

An aerial photograph showing a long, straight gas pipeline stretching across a vast, green, marshy landscape. The pipeline is supported by numerous small, white, rectangular structures. In the background, there are blue bodies of water and a clear sky. The overall scene is bright and clear, suggesting a sunny day.

# Efficient Growth





# **PJSC Gazprom Financial Report for 2019**

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# PJSC Gazprom Statutory Financial Statements for 2019

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# Independent Auditor's Report (Translation from Russian original)

## To the Shareholders of PJSC Gazprom

### Opinion

We have audited the accompanying financial statements of PJSC Gazprom, which comprise the balance sheet as at 31 December 2019, statement of financial results, supplements to the balance sheet and the statement of financial results, including the statement of changes in equity and cash flow statement for the year then ended, and explanatory notes to the balance sheet and the statement of financial results ("the explanatory notes to the financial statements"), including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of PJSC Gazprom as at 31 December 2019, its financial performance and its cash flows for the year then ended in accordance with 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 Financial Statements section of our report. We are independent of the audited entity 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) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

#### Revenue recognition

We focused on revenue recognition in our audit because there were various revenue streams with significantly different terms underlying revenue recognition, including the procedure for price determination, price change, and transfer of ownership, risks and rewards.

We assessed the consistency in the application of the revenue recognition accounting policy against various types of revenue and geographic segments. Our audit procedures with respect to the risk of material misstatement included, specifically, evaluation of the design of controls, assessment of the risk of fraud or error based on the expected assurance on internal control, as well as substantive procedures with respect to the sales transactions and procedures that involved obtaining accounts receivable confirmation letters from debtors as at the end of the reporting period. Based on the results of our audit procedures, we found the position of the management on the revenue recognition to be acceptable.

Information about the approaches to revenue recognition and the amounts of revenue is disclosed in Note 14 "Sales" to the financial statements.

#### Revaluation of fixed assets

We consider this area to be one of the most significant audit areas in view of the significant balances of fixed assets. PJSC Gazprom performs regular revaluation of fixed assets to ensure that the value of fixed assets at which they are recognised in accounting records and financial statements does not significantly differ from their current (replacement) cost. No revaluation of fixed assets was performed as at 31 December 2019 because of insignificant change in the current (replacement) cost identified during testing of the need for revaluation of fixed assets.



We engaged our valuation experts to make a conclusion on the assumptions and methodology applied to test the need for revaluation of fixed assets. Our audit procedures with respect to the testing of the need for revaluation of fixed assets included assessment of competency, qualification, experience and objectivity of the management's experts, sample testing of the accuracy of the models and methods used for the testing. Based on the results of the audit procedures, we believe that the significant assumptions and methodology applied to test the need for revaluation of fixed assets are acceptable.

Information about revaluation of fixed assets is disclosed in Note 5 "Fixed assets" to the financial statements.

#### Measurement of doubtful receivables

One of high-risk audit areas is the evaluation of sufficiency of doubtful debt provision. We assessed the assumptions and professional judgment applied by the management of PJSC Gazprom, including critical assessment of the information used by PJSC Gazprom to make projections of the ability of its customers to repay their debts. We performed procedures to test controls over the recognition and repayment of the receivables. We checked whether disclosures made by PJSC Gazprom about the use of judgment for calculation of the doubtful debt provision were sufficient. Based on the results of the procedures performed, we found the criteria and assumptions applied by the management to accrue doubtful debt provision to be acceptable.

Information about accounts receivable and doubtful debt provision is disclosed in Note 8 "Accounts receivable" to the financial statements.

#### Evaluation, recognition and disclosure of information about litigations

Evaluation, recognition and disclosure of information about liabilities in respect of litigations 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. PJSC Gazprom was a party to a number of significant litigations. Procedures we performed included analysis of agreements entered by PJSC Gazprom with NJSC Naftogaz of Ukraine and Ukraine, as well as discussions of significant matters with the staff of PJSC Gazprom responsible for providing judicial and legal support to PJSC Gazprom in its activities, evaluation and testing of terms underlying the recognition of liabilities and their disclosure. Based on the results of the procedures performed, we found the criteria and estimates applied by the management, as well as the recognitions and disclosures to be consistent and acceptable.

Information about liabilities in respect of litigations is disclosed in Note 19 "Estimated and contingent liabilities" to the financial statements.

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report of PJSC Gazprom for 2019 and the Quarterly issuer's report for the first quarter of 2020, but does not include the financial statements and our auditor's report thereon. The Annual report of PJSC Gazprom for 2019 and the Quarterly issuer's report for the first quarter of 2020 are expected to be made available to us after the date of this auditor's report.

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

In connection with the audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

When we read the Annual report of PJSC Gazprom for 2019 and the Quarterly issuer's report for the first quarter of 2020, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

In preparing the financial statements, management is responsible for assessing the audited entity'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 audited entity or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the audited entity's internal control;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the audited entity;
- 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 audited entity'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the audited entity to cease to continue as a going concern;
- e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of the audited entity 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 of the audited entity 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 of the audited entity, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when,

in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

President of FBK, LLC

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

Date of Independent Auditor's Report:  
27 March 2020



S.M. Shapiguzov  
Acting by virtue of the Articles of Organisation,  
Auditor Qualification Certificate  
01-001230, ORNZ 21606043397

M.A. Kolembel  
Auditor Qualification Certificate  
01-001271, ORNZ 21606041788

### **Audited entity**

Name:

PJSC Gazprom.

Address of the legal entity within its location:

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

Official registration:

Registered by 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 principal state registration number 1027700070518.

### **Auditor**

Name:

FBK, LLC.

Address of the legal entity within its location:

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

Official registration:

Registered by 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 principal state registration number 1027700058286.

Membership in self-regulatory organisation of auditors:

Member of the Self-regulatory organization of auditors Association «Sodruzhestvo».

Principal number of registration entry in the register of auditors and audit organisations of the self-regulatory organisation of auditors 11506030481.

# Balance Sheet

## as at 31 December 2019

Company: PJSC GAZPROM  
 Taxpayer identification number  
 Field of activity: Wholesale of solid,  
 liquid and gaseous fuels and related products  
 Legal form/property form:  
 Public Joint Stock Company  
 Measurement unit: thousand of RUB  
 Address: 16 Nametkina St., Moscow, 117420

|                         | Codes      |
|-------------------------|------------|
| Form on OKUD            | 0710001    |
| Date (day, month, year) | 31/12/2019 |
| OKPO                    | 00040778   |
| INN                     | 7736050003 |
| OKVED 2                 | 46.71      |
| OKOPF/OKFS              | 12247/41   |
| OKEI                    | 384        |

The financial statements are subject to statutory audit  
 Name of the audit firm: FBK, LLC  
 Taxpayer identification number of the audit firm  
 Principal state registration number of the audit firm

|             |   |
|-------------|---|
|             | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| INN         | 7701017140  |
| OGRN/OGRNIP | 1027700058286   |

| Notes | Narrative   | Line code   | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2017 |
|-------|---|-------------|------------------------|------------------------|------------------------|
|       | <b>Assets</b>   |             |                        |                        |                        |
|       | <b>I. Non-current assets</b>                            |             |                        |                        |                        |
| 1     | Intangible assets, including:                           | 1110        | 17,102,648             | 19,329,708             | 20,095,198             |
|       | intellectual property rights                            | 1111        | 16,546,490             | 18,813,986             | 14,527,878             |
|       | other   | 1119        | 556,158                | 515,722                | 5,567,320              |
| 1     | Results of research and development                     | 1120        | 3,076,422              | 2,862,397              | 1,906,673              |
| 9     | Intangible exploration assets                           | 1130        | 118,651,254            | 118,119,725            | 118,272,580            |
| 9     | Tangible exploration assets                             | 1140        | 53,189,454             | 71,725,085             | 52,878,487             |
| 2     | Fixed assets, including:                                | 1150        | 7,998,232,551          | 7,864,189,945          | 7,824,129,524          |
|       | Fixed assets items, including:                          | 1151        | 6,698,228,019          | 6,354,837,926          | 6,645,376,672          |
|       | land plots and natural resources                        | 1152        | 3,497,549              | 3,484,372              | 1,911,750              |
|       | buildings, facilities, machinery and equipment          | 1153        | 6,585,106,135          | 6,242,783,407          | 6,536,456,484          |
|       | Capital investments in progress                         | 1154        | 1,300,004,532          | 1,509,352,019          | 1,178,752,852          |
|       | Income-bearing investments in tangible assets           | 1160        | -                      | -                      | -                      |
| 3     | Financial investments, including:                       | 1170        | 4,047,061,648          | 3,669,400,994          | 2,898,014,512          |
|       | investments in subsidiaries                             | 1171        | 3,634,482,663          | 3,359,647,370          | 2,468,535,299          |
|       | investments in associates                               | 1172        | 88,029,325             | 89,831,301             | 85,806,529             |
|       | investments in other entities                           | 1173        | 203,434                | 203,435                | 168,710                |
|       | loans provided to companies for a period over 12 months | 1174        | 285,708,116            | 181,328,968            | 156,305,980            |
|       | Deferred tax assets                                     | 1180        | 128,456,394            | 112,900,315            | 153,021,940            |
|       | Other non-current assets                                | 1190        | 126,496,168            | 58,293,352             | 31,736,499             |
|       | <b>Total Section I</b>                                  | <b>1100</b> | <b>12,492,266,539</b>  | <b>11,916,821,521</b>  | <b>11,100,055,413</b>  |

| Notes                     | Narrative   | Line code | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2017 |
|---------------------------|---|-----------|------------------------|------------------------|------------------------|
| <b>Assets</b>             |   |           |                        |                        |                        |
| <b>II. Current assets</b> |   |           |                        |                        |                        |
| 4                         | Inventories, including:   | 1210      | 669,198,423            | 515,373,228            | 542,457,497            |
|                           | raw materials and other inventories   | 1211      | 6,364,880              | 10,855,567             | 5,336,117              |
|                           | work in progress  | 1213      | 359,139,968            | 283,018,154            | 319,052,716            |
|                           | finished goods and goods for resale   | 1214      | 297,329,275            | 215,189,424            | 213,316,883            |
|                           | goods dispatched  | 1215      | 6,364,284              | 6,309,990              | 4,751,688              |
|                           | Value-added tax on goods purchased  | 1220      | 61,218,137             | 50,573,798             | 48,044,300             |
| 5                         | Accounts receivable, including:   | 1230      | 1,876,595,634          | 2,120,688,193          | 1,740,091,831          |
|                           | Accounts receivable (payments expected beyond 12 months after the reporting date), including: | 1231      | 777,410,093            | 578,237,266            | 425,997,092            |
|                           | buyers and customers  | 1232      | 2,245,027              | 5,217,521              | 7,473,909              |
|                           | advances issued   | 1233      | 2,968,033              | 54,183                 | 57,947                 |
|                           | other debtors   | 1234      | 772,197,033            | 572,965,562            | 418,465,236            |
|                           | Accounts receivable (payments expected within 12 months after the reporting date), including: | 1235      | 1,099,185,541          | 1,542,450,927          | 1,314,094,739          |
|                           | buyers and customers  | 1236      | 540,643,114            | 779,789,157            | 619,979,457            |
|                           | advances issued   | 1238      | 110,794,388            | 106,398,208            | 177,178,617            |
|                           | other debtors   | 1239      | 447,748,039            | 656,263,562            | 516,936,665            |
| 3                         | Financial investments (except for cash equivalents), including:                               | 1240      | 512,578,733            | 792,588,971            | 500,869,175            |
|                           | loans provided to companies for a period less than 12 months                                  | 1241      | 49,130,347             | 142,839,066            | 211,844,503            |
|                           | Cash and cash equivalents, including:   | 1250      | 302,506,804            | 349,740,207            | 461,670,121            |
|                           | cash on hand  | 1251      | 23,070                 | 27,362                 | 20,358                 |
|                           | settlement accounts   | 1252      | 267,210,278            | 147,944,053            | 142,896,201            |
|                           | foreign currency accounts   | 1253      | 32,113,655             | 199,361,562            | 148,827,627            |
|                           | other cash and cash equivalents   | 1259      | 3,159,801              | 2,407,230              | 169,925,935            |
|                           | Other current assets  | 1260      | 1,991,227              | 1,958,690              | 2,004,678              |
|                           | <b>Total Section II</b>   | 1200      | 3,424,088,958          | 3,830,923,087          | 3,295,137,602          |
|                           | <b>BALANCE</b>  | 1600      | 15,916,355,497         | 15,747,744,608         | 14,395,193,015         |



| Notes | Narrative  | Line code | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2017 |
|-------|--|-----------|------------------------|------------------------|------------------------|
|       | <b>Equity and liabilities</b>  |           |                        |                        |                        |
|       | <b>III. Equity and reserves</b>  |           |                        |                        |                        |
|       | Charter capital (joint capital, charter fund, contributions of partners) | 1310      | 118,367,564            | 118,367,564            | 118,367,564            |
|       | Own shares buy-back  | 1320      | –                      | –                      | –                      |
|       | Revaluation of non-current assets  | 1340      | 5,850,123,801          | 5,863,916,166          | 5,880,965,685          |
|       | Additional paid-in capital (without revaluation)                         | 1350      | –                      | –                      | –                      |
|       | Reserve capital  | 1360      | 8,636,001              | 8,636,001              | 8,636,001              |
|       | Retained earnings (loss)   | 1370      | 5,357,552,523          | 5,085,599,303          | 4,324,249,211          |
|       | Social government fund   | 1380      | –                      | –                      | –                      |
|       | <b>Total Section III</b>   | 1300      | 11,334,679,889         | 11,076,519,034         | 10,332,218,461         |
|       | <b>IV. Non-current liabilities</b>                                       |           |                        |                        |                        |
|       | Borrowings and bank loans, including:                                    | 1410      | 1,793,864,976          | 2,099,199,873          | 1,500,004,197          |
|       | bank loans due for repayment beyond 12 months                            | 1411      | 577,396,807            | 677,990,869            | 384,081,643            |
|       | other borrowings due for repayment beyond 12 months                      | 1412      | 1,216,468,169          | 1,421,209,004          | 1,115,922,554          |
|       | Deferred tax liabilities   | 1420      | 692,290,951            | 604,166,542            | 525,035,158            |
| 7     | Estimated liabilities  | 1430      | 14,584,218             | 10,071,423             | 9,180,437              |
| 5     | Other liabilities  | 1450      | 2,169,429              | 2,247,227              | 2,328,046              |
|       | <b>Total Section IV</b>  | 1400      | 2,502,909,574          | 2,715,685,065          | 2,036,547,838          |

| Notes                         | Narrative  | Line code | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2017 |
|-------------------------------|--|-----------|------------------------|------------------------|------------------------|
| <b>V. Current liabilities</b> |  |           |                        |                        |                        |
|                               | Borrowings and bank loans, including:                  | 1510      | 1,093,625,433          | 831,626,466            | 929,199,235            |
|                               | bank loans due for repayment within 12 months          | 1511      | -                      | -                      | -                      |
|                               | other borrowings due for repayment within 12 months    | 1512      | 587,309,565            | 295,800,823            | 282,987,532            |
|                               | current portion of long-term borrowings and bank loans | 1513      | 506,315,868            | 535,825,643            | 646,211,703            |
| 5                             | Accounts payable, including:                           | 1520      | 908,361,080            | 1,078,815,391          | 964,792,138            |
|                               | suppliers and contractors                              | 1521      | 722,594,482            | 709,775,210            | 650,097,013            |
|                               | salaries payable                                       | 1522      | 909,195                | 824,192                | 646,597                |
|                               | insurance contributions payable                        | 1523      | 379,090                | 329,202                | 294,094                |
|                               | taxes payable  | 1524      | 62,566,006             | 56,599,494             | 79,847,791             |
|                               | other creditors, including:                            | 1525      | 120,713,636            | 310,406,998            | 232,977,732            |
|                               | promissory notes payable                               | 1526      | -                      | -                      | -                      |
|                               | advances from customers                                | 1527      | 82,879,525             | 84,128,958             | 47,326,860             |
|                               | other settlements                                      | 1528      | 37,834,111             | 226,278,040            | 185,650,872            |
|                               | dividends payable to participants (shareholders)       | 1529      | 1,198,671              | 880,295                | 928,911                |
|                               | Future periods income                                  | 1530      | -                      | -                      | -                      |
| 7                             | Estimated liabilities                                  | 1540      | 76,779,521             | 45,098,652             | 132,435,343            |
|                               | Other liabilities                                      | 1550      | -                      | -                      | -                      |
|                               | <b>Total Section V</b>                                 | 1500      | 2,078,766,034          | 1,955,540,509          | 2,026,426,716          |
|                               | <b>BALANCE</b>   | 1700      | 15,916,355,497         | 15,747,744,608         | 14,395,193,015         |

Chief Executive Officer \_\_\_\_\_  \_\_\_\_\_ A.B. Miller

Chief Accountant \_\_\_\_\_  \_\_\_\_\_ M.N. Rosseev

27 March 2020

# Statement of Financial Results for 2019

Company: PJSC GAZPROM  
Taxpayer identification number  
Field of activity: Wholesale of solid,  
liquid and gaseous fuels and related products  
Legal form/property form:  
Public Joint Stock Company  
Measurement unit: thousand of RUB

|  |                         |            |
|--|-------------------------|------------|
|  | Form on OKUD            | Codes      |
|  | Date (day, month, year) | 0710002    |
|  | OKPO                    | 31/12/2019 |
|  | INN                     | 00040778   |
|  | OKVED 2                 | 7736050003 |
|  |                         | 46.71      |
|  | OKOPF/OKFS              | 12247/41   |
|  | OKEI                    | 384        |

| Notes | Narrative                                   | Line code | For 2019        | For 2018        |
|-------|---|-----------|-----------------|-----------------|
|       | <b>Sales, including:</b>                    | 2110      | 4,758,711,459   | 5,179,549,285   |
|       | gas   | 2111      | 3,311,117,094   | 3,681,907,763   |
|       | leased assets                               | 2112      | 779,702,026     | 801,830,818     |
|       | oil and gas refinery products               | 2113      | 290,064,899     | 296,595,283     |
|       | gas transportation services                 | 2114      | 241,297,625     | 257,023,320     |
|       | gas condensate                              | 2115      | 123,174,241     | 121,556,378     |
|       | other goods, products, works and services   | 2116      | 11,436,458      | 19,237,808      |
|       | gas storage services                        | 2117      | 1,919,116       | 1,397,915       |
| 6     | <b>Cost of sales, including:</b>            | 2120      | (2,657,654,354) | (2,618,406,690) |
|       | gas   | 2121      | (1,287,313,401) | (1,263,428,862) |
|       | leased assets                               | 2122      | (777,305,913)   | (800,317,686)   |
|       | oil and gas refinery products               | 2123      | (225,120,955)   | (169,509,903)   |
|       | gas transportation services                 | 2124      | (252,381,302)   | (268,297,250)   |
|       | gas condensate                              | 2125      | (97,001,430)    | (88,957,653)    |
|       | other goods, products, works and services   | 2126      | (17,681,800)    | (27,110,551)    |
|       | gas storage services                        | 2127      | (849,553)       | (784,785)       |
|       | <b>Gross profit (loss)</b>                  | 2100      | 2,101,057,105   | 2,561,142,595   |
| 6     | Selling expenses                            | 2210      | (1,363,851,113) | (1,430,858,563) |
| 6     | Administrative expenses                     | 2220      | (108,092,194)   | (106,160,019)   |
|       | <b>Profit (loss) from sales</b>             | 2200      | 629,113,798     | 1,024,124,013   |
|       | Income from participation in other entities | 2310      | 316,324,238     | 367,014,130     |
|       | Interest receivable                         | 2320      | 61,250,281      | 61,209,361      |
|       | Interest payable                            | 2330      | (107,234,097)   | (100,841,508)   |


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| Notes | Narrative   | Line code | For 2019        | For 2018        |
|-------|---|-----------|-----------------|-----------------|
|       | Other income  | 2340      | 1,060,079,172   | 1,173,951,615   |
|       | Other expenses  | 2350      | (1,048,579,909) | (1,325,782,526) |
|       | <b>Profit (loss) before taxation</b>                        | 2300      | 910,953,483     | 1,199,675,085   |
|       | <b>Income tax, including:</b>                               | 2405      | (187,389,340)   | (149,821,039)   |
|       | current income tax  | 2410      | (186,767,702)   | (149,852,551)   |
|       | prior year income tax                                       | 2411      | (621,638)       | 31,512          |
|       | including permanent tax liabilities (assets) from line 2405 | 2421      | 138,582,376     | 104,124,263     |
|       | Changes in deferred tax liabilities                         | 2430      | (88,507,870)    | (83,643,799)    |
|       | Changes in deferred tax assets                              | 2450      | 17,297,785      | (38,146,737)    |
|       | Other   | 2460      | (2,309,528)     | 1,702,260       |
|       | Reallocation of income tax within the CGT                   | 2465      | 1,079,584       | 4,632,530       |
|       | <b>Net profit (loss)</b>                                    | 2400      | 651,124,114     | 934,398,300     |

Form 0710002 p.3

| Notes | Narrative  | Line code | For 2019    | For 2018    |
|-------|--|-----------|-------------|-------------|
|       | Result of revaluation of non-current assets not included to the net profit (loss) for the period | 2510      | -           | -           |
|       | Results of other transactions not included to the net profit (loss) for the period               | 2520      | -           | -           |
|       | Cumulative financial result for the period   | 2500      | 651,124,114 | 934,398,300 |
|       | REFERENCE:   |           |             |             |
|       | Basic earnings (loss) per share (RUB)  | 2900      | 27,50       | 39,47       |
|       | Diluted earnings (loss) per share  | 2910      | -           | -           |

Chief Executive Officer \_\_\_\_\_  \_\_\_\_\_ A.B. Miller

Chief Accountant \_\_\_\_\_  \_\_\_\_\_ M.N. Rosseev

27 March 2020

# Statement of Changes in Equity for 2019

Company: PJSC GAZPROM  
 Taxpayer identification number  
 Field of activity: Wholesale of solid,  
 liquid and gaseous fuels and related products  
 Legal form/property form:  
 Public Joint Stock Company  
 Measurement unit: thousand of RUB

|                         | Codes      |
|-------------------------|------------|
| Form on OKUD            | 0710004    |
| Date (day, month, year) | 31/12/2019 |
| OKPO                    | 00040778   |
| INN                     | 7736050003 |
| OKVED 2                 | 46.71      |
| OKOPF/OKFS              | 12247/41   |
| OKEI                    | 384        |

## 1. Changes in equity

| Narrative                                     | Line code | Charter capital | Own shares buy-back | Additional capital | Reserve capital | Retained earnings (loss) | Social government fund | Total          |
|---|-----------|-----------------|---------------------|--------------------|-----------------|--------------------------|------------------------|----------------|
| <b>Equity as at 31 December 2017</b>          | 3100      | 118,367,564     | -                   | 5,880,965,685      | 8,636,001       | 4,324,249,211            | -                      | 10,332,218,461 |
| <b>For 2018</b>                               |           |                 |                     |                    |                 |                          |                        |                |
| <b>Increase in equity - total, including:</b> | 3210      | -               | -                   | -                  | -               | 934,640,278              | -                      | 934,640,278    |
| net profit                                    | 3211      | X               | X                   | X                  | X               | 934,398,300              | X                      | 934,398,300    |
| revaluation of assets                         | 3212      | X               | X                   | -                  | X               | -                        | -                      | -              |
| income directly attributable to equity        | 3213      | X               | X                   | -                  | X               | 241,978                  | X                      | 241,978        |
| additional shares issue                       | 3214      | -               | X                   | -                  | X               | X                        | X                      | -              |
| increase in share par value                   | 3215      | -               | X                   | -                  | X               | -                        | X                      | -              |
| reorganisation of legal entity                | 3216      | -               | -                   | -                  | -               | -                        | -                      | -              |
| placement of buy-backed shares                | 3217      | X               | -                   | X                  | X               | X                        | X                      | -              |
| other   | 3219      | -               | -                   | -                  | -               | -                        | X                      | -              |
| <b>Decrease in equity - total, including:</b> | 3220      | -               | -                   | (4,661)            | -               | (190,335,044)            | -                      | (190,339,705)  |
| loss  | 3221      | X               | X                   | X                  | X               | -                        | X                      | -              |
| revaluation of assets                         | 3222      | X               | X                   | -                  | X               | -                        | -                      | -              |
| expenses directly attributable to equity      | 3223      | X               | X                   | X                  | X               | -                        | -                      | -              |
| decrease in share par value                   | 3224      | -               | X                   | X                  | X               | -                        | X                      | -              |
| decrease in number of shares                  | 3225      | -               | -                   | X                  | X               | X                        | X                      | -              |
| reorganisation of legal entity                | 3226      | -               | -                   | -                  | -               | -                        | -                      | -              |
| dividends                                     | 3227      | X               | X                   | X                  | X               | (190,335,044)            | X                      | (190,335,044)  |
| other   | 3229      | -               | -                   | (4,661)            | -               | -                        | X                      | (4,661)        |

| Narrative                                     | Line code | Charter capital | Own shares buy-back | Additional capital | Reserve capital | Retained earnings (loss) | Social government fund | Total          |
|---|-----------|-----------------|---------------------|--------------------|-----------------|--------------------------|------------------------|----------------|
| Additional capital change                     | 3230      | X               | X                   | (17,044,858)       | X               | 17,044,858               | X                      | -              |
| Reserve capital change                        | 3240      | X               | X                   | X                  | -               | -                        | X                      | -              |
| <b>Equity as at 31 December 2018</b>          | 3200      | 118,367,564     | -                   | 5,863,916,166      | 8,636,001       | 5,085,599,303            | -                      | 11,076,519,034 |
| <b>For 2019</b>                               |           |                 |                     |                    |                 |                          |                        |                |
| <b>Increase in equity - total, including:</b> | 3310      | -               | -                   | -                  | -               | 651,377,906              | -                      | 651,377,906    |
| net profit                                    | 3311      | X               | X                   | X                  | X               | 651,124,114              | X                      | 651,124,114    |
| revaluation of assets                         | 3312      | X               | X                   | -                  | X               | X                        | -                      | -              |
| income directly attributable to equity        | 3313      | X               | X                   | -                  | X               | 253,792                  | X                      | 253,792        |
| additional shares issue                       | 3314      | -               | X                   | -                  | X               | X                        | X                      | -              |
| increase in share par value                   | 3315      | -               | X                   | -                  | X               | -                        | X                      | -              |
| reorganisation of legal entity                | 3316      | -               | -                   | -                  | -               | -                        | -                      | -              |
| placement of buy-backed shares                | 3317      | X               | -                   | X                  | X               | X                        | X                      | -              |
| other   | 3319      | -               | -                   | -                  | -               | -                        | -                      | -              |
| <b>Decrease in equity - total, including:</b> | 3320      | -               | -                   | -                  | -               | (393,217,051)            | -                      | (393,217,051)  |
| loss  | 3321      | X               | X                   | X                  | X               | -                        | X                      | -              |
| revaluation of assets                         | 3322      | X               | X                   | -                  | X               | X                        | -                      | -              |
| expenses directly attributable to equity      | 3323      | X               | X                   | X                  | X               | -                        | -                      | -              |
| decrease in share par value                   | 3324      | -               | X                   | X                  | X               | -                        | X                      | -              |
| decrease in number of shares                  | 3325      | -               | -                   | X                  | X               | X                        | X                      | -              |
| reorganisation of legal entity                | 3326      | -               | -                   | -                  | -               | -                        | -                      | -              |
| dividends                                     | 3327      | X               | X                   | X                  | X               | (393,217,051)            | X                      | (393,217,051)  |
| other   | 3329      | -               | -                   | -                  | -               | -                        | X                      | -              |
| Additional capital change                     | 3330      | X               | X                   | (13,792,365)       | X               | 13,792,365               | X                      | -              |
| Reserve capital change                        | 3340      | X               | X                   | X                  | -               | -                        | X                      | -              |
| <b>Equity as at 31 December 2019</b>          | 3300      | 118,367,564     | -                   | 5,850,123,801      | 8,636,001       | 5,357,552,523            | -                      | 11,334,679,889 |



## 2. Restatements due to changes in accounting policies and correction of errors

| Narrative  | Line code | As at 31 December 2017 | Change in equity for 2018 |                      | As at 31 December 2018 |
|--|-----------|------------------------|---------------------------|----------------------|------------------------|
|  |           |                        | From net profit (loss)    | Due to other factors |                        |
| <b>Equity - total before restatement</b>           | 3400      | 10,324,208,370         | 933,136,526               | (190,097,727)        | 11,067,247,169         |
| restatement due to:                                |           |                        |                           |                      |                        |
| changes in accounting policies                     | 3410      | -                      | -                         | -                    | -                      |
| correction of accounting errors                    | 3420      | 8,010,091              | 1,261,774                 | -                    | 9,271,865              |
| after restatement                                  | 3500      | 10,332,218,461         | 934,398,300               | (190,097,727)        | 11,076,519,034         |
| including:   |           |                        |                           |                      |                        |
| <b>Retained earnings (loss) before restatement</b> | 3401      | 4,316,239,120          | 933,136,526               | (173,048,208)        | 5,076,327,438          |
| restatement due to:                                |           |                        |                           |                      |                        |
| changes in accounting policies                     | 3411      | -                      | -                         | -                    | -                      |
| correction of accounting errors                    | 3421      | 8,010,091              | 1,261,774                 | -                    | 9,271,865              |
| after restatement                                  | 3501      | 4,324,249,211          | 934,398,300               | (173,048,208)        | 5,085,599,303          |
| <b>Additional capital before restatement</b>       | 3402      | 5,880,965,685          | -                         | (17,049,519)         | 5,863,916,166          |
| restatement due to:                                |           |                        |                           |                      |                        |
| changes in accounting policies                     | 3412      | -                      | -                         | -                    | -                      |
| correction of accounting errors                    | 3422      | -                      | -                         | -                    | -                      |
| after restatement                                  | 3502      | 5,880,965,685          | -                         | (17,049,519)         | 5,863,916,166          |
| <b>Reserve capital before restatement</b>          | 3403      | 8,636,001              | -                         | -                    | 8,636,001              |
| restatement due to:                                |           |                        |                           |                      |                        |
| changes in accounting policies                     | 3413      | -                      | -                         | -                    | -                      |
| correction of accounting errors                    | 3423      | -                      | -                         | -                    | -                      |
| after restatement                                  | 3503      | 8,636,001              | -                         | -                    | 8,636,001              |
| <b>Own shares buy-back before restatement</b>      | 3404      | -                      | -                         | -                    | -                      |
| restatement due to:                                |           |                        |                           |                      |                        |
| changes in accounting policies                     | 3414      | -                      | -                         | -                    | -                      |
| correction of accounting errors                    | 3424      | -                      | -                         | -                    | -                      |
| after restatement                                  | 3504      | -                      | -                         | -                    | -                      |
| <b>Social government fund before restatement</b>   | 3405      | -                      | -                         | -                    | -                      |
| restatement due to:                                |           |                        |                           |                      |                        |
| changes in accounting policies                     | 3415      | -                      | -                         | -                    | -                      |
| correction of accounting errors                    | 3425      | -                      | -                         | -                    | -                      |
| after restatement                                  | 3505      | -                      | -                         | -                    | -                      |

### 3. Net assets

| Narrative  | Line code | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2017 |
|------------|-----------|------------------------|------------------------|------------------------|
| Net assets | 3600      | 11,334,679,889         | 11,076,519,034         | 10,332,218,461         |

Chief Executive Officer \_\_\_\_\_  \_\_\_\_\_ A.B. Miller

Chief Accountant \_\_\_\_\_  \_\_\_\_\_ M.N. Rosseev

27 March 2020

# Cash Flow Statement for 2019

|   |                         |            |
|---|-------------------------|------------|
|   |                         | Codes      |
|   | Form on OKUD            | 0710005    |
|   | Date (day, month, year) | 31/12/2019 |
| Company: PJSC GAZPROM   | OKPO                    | 00040778   |
| Taxpayer identification number  | INN                     | 7736050003 |
| Field of activity: Wholesale of solid,<br>liquid and gaseous fuels and related products | OKVED 2                 | 46.71      |
| Legal form/property form:<br>Public Joint Stock Company                                 | OKOPF/OKFS              | 12247/41   |
| Measurement unit: thousand of RUB   | OKEI                    | 384        |

| Narrative  | Line code | For 2019        | For 2018        |
|--|-----------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>                                |           |                 |                 |
| <b>Receipts - total, including:</b>  | 4110      | 5,974,702,680   | 6,276,739,085   |
| sales of products, goods, work and services                                | 4111      | 5,475,073,713   | 5,782,659,142   |
| rent payments, licence payments, royalties, commissions and other payments | 4112      | -               | -               |
| resale of financial investments  | 4113      | -               | -               |
| other receipts   | 4119      | 499,628,967     | 494,079,943     |
| <b>Payments - total, including:</b>  | 4120      | (5,356,069,825) | (5,381,641,144) |
| to suppliers for raw materials, works, services                            | 4121      | (3,415,168,544) | (3,222,632,119) |
| wages and salaries   | 4122      | (47,754,275)    | (46,646,550)    |
| interest on borrowings   | 4123      | (105,323,836)   | (103,720,787)   |
| income tax   | 4124      | (230,884,151)   | (217,067,892)   |
| other payments   | 4129      | (1,556,939,019) | (1,791,573,796) |
| <b>Net cash flows from operating activities</b>                            | 4100      | 618,632,855     | 895,097,941     |

| Narrative  | Line code | For 2019        | For 2018        |
|--|-----------|-----------------|-----------------|
| <b>Cash flows from investing activities</b>  |           |                 |                 |
| <b>Receipts - total, including:</b>  | 4210      | 1,196,902,493   | 1,160,757,011   |
| from sales of non-current assets (except for financial investments)  | 4211      | 491,943         | 8,770,965       |
| from sales of shares of other entities (ownership interest)  | 4212      | 1,921,383       | 1,062,002       |
| from return of loans issued, sales of debt securities (rights of claiming cash from third parties)           | 4213      | 754,304,760     | 744,859,075     |
| dividends, interest on debt financial investments and receipts from participation in other entities          | 4214      | 436,830,871     | 354,428,505     |
| from sales of exploration assets   | 4215      | –               | –               |
| other receipts   | 4219      | 3,353,536       | 51,636,464      |
| <b>Payments - total, including:</b>  | 4220      | (1,707,667,814) | (2,166,884,803) |
| acquisition, construction, modernisation, reconstruction and preparation for the use of non-current assets   | 4221      | (171,301,007)   | (76,020,518)    |
| acquisition of other entities shares (ownership interest)  | 4222      | (26,148,341)    | (142,379,327)   |
| acquisition of debt securities (rights of claiming cash from third parties), issue of loans to third parties | 4223      | (630,391,000)   | (1,169,619,490) |
| borrowing costs included in the cost of the investment asset   | 4224      | –               | –               |
| construction/acquisition of exploration assets   | 4225      | (35,117,695)    | (34,457,278)    |
| other payments   | 4229      | (844,709,771)   | (744,408,190)   |
| <b>Net cash flows from investing activities</b>  | 4200      | (510,765,321)   | (1,006,127,792) |
| <b>Cash flows from financing activities</b>  |           |                 |                 |
| <b>Receipts - total, including:</b>  | 4310      | 694,348,656     | 776,806,918     |
| borrowings and bank loans  | 4311      | 694,116,470     | 736,365,273     |
| contributions of owners (participants)   | 4312      | –               | –               |
| issue of shares, increase in ownership interest  | 4313      | –               | –               |
| issue of bonds, promissory notes and other debt securities, etc.   | 4314      | –               | 39,995,000      |
| other receipts   | 4319      | 232,186         | 446,645         |

| Narrative   | Line code | For 2019      | For 2018      |
|---|-----------|---------------|---------------|
| <b>Payments - total, including:</b>   | 4320      | (815,983,877) | (818,860,317) |
| to owners (participants) due to the fact of share buy-back or cessation of membership | 4321      | –             | –             |
| dividend payments or other distribution of profit to owners (participants)            | 4322      | (385,809,136) | (186,870,622) |
| redemption (buy-back) of promissory notes and other debt securities, loan repayment   | 4323      | (430,174,741) | (631,989,695) |
| other payments  | 4329      | –             | –             |
| <b>Net cash flows from financing activities</b>                                       | 4300      | (121,635,221) | (42,053,399)  |
| <b>Net cash flows for the reporting period</b>  | 4400      | (13,767,687)  | (153,083,250) |
| <b>Cash and cash equivalents at the beginning of the reporting period</b>             | 4450      | 349,740,207   | 461,670,121   |
| <b>Cash and cash equivalents at the end of the reporting period</b>                   | 4500      | 302,506,804   | 349,740,207   |
| <b>Effect of changes in the Russian rouble exchange rate</b>                          | 4490      | (33,465,716)  | 41,153,336    |

Chief Executive Officer \_\_\_\_\_  \_\_\_\_\_ A.B. Miller

Chief Accountant \_\_\_\_\_  \_\_\_\_\_ M.N. Rosseev

27 March 2020

# Explanatory notes to the balance sheet and the statement of financial results

p.1

## 1. Intangible assets and expenditure on research and development (R&D)

### 1.1 The presence and movement of intangible assets

| Narrative   | Line code | Period   | At the beginning of the year |  |              |  | Changes for the period |                 |              |  | At the end of the period |  |
|---|-----------|----------|------------------------------|--|--------------|--|------------------------|-----------------|--------------|--|--------------------------|--|
|   |           |          | Initial cost                 | Accumulated amortisation and impairment losses | Disposals    |  | Amortisation charge    | Impairment loss | Revaluation  |  | Initial cost             | Accumulated amortisation and impairment losses |
|   |           |          |                              |  | Initial cost | Accumulated amortisation and impairment losses |                        |                 | Initial cost | Accumulated amortisation and impairment losses |                          |  |
| Intangible assets — total   | 5100      | for 2019 | 25,757,606                   | (6,943,620)                                    | 216,191      | (114,178)                                      | 114,008                | (2,483,517)     | —            | —  | 25,859,619               | (9,313,129)                                    |
|   | 5110      | for 2018 | 19,861,866                   | (5,333,988)                                    | 8,268,611    | (2,372,871)                                    | 138,673                | (1,748,305)     | —            | —  | 25,757,606               | (6,943,620)                                    |
| including:  |           |          |                              |  |              |  |                        |                 |              |  |                          |  |
| Intellectual property (exclusive rights to intellectual property) | 5101      | for 2019 | 25,757,606                   | (6,943,620)                                    | 216,191      | (114,178)                                      | 114,008                | (2,483,517)     | —            | —  | 25,859,619               | (9,313,129)                                    |
|   | 5111      | for 2018 | 19,861,866                   | (5,333,988)                                    | 8,268,611    | (2,372,871)                                    | 138,673                | (1,748,305)     | —            | —  | 25,757,606               | (6,943,620)                                    |
| Goodwill  | 5102      | for 2019 | —                            | —  | —            | —  | —                      | —               | —            | —  | —                        | —  |
|   | 5112      | for 2018 | —                            | —  | —            | —  | —                      | —               | —            | —  | —                        | —  |
| Other   | 5104      | for 2019 | —                            | —  | —            | —  | —                      | —               | —            | —  | —                        | —  |
|   | 5114      | for 2018 | —                            | —  | —            | —  | —                      | —               | —            | —  | —                        | —  |

### 1.2 The initial cost of intangible assets developed by the company

| Narrative   | Line code | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2017 |
|---|-----------|------------------------|------------------------|------------------------|
| Total   | 5120      | 25,833,393             | 25,739,724             | 19,846,765             |
| including:  |           |                        |                        |                        |
| Intellectual property (exclusive rights to intellectual property) | 5121      | 25,833,393             | 25,739,724             | 19,846,765             |
| Other   | 5129      | —                      | —                      | —                      |



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### 1.3 Intangible assets fully amortised

| Narrative   | Line code | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2017 |
|---|-----------|------------------------|------------------------|------------------------|
| Total   | 5130      | 2,236,651              | 2,128,779              | 1,942,235              |
| including:  |           |                        |                        |                        |
| Intellectual property (exclusive rights to intellectual property) | 5131      | 2,236,651              | 2,128,779              | 1,942,235              |
| Goodwill  | 5138      | —                      | —                      | —                      |
| Other   | 5139      | —                      | —                      | —                      |

### 1.4 The presence and movement of the results of research and development

| Narrative                        | Line code | Period   | At the beginning of the year            |   |              |   | Changes for the period                  |   |   |   | At the end of the period |   |
|----------------------------------|-----------|----------|---|---|--------------|---|---|---|---|---|--------------------------|---|
|                                  |           |          | Part of the cost recognised in expenses |   | Disposals    |   | Part of the cost recognised in expenses |   | Part of the cost recognised in expenses |   | Initial cost             | Part of the cost recognised in expenses |
|                                  |           |          | Initial cost                            | Part of the cost recognised in expenses | Initial cost | Part of the cost recognised in expenses | Initial cost                            | Part of the cost recognised in expenses | Initial cost                            | Part of the cost recognised in expenses |                          |   |
| Research and Development — total | 5140      | for 2019 | 31,777,790                              | (29,102,212)                            | —            | —                                       | —                                       | —                                       | 35,192,556                              | (32,116,147)                            | 31,777,790               | (29,102,212)                            |
|                                  | 5150      | for 2018 | 33,025,539                              | (31,118,866)                            | (4,183,185)  | 4,183,185                               | (2,166,531)                             | (2,166,531)                             | 31,777,790                              | (29,102,212)                            | 31,777,790               | (29,102,212)                            |

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### 1.5 Costs of research and development works and intangible assets acquisition in progress

| Narrative   | Line code | Period   | At the beginning of the year |   |                      | Changes for the period                             |  |              | At the end of the period                |  |
|---|-----------|----------|------------------------------|---|----------------------|--|--|--------------|---|--|
|   |           |          | Initial cost                 | Part of the cost recognised in expenses | Costs for the period | Written off to expenses (without positive results) | Recognised as intangible assets or R&D | Initial cost | Part of the cost recognised in expenses |  |
| Costs of R&D in progress — total                      | 5160      | for 2019 | 186,819                      | (29,102,212)                            | 3,247,836            | (19,876)   | (3,414,766)                            | 13           | 186,819                                 |  |
|   | 5170      | for 2018 | —                            | (31,118,866)                            | 3,136,263            | (14,008)   | (2,935,436)                            | 186,819      | 186,819                                 |  |
| Acquisitions of intangible assets in progress — total | 5180      | for 2019 | 515,722                      | (5)                                     | 256,638              | (5)  | (216,197)                              | 556,158      | 556,158                                 |  |
|   | 5190      | for 2018 | 5,567,320                    | (312)                                   | 3,385,907            | (312)  | (8,437,193)                            | 515,722      | 515,722                                 |  |

