ФБК

PJSC GAZPROM

IFRS Consolidated Financial Statements with Independent Auditor's Report

31 December 2020

Moscow | 2021

Contents

ФБК

Independent Auditor's Report

To the Shareholders
of Public Joint Stock Company Gazprom

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

ФБК

Revenue recognition

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

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

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

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

Impairment of property, plant and equipment

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

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

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

ФБК

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

Classification, measurement and disclosure of information about perpetual notes

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

Our procedures included review of the issuance terms and conditions of the perpetual notes, which allowed the Group, acting in its sole discretion, to refuse to redeem the notes and, at any time and on any number of occasions, to decide to postpone interest payments, as well as checking them for compliance with the criteria for the recognition as an equity instrument within equity in accordance with the provisions of IFRS 32 Financial Instruments: Presentation. We paid special attention to the analysis of conditions which gave rise to an interest payment liability and checked that these conditions were under the Group's control. We analysed key aspects of the Group's methodology in respect of accounting methods adopted for transactions associated with the perpetual notes for compliance with the requirements of international standards. In particular, we evaluated accounting methods selected to recognise costs associated with the issuance of the perpetual notes, accrue interest and recognise translation differences and tax effects on these transactions. We also analysed whether the disclosures in the Group's consolidated financial statements were sufficient to achieve transparency of disclosed information.

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

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

Other Information

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

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

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

When we read the Annual report of PJSC Gazprom for 2020 and the Quarterly issuer's report of PJSC Gazprom for the second quarter of 2021, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

ФБК

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

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

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

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

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

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

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

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

ФБК

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

President of FBK, LLC	S.M. Shapiguzov (by virtue of the Charter, audit qualification certificate 01-001230)
Engagement partner on the audit resulting in this independent auditor's report	K.S. Shirikova, FCCA (audit qualification certificate 01-000712)

Общество с ограниченной ответственностью «Финансовые и бухгалтерские консультанты» ФБК г. Москва Г.Р. № 484583

Date of the Independent Auditor's Report

26 April 2021

Audited entity

Name:

Public Joint Stock Company Gazprom (PJSC Gazprom).

Address of the legal entity within its location:

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

State registration:

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

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

Auditor

Name:

FBK, LLC

Address of the legal entity within its location:

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

State registration:

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

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

Membership in a self-regulatory organization of auditors:

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

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

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

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

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

M.N. Rosseev
Chief Accountant
26 April 2021

The accompanying notes on pages 13 to 85 are an integral part of these consolidated financial statements.

PJSC Gazprom
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2020
(in millions of Russian Rubles)

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

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

M.N. Rosseev
Chief Accountant
26 April 2021

The accompanying notes on pages 13 to 85 are an integral part of these consolidated financial statements.

PJSC Gazprom
Consolidated Statement of Cash Flows
for the Year Ended 31 December 2020
(in millions of Russian Rubles)

Notes		Year ended 31 December 2020	2019
	Cash flows from operating activities		
34	**Net cash from operating activities**	**1,918,891**	**1,709,384**
	Cash flows from investing activities		
	Capital expenditures	(1,522,565)	(1,775,923)
31, 41	Interest capitalised and paid	(133,076)	(122,848)
	Net change in loans issued	17,761	(172,088)
	Acquisition of subsidiaries, net of cash acquired	-	(6,808)
	Investments in associates and joint ventures	(43,802)	(72,587)
	Interest received	61,723	83,167
	Change in long-term financial assets measured at fair value through other comprehensive income	13,509	10,370
	Proceeds from associates and joint ventures	101,672	181,404
	Proceeds from sale of associates and joint ventures	7,585	-
	Proceeds from sale of subsidiaries	12,983	1,217
	Placement of long-term bank deposits	(86,865)	(3,354)
	Repayment of long-term bank deposits	91,607	1,331
	Other	(66,134)	(61,990)
	Net cash used in investing activities	**(1,545,602)**	**(1,938,109)**
	Cash flows from financing activities		
41	Proceeds from long-term borrowings	1,065,524	1,043,467
41	Repayment of long-term borrowings (including current portion of long-term borrowings)	(811,775)	(813,294)
41	Proceeds from short-term borrowings	74,191	117,418
41	Repayment of short-term borrowings	(134,213)	(49,728)
41	Repayment of lease liabilities	(40,470)	(42,603)
41	Dividends paid	(372,524)	(379,595)
31, 41	Interest paid	(39,801)	(48,180)
	Acquisition of non-controlling interests in subsidiaries	(224)	(124)
41	Proceeds from sale of treasury shares	-	323,514
28	Proceeds from issuance of perpetual notes	197,468	-
28	Payments related to issuance of perpetual notes	(2,637)	-
	Proceeds from sale of non-controlling interests in subsidiaries	116	-
	Other	(42,076)	1,500
	Net cash (used in) from financing activities	**(106,421)**	**152,375**
	Effect of foreign exchange rate changes on cash and cash equivalents	71,994	(77,012)
	Increase (decrease) in cash and cash equivalents	**338,862**	**(153,362)**
8	Cash and cash equivalents at the beginning of the reporting year	696,057	849,419
8	**Cash and cash equivalents at the end of the reporting year**	**1,034,919**	**696,057**

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

M.N. Rosseev
Chief Accountant
26 April 2021

The accompanying notes on pages 13 to 85 are an integral part of these consolidated financial statements.

PJSC Gazprom
Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2020
(in millions of Russian Rubles)

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

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

M.N. Rosseev
Chief Accountant
26 April 2021

The accompanying notes on pages 13 to 85 are an integral part of these consolidated financial statements.

1 General Information

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

The Group is involved in the following activities:

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

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

The average number of employees during 2020 and 2019 was 467 thousand persons and 462 thousand persons, respectively.

2 Economic Environment in the Russian Federation

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

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

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

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

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

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

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

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

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

3 Basis of Presentation

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

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

4 Scope of Consolidation

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

5 Summary of Significant Accounting Policies

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

5.1 Consolidation of Subsidiaries, Associates and Joint Arrangements

Subsidiaries

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

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

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

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

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

Goodwill and Non-Controlling Interest

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

5 Summary of Significant Accounting Policies (continued)

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

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

Joint Arrangements

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

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

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

Associates

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

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

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

5.2 Financial Instruments

5.2.1 Classification and Measurement of Financial Assets

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

Financial Assets Measured Subsequently at Amortised Cost

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

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

5 Summary of Significant Accounting Policies (continued)

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

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

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

Cash and Cash Equivalents and Restricted Cash

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

Accounts Receivable

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

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

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

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

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

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

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

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

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

5 Summary of Significant Accounting Policies (continued)

Impairment of Financial Assets

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

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

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

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

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

5.2.2 Classification and Measurement of Financial Liabilities

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

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

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

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

Borrowings

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

Financial Guarantee Contracts

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

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

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

5.2.3 Derivative Financial Instruments

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

5 Summary of Significant Accounting Policies (continued)

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

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

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

5.2.4 Hedge Accounting

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

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

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

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

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

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

5.3 Fair Value

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

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

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

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

5.4 Value Added Tax

In the Russian Federation the value added tax ("VAT") is payable on the difference between output VAT on sales of goods (works, services) and recoverable input VAT charged by suppliers of goods (works, services). Starting from 1 January 2019 the VAT rate changed from 18 % to 20 %. The output VAT tax base is determined on the earliest of the following dates: either the date of the shipment of goods (works, services) or the date of

5 Summary of Significant Accounting Policies (continued)

payment or advance payment received for future supplies of goods (works, services). Input VAT is recovered when purchased goods (works, services) are accounted for and other necessary VAT recovery requirements provided by the tax legislation are met.

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

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

5.5 Mineral Extraction Tax

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

In the Russian Federation, the MET rate formula for natural fuel gas and gas condensate has been used since1 July 2014 instead of the fixed MET rate.

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

1) the base rate of RUB 35 per thousand cubic meters of natural fuel gas;

2) the base value of a unit of fuel equivalent calculated based on various macroeconomic indicators, including oil and gas prices;

3) the coefficient representing the degree of difficulty of extracting natural fuel gas and (or) gas condensate from raw hydrocarbon fields;

4) the indicator representing the transportation costs of natural fuel gas.

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

1) the base rate of RUB 42 per ton for extracted gas condensate;

2) the base value of a unit of fuel equivalent calculated taking into account various macroeconomic indicators, including oil and gas prices;

3) the coefficient representing the degree of difficulty of extracting natural fuel gas and (or) gas condensate from raw hydrocarbon deposits;

4) the adjustment coefficient.

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

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

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

MET is included in operating expenses.

5.6 Customs Duties

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

5 Summary of Significant Accounting Policies (continued)

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

Sales are recognised net of the amount of customs duties.

5.7 Excise Tax

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

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

5.8 Inventories

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

5.9 Property, Plant and Equipment

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

Major renewals and improvements are capitalised. Maintenance, repairs and minor renewals are expensed as incurred. Minor renewals include all expenditures that do not result in a technical enhancement of the asset beyond its original capability. Gain or loss arising from the disposal of property, plant and equipment is included within the profit or loss in the consolidated statement of comprehensive income as incurred.

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

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

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

(in millions of Russian Rubles)

5 Summary of Significant Accounting Policies (continued)

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

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

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

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

5.10 Impairment of Non-Financial Assets

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

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

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

5.11 Deferred Tax

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

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

5 Summary of Significant Accounting Policies (continued)

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

5.12 Foreign Currency Transactions

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

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

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

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

5.13 Provisions

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

5.14 Equity

Treasury Shares

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

Dividends

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

Perpetual notes

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

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

5 Summary of Significant Accounting Policies (continued)

on foreign currency perpetual notes is recognised in the consolidated balance sheet at the official exchange rate as at the date when an interest payment obligation arises.

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

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

5.15 Revenue Recognition

Revenue from contracts with customers is measured at the fair value of the consideration received or receivable. Revenue is recognised when (or as) the entity satisfies a performance obligation by transfer of the promised good or service (i.e. the asset) to the customer. The asset is transferred when (or as) the customer obtains control over such an asset. The moment of control transfer varies depending on the terms of the contract with customer.

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

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

Net Gain (Loss) From Trading Activity

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

5.16 Interest

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

5.17 Research and Development

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

5 Summary of Significant Accounting Policies (continued)

5.18 Employee Benefits

Pension and Other Post-Employment Benefits

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

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

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

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

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

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

Social Expenses

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

5.19 Lease Contracts

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

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

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

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

5 Summary of Significant Accounting Policies (continued)

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

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

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

- the amount of the initial measurement of the lease liability;
- lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs;
- an estimate of costs of dismantling and removing the underlying asset, restoring the site on which it is located or the underlying asset.

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

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

Application of Amendments to Standards

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

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

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

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

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

- The amendments to IAS 1 Presentation of Financial Statements (issued in January 2020 and effective for annual reporting periods beginning on or after 1 January 2023). Amendments clarify the criteria for classifying obligations as short-term or long-term.

5 Summary of Significant Accounting Policies (continued)

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

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

6 Critical Judgements and Estimates in Applying Accounting Policies

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

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

6.1 Consolidation of Subsidiaries

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

6.2 Tax Legislation

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

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

6.3 Assumptions to Determine Amount of Allowances

Loss Allowance for Expected Credit Losses of Accounts Receivable

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

Impairment of Property, Plant and Equipment and Goodwill

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

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

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

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

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

Accounting for Impairment

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

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

6.4 Decommissioning and Site Restoration Costs

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

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

6.5 Useful Lives of Property, Plant and Equipment

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

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

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

6.6 Fair Value Estimation of Financial Instruments

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

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

Contracts not based on observable market data belong to Level 3 in accordance with the fair value hierarchy. Management's best estimates based on models internally developed by the Group are used for the valuation of fair value these instruments. Where the valuation technique employed incorporates significant volume of input data for which market information is not available, such as long-term price assumptions, contracts have been categorised as Level 3 in accordance with the fair value hierarchy (see Note 42).

6.7 Fair Value Estimation for Acquisitions

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

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

6.8 Accounting for Pension Plan Assets and Liabilities

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

6.9 Joint Arrangements

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

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

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

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

7 Segment Information

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

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

Based on that information the following reportable segments were determined:

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

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

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

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

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

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

(in millions of Russian Rubles)

7 Segment Information (continued)

	Production of gas	Transportation of gas	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
Year ended 31 December 2020									
Sales of segments	819,835	1,198,421	3,294,644	60,738	1,066,558	1,818,987	499,469	322,865	9,081,517
Inter-segment sales	797,229	974,597	267,911	55,168	579,209	20,591	-	-	2,694,705
External sales	22,606	223,824	3,026,733	5,570	487,349	1,798,396	499,469	322,865	6,386,812
Financial result of segments	**32,125**	**153,237**	**(292,445)**	**7,610**	**281,356**	**(128,398)**	**54,831**	**(31,985)**	**76,331**
Depreciation	207,856	464,330	20,085	28,133	167,037	61,534	64,874	48,703	1,062,552
Share of profit of associates and joint ventures	3,274	32,510	1,188	-	71,609	2,588	84	25,483	136,736
Year ended 31 December 2019									
Sales of segments	973,657	1,188,798	4,076,204	59,073	1,585,846	2,132,761	518,373	324,204	10,858,916
Inter-segment sales	950,146	973,463	298,985	54,425	833,056	21,580	-	-	3,131,655
External sales	23,511	215,335	3,777,219	4,648	752,790	2,111,181	518,373	324,204	7,727,261
Financial result of segments	**4,984**	**109,410**	**359,145**	**5,818**	**403,601**	**15,992**	**40,830**	**(9,544)**	**930,236**
Depreciation	172,233	476,182	18,308	29,637	156,064	48,838	61,297	52,545	1,015,104
Share of profit of associates and joint ventures	5,347	25,716	3,502	-	145,662	4,630	81	22,189	207,127

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

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

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

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

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

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

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

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

(in millions of Russian Rubles)

7 Segment Information (continued)

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.

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

[1] Capital expenditures for the year ended 31 December 2020.
[2] Capital expenditures for the year ended 31 December 2019.

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

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

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

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

(in millions of Russian Rubles)

7 Segment Information (continued)

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

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

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

8 Cash and Cash Equivalents

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

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

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

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

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

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

(in millions of Russian Rubles)

9 Short-Term Financial Assets

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

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

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

10 Accounts Receivable and Prepayments

	31 December 2020	31 December 2019
Financial assets		
Trade accounts receivable	871,814	756,746
Other accounts receivable	192,159	104,273
Loans receivable	158,543	103,476
	1,222,516	**964,495**
Non-financial assets		
Advances paid and prepayments	79,613	75,845
Total accounts receivable and prepayments	**1,302,129**	**1,040,340**

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

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

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

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

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

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

(in millions of Russian Rubles)

10 Accounts Receivable and Prepayments (continued)

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

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

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

	31 December	
	2020	2019
Europe and other countries gas, crude oil, gas condensate and refined products trade accounts receivable	439,055	347,040
Domestic gas, crude oil, gas condensate and refined products trade accounts receivable	168,200	158,359
Former Soviet Union countries (excluding the Russian Federation) gas, crude oil, gas condensate and refined products trade accounts receivable	35,956	28,650
Electricity and heat trade accounts receivable	49,244	44,861
Gas transportation services trade accounts receivable	4,273	3,589
Other trade accounts receivable	89,100	61,824
Other accounts receivable	127,928	89,114
Loans receivable	158,543	103,476
Total accounts receivable neither past due nor credit-impaired	**1,072,299**	**836,913**

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

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

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

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

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

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

(in millions of Russian Rubles)

11 Inventories

	31 December 2020	31 December 2019
Gas in pipelines and storages	524,419	561,927
Materials and supplies (net of amount of write-down to net realizable value in size of RUB 6,213 million and RUB 6,493 million as of 31 December 2020 and 31 December 2019, respectively)	199,279	195,069
Goods for resale (net of amount of write-down to net realizable value in size of RUB 6,484 million and RUB 4,286 million as of 31 December 2020 and 31 December 2019, respectively)	148,573	69,357
Crude oil and refined products	99,518	120,008
Total inventories	**971,789**	**946,361**

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

12 Other Current and Non-Current Assets

Other current assets are provided in the table below.

