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**PJSC Gazprom**  
**Notes to the Consolidated Interim Condensed Financial Information**  
**(Unaudited)**  
**30 June 2020**  
**(in millions of Russian Rubles)**

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**1 General Information**

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

The Group is involved in the following activities:

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

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

The Group’s business is subject to seasonal fluctuations with peak demand for gas in the first and fourth quarters of each year. Typically approximately 30 % of total annual gas volumes are shipped in the first calendar quarter and approximately 20 % in the second calendar quarter.

**2 Economic Environment in the Russian Federation**

The economy of the Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation of the Russian Federation is a subject to varying interpretations and contributes to the challenges faced by 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”) foreign exchange rate as determined by the Central Bank of the Russian Federation was as follows:

- as of 30 June 2020 – 69.9513 (of 30 June 2019 – 63.0756);
- as of 31 December 2019 – 61.9057 (as of 31 December 2018 – 69.4706).

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

- as of 30 June 2020 – 78.6812 (as of 30 June 2019 – 71.8179);
- 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**

This consolidated interim condensed financial information is prepared in accordance with the requirements of IAS 34 Interim Financial Reporting. The consolidated interim condensed financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

The significant accounting policies followed by the Group and the critical judgements and estimates in their application are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2019.

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

*Application of Amendments to Standards*

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

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

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

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

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

**5 Segment Information**

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

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

Based on that information the following reportable segments were determined:

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

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

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

- Production of gas – sales of gas to the Distribution of gas and Refining segments;
- Transportation of gas – rendering gas transportation services to the Distribution of gas segment;
- Distribution of gas – sales of gas to the Transportation of gas segment for own needs and to the Electric and heat energy generation and sales segment;
- Gas storage – sales 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 of providing specific funding requirements of the individual subsidiaries within each segment.

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

**PJSC Gazprom**  
**Notes to the Consolidated Interim Condensed Financial Information**  
**(Unaudited)**  
**30 June 2020**  
(in millions of Russian Rubles)

**5 Segment Information (continued)**

	<b>Production of gas</b>	<b>Transportation of gas</b>	<b>Distribution of gas</b>	<b>Gas storage</b>	<b>Production of crude oil and gas condensate</b>	<b>Refining</b>	<b>Electric and heat energy generation and sales</b>	<b>All other segments</b>	<b>Total</b>
<b>Three months ended 30 June 2020</b>									
<b>Sales of segments</b>	<b>180,468</b>	<b>319,484</b>	<b>558,604</b>	<b>15,268</b>	<b>194,517</b>	<b>353,301</b>	<b>94,157</b>	<b>63,686</b>	<b>1,779,485</b>
Inter-segment sales	174,625	266,281	43,464	13,984	103,328	5,407	-	-	607,089
External sales	5,843	53,203	515,140	1,284	91,189	347,894	94,157	63,686	1,172,396
<b>Financial result of segments</b>	<b>(23,989)</b>	<b>68,720</b>	<b>(40,138)</b>	<b>2,166</b>	<b>27,928</b>	<b>(71,949)</b>	<b>5,769</b>	<b>(7,434)</b>	<b>(38,927)</b>
Depreciation	44,069	123,790	4,500	7,642	40,152	16,425	15,827	13,140	265,545
Share of profit of associates and joint ventures	443	7,989	1,448	-	7,522	513	87	11,014	29,016
<b>Three months ended 30 June 2019</b>									
<b>Sales of segments</b>	<b>255,750</b>	<b>284,716</b>	<b>886,455</b>	<b>14,793</b>	<b>405,041</b>	<b>538,310</b>	<b>104,482</b>	<b>78,437</b>	<b>2,567,984</b>
Inter-segment sales	249,409	230,063	57,025	13,812	212,483	1,848	-	-	764,640
External sales	6,341	54,653	829,430	981	192,558	536,462	104,482	78,437	1,803,344
<b>Financial result of segments</b>	<b>20,029</b>	<b>30,954</b>	<b>159,380</b>	<b>2,245</b>	<b>95,421</b>	<b>25,369</b>	<b>8,999</b>	<b>(8,022)</b>	<b>334,375</b>
Depreciation	43,857	120,456	5,152	6,510	36,330	16,682	12,142	12,576	253,705
Share of profit of associates and joint ventures	1,260	6,243	1,215	-	35,300	1,250	14	6,041	51,323
<b>Six months ended 30 June 2020</b>									
<b>Sales of segments</b>	<b>409,368</b>	<b>600,939</b>	<b>1,506,946</b>	<b>28,542</b>	<b>474,332</b>	<b>831,248</b>	<b>252,240</b>	<b>132,406</b>	<b>4,236,021</b>
Inter-segment sales	397,943	491,649	131,782	26,124	262,282	10,395	-	-	1,320,175
External sales	11,425	109,290	1,375,164	2,418	212,050	820,853	252,240	132,406	2,915,846
<b>Financial result of segments</b>	<b>(19,088)</b>	<b>88,187</b>	<b>(149,767)</b>	<b>3,783</b>	<b>96,730</b>	<b>(83,516)</b>	<b>38,380</b>	<b>(50,777)</b>	<b>(76,068)</b>
Depreciation	88,367	250,111	9,057	15,299	85,047	29,653	31,556	24,517	533,607
Share of profit of associates and joint ventures	1,517	15,737	649	-	35,409	330	101	21,098	74,841
<b>Six months ended 30 June 2019</b>									
<b>Sales of segments</b>	<b>537,552</b>	<b>555,312</b>	<b>2,281,529</b>	<b>27,415</b>	<b>804,293</b>	<b>1,047,505</b>	<b>277,895</b>	<b>161,315</b>	<b>5,692,816</b>
Inter-segment sales	525,190	445,158	154,297	25,275	421,346	4,134	-	-	1,575,400
External sales	12,362	110,154	2,127,232	2,140	382,947	1,043,371	277,895	161,315	4,117,416
<b>Financial result of segments</b>	<b>42,848</b>	<b>37,283</b>	<b>502,495</b>	<b>3,172</b>	<b>192,126</b>	<b>34,790</b>	<b>41,974</b>	<b>(8,092)</b>	<b>846,596</b>
Depreciation	87,766	241,367	9,193	14,075	72,869	28,667	29,522	24,602	508,061
Share of profit of associates and joint ventures	3,248	14,061	1,941	-	78,783	2,340	38	14,844	115,255

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

**PJSC Gazprom**  
**Notes to the Consolidated Interim Condensed Financial Information**  
**(Unaudited)**  
**30 June 2020**  
(in millions of Russian Rubles)

**5 Segment Information (continued)**

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

Notes	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Financial result of reportable segments	(31,493)	342,397	(25,291)	854,688
Financial result of other segments	(7,434)	(8,022)	(50,777)	(8,092)
<b>Total financial result of segments</b>	<b>(38,927)</b>	<b>334,375</b>	<b>(76,068)</b>	<b>846,596</b>
Difference in depreciation <sup>1</sup>	68,218	78,482	136,716	160,186
Expenses associated with provision for post-employment benefits	(5,464)	(1,855)	(5,453)	(1,198)
19 Net finance (expense) income	266,372	39,913	(281,632)	229,145
11 Share of profit of associates and joint ventures	29,016	51,323	74,841	115,255
18 Derivatives gain (loss)	1,344	(2,987)	1,798	(10,051)
Other	(128,645)	(85,899)	132,992	(214,655)
<b>Total (loss) profit before profit tax in the consolidated interim condensed statement of comprehensive income</b>	<b>191,914</b>	<b>413,352</b>	<b>(16,806)</b>	<b>1,125,278</b>

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

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

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
External sales of reportable segments	1,108,710	1,724,907	2,783,440	3,956,101
External sales of other segments	63,686	78,437	132,406	161,315
<b>Total external sales of segments</b>	<b>1,172,396</b>	<b>1,803,344</b>	<b>2,915,846</b>	<b>4,117,416</b>
Differences in external sales <sup>1</sup>	(9,080)	(18,414)	(12,698)	(40,665)
<b>Total sales in the consolidated interim condensed statement of comprehensive income</b>	<b>1,163,316</b>	<b>1,784,930</b>	<b>2,903,148</b>	<b>4,076,751</b>

<sup>1</sup> 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 subcontractors and other adjustments.

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

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

	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
<b>As of 30 June 2020</b>									
Assets of segments	2,794,403	7,006,803	1,536,360	359,131	3,127,344	2,650,784	880,142	1,641,074	19,996,041
Investments in associates and joint ventures	13,873	189,965	43,096	2	594,104	31,255	1,291	400,623	1,274,209
Capital expenditures <sup>1</sup>	89,293	81,927	5,313	3,072	176,482	147,517	40,201	32,085	575,890
<b>As of 31 December 2019</b>									
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 <sup>2</sup>	360,215	464,203	25,827	14,268	316,011	437,758	79,001	121,394	1,818,677

<sup>1</sup> Capital expenditures for the six months ended 30 June 2020.

<sup>2</sup> Capital expenditures for the year ended 31 December 2019.

**PJSC Gazprom**  
**Notes to the Consolidated Interim Condensed Financial Information**  
**(Unaudited)**  
**30 June 2020**  
(in millions of Russian Rubles)

**5 Segment Information (continued)**

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

Notes	<b>30 June 2020</b>	<b>31 December 2019</b>
Assets of reportable segments	18,354,967	18,291,137
Assets of other segments	<u>1,641,074</u>	<u>1,612,910</u>
<b>Total assets of segments</b>	<b>19,996,041</b>	<b>19,904,047</b>
Difference in property, plant and equipment, net <sup>1</sup>	(1,042,033)	(1,216,329)
Borrowing costs capitalized	967,374	919,491
6 Cash and cash equivalents	738,836	696,057
Short-term financial assets	55,298	57,571
VAT recoverable	131,811	142,545
13 Other current assets	704,845	945,279
10 Right-of-use assets	66,136	73,857
Goodwill	130,995	130,028
22 Long-term financial assets	356,669	434,282
13 Other non-current assets	376,360	389,596
Inter-segment assets	(816,173)	(917,888)
Other	<u>392,842</u>	<u>323,812</u>
<b>Total assets in the consolidated interim condensed balance sheet</b>	<b>22,059,001</b>	<b>21,882,348</b>

<sup>1</sup> 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.