## 2. Fixed assets

### 2.1 The presence and movement of fixed assets

| Narrative   | Line code | Period     | At the beginning of the year |                          |               |               | Changes for the period   |                  |                          |              | At the end of the period |                |                          |
|---|-----------|------------|------------------------------|--------------------------|---------------|---------------|--------------------------|------------------|--------------------------|--------------|--------------------------|----------------|--------------------------|
|   |           |            | Initial cost                 | Accumulated depreciation | Additions     | Disposals     |                          | Reclassification |                          | Initial cost | Accumulated depreciation | Initial cost   | Accumulated depreciation |
|   |           |            |                              |                          |               | Initial cost  | Accumulated depreciation | Initial cost     | Accumulated depreciation |              |                          |                |                          |
| Fixed assets (less income-bearing investments in tangible assets) — total | 5200      | for 2019   | 22,894,378,283               | (16,539,540,357)         | 1,027,562,916 | (65,330,563)  | 48,412,125               | (667,254,385)    | —                        | —            | —                        | 23,856,610,636 | (17,158,382,617)         |
|   | 5210      | for 2018   | 22,558,212,736               | (15,912,836,064)         | 440,364,851   | (104,199,304) | 60,669,829               | (687,374,122)    | —                        | —            | —                        | 22,894,378,283 | (16,539,540,357)         |
| including:  |           |            |                              |                          |               |               |                          |                  |                          |              |                          |                |                          |
| Trunk pipelines   | 5201      | for 2019   | 13,589,369,890               | (10,444,741,279)         | 448,364,129   | (7,089,465)   | 6,459,035                | (310,453,973)    | (3,593,145)              | 2,616,798    | —                        | 14,027,041,409 | (10,746,119,419)         |
|   | 5211      | for 2018   | 13,490,922,427               | (10,131,049,404)         | 121,698,186   | (23,250,723)  | 9,662,041                | (323,353,916)    | —                        | —            | —                        | 13,589,369,890 | (10,444,741,279)         |
| Wells   | 5202      | for 2019   | 1,705,302,946                | (1,424,493,610)          | 56,525,737    | (7,073,964)   | 7,030,721                | (39,959,070)     | (1,082,100)              | 906,957      | —                        | 1,753,672,619  | (1,456,515,002)          |
|   | 5212      | for 2018   | 1,681,600,257                | (1,388,875,237)          | 30,400,553    | (7,756,971)   | 7,353,652                | (42,936,722)     | 1,059,107                | (35,303)     | —                        | 1,705,302,946  | (1,424,493,610)          |
| Machinery and equipment   | 5203      | for 2019   | 3,518,534,944                | (2,765,495,706)          | 143,924,042   | (21,223,632)  | 20,422,423               | (158,804,946)    | 4,110,377                | (3,273,913)  | —                        | 3,645,345,731  | (2,905,152,142)          |
|   | 5213      | for 2018   | 3,426,084,992                | (2,634,573,106)          | 138,174,315   | (45,724,355)  | 33,301,632               | (162,224,240)    | (8)                      | 8            | —                        | 3,518,534,944  | (2,763,495,706)          |
| Buildings, roads and other production facilities                          | 5204      | for 2019   | 3,941,228,974                | (1,878,922,752)          | 373,865,250   | (28,288,579)  | 13,660,202               | (155,023,182)    | 564,868                  | (249,842)    | —                        | 4,287,368,513  | (2,020,535,574)          |
|   | 5214      | for 2018   | 3,825,140,759                | (1,732,794,204)          | 143,797,393   | (26,650,071)  | 9,637,315                | (155,801,166)    | (1,059,107)              | 35,303       | —                        | 3,941,228,974  | (1,878,922,752)          |
| Other fixed assets  | 5205      | for 2019   | 139,941,529                  | (27,887,010)             | 4,885,758     | (1,644,923)   | 839,744                  | (3,013,214)      | —                        | —            | —                        | 143,182,364    | (30,060,480)             |
|   | 5215      | for 2018   | 134,464,301                  | (25,544,113)             | 6,294,404     | (817,184)     | 715,189                  | (3,058,078)      | 8                        | (8)          | —                        | 139,941,529    | (27,887,010)             |
| including land  |           | for 2019   | 3,484,372                    | —                        | 13,684        | (507)         | —                        | —                | —                        | —            | —                        | 3,497,549      | —                        |
|   |           | for 2018   | 1,911,750                    | —                        | 1,602,065     | (29,443)      | —                        | —                | —                        | —            | —                        | 3,484,372      | —                        |
| Included within income-bearing investments in tangible assets — total     | 5220      | for 2019   | —                            | —                        | —             | —             | —                        | —                | —                        | —            | —                        | —              | —                        |
|   | 5230      | for 2018   | —                            | —                        | —             | —             | —                        | —                | —                        | —            | —                        | —              | —                        |
| including:  |           |            |                              |                          |               |               |                          |                  |                          |              |                          |                |                          |
| Trunk pipelines   | 5221      | aa 2019 r. | —                            | —                        | —             | —             | —                        | —                | —                        | —            | —                        | —              | —                        |
|   | 5231      | aa 2018 r. | —                            | —                        | —             | —             | —                        | —                | —                        | —            | —                        | —              | —                        |
| Wells   | 5222      | aa 2019 r. | —                            | —                        | —             | —             | —                        | —                | —                        | —            | —                        | —              | —                        |
|   | 5232      | aa 2018 r. | —                            | —                        | —             | —             | —                        | —                | —                        | —            | —                        | —              | —                        |
| Machinery and equipment   | 5223      | aa 2019 r. | —                            | —                        | —             | —             | —                        | —                | —                        | —            | —                        | —              | —                        |
|   | 5233      | aa 2018 r. | —                            | —                        | —             | —             | —                        | —                | —                        | —            | —                        | —              | —                        |
| Buildings, roads and other production facilities                          | 5224      | aa 2019 r. | —                            | —                        | —             | —             | —                        | —                | —                        | —            | —                        | —              | —                        |
|   | 5234      | aa 2018 r. | —                            | —                        | —             | —             | —                        | —                | —                        | —            | —                        | —              | —                        |
| Other fixed assets  | 5225      | aa 2019 r. | —                            | —                        | —             | —             | —                        | —                | —                        | —            | —                        | —              | —                        |
|   | 5235      | aa 2018 r. | —                            | —                        | —             | —             | —                        | —                | —                        | —            | —                        | —              | —                        |

## 2.2 Capital investments in progress

| Narrative  | Line code | Period   | At the beginning of the year | Changes for the period |             |   |               | At the end of the period |
|--|-----------|----------|------------------------------|------------------------|-------------|---|---------------|--------------------------|
|  |           |          |                              | Costs for the period   | Written off | Recognised as fixed assets or increased costs | Other changes |                          |
| Construction and activity in progress on acquisition, modernisation etc. of fixed assets — total | 5240      | for 2019 | 1,509,352,019                | 929,765,550            | (7,050,368) | (1,027,496,463)                               | (104,566,206) | 1,300,004,532            |
|  | 5250      | for 2018 | 1,178,752,852                | 861,982,736            | (2,590,723) | (440,360,733)                                 | (88,432,113)  | 1,509,352,019            |
| including:   |           |          |                              |                        |             |   |               |                          |
| construction in progress   | 5241      | for 2019 | 1,280,234,696                | 844,753,711            | (7,016,365) | (1,027,496,463)                               | (7,068,729)   | 1,083,406,850            |
|  | 5251      | for 2018 | 980,089,435                  | 753,454,635            | (2,046,415) | (440,360,733)                                 | (10,902,226)  | 1,280,234,696            |
| equipment for installation   | 5242      | for 2019 | 229,117,323                  | 85,011,839             | (34,003)    | —   | (97,497,477)  | 216,597,882              |
|  | 5252      | for 2018 | 198,663,417                  | 108,528,101            | (544,308)   | —   | (77,529,887)  | 229,117,323              |

## 2.3 Change of the fixed assets cost as a result of completion, equipping, reconstruction or partial liquidation

| Narrative   | Line code | For 2019 |           | For 2018  |
|---|-----------|----------|-----------|-----------|
|   |           |          |           |           |
| Increase in the cost of fixed assets as a result of completion, equipping, reconstruction — total | 5260      |          | 6,882,732 | 9,405,181 |
| including:  |           |          |           |           |
| Trunk pipelines   | 5261      |          | 102,393   | 5,040,320 |
| Wells   | 5262      |          | 3,790,716 | 1,167,297 |
| Machinery and equipment   | 5263      |          | 1,473,859 | 765,421   |
| Buildings and roads   | 5264      |          | 612,927   | 306,500   |
| Other fixed assets  | 5265      |          | 902,837   | 2,125,643 |
| Reducing the cost of fixed assets as a result of partial liquidation — total                      | 5270      |          | (558,727) | (814,121) |
| including:  |           |          |           |           |
| Trunk pipelines   | 5271      |          | (333,826) | (695,439) |
| Wells   | 5272      |          | (12,212)  | (30)      |
| Machinery and equipment   | 5273      |          | (25,773)  | (116)     |
| Buildings and roads   | 5274      |          | (10,498)  | (1,157)   |
| Other fixed assets  | 5275      |          | (176,418) | (117,379) |

## 2.4 Other use of fixed assets

| Narrative  | Line code | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2017 |
|--|-----------|------------------------|------------------------|------------------------|
| Leased-out on-balance fixed assets                                 | 5280      | 5,967,908,609          | 5,767,718,859          | 6,019,018,061          |
| Leased-out off-balance fixed assets                                | 5281      | -                      | -                      | -                      |
| On-balance fixed assets received in lease                          | 5282      | -                      | -                      | -                      |
| Off-balance fixed assets received in lease                         | 5283      | 144,183,486            | 135,148,371            | 120,205,278            |
| Real estate actually used and in the process of state registration | 5284      | 1,542,308,517          | 1,360,956,313          | 1,401,483,939          |
| Fixed assets transferred to conservation                           | 5285      | 136,850,851            | 127,079,513            | 188,930,009            |
| Other use of fixed assets (pledged and others)                     | 5286      | -                      | -                      | -                      |
| including:   |           |                        |                        |                        |
| pledged fixed assets   | 5287      | -                      | -                      | -                      |

## 3. Financial investments

### 3.1 The presence and movement of financial investments

| Narrative                               | Line code | Period   | At the beginning of the year |                    | Changes for the period |                    |                         |                          |                    | At the end of the period |                    |  |  |
|---|-----------|----------|------------------------------|--------------------|------------------------|--------------------|-------------------------|--------------------------|--------------------|--------------------------|--------------------|--|--|
|   |           |          | Initial cost                 | Accrued adjustment | Disposals              |                    |                         | The current market value | Accrued adjustment | Initial cost             | Accrued adjustment |  |  |
|   |           |          |                              |                    | Initial cost           | Accrued adjustment | Other (impairment loss) |                          |                    |                          |                    |  |  |
| Long-term financial investments — total |           |          |                              |                    |                        |                    |                         |                          |                    |                          |                    |  |  |
| Investments, including:                 |           |          |                              |                    |                        |                    |                         |                          |                    |                          |                    |  |  |
| in subsidiaries                         | 5301      | for 2019 | 2,822,268,327                | 983,649,543        | 69,392,953             | (18,425,064)       | -                       | (38,449,447)             | 255,072,780        | 2,834,786,769            | 1,238,722,323      |  |  |
|   | 5311      | for 2018 | 2,452,626,038                | 514,987,901        | 928,555,568            | (583,996,566)      | -                       | 25,083,267               | 468,661,642        | 2,822,268,327            | 983,649,543        |  |  |
|   | 5302      | for 2019 | 2,465,815,816                | 983,866,290        | 19,482,321             | (1,521,535)        | -                       | -                        | 255,072,530        | 2,483,776,602            | 1,238,938,820      |  |  |
|   | 5312      | for 2018 | 2,093,921,149                | 520,589,389        | 778,953,384            | (347,058,717)      | -                       | -                        | 463,276,901        | 2,465,815,816            | 983,866,290        |  |  |
| investments in subsidiaries             | 53021     | for 2019 | 2,383,592,739                | 976,054,631        | 741,402,963            | (306,943,679)      | -                       | -                        | 256,642,439        | 2,401,785,593            | 1,232,637,070      |  |  |
|   | 53121     | for 2018 | 1,949,133,455                | 519,401,844        | 741,402,963            | (306,943,679)      | -                       | -                        | 456,652,787        | 2,383,592,739            | 976,054,631        |  |  |
| investments in associates               | 53022     | for 2019 | 82,019,489                   | 7,811,812          | -                      | (232,068)          | -                       | -                        | (1,569,908)        | 81,787,421               | 6,241,904          |  |  |
|   | 53122     | for 2018 | 84,618,830                   | 1,187,699          | 2,478,686              | (5,078,027)        | -                       | -                        | 6,624,113          | 82,019,489               | 7,811,812          |  |  |
| investments in other entities           | 53023     | for 2019 | 203,588                      | (153)              | -                      | -                  | -                       | -                        | (1)                | 203,588                  | (154)              |  |  |
|   | 53123     | for 2018 | 168,864                      | (154)              | 35,071,735             | (35,037,011)       | -                       | -                        | 1                  | 203,588                  | (153)              |  |  |

3.1 The presence and movement of financial investments (continued)

| Narrative  | Line code | Period   | At the beginning of the year |                    |               | Changes for the period |                    |  |              |               | At the end of the period |                    |  |
|--|-----------|----------|------------------------------|--------------------|---------------|------------------------|--------------------|--|--------------|---------------|--------------------------|--------------------|--|
|  |           |          | Initial cost                 | Accrued adjustment | Additions     | Disposals              |                    | The current market value (impairment loss) | Other        | Initial cost  | Accrued adjustment       | Accrued adjustment |  |
|  |           |          |                              |                    |               | Initial cost           | Accrued adjustment |  |              |               |                          |                    |  |
| Other long-term financial investments, including:            | 5303      | for 2019 | 356,452,511                  | (216,747)          | 49,910,632    | (16,903,529)           | -                  | 250  | (38,449,447) | 351,010,167   | (216,497)                | (216,497)          |  |
|  | 5313      | for 2018 | 418,704,889                  | (5,601,488)        | 149,602,204   | (236,937,849)          | -                  | 5,384,741                                  | (38,449,447) | 356,452,511   | (216,747)                | (216,747)          |  |
| loans provided to companies for a period over 12 months      | 53031     | for 2019 | 317,844,844                  | -                  | 49,520,653    | (16,760,490)           | -                  | -  | (38,449,447) | 312,155,560   | -                        | -                  |  |
|  | 53131     | for 2018 | 190,122,089                  | (5,376,752)        | 149,133,489   | (44,866,186)           | -                  | 23,455,452                                 | (38,449,447) | 317,844,844   | -                        | -                  |  |
| joint activity   | 53032     | for 2019 | 38,606,667                   | (216,747)          | 389,979       | (142,039)              | -                  | 250  | -            | 38,854,607    | (216,497)                | (216,497)          |  |
|  | 53132     | for 2018 | 38,325,764                   | (224,736)          | 468,715       | (187,812)              | -                  | 7,989                                      | -            | 38,606,667    | (216,747)                | (216,747)          |  |
| third party promissory notes                                 | 53033     | for 2019 | -                            | -                  | -             | -                      | -                  | -  | -            | -             | -                        | -                  |  |
|  | 53133     | for 2018 | -                            | -                  | -             | -                      | -                  | -  | -            | -             | -                        | -                  |  |
| long-term deposits   | 53034     | for 2019 | 1,000                        | -                  | -             | (1,000)                | -                  | -  | -            | -             | -                        | -                  |  |
|  | 53134     | for 2018 | 41,161,070                   | -                  | -             | (42,787,885)           | -                  | 1,627,815                                  | -            | 1,000         | -                        | -                  |  |
| bonds  | 53035     | for 2019 | -                            | -                  | -             | -                      | -                  | -  | -            | -             | -                        | -                  |  |
|  | 53135     | for 2018 | -                            | -                  | -             | -                      | -                  | -  | -            | -             | -                        | -                  |  |
| other  | 53036     | for 2019 | -                            | -                  | -             | -                      | -                  | -  | -            | -             | -                        | -                  |  |
|  | 53136     | for 2018 | 149,095,966                  | -                  | -             | (149,095,966)          | -                  | -  | -            | -             | -                        | -                  |  |
| Short-term financial investments — total                     | 5305      | for 2019 | 656,224,095                  | (152,000)          | 595,167,926   | (743,488,756)          | -                  | (21,619,974)                               | -            | 486,283,289   | (152,000)                | (152,000)          |  |
|  | 5315      | for 2018 | 431,269,748                  | -                  | 1,031,015,634 | (663,885,732)          | -                  | (142,175,555)                              | (152,000)    | 656,224,095   | (152,000)                | (152,000)          |  |
| including:   |           |          |                              |                    |               |                        |                    |  |              |               |                          |                    |  |
| loans provided to companies for a period less than 12 months | 5306      | for 2019 | 6,475,190                    | (152,000)          | 20,167,963    | (3,808,250)            | -                  | -  | -            | 22,834,903    | (152,000)                | (152,000)          |  |
|  | 5316      | for 2018 | 183,405,146                  | -                  | 10,067,774    | (20,700,043)           | -                  | (166,297,687)                              | (152,000)    | 6,475,190     | (152,000)                | (152,000)          |  |
| other short-term financial investments, including:           | 5307      | for 2019 | 649,746,905                  | -                  | 574,999,963   | (739,680,506)          | -                  | (21,619,974)                               | -            | 463,448,386   | -                        | -                  |  |
|  | 5317      | for 2018 | 247,864,602                  | -                  | 1,020,947,860 | (643,185,689)          | -                  | 24,122,132                                 | -            | 649,748,905   | -                        | -                  |  |
| short-term deposits  | 53071     | for 2019 | 649,726,410                  | -                  | 546,285,960   | (736,458,030)          | -                  | (19,920,290)                               | -            | 439,634,050   | -                        | -                  |  |
|  | 53171     | for 2018 | 247,842,107                  | -                  | 1,018,074,830 | (640,312,659)          | -                  | 24,122,132                                 | -            | 649,726,410   | -                        | -                  |  |
| third party promissory notes                                 | 53072     | for 2019 | -                            | -                  | 25,514,020    | -                      | -                  | (1,699,684)                                | -            | 23,814,336    | -                        | -                  |  |
|  | 53172     | for 2018 | -                            | -                  | -             | -                      | -                  | -  | -            | -             | -                        | -                  |  |
| bonds  | 53073     | for 2019 | -                            | -                  | -             | -                      | -                  | -  | -            | -             | -                        | -                  |  |
|  | 53173     | for 2018 | -                            | -                  | -             | -                      | -                  | -  | -            | -             | -                        | -                  |  |
| other  | 53074     | for 2019 | 22,495                       | -                  | 3,199,983     | (3,222,478)            | -                  | -  | -            | -             | -                        | -                  |  |
|  | 53174     | for 2018 | 22,495                       | -                  | 2,873,030     | (2,873,030)            | -                  | -  | 22,495       | -             | -                        | -                  |  |
| <b>Financial investments — total</b>                         | 5300      | for 2019 | 3,478,492,422                | 983,497,543        | 664,560,879   | (761,913,822)          | -                  | (60,069,421)                               | 255,072,780  | 3,321,070,058 | 1,238,570,323            | 1,238,570,323      |  |
|  | 5310      | for 2018 | 2,883,895,786                | 514,987,901        | 1,959,571,222 | (1,247,882,298)        | -                  | (117,092,288)                              | 468,509,642  | 3,478,492,422 | 983,497,543              | 983,497,543        |  |

3.1.1 Current portion of long-term financial investments

| Narrative   | Line code | Period      | At the beginning of the year |                           |                    |                           | At the end of the period |                           |                    |                           |
|---|-----------|-------------|------------------------------|---------------------------|--------------------|---------------------------|--------------------------|---------------------------|--------------------|---------------------------|
|   |           |             | Initial cost                 | Including current portion | Accrued adjustment | Including current portion | Initial cost             | Including current portion | Accrued adjustment | Including current portion |
| Long-term financial investments — total                 | 5301      | for 2019 r. | 2,822,268,327                | 136,516,876               | 983,649,543        | —                         | 2,834,786,769            | 26,447,444                | 1,238,722,323      | —                         |
|   | 5311      | for 2018 r. | 2,450,178,275                | 74,976,179                | 507,367,810        | (5,376,752)               | 2,822,268,327            | 136,516,876               | 983,649,543        | —                         |
| Investments, including:                                 | 5302      | for 2019 r. | 2,465,815,816                | —                         | 983,866,290        | —                         | 2,483,776,602            | —                         | 1,238,938,820      | —                         |
|   | 5312      | for 2018 r. | 2,031,473,386                | —                         | 512,969,298        | —                         | 2,465,815,816            | —                         | 983,866,290        | —                         |
| Investments in subsidiaries                             | 53021     | for 2019 r. | 2,383,592,739                | —                         | 976,054,631        | —                         | 2,401,785,593            | —                         | 1,232,697,070      | —                         |
|   | 53121     | for 2018 r. | 1,949,133,455                | —                         | 519,401,844        | —                         | 2,383,592,739            | —                         | 976,054,631        | —                         |
| Investments in associates                               | 53022     | for 2019 r. | 82,019,489                   | —                         | 7,811,912          | —                         | 81,787,421               | —                         | 6,241,904          | —                         |
|   | 53122     | for 2018 r. | 82,171,067                   | —                         | (6,432,392)        | —                         | 82,019,489               | —                         | 7,811,812          | —                         |
| Investments in other entities                           | 53023     | for 2019 r. | 203,588                      | —                         | (153)              | —                         | 203,588                  | —                         | (154)              | —                         |
|   | 53123     | for 2018 r. | 168,864                      | —                         | (154)              | —                         | 203,588                  | —                         | (153)              | —                         |
| Other long-term financial investments, including:       | 5303      | for 2019 r. | 356,452,511                  | 136,516,876               | (216,747)          | —                         | 351,010,167              | 26,447,444                | (216,497)          | —                         |
|   | 5313      | for 2018 r. | 418,704,889                  | 74,976,179                | (5,601,488)        | (5,376,752)               | 356,452,511              | 136,516,876               | (216,747)          | —                         |
| loans provided to companies for a period over 12 months | 53031     | for 2019 r. | 317,844,844                  | 136,515,876               | —                  | —                         | 312,155,560              | 26,447,444                | —                  | —                         |
|   | 53131     | for 2018 r. | 190,122,089                  | 33,816,109                | (5,376,752)        | (5,376,752)               | 317,844,844              | 136,515,876               | —                  | —                         |
| joint activity  | 53032     | for 2019 r. | 38,606,667                   | —                         | (216,747)          | —                         | 38,854,607               | —                         | (216,497)          | —                         |
|   | 53132     | for 2018 r. | 38,325,764                   | —                         | (224,736)          | —                         | 38,606,667               | —                         | (216,747)          | —                         |
| third party promissory notes                            | 53033     | for 2019 r. | —                            | —                         | —                  | —                         | —                        | —                         | —                  | —                         |
|   | 53133     | for 2018 r. | —                            | —                         | —                  | —                         | —                        | —                         | —                  | —                         |
| long-term deposits                                      | 53034     | for 2019 r. | 1,000                        | 1,000                     | —                  | —                         | —                        | —                         | —                  | —                         |
|   | 53134     | for 2018 r. | 41,161,070                   | 41,160,070                | —                  | —                         | 1,000                    | 1,000                     | —                  | —                         |
| bonds   | 53035     | for 2019 r. | —                            | —                         | —                  | —                         | —                        | —                         | —                  | —                         |
|   | 53135     | for 2018 r. | —                            | —                         | —                  | —                         | —                        | —                         | —                  | —                         |
| other   | 53036     | for 2019 r. | —                            | —                         | —                  | —                         | —                        | —                         | —                  | —                         |
|   | 53136     | for 2018 r. | 149,095,966                  | —                         | —                  | —                         | —                        | —                         | —                  | —                         |



### 3.2 Other use of financial investments

| Narrative  | Line code | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2017 |
|--|-----------|------------------------|------------------------|------------------------|
| Long-term financial investments pledged — total                                      | 5320      | 139,300,044            | 139,300,044            | 139,237,227            |
| including:   |           |                        |                        |                        |
| investments  | 5321      | 139,300,044            | 139,300,044            | 139,237,227            |
| investments in subsidiaries  | 53211     | 89,697,597             | 89,697,597             | 89,697,597             |
| investments in associates  | 53212     | 49,602,447             | 49,602,447             | 49,539,630             |
| investments in other entities  | 53213     | -                      | -                      | -                      |
| other long-term financial investments  | 5322      | -                      | -                      | -                      |
| third party promissory notes   | 53221     | -                      | -                      | -                      |
| bonds  | 53222     | -                      | -                      | -                      |
| other  | 53223     | -                      | -                      | -                      |
| Long-term financial investments transferred to third parties (except sales) — total  | 5325      | 10,000                 | 10,000                 | 10,000                 |
| including:   |           |                        |                        |                        |
| investments  | 5326      | 10,000                 | 10,000                 | 10,000                 |
| investments in subsidiaries  | 53261     | 10,000                 | 10,000                 | 10,000                 |
| investments in associates  | 53262     | -                      | -                      | -                      |
| investments in other entities  | 53263     | -                      | -                      | -                      |
| other long-term financial investments  | 5327      | -                      | -                      | -                      |
| third party promissory notes   | 53271     | -                      | -                      | -                      |
| bonds  | 53272     | -                      | -                      | -                      |
| other  | 53273     | -                      | -                      | -                      |
| Short-term financial investments pledged — total                                     | 5328      | 23,814,336             | -                      | -                      |
| including:   |           |                        |                        |                        |
| third party promissory notes   | 53281     | 23,814,336             | -                      | -                      |
| bonds  | 53282     | -                      | -                      | -                      |
| other  | 53283     | -                      | -                      | -                      |
| Short-term financial investments transferred to third parties (except sales) — total | 5329      | -                      | -                      | -                      |
| including:   |           |                        |                        |                        |
| third party promissory notes   | 53291     | -                      | -                      | -                      |
| bonds  | 53292     | -                      | -                      | -                      |
| other  | 53293     | -                      | -                      | -                      |

## 4. Inventory

### 4.1 The presence and movement of inventory

| Narrative                           | Line code | Period   | At the beginning of the year |  |             | Changes for the period |                          |                 |   | At the end of the period |  |            |             |
|-------------------------------------|-----------|----------|------------------------------|--|-------------|------------------------|--------------------------|-----------------|---|--------------------------|--|------------|-------------|
|                                     |           |          | Cost                         | Provision for impairment in value of inventory | Book value  | Disposals              | Provision for impairment | Impairment loss | Inventory turnover between groups (types) | Cost                     | Provision for impairment in value of inventory | Book value |             |
| Inventory — total                   | 5400      | for 2019 | 515,373,228                  | —  | 515,373,228 | 3,406,470,491          | (3,252,645,296)          | —               | —   | —                        | 669,198,423                                    | —          | 669,198,423 |
|                                     | 5420      | for 2018 | 542,457,497                  | —  | 542,457,497 | 3,138,128,885          | (3,165,213,154)          | —               | —   | —                        | 515,373,228                                    | —          | 515,373,228 |
| including:                          |           |          |                              |  |             |                        |                          |                 |   |                          |  |            |             |
| raw materials and other inventories | 5401      | for 2019 | 10,855,567                   | —  | 10,855,567  | 279,633,253            | (283,715,388)            | —               | —   | (408,552)                | 6,364,880                                      | —          | 6,364,880   |
|                                     | 5421      | for 2018 | 5,336,117                    | —  | 5,336,117   | 205,079,734            | (199,382,885)            | —               | —   | (177,399)                | 10,855,567                                     | —          | 10,855,567  |
| livestock                           | 5402      | for 2019 | 93                           | —  | 93          | —                      | (77)                     | —               | —   | —                        | 16   | —          | 16          |
|                                     | 5422      | for 2018 | 93                           | —  | 93          | —                      | —                        | —               | —   | —                        | 93   | —          | 93          |
| work in progress                    | 5403      | for 2019 | 283,018,154                  | —  | 283,018,154 | 1,440,854,099          | (507,661,597)            | —               | —   | (857,070,688)            | 359,139,968                                    | —          | 359,139,968 |
|                                     | 5423      | for 2018 | 319,052,716                  | —  | 319,052,716 | 1,396,396,204          | (635,395,736)            | —               | —   | (897,035,030)            | 283,018,154                                    | —          | 283,018,154 |
| finished goods and goods for resale | 5404      | for 2019 | 215,189,424                  | —  | 215,189,424 | 1,685,280,285          | (670,539,890)            | —               | —   | (932,600,544)            | 297,329,275                                    | —          | 297,329,275 |
|                                     | 5424      | for 2018 | 213,316,883                  | —  | 213,316,883 | 1,529,404,374          | (692,303,742)            | —               | —   | (835,228,091)            | 215,189,424                                    | —          | 215,189,424 |
| goods dispatched                    | 5405      | for 2019 | 6,309,990                    | —  | 6,309,990   | 702,854                | (1,790,728,344)          | —               | —   | 1,790,079,784            | 6,364,284                                      | —          | 6,364,284   |
|                                     | 5425      | for 2018 | 4,751,688                    | —  | 4,751,688   | 7,248,573              | (1,738,130,791)          | —               | —   | 1,732,440,520            | 6,309,990                                      | —          | 6,309,990   |





5.3 The presence and movement of accounts payable (continued)

| Narrative  | Line code | Period   | At the beginning of the year | Changes for the period      |   |                 |                               |  | At the end of the period |
|--|-----------|----------|------------------------------|-----------------------------|---|-----------------|-------------------------------|--|--------------------------|
|  |           |          |                              | Additions                   |   | Disposals       |                               |  |                          |
|  |           |          |                              | As a result of transactions | Interest, penalties and other charges due | Settlement      | Write off to financial result | Transfer from long-term to short-term (and vice versa) |                          |
| Short-term accounts payable — total              | 5560      | for 2019 | 1,078,815,391                | 7,283,964,561               | 406,457,339                               | (7,911,579,293) | (61,202)                      | 50,764,284   | 908,361,060              |
|  | 5580      | for 2018 | 964,792,138                  | 7,536,702,554               | 233,180,206                               | (7,655,977,105) | (6,315)                       | 123,913  | 1,078,815,391            |
| including:                                       |           |          |                              |                             |   |                 |                               |  |                          |
| suppliers and contractors                        | 5561      | for 2019 | 709,775,210                  | 4,711,045,048               | 379,236                                   | (4,749,185,596) | (59,787)                      | 50,640,371   | 722,594,482              |
|  | 5581      | for 2018 | 650,097,013                  | 4,453,451,982               | 650,023                                   | (4,394,419,047) | (4,761)                       | —  | 709,775,210              |
| promissory notes payable                         | 5562      | for 2019 | —                            | —                           | —   | —               | —                             | —  | —                        |
|  | 5582      | for 2018 | —                            | —                           | —   | —               | —                             | —  | —                        |
| salaries payable                                 | 5563      | for 2019 | 824,192                      | 58,563,161                  | —   | (58,478,158)    | —                             | —  | 909,195                  |
|  | 5583      | for 2018 | 646,597                      | 59,010,915                  | —   | (58,833,320)    | —                             | —  | 824,192                  |
| insurance contributions payable                  | 5564      | for 2019 | 329,202                      | 12,537,357                  | 900                                       | (12,488,369)    | —                             | —  | 379,090                  |
|  | 5584      | for 2018 | 294,094                      | 12,358,012                  | 20,295                                    | (12,343,199)    | —                             | —  | 329,202                  |
| taxes payable                                    | 5565      | for 2019 | 56,599,494                   | 924,134,500                 | 98,018                                    | (918,266,006)   | —                             | —  | 62,566,006               |
|  | 5585      | for 2018 | 79,847,791                   | 796,749,962                 | 182,409                                   | (820,180,668)   | —                             | —  | 56,599,494               |
| advances from customers                          | 5566      | for 2019 | 84,128,958                   | 1,111,869,739               | —   | (1,113,118,733) | (439)                         | —  | 82,879,525               |
|  | 5586      | for 2018 | 47,326,860                   | 1,108,050,276               | —   | (1,071,247,281) | (897)                         | —  | 84,128,958               |
| dividends payable to participants (shareholders) | 5567      | for 2019 | 890,295                      | —                           | 393,217,051                               | (392,898,675)   | —                             | —  | 1,198,671                |
|  | 5587      | for 2018 | 928,911                      | —                           | 190,335,044                               | (190,383,660)   | —                             | —  | 880,295                  |
| other creditors                                  | 5568      | for 2019 | 226,278,040                  | 465,814,756                 | 12,762,134                                | (667,143,756)   | (976)                         | 123,913  | 37,834,111               |
|  | 5588      | for 2018 | 185,650,872                  | 1,107,081,407               | 41,992,435                                | (1,108,569,930) | (657)                         | 123,913  | 226,278,040              |
| Accounts payable — total                         | 5550      | for 2019 | 1,081,062,618                | 7,334,651,047               | 406,457,339                               | (7,911,579,293) | (61,202)                      | —  | 910,530,509              |
|  | 5570      | for 2018 | 967,120,184                  | 7,536,745,648               | 233,180,206                               | (7,655,977,105) | (6,315)                       | —  | 1,081,062,618            |

#### 5.4 Overdue accounts payable

| Narrative  | Line code | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2017 |
|--|-----------|------------------------|------------------------|------------------------|
| Overdue payables — total                         | 5590      | 169,307,266            | 339,175,960            | 140,989,236            |
| including:                                       |           |                        |                        |                        |
| suppliers and contractors                        | 5591      | 168,807,618            | 145,630,883            | 138,280,321            |
| promissory notes payable                         | 5592      | —                      | —                      | —                      |
| advances from customers                          | 5593      | —                      | —                      | —                      |
| dividends payable to participants (shareholders) | 5594      | —                      | —                      | —                      |
| other creditors                                  | 5599      | 499,668                | 193,545,077            | 2,708,915              |

#### 6. Cost of production

| Narrative  | Line code | For 2019      | For 2018      |
|--|-----------|---------------|---------------|
| Material costs   | 5610      | 2,051,361,365 | 1,939,824,593 |
| Payroll expenses   | 5620      | 51,907,024    | 50,879,340    |
| Social contributions   | 5630      | 11,579,411    | 11,054,837    |
| Depreciation   | 5640      | 660,902,955   | 678,653,603   |
| Other expenses   | 5650      | 232,052,023   | 205,555,928   |
| Total by cost element  | 5660      | 3,007,802,778 | 2,885,968,301 |
| Change in the balances   |           |               |               |
| Increase [+]:  | 5670      |               |               |
| finished goods   | 5671      | (337,209,032) | (253,764,573) |
| other (except intrafirm turnover costs)                                  | 5672      | (919,768,165) | (931,879,756) |
| Decrease [-]:  | 5680      |               |               |
| sale of finished products  | 5681      | 48,106,142    | 35,418,403    |
| sale of goods for resale   | 5682      | 617,101,100   | 653,080,857   |
| sale of goods dispatched   | 5683      | 1,789,686,652 | 1,730,567,478 |
| Change in the balance of work in progress<br>(increase [-]/decrease [+]) | 5690      | (76,121,814)  | 36,034,562    |
| Total expenses attributable to ordinary activities                       | 5600      | 4,129,597,661 | 4,155,425,272 |

## 7. Estimated liabilities

| Narrative   | Line code | At the beginning of the year | Accrued    | Used         | Reversed     | At the end of the period |
|---|-----------|------------------------------|------------|--------------|--------------|--------------------------|
| Estimated liabilities — total   | 5700      | 55,170,075                   | 62,281,939 | (11,916,915) | (14,171,360) | 91,363,739               |
| onerous contracts   | 5702      | —                            | —          | —            | —            | —                        |
| liabilities related to the future restructuring   | 5703      | —                            | —          | —            | —            | —                        |
| given guarantee commitment  | 5704      | —                            | —          | —            | —            | —                        |
| legal proceedings   | 5705      | 946,014                      | 8,386      | (440,503)    | (513,897)    | —                        |
| other estimated liabilities, including:   | 5706      | 44,591,003                   | 51,469,468 | (699,408)    | (13,108,727) | 82,252,336               |
| adjustments to gas prices   |           | 33,300,107                   | 46,415,007 | (204,768)    | (13,007,199) | 66,503,127               |
| estimated asset retirement liability and liability to restore environment disturbed by mineral extraction |           | 10,071,423                   | 4,512,795  | —            | —            | 14,584,218               |
| liabilities of paying remuneration based on performance results   | 5707      | 5,009,786                    | 5,315,517  | (4,884,148)  | (125,638)    | 5,315,517                |
| liabilities of vacation payment   | 5708      | 4,623,272                    | 5,488,568  | (5,892,856)  | (423,098)    | 3,795,886                |
| including repayment period up to 1 year   |           | 45,098,652                   | —          | —            | —            | 76,779,621               |

## 8. Security

| Narrative                                  | Line code | As at 31 December 2019 | As at 31 December 2018 | As at 31 December 2017 |
|--|-----------|------------------------|------------------------|------------------------|
| Received — total                           | 5800      | 17,948,444             | 17,043,539             | 59,244,674             |
| including:                                 |           |                        |                        |                        |
| promissory notes                           | 5801      | —                      | —                      | —                      |
| assets under pledge                        | 5802      | —                      | —                      | —                      |
| including:                                 |           |                        |                        |                        |
| fixed assets                               | 5803      | —                      | —                      | —                      |
| securities and other financial investments | 5804      | —                      | —                      | —                      |
| other                                      | 5805      | —                      | —                      | —                      |
| Issued - total                             | 5810      | 680,263,370            | 345,670,940            | 383,157,715            |
| including:                                 |           |                        |                        |                        |
| promissory notes                           | 5811      | —                      | —                      | —                      |
| assets under pledge                        | 5812      | 222,830,397            | 183,261,771            | 159,237,227            |
| including:                                 |           |                        |                        |                        |
| fixed assets                               | 5813      | —                      | —                      | —                      |
| investments                                | 5814      | 207,076,107            | 183,261,771            | 139,237,227            |
| other                                      | 5815      | 15,754,290             | —                      | —                      |

## 9. Exploration assets

### 9.1 The presence and movement of exploration assets


| Narrative                     | Line code | Period   | At the beginning of the year |  |                 |           | Changes for the period |  |                            |                 | At the end of the period |  |                 |              |  |
|-------------------------------|-----------|----------|------------------------------|--|-----------------|-----------|------------------------|--|----------------------------|-----------------|--------------------------|--|-----------------|--------------|--|
|                               |           |          | Initial cost                 | Accumulated depreciation/ amortisation | Impairment loss | Additions | Disposals              |  | Depreciation/ Amortisation | Impairment loss | Initial cost             | Accumulated depreciation/ amortisation | Impairment loss | Initial cost | Accumulated depreciation/ amortisation |
|                               |           |          |                              |  |                 |           | Initial cost           | Accumulated depreciation/ amortisation |                            |                 |                          |  |                 |              |  |
| Intangible exploration assets | 6010      | for 2019 | 117,956,158                  | (21)                                   | -               | 649,174   | (52)                   | 22                                     | (6)                        | -               | -                        | -                                      | 118,605,280     | (5)          |  |
|                               | 6020      | for 2018 | 118,094,409                  | (106)                                  | -               | 43,662    | (181,913)              | 113                                    | (28)                       | -               | -                        | -                                      | 117,956,158     | (21)         |  |
| including:                    |           |          |                              |  |                 |           |                        |  |                            |                 |                          |  |                 |              |  |
| licences                      | 6011      | for 2019 | 117,956,158                  | (21)                                   | -               | 649,174   | (52)                   | 22                                     | (6)                        | -               | -                        | -                                      | 118,605,280     | (5)          |  |
|                               | 6021      | for 2018 | 118,094,409                  | (106)                                  | -               | 43,662    | (181,913)              | 113                                    | (28)                       | -               | -                        | -                                      | 117,956,158     | (21)         |  |
| other                         | 6019      | for 2019 | -                            | -                                      | -               | -         | -                      | -                                      | -                          | -               | -                        | -                                      | -               | -            |  |
|                               | 6029      | for 2018 | -                            | -                                      | -               | -         | -                      | -                                      | -                          | -               | -                        | -                                      | -               | -            |  |
| Tangible exploration assets   | 6030      | for 2019 | 6,905,910                    | -                                      | -               | 1,046     | (1,941)                | -                                      | -                          | -               | -                        | -                                      | 6,905,015       | -            |  |
|                               | 6040      | for 2018 | 2,111,036                    | -                                      | -               | 4,794,874 | -                      | -                                      | -                          | -               | -                        | -                                      | 6,905,910       | -            |  |
| buildings and roads           | 6031      | for 2019 | -                            | -                                      | -               | -         | -                      | -                                      | -                          | -               | -                        | -                                      | -               | -            |  |
|                               | 6041      | for 2018 | -                            | -                                      | -               | -         | -                      | -                                      | -                          | -               | -                        | -                                      | -               | -            |  |
| wells                         | 6032      | for 2019 | 6,905,910                    | -                                      | -               | 1,046     | (1,941)                | -                                      | -                          | -               | -                        | -                                      | 6,905,015       | -            |  |
|                               | 6042      | for 2018 | 2,111,036                    | -                                      | -               | 4,794,874 | -                      | -                                      | -                          | -               | -                        | -                                      | 6,905,910       | -            |  |
| machinery and equipment       | 6033      | for 2019 | -                            | -                                      | -               | -         | -                      | -                                      | -                          | -               | -                        | -                                      | -               | -            |  |
|                               | 6043      | for 2018 | -                            | -                                      | -               | -         | -                      | -                                      | -                          | -               | -                        | -                                      | -               | -            |  |
| other fixed assets            | 6039      | for 2019 | -                            | -                                      | -               | -         | -                      | -                                      | -                          | -               | -                        | -                                      | -               | -            |  |
|                               | 6049      | for 2018 | -                            | -                                      | -               | -         | -                      | -                                      | -                          | -               | -                        | -                                      | -               | -            |  |



9.2 Exploration expenses recognised as non-current assets

| Narrative  | Line code | Period   | At the beginning of the year | Expenses for the period | Changes for the period |  |               | At the end of the period |
|--|-----------|----------|------------------------------|-------------------------|------------------------|--|---------------|--------------------------|
|  |           |          |                              |                         | Written off            | Recognised as tangible exploration assets or intangible exploration assets | Other changes |                          |
| Exploration expenses recognised as intangible exploration assets | 6050      | for 2019 | 163,588                      | 649,640                 | (118,075)              | (649,174)  | -             | 45,979                   |
|  | 6060      | for 2018 | 178,277                      | 28,973                  | -                      | (43,662)   | -             | 163,588                  |
| Exploration expenses recognised as tangible exploration assets   | 6070      | for 2019 | 64,819,175                   | 26,176,348              | (44,710,038)           | (1,046)  | -             | 46,284,439               |
|  | 6080      | for 2018 | 50,767,451                   | 29,008,293              | (10,161,695)           | (4,794,874)  | -             | 64,819,175               |

Chief Executive Officer \_\_\_\_\_ A.B. Miller



Chief Accountant \_\_\_\_\_ M.N. Rosseev



27 March 2020

# PJSC Gazprom

## explanatory notes to the balance sheet and the statement of financial results in the statutory financial statements for 2019 (in thousand Russian Roubles, unless otherwise stated)

### 1. General information

The principal activity of PJSC Gazprom (the "Company") is the sale of natural gas. The Company is also involved in other types of activities, which include leasing of assets, gas transportation and storage services, sales of gas condensate and oil and gas refinery products.

