14 March 2017 the European Commission received a complaint from PGNiG S.A., Poland, stating that PJSC Gazprom and LLC Gazprom export allegedly violated Article 102 of the Treaty on the Functioning of the EU. In this complaint PGNiG S.A. states that PJSC Gazprom and LLC Gazprom export violate the antitrust law of the EU through:

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

These claims relate to issues covered by the European Commission investigation of PJSC Gazprom’s and LLC Gazprom export’s operation in the countries from Central and Eastern Europe, which formal phase was initiated in 2012 and finalised in 2018. On 17 April 2019 that complaint was rejected by the European Commission. In June 2019 PGNiG S.A. filed with the General Court of the EU a petition in respect of the rejection of that complaint by the European Commission. On 20 May 2021 hearings in the case were held in the General Court of the EU. By its decision dated 2 February 2022, the General Court of the EU accepted the petition filed by PGNiG S.A. and annulled the decision of the European Commission dated 17 April 2019.

According to the announcement on the official website of NJSC Naftogaz of Ukraine, on 21 December 2021 NJSC Naftogaz of Ukraine filed a complaint with the European Commission against the Gazprom Group for abusing its dominant position on the European gas market and a request to implement precautionary measures (“the Complaint”). Based on this Complaint, the European Commission registered case No. AT.40801. On 28 February 2022 PJSC Gazprom sent to the European Commission a response to the Complaint of NJSC Naftogaz of Ukraine.

On 4 May 2018 PJSC Gazprom received a notice from Poland’s antimonopoly authority (the Polish Office of Competition and Consumer Protection) dated 30 April 2018 on the initiation of an investigation over alleged concentration exercised by PJSC Gazprom and foreign investors when implementing the Nord Stream 2 project (on the basis of “the establishment of a joint venture without obtaining the prior consent of the President of the Polish Office of Competition and Consumer Protection”).

On 31 July 2020 PJSC Gazprom received an official notice from Poland’s antimonopoly authority (the Polish Office of Competition and Consumer Protection) about the imposition of a fine of about EUR 50 million on PJSC Gazprom for the failure to provide the information requested earlier by Poland’s antimonopoly authority (the Polish Office of Competition and Consumer Protection) as part of the antitrust investigation. On 28 August 2020 PJSC Gazprom appealed to Poland’s competent court against the decision of Poland’s antimonopoly authority (the Polish Office of Competition and Consumer Protection) to impose the fine on PJSC Gazprom. As the fine was appealed, it will not be subject to recovery until a respective court decision becomes effective. On 19 May 2021 PJSC Gazprom filed a motion to the competent court of Poland to suspend the legal proceedings in the case concerning the imposition of the said fine on PJSC Gazprom until the court made a decision in the case concerning the appeal against the decision of Poland’s antimonopoly authority (the Polish Office of Competition and Consumer Protection) on alleged concentration exercised by PJSC Gazprom and foreign investors when implementing the Nord Stream 2 project.

On 24 August 2020 PJSC Gazprom filed appeals to Poland’s competent court against the decisions made by Poland’s antimonopoly authority (the Polish Office of Competition and Consumer Protection) to restrict PJSC Gazprom’s access to the evidence gathered in the course of the investigation over alleged concentration exercised by PJSC Gazprom and foreign investors when implementing the Nord Stream 2 project.

PJSC Gazprom
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23. Commitments and Contingencies (continued)

On 6 October 2020 it became known to PJSC Gazprom that, based on the results of the antitrust investigation, Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) had decided to impose a fine of about USD 7.6 billion on PJSC Gazprom, and obliged PJSC Gazprom and its Nord Stream 2 project partners to terminate the project financing agreements. On 4 November 2020 PJSC Gazprom appealed to Poland's competent court against that decision. As the decision of the antimonopoly authority was appealed, it will not be subject to enforcement until a respective court decision becomes effective. The decision of the court of first instance may be appealed to the Court of Appeal in Warsaw, which is considering the merits of the case.

