

Growth at Scale

PJSC Gazprom Financial Report 2020

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**PJSC Gazprom Statutory Financial
Statements for 2020** ⁴

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Independent Auditor's Report (Translation from Russian original)

To the Shareholders of PJSC Gazprom

Opinion

We have audited the accompanying financial statements of PJSC Gazprom, which comprise the balance sheet as at 31 December 2020, statement of financial results, supplements to the balance sheet and the statement of financial results, including the statement of changes in equity and cash flow statement for the year then ended, and explanatory notes to the balance sheet and the statement of financial results, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of PJSC Gazprom as at 31 December 2020, its financial performance and its cash flows for the year then ended in accordance with 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 Financial Statements section of our report. We are independent of the audited entity 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) (IESBA Code), 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.

Key Audit Matters

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

Revenue recognition

We focused on revenue recognition in our audit because there were various revenue streams with significantly different terms underlying revenue recognition, including the procedure for price determination, price change, and transfer of ownership, risks and rewards.

We assessed the consistency in the application of the revenue recognition accounting policy against various types of revenue and geographic segments. Our audit procedures with respect to the risk of material misstatement of revenue included, specifically, evaluation of the design of controls, assessment of the risk of material misstatement due to fraud or error, as well as substantive procedures with respect to sales transactions and procedures that involved obtaining accounts receivable confirmation letters from debtors as at the end of the reporting period. Based on the results of our audit procedures, we found the position of the management on the revenue recognition to be acceptable.

Information about the approaches to revenue recognition and the amounts of revenue is disclosed in Note 14 "Sales" to the financial statements.

Measurement of doubtful receivables

One of the areas with high risk of material misstatement is the evaluation of sufficiency of doubtful debt provision. Our audit procedures included, specifically, analysis of the assumptions and professional judgment applied by the management of PJSC Gazprom, including critical assessment of the information used by PJSC Gazprom to make projections of the ability of its customers to repay their debts and evaluation of sufficiency of disclosures made by PJSC Gazprom about the use of judgment for calculation of the doubtful debt provision. Based on the results of the procedures performed, we found the criteria and assumptions applied by the management to accrue doubtful debt provision to be acceptable.

Information about accounts receivable and doubtful debt provision is disclosed in Note 8 "Accounts receivable" to the financial statements.

Classification, measurement and disclosure of information about perpetual loans

Classification, measurement and disclosure of information about perpetual loans require detailed analysis of borrowing terms and conditions of these loans and application of management's professional judgment and estimates to justify their accounting methods. Therefore, we consider this area to be one of most significance in our audit.

Our procedures included review of the borrowing terms and conditions of the perpetual loans, which provided for the repeated deferral of their settlement and the borrower's right to postpone interest payment at any time and on any number of occasions. We analysed accounting for transactions associated with raising perpetual loans for compliance with the requirements of accounting regulations. In particular, we evaluated selected accounting methods used to recognise borrowing costs associated with the perpetual loans, accrue interest, recognise exchange differences on these transactions and analysed relevant disclosures in the financial statements. Based on the results of our audit procedures, we found the position of the management on the classification, measurement and disclosure of the raised perpetual loans to be appropriate.

Information about methods used to account for the perpetual loans is disclosed in Note 2 "Significant accounting policies and basis of presentation" to the financial statements, information about the borrowing terms and conditions of the perpetual loans and transactions associated with them is disclosed in Note 10 "Equity and reserves" to the financial statements.

Application of changes to RAR 18/02 "Accounting for Corporate Income Tax Payments"

We consider this area to be one of the most significant audit areas because the effect of changes in accounting methods and the retrospective restatement of comparatives are significant for the financial statements. As part of our audit procedures, we, specifically, analysed whether the classification of differences as permanent and temporary in respect of differences arising from different income and expense recognition rules set forth in accounting and tax laws was reasonable; evaluated retrospective adjustments for consistency and accuracy; and analysed relevant disclosures in the financial statements. Based on the results of our audit procedures, we found the position of the management on the recognition of consequences of the application of RAR 18/02 "Accounting for Corporate Income Tax Payments" to be appropriate.

Information about the recognition of consequences of the application of RAR 18/02 "Accounting for Corporate Income Tax Payments" is disclosed in Note 4 "Adjustments to prior reporting period data" to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report of PJSC Gazprom for 2020 and the Quarterly issuer's report of PJSC Gazprom for the first quarter of 2021, but does not include the financial statements and our auditor's report thereon. The Annual report of PJSC Gazprom for 2020 and the Quarterly issuer's report of PJSC Gazprom for the first quarter of 2021 are expected to be made available to us after the date of this auditor's report.

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

In connection with the audit of the financial statements, 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report of PJSC Gazprom for 2020 and the Quarterly issuer's report of PJSC Gazprom for the first quarter of 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Russian accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the audited entity'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 audited entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 financial statements.

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 financial statements, 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 audited entity's internal control;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the audited entity;
- 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 audited entity'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 financial statements 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 audited entity to cease to continue as a going concern;
- e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of the audited entity 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 of the audited entity 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 of the audited entity, we determine those matters that were of most significance in the audit of the financial statements 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

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



S.M. Shapiguzov
Acting by virtue of the Articles of Organisation,
Auditor Qualification Certificate
01-001230, ORNZ 21606043397

M.A. Kolembet
Auditor Qualification Certificate
01-001271, ORNZ 21606041788

Date of the Independent Auditor's Report:
22 March 2021

Audited entity

Name:

PJSC Gazprom.

Address of the legal entity within its location:

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

Official registration:

Registered by Moscow Registration Chamber on 25 February 1993, registration number 022.726.
The registration entry was made in the Unified State Register of Legal Entities on 2 August 2002 under principal state registration number 1027700070518.

Auditor

Name:

FBK, LLC.

Address of the legal entity within its location:

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

Official registration:

Registered by Moscow Registration Chamber on 15 November 1993, registration number 484.583.
The registration entry was made in the Unified State Register of Legal Entities on 24 July 2002 under principal state registration number 1027700058286.

Membership in self-regulatory organisation of auditors:

Member of the Self-regulatory organization of auditors Association «Sodruzhestvo».
Principal number of registration entry in the register of auditors and audit organisations of the self-regulatory organisation of auditors 11506030481.

Balance Sheet

as at 31 December 2020

Company: PJSC GAZPROM
 Taxpayer identification number
 Field of activity: Wholesale of solid,
 liquid and gaseous fuels and related products
 Legal form/property form:
 Public Joint Stock Company
 Measurement unit: thousand of RUB
 Address: 16 Nametkina St., Moscow, 117420

	Codes
Form on OKUD	0710001
Date (day, month, year)	31/12/2020
OKPO	00040778
INN	7736050003
OKVED 2	46.71
OKOPF/OKFS	12247/41
OKEI	384

The financial statements are subject to statutory audit
 Name of the audit firm: FBK, LLC
 Taxpayer identification number of the audit firm
 Principal state registration number of the audit firm

	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
INN	7701017140
OGRN/OGRNIP	1027700058286

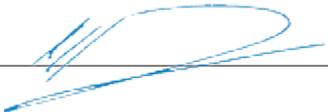
Notes	Narrative	Line code	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Assets					
I. Non-current assets					
1	Intangible assets, including:	1110	14,744,114	17,102,648	19,329,708
	intellectual property rights	1111	14,437,503	16,546,490	18,813,986
	other	1119	306,611	556,158	515,722
1	Results of research and development	1120	2,985,739	3,076,422	2,862,397
9	Intangible exploration assets	1130	130,776,537	118,651,254	118,119,725
9	Tangible exploration assets	1140	52,045,575	53,189,454	71,725,085
2, Note 5	Fixed assets, including:	1150	8,002,629,050	7,998,232,551	7,864,189,945
	Fixed assets items, including:	1151	6,613,018,663	6,698,228,019	6,354,837,926
	land plots and natural resources	1152	3,497,718	3,497,549	3,484,372
	buildings, facilities, machinery and equipment	1153	6,518,838,804	6,585,106,135	6,242,783,407
	Capital investments in progress	1154	1,389,610,387	1,300,004,532	1,509,352,019
	Income-bearing investments in tangible assets	1160	-	-	-
3, Note 6	Financial investments, including:	1170	3,295,369,477	4,047,061,648	3,669,400,994
	investments in subsidiaries	1171	3,211,227,291	3,634,482,663	3,359,647,370
	investments in associates	1172	38,100,611	88,029,325	89,831,301
	investments in other entities	1173	214,790	203,434	203,435
	loans provided to companies for a period over 12 months	1174	6,818,956	285,708,116	181,328,968
	Deferred tax assets	1180	244,942,532	151,847,643	119,610,279
Note 7	Other non-current assets	1190	237,273,163	126,496,168	58,293,352
	Total Section I	1100	11,980,766,187	12,515,657,788	11,923,531,485

Notes	Narrative	Line code	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Assets					
II. Current assets					
4	Inventories, including:	1210	570,823,149	669,198,423	515,373,228
	raw materials and other inventories	1211	5,647,999	6,364,880	10,855,567
	work in progress	1213	329,970,892	359,139,968	283,018,154
	finished goods and goods for resale	1214	229,969,097	297,329,275	215,189,424
	goods dispatched	1215	5,235,161	6,364,284	6,309,990
	Value-added tax on goods purchased	1220	75,632,590	61,218,137	50,573,798
5, Note 8	Accounts receivable, including:	1230	2,174,060,202	1,876,595,634	2,120,688,193
	Accounts receivable (payments expected beyond 12 months after the reporting date), including:	1231	522,399,531	777,410,093	578,237,266
	buyers and customers	1232	1,056,765	2,245,027	5,217,521
	advances issued	1233	1,514,832	2,968,033	54,183
	other debtors	1234	519,827,934	772,197,033	572,965,562
	Accounts receivable (payments expected within 12 months after the reporting date), including:	1235	1,651,660,671	1,099,185,541	1,542,450,927
	buyers and customers	1236	579,447,708	540,643,114	779,789,157
	advances issued	1238	247,261,366	110,794,388	106,398,208
	other debtors	1239	824,951,597	447,748,039	656,263,562
3, Note 6	Financial investments (except for cash equivalents), including:	1240	262,692,226	512,578,733	792,588,971
	loans provided to companies for a period less than 12 months	1241	262,688,713	49,130,347	142,839,066
Note 9	Cash and cash equivalents, including:	1250	648,397,537	302,506,804	349,740,207
	cash on hand	1251	25,717	23,070	27,362
	settlement accounts	1252	210,145,651	267,210,278	147,944,053
	foreign currency accounts	1253	248,157,997	32,113,655	199,361,562
	other cash and cash equivalents	1259	190,068,172	3,159,801	2,407,230
	Other current assets	1260	3,084,381	1,991,227	1,958,690
	Total Section II	1200	3,734,690,085	3,424,088,958	3,830,923,087
	BALANCE	1600	15,715,456,272	15,939,746,746	15,754,454,572

Notes	Narrative	Line code	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Equity and liabilities					
III. Equity and reserves					
Note 10	Charter capital (joint capital, charter fund, contributions of partners)	1310	118,367,564	118,367,564	118,367,564
	Own shares buy-back	1320	–	–	–
	Revaluation of non-current assets	1340	5,519,633,945	5,445,336,422	5,457,427,423
Note 10	Additional paid-in capital (without revaluation)	1350	195,615,797	–	–
	including perpetual notes and loans	1351	195,615,797	–	–
Note 10	Reserve capital	1360	8,636,001	8,636,001	8,636,001
	Retained earnings (loss)	1370	4,381,165,828	5,443,445,358	5,090,324,066
	Social government fund	1380	–	–	–
	Total Section III	1300	10,223,419,135	11,015,785,345	10,674,755,054
IV. Non-current liabilities					
Note 11	Borrowings and bank loans, including:	1410	2,282,427,006	1,793,864,976	2,099,199,873
	bank loans due for repayment beyond 12 months	1411	613,034,561	577,396,807	677,990,869
	other borrowings due for repayment beyond 12 months	1412	1,669,392,445	1,216,468,169	1,421,209,004
	Deferred tax liabilities	1420	929,874,464	1,034,576,744	1,012,640,486
7; Note 19	Estimated liabilities	1430	19,234,306	14,584,218	10,071,423
5	Other liabilities	1450	2,301,619	2,169,429	2,247,227
	Total Section IV	1400	3,233,837,395	2,845,195,367	3,124,159,009

Notes	Narrative	Line code	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
V. Current liabilities					
Note 11	Borrowings and bank loans, including:	1510	1,353,045,123	1,093,625,433	831,626,466
	bank loans due for repayment within 12 months	1511	-	-	-
	other borrowings due for repayment within 12 months	1512	774,244,702	587,309,565	295,800,823
	current portion of long-term borrowings and bank loans	1513	578,800,421	506,315,868	535,825,643
5; Note 13	Accounts payable, including:	1520	852,767,523	908,361,080	1,078,815,391
	suppliers and contractors	1521	638,553,849	722,594,482	709,775,210
	salaries payable	1522	801,498	909,195	824,192
	insurance contributions payable	1523	502,782	379,090	329,202
	taxes payable	1524	30,191,699	62,566,006	56,599,494
	other creditors, including:	1525	181,241,882	120,713,636	310,406,998
	promissory notes payable	1526	-	-	-
	advances from customers	1527	125,365,023	82,879,525	84,128,958
	other settlements	1528	55,876,859	37,834,111	226,278,040
	dividends payable to participants (shareholders)	1529	1,475,813	1,198,671	880,295
	Future periods income	1530	-	-	-
7; Note 19	Estimated liabilities	1540	52,387,096	76,779,521	45,098,652
	Other liabilities	1550	-	-	-
	Total Section V	1500	2,258,199,742	2,078,766,034	1,955,540,509
	BALANCE	1700	15,715,456,272	15,939,746,746	15,754,454,572

Chief Executive Officer _____  _____ A.B. Miller

Chief Accountant _____  _____ M.N. Rosseev

22 March 2021

Statement of Financial Results for 2020

		Codes
	Form on OKUD	0710002
	Date (day, month, year)	31/12/2020
Company: PJSC GAZPROM	OKPO	00040778
Taxpayer identification number	INN	7736050003
Field of activity: Wholesale of solid, liquid and gaseous fuels and related products	OKVED 2	46.71
Legal form/property form: Public Joint Stock Company	OKOPF/OKFS	12247/41
Measurement unit: thousand of RUB	OKEI	384

Notes	Narrative	Line code	For 2020	For 2019
Note 14	Sales, including:	2110	4,061,444,118	4,758,711,459
	gas	2111	2,635,465,416	3,311,117,094
	leased assets	2112	801,610,263	779,702,026
	oil and gas refinery products	2113	258,923,667	290,064,899
	gas transportation services	2114	243,635,662	241,297,625
	gas condensate	2115	100,927,468	123,174,241
	other goods, products, works and services	2116	16,784,284	11,436,458
	gas storage services	2117	4,097,358	1,919,116
6; Note 15	Cost of sales	2120	(2,488,200,192)	(2,657,654,354)
	gas	2121	(1,121,429,019)	(1,287,313,401)
	leased assets	2122	(789,984,086)	(777,305,913)
	oil and gas refinery products	2123	(212,082,335)	(225,120,955)
	gas transportation services	2124	(251,741,930)	(252,381,302)
	gas condensate	2125	(83,765,302)	(97,001,430)
	other goods, products, works and services	2126	(28,686,272)	(17,681,800)
	gas storage services	2127	(511,248)	(849,553)
	Gross profit (loss)	2100	1,573,243,926	2,101,057,105
6; Note 15	Selling expenses	2210	(1,450,860,856)	(1,363,851,113)
6	Administrative expenses	2220	(111,347,165)	(108,092,194)
	Profit (loss) from sales	2200	11,035,905	629,113,798
	Income from participation in other entities	2310	311,965,992	316,324,238
	Interest receivable	2320	43,234,670	61,250,281
	Interest payable	2330	(115,261,363)	(107,234,097)

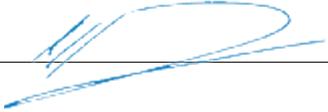
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Notes	Narrative	Line code	For 2020	For 2019
Note 16	Other income	2340	1,067,386,497	1,060,079,172
Note 16	Other expenses	2350	(2,240,427,669)	(1,048,579,909)
	Profit (loss) before taxation	2300	(922,065,968)	910,953,483
Note 12	Income tax, including:	2410	227,492,236	(177,428,559)
	current income tax	2411	13,318,280	(186,767,702)
	deferred income tax	2412	212,015,226	9,960,781
	prior year income tax	2413	2,158,730	(621,638)
	Other	2460	1,285,950	(610,958)
	Reallocation of income tax within the CGT	2465	(13,638,205)	1,079,584
	Net profit (loss)	2400	(706,925,987)	733,993,550

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Notes	Narrative	Line code	For 2020	For 2019
Note 5	" Result of revaluation of non-current assets not included to the net profit (loss) for the period "	2510	97,297,631	–
	Results of other transactions not included to the net profit (loss) for the period	2520	–	–
	Income tax from other transactions whose results are not included to the net profit (loss) for the period	2530	(17,036,985)	–
	Cumulative financial result for the period	2500	(626,665,341)	733,993,550
Note 17	" REFERENCE: Basic earnings (loss) per share (RUB) "	2900	(29,86)	31,00
	Diluted earnings (loss) per share	2910	–	–

Chief Executive Officer _____  _____ A.B. Miller

Chief Accountant _____  _____ M.N. Rosseev

22 March 2021

Statement of Changes in Equity for 2020

Company: PJSC GAZPROM
Taxpayer identification number
Field of activity: Wholesale of solid,
liquid and gaseous fuels and related products
Legal form/property form:
Public Joint Stock Company
Measurement unit: thousand of RUB

	Codes
Form on OKUD	0710004
Date (day, month, year)	31/12/2020
OKPO	00040778
INN	7736050003
OKVED 2	46.71
OKOPF/OKFS	12247/41
OKEI	384

1. Changes in equity

Narrative	Line code	Charter capital	Own shares buy-back	Additional capital	Reserve capital	Retained earnings (loss)	Social government fund	Total
Equity as at 31 December 2018	3100	118,367,564	-	5,457,427,423	8,636,001	5,090,324,066	-	10,674,755,054
For 2019								
Increase in equity - total, including:	3210	-	-	-	-	734,247,342	-	734,247,342
net profit	3211	X	X	X	X	733,993,550	X	733,993,550
revaluation of assets	3212	X	X	-	X	X	-	-
income directly attributable to equity	3213	X	X	-	X	253,792	X	253,792
additional shares issue	3214	-	X	-	X	X	X	-
increase in share par value	3215	-	X	-	X	-	X	-
reorganisation of legal entity	3216	-	-	-	-	-	-	-
placement of buy-backed shares	3217	X	-	X	X	X	X	-
other	3219	-	-	-	-	-	X	-
Decrease in equity - total, including:	3220	-	-	-	-	(393,217,051)	-	(393,217,051)
loss	3221	X	X	X	X	-	X	-
revaluation of assets	3222	X	X	-	X	X	-	-
expenses directly attributable to equity	3223	X	X	X	X	-	-	-
decrease in share par value	3224	-	X	X	X	-	X	-
decrease in number of shares	3225	-	-	X	X	X	X	-
reorganisation of legal entity	3226	-	-	-	-	-	-	-
dividends	3227	X	X	X	X	(393,217,051)	X	(393,217,051)
other	3229	-	-	-	-	-	X	-

Narrative	Line code	Charter capital	Own shares buy-back	Additional capital	Reserve capital	Retained earnings (loss)	Social government fund	Total
Additional capital change	3230	X	X	(12,091,001)	X	12,091,001	X	-
Reserve capital change	3240	X	X	X	-	-	X	-
Equity as at 31 December 2019	3200	118,367,564	-	5,445,336,422	8,636,001	5,443,445,358	-	11,015,785,345
For 2020								
Increase in equity - total, including:	3310	-	-	279,520,614	-	3,918,921	-	283,439,535
net profit	3311	X	X	X	X	-	X	-
revaluation of assets	3312	X	X	80,260,646	X	X	-	80,260,646
income directly attributable to equity	3313	X	X	-	X	252,652	X	252,652
additional shares issue	3314	-	X	-	X	X	X	-
increase in share par value	3315	-	X	-	X	-	X	-
reorganisation of legal entity	3316	-	-	-	-	-	-	-
placement of buy-backed shares	3317	X	-	X	X	X	X	-
transactions associated with perpetual notes and loans	3318	X	X	199,259,968	X	3,666,269	X	202,926,237
other	3319	-	-	-	-	-	-	-
Decrease in equity - total, including:	3320	-	-	(3,644,171)	-	(1,072,161,574)	-	(1,075,805,745)
loss	3321	X	X	X	X	(706,925,987)	X	(706,925,987)
revaluation of assets	3322	X	X	-	X	X	-	-
expenses directly attributable to equity	3323	X	X	X	X	-	-	-
decrease in share par value	3324	-	X	X	X	-	X	-
decrease in number of shares	3325	-	-	X	X	X	X	-
reorganisation of legal entity	3326	-	-	-	-	-	-	-
dividends	3327	X	X	X	X	(360,784,337)	X	(360,784,337)
transactions associated with perpetual notes and loans	3328	X	X	(3,644,171)	X	(4,451,250)	X	(8,095,421)
other	3329	-	-	-	-	-	X	-
Additional capital change	3330	X	X	(5,963,123)	X	5,963,123	X	-
Reserve capital change	3340	X	X	X	-	-	X	-
Equity as at 31 December 2020	3300	118,367,564	-	5,715,249,742	8,636,001	4,381,165,828	-	10,223,419,135

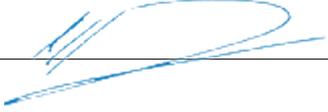
2. Restatements due to changes in accounting policies and correction of errors

Narrative	Line code	As at 31 December 2018	Change in equity for 2019		As at 31 December 2019
			From net profit (loss)	Due to other factors	
Equity - total before restatement	3400	11,067,247,169	651,124,114	(392,963,259)	11,325,408,024
restatement due to:					
changes in accounting policies	3410	(401,763,980)	82,869,436	–	(318,894,544)
correction of accounting errors	3420	9,271,865	–	–	9,271,865
after restatement	3500	10,674,755,054	733,993,550	(392,963,259)	11,015,785,345
including:					
Retained earnings (loss) before restatement	3401	5,076,327,438	651,124,114	(379,170,894)	5,348,280,658
restatement due to:					
changes in accounting policies	3411	6,709,964	82,869,436	(1,701,364)	87,878,036
correction of accounting errors	3421	7,286,664	–	–	7,286,664
after restatement	3501	5,090,324,066	733,993,550	(380,872,258)	5,443,445,358
Additional capital before restatement	3402	5,863,916,166	–	(13,792,365)	5,850,123,801
restatement due to:					
changes in accounting policies	3412	(408,473,944)	–	1,701,364	(406,772,580)
correction of accounting errors	3422	1,985,201	–	–	1,985,201
after restatement	3502	5,457,427,423	–	(12,091,001)	5,445,336,422
Reserve capital before restatement	3403	8,636,001	–	–	8,636,001
restatement due to:					
changes in accounting policies	3413	–	–	–	–
correction of accounting errors	3423	–	–	–	–
after restatement	3503	8,636,001	–	–	8,636,001
Own shares buy-back before restatement	3404	–	–	–	–
restatement due to:					
changes in accounting policies	3414	–	–	–	–
correction of accounting errors	3424	–	–	–	–
after restatement	3504	–	–	–	–
Social government fund before restatement	3405	–	–	–	–
restatement due to:					
changes in accounting policies	3415	–	–	–	–
correction of accounting errors	3425	–	–	–	–
after restatement	3505	–	–	–	–

3. Net assets

Narrative	Line code	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Net assets	3 600	10,223,419,135	11,015,785,345	10,674,755,054

Chief Executive Officer _____  _____ A.B. Miller

Chief Accountant _____  _____ M.N. Rosseev

22 March 2021

Cash Flow Statement for 2020

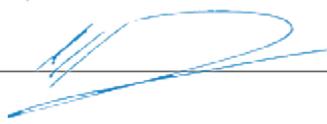
		Codes
	Form on OKUD	0710005
	Date (day, month, year)	31/12/2020
Company: PJSC GAZPROM	OKPO	00040778
Taxpayer identification number	INN	7736050003
Field of activity: Wholesale of solid, liquid and gaseous fuels and related products	OKVED 2	46.71
Legal form/property form: Public Joint Stock Company	OKOPF/OKFS	12247/41
Measurement unit: thousand of RUB	OKEI	384

Narrative	Line code	For 2020	For 2019
Cash flows from operating activities			
Receipts - total, including:	4110	5,336,331,743	5,974,702,680
sales of products, goods, work and services	4111	4,454,168,613	5,475,073,713
rent payments, licence payments, royalties, commissions and other payments	4112	-	-
resale of financial investments	4113	-	-
other receipts	4119	882,163,130	499,628,967
Payments - total, including:	4120	(4,746,134,568)	(5,356,069,825)
to suppliers for raw materials, works, services	4121	(3,166,454,809)	(3,415,168,544)
wages and salaries	4122	(49,481,746)	(47,754,275)
interest on borrowings	4123	(113,673,049)	(105,323,836)
income tax	4124	(55,673,940)	(230,884,151)
other payments	4129	(1,360,851,024)	(1,556,939,019)
Net cash flows from operating activities	4100	590,197,175	618,632,855

Narrative	Line code	For 2020	For 2019
Cash flows from investing activities			
Receipts - total, including:	4210	1,254,701,181	1,196,902,493
from sales of non-current assets (except for financial investments)	4211	1,986,725	491,943
from sales of shares of other entities (ownership interest)	4212	6,155,324	1,921,383
from return of loans issued, sales of debt securities (rights of claiming cash from third parties)	4213	903,772,371	754,304,760
dividends, interest on debt financial investments and receipts from participation in other entities	4214	320,395,735	436,830,871
from sales of exploration assets	4215	–	–
other receipts	4219	22,391,026	3,353,536
Payments - total, including:	4220	(1,526,202,007)	(1,707,667,814)
acquisition, construction, modernisation, reconstruction and preparation for the use of non-current assets	4221	(138,480,225)	(171,301,007)
acquisition of other entities shares (ownership interest)	4222	(67,544,718)	(26,148,341)
acquisition of debt securities (rights of claiming cash from third parties), issue of loans to third parties	4223	(501,540,523)	(630,391,000)
borrowing costs included in the cost of the investment asset	4224	–	–
construction/acquisition of exploration assets	4225	(40,083,785)	(35,117,695)
other payments	4229	(778,552,756)	(844,709,771)
Net cash flows from investing activities	4200	(271,500,826)	(510,765,321)
Cash flows from financing activities			
Receipts - total, including:	4310	949,243,098	694,348,656
borrowings and bank loans	4311	751,543,942	694,116,470
contributions of owners (participants)	4312	–	–
issue of shares, increase in ownership interest	4313	–	–
issue of bonds, promissory notes and other debt securities, etc.	4314	–	–
perpetual notes and loans	4315	197,467,580	–
other receipts	4319	231,576	232,186

Narrative	Line code	For 2020	For 2019
Payments - total, including:	4320	(959,460,134)	(815,983,877)
to owners (participants) due to the fact of share buy-back or cessation of membership	4321	-	-
dividend payments or other distribution of profit to owners (participants)	4322	(355,542,806)	(385,809,136)
redemption (buy-back) of promissory notes and other debt securities, loan repayment	4323	(601,280,562)	(430,174,741)
payments associated with perpetual notes and loans	4324	(2,636,766)	-
payment of interest on perpetual notes and loans	4325	-	-
other payments	4329	-	-
Net cash flows from financing activities	4300	(10,217,036)	(121,635,221)
Net cash flows for the reporting period	4400	308,479,313	(13,767,687)
Cash and cash equivalents at the beginning of the reporting period	4450	302,506,804	349,740,207
Cash and cash equivalents at the end of the reporting period	4500	648,397,537	302,506,804
Effect of changes in the Russian rouble exchange rate	4490	37,411,420	(33,465,716)

Chief Executive Officer _____  _____ A.B. Miller

Chief Accountant _____  _____ M.N. Rosseev

22 March 2021

Explanatory notes to the balance sheet and the statement of financial results

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1. Intangible assets and expenditure on research and development (R&D)

1.1 The presence and movement of intangible assets

Narrative	Line code	Period	At the beginning of the year			Changes for the period			At the end of the period			
			Accumulated amortisation and impairment losses		Additions	Disposals		Revaluation		Accumulated amortisation and impairment losses		
			Initial cost	Impairment losses		Initial cost	Amortisation charge	Impairment loss	Initial cost	Amortisation charge	Impairment loss	
Intangible assets - total	5100	for 2020	25,859,619	(9,313,129)	824,232	(1,006,263)	546,380	(2,473,336)	-	-	25,677,588	(11,240,085)
	5110	for 2019	25,757,606	(6,943,620)	216,191	(114,178)	114,008	(2,483,517)	-	-	25,859,619	(9,313,129)
including:												
Intellectual property (exclusive rights to intellectual property)	5101	for 2020	25,859,619	(9,313,129)	824,232	(1,006,263)	546,380	(2,473,336)	-	-	25,677,588	(11,240,085)
Goodwill	5111	for 2019	25,757,606	(6,943,620)	216,191	(114,178)	114,008	(2,483,517)	-	-	25,859,619	(9,313,129)
Other	5104	for 2020	-	-	-	-	-	-	-	-	-	-
	5114	for 2019	-	-	-	-	-	-	-	-	-	-

1.2 The initial cost of intangible assets developed by the company

Narrative	Line code	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Total	5120	25,654,770	25,838,393	25,739,724
including:				
Intellectual property (exclusive rights to intellectual property)	5121	25,654,770	25,838,393	25,739,724
Other	5129	-	-	-

1.3 Intangible assets fully amortised

Narrative	Line code	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Total	5130	2,156,623	2,236,851	2,128,779
including:				
Intellectual property (exclusive rights to intellectual property)	5131	2,156,623	2,236,851	2,128,779
Goodwill	5138	-	-	-
Other	5139	-	-	-

1.4 The presence and movement of the results of research and development

Narrative	Line code	Period	At the beginning of the year		Changes for the period			At the end of the period	
			Initial cost	Part of the cost recognised in expenses	Disposals	Initial cost	Part of the cost recognised in expenses	Part of the cost recognised in expenses	
Research and Development - total	5140	aa 2020 год	35,192,556	(32,116,147)	3,205,079	6,785,776	(3,356,588)	31,611,859	(28,686,959)
	5150	aa 2019 год	31,777,790	(29,102,212)	3,414,766	-	(3,013,935)	85,192,556	(32,116,147)

1.5 Costs of research and development works and intangible assets acquisition in progress

Narrative	Line code	Period	At the beginning of the year		Costs for the period	Changes for the period		At the end of the period
			Initial cost	Part of the cost recognised in expenses		Written off to expenses (without positive results)	Recognised as intangible assets or R&D	
"Costs of R&D in progress - total"	5160	aa 2020 год	13	13	3,285,232	(19,327)	(3,205,079)	60,839
	5170	aa 2019 год	186,819	186,819	3,247,836	(19,876)	(3,414,766)	13
Acquisitions of intangible assets in progress - total	5180	aa 2020 год	556,158	556,158	664,091	-	(913,638)	306,611
	5190	aa 2019 год	515,722	515,722	256,638	(5)	(216,197)	556,158

2. Fixed assets

2.1 The presence and movement of fixed assets

Narrative	Line code	Period	At the beginning of the year				Changes for the period						At the end of the period		
			Initial cost	Accumulated depreciation	Additions	Disposals		Reclassification		Revaluation		Initial cost	Accumulated depreciation	Initial cost	Accumulated depreciation
						Initial cost	Accumulated depreciation	Initial cost	Accumulated depreciation	Initial cost	Accumulated depreciation				
Fixed assets (less income-bearing investments in tangible assets) - total	5200	for 2020	23,856,610,636	(17,156,382,617)	529,840,583	(65,791,661)	24,308,846	(670,887,180)	—	—	204,945,976	(107,625,920)	24,525,605,534	(17,912,586,871)	
	5210	for 2019	22,894,378,283	(16,539,540,357)	1,027,562,916	(65,330,563)	48,412,125	(667,254,385)	—	—	—	—	23,856,610,636	(17,156,382,617)	
including:															
Trunk pipelines	5201	for 2020	14,027,041,409	(10,746,119,419)	128,028,306	(3,541,860)	3,417,617	(300,488,464)	(1,952,898)	1,391,012	—	—	14,149,574,857	(11,041,799,254)	
	5211	for 2019	13,589,369,890	(10,444,741,279)	448,364,129	(7,099,465)	6,459,035	(310,453,973)	(3,593,145)	2,616,798	—	—	14,027,041,409	(10,746,119,419)	
Wells	5202	for 2020	1,192,915,494	(972,914,525)	76,838,917	(5,850,954)	5,502,101	(38,133,985)	—	—	—	—	1,263,903,457	(1,005,546,409)	
	5212	for 2019	1,144,364,101	(945,360,203)	56,422,136	(6,788,643)	6,745,400	(35,206,679)	(1,082,100)	906,957	—	—	1,192,915,494	(972,914,525)	
Machinery and equipment	5203	for 2020	3,645,360,705	(2,905,165,259)	156,724,705	(9,020,171)	7,831,007	(159,688,165)	6,232,416	(6,441,153)	—	—	3,799,297,655	(3,063,443,570)	
	5213	for 2019	3,518,549,918	(2,763,508,687)	143,924,042	(21,223,632)	20,422,423	(158,805,082)	4,110,377	(3,273,913)	—	—	3,645,360,705	(2,905,165,259)	
Buildings, roads and other production facilities	5204	for 2020	4,848,110,664	(2,504,122,954)	149,326,080	(8,675,897)	4,064,621	(169,941,454)	(4,283,833)	5,054,765	204,945,976	(107,625,920)	5,189,422,990	(2,772,570,922)	
	5214	for 2019	4,502,152,845	(2,358,043,178)	373,966,851	(28,573,900)	13,945,523	(159,775,437)	564,868	(249,842)	—	—	4,848,110,664	(2,504,122,954)	
Other fixed assets	5205	for 2020	143,182,364	(30,060,480)	18,922,575	(38,702,779)	3,493,500	(2,655,112)	4,415	(4,624)	—	—	123,406,575	(29,226,716)	
	5215	for 2019	139,941,529	(27,887,010)	4,885,758	(1,644,923)	839,744	(3,013,214)	—	—	—	—	143,182,364	(30,060,480)	
including land		for 2020	3,497,549	—	171	(2)	—	—	—	—	—	—	3,497,718	—	
		for 2019	3,484,372	—	13,684	(507)	—	—	—	—	—	—	3,487,549	—	
Included within income-bearing investments in tangible assets — total	5220	for 2020	—	—	—	—	—	—	—	—	—	—	—	—	
	5230	for 2019	—	—	—	—	—	—	—	—	—	—	—	—	
including:															
Trunk pipelines	5221	for 2020	—	—	—	—	—	—	—	—	—	—	—	—	
	5231	for 2019	—	—	—	—	—	—	—	—	—	—	—	—	
Wells	5222	for 2020	—	—	—	—	—	—	—	—	—	—	—	—	
	5232	for 2019	—	—	—	—	—	—	—	—	—	—	—	—	
Machinery and equipment	5223	for 2020	—	—	—	—	—	—	—	—	—	—	—	—	
	5233	for 2019	—	—	—	—	—	—	—	—	—	—	—	—	
Buildings, roads and other production facilities	5224	for 2020	—	—	—	—	—	—	—	—	—	—	—	—	
	5234	for 2019	—	—	—	—	—	—	—	—	—	—	—	—	
Other fixed assets	5225	for 2020	—	—	—	—	—	—	—	—	—	—	—	—	
	5235	for 2019	—	—	—	—	—	—	—	—	—	—	—	—	

2.2 Capital investments in progress

Narrative	Line code	Period	At the beginning of the year	Costs for the period	Changes for the period			At the end of the period
					Written off	Recognised as fixed assets or increased costs	Other changes	
Construction and activity in progress on acquisition, modernisation etc. of fixed assets — total	5240	for 2020	1,300,004,532	724,016,199	(7,127,178)	(529,840,583)	(97,442,583)	1,389,610,387
	5250	for 2019	1,509,352,019	929,765,550	(7,050,368)	(1,027,496,463)	(104,566,206)	1,300,004,532
including:								
construction in progress	5241	for 2020	1,083,406,850	653,591,590	(7,125,195)	(529,840,583)	(2,434,359)	1,197,598,303
	5251	for 2019	1,280,234,696	844,753,711	(7,016,365)	(1,027,496,463)	(7,068,729)	1,083,406,850
equipment for installation	5242	for 2020	216,597,682	70,424,609	(1,983)	—	(95,008,224)	192,012,084
	5252	for 2019	229,117,323	85,011,899	(34,003)	—	(97,497,477)	216,597,682

2.3 Change of the fixed assets cost as a result of completion, equipping, reconstruction or partial liquidation

Narrative	Line code	For 2020		For 2019
Increase in the cost of fixed assets as a result of completion, equipping, reconstruction — total	5260		25,461,107	6,882,732
including:				
Trunk pipelines	5261		1,088,588	102,393
Wells	5262		3,761,802	3,687,115
Machinery and equipment	5263		1,908,744	1,473,859
Buildings and roads	5264		18,609,905	612,927
Other fixed assets	5265		92,068	1,006,438
Reducing the cost of fixed assets as a result of partial liquidation — total	5270		(213,134)	(658,727)
including:				
Trunk pipelines	5271		(109,355)	(333,826)
Wells	5272		(7,962)	(12,212)
Machinery and equipment	5273		(16,535)	(25,773)
Buildings and roads	5274		(52,388)	(10,498)
Other fixed assets	5275		(26,894)	(176,418)

2.4 Other use of fixed assets

Narrative	Line code	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Leased-out on-balance fixed assets	5280	5,826,894,870	5,967,908,609	5,767,718,859
Leased-out off-balance fixed assets	5281	-	-	-
On-balance fixed assets received in lease	5282	-	-	-
Off-balance fixed assets received in lease	5283	135,261,726	144,183,486	135,148,371
Real estate actually used and in the process of state registration	5284	1,308,916,526	1,542,308,517	1,360,956,313
Fixed assets transferred to conservation	5285	102,512,512	136,850,851	127,079,513
Other use of fixed assets (pledged and others)	5286	-	-	-
including:				
pledged fixed assets	5287	-	-	-

3. Financial investments

3.1 The presence and movement of financial investments

Narrative	Line code	Period	At the beginning of the year			Changes for the period			At the end of the period			
			Initial cost	Accrued adjustment	Additions	Initial cost	Accrued adjustment	Other	Current market value (impairment loss)	Initial cost	Accrued adjustment	
Long-term financial investments - total												
5301 for 2020	5301	for 2020	2,834,786,769	1,238,722,323	243,601,169	(464,745,309)	-	75,421,577	(444,586,982)	2,689,064,206	794,135,341	
5311 for 2019	5311	for 2019	2,822,268,327	983,649,543	69,392,953	(18,425,064)	-	(38,449,447)	255,072,780	2,834,786,769	1,238,722,323	
5302 for 2020	5302	for 2020	2,483,776,602	1,238,938,820	137,153,314	(143,307,812)	-	(22,353,417)	(444,664,815)	2,455,268,687	794,274,005	
5312 for 2019	5312	for 2019	2,465,815,816	983,866,290	19,482,321	(1,521,535)	-	-	255,072,530	2,483,776,602	1,238,938,820	
investments in subsidiaries	53021	for 2020	2,401,785,593	1,232,697,070	137,138,446	(89,698,095)	-	(22,349,904)	(448,345,819)	2,426,876,040	784,351,251	
53121 for 2019	53121	for 2019	2,383,592,739	976,054,631	19,482,321	(1,289,467)	-	-	256,642,439	2,401,785,593	1,232,697,070	
investments in associates	53022	for 2020	81,787,421	6,241,904	-	(53,609,717)	-	-	3,681,003	28,177,704	9,922,907	
53122 for 2019	53122	for 2019	82,019,489	7,811,812	-	(232,068)	-	-	(1,569,908)	81,787,421	6,241,904	
investments in other entities	53023	for 2020	203,588	(154)	14,868	-	-	(3,513)	1	214,943	(153)	
53123 for 2019	53123	for 2019	203,588	(153)	-	-	-	-	(1)	203,588	(154)	

3.1 The presence and movement of financial investments (continued)

Narrative	Line code	Period	At the beginning of the year				Changes for the period				At the end of the period		
			Initial cost	Accrued adjustment	Additions	Disposals		Accrued adjustment	Other	Current market value (impairment loss)	Initial cost	Accrued adjustment	
						Initial cost	Accrued adjustment						
Other long-term financial investments, including:	5303	for 2020	351,010,167	(216,497)	106,447,855	(321,437,497)	-	97,774,984	77,833	233,795,519	(138,664)		
	5313	for 2019	356,452,511	(216,747)	49,910,632	(16,903,529)	-	(38,449,447)	250	351,010,167	(216,497)		
loans provided to companies for a period over 12 months	53031	for 2020	312,155,560	-	20,339,236	(233,249,614)	-	95,403,844	-	194,649,026	-		
	53131	for 2019	317,844,844	-	49,520,653	(16,760,480)	-	(38,449,447)	-	312,155,560	-		
joint activity	53032	for 2020	38,854,607	(216,497)	369,719	(77,833)	-	-	77,833	39,146,493	(138,664)		
	53132	for 2019	38,606,667	(216,747)	389,979	(142,039)	-	-	250	38,854,607	(216,497)		
third party promissory notes	53033	for 2020	-	-	-	-	-	-	-	-	-		
	53133	for 2019	-	-	-	-	-	-	-	-	-		
long-term deposits	53034	for 2020	-	-	85,738,900	(88,110,050)	-	2,371,150	-	-	-		
	53134	for 2019	1,000	-	-	(1,000)	-	-	-	-	-		
bonds	53035	for 2020	-	-	-	-	-	-	-	-	-		
	53135	for 2019	-	-	-	-	-	-	-	-	-		
other	53036	for 2020	-	-	-	-	-	-	-	-	-		
	53136	for 2019	-	-	-	-	-	-	-	-	-		
Short-term financial investments — total	5305	for 2020	486,283,289	(152,000)	624,183,092	(1,062,682,846)	-	49,580,525	(22,349,904)	97,364,060	(22,501,904)		
	5315	for 2019	656,224,095	(152,000)	595,167,926	(743,488,758)	-	(21,619,974)	-	486,283,289	(152,000)		
including:													
loans provided to companies for a period less than 12 months	5306	for 2020	22,834,903	(152,000)	304,826,502	(248,625,886)	-	(4,024,876)	-	75,010,643	(152,000)		
	5316	for 2019	6,475,190	(152,000)	20,167,963	(3,808,250)	-	-	-	22,834,903	(152,000)		
other short-term financial investments, including:	5307	for 2020	463,443,386	-	319,356,590	(814,056,960)	-	53,605,401	(22,349,904)	22,353,417	(22,349,904)		
	5317	for 2019	649,746,905	-	574,999,963	(739,680,508)	-	(21,619,974)	-	463,443,386	-		
short-term deposits	53071	for 2020	439,634,050	-	315,900,000	(780,574,750)	-	25,040,700	-	-	-		
	53171	for 2019	649,726,410	-	546,285,960	(736,458,030)	-	(19,920,290)	-	439,634,050	-		
third party promissory notes	53072	for 2020	23,814,336	-	-	(30,025,620)	-	6,211,284	-	-	-		
	53172	for 2019	-	-	25,514,020	-	-	(1,699,684)	-	23,814,336	-		
bonds	53073	for 2020	-	-	-	-	-	-	-	-	-		
	53173	for 2019	-	-	-	-	-	-	-	-	-		
other	53074	for 2020	-	-	3,456,590	(3,456,590)	-	22,353,417	(22,349,904)	22,353,417	(22,349,904)		
	53174	for 2019	22,495	-	3,199,983	(3,222,478)	-	-	-	-	-		
Financial investments — total	5300	for 2020	3,921,070,058	1,238,570,323	867,784,261	(1,527,428,155)	-	125,002,102	(466,936,886)	2,786,428,266	771,633,437		
	5310	for 2019	3,478,492,422	963,497,543	664,560,879	(761,913,822)	-	(60,069,421)	255,072,780	3,321,070,058	1,238,570,323		

3.1.1 Current portion of long-term financial investments

Narrative	Line code	Period	At the beginning of the year				At the end of the period						
			Initial cost	Including current portion	Accrued adjustment	Including current portion	Initial cost	Including current portion	Accrued adjustment	Including current portion			
Long-term financial investments — total													
	5301	for 2020	2,834,786,769	26,447,444	1,238,722,323	-	2,689,064,206	187,830,070	794,135,341	-	-	-	-
	5311	for 2019	2,822,268,327	136,516,876	983,649,543	-	2,834,786,769	26,447,444	1,238,722,323	-	-	-	-
Investments, including:													
	5302	for 2020	2,483,776,602	-	1,238,838,820	-	2,455,268,687	-	794,274,005	-	-	-	-
	5312	for 2019	2,465,815,816	-	983,866,290	-	2,483,776,602	-	1,238,838,820	-	-	-	-
Investments in subsidiaries													
	53021	for 2020	2,401,785,593	-	1,232,697,070	-	2,426,876,040	-	784,351,251	-	-	-	-
	53121	for 2019	2,383,592,739	-	976,054,631	-	2,401,785,593	-	1,232,697,070	-	-	-	-
Investments in associates													
	53022	for 2020	81,787,421	-	6,241,904	-	28,177,704	-	9,922,907	-	-	-	-
	53122	for 2019	82,019,489	-	7,811,812	-	81,787,421	-	6,241,904	-	-	-	-
Investments in other entities													
	53023	for 2020	203,588	-	(154)	-	214,943	-	(153)	-	-	-	-
	53123	for 2019	203,588	-	(153)	-	203,588	-	(154)	-	-	-	-
Other long-term financial investments, including:													
	5303	for 2020	351,010,167	26,447,444	(216,497)	-	233,795,519	187,830,070	(138,664)	-	-	-	-
	5313	for 2019	356,452,511	136,516,876	(216,747)	-	351,010,167	26,447,444	(216,497)	-	-	-	-
loans provided to companies for a period over 12 months													
	53031	for 2020	312,155,560	26,447,444	-	-	194,649,026	187,830,070	-	-	-	-	-
	53131	for 2019	317,844,844	136,515,876	-	-	312,155,560	26,447,444	-	-	-	-	-
joint activity													
	53032	for 2020	38,854,607	-	(216,497)	-	39,146,493	-	(138,664)	-	-	-	-
	53132	for 2019	38,606,667	-	(216,747)	-	38,854,607	-	(216,497)	-	-	-	-
third party promissory notes													
	53033	for 2020	-	-	-	-	-	-	-	-	-	-	-
	53133	for 2019	-	-	-	-	-	-	-	-	-	-	-
long-term deposits													
	53034	for 2020	-	-	-	-	-	-	-	-	-	-	-
	53134	for 2019	1,000	1,000	-	-	-	-	-	-	-	-	-
bonds													
	53035	for 2020	-	-	-	-	-	-	-	-	-	-	-
	53135	for 2019	-	-	-	-	-	-	-	-	-	-	-
other													
	53036	for 2020	-	-	-	-	-	-	-	-	-	-	-
	53136	for 2019	-	-	-	-	-	-	-	-	-	-	-

