

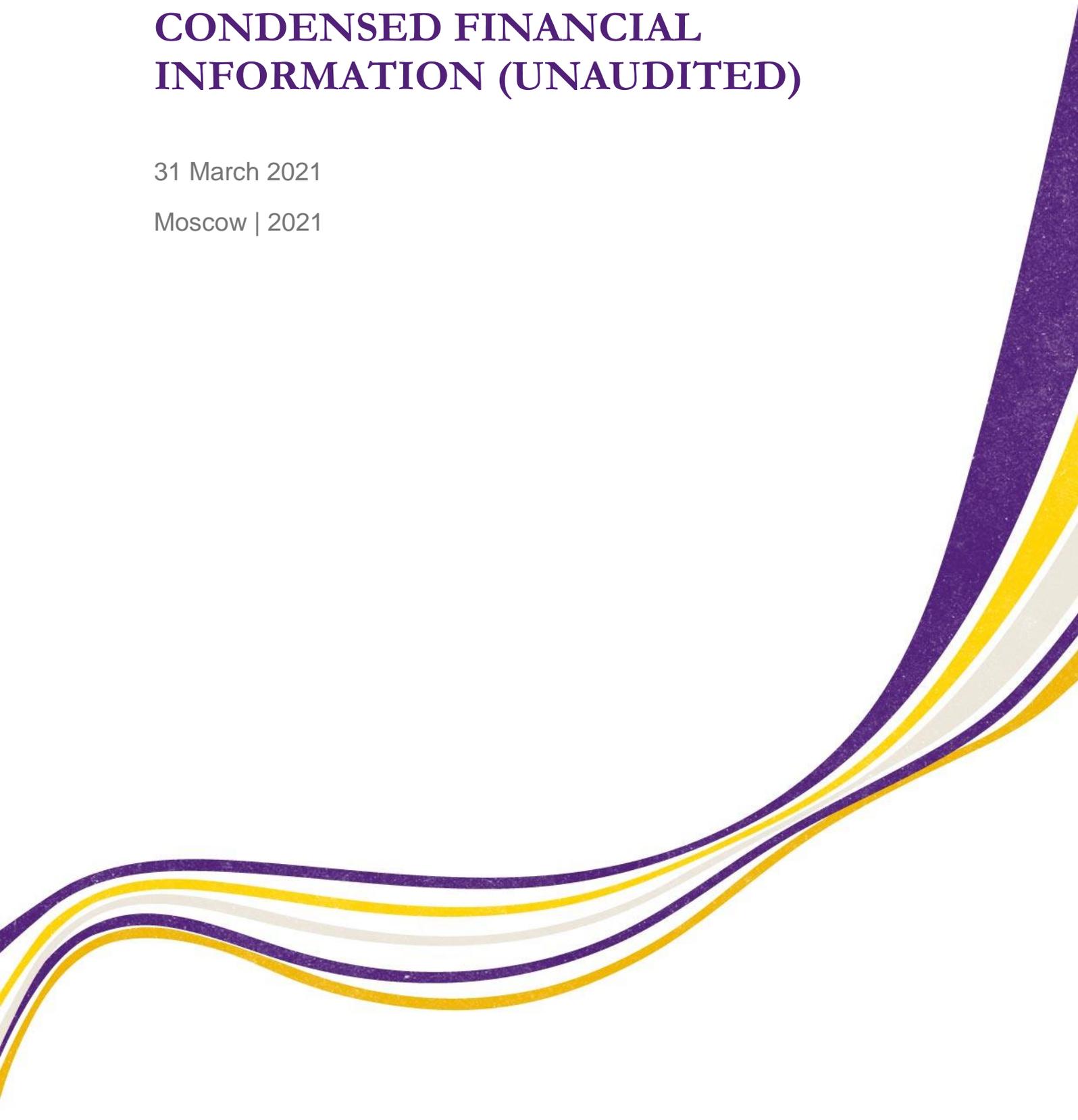
ФБК

PJSC GAZPROM

IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

31 March 2021

Moscow | 2021



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Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders
of Public Joint Stock Company Gazprom

Introduction

We have reviewed the accompanying consolidated interim condensed balance sheet of Public Joint Stock Company Gazprom ("PJSC Gazprom") and its subsidiaries as of 31 March 2021 and the related consolidated interim condensed statement of comprehensive income for the three months ended 31 March 2021, consolidated interim condensed statements of cash flows and changes in equity for the three months ended 31 March 2021, and notes to the consolidated interim condensed financial information.

Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Accounting Standard 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

Engagement partner



K.S. Shirikova, FCCA

(audit qualification certificate 01-000712)

Date of the Report on Review
26 May 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 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 Interim Condensed Balance Sheet (Unaudited)
as of 31 March 2021
(in millions of Russian Rubles)

Notes	31 March 2021	31 December 2020
Assets		
Current assets		
6	1,271,783	1,034,919
	Short-term financial assets	34,431
7	1,413,381	1,302,129
8	766,982	971,789
	VAT recoverable	93,928
13	<u>502,705</u>	<u>301,005</u>
	4,083,210	3,774,289
Non-current assets		
9	16,148,208	16,103,095
10	196,984	195,313
	Goodwill	121,208
11	1,417,311	1,327,241
12	1,083,081	988,857
23	513,473	421,869
13	<u>457,480</u>	<u>421,667</u>
	19,937,745	19,577,896
Total assets	24,020,955	23,352,185
Liabilities and equity		
Current liabilities		
	1,458,063	1,622,288
	39,553	14,402
	368,342	296,740
	<u>647,859</u>	<u>693,534</u>
	2,513,817	2,626,964
Non-current liabilities		
14	4,361,311	4,214,080
22	671,693	688,333
15	737,804	667,724
	214,372	211,488
	<u>114,270</u>	<u>138,864</u>
	6,099,450	5,920,489
Total liabilities	8,613,267	8,547,453
Equity		
16	325,194	325,194
16	(331)	(331)
17	196,362	195,616
	<u>14,304,146</u>	<u>13,717,464</u>
	14,825,371	14,237,943
	<u>582,317</u>	<u>566,789</u>
Total equity	15,407,688	14,804,732
Total liabilities and equity	24,020,955	23,352,185

A.B. Miller
Chairman of the Management Committee
26 May 2021

M.N. Rosseev
Chief Accountant
26 May 2021

The accompanying notes on pages 9 to 43 are an integral part of this consolidated interim condensed financial information.

PJSC Gazprom
Consolidated Interim Condensed Statement of Comprehensive Income (Unaudited)
for the Three Months Ended 31 March 2021
(in millions of Russian Rubles)

Notes		Three months ended	
		2021	2020
		31 March	
		<u>2021</u>	<u>2020</u>
18	Sales	2,285,161	1,739,832
	Net (loss) gain from trading activity	(4,897)	10,395
19	Operating expenses	(1,766,853)	(1,439,701)
	Impairment loss on financial assets	<u>(23,218)</u>	<u>(17,067)</u>
	Operating profit	490,193	293,459
20	Finance income	149,723	134,966
20	Finance expenses	(137,859)	(682,970)
11	Share of profit of associates and joint ventures	<u>71,429</u>	<u>45,825</u>
	Profit (loss) before profit tax	573,486	(208,720)
	Current profit tax expenses	(56,520)	(27,904)
	Deferred profit tax (expenses) income	<u>(51,352)</u>	<u>128,542</u>
	Profit tax	(107,872)	100,638
	Profit (loss) for the period	465,614	(108,082)
	Other comprehensive income (loss):		
	Items that will not be reclassified subsequently to profit or loss:		
	Gain (loss) arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	71,934	(106,093)
22	Remeasurement of provision for post-employment benefits	<u>55,028</u>	<u>5,199</u>
	Total other comprehensive income (loss) that will not be reclassified subsequently to profit or loss	126,962	(100,894)
	Items that may be reclassified subsequently to profit or loss:		
	Share of other comprehensive loss of associates and joint ventures	(71)	(33,085)
	Translation differences	(991)	326,119
	Gain (loss) from hedging operations, net of tax	<u>13,398</u>	<u>(11,945)</u>
	Total other comprehensive income that may be reclassified subsequently to profit or loss	12,336	281,089
	Total other comprehensive income for the period, net of tax	139,298	180,195
	Comprehensive income for the period	604,912	72,113
	Profit (loss) for the period attributable to:		
	Owners of PJSC Gazprom	447,263	(116,249)
	Non-controlling interest	<u>18,351</u>	<u>8,167</u>
		465,614	(108,082)
	Comprehensive income for the period attributable to:		
	Owners of PJSC Gazprom	589,345	42,037
	Non-controlling interest	<u>15,567</u>	<u>30,076</u>
		604,912	72,113
21	Basic and diluted earnings (loss) per share attributable to the owners of PJSC Gazprom (in Russian Rubles)	18.83	(4.92)


A.B. Miller
Chairman of the Management Committee
26 May 2021

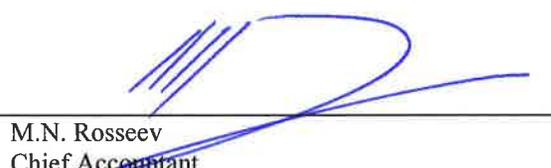

M.N. Rosseev
Chief Accountant
26 May 2021

The accompanying notes on pages 9 to 43 are an integral part of this consolidated interim condensed financial information.

