

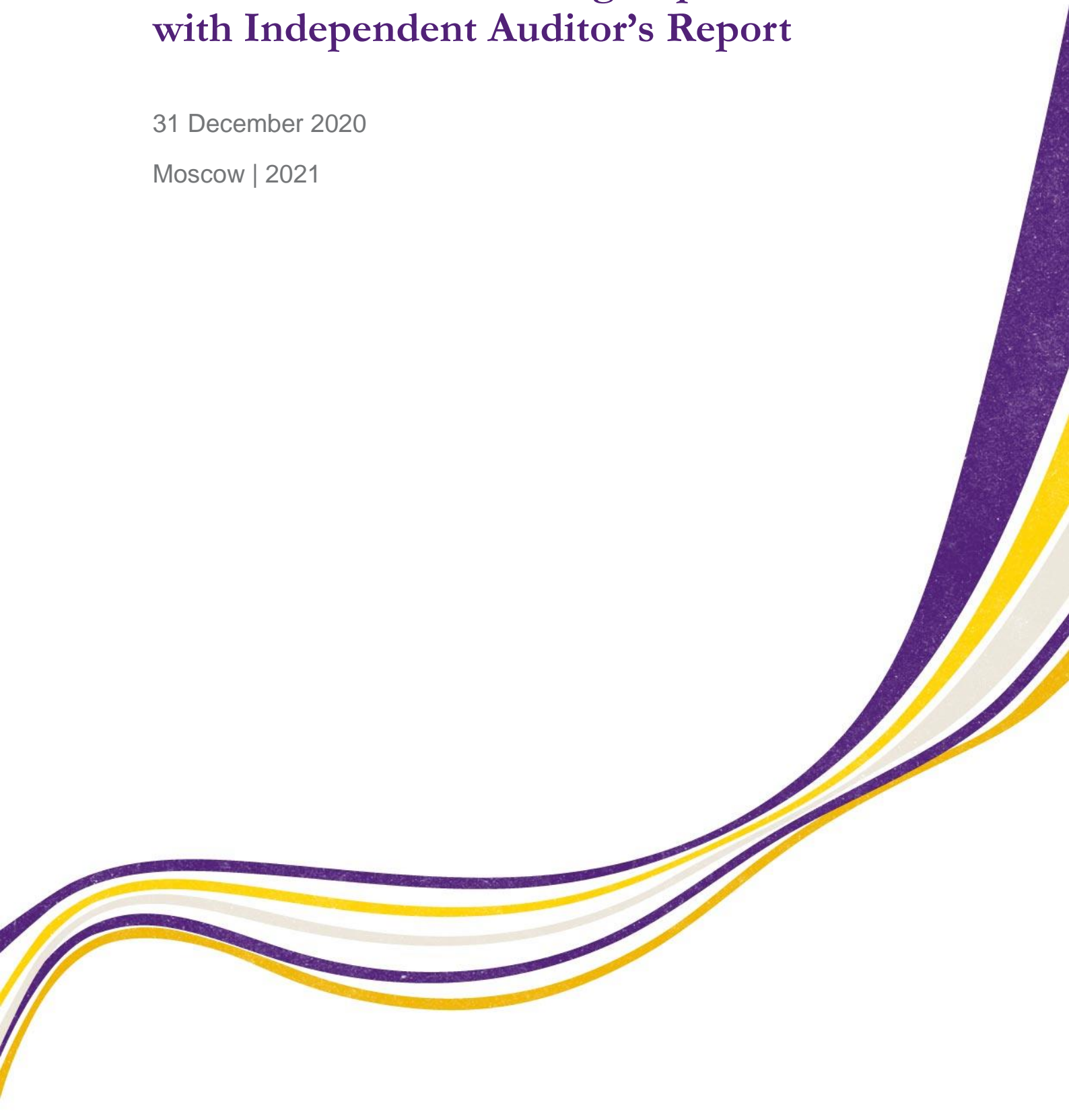
ФБК

PJSC GAZPROM

Consolidated Accounting Reports with Independent Auditor's Report

31 December 2020

Moscow | 2021



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Independent Auditor's Report

To the Shareholders
of Public Joint Stock Company Gazprom

Opinion

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

In our opinion, the accompanying consolidated accounting reports present fairly, in all material respects, the financial position of the Group as at 31 December 2020, its financial performance and its cash flows for the year then ended in accordance with the reporting rules established in the Methodology guidelines on preparing consolidated accounting reports approved by PJSC Gazprom on 5 August 2016 ("the Methodology guidelines") based on Russian accounting standards.

Basis for Opinion

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

Emphasis of Matter – Accounting Principles

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

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

Key Audit Matters

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

Revenue recognition

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

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

We paid special attention to the analysis and testing of estimated liabilities associated with gas price adjustments under long-term contracts and evaluation of existing controls in this area. The amount of the estimated gas price adjustments depends on the effective terms and conditions of the contracts and the results of the negotiations between the Group and the specific customers. Based on the results of the analysis, we considered that the amount of the estimated liabilities recognised as at the end of the reporting period is the best estimate of the expenditure required to settle the present obligation.

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

Classification, measurement and disclosure of information about perpetual notes

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

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

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

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

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

The application of changes to RAR 18/02 "Accounting for Corporate Profit Tax Payments" was one of the most significant audit areas, because the effect of changes in the accounting methods and the retrospective restatement of comparative information are significant for the Group's consolidated accounting reports. As part of our audit procedures, we, specifically, analysed whether the classification of differences as permanent and temporary arising from different income and expense recognition rules set forth in accounting and tax laws was reasonable; evaluated retrospective restatement for consistency and accuracy; and analysed relevant disclosures in the Group's consolidated accounting reports. Based on the results of our audit procedures, we found the position of the Group's management on the recognition of consequences of changes to RAR 18/02 "Accounting for Corporate Profit Tax Payments" to be appropriate.

Information about the recognition of effects of applying changes to RAR 18/02 "Accounting for Corporate Profit Tax Payments" is disclosed in Note 3 "Changes in the Accounting Policies and Comparative Information for Previous Reporting Periods" to the consolidated accounting reports.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of PJSC Gazprom for 2020, but does not include the consolidated accounting reports and our auditor's report thereon. The Annual Report of PJSC Gazprom for 2020 is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Annual report of PJSC Gazprom for 2020, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated accounting reports.

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

a) identify and assess the risks of material misstatement of the consolidated accounting reports, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

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

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

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated accounting reports or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

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

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

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

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

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

President of FBK, LLC

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

Date of Independent auditor's report
26 April 2021



S.M. Shapiguzov
(by virtue of the Charter,
audit qualification certificate 01-001230)

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

Audited entity

Name:

Public Joint Stock Company Gazprom
(PJSC Gazprom).

Address of the legal entity within its location:

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

State registration:

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

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

Auditor

Name:

FBK, LLC

Address of the legal entity within its location:

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

State registration:

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

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

Membership in a self-regulatory organization of auditors:

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

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

PJSC Gazprom
Consolidated Balance Sheet
as of 31 December 2020
(in millions of Russian Rubles)

Note	ASSETS	As of 31 December 2020	As of 31 December 2019	As of 31 December 2018
	I. NON-CURRENT ASSETS			
	Intangible assets, including:	585,977	628,096	671,871
5	goodwill on subsidiaries	522,474	579,253	635,635
	Results of research and development	17,872	12,833	9,837
6	Intangible exploration assets	202,036	176,352	191,981
6	Tangible exploration assets	132,613	131,151	125,347
	Fixed assets, including:	14,440,094	13,673,869	13,192,894
7	Objects of fixed assets, including:	10,406,727	9,661,577	9,279,937
	buildings, constructions, machinery and equipment	10,097,013	9,338,587	8,950,092
8	Construction in progress	4,033,367	4,012,292	3,912,957
9, 20	Financial investments, including:	2,374,194	2,198,905	1,980,653
	investments in subsidiaries	267,149	226,517	247,793
	investments in associates	1,507,899	1,321,358	1,258,939
	investments in other companies	378,392	391,426	370,394
	loans issued to companies beyond 12 months	179,872	217,408	63,407
	other financial investments	40,882	42,196	40,120
16	Deferred tax assets	470,778	340,805	294,396
	Other non-current assets	451,717	358,576	335,964
	TOTAL Section I	18,675,281	17,520,587	16,802,943
	II. CURRENT ASSETS			
10	Inventories, including:	1,050,528	1,013,867	978,927
	raw materials and other inventories	198,172	199,078	182,129
	work in progress	98,719	72,382	63,224
	finished goods and goods for resale	741,582	725,141	656,139
	goods dispatched	12,055	17,266	77,435
	Value added tax on purchased goods	134,618	142,665	150,664
11	Accounts receivable, including:	1,849,353	1,486,079	1,590,871
	Accounts receivable (payment expected beyond			
	12 months of the reporting date), including:	180,626	156,850	76,738
	buyers and customers	105,548	98,298	39,905
	advances paid	17,582	14,310	8,670
	other accounts receivable	57,496	44,242	28,163
	Accounts receivable (payment expected within			
	12 months of the reporting date), including:	1,668,727	1,329,229	1,514,133
	buyers and customers	898,458	759,100	989,067
	advances paid	384,110	263,785	255,257
	other accounts receivable	386,159	306,344	269,809
	Financial investments (except for cash equivalents),			
12	including:	191,570	827,377	890,386
	loans issued to companies due within 12 months	145,700	94,302	67,311
	other financial investments	45,870	733,075	823,075
13	Cash and cash equivalents, including:	1,034,474	699,948	861,407
	cash on hand	568	650	823
	ruble bank accounts	358,506	399,720	219,125
	non-ruble bank accounts	372,895	166,835	316,890
	other monetary assets and cash equivalents	302,505	132,743	324,569
	Other current assets	17,046	14,779	23,503
	TOTAL Section II	4,277,589	4,184,715	4,495,758
	BALANCE	22,952,870	21,705,302	21,298,701

PJSC Gazprom
Consolidated Balance Sheet
as of 31 December 2020
(in millions of Russian Rubles)

Note	EQUITY AND LIABILITIES	As of 31 December 2020	As of 31 December 2019	As of 31 December 2018
III. EQUITY AND RESERVES				
14	Share capital	118,368	118,368	118,368
14	Treasury shares	(331)	(331)	(258,786)
	Revaluation of non-current assets	6,051,042	5,949,726	5,942,449
	Additional capital (less revaluation), including:	1,285,553	799,098	974,292
14	perpetual notes	195,616	-	-
	Legal reserves	63,317	46,009	42,882
	Retained earnings	6,802,428	7,542,196	7,155,414
2, 7	Social government fund	495	493	492
	TOTAL Section III	14,320,872	14,455,559	13,975,111
	Minority interest	439,895	409,749	398,900
IV. NON-CURRENT LIABILITIES				
15	Borrowings, including:	4,237,971	3,074,240	3,286,565
	bank borrowings due for repayment beyond 12 months of the reporting date	1,692,798	1,164,199	1,236,738
	loans due for repayment beyond 12 months of the reporting date	2,545,173	1,910,041	2,049,827
16	Deferred tax liabilities	1,019,902	1,011,401	1,043,714
24	Provisions	345,639	307,157	167,570
	Other liabilities	105,486	45,872	26,843
	TOTAL Section IV	5,708,998	4,438,670	4,524,692
V. CURRENT LIABILITIES				
15	Borrowings, including:	701,811	791,812	578,860
	bank borrowings due for repayment within 12 months of the reporting date	12,599	38,927	28,769
	loans due for repayment within 12 months of the reporting date	106,888	114,798	45,990
	current portion of loans and borrowings due for repayment beyond 12 months of the reporting date	582,324	638,087	504,101
	Accounts payable, including:	1,581,398	1,368,414	1,623,521
	suppliers and contractors	892,892	826,925	794,516
	salaries payable	42,772	30,087	29,141
	insurance contributions payable	16,035	12,014	9,740
	taxes and fees payable	278,452	298,974	356,985
	advances received	258,594	131,739	157,791
	other accounts payable	87,028	65,009	267,728
	dividends payable	5,625	3,666	7,620
	Income of future periods	2,328	5,586	4,569
24	Provisions	197,568	235,512	193,048
	TOTAL Section V	2,483,105	2,401,324	2,399,998
	BALANCE	22,952,870	21,705,302	21,298,701

A.B. Miller
Chairman of the Management Committee

M.N. Rosseev
Chief Accountant

26 April 2021

PJSC Gazprom
Consolidated Statement of Financial Results
for 2020
(in millions of Russian Rubles)

Note		For 2020	For 2019
17	Sales	6,430,900	7,813,329
18	Cost of sales	(5,685,998)	(6,142,898)
	Gross profit	744,902	1,670,431
18	Commercial expenses	(833)	(832)
18	Administrative expenses	(345,040)	(360,365)
	Profit from sales	399,029	1,309,234
	Income from investments in other companies	23,763	21,305
	Interest income	56,540	90,356
	Interest expense	(157,655)	(159,319)
19	Other income	5,557,651	6,002,017
19	Other expenses	(6,455,085)	(6,505,204)
9	Capitalised profit of associates	155,602	239,062
	(Loss) profit before profit tax	(420,155)	997,451
16	Profit tax, including:	69,067	(247,423)
	current profit tax	(74,660)	(324,805)
	deferred profit tax	141,926	76,476
	previous years' profit tax	1,801	906
	Other	(3,520)	(11,446)
	Net (loss) profit of the reporting period before minority interest	(354,608)	738,582
	Minority interest	(16,093)	(40,939)
	Net (loss) profit of the reporting period	(370,701)	697,643
FOR REFERENCE:			
7	Results of non-current assets revaluation not included into net (loss) profit of the reporting period	135,683	15,473
	Results of other transactions not included into net (loss) profit of the reporting period	296,168	(177,047)
	Profit tax from transactions which results not included into net (loss) profit of the reporting period	(24,740)	(1,577)
	Cumulative financial result for the the reporting period attributable to the owners of PJSC Gazprom	36,410	534,492
22	Basic (loss) earnings per share attributable to the owners of PJSC Gazprom (in Russian Rubles)	(15.68)	31.01