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

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

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

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

(in millions of Russian Rubles)

13 Property, Plant and Equipment

Notes		Pipelines	Wells	Machinery and equipment	Buildings and roads	Production licenses	Social assets	Assets under construction	Total
	As of 31 December 2018								
	Cost	4,002,373	1,974,967	5,532,563	4,221,488	637,072	88,479	4,476,531	20,933,473
	Accumulated depreciation	(1,596,247)	(616,637)	(2,632,683)	(1,539,876)	(276,016)	(45,298)	-	(6,706,757)
	Impairment allowance	(445)	(103,084)	(82,565)	(31,970)	(7,892)	-	(191,326)	(417,282)
	Net book value as of 31 December 2018	**2,405,681**	**1,255,246**	**2,817,315**	**2,649,642**	**353,164**	**43,181**	**4,285,205**	**13,809,434**
	Cost								
14	Reclassification to right-of-use assets	-	-	(106,451)	(6,426)	-	-	-	(112,877)
	Additions	12	81,455	32,526	36,958	3,679	-	1,995,835	2,150,465
	Transfers	530,393	194,462	412,902	531,869	10,028	4,552	(1,684,206)	-
	Disposals	(4,395)	(17,810)	(66,667)	(36,241)	(5,920)	(2,664)	(133,816)	(267,513)
	Translation differences	(6,604)	(48,496)	(40,128)	(27,066)	(10,896)	(321)	(129,569)	(263,080)
	Accumulated depreciation and impairment allowance								
14	Reclassification to right-of-use assets	-	-	69,467	2,328	-	-	-	71,795
	Depreciation	(88,825)	(86,958)	(343,988)	(151,770)	(12,126)	(2,457)	-	(686,124)
	Disposals	3,982	7,675	53,873	17,478	129	843	21,507	105,487
	Translation differences	4,532	20,419	20,491	11,749	7,574	67	2,355	67,187
	Change in impairment allowance	-	(5,317)	(12,892)	(7,072)	-	-	6,955	(18,326)
	allowance accrual	-	(6,469)	(12,892)	(7,072)	-	-	(38,876)	(65,309)
	allowance release	-	1,152	-	-	-	-	45,831	46,983
	As of 31 December 2019								
	Cost	4,521,779	2,184,578	5,764,745	4,720,582	633,963	90,046	4,524,775	22,440,468
	Accumulated depreciation	(1,676,558)	(681,163)	(2,836,266)	(1,660,100)	(281,732)	(46,845)	-	(7,182,664)
	Impairment allowance	(445)	(102,739)	(92,031)	(39,033)	(6,599)	-	(160,509)	(401,356)
	Net book value as of 31 December 2019	**2,844,776**	**1,400,676**	**2,836,448**	**3,021,449**	**345,632**	**43,201**	**4,364,266**	**14,856,448**
	Cost								
	Additions	1,990	30,159	42,095	14,339	12,129	246	1,700,617	1,801,575
	Transfers	611,543	248,185	432,312	322,125	8,512	3,882	(1,626,559)	-
	Disposals	(832)	(20,456)	(77,091)	(11,878)	(3,167)	(406)	(130,632)	(244,462)
	Translation differences	117,813	90,717	67,054	44,701	17,061	676	202,520	540,542
	Accumulated depreciation and impairment allowance								
	Depreciation	(109,591)	(105,680)	(363,583)	(170,203)	(10,042)	(2,728)	-	(761,827)
	Disposals	788	9,182	24,569	3,914	45	204	25,009	63,711
	Translation differences	(4,407)	(38,662)	(29,569)	(18,404)	(11,483)	(216)	(4,760)	(107,501)
	Change in impairment allowance	-	(18,517)	(3,142)	(3,809)	(321)	-	(19,602)	(45,391)
	allowance accrual	-	(18,517)	(4,817)	(3,809)	(321)	-	(20,057)	(47,521)
	allowance release	-	-	1,675	-	-	-	455	2,130
	As of 31 December 2020								
	Cost	5,252,293	2,533,183	6,235,303	5,089,889	668,498	94,444	4,664,513	24,538,123
	Accumulated depreciation	(1,789,768)	(809,051)	(3,203,330)	(1,844,776)	(303,232)	(49,585)	-	(7,999,742)
	Impairment allowance	(445)	(128,528)	(102,880)	(42,879)	(6,900)	-	(153,654)	(435,286)
	Net book value as of 31 December 2020	**3,462,080**	**1,595,604**	**2,929,093**	**3,202,234**	**358,366**	**44,859**	**4,510,859**	**16,103,095**

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

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

For the impairment test the Group's assets are grouped into cash-generating units ("CGU") and their recoverable amount has been determined on the basis of the values in their use. The values in use of each

13 Property, Plant and Equipment (continued)

CGU have been calculated by the Group as the present values of forecasted future cash flows discounted using the rates derived from the weighted average cost of capital of the Group, as adjusted, where applicable, to take into account any specific risks of business operations related assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

Included in additions above are capitalised borrowing costs of RUB 226,338 million and RUB 154,516 million for the years ended 31 December 2020 and 31 December 2019, respectively. Capitalisation rates of 6.06 % and 5.52 % were used representing the weighted average borrowing cost including exchange differences on foreign currency borrowings for the years ended 31 December 2020 and 31 December 2019, respectively. Capitalisation rate excluding exchange losses on foreign currency borrowings were 5.13 % and 5.50 % for the years ended 31 December 2020 and 31 December 2019, respectively.

(in millions of Russian Rubles)

13 Property, Plant and Equipment (continued)

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

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

[1] Including impairment loss in the amount of RUB 4,566 million.
[2] Including impairment loss in the amount of RUB 512 million.

14 Right-of-Use Assets

Notes		Operating assets	Social assets	Total
	Net book value as of 31 December 2018	-	-	-
	Cost			
	Initial recognition	148,877	31,408	180,285
13	Reclassification from property, plant and equipment	41,082	-	41,082
	Reclassification	25,992	(25,992)	-
	Additions as a result of new leases	40,995	3,622	44,617
	Effect of modification and changes of estimates in lease contracts	(150)	(108)	(258)
	Translation differences	(6,325)	-	(6,325)
	Accumulated depreciation and impairment allowance			
	Depreciation	(37,726)	(1,424)	(39,150)
30	Impairment allowance accrual	(6,007)	-	(6,007)
	As of 31 December 2019			
	Cost	250,471	8,930	259,401
	Accumulated depreciation and impairment allowance	(43,733)	(1,424)	(45,157)
	Net book value as of 31 December 2019	**206,738**	**7,506**	**214,244**
	Cost			
	Additions as a result of new leases	9,634	1,181	10,815
	Disposals	(6,288)	(2,617)	(8,905)
	Effect of modification and changes of estimates in lease contracts	6,014	212	6,226
	Translation differences	12,706	-	12,706
	Accumulated depreciation and impairment allowance			
	Depreciation	(40,220)	(1,268)	(41,488)
	Disposals	3,641	786	4,427
30	Impairment allowance accrual	(15)	-	(15)
	Effect of modification and changes of estimates in lease contracts	952	-	952
	Translation differences	(3,649)	-	(3,649)
	As of 31 December 2020			
	Cost	272,537	7,706	280,243
	Accumulated depreciation and impairment allowance	(83,024)	(1,906)	(84,930)
	Net book value as of 31 December 2020	**189,513**	**5,800**	**195,313**

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

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

(in millions of Russian Rubles)

15 Goodwill

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

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

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

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

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

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

16 Investments in Associates and Joint Ventures

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

(in millions of Russian Rubles)

16 Investments in Associates and Joint Ventures (continued)

Notes			Carrying value as of 31 December		Share of profit (loss) of associates and joint ventures for the year ended 31 December	
			2020	2019	2020	2019
38	Wintershall Noordzee B.V.	Joint venture	4,043	5,309	(9,169)	(2,013)
	Other (net of allowance for investments impairment in the amount of RUB 21,435 million and RUB 22,037 million as of 31 December 2020 and 31 December 2019, respectively)		131,349	130,342	2,801	4,192
			1,327,241	**1,182,862**	**136,736**	**207,127**

[1] In March 2020 the Group purchased Gazprombank (Joint-stock Company) ordinary shares from one of its shareholders, as the result of which the Group's share in voting shares increased from 47.87 % to 49.88 %.
[2] In December 2019 WIGA Transport Beteiligungs-GmbH & Co. KG was reclassified from an associate into a joint venture due to amendments made to the company's Articles of Association, accordingly since that time the investment into WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries became accounted for as the investment in a joint venture.
[3] In January 2020 the remaining 25 % of ordinary registered uncertificated shares not allocated at the date of JSC NPF GAZFOND state registration were distributed among its shareholders in proportion to the number of the shares they owned. The Group's voting share in JSC NPF GAZFOND did not change. As of 31 December 2020 the Group's share in voting shares is equal to ownership interest.

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

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

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

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

(in millions of Russian Rubles)

16 Investments in Associates and Joint Ventures (continued)

Significant associates and joint ventures

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

[1] Cumulative share of the Group in share capital of investees.
[2] Share in voting shares.
[3] Investment in the company is accounted under the equity method of accounting, as the Group did not obtain control due to its corporate governance structure.

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

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

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

	PJSC NGK Slavneft and its subsidiaries	Gazprombank (Joint-stock Company) and its subsidiaries[1, 2]	Sakhalin Energy Investment Company Ltd.
As of 31 December 2020 and for the year ended 31 December 2020			
Cash and cash equivalents	2,281	943,439	18,229
Other current assets (excluding cash and cash equivalents)	47,779	1,590,281	89,760
Other non-current assets	549,836	4,896,541	874,261
Total assets	**599,896**	**7,430,261**	**982,250**
Current financial liabilities (excluding trade payables)	52,151	5,353,272	54,911
Other current liabilities (including trade payables)	27,605	154,948	105,428
Non-current financial liabilities	132,221	1,255,417	86,277
Other non-current liabilities	68,182	27,751	301,929
Total liabilities	**280,159**	**6,791,388**	**548,545**

(in millions of Russian Rubles)

16 Investments in Associates and Joint Ventures (continued)

	PJSC NGK Slavneft and its subsidiaries	Gazprombank (Joint-stock Company) and its subsidiaries[1, 2]	Sakhalin Energy Investment Company Ltd.
Net assets (including non-controlling interest)	319,737	638,873	433,705
Ownership interest	49.88 %	49.88 %	50 %
Carrying value of investment	**156,725**	**227,649**	**216,853**
Revenue	175,013	245,487	314,480
Depreciation	(42,981)	(52,994)	(129,391)
Interest income	106	407,372	1,518
Interest expense	(5,650)	(237,855)	(11,368)
Profit tax expenses	451	(25,402)	(35,710)
(Loss) profit for the year	**(5,205)**	**55,995**	**76,170**
Other comprehensive (loss) income for the year	**(29)**	**13,224**	**294**
Comprehensive (loss) income for the year	**(5,234)**	**69,219**	**76,464**
Dividends received from associates and joint ventures	**(1)**	**(4,013)**	**(34,672)**
As of 31 December 2019 and for the year ended 31 December 2019			
Cash and cash equivalents	2,771	739,024	27,748
Other current assets (excluding cash and cash equivalents)	97,774	5,066,684	107,141
Other non-current assets	502,000	682,101	799,744
Total assets	**602,545**	**6,487,809**	**934,633**
Current financial liabilities (excluding trade payables)	22,919	4,872,924	63,414
Other current liabilities (including trade payables)	65,474	113,674	128,715
Non-current financial liabilities	123,882	844,960	118,176
Other non-current liabilities	66,392	28,468	271,661
Total liabilities	**278,667**	**5,860,026**	**581,966**
Net assets (including non-controlling interest)	323,878	627,783	352,667
Ownership interest	49.85 %	47.87 %	50 %
Carrying value of investment	**159,420**	**211,171**	**176,333**
Revenue	316,084	270,566	386,709
Depreciation	(45,162)	(52,881)	(113,439)
Interest income	543	409,459	4,024
Interest expense	(6,755)	(266,705)	(12,915)
Profit tax expenses	(8,644)	(15,429)	(73,600)
Profit for the year	**18,653**	**45,359**	**134,439**
Other comprehensive loss for the year	**(520)**	**(5,614)**	**(136)**
Comprehensive income for the year	**18,133**	**39,745**	**134,303**
Dividends received from associates and joint ventures	**(3)**	**(3,089)**	**(65,466)**

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

	Assets	Liabilities	Revenues	Profit (loss)
As of 31 December 2020 and for the year ended 31 December 2020				
JSC Gazstroyprom	879,528	753,886	249,270	(1,147)
Nord Stream AG	486,764	252,122	89,005	43,299
JSC NPF GAZFOND	462,278	378,308	-	10,833
JSC Arcticgas	436,689	140,391	171,095	68,601
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	398,438	240,026	65,076	19,583
JSC Messoyakhaneftegas	228,539	140,187	97,554	18,077
JSC Achimgaz	94,507	27,880	84,999	21,151
JSC EUROPOL GAZ	80,163	1,994	16,476	714
Wintershall AG	69,861	45,455	-	(2,176)
Wintershall Noordzee B.V.	45,480	36,901	5,447	(18,337)
CJSC Northgas	44,337	18,945	15,293	3,399
JSC Latvijas Gaze and its subsidiaries	29,562	7,228	15,643	733
KazRosGas LLP	28,572	1,653	29,051	1,424

(in millions of Russian Rubles)

16 Investments in Associates and Joint Ventures (continued)

	Assets	Liabilities	Revenues	Profit (loss)
As of 31 December 2019 and for the year ended 31 December 2019				
JSC Gazstroyprom	463,598	375,581	105,988	3,774
JSC NPF GAZFOND	454,054	375,224	-	24,168
JSC Arcticgas	419,362	171,170	196,395	79,696
Nord Stream AG	392,013	229,056	77,823	34,981
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	284,526	173,024	76,215	15,498
JSC Messoyakhaneftegas	221,692	131,417	141,449	51,632
JSC Achimgaz	103,132	33,354	68,882	28,158
JSC EUROPOL GAZ	64,028	1,287	15,164	782
Wintershall AG	58,940	36,092	8,898	(358)
Wintershall Noordzee B.V.	46,049	37,318	7,933	(4,025)
CJSC Northgas	45,993	24,006	21,136	6,179
KazRosGas LLP	33,382	7,483	51,611	5,159
JSC Latvijas Gaze and its subsidiaries	19,880	5,584	22,893	1,469

17 Long-Term Accounts Receivable and Prepayments

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

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

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

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

(in millions of Russian Rubles)

17 Long-Term Accounts Receivable and Prepayments (continued)

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

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

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

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

18 Long-Term Financial Assets

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

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

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

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

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

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

(in millions of Russian Rubles)

18 Long-Term Financial Assets (continued)

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

19 Accounts payable, provisions and other liabilities

Notes		31 December 2020	31 December 2019
	Financial liabilities		
	Trade accounts payable	509,013	498,181
	Accounts payable for acquisition of property, plant and equipment	387,110	331,364
42	Derivative financial instruments	118,872	99,998
	Lease liabilities	41,452	42,020
	Other accounts payable[1]	298,394	304,682
		1,354,841	**1,276,245**
	Non-financial liabilities		
	Advances received	265,329	143,934
	Accruals and deferred income	2,118	1,937
		267,447	**145,871**
	Total accounts payable, provisions and other liabilities	**1,622,288**	**1,422,116**

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

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

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

20 Taxes Other than on Profit and Fees Payable

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

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

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

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

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

The fair value of these liabilities approximates their carrying value.