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

On 25 July 2019 Nord Stream 2 AG, a subsidiary of the Group, filed with the General Court of the EU a petition to declare the amendments to the EU Third Gas Directive entered into force on 23 May 2019 concerning the regulation of gas transmission from third countries, including the Russian Federation, invalid and to annul them because of their discriminatory nature, an infringement of the principles of equal treatment and proportionality, misuse of powers, as well as breach of procedural requirements. On 20 May 2020 the General Court of the EU declared that the claim of Nord Stream 2 AG was inadmissible on procedural grounds. On 28 July 2020 Nord Stream 2 AG filed an appeal against the decision of the General Court of the EU dated 20 May 2020 to the Court of Justice. On 25 January 2021 Nord Stream 2 AG filed its response to the objections made earlier by the EU Council and the European Parliament to its appeal dated 28 July 2020. On 18 May 2021 Nord Stream 2 AG filed its response to the objections from Poland, Latvia and Estonia (that had earlier announced their intervention in the proceedings) to the appeal dated 28 July 2020.

On 26 September 2019 Nord Stream 2 AG sent a notification to the European Commission about the initiation of arbitration proceedings by the ad hoc arbitration tribunal established under the UNCITRAL Arbitration Rules against the EU under the Energy Charter Treaty. Nord Stream 2 AG believes that by making discriminatory amendments to the EU Third Gas Directive, the EU has breached its obligations under Articles 10 and 13 of the Energy Charter Treaty. In February 2020 the arbitration tribunal was formed to resolve the dispute (the seat of arbitration shall be Toronto, Canada).

On 3 July 2020 Nord Stream 2 AG filed a memorial on the merits of the case to the arbitration tribunal. The EU responded with its own memorial concerning objections to the jurisdiction of the arbitration tribunal to consider the dispute and a request for bifurcation dated 15 September 2020. On 16 October 2020 Nord Stream 2 AG responded to the EU memorial dated 15 September 2020. Hearings on the bifurcation issue were held on 8 December 2020 – the EU request for bifurcation was rejected by a decision of the arbitration tribunal dated 31 December 2020. On 3 May 2021 the EU presented a memorial on the merits of the case. On 25 October 2021 Nord Stream 2 AG responded to the arbitration tribunal with a memorial on the merits of the case and a counter-memorial to the EU objections to the jurisdiction of the arbitration tribunal to consider the dispute. On 1 March 2022 Nord Stream 2 AG requested a suspension of the arbitration. The arbitration tribunal vacated the hearings scheduled for the end of June 2022. A meeting to be held by videoconference is scheduled for 20 June 2022, at that meeting Nord Stream 2 AG will have to comment on the respective circumstances and further ability to continue the arbitration on the merits.

On 15 June 2020 Nord Stream 2 AG appealed to the Higher Regional Court of Dusseldorf against the decision of the Federal Network Agency of the Federal Republic of Germany dated 15 May 2020 that had denied derogations from key provisions of the EU Third Gas Directive to the Nord Stream 2 project. Hearings in the case were held on 30 June 2021. On 25 August 2021 the Higher Regional Court of Dusseldorf made a decision to reject the appeal. On 21 September 2021 Nord Stream 2 AG appealed against the decision of the Higher Regional Court of Dusseldorf to the Federal Court of Justice of the Federal Republic of Germany.

Sanctions

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

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23. Commitments and Contingencies (continued)

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

- 1) transacting in, providing financing for, or otherwise dealing with new debt of longer than 90 days maturity (since 28 November 2017 – 60 days) or new equity, property, or interests in property in respect of a number of energy companies, including PJSC Gazprom Neft;
- 2) transacting in, providing financing for, or otherwise dealing with new debt of longer than 30 days maturity (since 28 November 2017 – 14 days) or new equity, property, or interests in property in respect of a number of Russian companies of the banking sector, including Gazprombank (Joint Stock Company) (PJSC Gazprom is not on the list of restricted entities in this respect);
- 3) providing, exporting, or reexporting, directly or indirectly, goods, services (except for financial services), or technology in support of potential exploration and production of oil in deep water, Arctic offshore, or shale formations in the Russian Federation, inland or in territorial waters claimed by the Russian Federation with participation of Russian companies, including PJSC Gazprom and PJSC Gazprom Neft. Since 7 August 2015 the restriction has included the Yuzhno-Kirinskoye field located in the Sea of Okhotsk. According to the changes of 31 October 2017 the scope of the stated restriction was extended for projects that meet three criteria at the same time:
 - the start date of projects – after 29 January 2018;
 - projects relate to oil production around the world;
 - Russian companies included in the Sectoral Sanctions Identifications List, including PJSC Gazprom and PJSC Gazprom Neft and their subsidiaries, own a share of 33 % and more in such project or control the majority of voting rights.