PJSC Gazprom
Consolidated Interim Condensed Statement of Cash Flows (Unaudited)
for the Three Months Ended 31 March 2021
(in millions of Russian Rubles)

Notes	Three months ended 31 March	
	2021	2020
	Cash flows from operating activities	
	Profit (loss) before profit tax	573,486 (208,720)
	Adjustments to profit (loss) before profit tax for	
19	Depreciation	207,670 199,564
20	Net finance (income) expenses	(11,864) 548,004
11	Share of profit of associates and joint ventures	(71,429) (45,825)
	Impairment loss on assets and change in provision for post-employment benefits	37,889 41,336
19	Derivative financial instruments gain	(711) (454)
	Other	<u>(4,707)</u> <u>22,536</u>
	Total effect of adjustments	<u>156,848</u> <u>765,161</u>
	Cash flows from operating activities before working capital changes	<u>730,334</u> <u>556,441</u>
	Increase in non-current assets	(1,463) (5,862)
	(Decrease) increase in non-current liabilities	(8,232) 13,153
	Changes in working capital	(53,391) 96,914
	Profit tax paid	<u>(24,252)</u> <u>(70,545)</u>
	Net cash from operating activities	642,996 590,101
	Cash flows from investing activities	
	Capital expenditures	(414,783) (419,458)
20	Interest capitalised and paid	(33,686) (33,656)
	Net change in loans issued	(1,747) (798)
	Investments in associates and joint ventures	(20,684) (36,175)
	Interest received	7,823 15,910
	Change in long-term financial assets measured at fair value through other comprehensive income	(6,244) (958)
	Proceeds from associates and joint ventures	2,006 530
	Proceeds from sale of associates and joint ventures	1,421 -
	Proceeds from sale of subsidiaries	3,966 -
	Placement of long-term bank deposits	(13,148) -
	Repayment of long-term bank deposits	1,158 2,790
	Other	<u>(21,500)</u> <u>(21,192)</u>
	Net cash used in investing activities	(495,418) (493,007)
	Cash flows from financing activities	
	Proceeds from long-term borrowings	324,485 403,371
	Repayment of long-term borrowings (including current portion of long-term borrowings)	(207,833) (441,973)
	Proceeds from short-term borrowings	32,356 31,032
	Repayment of short-term borrowings	(23,027) (36,682)
	Repayment of lease liabilities	(10,964) (12,436)
	Dividends paid	(934) (89)
20	Interest paid	(18,234) (21,933)
17	Interest paid on perpetual notes	(2,085) -
	Other	<u>(2,203)</u> <u>(34,407)</u>
	Net cash from (used in) financing activities	91,561 (113,117)
	Effect of foreign exchange rate changes on cash and cash equivalents	<u>(2,275)</u> <u>92,890</u>
	Increase in cash and cash equivalents	236,864 76,867
6	Cash and cash equivalents at the beginning of the period	<u>1,034,919</u> <u>696,057</u>
6	Cash and cash equivalents at the end of the period	1,271,783 772,924


A.B. Miller
Chairman of the Management Committee
28 May 2021


M.N. Rosseev
Chief Accountant
26 May 2021

The accompanying notes on pages 9 to 43 are an integral part of this consolidated interim condensed financial information.

PJSC Gazprom
Consolidated Interim Condensed Statement of Changes in Equity (Unaudited)
for the Three Months Ended 31 March 2021
(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
Three months ended 31 March 2020							
	325,194	(331)	-	13,779,970	14,104,833	510,854	14,615,687
	-	-	-	(116,249)	(116,249)	8,167	(108,082)
	-	-	-	(106,093)	(106,093)	-	(106,093)
22	-	-	-	5,199	5,199	-	5,199
	-	-	-	(33,085)	(33,085)	-	(33,085)
	-	-	-	304,194	304,194	21,925	326,119
	-	-	-	(11,929)	(11,929)	(16)	(11,945)
	-	-	-	42,037	42,037	30,076	72,113
	-	-	-	-	-	(95)	(95)
	325,194	(331)	-	13,822,007	14,146,870	540,835	14,687,705
Three months ended 31 March 2021							
	325,194	(331)	195,616	13,717,464	14,237,943	566,789	14,804,732
	-	-	-	447,263	447,263	18,351	465,614
	-	-	-	71,934	71,934	-	71,934
22	-	-	-	55,028	55,028	-	55,028
	-	-	-	(71)	(71)	-	(71)
	-	-	-	1,793	1,793	(2,784)	(991)
	-	-	-	13,398	13,398	-	13,398
	-	-	-	589,345	589,345	15,567	604,912
	-	-	-	-	-	(4)	(4)
	-	-	-	-	-	(35)	(35)
17	-	-	746	(2,663)	(1,917)	-	(1,917)
	325,194	(331)	196,362	14,304,146	14,825,371	582,317	15,407,688

A.B. Miller
Chairman of the Management Committee
25 May 2021

M.N. Rosseev
Chief Accountant
25 May 2021

The accompanying notes on pages 9 to 43 are an integral part of this consolidated interim condensed financial information.

PJSC Gazprom
Notes to the Consolidated Interim Condensed Financial Information
(Unaudited)
31 March 2021
(in millions of Russian Rubles)

1 General Information

Public Joint Stock Company Gazprom (PJSC Gazprom) and its subsidiaries (the “Group” or “Gazprom Group”) operate one of the largest gas pipeline systems in the world, 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 Group’s activity is subject to seasonal fluctuations with peak demand for gas in the first and fourth quarters of each year. Typically approximately 30 % of total annual gas volumes are shipped in the first calendar quarter.

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

The spread of COVID-19, which occurred in 2020, 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 March 2021 – 75.7023 (as of 31 March 2020 – 77.7325);
- as of 31 December 2020 – 73.8757 (as of 31 December 2019 – 61.9057).

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

- as of 31 March 2021 – 88.8821 (as of 31 March 2020 – 85.7389);
- as of 31 December 2020 – 90.6824 (as of 31 December 2019 – 69.3406).

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

This consolidated interim condensed financial information is prepared in accordance with the requirements of IAS 34 Interim Financial Reporting. The consolidated interim condensed financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards (“IFRS”).

4 Summary of Significant Accounting Policies and Critical Judgements and Estimates in Their Application

The significant accounting policies followed by the Group and the critical judgements and estimates in their application are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2020.

Profit tax for the interim periods is accrued using a tax rate that would be applicable to expected profit for the year.

Application of Amendments to Standards

The amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases – Interest Rate Benchmark Reform – Phase 2 (issued in August 2020 and effective for annual reporting periods beginning on or after 1 January 2021). The amendments provide temporary reliefs, which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate. The amendments include the following:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when a risk-free interest rate instrument is designated at the discretion of the entity as a risk component within the hedging relationship.

The Group reviewed these amendments to standards while preparing the consolidated interim condensed financial information. The amendments to standards have no significant impact on the Group’s consolidated interim condensed financial information.

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 April 2021. In particular, the Group has not early adopted the following amendments to standards:

- The amendments to IFRS 16 Leases (issued in March 2021 and effective for annual reporting periods beginning on or after 1 April 2021). The amendments extend the previously effective COVID-19 related rent concessions, which were issued in May 2020 and were effective for annual reporting periods beginning on or after 1 June 2020, and 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 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). The 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.

PJSC Gazprom
Notes to the Consolidated Interim Condensed Financial Information
(Unaudited)
31 March 2021
(in millions of Russian Rubles)

4 Summary of Significant Accounting Policies (continued)

- 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 amendments to IAS 1 Presentation of Financial Statements (issued in February 2021 and effective for annual reporting periods beginning on or after 1 January 2023). The amendments clarify how the concept of materiality could be applied in making decisions about the disclosure of accounting policies.
- The amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (issued in February 2021 and effective for annual reporting periods beginning on or after 1 January 2023). The amendments clarify how distinguish changes in accounting estimates from changes in accounting policies.
- The amendments to IAS 12 Income Taxes (issued in May 2021 and effective for annual reporting periods beginning on or after 1 January 2023). The amendments clarify that the recognition exemption does not apply to transactions in which equal deductible and taxable temporary differences arise on initial recognition.

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

5 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.

PJSC Gazprom
Notes to the Consolidated Interim Condensed Financial Information
(Unaudited)
31 March 2021
(in millions of Russian Rubles)

5 Segment Information (continued)

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 interim condensed financial information 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
Three months ended									
31 March 2021									
Sales of segments	221,147	294,129	1,346,415	13,991	404,600	554,806	187,505	71,248	3,093,841
Inter-segment sales	214,519	236,955	112,457	12,526	222,596	5,127	-	-	804,180
External sales	6,628	57,174	1,233,958	1,465	182,004	549,679	187,505	71,248	2,289,661
Financial result of segments	(19,169)	26,241	221,984	1,006	124,329	6,336	37,166	36,534	434,427
Depreciation	52,080	117,987	5,376	7,113	43,523	18,083	16,814	11,618	272,594
Share of profit of associates and joint ventures	2,067	10,683	1,148	-	36,904	1,494	25	19,108	71,429
Three months ended									
31 March 2020									
Sales of segments	228,900	281,455	948,342	13,274	279,815	477,947	158,083	68,720	2,456,536
Inter-segment sales	223,318	225,368	88,318	12,140	158,954	4,988	-	-	713,086
External sales	5,582	56,087	860,024	1,134	120,861	472,959	158,083	68,720	1,743,450
Financial result of segments	4,901	19,467	(109,629)	1,617	68,802	(11,567)	32,611	(43,343)	(37,141)
Depreciation	44,298	126,321	4,557	7,657	44,895	13,228	15,729	11,377	268,062
Share of profit (loss) of associates and joint ventures	1,074	7,748	(799)	-	27,887	(183)	14	10,084	45,825

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

PJSC Gazprom
Notes to the Consolidated Interim Condensed Financial Information
(Unaudited)
31 March 2021
(in millions of Russian Rubles)

5 Segment Information (continued)

The reconciliation of reportable segments' financial results to profit (loss) before profit tax in the consolidated interim condensed statement of comprehensive income is provided below.