A.B. Miller
Chairman of the Management Committee

M.N. Rosseev
Chief Accountant

26 April 2021

PJSC Gazprom
Consolidated Statement of Changes in Equity
for 2020
(in millions of Russian Rubles)

Note		Share capital	Treasury shares	Additional capital	Legal reserves	Retained earnings	Social government fund	Total
	Equity as of 31 December 2018	118,368	(258,786)	6,916,741	42,882	7,155,414	492	13,975,111
	For 2019							
	Change in capital – total, including:	-	258,455	(161,279)	247	383,024	1	480,448
	net profit	-	-	-	-	697,643	-	697,643
7	revaluation of property differences resulting from the translation of foreign financial investments into Russian Rubles	-	-	13,896	-	-	-	13,896
	change in structure and in interest in subsidiaries	-	-	764	247	(12,846)	-	(11,835)
	dividends	-	-	-	-	(367,087)	-	(367,087)
	disposal and change in value of state social assets	-	-	-	-	-	1	1
14	treasury shares transactions	-	258,455	-	-	65,034	-	323,489
	other	-	-	1,108	-	280	-	1,388
	Change in additional capital	-	-	(6,638)	-	6,638	-	-
	Change in legal reserves	-	-	-	2,880	(2,880)	-	-
	Equity as of 31 December 2019	118,368	(331)	6,748,824	46,009	7,542,196	493	14,455,559
	For 2020							
	Change in capital – total, including:	-	-	401,610	159	(731,289)	2	(329,518)
	net loss	-	-	-	-	(370,701)	-	(370,701)
7	revaluation of property differences resulting from the translation of foreign financial investments into Russian Rubles	-	-	110,934	-	-	9	110,943
	change in structure and in interest in subsidiaries	-	-	(366)	159	1,469	-	1,262
	dividends	-	-	-	-	(360,480)	-	(360,480)
	other	-	-	(5,126)	-	(1,577)	(7)	(6,710)
	Change in additional capital	-	-	(9,455)	-	9,455	-	-
	Change in legal reserves	-	-	-	17,149	(17,149)	-	-
14	Perpetual notes transactions	-	-	195,616	-	(785)	-	194,831
	Equity as of 31 December 2020	118,368	(331)	7,336,595	63,317	6,802,428	495	14,320,872

A.B. Miller
Chairman of the Management Committee

M.N. Rosseev
Chief Accountant

26 April 2021

PJSC Gazprom
Consolidated Statement of Cash Flows
for 2020
(in millions of Russian Rubles)

	For 2020	For 2019
Cash flows from operating activities		
Total cash received, including:	7,599,515	8,611,447
sales of products, goods, works and services	6,957,031	8,109,353
other receipts, including:	642,484	502,094
indirect taxes	257,141	250,559
advances received from buyers (customers)	274,473	92,839
Total cash paid, including:	(6,484,549)	(7,076,007)
payment for purchased raw materials, works and services	(3,150,394)	(3,037,124)
wages and salaries	(579,980)	(523,974)
interests on borrowings	(150,308)	(149,400)
profit tax	(106,945)	(322,268)
other payments, including:	(2,496,922)	(3,043,241)
settlements with customs	(472,031)	(790,087)
settlements with budget (except for profit tax)	(1,421,921)	(1,524,644)
advances paid	(92,981)	(77,210)
Net cash provided by operating activities	1,114,966	1,535,440
Cash flows from investing activities		
Total cash received, including:	1,396,891	1,181,916
sales of non-current assets (except for financial investments)	15,431	22,532
sales of other entities' shares (equity interests)	27,956	3,605
return of loans issued, sales of debt securities (assignment of cash from third parties)	151,645	25,940
dividends, interest from debt financial investments and receipts from participation in other entities	136,927	212,372
other receipts	1,064,932	917,467
Total cash paid, including:	(2,252,269)	(3,024,444)
purchase, construction, modernisation, reconstruction and preparation for use of non-current assets, including:	(1,416,825)	(1,686,023)
purchase of exploration assets	(39,406)	(55,023)
purchase of other entities' shares (equity interests)	(84,030)	(60,978)
purchase of debt securities (assignment of cash from third parties), loans issued	(189,238)	(256,725)
other payments, including:	(562,176)	(1,020,718)
indirect taxes	(197,780)	(220,290)
Net cash used in investing activities	(855,378)	(1,842,528)
Cash flows from financing activities		
Total cash received, including:	1,355,198	1,495,048
proceeds from loans and borrowings, issue of bonds, promissory notes and other debt securities	1,138,927	1,162,093
sale of treasury shares	-	323,514
issuance of perpetual notes	197,468	-
other receipts	18,803	9,441
Total cash paid, including:	(1,352,255)	(1,272,390)
dividends and other distributions to owners (participants)	(389,974)	(407,132)
payments related to issuance of perpetual notes	(2,637)	-
repayment of loans and borrowings, redemption (buyback) of bonds, promissory notes and other debt securities	(954,445)	(861,124)
other payments	(5,199)	(4,134)
Net cash from financing activities	2,943	222,658
Net cash for the reporting period	262,531	(84,430)
Cash and cash equivalents at the beginning of the reporting period	699,947	861,389
Cash and cash equivalents at the end of the reporting period	1,034,472	699,947
Impact of changes in exchange rates	71,994	(77,012)

A.B. Miller
Chairman of the Management Committee

M.N. Rosseev
Chief Accountant

26 April 2021

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2020
(in millions of Russian Rubles)

1. General Information

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

The Group is involved in the following activities:

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

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

The average number of employees during 2020 and 2019 was 465,926 persons and 457,481 persons, respectively.

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

Accounting principles

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

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

Basis of consolidation

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

Accounting policy of PJSC Gazprom and its subsidiaries for 2020 is approved by Order No. 629 dated 31 December 2019.

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

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

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2020
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2. Significant Accounting Policies and Basis of Presentation in the Consolidated Accounting Reports (continued)

Assets and liabilities denominated in foreign currency

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

As of 31 December 2020 the exchange rates were: RUB 73.8757 to 1 US Dollar (“USD”) (as of 31 December 2019 – RUB 61.9057; 31 December 2018 – RUB 69.4706) and RUB 90.6824 to 1 Euro (“EUR”) (as of 31 December 2019 – RUB 69.3406; 31 December 2018 – RUB 79.4605).

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

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

Current and non-current assets and liabilities

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

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

Goodwill on subsidiaries

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

Results of research and development

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

Intangible and tangible exploration assets

Exploration costs accounted within tangible exploration assets include:

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

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

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

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

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2020
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2. Significant Accounting Policies and Basis of Presentation in the Consolidated Accounting Reports (continued)

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

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

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

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

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

Fixed assets

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

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

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

As of 31 December 2020 the Group revalued land, property, plant, machinery and equipment, vehicles, inventory and other fixed assets at current replacement cost, defined by an independent appraiser. The result of the revaluation is reflected in the consolidated balance sheet as of 31 December 2020.

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

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

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

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2020
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2. Significant Accounting Policies and Basis of Presentation in the Consolidated Accounting Reports (continued)

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

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

The following assets are not depreciated:

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

Investments in non-current assets

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

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

Financial investments

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

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

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

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

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

Inventories and costs

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

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2020
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2. Significant Accounting Policies and Basis of Presentation in the Consolidated Accounting Reports (continued)

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

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

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

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

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

Non-current assets held for sale

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

Accounts receivable

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

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

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

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

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

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

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

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

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

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

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2020
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2. Significant Accounting Policies and Basis of Presentation in the Consolidated Accounting Reports (continued)

Additional capital

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

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

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

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

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

Loans and borrowings received

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

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

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

Provisions and contingent liabilities

The Group recognises the following provisions in accounting:

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

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

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

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

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

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

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2020
(in millions of Russian Rubles)

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

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

Deferred taxes

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

Revenue and other income recognition

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

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

Expenses recognition

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

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

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

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

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

Changes in the accounting policies for 2020

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

Changes in the accounting policies for 2021

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

Restatement of comparative information for previous reporting periods

Restatement of comparative information as of 31 December 2019 and 31 December 2018 in the consolidated balance sheet as of 31 December 2020

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2020
(in millions of Russian Rubles)

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

The comparative information in the column “As of 31 December 2019” and the column “As of 31 December 2018” of the consolidated balance sheet as of 31 December 2020 was formed by restating the data of the consolidated balance sheet as of 31 December 2019 and as of 31 December 2018 due to the following circumstances:

- application of the new version of RAR 16/02 “Information about Discontinued Operations” from 1 January 2020;
- application of the new version of RAR 18/02 “Accounting for Corporate Profit Tax Payments” from 1 January 2020.

	As of 31 December 2019			As of 31 December 2018		
	Before adjustment	Adjustment	After adjustment	Before adjustment	Adjustment	After adjustment
I. NON-CURRENT ASSETS						
Tangible exploration assets	131,636	(485)	131,151	125,347	-	125,347
Fixed assets, including	13,677,031	(3,162)	13,673,869	13,194,287	(1,393)	13,192,894
Objects of fixed assets, including	9,661,887	(310)	9,661,577	9,280,073	(136)	9,279,937
buildings, constructions,						
machinery and equipment	9,338,895	(308)	9,338,587	8,950,226	(134)	8,950,092
Construction in progress	4,015,144	(2,852)	4,012,292	3,914,214	(1,257)	3,912,957
Deferred tax assets	<u>281,689</u>	<u>59,116</u>	<u>340,805</u>	<u>246,678</u>	<u>47,718</u>	<u>294,396</u>
TOTAL Section I	17,465,118	55,469	17,520,587	16,756,618	46,325	16,802,943
II. CURRENT ASSETS						
Inventories, including:	1,014,285	(418)	1,013,867	979,226	(299)	978,927
raw materials and other inventories	199,459	(381)	199,078	182,391	(262)	182,129
finished goods and goods for						
resale	725,178	(37)	725,141	656,176	(37)	656,139
Other current assets	<u>10,714</u>	<u>4,065</u>	<u>14,779</u>	<u>21,811</u>	<u>1,692</u>	<u>23,503</u>
TOTAL Section II	<u>4,181,068</u>	<u>3,647</u>	<u>4,184,715</u>	<u>4,494,365</u>	<u>1,393</u>	<u>4,495,758</u>
BALANCE	21,646,186	59,116	21,705,302	21,250,983	47,718	21,298,701
III. EQUITY AND RESERVES						
Revaluation of non-current assets	6,447,243	(497,517)	5,949,726	6,440,853	(498,404)	5,942,449
Retained earnings	<u>7,385,476</u>	<u>156,720</u>	<u>7,542,196</u>	<u>7,077,846</u>	<u>77,568</u>	<u>7,155,414</u>
TOTAL Section III	14,796,356	(340,797)	14,455,559	14,395,947	(420,836)	13,975,111
Minority interest	414,550	(4,801)	409,749	404,396	(5,496)	398,900
IV. NON-CURRENT LIABILITIES						
Deferred tax liabilities	606,687	404,714	1,011,401	569,664	474,050	1,043,714
TOTAL Section IV	<u>4,033,956</u>	<u>404,714</u>	<u>4,438,670</u>	<u>4,050,642</u>	<u>474,050</u>	<u>4,524,692</u>
BALANCE	21,646,186	59,116	21,705,302	21,250,983	47,718	21,298,701

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2020
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3. Changes in the Accounting Policies and Comparative Information for Previous Reporting Periods (continued)

Restatement of comparative information for 2019 in the consolidated statement of financial results for 2020

In connection with the application of the new version of RAR 18/02 “Accounting for Corporate Profit Tax Payments” from 1 January 2020, the comparative information in the column “For 2019” in the lines “Profit tax”, “Change in deferred tax liabilities”, “Change in deferred tax assets” was restated and the line “Deferred profit tax” was added.

	Before adjustment	For 2019 Adjustment	After adjustment
Profit before profit tax	997,451	-	997,451
Profit tax, including:	(327,849)	80,426	(247,423)
current profit tax	(324,805)	-	(324,805)
deferred profit tax	(3,950)	80,426	76,476
previous years' profit tax	906	-	906
Other	(13,080)	1,634	(11,446)
Net profit of the reporting period before minority interest	656,522	82,060	738,582
Minority interest	(40,495)	(444)	(40,939)
Net profit of the reporting period	616,027	81,616	697,643
Income tax on transactions that are not included in the net profit (loss) of the period	-	(1,577)	(1,577)
Cumulative financial result of the reporting period attributable to the owners of PJSC Gazprom	454,453	80,039	534,492

4. Segment Information

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

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

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

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

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

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

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

Internal transfer prices, mostly for Production of gas, Transportation of gas and Gas storage segments, are established by the management of the Group with the objective to meet funding requirements of particular subsidiaries within a segment. Prices are determined based on principle “cost plus normal profit”.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2020
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4. Segment Information (continued)

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

	Production of gas	Transportation of gas	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
For 2020									
Sales of segments	846,279	1,153,102	3,303,882	59,736	1,107,667	1,819,242	498,417	327,993	9,116,318
Inter-segment sales	823,673	973,455	267,911	55,168	544,620	20,591	-	-	2,685,418
External sales	22,606	179,647	3,035,971	4,568	563,047	1,798,651	498,417	327,993	6,430,900
Financial result of segments	66,622	112,053	46,092	7,181	295,573	(204,059)	58,299	17,268	399,029
Depreciation	208,868	465,105	15,502	27,381	193,847	70,022	50,013	39,038	1,069,776
Capitalised profit of associates	3,274	32,308	1,260	590	82,813	3,238	84	32,035	155,602
For 2019									
Sales of segments	1,004,703	1,140,892	4,100,119	58,392	1,609,761	2,132,059	517,370	325,460	10,888,756
Inter-segment sales	981,192	971,355	298,985	54,425	747,890	21,580	-	-	3,075,427
External sales	23,511	169,537	3,801,134	3,967	861,871	2,110,479	517,370	325,460	7,813,329
Financial result of segments	45,066	53,167	725,494	6,011	390,098	22,002	61,307	6,089	1,309,234
Depreciation	174,386	480,953	14,083	29,264	176,583	66,415	50,263	44,742	1,036,689
Capitalised profit of associates	5,347	25,882	3,863	349	165,380	5,195	81	32,965	239,062

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

Note	For 2020	For 2019
Financial result of segments	399,029	1,309,234
Income from investments in other companies	23,763	21,305
Interest income	56,540	90,356
Interest expense	(157,655)	(159,319)
19 Other income	5,557,651	6,002,017
19 Other expenses	(6,455,085)	(6,505,204)
9 Capitalised profit of associates	155,602	239,062
(Loss) profit before profit tax	(420,155)	997,451

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

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

Inter-segment operations represent the balance of intercompany transactions.