	<b>30 June 2020</b>	<b>31 December 2019</b>
Distribution of gas	668,207	827,063
Refining	536,690	604,614
Production of crude oil and gas condensate	392,285	371,326
Production of gas	272,009	370,591
Transportation of gas	123,312	282,634
Electric and heat energy generation and sales	105,914	114,430
Gas storage	25,845	28,999
All other segments	<u>238,994</u>	<u>224,718</u>
<b>Total liabilities of segments</b>	<b>2,363,256</b>	<b>2,824,375</b>

**PJSC Gazprom**  
**Notes to the Consolidated Interim Condensed Financial Information**  
**(Unaudited)**  
**30 June 2020**  
(in millions of Russian Rubles)

**5 Segment Information (continued)**

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

Notes	<b>30 June 2020</b>	<b>31 December 2019</b>
Liabilities of reportable segments	2,124,262	2,599,657
Liabilities of other segments	<u>238,994</u>	<u>224,718</u>
<b>Total liabilities of segments</b>	<b>2,363,256</b>	<b>2,824,375</b>
Short-term lease liabilities	19,588	20,567
Current profit tax payable	6,791	39,709
Short-term borrowings, promissory notes and current portion of long-term borrowings	667,052	774,202
14 Long-term borrowings, promissory notes	3,755,948	3,089,702
21 Long-term provisions (except for provision for decommissioning and site restoration)	347,111	326,888
15 Deferred tax liabilities	665,244	768,448
Long-term lease liabilities	46,564	50,686
Other non-current liabilities	112,023	68,759
Dividends	379,092	3,667
Inter-segment liabilities	(816,173)	(917,888)
Other	<u>202,932</u>	<u>217,546</u>
<b>Total liabilities in the consolidated interim condensed balance sheet</b>	<b>7,749,428</b>	<b>7,266,661</b>

**6 Cash and Cash Equivalents**

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
Cash on hand and bank balances payable on demand	601,557	571,715
Term deposits with original maturity of three months or less and other cash equivalents	<u>137,279</u>	<u>124,342</u>
<b>Total cash and cash equivalents</b>	<b>738,836</b>	<b>696,057</b>

**7 Accounts Receivable and Prepayments**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Trade accounts receivable	567,796	756,746
Loans receivable	140,731	103,476
Other accounts receivable	115,218	104,273
Advances paid and prepayments	<u>89,391</u>	<u>75,845</u>
<b>Total accounts receivable and prepayments</b>	<b>913,136</b>	<b>1,040,340</b>

Accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 971,527 million and RUB 884,140 million, advances paid and prepayments are presented net of impairment allowance in the amount of RUB 5,773 million and RUB 5,720 million as of 30 June 2020 and 31 December 2019, respectively.

**8 Inventories**

For inventories with the cost exceeding the net realisable value, the amount of write-down to net realisable value was RUB 11,013 million and RUB 10,779 million as at 30 June 2020 and 31 December 2019, respectively.

In 2019, the Group made borrowings secured by inventories, the carrying value of the pledged inventories amounted to RUB 39,189 million and RUB 70,168 million as of 30 June 2020 and 31 December 2019, respectively.

**PJSC Gazprom**  
**Notes to the Consolidated Interim Condensed Financial Information**  
**(Unaudited)**  
**30 June 2020**  
(in millions of Russian Rubles)

**9 Property, Plant and Equipment**

Notes	Operating assets (including production licenses)	Social assets	Assets under construction	Total
<b>As of 31 December 2018</b>				
	16,368,463	88,479	4,476,531	20,933,473
	(6,661,459)	(45,298)	-	(6,706,757)
	<u>(225,956)</u>	<u>-</u>	<u>(191,326)</u>	<u>(417,282)</u>
	<b>9,481,048</b>	<b>43,181</b>	<b>4,285,205</b>	<b>13,809,434</b>
<b>Six months ended 30 June 2019</b>				
<b>Cost</b>				
10	(112,877)	-	-	(112,877)
	20,581	-	740,233	760,814
	303,867	1,385	(305,252)	-
	(65,655)	(1,223)	(14,365)	(81,243)
	(106,326)	(508)	(94,376)	(201,210)
<b>Accumulated depreciation and impairment allowance</b>				
10	71,795	-	-	71,795
	(333,085)	(1,212)	-	(334,297)
	40,278	843	1,621	42,742
	49,491	338	7,358	57,187
	-	-	(3,472)	(3,472)
	-	-	(3,472)	(3,472)
<b>As of 30 June 2019</b>				
	16,408,053	88,133	4,802,771	21,298,957
	(6,840,958)	(45,329)	-	(6,886,287)
	<u>(217,978)</u>	<u>-</u>	<u>(185,819)</u>	<u>(403,797)</u>
	<b>9,349,117</b>	<b>42,804</b>	<b>4,616,952</b>	<b>14,008,873</b>
<b>Six months ended 31 December 2019</b>				
<b>Cost</b>				
	134,049	-	1,255,602	1,389,651
	1,375,787	3,167	(1,378,954)	-
	(65,378)	(1,441)	(119,451)	(186,270)
	(26,864)	187	(35,193)	(61,870)
<b>Accumulated depreciation and impairment allowance</b>				
	(350,582)	(1,245)	-	(351,827)
	42,859	-	19,886	62,745
	15,274	(271)	(5,003)	10,000
	(25,281)	-	10,427	(14,854)
	(26,433)	-	(35,404)	(61,837)
	1,152	-	45,831	46,983
<b>As of 31 December 2019</b>				
	17,825,647	90,046	4,524,775	22,440,468
	(7,135,819)	(46,845)	-	(7,182,664)
	<u>(240,847)</u>	<u>-</u>	<u>(160,509)</u>	<u>(401,356)</u>
	<b>10,448,981</b>	<b>43,201</b>	<b>4,364,266</b>	<b>14,856,448</b>



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**9 Property, Plant and Equipment (continued)**

Notes	<b>Operating assets (including production licenses)</b>	<b>Social assets</b>	<b>Assets under construction</b>	<b>Total</b>
<b>Six months ended 30 June 2020</b>				
<b>Cost</b>				
Additions	32,145	168	618,397	650,710
Transfers	717,377	2,126	(719,503)	-
Disposals	(61,814)	(418)	(7,857)	(70,089)
Translation differences	158,605	288	101,498	260,391
<b>Accumulated depreciation and impairment allowance</b>				
Depreciation	(377,584)	(1,331)	-	(378,915)
Disposals	11,776	211	1,935	13,922
Translation differences	(55,409)	(85)	(3,005)	(58,499)
Change in impairment allowance:	(14,067)	-	(156)	(14,223)
allowance accrual	(14,067)	-	(313)	(14,380)
allowance release	-	-	157	157
<b>As of 30 June 2020</b>				
Cost	18,671,960	92,210	4,517,310	23,281,480
Accumulated depreciation	(7,551,591)	(48,050)	-	(7,599,641)
Impairment allowance	(260,359)	-	(161,735)	(422,094)
<b>Net book value as of 30 June 2020</b>	<b>10,860,010</b>	<b>44,160</b>	<b>4,355,575</b>	<b>15,259,745</b>

The Group recognised an impairment allowance in the amount of RUB 14,380 million for assets, mainly related to the Production of crude oil and gas condensate segment located abroad, for the six months ended 30 June 2020 and RUB 3,472 million for the six months ended 30 June 2019.

Social assets (rest houses, housing, schools and medical facilities) included in the property, plant and equipment which were vested to the Group at privatisation have a net book value of RUB 36 million and RUB 45 million as of 30 June 2020 and 31 December 2019, respectively.

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**10 Right-of-Use Assets**

Notes	<u>Operating assets</u>	<u>Social assets</u>	<u>Total</u>
<b>Six months ended 30 June 2019</b>			
	-	-	-
	-	-	-
	148,877	31,408	180,285
9	<u>41,082</u>	<u>-</u>	<u>41,082</u>
	<b>189,959</b>	<b>31,408</b>	<b>221,367</b>
	25,992	(25,992)	-
	(16,160)	(437)	(16,597)
	16,020	424	16,444
	2,624	(91)	2,533
	<u>(5,435)</u>	<u>-</u>	<u>(5,435)</u>
	<b>213,000</b>	<b>5,312</b>	<b>218,312</b>
<b>As of 30 June 2019</b>			
	229,871	5,741	235,612
	<u>(16,871)</u>	<u>(429)</u>	<u>(17,300)</u>
	<b>213,000</b>	<b>5,312</b>	<b>218,312</b>
<b>Six months ended 31 December 2019</b>			
	(21,566)	(987)	(22,553)
	(6,007)	-	(6,007)
	24,975	3,198	28,173
	(2,774)	(17)	(2,791)
	<u>(890)</u>	<u>-</u>	<u>(890)</u>
	<b>206,738</b>	<b>7,506</b>	<b>214,244</b>
<b>As of 31 December 2019</b>			
	250,471	8,930	259,401
	<u>(43,733)</u>	<u>(1,424)</u>	<u>(45,157)</u>
	<b>206,738</b>	<b>7,506</b>	<b>214,244</b>
<b>Six months ended 30 June 2020</b>			
	(19,867)	(585)	(20,452)
	3,143	290	3,433
	706	(118)	588
	(2,418)	(221)	(2,639)
	<u>5,015</u>	<u>-</u>	<u>5,015</u>
	<b>193,317</b>	<b>6,872</b>	<b>200,189</b>
<b>As of 30 June 2020</b>			
	257,482	8,764	266,246
	<u>(64,165)</u>	<u>(1,892)</u>	<u>(66,057)</u>
	<b>193,317</b>	<b>6,872</b>	<b>200,189</b>

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 27,706 million and RUB 33,861 million for the six months ended 30 June 2020 and 30 June 2019, respectively.

