

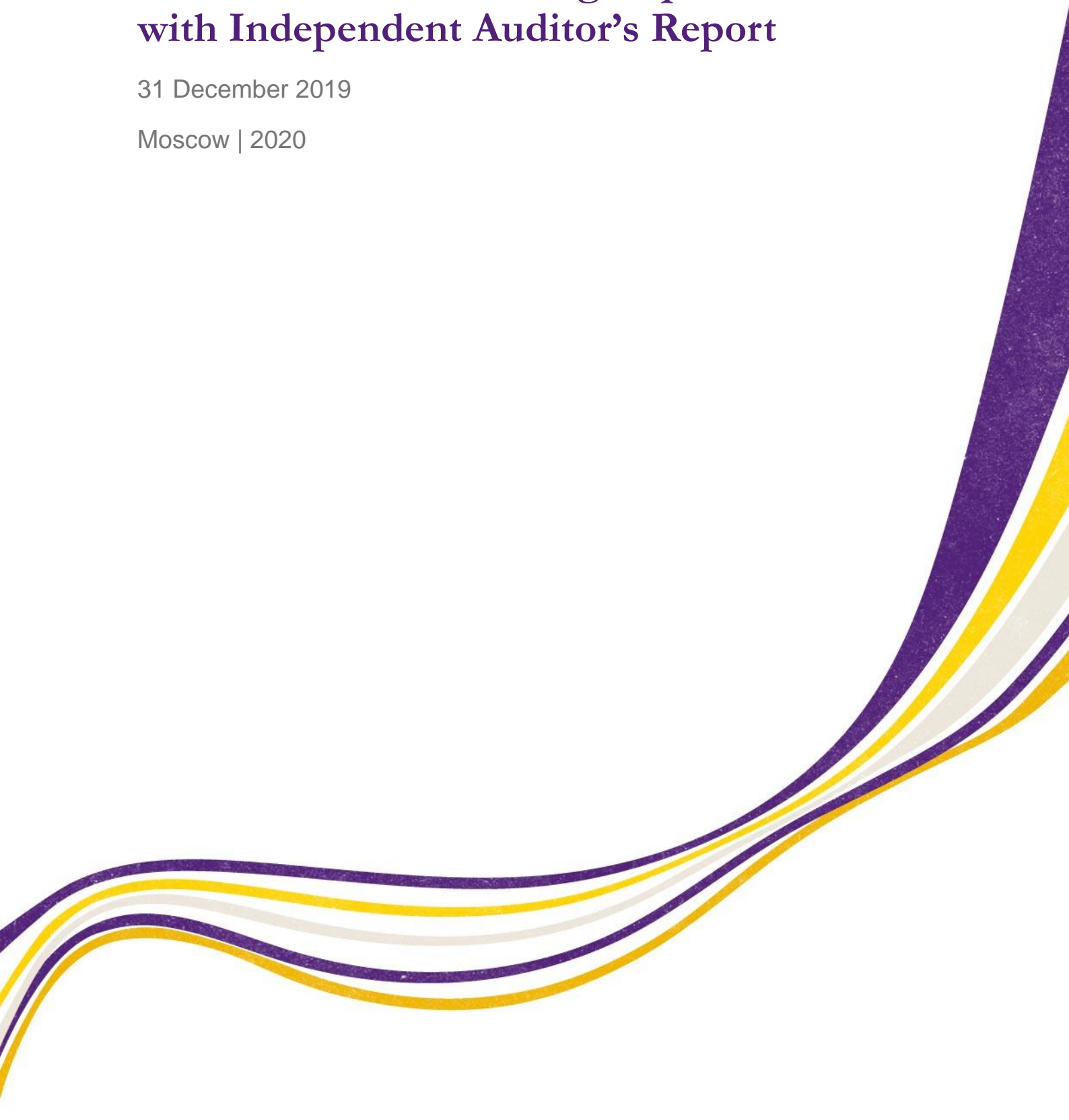


PJSC GAZPROM

Consolidated Accounting Reports with Independent Auditor's Report

31 December 2019

Moscow | 2020



Contents

Independent Auditor's Report.....	3
Consolidated Balance Sheet.....	8
Consolidated Statement of Financial Results.....	10
Consolidated Statement of Changes in Equity.....	11
Consolidated Statement of Cash Flows	12

Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results:

1. General Information	13
2. Significant Accounting Policies and Basis of Presentation in the Consolidated Accounting Reports	13
3. Changes in the Accounting Policies and Comparative Information for Previous Reporting Periods.....	19
4. Segment Information.....	19
5. Goodwill on Subsidiaries	23
6. Exploration Assets.....	25
7. Fixed Assets	27
8. Construction in Progress	28
9. Financial Investments.....	28
10. Inventories	30
11. Accounts Receivable	30
12. Financial Investments (Except for Cash Equivalents).....	31
13. Cash and Cash Equivalents	32
14. Equity	32
15. Borrowings	33
16. Taxation.....	37
17. Sales	39
18. Cost of Sales, Commercial and Administrative Expenses.....	40
19. Other Income and Expenses	41
20. Consolidated Subsidiaries and Associates.....	42
21. Related Parties Operations	45
22. Earnings per Share.....	49
23. Acquisition of a Subsidiary	49
24. Commitments and Contingencies.....	50
25. Economic Environment in the Russian Federation	57
26. Operating Risks	58
27. Post Balance Sheet Events.....	58



Independent Auditor's Report

To the Shareholders of PJSC Gazprom

Opinion

We have audited the accompanying consolidated accounting reports of Public Joint Stock Company Gazprom ("PJSC Gazprom") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated statement of financial results, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated balance sheet and the consolidated statement of financial results, including the summary of significant accounting policies ("the consolidated accounting reports").

In our opinion, the accompanying consolidated accounting reports present fairly, in all material respects, the financial position of the Group as at 31 December 2019, its financial performance and its cash flows for the year then ended in accordance with the reporting rules established in the Methodology guidelines on preparing consolidated accounting reports approved by PJSC Gazprom on 5 August 2016 ("the Methodology guidelines") based on Russian accounting standards.

Basis for Opinion

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

Emphasis of Matter – Accounting Principles

We draw attention to Note 2 "Significant accounting policies and basis of presentation in the consolidated accounting reports" to the consolidated accounting reports, which describes accounting principles. The consolidated accounting reports are prepared in accordance with the reporting rules established in the Methodology guidelines. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Revenue recognition

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

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

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

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

Revaluation of fixed assets

We consider this area to be one of the most significant audit areas in view of the material balances of fixed assets. The Group performs regular revaluation of fixed assets to ensure that the value of fixed assets at which they are recognised in consolidated accounting reports does not significantly differ from their current (replacement) cost. No revaluation of fixed assets was performed as at 31 December 2019 in the majority of Group entities because of insignificant change in the current (replacement) cost identified during the testing of the necessity for revaluation of fixed assets.

We engaged our valuation experts to make a conclusion on the assumptions applied to testing the necessity for revaluation of fixed assets. Our audit procedures in respect of such testing included sample checking of test models and methods for accuracy.

Based on the results of the audit procedures, we consider that the significant assumptions applied to testing the necessity for revaluation of fixed assets are acceptable and correspond to the current economic environment.

Information about fixed assets is disclosed in Note 7 "Fixed assets" to the consolidated accounting reports.

Evaluation, recognition and disclosure of information about liabilities in respect of legal proceedings

Evaluation, recognition and disclosure of information about liabilities in respect of legal proceedings require significant professional judgments. We consider this area to be one of most significance in our audit due to the material amounts subject to contestation and difficulties associated with the assessment issue.

During the reporting period, the Group continued to be a party to a number of significant litigations, including litigations with NJSC Naftogaz of Ukraine and Ukraine. Procedures we performed included analysis of agreements entered into by the Group with NJSC Naftogaz of Ukraine and Ukraine in December 2019 to settle all outstanding litigations between them, discussions of significant matters with the Group's staff responsible for providing judicial and legal support to its activities, evaluation of terms underlying the recognition of liabilities, as well as the evaluation of disclosures for sufficiency and completeness. Based on the results of the procedures performed, we considered the estimates and approaches applied by the management, including the disclosures made, to be consistent and acceptable.

Information about litigations is disclosed in Note 24 "Commitments and contingencies" to the consolidated accounting reports.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of PJSC Gazprom for 2019, but does not include the consolidated accounting reports and our auditor's report thereon. The Annual Report of PJSC Gazprom for 2019 is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Annual report of PJSC Gazprom for 2019, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

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

- a) identify and assess the risks of material misstatement of the consolidated accounting reports, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Group's management;
- d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated accounting reports or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- e) evaluate the overall presentation, structure and content of the consolidated accounting reports, including the disclosures, and whether the consolidated accounting reports represent the underlying transactions and events in a manner that achieves fair presentation;
- f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounting reports. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

President of FBK, LLC



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

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

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

Date of Independent auditor's report
27 April 2020

Audited entity

Name:

Public Joint Stock Company Gazprom
(PJSC Gazprom).

Address of the legal entity within its location:

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

State registration:

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

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

Auditor

Name:

FBK, LLC

Address of the legal entity within its location:

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

State registration:

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

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

Membership in a self-regulatory organization of auditors:

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

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

PJSC Gazprom
Consolidated Balance Sheet
as of 31 December 2019
(in millions of Russian Rubles)

Note	ASSETS	As of 31 December 2019	As of 31 December 2018	As of 31 December 2017
I. NON-CURRENT ASSETS				
	Intangible assets, including:	628,096	671,871	727,230
5	goodwill on subsidiaries	579,253	635,635	693,106
	Results of research and development	12,833	9,837	7,198
6	Intangible exploration assets	176,352	191,981	168,505
6	Tangible exploration assets	131,636	125,347	108,572
	Fixed assets, including:	13,677,031	13,194,287	12,370,738
7	Objects of fixed assets, including:	9,661,887	9,280,073	9,343,019
	buildings, constructions, machinery and equipment	9,338,895	8,950,226	9,069,555
8	Construction in progress	4,015,144	3,914,214	3,027,719
9, 20	Financial investments, including:	2,198,905	1,980,653	1,496,335
	investments in subsidiaries	226,517	247,793	167,201
	investments in associates	1,321,358	1,258,939	972,261
	investments in other companies	391,426	370,394	221,800
	loans issued to companies beyond 12 months	217,408	63,407	95,089
	other financial investments	42,196	40,120	39,984
16	Deferred tax assets	281,689	246,678	266,027
	Other non-current assets	<u>358,576</u>	<u>335,964</u>	<u>290,905</u>
	TOTAL Section I	17,465,118	16,756,618	15,435,510
II. CURRENT ASSETS				
10	Inventories, including:	1,014,285	979,226	891,710
	raw materials and other inventories	199,459	182,391	210,661
	work in progress	72,382	63,224	32,776
	finished goods and goods for resale	725,178	656,176	632,267
	goods dispatched	17,266	77,435	16,006
	Value added tax on purchased goods	142,665	150,664	119,971
11	Accounts receivable, including:	1,486,079	1,590,871	1,519,108
	Accounts receivable (payment expected beyond 12 months of the reporting date), including:	156,850	76,738	74,111
	buyers and customers	98,298	39,905	10,677
	advances paid	14,310	8,670	5,656
	other accounts receivable	44,242	28,163	57,778
	Accounts receivable (payment expected within 12 months of the reporting date), including:	1,329,229	1,514,133	1,444,997
	buyers and customers	759,100	989,067	803,840
	advances paid	263,785	255,257	307,584
	other accounts receivable	306,344	269,809	333,573
12	Financial investments (except for cash equivalents), including:	827,377	890,386	508,444
	loans issued to companies due within 12 months	94,302	67,311	149,147
	other financial investments	733,075	823,075	359,297
13	Cash and cash equivalents, including:	699,948	861,407	875,020
	cash on hand	650	823	1,015
	ruble bank accounts	399,720	219,125	255,105
	non-ruble bank accounts	166,835	316,890	243,538
	other monetary assets and cash equivalents	132,743	324,569	375,362
	Other current assets	<u>10,714</u>	<u>21,811</u>	<u>11,234</u>
	TOTAL Section II	<u>4,181,068</u>	<u>4,494,365</u>	<u>3,925,487</u>
	BALANCE	21,646,186	21,250,983	19,360,997

PJSC Gazprom
Consolidated Balance Sheet
as of 31 December 2019
(in millions of Russian Rubles)

Note	EQUITY AND LIABILITIES	As of 31 December 2019	As of 31 December 2018	As of 31 December 2017
	III. EQUITY AND RESERVES			
14	Share capital	118,368	118,368	118,368
14	Treasury shares	(331)	(258,786)	(258,786)
	Revaluation of non-current assets	6,447,243	6,440,853	6,414,008
	Additional capital (less revaluation)	799,098	974,292	749,033
	Legal reserves	46,009	42,882	39,221
	Retained earnings	7,385,476	7,077,846	6,241,670
2, 7	Social government fund	<u>493</u>	<u>492</u>	<u>542</u>
	TOTAL Section III	14,796,356	14,395,947	13,304,056
	Minority interest	414,550	404,396	340,633
	IV. NON-CURRENT LIABILITIES			
15	Borrowings, including:	3,074,240	3,286,565	2,386,241
	bank borrowings due for repayment beyond 12 months of the reporting date	1,164,199	1,236,738	833,410
	loans due for repayment beyond 12 months of the reporting date	1,910,041	2,049,827	1,552,831
16	Deferred tax liabilities	606,687	569,664	567,408
24	Provisions	307,157	167,570	202,061
	Other liabilities	<u>45,872</u>	<u>26,843</u>	<u>19,223</u>
	TOTAL Section IV	<u>4,033,956</u>	<u>4,050,642</u>	<u>3,174,933</u>
	V. CURRENT LIABILITIES			
15	Borrowings, including:	791,812	578,860	880,065
	bank borrowings due for repayment within 12 months of the reporting date	38,927	28,769	43,292
	loans due for repayment within 12 months of the reporting date	114,798	45,990	42,757
	current portion of loans and borrowings due for repayment beyond 12 months of the reporting date	638,087	504,101	794,016
	Accounts payable, including:	1,368,414	1,623,521	1,388,823
	suppliers and contractors	826,925	794,516	707,790
	salaries payable	30,087	29,141	23,034
	insurance contributions payable	12,014	9,740	7,920
	taxes and fees payable	298,974	356,985	315,956
	advances received	131,739	157,791	141,777
	other accounts payable	65,009	267,728	187,241
	dividends payable	3,666	7,620	5,105
	Income of future periods	5,586	4,569	6,990
24	Provisions	<u>235,512</u>	<u>193,048</u>	<u>265,497</u>
	TOTAL Section V	<u>2,401,324</u>	<u>2,399,998</u>	<u>2,541,375</u>
	BALANCE	21,646,186	21,250,983	19,360,997