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

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2020
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4. Segment Information (continued)

	Production of gas	Transportation of gas	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
As of 31 December 2020									
Assets of segments	3,283,779	7,267,915	1,800,403	341,436	2,729,366	2,592,846	849,543	2,163,366	21,028,654
Investments in associates	15,949	277,037	51,155	9,422	692,363	37,017	1,328	423,628	1,507,899
Capital expenditures ¹	317,341	251,374	17,873	24,502	321,385	353,794	67,382	116,675	1,470,326
As of 31 December 2019									
Assets of segments	3,032,430	7,022,214	1,649,482	360,664	2,545,066	2,270,767	838,776	1,804,272	19,523,671
Investments in associates	15,829	205,119	44,378	6,504	640,902	28,702	1,100	378,824	1,321,358
Capital expenditures ²	329,362	464,135	25,827	13,188	248,725	409,764	72,151	196,264	1,759,416
As of 31 December 2018									
Assets of segments	3,018,468	7,091,676	1,742,180	385,683	2,492,664	1,852,217	845,572	1,640,413	19,068,873
Investments in associates	25,320	233,590	27,248	10,501	646,855	25,301	1,517	288,607	1,258,939
Capital expenditures ³	276,920	639,919	39,078	19,028	270,874	299,386	69,384	188,037	1,802,626

¹ Capital expenditures for 2020.

² Capital expenditures for 2019.

³ Capital expenditures for 2018.

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

Note	As of 31 December 2020	As of 31 December 2019	As of 31 December 2018
Assets of reportable segments	18,865,288	17,719,399	17,428,460
Assets of other segments	<u>2,163,366</u>	<u>1,804,272</u>	<u>1,640,413</u>
Total assets of segments	21,028,654	19,523,671	19,068,873
5 Goodwill on subsidiaries	522,474	579,253	635,635
Loans issued to companies beyond 12 months	179,872	217,408	63,407
9 Other long-term financial investments	40,882	42,196	40,120
Deferred tax assets	470,778	340,805	294,396
VAT on purchased goods	134,618	142,665	150,664
Loans issued to companies due within 12 months	145,700	94,302	67,311
12 Other short-term financial investments	45,870	733,075	823,075
Cash and cash equivalents	1,034,474	699,948	861,407
Inter-segment assets	(950,754)	(921,217)	(959,571)
Other	<u>300,302</u>	<u>253,196</u>	<u>253,384</u>
Total assets in the consolidated balance sheet	22,952,870	21,705,302	21,298,701

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

	Production of gas	Transportation of gas	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
As of 31 December 2020									
Liabilities of segments	335,942	256,085	709,075	30,585	445,039	724,397	115,446	342,919	2,959,488
As of 31 December 2019									
Liabilities of segments	372,881	282,541	751,393	26,963	374,692	598,665	101,520	216,456	2,725,111
As of 31 December 2018									
Liabilities of segments	317,995	305,350	889,950	23,172	250,229	532,672	104,593	326,238	2,750,199

PJSC Gazprom
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4. Segment Information (continued)

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

Note		As of 31 December 2020	As of 31 December 2019	As of 31 December 2018
	Liabilities of reportable segments	2,616,569	2,508,655	2,423,961
	Liabilities of other segments	342,919	216,456	326,238
	Total liabilities of segments	2,959,488	2,725,111	2,750,199
15	Long-term loans and borrowings	4,237,971	3,074,240	3,286,565
	Deferred tax liabilities	1,019,902	1,011,401	1,043,714
15	Short-term loans and borrowings and current portion of long-term loans and borrowings	701,811	791,812	578,860
	Dividends payable	5,625	3,666	7,620
	Income of future periods	2,328	5,586	4,569
	Inter-segment liabilities	(950,754)	(921,217)	(959,571)
	Other	215,732	149,395	212,734
	Total liabilities in the consolidated balance sheet	8,192,103	6,839,994	6,924,690

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

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

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

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4. Segment Information (continued)

	Production of gas	Transportation of gas	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
For 2019									
Cash flows from operating activities									
Total cash received	27,963	178,522	4,317,613	1,286	835,952	2,077,613	521,826	303,105	8,263,880
Unallocated cash flows	-	-	-	-	-	-	-	-	347,567
Total cash paid	(828,445)	(627,578)	(2,055,666)	(19,405)	(941,157)	(1,408,256)	(329,824)	(316,697)	(6,527,028)
Unallocated cash flows	-	-	-	-	-	-	-	-	(548,979)
Cash flows from investing activities									
Total cash received	19	30	1,126	1	358	1,437	4,824	22,622	30,417
Unallocated cash flows	-	-	-	-	-	-	-	-	1,151,499
Total cash paid	(247,816)	(648,747)	(45,266)	(13,362)	(227,653)	(390,785)	(62,656)	(68,495)	(1,704,780)
Unallocated cash flows	-	-	-	-	-	-	-	-	(1,319,664)
Cash flows from financial activities									
Total cash received	-	-	-	-	2,160	5,538	1,502	241	9,441
Unallocated cash flows	-	-	-	-	-	-	-	-	1,485,607
Total cash paid	(8)	-	(16)	-	-	(320)	(19)	(3,103)	(3,466)
Unallocated cash flows	-	-	-	-	-	-	-	-	(1,268,924)

5. Goodwill on Subsidiaries

Note	Gross book value	Accumulated amortisation	Net book value
As of 31 December 2018			
PJSC Gazprom Neft	539,720	(331,868)	207,852
OJSC Gazprom transgaz Belarus	146,316	(51,212)	95,104
JSC Gazpromneft - MNPZ	113,046	(51,063)	61,983
PJSC WGC-2	87,263	(45,961)	41,302
LLC Gazprom neftekhim Salavat	70,882	(23,040)	47,842
PJSC MIPC	70,014	(18,374)	51,640
PJSC Mosenergo	46,612	(26,642)	19,970
LLC Gazprom neft shelf	37,302	(25,759)	11,543
PJSC TGC-1	35,518	(15,984)	19,534
WIBG GmbH	33,147	(5,386)	27,761
JSC Gazprom gazoraspredelenie Sever	23,314	(7,855)	15,459
JSC Daltransgaz	6,990	(3,375)	3,615
JSC Yuzhuralneftegaz	6,815	(2,415)	4,400
Others	46,080	(18,450)	27,630
Total	1,263,019	(627,384)	635,635
Additions for 2019			
JSC REP Holding			
23 (abbreviated name – JSC REPH)	9,960	-	9,960
Others	67	-	67
Total	10,027	-	10,027

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2020
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5. Goodwill on Subsidiaries (continued)

Note	Gross book value	Accumulated amortisation	Net book value
19			
Amortisation charge for 2019			
PJSC Gazprom Neft		(26,986)	
OJSC Gazprom transgaz Belarus		(7,316)	
JSC Gazpromneft - MNPZ		(5,652)	
PJSC WGC-2		(4,363)	
LLC Gazprom neftekhim Salavat		(3,544)	
PJSC MIPC		(3,501)	
PJSC Mosenergo		(2,331)	
LLC Gazprom neft shelf		(1,865)	
PJSC TGC-1		(1,776)	
WIBG GmbH		(1,510)	
JSC Gazprom gazoraspredelenie Sever		(1,166)	
JSC Daltransgaz		(350)	
JSC Yuzhuralneftegaz		(341)	
Others		(2,229)	
Total		(62,930)	
Translation differences for 2019			
WIBG GmbH	(4,222)	749	(3,473)
Others	(6)	-	(6)
Total	(4,228)	749	(3,479)
As of 31 December 2019			
PJSC Gazprom Neft	539,720	(358,854)	180,866
OJSC Gazprom transgaz Belarus	146,316	(58,528)	87,788
JSC Gazpromneft - MNPZ	113,046	(56,715)	56,331
PJSC WGC-2	87,263	(50,324)	36,939
LLC Gazprom neftekhim Salavat	70,882	(26,584)	44,298
PJSC MIPC	70,014	(21,875)	48,139
PJSC Mosenergo	46,612	(28,973)	17,639
LLC Gazprom neft shelf	37,302	(27,624)	9,678
PJSC TGC-1	35,518	(17,760)	17,758
WIBG GmbH	28,925	(6,147)	22,778
JSC Gazprom gazoraspredelenie Sever	23,314	(9,021)	14,293
23 JSC REPH	9,960	-	9,960
JSC Daltransgaz	6,990	(3,725)	3,265
JSC Yuzhuralneftegaz	6,815	(2,756)	4,059
Others	46,141	(20,679)	25,462
Total	1,268,818	(689,565)	579,253
Disposals for 2020			
Others	(4)	-	(4)
Total	(4)	-	(4)
19			
Amortisation charge for 2020			
PJSC Gazprom Neft		(26,986)	
OJSC Gazprom transgaz Belarus		(7,316)	
JSC Gazpromneft - MNPZ		(5,652)	
PJSC WGC-2		(4,359)	
LLC Gazprom neftekhim Salavat		(3,544)	
PJSC MIPC		(3,500)	
PJSC Mosenergo		(2,331)	
LLC Gazprom neft shelf		(1,865)	
PJSC TGC-1		(1,776)	
WIBG GmbH		(1,721)	
JSC Gazprom gazoraspredelenie Sever		(1,166)	
JSC REPH		(498)	
JSC Daltransgaz		(349)	
JSC Yuzhuralneftegaz		(341)	
Others		(2,233)	
Total		(63,637)	

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5. Goodwill on Subsidiaries (continued)

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

6. Exploration Assets

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

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

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

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6. Exploration Assets (continued)

	As of 31 December 2018	Changes for 2019					As of 31 December 2019
		Additions	Disposals	Intra- group	Depreciation charge	Translation differences	
Intangible exploration assets – total,	191,981	13,580	(26,955)	-	(2)	(2,252)	176,352
including:							
licences on minerals prospecting, estimation, exploration and extraction	146,116	9,914	(12,139)	6	(2)	(414)	143,481
expenditure on obtaining rights on subsurface use, expenditure on geological knowledge	45,865	3,666	(14,816)	(6)	-	(1,838)	32,871
Tangible exploration assets – total,	125,347	71,846	(64,807)	-	-	(1,235)	131,151
including:							
wells	102,851	35,582	(51,539) ¹	-	-	(630)	86,264
exploration expenses classified as tangible exploration assets	22,496	36,264	(13,268)	-	-	(605)	44,887

¹ Including impairment loss in the amount of RUB 512 million.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2020
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7. Fixed Assets

Note	Trunk pipelines	Wells	Machinery and equipment	Buildings and roads	Other	Total
As of 31 December 2018						
Historical (replacement) cost	13,713,693	2,344,302	5,344,027	2,628,114	4,982,626	29,012,762
Accumulated depreciation	(10,522,316)	(1,683,026)	(3,851,276)	(1,172,612)	(2,503,595)	(19,732,825)
Net book value	3,191,377	661,276	1,492,751	1,455,502	2,479,031	9,279,937
Changes for 2019						
Historical (replacement) cost						
Additions	448,830	175,630	264,587	236,682	357,502	1,483,231
Disposals	(7,718)	(9,481)	(58,874)	(10,907)	(47,430)	(134,410)
Revaluation	12,917	18,429	7,493	10,301	32,017	81,157
Translation differences	(4,012)	(20,249)	(37,078)	(12,391)	(10,912)	(84,642)
Accumulated depreciation						
4 Depreciation	(314,460)	(138,200)	(282,819)	(88,445)	(212,764)	(1,036,688)
Disposals	7,273	9,147	54,147	7,360	31,568	109,495
Revaluation of fixed assets	(9,867)	(18,184)	(11,618)	(5,612)	(24,268)	(69,549)
Translation differences	2,710	5,767	16,931	3,704	3,934	33,046
As of 31 December 2019						
Historical (replacement) cost	14,163,710	2,508,631	5,520,156	2,851,801	5,313,802	30,358,100
Accumulated depreciation	(10,836,660)	(1,824,496)	(4,074,636)	(1,255,607)	(2,705,124)	(20,696,523)
Net book value	3,327,050	684,135	1,445,520	1,596,194	2,608,678	9,661,577
Changes for 2020						
Historical (replacement) cost						
Additions	589,976	227,523	330,016	105,629	290,137	1,543,281
Disposals	(3,596)	(21,017)	(34,414)	(17,805)	(65,301)	(142,133)
Revaluation	2,457	1,931	39,074	223,818	29,502	296,782
Translation differences	113,199	43,475	64,966	25,254	9,311	256,205
Accumulated depreciation						
4 Depreciation	(314,676)	(151,429)	(289,382)	(95,814)	(218,475)	(1,069,776)
Disposals	3,426	9,878	29,747	6,898	21,255	71,204
Revaluation of fixed assets	(1,896)	(1,865)	(19,178)	(117,117)	(18,600)	(158,656)
Translation differences	(880)	(13,734)	(28,158)	(8,709)	(276)	(51,757)
As of 31 December 2020						
Historical (replacement) cost	14,865,746	2,760,543	5,919,798	3,188,697	5,577,451	32,312,235
Accumulated depreciation	(11,150,686)	(1,981,646)	(4,381,607)	(1,470,349)	(2,921,220)	(21,905,508)
Net book value	3,715,060	778,897	1,538,191	1,718,348	2,656,231	10,406,727

The Group entities transfer social assets which were obtained in the course of privatisation to local authorities (see Note 2). The transferred assets amounted to RUB nil million in 2020 (in 2019 – RUB 13 million).