(in millions of Russian Rubles)

22 Long-Term Borrowings, Promissory Notes

	Currency	Final maturity	31 December 2020	31 December 2019
Long-term borrowings, promissory notes payable to:				
China Construction Bank Corporation, Beijing branch[1, 2]	Euro	2034	248,384	-
Loan participation notes issued in February 2020[3]	US Dollar	2030	148,344	-
Loan participation notes issued in September 2012[4]	US Dollar	2022	112,174	93,999
Loan participation notes issued in November 2013[4]	US Dollar	2023	111,423	93,370
Gazprombank (Joint-stock Company)	Russian Ruble	2027	106,342	101,018
Loan participation notes issued in March 2007[5]	US Dollar	2022	98,018	82,136
Loan participation notes issued in August 2007[5]	US Dollar	2037	94,868	79,497
Loan participation notes issued in February 2019[5]	US Dollar	2026	93,620	78,246
Intesa Sanpaolo Bank Luxembourg S.A. [1]	Euro	2023	93,130	82,865
Loan participation notes issued in November 2018[5]	Euro	2024	92,759	70,686
Loan participation notes issued in April 2020[3]	Euro	2025	91,978	-
Loan participation notes issued in November 2016[5]	Euro	2023	90,737	69,210
Loan participation notes issued in April 2004[5]	US Dollar	2034	89,988	75,407
Loan participation notes issued in April 2017[5, 6]	British Pound Sterling	2024	89,293	68,120
J.P. Morgan AG[1]	Euro	2023	85,421	76,029
Loan participation notes issued in July 2012[5]	US Dollar	2022	75,521	63,285
Loan participation notes issued in June 2020[3]	US Dollar	2027	73,291	-
PJSC Sberbank[1, 2]	Russian Ruble	2034	71,312	-
Loan participation notes issued in February 2014[5]	Euro	2021	70,086	53,590
Loan participation notes issued in March 2018[5]	Euro	2026	68,965	52,569
Loan participation notes issued in November 2017[5]	Euro	2024	67,851	51,719
Loan participation notes issued in February 2013[5]	US Dollar	2028	67,814	56,826
UniCredit S.p.A.	Euro	2025	63,473	48,379
Loan participation notes issued in March 2018[5]	Swiss Franc	2023	63,169	47,964
Loan participation notes issued in March 2017[5]	US Dollar	2027	55,801	46,647
J.P. Morgan AG[1]	Euro	2022	51,657	59,150
Loan participation notes issued in March 2013[5]	Euro	2025	46,892	35,853
Wintershall Nederland Transport and Trading B.V.[7]	Euro	2034	46,738	32,378
OMV Gas Marketing Trading & Finance B.V.[7]	Euro	2034	46,738	32,378
Shell Exploration and Production (LXXI) B.V.[7]	Euro	2034	46,738	32,378
Uniper Gas Transportation and Finance B.V.[7]	Euro	2034	46,738	32,378
Engie Energy Management Holding Switzerland AG[7]	Euro	2034	46,737	32,378
Loan issued in December 2018[8]	Japanese yen	2028	46,045	36,373
Loan participation notes issued in November 2011[5]	US Dollar	2021	45,493	38,122
Natixis[1]	Euro	2024	45,391	34,582
Sumitomo Mitsui Banking Corporation	Euro	2025	45,096	-
Mizuho Bank Ltd	Euro	2025	45,047	-
Loan participation notes issued in November 2016[5, 6]	Swiss Franc	2021	42,324	32,281
Loan participation notes issued in July 2017[5, 6]	Swiss Franc	2022	41,504	31,637
Wintershall Nederland Transport and Trading B.V.[7]	Euro	2035	39,843	26,775
Uniper Gas Transportation and Finance B.V.[7]	Euro	2035	39,842	26,775
OMV Gas Marketing Trading & Finance B.V.[7]	Euro	2035	39,839	26,773
Shell Exploration and Production (LXXI) B.V.[7]	Euro	2035	39,839	26,773
Engie Energy Management Holding Switzerland AG[7]	Euro	2035	39,839	26,773
UniCredit S.p.A.	Euro	2022	38,930	44,586
Credit Agricole CIB	Euro	2023	38,780	41,455
MUFG Bank Ltd.	Euro	2023	38,679	34,425

(in millions of Russian Rubles)

22 Long-Term Borrowings, Promissory Notes (continued)

	Currency	Final maturity	31 December 2020	31 December 2019
ING Bank, a branch of ING-DiBa AG	Euro	2023	36,202	27,606
Credit Agricole CIB, London branch	Euro	2023	36,182	-
Gazprombank (Joint-stock Company) [1, 2]	Russian Ruble	2034	35,072	-
Citibank Europe plc[1]	Euro	2023	32,906	29,288
PJSC Sberbank	Russian Ruble	2025	32,854	-
Intesa Sanpaolo S.p.A.[1, 2]	Euro	2034	31,893	-
PJSC Sberbank	Euro	2023	31,462	33,687
Credit Agricole CIB	Euro	2022	27,295	34,706
Russian bonds issued in December 2020[9]	Russian Ruble	2023	27,049	-
JSC ALFA-BANK	US Dollar	2023	26,971	22,607
Bank of China Limited, London branch	Euro	2021	26,115	59,461
Russian bonds issued in March 2018[4]	Russian Ruble	2024	25,552	25,542
Russian bonds issued in October 2017[4]	Russian Ruble	2022	25,392	25,382
Russian bonds issued in November 2019[4]	Russian Ruble	2024	25,209	25,166
PJSC Sberbank	Euro	2022	22,168	16,952
UniCredit S.p.A.	Euro	2025	21,800	-
Russian bonds issued in December 2019[4]	Russian Ruble	2029	20,023	20,012
Russian bonds issued in December 2020[4]	Russian Ruble	2024	20,016	-
PJSC VTB Bank	Euro	2022	18,130	13,858
VTB Bank (Europe) SE	Euro	2027	17,695	15,613
PJSC Sberbank[1, 2]	Euro	2034	17,458	-
Russian bonds issued in July 2019[10]	Russian Ruble	2024	15,542	15,535
Russian bonds issued in July 2018[11]	Russian Ruble	2048	15,519	15,513
Russian bonds issued in July 2018[11]	Russian Ruble	2048	15,519	15,513
Russian bonds issued in February 2017[10]	Russian Ruble	2027	15,516	15,508
Russian bonds issued in February 2017[10]	Russian Ruble	2027	15,516	15,508
Russian bonds issued in August 2017[4]	Russian Ruble	2024	15,496	15,487
Russian bonds issued in April 2017[4]	Russian Ruble	2022	15,300	15,289
Gazprombank (Joint-stock Company)	Russian Ruble	2022	15,111	22,700
Russian bonds issued in June 2019[10]	Russian Ruble	2022	15,095	15,089
Russian bonds issued in November 2013[11]	Russian Ruble	2043	15,088	15,081
Russian bonds issued in November 2013[11]	Russian Ruble	2043	15,088	15,081
Russian bonds issued in June 2020[10]	Russian Ruble	2027	15,075	-
Russian bonds issued in June 2020[10]	Russian Ruble	2025	15,073	-
JSC BANK “ROSSIYA”	Russian Ruble	2022	15,000	15,000
PJSC CREDIT BANK OF MOSCOW	Russian Ruble	2024	14,940	14,925
PJSC CREDIT BANK OF MOSCOW	Russian Ruble	2025	14,935	-
PJSC VTB Bank	Russian Ruble	2028	14,698	-
ING Bank N.V.[1, 2]	Euro	2036	13,331	-
Gazprombank (Joint-stock Company)	Russian Ruble	2025	12,750	15,000
Russian bonds issued in July 2018[11]	Russian Ruble	2033	10,346	10,342
Russian bonds issued in August 2016[4]	Russian Ruble	2046	10,330	10,324
Russian bonds issued in February 2011[4]	Russian Ruble	2021	10,325	10,321
Russian bonds issued in February 2018[10]	Russian Ruble	2028	10,251	10,247
Russian bonds issued in February 2018[10]	Russian Ruble	2028	10,251	10,247
Russian bonds issued in February 2020[4]	Russian Ruble	2025	10,047	-
Russian bonds issued in December 2017[4]	Russian Ruble	2024	10,030	10,025
Deutsche Bank Luxembourg S.A.	Euro	2022	9,797	11,772
UniCredit Bank Austria AG	Euro	2021	4,860	11,116
Intesa Sanpaolo Bank Luxembourg S.A.[1]	Euro	2020	-	153,452
Loan participation notes issued in March 2013[5]	Euro	2020	-	71,183
Loan participation notes issued in February 2013[5]	US Dollar	2020	-	50,293
Loan participation notes issued in September 2013[5, 6]	British Pound Sterling	2020	-	41,937
PJSC Sberbank	Russian Ruble	2020	-	30,084

(in millions of Russian Rubles)

22 Long-Term Borrowings, Promissory Notes (continued)

	Currency	Final maturity	31 December 2020	31 December 2019
China Construction Bank Corporation, Beijing branch[1]	US Dollar	2020	-	27,205
UniCredit S.p.A.[1]	Euro	2020	-	24,257
Gazprombank (Joint-stock Company)	Russian Ruble	2020	-	19,450
J.P. Morgan Europe Limited[1]	Euro	2020	-	18,308
Gazprombank (Joint-stock Company)	Russian Ruble	2020	-	15,000
JSC ALFA-BANK	Russian Ruble	2020	-	10,073
PJSC Promsvyazbank	Russian Ruble	2020	-	10,039
Other long-term borrowings, promissory notes	Various	Various	577,264	507,510
Total long-term borrowings, promissory notes			**4,788,028**	**3,710,079**
Less current portion of long-term borrowings			(573,948)	(620,377)
			4,214,080	**3,089,702**

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

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

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

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

Long-term liabilities include fixed interest rate borrowings with a carrying value of RUB 2,626,491 million and RUB 2,238,028 million and fair value of RUB 3,021,359 million and RUB 2,509,321 million as of 31 December 2020 and 31 December 2019, respectively.

All other long-term borrowings have variable interest rates generally linked to LIBOR and EURIBOR. Their carrying value is RUB 2,161,537 million and RUB 1,472,051 million and fair value is RUB 2,409,733 million and RUB 1,649,878 million as of 31 December 2020 and 31 December 2019, respectively.

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

	31 December 2020	31 December 2019
Fixed interest rate long-term borrowings denominated in Russian Rubles	7.44 %	7.71 %
Fixed interest rate foreign currency denominated long-term borrowings	4.97 %	5.08 %
Variable interest rate long-term borrowings denominated in Russian Rubles	5.16 %	6.61 %
Variable interest rate foreign currency denominated long-term borrowings	2.77 %	2.66 %

(in millions of Russian Rubles)

22 Long-Term Borrowings, Promissory Notes (continued)

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.

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

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

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

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

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

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

The Group has no subordinated borrowings and no debt obligations that may be converted into shares of the Group (see Notes 33).

23 Profit Tax

Profit before profit tax for financial reporting purposes is reconciled to profit tax expense as follows:

Notes		For the year ended 31 December 2020	2019
	Profit before profit tax	133,469	1,627,065
	Theoretical tax charge calculated at applicable tax rates	(26,694)	(325,413)
	Tax effect of items which are not deductible or assessable for taxation purposes:		
	Non-deductible expenses, including:		
	Tax losses for which no deferred tax asset was recognised	(9,231)	(7,246)
25	Provision for post-employment benefits	(7,911)	(6,448)
13	Allowance for impairment of assets under construction	(3,486)	(2,792)
	Non-operating expenses	(23,364)	(20,222)
	Social expenses	(8,028)	(6,219)
	Other non-deductible expenses	(7,678)	(47,067)
15	Non-taxable share of profit of associates and joint ventures	27,347	41,425
	Other non-taxable income	87,983	16,434
	Profit tax income (expenses)	**28,938**	**(357,548)**

Differences between the recognition criteria of assets and liabilities reflected in IFRS financial statements and for the purposes of Russian statutory taxation give rise to certain temporary differences. The tax effect of the movement in these temporary differences is recorded at the applicable statutory rates with the prevailing rate of 20 % in the Russian Federation.

(in millions of Russian Rubles)

23 Profit Tax (continued)

				Temporary differences recognition and reversals			Temporary differences recognition and reversals		
	31 December 2018	**Effect of changes in accounting policies**	**1 January 2019**	**in profit or loss**	**in other comprehensive income**	**31 December 2019**	**in profit or loss**	**in other comprehensive income**	**31 December 2020**
Property, plant and equipment	(875,407)	2,619	(872,788)	(86,821)	6,052	(953,557)	(29,468)	(4,573)	(987,598)
Right-of-use assets	-	(31,023)	(31,023)	(2,301)	-	(33,324)	3,492	-	(29,832)
Financial assets	1,713	-	1,713	(1,187)	1,596	2,122	4,146	(1,288)	4,980
Account receivables	80,710	-	80,710	16,422	-	97,132	75,055	-	172,187
Inventories	5,245	-	5,245	(10,404)	-	(5,159)	2,466	-	(2,693)
Tax losses carry forward	16,846	-	16,846	8,605	-	25,451	89,933	(518)	114,866
Retroactive gas price adjustments	6,659	-	6,659	12,763	-	19,422	(11,258)	-	8,164
Lease liabilities	-	35,392	35,392	4,340	-	39,732	689	-	40,421
Other deductible temporary differences	15,483	-	15,483	21,665	2,585	39,733	(30,511)	2,559	11,781
Total net deferred tax liabilities	**(748,751)**	**6,988**	**(741,763)**	**(36,918)**	**10,233**	**(768,448)**	**104,544**	**(3,820)**	**(667,724)**

Taxable temporary differences recognised for the years ended 31 December 2020 and 31 December 2019 include the effect of bonus depreciation applied to certain items of property, plant and equipment. The positive tax effect on these differences amounted to RUB 18,216 million and RUB 1,664 million, respectively, it was offset by the decrease in the current profit tax by the corresponding amount which did not affect profit (loss) for the years ended 31 December 2020 and 31 December 2019.

24 Derivative Financial Instruments

The Group has outstanding commodity contracts measured at fair value. The fair value of derivative financial instruments is based on market quotes on measurement date or calculation using an agreed price formula.

Where appropriate, in order to manage currency risk the Group uses foreign currency derivatives.