Notes	Three months ended 31 March	
	2021	2020
	397,893	6,202
	<u>36,534</u>	<u>(43,343)</u>
	434,427	(37,141)
	64,924	68,498
	(7,749)	11
20	11,864	(548,004)
11	71,429	45,825
19	711	454
	<u>(2,120)</u>	<u>261,637</u>
	573,486	(208,720)

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 interim condensed statement of comprehensive income is provided below.

	Three months ended 31 March	
	2021	2020
External sales of reportable segments	2,218,413	1,674,730
External sales of other segments	<u>71,248</u>	<u>68,720</u>
Total external sales of segments	2,289,661	1,743,450
Differences in external sales ¹	<u>(4,500)</u>	<u>(3,618)</u>
Total sales in the consolidated interim condensed statement of comprehensive income	2,285,161	1,739,832

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.

Segment assets 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.

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5 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 March 2021									
Assets of segments	<u>2,922,506</u>	<u>7,245,205</u>	<u>1,650,115</u>	<u>354,429</u>	<u>3,533,092</u>	<u>3,025,090</u>	<u>1,118,606</u>	<u>1,783,156</u>	<u>21,632,199</u>
Investments in associates and joint ventures	20,503	236,873	42,982	2	653,964	30,429	1,335	431,223	1,417,311
Capital expenditures ¹	41,900	62,125	5,095	1,873	67,193	63,102	21,205	9,261	271,754
As of 31 December 2020									
Assets of segments	<u>2,992,642</u>	<u>7,233,415</u>	<u>1,848,312</u>	<u>355,297</u>	<u>3,267,110</u>	<u>2,823,335</u>	<u>892,261</u>	<u>1,960,300</u>	<u>21,372,672</u>
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 ²	352,986	251,591	17,873	26,391	309,793	396,637	82,229	56,685	1,494,185

¹ Capital expenditures for the three months ended 31 March 2021.

² Capital expenditures for the year ended 31 December 2020.

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

Notes	31 March 2021	31 December 2020
Assets of reportable segments	19,849,043	19,412,372
Assets of other segments	<u>1,783,156</u>	<u>1,960,300</u>
Total assets of segments	21,632,199	21,372,672
Difference in property, plant and equipment, net ¹	(894,092)	(996,982)
Borrowing costs capitalised	1,048,168	1,021,764
6 Cash and cash equivalents	1,271,783	1,034,919
Short-term financial assets	34,431	29,892
VAT recoverable	93,928	134,555
13 Other current assets	502,705	301,005
Right-of-use assets	66,742	63,311
Goodwill	121,208	119,854
23 Long-term financial assets	513,473	421,869
13 Other non-current assets	457,480	421,667
Inter-segment assets	(1,013,495)	(948,190)
Other	<u>186,425</u>	<u>375,849</u>
Total assets in the consolidated interim condensed balance sheet	24,020,955	23,352,185

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.

	31 March 2021	31 December 2020
Distribution of gas	794,178	791,817
Refining	837,131	754,088
Production of crude oil and gas condensate	499,457	441,058
Production of gas	330,784	334,499
Transportation of gas	169,589	256,853
Electric and heat energy generation and sales	114,580	124,102
Gas storage	31,802	34,093
All other segments	<u>303,695</u>	<u>353,228</u>
Total liabilities of segments	3,081,216	3,089,738

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5 Segment Information (continued)

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

Notes	<u>31 March 2021</u>	<u>31 December 2020</u>
Liabilities of reportable segments	2,777,521	2,736,510
Liabilities of other segments	<u>303,695</u>	<u>353,228</u>
Total liabilities of segments	3,081,216	3,089,738
Short-term lease liabilities	18,474	17,567
Current profit tax payable	39,553	14,402
Short-term borrowings, promissory notes and current portion of long-term borrowings	647,859	693,534
14 Long-term borrowings, promissory notes	4,361,311	4,214,080
21 Long-term provisions (except for provision for decommissioning and site restoration)	322,635	348,140
15 Deferred tax liabilities	737,804	667,724
Long-term lease liabilities	52,465	48,647
Other non-current liabilities	114,270	138,864
Dividends	4,574	5,625
Inter-segment liabilities	(1,013,495)	(948,190)
Other	<u>246,601</u>	<u>257,322</u>
Total liabilities in the consolidated interim condensed balance sheet	8,613,267	8,547,453

6 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.

	<u>31 March 2021</u>	<u>31 December 2020</u>
Cash on hand and bank balances payable on demand	1,023,314	735,334
Term deposits with original maturity of three months or less and other cash equivalents	<u>248,469</u>	<u>299,585</u>
Total cash and cash equivalents	1,271,783	1,034,919

7 Accounts Receivable and Prepayments

	<u>31 March 2021</u>	<u>31 December 2020</u>
Financial assets		
Trade accounts receivable	950,782	871,814
Other accounts receivable	194,070	192,159
Loans receivable	<u>161,447</u>	<u>158,543</u>
	1,306,299	1,222,516
Non-financial assets		
Advances paid and prepayments	<u>107,082</u>	<u>79,613</u>
Total accounts receivable and prepayments	1,413,381	1,302,129

Accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 1,067,092 million and RUB 1,032,705 million, advances paid and prepayments are presented net of impairment allowance in the amount of RUB 6,030 million and RUB 6,029 million as of 31 March 2021 and 31 December 2020, respectively.

Other accounts receivable include rights of claim arising from promissory notes of Gazprombank (Joint-stock Company) in the amount of RUB 31,011 million and RUB 31,639 million as of 31 March 2021 and 31 December 2020, respectively. These rights of claim and promissory notes were pledged to secure the repayment of loan funds provided to JSC Gazstroyprom.

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8 Inventories

For inventories with the cost exceeding the net realisable value, the amount of write-down to net realisable value was RUB 12,625 million and RUB 12,697 million as of 31 March 2021 and 31 December 2020, respectively.

9 Property, Plant and Equipment

Notes	Operating assets (including production licenses)	Social assets	Assets under construction	Total
As of 31 December 2019				
Cost	17,825,647	90,046	4,524,775	22,440,468
Accumulated depreciation	(7,135,819)	(46,845)	-	(7,182,664)
Impairment allowance	<u>(240,847)</u>	<u>-</u>	<u>(160,509)</u>	<u>(401,356)</u>
Net book value as of 31 December 2019	10,448,981	43,201	4,364,266	14,856,448
Three months ended 31 March 2020				
Cost				
Additions	33,918	2	316,417	350,337
Transfers	585,343	-	(585,343)	-
Disposals	(10,448)	(102)	(6,846)	(17,436)
Translation differences	328,305	534	159,920	488,759
Accumulated depreciation and impairment allowance				
Depreciation	(188,661)	(650)	-	(189,311)
Disposals	1,555	54	750	2,359
Translation differences	(113,937)	(153)	(5,856)	(119,946)
Change in impairment allowance:	(14,048)	-	99	(13,949)
allowance accrual	(14,048)	-	(25)	(14,073)
allowance release	-	-	124	124
As of 31 March 2020				
Cost	18,762,725	90,480	4,408,923	23,262,128
Accumulated depreciation	(7,423,471)	(47,594)	-	(7,471,065)
Impairment allowance	<u>(268,288)</u>	<u>-</u>	<u>(165,516)</u>	<u>(433,804)</u>
Net book value as of 31 March 2020	11,070,966	42,886	4,243,407	15,357,259
Nine months ended 31 December 2020				
Cost				
Additions	66,794	244	1,384,200	1,451,238
Transfers	1,037,334	3,882	(1,041,216)	-
Disposals	(102,936)	(304)	(123,786)	(227,026)
Translation differences	9,041	142	42,600	51,783
Accumulated depreciation and impairment allowance				
Depreciation	(570,438)	(2,078)	-	(572,516)
Disposals	36,943	150	24,259	61,352
Translation differences	11,414	(63)	1,096	12,447
Change in impairment allowance:	(11,741)	-	(19,701)	(31,442)
allowance accrual	(13,416)	-	(20,032)	(33,448)
allowance release	1,675	-	331	2,006
As of 31 December 2020				
Cost	19,779,166	94,444	4,664,513	24,538,123
Accumulated depreciation	(7,950,157)	(49,585)	-	(7,999,742)
Impairment allowance	<u>(281,632)</u>	<u>-</u>	<u>(153,654)</u>	<u>(435,286)</u>
Net book value as of 31 December 2020	11,547,377	44,859	4,510,859	16,103,095

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9 Property, Plant and Equipment (continued)

Notes	Operating assets (including production licenses)	Social assets	Assets under construction	Total
Three months ended 31 March 2021				
Cost				
Additions	7,348	9	298,455	305,812
Transfers	73,388	-	(73,388)	-
Disposals	(19,759)	(48)	(28,955)	(48,762)
Translation differences	(11,067)	(56)	(14,535)	(25,658)
Accumulated depreciation and impairment allowance				
Depreciation	(196,331)	(699)	-	(197,030)
Disposals	8,253	23	11,646	19,922
Translation differences	(6,282)	23	(160)	(6,419)
Change in impairment allowance:	-	-	(2,752)	(2,752)
allowance accrual	-	-	(2,865)	(2,865)
allowance release	-	-	113	113
As of 31 March 2021				
Cost	19,830,287	94,349	4,844,881	24,769,517
Accumulated depreciation	(8,141,445)	(50,238)	-	(8,191,683)
Impairment allowance	<u>(285,915)</u>	<u>-</u>	<u>(143,711)</u>	<u>(429,626)</u>
Net book value as of 31 March 2021	11,402,927	44,111	4,701,170	16,148,208

The Group recognised an impairment loss in the amount of RUB 2,865 million for assets for the three months ended 31 March 2021 and RUB 14,073 million for the three months ended 31 March 2020.

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 22 million and RUB 27 million as of 31 March 2021 and 31 December 2020, respectively.

