

**MANAGEMENT REPORT
PJSC GAZPROM
FOR 2020**

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Note.

This Management Report determines some operating and economic parameters in accordance with the International Financial Reporting Standards (IFRS) principles for the Group's entities included in the IFRS consolidated financial statements of PJSC Gazprom for the year ended 31 December 2020. Therefore, they may differ from similar parameters in reports of PJSC Gazprom prepared under Russian statutory requirements.

Moreover, some operating parameters of PJSC Gazprom and its subsidiaries are determined in accordance with the principles underlying management reporting.

Analysis of financial results should be read in conjunction with the audited consolidated financial statements of PJSC Gazprom for the year ended 31 December 2020 prepared in accordance with IFRS.

Among other things, the Management Report discloses information on the future production and economic activities of Gazprom Group, based on the management's forecasts and estimates considering the current situation. Actual results may differ from the said forecasts and estimates due to the effect of various objective factors.

PJSC Gazprom and its subsidiaries (“Gazprom Group”, “Gazprom”, or the “Group”) is one of the world’s largest vertically integrated energy companies.

THE GROUP’S POSITION IN THE GLOBAL ENERGY INDUSTRY

Gazprom remains a global leader in terms of natural gas reserves (about 16% of global gas reserves) and gas production (about 11% of global gas production). Gazprom’s share in total Russian production stands at 66% for gas and 12% for oil and gas condensate.

Gazprom operates in more than 20 countries, and its products are supplied to more than 100 markets around the world.

The Unified Gas Supply System (UGSS) of Russia is a centrally operated system of natural gas production, processing, treatment, transportation and storage. The UGSS incorporates the world’s longest network of high-pressure trunk pipelines covering European Russia and Western Siberia. In addition, the Group owns trunk gas pipelines in the Russian Far East: the Power of Siberia, Sakhalin–Khabarovsk–Vladivostok, and Sobolevo–Petropavlovsk–Kamchatsky pipelines. As at 31 December 2020, the combined length of trunk pipelines and connections operated by the Group’s gas transportation subsidiaries in Russia totalled 176.8 thousand km.

In Russia, Gazprom Group accounts for more than a half of all natural and associated petroleum gas processing and 19% of oil and stable gas condensate refining.

Gazprom Group is the dominant supplier of gas to consumers in Russia and countries of the former Soviet Union (FSU). In addition, the Group is Europe’s major supplier of natural gas. The share of PJSC Gazprom’s gas supplies under LLC Gazprom export contracts in the total gas consumption in European far abroad countries is 32.2%.

The Group also owns electricity generating assets, which provide 13% of all the electrical power generated in Russia. Gazprom is the largest Russian heat producer.

Gazprom Group’s key operational and financial indicators for 2020 and 2019 are presented in the table below:

	As at and for the year ended 31 December		Change, %
	2020	2019	
Reserves of hydrocarbons under PRMS standards⁽¹⁾			
Proved and probable gas reserves, bcm	24,521.04	24,395.49	0.5
Proved and probable gas condensate reserves, mm tonnes	1,110.24	1,063.20	4.4
Proved and probable oil reserves, mm tonnes	1,403.21	1,374.80	2.1
Total proved and probable hydrocarbon reserves, ⁽²⁾ bboe	178.51	177.10	0.8
Operating indicators			
Natural and associated petroleum gas production, ⁽¹⁾ bcm	454.5	501.2	– 9.3
Oil production, ⁽¹⁾ mm tonnes	47.1	48.0	– 1.9
Unstable gas condensate production, ⁽¹⁾ mm tonnes	16.3	16.7	– 2.4
Total hydrocarbon production, ^{(1),(2)} mm boe	3,428.0	3,741.2	– 8.4
Natural and associated petroleum gas processing, bcm	30.6	31.5	– 2.9
Oil and stable gas condensate processing, mm tonnes	53.7	55.0	– 2.4
Electricity generation, bn kWh	132.1	149.0	– 11.3

	As at and for the year ended 31 December		Change, %
	2020	2019	
Key financial results, RUB million			
Sales	6,321,559	7,659,623	– 17.5
Operating profit	614,851	1,119,857	– 45.1
Profit for the year attributable to the owners of PJSC Gazprom	135,341	1,202,887	– 88.7
Adjusted EBITDA	1,466,541	1,859,679	– 21.1
Balance Sheet highlights, RUB million			
Cash and cash equivalents	1,034,919	696,057	48.7
Total debt	4,907,614	3,863,904	27.0
Net debt	3,872,695	3,167,847	22.3
Total assets	23,352,185	21,882,348	6.7
Total equity (including non-controlling interest)	14,804,732	14,615,687	1.3
Ratios			
Basic and diluted earnings per share attributable to the owners of PJSC Gazprom, RUB	5.66	53.47	– 89.4
Total debt to equity ratio (including non-controlling interest)	0.33	0.26	26.9
Adjusted EBITDA margin, %	23.2	24.3	– 4.5
Profit margin for the year attributable to the owners of PJSC Gazprom, %	2.1	15.7	– 86.6

Notes:

- (1) In Russia, including the Group's share in the reserves and production volumes of entities in which Gazprom has investments classified as joint operations.
- (2) For management accounting purposes, Gazprom Group measures hydrocarbon reserves and production in metric units. In this Management Report, gas reserves and production are converted from metric units to barrels of oil equivalent at a ratio of 1,000 cubic metres to 6.49 boe.

OPERATING RESULTS

Reserves and Development of Hydrocarbons

The table below shows assets and capital expenditures in the Production of gas and Production of oil and gas condensate segments:

	As at 31 December	
	2020	2019
Production of gas		
Assets, RUB million	2,992,642	2,736,680
Share in the Group's total assets, %	14.0	13.8
Production of oil and gas condensate		
Assets, RUB million	3,267,110	3,053,664
Share in the Group's total assets, %	15.3	15.3
<hr/>		
	For the year ended 31 December	
	2020	2019
Production of gas		
Capital expenditures, RUB million	352,986	360,215
Share in the Group's total capital expenditures, %	23.6	19.8
Production of oil and gas condensate		
Capital expenditures, RUB million	309,793	316,011
Share in the Group's total capital expenditures, %	20.7	17.4

Reserves

With its vast resource potential, Gazprom Group is an unrivalled leader among Russian and foreign energy companies in terms of gas reserves and production volumes. Growth in gas reserves coming from exploration has been far ahead of production over the last 16 years. The Bovanenkovskoye and Kharasaveyskoye fields of the Yamal gas production hub have unique reserves that will last over 100 years. Most of Gazprom's annual reserve additions in Russia come from exploration.

According to an audit of Gazprom Group's hydrocarbon reserves under PRMS standards performed by DeGolyer and MacNaughton, as at 31 December 2020 proved and probable hydrocarbon reserves of Gazprom Group (including the share in the reserves of entities in which Gazprom has investments classified as joint operations) are estimated at 178.51 bboe. The audit covered 92.0% of gas reserves, 94.7% of condensate reserves, and 95.8% of oil reserves in A+B₁+C₁ reserve categories.

The table below shows proved and probable reserves of Gazprom Group (including the share in the reserves of entities in which Gazprom has investments classified as joint operations) under PRMS standards:

		As at 31 December	
		2020	2019
Gas			
Share of A+B ₁ +C ₁ reserves covered by the audit under PRMS standards, ⁽¹⁾ %		92.0	92.8
Proved			
	bcm	17,475.41	17,715.13
	bboe	113.41	114.97
Probable			
	bcm	7,045.63	6,680.36
	bboe	45.73	43.36
Proved and probable			
	bcm	24,521.04	24,395.49
	bboe	159.14	158.33
Gas condensate			
Share of A+B ₁ +C ₁ reserves covered by the audit under PRMS standards, ⁽¹⁾ %		94.7	95.0
Proved			
	mm tonnes	750.83	730.21
	bboe	6.14	5.97
Probable			
	mm tonnes	359.41	332.99
	bboe	2.94	2.72
Proved and probable			
	mm tonnes	1,110.24	1,063.20
	bboe	9.08	8.69
Oil			
Share of A+B ₁ +C ₁ reserves covered by the audit under PRMS standards, ⁽¹⁾ %		95.8	95.7
Proved			
	mm tonnes	699.75	707.45
	bboe	5.13	5.19
Probable			
	mm tonnes	703.46	667.35
	bboe	5.16	4.89
Proved and probable			
	mm tonnes	1,403.21	1,374.80
	bboe	10.29	10.08
Total			
Share of A+B ₁ +C ₁ reserves covered by the audit under PRMS standards, ⁽¹⁾ %		92.4	93.1
Proved, bboe ⁽²⁾		124.68	126.13
Probable, bboe ⁽²⁾		53.83	50.97
Proved and probable, bboe ⁽²⁾		178.51	177.10

Notes:

⁽¹⁾ The A+B₁+C₁ reserve classification accepted in Russia is based on geological factors and technological indicators of development analysis and estimates the actual hydrocarbon reserves contained in geological

formations and the technological possibility of their extraction. PRMS standards take into account the economic feasibility of extracting reserves, which is determined based on exploration and drilling costs, operating expenses for production and transportation, taxes, current hydrocarbon prices, and other factors.

- (2) For management accounting purposes, Gazprom Group measures hydrocarbon reserves and production in metric units. In this Management Report, gas reserves are converted from metric units to barrels of oil equivalent at a ratio of 1,000 cubic metres to 6.49 boe.

Gazprom Group's PRMS proved and probable hydrocarbon reserves increased by 1.41 bboe from the previous estimate for 31 December 2019.

Proved and probable gas reserves increased due to an updated geological model and new development projects at the Antipayutinskoye, Srednetyungskoye, Orenburgskoye, Pestsovoye (Jurassic and Achimov deposits) and Kruzenshternskoye fields. In addition, the new Khambateiskoye gas condensate field was brought into the audit scope, and production drilling and further exploration of the Zapadno-Chatylkinskoye and Alexander Zhagrin oil fields were continued.

The bulk of the Group's hydrocarbon reserves is concentrated within its licence areas in Russia.

As at 31 December 2020, Gazprom Group held 317 subsoil licences for conducting geological surveys, prospecting, exploration, and production of hydrocarbons in the Russian Federation. These licence blocks aggregately cover the area of 582.5 thousand square km. In addition, entities in which Gazprom has investments classified as joint operations held a total 37 licences covering a total area of 23.7 thousand square km.

As at 31 December 2020, Gazprom Group's A+B₁+C₁ hydrocarbon reserves in Russia were 33,574.51 bcm of natural gas, 1,494.40 mm tonnes of gas condensate, and 2,023.75 mm tonnes of oil, including the share in the reserves of entities in which Gazprom Group has investments classified as joint operations – 20.88 bcm of gas, 2.15 mm tonnes of gas condensate, and 186.53 mm tonnes of oil. Gazprom Group's A+B₁+C₁ hydrocarbon reserves total 244.96 bboe.

The Group's share in A+B₁+C₁ hydrocarbon reserves of associates and joint ventures (including share in the reserves of LLC RusGazAlyans) as at 31 December 2020 was 1,046.23 bcm of natural gas, 110.11 mm tonnes of gas condensate and 595.69 mm tonnes of oil, which totals 12.06 bboe.

The table below shows changes to A+B₁+C₁ reserves of natural gas, gas condensate, and oil (including the share in the reserves of entities in which Gazprom Group has investments classified as joint operations) contained within the licenced areas of Gazprom Group in Russia in 2020:

	Natural gas, bcm	Gas condensate, mm tonnes	Oil, mm tonnes	Total, mm boe
Reserves as at 31 December 2019	34,899.00	1,569.66	2,005.67	254,035.9
including non-controlling interests⁽¹⁾	447.65	3.61	91.06	3,602.2
Exploration-based additions to reserves	486.29	17.24	9.53	3,366.9
Transfer of reserves discovered in 2020 to the Russian open acreage, ⁽²⁾ to the books of other companies, acquisition from other companies	-2.90	-	0.21	-17.3
Obtaining of licences	15.71	1.23	2.78	132.4
Licence returns	-	-	-	-
Acquisition of assets	-	-	-	-
Disposal of assets	-	-	-	-
Re-estimation	-1,371.84	-80.48	51.38	-9,185.0
Production (including losses)	-451.75 ⁽³⁾	-13.25 ⁽⁴⁾	-45.82	-3,376.1
Reserves as at 31 December 2020	33,574.51	1,494.40	2,023.75	244,956.8
including non-controlling interests⁽¹⁾	426.98	3.06	90.18	3,457.1

Notes:

- (1) Non-controlling interest as at 31 December is calculated based on Gazprom Group's effective interest in the share capital of the relevant subsidiary which is a subsoil use licence holder.
- (2) Under the Russian laws, a subsoil user does not have any vested right to develop reserves it discovers within the areas covered by its exploration licences or beyond the licenced areas. Such reserves are to be transferred to the open acreage of the Russian Federation, with the subsoil user granted the pre-emptive right to subsequently obtain a licence for developing the relevant discovery.
- (3) Excluding dissolved gas.
- (4) Any production-driven changes in gas condensate reserves are recognised following conversion into stable gas condensate (C₅₊). In 2020, Gazprom Group produced 16.25 mm tonnes of unstable gas condensate.

Re-estimation of reserves

Gazprom Group continued revising gas recovery factors (GRFs) under the new Russian Classification of Reserves and Resources of Oil and Flammable Gases. GRF is applied in line with the approved field development plan and, starting from 2019, when calculating reserves of explored fields as per the methodology developed by PJSC Gazprom and approved by the State Commission for Mineral Reserves.

In the reporting year, recoverable gas reserves decreased by 1.38 tcm, mostly as a result of GRF revision of the Kovyktinskoye, Medvezhye, Yubileynoye, Kamennomyskoye-Sea, Orenburgskoye and Pestsovoye fields. As at 31 December 2020, Gazprom completed the GRF estimation for the fields containing 41% of Gazprom Group's total A+B₁+C₁ gas reserves. Revision of GRFs for Gazprom Group's other fields in the coming years will continue have a significant impact on the size of its recoverable gas reserves.

Exploration

To expand and strengthen its mineral resource base, Gazprom Group conducts exploration activities employing advanced prospecting methods in almost every oil and gas province located onshore, on the Arctic continental shelf, and in the Okhotsk oil and gas province, and assesses the prospects of licence blocks put up for tenders and auctions for subsoil use.

The table below shows summary information on the exploration activities across Gazprom Group's licence areas in Russia and within the foreign projects implemented with the Group's participation:

	For the year ended 31 December 2020	
	In Russia	Abroad⁽¹⁾
Exploration drilling for gas and oil, thousand m	162.0	8.8
Completed exploration wells, units	34	4
including successful wells	27	4
2D seismic surveys, thousand linear km	–	–
3D seismic surveys, thousand square km	5.9	–
Financing for exploration (including VAT), RUB billion	90.0	3.1

Note.

⁽¹⁾ The consolidated data reflecting the physical metrics of the exploration activities carried out by Gazprom Group in foreign countries include the data for projects in which the Group's subsidiaries act as operators.

In addition, for entities in which Gazprom has investments classified as joint operations, exploration drilling stood at 8.1 thousand m, with 3 exploration wells completed, and 3D seismic was acquired on 0.7 thousand square km.

In 2020, exploration-driven additions to A+B₁+C₁ hydrocarbon reserves in Russia totalled 486.29 bcm of natural gas, 17.24 mm tonnes of gas condensate and 9.53 mm tonnes of oil. Including additions to the reserves of companies in which Gazprom has investments classified as joint operations – 1.13 mm tonnes of oil.

The most significant growth in gas reserves was achieved at the Leningradskoye field, located on the Kara Sea continental shelf – 224.2 bcm. In the reporting year, three fields were discovered: 75 Years of Victory gas field on the Russian continental shelf in the Kara Sea, the Solhem oil field in the Khanty-Mansi Autonomous Area – Yugra, and the Tsentralno-Uranskoye oil field in the Orenburg Region, as well as 22 new deposits at the previously discovered fields in the Yamal-Nenets Autonomous Area, the Khanty-Mansi Autonomous Area – Yugra, on the Russian continental shelf in the Kara Sea and in the Tomsk Region. 75 Years of Victory field was discovered based on the results of prospecting and appraisal drilling in 2019.

In addition, entities in which Gazprom has investments classified as joint operations discovered the Novo-Salymskoye field in the Khanty-Mansi Autonomous Area – Yugra and three deposits in the Khanty-Mansi Autonomous Area – Yugra and the Tomsk Region.

The reserves replacement ratio for the Group's assets in Russia was 1.08 for natural gas, and 0.45 for gas condensate and oil.

Gazprom Group's core activities in other countries are exploration and production of oil and gas fields, oilfield services, search for, and acquisition of, new oil and gas assets in key regions of the world.

Outside Russia, in 2020, Gazprom Group continued exploration activities in Algeria (the El Assel project), Bolivia (the Azero project) and Vietnam (Block 112; Blocks 129–132), as well as in Serbia and Romania (Naftna Industrija Srbije (NIS) projects).

Exploration campaigns conducted by Gazprom Group on the Group-operated projects were mostly concentrated in Serbia. Exploration drilling totalled 8.8 thousand m, with four exploration wells completed (all of them flowing).

Under the Agreement of Strategic Cooperation between PJSC Gazprom and JSC Uzbekneftegaz, exploration activities continued on four investment blocks in the Republic of Uzbekistan.

Production

The table below shows information on the volumes of natural gas and liquid hydrocarbons produced by Gazprom Group, its associates and joint ventures in Russia:

	Natural and associated gas, bcm	Unstable gas condensate, mm tonnes	Oil, mm tonnes	Total, mm boe
For the year ended 31 December 2020				
Production of Gazprom Group, including the share in production volumes of entities in which Gazprom has investments classified as joint operations	454.51	16.25	47.11	3,428.0
Gazprom Group's share in production volumes of associates and joint ventures	28.36	5.07	9.43	294.7
For the year ended 31 December 2019				
Production of Gazprom Group, including the share in production volumes of entities in which Gazprom has investments classified as joint operations	501.22	16.71	47.96	3,741.2
Gazprom Group's share in production volumes of associates and joint ventures	26.86	4.74	11.77	299.4

In 2020, Gazprom Group produced 454.51 bcm of natural and associated gas in Russia.