The following table provides an analysis of the Group’s position and fair value of derivative financial instruments outstanding as of the end of the reporting year. Fair values of derivative financial instruments are reflected at their gross value included in other assets and other liabilities in the consolidated balance sheet.

Fair value	**31 December**	
	2020	**2019**
Assets		
Commodity contracts	119,348	116,464
Foreign currency derivatives and currency and interest rate swaps	3,938	8,855
Other derivative financial instruments	3,162	4,405
	126,448	**129,724**
Liabilities		
Commodity contracts	134,514	108,509
Foreign currency derivatives and currency and interest rate swaps	8,204	2,901
Other derivative financial instruments	7,282	7,214
	150,000	**118,624**

Derivative financial instruments are mainly denominated in US dollars, Euros and British Pounds Sterling.

(in millions of Russian Rubles)

25 Provisions

	31 December 2020	31 December 2019
Provision for decommissioning and site restoration costs	340,193	279,895
Provision for post-employment benefits	329,404	291,684
Other	18,736	35,204
Total provisions	**688,333**	**606,783**

Provision for decommissioning and site restoration costs changed mainly due to change in estimates.

The Group applies pension and other post-employment benefits system, which is recorded as defined benefit plan in the consolidated financial statements under IAS 19 Employee Benefits. Pension benefits are provided to the majority of the Group's employees. These benefits include pension benefits provided by the non-governmental pension fund, JSC NPF GAZFOND, and lump-sum payments provided by the Group upon retirement.

The amount of benefits provided depends on the time of service rendered by employees (length of service), salary in the last years preceding retirement, a predetermined fixed amount or a combination of these factors.

The principal actuarial assumptions used:

	31 December 2020	31 December 2019
Discount rate (nominal)	6.2 %	6.5 %
Future salary and pension increase (nominal)	4.0 %	4.0 %
Average expected retirement age, years	women 58, men 62	
Employee turnover ratio	age-related probability of resignation curve, 3.8 % on average	

The weighted average term of obligations to maturity is 11.4 years.

The assumptions related to the remaining life expectancy of employees at expected retirement age were 16.3 years for 62 year old men and 25.8 years for 58 year old women in 2020 and 2019.

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

	31 December 2020		31 December 2019	
	Pension plan provided through JSC NPF GAZFOND	Other post-employment benefits	Pension plan provided through JSC NPF GAZFOND	Other post-employment benefits
Present value of obligations	(435,828)	(328,110)	(404,997)	(291,684)
Fair value of plan assets	434,534	-	431,544	-
Total net (liabilities) assets	**(1,294)**	**(328,110)**	**26,547**	**(291,684)**

The net pension plan liabilities related to benefits provided through JSC NPF GAZFOND in the amount of RUB 1,294 million as of 31 December 2020 are included within provisions in the consolidated balance sheet. The net pension plan assets related to benefits provided through JSC NPF GAZFOND in the amount of RUB 26,547 million as of 31 December 2019 are included within other non-current assets in the consolidated balance sheet (see Note 12).

(in millions of Russian Rubles)

25 Provisions (continued)

Changes in the present value of the defined benefit plan obligations and in the fair value of pension plan assets for the years ended 31 December 2020 and 31 December 2019 are presented below.

	Provision for pension plan provided through JSC NPF GAZFOND	Fair value of plan assets	Net (assets) liabilities	Provision for other post-employment benefits
As of 31 December 2019	**404,997**	**(431,544)**	**(26,547)**	**291,684**
Current service cost	10,895	-	10,895	14,527
Past service cost	(1,881)	-	(1,881)	(1,108)
Interest expense (income)	26,317	(27,763)	(1,446)	18,612
Effect of business combinations	-	-	-	(45)
Total included in the line "Staff costs" within operating expenses (see Note 30)	**35,331**	**(27,763)**	**7,568**	**31,986**
Remeasurement of provision for post-employment benefits:				
Actuarial losses – changes in financial assumptions	10,151	-	10,151	9,850
Actuarial losses – changes in demographic assumptions	46	-	46	71
Actuarial losses – experience adjustments	4,042	-	4,042	12,373
Expense on plan assets excluding amounts included in interest expense	-	15,943	15,943	-
Translation differences	-	-	-	1,475
Total included in other comprehensive income	**14,239**	**15,943**	**30,182**	**23,769**
Benefits paid	(18,739)	18,740	1	(19,329)
Employer's contributions	-	(9,910)	(9,910)	-
As of 31 December 2020	**435,828**	**(434,534)**	**1,294**	**328,110**
As of 31 December 2018	**332,493**	**(473,371)**	**(140,878)**	**226,585**
Current service cost	10,109	-	10,109	12,861
Past service cost	(1,138)	-	(1,138)	3,164
Interest expense (income)	29,247	(41,834)	(12,587)	19,832
Total included in the line "Staff costs" within operating expenses (see Note 30)	**38,218**	**(41,834)**	**(3,616)**	**35,857**
Remeasurement of provision for post-employment benefits:				
Actuarial losses – changes in financial assumptions	37,872	-	37,872	35,101
Actuarial losses – changes in demographic assumptions	2	-	2	53
Actuarial losses – experience adjustments	14,074	-	14,074	11,926
Expense on plan assets excluding amounts included in interest expense	-	87,696	87,696	-
Translation differences	-	-	-	(658)
Total included in other comprehensive income	**51,948**	**87,696**	**139,644**	**46,422**
Benefits paid	(17,662)	17,662	-	(17,180)
Employer's contributions	-	(21,697)	(21,697)	-
As of 31 December 2019	**404,997**	**(431,544)**	**(26,547)**	**291,684**

(in millions of Russian Rubles)

25 Provisions (continued)

The major categories of plan assets allocation broken down by fair value and percentage of total plan assets are presented below.

	31 December 2020		31 December 2019	
	Fair value	Percentage of plan assets	Fair value	Percentage of plan assets
Quoted plan assets, including:	**319,348**	**73.5 %**	**306,468**	**71.0 %**
Bonds	213,385	49.1 %	208,449	48.3 %
Mutual funds	72,236	16.6 %	69,583	16.1 %
Shares	33,727	7.8 %	28,436	6.6 %
Unquoted plan assets, including:	**115,186**	**26.5 %**	**125,076**	**29.0 %**
Equities	81,778	18.8 %	85,563	19.8 %
Mutual funds	22,774	5.2 %	18,718	4.3 %
Deposits	9,685	2.2 %	9,579	2.2 %
Other assets	949	0.3 %	11,216	2.7 %
Total plan assets	**434,534**	**100 %**	**431,544**	**100 %**

The amount of investment in ordinary shares of PJSC Gazprom included in the fair value of plan assets comprises RUB 473 million and RUB 568 million as of 31 December 2020 and 31 December 2019, respectively.

Unquoted equities within the pension plan assets are represented by equity stake in Gazprombank (Joint-stock Company), which is measured at fair value (Level 2 in accordance with the fair value hierarchy) using market approach valuation techniques based on available market data.

For the years ended 31 December 2020 and 31 December 2019 the actual return on pension plan assets was a gain in the amount of RUB 11,820 million and a loss in the amount of RUB 45,862 million, respectively, primarily caused by the change in the fair value of assets.

The sensitivity analysis of the present value of defined benefit pension plan obligations to changes in the principal actuarial assumptions as of 31 December 2020 is presented in the table below.

	Increase (decrease) of obligation	Increase (decrease) of obligation, %
Mortality rate lower by 20 %	32,086	4.3 %
Mortality rate higher by 20 %	(26,692)	(3.6 %)
Discount rate lower by 1 pp	74,563	10.1 %
Discount rate higher by 1 pp	(62,423)	(8.4 %)
Pension and other benefits growth rate lower by 1 pp	(64,196)	(8.7 %)
Pension and other benefits growth rate higher by 1 pp	75,497	10.2 %
Staff turnover lower by 1 pp for all ages	40,428	5.5 %
Staff turnover higher by 1 pp for all ages	(34,628)	(4.7 %)
Retirement age lower by 1 year	24,067	3.2 %
Retirement age higher by 1 year	(24,465)	(3.3 %)

The Group expects to contribute in the amount of RUB 29,000 million to the defined benefit pension plan in 2021.

Pension Plan Parameters and Related Risks

As a rule, the above benefits are indexed in line with inflation or salary growth for salary-dependent benefits and are exposed to inflation risk.

In addition to the inflation risk, the pension plans of the Group are exposed to mortality risks and longevity risks.

26 Other non-current liabilities

Other non-current liabilities include advances received in the amount RUB 76,299 million and RUB nil million as of 31 December 2020 and 31 December 2019 respectively. The contract obligations will be carried out from 2021 to 2025 according to the schedule. All contracts are concluded on the market conditions.

27 Equity

Share Capital

The share capital authorised, issued and paid totals RUB 325,194 million as of 31 December 2020 and 31 December 2019 and consists of 23,674 million ordinary shares, each with a par value of 5 Russian Rubles.

Dividends

In 2020 PJSC Gazprom declared and paid dividends in the nominal amount of 15.24 Russian Rubles per share based on the results for the year ended 31 December 2019. In 2019 PJSC Gazprom declared and paid dividends in the nominal amount of 16.61 Russian Rubles per share based on the results for the year ended 31 December 2018.

Treasury Shares

As of 31 December 2020 and 31 December 2019 subsidiaries of PJSC Gazprom held 29 million and 29 million PJSC Gazprom's ordinary shares, respectively.

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

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

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

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

Retained Earnings and Other Reserves

Retained earnings and other reserves include the effect of the consolidated financial statements restatement to the Russian Ruble purchasing power equivalent as of 31 December 2002, when the economy of the Russian Federation ceased to be hyperinflationary under IAS 29 Financial Reporting in Hyperinflationary Economies. Also, retained earnings and other reserves include translation differences arising on the translation of the net assets of foreign subsidiaries, associates and joint arrangements in the amount of RUB 964,659 million and RUB 672,165 million as of 31 December 2020 and 31 December 2019, respectively.

Retained earnings and other reserves include a statutory fund for social assets, created in accordance with Russian legislation at the time of privatisation. From time to time, the Group negotiates to return certain of social assets to the balance of local governmental authorities and this process may be continued in the future. Social assets with a net book value of RUB nil million and RUB 13 million were transferred to governmental authorities in 2020 and 2019, respectively. Cost of assets transferred was recorded as a reduction of retained earnings and other reserves.

Number of shares outstanding

The number of PJSC Gazprom shares outstanding (the number of issued ordinary shares less treasury shares) amounted to 23,645 million shares as of 31 December 2020 and 31 December 2019.

Perpetual notes

Information about perpetual notes is disclosed in Note 28.

(in millions of Russian Rubles)

28 Perpetual notes

In October 2020 the Group issued in the international market perpetual callable loan participation notes with a par value of USD 1,400 million and EUR 1,000 million under the EUR 30,000 million Programme for the Issuance of Loan Participation Notes. Gaz Finance Plc was the issuer of the notes. When the note issues were offered, the interest rate was set at 4.5985 % for the issue in USD and 3.8970 % for the issue in EUR. The interest rate for the perpetual notes in USD and EUR is reviewed every five years. Interest is cumulative.

Under the terms of the perpetual notes, the Group, acting in its sole discretion, may refuse to redeem the notes and may, at any time and on any number of occasions, decide to postpone interest payments. Conditions which give rise to an interest payment liability are under the control of PJSC Gazprom. In particular, an interest payment liability arises when PJSC Gazprom decides to pay or declare dividends.

The Group may decide to redeem the notes no earlier than five years after their offering and then has the right to call them on each interest payment due date. The Group may also call the notes in case of certain events, including those caused by changes in the regulation of accounting for and taxation of perpetual notes.

As the notes have no stated maturity and the Group may postpone payment of any interest on any number of occasions, the Group classifies these perpetual callable loan participation notes as an equity instrument within equity.

Transactions related to perpetual notes for the year ended 31 December 2020 are shown in the table below.

	Perpetual notes	Retained earnings and other reserves	Total
Balance as of 31 December 2019	-	-	-
Issuance of perpetual notes	197,468	-	197,468
Costs related to issuance of perpetual notes[1]	-	(2,659)	(2,659)
Translation differences arising on the translation of the par value of perpetual notes	(3,359)	3,359	-
Accrued interest	1,523	(1,523)	-
Translation differences arising on the translation of accrued interest	(16)	16	-
Cumulative tax effect of transactions related to perpetual notes	-	(140)	(140)
Balance as of 31 December 2020	**195,616**	**(947)**	**194,669**

[1] Including payment in cash amounted to RUB 2,637 million.

As of 31 December 2020 cumulative translation differences arising on the translation of the par value of perpetual notes amounted to RUB 3,359 million, and cumulative interest taking into account translation differences arising on its translation amounted to RUB 1,507 million.

(in millions of Russian Rubles)

29 Sales

	Year ended 31 December	
	2020	**2019**
Gas sales gross of excise tax and customs duties:		
the Russian Federation	940,155	970,913
Former Soviet Union countries (excluding the Russian Federation)	308,952	393,526
Europe and other countries	2,268,424	3,163,881
	3,517,531	4,528,320
Customs duties	(435,830)	(653,035)
Excise tax	(34,656)	(57,898)
Retroactive gas price adjustments[1]	2,294	(16,657)
Total gas sales	3,049,339	3,800,730
Sales of refined products:		
the Russian Federation	1,221,857	1,355,139
Former Soviet Union countries (excluding the Russian Federation)	107,166	126,311
Europe and other countries	469,373	629,731
Total sales of refined products	1,798,396	2,111,181
Sales of crude oil and gas condensate:		
the Russian Federation	47,647	62,173
Former Soviet Union countries (excluding the Russian Federation)	18,713	41,865
Europe and other countries	420,989	648,752
Total sales of crude oil and gas condensate	487,349	752,790
Electric and heat energy sales:		
the Russian Federation	467,689	495,581
Former Soviet Union countries (excluding the Russian Federation)	4,199	3,345
Europe and other countries	27,581	19,447
Total electric and heat energy sales	499,469	518,373
Gas transportation sales:		
the Russian Federation	217,367	210,265
Former Soviet Union countries (excluding the Russian Federation)	2,875	2,690
Europe and other countries	3,582	2,380
Total gas transportation sales	223,824	215,335
Other sales:		
the Russian Federation	223,163	215,659
Former Soviet Union countries (excluding the Russian Federation)	7,274	7,490
Europe and other countries	32,745	38,065
Total other sales	263,182	261,214
Total sales	**6,321,559**	**7,659,623**

[1] The effect of retroactive gas price adjustments relate to gas deliveries in previous years for which a price adjustment has been agreed or is in the process of negotiation. The effect of gas price adjustments, including corresponding impact on profit tax, is recorded in the consolidated financial statements when they become probable and a reliable estimate of the amounts can be made.
The effects of retroactive gas price adjustments for the years ended 31 December 2020 and 31 December 2019 were recorded as the increase of sales by RUB 2,294 million and the decrease of sales by RUB 16,657 million, respectively.
The effects increasing sales were due to recognition of adjustments increasing gas prices for the past periods and due to decrease in previously recognised accruals following agreements reached prior to the issuance of the respective consolidated financial statements.
The effects decreasing sales were due to increase in related accruals following agreements reached prior to the issuance of the respective consolidated financial statements.