A.B. Miller
Chairman of the Management Committee

M.N. Rosseev
Chief Accountant

27 April 2020

PJSC Gazprom
Consolidated Statement of Financial Results
for 2019
(in millions of Russian Rubles)

Note		For 2019	For 2018
17	Sales	7,813,329	8,325,008
18	Cost of sales	(6,142,898)	(6,319,904)
	Gross profit	1,670,431	2,005,104
18	Commercial expenses	(832)	(757)
18	Administrative expenses	(360,365)	(369,151)
	Profit from sales	1,309,234	1,635,196
	Income from investments in other companies	21,305	20,237
	Interest income	90,356	72,654
	Interest expense	(159,319)	(157,784)
19	Other income	6,002,017	6,830,353
19	Other expenses	(6,505,204)	(7,293,480)
9	Capitalised profit of associates	<u>239,062</u>	<u>253,428</u>
	Profit before profit tax	997,451	1,360,604
16	Profit tax, including:	(323,899)	(273,661)
	current profit tax	(324,805)	(273,049)
	previous years' profit tax	906	(612)
	including: permanent tax liabilities	135,497	36,450
16	Change in deferred tax liabilities	(30,539)	(11,989)
16	Change in deferred tax assets	26,589	(18,854)
	Other	<u>(13,080)</u>	<u>(96)</u>
	Net profit of the reporting period before minority interest	656,522	1,056,004
	Minority interest	<u>(40,495)</u>	<u>(39,412)</u>
	Net profit of the reporting period	616,027	1,016,592
FOR REFERENCE:			
7	Results of non-current assets revaluation not included into net profit of the reporting period	15,473	34,307
	Results of other transactions not included into net profit of the reporting period	(177,047)	219,311
	Comprehensive income of the reporting period attributable to the owners of PJSC Gazprom	454,453	1,270,210
22	Basic earnings per share for profit attributable to the owners of PJSC Gazprom (in Russian Rubles)	27.38	46.00


A.B. Miller
Chairman of the Management Committee


M.N. Rosseev
Chief Accountant

27 April 2020

PJSC Gazprom
Consolidated Statement of Changes in Equity
for 2019
(in millions of Russian Rubles)

Note	Share capital	Treasury shares	Additional capital	Legal reserves	Retained earnings	Social government fund	Total
Equity as of 31 December 2017	118,368	(258,786)	7,163,041	39,221	6,241,670	542	13,304,056
For 2018							
Change in capital – total, including:	-	-	259,893	3	832,045	(50)	1,091,891
7 net profit	-	-	-	-	1,016,592	-	1,016,592
7 revaluation of property differences resulting from the translation of foreign financial investments into Russian Rubles	-	-	34,307	-	-	-	34,307
change in structure and in interest in subsidiaries	-	-	218,562	-	-	-	218,562
dividends	-	-	2,623	10	(1,729)	-	904
disposal and change in value of state social assets	-	-	-	-	(177,687)	-	(177,687)
7 other	-	-	-	-	-	(50)	(50)
Change in additional capital	-	-	4,401	(7)	(5,131)	-	(737)
Change in legal reserves	-	-	(7,789)	-	7,789	-	-
	-	-	-	3,658	(3,658)	-	-
Equity as of 31 December 2018	118,368	(258,786)	7,415,145	42,882	7,077,846	492	14,395,947
For 2019							
Change in capital – total, including:	-	258,455	(159,702)	247	301,408	1	400,409
7 net profit	-	-	-	-	616,027	-	616,027
7 revaluation of property differences resulting from the translation of foreign financial investments into Russian Rubles	-	-	15,473	-	-	-	15,473
change in structure and in interest in subsidiaries	-	-	(177,047)	-	-	-	(177,047)
dividends	-	-	764	247	(12,846)	-	(11,835)
disposal and change in value of state social assets	-	-	-	-	(367,087)	-	(367,087)
14 treasury shares transactions	-	-	-	-	-	1	1
other	-	258,455	-	-	65,034	-	323,489
Change in additional capital	-	-	1,108	-	280	-	1,388
Change in legal reserves	-	-	(9,102)	-	9,102	-	-
	-	-	-	2,880	(2,880)	-	-
Equity as of 31 December 2019	118,368	(331)	7,246,341	46,009	7,385,476	493	14,796,356

A.B. Miller
Chairman of the Management Committee

M.N. Rosseev
Chief Accountant

27 April 2020

PJSC Gazprom
Consolidated Statement of Cash Flows
for 2019
(in millions of Russian Rubles)

	For 2019	For 2018
Cash flows from operating activities		
Total cash received, including:	8,611,447	8,990,470
sales of products, goods, works and services	8,109,353	8,552,161
other receipts, including:	502,094	438,309
indirect taxes	250,559	233,973
advances received from buyers (customers)	92,839	79,791
Total cash paid, including:	(7,076,007)	(6,834,967)
payment for purchased raw materials, works and services	(3,037,124)	(2,867,847)
wages and salaries	(523,974)	(520,238)
interests on borrowings	(149,400)	(163,038)
profit tax	(322,268)	(303,773)
other payments, including:	(3,043,241)	(2,980,071)
settlements with customs	(790,087)	(931,762)
settlements with budget (less profit tax)	(1,524,644)	(1,595,685)
advances paid	(77,210)	(44,278)
Net cash provided by operating activities	1,535,440	2,155,503
Cash flows from investing activities		
Total cash received, including:	1,181,916	1,064,285
sales of non-current assets (less financial investments)	22,532	9,407
sales of other entities' shares (equity interests)	3,605	27,787
return of loans issued, sales of debt securities (assignment of cash from third parties)	25,940	47,317
dividends, interest from debt financial investments and receipts from participation in other entities	212,372	183,059
other receipts	917,467	796,715
Total cash paid, including:	(3,024,444)	(3,230,388)
purchase, construction, modernisation, reconstruction and preparation for use of non-current assets, including:	(1,686,023)	(1,695,589)
purchase of exploration assets	(55,023)	(48,410)
purchase of other entities' shares (equity interests)	(60,978)	(119,881)
purchase of debt securities (assignment of cash from third parties), loans issued	(256,725)	(37,775)
other payments, including:	(1,020,718)	(1,377,143)
indirect taxes	(220,290)	(203,016)
Net cash used in investing activities	(1,842,528)	(2,166,103)
Cash flows from financing activities		
Total cash received, including:	1,495,048	1,307,506
loans and borrowings, issue of bonds, promissory notes and other debt securities	1,162,093	1,304,002
sale of treasury shares	323,514	-
other receipts	9,441	3,504
Total cash paid, including:	(1,272,390)	(1,387,347)
dividends and other distributions to owners (participants)	(407,132)	(204,413)
repayment of loans and borrowings, redemption (buyback) of bonds, promissory notes and other debt securities	(861,124)	(1,178,270)
other payments	(4,134)	(4,664)
Net cash from (used in) financing activities	222,658	(79,841)
Net cash for the reporting period	(84,430)	(90,441)
Cash and cash equivalents at the beginning of the reporting period	861,389	875,014
Cash and cash equivalents at the end of the reporting period	699,947	861,389
Impact of changes in exchange rates	(77,012)	76,816

A.B. Miller
Chairman of the Management Committee

M.N. Rosseev
Chief Accountant

27 April 2020

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

1. General Information

Public Joint Stock Company Gazprom (PJSC Gazprom) and its subsidiaries (the “Group” or “Gazprom Group”) operate one of the largest gas pipeline systems in the world, provide for the major part of natural gas production and high pressure gas transportation in the Russian Federation. The Group is also a major supplier of gas 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 of PJSC Gazprom 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, other works and rendering of other services.

The average number of employees during 2019 and 2018 was 457,481 persons and 456,508 persons, respectively.

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

Accounting principles

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

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

Basis of consolidation

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

Accounting policy of PJSC Gazprom and its subsidiaries for 2019 is approved by Order No. 799 dated 28 December 2018.

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

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

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

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

Assets and liabilities denominated in foreign currency

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

As of 31 December 2019 the rates of exchange were: RUB 61.9057 to 1 US Dollar (“USD”) (as of 31 December 2018 – RUB 69.4706; 31 December 2017 – RUB 57.6002) and RUB 69.3406 to 1 Euro (“EUR”) (as of 31 December 2018 – RUB 79.4605; 31 December 2017 – RUB 68.8668).

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

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

Current and non-current assets and liabilities

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

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

Goodwill on subsidiaries

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

Results of research and development

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

Intangible and tangible exploration assets

Exploration costs accounted within tangible exploration assets include:

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

Tangible exploration assets include wells, property, plant, equipment, constructions, sets, vehicles, metalwork, special gear and tools.

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

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

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

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

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

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

Tangible exploration assets (machinery and equipment, installations, facilities, vehicles) are depreciated on a straight-line basis during the whole period of their useful lives. Depreciation charges are attributed to cost of geological exploration of an associated field. The Group determines useful lives of exploration assets similarly to determination of fixed assets useful lives.

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

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

Fixed assets

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

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

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

As of 31 December 2019 the Group revalued land, property, plant and equipment, inventory and other fixed assets at current replacement cost, defined by an independent appraiser. The result of the revaluation is reflected in the consolidated balance sheet as of 31 December 2019.

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

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

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

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

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

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

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

The following assets are not depreciated:

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

Investments in non-current assets

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

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

Financial investments

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

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

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

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

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

Inventories and costs

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

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

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

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

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

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

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

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

Accounts receivable

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

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

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

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

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

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

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

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

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

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

Loans and borrowings received

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

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

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

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

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

Provisions and contingent liabilities

The Group recognises the following provisions in accounting:

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

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

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

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

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

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

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

Deferred taxes

For the purposes of consolidated accounting reports the Group recognises non-temporary tax assets and non-temporary tax liabilities, deferred tax assets and deferred tax liabilities, i.e. amounts that can affect current profit tax expenses in the current or future reporting periods.

Information about non-temporary and temporary differences is based on the supporting documents. Current profit tax is determined based on theoretical expense (theoretical income) related to profit tax, non-temporary tax assets and liabilities, deferred tax assets and liabilities for accounting purposes. The amount corresponds to current tax according to profit tax return. On the consolidated balance sheet deferred tax assets and deferred tax liabilities are recorded within non-current assets or non-current liabilities on a gross-up basis.

Revenue and other income recognition

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

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

Expenses recognition

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

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

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

In the consolidated statement of financial results other expenses are represented netted in relation to relevant

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

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

income, if this is directly prescribed or is not prohibited by the accounting regulation and if expenses and related income resulted from the same or similar economic event are not material for description of financial position of the Group.

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

Changes in the 2019 accounting policies

There were no significant changes in the 2019 accounting policies.

Changes in the 2020 accounting policies

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

Restatement of comparative information for the previous reporting periods

Restatement of comparative information for 2018 in the consolidated statement of financial results for 2019

The comparative information in the column “For 2018” of the consolidated statement of financial results for 2019 was restated by presenting income from sales and expenses from purchases of foreign currency on net basis. As a result the lines “Other income” and “Other expenses” were decreased for the same amount.

	For 2018		
	Amount before restatement	Restatement	Amount after restatement
Other income	7,112,982	(282,629)	6,830,353
Other expenses	(7,576,109)	282,629	(7,293,480)
Profit before profit tax	1,360,604	-	1,360,604

4. Segment Information

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

The Board of Directors and Management Committee of PJSC Gazprom (the “Governing bodies”) provide general management of the Group, an assessment of the operating results and allocate resources using different internal financial information.

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

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

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

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

- Production of gas – sales of gas to the Distribution of gas and Refining segments;
- Transportation of gas – rendering transportation services to the Distribution of gas segment;
- Distribution of gas – sales of gas to the Transportation of gas segment for 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 oil and gas condensate to the Refining segment for further processing;
- Refining – sales of refined hydrocarbon products to other segments.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

4. Segment Information (continued)

Internal transfer prices, mostly for Production of gas, Transport 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. Prices are determined based on principle “cost plus normal profit”.

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

	Production of gas	Transportation of gas	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
For 2019									
Revenues of segments	1,004,703	1,140,892	4,100,119	58,392	1,609,761	2,132,059	517,370	325,460	10,888,756
Inter-segment sales	981,192	971,355	298,985	54,425	747,890	21,580	-	-	3,075,427
External sales	23,511	169,537	3,801,134	3,967	861,871	2,110,479	517,370	325,460	7,813,329
Financial result of segments	45,066	53,167	725,494	6,011	390,098	22,002	61,307	6,089	1,309,234
Depreciation	174,386	480,953	14,083	29,264	176,583	66,415	50,263	44,742	1,036,689
Capitalised profit of associates	5,347	25,882	3,863	349	165,380	5,195	81	32,965	239,062
For 2018									
Revenues of segments	1,017,044	1,125,638	4,490,804	58,025	1,566,941	2,186,191	521,532	359,682	11,325,857
Inter-segment sales	990,737	946,002	291,382	54,211	711,119	7,398	-	-	3,000,849
External sales	26,307	179,636	4,199,422	3,814	855,822	2,178,793	521,532	359,682	8,325,008
Financial result of segments	13,222	19,615	995,826	5,555	341,439	161,629	65,486	32,424	1,635,196
Depreciation	181,237	495,485	16,805	28,168	156,031	54,916	49,770	39,156	1,021,568
Capitalised profit of associates	9,226	25,248	1,630	64	173,563	5,411	65	38,221	253,428

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

Note		For 2019	For 2018
	Financial result of segments	1,309,234	1,635,196
	Income from investments in other companies	21,305	20,237
	Interest income	90,356	72,654
	Interest expense	(159,319)	(157,784)
19	Other income	6,002,017	6,830,353
19	Other expenses	(6,505,204)	(7,293,480)
9	Capitalised profit of associates	<u>239,062</u>	<u>253,428</u>
	Profit before profit tax	997,451	1,360,604

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

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

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

4. Segment Information (continued)

Inter-segment operations represent the balance of intercompany transactions.