Gazprom Group produced 47.11 mm tonnes of oil and 16.25 mm tonnes of gas condensate in 2020.

Gazprom Group's gas production reduced mainly due to reduced demand for gas in Russia and European far abroad countries due to the coronavirus pandemic and related restrictive measures, as well as warm weather conditions in key sales markets in Q1 2020.

The decrease in Gazprom Group's gas condensate production was mainly due to lower natural gas production volumes.

The decrease in Gazprom Group's oil production was caused by restrictions under the OPEC+ agreement.

In 2020, associates and joint ventures produced 28.36 bcm of natural and associated gas, 5.07 mm tonnes of gas condensate, and 9.43 mm tonnes of oil (share attributable to Gazprom Group).

The increase in gas production by associates and joint ventures was mainly driven by higher gas production at the fields operated by JSC Arcticgas due to commissioning new production wells, natural gas and associated petroleum gas (APG) production by Sakhalin Energy Investment Company Ltd and APG production at the Vostochno-Messoyakhskoye field operated by JSC Messoyakhneftegas as a result of commissioning the infrastructure for gas treatment, transportation and injection into a temporary underground gas storage facility (UGSF) with a capacity of 1.5 bcm of APG per year.

The increase in gas condensate production by associates and joint ventures was largely driven by Sakhalin Energy Investment Company Ltd, which increased natural gas production volumes in the reporting year.

The decrease in crude oil production by associates and joint ventures was due to production cuts under the OPEC+ agreement.

The table below shows information on the number of Gazprom Group's field developments and production well stock (excluding entities in which Gazprom has investments classified as joint operations):

	As at 31 December 2020	
	In Russia	Abroad
Fields in commercial development	147	46
Gas production wells (active)	7,494	134
Oil production wells (active)	8,519	743

In addition, as at 31 December 2020, entities in which Gazprom has investments classified as joint operations had 39 fields in commercial development.

Abroad, the number of fields in commercial development totalled 46. These fields are developed by Naftna Industrija Srbije (NIS), a subsidiary of Gazprom Neft Group.

Gazprom Group also has stakes in a number of oil and gas projects at the production stage.

The table below shows information on the volumes of natural gas and liquid hydrocarbons produced by Gazprom Group, its associates and joint ventures outside Russia:

	Natural and associated gas, bcm	Oil and unstable gas condensate, mm tonnes	Total, mm boe
For the year ended 31 December 2020			
Gazprom Group's production	2.19	2.23	30.7
Gazprom Group's share in production volumes of associates and joint ventures	0.33	0.23	3.8
For the year ended 31 December 2019			
Gazprom Group's production	2.16	2.56	32.9
Gazprom Group's share in production volumes of associates and joint ventures	0.47	1.20	11.9

The increase in natural and associated gas production by Gazprom Group outside Russia in the reporting year was due to higher production at the Incahuasi field in Bolivia and production startup at the Sillimanite field in the North Sea.

The decrease in crude oil and gas condensate production was due to lower production at the Badra field in Iraq.

The decline in hydrocarbon production by associates and joint ventures is largely due to the weaker performance of the associate Wintershall AG, which in 2020 still faces challenges due to the ongoing political crisis in Libya, resulting in limited oil production and exports.

Oil and gas condensate sales

In 2020, Gazprom Group sold 24.12 mm tonnes of crude oil and stable gas condensate. Net sales revenue (net of VAT and customs duties) amounted RUB 487.4 billion, an decrease over 2019 driven mostly by lower average oil prices.

The table below shows the volumes of oil and gas condensate sales by Gazprom Group in the domestic and foreign markets:

(mm tonnes)	For the year ended 31 December		Change, %
	2020	2019	
Russia	2.89	2.62	10.3
including Gazprom Neft Group	1.51	1.19	26.9
FSU countries	1.12	1.71	– 34.5
including Gazprom Neft Group	1.10	1.71	– 35.7
Europe and other countries	20.11	22.78	– 11.7
including Gazprom Neft Group	19.27	20.15	– 4.4
Total	24.12	27.11	– 11.0

Note.

The volumes of oil and gas condensate sales do not include intra-group sales.

Sales volumes decreased year-on-year primarily due to lower crude oil sales to Europe and other countries due to lower demand during the COVID-19 pandemic.

Major capex projects

The bulk of gas production capex in 2020 was spent on the following projects:

- Production drilling and development of the Chayandinskoye oil and gas condensate field (OGCF), the Kovyktinskoye gas condensate field (GCF) and the Kharasaveyskoye GCF
- Construction of the connecting pipeline to the Kharasaveyskoye GCF
- Infrastructure expansion at the Kirinskoye GCF
- Production drilling at the Yuzhno-Kirinskoye OGCF and the Astrakhanskoye GCF
- Construction of booster compressor stations at the Zapolyarnoye and Yamburgskoye OGCFs

Within its Russian gas production capex projects, in 2020 Gazprom commissioned:

- 10.4 bcm preparatory gas treatment unit and membrane unit to recover helium at the Chayandinskoye OGCF
- Four booster compressor stations at the Zapolyarnoye, Ety-Purovskoye, Nizhne-Kvakchikskoye and Kshukskoye fields with a combined capacity of 145 MW and booster compressor stations at the Bovanenkovskoye field with a combined capacity of 128 MW
- 105 new gas production wells

The bulk of oil and gas condensate production capex was spent on the following projects:

- Construction and production drilling at the Tazovskoye and Novoportovskoye OGCFs, the Alexander Zhagrin field and the Prirazlomnoye oil field
- Oil-rim development at the Chayandinskoye and Pestsovoye OGCFs
- Capex projects for Gazprom Neft Group's conventional assets

Within its oil and gas condensate production projects, in 2020 Gazprom commissioned 740 new oil production wells in Russia.

Outlook for the Production of gas and Production of oil and gas condensate segments

Strategic priorities in exploration and production of gas:

- Building gas production hubs in eastern Russia
- Bringing into development the Yamal Peninsula's unique, large fields
- Bringing online new fields in the Nadym-Pur-Taz region
- Further exploration of the deposits in deep-lying Achimov and Jurassic sediments and above the Cenomanian sediments in the fields under development in the Yamal-Nenets Autonomous Area
- Bringing into development continental shelf fields in Russian northern seas

2021 and medium-term (2022–2025) focus areas in gas exploration and production:

- Ensuring increased reserve replacement rates
- Further building of new gas production hubs in Russia
- Upgrades and retrofits of existing gas production facilities to maintain target gas production levels

In particular, new booster compressor stations and production wells are scheduled for commissioning at the Cenomanian-Aptian deposits of the Bovanenkovskoye field, start of commercial development is scheduled for the Kovyktinskoye and Yuzhno-Kirinskoye fields and the Cenomanian-Aptian deposits of the Kharasaveyskoye field. Plans also include commissioning of production wells at the Kirinskoye field as per design documents, ramp-up to design capacity of the Chayandinskoye field, complete development to achieve full capacity of Block 2 of the Achimov deposits and continue the development of Blocks 4 and 5 of the Achimov deposits in the Urengoyskoye field.

Strategic priorities in exploration and production of oil:

- Efficient development of mature assets
- Developing the resource base of the Yamal Peninsula
- Bringing into development and monetising the uniquely vast liquid hydrocarbon reserves in the Nadym-Pur-Taz region
- Building a hydrocarbon production hub on the Sea of Okhotsk continental shelf
- Developing technology for cost-effective development of the Bazhenov suite, Domanic and Paleozoic deposits
- Bringing into development the remaining recoverable reserves that are currently economically unrecoverable through development and deployment of new technologies
- Building up the resource base to support production beyond 2025

2021 and medium-term (2022–2025) focus areas in oil exploration and production:

- Driving mature asset performance and implementing the enhanced oil recovery programme
- Further exploration of blocks on the Sea of Okhotsk continental shelf
- Bringing into development the previously untapped reserves within the oil-rim deposits, and Achimov and Neocomian-Jurassic deposits at Gazprom Group fields
- Developing technology for cost-effective development of hard-to-recover hydrocarbon reserves

In particular, plans include the ramp-up to design capacity of oil rims of the Yen-Yakhinskoye, Zapadno-Tarkosalynskoye and Pestsovoye fields of the Nadym-Pur-Taz region, as well as the Alexander Zhagrin field, and start of commercial development of the Tazovskoye field, Block 3A of the Achimov deposits and oil rims of the Urengoyskoye field.

Transportation of Gas

The table below shows information on the assets and capital expenditures in the Transportation of gas segment:

	As at 31 December	
	2020	2019
Assets, RUB million	7,233,415	7,000,467
Share in the Group's total assets, %	33.8	35.2

	For the year ended 31 December	
	2020	2019
Capital expenditures, RUB million	251,591	464,203
Share in the Group's total capital expenditures, %	16.8	25.5

Gas transportation system

The UGSS of Russia is a centrally operated system of natural gas production, processing, treatment, transportation and storage. The UGSS incorporates the world's longest network of high-pressure trunk pipelines covering European Russia and Western Siberia. In addition, the Group owns trunk gas pipelines in the Russian Far East: the Power of Siberia, Sakhalin–Khabarovsk–Vladivostok, and Sobolevo–Petropavlosk-Kamchatsky pipelines.

Gazprom's GTS, which is unique in its size and quality parameters, ensures highly reliable gas supplies for consumers in Russia and abroad. To secure reliable gas supplies Gazprom Group is focused on the continuous development of the GTS – building new, hi-tech gas pipelines and renovating, upgrading, and retrofitting the existing pipeline capacity, as well as implementing a programme to decommission excess gas transportation capacity.

As at 31 December 2020, the combined length of trunk pipelines and connections operated by the Group's gas transportation subsidiaries in Russia totalled 176.8 thousand km.

During 2020, a total 625.02 bcm of gas were supplied into Gazprom's GTS in Russia (2019: 678.96 bcm). The decrease from the previous year was driven by the natural gas demand dynamics in Russia and abroad. In 2020, the amount of natural gas consumed for the GTS' own operational needs was 32.53 bcm (2019: 37.99 bcm).

As the owner of the Russian section of the GTS, PJSC Gazprom provides non-discriminatory access to its free gas pipeline capacity for independent companies outside Gazprom Group provided they have a gas production licence and a supply contract with the buyer of the supplied gas. Such third-party gas also needs to meet relevant technical standards.

In 2020, the volume of gas transported via Gazprom Group's GTS in Russia by companies outside Gazprom Group was 129.01 bcm (2019: 132.12 bcm). Lower gas throughput via Gazprom's GTS in Russia by companies outside Gazprom Group was mainly due to a decrease in gas consumption in the Russian market.

The table below shows data on gas transportation services to non-Group companies via Gazprom's GTS in Russia:

	For the year ended 31 December	
	2020	2019
Gas transported, bcm	129.01	132.12
including Russian gas	121.30	124.33
Companies serviced	20	22

Gazprom Group companies own the gas transportation systems in Belarus (OJSC Gazprom transgaz Belarus), Armenia (CJSC Gazprom Armenia) and Kyrgyzstan (LLC Gazprom Kyrgyzstan), ensuring supplies of natural gas to consumers in these countries.

The trunk gas pipelines owned and operated by OJSC Gazprom transgaz Belarus, the Group's core gas transportation asset outside Russia, also carry transit supplies of Russian natural gas to Russia's Kaliningrad Region, Lithuania and Poland. Daily requests by PJSC Gazprom to transport Russian natural gas through Belarus were satisfied in full during 2020.

The table below shows the volumes of gas injected into the gas transportation system of Belarus:

(bcm)	Year ended 31 December	
	2020	2019
Belarus (OJSC Gazprom transgaz Belarus and the Yamal–Europe trunk gas pipeline) including gas in transit	55.99 37.22	60.78 40.51

Nord Stream (operated by joint venture Nord Stream AG) and Blue Stream (operated by Blue Stream Pipeline Company B.V., which is included in the list of entities in which Gazprom has investments classified as joint operations), offshore cross-border pipeline systems constructed with Gazprom Group's involvement, secure gas supplies to consumers in Northwest and Central Europe, as well as in Turkey.

South Stream Transport B.V., a Gazprom Group subsidiary, is the owner and operator of the TurkStream trunk gas pipeline's offshore section, which is used for commercial deliveries of Russian gas from 1 January 2020. 13.51 bcm of natural gas was supplied via the pipeline in 2020. In addition to the first string to Turkey, in 2020 Russian gas was also supplied via the second string to Bulgaria, Greece, North Macedonia and Romania.

The table below shows the gas transportation volumes via the Nord Stream, Blue Stream and TurkStream pipelines:

(bcm)	For the year ended 31 December	
	2020	2019
Nord Stream ⁽¹⁾	59.28	58.50
Blue Stream ⁽²⁾	8.76	11.10
TurkStream ⁽³⁾	13.51	–

Notes.

- (1) Gas injection into the pipeline at the Portovaya CS.
- (2) Gas injection into the pipeline at the Beregovaya CS.
- (3) Gas injection into the pipeline at the Russkaya CS.

Under the relevant agreements, gas transportation companies of neighbouring countries provide gas transportation services to PJSC Gazprom.

The table below shows gas transportation services provided to PJSC Gazprom in neighbouring countries:

(bcm)	For the year ended 31 December	
	2020	2019
Through Imatra gas metering station (for supply to Finland)	1.61	2.46
Through Ukraine	55.90	89.59
Through Lithuania	2.35	2.45
Through Latvia	–	0.11
Through Estonia	–	1.51
Through Moldova	0.89	10.23
Through Kazakhstan	22.45	21.64

Major capex projects

The bulk of gas transportation capex in 2020 was spent on the following projects:

- Expansion of UGSS' gas transportation capacity at the Gryazovets–Slavyanskaya compressor station (CS) section in the North-West region
- Construction of the Power of Siberia gas pipeline – the linear section of the trunk gas pipeline from the Kovyktinskoye GCF to the Chayandinskoye OGCF, and compressor stations at the Chayandinskoye OGCF–China's border section
- Construction of the linear section of the Sakhalin–Khabarovsk–Vladivostok trunk gas pipeline
- Construction of compressor stations at the Ukhta–Torzhok 2 trunk gas pipeline
- Construction of gas distribution stations and pipeline connections as part of gas supply and infrastructure development in Russian regions

Within its gas transportation capex projects, in 2020 Gazprom commissioned the following:

- One 100 MW compressor station at the Ukhta–Torzhok 2 trunk gas pipeline and 176 MW compressor capacity at the Bovanenkovo–Ukhta and Urengoy–Novopskov trunk gas pipelines
- 1,118.0 km trunk gas pipelines and connections, including 88.4 km pipeline connections as part of gas supply and infrastructure development in Russian regions

Outlook for the Transportation of gas segment

Strategic priorities in gas transportation:

- Synchronised commissioning of gas production, transportation and storage facilities
- Diversification of gas export routes
- Construction of new gas transportation capacity
- Upgrades and retrofits of existing gas transportation facilities

2021 and medium-term (2022–2025) priority projects and focus areas in gas transportation:

- Construction of gas transportation capacity to ensure diversification of gas export routes
- Construction of new gas transportation capacity in Russia to ensure gas supplies to the domestic market and meet obligations under export contracts
- Implementation of comprehensive programmes for revamping and retrofitting existing gas transportation facilities
- Decommissioning of excess GTS capacity

In particular, PJSC Gazprom plans to ramp-up to design capacity the Ukhta–Torzhok 2 and Bovanenkovo–Ukhta 2 gas pipelines, complete looping of the linear section, expansion of the main compressor station and commission new stations at the Sakhalin–Khabarovsk–Vladivostok gas pipeline, continue the phased commissioning of the Power of Siberia trunk gas pipeline, and start the phased commissioning of the Bovanenkovo–Ukhta 3 and Ukhta–Torzhok 3 gas pipelines.

Gazprom prepares a comprehensive feasibility analysis of the pipeline project to supply Russian gas through Mongolia to China. In January 2021, LLC Gazoprovod Soyuz Vostok, a special-purpose vehicle, was set up in Mongolia to address matters related to construction and operation of the gas pipeline in the country. Negotiations on the project are ongoing.

Underground Gas Storage

The table below shows information on the assets and capital expenditures in the Gas storage segment:

	As at 31 December	
	2020	2019
Assets, RUB million	355,297	370,887
Share in the Group's total assets, %	1.7	1.9

	For the year ended 31 December	
	2020	2019
Capital expenditures, RUB million	26,391	14,268
Share in the Group's total capital expenditures, %	1.8	0.8

The prompt, continuous, safe, reliable and efficient operation of Russia's UGSS relies on a network of underground gas storage facilities (UGSFs). Peak and base gas storage facilities located in key gas consumption areas ensure stable operation of the UGSS, smoothing out seasonal, weekly and daily fluctuations in gas demand. The use of UGSF helps to enhance the reliability of UGSS process equipment and optimise capital intensity and process parameters of gas transmission systems. The UGSF network provides more than 20% of gas supplies to Russian and international consumers during the heating season.

In Russia, Gazprom operates 23 UGSFs. As at 31 December 2020, Gazprom Group's UGSFs in Russia had an aggregate total gas storage capacity of 75.07 bcm. Maximum daily deliverability at the start of the withdrawal season remained at the record 843.3 mmcm. As at the start of the 2020/2021 withdrawal season, operating gas reserves in Russian UGSFs amounted to 72.32 bcm.

During 2020, withdrawal and injection amounts for Russian UGSFs totalled 40.26 bcm and 32.80 bcm of gas, respectively.

The following tables show the characteristics of the Russian UGSFs:

	Withdrawal season	
	2020/2021	2019/2020
Potential maximum daily deliverability of Russian UGSFs at the start of the withdrawal season, mmcm	843.3	843.3

	For the year ended 31 December	
	2020	2019
Gas withdrawn from UGSFs in Russia, bcm	40.26	40.54
Gas injected into UGSFs in Russia, bcm	32.80	45.04

To ensure reliable gas exports, Gazprom makes extensive use of gas storage facilities located in FSU and far abroad countries. In the FSU countries, Gazprom operates UGSFs in Belarus (Pribugskoye, Osipovichskoye, and Mozyrskoye), and Armenia (Abovyanskaya underground gas storage station).