3.2 Other use of financial investments

Narrative	Line code	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Long-term financial investments pledged — total	5320	62,817	139,300,044	139,300,044
including:				
investments	5321	62,817	139,300,044	139,300,044
investments in subsidiaries	53211	—	89,697,597	89,697,597
investments in associates	53212	62,817	49,602,447	49,602,447
investments in other entities	53213	—	—	—
other long-term financial investments	5322	—	—	—
third party promissory notes	53221	—	—	—
bonds	53222	—	—	—
other	53223	—	—	—
Long-term financial investments transferred to third parties (except sales) — total	5325	10,000	10,000	10,000
including:				
investments	5326	10,000	10,000	10,000
investments in subsidiaries	53261	10,000	10,000	10,000
investments in associates	53262	—	—	—
investments in other entities	53263	—	—	—
other long-term financial investments	5327	—	—	—
third party promissory notes	53271	—	—	—
bonds	53272	—	—	—
other	53273	—	—	—
Short-term financial investments pledged — total	5328	—	23,814,336	—
including:				
third party promissory notes	53281	—	23,814,336	—
bonds	53282	—	—	—
other	53283	—	—	—
Short-term financial investments transferred to third parties (except sales) — total	5329	—	—	—
including:				
third party promissory notes	53291	—	—	—
bonds	53292	—	—	—
other	53293	—	—	—

4. Inventories

4.1 The presence and movement of inventories

Narrative	Line code	Period	At the beginning of the year				Changes for the period				At the end of the period		
			Cost	Provision for impairment in value of inventories	Book value	Additions and expenses	Disposals		Provision for impairment loss	Inventory turnover between groups (types)	Cost	Provision for impairment in value of inventory	Book value
							Cost	Impairment loss					
Inventories — total	5400	for 2020	669,198,423	-	669,198,423	3,042,643,884	(3,141,019,158)	-	-	570,823,149	-	570,823,149	
	5420	for 2019	515,373,228	-	515,373,228	3,406,470,491	(3,252,645,296)	-	-	669,198,423	-	669,198,423	
Including:													
raw materials and other inventories	5401	for 2020	6,364,880	-	6,364,880	253,344,443	(253,663,704)	-	(377,620)	5,647,999	-	5,647,999	
	5421	for 2019	10,855,567	-	10,855,567	279,633,253	(283,715,388)	-	(408,552)	6,364,880	-	6,364,880	
livestock	5402	for 2020	16	-	16	-	(16)	-	-	-	-	-	
	5422	for 2019	93	-	93	-	(77)	-	-	16	-	16	
work in progress	5403	for 2020	359,139,968	-	359,139,968	1,437,067,522	(537,099,729)	-	(929,136,869)	329,970,892	-	329,970,892	
	5423	for 2019	283,018,154	-	283,018,154	1,440,854,099	(507,661,597)	-	(857,070,688)	359,139,968	-	359,139,968	
finished goods and goods for resale	5404	for 2020	297,329,275	-	297,329,275	1,341,739,272	(624,366,090)	-	(784,733,360)	229,969,097	-	229,969,097	
	5424	for 2019	215,189,424	-	215,189,424	1,685,280,285	(670,539,890)	-	(932,600,544)	297,329,275	-	297,329,275	
goods dispatched	5405	for 2020	6,364,284	-	6,364,284	10,492,647	(1,725,865,619)	-	1,714,247,849	5,235,161	-	5,235,161	
	5425	for 2019	6,309,990	-	6,309,990	702,854	(1,790,728,344)	-	1,790,079,784	6,364,284	-	6,364,284	

5. Accounts receivable and accounts payable

5.1 The presence and movement of accounts receivable

Narrative	Line code	Period	At the beginning of the year										Changes for the period										At the end of the period									
			Recognised under the terms of the contract					Disposals					Additions					Transfer from long-term to short-term (and vice versa)					Recognised under the terms of the contract	Provision for doubtful debts								
			for 2020	for 2019	Provision for doubtful debts	As a result of transactions	Interest, penalties and other charges due	Provision for doubtful debts	Settlement	Write off to financial result	Recovery of the provision for doubtful debts	Writing off against provision	Recognised under the terms of the contract	Provision for doubtful debts	for 2020	for 2019	Recognised under the terms of the contract	Provision for doubtful debts														
Long-term accounts receivable — total	5501	for 2020	778,640,923	(1,230,830)	(1,230,830)	376,410,352	297,758	(237,992)	(36,472,072)	150,408	—	(595,008,608)	—	523,868,353	(1,468,822)	5521	for 2019	579,618,504	(1,381,238)	(1,381,238)	116,530,641	297,852	(9,344,643)	150,408	—	—	91,538,569	—	778,640,923	(1,230,830)		
including:																																
buyers and customers	5502	for 2020	3,475,857	(1,230,830)	(1,230,830)	2,230,199	—	(237,992)	(2,217,688)	—	—	(962,801)	—	2,525,587	(1,468,822)		for 2019	6,598,759	(1,381,238)	(1,381,238)	—	—	(150,408)	150,408	—	—	(2,972,494)	—	3,475,857	(1,230,830)		
advances issued	5503	for 2020	2,968,033	—	—	8	—	—	—	—	—	(8,333,762)	—	—	—		for 2019	2,968,033	—	—	8	—	(8,333,762)	—	—	—	(1,453,209)	—	1,514,832	—		
other debtors	5504	for 2020	772,197,033	—	—	5,163,336	297,758	—	(860,473)	—	—	(1,389,013)	—	2,968,033	—		for 2019	54,183	—	—	5,163,336	297,758	(860,473)	—	—	(592,592,598)	—	519,827,934	—			
	5524	for 2019	572,965,562	—	—	11,367,305	297,852	—	(6,333,762)	—	—	95,900,076	—	772,197,033	—		for 2020	772,197,033	—	—	11,367,305	297,852	(6,333,762)	—	—	95,900,076	—	772,197,033	—			
Short-term accounts receivable — total	5510	for 2020	1,541,517,928	(442,332,387)	(442,332,387)	11,044,808,747	358,723,085	(117,730,425)	(11,336,980,380)	(4,721)	8,650,206	(19,885)	595,008,608	—	2,203,053,392	(551,392,721)	5530	for 2020	2,117,613,409	(575,162,482)	(575,162,482)	11,572,098,450	419,758,316	(12,794,523)	65,383,868	(161,972,473)	(91,538,569)	—	1,541,517,928	(442,332,387)		
including:																																
buyers and customers	5511	for 2020	972,425,768	(431,782,654)	(431,782,654)	5,179,403,259	—	(115,545,540)	(5,034,149,935)	—	8,134,009	(10,844)	962,801	—	1,118,631,049	(539,183,341)		for 2019	1,345,698,290	(565,909,133)	(565,909,133)	5,985,992,377	—	(93,049,065)	(6,187,598,432)	(12,792,296)	65,328,879	(161,846,665)	2,972,494	—	972,425,768	(431,782,654)
advances issued	5512	for 2020	110,834,738	(40,350)	(40,350)	508,365,485	—	—	(373,351,641)	(75)	—	(384)	1,453,209	—	247,301,352	(39,986)		for 2019	106,440,861	(42,653)	(42,653)	199,344,890	—	(1,726)	(196,339,741)	(76)	3,820	(209)	1,389,013	—	110,834,738	(40,350)
outstanding participants (shareholders') contributions to charter capital	5513	for 2020	—	—	—	—	—	—	—	—	—	—	—	—	—		for 2019	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
other debtors	5514	for 2020	458,257,422	(10,509,383)	(10,509,383)	5,357,040,003	358,723,095	(2,184,885)	(5,929,478,804)	(4,646)	516,197	(8,677)	592,592,598	—	837,120,991	(12,169,394)		for 2019	665,474,258	(9,210,696)	(9,210,696)	5,386,761,183	419,758,316	(1,475,455)	(5,917,708,509)	(2,151)	51,169	(125,599)	(95,900,076)	—	458,257,422	(10,509,383)
Accounts receivable — total	5500	for 2020	2,320,158,851	(443,563,217)	(443,563,217)	11,421,219,099	359,020,853	(117,968,417)	(11,373,462,452)	(4,721)	8,650,206	(19,885)	—	—	2,726,921,745	(552,861,543)	5520	for 2019	2,697,231,913	(576,543,720)	(576,543,720)	11,688,629,091	420,056,168	(12,794,523)	65,534,276	(161,972,473)	(94,526,246)	—	2,320,158,851	(443,563,217)		

5.2 Overdue accounts receivable

Narrative	Line code	As at 31 December 2020			As at 31 December 2019			As at 31 December 2018		
		Under a contract	Book value	Book value	Under a contract	Book value	Book value	Under a contract	Book value	Book value
Overdue receivables — total	5540	603,038,131	52,508,947	517,515,410	75,528,109	729,045,401	154,637,870			
Including:										
buyers and customers	5541	566,763,274	28,439,126	473,312,666	41,864,241	711,612,504	146,457,494			
advances issued	5542	6,034,288	5,994,302	4,433,403	4,383,053	1,322,925	1,280,272			
other debtors	5543	30,240,569	18,075,519	39,769,341	29,270,815	16,109,972	6,900,104			

5.3 The presence and movement of accounts payable

Narrative	Line code	Period	At the beginning of the year	As a result of transactions	Interest, penalties and other charges due	Settlement	Write off to financial result	Transfer from long-term to short-term (and vice versa)	At the end of the period	Changes for the period	
										Additions	Disposals
Long-term accounts payable — total	5551	for 2020	2,169,429	256,103	—	—	—	(123,913)	2,301,619		
	5571	for 2019	2,247,227	50,686,486	—	—	—	(50,764,284)	2,169,429		
Including:											
suppliers and contractors	5552	for 2020	—	220,246	—	—	—	—	220,246		
	5572	for 2019	—	50,640,371	—	—	—	(50,640,371)	—		
promissory notes payable	5553	for 2020	—	—	—	—	—	—	—		
	5573	for 2019	—	—	—	—	—	—	—		
restructured taxes and insurance contributions payable	5554	for 2020	—	—	—	—	—	—	—		
	5574	for 2019	—	—	—	—	—	—	—		
advances from customers	5555	for 2020	—	—	—	—	—	—	—		
	5575	for 2019	—	—	—	—	—	—	—		
other creditors	5556	for 2020	2,169,429	35,857	—	—	—	(123,913)	2,081,373		
	5580	for 2019	2,247,227	46,115	—	—	—	(123,913)	2,169,429		

5.3 The presence and movement of accounts payable (continued)

Narrative	Line code	Period	At the beginning of the year	Changes for the period					At the end of the period
				As a result of transactions	Interest, penalties and other charges due	Settlement	Write off to financial result	Transfer from long-term to short-term (and vice versa)	
Short-term accounts payable — total	5560	for 2020	908,361,080	6,876,598,674	364,351,492	(7,296,667,274)	(362)	123,913	852,767,523
	5580	for 2019	1,078,815,391	7,283,964,561	406,457,339	(7,911,579,293)	(61,202)	50,764,284	908,361,080
Including:									
suppliers and contractors	5561	for 2020	722,594,482	4,109,145,481	3,264,520	(4,196,450,613)	(21)	—	638,553,849
	5581	for 2019	709,775,210	4,711,045,048	379,236	(4,749,185,596)	(59,787)	50,640,371	722,594,482
promissory notes payable	5562	for 2020	—	—	—	—	—	—	—
	5582	for 2019	—	—	—	—	—	—	—
salaries payable	5563	for 2020	909,195	61,448,280	—	(61,555,977)	—	—	801,498
	5583	for 2019	824,192	58,563,161	—	(58,478,158)	—	—	909,195
insurance contributions payable	5564	for 2020	379,090	13,359,013	184	(13,235,505)	—	—	502,782
	5584	for 2019	329,202	12,537,357	900	(12,488,369)	—	—	379,090
taxes payable	5565	for 2020	62,566,006	833,678,624	248,067	(866,300,998)	—	—	30,191,699
	5585	for 2019	56,599,494	924,134,500	98,018	(918,266,006)	—	—	62,566,006
advances from customers	5566	for 2020	82,879,525	1,082,200,353	—	(1,039,714,826)	(29)	—	125,365,023
	5586	for 2019	84,128,958	1,111,869,739	—	(1,113,118,733)	(439)	—	82,879,525
dividends payable to participants (shareholders)	5567	for 2020	1,198,671	—	360,764,337	(360,507,195)	—	—	1,475,813
	5587	for 2019	890,295	—	393,217,051	(392,898,675)	—	—	1,198,671
other creditors	5568	for 2020	37,834,111	776,766,923	54,384	(758,902,160)	(312)	123,913	55,876,859
	5588	for 2019	226,278,040	465,814,756	12,762,134	(667,143,756)	(976)	123,913	37,834,111
Accounts payable — total	5550	for 2020	910,530,509	6,876,854,777	364,351,492	(7,296,667,274)	(362)	—	855,069,142
	5570	for 2019	1,081,062,618	7,334,651,047	406,457,339	(7,911,579,293)	(61,202)	—	910,530,509

5.4 Overdue accounts payable

Narrative	Line code	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Overdue payables — total	5590	45,220,182	169,307,286	339,175,960
including:				
suppliers and contractors	5591	43,817,196	168,807,618	145,630,883
promissory notes payable	5592	—	—	—
advances from customers	5593	—	—	—
dividends payable to participants (shareholders)	5594	—	—	—
other creditors	5599	1,402,986	499,668	193,545,077

6. Cost of production

Narrative	Line code	For 2020	For 2019
Material costs	5610	2,074,030,540	2,051,361,365
Payroll expenses	5620	55,454,563	51,907,024
Social contributions	5630	12,458,523	11,579,411
Depreciation	5640	676,278,222	660,902,955
Other expenses	5650	221,742,843	232,052,023
Total by cost element	5660	3,039,964,691	3,007,802,778
Change in the balances			
Increase [-]:	5670		
finished goods	5671	(332,552,558)	(337,209,032)
other (except intrafirm turnover costs)	5672	(1,015,993,888)	(919,768,165)
including capitalised costs		(929,618)	(1,264,463)
Decrease [+]:	5680		
sale of finished products	5681	65,192,594	48,106,142
sale of goods for resale	5682	550,475,942	617,101,100
sale of goods dispatched	5683	1,714,152,356	1,789,686,652
Change in the balance of work in progress			
(increase [-]/decrease [+])	5690	29,169,076	(76,121,814)
Total expenses attributable to ordinary activities	5600	4,050,408,213	4,129,597,661

7. Estimated liabilities

Narrative	Line code	At the beginning of the year	Accrued	Used	Reversed	At the end of the period
Estimated liabilities — total	5700	91,383,739	101,947,687	(121,161,307)	(528,777)	71,621,402
onerous contracts	5702	—	—	—	—	—
liabilities related to the future restructuring	5703	—	—	—	—	—
given guarantee commitment	5704	—	—	—	—	—
legal proceedings	5705	—	—	—	—	—
other estimated liabilities, including:	5706	82,252,336	89,057,882	(109,935,883)	(414,466)	60,959,869
adjustments to gas prices		66,503,127	83,703,530	(105,301,928)	(147,794)	40,756,935
estimated asset retirement liability and liability to restore environment disturbed by mineral extraction		14,584,218	4,820,296	—	(170,208)	19,234,306
liabilities of paying remuneration based on performance results	5707	5,315,517	5,675,517	(5,220,858)	(112,414)	5,657,762
liabilities of vacation payment	5708	3,795,886	7,214,288	(6,004,566)	(1,837)	5,003,771
including repayment period up to 1 year		76,779,521	—	—	—	52,387,096

8. Security

Narrative	Line code	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Received — total	5800	13,882,456	17,948,444	17,043,539
including:				
promissory notes	5801	—	—	—
assets under pledge	5802	—	—	—
including:				
fixed assets	5803	—	—	—
securities and other financial investments	5804	—	—	—
other	5805	—	—	—
Issued - total	5810	872,689,168	680,263,370	345,670,940
including:				
promissory notes	5811	—	—	—
assets under pledge	5812	44,024,544	222,830,397	183,261,771
including:				
fixed assets	5813	—	—	—
securities and other financial investments	5814	44,024,544	207,076,107	183,261,771
other	5815	—	15,754,290	—

9. Exploration assets

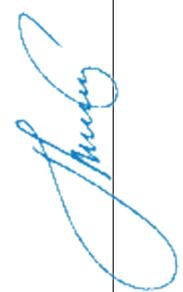
9.1 The presence and movement of exploration assets

Narrative	Line code	Period	At the beginning of the year					Changes for the period					At the end of the period		
			Initial cost	Accumulated depreciation/ amortisation	Impairment loss	Additions	Disposals	Depreciation/ Amortisation	Revaluation		Impairment loss	Initial cost	Accumulated depreciation/ amortisation	Impairment loss	
									Initial cost	Accumulated depreciation/ amortisation					
Intangible exploration assets	6010	for 2020	118,605,280	(5)	-	12,137,393	(1,664)	9	(21)	-	-	-	130,741,009	(17)	-
	6020	for 2019	117,956,158	(21)	-	649,174	(52)	22	(6)	-	-	-	118,605,280	(5)	-
including:															
licences	6011	for 2020	118,605,280	(5)	-	12,137,393	(1,664)	9	(21)	-	-	-	130,741,009	(17)	-
	6021	for 2019	117,956,158	(21)	-	649,174	(52)	22	(6)	-	-	-	118,605,280	(5)	-
other	6019	for 2020	-	-	-	-	-	-	-	-	-	-	-	-	-
	6029	for 2019	-	-	-	-	-	-	-	-	-	-	-	-	-
Tangible exploration assets	6030	for 2020	6,905,015	-	-	5,817	-	-	-	-	-	-	6,910,832	-	-
	6040	for 2019	6,905,910	-	-	1,046	(1,941)	-	-	-	-	-	6,905,015	-	-
buildings and roads	6031	for 2020	-	-	-	-	-	-	-	-	-	-	-	-	-
	6041	for 2019	-	-	-	-	-	-	-	-	-	-	-	-	-
wells	6032	for 2020	6,905,015	-	-	5,817	-	-	-	-	-	-	6,910,832	-	-
	6042	for 2019	6,905,910	-	-	1,046	(1,941)	-	-	-	-	-	6,905,015	-	-
machinery and equipment	6033	for 2020	-	-	-	-	-	-	-	-	-	-	-	-	-
	6043	for 2019	-	-	-	-	-	-	-	-	-	-	-	-	-
other fixed assets	6039	for 2020	-	-	-	-	-	-	-	-	-	-	-	-	-
	6049	for 2019	-	-	-	-	-	-	-	-	-	-	-	-	-

9.2 Exploration expenses recognised as non-current assets

Narrative	Line code	Period	At the beginning of the year	Expenses for the period	Changes for the period			At the end of the period
					Written off	Recognised as tangible exploration assets or intangible exploration assets	Other changes	
Exploration expenses recognised as intangible exploration assets	6050	for 2020	45,979	12,137,394	(10,435)	(12,137,393)	-	35,545
	6060	for 2019	163,588	649,640	(118,075)	(649,174)	-	45,979
Exploration expenses recognised as tangible exploration assets	6070	for 2020	46,284,439	20,554,851	(21,698,730)	(5,817)	-	45,134,743
	6080	for 2019	64,819,175	26,176,348	(44,710,038)	(1,046)	-	46,284,439

Chief Executive Officer _____ A.B. Miller



Chief Accountant _____ M.N. Rosseev



22 March 2021

PJSC Gazprom

explanatory notes to the balance sheet and the statement of financial results in the statutory financial statements for 2020 (in thousand Russian Roubles, unless otherwise stated)

1. General information

The principal activity of PJSC Gazprom (the "Company") is the sale of natural gas. The Company is also involved in other types of activities, which include leasing of assets, gas transportation and storage services, sales of gas condensate and oil and gas refinery products.

The Company's registered address is: 16 Nametkina St., Moscow, 117420, Russian Federation and it has branches and representative offices engaged in business activities in the following cities: Algiers, Ashgabat, Baku, Brussels, Doha, Ekaterinburg, Kiev, Chisinau, Krasnodar, Moscow, Novy Urengoy, Nur-Sultan, Beijing, Riga, Rio de Janeiro, Samara, St. Petersburg, Tehran, Tomsk, Khabarovsk and the Moscow Region.

As at 31 December 2020, 2019 and 2018 the Company employed 25,080, 27,125 and 26,653 people, respectively.

As at 31 December 2020 members of the Board of Directors of PJSC Gazprom included:

Zubkov, Viktor Alekseevich – Chairman of the Board of Directors

Akimov, Andrey Igorevich	Mau, Vladimir Alexandrovich
Kulibaev, Timur Askarovich	Miller, Alexey Borisovich
Manturov, Denis Valentinovich	Novak, Alexander Valentinovich
Markelov, Vitaly Anatolievich	Sereda, Mikhail Leonidovich
Martynov, Viktor Georgievich	Patrushev, Dmitry Nikolaevich

As at 31 December 2020 members of the Management Committee of PJSC Gazprom included:

Miller, Alexey Borisovich – Chairman of the Management Committee

Aksyutin, Oleg Evgenievich	Mikhalev, Vyacheslav Alexandrovich
Burmistrova, Elena Viktorovna	Putin, Mikhail Evgenievich
Kuznets, Sergey Ivanovich	Rosseev, Mikhail Nikolaevich
Markelov, Vitaly Anatolievich	Sadygov, Famil Kamil ogly
Markov, Vladimir Konstantinovich	Sukhov, Gennady Nikolaevich
Menshikov, Sergey Nikolaevich	Khomyakov, Sergey Fyodorovich
Mikhailova, Elena Vladimirovna	

As at 31 December 2020 members of the Audit Commission of PJSC Gazprom included:

Karpov, Ilya Igorevich – Chairman of the Audit Commission

Gladkov, Alexander Alekseevich	Fisenko, Tatiana Vladimirovna
Platonov, Sergey Revazovich	Shumov, Pavel Gennadyevich

2. Significant accounting policies and basis of presentation

Basis of presentation

The financial statements have been prepared in accordance with the accounting and reporting rules applicable in the Russian Federation, specifically with Federal Law “On Accounting” dated 6 December 2011 No. 402 FZ, and the Regulations on Accounting and Reporting in the Russian Federation, approved by Order of the Ministry of Finance of the Russian Federation dated 29 July 1998 No. 34n, as well as the Accounting Policy Regulation approved by order of PJSC Gazprom of 31 December 2019 No. 630.

Assets and liabilities are measured at actual purchase costs, except for regularly revalued fixed assets at the current (replacement) cost, intangible and tangible exploration assets, investments for which current market value is determinable, estimated liabilities carried based on current valuation of the amount that will result in decrease of economic benefits and assets for which impairment provisions have been formed in accordance with the generally accepted procedure.

Assets, liabilities and transactions denominated in foreign currency

Business transactions in foreign currencies have been recorded using the official exchange rate of Russian Rouble as at the date of the relevant transaction. Cash on currency and deposit accounts with banks, cash in hand, securities, accounts receivable and payable, including loans issued and raised but without advances received and issued, prepayments and down payments denominated in foreign currency have been recorded using the official exchange rate of Russian Rouble as at the reporting date.

As at 31 December 2020 the official exchange rates of Russian Rouble to US dollar and euro were RUB 73.8757 to USD 1 (31 December 2019 – RUB 61.9057, 31 December 2018 – RUB 69.4706) and RUB 90.6824 to EUR 1 (31 December 2019 – RUB 69.3406, 31 December 2018 – RUB 79.4605).

Exchange differences arising in the reporting year as a result of transactions involving assets and liabilities denominated in foreign currency as well as revaluation of such assets and liabilities as of the reporting date have been recorded within other income and expenses.

Current and non-current assets and liabilities

Accounts receivable and accounts payable, including loans and borrowings, are treated in the balance sheet as current assets and liabilities if the term of their circulation (maturity) does not exceed 12 months after the reporting date or is not specified. Accounts receivable and accounts payable, including loans and borrowings, are treated as non-current if the term of their circulation (maturity) exceeds 12 months after the reporting date. Investments are classified as long-term or short-term based on the anticipated period of their use (circulation, ownership or maturity) after the reporting date.

Results of research and development

The balance sheet line “Results of Research and Development” includes expenses for completed research and development (R&D) works, which are not subject to legal protection in accordance with the effective legislation and whose results are used for the company’s production or management needs. These expenses are written-off against costs of production (works, services) during the anticipated period of the use of the results of research and development but not more than five years after the date of their actual use for production of products (works, services) on a straight-line basis by decreasing their initial cost. In addition, the above amount includes cost of purchase and creation of incomplete R&D accounted for within investments in non-current assets.

Intangible and tangible exploration assets

Exploration expenses recognised within tangible exploration assets relate to the following:

- expenses for drilling and development of prospecting and appraisal, exploratory and pre-drilled development wells (drilled at exploration stage until production’s commercial viability is confirmed) with breakdown by fields (areas);

2. Significant accounting policies and basis of presentation (continued)

— expenses for purchasing and assembling buildings, installations, equipment and facilities, acquisition of vehicles used for prospecting, assessment of fields and exploration of mineral reserves.

Accounting items for tangible exploration assets include wells, construction metal structures, pipelines and other facilities, buildings, machinery, installations and other equipment, vehicles and other assets.

Exploration expenses recognised within intangible exploration assets include expenses for acquisition of subsoil use rights.

Accounting items for 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.

Initial cost of the licence which grants the right to geological survey of a subsoil field or prospecting and exploration of mineral resources is amortised on a straight-line basis during the licence period.

Initial cost of the combined licence which in addition to the right to geological survey, evaluation of mineral resources and (or) their exploration grants the right to production of mineral resources is not subject to amortisation until production's commercial viability is confirmed.

Tangible exploration assets, except for wells, are depreciated on a straight-line basis during the whole period of their useful lives. Depreciation charges are included in expenses incurred in exploration by respective areas. The Company determines useful lives of exploration assets under the procedure similar to determining useful lives of fixed assets.

When mineral production's commercial viability on subsoil area (field) is confirmed, exploration assets are tested for impairment and transferred to fixed assets, intangible assets or other non-current assets which are intended for development and production of mineral reserves.

The Company assesses whether there is any indication that exploration assets may be impaired as at 31 December of the reporting year and when production's commercial viability on subsoil site (field) is confirmed. The amounts of exploration assets' impairment are charged to other expenses of the reporting year.

Data about the presence and movement of exploration assets are presented in table form 9.1 "The Presence and Movement of Exploration Assets", while table form 9.2 "Exploration Expenses Recognised as Non-Current Assets" of the Explanatory Notes to the Balance Sheet and the Statement of Financial Results includes data on exploration expenses related to acquisition (creation) of exploration assets.

Fixed assets

Fixed assets include assets which conform to the requirements of the Russian Accounting Regulation "Accounting for Fixed Assets" (RAR 6/01) approved by order of the Russian Ministry of Finance dated 30 March 2001, No. 26n, and which are recognised as appropriate.

Real property assets which have been constructed, put into operation and are actually used but the title to which was not registered under the procedure established by the effective legislation are accounted for within fixed assets in a separate line.

In the balance sheet fixed assets, except for fixed assets classified as buildings, acquired before 1 January 2017 are shown at replacement cost measured as of 31 December 2016, less depreciation. Fixed assets added starting from 1 January 2017 are shown at initial cost, less depreciation accumulated during the period of their use.

The Company revalued fixed assets classified as buildings as at 31 December 2020 at their current replacement cost determined by an independent appraiser. Results of the revaluation were recognised on the balance sheet as at 31 December 2020. The revaluation surplus and accumulated depreciation were taken to additional capital.

The revaluation surplus as at 31 December 2020 in the amount of prior period revaluation write-downs that had been recognised within other expenses in prior periods was recorded within other income. Fixed assets revaluation write-down is posted to other expenses. The revaluation write down of an asset as at 31 December 2020, the value of which had been increased in prior periods as a result of prior period revaluations, was charged against additional capital formed by revaluation surpluses recognised for this asset in prior periods. Any excess of the revaluation write-down over the revaluation surplus included in the additional capital as a result of prior year revaluation is posted to other expenses.

2. Significant accounting policies and basis of presentation (continued)

Fixed assets acquired and completed before 1 January 2002 are depreciated at 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 and completed after 1 January 2002 are depreciated at rates determined based on their estimated useful lives. Classification of fixed assets by depreciation groups, approved by Resolution of the Russian Government dated 1 January 2002 No. 1, is used as one of the sources of information about useful lives of fixed assets. Useful lives adopted by the Company for major groups of fixed assets are presented as follows:

	Useful lives of assets carried on the balance sheet (number of years)	
	before 1 January 2002	after 1 January 2002
Trunk pipelines	33	25
Wells	12 – 15	10 – 25
Machinery and equipment	10 – 18	3 – 18
Buildings	20 – 50	7 – 100

Fixed assets are depreciated on a straight-line basis.

The following assets are not depreciated:

- land plots;
- assets transferred to conservation (above 3 months);
- assets which liquidation takes more than a month;
- housing assets commissioned prior to 1 January 2006 (similar assets acquired after 1 January 2006 are depreciated in accordance with the generally accepted procedure);
- fully depreciated assets that are still on the balance sheet..

Assets that comply with the criteria of their recognising as fixed assets and with the value below RUB 40,000 (inclusively) per unit are recorded within inventories including assets (tools and other inventories) and special clothing, which are not fully consumed after their transfer to production and their useful life exceeds 12 months. Prior to 1 January 2011 assets with the value below RUB 20,000 per unit were accounted for within inventories. To ensure safety of the assets with the value below RUB 20,000 and RUB 40,000 recorded within inventories when they are transferred in production or operation, the Company implemented the control over their movement. Fixed assets with the value between RUB 20,000 and RUB 40,000 which were recorded prior to 1 January 2011 are accounted for within fixed assets and depreciated under the generally accepted procedure.

Capital investments in progress

Capital investments in progress are represented by real estate assets under construction, which have not been put into operation, equipment subject to assemblage, equipment not subject to assemblage but stored in warehouses and intended for assets under construction and recorded within investments in non-current assets in a separate line, inventories intended for assets under construction, estimated liabilities on liquidation of the wells transferred to conservation upon construction completion, other capital investments not included within fixed assets.

Financial investments

Investments are recorded at their initial cost, being their actual cost of acquisition, except for investments for which the current market value is determinable.

Investments for which the current market value is determinable are recognised for accounting and reporting purposes as at the end of the reporting period by their types at current market value. This value is determined at their average daily price (quote) for the transactions effected during the selling day at Moscow Exchange and calculated under the procedure specified by the institutor of trading on the securities market. The current market value can be determined based on data of other institutors of trading including foreign ones having the respective licence issued by the national authorised body. The difference between the value of these investments as at the current reporting date and their prior value is recorded within other income and expenses.

2. Significant accounting policies and basis of presentation (continued)

Investments for which the current market value cannot be reliably measured and significant and constant impairment indicators exist at the reporting date are presented in the year-end balance sheet at their carrying (book) value net of the impairment provision. The investment impairment provision is determined annually based on the stock taking results as at 31 December of the reporting year. For the purposes of determining the provision amount the Company estimated the cost of investments, for which significant and constant impairment indicators exist, on the basis of the available information and created the investment impairment provision in the amount by which the carrying (book) value of investments exceeded their estimated value. Changes in the above provision resulting from the year-end stock-take are posted to other expenses and income.

Securities which do not have market value (except for those individually identifiable, including promissory notes) are recorded upon their disposal (by types) under the FIFO method. Other investments (including individually identifiable securities, such as promissory notes) with an undeterminable current market value are recorded upon disposal at the initial cost of each unit.

Income and expenses attributable to transactions with investments are recorded within other income and expenses.

Inventories

The main type of inventories is natural gas pumped into pipelines and underground storage. On the balance sheet gas inventories are measured at average cost.

Non-current assets 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 for sale.

Work in progress

The balance sheet line "Work in Progress" includes gas transportation and storage costs attributable to outstanding gas balances.

Selling and administrative expenses

Selling expenses, except for the cost of natural gas transportation and storage, are written off in full on a monthly basis to expenses incurred in ordinary activities. Costs of natural gas transportation and storage are allocated in proportion to the volumes of gas sold and to the volumes of gas pumped into pipelines and underground storage within the reporting period.

Administrative expenses are expensed in full on a monthly basis to expenses incurred in ordinary activities.

Accounts receivable and accounts payable

Trade accounts receivable are recorded based on prices contracted between the Company and buyers (customers) taking into account all discounts and mark-ups provided by the Company. Bad debts are written off when recognised as such based on the stock taking results.

Doubtful receivables that are very likely to become uncollectible are stated net of provisions for doubtful receivables. Accrued provisions for doubtful receivables are recorded within other expenses. A corresponding amount of provision for doubtful receivables is released and posted to other income when the respective receivables are repaid.

In table form 5.1 "The Presence and Movement of Accounts Receivable" of the Explanatory Notes to the Balance Sheet and the Statement of Financial Results the accounts receivable which arise and are repaid (written off) in the same reporting period are disclosed on a gross-up basis. Accounts payable are disclosed in a similar manner.

2. Significant accounting policies and basis of presentation (continued)

Cash equivalents and presentation of cash flows in the cash flow statement

Cash equivalents comprise highly liquid investments which are readily convertible into a predictable amount of cash and are only exposed to an insignificant risk of changes in value.

The Company recognises within cash equivalents its short-term bank deposits with a maturity of 3 months or less and includes them in the balance sheet line "Cash and Cash Equivalents".

The Company's cash flows which cannot be clearly attributed to cash flows from operating, investing or financing activities are included in the cash flows from operating activities in the cash flow statement.

Data about availability and movement of cash flows denominated in foreign currency for the purposes of presentation in the cash flow statement are translated into roubles at the official foreign currency exchange rate set by the Central Bank of Russia as of the date of payment or receipt thereof.

Any difference arising on translation of foreign currency-denominated cash flows, cash balances and cash equivalents at the exchange rates as at the date of transaction and reporting dates, is included in the line "Effect of Changes in the Russian Rouble Exchange Rate" in the cash flow statement.

The following items are presented on a net basis in the cash flow statement:

- receipts and payments arising from foreign exchange transactions;
- commissioner's (agent's) cash flows due to rendering agency services (except for the fees for services rendered);
- cash flows characterised by prompt turnover, large volume and short repayment periods;
- indirect taxes within receipts from customers and buyers and payments made to suppliers and contractors;
- other settlements that relate to the operations of company's counterparties rather than its own operations.

Additional capital

Loans received that are repayable at the borrower's discretion are reported within additional capital provided that the loans 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 (subject to the fulfilment of the criteria for the recognition as equity financial instruments in accordance with IFRSs) ("perpetual loans"). Foreign currency perpetual loans are recognised at the official exchange rate as at the date of initial recognition.

In order to account for and report potential cash outflows, interest on perpetual loans is accrued on a monthly basis, until 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 loans is accrued at the official exchange rate as at the date of initial recognition. A liability to pay interest on foreign currency perpetual loans is recognised at the official exchange rate as at the date when an interest payment obligation arises.

In order to account for and report potential cash outflows, foreign currency perpetual loans and interest accrued on them, which are reported within equity, are translated into Russian Roubles at the official exchange rate as at the reporting date and as at the date of their transfer to liabilities. Gains or losses from the translation of foreign currency perpetual loans and interest into Russian Roubles are reported within additional capital and retained earnings.

Additional costs associated with the receipt of perpetual loans are reported within retained earnings.

Loans and borrowings received

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

Loans and (or) borrowings payable by the Company are recognised in the amount of actually received cash.

Loans and borrowings raised by the Company are mainly intended for corporate purposes. Under the contracts for the implementation of investment projects the Company provides its

2. Significant accounting policies and basis of presentation (continued)

subsidiaries that act as property developers in these projects with loans. The Company does not calculate a share of interest on loans and borrowings which are not directly associated with financing the investing activities to be included in the investment asset. This accounting treatment is based on the rationality requirement.

As at 31 December 2020 the Russian Federation Central Bank's refinance rate was 4.25%.

During 2020, the Russian Federation Central Bank's refinance rate decreased from 6.25% to 4.25%.

Estimated liabilities

The Company recognises the following estimated liabilities:

- remuneration based on annual performance results;
- payment of vacations;
- compensation payable to employees upon their retirement;
- other estimated liabilities.

Liabilities related to payments of the annual remuneration based on annual performance results are determined on the basis of stock take results and the adopted procedure for calculating remuneration based on annual performance results and recognised as at the end of the reporting year.

Liabilities related to vacation payments are determined based on the number of basic and additional vacation days earned but not used by all employees during their service at the Company as of the reporting date and their average daily salary.

Liabilities related to payments of one-time allowance upon retirement are made as at the date of the Company's employee reaching pension age and ceased upon expiration of six months from that date.

The above estimated liabilities are recognised as at the reporting date.

In addition, the Company records estimated liabilities with regard to adjustments to gas prices arising out of requirements made by buyers under the contractual terms. The effect of adjustments to gas prices including the respective impact on income tax is recognised in the financial statements when the probability that the liabilities arise is high and the liabilities can be reliably estimated.

Estimated liabilities are recognised within expenses incurred in ordinary activities and other expenses.

The Company records estimated asset retirement liabilities, including retirement of wells transferred to conservation upon construction completion, within investments in non-current assets. These estimated liabilities are valued based on the costs which the Company is expected to incur in fulfilling its estimated liabilities as a result of restoring the environment disturbed through its business activities. Estimated asset retirement liabilities, including retirement of wells transferred to conservation upon construction completion, are recorded within the cost of the assets upon completion of construction supported by proper valuation evidence.

The Company records estimated liabilities related to remediation of field soils. Expenses for this liability are accounted for within expenses incurred in ordinary activities if infrastructure facilities are accounted for within fixed assets and within non-current assets if infrastructure facilities are accounted for within construction in progress. Estimated liabilities related to soil remediation are recognised supported by proper valuation evidence.

Estimated liabilities are recognised in balance sheet lines 1430 and 1540 "Estimated Liabilities".

Taxation

The consolidated group of taxpayers (the "CGT") was established in Gazprom Group from 1 January 2012. PJSC Gazprom is the responsible member of the CGT. The contract on creation of Gazprom Group CGT was registered with Interregional Inspectorate of the Russian Federal Tax Service dealing with major taxpayers No. 2 on 20 April 2012. In 2017, a supplement to the contract on creation of Gazprom Group CGT was registered with Interregional Inspectorate of the Russian Federal Tax Service dealing with major taxpayers No. 2. In accordance with the Supplement the number of CGT members amounted to 65 from 1 January 2018.

The Company independently prepares information about income tax in accordance with RAR 18/02. Permanent and temporary differences are recognised in accounting records

2. Significant accounting policies and basis of presentation (continued)

separately. Temporary differences are differentiated by types of assets and liabilities whose measurement led to a difference.

Deferred tax assets and deferred tax liabilities are reflected in the balance sheet separately within non-current assets in line 1180 “Deferred Tax Assets” and non-current liabilities in line 1420 “Deferred Tax Liabilities” of the balance sheet, respectively.

Income tax payable related to the CGT as a whole and to be paid by the Company as the responsible member of the CGT is recognised in balance sheet line 1524 “Taxes Payable”.

Income tax overpayments related to the CGT are recorded in balance sheet line 1239 “Other Debtors”.

Balances on settlements with the CGT members related to the CGT income tax payable (interim payment) are recognised in the balance sheet within current assets in line 1239 “Other Debtors” and current liabilities in line 1528 “Other Settlements” on a gross basis.

Current income tax is determined based on data generated in the Company’s accounting records and recognised in the statement of financial results in line 2411 “Current Income Tax”. Difference between current income tax calculated by the Company for inclusion in the consolidated tax base of the CGT and cash payable by the Company under the CGT agreement is recognised in line 2465 “Reallocation of Income Tax within the CGT” of the statement of financial results and taken into account to calculate the Company’s net profit (loss) but not considered for calculating the Company’s profit (loss) before tax.

Tax on the tax loss incurred by the Company in the reporting period is recognised in the statement of financial results in line 2411 “Current Income Tax” without parentheses.

Revenue recognition

Revenue from sales of products and delivery of services is recognised as the products/services are delivered/provided and relevant settlement documents are presented. Revenue is stated net of value-added tax, excise, customs duty and similar mandatory charges.

Segment information

The Company, its subsidiaries and associated companies (Gazprom Group) operate as a vertically-integrated business. The principal activities of Gazprom Group are exploration, production, gas transportation and storage, sales of gas in the Russian Federation and abroad, oil and gas condensate production, sale of oil and gas condensate, oil, gas condensate and other hydrocarbons refining and sales of refined products, sales of electricity and heat. Management information which results are analysed on a regular basis by the Company’s chief operating decision-makers responsible for distribution of resources within the Company and assessment of these results is prepared with regard to Gazprom Group operations. Considering the fact that the Company’s activities as a legal entity and its managing the Group’s operations are tightly connected, the management decisions and distribution of resources are made by persons with respective powers at the Group level; separate management accounts that relate to the Company’s operations exclusively and do not cover the whole Group are not prepared with a breakdown by directions. Therefore, segment information is disclosed in Gazprom Group consolidated accounting reports.

List of the Company’s structural units and trust management contracts included in the financial statements of PJSC Gazprom

A Representative Office of PJSC Gazprom in Algiers, the People’s Democratic Republic of Algeria, a Representative Office of PJSC Gazprom in Tehran, the Islamic Republic of Iran, a Representative Office of PJSC Gazprom in Doha, Qatar, a Representative Office of PJSC Gazprom in Beijing, the People’s Republic of China, a Representative Office of PJSC Gazprom in Brussels, the Kingdom of Belgium, a Representative Office of PJSC Gazprom in Riga, the Republic of Latvia, a Representative Office of PJSC Gazprom in Nur-Sultan, the Republic of Kazakhstan, a Representative Office of PJSC Gazprom in Chisinau, the Republic of Moldova, a Representative Office of PJSC Gazprom in Ashgabat, Turkmenistan, a Representative Office of PJSC Gazprom in Rio de Janeiro, the Federative Republic of Brazil, a Representative Office of PJSC Gazprom in Kiev, Ukraine, a Representative Office of PJSC Gazprom in Baku,

2. Significant accounting policies and basis of presentation (continued)

the Republic of Azerbaijan, a Branch of PJSC Gazprom Avtopredpriyatie of PJSC Gazprom, a Branch of PJSC Gazprom Bogorodskoye Reception House, a Branch of PJSC Gazprom Corporate Security Services of PJSC Gazprom, a Branch of PJSC Gazprom Morozovka Holiday Hotel, a Branch of PJSC Gazprom Soyuz Holiday Hotel, a Branch of PJSC Gazprom Corporate Premises Management of PJSC Gazprom, a Branch of PJSC Gazprom Main Security Division of PJSC Gazprom in St. Petersburg, a Branch of PJSC Gazprom Far Eastern Interregional Security Division of PJSC Gazprom in Khabarovsk, a Branch of PJSC Gazprom Volga Interregional Security Division of PJSC Gazprom in Samara, a Branch of PJSC Gazprom North Urals Interregional Security Division of PJSC Gazprom in Novy Urengoy, a Branch of PJSC Gazprom Siberian Interregional Security Division of PJSC Gazprom in Tomsk, a Branch of PJSC Gazprom Central Interregional Security Division of PJSC Gazprom in the Moscow Region, a Branch of PJSC Gazprom Southern Interregional Security Division of PJSC Gazprom in Krasnodar, a Branch of PJSC Gazprom South Urals Interregional Security Division of PJSC Gazprom in Ekaterinburg, and Branch Office 644 of PJSC Gazprom in St. Petersburg.

LLC Svod International (a trustee) and LLC Gazprom invest (a trustee) act under trust management contracts in respect of PJSC Gazprom's property.

3. Changes in accounting policies

Due to the amendment of the Russian Accounting Regulation "Information about Discontinued Operations" (RAR 16/02) approved by order of the Russian Ministry of Finance dated 2 July 2002, No. 66n, the accounting policies for 2020 were supplemented with provisions about accounting for non-current assets held for sale.

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 Ministry of Finance dated 15 November 2019, No. 180n, the following amendments were made to the Company's accounting policies for 2021: prospective recognition of the consequences of changes in the accounting policies due to the 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), an amended procedure for the establishment of inventory impairment provision.

4. Adjustments to prior reporting period data

Certain data of columns "As at 31 December 2019" and "As at 31 December 2018" in the balance sheet and the statement of financial results for 2019 were adjusted due to the following events:

1. Deferred taxes were adjusted and permanent differences were reclassified to temporary differences due the enactment of changes in the Russian Accounting Regulation "Accounting for Corporate Income Tax Payments" (RAR 18/02) (adjustment 1) .
2. An update was made to the presentation of the revaluation of fixed assets (adjustment 2).

Adjustments to the 2018 and 2019 data in the financial statements for 2020:

Narrative	Line code	As at 31 December 2019			As at 31 December 2018		
		Unadjusted	Adjustment (1,2)	Adjusted	Unadjusted	Adjustment (1,2)	Adjusted
I. Non-current assets							
Deferred tax assets	1180	128,456,394	23,391,249	151,847,643	112,900,315	6,709,964	119,610,279
Total Section I	1100	12,492,266,539	23,391,249	12,515,657,788	11,916,821,521	6,709,964	11,923,531,485
BALANCE	1600	15,916,355,497	23,391,249	15,939,746,746	15,747,744,608	6,709,964	15,754,454,572
III. Equity and reserves							
Revaluation of non-current assets	1340	5,850,123,801	(404,787,379)	5,445,336,422	5,863,916,166	(406,488,743)	5,457,427,423
Retained earnings (loss)	1370	5,357,552,523	85,892,835	5,443,445,358	5,085,599,303	4,724,763	5,090,324,066
Total Section III	1300	11,334,679,889	(318,894,544)	11,015,785,345	11,076,519,034	(401,763,980)	10,674,755,054

4. Adjustments to prior reporting period data (continued)

Narrative	Line code	As at 31 December 2019			As at 31 December 2018		
		Unadjusted	Adjustment (1,2)	Adjusted	Unadjusted	Adjustment (1,2)	Adjusted
IV. Non-current liabilities							
Deferred tax liabilities	1420	692,290,951	342,285,793	1,034,576,744	604,166,542	408,473,944	1,012,640,486
Total Section IV	1400	2,502,909,574	342,285,793	2,845,195,367	2,715,685,065	408,473,944	3,124,159,009
BALANCE	1700	15,916,355,497	23,391,249	15,939,746,746	15,747,744,608	6,709,964	15,754,454,572

Narrative	Line code	for 2019		
		Unadjusted	Adjustment (1)	Adjustment
Profit (loss) before taxation	2300	910,953,483	–	910,953,483
Income tax, including:	2410	(258,599,425)	81,170,866	(177,428,559)
current income tax	2411	(186,767,702)	–	(186,767,702)
deferred income tax	2412	(71,210,085)	81,170,866	9,960,781
prior year income tax	2413	(621,638)	–	(621,638)
Other	2460	(2,309,528)	1,698,570	(610,958)
Reallocation of income tax within the CGT	2465	1,079,584	–	1,079,584
Net profit (loss)	2400	651,124,114	82,869,436	733,993,550
Cumulative financial result for the period	2500	651,124,114	82,869,436	733,993,550

In the statement of changes in equity for 2020 (Section 2 “Restatements due to Changes in Accounting Policies and Correction of Errors”), data as at 31 December 2018 in the line “Restatement due to Correction of Accounting Errors” include adjustments of the data of the 2018 financial statements made in 2019.