The Company's registered address is: 16 Nametkina St., Moscow, 117420, Russian Federation and it has branches and representative offices engaged in business activities in the following cities: Algiers, Ashgabat, Baku, Brussels, Doha, Ekaterinburg, Kiev, Chisinau, Krasnodar, Moscow, Novy Urengoy, Nur-Sultan, Beijing, Riga, Rio de Janeiro, Samara, St. Petersburg, Tehran, Tomsk, Khabarovsk and the Moscow Region.

As at 31 December 2019, 2018 and 2017 the Company employed 26,579, 26,653 and 26,178 people, respectively.

As at 31 December 2019 members of the Board of Directors of PJSC Gazprom included:

Zubkov, Viktor Alekseevich — Chairman of the Board of Directors

|                               |                                |
|-------------------------------|--------------------------------|
| Akimov, Andrey Igorevich      | Mau, Vladimir Alexandrovich    |
| Kulibaev, Timur Askarovich    | Miller, Alexey Borisovich      |
| Manturov, Denis Valentinovich | Novak, Alexander Valentinovich |
| Markelov, Vitaly Anatolievich | Sereda, Mikhail Leonidovich    |
| Martynov, Viktor Georgievich  | Patrushev, Dmitry Nikolaevich  |

As at 31 December 2019 members of the Management Committee of PJSC Gazprom included:

Miller, Alexey Borisovich – Chairman of the Management Committee

|                                  |                                      |
|----------------------------------|--------------------------------------|
| Aksyutin, Oleg Evgenievich       | Mikhailova, Elena Vladimirovna       |
| Burmistrova, Elena Viktorovna    | Mikhaleiko, Vyacheslav Alexandrovich |
| Vasilieva, Elena Alexandrovna    | Putin, Mikhail Evgenievich           |
| Kuznets, Sergey Ivanovich        | Sadygov, Famil Kamil ogly            |
| Markelov, Vitaly Anatolievich    | Sukhov, Gennady Nikolaevich          |
| Markov, Vladimir Konstantinovich | Khomyakov, Sergey Fyodorovich        |
| Menshikov, Sergey Nikolaevich    |                                      |

As at 31 December 2019 members of the Audit Commission of PJSC Gazprom included:

Mironova, Margarita Ivanovna – Chairman of the Audit Commission

|                                |                                |
|--------------------------------|--------------------------------|
| Bezmenov, Ivan Vladimirovich   | Oganyan, Karen Iosifovich      |
| Bikulov, Vadim Kasymovich      | Platonov, Sergey Revazovich    |
| Gladkov, Alexander Alexeyevich | Stolyarov, Evgeny Mikhailovich |
| Nosov, Yury Stanislavovich     | Fisenko, Tatiana Vladimirovna  |

### 2. Significant accounting policies and basis of presentation

#### Basis of presentation

The financial statements have been prepared in accordance with the accounting and reporting rules applicable in the Russian Federation, specifically with Federal Law «On Accounting» dated 6 December 2011 No. 402-FZ, and the Regulations on Accounting and Reporting in the Russian Federation, approved by Order of the Ministry of Finance of the Russian Federation dated 29 July 1998 No. 34n, as well as the Accounting Policy Regulation approved by order of PJSC Gazprom of 28 December 2018 No. 802.

Assets and liabilities are measured at actual purchase costs, except for regularly revalued fixed assets at the current (replacement) cost, intangible and tangible exploration assets, investments for which current market value is determinable, estimated liabilities carried based on current valuation of the amount that will result in decrease of economic benefits and assets for which impairment provisions have been formed in accordance with the generally accepted procedure.

## 2. Significant accounting policies and basis of presentation (continued)

### Assets, liabilities and transactions denominated in foreign currency

Business transactions in foreign currencies have been recorded using the official exchange rate of Russian Rouble as at the date of the relevant transaction. Cash on currency and deposit accounts with banks, cash in hand, securities, accounts receivable and payable, including loans issued and raised but without advances received and issued, prepayments and down payments denominated in foreign currency have been recorded using the official exchange rate of Russian Rouble as at the reporting date.

As at 31 December 2019 the official exchange rates of Russian Rouble to US dollar and euro were RUB 61.9057 to USD 1 (31 December 2018 – RUB 69.4706, 31 December 2017 – RUB 57.6002) and RUB 69.3406 to EUR 1 (31 December 2018 – RUB 79.4605, 31 December 2017 – RUB 68.8668).

Exchange differences arising in the reporting year as a result of transactions involving assets and liabilities denominated in foreign currency as well as revaluation of such assets and liabilities as of the reporting date have been recorded within other income and expenses.

### Current and non-current assets and liabilities

Accounts receivable and accounts payable, including loans and borrowings, are treated in the balance sheet as current assets and liabilities if the term of their circulation (maturity) does not exceed 12 months after the reporting date or is not specified. Accounts receivable and accounts payable, including loans and borrowings, are treated as non-current if the term of their circulation (maturity) exceeds 12 months after the reporting date. Investments are classified as long-term or short-term based on the anticipated period of their use (circulation, ownership or maturity) after the reporting date.

### Results of research and development

The balance sheet line “Results of Research and Development” includes expenses for completed research and development (R&D) works, which are not subject to legal protection in accordance with the effective legislation and whose results are used for the company’s production or management needs. These expenses are written-off against costs of production (works, services) during the anticipated period of the use of the results of research and development but not more than five years after the date of their actual use for production of products (works, services) on a straight-line basis by decreasing their initial cost. In addition, the above amount includes cost of purchase and creation of incomplete R&D accounted for within investments in non-current assets.

### Intangible and tangible exploration assets

Exploration expenses recognised within tangible exploration assets relate to the following:

- expenses for drilling and development of prospecting and appraisal, exploratory and pre-drilled development wells (drilled at exploration stage until production’s commercial viability is confirmed) with breakdown by fields (areas);
- expenses for purchasing and assembling buildings, installations, equipment and facilities, acquisition of vehicles used for prospecting, assessment of fields and exploration of mineral reserves.

Accounting items for tangible exploration assets include wells, buildings, machinery, equipment, installations, facilities, vehicles, metal structures, dedicated tooling and other tools.

Exploration expenses recognised within intangible exploration assets include expenses for acquisition of subsoil use rights.

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

Initial cost of the licence which grants the right to geological survey of a subsoil field or prospecting and exploration of mineral resources is amortised on a straight-line basis during the licence period.

Initial cost of the combined licence which in addition to the right to geological survey, evaluation of mineral resources and (or) their exploration grants the right to production of mineral resources is not subject to amortisation until production’s commercial viability is confirmed.

## 2. Significant accounting policies and basis of presentation (continued)

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 included in expenses incurred in exploration by respective areas. The Company determines useful lives of exploration assets under the procedure similar to determining useful lives of fixed assets.

When mineral production's commercial viability on subsoil area (field) is confirmed, exploration assets are tested for impairment and transferred to fixed assets, intangible assets or other non-current assets which are intended for development and production of mineral reserves.

The Company assesses whether there is any indication that exploration assets may be impaired as at 31 December of the reporting year and when production's commercial viability on subsoil site (field) is confirmed. The amounts of exploration assets' impairment are charged to other expenses of the reporting year.

Data about the presence and movement of exploration assets are presented in table form 9.1 «The Presence and Movement of Exploration Assets», while table form 9.2 «Exploration Expenses Recognised as Non-Current Assets» of the Explanatory Notes to the Balance Sheet and the Statement of Financial Results includes data on exploration expenses related to acquisition (creation) of exploration assets.

### Fixed assets

Fixed assets include assets which conform to the requirements of the Russian Accounting Regulation «Accounting for Fixed Assets» (RAR 6/01) approved by order of the Russian Ministry of Finance dated 30 March 2001, No. 26n, and which are recognised as appropriate.

Real property assets which have been constructed, put into operation and are actually used but the title to which was not registered under the procedure established by the effective legislation are accounted for within fixed assets in a separate line.

In the balance sheet fixed assets acquired before 1 January 2017 are shown at replacement cost measured as of 31 December 2016, less depreciation. Fixed assets added starting from 1 January 2017 are shown at initial cost, less depreciation accumulated during the period of their use.

Fixed assets acquired and completed before 1 January 2002 are depreciated at 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 determined based on their estimated useful lives. Classification of fixed assets by depreciation groups, approved by Resolution of the Russian Government dated 1 January 2002 No. 1 («the Classification»), is used as one of the sources of information about useful lives of fixed assets. Useful lives adopted by the Company for major groups of fixed assets are presented as follows:

|                         | Useful lives of assets carried on the balance sheet<br>(number of years) |                      |
|-------------------------|--|----------------------|
|                         | before 1 January 2002  | after 1 January 2002 |
| Trunk pipelines         | 33   | 25                   |
| Wells                   | 12–15  | 10–25                |
| Machinery and equipment | 10–18  | 3–18                 |
| Buildings               | 20–50  | 7–100                |

Fixed assets are depreciated on a straight-line basis.

The following assets are not depreciated:

- land plots;
- assets transferred to conservation (above 3 months);
- assets which liquidation takes more than a month;
- housing assets commissioned prior to 1 January 2006 (similar assets acquired after 1 January 2006 are depreciated in accordance with the generally accepted procedure);
- fully depreciated assets that are still on the balance sheet.

Assets that comply with the criteria of their recognising as fixed assets and with the value below RUB 40,000 (inclusively) per unit are recorded within inventory including assets (tools and other

## 2. Significant accounting policies and basis of presentation (continued)

inventory) and special clothing, which are not fully consumed after their transfer to production and their useful life exceeds 12 months. Prior to 1 January 2011 assets with the value below RUB 20,000 per unit were accounted for within inventory. To ensure safety of the assets with the value below RUB 20,000 and RUB 40,000 recorded within inventory when they are transferred in production or operation, the Company implemented the control over their movement. Fixed assets with the value between RUB 20,000 and RUB 40,000 which were recorded prior to 1 January 2011 are accounted for within fixed assets and depreciated under the generally accepted procedure.

### Capital investments in progress

Capital investments in progress are represented by real estate assets under construction, which have not been put into operation, equipment subject to assemblage, equipment not subject to assemblage but stored in warehouses and intended for assets under construction and recorded within investments in non-current assets in a separate line, inventories intended for assets under construction, estimated liabilities on liquidation of the wells transferred to conservation upon construction completion, other capital investments not included within fixed assets.

### Financial investments

Investments are recorded at their initial cost, being their actual cost of acquisition, except for investments for which the current market value is determinable.

Investments for which the current market value is determinable are recognised for accounting and reporting purposes as at the end of the reporting period by their types at current market value. This value is determined at their average daily price (quote) for the transactions effected during the selling day at Moscow Exchange and calculated under the procedure specified by the institutor of trading on the securities market. The current market value can be determined based on data of other institutors of trading including foreign ones having the respective licence issued by the national authorised body. The difference between the value of these investments as at the current reporting date and their prior value is recorded within other income and expenses.

Investments for which the current market value cannot be reliably measured and significant and constant impairment indicators exist at the reporting date are presented in the year-end balance sheet at their carrying (book) value net of the impairment provision. The investment impairment provision is determined annually based on the stock taking results as at 31 December of the reporting year. For the purposes of determining the provision amount the Company estimated the cost of investments, for which significant and constant impairment indicators exist, on the basis of the available information and created the investment impairment provision in the amount by which the carrying (book) value of investments exceeded their estimated value. Changes in the above provision resulting from the year-end stock-take are posted to other expenses and income.

Securities which do not have market value (except for those individually identifiable, including promissory notes and certificates of deposit) are recorded upon their disposal (by types) under the FIFO method. Other investments (including individually identifiable securities (such as promissory notes and certificates of deposit) with an undeterminable current market value are recorded upon disposal at the initial cost of each unit.

Income and expenses attributable to transactions with investments are recorded within other income and expenses.

### Inventory

The main type of inventory is natural gas pumped into pipelines and underground storage. On the balance sheet gas inventory is measured at average cost.

### Work in progress

The balance sheet line «Work in Progress» includes gas transportation and storage costs attributable to outstanding gas balances.

## **2. Significant accounting policies and basis of presentation (continued)**

### **Selling and administrative expenses**

Selling expenses, except for the cost of natural gas transportation and storage, are written off in full on a monthly basis to expenses incurred in ordinary activities. Costs of natural gas transportation and storage are allocated in proportion to the volumes of gas sold and to the volumes of gas pumped into pipelines and underground storage within the reporting period.

Administrative expenses are expensed in full on a monthly basis to expenses incurred in ordinary activities.

### **Accounts receivable and accounts payable**

Trade accounts receivable are recorded based on prices contracted between the Company and buyers (customers) taking into account all discounts and mark-ups provided by the Company. Bad debts are written off when recognised as such based on the stock taking results.

Doubtful receivables that are very likely to become uncollectible are stated net of provisions for doubtful receivables. Accrued provisions for doubtful receivables are recorded within other expenses. A corresponding amount of provision for doubtful receivables is released and posted to other income when the respective receivables are repaid.

In table form 5.1 «The Presence and Movement of Accounts Receivable» of the Explanatory Notes to the Balance Sheet and the Statement of Financial Results the accounts receivable which arise and are repaid (written off) in the same reporting period are disclosed on a gross-up basis. Accounts payable are disclosed in a similar manner.

### **Cash equivalents and presentation of cash flows in the cash flow statement**

Cash equivalents comprise highly liquid investments which are readily convertible into a predictable amount of cash and are only exposed to an insignificant risk of changes in value.

The Company recognises within cash equivalents its short-term bank deposits with a maturity of up to 3 months and includes them in the balance sheet line “Cash and Cash Equivalents”.

The Company’s cash flows which cannot be clearly attributed to cash flows from operating, investing or financing activities are included in the cash flows from operating activities in the cash flow statement.

Data about availability and movement of cash flows denominated in foreign currency for the purposes of presentation in the cash flow statement are translated into roubles at the official foreign currency exchange rate set by the Central Bank of Russia as of the date of payment or receipt thereof.

Any difference arising on translation of foreign currency-denominated cash flows, cash balances and cash equivalents at the exchange rates as at the date of transaction and reporting dates, is included in the line “Effect of Changes in the Russian Rouble Exchange Rate” in the cash flow statement.

The following items are presented on a net basis in the cash flow statement:

- receipts and payments arising from foreign exchange transactions;
- commissioner’s (agent’s) cash flows due to rendering agency services (except for the fees for services rendered);
- cash flows characterised by prompt turnover, large volume and short repayment periods;
- indirect taxes within receipts from customers and buyers and payments made to suppliers and contractors;
- other settlements that relate to the operations of company’s counterparties rather than its own operations.

### **Loans and borrowings received**

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

Loans and (or) borrowings payable by the Company are recognised in the amount of actually received cash.

Loans and borrowings raised by the Company are mainly intended for corporate purposes. Under the contracts for the implementation of investment projects the Company provides its

## 2. Significant accounting policies and basis of presentation (continued)

subsidiaries that act as property developers in these projects with loans. The Company does not calculate a share of interest on loans and borrowings which are not directly associated with financing the investing activities to be included in the investment asset. This accounting treatment is based on the rationality requirement.

As at 31 December 2019 the Russian Federation Central Bank's refinance rate was 6.25%.

During 2019, the Russian Federation Central Bank's refinance rate decreased from 7.75% to 6.25%.

### Estimated liabilities

The Company recognises the following estimated liabilities:

- remuneration based on annual performance results;
- payment of vacations;
- compensation payable to employees upon their retirement;
- other estimated liabilities.

Liabilities related to payments of the annual remuneration based on annual performance results are determined on the basis of stock take results and the adopted procedure for calculating remuneration based on annual performance results.

Liabilities related to vacation payments are determined based on the number of basic and additional vacation days earned but not used by all employees during their service at the Company as of the reporting date and their average daily salary.

Liabilities related to payments of one-time allowance upon retirement are made as at the date of the Company's employee reaching pension age and ceased upon expiration of six months from that date.

The above estimated liabilities are recognised as at the reporting date.

In addition, the Company records estimated liabilities with regard to adjustments to gas prices arising out of requirements made by buyers under the contractual terms, and to other products prices. The effect of adjustments to gas prices including the respective impact on income tax is recognised in the financial statements when the probability that the liabilities arise is high and the liabilities can be reliably estimated.

Estimated liabilities are recognised within expenses incurred in ordinary activities and other expenses.

The Company records estimated asset retirement liabilities, including retirement of wells transferred to conservation upon construction completion, within investments in non-current assets. These estimated liabilities are valued based on the costs which the Company is expected to incur in fulfilling its estimated liabilities as a result of restoring the environment disturbed through its business activities. Estimated asset retirement liabilities, including retirement of wells transferred to conservation upon construction completion, are recorded within the cost of the assets upon completion of construction supported by proper valuation evidence.

The Company records estimated liabilities related to remediation of field soils. Expenses for this liability are accounted for within expenses incurred in ordinary activities if infrastructure facilities are accounted for within fixed assets and within non-current assets if infrastructure facilities are accounted for within construction in progress. Estimated liabilities related to soil remediation are recognised supported by proper valuation evidence.

Estimated liabilities are recognised in balance sheet lines 1430 and 1540 "Estimated Liabilities".

### Taxation

The Company has been a responsible member of the consolidated group of taxpayers (CGT) since 1 January 2012.

The Company independently prepares information about income tax in accordance with RAR 18/02. Temporary and permanent differences are determined by the Company based on its income and expenses in accordance with the Russian Tax Code. Current income tax is determined based on the accounting data and recognised in the statement of financial results in line 2410 «Current Income Tax». Difference between current income tax calculated by the Company for inclusion in the consolidated tax base of the CGT and cash payable by the Company under the CGT agreement is recognised in line 2465 «Reallocation of Income Tax within the CGT» of the



## **2. Significant accounting policies and basis of presentation (continued)**

statement of financial results and taken into account to calculate the Company's net profit (loss) but not considered for calculating the Company's profit (loss) before tax.

Income tax payable related to the CGT as a whole and to be paid by the Company as a responsible member of the CGT is recognised in balance sheet line 1524 «Taxes Payable».

Income tax overpayments related to the CGT are recorded in balance sheet line 1239 «Other Debtors».

Balances on settlements with the CGT members related to the CGT income tax payable (interim payment) are recognised in the balance sheet within current assets in line 1239 «Other Debtors» and current liabilities in line 1528 «Other Settlements» on a gross basis.

### **Revenue recognition**

Revenue from sales of products and delivery of services is recognised as the products/services are delivered/provided and relevant settlement documents are presented. Revenue is stated net of value-added tax, excise, customs duty and similar mandatory charges.

### **Segment information**

The Company, its subsidiaries and associated companies (Gazprom Group) operate as a vertically-integrated business. The principal activities of Gazprom Group are exploration, production, gas transportation and storage, sales of gas in the Russian Federation and abroad, oil and gas condensate production, sale of oil and gas condensate, oil, gas condensate and other hydrocarbons refining and sales of refined products, sales of electricity and heat. Management information which results are analysed on a regular basis by the Company's chief operating decision-makers responsible for distribution of resources within the Company and assessment of these results is prepared with regard to Gazprom Group operations. Considering the fact that the Company's activities as a legal entity and its managing the Group's operations are tightly connected, the management decisions and distribution of resources are made by persons with respective powers at the Group level; separate management accounts that relate to the Company's operations exclusively and do not cover the whole Group are not prepared with a breakdown by directions. Therefore, segment information is disclosed in Gazprom Group consolidated accounting reports.

### **List of the Company's structural units and trustees included in the financial statements of PJSC Gazprom**

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



## 2. Significant accounting policies and basis of presentation (continued)

PJSC Gazprom in St. Petersburg (formerly Branch Office 333 of PJSC Gazprom in St. Petersburg), LLC Gazprom invest (a trustee), LLC Svod International (a trustee).

## 3. Changes in accounting policies

No significant changes have been made to the Company's accounting policies for 2019.

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.

## 4. Adjustments to prior reporting period data

Certain data of columns "As at 31 December 2018" and "As at 31 December 2017" in the balance sheet and the statement of financial results for 2018 were adjusted due to the following events:

1. An update was made to the measurement of investments for which the current market value was determined in foreign currencies (adjustment 1).
2. An update was made to the classification of revenue and cost related to leased assets. Related transactions were transferred from lines 2116, 2126 "Other Goods, Products, Works and Services" to lines 2112, 2122 "Leased Assets" of the statement of financial results (adjustment 2).

Adjustments to the 2017 and 2018 data in the financial statements for 2019:

| Line code                              | Narrative                                 | Unadjusted     | Number of adjustment | Adjustment, RUB '000 | Adjusted       |
|--|---|----------------|----------------------|----------------------|----------------|
| <b>2017 data adjustments</b>           |   |                |                      |                      |                |
| <b>Balance sheet:</b>                  |   |                |                      |                      |                |
| 1170                                   | Financial investments, including:         | 2,887,946,658  | 1                    | 10,067,854           | 2,898,014,512  |
| 1172                                   | investments in associates                 | 75,738,675     | 1                    | 10,067,854           | 85,806,529     |
| 1180                                   | Deferred tax assets                       | 153,066,132    | 1                    | (44,192)             | 153,021,940    |
| 1100                                   | Total Section I. Non-current assets       | 11,090,031,751 | 1                    | 10,023,662           | 11,100,055,413 |
| 1600                                   | Assets                                    | 14,385,169,353 | 1                    | 10,023,662           | 14,395,193,015 |
| 1370                                   | Retained earnings (loss)                  | 4,316,239,120  | 1                    | 8,010,091            | 4,324,249,211  |
| 1300                                   | Total Section III. Equity and reserves    | 10,324,208,370 | 1                    | 8,010,091            | 10,332,218,461 |
| 1420                                   | Deferred tax liabilities                  | 523,021,587    | 1                    | 2,013,571            | 525,035,158    |
| 1400                                   | Total Section IV                          | 2,034,534,267  | 1                    | 2,013,571            | 2,036,547,838  |
| 1700                                   | Equity and liabilities                    | 14,385,169,353 | 1                    | 10,023,662           | 14,395,193,015 |
| <b>2018 data adjustments</b>           |   |                |                      |                      |                |
| <b>Balance sheet:</b>                  |   |                |                      |                      |                |
| 1170                                   | Financial investments, including:         | 3,657,745,189  | 1                    | 11,655,805           | 3,669,400,994  |
| 1172                                   | investments in associates                 | 78,175,496     | 1                    | 11,655,805           | 89,831,301     |
| 1180                                   | Deferred tax assets                       | 112,953,094    | 1                    | (52,779)             | 112,900,315    |
| 1100                                   | Total Section I. Non-current assets       | 11,905,218,495 | 1                    | 11,603,026           | 11,916,821,521 |
| 1600                                   | Assets                                    | 15,736,141,582 | 1                    | 11,603,026           | 15,747,744,608 |
| 1370                                   | Retained earnings (loss)                  | 5,076,327,438  | 1                    | 9,271,865            | 5,085,599,303  |
| 1300                                   | Total Section III. Equity and reserves    | 11,067,247,169 | 1                    | 9,271,865            | 11,076,519,034 |
| 1420                                   | Deferred tax liabilities                  | 601,835,381    | 1                    | 2,331,161            | 604,166,542    |
| 1400                                   | Total Section IV                          | 2,713,353,904  | 1                    | 2,331,161            | 2,715,685,065  |
| 1700                                   | Equity and liabilities                    | 15,736,141,582 | 1                    | 11,603,026           | 15,747,744,608 |
| <b>Statement of financial results:</b> |   |                |                      |                      |                |
| 2112                                   | leased assets                             | 797,585,163    | 2                    | 4,245,655            | 801,830,818    |
| 2116                                   | other goods, products, works and services | 23,483,463     | 2                    | (4,245,655)          | 19,237,808     |
| 2122                                   | leased assets                             | (798,836,422)  | 2                    | (1,481,264)          | (800,317,686)  |
| 2126                                   | other goods, products, works and services | (28,591,815)   | 2                    | 1,481,264            | (27,110,551)   |
| 2340                                   | Other income                              | 1,172,406,598  | 1                    | 1,545,017            | 1,173,951,615  |

## 2. Significant accounting policies and basis of presentation (continued)

| Line code | Narrative                           | Unadjusted      | Number of adjustment | Adjustment, RUB'000 | Adjusted        |
|-----------|-------------------------------------|-----------------|----------------------|---------------------|-----------------|
| 2350      | Other expenses                      | (1,325,825,460) | 1                    | 42,934              | (1,325,782,526) |
| 2300      | Profit (loss) before taxation       | 1,198,087,134   | 1                    | 1,587,951           | 1,199,675,085   |
| 2430      | Changes in deferred tax liabilities | (83,326,209)    | 1                    | (317,590)           | (83,643,799)    |
| 2450      | Changes in deferred tax assets      | (38,138,150)    | 1                    | (8,587)             | (38,146,737)    |
| 2400      | Net profit (loss)                   | 933,136,526     | 1                    | 1,261,774           | 934,398,300     |

## 5. Fixed assets

|                               | Trunk pipelines      | Wells              | Machinery and equipment | Buildings          | Other                | Total                |
|-------------------------------|----------------------|--------------------|-------------------------|--------------------|----------------------|----------------------|
| <b>As at 31 December 2017</b> |                      |                    |                         |                    |                      |                      |
| Initial (replacement) cost    | 13,490,922,427       | 1,681,600,257      | 3,426,084,992           | 963,565,126        | 2,996,039,934        | 22,558,212,736       |
| Accumulated depreciation      | (10,131,049,404)     | (1,388,875,237)    | (2,634,573,106)         | (461,763,086)      | (1,296,575,231)      | (15,912,836,064)     |
| <b>Net book value</b>         | <b>3,359,873,023</b> | <b>292,725,020</b> | <b>791,511,886</b>      | <b>501,802,040</b> | <b>1,699,464,703</b> | <b>6,645,376,672</b> |
| <b>As at 31 December 2018</b> |                      |                    |                         |                    |                      |                      |
| Initial (replacement) cost    | 13,589,369,890       | 1,705,302,946      | 3,518,534,944           | 975,343,076        | 3,105,827,427        | 22,894,378,283       |
| Accumulated depreciation      | (10,444,741,279)     | (1,424,493,610)    | (2,763,495,706)         | (486,148,186)      | (1,420,661,576)      | (16,539,540,357)     |
| <b>Net book value</b>         | <b>3,144,628,611</b> | <b>280,809,336</b> | <b>755,039,238</b>      | <b>489,194,890</b> | <b>1,685,165,851</b> | <b>6,354,837,926</b> |
| <b>As at 31 December 2019</b> |                      |                    |                         |                    |                      |                      |
| Initial (replacement) cost    | 14,027,041,409       | 1,753,672,619      | 3,645,345,731           | 1,160,144,649      | 3,270,406,228        | 23,856,610,636       |
| Accumulated depreciation      | (10,746,119,419)     | (1,456,515,002)    | (2,905,152,142)         | (512,345,970)      | (1,538,250,084)      | (17,158,382,617)     |
| <b>Net book value</b>         | <b>3,280,921,990</b> | <b>297,157,617</b> | <b>740,193,589</b>      | <b>647,798,679</b> | <b>1,732,156,144</b> | <b>6,698,228,019</b> |

Net book value of fixed assets leased out to subsidiaries amounted to RUB 5,874,429,448 thousand, RUB 5,674,688,558 thousand and RUB 5,932,637,112 thousand as at 31 December 2019, 2018 and 2017, respectively. As at 31 December 2019, 2018 and 2017 fixed assets included also property items that had been constructed and put into operation but were still to be registered in the amount of RUB 1,542,308,517 thousand, RUB 1,360,956,313 thousand and RUB 1,401,483,939 thousand, respectively (net of accumulated depreciation in the amount of RUB 224,959,136 thousand, RUB 239,239,564 thousand and RUB 202,848,306 thousand, respectively). As at 31 December 2019 the following production infrastructure facilities represent the most significant real property assets, the title to which is undergoing registration: the Bovanenkovo — Ukhta gas trunk pipeline 186.7 km - 526.7 km (1st line), the Power of Siberia gas trunk pipeline, 301.1 km - 555.8 km, the Power of Siberia gas trunk pipeline, 555.8 km - 794.8 km, the Power of Siberia gas trunk pipeline, 1029.8 km - 1290.7 km, the Power of Siberia gas trunk pipeline, 1290.7 km - 1550 km.

### Revaluation of fixed assets

No revaluation of fixed assets was made as at 31 December 2017, as at 31 December 2018 and as at 31 December 2019 because of insignificant change in the current (replacement) cost.

## 6. Financial investments

### Long-term financial investments

#### Investments in subsidiaries and associates

Information on investments in subsidiaries and associates is provided in Note 18.

“Investments in Subsidiaries” (balance sheet line 1171) are presented net of impairment provision of RUB 108,578,807 thousand, RUB 24,762,103 thousand and RUB 25,049,936 thousand as at 31 December 2019, 2018 and 2017, respectively.

## 6. Financial investments (continued)

“Investments in Associates” (balance sheet line 1172) are presented net of impairment provision of RUB 1,914,677 thousand, RUB 1,919,580 thousand and RUB 6,998,676 thousand as at 31 December 2019, 2018 and 2017, respectively.

### Investments in other entities

“Investments in Other Entities” (balance sheet line 1173) are presented net of impairment provision of RUB 154 thousand as at 31 December 2019, RUB 153 thousand as at 31 December 2018 and RUB 154 thousand as at 31 December 2017.

### Loans provided to companies for a period over 12 months

“Loans Provided to Companies for a Period over 12 Months” (balance sheet line 1174) include long-term loans of RUB 285,708,116 thousand, RUB 181,328,968 thousand and RUB 156,305,980 thousand as at 31 December 2019, 2018 and 2017, respectively.

### Other long-term investments

Other long-term investments included within “Financial Investments” (balance sheet line 1170) are presented net of impairment provision of RUB 216,497 thousand, RUB 216,747 thousand and RUB 224,736 thousand as at 31 December 2019, 2018 and 2017, respectively. The provision relates to investments in joint activities.

|   | 31 December       |                   |                    |
|---|-------------------|-------------------|--------------------|
|   | 2019              | 2018              | 2017               |
| Joint activities  | 38,638,110        | 38,389,920        | 38,101,028         |
| including:  |                   |                   |                    |
| development of oil and gas fields on continental shelf of the Socialist Republic of Vietnam (operator — JSC Gazprom zarubezhneftegaz) | 34,769,868        | 34,396,898        | 33,928,183         |
| development of a satellite communication system (operator — JSC Gazprom Space Systems)  | 3,362,056         | 3,345,047         | 3,345,047          |
| Other   | –                 | –                 | 149,096,966        |
| including:  |                   |                   |                    |
| Investment in additional capital of South Stream Transport B.V.   | –                 | –                 | 149,095,966        |
| <b>Total</b>  | <b>38,638,110</b> | <b>38,389,920</b> | <b>187,197,994</b> |

Long-term investments include securities of other entities, mainly investments in the shares of subsidiaries and associates and other entities, and investments in cooperatives of RUB 2,309,828,894 thousand, RUB 1,973,726,460 thousand and RUB 1,815,565,108 thousand as at 31 December 2019, 2018 and 2017, respectively, including foreign entities of RUB 339,075,652 thousand, RUB 340,904,823 thousand and RUB 639,109,852 thousand as at 31 December 2019, 2018 and 2017, respectively.

Additional information is provided in table forms 3.1 “The Presence and Movement of Financial Investments”, 3.1.1 “Current Portion of Long-Term Financial Investments” and 3.2 “Other Use of Financial Investments” of the Explanatory Notes to the Balance Sheet and the Statement of Financial Results. In table form 3.1 “The Presence and Movement of Financial Investments” data are presented with regard to the current portion of long-term investments.

## 7. Other non-current assets

As at 31 December 2019, 2018 and 2017 other non-current assets included long-term advances paid under capital construction agreements in the amount of RUB 108,838,339 thousand, RUB 38,251,891 thousand and RUB 11,288,169 thousand, respectively, expenses of future periods under capital construction agreements in the amount of RUB 497,599 thousand, RUB 986,985 thousand and RUB 1,257,739 thousand as at 31 December 2019, 2018 and 2017,

## 7. Other non-current assets (continued)

as well as the subsoil use licences of RUB 14,445,107 thousand, RUB 16,134,633 thousand, RUB 17,089,380 thousand as at 31 December 2019, 2018 and 2017, respectively.

## 8. Accounts receivable

### Trade receivables

|  | 31 December        |                    |                    |
|--|--------------------|--------------------|--------------------|
|  | 2019               | 2018               | 2017               |
| Accounts receivable for gas sold:  | 409,760,867        | 664,114,145        | 482,052,954        |
| in Russia  | 159,355,317,       | 238,271,696        | 248,478,966        |
| outside Russia (net of doubtful debt provision of RUB 432,968,246 thousand, RUB 567,250,810 thousand and RUB 403,150,696 thousand as at 31 December 2019, 2018 and 2017, respectively), including:                         | 250,405,550        | 425,842,449        | 233,573,988        |
| to far abroad countries (net of doubtful debt provision of RUB 42,326,363 thousand, RUB 20,173,840 thousand and RUB 8,786,564 thousand as at 31 December 2019, 2018 and 2017, respectively).                               | 225,422,850        | 396,598,503        | 207,344,131        |
| Accounts receivable for property lease services (net of doubtful debt provision of RUB 28,095 thousand, RUB 22,112 thousand and RUB 1,425,208 thousand as at 31 December 2019, 2018 and 2017, respectively).               | 107,982,386        | 95,326,366         | 106,488,858        |
| Accounts receivable for services related to arrangement of gas transportation (net of doubtful debt provision of RUB 0 thousand, RUB 0 thousand and RUB 0 thousand as at 31 December 2019, 2018 and 2017, respectively)    | 4,233,745          | 5,279,757          | 5,209,613          |
| Accounts receivable for gas condensate and oil and gas refinery products sold (net of doubtful debt provision of RUB 0 thousand, RUB 65 thousand and RUB 65 thousand as at 31 December 2019, 2018 and 2017, respectively). | 18,683,005         | 18,645,464         | 30,206,062         |
| Other trade receivables (net of doubtful debt provision of RUB 17,143 thousand, RUB 17,384 thousand, and RUB 70,422 thousand as at 31 December 2019, 2018 and 2017, respectively).   | 2,228,138          | 1,640,946          | 3,495,879          |
| <b>Total</b>   | <b>542,888,141</b> | <b>785,006,678</b> | <b>627,453,366</b> |

The accounts receivable recorded in the balance sheet line "Accounts Receivable from Buyers and Customers (payments expected within 12 months after the reporting date)" (line 1236) are presented net of a doubtful debt provision of RUB 431,782,654 thousand, RUB 565,909,133 thousand and RUB 403,501,164 thousand as at 31 December 2019, 2018 and 2017, respectively. The doubtful debt provisions were calculated net of a deferred excise in the amount of RUB 88,593 thousand, RUB 88,593 thousand and RUB 88,593 thousand as at 31 December 2019, 2018 and 2017, respectively. Deferred excise reduces the balance sheet line "Other Settlements" (line 1528).

### Advances receivable

The balance sheet line "Advances Issued" (line 1238) within accounts receivable payments for which are expected within 12 months after the reporting date includes advances paid under the agency contracts on the implementation of investment projects in the amount of RUB 105,313,567 thousand as at 31 December 2019, RUB 102,216,840 thousand as at 31 December 2018, and RUB 168,771,331 thousand as at 31 December 2017.

### Other receivables

"Accounts Receivable from Other Debtors (payments expected beyond 12 months after the reporting date)" (balance sheet line 1234) include accounts receivable from LLC Gazprom neft shelf related to the payment of reimbursement under the agreement dated 31 October 2014 which provides for the withdrawal of PJSC Gazprom from the joint activities agreement in the amount of RUB 48,242,071 thousand as at 31 December 2019, RUB 62,466,040 thousand as at 31 December 2018 and RUB 82,078,064 thousand as at 31 December 2017.

The Company concludes investment agreements with developers and agents (mainly its subsidiaries) for construction and commissioning of fixed assets. The Company is the owner of all

## 8. Accounts receivable (continued)

assets constructed under such investment and agency agreements. Subsidiaries have no right to sell, pledge or otherwise dispose of such assets.

A long-term portion of accounts receivable from subsidiaries relates to amounts received for investment project financing and is presented in the balance sheet line "Accounts Receivable from Other Debtors (payments expected beyond 12 months after the reporting date)" (line 1234) in the amount of RUB 189,818,399 thousand, RUB 171,440,967 thousand and RUB 194,748,267 thousand as at 31 December 2019, 2018 and 2017, respectively.

A current portion of accounts receivable from subsidiaries relates to amounts received for investment project financing and is presented in the balance sheet line "Accounts Receivable from Other Debtors (payments expected within 12 months after the reporting date)" (line 1239) in the amount of RUB 67,776,266 thousand, RUB 131,591,108 thousand and RUB 152,686,519 thousand as at 31 December 2019, 2018 and 2017, respectively.

Additional information is provided in table forms 5.1 "The Presence and Movement of Accounts Receivable" and 5.2 "Overdue Accounts Receivable" of the Explanatory Notes to the Balance Sheet and the Statement of Financial Results.

## 9. Cash and cash equivalents

### The structure of cash and cash equivalents

|                                   | 31 December        |                    |                    |
|-----------------------------------|--------------------|--------------------|--------------------|
|                                   | 2019               | 2018               | 2017               |
| Cash on hand                      | 23,070             | 27,362             | 20,358             |
| Cash on settlement accounts       | 267,210,278        | 147,944,053        | 142,896,201        |
| Cash on foreign currency accounts | 32,113,655         | 199,361,562        | 148,827,627        |
| Cash on special bank accounts     | 3,150,331          | 2,381,080          | 169,909,980        |
| Cash in transit                   | 9,470              | 26,150             | 15,955             |
| <b>Total cash</b>                 | <b>302,506,804</b> | <b>349,740,207</b> | <b>461,670,121</b> |

Cash flows from operating activities recognised in the line "Other Receipts" (line 4119) of the cash flow statement include on a net basis cash received from members of the consolidated group of taxpayers (CGT) (established in 2012) for the purpose of the CGT income tax settlements in the amount of RUB 58,186,348 thousand and RUB 25,845,939 thousand in 2019 and 2018, respectively; advances received from buyers (customers) in the amount of RUB 31,035,718 thousand and RUB 23,810,012 thousand for 2019 and 2018, respectively; proceeds on a net basis from the payment of interest-free loans issued to subsidiaries in the amount of RUB 152,291,202 thousand and RUB 204,395,395 thousand for 2019 and 2018, respectively; net based indirect taxes related to operating activities that are presented within payments to suppliers and contractors and proceeds from buyers and customers in the amount of RUB 204,285,619 thousand and RUB 199,037,857 thousand for 2019 and 2018, respectively.

The line "Income Tax" (line 4124) includes a net based amount of the income tax attributable to the CGT in the amount of RUB 230,884,151 thousand and RUB 217,067,892 thousand for 2019 and 2018, respectively.

Cash flows from operating activities recognised in the line "Other Payments" (line 4129) of the cash flow statement include contributions to subsidiaries' property in the amount of RUB 165,849,389 thousand and RUB 208,256,236 thousand for 2019 and 2018, respectively; interest-free loans issued to subsidiaries in the amount of RUB 252,598,288 thousand and RUB 481,020,250 thousand for 2019 and 2018, respectively; cash presented on a net basis used to pay customs duties in the amount of RUB 696,191,500 thousand and RUB 824,713,539 thousand for 2019 and 2018, respectively; advances made to suppliers (contractors) in the amount of RUB 6,105,306 thousand and RUB 1,698,392 thousand for 2019 and 2018, respectively; cash refunds to gas buyers due to adjusted gas prices in the amount of RUB 10,437,103 thousand in 2019 and RUB 56,003,762 thousand in 2018; cash presented on a net basis used to pay property tax in the amount of RUB 116,350,798 thousand in 2019 and RUB 122,532,589 thousand in 2018.

Cash flows from investing activities recognised in the line "Other Receipts" (line 4219) of the cash flow statement include advances received from buyers (customers) in the amount of RUB 39,548 thousand and RUB 44,251,208 thousand for 2019 and 2018, respectively.

## 9. Cash and cash equivalents (continued)

Payments in the line “Other Payments” (line 4229) of the cash flow statement include on a net basis cash used to finance investment (agency) agreements in the amount of RUB 800,805,516 thousand and RUB 724,108,808 thousand for 2019 and 2018, respectively; net based indirect taxes related to investing activities that are presented within payments to suppliers and contractors and proceeds from buyers and customers in the amount of RUB 40,589,352 thousand and RUB 17,975,418 thousand for 2019 and 2018, respectively.

## 10. Equity and reserves

### Charter capital

The Company's charter capital amounts to RUB 118,367,564 thousand (23,673,513 thousand fully paid common shares with a nominal value of RUB 5 each) and it did not change in 2019.

In accordance with the decision of the general shareholders' meeting, final dividends on the Company's 2018 results were accrued in the amount of RUB 16.61 per one common share. Dividends paid amounted to RUB 392,565,849 thousand. Final dividends on the Company's 2017 results were accrued in the amount of RUB 8.04 per one common share. Dividends paid amounted to RUB 190,047,487 thousand. Final dividends on the Company's 2016 results were accrued in the amount of RUB 8.0397 per one common share. Dividends paid amounted to RUB 190,068,027 thousand.