On 2 August 2017 the U.S. President signed the Countering America's Adversaries Through Sanctions Act (the “Act of 2 August 2017”), which expanded the U.S. sanctions regime against the Russian Federation. The Act of 2 August 2017, inter alia, gives the U.S. President the right to impose certain sanctions in interaction (coordination) with the U.S. allies against any person who after the adoption of the Act of 2 August 2017 consciously made investments or sold goods, supplied technologies or provided services to the Russian Federation (for the amount exceeding USD 1 million, or during the year – totally exceeding USD 5 million) in the construction and maintenance of Russian energy export pipelines (Section 232 of the Act of 2 August 2017). The implementation of these sanctions can create risks for the development of prospective gas transportation projects of PJSC Gazprom.

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

On 15 July 2020 the U.S. Department of State issued new guidance (the “New Guidance”) for Section 232 of the Act of 2 August 2017, which cancelled the earlier effective exception that stated that investments in projects commenced prior to 2 August 2017 would not be subject to sanctions. Under the New Guidance, Section 232 of the Act of 2 August 2017 explicitly applies to the Nord Stream 2 gas pipeline and the second line of the TurkStream gas pipeline. At the same time, the U.S. Department of State mentioned in the New Guidance that sanctions would not target gas pipelines in existence on, and capable of transporting commercial quantities of gas, as of the enactment date of the Act of 2 August 2017. In addition, the U.S. Department of State deleted the portion of the guidance in effect earlier that stated that investments and loans related to the construction of export pipelines made prior to 2 August 2017 would not be subject to sanctions and indicated that any actions with investments (except for reasonable steps to wind down effective contracts) made on or after 15 July 2020 might become a reason for the imposition of sanctions under Section 232 of the Act of 2 August 2017.

The National Defense Authorization Act, which was enacted on 20 December 2019, (the “Act of 20 December 2019”) envisages sanctions against persons that provide vessels for the construction of the Nord Stream 2 and the TurkStream gas pipelines.

The Act of 20 December 2019 envisages that not later than 60 days after the date of the enactment of this Act, and every 90 days thereafter, the U.S. Secretary of State (in consultation with the U.S. Secretary of the Treasury) shall submit reports that identify:

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23. Commitments and Contingencies (continued)

1) vessels that are engaged in pipe-laying at depths of 100 feet or more below sea level for the construction of the Nord Stream 2 and the TurkStream export pipelines (or any project that is a successor to either such project); and

2) foreign persons (both individuals and legal entities) that the U.S. Secretary of State (in consultation with the U.S. Secretary of the Treasury) believes to have knowingly sold, leased, or provided those vessels for the construction of such pipelines; or facilitated deceptive or structured transactions to provide those vessels for the construction of such gas pipelines.

Persons indicated in the report submitted by the U.S. Secretary of State under paragraph 2 above and their corporate officers or principal shareholders with a controlling interest shall be excluded from the U.S. and the U.S. Secretary of State shall deny a U.S. visa to such persons and revoke all visas earlier issued to them. Assets of the persons indicated in the report submitted by the U.S. Secretary of State under paragraph 2 above that are located in the U.S. would be frozen (including in case of their transfer to third parties) and U.S. persons would be prohibited from entering into transactions with such persons.

The Act of 20 December 2019 envisages an exception for repair and maintenance of the gas pipelines indicated in the Act of 20 December 2019.