5. Fixed assets

	Trunk pipelines	Wells	Machinery and equipment	Buildings	Other	Total
As at 31 December 2018						
Initial (replacement) cost	13,589,369,890	1,144,364,101	3,518,549,918	975,423,628	3,666,670,746	22,894,378,283
Accumulated depreciation	(10,444,741,279)	(945,360,203)	(2,763,508,687)	(486,228,738)	(1,899,701,450)	(16,539,540,357)
Net book value	3,144,628,611	199,003,898	755,041,231	489,194,890	1,766,969,296	6,354,837,926
As at 31 December 2019						
Initial (replacement) cost	14,027,041,409	1,192,915,494	3,645,360,705	1,160,225,201	3,831,067,827	23,856,610,636
Accumulated depreciation	(10,746,119,419)	(972,914,525)	(2,905,165,259)	(512,426,522)	(2,021,756,892)	(17,158,382,617)
Net book value	3,280,921,990	220,000,969	740,195,446	647,798,679	1,809,310,935	6,698,228,019
As at 31 December 2020						
Initial (replacement) cost	14,149,574,857	1,263,903,457	3,799,297,655	1,399,431,602	3,913,397,963	24,525,605,534
Accumulated depreciation	(11,041,799,254)	(1,005,546,409)	(3,063,443,570)	(649,185,649)	(2,152,611,989)	(17,912,586,871)
Net book value	3,107,775,603	258,357,048	735,854,085	750,245,953	1,760,785,974	6,613,018,663

Net book value of fixed assets leased out to subsidiaries amounted to RUB 5,746,026,812 thousand, RUB 5,874,338,666 thousand and RUB 5,674,688,558 thousand as at 31 December 2020, 2019 and 2018, respectively. As at 31 December 2020, 2019 and 2018 fixed assets included also property items that had been constructed and put into operation but were still to be registered in the amount of RUB 1,308,916,526 thousand, RUB 1,542,308,517 thousand and RUB 1,360,956,313 thousand, respectively (net of accumulated depreciation in the amount of RUB 151,355,517 thousand, RUB 224,959,136 thousand and RUB 239,239,564 thousand, respectively). As at 31 December 2020 the following production infrastructure facilities represent the most significant real property

5. Fixed assets (continued)

assets, the title to which is undergoing registration: the Power of Siberia gas trunk pipeline, 301.1 km – 555.8 km, the Power of Siberia gas trunk pipeline, 555.8 km – 794.8 km, the Power of Siberia gas trunk pipeline, 794.8 km – 1029.8 km, the Power of Siberia gas trunk pipeline, 1029.8 km – 1290.7 km, and the Power of Siberia gas trunk pipeline, 1290.7 km – 1550 km.

Revaluation of fixed assets

As at 31 December 2020, the Company revalued its fixed assets classified as buildings. No revaluation of fixed assets was made as at 31 December 2019 and as at 31 December 2018 because of insignificant changes in the current (replacement) cost.

	Buildings	Total
As at 31 December 2020		
Revaluation surplus posted to additional capital	97,399,399	97,399,399
Revaluation surplus (in the part related to the revaluation write-down posted earlier to other income)	307,443	307,443
Revaluation write-down posted to other expenses	(285,018)	(285,018)
Revaluation write-down (in the part related to the revaluation surplus posted earlier to additional capital)	(101,768)	(101,768)
Total revaluation of fixed assets at their current (replacement) cost	97,320,056	97,320,056

6. Financial investments

Long-term financial investments

Investments in subsidiaries and associates

Information on investments in subsidiaries and associates is provided in Note 18.

“Investments in Subsidiaries” (balance sheet line 1171) are presented net of impairment provision of RUB 90,579,524 thousand, RUB 108,578,807 thousand and RUB 24,762,103 thousand as at 31 December 2020, 2019 and 2018, respectively.

“Investments in Associates” (balance sheet line 1172) are presented net of impairment provision of RUB 1,838,255 thousand, RUB 1,914,677 thousand and RUB 1,919,580 thousand as at 31 December 2020, 2019 and 2018, respectively.

Investments in other entities

“Investments in Other Entities” (balance sheet line 1173) are presented net of impairment provision of RUB 153 thousand as at 31 December 2020, RUB 154 thousand as at 31 December 2019 and RUB 153 thousand as at 31 December 2018.

Loans provided to companies for a period over 12 months

“Loans Provided to Companies for a Period over 12 Months” (balance sheet line 1174) include long-term loans of RUB 6,818,956 thousand, RUB 285,708,116 thousand and RUB 181,328,968 thousand as at 31 December 2020, 2019 and 2018, respectively.

Other long-term investments

Other long-term investments included within “Financial Investments” (balance sheet line 1170) are presented net of impairment provision of RUB 138,664 thousand, RUB 216,497 thousand and RUB 216,747 thousand as at 31 December 2020, 2019 and 2018, respectively. The provision relates to investments in joint activities.

6. Financial investments (continued)

	31 December		
	2020	2019	2018
Joint activities	39,007,829	38,638,110	38,389,920
including:			
development of oil and gas fields on continental shelf of the Socialist Republic of Vietnam (operator — JSC Gazprom zarubezhneftegaz)	35,139,587	34,769,868	34,396,898
development of a satellite communication system (operator — JSC Gazprom Space Systems)	3,362,056	3,362,056	3,345,047

Long-term investments include securities of other entities, mainly investments in the shares of subsidiaries and associates and other entities of RUB 1,703,744,984 thousand, RUB 2,309,828,894 thousand and RUB 1,973,726,460 thousand as at 31 December 2020, 2019 and 2018, respectively, including foreign entities of RUB 199,439,152 thousand, RUB 339,075,652 thousand and RUB 340,904,823 thousand as at 31 December 2020, 2019 and 2018, respectively.

Additional information is provided in table forms 3.1 “The Presence and Movement of Financial Investments”, 3.1.1 “Current Portion of Long-Term Financial Investments” and 3.2 “Other Use of Financial Investments” of the Explanatory Notes to the Balance Sheet and the Statement of Financial Results. In table form 3.1 “The Presence and Movement of Financial Investments” data are presented with regard to the current portion of long-term investments.

7. Other non-current assets

As at 31 December 2020, 2019 and 2018 other non-current assets included long-term advances paid under capital construction agreements in the amount of RUB 221,239,031 thousand, RUB 108,838,339 thousand and RUB 38,251,891 thousand, respectively, expenses of future periods under capital construction agreements in the amount of RUB 423,583 thousand, RUB 497,599 thousand and RUB 986,985 thousand as at 31 December 2020, 2019 and 2018, as well as the subsoil use licences of RUB 13,056,883 thousand, RUB 14,445,107 thousand, RUB 16,134,633 thousand as at 31 December 2020, 2019 and 2018, respectively.

8. Accounts receivable

Trade receivables

	31 December		
	2020	2019	2018
Accounts receivable for gas sold:	420,334,073	409,760,867	664,114,145
in Russia	166,352,621	159,355,317	238,271,696
outside Russia (net of doubtful debt provision of RUB 540,618,109 thousand, RUB 432,968,246 thousand and RUB 567,250,810 thousand as at 31 December 2020, 2019 and 2018, respectively), including:	253,981,452	250,405,550	425,842,449
to far abroad countries (net of doubtful debt provision of RUB 52,426,548 thousand, RUB 42,326,363 thousand and RUB 20,173,840 thousand as at 31 December 2020, 2019 and 2018, respectively)	232,147,472	225,422,850	396,598,503
Accounts receivable for property lease services (net of doubtful debt provision of RUB 29,631 thousand, RUB 28,095 thousand and RUB 22,112 thousand as at 31 December 2020, 2019 and 2018, respectively)	88,589,491	107,982,386	95,326,366
Accounts receivable for services related to arrangement of gas transportation	5,057,091	4,233,745	5,279,757
Accounts receivable for gas condensate and oil and gas refinery products sold (net of doubtful debt provision of RUB 0 thousand, RUB 0 thousand and RUB 65 thousand as at 31 December 2020, 2019 and 2018, respectively)	23,194,424	18,683,005	18,645,464
Other trade receivables (net of doubtful debt provision of RUB 4,423 thousand, RUB 17,143 thousand, and RUB 17,384 thousand as at 31 December 2020, 2019 and 2018, respectively)	43,329,394	2,228,138	1,640,946
Total	580,504,473	542,888,141	785,006,678

8. Accounts receivable (continued)

The accounts receivable recorded in the balance sheet line "Accounts Receivable from Buyers and Customers (payments expected within 12 months after the reporting date)" (line 1236) are presented net of a doubtful debt provision of RUB 539,183,341 thousand, RUB 431,782,654 thousand and RUB 565,909,133 thousand as at 31 December 2020, 2019 and 2018, respectively. The doubtful debt provisions were calculated net of a deferred excise in the amount of RUB 88,593 thousand, RUB 88,593 thousand and RUB 88,593 thousand as at 31 December 2020, 2019 and 2018, respectively. Deferred excise reduces the balance sheet line "Other Settlements" (line 1528).

Advances receivable

The balance sheet line "Advances Issued" (line 1238) within accounts receivable payments for which are expected within 12 months after the reporting date includes advances paid under the agency contracts on the implementation of investment projects in the amount of RUB 229,671,055 thousand as at 31 December 2020, RUB 105,313,567 thousand as at 31 December 2019, and RUB 102,216,840 thousand as at 31 December 2018.

Other receivables

"Accounts Receivable from Other Debtors (payments expected beyond 12 months after the reporting date)" (balance sheet line 1234) include a long-term portion of accounts receivable from LLC Gazprom international projects related to the transfer of rights and obligations under an agreement dated 22 December 2020 in the amount of RUB 224,549,577 thousand as at 31 December 2020, as well as accounts receivable from LLC Gazprom neft shelf related to the payment of reimbursement under an agreement dated 31 October 2014 which provides for the withdrawal of PJSC Gazprom from the joint activities agreement in the amount of RUB 18,192,942 thousand as at 31 December 2020, RUB 48,242,071 thousand as at 31 December 2019 and RUB 62,466,040 thousand as at 31 December 2018.

The Company concludes investment agreements with developers and agents (mainly its subsidiaries) for construction and commissioning of fixed assets. The Company is the owner of all assets constructed under such investment and agency agreements. Subsidiaries have no right to sell, pledge or otherwise dispose of such assets.

A long-term portion of accounts receivable from subsidiaries relates to amounts received for investment project financing and is presented in the balance sheet line "Accounts Receivable from Other Debtors (payments expected beyond 12 months after the reporting date)" (line 1234) in the amount of RUB 44,017,801 thousand, RUB 189,818,399 thousand and RUB 171,440,967 thousand as at 31 December 2020, 2019 and 2018, respectively.

A current portion of accounts receivable from subsidiaries relates to amounts received for investment project financing and is presented in the balance sheet line "Accounts Receivable from Other Debtors (payments expected within 12 months after the reporting date)" (line 1239) in the amount of RUB 61,104,131 thousand, RUB 67,776,266 thousand and RUB 131,591,108 thousand as at 31 December 2020, 2019 and 2018, respectively.

Additional information is provided in table forms 5.1 "The Presence and Movement of Accounts Receivable" and 5.2 "Overdue Accounts Receivable" of the Explanatory Notes to the Balance Sheet and the Statement of Financial Results.

9. Cash and cash equivalents

The structure of cash and cash equivalents

	31 December		
	2020	2019	2018
Cash on hand	25,717	23,070	27,362
Cash on settlement accounts	210,145,651	267,210,278	147,944,053
Cash on foreign currency accounts	248,157,997	32,113,655	199,361,562
Cash on special bank accounts	190,055,379	3,150,331	2,381,080

9. Cash and cash equivalents (continued)

	31 December		
	2020	2019	2018
Cash in transit	12,793	9,470	26,150
Total cash	648,397,537	302,506,804	349,740,207

Cash flows from operating activities recognised in the line "Other Receipts" (line 4119) of the cash flow statement include on a net basis cash received from members of the CGT (established in 2012) for the purpose of the CGT income tax settlements in the amount of RUB 34,311,557 thousand and RUB 58,186,348 thousand in 2020 and 2019, respectively; advances received from buyers (customers) in the amount of RUB 68,838,262 thousand and RUB 31,035,718 thousand for 2020 and 2019, respectively; proceeds on a net basis from the payment of interest-free loans issued to subsidiaries in the amount of RUB 531,435,786 thousand and RUB 152,291,202 thousand for 2020 and 2019, respectively; net based indirect taxes related to operating activities that are presented within payments to suppliers and contractors and proceeds from buyers and customers in the amount of RUB 151,365,813 thousand and RUB 204,285,619 thousand for 2020 and 2019, respectively.

The line "Income Tax" (line 4124) includes a net based amount of the income tax attributable to the CGT in the amount of RUB 55,673,940 thousand and RUB 230,884,151 thousand for 2020 and 2019, respectively.

Cash flows from operating activities recognised in the line "Other Payments" (line 4129) of the cash flow statement include contributions to subsidiaries' property in the amount of RUB 85,633,254 thousand and RUB 165,849,389 thousand for 2020 and 2019, respectively; interest-free loans issued to subsidiaries in the amount of RUB 474,564,323 thousand and RUB 252,598,288 thousand for 2020 and 2019, respectively; cash presented on a net basis used to pay customs duties in the amount of RUB 442,801,899 thousand and RUB 696,191,500 thousand for 2020 and 2019, respectively; advances made to suppliers (contractors) in the amount of RUB 12,758,894 thousand and RUB 6,105,306 thousand for 2020 and 2019, respectively; cash refunds to gas buyers due to adjusted gas prices in the amount of RUB 116,132,611 thousand in 2020 and RUB 10,437,103 thousand in 2019; cash presented on a net basis used to pay property tax in the amount of RUB 119,332,962 thousand in 2020 and RUB 116,350,798 thousand in 2019.

Cash flows from investing activities recognised in the line "Other Receipts" (line 4219) of the cash flow statement include advances received from buyers (customers) in the amount of RUB 246,906 thousand and RUB 39,548 thousand for 2020 and 2019, respectively.

Payments in the line "Other Payments" (line 4229) of the cash flow statement include on a net basis cash used to finance investment (agency) agreements in the amount of RUB 743,757,639 thousand and RUB 800,805,516 thousand for 2020 and 2019, respectively; net based indirect taxes related to investing activities that are presented within payments to suppliers and contractors and proceeds from buyers and customers in the amount of RUB 31,418,216 thousand and RUB 40,589,352 thousand for 2020 and 2019, respectively.

10. Equity and reserves

Charter capital

The Company's charter capital amounts to RUB 118,367,564 thousand (23,673,513 thousand fully paid common shares with a nominal value of RUB 5 each) and it did not change in 2020.

In accordance with the decision of the general shareholders' meeting, final dividends on the Company's 2019 results were accrued in the amount of RUB 15.24 per one common share. Dividends paid amounted to RUB 360,155,773 thousand. Final dividends on the Company's 2018 results were accrued in the amount of RUB 16.61 per one common share. Dividends paid amounted to RUB 392,635,320 thousand. Final dividends on the Company's 2017 results were accrued in the amount of RUB 8.04 per one common share. Dividends paid amounted to RUB 190,069,523 thousand.

10. Equity and reserves (continued)

Reserve capital

In 2020, 2019 and 2018 the Company did not make any contributions to the reserve fund from its net profit as the target limit of the fund was reached (7.3% of the charter capital).

Additional capital

Balance sheet line 1351 "Perpetual Notes and Loans" include two perpetual foreign currency loans of USD 1,400 million and EUR 1,000 million received in October 2020 from Gaz Finance Plc as a result of the issue of loan participation notes. Initial interest rates were set at 4.5985% for the loan in USD and 3.897% for the loan in EUR. Loan interest rates are to be reviewed every five years. The Company has an unconditional right, at any time and on any number of occasions, to postpone interest payment.

Loan repayment may be postponed at the Company's discretion on an unlimited number of occasions for a period of at least five years. The Company has a right for early repayment of the loans in full (not partially) with simultaneous payment of interest accrued as at the date of early repayment.

As at 31 December 2020, the perpetual loans plus accrued interest and an exchange difference reported within additional capital amounted to RUB 104,284,710 thousand for the loans received in USD and RUB 91,331,087 thousand for the loans received in EUR.

As at 31 December 2020, the Company accrued interest of RUB 1,523,485 thousand on the perpetual loans reported within additional capital by charging retained earnings. Retained earnings were also decreased by additional costs of RUB 2,658,862 thousand directly associated with the receipt of the perpetual loans, and an exchange loss of RUB 268,903 thousand from the translation of the loans and accrued interest. An exchange gain from the translation of the loans and accrued interest and additional costs associated with the loans increased retained earnings and amounted to RUB 3,666,269 thousand.

11. Borrowings and loans

Bank loans

Lenders	Currency	Maturity	31 December		
			2020	2019	2018
Intesa Sanpaolo S.p.A.	Euro	2024	136,039,469	104,023,035	–
Intesa Sanpaolo bank Luxembourg S.A. ¹	Euro	2023	93,608,851	83,516,130	95,704,875
JP Morgan AG ¹	Euro	2023	85,793,150	76,535,689	87,728,983
Crédit Agricole CIB	Euro	2023	75,377,370	41,696,814	47,782,247
UniCredit S.p.A.	Euro	2025	63,828,394	48,809,224	55,932,676
JP Morgan AG ¹	Euro	2022	51,911,716	59,538,646	79,509,501
Natixis S.A. ¹	Euro	2024	45,617,592	34,881,644	–
Sumitomo Mitsui Banking Corporation	Euro	2025	45,535,160	–	–
Mizuho Bank Ltd.	Euro	2025	45,395,232	–	–
UniCredit S.p.A.	Euro	2022	39,097,042	44,843,526	55,676,582
MUFG Bank Ltd.	Euro	2023	38,869,067	34,678,005	–
Ing Bank, a branch of Ing-Diba AG	Euro	2023	36,329,385	27,780,734	31,833,642
Citibank EUROPE plc ¹	Euro	2023	33,058,390	29,491,243	33,792,054
Crédit Agricole CIB	Euro	2022	27,423,869	34,944,773	56,070,419
Bank of China Ltd. ¹	Euro	2021	26,211,532	60,128,206	114,817,269
VTB Bank (Europe) SE	Euro	2027	17,698,472	15,615,650	20,280,078
Deutsche Bank Luxembourg S.A.	Euro	2022	9,796,619	11,772,404	15,943,348

11. Borrowings and loans (continued)

Lenders	Currency	Maturity	31 December		
			2020	2019	2018
BNP PARIBAS S.A. ¹	Euro	2022	7,407,748	8,498,570	12,986,495
Commerzbank AG	US dollars	2035	4,109,075	3,162,503	3,260,191
Citibank EUROPE plc ¹	US dollars	2021	1,357,106	3,419,245	6,402,883
China Construction Bank Corporation ¹	US dollars	2020	–	27,205,050	61,150,510
JP Morgan Europe Ltd. ¹	Euro	2020	–	18,506,852	42,415,662
UniCredit S.p.A.	Euro	2019	–	–	3,672,175
Intesa Sanpaolo S.p.A.	Euro	2019	–	–	1,705,279
Total, including			884,465,239	769,047,943	826,664,869
Due within one year, including current portion of long-term loans			271,430,678	191,651,136	148,674,000

¹ Loans received from bank syndicates, named lender is the bank agent.

Total loans received in 2020 amounted to RUB 120,633,320 thousand, total loans and interest repaid in 2020 amounted to RUB 243,411,993 thousand (in 2019 total loans received amounted to RUB 183,953,200 thousand, total loans and interest repaid amounted to RUB 150,780,307 thousand and in 2018 total loans received amounted to RUB 358,318,342 thousand, total loans repaid amounted to RUB 124,671,693 thousand).

In 2018–2020, the Company used the credit facility of RUB 60,000,000 thousand that had been opened by Gazprombank (Joint Stock Company) in 2012 and was to be repaid in 2017. In 2017, this credit facility was extended to 2020. In 2020, 2019 and 2018 loans were not raised under this credit facility. In June 2020, this credit facility was closed.

In 2018–2020, the Company used the credit facilities of RUB 60,000,000 thousand and RUB 30,000,000 thousand that had been opened for the Company by PJSC Sberbank of Russia and PJSC Bank VTB in 2013, respectively, to be repaid in 2018. In 2018, these credit facilities were extended to 2023. In 2020, the limit of the credit facility from PJSC Bank VTB was increased to RUB 150,000,000 thousand. In 2020, 2019 and 2018, loans were not raised under these credit facilities.

In October 2020, Gazprombank (Joint Stock Company) opened a perpetual credit facility of RUB 100,000,000 thousand for the Company. In 2020, loans were not raised under this credit facility.

In November 2020, Bank Otkritie Financial Corporation (Public Joint-Stock Company) opened a perpetual credit facility of RUB 70,000,000 thousand for the Company. In 2020, loans were not raised under this credit facility.

In July 2019, the Company received a loan from BANCA IMI S.P.A. with the interest rate determined for each interest period at EURIBOR + 2.10% to be repaid in 2024. The first instalment in the amount of RUB 35,829,650 thousand was received in July 2019, the second instalment in the amount of RUB 36,974,200 thousand was received in August 2019 and the third instalment in the amount of RUB 35,298,750 thousand was received in September 2019. In 2020, BANCA IMI S.P.A. was merged into Intesa Sanpaolo S.p.A. (its parent company), so all rights and obligations of BANCA IMI S.P.A. were transferred to Intesa Sanpaolo S.p.A.

In June 2020, the Company received a loan of RUB 39,261,250 thousand from Mizuho Bank Ltd. with the interest rate determined for each interest period at EURIBOR + 1.95% to be repaid in 2025.

In September 2020, the Company received a loan from Crédit Agricole CIB in the amount of RUB 35,583,120 thousand with the interest rate determined for each interest period at EURIBOR + 1.50% to be repaid in 2023.

In October 2020, the Company received a loan from Sumitomo Mitsui Banking Corporation in the amount of RUB 45,788,950 thousand with the interest rate determined for each interest period at EURIBOR + 1.75% to be repaid in 2025.

The fixed interest rate on long-term foreign currency loans was 8.868% in 2020, 2019 and 2018. In addition, LIBOR and EURIBOR rates were also used in 2018–2020.

The Company did not raise any short-term foreign currency loans in 2018–2020.

In 2018–2020, no long-term loans denominated in Russian Roubles were received.

In 2018–2020, no short-term loans denominated in Russian Roubles were received.

11. Borrowings and loans (continued)

Loans

Lenders	Currency	Maturity	31 December		
			2020	2019	2018
Gaz Capital S.A.	Euro	2024	250,952,090	191,890,651	217,995,928
Gaz Capital S.A.	US dollars	2022	173,539,523	145,421,101	163,191,615
Gaz Finance Plc	US dollars	2030	149,432,072	–	–
Gazprom Sakhalin Holdings B.V.	US dollars	2021	122,423,664	129,151,560	168,924,671
Gaz Capital S.A.	Euro	2021	112,471,842	86,001,185	98,552,611
Gaz Capital S.A.	US dollars	2037	94,868,404	79,496,979	89,211,539
Gaz Capital S.A.	US dollars	2026	94,194,083	78,931,917	–
Gaz Finance Plc	Euro	2025	92,595,302	–	–
Gaz Capital S.A.	Euro	2023	91,031,776	69,607,021	79,766,641
Gaz Capital S.A.	US dollars	2034	89,988,163	75,407,479	84,622,301
Gaz Finance Plc	US dollars	2027	73,888,013	–	–
Gaz Capital S.A.	Euro	2026	69,344,086	53,021,403	60,762,791
Gaz Capital S.A.	US dollars	2028	67,813,737	56,825,950	63,770,103
Gaz Capital S.A.	Swiss francs	2023	63,379,048	48,269,729	53,562,984
Gaz Capital S.A.	US dollars	2027	56,153,381	47,054,910	52,805,037
Gaz Capital S.A.	Euro	2025	46,891,626	35,852,599	41,088,811
LLC Gazprom capital	Russian Roubles	2024	46,610,754	46,586,054	31,039,644
GazAsia Capital S.A.	Japanese yen	2028	46,486,237	36,870,302	40,963,211
LLC Gazprom capital	Russian Roubles	2025	45,853,192	30,767,220	30,761,178
Gaz Capital S.A.	US dollars	2021	45,492,656	38,121,530	42,779,996
Gaz Capital S.A.	Euro	2022	41,618,486	31,823,714	36,468,220
BO-22 series Russian bonds	Russian Roubles	2048	15,519,300	15,512,700	15,509,250
BO-23 series Russian bonds	Russian Roubles	2048	15,519,300	15,512,700	15,509,250
LLC Gazprom capital	Russian Roubles	2022	15,096,415	15,089,766	–
BO-19 series Russian bonds	Russian Roubles	2043	15,088,200	15,080,850	15,073,950
BO-20 series Russian bonds	Russian Roubles	2043	15,088,200	15,080,850	15,073,950
LLC Gazprom capital	Russian Roubles	2027	15,076,438	–	–
BO-7 series Russian bonds	Russian Roubles	2033	10,346,200	10,341,800	10,339,500
Gaz Capital S.A.	Euro	2020	–	113,120,396	129,635,515
Gaz Capital S.A.	US dollars	2020	–	50,292,535	56,438,302
GPB Financial Services Ltd.	Euro	2020	–	39,271,434	–
Gazprombank (Switzerland) Ltd.	Euro	2020	–	24,638,243	–
Shtokman Development AG	Russian Roubles	2020	–	1,711,024	–
Gaz Capital S.A.	US dollars	2019	–	–	159,039,913
Gaz Capital S.A.	Swiss francs	2019	–	–	35,473,736
Loans as part of centralised management of Gazprom Group's cash flows	Russian Roubles	2021	692,919,915	473,164,886	276,554,919
Loans as part of centralised management of Gazprom Group's cash flows	US dollars	2021	61,636,930	32,928,942	17,174,040
Loans as part of centralised management of Gazprom Group's cash flows	Euro	2021	16,433,465	15,566,047	2,055,705
Loans as part of centralised management of Gazprom Group's cash flows	British Pound	2021	3,254,392	28,989	16,159
Total, including			2,751,006,890	2,118,442,466	2,104,161,470
due within one year, including current portion of long-term loans			1,081,614,445	901,974,297	682,952,466

11. Borrowings and loans (continued)

Total loans received in 2020 amounted to RUB 3,565,143,848 thousand, total loans and interest repaid in 2020 amounted to RUB 3,405,774,844 thousand (total loans received in 2019 amounted to RUB 2,751,123,715 thousand, total loans and interest repaid in 2019 amounted to RUB 2,625,678,715 thousand and total loans received in 2018 amounted to RUB 2,040,700,182 thousand, total loans repaid in 2018 amounted to RUB 2,233,692,040 thousand).

The loan agreement with Gazprom Sakhalin Holdings B.V. was effective in 2010–2020. In 2018, the principal amount and interest on the loan in the amount of RUB 40,833,872 thousand were repaid. In 2019, this loan was extended to 2020 and increased by RUB 263,668 thousand, the principal amount and interest on the loan in the amount of RUB 26,963,906 thousand were repaid. In 2020, this loan was extended to 2021, the principal amount and interest on the loan in the amount of RUB 33,103,266 thousand were repaid. In 2020, the interest rate ranged from 1.50% to 2.90%, in 2019 the interest rate ranged from 2.90% to 3.50% and in 2018 it ranged from 1.69% to 3%.

In February 2020, the Company raised a loan from Gaz Finance Plc as a result of the issue of loan participation notes in the amount of RUB 128,601,600 thousand maturing in 2030 at 3.25%.

In April 2020, the Company raised a loan from Gaz Finance Plc as a result of the issue of loan participation notes in the amount of RUB 80,118,600 thousand maturing in 2025 at 2.95%.

In June 2020, the Company raised two loans from LLC Gazprom capital in the amount of RUB 15,000,000 thousand maturing in 2025 at 5.80% and RUB 15,000,000 thousand maturing in 2027 at 6.00%.

In June 2020, the Company raised a loan from Gaz Finance Plc as a result of the issue of loan participation notes in the amount of RUB 69,128,400 thousand maturing in 2027 at 3.00%.

In 2019, the Company raised finance secured by inventories under buyback agreements entered into with Gazprombank (Switzerland) Ltd. and GPB Financial Services Ltd. totalling RUB 64,855,683 thousand to be repaid in 2020. The difference between the amount received from the buyer and the amount payable to the buyer was recognised as interest on the raised finance. In 2020, the Company settled its financial liabilities under the buyback agreements in the amount of RUB 76,201,501 thousand and paid interest on the raised finance in the amount of RUB 1,877,156 thousand.

In 2020, in order to centralise the management of Gazprom Group's cash flows, the Company raised Russian Rouble interest-bearing and interest-free loans maturing in 2021. The interest rate was determined depending on the period of actual use of loan proceeds at MosPrime Rate increased by the credit risk premium. Total loans received amounted to RUB 2,966,344,333 thousand, total loans and interest repaid amounted to RUB 2,762,711,314 thousand.

In 2020, in order to centralise the management of Gazprom Group's cash flows, the Company raised foreign currency interest-bearing and interest-free loans maturing in 2021. The interest rate was determined depending on the period of actual use of loan proceeds at LIBOR, EONIA and EURIBOR increased by the credit risk premium. Total loans received amounted to RUB 290,950,915 thousand, total loans and interest repaid amounted to RUB 264,710,472 thousand.

The interest rate on other Russian Rouble short-term loans was 6.50% in 2020. The interest rates on other Russian Rouble short-term loans ranged from 6.50% to 8.25% in 2019. In 2018, no other Russian Rouble short-term loans were raised by the Company.

The interest rates on other Russian Rouble long-term loans ranged from 5.80% to 9.10% in 2020, and from 7.35% to 9.10% in 2019 and 2018.

The interest rates on foreign currency long-term loans received from Gaz Capital S.A. related to the issue of loan participation notes ranged from 1.45% to 8.625% in 2020 and 2019, and from 1.45% to 9.25% in 2018.

The interest rates on foreign currency long-term loans received from Gaz Finance Plc as a result of the issue of loan participation notes ranged from 2.95% to 3.25% in 2020.

The interest rates on other foreign currency long-term loans ranged from 1.01% to 2.90% in 2020, from 1.01% to 3.50% in 2019 and from 1.01% to 3% in 2018.

The loans (borrowings) not disbursed by the Company due to the lack of need amounted to RUB 136,596,169 thousand, RUB 87,559,423 thousand and RUB 113,994,321 thousand as at 31 December 2020, 2019 and 2018, respectively.

12. Taxation

Income tax

In accordance with the Russian Accounting Regulation "Accounting for Corporate Income Tax Payments" (RAR 18/02), the Company recognised the following amounts in the accounting records and the statement of financial results for 2020:

	2020	2019
Profit (loss) before taxation – total	(922,065,968)	910,953,483
including:		
taxable at 20%	(1,234,031,960)	594,629,245
taxable at 13%	12,170,806	8,393,845
taxable at 0%	299,795,186	307,930,393
Provisional income tax benefit (expense)	245,224,187	(120,017,049)
including:		
taxable at 20%	246,806,392	(118,925,849)
taxable at 13%	(1,582,205)	(1,091,200)
taxable at 0%	–	–
Permanent tax benefit (expense)	(17,731,951)	(57,411,510)
Income tax benefit (expense)	227,492,236	(177,428,559)
Deferred income tax	212,015,226	9,960,781
including due to:		
occurrence (settlement) of temporary differences in the reporting period	212,015,226	9,960,781
changes in taxation rules, changes in applied tax rates	–	–
recognition (write-off) of deferred tax assets due to changes in the probability that the company will receive taxable profit in subsequent reporting periods	–	–
Current income tax	13,318,280	(186,767,702)
Prior year income tax	2,158,730	(621,638)

Other taxes

VAT accrued upon dispatch (transfer) of goods (works, services, property rights) including VAT accrued upon receipt of payment, partial payment against forthcoming supplies of goods (works, services, property rights) and reversed amounts of previously accepted VAT with respect to payment, partial payment issued against forthcoming supplies of goods (works, services, property rights) totalled RUB 639,476,688 thousand and RUB 638,374,199 thousand for 2020 and 2019, respectively.

13. Accounts payable

The balance sheet line "Advances from Customers" (line 1527) within accounts payable (payment expected within 12 months of the reporting date) includes advances of RUB 63,530,207 thousand, RUB 17,797,085 thousand and RUB 18,027,063 thousand received by the Company under commission agreements between PJSC Gazprom and LLC Gazprom export in accordance with the terms and conditions of gas supply contracts as at 31 December 2020, 2019 and 2018, respectively, and advances of RUB 44,024,544 thousand received in accordance with the terms and conditions of a share purchase agreement as at 31 December 2020, 2019 and 2018, respectively.

Trade payables mainly include payables to related parties (Note 18).

Additional information is provided in table forms 5.3 "The Presence and Movement of Accounts Payable" and 5.4 "Overdue Accounts Payable" of the Explanatory Notes to the Balance Sheet and the Statement of Financial Results.

14. Sales

	2020	2019
Revenue from gas sales:		
in Russia	1,055,267,348	1,114,253,405
outside Russia, including:	1,580,198,068	2,196,863,689
to far abroad countries	<u>1,320,846,495</u>	<u>1,877,016,277</u>
	2,635,465,416	3,311,117,094
Revenue from leasing out assets	801,610,263	779,702,026
Revenue from sale of gas condensate and oil and gas refinery products	359,851,135	413,239,140
Revenue from sale of gas transportation services	243,635,662	241,297,625
Revenue from other activities	<u>20,881,642</u>	<u>13,355,574</u>
Total	4,061,444,118	4,758,711,459

Revenues from gas sales outside Russia include revenue from export gas sales through an agent as well. Revenues from gas sales outside Russia in 2020 are reported on the basis of a downward adjustment in the amount of RUB 14,220,574 thousand with respect to gas supplies made in 2020, prices of which were revised in 2020. Revenues from sales of gas outside Russia in 2019 are reported on the basis of a downward adjustment in the amount of RUB 8,530 thousand with respect to gas supplies made in 2019, prices of which were revised in 2019.

The Company's customer contributing material percentage of the total revenue from gas sales is presented below:

	2020	2019
LLC Gazprom mezhrefiongaz	886,146,244	935,571,114

15. Cost of sales and selling expenses (lines 2120 and 2210 in the statement of financial results)

	2020	2019
Cost of gas, including gas sold		
in Russia	564,557,858	610,388,812
outside Russia, including:	556,871,161	676,924,589
to far abroad countries	<u>490,445,880</u>	<u>596,888,837</u>
	1,121,429,019	1,287,313,401
Gas transportation costs, including gas sold		
in Russia	420,919,190	446,853,241
outside Russia, including:	1,006,874,392	894,172,163
to far abroad countries	<u>928,700,429</u>	<u>807,430,672</u>
	1,427,793,582	1,341,025,404
Cost of assets leasing out	789,984,086	777,305,913
Cost of purchased gas condensate, oil products and their refinery and transportation	318,742,699	344,939,148
Cost of gas transportation services	251,741,930	252,381,302
Cost of other sales	<u>29,369,732</u>	<u>18,540,299</u>
Total	3,939,061,048	4,021,505,467

16. Other income and expenses

	2020		2019	
	Income	Expenses	Income	Expenses
Exchange differences on foreign currency transactions	977,440,422	1,292,469,021	583,789,943	452,233,349
Market value revaluation of investments	3,604,581	466,345,102	,340,459,143	1,574,811
Doubtful debt provision accrual/release	8,650,206	117,968,417	65,534,276	94,526,246
Prior year profit (loss)	15,678,967	24,814,678	18,023,925	37,080,504
Recognition/release of estimated liabilities related to gas price adjustments (Note 19)	147,794	83,703,530	13,007,199	46,415,007
Fines, penalties and forfeitures for breach of contract	2,178,959	3,291,212	2,011,307	13,124,137
Investments impairment provision accrual/release	154,931	4,351,296	1,340,698	85,152,250
Contributions to subsidiaries' property	–	85,633,254	–	165,849,389
Charity expenses	–	28,770,933	–	27,723,959
Costs of mineral resources development	–	2,959,000	–	24,778,327
Other	59,530,637	130,121,226	35,912,681	100,121,930
Total	1,067,386,497	2,240,427,669	1,060,079,172	1,048,579,909

In 2020, due to a decrease in the current market value of shares of PJSC Gazprom Neft as at 31 December 2020, the Company recognised a loss of RUB 466,345,102 thousand from adjustment of their measurement as at the previous reporting date, and due to an increase in the current market value of shares of JSC Latvijas Gaze as at 31 December 2020, the Company recognised a gain of RUB 3,604,581 thousand from adjustment of their measurement as at the previous reporting date. In 2019, due to an increase in the current market value of shares of PJSC Gazprom Neft as at 31 December 2019, the Company recognised a gain of RUB 340,459,143 thousand from adjustment of their measurement as at the previous reporting date, and due to a decrease in the current market value of shares of JSC Latvijas Gaze as at 31 December 2019, the Company recognised a loss of RUB 1,574,811 thousand from adjustment of their measurement as at the previous reporting date.

The Company's investments in its subsidiaries and associates are of a long-term nature and are not intended to derive profit from movements of share quotations in the stock exchanges.

In 2020, the line "Prior Year Profit (Loss)" demonstrated a positive effect of gas price adjustment amounting to RUB 6,149,454 thousand. In 2019, the line "Prior Year Profit (Loss)" demonstrated a positive effect of gas price adjustment amounting to RUB 9,131,490 thousand. These adjustments relate to gas supplies of prior years for which price adjustments were agreed in 2020 and 2019, respectively.

The line "Contributions to Subsidiaries' Property" includes contributions paid into the property of subsidiaries under decisions adopted by the participant (the Company) in 2004–2020. As at 31 December 2020, 2019 and 2018, contributions in the subsidiaries' property that were to be made according to the taken decisions amounted to RUB 28,705,059 thousand, RUB 27,399,873 thousand and RUB 125,559,732 thousand, respectively.

Income and expenses from accrual and release of doubtful debt provision are reported by the Company on a gross basis. Income and expenses resulted from adjusted doubtful debt provision after recalculation of doubtful debt in foreign currency into Russian Roubles are reported by the Company on a net basis.

Income and expenses from accrual and release of estimated liabilities are reported by the Company on a gross basis. Income and expenses resulted from adjusted estimated liabilities after recalculation of liabilities in foreign currency into Russian Roubles are reported by the Company on a net basis.

The line "Other" includes pension contributions of RUB 939,791 thousand and RUB 6,039,452 thousand transferred to PJSC Gazprom's joint account in JSC NPF GAZFOND in 2020 and 2019, respectively. Non-state pensions shall be paid to employees of the Company when corresponding conditions are met.

17. Earnings per share

Basic earnings (loss) per share have been calculated by dividing the net profit (loss) for the year by the weighted average number of common shares outstanding during the year. The weighted average number of shares outstanding during the year totalled 23,673,513 thousand for the years ended 31 December 2020, 2019 and 2018.

As of the beginning and the end of the reporting period the Company did not have any potentially dilutive securities and therefore the diluted earnings per share were not calculated.

Information about perpetual loans is presented in Note 10.

18. Related parties¹

100% subsidiaries of PJSC Gazprom:

LLC Aviapredpriyatiye Gazprom avia	LLC Gazprom sotsinvest
CJSC Gazprom Armenia	LLC Gazprom SPG Vladivostok
LLC Gazprom VNIIGAZ	LLC Gazprom SPG Portovaya
LLC Gazprom gaznazor	LLC Gazpromtrans
LLC Gazprom gazobezопасnost	LLC Gazprom telecom
LLC Gazprom gazonefteproduct holding (formerly LLC Gazprom aktivy SPG)	OJSC Gazprom transgas Belarus
LLC Gazprom geologorazvedka	LLC Gazprom transgaz Volgograd
LLC Gazprom geotechnology	LLC Gazprom transgaz Grozny
LLC Gazprom dobycha Irkutsk	LLC Gazprom transgaz Ekaterinburg
LLC Gazprom dobycha Krasnodar	LLC Gazprom transgaz Kazan
LLC Gazprom dobycha Kuznetsk	LLC Gazprom transgaz Krasnodar
LLC Gazprom dobycha Nadym	LLC Gazprom transgaz Makhachkala
LLC Gazprom dobycha Noyabrsk	LLC Gazprom transgaz Moscow
LLC Gazprom dobycha Urengoy	LLC Gazprom transgaz Nizhny Novgorod
LLC Gazprom dobycha shelf Yuzhno-Sakhalinsk	LLC Gazprom transgaz Samara
LLC Gazprom dobycha Yamburg	LLC Gazprom transgaz Saint-Petersburg
LLC Gazprom invest	LLC Gazprom transgaz Saratov
LLC Gazprom investproject	LLC Gazprom transgaz Stavropol
LLC Gazprom investholding	LLC Gazprom transgaz Surgut
LLC Gazprom inform	LLC Gazprom transgaz Tomsk
LLC Gazprom capital	LLC Gazprom transgaz Ufa
LLC Gazprom komplektatsiya	LLC Gazprom transgaz Ukhta
LLC Gazprom Kirgizstan	LLC Gazprom transgaz Tchaikovsky
LLC Gazprom international projects	LLC Gazprom transgaz Yugorsk
LLC Gazprom mezhregiongaz	LLC Gazprom flot
LLC Gazprom nedra	LLC Gazprom tsentremont
LLC Gazprom NGCC (formerly LLC Novourengoy sky gas chemical complex)	LLC Gazprom expo
LLC Gazprom pererabotka	LLC Gazprom export
LLC Gazprom Personnel	LLC Gazprom energo
LLC Gazprom pitaniye	LLC Gazprom energoholding
LLC Gazprom proektirovaniye	LLC Nilgazekonomika
LLC Gazprom PHG	JSC Yamalgazinvest

In 2020, the Company made an additional contribution of RUB 22,162,090 thousand to the charter capital of LLC Gazprom flot. The increase in the charter capital was registered in April 2020 and February 2021.

In December 2020, the Company made an additional contribution of RUB 537,255 thousand to the charter capital of LLC Gazprom Kirgizstan. The increase in the charter capital was registered in January 2021.

¹ Note 18 "Related Parties" discloses information about major entities and about entities with material transactions in the reporting period.

18. Related parties (continued)

In 2020, the Company made an additional contribution of RUB 117,500 thousand to the charter capital of LLC Gazprom proektirovaniye. The increase in the charter capital was registered in February 2021.

In September 2020, the Company made an additional contribution of RUB 69,268 thousand to the charter capital of LLC Gazprom dobycha Irkutsk. The increase in the charter capital was registered in February 2021.

Other subsidiaries of PJSC Gazprom:

Company name	Share in the charter capital, %	Type of business	Location
LLC Achim Development	50,01%	Crude oil and associated gas production	Russia
JSC Vostokgazprom (formerly OJSC Vostokgazprom)	99,98%	Production, processing and sale of gas and gas condensate	Russia
JSC Gazprom Household Systems	99,99%	Manufacturing of household fuel utilisation equipment	Russia
JSC Gazprom Space Systems	79,8%	Activities related to satellite communication	Russia
LLC Gazpromviet	79,5598%	Exploration, oil and gas transportation and processing	Russia
PJSC Gazprom Neft	95,68%	Oil production, processing and sale	Russia
OJSC Gazpromtrubinvest	99,871%	Manufacturing and sale of pipes	Russia
LLC Gazprom asset management	99,0%	Trading	Russia
JSC Gazprom YRGM Development	75,0%	Sale of hydrocarbons	Russia
JSC Gazprom YRGM Trading (formerly CJSC Gazprom YRGM Trading)	75,0%	Gas production and sale, storage and transportation	Russia
JSC Daltransgaz	87,9999%	Gas transportation	Russia
OJSC Kamchatgazprom	92,25%	Production, processing and sale of gas and gas condensate	Russia
OJSC Severneftegazprom	50,0011% ¹	Production, processing and sale of gas and gas condensate	Russia

¹The share of voting stock is indicated.

In December 2020, the Company made an additional contribution of RUB 22,495,998 thousand to the charter capital of LLC Achim Development. The increase in the charter capital was registered in December 2020.

In 2020, the Company made an additional contribution of RUB 779,700 thousand to the charter capital of LLC Gazpromviet. This resulted in the increase of the Company's stake in LLC Gazpromviet from 71.87199% to 79.5598%. The increase in the charter capital was registered in February 2020 and January 2021.

Associates of PJSC Gazprom:

Company name	Share in the charter capital, %	Type of business	Location
OJSC Belgazprombank	49,8178%	Banking	Belarus
Gazprombank (Joint Stock Company)	29,764% ¹	Banking	Russia
JSC EUROPOL GAZ	48,0%	Gas transportation and sale	Poland
KazRosGas LLP	50,0%	Gas transportation and sale	Kazakhstan
JSC Latvijas Gaze	34,0%	Gas transportation and sale	Latvia
CJSC Leader	25,714%	Trust management of NPF pension reserves, management of insurance companies and mutual funds	Russia
JSC Moldovagaz	50,0%	Gas transportation and sale	Moldova

18. Related parties (continued)

Company name	Share in the charter capital, %	Type of business	Location
LLC TsentrKasneftegaz	50,0%	Exploration of oil and gas fields	Russia
JSC YugoRosGaz	50,0%	Gas transportation and sale	Serbia

¹ The share of voting stock is indicated.

Other related parties

JSC Arcticgas	JSC Gazprom energosbyt Tyumen
Blue Stream Pipeline Company B.V.	JSC Gazstroyprom
WIEE Hungary Kft.	JSC Gazenergoservis
WIEH GmbH	GPB Financial Services Ltd.
WINGAS GmbH	LLC GHA
GASCADE Gastransport GmbH	PJSC MOSENERGO
Gazprombank (Switzerland) Ltd.	LLC National Sports Channel
JSC Gazprom gazoraspredelenie	LLC Novo-Urengoyskaya gas company
GAZPROM Germania GmbH	LLC Novo-Salavatskaya TEC
LLC Gazprom dobycha Astrakhan	Nord Stream AG
LLC Gazprom dobycha Orenburg	Nord Stream 2 AG
JSC Gazprom zarubezhneftegaz	JSC NPF GAZFOND
Gazprom Italia S.p.A.	JSC Overgas Inc.
Gazprom Marketing and Trading Ltd.	PJSC OGK-2
LLC Gazprom neftekhim Salavat	OPAL Gastransport GmbH and Co. KG.
	LLC Operator tovarnykh postavok TEK
JSC Gazpromneft Eastern-European projects	(formerly LLC Gazprom mezhregiongaz postavka)
LLC Gazpromneft-Zapolyarye	CJSC Panrusgaz
LLC Gazprom нефт shelf	LLC PPTK
LLC Gazpromneft-Yamal	Prometheus Gas S.A.
LLC Gazprom pererabotka Blagoveshchensk	CJSC Purgaz
Gazprom Sakhalin Holdings B.V.	LLC RusKhimAlliance
LLC Gazprom sera	South Stream Transport B.V.
JSC Gazprom teploenergo	Sakhalin Energy Investment Company Ltd.
Gazprom Holding Cooperatie U.A.	JSC SOGAZ
GAZPROM Schweiz AG	LLC Teploenergoremont
JSC Gazprom energosbyt	TurkAkim Gaz Tasima A.S.