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

	Production of gas	Transportation of gas	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
As of 31 December 2019									
Assets of segments	3,032,430	7,022,214	1,649,482	360,664	2,545,066	2,270,767	838,776	1,804,272	19,523,671
Investments in associates	15,829	205,119	44,378	6,504	640,902	28,702	1,100	378,824	1,321,358
Capital expenditures ¹	329,362	464,135	25,827	13,188	248,725	409,764	72,151	196,264	1,759,416
As of 31 December 2018									
Assets of segments	3,018,468	7,091,676	1,742,180	385,683	2,492,664	1,852,217	845,572	1,640,413	19,068,873
Investments in associates	25,320	233,590	27,248	10,501	646,855	25,301	1,517	288,607	1,258,939
Capital expenditures ²	276,920	639,919	39,078	19,028	270,874	299,386	69,384	188,037	1,802,626
As of 31 December 2017									
Assets of segments	2,797,730	6,791,929	1,668,822	341,021	2,057,134	1,531,002	778,773	1,310,357	17,276,768
Investments in associates	25,819	188,203	23,511	9,543	472,749	24,155	1,422	226,859	972,261
Capital expenditures ³	192,430	498,550	51,675	36,446	207,535	227,346	53,675	152,002	1,419,659

¹ Capital expenditures for 2019.

² Capital expenditures for 2018.

³ Capital expenditures for 2017.

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

Note	As of 31 December 2019	As of 31 December 2018	As of 31 December 2017
Assets of reportable segments	17,719,399	17,428,460	15,966,411
Assets of other segments	<u>1,804,272</u>	<u>1,640,413</u>	<u>1,310,357</u>
Total assets of segments	19,523,671	19,068,873	17,276,768
5 Goodwill on subsidiaries	579,253	635,635	693,106
Loans issued to companies beyond 12 months	217,408	63,407	95,089
9 Other long-term financial investments	42,196	40,120	39,984
Deferred tax assets	281,689	246,678	266,027
VAT on purchased goods	142,665	150,664	119,971
Loans issued to companies due within 12 months	94,302	67,311	149,147
12 Other short-term financial investments	733,075	823,075	359,297
Cash and cash equivalents	699,948	861,407	875,020
Inter-segment assets	(921,217)	(959,571)	(745,446)
Other	<u>253,196</u>	<u>253,384</u>	<u>232,034</u>
Total assets in the consolidated balance sheet	21,646,186	21,250,983	19,360,997

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

	Production of gas	Transportation of gas	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
As of 31 December 2019									
Liabilities of segments	372,881	282,541	751,393	26,963	374,692	598,665	101,520	216,456	2,725,111
As of 31 December 2018									
Liabilities of segments	317,995	305,350	889,950	23,172	250,229	532,672	104,593	326,238	2,750,199
As of 31 December 2017									
Liabilities of segments	332,689	305,957	828,385	22,563	229,729	345,995	88,294	287,382	2,440,994

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

4. Segment Information (continued)

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

Note		As of 31 December 2019	As of 31 December 2018	As of 31 December 2017
	Liabilities of reportable segments	2,508,655	2,423,961	2,153,612
	Liabilities of other segments	216,456	326,238	287,382
	Total liabilities of segments	2,725,111	2,750,199	2,440,994
15	Long-term loans and borrowings	3,074,240	3,286,565	2,386,241
	Deferred tax liabilities	606,687	569,664	567,408
15	Short-term loans and borrowings and current portion of long-term loans and borrowings	791,812	578,860	880,065
	Dividends payable	3,666	7,620	5,105
	Income of future periods	5,586	4,569	6,990
	Inter-segment liabilities	(921,217)	(959,571)	(745,446)
	Other	149,395	212,734	174,951
	Total liabilities in the consolidated balance sheet	6,435,280	6,450,640	5,716,308

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

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

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

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

4. Segment Information (continued)

	Production of gas	Transportation of gas	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
For 2018									
Cash flows from operating activities									
Total cash received	30,757	180,393	4,788,521	1,457	830,544	2,051,990	513,222	309,607	8,706,491
Unallocated cash flows	-	-	-	-	-	-	-	-	283,979
Total cash paid	(799,662)	(638,511)	(1,905,417)	(20,357)	(985,413)	(1,333,530)	(332,061)	(264,725)	(6,279,676)
Unallocated cash flows	-	-	-	-	-	-	-	-	(555,291)
Cash flows from investing activities									
Total cash received	15,621	1,710	1,798	-	293	1,270	3,948	31,825	56,465
Unallocated cash flows	-	-	-	-	-	-	-	-	1,007,820
Total cash paid	(259,008)	(707,110)	(50,215)	(6,610)	(182,580)	(305,820)	(77,926)	(121,990)	(1,711,259)
Unallocated cash flows	-	-	-	-	-	-	-	-	(1,519,129)
Cash flows from financial activities									
Total cash received	-	-	-	-	10	3,042	3	449	3,504
Unallocated cash flows	-	-	-	-	-	-	-	-	1,304,002
Total cash paid	(121)	(9)	(96)	-	-	(292)	(74)	(3,285)	(3,877)
Unallocated cash flows	-	-	-	-	-	-	-	-	(1,383,470)

5. Goodwill on Subsidiaries

Note	Gross book value	Accumulated amortisation	Net book value
As of 31 December 2017			
PJSC Gazprom Neft	539,720	(304,882)	234,838
OJSC Gazprom transgaz Belarus	146,316	(43,896)	102,420
JSC Gazpromneft - MNPZ	113,046	(45,411)	67,635
PJSC WGC-2	87,263	(41,607)	45,656
LLC Gazprom neftekhim Salavat	70,882	(19,496)	51,386
PJSC MIPC	70,014	(14,874)	55,140
PJSC Mosenergo	46,612	(24,310)	22,302
LLC Gazprom neft shelf	37,302	(23,894)	13,408
PJSC TGC-1	35,518	(14,208)	21,310
WIBG GmbH	28,728	(3,232)	25,496
JSC Gazprom gazoraspredelenie Sever	23,314	(6,690)	16,624
JSC Daltransgaz	6,990	(3,026)	3,964
JSC Yuzhuralneftegaz	6,815	(2,074)	4,741
Others	44,462	(16,276)	28,186
Total	1,256,982	(563,876)	693,106
Additions for 2018			
Others	1,611	-	1,611
Total	1,611	-	1,611

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

5. Goodwill on Subsidiaries (continued)

Note	Gross book value	Accumulated amortisation	Net book value
19 Amortisation charge for 2018			
PJSC Gazprom Neft		(26,986)	
OJSC Gazprom transgaz Belarus		(7,316)	
JSC Gazpromneft - MNPZ		(5,652)	
PJSC WGC-2		(4,354)	
LLC Gazprom neftekhim Salavat		(3,544)	
PJSC MIPC		(3,500)	
PJSC Mosenergo		(2,332)	
LLC Gazprom neft shelf		(1,865)	
PJSC TGC-1		(1,776)	
WIBG GmbH		(1,542)	
JSC Gazprom gazoraspredelenie Sever		(1,165)	
JSC Daltransgaz		(349)	
JSC Yuzhuralneftegaz		(341)	
Others		(2,174)	
Total		(62,896)	
Translation differences for 2018			
WIBG GmbH	4,419	(612)	3,807
Others	7	-	7
Total	4,426	(612)	3,814
As of 31 December 2018			
PJSC Gazprom Neft	539,720	(331,868)	207,852
OJSC Gazprom transgaz Belarus	146,316	(51,212)	95,104
JSC Gazpromneft - MNPZ	113,046	(51,063)	61,983
PJSC WGC-2	87,263	(45,961)	41,302
LLC Gazprom neftekhim Salavat	70,882	(23,040)	47,842
PJSC MIPC	70,014	(18,374)	51,640
PJSC Mosenergo	46,612	(26,642)	19,970
LLC Gazprom neft shelf	37,302	(25,759)	11,543
PJSC TGC-1	35,518	(15,984)	19,534
WIBG GmbH	33,147	(5,386)	27,761
JSC Gazprom gazoraspredelenie Sever	23,314	(7,855)	15,459
JSC Daltransgaz	6,990	(3,375)	3,615
JSC Yuzhuralneftegaz	6,815	(2,415)	4,400
Others	46,080	(18,450)	27,630
Total	1,263,019	(627,384)	635,635
Additions for 2019			
JSC REP Holding			
23 (abbreviated name – JSC REPH)	9,960	-	9,960
Others	67	-	67
Total	10,027	-	10,027
19 Amortisation charge for 2019			
PJSC Gazprom Neft		(26,986)	
OJSC Gazprom transgaz Belarus		(7,316)	
JSC Gazpromneft - MNPZ		(5,652)	
PJSC WGC-2		(4,363)	
LLC Gazprom neftekhim Salavat		(3,544)	
PJSC MIPC		(3,501)	
PJSC Mosenergo		(2,331)	
LLC Gazprom neft shelf		(1,865)	
PJSC TGC-1		(1,776)	
WIBG GmbH		(1,510)	
JSC Gazprom gazoraspredelenie Sever		(1,166)	
JSC Daltransgaz		(350)	
JSC Yuzhuralneftegaz		(341)	
Others		(2,229)	
Total		(62,930)	

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

5. Goodwill on Subsidiaries (continued)

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

6. Exploration Assets

	As of 31 December 2018	Changes for 2019					As of 31 December 2019
		Additions	Disposals	Intra- group	Depreciation charge	Translation differences	
Intangible exploration assets – total,	191,981	13,580	(26,955)	-	(2)	(2,252)	176,352
including:							
licences on minerals prospecting, estimation, exploration and extraction	146,116	9,914	(12,139)	6	(2)	(414)	143,481
expenditure on obtaining rights on subsurface use, expenditure on geological knowledge	45,865	3,666	(14,816)	(6)	-	(1,838)	32,871
Tangible exploration assets – total,	125,347	71,846	(64,322)	-	-	(1,235)	131,636
including:							
wells	102,851	35,582	(51,054) ¹	-	-	(630)	86,749
exploration expenses classified as tangible exploration assets	22,496	36,264	(13,268)	-	-	(605)	44,887

¹ Including an impairment allowance in the amount of RUB 512 million.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

6. Exploration Assets (continued)

	As of 31 December 2017	Changes for 2018					As of 31 December 2018
		Additions	Disposals	Intra- group	Depreciation charge	Translation differences	
Intangible exploration assets – total,	168,505	22,970	(3,852)	-	-	4,358	191,981
including:							
licences on minerals prospecting, estimation, exploration and extraction	140,766	4,604	(521)	44	-	1,223	146,116
expenditure on obtaining rights on subsurface use, expenditure on geological knowledge	27,739	18,366	(3,331)	(44)	-	3,135	45,865
Tangible exploration assets – total,	108,572	37,537	(23,282)	-	-	2,520	125,347
including:							
wells	67,656	29,991	(12,657) ¹	17,026	-	835	102,851
exploration expenses classified as tangible exploration assets	40,916	7,546	(10,625)	(17,026)	-	1,685	22,496

¹ Including an impairment allowance in the amount of RUB 215 million.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

7. Fixed Assets

Note	Trunk pipelines	Wells	Machinery and equipment	Buildings and roads	Other	Total
As of 31 December 2017						
Historical (replacement) cost	13,590,317	2,769,932	5,023,429	2,525,488	4,166,845	28,076,011
Accumulated depreciation	(10,197,870)	(2,022,456)	(3,586,991)	(1,088,970)	(1,836,705)	(18,732,992)
Net book value	3,392,447	747,476	1,436,438	1,436,518	2,330,140	9,343,019
Changes for 2018						
Historical (replacement) cost						
Additions	122,629	117,570	295,563	82,381	343,568	961,711
Disposals	(10,462)	(11,814)	(60,508)	(8,789)	(125,268)	(216,841)
Revaluation	6,527	2,959	44,549	15,497	25,629	95,161
Translation differences	4,682	26,593	41,000	13,585	11,059	96,919
Accumulated depreciation						
4 Depreciation	(326,854)	(140,839)	(272,559)	(80,794)	(200,522)	(1,021,568)
Disposals	9,668	9,992	56,274	7,417	31,892	115,243
Revaluation of fixed assets	(4,362)	(2,323)	(28,499)	(6,541)	(15,450)	(57,175)
Translation differences	(2,898)	(6,533)	(19,504)	(3,643)	(3,818)	(36,396)
As of 31 December 2018						
Historical (replacement) cost	13,713,693	2,905,240	5,344,033	2,628,162	4,421,833	29,012,961
Accumulated depreciation	(10,522,316)	(2,162,159)	(3,851,279)	(1,172,531)	(2,024,603)	(19,732,888)
Net book value	3,191,377	743,081	1,492,754	1,455,631	2,397,230	9,280,073
Changes for 2019						
Historical (replacement) cost						
Additions	448,830	175,734	264,587	236,681	357,399	1,483,231
Disposals	(7,718)	(9,766)	(58,846)	(10,802)	(47,034)	(134,166)
Revaluation	12,917	18,429	7,493	10,301	32,017	81,157
Translation differences	(4,012)	(20,249)	(37,078)	(12,391)	(10,912)	(84,642)
Accumulated depreciation						
4 Depreciation	(314,460)	(142,952)	(282,819)	(88,446)	(208,012)	(1,036,689)
Disposals	7,273	9,432	54,122	7,351	31,248	109,426
Revaluation of fixed assets	(9,867)	(18,184)	(11,618)	(5,612)	(24,268)	(69,549)
Translation differences	2,710	5,767	16,931	3,704	3,934	33,046
As of 31 December 2019						
Historical (replacement) cost	14,163,710	3,069,388	5,520,189	2,851,951	4,753,303	30,358,541
Accumulated depreciation	(10,836,660)	(2,308,096)	(4,074,663)	(1,255,534)	(2,221,701)	(20,696,654)
Net book value	3,327,050	761,292	1,445,526	1,596,417	2,531,602	9,661,887

The Group entities transfer social assets which were obtained in the course of privatisation to local authorities (see Note 2). The transferred assets amounted to RUB 13 million in 2019 (in 2018 – RUB 50 million).