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8. Construction in Progress

	Construction in progress	Equipment for installation	Total
As of 31 December 2018	3,550,124	362,833	3,912,957
Changes for 2019			
Capital expenditures	1,536,013	218,443	1,754,456
Translation differences	(124,219)	(56)	(124,275)
Transfer of equipment for installation	231,030	(231,030)	-
Transfer to fixed assets	(1,472,584)	-	(1,472,584)
Other disposals (including write-off)	(51,229)	(7,033)	(58,262)
As of 31 December 2019	3,669,135	343,157	4,012,292
Changes for 2020			
Capital expenditures	1,325,421	147,581	1,473,002
Translation differences	181,843	(24)	181,819
Transfer of equipment for installation	163,717	(163,717)	-
Transfer to fixed assets	(1,543,281)	-	(1,543,281)
Other disposals (including write-off)	(87,481)	(2,984)	(90,465)
As of 31 December 2020	3,709,354	324,013	4,033,367

Construction in progress mostly consists of construction of transport infrastructure, including the implementation of projects on construction of the gas pipeline Bovanenkovo–Ukhta, Nord Stream 2, construction of Novourenyoy gas chemical complex, development of Bovanenkovskoye field, development of an oil rim of Botuobinsky deposit of the Chayandinskoye oil and gas condensate field, a complex for the production, storage and shipment of liquefied natural gas in the area of the Portovaya compressor station, as well as development of gas transmission capacities of the unified gas supply system of the North-West region (section Gryazovets – compressor station Slavyanskaya) and construction of Amur gas processing plant. In January 2020 the TurkStream gas pipeline was put into operation.

9. Financial Investments

Long-Term Financial Investments

Investments in subsidiaries

Data in the line “Investments in subsidiaries” of the consolidated balance sheet are stated net of impairment allowance of financial investments in the amount of RUB 24,690 million, RUB 18,956 million and RUB 15,084 million as of 31 December 2020, 2019 and 2018, respectively. The impairment allowance primarily relates to non-core investments in subsidiaries.

Investments in associates

Note		Carrying value			Capitalised profit (loss)	
		As of 31 December 2020	As of 31 December 2019	As of 31 December 2018	For 2020	For 2019
21, 24	Sakhalin Energy Investment Company Ltd.	218,721	176,609	196,916	39,815	67,220
21, 24	Gazprombank (Joint-stock Company) ¹	173,239	142,994	136,063	18,822	10,447
21	JSC Arcticgas ²	160,312	136,262	146,246	34,300	39,849
21	PJSC NGK Slavneft and its subsidiaries	138,781	138,067	126,124	338	11,943
21, 24	Nord Stream AG	127,647	91,389	112,190	22,083	17,840
21	JSC Tomskneft VNK and its subsidiaries	115,337	118,868	108,899	(3,532)	10,656
	WIGA Transport Beteiligungs-GmbH & Co.					
21	KG and its subsidiaries	69,196	52,273	55,807	10,084	7,519
21	JSC Messoyakhaneftegaz	43,711	44,674	36,161	9,037	25,814
21, 24	JSC Gazstroyprom	42,567	43,129	-	(562)	1,911
21	JSC EUROPOL GAZ	37,522	30,117	33,894	343	357
21	JSC NPF GAZFOND ³	34,863	32,729	28,861	2,134	3,868
21	JSC Achimgaz	33,313	34,888	37,310	10,576	14,079
	Wintershall AG	19,172	15,590	18,026	(1,066)	(175)
21	KazRosGas LLP	14,408	13,937	12,623	587	2,789
21	Blue Stream Pipeline Company B.V.	13,153	13,547	15,730	(324)	(196)
21	JSC Latvijas Gaze and its subsidiaries	12,287	9,281	8,999	413	661
21	CJSC Northgas	12,226	10,526	7,986	1,700	3,090
21	LLC Yuzhno-Priobsky GPZ	7,877	7,672	7,456	269	261

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9. Financial Investments (continued)

Note		Carrying value			Capitalised profit (loss)	
		As of 31 December 2020	As of 31 December 2019	As of 31 December 2018	For 2020	For 2019
	JSC Conexus Baltic Grid ⁴	-	-	8,890	203	589
21	Salym Petroleum Development N.V.	-	-	-	1,481	4,311
	Others	<u>233,567</u>	<u>208,806</u>	<u>160,758</u>	<u>8,901</u>	<u>16,229</u>
	Total	1,507,899	1,321,358	1,258,939	155,602	239,062

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

² In January 2018 LLC Yamal razvitie and its subsidiary LLC SeverEnergy were reorganised in the form of the merger with JSC Arcticgas (a former subsidiary of LLC SeverEnergy).

³ In December 2018 the Group as one of the founder of NPF GAZFOND become owner of 31 % of ordinary registered shares of JSC NPF GAZFOND established as a result of reorganisation of NPF GAZFOND from a non-profit organisation to a joint-stock company. The Group's share in JSC NPF GAZFOND voting shares was 42 %. As a result of that transaction a lump-sum income in the amount of RUB 28,861 million was recognised. In January 2020 the remaining 25 % of ordinary registered uncertificated shares not allocated at the date of JSC NPF GAZFOND state registration were distributed among its shareholders in proportion to the number of the shares they owned. The Group's voting share in JSC NPF GAZFOND did not change. As of 31 December 2020 the Group's share in voting shares is equal to ownership interest.

⁴ In December 2019 an open auction was held to sell shares of JSC Conexus Baltic Grid owned by the Group and accounting for 34 % of the associate's share capital. Therefore, the investment in JSC Conexus Baltic Grid in the amount of RUB 5,454 million net of impairment allowance of financial investments in the amount of RUB 2,446 million was reclassified into other financial investment within current assets. In July 2020 the Group completed the deal on disposal of 34 % shares of JSC Conexus Baltic Grid.

Data in the line "Investments in associates" of the consolidated balance sheet are stated net of impairment allowance of financial investments in the amount of RUB 20,272 million, RUB 21,360 million and RUB 24,115 million as of 31 December 2020, 2019 and 2018, respectively.

Investments in other companies

The line "Investments in other companies" of the consolidated balance sheet includes the investment in share capital of PJSC NOVATEK in the amount of 9.99 % of shares with carrying value amounting to RUB 362,681 million, RUB 380,811 million and RUB 360,336 million as of 31 December 2020, 2019 and 2018, respectively.

The line "Investments in other companies" of the consolidated balance sheet also includes the Group's investments in shares of energy companies, with total carrying value amounting to RUB 6,682 million, RUB 6,013 million and RUB 4,757 million as of 31 December 2020, 2019 and 2018, respectively.

Data in the line "Investments in other companies" of the consolidated balance sheet are stated net of impairment allowance of financial investments in the amount of RUB 333 million, RUB 453 million and RUB 468 million as of 31 December 2020, 2019 and 2018, respectively. The impairment allowance primarily relates to non-core investments in other companies.

Loans issued to companies beyond 12 months

Data in the line "Loans issued to companies beyond 12 months" of the consolidated balance sheet are stated net of impairment allowance of financial investments in the amount of RUB 1,528 million, RUB 943 million and RUB 601 million as of 31 December 2020, 2019 and 2018, respectively.

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9. Financial Investments (continued)

Other financial investments

	As of 31 December 2020	As of 31 December 2019	As of 31 December 2018
Joint activity, including:	39,218	38,855	38,609
development of oil and gas fields on the continental shelf of the Socialist Republic of Vietnam (operator – JSC Gazprom zarubezhneftegaz)	35,140	34,770	34,397
development of a satellite communication system (operator – JSC Gazprom Space Systems)	3,498	3,498	3,481
Other, including:	1,664	3,341	1,511
long-term deposits	1,562	3,277	1,432
third party promissory notes	-	1	3
Total	40,882	42,196	40,120

Data in the line “Other financial investments” of the consolidated balance sheet are stated net of impairment allowance of financial investments in the amount of RUB 171 million, RUB 248 million and RUB 249 million as of 31 December 2020, 2019 and 2018, respectively.

10. Inventories

Raw materials and other inventories

In the consolidated balance sheet values of raw materials and other inventories in the amount of RUB 198,172 million, RUB 199,078 million and RUB 182,129 million as of 31 December 2020, 2019 and 2018, respectively, are disclosed net of obsolete allowance in the amount of RUB 6,052 million, RUB 4,299 million and RUB 3,886 million as of 31 December 2020, 2019 and 2018, respectively.

Finished goods and goods for resale

In the consolidated balance sheet values of finished goods and goods for resale in the amount of RUB 741,582 million, RUB 725,141 million and RUB 656,139 million as of 31 December 2020, 2019 and 2018, respectively, are disclosed net of obsolete allowance in the amount of RUB 6,018 million, RUB 3,963 million and RUB 1,120 million as of 31 December 2020, 2019 and 2018, respectively.

	As of 31 December 2020	As of 31 December 2019	As of 31 December 2018
Gas in pipelines and storages	633,170	613,826	537,993
Oil, gas condensate and refined products	67,022	75,355	87,078
Goods for resale	41,390	35,960	31,068
Total	741,582	725,141	656,139

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

11. Accounts Receivable

Accounts receivable payment expected beyond 12 months of the reporting date

The line “Accounts receivable from buyers and customers” of the consolidated balance sheet includes long-term receivables for gas in the amount of RUB 10,589 million, RUB 6,956 million and RUB 8,518 million as of 31 December 2020, 2019 and 2018, respectively.

The line “Other receivables” of the consolidated balance sheet includes receivables, issued for capital construction purposes in the amount of RUB 2,534 million, RUB 5,228 million and RUB 5,905 million as of 31 December 2020, 2019 and 2018, respectively.

Accounts receivable payment expected within 12 months of the reporting date

The line “Accounts receivable from buyers and customers” of the consolidated balance sheet as of 31 December 2020, 2019 and 2018 includes the following:

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11. Accounts Receivable (continued)

	As of 31 December 2020	As of 31 December 2019	As of 31 December 2018
Receivables of customers from Europe and other countries for gas, crude oil, gas condensate and refined products	464,571	385,202	505,360
Receivables of Domestic customers for gas, crude oil, gas condensate and refined products	194,575	189,798	211,939
Receivables of customers for electric and heat energy	69,464	71,908	108,492
Receivables of customers from Former Soviet Union countries (excluding Russian Federation) for gas, crude oil, gas condensate and refined products	31,232	29,737	29,718
Other trade debtors	<u>138,616</u>	<u>82,455</u>	<u>133,558</u>
Total	898,458	759,100	989,067

As of 31 December 2020, 2019 and 2018 accounts receivable in the line “Accounts receivable from buyers and customers” are stated net of bad debt allowance of RUB 974,357 million, RUB 839,676 million and RUB 952,637 million, respectively. The bad debt allowance has been calculated net of deferred excise tax on natural gas of RUB 89 million as of 31 December 2020, 2019 and 2018.

As of 31 December 2020, 2019 and 2018 the line “Advances issued” of the consolidated balance sheet includes advances issued to suppliers and contractors for capital construction purposes in the amount of RUB 311,647 million, RUB 208,778 million and RUB 199,178 million, respectively.

As of 31 December 2020, 2019 and 2018 the line “Other accounts receivable” of the consolidated balance sheet includes the following:

	As of 31 December 2020	As of 31 December 2019	As of 31 December 2018
Overpayment of taxes to the budget	168,771	148,030	128,900
Settlements on custom duties	15,567	26,595	11,181
Settlements on claims	3,944	4,549	4,153
Other	<u>197,877</u>	<u>127,170</u>	<u>125,575</u>
Total	386,159	306,344	269,809

The line “Other accounts receivable” is stated net of the bad debt allowance amounting to RUB 69,861 million, RUB 62,007 million and RUB 57,189 million as of 31 December 2020, 2019 and 2018, respectively.

12. Financial Investments (Except for Cash Equivalents)

Loans issued to companies due within 12 months

Data in the line “Loans issued to companies due within 12 months” of the consolidated balance sheet are stated net of impairment allowance of financial investments in the amount of RUB 14,704 million, RUB 8,236 million and RUB 4,399 million as of 31 December 2020, 2019 and 2018, respectively.

Other financial investments

	As of 31 December 2020	As of 31 December 2019	As of 31 December 2018
Short-term deposits	13,883	672,364	795,542
Shares, bonds and participatory interests	29,772	36,088	26,826
Third party promissory notes	205	23,979	30
Other	<u>2,010</u>	<u>644</u>	<u>677</u>
Total	45,870	733,075	823,075

Data in the line “Other financial investments” of the consolidated balance sheet are stated net of impairment allowance of financial investments in the amount of RUB 3,698 million, RUB 3,300 million and RUB 1,133 million as of 31 December 2020, 2019 and 2018, respectively.