In January 2020, the Company received 148,675 common shares of JSC NPF GAZFOND for RUB 14,868 thousand issued as a result of the reorganisation of NPF GAZFOND by transforming into a joint-stock pension fund, as a result of which the Company's stake increased from 12.40% to 16.52%.

In July 2020, the Company made an additional contribution to the charter capital of LLC Gazprom international projects with shares of Nord Stream AG in the amount of RUB 49,539,630 thousand, as a result of which Nord Stream AG was removed from the list of associates and included in the list of other related parties. The increase in the charter capital of LLC Gazprom international projects was registered in September 2020.

In November 2020, the Company made an additional contribution to the charter capital of LLC Gazprom international projects with shares of Blue Stream Pipeline Company B.V. in the amount of RUB 528,983 thousand, as a result of which Blue Stream Pipeline Company B.V. was removed from the list of associates and included in the list of other related parties.

In December 2020, the Company made an additional contribution to the charter capital of LLC Gazprom international projects with shares of Nord Stream 2 AG in the amount of RUB 89,697,597 thousand, as a result of which Nord Stream 2 AG was removed from the list of wholly owned subsidiaries and included in the list of other related parties.

18. Related parties (continued)

Related-party transactions

Figures for 2018 and 2019 are adjusted so as to follow the comparability principle of current and prior period accounting information concerning transactions with related parties.

PJSC Gazprom's transactions with wholly owned subsidiaries

	2020	2019
Sale (net of VAT, excise, customs duties and similar payments):		
gas	1,222,558,873	1,278,446,676
leased assets	782,199,208	757,215,636
gas condensate and oil and gas refinery products	177,904,761	189,056,645
gas transportation services	12,313,988	13,588,601
Acquisition:		
gas transportation and storage services	1,149,571,596	1,182,203,568
gas	732,520,575	824,769,397
liquid hydrocarbons	107,751,519	125,161,717
liquid hydrocarbons refinery services	71,296,803	49,538,796

Prices for gas, gas transportation and storage services purchased from wholly owned subsidiaries of PJSC Gazprom were mainly set in accordance with the Price List named Internal Settlement (Wholesale) Prices of Gas and Internal Settlement Tariffs for Gas Transportation and Storage Services for PJSC Gazprom Entities, as approved by PJSC Gazprom. Gas and gas transportation services were mainly provided to wholly owned subsidiaries based on the above Price List. Prices for liquid hydrocarbons and liquid hydrocarbons refinery services purchased from wholly owned subsidiaries were set in accordance with the Price List named Internal Settlement Prices of Hydrocarbons and Hydrocarbon Refinery Services for Making Contracts between PJSC Gazprom and its Subsidiaries, as approved by PJSC Gazprom.

Accounts receivable from and accounts payable to wholly owned subsidiaries of PJSC Gazprom were as follows:

	31 December		
	2020	2019	2018
Accounts receivable	1,442,642,208	1,310,793,515	1,245,399,584
Accounts payable	511,257,398	544,513,487	552,835,286

Accounts receivable include outstanding interest-free loans given to its wholly owned subsidiaries in the amount of RUB 624,907,738 thousand, RUB 672,940,978 thousand and RUB 532,202,160 thousand as at 31 December 2020, 2019 and 2018, respectively.

Interest-bearing loans due from wholly owned subsidiaries of PJSC Gazprom were as follows:

	31 December		
	2020	2019	2018
Loans due beyond 12 months of the reporting date	4,340,270	3,833,970	4,231,980
Loans due within 12 months of the reporting date	2,698,862	670,646	539,275

As at 31 December 2020, 2019 and 2018, loans due beyond 12 months of the reporting date are represented by the debt of LLC Gazprom dobycha Kuznetsk.

Loans due within 12 months are represented primarily by the debt of LLC Gazprom investproject in the amount of RUB 1,395,863 thousand and RUB 391,298 thousand as at 31 December 2020 and 2019, respectively; and by the debt of LLC Gazprom dobycha Kuznetsk in the amount of RUB 486,500 thousand as at 31 December 2018.

18. Related parties (continued)

Interest on loans that the Company granted to its wholly owned subsidiaries was RUB 404,526 thousand, RUB 426,537 thousand and RUB 4,129,364 thousand in 2020, 2019 and 2018, respectively.

The Company issued loans to its wholly owned subsidiaries at the interest rates ranging from 6.78% to 7.42%, from 6.78% to 13.98%, and from 6.61% to 16.16% in 2020, 2019 and 2018, respectively.

In addition, in 2020, 2019 and 2018 the Company issued Russian Rouble loans to its wholly owned subsidiaries in order to centralise the management of Gazprom Group's cash flows. The interest rate was determined depending on the period of actual use of loan proceeds at MosPrime Rate increased by the credit risk premium.

The debt of the Company on loans it received from its wholly owned subsidiaries was as follows:

	31 December		
	2020	2019	2018
Loans due beyond 12 months of the reporting date	120,000,000	90,000,000	60,000,000
Loans due within 12 months of the reporting date	317,504,930	229,997,130,	189,235,591

As at 31 December 2020, 2019 and 2018 the Company had a debt on loans received from LLC Gazprom capital due beyond 12 months of the reporting date.

As at 31 December 2020 and 2019 loans due within 12 months of the reporting date are represented basically by the debt payable to LLC Gazprom mezhregiongaz of RUB 160,814,139 thousand and RUB 108,524,317 thousand, respectively. As at 31 December 2018, loans due within 12 months of the reporting date are represented basically by the debt payable to LLC Gazprom pererabotka of RUB 82,288,433 thousand.

Interest on loans that the Company received from its wholly owned subsidiaries was RUB 10,805,216 thousand, RUB 9,494,814 thousand and RUB 5,925,265 thousand in 2020, 2019 and 2018, respectively.

The Company received loans from its wholly owned subsidiaries at the interest rates ranging from 5.80% to 9.10% in 2020, and from 7.35% to 9.10% in 2019 and 2018.

In addition, in 2020, 2019 and 2018 the Company received Russian Rouble loans from its wholly owned subsidiaries in order to centralise the management of Gazprom Group's cash flows.

The interest rate was determined depending on the period of actual use of loan proceeds at MosPrime Rate increased by the credit risk premium.

In 2020, the Company allocated cash of RUB 44,145,097 thousand for the increase of charter capitals of its wholly owned subsidiaries (2019: RUB 26,024,429 thousand, 2018: RUB 116,334,200 thousand). These amounts included RUB 5,548,000 thousand to increase the charter capital of LLC Gazprom investproject in 2020 (2019: RUB 757,302 thousand, 2018: RUB 396,248 thousand), RUB 5,567,337 thousand to increase the charter capital of LLC Gazprom transgaz Tomsk in 2020 (2019: RUB 0 thousand, 2018: RUB 0 thousand), RUB 0 thousand to increase the charter capital of LLC Gazprom pererabotka in 2020 (2019: RUB 16,733,850 thousand, 2018: RUB 85,511,000 thousand), and RUB 0 thousand to increase the charter capital of LLC Gazprom energoholding in 2020 (2019: RUB 4,608,802 thousand, 2018: RUB 19,415,900 thousand).

In 2020, the Company made additional contributions to the charter capitals of its wholly owned subsidiaries by way of non-monetary assets in the amount of RUB 140,800,976 thousand (2019: RUB 15,348,479 thousand, 2018: RUB 476,111,893 thousand).

Guarantees issued by the Company to secure obligations of its wholly owned subsidiaries totalled RUB 63,816,998 thousand, RUB 48,949,964 thousand and RUB 30,754,329 thousand as at 31 December 2020, 2019 and 2018, respectively.

Transactions with other subsidiaries

	2020	2019
Sale (net of VAT, excise, customs duties and similar payments):		
gas transportation services	44,668,457	45,578,831

18. Related parties (continued)

Acquisition:

gas	98,363,360	117,116,061
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Prices of gas sold to other subsidiaries were set up based on the contracts made between the parties and effective Price Lists named Internal Settlement (Wholesale) Prices of Gas and Internal Settlement Tariffs for Gas Transportation and Storage Services for PJSC Gazprom Entities as amended from time to time. Prices for gas purchased from other subsidiaries of PJSC Gazprom were set forth in accordance with the terms and conditions of contracts.

Accounts receivable from and accounts payable to other subsidiaries of the Company were as follows:

	31 December		
	2020	2019	2018
Accounts receivable	24,464,081	2,125,128	106,442,533
Accounts payable	19,533,403	15,695,552	20,202,181

The debt of other subsidiaries of the Company on interest-bearing loans due to the Company was as follows:

	31 December		
	2020	2019	2018
Loans due within 12 months of the reporting date	25,744,198	17,711,240	1,911,244

As at 31 December 2020 and 2019 loans due within 12 months of the reporting date are represented basically by the debt of LLC Achim Development (a subsidiary) of RUB 24,837,544 thousand and RUB 16,804,586 thousand, respectively. As at 31 December 2018, loans due within 12 months of the reporting date are represented basically by the debt of JSC Daltransgaz (a subsidiary) of RUB 1,004,590 thousand.

Interest on loans that the Company granted to its other subsidiaries was RUB 1,609,507 thousand, RUB 413,386 thousand and RUB 163,704 thousand in 2020, 2019 and 2018, respectively.

The Company issued loans to its other subsidiaries at interest rates ranging from 4.25% to 8.48% in 2020, and from 6.02% to 8.48% in 2019 and 2018.

In addition, in 2019 the Company issued Russian Rouble loans to its other subsidiaries in order to centralise the management of Gazprom Group's cash flows. The interest rate was determined depending on the period of actual use of loan proceeds at MosPrime Rate increased by the credit risk premium.

The Company's accounts payable related to loans received from its other subsidiaries were as follows:

	31 December		
	2020	2019	2018
Loans due within 12 months of the reporting date	60,813,194	49,718,496	2,219,183

As at 31 December 2020 and 2019, loans due within 12 months are represented primarily by the debt payable to PJSC Gazprom Neft in the amount of RUB 53,813,057 thousand and RUB 43,912,487 thousand, respectively; and by the debt payable to LLC Gazprom asset management in the amount of RUB 1,846,630 thousand as at 31 December 2018.

Interest on loans that the Company received from its other subsidiaries was RUB 2,076,758 thousand, RUB 2,453,920 thousand and RUB 139,971 thousand in 2020, 2019 and 2018, respectively.

In 2020, 2019 and 2018 the Company received Russian Rouble loans from its other subsidiaries in order to centralise the management of Gazprom Group's cash flows. The interest rate was determined depending on the period of actual use of loan proceeds at MosPrime Rate increased by the credit risk premium.

18. Related parties (continued)

Guarantees issued by the Company to secure obligations of its other subsidiaries totalled RUB 62,589,520 thousand, RUB 49,763,337 thousand and RUB 58,663,443 thousand as at 31 December 2020, 2019 and 2018, respectively.

Transactions with associates

	2020	2019
Sale (net of VAT, excise, customs duties and similar payments)		
gas	45,923,330	83,499,681
Acquisition:		
gas transportation and storage services, including through LLC Gazprom export acting as the commissioner	5,035,692	14,781,738
	4,838,462	12,932,897

Prices of gas sold outside Russia to associates and prices of gas transportation and storage services purchased from associates were set based on the contracts.

Accounts receivable from and accounts payable to the Company's associates were as follows:

	31 December		
	2020	2019	2018
Accounts receivable	529,655,623	418,489,745	435,919,974
Accounts payable	678,727	1,994,578	2,729,883

As at 31 December 2020, 2019 and 2018 the doubtful debt provisions of RUB 487,780,831 thousand, RUB 389,872,669 thousand and RUB 408,674,201 thousand, respectively, were formed in respect to receivables from associates.

The interest-bearing loans receivable from the Company's associates were as follows:

	31 December		
	2020	2019	2018
Loans due beyond 12 months of the reporting date	2,478,686	2,478,686	2,478,686
Loans due within 12 months of the reporting date	4,105,204	4,045,204	3,985,204

As at 31 December 2020, 2019 and 2018, loans due beyond 12 months of the reporting date are represented by the debt of OJSC Belgazprombank.

As at 31 December 2020, 2019 and 2018, loans due within 12 months of the reporting date are represented by the debt of LLC TsentrKasneftegaz.

Interest on loans given by the Company to its associates was RUB 430,172 thousand, RUB 536,034 thousand and RUB 714,898 thousand in 2020, 2019 and 2018, respectively.

In 2020, the Company granted loans to its associates at the interest rates ranging from 4.675% to 8.25% (2019 and 2018: from 8.25% to 8.27%).

The value of promissory notes purchased by the Company from Gazprombank (Joint Stock Company) amounted to:

	31 December		
	2020	2019	2018
Promissory notes due within 12 months of the reporting date	–	23,814,336	–

18. Related parties (continued)

The amount of deposits opened with Gazprombank (Joint Stock Company) was:

	31 December		
	2020	2019	2018
Deposits due within 12 months of the reporting date	185,900,000	408,681,200	,649,726,410

No loans were raised from associates in 2020, 2019 and 2018.

No bank loans were raised from associates in 2020, 2019 and 2018.

No guarantees were issued to secure obligations of associates as at 31 December 2020, 2019 and 2018.

Information on cash flows related to transactions with major subsidiaries and associates of PJSC Gazprom

Line code	Narrative	For reporting period	including, major subsidiaries and associates	For the same period of the prior year	including, major subsidiaries and associates
Cash flows from operating activities					
4110	Receipts – total, including:	5,336,331,743	2,893,541,901	5,974,702,680	2,592,443,124
4111	sales of products, goods, work and services	4,454,168,613	2,296,208,676	5,475,073,713	2,417,468,947
4119	other receipts	882,163,130	597,333,225	499,628,967	174,974,177
4120	Payments – total, including:	(4,746,134,568)	(2,908,941,074)	(5,356,069,825)	(2,898,510,543)
4121	to suppliers for raw materials, works, services	(3,166,454,809)	(2,323,484,127)	(3,415,168,544)	(2,455,973,837)
4122	wages and salaries	(49,481,746)	–	(47,754,275)	–
4123	interest on borrowings	(113,673,049)	(12,626,013)	(105,323,836)	(10,784,772)
4124	income tax	(55,673,940)	–	(230,884,151)	–
4129	other payments	(1,360,851,024)	(572,830,934)	(1,556,939,019)	(431,751,934)
4100	Net cash flows from operating activities	590,197,175	(15,399,173)	618,632,855	(306,067,419)
Cash flows from investing activities					
4210	Receipts – total, including:	1,254,701,181	1,134,632,488	1,196,902,493	1,150,239,893
4211	from sales of non-current assets (except for financial investments)	1,986,725	1,000,253	491,943	278,365
4212	from sales of shares of other entities (ownership interest)	6,155,324	1,600	1,921,383	–
4213	from return of loans issued, sales of debt securities (rights of claiming cash from third parties)	903,772,371	817,899,023	754,304,760	738,763,592
4214	dividends, interest on debt financial investments and receipts from participation in other entities	320,395,735	298,268,026	436,830,871	408,638,974
4219	other receipts	22,391,026	17,463,586	3,353,536	2,558,962
4220	Payments – total, including:	(1,526,202,007)	(1,275,989,150)	(1,707,667,814)	(1,435,979,768)
4221	acquisition, construction, modernisation, reconstruction and preparation for the use of non-current assets	(138,480,225)	(50,171,298)	(171,301,007)	(28,509,405)
4222	acquisition of other entities shares (ownership interest)	(67,544,718)	(67,420,798)	(26,148,341)	(26,024,429)
4223	acquisition of debt securities (rights of claiming cash from third parties), issue of loans to third parties	(501,540,523)	(392,397,751)	(630,391,000)	(557,862,354)
4225	construction/acquisition of exploration assets	(40,083,785)	(27,709,175)	(35,117,695)	(34,087,974)

18. Related parties (continued)

Line code	Narrative	For reporting period	including, major subsidiaries and associates	For the same period of the prior year	including, major subsidiaries and associates
4229	other payments	(778,552,756)	(738,290,128)	(844,709,771)	(789,495,606)
4200	Net cash flows from investing activities	(271,500,826)	(141,356,662)	(510,765,321)	(285,739,875)
Cash flows from financing activities					
4310	Receipts – total, including:	949,243,098	147,872,282	694,348,656	204,314,747
4311	borrowings and bank loans	751,543,942	147,872,282	694,116,470	204,314,747
4315	from perpetual notes and loans	197,467,580	–	–	–
4319	other receipts	231,576	–	232,186	–
4320	Payments – total, including:	(959,460,134)	(100,121,157)	(815,983,877)	(86,781,303)
4322	dividend payments or other distribution of profit to owners (participants)	(355,542,806)	–	(385,809,136)	–
4323	redemption (buy-back) of promissory notes and other debt securities, loan repayment	(601,280,562)	(100,121,157)	(430,174,741)	(86,781,303)
4324	associated with perpetual notes and loans	(2,636,766)	–	–	–
4300	Net cash flows from financing activities	(10,217,036)	47,751,125	(121,635,221)	117,533,444
4400	Net cash flows for the reporting period	308,479,313	(109,004,710)	(13,767,687)	(474,273,850)

Transactions with other related parties

	2020	2019
Sale (net of VAT, excise, customs duties and similar payments)		
gas	345,409,050	644,169,352
gas condensate, oil and oil and gas refinery products	96,349,178	120,749,617
gas transportation services	44,573,825	43,339,245
leased assets	12,798,631	15,357,158
Acquisition:		
gas transportation and storage services, including	192,446,385	122,293,496
through LLC Gazprom export acting as the commissioner	192,389,258	122,251,509
gas, including	143,168,171	373,310,932
through LLC Gazprom export acting as the commissioner	70,421,437	296,401,801
liquid hydrocarbons	80,325,351	101,693,027

Prices of gas sold outside Russia to other related parties and prices of gas transportation and storage services purchased from other related parties were set based on the contracts.

Accounts receivable from and accounts payable to the Company's other related parties were as follows:

	31 December		
	2020	2019	2018
Accounts receivable	490,652,178	303,163,917	393,345,960
Accounts payable	134,744,527	143,789,415	65,983,292

The doubtful debt provisions of RUB 366,235 thousand, RUB 7,196,259 thousand and RUB 7,307,002 thousand were formed in respect to receivables from other related parties as at 31 December 2020, 2019 and 2018, respectively.

18. Related parties (continued)

Accounts receivable include outstanding interest-free loans given to other related parties in the amount of RUB 16,444,255 thousand, RUB 1,149,946 thousand and RUB 42,634,042 thousand as at 31 December 2020, 2019 and 2018, respectively.

The debt of other related parties on interest-bearing loans received from the Company was as follows:

	31 December		
	2020	2019	2018
Loans due beyond 12 months of the reporting date	–	279,395,460	172,818,302
Loans due within 12 months of the reporting date	229,726,012	26,347,290	135,989,222

As at 31 December 2019, loans due beyond 12 months of the reporting date are represented basically by the debt of Nord Stream 2 AG in the amount of RUB 161,863,143 thousand. As at 31 December 2018, loans due beyond 12 months of the reporting date are represented basically by the debt of South Stream Transport B.V. of RUB 159,318,302 thousand.

As at 31 December 2020, loans due within 12 months of the reporting date are represented basically by the debt of South Stream Transport B.V. of RUB 181,818,212 thousand. As at 31 December 2019, loans due within 12 months of the reporting date are represented by the debt of South Stream Transport B.V. As at 31 December 2018, loans due within 12 months of the reporting date are represented basically by the debt of Nord Stream 2 AG of RUB 131,137,518 thousand.

Interest on loans that the Company granted to its other related parties in 2020 amounted to RUB 17,530,920 thousand (2019: RUB 13,806,591 thousand, 2018: RUB 9,695,260 thousand).

In 2020, the Company granted loans to its other related parties at the interest rates ranging from 1.13% to 8.25% (2019: from 1.13% to 7.64%, 2018: from 1.13% to 7.96%).

In addition, in 2020, 2019 and 2018 the Company issued Russian Rouble loans to its other related parties in order to centralise the management of Gazprom Group's cash flows. The interest rate was determined depending on the period of actual use of loan proceeds at MosPrime Rate increased by the credit risk premium.

In addition, in 2020 the Company issued foreign currency loans to its other related parties in order to centralise the management of Gazprom Group's cash flows. The interest rate was determined depending on the period of actual use of loan proceeds at LIBOR, EONIA and EURIBOR increased by the credit risk premium.

The Company's accounts payable related to loans received from other related parties were as follows:

	31 December		
	2020	2019	2018
Loans due within 12 months of the reporting date	450,859,864	395,530,967	248,198,353

As at 31 December 2020 loans due within 12 months of the reporting date are represented basically by the debt on a loan received from Gazprom Sakhalin Holdings B.V. and a loan received from JSC Gazprom gazoraspredelenie in order to centralise the management of Gazprom Group's cash flows in the amount of RUB 122,423,664 thousand and RUB 168,104,121 thousand, respectively.

As at 31 December 2019 loans due within 12 months of the reporting date are represented basically by the debt payable to Gazprom Sakhalin Holdings B.V. and loans received from Gazprom Holding Cooperatie U.A. in order to centralise the management of Gazprom Group's cash flows in the amount of RUB 129,151,560 thousand and RUB 115,565,068 thousand, respectively.

As at 31 December 2018 loans due within 12 months of the reporting date are represented basically by the debt payable to Gazprom Sakhalin Holdings B.V. in the amount of RUB 168,924,671 thousand.

Interest on loans that the Company received from other related parties was RUB 14,050,954 thousand, RUB 12,185,538 thousand and RUB 5,587,435 thousand in 2020, 2019 and 2018, respectively, including interest on loans received by the Company from Gazprom Sakhalin Holdings B.V. amounting to RUB 2,547,655 thousand, RUB 4,999,029 thousand and RUB 3,878,648 thousand in 2020, 2019 and 2018, respectively, and on loans

18. Related parties (continued)

received from Gazprom Holding Cooperatie U.A. amounting to RUB 5,644,935 thousand, RUB 4,194,949 thousand and RUB 534,588 thousand in 2020, 2019 and 2018, respectively.

The interest rates on loans that the Company received from its other related parties varied from 1.40% to 2.90% in 2020, from 1.40% to 3.50% in 2019 and from 1.69% to 3.00% in 2018.

In addition, in 2020, 2019 and 2018 the Company received Russian Rouble loans from its other related parties in order to centralise the management of Gazprom Group's cash flows. The interest rate on loans received in Russian Roubles was determined depending on the period of actual use of loan proceeds at MosPrime Rate increased by the credit risk premium.

In 2020, 2019 and 2018 the Company also received foreign currency loans from its other related parties in order to centralise the management of Gazprom Group's cash flows. The interest rate on loans received in foreign currencies was determined depending on the period of actual use of loan proceeds at LIBOR, EONIA and EURIBOR increased by the credit risk premium.

Issued guarantees, pledged property and receivables arising from promissory notes aimed to secure obligations of other related parties totalled RUB 531,540,614 thousand, RUB 388,674,398 thousand and RUB 156,735,036 thousand as at 31 December 2020, 2019 and 2018, respectively.

Under loan agreements concluded in 2020 and 2019, the Company is obliged to issue loans to JSC Gazstroyprom to settle loan liabilities towards the bank in case of a delay in payment. No loans were issued as at 31 December 2020 and 2019. The undrawn amount of the loan facilities was RUB 40,000,000 thousand and RUB 47,000,000 thousand as at 31 December 2020. The loan facilities are valid until 15 December 2022 and 31 December 2027, respectively.

Information on cash flows related to transactions with other related parties:

	2020	2019
Cash inflow, including:	868,600,146	1,494,424,510
from operating activities	672,588,891	1,251,121,377
from financing activities	172,604,519	201,016,391
from investing activities	23,406,736	42,286,742
Cash outflow, including:	(798,677,986)	(829,724,521)
from operating activities	(485,303,328)	(606,056,813)
from financing activities	(160,230,596)	(29,580,392)
from investing activities	(153,144,062)	(194,087,316)

The line "Cash Inflow from Operating Activities" primarily includes proceeds from sale of goods, products, works and services.

The line "Cash Outflow from Operating Activities" primarily includes payments to the suppliers (contractors) for raw materials, works and services.

Remuneration to key management personnel

Short-term compensation of key management personnel (the members of the Board of Directors and Management Committee of PJSC Gazprom), including salary, bonuses and remuneration for membership in the management bodies of the Company, amounted to RUB 2,332,426 thousand, RUB 1,956,740 thousand and RUB 3,362,403 thousand for the years ended 31 December 2020, 2019 and 2018, respectively. Such amounts include personal income tax and insurance contributions. Government employees, who are members of the Board of Directors, do not receive any remuneration from the Company. Remuneration of members of the Board of Directors shall be approved by the annual meeting of shareholders. Compensation of key management personnel (other than remuneration of the Board of Directors) is determined by the terms of employment contracts. Key management personnel also receive certain short-term benefits related to healthcare.

18. Related parties (continued)

According to the Russian legislation, the Company makes contributions for compulsory pension coverage, compulsory social insurance against temporary disability and maternity, compulsory medical insurance, insurance against accidents at work and occupational diseases calculated on the basis of salaries and other payments to employees, including the key management personnel.

The Company also provided medical insurance for its key management personnel. Voluntary medical insurance contributions amounted to RUB 10,406 thousand, RUB 10,632 thousand and RUB 12,420 thousand in 2020, 2019 and 2018, respectively.

In 2020, the Company did not make contributions under non-state pension agreements with JSC NPF GAZFOND to individual retirement accounts of its key management personnel (2019: RUB 347,088 thousand).

19. Estimated and contingent liabilities

Estimated liabilities

Information on estimated liabilities is disclosed in Section 7 of the table enclosed in the Explanatory Notes to the Balance Sheet and the Statement of Financial Results.

Estimated asset retirement liability and liability to restore environment disturbed by mineral extraction

According to p. 8 Art. 22 of Federal Law No. 2395-I of 21 February 1992 "On Subsoil" and subsoil use licence agreements, the user of mineral resources is obliged to bring the land plots and other natural sites disturbed by subsoil use to the condition appropriate for further use as well as to liquidate mine workings and wells that are not subject to further use.

The Company holds licence agreements at the Kirinskoye gas and condensate field, the Kovyktinskoye gas and condensate field, the Chayandinskoye oil, gas and condensate field, the Kirinskoye prospective area and the Chikanskoye gas and condensate field and, consequently, is the user of mineral resources and the owner of the fixed assets items.

The fixed assets items were transferred by the user of mineral resources under a commercial field development and use agreement with respect to the Kirinskoye gas and condensate field and under a pilot field development agreement with respect to the Chayandinskoye oil, gas and condensate field, under a pilot field development agreement with respect to the Kovyktinskoye gas and condensate field, as well as under property lease agreements and, consequently, the Company bears responsibility for bringing the land plots and other natural sites disturbed by subsoil use to the condition appropriate for further use as well as liquidating mine workings and wells that are not subject to further use.

The Company recognised estimated liabilities with respect to the removal of the infrastructure facilities and soil remediation of the Kirinskoye gas and condensate field, the Kovyktinskoye gas and condensate field, the Chayandinskoye oil, gas and condensate field, the Chikanskoye gas and condensate field, as well as estimated liabilities with respect to removal of the infrastructure facilities of the Kirinskoye prospective area. The amount of estimated liabilities was recalculated using the discount rate as at the end of each reporting period during 2020.

The Company does not accrue estimated liabilities on the removal of fixed assets with respect to the items leased out to its subsidiaries (users of mineral resources), which is explained by the specific aspects of the subsoil use process applied by the Company and its subsidiaries, specifically, the majority of the fixed assets items involved in the process are owned by the Company but leased out to its subsidiaries (users of mineral resources) and used by the latter in accordance with licence agreements to which they are a party. Consequently, the Company which owns fixed assets that have been leased out to the user of mineral resources does not have any liabilities of dismantling fixed assets that are not subject for further use or restoring the environment disturbed by the subsoil use.

Pension liabilities

The Company operates a defined benefit plan. As the current legislation provides no guidance for recording pension liability accruals on accounts, the calculations of both pension liabilities

19. Estimated and contingent liabilities (continued)

and pension assets are only possible at the level of Gazprom Group and they are disclosed in the Notes to Gazprom Group's consolidated financial statements prepared in accordance with International Financial Reporting Standards (www.gazprom.ru).

Estimated liabilities related to gas and other products price adjustments

The Company has recognised estimated liabilities related to price adjustments with regard to delivered gas supplies caused by customer claims based on contract conditions.

The estimated liabilities related to gas price adjustments of RUB 40,756,935 thousand, RUB 66,503,127 thousand and RUB 33,300,107 thousand as at 31 December 2020, 2019 and 2018, respectively, do not include any potential adjustment of customs duties accrued earlier.

Contingencies

The Company issued the following guarantees to third parties on behalf of other entities:

	31 December		
	2020	2019	2018
Guarantees issued on behalf of the following entities:			
LLC Gazprom pererabotka Blagoveshchensk	489,305,239	216,210,682	6,337,755
LLC MK-1	106,341,669	101,017,885	–
LLC Gazprom export	63,316,998	48,449,964	11,442,063
JSC Gazprom Space Systems	62,589,520	49,763,337	58,663,443
LLC Svobodnenskaya TPP	27,665,663	10,832,402	2,517,184
JSC NIPIgazpererabotka	23,070,429	20,865,251	11,133,949
LLC Gazprom neft shelf	10,596,439	9,412,153	11,160,054
LLC RusGazAlliance	6,430,047	–	–
LLC Gazprom SPKA	5,353,417	–	–
LLC Stroygazconsulting	–	–	41,500,000
LLC Gazprom NGCC (formerly LLC Novourengoysky gas chemical complex)	–	–	19,312,266
Other	2,356,267	881,299	342,455
Total	797,025,688	457,432,973	162,409,169

In January 2007, the Company issued guarantees to secure obligations of LLC Gazprom neft shelf under shipping agreements. The guarantees are valid for 25 years after the vessels are transferred to LLC Gazprom neft shelf. As at 31 December 2020, 2019 and 2018, the guarantees amounted to RUB 10,596,439 thousand, RUB 9,412,153 thousand and RUB 11,160,054 thousand, respectively.

In May 2010, the Company issued a guarantee valid till October 2023 to secure obligations of JSC Gazprom Space Systems under a loan agreement. As at 31 December 2020, 2019 and 2018, the guarantee amounted to RUB 3,981,051 thousand, RUB 4,604,603 thousand and RUB 7,064,394 thousand, respectively.

In June 2016, the Company issued a guarantee valid till June 2021 to secure obligations of JSC Gazprom Space Systems under a loan agreement. As at 31 December 2020, 2019 and 2018, the guarantee amounted to RUB 4,923,182 thousand, RUB 11,294,610 thousand and RUB 21,567,744 thousand, respectively.

In March and December 2017 and 2019, the Company issued guarantees for the period from 2020 to 2023 to secure obligations of JSC NIPIgazpererabotka under a design, procurement and services contract. As at 31 December 2020, 2019 and 2018, the obligations secured with these guarantees amounted to RUB 23,070,429 thousand, RUB 20,865,251 thousand and RUB 11,133,949 thousand, respectively.

In May 2018, the Company issued a guarantee valid till November 2023 to secure obligations of JSC Gazprom Space Systems under a loan agreement. As at 31 December 2020, 2019 and

19. Estimated and contingent liabilities (continued)

2018, the guarantee amounted to RUB 31,597,331 thousand, RUB 33,864,124 thousand and RUB 30,031,305 thousand, respectively.

In December 2018, the Company issued a guarantee valid till December 2021 to secure obligations of LLC Gazprom pererabotka Blagoveshchensk under a loan agreement. As at 31 December 2019 and 2018, the guarantee amounted to RUB 24,402,960 thousand and RUB 6,337,755 thousand, respectively. In March 2020, LLC Gazprom pererabotka Blagoveshchensk discharged its loan obligations, and the guarantee agreement was, therefore, terminated.

In December 2018, the Company issued a guarantee valid till November 2030 to secure obligations of LLC Svobodnenskaya TPP under a loan agreement. As at 31 December 2020, 2019 and 2018, the guarantee amounted to RUB 27,665,663 thousand, RUB 10,832,402 thousand and RUB 2,517,184 thousand, respectively.

In December 2018, the Company issued a guarantee valid till December 2021 to secure obligations of LLC Gazprom pererabotka Blagoveshchensk under a loan agreement. As at 31 December 2019, the guarantee amounted to RUB 154,984,411 thousand. In March 2020, LLC Gazprom pererabotka Blagoveshchensk discharged its loan obligations, and the guarantee agreement was, therefore, terminated.

In January 2019, the Company issued a guarantee valid till June 2028 to secure obligations of LLC MK-1 under a loan agreement. As at 31 December 2020 and 2019, the guarantee amounted to RUB 106,341,669 thousand and RUB 101,017,885 thousand, respectively.

In July 2019, the Company issued a guarantee valid till October 2039 to secure obligations of LLC Gazprom export under a capacity booking agreement. As at 31 December 2020 and 2019, the guarantee amounted to RUB 50,259,017 thousand and RUB 38,465,134 thousand, respectively.

In December 2019, the Company issued a guarantee valid till December 2037 to secure obligations of LLC Gazprom pererabotka Blagoveshchensk under a project financing agreement. As at 31 December 2020 and 2019, the guarantee amounted to RUB 471,549,139 thousand and RUB 154,950 thousand, respectively.

In December 2019, the Company issued a guarantee valid till December 2020 for LLC Gazprom pererabotka Blagoveshchensk to apply the declarative procedure for value-added tax refund. As at 31 December 2019, the guarantee amounted to RUB 21,144,500 thousand. An application for the guarantor's release from its obligations was received in March 2020, and the guarantee agreement was, therefore, terminated.

In March 2020, the Company issued a guarantee valid till September 2033 to secure obligations of LLC Gazprom SPKA under a loan agreement. As at 31 December 2020, the guarantee amounted to RUB 5,353,417 thousand.

In April 2020, the Company issued a guarantee valid till April 2025 to secure obligations of JSC Gazprom Space Systems under a loan agreement. As at 31 December 2020, the guarantee amounted to RUB 22,087,956 thousand.

In November 2020, the Company issued a guarantee valid till December 2021 to secure obligations of LLC RusGazAlliance under a loan agreement. As at 31 December 2020, the guarantee amounted to RUB 6,430,047 thousand.

In December 2020, the Company issued a guarantee valid till December 2021 for LLC Gazprom pererabotka Blagoveshchensk to apply the declarative procedure for value-added tax refund. As at 31 December 2020, the guarantee amounted to RUB 17,756,100 thousand.

The Company secured obligations with pledged securities and receivables arising from the securities:

	31 December		
	2020	2019	2018
Shares	44,024,544	183,261,771	183,261,771
Promissory notes and receivables arising from them	31,638,936	23,814,336	–
Total	75,663,480	207,076,107	183,261,771

In April 2010, the Company pledged the shares recognised in the balance sheet as assets for the period until December 2027 without the right to alienate or otherwise dispose of them and

19. Estimated and contingent liabilities (continued)

with retention of the voting right and the right to receive dividends to secure obligations of Nord Stream AG under a project financing agreement. As at 31 December 2019 and 2018, the pledge value of the shares amounted to RUB 49,539,630 thousand. As at 31 December 2019 and 2018, the value of the shares reported in the balance sheet amounted to RUB 49,539,630 thousand. In July 2020, the Company stopped being a shareholder of Nord Stream AG, so the pledge was terminated by the Company.

In August 2017, the Company pledged the shares recognised in the balance sheet as assets for the period until December 2038 without the right to alienate or otherwise dispose of them and with retention of the voting right and the right to receive dividends to secure obligations of Nord Stream 2 AG under a project financing agreement. As at 31 December 2019 and 2018, the pledge value of the shares amounted to RUB 89,697,597 thousand. As at 31 December 2019 and 2018, the value of the shares reported in the balance sheet amounted to RUB 89,697,597 thousand. In December 2020, the Company stopped being a shareholder of Nord Stream 2 AG, so the pledge was terminated by the Company.

In June 2018, the Company pledged the shares recognised in the balance sheet as assets to LLC Gazprom export to secure its obligations under a share purchase agreement. Since January 2021, following the dematerialisation of the shares, the obligations have been secured by a registered pledge. The pledge is valid until ownership of the shares is transferred to LLC Gazprom export. As at 31 December 2020, 2019 and 2018, the pledge value of the shares amounted to RUB 44,024,544 thousand. As at 31 December 2020, 2019 and 2018, the value of the shares reported in the balance sheet amounted to RUB 62,817 thousand.

In March 2019, the Company pledged the promissory notes recognised in the balance sheet as assets for the period until November 2020 without the right to alienate or otherwise dispose of them without written consent of the pledge holder to secure obligations of JSC Gazstroyprom under a loan agreement. In October 2020, the pledge was extended to January 2022. The pledge concerns all accounts receivable arising from the promissory notes. The pledge value of the promissory notes and the accounts receivable as of 31 December 2020 and 2019 amounted to RUB 31,638,936 thousand and RUB 23,814,336 thousand, respectively. The value of the promissory notes and the accounts receivable reported in the balance sheet as of 31 December 2020 and 2019 amounted to RUB 31,638,936 thousand and RUB 23,814,336 thousand, respectively.

According to the Company's assessment, there is no material risk of third parties' default on obligations secured by guarantees and pledged property of PJSC Gazprom as at 31 December 2020, 2019 and 2018. The Company, therefore, did not record estimated liabilities for guarantees issued and property pledged to secure obligations as of 31 December 2020, 2019 and 2018.

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. The pro-competition commitments came into effect on 28 May 2018 when PJSC Gazprom was officially served with the adopted decision. The decision on the pro-competition commitments was published by the European Commission on 17 July 2018. The proceedings related to the claim filed by PGNiG S.A. are under way.

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 European Union. 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 of Central and Eastern Europe, which formal phase was initiated in 2012 and completed in 2018. On 17 April 2019 the complaint was rejected by the European Commission. In June 2019 PGNiG S.A. filed with the EU General Court a petition in respect of the rejection of that complaint by the European Commission. The proceedings related to the petition filed by PGNiG S.A. are under way.

19. Estimated and contingent liabilities (continued)

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 initiation of proceedings over alleged concentration exercised by PJSC Gazprom and foreign investors when implementing the Nord Stream 2 project (on the basis of "the establishment of a joint venture without obtaining the prior consent of the President of the Polish Office of Competition and Consumer Protection").

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 the competent court of Poland 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 24 August 2020 PJSC Gazprom appealed to the competent court of Poland against the decisions of Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) to deny PJSC Gazprom access to evidence collected during the investigation over alleged concentration exercised by PJSC Gazprom and foreign investors when implementing the Nord Stream 2 project.

On 6 October 2020 it became known to PJSC Gazprom that Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) had completed its antitrust investigation and decided to impose a fine of about USD 7.6 billion on PJSC Gazprom, as well as obliged PJSC Gazprom and its Nord Stream 2 project partners to terminate the project financing agreement. On 4 November 2020 PJSC Gazprom appealed to the competent court of Poland 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 Company is also a party to certain other legal proceedings arising in the ordinary course of business. There are no current legal proceedings or other claims outstanding which could have a material adverse effect on the results of operations or financial position of the Company.

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations and frequent change. As of 31 December 2020, the management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency and customs positions will be sustained.

The 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.

The Company's management believes that the prices applied by the Company are at the market level and the Company has implemented internal control procedures to ensure compliance with transfer pricing law.

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 Company's financial results and operations.

20. Subsequent events

After 31 December 2020, there have been no events that have affected or may affect the financial position, cash flows or financial performance of the Company, other than those disclosed in other sections hereof.

21. Business risks

The Company has an effective risk management and internal control system aimed to ensure reasonable assurance in the achievement of goals. That system is integrated with planning,

19. Estimated and contingent liabilities (continued)

project management, occupational safety management systems and constitutes a part of the Company's corporate governance. In addition, the Company has a separate risk management and internal control structural unit.

Principal goals, objectives, principles and approaches to risk management and internal control are set forth in the Risk Management and Internal Control Policy of PJSC Gazprom approved by decision of the Board of Directors of PJSC Gazprom No. 3195 dated 25 December 2018.

The Company timely identifies business risks, analyses potential events, circumstances, external and internal factors that affect the achievement of goals, develops respective risk management measures and internal control procedures.

In 2020, the Company identified a new risk associated with the spread of the coronavirus infection (COVID 19). At the same time, the measures taken by the Company allow it to make sure that business risks are at the acceptable level.

The risk management and internal control system operation in 2020 was rated by Expert RA, a rating agency, and confirmed by a review of the Company's quality management system conducted by an external entity – an auditor of the quality management system.

On 19 February 2021, Expert RA assigned the highest corporate governance quality rating of A++.gq to the Company. Expert RA evaluated the Company's risk management and internal control system as high. It underlined that key provisions had been described in detail, including provisions on the management of operating, credit, currency and liquidity risks. When analysing risk management effectiveness, Expert RA took into consideration the availability of a certificate of compliance with ISO 9001:2015 and ISO 50001:2018 in respect of the quality management system.

In Quarterly issuer's reports of PJSC Gazprom, the Company should place information about the Company's position in the industry, including development trends in the corresponding market segment, the Company's level of adaptation to market conditions, main priority areas of the Company's activity, including its development prospects, as well as key information on risk factors associated with the Company's operation.

22. Information on production innovations and upgrade

Information on intangible assets that the Company developed or acquired, on movement of property, machinery and equipment as well as expenses incurred by the Company in the production innovation and upgrade process, if material, is disclosed in the relevant paragraphs of these Explanatory Notes to the Balance Sheet and the Statement of Financial Results of the Company.

Chief Executive Officer _____ A.B. Miller

Chief Accountant _____ M.N. Rosseev

22 March 2021

**PJSC Gazprom
IFRS Consolidated
Financial Statements
with independent
auditor's report
31 December 2020**

Independent Auditor's Report ⁸⁰

**Consolidated Balance Sheet
as of 31 December 2020** ⁸⁵

**Consolidated Statement of Comprehensive
Income for the year ended 31 December 2020** ⁸⁶

**Consolidated Statement of Cash Flows
for the year ended 31 December 2020** ⁸⁷

**Consolidated Statement of Changes in Equity
for the year ended 31 December 2020** ⁸⁸

**Notes to the Consolidated Financial Statements
31 December 2020** ⁸⁹

Investors Relations ¹⁷¹

Independent Auditor's Report

To the Shareholders
of Public Joint Stock Company Gazprom

Opinion

We have audited the accompanying consolidated financial statements of Public Joint Stock Company Gazprom ("PJSC Gazprom") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 Financial Statements 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements 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. Based on the results of the analysis, we considered that the amount of the estimated liabilities recognised as at the end of the reporting period is the best estimate of the expenditure required to settle the present obligation.

Information about the approaches to revenue recognition is disclosed in Note 5 "Summary of Significant Accounting Policies" to the consolidated financial statements, information about sales, including information by geographic segments, is disclosed in Note 29 "Sales" to the consolidated financial statements.

Impairment of property, plant and equipment

Due to the material carrying amount of property, plant and equipment, continued volatility of macroeconomic parameters, aggravated by the impact of the spread of coronavirus and falling prices for energy resources, as well as high level of subjectivity of the underlying assumptions, judgments and estimates made by the management to conduct the impairment analysis, we consider this area to be one of the most significant audit areas.

As at the reporting date, the Group measured the recoverable amount of property, plant and equipment in respect of cash-generating units based on the estimated value in use. Our audit procedures in respect of this area included testing of the principles used to forecast future cash flows, analysis of the methodology used by the Group to test property, plant and equipment for impairment and consistency of its application by the Group. We paid special attention to the analysis of significant assumptions underlying the impairment test procedures in respect of various cash-generating units. The significant assumptions, in particular, included determining discount rates, forecasting prices for energy resources and exchange rates, as well as estimating volumes of production and sales. We also conducted a sensitivity analysis to determine whether the models used for testing were sensitive to changes in the significant assumptions.

Based on the results of the audit procedures performed, we considered that the information and the significant assumptions applied by the Group's management in calculating the recoverable amount of the assets as at the end of the reporting period were within the acceptable range and corresponded to the current economic environment.

Information about the measurement methods and significant assumptions applied to test property, plant and equipment for impairment is disclosed in Note 5 "Summary of Significant Accounting Policies" to the consolidated financial statements, information about property, plant and equipment and their impairment testing, including the sensitivity analysis to determine whether the models are sensitive to changes in the significant assumptions, is disclosed in Note 13 "Property, Plant and Equipment" to the consolidated financial statements.

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, as well as checking them for compliance with the criteria for the recognition as an equity instrument within equity in accordance with the provisions of IFRS 32 Financial Instruments: Presentation. 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 international standards. 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 financial statements were sufficient to achieve transparency of disclosed information.

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 5 "Summary of Significant Accounting Policies" to the consolidated financial statements, information about the issuance terms and conditions of the perpetual notes and transactions associated with them is disclosed in Note 28 "Perpetual Notes" to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of PJSC Gazprom for 2020 and the Quarterly issuer's report of PJSC Gazprom for the second quarter of 2021 but does not include the consolidated

financial statements and our auditor's report thereon. The Annual Report of PJSC Gazprom for 2020 and the Quarterly issuer's report of PJSC Gazprom for the second quarter of 2021 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements 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 financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report of PJSC Gazprom for 2020 and the Quarterly issuer's report of PJSC Gazprom for the second quarter of 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 Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and 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 financial statements.

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 financial statements, 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 financial statements 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 financial statements, including the disclosures, and whether the consolidated financial statements 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 financial statements. 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 financial statements 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,
audit qualification certificate 01-001230)

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

K.S. Shirikova, FCCA
audit qualification certificate 01-000712)

Date of the Independent Auditor's Report
26 April 2021



Audited entity

Name:

Public Joint Stock Company Gazprom (PJSC Gazprom).

Address of the legal entity within its location:

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

State registration:

Registered by the Moscow Registration Chamber on 25 February 1993, registration number 022.726.

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.

State registration:

Registered by the Moscow Registration Chamber on 15 November 1993, registration number 484.583.

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

Membership in a self-regulatory organization of auditors::

Member of Self-regulatory organization of auditors Association "Sodruzhestvo".