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10 Right-of-Use Assets

Notes	<u>Operating assets</u>	<u>Social assets</u>	<u>Total</u>
Three months ended 31 March 2020			
Net book value as of 31 December 2019	206,738	7,506	214,244
Initial recognition	250,471	8,930	259,401
Accumulated depreciation and impairment allowance	<u>(43,733)</u>	<u>(1,424)</u>	<u>(45,157)</u>
Net book value as of 1 January 2020	206,738	7,506	214,244
Depreciation	(10,308)	(308)	(10,616)
Additions as a result of new leases	2,373	156	2,529
Effect of modification and changes of estimates in lease contracts	359	59	418
Disposals	(2,647)	(240)	(2,887)
Translation differences	<u>9,720</u>	<u>-</u>	<u>9,720</u>
Net book value as of 31 March 2020	206,235	7,173	213,408
As of 31 March 2020			
Cost	262,285	8,845	271,130
Accumulated depreciation and impairment allowance	<u>(56,050)</u>	<u>(1,672)</u>	<u>(57,722)</u>
Net book value as of 31 March 2020	206,235	7,173	213,408
Nine months ended 31 December 2020			
Depreciation	(29,912)	(960)	(30,872)
Impairment allowance accrual	(15)	-	(15)
Additions as a result of new leases	7,261	1,025	8,286
Effect of modification and changes of estimates in lease contracts	6,607	153	6,760
Disposals	-	(1,591)	(1,591)
Translation differences	<u>(663)</u>	<u>-</u>	<u>(663)</u>
Net book value as of 31 December 2020	189,513	5,800	195,313
As of 31 December 2020			
Cost	272,537	7,706	280,243
Accumulated depreciation and impairment allowance	<u>(83,024)</u>	<u>(1,906)</u>	<u>(84,930)</u>
Net book value as of 31 December 2020	189,513	5,800	195,313
Three months ended 31 March 2021			
Depreciation	(9,324)	(2,849)	(12,173)
Additions as a result of new leases	13,415	178	13,593
Effect of modification and changes of estimates in lease contracts	626	(2)	624
Disposals	(825)	(9)	(834)
Translation differences	<u>461</u>	<u>-</u>	<u>461</u>
Net book value as of 31 March 2021	193,866	3,118	196,984
As of 31 March 2021			
Cost	284,386	7,824	292,210
Accumulated depreciation and impairment allowance	<u>(90,520)</u>	<u>(4,706)</u>	<u>(95,226)</u>
Net book value as of 31 March 2021	193,866	3,118	196,984

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 14,927 million and RUB 16,639 million for the three months ended 31 March 2021 and 31 March 2020, respectively.

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11 Investments in Associates and Joint Ventures

Notes		Carrying value as of		Share of profit (loss) of associates and joint ventures for the three months ended		
		31 March 2021	31 December 2020	31 March 2021	31 March 2020	
22, 24, 25	Gazprombank (Joint-stock Company) and its subsidiaries ¹	Associate	255,863	227,649	17,011	9,237
24, 25	Sakhalin Energy Investment Company Ltd.	Associate	236,904	216,853	14,362	19,233
24	JSC Arcticgas	Joint venture	174,825	160,312	14,513	7,219
24	PJSC NGK Slavneft and its subsidiaries	Joint venture	158,665	156,725	1,935	(3,731)
24, 25	Nord Stream AG	Joint venture	124,728	119,666	6,606	5,064
24	WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	Joint venture	70,751	68,824	3,046	2,506
24	JSC Messoyakhaneftegaz	Joint venture	47,579	44,387	3,192	3,817
24, 25	JSC Gazstroyprom	Associate	42,823	42,567	256	(476)
24	JSC EUROPOL GAZ	Associate	36,853	37,522	1,031	178
24	JSC Achimgaz	Joint venture	36,371	33,313	5,064	3,482
22, 24	JSC NPF GAZFOND ²	Associate	35,230	34,863	367	(340)
	Wintershall AG	Associate	19,741	19,172	979	(163)
24	KazRosGas LLP	Joint venture	14,140	13,460	329	(1,096)
24	CJSC Northgas	Joint venture	12,924	12,226	698	482
	JSC Latvijas Gaze and its subsidiaries	Associate	4,970	4,310	751	383
24	Wintershall Noordzee B.V.	Joint venture	4,898	4,043	109	(278)
	Other (net of allowance for investments impairment in the amount of RUB 20,614 million and RUB 21,435 million as of 31 March 2021 and 31 December 2020, respectively)		<u>140,046</u>	<u>131,349</u>	<u>1,180</u>	<u>308</u>
			1,417,311	1,327,241	71,429	45,825

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 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.

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.

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11 Investments in Associates and Joint Ventures (continued)

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.

	Ownership interest (%) ¹	Country of primary operations	As of 31 March 2021		Three months ended 31 March 2021	
			Assets	Liabilities	Revenues	Profit
Gazprombank (Joint-stock Company) and its subsidiaries ^{2,7}	49.88	Russia	7,530,997	6,835,509	73,884	34,083
Sakhalin Energy Investment Company Ltd. ³	50	Russia	1,055,130	581,322	94,549	28,725
JSC Gazstroyprom	49	Russia	888,409	762,245	61,216	522
PJSC NGK Slavneft and its subsidiaries	49.88	Russia	620,466	296,539	53,780	3,931
Nord Stream AG ^{4,5}	51	Germany	492,415	247,848	24,030	12,954
JSC Arcticgas	50	Russia	466,745	141,424	66,059	29,025
JSC NPF GAZFOND	42	Russia	457,404	372,551	-	884
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	49.98	Germany	403,091	242,324	16,604	5,887
JSC Messoyakhaneftegas	50	Russia	248,833	154,099	37,468	6,385
JSC Achimgaz	50	Russia	98,936	26,194	21,697	10,129
JSC EUROPOL GAZ	48	Poland	80,227	3,451	8,594	2,148
Wintershall AG ⁶	49	Libya	68,094	42,011	5,130	1,998
Wintershall Noordzee B.V.	50	Netherlands	44,322	35,706	3,884	219
CJSC Northgas	50	Russia	44,143	17,357	4,555	1,397
KazRosGaz LLP	50	Kazakhstan	31,106	2,827	8,980	659
JSC Latvijas Gaze and its subsidiaries	34	Latvia	30,278	6,428	6,770	2,210

	Ownership interest (%) ¹	Country of primary operations	As of 31 December 2020		Three months ended 31 March 2020	
			Assets	Liabilities	Revenues	Profit (loss)
Gazprombank (Joint-stock Company) and its subsidiaries ^{2,7}	49.88	Russia	7,430,261	6,791,388	64,188	3,597
Sakhalin Energy Investment Company Ltd. ³	50	Russia	982,250	548,545	96,755	38,466
JSC Gazstroyprom	49	Russia	879,528	753,886	17,203	(972)
PJSC NGK Slavneft and its subsidiaries	49.88	Russia	599,896	280,159	57,805	(7,650)
Nord Stream AG ^{4,5}	51	Germany	486,764	252,122	19,878	9,930
JSC NPF GAZFOND	42	Russia	462,278	378,308	-	(819)
JSC Arcticgas	50	Russia	436,689	140,391	40,913	14,439
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	49.98	Germany	398,438	240,026	14,702	5,160
JSC Messoyakhaneftegas	50	Russia	228,539	140,187	26,427	7,639
JSC Achimgaz	50	Russia	94,507	27,880	21,398	6,964
JSC EUROPOL GAZ	48	Poland	80,163	1,994	4,863	370
Wintershall AG ⁶	49	Libya	69,861	45,455	-	(332)
Wintershall Noordzee B.V.	50	Netherlands	45,480	36,901	1,427	(557)
CJSC Northgas	50	Russia	44,337	18,945	4,046	965
JSC Latvijas Gaze and its subsidiaries	34	Latvia	29,562	7,228	4,822	1,125
KazRosGaz LLP	50	Kazakhstan	28,572	1,653	8,584	(2,192)

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

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

³ Country of incorporation is Bermuda Islands.

⁴ Country of incorporation is Switzerland.

⁵ 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.

⁶ Country of incorporation is Germany.

⁷ Share in voting shares.

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12 Long-Term Accounts Receivable and Prepayments

	31 March 2021	31 December 2020
Financial assets		
Long-term trade accounts receivable	48,105	47,661
Long-term loans receivable	192,484	194,215
Long-term other accounts receivable	<u>85,236</u>	<u>83,460</u>
	325,825	325,336
Non-financial assets		
Long-term prepayments	26,649	23,082
Advances for assets under construction	<u>730,607</u>	<u>640,439</u>
	757,256	663,521
Total long-term accounts receivable and prepayments	1,083,081	988,857

Long-term accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 17,141 million and RUB 16,083 million as of 31 March 2021 and 31 December 2020, respectively. Prepayments and advances paid for assets under construction are presented net of impairment allowance in the amount of RUB 8,738 million and RUB 8,794 million as of 31 March 2021 and 31 December 2020, respectively.

13 Other Current and Non-Current Assets

Other current assets are provided in the table below.