### Reserve capital

In 2019, 2018 and 2017 the Company did not make any contributions to the reserve fund from its net profit as the target limit of the fund was reached (7.3% of the charter capital).

## 11. Borrowings and loans

### Bank loans

| Lenders  | Currency   | Maturity  | 31 December |             |             |
|--|------------|-----------|-------------|-------------|-------------|
|  |            |           | 2019        | 2018        | 2017        |
| BANCA IMI S.P.A.                                 | Euro       | 2019–2024 | 104,023,035 | –           | –           |
| Intesa Sanpaolo bank Luxembourg S.A.             | Euro       | 2019–2023 | 83,516,130  | 95,704,875  | –           |
| JP Morgan Europe Limited <sup>1</sup>            | Euro       | 2019–2023 | 76,535,689  | 87,728,983  | –           |
| Bank of China Limited <sup>1</sup>               | Euro       | 2017–2021 | 60,128,206  | 114,817,269 | 138,992,332 |
| JP Morgan Europe Limited <sup>1</sup>            | Euro       | 2017–2022 | 59,538,646  | 79,509,501  | 68,912,807  |
| UniCredit S.p.A.                                 | Euro       | 2019–2025 | 48,809,224  | 55,932,676  | –           |
| UniCredit S.p.A.                                 | Euro       | 2017–2022 | 44,843,526  | 55,676,582  | 27,573,578  |
| Crédit Agricole CIB                              | Euro       | 2018–2023 | 41,696,814  | 47,782,247  | –           |
| Crédit Agricole CIB                              | Euro       | 2017–2022 | 34,944,773  | 56,070,419  | 48,595,092  |
| Natixis S.A. <sup>1</sup>                        | Euro       | 2019–2024 | 34,881,644  | –           | –           |
| MUFG Bank Ltd.                                   | Euro       | 2019–2023 | 34,678,005  | –           | –           |
| Citibank EUROPE PLC <sup>1</sup>                 | Euro       | 2019–2023 | 29,491,243  | 33,792,054  | –           |
| Ing Bank, a branch of Ing-Diba AG                | Euro       | 2018–2023 | 27,780,734  | 31,833,642  | –           |
| China Construction Bank Corporation <sup>1</sup> | US dollars | 2017–2020 | 27,205,050  | 61,150,510  | 75,698,833  |
| JP Morgan Europe Limited <sup>1</sup>            | Euro       | 2017–2020 | 18,506,852  | 42,415,662  | 55,141,188  |
| VTB Bank (Europe) SE                             | Euro       | 2017–2027 | 15,615,650  | 20,280,078  | 19,644,135  |
| Deutsche Bank Luxembourg S.A.                    | Euro       | 2017–2022 | 11,772,404  | 15,943,348  | 13,817,775  |
| BNP Paribas S.A. <sup>1</sup>                    | Euro       | 2017–2022 | 8,498,570   | 12,986,495  | 14,068,551  |
| Citibank EUROPE PLC <sup>1</sup>                 | US dollars | 2017–2021 | 3,419,245   | 6,402,883   | 7,420,405   |
| Commerzbank AG                                   | US dollars | 2017–2035 | 3,162,503   | 3,260,191   | 2,482,937   |
| UniCredit S.p.A.                                 | Euro       | 2017–2019 | –           | 3,672,175   | 9,547,800   |
| Intesa Sanpaolo S.p.A.                           | Euro       | 2017–2019 | –           | 1,705,279   | 4,433,349   |



## 11. Borrowings and loans (continued)

| Lenders   | Currency   | Maturity  | 31 December        |                    |                    |
|---|------------|-----------|--------------------|--------------------|--------------------|
|   |            |           | 2019               | 2018               | 2017               |
| JP Morgan Europe Limited <sup>1</sup>                             | US dollars | 2017–2018 | –                  | –                  | 3,601,496          |
| <b>Total, including</b>   |            |           | <b>769,047,943</b> | <b>826,664,869</b> | <b>489,930,278</b> |
| Due within one year, including current portion of long-term loans |            |           | 191,651,136        | 148,674,000        | 105,848,635        |

<sup>1</sup>Loans received from bank syndicates, named lender is the bank agent.

Total loans received in 2019 amounted to RUB 183,953,200 thousand, total loans and interest repaid in 2019 amounted to RUB 150,780,307 thousand (in 2018 total loans received amounted to RUB 358,318,342 thousand, total loans and interest repaid amounted to RUB 124,671,693 thousand and in 2017 total loans received amounted to RUB 259,149,340 thousand, total loans repaid amounted to RUB 88,270,964 thousand).

In 2017-2019, the Company used the credit facility of RUB 60,000,000 thousand that had been opened by Gazprombank (Joint Stock Company) in 2012 to be repaid in 2017. In 2017 this credit facility was extended to 2020. In 2019 and 2018 loans were not raised under this credit facility. In 2017 under this credit facility the Company raised and repaid a short-term loan in the amount of RUB 34,000,000 thousand at 8.50%.

In 2017-2019, the Company used the credit facilities of RUB 60,000,000 thousand and RUB 30,000,000 thousand that had been opened for the Company by PJSC Sberbank of Russia and PJSC Bank VTB in 2013, respectively, to be repaid in 2018. In 2018 these credit facilities were extended to 2023.

In January 2019, the Company received a loan from MUFG Bank, Ltd. in the amount of RUB 38,564,100 thousand with the interest rate determined for each interest period at EURIBOR + 1.60% to be repaid in 2023.

In March 2019, the Company received a loan from Natixis S.A. in the amount of RUB 37,286,500 thousand with the interest rate determined for each interest period at EURIBOR + 1.65% to be repaid in 2024.

In July 2019, the Company received a loan from BANCA IMI S.P.A. with the interest rate determined for each interest period at EURIBOR + 2.10% to be repaid in 2024. The first instalment in the amount of RUB 35,829,650 thousand was received in July 2019, the second instalment in the amount of RUB 36,974,200 thousand was received in August 2019 and the third instalment in the amount of RUB 35,298,750 thousand was received in September 2019.

A fixed interest rate on long-term foreign currency loans was 8.868% in 2019, 2018 and 2017. In addition, LIBOR and EURIBOR rates were also used in 2017–2019.

The Company did not raise any short-term foreign currency loans in 2017-2019.

In 2017-2019, no long-term loans denominated in Russian Roubles were received.

In 2018, 2019, no short-term loans denominated in Russian Roubles were received.

### Loans

| Lenders                        | Currency   | Maturity | 31 December |             |             |
|--------------------------------|------------|----------|-------------|-------------|-------------|
|                                |            |          | 2019        | 2018        | 2017        |
| Gaz Capital S.A.               | Euro       | 2024     | 191,890,651 | 217,995,928 | 119,810,113 |
| Gaz Capital S.A.               | US dollars | 2022     | 145,421,101 | 163,191,615 | 135,307,162 |
| Gazprom Sakhalin Holdings B.V. | US dollars | 2020     | 129,151,560 | 168,924,671 | 176,317,264 |
| Gaz Capital S.A.               | Euro       | 2020     | 113,120,396 | 129,635,515 | 112,352,465 |
| Gaz Capital S.A.               | Euro       | 2021     | 86,001,185  | 98,552,611  | 85,413,544  |
| Gaz Capital S.A.               | US dollars | 2037     | 79,496,979  | 89,211,539  | 73,968,017  |
| Gaz Capital S.A.               | US dollars | 2026     | 78,931,917  | –           | –           |
| Gaz Capital S.A.               | US dollars | 2034     | 75,407,479  | 84,622,301  | 70,162,939  |
| Gaz Capital S.A.               | Euro       | 2023     | 69,607,021  | 79,766,641  | 69,132,126  |
| Gaz Capital S.A.               | US dollars | 2028     | 56,825,950  | 63,770,103  | 52,873,744  |
| Gaz Capital S.A.               | Euro       | 2026     | 53,021,403  | 60,762,791  | –           |

## 11. Borrowings and loans (continued)

| Lenders   | Currency        | Maturity | 31 December          |                      |                      |
|---|-----------------|----------|----------------------|----------------------|----------------------|
|   |                 |          | 2019                 | 2018                 | 2017                 |
| Gaz Capital S.A.  | US dollars      | 2020     | 50,292,535           | 56,438,302           | 46,794,722           |
| Gaz Capital S.A.  | Swiss francs    | 2023     | 48,269,729           | 53,562,984           | –                    |
| Gaz Capital S.A.  | US dollars      | 2027     | 47,054,910           | 52,805,037           | 43,782,272           |
| LLC Gazprom capital   | Russian Roubles | 2024     | 46,586,054           | 31,039,644           | 31,032,164           |
| GPB Financial Services Limited  | Euro            | 2020     | 39,271,434           | –                    | –                    |
| Gaz Capital S.A.  | US dollars      | 2021     | 38,121,530           | 42,779,996           | 35,470,203           |
| GazAsia Capital S.A.  | Japanese yen    | 2028     | 36,870,302           | 40,963,211           | –                    |
| Gaz Capital S.A.  | Euro            | 2025     | 35,852,599           | 41,088,811           | 35,610,837           |
| Gaz Capital S.A.  | Euro            | 2022     | 31,823,714           | 36,468,220           | 31,606,265           |
| LLC Gazprom capital   | Russian Roubles | 2025     | 30,767,220           | 30,761,178           | –                    |
| Gazprombank (Switzerland) Ltd.  | Euro            | 2020     | 24,638,243           | –                    | –                    |
| BO-22 series Russian bonds  | Russian Roubles | 2048     | 15,512,700           | 15,509,250           | –                    |
| BO-23 series Russian bonds  | Russian Roubles | 2048     | 15,512,700           | 15,509,250           | –                    |
| LLC Gazprom capital   | Russian Roubles | 2022     | 15,089,766           | –                    | –                    |
| BO-19 series Russian bonds  | Russian Roubles | 2043     | 15,080,850           | 15,073,950           | 15,059,250           |
| BO-20 series Russian bonds  | Russian Roubles | 2043     | 15,080,850           | 15,073,950           | 15,059,250           |
| BO-7 series Russian bonds   | Russian Roubles | 2033     | 10,341,800           | 10,339,500           | –                    |
| Shtokman Development AG   | Russian Roubles | 2020     | 1,711,024            | –                    | –                    |
| Gaz Capital S.A.  | Swiss francs    | 2019     | –                    | 35,473,736           | 29,641,220           |
| Gaz Capital S.A.  | US dollars      | 2019     | –                    | 159,039,913          | 131,864,858          |
| Gaz Capital S.A.  | Euro            | 2018     | –                    | –                    | 219,979,610          |
| Gaz Capital S.A.  | US dollars      | 2018     | –                    | –                    | 64,507,181           |
| Gaz Capital S.A.  | Swiss francs    | 2018     | –                    | –                    | 29,572,847           |
| Rosingaz Ltd.   | Russian Roubles | 2018     | –                    | –                    | 25,822,953           |
| LLC Gazprom capital   | Russian Roubles | 2018     | –                    | –                    | 5,144,616            |
| Loans as part of centralised management of Gazprom Group's cash flows | Russian Roubles | 2020     | 473,164,886          | 276,554,919          | 251,307,449          |
| Loans as part of centralised management of Gazprom Group's cash flows | US dollars      | 2020     | 32,928,942           | 17,174,040           | 1,114,914            |
| Loans as part of centralised management of Gazprom Group's cash flows | Euro            | 2020     | 15,566,047           | 2,055,705            | 30,525,123           |
| Loans as part of centralised management of Gazprom Group's cash flows | British Pound   | 2020     | 28,989               | 16,159               | 40,046               |
| <b>Total, including</b>   |                 |          | <b>2,118,442,466</b> | <b>2,104,161,470</b> | <b>1,939,273,154</b> |
| due within one year, including current portion of long-term loans     |                 |          | 901,974,297          | 682,952,466          | 823,350,600          |

Total loans received in 2019 amounted to RUB 2,751,123,715 thousand, total loans and interest repaid in 2019 amounted to RUB 2,625,678,715 thousand (total loans received in 2018 amounted to RUB 2,040,700,182 thousand, total loans and interest repaid in 2018 amounted to RUB 2,233,692,040 thousand and total loans received in 2017 amounted to RUB 1,580,848,374 thousand, total loans repaid in 2017 amounted to RUB 1,549,255,191 thousand).

The loan agreement with Gazprom Sakhalin Holdings B.V. was effective in 2010-2019. In 2017, the Company raised a loan in the amount of RUB 78,058,047 thousand and repaid the principal amount and interest on the loan in the amount of RUB 158,669,403 thousand. In 2018, the principal amount and interest on the loan in the amount of RUB 40,833,872 thousand were repaid. In 2019, this loan was extended to 2020 and increased by RUB 263,668 thousand, the principal amount and interest on the loan in the amount of RUB 26,963,906 thousand were repaid. In 2019, the interest rate ranged from 2.90% to 3.50%, in 2018 the interest rate ranged from 1.69% to 3% and in 2017 it ranged from 1.69% to 2.07%.

In February 2019, the Company raised a loan from Gaz Capital S.A. related to the issue of loan participation notes of RUB 82,578,500 thousand maturing in 2026 at 5.15%.



## 11. Borrowings and loans (continued)

In June 2019, the Company raised a loan from LLC Gazprom capital in the amount of RUB 15,000,000 thousand maturing in 2022 at 8.09%.

In July 2019, the Company raised a loan from LLC Gazprom capital in the amount of RUB 15,000,000 thousand maturing in 2024 at 7.90%.

In 2019, the Company raised finance secured by inventories under buyback agreements entered into with Gazprombank (Switzerland) Ltd. and GPB Financial Services Limited totalling RUB 64,855,683 thousand to be repaid in 2020. The difference between the amount received from the buyer and the amount payable to the buyer was recognised as interest on the raised finance.

In November 2019, the Company entered into a credit facility agreement with Gaz Finance Plc. associated with the issue of loan participation notes under the RUB 2,080,218,000 thousand programme.

In 2019, in order to centralise the management of Gazprom Group's cash flows, the Company raised Russian Rouble interest-bearing and interest-free loans maturing in 2020. The interest rate was determined depending on the period of actual use of loan proceeds at Mosprime increased by the credit risk premium. Total loans received amounted to RUB 2,172,495,221 thousand, total loans and interest repaid amounted to RUB 1,987,932,909 thousand.

In 2019, in order to centralise the management of Gazprom Group's cash flows, the Company raised foreign currency interest-bearing and interest-free loans maturing in 2020. The interest rate was determined depending on the period of actual use of loan proceeds at LIBOR, EONIA and EURIBOR increased by the credit risk premium. Total loans received amounted to RUB 399,274,093 thousand, total loans and interest repaid amounted to RUB 365,427,978 thousand.

The interest rate on other Russian Rouble short-term loans ranged from 6.50% to 8.25% in 2019. In 2018, no other Russian Rouble short-term loans were raised by the Company. The interest rate on other Russian Rouble short-term loans was 10.01% in 2017.

Interest rates on other Russian Rouble long-term loans ranged from 7.35% to 9.10% in 2019, from 7.35% to 9.10% in 2018 and from 7.65% to 10.01% in 2017.

Interest rates on foreign currency long-term loans received from Gaz Capital S.A. related to the issue of loan participation notes ranged from 1.45% to 8.625% in 2019, from 1.45% to 9.25% in 2018 and from 2.15% to 9.25% in 2017.

Interest rates on other foreign currency long-term loans ranged from 1.01% to 3.50% in 2019, from 1.01% to 3% in 2018 and from 1.07% to 2.07% in 2017.

The loans (borrowings) not disbursed by the Company due to the lack of need amounted to RUB 87,559,423 thousand, RUB 113,994,321 thousand and RUB 76,498,135 thousand as at 31 December 2019, 2018 and 2017, respectively.

## 12. Taxation

### Income tax

Income tax determined based on accounting profit (loss) and income tax statutory rates (20%, 13%, 0%) amounted to RUB 120,017,049 thousand (provisional income tax expense) and RUB 167,478,725 thousand (provisional income tax expense) in 2019 and 2018, respectively. According to the Company's data, the current income tax was RUB 186,767,702 thousand and RUB 149,852,551 thousand in 2019 and 2018, respectively.

According to the amended tax returns submitted in 2019 for the period of 2016, the income tax decreased by RUB 10,562 thousand. According to the amended tax returns submitted in 2019 for the period of 2018, the income tax decreased by RUB 81,387 thousand. According to the amended tax returns submitted in 2019 for the period of 2015, the income tax increased by RUB 182,286 thousand. According to the amended tax returns submitted in 2019 for the period of 2017, the income tax increased by RUB 531,301 thousand. According to the amended tax returns submitted in 2018 for the period of 2015, the income tax decreased by RUB 18,245 thousand. According to the amended tax returns submitted in 2018 for the period of 2016, the income tax decreased by RUB 169,501 thousand. According to the amended 2017 tax return submitted in 2018, the income tax increase amounted to RUB 156,234 thousand. Permanent differences, which increase the taxable profit of the reporting year, amounted to RUB 753,205,195 thousand and RUB 649,852,084 thousand in 2019 and 2018, respectively. Permanent differences, which decrease the taxable profit, amounted to

## **12. Taxation (continued)**

RUB 62,616,427 thousand and RUB 131,121,224 thousand in 2019 and 2018, respectively. In 2019, permanent differences increasing the taxable profit exceeded permanent differences decreasing the taxable profit by RUB 690,588,768 thousand. This resulted in the income tax amount calculated based on the taxable profit exceeding the provisional income tax expense by RUB 138,582,376 thousand. In 2018, permanent differences increasing the taxable profit exceeded permanent differences decreasing the taxable profit by RUB 518,730,860 thousand. This resulted in the income tax amount calculated based on the taxable profit exceeding the provisional income tax expense by RUB 104,124,263 thousand.

Newly originated deductible temporary differences amounted to RUB 451,829,808 thousand and RUB 324,396,013 thousand in 2019 and 2018, respectively; deductible temporary differences settled amounted to RUB 365,340,884 thousand and RUB 515,086,761 thousand in 2019 and 2018, respectively. In 2019, newly originated deductible temporary differences exceeded deductible temporary differences settled by RUB 86,488,924 thousand, which resulted in the increase of the deferred tax asset by RUB 17,297,785 thousand. In 2018, deductible temporary differences settled exceeded newly originated deductible temporary differences by RUB 190,733,685 thousand, which resulted in the decrease of the deferred tax asset by RUB 38,146,737 thousand.

In 2019, deductible temporary differences arose mainly due to the changes in estimated liabilities related to gas price adjustments, which resulted in the increase in deductible temporary differences by RUB 47,125,454 thousand and the increase in deferred tax assets by RUB 9,425,091 thousand, and due to the increase in expenses associated with the liquidation of exploratory wells, which resulted in the increase in deductible temporary differences by RUB 28,097,422 thousand and the increase in deferred tax assets by RUB 5,619,484 thousand.

In 2018, deductible temporary differences arose mainly due to the changes in estimated liabilities related to gas price adjustments, which resulted in the decrease in deductible temporary differences by RUB 85,155,437 thousand and the decrease in deferred tax assets by RUB 17,031,087 thousand.

In 2019, deferred tax assets attributed to the decrease in the net profit and recorded in the line "Other" (line 2460) of the statement of financial results amounted to RUB 1,741,706 thousand. In 2018, deferred tax assets attributed to the decrease in the net profit amounted to RUB 1,974,888 thousand.

Newly originated taxable temporary differences amounted to RUB 558,423,505 thousand in 2019 and RUB 558,619,126 thousand in 2018. Taxable temporary differences settled amounted to RUB 115,871,708 thousand and RUB 142,279,355 thousand in 2019 and 2018, respectively. In 2019, newly originated taxable temporary differences exceeded taxable temporary differences settled by RUB 442,551,797 thousand, which resulted in the increase in the deferred tax liability by RUB 88,507,870 thousand. In 2018, newly originated taxable temporary differences exceeded taxable temporary differences settled by RUB 417,927,723 thousand, which resulted in the increase in the deferred tax liability by RUB 83,643,799 thousand.

Taxable temporary differences arose mainly due to the revaluation of securities, which resulted in the increase in the deferred tax liability by RUB 67,776,866 thousand in 2019 (in 2018 by RUB 91,272,991 thousand).

In 2019, deferred tax liabilities attributed to the increase in the net profit and recorded in the line "Other" (line 2460) of the statement of financial results amounted to RUB 383,461 thousand. In 2018, deferred tax liabilities attributed to the increase in the net profit amounted to RUB 4,512,415 thousand.

The CGT was established in Gazprom Group from 1 January 2012. PJSC Gazprom is the responsible member of the CGT. The contract on creation of Gazprom Group CGT consisting of 56 members was registered with Interregional Inspectorate of the Russian Federal Tax Service dealing with major taxpayers No. 2 on 20 April 2012. In December 2012 an amendment to the contract on creation of Gazprom Group CGT was registered with Interregional Inspectorate of the Russian Federal Tax Service dealing with major taxpayers No. 2. In accordance with the amendment the number of CGT members was increased to 65 from 1 January 2013. In 2013 Supplement No. 2 of 26 November 2013 to the contract on creation of Gazprom Group CGT was registered with Interregional Inspectorate of the Russian Federal Tax Service dealing with major taxpayers No. 2. In accordance with the Supplement the number of CGT members was increased to 69 from 1 January 2014. In 2014 Supplement No. 3 of 26 November 2014 to the

## 12. Taxation (continued)

contract on creation of Gazprom Group CGT was registered with Interregional Inspectorate of the Russian Federal Tax Service dealing with major taxpayers No. 2. In accordance with the Supplement the number of CGT members was decreased to 65 from 1 January 2015. In 2015 Supplement No. 4 of 26 November 2015 to the contract on creation of Gazprom Group CGT was registered with Interregional Inspectorate of the Russian Federal Tax Service dealing with major taxpayers No. 2. In accordance with the Supplement the number of CGT members was increased to 67 from 1 January 2016. In 2017 Supplement No. 5 of 28 November 2017 to the contract on creation of Gazprom Group CGT was registered with Interregional Inspectorate of the Russian Federal Tax Service dealing with major taxpayers No. 2. In accordance with the Supplement the number of CGT members was decreased to 65 from 1 January 2018.

The income tax of the CGT for 2019 and 2018 amounted to RUB 240,420,303 thousand and RUB 190,686,855 thousand, respectively.

### Other taxes

VAT accrued upon dispatch (transfer) of goods (works, services, property rights) including VAT accrued upon receipt of payment, partial payment against forthcoming supplies of goods (works, services, property rights) and reversed amounts of previously accepted VAT with respect to payment, partial payment issued against forthcoming supplies of goods (works, services, property rights) totalled RUB 638,374,199 thousand and RUB 582,815,177 thousand for 2019 and 2018, respectively.

## 13. Accounts payable

The balance sheet line "Advances from Customers" (line 1527) within accounts payable (payment expected within 12 months of the reporting date) includes advances of RUB 17,797,085 thousand, RUB 18,027,063 thousand and RUB 34,979,993 thousand received by the Company under commission agreements between PJSC Gazprom and LLC Gazprom export in accordance with the terms and conditions of gas supply contracts as at 31 December 2019, 2018 and 2017, respectively, and advances of RUB 44,024,544 thousand and RUB 44,024,544 thousand received in accordance with the terms and conditions of a share purchase agreement as at 31 December 2019 and 2018, respectively.

Trade payables mainly include payables to related parties (Note 18).

Additional information is provided in table forms 5.3 "The Presence and Movement of Accounts Payable" and 5.4 "Overdue Accounts Payable" of the Explanatory Notes to the Balance Sheet and the Statement of Financial Results.

## 14. Sales

|   | 2019                 | 2018                 |
|---|----------------------|----------------------|
| Revenue from gas sales:   |                      |                      |
| in Russia   | 1,114,253,405        | 1,102,621,324        |
| outside Russia, including:  | 2,196,863,689        | 2,579,286,439        |
| to far abroad countries   | <u>1,877,016,277</u> | <u>2,268,043,665</u> |
|   | 3,311,117,094        | 3,681,907,763        |
| Revenue from leasing out assets                                       | 779,702,026          | 801,830,818          |
| Revenue from sale of gas condensate and oil and gas refinery products | 413,239,140          | 418,151,661          |
| Revenue from sale of gas transportation services                      | 241,297,625          | 257,023,320          |
| Other   | <u>13,355,574</u>    | <u>20,635,723</u>    |
| <b>Total</b>  | <b>4,758,711,459</b> | <b>5,179,549,285</b> |

Revenues from gas sales outside Russia include revenue from export gas sales through an agent as well. Revenues from gas sales outside Russia in 2019 are reported on the basis of a downward

#### 14. Sales (continued)

adjustment in the amount of RUB 8,530 thousand with respect to gas supplies made in 2019, prices of which were revised in 2019. Revenues from gas sales outside Russia in 2018 are reported on the basis of an upward adjustment in the amount of RUB 4,842,852 thousand with respect to gas supplies made in 2018, prices of which were revised in 2018.

The Company's customers, each contributing material percentage of the total revenue from gas sales, are presented below:

|                                    | 2019        | 2018        |
|------------------------------------|-------------|-------------|
| LLC Gazprom mezhregiongaz          | 935,571,114 | 913,412,071 |
| Gazprom Marketing and Trading Ltd. | 300,184,514 | 338,739,209 |

#### 15. Cost of sales and selling expenses (lines 2120 and 2210 in the statement of financial results)

|  | 2019                 | 2018                 |
|--|----------------------|----------------------|
| Purchase cost of gas, including gas sold   |                      |                      |
| in Russia  | 610,388,812          | 647,841,962          |
| outside Russia, including:   | 676,924,589          | 615,586,900          |
| to far abroad countries  | <u>596,888,837</u>   | <u>530,558,839</u>   |
|  | 1,287,313,401        | 1,263,428,862        |
| Gas transportation costs, including gas sold   |                      |                      |
| in Russia  | 446,853,241          | 471,473,141          |
| outside Russia, including:   | 894,172,163          | 941,085,744          |
| to far abroad countries  | <u>807,430,672</u>   | <u>863,969,735</u>   |
|  | 1,341,025,404        | 1,412,558,885        |
| Cost of assets leasing out   | 777,305,913          | 800,317,686          |
| Cost of purchased gas condensate, oil products and their refinery and transportation | 344,939,148          | 276,507,047          |
| Cost of gas transportation services  | 252,381,302          | 268,297,250          |
| Cost of other sales  | <u>18,540,299</u>    | <u>28,155,523</u>    |
| <b>Total</b>   | <b>4,021,505,467</b> | <b>4,049,265,253</b> |

#### 16. Other income and expenses

|   | 2019                 |                      | 2018                 |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | Income               | Expenses             | Income               | Expenses             |
| Exchange differences on foreign currency transactions                                   | 583,789,943          | 452,233,349          | 586,856,014          | 755,545,214          |
| Market value revaluation of investments   | 340,459,143          | 1,574,811            | 457,909,971          | -                    |
| Doubtful debt provision accrual/release   | 65,534,276           | 94,526,246           | 4,162,283            | 172,765,191          |
| Prior year profit (loss)  | 18,023,925           | 37,080,504           | 34,619,229           | 3,064,251            |
| Recognition/release of estimated liabilities related to gas price adjustments (Note 19) | 13,007,199           | 46,415,007           | 54,514,374           | 24,876,384           |
| Fines, penalties and forfeitures for breach of contract                                 | 2,011,307            | 13,124,137           | 771,427              | 11,410,943           |
| Investments impairment provision accrual/release  | 1,340,698            | 85,152,250           | 10,752,168           | 152,497              |
| Contributions to subsidiaries' property   | -                    | 165,849,389          | -                    | 208 256 236          |
| Charity expenses  | -                    | 27,723,959           | -                    | 35 020 389           |
| Costs of mineral resources development  | -                    | 24,778,327           | -                    | 10 607 640           |
| Other   | <u>35,912,681</u>    | <u>100,121,930</u>   | <u>24,366,149</u>    | <u>104,083,781</u>   |
| <b>Total</b>  | <b>1,060,079,172</b> | <b>1,048,579,909</b> | <b>1,173,951,615</b> | <b>1,325,782,526</b> |

## 16. Other income and expenses (continued)

In 2019, due to an increase in the current market value of shares of PJSC Gazprom Neft as at 31 December 2019, the Company recognised a gain of RUB 340,459,143 thousand from adjustment of their measurement as at the previous reporting date, and due to a decrease in the current market value of shares of JSC Latvijas Gaze as at 31 December 2019, the Company recognised a loss of RUB 1,574,811 thousand from adjustment of their measurement as at the previous reporting date. In 2018, due to an increase in the current market value of shares of PJSC Gazprom Neft as at 31 December 2018, the Company recognised a gain of RUB 456,364,954 thousand from adjustment of their measurement as at the previous reporting date, and due to an increase in the current market value of shares of JSC Latvijas Gaze as at 31 December 2018, the Company recognised a gain of RUB 1,545,017 thousand from adjustment of their measurement as at the previous reporting date.

The Company's investments in its subsidiaries and associates are of a long-term nature and are not intended to derive profit from movements of share quotations in the stock exchanges.

In 2019, the line "Prior Year Profit (Loss)" demonstrated a positive effect of gas price adjustment amounting to RUB 9,131,490 thousand. In 2018, the line "Prior Year Profit (Loss)" demonstrated a positive effect of gas price adjustment amounting to RUB 12,272,149 thousand. These adjustments relate to gas supplies of prior years for which price adjustments were agreed in 2019 and 2018, respectively.

The line "Contributions to Subsidiaries' Property" includes contributions paid into the property of subsidiaries under decisions adopted by the participant (the Company) in 2004–2019. As at 31 December 2019, 2018 and 2017, contributions in the subsidiaries' property that were to be made according to the taken decisions amounted to RUB 27,399,873 thousand, RUB 125,559,732 thousand and RUB 34,392,342 thousand, respectively.

Income and expenses from accrual and release of doubtful debt provision are reported by the Company on a gross basis. Income and expenses resulted from adjusted doubtful debt provision after recalculation of doubtful debt in foreign currency into Russian Roubles are reported by the Company on a net basis.

Income and expenses from accrual and release of estimated liabilities are reported by the Company on a gross basis. Income and expenses resulted from adjusted estimated liabilities after recalculation of liabilities in foreign currency into Russian Roubles are reported by the Company on a net basis.

The line "Other" includes pension contributions of RUB 6,039,452 thousand and RUB 1,923,127 thousand transferred to PJSC Gazprom's joint account in JSC NPF GAZFOND in 2019 and 2018, respectively. Non-state pensions shall be paid to employees of the Company when corresponding conditions are met.

## 17. Earnings per share

Basic earnings per share have been calculated by dividing the net profit for the year by the weighted average number of common shares outstanding during the year. The weighted average number of shares outstanding during the year totalled 23,673,513 thousand for the years ended 31 December 2019, 2018 and 2017.

As of the beginning and the end of the reporting period the Company did not have any potentially dilutive securities and therefore the diluted earnings per share were not calculated.

## 18. Related parties

Major 100% subsidiaries of PJSC Gazprom:

|  |   |
|--|---|
| LLC Aviapredpriyatiye Gazprom avia               | LLC Gazprom dobycha Irkutsk                     |
| LLC Gazprom aktivy SPG<br>(formerly LLC Gaz-Oil) | LLC Gazprom dobycha Krasnodar                   |
| CJSC Gazprom Armenia                             | LLC Gazprom dobycha Kuznetsk                    |
| LLC Gazprom VNIIGAZ                              | LLC Gazprom dobycha Nadym                       |
| LLC Gazprom gaznadzor                            | LLC Gazprom dobycha Noyabrsk                    |
| LLC Gazprom gazobezопасnost                      | LLC Gazprom dobycha Urengoy                     |
| LLC Gazprom geologorazvedka                      | LLC Gazprom dobycha shelf Yuzhno-<br>Sakhalinsk |
| LLC Gazprom geotechnology                        | LLC Gazprom dobycha Yamburg                     |

## 18. Related parties (continued)

|  |                                       |
|--|---------------------------------------|
| LLC Gazprom invest                           | LLC Gazprom transgaz Krasnodar        |
| LLC Gazprom investproject                    | LLC Gazprom transgaz Makhachkala      |
| LLC Gazprom investholding                    | LLC Gazprom transgaz Moscow           |
| LLC Gazprom inform                           | LLC Gazprom transgaz Nizhny Novgorod  |
| LLC Gazprom capital                          | LLC Gazprom transgaz Samara           |
| LLC Gazprom komplektsiya                     | LLC Gazprom transgaz Saint-Petersburg |
| LLC Gazprom Kyrgyzstan                       | LLC Gazprom transgaz Saratov          |
| LLC Gazprom mezhregiongaz                    | LLC Gazprom transgaz Stavropol        |
| LLC Gazprom nedra                            | LLC Gazprom transgaz Surgut           |
| (formerly LLC Gazprom georesource)           | LLC Gazprom transgaz Tomsk            |
| LLC Gazprom pererabotka                      | LLC Gazprom transgaz Ufa              |
| LLC Gazprom Personnel                        | LLC Gazprom transgaz Ukhta            |
| LLC Gazprom pitaniye                         | LLC Gazprom transgaz Tchaikovsky      |
| LLC Gazprom proektirovaniye                  | LLC Gazprom transgaz Yugorsk          |
| LLC Gazprom PHG                              | LLC Gazprom flot                      |
| LLC Gazprom international projects (formerly | LLC Gazprom tsentremont               |
| LLC Gazprom Russkaya)                        | LLC Gazprom expo                      |
| LLC Gazprom svyaz                            | LLC Gazprom export                    |
| LLC Gazprom sotsinvest                       | LLC Gazprom energo                    |
| LLC Gazprom SPG Vladivostok                  | LLC Gazprom energoholding             |
| LLC Gazprom SPG Portovaya                    | LLC Nilgazekonomika                   |
| (formerly LLC Gazprom SPG Saint-Petersburg)  | LLC Novourenogovskiy gas              |
| LLC Gazpromtrans                             | chemical complex                      |
| LLC Gazprom telecom                          | Nord Stream 2 AG                      |
| OJSC Gazprom transgas Belarus                | LLC Gazprom transgaz Grozny           |
| LLC Gazprom transgaz Volgograd               | (formerly JSC Chechengazprom)         |
| LLC Gazprom transgaz Ekaterinburg            | JSC Yamalgazinvest                    |
| LLC Gazprom transgaz Kazan                   | (formerly CJSC Yamalgazinvest)        |

In October 2019, LLC Gazprom telecom was reorganised by merger with LLC Gazprom svyaz. As a result, the Company's stake in LLC Gazprom svyaz increased by RUB 2,367,545 thousand, with the Company still holding a 100-percent interest in the subsidiary.

In October 2019, LLC Gazprom invest Vostok was reorganised by merger with LLC Gazprom transgaz Tomsk. As a result, the Company's stake in LLC Gazprom transgaz Tomsk increased by RUB 48,082,325 thousand, with the Company still holding a 100-percent interest in the subsidiary.

In November 2019, the Company made an additional contribution of RUB 120,810 thousand to the charter capital of LLC Gazprom aktivy SPG. The increase in the charter capital was registered in March 2020.

In 2019, the Company made an additional contribution of RUB 757,302 thousand to the charter capital of LLC Gazprom investproject. The increase in the charter capital was registered in May 2019 and March 2020.

### Other major subsidiaries of PJSC Gazprom:

| Company name                  | Share<br>in the charter<br>capital,<br>% | Type of business  | Location |
|-------------------------------|--|---|----------|
| LLC Achim Development         | 50,01%                                   | Crude oil and associated gas production                   | Russia   |
| JV OJSC Brestgazoapparat      | 51,0%                                    | Manufacturing of household gas equipment                  | Belarus  |
| OJSC Vostokgazprom            | 99,98%                                   | Production, processing and sale of gas and gas condensate | Russia   |
| JSC Gazprom Household Systems | 99,99%                                   | Manufacturing of household fuel utilisation equipment     | Russia   |
| JSC Gazprom Space Systems     | 79,8%                                    | Activities related to satellite communication             | Russia   |
| LLC Gazpromviet               | 71,87199%                                | Exploration, oil and gas transportation and processing    | Russia   |
| PJSC Gazprom Neft             | 95,68%                                   | Oil production, processing and sale                       | Russia   |
| OJSC Gazpromtrubinvest        | 99,87%                                   | Manufacturing and sale of pipes                           | Russia   |



## 18. Related parties (continued)

| Company name  | Share in the charter capital, % | Type of business  | Location |
|---|---------------------------------|---|----------|
| LLC Gazprom asset management (formerly LLC Gazprom torgservice) | 99,0%                           | Trading   | Russia   |
| JSC Gazprom YRGM Development                                    | 75,0%                           | Sale of hydrocarbons                                      | Russia   |
| CJSC Gazprom YRGM Trading                                       | 75,0%                           | Gas production and sale, storage and transportation       | Russia   |
| JSC Daltransgaz   | 87,9999%                        | Gas transportation  | Russia   |
| OJSC Kamchatgazprom   | 92,25%                          | Production, processing and sale of gas and gas condensate | Russia   |
| LLC Lazurnaya   | 99,69%                          | Hotel business  | Russia   |
| OJSC Severneftegazprom  | 40,0005%                        | Production, processing and sale of gas and gas condensate | Russia   |

### Major associates of PJSC Gazprom:

| Company name                      | Share in the charter capital, % | Type of business   | Location    |
|-----------------------------------|---------------------------------|--|-------------|
| OJSC Belgazprombank               | 49,8178%                        | Banking  | Belarus     |
| Blue Stream Pipeline Company B.V. | 50,0%                           | Gas transportation   | Netherlands |
| Gazprombank (Joint Stock Company) | 29,764% <sup>1</sup>            | Banking  | Russia      |
| JSC EUROPOL GAZ                   | 48,0%                           | Gas transportation and sale  | Poland      |
| KazRosGas LLP                     | 50,0%                           | Gas transportation and sale  | Kazakhstan  |
| JSC Latvijas Gaze                 | 34,0%                           | Gas transportation and sale  | Latvia      |
| CJSC Leader                       | 25,714%                         | Trust management of NPF pension reserves, management of insurance companies and mutual funds | Russia      |
| JSC Moldovagaz                    | 50,0%                           | Gas transportation and sale  | Moldova     |
| Nord Stream AG                    | 51,0%                           | Design, construction and operation of the North Stream pipeline section                      | Switzerland |
| CJSC Rosshelf                     | 39,505%                         | Gas production   | Russia      |
| South Stream Austria GmbH         | 50,0%                           | Design, construction and operation of the South Stream pipeline section                      | Austria     |
| South Stream Greece S.A.          | 50,0%                           | Design, construction and operation of the South Stream pipeline section                      | Greece      |
| South Stream Slovenia LLC         | 50,0%                           | Design, construction and operation of the South Stream pipeline section                      | Slovenia    |
| LLC Tsentrikasneftegaz            | 50,0%                           | Exploration of oil and gas fields  | Russia      |
| JSC YugoRosGaz                    | 50,0%                           | Gas transportation and sale  | Serbia      |

<sup>1</sup>The share of voting stock is indicated.

### Other major related parties

|                                |   |
|--------------------------------|---|
| JSC Arcticgas                  | CJSC Gazprom invest Yug   |
| WIEH GmbH                      | Gazprom Italia S.p.A.   |
| WINGAS GmbH                    | Gazprom Marketing and Trading Ltd.  |
| PJSC VNIPIgazdobycha           | LLC Gazprom mezhregiongaz postavka  |
| GASCADE Gastransport GmbH      | LLC Gazprom neftekhim Salavat   |
| LLC Gazprom 335                | JSC Gazpromneft Eastern-European projects (formerly JSC MFC Lahta center) |
| Gazprom Austria GmbH           | LLC Gazprom nef shelf   |
| Gazprombank (Switzerland) Ltd. | LLC Gazpromneft-Yamal   |
| LLC Gazprom gas-engine fuel    | LLC Gazprom pererabotka Blagoveshchensk                                   |
| JSC Gazprom gazoraspredelenie  | LLC Gazprom podzemremont Urengoy  |
| GAZPROM Germania GmbH          | Gazprom Sakhalin Holdings B.V.  |
| LLC Gazprom dobycha Astrakhan  | LLC Gazprom sera  |
| LLC Gazprom dobycha Orenburg   | JSC Gazprom teploenergo   |
| JSC Gazprom zarubezhneftegaz   |   |

## 18. Related parties (continued)

|                                 |   |
|---------------------------------|---|
| Gazprom Holding Cooperatie U.A. | OPAL Gastransport GmbH and Co. KG.      |
| GAZPROM Schweiz AG              | CJSC Panrusgaz                          |
| JSC Gazstroyprom                | PremiumGas S.p.A.                       |
| JSC Gazenergoservis             | Prometheus Gas S.A.                     |
| GPB Financial Services Limited  | CJSC Purgaz                             |
| LLC GHA                         | South Stream Bulgaria A.D.              |
| PJSC MOSENERGO                  | South Stream Hungary Ltd.               |
| PJSC MIPC                       | South Stream Serbia AG                  |
| JSC NPF GAZFOND                 | South Stream Transport B.V.             |
| JSC Overgas Inc.                | Sakhalin Energy Investment Company Ltd. |
| PJSC OGK-2                      | LLC Sibmetakhim                         |
| Medical Private Institution     | JSC SOGAZ                               |
| Clinical Diagnostic             | PJSC TGC-1                              |
| Center of PJSC Gazprom          | JSC Tomskgazprom                        |

### Related-party transactions

Figures for 2017 and 2018 are adjusted so as to follow the comparability principle of current and prior period accounting information concerning transactions with related parties.

### PJSC Gazprom's transactions with major wholly owned subsidiaries

|  | 2019          | 2018          |
|--|---------------|---------------|
| Sale   |               |               |
| (net of VAT, excise, customs duties and similar payments): |               |               |
| gas  | 1,278,439,846 | 1,253,263,363 |
| leased assets  | 757,215,636   | 780,733,856   |
| gas condensate and oil and gas refinery products           | 189,054,220   | 190,538,906   |
| gas transportation services                                | 13,588,601    | 7,721,737     |
| Acquisition:   |               |               |
| gas transportation and storage services                    | 1,182,203,568 | 1,186,118,712 |
| gas  | 824,769,397   | 830,192,132   |
| liquid hydrocarbons  | 125,161,717   | 98,247,697    |
| liquid hydrocarbons refinery services                      | 49,538,796    | 26,345,798    |

Prices for gas, gas transportation and storage services purchased from major wholly owned subsidiaries of PJSC Gazprom were mainly set in accordance with the Price List named Internal Settlement (Wholesale) Prices of Gas and Internal Settlement Tariffs for Gas Transportation and Storage Services for PJSC Gazprom Entities, as approved by PJSC Gazprom. Gas and gas transportation services were mainly provided to major wholly owned subsidiaries based on the above Price List. Prices for liquid hydrocarbons and liquid hydrocarbons refinery services purchased from major wholly owned subsidiaries were set in accordance with the Price List named Internal Settlement Prices of Hydrocarbons and Hydrocarbon Refinery Services for Making Contracts between PJSC Gazprom and its Subsidiaries, as approved by PJSC Gazprom.