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 2020

(in millions of Russian Rubles)

Notes	31 December		
	2020	2019	
Assets			
Current assets			
8	Cash and cash equivalents	1,034,919	696,057
9	Short-term financial assets	29,892	57,571
10	Accounts receivable and prepayments	1,302,129	1,040,340
11	Inventories	971,789	946,361
	VAT recoverable	134,555	142,545
12	Other current assets	301,005	945,279
		3,774,289	3,828,153
Non-current assets			
13	Property, plant and equipment	16,103,095	14,856,448
14	Right-of-use assets	195,313	214,244
15	Goodwill	119,854	130,028
16	Investments in associates and joint ventures	1,327,241	1,182,862
17	Long-term accounts receivable and prepayments	988,857	846,735
18	Long-term financial assets	421,869	434,282
12	Other non-current assets	421,667	389,596
		19,577,896	18,054,195
	Total assets	23,352,185	21,882,348
Liabilities and equity			
Current liabilities			
19	Accounts payable, provisions and other liabilities	1,622,288	1,422,116
	Current profit tax payable	14,402	39,709
20	Taxes other than on profit and fees payable	296,740	291,449
21	Short-term borrowings, promissory notes and current portion of long-term borrowings	693,534	774,202
		2,626,964	2,527,476
Non-current liabilities			
22	Long-term borrowings, promissory notes	4,214,080	3,089,702
25	Provisions	688,333	606,783
23	Deferred tax liabilities	667,724	768,448
	Long-term lease liabilities	211,488	205,493
26	Other non-current liabilities	138,864	68,759
		5,920,489	4,739,185
	Total liabilities	8,547,453	7,266,661
Equity			
27	Share capital	325,194	325,194
27	Treasury shares	(331)	(331)
28	Perpetual notes	195,616	-
27	Retained earnings and other reserves	13,717,464	13,779,970
		14,237,943	14,104,833
36	Non-controlling interest	566,789	510,854
	Total equity	14,804,732	14,615,687
	Total liabilities and equity	23,352,185	21,882,348

A.B. Miller
Chairman of the Management Committee

26 April 2021

M.N. Rosseev
Chief Accountant

26 April 2021

PJSC Gazprom

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

(in millions of Russian Rubles)

Notes	Year ended 31 December		
	2020	2019	
29	Sales	6,321,559	7,659,623
	Net gain (loss) from trading activity	31,349	(24,957)
30	Operating expenses	(5,665,762)	(6,387,071)
30	Impairment loss on financial assets	(72,295)	(127,738)
	Operating profit	614,851	1,119,857
31	Finance income	747,400	654,916
31	Finance expenses	(1,365,518)	(354,835)
16	Share of profit of associates and joint ventures	136,736	207,127
	Profit before profit tax	133,469	1,627,065
	Current profit tax expenses	(75,606)	(327,618)
	Deferred profit tax income (expenses)	104,544	(29,930)
23	Profit tax	28,938	(357,548)
	Profit for the year	162,407	1,269,517
	Other comprehensive income (loss):		
	Items that will not be reclassified subsequently to profit or loss:		
	(Loss) gain arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	(13,571)	22,631
25	Remeasurement of provision for post-employment benefits	(53,951)	(186,066)
	Total other comprehensive loss that will not be reclassified subsequently to profit or loss	(67,522)	(163,435)
	Items that may be reclassified subsequently to profit or loss:		
16	Share of other comprehensive loss of associates and joint ventures	(30,308)	(4,276)
	Translation differences	318,734	(182,165)
	(Loss) gain from hedging operations, net of tax	(20,582)	13,321
	Total other comprehensive income (loss) that may be reclassified subsequently to profit or loss	267,844	(173,120)
	Total other comprehensive income (loss) for the year, net of tax	200,322	(336,555)
	Comprehensive income for the year	362,729	932,962
	Profit for the year attributable to:		
	Owners of PJSC Gazprom	135,341	1,202,887
36	Non-controlling interest	27,066	66,630
		162,407	1,269,517
	Comprehensive income for the year attributable to:		
	Owners of PJSC Gazprom	309,401	877,328
	Non-controlling interest	53,328	55,634
		362,729	932,962
33	Basic and diluted earnings per share attributable to the owners of PJSC Gazprom (in Russian Rubles)	5.66	53.47

A.B. Miller
Chairman of the Management Committee

26 April 2021

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Chief Accountant

26 April 2021

PJSC Gazprom

Consolidated Statement of Cash Flows

for the year ended 31 December 2020

(in millions of Russian Rubles)

Notes	Year ended 31 December	
	2020	2019
Cash flows from operating activities		
34	1,918,891	1,709,384
Cash flows from investing activities		
	(1,522,565)	(1,775,923)
31,41	(133,076)	(122,848)
	17,761	(172,088)
	-	(6,808)
	(43,802)	(72,587)
	61,723	83,167
	13,509	10,370
	101,672	181,404
	7,585	-
	12,983	1,217
	(86,865)	(3,354)
	91,607	1,331
	(66,134)	(61,990)
	(1,545,602)	(1,938,109)
Cash flows from financing activities		
41	1,065,524	1,043,467
41	(811,775)	(813,294)
41	74,191	117,418
41	(134,213)	(49,728)
41	(40,470)	(42,603)
41	(372,524)	(379,595)
31, 41	(39,801)	(48,180)
	(224)	(124)
41	-	323,514
28	197,468	-
28	(2,637)	-
	116	-
	(42,076)	1,500
	(106,421)	152,375
	71,994	(77,012)
	338,862	(153,362)
8	696,057	849,419
8	1,034,919	696,057

A.B. Miller
Chairman of the Management Committee

26 April 2021

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Chief Accountant

26 April 2021

PJSC Gazprom

Consolidated Statement of Changes in Equity

for the Year Ended 31 December 2020

(in millions of Russian Rubles)

Notes	Equity attributable to the owners of PJSC Gazprom						
	Share capital	Treasury shares	Perpetual notes	Retained earnings and other reserves	Total	Non-controlling interest	Total equity
Balance as of 31 December 2018	325,194	(235,919)	–	13,210,734	13,300,009	476,144	13,776,153
Effect of changes in accounting policies	–	–	–	(29,316)	(29,316)	(870)	(30,186)
Balance as of 1 January 2019 (restated)	325,194	(235,919)	–	13,181,418	13,270,693	475,274	13,745,967
36 Profit for the year	–	–	–	1,202,887	1,202,887	66,630	1,269,517
Other comprehensive income (loss):							
Gain arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	–	–	–	22,631	22,631	–	22,631
25, 36 Remeasurement of provision for post-employment benefits	–	–	–	(185,788)	(185,788)	(278)	(186,066)
16 Share of other comprehensive loss of associates and joint ventures	–	–	–	(4,276)	(4,276)	–	(4,276)
36 Translation differences	–	–	–	(171,433)	(171,433)	(10,732)	(182,165)
36 Gain from hedging operations, net of tax	–	–	–	13,307	13,307	14	13,321
Comprehensive income for the year	–	–	–	877,328	877,328	55,634	932,962
36 Change in non-controlling interest in subsidiaries	–	–	–	423	423	(4,081)	(3,658)
27 Return of social assets to the balance of governmental authorities	–	–	–	(13)	(13)	–	(13)
27 Treasury shares transactions	–	235,588	–	87,901	323,489	–	323,489
36 Dividends declared	–	–	–	(367,087)	(367,087)	(15,973)	(383,060)
Balance as of 31 December 2019	325,194	(331)	–	13,779,970	14,104,833	510,854	14,615,687
36 Profit for the year	–	–	–	135,341	135,341	27,066	162,407
Other comprehensive income (loss):							
Loss arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	–	–	–	(13,571)	(13,571)	–	(13,571)
25, 36 Remeasurement of provision for post-employment benefits	–	–	–	(53,955)	(53,955)	4	(53,951)
16 Share of other comprehensive loss of associates and joint ventures	–	–	–	(30,308)	(30,308)	–	(30,308)
36 Translation differences	–	–	–	292,494	292,494	26,240	318,734
36 (Loss) gain from hedging operations, net of tax	–	–	–	(20,600)	(20,600)	18	(20,582)
Comprehensive income for the year	–	–	–	309,401	309,401	53,328	362,729
36 Change in non-controlling interest in subsidiaries	–	–	–	(10,346)	(10,346)	19,356	9,010
36 Dividends declared	–	–	–	(360,614)	(360,614)	(16,749)	(377,363)
28 Perpetual notes transactions	–	–	195,616	(947)	194,669	–	194,669
Balance as of 31 December 2020	325,194	(331)	195,616	13,717,464	14,237,943	566,789	14,804,732

A.B. Miller
Chairman of the Management Committee

26 April 2021

M.N. Rosseev
Chief Accountant

26 April 2021

PJSC Gazprom

Notes to the Consolidated Financial Statements

31 December 2020 (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, and 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 2020 and 2019 was 467 thousand persons and 462 thousand persons, respectively.

2. Economic Environment in the Russian Federation

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

The political and economic instability, the 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 after 31 December 2019, 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.

The official Russian Ruble (“RUB”) to US Dollar (“USD”) exchange rate as determined by the Central Bank of the Russian Federation was as follows:

- as of 31 December 2020 – 73.8757;
- as of 31 December 2019 – 61.9057 (as of 31 December 2018 – 69.4706).

The official RUB to Euro (“EUR”) exchange rate as determined by the Central Bank of the Russian Federation was as follows:

- as of 31 December 2020 – 90.6824;
- as of 31 December 2019 – 69.3406 (as of 31 December 2018 – 79.4605).

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. The 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.

3. Basis of Presentation

These consolidated financial statements are prepared in accordance with, and comply with, International Financial Reporting Standards (“IFRS”), including International Accounting Standards and Interpretations issued by the International Accounting Standards Board and effective in the reporting period.

3. Basis of Presentation (continued)

The consolidated financial statements of the Group are prepared under the historical cost convention except for certain financial assets and liabilities presented at the fair value (see Note 42). The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented in these consolidated financial statements, unless otherwise stated.

4. Scope of Consolidation

As described in Note 5, the consolidated financial statements include consolidated subsidiaries, associates, joint ventures and operations of the Group. There were no significant changes in the Group's structure in 2020. Significant change in the Group's structure in 2019 is described in Note 37.

5. Summary of Significant Accounting Policies

The principal accounting policies followed by the Group are set out below.

5.1 Consolidation of Subsidiaries, Associates and Joint Arrangements

Subsidiaries

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has substantive rights over the investee. Protective rights of other investors, such as those that relate to making fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee.

Subsidiaries are consolidated from the date when control over their operations is transferred to the Group (the acquisition date) and are deconsolidated from the date on which control ceases.

All inter-company transactions, balances and unrealised gain and losses on transactions between companies of the Group have been eliminated. Separate disclosure is made for non-controlling interests.

The acquisition method of accounting is used to account for the acquisition of subsidiaries, including entities under common control. The costs of an acquisition are measured at the fair value of the assets transferred, shares issued and liabilities incurred or assumed at the date of acquisition. Acquisition-related costs are expensed as incurred. The acquisition date is a date when a business combination is achieved, and when a business combination is achieved in stages the acquisition date is a date of each equity interest purchase.

An acquirer should recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability which relate to measurement period adjustments are adjusted against goodwill. Changes which arise due to events occurring after the acquisition date will be recognised in accordance with other applicable IFRSs, rather than by adjusting goodwill.

Goodwill and Non-Controlling Interest

The excess of the consideration transferred, the amount of any non-controlling interest and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share in the identifiable net assets acquired is recorded as goodwill. If actual cost of acquisition is less than the fair value of the net assets of the subsidiary acquired in the case

5. Summary of Significant Accounting Policies (continued)

of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income. Goodwill is tested annually for impairment as well as when there are indications of impairment. For the purpose of impairment testing goodwill is allocated to a cash-generating unit or a group of cash-generating units.

Non-controlling interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly, through subsidiaries, by the parent. The Group treats transactions with non-controlling interest as transactions with equity owners of the Group. In accordance with IFRS 3 Business Combinations, the acquirer recognises the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair value at the acquisition date, and any non-controlling interest in the acquiree is stated at the non-controlling interest in the net fair value of those items.

Joint Arrangements

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligation for the liabilities, relating to the arrangement. Where the Group acts as a joint operator, the Group recognises in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output of the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets. With regards to joint arrangements, where the Group acts as a joint venture participant, the Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method.

Associates

Associates are entities over which the Group has significant influence and that are neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. Associates are accounted for using the equity method. The Group's share of its associates' post-acquisition profit or loss is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless there is an evidence of the impairment of the asset transferred.

The Group's interest in each associate is carried in the consolidated balance sheet in the amount that reflects cost of acquisition, including the goodwill at the acquisition date, the Group's share of profit or loss and its share of post-acquisition movements in reserves recognised in equity. Corresponding allowances are recorded for any impairment in value of such investments.

Recognition of losses under the equity method is discontinued when the carrying amount of the investment in the associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

5.2 Financial Instruments

5.2.1 Classification and Measurement of Financial Assets

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

5. Summary of Significant Accounting Policies (continued)

Financial Assets Measured Subsequently at Amortised Cost

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of difference between that initial amount and the maturity amount and, for financial assets, adjusted for any allowance for expected credit losses.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Group estimates expected cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all fees and amounts paid or received between parties of the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period.

This category of financial assets of the Group mainly includes cash and cash equivalents, restricted cash, deposits, accounts receivable, including loans receivable.

Cash and Cash Equivalents and Restricted Cash

Cash comprises cash on hand and bank balances. Cash equivalents comprise short-term financial assets which are readily convertible to cash and have an original maturity of three months or less. Restricted cash includes cash and cash equivalents which are not to be used for any purposes other than those specified in the terms of the financing and other agreements or under banking regulations. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

Accounts Receivable

Accounts receivable, including loans receivable, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Accounts receivable are carried at amortised cost using the effective interest method.

Financial Assets Measured Subsequently at Fair Value with Changes Recognised Through Other Comprehensive Income

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

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

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

5. Summary of Significant Accounting Policies (continued)

This category of financial assets of the Group mainly includes equity instruments for which the Group has made a decision to recognise changes in fair value in other comprehensive income and derivative financial instruments recognised as hedging instruments.

Financial Assets Measured Subsequently at Fair Value with Changes Recognised Through Profit or Loss

Financial assets that do not meet the criteria of recognition as financial assets measured at amortised cost or measured at fair value through other comprehensive income are measured at fair value through profit or loss.

Such financial assets of the Group mainly include derivative financial instruments and financial instruments held for trading, as well as some equity instruments for which the Group has not made a decision to recognise changes in their fair value in other comprehensive income.

Impairment of Financial Assets

The Group applies the expected credit losses model to financial assets measured at amortised cost and at fair value through other comprehensive income, except for investments in equity instruments, sublease receivables and to contract assets resulted from transactions that are within the scope of IFRS 15 Revenue from Contracts with Customers.

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

At each balance sheet date the Group assesses whether there is objective evidence of a significant increase in credit risk for a financial asset or a group of financial assets. If, at the reporting date, the credit risk on a financial asset has not increased significantly since initial recognition, the allowance for expected credit losses for financial asset is measured at an amount equal to 12-month expected credit losses.

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

The accrual (reversal) of the allowance for expected credit losses for financial assets is recognised in the consolidated statement of comprehensive income within impairment loss (reversal of impairment loss) on financial assets.

5.2.2 Classification and Measurement of Financial Liabilities

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

- financial liabilities measured at fair value through profit or loss;
- financial guarantee contracts;
- contingent consideration recognised in a business combination for which IFRS 3 Business Combinations is applied. Such contingent consideration is measured subsequently at fair value with changes recognised in profit or loss.

Financial liabilities of the Group measured at amortised cost mainly include borrowings and accounts payable.

Financial liabilities of the Group measured at fair value through profit or loss mainly include derivative financial instruments not recognised as hedging instruments. The Group does not choose to classify any financial liabilities as measured at fair value through profit or loss.

Borrowings

Borrowings are recognised initially at fair value of the proceeds which is determined using the prevailing market rate of interest for a similar instrument in case of significant difference from the interest rate of the borrowing, net of transaction costs incurred. In subsequent periods, borrowings are recognised at amortised cost, using the effective interest method; the difference between the fair value of the proceeds (net of transaction costs) and the redemption amount is recognised as interest expense over the period of the borrowings.

5. Summary of Significant Accounting Policies (continued)

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value. After initial recognition financial guarantee contracts are measured at the higher of the allowance for expected credit losses and the amount initially recognised less total income recognised in accordance with IFRS 15 Revenue from Contracts with Customers.

Financial guarantee contracts of the Group mainly include guarantees issued and independent guarantees provided.

5.2.3 Derivative Financial Instruments

The Group uses a variety of derivative financial instruments, including forward and foreign currency, commodities and securities option contracts. The derivative financial instruments are recognised in the consolidated financial statements at fair value. Gain or loss from change in the fair value of the derivative financial instruments is recognised in profit or loss of the consolidated statement of comprehensive income in the period in which it raised.

The fair value of the derivative financial instruments is determined using market information and valuation techniques based on prevailing market interest rates for similar financial instruments.

As part of its activities, the Group enters into contracts to buy / sell gas, electric power and other commodities at the European liquid trading platforms. This activity provides for a large number of buy / sell transactions completed within short periods, which, coupled with the Group's transportation and storage capacities, aims to generate profit.

Some of these contracts can be settled net in accordance with IFRS 9 Financial Instruments, because a contract to buy / sell a commodity is settled within a short period for the purpose of generating profit from short-term fluctuations in price or dealer's margin. Such contracts are, therefore, concluded not for the purpose of the receipt or delivery of a non-financial asset in accordance with the Group's expected purchase, sale or usage requirements. Consequently, such contracts to buy or sell a non-financial item are regulated by IFRS 9 Financial Instruments and are recognised as derivative financial instruments at fair value, with changes in fair value recognised in "Loss (gain) on derivative financial instruments" within operating expenses of the consolidated statement of comprehensive income.

5.2.4 Hedge Accounting

For derivative financial instruments recognised as hedging instruments, the Group applies hedge accounting in accordance with the requirements of IFRS 9 Financial Instruments. The Group applies the cash flow hedge to manage variability in cash flows that results from fluctuations in foreign exchange rates attributable to highly probable forecast transactions.

A qualifying hedging instrument is designated in its entirety as a hedging instrument.

The effective portion of fair value changes of hedging instrument is recognised in other comprehensive income. Gain or loss related to the ineffective portion of changes in the fair value of the hedging instrument is immediately transferred to profit or loss.

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

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

The fair value of the hedge instruments is determined at the end of each reporting period with reference to the value, which is typically determined by the credit institutions.

5. Summary of Significant Accounting Policies (continued)

5.3 Fair Value

Fair value is a price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of accounts receivable in the consolidated financial statements is measured by discounting the value of future cash flows at the current market rate of interest used for similar instruments at the reporting date.

The fair value of financial liabilities and other financial instruments (except for publicly quoted) in the consolidated financial statements is measured by discounting the future contractual cash flows at the current market interest rate available to the Group to make borrowings for similar financial instruments.

The fair value of publicly quoted financial instruments in the consolidated financial statements is measured based on quoted market closing prices at the date nearest to the reporting date.

5.4 Value Added Tax

In the Russian Federation the value added tax ("VAT") is payable on the difference between output VAT on sales of goods (works, services) and recoverable input VAT charged by suppliers of goods (works, services). Starting from 1 January 2019 the VAT rate changed from 18% to 20%. The output VAT tax base is determined on the earliest of the following dates: either the date of the shipment of goods (works, services) or the date of payment or advance payment received for future supplies of goods (works, services). Input VAT is recovered when purchased goods (works, services) are accounted for and other necessary VAT recovery requirements provided by the tax legislation are met.

Export of goods and rendering certain services related to exported goods are subject to a 0% VAT rate upon the submission of confirmation documents required by the current tax legislation to the tax authorities. Input VAT related to operations that are subject to a 0% VAT rate is recoverable. A limited list of goods, works and services are exempted from VAT. Input VAT related to supply of goods, works and services, which are non-taxable by VAT, generally is not recoverable and is included in the value of acquired goods, works and services.

Deductible VAT related to purchases of goods (works, services) (input VAT) and also VAT overpayments (recoverable VAT) are recognised in the consolidated balance sheet within current assets, while VAT payable to the state budget is disclosed separately as a current liability. VAT presented within other non-current assets relates to assets under construction and is expected to be recovered more than 12 months after the balance sheet date.

5.5 Mineral Extraction Tax

Mineral extraction tax ("MET") applied to the extraction of hydrocarbons, including natural fuel gas, gas condensate and oil, is accrued in proportion to the volume of extracted minerals.

In the Russian Federation, the MET rate formula for natural fuel gas and gas condensate has been used since 1 July 2014 instead of the fixed MET rate.

Since 1 January 2015 MET rate for natural fuel gas has been defined as the set of indicators:

- 1) the base rate of RUB 35 per thousand cubic meters of natural fuel gas;
- 2) the base value of a unit of fuel equivalent calculated based on various macroeconomic indicators, including oil and gas prices;
- 3) the coefficient representing the degree of difficulty of extracting natural fuel gas and (or) gas condensate from raw hydrocarbon fields;
- 4) the indicator representing the transportation costs of natural fuel gas.

The MET rate for gas condensate is defined as the set of indicators:

- 1) the base rate of RUB 42 per ton for extracted gas condensate;
- 2) the base value of a unit of fuel equivalent calculated taking into account various macroeconomic indicators, including oil and gas prices;
- 3) the coefficient representing the degree of difficulty of extracting natural fuel gas and (or) gas condensate from raw hydrocarbon deposits;
- 4) the adjustment coefficient.

A zero MET rate is applied to natural fuel gas and gas condensate extracted in a number of regions of the Russian Federation subject to the respective requirements of the tax law.

5. Summary of Significant Accounting Policies (continued)

In the Russian Federation MET applied to extracted oil is calculated on a monthly basis by way of multiplying the volume of extracted mineral by the fixed tax rate (RUB 919 per ton from 2017) adjusted for a coefficient that takes into account dynamics of global oil prices, as well as the indicator which reflects specific aspects of oil extraction. A zero rate is also applied to oil extracted in a number of regions of the Russian Federation subject to the respective requirements of the tax law.

MET is also applied to the extraction of common mineral resources (also under a combined license).

MET is included in operating expenses.

5.6 Customs Duties

The export of hydrocarbons, including natural gas and crude oil, outside of the Customs union countries, which includes the Russian Federation, the Republic of Belarus and the Republic of Kazakhstan, is subject to export customs duties. According to Resolution of the Government of the Russian Federation No.754 dated 30 August 2013 export of natural gas outside the boundaries of the Customs union is subject to a fixed 30% export customs duty rate levied on the customs value of the exported natural gas.

Pertaining to the sales of oil and oil products to countries outside the Customs union according to Federal Law No.239-FZ dated 3 December 2012, starting from 1 April 2013 under Resolution of the Government of the Russian Federation No.276 dated 29 March 2013 the export customs duty calculation methodology for crude oil and oil products was established based on which the Ministry of Economic Development of the Russian Federation determines export customs duty rates for the following calendar month.

Sales are recognised net of the amount of customs duties.

5.7 Excise Tax

Effective from 1 January 2015, natural gas is subject to a 30% excise tax rate, if provided by international treaties of the Russian Federation. Thus, at the present moment excisable oil products include gasoline, motor oil, diesel fuel and natural gas, while oil and gas condensate do not apply to excisable goods.

Within the Group's activities, excise tax is imposed on the transfers of excisable refined oil products produced at the Group's refineries from customer-supplied raw materials to the Group companies owning the raw materials. The Group considers the excise tax on refined oil products produced from customer-supplied raw materials as operating expenses. These taxes are not netted with sales of refined oil products presented in the consolidated statement of comprehensive income.

5.8 Inventories

Inventories are valued at the lower of net realisable value and cost. Cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses and production completion costs.

5.9 Property, Plant and Equipment

Property, plant and equipment are carried at historical cost of acquisition or construction after deduction of accumulated depreciation and accumulated impairment. Gas and oil exploration and production activities are accounted for in accordance with the successful efforts method ("successful exploratory wells"). Under the successful efforts method, costs of successful development and exploratory wells are capitalised. Costs of unsuccessful exploratory wells are expensed as they are recognised unproductive. Other exploration costs are expensed as incurred. Exploration costs are classified as research and development expenses within operating expenses.

Major renewals and improvements are capitalised. Maintenance, repairs and minor renewals are expensed as incurred. Minor renewals include all expenditures that do not result in

5. Summary of Significant Accounting Policies (continued)

a technical enhancement of the asset beyond its original capability. Gain or loss arising from the disposal of property, plant and equipment is included within the profit or loss in the consolidated statement of comprehensive income as incurred.

Property, plant and equipment include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Borrowing costs are capitalised as part of the cost of assets under construction during the period of time that is required to construct and prepare the asset for its intended use. To the extent that funds are borrowed for general purposes and used for obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by the Group by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Foreign exchange rate differences to the extent that they are regarded as an adjustment of interest costs are included in the borrowing costs eligible for capitalisation.

Depreciation of acquired production licenses is calculated using the units-of-production method for each field based upon proved reserves. Oil and gas reserves for this purpose are generally determined in accordance with the guidelines set by Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, the World Petroleum Congress, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers, and were estimated by independent engineers.

Depreciation of property, plant and equipment (other than production licenses) is calculated using the straight-line method over their estimated remaining useful lives, as follows:

	Years
Pipelines	25-34
Wells	7-40
Machinery and equipment	10-18
Buildings	30-40
Roads	20-40
Social assets	10-40

Depreciation on wells has been calculated on cost using the straight line method rather than on the unit-of-production method, as it is the more generally accepted international industry practice. The difference between straight line and units-of-production methods is not material for these consolidated financial statements. Assets under construction are not depreciated until they are placed in service.

The return to a governmental authority of state social assets (such as rest houses, housing, schools and medical facilities) retained by the Group at privatisation is recorded in the consolidated financial statements only upon the termination of responsibilities of operational management of such assets. The Group does not possess ownership rights for the assets, but records them on its consolidated balance sheet up to the return to a governmental authority because the Group controls the future benefits which are expected to flow from the use of the assets and bears all associated operational and custody risks. Disposals of these assets are considered to be shareholders transactions because they represent a return of assets for the benefit of governmental authorities, as contemplated in the original privatisation arrangements. Consequently, such disposals are accounted for as a reduction directly in equity.

5.10 Impairment of Non-Financial Assets

At each balance sheet date, management assesses whether there is any indication that the recoverable value of the assets has declined below the carrying value. When such a decline is identified, the carrying amount is reduced to the estimated recoverable amount which is the higher of fair value less costs to sell and value in use. Individual assets are grouped for impairment assessment purposes into the cash-generating units at the lowest level of group of assets generating identifiable cash inflows that are largely independent of the cash inflows of other groups of assets.

5. Summary of Significant Accounting Policies (continued)

Goodwill acquired in a business combination is assessed for the recoverability of its carrying value annually irrespective of whether there are any indications that impairment exists at the balance sheet date. Goodwill is allocated to cash-generating unit. In assessing whether goodwill has been impaired, the carrying amount of the cash-generating unit, including goodwill, is compared with its recoverable amount.

The amount of the reduction of the recoverable amount of assets below the carrying value is recorded within the profit or loss of the consolidated statement of comprehensive income in the period in which the reduction is identified. Impairment allowances, except for those relating to goodwill, are reversed with recognition of respective gain as applicable to the extent that the events or circumstances that triggered the original impairment have changed. Impairment losses recognised for goodwill are not reversed in subsequent reporting periods.

5.11 Deferred Tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet method. Deferred tax assets and liabilities are recorded in the consolidated financial statements for all temporary differences arising between the tax basis of assets and liabilities and their carrying value included in the consolidated financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised or to the extent that the assets can be set off against existing deferred tax liabilities. Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period when the assets are realised or the liabilities are settled, based on tax rates that have been enacted or enactment of which in the foreseeable future was reliably known as of the reporting date.

Deferred tax liabilities are recognised for all temporary differences associated with investments in subsidiaries and associates, as well as joint arrangements, except when it is possible to control the timing of the decrease in the temporary differences and when it is probable that the temporary differences will not decrease in the foreseeable future.

Deferred tax assets are recognised for all temporary differences associated with investments in subsidiaries and associates, as well as joint arrangements, to the extent that it is probable that the temporary difference will be reduced in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

5.12 Foreign Currency Transactions

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in the Russian Rubles, which are the presentation currency of the Group's consolidated financial statements.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the official foreign exchange rates at the reporting date. Foreign currency transactions are accounted for at the foreign exchange rate prevailing at the date of the transaction. Gain or loss resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies into functional currency at the reporting date is recognised as foreign exchange gain or loss within the profit or loss of the consolidated statement of comprehensive income.

The balance sheets of foreign subsidiaries, associates and joint arrangements are translated into the Russian Rubles at the official foreign exchange rates at the reporting date. Statements of comprehensive income of these entities are translated at average foreign exchange rates for quarter. Foreign exchange rate differences arising on the translation of the net assets of foreign subsidiaries, associates and joint arrangements are recognised as translation differences and recorded directly in equity.

There are currency control rules relating to conversion of the Russian Rubles into other currencies. The Russian Ruble is not freely convertible currency in most countries outside of the Russian Federation.

5. Summary of Significant Accounting Policies (continued)

5.13 Provisions

Provisions, including the provision for post-employment benefits and the provision for decommissioning and site restoration costs, are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the monetary value of the obligation. As obligations are determined, they are recognised immediately based on the present value of the expected future cash flows required to settle the obligations. Costs of dismantling the property, plant and equipment and site restoration are capitalised as property, plant and equipment.

5.14 Equity

Treasury Shares

The cost of acquisition of the shares of PJSC Gazprom by the Group's entities, including any attributable transaction costs is deducted from total equity until they are re-sold. When such shares are subsequently sold, any consideration received net of profit tax is included in equity. Treasury shares are recorded at weighted average cost. Gain (loss) arising from treasury shares transactions is recognised in the consolidated statement of changes in equity, net of associated costs including tax payments.

Dividends

Dividends are recognised as liabilities and deducted from equity in the period when they are recommended by the Board of Directors and approved at the General Meeting of Shareholders.

Perpetual notes

Perpetual callable loan participation notes issued by the Group are reported as an equity instrument within equity provided that the notes have no stated maturity and the Group, acting in its sole discretion, may, at any time and on any number of occasions, decide to postpone interest payments. The par value of foreign currency perpetual notes is recognised in the consolidated statement of changes in equity at the official exchange rate as at the date of initial recognition.

To reflect the best estimate of the rights of perpetual notes holders and a potential cash outflow, the Group accrues interest in the consolidated statement of changes in equity by decreasing the retained earnings item and increasing the perpetual notes item at the interest rate effective for the current interest period until an interest payment liability arises. Interest on foreign currency perpetual notes is accrued in the consolidated statement of changes in equity at the official exchange rate as at the date of initial recognition. A liability to pay interest on foreign currency perpetual notes is recognised in the consolidated balance sheet at the official exchange rate as at the date when an interest payment obligation arises.

To reflect the best estimate of the rights of foreign currency perpetual notes holders and a potential cash outflow, the par value of foreign currency perpetual notes and interest recognised in equity are translated into Russian Rubles as at the reporting date and as at the date of their transfer to liabilities at the official exchange rate. Gain or loss from translating the par value of foreign currency perpetual notes and interest into Russian Rubles is reported within perpetual notes and retained earnings in the consolidated statement of changes in equity.

Costs associated with the issuance of perpetual notes and the tax effect of transactions related to perpetual notes and recognised in equity (except for the tax effect of transactions related to interest) are reported within retained earnings in the consolidated statement of changes in equity. The tax effect of interest accrual is reported within profit or loss in the consolidated statement of comprehensive income, as defined by IAS 12 Income Taxes.

5.15 Revenue Recognition

Revenue from contracts with customers is measured at the fair value of the consideration received or receivable. Revenue is recognised when (or as) the entity satisfies a performance

5. Summary of Significant Accounting Policies (continued)

obligation by transfer of the promised good or service (i.e. the asset) to the customer. The asset is transferred when (or as) the customer obtains control over such an asset. The moment of control transfer varies depending on the terms of the contract with customer.

Sales of gas, refined products, crude oil and gas condensate and electric and heat energy are recognised for financial reporting purposes when products are delivered to customers and the title passes and are stated in the consolidated financial statements net of VAT and other similar compulsory payments. Gas transportation sales are recognised when gas transportation services are provided, as evidenced by delivery of gas in accordance with the contract.

Prices of natural gas and tariffs for transportation of gas to final consumers in the Russian Federation are regulated by the Federal Antimonopoly Service ("FAS"). Prices for gas sold to European countries are mainly calculated by formulas based on the number of oil product prices, in accordance with the terms of long-term contracts. Prices for gas exported to countries of the former Soviet Union are defined in various ways, including using formulas similar to those used in contracts with European customers.

Net Gain (Loss) From Trading Activity

Contracts to buy or sell commodities at the European liquid trading platforms, where gas, electric power and other commodities are traded, entered into at the European liquid trading platforms for the purpose of generating profit from short-term fluctuations in price rather than out of the Group's expected purchase, sale or usage requirements are recognised at fair value. These contracts are considered as derivative financial instruments and regulated by IFRS 9 Financial Instruments. Income and expenses which arise at the moment of contract fulfilment are recognised on a net basis in profit or loss in the line "Net gain (loss) from trading activity" of the consolidated statement of comprehensive income.

5.16 Interest

Interest income and expense are recognised in profit or loss of the consolidated statement of comprehensive income for all interest-bearing financial instruments on an accrual basis using the effective interest method. Interest income includes nominal interest and accrued discount and premiums. If the collection of loans issued becomes doubtful, they are written down to their recoverable amounts (using the original effective rate) and interest income is thereafter recognised based on the same effective rate of interest.

5.17 Research and Development

Research expenditures are recognised as operating expenses as incurred. Development expenditures are recognised as intangible assets (within other non-current assets) if only future economic benefits are expected to flow from such expenditures. Other development expenditures are recognised as operating expenses as incurred. However, development expenditures previously recognised as expenses are not capitalised in subsequent periods, even if the asset recognition criteria are subsequently met.

5.18 Employee Benefits

Pension and Other Post-Employment Benefits

The Group applies pension and other post-employment benefits system, which is recorded as defined benefit plan in the consolidated financial statements under IAS 19 Employee Benefits. Pension benefits are provided to the majority of the Group's employees. The costs of providing pension benefits are recognised using the projected unit credit method. The costs of providing pension benefits are accrued and recognised in operating expenses in the consolidated statement of comprehensive income within staff costs with the simultaneous recognition of a provision for post-employment benefits to allocate regular expenses over the service lives of employees.

The provision for post-employment benefits is measured at the present value of the projected cash outflows using interest rates applied to government securities, which have the term to maturity approximately corresponding to the term of maturity of the related provision.

5. Summary of Significant Accounting Policies (continued)

Actuarial gains and losses on pension plan assets and liabilities arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they occur (see Note 25).

Past service cost is recognised immediately in profit or loss in the consolidated statement of comprehensive income when it occurs for the period of a pension plan amendment.

Plan assets are measured at fair value and subject to certain limitations (see Note 25). Fair value of pension plan assets is based on market quotes. When no pension plan assets' market price is available, the fair value of assets is estimated by different valuation techniques, including the use of discounted expected cash flows calculated using a discount rate that reflects both the risk associated with the pension plan assets and maturity or expected disposal date of these assets.

In the normal course of business the Group pays contributions to the Pension Fund of the Russian Federation on behalf of its employees. Mandatory contributions to the state pension fund, which are recorded as a defined contribution plan, are recognised within staff costs in operating expenses in the consolidated statement of comprehensive income as incurred. The costs of providing other discretionary pension benefits (including constructive obligations) are accrued and recognised in profit or loss in the consolidated statement of comprehensive income to allocate regular expenses over the average remaining service lives of employees.

Social Expenses

The Group incurs expenses for the social needs of employees, in particular, related to the provision of medical services and maintenance of social infrastructure facilities. These amounts represent inherent costs associated with the employment of production personnel and, accordingly, are charged to operating expenses in the consolidated statement of comprehensive income.

5.19 Lease Contracts

At inception of a contract the Group estimates whether the contract contains a lease. A contract contains a lease if it contains enforceable rights and obligations under which the right to control the use of an identified asset is conveyed for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the commencement date – the date when the asset is available for use by the lessee.

Liabilities arising from a lease are initially measured at the present value of the lease payments that are not paid at that date. Lease liabilities include the value of the following payments:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate initially measured using the index or rate as of the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- penalties for early terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The Group applies a practical expedient to the contracts with fixed payments which include a service component and accounts for each lease component and associated non-lease components as a single lease component for all the classes of underlying assets except for vessels. The Group recognises a service component for vessel lease contracts as current period expenses if the share of such non-lease payments can be reliably determined.

The lease payments are discounted using interest rate implicit in the lease, if that rate can be readily determined, and, if not - the Group's incremental borrowing rate being the rate that as of the commencement date the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs;

5. Summary of Significant Accounting Policies (continued)

- an estimate of costs of dismantling and removing the underlying asset, restoring the site on which it is located or the underlying asset.

The Group does not recognise a right-of-use asset and a lease liability for short-term leases, the term of which does not exceed 12 months taking into account the probability of exercising the option to extend the lease (if available), and for leased assets of low value.

A right-of-use asset is depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of a right-of-use asset is determined on the same basis as of the fixed asset. In addition, the value of a right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

Application of Amendments to Standards

The following amendments to current standards became effective beginning on or after 1 January 2020:

- The amendments to IFRS 3 Business Combinations (issued in October 2018 and effective for annual reporting periods beginning on or after 1 January 2020). These amendments clarify the definition of a business and simplify assessment of whether an acquired set of activities and assets is a group of assets rather than a business.
- The amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (issued in October 2018 and effective for annual reporting periods beginning on or after 1 January 2020). The amendments clarify and bring into line the definition of the term “materiality”, as well as provide recommendations for improving the consistency in its application when referenced in IFRS.
- The amendments to IFRS 16 Leases (issued in May 2020 and effective for annual reporting periods beginning on or after 1 June 2020). The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendments do not affect lessors.

The Group reviewed these amendments to standards while preparing the consolidated financial statements. The amendments to standards have no significant impact on the Group's consolidated financial statements.

Amendments to Existing Standards that are not yet Effective and have not been Early Adopted by the Group

Certain amendments to standards are mandatory for the annual periods beginning on or after 1 January 2022. In particular, the Group has not early adopted the following amendments to standards:

- The amendments to IAS 1 Presentation of Financial Statements (issued in January 2020 and effective for annual reporting periods beginning on or after 1 January 2023). Amendments clarify the criteria for classifying obligations as short-term or long-term.
- The amendments to IFRS 9 Financial Instruments (issued in May 2020 and effective for annual reporting periods beginning on or after 1 January 2022). The amendments clarify which fees should be included when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (issued in May 2020 and effective for annual reporting periods beginning on or after 1 January 2022). The amendments specify which costs are included in determining the cost of fulfilling a contract for assessing whether the contract is onerous.
- The amendments to IAS 16 Property, Plant and Equipment (issued in May 2020 and effective for annual reporting periods beginning on or after 1 January 2022). The amendments prohibit deducting from the cost of property, plant and equipment amounts received from selling items produced while the asset is preparing for its intended use. Instead, such sales proceeds and related cost are recognised in profit or loss.

The Group is currently assessing the impact of these amendments on its financial position and performance.

6. Critical Judgements and Estimates in Applying Accounting Policies

The preparation of consolidated financial statements requires management to make estimates and assumptions that may affect the reported amount of assets and liabilities as well as information in notes to the consolidated financial statements. Management also makes certain judgements in the process of applying the accounting policies. These estimates and judgements are continually analysed based on historical experience and other information, including forecasts and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from specified estimates, and management's estimates can be revised in the future, either negatively or positively, depending upon the outcome of changes in expectations based on the facts surrounding each estimate.

Judgements that may have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause significant adjustments to the carrying amount of assets and liabilities within the next financial year are reported below.

6.1 Consolidation of Subsidiaries

Management's judgements are involved in the assessment of control and the method of accounting of various investments in subsidiaries in the Group's consolidated financial statements taking into account voting rights and contractual arrangements with other investors.

6.2 Tax Legislation

Tax, currency and customs legislation of the Russian Federation is subject to varying interpretations (see Note 40).

Profit tax liabilities are determined by management in accordance with the current tax legislation. Liabilities for penalties, interest and taxes other than profit tax are recognised based on management's best estimate of the expenditure required to settle tax obligations at the balance sheet date.

6.3 Assumptions to Determine Amount of Allowances

Loss Allowance for Expected Credit Losses of Accounts Receivable

An allowance for expected credit losses of accounts receivable is based on the Group's management's assessment of expected credit losses for the accounts receivable lifetime. Credit losses are the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. If there is deterioration in any major customer's creditworthiness or actual defaults are higher or lower than the estimates, the actual results could differ from these estimates. The accruals (and reversals) of allowance for expected credit losses of accounts receivable may be material (see Notes 10, 17).

Impairment of Property, Plant and Equipment and Goodwill

The estimation of forecasted cash flows for the purposes of impairment testing involves the application of a number of significant judgements and estimates in relation to certain variables as volumes of production and extraction, prices on natural gas, oil and refined products, electrical power, operating costs, capital expenditures, hydrocarbon reserves estimates, and also macroeconomic factors such as inflation and discount rates.

In addition, assumptions are applied in determining the cash-generating units assessed for impairment. For the purposes of goodwill impairment test, management considers gas production, transportation and distribution activities as part of single gas cash-generating unit and assesses associated goodwill at this level. The Group's pipelines constitute a unified gas supply system, providing gas supply to customers in the Russian Federation, Former Soviet Union countries and Europe. The interaction of production of gas, transportation and distribution of gas activities provides the basis for capturing the benefits from synergies.

The value in use of assets or cash-generating units related to oil and gas production are based on their expected production volumes, which include both proved and explored reserves as well as certain volumes of those that are expected to constitute proved and probable reserves in the future.

6. Critical Judgements and Estimates in Applying Accounting Policies (continued)

Change in impairment allowance of property, plant and equipment, right-of-use assets and goodwill is disclosed in Notes 13, 14, 15 and 30.

Accounting for Impairment

Accounting for impairment includes allowances against assets under construction, other non-current assets and inventory obsolescence. Because of the Group's production cycle, the year end carrying values are assessed in light of forward looking plans prepared on or around the reporting date.

Because of the Group's production cycle, some important decisions about capital construction projects are taken at the end of the fiscal year. Accordingly, the Group usually has larger impairment charges or releases in the fourth quarter of the reporting year as compared to other quarters.

6.4 Decommissioning and Site Restoration Costs

Decommissioning and site restoration costs that may occur at the end of the operating life of certain Group's production facilities are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The cost is depreciated through profit or loss of the consolidated statement of comprehensive income on a straight-line basis over the asset's productive life.

Changes in the measurement of an existing decommissioning and site restoration provision that result from changes in the estimated timing or amount of cash outflows, or from changes in the discount rate adjust the cost of the related asset in the current period. IFRSs prescribe the recording of provisions for these costs. Estimating the amounts and timing of those obligations that should be recorded requires significant judgement. This judgement is based on cost and engineering studies using currently available technology and is based on current environmental regulations. Provisions for decommissioning and site restoration are subject to change because of change in laws and regulations, and their interpretation.

6.5 Useful Lives of Property, Plant and Equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management judgement based upon experience with similar assets. In determining the useful life of an asset, management considers such factors as production and reserve estimates, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments to future depreciation rates.

Were the estimated useful lives to decrease by 10% or increase by 10% from Group's management estimates, the impact on depreciation would be an increase by RUB 76,183 million or a decrease for the year ended 31 December 2020 (2019: by RUB 68,612 million).

Based on the terms included in the licenses and past experience, management believes that hydrocarbon production licenses, which are expected to be productive after their current expiration dates, will be extended at insignificant additional costs. Because of the anticipated license extensions, the assets are depreciated over their useful lives beyond the end of the current license term.

6.6 Fair Value Estimation of Financial Instruments

Determination of the fair value of contracts for the purchase (sale) of energy carriers, commodity futures and swaps is based on market data received on measurement date (Level 1 in accordance with the fair value hierarchy). Customary valuation models are used to value financial instruments which are not traded in active market. The fair value is calculated based on inputs that are observable either directly or indirectly (Level 2 in accordance with the fair value hierarchy).

Contracts not based on observable market data belong to Level 3 in accordance with the fair value hierarchy. Management's best estimates based on models internally developed by the Group are used for the valuation of fair value these instruments. Where the valuation technique

6. Critical Judgements and Estimates in Applying Accounting Policies (continued)

employed incorporates significant volume of input data for which market information is not available, such as long-term price assumptions, contracts have been categorised as Level 3 in accordance with the fair value hierarchy (see Note 42).

6.7 Fair Value Estimation for Acquisitions

In accounting for business combinations, the purchase price paid to acquire a business is allocated to its assets and liabilities based on the estimated fair value of the assets acquired and liabilities received as of the date of acquisition. The excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired is recorded as goodwill. A significant amount of judgement is involved in estimating the individual fair value of property, plant and equipment and identifiable intangible assets.

The estimates used in determining fair value are based on assumptions believed to be reasonable but which are inherently uncertain. Accordingly, actual results may differ from the projected results used to determine fair value.

6.8 Accounting for Pension Plan Assets and Liabilities

Pension plan liabilities are estimated using actuarial techniques and assumptions (see Note 25). Actual results may differ from the estimates, and the Group's estimates may be adjusted in the future based on changes in economic and financial conditions. In addition, certain pension plan assets related to JSC NPF GAZFOND are recorded at fair value, determined using estimation techniques. Management makes judgements with respect to the selected models, the amount of cash flows and their distribution over time, as well as other indicators including discount rate. The recognition of pension plan assets is limited to the estimated present value of future benefits available to the Group in relation to this plan. The value of future benefits is determined using actuarial techniques and assumptions. The impact of the limitation of the net pension plan asset in accordance with IAS 19 Employee Benefits is disclosed in Note 25. The value of pension plan assets and the limitations may be adjusted in the future.

6.9 Joint Arrangements

Upon adopting of IFRS 11 Joint Arrangements the Group applied judgement whether its joint arrangements represent a joint operation or a joint venture. The Group determined the type of joint arrangement based on its rights and obligations arising from the arrangement including the assessment of the structure and legal form of the arrangement, the decision making terms agreed by the parties in the contractual arrangement and, when relevant, other factors and circumstances. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures, except for its investments in Blue Stream Pipeline Company B.V., Moravia Gas Storage a.s., Podzemno skladiste gasa Banatski Dvor d.o.o., Salym Petroleum Development N.V., JSC Tomskneft VNK and its subsidiaries, Erdgasspeicher Peissen GmbH, LLC Yuzhno-Priobskiy GPZ, which were determined to be joint operations.