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

8. Construction in Progress

	Construction in progress	Equipment for installation	Total
As of 31 December 2017	2,663,237	364,482	3,027,719
Changes for 2018			
Capital expenditures	1,591,021	213,727	1,804,748
Translation differences	99,383	78	99,461
Transfer of equipment for installation	211,176	(211,176)	-
Transfer to fixed assets	(957,420)	-	(957,420)
Other disposals (including write-off)	(56,016)	(4,278)	(60,294)
As of 31 December 2018	3,551,381	362,833	3,914,214
Changes for 2019			
Capital expenditures	1,536,014	218,443	1,754,457
Translation differences	(124,219)	(56)	(124,275)
Transfer of equipment for installation	231,030	(231,030)	-
Transfer to fixed assets	(1,472,584)	-	(1,472,584)
Other disposals (including write-off)	(49,729)	(6,939)	(56,668)
As of 31 December 2019	3,671,893	343,251	4,015,144

Construction in progress mostly consists of construction of transport infrastructure, including the implementation of projects on construction of the gas pipeline Bovanenkovo–Ukhta, Nord Stream 2, TurkStream, construction of Novourenkoy gas chemical complex, development of Bovanenkovskoye field, development of an oil rim of Botuobinsky deposit of the Chayandinskoye oil and gas condensate field, a complex for the production, storage and shipment of liquefied natural gas in the area of the Portovaya compressor station, as well as development of gas transmission capacities of the unified gas supply system of the North-West region (section Gryazovets – compressor station Slavyanskaya) and construction of Amur gas processing plant. In December 2019 the Power of Siberia gas pipeline was put into operation.

9. Financial Investments

Long-Term Financial Investments

Investments in subsidiaries

Data in the line “Investments in subsidiaries” of the consolidated balance sheet are stated net of impairment allowance of financial investments in the amount of RUB 18,956 million, RUB 15,084 million and RUB 12,503 million as of 31 December 2019, 2018 and 2017, respectively. The impairment allowance primarily relates to non-core investments in subsidiaries.

Investments in associates

Note		Carrying value			Capitalised profit (loss)	
		As of	As of	As of	For 2019	For 2018
		31 December 2019	31 December 2018	31 December 2017		
21, 24	Sakhalin Energy Investment Company Ltd.	176,609	196,916	169,925	67,220	64,071
21, 24	Gazprombank (Joint-stock Company) ¹	142,994	136,063	136,999	10,447	2,580
21	PJSC NGK Slavneft and its subsidiaries	138,067	126,124	111,098	11,943	15,026
21	JSC Arcticgas ²	136,262	146,246	41,281	39,849	40,451
21	JSC Tomskneft VNK and its subsidiaries	118,868	108,899	103,111	10,656	14,552
21, 24	Nord Stream AG	91,389	112,190	92,613	17,840	17,547
	WIGA Transport Beteiligungs-GmbH & Co.					
21	KG and its subsidiaries	52,273	55,807	45,402	7,519	6,694
21	JSC Messoyakhaneftegaz	44,674	36,161	17,289	25,814	28,172
21	JSC Gazstroyprom	43,129	-	-	1,911	-
21	JSC Achimgaz	34,888	37,310	33,509	14,079	13,399
21	JSC NPF GAZFOND ³	32,729	28,861	-	3,868	28,861
21, 24	JSC EUROPOL GAZ	30,117	33,894	29,588	357	734
	Wintershall AG	15,590	18,026	15,645	(175)	(4)
21	KazRosGas LLP	13,937	12,623	9,435	2,789	1,318
21, 24	Blue Stream Pipeline Company B.V.	13,547	15,730	15,728	(196)	(36)
21	CJSC Northgas	10,526	7,986	12,786	3,090	3,700
21	JSC Latvijas Gaze and its subsidiaries ^{4, 5}	9,281	8,999	7,752	661	770
21	LLC Yuzhno-Priobsky GPZ	7,672	7,456	7,160	261	347
27	JSC Conexus Baltic Grid ^{4, 6}	-	8,890	7,719	589	493

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

9. Financial Investments (continued)

Note		Carrying value			Capitalised profit (loss)	
		As of 31 December 2019	As of 31 December 2018	As of 31 December 2017	For 2019	For 2018
21	Salym Petroleum Development N.V.	-	-	834	4,311	5,115
	Others	<u>208,806</u>	<u>160,758</u>	<u>114,387</u>	<u>16,229</u>	<u>9,638</u>
	Total	1,321,358	1,258,939	972,261	239,062	253,428

¹ On 28 June 2017 the Group acquired 16 % ordinary shares of Gazprombank (Joint-stock Company) as a result of additional share issue for the amount of RUB 60,000 million. As a result of this transaction the ownership interest of the Group in Gazprombank (Joint-stock Company) increased from 36 % to 46 %.

² In January 2018 LLC Yamal razvitie and its subsidiary LLC SeverEnergy were reorganised in the form of the merger with JSC Arcticgas (a former subsidiary of LLC SeverEnergy). As of 31 December 2017 the investment in this line in the amount of RUB 41,281 million includes investments in LLC Yamal razvitie.

³ In December 2018 the Group as one of the founder of NPF GAZFOND become owner of 31 % of ordinary registered shares of JSC NPF GAZFOND established as a result of reorganisation of NPF GAZFOND from a non-profit organisation to a joint-stock company. The Group's share in JSC NPF GAZFOND voting shares was 42 %. As a result of that transaction a lump-sum income in the amount of RUB 28,861 million was recognised.

⁴ The Extraordinary Meeting of Shareholders of JSC Latvijas Gaze, held on 2 September 2016, decided to reorganize the company by separation of natural gas transmission and storage activities via establishing JSC Conexus Baltic Grid (the Group's equity interest is 34 %). JSC Conexus Baltic Grid was registered on 2 January 2017.

⁵ To complete the liberalisation process of the Latvian gas market shareholders of JSC Latvijas Gaze at the foundation meeting on 22 November 2017 made a decision to reorganise the company by disavowance of JSC Gaso, a 100 % subsidiary, to which natural gas distribution business was transferred.

⁶ In December 2019 an open auction was held to sell shares of JSC Conexus Baltic Grid owned by the Group and accounting for 34 % of the associate's share capital. The transaction shall be completed in 2020. Therefore, the investment in JSC Conexus Baltic Grid in the amount of RUB 5,454 million net of impairment allowance of financial investments in the amount of RUB 2,446 million was reclassified into other financial investment within current assets.

Data in the line "Investments in associates" of the consolidated balance sheet are stated net of impairment allowance of financial investments in the amount of RUB 21,360 million, RUB 24,115 million and RUB 19,887 million as of 31 December 2019, 2018 and 2017, respectively.

Investments in other companies

The line "Investments in other companies" of the consolidated balance sheet includes the investment in share capital of PJSC NOVATEK in the amount of 9.99 % of shares with carrying value amounting to RUB 380,811 million, RUB 360,336 million and RUB 210,010 million as of 31 December 2019, 2018 and 2017, respectively.

The line "Investments in other companies" of the consolidated balance sheet also includes the Group's investments in shares of energy companies, with total carrying value amounting to RUB 6,013 million, RUB 4,757 million and RUB 5,709 million as of 31 December 2019, 2018 and 2017, respectively.

Data in the line "Investments in other companies" of the consolidated balance sheet are stated net of impairment allowance of financial investments in the amount of RUB 453 million, RUB 468 million and RUB 467 million as of 31 December 2019, 2018 and 2017, respectively. The impairment allowance primarily relates to non-core investments in other companies.

Loans issued to companies beyond 12 months

Data in the line "Loans issued to companies beyond 12 months" of the consolidated balance sheet are stated net of impairment allowance of financial investments in the amount of RUB 943 million, RUB 601 million and RUB 594 million as of 31 December 2019, 2018 and 2017, respectively.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

9. Financial Investments (continued)

Other financial investments

	As of 31 December 2019	As of 31 December 2018	As of 31 December 2017
Joint activity, including:	38,855	38,609	38,322
development of oil and gas fields on the continental shelf of the Socialist Republic of Vietnam (operator – JSC Gazprom zarubezhneftegaz)	34,770	34,397	33,928
development of a satellite communication system (operator – JSC Gazprom Space Systems)	3,498	3,481	3,481
Other, including:	3,341	1,511	1,662
long-term deposits	3,277	1,432	1,559
third party promissory notes	1	3	10
Total	42,196	40,120	39,984

Data in the line “Other financial investments” of the consolidated balance sheet are stated net of impairment allowance of financial investments in the amount of RUB 248 million, RUB 249 million and RUB 258 million as of 31 December 2019, 2018 and 2017, respectively.

10. Inventories

Raw materials and other inventories

In the consolidated balance sheet values of raw materials and other inventories in the amount of RUB 199,459 million, RUB 182,391 million and RUB 210,661 million as of 31 December 2019, 2018 and 2017, respectively, are disclosed net of obsolete allowance in the amount of RUB 4,299 million, RUB 3,886 million and RUB 4,142 million as of 31 December 2019, 2018 and 2017, respectively.

Finished goods and goods for resale

In the consolidated balance sheet values of finished goods and goods for resale in the amount of RUB 725,178 million, RUB 656,176 million and RUB 632,267 million as of 31 December 2019, 2018 and 2017, respectively, are disclosed net of obsolete allowance in the amount of RUB 3,963 million, RUB 1,120 million and RUB 1,036 million as of 31 December 2019, 2018 and 2017, respectively.

	As of 31 December 2019	As of 31 December 2018	As of 31 December 2017
Gas in pipelines and storages	613,826	537,993	527,104
Oil, gas condensate and refined products	75,355	87,078	72,239
Goods for resale	35,997	31,105	32,924
Total	725,178	656,176	632,267

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

11. Accounts Receivable

Accounts receivable payment expected beyond 12 months of the reporting date

The line “Accounts receivable from buyers and customers” of the consolidated balance sheet includes long-term receivables for gas in the amount of RUB 6,956 million, RUB 8,518 million and RUB 621 million as of 31 December 2019, 2018 and 2017, respectively.

The line “Other receivables” of the consolidated balance sheet includes receivables, issued for capital construction purposes in the amount of RUB 5,228 million, RUB 5,905 million and RUB 6,039 million as of 31 December 2019, 2018 and 2017, respectively.

Accounts receivable payment expected within 12 months of the reporting date

The line “Accounts receivable from buyers and customers” of the consolidated balance sheet as of 31 December 2019, 2018 and 2017 includes the following:

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

11. Accounts Receivable (continued)

	As of 31 December 2019	As of 31 December 2018	As of 31 December 2017
Receivables of customers from Europe and other countries for gas, crude oil, gas condensate and refined products	385,202	505,360	400,060
Receivables of Domestic customers for gas, crude oil, gas condensate and refined products	189,798	211,939	200,223
Receivables of customers from Former Soviet Union countries (excluding Russian Federation) for gas, crude oil, gas condensate and refined products	29,737	29,718	26,750
Receivables of customers for electric and heat energy	71,908	108,492	79,265
Other trade debtors	<u>82,455</u>	<u>133,558</u>	<u>97,542</u>
Total	759,100	989,067	803,840

As of 31 December 2019, 2018 and 2017 accounts receivable in the line “Accounts receivable from buyers and customers” are stated net of bad debt allowance of RUB 839,676 million, RUB 952,637 million and RUB 752,321 million, respectively. The bad debt allowance has been calculated net of deferred excise tax on natural gas of RUB 89 million as of 31 December 2019, 2018 and 2017.

As of 31 December 2019, 2018 and 2017 the line “Advances issued” of the consolidated balance sheet includes advances issued to suppliers and contractors for capital construction purposes in the amount of RUB 208,778 million, RUB 199,178 million and RUB 249,181 million, respectively.

As of 31 December 2019, 2018 and 2017 the line “Other accounts receivable” of the consolidated balance sheet includes the following:

	As of 31 December 2019	As of 31 December 2018	As of 31 December 2017
Overpayment of taxes to the budget	148,030	128,900	159,589
Settlements on custom duties	26,595	11,181	16,241
Settlements on claims	4,549	4,153	2,540
Other	<u>127,170</u>	<u>125,575</u>	<u>155,203</u>
Total	306,344	269,809	333,573

The line “Other accounts receivable” is stated net of the bad debt allowance amounting to RUB 62,007 million, RUB 57,189 million and RUB 48,538 million as of 31 December 2019, 2018 and 2017, respectively.

12. Financial Investments (Except for Cash Equivalents)

Loans issued to companies due within 12 months

Data in the line “Loans issued to companies due within 12 months” of the consolidated balance sheet are stated net of impairment allowance of financial investments in the amount of RUB 8,236 million, RUB 4,399 million and RUB 8,186 million as of 31 December 2019, 2018 and 2017, respectively.

Other financial investments

	As of 31 December 2019	As of 31 December 2018	As of 31 December 2017
Short-term deposits	672,364	795,542	327,293
Shares, bonds and participatory interests	36,088	26,826	30,964
Third party promissory notes	23,979	30	102
Other	<u>644</u>	<u>677</u>	<u>938</u>
Total	733,075	823,075	359,297

Data in the line “Other financial investments” of the consolidated balance sheet are stated net of impairment allowance of financial investments in the amount of RUB 3,300 million, RUB 1,133 million and RUB 953 million as of 31 December 2019, 2018 and 2017, respectively.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

13. Cash and Cash Equivalents

In the line “Other monetary assets and cash equivalents” of the consolidated balance sheet as of 31 December 2019, 2018 and 2017 there are no cash balances on bank accounts which are restricted as to withdrawal under the terms of certain loans and borrowings.

14. Equity

PJSC Gazprom’s share capital amounted to RUB 118,368 million. The number of PJSC Gazprom’s ordinary shares issued and paid did not change in 2019 and amounted to 23,674 million with nominal value of 5 Russian Rubles each.

Treasury shares are recorded in the consolidated balance sheet at their purchase cost. As of 31 December 2019, 2018 and 2017 subsidiaries of PJSC Gazprom held 29 million, 1,573 million and 1,573 million PJSC Gazprom’s ordinary shares, respectively, including American depositary receipts in the amount of nil million, 639 million and 639 million PJSC Gazprom’s ordinary shares as of 31 December 2019, 2018 and 2017, respectively, which were accounted for as treasury shares.

In June 2017 the Group pledged American depositary receipts as security of liabilities in the amount of 506 million PJSC Gazprom’s ordinary shares. On 1 November 2018 the pledge was terminated due to the repayment of liabilities secured by the pledge.

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

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

The shares including American depositary receipts held by PJSC Gazprom’s subsidiaries represented 0.1 %, 6.6 % and 6.6 % of the total number of PJSC Gazprom’s shares as of 31 December 2019, 2018 and 2017, respectively.