Accounts receivable from and accounts payable to major wholly owned subsidiaries of PJSC Gazprom were as follows:

|                     | 31 December   |               |             |
|---------------------|---------------|---------------|-------------|
|                     | 2019          | 2018          | 2017        |
| Accounts receivable | 1,310,821,480 | 1,245,485,811 | 997,818,270 |
| Accounts payable    | 544,513,487   | 552,835,286   | 439,976,567 |

Accounts receivable include outstanding interest-free loans given to major wholly owned subsidiaries in the amount of RUB 672,940,978 thousand, RUB 532,202,160 thousand and RUB 131,645,225 thousand as at 31 December 2019, 2018 and 2017, respectively.



## 18. Related parties (continued)

Interest-bearing loans due from major wholly owned subsidiaries of PJSC Gazprom were as follows:

|  | 31 December |             |             |
|--|-------------|-------------|-------------|
|  | 2019        | 2018        | 2017        |
| Loans due beyond 12 months of the reporting date | 165,697,113 | 4,231,980   | 17,047,413  |
| Loans due within 12 months of the reporting date | 670,646     | 131,676,793 | 167,218,711 |

As at 31 December 2019 and 2017, loans due beyond 12 months of the reporting date are represented basically by the debt of Nord Stream 2 AG in the amount of RUB 161,863,143 thousand and RUB 15,586,923 thousand, respectively. As at 31 December 2018, loans due beyond 12 months of the reporting date are represented by the debt of LLC Gazprom dobycha Kuznetsk.

As at 31 December 2019, loans due within 12 months of the reporting date are represented basically by the debt of LLC Gazprom investproject in the amount of RUB 391,298 thousand. As at 31 December 2018, they are represented basically by the debt of Nord Stream 2 AG in the amount of RUB 131,137,518 thousand. As at 31 December 2017, they are represented basically by the debt of LLC Novourengoy sky gas chemical complex in the amount of RUB 165,356,211 thousand.

Interest on loans that the Company granted to its major wholly owned subsidiaries was RUB 8,924,575 thousand, RUB 7,984,679 thousand and RUB 14,609,061 thousand in 2019, 2018 and 2017, respectively.

The Company issued loans to its major wholly owned subsidiaries at the interest rates ranging from 6.00% to 13.98%, from 6.00% to 16.16% and from 6.00% to 16.16% in 2019, 2018 and 2017, respectively.

In addition, in 2019, 2018 and 2017 the Company issued Russian Rouble loans to its major wholly owned subsidiaries in order to centralise the management of Gazprom Group's cash flows. The interest rate was determined depending on the period of actual use of loan proceeds at Mosprime increased by the credit risk premium.

The debt of the Company on loans it received from its major wholly owned subsidiaries was as follows:

|  | 31 December |             |             |
|--|-------------|-------------|-------------|
|  | 2019        | 2018        | 2017        |
| Loans due beyond 12 months of the reporting date | 90,000,000  | 60,000,000  | 30,000,000  |
| Loans due within 12 months of the reporting date | 229,997,130 | 189,235,591 | 181,806,925 |

As at 31 December 2019, 2018 and 2017 the Company had a debt on loans received from LLC Gazprom capital due beyond 12 months of the reporting date.

As at 31 December 2019, loans due within 12 months of the reporting date are represented basically by the debt payable to LLC Gazprom mezhregiongaz of RUB 108,524,317 thousand. As at 31 December 2018 and 2017 loans due within 12 months of the reporting date are represented basically by the debt payable to LLC Gazprom pererabotka of RUB 82,288,433 thousand and RUB 81,292,037 thousand, respectively.

Interest on loans that the Company received from its major wholly owned subsidiaries was RUB 9,494,814 thousand, RUB 5,925,265 thousand and RUB 3,138,670 thousand in 2019, 2018 and 2017, respectively.

The Company received loans from its major wholly owned subsidiaries at the interest rates ranging from 7.35% to 9.10% in 2019, from 7.35% to 9.10% in 2018, and from 7.65% to 9.10% in 2017.

In addition, in 2019, 2018 and 2017 the Company received Russian Rouble loans from its major wholly owned subsidiaries in order to centralise the management of Gazprom Group's cash flows. The interest rate was determined depending on the period of actual use of loan proceeds at Mosprime increased by the credit risk premium.

In 2019, the Company allocated cash of RUB 26,024,429 thousand for the increase of charter capitals of its major wholly owned subsidiaries (2018: RUB 116,334,200 thousand, 2017: RUB 213,896,005 thousand). These amounts included RUB 16,733,850 thousand to increase the charter capital of LLC Gazprom pererabotka in 2019 (2018: RUB 85,511,000 thousand, 2017: RUB 112,132,869 thousand),

## 18. Related parties (continued)

RUB 0 thousand to increase the charter capital of Nord Stream 2 AG in 2019 (2018: RUB 0 thousand, 2017: RUB 85,727,190 thousand), and RUB 649,329 thousand to increase the charter capital of LLC Gazprom Kyrgyzstan in 2019 (2018: RUB 911,784 thousand, 2017: RUB 7,425,237 thousand).

In 2019, the Company made additional contributions to the charter capitals of its major wholly owned subsidiaries by way of non-monetary assets in the amount of RUB 15,348,479 thousand (2018: RUB 476,111,893 thousand, 2017: RUB 92,518 thousand).

Guarantees issued and property pledged by the Company to secure obligations of its major wholly owned subsidiaries totalled RUB 138,647,561 thousand, RUB 120,451,926 thousand and RUB 209,264,821 thousand as at 31 December 2019, 2018 and 2017, respectively.

### Transactions with other major subsidiaries

|  | 2019        | 2018        |
|--|-------------|-------------|
| Sale   |             |             |
| (net of VAT, excise, customs duties and similar payments): |             |             |
| gas transportation services                                | 45,578,831  | 52,602,352  |
| Acquisition:   |             |             |
| gas  | 117,116,061 | 126,653,000 |
| gas condensate, oil and oil and gas refinery products      | –           | 24,254,276  |

Prices of gas sold to other major subsidiaries were set up based on the contracts made between the parties and effective Price Lists named Internal Settlement (Wholesale) Prices of Gas and Internal Settlement Tariffs for Gas Transportation and Storage Services for PJSC Gazprom Entities as amended from time to time. Prices for gas purchased from other major subsidiaries of PJSC Gazprom were set forth in accordance with the terms and conditions of contracts.

Accounts receivable from and accounts payable to other major subsidiaries of the Company were as follows:

|                     | 31 December |             |            |
|---------------------|-------------|-------------|------------|
|                     | 2019        | 2018        | 2017       |
| Accounts receivable | 2,125,132   | 106,442,944 | 47,298,500 |
| Accounts payable    | 15,695,552  | 20,202,181  | 21,150,551 |

The debt of other major subsidiaries of the Company on interest-bearing loans due to the Company was as follows:

|  | 31 December |           |           |
|--|-------------|-----------|-----------|
|  | 2019        | 2018      | 2017      |
| Loans due within 12 months of the reporting date | 17,731,348  | 1,961,169 | 2,803,559 |

As at 31 December 2019, loans due within 12 months of the reporting date are represented basically by the debt of LLC Achim Development (a subsidiary) of RUB 16,804,586 thousand.

As at 31 December 2018 and 2017 loans due within 12 months of the reporting date are represented basically by the debt of JSC Daltransgaz (a subsidiary) of RUB 1,004,590 thousand and RUB 1,896,905 thousand, respectively.

Interest on loans that the Company granted to its other major subsidiaries was RUB 416,454 thousand, RUB 167,134 thousand and RUB 228,288 thousand in 2019, 2018 and 2017, respectively.

The Company granted loans to its other major subsidiaries in 2019, 2018 and 2017 at the interest rates ranging from 6.02% to 8.48%.

In addition, in 2019, 2018 and 2017 the Company issued Russian Rouble loans to its other major subsidiaries in order to centralise the management of Gazprom Group's cash flows. The interest rate was determined depending on the period of actual use of loan proceeds at Mosprime increased by the credit risk premium.

The Company's accounts payable related to loans received from its other major subsidiaries were as follows:

## 18. Related parties (continued)

|  | 31 December |           |           |
|--|-------------|-----------|-----------|
|  | 2019        | 2018      | 2017      |
| Loans due within 12 months of the reporting date | 49,718,507  | 2,219,183 | 1,428,004 |

As at 31 December 2019, loans due within 12 months of the reporting date are represented basically by the debt payable to PJSC Gazprom Neft of RUB 43,912,487 thousand. As at 31 December 2018, they are represented basically by the debt payable to LLC Gazprom asset management of RUB 1,846,630 thousand. As at 31 December 2017, they are represented basically by the debt payable to LLC Gazprom asset management.

Interest on loans that the Company received from its other major subsidiaries was RUB 2,453,996 thousand, RUB 139,978 thousand and RUB 78,367 thousand in 2019, 2018 and 2017, respectively.

In 2019, 2018 and 2017 the Company received Russian Rouble loans from its other major subsidiaries in order to centralise the management of Gazprom Group's cash flows. The interest rate was determined depending on the period of actual use of loan proceeds at Mosprime increased by the credit risk premium.

Guarantees issued by the Company to secure obligations of its other major subsidiaries totalled RUB 49,763,337 thousand, RUB 58,663,443 thousand and RUB 51,004,886 thousand as at 31 December 2019, 2018 and 2017, respectively.

### Transactions with major associates

|   | 2019       | 2018        |
|---|------------|-------------|
| Sale<br>(net of VAT, excise, customs duties and similar payments) |            |             |
| gas   | 84,087,760 | 77,799,801  |
| Acquisition:  |            |             |
| gas transportation and storage services, including                | 95,631,718 | 100,699,643 |
| through LLC Gazprom export acting as the commissioner             | 93,782,877 | 97,398,288  |

Prices of gas sold outside Russia to major associates and prices of gas transportation and storage services purchased from major associates were set based on the contracts.

Accounts receivable from and accounts payable to the Company's major associates were as follows:

|                     | 31 December |             |             |
|---------------------|-------------|-------------|-------------|
|                     | 2019        | 2018        | 2017        |
| Accounts receivable | 420,247,449 | 437,042,819 | 351,211,570 |
| Accounts payable    | 8,508,201   | 10,153,439  | 8,905,966   |

As at 31 December 2019, 2018 and 2017 the doubtful debt provisions of RUB 389,872,669 thousand, RUB 408,674,201 thousand and RUB 318,531,962 thousand, respectively, were formed in respect to receivables from major associates.

The interest-bearing loans receivable from the Company's major associates were as follows:

|  | 31 December |           |           |
|--|-------------|-----------|-----------|
|  | 2019        | 2018      | 2017      |
| Loans due beyond 12 months of the reporting date | 2,478,686   | 2,478,686 | 4,957,373 |
| Loans due within 12 months of the reporting date | 4,045,204   | 3,985,204 | 3,945,203 |

As at 31 December 2019, 2018 and 2017, loans due beyond 12 months of the reporting date are represented by the debt of Belgazprombank, a joint Belarusian-Russian open joint-stock company.

As at 31 December 2019, 2018 and 2017, loans due within 12 months of the reporting date are represented by the debt of LLC TsentrKasneftegaz.

## 18. Related parties (continued)

Interest on loans given by the Company to its major associates was RUB 536,034 thousand, RUB 714,898 thousand and RUB 859,582 thousand in 2019, 2018 and 2017, respectively.

In 2019, the Company granted loans to its major associates at the interest rates ranging from 8.25% to 8.27% (2018: from 8.25% to 8.27%, 2017: from 8.25% to 11.50%).

The value of promissory notes purchased by the Company from Gazprombank (Joint Stock Company) amounted to:

|   | 31 December |      |      |
|---|-------------|------|------|
|   | 2019        | 2018 | 2017 |
| Promissory notes due within 12 months of the reporting date | 23,814,336  | –    | –    |

The amount of deposits opened with Gazprombank (Joint Stock Company) was:

|   | 31 December |             |             |
|---|-------------|-------------|-------------|
|   | 2019        | 2018        | 2017        |
| Deposits due within 12 months of the reporting date | 408,681,200 | 649,726,410 | 289,002,177 |

No loans were raised from major associates in 2019, 2018 and 2017.

No borrowings were raised from major associates in 2019 and 2018.

Interest on borrowings received by the Company from its major associates in 2017 amounted to RUB 50,534 thousand.

Property pledged by the Company to secure obligations of its major associates as at 31 December 2019, 2018 and 2017 totalled RUB 49,539,630 thousand.

## Information on cash flows related to transactions with major subsidiaries and associates of PJSC Gazprom

| Line code                                   | Narrative  | For reporting period   | including,<br>major subsidiaries<br>and associates | For the same<br>period<br>of the prior year | including,<br>major subsidiaries<br>and associates |
|---|--|------------------------|--|---|--|
| <b>Cash flows from operating activities</b> |  |                        |  |   |  |
| <b>4110</b>                                 | <b>Receipts – total,<br/>including:</b>                                | <b>5,974,702,680</b>   | <b>2,592,447,141</b>                               | <b>6,276,739,085</b>                        | <b>2,636,416,002</b>                               |
| 4111  | sales of products, goods,<br>work and services                         | 5,475,073,713          | 2,417,472,964                                      | 5,782,659,142                               | 2,392,322,913                                      |
| 4119  | other receipts   | 499,628,967            | 174,974,177  | 494,079,943                                 | 244,093,089  |
| <b>4120</b>                                 | <b>Payments – total,<br/>including:</b>                                | <b>(5,356,069,825)</b> | <b>(2,979,418,489)</b>                             | <b>(5,381,641,144)</b>                      | <b>(3,109,087,129)</b>                             |
| 4121  | to suppliers for raw materials,<br>works, services                     | (3,415,168,544)        | (2,536,881,656)                                    | (3,222,632,119)                             | (2,453,760,492)                                    |
| 4122  | wages and salaries   | (47,754,275)           | –  | (46,646,550)                                | –  |
| 4123  | interest on borrowings   | (105,323,836)          | (10,784,837)                                       | (103,720,787)                               | (5,216,688)  |
| 4124  | income tax   | (230,884,151)          | –  | (217,067,892)                               | –  |
| 4129  | other payments   | (1,556,939,019)        | (431,751,996)                                      | (1,791,573,796)                             | (650,109,949)                                      |
| <b>4100</b>                                 | <b>Net cash flows from operating activities</b>                        | <b>618,632,855</b>     | <b>(386,971,348)</b>                               | <b>895,097,941</b>                          | <b>(472,671,127)</b>                               |
| <b>Cash flows from investing activities</b> |  |                        |  |   |  |
| <b>4210</b>                                 | <b>Receipts – total,<br/>including:</b>                                | <b>1,196,902,493</b>   | <b>1,174,248,424</b>                               | <b>1,160,757,011</b>                        | <b>996,544,310</b>                                 |
| 4211  | from sales of non-current assets (except<br>for financial investments) | 491,943                | 278,365  | 8,770,965                                   | 7,709,827  |
| 4212  | from sales of shares of other entities<br>(ownership interest)         | 1,921,383              | –  | 1,062,002                                   | –  |

## 18. Related parties (continued)

| Line code                                   | Narrative  | For reporting period   | including,<br>major subsidiaries<br>and associates | For the same<br>period<br>of the prior year | including,<br>major subsidiaries<br>and associates |
|---|--|------------------------|--|---|--|
| 4213  | from return of loans issued, sales of debt securities (rights of claiming cash from third parties)           | 754,304,760            | 2,494,897  | 744,859,075                                 | 688,334,045  |
| 4214  | dividends, interest on debt financial investments and receipts from participation in other entities          | 436,830,871            | 432,146,312  | 354,428,505                                 | 255,677,799  |
| 4219  | other receipts   | 3,353,536              | 739,328,850  | 51,636,464                                  | 44,822,639   |
| <b>4220</b>                                 | <b>Payments – total, including:</b>  | <b>(1,707,667,814)</b> | <b>(1,476,691,614)</b>                             | <b>(2,166,884,803)</b>                      | <b>(2,023,723,752)</b>                             |
| 4221  | acquisition, construction, modernisation, reconstruction and preparation for the use of non-current assets   | (171,301,007)          | (28,509,405)                                       | (76,020,518)                                | (17,550,015)                                       |
| 4222  | acquisition of other entities shares (ownership interest)  | (26,148,341)           | (26,024,429)                                       | (142,379,327)                               | (128,097,596)                                      |
| 4223  | acquisition of debt securities (rights of claiming cash from third parties), issue of loans to third parties | (630,391,000)          | (598,574,200)                                      | (1,169,619,490)                             | (1,125,704,012)                                    |
| 4225  | construction/acquisition of exploration assets   | (35,117,695)           | (34,087,974)                                       | (34,457,278)                                | (34,328,154)                                       |
| 4229  | other payments   | (844,709,771)          | (789,495,606)                                      | (744,408,190)                               | (718,043,975)                                      |
| <b>4200</b>                                 | <b>Net cash flows from investing activities</b>  | <b>(510,765,321)</b>   | <b>(302,443,190)</b>                               | <b>(1,006,127,792)</b>                      | <b>(1,027,179,442)</b>                             |
| <b>Cash flows from financing activities</b> |  |                        |  |   |  |
| 4310  | <b>Receipts – total, including:</b>  | <b>694,348,656</b>     | <b>204,353,506</b>                                 | <b>776,806,918</b>                          | <b>94,518,393</b>                                  |
| 4311  | borrowings and bank loans  | 694,116,470            | 204,353,506  | 736,365,273                                 | 94,518,393   |
| 4314  | issue of bonds, promissory notes and other debt securities, etc.   | –                      | –  | 39,995,000                                  | –  |
| 4319  | other receipts   | 232,186                | –  | 446,645                                     | –  |
| <b>4320</b>                                 | <b>Payments – total, including:</b>  | <b>(815,983,877)</b>   | <b>(86,820,062)</b>                                | <b>(818,860,317)</b>                        | <b>(61,232,247)</b>                                |
| 4322  | dividend payments or other distribution of profit to owners (participants)                                   | (385,809,136)          | –  | (186,870,622)                               | –  |
| 4323  | redemption (buy-back) of promissory notes and other debt securities, loan repayment                          | (430,174,741)          | (86,820,062)                                       | (631,989,695)                               | (61,232,247)                                       |
| <b>4300</b>                                 | <b>Net cash flows from financing activities</b>  | <b>(121,635,221)</b>   | <b>117,533,444</b>                                 | <b>(42,053,399)</b>                         | <b>33,286,146</b>                                  |
| <b>4400</b>                                 | <b>Net cash flows for the reporting period</b>   | <b>(13,767,687)</b>    | <b>(571,881,094)</b>                               | <b>(153,083,250)</b>                        | <b>(1,466,564,423)</b>                             |

## Transactions with other major related parties

|   | 2019        | 2018        |
|---|-------------|-------------|
| Sale<br>(net of VAT, excise, customs duties and similar payments) |             |             |
| gas   | 637,863,530 | 842,138,602 |
| gas condensate, oil and oil and gas refinery products             | 121,221,479 | 133,681,449 |
| gas transportation services                                       | 37,386,098  | 47,145,049  |
| leased assets   | 15,144,283  | 14,053,646  |
| Acquisition:  |             |             |
| gas   | 373,310,932 | 256,984,655 |
| through LLC Gazprom export acting as the commissioner             | 296,401,801 | 140,976,857 |
| gas transportation and storage services, including                | 41,443,516  | 40,331,153  |

## 18. Related parties (continued)

|   |             |            |
|---|-------------|------------|
| through LLC Gazprom export acting as the commissioner | 41,401,530  | 40,323,572 |
| liquid hydrocarbons                                   | 101,693,027 | 80,750,586 |
| liquid hydrocarbons refinery services                 | –           | 10,130,863 |

Prices of gas sold outside Russia to other major related parties and prices of gas transportation and storage services purchased from other major related parties were set based on the contracts.

Accounts receivable from and accounts payable to the Company's other major related parties were as follows:

|                     | 31 December |             |             |
|---------------------|-------------|-------------|-------------|
|                     | 2019        | 2018        | 2017        |
| Accounts receivable | 307,000,203 | 399,354,656 | 196,679,062 |
| Accounts payable    | 139,378,943 | 61,424,997  | 55,775,261  |

The doubtful debt provisions of RUB 7,196,259 thousand, RUB 7,307,002 thousand and RUB 6,058,459 thousand were formed in respect to receivables from other major related parties as at 31 December 2019, 2018 and 2017, respectively.

Accounts receivable include outstanding interest-free loans given to other major related parties in the amount of RUB 1,734,070 thousand and RUB 42,634,042 thousand as at 31 December 2019 and 2018, respectively. The Company did not issue interest-free loans to other major related parties in 2017.

The debt of other major related parties on interest-bearing loans received from the Company was as follows:

|  | 31 December |             |             |
|--|-------------|-------------|-------------|
|  | 2019        | 2018        | 2017        |
| Loans due beyond 12 months of the reporting date | 117,532,317 | 174,618,302 | 129,701,194 |
| Loans due within 12 months of the reporting date | 26,347,290  | 4,851,704   | –           |

As at 31 December 2019, loans due beyond 12 months of the reporting date are represented by the debt of South Stream Transport B.V. As at 31 December 2018 and 2017, loans due beyond 12 months of the reporting date are represented basically by the debt of South Stream Transport B.V. of RUB 159,318,302 thousand and RUB 100,201,194 thousand, respectively.

As at 31 December 2019 and 2018, loans due within 12 months of the reporting date are represented by the debt of South Stream Transport B.V.

Interest on loans that the Company granted to its other major related parties in 2019 amounted to RUB 5,425,485 thousand (2018: RUB 6,082,537 thousand, 2017: RUB 3,785,650 thousand).

In 2019, the Company granted loans to its other major related parties at interest rates ranging from 1.13% to 7.76% (2018: from 1.13% to 7.96%, 2017: from 1.13% to 10.50%).

In addition, in 2019, 2018 and 2017 the Company issued Russian Rouble loans to its other major related parties in order to centralise the management of Gazprom Group's cash flows. The interest rate was determined depending on the period of actual use of loan proceeds at Mosprime increased by the credit risk premium.

The Company's accounts payable related to loans received from other major related parties were as follows:

|  | 31 December |             |             |
|--|-------------|-------------|-------------|
|  | 2019        | 2018        | 2017        |
| Loans due within 12 months of the reporting date | 427,721,785 | 269,033,931 | 267,162,890 |

As at 31 December 2019 loans due within 12 months of the reporting date are represented basically by the debt on a loan received from Gazprom Sakhalin Holdings B.V. and loans received

## 18. Related parties (continued)

from Gazprom Holding Cooperatie U.A. in order to centralise the management of Gazprom Group's cash flows in the amount of RUB 129,151,560 thousand and RUB 115,565,068 thousand, respectively.

As at 31 December 2018 and 2017 loans due within 12 months of the reporting date are represented basically by the debt payable to Gazprom Sakhalin Holdings B.V. in the amount of RUB 168,924,671 thousand and RUB 176,317,264 thousand, respectively.

Interest on loans that the Company received from other major related parties was RUB 12,721,246 thousand, RUB 5,680,504 thousand and RUB 4,757,765 thousand in 2019, 2018 and 2017, respectively, including interest on loans received from Gazprom Sakhalin Holdings B.V. amounting to RUB 4,999,029 thousand, RUB 3,878,648 thousand and RUB 3,366,105 thousand in 2019, 2018 and 2017, respectively, and on loans received from Gazprom Holding Cooperatie U.A. amounting to RUB 4,194,949 thousand, RUB 534,588 thousand and RUB 575,038 thousand in 2019, 2018 and 2017, respectively.

Interest rates on loans that the Company received from its other major related parties varied from 1.40% to 3.50% in 2019, from 1.69% to 3.00% in 2018 and from 1.69% to 2.07% in 2017.

In addition, in 2019, 2018 and 2017 the Company received Russian Rouble loans from its other related parties in order to centralise the management of Gazprom Group's cash flows. The interest rate on loans received in Russian Roubles was determined depending on the period of actual use of loan proceeds at Mosprime increased by the credit risk premium.

In 2019, 2018 and 2017 the Company also received foreign currency loans from its other major related parties in order to centralise the management of Gazprom Group's cash flows. The interest rate on loans received in foreign currencies was determined depending on the period of actual use of loan proceeds at LIBOR, EONIA and EURIBOR increased by the credit risk premium.

Guarantees issued and property pledged by the Company to secure obligations of its other major related parties totalled RUB 249,437,171 thousand, RUB 17,497,809 thousand and RUB 9,748,740 thousand as at 31 December 2019, 2018 and 2017, respectively.

Under a loan agreement, the Company is obliged to issue a loan to JSC Gazstroyprom to settle a loan liability towards the bank in case of a delay in payment. The loan was not issued as at 31 December 2019. The undrawn amount of the loan facility was RUB 47,000,000 thousand as at 31 December 2019. The loan facility is valid until 31 December 2027.

### Information on cash flows related to transactions with other major related parties:

|                           | 2019          | 2018          |
|---------------------------|---------------|---------------|
| Cash inflow, including:   | 1,477,931,067 | 1,429,658,785 |
| from operating activities | 1,239,171,781 | 1,246,560,919 |
| from financing activities | 217,351,789   | 69,417,910    |
| from investing activities | 21,407,497    | 113,679,956   |
| Cash outflow, including:  | 710,740,119   | 629,966,028   |
| from operating activities | 522,469,730   | 465,952,773   |
| from financing activities | 34,637,939    | 97,520,432    |
| from investing activities | 153,632,450   | 66,492,823    |

The line "Cash Inflow from Operating Activities" primarily includes proceeds from sale of goods, products, works and services.

The line "Cash Outflow from Operating Activities" primarily includes payments to the suppliers (contractors) for raw materials, works and services.

### Remuneration to key management personnel

Short-term compensation of key management personnel (the members of the Board of Directors and Management Committee of PJSC Gazprom), including salary, bonuses and remuneration for membership in the management bodies of the Company, amounted to RUB 1,956,740 thousand, RUB 3,362,403 thousand and RUB 3,268,992 thousand for the years ended 31 December 2019, 2018 and 2017, respectively. Such amounts include personal income tax and insurance contributions.



## **18. Related parties (continued)**

Government employees, who are members of the Board of Directors, do not receive any remuneration from the Company. Remuneration of members of the Board of Directors shall be approved by the annual meeting of shareholders. Compensation of key management personnel (other than remuneration of the Board of Directors) is determined by the terms of employment contracts. Key management personnel also receive certain short-term benefits related to healthcare.

According to the Russian legislation, the Company makes contributions for compulsory pension coverage, compulsory social insurance against temporary disability and maternity, compulsory medical insurance, insurance against accidents at work and occupational diseases calculated on the basis of salaries and other payments to employees, including the key management personnel.

The Company also provided medical insurance for its key management personnel. Voluntary medical insurance contributions amounted to RUB 10,632 thousand, RUB 12,420 thousand and RUB 12,781 thousand in 2019, 2018 and 2017, respectively.

In 2019, the Company made contributions under non-state pension agreements with JSC NPF GAZFOND to individual retirement accounts of its key management personnel totalling RUB 347,088 thousand (2018: RUB 30,300 thousand).

## **19. Estimated and contingent liabilities**

### **Estimated liabilities**

Information on estimated liabilities is disclosed in Section 7 of the table enclosed in the Explanatory Notes to the Balance Sheet and the Statement of Financial Results.

#### **Estimated asset retirement liability and liability to restore environment disturbed by mineral extraction**

According to p. 8 Art. 22 of Federal Law No. 2395-I of 21 February 1992 "On Subsoil" and subsoil use licence agreements, the user of mineral resources is obliged to bring the land plots and other natural sites disturbed by subsoil use to the condition appropriate for further use as well as to liquidate mine workings and wells that are not subject to further use.

The Company holds licence agreements at the Kirinskoye gas and condensate field, the Kovyktinskoye gas and condensate field, the Chayandinskoye oil, gas and condensate field, the Kirinskoye prospective area and the Chikanskoye gas and condensate field and, consequently, is the user of mineral resources and the owner of the fixed assets items.

The fixed assets items were transferred by the user of mineral resources under a commercial field development and use agreement with respect to the Kirinskoye gas and condensate field and under a pilot field development agreement with respect to the Chayandinskoye oil, gas and condensate field, under a pilot field development agreement with respect to the Kovyktinskoye gas and condensate field, as well as under property lease agreements and, consequently, the Company bears responsibility for bringing the land plots and other natural sites disturbed by subsoil use to the condition appropriate for further use as well as liquidating mine workings and wells that are not subject to further use.

The Company recognised estimated liabilities with respect to the removal of the infrastructure facilities and soil remediation of the Kirinskoye gas and condensate field, the Kovyktinskoye gas and condensate field, the Chayandinskoye oil, gas and condensate field, the Chikanskoye gas and condensate field, as well as estimated liabilities with respect to removal of the infrastructure facilities of the Kirinskoye prospective area. The amount of estimated liabilities was recalculated using the discount rate as at the end of each reporting period during 2019.

The Company does not accrue estimated liabilities on the removal of fixed assets with respect to the items leased out to its subsidiaries (users of mineral resources), which is explained by the specific aspects of the subsoil use process applied by the Company and its subsidiaries, specifically, the majority of the fixed assets items involved in the process are owned by the Company but leased out to its subsidiaries (users of mineral resources) and used by the latter in accordance with licence agreements to which they are a party. Consequently, the Company who owns fixed assets that have been leased out to the user of mineral resources does not have any liabilities of dismantling fixed assets that are not subject for further use or restoring the environment disturbed by the subsoil use.



## 19. Estimated and contingent liabilities (continued)

### Pension liabilities

The Company operates a defined benefit plan. As the current legislation provides no guidance for recording pension liability accruals on accounts, the calculations of both pension liabilities and pension assets are only possible at the level of Gazprom Group and they are disclosed in the Notes to Gazprom Group's consolidated financial statements prepared in accordance with International Financial Reporting Standards (www.gazprom.ru).

### Estimated liabilities related to gas and other products price adjustments

The Company has recognised estimated liabilities related to price adjustments with regard to delivered gas supplies caused by customer claims based on contract conditions, and other products.

The estimated liabilities related to gas price adjustments of RUB 66,503,127 thousand, RUB 33,300,107 thousand and RUB 118,455,544 thousand as at 31 December 2019, 2018 and 2017, respectively, do not include any potential adjustment of customs duties accrued earlier.

### Contingencies

The Company issued the following guarantees to third parties on behalf of other entities:

|  | 31 December        |                    |                    |
|--|--------------------|--------------------|--------------------|
|  | 2019               | 2018               | 2017               |
| Guarantees issued on behalf of the following entities: |                    |                    |                    |
| LLC Gazprom pererabotka Blagoveshchensk                | 216,210,682        | 6,337,755          | –                  |
| LLC MK-1   | 101,017,885        | –                  | –                  |
| JSC Gazprom Space Systems                              | 49,763,337         | 58,663,443         | 51,004,886         |
| LLC Gazprom export                                     | 48,449,964         | 11,442,063         | 9,916,604          |
| JSC NIPIgazpererabotka                                 | 20,865,251         | 11,133,949         | 470,496            |
| LLC Svobodnenskaya TPP                                 | 10,832,402         | 2,517,184          | –                  |
| LLC Gazprom нефт shelf                                 | 9,412,153          | 11,160,054         | 9,748,740          |
| LLC Novourengoysky gas chemical complex                | –                  | 19,312,266         | 109,650,620        |
| LLC Stroygazconsulting                                 | –                  | 41,500,000         | 41,500,000         |
| Blackrock Capital Investments Ltd.                     | –                  | –                  | 1,572,216          |
| Other  | 881,299            | 342,455            | 56,926             |
| <b>Total</b>   | <b>457,432,973</b> | <b>162,409,169</b> | <b>223,920,488</b> |

In January 2007, the Company issued guarantees to secure obligations of LLC Gazprom нефт shelf under shipping agreements. The guarantees are valid for 25 years after the vessels are transferred to LLC Gazprom нефт shelf. As at 31 December 2019, 2018 and 2017, the guarantees amounted to RUB 9,412,153 thousand, RUB 11,160,054 thousand and RUB 9,748,740 thousand, respectively.

In May 2010, the Company issued a guarantee valid till October 2023 to secure obligations of JSC Gazprom Space Systems under a loan agreement. As at 31 December 2019, 2018 and 2017, the guarantee amounted to RUB 4,604,603 thousand, RUB 7,064,394 thousand and RUB 8,100,845 thousand, respectively.

In September 2015, the Company issued a guarantee valid till September 2023 to secure obligations of LLC Novourengoysky gas chemical complex under a loan agreement. As at 31 December 2018 and 2017, the guarantee amounted to RUB 19,312,266 thousand and RUB 16,736,733 thousand, respectively. In August 2019, LLC Novourengoysky gas chemical complex discharged its loan obligations, and the guarantee agreement was, therefore, terminated.

In June 2016, the Company issued a guarantee valid till June 2021 to secure obligations of JSC Gazprom Space Systems under a loan agreement. As at 31 December 2019, 2018 and 2017, the guarantee amounted to RUB 11,294,610 thousand, RUB 21,567,744 thousand and RUB 24,302,233 thousand, respectively.

## 19. Estimated and contingent liabilities (continued)

In December 2017, the Company issued a guarantee valid till June 2028 to secure obligations of LLC Stroygazconsulting under a loan agreement. As at 31 December 2018 and 2017, the guarantee amounted to RUB 41,500,000 thousand. As obligations of LLC Stroygazconsulting under the loan agreement had been discharged, the guarantee agreement was terminated in January 2019.

In March and December 2017 and 2019, the Company issued guarantees for the period from 2020 to 2023 to secure obligations of JSC NIPigazpererabotka under a design, procurement and services contract. As at 31 December 2019, 2018 and 2017, the obligations secured with these guarantees amounted to RUB 20,865,251 thousand, RUB 11,133,949 thousand and RUB 470,496 thousand, respectively.

In May 2018, the Company issued a guarantee valid till November 2023 to secure obligations of JSC Gazprom Space Systems under a loan agreement. As at 31 December 2019 and 2018, the guarantee amounted to RUB 33,864,124 thousand and RUB 30,031,305 thousand, respectively.

In December 2018, the Company issued a guarantee valid till December 2021 to secure obligations of LLC Gazprom pererabotka Blagoveshchensk under a loan agreement. As at 31 December 2019 and 2018, the guarantee amounted to RUB 24,402,960 thousand and RUB 6,337,755 thousand, respectively.

In December 2018, the Company issued a guarantee valid till November 2030 to secure obligations of LLC Svobodnenskaya TPP (formerly LLC Amur TPP) under a loan agreement. As at 31 December 2019 and 2018, the guarantee amounted to RUB 10,832,402 thousand and RUB 2,517,184 thousand, respectively.

In December 2018, the Company issued a guarantee valid till December 2021 to secure obligations of LLC Gazprom pererabotka Blagoveshchensk under a loan agreement. As at 31 December 2019, the guarantee amounted to RUB 154,984,411 thousand.

In January 2019, the Company issued a guarantee valid till June 2028 to secure obligations of LLC MK-1 under a loan agreement. As at 31 December 2019, the guarantee amounted to RUB 101,017,885 thousand.

In July 2019, the Company issued a guarantee valid till October 2039 to secure obligations of LLC Gazprom export under a capacity booking agreement. As at 31 December 2019, the guarantee amounted to RUB 38,465,134 thousand.

In October 2019, the Company issued a guarantee valid till October 2020 for LLC Gazprom pererabotka Blagoveshchensk to apply the declarative procedure for value-added tax refund. As at 31 December 2019, the guarantee amounted to RUB 15,523,861 thousand. An application for the guarantor's release from its obligations was received in January 2020, and the guarantee agreement was, therefore, terminated.

In December 2019, the Company issued a guarantee valid till December 2020 for LLC Gazprom pererabotka Blagoveshchensk to apply the declarative procedure for value-added tax refund. As at 31 December 2019, the guarantee amounted to RUB 21,144,500 thousand.

In December 2019, the Company issued a guarantee valid till December 2037 to secure obligations of LLC Gazprom pererabotka Blagoveshchensk under a project financing agreement. As at 31 December 2019, the guarantee amounted to RUB 154,950 thousand.

The Company pledged securities:

|                  | 31 December        |                    |                    |
|------------------|--------------------|--------------------|--------------------|
|                  | 2019               | 2018               | 2017               |
| Shares           | 183,261,771        | 183,261,771        | 139,237,227        |
| Promissory notes | 23,814,336         | –                  | –                  |
| <b>Total</b>     | <b>207,076,107</b> | <b>183,261,771</b> | <b>139,237,227</b> |

In April 2010, the Company pledged the shares recognised in the balance sheet as assets for the period until December 2027 without the right to alienate or otherwise dispose of them and with retention of the voting right and the right to receive dividends to secure obligations of Nord Stream AG under a project financing agreement. As at 31 December 2019, 2018 and 2017, the pledge value of the shares amounted to RUB 49,539,630 thousand. As at 31 December 2019, 2018 and 2017, the value of the shares reported in the balance sheet amounted to RUB 49,539,630 thousand.

## 19. Estimated and contingent liabilities (continued)

In August 2017, the Company pledged the shares recognised in the balance sheet as assets for the period until December 2038 without the right to alienate or otherwise dispose of them and with retention of the voting right and the right to receive dividends to secure obligations of Nord Stream 2 AG under a project financing agreement. As at 31 December 2019, 2018 and 2017, the pledge value of the shares amounted to RUB 89,697,597 thousand. As at 31 December 2019, 2018 and 2017, the value of the shares reported in the balance sheet amounted to RUB 89,697,597 thousand.

In June 2018, the Company pledged the shares recognised in the balance sheet as assets to LLC Gazprom export to secure its obligations under a share purchase agreement. The pledge is valid until ownership of the shares is transferred to LLC Gazprom export. As at 31 December 2019 and 2018, the pledge value of the shares amounted to RUB 44,024,544 thousand. As at 31 December 2019 and 2018, the value of the shares reported in the balance sheet amounted to RUB 62,817 thousand.

In March 2019, the Company pledged the promissory notes recognised in the balance sheet as assets for the period until November 2020 without the right to alienate or otherwise dispose of them without written consent of the pledge holder to secure obligations of JSC Gazstroyprom under a loan agreement. As at 31 December 2019, the pledge value of the promissory notes amounted to RUB 23,814 336 thousand. As at 31 December 2019, the value of the promissory notes reported in the balance sheet amounted to RUB 23,814,336 thousand.

According to the Company's assessment, there is no material risk of third parties' default on obligations secured by guarantees and pledged property of PJSC Gazprom as at 31 December 2019, 2018 and 2017. The Company, therefore, did not record estimated liabilities for guarantees issued and property pledged to secure obligations as of 31 December 2019, 2018 and 2017.

### Legal proceedings

On 22 January 2016, the Antimonopoly Committee of Ukraine decided to impose a fine on PJSC Gazprom in the amount of UAH 85,966 million (about USD 3.37 billion) for violation of economic competition. On 12 April 2016 PJSC Gazprom filed an appeal with the Kiev Commercial Court challenging the decision by the Antimonopoly Committee of Ukraine. In April 2017 the Antimonopoly Committee of Ukraine filed a demand with the Department of State Executive Service of the Ministry of Justice of Ukraine for enforced recovery from PJSC Gazprom of an amount of UAH 171,932 million (about USD 6.4 billion). On 12 May 2017, PJSC Gazprom was served via its Kiev-based representative office an Order of the Department of State Executive Service of the Ministry of Justice of Ukraine on institution of enforcement proceedings to recover the amount of UAH 189,125 million, including an execution fee of UAH 17,193 million. PJSC Gazprom was later served via its Kiev-based representative office an Order of the Department of State Executive Service of the Ministry of Justice of Ukraine on seizure of the accounts of the Kiev-based representative office of PJSC Gazprom, dividends due to PJSC Gazprom from the participation in JSC Gaztransit, the shares of JSC Gaztransit, the shares of PJSC YUZHNIIGIPROGAZ Institute, participation stakes 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 UAH 651,500 (estimated value – UAH 6,241,386) were sold on 22 August 2018 in a forced sale auction. The shares of JSC Gaztransit with a nominal value of UAH 33,300,000 (estimated value – UAH 41,024,755) were sold on 29 January 2019 in a forced sale auction. On 25 October 2018 pursuant to the UNCITRAL Arbitration Rules PJSC Gazprom commenced an arbitration against Ukraine to protect its investments in that country due to the fact that the Antimonopoly Committee of Ukraine had imposed the fine on PJSC Gazprom.

On 28 February 2018 the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, rejected a request of NJSC Naftogaz of Ukraine to change the gas transit tariff under Contract No. TKGU with PJSC Gazprom, recognised almost all provisions of Contract No. TKGU as valid and refused application of the anti-monopoly legislation of Ukraine and the European Union to the Contract. The Arbitration Institute rejected a request of NJSC Naftogaz of Ukraine to transfer its rights and obligations under Contract No. TKGU to PJSC Ukrtransgaz or to another TSO. The Arbitration Institute satisfied the demand of NJSC Naftogaz of Ukraine to oblige Gazprom to pay USD 4,673 million for having provided less gas for transit to European consumers than stipulated in the Contract. With consideration for the amount earlier awarded

## **19. Estimated and contingent liabilities (continued)**

to PJSC Gazprom under the supply contract (22 December 2017), the Arbitration Institute set off counterclaims, as a result of which PJSC Gazprom is obliged to pay USD 2,560 million to NJSC Naftogaz of Ukraine. 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 an injunction seizing assets of PJSC Gazprom.

To execute the Record of the Meeting of Representatives of the European Union, Ukraine and the Russian Federation and companies of these countries (LLC Gas Transmission System Operator of Ukraine, NJSC Naftogaz of Ukraine and PJSC Gazprom) (18-19 December 2019, Berlin, Minsk), on 28 December 2019 PJSC Gazprom and Ukraine signed a Settlement Agreement that provides, inter alia, for termination of the above mentioned arbitration against Ukraine (the arbitration was terminated on 17 February 2020). Ukraine, in its turn, 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 of any court, executive service or another state body (judicial, legislative or executive) that directly or indirectly recognises, enforces and/or validates the decision of the Antimonopoly Committee of Ukraine dated 22 January 2016, any of its provisions and/or liabilities imposed on PJSC Gazprom arising out of or relating to the decision of the Antimonopoly Committee of Ukraine both in Ukraine and in other countries.