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13. Cash and Cash Equivalents

In the line “Other monetary assets and cash equivalents” of the consolidated balance sheet as of 31 December 2020, 2019 and 2018 there are no cash balances on bank accounts which are restricted as to withdrawal under the terms of certain loans and borrowings.

14. Equity

Share capital

PJSC Gazprom’s share capital amounted to RUB 118,368 million. The number of PJSC Gazprom’s ordinary shares issued and paid did not change in 2020 and amounted to 23,674 million with nominal value of 5 Russian Rubles each.

Treasury shares

Treasury shares are recorded in the consolidated balance sheet at their purchase cost. As of 31 December 2020, 2019 and 2018 subsidiaries of PJSC Gazprom held 29 million, 29 million and 1,573 million PJSC Gazprom’s ordinary shares, respectively, including American depositary receipts in the amount of nil million, nil million and 639 million PJSC Gazprom’s ordinary shares as of 31 December 2020, 2019 and 2018, respectively, which were accounted for as treasury shares.

In July 2019 the Group sold 693,627,848 PJSC Gazprom’s ordinary shares, which represented 2.93 % of the share capital, for 200.50 Russian Rubles per share by using the stock exchange transaction technology of PJSC Moscow Exchange MICEX-RTS.

In November 2019 the Group sold 850,590,751 PJSC Gazprom’s ordinary shares, which represented 3.59 % of the share capital, for 220.72 Russian Rubles per share by using the stock exchange transaction technology of PJSC Moscow Exchange MICEX-RTS.

The shares including American depositary receipts held by PJSC Gazprom’s subsidiaries represented 0.1 %, 0.1 % and 6.6 % of the total number of PJSC Gazprom’s shares as of 31 December 2020, 2019 and 2018, respectively.

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

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

Dividends

In accordance with the decision of the General shareholders meeting, based on the 2019 results of PJSC Gazprom, dividends in the amount of 15.24 Russian Rubles per ordinary share were accrued and paid in 2020. Based on the 2018 results of PJSC Gazprom, dividends in the amount of 16.61 Russian Rubles per ordinary share were accrued and paid in 2019.

Perpetual notes

The line “Additional capital” of the consolidated balance sheet includes perpetual callable loan participation notes with a par value of USD 1,400 million and EUR 1,000 million issued in October 2020. Initial interest rates were set at 4.5985 % for the notes in USD and 3.8970 % for the notes in EUR. Notes interest rates are to be reviewed every five years. The Group has an unconditional right, at any time and on any number of occasions, to postpone interest payment.

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

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

As at 31 December 2020, the Group accrued interest of RUB 1,523 million on the perpetual notes reported within additional capital by charging retained earnings. Retained earnings were also decreased by additional costs of RUB 2,659 million directly associated with the issuance of the perpetual notes, and the translation loss of RUB 269 million from the translation of the notes and accrued interest. The translation gain from the translation of the notes, accrued interest and additional costs associated with the notes increased retained earnings and amounted to RUB 3,666 million.

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15. Borrowings

Bank borrowings

Lender	Currency	Final maturity	As of 31 December 2020	As of 31 December 2019	As of 31 December 2018
China Construction Bank Corporation, Beijing branch ^{1, 2}	Euro	2034	252,861	-	-
Gazprombank (Joint-stock Company)	Russian Ruble	2027	106,342	101,018	-
Intesa Sanpaolo Bank Luxembourg S.A. ¹	Euro	2023	93,609	83,516	95,705
J.P.Morgan AG ¹	Euro	2023	85,793	76,536	87,729
PJSC Sberbank ^{1, 2}	Russian Ruble	2034	72,525	-	-
UniCredit S.p.A.	Euro	2025	63,828	48,809	55,933
J.P.Morgan AG ¹	Euro	2022	51,912	59,539	79,510
Natixis ¹	Euro	2024	45,618	34,882	-
Sumitomo Mitsui Banking Corporation	Euro	2025	45,535	-	-
Mizuho Bank Ltd.	Euro	2025	45,395	-	-
UniCredit S.p.A.	Euro	2022	39,097	44,844	55,677
Credit Agricole CIB	Euro	2023	38,950	41,697	47,782
MUFG Bank Ltd	Euro	2023	38,869	34,678	-
Gazprombank (Joint-stock Company) ^{1, 2}	Russian Ruble	2034	38,811	-	-
ING Bank N.V. ^{1, 2}	Euro	2036	38,087	-	-
Credit Agricole CIB, London branch	Euro	2023	36,427	-	-
ING Bank, a branch of ING-DiBa AG	Euro	2023	36,329	27,781	31,834
Intesa Sanpaolo S.p.A. ^{1, 2}	Euro	2034	33,224	-	-
Citibank Europe plc ¹	Euro	2023	33,058	29,491	33,792
PJSC Sberbank	Russian Ruble	2025	33,019	-	-
PJSC Sberbank	Euro	2023	31,470	33,698	29,876
Credit Agricole CIB	Euro	2022	27,424	34,945	56,070
JSC ALFA-BANK	US dollar	2023	26,971	22,607	27,803
Bank of China Limited, London branch	Euro	2021	26,212	60,128	114,817
PJSC Sberbank	Euro	2022	22,168	16,952	19,149
UniCredit S.p.A.	Euro	2025	21,988	5,684	8,263
PJSC Sberbank ^{1, 2}	Euro r	2034	18,140	-	-
PJSC VTB Bank	Euro	2022	18,136	13,868	-
VTB Bank (Europe) SE	Euro	2027	17,698	15,616	20,280
Gazprombank (Joint-stock Company)	Russian Ruble	2022	15,111	22,700	-
BANK ROSSIYA	Russian Ruble	2022	15,000	15,000	15,281
PJSC CREDIT BANK OF MOSCOW	Russian Ruble	2024	15,000	15,000	-
PJSC CREDIT BANK OF MOSCOW	Russian Ruble	2025	15,000	-	-
PJSC VTB Bank	Russian Ruble	2028	14,802	-	-
Gazprombank (Joint-stock Company)	Russian Ruble	2025	12,750	15,000	15,000
Intesa Sanpaolo S.p.A., London branch ^{1, 2}	Euro	2036	11,549	-	-
Deutsche Bank Luxembourg S.A.	Euro	2022	9,797	11,772	15,943
BNP Paribas S.A. ¹	Euro	2022	7,408	8,499	12,986
UniCredit Bank Austria AG	Euro	2021	4,890	11,219	21,429
Intesa Sanpaolo Bank Luxembourg S.A. ¹	Euro	2020	-	154,984	-
PJSC Sberbank	Russian Ruble	2020	-	30,084	-
China Construction Bank Corporation, Beijing branch ¹	US dollar	2020	-	27,205	61,151
UniCredit S.p.A. ¹	Euro	2020	-	24,403	6,339
Gazprombank (Joint-stock Company)	Russian Ruble	2020	-	19,450	-
J.P.Morgan Europe Limited ¹	Euro	2020	-	18,507	42,416
Gazprombank (Joint-stock Company)	Russian Ruble	2020	-	15,000	15,000
JSC ALFA-BANK	Russian Ruble	2020	-	10,073	10,007
PJSC Promsvyazbank	Russian Ruble	2020	-	10,039	-
Gazprombank (Joint-stock Company)	US dollar	2019	-	-	25,009
Gazprombank (Joint-stock Company)	US dollar	2019	-	-	22,925
PJSC Sberbank	Euro	2019	-	-	19,143
Mizuho Bank Ltd. ¹	US dollar	2019	-	-	17,339
Other	Various	Various	460,084	429,953	453,561
Total, including			2,020,887	1,625,177	1,517,749
due within one year, including current portion of long-term borrowings			328,089	460,978	281,011

¹ Loans received from consortiums of banks, named lender is the bank-agent.

² The loan received to finance the Amur gas processing plant construction.

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15. Borrowings (continued)

Long-term foreign currency denominated borrowings had fixed interest rates ranging from 1.79 % to 8.87 % and from 2.00 % to 9.50 % in 2020 and 2019, respectively. Also in 2020 and 2019 long-term foreign currency denominated borrowings had variable interest rates generally linked to LIBOR and EURIBOR.

Long-term borrowings denominated in Russian Rubles had fixed interest rates ranging from 5.25 % to 10.25 % and from 6.25 % to 12.55 % in 2020 and 2019, respectively.

Short-term foreign currency denominated borrowings had fixed interest rates ranging from 0.00 % to 3.10 % and from 6.00 % to 8.00 % in 2020 and 2019, respectively. Also in 2020 and 2019 short-term foreign currency denominated borrowings had variable interest rates linked to EURIBOR and LIBOR.

Short-term borrowings denominated in Russian Rubles had fixed interest rates ranging from 2.00 % to 9.00 % and from 6.50 % to 10.00 % in 2020 and 2019, respectively.

Loans

Borrowing / Creditors	Currency	Final maturity	As of 31 December 2020	As of 31 December 2019	As of 31 December 2018
Loan participation notes issued in February 2020 ¹	US dollar	2030	149,432	-	-
Loan participation notes issued in September 2012 ²	US dollar	2022	112,174	93,999	105,485
Loan participation notes issued in November 2013 ²	US dollar	2023	111,423	93,370	104,779
Loan participation notes issued in March 2007 ³	US dollar	2022	98,018	82,136	92,174
Loan participation notes issued in August 2007 ³	US dollar	2037	94,868	79,497	89,212
Loan participation notes issued in February 2019 ³	US dollar	2026	94,194	78,932	-
Loan participation notes issued in November 2018 ³	Euro	2024	93,189	71,257	79,756
Loan participation notes issued in April 2020 ¹	Euro	2025	92,595	-	-
Loan participation notes issued in November 2016 ³	Euro	2023	91,032	69,607	79,767
Loan participation notes issued in April 2004 ³	US dollar	2034	89,988	75,407	84,622
Loan participation notes issued in April 2017 ^{3,4}	British Pound Sterling	2024	89,584	68,501	78,498
Loan participation notes issued in July 2012 ³	US dollar	2022	75,521	63,285	71,018
Loan participation notes issued in June 2020 ¹	US dollar	2027	73,888	-	-
Loan participation notes issued in February 2014 ³	Euro	2021	70,086	53,590	61,412
Loan participation notes issued in March 2018 ³	Euro	2026	69,344	53,021	60,763
Loan participation notes issued in November 2017 ³	Euro	2024	68,180	52,133	59,742
Loan participation notes issued in February 2013 ³	US dollar	2028	67,814	56,826	63,770
Loan participation notes issued in March 2018 ³	Swiss Franc	2023	63,379	48,270	53,563
Loan participation notes issued in March 2017 ³	US dollar	2027	56,153	47,055	52,805
Loan participation notes issued in March 2013 ³	Euro	2025	46,892	35,853	41,089
Shell Exploration and Production (LXXI) B.V. ⁵	Euro	2034	46,738	32,378	-
Uniper Gas Transportation and Finance B.V. ⁵	Euro	2034	46,738	32,378	-
OMV Gas Marketing Trading & Finance B.V. ⁵	Euro	2034	46,738	32,378	-
Wintershall Nederland Transport and Trading B.V. ⁵	Euro	2034	46,738	32,378	-

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15. Borrowings (continued)

Borrowing / Creditors	Currency	Final maturity	As of 31 December 2020	As of 31 December 2019	As of 31 December 2018
Engie Energy Management Holding Switzerland AG ⁵	Euro	2034	46,737	32,378	-
Loan issued in December 2018 ⁶	Japanese yen	2028	46,486	36,870	40,963
Loan participation notes issued in November 2011 ³	US dollar	2021	45,493	38,122	42,780
Loan participation notes issued in November 2016 ^{3, 4}	Swiss Franc	2021	42,386	32,411	37,141
Loan participation notes issued in July 2017 ^{3, 4}	Swiss Franc	2022	41,618	31,824	36,468
Wintershall Nederland Transport and Trading B.V. ⁵	Euro	2035	39,843	26,775	26,978
Uniper Gas Transportation and Finance B.V. ⁵	Euro	2035	39,842	26,775	26,978
OMV Gas Marketing Trading & Finance B.V. ⁵	Euro	2035	39,839	26,773	26,975
Shell Exploration and Production (LXXI) B.V. ⁵	Euro	2035	39,839	26,773	26,975
Engie Energy Management Holding Switzerland AG ⁵	Euro	2035	39,839	26,773	26,975
Russian bonds issued in December 2020 ⁷	Russian Ruble	2023	27,049	-	-
Russian bonds issued in March 2018 ²	Russian Ruble	2024	25,552	25,542	25,538
Russian bonds issued in October 2017 ²	Russian Ruble	2022	25,392	25,382	25,376
Russian bonds issued in November 2019 ²	Russian Ruble	2024	25,239	25,230	-
Russian bonds issued in December 2019 ²	Russian Ruble	2029	20,051	20,043	-
Russian bonds issued in December 2020 ²	Russian Ruble	2024	20,016	-	-
Russian bonds issued in June 2019 ⁸	Russian Ruble	2024	15,542	15,535	-
Russian bonds issued in July 2018 ⁹	Russian Ruble	2048	15,519	15,513	15,509
Russian bonds issued in July 2018 ⁹	Russian Ruble	2048	15,519	15,513	15,509
Russian bonds issued in February 2017 ⁸	Russian Ruble	2027	15,516	15,508	15,505
Russian bonds issued in February 2017 ⁸	Russian Ruble	2027	15,516	15,508	15,505
Russian bonds issued in August 2017 ²	Russian Ruble	2024	15,505	15,498	15,495
Russian bonds issued in April 2017 ²	Russian Ruble	2022	15,304	15,297	15,293
Russian bonds issued in June 2019 ⁸	Russian Ruble	2022	15,095	15,089	-
Russian bonds issued in November 2013 ⁹	Russian Ruble	2043	15,088	15,081	15,074
Russian bonds issued in November 2013 ⁹	Russian Ruble	2043	15,088	15,081	15,074
Russian bonds issued in June 2020 ⁸	Russian Ruble	2027	15,075	-	-
Russian bonds issued in June 2020 ⁸	Russian Ruble	2027	15,073	-	-
Russian bonds issued in July 2018 ⁹	Russian Ruble	2033	10,346	10,342	10,340
Russian bonds issued in August 2016 ²	Russian Ruble	2046	10,330	10,324	10,322
Russian bonds issued in February 2011 ²	Russian Ruble	2021	10,325	10,321	10,319
Russian bonds issued in February 2018 ⁸	Russian Ruble	2028	10,251	10,247	10,245
Russian bonds issued in February 2018 ⁸	Russian Ruble	2028	10,251	10,247	10,245