6.10 Accounting for Lease Liabilities and Right-of-use Assets

When measuring the present value of lease payments, the Group applies professional judgement to determine the incremental borrowing rate if the discount rate is not implicit in the lease. When determining the incremental borrowing rate, the Group management analyses borrowings over a similar term in a similar period. If there are no borrowings with similar characteristics the discount rate is determined on the basis of the risk-free rate, adjusted for the credit risk of the Group determined on the basis of its quoted bonds.

Assessment of the non-cancellable period is subject to management judgement, which takes into account all relevant facts and circumstances that create an economic incentive for the Group to exercise or not to exercise an option to extend the lease. These facts and circumstances include the need to extend the lease to continue operations, the period of construction and exploitation of assets on leased lands, useful lives of leased assets, potential dismantling and relocation costs.

7. 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, the Chairman of the Management Committee and the Management Committee of PJSC Gazprom (the "Governing bodies") make key decisions managing the Group's activity, assess operating results and allocate resources using different internal financial information.

Based on that information the following reportable segments 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 crude oil and gas condensate, sales of crude oil and gas condensate;
- Refining – processing of crude 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 gas 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.

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

	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
Year ended									
31 December 2020									
Sales of segments	819,835	1,198,421	3,294,644	60,738	1,066,558	1,818,987	499,469	322,865	9,081,517
Inter-segment sales	797,229	974,597	267,911	55,168	579,209	20,591	–	–	2,694,705
External sales	22,606	223,824	3,026,733	5,570	487,349	1,798,396	499,469	322,865	6,386,812
Financial result of segments	32,125	153,237	(292,445)	7,610	281,356	(128,398)	54,831	(31,985)	76,331
Depreciation	207,856	464,330	20,085	28,133	167,037	61,534	64,874	48,703	1,062,552
Share of profit of associates and joint ventures	3,274	32,510	1,188	–	71,609	2,588	84	25,483	136,736
Year ended									
31 December 2019									
Sales of segments	973,657	1,188,798	4,076,204	59,073	1,585,846	2,132,761	518,373	324,204	10,858,916
Inter-segment sales	950,146	973,463	298,985	54,425	833,056	21,580	–	–	3,131,655

7. 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
External sales	23,511	215,335	3,777,219	4,648	752,790	2,111,181	518,373	324,204	7,727,261
Financial result of segments	4,984	109,410	359,145	5,818	403,601	15,992	40,830	(9,544)	930,236
Depreciation	172,233	476,182	18,308	29,637	156,064	48,838	61,297	52,545	1,015,104
Share of profit of associates and joint ventures	5,347	25,716	3,502	–	145,662	4,630	81	22,189	207,127

Sales of Production of gas and Distribution of gas segments compose gas sales, sales of Gas storage segment are included in other sales.

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

Notes	Year ended 31 December	
	2020	2019
Financial result of reportable segments	108,316	939,780
Financial result of other segments	(31,985)	(9,544)
Total financial result of segments	76,331	930,236
Difference in depreciation ¹	264,116	299,875
(Expenses) income associated with provision for post-employment benefits	(8,743)	11,255
31 Net finance (expense) income	(618,118)	300,081
16 Share of profit of associates and joint ventures	136,736	207,127
30 (Loss) gain on derivative financial instruments	(16,735)	15,225
Other	299,882	(136,734)
Total profit before profit tax in the consolidated statement of comprehensive income	133,469	1,627,065

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

The reconciliation of reportable segments' external sales to sales in the consolidated statement of comprehensive income is provided below.

	Year ended 31 December	
	2020	2019
External sales of reportable segments	6,063,947	7,403,057
External sales of other segments	322,865	324,204
Total external sales of segments	6,386,812	7,727,261
Differences in external sales ¹	(65,253)	(67,638)
Total sales in the consolidated statement of comprehensive income	6,321,559	7,659,623

¹ The differences in external sales relate to adjustments of external sales under Russian statutory accounting to comply with IFRS, such as elimination of sales of materials to contractors and other adjustments.

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

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.

7. 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 2020									
Assets of segments	2,992,642	7,233,415	1,848,312	355,297	3,267,110	2,823,335	892,261	1,960,300	21,372,672
Investments in associates and joint ventures	15,628	230,553	42,274	2	602,659	32,008	1,328	402,789	1,327,241
Capital expenditures ¹	352,986	251,591	17,873	26,391	309,793	396,637	82,229	56,685	1,494,185
As of 31 December 2019									
Assets of segments	2,736,680	7,000,467	1,691,356	370,887	3,053,664	2,555,819	882,264	1,612,910	19,904,047
Investments in associates and joint ventures	15,583	183,176	37,638	2	546,493	22,992	1,100	375,878	1,182,862
Capital expenditures ²	360,215	464,203	25,827	14,268	316,011	437,758	79,001	121,394	1,818,677

¹ Capital expenditures for the year ended 31 December 2020.

² Capital expenditures for the year ended 31 December 2019.

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

Notes	31 December	
	2020	2019
Assets of reportable segments	19,412,372	18,291,137
Assets of other segments	1,960,300	1,612,910
Total assets of segments	21,372,672	19,904,047
Difference in property, plant and equipment, net ¹	(996,982)	(1,216,329)
13 Borrowing costs capitalised	1,021,764	919,491
8 Cash and cash equivalents	1,034,919	696,057
9 Short-term financial assets	29,892	57,571
VAT recoverable	134,555	142,545
12 Other current assets	301,005	945,279
14 Right-of-use assets	63,311	73,857
15 Goodwill	119,854	130,028
18 Long-term financial assets	421,869	434,282
12 Other non-current assets	421,667	389,596
Inter-segment assets	(948,190)	(917,888)
Other	375,849	323,812
Total assets in the consolidated balance sheet	23,352,185	21,882,348

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

Liabilities of segments mainly comprise accounts payable arising in the course of operating activities. Current profit tax payable, deferred tax liabilities, long-term provisions (except for provision for decommissioning and site restoration), long-term and short-term borrowings, including current portion of long-term borrowings, long-term and short-term promissory notes payable and other non-current liabilities are not allocated to the reportable segments and managed on a central basis.

7. Segment Information (continued)

	31 December	
	2020	2019
Distribution of gas	791,817	827,063
Refining	754,088	604,614
Production of crude oil and gas condensate	441,058	371,326
Production of gas	334,499	370,591
Transportation of gas	256,853	282,634
Electric and heat energy generation and sales	124,102	114,430
Gas storage	34,093	28,999
All other segments	353,228	224,718
Total liabilities of segments	3,089,738	2,824,375

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

Notes	31 December	
	2020	2019
Liabilities of reportable segments	2,736,510	2,599,657
Liabilities of other segments	353,228	224,718
Total liabilities of segments	3,089,738	2,824,375
Short-term lease liabilities	17,567	20,567
Current profit tax payable	14,402	39,709
21 Short-term borrowings, promissory notes and current portion of long-term borrowings	693,534	774,202
22 Long-term borrowings, promissory notes	4,214,080	3,089,702
25 Long-term provisions (except for provision for decommissioning and site restoration)	348,140	326,888
23 Deferred tax liabilities	667,724	768,448
Long-term lease liabilities	48,647	50,686
Other non-current liabilities	138,864	68,759
Dividends	5,625	3,667
Inter-segment liabilities	(948,190)	(917,888)
Other	257,322	217,546
Total liabilities in the consolidated balance sheet	8,547,453	7,266,661

8. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks, term deposits with the original maturity of three months or less and other cash equivalents.

	31 December	
	2020	2019
Cash on hand and bank balances payable on demand	735,334	571,715
Term deposits with original maturity of three months or less and other cash equivalents	299,585	124,342
Total cash and cash equivalents	1,034,919	696,057

The fair value of cash and cash equivalents approximates their carrying value.

8. Cash and Cash Equivalents (continued)

Analysis of credit quality of banks at which the Group holds cash and cash equivalents by external credit ratings is provided in the table below. The ratings are conditionally shown under Standard & Poor's classification.

	31 December	
	2020	2019
Cash on hand	568	650
External credit investment rating	957,677	470,399
External credit non-investment rating	62,469	108,704
No external credit rating	14,205	116,304
Total cash and cash equivalents	1,034,919	696,057

The sovereign credit rating of the Russian Federation published by Standard & Poor's is BBB- with a stable outlook as of 31 December 2020 and 31 December 2019.

9. Short-Term Financial Assets

	31 December	
	2020	2019
Financial assets measured at fair value with changes recognised through profit or loss:	29,758	30,634
Bonds	29,517	30,405
Equity securities	241	229
Financial assets measured at fair value with changes recognised through other comprehensive income:	1	3,012
Equity securities	–	3,010
Promissory notes	1	2
Financial assets measured at amortised cost:	133	23,925
Promissory notes	133	23,925
Total short-term financial assets	29,892	57,571

Analysis of credit quality of short-term financial assets (excluding equity securities) is presented in the table below with reference to external credit ratings of related counterparties or financial instruments. The ratings are conditionally shown under Standard & Poor's classification.

	31 December	
	2020	2019
Investment rating	24,904	22,152
Non-investment rating	2,099	26,043
No external credit rating	2,648	6,137
	29,651	54,332

10. Accounts Receivable and Prepayments

	31 December	
	2020	2019
Financial assets		
Trade accounts receivable	871,814	756,746

10. Accounts Receivable and Prepayments (continued)

	31 December	
	2020	2019
Other accounts receivable	192,159	104,273
Loans receivable	158,543	103,476
	1,222,516	964,495
Non-financial assets		
Advances paid and prepayments	79,613	75,845
Total accounts receivable and prepayments	1,302,129	1,040,340

The estimated fair value of short-term accounts receivable approximates their carrying value.

Trade accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 975,910 million and RUB 841,298 million as of 31 December 2020 and 31 December 2019, respectively.

Loans receivable are presented net of allowance for expected credit losses in the amount of RUB 21,068 million and RUB 14,343 million as of 31 December 2020 and 31 December 2019, respectively.

Other accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 35,727 million and RUB 28,499 million as of 31 December 2020 and 31 December 2019, respectively.

Advances paid and prepayments are presented net of impairment allowance in the amount of RUB 6,029 million and RUB 5,720 million as of 31 December 2020 and 31 December 2019, respectively.

Other accounts receivable include rights of claim arising from promissory notes of Gazprombank (Joint-stock Company) in the amount of RUB 31,639 million as of 31 December 2020. As of 31 December 2019, these promissory notes were included in financial assets measured at amortised cost in the amount of RUB 23,814 million. These rights of claim and promissory notes were pledged to secure the repayment of loan funds provided to JSC Gazstroyprom.

Other accounts receivable are mainly represented by accounts receivable from Russian customers for various types of goods, works and services.

	Trade accounts receivable 31 December		Other accounts receivable and loans receivable 31 December	
	2020	2019	2020	2019
Short-term accounts receivable neither past due nor credit-impaired	785,828	644,323	286,471	192,590
Short-term accounts receivable past due or credit-impaired	1,061,896	953,721	121,026	58,002
Amount of allowance for expected credit losses of accounts receivable	(975,910)	(841,298)	(56,795)	(42,842)
Total short-term accounts receivable	871,814	756,746	350,702	207,750

Management's experience indicates customer payment histories in respect of trade accounts receivable neither past due nor credit-impaired vary by geography. Analysis of credit quality of trade and other receivable, loans receivable is provided below.

	31 December	
	2020	2019
Europe and other countries gas, crude oil, gas condensate and refined products trade accounts receivable	439,055	347,040
Domestic gas, crude oil, gas condensate and refined products trade accounts receivable	168,200	158,359
Former Soviet Union countries (excluding the Russian Federation) gas, crude oil, gas condensate and refined products trade accounts receivable	35,956	28,650
Electricity and heat trade accounts receivable	49,244	44,861
Gas transportation services trade accounts receivable	4,273	3,589

10. Accounts Receivable and Prepayments (continued)

	31 December	
	2020	2019
Other trade accounts receivable	89,100	61,824
Other accounts receivable	127,928	89,114
Loans receivable	158,543	103,476
Total accounts receivable neither past due nor credit-impaired	1,072,299	836,913

As of 31 December 2020 and 31 December 2019 credit-impaired receivables mainly relate to trade receivables for gas sold in certain Russian regions and former Soviet Union countries. In management's view the accounts receivable will be settled. The analysis of the credit quality of trade and other receivables, loans issued is presented below:

Ageing from the due date	Gross book value 31 December		Allowance for expected credit losses 31 December		Net book value 31 December	
	2020	2019	2020	2019	2020	2019
up to 6 months	177,990	165,068	(69,694)	(66,508)	108,296	98,560
from 6 to 12 months	67,969	70,501	(49,165)	(54,495)	18,804	16,006
from 1 to 3 years	206,065	165,942	(194,414)	(157,008)	11,651	8,934
more than 3 years	730,898	610,212	(719,432)	(606,129)	11,466	4,083
	1,182,922	1,011,723	(1,032,705)	(884,140)	150,217	127,583

Change in the Group's allowance for expected credit losses of trade and other accounts receivable is provided in the table below.

	Trade receivables Year ended 31 December		Other receivables and loans receivable Year ended 31 December	
	2020	2019	2020	2019
Allowance for expected credit losses of accounts receivable at the beginning of the year	841,298	957,770	42,842	35,262
Accrual of allowance for expected credit losses of accounts receivable ¹	84,518	178,320	16,678	12,201
Write-off of accounts receivable during the year ²	(3,654)	(167,964)	(1,453)	(2,149)
Reversal of previously accrued allowance for expected credit losses of accounts receivable ¹	(28,104)	(61,603)	(2,761)	(1,952)
Reclassification to other lines	(1,038)	112	403	-
Foreign exchange rate differences	82,890	(65,337)	1,086	(520)
Allowance for expected credit losses of accounts receivable at the end of the year	975,910	841,298	56,795	42,842

¹ The accrual and release of allowance for expected credit losses of trade and other accounts receivable have been included in the line "Impairment loss on financial assets" in the consolidated statement of comprehensive income.

² If there is no probability of cash receipt for the credit-impaired accounts receivable which were previously provided for, the amount of respective accounts receivable is written-off by means of that allowance.

11. Inventories

	31 December	
	2020	2019
Gas in pipelines and storages	524,419	561,927
Materials and supplies (net of amount of write-down to net realizable value in size of RUB 6,213 million and RUB 6,493 million as of 31 December 2020 and 31 December 2019, respectively)	199,279	195,069

11. Inventories (continued)

	31 December	
	2020	2019
Goods for resale (net of amount of write-down to net realizable value in size of RUB 6,484 million and RUB 4,286 million as of 31 December 2020 and 31 December 2019, respectively)	148,573	69,357
Crude oil and refined products	99,518	120,008
Total inventories	971,789	946,361

In 2019, the Group made borrowings secured by inventories, the carrying value of the pledged inventories amounted to RUB 70,168 million as of 31 December 2019. The pledge was terminated as of 31 December 2020.

12. Other Current and Non-Current Assets

Other current assets are provided in the table below.

Notes	31 December	
	2020	2019
Financial assets		
42 Derivative financial instruments	107,162	109,954
Short-term deposits	15,101	673,145
	122,263	783,099
Non-financial assets		
Prepaid VAT	118,797	115,775
Prepaid profit tax	19,212	10,247
Other	40,733	36,158
	178,742	162,180
Total other current assets	301,005	945,279

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

Notes	31 December	
	2020	2019
Financial assets		
42 Derivative financial instruments	19,286	19,770
Long-term deposits	1,562	3,277
	20,848	23,047
Non-financial assets		
Intangible assets	80,040	64,380
VAT recoverable related to assets under construction	22,575	41,348
25 Net pension plan assets	–	26,547
Other	298,204	234,274
	400,819	366,549
Total other non-current assets	421,667	389,596

The estimated fair value of short-term and long-term deposits approximates their carrying value.

13. Property, Plant and Equipment

Notes	Pipelines	Wells	Machinery and equipment	Buildings and roads	Production licenses	Social assets	Assets under construction	Total
As of 31 December 2018								
Cost	4,002,373	1,974,967	5,532,563	4,221,488	637,072	88,479	4,476,531	20,933,473
Accumulated depreciation	(1,596,247)	(616,637)	(2,632,683)	(1,539,876)	(276,016)	(45,298)	–	(6,706,757)
Impairment allowance	(445)	(103,084)	(82,565)	(31,970)	(7,892)	–	(191,326)	(417,282)
Net book value as of 31 December 2018	2,405,681	1,255,246	2,817,315	2,649,642	353,164	43,181	4,285,205	13,809,434
Cost								
14 Reclassification to right-of-use assets	–	–	(106,451)	(6,426)	–	–	–	(112,877)
Additions	12	81,455	32,526	36,958	3,679	–	1,995,835	2,150,465
Transfers	530,393	194,462	412,902	531,869	10,028	4,552	(1,684,206)	–
Disposals	(4,395)	(17,810)	(66,667)	(36,241)	(5,920)	(2,664)	(133,816)	(267,513)
Translation differences	(6,604)	(48,496)	(40,128)	(27,066)	(10,896)	(321)	(129,569)	(263,080)
Accumulated depreciation and impairment allowance								
14 Reclassification to right-of-use assets	–	–	69,467	2,328	–	–	–	71,795
Depreciation	(88,825)	(86,958)	(343,988)	(151,770)	(12,126)	(2,457)	–	(686,124)
Disposals	3,982	7,675	53,873	17,478	129	843	21,507	105,487
Translation differences	4,532	20,419	20,491	11,749	7,574	67	2,355	67,187
Change in impairment allowance	–	(5,317)	(12,892)	(7,072)	–	–	6,955	(18,326)
allowance accrual	–	(6,469)	(12,892)	(7,072)	–	–	(38,876)	(65,309)
allowance release	–	1,152	–	–	–	–	45,831	46,983
As of 31 December 2019								
Cost	4,521,779	2,184,578	5,764,745	4,720,582	633,963	90,046	4,524,775	22,440,468
Accumulated depreciation	(1,676,558)	(681,163)	(2,836,266)	(1,660,100)	(281,732)	(46,845)	–	(7,182,664)
Impairment allowance	(445)	(102,739)	(92,031)	(39,033)	(6,599)	–	(160,509)	(401,356)
Net book value as of 31 December 2019	2,844,776	1,400,676	2,836,448	3,021,449	345,632	43,201	4,364,266	14,856,448
Cost								
Additions	1,990	30,159	42,095	14,339	12,129	246	1,700,617	1,801,575
Transfers	611,543	248,185	432,312	322,125	8,512	3,882	(1,626,559)	–
Disposals	(832)	(20,456)	(77,091)	(11,878)	(3,167)	(406)	(130,632)	(244,462)
Translation differences	117,813	90,717	67,054	44,701	17,061	676	202,520	540,542
Accumulated depreciation and impairment allowance								
Depreciation	(109,591)	(105,680)	(363,583)	(170,203)	(10,042)	(2,728)	–	(761,827)
Disposals	788	9,182	24,569	3,914	45	204	25,009	63,711
Translation differences	(4,407)	(38,662)	(29,569)	(18,404)	(11,483)	(216)	(4,760)	(107,501)
Change in impairment allowance	–	(18,517)	(3,142)	(3,809)	(321)	–	(19,602)	(45,391)
allowance accrual	–	(18,517)	(4,817)	(3,809)	(321)	–	(20,057)	(47,521)
allowance release	–	–	1,675	–	–	–	455	2,130

13. Property, Plant and Equipmen (continued)

Notes	Pipelines	Wells	Machinery and equipment	Buildings and roads	Production licenses	Social assets	Assets under construction	Total
As of 31 December 2020								
Cost	5,252,293	2,533,183	6,235,303	5,089,889	668,498	94,444	4,664,513	24,538,123
Accumulated depreciation	(1,789,768)	(809,051)	(3,203,330)	(1,844,776)	(303,232)	(49,585)	–	(7,999,742)
Impairment allowance	(445)	(128,528)	(102,880)	(42,879)	(6,900)	–	(153,654)	(435,286)
Net book value as of 31 December 2020	3,462,080	1,595,604	2,929,093	3,202,234	358,366	44,859	4,510,859	16,103,095

At the each balance sheet date management assess whether there is any indication that the recoverable value has declined below the carrying value of assets, including goodwill.

As of 31 December 2020 and 31 December 2019 the Group conducted a test of assets for the purposes of making a decision on the possible accrual or release of previously recognised impairment.

For the impairment test the Group's assets are grouped into cash-generating units ("CGU") and their recoverable amount has been determined on the basis of the values in their use. The values in use of each CGU have been calculated by the Group as the present values of forecasted future cash flows discounted using the rates derived from the weighted average cost of capital of the Group, as adjusted, where applicable, to take into account any specific risks of business operations related assets.

The Group applied discount rates ranging from 4.93% to 13.80% and from 4.71% to 12.30 % as of 31 December 2020 and 31 December 2019, respectively. Cash flows were forecasted based on actual operating results, budgets and other corporate documents containing forward-looking data.

The cash flow forecast covered periods commensurate with expected useful lives of the respective assets. To extrapolate cash flows beyond the periods, which are not included in the corporate documents containing forecast data, estimated growth rates were used.

The most significant CGU is the group of assets that constitute a unified gas supply system ("UGSS").

As of 31 December 2020 and 31 December 2019 the test did not reveal any impairment of the CGU relating to UGSS, assets for production, transportation and refining of gas in the Eastern Siberia and the Far East.

As of 31 December 2020 based on the result of the impairment test the Group recognised an impairment loss in the amount of RUB 27,464 million for the following CGU:

- production of gas;
- exploration and production of oil;
- electric and heat energy generation and sales.

As of 31 December 2019 based on the result of the impairment test the Group recognised an impairment loss in the amount of RUB 26,433 million for the following CGU:

- exploration and production of oil;
- electric and heat energy generation and sales.

Impairment allowance of assets under construction primarily relate to assets for which it is not yet probable that there will be future economic benefits.

In 2019, for assets under construction related to the Turkish Stream project:

- release of impairment loss in the amount of RUB 45,585 million was recognised in connection with the project entering the final stage of construction and removal of the existed uncertainties regarding its realisation;
- impairment loss was recognised for assets in Bulgaria in the amount of RUB 11,188 million due to the lack of probability of the future economic benefits from their use.

The assets of the Turkish Stream project belong to the Transportation of gas segment.

Property, plant and equipment include social assets (rest houses, housing, schools and medical facilities), which the Group received at privatisation, with a net book value of RUB 27 million and RUB 45 million as of 31 December 2020 and 31 December 2019, respectively.

Included in additions above are capitalised borrowing costs of RUB 226,338 million and RUB 154,516 million for the years ended 31 December 2020 and 31 December 2019, respectively.

13. Property, Plant and Equipmen (continued)

Capitalisation rates of 6.06% and 5.52% were used representing the weighted average borrowing cost including exchange differences on foreign currency borrowings for the years ended 31 December 2020 and 31 December 2019, respectively. Capitalisation rate excluding exchange losses on foreign currency borrowings were 5.13% and 5.50% for the years ended 31 December 2020 and 31 December 2019, respectively.

The information regarding the Group's exploration and evaluation assets (included within production licenses and assets under construction) is presented below.

	Year ended 31 December	
	2020	2019
Exploration and evaluation assets at the beginning of the year	333,121	319,678
Additions	77,420	80,322
Translation differences	6,219	(5,353)
Reclassification	(2,370)	(4,240)
Disposals	(42,575) ¹	(57,286) ²
Exploration and evaluation assets at the end of the year	371,815	333,121

¹ Including impairment loss in the amount of RUB 4,566 million.

² Including impairment loss in the amount of RUB 512 million.

14. Right-of-Use Assets

Notes	Operating assets	Social assets	Total
Net book value as of 31 December 2018	–	–	–
Cost			
Initial recognition	148,877	31,408	180,285
13 Reclassification from property, plant and equipment	41,082	–	41,082
Reclassification	25,992	(25,992)	–
Additions as a result of new leases	40,995	3,622	44,617
Effect of modification and changes of estimates in lease contracts	(150)	(108)	(258)
Translation differences	(6,325)	–	(6,325)
Accumulated depreciation and impairment allowance			
Depreciation	(37,726)	(1,424)	(39,150)
30 Impairment allowance accrual	(6,007)	–	(6,007)
As of 31 December 2019			
Cost	250,471	8,930	259,401
Accumulated depreciation and impairment allowance	(43,733)	(1,424)	(45,157)
Net book value as of 31 December 2019	206,738	7,506	214,244
Cost			
Additions as a result of new leases	9,634	1,181	10,815
Disposals	(6,288)	(2,617)	(8,905)
Effect of modification and changes of estimates in lease contracts	6,014	212	6,226
Translation differences	12,706	–	12,706
Accumulated depreciation and impairment allowance			
Depreciation	(40,220)	(1,268)	(41,488)
Disposals	3,641	786	4,427

14. Right-of-Use Assets (continued)

Notes	Operating assets	Social assets	Total
30 Impairment allowance accrual	(15)	–	(15)
Effect of modification and changes of estimates in lease contracts	952	–	952
Translation differences	(3,649)	–	(3,649)
As of 31 December 2020			
Cost	272,537	7,706	280,243
Accumulated depreciation and impairment allowance	(83,024)	(1,906)	(84,930)
Net book value as of 31 December 2020	189,513	5,800	195,313

Right-of-use assets are mainly represented by leases of ships, used for transportation of liquefied natural gas and refined products, and leases of properties and land occupied by operating assets.

The total cash outflow under lease agreements amounted to RUB 56,999 million and RUB 59,450 million for the years ended 31 December 2020 and 31 December 2019, respectively.

15. Goodwill

Change in goodwill occurred as a result of subsidiaries acquisition is presented in the table below.

Notes	Year ended 31 December	
	2020	2019
Goodwill at the beginning of the year	130,028	108,097
37 Additions	–	22,999
37 Adjustments to provisional amounts	(9,782)	–
Translation differences	3,384	(879)
30 Impairment	(3,774)	(187)
Disposals	(2)	(2)
Goodwill at the end of the year	119,854	130,028

Goodwill acquired through business combinations has been allocated to the related cash-generating units and segments within the following operations:

	31 December	
	2020	2019
Gas production, transportation and distribution	44,123	44,105
Production of crude oil and gas condensate	37,962	34,598
Electric and heat energy generation and sales	28,326	28,326
Production and maintenance of turbocompressor and power equipment	9,443	22,999
Total goodwill	119,854	130,028

Management has assessed the existence of indications of goodwill impairment. The procedure of calculating of the recoverable amount of a group of cash-generating units is described in Note 13.

As a result of this assessment the Group recognised impairment loss on goodwill in the amount of RUB 3,774 million and RUB 187 million for the years ended 31 December 2020 and 31 December 2019, respectively.

16. Investments in Associates and Joint Ventures

Notes		Carrying value as of 31 December		Share of profit (loss) of associates and joint ventures for the year ended 31 December		
		2020	2019	2020	2019	
25, 38, 40	Gazprombank (Joint-stock Company) and its subsidiaries ¹	Associate	227,649	211,171	17,937	11,585
38, 41	Sakhalin Energy Investment Company Ltd.	Associate	216,853	176,333	38,085	67,220
38	JSC Arcticgas	Joint venture	160,312	136,262	34,300	39,849
38	PJSC NGK Slavneft and its subsidiaries	Joint venture	156,725	159,420	(2,481)	8,912
38, 41	Nord Stream AG	Joint venture	119,666	83,107	22,083	17,840
38	WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries ²	Joint venture	68,824	52,159	10,084	7,519
38	JSC Messoyakhaneftegas	Joint venture	44,387	45,350	9,037	25,814
38,41	JSC Gazstroyprom	Associate	42,567	43,129	(562)	1,911
38	JSC EUROPOL GAZ	Associate	37,522	30,117	343	357
25, 38, 41	JSC NPF GAZFOND ³	Associate	34,863	32,729	2,134	3,868
38	JSC Achimgaz	Joint venture	33,313	34,888	10,576	14,079
	Wintershall AG	Associate	19,172	15,590	(1,066)	(175)
38	KazRosGas LLP	Joint venture	13,460	12,949	712	2,580
38	CJSC Northgas	Joint venture	12,226	10,526	1,700	3,090
38	JSC Latvijas Gaze and its subsidiaries	Associate	4,310	3,481	222	499
38	Wintershall Noordzee B.V.	Joint venture	4,043	5,309	(9,169)	(2,013)
	Other (net of allowance for investments impairment in the amount of RUB 21,435 million and RUB 22,037 million as of 31 December 2020 and 31 December 2019, respectively)		131,349	130,342	2,801	4,192
			1,327,241	1,182,862	136,736	207,127

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 47.87% to 49.88%.

² In December 2019 WIGA Transport Beteiligungs-GmbH & Co. KG was reclassified from an associate into a joint venture due to amendments made to the company's Articles of Association, accordingly since that time the investment into WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries became accounted for as the investment in a joint venture.

³ 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.

The change in the carrying amount of investments in associates and joint ventures is as follows.

	Year ended 31 December	
	2020	2019
Investments in associates and joint ventures at the beginning of the year	1,182,862	1,097,446
Share of profit of associates and joint ventures	136,736	207,127
Distributions from associates and joint ventures	(104,090)	(180,936)
Share of other comprehensive loss of associates and joint ventures	(30,308)	(4,276)
Translation differences	95,470	(52,096)
Other acquisitions and disposals	46,571	115,597
Investments in associates and joint ventures at the end of the year	1,327,241	1,182,862

16. Investments in Associates and Joint Ventures (continued)

The estimated fair value of the Group's investments in associates and joint ventures which is based on published price quotations is provided in the table below.

	31 December	
	2020	2019
JSC Latvijas Gaze	12,878	9,281

Significant associates and joint ventures

	Country of primary operations	Country of incorporation	Nature of operations	Ownership interest (%) ¹ as of 31 December	
				2020	2019
JSC Arcticgas	Russia	Russia	Production of oil and petroleum gas	50	50
JSC Achimgaz	Russia	Russia	Exploration and production of gas and gas condensate	50	50
WIGA Transport Beteiligungs-GmbH & Co. KG	Germany	Germany	Gas transportation	49.98	49.98
Wintershall AG	Libya	Germany	Production of oil and gas sales	49	49
Gaz Project Development Central Asia AG	Uzbekistan	Switzerland	Gas production	50	50
Gazprombank (Joint-stock Company) ²	Russia	Russia	Banking	49.88	47.87
JSC Gazstroyprom	Russia	Russia	Customer's and contractor's functions under construction contracts	49	49
JSC NPF GAZFOND	Russia	Russia	Non-state pension provision	42	42
JSC EUROPOL GAZ	Poland	Poland	Transportation and gas sales	48	48
KazRosGas LLP	Kazakhstan	Kazakhstan	Gas processing and sales of gas and refined products	50	50
JSC Latvijas Gaze	Latvia	Latvia	Sale and distribution of gas	34	34
JSC Messoyakhaneftegaz	Russia	Russia	Production of oil and petroleum gas	50	50
JSV Moldovagaz	Moldova	Moldova	Transportation and gas sales	50	50
Nord Stream AG ³	Russia, Germany	Switzerland	Gas transportation	51	51
CJSC Northgas	Russia	Russia	Production and sales of gas and gas condensate	50	50
Panrusgas Co.	Hungary	Hungary	Gas sales	40	40
Prometheus Gas S.A.	Greece	Greece	Gas sales, construction	50	50
Sakhalin Energy Investment Company Ltd.	Russia	Bermuda Islands	Production of oil, LNG	50	50
PJSC NGK Slavneft	Russia	Russia	Production, processing and sales of oil	49.88	49.85

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.

Summarised financial information of the Group's significant associates and joint ventures is presented below.

The disclosed values of assets, liabilities, revenues, profit (loss) of the Group's significant associates and joint ventures represent total values and not the Group's share of them.

This financial information may differ from the financial statements of an associate or a joint venture prepared and presented in accordance with IFRS due to adjustments required in application of the equity method, such as fair value adjustments to identifiable assets and liabilities at the date of acquisition and adjustments for differences in accounting policies.

16. Investments in Associates and Joint Ventures (continued)

	PJSC NGK Slavneft and its subsidiaries	Gazprombank (Joint-stock Company) and its subsidiaries ^{1,2}	Sakhalin Energy Investment Company Ltd.
As of 31 December 2020 and for the year ended 31 December 2020			
Cash and cash equivalents	2,281	943,439	18,229
Other current assets (excluding cash and cash equivalents)	47,779	1,590,281	89,760
Other non-current assets	549,836	4,896,541	874,261
Total assets	599,896	7,430,261	982,250
Current financial liabilities (excluding trade payables)	52,151	5,353,272	54,911
Other current liabilities (including trade payables)	27,605	154,948	105,428
Non-current financial liabilities	132,221	1,255,417	86,277
Other non-current liabilities	68,182	27,751	301,929
Total liabilities	280,159	6,791,388	548,545
Net assets (including non-controlling interest)	319,737	638,873	433,705
Ownership interest	49.88%	49.88%	50%
Carrying value of investment	156,725	227,649	216,853
Revenue	175,013	245,487	314,480
Depreciation	(42,981)	(52,994)	(129,391)
Interest income	106	407,372	1,518
Interest expense	(5,650)	(237,855)	(11,368)
Profit tax expenses	451	(25,402)	(35,710)
(Loss) profit for the year	(5,205)	55,995	76,170
Other comprehensive (loss) income for the year	(29)	13,224	294
Comprehensive (loss) income for the year	(5,234)	69,219	76,464
Dividends received from associates and joint ventures	(1)	(4,013)	(34,672)
As of 31 December 2019 and for the year ended 31 December 2019			
Cash and cash equivalents	2,771	739,024	27,748
Other current assets (excluding cash and cash equivalents)	97,774	5,066,684	107,141
Other non-current assets	502,000	682,101	799,744
Total assets	602,545	6,487,809	934,633
Current financial liabilities (excluding trade payables)	22,919	4,872,924	63,414
Other current liabilities (including trade payables)	65,474	113,674	128,715
Non-current financial liabilities	123,882	844,960	118,176
Other non-current liabilities	66,392	28,468	271,661
Total liabilities	278,667	5,860,026	581,966
Net assets (including non-controlling interest)	323,878	627,783	352,667
Ownership interest	49.85%	47.87%	50%
Carrying value of investment	159,420	211,171	176,333
Revenue	316,084	270,566	386,709
Depreciation	(45,162)	(52,881)	(113,439)
Interest income	543	409,459	4,024

16. Investments in Associates and Joint Ventures (continued)

	PJSC NGK Slavneft and its subsidiaries	Gazprombank (Joint-stock Company) and its subsidiaries ^{1,2}	Sakhalin Energy Investment Company Ltd.
Interest expense	(6,755)	(266,705)	(12,915)
Profit tax expenses	(8,644)	(15,429)	(73,600)
Profit for the year	18,653	45,359	134,439
Other comprehensive loss for the year	(520)	(5,614)	(136)
Comprehensive income for the year	18,133	39,745	134,303
Dividends received from associates and joint ventures	(3)	(3,089)	(65,466)

¹ The amount of revenue of Gazprombank (Joint-stock Company) and its subsidiaries includes revenue of media business, machinery business and other non-banking entities.
² Share in voting shares.

	Assets	Liabilities	Revenues	Profit (loss)
As of 31 December 2020 and for the year ended 31 December 2020				
JSC Gazstroyprom	879,528	753,886	249,270	(1,147)
Nord Stream AG	486,764	252,122	89,005	43,299
JSC NPF GAZFOND	462,278	378,308	–	10,833
JSC Arcticgas	436,689	140,391	171,095	68,601
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	398,438	240,026	65,076	19,583
JSC Messoyakhaneftegaz	228,539	140,187	97,554	18,077
JSC Achimgaz	94,507	27,880	84,999	21,151
JSC EUROPOL GAZ	80,163	1,994	16,476	714
Wintershall AG	69,861	45,455	–	(2,176)
Wintershall Noordzee B.V.	45,480	36,901	5,447	(18,337)
CJSC Northgas	44,337	18,945	15,293	3,399
JSC Latvijas Gaze and its subsidiaries	29,562	7,228	15,643	733
KazRosGas LLP	28,572	1,653	29,051	1,424
As of 31 December 2019 and for the year ended 31 December 2019				
JSC Gazstroyprom	463,598	375,581	105,988	3,774
JSC NPF GAZFOND	454,054	375,224	–	24,168
JSC Arcticgas	419,362	171,170	196,395	79,696
Nord Stream AG	392,013	229,056	77,823	34,981
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	284,526	173,024	76,215	15,498
JSC Messoyakhaneftegaz	221,692	131,417	141,449	51,632
JSC Achimgaz	103,132	33,354	68,882	28,158
JSC EUROPOL GAZ	64,028	1,287	15,164	782
Wintershall AG	58,940	36,092	8,898	(358)
Wintershall Noordzee B.V.	46,049	37,318	7,933	(4,025)
CJSC Northgas	45,993	24,006	21,136	6,179
KazRosGas LLP	33,382	7,483	51,611	5,159
JSC Latvijas Gaze and its subsidiaries	19,880	5,584	22,893	1,469

17. Long-Term Accounts Receivable and Prepayments

	31 December	
	2020	2019
Financial assets		
Long-term trade accounts receivable	47,661	39,555
Long-term loans receivable	194,215	215,104
Long-term other accounts receivable	83,460	83,760
	325,336	338,419
Non-financial assets		
Long-term prepayments	23,082	22,525
Advances for assets under construction	640,439	485,791
	663,521	508,316
Total long-term accounts receivable and prepayments	988,857	846,735

Long-term accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 16,083 million and RUB 11,628 million as of 31 December 2020 and 31 December 2019, respectively. Prepayments and advances paid for assets under construction are presented net of impairment allowance in the amount of RUB 8,794 million and RUB 8,305 million as of 31 December 2020 and 31 December 2019, respectively.

As of 31 December 2020 and 31 December 2019 long-term accounts receivable and prepayments with carrying value RUB 325,336 million and RUB 338,419 million have an estimated fair value RUB 325,336 million and RUB 338,419 million, respectively.

	Trade accounts receivable 31 December		Other accounts receivable and loans receivable 31 December	
	2020	2019	2020	2019
Long-term accounts receivable neither past due nor credit-impaired	47,661	39,555	277,675	298,864
Long-term accounts receivable past due or credit-impaired	5,927	4,300	10,156	7,328
Allowance for expected credit losses of long-term accounts receivable	(5,927)	(4,300)	(10,156)	(7,328)
Total long-term accounts receivable	47,661	39,555	277,675	298,864

Management experience indicates that long-term loans to other entities granted mainly for capital construction purposes are of strong credit quality.

Movement of the Group's allowance for expected credit losses of long-term accounts receivable is presented in the table below.

	Trade accounts receivable 31 December		Other accounts receivable and loans receivable 31 December	
	2020	2019	2020	2019
Allowance for expected credit losses of accounts receivable at the beginning of the year	4,300	4,666	7,328	7,365
Accrual of allowance for expected credit losses of accounts receivable ¹	–	229	2,789	2,533
Reversal of previously accrued allowance for expected credit losses of accounts receivable ¹	(175)	–	(711)	(1,906)
Reclassification to other line of assets	1,038	(112)	(403)	–
Foreign exchange rate differences	764	(483)	1,153	(664)
Allowance for expected credit losses of accounts receivable at the end of the year	5,927	4,300	10,156	7,328

¹ The accrual and release of allowance for expected credit losses of long-term accounts receivable have been included in the line "Impairment loss on financial assets" in the consolidated statement of comprehensive income.

18. Long-Term Financial Assets

	31 December	
	2020	2019
Financial assets measured at fair value with changes recognised through profit or loss:	3,056	2,447
Equity securities	3,056	2,447
Financial assets measured at fair value with changes recognised through other comprehensive income:	418,813	431,835
Equity securities ¹	418,504	431,551
Promissory notes	309	284
Total long-term financial assets	421,869	434,282

¹ As of 31 December 2020 and 31 December 2019 equity securities measured at fair value with changes recognised through other comprehensive income include PJSC NOVATEK shares in the amount of RUB 362,681 million and RUB 380,811 million, respectively.

Long-term financial assets are shown net of allowance for expected credit losses of RUB 34 million as of 31 December 2020 and 31 December 2019.

Long-term financial assets measured at fair value with changes recognised through other comprehensive income include promissory notes on the Group companies' balances which are assessed by management as of high credit quality.

Movement in long-term financial assets is presented in the table below.

	Year ended 31 December	
	2020	2019
Long-term financial assets at the beginning of the year	434,282	416,666
(Decrease) increase in fair value of long-term financial assets	(16,788)	23,131
Acquisition of long-term financial assets	4,451	551
Disposal of long-term financial assets	(565)	(2,874)
Reclassification to short-term financial assets	–	(3,010)
Translation differences	489	(183)
Release of allowance for expected credit losses of long-term financial assets	–	1
Long-term financial assets at the end of the year	421,869	434,282

As of the reporting date the maximum exposure to credit risk for this category of assets equals to the fair value of the promissory notes classified as financial assets measured at fair value with changes recognised through other comprehensive income. The fair value of financial assets measured at fair value with changes recognised through other comprehensive income mainly has been determined using the quoted market prices (see Note 42).

19. Accounts payable, provisions and other liabilities

Notes	31 December	
	2020	2019
Financial liabilities		
Trade accounts payable	509,013	498,181
Accounts payable for acquisition of property, plant and equipment	387,110	331,364
42 Derivative financial instruments	118,872	99,998
Lease liabilities	41,452	42,020
Other accounts payable ¹	298,394	304,682
	1,354,841	1,276,245

19. Accounts payable, provisions and other liabilities (continued)

Notes	31 December	
	2020	2019
Non-financial liabilities		
Advances received	265,329	143,934
Accruals and deferred income	2,118	1,937
	267,447	145,871
Total accounts payable, provisions and other liabilities	1,622,288	1,422,116

¹ As of 31 December 2020 and 31 December 2019 other accounts payable include RUB 40,692 million and RUB 93,542 million of accruals for probable price adjustments related to natural gas deliveries made from 2014 to 2020, respectively.

Advances received include advances under construction contracts, that contain a significant financing component determined based on the discount rate that would have been applied to a separate financing transaction between the Group and its customer at the contract conclusion date and relate to a operational cycle with a period of more than 12 months. Revenue will be recognised when all contract work is completed in 2022. The amount of outstanding obligations to be fulfilled excluding the significant financing component amounted to RUB 65,000 million as of 31 December 2020 and 31 December 2019.

The fair value of these liabilities approximately equal to their carrying value.

20. Taxes Other than on Profit and Fees Payable

	31 December	
	2020	2019
VAT	134,616	116,007
MET	73,190	86,712
Property tax	31,871	34,755
Excise tax	25,696	26,126
Other taxes	31,367	27,849
Total taxes and fees payable	296,740	291,449

21. Short-Term Borrowings, Promissory Notes and Current Portion of Long-Term Borrowings

	31 December	
	2020	2019
Short-term borrowings and promissory notes:		
Borrowings and promissory notes denominated in Russian Rubles	88,856	89,119
Foreign currency denominated borrowings	30,730	64,706
	119,586	153,825
Current portion of long-term borrowings (see Note 22)	573,948	620,377
Total short-term borrowings, promissory notes and current portion of long-term borrowings	693,534	774,202

The weighted average effective interest rates at the balance sheet date were as follows:

	31 December	
	2020	2019
Fixed rate short-term borrowings denominated in Russian Rubles	5.38%	7.08%
Variable rate short-term borrowings denominated in Russian Rubles	5.25%	6.76%
Variable rate foreign currency denominated short-term borrowings	0.11%	1.42%

The fair value of these liabilities approximates their carrying value.