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**11 Investments in Associates and Joint Ventures**

Notes			Carrying value as of		Share of profit (loss) of associates and joint ventures for the six months ended	
			30 June 2020	31 December 2019	30 June 2020	30 June 2019
24, 25	Gazprombank (Joint-stock Company) and its subsidiaries <sup>1</sup>	Associate	225,570	211,171	14,169	7,186
24, 25	Sakhalin Energy Investment Company Ltd.	Associate	223,851	176,333	23,894	33,066
24	PJSC NGK Slavneft and its subsidiaries	Joint venture	154,230	159,420	(5,234)	6,133
24	JSC Arcticgas	Joint venture	147,944	136,262	11,682	20,107
24, 25	Nord Stream AG	Joint venture	97,069	83,107	10,384	9,424
24	WIGA Transport Beteiligungs- GmbH & Co. KG and its subsidiaries <sup>2</sup>	Joint venture	55,287	52,159	4,945	4,474
24	JSC Messoyakhaneftegaz	Joint venture	49,078	45,350	3,728	14,039
24	JSC Gazstroyprom	Associate	41,643	43,129	(1,486)	78
21, 24	JSC NPF GAZFOND <sup>3</sup>	Associate	38,160	32,729	5,431	7,531
24	JSC EUROPOL GAZ	Associate	33,068	30,117	408	163
24	JSC Achimgaz	Joint venture	32,994	34,888	5,742	7,773
	Wintershall AG	Associate	17,173	15,590	(381)	(65)
24	KazRosGas LLP	Joint venture	14,848	12,949	275	1,682
24	CJSC Northgas	Joint venture	11,246	10,526	720	1,683
24	Wintershall Noordzee B.V.	Joint venture	5,285	5,309	(716)	75
24	JSC Latvijas Gaze and its subsidiaries	Associate	3,925	3,481	419	80
	Other (net of allowance for investments impairment in the amount of RUB 18,817 million and RUB 22,037 million as of 30 June 2020 and 31 December 2019, respectively)		<u>122,838</u>	<u>130,342</u>	<u>861</u>	<u>1,826</u>
			<b>1,274,209</b>	<b>1,182,862</b>	<b>74,841</b>	<b>115,255</b>

<sup>1</sup> In March 2020 the Group purchased Gazprombank (Joint-stock Company) ordinary shares from one of the shareholders, as the result of which the Group's ownership interest increased from 47.87 % to 49.88 %.

<sup>2</sup> 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 the investment into WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries as of 31 December 2019 became accounted for as the investment into a joint venture.

<sup>3</sup> 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 changed.

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

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

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**11 Investments in Associates and Joint Ventures (continued)**

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

	Ownership interest as of 30 June 2020, %	Country of primary operations	As of 30 June 2020		Six months ended 30 June 2020	
			Assets	Liabilities	Revenues	Profit (loss)
Gazprombank (Joint-stock Company) and its subsidiaries <sup>1</sup>	49.88	Russia	6,981,214	6,336,983	112,379	28,408
Sakhalin Energy Investment Company Ltd. <sup>2</sup>	50	Russia	1,004,914	557,212	173,071	47,788
PJSC NGK Slavneft and its subsidiaries	49.88	Russia	606,066	292,395	93,515	(10,778)
JSC Gazstroyprom	49	Russia	549,638	464,653	40,984	(3,032)
JSC NPF GAZFOND	42	Russia	459,937	368,027	-	13,081
Nord Stream AG <sup>3, 4</sup>	51	Russia, Germany	429,278	238,945	41,404	20,360
JSC Arcticgas	50	Russia	425,811	154,251	72,247	23,363
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	49.98	Germany	337,484	213,375	30,798	10,094
JSC Messoyakhaneftegas	50	Russia	220,293	122,559	41,772	7,461
JSC Achimgaz	50	Russia	105,017	39,027	40,411	11,484
JSC EUROPOL GAZ	48	Poland	71,185	2,296	8,308	851
Wintershall AG <sup>5</sup>	49	Libya	64,974	41,290	-	(777)
Wintershall Noordzee B.V.	50	Netherlands	50,630	42,247	2,298	(1,433)
CJSC Northgas	50	Russia	44,380	20,954	7,314	1,439
KazRosGaz LLP	50	Kazakhstan	31,765	2,068	16,226	549
JSC Latvijas Gaze and its subsidiaries	34	Latvia	24,960	7,154	7,486	1,232

  

	Ownership interest as of 31 December 2019, %	Country of primary operations	As of 31 December 2019		Six months ended 30 June 2019	
			Assets	Liabilities	Revenues	Profit (loss)
Gazprombank (Joint-stock Company) and its subsidiaries <sup>1, 6</sup>	47.87	Russia	6,487,809	5,860,026	135,276	36,186
Sakhalin Energy Investment Company Ltd. <sup>2</sup>	50	Russia	934,633	581,966	192,884	66,133
PJSC NGK Slavneft and its subsidiaries	49.85	Russia	602,545	278,667	157,300	12,800
JSC Gazstroyprom	49	Russia	463,598	375,581	32,466	34
JSC NPF GAZFOND <sup>6</sup>	42	Russia	454,054	375,224	-	18,138
JSC Arcticgas	50	Russia	419,362	171,170	99,655	40,213
Nord Stream AG <sup>3, 4</sup>	51	Russia, Germany	392,013	229,056	39,621	18,478
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	49.98	Germany	284,526	173,024	40,210	8,970
JSC Messoyakhaneftegas	50	Russia	221,692	131,417	68,932	28,078
JSC Achimgaz	50	Russia	103,132	33,354	32,026	15,544
JSC EUROPOL GAZ	48	Poland	64,028	1,287	8,515	345
Wintershall AG <sup>5</sup>	49	Libya	58,940	36,092	3,963	(132)
Wintershall Noordzee B.V.	50	Netherlands	46,049	37,318	4,618	149
CJSC Northgas	50	Russia	45,993	24,006	10,816	3,366
KazRosGaz LLP	50	Kazakhstan	33,382	7,483	24,870	3,364
JSC Latvijas Gaze and its subsidiaries	34	Latvia	19,880	5,584	14,103	236

<sup>1</sup> The amount of revenue of Gazprombank (Joint-stock Company) and its subsidiaries includes revenue of media business, machinery business and other non-banking companies.

<sup>2</sup> Country of incorporation is Bermuda Islands.

<sup>3</sup> Country of incorporation is Switzerland.

<sup>4</sup> The investment in the entity is accounted using the equity method, as the Group has no control over activities of the entity in accordance with provisions of its constituent documents.

<sup>5</sup> Country of incorporation is Germany.

<sup>6</sup> Share in voting shares.

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**12 Long-term Accounts Receivable and Prepayments**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Advances for assets under construction	578,492	485,791
Long-term accounts receivable	333,915	323,411
Long-term prepayments	21,337	22,525
Sub-lease long-term accounts receivable	<u>16,060</u>	<u>15,008</u>
<b>Total long-term accounts receivable and prepayments</b>	<b>949,804</b>	<b>846,735</b>

Long-term accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 11,870 million and RUB 11,628 million as of 30 June 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 8,416 million and RUB 8,305 million as of 30 June 2020 and 31 December 2019, respectively.

**13 Other Current and Non-Current Assets**

Other current assets are provided in the table below.

Notes	<b>30 June 2020</b>	<b>31 December 2019</b>
Short-term deposits	412,015	673,145
22 Derivative financial instruments	120,406	109,954
Prepaid VAT	112,329	115,775
Prepaid profit tax	33,109	10,247
Other	<u>26,986</u>	<u>36,158</u>
<b>Total other current assets</b>	<b>704,845</b>	<b>945,279</b>

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

Notes	<b>30 June 2020</b>	<b>31 December 2019</b>
Intangible assets	65,744	64,380
22 Derivative financial instruments	30,821	19,770
VAT recoverable related to assets under construction	27,512	41,348
21 Net pension plan assets	3,013	26,547
Long-term deposits	729	3,277
Other	<u>248,541</u>	<u>234,274</u>
<b>Total other non-current assets</b>	<b>376,360</b>	<b>389,596</b>

**14 Long-Term Borrowings, Promissory Notes**

	<b>Currency</b>	<b>Final maturity</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Long-term borrowings, promissory notes payable to:				
China Construction Bank Corporation, Beijing branch <sup>1, 2</sup>	Euro	2034	210,895	-
Loan participation notes issued in February 2020 <sup>3</sup>	US Dollar	2030	140,346	-
Loan participation notes issued in September 2012 <sup>4</sup>	US Dollar	2022	106,215	93,999
Loan participation notes issued in November 2013 <sup>4</sup>	US Dollar	2023	105,504	93,370
Gazprombank (Joint-stock Company)	Russian Ruble	2027	104,035	101,018
Intesa Sanpaolo Bank Luxembourg S.A. <sup>1</sup>	Euro	2023	94,197	82,865
Loan participation notes issued in March 2007 <sup>5</sup>	US Dollar	2022	92,811	82,136
Loan participation notes issued in August 2007 <sup>5</sup>	US Dollar	2037	89,829	79,497
Loan participation notes issued in February 2019 <sup>5</sup>	US Dollar	2026	88,560	78,246
J.P. Morgan Europe Limited <sup>1</sup>	Euro	2023	86,402	76,029
Loan participation notes issued in April 2004 <sup>5</sup>	US Dollar	2034	85,208	75,407
Loan participation notes issued in November 2016 <sup>5</sup>	Euro	2023	79,860	69,210
Loan participation notes issued in November 2018 <sup>5</sup>	Euro	2024	79,188	70,686
Loan participation notes issued in April 2020 <sup>3</sup>	Euro	2025	78,482	-
	British Pound			
Loan participation notes issued in April 2017 <sup>5, 6</sup>	Sterling	2024	77,392	68,120

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**14 Long-Term Borrowings, Promissory Notes (continued)**