The Act of 20 December 2019 states that authorisations to impose those sanctions shall terminate on the date that is five years after the date of the enactment of the Act of 20 December 2019. Imposed sanctions may terminate earlier if the U.S. President provides to the Congress satisfactory evidence that the respective gas pipeline projects would not result in a decrease of more than 25 percent in the volume of Russian energy exports transiting through existing pipelines in other countries (particularly Ukraine) relative to the average monthly volume of Russian energy exports transiting through such pipelines in 2018.

As a result of the enactment of the Act of 20 December 2019, the contractor (Allseas, a Swiss company) of Nord Stream 2 AG suspended pipe-laying under the Nord Stream 2 project. In addition, the Act of 20 December 2019 is not expected to affect the TurkStream project as the construction of the offshore section of the TurkStream gas pipeline has been fully completed and the Act of 20 December 2019 envisages an exception for maintenance of constructed pipelines.

The National Defense Authorization Act for Fiscal Year 2021 was enacted on 1 January 2021 (the “Act of 1 January 2021”). This act amended the Act of 20 December 2019 by adding the provision of services as a reason for the imposition of sanctions, including the provision of insurance services (including underwriting services) for the vessels, services for upgrades of the vessels, as well as services for the testing, inspection and certification necessary for the completion of the Nord Stream 2 project. In addition, amendments introduced by the Act of 1 January 2021 provide for an opportunity to impose sanctions on persons that provide or facilitate providing the vessels for pipe-laying or pipe-laying activities.

Among other things, the Act of 1 January 2021 also introduced a new provision under which sanctions under the Act of 20 December 2019 shall not apply with respect to the EU, the governments of Norway, Switzerland, the United Kingdom, or any member country of the EU, and entities of these countries that are not operating as business enterprises.

On 20 October 2020 and 9 April 2021 the U.S. Department of State issued guidance documents for the Act of 20 December 2019 (including with regard to the amendments of 1 January 2021) that expanded the sanctions to include persons who provide services or goods that are necessary to the operation of vessels engaged in the process of pipe-laying for the construction of the Nord Stream 2 and the TurkStream projects (including services for installation of equipment or upgrades for those vessels, or funding for those services), financing of the vessels and providing other forms of support to them.

Pursuant to the Act of 20 December 2019 and based on the reports submitted by the U.S. Department of State on 21 May 2021, 20 August 2021 and 23 November 2021 the U.S. Department of the Treasury imposed sanctions against a number of legal entities and vessels that are owned by them and involved in the construction of the Nord Stream 2 pipeline.

On 21 July 2021 the U.S. and the Federal Republic of Germany published a joint statement, whereby the parties agree that should the Russian Federation use energy supplies as a weapon, the Federal Republic of Germany will take retaliatory action at the national level and at the EU level, including sanctions. This statement is declaratory and is not, in its legal nature, a legally binding document.

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23. Commitments and Contingencies (continued)

On 15 April 2021 the U.S. President signed Executive Order No. 14024 on Blocking Property with Respect to Specified Harmful Foreign Activities of the Government of the Russian Federation that provides for an opportunity to impose new sanctions on the Russian Federation on a wide range of grounds, in particular against Russian persons that are responsible for, directly or indirectly engaged in or attempted to engage in, cutting or disrupting gas or energy supplies to Europe, the Caucasus, or Asia.

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

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

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

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

2) purchasing, selling and providing investment services for or assisting in the issuance of, or other dealings with transferable securities and money market instruments with a maturity of more than 90 days issued from 1 August 2014 to 12 September 2014 or more than 30 days issued after 12 September 2014 to 12 April 2022 or with any maturity issued after 12 April 2022 by certain Russian companies in the banking sector, including Gazprombank (Joint Stock Company), but excluding PJSC Gazprom;

3) purchasing, selling and providing investment services for or assisting in the issuance of, or other dealings with transferable securities and money market instruments issued by some Russian energy companies, including PJSC Gazprom Neft but excluding PJSC Gazprom, after 12 September 2014 to 12 April 2022 with a maturity of more than 30 days or with any maturity if issued after 12 April 2022;