By the start of the 2020/2021 withdrawal season, the operating gas reserves in FSU-based UGSFs totalled 1.18 bcm.

In 2020, Gazprom Group injected 0.99 bcm of gas into FSU-based UGSFs, and withdrew a total of 0.82 bcm.

Gazprom makes extensive use of gas storage facilities located in far abroad countries: in Austria (Haidach), Germany (Jemgum, Rehden, Katharina and Etzel), Serbia (Banatski Dvor), the Czech Republic (Dambořice) and the Netherlands (Bergermeer). By the start of the 2020/2021 withdrawal season, LLC Gazprom export's aggregate working gas capacity across UGSF in far abroad European countries (including the long-term lease) amounted to 8.6 bcm with maximum daily deliverability of 136.2 mmcm.

In addition, by the start of the 2020/2021 withdrawal season, LLC Gazprom export had medium-term commercial contracts signed in 2019 for the use of UGSF capacities in Slovakia, Austria and

Hungary with an aggregate working gas capacity of 2.5 bcm and a maximum daily deliverability of 18.5 mmcm.

In 2020, a total of 2.4 bcm of PJSC Gazprom's gas was injected into UGSFs in far abroad European countries under LLC Gazprom export contracts, with a total gas withdrawal of 7.3 bcm, which allowed PJSC Gazprom to meet its obligations to customers.

Major capex projects

The bulk of capital expenditures on underground gas storage in 2020 was spent on the following projects:

- Revamps of existing and construction of new facilities at the Kaliningradskoye UGSF
- Expansion and revamp of the Kanchurinsko-Musinsky underground gas storage complex
- Construction of the Bednodemyanovskoye UGSF
- Revamps of gas production assets and compressor facilities at the Elshano-Kurdyumskoye, Peschano-Umetskoye and Stepnovskoye UGSFs

Within its gas storage capex projects in Russia, in 2020 Gazprom commissioned 0.06 bcm working gas capacity of the Kanchurinsko-Musinsky underground gas storage complex.

Outlook for the Gas storage segment

Strategic priorities in gas storage:

- Maintaining UGSF capacity through revamps and replacement of worn-out and obsolete fixed assets, as well as debottlenecking of UGSFs and the GTS
- Improving the flexibility of Russia's UGSF system by constructing small peak-shaving gas storage facilities in salt caverns to maintain deliverability rates during increased gas withdrawal periods through to 1 February.
- Increasing daily deliverability and operating gas reserves of active UGSFs to satisfy current and projected gas demand
- Expanding Gazprom Group's UGSF capacity outside Russia

2021 and medium-term (2022–2025) focus areas in gas underground storage:

- Revamps and replacement of worn-out and obsolete fixed assets at existing UGSFs, including the Severo-Stavropolskoye, Elshano-Kurdyumskoye, Stepnovskoye and Peschano-Umetskoye UGSFs
- Construction and expansion of the peak-shaving Kaliningradskoye and Volgogradskoye UGSFs, as well as the Udmurtskoye reserve complex
- Providing UGSF capacity to regions where such capacity is in short supply (the prospective areas for the construction of new UGSFs are Russia's Northwestern, Siberian, and Far Eastern Federal Districts)

Distribution of Gas

The table below shows information on the assets and capital expenditures in the Distribution of gas segment:

	As at 31 December	
	2020	2019
Assets, RUB million	1,848,312	1,691,356
Share in the Group's total assets, %	8.6	8.5
	For the year ended 31 December	
	2020	2019
Capital expenditures, RUB million	17,873	25,827

Share in the Group's total capital expenditures, % 1.2 1.4

The table below shows Gazprom Group's natural gas sales volumes by geographic segment:

(bcm)	For the year ended 31 December		Change, %
	2020	2019	
Russia	225.1	235.8	- 4.5
FSU countries ⁽¹⁾	31.2	38.7	- 19.4
Europe and other countries ⁽¹⁾	219.0	232.4	- 5.8
Total	475.3	506.9	- 6.2

Note.

⁽¹⁾ Sales to FSU countries, and to Europe and other countries include both gas exports from the Russian Federation, and sales of gas purchased by the Group outside Russia.

Natural gas sales to Europe and other countries

In 2020, Gazprom Group sold 219.0 bcm of natural gas to Europe and other countries. The Group's gas exports were mostly sold to the Netherlands, Germany, Italy, Turkey and France.

Net sales (net of excise tax and customs duties) was RUB 1,811.6 billion, down 27.3% year-on-year. The decrease in net revenue from sales was mostly due to lower average rouble prices and the declines in volumes of gas sold.

The decrease in sales volumes was mainly due to a general decline in natural gas consumption in European far abroad countries. At the same time, the Group's gas sales volumes increased in a number of European far abroad countries: the Netherlands, the Czech Republic, Austria, Slovakia, France and Turkey showed the highest growth in absolute terms. The Group's gas sales to China were also boosted by an increase in gas supplies via the Power of Siberia trunk gas pipeline from 0.33 bcm in 2019 to 4.10 bcm in the reporting year.

The table below shows the average prices of natural gas sold by Gazprom Group to Europe and other countries:

	For the year ended 31 December	
	2020	2019
	(including excise tax and customs duties)	
Natural gas sales to Europe and other countries ⁽¹⁾		
USD per mcm ⁽²⁾	143.0	210.6
RUB per mcm	10,355.9	13,613.0

Notes:

⁽¹⁾ VAT is not charged on sales to Europe and other countries.

⁽²⁾ Calculated based on the year-average RUB/USD exchange rate.

Average sales prices changed along with market indicators to which contract prices are linked.

Gazprom Group is a key supplier of natural gas to European far abroad countries.

The bulk of the natural gas sold in far abroad countries is exported from Russia under LLC Gazprom export long-term contracts. Maintaining long-term contracts as the basis for exports remains PJSC Gazprom's priority.

In response to changes in the European market, LLC Gazprom export is gradually expanding its business in the short-term gas market, including in gas trading, as well as investing in joint ventures active in European countries, including in end-user markets.

In 2018, LLC Gazprom export launched its Electronic Sales Platform (ESP) to sell natural gas both on standard market terms and on its own terms. Contracts for gas supply at any delivery point (both at trading platforms or facilities with slow-moving inventories located close to the borders) with delivery periods starting from one day can be offered via the ESP. As at 31 December 2020, 89 companies from Austria, Croatia, the Czech Republic, Denmark, France, Germany, Hungary, Italy, North Macedonia, Romania, Slovakia, Slovenia, Switzerland, Turkey, the UK and Ukraine

were registered with the ESP. PJSC Gazprom's gas sales via the ESP with delivery in 2020 were 19.99 bcm (11.4% of LLC Gazprom export contracts to European far abroad countries in 2020). The following table shows Gazprom Group's natural gas sales through its own ESP:

	For the year ended 31 December		Change, %
	2020	2019	
bcm	19.99	15.14	32.0

One of the priorities of Gazprom Group's gas business is phased implementation of its strategy for liquefied natural gas (LNG) production, waterborne transportation, and marketing.

In 2020, large-scale LNG sales from Gazprom Group's trading portfolio more than doubled and totalled 7.44 mm tonnes (10.92 bcm), with the Asia-Pacific region accounting for 49% and Europe for 37%. India was the largest buyer of Gazprom Group's LNG in 2020, with a total of 1.84 mm tonnes of LNG (2.70 bcm) supplied. The geography of LNG shipments has expanded significantly and included 14 countries, 5 of them for the first time: Belgium, France, Greece, the Netherlands, Singapore. Gazprom Group's share in the large-scale LNG market reached about 2% of the total global supply.

The table below provides data on Gazprom Group's large-scale LNG sales volumes in other countries:

	For the year ended 31 December		Change, %
	2020	2019	
tn BTU	383.3	180.1	112.8
including LNG from Sakhalin-2	69.9	60.1	16.3
mm tonnes	7.44	3.78	96.8
bcm	10.92	5.04	116.7

Note.

Calculated in accordance with the principles underlying management reporting. Metrics calculated using these methods might be not comparable between each other due to differences in the methodologies used for preparing consolidated financial statements and for management reporting. For conversion factors used in the calculations, see the Units of Measurement and Conversion Table section.

Gas distribution in Russia

Gazprom Group is the largest natural gas supplier on the Russian market. In 2020, gas consumption in Russia totalled 460.5 bcm, down by 4.3% from 2019. In 2020, natural gas accounted for about 54% in Russia's energy mix, remaining virtually flat over the past few years. The largest consumers of natural gas in Russia include electricity and heat generators, household consumers, the oil industry, the housing and utilities sector, the agrochemical industry and metallurgy.

In the reporting year, Gazprom Group sold 225.1 bcm of gas to consumers in the Russian Federation, with net sales (excluding VAT) at RUB 940.2 billion, down by 3.2% year-on-year. Net sales revenue decreased mostly due to a decline in volumes of gas sold.

The decrease in gas sales resulted from a lower demand due to COVID-19 restrictions as well as warm weather conditions in Q1 2020. The power generation sector experienced the sharpest drop in sales volumes.

The table below shows the average prices of natural gas sold by Gazprom Group in the domestic market:

RUB per mcm	For the year ended 31 December	
	2020	2019
	(net of VAT)	
	4,176.9	4,118.2

Gas distribution in FSU countries

Gazprom Group covers a significant portion of natural gas demand in FSU countries.

In 2020, Gazprom Group sold 31.2 bcm of gas to the FSU countries, with net sales (net of customs duties) at RUB 295.2 billion, down by 17.1% year-on-year. The decrease in net revenue from sales was mostly due to the declines in volumes of gas sold and lower average rouble prices.

Gas sales to FSU countries decreased year-on-year due to lower demand amid the COVID-19 pandemic, availability of alternative supply sources and energy types (given the partners' strategic goals and ratios to contract prices) and weather conditions.

The table below shows the average prices of natural gas sold by Gazprom Group to FSU countries:

Natural gas sales to FSU countries ⁽¹⁾	For the year ended 31 December	
	2020	2019
	(including customs duties)	
USD per mcm ⁽²⁾	136.7	157.4
RUB per mcm	9,899.8	10,175.9

Notes:

(1) VAT is not charged on sales to FSU countries.

(2) Calculated based on the year-average RUB/USD exchange rate.

Major capex projects

The bulk of capital expenditures for the Distribution of Gas segment in 2020 was spent on the expansion of gas infrastructure in Russian regions.

The Programme for Expansion of Gas Infrastructure in Russian Regions approved for 2020 covered 66 constituent entities of the Russian Federation. In 2020, 141 inter-settlement gas pipelines with a total length of 2,190 km were completed in 39 regions.

In the reporting year, Gazprom continued investment projects that are important for the social and economic growth of Russian regions and the country in general: extension of gas infrastructure to connect heat and power generation facilities in Vorkuta, the Komi Republic, and the Vostochny Cosmodrome in the Amur Region, construction of a gas pipeline connection and the Vrangal gas distribution station in the Primorye Territory to supply gas to the Nakhodka Fertilizer Plant.

Events in the reporting year

In 2020, gas supply and gas infrastructure expansion programmes for 2021–2025 were signed with 67 Russian regions. The programmes provide for a significant increase in construction volumes. For instance, Gazprom Group will be responsible for the construction of 24,400 km of gas pipelines (a 2.5-fold increase against the previous five-year period) and extension of gas infrastructure to connect 3,600 locations (a 2.7-fold increase). By the end of 2025, gas infrastructure expansion in 35 regions will be completed to the maximum extent technically possible.

Outlook for the Distribution of Gas segment

Strategic priorities in gas distribution:

- Development of gas supply and gas infrastructure across Russia
- Diversification of export destinations by supplying LNG to markets that are unable to import Russian pipeline gas

- Economically feasible use of pipelines and LNG production capacity when arranging gas exports
 - Development of the domestic NGV fuel market and gas filling infrastructure in Russia
- 2021 and medium-term (2022–2025) priority focus area in gas distribution is gas supply and gas infrastructure expansion programmes for 2021–2025 in Russian regions.

Refining

The table below shows information on the assets and capital expenditures in the Refining segment:

	As at 31 December	
	2020	2019
Assets, RUB million	2,823,335	2,555,819
Share in the Group's total assets, %	13.2	12.8
	For the year ended 31 December	
	2020	2019
Capital expenditures, RUB million	396,637	437,758
Share in the Group's total capital expenditures, %	26.5	24.1

Processing of hydrocarbons and production of refined products

The table below shows natural and associated gas processing volumes, as well as oil and stable gas condensate primary refining volumes:

	For the year ended 31 December	
	2020	2019
Natural and associated gas, bcm	30.61	31.47
Oil and stable gas condensate, mm tonnes	53.69	54.96

Note.

Excluding tolling arrangements.

Gazprom has significant reserves of multicomponent gas. Its production and subsequent processing enable the Group to expand its product portfolio.

In 2020, Gazprom Group processed 30.61 bcm of natural and associated gas, excluding tolling arrangements, down 2.7% year-on-year. The decrease was due to lower natural gas processing volumes at LLC Gazprom pererabotka.

In 2020, oil and stable gas condensate primary refining volumes for Gazprom Group decreased 2.3% year-on-year to 53.69 mm tonnes due to lower refining volumes at Gazprom Neft Group's refineries in Russia and Gazprom neftekhim Salavat Group's refineries.

The table below shows refining volumes (purification and stabilisation) of unstable gas condensate at LLC Gazprom pererabotka and PJSC Gazprom's gas production subsidiaries:

	For the year ended 31 December	
	2020	2019
Unstable gas condensate, mm tonnes	18.47	18.82

Note.

Excluding tolling arrangements.

LLC Gazprom pererabotka and PJSC Gazprom's gas production subsidiaries purified and stabilised 18.47 mm tonnes of unstable gas condensate. The decrease affected the Astrakhan gas processing plant (GPP) and the Urengoy Condensate Pre-Transportation Preparation Plant and was a result of reduced unstable gas condensate production by LLC Gazprom dobycha Astrakhan and LLC Gazprom dobycha Yamburg in line with production programmes.

The Group produced 49.39 mm tonnes of oil products, 3.57 mm tonnes of liquefied petroleum gas (LPG) and 4.47 mmcm of helium in 2020.

The decrease in oil product output mainly affected the aviation fuel and fuel oil production at all Gazprom Group's refining subsidiaries, as well as the production of lubricants and marine fuel by Gazprom Neft Group, which was partially offset by higher output of diesel fuel by Gazprom Neft Group and Gazprom neftekhim Salavat Group and motor gasolines and bitumens by Gazprom Neft Group.

Gazprom neftekhim Salavat Group's gas processing and petrochemical plants demonstrated growth in production volumes of monomers and polymers, mineral fertilisers, butyl acrylate and glacial acrylic acid.

The table below shows production volumes of major refined products of Gazprom Group:

	For the year ended 31 December			
	2020		2019	
	Total	including abroad	Total	including abroad
Dry gas, bcm	23.86	–	23.93	–
LPG, mm tonnes	3.57	0.10	3.66	0.08
including Gazprom Neft Group	0.78	0.10	0.72	0.08
Natural gas liquids, mm tonnes	1.35	–	1.38	–
Stable gas condensate and oil, mm tonnes	9.98	–	8.36	–
Oil products, mm tonnes	49.39	3.50	50.85	3.28
including Gazprom Neft Group	38.42	3.50	39.33	3.28
Gazprom neftekhim Salavat Group	5.12	–	5.38	–
Helium, mmcm	4.47	–	4.73	–
Sulphur, mm tonnes	5.02	0.02	5.38	0.01
including Gazprom Neft Group	0.22	0.02	0.19	0.01

Note.

Excluding tolling arrangements.

The table below shows Gazprom Group's output of oil products:

(mm tonnes)

	For the year ended 31 December	
	2020	2019
Diesel fuel	16.26	15.51
Motor gasolines	11.82	11.70
Fuel oil	5.39	7.17
Aviation fuel	2.76	3.43
Marine fuel	2.52	2.80
Bitumens	3.26	2.96
Lubricants	0.43	0.54
Other oil products	6.95	6.74
Total	49.39	50.85

Note.

Excluding tolling arrangements.

The table below shows output of major refined products at Gazprom Group:

(thousand tonnes)

	For the year ended 31 December	
	2020	2019
Monomers and polymers	511.6	464.9
Mineral fertilizers and raw materials	800.6	799.7
Butyl acrylate and glacial acrylic acid	116.3	106.8

Sales of refined products

In 2020, Gazprom Group's sales of refined products decreased to 66.63 mm tonnes due to lower sales in the domestic market.

Net sales declined to RUB 1,798.4 billion (net of excise tax, VAT, and customs duties), mainly due to a decrease in average prices for refined products in all geographic segments.

The table below shows sales of refined products by Gazprom Group:

(mm tonnes)	For the year ended 31 December		Change, %
	2020	2019	
Russia	40.04	43.12	– 7.1
including Gazprom Neft Group	25.73	28.51	– 9.8
FSU countries	3.40	3.55	– 4.2
including Gazprom Neft Group	2.80	2.88	– 2.8
Europe and other countries	23.19	23.51	– 1.4
including Gazprom Neft Group	15.00	13.93	7.7
Total	66.63	70.18	– 5.1

Note.

Excluding intra-group sales and sales of helium.

The table below shows sales of refined products by Gazprom Group:

(mm tonnes)	For the year ended 31 December	
	2020	2019
Motor gasoline	13.26	13.53
Diesel fuel	17.84	17.36
Aviation fuel	3.09	3.98
Fuel oil	5.49	7.00
Lubricants	0.44	0.48
LPG	3.62	4.25
Sulphur	6.06	6.46
Mineral fertilisers	0.79	0.81
Polymers	0.16	0.10
Other refined, petrochemical and gas chemical products	15.88	16.21
Total	66.63	70.18

Note.

Excluding intra-group sales and sales of helium.