	<b>Currency</b>	<b>Final maturity</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Loan participation notes issued in July 2012 <sup>5</sup>	US Dollar	2022	71,509	63,285
Loan participation notes issued in June 2020 <sup>3</sup>	US Dollar	2027	69,363	-
Loan participation notes issued in February 2013 <sup>5</sup>	US Dollar	2028	64,211	56,826
Loan participation notes issued in February 2014 <sup>5</sup>	Euro	2021	59,738	53,590
Loan participation notes issued in November 2017 <sup>5</sup>	Euro	2024	59,444	51,719
Loan participation notes issued in March 2018 <sup>5</sup>	Euro	2026	59,007	52,569
J.P. Morgan Europe Limited <sup>1</sup>	Euro	2022	55,977	59,150
Loan participation notes issued in March 2018 <sup>5</sup>	Swiss Franc	2023	55,422	47,964
UniCredit S.p.A.	Euro	2025	54,991	48,379
Loan participation notes issued in March 2017 <sup>5</sup>	US Dollar	2027	52,790	46,647
	British Pound			
Loan participation notes issued in September 2013 <sup>5, 6</sup>	Sterling	2020	47,586	41,937
Bank of China Limited, London branch	Euro	2021	45,101	59,461
Loan participation notes issued in November 2011 <sup>5</sup>	US Dollar	2021	43,076	38,122
UniCredit S.p.A.	Euro	2022	42,188	44,586
Loan issued in December 2018 <sup>7</sup>	Japanese yen	2028	41,969	36,373
Credit Agricole CIB	Euro	2023	40,349	41,455
Loan participation notes issued in March 2013 <sup>5</sup>	Euro	2025	39,820	35,853
Natixis <sup>1</sup>	Euro	2024	39,313	34,582
Wintershall Nederland Transport and Trading B.V. <sup> 8</sup>	Euro	2034	39,304	32,378
OMV Gas Marketing Trading & Finance B.V. <sup> 8</sup>	Euro	2034	39,304	32,378
Shell Exploration and Production (LXXI) B.V. <sup> 8</sup>	Euro	2034	39,304	32,378
Uniper Gas Transportation and Finance B.V. <sup> 8</sup>	Euro	2034	39,304	32,378
Engie Energy Management Holding Switzerland AG <sup>8</sup>	Euro	2034	39,303	32,378
MUFG Bank Ltd.	Euro	2023	39,123	34,425
Mizuho Bank, Ltd	Euro	2025	38,988	-
Loan participation notes issued in November 2016 <sup>5, 6</sup>	Swiss Franc	2021	37,167	32,281
Loan participation notes issued in July 2017 <sup>5, 6</sup>	Swiss Franc	2022	36,344	31,637
Citibank Europe plc <sup>1</sup>	Euro	2023	33,284	29,288
PJSC Sberbank	Euro	2023	32,774	33,687
Wintershall Nederland Transport and Trading B.V. <sup> 8</sup>	Euro	2035	32,397	26,775
Uniper Gas Transportation and Finance B.V. <sup> 8</sup>	Euro	2035	32,397	26,775
OMV Gas Marketing Trading & Finance B.V. <sup> 8</sup>	Euro	2035	32,394	26,773
Shell Exploration and Production (LXXI) B.V. <sup> 8</sup>	Euro	2035	32,394	26,773
Engie Energy Management Holding Switzerland AG <sup>8</sup>	Euro	2035	32,394	26,773
Credit Agricole CIB	Euro	2022	31,535	34,706
ING Bank, a branch of ING-DiBa AG	Euro	2023	31,372	27,606
PJSC Sberbank	Russian Ruble	2022	30,090	30,084
PJSC Sberbank <sup>1, 2</sup>	Russian Ruble	2034	26,770	-
JSC ALFA-BANK	US Dollar	2021	25,545	22,607
Russian bonds issued in March 2018 <sup>4</sup>	Russian Ruble	2024	25,542	25,542
Russian bonds issued in October 2017 <sup>4</sup>	Russian Ruble	2022	25,382	25,382
Russian bonds issued in November 2019 <sup>4</sup>	Russian Ruble	2024	25,183	25,166
Gazprombank (Joint-stock Company)	Russian Ruble	2022	22,714	22,700
Russian bonds issued in December 2019 <sup>4</sup>	Russian Ruble	2029	20,014	20,012
Gazprombank (Joint-stock Company)	Russian Ruble	2022	19,462	19,450
PJSC Sberbank	Euro	2022	19,235	16,952
VTB Bank (Europe) SE	Euro	2027	16,535	15,613
PJSC VTB Bank	Euro	2022	15,728	13,858
Russian bonds issued in July 2019 <sup>9</sup>	Russian Ruble	2024	15,535	15,535
Russian bonds issued in July 2018 <sup>10</sup>	Russian Ruble	2048	15,513	15,513
Russian bonds issued in July 2018 <sup>10</sup>	Russian Ruble	2048	15,513	15,513
Russian bonds issued in February 2017 <sup>9</sup>	Russian Ruble	2027	15,508	15,508
Russian bonds issued in February 2017 <sup>9</sup>	Russian Ruble	2027	15,508	15,508
Russian bonds issued in August 2017 <sup>4</sup>	Russian Ruble	2024	15,488	15,487

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**14 Long-Term Borrowings, Promissory Notes (continued)**

	<b>Currency</b>	<b>Final maturity</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
China Construction Bank Corporation, Beijing branch <sup>1</sup>	US Dollar	2020	15,324	27,205
Russian bonds issued in April 2017 <sup>4</sup>	Russian Ruble	2022	15,291	15,289
Russian bonds issued in June 2019 <sup>9</sup>	Russian Ruble	2022	15,089	15,089
Russian bonds issued in June 2020 <sup>9</sup>	Russian Ruble	2027	15,070	-
Russian bonds issued in November 2013 <sup>10</sup>	Russian Ruble	2043	15,069	15,081
Russian bonds issued in November 2013 <sup>10</sup>	Russian Ruble	2043	15,069	15,081
Russian bonds issued in June 2020 <sup>9</sup>	Russian Ruble	2025	15,068	-
Gazprombank (Joint-stock Company)	Russian Ruble	2024	15,000	15,000
JSC BANK "ROSSIYA"	Russian Ruble	2022	15,000	15,000
PJSC CREDIT BANK OF MOSCOW	Russian Ruble	2024	14,933	14,925
Gazprombank (Joint-stock Company)	Russian Ruble	2025	14,250	15,000
Deutsche Bank Luxembourg S.A.	Euro	2022	10,929	11,772
J.P. Morgan Europe Limited <sup>1</sup>	Euro	2020	10,406	18,308
Russian bonds issued in July 2018 <sup>10</sup>	Russian Ruble	2033	10,342	10,342
Russian bonds issued in August 2016 <sup>4</sup>	Russian Ruble	2046	10,324	10,324
Russian bonds issued in February 2011 <sup>4</sup>	Russian Ruble	2021	10,321	10,321
Russian bonds issued in February 2018 <sup>9</sup>	Russian Ruble	2028	10,247	10,247
Russian bonds issued in February 2018 <sup>9</sup>	Russian Ruble	2028	10,247	10,247
Russian bonds issued in February 2020 <sup>4</sup>	Russian Ruble	2025	10,042	-
Russian bonds issued in December 2017 <sup>4</sup>	Russian Ruble	2024	10,025	10,025
UniCredit Bank Austria AG	Euro	2021	8,419	11,116
Intesa Sanpaolo Bank Luxembourg S.A. <sup>1</sup>	Euro	2020	-	153,452
Loan participation notes issued in March 2013 <sup>5</sup>	Euro	2020	-	71,183
Loan participation notes issued in February 2013 <sup>5</sup>	US Dollar	2020	-	50,293
UniCredit S.p.A. <sup>1</sup>	Euro	2020	-	24,257
JSC ALFA-BANK	Russian Ruble	2020	-	10,073
PJSC Promsvyazbank	Russian Ruble	2020	-	10,039
Other long-term borrowings, promissory notes	Various	Various	<u>547,868</u>	<u>507,510</u>
<b>Total long-term borrowings, promissory notes</b>			<b><u>4,279,458</u></b>	<b><u>3,710,079</u></b>
Less current portion of long-term borrowings			<u>(523,510)</u>	<u>(620,377)</u>
			<b><u>3,755,948</u></b>	<b><u>3,089,702</u></b>

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

<sup>2</sup> Loan received within financing the Amur gas processing plant construction.

<sup>3</sup> Issuer of these bonds is Gaz Finance Plc. Bonds were issued under EUR 30,000 million Programme for the Issuance of Loan Participation Notes.

<sup>4</sup> Issuer of these bonds is PJSC Gazprom Neft.

<sup>5</sup> Issuer of these bonds is Gaz Capital S.A. Bonds were issued under USD 40,000 million Programme for the Issuance of Loan Participation Notes.

<sup>6</sup> According to the signed agreements between the bond issuer Gas Capital S.A. and the banks, settlements for the bonds are made in Euro (up to achieve of a coefficient based on the ratio of currency exchange rates set in the agreements).

<sup>7</sup> Issuer of these bonds is GazAsia Capital S.A.

<sup>8</sup> Borrowings were obtained for financing of the Nord Stream 2 project.

<sup>9</sup> Issuer of these bonds is Gazprom capital LLC.

<sup>10</sup> Issuer of these bonds is PJSC Gazprom.

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Due for repayment of long-term borrowings, promissory notes</b>		
Between one and two years	494,780	448,815
Between two and five years	1,617,935	1,637,203
After five years	<u>1,643,233</u>	<u>1,003,684</u>
	<b><u>3,755,948</u></b>	<b><u>3,089,702</u></b>

Long-term liabilities include fixed rate borrowings with a carrying value of RUB 2,621,607 million and RUB 2,238,028 million and fair value of RUB 2,917,499 million and RUB 2,509,321 million as of 30 June 2020 and 31 December 2019, respectively.

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**14 Long-Term Borrowings, Promissory Notes (continued)**

All other long-term borrowings have variable interest rates generally linked to LIBOR and EURIBOR. Their carrying value is RUB 1,657,851 million and RUB 1,472,051 million and fair value is RUB 1,921,701 million and RUB 1,649,878 million as of 30 June 2020 and 31 December 2019, respectively.

As of 30 June 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 held by PJSC Gazprom were pledged until a full settlement of the secured obligations.

As of 30 June 2020 according to the agreements signed in December 2019 within the framework of financing the construction of the Amur Gas Processing Plant, 99.9 % 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 30 June 2020 the secured obligations to agent banks China Construction Bank Corporation, Beijing branch, ING Bank N.V., Intesa Sanpaolo S.p.A., London branch, Banca IMI S.p.A. and PJSC Sberbank amounted to RUB 293,649 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 bondholders can execute the right of early redemption in November 2021 at par, including interest accrued.

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 debt and no debt that may be converted into an equity interest of the Group (see Note 20).



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**15 Profit Tax**

Profit tax is recognised based on the estimated average annual effective profit tax rate applied to the profit before profit tax for the six months ended 30 June 2020. Differences between the recognition criteria of assets and liabilities reflected in the IFRS consolidated interim condensed financial information and for the purposes of Russian statutory taxation give rise to certain temporary differences. The tax effect of the movement in these temporary differences is recorded at the applicable statutory rates with the prevailing rate of 20 % in the Russian Federation.