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15. Borrowings (continued)

Borrowing / Creditors	Currency	Final maturity	As of 31 December 2020	As of 31 December 2019	As of 31 December 2018
Russian bonds issued in February 2020 ²	Russian Ruble	2025	10,059	-	-
Russian bonds issued in December 2017 ²	Russian Ruble	2024	10,030	10,025	10,023
JSC Tomskneft VNC	Russian Ruble	2025	9,017	16,124	9,955
Russian bonds issued in June 2016 ²	Russian Ruble	2046	1,185	1,185	10,067
Loan participation notes issued in March 2013 ³	Euro	2020	-	71,183	81,578
Loan participation notes issued in February 2013 ³	US dollar	2020	-	50,293	56,438
Loan participation notes issued in September 2013 ^{3,4}	British Pound Sterling	2020	-	41,937	48,058
Russian bonds issued in April 2009 ³	US dollar	2019	-	-	159,040
Loan participation notes issued in October 2013 ³	Swiss Franc	2019	-	-	35,474
Wintershall Nederland Transport and Trading B.V. ⁵	Euro	2019	-	-	26,245
OMV Gas Marketing Trading & Finance B.V. ⁵	Euro	2019	-	-	26,245
Shell Exploration and Production (LXXI) B.V. ⁵	Euro	2019	-	-	26,245
Uniper Gas Transportation and Finance B.V. ⁵	Euro	2019	-	-	26,245
Engie Energy Management Holding Switzerland AG ⁵	Euro	2019	-	-	26,243
Other loans	Various	Various	<u>193,334</u>	<u>191,102</u>	<u>109,783</u>
Total, including			2,918,895	2,240,875	2,347,676
due within one year, including current portion of long-term borrowings			373,722	330,834	297,849

¹ The issuer of these bonds is Gaz Finance Plc. The bonds were issued under EUR 30,000 million Programme for the Issuance of Loan Participation Notes.

² Issuer of these bonds is PJSC Gazprom Neft.

³ Issuer of these bonds is Gaz Capital S.A. Bonds were issued under USD 40,000 million Programme for the Issuance of Loan Participation Notes.

⁴ According to the signed agreements between the bond issuer Gas Capital S.A. and the banks, settlements for the bonds are made in Euro (up to achieve of a coefficient based on the ratio of exchange rates set in the agreements).

⁵ Borrowings were obtained for financing of the Nord Stream 2 project.

⁶ Issuer of these bonds is GazAsia Capital S.A.

⁷ Issuer of these bonds is PJSC WGC-2.

⁸ Issuer of these bonds is Gazprom Capital LLC.

⁹ Issuer of these bonds is PJSC Gazprom.

As of 31 December 2020 and 31 December 2019 according to the agreements signed within the framework of financing the Nord Stream 2 project with Wintershall Nederland Transport and Trading B.V., OMV Gas Marketing Trading & Finance B.V., Shell Exploration and Production (LXXI) B.V., Engie Energy Management Holding Switzerland AG, Uniper Gas Transportation and Finance B.V., 100 % of shares of Nord Stream 2 AG were pledged until a full settlement of the secured obligations.

As of 31 December 2020 according to the agreements signed in December 2019 within the framework of financing the construction of the Amur gas processing plant, 99.99 % of interest in the charter capital of LLC Gazprom pererabotka Blagoveshchensk (a subsidiary) was pledged until a full settlement of the secured obligations. As of 31 December 2020 the secured obligations to agent banks China Construction Bank Corporation, Beijing branch, ING Bank N.V., Intesa Sanpaolo S.p.A., London branch, Intesa Sanpaolo S.p.A., PJSC Sberbank and Gazprombank (Joint-Stock Company) amounted to RUB 471,558 million. No borrowings were made as of 31 December 2019.

Under the terms of the Russian bonds with the nominal value of RUB 25,000 million issued by PJSC Gazprom Neft in November 2019 and due in 2024 the issuer can execute the right of early redemption in November 2021.

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15. Borrowings (continued)

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

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

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

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

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

Under the terms of the Russian bonds with the nominal value of RUB 15,000 million issued by PJSC Gazprom Neft in August 2016 and due in 2046 bondholders can execute the right of early redemption in August 2021 at par, including interest accrued.

Fixed interest rates on long-term foreign currency denominated loans ranged from 1.01 % to 13.30 % in 2020 and 2019, respectively.

Fixed interest rates on long-term loans denominated in Russian Rubles ranged from 4.50% to 9.40% and from 4.00 % to 12.00 % in 2020 and 2019, respectively.

Fixed interest rates on short-term loans denominated in Russian Rubles ranged from 5.45 % to 12.00 % and from 5.45 % to 12.50 % in 2020 and 2019, respectively.

16. Taxation

Profit tax

In accordance with RAR 18/02 “Accounting for Corporate Profit Tax Payments”, the Group has reflected the following indicators in the Consolidated Balance Sheet, as well as in the Consolidated Statement of Financial Results for 2020:

	For 2020	For 2019
(Loss) profit before profit tax	(420,155)	997,451
Theoretical tax charge calculated at applicable tax rates	83,344	(192,350)
Permanent income (expense) tax	(77,970)	(674,587)
Profit (loss) tax, including:	69,067	(247,423)
current profit tax	(74,660)	(324,805)
deferred profit tax ¹	141,926	76,476
previous years' profit tax	1,801	906

¹ Deferred income tax is due to the occurrence (repayment) of temporary differences in the reporting period. The tax effect of the movement in temporary differences is recorded at the applicable statutory rates with the prevailing rate of 20 % in the Russian Federation.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2020
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17.

Sales

	For 2020	For 2019
Gas sales (net of VAT, excise tax and other similar mandatory payments)		
Russian Federation	913,702	939,841
Former Soviet Union countries (excluding Russian Federation)	295,303	356,124
Europe and other countries	<u>1,849,572</u>	<u>2,528,680</u>
Total sales of gas	3,058,577	3,824,645
Sales of refined products (net of VAT and other similar mandatory payments)		
Russian Federation	1,222,111	1,354,524
Former Soviet Union countries (excluding Russian Federation)	107,167	126,311
Europe and other countries	<u>469,373</u>	<u>629,644</u>
Total sales of refined products	1,798,651	2,110,479
Sales of crude oil and gas condensate (net of VAT and other similar mandatory payments)		
Russian Federation	123,217	172,055
Former Soviet Union countries (excluding Russian Federation)	18,841	41,064
Europe and other countries	<u>420,989</u>	<u>648,752</u>
Total sales of crude oil and gas condensate	563,047	861,871
Sales of electric and heat energy (net of VAT)		
Russian Federation	466,638	494,577
Former Soviet Union countries (excluding Russian Federation)	4,199	3,345
Europe and other countries	<u>27,580</u>	<u>19,448</u>
Total sales of electric and heat energy	498,417	517,370
Sales of gas transportation services (net of VAT)		
Russian Federation	175,847	166,846
Former Soviet Union countries (excluding Russian Federation)	2,875	2,690
Europe and other countries	<u>925</u>	<u>1</u>
Total sales of gas transportation services	179,647	169,537
Other sales (net of VAT)		
Russian Federation	293,459	284,447
Former Soviet Union countries (excluding Russian Federation)	7,275	7,500
Europe and other countries	<u>31,827</u>	<u>37,480</u>
Total other sales	332,561	329,427
Total	6,430,900	7,813,329

Sales of gas decreased by 20 % in 2020 compared to 2019. This change was mainly due to the decrease in average prices and volumes on gas sales to customers in Europe and other countries.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2020
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18. Cost of Sales, Commercial and Administrative Expenses

	For 2020	For 2019
Taxes included in cost of sales	1,179,888	1,303,732
Depreciation and amortisation	1,084,530	1,036,553
Staff costs and social expenses	743,988	687,966
Transit costs for gas, oil and refined products	668,092	677,315
Purchased gas	596,977	817,259
Purchased oil	460,981	745,432
Materials	256,362	269,764
Cost of goods for resale	250,548	315,010
Repairs and maintenance	154,993	151,849
Energy	110,782	116,725
Rent, lease payments	53,882	54,054
Insurance	39,804	44,740
Other	398,950	406,093
Changes in balances of finished goods, work in progress and other effects	<u>32,094</u>	<u>(122,397)</u>
Total cost of goods sold, products, works and services, commercial and administrative expenses	6,031,871	6,504,095

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

Mineral Extraction Tax within the line “Taxes included in cost of sales” amounted to RUB 749,112 million and RUB 1,022,547 million for 2020 and 2019, respectively.

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

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2020
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19. Other Income and Expenses

Note	For 2020		For 2019	
	Income	Expenses	Income	Expenses
	3,924,827	3,893,478	4,916,515	4,941,472
	1,432,163	1,801,618	826,468	723,671
	-	150,885	-	67,441
24	-	121,077	-	182,427
5	-	63,637	-	62,930
	51,114	47,941	76,800	70,778
	-	40,401	-	40,254
	24,453	33,323	26,216	61,385
	37,510	25,824	7,919	9,723
	1,669	18,408	23,187	927
	-	6,098	-	9,429
	-	4,178	-	5,905
	10,052	4,072	8,445	18,145
	5,205	3,711	3,688	2,638
	-	3,653	-	13,392
	2,026	3,174	1,382	2,755
	2,183	1,700	741	1,037
	1,599	1,595	6,045	6,138
Other	64,850	230,312	104,611	284,757
Total	5,557,651	6,455,085	6,002,017	6,505,204

The Group recognised provision regarding possible gas price adjustment derived from the claims of foreign customers based on the contract terms. The provisions as of 31 December 2020, 2019 and 2018 in the amount of RUB 40,692 million, RUB 93,542 million and RUB 33,228 million respectively did not include possible correction of customs duties accrued formerly (see Note 24).

The line "Profits and losses of previous years identified in the reporting year" for 2020 includes positive effect of corrections regarding gas price adjustments in the amount of RUB 5,945 million. For 2019 positive effect of corrections regarding gas price adjustments was RUB 9,131 million. These corrections refer to the price adjustments of gas delivered in previous periods for which adjustments were agreed in 2020 and 2019, respectively.

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

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20. Consolidated Subsidiaries and Associates

Principal subsidiaries as of 31 December 2020

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

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20. Consolidated Subsidiaries and Associates (continued)

Company	Ownership interest, %¹	Type of activity	Location
LLC Gazprom PKhG	100	Gas storage	Russia
Gazprom Sakhalin Holdings B.V.	100	Foreign investing	Netherlands
		Contractor's function for the construction of non-production facilities	
LLC Gazprom sotsinvest	100		Russia
JSC Gazprom teploenergo	100	Generation of heat power, real estate rental operations	Russia
OJSC Gazprom transgaz Belarus	100	Transportation and gas distribution	Belorussia
LLC Gazprom transgaz Volgograd	100	Gas transportation	Russia
LLC Gazprom transgaz Ekaterinburg	100	Gas transportation	Russia
LLC Gazprom transgaz Kazan	100	Gas transportation	Russia
LLC Gazprom transgaz Krasnodar	100	Gas transportation	Russia
LLC Gazprom transgaz Moskva	100	Gas transportation	Russia
LLC Gazprom transgaz Nizhny Novgorod	100	Gas transportation	Russia
LLC Gazprom transgaz Samara	100	Gas transportation	Russia
LLC Gazprom transgaz Sankt-Peterburg	100	Gas transportation	Russia
LLC Gazprom transgaz Saratov	100	Gas transportation	Russia
LLC Gazprom transgaz Stavropol	100	Gas transportation	Russia
LLC Gazprom transgaz Surgut	100	Gas transportation	Russia
LLC Gazprom transgaz Tomsk	100	Gas transportation	Russia
LLC Gazprom transgaz Ufa	100	Gas transportation	Russia
LLC Gazprom transgaz Ukhta	100	Gas transportation	Russia
LLC Gazprom transgaz Tchaikovsky	100	Gas transportation	Russia
LLC Gazprom transgaz Yugorsk	100	Gas transportation	Russia
Gazprom Finance B.V.	100	Investing	Netherlands
		Development of gas and oil fields on the continental shelf and ships management	
LLC Gazprom flot	100		Russia
Gazprom Holding Cooperatie U.A.	100	Investing, asset management	Netherlands
		Agency services on technical maintenance and repairs	
LLC Gazprom tsentrremont	100		Russia
GAZPROM Schweiz AG	100	Gas sales	Switzerland
LLC Gazprom export	100	Foreign trade	Russia
JSC Gazprom energosbyt ²	81	Sales of electric energy	Russia
LLC Gazprom energoholding	100	Investing, asset management	Russia
Gazprom EP International B.V.	100	Investing, asset management	Netherlands
JSC Gazprom YRGM Development ²	100	Raw hydrocarbons sales	Russia
JSC Gazprom YRGM Trading ²	100	Raw hydrocarbons sales	Russia
LLC Gazpromneft Marine Bunker	100	Oil products trading	Russia
JSC Gazpromneft-Aero	100	Oil products trading	Russia
LLC Gazpromneft-Aero Sheremetyevo	100	Aviation fuel supply	Russia
		Production and sales of bitumen materials	
LLC Gazpromneft-Bitumen Materials	100		Russia
LLC Gazpromneft-Vostok	51	Oil and gas production	Russia
LLC Gazpromneft Corporate Sales	100	Oil products trading	Russia
		Processing and sales of refined products	
JSC Gazpromneft - MNPZ	100		Russia
JSC Gazpromneft-Noyabrskneftegaz	100	Oil and gas production	Russia
JSC Gazpromneft - ONPZ	100	Processing of oil	Russia
		Production and sales of oil and petroleum gas	
LLC Gazpromneft-Orenburg	100		Russia
LLC Gazprom Neft Development	100	Exploratory drilling	Russia
LLC Gazpromneft Regional Sales	100	Oil products trading	Russia
LLC Gazpromneft-Lubricants	100	Production and sales of lubricants	Russia
LLC Gazpromneft-Khantos	100	Oil and gas production	Russia
LLC Gazpromneft-Centr	100	Oil products trading	Russia
LLC Gazpromneft-Yamal	100	Oil and associate gas production	Russia