The table below shows Gazprom Group's sales of helium:

	For the year ended 31 December		Change, %
	2020	2019	
Gaseous helium, mmcm	3.61	3.63	– 0.6
Liquid helium, tonnes	142.1	214.6	– 33.8

Note.

Excluding intra-group sales.

The decrease in domestic sales volumes was largely due to lower sales of fuel oil (mainly due to lower output at Gazprom Neft Group refineries), diesel and aviation fuel (as a result of a pandemic-induced drop in demand). Gazprom Group's total diesel fuel sales volumes increased due to higher production at Gazprom Neft Group following the launch of the Euro+ unit at the Moscow Refinery and higher sales to far abroad countries. Polymer sales increased due to the growth in production volumes at Gazprom neftekhim Salavat Group and subsequent sales in the domestic market.

Liquid helium sales volumes declined along with helium production at the Orenburg Helium Plant due to lower supplies of helium-bearing natural gas from the Orenburgskoye OGCF, while sales of gaseous helium remained flat year-on-year.

Major capex projects

The bulk of capital expenditures for refining in 2020 was spent on the following projects:

- Construction of the Amur GPP
- Construction of the stabilisation unit for Achimov deposit condensate from the Nadym-Pur-Taz region, implementation of projects to enable liquid hydrocarbon transportation from the Nadym-Pur-Taz region (the Urengoy oil pumping station, the Urengoy–Purpe oil and condensate pipeline)
- Revamp of the Astrakhan GPP
- Construction of the production, storage and shipping complex near the Portovaya CS in the Leningrad Region
- Construction of new facilities at Gazprom neftekhim Salavat Group’s refineries (a catalytic cracking unit, an industrial sulphur production unit and a tank farm for catalytic cracking units), as well as revamps of treatment facilities
- Construction of production facilities at the Moscow Refinery (sulphur production unit as part of the deep conversion complex and the Euro+ combined refining unit)
- Construction and upgrades of production facilities at the Omsk Refinery (construction of a primary refining unit, a deep conversion complex as part of hydrocracking, hydrogen and sulphur production units, a delayed coking unit, a diesel fuel hydrotreating/dewaxing unit), and construction of a catalyst plant in Omsk
- Construction of a hydrodewaxing complex at the Omsk Lubricants Plant

Within its refining capex projects, in 2020 Gazprom commissioned:

- Euro+ combined oil refining unit at the Moscow Refinery
- Deep conversion complex at the Pančevo Refinery (Serbia)
- Hydrogen production unit at a Gazprom neftekhim Salavat Group’s refinery
- A 3.5 km jumper between the gas condensate pipeline from Blocks 1A and 2A of the Urengoy OGCF to the stabilisation unit under construction for Achimov deposit condensate from the Nadym-Pur-Taz region
- A feed gas treatment system in Shop No. 8 of the Sosnogorsk GPP and an oil separator at Shop No. 2 of the Support Service and Specialised Vehicles Department of the Orenburg GPP (as part of the tank truck cleaning system) following revamps
- A marketable product drying module for the propane fraction methanol removal unit at the Surgut Condensate Stabilisation Plant

The active phase construction and installation activities continued at the Amur GPP site, with works in progress on the facilities of six process trains at once. By year-end, the project was over 70% complete, with the first two process trains scheduled for launch in 2021.

Events in the reporting year

In June 2020, key 20-year contracts for supplying feed gas and marketable gas were signed for the complex near Ust-Luga (a joint project of PJSC Gazprom and JSC RusGazDobycha). The complex will be thus provided with raw materials in the long term. In addition, a contract was signed to supply ethane fraction for further processing at the gas chemical plant affiliated with the complex.

Outlook for the Refining segment

Strategic priorities in processing of gas and gas condensate:

- Construction of new gas processing facilities to support hydrocarbon developments in Eastern Siberia and the Far East
- Processing and transportation of the projected volumes of liquid hydrocarbons produced at fields in Western Siberia, the Yamal Peninsula and the adjacent continental shelf of the Kara Sea

- Processing of ethane-containing gas from fields in Western Siberia
- Increasing LNG production

2021 and medium-term (2022–2025) focus areas in gas and condensate processing:

- Construction of new gas processing facilities to support hydrocarbon developments in Eastern Siberia and the Far East as well as processing of the projected volumes of liquid hydrocarbons produced at fields in Western Siberia
- Revamps of existing facilities
- Implementation of LNG production projects in Russia.

In particular, the plans include commissioning of projects to enable liquid hydrocarbon transportation from the Nadym-Pur-Taz region, commissioning of an LNG production, storage and shipping complex near the Portovaya CS in the Leningrad Region, phased commissioning of the Amur GPP and the integrated complex for gas processing and liquefaction in Ust-Luga in the Leningrad Region (a joint project of PJSC Gazprom and JSC RusGazDobycha).

Strategic priorities in oil refining:

- Increasing the refining depth and yields for light products
- Enhancing the efficiency of processing and marketing
- Improving conventional business sustainability through developing petrochemical businesses
- Maintaining leadership and growing market shares in existing and new markets for Gazprom products

2021 and medium-term (2022–2025) focus areas in oil refining:

- Continued refinery upgrade programmes and capacity development
- Further expansion of the product mix and marketing infrastructure development
- Catalyst plant construction

In particular, plans include the commissioning of new integrated facilities at Moscow Refinery (an advanced oil refining facility) and Omsk Refinery (a primary refining unit, advanced oil refining facility and delayed coking unit), as well as catalyst production business in Omsk.

Power Generation

The table below shows information on the assets and capital expenditures in the electricity and heat generation and sales segment:

	As at 31 December	
	2020	2019
Assets, RUB million	892,261	882,264
Share in the Group's total assets, %	4.2	4.4
	For the year ended 31 December	
	2020	2019
Capital expenditures, RUB million	82,229	79,001
Share in the Group's total capital expenditures, %	5.5	4.3

Russia's largest vertically integrated power generation holding company has been established within Gazprom Group and has consolidated electricity and heat generating assets, heat transmission and distribution assets, as well as assets in related segments.

Gazprom Group's generating assets are consolidated within its 100% subsidiary, LLC Gazprom energoholding, managing PJSC TGC-1, PJSC Mosenergo, PJSC WGC-2, and PJSC MIPC.

Outside Russia, Gazprom Group owns Unit 5 at the Hrazdan TPP through its subsidiary CJSC Gazprom Armenia.

The table below shows information on Gazprom Group's key generating assets:

	As at 31 December 2020	
	Installed electrical capacity, GW	Installed heat capacity, thousand Gcal/h
Gazprom energoholding Group including	37.36	65.60
PJSC Mosenergo	12.83	43.78
PJSC MIPC and subsidiaries	–	5.52
PJSC WGC-2	17.61	2.82
PJSC TGC-1 and subsidiaries	6.92	13.48
Other generating assets in Russia	0.89	2.93
Generating assets abroad	0.48	0.03
Total	38.73	68.56

The year-on-year change in the installed power generation and heat capacity was mainly due to the sale of the Krasnoyarskaya GRES-2 with the electrical capacity of 1,260 MW and heat capacity of 976 Gcal/h, owned by PJSC WGC-2, to SUEK Group as well as retirement of underperforming generating equipment and capacity upgrades.

The table below shows the volumes of Gazprom Group's electricity generation:

(bn kWh)

	For the year ended 31 December	
	2020	2019
Gazprom energoholding Group including	126.59	143.07
PJSC Mosenergo	54.43	60.11
PJSC MIPC and subsidiaries	–	–
PJSC WGC-2	44.25	54.69
PJSC TGC-1 and subsidiaries	27.91	28.27
Other generating assets in Russia	4.39	4.93
Total in Russia	130.98	148.00
Generating assets abroad	1.15	1.02
Total in Russia and abroad	132.13	149.02

Note.

The table shows electricity generation, i.e. the amount of electricity generated by power stations.

The table below shows the volumes of Gazprom Group's heat generation:

(mm Gcal)

	For the year ended 31 December	
	2020	2019
Gazprom energoholding Group including	111.14	115.26
PJSC Mosenergo	74.25	75.37
PJSC MIPC and subsidiaries	8.00	9.07
PJSC WGC-2	5.84	6.65
PJSC TGC-1 and subsidiaries	23.05	24.17
Other generating assets in Russia	7.33	7.12
Total in Russia	118.47	122.38
Generating assets abroad	–	–
Total in Russia and abroad	118.47	122.38

Note.

The table shows heat supply from TPPs, i.e. the amount of heat supplied by a power station to consumers at the asset ownership/interface boundary points.

During 2020, the Group generated 130.98 bn kWh of electricity (in 2019 – 148.00 bn kWh of electricity) and 118.47 mm Gcal of heat (in 2019 – 122.38 mm Gcal of heat) at its generating assets in Russia. The decrease in generation was due to a general decrease in the national energy consumption and continued streamlining of the load for low-margin generating capacities. Heat supply decreased due to higher average temperatures during the heating season.

Outside Russia, Gazprom Group generated 1.15 bn kWh of electricity (in 2019 – 1.02 bn kWh of electricity). The increase reflected the actual operation modes of Armenia's national power grid.

Electricity and Heat Distribution

In 2020, Gazprom Group's net electricity and heat sales (net of VAT) decreased by 3.6% to RUB 499.5 billion year-on-year due to a significant drop in production and sales of electricity and heat in Russia.

Major capex projects

The bulk of capital expenditures in electricity and heat generation in 2020 was allocated to the following projects:

- Construction of the Svobodnenskaya TPP and Pančevo CHPP (Serbia)
- Equipment upgrades at Unit 9 of CHPP-22 of PJSC Mosenergo
- Revamp of Avtovskaya CHPP-15 of PJSC TGC-1

In 2020, as part of electricity and heat generation investment projects, a hydropower unit at Verkhnetulomskaya HPP-12 of PJSC TGC-1 was commissioned following the upgrade which increased its capacity by 8 MW.

The Group has been preparing design documents, conducting surveys and dismantling activities, as well signing contracts for the supply of core equipment for upgrade projects covering the thermal power plants which passed the Competitive Capacity Outtake (CCO), with capacity supplies of 1.92 GW to commence in 2022–2025.

Outlook for the Electricity and Heat Generation and Sales segment

Strategic priorities in production and sales of heat and electricity:

- Optimising the generation capacity mix
- Improving operational efficiency and optimising costs
- Constructing new and upgrading existing generating capacity, and decommissioning low-performing facilities
- Innovation
- Diversifying the power generation business by entering promising markets in Russia and abroad

2021 and medium-term (2022–2025) focus areas in electricity and heat generation and sales:

- Generating capacity upgrades
- Decommissioning of 2.1 GW of low-performing and idle capacity by 2025
- Implementation of operational efficiency and cost optimisation initiatives
- Participation in the selection of thermal power plants to be upgraded with innovative Russia-made gas turbines in 2027–2029

In particular, plans include commissioning the Svobodnenskaya TPP¹ and Pančevo CHPP (Serbia), as well as capacity commissioning as part of upgrades and revamps of generating fleet in

¹ Commissioned in April 2021.

Russia, including within the upgrade projects for thermal power plants, which passed the Competitive Capacity Outtake (CCO).

INNOVATION-DRIVEN DEVELOPMENT

Consistent development of production capabilities and focus on technology leadership in the interests of consumers underpin Gazprom's operations. The Group develops and implements advanced technology to ensure long-term reliable and efficient supply of energy resources to people and industries.

In its evolution as a global energy company and a reliable energy supplier, Gazprom focuses on research and application of new knowledge and technology, as well as on continuous improvement of its innovation capabilities and acceleration of innovation to address a number of strategic, technological, and economic challenges that such leadership involves.

PJSC Gazprom's Innovative Development Programme until 2025 is a fundamental instrument for long-term planning and management of innovations embedded into Gazprom's strategic planning framework. Its goal is to continuously improve the level of technology and organisational development of PJSC Gazprom to maintain its position as a global energy company and a reliable energy supplier.

The programme covers the gas, oil, and power generation business of PJSC Gazprom and provides for a set of interrelated measures aimed at developing and using new technologies, equipment, and materials that meet or exceed international standards, and at creating favourable environment for innovation both within Gazprom Group and in Russia's related industries.

Technological priorities set by PJSC Gazprom's Innovative Development Programme in the gas business:

- Hydrocarbon field exploration and appraisal, including development of unconventional resources
- Brownfield enhancement
- Hydrocarbon development on the continental shelf
- Greenfield development
- Efficiency enhancement of trunk gas pipelines, and diversification of gas distribution methods
- Enhancement of gas storage
- Enhancement of gas and gas condensate processing
- LNG production
- Gas marketing and utilisation

Innovation in the oil business covers oil production, oil refining and petrochemicals production.

Gazprom Group's technological priorities in the energy business are enhancement of CHPP and GRES heat generating equipment and operational efficiency of heat networks.

PJSC Gazprom pursues a consistent policy in effective intellectual property management, continuously improving it in view of national and global best practices, including those of law enforcement.

PJSC Gazprom has designed and successfully maintains an intellectual property management framework, which is essentially intended to determine company-wide principles governing the creation, legal protection, registration, commercialisation, and monitoring of the use of intellectual property across Gazprom Group, as well as to provide incentive schemes encouraging employees of Gazprom Group entities to create intellectual property. Intellectual property management indicators are included in performance indicators of PJSC Gazprom's Innovative Development Programme.

In 2020, PJSC Gazprom approved the Regulations on Managing the Intellectual Property Rights of PJSC Gazprom and its Subsidiaries, as well as the Action Plan to Implement the Regulations.

In the reporting year, PJSC Gazprom and its subsidiaries filed more than 300 patent applications. A total of 280 patents were granted for previously filed applications, including 18 foreign patents (patent protection in particular, in Canada, China, the USA, Germany, France).

The total number of patents for patent objects owned by PJSC Gazprom and its subsidiaries as of 31 December 2020 was 2,786.

The Group allocates significant amounts for its annual Research and Development (R&D) budgets, and R&D results are applied in its priority projects. In 2020, despite the COVID-19 restrictions, PJSC Gazprom and its subsidiaries increased their key innovation performance indicators.

The Group's R&D efforts aim to develop and implement high-tech equipment and sophisticated engineering complexes unrivalled in the world, as well as to create advanced R&D solutions.

In 2020, RUB 21.4 billion worth of R&D was carried under R&D projects commissioned by Gazprom Group entities (RUB 12.1 billion in 2019).

Gazprom Group takes consistent steps in digitising its production and management processes, such as process modelling and experimental studies, particularly in the natural environment, and software development to process and analyse geological and geophysical data. These developments help to create digital twins of production facilities, which will accelerate innovation in equipment, design and construction. In addition, artificial intelligence can take market development modelling to a new level.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

With a relentless focus on sustainable development, PJSC Gazprom is guided by Russian laws and internationally recognised sustainability initiatives. PJSC Gazprom's Quality Management, Occupational Health and Safety Management, Environmental Management and Energy Management Systems are certified to international standards of the International Organisation for Standardisation.

Despite the damage of the COVID-19 pandemic to global economies in general and the energy sector in particular, in 2020, Gazprom Group continued its commitment to the UN 2030 Agenda for Sustainable Development and significant contributions to achieving the UN Sustainable Development Goals. In the challenging epidemiological environment, Gazprom remained focused on the health and safety of its employees, their labour and social rights, support of the regions of operation and local communities in combating the pandemic and its consequences, charity programmes and corporate goals in environmental protection, occupational health and industrial safety.

Gazprom Group's key social and environmental performance indicators for 2020 and 2019 are presented in the table below:

	As at and for the year ended 31 December		Change, %
	2020	2019	
Personnel			
Total headcount, thousand people	477.6	473.8	0.8
Staff costs of Gazprom Group, RUB billion	807.8	749.7	7.7
Gazprom Group's social expenses, RUB billion	40.7	45.1	-9.8
Occupational Safety			
Industrial safety incidents at hazardous production facilities of organisations within the UOHSMS scope ⁽¹⁾	14	10	40.0
Gazprom Neft Group	600	920	-34.8
Gazprom neftekhim Salavat Group	1	2	-50.0
Gazprom energoholding Group	56	71	-21.1
Lost time injury frequency rate (LTIFR)			
organisations within the UOHSMS scope ⁽¹⁾	0.08	0.09	-11.1
Gazprom Neft Group	0.54	0.50	8.0
Gazprom neftekhim Salavat Group	0	0.13	-100.0
Gazprom energoholding Group	0.08	0.12	-33.3
Fatal accident rate (FAR)			
organisations within the UOHSMS scope ⁽¹⁾	0.97	1.35	-28.1
Gazprom Neft Group	0	1.46	-100.0
Gazprom neftekhim Salavat Group	0	0	-
Gazprom energoholding Group	0	0	-
Environmental Protection			
Key metrics for the environmental impact from Gazprom Group's operations in the Russian Federation			
Air pollutant emissions, thousand tonnes	2,445.7	2,862.7	-14.6
GHG emissions, mm tonnes of CO ₂ equivalent	210.7	236.5	-10.9
Wastewater discharge into surface water bodies, mmcm	2,610.8	3,241.8	-19.5
Waste generation, thousand tonnes	3,229.8	3,337.1	-3.2
Specific GHG emissions from Gazprom Group's gas operations, kg of CO ₂ equivalent per toe of products sold	239	259	-7.7

	As at and for the year ended 31 December		Change, %
	2020	2019	
Environmental protection costs related to Gazprom Group's operations in the Russian Federation			
Current environmental protection costs, RUB billion	34.4	32.2	6.8
Capital expenditures for environmental protection and sustainable use of natural resources, RUB billion	14.0	20.4	– 31.4
Negative environmental impact charges, RUB billion	0.7	0.6	16.7
Total, RUB billion	49.1	53.2	– 7.7

Note.

- ⁽¹⁾ The Unified Occupational Health and Safety Management System (UOHSMS) covers PJSC Gazprom, its major gas and gas condensate exploration, production, processing, transportation, underground storage subsidiaries, as well as subsidiaries supporting the operation of the Russian UGSS.

The increase in Gazprom Group's headcount in 2020 is due to the implementation of strategic projects in gas processing and transportation, as well as an increase in the headcount of Gazprom Neft Group companies.