Prepayments received from customers as of the beginning of the corresponding period were recognised within sales in the amount of RUB 81,175 million and RUB 90,673 million for the years ended 31 December 2020 and 31 December 2019, respectively.

(in millions of Russian Rubles)

30 Operating Expenses

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

Taxes other than on profit consist of:

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

Gas purchase expenses included within purchased gas and oil amounted to RUB 678,910 million and RUB 914,293 million for the years ended 31 December 2020 and 31 December 2019, respectively.

Staff costs include RUB 39,554 million and RUB 32,241 million of expenses for provision for post-employment benefits for the years ended 31 December 2020 and 31 December 2019, respectively (see Note 25).

The impairment loss on assets is presented below.

Notes		Year ended 31 December	
		2020	**2019**
10, 17	Impairment loss on trade accounts receivable	56,236	116,946
	Impairment loss on other accounts receivable and loans receivable	16,059	10,792
	Total impairment loss on financial assets	**72,295**	**127,738**
13, 14	Impairment loss on property, plant and equipment and assets under construction[1]	49,060	24,731
	Impairment loss on advances paid and prepayments	937	4,789
	Impairment loss (reversal of impairment loss) on investments in associates and joint ventures	4,124	(292)
	Impairment loss on other assets	70	154
	Total impairment loss on non-financial assets	**54,191**	**29,382**

[1] Including impairment loss on right-of-use assets.

31 Finance Income and Expenses

	Year ended 31 December	
	2020	**2019**
Foreign exchange gain	687,263	563,990
Interest income	60,137	90,926
Total finance income	**747,400**	**654,916**
Foreign exchange loss	1,292,073	278,409
Interest expense	73,445	76,426
Total finance expenses	**1,365,518**	**354,835**

Total interest paid amounted to RUB 172,877 million and RUB 171,028 million for the years ended 31 December 2020 and 31 December 2019, respectively.

Interest expense includes interest expense on lease liabilities under IFRS 16 Leases in the amount of RUB 16,529 million and RUB 16,847 million for the years ended 31 December 2020 and 31 December 2019, respectively.

Foreign exchange gain and loss for the years ended 31 December 2020 and 31 December 2019 were mainly caused by a change in the Euro and US Dollar exchange rates against the Russian Ruble. Gain and loss primarily relate to revaluation of borrowings denominated in foreign currencies.

32 Reconciliation of Profit, Disclosed in Consolidated Statement of Financial Results, Prepared in Accordance with Russian Statutory Accounting (RSA) to Profit Disclosed in IFRS Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2020	**2019**
RSA (loss) profit for the year per consolidated statutory accounts	**(354,608)**	**738,582**
Effect of IFRS adjustments:		
Differences in depreciation of property, plant and equipment and intangible assets	327,813	372,777
Differences in borrowing costs capitalised	177,552	146,978
Reversal of goodwill amortisation	63,637	62,930
Classification of loss (gain) arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	13,571	(22,631)
Impairment (loss) gain on assets and changes in provisions, including provision for post-employment benefits	(48,474)	30,283
Differences in property, plant and equipment disposal	29,213	14,531
Difference in share of profit of associates and joint ventures	(18,866)	(31,935)
Write-off of research and development expenses capitalised for RSA purposes	(6,026)	(5,045)
Other	(21,405)	(36,953)
IFRS profit for the year	**162,407**	**1,269,517**

33 Basic and Diluted Earnings per Share Attributable to the Owners of PJSC Gazprom

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

		Year ended 31 December	
Notes		**2020**	**2019**
	Profit for the year attributable to the owners of PJSC Gazprom	**135,341**	**1,202,887**
28	Interest accrued on perpetual notes	(1,523)	-
28	Translation differences arising on the translation of interest accrued on perpetual notes	16	-
	Profit for the year attributable to the ordinary shareholders of PJSC Gazprom	**133,834**	**1,202,887**
27	Annual weighted average number of ordinary shares outstanding, excluding the weighted average number of treasury shares (in millions of shares)	23,645	22,496
	Basic and diluted earnings per share attributable to the owners of PJSC Gazprom (in Russian Rubles)	**5.66**	**53.47**

The Group has no dilutive financial instruments.

(in millions of Russian Rubles)

34 Net Cash from Operating Activities

Notes		Year ended 31 December 2020	2019
	Profit before profit tax	**133,469**	**1,627,065**
	Adjustments to profit before profit tax		
30	Depreciation	798,436	715,229
31	Net finance expense (income)	618,118	(300,081)
16	Share of profit of associates and joint ventures	(136,736)	(207,127)
	Impairment loss on assets and change in provision for post-employment benefits	166,039	189,361
30	Derivative financial instruments loss (gain)	16,735	(15,225)
	Other	6,834	76,662
	Total effect of adjustments	1,469,426	458,819
	Cash flows from operating activities before working capital changes	1,602,895	2,085,884
	Increase in non-current assets	(4,544)	(20,119)
	Increase in non-current liabilities	75,726	13,185
		1,674,077	2,078,950
	Changes in working capital:		
	(Increase) decrease in accounts receivable and prepayments	(288,724)	96,617
	Increase in inventories	(28,141)	(84,359)
	Decrease in other current assets	682,987	131,098
	Decrease in accounts payable, excluding interest, dividends and capital construction	(15,507)	(93,352)
	Settlements on taxes and fees payable (other than profit tax)	(7,534)	(65,354)
	Decrease (increase) in financial assets	7,032	(29,294)
	Total effect of working capital changes	350,113	(44,644)
	Profit tax paid	(105,299)	(324,922)
	Net cash from operating activities	**1,918,891**	**1,709,384**

The following taxes and other similar payments were paid in cash during 2020 and 2019:

	Year ended 31 December 2020	2019
MET	812,187	1,142,366
Customs duties	472,031	790,087
Excise tax	373,090	212,282
Insurance contributions	162,568	142,193
Property tax	155,709	152,853
VAT	126,077	186,481
Profit tax	105,299	324,922
Personal income tax	84,360	76,072
Additional income tax for hydrocarbon producers	29,997	10,394
Other taxes	47,235	39,500
Total taxes paid	**2,368,553**	**3,077,150**

35 Subsidiaries

Significant Subsidiaries

Subsidiary	Country of primary operation	Ownership interest (%)[1] as of 31 December 2020	2019
LLC Aviapredpriyatie Gazprom avia	Russia	100	100
WIBG GmbH	Germany	100	100
WIEH GmbH	Germany	100	100
WINGAS GmbH	Germany	100	100
JSC Vostokgazprom	Russia	100	100
CJSC Gazprom Armenia	Armenia	100	100
JSC Gazprom gazoraspredelenie	Russia	100	100
GAZPROM Germania GmbH	Germany	100	100
LLC Gazprom GNP Holding	Russia	100	100
LLC Gazprom dobycha Astrakhan	Russia	100	100
LLC Gazprom dobycha Krasnodar	Russia	100	100
LLC Gazprom dobycha Nadym	Russia	100	100
LLC Gazprom dobycha Noyabrsk	Russia	100	100

(in millions of Russian Rubles)

35 Subsidiaries (continued)

Subsidiary	Country of primary operation	Ownership interest (%)[1] as of 31 December 2020	2019
LLC Gazprom dobycha Orenburg	Russia	100	100
JSC Gazprom dobycha Tomsk	Russia	100	100
LLC Gazprom dobycha Urengoy	Russia	100	100
LLC Gazprom dobycha shelf Yuzhno-Sakhalinsk	Russia	100	100
LLC Gazprom dobycha Yamburg	Russia	100	100
LLC Gazprom invest	Russia	100	100
LLC Gazprom invest RGK	Russia	100	100
LLC Gazprom investgazifikatsiia	Russia	100	100
LLC Gazprom capital	Russia	100	100
LLC Gazprom komplektatciya	Russia	100	100
JSC Gazprom Space Systems	Russia	80	80
Gazprom Marketing and Trading Ltd.	United Kingdom	100	100
Gazprom Marketing and Trading Retail Ltd.	United Kingdom	100	100
LLC Gazprom mezhregiongaz	Russia	100	100
LLC Gazprom mezhregiongaz Moskva	Russia	100	100
JSC Gazprom mezhregiongaz Nizhny Novgorod	Russia	51	51
LLC Gazprom mezhregiongaz Sankt-Peterburg	Russia	100	100
LLC Gazprom metanol	Russia	100	100
LLC Gazprom neftekhim Salavat	Russia	100	100
PJSC Gazprom Neft	Russia	96	96
Gazprom Neft Badra B.V.[2]	Netherlands	100	100
Gazprom Neft Trading GmbH[2]	Austria	100	100
LLC Gazprom neft shelf[2]	Russia	100	100
LLC Gazprom Novourengoysky gazohimicheskii kompleks	Russia	100	100
LLC Gazprom pererabotka	Russia	100	100
LLC Gazprom pererabotka Blagoveshchensk	Russia	100	100
LLC Gazprom PKhG	Russia	100	100
Gazprom Sakhalin Holdings B.V.	Netherlands	100	100
LLC Gazprom sotsinvest	Russia	100	100
JSC Gazprom teploenergo	Russia	100	100
OJSC Gazprom transgaz Belarus	Belorussia	100	100
LLC Gazprom transgaz Volgograd	Russia	100	100
LLC Gazprom transgaz Ekaterinburg	Russia	100	100
LLC Gazprom transgaz Kazan	Russia	100	100
LLC Gazprom transgaz Krasnodar	Russia	100	100
LLC Gazprom transgaz Moskva	Russia	100	100
LLC Gazprom transgaz Nizhny Novgorod	Russia	100	100
LLC Gazprom transgaz Samara	Russia	100	100
LLC Gazrpom transgaz Sankt-Peterburg	Russia	100	100
LLC Gazprom transgaz Saratov	Russia	100	100
LLC Gazprom transgaz Stavropol	Russia	100	100
LLC Gazprom transgaz Surgut	Russia	100	100
LLC Gazprom transgaz Tomsk	Russia	100	100
LLC Gazprom transgaz Ufa	Russia	100	100
LLC Gazprom transgaz Ukhta	Russia	100	100
LLC Gazprom transgaz Tchaikovsky	Russia	100	100
LLC Gazprom transgaz Yugorsk	Russia	100	100
Gazprom Finance B.V.	Netherlands	100	100
LLC Gazprom flot	Russia	100	100
Gazprom Holding Cooperatie U.A.	Netherlands	100	100
LLC Gazprom tsentrremont	Russia	100	100
GAZPROM Schweiz AG	Switzerland	100	100
LLC Gazprom export	Russia	100	100
JSC Gazprom energosbyt[3]	Russia	81	82
LLC Gazprom energoholding	Russia	100	100
Gazprom EP International B.V.	Netherlands	100	100
LLC Gazpromneft Marine Bunker[2]	Russia	100	100
JSC Gazpromneft-Aero[2]	Russia	100	100
LLC Gazpromneft-Aero Sheremetyevo[2]	Russia	100	100

(in millions of Russian Rubles)

35 Subsidiaries (continued)

Subsidiary	Country of primary operation	Ownership interest (%)[1] as of 31 December 2020	2019
LLC Gazpromneft-Bitumen Materials[2]	Russia	100	100
LLC Gazpromneft-Vostok[2]	Russia	51	51
LLC Gazpromneft Corporate Sales[2]	Russia	100	100
JSC Gazpromneft - MNPZ[2]	Russia	100	100
JSC Gazpromneft-Noyabrskneftegaz[2]	Russia	100	100
JSC Gazpromneft - ONPZ[2]	Russia	100	100
LLC Gazpromneft-Orenburg[2]	Russia	100	100
LLC Gazprom Neft Development[2]	Russia	100	100
LLC Gazpromneft Regional Sales[2]	Russia	100	100
LLC Gazpromneft-Lubricants[2]	Russia	100	100
LLC Gazpromneft-Khantos[2]	Russia	100	100
LLC Gazpromneft-Centr[2]	Russia	100	100
LLC Gazpromneft-Yamal[2]	Russia	100	100
LLC Gazpromtrans	Russia	100	100
OJSC Gazpromtrubinvest	Russia	100	100
Gazfin Cyprus Limited	Cyprus	100	100
LLC GPN-Invest[2]	Russia	100	100
LLC GPN-Finans[2]	Russia	100	100
PJSC Mosenergo[3]	Russia	54	54
PJSC MIPC[3]	Russia	99	99
Naftna Industrija Srbije a.d.[2]	Serbia	56	56
Nord Stream 2 AG	Switzerland	100	100
PJSC WGC-2[3]	Russia	79	79
South Stream Transport B.V.	Netherlands	100	100
OJSC Severneftegazprom[3]	Russia	50	50
PJSC TGC-1	Russia	52	52
LLC Faktoring-Finance	Russia	100	100
PJSC Centerenergoholding	Russia	100	100

[1] Cumulative share of the Group in share capital of investees.
[2] Subsidiaries of PJSC Gazprom Neft.
[3] Share in voting shares.

36 Non-Controlling Interest

Notes		Year ended 31 December 2020	2019
	Non-controlling interest at the end of the previous year	**510,854**	**476,144**
	Effect of changes in accounting policies	-	(870)
	Non-controlling interest at the beginning of the year (restated)	**510,854**	**475,274**
	Non-controlling interest share of profit of subsidiaries[1]	27,066	66,630
37	Change in / acquisition of interest in JSC REP Holding (abbreviated name – JSC REPH)	15,418	(5,102)
	Change in ownership interest in JSC Teploset Sankt-Peterburga[2]	2,266	1,206
	Change in ownership interest in JSC Gazprom StroyTEK Salavat[3]	1,647	-
	Change in ownership interest in LLC Gazpromneft-Salym[4]	468	-
	Change in ownership interest in JSC Gazprom energosbyt	(629)	(1,112)
	Change in ownership interest in PJSC WGC-2	-	1,715
	Change in ownership interest in LLC Ural special valve plant[3]	-	(718)
	Change in ownership interest in PJSC Mosenergo	-	(229)
	Change in ownership interest in PJSC MIPC	-	(41)
	Change in the non-controlling interest as a result of other acquisitions and disposals	186	200
	Gain from hedging operations, net of tax	18	14
	Remeasurement of provision for post-employment benefits	4	(278)
	Dividends	(16,749)	(15,973)
	Translation differences	26,240	(10,732)
	Non-controlling interest at the end of the year	**566,789**	**510,854**

[1] Non-controlling interest share of profit of subsidiaries includes share in impairment of assets in the amount of RUB 1,964 million and RUB 8,167 million for the years ended 31 December 2020 and 31 December 2019, respectively.
[2] Subsidiary of PJSC TGC-1.
[3] Subsidiary of LLC Gazprom neftekhim Salavat.
[4] Subsidiary of PJSC Gazprom Neft.

(in millions of Russian Rubles)

36 Non-Controlling Interest (continued)

The following table provides information about all subsidiaries that have non-controlling interests that are significant to the Group is presented in the table below.