	<b>30 June 2020</b>	<b>Differences recognition and reversals</b>	<b>31 December 2019</b>	<b>30 June 2019</b>	<b>Differences recognition and reversals</b>	<b>Effect of changes in accounting policies</b>	<b>31 December 2018</b>
<b>Tax effects of taxable temporary differences:</b>							
Property, plant and equipment	(964,485)	(10,928)	(953,557)	(908,978)	(36,190)	2,619	(875,407)
Right-of-use assets	(32,396)	928	(33,324)	(33,040)	(2,017)	(31,023)	-
Inventories	(4,952)	207	(5,159)	3,406	(1,839)	-	5,245
	<b>(1,001,833)</b>	<b>(9,793)</b>	<b>(992,040)</b>	<b>(938,612)</b>	<b>(40,046)</b>	<b>(28,404)</b>	<b>(870,162)</b>
<b>Tax effects of deductible temporary differences:</b>							
Financial assets	7,188	5,066	2,122	1,646	(67)	-	1,713
Tax losses carried forward	116,311	90,860	25,451	16,136	(710)	-	16,846
Retroactive gas price adjustments	4,739	(14,683)	19,422	8,391	1,732	-	6,659
Accounts receivable	158,129	60,997	97,132	80,290	(420)	-	80,710
Lease liabilities	40,893	1,161	39,732	36,579	1,187	35,392	-
Other deductible temporary differences	9,329	(30,404)	39,733	9,018	(6,465)	-	15,483
	<b>336,589</b>	<b>112,997</b>	<b>223,592</b>	<b>152,060</b>	<b>(4,743)</b>	<b>35,392</b>	<b>121,411</b>
<b>Total net deferred tax liabilities</b>	<b>(665,244)</b>	<b>103,204</b>	<b>(768,448)</b>	<b>(786,552)</b>	<b>(44,789)</b>	<b>6,988</b>	<b>(748,751)</b>

Taxable temporary differences recognised for the six months ended 30 June 2020 and 30 June 2019 include the effect of depreciation premium on certain items of property, plant and equipment. The positive tax effect on these differences amounted to RUB 25,933 million and RUB 9,119 million and it was offset by the decrease in the current profit tax by the corresponding amount which did not have influence on profit (loss) for the six months ended 30 June 2020 and 30 June 2019.

**16 Equity**

**Share Capital**

The share capital authorised, issued and paid totals RUB 325,194 million as of 30 June 2020 and 31 December 2019 and consists of 23,674 million ordinary shares, each with a par value of 5 Russian Rubles.

**Treasury Shares**

As of 30 June 2020 and 31 December 2019 subsidiaries of PJSC Gazprom held 29 million PJSC Gazprom's ordinary shares, which are accounted for as treasury shares.

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

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

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**16 Equity (continued)**

The shares held by PJSC Gazprom's subsidiaries represented 0.1 % of the total number of PJSC Gazprom's shares as of 30 June 2020 and 31 December 2019.

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

**17 Sales**

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Gas sales gross of excise tax and customs duties:				
Russian Federation	165,938	169,326	488,703	518,256
Former Soviet Union (excluding Russian Federation)	55,300	68,687	146,186	202,637
Europe and other countries	<u>372,028</u>	<u>742,550</u>	<u>930,480</u>	<u>1,806,757</u>
	593,266	980,563	1,565,369	2,527,650
Customs duties	(76,375)	(139,275)	(168,551)	(363,524)
Excise tax	(1,994)	(13,526)	(12,553)	(32,541)
Retroactive gas price adjustments <sup>1</sup>	<u>6,086</u>	<u>8,009</u>	<u>2,324</u>	<u>8,009</u>
Total gas sales	520,983	835,771	1,386,589	2,139,594
Sales of refined products:				
Russian Federation	248,332	343,192	554,072	648,871
Former Soviet Union (excluding Russian Federation)	23,010	29,329	53,454	64,779
Europe and other countries	<u>76,552</u>	<u>163,941</u>	<u>213,327</u>	<u>329,721</u>
Total sales of refined products	347,894	536,462	820,853	1,043,371
Sales of crude oil and gas condensate:				
Russian Federation	8,481	16,432	21,561	32,932
Former Soviet Union (excluding Russian Federation)	3,341	12,997	3,341	22,741
Europe and other countries	<u>79,367</u>	<u>163,129</u>	<u>187,148</u>	<u>327,274</u>
Total sales of crude oil and gas condensate	91,189	192,558	212,050	382,947
Electric and heat energy sales:				
Russian Federation	91,520	100,375	243,741	265,889
Former Soviet Union (excluding the Russian Federation)	101	815	1,258	912
Europe and other countries	<u>2,536</u>	<u>3,292</u>	<u>7,241</u>	<u>11,094</u>
Total electric and heat energy sales	94,157	104,482	252,240	277,895
Gas transportation sales:				
Russian Federation	51,702	53,410	106,165	107,538
Former Soviet Union (excluding the Russian Federation)	712	664	1,517	1,434
Europe and other countries	<u>789</u>	<u>579</u>	<u>1,608</u>	<u>1,182</u>
Total gas transportation sales	53,203	54,653	109,290	110,154
Other sales:				
Russian Federation	46,227	50,376	102,419	101,187
Former Soviet Union (excluding the Russian Federation)	1,508	2,046	3,188	3,804
Europe and other countries	<u>8,155</u>	<u>8,582</u>	<u>16,519</u>	<u>17,799</u>
Total other sales	55,890	61,004	122,126	122,790
<b>Total sales</b>	<b>1,163,316</b>	<b>1,784,930</b>	<b>2,903,148</b>	<b>4,076,751</b>

<sup>1</sup> The effect of retroactive gas price adjustments relate to gas deliveries in previous years for which a price adjustment has been agreed or is in the process of negotiation. The effect of gas price adjustments, including corresponding impact on profit tax, is recorded in the consolidated interim condensed financial information when they become probable and a reliable estimate of the amounts can be made.

The effects of retroactive gas price adjustments on sales for the three and six months ended 30 June 2020 recorded as an increase of sales by RUB 6,086 million and RUB 2,324 million, respectively. The effects of retroactive gas price adjustments for the three and six months ended 30 June 2019 recorded as an increase of sales by RUB 8,009 million.

The effects increasing sales were due to recognition of adjustments increasing gas prices for the past periods and due to change of related accruals following agreements reached prior to the issuance of the respective consolidated interim condensed financial information.

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**18 Operating Expenses**

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Taxes other than on profit	271,643	357,204	617,679	733,509
Purchased gas and oil	162,406	325,917	441,522	729,779
Staff costs	207,530	194,315	414,587	381,134
Depreciation	197,327	175,223	396,891	347,875
Transit of gas, oil and refined products	158,519	167,351	312,423	336,053
Materials	53,424	83,550	110,350	147,393
Goods for resale, including refined products	33,940	69,780	85,046	125,846
Electricity and heating	24,788	23,948	56,283	57,144
Repairs and maintenance	30,633	35,294	49,016	53,361
Insurance	8,514	7,955	17,200	15,477
Social expenses	8,840	9,522	16,106	16,315
Impairment loss (reversal of impairment loss) on non-financial assets	149	(351)	14,200	1,802
Transportation expenses	6,547	3,446	14,024	9,714
Processing services	4,611	5,129	10,341	10,496
Research and development	4,360	4,152	9,301	9,367
Lease	4,574	5,581	8,548	12,884
Derivatives (gain) loss	(1,344)	2,987	(1,798)	10,051
Foreign exchange differences on operating items	52,125	4,139	(63,459)	51,390
Other	79,290	80,605	170,463	219,217
	<b>1,307,876</b>	<b>1,555,747</b>	<b>2,678,723</b>	<b>3,268,807</b>
Change in balances of finished goods, work in progress and other effects	(54,320)	(141,276)	14,534	(72,120)
<b>Total operating expenses</b>	<b>1,253,556</b>	<b>1,414,471</b>	<b>2,693,257</b>	<b>3,196,687</b>

Staff costs include RUB 10,361 million and RUB 20,579 million of expenses for provision for post-employment benefits for the three and six months ended 30 June 2020, respectively, and RUB 8,713 million and RUB 17,322 million of expenses for provision for post-employment benefits for the three and six months ended 30 June 2019, respectively (see Note 21).

**19 Finance Income and Expense**

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Foreign exchange gain	307,175	70,848	421,799	305,451
Interest income	17,211	24,567	37,553	48,187
<b>Total finance income</b>	<b>324,386</b>	<b>95,415</b>	<b>459,352</b>	<b>353,638</b>
Foreign exchange loss	40,887	36,346	706,907	86,964
Interest expense	17,127	19,156	34,077	37,529
<b>Total finance expense</b>	<b>58,014</b>	<b>55,502</b>	<b>740,984</b>	<b>124,493</b>

Total interest paid amounted to RUB 31,062 million and RUB 86,651 million for the three and six months ended 30 June 2020, respectively, and RUB 38,513 million and RUB 89,369 million for the three and six months ended 30 June 2019, respectively.

Interest expense includes interest expense on lease obligations under IFRS 16 Leases in the amount of RUB 4,130 million and RUB 8,333 million for the three and six months ended 30 June 2020, respectively and RUB 4,386 million and RUB 8,371 million for the three and six months ended 30 June 2019, respectively.

Foreign exchange gain and loss for the six month ended 30 June 2020 and 30 June 2019 were recognised as a result of 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.

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

Basic earnings (loss) per share attributable to the owners of PJSC Gazprom have been calculated by dividing the profit (loss) for the period attributable to the owners of PJSC Gazprom by the weighted average number of ordinary shares outstanding, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares (see Note 16).

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

The weighted average number of ordinary shares outstanding, excluding the weighted average number of treasury shares, was 23.6 billion for the three and six months ended 30 June 2020 and 22.1 billion for the three and six months ended 30 June 2019.

The Group has no dilutive financial instruments.

**21 Provisions**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Provision for post-employment benefits	312,412	291,684
Provision for decommissioning and site restoration	293,884	279,895
Other	<u>34,699</u>	<u>35,204</u>
<b>Total provisions</b>	<b>640,995</b>	<b>606,783</b>

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

The net pension plan assets related to benefits provided through JSC NPF GAZFOND are included within other non-current assets in the consolidated interim condensed balance sheet in the amount of RUB 3,013 million and RUB 26,547 million as of 30 June 2020 and 31 December 2019, respectively (see Note 13).

In accordance with IAS 19 Employee Benefits, pension plan assets are recorded at estimated fair value and are subject to certain limitations. As of 30 June 2020 and 31 December 2019 management estimates the fair value of these assets in the amount of RUB 429,916 million and RUB 431,544 million, respectively. The pension plan assets comprise shares of various companies, including shares of PJSC Gazprom and equity in Gazprombank (Joint-stock Company), corporate, state and municipal bonds, investments in mutual funds and other assets held by JSC NPF GAZFOND.

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

	<b>30 June 2020</b>		<b>31 December 2019</b>	
	<b>Pension plan provided through JSC NPF GAZFOND</b>	<b>Other post- employment benefits</b>	<b>Pension plan provided through JSC NPF GAZFOND</b>	<b>Other post- employment benefits</b>
Present value of obligations	(426,903)	(312,412)	(404,997)	(291,684)
Fair value of plan assets	<u>429,916</u>	-	<u>431,544</u>	-
<b>Total net assets (liabilities)</b>	<b>3,013</b>	<b>(312,412)</b>	<b>26,547</b>	<b>(291,684)</b>

Expenses for provision for post-employment benefits recognised in operating expenses are presented below (see Note 18).