In 2020, the fatal accident rate (FAR) decreased at Gazprom Group entities within the UOHSMS scope. There were no fatal accidents at Gazprom Neft Group, Gazprom energoholding Group, and Gazprom neftekhim Salavat Group entities in 2019 and 2020. The main types of occupational accidents in 2020 were falls from height and road accidents. Injury investigations are followed by measures to reduce the probability of individual significant risks. The Group strives to minimise the risks of fires, injuries, accidents and incidents at hazardous production facilities, promotes a culture of occupational safety and takes efforts to improve the UOHSMS.

The reduction of Gazprom Group's absolute GHG emissions in 2020 was enabled through equipment reconstruction and overhaul, the use of advanced and innovative gas-saving and energy efficiency technologies, and other means. The reduction in waste generation in 2020 was driven by the substitution of coal for natural gas in Gazprom energoholding Group's fuel mix, which resulted in a 20% reduction of Class 5 ash and slag waste. The consistent reduction of Gazprom Group's negative environmental impact is one of its key commitments to preserve the environment for future generations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

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

- as of December 31, 2020 – 73.8757;
- as of December 31, 2019 – 61.9057.

The official RUB to Euro foreign exchange rate as determined by the Central Bank of the Russian Federation was as follows:

- as of December 31, 2020 – 90.6824;
- as of December 31, 2019 – 69.3406.

The average exchange rates of RUB for the year ended December 31, 2020 and for the year ended December 31, 2019 were:

- to US Dollar – 72.1464 and 64.7362, respectively;
- to Euro – 82.4488 and 72.5021, respectively.

The main factor that affected the financial result was the appreciation of the US Dollar and the Euro against the Russian Ruble by 19 % and 31 %, respectively. This led to a foreign exchange loss on financial transactions and a foreign exchange gain on operating items.

In addition, the financial result was significantly affected by a decrease in gas and oil prices. This resulted in a decrease in sales, primarily in the "Europe and Other Countries" segment, and a decrease in the cost of purchased gas and oil.

RESULTS OF OPERATION

(in RUB million)

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

Sales

The following table sets out volumes and sales prices:

(in RUB million unless indicated otherwise)

	Year ended December 31,	
	2020	2019
Sales of gas		
<i>Europe and other countries</i>		
Gross sales ⁽¹⁾	2,268,424	3,163,881
Customs duties	(422,132)	(615,611)
Excise tax	(34,656)	(57,898)
Net sales	1,811,636	2,490,372
Volumes in bcm	219.0	232.4
Average price, US Dollar per mcm ⁽²⁾ (including excise tax and customs duties) ⁽³⁾	143.0	210.6
Average price, RUB per mcm ⁽²⁾ (including excise tax and customs duties)	10,355.9	13,613.0
<i>Former Soviet Union countries</i>		
Gross sales ⁽¹⁾	308,952	393,526
Customs duties	(13,698)	(37,424)
Net sales	295,254	356,102
Volumes in bcm	31.2	38.7
Average price, US Dollar per mcm ⁽²⁾ (including customs duties) ⁽³⁾	136.7	157.4
Average price, RUB per mcm ⁽²⁾ (including customs duties)	9,899.8	10,175.9
<i>Russian Federation</i>		
Gross sales (net of VAT)	940,155	970,913
Net sales	940,155	970,913
Volumes in bcm	225.1	235.8
Average price, RUB per mcm ⁽²⁾ (net of VAT)	4,176.9	4,118.2
<i>Total gas sales</i>		
Gross sales (net of VAT)	3,517,531	4,528,320
Customs duties	(435,830)	(653,035)
Excise tax	(34,656)	(57,898)
Retroactive gas price adjustments	2,294	(16,657)
Net sales	3,049,339	3,800,730
Volumes in bcm	475.3	506.9
Net sales of refined products (net of excise tax, VAT and customs duties)	1,798,396	2,111,181
Net sales of crude oil and gas condensate (net of VAT and customs duties)	487,349	752,790
Electric and heat energy net sales (net of VAT)	499,469	518,373
Gas transportation net sales (net of VAT)	223,824	215,335
Other sales (net of VAT)	<u>263,182</u>	<u>261,214</u>
Total sales (net of excise tax, VAT and customs duties)	<u>6,321,559</u>	<u>7,659,623</u>

Notes:

⁽¹⁾ VAT is not charged on sales to Europe and other countries as well as Former Soviet Union countries.

⁽²⁾ One mcm is equivalent to 35,316 cubic feet.

⁽³⁾ Calculated on the basis of the average exchange rate between the RUB and the US Dollar.

Total sales (net of excise tax, VAT and customs duties) decreased by RUB 1,338,064 million, or 17 %, to RUB 6,321,559 million for the year ended December 31, 2020 compared to the prior year. The decrease in sales was mainly due to a decrease in sales of gas to Europe and other countries.

Net sales of gas accounted for 48 % of total net sales for the year ended December 31, 2020 (50 % for the prior year).

Net sales of gas decreased by RUB 751,391 million, or 20 %, from RUB 3,800,730 million for the year ended December 31, 2019 to RUB 3,049,339 million for the year ended December 31, 2020.

Net sales of gas to Europe and other countries decreased by RUB 678,736 million, or 27 %, to RUB 1,811,636 million for the year ended December 31, 2020 compared to the prior year. The change was mainly due to a decrease in average prices (including excise tax and customs duties) denominated in the Russian Ruble by 24 % and a decrease in the volumes of gas sold by 6 % for the year ended December 31, 2020 compared to the prior year. At the same time average prices denominated in the US Dollar decreased by 32 % compared to the prior year.

Net sales of gas to Former Soviet Union countries decreased by RUB 60,848 million, or 17 %, to RUB 295,254 million for the year ended December 31, 2020 compared to the prior year. The change was mainly due to a decrease in the volumes of gas sold by 19 % and in average prices (including customs duties) denominated in the Russian Ruble by 3 % for the year ended December 31, 2020 compared to the prior year. At the same time average prices denominated in the US Dollar decreased by 13 % compared to the prior year.

Net sales of refined products (net of excise tax, VAT and customs duties) decreased by RUB 312,785 million, or 15 %, to RUB 1,798,396 million for the year ended December 31, 2020 compared to the prior year. The decrease in net sales of refined products was mainly due to a decrease in average prices denominated in the Russian Ruble in all geographic segments.

Net sales of crude oil and gas condensate (net of VAT and customs duties) decreased by RUB 265,441 million, or 35 %, to RUB 487,349 million for the year ended December 31, 2020 compared to the prior year. The change was mainly due to a decrease in net sales of crude oil primarily caused by a decrease in the average prices of crude oil.

Operating expenses

Operating expenses decreased by RUB 721,309 million, or 11 %, to RUB 5,665,762 million for the year ended December 31, 2020 compared to RUB 6,387,071 million for the prior year. Operating expenses as a percentage of sales increased from 83 % for the year ended December 31, 2019 to 90 % for the year ended December 31, 2020. The table below presents a breakdown of operating expenses in each period:

(in RUB million)

	Year ended December 31,	
	2020	2019
Taxes other than on profit	1,235,822	1,409,248
Purchased gas and oil	961,928	1,403,572
Staff costs	807,824	749,708
Depreciation	798,436	715,229
Transit of gas, oil and refined products	654,562	665,552
Materials	257,490	274,821
Goods for resale, including refined products	213,900	253,121
Repairs and maintenance	151,869	149,939
Electricity and heating	113,303	120,154
Impairment loss on non-financial assets	54,191	29,382
Social expenses	40,690	45,114
Insurance	29,925	32,135
Transportation expenses	29,412	27,541
Processing services	21,576	20,718
Research and development	18,075	19,226
Loss (gain) on derivative financial instruments	16,735	(15,225)
Lease	13,614	16,585
Foreign exchange differences on operating items	(164,128)	78,287
Other	<u>389,034</u>	<u>515,032</u>
	5,644,258	6,510,139
Change in balances of finished goods, work in progress and other effects	<u>21,504</u>	<u>(123,068)</u>
Total operating expenses	<u>5,665,762</u>	<u>6,387,071</u>

Taxes other than on profit

Taxes other than on profit consist of:

(in RUB million)

	Year ended December 31,	
	2020	2019
Mineral extraction tax	795,154	1,115,003
Excise tax	252,993	113,528
Property tax	142,554	148,634
Other taxes	<u>45,121</u>	<u>32,083</u>
Total taxes other than on profit	<u>1,235,822</u>	<u>1,409,248</u>

Taxes other than on profit decreased by RUB 173,426 million, or 12 %, to RUB 1,235,822 million for the year ended December 31, 2020 compared to RUB 1,409,248 million for the prior year. The change was mainly due to a decrease in mineral extraction tax expenses, which was partially compensated by an increase in excise tax expenses.

Mineral extraction tax (MET) expenses decreased by RUB 319,849 million, or 29 %, to RUB 795,154 million for the year ended December 31, 2020 compared to RUB 1,115,003 million for the prior year. MET expenses decreased mainly due to a decrease in crude oil prices and a decrease in the volumes of gas production.

Excise tax expenses increased by RUB 139,465 million, or 123 %, to RUB 252,993 million for the year ended December 31, 2020 compared to RUB 113,528 million for the prior year. Excise tax expenses increased mainly due to the impact of the damper component, resulting from a reduction in export-parity prices for automobile gasoline and diesel fuel on the external market, arising from the lower oil price and the worsening epidemiological situation.

Purchased gas and oil

The cost of purchased gas and oil decreased by RUB 441,644 million, or 31 %, to RUB 961,928 million for the year ended December 31, 2020 compared to RUB 1,403,572 million for the prior year. The change was mainly due to a decrease in the cost of purchased gas.

The cost of purchased gas included in purchased gas and oil decreased by RUB 235,383 million, or 26 %, to RUB 678,910 million for the year ended December 31, 2020 compared to RUB 914,293 million for the prior year. The change was mainly due to a decrease in average prices and a decrease in the volumes of purchased gas.

The cost of purchased oil included in the cost of purchased gas and oil decreased by RUB 206,261 million, or 42 %, to RUB 283,018 million for the year ended December 31, 2020 compared to RUB 489,279 million for the same period of the prior year. The change was mainly due to a decrease in the prices of oil and the volumes of purchased oil in domestic and international markets.

Depreciation

Depreciation increased by RUB 83,207 million, or 12 %, to RUB 798,436 million for the year ended December 31, 2020 compared to RUB 715,229 million for the prior year. The increase was mainly due to an increase in the fixed asset base.

Goods for resale, including refined products

The cost of goods for resale, including refined products decreased by RUB 39,221 million, or 15 %, to RUB 213,900 million for the year ended December 31, 2020 compared to RUB 253,121 million for the prior year. The decrease in the cost was mainly due to a decrease in the prices and volumes of refined products purchases in domestic and international markets.

Loss (gain) on derivative financial instruments

The derivatives loss amounted to RUB 16,735 million for the year ended December 31, 2020, compared to the derivatives gain in the amount of RUB 15,225 million for the prior year. The loss from changes in the fair value of derivatives was attributable to the remeasurement of derivative financial instruments as at the reporting date, and was mainly due to changes in the price and currency rates prevailing as at the reporting date.

Foreign exchange differences on operating items

The foreign exchange gain on operating items amounted to RUB 164,128 million for the year ended December 31, 2020 compared to the foreign exchange loss in the amount of RUB 78,287 million for the prior year. This change was mainly due to the revaluation of accounts receivable from foreign customers and loans issued, which was caused by the appreciation of the US Dollar and the Euro against the Russian Ruble by 19 % and 31 %, respectively, for the year ended December 31, 2020 compared to the depreciation of the US Dollar and the Euro against the Russian Ruble by 11 % and 13 %, respectively, for the prior year.

Change in balances of finished goods, work in progress and other effects

The line item "Change in balances of finished goods, work in progress and other effects" changed by RUB 144,572 million, or 117 %, to RUB 21,504 million for the year ended December 31, 2020 compared to the negative amount of RUB 123,068 million for the prior year. The change in this line item was due to a decrease in the balances of finished goods for the year ended December 31, 2020 compared to an increase in the balances of finished goods for the prior year.

Impairment loss on financial assets

The impairment loss on financial assets decreased by RUB 55,443 million, or 43 %, to RUB 72,295 million for the year ended December 31, 2020 compared to RUB 127,738 million for the prior year. The decrease was mainly due to the termination of the accrual of the allowance for expected credit losses on accounts receivable due from NJSC Naftogaz of Ukraine as a result of the settlement of mutual debts in accordance with the agreement between NJSC Naftogaz of Ukraine and PJSC Gazprom.

Operating profit

As a result of the factors discussed above, operating profit decreased by RUB 505,006 million, or 45 %, to RUB 614,851 million for the year ended December 31, 2020 compared to RUB 1,119,857 million for the prior year. Operating profit margin decreased from 15 % for the year ended December 31, 2019 to 10 % for the year ended December 31, 2020.

Net finance (expense) income

(in RUB million)

	Year ended December 31,	
	2020	2019
Foreign exchange gain	687,263	563,990
Foreign exchange loss	<u>(1,292,073)</u>	<u>(278,409)</u>
Net foreign exchange (loss) gain	(604,810)	285,581
Interest income	60,137	90,926
Interest expense	<u>(73,445)</u>	<u>(76,426)</u>
Net finance (expense) income	(618,118)	300,081

The net foreign exchange loss amounted to RUB 604,810 million for the year ended December 31, 2020 compared to the net foreign exchange gain of RUB 285,581 million for the prior year. The change was explained by the appreciation of the US Dollar and the Euro against the Russian Ruble by 19 % and 31 %, respectively, for the year ended December 31, 2020 compared to the depreciation of the US Dollar and the Euro against the Russian Ruble by 11 % and 13 %, respectively, for the prior year. The loss and the gain were mainly related to the revaluation of loans and borrowings denominated in foreign currencies.

Interest income decreased by RUB 30,789 million, or 34 %, to RUB 60,137 million for the year ended December 31, 2020 compared to RUB 90,926 million for the prior year.

Interest expense decreased by RUB 2,981 million, or 4 %, to RUB 73,445 million for the year ended December 31, 2020 compared to RUB 76,426 million for the prior year.

Share of profit of associates and joint ventures

The share of profit of associates and joint ventures decreased by RUB 70,391 million, or 34 %, to RUB 136,736 million for the year ended December 31, 2020 compared to RUB 207,127 million for the prior year. This change was mainly caused by a decrease in the share of profit of Sakhalin Energy Investment Company Ltd., JSC Messoyakhaneftegaz and PJSC NGK Slavneft and its subsidiaries.

Profit for the period attributable to owners of PJSC Gazprom

As a result of the factors discussed above, profit attributable to owners of PJSC Gazprom amounted to RUB 135,341 million for the year ended December 31, 2020.

Liquidity and capital resources

The following table summarises cash flows for the year ended December 31, 2020 and for the year ended December 31, 2019:

(in RUB million)

	Year ended December 31,	
	2020	2019
Net cash from operating activities	1,918,891	1,709,384
Net cash used in investing activities	(1,545,602)	(1,938,109)
Net cash (used in) from financing activities	(106,421)	152,375

Net cash from operating activities

Net cash from operating activities increased by RUB 209,507 million, or 12 %, to RUB 1,918,891 million for the year ended December 31, 2020 compared to RUB 1,709,384 million for the prior year. This change was mainly due to an increase in cash flows from short-term deposits, which was partially compensated by an increase in accounts receivable for the year ended December 31, 2020 compared to the prior year.

Net cash used in investing activities

Net cash used in investing activities decreased by RUB 392,507 million, or 20 %, to RUB 1,545,602 million for the year ended December 31, 2020 compared to RUB 1,938,109 million for the prior year. This change was mainly due to a decrease in cash flows used in capital expenditures and an increase in cash flows from loans issued for the year ended December 31, 2020 compared to the prior year.

Net cash (used in) from financing activities

Net cash used in financing activities amounted to RUB 106,421 million for the year ended December 31, 2020 compared to RUB 152,375 million of net cash from financing activities for the prior year. This change was mainly due to an increase in repayment of borrowings, which was compensated by proceeds from perpetual notes issue for the year ended December 31, 2020 compared to the prior year and proceeds from sale of treasury shares for the year ended December 31, 2019.

Capital expenditures

Total capital expenditures (excluding the effect of acquisitions of subsidiaries) by segments for the years ended December 31, 2020 and 2019 denominated in the Russian Ruble are presented in the following table:

(in RUB million)

	Year ended December 31,	
	2020	2019
Refining	396,637	437,758
Production of gas	352,986	360,215
Production of crude oil and gas condensate	309,793	316,011
Transportation of gas	251,591	464,203
Electric and heat energy generation and sales	82,229	79,001
Gas storage	26,391	14,268
Distribution of gas	17,873	25,827
All other segments	<u>56,685</u>	<u>121,394</u>
Total	1,494,185	1,818,677

Total capital expenditures decreased by RUB 324,492 million, or 18 %, from RUB 1,818,677 million for the year ended December 31, 2019 to RUB 1,494,185 million for the year ended December 31, 2020.

The amount of capital expenditures of the Transportation of gas segment decreased by RUB 212,612 million, or 46 %, to RUB 251,591 million for the year ended December 31, 2020, mainly due to putting the TurkStream gas pipeline into operation in January 2020, completion of most part of works on the construction of the Nord Stream 2 gas pipeline as well as putting the Power of Siberia gas pipeline into operation at the end of 2019.

Debts obligation

Net debt balance (defined as the sum of short-term borrowings and the current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings, long-term promissory notes payable, less cash and cash equivalents) increased by RUB 704,848 million, or 22 %, from RUB 3,167,847 million as of December 31, 2019 to RUB 3,872,695 million as of December 31, 2020. This change was mainly due to an increase in the amount of long-term borrowings denominated in the Russian Ruble caused by the appreciation of the US Dollar and the Euro against the Russian Ruble.