Notes	31 March 2021	31 December 2020
Financial assets		
Short-term deposits	254,683	15,101
23 Derivative financial instruments	<u>76,136</u>	<u>107,162</u>
	330,819	122,263
Non-financial assets		
Prepaid VAT	101,655	118,797
Prepaid profit tax	10,578	19,212
Other	<u>59,653</u>	<u>40,733</u>
	171,886	178,742
Total other current assets	502,705	301,005

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

Notes	31 March 2021	31 December 2020
Financial assets		
23 Derivative financial instruments	16,734	19,286
Long-term deposits	<u>13,715</u>	<u>1,562</u>
	30,449	20,848
Non-financial assets		
Intangible assets	79,826	80,040
22 Net pension plan assets	21,646	-
VAT recoverable related to assets under construction	21,603	22,575
Other	<u>303,956</u>	<u>298,204</u>
	427,031	400,819
Total other non-current assets	457,480	421,667

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14 Long-Term Borrowings, Promissory Notes

	Currency	Final maturity	31 March 2021	31 December 2020
Long-term borrowings, promissory notes payable to:				
China Construction Bank Corporation, Beijing branch ^{1, 2}	Euro	2034	245,426	248,384
Loan participation notes issued in February 2020 ³	US Dollar	2030	150,838	148,344
Loan participation notes issued in January 2021 ³	US Dollar	2029	150,828	-
Loan participation notes issued in November 2013 ⁴	US Dollar	2023	115,881	111,423
Loan participation notes issued in September 2012 ⁴	US Dollar	2022	113,705	112,174
Gazprombank (Joint-stock Company)	Russian Ruble	2027	107,471	106,342
Loan participation notes issued in March 2007 ⁵	US Dollar	2022	98,840	98,018
Loan participation notes issued in August 2007 ⁵	US Dollar	2037	95,490	94,868
Loan participation notes issued in February 2019 ⁵	US Dollar	2026	94,759	93,620
Loan participation notes issued in April 2004 ⁵	US Dollar	2034	94,172	89,988
Intesa Sanpaolo Bank Luxembourg S.A. ¹	Euro	2023	91,713	93,130
Loan participation notes issued in April 2020 ³	Euro	2025	90,822	91,978
Loan participation notes issued in November 2016 ⁵	Euro	2023	89,640	90,737
Loan participation notes issued in November 2018 ⁵	Euro	2024	88,967	92,759
Loan participation notes issued in February 2021 ³	Euro	2027	88,251	-
	British Pound			
Loan participation notes issued in April 2017 ^{5, 6}	Sterling	2024	86,847	89,293
J.P. Morgan AG ¹	Euro	2023	84,086	85,421
Loan participation notes issued in July 2012 ⁵	US Dollar	2022	76,452	75,521
Loan participation notes issued in June 2020 ³	US Dollar	2027	75,708	73,291
PJSC Sberbank ^{1, 2}	Russian Ruble	2034	75,512	71,312
Loan participation notes issued in February 2013 ⁵	US Dollar	2028	68,647	67,814
Loan participation notes issued in November 2017 ⁵	Euro	2024	66,888	67,851
Loan participation notes issued in March 2018 ⁵	Euro	2026	66,351	68,965
UniCredit S.p.A.	Euro	2025	61,915	63,473
Gazprombank (Joint-stock Company) ^{1, 2}	Russian Ruble	2034	60,831	35,072
Loan participation notes issued in March 2018 ⁵	Swiss Franc	2023	60,166	63,169
Loan participation notes issued in March 2017 ⁵	US Dollar	2027	56,501	55,801
J.P. Morgan AG ¹	Euro	2022	50,894	51,657
Wintershall Nederland Transport and Trading B.V. ⁷	Euro	2034	46,514	46,738
OMV Gas Marketing Trading & Finance B.V. ⁷	Euro	2034	46,514	46,738
Shell Exploration and Production (LXXI) B.V. ⁷	Euro	2034	46,514	46,738
Uniper Gas Transportation and Finance B.V. ⁷	Euro	2034	46,514	46,738
Engie Energy Management Holding Switzerland AG ⁷	Euro	2034	46,512	46,737
Loan participation notes issued in March 2013 ⁵	Euro	2025	44,499	46,892
Sumitomo Mitsui Banking Corporation	Euro	2025	44,410	45,096
Mizuho Bank Ltd	Euro	2025	44,383	45,047
Loan issued in December 2018 ⁸	Japanese yen	2028	44,313	46,045
Loan participation notes issued in November 2016 ^{5, 6}	Swiss Franc	2021	41,774	42,324
Loan participation notes issued in July 2017 ^{5, 6}	Swiss Franc	2022	40,913	41,504
Uniper Gas Transportation and Finance B.V. ⁷	Euro	2035	40,331	39,842
Wintershall Nederland Transport and Trading B.V. ⁷	Euro	2035	40,331	39,843

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14 Long-Term Borrowings, Promissory Notes (continued)

	Currency	Final maturity	31 March 2021	31 December 2020
OMV Gas Marketing Trading & Finance B.V. ⁷	Euro	2035	40,328	39,839
Shell Exploration and Production (LXXI) B.V. ⁷	Euro	2035	40,328	39,839
Engie Energy Management Holding Switzerland AG ⁷	Euro	2035	40,328	39,839
Credit Agricole CIB	Euro	2023	38,177	38,780
MUFG Bank Ltd.	Euro	2023	38,076	38,679
Natixis ¹	Euro	2024	37,946	45,391
ING Bank, a branch of ING-DiBa AG	Euro	2023	35,496	36,202
Credit Agricole CIB, London branch	Euro	2023	35,353	36,182
UniCredit S.p.A.	Euro	2022	33,386	38,930
Intesa Sanpaolo S.p.A. ^{1, 2}	Euro	2034	32,412	31,893
Citibank Europe plc ¹	Euro	2023	32,405	32,906
PJSC Sberbank	Euro	2023	30,934	31,462
PJSC Sberbank	Russian Ruble	2025	29,927	32,854
JSC ALFA-BANK	US Dollar	2023	27,644	26,971
Russian bonds issued in December 2020 ⁹	Russian Ruble	2023	27,046	27,049
Russian bonds issued in October 2017 ⁴	Russian Ruble	2022	25,876	25,392
ING Bank N.V. ^{1, 2}	Euro	2036	25,572	13,331
Russian bonds issued in November 2019 ⁴	Russian Ruble	2024	25,214	25,209
Russian bonds issued in March 2018 ⁴	Russian Ruble	2024	25,099	25,552
UniCredit S.p.A.	Euro	2025	23,901	21,800
PJSC Sberbank	Euro	2022	21,728	22,168
Russian bonds issued in December 2020 ⁴	Russian Ruble	2024	20,130	20,016
Russian bonds issued in December 2019 ⁴	Russian Ruble	2029	20,020	20,023
PJSC VTB Bank	Russian Ruble	2028	18,743	14,698
Credit Agricole CIB	Euro	2022	17,703	27,295
VTB Bank (Europe) SE	Euro	2027	17,387	17,695
PJSC Sberbank ^{1, 2}	Euro	2034	17,286	17,458
Russian bonds issued in April 2017 ⁴	Russian Ruble	2022	15,623	15,300
Russian bonds issued in June 2019 ¹⁰	Russian Ruble	2022	15,391	15,095
Russian bonds issued in June 2020 ¹⁰	Russian Ruble	2027	15,293	15,075
Russian bonds issued in June 2020 ¹⁰	Russian Ruble	2025	15,283	15,073
Russian bonds issued in November 2013 ¹¹	Russian Ruble	2043	15,273	15,088
Russian bonds issued in November 2013 ¹¹	Russian Ruble	2043	15,273	15,088
Russian bonds issued in July 2019 ¹⁰	Russian Ruble	2024	15,247	15,542
Russian bonds issued in July 2018 ¹¹	Russian Ruble	2048	15,213	15,519
Russian bonds issued in July 2018 ¹¹	Russian Ruble	2048	15,213	15,519
Russian bonds issued in August 2017 ⁴	Russian Ruble	2024	15,185	15,496
Russian bonds issued in February 2017 ¹⁰	Russian Ruble	2027	15,179	15,516
Russian bonds issued in February 2017 ¹⁰	Russian Ruble	2027	15,179	15,516
Gazprombank (Joint-stock Company)	Russian Ruble	2022	15,111	15,111
JSC BANK "ROSSIYA"	Russian Ruble	2022	15,000	15,000
PJSC CREDIT BANK OF MOSCOW	Russian Ruble	2024	14,944	14,940
PJSC CREDIT BANK OF MOSCOW	Russian Ruble	2025	14,939	14,935
Gazprombank (Joint-stock Company)	Russian Ruble	2025	11,999	12,750
Russian bonds issued in December 2017 ⁴	Russian Ruble	2024	10,219	10,030
Russian bonds issued in July 2018 ¹¹	Russian Ruble	2033	10,142	10,346
Russian bonds issued in August 2016 ⁴	Russian Ruble	2046	10,093	10,330
Russian bonds issued in February 2018 ¹⁰	Russian Ruble	2028	10,071	10,251
Russian bonds issued in February 2018 ¹⁰	Russian Ruble	2028	10,071	10,251
Russian bonds issued in February 2020 ⁴	Russian Ruble	2025	10,046	10,047

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14 Long-Term Borrowings, Promissory Notes (continued)

	Currency	Final maturity	31 March 2021	31 December 2020
Loan participation notes issued in February 2014 ⁵	Euro	2021	-	70,086
Loan participation notes issued in November 2011 ⁵	US Dollar	2021	-	45,493
Bank of China Limited, London branch	Euro	2021	-	26,115
PJSC VTB Bank	Euro	2021	-	18,130
Russian bonds issued in February 2011 ⁴	Russian Ruble	2021	-	10,325
Other long-term borrowings, promissory notes	Various	Various	605,185	591,921
Total long-term borrowings, promissory notes			4,880,740	4,788,028
Less current portion of long-term borrowings			(519,429)	(573,948)
			4,361,311	4,214,080

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.

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

Maturity of long-term borrowings, promissory notes	31 March 2021	31 December 2020
between one and two years	756,484	788,176
between two and five years	1,628,455	1,586,715
after five years	1,976,372	1,839,189
	4,361,311	4,214,080

Long-term liabilities include fixed interest rate borrowings with a carrying value of RUB 2,744,547 million and RUB 2,626,491 million and fair value of RUB 3,046,967 million and RUB 3,021,359 million as of 31 March 2021 and 31 December 2020, respectively.