	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Current service cost	5,973	6,869	11,945	13,738
Net interest expense	<u>4,388</u>	<u>1,844</u>	<u>8,634</u>	<u>3,584</u>
<b>Total expenses included in the line "Staff costs" within operating expenses</b>	<b>10,361</b>	<b>8,713</b>	<b>20,579</b>	<b>17,322</b>

The principal assumptions used for the measurement of post-employment benefit obligations for the three and six months ended 30 June 2020 were the same as those applied for the year ended 31 December 2019 with the exception of the discount rate determined by reference to market yields on government securities. The decrease in the discount rate from 6.9 % to 6.2 % resulted in recognition of an actuarial loss in the amount of RUB 45,220 million in other comprehensive income for the three months ended 30 June 2020. The decrease in the discount rate from 6.5 % to 6.2 % resulted in recognition of an actuarial loss in the amount of RUB 21,511 million in other comprehensive income for the six months ended 30 June 2020. The decrease in the discount rate from 8.5 % to 7.5 % resulted in recognition of an actuarial loss in the amount of

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**21 Provisions (continued)**

RUB 52,990 million in other comprehensive income for the three months ended 30 June 2019. The decrease in the discount rate from 8.8 % to 7.5 % resulted in recognition of an actuarial loss in the amount of RUB 68,410 million in other comprehensive income for the six months ended 30 June 2019.

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

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Actuarial loss	(45,220)	(52,990)	(21,511)	(68,410)
(Expense) return on plan assets excluding amounts included in net interest expense	4,363	(797)	(12,805)	(9,848)
Translation differences	<u>567</u>	<u>48</u>	<u>(775)</u>	<u>406</u>
<b>Total</b>	<b>(40,290)</b>	<b>(53,739)</b>	<b>(35,091)</b>	<b>(77,852)</b>

**22 Fair Value of Financial Instruments**

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

*a) Financial instruments included in Level 1*

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

*b) Financial instruments included in Level 2*

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

*c) Financial instruments included in Level 3*

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

The fair value of long-term accounts receivable is classified as Level 3 (see Note 12), long-term borrowings – Level 2 (see Note 14).

As of 30 June 2020 and 31 December 2019 the Group had the following assets and liabilities that are measured at fair value:

Notes	30 June 2020				
	Level 1	Level 2	Level 3	Total	
<b>Financial assets measured at fair value with changes recognised through profit or loss:</b>					
13	Derivative financial instruments	17,423	97,631	324	115,378
	Bonds	21,862	-	-	21,862
	Equity securities	229	-	-	229
<b>Financial assets measured at fair value with changes recognised through other comprehensive income:</b>					
13	Derivative financial instruments	-	5,028	-	5,028
	Equity securities	-	6,058	-	6,058
	Promissory notes	-	<u>1</u>	-	<u>1</u>
<b>Total short-term financial assets measured at fair value</b>					
		<b>39,514</b>	<b>108,718</b>	<b>324</b>	<b>148,556</b>
<b>Financial assets measured at fair value with changes recognised through profit or loss:</b>					
13	Derivative financial instruments	3,309	27,374	-	30,683
	Equity securities	-	-	2,699	2,699

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**22 Fair Value of Financial Instruments (continued)**

		<b>30 June 2020</b>			
Notes		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>Financial assets measured at fair value with changes recognised through other comprehensive income:</b>				
13	Derivative financial instruments	-	138	-	138
	Equity securities	308,939	40,578	4,156	353,673
	Promissory notes	<u>-</u>	<u>297</u>	<u>-</u>	<u>297</u>
	<b>Total long-term financial assets measured at fair value</b>	<b><u>312,248</u></b>	<b><u>68,387</u></b>	<b><u>6,855</u></b>	<b><u>387,490</u></b>
	<b>Total financial assets measured at fair value</b>	<b><u>351,762</u></b>	<b><u>177,105</u></b>	<b><u>7,179</u></b>	<b><u>536,046</u></b>
	<b>Financial liabilities measured at fair value with changes recognised through profit or loss:</b>				
	Short-term derivative financial instruments	21,345	67,751	385	89,481
	Long-term derivative financial instruments	16,540	9,024	61	25,625
	<b>Financial liabilities measured at fair value with changes recognised through other comprehensive income:</b>				
	Short-term derivative financial instruments	-	20,666	-	20,666
	Long-term derivative financial instruments	<u>-</u>	<u>11,471</u>	<u>-</u>	<u>11,471</u>
	<b>Total financial liabilities measured at fair value</b>	<b><u>37,885</u></b>	<b><u>108,912</u></b>	<b><u>446</u></b>	<b><u>147,243</u></b>

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

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

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

As of 30 June 2020 and 31 December 2019 long-term financial assets measured at fair value with changes recognised through other comprehensive income include shares of PJSC NOVATEK in the amount of RUB 302,783 million and RUB 380,811 million, respectively.

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**23 Acquisition of a Subsidiary**

In December 2019 the Group acquired 100 % of ordinary shares of JSC REP Holding (abbreviated name – JSC REPH). Compensation payments amounted to RUB 10,000 million. Payment was made by the 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 the obligation of the Group to obtain a borrowing 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 borrowing commitments of JSC REPH, which were not 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 activities include design, development, manufacture, installation, sale, as well as after-sales and warranty services for turbocompressor and power equipment.

As a result of the transaction, goodwill was recognised in the provisional amount of RUB 22,999 million. The Group’s share in the voting shares of the JSC REPH amounted to 72 %.

In accordance with IFRS 3 Business Combinations, the Group recognised the acquired assets and liabilities based upon their provisional fair values. The final fair value should be recognised in the consolidated financial statements within twelve months of the acquisition date. All changes in fair values will be recorded retrospectively from the acquisition date.

The provisional fair value of the assets acquired and liabilities assumed is provided below.

	<u>Provisional fair value</u>
<b>Current assets</b>	
Cash and cash equivalents	3,260
Accounts receivable and prepayments	7,710
Inventories	13,519
VAT recoverable	<u>94</u>
	<b>24,583</b>
<b>Non-current assets</b>	
Property, plant and equipment	6,784
Long-term accounts receivable and prepayments	252
Deferred tax assets	2,399
Other non-current liabilities	<u>1,368</u>
	<b>10,803</b>
<b>Total assets</b>	<b>35,386</b>
<b>Current liabilities</b>	
Accounts payable, provisions and other liabilities	11,013
Short-term borrowings, promissory notes and current portion of long-term borrowings	<u>8,915</u>
	<b>19,928</b>
<b>Non-current liabilities</b>	
Long-term borrowings, promissory notes	33,224
Deferred tax liabilities	<u>335</u>
	<b>33,559</b>
<b>Total liabilities</b>	<b>53,487</b>
<b>Non-controlling interest before the acquisition</b>	<u>67</u>
<b>Net assets on the acquisition date</b>	<b>(18,034)</b>
<b>Compensation payment</b>	<b>10,000</b>
<b>Non-controlling interest</b>	<b>5,035</b>
<b>Goodwill</b>	<b>22,999</b>

The fair value of the accounts receivable resulting from the transaction is RUB 7,962 million as of 31 December 2019. The gross accounts receivable at the acquisition date is RUB 8,065 million. The best estimate of cash flows that are not expected to be recovered is RUB 103 million as of the acquisition date.

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**24 Related Parties**

In the consolidated interim condensed financial information parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making operational and financial decisions as defined by IAS 24 Related Party Disclosures. Related parties may enter into transactions which unrelated parties might 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 the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding is detailed below.

**Government (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 30 June 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 30 June 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 30 June 2020 and 31 December 2019 and for the three and six months ended 30 June 2020 and for the three and six months ended 30 June 2019 Group's significant transactions and balances with the Government and parties under the Government control are presented below.

	As of 30 June 2020		Three months ended 30 June 2020		Six months ended 30 June 2020	
	Assets	Liabilities	Income	Expenses	Income	Expenses
<b>Transactions and balances with the Government</b>						
Current profit tax	30,037	1,343	-	8,439	-	32,756
Insurance contributions	1,410	14,556	-	41,976	-	88,850
VAT	266,511	79,551	-	-	-	-
Customs duties	23,709	-	-	-	-	-
MET	16	51,994	-	152,578	-	388,791
Other taxes	8,653	70,212	-	95,138	-	183,404
<b>Transactions and balances with entities under the Government control</b>						
Gas sales	-	-	23,399	-	70,515	-
Electric and heat energy sales	-	-	33,946	-	93,607	-
Gas transportation sales	-	-	9,270	-	18,811	-
Other sales	-	-	952	-	2,149	-
Transit of oil and refined products expenses	-	-	-	35,538	-	71,313
Interest expense	-	-	-	7,843	-	11,371
Cash and cash equivalents	305,837	-	-	-	-	-
Short-term deposits	5,280	-	-	-	-	-
Long-term deposits	523	-	-	-	-	-
Accounts receivable	48,655	-	-	-	-	-
Short-term financial assets	19,257	-	-	-	-	-
Long-term financial assets	6,132	-	-	-	-	-
Accounts payable	-	25,048	-	-	-	-



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**24 Related Parties (continued)**

	As of 30 June 2020		Three months ended 30 June 2020		Six months ended 30 June 2020	
	Assets	Liabilities	Income	Expenses	Income	Expenses
Borrowings	-	188,408	-	-	-	-
Short-term lease liabilities	-	8,166	-	-	-	-
Long-term lease liabilities	-	88,436	-	-	-	-
	As of 31 December 2019		Three months ended 30 June 2019		Six months ended 30 June 2019	
	Assets	Liabilities	Income	Expenses	Income	Expenses
<b>Transactions and balances with the Government</b>						
Current profit tax	9,021	31,567	-	74,626	-	191,066
Insurance contributions	1,856	11,708	-	38,267	-	78,827
VAT	297,217	105,070	-	-	-	-
Customs duties	26,595	-	-	-	-	-
MET	11	86,565	-	289,561	-	589,019
Other taxes	19,855	66,948	-	43,898	-	99,627
<b>Transactions and balances with entities under the Government control</b>						
Gas sales	-	-	24,981	-	79,181	-
Electric and heat energy sales	-	-	33,239	-	97,194	-
Gas transportation sales	-	-	11,086	-	22,237	-
Other sales	-	-	1,043	-	1,925	-
Transit of oil and refined products expenses	-	-	-	32,924	-	70,121
Interest expense	-	-	-	4,421	-	8,858
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	-	-	-	-

See the consolidated interim condensed statement of changes in equity for returns of social assets to governmental authorities during the six months ended 30 June 2020 and 30 June 2019. See Note 9 for the net book values as of 30 June 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 30 June 2020		Three months ended 30 June 2020		Six months ended 30 June 2020	
	Assets	Liabilities	Income	Expenses	Income	Expenses
<b>Transactions and balances with JSC FSC</b>						
Electric and heat energy sales	-	-	26,914	-	68,659	-
Electricity and heating expenses	-	-	-	4,268	-	10,094
Accounts receivable	3,727	-	-	-	-	-
Accounts payable	-	1,216	-	-	-	-

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**24 Related Parties (continued)**

	As of 31 December 2019		Three months ended 30 June 2019		Six months ended 30 June 2019	
	Assets	Liabilities	Income	Expenses	Income	Expenses
<b>Transactions and balances with JSC FSC</b>						
Electric and heat energy sales	-	-	39,378	-	87,342	-
Electricity and heating expenses	-	-	-	5,987	-	13,337
Accounts receivable	5,893	-	-	-	-	-
Accounts payable	-	1,978	-	-	-	-

**Compensation for Key Management Personnel**

Key management personnel (the members of the Board of Directors and the Management Committee of PJSC Gazprom) receive short-term compensation, including salary, bonuses and remuneration for serving on the management bodies of the Group's entities.