The following table shows borrowings and promissory notes as of December 31, 2020 and December 31, 2019:

(in RUB million unless indicated otherwise)

	As of December 31,	
	2020	2019
Long-term borrowings		
Fixed interest rate borrowings	2,626,491	2,238,028
Weighted average interest rates for fixed rate borrowings	5.34%	5.77%
Variable interest rate borrowings	2,161,537	1,472,051
Weighted average interest rates for variable rate borrowings	<u>3.43%</u>	<u>3.37%</u>
Total long-term borrowings	4,788,028	3,710,079
Russian Ruble denominated borrowings	1,017,203	845,269
Foreign currency denominated borrowings	<u>3,770,825</u>	<u>2,864,810</u>
Total long-term borrowings	4,788,028	3,710,079
Less: current portion of long-term borrowings	<u>(573,948)</u>	<u>(620,377)</u>
Total long-term debt obligations	4,214,080	3,089,702
Short-term borrowings		
Fixed interest rate borrowings	6,609	30,659
Weighted average interest rates for fixed rate borrowings	2.96%	7.08%
Variable interest rate borrowings	112,977	123,166
Weighted average interest rates for variable rate borrowings	<u>1.51%</u>	<u>2.46%</u>
Total short-term borrowings	119,586	153,825
Russian Ruble denominated borrowings	88,856	89,119
Foreign currency denominated borrowings	<u>30,730</u>	<u>64,706</u>
Total short-term borrowings	119,586	153,825
Add: current portion of long-term borrowings	<u>573,948</u>	<u>620,377</u>
Total short-term debt obligations	693,534	774,202
Total borrowings	4,907,614	3,863,904

The following table shows the breakdown by currency of foreign currency denominated long-term borrowings as of December 31, 2020 and December 31, 2019 as well as the same balances expressed in Russian rubles:

	As of December 31,	
	2020	2019
US Dollar denominated (expressed in millions of US Dollars)	14,985	13,405
Euro denominated (expressed in millions of US Dollars) ⁽¹⁾	32,233	28,697
Other currencies denominated (expressed in millions of US Dollars)	<u>3,824</u>	<u>4,175</u>
Total long-term foreign currency denominated borrowings expressed in millions of US Dollars	51,042	46,277
Total long-term foreign currency denominated borrowings expressed in millions of Russian Rubles⁽²⁾	3,770,825	2,864,810

Notes:

(1) Converted at the Euro to US Dollar exchange rates of 1.23 and 1.12 as of December 31, 2020 and as of December 31, 2019, respectively.

(2) Converted at the exchange rate as of period-end.

The following table shows the schedule of repayments of long-term borrowings as of December 31, 2020 and December 31, 2019:

(in RUB million)

	As of December 31,	
	2020	2019
Between one and two years	788,176	448,815
Between two and five years	1,586,715	1,637,203
After five years	<u>1,839,189</u>	<u>1,003,684</u>
Total	4,214,080	3,089,702

SHAREHOLDING STRUCTURE AND STOCK MARKET OF PJSC GAZPROM

PJSC Gazprom's share capital is RUB 118,367,564,500 divided into 23,673,512,900 ordinary registered shares with a par value of RUB 5 each. PJSC Gazprom has no preferred shares.

As a major shareholder of PJSC Gazprom, the Russian Federation holds a more than 50% controlling stake (including direct and indirect ownership) in PJSC Gazprom. The Russian Federation does not have a special right to manage PJSC Gazprom's affairs (a "golden share").

The following table summarises quotations for PJSC Gazprom shares and ADRs:

(%)	As at 31 December	
	2020	2019
The Russian Federation represented by the Federal Agency for State Property Management	38.37	38.37
JSC ROSNEFTEGAZ ⁽¹⁾	10.97	10.97
JSC Rosgazifikatsiya ⁽¹⁾	0.89	0.89
ADR holders ⁽²⁾	16.71	19.70
Other registered holders	33.06	30.07

Notes:

⁽¹⁾ As at 31 December 2019 and 31 December 2020, the cumulative share in PJSC Gazprom directly or indirectly controlled by the Russian Federation totals 50.23% and is owned through the full ownership of the Russian Federation in JSC ROSNEFTEGAZ which also holds a 74.55% stake in JSC Rosgazifikatsiya.

⁽²⁾ The Bank of New York Mellon issued ADRs on PJSC Gazprom shares.

As at 31 December 2020, the holders of American depositary receipts (ADRs) on PJSC Gazprom shares accounted for 16.71% of PJSC Gazprom's share capital.

As at 31 December 2020, there were no PJSC Gazprom shares the title to which was transferred to PJSC Gazprom. At the same time, as at the said date, PJSC Gazprom's subsidiaries held 29 million ordinary shares of PJSC Gazprom representing 0.12% of the total number of ordinary shares of PJSC Gazprom.

In 2020, the share of depositary receipts in PJSC Gazprom's share capital decreased by 2.99 p.p. The decrease in the ADR share is related to an increase of global investors' interest to domestic shares due to the development of the Russian stock market infrastructure, followed by growing international investor confidence. In addition, most major global investors buying shares in Russian public companies already have direct access to trading on the Moscow Exchange. In 2020, there was also a significant growth in the number of private (retail) investors in the Russian stock market.

PJSC Gazprom shares are included in the first (top) level quotation list of the Moscow Exchange and the Saint Petersburg Exchange.

In October 1996, PJSC Gazprom listed depositary receipts on the London Stock Exchange. The ADRs certifying the rights to PJSC Gazprom ordinary shares under foreign law were issued by The Bank of New York Mellon as depositary bank. An ADR stands for two PJSC Gazprom shares. ADRs on PJSC Gazprom shares are traded on the London, Berlin, and Frankfurt exchanges, the Moscow Exchange, the US OTC market, and on the Singapore OTC market among qualified institutional buyers (QIBs). The London Stock Exchange accounts for the bulk of trade in PJSC Gazprom ADRs.

The following table summarises quotations for PJSC Gazprom shares and ADRs:

	As at 31 December		Change,
	2020	2019	%
Moscow Exchange			
Share closing price, RUB			
at year-end	212.69	256.40	– 17.0
minimum	154.28	149.49	3.2
maximum	259.00	270.74	– 4.3
Average daily trading volume, mm shares	56.55	36.96	53.0
Average daily trading volume, RUB billion	10.86	8.13	33.6
London Stock Exchange			
ADR closing price, USD			
at year-end	5.59	8.23	– 32.1
minimum	3.83	4.47	– 14.3
maximum	8.42	8.35	0.8
Average daily trading volume, mm shares	8.39	8.06	4.1
Average daily trading volume, USD million	44.92	52.57	– 14.6

PJSC Gazprom's market capitalisation in 2020 decreased and stood at RUB 5.0 trillion as at 31 December 2020. PJSC Gazprom's share prices and capitalisation were influenced by a predominantly negative news background throughout the year. In addition to the spread of COVID-19, prices were affected by a decline in energy prices in the first half of 2020. Nevertheless, the recovery of oil and gas markets and positive outlook for demand recovery as a result of successful development of COVID-19 vaccines supported the dynamics of PJSC Gazprom shares in the second half of the year. Information about measures taken by PJSC Gazprom to improve its financial situation, including cuts to operating and investment costs as well as deleveraging, also had a positive impact on the prices. Investors welcomed the decision of the Board of Directors to recommend that PJSC Gazprom's Annual General Shareholders Meeting resolve to distribute 30% of Gazprom Group's annual profit under IFRS as 2019 dividends to PJSC Gazprom's shareholders.

The table below shows PJSC Gazprom's dividend history in 2016–2019:

	2019	2018	2017	2016
Dividend per share, RUB	15.24	16.61	8.04	8.0397
Dividend payout ratio, share of Gazprom Group's IFRS profit attributable to the owners of PJSC Gazprom, %	30	27	27	20
PJSC Gazprom's dividend yield, ⁽¹⁾ %	5.9	10.8	6.2	5.2

Note:

- ⁽¹⁾ Dividend yield for the relevant period is calculated as a ratio of total dividend paid per share for the relevant year to the share price as at 31 December.

As at 31 December 2020, dividend payouts in 2020 based on PJSC Gazprom's performance results for 2019 were as follows:

	Accrued, RUB thousand	Paid, RUB thousand	Unpaid, RUB thousand⁽¹⁾	Unpaid to accrued, %
Total	360,784,337	360,155,773	628,564	0.17
including dividends on shares:				
held by the Russian Federation represented by the Federal Agency for State Property Management	138,445,412	138,445,412	–	–
held by individuals and corporate entities whose rights to shares are accounted for in the register	40,767,821	40,407,747	360,074	0.88
held by individuals and corporate entities whose rights to shares are accounted for by the depositary maintaining a nominee holder account in the issuer's register ⁽²⁾	181,557,726	181,302,614	255,112	0.14
held by unidentified persons	13,378	–	13,378	100.00

Notes:

- (1) No dividend payouts were made to individuals or corporate entities who had failed to provide clear payout details as per clauses 8 and 9 of Article 42 of Federal Law No. 208-FZ On Joint Stock Companies dated 26 December 1995. Dividends accrued on shares held by unidentified persons are paid out as soon as the title to securities is established.
- (2) PJSC Gazprom paid out RUB 181,557,726 thousand in dividends to nominee holders on 30 July 2020 in execution of the Annual General Shareholders Meeting's resolutions on dividend payouts based on PJSC Gazprom's 2019 results, which was held on 26 June 2020. As at 31 December 2020, the amount of dividends nominee holders failed to transfer as prescribed by the securities laws of the Russian Federation for reasons beyond their control (clause 8 and 9 of Article 42 of Federal Law No. 208-FZ dated 26 December 1995) totalled RUB 255,112 thousand.

CORPORATE GOVERNANCE

The rights of PJSC Gazprom's shareholders and the regulatory framework for PJSC Gazprom's governing bodies are determined and exercised in accordance with Russian laws and may differ from the regulatory practice applicable to UK companies.

Key documents of PJSC Gazprom ensuring protection of shareholder rights:

- Articles of Association of Public Joint Stock Company Gazprom (amended in 2020)
- Corporate Governance Code of PJSC Gazprom
- Code of Corporate Ethics of PJSC Gazprom
- Dividend Policy of PJSC Gazprom
- Regulations on the General Shareholders Meeting of PJSC Gazprom
- Regulations on the Board of Directors of PJSC Gazprom (amended in 2020)
- Induction Programme for First-Time Elected Members of the Board of Directors of PJSC Gazprom
- Regulations on the Audit Committee of PJSC Gazprom's Board of Directors
- Regulations on the Nomination and Remuneration Committee of PJSC Gazprom's Board of Directors
- Regulations on the Management Committee of PJSC Gazprom
- Regulations on the Chairman of the Management Committee of PJSC Gazprom
- Regulations on the Audit Commission of PJSC Gazprom (new version approved in 2020)
- Procedure for Documenting Shareholder Proposals and Requests Related to the Convocation of the General Shareholders Meeting of PJSC Gazprom
- Procedure for Providing Information about PJSC Gazprom to Shareholders
- Regulations on Information Disclosure by PJSC Gazprom
- Regulations on Monitoring Compliance with Laws on Countering the Illegal Use of Insider Information and Market Manipulation at PJSC Gazprom
- Anti-Corruption Policy of PJSC Gazprom
- Regulations on the Hotline for Fighting Fraud, Corruption, and Embezzlement at Gazprom Group

The Articles of Association and internal documents of PJSC Gazprom are available on PJSC Gazprom's website (<https://www.gazprom.com/investors/documents/>).

Enhancement of PJSC Gazprom's corporate governance standards in 2020

PJSC Gazprom continuously improves its corporate governance system. In the reporting year, PJSC Gazprom focused, among other things, on such development areas as strategic planning, insider information protection, improvement of sustainability management and related information disclosure.

In 2020, PJSC Gazprom enhanced its corporate governance standards in the following focus areas:

Focus area	Progress in 2020
Strategic planning	<p>PJSC Gazprom's Management Committee approved an updated PJSC Gazprom's Planning Procedures Based on Gazprom Group's Strategic Performance Targets (SPTs)</p> <hr/> <p>To cover all areas of Gazprom Group's business, the list of SPTs for the gas business was updated, and SPTs for the oil and power generation businesses were set</p>
Insider information protection	<p>Regulations on Access to Insider Information of Public Joint Stock Company Gazprom and Maintaining its Confidentiality as well as</p>

Focus area	Progress in 2020
	internal regulations to identify and prevent misuse of insider information and/or market manipulation were updated
	PJSC Gazprom's Board of Directors determined the terms and conditions of transactions with financial instruments by individuals and entities included in Gazprom's insiders list and by their affiliated persons
Sustainability management and related information disclosure	<p>The deadlines for preparing sustainability reporting and including it in the materials for General Shareholders Meetings were shortened</p> <p>A draft Gazprom Group's Sustainability Policy was developed, a core document that will underpin the Group's sustainability efforts, express Gazprom's position in sustainable development and level of compliance with relevant international and Russian standards and practices, and help to articulate Gazprom Group's principles and approaches to sustainability. In 2021, the draft will be submitted to PJSC Gazprom's Board of Directors for approval</p>

Corporate governance model

PJSC Gazprom's corporate governance model and practices rely on the principles of timely and accurate information disclosure; division of roles and responsibilities of each governing body; effective and transparent mechanisms to protect shareholder rights and interests; disclosure of all material events and plans on PJSC Gazprom's website at www.gazprom.com; consideration of shareholder rights and interests in decision-making.

Key principles underlying PJSC Gazprom's corporate governance are set forth in the Corporate Governance Code of PJSC Gazprom.

PJSC Gazprom's corporate governance pillars include governing and supervisory bodies: the General Shareholders Meeting, the Board of Directors, the Management Committee, the Chairman of the Management Committee, and the Audit Commission.

The Audit Committee of PJSC Gazprom's Board of Directors and the Nomination and Remuneration Committee of PJSC Gazprom's Board of Directors have been established under PJSC Gazprom's Board of Directors. Their purpose is to preview the most important matters of PJSC Gazprom's business reserved to the Board of Directors.

Financial and business operations of PJSC Gazprom are reviewed by an independent external auditor.

The key priority of the Department responsible for internal audit is to provide the Board of Directors (through the Audit Committee) and management of PJSC Gazprom with independent and unbiased assurances and advice as to the improvement of PJSC Gazprom's operations. The Risk Management and Internal Control Unit coordinates risk management and internal control activities at business units of PJSC Gazprom (Gazprom Group entities).

In order to maintain a transparent and constructive dialogue with the investment community, PJSC Gazprom has in place the Coordinating Committee for Shareholder and Investor Relations (set up by JSC Gazprom's Order No. 292 dated 17 November 2008). Relations with the investment community are governed by the annual plan of the Coordinating Committee.

PJSC Gazprom has in place the role of Corporate Secretary (Resolution of the Board of Directors No. 2817 dated 30 September 2016). The responsibilities of the Corporate Secretary are distributed, to the extent recommended by the Russian Corporate Governance Code, among several business units of PJSC Gazprom, in line with the regulations governing their functions as approved by the Board of Directors. The activities of PJSC Gazprom's business units performing Corporate Secretary functions are aimed at ensuring compliance with the applicable Russian laws and the PJSC Gazprom's Articles of Association and internal documents, which guarantee the exercise of shareholder rights and legitimate interests.

PJSC Gazprom also has in place the Coordinating Committee for Responsible Use of Natural Resources. PJSC Gazprom's Environmental management system covers different levels of management, from the Board of Directors to branches and production facilities of PJSC Gazprom's subsidiaries. To ensure an integrated approach and coordinate the environmental management activities of PJSC Gazprom's business units, PJSC Gazprom has in place a permanent Working Group for Environmental Management System Enhancement.

Board of Directors

As at 31 December 2020, the membership of PJSC Gazprom's Board of Directors was as follows:

Name	Year of birth	Position
Viktor A. Zubkov	1941	Chairman of PJSC Gazprom's Board of Directors Chairman of the Board of Directors' Commission on Strengthening Financial Discipline for Domestic Gas Supplies in Russian Federation Russia's Special Presidential Representative for Cooperation with the Gas Exporting Countries Forum Chairman of the Board of Directors of LLC Gazprom gazomotornoe toplivo Chairman of the Board of Directors of LLC Gazprom gazomotornye sistemy
Alexey B. Miller	1962	Deputy Chairman of PJSC Gazprom's Board of Directors Chairman of PJSC Gazprom's Management Committee
Andrey I. Akimov	1953	Chairman of the Management Board of Gazprombank (Joint Stock Company)
Timur A. Kulibaev	1966	Chairman of the Association of Legal Entities the Kazakh Association of Oil, Gas and Energy Companies (KAZENERGY) Chairman of the Presidium of the National Chamber of Entrepreneurs of the Republic of Kazakhstan (Atameken)
Denis V. Manturov	1969	Minister of Industry and Trade of the Russian Federation
Vitaly A. Markelov	1963	Deputy Chairman of PJSC Gazprom's Management Committee
Viktor G. Martynov	1953	Chairman of the Audit Committee of PJSC Gazprom's Board of Directors, member of the Nomination and Remuneration Committee of PJSC Gazprom's Board of Directors Rector of the Federal State Autonomous Educational Institution of Higher Education "Gubkin Russian State University of Oil and Gas (National Research University)"
Vladimir A. Mau	1959	Member of the Audit Committee of PJSC Gazprom's Board of Directors, member of the Nomination and Remuneration Committee of PJSC Gazprom's Board of Directors Rector of the Russian Presidential Academy of National Economy and Public Administration (Federal State Budgetary Educational Institution of Higher Education)
Alexander V. Novak	1971	Deputy Prime Minister of the Russian Federation
Dmitry N. Patrushev	1977	Minister of Agriculture of the Russian Federation

Name	Year of birth	Position
Mikhail L. Sereda	1970	Member of the Audit Committee of PJSC Gazprom's Board of Directors, Chairman of the Nomination and Remuneration Committee of PJSC Gazprom's Board of Directors First Deputy Director General of LLC Gazprom export, Director General of LLC Gazprom Trading.

There were no changes to the Board of Directors in 2020.

In 2020, the Board held a total of 62 meetings, including 5 meetings held in person and 57 meetings held in absentia. At these meetings, 163 resolutions were passed, including 20 resolutions in person and 143 resolutions in absentia. Due to COVID-19 restrictions in 2020, most in-person meetings of the Board of Directors were held online via videoconferencing.