All other long-term borrowings have variable interest rates generally linked to LIBOR and EURIBOR. Their carrying value is RUB 2,136,193 million and RUB 2,161,537 million and fair value is RUB 2,348,294 million and RUB 2,409,733 million as of 31 March 2021 and 31 December 2020, respectively.

As of 31 March 2021 and 31 December 2020 according to the agreements signed within the framework of financing the Nord Stream 2 project with Wintershall Nederland Transport and 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 March 2021 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 March 2021 and 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 519,499 million and RUB 471,558 million, respectively.

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.

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14 Long-Term Borrowings, Promissory Notes (continued)

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 21).

15 Profit Tax

Profit tax is recognised based on the estimated average annual effective profit tax rate applied to the profit before profit tax for the three months ended 31 March 2021. Differences between the recognition criteria of assets and liabilities reflected in the IFRS consolidated interim condensed financial information 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 March 2021	Temporary differences recognition and reversals	31 December 2020	31 March 2020	Temporary differences recognition and reversals	31 December 2019
Tax effects of taxable temporary differences:						
Property, plant and equipment	(1,010,378)	(22,780)	(987,598)	(965,073)	(11,516)	(953,557)
Right-of-use assets	(32,165)	(2,333)	(29,832)	(32,570)	754	(33,324)
Inventories	<u>(8,197)</u>	<u>(5,504)</u>	<u>(2,693)</u>	<u>(15,276)</u>	<u>(10,117)</u>	<u>(5,159)</u>
	(1,050,740)	(30,617)	(1,020,123)	(1,012,919)	(20,879)	(992,040)
Tax effects of deductible temporary differences:						
Financial assets	(13,731)	(18,711)	4,980	2,280	158	2,122
Tax losses carried forward	94,833	(20,033)	114,866	111,006	85,555	25,451
Retroactive gas price adjustments	8,340	176	8,164	30,211	10,789	19,422
Accounts receivable	179,197	7,010	172,187	166,125	68,993	97,132
Lease liabilities	42,859	2,438	40,421	42,837	3,105	39,732
Other deductible temporary differences	<u>1,438</u>	<u>(10,343)</u>	<u>11,781</u>	<u>21,764</u>	<u>(17,969)</u>	<u>39,733</u>
	312,936	(39,463)	352,399	374,223	150,631	223,592
Total net deferred tax liabilities	(737,804)	(70,080)	(667,724)	(638,696)	129,752	(768,448)

Taxable temporary differences recognised for the three months ended 31 March 2021 and 31 March 2020 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 16,873 million and RUB 30,642 million and it was offset by the decrease in the current profit tax by the corresponding amount which did not affect profit (loss) for the three months ended 31 March 2021 and 31 March 2020.

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16 Equity

Share Capital

The share capital authorised, issued and paid totals RUB 325,194 million as of 31 March 2021 and 31 December 2020 and consists of 23,674 million ordinary shares, each with a par value of 5 Russian Rubles.

Treasury Shares

As of 31 March 2021 and 31 December 2020 subsidiaries of PJSC Gazprom held 29 million PJSC Gazprom's ordinary shares, which are accounted for as treasury shares.

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

The management of the Group controls the voting rights of treasury shares.

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 March 2021 and 31 December 2020.

Perpetual notes

Information about perpetual notes is disclosed in Note 17.

17 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 three months ended 31 March 2021 are shown in the table below.

	Perpetual notes	Retained earnings and other reserves	Total
Balance as of 31 December 2020	195,616	(947)	194,669
Translation differences arising on the translation of the par value of perpetual notes	757	(757)	-
Accrued interest	2,066	(2,066)	-
Recognition of an interest payment liability ¹	(2,068)	-	(2,068)
Translation differences arising on the translation of accrued interest	(9)	9	-
Cumulative tax effect of transactions related to perpetual notes	-	151	151
Balance as of 31 March 2021	196,362	(3,610)	192,752

¹ Interest was paid in the amount of RUB 2,085 million

As of 31 March 2021 cumulative translation differences arising on the translation of the par value of perpetual notes amounted to RUB 2,602 million, and cumulative interest taking into account translation differences arising on its translation amounted to RUB 1,496 million.

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18 Sales

	Three months ended 31 March	
	2021	2020
Gas sales gross of excise tax and customs duties:		
the Russian Federation	397,683	322,765
Former Soviet Union countries (excluding the Russian Federation)	117,902	90,886
Europe and other countries	<u>930,077</u>	<u>558,452</u>
	1,445,662	972,103
Customs duties	(189,952)	(92,176)
Excise tax	(15,129)	(10,559)
Retroactive gas price adjustments ¹	<u>5</u>	<u>(3,762)</u>
Total gas sales	1,240,586	865,606
Sales of refined products:		
the Russian Federation	346,531	305,740
Former Soviet Union countries (excluding the Russian Federation)	29,824	30,444
Europe and other countries	<u>173,324</u>	<u>136,775</u>
Total sales of refined products	549,679	472,959
Sales of crude oil and gas condensate:		
the Russian Federation	27,572	13,080
Former Soviet Union countries (excluding the Russian Federation)	9,653	-
Europe and other countries	<u>144,779</u>	<u>107,781</u>
Total sales of crude oil and gas condensate	182,004	120,861
Electric and heat energy sales:		
the Russian Federation	182,095	152,221
Former Soviet Union countries (excluding the Russian Federation)	31	1,157
Europe and other countries	<u>5,379</u>	<u>4,705</u>
Total electric and heat energy sales	187,505	158,083
Gas transportation sales:		
the Russian Federation	55,546	54,463
Former Soviet Union countries (excluding the Russian Federation)	842	805
Europe and other countries	<u>786</u>	<u>819</u>
Total gas transportation sales	57,174	56,087
Other sales:		
the Russian Federation	54,280	56,192
Former Soviet Union countries (excluding the Russian Federation)	1,754	1,680
Europe and other countries	<u>12,179</u>	<u>8,364</u>
Total other sales	<u>68,213</u>	<u>66,236</u>
Total sales	<u>2,285,161</u>	<u>1,739,832</u>

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 interim condensed financial information when they become probable and a reliable estimate of the amounts can be made.

The effects of retroactive gas price adjustments for the three month ended 31 March 2021 and 31 March 2020 were recorded as the increase of sales by RUB 5 million and the decrease of sales by RUB 3,762 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 interim condensed financial information.

The effects decreasing sales were due to increase in related accruals following agreements reached prior to the issuance of the respective consolidated interim condensed financial information.

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19 Operating Expenses

	Three months ended 31 March	
	2021	2020
Taxes other than on profit	386,131	346,036
Purchased gas and oil	332,672	279,116
Staff costs	216,946	207,057
Depreciation	207,670	199,564
Transit of gas, oil and refined products	162,374	153,904
Materials	54,396	56,926
Goods for resale, including refined products	48,588	51,106
Electricity and heating	36,039	31,495
Foreign exchange differences on operating items	26,524	(115,584)
Repairs and maintenance	19,446	18,383
Insurance	8,100	8,686
Social expenses	7,697	7,266
Transportation expenses	7,400	7,477
Processing services	5,864	5,730
Research and development	5,836	4,941
Lease	4,465	3,974
Impairment loss on non-financial assets	2,910	14,051
Gain on derivative financial instruments	(711)	(454)
Other	<u>95,130</u>	<u>91,173</u>
	1,627,477	1,370,847
Change in balances of finished goods, work in progress and other effects	<u>139,376</u>	<u>68,854</u>
Total operating expenses	1,766,853	1,439,701

Staff costs include RUB 11,761 million and RUB 10,218 million of expenses for provision for post-employment benefits for the three months ended 31 March 2021 and 31 March 2020, respectively (see Note 22).

20 Finance Income and Expenses

	Three months ended 31 March	
	2021	2020
Foreign exchange gain	137,417	114,624
Interest income	<u>12,306</u>	<u>20,342</u>
Total finance income	149,723	134,966
Foreign exchange loss	121,117	666,020
Interest expense	<u>16,742</u>	<u>16,950</u>
Total finance expenses	137,859	682,970

Total interest paid amounted to RUB 51,920 million and RUB 55,589 million for the three months ended 31 March 2021 and 31 March 2020, respectively.

Interest expense includes interest expense on lease liabilities under IFRS 16 Leases in the amount of RUB 3,963 million and RUB 4,203 million for the three months ended 31 March 2021 and 31 March 2020, respectively.

Foreign exchange gain and loss for the three months ended 31 March 2021 and 31 March 2020 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.

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21 Basic and Diluted Earnings (Loss) per Share Attributable to the Owners of PJSC Gazprom

Basic earnings (loss) per share attributable to the owners of PJSC is shown in the table below.

Notes	Three months ended 31 March	
	2021	2020
	447,263	(116,249)
	447,263	(116,249)
17	(2,066)	-
17	9	-
	445,206	(116,249)
16	23,645	23,645
	18.83	(4.92)

The Group has no dilutive financial instruments.

22 Provisions

	31 March 2021	31 December 2020
Provision for decommissioning and site restoration	349,058	340,193
Provision for post-employment benefits	302,623	329,404
Other	20,012	18,736
Total provisions	671,693	688,333

The Group applies pension and other post-employment benefits system, which is recorded as defined benefit plan in the consolidated interim condensed financial information 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 net pension plan assets related to benefits provided through JSC NPF GAZFOND in the amount of RUB 21,646 million as of 31 March 2021 are included within other non-current assets in the consolidated interim condensed balance sheet (see Note 13). 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 interim condensed balance sheet.

In accordance with IAS 19 Employee Benefits, pension plan assets are recorded at estimated fair value and are subject to certain limitations. As of 31 March 2021 and 31 December 2020 management estimates the fair value of these assets in the amount of RUB 421,602 million and RUB 434,534 million, respectively. The pension plan assets comprise shares of various companies, including shares of PJSC Gazprom, an equity stake in Gazprombank (Joint-stock Company), corporate, state and municipal bonds, investments in mutual funds, deposits and other assets held by JSC NPF GAZFOND.