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20. Consolidated Subsidiaries and Associates (continued)

Company	Ownership interest, %¹	Type of activity	Location
LLC Gazpromtrans	100	Forwarding services	Russia
OJSC Gazpromtrubinvest	100	Production and sales of pipes	Russia
Gazfin Cyprus Limited	100	Investing	Cyprus
LLC GPN-Invest	100	Investing	Russia
LLC GPN-Finans	100	Investing	Russia
		Generation of electric and heat power, electric power supply services	
PJSC Mosenergo ²	54		Russia
		Generation, purchase and supply of heat energy	
PJSC MIPC ²	99		Russia
		Production and processing of oil, sales of refined products	
Naftna Industrija Srbije a.d.	56		Serbia
		Design, construction and operation of off-shore pipelines	
Nord Stream 2 AG	100		Switzerland
		Generation and sales of electric and heat energy	
PJSC WGC-2 ²	79		Russia
South Stream Transport B.V.	100	Construction, gas transportation	Netherlands
		Production, processing and sales of gas and gas condensate	
OJSC Severneftegazprom ²	50		Russia
		Generation and sales of electric and heat energy	
PJSC TGC-1	52		Russia
LLC Faktoring-Finance	100	Investing	Russia
PJSC Centerenergoholding	100	Investing	Russia

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

² Share in voting shares.

Significant associates as of 31 December 2020

Company	Ownership interest, %¹	Type of activity	Location
JSC Arcticgas	50	Production of oil and petroleum gas	Russia
		Exploration and production of gas and gas condensate	
JSC Achimgaz	50		Russia
Blue Stream Pipeline Company B.V.	50	Gas transportation	Netherlands
WIGA Transport Beteiligungs-GmbH & Co. KG	49.98	Gas transportation	Germany
Wintershall AG	49	Production of oil and gas sales	Germany
Gaz Project Development Central Asia AG	50	Gas production	Switzerland
Gazprombank (Joint-stock Company) ²	49.88	Banking	Russia
		Customer's and contractor's functions under construction contracts	
JSC Gazstroyprom	49		Russia
JSC NPF GAZFOND	42	Non-state pension provision	Russia
JSC EUROPOL GAZ	48	Transportation and gas sales	Poland
		Gas processing and sales of gas and refined products	
KazRosGas LLP	50		Kazakhstan
JSC Latvijas Gaze	34	Sale and distribution of gas	Latvia
JSC Messoyakhaneftegaz	50	Production of oil and petroleum gas	Russia
JSV Moldovagaz	50	Transportation and gas sales	Moldova
Nord Stream AG ³	51	Gas transportation	Switzerland
		Production and sales of gas and gas condensate	
CJSC Northgas	50		Russia
Panrusgas Co.	40	Gas sales	Hungary
Prometheus Gas S.A.	50	Gas sales, construction	Greece
Salyem Petroleum Development N.V.	50	Production of oil	Netherlands
			Bermuda
Sakhalin Energy Investment Company Ltd.	50	Production of oil, LNG	Islands

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20. Consolidated Subsidiaries and Associates (continued)

Company	Ownership interest, %¹	Type of activity	Location
PJSC NGK Slavneft	49.88	Production, processing and sales of oil	Russia
JSC Tomskneft VNK	50	Production of oil	Russia
LLC Yuzhno-Priobsky GPZ	50	Processing of petroleum gas	Russia

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

² Share in voting shares.

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

21. Related Parties Operations

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

Associates and other major related parties

In 2020 and 2019 the Group had following operations with major associates and other related parties:

	For 2020	For 2019
Revenue (net of VAT and other similar mandatory payments)		
Gas sales		
Panrusgas Co.	25,724	44,099
JSV Moldovagaz	24,179	29,937
JSC Latvijas Gaze	6,708	8,972
Prometheus Gas S.A.	3,740	8,554
JSC EUROPOL GAZ	2,312	2,494
KazRosGas LLP	-	17,441
VEMEX s.r.o. and its subsidiaries	-	561
Gas transportation services		
KazRosGas LLP	2,874	2,689
Crude oil, gas condensate and refined products sales		
PJSC NGK Slavneft and its subsidiaries	17,787	38,479
LLC NPP Neftekhimia	4,080	4,538
LLC Poliom	3,717	4,050
JSC SOVEX	2,635	6,553
Sakhalin Energy Investment Company Ltd.	2,326	3,648
Operator services sales and other services sales		
JSC Messoyakhaneftegaz	3,865	3,467
PJSC NGK Slavneft and its subsidiaries	3,491	2,725
Sakhalin Energy Investment Company Ltd.	1,774	1,521
Gas refining services		
KazRosGas LLP	10,865	10,993
Interest income		
Gazprombank (Joint-stock Company) and its subsidiaries	23,558	45,922
Other income (rental income)		
Sakhalin Energy Investment Company Ltd.	733	775

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21. Related Parties Operations (continued)

	For 2020	For 2019
Purchases		
Gas purchases		
JSC Arcticgas	35,906	31,771
KazRosGas LLP	9,032	37,384
Sakhalin Energy Investment Company Ltd.	8,730	15,249
CJSC Northgas	5,261	6,246
JSC Tomskneft VNK and its subsidiaries	1,261	1,248
Gas transportation services		
Nord Stream AG	90,577	77,433
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	45,735	34,493
JSC EUROPOL GAZ	4,838	12,933
Blue Stream Pipeline Company B.V.	3,779	3,417
JSV Moldovagaz	197	1,849
Oil and refined products purchases		
PJSC NGK Slavneft and its subsidiaries	82,730	159,302
JSC Messoyakhaneftegaz	48,701	70,620
Salym Petroleum Development N.V.	42,416	62,685
JSC Tomskneft VNK and its subsidiaries	39,752	82,823
JSC Arcticgas	4,395	6,728
KazRosGas LLP	2,149	2,933
Sakhalin Energy Investment Company Ltd.	2,097	6,620
Purchased services of gas and gas condensate products		
JSC Achimgaz	37,687	47,352
Purchased refining services		
PJSC NGK Slavneft and its subsidiaries	14,642	15,524
Purchased transit of crude oil and oil refinery products		
JSC Messoyakhaneftegaz	7,651	6,861
PJSC NGK Slavneft and its subsidiaries	5,821	4,753
Interest expense		
Gazprombank (Joint-stock Company) and its subsidiaries	11,235	11,890
Pension fund contributions		
JSC NPF GAZFOND	10,470	21,868

Under the agreement of subordinated loan the Group provided cash to Gazprombank (Joint-stock Company) in the amount of RUB 40,000 million and RUB 90,000 for 2020 and 2019 respectively.

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

The following balances of accounts receivable and accounts payable with major associates and other related parties were recorded on the consolidated balance sheet of the Group as of 31 December 2020, 2019 and 2018:

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Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2020
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21. Related Parties Operations (continued)

	As of 31 December 2020	As of 31 December 2019	As of 31 December 2018
Accounts receivable			
Accounts receivable (payment expected within 12 months after the reporting date)			
JSC Gazstroypprom	160,049	39,884	46,746
Gazprombank (Joint-stock Company)	33,840	13,976	14,774
Overgas Inc. AD	8,286	-	-
Panrusgas Co.	4,504	3,566	5,990
PJSC NGK Slavneft and its subsidiaries	3,450	5,580	4,929
Sakhalin Energy Investment Company Ltd.	2,484	1,592	1,450
KazRosGas LLP	1,579	6,233	2,186
LLC National Petroleum Consortium	1,487	1,324	-
JSC Messoyakhaneftegaz	747	1,022	1,080
Prometheus Gas S.A.	563	478	1,468
Blue Stream Pipeline Company B.V.	317	1,937	1,321
JSC Arcticgas	87	615	116
Other non-current assets			
JSC Gazstroypprom	107,950	47,756	-
Accounts receivable (payment expected beyond 12 months after the reporting date)			
JSC Gazstroypprom	8,814	6,006	-
TurkAkim Gaz Tasima A.S.	1,111	-	-
Other long-term financial investments			
Gazprombank (Joint-stock Company)	-	1,238	-
Other short-term financial investments			
Gazprombank (Joint-stock Company) and its subsidiaries	2,290	612,352	705,968
OJSC Belgazprombank	16	2,444	11,610
Cash balances			
Gazprombank (Joint-stock Company) and its subsidiaries	457,123	359,882	453,019
OJSC Belgazprombank	29	15,621	14,446
Accounts payable			
Short-term accounts payable			
JSC Gazstroypprom	57,618	26,794	950
PJSC NGK Slavneft and its subsidiaries	53,286	103,617	52,601
JSC Messoyakhaneftegaz	33,670	41,882	35,371
Nord Stream AG	8,139	6,200	7,100
JSC Achimgaz	5,476	4,668	5,054
Salym Petroleum Development N.V.	4,413	7,002	4,414
JSC Tomskneft VNK	3,658	1,000	668
JSC Arcticgas	3,367	2,023	403
LLC Yuzhno-Priobsky GPZ	3,223	2,777	2,451
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	1,487	1,020	2,345
TurkAkim Gaz Tasima A.S.	1,438	-	-
Sakhalin Energy Investment Company Ltd.	864	1,037	4,746
KazRosGas LLP	133	4,087	2,362
JSC EUROPOL GAZ	-	1,528	2,258

Accounts receivable for gas due from Overgas Inc. AD are RUB 7,770 million as of 31 December 2020, 2019, 2018 net of bad debt allowance in the amount of RUB nil million, RUB 6,511 million and RUB 7,307 million as of 31 December 2020, 2019 and 2018, respectively.

Accounts receivable due from JSV Moldovagaz are RUB nil million as of 31 December 2020, 2019 and 2018 net of bad debt allowance in the amount of RUB 524,138 million, RUB 427,772 million and RUB 447,174 million as of 31 December 2020, 2019 and 2018, respectively.

Loans issued to major associates and promissory notes received from major associates as of 31 December 2020, 2019 and 2018 are presented as follows:

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21. Related Parties Operations (continued)

	As of 31 December 2020	As of 31 December 2019	As of 31 December 2018
Loans and promissory notes due for repayment beyond 12 months after the reporting date			
JSC Gazstroyprom	100,430	135,479	-
TurkAkim Gaz Tasima A.S.	27,653	21,558	-
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	18,129	13,863	15,886
Erdgasspeicher Peissen GmbH	9,612	7,350	8,423
JSC Evroteck-Yugra	3,753	2,648	2,364
OJSC Belgazprombank	2,479	2,479	2,479
CJSC Khanty-Mansiysk petroleum alliance	-	1,000	914
JSC Sibgazpolymer	-	5,214	353
Wintershall Noordzee B.V.	-	-	3,897
Loans and promissory notes due for repayment within 12 months after the reporting date			
Gazprombank (Joint-stock Company)	-	23,814	30
Wintershall Noordzee B.V.	-	4,312	-

Loans received from major associates as of 31 December 2020, 2019 and 2018 are presented as follows:

	As of 31 December 2020	As of 31 December 2019	As of 31 December 2018
Borrowings due for repayment beyond 12 months after the reporting date			
Gazprombank (Joint-stock Company)	185,956	181,700	37,905
Borrowings due for repayment within 12 months after the reporting date (including current portion of long-term liabilities)			
WIGA Transport Beteiligungs-GmbH & Co. KG	27,918	-	-
JSC Tomskneft VNK	9,017	16,124	9,955
Gazprombank (Joint-stock Company) and its subsidiaries	7,109	81,406	55,475
JSC Gazstroyprom	5,549	-	-

Borrowings from Gazprombank (Joint-stock company) were obtained on terms not substantially different from those on financial instruments with similar characteristics and are subject to influence of changes in economic or other factors. The amount of secured borrowings was RUB nil million as of 31 December 2020, 31 December 2019 and 31 December 2018.

The Group received loans and borrowings from its major associates in Russian Rubles at rates ranging from 2.00 % to 9.00 % in 2020. The similar rates ranging in 2019 was from 6.25 % to 8.80 %.

In 2020, the Group received loans nominated in foreign currency from its affiliates from 0.00 % to 1.40 %. In 2019, the Group received foreign currency loans at the rate of 1.40 %.

Information on the acquisition of JSC REPH from Gazprombank (Joint-stock Company) is disclosed in Note 23.

Information on financial guarantees issued by the Group for associates is disclosed in Note 24.