In 2020, the Board of Directors focused on financial, economic and investment activities, strategic development, improvement of management efficiency, human resources policy, and audit. More than one third of the matters reviewed at the Board of Directors' meetings were related to PJSC Gazprom's financial, economic and investment activities.

Audit Committee of the Board of Directors

In 2020, the Audit Committee of PJSC Gazprom's Board of Directors consisted of Viktor Martynov (committee Chairman, independent director), Vladimir Mau (committee member, independent director) and Mikhail Sereda (committee member, non-executive director). The committee addressed the specific planned activities, meeting at least on a quarterly basis. In 2020, the committee held 12 meetings in absentia and no meetings in person.

The committee reviewed such matters as financial reporting, performance of the Department responsible for internal audit, and external audit.

The Audit Committee maintained close contact with the external auditor LLC FBK, the Audit Commission, the Risk Management and Internal Control Department, and the Department responsible for internal audit, to issue recommendations to the Board of Directors.

Nomination and Remuneration Committee of the Board of Directors

In 2020, the Nomination and Remuneration Committee of PJSC Gazprom's Board of Directors included Mikhail Sereda (committee Chairman, non-executive director), Vladimir Mau (committee member, independent director), and Viktor Martynov (committee member, independent director). In 2020, the committee held 8 meetings in absentia as per the plan; no meetings were held in person, reviewing such matters as the Remuneration Policy and its implementation, appointments to key executive positions; performance evaluation of members of the Management Committee and the Chairman of the Management Committee in accordance with the Remuneration Policy.

Membership of the Management Committee

Members of PJSC Gazprom's Management Committee as at 31 December 2020:

Name	Year of birth	Position
Alexey B. Miller	1962	Chairman of PJSC Gazprom's Management Committee
Oleg E. Aksyutin	1967	Deputy Chairman of the Management Committee – Head of Department (prospective development)
Elena V. Burmistrova	1971	Deputy Chairwoman of PJSC Gazprom's Management Committee, Director General of LLC Gazprom export.
Vitaly A. Markelov	1963	Deputy Chairman of PJSC Gazprom's Management Committee

Name	Year of birth	Position
Mikhail E. Putin	1967	Deputy Chairman of PJSC Gazprom's Management Committee
Mikhail N. Rosseev	1975	Deputy Chairman of the Management Committee – Chief Accountant of PJSC Gazprom
Famil K. Sadygov	1968	Deputy Chairman of PJSC Gazprom's Management Committee
Sergey F. Khomyakov	1953	Deputy Chairman of PJSC Gazprom's Management Committee, Director General of PJSC Gazprom's Corporate Security Service Branch
Sergey I. Kuznets	1970	Head of Department (legal support)
Vladimir K. Markov	1955	Head of Department (relations with the Russian Federation authorities)
Sergey N. Menshikov	1968	Head of Department (hydrocarbon exploration and production)
Elena V. Mikhailova	1977	Head of Department (asset management and corporate relations)
Vyacheslav A. Mikhaleiko	1965	Head of Department (gas transportation and underground storage)
Gennady N. Sukhov	1961	Head of Department (sales of hydrocarbons and refined products in the domestic market, power generation, expansion of gas supply and gas infrastructure)

On 19 February 2020, the Board of Directors elected Mikhail N. Rosseev to the Management Committee for a five-year term (Resolution of the Board of Directors No. 3389 dated 19 February 2020) and terminated the powers of Elena A. Vasilieva as a member of the Management Committee (Resolution of the Board of Directors No. 3387 dated 19 February 2020).

In 2020, PJSC Gazprom's Management Committee held 29 meetings (15 meetings in person, including 13 via videoconferencing, and 14 in absentia). 55 resolutions were passed, including 25 resolutions in person and 30 resolutions in absentia.

In 2020, the Management Committee reviewed such matters as forward-looking plans and key business activity programmes of PJSC Gazprom, corporate governance, preliminary review of business priorities, PJSC Gazprom's strategy and budget, ensuring reliable operation of the UGSS and consumer gas supplies. The share of reviewed matters related to long-term plans and major programmes of PJSC Gazprom's operations increased significantly compared to the previous year.

Remuneration of key executives

Pursuant to the Regulations on the Board of Directors of PJSC Gazprom approved by the Annual General Shareholders Meeting (Minutes No. 1 dated 30 June 2016, as amended) and PJSC Gazprom's Articles of Association, by resolution of the General Shareholders Meeting, members of the Board of Directors may be remunerated and/or reimbursed during the period of their service for expenses incurred by them as members of the Board of Directors. Members of the Board of Directors holding public or civil office in the Russian Federation receive no remuneration from PJSC Gazprom.

Remuneration of PJSC Gazprom's Management Committee members (including the Chairman of the Management Committee) and other executives of PJSC Gazprom (including the remuneration of executives who are also members of PJSC Gazprom's Board of Directors, which is not related

to their service on the Board of Directors) is determined by their employment agreements and is short-term. Members of the Management Committee are not remunerated for their service on PJSC Gazprom's Management Committee. Short-term remuneration of PJSC Gazprom's key executives (members of the Board of Directors and the Management Committee), including salaries, bonuses, and remuneration for serving on the governing bodies of the Group's entities amounted to approximately RUB 3,026 million and RUB 3,180 million for the years ended 31 December 2020 and 31 December 2019, respectively.

Liability insurance of directors, officers, and PJSC Gazprom

PJSC Gazprom has insured the liability of its directors (excluding directors holding public office), officers and PJSC Gazprom since 2008. Under the liability insurance contract, shareholders, creditors or other third parties are compensated for damages incurred as a result of in-scope errors (omissions) by PJSC Gazprom's key executives. The terms of the 2020 liability insurance programme for directors, officers, and PJSC Gazprom are as follows:

Insurance coverage	USD 100 mm
Insurance premium	USD 900 thousand
Persons insured	<ul style="list-style-type: none"> • Members of the Board of Directors of PJSC Gazprom (excluding directors who hold public office) • PJSC Gazprom's Management Committee members • Heads of PJSC Gazprom's Departments who are not members of PJSC Gazprom's Management Committee
Risks insured	<ul style="list-style-type: none"> • Risk of third-party claims against the insured for losses arising from unintentional errors made by the insured in their management roles • Risk of third-party claims against PJSC Gazprom for losses arising from unintentional errors made by the insured in their management roles: claims related to PJSC Gazprom's securities; claims initially made against the insured

The insurance coverage under the current liability insurance policy is in line with PJSC Gazprom's needs and Russian and international insurance standards in terms of risk coverage and indemnity limits.

PJSC Gazprom shares held by members of the Board of Directors and Management Committee

As at 31 December 2020, members of PJSC Gazprom's Board of Directors, members of the Management Committee, and the Chairman of the Management Committee had a 0.01327% stake in PJSC Gazprom (direct ownership).

Audit Commission

On 26 June 2020, the Annual General Meeting of Shareholders elected five members to the Audit Commission of PJSC Gazprom, and as at 31 December 2020, the composition of the Audit Commission was as follows in the table below:

Name	Year of birth	Position
Alexander A. Gladkov	1969	Director of Projects for Developing Government Relations at PJSC Gazprom Neft
Ilya I. Karpov	1988	Head of Division at the Federal Agency for State Property Management, Chairman of the Audit Commission of PJSC Gazprom
Sergey R. Platonov	1966	Member of the Audit Commission of PJSC Gazprom
Tatiana V. Fisenko	1961	Director of Department at the Russian Ministry of Energy, Secretary of the Audit Commission of PJSC Gazprom

Name	Year of birth	Position
Pavel G. Shumov	1978	Deputy Director of Department at the Russian Ministry of Economic Development

Internal Audit

Internal audit assists in achieving PJSC Gazprom's goals through applying a holistic consistent approach to assessment and improvement of risk management, control and corporate governance processes.

To improve the internal audit function and in accordance with Directive of the Russian Government for persons representing interests of the Russian Federation No. 3984p-P13 dated 24 June 2015, PJSC Gazprom developed and approved the Regulations on Internal Audit of PJSC Gazprom (Resolution of the Board of Directors No. 2621 dated 6 November 2015, amended versions No. 3212 dated 1 February 2019, No. 3335 dated 29 October 2019 and No. 3514 dated 10 December 2020). Due to changes in PJSC Gazprom's staff schedule and the invalidation of Resolution No. 2315 of the Board of Directors dated 25 February 2014 On Approving the Regulations on the Internal Control System of JSC Gazprom, the Regulations were updated in the reporting year.

These Regulations determine the goals, objectives, status, powers, and liability of the Internal Audit Department of PJSC Gazprom, as well as the scope of internal audit.

Pursuant to the Regulations, the internal audit at PJSC Gazprom is organised by the relevant Department, a business unit of PJSC Gazprom, and by internal audit units – at PJSC Gazprom subsidiaries and entities.

The key priority of the Department is to provide the Board of Directors (through the Audit Committee of the Board of Directors) and management of PJSC Gazprom with independent and unbiased assurances and advice as to the improvement of PJSC Gazprom's operations.

The Department is administratively accountable to the Chairman of PJSC Gazprom's Management Committee and functionally accountable to the Board of Directors (through the Board of Directors' Audit Committee). Head of the Department is appointed and removed from office by the Chairman of the PJSC Gazprom's Management Committee upon recommendation of the Deputy Chairman of the Management Committee overseeing HR management, as approved by the Board of Directors (through the Board of Directors' Audit Committee).

The Department's organisation is coordinated with the Audit Committee of the Board of Directors and approved by the Chairman of the Management Committee. The Department consists of three Directorates.

Activities of the Department are governed by the Regulations on Internal Audit of PJSC Gazprom, the Internal Auditors' Code of Ethics (approved by Resolution of the Board of Directors No. 1956 dated 14 March 2012, as amended by Resolution No. 3334 dated 29 October 2019), JSC Gazprom's Internal Audit Development Concept (approved by the Board of Directors' Audit Committee on 25 June 2015), Regulations on the Department (approved by the Board of Directors' Audit Committee and PJSC Gazprom's Order No. 419 dated 23 June 2016, as amended by Order of PJSC Gazprom No. 163 dated 22 March 2017 and No. 266 dated 29 June 2020), International Standards for the Professional Practice of Internal Auditing, and internal audit guidelines of the Federal Agency for State Property Management.

The Department is responsible for organising and conducting internal audits at business units, subsidiaries and entities of PJSC Gazprom in accordance with Russian and international best practices for internal audit. The Department conducted its 2020 audits to identify risks and assess the performance of significant business units and processes based on:

- achievement by the auditees of their objectives
- efficiency and effectiveness of operations
- protection of assets
- compliance of operations with the terms and conditions of contracts, legal requirements, and local regulations.

Results of internal audits conducted by the Department are used to develop and submit proposals to PJSC Gazprom's management on elimination of violations, irregularities and root causes. Based on the proposals made by the Department, the Chairman of the Management Committee gives instructions to PJSC Gazprom's business units, subsidiaries and entities, aimed at improving PJSC Gazprom's performance. The Department monitors the execution of such instructions.

In December 2020, an external assessment was carried out and the opinion was issued on the compliance of PJSC Gazprom's internal audit function with the Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.

The Department also has in place and implements an Internal Audit Quality Programme covering all aspects of internal audit.

The internal audit function conducts annual performance assessments (self-assessments) with results reported to the Audit Committee of the Board of Directors.

External Audit

The key principles of organising and conducting external audits of PJSC Gazprom and its subsidiaries and entities, the auditor selection procedure and criteria, as well as approaches to ensuring the auditor's compliance with the principles of independence and absence of a conflict of interest are set forth in the External Audit Policy for PJSC Gazprom, its subsidiaries and entities (approved by Resolution of PJSC Gazprom's Board of Directors No. 2847 dated 15 November 2016).

PJSC Gazprom selects its auditor annually by a public tender in accordance with applicable Russian laws.

PJSC Gazprom's auditor is approved by the Annual General Shareholders Meeting on the proposals from the Board of Directors following an audit tender.

LLC FBK won the public tender for the service contract to audit PJSC Gazprom's accounting (financial) statements, Gazprom Group's consolidated accounting statements, and Gazprom Group's consolidated IFRS financial statements for 2019 and 2020.

The contract price for auditing PJSC Gazprom's accounting (financial) statements, Gazprom Group's consolidated accounting statements, and Gazprom Group's consolidated IFRS financial statements for 2020 offered by the winner was RUB 210,000,000 (exclusive of VAT) and was approved by Resolution of the Board of Directors No. 3432 dated 21 May 2020.

By resolution of PJSC Gazprom's General Shareholders Meeting held on 23 June 2020, LLC FBK became an approved auditor responsible for auditing PJSC Gazprom's accounting (financial) statements, Gazprom Group's consolidated accounting statements, and Gazprom Group's consolidated IFRS financial statements for 2020.

The auditor and its affiliates may provide PJSC Gazprom and Gazprom Group entities with related services and other non-audit services if such services do not violate the independence of the external auditor or the restrictions set forth in the applicable Russian audit laws.

The table below shows fees paid to the auditor and its affiliates for non-audit services (including VAT):

(RUB thousand)	For the year ended 31 December	
	2020	2019
LLC FBK	16,872	3,661
Affiliates of LLC FBK	3,600	3,588

Anti-Corruption Efforts

PJSC Gazprom has developed and adheres to the anti-corruption framework while effective local regulations adopted as part of anti-corruption measures help foster negative sentiment towards corrupt conduct, prevent or resolve conflicts of interest, and prevent unlawful behaviour.

PJSC Gazprom's anti-corruption practices comply with the main international and Russian regulations.

The anti-corruption package of documents of PJSC Gazprom consists of:

- Anti-Corruption Policy of PJSC Gazprom – PJSC Gazprom's primary anti-corruption document
- Corporate Governance Code of PJSC Gazprom
- Code of Corporate Ethics of PJSC Gazprom
- Risk Management and Internal Control Policy of PJSC Gazprom
- Regulations on the Corporate Ethics Commission of PJSC Gazprom
- Regulations on the Hotline for Fighting Fraud, Corruption, and Embezzlement at Gazprom Group
- Procedure for a Conflict of Interest Disclosure and Conflict of Interest Resolution
- Procedure for reporting offences with signs of corruption committed by employees, counterparties or third parties, which have become known to an employee, and for dealing with allegations of corruption
- Procedure for reporting cases when an employee is incited to commit offences, and for reviewing such reports
- Procedure for protecting whistle blowers who have reported offences relevant to PJSC Gazprom's operations

The Board of Directors and executive bodies of PJSC Gazprom are involved in preventing and combating corruption.

PJSC Gazprom has adopted its Code of Corporate Ethics developed with due account for Russian and international corporate governance best practices.

The document details PJSC Gazprom's corporate values and determines the fundamental rules of business conduct stemming from such values, which rule out any conflicts of interest or corrupt practices and, in particular, impose restrictions on nepotism, employee engagement with PJSC Gazprom's competitors, their serving on elected government bodies, acceptance of gifts.

The Code specifies the procedure to be followed by employees in the event of a conflict of interest, declares zero tolerance for corrupt conduct, and establishes the obligation of managers and employees to notify the employer of any corrupt offers made to them. The Code also affirms environmental responsibility and non-discriminatory principles, and establishes implementation and supervision practices on compliance with corporate ethics standards.

The Code provisions are mandatory for PJSC Gazprom's employees and legal entities under its control. The Code of Corporate Ethics of PJSC Gazprom was amended in 2019 to extend its provisions to members of PJSC Gazprom's Board of Directors.

Unless inconsistent with other existing obligations, the Code provisions are optional for employees working under civil law contracts with PJSC Gazprom, contractors and consultants acting as agents on behalf of PJSC Gazprom or representing PJSC Gazprom before third parties.

The Code's provisions are also not mandatory for employees of PJSC Gazprom's affiliates which are not under PJSC Gazprom's control, and for PJSC Gazprom's counterparties.

In the reporting year, PJSC Gazprom continued to extend the standards of corporate ethics to members of boards of directors at controlled entities.

The standing Corporate Ethics Commission of PJSC Gazprom is responsible for the implementation of the Code of Corporate Ethics, which is one of the anti-corruption standards at PJSC Gazprom. Most of PJSC Gazprom's subsidiaries have similar commissions in place.

The Corporate Ethics Commission of PJSC Gazprom makes a significant contribution to preventing and resolving conflicts of interest.

During the reporting period the commission held 4 meetings and reviewed 7 matters, including those related to queries made by employees of PJSC Gazprom and its subsidiaries.

The commission's performance is reported to the Chairman of PJSC Gazprom's Management Committee on an annual basis. The Chairman of PJSC Gazprom's Management Committee may impose sanctions stipulated by the Code at his own initiative or at the commission's suggestion, or at the initiative of the violator's immediate superior.

PJSC Gazprom's Board of Directors is also regularly updated on the commission's performance as part of improving corporate governance and reviewing shareholder and investor relations.

RISK MANAGEMENT AND INTERNAL CONTROL

Gazprom Group has developed and consistently improves its risk management and internal control system. Analysis of various external scenarios, identification, assessment and timely prevention of negative factors help PJSC Gazprom achieve its strategic goals.

PJSC Gazprom acknowledges that its operations are exposed to uncertainties such as risks, and implements measures to provide adequate assurance that the goals set for PJSC Gazprom by its governing bodies are achieved and the financial and ensure proper control over the financial and business operations of PJSC Gazprom and the Gazprom Group entities.

The Risk Management and Internal Control System (RMICS) is an integral part of PJSC Gazprom's corporate governance and is embedded into the planning and project management systems, and occupational health and safety management programmes. The RMICS covers all operations of PJSC Gazprom and Gazprom Group entities, as well as all management levels, business segments and risks across PJSC Gazprom and Gazprom Group entities.