22. Long-Term Borrowings, Promissory Notes

	Currency	Final maturity	31 December	
			2020	2019
Long-term borrowings, promissory notes payable to:				
China Construction Bank Corporation, Beijing branch ^{1,2}	Euro	2034	248,384	–
Loan participation notes issued in February 2020 ³	US Dollar	2030	148,344	–
Loan participation notes issued in September 2012 ⁴	US Dollar	2022	112,174	93,999
Loan participation notes issued in November 2013 ⁴	US Dollar	2023	111,423	93,370
Gazprombank (Joint-stock Company)	Russian Ruble	2027	106,342	101,018
Loan participation notes issued in March 2007 ⁵	US Dollar	2022	98,018	82,136
Loan participation notes issued in August 2007 ⁵	US Dollar	2037	94,868	79,497
Loan participation notes issued in February 2019 ⁵	US Dollar	2026	93,620	78,246
Intesa Sanpaolo Bank Luxembourg S.A. ¹	Euro	2023	93,130	82,865
Loan participation notes issued in November 2018 ⁵	Euro	2024	92,759	70,686
Loan participation notes issued in April 2020 ³	Euro	2025	91,978	–
Loan participation notes issued in November 2016 ⁵	Euro	2023	90,737	69,210
Loan participation notes issued in April 2004 ⁵	US Dollar	2034	89,988	75,407
Loan participation notes issued in April 2017 ^{5,6}	British Pound Sterling	2024	89,293	68,120
J.P. Morgan AG ¹	Euro	2023	85,421	76,029
Loan participation notes issued in July 2012 ⁵	US Dollar	2022	75,521	63,285
Loan participation notes issued in June 2020 ³	US Dollar	2027	73,291	–
PJSC Sberbank ^{1,2}	Russian Ruble	2034	71,312	–
Loan participation notes issued in February 2014 ⁵	Euro	2021	70,086	53,590
Loan participation notes issued in March 2018 ⁵	Euro	2026	68,965	52,569
Loan participation notes issued in November 2017 ⁵	Euro	2024	67,851	51,719
Loan participation notes issued in February 2013 ⁵	US Dollar	2028	67,814	56,826
UniCredit S.p.A.	Euro	2025	63,473	48,379
Loan participation notes issued in March 2018 ⁵	Swiss Franc	2023	63,169	47,964
Loan participation notes issued in March 2017 ⁵	US Dollar	2027	55,801	46,647
J.P. Morgan AG ¹	Euro	2022	51,657	59,150
Loan participation notes issued in March 2013 ⁵	Euro	2025	46,892	35,853
Wintershall Nederland Transport and Trading B.V. ⁷	Euro	2034	46,738	32,378
OMV Gas Marketing Trading & Finance B.V. ⁷	Euro	2034	46,738	32,378
Shell Exploration and Production (LXXI) B.V. ⁷	Euro	2034	46,738	32,378
Uniper Gas Transportation and Finance B.V. ⁷	Euro	2034	46,738	32,378
Engie Energy Management Holding Switzerland AG ⁷	Euro	2034	46,737	32,378
Loan issued in December 2018 ⁸	Japanese yen	2028	46,045	36,373
Loan participation notes issued in November 2011 ⁵	US Dollar	2021	45,493	38,122

22. Long-Term Borrowings, Promissory Note (continued)

	Currency	Final maturity	31 December	
			2020	2019
Natixis ¹	Euro	2024	45,391	34,582
Sumitomo Mitsui Banking Corporation	Euro	2025	45,096	–
Mizuho Bank Ltd	Euro	2025	45,047	–
Loan participation notes issued in November 2016 ^{5, 6}	Swiss Franc	2021	42,324	32,281
Loan participation notes issued in July 2017 ^{5, 6}	Swiss Franc	2022	41,504	31,637
Wintershall Nederland Transport and Trading B.V. ⁷	Euro	2035	39,843	26,775
Uniper Gas Transportation and Finance B.V. ⁷	Euro	2035	39,842	26,775
OMV Gas Marketing Trading & Finance B.V. ⁷	Euro	2035	39,839	26,773
Shell Exploration and Production (LXXI) B.V. ⁷	Euro	2035	39,839	26,773
Engie Energy Management Holding Switzerland AG ⁷	Euro	2035	39,839	26,773
UniCredit S.p.A.	Euro	2022	38,930	44,586
Credit Agricole CIB	Euro	2023	38,780	41,455
MUFG Bank Ltd.	Euro	2023	38,679	34,425
ING Bank, a branch of ING-DiBa AG	Euro	2023	36,202	27,606
Credit Agricole CIB, London branch	Euro	2023	36,182	–
Gazprombank (Joint-stock Company) ^{1, 2}	Russian Ruble	2034	35,072	–
Citibank Europe plc ¹	Euro	2023	32,906	29,288
PJSC Sberbank	Russian Ruble	2025	32,854	–
Intesa Sanpaolo S.p.A. ^{1, 2}	Euro	2034	31,893	–
PJSC Sberbank	Euro	2023	31,462	33,687
Credit Agricole CIB	Euro	2022	27,295	34,706
Russian bonds issued in December 2020 ⁹	Russian Ruble	2023	27,049	–
JSC ALFA-BANK	US Dollar	2023	26,971	22,607
Bank of China Limited, London branch	Euro	2021	26,115	59,461
Russian bonds issued in March 2018 ⁴	Russian Ruble	2024	25,552	25,542
Russian bonds issued in October 2017 ⁴	Russian Ruble	2022	25,392	25,382
Russian bonds issued in November 2019 ⁴	Russian Ruble	2024	25,209	25,166
PJSC Sberbank	Euro	2022	22,168	16,952
UniCredit S.p.A.	Euro	2025	21,800	–
Russian bonds issued in December 2019 ⁴	Russian Ruble	2029	20,023	20,012
Russian bonds issued in December 2020 ⁴	Russian Ruble	2024	20,016	–
PJSC VTB Bank	Euro	2022	18,130	13,858
VTB Bank (Europe) SE	Euro	2027	17,695	15,613
PJSC Sberbank ^{1, 2}	Euro	2034	17,458	–
Russian bonds issued in July 2019 ¹⁰	Russian Ruble	2024	15,542	15,535
Russian bonds issued in July 2018 ¹¹	Russian Ruble	2048	15,519	15,513
Russian bonds issued in July 2018 ¹¹	Russian Ruble	2048	15,519	15,513

22. Long-Term Borrowings, Promissory Note (continued)

	Currency	Final maturity	31 December	
			2020	2019
Russian bonds issued in February 2017 ¹⁰	Russian Ruble	2027	15,516	15,508
Russian bonds issued in February 2017 ¹⁰	Russian Ruble	2027	15,516	15,508
Russian bonds issued in August 2017 ⁴	Russian Ruble	2024	15,496	15,487
Russian bonds issued in April 2017 ⁴	Russian Ruble	2022	15,300	15,289
Gazprombank (Joint-stock Company)	Russian Ruble	2022	15,111	22,700
Russian bonds issued in June 2019 ¹⁰	Russian Ruble	2022	15,095	15,089
Russian bonds issued in November 2013 ¹¹	Russian Ruble	2043	15,088	15,081
Russian bonds issued in November 2013 ¹¹	Russian Ruble	2043	15,088	15,081
Russian bonds issued in June 2020 ¹⁰	Russian Ruble	2027	15,075	–
Russian bonds issued in June 2020 ¹⁰	Russian Ruble	2025	15,073	–
JSC BANK "ROSSIYA"	Russian Ruble	2022	15,000	15,000
PJSC CREDIT BANK OF MOSCOW	Russian Ruble	2024	14,940	14,925
PJSC CREDIT BANK OF MOSCOW	Russian Ruble	2025	14,935	–
PJSC VTB Bank	Russian Ruble	2028	14,698	–
ING Bank N.V. ^{1, 2}	Euro	2036	13,331	–
Gazprombank (Joint-stock Company)	Russian Ruble	2025	12,750	15,000
Russian bonds issued in July 2018 ¹¹	Russian Ruble	2033	10,346	10,342
Russian bonds issued in August 2016 ⁴	Russian Ruble	2046	10,330	10,324
Russian bonds issued in February 2011 ⁴	Russian Ruble	2021	10,325	10,321
Russian bonds issued in February 2018 ¹⁰	Russian Ruble	2028	10,251	10,247
Russian bonds issued in February 2018 ¹⁰	Russian Ruble	2028	10,251	10,247
Russian bonds issued in February 2020 ⁴	Russian Ruble	2025	10,047	–
Russian bonds issued in December 2017 ⁴	Russian Ruble	2024	10,030	10,025
Deutsche Bank Luxembourg S.A.	Euro	2022	9,797	11,772
UniCredit Bank Austria AG	Euro	2021	4,860	11,116
Intesa Sanpaolo Bank Luxembourg S.A. ¹	Euro	2020	–	153,452
Loan participation notes issued in March 2013 ⁵	Euro	2020	–	71,183
Loan participation notes issued in February 2013 ⁵	US Dollar	2020	–	50,293
Loan participation notes issued in September 2013 ^{5, 6}	British Pound Sterling	2020	–	41,937
PJSC Sberbank	Russian Ruble	2020	–	30,084
China Construction Bank Corporation, Beijing branch ¹	US Dollar	2020	–	27,205
UniCredit S.p.A. ¹	Euro	2020	–	24,257
Gazprombank (Joint-stock Company)	Russian Ruble	2020	–	19,450
J.P. Morgan Europe Limited ¹	Euro	2020	–	18,308
Gazprombank (Joint-stock Company)	Russian Ruble	2020	–	15,000
JSC ALFA-BANK	Russian Ruble	2020	–	10,073
PJSC Promsvyazbank	Russian Ruble	2020	–	10,039

22. Long-Term Borrowings, Promissory Note (continued)

	Currency	Final maturity	31 December	
			2020	2019
Other long-term borrowings, promissory notes	Various	Various	577,264	507,510
Total long-term borrowings, promissory notes			4,788,028	3,710,079
Less current portion of long-term borrowings			(573,948)	(620,377)
			4,214,080	3,089,702

- 1 The loans received from consortiums of banks, the named lender is the bank-agent.
- 2 The loan received to finance the Amur gas processing plant construction.
- 3 The issuer of these bonds is Gaz Finance Plc. The bonds were issued under EUR 30,000 million Programme for the Issuance of Loan Participation Notes.
- 4 The issuer of these bonds is PJSC Gazprom Neft.
- 5 The issuer of these bonds is Gaz Capital S.A. The bonds were issued under USD 40,000 million Programme for the Issuance of Loan Participation Notes.
- 6 According to the signed agreements between the bond issuer Gas Capital S.A. and the banks, settlements for the bonds are made in Euro (up to the achievement of a coefficient based on the ratio of currency exchange rates set in the agreements).
- 7 Borrowings were obtained for financing of the Nord Stream 2 project.
- 8 The issuer of these bonds is GazAsia Capital S.A.
- 9 The issuer of these bonds is PJSC WGC-2.
- 10 The issuer of these bonds is Gazprom capital LLC.
- 11 The issuer of these bonds is PJSC Gazprom.

	31 December	
	2020	2019
Long-term borrowings and promissory notes		
denominated in Russian Rubles (including current portion of RUB 68,153 million and RUB 44,396 million as of 31 December 2020 and 31 December 2019, respectively)	1,017,203	845,269
denominated in foreign currency (including current portion of RUB 505,795 million and RUB 575,981 million as of 31 December 2020 and 31 December 2019, respectively)	3,770,825	2,864,810
	4,788,028	3,710,079

The maturity analysis of long-term borrowings and promissory notes is presented in the table below.

Maturity of long-term borrowings, promissory notes	31 December	
	2020	2019
between one and two years	788,176	448,815
between two and five years	1,586,715	1,637,203
after five years	1,839,189	1,003,684
	4,214,080	3,089,702

Long-term liabilities include fixed interest rate borrowings with a carrying value of RUB 2,626,491 million and RUB 2,238,028 million and fair value of RUB 3,021,359 million and RUB 2,509,321 million as of 31 December 2020 and 31 December 2019, respectively.

All other long-term borrowings have variable interest rates generally linked to LIBOR and EURIBOR. Their carrying value is RUB 2,161,537 million and RUB 1,472,051 million and fair value is RUB 2,409,733 million and RUB 1,649,878 million as of 31 December 2020 and 31 December 2019, respectively.

The weighted average effective interest rates at the balance sheet date were as follows:

	31 December	
	2020	2019
Fixed interest rate long-term borrowings denominated in Russian Rubles	7.44%	7.71%
Fixed interest rate foreign currency denominated long-term borrowings	4.97%	5.08%
Variable interest rate long-term borrowings denominated in Russian Rubles	5.16%	6.61%
Variable interest rate foreign currency denominated long-term borrowings	2.77%	2.66%

As of 31 December 2020 and 31 December 2019 according to the agreements signed within the framework of financing the Nord Stream-2 project with Wintershall Nederland Transport and

22. Long-Term Borrowings, Promissory Note (continued)

Trading B.V., OMV Gas Marketing Trading & Finance B.V., Shell Exploration and Production (LXXI) B.V., Engie Energy Management Holding Switzerland AG, Uniper Gas Transportation and Finance B.V., 100% of shares of Nord Stream 2 AG were pledged until a full settlement of the secured obligations.

As of 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 2020 the secured obligations to agent banks China Construction Bank Corporation, Beijing branch, ING Bank N.V., Intesa Sanpaolo S.p.A., London branch, Intesa Sanpaolo S.p.A., PJSC Sberbank and Gazprombank (Joint-Stock Company) amounted to RUB 471,558 million. No borrowings were made as of 31 December 2019.

Under the terms of the Russian bonds with the nominal value of RUB 25,000 million issued by PJSC Gazprom Neft in November 2019 and due in 2024 the issuer can execute the right of early redemption in November 2021.

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.

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

The Group has no subordinated borrowings and no debt obligations that may be converted into shares of the Group (see Notes 33).

23. Profit Tax

Profit before profit tax for financial reporting purposes is reconciled to profit tax expense as follows:

Notes	For the year ended 31 December	
	2020	2019
Profit before profit tax	133,469	1,627,065
Theoretical tax charge calculated at applicable tax rates	(26,694)	(325,413)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-deductible expenses, including:		
Tax losses for which no deferred tax asset was recognised	(9,231)	(7,246)
25 Provision for post-employment benefits	(7,911)	(6,448)
13 Allowance for impairment of assets under construction	(3,486)	(2,792)
Non-operating expenses	(23,364)	(20,222)
Social expenses	(8,028)	(6,219)
Other non-deductible expenses	(7,678)	(47,067)

23. Profit Tax (continued)

15	Non-taxable share of profit of associates and joint ventures	27,347	41,425
	Other non-taxable income	87,983	16,434
	Profit tax income (expenses)	28,938	(357,548)

Differences between the recognition criteria of assets and liabilities reflected in IFRS financial statements and for the purposes of Russian statutory taxation give rise to certain temporary differences. The tax effect of the movement in these temporary differences is recorded at the applicable statutory rates with the prevailing rate of 20% in the Russian Federation.

	31 December 2018	Effect of changes in accounting policies	1 January 2019	Temporary differences of recognition and reversals		31 December 2019	Temporary differences of recognition and reversals		31 December 2020
				in profit or loss	in other comprehensive income		in profit or loss	in other comprehensive income	
Property, plant and equipment	(875,407)	2,619	(872,788)	(86,821)	6,052	(953,557)	(29,468)	(4,573)	(987,598)
Right-of-use assets	–	(31,023)	(31,023)	(2,301)	–	(33,324)	3,492	–	(29,832)
Financial assets	1,713	–	1,713	(1,187)	1,596	2,122	4,146	(1,288)	4,980
Account receivables	80,710	–	80,710	16,422	–	97,132	75,055	–	172,187
Inventories	5,245	–	5,245	(10,404)	–	(5,159)	2,466	–	(2,693)
Tax losses carry forward	16,846	–	16,846	8,605	–	25,451	89,933	(518)	114,866
Retroactive gas price adjustments	6,659	–	6,659	12,763	–	19,422	(11,258)	–	8,164
Lease liabilities	–	35,392	35,392	4,340	–	39,732	689	–	40,421
Other deductible temporary differences	15,483	–	15,483	21,665	2,585	39,733	(30,511)	2,559	11,781
Total net deferred tax liabilities	(748,751)	6,988	(741,763)	(36,918)	10,233	(768,448)	104,544	(3,820)	(667,724)

Taxable temporary differences recognised for the years ended 31 December 2020 and 31 December 2019 include the effect of bonus depreciation applied to certain items of property, plant and equipment. The positive tax effect on these differences amounted to RUB 18,216 million and RUB 1,664 million, respectively, it was offset by the decrease in the current profit tax by the corresponding amount which did not affect profit (loss) for the years ended 31 December 2020 and 31 December 2019.

24. Derivative Financial Instruments

The Group has outstanding commodity contracts measured at fair value. The fair value of derivative financial instruments is based on market quotes on measurement date or calculation using an agreed price formula.

Where appropriate, in order to manage currency risk the Group uses foreign currency derivatives.

The following table provides an analysis of the Group's position and fair value of derivative financial instruments outstanding as of the end of the reporting year. Fair values of derivative financial instruments are reflected at their gross value included in other assets and other liabilities in the consolidated balance sheet.

24. Derivative Financial Instruments (continued)

Fair value	31 December	
	2020	2019
Assets		
Commodity contracts	119,348	116,464
Foreign currency derivatives and currency and interest rate swaps	3,938	8,855
Other derivative financial instruments	3,162	4,405
	126,448	129,724
Liabilities		
Commodity contracts	134,514	108,509
Foreign currency derivatives and currency and interest rate swaps	8,204	2,901
Other derivative financial instruments	7,282	7,214
	150,000	118,624

Derivative financial instruments are mainly denominated in US dollars, Euros and British Pounds Sterling.

25. Provisions

	31 December	
	2020	2019
Provision for decommissioning and site restoration costs	340,193	279,895
Provision for post-employment benefits	329,404	291,684
Other	18,736	35,204
Total provisions	688,333	606,783

Provision for decommissioning and site restoration costs changed mainly due to change in estimates.

The Group applies pension and other post-employment benefits system, which is recorded as defined benefit plan in the consolidated financial statements under IAS 19 Employee Benefits. Pension benefits are provided to the majority of the Group's employees. These benefits include pension benefits provided by the non-governmental pension fund, JSC NPF GAZFOND, and lump-sum payments provided by the Group upon retirement.

The amount of benefits provided depends on the time of service rendered by employees (length of service), salary in the last years preceding retirement, a predetermined fixed amount or a combination of these factors.

The principal actuarial assumptions used:

	31 December	
	2020	2019
Discount rate (nominal)	6.2%	6.5%
Future salary and pension increase (nominal)	4.0%	4.0%
Average expected retirement age, years	women 58, men 62	
Employee turnover ratio	age-related probability of resignation curve, 3.8% on average	

The weighted average term of obligations to maturity is 11.4 years.

The assumptions related to the remaining life expectancy of employees at expected retirement age were 16.3 years for 62 year old men and 25.8 years for 58 year old women in 2020 and 2019.

25. Provisions (continued)

Net post-employment benefits liabilities or assets recorded in the consolidated balance sheet are presented below.

	31 December 2020		31 December 2019	
	Pension plan provided through JSC NPF GAZFOND	Other post-employment benefits	Pension plan provided through JSC NPF GAZFOND	Other post-employment benefits
Present value of obligations	(435,828)	(328,110)	(404,997)	(291,684)
Fair value of plan assets	434,534	—	431,544	—
Total net (liabilities) assets	(1,294)	(328,110)	26,547	(291,684)

The net pension plan liabilities related to benefits provided through JSC NPF GAZFOND in the amount of RUB 1,294 million as of 31 December 2020 are included within provisions in the consolidated balance sheet. The net pension plan assets related to benefits provided through JSC NPF GAZFOND in the amount of RUB 26,547 million as of 31 December 2019 are included within other non-current assets in the consolidated balance sheet (see Note 12).

Changes in the present value of the defined benefit plan obligations and in the fair value of pension plan assets for the years ended 31 December 2020 and 31 December 2019 are presented below.

	Provision for pension plan provided through JSC NPF GAZFOND	Fair value of plan assets	Net (assets) liabilities	Provision for other post-employment benefits
As of 31 December 2019	404,997	(431,544)	(26,547)	291,684
Current service cost	10,895	—	10,895	14,527
Past service cost	(1,881)	—	(1,881)	(1,108)
Interest expense (income)	26,317	(27,763)	(1,446)	18,612
Effect of business combinations	—	—	—	(45)
Total included in the line “Staff costs” within operating expenses (see Note 30)	35,331	(27,763)	7,568	31,986
Remeasurement of provision for post-employment benefits:				
Actuarial losses — changes in financial assumptions	10,151	—	10,151	9,850
Actuarial losses — changes in demographic assumptions	46	—	46	71
Actuarial losses — experience adjustments	4,042	—	4,042	12,373
Expense on plan assets excluding amounts included in interest expense	—	15,943	15,943	—
Translation differences	—	—	—	1,475
Total included in other comprehensive income	14,239	15,943	30,182	23,769
Benefits paid	(18,739)	18,740	1	(19,329)
Employer’s contributions	—	(9,910)	(9,910)	—
As of 31 December 2020	435,828	(434,534)	1,294	328,110
As of 31 December 2018	332,493	(473,371)	(140,878)	226,585
Current service cost	10,109	—	10,109	12,861
Past service cost	(1,138)	—	(1,138)	3,164
Interest expense (income)	29,247	(41,834)	(12,587)	19,832
Total included in the line “Staff costs” within operating expenses (see Note 30)	38,218	(41,834)	(3,616)	35,857
Remeasurement of provision for post-employment benefits:				
Actuarial losses – changes in financial assumptions	37,872	—	37,872	35,101
Actuarial losses – changes in demographic assumptions	2	—	2	53
Actuarial losses – experience adjustments	14,074	—	14,074	11,926

25. Provisions (continued)

	Provision for pension plan provided through JSC NPF GAZFOND	Fair value of plan assets	Net (assets) liabilities	Provision for other post-employment benefits
Expense on plan assets excluding amounts included in interest expense	–	87,696	87,696	–
Translation differences	–	–	–	(658)
Total included in other comprehensive income	51,948	87,696	139,644	46,422
Benefits paid	(17,662)	17,662	–	(17,180)
Employer's contributions	–	(21,697)	(21,697)	–
As of 31 December 2019	404,997	(431,544)	(26,547)	291,684

The major categories of plan assets allocation broken down by fair value and percentage of total plan assets are presented below.

	31 December 2020		31 December 2019	
	Fair value	Percentage of plan assets	Fair value	Percentage of plan assets
Quoted plan assets, including:	319,348	73.5%	306,468	71.0%
Bonds	213,385	49.1%	208,449	48.3%
Mutual funds	72,236	16.6%	69,583	16.1%
Shares	33,727	7.8%	28,436	6.6%
Unquoted plan assets, including:	115,186	26.5%	125,076	29.0%
Equities	81,778	18.8%	85,563	19.8%
Mutual funds	22,774	5.2%	18,718	4.3%
Deposits	9,685	2.2%	9,579	2.2%
Other assets	949	0.3%	11,216	2.7%
Total plan assets	434,534	100%	431,544	100%

The amount of investment in ordinary shares of PJSC Gazprom included in the fair value of plan assets comprises RUB 473 million and RUB 568 million as of 31 December 2020 and 31 December 2019, respectively.

Unquoted equities within the pension plan assets are represented by equity stake in Gazprombank (Joint-stock Company), which is measured at fair value (Level 2 in accordance with the fair value hierarchy) using market approach valuation techniques based on available market data.

For the years ended 31 December 2020 and 31 December 2019 the actual return on pension plan assets was a gain in the amount of RUB 11,820 million and a loss in the amount of RUB 45,862 million, respectively, primarily caused by the change in the fair value of assets.

The sensitivity analysis of the present value of defined benefit pension plan obligations to changes in the principal actuarial assumptions as of 31 December 2020 is presented in the table below.

	Increase (decrease) of obligation	Increase (decrease) of obligation, %
Mortality rate lower by 20%	32,086	4.3%
Mortality rate higher by 20%	(26,692)	(3.6%)
Discount rate lower by 1 pp	74,563	10.1%
Discount rate higher by 1 pp	(62,423)	(8.4%)
Pension and other benefits growth rate lower by 1 pp	(64,196)	(8.7%)
Pension and other benefits growth rate higher by 1 pp	75,497	10.2%
Staff turnover lower by 1 pp for all ages	40,428	5.5%
Staff turnover higher by 1 pp for all ages	(34,628)	(4.7%)

25. Provisions (continued)

	Increase (decrease) of obligation	Increase (decrease) of obligation, %
Retirement age lower by 1 year	24,067	3.2%
Retirement age higher by 1 year	(24,465)	(3.3%)

The Group expects to contribute in the amount of RUB 29,000 million to the defined benefit pension plan in 2021.

Pension Plan Parameters and Related Risks

As a rule, the above benefits are indexed in line with inflation or salary growth for salary-dependent benefits and are exposed to inflation risk.

In addition to the inflation risk, the pension plans of the Group are exposed to mortality risks and longevity risks.

26. Other non-current liabilities

Other non-current liabilities include advances received in the amount RUB 76,299 million and RUB nil million as of 31 December 2020 and 31 December 2019 respectively. The contract obligations will be carried out from 2021 to 2025 according to the schedule. All contracts are concluded on the market conditions.

27. Equity

Share Capital

The share capital authorised, issued and paid totals RUB 325,194 million as of 31 December 2020 and 31 December 2019 and consists of 23,674 million ordinary shares, each with a par value of 5 Russian Rubles.

Dividends

In 2020 PJSC Gazprom declared and paid dividends in the nominal amount of 15.24 Russian Rubles per share based on the results for the year ended 31 December 2019. In 2019 PJSC Gazprom declared and paid dividends in the nominal amount of 16.61 Russian Rubles per share based on the results for the year ended 31 December 2018.

Treasury Shares

As of 31 December 2020 and 31 December 2019 subsidiaries of PJSC Gazprom held 29 million and 29 million PJSC Gazprom's ordinary shares, respectively.

In July 2019 the Group sold 693,627,848 PJSC Gazprom's ordinary shares, which represented 2.93% of the share capital, for 200.50 Russian Rubles per share by using the stock exchange transaction technology of PJSC Moscow Exchange MICEX-RTS.

In November 2019 the Group sold 850,590,751 PJSC Gazprom's ordinary shares, which represented 3.59% of the share capital, for 220.72 Russian Rubles per share by using the stock exchange transaction technology of PJSC Moscow Exchange MICEX-RTS.

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

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

Retained Earnings and Other Reserves

Retained earnings and other reserves include the effect of the consolidated financial statements restatement to the Russian Ruble purchasing power equivalent as of 31 December 2002, when the economy of the Russian Federation ceased to be hyperinflationary under IAS 29 Financial Reporting in Hyperinflationary Economies. Also, retained earnings and other reserves include

27. Equity (continued)

translation differences arising on the translation of the net assets of foreign subsidiaries, associates and joint arrangements in the amount of RUB 964,659 million and RUB 672,165 million as of 31 December 2020 and 31 December 2019, respectively.

Retained earnings and other reserves include a statutory fund for social assets, created in accordance with Russian legislation at the time of privatisation. From time to time, the Group negotiates to return certain of social assets to the balance of local governmental authorities and this process may be continued in the future. Social assets with a net book value of RUB nil million and RUB 13 million were transferred to governmental authorities in 2020 and 2019, respectively. Cost of assets transferred was recorded as a reduction of retained earnings and other reserves.

Number of shares outstanding

The number of PJSC Gazprom shares outstanding (the number of issued ordinary shares less treasury shares) amounted to 23,645 million shares as of 31 December 2020 and 31 December 2019.

Perpetual notes

Information about perpetual notes is disclosed in Note 28.

28. Perpetual notes

In October 2020 the Group issued in the international market perpetual callable loan participation notes with a par value of USD 1,400 million and EUR 1,000 million under the EUR 30,000 million Programme for the Issuance of Loan Participation Notes. Gaz Finance Plc was the issuer of the notes. When the note issues were offered, the interest rate was set at 4.5985% for the issue in USD and 3.8970% for the issue in EUR. The interest rate for the perpetual notes in USD and EUR is reviewed every five years. Interest is cumulative.

Under the terms of the perpetual notes, the Group, acting in its sole discretion, may refuse to redeem the notes and may, at any time and on any number of occasions, decide to postpone interest payments. Conditions which give rise to an interest payment liability are under the control of PJSC Gazprom. In particular, an interest payment liability arises when PJSC Gazprom decides to pay or declare dividends.

The Group may decide to redeem the notes no earlier than five years after their offering and then has the right to call them on each interest payment due date. The Group may also call the notes in case of certain events, including those caused by changes in the regulation of accounting for and taxation of perpetual notes.

As the notes have no stated maturity and the Group may postpone payment of any interest on any number of occasions, the Group classifies these perpetual callable loan participation notes as an equity instrument within equity.

Transactions related to perpetual notes for the year ended 31 December 2020 are shown in the table below.

	Perpetual notes	Retained earnings and other reserves	Total
Balance as of 31 December 2019	–	–	–
Issuance of perpetual notes	197,468	–	197,468
Costs related to issuance of perpetual notes ¹	–	(2,659)	(2,659)
Translation differences arising on the translation of the par value of perpetual notes	(3,359)	3,359	–
Accrued interest	1,523	(1,523)	–
Translation differences arising on the translation of accrued interest	(16)	16	–
Cumulative tax effect of transactions related to perpetual notes	–	(140)	(140)
Balance as of 31 December 2020	195,616	(947)	194,669

¹ Including payment in cash amounted to RUB 2,637 million.

28. Perpetual notes (continued)

As of 31 December 2020 cumulative translation differences arising on the translation of the par value of perpetual notes amounted to RUB 3,359 million, and cumulative interest taking into account translation differences arising on its translation amounted to RUB 1,507 million.

29. Sales

	Year ended 31 December	
	2020	2019
Gas sales gross of excise tax and customs duties:		
the Russian Federation	940,155	970,913
Former Soviet Union countries (excluding the Russian Federation)	308,952	393,526
Europe and other countries	<u>2,268,424</u>	<u>3,163,881</u>
	3,517,531	4,528,320
Customs duties	(435,830)	(653,035)
Excise tax	(34,656)	(57,898)
Retroactive gas price adjustments ¹	<u>2,294</u>	<u>(16,657)</u>
Total gas sales	3,049,339	3,800,730
Sales of refined products:		
the Russian Federation	1,221,857	1,355,139
Former Soviet Union countries (excluding the Russian Federation)	107,166	126,311
Europe and other countries	<u>469,373</u>	<u>629,731</u>
Total sales of refined products	1,798,396	2,111,181
Sales of crude oil and gas condensate:		
the Russian Federation	47,647	62,173
Former Soviet Union countries (excluding the Russian Federation)	18,713	41,865
Europe and other countries	<u>420,989</u>	<u>648,752</u>
Total sales of crude oil and gas condensate	487,349	752,790
Electric and heat energy sales:		
the Russian Federation	467,689	495,581
Former Soviet Union countries (excluding the Russian Federation)	4,199	3,345
Europe and other countries	<u>27,581</u>	<u>19,447</u>
Total electric and heat energy sales	499,469	518,373
Gas transportation sales:		
the Russian Federation	217,367	210,265
Former Soviet Union countries (excluding the Russian Federation)	2,875	2,690
Europe and other countries	<u>3,582</u>	<u>2,380</u>
Total gas transportation sales	223,824	215,335
Other sales:		
the Russian Federation	223,163	215,659
Former Soviet Union countries (excluding the Russian Federation)	7,274	7,490
Europe and other countries	<u>32,745</u>	<u>38,065</u>
Total other sales	<u>263,182</u>	<u>261,214</u>
Total sales	6,321,559	7,659,623

¹ The effect of retroactive gas price adjustments relate to gas deliveries in previous years for which a price adjustment has been agreed or is in the process of negotiation. The effect of gas price adjustments, including corresponding impact on profit tax, is recorded in the consolidated financial statements when they become probable and a reliable estimate of the amounts can be made. The effects of retroactive gas price adjustments for the years ended 31 December 2020 and 31 December 2019 were recorded as the increase of sales by RUB 2,294 million and the decrease of sales by RUB 16,657 million, respectively. The effects increasing sales were due to recognition of adjustments increasing gas prices for the past periods and due to decrease in previously recognised accruals following agreements reached prior to the issuance of the respective consolidated financial statements. The effects decreasing sales were due to increase in related accruals following agreements reached prior to the issuance of the respective consolidated financial statements.

29. Sales (continued)

Prepayments received from customers as of the beginning of the corresponding period were recognised within sales in the amount of RUB 81,175 million and RUB 90,673 million for the years ended 31 December 2020 and 31 December 2019, respectively.

30. Operating Expenses

	Year ended 31 December	
	2020	2019
Taxes other than on profit	1,235,822	1,409,248
Purchased gas and oil	961,928	1,403,572
Staff costs	807,824	749,708
Depreciation	798,436	715,229
Transit of gas, oil and refined products	654,562	665,552
Materials	257,490	274,821
Goods for resale, including refined products	213,900	253,121
Repairs and maintenance	151,869	149,939
Electricity and heating	113,303	120,154
Impairment loss on non-financial assets	54,191	29,382
Social expenses	40,690	45,114
Insurance	29,925	32,135
Transportation expenses	29,412	27,541
Processing services	21,576	20,718
Research and development	18,075	19,226
Loss (gain) on derivative financial instruments	16,735	(15,225)
Lease	13,614	16,585
Foreign exchange differences on operating items	(164,128)	78,287
Other	389,034	515,032
	5,644,258	6,510,139
Change in balances of finished goods, work in progress and other effects	21,504	(123,068)
Total operating expenses	5,665,762	6,387,071

Taxes other than on profit consist of:

	Year ended 31 December	
	2020	2019
MET	795,154	1,115,003
Excise tax	252,993	113,528
Property tax	142,554	148,634
Other	45,121	32,083
Total taxes other than on profit	1,235,822	1,409,248

Gas purchase expenses included within purchased gas and oil amounted to RUB 678,910 million and RUB 914,293 million for the years ended 31 December 2020 and 31 December 2019, respectively.

Staff costs include RUB 39,554 million and RUB 32,241 million of expenses for provision for post-employment benefits for the years ended 31 December 2020 and 31 December 2019, respectively (see Note 25).

30. Operating Expenses (continued)

The impairment loss on assets is presented below.

Notes	Year ended 31 December	
	2020	2019
10, 17 Impairment loss on trade accounts receivable	56,236	116,946
Impairment loss on other accounts receivable and loans receivable	16,059	10,792
Total impairment loss on financial assets	72,295	127,738
13, 14 Impairment loss on property, plant and equipment and assets under construction ¹	49,060	24,731
Impairment loss on advances paid and prepayments	937	4,789
Impairment loss (reversal of impairment loss) on investments in associates and joint ventures	4,124	(292)
Impairment loss on other assets	70	154
Total impairment loss on non-financial assets	54,191	29,382

¹ Including impairment loss on right-of-use assets.

31. Finance Income and Expenses

	Year ended 31 December	
	2020	2019
Foreign exchange gain	687,263	563,990
Interest income	60,137	90,926
Total finance income	747,400	654,916
Foreign exchange loss	1,292,073	278,409
Interest expense	73,445	76,426
Total finance expenses	1,365,518	354,835

Total interest paid amounted to RUB 172,877 million and RUB 171,028 million for the years ended 31 December 2020 and 31 December 2019, respectively.

Interest expense includes interest expense on lease liabilities under IFRS 16 Leases in the amount of RUB 16,529 million and RUB 16,847 million for the years ended 31 December 2020 and 31 December 2019, respectively.

Foreign exchange gain and loss for the years ended 31 December 2020 and 31 December 2019 were mainly caused by a change in the Euro and US Dollar exchange rates against the Russian Ruble. Gain and loss primarily relate to revaluation of borrowings denominated in foreign currencies.

32. Reconciliation of Profit, Disclosed in Consolidated Statement of Financial Results, Prepared in Accordance with Russian Statutory Accounting (RSA) to Profit Disclosed in IFRS Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2020	2019
RSA (loss) profit for the year per consolidated statutory accounts	(354 608)	738 582
Effect of IFRS adjustments:		
Differences in depreciation of property, plant and equipment and intangible assets	327,813	372,777
Differences in borrowing costs capitalised	177,552	146,978
Reversal of goodwill amortisation	63,637	62,930

32. Reconciliation of Profit, Disclosed in Consolidated Statement of Financial Results, Prepared in Accordance with Russian Statutory Accounting (RSA) to Profit Disclosed in IFRS Consolidated Statement of Comprehensive Income (continued)

	Year ended 31 December	
	2020	2019
Classification of loss (gain) arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	13,571	(22,631)
Impairment (loss) gain on assets and changes in provisions, including provision for post-employment benefits	(48,474)	30,283
Differences in property, plant and equipment disposal	29,213	14,531
Difference in share of profit of associates and joint ventures	(18,866)	(31,935)
Write-off of research and development expenses capitalised for RSA purposes	(6,026)	(5,045)
Other	(21,405)	(36,953)
IFRS profit for the year	162,407	1,269,517

33. Basic and Diluted Earnings per Share Attributable to the Owners of PJSC Gazprom

Basic earnings per share attributable to the owners of PJSC is shown in the table below.

Notes	Year ended 31 December	
	2020	2019
	135,341	1,202,887
Profit for the year attributable to the owners of PJSC Gazprom		
28 Interest accrued on perpetual notes	(1,523)	–
28 Translation differences arising on the translation of interest accrued on perpetual notes	16	–
Profit for the year attributable to the ordinary shareholders of PJSC Gazprom	133,834	1,202,887
27 Annual weighted average number of ordinary shares outstanding, excluding the weighted average number of treasury shares (in millions of shares)	23,645	22,496
Basic and diluted earnings per share attributable to the owners of PJSC Gazprom (in Russian Rubles)	5.66	53.47

The Group has no dilutive financial instruments.

34. Net Cash from Operating Activities

Notes	Year ended 31 December	
	2020	2019
Profit before profit tax	133,469	1,627,065
Adjustments to profit before profit tax		
30 Depreciation	798,436	715,229
31 Net finance expense (income)	618,118	(300,081)
16 Share of profit of associates and joint ventures	(136,736)	(207,127)
Impairment loss on assets and change in provision for post-employment benefits	166,039	189,361
30 Derivative financial instruments loss (gain)	16,735	(15,225)
Other	6,834	76,662
Total effect of adjustments	1,469,426	458,819
Cash flows from operating activities before working capital changes	1,602,895	2,085,884

34. Net Cash from Operating Activities (continued)

Notes	Year ended 31 December	
	2020	2019
Increase in non-current assets	(4,544)	(20,119)
Increase in non-current liabilities	75,726	13,185
	1,674,077	2,078,950
Changes in working capital:		
(Increase) decrease in accounts receivable and prepayments	(288,724)	96,617
Increase in inventories	(28,141)	(84,359)
Decrease in other current assets	682,987	131,098
Decrease in accounts payable, excluding interest, dividends and capital construction	(15,507)	(93,352)
Settlements on taxes and fees payable (other than profit tax)	(7,534)	(65,354)
Decrease (increase) in financial assets	7,032	(29,294)
Total effect of working capital changes	350,113	(44,644)
Profit tax paid	(105,299)	(324,922)
Net cash from operating activities	1,918,891	1,709,384

The following taxes and other similar payments were paid in cash during 2020 and 2019:

	Year ended 31 December	
	2020	2019
MET	812,187	1,142,366
Customs duties	472,031	790,087
Excise tax	373,090	212,282
Insurance contributions	162,568	142,193
Property tax	155,709	152,853
VAT	126,077	186,481
Profit tax	105,299	324,922
Personal income tax	84,360	76,072
Additional income tax for hydrocarbon producers	29,997	10,394
Other taxes	47,235	39,500
Total taxes paid	2,368,553	3,077,150

35. Subsidiaries

Significant Subsidiaries

Subsidiary	Country of primary operation	Ownership interest (%) ¹ as of 31 December	
		2020	2019
LLC Aviapredpriyatie Gazprom avia	Russia	100	100
WIBG GmbH	Germany	100	100
WIEH GmbH	Germany	100	100

35. Subsidiaries (continued)

Subsidiary	Country of primary operation	Ownership interest (%) ¹ as of 31 December	
		2020	2019
WINGAS GmbH	Germany	100	100
JSC Vostokgazprom	Russia	100	100
CJSC Gazprom Armenia	Armenia	100	100
JSC Gazprom gazoraspredelenie	Russia	100	100
GAZPROM Germania GmbH	Germany	100	100
LLC Gazprom GNP Holding	Russia	100	100
LLC Gazprom dobycha Astrakhan	Russia	100	100
LLC Gazprom dobycha Krasnodar	Russia	100	100
LLC Gazprom dobycha Nadym	Russia	100	100
LLC Gazprom dobycha Noyabrsk	Russia	100	100
LLC Gazprom dobycha Orenburg	Russia	100	100
JSC Gazprom dobycha Tomsk	Russia	100	100
LLC Gazprom dobycha Urengoy	Russia	100	100
LLC Gazprom dobycha shelf Yuzhno-Sakhalinsk	Russia	100	100
LLC Gazprom dobycha Yamburg	Russia	100	100
LLC Gazprom invest	Russia	100	100
LLC Gazprom invest RGK	Russia	100	100
LLC Gazprom investgazifikatsiya	Russia	100	100
LLC Gazprom capital	Russia	100	100
LLC Gazprom komplektatsiya	Russia	100	100
JSC Gazprom Space Systems	Russia	80	80
Gazprom Marketing and Trading Ltd.	United Kingdom	100	100
Gazprom Marketing and Trading Retail Ltd.	United Kingdom	100	100
LLC Gazprom mezhregiongaz	Russia	100	100
LLC Gazprom mezhregiongaz Moskva	Russia	100	100
JSC Gazprom mezhregiongaz Nizhny Novgorod	Russia	51	51
LLC Gazprom mezhregiongaz Sankt-Peterburg	Russia	100	100
LLC Gazprom metanol	Russia	100	100
LLC Gazprom neftekhim Salavat	Russia	100	100
PJSC Gazprom Neft	Russia	96	96
Gazprom Neft Badra B.V. ²	Netherlands	100	100
Gazprom Neft Trading GmbH ²	Austria	100	100
LLC Gazprom neft shelf ²	Russia	100	100
LLC Gazprom Novourengoy sky gazohimicheskii kompleks	Russia	100	100
LLC Gazprom pererabotka	Russia	100	100
LLC Gazprom pererabotka Blagoveshchensk	Russia	100	100
LLC Gazprom PKhG	Russia	100	100
Gazprom Sakhalin Holdings B.V.	Netherlands	100	100

35. Subsidiaries (continued)

Subsidiary	Country of primary operation	Ownership interest (%) ¹ as of 31 December	
		2020	2019
LLC Gazprom sotsinvest	Russia	100	100
JSC Gazprom teploenergo	Russia	100	100
OJSC Gazprom transgaz Belarus	Belorussia	100	100
LLC Gazprom transgaz Volgograd	Russia	100	100
LLC Gazprom transgaz Ekaterinburg	Russia	100	100
LLC Gazprom transgaz Kazan	Russia	100	100
LLC Gazprom transgaz Krasnodar	Russia	100	100
LLC Gazprom transgaz Moskva	Russia	100	100
LLC Gazprom transgaz Nizhny Novgorod	Russia	100	100
LLC Gazprom transgaz Samara	Russia	100	100
LLC Gazprom transgaz Sankt-Peterburg	Russia	100	100
LLC Gazprom transgaz Saratov	Russia	100	100
LLC Gazprom transgaz Stavropol	Russia	100	100
LLC Gazprom transgaz Surgut	Russia	100	100
LLC Gazprom transgaz Tomsk	Russia	100	100
LLC Gazprom transgaz Ufa	Russia	100	100
LLC Gazprom transgaz Ukhta	Russia	100	100
LLC Gazprom transgaz Tchaikovsky	Russia	100	100
LLC Gazprom transgaz Yugorsk	Russia	100	100
Gazprom Finance B.V.	Netherlands	100	100
LLC Gazprom flot	Russia	100	100
Gazprom Holding Cooperatie U.A.	Netherlands	100	100
LLC Gazprom tsentremont	Russia	100	100
GAZPROM Schweiz AG	Switzerland	100	100
LLC Gazprom export	Russia	100	100
JSC Gazprom energosbyt ³	Russia	81	82
LLC Gazprom energoholding	Russia	100	100
Gazprom EP International B.V.	Netherlands	100	100
LLC Gazpromneft Marine Bunker ²	Russia	100	100
JSC Gazpromneft-Aero ²	Russia	100	100
LLC Gazpromneft-Aero Sheremetyevo ²	Russia	100	100
LLC Gazpromneft-Bitumen Materials ²	Russia	100	100
LLC Gazpromneft-Vostok ²	Russia	51	51
LLC Gazpromneft Corporate Sales ²	Russia	100	100
JSC Gazpromneft - MNPZ ²	Russia	100	100
JSC Gazpromneft-Noyabrskneftegaz ²	Russia	100	100
JSC Gazpromneft - ONPZ ²	Russia	100	100
LLC Gazpromneft-Orenburg ²	Russia	100	100

35. Subsidiaries (continued)

Subsidiary	Country of primary operation	Ownership interest (%) ¹ as of 31 December	
		2020	2019
LLC Gazprom Neft Development ²	Russia	100	100
LLC Gazpromneft Regional Sales ²	Russia	100	100
LLC Gazpromneft-Lubricants ²	Russia	100	100
LLC Gazpromneft-Khantos ²	Russia	100	100
LLC Gazpromneft-Centr ²	Russia	100	100
LLC Gazpromneft-Yamal ²	Russia	100	100
LLC Gazpromtrans	Russia	100	100
OJSC Gazpromtrubinvest	Russia	100	100
Gazfin Cyprus Limited	Cyprus	100	100
LLC GPN-Invest ²	Russia	100	100
LLC GPN-Finans ²	Russia	100	100
PJSC Mosenergo ³	Russia	54	54
PJSC MIPC ³	Russia	99	99
Naftna Industrija Srbije a.d. ²	Serbia	56	56
Nord Stream 2 AG	Switzerland	100	100
PJSC WGC-2 ³	Russia	79	79
South Stream Transport B.V.	Netherlands	100	100
OJSC Severneftegazprom ³	Russia	50	50
PJSC TGC-1	Russia	52	52
LLC Faktoring-Finance	Russia	100	100
PJSC Centerenergoholding	Russia	100	100

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

² Subsidiaries of PJSC Gazprom Neft.

³ Share in voting shares.

36. Non-Controlling Interest

Notes	Year ended 31 December	
	2020	2019
Non-controlling interest at the end of the previous year	510,854	476,144
Effect of changes in accounting policies	–	(870)
Non-controlling interest at the beginning of the year (restated)	510,854	475,274
Non-controlling interest share of profit of subsidiaries ¹	27,066	66,630
37 Change in / acquisition of interest in JSC REP Holding (abbreviated name – JSC REPH)	15,418	(5,102)
Change in ownership interest in JSC Teploset Sankt-Peterburga ²	2,266	1,206
Change in ownership interest in JSC Gazprom StroyTEK Salavat ³	1,647	–
Change in ownership interest in LLC Gazpromneft-Salym ⁴	468	–
Change in ownership interest in JSC Gazprom energosbyt	(629)	(1,112)
Change in ownership interest in PJSC WGC-2	–	1,715
Change in ownership interest in LLC Ural special valve plant ⁵	–	(718)

36. Non-Controlling Interest (continued)

Notes	Year ended 31 December	
	2020	2019
Change in ownership interest in PJSC Mosenergo	–	(229)
Change in ownership interest in PJSC MIPC	–	(41)
Change in the non-controlling interest as a result of other acquisitions and disposals	186	200
Gain from hedging operations, net of tax	18	14
Remeasurement of provision for post-employment benefits	4	(278)
Dividends	(16,749)	(15,973)
Translation differences	26,240	(10,732)
Non-controlling interest at the end of the year	566,789	510,854

¹ Non-controlling interest share of profit of subsidiaries includes share in impairment of assets in the amount of RUB 1,964 million and RUB 8,167 million for the years ended 31 December 2020 and 31 December 2019, respectively.

² Subsidiary of PJSC TGC-1.

³ Subsidiary of LLC Gazprom neftekhim Salavat.

⁴ Subsidiary of PJSC Gazprom Neft.

The following table provides information about all subsidiaries that have non-controlling interests that are significant to the Group is presented in the table below.

	Country of primary operation	Ownership interest held by non-controlling interest, % ¹	Profit (loss) attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends accrued to non-controlling interest during the year
As of 31 December 2020 and for the year ended 31 December 2020					
Gazprom Neft Group ²	Russia	4	14,085	288,447	7,497
Naftna Industrija Srbije a.d. Group	Serbia	46	(2,468)	106,338	1,444
Mosenergo Group	Russia	46	4,274	111,436	2,215
TGC-1 Group	Russia	48	5,630	79,625	1,926
WGC-2 Group	Russia	21	2,062	36,205	1,145
As of 31 December 2019 and for the year ended 31 December 2019					
Gazprom Neft Group ²	Russia	4	49,711	254,700	8,320
Naftna Industrija Srbije a.d. Group	Serbia	46	4,712	84,041	1,852
Mosenergo Group	Russia	46	2,981	109,377	3,853
TGC-1 Group	Russia	48	5,365	73,640	1,198
WGC-2 Group	Russia	21	2,062	35,278	771

¹ Effective share held by non-controlling interest in share capital of investments

² Including non-controlling interest in Naftna Industrija Srbije a.d. Group.

36. Non-Controlling Interest (continued)

The summarised financial information of these subsidiaries before inter-company eliminations is presented in the table below.