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

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

In accordance with the decision of the General shareholders meeting, based on the 2018 results of PJSC Gazprom, dividends in the amount of 16.61 Russian Rubles per ordinary share were accrued and paid in 2019. Based on the 2017 results of PJSC Gazprom, dividends in the amount of 8.04 Russian Rubles per ordinary share were accrued and paid in 2018.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

15. Borrowings

Bank borrowings

Lender	Currency	Final maturity	As of 31 December 2019	As of 31 December 2018	As of 31 December 2017
Intesa Sanpaolo Bank Luxembourg S.A. ¹	Euro	2021	154,984	-	-
Gazprombank (Joint-stock Company)	Russian Ruble	2027	101,018	-	-
Intesa Sanpaolo Bank Luxembourg S.A. ¹	Euro	2023	83,516	95,705	-
J.P.Morgan Europe Limited ¹	Euro	2023	76,536	87,729	-
Bank of China Limited, London branch	Euro	2021	60,128	114,817	138,992
J.P.Morgan Europe Limited ¹	Euro	2022	59,539	79,510	68,913
UniCredit S.p.A.	Euro	2025	48,809	55,933	-
UniCredit S.p.A.	Euro	2022	44,844	55,677	27,574
Credit Agricole CIB	Euro	2023	41,697	47,782	-
Credit Agricole CIB	Euro	2022	34,945	56,070	48,595
Natixis ¹	Euro	2024	34,882	-	-
MUFG Bank Ltd	Euro	2023	34,678	-	-
PJSC Sberbank	Euro	2023	33,698	29,876	-
PJSC Sberbank	Russian Ruble	2022	30,084	-	-
Citibank Europe plc ¹	Euro	2023	29,491	33,792	-
ING Bank, a branch of ING-DiBa AG	Euro	2023	27,781	31,834	-
China Construction Bank Corporation, Beijing branch ¹	US dollar	2020	27,205	61,151	75,699
UniCredit S.p.A. ¹	Euro	2021	24,403	6,339	-
Gazprombank (Joint-stock Company)	Russian Ruble	2022	22,700	-	-
JSC ALFA-BANK	US dollar	2021	22,607	27,803	23,052
Gazprombank (Joint-stock Company)	Russian Ruble	2022	19,450	-	-
J.P.Morgan Europe Limited ¹	Euro	2020	18,507	42,416	55,141
PJSC Sberbank	Euro	2022	16,952	19,149	15,736
VTB Bank (Europe) SE	Euro	2027	15,616	20,280	19,644
Gazprombank (Joint-stock Company)	Russian Ruble	2025	15,000	15,000	15,001
BANK ROSSIYA	Russian Ruble	2022	15,000	15,281	15,012
Gazprombank (Joint-stock Company)	Russian Ruble	2024	15,000	15,000	-
PJSC CREDIT BANK OF MOSCOW	Russian Ruble	2024	15,000	-	-
PJSC VTB Bank	Euro	2022	13,868	-	-
Deutsche Bank Luxembourg S.A.	Euro	2022	11,772	15,943	13,818
UniCredit Bank Austria AG	Euro	2021	11,219	21,429	24,156
JSC ALFA-BANK	Russian Ruble	2023	10,073	10,007	-
PJSC Promsvyazbank	Russian Ruble	2023	10,039	-	-
BNP Paribas S.A. ¹	Euro	2022	8,499	12,986	14,069
Gazprombank (Joint-stock Company)	US dollar	2019	-	25,009	20,736
Gazprombank (Joint-stock Company)	US dollar	2019	-	22,925	19,008
PJSC Sberbank	Euro	2019	-	19,143	16,591
Mizuho Bank Ltd. ¹	US dollar	2019	-	17,339	53,130
Gazprombank (Joint-stock Company)	US dollar	2019	-	585	17,856
PJSC Sberbank	US dollar	2018	-	-	43,776
Bank of America Securities Limited	US dollar	2018	-	-	17,453
UniCredit Bank Austria AG	US dollar	2018	-	-	11,526
Commerzbank International S.A.	US dollar	2018	-	-	11,522
Gazprombank (Joint-stock Company)	Russian Ruble	2018	-	-	10,000
Gazprombank (Joint-stock Company)	Russian Ruble	2018	-	-	10,000
Other	Various	Various	435,637	461,239	384,757
Total, including			1,625,177	1,517,749	1,171,757
due within one year, including current portion of long-term borrowings			460,978	281,011	338,347

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

Long-term foreign currency denominated borrowings had fixed interest rates ranging from 2.00 % to 9.50 % and from 2.10 % to 9.50 % in 2019 and 2018, respectively. Also in 2019 and 2018 long-term foreign currency denominated borrowings had variable interest rates generally linked to LIBOR and EURIBOR.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

15. Borrowings (continued)

Long-term borrowings denominated in Russian Rubles had fixed interest rates ranging from 6.25 % to 12.55 % and from 7.10 % to 12.55 % in 2019 and 2018, respectively.

Interest rates on short-term foreign currency denominated borrowings ranged from 6.00 % to 8.00 % and from 6.00 % to 8.50 %, in 2019 and 2018, respectively. Also in 2019 and 2018 short-term foreign currency denominated borrowings had variable interest rates linked to EURIBOR and LIBOR.

Short-term borrowings denominated in Russian Rubles had fixed interest rates ranging from 6.50 % to 10.00 % and from 7.25 % to 16.00 % in 2019 and 2018, respectively.

Loans

Borrowing / Creditors	Currency	Final maturity	As of 31 December 2019	As of 31 December 2018	As of 31 December 2017
Loan participation notes issued in September 2012 ¹	US dollar	2022	93,999	105,485	87,461
Loan participation notes issued in November 2013 ¹	US dollar	2023	93,370	104,779	86,875
Loan participation notes issued in March 2007 ²	US dollar	2022	82,136	92,174	76,424
Loan participation notes issued in August 2007 ²	US dollar	2037	79,497	89,212	73,968
Loan participation notes issued in February 2019 ¹	US dollar	2026	78,932	-	-
Loan participation notes issued in April 2004 ²	US dollar	2034	75,407	84,622	70,163
Loan participation notes issued in November 2018 ²	Euro	2024	71,257	79,756	-
Loan participation notes issued in March 2013 ²	Euro	2020	71,183	81,578	70,702
Loan participation notes issued in November 2016 ²	Euro	2023	69,607	79,767	69,132
Loan participation notes issued in April 2017 ^{2, 3}	British Pound Sterling	2024	68,501	78,498	68,033
Loan participation notes issued in July 2012 ²	US dollar	2022	63,285	71,018	58,883
Loan participation notes issued in February 2013 ²	US dollar	2028	56,826	63,770	52,874
Loan participation notes issued in February 2014 ²	Euro	2021	53,590	61,412	53,224
Loan participation notes issued in March 2018 ²	Euro	2026	53,021	60,763	-
Loan participation notes issued in November 2017 ²	Euro	2024	52,133	59,742	51,777
Loan participation notes issued in February 2013 ²	US dollar	2020	50,293	56,438	46,795
Loan participation notes issued in March 2018 ²	Swiss Franc	2023	48,270	53,563	-
Loan participation notes issued in March 2017 ²	US dollar	2027	47,055	52,805	43,782
Loan participation notes issued in September 2013 ^{2, 3}	British Pound Sterling	2020	41,937	48,058	41,651
Loan participation notes issued in November 2011 ²	US dollar	2021	38,122	42,780	35,470
Loan issued in December 2018 ⁴	Japanese yen	2028	36,870	40,963	-
Loan participation notes issued in March 2013 ²	Euro	2025	35,853	41,089	35,611
Loan participation notes issued in November 2016 ^{2, 3}	Swiss Franc	2021	32,411	37,141	32,189
Wintershall Nederland					
Transport and Trading B.V. ⁵	Euro	2034	32,378	-	-
OMV Gas Marketing Trading & Finance B.V. ⁵	Euro	2034	32,378	-	-

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

15. Borrowings (continued)

Borrowing / Creditors	Currency	Final maturity	As of 31 December 2019	As of 31 December 2018	As of 31 December 2017
Shell Exploration and Production (LXXI) B.V. ⁵	Euro	2034	32,378	-	-
Engie Energy Management Holding Switzerland AG ⁵	Euro	2034	32,378	-	-
Uniper Gas Transportation and Finance B.V. ⁵	Euro	2034	32,378	-	-
Loan participation notes issued in July 2017 ^{2,3}	Swiss Franc	2022	31,824	36,468	31,606
Wintershall Nederland Transport and Trading B.V. ⁵	Euro	2035	26,775	26,978	20,555
Uniper Gas Transportation and Finance B.V. ⁵	Euro	2035	26,775	26,978	20,555
OMV Gas Marketing Trading & Finance B.V. ⁵	Euro	2035	26,773	26,975	20,554
Shell Exploration and Production (LXXI) B.V. ⁵	Euro	2035	26,773	26,975	20,554
Engie Energy Management Holding Switzerland AG ⁵	Euro	2035	26,773	26,975	20,554
Russian bonds issued in March 2018 ¹	Russian Ruble	2024	25,542	25,538	-
Russian bonds issued in October 2017 ¹	Russian Ruble	2022	25,382	25,376	25,371
Russian bonds issued in November 2019 ¹	Russian Ruble	2024	25,230	-	-
Russian bonds issued in December 2019 ¹	Russian Ruble	2029	20,043	-	-
JSC Tomskneft VNC	Russian Ruble	2020	16,124	9,955	5,291
Russian bonds issued in July 2019 ⁶	Russian Ruble	2024	15,535	-	-
Russian bonds issued in July 2018 ⁷	Russian Ruble	2048	15,513	15,509	-
Russian bonds issued in July 2018 ⁷	Russian Ruble	2048	15,513	15,509	-
Russian bonds issued in February 2017 ⁶	Russian Ruble	2027	15,508	15,505	15,501
Russian bonds issued in February 2017 ⁶	Russian Ruble	2027	15,508	15,505	15,501
Russian bonds issued in August 2017 ¹	Russian Ruble	2024	15,498	15,495	15,492
Russian bonds issued in April 2017 ¹	Russian Ruble	2022	15,297	15,293	15,290
Russian bonds issued in June 2019 ⁶	Russian Ruble	2022	15,089	-	-
Russian bonds issued in November 2013 ⁷	Russian Ruble	2043	15,081	15,074	15,059
Russian bonds issued in November 2013 ⁷	Russian Ruble	2043	15,081	15,074	15,059
Russian bonds issued in July 2018 ⁶	Russian Ruble	2033	10,342	10,340	-
Russian bonds issued in August 2016 ¹	Russian Ruble	2046	10,324	10,322	10,319
Russian bonds issued in February 2011 ¹	Russian Ruble	2021	10,321	10,319	10,371
Russian bonds issued in February 2018 ⁷	Russian Ruble	2028	10,247	10,245	-
Russian bonds issued in February 2018 ⁷	Russian Ruble	2028	10,247	10,245	-
Russian bonds issued in December 2017 ¹	Russian Ruble	2024	10,025	10,023	10,021
Russian bonds issued in June 2016 ¹	Russian Ruble	2046	1,185	10,067	10,064
Russian bonds issued in April 2009 ²	US dollar	2019	-	159,040	131,865
Loan participation notes issued in October 2013 ²	Swiss Franc	2019	-	35,474	29,641

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

15. Borrowings (continued)

Borrowing / Creditors	Currency	Final maturity	As of 31 December 2019	As of 31 December 2018	As of 31 December 2017
Wintershall Nederland Transport and Trading B.V. ⁵	Euro	2019	-	26,245	3,119
OMV Gas Marketing Trading & Finance B.V. ⁵	Euro	2019	-	26,245	3,119
Shell Exploration and Production (LXXI) B.V. ⁵	Euro	2019	-	26,245	3,119
Uniper Gas Transportation and Finance B.V. ⁵	Euro	2019	-	26,245	3,119
Engie Energy Management Holding Switzerland AG ⁵	Euro	2019	-	26,243	3,119
Russian bonds issued in April 2009 ¹	Russian Ruble	2019	-	118	10,184
Loan participation notes issued in October 2007 ²	Euro	2018	-	-	87,456
Loan participation notes issued in October 2015 ²	Euro	2018	-	-	69,539
Loan participation notes issued in April 2008 ²	US dollar	2018	-	-	64,507
Loan participation notes issued in July 2013 ²	Euro	2018	-	-	62,985
Loan participation notes issued in April 2013 ¹	Euro	2018	-	-	52,684
Loan participation notes issued in March 2016 ²	Swiss Franc	2018	-	-	29,573
Russian bonds issued in March 2016 ¹	Russian Ruble	2018	-	-	15,427
Russian bonds issued in March 2016 ¹	Russian Ruble	2018	-	-	10,303
Other loans	Various	Various	<u>191,102</u>	<u>109,665</u>	<u>162,059</u>
Total, including			2,240,875	2,347,676	2,094,549
due within one year, including current portion of long-term borrowings			330,834	297,849	541,718

¹ Issuer of these bonds is PJSC Gazprom Neft.

² 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.

³ According to the signed agreements between the bond issuer Gas Capital S.A. and the banks, settlements for the bonds are made in Euro (up to achieve of a coefficient based on the ratio of exchange rates set in the agreements).

⁴ Issuer of these bonds is GazAsia Capital S.A.

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

⁶ Issuer of these bonds is Gazprom Capital LLC.

⁷ Issuer of these bonds is PJSC Gazprom.

As of 31 December 2019 and 31 December 2018 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 31 December 2019 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. 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.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

15. Borrowings (continued)

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

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

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

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

Fixed interest rates on long-term foreign currency denominated loans ranged from 1.01 % to 13.30 % in 2019 and 2018, respectively.

Fixed interest rates on long-term loans denominated in Russian Rubles ranged from 4.00% to 12.00% and from 1.00 % to 14.40 % in 2019 and 2018, respectively.

In 2019 and 2018 fixed interest rates on short-term loans denominated in Russian Rubles ranged from 5.45 % to 12.50 % and from 5.45 % to 14.00 %, respectively.

16. Taxation

Profit tax

In 2019 and 2018 theoretical profit tax expense determined based on accounting profit and statutory rates amounted to RUB 192,350 million and RUB 268,054 million, respectively. According to the tax returns the profit tax in 2019 and 2018 included within the line "Current profit tax" of the consolidated statement of financial results amounted to RUB RUB 324,805 million and RUB 273,049 million, respectively.

According to updated tax returns submitted in 2019 the income tax recoverable amounted to RUB 906 million. According to updated tax returns submitted in 2018 the income tax payable amounted to RUB 612 million.

In 2019 permanent differences which increase the taxable profit exceeded permanent differences which decrease the taxable profit by RUB 674,587 million (in 2018 by RUB 182,320 million). The permanent differences principally arise from non-deductible expenses, such as excess of depreciation charge in respect of fixed assets revalued for accounting purposes as compared to depreciation charge of such fixed assets for tax purposes, non-production costs, social expenses, charitable donations, and expenses exceeding limits prescribed by the law.