Net post-employment benefits assets or liabilities recorded in the consolidated interim condensed balance sheet are presented below.

	31 March 2021		31 December 2020	
	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	(399,956)	(302,623)	(435,828)	(328,110)
Fair value of plan assets	421,602	-	434,534	-
Total net assets (liabilities)	21,646	(302,623)	(1,294)	(328,110)

Expenses for provision for post-employment benefits recognised in operating expenses are presented below (see Note 19).

	Three months ended 31 March	
	2021	2020
Current service cost	6,610	5,972
Net interest expense	5,151	4,246
Total included in the line "Staff costs" within operating expenses	11,761	10,218

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22 Provisions (continued)

The principal assumptions used for the measurement of provision for post-employment benefits for the three months ended 31 March 2021 were the same as those applied for the year ended 31 December 2020 with the exception of the discount rate determined by reference to market yields on government securities. The increase in the discount rate from 6.2 % to 7.3 % resulted in recognition of an actuarial gain in the amount of RUB 71,543 million in other comprehensive income for the three months ended 31 March 2021. The increase in the discount rate from 6.5 % to 6.9 % resulted in recognition of an actuarial gain in the amount of RUB 23,709 million in other comprehensive income for the three months ended 31 March 2020.

Remeasurement of provision for post-employment benefits recognised in other comprehensive income is presented below.

	Three months ended 31 March	
	2021	2020
Actuarial gain	71,543	23,709
Expense on plan assets excluding amounts included in net interest expense	(16,669)	(17,168)
Translation differences	<u>154</u>	<u>(1,342)</u>
Total	55,028	5,199

23 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.

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 12), long-term borrowings – Level 2 (see Note 14).

As of 31 March 2021 and 31 December 2020 the Group had the following assets and liabilities that are measured at fair value:

Notes	31 March 2021				
	Level 1	Level 2	Level 3	Total	
	Financial assets measured at fair value with changes recognised through profit or loss:				
13	Derivative financial instruments	10,205	56,073	575	66,853
	Bonds	30,500	-	-	30,500
	Equity securities	263	-	-	263
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
13	Derivative financial instruments	-	9,283	-	9,283
	Bonds	<u>3,532</u>	-	-	<u>3,532</u>
	Total short-term financial assets measured at fair value	44,500	65,356	575	110,431
	Financial assets measured at fair value with changes recognised through profit or loss:				
13	Derivative financial instruments	9,402	4,342	375	14,119
	Equity securities	-	-	3,013	3,013

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23 Fair Value of Financial Instruments (continued)

Notes	31 March 2021			
	Level 1	Level 2	Level 3	Total
	Financial assets measured at fair value with changes recognised through other comprehensive income:			
13	-	2,615	-	2,615
	459,300	40,578	9,144	509,022
	1,122	-	-	1,122
	-	316	-	316
	469,824	47,851	12,532	530,207
	514,324	113,207	13,107	640,638
	Financial liabilities measured at fair value with changes recognised through profit or loss:			
	16,804	61,622	520	78,946
	5,691	11,319	66	17,076
	Financial liabilities measured at fair value with changes recognised through other comprehensive income:			
	-	3,799	-	3,799
	-	1,677	-	1,677
	22,495	78,417	586	101,498

Notes	31 December 2020			
	Level 1	Level 2	Level 3	Total
	Financial assets measured at fair value with changes recognised through profit or loss:			
13	14,400	85,797	379	100,576
	29,517	-	-	29,517
	241	-	-	241
	Financial assets measured at fair value with changes recognised through other comprehensive income:			
13	-	6,586	-	6,586
	-	1	-	1
	44,158	92,384	379	136,921
	Financial assets measured at fair value with changes recognised through profit or loss:			
13	4,835	12,187	-	17,022
	-	-	3,056	3,056
	Financial assets measured at fair value with changes recognised through other comprehensive income:			
13	-	2,264	-	2,264
	369,388	40,578	8,538	418,504
	-	309	-	309
	374,223	55,338	11,594	441,155
	418,381	147,722	11,973	578,076
	Financial liabilities measured at fair value with changes recognised through profit or loss:			
	38,478	77,967	557	117,002
	6,845	17,294	-	24,139
	Financial liabilities measured at fair value with changes recognised through other comprehensive income:			
	-	1,870	-	1,870
	-	6,989	-	6,989
	45,323	104,120	557	150,000

There were no transfers of financial instruments between Levels 1, 2 and 3 and changes in valuation techniques during the reporting period.

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.

As of 31 March 2021 and 31 December 2020 long-term financial assets measured at fair value with changes recognised through other comprehensive income include shares of PJSC NOVATEK in the amount of RUB 453,280 million and RUB 362,681 million, respectively.

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24 Related Parties

In the consolidated interim condensed financial information 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 March 2021 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 March 2021 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.

As of 31 March 2021 and 31 December 2020 and for the three months ended 31 March 2021 and for the three months ended 31 March 2020 the Group's significant transactions and balances with the Government and entities under the Government control are presented below.

	As of 31 March 2021		Three months ended 31 March 2021	
	Assets	Liabilities	Income	Expenses
Transactions and balances with the Government				
Current profit tax	5,417	29,469	-	51,411
Insurance contributions	2,222	15,510	-	47,561
VAT	211,778	135,709	-	-
Customs duties	20,150	-	-	-
MET	173	104,752	-	301,301
Other taxes	50,294	78,701	-	56,477
Other	-	-	15,451	-
Transactions and balances with entities under the Government control				
Gas sales	-	-	63,380	-
Electric and heat energy sales	-	-	73,161	-
Gas transportation sales	-	-	9,569	-
Other sales	-	-	1,013	-
Transit of oil and refined products expenses	-	-	-	33,016
Interest expense	-	-	-	5,980
Cash and cash equivalents	333,505	-	-	-
Short-term deposits	11,236	-	-	-
Accounts receivable	69,368	-	-	-
Short-term financial assets	31,970	-	-	-
Long-term financial assets	5,996	-	-	-

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24 Related Parties (continued)

	As of 31 March 2021		Three months ended 31 March 2021	
	Assets	Liabilities	Income	Expenses
Accounts payable	-	31,565	-	-
Borrowings	-	271,558	-	-
Short-term lease liabilities	-	8,825	-	-
Long-term lease liabilities	-	90,019	-	-

	As of 31 December 2020		Three months ended 31 March 2020	
	Assets	Liabilities	Income	Expenses
Transactions and balances with the Government				
Current profit tax	14,384	6,230	-	24,317
Insurance contributions	2,908	15,474	-	46,874
VAT	269,914	115,404	-	-
Customs duties	15,567	-	-	-
MET	18	72,930	-	236,213
Other taxes	30,624	61,288	-	88,266
Other	-	-	915	-
Transactions and balances with entities under the Government control				
Gas sales	-	-	47,116	-
Electric and heat energy sales	-	-	59,661	-
Gas transportation sales	-	-	9,541	-
Other sales	-	-	1,197	-
Transit of oil and refined products expenses	-	-	-	35,775
Interest expense	-	-	-	3,528
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	-	-

See the consolidated interim condensed statement of changes in equity for returns of social assets to governmental authorities during the three months ended 31 March 2021 and 31 March 2020. See Note 9 for the net book values as of 31 March 2021 and 31 December 2020 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.

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24 Related Parties (continued)

The Group's significant transactions and balances with JSC FSC are presented below.

	As of 31 March 2021		Three months ended 31 March 2021	
	Assets	Liabilities	Income	Expenses
Transactions and balances with JSC FSC				
Electric and heat energy sales	-	-	52,410	-
Electricity and heating expenses	-	-	-	8,461
Accounts receivable	6,634	-	-	-
Accounts payable	-	2,353	-	-

	As of 31 December 2020		Three months ended 31 March 2020	
	Assets	Liabilities	Income	Expenses
Transactions and balances with JSC FSC				
Electric and heat energy sales	-	-	41,745	-
Electricity and heating expenses	-	-	-	5,826
Accounts receivable	6,478	-	-	-
Accounts payable	-	1,917	-	-

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.

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. The 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 22).

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.

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24 Related Parties (continued)

Associates and Joint Ventures

For the three months ended 31 March 2021 and for the three months ended 31 March 2020 and as of 31 March 2021 and 31 December 2020 the Group's significant transactions and balances with associates and joint ventures are presented below.