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 from the Group's entities provided upon retirement (see Note 21).

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 three and six months ended 30 June 2020 and for the three and six months ended 30 June 2019 and as of 30 June 2020 and 31 December 2019 the Group's significant transactions and balances with associates and joint ventures are presented below.

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	<b>Income</b>		<b>Income</b>	
<b>Gas sales</b>				
JSV Moldovagaz	4,988	5,694	13,444	16,342
CJSC Gazprom YRGM Trading <sup>1</sup>	4,280	4,423	8,778	9,266
Panrusgaz Co.	5,532	11,689	8,762	24,195
JSC Gazprom YRGM Development <sup>1</sup>	3,057	3,159	6,270	6,619
Prometheus Gas S.A.	455	2,278	1,693	5,251
JSC Latvijas Gaze	1,246	2,628	1,442	3,379
JSC EUROPOL GAZ	416	619	826	1,271
KazRosGas LLP	-	2,577	-	5,714
<b>Gas transportation sales</b>				
CJSC Gazprom YRGM Trading <sup>1</sup>	6,081	6,095	12,473	12,769
JSC Gazprom YRGM Development <sup>1</sup>	4,343	4,354	8,909	9,121
KazRosGas LLP	711	663	1,516	1,433

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**24 Related Parties (continued)**

	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>Income</b>		<b>Income</b>	
<b>Crude oil, gas condensate and refined products sales</b>				
PJSC NGK Slavneft and its subsidiaries	3,432	11,436	3,469	20,397
LLC NPP Neftekhimia	722	1,305	1,862	2,481
LLC Poliom	464	1,103	1,585	2,028
Sakhalin Energy Investment Company Ltd.	83	529	1,147	2,388
JSC SOVEX	158	1,985	1,014	2,908
<b>Field operator services and other services sales</b>				
JSC Messoyakhaneftegaz	947	828	2,232	1,912
PJSC NGK Slavneft and its subsidiaries	748	617	1,676	1,287
<b>Gas refining services sales</b>				
KazRosGas LLP	2,723	2,728	5,868	5,850
<b>Interest income</b>				
Gazprombank (Joint-stock Company) and its subsidiaries	7,402	12,852	17,862	24,885
	<b>Expenses</b>		<b>Expenses</b>	
<b>Purchased gas</b>				
CJSC Gazprom YRGM Trading <sup>1</sup>	11,523	14,069	25,156	31,444
JSC Gazprom YRGM Development <sup>1</sup>	8,232	10,052	17,976	22,472
JSC Arcticgas	10,756	9,195	16,555	14,553
KazRosGas LLP	4,767	10,990	9,373	17,925
Sakhalin Energy Investment Company Ltd.	2,124	3,150	3,981	9,058
CJSC Northgas	1,317	1,564	2,699	3,113
<b>Transit of gas</b>				
Nord Stream AG	21,353	19,409	41,949	39,417
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	14,242	9,017	24,782	17,921
JSC EUROPOL GAZ	1,645	3,121	4,838	6,287
<b>Purchased crude oil and refined products</b>				
PJSC NGK Slavneft and its subsidiaries	16,330	39,661	44,451	79,924
JSC Messoyakhaneftegaz	7,660	18,432	20,837	34,425
JSC Arcticgas	783	1,793	2,009	2,738
Sakhalin Energy Investment Company Ltd.	-	21	-	3,499
<b>Gas and gas condensate production</b>				
JSC Achimgaz	8,097	9,706	19,275	24,284
<b>Processing services</b>				
PJSC NGK Slavneft and its subsidiaries	3,196	3,166	7,258	7,228
<b>Transit of crude oil and oil refinery products</b>				
JSC Messoyakhaneftegaz	1,840	1,597	3,647	3,128
PJSC NGK Slavneft and its subsidiaries	1,451	1,044	3,022	2,031
<b>Interest expense</b>				
Gazprombank (Joint-stock Company) and its subsidiaries	3,140	2,989	6,573	5,819

<sup>1</sup> CJSC Gazprom YRGM Trading and JSC Gazprom YRGM Development are not associates and joint ventures.

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**24 Related Parties (continued)**

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 40,000 million for the three and six months ended 30 June 2020 and RUB nil million and RUB 90,000 million for the three and six months ended 30 June 2019, respectively.

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

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

	As of 30 June 2020		As of 31 December 2019	
	Assets	Liabilities	Assets	Liabilities
<b>Short-term accounts receivable and prepayments</b>				
JSC Gazstroyprom	23,347	-	8,521	-
Wintershall Noordzee B.V.	5,769	-	4,209	-
JSC Achimgaz	5,629	-	78	-
Gazprombank (Joint-stock Company)	5,065	-	13,961	-
LLC National Petroleum Consortium	4,575	-	1,324	-
LLC New Technologies of Oil Production	3,884	-	-	-
JSC Gazprom YRGM Development	2,786	-	1,778	-
Sakhalin Energy Investment Company Ltd.	2,667	-	3,125	-
Panrusgaz Co.	2,292	-	3,566	-
CJSC Gazprom YRGM Trading	2,166	-	2,489	-
PJSC NGK Slavneft and its subsidiaries	2,028	-	5,580	-
TurkAkim Gaz Tasima A.S.	1,734	-	1,071	-
KazRosGas LLP	1,418	-	6,233	-
JSC Messoyakhaneftgas	556	-	1,022	-
<b>Cash and cash equivalents</b>				
Gazprombank (Joint-stock Company) and its subsidiaries	236,472	-	350,674	-
OJSC Belgazprombank	77	-	15,621	-
<b>Short-term financial assets</b>				
Gazprombank (Joint-stock Company)	27,022	-	23,814	-
<b>Other current assets</b>				
Gazprombank (Joint-stock Company)	345,911	-	612,352	-
OJSC Belgazprombank	20	-	2,444	-
<b>Other non-current assets</b>				
Gazprombank (Joint-stock Company)	-	-	1,238	-
<b>Long-term accounts receivable and prepayments</b>				
JSC Gazstroyprom	294,747	-	220,604	-
TurkAkim Gaz Tasima A.S.	24,651	-	21,558	-
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	15,730	-	13,863	-
Sakhalin Energy Investment Company Ltd.	14,420	-	13,455	-
JSC Sibgazpolymer	4,626	-	5,375	-
JSC Evroteck-Yugra	3,971	-	3,168	-
OJSC Belgazprombank	2,479	-	2,479	-
CJSC Khanty-Mansiysk petroleum alliance	1,231	-	1,201	-

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**24 Related Parties (continued)**

	As of 30 June 2020		As of 31 December 2019	
	Assets	Liabilities	Assets	Liabilities
<b>Short-term accounts payable</b>				
PJSC NGK Slavneft and its subsidiaries	-	61,230	-	103,617
JSC Messoyakhaneftegaz	-	25,018	-	41,882
JSC Gazstroyprom	-	14,335	-	26,794
Nord Stream AG	-	7,081	-	6,200
CJSC Gazprom YRGM Trading	-	5,996	-	7,353
JSC Arcticgas	-	5,528	-	2,023
JSC Gazprom YRGM Development	-	3,184	-	5,256
JSC Achimgaz	-	2,876	-	4,668
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	-	1,258	-	1,020
Sakhalin Energy Investment Company Ltd.	-	833	-	1,037
KazRosGas LLP	-	395	-	4,087
JSC EUROPOL GAZ	-	-	-	1,528
<b>Short-term borrowings (including current portion of long-term borrowings)</b>				
Gazprombank (Joint-stock Company) and its subsidiaries	-	65,210	-	81,406
WIGA Transport Beteiligungs-GmbH & Co. KG	-	20,902	-	-
<b>Long-term borrowings</b>				
Gazprombank (Joint-stock Company)	-	180,780	-	181,700
JSC Gazstroyprom	-	5,474	-	-

Accounts receivable due from JSV Moldovagaz were RUB nil million as of 30 June 2020 and 31 December 2019 net of allowance for expected credit losses in the amount of RUB 473,925 million and RUB 412,258 million as of 30 June 2020 and 31 December 2019, respectively.

Accounts receivable for gas due from Overgas Inc. AD were RUB nil million as of 30 June 2020 and 31 December 2019 net of allowance for expected credit losses in the amount of RUB 8,166 million and RUB 6,511 million as of 30 June 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 obligations to provide JSC Gazstroyprom loans to repay its loan liability towards the bank in case of late payment. The limit of loan facilities according to the concluded agreements amounted to RUB 181,710 million and RUB 106,500 million as of 30 June 2020 and 31 December 2019, respectively. The loan facilities are valid until 31 December 2027. As of 30 June 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. Amounts to be repaid under these borrowings were EUR 514 million and EUR 922 million as of 30 June 2020 and 31 December 2019, respectively.

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

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

Information on transactions performed by the Group with JSC NPF GAZFOND is disclosed in Note 21.

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

**25 Commitments and Contingencies**

**Taxation**

The 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 30 June 2020 is appropriate and all of the Group's tax, currency and customs positions will be sustainable.