In 2019 and 2018 incurred deductible temporary differences which impacted the difference between the theoretical profit tax expense and profit tax according to tax records (the current profit tax expense) amounted to RUB 896,769 million and RUB 742,080 million, respectively.

Deductible temporary differences incurred in 2019 principally arise from accrual of provisions for gas price adjustment, longer useful lives of certain fixed asset items for tax purposes as compared to useful lives of these items for accounting purposes, the difference in bad debt allowance for accounting and tax purposes, the fact that expenses for geological exploration are deductible for tax purposes later than for accounting purposes, and elimination in accounting records of unrealised profit from intergroup transactions.

Deductible temporary differences settled in 2019 and 2018 totaled RUB 747,056 million and RUB 840,989 million, respectively. Settlement of these differences in 2019 is principally due to the change in the tax base of the current tax period by the amount of the provision for the revision of gas prices, differences in bad debt allowance for accounting and tax purposes, decrease of the current period tax base by the amount of depreciation charge, accrued on certain fixed assets items, useful lives of which for tax purposes are longer than for accounting purposes, during prior tax periods, and recognition of the profit that was formerly excluded as unrealised profit from intergroup transactions for accounting purposes in the current period.

In 2019 and 2018 incurred taxable temporary differences which impacted the difference between the theoretical profit tax expense and profit tax according to tax records (the current profit tax expense) amounted to RUB 479,596 million and RUB 417,574 million, respectively. Taxable temporary differences in 2019 principally arise from longer useful lives of certain fixed asset items for accounting purposes as compared to

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

16. Taxation (continued)

useful lives of these items for tax purposes, application of a tax depreciation premium of 10 % (30 % to fixed assets of the third-seventh depreciation groups), and recognition for tax purposes of storage costs included in the cost of finished goods for accounting purposes.

Taxable temporary differences settled in 2019 and 2018 totaled RUB 321,758 million and RUB 423,260 million, respectively. Settlement of these differences in 2019 is principally due to increase of the current period tax base by the amount of depreciation charge, accrued on certain fixed assets items, useful lives of which for accounting purposes are longer than for tax purposes, during prior tax periods, as well as by the amount of costs of storage included in the cost of finished goods recognised in prior period for accounting purposes.

Starting from 1 January 2012 the Group has established the Consolidated Group of Taxpayers (the “CGT”), the liable partner of which is PJSC Gazprom. On 20 April 2012 the Interdistrict Inspectorate of the Federal Tax Service for Major Taxpayers No. 2 registered the agreement on establishment of CGT of the Group with 56 participants.

In December 2012 the Interdistrict Inspectorate of the Federal Tax Service for Major Taxpayers No. 2 registered an amendment to the agreement on establishment of CGT of the Group which increased the number of participants up to 65 starting from 1 January 2013.

In 2013 the Interdistrict Inspectorate of the Federal Tax Service for Major Taxpayers No. 2 registered an Additional agreement No. 2 dated 26 November 2013 to the agreement on establishment of CGT of the Group which increased the number of participants up to 69 starting from 1 January 2014.

In 2014 the Interdistrict Inspectorate of the Federal Tax Service for Major Taxpayers No. 2 registered an amendment No. 3 dated 26 November 2014 to the agreement on establishment of CGT of the Group which decreased the number of participants to 65 starting from 1 January 2015.

In 2015 the Interdistrict Inspectorate of the Federal Tax Service for Major Taxpayers No. 2 registered an amendment No. 4 dated 26 November 2015 to the agreement on establishment of CGT of the Group which increased the number of participants to 67 starting from 1 January 2016.

In 2017 the Interdistrict Inspectorate of the Federal Tax Service for Major Taxpayers No. 2 registered an amendment No. 5 dated 28 November 2017 to the agreement on establishment of CGT of the Group which decreased the number of participants to 65 starting from 1 January 2018.

The profit tax expense of CGT for 2019 and 2018 amounted to RUB 240,420 million and RUB 190,687 million, respectively.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

17.

Sales

	For 2019	For 2018
Gas sales (net of VAT, excise tax and other similar mandatory payments)		
Russian Federation	939,841	925,847
Former Soviet Union countries (excluding Russian Federation)	356,124	348,625
Europe and other countries	<u>2,528,680</u>	<u>2,951,257</u>
Total sales of gas	3,824,645	4,225,729
Sales of refined products (net of VAT and other similar mandatory payments)		
Russian Federation	1,354,524	1,393,072
Former Soviet Union countries (excluding Russian Federation)	126,311	144,659
Europe and other countries	<u>629,644</u>	<u>641,062</u>
Total sales of refined products	2,110,479	2,178,793
Sales of crude oil and gas condensate (net of VAT and other similar mandatory payments)		
Russian Federation	172,055	184,841
Former Soviet Union countries (excluding Russian Federation)	41,064	39,421
Europe and other countries	<u>648,752</u>	<u>631,560</u>
Total sales of crude oil and gas condensate	861,871	855,822
Sales of electric and heat energy (net of VAT)		
Russian Federation	494,577	500,799
Former Soviet Union countries (excluding Russian Federation)	3,345	5,090
Europe and other countries	<u>19,448</u>	<u>15,643</u>
Total sales of electric and heat energy	517,370	521,532
Sales of gas transportation services (net of VAT)		
Russian Federation	166,846	176,876
Former Soviet Union countries (excluding Russian Federation)	2,690	2,758
Europe and other countries	<u>1</u>	<u>2</u>
Total sales of gas transportation services	169,537	179,636
Other sales (net of VAT)		
Russian Federation	284,447	316,157
Former Soviet Union countries (excluding Russian Federation)	7,500	8,063
Europe and other countries	<u>37,480</u>	<u>39,276</u>
Total other sales	329,427	363,496
Total	7,813,329	8,325,008

Sales of gas decreased by 9 % in 2019 compared to 2018. This change was mainly due to the decrease in average prices and volumes on gas sales to customers in Europe and other countries.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

18. Cost of Sales, Commercial and Administrative Expenses

	For 2019	For 2018
Taxes included in cost of sales	1,303,732	1,395,461
Depreciation and amortisation	1,036,553	1,044,245
Purchased gas	817,259	868,531
Purchased oil	745,432	762,659
Staff costs and social expenses	687,966	662,571
Transit costs for gas, oil and refined products	677,315	654,572
Cost of goods for resale	315,010	345,796
Materials	269,764	263,479
Repairs and maintenance	151,849	138,870
Energy	116,725	110,499
Rent, lease payments	54,054	40,661
Insurance	44,740	48,437
Other	406,093	396,458
Changes in balances of finished goods, work in progress and other effects	<u>(122,397)</u>	<u>(42,427)</u>
Total cost of goods sold, products, works and services, commercial and administrative expenses	6,504,095	6,689,812

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

Mineral Extraction Tax within the line "Taxes included in cost of sales" amounted to RUB 1,022,547 million and RUB 1,072,197 million for 2019 and 2018, respectively.

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

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

19. Other Income and Expenses

Note	For 2019		For 2018	
	Income	Expenses	Income	Expenses
	4,916,515	4,941,472	5,601,709	5,583,694
	826,468	723,671	829,608	1,033,984
24	-	182,427	38,464	22,668
	76,800	70,778	38,365	30,246
	-	67,441	-	216,437
5	-	62,930	-	62,896
	26,216	61,385	69,132	15,942
	-	40,254	-	40,849
	8,445	18,145	6,525	17,787
	-	13,392	-	1,147
	7,919	9,723	10,300	11,452
	-	9,429	-	1,716
	6,045	6,138	6,872	6,882
	-	5,905	-	4,505
	1,382	2,755	1,171	2,890
	3,688	2,638	10,117	8,004
	741	1,037	333	591
	23,187	927	150,650	863
Other	104,611	284,757	67,107	230,927
Total	6,002,017	6,505,204	6,830,353	7,293,480

The Group recognised provision regarding possible gas price adjustment derived from the claims of foreign customers based on the contract terms. The provisions as of 31 December 2019, 2018 and 2017 in the amount of RUB 93,542 million, RUB 33,228 million and RUB 111,607 million respectively did not include possible correction of customs duties accrued formerly (see Note 24).

The line "Profits and losses of previous years identified in the reporting year" for 2019 includes positive effect of corrections regarding gas price adjustments in the amount of RUB 9,131 million. For 2018 positive effect of corrections regarding gas price adjustments was RUB 12,272 million. These corrections refer to the price adjustments of gas delivered in previous periods for which adjustments were agreed in 2019 and 2018, respectively.

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

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

20. Consolidated Subsidiaries and Associates

Principal subsidiaries as of 31 December 2019

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

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

20. Consolidated Subsidiaries and Associates (continued)

Company	Ownership interest, %¹	Type of activity	Location
Gazprom Sakhalin Holdings B.V.	100	Foreign investing	Netherlands
LLC Gazprom sotsinvest	100	Contractor's function for the construction of non-production facilities	Russia
JSC Gazprom teploenergo	100	Generation of heat power, real estate rental operations	Russia
OJSC Gazprom transgaz Belarus	100	Transportation and gas distribution	Belorussia
LLC Gazprom transgaz Volgograd	100	Gas transportation	Russia
LLC Gazprom transgaz Ekaterinburg	100	Gas transportation	Russia
LLC Gazprom transgaz Kazan	100	Gas transportation	Russia
LLC Gazprom transgaz Krasnodar	100	Gas transportation	Russia
LLC Gazprom transgaz Moskva	100	Gas transportation	Russia
LLC Gazprom transgaz Nizhny Novgorod	100	Gas transportation	Russia
LLC Gazprom transgaz Samara	100	Gas transportation	Russia
LLC Gazprom transgaz Sankt-Peterburg	100	Gas transportation	Russia
LLC Gazprom transgaz Saratov	100	Gas transportation	Russia
LLC Gazprom transgaz Stavropol	100	Gas transportation	Russia
LLC Gazprom transgaz Surgut	100	Gas transportation	Russia
LLC Gazprom transgaz Tomsk	100	Gas transportation	Russia
LLC Gazprom transgaz Ufa	100	Gas transportation	Russia
LLC Gazprom transgaz Ukhta	100	Gas transportation	Russia
LLC Gazprom transgaz Tchaikovsky	100	Gas transportation	Russia
LLC Gazprom transgaz Yugorsk	100	Gas transportation	Russia
Gazprom Finance B.V.	100	Investing	Netherlands
LLC Gazprom flot	100	Development of gas and oil fields on the continental shelf and ships management	Russia
Gazprom Holding Cooperatie U.A.	100	Investing, asset management	Netherlands
LLC Gazprom tsentrremont	100	Agency services on technical maintenance and repairs	Russia
GAZPROM Schweiz AG	100	Gas sales	Switzerland
LLC Gazprom export	100	Foreign trade	Russia
JSC Gazprom energosbyt	82	Sales of electric energy	Russia
LLC Gazprom energoholding	100	Investing, asset management	Russia
Gazprom EP International B.V.	100	Investing, asset management	Netherlands
JSC Gazprom YRGM Development ²	100	Raw hydrocarbons sales	Russia
CJSC Gazprom YRGM Trading ²	100	Raw hydrocarbons sales	Russia
LLC Gazpromneft Marine Bunker	100	Oil products trading	Russia
JSC Gazpromneft-Aero	100	Oil products trading	Russia
LLC Gazpromneft-Aero Sheremetyevo	100	Aviation fuel supply	Russia
LLC Gazpromneft-Bitumen Materials	100	Production and sales of bitumen materials	Russia
LLC Gazpromneft-Vostok	51	Oil and gas production	Russia
LLC Gazpromneft Corporate Sales	100	Oil products trading	Russia
JSC Gazpromneft - MNPZ	100	Processing and sales of refined products	Russia
JSC Gazpromneft-Noyabrskneftegaz	100	Oil and gas production	Russia
JSC Gazpromneft - ONPZ	100	Processing of oil	Russia
LLC Gazpromneft-Orenburg	100	Production and sales of oil and petroleum gas	Russia
LLC Gazprom Neft Development	100	Exploratory drilling	Russia
LLC Gazpromneft Regional Sales	100	Oil products trading	Russia
LLC Gazpromneft-Lubricants	100	Production and sales of lubricants	Russia
LLC Gazpromneft-Khantos	100	Oil and gas production	Russia
LLC Gazpromneft-Centr	100	Oil products trading	Russia
LLC Gazpromneft-Yamal	100	Oil and associate gas production	Russia
LLC Gazpromtrans	100	Forwarding services	Russia

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

20. Consolidated Subsidiaries and Associates (continued)

Company	Ownership interest, %¹	Type of activity	Location
OJSC Gazpromtrubinvest	100	Production and sales of pipes	Russia
Gazfin Cyprus Limited	100	Investing	Cyprus
LLC GPN-Invest	100	Investing	Russia
LLC GPN-Finans	100	Investing	Russia
PJSC Mosenergo ²	54	Generation of electric and heat power, electric power supply services	Russia
PJSC MIPC ²	99	Generation, purchase and supply of heat energy	Russia
Naftna Industrija Srbije a.d.	56	Production and processing of oil, sales of refined products	Serbia
Nord Stream 2 AG	100	Design, construction and operation of off-shore pipelines	Switzerland
PJSC WGC-2 ²	79	Generation and sales of electric and heat energy	Russia
South Stream Transport B.V.	100	Construction, gas transportation	Netherlands
OJSC Severneftegazprom ²	50	Production, processing and sales of gas and gas condensate	Russia
LLC Sibmetakhim	100	Production and sales of petrochemicals	Russia
PJSC TGC-1	52	Generation and sales of electric and heat energy	Russia
JSC Teploset Sankt-Peterburga	72	Transportation and distribution of heat energy	Russia
JSC Tomskgazprom	100	Production of natural gas, gas condensate and oil	Russia
LLC Faktoring-Finance	100	Investing	Russia
PJSC Centerenergoholding	100	Investing	Russia

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

² Share in voting shares.