4) after 12 September 2014 to 12 April 2022 directly or indirectly making or being part of any arrangement to make new borrowings with a maturity exceeding 30 days, and after 12 April 2022 — with any maturity, to some Russian companies (including PJSC Gazprom Neft and Gazprombank (Joint Stock Company) but excluding PJSC Gazprom), except for borrowings that have a specific and documented objective to provide financing for non-prohibited imports or exports of goods and non-financial services between the EU and the Russian Federation or for borrowings that have a specific and documented objective to provide emergency funding to meet solvency and liquidity criteria for bodies established in the EU, whose proprietary rights are owned for more than 50 percent by any entity referred to above.

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

On 24 February 2022 the Office of Foreign Assets Control of the U.S. Department of the Treasury included PJSC Gazprom in the U.S. sectoral sanctions list for the financial field pursuant to Directive No. 3 issued to implement the U.S. President's Executive Order No. 14024 of 15 April 2021. Those sanctions prohibit transactions by U.S. persons in new debt and new equity of PJSC Gazprom issued after 26 March 2022 of longer than 14 days maturity. The respective restrictions also apply to entities owned 50 percent or more, directly or indirectly, by PJSC Gazprom. Any transactions that have the purpose of evading those restrictions are also prohibited. Apart from PJSC Gazprom, those restrictions were imposed on PJSC Gazprom Neft, a subsidiary of the Gazprom Group, and Gazprombank (Joint Stock Company), an associate of the Gazprom Group. The ability of PJSC Gazprom and the Gazprom Group's entities to raise debt financing from U.S. persons is thus restricted.

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23. Commitments and Contingencies (continued)

On 8 March 2022 the U.S. President signed Executive Order No. 14066, which prohibited the importation into the U.S. from the Russian Federation of crude oil and refined oil products, liquefied natural gas, coal and coal products, and prohibited new investment in the energy sector in the Russian Federation by U.S. persons and any approval, financing, facilitation or guarantee by U.S. persons of the respective prohibited transactions by foreign persons. At the same time, the Office of Foreign Assets Control issued Licence No. 16 of 8 March 2022 providing for an exception from the restrictive measures introduced by the U.S. President's Executive Order No. 14066 to execute until 22 April 2022 contracts and agreements entered prior to 8 March 2022.

The U.S. Ending Importation of Russian Oil Act became effective on 8 April 2022 and prohibited the importation into the U.S. of Russian energy products, including oil and gas, in a manner consistent with actions issued under the U.S. President's Executive Order No. 14066 of 8 March 2022. However, the U.S. President is authorized to terminate that prohibition on importation of energy products from the Russian Federation in certain circumstances.

On 23 February 2022 the U.S. also imposed blocking sanctions on Nord Stream 2 AG.

The blocking sanctions mean that assets located in the U.S. are frozen (including when they are transferred to third parties) and U.S. persons are prohibited from dealings with such sanctioned persons. In addition, there is a risk of secondary sanctions being imposed on any foreign person for significant transactions and dealings with a person subject to the U.S. blocking sanctions.

The EU Council included PJSC Gazprom Neft in the list of entities with which European persons from 16 March 2022 are prohibited from engaging in any direct or indirect transactions (except for the execution until 15 May 2022 of contracts concluded before 16 March 2022 or ancillary contracts). That restriction does not apply to transactions which are strictly necessary for the purchase, import or transport of oil, oil products and natural gas, as well as titanium, aluminium, copper, nickel, palladium and iron ore, and until 10 August 2022 coal and other solid fossil fuels, from or through the Russian Federation into the EU and to transactions related to energy projects outside the Russian Federation in which PJSC Gazprom Neft (and other entities in the list) is a minority shareholder.