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

The injunctions issued in England and Wales, the Netherlands, Luxembourg and Switzerland have been lifted, the termination of claims of NJSC Naftogaz of Ukraine to recognise and enforce the arbitration award dated 28 February 2018 in these jurisdictions has been initiated (court proceedings under these claims have been terminated in England and Wales, Latvia, Luxembourg, the Netherlands).

The Company is also a party to certain legal proceedings arising in the ordinary course of business. There are no current legal proceedings or other claims outstanding which could have a material adverse effect on the results of operations or financial position of the Company.

### **Taxation**

Russian tax, currency and customs legislation is subject to varying interpretations and frequent change. As of 31 December 2019, the management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency and customs positions will be sustained.

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 Company's management believes that the prices applied by the Company are at the market level and the Company has implemented internal control procedures to ensure compliance with transfer pricing law.

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 Company's financial results and operations.

## **20. Subsequent events**

The global spread of the coronavirus infection has a significant effect on the world economy. In addition, the collapse of the agreement with OPEC+ became another adverse factor causing the

## 20. Subsequent events (continued)

plunge in the prices of hydrocarbons. As a result of these events, in March 2020 the Russian national currency (Russian Rouble) is weakening and stock indices are heading down.

The uncertainty and persistence of the events do not allow the Company to make an accurate and reliable monetary assessment of the effect that these events may have on its financial position. The Company is currently monitoring financial consequences caused by these events.

## 21. Business risks

The Company manages its risks in the framework of its integrated corporate system. Risk management is a permanent cyclic process of making and executing management decisions that includes identification, assessment and measurement of risks, responding to risks, efficiency control and planning of risk management and monitoring. This process is integrated in the general management process aimed at optimising the size of risks in line with the Company interests and covers all areas of its practical activities.

On its official website the Company should place information about the Company's position in the industry, including development trends in the corresponding market segment, the Company's level of adaptation to market conditions, main priority areas of the Company's activity, including its development prospects, as well as key information on risk factors associated with the Company's operation.

## 22. Information on production innovations and upgrade

Information on intangible assets that the Company developed or acquired, on movement of property, machinery and equipment as well as expenses incurred by the Company in the production innovation and upgrade process, if material, is disclosed in the relevant paragraphs of these Explanatory Notes to the Balance Sheet and the Statement of Financial Results of the Company.

Chief Executive Officer \_\_\_\_\_  \_\_\_\_\_ A.B. Miller

Chief Accountant \_\_\_\_\_  \_\_\_\_\_ M.N. Rosseev

27 March 2020

# **PJSC Gazprom IFRS Consolidated Financial Statements 31 December 2019**

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# Independent Auditor's Report (Translation from Russian original)

To the Shareholders of PJSC Gazprom

## Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

## Basis for Opinion

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

## Key Audit Matters

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

### 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 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 was the best estimate of the expenditure required to settle the present obligation.

Information about the approaches to revenue recognition is disclosed in Note 5 "Summary of significant accounting policies" to the consolidated financial statements, information about sales, including information by geographic segments, is disclosed in Note 27 "Sales" to the consolidated financial statements.



### Impairment of property, plant and equipment

Due to the material carrying amount of property, plant and equipment, continued volatility of macroeconomic parameters, high level of subjectivity of the underlying assumptions, judgments and estimates made by the management to conduct the impairment analysis, we consider this area to be one of the most significant audit areas. Furthermore, a significant decrease in prices for energy resources and the change in demand may result in the impairment of the Group's assets.

As at the reporting date, the Group measured the recoverable amount of property, plant and equipment in respect of cash-generating units based on the estimated value in use. Our audit procedures in respect of this area included testing of the principles used to forecast future cash flows, analysis of the methodology used by the Group to test property, plant and equipment for impairment and consistency of its application by the Group. We paid special attention to the analysis of significant assumptions underlying the impairment test procedures in respect of various cash-generating units. The significant assumptions, in particular, included determining discount rates, forecasting prices for energy resources and exchange rates, as well as estimating volumes of production and sales. This analysis revealed that the significant assumptions applied by the Group's management in calculating the recoverable amount of the assets as at the end of the reporting period were within the acceptable range and corresponded to the current economic environment.

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

### 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 essential 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 38 "Operating risks" to the consolidated financial statements.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of PJSC Gazprom for 2019 and the Quarterly issuer's report of PJSC Gazprom for the 2 quarter of 2020 but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report of PJSC Gazprom for 2019 and the Quarterly issuer's report of PJSC Gazprom for the 2 quarter of 2020 are expected to be made available to us after the date of this auditor's report.

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

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

When we read the Annual report of PJSC Gazprom for 2019 and the Quarterly issuer's report of PJSC Gazprom for the 2 quarter of 2020, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

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

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

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

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

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

President of FBK, LLC

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

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

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

Date of the 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)

| Notes                          | 31 December   |                   |                   |
|--------------------------------|---|-------------------|-------------------|
|                                | 2019  | 2018              |                   |
| <b>Assets</b>                  |   |                   |                   |
| <b>Current assets</b>          |   |                   |                   |
| 8                              | Cash and cash equivalents   | 696,057           | 849,419           |
| 9                              | Short-term financial assets   | 57,571            | 26,859            |
| 10                             | Accounts receivable and prepayments   | 1,040,340         | 1,222,735         |
| 11                             | Inventories   | 946,361           | 909,677           |
|                                | VAT recoverable   | 142,545           | 150,425           |
| 12                             | Other current assets  | 945,279           | 1,053,115         |
|                                |   | <b>3,828,153</b>  | <b>4,212,230</b>  |
| <b>Non-current assets</b>      |   |                   |                   |
| 13                             | Property, plant and equipment   | 14,856,448        | 13,809,434        |
| 14                             | Right-of-use assets   | 214,244           | –                 |
| 15                             | Goodwill  | 130,028           | 108,097           |
| 16                             | Investments in associates and joint ventures  | 1,182,862         | 1,097,446         |
| 17                             | Long-term accounts receivable and prepayments                                       | 846,735           | 636,305           |
| 18                             | Long-term financial assets  | 434,282           | 416,666           |
| 12                             | Other non-current assets  | 389,596           | 530,262           |
|                                |   | <b>18,054,195</b> | <b>16,598,210</b> |
|                                | <b>Total assets</b>   | <b>21,882,348</b> | <b>20,810,440</b> |
| <b>Liabilities and equity</b>  |   |                   |                   |
| <b>Current liabilities</b>     |   |                   |                   |
| 19                             | Accounts payable, provisions and other liabilities                                  | 1,422,116         | 1,522,101         |
|                                | Current profit tax payable  | 39,709            | 34,708            |
| 20                             | Taxes other than on profit and fees payable   | 291,449           | 347,825           |
| 21                             | Short-term borrowings, promissory notes and current portion of long-term borrowings | 774,202           | 569,061           |
|                                |   | <b>2,527,476</b>  | <b>2,473,695</b>  |
| <b>Non-current liabilities</b> |   |                   |                   |
| 22                             | Long-term borrowings, promissory notes  | 3,089,702         | 3,294,761         |
| 25                             | Provisions  | 606,783           | 406,322           |
| 23                             | Deferred tax liabilities  | 768,448           | 748,751           |
|                                | Long-term lease liabilities   | 205,493           | –                 |
|                                | Other non-current liabilities   | 68,759            | 110,758           |
|                                |   | <b>4,739,185</b>  | <b>4,560,592</b>  |
|                                | <b>Total liabilities</b>  | <b>7,266,661</b>  | <b>7,034,287</b>  |

| Notes         |                                      | 31 December       |                   |
|---------------|--------------------------------------|-------------------|-------------------|
|               |                                      | 2019              | 2018              |
| <b>Equity</b> |                                      |                   |                   |
| 26            | Share capital                        | 325,194           | 325,194           |
| 26            | Treasury shares                      | (331)             | (235,919)         |
| 26            | Retained earnings and other reserves | 13,779,970        | 13,210,734        |
|               |                                      | <b>14,104,833</b> | <b>13,300,009</b> |
| 34            | Non-controlling interest             | 510,854           | 476,144           |
|               | <b>Total equity</b>                  | <b>14,615,687</b> | <b>13,776,153</b> |
|               | <b>Total liabilities and equity</b>  | <b>21,882,348</b> | <b>20,810,440</b> |

A.B. Miller  
 Chairman of the Management Committee

27 April 2020

M.N. Rosseev  
 Chief Accountant

27 April 2020

# PJSC Gazprom Consolidated Statement of Comprehensive Income for the year ended 31 December 2019 (in millions of Russian Rubles)

| Notes | Year ended<br>31 December   |                  |                  |
|-------|---|------------------|------------------|
|       | 2019  | 2018             |                  |
| 27    | Sales   | 7,659,623        | 8,224,177        |
|       | Net (loss) gain from trading activity   | (24,957)         | 18,015           |
| 28    | Operating expenses  | (6,387,071)      | (6,181,191)      |
| 28    | Impairment loss on financial assets   | (127,738)        | (130,971)        |
|       | <b>Operating profit</b>   | <b>1,119,857</b> | <b>1,930,030</b> |
| 29    | Finance income  | 654,916          | 503,091          |
| 29    | Finance expense   | (354,835)        | (813,042)        |
| 16    | Share of profit of associates and joint ventures  | 207,127          | 232,483          |
|       | <b>Profit before profit tax</b>   | <b>1,627,065</b> | <b>1,852,562</b> |
|       | Current profit tax expense  | (327,618)        | (278,233)        |
|       | Deferred profit tax expense   | (29,930)         | (45,333)         |
| 23    | Profit tax  | (357,548)        | (323,566)        |
|       | <b>Profit for the year</b>  | <b>1,269,517</b> | <b>1,528,996</b> |
|       | <b>Other comprehensive income (loss):</b>   |                  |                  |
|       | Items that will not be reclassified to profit or loss:  |                  |                  |
|       | Gain arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax | 22,631           | 148,963          |
| 25    | Remeasurement of provision for post-employment benefits   | (186,066)        | 19,854           |
|       | <b>Total other comprehensive (loss) income that will not be reclassified to profit or loss</b>                                    | <b>(163,435)</b> | <b>168,817</b>   |
|       | Items that may be reclassified subsequently to profit or loss:  |                  |                  |
| 16    | Share of other comprehensive (loss) income of associates and joint ventures   | (4,276)          | 13,923           |
|       | Translation differences   | (182,165)        | 222,221          |
|       | Gain from hedging operations, net of tax  | 13,321           | 10,082           |
|       | <b>Total other comprehensive (loss) income that may be reclassified subsequently to profit or loss</b>                            | <b>(173,120)</b> | <b>246,226</b>   |
|       | <b>Total other comprehensive (loss) income for the year, net of tax</b>   | <b>(336,555)</b> | <b>415,043</b>   |
|       | <b>Comprehensive income for the year</b>  | <b>932,962</b>   | <b>1,944,039</b> |
|       | <b>Profit for the year attributable to:</b>   |                  |                  |
|       | Owners of PJSC Gazprom  | 1,202,887        | 1,456,270        |
| 34    | Non-controlling interest  | 66,630           | 72,726           |
|       |   | <b>1,269,517</b> | <b>1,528,996</b> |

**PJSC Gazprom**  
**Consolidated Statement**  
**of Comprehensive Income**  
**for the year ended 31 December 2019**  
**(in millions of Russian Rubles)**

| Notes   | Year ended<br>31 December |                  |
|---|---------------------------|------------------|
|   | 2019                      | 2018             |
| <b>Comprehensive income for the year attributable to:</b>   |                           |                  |
| Owners of PJSC Gazprom  | 877,328                   | 1,858,486        |
| Non-controlling interest  | 55,634                    | 85,553           |
|   | <b>932,962</b>            | <b>1,944,039</b> |
| 31 <b>Basic and diluted earnings per share attributable to the owners of PJSC Gazprom (in Russian Rubles)</b> | <b>53.47</b>              | <b>65.89</b>     |

A.B. Miller  
Chairman of the Management Committee

27 April 2020

M.N. Rosseev  
Chief Accountant

27 April 2020



# PJSC Gazprom

## Consolidated Statement of Cash Flows

### for the Year Ended 31 December 2019

(in millions of Russian Rubles)

| Notes  | Year ended<br>31 December                   |                    |
|--------|---|--------------------|
|        | 2019  | 2018               |
|        | <b>Cash flows from operating activities</b> |                    |
| 32     | <b>1,709,384</b>                            | <b>1,617,384</b>   |
|        | <b>Cash flows from investing activities</b> |                    |
|        | (1,775,923)                                 | (1,639,474)        |
| 29     | (122,848)                                   | (134,886)          |
|        | (172,088)                                   | 22,099             |
|        | (6,808)                                     | (2,252)            |
|        | (72,587)                                    | (48,267)           |
|        | 83,167                                      | 85,744             |
|        | 10,370                                      | 12,255             |
|        | 181,404                                     | 128,622            |
|        | 1,217                                       | 1,054              |
|        | (3,354)                                     | (5,726)            |
|        | 1,331                                       | 43,131             |
|        | (61,990)                                    | (80,018)           |
|        | <b>(1,938,109)</b>                          | <b>(1,617,718)</b> |
|        | <b>Cash flows from financing activities</b> |                    |
| 39     | 1,043,467                                   | 1,239,745          |
| 39     | (813,294)                                   | (1,138,451)        |
| 39     | 117,418                                     | 57,717             |
| 39     | (49,728)                                    | (53,492)           |
|        | (42,603)                                    | –                  |
| 39     | (379,595)                                   | (188,313)          |
| 29, 39 | (48,180)                                    | (38,288)           |
|        | (124)                                       | (289)              |
|        | 323,514                                     | –                  |
|        | –   | 22,358             |
|        | 1,500                                       | 2,943              |
|        | <b>152,375</b>                              | <b>(96,070)</b>    |
|        | (77,012)                                    | 76,816             |
|        | <b>(153,362)</b>                            | <b>(19,588)</b>    |
| 8      | 849,419                                     | 869,007            |
| 8      | <b>696,057</b>                              | <b>849,419</b>     |

A.B. Miller  
Chairman of the Management Committee

27 April 2020

M.N. Rosseev  
Chief Accountant

27 April 2020

# PJSC Gazprom

## Consolidated Statement of Changes in Equity

### for the Year Ended 31 December 2019

(in millions of Russian Rubles)


| Notes  | Equity attributable to the owners of PJSC Gazprom  |               |                 |                                      |                   |                          |                | Total equity      |
|--------|--|---------------|-----------------|--------------------------------------|-------------------|--------------------------|----------------|-------------------|
|        | Number of shares outstanding (billions)  | Share capital | Treasury shares | Retained earnings and other reserves | Total             | Non-controlling interest |                |                   |
|        | <b>Balance as of 31 December 2017</b>  | <b>22.1</b>   | <b>325,194</b>  | <b>(235,919)</b>                     | <b>11,539,811</b> | <b>11,629,086</b>        | <b>386,395</b> | <b>12,015,481</b> |
|        | Effect of changes in accounting policies   | –             | –               | –                                    | (13,086)          | (13,086)                 | (140)          | (13,226)          |
|        | <b>Balance as of 1 January 2018 (restated)</b>   | <b>22.1</b>   | <b>325,194</b>  | <b>(235,919)</b>                     | <b>11,526,725</b> | <b>11,616,000</b>        | <b>386,255</b> | <b>12,002,255</b> |
| 34     | Profit for the year  | –             | –               | –                                    | 1,456,270         | 1,456,270                | 72,726         | 1,528,996         |
|        | Other comprehensive income (loss):   |               |                 |                                      |                   |                          |                |                   |
| 34     | Gain (loss) arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax | –             | –               | –                                    | 149,580           | 149,580                  | (617)          | 148,963           |
| 25, 34 | Remeasurement of provision for post-employment benefits  | –             | –               | –                                    | 19,732            | 19,732                   | 122            | 19,854            |
| 16     | Share of other comprehensive income of associates and joint ventures   | –             | –               | –                                    | 13,923            | 13,923                   | –              | 13,923            |
| 34     | Translation differences  | –             | –               | –                                    | 209,531           | 209,531                  | 12,690         | 222,221           |
| 34     | Gain from hedging operations, net of tax   | –             | –               | –                                    | 9,450             | 9,450                    | 632            | 10,082            |
|        | <b>Comprehensive income for the year</b>   | <b>–</b>      | <b>–</b>        | <b>–</b>                             | <b>1,858,486</b>  | <b>1,858,486</b>         | <b>85,553</b>  | <b>1,944,039</b>  |
| 34     | Change in non-controlling interest in subsidiaries   | –             | –               | –                                    | 3,260             | 3,260                    | 19,471         | 22,731            |
| 26     | Return of social assets to the balance of governmental authorities   | –             | –               | –                                    | (50)              | (50)                     | –              | (50)              |
| 34     | Dividends declared   | –             | –               | –                                    | (177,687)         | (177,687)                | (15,135)       | (192,822)         |
|        | <b>Balance as of 31 December 2018</b>  | <b>22.1</b>   | <b>325,194</b>  | <b>(235,919)</b>                     | <b>13,210,734</b> | <b>13,300,009</b>        | <b>476,144</b> | <b>13,776,153</b> |
| 5      | Effect of changes in accounting policies   | –             | –               | –                                    | (29,316)          | (29,316)                 | (870)          | (30,186)          |
|        | <b>Balance as of 1 January 2019 (restated)</b>   | <b>22.1</b>   | <b>325,194</b>  | <b>(235,919)</b>                     | <b>13,181,418</b> | <b>13,270,693</b>        | <b>475,274</b> | <b>13,745,967</b> |
| 34     | Profit for the year  | –             | –               | –                                    | 1,202,887         | 1,202,887                | 66,630         | 1,269,517         |
|        | Other comprehensive income (loss):   |               |                 |                                      |                   |                          |                |                   |
|        | Gain arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax        | –             | –               | –                                    | 22,631            | 22,631                   | –              | 22,631            |
| 25, 34 | Remeasurement of provision for post-employment benefits  | –             | –               | –                                    | (185,788)         | (185,788)                | (278)          | (186,066)         |
| 16     | Share of other comprehensive loss of associates and joint ventures   | –             | –               | –                                    | (4,276)           | (4,276)                  | –              | (4,276)           |
| 34     | Translation differences  | –             | –               | –                                    | (171,433)         | (171,433)                | (10,732)       | (182,165)         |
| 34     | Gain from hedging operations, net of tax   | –             | –               | –                                    | 13,307            | 13,307                   | 14             | 13,321            |
|        | <b>Comprehensive income for the year</b>   | <b>–</b>      | <b>–</b>        | <b>–</b>                             | <b>877,328</b>    | <b>877,328</b>           | <b>55,634</b>  | <b>932,962</b>    |
| 34     | Change in non-controlling interest in subsidiaries   | –             | –               | –                                    | 423               | 423                      | (4,081)        | (3,658)           |
| 26     | Return of social assets to the balance of governmental authorities   | –             | –               | –                                    | (13)              | (13)                     | –              | (13)              |

**PJSC Gazprom**  
**Consolidated Statement of Changes in Equity**  
**for the Year Ended 31 December 2019**  
(in millions of Russian Rubles)

|                                       |                              | Equity attributable to the owners of PJSC Gazprom |                |                 |                                      |                   |                          |                   |
|---------------------------------------|------------------------------|---|----------------|-----------------|--------------------------------------|-------------------|--------------------------|-------------------|
| Notes                                 |                              | Number of shares out-standing (billions)          | Share capital  | Treasury shares | Retained earnings and other reserves | Total             | Non-controlling interest | Total equity      |
| 26                                    | Treasury shares transactions | 1.5   | –              | 235,588         | 87,901                               | 323,489           | –                        | 323,489           |
| 34                                    | Dividends declared           | –   | –              | –               | (367,087)                            | (367,087)         | (15,973)                 | (383,060)         |
| <b>Balance as of 31 December 2019</b> |                              | <b>23.6</b>                                       | <b>325,194</b> | <b>(331)</b>    | <b>13,779,970</b>                    | <b>14,104,833</b> | <b>510,854</b>           | <b>14,615,687</b> |

  
A.B. Miller  
Chairman of the Management Committee

27 April 2020

  
M.N. Rosseev  
Chief Accountant

27 April 2020

# PJSC Gazprom

## Notes to the Consolidated Financial Statements

### 31 December 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 462 thousand persons.

#### 2. Economic Environment in the Russian Federation

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

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

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

- as of 31 December 2019 – 61.9057;
- as of 31 December 2018 – 69.4706 (as of 31 December 2017 – 57.6002).

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

- as of 31 December 2019 – 69.3406;
- as of 31 December 2018 – 79.4605 (as of 31 December 2017 – 68.8668).

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

#### 3. Basis of Presentation

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

The consolidated financial statements of the Group are prepared under the historical cost convention except for certain financial assets and liabilities presented at the fair value (Note 40). The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented in these consolidated financial statements, unless otherwise stated.

#### 4. Scope of Consolidation

As described in Note 5, the consolidated financial statements include consolidated subsidiaries, associates, joint ventures and operations of the Group. Significant change in the Group's structure in 2019 is described below.

In December 2019 the Group acquired 100% of ordinary shares of JSC REP Holding (abbreviated name – JSC REPH) for RUB 10,000 million with payment in 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 (see Note 35).

#### 5. Summary of Significant Accounting Policies

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

##### 5.1 Consolidation of Subsidiaries, Associates and Joint Arrangements

###### Subsidiaries

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

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

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

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

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

###### Goodwill and Non-Controlling Interest

The excess of the consideration transferred, the amount of any non-controlling interest and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share in the identifiable net assets acquired is recorded as goodwill. If actual cost of acquisition is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income. Goodwill is tested annually for impairment as well as when there are indications of impairment. For the purpose of impairment testing goodwill is allocated to a cash-generating unit or a group of cash-generating units.

## 5. Summary of Significant Accounting Policies (continued)

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

### Joint Arrangements

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

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

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

### Associates

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

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

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

## 5.2 Financial Instruments

### 5.2.1 Classification and Measurement of Financial Assets

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

#### Financial Assets Measured Subsequently at Amortised Cost

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

## 5. Summary of Significant Accounting Policies (continued)

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

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

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

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

### Cash and Cash Equivalents and Restricted Cash

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

### Accounts Receivable

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

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

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

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

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

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

## 5. Summary of Significant Accounting Policies (continued)

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

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

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

### Impairment of Financial Assets

The Group applies the expected credit losses model to financial assets measured at amortised cost and at fair value through other comprehensive income, except for investments in equity instruments, and to contract assets.

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

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

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

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

### 5.2.2 Classification and Measurement of Financial Liabilities

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

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

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

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

### Borrowings

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

### Financial Guarantee Contracts

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



## 5. Summary of Significant Accounting Policies (continued)

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

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

### 5.2.3 Derivative Financial Instruments

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

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

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

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

### 5.2.4 Hedge Accounting

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

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

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

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

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

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

## 5.3 Fair Value

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

## 5. Summary of Significant Accounting Policies (continued)

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

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

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

### 5.4 Value Added Tax

In the Russian Federation the value added tax ("VAT") is payable on the difference between output VAT on sales of goods (works, services) and recoverable input VAT charged by suppliers of goods (works, services). Starting from 1 January 2019 the VAT rate changed from 18% to 20%. The output VAT tax base is determined on the earliest of the following dates: either the date of the shipment of goods (works, services) or the date of payment or advance payment received for future supplies of goods (works, services). Input VAT is recovered when purchased goods (works, services) are accounted for and other necessary VAT recovery requirements provided by the tax legislation are met.

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

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

### 5.5 Mineral Extraction Tax

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

In the Russian Federation, the MET rate formula for natural fuel and gas condensate has been used since 1 July 2014 instead of the fixed MET rate.

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

- 1) the base rate of RUB 35 per thousand cubic meters of natural fuel gas;
- 2) the base value of a unit of fuel equivalent calculated based on various macroeconomic indicators, including oil and gas prices;
- 3) the coefficient representing the degree of difficulty of extracting natural fuel gas and (or) gas condensate from raw hydrocarbon fields;
- 4) the indicator representing the transportation costs of natural fuel gas.

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

- 1) the base rate of RUB 42 per ton for extracted gas condensate;
- 2) the base value of a unit of fuel equivalent calculated taking into account various macroeconomic indicators, including oil and gas prices;
- 3) the coefficient representing the degree of difficulty of extracting natural fuel gas and (or) gas condensate from raw hydrocarbon deposits;
- 4) the adjustment coefficient.

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

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

## 5. Summary of Significant Accounting Policies (continued)

extracted in a number of regions of the Russian Federation subject to the respective requirements of the tax law.

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

MET is included in operating expenses.

### 5.6 Customs Duties

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

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

Sales are recognised net of the amount of customs duties.

### 5.7 Excise Tax

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

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

### 5.8 Inventories

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

### 5.9 Property, Plant and Equipment

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

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

## 5. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

### 5.10 Impairment of Non-Current Non-Financial Assets

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

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

## 5. Summary of Significant Accounting Policies (continued)

has been impaired, the carrying amount of the cash-generating unit, including goodwill, is compared with its recoverable amount.

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

### 5.11 Deferred Tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred tax assets and liabilities are recorded in the consolidated financial statements for all temporary differences arising between the tax basis of assets and liabilities and their carrying value included in the consolidated financial statements. Deferred tax assets are recorded only to the extent that it is probable that future taxable profit will be available against which the deferred tax assets will be realised or if such assets can be offset against existing deferred tax liabilities. Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period when the assets are realised or the liabilities are settled, based on tax rates that have been enacted or enactment of which in the foreseeable future was reliably known as of the reporting date. Deferred income taxes are recorded for all temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the decrease of the temporary differences can be controlled and it is probable that the temporary differences will not decrease in the foreseeable future.

### 5.12 Foreign Currency Transactions

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

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

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

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

### 5.13 Provisions

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

## 5. Summary of Significant Accounting Policies (continued)

### 5.14 Equity

#### Treasury Shares

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

#### Dividends

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

### 5.15 Revenue Recognition

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

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

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

#### Net Gain (Loss) From Trading Activity

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

### 5.16 Interest

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

## 5. Summary of Significant Accounting Policies (continued)

### 5.17 Research and Development

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

### 5.18 Employee Benefits

#### Pension and Other Post-Employment Benefits

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

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

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

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

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

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

#### Social Expenses

The Group incurs employee costs related to the provision of benefits such as health services and maintenance of social infrastructure. These amounts represent an implicit cost of employing production staff and, accordingly, are charged to operating expenses in the consolidated statement of comprehensive income.

### 5.19 Recent Accounting Pronouncements

#### Application of IFRS 16 Leases

The Group has applied IFRS 16 Leases since 1 January 2019. This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases in financial statements.

The Group applied the retrospective approach, which means that the cumulative effect of initially applying IFRS 16 Leases was recognised at the date of initial application, i.e. 1 January 2019, without restatement of the comparative information.



## 5. Summary of Significant Accounting Policies (continued)

The Group applied the following practical expedients:

- the standard was applied to contracts that had been previously identified as leases applying IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease and was not applied to contracts that had not been previously identified as containing a lease applying IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease;
- leases for which the lease term ends within 12 months of the date of initial application of the standard were recognised as short-term leases and expenses associated with those leases were included in the line "Lease" within operating expenses in the consolidated statement of comprehensive income;
- initial direct costs were excluded from the measurement of the right-of-use assets at the date of initial application;
- a single discount rate was applied to a portfolio of leases with similar characteristics.

The Group recognised lease liabilities at the date of initial application at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The weighted average incremental borrowing rate applied by the Group to lease liabilities at the date of initial application was 6.4%.

The table below represents reconciliation between operating lease commitments in accordance with IAS 17 Leases and lease liabilities at the date of initial application of IFRS 16 Leases:

|   |                |
|---|----------------|
| <b>Minimum lease payments under operating lease as of 31 December 2018</b>                                | <b>357,532</b> |
| <b>Differences with lease liabilities in accordance with IFRS 16 Leases</b>                               |                |
| Applying judgement on extension and termination of contracts  | 21,901         |
| Separation of a service component from lease payments   | (32,786)       |
| Exemption from recognition of short-term leases and leases for which the underlying asset is of low value | (4,936)        |
| Exemption from recognition of leases with variable payments   | (1,555)        |
| Other   | 2,455          |
| <b>Undiscounted lease liabilities recognised at the date of initial application of IFRS 16 Leases</b>     | <b>342,611</b> |
| Effect of discounting   | (107,944)      |
| <b>Lease liabilities in accordance with IFRS 16 Leases</b>  | <b>234,667</b> |
| <b>Previously recognised finance lease liabilities</b>  | <b>25,489</b>  |
| <b>Lease liabilities in accordance with IFRS 16 Leases as of 1 January 2019</b>                           | <b>260,156</b> |

For some leases the Group recognised right-of-use assets at the date of initial application at its carrying amount as if IFRS 16 Leases had been applied since the contract commencement date.

The difference between the carrying amount of assets and liabilities and their carrying amount at the date of initial application was recognised in the opening balance of retained earnings and other reserves and non-controlling interest in the consolidated statement of changes in equity of the Group as of 1 January 2019.

The effect of the initial application of IFRS 16 Leases on the consolidated balance sheet is provided in the table below

| Notes                                | 31 December 2018  | Effect of IFRS 16 Leases application | 1 January 2019    |
|--------------------------------------|-------------------|--------------------------------------|-------------------|
| Assets                               |                   |                                      |                   |
| Accounts receivable and prepayments  | 1,222,735         | 17,046                               | 1,239,781         |
| 13, 14 Property, plant and equipment | 13,809,434        | (41,082)                             | 13,768,352        |
| 14 Right-of-use assets               | –                 | 221,367                              | 221,367           |
| Other non-current assets             | 530,262           | (15)                                 | 530,247           |
| <b>Total assets</b>                  | <b>20,810,440</b> | <b>197,316</b>                       | <b>21,007,756</b> |



## 5. Summary of Significant Accounting Policies (continued)

| Notes  | 31 December 2018  | Effect of IFRS<br>16 Leases application | 1 January 2019    |
|--|-------------------|---|-------------------|
| <b>Liabilities and equity</b>                      |                   |   |                   |
| Accounts payable, provisions and other liabilities | 1,522,101         | 32,339                                  | 1,554,440         |
| 23 Deferred tax liabilities                        | 748,751           | (6,988)                                 | 741,763           |
| Long-term lease liabilities                        | –                 | 225,986                                 | 225,986           |
| Other long-term liabilities                        | 110,758           | (23,835)                                | 86,923            |
| <b>Total liabilities</b>                           | <b>7,034,287</b>  | <b>227,502</b>                          | <b>7,261,789</b>  |
| <b>Equity</b>                                      |                   |   |                   |
| Retained earnings and other reserves               | 13,210,734        | (29,316)                                | 13,181,418        |
|  | <b>13,300,009</b> | <b>(29,316)</b>                         | <b>13,270,693</b> |
| Non-controlling interest                           | 476,144           | (870)                                   | 475,274           |
| <b>Total equity</b>                                | <b>13,776,153</b> | <b>(30,186)</b>                         | <b>13,745,967</b> |
| <b>Total liabilities and equity</b>                | <b>20,810,440</b> | <b>197,316</b>                          | <b>21,007,756</b> |

### Accounting policy applied from 1 January 2019

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

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

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

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

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

The lease payments are discounted using the Group's incremental borrowing rate, being the rate that as of the commencement date the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

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

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

The Group does not recognise a right-of-use asset and a lease liability for short-term leases, the term of which does not exceed 12 months, and for leased assets of low value.

## 5. Summary of Significant Accounting Policies (continued)

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

### Application of Interpretations and Amendments to Standards

The following interpretation and amendments to current standards became effective after 1 January 2019:

- IFRIC 23 Uncertainty over Income Tax Treatments (issued in June 2017 and effective for annual reporting periods beginning on or after 1 January 2019) provides requirements in respect of recognising and measuring of a tax liability or a tax asset when there is uncertainty over income tax treatments.
- The amendments to IAS 28 Investments in Associates and Joint Ventures (issued in October 2017 and effective for annual reporting periods beginning on or after 1 January 2019). These amendments clarify that long-term interests in an associate or joint venture that form part of the net investments in the associate or joint venture should be accounted for in accordance with IFRS 9 Financial Instruments.
- The amendments to IFRS 9 Financial Instruments (issued in October 2017 and effective for annual reporting periods beginning on or after 1 January 2019). These amendments enable to measure at amortised cost some prepayable financial assets with negative compensation.
- The amendments to IAS 23 Borrowing Costs (issued in December 2017 and effective for annual reporting periods beginning on or after 1 January 2019). These amendments clarify which borrowing costs are eligible for capitalisation in particular circumstances.
- The amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements (issued in December 2017 and effective for annual reporting periods beginning on or after 1 January 2019). The amendments clarify how obtaining control (or joint control) of a business that is a joint operation should be accounted if the entity already holds an interest in that business.
- The amendments to IAS 12 Income Taxes (issued in December 2017 and effective for annual reporting periods beginning on or after 1 January 2019). These amendments clarify income tax consequences of payments on instruments classified as equity.
- The amendments to IAS 19 Employee Benefits (issued in February 2018 and effective for annual reporting periods beginning on or after 1 January 2019). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs.

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

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

Certain amendments to standards are mandatory for the annual periods beginning on or after 1 January 2020. In particular, the Group has not early adopted the following amendments to standards:

- The amendments to IFRS 3 Business Combinations (issued in October 2018 and effective for annual reporting periods beginning on or after 1 January 2020). These amendments clarify the definition of a business and simplify assessment of whether an acquired set of activities and assets is a group of assets rather than a business.
- The amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (issued in October 2018 and effective for annual reporting periods beginning on or after 1 January 2020). The amendments clarify and bring into line the definition of the term "materiality", as well as provide recommendations for improving the consistency in its application when referenced in IFRS.
- The amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (issued in September 2019 and effective for annual periods beginning on or after 1 January 2020). Amendments are related to the reform of basic interest rates and clarify the requirements for hedge accounting.

## 5. Summary of Significant Accounting Policies (continued)

- The amendments to IAS 1 Presentation of Financial Statements (issued in January 2020 and effective for annual periods beginning on or after 1 January 2022). Amendments clarify the criteria for classifying obligations as short-term or long-term.  
The Group is currently assessing the impact of these amendments on its financial position and performance.

## 6. Critical Judgements and Estimates in Applying Accounting Policies

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

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

### 6.1 Consolidation of Subsidiaries

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

### 6.2 Tax Legislation

Tax, currency and customs legislation of the Russian Federation is subject to varying interpretations (see Note 38).

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

### 6.3 Assumptions to Determine Amount of Allowances

#### Loss Allowance for Expected Credit Losses of Accounts Receivable

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

#### Impairment of Property, Plant and Equipment and Goodwill

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

In addition, assumptions are applied in determining the cash-generating units assessed for impairment. For the purposes of goodwill impairment test, management considers gas production,

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

transportation and distribution activities as part of single gas cash-generating unit and assesses associated goodwill at this level. The Group's pipelines constitute a unified gas supply system, providing gas supply to customers in the Russian Federation, Former Soviet Union countries and Europe. The interaction of production of gas, transportation and distribution of gas activities provides the basis for capturing the benefits from synergies.

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

Change in impairment allowance of property, plant and equipment, right-of-use assets and goodwill is disclosed in Notes 13, 14, 15 and 28.

### Accounting for Impairment

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

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

#### 6.4 Decommissioning and Site Restoration Costs

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

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

#### 6.5 Useful Lives of Property, Plant and Equipment

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

Were the estimated useful lives to decrease by 10% or increase by 10% from Group's management estimates, the impact on depreciation would be an increase by RUB 68,612 million or a decrease for the year ended 31 December 2019 (2018: by RUB 64,342 million).

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

#### 6.6 Fair Value Estimation of Financial Instruments

Determination of the fair value of contracts for the purchase (sale) of energy carriers, commodity futures and swaps is based on market data received on measurement date (Level 1 in accordance with the fair value hierarchy). Customary valuation models are used to value

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

financial instruments which are not traded in active market. The fair value is calculated based on inputs that are observable either directly or indirectly (Level 2 in accordance with the fair value hierarchy).

Contracts not based on observable market data belong to Level 3 in accordance with the fair value hierarchy. Management's best estimates based on models internally developed by the Group are used for the valuation of fair value these instruments. Where the valuation technique employed incorporates significant volume of input data for which market information is not available, such as long-term price assumptions, contracts have been categorised as Level 3 in accordance with the fair value hierarchy (see Note 40).

The assessment of the significance of input of the fair value measurement requires judgement and may affect the placement of financial instruments within the levels of the fair value hierarchy.

### 6.7 Fair Value Estimation for Acquisitions

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

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

### 6.8 Accounting for Pension Plan Assets and Liabilities

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

### 6.9 Joint Arrangements

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

### 6.10 Accounting for lease liabilities and right-of-use assets

When measuring the present value of lease payments, the Group applies professional judgement to determine the incremental borrowing rate if the discount rate is not implicit in the lease. When determining the incremental borrowing rate, the Group management analyses borrowings over a similar term in a similar period. If there are no borrowings with similar characteristics the

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

discount rate is determined on the basis of the risk-free rate, adjusted for the credit risk of the Group determined on the basis of its quoted bonds.

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

## 7. Segment Information

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

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

Internal transfer prices, mostly for Production of gas, Transportation of gas and Gas storage segments, are established by the management of the Group with the objective of providing specific funding requirements of the individual subsidiaries within each segment.

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

|                          | Production of gas | Transportation of gas | Distribution of gas | Gas storage   | Production of crude oil and gas condensate | Refining         | Electric and heat energy generation and sales | All other segments | Total             |
|--------------------------|-------------------|-----------------------|---------------------|---------------|--|------------------|---|--------------------|-------------------|
| <b>Year ended</b>        |                   |                       |                     |               |  |                  |   |                    |                   |
| <b>31 December 2019</b>  |                   |                       |                     |               |  |                  |   |                    |                   |
| <b>Sales of segments</b> | <b>973,657</b>    | <b>1,188,798</b>      | <b>4,076,204</b>    | <b>59,073</b> | <b>1,585,846</b>                           | <b>2,132,761</b> | <b>518,373</b>                                | <b>324,204</b>     | <b>10,858,916</b> |
| Inter-segment sales      | 950,146           | 973,463               | 298,985             | 54,425        | 833,056                                    | 21,580           | –   | –                  | 3,131,655         |
| External sales           | 23,511            | 215,335               | 3,777,219           | 4,648         | 752,790                                    | 2,111,181        | 518,373                                       | 324,204            | 7,727,261         |

## 7. Segment Information (continued)

|  | Production of gas | Transportation of gas | Distribution of gas | Gas storage   | Production of crude oil and gas condensate | Refining         | Electric and heat energy generation and sales | All other segments | Total             |
|--|-------------------|-----------------------|---------------------|---------------|--|------------------|---|--------------------|-------------------|
| <b>Financial result of segments</b>              | <b>4,984</b>      | <b>109,410</b>        | <b>359,145</b>      | <b>5,818</b>  | <b>403,601</b>                             | <b>15,992</b>    | <b>40,830</b>                                 | <b>(9,544)</b>     | <b>930,236</b>    |
| Depreciation                                     | 172,233           | 476,182               | 18,308              | 29,637        | 156,064                                    | 48,838           | 61,297  | 52,545             | 1,015,104         |
| Share of profit of associates and joint ventures | 5,347             | 25,716                | 3,502               | –             | 145,662                                    | 4,630            | 81  | 22,189             | 207,127           |
| <b>Year ended 31 December 2018</b>               |                   |                       |                     |               |  |                  |   |                    |                   |
| <b>Sales of segments</b>                         | <b>1,017,044</b>  | <b>1,173,837</b>      | <b>4,568,746</b>    | <b>58,675</b> | <b>1,528,932</b>                           | <b>2,187,170</b> | <b>522,095</b>                                | <b>363,993</b>     | <b>11,420,492</b> |
| Inter-segment sales                              | 990,737           | 948,164               | 291,382             | 54,211        | 793,979                                    | 7,398            | –   | –                  | 3,085,871         |
| External sales                                   | 26,307            | 225,673               | 4,277,364           | 4,464         | 734,953                                    | 2,179,772        | 522,095                                       | 363,993            | 8,334,621         |
| <b>Financial result of segments</b>              | <b>3,106</b>      | <b>49,423</b>         | <b>807,214</b>      | <b>5,533</b>  | <b>390,663</b>                             | <b>180,863</b>   | <b>53,010</b>                                 | <b>37,111</b>      | <b>1,526,923</b>  |
| Depreciation                                     | 180,753           | 495,814               | 16,760              | 28,873        | 131,352                                    | 39,542           | 62,642  | 42,934             | 998,670           |
| Share of profit of associates and joint ventures | 9,226             | 24,975                | 707                 | –             | 151,422                                    | 4,046            | 65  | 42,042             | 232,483           |

Segments' Production of gas and Distribution of gas sales compose gas sales, segment's Gas storage sales are included in other sales.

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

| Notes   | Year ended 31 December |                  |
|---|------------------------|------------------|
|   | 2019                   | 2018             |
| Financial result of reportable segments   | 939,780                | 1,489,812        |
| Financial result of other segments  | (9,544)                | 37,111           |
| <b>Total financial result of segments</b>   | <b>930,236</b>         | <b>1,526,923</b> |
| Difference in depreciation <sup>1</sup>   | 299,875                | 350,677          |
| Expenses associated with provision for post-employment benefits                             | 11,255                 | 123,421          |
| 29 Net finance (expense) income   | 300,081                | (309,951)        |
| 16 Share of profit of associates and joint ventures   | 207,127                | 232,483          |
| 28 Derivatives (loss) gain  | 15,225                 | (1,849)          |
| Other   | (136,734)              | (69,142)         |
| <b>Total profit before profit tax in the consolidated statement of comprehensive income</b> | <b>1,627,065</b>       | <b>1,852,562</b> |

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

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

|                                       | Year ended 31 December |           |
|---------------------------------------|------------------------|-----------|
|                                       | 2019                   | 2018      |
| External sales of reportable segments | 7,403,057              | 7,970,628 |
| External sales of other segments      | 324,204                | 363,993   |



## 7. Segment Information (continued)

|  | Year ended 31 December |                  |
|--|------------------------|------------------|
|  | 2019                   | 2018             |
| <b>Total external sales of segments</b>                                  | <b>7,727,261</b>       | <b>8,334,621</b> |
| Differences in external sales <sup>1</sup>                               | (67,638)               | (110,444)        |
| <b>Total sales in the consolidated statement of comprehensive income</b> | <b>7,659,623</b>       | <b>8,224,177</b> |

<sup>1</sup> The differences in external sales relate to adjustments of external sales under Russian statutory accounting to comply with IFRS, such as elimination of sales of materials to subcontractors and other adjustments.