Principal associates as of 31 December 2019

Company	Ownership interest, %¹	Type of activity	Location
JSC Arcticgas	50	Production of oil and petroleum gas	Russia
JSC Achimgaz	50	Exploration and production of gas and gas condensate	Russia
Blue Stream Pipeline Company B.V.	50	Gas transportation	Netherlands
WIGA Transport Beteiligungs-GmbH & Co. KG	50	Gas transportation	Germany
Wintershall AG	49	Production of oil and gas sales	Germany
Gaz Project Development Central Asia AG	50	Gas production	Switzerland
Gazprombank (Joint-stock Company) ²	46	Banking	Russia
JSC Gazstroyprom	49	Customer's and contractor's functions under construction contracts	Russia
JSC NPF GAZFOND ²	42	Non-state pension provision	Russia
JSC EUROPOL GAZ	48	Transportation and gas sales	Poland
KazRosGas LLP	50	Gas processing and sales of gas and refined products	Kazakhstan
JSC Conexus Baltic Grid	34	Transportation and storage of natural gas	Latvia
JSC Latvijas Gaze	34	Sale and distribution of gas	Latvia
JSC Messoyakhaneftegaz	50	Production of oil and petroleum gas	Russia
JSV Moldovagaz	50	Transportation and gas sales	Moldova
Nord Stream AG ³	51	Gas transportation	Switzerland
CJSC Northgas	50	Production and sales of gas and gas condensate	Russia
Panrusgas Co.	40	Gas sales	Hungary

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

20. Consolidated Subsidiaries and Associates (continued)

Company	Ownership interest, %¹	Type of activity	Location
Prometheus Gas S.A.	50	Gas sales, construction	Greece
Salym Petroleum Development N.V.	50	Production of oil	Netherlands
			Bermuda
Sakhalin Energy Investment Company Ltd.	50	Production of oil, LNG	Islands
PJSC NGK Slavneft	50	oil	Russia
JSC Tomskneft VNK	50	Production of oil	Russia
LLC Yuzhno-Priobsky GPZ	50	Processing of petroleum gas	Russia

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

² Share in voting shares.

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

21. Related Parties Operations

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

Associates and other major related parties

In 2019 and 2018 the Group had following operations with major associates and other related parties:

	For 2019	For 2018
Revenue (net of VAT and other similar mandatory payments)		
Gas sales		
Panrusgas Co.	44,099	62,906
JSV Moldovagaz	29,937	29,421
KazRosGas LLP	17,441	7,762
JSC Latvijas Gaze	8,972	16,095
Prometheus Gas S.A.	8,554	10,439
JSC EUROPOL GAZ	2,494	2,715
VEMEX s.r.o. and its subsidiaries	561	2,978
Bosphorus Gaz Corporation A.S.	-	8,784
Gas transportation services		
KazRosGas LLP	2,689	2,758
Crude oil, gas condensate and refined products sales		
PJSC NGK Slavneft and its subsidiaries	38,479	45,541
JSC SOVEX	6,553	6,761
LLC NPP Neftekhimia	4,538	4,915
LLC Poliom	4,050	4,796
Sakhalin Energy Investment Company Ltd.	3,648	3,078
Operator services sales and other services sales		
JSC Messoyakhaneftegaz	3,467	3,632
PJSC NGK Slavneft and its subsidiaries	2,725	2,612
Sakhalin Energy Investment Company Ltd.	1,521	1,390
Gas refining services		
KazRosGas LLP	10,993	10,075
Interest income		
Gazprombank (Joint-stock Company) and its subsidiaries	45,922	37,795
Other income (rental income)		
Sakhalin Energy Investment Company Ltd.	775	3,301

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

21. Related Parties Operations (continued)	For 2019	For 2018
Purchases		
Gas purchases		
KazRosGas LLP	37,384	30,025
JSC Arcticgas	31,771	30,438
Sakhalin Energy Investment Company Ltd.	15,249	18,741
CJSC Northgas	6,246	6,256
JSC Tomskneft VNK and its subsidiaries	1,248	1,212
Gas transportation services		
Nord Stream AG	77,433	79,568
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	34,493	37,258
JSC EUROPOL GAZ	12,933	13,959
Blue Stream Pipeline Company B.V.	3,417	3,871
JSV Moldovagaz	1,849	3,301
Oil and refined products purchases		
PJSC NGK Slavneft and its subsidiaries	159,302	156,363
JSC Tomskneft VNK and its subsidiaries	82,823	90,375
JSC Messoyakhaneftegaz	70,620	62,747
Salym Petroleum Development N.V.	62,685	61,102
JSC Arcticgas	6,728	27
Sakhalin Energy Investment Company Ltd.	6,620	10,400
KazRosGas LLP	2,933	795
Purchased services of gas and gas condensate products		
JSC Achimgaz	47,352	40,018
Purchased refining services		
PJSC NGK Slavneft and its subsidiaries	15,524	14,594
Purchased transit of crude oil and oil refinery products		
JSC Messoyakhaneftegaz	6,861	5,432
PJSC NGK Slavneft and its subsidiaries	4,753	3,811
Interest expense		
Gazprombank (Joint-stock Company) and its subsidiaries	11,890	11,129
Pension fund contributions		
JSC NPF GAZFOND	21,868	21,437

Under the agreement of subordinated loan the Group provided cash to Gazprombank (Joint-stock Company) in the amount of RUB 90,000 million and RUB 25,542 for 2019 and 2018 respectively.

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

The following balances of accounts receivable and accounts payable with major associates and other related parties were recorded on the consolidated balance sheet of the Group as of 31 December 2019, 2018 and 2017:

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

21. Related Parties Operations (continued)	As of 31 December 2019	As of 31 December 2018	As of 31 December 2017
Accounts receivable			
Accounts receivable (payment expected within 12 months after the reporting date)			
JSC Gazstroyprom	39,884	46,746	-
Gazprombank (Joint-stock Company)	13,976	14,774	17,380
KazRosGas LLP	6,233	2,186	5,457
PJSC NGK Slavneft and its subsidiaries	5,580	4,929	5,304
Panrusgas Co.	3,566	5,990	4,023
Blue Stream Pipeline Company B.V.	1,937	1,321	2,785
Sakhalin Energy Investment Company Ltd.	1,592	1,450	1,045
LLC National Petroleum Consortium	1,324	-	-
JSC Messoyakhaneftegaz	1,022	1,080	796
JSC Arcticgas	615	116	3,459
Prometheus Gas S.A.	478	1,468	9
Bosphorus Gaz Corporation A.S.	-	-	2,603
Accounts receivable (payment expected beyond 12 months after the reporting date)			
JSC Messoyakhaneftegaz	-	-	12,154
JSC Arcticgas	-	-	4,483
Other long-term financial investments			
Gazprombank (Joint-stock Company)	1,238	-	-
Other short-term financial investments			
Gazprombank (Joint-stock Company) and its subsidiaries	612,352	705,968	290,322
OJSC Belgazprombank	2,444	11,610	7,436
Cash balances			
Gazprombank (Joint-stock Company) and its subsidiaries	359,882	453,019	392,587
OJSC Belgazprombank	15,621	14,446	19,319
Accounts payable			
Short-term accounts payable			
PJSC NGK Slavneft and its subsidiaries	103,617	52,601	31,164
JSC Messoyakhaneftegaz	41,882	35,371	6,928
JSC Gazstroyprom	26,794	950	-
Salym Petroleum Development N.V.	7,002	4,414	5,477
Nord Stream AG	6,200	7,100	6,172
JSC Achimgaz	4,668	5,054	3,195
KazRosGas LLP	4,087	2,362	2,079
LLC Yuzhno-Priobsky GPZ	2,777	2,451	2,008
JSC Arcticgas	2,023	403	2,963
JSC EUROPOL GAZ	1,528	2,258	2,078
Sakhalin Energy Investment Company Ltd.	1,037	4,746	5,710
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	1,020	2,345	1,957
JSC Tomskneft VNK	1,000	668	964

Accounts receivable for gas due from Overgas Inc. AD are RUB nil million as of 31 December 2019, 2018, 2017 net of bad debt allowance in the amount of RUB 6,511 million, RUB 7,307 million and RUB 6,058 million as of 31 December 2019, 2018 and 2017, respectively.

Accounts receivable due from JSV Moldovagaz are RUB nil million as of 31 December 2019, 2018 and 2017 net of bad debt allowance in the amount of RUB 427,772 million, RUB 447,174 million and RUB 354,995 million as of 31 December 2019, 2018 and 2017, respectively.

Loans issued to major associates and promissory notes received from major associates as of 31 December 2019, 2018 and 2017 are presented as follows:

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

21. Related Parties Operations (continued)

	As of 31 December 2019	As of 31 December 2018	As of 31 December 2017
Loans and promissory notes due for repayment beyond 12 months after the reporting date			
JSC Gazstroyprom	135,479	-	-
TurkAkim Gaz Tasima A.S.	21,558	-	-
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	13,863	15,886	13,768
Erdgasspeicher Peissen GmbH	7,350	8,423	7,300
JSC Sibgazpolymer	5,214	353	-
JSC Evroteck-Yugra	2,648	2,364	1,514
OJSC Belgazprombank	2,479	2,479	4,957
CJSC Khanty-Mansiysk petroleum alliance	1,000	914	779
JSC Arcticgas	-	-	13,187
JSC Messoyakhaneftegaz	-	-	12,260
Wintershall Noordzee B.V.	-	3,897	5,595
Loans and promissory notes due for repayment within 12 months after the reporting date			
Gazprombank (Joint-stock Company)	23,814	30	30
Wintershall Noordzee B.V.	4,312	-	-
JSC Arcticgas	-	-	10,540

Loans received from major associates as of 31 December 2019, 2018 and 2017 are presented as follows:

	As of 31 December 2019	As of 31 December 2018	As of 31 December 2017
Borrowings due for repayment beyond 12 months after the reporting date			
Gazprombank (Joint-stock Company)	181,700	37,905	87,511
Borrowings due for repayment within 12 months after the reporting date (including current portion of long-term liabilities)			
Gazprombank (Joint-stock Company) and its subsidiaries	81,406	55,475	80,807
JSC Tomskneft VNK	16,124	9,955	5,291

Borrowings from Gazprombank (Joint-stock company) were obtained on terms not substantially different from those on financial instruments with similar characteristics and are subject to influence of changes in economic or other factors. The amount of secured borrowings was RUB nil million as of 31 December 2019 and 31 December 2018 and RUB 60,000 million as of 31 December 2017.

The Group received loans and borrowings from its major associates in Russian Rubles at rates ranging from 6.25 % to 8.80 % in 2019. The similar rates ranging in 2018 was from 7.48 % to 10.25 %.

Besides, the Group received loans nominated in foreign currency at the rate of 1.40 % in 2019. The similar rate ranging in 2018 was from 4.25 % to 9.50 %.

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

Under the agreements concluded in 2019 on providing a loan facilities with a limit RUB 106,500 million the Group has obligations to provide JSC Gazstroyprom loans to repay its loan liability towards the bank in case of late payment. The loan facilities are valid until 31 December 2027. As of 31 December 2019 the Group did not provide loans. Loan commitments of the Group are limited by the loan commitments of JSC Gazstroyprom to the bank.

In 2019, the Group made borrowings secured by inventories under buyback agreements entered into with Gazprombank (Switzerland) Ltd. and GPB Financial Services Limited in the total amount of EUR 922 million due in 2020.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

21. Related Parties Operations (continued)

Compensation to key management personnel

Key management personnel's (the members of the Board of Directors and the Management Committee of PJSC Gazprom) short-term compensation, including salary, bonuses and compensation for serving in the management bodies of PJSC Gazprom and its subsidiaries, amounted to RUB 3,180 million and RUB 4,312 million for 2019 and 2018, respectively.

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

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

PJSC Gazprom provides key management personnel with medical insurance and liability insurance. Voluntary medical insurance amounted to RUB 11 million for 2019 (RUB 12 million for 2018).

22. Earnings per Share

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

The weighted average number of ordinary shares outstanding, excluding the weighted average number of treasury shares, amounted to 22.5 billion and 22.1 billion shares for 2019 and 2018, respectively.

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

23. Acquisition of a Subsidiary

In December 2019 the Group acquired 100 % of ordinary shares of JSC REPH. Compensation 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 entities and oil industry entities.

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

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

As a result of the transaction, goodwill was recognised in the amount of RUB 9,960 million (see Note 5). The Group's share in the voting shares of JSC REPH amounted to 72 %.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

24. Commitments and Contingencies

Provisions

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

	As of 31 December 2017	Accrued	Utilised	Recovered	As of 31 December 2018
Provision for year-end bonuses	56,811	61,870	(69,768)	(2,238)	46,675
Provision for vacations	33,512	63,497	(61,509)	(356)	35,144
Provision for retirement benefits payable as a lump sum	26,304	15,508	(16,589)	(1,460)	23,763
Provision for decommissioning and site restoration costs related to subsurface use	194,864	29,495	(4,757)	(62,835)	156,767
Other provisions, including: <i>provision regarding gas price adjustments</i>	156,067	47,175	(61,343)	(43,630)	98,269
	<u>111,607</u>	<u>14,907</u>	<u>(54,822)</u>	<u>(38,464)</u>	<u>33,228</u>
Total, including:	467,558	217,545	(213,966)	(110,519)	360,618
with maturity up to one year	265,497	180,643	(207,978)	(45,114)	193,048

Post-employment benefit obligations

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

Guarantees issued

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

	As of 31 December 2019	As of 31 December 2018	As of 31 December 2017
Guarantees issued for:			
Nord Stream AG	106,924	136,086	128,913
Sakhalin Energy Investment Company Ltd.	37,022	66,317	78,563
LLC Stroygazconsulting	-	87,094	70,013
Blackrock Capital Investments Limited	-	-	1,572
Other	<u>75,146</u>	<u>31,171</u>	<u>24,781</u>
Total	219,092	320,668	303,842

In March 2010 the Group pledged the shares of Nord Stream AG to the agent bank Societe Generale under the obligations of Nord Stream AG under the project financing agreement. As of 31 December 2019, 2018 and 2017 the amount of Nord Stream AG obligations up to the amount of the Group's share (51 %) amounted to RUB 106,924 million (EUR 1,542 million), RUB 136,086 million (EUR 1,713 million) and RUB 128,913 million (EUR 1,872 million), respectively.

Since December 2017 to January 2019 the Group provided guarantees to Gazprombank (Joint-stock Company) for LLC Stroygazconsulting under its loan obligations. As of 31 December 2019, 2018 and 2017 the guarantees amounted to RUB nil million, RUB 87,094 million and RUB 70,013 million, respectively. In January 2019 the Group terminated guarantees provided to Gazprombank (Joint-stock Company) for LLC Stroygazconsulting under its loan obligations.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

24. Commitments and Contingencies (continued)

In June 2008 the Group pledged the shares of Sakhalin Energy Investment Company Ltd. to the agent bank Mizuho Bank Ltd. under the loan obligations of Sakhalin Energy Investment Company Ltd. As of 31 December 2019, 2018 and 2017 the amount of Sakhalin Energy Investment Company Ltd. obligations up to the amount of the Group's share (50 %) amounted to RUB 37,022 million (USD 598 million), RUB 66,317 million (USD 955 million) and RUB 78,563 million (USD 1,364 million), respectively.