	Three months ended 31 March	
	2021	2020
	Income	
Gas sales		
Panrusgas Co.	12,135	3,230
JSV Moldovagaz	7,381	8,456
JSC Gazprom YRGM Trading ¹	3,885	4,498
JSC Gazprom YRGM Development ¹	2,775	3,213
Prometheus Gas S.A.	1,682	1,238
Gas transportation sales		
JSC Gazprom YRGM Trading ¹	6,013	6,392
JSC Gazprom YRGM Development ¹	4,295	4,566
Crude oil, gas condensate and refined products sales		
PJSC NGK Slavneft and its subsidiaries	9,238	37
Sakhalin Energy Investment Company Ltd.	3,006	1,844
LLC NPP Neftekhimia	1,826	1,140
LLC Poliom	1,774	1,121
Field operator services sales and other services sales		
JSC Messoyakhaneftegaz	1,214	1,285
Gas refining services sales		
KazRosGas LLP	3,201	3,145
Interest income		
Gazprombank (Joint-stock Company) and its subsidiaries	3,637	10,460
JSC Gazstroyprom	1,262	-

	Three months ended 31 March	
	2021	2020
	Expenses	
Purchased gas		
JSC Gazprom YRGM Trading ¹	11,608	13,633
JSC Gazprom YRGM Development ¹	8,299	9,744
Sakhalin Energy Investment Company Ltd.	6,688	1,857
JSC Arcticgas	3,628	5,799
CJSC Northgas	1,186	1,382
KazRosGas LLP	561	4,606
Transit of gas		
Nord Stream AG	24,287	20,596
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	12,346	10,540
JSC EUROPOL GAZ	-	3,193
Purchased crude oil and refined products		
PJSC NGK Slavneft and its subsidiaries	24,096	28,121
JSC Messoyakhaneftegaz	18,701	13,177
JSC Arcticgas	1,544	1,226

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24 Related Parties (continued)

	Three months ended 31 March	
	2021	2020
	Expenses	
Gas and gas condensate production		
JSC Achimgaz	15,310	11,178
Processing services		
PJSC NGK Slavneft and its subsidiaries	3,872	4,062
Transit of crude oil and oil refinery products		
PJSC NGK Slavneft and its subsidiaries	2,006	1,571
JSC Messoyakhaneftegaz	1,873	1,807
Interest expense		
Gazprombank (Joint-stock Company) and its subsidiaries	2,421	3,433

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 nil million and RUB 40,000 million for the three months ended 31 March 2021 and 31 March 2020, 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 March 2021		As of 31 December 2020	
	Assets	Liabilities	Assets	Liabilities
Short-term accounts receivable and prepayments				
JSC Gazstroyprom	66,453	-	58,569	-
Gazprombank (Joint-stock Company)	33,474	-	33,851	-
Sakhalin Energy Investment Company Ltd.	6,761	-	4,403	-
Panrusgas Co.	5,898	-	4,504	-
PJSC NGK Slavneft and its subsidiaries	3,839	-	3,450	-
JSC Gazprom YRGM Trading	3,558	-	1,924	-
JSC Gazprom YRGM Development	2,542	-	1,374	-
KazRosGas LLP	1,659	-	1,579	-
JSC Salavat chemical plant	1,461	-	-	-
Overgas Inc. AD	-	-	8,286	-
LLC National Petroleum Consortium	-	-	1,487	-
Cash and cash equivalents				
Gazprombank (Joint-stock Company) and its subsidiaries	360,529	-	453,859	-
Other current assets				
Gazprombank (Joint-stock Company)	205,900	-	2,290	-

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24 Related Parties (continued)

	As of 31 March 2021		As of 31 December 2020	
	Assets	Liabilities	Assets	Liabilities
Long-term accounts receivable and prepayments				
JSC Gazstroyprom	380,060	-	318,674	-
TurkAkim Gaz Tasima A.S.	28,854	-	28,763	-
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	17,769	-	18,129	-
Sakhalin Energy Investment Company Ltd.	14,065	-	14,187	-
JSC Evroteck-Yugra	4,843	-	4,515	-
OJSC Belgazprombank	-	-	2,479	-
Short-term accounts payable				
PJSC NGK Slavneft and its subsidiaries	-	62,216	-	53,286
JSC Messoyakhaneftegaz	-	39,907	-	33,670
JSC Gazstroyprom	-	20,849	-	57,618
Nord Stream AG	-	7,949	-	8,139
JSC Achimgaz	-	6,255	-	5,476
JSC Gazprom YRGM Trading	-	4,725	-	6,509
JSC Gazprom YRGM Development	-	3,377	-	4,655
JSC Arcticgas	-	2,420	-	3,367
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	-	1,283	-	1,487
Short-term borrowings (including current portion of long-term borrowings)				
WIGA Transport Beteiligungs-GmbH & Co. KG	-	32,918	-	27,918
Gazprombank (Joint-stock Company)	-	13,229	-	7,109
JSC Gazstroyprom	-	1,183	-	5,549
Long-term borrowings				
Gazprombank (Joint-stock Company)	-	202,580	-	182,216
JSC Gazstroyprom	-	4,431	-	-

Accounts receivable due from JSV Moldovagaz were RUB nil million as of 31 March 2021 and 31 December 2020 net of allowance for expected credit losses in the amount of RUB 526,246 million and RUB 508,624 million as of 31 March 2021 and 31 December 2020, respectively.

Accounts receivable for gas due from Overgas Inc. AD were RUB nil million as of 31 March 2021 and RUB 7,770 million as of 31 December 2020 net of allowance for expected credit losses in the amount of RUB nil million as of 31 March 2021 and 31 December 2020.

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 liabilities towards the bank in case of late payment. as of 31 March 2021 and 31 December 2020 the limit of loan facilities according to the concluded agreements amounted to RUB 297,002 million (RUB 60,000 million with the loan facilities valid until 29 November 2022, RUB 40,000 million – until 15 December 2022, RUB 197,002 million – until 31 December 2027). As of 31 March 2021 and 31 December 2020 the Group did not provide loans. The loan commitments of the Group are limited by the loan liabilities of JSC Gazstroyprom to the bank.

24 Related Parties (continued)

Information on investments in associates and joint ventures is disclosed in Note 11.

Information on transactions performed by the Group with JSC NPF GAZFOND is disclosed in Note 22.

Information on financial guarantees issued by the Group for associates and joint ventures is disclosed in Note 25.

25 Commitments and Contingencies

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 March 2021 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. On 18–19 May 2021 hearings in the case were held in the General Court of the EU. A court decision is expected by the end of 2021.

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

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

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

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

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

25 Commitments and Contingencies (continued)

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.

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

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

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

On 3 July 2020 Nord Stream 2 AG filed a memorial on the merits of the case to the arbitration tribunal. The EU responded with its own memorial concerning objections to the jurisdiction of the arbitration tribunal to consider the dispute and a request for bifurcation dated 15 September 2020. On 16 October 2020 Nord Stream 2 AG responded to the EU memorial dated 15 September 2020. Hearings on the bifurcation issue were held on 8 December 2020 – the EU request for bifurcation was rejected by a decision of the arbitration tribunal dated 31 December 2020.

On 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:

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25 Commitments and Contingencies (continued)

1) transacting in, providing financing for, or otherwise dealing with new debt of longer than 90 days maturity (since 28 November 2017 – 60 days) or new equity, property, or interests in property in respect of a number of energy companies, including PJSC Gazprom Neft;

2) transacting in, providing financing for, or otherwise dealing with new debt of longer than 30 days maturity (since 28 November 2017 – 14 days) or new equity, property, or interests in property in respect of a number of Russian companies of the banking sector, including Gazprombank (Joint-stock Company) (PJSC Gazprom is not on the list of restricted entities in this respect);

3) providing, exporting, or reexporting, directly or indirectly, goods, services (except for financial services), or technology in support of potential exploration and production of oil in deep water, Arctic offshore, or shale formations in the Russian Federation, inland or in territorial waters claimed by the Russian Federation with participation of Russian companies, including PJSC Gazprom and PJSC Gazprom Neft. Since 7 August 2015 the restriction has included the Yuzhno-Kirinskoye field located in the Sea of Okhotsk. According to the changes of 31 October 2017 the scope of the stated restriction was extended for projects that meet three criteria at the same time:

- the start date of projects – after 29 January 2018;
- projects relate to oil production around the world;
- Russian companies included in the Sectoral Sanctions Identifications List, including PJSC Gazprom and PJSC Gazprom Neft and their subsidiaries, own a share of 33 % and more in such project or control the majority of voting rights.

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

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

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

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

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

25 Commitments and Contingencies (continued)

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

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

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

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

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

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

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

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

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

Pursuant to the Act of 20 December 2019 and based on the report submitted by the U.S. Department of State on 21 May 2021 the U.S. Department of the Treasury imposed sanctions against four legal entities and thirteen vessels involved in the construction of the Nord Stream 2 pipeline.

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

25 Commitments and Contingencies (continued)

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 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.

PJSC Gazprom
Notes to the Consolidated Interim Condensed Financial Information
(Unaudited)
31 March 2021
(in millions of Russian Rubles)

25 Commitments and Contingencies (continued)

Financial Guarantee Contracts

	31 March 2021	31 December 2020
Guarantees issued for:		
Nord Stream AG	116,552	118,510
JSC Gazstroypprom	31,011	31,639
Sakhalin Energy Investment Company Ltd.	23,814	23,227
Other	<u>90,163</u>	<u>87,786</u>
Total financial guarantee contracts	261,540	261,162

For the three months ended 31 March 2021 and in 2020 the counterparties fulfilled their contractual obligations.

Financial guarantee contracts include financial guarantees denominated in US Dollars of USD 315 million and USD 314 million as of 31 March 2021 and 31 December 2020, respectively, as well as amounts denominated in Euros of EUR 2,150 million and EUR 2,103 million as of 31 March 2021 and 31 December 2020, 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 March 2021 and 31 December 2020 the amount of Sakhalin Energy Investment Company Ltd. obligations up to the amount of the Group's share (50 %) amounted to RUB 23,814 million (USD 315 million) and RUB 23,227 million (USD 314 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 March 2021 and 31 December 2020 the amount of Nord Stream AG obligations up to the amount of the Group's share (51 %) amounted to RUB 116,552 million (EUR 1,311 million) and RUB 118,510 million (EUR 1,307 million), respectively.

In March 2019 the Group pledged promissory notes to Gazprombank (Joint-stock Company) for a period up to November 2020, without the right to alienate or otherwise manage of them without the written consent of the pledgee, to secure the obligations of JSC Gazstroypprom 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 debt repayment rights as of 31 March 2021 and 31 December 2020 was RUB 31,011 million and RUB 31,639 million, respectively.

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 1,832,119 million.

26 Events After the Reporting Period

Borrowings

In April 2021 the Group signed an agreement to obtain long-term loans from Gazprombank (Joint-stock Company) in the total amount of RUB 18,000 million at an interest rate of key rate of the Central Bank of the Russian Federation + 1.00 % due in 2026.

PJSC Gazprom
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