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

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

|  | Production of gas | Transportation of gas | Distribution of gas | Gas storage | Production of crude oil and gas condensate | Refining  | Electric and heat energy generation and sales | All other segments | Total      |
|--|-------------------|-----------------------|---------------------|-------------|--|-----------|---|--------------------|------------|
| <b>As of 31 December 2019</b>                |                   |                       |                     |             |  |           |   |                    |            |
| Assets of segments                           | 2,736,680         | 7,000,467             | 1,691,356           | 370,887     | 3,053,664                                  | 2,555,819 | 882,264                                       | 1,612,910          | 19,904,047 |
| Investments in associates and joint ventures | 15,583            | 183,176               | 37,638              | 2           | 546,493                                    | 22,992    | 1,100   | 375,878            | 1,182,862  |
| Capital expenditures <sup>1</sup>            | 360,215           | 464,203               | 25,827              | 14,268      | 316,011                                    | 437,758   | 79,001  | 121,394            | 1,818,677  |
| <b>As of 31 December 2018</b>                |                   |                       |                     |             |  |           |   |                    |            |
| Assets of segments                           | 2,743,944         | 7,023,399             | 1,719,640           | 393,700     | 2,898,071                                  | 2,059,715 | 911,036                                       | 1,428,467          | 19,177,972 |
| Investments in associates and joint ventures | 25,211            | 200,307               | 21,476              | 2           | 570,760                                    | 20,714    | 1,517   | 257,459            | 1,097,446  |
| Capital expenditures <sup>2</sup>            | 308,007           | 640,063               | 39,078              | 19,391      | 257,932                                    | 309,417   | 72,907  | 149,089            | 1,795,884  |

<sup>1</sup> Capital expenditures for the year ended 31 December 2019.

<sup>2</sup> Capital expenditures for the year ended 31 December 2018.

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

| Notes   | 31 December       |                   |
|---|-------------------|-------------------|
|   | 2019              | 2018              |
| Assets of reportable segments                                 | 18,291,137        | 17,749,505        |
| Assets of other segments                                      | 1,612,910         | 1,428,467         |
| <b>Total assets of segments</b>                               | <b>19,904,047</b> | <b>19,177,972</b> |
| Difference in property, plant and equipment, net <sup>1</sup> | (1,216,329)       | (1,602,553)       |
| 13 Borrowing costs capitalised                                | 919,491           | 808,251           |
| 8 Cash and cash equivalents                                   | 696,057           | 849,419           |
| 9 Short-term financial assets                                 | 57,571            | 26,859            |
| VAT recoverable   | 142,545           | 150,425           |
| 12 Other current assets                                       | 945,279           | 1,053,115         |
| 14 Right-of-use assets  | 73,857            | –                 |



## 7. Segment Information (continued)

| Notes   | 31 December       |                   |
|---|-------------------|-------------------|
|   | 2019              | 2018              |
| 15 Goodwill   | 130,028           | 108,097           |
| 18 Long-term financial assets                         | 434,282           | 416,666           |
| 12 Other non-current assets                           | 389,596           | 530,262           |
| Inter-segment assets                                  | (917,888)         | (956,216)         |
| Other   | 323,812           | 248,143           |
| <b>Total assets in the consolidated balance sheet</b> | <b>21,882,348</b> | <b>20,810,440</b> |

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

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

|   | 31 December      |                  |
|---|------------------|------------------|
|   | 2019             | 2018             |
| Distribution of gas                           | 827,063          | 905,778          |
| Refining                                      | 604,614          | 546,611          |
| Production of crude oil and gas condensate    | 371,326          | 216,553          |
| Production of gas                             | 370,591          | 314,613          |
| Transportation of gas                         | 282,634          | 305,569          |
| Electric and heat energy generation and sales | 114,430          | 96,869           |
| Gas storage                                   | 28,999           | 25,250           |
| All other segments                            | 224,718          | 325,644          |
| <b>Total liabilities of segments</b>          | <b>2,824,375</b> | <b>2,736,887</b> |

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

| Notes   | 31 December      |                  |
|---|------------------|------------------|
|   | 2019             | 2018             |
| Liabilities of reportable segments  | 2,599,657        | 2,411,243        |
| Liabilities of other segments   | 224,718          | 325,644          |
| <b>Total liabilities of segments</b>  | <b>2,824,375</b> | <b>2,736,887</b> |
| Short-term lease liabilities  | 20,567           | –                |
| Current profit tax payable  | 39,709           | 34,708           |
| 21 Short-term borrowings, promissory notes and current portion of long-term borrowings  | 774,202          | 569,061          |
| 22 Long-term borrowings, promissory notes   | 3,089,702        | 3,294,761        |
| 25 Long-term provisions (except for provision for decommissioning and site restoration) | 326,888          | 239,523          |
| 23 Deferred tax liabilities   | 768,448          | 748,751          |
| Long-term lease liabilities   | 50,686           | –                |

## 7. Segment Information (continued)

| Notes  | 31 December      |                  |
|--|------------------|------------------|
|  | 2019             | 2018             |
| Other non-current liabilities                              | 68,759           | 110,758          |
| Dividends  | 3,667            | 7,586            |
| Inter-segment liabilities                                  | (917,888)        | (956,216)        |
| Other  | 217,546          | 248,468          |
| <b>Total liabilities in the consolidated balance sheet</b> | <b>7,266,661</b> | <b>7,034,287</b> |

## 8. Cash and Cash Equivalents

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

|  | 31 December    |                |
|--|----------------|----------------|
|  | 2019           | 2018           |
| Cash on hand and bank balances payable on demand             | 571,715        | 531,432        |
| Term deposits with original maturity of three months or less | 124,342        | 317,987        |
| <b>Total cash and cash equivalents</b>                       | <b>696,057</b> | <b>849,419</b> |

Fair values of cash and cash equivalents approximate the carrying values.

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

|  | 31 December    |                |
|--|----------------|----------------|
|  | 2019           | 2018           |
| Cash on hand                           | 650            | 823            |
| External credit investment rating      | 470,399        | 189,112        |
| External credit non-investment rating  | 108,704        | 482,717        |
| No external credit rating              | 116,304        | 176,767        |
| <b>Total cash and cash equivalents</b> | <b>696,057</b> | <b>849,419</b> |

The sovereign credit rating of the Russian Federation published by Standard & Poor's is BBB- with a stable outlook as of 31 December 2019 and 31 December 2018.

## 9. Short-Term Financial Assets

|  | 31 December   |               |
|--|---------------|---------------|
|  | 2019          | 2018          |
| <b>Financial assets measured at fair value with changes recognised through profit or loss:</b>             | <b>30,634</b> | <b>26,827</b> |
| Bonds  | 30,405        | 25,868        |
| Equity securities  | 229           | 959           |
| <b>Financial assets measured at fair value with changes recognised through other comprehensive income:</b> | <b>3,012</b>  | <b>32</b>     |
| Equity securities  | 3,010         | –             |
| Promissory notes   | 2             | 32            |
| <b>Financial assets measured at amortised cost:</b>  | <b>23,925</b> | <b>–</b>      |
| Promissory notes   | 23,925        | –             |
| <b>Total short-term financial assets</b>   | <b>57,571</b> | <b>26,859</b> |

## 9. Short-Term Financial Assets (continued)

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

|                           | 31 December   |               |
|---------------------------|---------------|---------------|
|                           | 2019          | 2018          |
| Investment rating         | 22,152        | 12,724        |
| Non-investment rating     | 26,043        | 5,254         |
| No external credit rating | 6,137         | 7,922         |
|                           | <b>54,332</b> | <b>25,900</b> |

## 10. Accounts Receivable and Prepayments

|  | 31 December      |                  |
|--|------------------|------------------|
|  | 2019             | 2018             |
| <b>Financial assets</b>                          |                  |                  |
| Trade accounts receivable                        | 756,746          | 912,109          |
| Other accounts receivable                        | 104,273          | 159,494          |
| Loans receivable                                 | 103,476          | 70,891           |
|  | <b>964,495</b>   | <b>1,142,494</b> |
| <b>Non-financial assets</b>                      |                  |                  |
| Advances paid and prepayments                    | 75,845           | 80,241           |
| <b>Total accounts receivable and prepayments</b> | <b>1,040,340</b> | <b>1,222,735</b> |

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

Trade accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 841,298 million and RUB 957,770 million as of 31 December 2019 and 31 December 2018, respectively.

Loans receivable are presented net of allowance for expected credit losses in the amount of RUB 14,343 million and RUB 10,801 million as of 31 December 2019 and 31 December 2018, respectively.

Other accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 28,499 million and RUB 24,461 million as of 31 December 2019 and 31 December 2018, respectively.

Advances paid and prepayments are presented net of impairment allowance in the amount of RUB 5,720 million and RUB 12,314 million as of 31 December 2019 and 31 December 2018, respectively.

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

|  | 31 December    |                |
|--|----------------|----------------|
|  | 2019           | 2018           |
| Short-term trade accounts receivable neither past due nor credit-impaired                                    | 644,323        | 796,358        |
| Short-term trade accounts receivable past due and for which allowance for expected credit losses was accrued | 885,639        | 996,425        |
| Amount of allowance for expected credit losses of trade accounts receivable                                  | (841,298)      | (957,770)      |
| Short-term trade accounts receivable past due but not credit-impaired  | 68,082         | 77,096         |
| <b>Total short-term trade accounts receivable</b>  | <b>756,746</b> | <b>912,109</b> |

Management's experience indicates customer payment histories in respect of trade accounts receivable neither past due nor credit-impaired vary by geography. The credit quality of these assets can be analysed as follows:

## 10. Accounts Receivable and Prepayments (continued)

|  | 31 December    |                |
|--|----------------|----------------|
|  | 2019           | 2018           |
| Europe and other countries gas, crude oil, gas condensate and refined products trade accounts receivable                                       | 347,040        | 458,990        |
| Domestic gas, crude oil, gas condensate and refined products trade accounts receivable   | 158,359        | 191,250        |
| Former Soviet Union countries (excluding the Russian Federation) gas, crude oil, gas condensate and refined products trade accounts receivable | 28,650         | 7,422          |
| Electricity and heat trade accounts receivable   | 44,861         | 76,434         |
| Gas transportation services trade accounts receivable  | 3,589          | 4,906          |
| Other trade accounts receivable  | 61,824         | 57,356         |
| <b>Total trade accounts receivable neither past due nor credit-impaired</b>  | <b>644,323</b> | <b>796,358</b> |

As of 31 December 2019 and 31 December 2018 credit-impaired accounts receivable mainly relate to gas sales to certain Russian regions and Former Soviet Union countries. In management's view the accounts receivable will be settled. The ageing analysis from the due date of these accounts receivable is as follows:

| Ageing from the due date | Gross book value<br>31 December |                | Allowance for expected<br>credit losses<br>31 December |                  | Net book value<br>31 December |               |
|--------------------------|---------------------------------|----------------|--|------------------|-------------------------------|---------------|
|                          | 2019                            | 2018           | 2019   | 2018             | 2019                          | 2018          |
| up to 6 months           | 82,834                          | 105,661        | (51,046)   | (80,059)         | 31,788                        | 25,602        |
| from 6 to 12 months      | 58,932                          | 84,552         | (51,555)   | (76,384)         | 7,377                         | 8,168         |
| from 1 to 3 years        | 153,229                         | 214,674        | (149,168)  | (209,864)        | 4,061                         | 4,810         |
| more than 3 years        | 590,644                         | 591,538        | (589,529)  | (591,463)        | 1,115                         | 75            |
|                          | <b>885,639</b>                  | <b>996,425</b> | <b>(841,298)</b>                                       | <b>(957,770)</b> | <b>44,341</b>                 | <b>38,655</b> |

Change in the Group's allowance for expected credit losses of trade and other accounts receivable is as follows:

|   | Trade receivables<br>Year ended<br>31 December |                | Other receivables<br>Year ended<br>31 December |               |
|---|--|----------------|--|---------------|
|   | 2019   | 2018           | 2019   | 2018          |
| <b>Allowance for expected credit losses of accounts receivable at the beginning of the year</b>         | <b>957,770</b>                                 | <b>752,629</b> | <b>24,462</b>                                  | <b>20,815</b> |
| Effect of changes in accounting policies  | –  | 1,990          | –  | 55            |
| Accrual of allowance for expected credit losses of accounts receivable <sup>1</sup>                     | 178,320  | 143,365        | 7,530  | 18,880        |
| Write-off of accounts receivable during the year <sup>2</sup>   | (167,852)                                      | (7,463)        | (2,149)  | (2,481)       |
| Reversal of previously accrued allowance for expected credit losses of accounts receivable <sup>1</sup> | (61,603)                                       | (17,537)       | (1,247)  | (12,960)      |
| Reclassification to other lines   | –  | (6,287)        | –  | –             |
| Foreign exchange rate differences   | (65,337)                                       | 91,073         | (97)   | 153           |
| <b>Allowance for expected credit losses of accounts receivable at the end of the year</b>               | <b>841,298</b>                                 | <b>957,770</b> | <b>28,499</b>                                  | <b>24,462</b> |

<sup>1</sup> The accrual and release of allowance for expected credit losses of trade and other accounts receivable have been included in the line "(Impairment loss) reversal of impairment loss on financial assets" in the consolidated statement of comprehensive income.

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

Trade accounts receivable past due but not impaired mainly relate to a number of customers for whom there is no recent history of material default. The ageing analysis of these trade accounts receivable is as follows:

## 10. Accounts Receivable and Prepayments (continued)

|                                 | 31 December   |               |
|---------------------------------|---------------|---------------|
|                                 | 2019          | 2018          |
| <b>Ageing from the due date</b> |               |               |
| up to 6 months                  | 56,905        | 63,078        |
| from 6 to 12 months             | 7,723         | 6,790         |
| from 1 to 3 years               | 3,019         | 4,382         |
| more than 3 years               | 435           | 2,846         |
|                                 | <b>68,082</b> | <b>77,096</b> |

## 11. Inventories

|   | 31 December    |                |
|---|----------------|----------------|
|   | 2019           | 2018           |
| Gas in pipelines and storages   | 561,927        | 502,051        |
| Materials and supplies (net of allowance for obsolescence of RUB 6,493 million and RUB 4,251 million as of 31 December 2019 and 31 December 2018, respectively) | 195,069        | 166,994        |
| Goods for resale (net of allowance for obsolescence of RUB 4,286 million and RUB 1,321 million as of 31 December 2019 and 31 December 2018, respectively)       | 69,357         | 113,537        |
| Crude oil and refined products  | 120,008        | 127,095        |
| <b>Total inventories</b>  | <b>946,361</b> | <b>909,677</b> |

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.

## 12. Other Current and Non-Current Assets

Other current assets are provided in the table below.

| Notes                               | 31 December    |                  |
|-------------------------------------|----------------|------------------|
|                                     | 2019           | 2018             |
| <b>Financial assets</b>             |                |                  |
| Short-term deposits                 | 673,145        | 796,140          |
| 40 Derivative financial instruments | 109,954        | 107,868          |
|                                     | <b>783,099</b> | <b>904,008</b>   |
| <b>Non-financial assets</b>         |                |                  |
| Prepaid VAT                         | 115,775        | 119,208          |
| Prepaid profit tax                  | 10,247         | 6,117            |
| Other                               | 36,158         | 23,782           |
|                                     | <b>162,180</b> | <b>149,107</b>   |
| <b>Total other current assets</b>   | <b>945,279</b> | <b>1,053,115</b> |

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

| Notes                               | 31 December |        |
|-------------------------------------|-------------|--------|
|                                     | 2019        | 2018   |
| <b>Financial assets</b>             |             |        |
| 40 Derivative financial instruments | 19,770      | 37,393 |

## 12. Other Current and Non-Current Assets (continued)

| Notes  | 31 December    |                |
|--|----------------|----------------|
|  | 2019           | 2018           |
| Long-term deposits                                   | 3,277          | 1,432          |
|  | <b>23,047</b>  | <b>38,825</b>  |
| <b>Non-financial assets</b>                          |                |                |
| Intangible assets                                    | 64,380         | 52,753         |
| VAT recoverable related to assets under construction | 41,348         | 41,905         |
| 25 Net pension plan assets                           | 26,547         | 140,878        |
| Other  | 234,274        | 255,901        |
|  | <b>366,549</b> | <b>491,437</b> |
| <b>Total other non-current assets</b>                | <b>389,596</b> | <b>530,262</b> |

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

## 13. Property, Plant and Equipment

| Notes  | Pipelines        | Wells            | Machinery and equipment | Buildings and roads | Production licenses | Social assets | Assets under construction | Total             |
|--|------------------|------------------|-------------------------|---------------------|---------------------|---------------|---------------------------|-------------------|
| <b>As of 31 December 2017</b>                            |                  |                  |                         |                     |                     |               |                           |                   |
| Cost   | 3,855,207        | 2,031,839        | 5,016,429               | 3,834,813           | 618,135             | 96,791        | 3,574,247                 | 19,027,461        |
| Accumulated depreciation                                 | (1,510,136)      | (713,095)        | (2,286,278)             | (1,293,573)         | (255,034)           | (43,336)      | –                         | (6,101,452)       |
| Impairment allowance                                     | (445)            | (78,112)         | (72,488)                | (34,265)            | (6,368)             | –             | (189,252)                 | (380,930)         |
| <b>Net book value as of 31 December 2017</b>             | <b>2,344,626</b> | <b>1,240,632</b> | <b>2,657,663</b>        | <b>2,506,975</b>    | <b>356,733</b>      | <b>53,455</b> | <b>3,384,995</b>          | <b>12,545,079</b> |
| <b>Cost</b>  |                  |                  |                         |                     |                     |               |                           |                   |
| Additions  | 123              | 5,992            | 14,947                  | 3,879               | 2,200               | –             | 1,924,151                 | 1,951,292         |
| Transfers  | 147,077          | 153,073          | 478,514                 | 304,787             | 3,268               | 3,207         | (1,089,926)               | –                 |
| Disposals  | (11,264)         | (60,297)         | (107,237)               | (95,433)            | (4,668)             | (11,731)      | (41,132)                  | (331,762)         |
| Translation differences                                  | 11,230           | 69,499           | 46,604                  | 31,608              | 18,137              | 212           | 109,191                   | 286,481           |
| <b>Accumulated depreciation and impairment allowance</b> |                  |                  |                         |                     |                     |               |                           |                   |
| Depreciation   | (86,640)         | (88,444)         | (319,657)               | (134,655)           | (11,570)            | (2,457)       | –                         | (643,423)         |
| Disposals  | 7,929            | 10,017           | 68,056                  | 23,956              | –                   | 547           | 3,499                     | 114,004           |
| Translation differences                                  | (7,328)          | (25,771)         | (22,548)                | (14,461)            | (10,213)            | (52)          | (10,456)                  | (90,829)          |
| Change in impairment allowance                           | (72)             | (16,621)         | (11,179)                | 2,304               | (723)               | –             | 4,883                     | (21,408)          |
| allowance accrual  | (72)             | (16,621)         | (11,179)                | –                   | (723)               | –             | (18,710)                  | (47,305)          |
| allowance release  | –                | –                | –                       | 2,304               | –                   | –             | 23,593                    | 25,897            |
| <b>As of 31 December 2018</b>                            |                  |                  |                         |                     |                     |               |                           |                   |
| Cost   | 4,002,373        | 2,200,106        | 5,449,258               | 4,079,654           | 637,072             | 88,479        | 4,476,531                 | 20,933,473        |
| Accumulated depreciation                                 | (1,596,247)      | (808,942)        | (2,561,530)             | (1,418,724)         | (276,016)           | (45,298)      | –                         | (6,706,757)       |
| Impairment allowance                                     | (445)            | (103,084)        | (82,565)                | (31,970)            | (7,892)             | –             | (191,326)                 | (417,282)         |
| <b>Net book value as of 31 December 2018</b>             | <b>2,405,681</b> | <b>1,288,080</b> | <b>2,805,163</b>        | <b>2,628,960</b>    | <b>353,164</b>      | <b>43,181</b> | <b>4,285,205</b>          | <b>13,809,434</b> |

### 13. Property, Plant and Equipment (continued)

| Notes  | Pipelines        | Wells            | Machinery and equipment | Buildings and roads | Production licenses | Social assets | Assets under construction | Total             |
|--|------------------|------------------|-------------------------|---------------------|---------------------|---------------|---------------------------|-------------------|
| <b>Cost</b>  |                  |                  |                         |                     |                     |               |                           |                   |
| 14   |                  |                  |                         |                     |                     |               |                           |                   |
| Reclassification to right-of-use assets                  | –                | –                | (106,451)               | (6,426)             | –                   | –             | –                         | (112,877)         |
| Additions  | 12               | 81,559           | 32,488                  | 36,892              | 3,679               | –             | 1,995,835                 | 2,150,465         |
| Transfers  | 530,393          | 194,462          | 412,902                 | 531,869             | 10,028              | 4,552         | (1,684,206)               | –                 |
| Disposals  | (4,395)          | (17,925)         | (66,624)                | (36,169)            | (5,920)             | (2,664)       | (133,816)                 | (267,513)         |
| Translation differences                                  | (6,604)          | (48,496)         | (40,128)                | (27,066)            | (10,896)            | (321)         | (129,569)                 | (263,080)         |
| <b>Accumulated depreciation and impairment allowance</b> |                  |                  |                         |                     |                     |               |                           |                   |
| 14   |                  |                  |                         |                     |                     |               |                           |                   |
| Reclassification to right-of-use assets                  | –                | –                | 69,467                  | 2,328               | –                   | –             | –                         | 71,795            |
| Depreciation   | (88,825)         | (91,384)         | (341,568)               | (149,764)           | (12,126)            | (2,457)       | –                         | (686,124)         |
| Disposals  | 3,982            | 7,790            | 53,830                  | 17,406              | 129                 | 843           | 21,507                    | 105,487           |
| Translation differences                                  | 4,532            | 20,419           | 20,491                  | 11,749              | 7,574               | 67            | 2,355                     | 67,187            |
| Change in impairment allowance                           | –                | (5,317)          | (12,892)                | (7,072)             | –                   | –             | 6,955                     | (18,326)          |
| allowance accrual  | –                | (6,469)          | (12,892)                | (7,072)             | –                   | –             | (38,876)                  | (65,309)          |
| allowance release  | –                | 1,152            | –                       | –                   | –                   | –             | 45,831                    | 46,983            |
| <b>As of 31 December 2019</b>                            |                  |                  |                         |                     |                     |               |                           |                   |
| Cost   | 4,521,779        | 2,409,706        | 5,681,445               | 4,578,754           | 633,963             | 90,046        | 4,524,775                 | 22,440,468        |
| Accumulated depreciation                                 | (1,676,558)      | (877,779)        | (2,762,736)             | (1,537,014)         | (281,732)           | (46,845)      | –                         | (7,182,664)       |
| Impairment allowance                                     | (445)            | (102,739)        | (92,031)                | (39,033)            | (6,599)             | –             | (160,509)                 | (401,356)         |
| <b>Net book value as of 31 December 2019</b>             | <b>2,844,776</b> | <b>1,429,188</b> | <b>2,826,678</b>        | <b>3,002,707</b>    | <b>345,632</b>      | <b>43,201</b> | <b>4,364,266</b>          | <b>14,856,448</b> |

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

As of 31 December 2019 and 31 December 2018 the Group conducted a test of assets for the purposes of making a decision on the possible accrual or release of previously recognised impairment.

For the impairment test the Group's assets are grouped into cash-generating units ("CGU") and their recoverable amount has been determined on the basis of the values in their use. The values in use of each CGU have been calculated by the Group as the present values of forecasted future cash flows discounted using the rates derived from the weighted average cost of capital of the Group, as adjusted, where applicable, to take into account any specific risks of business operations related assets.

The Group applied discount rates ranging from 4.71% to 12.30% and from 5.38% to 13.00% as of 31 December 2019 and 31 December 2018, respectively. Cash flows were forecasted based on actual operating results, budgets and other corporate documents containing forward-looking data.

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

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

As of 31 December 2019 and 31 December 2018 the test did not reveal any impairment of the CGU relating to UGSS, assets for production, transportation and refining of gas in the Eastern Siberia and the Far East. The main assumptions that affect the forecast of cash flows for the UGSS are the gas price and the US Dollar exchange rate. A 23% reduction in the gas price for gas exports to Europe from forecast prices would require the recognition of impairment loss of assets for these CGU. A weakening of the Russian Ruble against the US Dollar by more than 2%

### 13. Property, Plant and Equipment (continued)

would have a positive impact on the amount of cash flows in the functional currency, and, as a result, would lead to compensation for the impairment loss due to falling prices.

As of 31 December 2019 based on the result of the impairment test the Group recognised an impairment allowance in the amount of RUB 25,281 million for the following CGU:

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

As of 31 December 2018 based on the result of the impairment test the Group recognised an impairment allowance in the amount of RUB 26,291 million for the following CGU:

- exploration and production of oil;
- gas storage outside the Russian Federation;
- electric and heat energy generation and sales.

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

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

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

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

Social assets (rest houses, housing, schools and medical facilities) included in the property, plant and equipment which were vested to the Group at privatisation have a net book value of RUB 45 million and RUB 69 million as of 31 December 2019 and 31 December 2018, respectively.

Included in additions above are capitalised borrowing costs of RUB 154,516 million and RUB 182,351 million for the years ended 31 December 2019 and 31 December 2018, respectively. Capitalisation rates of 5.52% and 6.21% were used representing the weighted average borrowing cost including exchange differences on foreign currency borrowings for the years ended 31 December 2019 and 31 December 2018, respectively. Capitalisation rate excluding exchange losses on foreign currency borrowings were 5.50% and 5.76% for the years ended 31 December 2019 and 31 December 2018, respectively.

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

|   | Year ended<br>31 December |                       |
|---|---------------------------|-----------------------|
|   | 2019                      | 2018                  |
| <b>Exploration and evaluation assets at the beginning of the year</b> | <b>319,678</b>            | <b>281,157</b>        |
| Additions   | 80,322                    | 57,248                |
| Translation differences   | (5,353)                   | 7,556                 |
| Reclassification  | (4,240)                   | (2,886)               |
| Disposals   | (57,286) <sup>1</sup>     | (23,397) <sup>2</sup> |
| <b>Exploration and evaluation assets at the end of the year</b>       | <b>333,121</b>            | <b>319,678</b>        |

<sup>1</sup> Including impairment allowance in the amount of RUB 512 million.

<sup>2</sup> Including impairment allowance in the amount of RUB 215 million.

### 14. Right-of-Use Assets

| Notes   | Operating<br>assets | Social<br>assets | Total         |
|---|---------------------|------------------|---------------|
| <b>Year ended 31 December 2019</b>                        |                     |                  |               |
| <b>Net book value as of 31 December 2018</b>              |                     |                  |               |
|   | –                   | –                | –             |
|   | 148,877             | 31,408           | 180,285       |
| 5, 13 Reclassification from property, plant and equipment | <u>41,082</u>       | –                | <u>41,082</u> |



#### 14. Right-of-Use Assets (continued)

| Notes  | Operating assets | Social assets | Total          |
|--|------------------|---------------|----------------|
| <b>Net book value as of 1 January 2019</b>                         | <b>189,959</b>   | <b>31,408</b> | <b>221,367</b> |
| Reclassification   | 25,992           | (25,992)      | –              |
| Depreciation   | (37,726)         | (1,424)       | (39,150)       |
| 28 Impairment allowance accrual                                    | (6,007)          | –             | (6,007)        |
| Additions as a result of new leases                                | 40,995           | 3,622         | 44,617         |
| Effect of modification and changes of estimates in lease contracts | (150)            | (108)         | (258)          |
| Translation differences  | (6,325)          | –             | (6,325)        |
| <b>Net book value as of 31 December 2019</b>                       | <b>206,738</b>   | <b>7,506</b>  | <b>214,244</b> |
| <b>As of 31 December 2019</b>                                      |                  |               |                |
| Cost   | 250,471          | 8,930         | 259,401        |
| Accumulated depreciation and impairment allowance                  | (43,733)         | (1,424)       | (45,157)       |
| <b>Net book value as of 31 December 2019</b>                       | <b>206,738</b>   | <b>7,506</b>  | <b>214,244</b> |

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

The total cash outflow under lease agreements amounted to RUB 59,450 million for the year ended 31 December 2019.

#### 15. Goodwill

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

| Notes  | Year ended 31 December |                |
|--|------------------------|----------------|
|  | 2019                   | 2018           |
| <b>Goodwill at the beginning of the year</b> | <b>108,097</b>         | <b>105,469</b> |
| 35 Additions                                 | 22,999                 | –              |
| Translation differences                      | (879)                  | 2,629          |
| Impairment                                   | (187)                  | –              |
| Disposals                                    | (2)                    | (1)            |
| <b>Goodwill at the end of the year</b>       | <b>130,028</b>         | <b>108,097</b> |

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

|   | 31 December    |                |
|---|----------------|----------------|
|   | 2019           | 2018           |
| Gas production, transportation and distribution                   | 44,105         | 44,115         |
| Production of crude oil and gas condensate                        | 34,598         | 35,469         |
| Electric and heat energy generation and sales                     | 28,326         | 28,513         |
| Production and maintenance of turbocompressor and power equipment | 22,999         | –              |
| <b>Total goodwill</b>   | <b>130,028</b> | <b>108,097</b> |

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

## 15. Goodwill (continued)

As a result of this assessment the Group recognised impairment loss on goodwill in the amount of RUB 187 million and RUB nil million for the years ended 31 December 2019 and 31 December 2018, respectively.

## 16. Investments in Associates and Joint Ventures

| Notes  |  | Carrying value as of<br>31 December |                  | Share of profit (loss) of associates<br>and joint ventures for the year ended<br>31 December |                |                |
|--------|--|-------------------------------------|------------------|--|----------------|----------------|
|        |  | 2019                                | 2018             | 2019   | 2018           |                |
| 36, 39 | Gazprombank (Joint-stock Company)<br>and its subsidiaries  | Associate                           | 211,171          | 166,218  | 11,585         | 13,126         |
| 36, 39 | Sakhalin Energy Investment Company Ltd.  | Associate                           | 176,333          | 196,679  | 67,220         | 64,071         |
| 36     | PJSC NGK Slavneft and its subsidiaries   | Joint venture                       | 159,420          | 152,495  | 8,912          | 11,882         |
| 36     | JSC Arcticgas <sup>1</sup>   | Joint venture                       | 136,262          | 146,246  | 39,849         | 40,451         |
| 36, 39 | Nord Stream AG   | Joint venture                       | 83,107           | 100,138  | 17,840         | 17,547         |
| 36     | WIGA Transport Beteiligungs-<br>GmbH & Co. KG and its subsidiaries <sup>2</sup>  | Joint venture                       | 52,159           | 55,867   | 7,519          | 6,694          |
| 36     | JSC Messoyakhaneftegas   | Joint venture                       | 45,350           | 36,837   | 25,814         | 28,172         |
| 36     | JSC Gazstroyprom   | Associate                           | 43,129           | –  | 1,911          | –              |
| 36     | JSC Achimgaz   | Joint venture                       | 34,888           | 37,310   | 14,079         | 13,399         |
| 25, 36 | JSC NPF GAZFOND <sup>3</sup>   | Associate                           | 32,729           | 28,861   | 3,868          | 28,861         |
| 36     | JSC EUROPOL GAZ  | Associate                           | 30,117           | 33,894   | 357            | 734            |
|        | Wintershall AG   | Associate                           | 15,590           | 18,026   | (175)          | (4)            |
| 36     | KazRosGas LLP  | Joint venture                       | 12,949           | 11,758   | 2,580          | 464            |
| 36     | CJSC Northgas  | Joint venture                       | 10,526           | 7,986  | 3,090          | 3,700          |
| 36     | Wintershall Noordzee B.V.  | Joint venture                       | 5,309            | 8,125  | (2,013)        | 383            |
| 36     | JSC Latvijas Gaze and its subsidiaries   | Associate                           | 3,481            | 4,027  | 499            | 635            |
|        | Other (net of allowance for investments<br>impairment in the amount<br>of RUB 22,037 million and RUB 26,092 million as<br>of 31 December 2019<br>and 31 December 2018, respectively) |                                     | 130,342          | 92,979   | 4,192          | 2,368          |
|        |  |                                     | <b>1,182,862</b> | <b>1,097,446</b>   | <b>207,127</b> | <b>232,483</b> |

<sup>1</sup> In January 2018 LLC Yamal razvitie and its subsidiary LLC SeverEnergy were reorganised by merging with JSC Arcticgas (a former subsidiary of LLC SeverEnergy).

<sup>2</sup> In December 2019 WIGA Transport Beteiligungs-GmbH & Co. KG was reclassified from an associate into a joint venture due to amendments made to the company's Articles of Association, accordingly the investment into WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries as of 31 December 2019 became accounted for as the investment into a joint venture.

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

Changes in the carrying amount of investment in associates and joint ventures are as follows:

|  | Year ended<br>31 December |                |
|--|---------------------------|----------------|
|  | 2019                      | 2018           |
| <b>Investments in associates and joint ventures at the beginning of the year</b> | <b>1,097,446</b>          | <b>867,445</b> |
| Share of profit of associates and joint ventures                                 | 207,127                   | 232,483        |
| Distributions from associates and joint ventures                                 | (180,936)                 | (124,662)      |
| Share of other comprehensive (loss) income of associates and joint ventures      | (4,276)                   | 13,923         |

## 16. Investments in Associates and Joint Ventures (continued)

|  | Year ended<br>31 December |                  |
|--|---------------------------|------------------|
|  | 2019                      | 2018             |
| Translation differences  | (52,096)                  | 68,454           |
| Other acquisitions and disposals   | 115,597                   | 39,803           |
| <b>Investments in associates and joint ventures at the end of the year</b> | <b>1,182,862</b>          | <b>1,097,446</b> |

The estimated fair values of the Group's investments in associates and joint ventures which are based on published price quotations are as follows:

|                   | 31 December |        |
|-------------------|-------------|--------|
|                   | 2019        | 2018   |
| JSC Latvijas Gaze | 9,281       | 11,046 |

### Significant associates and joint ventures

|  | Country of primary operations | Country of incorporation | Nature of operations   | Ownership interest as of<br>31 December |      |
|--|-------------------------------|--------------------------|--|---|------|
|  |                               |                          |  | 2019                                    | 2018 |
| JSC Arcticgas                                  | Russia                        | Russia                   | Production of oil and petroleum gas                                | 50                                      | 50   |
| JSC Achimgaz                                   | Russia                        | Russia                   | Exploration and production of gas and gas condensate               | 50                                      | 50   |
| WIGA Transport Beteiligungs-GmbH & Co. KG      | Germany                       | Germany                  | Gas transportation   | 50                                      | 50   |
| Wintershall AG                                 | Libya                         | Germany                  | Production of oil and gas sales                                    | 49                                      | 49   |
| Gaz Project Development Central Asia AG        | Uzbekistan                    | Switzerland              | Gas production   | 50                                      | 50   |
| Gazprombank (Joint-stock Company) <sup>1</sup> | Russia                        | Russia                   | Banking  | 48                                      | 48   |
| JSC Gazstroyprom                               | Russia                        | Russia                   | Customer's and contractor's functions under construction contracts | 49                                      | –    |
| JSC NPF GAZFOND <sup>1</sup>                   | Russia                        | Russia                   | Non-state pension provision  | 42                                      | 42   |
| JSC EUROPOL GAZ                                | Poland                        | Poland                   | Transportation and gas sales                                       | 48                                      | 48   |
| KazRosGas LLP                                  | Kazakhstan                    | Kazakhstan               | Gas processing and sales of gas and refined products               | 50                                      | 50   |
| JSC Latvijas Gaze                              | Latvia                        | Latvia                   | Sale and distribution of gas                                       | 34                                      | 34   |
| JSC Messoyakhaneftegas                         | Russia                        | Russia                   | Production of oil and petroleum gas                                | 50                                      | 50   |
| JSV Moldovagaz                                 | Moldova                       | Moldova                  | Transportation and gas sales                                       | 50                                      | 50   |
| Nord Stream AG <sup>2</sup>                    | Russia, Germany               | Switzerland              | Gas transportation   | 51                                      | 51   |
| CJSC Northgas                                  | Russia                        | Russia                   | Production and sales of gas and gas condensate                     | 50                                      | 50   |
| Panrusgas Co.                                  | Hungary                       | Hungary                  | Gas sales  | 40                                      | 40   |
| Prometheus Gas S.A.                            | Greece                        | Greece                   | Gas sales, construction  | 50                                      | 50   |
| Sakhalin Energy Investment Company Ltd.        | Russia                        | Bermuda Islands          | Production of oil, LNG   | 50                                      | 50   |
| PJSC NGK Slavneft                              | Russia                        | Russia                   | Production, processing and sales of oil                            | 50                                      | 50   |

<sup>1</sup> Share in voting shares.

<sup>2</sup> 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.

## 16. Investments in Associates and Joint Ventures (continued)

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

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

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

|   | PJSC NGK Slavneft<br>and its subsidiaries | Gazprombank<br>(Joint-stock Company)<br>and its subsidiaries <sup>1</sup> | Sakhalin<br>Energy Investment<br>Company Ltd. |
|---|---|---|---|
| <b>As of 31 December 2019 and for the year ended<br/>31 December 2019</b> |   |   |   |
| Cash and cash equivalents   | 2,771                                     | 739,024   | 27,748  |
| Other current assets (excluding cash and cash equivalents)                | 97,774                                    | 5,066,684   | 107,141                                       |
| Other non-current assets  | 502,000                                   | 682,101   | 799,744                                       |
| <b>Total assets</b>   | <b>602,545</b>                            | <b>6,487,809</b>  | <b>934,633</b>                                |
| Current financial liabilities (excluding trade payables)                  | 22,919                                    | 4,872,924   | 63,414  |
| Other current liabilities (including trade payables)                      | 65,474                                    | 113,674   | 128,715                                       |
| Non-current financial liabilities   | 123,882                                   | 844,960   | 118,176                                       |
| Other non-current liabilities   | 66,392                                    | 28,468  | 271,661                                       |
| <b>Total liabilities</b>  | <b>278,667</b>                            | <b>5,860,026</b>  | <b>581,966</b>                                |
| <b>Net assets (including non-controlling interest)</b>                    | <b>323,878</b>                            | <b>627,783</b>  | <b>352,667</b>                                |
| Ownership interest  | 50%                                       | 48%   | 50%   |
| <b>Carrying value of investment</b>                                       | <b>159,420</b>                            | <b>211,171</b>  | <b>176,333</b>                                |
| Revenue   | 316,084                                   | 270,566   | 386,709                                       |
| Depreciation  | (45,162)                                  | (52,881)  | (113,439)                                     |
| Interest income   | 543                                       | 409,459   | 4,024   |
| Interest expense  | (6,755)                                   | (266,705)   | (12,915)                                      |
| Profit tax expense  | (8,644)                                   | (15,429)  | (73,600)                                      |
| <b>Profit for the year</b>  | <b>18,653</b>                             | <b>45,359</b>   | <b>134,439</b>                                |
| <b>Other comprehensive income for the year</b>                            | <b>(520)</b>                              | <b>(5,614)</b>  | <b>(136)</b>                                  |
| <b>Comprehensive income for the year</b>                                  | <b>18,133</b>                             | <b>39,745</b>   | <b>134,303</b>                                |
| <b>Dividends received from associates and joint ventures</b>              | <b>(3)</b>                                | <b>(3,089)</b>  | <b>(65,466)</b>                               |
| <b>As of 31 December 2018 and for the year ended<br/>31 December 2018</b> |   |   |   |
| Cash and cash equivalents   | 3,448                                     | 1,049,343   | 32,675  |
| Other current assets (excluding cash and cash equivalents)                | 89,057                                    | 4,648,318   | 156,895                                       |
| Other non-current assets  | 459,041                                   | 740,041   | 913,361                                       |
| <b>Total assets</b>   | <b>551,546</b>                            | <b>6,437,702</b>  | <b>1,102,931</b>                              |
| Current financial liabilities (excluding trade payables)                  | 1,991                                     | 4,913,146   | 103,463                                       |
| Other current liabilities (including trade payables)                      | 60,520                                    | 127,054   | 142,865                                       |
| Non-current financial liabilities   | 126,151                                   | 861,842   | 155,143                                       |
| Other non-current liabilities   | 58,301                                    | 13,301  | 308,104                                       |
| <b>Total liabilities</b>  | <b>246,963</b>                            | <b>5,915,343</b>  | <b>709,575</b>                                |

## 16. Investments in Associates and Joint Ventures (continued)

|  | PJSC NGK Slavneft<br>and its subsidiaries | Gazprombank<br>(Joint-stock Company)<br>and its subsidiaries <sup>1</sup> | Sakhalin<br>Energy Investment<br>Company Ltd. |
|--|---|---|---|
| <b>Net assets (including non-controlling interest)</b>       | <b>304,583</b>                            | <b>522,359</b>  | <b>393,356</b>                                |
| Ownership interest   | 50%                                       | 48%   | 50%   |
| <b>Carrying value of investment</b>                          | <b>152,495</b>                            | <b>166,218</b>  | <b>196,679</b>                                |
| Revenue  | 314,332                                   | 287,415   | 392,816                                       |
| Depreciation   | (45,022)                                  | (44,972)  | (119,098)                                     |
| Interest income  | 368                                       | 373,482   | 3,685   |
| Interest expense   | (5,276)                                   | (234,801)   | (13,590)                                      |
| Profit tax expense   | (7,682)                                   | (13,521)  | (81,586)                                      |
| <b>Profit for the year</b>                                   | <b>24,926</b>                             | <b>41,086</b>   | <b>128,142</b>                                |
| <b>Other comprehensive income for the year</b>               | <b>137</b>                                | <b>3,496</b>  | <b>986</b>                                    |
| <b>Comprehensive income for the year</b>                     | <b>25,063</b>                             | <b>44,582</b>   | <b>129,128</b>                                |
| <b>Dividends received from associates and joint ventures</b> | <b>–</b>                                  | <b>(3,086)</b>  | <b>(74,433)</b>                               |

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

|   | Assets  | Liabilities | Revenues | Profit (loss) |
|---|---------|-------------|----------|---------------|
| <b>As of 31 December 2019 and for the year ended 31 December 2019</b> |         |             |          |               |
| JSC Gazstroyprom  | 463,598 | 375,581     | 105,988  | 3,774         |
| JSC NPF GAZFOND   | 454,054 | 375,224     | –        | 24,168        |
| JSC Arcticgas   | 419,362 | 171,170     | 196,395  | 79,696        |
| Nord Stream AG  | 392,013 | 229,056     | 77,823   | 34,981        |
| WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries        | 284,526 | 173,024     | 76,215   | 15,498        |
| JSC Messoyakhaneftegaz  | 221,692 | 131,417     | 141,449  | 51,632        |
| JSC Achimgaz  | 103,132 | 33,354      | 68,882   | 28,158        |
| JSC EUROPOL GAZ   | 64,028  | 1,287       | 15,164   | 782           |
| Wintershall AG  | 58,940  | 36,092      | 8,898    | (358)         |
| Wintershall Noordzee B.V.   | 46,049  | 37,318      | 7,933    | (4,025)       |
| CJSC Northgas   | 45,993  | 24,006      | 21,136   | 6,179         |
| KazRosGas LLP   | 33,382  | 7,483       | 51,611   | 5,159         |
| JSC Latvijas Gaze and its subsidiaries                                | 19,880  | 5,584       | 22,893   | 1,469         |
| <b>As of 31 December 2018 and for the year ended 31 December 2018</b> |         |             |          |               |
| Nord Stream AG  | 489,723 | 293,372     | 79,469   | 34,405        |
| JSC Arcticgas   | 439,148 | 168,497     | 195,581  | 81,823        |
| JSC NPF GAZFOND   | 427,516 | 358,003     | –        | 14,616        |
| WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries        | 321,523 | 188,493     | 76,008   | 13,780        |
| JSC Messoyakhaneftegaz  | 202,430 | 129,175     | 125,521  | 56,344        |
| JSC Achimgaz  | 93,125  | 18,504      | 41,217   | 26,798        |
| Wintershall AG  | 78,622  | 53,527      | 11,561   | (8)           |

## 16. Investments in Associates and Joint Ventures (continued)

|  | Assets | Liabilities | Revenues | Profit (loss) |
|--|--------|-------------|----------|---------------|
| JSC EUROPOL GAZ                        | 72,453 | 1,843       | 15,752   | 1,490         |
| Wintershall Noordzee B.V.              | 54,408 | 39,943      | 14,643   | 765           |
| CJSC Northgas                          | 46,496 | 29,589      | 23,337   | 7,399         |
| KazRosGas LLP                          | 27,622 | 4,106       | 44,347   | 1,825         |
| JSC Latvijas Gaze and its subsidiaries | 25,210 | 8,067       | 26,095   | 1,865         |

## 17. Long-Term Accounts Receivable and Prepayments

|  | 31 December    |                |
|--|----------------|----------------|
|  | 2019           | 2018           |
| <b>Financial assets</b>                                    |                |                |
| Long-term accounts receivable                              | 323,411        | 151,131        |
| Long-term sublease receivables                             | 15,008         | —              |
|  | <b>338,419</b> | <b>151,131</b> |
| <b>Non-financial assets</b>                                |                |                |
| Long-term prepayments                                      | 22,525         | 20,991         |
| Advances for assets under construction                     | 485,791        | 464,183        |
|  | <b>508,316</b> | <b>485,174</b> |
| <b>Total long-term accounts receivable and prepayments</b> | <b>846,735</b> | <b>636,305</b> |

Long-term accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 11,628 million and RUB 12,031 million as of 31 December 2019 and 31 December 2018, respectively. Prepayments and advances paid for assets under construction are presented net of impairment allowance in the amount of RUB 8,305 million and RUB 7,868 million as of 31 December 2019 and 31 December 2018, respectively.