	Country of primary operation	Ownership interest held by non-controlling interest, %[1]	Profit (loss) attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends accrued to non-controlling interest during the year
As of 31 December 2020 and for the year ended 31 December 2020					
Gazprom Neft Group[2]	Russia	4	14,085	288,447	7,497
Naftna Industrija Srbije a.d. Group	Serbia	46	(2,468)	106,338	1,444
Mosenergo Group	Russia	46	4,274	111,436	2,215
TGC-1 Group	Russia	48	5,630	79,625	1,926
WGC-2 Group	Russia	21	2,062	36,205	1,145
As of 31 December 2019 and for the year ended 31 December 2019					
Gazprom Neft Group[2]	Russia	4	49,711	254,700	8,320
Naftna Industrija Srbije a.d. Group	Serbia	46	4,712	84,041	1,852
Mosenergo Group	Russia	46	2,981	109,377	3,853
TGC-1 Group	Russia	48	5,365	73,640	1,198
WGC-2 Group	Russia	21	2,062	35,278	771

[1] Effective share held by non-controlling interest in share capital of investments.
[2] Including non-controlling interest in Naftna Industrija Srbije a.d. Group.

The summarised financial information of these subsidiaries before inter-company eliminations is presented in the table below.

	Gazprom Neft Group[1]	Naftna Industrija Srbije a.d. Group	Mosenergo Group	TGC-1 Group	WGC-2 Group
As of 31 December 2020 and for the year ended 31 December 2020					
Current assets	714,332	50,576	96,987	33,694	41,161
Non-current assets	3,763,046	317,934	171,812	178,670	202,666
Current liabilities	780,266	45,430	20,489	25,881	18,425
Non-current liabilities	1,231,753	68,313	26,734	32,078	70,752
Sales	1,974,938	127,598	181,559	89,023	121,229
Profit (loss) for the year	136,944	(7,513)	10,389	11,463	10,501
Comprehensive income (loss) for the year	193,492	(7,471)	10,388	11,490	10,550
Net cash from (used in):					
operating activities	569,899	20,940	29,592	22,571	21,211
investing activities	(382,103)	(18,391)	(15,377)	(18,575)	(4,993)
financing activities	(167,460)	(7,399)	(18,322)	(3,843)	(16,303)

(in millions of Russian Rubles)

36 Non-Controlling Interest (continued)

	Gazprom Neft Group[1]	Naftna Industrija Srbije a.d. Group	Mosenergo Group	TGC-1 Group	WGC-2 Group
As of 31 December 2019 and for the year ended 31 December 2019					
Current assets	734,356	57,323	91,065	28,443	42,450
Non-current assets	3,315,542	241,009	177,152	170,266	205,500
Current liabilities	509,396	38,463	16,743	28,312	37,065
Non-current liabilities	1,143,867	59,218	38,669	27,190	60,753
Sales	2,416,322	166,202	190,843	97,415	135,228
Profit for the year	416,481	9,460	7,939	12,136	9,835
Comprehensive income for the year	386,505	9,556	7,877	11,961	9,564
Net cash from (used in):					
operating activities	585,288	34,963	30,645	23,830	31,951
investing activities	(312,095)	(28,594)	(47,463)	(23,370)	(36,126)
financing activities	(306,208)	(6,500)	12,287	(6,128)	(2,201)

[1] Including data of Naftna Industrija Srbije a.d. Group.

The rights of the holders of non-controlling interests of the presented subgroups are determined by the respective laws of country of incorporation and the charter documents of the subsidiaries.

37 Acquisition of a Subsidiary

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

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

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

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

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

In accordance with IFRS 3 Business Combinations, the Group recognised the acquired assets and liabilities based upon their provisional fair values at the date the Group obtained control over JSC REPH. As at 31 December 2020, the Group completed the fair value measurement of the acquired assets and liabilities with the involvement of an independent appraiser. As a result of the transaction, goodwill was recognised in the amount of RUB 13,217 million (see Note 15).

The final assessment of the acquired assets and liabilities is shown below.

(in millions of Russian Rubles)

37 Acquisition of a Subsidiary (continued)

	Fair Value
Current assets	
Cash and cash equivalents	3,260
Accounts receivable and prepayments	8,664
Inventories	13,713
VAT recoverable	94
	25,731
Non-current assets	
Property, plant and equipment	16,844
Long-term accounts receivable and prepayments	296
Deferred tax assets	592
Other non-current assets	2,149
	19,881
Total assets	**45,612**
Current liabilities	
Accounts payable, provisions and other liabilities	11,013
Short-term borrowings, promissory notes and current portion of long-term borrowings	5,397
	16,410
Non-current liabilities	
Long-term borrowings, promissory notes	31,193
Deferred tax liabilities	2,551
	33,744
Total liabilities	**50,154**
Non-controlling interest before the acquisition	**67**
Net assets on the acquisition date	**(4,475)**
Compensation payment	**10,000**
Non-controlling interest	**1,258**
Goodwill	**13,217**

As a result of the refinement of the provisional fair value of assets and liabilities, including a decrease in the amount of goodwill by RUB 9,782 million, the Group recognised a profit in the amount of RUB 7,552 million.

The comparative data of the consolidated balance sheet as at 31 December 2019 and the consolidated statement of comprehensive income for 2019 were not changed due to the insignificant impact of the final fair value measurement of the assets and liabilities of JSC REPH. All changes in fair values were recognised in these consolidated financial statements for the year ended 31 December 2020.

If the acquisition had occurred on 1 January 2019, the Group’s sales for the year ended 31 December 2019 would have increased by RUB 10,523 million, and the Group's profit before profit tax for the year ended 31 December 2019 would have decreased by RUB 2,794 million.

The fair value of the accounts receivable resulting from the transaction is RUB 8,960 million as of 31 December 2019. The gross accounts receivable at the acquisition date is RUB 8,857 million. The best estimate of cash flows that are not expected to be recovered is RUB 103 million as of the acquisition date.

38 Related Parties

In the consolidated financial statements parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making operational and financial decisions as defined by IAS 24 Related Party Disclosures. Related parties may enter into transactions which unrelated parties would not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of relationships with those related parties with whom the Group entered into significant transactions or had significant balances outstanding is detailed below.

(in millions of Russian Rubles)

38 Related Parties (continued)

Government (the Russian Federation)

The Russian Federation is the ultimate controlling party of PJSC Gazprom and has a controlling interest (including both direct and indirect ownership) of over 50 % in PJSC Gazprom.

As of 31 December 2020 the Government directly owns 38.373 % of PJSC Gazprom's issued shares. JSC ROSNEFTEGAZ and JSC Rosgazifikatsiya controlled by the Government own 11.859 % of PJSC Gazprom's issued shares.

The Government does not prepare consolidated financial statements for public use. The Governmental economic and social policies affect the Group's financial position, performance and cash flows.

As a condition of privatisation in 1992, the Government of the Russian Federation imposed an obligation on the Group to provide an uninterrupted supply of gas to customers in the Russian Federation at government-controlled prices.

Parties Under the Government Control

In the normal course of business the Group enters into transactions with other entities under the Government control.

As of 31 December 2020 prices of natural gas and gas transportation, electricity tariffs in the Russian Federation are regulated by the Federal Antimonopoly Service (the "FAS").

Bank borrowings are provided on the basis of market interest rates. Taxes are accrued and settled in accordance with the applicable current legislation.

As of 31 December 2020 and 31 December 2019 and for the years ended 31 December 2020 and 31 December 2019 the Group's significant transactions and balances with the Government and entities under the Government control are presented below:

	As of 31 December 2020		Year ended 31 December 2020	
	Assets	**Liabilities**	**Income**	**Expenses**
Transactions and balances with the Government				
Current profit tax	14,384	6,230	-	63,384
Insurance contributions	2,908	15,474	-	166,071
VAT	269,914	115,404	-	-
Customs duties	15,567	-	-	-
MET	18	72,930	-	793,705
Other taxes	30,624	61,288	-	332,774
Other	-	-	-	4,068
Transactions and balances with entities under the Government control				
Gas sales	-	-	147,016	-
Electric and heat energy sales	-	-	173,778	-
Gas transportation sales	-	-	37,410	-
Other sales	-	-	6,136	-
Transit of oil and refined products expenses	-	-	-	133,685
Interest expense	-	-	-	22,037
Cash and cash equivalents	336,213	-	-	-
Short-term deposits	2,190	-	-	-
Long-term deposits	1,156	-	-	-
Accounts receivable	50,450	-	-	-
Short-term financial assets	27,462	-	-	-
Long-term financial assets	6,683	-	-	-
Accounts payable	-	29,374	-	-
Borrowings	-	291,888	-	-
Short-term lease liabilities	-	8,420	-	-
Long-term lease liabilities	-	90,912	-	-

(in millions of Russian Rubles)

38 Related Parties (continued)

	As of 31 December 2019		Year ended 31 December 2019	
	Assets	**Liabilities**	**Income**	**Expenses**
Transactions and balances with the Government				
Current profit tax	9,021	31,567	-	308,447
Insurance contributions	1,856	11,708	-	149,904
VAT	297,217	105,070	-	-
Customs duties	26,595	-	-	-
MET	11	86,565	-	1,114,130
Other taxes	19,855	66,948	-	196,717
Other	-	-	42,024	-
Transactions and balances with entities under the Government control				
Gas sales	-	-	153,859	-
Electric and heat energy sales	-	-	178,323	-
Gas transportation sales	-	-	43,890	-
Other sales	-	-	5,510	-
Transit of oil and refined products expenses	-	-	-	136,222
Interest expense	-	-	-	15,969
Cash and cash equivalents	61,072	-	-	-
Short-term deposits	4,815	-	-	-
Long-term deposits	1,867	-	-	-
Accounts receivable	47,390	-	-	-
Short-term financial assets	27,792	-	-	-
Long-term financial assets	6,002	-	-	-
Accounts payable	-	27,033	-	-
Borrowings	-	195,297	-	-
Short-term lease liabilities	-	7,671	-	-
Long-term lease liabilities	-	84,428	-	-

The recognised right-of-use assets amounted to RUB 2,463 million and RUB 5,154 million for the years ended 31 December 2020 and 31 December 2019.

See the consolidated statement of changes in equity for returns of social assets to governmental authorities during the years ended 31 December 2020 and 31 December 2019. See Note 13 for the net book values as of 31 December 2020 and 31 December 2019 of social assets vested to the Group at privatisation.

Transactions with JSC FSC

Some of the transactions on the wholesale electricity and capacity market are conducted through commission agreements with JSC FSC. The current financial settling system of JSC FSC does not provide the ultimate counterparties with automatically generated information about transactions and outstanding balances with the participants of the wholesale electricity and capacity market.

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

	As of 31 December 2020		Year ended 31 December 2020	
	Assets	**Liabilities**	**Income**	**Expenses**
Transactions and balances with JSC FSC				
Electric and heat energy sales	-	-	139,114	-
Electricity and heating expenses	-	-	-	20,745
Accounts receivable	6,478	-	-	-
Accounts payable	-	1,917	-	-

	As of 31 December 2019		Year ended 31 December 2019	
	Assets	**Liabilities**	**Income**	**Expenses**
Transactions and balances with JSC FSC				
Electric and heat energy sales	-	-	164,247	-
Electricity and heating expenses	-	-	-	24,033
Accounts receivable	5,893	-	-	-
Accounts payable	-	1,978	-	-

38 Related Parties (continued)

Compensation for Key Management Personnel

Key management personnel (the members of the Board of Directors and the Management Committee of PJSC Gazprom) receive short-term compensation, including salary, bonuses and remuneration for serving on the management bodies of the Group's entities, amounted to approximately RUB 3,026 million and RUB 3,180 million for the years ended 31 December 2020 and 31 December 2019, respectively.

The members of the Board of Directors, who are government officials, do not receive compensation from the Group.

The compensation of the members of the Board of Directors is approved by the annual general meetings of shareholders of the Group's entities. Compensation of key management personnel (other than compensation of the members of the Board of Directors) is determined by the terms of the employment contracts. Short-term compensation of key management personnel also includes benefits related to healthcare.

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

Key management personnel are also entitled to long-term post-employment benefits. These benefits include non-governmental pension benefits provided by JSC NPF GAZFOND and lump-sum payments provided by the Group's entities upon retirement (see Note 25).

Employees of the majority of the Group's entities are eligible for such post-employment benefits.

The Group also provides key management personnel with medical insurance and liability insurance.

Associates and Joint Ventures

For the years ended 31 December 2020 and 31 December 2019 and also as of 31 December 2020 and 31 December 2019 the Group's significant transactions and balances with associates and joint ventures are presented below.

(in millions of Russian Rubles)

38 Related Parties (continued)

	Year ended 31 December	
	2020	**2019**
	Income	
Gas sales		
Panrusgas Co.	25,724	44,099
JSV Moldovagaz	24,179	29,937
JSC Gazprom YRGM Trading[1]	15,426	18,110
JSC Gazprom YRGM Development[1]	11,018	12,936
JSC Latvijas Gaze	6,708	8,972
Prometheus Gas S.A.	3,740	8,554
JSC EUROPOL GAZ	2,312	2,494
KazRosGas LLP	-	17,441
VEMEX s.r.o. and its subsidiaries	-	561
Gas transportation sales		
JSC Gazprom YRGM Trading[1]	24,229	25,336
JSC Gazprom YRGM Development[1]	17,306	18,097
KazRosGas LLP	2,874	2,689
Crude oil, gas condensate and refined products sales		
PJSC NGK Slavneft and its subsidiaries	17,787	38,479
LLC NPP Neftekhimia	4,080	4,538
LLC Poliom	3,717	4,050
JSC SOVEX	2,635	6,553
Sakhalin Energy Investment Company Ltd.	2,326	3,648
Field operator services sales and other services sales		
JSC Messoyakhaneftegas	3,865	3,467
PJSC NGK Slavneft and its subsidiaries	3,491	2,725
Sakhalin Energy Investment Company Ltd.	1,774	1,521
Gas refining services sales		
KazRosGas LLP	10,865	10,993
Interest income		
Gazprombank (Joint-stock Company) and its subsidiaries	23,201	44,929
Other operating income (rental income)		
Sakhalin Energy Investment Company Ltd.	733	775

(in millions of Russian Rubles)

38 Related Parties (continued)

	Year ended 31 December	
	2020	**2019**
	Expenses	
Purchased gas		
JSC Gazprom YRGM Trading[1]	47,076	56,230
JSC Arcticgas	35,906	31,771
JSC Gazprom YRGM Development[1]	33,658	40,189
KazRosGas LLP	9,032	37,384
Sakhalin Energy Investment Company Ltd.	8,730	15,249
CJSC Northgas	5,261	6,246
Transit of gas		
Nord Stream AG	90,578	77,433
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	45,735	34,493
JSC EUROPOL GAZ	4,838	12,933
JSV Moldovagaz	197	1,849
Purchased crude oil and refined products		
PJSC NGK Slavneft and its subsidiaries	82,730	159,302
JSC Messoyakhaneftegas	48,701	70,620
JSC Arcticgas	4,395	6,728
KazRosGas LLP	2,149	2,933
Sakhalin Energy Investment Company Ltd.	2,097	6,620
Gas and gas condensate production		
JSC Achimgaz	37,687	47,352
Processing services		
PJSC NGK Slavneft and its subsidiaries	14,642	15,524
Transit of crude oil and oil refinery products		
JSC Messoyakhaneftegas	7,651	6,861
PJSC NGK Slavneft and its subsidiaries	5,821	4,753
Interest expense		
Gazprombank (Joint-stock Company) and its subsidiaries	11,235	11,890

[1] JSC Gazprom YRGM Trading and JSC Gazprom YRGM Development are not associates and joint ventures.