Gazprom Group's Key Risk Factors

Risk/risk factor	Description	Risk management/mitigation
Strategic, country and regional risks		
Risks related to the global economy	An unfavourable economic environment can lead to a slowdown in energy demand and drive the cost of borrowed capital	To ensure growth of energy sales, PJSC Gazprom considers numerous markets and distribution channels and expands the uses of natural gas. To maintain its financial stability, PJSC Gazprom optimises its leverage
European gas market risks	The European Union (EU) pursues a policy of diversifying its gas supply sources and increasing the share of natural gas exchange trade, which affects PJSC Gazprom as one of	To minimise the risk of lower supply levels, a set of initiatives continues to be implemented to both build new infrastructure and bolster demand for natural gas, as well as strengthen

Risk/risk factor	Description	Risk management/mitigation
	the main suppliers of natural gas to the EU countries	PJSC Gazprom's position in the sectors with a potential for extra supplies
Sanctions risk	Sanctions against Russian companies imposed by the USA, the EU and other countries	PJSC Gazprom pursues a policy of ensuring technological independence and import substitution
Natural gas transit risks	Gas transmission via third countries is associated with the risks of the counterparties defaulting on their transit obligations	A number of measures are taken such as diversification of export routes, expanding access to UGSFs abroad, and development of LNG trade.
Unconventional gas development risks	More than 95% of the world's shale gas is produced in the USA. Under certain conditions in gas markets, growing LNG exports from the USA, including LNG from shale gas, may compete with Russian pipeline gas supplies. In Europe, shale gas production prospects have not been confirmed. China produces shale gas, but these volumes have little impact on the gas balance and the country's growing dependence on gas imports	PJSC Gazprom continuously monitors the evolution of the shale gas industry and developments in other unconventional hydrocarbons industries around the world. The monitoring results, including the economics of unconventional gas production and its potential as a competition to PJSC Gazprom in its existing or prospective markets, are reviewed by PJSC Gazprom's governing bodies on a regular basis, which enables PJSC Gazprom to efficiently plan its exports and adapt to external changes in the long term
Risks related to the development of renewable energy sources	Renewable energy output can be expected to grow in some countries, which may squeeze gas consumption in these markets	The use of natural gas, inter alia, for power generation offers consumers economic, technological, and environmental benefits, which, PJSC Gazprom believes, will support natural gas as common energy source. In most cases, renewable electricity generation supplements other sources and may entail certain risks for the natural gas market if subsidising renewable energy is maintained at national and/or supranational levels
Legal and industry risks		
Regulatory risks for the gas industry	Possible changes in regulation and Russian laws, state regulation of wholesale prices for gas produced and sold in the domestic market, as well as tariffs for trunk gas transportation services, which may affect the operations of PJSC Gazprom and Gazprom Group entities	PJSC Gazprom monitors legislative changes and is engaged in dialogue with government authorities to timely align its business with new requirements, substantiate regulated gas prices and tariffs for gas transportation services. PJSC Gazprom also takes measures to ensure its participation in the development and expert review of laws and regulations on pipeline gas transportation
Risk of changes in the currency regulation and tax legislation	Currency regulation and tax legislation risks persist, along with the risk of a heavier tax burden on companies operating in the fuel and energy sector.	Changes in currency and tax laws are consistently monitored. PJSC Gazprom liaises with government authorities to ensure timely adjustment of its

Risk/risk factor	Description	Risk management/mitigation
	Changes in the Russian currency regulation and tax legislation, as well as tax legislation changes in the countries in which Gazprom Group has a presence may affect the operations of PJSC Gazprom and Gazprom Group entities	operations in line with changes in Russian and international laws
Risks related to changes in Russian rules on customs control and duties	Customs authorities may introduce additional customs requirements if the rules of customs control and export duty payment are amended	PJSC Gazprom complies with the requirements of customs laws and communicates with government authorities
Financial and market risks		
Foreign exchange risks	Changes in currency exchange rates that affect income and expenses denominated in foreign currencies	PJSC Gazprom ensures the optimal ratio of assets and liabilities denominated in foreign currency, calculates earnings considering the foreign exchange risk, and forecasts exchange rates to develop a forecast balance
Credit risks	Counterparties' default, delayed or incomplete discharge of financial obligations	The creditworthiness of counterparties is assessed and monitored. Payment terms and measures to secure counterparties' payments (guarantees, letters of credit, prepayment) are determined. Credit limits are set, and compliance of counterparties with such credit limits is monitored by PJSC Gazprom and Gazprom Group entities
Market price and size risks	Adverse economic conditions, lower energy demand and prices, decreasing and/or low stock exchange prices over a long period of time, which may have a negative impact on gas prices and exports	PJSC Gazprom diversifies markets and distribution channels for energy sales, expands the uses of natural gas, optimises contractual terms reflecting current market conditions, and determines permitted transaction types and financial instruments
PJSC Gazprom's operating risks		
Facilities risks	The key operations, including hydrocarbon production, transportation, processing/refining, and storage, carry possible process and engineering, natural and climatic risks, as well as risks of adverse actions by personnel or third parties	The Unified Gas Supply System (UGSS) ensures reliable gas supplies. Insurance coverage is provided to protect property interests, which includes business interruption insurance at gas processing plants and liability insurance for construction, repair and operation of production facilities
Risk of power outages at UGSS facilities	Internal and external factors may lead to power outages at UGSS facilities	PJSC Gazprom implements comprehensive programmes to enhance the reliability of power supply facilities, insure equipment and create reserves to cover potential losses
Risks of failure to reach peak gas	Failure to reach necessary gas supply volumes in the context of	UGSFs are tested to confirm their maximum daily deliverability

Risk/risk factor	Description	Risk management/mitigation
withdrawal capacity at UGSFs	steep increase in gas consumption	
Occupational safety risks	PJSC Gazprom's operations involve risks for employee health and safety, the risk of accidents, incidents and fires	PJSC Gazprom has in place a Unified Occupational Health and Safety Management System to manage risks and meet the objectives and commitments relating to occupational health, industrial and fire safety
Hydrocarbon reserve estimation risks	PJSC Gazprom's strategic and financial goals depend on hydrocarbon reserves. Inaccurate reserve estimation bears potential risks for PJSC Gazprom's operations	Reserve estimation procedures have been developed and are implemented, including in accordance with international standards. Gazprom's reserves estimated under Russian reserves classification standards are recorded in its books after the annual review and approval by the State Reserves Commission of the Russian Ministry of Natural Resources
Risks of early termination and suspension of subsoil licences	Non-compliance with licence agreements exposes PJSC Gazprom to risks of early termination or suspension of subsoil licences for survey, exploration and production of hydrocarbons	Regular monitoring, control of compliance with licence requirements, and timely amendment of licence agreements minimise the likelihood of licence revocation and suspension
Cost risks	Increased prices for equipment, technical devices, components, as well as works and services, which form the actual cost of capital construction projects, have a negative impact on PJSC Gazprom's investment	Entering into contracts for performance of works (provision of services, supply of inventory) with a fixed price, and relevant monitoring during the execution of contracts help reduce the cost risks of investment activities
Environmental risks	The key operations, including hydrocarbon production, transportation, processing/refining and storage, carry such environmental risks as pollution caused by possible accidents during production and business operations, potential impact on ecosystems, resulting in land and water pollution, deterioration of soil and vegetation, and erosion, which may lead to ecosystem degradation and loss of habitats of rare and endangered plants and animals	In line with the Environmental Policy, PJSC Gazprom takes environmental protection efforts, arranges for environmental insurance, introduces green technologies, and implements programmes and initiatives to reduce its environmental impact, including analysis of potential adverse environmental impacts and consequences of identified accidents and emergencies, emergency prevention, containment, mitigation of impacts and management, assessment of environmental damage in case of accidents and emergencies. Comprehensive measures are taken to improve the reliability of pipeline systems, stabilise landscapes and restore soil and vegetation
Information technology risks	Gazprom Group's digital transformation has risks related to new/existing external sectoral IT sanctions aimed at reducing	New information (digital) technologies are an important tool to boost Gazprom Group's corporate governance efficiency and achieve its strategic goals.

Risk/risk factor	Description	Risk management/mitigation
	the reliability of information management, IT and other automated systems	PJSC Gazprom takes steps to reduce IT and automation risks related to PJSC Gazprom's transition to predominantly using Russian-made software and replacement of imported hardware with Russian alternatives
Information security risk	Incidents affecting the confidentiality, integrity or availability of information resources and data assets	Information security is strengthened through a range of relevant measures in line with applicable Russian federal laws, the Russian Government's resolutions, orders of federal executive bodies authorised to take security measures and protect sensitive information, as well as PJSC Gazprom's internal documents
Climate risks		
Risks related to climate change	Possible climate changes, adverse hydrometeorological phenomena that may cause damage to buildings and infrastructure, pipelines, utility systems. Many of PJSC Gazprom's gas fields are located in Western Siberia, where adverse climatic conditions can make production more difficult and costly	Reducing GHG emissions is part of PJSC Gazprom's corporate strategy. PJSC Gazprom takes efforts to minimise the negative impact of climate changes on its operations. Energy efficiency and energy saving efforts include relevant programmes, development and implementation of efficient technologies for various climatic conditions, programmes to increase the efficiency of production infrastructure and gas transmission systems
Sanitation and biological (epidemiological) risks		
Risk of mass infection among employees with especially dangerous infections	The global spread of the coronavirus infection (COVID-19) may affect the operation of, and communications between, business units of PJSC Gazprom and Gazprom Group entities.	PJSC Gazprom developed, approved and implements a response plan to counter the impact of the coronavirus pandemic, protect employees and ensure business continuity while also taking preventive measures to mitigate the potential impacts of COVID-19

BRANCHES AND REPRESENTATIVE OFFICES OF PJSC GAZPROM

The list of branches and representative offices of PJSC Gazprom as at 31 December 2020:

Name	Location
Branch Avtopredpriyatie of PJSC Gazprom	Saint Petersburg
Branch Corporate Premises Management of PJSC Gazprom	Saint Petersburg
Branch Bogorodskoye Reception House	Moscow
Branch Souyz Holiday Hotel	Moscow Region
Branch Morozovka Holiday Hotel	Moscow Region
Branch Corporate Security Services of PJSC Gazprom	Saint Petersburg
Branch Central Interregional Security Division of PJSC Gazprom	Moscow Region
Branch Main Security Division of PJSC Gazprom in Saint Petersburg	Saint Petersburg
Branch Southern Interregional Security Division of PJSC Gazprom	Krasnodar
Branch Volga Interregional Security Division of PJSC Gazprom	Samara
Branch North Urals Interregional Security Division of PJSC Gazprom	Novy Urengoy
Branch South Urals Interregional Security Division of PJSC Gazprom	Yekaterinburg
Branch Siberian Interregional Security Division of PJSC Gazprom	Tomsk
Branch Far Eastern Interregional Security Division of PJSC Gazprom	Khabarovsk
Branch Office 644 of PJSC Gazprom in Saint Petersburg	Saint Petersburg
Representative office in the People's Democratic Republic of Algeria in Algiers	Algiers
Representative office in the Federative Republic of Brazil in Rio de Janeiro	Rio de Janeiro
Representative office in the Islamic Republic of Iran in Tehran	Tehran
Representative office in the Republic of Kazakhstan in Nur-Sultan	Nur-Sultan
Representative office in the People's Republic of China in Beijing	Beijing
Representative office in the Republic of Latvia in Riga	Riga
Representative office in the Republic of Moldova in Chişinău	Chişinău
Representative office in Turkmenistan in Ashgabat	Ashgabat
Representative office in Ukraine in Kiev	Kiev
Representative office in the State of Qatar in Doha	Doha
Representative office in the Kingdom of Belgium in Brussels	Brussels
Representative office in Azerbaijan in Baku	Baku
Representative office in Japan in Tokyo	Tokyo

UNITS OF MEASUREMENT AND CONVERSION TABLE

Name	Definition	Conversion ratios	
		Metric measure	U.S. measure
cu m of gas	A cubic metre of natural gas measured at 1 Pa pressure and 20°C, with a calorific value of 8,850 kcal per cu m	1,000 cu m of gas	6.49 boe 0.885 toe
BTU	British thermal unit	1 mm BTUs	For 2020 data: 0.0285 mcm of LNG, 0.0194 tonnes of LNG For 2019 data: 0.028 mcm of LNG, 0.021 tonnes of LNG
tonne of oil	Tonne of oil	1 tonne of oil	7.33 barrels of oil 7.33 boe 1 toe
tonne of gas condensate	Tonne of gas condensate	1 tonne of gas condensate	8.18 barrels of gas condensate 8.18 boe 1 toe

GLOSSARY OF KEY TERMS AND ABBREVIATIONS

Terms and abbreviations	Description
A+B ₁ +C ₁ hydrocarbon reserves	Explored reserves estimated under the Russian Classification of Reserves and Resources with high geological certainty and corresponding to the previously used A+B+C ₁ reserves. Recovery factors for oil, gas, and gas condensate reserves are determined based on field geology with account for existing technologies
Adjusted EBITDA	The sum of operating profit, depreciation, impairment loss or reversal of impairment loss on financial assets and non-financial assets, less changes of allowance for expected credit losses on accounts receivable and impairment allowance on advances paid and prepayments
ADR of PJSC Gazprom	American Depositary Receipt issued for PJSC Gazprom shares
APG	Associated petroleum gas
Associates	Entities over which the Group has significant influence and that are neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies
boe	Barrel of oil equivalent
CCO	Competitive Capacity Outtake
BTU	British thermal unit
CHPP	Combined heat and power plant
CJSC	Closed Joint Stock Company
CS	Compressor station
cubic m	A cubic metre of natural gas measured at 1 Pa pressure and 20°C.
ESP	Electronic Sales Platform
EU	European Union
Europe and other countries	Foreign countries other than FSU countries
European far abroad countries	25 EU countries (excluding Latvia, Lithuania, and Estonia), such non-EU countries as Turkey, Norway, and Switzerland, and the Balkan states of Bosnia, Bosnia and Herzegovina, North Macedonia, and Serbia
FSU	Former Soviet Union republics, except for the Russian Federation
Gazprom Group, the Group, Gazprom	An aggregate of entities which includes PJSC Gazprom (parent company) and its subsidiaries
Gazprom energoholding Group	An aggregate of entities which includes LLC Gazprom energoholding (parent company) and its subsidiaries. Gazprom Group controls Gazprom energoholding Group

Gazprom neftekhim Salavat Group	An aggregate of entities which includes LLC Gazprom neftekhim Salavat (parent company) and its subsidiaries Gazprom Group controls Gazprom neftekhim Salavat Group
Gazprom Neft Group	An aggregate of entities which includes PJSC Gazprom Neft (parent company) and its subsidiaries. Gazprom Group controls Gazprom Neft Group
Gcal	Gigocalorie
GHG	Greenhouse gases
GPP	Gas and/or condensate processing plant
GRES	State district power station
GRF	Gas recovery factor
GSF	Gas condensate field
GTS	Gas Transportation System
GW	Gigawatt
HPP	Hydroelectric power plant
IFRS	International Financial Reporting Standards
Joint operation	Joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligation for the liabilities, relating to the arrangement. Where the Group acts as a joint operator, the Group recognises in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output of the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly
Joint venture	Joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets. With regards to joint arrangements, where the Group acts as a joint venture participant, the Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method
JSC	Joint Stock Company
km	Kilometre
kWh	Kilowatt hour
LLC	Limited Liability Company
LNG	Liquefied natural gas
LPG	Liquefied petroleum gas
m	Metre
Moscow Exchange	Public Joint-Stock Company Moscow Exchange MICEX-RTS
MW	Megawatt

Net debt	The sum of short-term borrowings, current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings, long-term promissory notes payable, net of cash and cash equivalents
NGV	Natural gas vehicle
OGCF	Oil and gas condensate field
OJSC	Open Joint Stock Company
OGSF	Oil and gas condensate field
PJSC	Public Joint Stock Company
PRMS standards	International classification and assessment of hydrocarbon reserves under PRMS (Petroleum Resources Management System).
QIBs	Qualified institutional buyers
R&D	Research and Development
RMICS	Risk Management and Internal Control System
RUB	Russian rouble
sq km	Square kilometre
SPT	Strategic Performance Targets
tonne	Metric ton
Total debt	The sum of short-term borrowings, current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings, long-term promissory notes payable
TPP	Thermal power plant
UGSF	Underground gas storage facility
UGSS	Unified Gas Supply System of Russia
UN	United Nations
UOHSMS	Unified Occupational Health and Safety Management System
USD	United States (US) dollars
VAT	Value Added Tax

CONTACTS

Full name

Public Joint Stock Company Gazprom

Abbreviated name

PJSC Gazprom

Location

Moscow, Russian Federation

Address: 16 Nametkina str., GSP-7, Moscow, 117997, Russian Federation

Postal address: BOX 1255, Saint Petersburg, 190900, Russia

Delivery address: 156 Moskovsky av., bld. A, Saint Petersburg, 196105, Russian Federation

Phone: +7 495 719 3001

Fax: +7 495 719 8333
+7 812 413 7333

Website

www.gazprom.ru (in Russian)

www.gazprom.com (in English)

E-mail

gazprom@gazprom.ru

Certificate of entry into the Unified State Register of Legal Entities

by the Moscow Department of the Ministry of Taxation dated 2 August, 2002, OGRN 1027700070518

Taxpayer Personal Identification Number (INN)

7736050003

Contact for shareholders

Phone: +7 812 609 7657 (for shareholders of PJSC Gazprom)

Contact for investors

Phone: +7 812 609 4129

Fax: +7 812 609 4334

E-mail: ir@gazprom.ru

Auditor

Limited Liability Company Financial and Accounting Consultants (LLC FBK).

LLC FBK is a member of the self-regulated organisation of auditors Auditor Association Sodruzhestvo.

Location address: 44/1 Myasnitskaya str., bld. 2 AB, Moscow, 101990, Russian Federation

Phone: +7 495 737 5353

Website: www.fbk.ru.

Registrar

Joint Stock Company Specialised Registrar – Register Keeper for Gas Industry Shareholders (JSC DRAGa)

Location: 71/32 Novocheryomushkinskaya str., Moscow, 117420, Russian Federation

Phone: +7 495 719 4044

Website: www.draga.ru

Depository bank (PJSC Gazprom ADRs)

Bank of New York Mellon

Website: www.bnymellon.com