**Legal Proceedings**

On 30 December 2019 to execute the Record of the Meeting of Representatives of the EU, Ukraine and the Russian Federation and entities of these countries (LLC Gas Transmission System Operator of Ukraine, NJSC Naftogaz of Ukraine and PJSC Gazprom) (18-19 December 2019, Berlin, Minsk), PJSC Gazprom and NJSC Naftogaz of Ukraine signed an irrevocable settlement agreement. The document obliges the parties to discontinue all outstanding arbitration and judicial claims between each other and renounce in the future any and all possible claims under the gas supply and transit contracts between PJSC Gazprom and NJSC Naftogaz of Ukraine dated 19 January 2009.

As of today, the injunctions issued in England and Wales, the Netherlands, Luxembourg and Switzerland have been lifted at the request of NJSC Naftogaz of Ukraine. The court proceedings under the claims of NJSC Naftogaz of Ukraine on recognition and enforcement of the arbitration award dated 28 February 2018 have been terminated in England and Wales, Latvia, Luxembourg and the Netherlands.

PJSC Gazprom is not aware of any new claims from NJSC Naftogaz of Ukraine, including those related to the gas supply and transit contracts between PJSC Gazprom and NJSC Naftogaz of Ukraine dated 19 January 2009.

There are no assets of PJSC Gazprom and other companies of the Gazprom Group restricted as a result of the already terminated claims of NJSC Naftogaz of Ukraine to recognise and enforce the award of the Stockholm arbitration court in the transit case dated 28 February 2018.

On 22 January 2016 the Antimonopoly Committee of Ukraine rendered a decision to impose a fine on PJSC Gazprom in the amount of 85,966 million Ukrainian hryvnia (at the exchange rate as of 30 June 2020 – RUB 225,010 million) for “violation of economic competition in the form of an act of omission, i.e. failure to take steps to ensure the natural gas transit in pipelines through Ukraine under reasonable terms, that would have been impossible had there been strong competition on the market and that infringed the interests of NJSC Naftogaz of Ukraine (Kiev) in the form of the abuse of the monopolistic (dominant) position on the market for natural gas transit in pipelines through Ukraine as a buyer”. The motions filed by PJSC Gazprom to annul this decision were rejected by Ukrainian judicial authorities.

On 12 May 2017 PJSC Gazprom was served via its Kiev-based Representative office an Order of the Department of the State Executive Service of the Ministry of Justice of Ukraine on institution of enforcement proceedings to recover an amount of 189,125 million Ukrainian hryvnia (at the exchange rate as of 30 June 2020 – RUB 495,022 million), including an execution fee of 17,193 million Ukrainian hryvnia (at the exchange rate as of 30 June 2020 – RUB 45,002 million), and on the seizure of the bank accounts of the Kiev-based representative office of PJSC Gazprom, dividends due to PJSC Gazprom for the participation in JSC Gaztransit, the shares of JSC Gaztransit, the shares of PJSC YUZHNIIGIPROGAZ Institute, equity interests in LLC Gazprom sbyt Ukraine, and LLC International Consortium for the Ukrainian Gas Transmission System Management and Development owned by PJSC Gazprom.

The shares of PJSC YUZHNIIGIPROGAZ Institute with a nominal value of 651,500 Ukrainian hryvnia (estimated value – 6,241,386 Ukrainian hryvnia) were sold on 22 August 2018 in a forced sale auction.

The shares of JSC Gaztransit with a nominal value of 33.3 million Ukrainian hryvnia (estimated value – 44.22 million Ukrainian hryvnia) were sold on 29 January 2019 in a forced sale auction.

PJSC Gazprom has no information about whether the decision of the Antimonopoly Committee of Ukraine is binding for other countries and whether the Antimonopoly Committee of Ukraine is able to arrange enforced recovery of the fine by enforcing against other foreign assets of PJSC Gazprom and the Gazprom Group.

On 26 October 2018 pursuant to the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) PJSC Gazprom commenced an arbitration against Ukraine to protect its investments in that country. PJSC Gazprom requested a decision on damages and other remedies.

**25 Commitments and Contingencies (continued)**

On 28 December 2019 to execute the Record of the Meeting of Representatives of the EU, Ukraine and the Russian Federation and entities of these countries (LLC Gas Transmission System Operator of Ukraine, NJSC Naftogaz of Ukraine and PJSC Gazprom) (18-19 December 2019, Berlin, Minsk), PJSC Gazprom and Ukraine signed an amicable agreement. The parties agreed to settle the above-mentioned arbitration (terminated on 17 February 2020). Ukraine agreed to discontinue all claims against PJSC Gazprom stipulated in the decision of the Antimonopoly Committee of Ukraine dated 22 January 2016 and any decisions, orders, resolutions and judgements that directly or indirectly recognise, enforce and/or validate the decision of the Antimonopoly Committee of Ukraine dated 22 January 2016.

On 15 October 2018 PGNiG S.A., Poland, filed a claim with the General Court of 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.

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"). The notice states that in accordance with the Polish legislation the President of the Polish Office of Competition and Consumer Protection has the right to impose certain sanctions on companies that, in his opinion, exercise concentration without obtaining the consent of the Polish Office of Competition and Consumer Protection (in particular, to impose a fine of up to 10 % of the annual turnover of the company). On 15 June 2018 PJSC Gazprom filed its objections to the position declared by Poland's antimonopoly authority and a motion to terminate the antitrust investigation.

On 16 January 2020 PJSC Gazprom received a request from Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) dated 15 January 2020 to provide information and documents in the course of the pursued investigation. On 31 January 2020 PJSC Gazprom replied to that request. On 11 March 2020 PJSC Gazprom received a new request from Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) dated 4 March 2020 to provide information and documents in the course of the pursued investigation. A reply to that request (asking Poland's antimonopoly authority to provide additional justification of the request for information and documents) was sent on 23 March 2020.

On 3 June 2020 PJSC Gazprom received a letter sent by Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) on 6 May 2020 with resolutions about the initiation of an antitrust investigation into PJSC Gazprom's failure to provide the information requested by Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) and acceptance of certain documents as evidence for a new investigation, as well as a request to provide clarifications as to why the information requested earlier had not been provided. On 15 June 2020 PJSC Gazprom replied to that letter.

**25 Commitments and Contingencies (continued)**

Following a further exchange of letters, on 31 July 2020 PJSC Gazprom received an official notice dated 29 July 2020 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 above-mentioned general investigation. PJSC Gazprom is going to appeal the decision of Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) to impose the fine on PJSC Gazprom within the established deadlines. If the fine is appealed in court, 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 7 May 2019 the European Commission received a complaint from NJSC Naftogaz of Ukraine stating that PJSC Gazprom and its subsidiaries allegedly violated Article 102 of the Treaty on the Functioning of the EU. NJSC Naftogaz of Ukraine brings the following main charges in its complaint:

- 1) making "predatory" investments when implementing the Nord Stream 2 project;
- 2) blocking the virtual reverse flow of gas to Ukraine;
- 3) abusing PJSC Gazprom's dominance in pipeline gas export;
- 4) "margin decrease" when making gas supplies to the Federal Republic of Germany.

Based on the complaint, the European Commission registered case No. AT.40643. This does not necessarily entail a formal investigation and does not constitute an accusation of PJSC Gazprom in violating the antitrust law of the EU. PJSC Gazprom does not participate in the proceedings. It should be noted that the irrevocable settlement agreement between PJSC Gazprom and NJSC Naftogaz of Ukraine dated 30 December 2019 provides for the settlement of any and all claims between each other.

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 financial performance or the financial position of the Group.

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

On 26 September 2019 Nord Stream 2 AG sent a notification to the European Commission about the initiation of arbitration proceedings by the ad hoc arbitration tribunal established under the UNCITRAL Arbitration Rules against the EU under the Energy Charter Treaty. Nord Stream 2 AG believes that by making discriminatory amendments to the EU Third Gas Directive, the EU has breached its obligations under Articles 10 and 13 of the Energy Charter Treaty. In February 2020 the arbitration tribunal was formed to resolve the dispute. The seat of arbitration shall be Toronto, Canada. On 3 July 2020 Nord Stream 2 AG filed a memorial on the merits of the case to the arbitration tribunal.

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.



**25 Commitments and Contingencies (continued)**

**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 is extended for projects that meet three criteria at the same time:

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

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

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

On 15 July 2020 the U.S. Department of State issued a 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.

**PJSC Gazprom**  
**Notes to the Consolidated Interim Condensed Financial Information**  
**(Unaudited)**  
**30 June 2020**  
**(in millions of Russian Rubles)**

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**25 Commitments and Contingencies (continued)**

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 engage 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 a project; or intentionally facilitated deceptive or structured transactions to provide those vessels for the construction of such a project.

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 above measures may not be applied with respect to a person identified in the first report submitted by the U.S. Secretary of State if the U.S. President certifies in that report that the person has, not later than 30 days after the date of the enactment of the Act of 20 December 2019, engaged in good faith efforts to wind down operations that would otherwise subject the person to the imposition of sanctions under the Act of 20 December 2019.

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

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

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;

**PJSC Gazprom**  
**Notes to the Consolidated Interim Condensed Financial Information**  
**(Unaudited)**  
**30 June 2020**  
(in millions of Russian Rubles)

**25 Commitments and Contingencies (continued)**

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

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

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

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

Canada and some other countries also imposed sanctions on some Russian individuals and legal entities, including PJSC Gazprom, PJSC Gazprom Neft and other oil and gas companies of the Russian Federation. Sanctions imposed by Canada prohibit any person in Canada and any Canadian citizen outside Canada to transact in, provide financing for, or otherwise deal in new debt of longer than 90 days' maturity for a number of Russian energy companies, including PJSC Gazprom and PJSC Gazprom Neft. Furthermore, there is an ongoing restriction 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.

**Financial Guarantee Contracts**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Guarantees issued for:		
Nord Stream AG	112,123	106,924
Sakhalin Energy Investment Company Ltd.	31,333	37,022
Other	<u>95,066</u>	<u>75,146</u>
<b>Total financial guarantee contracts</b>	<b><u>238,522</u></b>	<b><u>219,092</u></b>

For the six months ended 30 June 2020 and in 2019 counterparties fulfilled their contractual obligations.

Financial guarantee contracts include financial guarantees denominated in US Dollars of USD 448 million and USD 598 million as of 30 June 2020 and 31 December 2019, respectively, as well as amounts denominated in Euros of EUR 2,201 million and EUR 2,292 million as of 30 June 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 30 June 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 31,333 million (USD 448 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 30 June 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 112,123 million (EUR 1,425 million) and RUB 106,924 million (EUR 1,542 million), respectively.



**PJSC Gazprom**  
**Investors Relations**

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