From 25 February 2022 it is prohibited to sell, supply, transfer or export, directly or indirectly, goods and technologies necessary for oil refining, and from 8 April 2022 — for natural gas liquefaction, as listed in Annex II to EU Regulation No. 833/2014 of 31 July 2014, including those originated outside the EU, to any natural and legal persons, entities and bodies in the Russian Federation or for use in the Russian Federation. That prohibition does not apply to events of the execution until 27 May 2022 of obligations arising from contracts concluded before 26 February 2022 or ancillary contracts necessary for the execution of such contracts.

From 16 March 2022 it is prohibited to sell, supply, transfer or export, directly or indirectly, goods and technologies listed in Annex II to EU Regulation No. 833/2014 of 31 July 2014, including those originated outside the EU, to any natural and legal persons, entities and bodies in the Russian Federation or for use in the Russian Federation, including its exclusive economic zone and continental shelf. In addition, it is prohibited to provide technical assistance, brokering and other services related to those goods and technologies and to the provision, manufacture, maintenance and use of those goods and technologies, directly or indirectly, to any natural or legal person, entity or body in the Russian Federation or for use in the Russian Federation. It is also prohibited to provide financing or financial assistance related to those goods, technologies and listed services.

The exceptions from that prohibition include:

- 1) the provision of those goods and services for the transport of fossil fuels (in particular coal, oil and natural gas) from or through the Russian Federation into the EU; or
- 2) the urgent prevention or mitigation of consequences of an event that is likely to have a serious and significant impact on human health and safety or the environment.

In addition, that prohibition does not apply to:

- a) events of the execution until 17 September 2022 of obligations arising from contracts concluded before 16 March 2022 or ancillary contracts necessary for the execution of such contracts, provided that the EU competent public authority has been informed at least five working days in advance;

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23. Commitments and Contingencies (continued)

b) the provision of insurance or reinsurance to any legal person, entity or body incorporated or constituted under the law of an EU member state with regard to its activities outside the energy sector in the Russian Federation.

A competent public authority of the respective EU country may authorise the activities, export and financing listed above if it has been determined that:

- 1) it is necessary for ensuring critical energy supply within the EU; or
- 2) it is intended for the exclusive use of entities owned, or solely or jointly controlled by a legal person, entity or body which is incorporated or constituted under the law of an EU member state.

From 16 March 2022 it is prohibited for European persons to:

- 1) acquire any new or extend any existing participation in any legal person, entity or body incorporated or constituted under the law of the Russian Federation or any other third country and operating in the energy sector in the Russian Federation;
- 2) grant or be part of any arrangement to grant any new loan or credit or otherwise provide financing (including equity capital) to any legal person, entity or body incorporated or constituted under the law of the Russian Federation or any other third country and operating in the energy sector in the Russian Federation or for the documented purpose of financing such a legal person, entity or body;
- 3) create any new joint venture with any legal person, entity or body incorporated or constituted under the law of the Russian Federation or any other third country and operating in the energy sector in the Russian Federation;
- 4) provide investment services related to the activities referred to in points 1)-3) above.

In February–March 2022, the United Kingdom imposed a wide range of financial sanctions, including the prohibition on transactions with securities and financial instruments issued after 1 March 2022 by “persons connected with the Russian Federation”, regardless of maturity, and the Government of the Russian Federation. From 1 March 2022 the United Kingdom introduced restrictions in respect of the provision of debt financing with a maturity exceeding 30 days to all legal “persons connected with the Russian Federation” and to the Government of the Russian Federation.

A number of other countries have recently imposed sanctions on the Russian Federation. Those sanctions are generally similar to the U.S., EU and UK sanctions. At the same time, certain countries have imposed extended sanction restrictions. On 24 February 2022 Canada imposed blocking sanctions on PJSC Gazprom, PJSC Gazprom Neft and Gazprombank (Joint Stock Company). Furthermore, there is an ongoing restriction imposed by Canada on the export, sale and delivery by persons in Canada and Canadian citizens outside Canada of certain goods to the Russian Federation or any person in the Russian Federation, if such goods are used for deep-water oil exploration (at a depth of more than 500 metres), for oil exploration or production in the Arctic, as well as shale oil exploration or production. On 13 April 2022 Australia imposed blocking sanctions on PJSC Gazprom and PJSC Gazprom Neft, a subsidiary of the Gazprom Group.