	Gazprom Neft Group ¹	Naftna Industrija Srbije a.d. Group	Mosenergo Group	TGC-1 Group	WGC-2 Group
As of 31 December 2020 and for the year ended 31 December 2020					
Current assets	714,332	50,576	96,987	33,694	41,161
Non-current assets	3,763,046	317,934	171,812	178,670	202,666
Current liabilities	780,266	45,430	20,489	25,881	18,425
Non-current liabilities	1,231,753	68,313	26,734	32,078	70,752
Sales	1,974,938	127,598	181,559	89,023	121,229
Profit (loss) for the year	136,944	(7,513)	10,389	11,463	10,501
Comprehensive income (loss) for the year	193,492	(7,471)	10,388	11,490	10,550
Net cash from (used in):					
operating activities	569,899	20,940	29,592	22,571	21,211
investing activities	(382,103)	(18,391)	(15,377)	(18,575)	(4,993)
financing activities	(167,460)	(7,399)	(18,322)	(3,843)	(16,303)
As of 31 December 2019 and for the year ended 31 December 2019					
Current assets	734,356	57,323	91,065	28,443	42,450
Non-current assets	3,315,542	241,009	177,152	170,266	205,500
Current liabilities	509,396	38,463	16,743	28,312	37,065
Non-current liabilities	1,143,867	59,218	38,669	27,190	60,753
Sales	2,416,322	166,202	190,843	97,415	135,228
Profit for the year	416,481	9,460	7,939	12,136	9,835
Comprehensive income for the year	386,505	9,556	7,877	11,961	9,564
Net cash from (used in):					
operating activities	585,288	34,963	30,645	23,830	31,951
investing activities	(312,095)	(28,594)	(47,463)	(23,370)	(36,126)
financing activities	(306,208)	(6,500)	12,287	(6,128)	(2,201)

¹ Including data of Naftna Industrija Srbije a.d. Group.

The rights of the holders of non-controlling interests of the presented subgroups are determined by the respective laws of country of incorporation and the charter documents of the subsidiaries.

37. Acquisition of a Subsidiary

In December 2019 the Group acquired 100% of ordinary shares of JSC REPH. Compensation payment amounted to RUB 10,000 million. Payment was made by cash. 25% of ordinary shares of JSC REPH were acquired from JSC Gazprombank – Asset Management, a subsidiary of Gazprombank (Joint-stock Company), for RUB 2,500 million. An additional condition of the transaction was an obligation of the Group to obtain a loan from Gazprombank (Joint-stock Company) for a period of three years at an interest rate equal to the key rate of the Central Bank

37. Acquisition of a Subsidiary (continued)

of the Russian Federation in the relevant period to repay loan liabilities of JSC REPH, which had not been fulfilled as of the acquisition date.

The aim of the acquisition of JSC REPH is to develop the production of equipment both for gas transmission systems (GTS), and for use in electric power and oil industry entities.

JSC REPH owns a number of subsidiaries (the "REPH Group"), the most significant of which is CJSC NZL.

The REPH Group's main activities include design, development, manufacture, installation, sale, as well as after-sales and warranty services for turbocompressor and power equipment.

At the acquisition date, the Group's ownership interest in the authorised capital of JSC REPH was 100%, and the Group's effective ownership interest was 72%.

In accordance with IFRS 3 Business Combinations, the Group recognised the acquired assets and liabilities based upon their provisional fair values at the date the Group obtained control over JSC REPH. As at 31 December 2020, the Group completed the fair value measurement of the acquired assets and liabilities with the involvement of an independent appraiser. As a result of the transaction, goodwill was recognised in the amount of RUB 13,217 million (see Note 15).

The final assessment of the acquired assets and liabilities is shown below.

	Fair Value
Current assets	
Cash and cash equivalents	3,260
Accounts receivable and prepayments	8,664
Inventories	13,713
VAT recoverable	94
	25,731
Non-current assets	
Property, plant and equipment	16,844
Long-term accounts receivable and prepayments	296
Deferred tax assets	592
Other non-current assets	2,149
	19,881
Total assets	45,612
Current liabilities	
Accounts payable, provisions and other liabilities	11,013
Short-term borrowings, promissory notes and current portion of long-term borrowings	5,397
	16,410
Non-current liabilities	
Long-term borrowings, promissory notes	31,193
Deferred tax liabilities	2,551
	33,744
Total liabilities	50,154
Non-controlling interest before the acquisition	67
Net assets on the acquisition date	(4,475)
Compensation payment	10,000

37. Acquisition of a Subsidiary (continued)

	Fair Value
Non-controlling interest	1,258
Goodwill	13,217

As a result of the refinement of the provisional fair value of assets and liabilities, including a decrease in the amount of goodwill by RUB 9,782 million, the Group recognised a profit in the amount of RUB 7,552 million.

The comparative data of the consolidated balance sheet as at 31 December 2019 and the consolidated statement of comprehensive income for 2019 were not changed due to the insignificant impact of the final fair value measurement of the assets and liabilities of JSC REPH. All changes in fair values were recognised in these consolidated financial statements for the year ended 31 December 2020.

If the acquisition had occurred on 1 January 2019, the Group's sales for the year ended 31 December 2019 would have increased by RUB 10,523 million, and the Group's profit before profit tax for the year ended 31 December 2019 would have decreased by RUB 2,794 million.

The fair value of the accounts receivable resulting from the transaction is RUB 8,960 million as of 31 December 2019. The gross accounts receivable at the acquisition date is RUB 8,857 million. The best estimate of cash flows that are not expected to be recovered is RUB 103 million as of the acquisition date.

38. Related Parties

In the consolidated financial statements parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making operational and financial decisions as defined by IAS 24 Related Party Disclosures. Related parties may enter into transactions which unrelated parties would not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of relationships with those related parties with whom the Group entered into significant transactions or had significant balances outstanding is detailed below.

Government (the Russian Federation)

The Russian Federation is the ultimate controlling party of PJSC Gazprom and has a controlling interest (including both direct and indirect ownership) of over 50% in PJSC Gazprom.

As of 31 December 2020 the Government directly owns 38.373% of PJSC Gazprom's issued shares. JSC ROSNEFTEGAZ and JSC Rosgazifikatsiya controlled by the Government own 11.859% of PJSC Gazprom's issued shares.

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

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

Parties Under the Government Control

In the normal course of business the Group enters into transactions with other entities under the Government control.

As of 31 December 2020 prices of natural gas and gas transportation, electricity tariffs in the Russian Federation are regulated by the Federal Antimonopoly Service (the "FAS").

Bank borrowings are provided on the basis of market interest rates. Taxes are accrued and settled in accordance with the applicable current legislation.

38. Related Parties (continued)

As of 31 December 2020 and 31 December 2019 and for the years ended 31 December 2020 and 31 December 2019 the Group's significant transactions and balances with the Government and entities under the Government control are presented below:

	As of 31 December 2020		Year ended 31 December 2020	
	Assets	Liabilities	Income	Expenses
Transactions and balances with the Government				
Current profit tax	14,384	6,230	–	63,384
Insurance contributions	2,908	15,474	–	166,071
VAT	269,914	115,404	–	–
Customs duties	15,567	–	–	–
MET	18	72,930	–	793,705
Other taxes	30,624	61,288	–	332,774
Other	–	–	–	4,068
Transactions and balances with entities under the Government control				
Gas sales	–	–	147,016	–
Electric and heat energy sales	–	–	173,778	–
Gas transportation sales	–	–	37,410	–
Other sales	–	–	6,136	–
Transit of oil and refined products expenses	–	–	–	133,685
Interest expense	–	–	–	22,037
Cash and cash equivalents	336,213	–	–	–
Short-term deposits	2,190	–	–	–
Long-term deposits	1,156	–	–	–
Accounts receivable	50,450	–	–	–
Short-term financial assets	27,462	–	–	–
Long-term financial assets	6,683	–	–	–
Accounts payable	–	29,374	–	–
Borrowings	–	291,888	–	–
Short-term lease liabilities	–	8,420	–	–
Long-term lease liabilities	–	90,912	–	–

	As of 31 December 2019		Year ended 31 December 2019	
	Assets	Liabilities	Income	Expenses
Transactions and balances with the Government				
Current profit tax	9,021	31,567	–	308,447
Insurance contributions	1,856	11,708	–	149,904
VAT	297,217	105,070	–	–
Customs duties	26,595	–	–	–
MET	11	86,565	–	1,114,130
Other taxes	19,855	66,948	–	196,717
Other	–	–	42,024	–

38. Related Parties (continued)

	As of 31 December 2019		Year ended 31 December 2019	
	Assets	Liabilities	Income	Expenses
Transactions and balances with entities under the Government control				
Gas sales	-	-	153,859	-
Electric and heat energy sales	-	-	178,323	-
Gas transportation sales	-	-	43,890	-
Other sales	-	-	5,510	-
Transit of oil and refined products expenses	-	-	-	136,222
Interest expense	-	-	-	15,969
Cash and cash equivalents	61,072	-	-	-
Short-term deposits	4,815	-	-	-
Long-term deposits	1,867	-	-	-
Accounts receivable	47,390	-	-	-
Short-term financial assets	27,792	-	-	-
Long-term financial assets	6,002	-	-	-
Accounts payable	-	27,033	-	-
Borrowings	-	195,297	-	-
Short-term lease liabilities	-	7,671	-	-
Long-term lease liabilities	-	84,428	-	-

The recognised right-of-use assets amounted to RUB 2,463 million and RUB 5,154 million for the years ended 31 December 2020 and 31 December 2019.

See the consolidated statement of changes in equity for returns of social assets to governmental authorities during the years ended 31 December 2020 and 31 December 2019. See Note 13 for the net book values as of 31 December 2020 and 31 December 2019 of social assets vested to the Group at privatisation.

Transactions with JSC FSC

Some of the transactions on the wholesale electricity and capacity market are conducted through commission agreements with JSC FSC. The current financial settling system of JSC FSC does not provide the ultimate counterparties with automatically generated information about transactions and outstanding balances with the participants of the wholesale electricity and capacity market.

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

	As of 31 December 2020		Year ended 31 December 2020	
	Assets	Liabilities	Income	Expenses
Transactions and balances with JSC FSC				
Electric and heat energy sales	-	-	139,114	-
Electricity and heating expenses	-	-	-	20,745
Accounts receivable	6,478	-	-	-
Accounts payable	-	1,917	-	-

38. Related Parties (continued)

	As of 31 December 2019		Year ended 31 December 2019	
	Assets	Liabilities	Income	Expenses
Transactions and balances with JSC FSC				
Electric and heat energy sales	-	-	164,247	-
Electricity and heating expenses	-	-	-	24,033
Accounts receivable	5,893	-	-	-
Accounts payable	-	1,978	-	-

Compensation for Key Management Personnel

Key management personnel (the members of the Board of Directors and the Management Committee of PJSC Gazprom) receive short-term compensation, including salary, bonuses and remuneration for serving on the management bodies of the Group's entities, amounted to approximately RUB 3,026 million and RUB 3,180 million for the years ended 31 December 2020 and 31 December 2019, respectively.

The members of the Board of Directors, who are government officials, do not receive compensation from the Group.

The compensation of the members of the Board of Directors is approved by the annual general meetings of shareholders of the Group's entities. Compensation of key management personnel (other than compensation of the members of the Board of Directors) 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.

Key management personnel are also entitled to long-term post-employment benefits. These benefits include non-governmental pension benefits provided by JSC NPF GAZFOND and lump-sum payments provided by the Group's entities upon retirement (see Note 25).

Employees of the majority of the Group's entities are eligible for such post-employment benefits.

The Group also provides key management personnel with medical insurance and liability insurance.

Associates and Joint Ventures

For the years ended 31 December 2020 and 31 December 2019 and also as of 31 December 2020 and 31 December 2019 the Group's significant transactions and balances with associates and joint ventures are presented below.

	Year ended 31 December	
	2020	2019
Income		
Gas sales		
Panrusgas Co.	25,724	44,099
JSV Moldovagaz	24,179	29,937
JSC Gazprom YRGM Trading ¹	15,426	18,110
JSC Gazprom YRGM Development ¹	11,018	12,936
JSC Latvijas Gaze	6,708	8,972
Prometheus Gas S.A.	3,740	8,554

38. Related Parties (continued)

	Year ended 31 December	
	2020	2019
JSC EUROPOL GAZ	2,312	2,494
KazRosGas LLP	–	17,441
VEMEX s.r.o. and its subsidiaries	–	561
Gas transportation sales		
JSC Gazprom YRGM Trading ¹	24,229	25,336
JSC Gazprom YRGM Development ¹	17,306	18,097
KazRosGas LLP	2,874	2,689
Crude oil, gas condensate and refined products sales		
PJSC NGK Slavneft and its subsidiaries	17,787	38,479
LLC NPP Neftekhimia	4,080	4,538
LLC Poliom	3,717	4,050
JSC SOVEX	2,635	6,553
Sakhalin Energy Investment Company Ltd.	2,326	3,648
Field operator services sales and other services sales		
JSC Messoyakhaneftegas	3,865	3,467
PJSC NGK Slavneft and its subsidiaries	3,491	2,725
Sakhalin Energy Investment Company Ltd.	1,774	1,521
Gas refining services sales		
KazRosGas LLP	10,865	10,993
Interest income		
Gazprombank (Joint-stock Company) and its subsidiaries	23,201	44,929
Other operating income (rental income)		
Sakhalin Energy Investment Company Ltd.	733	775
Expenses		
Purchased gas		
JSC Gazprom YRGM Trading ¹	47,076	56,230
JSC Arcticgas	35,906	31,771
JSC Gazprom YRGM Development ¹	33,658	40,189
KazRosGas LLP	9,032	37,384
Sakhalin Energy Investment Company Ltd.	8,730	15,249
CJSC Northgas	5,261	6,246
Transit of gas		
Nord Stream AG	90,578	77,433
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	45,735	34,493
JSC EUROPOL GAZ	4,838	12,933
JSV Moldovagaz	197	1,849
Purchased crude oil and refined products		
PJSC NGK Slavneft and its subsidiaries	82,730	159,302

38. Related Parties (continued)

	Year ended 31 December	
	2020	2019
JSC Messoyakhaneftegaz	48,701	70,620
JSC Arcticgas	4,395	6,728
KazRosGas LLP	2,149	2,933
Sakhalin Energy Investment Company Ltd.	2,097	6,620
Gas and gas condensate production		
JSC Achimgaz	37,687	47,352
Processing services		
PJSC NGK Slavneft and its subsidiaries	14,642	15,524
Transit of crude oil and oil refinery products		
JSC Messoyakhaneftegaz	7,651	6,861
PJSC NGK Slavneft and its subsidiaries	5,821	4,753
Interest expense		
Gazprombank (Joint-stock Company) and its subsidiaries	11,235	11,890

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

Under the agreement of subordinated debt the Group provided cash to Gazprombank (Joint-stock Company) in the amount of RUB 40,000 million and RUB 90,000 million for the years ended 31 December 2020 and 31 December 2019, respectively.

Gas is sold to and purchased from the Group's associates and joint ventures in the Russian Federation mainly at the rates established by the FAS. Gas is sold and purchased outside the Russian Federation generally on a long-term basis at prices based on world prices of oil products.

Crude oil is sold to and purchased from the Group's associates and joint ventures in the ordinary course of business at prices not significantly different from average market prices.

	As of 31 December 2020		As of 31 December 2019	
	Assets	Liabilities	Assets	Liabilities
Short-term accounts receivable and prepayments				
JSC Gazstroyprom	58,569	–	8,521	–
Gazprombank (Joint-stock Company)	33,851	–	13,961	–
Overgas Inc. AD	8,286	–	–	–
Panrusgas Co.	4,504	–	3,566	–
Sakhalin Energy Investment Company Ltd.	4,403	–	3,125	–
PJSC NGK Slavneft and its subsidiaries	3,450	–	5,580	–
JSC Gazprom YRGM Trading	1,924	–	2,489	–
KazRosGas LLP	1,579	–	6,233	–
LLC National Petroleum Consortium	1,487	–	1,324	–
JSC Gazprom YRGM Development	1,374	–	1,778	–
JSC Messoyakhaneftegaz	747	–	1,022	–
Prometheus Gas S.A.	563	–	478	–
Wintershall Noordzee B.V.	153	–	4,209	–

38. Related Parties (continued)

	As of 31 December 2020		As of 31 December 2019	
	Assets	Liabilities	Assets	Liabilities
Cash and cash equivalents				
Gazprombank (Joint-stock Company) and its subsidiaries	453,859	–	350,674	–
OJSC Belgazprombank	29	–	15,621	–
Short-term financial assets				
Gazprombank (Joint-stock Company)	–	–	23,814	–
Other current assets				
Gazprombank (Joint-stock Company) and its subsidiaries	2,290	–	612,352	–
OJSC Belgazprombank	16	–	2,444	–
Other non-current assets				
Gazprombank (Joint-stock Company)	–	–	1,238	–
Long-term accounts receivable and prepayments				
JSC Gazstroyprom	318,674	–	220,604	–
TurkAkim Gaz Tasima A.S.	28,763	–	21,558	–
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	18,129	–	13,863	–
Sakhalin Energy Investment Company Ltd.	14,187	–	13,455	–
JSC Evroteck-Yugra	4,515	–	3,168	–
OJSC Belgazprombank	2,479	–	2,479	–
CJSC Khanty-Mansiysk petroleum alliance	236	–	1,201	–
JSC Sibgazpolymer	–	–	5,375	–
Short-term accounts payable				
JSC Gazstroyprom	–	57,618	–	26,794
PJSC NGK Slavneft and its subsidiaries	–	53,286	–	103,617
JSC Messoyakhaneftegas	–	33,670	–	41,882
Nord Stream AG	–	8,139	–	6,200
JSC Gazprom YRGM Trading	–	6,509	–	7,353
JSC Achimgaz	–	5,476	–	4,668
JSC Gazprom YRGM Development	–	4,655	–	5,256
JSC Arcticgas	–	3,367	–	2,023
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	–	1,487	–	1,020
Sakhalin Energy Investment Company Ltd.	–	864	–	1,037
KazRosGas LLP	–	141	–	4,087
JSC EUROPOL GAZ	–	–	–	1,528
Short-term borrowings (including current portion of long-term borrowings)				
WIGA Transport Beteiligungs-GmbH & Co. KG	–	27,918	–	–
Gazprombank (Joint-stock Company) and its subsidiaries	–	7,109	–	81,406
JSC Gazstroyprom	–	5,549	–	–
Long-term borrowings				
Gazprombank (Joint-stock Company)	–	182,216	–	181,700

38. Related Parties (continued)

Accounts receivable due from JSV Moldovagaz were RUB nil million as of 31 December 2020 and 31 December 2019 net of allowance for expected credit losses in the amount of RUB 508,624 million and RUB 412,258 million as of 31 December 2020 and 31 December 2019, respectively.

Accounts receivable for gas due from Overgas Inc. AD were RUB 7,770 million as of 31 December 2020 and 31 December 2019 net of allowance for expected credit losses in the amount of RUB nil million and RUB 6,511 million as of 31 December 2020 and 31 December 2019, respectively.

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

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 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) and as of 31 December 2019 – RUB 106,500 million with the loan facilities valid until 31 December 2027. As of 31 December 2020 and 31 December 2019 the Group did not provide loans. 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.

Information on investments in associates and joint ventures is disclosed in Note 16.

Information on the acquisition of JSC REPH from Gazprombank (Joint-stock Company) is disclosed in Note 37.

Information on transactions performed by the Group with JSC NPF GAZFOND is disclosed in Note 25.

Information on financial guarantees issued by the Group for associates and joint ventures is disclosed in Note 41.

39. Commitments and Contingencies

Capital Commitments

The total investment utilisation in accordance with the investment programme of the Group for 2021 (for gas, oil, electricity, heat generating and other assets) and current similar intentions of the Group is RUB 1,788,159 million.

Supply Commitments

The Group has entered into long-term supply contracts for periods ranging from 5 to 30 years with various entities operating in Europe and other countries. The volumes and prices in these contracts are subject to change due to various contractually defined factors. As of 31 December 2020 and 31 December 2019 no loss is expected to result from these long-term commitments.

Gas Transportation Commitments

The Group is a party to a number of long-term agreements on booking capacity for gas transportation. As of 31 December 2020 these agreements are not expected to be onerous for the Group.

Other

The Group has transportation agreements with certain of certain associates and joint ventures (see Note 36).

40. Operating Risks

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. Management believes that its interpretation of the relevant legislation as of 31 December 2020 is appropriate and the Group's position in terms of tax, currency and customs legislation will remain stable.

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. The pro-competition commitments came into effect on 28 May 2018 when PJSC Gazprom was officially served with the adopted decision. The decision on the pro-competition commitments was published by the European Commission on 17 July 2018. The proceedings related to the claim filed by PGNiG S.A. are under way.

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. The proceedings related to the petition filed by PGNiG S.A. are under way.

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 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.

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.

40. Operating Risks (continued)

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 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 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.

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.

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

40. Operating Risks (continued)

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:

- 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

40. Operating Risks (continued)

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.

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 (the "Executive Order of 15 April 2021") that provides for an opportunity to impose new sanctions on Russia due to allegations related to a wide range of matters, including (a) efforts to interfere in democratic elections and processes in the U.S. and its allies and partners, (b) engaging in and facilitating malicious cyber-enabled activities against the U.S. and its allies and partners, (c) fostering and using transnational corruption to influence foreign governments, (d) pursuing extraterritorial activities targeting dissidents or journalists, (e) undermining security in countries and regions important to U.S. national security, (f) violating well-established principles of international law, including respect for the territorial integrity of states.

The Executive Order of 15 April 2021 provides for an opportunity to impose blocking sanctions (blocking sanctioned persons' assets in the U.S., prohibiting U.S. persons from any dealings with such persons) and migration sanctions on a wide range of grounds. Sanctions may also be imposed on 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 Russia, as well as the direct or indirect

40. Operating Risks (continued)

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

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

Canada and some other countries also imposed sanctions on some Russian individuals and legal entities, including PJSC Gazprom, PJSC Gazprom Neft and other oil and gas companies of the Russian Federation. Sanctions imposed by Canada prohibit any person in Canada and any Canadian citizen outside Canada to transact in, provide financing for, or otherwise deal in new debt of longer than 90 days' maturity for a number of Russian energy companies, including PJSC Gazprom and PJSC Gazprom Neft. Furthermore, there is an ongoing restriction 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.

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

41. Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme considers the low level of predictability of financial markets and seeks to reduce potential adverse effects on the financial performance of the Group.

Risks are managed centrally and to some extent at the level of subsidiaries in accordance with adopted local acts of PJSC Gazprom and its subsidiaries.

Market Risk

Market risk is a risk that changes in market prices, such as foreign currency exchange rates, interest rates, commodity prices and prices of marketable securities, will affect the Group's financial results or the value of its holdings of financial instruments.

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from financial assets and liabilities denominated in foreign currencies other than the functional currency of a Group entity.

The carrying amounts of the Group's financial instruments are denominated in the following currencies.

41. Financial Risk Factors (continued)

Notes	Russian Ruble	US dollar	Euro	Other	Total	
As of 31 December 2020						
Financial assets						
Current						
8	Cash and cash equivalents	633,798	182,701	192,514	25,906	1,034,919
12	Short-term deposits	9,402	363	920	4,416	15,101
9	Short-term financial assets (excluding equity securities)	29,518	133	–	–	29,651
10	Accounts receivable	545,153	365,664	275,104	36,595	1,222,516
Non-current						
12	Long-term deposits	–	–	123	1,439	1,562
17	Long-term accounts receivable	278,256	4,587	41,451	1,042	325,336
18	Long-term financial assets (excluding equity securities)	309	–	–	–	309
Total financial assets		1,496,436	553,448	510,112	69,398	2,629,394
Financial liabilities						
Current						
19	Accounts payable (excluding derivative financial instruments)	879,064	131,105	149,232	76,568	1,235,969
21	Short-term borrowings, promissory notes and current portion of long-term borrowings	157,009	68,537	422,014	45,974	693,534
Non-current						
22	Long-term borrowings, promissory notes	949,050	1,038,517	1,988,239	238,274	4,214,080
	Long-term lease liabilities	63,965	118,872	24,297	4,354	211,488
26	Other non-current liabilities (excluding derivative financial instruments)	21,239	5,484	660	6	27,389
Total financial liabilities		2,070,327	1,362,515	2,584,442	365,176	6,382,460
As of 31 December 2019						
Financial assets						
Current						
8	Cash and cash equivalents	485,874	88,839	108,610	12,734	696,057
12	Short-term deposits	497,171	31,409	139,402	5,163	673,145
9	Short-term financial assets (excluding equity securities)	30,407	111	23,814	–	54,332
10	Accounts receivable	213,817	332,249	337,326	81,103	964,495
Non-current						
12	Long-term deposits	–	3,095	93	89	3,277
17	Long-term accounts receivable	298,572	3,579	35,170	1,098	338,419
18	Long-term financial assets (excluding equity securities)	284	–	–	–	284
Total financial assets		1,526,125	459,282	644,415	100,187	2,730,009
Financial liabilities						
Current						
19	Accounts payable (excluding derivative financial instruments)	816,992	199,701	93,092	66,462	1,176,247

41. Financial Risk Factors (continued)

Notes	Russian Ruble	US dollar	Euro	Other	Total	
21	Short-term borrowings, promissory notes and current portion of long-term borrowings	133,515	92,404	504,822	43,461	774,202
Non-current						
22	Long-term borrowings, promissory notes	800,873	737,418	1,336,403	215,008	3,089,702
	Long-term lease liabilities	73,381	108,337	19,863	3,912	205,493
26	Other non-current liabilities (excluding derivative financial instruments)	17,418	4,586	69	8	22,081
Total financial liabilities		1,842,179	1,142,446	1,954,249	328,851	5,267,725

Information on derivative financial instruments is presented in Note 24.

The Group manages its net exposure to foreign exchange risk by balancing both financial assets and financial liabilities comparable in selected foreign currencies.

As of 31 December 2020, if the Russian Ruble had weakened by 20% against the US dollar with all other variables held constant, profit before profit tax would have been lower by RUB 167,718 million, mainly as a result of foreign exchange loss on translation of US dollar-denominated borrowings partially offset by foreign exchange gain on translation of US dollar-denominated trade receivables. As of 31 December 2019, if the Russian Ruble had weakened by 20% against the US dollar with all other variables held constant, profit before profit tax would have been lower by RUB 140,078 million, mainly as a result of foreign exchange loss on translation of US dollar-denominated borrowings partially offset by foreign exchange gain on translation of US dollar-denominated trade receivables. The effect of related Russian Ruble strengthening against the US dollar would have been approximately the same amount with opposite impact.

As of 31 December 2020, if the Russian Ruble had weakened by 20% against the Euro with all other variables held constant, profit before profit tax would have been lower by RUB 337,846 million, mainly as a result of foreign exchange loss on translation of Euro-denominated borrowings partially offset by foreign exchange gain on translation of Euro-denominated trade receivables. As of 31 December 2019, if the Russian Ruble had weakened by 20% against the Euro with all other variables held constant, profit before profit tax would have been lower by RUB 217,324 million, mainly as a result of foreign exchange loss on translation of Euro-denominated borrowings partially offset by foreign exchange gain on translation of Euro-denominated trade receivables. The effect of related Russian Ruble strengthening against the Euro would have been approximately the same amount with opposite impact.

(b) Cash flow and fair value interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rate risk arises from loans issued, borrowings, lease liabilities and other interest-bearing financial instruments. The Group's interest rate risk primarily arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The table below summarises the balance between long-term borrowings at fixed and at variable interest rates:

Notes	Long-term borrowings and promissory notes	31 December	
		2020	2019
22	At fixed rate	2,626,491	2,238,028
22	At variable rate	2,161,537	1,472,051
		4,788,028	3,710,079

The Group performs periodic analysis of the current interest rate environment and depending on that analysis at the time of raising new debts management makes decisions whether obtaining

41. Financial Risk Factors (continued)

financing on fixed-rate or variable-rate basis would be more beneficial to the Group over the expected period until maturity.

In 2019-2020 the Group's borrowings at variable rates were mainly denominated in US dollar and Euro.

As of 31 December 2020, if benchmark interest rates on borrowings had been 100 basis points higher with all other variables held constant, profit before profit tax would have been lower by RUB 18,168 million for 2020, mainly as a result of higher interest expense on variable interest rate long-term borrowings. As of 31 December 2019, if benchmark interest rates on borrowings had been 100 basis points higher with all other variables held constant, profit before profit tax would have been lower by RUB 12,757 million for 2019, mainly as a result of higher interest expense on variable interest rate long-term borrowings.

The effect of a corresponding decrease in benchmark interest rates is approximately equal and opposite.

(c) Commodity price risk

Commodity price risk - possible change in prices for natural gas, crude oil and their refined products, and its impact on the Group's future performance and results of the Group's operations. A decline in the prices could result in a decrease in net profit and cash flows.

The Group's overall strategy in production and sales of natural gas, crude oil and their refined products is centrally managed. Natural gas export prices to Europe and other countries are generally based on a formula linked to refined products prices, which in turn are linked to crude oil prices.

The Group's exposure to the commodity price risk is related essentially to the export market. As of 31 December 2020, if the average gas export prices had decreased by 20% with all other variables held constant, profit before profit tax would have been lower by RUB 421,837 million for 2020. As of 31 December 2019, if the average gas export prices had decreased by 20% with all other variables held constant, profit before profit tax would have been lower by RUB 565,963 million for 2019.

Gas prices in the Russian Federation are regulated by the FAS and are as such less subject to significant fluctuations.

The Group assesses on regular basis the potential scenarios of future fluctuation in commodity prices and their impact on operational and investment decisions. However, in the current economic environment management estimates may significantly differ from actual impact of change in commodity prices on the Group's financial position.

(d) Securities price risk

The Group is exposed to movements in the value of equity securities included in financial assets held by the Group and classified in the consolidated balance sheet either as financial assets measured at fair value with changes recognised through profit or loss or other comprehensive income (see Notes 9 and 18).

As of 31 December 2020 and 31 December 2019, if London Stock Exchange equity index, which primarily affects the major part of the Group's equity securities, had decreased by 20% with all other variables held constant, assuming high correlation of the value of these securities with the index, the Group's comprehensive income for the period would have been RUB 84,361 million and RUB 87,447 million lower, respectively.

The Group is also exposed to movements in the value of securities held by JSC NPF GAZFOND and used for fair value estimation of the Group's pension plan assets (see Note 25).

Credit Risk

Credit risk refers to the risk exposure that a potential financial loss to the Group may occur if a counterparty defaults on its contractual obligations. The maximum exposure to credit risk is the value of the assets which might be lost.

Credit risk arises from cash and cash equivalents, deposits, debt financial instruments, derivative financial instruments, accounts receivable, loan commitments and financial guarantee contracts.

41. Financial Risk Factors (continued)

Financial instruments, which potentially subject the Group to concentrations of credit risk, primarily consist of accounts receivable. Credit risks related to accounts receivable are systematically monitored, taking into account customer's financial position, past experience and other factors.

Management systematically reviews ageing analysis of receivables and uses this information for calculation of allowance for expected credit losses (see Note 10 and 17). Credit risk exposure mainly depends on the individual characteristics of customers, more particularly customers default risk and country risk. Group operates with various customers and substantial part of sales relates to major customers.

Although collection of accounts receivable could be influenced by economic factors affecting these customers, management believes there is no significant risk of loss to the Group beyond the allowance for expected credit losses already recorded.

Cash and cash equivalents are deposited only with banks that are considered by the Group to have a minimal risk of default.

The Group's maximum exposure to credit risk is presented in the table below.

Notes	31 December	
	2020	2019
8 Cash and cash equivalents	1,034,919	696,057
12 Deposits	16,573	676,422
9, 18 Debt securities	29,956	54,616
10, 17 Accounts receivable	1,547,852	1,302,914
41 Financial guarantee contracts	261,162	219,092
38 Loan commitments	297,002	106,500
Total maximum exposure to credit risk	3,187,464	3,055,601

Financial Guarantee Contracts

Guarantees issued for:	31 December	
	2020	2019
Nord Stream AG	118,510	106,924
JSC Gazstroyprom	31,639	23,814
Sakhalin Energy Investment Company Ltd.	23,227	37,022
Other	87,786	51,332
Total financial guarantee contracts	261,162	219,092

In 2020 and 2019 the counterparties fulfilled their contractual obligations.

Financial guarantee contracts include financial guarantees denominated in US Dollars of USD 314 million and USD 598 million as of 31 December 2020 and 31 December 2019, respectively, as well as amounts denominated in Euros of EUR 2,103 million and EUR 2,292 million as of 31 December 2020 and 31 December 2019, respectively.

In June 2008 the Group pledged the shares of Sakhalin Energy Investment Company Ltd. to the agent bank Mizuho Bank Ltd. under the loan obligations of Sakhalin Energy Investment Company Ltd. As of 31 December 2020 and 31 December 2019 the amount of Sakhalin Energy Investment Company Ltd. obligations up to the amount of the Group's share (50%) amounted to RUB 23,227 million (USD 314 million) and RUB 37,022 million (USD 598 million), respectively.

In March 2010 the Group pledged the shares of Nord Stream AG to the agent bank Societe Generale under the obligations of Nord Stream AG under the project financing agreement. As of 31 December 2020 and 31 December 2019 the amount of Nord Stream AG obligations up to the amount of the Group's share (51%) amounted to RUB 118,510 million (EUR 1,307 million) and RUB 106,924 million (EUR 1,542 million), respectively.

41. Financial Risk Factors (continued)

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. The collateral value of promissory notes and debt repayment rights as of 31 December 2020 and 31 December 2019 was RUB 31,639 million and RUB 23,814 million, respectively.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. The Group liquidity is managed centrally. The management of the Group monitors the planned cash inflow and outflow.

Important factor in the Group's liquidity risk management is an access to a wide range of funding through capital markets and banks. Management aims is to maintain flexibility in financing sources by having committed facilities available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Financial liabilities due within 12 months (except lease liabilities) equal their carrying balances as the impact of discounting is not significant.

	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As of 31 December 2020					
Short-term and long-term loans and borrowings and promissory notes	418,826	413,553	944,335	1,978,064	2,516,873
Accounts payable (excluding derivative financial instruments and lease liabilities)	1,160,538	33,979	–	–	–
Lease liabilities	31,123	27,011	40,184	99,885	134,205
Other non-current liabilities (excluding derivative financial instruments)	–	–	17,703	2,566	7,369
Financial guarantee contracts	11,744	33,575	42,054	6,330	167,459
Derivative financial instruments	82,903	35,969	21,739	9,389	–
Loan commitments	–	–	100,000	–	197,002
As of 31 December 2019					
Short-term and long-term loans and borrowings and promissory notes	617,006	327,852	601,060	1,953,475	1,568,521
Accounts payable (excluding derivative financial instruments and lease liabilities)	1,027,732	106,495	–	–	–
Lease liabilities	31,595	27,769	47,227	105,400	145,207
Other non-current liabilities (excluding derivative financial instruments)	–	–	12,773	3,088	7,321
Financial guarantee contracts	2,916	33,660	47,962	4,821	129,733
Derivative financial instruments	66,026	33,972	13,197	5,322	107
Loan commitments	–	–	–	–	106,500

The Group's borrowing facilities do not usually include financial covenants which could trigger accelerated reimbursement of financing facilities. For those borrowing facilities where the Group has financial covenants, the Group is in compliance. If the financial covenants are not met, the Group reclassifies long-term borrowing facilities into short-term.

41. Financial Risk Factors (continued)

Reconciliation of liabilities arising from financing activities

	Borrowings	Transactions with owners	Lease liabilities	Other liabilities	Total
As of 31 December 2019	3,863,904	3,667	247,513	4,836	4,119,920
Cash flows, including:					
Proceeds from borrowings (net of costs directly related to the receipt)	1,139,715	–	–	–	1,139,715
Additions as a result of new leases and modifications to existing leases	–	–	16,884	–	16,884
Repayment of borrowings	(946,991)	–	(40,470)	1,003	(986,458)
Interest capitalised and paid	(133,076)	–	–	–	(133,076)
Interest paid (in financing activities)	(22,876)	–	(16,529)	(396)	(39,801)
Dividends paid	–	(372,524)	–	–	(372,524)
Finance expense	29,755	–	16,529	396	46,680
Interest capitalised	174,079	–	–	–	174,079
Dividends declared	–	377,363	–	–	377,363
Change in fair value of hedging operations	–	–	–	(1,935)	(1,935)
Translation differences	828,337	–	31,817	–	860,154
Other movements	(25,233)	(2,881)	(2,804)	220	(30,698)
As of 31 December 2020	4,907,614	5,625	252,940	4,124	5,170,303

Information about perpetual notes is disclosed in Note 28.

	Borrowings	Transactions with owners	Lease liabilities	Other liabilities	Total
As of 31 December 2018	3,863,822	7,586	–	17,550	3,888,958
Effect of changes in accounting policies	–	–	260,156	–	260,156
As of 1 January 2019 (changed)	3,863,822	7,586	260,156	17,550	4,149,114
Cash flows, including:					
Proceeds from borrowings (net of costs directly related to the receipt)	1,160,885	–	–	–	1,160,885
Additions as a result of new leases and modifications to existing leases	–	–	41,048	–	41,048
Repayment of borrowings	(861,126)	–	(42,603)	(1,896)	(905,625)
Interest capitalised and paid	(122,848)	–	–	–	(122,848)
Interest paid (in financing activities)	(30,822)	–	(16,847)	(511)	(48,180)
Dividends paid	–	(379,595)	–	–	(379,595)
Proceeds from sale of treasury shares	–	323,514	–	–	323,514
Finance expense	36,993	–	16,847	511	54,351
Interest capitalised	150,167	–	–	–	150,167
Dividends declared	–	383,060	–	–	383,060
Treasury shares transactions	–	(323,489)	–	–	(323,489)
Change in the fair value of hedging operations	–	–	–	(10,603)	(10,603)
Translation differences	(388,335)	–	(18,524)	–	(406,859)

41. Financial Risk Factors (continued)

	Borrowings	Transactions with owners	Lease liabilities	Other liabilities	Total
Acquisition of subsidiary	42,139	–	–	–	42,139
Other movements	13,029	(7,409)	7,436	(215)	12,841
As of 31 December 2019	3,863,904	3,667	247,513	4,836	4,119,920

Capital Risk Management

The Group considers equity and debt to be the principal elements of capital management. The Group's objectives when managing capital are to safeguard the Group's position as a leading global energy company by further increasing the reliability of natural gas supplies and diversifying activities in the energy sector, both in the domestic and foreign markets.

In order to maintain and to adjust the capital structure, the Group may revise its investment programme, attract new or repay existing loans and borrowings or sell certain non-core assets.

The Group considers its target debt to equity ratio at the level of not more than 40%.

On the Group level capital is monitored on the basis of the net debt to adjusted EBITDA ratio. This ratio is calculated as net debt divided by adjusted EBITDA. Net debt is calculated as total debt (short-term borrowings and current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings, long-term promissory notes payable) less cash and cash equivalents.

Adjusted EBITDA is calculated as the sum of operating profit, depreciation, impairment loss or reversal of impairment loss on financial assets and non-financial assets, less changes of allowance for expected credit losses on accounts receivable and impairment allowance on advances paid and prepayments.

The net debt to adjusted EBITDA ratio as of 31 December 2020 and 31 December 2019 is presented in the table below.

	31 December	
	2020	2019
Total debt	4,907,614	3,863,904
Less: cash and cash equivalents	(1,034,919)	(696,057)
Net debt	3,872,695	3,167,847
Adjusted EBITDA	1,466,541	1,859,679
Net debt / Adjusted EBITDA	2.64	1.70

PJSC Gazprom has an investment grade credit rating of BBB- (stable outlook) by Standard & Poor's and BBB (stable outlook) by Fitch Ratings as of 31 December 2020.

42. Fair Value of Financial Instruments

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

(a) Financial instruments included in Level 1

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

(b) Financial instruments included in Level 2

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

42. Fair Value of Financial Instruments (continued)

(c) Financial instruments included in Level 3

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

The fair value of long-term accounts receivable is classified as Level 3 (see Note 17), long-term borrowings – Level 2 (see Note 22).

As of 31 December 2020 and 31 December 2019 the Group had the following assets and liabilities that are measured at fair value.

Notes	31 December 2020				
	Level 1	Level 2	Level 3	Total	
Financial assets measured at fair value with changes recognised through profit or loss:					
12,24	Derivative financial instruments	14,400	85,797	379	100,576
9	Bonds	29,517	–	–	29,517
9	Equity securities	241	–	–	241
Financial assets measured at fair value with changes recognised through other comprehensive income:					
12,24	Derivative financial instruments	–	6,586	–	6,586
9	Promissory notes	–	1	–	1
Total short-term financial assets measured at fair value		44,158	92,384	379	136,921
Financial assets measured at fair value with changes recognised through profit or loss:					
12,24	Derivative financial instruments	4,835	12,187	–	17,022
18	Equity securities	–	–	3,056	3,056
Financial assets measured at fair value with changes recognised through other comprehensive income:					
12,24	Derivative financial instruments	–	2,264	–	2,264
18	Equity securities	369,388	40,578	8,538	418,504
18	Promissory notes	–	309	–	309
Total long-term financial assets measured at fair value		374,223	55,338	11,594	441,155
Total financial assets measured at fair value		418,381	147,722	11,973	578,076

Notes	31 December 2020				
	Level 1	Level 2	Level 3	Total	
Financial liabilities measured at fair value with changes recognised through profit or loss:					
19,24	Short-term derivative financial instruments	38,478	77,967	557	117,002
24	Long-term derivative financial instruments	6,845	17,294	–	24,139
Financial liabilities measured at fair value with changes recognised through other comprehensive income:					
19,24	Short-term derivative financial instruments	–	1,870	–	1,870
24	Long-term derivative financial instruments	–	6,989	–	6,989
Total financial liabilities measured at fair value		45,323	104,120	557	150,000

42. Fair Value of Financial Instruments (continued)

Notes	31 December 2019				
	Level 1	Level 2	Level 3	Total	
Financial assets measured at fair value with changes recognised through profit or loss:					
12, 24	Derivative financial instruments	8,337	69,375	170	77,882
9	Bonds	30,405	–	–	30,405
9	Equity securities	229	–	–	229
Financial assets measured at fair value with changes recognised through other comprehensive income:					
12, 24	Derivative financial instruments	–	32,072	–	32,072
9	Equity securities	–	3,010	–	3,010
9	Promissory notes	–	2	–	2
Total short-term financial assets measured at fair value		38,971	104,459	170	143,600
Financial assets measured at fair value with changes recognised through profit or loss:					
12, 24	Derivative financial instruments	2,693	6,108	–	8,801
18	Equity securities	–	–	2,447	2,447
Financial assets measured at fair value with changes recognised through other comprehensive income:					
12, 24	Derivative financial instruments	–	10,969	–	10,969
18	Equity securities	386,824	40,578	4,149	431,551
18	Promissory notes	–	284	–	284
Total long-term financial assets measured at fair value		389,517	57,939	6,596	454,052
Total financial assets measured at fair value		428,488	162,398	6,766	597,652

Notes	31 December 2019				
	Level 1	Level 2	Level 3	Total	
Financial liabilities measured at fair value with changes recognised through profit or loss:					
19,24	Short-term derivative financial instruments	9,481	58,823	517	68,821
24	Long-term derivative financial instruments	5,543	137	–	5,680
Financial liabilities measured at fair value with changes recognised through other comprehensive income:					
19,24	Short-term derivative financial instruments	–	31,177	–	31,177
24	Long-term derivative financial instruments	79	12,867	–	12,946
Total financial liabilities measured at fair value		15,103	103,004	517	118,624

The derivative financial instruments include natural gas purchase and sale contracts and are categorised in Levels 1, 2 and 3 of the classification of derivative financial instruments. The contracts in Level 1 are valued using active market prices of identical assets and liabilities. Due to absence of quoted prices or other observable, market-corroborated data the contracts in Level 2 are valued using models internally developed by the Group. These models include inputs such as: quoted forward prices, time value of money, volatility factors, current market prices, contractual prices and expected volumes of the underlying instruments. If necessary, the price curves are extrapolated to the expiry of the contracts using all available external pricing information, statistical and long-term pricing relationships. These instruments are categorised in Level 3.

42. Fair Value of Financial Instruments (continued)

Foreign currency hedge contracts are categorised in Level 2. For fair value estimation the Group uses valuation prepared by independent financial institutes. Valuation results are regularly analysed by the Group's management. For the reporting period all foreign currency hedge contracts were effective.

During 2020 there were no transfers of financial instruments between Levels 1, 2 and 3 and changes in valuation techniques during the reporting period. During 2019, contracts for supply of natural gas with flexible purchase volumes in the amount of RUB 1,674 million, previously assigned to Level 3 of the fair value hierarchy, were transferred to Level 2.

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

43. Offsetting Financial Assets and Liabilities

In connection with derivative financial instruments activities, the Group generally enters into master netting agreements and collateral agreements with its counterparties. These agreements provide the Group with the right to offset, in the event of a default by the counterparty (such as bankruptcy), counterparty's rights and obligations under the agreement or to liquidate and set off collateral against any net amount owed by the counterparty.

The following financial assets and liabilities are subject to standard offsetting agreements, including set-off agreements using collateral for obligations and similar agreements.

	Gross amounts before offsetting	Amounts offset	Net amounts after offsetting in the consolidated balance sheet	Amounts subject to netting agreements
As of 31 December 2020				
Financial assets				
Long-term and short-term trade and other accounts receivable	1,876,654	367,573	1,509,081	39,898
Derivative financial instruments	540,135	413,687	126,448	78,468
Financial liabilities				
Accounts payable (excluding derivative financial instruments)	1,603,542	367,573	1,235,969	39,898
Derivative financial instruments	563,687	413,687	150,000	78,468
As of 31 December 2019				
Financial assets				
Long-term and short-term trade and other accounts receivable	1,670,276	367,362	1,302,914	34,082
Derivative financial instruments	658,576	528,852	129,724	71,143
Financial liabilities				
Accounts payable (excluding derivative financial instruments)	1,543,609	367,362	1,176,247	34,082
Derivative financial instruments	647,476	528,852	118,624	71,143

44. Events After the Reporting Period

Borrowings

In January 2021 the Group issued loan participation notes in the amount of USD 2,000 million at an interest rate of 2.95% due in 2029 under the EUR 30,000 million Programme for the Issuance of Loan Participation Notes.

In January 2021 the Group registered a Russian exchange-traded bonds Programme for the amount of RUB 15,100 million.

In February 2021 the Group issued loan participation notes in the amount of EUR 1,000 million at an interest rate of 1.50% due in 2027 under the EUR 30,000 million Programme for the Issuance of Loan Participation Notes.

44. Events After the Reporting Period (continued)

In February 2021 the Group refinanced a debt in the amount equivalent to RUB 18,200 million by drawing a loan due in 2025 under the agreement for the provision of long-term credit facilities with a Russian bank.

In January-April 2021 the Group's subsidiary LLC Gazprom pererabotka Blagoveshchensk obtained long-term loans in the total amount of RUB 35,788 million at an interest rate from the current key rate of the Central Bank of the Russian Federation + 1.65% to the current key rate of the Central Bank of the Russian Federation + 2.15% and EUR 244 million at an interest rate from EURIBOR + 1.00% to EURIBOR + 3.20% due in 2034-2036. The loans were obtained under the terms of long-term financing agreements signed in December 2019 within the framework of financing the construction of the Amur gas processing plant. PJSC Sberbank, Gazprombank (Joint-stock Company), ING Bank N.V., Intesa Sanpaolo S.p.A. and Intesa Sanpaolo S.p.A., London branch were appointed as agent banks.

PJSC Gazprom

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