Under the agreement of subordinated debt the Group provided cash to Gazprombank (Joint-stock Company) in the amount of RUB 40,000 million and RUB 90,000 million for the years ended 31 December 2020 and 31 December 2019, respectively.

Gas is sold to and purchased from the Group's associates and joint ventures in the Russian Federation mainly at the rates established by the FAS. Gas is sold and purchased outside the Russian Federation generally on a long-term basis at prices based on world prices of oil products.

Crude oil is sold to and purchased from the Group's associates and joint ventures in the ordinary course of business at prices not significantly different from average market prices.

(in millions of Russian Rubles)

38 Related Parties (continued)

	As of 31 December 2020		As of 31 December 2019	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Short-term accounts receivable and prepayments				
JSC Gazstroyprom	58,569	-	8,521	-
Gazprombank (Joint-stock Company)	33,851	-	13,961	-
Overgas Inc. AD	8,286	-	-	-
Panrusgas Co.	4,504	-	3,566	-
Sakhalin Energy Investment Company Ltd.	4,403	-	3,125	-
PJSC NGK Slavneft and its subsidiaries	3,450	-	5,580	-
JSC Gazprom YRGM Trading	1,924	-	2,489	-
KazRosGas LLP	1,579	-	6,233	-
LLC National Petroleum Consortium	1,487	-	1,324	-
JSC Gazprom YRGM Development	1,374	-	1,778	-
JSC Messoyakhaneftegas	747	-	1,022	-
Prometheus Gas S.A.	563	-	478	-
Wintershall Noordzee B.V.	153	-	4,209	-
Cash and cash equivalents				
Gazprombank (Joint-stock Company) and its subsidiaries	453,859	-	350,674	-
OJSC Belgazprombank	29	-	15,621	-
Short-term financial assets				
Gazprombank (Joint-stock Company)	-	-	23,814	-
Other current assets				
Gazprombank (Joint-stock Company) and its subsidiaries	2,290	-	612,352	-
OJSC Belgazprombank	16	-	2,444	-
Other non-current assets				
Gazprombank (Joint-stock Company)	-	-	1,238	-
Long-term accounts receivable and prepayments				
JSC Gazstroyprom	318,674	-	220,604	-
TurkAkim Gaz Tasima A.S.	28,763	-	21,558	-
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	18,129	-	13,863	-
Sakhalin Energy Investment Company Ltd.	14,187	-	13,455	-
JSC Evroteck-Yugra	4,515	-	3,168	-
OJSC Belgazprombank	2,479	-	2,479	-
CJSC Khanty-Mansiysk petroleum alliance	236	-	1,201	-
JSC Sibgazpolymer	-	-	5,375	-
Short-term accounts payable				
JSC Gazstroyprom	-	57,618	-	26,794
PJSC NGK Slavneft and its subsidiaries	-	53,286	-	103,617
JSC Messoyakhaneftegas	-	33,670	-	41,882
Nord Stream AG	-	8,139	-	6,200
JSC Gazprom YRGM Trading	-	6,509	-	7,353
JSC Achimgaz	-	5,476	-	4,668
JSC Gazprom YRGM Development	-	4,655	-	5,256
JSC Arcticgas	-	3,367	-	2,023
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	-	1,487	-	1,020
Sakhalin Energy Investment Company Ltd.	-	864	-	1,037
KazRosGas LLP	-	141	-	4,087
JSC EUROPOL GAZ	-	-	-	1,528
Short-term borrowings (including current portion of long-term borrowings)				
WIGA Transport Beteiligungs-GmbH & Co. KG	-	27,918	-	-
Gazprombank (Joint-stock Company) and its subsidiaries	-	7,109	-	81,406
JSC Gazstroyprom	-	5,549	-	-
Long-term borrowings				
Gazprombank (Joint-stock Company)	-	182,216	-	181,700

38 Related Parties (continued)

Accounts receivable due from JSV Moldovagaz were RUB nil million as of 31 December 2020 and 31 December 2019 net of allowance for expected credit losses in the amount of RUB 508,624 million and RUB 412,258 million as of 31 December 2020 and 31 December 2019, respectively.

Accounts receivable for gas due from Overgas Inc. AD were RUB 7,770 million as of 31 December 2020 and 31 December 2019 net of allowance for expected credit losses in the amount of RUB nil million and RUB 6,511 million as of 31 December 2020 and 31 December 2019, respectively.

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

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

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

Information on investments in associates and joint ventures is disclosed in Note 16.

Information on the acquisition of JSC REPH from Gazprombank (Joint-stock Company) is disclosed in Note 37.

Information on transactions performed by the Group with JSC NPF GAZFOND is disclosed in Note 25.

Information on financial guarantees issued by the Group for associates and joint ventures is disclosed in Note 41.

39 Commitments and Contingencies

Capital Commitments

The total investment utilisation in accordance with the investment programme of the Group for 2021 (for gas, oil, electricity, heat generating and other assets) and current similar intentions of the Group is RUB 1,788,159 million.

Supply Commitments

The Group has entered into long-term supply contracts for periods ranging from 5 to 30 years with various entities operating in Europe and other countries. The volumes and prices in these contracts are subject to change due to various contractually defined factors. As of 31 December 2020 and 31 December 2019 no loss is expected to result from these long-term commitments.

Gas Transportation Commitments

The Group is a party to a number of long-term agreements on booking capacity for gas transportation. As of 31 December 2020 these agreements are not expected to be onerous for the Group.

Other

The Group has transportation agreements with certain of certain associates and joint ventures (see Note 36).

40 Operating Risks

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. Management believes that its interpretation of the relevant legislation as of 31 December 2020 is appropriate and the Group's position in terms of tax, currency and customs legislation will remain stable.

40 Operating Risks (continued)

Legal Proceedings

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

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

1) applying unfair pricing policy with respect to PGNiG S.A.;

2) preventing cross-border gas sale;

3) tying commercial issues with infrastructure.

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

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

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

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

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

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.

40 Operating Risks (continued)

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:

- 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.

40 Operating Risks (continued)

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 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.

40 Operating Risks (continued)

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;

40 Operating Risks (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.

41 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme considers the low level of predictability of financial markets and seeks to reduce potential adverse effects on the financial performance of the Group.

Risks are managed centrally and to some extent at the level of subsidiaries in accordance with adopted local acts of PJSC Gazprom and its subsidiaries.

Market Risk

Market risk is a risk that changes in market prices, such as foreign currency exchange rates, interest rates, commodity prices and prices of marketable securities, will affect the Group's financial results or the value of its holdings of financial instruments.

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from financial assets and liabilities denominated in foreign currencies other than the functional currency of a Group entity.

The carrying amounts of the Group's financial instruments are denominated in the following currencies.

(in millions of Russian Rubles)

41 Financial Risk Factors (continued)

Notes		Russian Ruble	US dollar	Euro	Other	Total
	As of 31 December 2020					
	Financial assets					
	Current					
8	Cash and cash equivalents	633,798	182,701	192,514	25,906	1,034,919
12	Short-term deposits	9,402	363	920	4,416	15,101
9	Short-term financial assets (excluding equity securities)	29,518	133	-	-	29,651
10	Accounts receivable	545,153	365,664	275,104	36,595	1,222,516
	Non-current					
12	Long-term deposits	-	-	123	1,439	1,562
17	Long-term accounts receivable	278,256	4,587	41,451	1,042	325,336
18	Long-term financial assets (excluding equity securities)	309	-	-	-	309
	Total financial assets	**1,496,436**	**553,448**	**510,112**	**69,398**	**2,629,394**
	Financial liabilities					
	Current					
19	Accounts payable (excluding derivative financial instruments)	879,064	131,105	149,232	76,568	1,235,969
21	Short-term borrowings, promissory notes and current portion of long-term borrowings	157,009	68,537	422,014	45,974	693,534
	Non-current					
22	Long-term borrowings, promissory notes	949,050	1,038,517	1,988,239	238,274	4,214,080
	Long-term lease liabilities	63,965	118,872	24,297	4,354	211,488
26	Other non-current liabilities (excluding derivative financial instruments)	21,239	5,484	660	6	27,389
	Total financial liabilities	**2,070,327**	**1,362,515**	**2,584,442**	**365,176**	**6,382,460**

Notes		Russian Ruble	US dollar	Euro	Other	Total
	As of 31 December 2019					
	Financial assets					
	Current					
8	Cash and cash equivalents	485,874	88,839	108,610	12,734	696,057
12	Short-term deposits	497,171	31,409	139,402	5,163	673,145
9	Short-term financial assets (excluding equity securities)	30,407	111	23,814	-	54,332
10	Accounts receivable	213,817	332,249	337,326	81,103	964,495
	Non-current					
12	Long-term deposits	-	3,095	93	89	3,277
17	Long-term accounts receivable	298,572	3,579	35,170	1,098	338,419
18	Long-term financial assets (excluding equity securities)	284	-	-	-	284
	Total financial assets	**1,526,125**	**459,282**	**644,415**	**100,187**	**2,730,009**
	Financial liabilities					
	Current					
19	Accounts payable (excluding derivative financial instruments)	816,992	199,701	93,092	66,462	1,176,247
21	Short-term borrowings, promissory notes and current portion of long-term borrowings	133,515	92,404	504,822	43,461	774,202
	Non-current					
22	Long-term borrowings, promissory notes	800,873	737,418	1,336,403	215,008	3,089,702
	Long-term lease liabilities	73,381	108,337	19,863	3,912	205,493
26	Other non-current liabilities (excluding derivative financial instruments)	17,418	4,586	69	8	22,081
	Total financial liabilities	**1,842,179**	**1,142,446**	**1,954,249**	**328,851**	**5,267,725**

Information on derivative financial instruments is presented in Note 24.

The Group manages its net exposure to foreign exchange risk by balancing both financial assets and financial liabilities comparable in selected foreign currencies.

(in millions of Russian Rubles)

41 Financial Risk Factors (continued)

As of 31 December 2020, if the Russian Ruble had weakened by 20 % against the US dollar with all other variables held constant, profit before profit tax would have been lower by RUB 167,718 million, mainly as a result of foreign exchange loss on translation of US dollar-denominated borrowings partially offset by foreign exchange gain on translation of US dollar-denominated trade receivables. As of 31 December 2019, if the Russian Ruble had weakened by 20 % against the US dollar with all other variables held constant, profit before profit tax would have been lower by RUB 140,078 million, mainly as a result of foreign exchange loss on translation of US dollar-denominated borrowings partially offset by foreign exchange gain on translation of US dollar-denominated trade receivables. The effect of related Russian Ruble strengthening against the US dollar would have been approximately the same amount with opposite impact.

As of 31 December 2020, if the Russian Ruble had weakened by 20 % against the Euro with all other variables held constant, profit before profit tax would have been lower by RUB 337,846 million, mainly as a result of foreign exchange loss on translation of Euro-denominated borrowings partially offset by foreign exchange gain on translation of Euro-denominated trade receivables. As of 31 December 2019, if the Russian Ruble had weakened by 20 % against the Euro with all other variables held constant, profit before profit tax would have been lower by RUB 217,324 million, mainly as a result of foreign exchange loss on translation of Euro-denominated borrowings partially offset by foreign exchange gain on translation of Euro-denominated trade receivables. The effect of related Russian Ruble strengthening against the Euro would have been approximately the same amount with opposite impact.

(b) Cash flow and fair value interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rate risk arises from loans issued, borrowings, lease liabilities and other interest-bearing financial instruments. The Group's interest rate risk primarily arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The table below summarises the balance between long-term borrowings at fixed and at variable interest rates:

Notes	Long-term borrowings and promissory notes	31 December 2020	31 December 2019
22	At fixed rate	2,626,491	2,238,028
22	At variable rate	2,161,537	1,472,051
		4,788,028	**3,710,079**

The Group performs periodic analysis of the current interest rate environment and depending on that analysis at the time of raising new debts management makes decisions whether obtaining financing on fixed-rate or variable-rate basis would be more beneficial to the Group over the expected period until maturity.

In 2019-2020 the Group's borrowings at variable rates were mainly denominated in US dollar and Euro.

As of 31 December 2020, if benchmark interest rates on borrowings had been 100 basis points higher with all other variables held constant, profit before profit tax would have been lower by RUB 18,168 million for 2020, mainly as a result of higher interest expense on variable interest rate long-term borrowings. As of 31 December 2019, if benchmark interest rates on borrowings had been 100 basis points higher with all other variables held constant, profit before profit tax would have been lower by RUB 12,757 million for 2019, mainly as a result of higher interest expense on variable interest rate long-term borrowings.

The effect of a corresponding decrease in benchmark interest rates is approximately equal and opposite.

(c) Commodity price risk

Commodity price risk - possible change in prices for natural gas, crude oil and their refined products, and its impact on the Group's future performance and results of the Group's operations. A decline in the prices could result in a decrease in net profit and cash flows.

The Group's overall strategy in production and sales of natural gas, crude oil and their refined products is centrally managed. Natural gas export prices to Europe and other countries are generally based on a formula linked to refined products prices, which in turn are linked to crude oil prices.

The Group's exposure to the commodity price risk is related essentially to the export market. As of 31 December 2020, if the average gas export prices had decreased by 20 % with all other variables held constant, profit before profit tax would have been lower by RUB 421,837 million for 2020. As of 31 December 2019, if the average gas export prices had decreased by 20 % with all other variables held constant, profit before profit tax would have been lower by RUB 565,963 million for 2019.

(in millions of Russian Rubles)

41 Financial Risk Factors (continued)

Gas prices in the Russian Federation are regulated by the FAS and are as such less subject to significant fluctuations.

The Group assesses on regular basis the potential scenarios of future fluctuation in commodity prices and their impact on operational and investment decisions. However, in the current economic environment management estimates may significantly differ from actual impact of change in commodity prices on the Group's financial position.

(d) Securities price risk

The Group is exposed to movements in the value of equity securities included in financial assets held by the Group and classified in the consolidated balance sheet either as financial assets measured at fair value with changes recognised through profit or loss or other comprehensive income (see Notes 9 and 18).

As of 31 December 2020 and 31 December 2019, if London Stock Exchange equity index, which primarily affects the major part of the Group's equity securities, had decreased by 20 % with all other variables held constant, assuming high correlation of the value of these securities with the index, the Group's comprehensive income for the period would have been RUB 84,361 million and RUB 87,447 million lower, respectively.

The Group is also exposed to movements in the value of securities held by JSC NPF GAZFOND and used for fair value estimation of the Group's pension plan assets (see Note 25).

Credit Risk

Credit risk refers to the risk exposure that a potential financial loss to the Group may occur if a counterparty defaults on its contractual obligations. The maximum exposure to credit risk is the value of the assets which might be lost.

Credit risk arises from cash and cash equivalents, deposits, debt financial instruments, derivative financial instruments, accounts receivable, loan commitments and financial guarantee contracts.

Financial instruments, which potentially subject the Group to concentrations of credit risk, primarily consist of accounts receivable. Credit risks related to accounts receivable are systematically monitored, taking into account customer's financial position, past experience and other factors.

Management systematically reviews ageing analysis of receivables and uses this information for calculation of allowance for expected credit losses (see Note 10 and 17). Credit risk exposure mainly depends on the individual characteristics of customers, more particularly customers default risk and country risk. Group operates with various customers and substantial part of sales relates to major customers.

Although collection of accounts receivable could be influenced by economic factors affecting these customers, management believes there is no significant risk of loss to the Group beyond the allowance for expected credit losses already recorded.