Under the loan facility agreements concluded in 2019-2020 the Group has commitments to provide loans to JSC Gazstroyprom to repay its loan liability towards the bank in case of late payment. As of 31 December 2020 the limit of loan facilities according to the concluded agreements amounted to RUB 297,002 million (RUB 60,000 million with the loan facilities valid until 29 November 2022, RUB 40,000 million – until 15 December 2022, RUB 197,002 million – until 31 December 2027) and as of 31 December 2019 – RUB 106,500 million with the loan facilities valid until 31 December 2027. As of 31 December 2020 and 31 December 2019 the Group did not provide loans. The loan commitments of the Group are limited by the loan liabilities of JSC Gazstroyprom to the bank.

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21. Related Parties Operations (continued)

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

Compensation to key management personnel

Key management personnel's (the members of the Board of Directors and the Management Committee of PJSC Gazprom) short-term compensation, including salary, bonuses and compensation for serving in the management bodies of PJSC Gazprom and its subsidiaries, amounted to RUB 3,026 million and RUB 3,180 million for 2020 and 2019, respectively.

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

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

PJSC Gazprom provides key management personnel with medical insurance and liability insurance. Voluntary medical insurance amounted to RUB 10 million for 2020 (RUB 11 million for 2019).

22. Earnings per Share

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

The weighted average number of ordinary shares outstanding, excluding the weighted average number of treasury shares, amounted to 23.6 billion and 22.5 billion shares for 2020 and 2019, respectively.

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

23. Acquisition of a Subsidiary

In December 2019 the Group acquired 100 % of ordinary shares of JSC REPH. Compensation payment amounted to RUB 10,000 million. Payment was made by cash. 25 % of ordinary shares of JSC REPH were acquired from JSC Gazprombank – Asset Management, a subsidiary of Gazprombank (Joint-stock Company), for RUB 2,500 million. An additional condition of the transaction was an obligation of the Group to obtain a loan from Gazprombank (Joint-stock Company) for a period of three years at an interest rate equal to the key rate of the Central Bank of the Russian Federation in the relevant period to repay loan liabilities of JSC REPH, which had not been fulfilled as of the acquisition date.

The aim of the acquisition of JSC REPH is to develop the production of equipment both for gas transmission systems (GTS), and for use in electric power entities and oil industry entities.

JSC REPH owns a number of subsidiaries (the "REPH Group"), the most significant of which is CJSC NZL.

The REPH Group's activities include design, development, manufacture, installation, sale, as well as after-sales and warranty services for turbocompressor and power equipment.

As a result of the transaction, goodwill was recognised in the amount of RUB 9,960 million (see Note 5).

At the acquisition date, the Group's total share in the share capital of JSC REPH was 100 %, and the Group's effective ownership interest was 72 %.

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24. Commitments and Contingencies

Provisions

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

	As of 31 December 2018	Accrued	Utilised	Recovered	As of 31 December 2019
Provision for annual performance bonus payments	46,675	69,043	(61,172)	(2,257)	52,289
Provision for vacations	35,144	67,298	(65,035)	(815)	36,592
Provision for retirement benefits payable as a lump sum	23,763	9,863	(6,945)	(1,041)	25,640
Provision for decommissioning and site restoration costs related to subsurface use	156,767	120,699	(1,344)	(4,236)	271,886
Other provisions, including: provisions regarding gas price adjustments	98,269	92,934	(12,743)	(22,198)	156,262
	<u>33,228</u>	<u>60,450</u>	<u>(136)</u>	<u>-</u>	<u>93,542</u>
Total, including:	360,618	359,837	(147,239)	(30,547)	542,669
with maturity up to one year	193,048	212,909	(146,418)	(24,027)	235,512

Post-employment benefit obligations

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

Guarantees issued

The following guarantees were issued by the Group to third parties on behalf of other entities:

	As of 31 December 2020	As of 31 December 2019	As of 31 December 2018
Guarantees issued for:			
Nord Stream AG	118,510	106,924	136,086
JSC Gazstroyprom	31,639	23,814	-
Sakhalin Energy Investment Company Ltd.	23,227	37,022	66,317
LLC Stroygazconsulting	-	-	87,094
Other	<u>87,786</u>	<u>51,332</u>	<u>31,171</u>
Total	261,162	219,092	320,668

In June 2008 the Group pledged the shares of Sakhalin Energy Investment Company Ltd. to the agent bank Mizuho Bank Ltd. under the loan obligations of Sakhalin Energy Investment Company Ltd. As of 31 December 2020, 2019 and 2018 the amount of Sakhalin Energy Investment Company Ltd. obligations up to the amount of the Group's share (50 %) amounted to RUB 23,227 million (USD 314 million), RUB 37,022 million (USD 598 million) and RUB 66,317 million (USD 955 million), respectively.

In March 2010 the Group pledged the shares of Nord Stream AG to the agent bank Societe Generale under the obligations of Nord Stream AG under the project financing agreement. As of 31 December 2020, 2019 and 2018 the amount of Nord Stream AG obligations up to the amount of the Group's share (51 %) amounted to RUB 118,510 million (EUR 1,307 million), RUB 106,924 million (EUR 1,542 million) and RUB 136,086 million (EUR 1,713 million), respectively.

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24. Commitments and Contingencies (continued)

Since December 2017 to January 2019 the Group provided guarantees to Gazprombank (Joint-stock Company) for LLC Stroygazconsulting under its loan obligations. As of 31 December 2020, 2019 and 2018 the guarantees amounted to RUB nil million, RUB nil million and RUB 87,094 million, respectively. In January 2019 the Group terminated guarantees provided to Gazprombank (Joint-stock Company) for LLC Stroygazconsulting under its loan obligations.

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

Legal Proceedings

On 15 October 2018 PGNiG S.A., Poland, filed a claim with the General Court of the European Union ("the EU") for cancellation of the decision of the European Commission on the pro-competition commitments which completed the antitrust investigation against alleged breach of the EU antitrust law by PJSC Gazprom and its subsidiary LLC Gazprom export within the activity in the EU member countries from Central and Eastern Europe. The pro-competition commitments came into effect on 28 May 2018 when PJSC Gazprom was officially served with the adopted decision. The decision on the pro-competition commitments was published by the European Commission on 17 July 2018. The proceedings related to the claim filed by PGNiG S.A. are under way.

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

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

These claims relate to issues covered by the European Commission investigation of PJSC Gazprom's and LLC Gazprom export's operation in the countries from Central and Eastern Europe, which formal phase was initiated in 2012 and finalised in 2018. On 17 April 2019 that complaint was rejected by the European Commission. In June 2019 PGNiG S.A. filed with the General Court of the EU a petition in respect of the rejection of that complaint by the European Commission. The proceedings related to the petition filed by PGNiG S.A. are under way.

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

On 31 July 2020 PJSC Gazprom received an official notice from Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) about the imposition of a fine of about EUR 50 million on PJSC Gazprom for the failure to provide the information requested earlier by Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) as part of the antitrust investigation. On 28 August 2020 PJSC Gazprom appealed to Poland's competent court against the decision of Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) to impose the fine on PJSC Gazprom. As the fine was appealed, it will not be subject to recovery until a respective court decision becomes effective.

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

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24. Commitments and Contingencies (continued)

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

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

On 25 July 2019 Nord Stream 2 AG, a subsidiary of the Group, filed with the General Court of the EU a petition to declare the amendments to the EU Third Gas Directive entered into force on 23 May 2019 concerning the regulation of gas transmission from third countries, including the Russian Federation, invalid and to annul them because of their discriminatory nature, an infringement of the principles of equal treatment and proportionality, misuse of powers, as well as breach of procedural requirements. On 20 May 2020 the General Court of the EU declared that the claim of Nord Stream 2 AG was inadmissible on procedural grounds. On 28 July 2020 Nord Stream 2 AG filed an appeal against the decision of the General Court of the EU dated 20 May 2020 to the Court of Justice.

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

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

On 15 June 2020 Nord Stream 2 AG appealed to the Higher Regional Court of Dusseldorf against the decision of the Federal Network Agency of the Federal Republic of Germany dated 15 May 2020 that had denied derogations from key provisions of the EU Third Gas Directive to the Nord Stream 2 project.

Sanctions

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

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

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

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24. Commitments and Contingencies (continued)

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

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

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

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

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

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

- 1) vessels that are engaged in pipe-laying at depths of 100 feet or more below sea level for the construction of the Nord Stream 2 and the TurkStream export pipelines (or any project that is a successor to either such project); and
- 2) foreign persons (both individuals and legal entities) that the U.S. Secretary of State (in consultation with the U.S. Secretary of the Treasury) believes to have knowingly sold, leased, or provided those vessels for the construction of such pipelines; or facilitated deceptive or structured transactions to provide those vessels for the construction of such gas pipelines.

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

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

The Act of 20 December 2019 states that authorisations to impose those sanctions shall terminate on the date that is five years after the date of the enactment of the Act of 20 December 2019. Imposed sanctions may

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24. Commitments and Contingencies (continued)

terminate earlier if the U.S. President provides to the Congress satisfactory evidence that the respective gas pipeline projects would not result in a decrease of more than 25 percent in the volume of Russian energy exports transiting through existing pipelines in other countries (particularly Ukraine) relative to the average monthly volume of Russian energy exports transiting through such pipelines in 2018.

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

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

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

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

On 15 April 2021 the U.S. President signed Executive Order No. 14024 on Blocking Property with Respect to Specified Harmful Foreign Activities of the Government of the Russian Federation (the “Executive Order of 15 April 2021”) that provides for an opportunity to impose new sanctions on Russia due to allegations related to a wide range of matters, including (a) efforts to interfere in democratic elections and processes in the U.S. and its allies and partners, (b) engaging in and facilitating malicious cyber-enabled activities against the U.S. and its allies and partners, (c) fostering and using transnational corruption to influence foreign governments, (d) pursuing extraterritorial activities targeting dissidents or journalists, (e) undermining security in countries and regions important to U.S. national security, (f) violating well-established principles of international law, including respect for the territorial integrity of states.

The Executive Order of 15 April 2021 provides for an opportunity to impose blocking sanctions (blocking sanctioned persons’ assets in the U.S., prohibiting U.S. persons from any dealings with such persons) and migration sanctions on a wide range of grounds. Sanctions may also be imposed on Russian persons that are responsible for, directly or indirectly engaged in or attempted to engage in, cutting or disrupting gas or energy supplies to Europe, the Caucasus, or Asia.

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

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

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

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

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24. Commitments and Contingencies (continued)

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

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

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

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

Canada and some other countries also imposed sanctions on some Russian individuals and legal entities, including PJSC Gazprom, PJSC Gazprom Neft and other oil and gas companies of the Russian Federation. Sanctions imposed by Canada prohibit any person in Canada and any Canadian citizen outside Canada to transact in, provide financing for, or otherwise deal in new debt of longer than 90 days' maturity for a number of Russian energy companies, including PJSC Gazprom and PJSC Gazprom Neft. Furthermore, there is an ongoing restriction imposed by Canada on the export, sale and delivery by persons in Canada and Canadian citizens outside Canada of certain goods to the Russian Federation or any person in the Russian Federation, if such goods are used for deep-water oil exploration (at a depth of more than 500 metres), for oil exploration or production in the Arctic, as well as shale oil exploration or production.

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

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. As of 31 December 2020 the relevant provisions of the legislation are interpreted correctly, and the position of the Group's, in terms of tax, currency and customs legislation, will be stable.

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

The management of the Group believes that the Group sets market prices in its transactions and internal controls procedures were introduced to comply with tax legislative requirements on transfer pricing.

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

25. Economic Environment in the Russian Federation

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

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

The spread of COVID-19, which occurred after 31 December 2019, has had a material adverse effect on the world economy. Measures taken to combat the spread of the virus have caused material economic downturn. Global oil and gas markets are experiencing high volatility of demand and prices.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2020
(in millions of Russian Rubles)

25. Economic Environment in the Russian Federation (continued)

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

26. Operating Risks

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

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

27. Post Balance Sheet Events

Borrowings

In January 2021 the Group issued loan participation notes in the amount of USD 2,000 million at an interest rate of 2.95 % due in 2029 under the EUR 30,000 million Programme for the Issuance of Loan Participation Notes.

In January 2021 the Group registered a Russian exchange-traded bonds Programme for the amount of RUB 15,100 million.

In February 2021 the Group issued loan participation notes in the amount of EUR 1,000 million at an interest rate of 1.50 % due in 2027 under the EUR 30,000 million Programme for the Issuance of Loan Participation Notes.

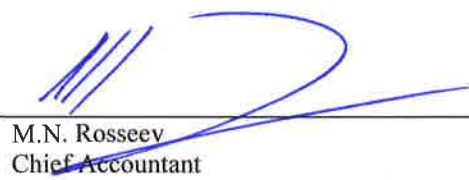
In February 2021 the Group refinanced a debt in the amount equivalent to RUB 18,200 million by drawing a loan due in 2025 under the agreement for the provision of long-term credit facilities with a Russian bank.

In January-April 2021 the Group's subsidiary LLC Gazprom pererabotka Blagoveshchensk obtained long-term loans in the total amount of RUB 35,788 million at an interest rate from the current key rate of the Central Bank of the Russian Federation + 1.65 % to the current key rate of the Central Bank of the Russian Federation + 2.15 % and EUR 244 million at an interest rate from EURIBOR + 1.00 % to EURIBOR + 3.20 % due in 2034-2036. The loans were obtained under the terms of long-term financing agreements signed in December 2019 within the framework of financing the construction of the Amur gas processing plant. PJSC Sberbank, Gazprombank (Joint-stock Company), ING Bank N.V., Intesa Sanpaolo S.p.A. and Intesa Sanpaolo S.p.A., London branch were appointed as agent banks.



A.B. Miller
Chairman of the Management Committee

26 April 2021



M.N. Rosseev
Chief Accountant