In 2006 the Group guaranteed Asset Repackaging Trust Five B.V. (registered in Netherlands) bonds issued by five entities: Devere Capital International Limited, Blackrock Capital Investments Limited, DSL Assets International Limited, United Energy Investments Limited, EM Interfinance Limited (registered in Ireland) with due dates December 2012, June 2018, December 2009, December 2009 and December 2015, respectively. Bonds were issued for financing of construction of a transit pipeline in Poland by JSC EUROPOL GAZ. In December 2009 bonds issued by DSL Assets International Limited and United Energy Investments Limited were redeemed. In December 2012 bonds issued by Devere Capital International Limited were redeemed. In December 2015 loans issued by EM Interfinance Limited were redeemed. As a result the guarantees issued to Asset Repackaging Trust Five B.V. on behalf of Blackrock Capital Investments Limited amounted to RUB nil million, RUB nil million and RUB 1,572 million as of 31 December 2019, 2018 and 2017, respectively.

Legal proceedings

On 16 June 2014 PJSC Gazprom submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against NJSC Naftogaz of Ukraine to recover unpaid debt for gas supplied under Contract No. KP dated 19 January 2009 regarding the sale and purchase of natural gas in 2009-2019 ("Contract No. KP"), and related interest charged. On 12 June 2015 PJSC Gazprom submitted to arbitration a defence to the claim from NJSC Naftogaz of Ukraine and a counter-claim, in which it adjusted the amount claimed to USD 29,200 million. On 14 March 2016 PJSC Gazprom adjusted the amount claimed by PJSC Gazprom against NJSC Naftogaz of Ukraine to over USD 37,000 million, which included the outstanding payment for the gas supplied in May-June 2014, take-or-pay obligations for 2012-2016, and penalty interest for late payment for the gas supplied.

At the same time on 16 June 2014 NJSC Naftogaz of Ukraine submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against PJSC Gazprom seeking a retroactive revision of the price of natural gas under Contract No. KP, compensation of all overpaid amounts starting from 20 May 2011 and cancellation of the provision of Contract No. KP which provided for the prohibition on reexport of natural gas out of Ukraine. The adjusted amount claimed by NJSC Naftogaz of Ukraine against PJSC Gazprom amounted to over USD 14,230 million.

On 21 July 2014 both cases were consolidated.

On 31 May 2017 the arbitrators rendered an interim (separate) award on certain key legal issues. On 7 November 2017 PJSC Gazprom filed with the Court of Appeal of Svea, Sweden, a petition to challenge the stated interim (separate) award and to annul it partially. Hearings into the petition filed by PJSC Gazprom were held in October 2019. On 27 November 2019 the Court of Appeal of Svea, Sweden, rejected the petition filed by PJSC Gazprom.

The final decision on the case was rendered on 22 December 2017. The arbitrators recognised that the basic provisions of Contract No. KP were valid and satisfied the majority of the claims filed by PJSC Gazprom seeking payment for the gas supplied, which initiated the proceedings, and obliged NJSC Naftogaz of Ukraine:

- 1) to pay PJSC Gazprom the overdue debt for the gas supplied amounting to USD 2,019 million, and interest for the period from 22 December 2017 to the date of such payment at the rate of 0.03 % for each day of delay;
- 2) starting from 2018 to buy and pay for 5 billion cubic metres of gas annually or in case of the failure to buy this quantity to pay for 80 % of this volume.

On 17 January 2018 the arbitrators adjusted the amount owed by NJSC Naftogaz of Ukraine to PJSC Gazprom by increasing it up to USD 2,030 million.

On 21 March 2018 PJSC Gazprom filed with the Court of Appeal of Svea, Sweden, a petition to challenge the stated final decision of 22 December 2017 and to annul it partially. The proceedings in the case were terminated by the court decision dated 4 March 2020.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

24. Commitments and Contingencies (continued)

On 13 October 2014 NJSC Naftogaz of Ukraine submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against PJSC Gazprom, seeking:

1) to acknowledge that rights and obligations of NJSC Naftogaz of Ukraine under Contract No. TKGU dated 19 January 2009 ("Contract No. TKGU") on volumes and terms of gas transportation through Ukraine in 2009-2019 should be transferred to PJSC Ukrtransgaz;

2) to acknowledge that certain provisions of Contract No. TKGU, which will be subsequently updated, are invalid and / or inoperative and should be supplemented with or substituted by provisions which will be updated in line with the energy and anti-monopoly legislation of Ukraine and the European Union ("the EU");

3) to oblige PJSC Gazprom to pay a compensation of USD 3,200 million and related interest to NJSC Naftogaz of Ukraine for the failure to provide the agreed-upon volumes of gas for transit;

4) to acknowledge that the transit tariff stipulated in Contract No. TKGU should be revised in such a way as will be provided in further written statements of NJSC Naftogaz of Ukraine in line with key principles of the Swedish contractual law.

The total amount of the claims filed by NJSC Naftogaz of Ukraine (without interest) was USD 14,865 million. On 16 February 2018 PJSC Gazprom submitted to the arbitration court a defence to these claims and a claim to refund the overpaid transit tariff for the period from April 2014 to December 2017 due to the change in the gas price under Contract No. KP for the purchase and sale of natural gas in 2009-2019 totalling USD 44 million without interest. The final award in the case was issued on 28 February 2018. The arbitration court rejected the request of NJSC Naftogaz of Ukraine to change the gas transit tariff, recognised almost all provisions of Contract No. TKGU as valid and refused application of the anti-monopoly legislation of Ukraine and the EU to the Contract. The arbitration court rejected the request of NJSC Naftogaz of Ukraine to transfer its rights and obligations under Contract No. TKGU to PJSC Ukrtransgaz or to another gas transportation system operator. The arbitration court satisfied the request of NJSC Naftogaz of Ukraine in the amount of USD 4,673 million for having provided less gas for transit to European consumers than stipulated in the Contract. With consideration for the amount awarded to PJSC Gazprom under the supply contract, the arbitration court set off counter-claims, as a result of which PJSC Gazprom is obliged to pay USD 2,560 million to NJSC Naftogaz of Ukraine. On 29 March 2018 PJSC Gazprom filed with the Court of Appeal of Svea, Sweden, a petition to challenge the stated final award of 28 February 2018 and to annul it partially. The proceedings in the case were terminated by the court decision dated 4 March 2020.

In 2018-2019 NJSC Naftogaz of Ukraine initiated proceedings in certain jurisdictions (England and Wales, Latvia, Luxembourg, the Netherlands, Switzerland) to recognise and enforce the arbitration award dated 28 February 2018 and to issue injunctions seizing assets of PJSC Gazprom.

On 20 April 2018 PJSC Gazprom filed with the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, a request for arbitration seeking amendment or termination of contracts with NJSC Naftogaz of Ukraine for gas supply and gas transit through Ukraine in order to restore the balance between contractual obligations and eliminate disproportions in terms of the parties' contractual liabilities. On 22 May 2018 NJSC Naftogaz of Ukraine filed a response to this request for arbitration and counter-claims in respect of the gas supply and transit contracts. On 6 September 2018 the Stockholm Chamber of Commerce, Sweden, rendered a decision upon PJSC Gazprom's motion to consolidate these proceedings with the proceedings related to the request of NJSC Naftogaz of Ukraine to change the gas transit tariff. On 13 February 2020 the arbitration court terminated the proceedings in the case on the motion of the parties.

On 10 July 2018 NJSC Naftogaz of Ukraine filed with the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, a request for arbitration for changing of the tariff for gas transit through Ukraine starting from 18 March 2018 and for recovery from PJSC Gazprom of USD 11,580 million for the period from 18 March 2018 until the expiration date of the effective gas transit contract (until 31 December 2019). On 13 February 2020 the arbitration court terminated the proceedings in the case on the motion of the parties.

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 above-mentioned outstanding judicial claims between each other and renounce in the future any and all possible claims under the gas supply and transit contracts dated 19 January 2009.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

24. Commitments and Contingencies (continued)

As of today, the injunctions issued in England and Wales, the Netherlands, Luxembourg and Switzerland had 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.

On 3 October 2012 the Ministry of Energy of the Republic of Lithuania submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against PJSC Gazprom. The Ministry of Energy of the Republic of Lithuania declared that PJSC Gazprom violated the shareholders' agreement in respect of AB Lietuvos dujos, by unfair pricing of gas supplied to the Republic of Lithuania and claimed for LTL 5,000 million compensation (at the exchange rate as of 31 December 2019 – RUB 100,412 million). On 22 June 2016 the arbitration court issued a final award which rejected all claims raised by the Ministry of Energy of the Republic of Lithuania, including the claims on unfair pricing of the gas which PJSC Gazprom supplied to Lithuania in 2006-2015. On 4 July 2019 the Court of Appeal of Svea, Sweden, fully rejected Lithuania's motion to annul the award of the Stockholm arbitration court dated 22 June 2016. On 20 December 2019 the Supreme Court of Sweden rejected Lithuania's appeal and upheld the decision of the Court of Appeal of Stockholm dated 4 July 2019. The decision of the Supreme Court cannot be appealed.

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 31 December 2019 – RUB 224,547 million) for violation of economic competition. 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 31 December 2019 – RUB 494,004 million), including an execution fee of 17,193 million Ukrainian hryvnia (at the exchange rate as of 31 December 2019 – RUB 44,909 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.

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.

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:

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

24. Commitments and Contingencies (continued)

- 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 on initiation of 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 15 January 2020 PJSC Gazprom received a request from Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) to provide information and documents in the course of the pursued investigation. On 31 January 2020 PJSC Gazprom replied to that request. On 4 March 2020 PJSC Gazprom received a new request from Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) 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 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 formal investigation and does not constitute an accusation of PJSC Gazprom in violating the antitrust law of the EU.

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 26 July 2019 Nord Stream AG, a joint venture of the Group, filed with the General Court of the EU a petition to declare the amendments to the EU Third Gas Directive invalid as regards the provision setting forth the unreasonably short deadline for EU member states to grant derogations from provisions of the EU Third Gas Directive, which made it significantly less probable to obtain derogations.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

24. Commitments and Contingencies (continued)

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.

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. The implementation of these sanctions can create risks for the development of new 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.

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.

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.

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

24. Commitments and Contingencies (continued)

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. Their assets 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 that imposed sanctions shall terminate on the date that is five years after the date of the enactment. 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.

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

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

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

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

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

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

24. Commitments and Contingencies (continued)

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.

Taxation

The Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. As of 31 December 2019 the relevant provisions of the legislation are interpreted correctly, and the position of the Group's, in terms of tax, currency and customs legislation, will be stable.

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

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

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

25. Economic Environment in the Russian Federation

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

The political and economic instability, situation in Ukraine, the current situation with sanctions, uncertainty and volatility of financial and trade markets and other risks have had and may continue to have effects on the Russian economy. During 2019 the official Russian Ruble to US dollar and Euro foreign exchange rates fluctuated between 61.7164 and 67.1920 Russian Rubles and 68.4065 and 77.2105 Russian Rubles per US dollar and Euro, respectively. In addition during 2019 the key interest rate determined by the Central Bank of the Russian Federation decreased from 7.75 % to 6.25 % and actual inflation was 3.0 %.

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

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

26. Operating Risks

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

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

27. Post Balance Sheet Events

Borrowings

In February 2020 the Group issued Loan Participation Notes in the amount of USD 2,000 million at an interest rate of 3.25 % due in 2030 under EUR 30,000 million Programme for the Issuance of Loan Participation Notes.

In February 2020 the Group issued Russian bonds in the amount of RUB 10,000 million at an interest rate of 6.2 % due in 2025.

In February 2020 the Group obtained a long-term loan from JSC ALFA-BANK in the amount of EUR 150 million at an interest rate of 2.05 % due in 2025.

In February 2020 the Group signed agreement to obtain long term loans from PJSC CREDIT BANK OF MOSCOW in the amount of RUB 15,000 million at an interest rate of current key rate of the Central Bank of the Russian Federation + 0.4 % due in 2025.

In March 2020 the Group signed agreement to obtain long term loans from Gazprombank (Joint Stock Company) in the amount of RUB 15,000 million at an interest rate of no more than current key rate of the Central Bank of the Russian Federation + 3 % and no more than 10 % due in 2025.

In March-April 2020 the subsidiary LLC Gazprom pererabotka Blagoveshchensk obtained long-term loans in the total amount of EUR 3,194 million at interest rates from EURIBOR + 1.00 % to EURIBOR + 4.25 % and RUB 6,500 million at an interest rate of the current key rate of the Central Bank of the Russian Federation + 2.15 % and due in 2034-2036. Loans are obtained under the terms of the long-term financing agreements signed in December 2019 within the framework of financing the construction of the Amur gas processing plant. ING Bank N.V., Intesa Sanpaolo S.p.A., London branch, China Construction Bank Corporation, Beijing branch, Banka IMI S.p.A. and PJSC Sberbank were appointed as agent banks.

In April 2020 the subsidiary Nord Stream 2 AG obtained long-term loans from 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. in the amount of EUR 87.5 million within the terms of the long-term financing agreement signed between the parties in April 2017.

In April 2020 the Group issued Loan Participation Notes in the amount of EUR 1,000 million at an interest rate of 2.95 % due in 2025 under EUR 30,000 million Programme for the Issuance of Loan Participation Notes.

Significant events

In February 2020 the Group concluded a contract for the sale of 34 % of JSC Conexus Baltic Grid shares subject to conditions precedent. The acquisition cost is EUR 77 million. At the date of these consolidated accounting reports the deal was not completed as the conditions precedent had not been met and the acquisition cost had not been paid.

In March 2020 the Group signed an agreement to provide a subordinated loan in the amount of RUB 40,000 million to Gazprombank (Joint-stock Company).

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

PJSC Gazprom
Notes to the Consolidated Balance Sheet and the Consolidated Statement of Financial Results for 2019
(in millions of Russian Rubles)

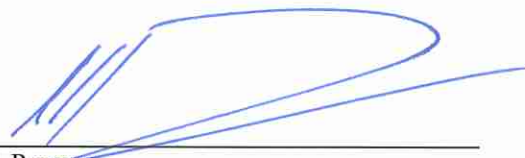
27. Post Balance Sheet Events (continued)

The Group has classified these events as non-adjusting events after the reporting period. 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 Group's management is assessing these events, including for the purposes of providing information to users of the consolidated accounting reports.



A.B. Miller
Chairman of the Management Committee



M.N. Rosseev
Chief Accountant

27 April 2020