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

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. As of 31 December 2021 the relevant provisions of the legislation are interpreted correctly, and the position of the Group’s, in terms of tax, currency and customs legislation, will be stable.

Russian transfer pricing law obliges a taxpayer that belongs to an international group of companies to provide country-by-country data on international groups of companies and prepare a notification of controlled transactions.

In the course of its business the Group is guided by the tax legislation, official clarifications from government agencies and delivered court judgements. The Group has implemented internal control procedures to comply with the requirements of the tax legislation regarding transfer pricing.

Since currently there is no sufficient practice for application of the transfer pricing law by tax authorities and courts, therefore, the outcome of any disputes with tax authorities over applied prices cannot be estimated reliably but may affect the Group's financial results and operations.

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24. Economic Environment in the Russian Federation

The economy of the Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation of the Russian Federation is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation.

The political and economic instability, situation in Ukraine, the current situation with sanctions, uncertainty and volatility of financial and trade markets and other risks have had and may continue to have effects on the Russian economy.

The spread of COVID-19, which occurred in 2020 and continued in 2021, has had a material adverse effect on the world economy. Measures taken to combat the spread of the virus have caused material economic downturn. Global oil and gas markets are experiencing high volatility of demand and prices.

The duration and consequences of the COVID-19 pandemic, as well as the efficiency of the measures taken are currently unclear. It is now impossible to assess reliably the duration and effect of the consequences of the pandemic on the Group's financial position and results of operations in future reporting periods.

During 2021 the official Russian Ruble to US dollar and Euro foreign exchange rates fluctuated between 69.5526 and 77.7730 Russian Rubles and 80.7019 and 92.3321 Russian Rubles per US dollar and Euro, respectively. In addition during 2021 the key interest rate determined by the Central Bank of the Russian Federation increased from 4.25 % to 8.50 % and actual inflation was 8.4 %.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the Government of the Russian Federation to sustain growth, and to change the tax, legal and regulatory frameworks. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment. The future economic situation and the regulatory environment and their impact on the Group's operations may differ from management's current expectations.

25. Operating Risks

Risk management of the Group is conducted within the framework of an unified corporate system and is defined as a continuous cycle of management decision making and implementation composed of risk identification, estimation and valuation, risk response, efficiency control, planning of risk management and monitoring activities. This process is integrated into general governance, focused on risk optimisation as consistent with the Group interests and spreads to all its activities.

The market position of the Group including trends of the corresponding market segment, adaptation to the market conditions, business priorities and perspectives as well as the Group's key business risk factors are disclosed on the website www.gazprom.com.

26. Events after the Reporting Date

Borrowings

In the first quarter of 2022 the Group obtained long-term loans in the total amount of EUR 304 million and RUB 40,270 million.

Changes in the Group's structure

In March 2022 the Gazprom Group terminated its participation in the subsidiary GAZPROM Germania GmbH and all assets of the latter.

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26. Events after the Reporting Date (continued)

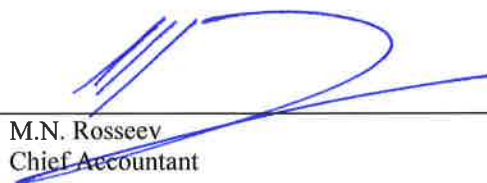
Other events

In February-April 2022 the United States of America, the European Union and some other countries imposed additional sanctions against the Russian Federation (see note 23). These circumstances led to the depreciation of the Russian ruble exchange rate, volatility in financial market and significantly increased the level of economic uncertainty in the conditions of doing business in the Russian Federation. The Group's management is currently analysing the current economic conditions and their possible impact on the Group's operations. At the time of signing these consolidated accounting reports, according to the estimates of the Group's management, the described circumstances do not cast doubt on the going concern of the Group. The Group's management treats these events as non-adjusting events after the reporting period.



A.B. Miller
Chairman of the Management Committee

28 April 2022



M.N. Rosseev
Chief Accountant