Cash and cash equivalents are deposited only with banks that are considered by the Group to have a minimal risk of default.

The Group's maximum exposure to credit risk is presented in the table below.

Notes		**31 December**	
		2020	**2019**
8	Cash and cash equivalents	1,034,919	696,057
12	Deposits	16,573	676,422
9, 18	Debt securities	29,956	54,616
10, 17	Accounts receivable	1,547,852	1,302,914
41	Financial guarantee contracts	261,162	219,092
38	Loan commitments	297,002	106,500
	Total maximum exposure to credit risk	**3,187,464**	**3,055,601**

(in millions of Russian Rubles)

41 Financial Risk Factors (continued)

Financial Guarantee Contracts

	31 December	
	2020	**2018**
Guarantees issued for:		
Nord Stream AG	118,510	106,924
JSC Gazstroyprom	31,639	23,814
Sakhalin Energy Investment Company Ltd.	23,227	37,022
Other	87,786	51,332
Total financial guarantee contracts	**261,162**	**219,092**

In 2020 and 2019 the counterparties fulfilled their contractual obligations.

Financial guarantee contracts include financial guarantees denominated in US Dollars of USD 314 million and USD 598 million as of 31 December 2020 and 31 December 2019, respectively, as well as amounts denominated in Euros of EUR 2,103 million and EUR 2,292 million as of 31 December 2020 and 31 December 2019, respectively.

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

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

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

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. The Group liquidity is managed centrally. The management of the Group monitors the planned cash inflow and outflow.

Important factor in the Group’s liquidity risk management is an access to a wide range of funding through capital markets and banks. Management aims is to maintain flexibility in financing sources by having committed facilities available.

The table below analyses the Group’s financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Financial liabilities due within 12 months (except lease liabilities) equal their carrying balances as the impact of discounting is not significant.

(in millions of Russian Rubles)

41 Financial Risk Factors (continued)

	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As of 31 December 2020					
Short-term and long-term loans and borrowings and promissory notes	418,826	413,553	944,335	1,978,064	2,516,873
Accounts payable (excluding derivative financial instruments and lease liabilities)	1,160,538	33,979	-	-	-
Lease liabilities	31,123	27,011	40,184	99,885	134,205
Other non-current liabilities (excluding derivative financial instruments)	-	-	17,703	2,566	7,369
Financial guarantee contracts	11,744	33,575	42,054	6,330	167,459
Derivative financial instruments	82,903	35,969	21,739	9,389	-
Loan commitments	-	-	100,000	-	197,002
As of 31 December 2019					
Short-term and long-term loans and borrowings and promissory notes	617,006	327,852	601,060	1,953,475	1,568,521
Accounts payable (excluding derivative financial instruments and lease liabilities)	1,027,732	106,495	-	-	-
Lease liabilities	31,595	27,769	47,227	105,400	145,207
Other non-current liabilities (excluding derivative financial instruments)	-	-	12,773	3,088	7,321
Financial guarantee contracts	2,916	33,660	47,962	4,821	129,733
Derivative financial instruments	66,026	33,972	13,197	5,322	107
Loan commitments	-	-	-	-	106,500

The Group's borrowing facilities do not usually include financial covenants which could trigger accelerated reimbursement of financing facilities. For those borrowing facilities where the Group has financial covenants, the Group is in compliance. If the financial covenants are not met, the Group reclassifies long-term borrowing facilities into short-term.

Reconciliation of liabilities arising from financing activities

	Borrowings	Transactions with owners	Lease liabilities	Other liabilities	Total
As of 31 December 2019	**3,863,904**	**3,667**	**247,513**	**4,836**	**4,119,920**
Cash flows, including:					
Proceeds from borrowings (net of costs directly related to the receipt)	1,139,715	-	-	-	1,139,715
Additions as a result of new leases and modifications to existing leases	-	-	16,884	-	16, 884
Repayment of borrowings	(946,991)	-	(40,470)	1,003	(986,458)
Interest capitalised and paid	(133,076)	-	-	-	(133,076)
Interest paid (in financing activities)	(22,876)	-	(16,529)	(396)	(39,801)
Dividends paid	-	(372,524)	-	-	(372,524)
Finance expense	29,755	-	16,529	396	46,680
Interest capitalised	174,079	-	-	-	174,079
Dividends declared	-	377,363	-	-	377,363
Change in fair value of hedging operations	-	-	-	(1,935)	(1,935)
Translation differences	828,337	-	31,817	-	860,154
Other movements	(25,233)	(2,881)	(2,804)	220	(30,698)
As of 31 December 2020	**4,907,614**	**5,625**	**252,940**	**4,124**	**5,170,303**

Information about perpetual notes is disclosed in Note 28.

(in millions of Russian Rubles)

41 Financial Risk Factors (continued)

	Borrowings	Transactions with owners	Lease liabilities	Other liabilities	Total
As of 31 December 2018	**3,863,822**	**7,586**	**-**	**17,550**	**3,888,958**
Effect of changes in accounting policies	-	-	260,156	-	260,156
As of 1 January 2019 (changed)	**3,863,822**	**7,586**	**260,156**	**17,550**	**4,149,114**
Cash flows, including:					
Proceeds from borrowings (net of costs directly related to the receipt)	1,160,885	-	-	-	1,160,885
Additions as a result of new leases and modifications to existing leases	-	-	41,048	-	41,048
Repayment of borrowings	(861,126)	-	(42,603)	(1,896)	(905,625)
Interest capitalised and paid	(122,848)	-	-	-	(122,848)
Interest paid (in financing activities)	(30,822)	-	(16,847)	(511)	(48,180)
Dividends paid	-	(379,595)	-	-	(379,595)
Proceeds from sale of treasury shares	-	323,514	-	-	323,514
Finance expense	36,993	-	16,847	511	54,351
Interest capitalised	150,167	-	-	-	150,167
Dividends declared	-	383,060	-	-	383,060
Treasury shares transactions	-	(323,489)	-	-	(323,489)
Change in the fair value of hedging operations	-	-	-	(10,603)	(10,603)
Translation differences	(388,335)	-	(18,524)	-	(406,859)
Acquisition of subsidiary	42,139	-	-	-	42,139
Other movements	13,029	(7,409)	7,436	(215)	12,841
As of 31 December 2019	**3,863,904**	**3,667**	**247,513**	**4,836**	**4,119,920**

Capital Risk Management

The Group considers equity and debt to be the principal elements of capital management. The Group's objectives when managing capital are to safeguard the Group's position as a leading global energy company by further increasing the reliability of natural gas supplies and diversifying activities in the energy sector, both in the domestic and foreign markets.

In order to maintain and to adjust the capital structure, the Group may revise its investment programme, attract new or repay existing loans and borrowings or sell certain non-core assets.

The Group considers its target debt to equity ratio at the level of not more than 40 %.

On the Group level capital is monitored on the basis of the net debt to adjusted EBITDA ratio. This ratio is calculated as net debt divided by adjusted EBITDA. Net debt is calculated as total debt (short-term borrowings and current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings, long-term promissory notes payable) less cash and cash equivalents.

Adjusted EBITDA is calculated as the sum of operating profit, depreciation, impairment loss or reversal of impairment loss on financial assets and non-financial assets, less changes of allowance for expected credit losses on accounts receivable and impairment allowance on advances paid and prepayments.

The net debt to adjusted EBITDA ratio as of 31 December 2020 and 31 December 2019 is presented in the table below.

	31 December 2020	31 December 2019
Total debt	4,907,614	3,863,904
Less: cash and cash equivalents	(1,034,919)	(696,057)
Net debt	3,872,695	3,167,847
Adjusted EBITDA	1,466,541	1,859,679
Net debt / Adjusted EBITDA	**2.64**	**1.70**

PJSC Gazprom has an investment grade credit rating of BBB- (stable outlook) by Standard & Poor's and BBB (stable outlook) by Fitch Ratings as of 31 December 2020.

(in millions of Russian Rubles)

42 Fair Value of Financial Instruments

The fair value of financial assets and liabilities is determined as follows:

a) Financial instruments included in Level 1

The fair value of financial instruments traded in active markets is based on quoted market closing prices at the date nearest to the reporting date.

b) Financial instruments included in Level 2

The fair value of financial instruments that are not traded in active markets is determined according to various valuation techniques, primarily based on the market or income approach, particularly the discounted cash flows valuation method. These valuation techniques maximise the use of observable inputs where they are available and rely as little as possible on the Group's specific assumptions. If all significant inputs required to measure a financial instrument at fair value are based on observable data, such an instrument is included in Level 2.

c) Financial instruments included in Level 3

If one or more of the significant inputs used to measure the fair value of an instrument are not based on observable data, such an instrument is included in Level 3.

The fair value of long-term accounts receivable is classified as Level 3 (see Note 17), long-term borrowings – Level 2 (see Note 22).

As of 31 December 2020 and 31 December 2019 the Group had the following assets and liabilities that are measured at fair value.

		31 December 2020			
Notes		**Level 1**	**Level 2**	**Level 3**	**Total**
	Financial assets measured at fair value with changes recognised through profit or loss:				
12, 24	Derivative financial instruments	14,400	85,797	379	100,576
9	Bonds	29,517	-	-	29,517
9	Equity securities	241	-	-	241
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
12, 24	Derivative financial instruments	-	6,586	-	6,586
9	Promissory notes	-	1	-	1
	Total short-term financial assets measured at fair value	**44,158**	**92,384**	**379**	**136,921**
	Financial assets measured at fair value with changes recognised through profit or loss:				
12, 24	Derivative financial instruments	4,835	12,187	-	17,022
18	Equity securities	-	-	3,056	3,056
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
12, 24	Derivative financial instruments	-	2,264	-	2,264
18	Equity securities	369,388	40,578	8,538	418,504
18	Promissory notes	-	309	-	309
	Total long-term financial assets measured at fair value	**374,223**	**55,338**	**11,594**	**441,155**
	Total financial assets measured at fair value	**418,381**	**147,722**	**11,973**	**578,076**
	Financial liabilities measured at fair value with changes recognised through profit or loss:				
19, 24	Short-term derivative financial instruments	38,478	77,967	557	117,002
24	Long-term derivative financial instruments	6,845	17,294	-	24,139
	Financial liabilities measured at fair value with changes recognised through other comprehensive income:				
19, 24	Short-term derivative financial instruments	-	1,870	-	1,870
24	Long-term derivative financial instruments	-	6,989	-	6,989
	Total financial liabilities measured at fair value	**45,323**	**104,120**	**557**	**150,000**

(in millions of Russian Rubles)

42 Fair Value of Financial Instruments (continued)

		31 December 2019			
Notes		**Level 1**	**Level 2**	**Level 3**	**Total**
	Financial assets measured at fair value with changes recognised through profit or loss:				
12, 24	Derivative financial instruments	8,337	69,375	170	77,882
9	Bonds	30,405	-	-	30,405
9	Equity securities	229	-	-	229
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
12, 24	Derivative financial instruments	-	32,072	-	32,072
9	Equity securities	-	3,010	-	3,010
9	Promissory notes	-	2	-	2
	Total short-term financial assets measured at fair value	**38,971**	**104,459**	**170**	**143,600**
	Financial assets measured at fair value with changes recognised through profit or loss:				
12, 24	Derivative financial instruments	2,693	6,108	-	8,801
18	Equity securities	-	-	2,447	2,447
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
12, 24	Derivative financial instruments	-	10,969	-	10,969
18	Equity securities	386,824	40,578	4,149	431,551
18	Promissory notes	-	284	-	284
	Total long-term financial assets measured at fair value	**389,517**	**57,939**	**6,596**	**454,052**
	Total financial assets measured at fair value	**428,488**	**162,398**	**6,766**	**597,652**
	Financial liabilities measured at fair value with changes recognised through profit or loss:				
19, 24	Short-term derivative financial instruments	9,481	58,823	517	68,821
24	Long-term derivative financial instruments	5,543	137	-	5,680
	Financial liabilities measured at fair value with changes recognised through other comprehensive income:				
19, 24	Short-term derivative financial instruments	-	31,177	-	31,177
24	Long-term derivative financial instruments	79	12,867	-	12,946
	Total financial liabilities measured at fair value	**15,103**	**103,004**	**517**	**118,624**

The derivative financial instruments include natural gas purchase and sale contracts and are categorised in Levels 1, 2 and 3 of the classification of derivative financial instruments. The contracts in Level 1 are valued using active market prices of identical assets and liabilities. Due to absence of quoted prices or other observable, market-corroborated data the contracts in Level 2 are valued using models internally developed by the Group. These models include inputs such as: quoted forward prices, time value of money, volatility factors, current market prices, contractual prices and expected volumes of the underlying instruments. If necessary, the price curves are extrapolated to the expiry of the contracts using all available external pricing information, statistical and long-term pricing relationships. These instruments are categorised in Level 3.

Foreign currency hedge contracts are categorised in Level 2. For fair value estimation the Group uses valuation prepared by independent financial institutes. Valuation results are regularly analysed by the Group's management. For the reporting period all foreign currency hedge contracts were effective.

During 2020 there were no transfers of financial instruments between Levels 1, 2 and 3 and changes in valuation techniques during the reporting period. During 2019, contracts for supply of natural gas with flexible purchase volumes in the amount of RUB 1,674 million, previously assigned to Level 3 of the fair value hierarchy, were transferred to Level 2.

Financial assets measured at fair value with changes recognised through profit or loss include derivative financial instruments, equity and debt securities intended to generate short-term profit through trading.

43 Offsetting Financial Assets and Liabilities

In connection with derivative financial instruments activities, the Group generally enters into master netting agreements and collateral agreements with its counterparties. These agreements provide the Group with the right to offset, in the event of a default by the counterparty (such as bankruptcy), counterparty's rights and obligations under the agreement or to liquidate and set off collateral against any net amount owed by the counterparty.

(in millions of Russian Rubles)

43 Offsetting Financial Assets and Liabilities (continued)

The following financial assets and liabilities are subject to standard offsetting agreements, including set-off agreements using collateral for obligations and similar agreements.

	Gross amounts before offsetting	Amounts offset	Net amounts after offsetting in the consolidated balance sheet	Amounts subject to netting agreements
As of 31 December 2020				
Financial assets				
Long-term and short-term trade and other accounts receivable	1,876,654	367,573	1,509,081	39,898
Derivative financial instruments	540,135	413,687	126,448	78,468
Financial liabilities				
Accounts payable (excluding derivative financial instruments)	1,603,542	367,573	1,235,969	39,898
Derivative financial instruments	563,687	413,687	150,000	78,468
As of 31 December 2019				
Financial assets				
Long-term and short-term trade and other accounts receivable	1,670,276	367,362	1,302,914	34,082
Derivative financial instruments	658,576	528,852	129,724	71,143
Financial liabilities				
Accounts payable (excluding derivative financial instruments)	1,543,609	367,362	1,176,247	34,082
Derivative financial instruments	647,476	528,852	118,624	71,143

44 Events After the Reporting Period

Borrowings

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

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

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

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.

The Company may be contacted at its registered office:

PJSC Gazprom
Nametkina Str., 16
V-420, GSP-7, 117997, Moscow
Russia

Telephone: +7 (812) 609-41-29
Facsimile: +7 (812) 609-43-34
www.gazprom.ru (in Russian)
www.gazprom.com (in English)