As of 31 December 2019 and 31 December 2018 long-term accounts receivable and prepayments with carrying value RUB 360,944 million and RUB 172,122 million have an estimated fair value RUB 360,944 million and RUB 149,766 million, respectively.

|   | 31 December    |                |
|---|----------------|----------------|
|   | 2019           | 2018           |
| Long-term accounts receivable neither past due nor credit-impaired                                    | 355,704        | 172,101        |
| Long-term accounts receivable past due and for which allowance for expected credit losses was accrued | 12,552         | 12,040         |
| Allowance for expected credit losses of long-term accounts receivable                                 | (11,628)       | (12,031)       |
| Long-term accounts receivable past due but not credit-impaired  | 4,316          | 12             |
| <b>Total long-term accounts receivable and prepayments</b>  | <b>360,944</b> | <b>172,122</b> |

|   | 31 December    |                |
|---|----------------|----------------|
|   | 2019           | 2018           |
| Loans receivable  | 214,179        | 59,983         |
| Long-term trade accounts receivable   | 39,554         | 40,525         |
| Other long-term accounts receivable <sup>1</sup>                                | 101,971        | 71,593         |
| <b>Total long-term accounts receivable neither past due not credit-impaired</b> | <b>355,704</b> | <b>172,101</b> |

<sup>1</sup> Other long-term accounts receivable includes prepayments in the amount of RUB 22,525 million and RUB 20,991 million as of 31 December 2019 and 31 December 2018, respectively.

## 17. Long-Term Accounts Receivable and Prepayments (continued)

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

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

|   | Year ended<br>31 December |               |
|---|---------------------------|---------------|
|   | 2019                      | 2018          |
| <b>Allowance for expected credit losses of accounts receivable at the beginning of the year</b>         | <b>12,031</b>             | <b>8,810</b>  |
| Effect of changes in accounting policies  | –                         | 569           |
| Accrual of allowance for expected credit losses of accounts receivable <sup>1</sup>                     | 2,762                     | 3,405         |
| Reversal of previously accrued allowance for expected credit losses of accounts receivable <sup>1</sup> | (1,990)                   | (819)         |
| Foreign exchange rate differences   | (1,175)                   | 66            |
| <b>Allowance for expected credit losses of accounts receivable at the end of the year</b>               | <b>11,628</b>             | <b>12,031</b> |

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

## 18. Long-Term Financial Assets

|  | 31 December    |                |
|--|----------------|----------------|
|  | 2019           | 2018           |
| <b>Financial assets measured at fair value with changes recognised through profit or loss:</b>             | <b>2,447</b>   | <b>2,131</b>   |
| Equity securities  | 2,447          | 2,131          |
| <b>Financial assets measured at fair value with changes recognised through other comprehensive income:</b> | <b>431,835</b> | <b>414,535</b> |
| Equity securities <sup>1</sup>   | 431,551        | 414,273        |
| Promissory notes   | 284            | 262            |
| <b>Total long-term financial assets</b>  | <b>434,282</b> | <b>416,666</b> |

<sup>1</sup> As of 31 December 2019 and 31 December 2018 equity securities measured at fair value with changes recognised through other comprehensive income include PJSC NOVATEK shares in the amount of RUB 380,811 million and RUB 360,336 million, respectively.

Long-term financial assets are shown net of allowance for expected credit losses of RUB 34 million and RUB 35 million as of 31 December 2019 and 31 December 2018, respectively.

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

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

|   | Year ended<br>31 December |                |
|---|---------------------------|----------------|
|   | 2019                      | 2018           |
| <b>Long-term financial assets at the beginning of the year</b>                          | <b>416,666</b>            | <b>268,432</b> |
| Increase in fair value of long-term financial assets                                    | 23,131                    | 148,963        |
| Acquisition of long-term financial assets   | 551                       | 1,387          |
| Disposal of long-term financial assets  | (2,874)                   | (2,113)        |
| Reclassification to short-term financial assets   | (3,010)                   | –              |
| Translation differences   | (183)                     | –              |
| Release (accrual) of allowance for expected credit losses of long-term financial assets | 1                         | (3)            |
| <b>Long-term financial assets at the end of the year</b>                                | <b>434,282</b>            | <b>416,666</b> |

## 18. Long-Term Financial Assets (continued)

As of the reporting date the maximum exposure to credit risk for this category of assets equals to the fair value of the promissory notes classified as financial assets measured at fair value with changes recognised through other comprehensive income. The fair value of financial assets measured at fair value with changes recognised through other comprehensive income mainly has been determined using the quoted market prices (see Note 40).

## 19. Accounts Payable and Provisions

| Notes   | 31 December      |                  |
|---|------------------|------------------|
|   | 2019             | 2018             |
| <b>Financial liabilities</b>                                      |                  |                  |
| Trade accounts payable  | 498,181          | 473,027          |
| Accounts payable for acquisition of property, plant and equipment | 331,364          | 319,660          |
| 40 Derivative financial instruments                               | 99,998           | 99,490           |
| Lease liabilities   | 42,020           | –                |
| Other accounts payable <sup>1</sup>                               | <u>304,682</u>   | <u>463,672</u>   |
|   | 1,276,245        | 1,355,849        |
| <b>Non-financial liabilities</b>                                  |                  |                  |
| Advances received   | 143,934          | 164,167          |
| Accruals and deferred income                                      | <u>1,937</u>     | <u>2,085</u>     |
|   | <u>145,871</u>   | <u>166,252</u>   |
| <b>Total accounts payable and provisions</b>                      | <b>1,422,116</b> | <b>1,522,101</b> |

<sup>1</sup> As of 31 December 2019 and 31 December 2018 other accounts payable include RUB 93,542 million and RUB 33,228 million of accruals for probable price adjustments related to natural gas deliveries made from 2014 to 2019, respectively.

Fair values of these liabilities approximate the carrying values.

## 20. Taxes Other than on Profit and Fees Payable

|                                     | 31 December    |                |
|-------------------------------------|----------------|----------------|
|                                     | 2019           | 2018           |
| VAT                                 | 116,007        | 151,936        |
| MET                                 | 86,712         | 114,078        |
| Property tax                        | 34,755         | 37,301         |
| Excise tax                          | 26,126         | 21,227         |
| Other taxes                         | <u>27,849</u>  | <u>23,283</u>  |
| <b>Total taxes and fees payable</b> | <b>291,449</b> | <b>347,825</b> |

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

|  | 31 December    |                |
|--|----------------|----------------|
|  | 2019           | 2018           |
| Short-term borrowings and promissory notes:  |                |                |
| Borrowings and promissory notes denominated in Russian Rubles                                    | 89,119         | 66,839         |
| Foreign currency denominated borrowings  | <u>64,706</u>  | <u>8,052</u>   |
|  | 153,825        | 74,891         |
| Current portion of long-term borrowings (see Note 22)  | <u>620,377</u> | <u>494,170</u> |
| <b>Total short-term borrowings, promissory notes and current portion of long-term borrowings</b> | <b>774,202</b> | <b>569,061</b> |



## 21. Short-Term Borrowings, Promissory Notes and Current Portion of Long-Term Borrowings (continued)

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

|   | 31 December |       |
|---|-------------|-------|
|   | 2019        | 2018  |
| Fixed rate short-term borrowings denominated in Russian Rubles    | 7.08%       | 7.95% |
| Fixed rate foreign currency denominated short-term borrowings     | –           | 7.83% |
| Variable rate short-term borrowings denominated in Russian Rubles | 6.76%       | 9.75% |
| Variable rate foreign currency denominated short-term borrowings  | 1.42%       | 3.48% |

Fair values of these liabilities approximate the carrying values.

## 22. Long-Term Borrowings, Promissory Notes

|  | Currency               | Final maturity | 31 December |         |
|--|------------------------|----------------|-------------|---------|
|  |                        |                | 2019        | 2018    |
| Long-term borrowings, promissory notes:                        |                        |                |             |         |
| Intesa Sanpaolo Bank Luxembourg S.A. <sup>1</sup>              | Euro                   | 2021           | 153,452     | –       |
| Gazprombank (Joint-stock Company)                              | Russian Ruble          | 2027           | 101,018     | –       |
| Loan participation notes issued in September 2012 <sup>2</sup> | US Dollar              | 2022           | 93,999      | 105,485 |
| Loan participation notes issued in November 2013 <sup>2</sup>  | US Dollar              | 2023           | 93,370      | 104,779 |
| Intesa Sanpaolo Bank Luxembourg S.A. <sup>1</sup>              | Euro                   | 2023           | 82,865      | 94,883  |
| Loan participation notes issued in March 2007 <sup>3</sup>     | US Dollar              | 2022           | 82,136      | 92,174  |
| Loan participation notes issued in August 2007 <sup>3</sup>    | US Dollar              | 2037           | 79,497      | 89,212  |
| Loan participation notes issued in February 2019 <sup>3</sup>  | US Dollar              | 2026           | 78,246      | –       |
| J.P. Morgan Europe Limited <sup>1</sup>                        | Euro                   | 2023           | 76,029      | 87,087  |
| Loan participation notes issued in April 2004 <sup>3</sup>     | US Dollar              | 2034           | 75,407      | 84,622  |
| Loan participation notes issued in March 2013 <sup>3</sup>     | Euro                   | 2020           | 71,183      | 81,578  |
| Loan participation notes issued in November 2018 <sup>3</sup>  | Euro                   | 2024           | 70,686      | 79,045  |
| Loan participation notes issued in November 2016 <sup>3</sup>  | Euro                   | 2023           | 69,210      | 79,268  |
| Loan participation notes issued in April 2017 <sup>3, 4</sup>  | British Pound Sterling | 2024           | 68,120      | 78,028  |
| Loan participation notes issued in July 2012 <sup>3</sup>      | US Dollar              | 2022           | 63,285      | 71,018  |
| Bank of China Limited, London branch                           | Euro                   | 2021           | 59,461      | 113,580 |
| J.P. Morgan Europe Limited <sup>1</sup>                        | Euro                   | 2022           | 59,150      | 78,987  |
| Loan participation notes issued in February 2013 <sup>3</sup>  | US Dollar              | 2028           | 56,826      | 63,770  |
| Loan participation notes issued in February 2014 <sup>3</sup>  | Euro                   | 2021           | 53,590      | 61,412  |
| Loan participation notes issued in March 2018 <sup>3</sup>     | Euro                   | 2026           | 52,569      | 60,239  |
| Loan participation notes issued in November 2017 <sup>3</sup>  | Euro                   | 2024           | 51,719      | 59,243  |
| Loan participation notes issued in February 2013 <sup>3</sup>  | US Dollar              | 2020           | 50,293      | 56,438  |
| UniCredit S.p.A.   | Euro                   | 2025           | 48,379      | 55,427  |
| Loan participation notes issued in March 2018 <sup>3</sup>     | Swiss Franc            | 2023           | 47,964      | 53,161  |
| Loan participation notes issued in March 2017 <sup>3</sup>     | US Dollar              | 2027           | 46,647      | 52,340  |
| UniCredit S.p.A.   | Euro                   | 2022           | 44,586      | 55,329  |

## 22. Long-Term Borrowings, Promissory Notes (continued)

|  | Currency               | Final maturity | 31 December |        |
|--|------------------------|----------------|-------------|--------|
|  |                        |                | 2019        | 2018   |
| Loan participation notes issued in September 2013 <sup>3,4</sup> | British Pound Sterling | 2020           | 41,937      | 48,058 |
| Credit Agricole CIB  | Euro                   | 2023           | 41,455      | 47,467 |
| Loan participation notes issued in November 2011 <sup>3</sup>    | US Dollar              | 2021           | 38,122      | 42,780 |
| Loan issued in December 2018 <sup>5</sup>                        | Japanese yen           | 2028           | 36,373      | 40,411 |
| Loan participation notes issued in March 2013 <sup>3</sup>       | Euro                   | 2025           | 35,853      | 41,089 |
| Credit Agricole CIB  | Euro                   | 2022           | 34,706      | 55,722 |
| Natixis <sup>1</sup>   | Euro                   | 2024           | 34,582      | –      |
| MUFG Bank Ltd.   | Euro                   | 2023           | 34,425      | –      |
| PJSC Sberbank  | Euro                   | 2023           | 33,687      | 29,861 |
| Wintershall Nederland Transport and Trading B.V. <sup>6</sup>    | Euro                   | 2034           | 32,378      | –      |
| Uniper Gas Transportation and Finance B.V. <sup>6</sup>          | Euro                   | 2034           | 32,378      | –      |
| OMV Gas Marketing Trading & Finance B.V. <sup>6</sup>            | Euro                   | 2034           | 32,378      | –      |
| Shell Exploration and Production (LXXI) B.V. <sup>6</sup>        | Euro                   | 2034           | 32,378      | –      |
| Engie Energy Management Holding Switzerland AG <sup>6</sup>      | Euro                   | 2034           | 32,378      | –      |
| Loan participation notes issued in November 2016 <sup>3,4</sup>  | Swiss Franc            | 2021           | 32,281      | 36,943 |
| Loan participation notes issued in July 2017 <sup>3,4</sup>      | Swiss Franc            | 2022           | 31,637      | 36,207 |
| PJSC Sberbank  | Russian Ruble          | 2022           | 30,084      | –      |
| Citibank Europe plc <sup>1</sup>                                 | Euro                   | 2023           | 29,288      | 33,537 |
| ING Bank, a branch of ING-DiBa AG                                | Euro                   | 2023           | 27,606      | 31,611 |
| China Construction Bank Corporation, Beijing branch <sup>1</sup> | US Dollar              | 2020           | 27,205      | 61,151 |
| Wintershall Nederland Transport and Trading B.V. <sup>6</sup>    | Euro                   | 2035           | 26,775      | 26,978 |
| Uniper Gas Transportation and Finance B.V. <sup>6</sup>          | Euro                   | 2035           | 26,775      | 26,978 |
| OMV Gas Marketing Trading & Finance B.V. <sup>6</sup>            | Euro                   | 2035           | 26,773      | 26,975 |
| Shell Exploration and Production (LXXI) B.V. <sup>6</sup>        | Euro                   | 2035           | 26,773      | 26,975 |
| Engie Energy Management Holding Switzerland AG <sup>6</sup>      | Euro                   | 2035           | 26,773      | 26,975 |
| Russian bonds issued in March 2018 <sup>2</sup>                  | Russian Ruble          | 2024           | 25,542      | 25,538 |
| Russian bonds issued in October 2017 <sup>2</sup>                | Russian Ruble          | 2022           | 25,382      | 25,376 |
| Russian bonds issued in November 2019 <sup>2</sup>               | Russian Ruble          | 2024           | 25,166      | –      |
| UniCredit S.p.A. <sup>1</sup>                                    | Euro                   | 2021           | 24,257      | 6,339  |
| Gazprombank (Joint-stock Company)                                | Russian Ruble          | 2022           | 22,700      | –      |
| JSC ALFA-BANK  | US Dollar              | 2021           | 22,607      | 27,803 |
| Russian bonds issued in December 2019 <sup>2</sup>               | Russian Ruble          | 2029           | 20,012      | –      |
| Gazprombank (Joint-stock Company)                                | Russian Ruble          | 2022           | 19,450      | –      |
| J.P. Morgan Europe Limited <sup>1</sup>                          | Euro                   | 2020           | 18,308      | 42,007 |
| PJSC Sberbank  | Euro                   | 2022           | 16,952      | 19,149 |
| VTB Bank (Europe) SE   | Euro                   | 2027           | 15,613      | 20,276 |
| Russian bonds issued in July 2019 <sup>7</sup>                   | Russian Ruble          | 2024           | 15,535      | –      |

## 22. Long-Term Borrowings, Promissory Notes (continued)

|   | Currency      | Final maturity | 31 December      |                  |
|---|---------------|----------------|------------------|------------------|
|   |               |                | 2019             | 2018             |
| Russian bonds issued in July 2018 <sup>8</sup>                | Russian Ruble | 2048           | 15,513           | 15,509           |
| Russian bonds issued in July 2018 <sup>8</sup>                | Russian Ruble | 2048           | 15,513           | 15,509           |
| Russian bonds issued in February 2017 <sup>7</sup>            | Russian Ruble | 2027           | 15,508           | 15,505           |
| Russian bonds issued in February 2017 <sup>7</sup>            | Russian Ruble | 2027           | 15,508           | 15,505           |
| Russian bonds issued in August 2017 <sup>2</sup>              | Russian Ruble | 2024           | 15,487           | 15,482           |
| Russian bonds issued in April 2017 <sup>2</sup>               | Russian Ruble | 2022           | 15,289           | 15,282           |
| Russian bonds issued in June 2019 <sup>7</sup>                | Russian Ruble | 2022           | 15,089           | –                |
| Russian bonds issued in November 2013 <sup>8</sup>            | Russian Ruble | 2043           | 15,081           | 15,074           |
| Russian bonds issued in November 2013 <sup>8</sup>            | Russian Ruble | 2043           | 15,081           | 15,074           |
| Gazprombank (Joint-stock Company)                             | Russian Ruble | 2025           | 15,000           | 15,000           |
| JSC BANK "ROSSIYA"  | Russian Ruble | 2022           | 15,000           | 15,281           |
| Gazprombank (Joint-stock Company)                             | Russian Ruble | 2024           | 15,000           | 15,000           |
| PJSC CREDIT BANK OF MOSCOW                                    | Russian Ruble | 2024           | 14,925           | –                |
| PJSC VTB Bank   | Euro          | 2022           | 13,858           | –                |
| Deutsche Bank Luxembourg S.A.                                 | Euro          | 2022           | 11,772           | 15,943           |
| UniCredit Bank Austria AG                                     | Euro          | 2021           | 11,116           | 21,254           |
| Russian bonds issued in July 2018 <sup>8</sup>                | Russian Ruble | 2033           | 10,342           | 10,340           |
| Russian bonds issued in August 2016 <sup>2</sup>              | Russian Ruble | 2046           | 10,324           | 10,322           |
| Russian bonds issued in February 2011 <sup>2</sup>            | Russian Ruble | 2021           | 10,321           | 10,319           |
| Russian bonds issued in February 2018 <sup>7</sup>            | Russian Ruble | 2028           | 10,247           | 10,245           |
| Russian bonds issued in February 2018 <sup>7</sup>            | Russian Ruble | 2028           | 10,247           | 10,245           |
| JSC ALFA-BANK   | Russian Ruble | 2023           | 10,073           | 10,007           |
| PJSC Promsvyazbank  | Russian Ruble | 2023           | 10,039           | –                |
| Russian bonds issued in December 2017 <sup>2</sup>            | Russian Ruble | 2024           | 10,025           | 10,023           |
| BNP Paribas S.A. <sup>1</sup>                                 | Euro          | 2022           | 8,499            | 12,986           |
| Russian bonds issued in June 2016 <sup>2</sup>                | Russian Ruble | 2046           | 1,185            | 10,067           |
| Loan participation notes issued in April 2009 <sup>3</sup>    | US Dollar     | 2019           | –                | 159,040          |
| Loan participation notes issued in October 2013 <sup>3</sup>  | Swiss Franc   | 2019           | –                | 35,474           |
| Wintershall Nederland Transport and Trading B.V. <sup>6</sup> | Euro          | 2019           | –                | 26,245           |
| Uniper Gas Transportation and Finance B.V. <sup>6</sup>       | Euro          | 2019           | –                | 26,245           |
| Shell Exploration and Production (LXXI) B.V. <sup>6</sup>     | Euro          | 2019           | –                | 26,245           |
| OMV Gas Marketing Trading & Finance B.V. <sup>6</sup>         | Euro          | 2019           | –                | 26,245           |
| Engie Energy Management Holding Switzerland AG <sup>6</sup>   | Euro          | 2019           | –                | 26,243           |
| Gazprombank (Joint-stock Company)                             | US Dollar     | 2019           | –                | 25,009           |
| Gazprombank (Joint-stock Company)                             | US Dollar     | 2019           | –                | 22,925           |
| PJSC Sberbank   | Euro          | 2019           | –                | 19,143           |
| Mizuho Bank Ltd. <sup>1</sup>                                 | US Dollar     | 2019           | –                | 17,339           |
| Other long-term borrowings, promissory notes                  | Various       | Various        | 497,826          | 515,495          |
| <b>Total long-term borrowings, promissory notes</b>           |               |                | <b>3,710,079</b> | <b>3,788,931</b> |

## 22. Long-Term Borrowings, Promissory Notes (continued)

|  | Currency | Final maturity | 31 December      |                  |
|--|----------|----------------|------------------|------------------|
|  |          |                | 2019             | 2018             |
| Less current portion of long-term borrowings |          |                | (620,377)        | (494,170)        |
|  |          |                | <b>3,089,702</b> | <b>3,294,761</b> |

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

<sup>2</sup> Issuer of these bonds is PJSC Gazprom Neft.

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

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

<sup>5</sup> Issuer of these bonds is GazAsia Capital S.A.

<sup>6</sup> Borrowings were obtained for financing of the Nord Stream 2 project

<sup>7</sup> Issuer of these bonds is Gazprom capital LLC.

<sup>8</sup> Issuer of these bonds is PJSC Gazprom.

|  | 31 December      |                  |
|--|------------------|------------------|
|  | 2019             | 2018             |
| Long-term borrowings and promissory notes:   |                  |                  |
| denominated in Russian Rubles (including current portion of RUB 44,396 million and RUB 46,611 million as of 31 December 2019 and 31 December 2018, respectively)     | 845,269          | 694,548          |
| denominated in foreign currency (including current portion of RUB 575,981 million and RUB 447,559 million as of 31 December 2019 and 31 December 2018, respectively) | 2,864,810        | 3,094,383        |
|  | <b>3,710,079</b> | <b>3,788,931</b> |

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

| Due for repayment of long-term borrowings, promissory notes | 31 December      |                  |
|---|------------------|------------------|
|   | 2019             | 2018             |
| between one and two years                                   | 448,815          | 607,775          |
| between two and five years                                  | 1,637,203        | 1,654,576        |
| after five years  | 1,003,684        | 1,032,410        |
|   | <b>3,089,702</b> | <b>3,294,761</b> |

Long-term liabilities include fixed rate borrowings with a carrying value of RUB 2,238,028 million and RUB 2,709,599 million and fair value of RUB 2,509,321 million and RUB 2,831,050 million as of 31 December 2019 and 31 December 2018, respectively.

All other long-term borrowings have variable interest rates generally linked to LIBOR and EURIBOR. Their carrying value is RUB 1,472,051 million and RUB 1,079,332 million and fair value is RUB 1,649,878 million and RUB 1,082,539 million as of 31 December 2019 and 31 December 2018, respectively.

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

|  | 31 December |       |
|--|-------------|-------|
|  | 2019        | 2018  |
| Fixed rate long-term borrowings denominated in Russian Rubles    | 7.71%       | 8.08% |
| Fixed rate foreign currency denominated long-term borrowings     | 5.08%       | 5.38% |
| Variable rate long-term borrowings denominated in Russian Rubles | 6.61%       | 7.20% |
| Variable rate foreign currency denominated long-term borrowings  | 2.66%       | 2.46% |

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.

## 22. Long-Term Borrowings, Promissory Notes (continued)

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.

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

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

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

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

The Group has no subordinated debt and no debt that may be converted into an equity interest of the Group (see Notes 31).

## 23. Profit Tax

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

| Notes   | For the year ended<br>31 December |                  |
|---|-----------------------------------|------------------|
|   | 2019                              | 2018             |
| Profit before profit tax  | 1,627,065                         | 1,852,562        |
| Theoretical tax charge calculated at applicable tax rates                         | (325,413)                         | (370,512)        |
| Tax effect of items which are not deductible or assessable for taxation purposes: |                                   |                  |
| Non-deductible expenses, including:   |                                   |                  |
| Tax losses for which no deferred tax asset was recognised                         | (7,246)                           | (14,261)         |
| 25 Provision for post-employment benefits   | (6,448)                           | 15,787           |
| 13 Provision for impairment of assets under construction                          | (2,792)                           | 1,911            |
| Non-operating expenses  | (20,222)                          | (31,839)         |
| Social expenses   | (6,219)                           | (7,375)          |
| Other non-deductible expenses   | (47,067)                          | (8,719)          |
| 15 Non-taxable share of profit of associates and joint ventures                   | 41,425                            | 46,497           |
| Other non-taxable income  | 16,434                            | 44,945           |
| <b>Profit tax expense</b>   | <b>(357,548)</b>                  | <b>(323,566)</b> |

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

### 23. Profit Tax (continued)

|   | Temporary differences of recognition and reversals |                   |                               |                  | Effect of changes in accounting policies | Temporary differences of recognition and reversals |                   |                               |                  |
|---|--|-------------------|-------------------------------|------------------|--|--|-------------------|-------------------------------|------------------|
|   | 31 December 2017                                   | in profit or loss | in other comprehensive income | 31 December 2018 |  | 1 January 2019                                     | in profit or loss | in other comprehensive income | 31 December 2019 |
| Property, plant and equipment             | (831,235)  | (44,172)          | –                             | (875,407)        | 2,619                                    | (872,788)  | (86,821)          | 6,052                         | (953,557)        |
| Right-of-use assets                       | –  | –                 | –                             | –                | (31,023)                                 | (31,023)   | (2,301)           | –                             | (33,324)         |
| Financial assets                          | (4,574)  | 10,331            | (4,044)                       | 1,713            | –  | 1,713  | (1,187)           | 1,596                         | 2,122            |
| Account receivables                       | 47,071   | 33,639            | –                             | 80,710           | –  | 80,710   | 16,422            | –                             | 97,132           |
| Inventories                               | (8,907)  | 14,152            | –                             | 5,245            | –  | 5,245  | (10,404)          | –                             | (5,159)          |
| Tax losses carry forward                  | 13,341   | 3,505             | –                             | 16,846           | –  | 16,846   | 8,605             | –                             | 25,451           |
| Retroactive gas price adjustments         | 22,460   | (15,801)          | –                             | 6,659            | –  | 6,659  | 12,763            | –                             | 19,422           |
| Lease liabilities                         | –  | –                 | –                             | –                | 35,392                                   | 35,392   | 4,340             | –                             | 39,732           |
| Accounts payable                          | 53,859   | (53,859)          | –                             | –                | –  | –  | –                 | –                             | –                |
| Other deductible temporary differences    | 8,572  | 6,872             | 39                            | 15,483           | –  | 15,483   | 21,665            | 2,585                         | 39,733           |
| <b>Total net deferred tax liabilities</b> | <b>(699,413)</b>                                   | <b>(45,333)</b>   | <b>(4,005)</b>                | <b>(748,751)</b> | <b>6,988</b>                             | <b>(741,763)</b>                                   | <b>(36,918)</b>   | <b>10,233</b>                 | <b>(768,448)</b> |

Taxable temporary differences recognised for the years ended 31 December 2019 and 31 December 2018 include the effect of depreciation premium on certain items of property, plant and equipment. The positive tax effect on these differences for the year ended 31 December 2019 amounted to RUB 1,664 million and it was offset by the decrease in the current profit tax by the corresponding amount which did not have influence on profit for the year ended 31 December 2019. The negative tax effect on these differences for the year ended 31 December 2018 was RUB 6,942 million and it was offset by the increase in the current profit tax by the corresponding this amount which did not have influence on profit for the year ended 31 December 2018.

Effective 1 January 2012, 55 major Russian subsidiaries of PJSC Gazprom formed a consolidated group of taxpayers (“CGT”) with PJSC Gazprom acting as the responsible tax payer. Starting from 1 January 2013 the membership was expanded to 65 participants. Starting from 1 January 2014, the list of participants was 69. Starting from 1 January 2015 the number of participants was reduced to 65. Starting from 1 January 2016, the list of participants has been expanded to 67. In 2017, the number of participants did not change compared to 2016. Starting from 1 January 2018 the number of participants was reduced to 65. In 2019 the number of participants has not changed. In accordance with the Russian tax legislation, tax deductible losses can be offset against taxable profits among the companies within the CGT to the extent that profit or loss is recognised for tax purposes in the reporting year and, thus, is included into the tax base of the CGT. Tax assets recognised on losses prior to the formation of the CGT are written off.

### 24. Derivative Financial Instruments

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

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

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

## 24. Derivative Financial Instruments (continued)

| Fair value  | 31 December    |                |
|---|----------------|----------------|
|   | 2019           | 2018           |
| <b>Assets</b>   |                |                |
| Commodity contracts   | 116,464        | 141,767        |
| Foreign currency derivatives and currency and interest rate swaps | 8,855          | 3,494          |
| Other derivatives   | 4,405          | -              |
|   | <b>129,724</b> | <b>145,261</b> |
| <b>Liabilities</b>  |                |                |
| Commodity contracts   | 108,509        | 134,800        |
| Foreign currency derivatives and currency and interest rate swaps | 2,901          | 3,052          |
| Other derivatives   | 7,214          | 16,133         |
|   | <b>118,624</b> | <b>153,985</b> |

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

## 25. Provisions

|  | 31 December    |                |
|--|----------------|----------------|
|  | 2019           | 2018           |
| Provision for post-employment benefits                   | 291,684        | 226,585        |
| Provision for decommissioning and site restoration costs | 279,895        | 166,799        |
| Other  | 35,204         | 12,938         |
| <b>Total provisions</b>                                  | <b>606,783</b> | <b>406,322</b> |

Provision for decommissioning and site restoration costs changed mainly due to a decrease in discount rate from 8.93% to 6.59% as of 31 December 2018 and 31 December 2019, respectively, and revised liquidation dates.

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

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

The principal actuarial assumptions used:

|  | 31 December   |      |
|--|---|------|
|  | 2019  | 2018 |
| Discount rate (nominal)                      | 6.5%  | 8.8% |
| Future salary and pension increase (nominal) | 4.0%  | 5.0% |
| Average expected retirement age, years       | women 58, men 62  |      |
| Employee turnover ratio                      | age-related probability of resignation curve, 3.8% on average |      |

The weighted average term of obligations to maturity is 11.5 years.

The assumptions related to the remaining life expectancy of employees at expected retirement age were 16.3 years for 62 year old men and 25.8 years for 58 year old women in 2019 and 2018.

## 25. Provisions (continued)

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

|                                       | 31 December 2019                              |                                | 31 December 2018                              |                                |
|---------------------------------------|---|--------------------------------|---|--------------------------------|
|                                       | Pension plan provided through JSC NPF GAZFOND | Other post-employment benefits | Pension plan provided through JSC NPF GAZFOND | Other post-employment benefits |
| Present value of obligations          | (404,997)                                     | (291,684)                      | (332,493)                                     | (226,585)                      |
| Fair value of plan assets             | 431,544                                       | —                              | 473,371                                       | —                              |
| <b>Total net assets (liabilities)</b> | <b>26,547</b>                                 | <b>(291,684)</b>               | <b>140,878</b>                                | <b>(226,585)</b>               |

The net pension plan assets related to benefits provided through JSC NPF GAZFOND in the amount of RUB 26,547 million and RUB 140,878 million as of 31 December 2019 and 31 December 2018, respectively, are included within other non-current assets in the consolidated balance sheet (see Note 12).

Changes in the present value of the defined benefit plan obligations and in the fair value of pension plan assets for the years ended 31 December 2019 and 31 December 2018 are presented below.

|  | Provision for pension plan provided through JSC NPF GAZFOND | Fair value of plan assets | Net (assets) liabilities | Provision for other post-employment benefits |
|--|---|---------------------------|--------------------------|--|
| <b>As of 31 December 2018</b>  | <b>332,493</b>  | <b>(473,371)</b>          | <b>(140,878)</b>         | <b>226,585</b>                               |
| Current service cost   | 10,109  | —                         | 10,109                   | 12,861                                       |
| Past service cost  | (1,138)   | —                         | (1,138)                  | 3,164  |
| Interest expense (income)  | 29,247  | (41,834)                  | (12,587)                 | 19,832                                       |
| <b>Total expenses included in the line “Staff costs” within operating expenses (see Note 28)</b> | <b>38,218</b>   | <b>(41,834)</b>           | <b>(3,616)</b>           | <b>35,857</b>                                |
| Remeasurement of provision for post-employment benefits:   |   |                           |                          |  |
| Actuarial losses — changes in financial assumptions  | 37,872  | —                         | 37,872                   | 35,101                                       |
| Actuarial losses — changes in demographic assumptions  | 2   | —                         | 2                        | 53   |
| Actuarial losses — experience adjustments  | 14,074  | —                         | 14,074                   | 11,926                                       |
| Expense on plan assets excluding amounts included in interest expense                            | —   | 87,696                    | 87,696                   | —  |
| Translation differences  | —   | —                         | —                        | (658)  |
| <b>Total included in other comprehensive income</b>  | <b>51,948</b>   | <b>87,696</b>             | <b>139,644</b>           | <b>46,422</b>                                |
| Benefits paid  | (17,662)  | 17,662                    | —                        | (17,180)                                     |
| Employer’s contributions   | —   | (21,697)                  | (21,697)                 | —  |
| <b>As of 31 December 2019</b>  | <b>404,997</b>  | <b>(431,544)</b>          | <b>(26,547)</b>          | <b>291,684</b>                               |
| <b>As of 31 December 2017</b>  | <b>422,641</b>  | <b>(449,814)</b>          | <b>(27,173)</b>          | <b>258,132</b>                               |
| Current service cost   | 14,148  | —                         | 14,148                   | 12,019                                       |
| Past service cost  | (94,678)  | —                         | (94,678)                 | (27,499)                                     |
| Interest expense (income)  | 32,115  | (34,391)                  | (2,276)                  | 19,349                                       |
| <b>Total expenses included in the line “Staff costs” within operating expenses (see Note 28)</b> | <b>(48,415)</b>   | <b>(34,391)</b>           | <b>(82,806)</b>          | <b>3,869</b>                                 |
| Remeasurement of provision for post-employment benefits:   |   |                           |                          |  |
| Actuarial gains — changes in financial assumptions   | (33,408)  | —                         | (33,408)                 | (27,657)                                     |
| Actuarial (gains) losses — changes in demographic assumptions                                    | (91)  | —                         | (91)                     | 34   |
| Actuarial losses — experience adjustments  | 7,372   | —                         | 7,372                    | 17,030                                       |
| Expense on plan assets excluding amounts included in interest expense                            | —   | 16,243                    | 16,243                   | —  |



## 25. Provisions (continued)

|   | Provision for pension plan provided through JSC NPF GAZFOND | Fair value of plan assets | Net (assets) liabilities | Provision for other post-employment benefits |
|---|---|---------------------------|--------------------------|--|
| Translation differences                             | -   | -                         | -                        | 623  |
| <b>Total included in other comprehensive income</b> | <b>(26,127)</b>   | <b>16,243</b>             | <b>(9,884)</b>           | <b>(9,970)</b>                               |
| Benefits paid                                       | (15,606)  | 15,606                    | -                        | (25,446)                                     |
| Employer's contributions                            | -   | (21,015)                  | (21,015)                 | -  |
| <b>As of 31 December 2018</b>                       | <b>332,493</b>  | <b>(473,371)</b>          | <b>(140,878)</b>         | <b>226,585</b>                               |

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

|   | 31 December 2019 |                           | 31 December 2018 |                           |
|---|------------------|---------------------------|------------------|---------------------------|
|   | Fair value       | Percentage of plan assets | Fair value       | Percentage of plan assets |
| <b>Quoted plan assets, including:</b>   | <b>306,468</b>   | <b>71.0%</b>              | <b>223,912</b>   | <b>47.3%</b>              |
| Bonds                                   | 208,449          | 48.3%                     | 136,582          | 28.9%                     |
| Mutual funds                            | 69,583           | 16.1%                     | 63,931           | 13.5%                     |
| Shares                                  | 28,436           | 6.6%                      | 23,399           | 4.9%                      |
| <b>Unquoted plan assets, including:</b> | <b>125,076</b>   | <b>29.0%</b>              | <b>249,459</b>   | <b>52.7%</b>              |
| Equities                                | 85,563           | 19.8%                     | 177,325          | 37.5%                     |
| Mutual funds                            | 18,718           | 4.3%                      | 18,600           | 3.9%                      |
| Deposits                                | 9,579            | 2.2%                      | 9,708            | 2.0%                      |
| Other assets                            | 11,216           | 2.7%                      | 43,826           | 9.3%                      |
| <b>Total plan assets</b>                | <b>431,544</b>   | <b>100%</b>               | <b>473,371</b>   | <b>100%</b>               |

The amount of investment in ordinary shares of PJSC Gazprom included in the fair value of plan assets comprises RUB 568 million and RUB nil million as of 31 December 2019 and 31 December 2018, respectively.

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

For the years ended 31 December 2019 and 31 December 2018 actual return on pension plan assets was loss of RUB 45,862 million and gain of RUB 18,148 million, respectively, primarily caused by the change in the fair value of assets.

The sensitivity analysis of the present value of defined benefit pension plan obligations to changes in the principal actuarial assumptions as of 31 December 2019 is presented in the table below.

|   | Increase (decrease) of obligation | Increase (decrease) of obligation, % |
|---|-----------------------------------|--------------------------------------|
| Mortality rate lower by 20%                           | 28,689                            | 4.2%                                 |
| Mortality rate higher by 20%                          | (23,940)                          | (3.5%)                               |
| Discount rate lower by 1 pp                           | 67,628                            | 10.0%                                |
| Discount rate higher by 1 pp                          | (56,724)                          | (8.4%)                               |
| Pension and other benefits growth rate lower by 1 pp  | (58,487)                          | (8.6%)                               |
| Pension and other benefits growth rate higher by 1 pp | 68,686                            | 10.1%                                |
| Staff turnover lower by 1 pp for all ages             | 35,385                            | 5.2%                                 |
| Staff turnover higher by 1 pp for all ages            | (30,295)                          | (4.5%)                               |
| Retirement age lower by 1 year                        | 22,833                            | 3.4%                                 |
| Retirement age higher by 1 year                       | (22,985)                          | (3.4%)                               |

## 25. Provisions (continued)

The Group expects to contribute RUB 42,500 million to the defined benefit pension plan in 2020.

### Pension Plan Parameters and Related Risks

As a rule, the above benefits are indexed in line with inflation or salary growth for benefits that depend on salary level and are exposed to inflation risk.

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

## 26. Equity

### Share Capital

Share capital authorised, issued and paid totals RUB 325,194 million as of 31 December 2019 and 31 December 2018 and consists of 23,674 million ordinary shares, each with a par value of 5 Russian Rubles.

### Dividends

In 2019 PJSC Gazprom declared and paid dividends in the nominal amount of 16.61 Russian Rubles per share based on the results for the year ended 31 December 2018. In 2018 PJSC Gazprom declared and paid dividends in the nominal amount of 8.04 Russian Rubles per share based on the results for the year ended 31 December 2017.

### Treasury Shares

As of 31 December 2019 and 31 December 2018 subsidiaries of PJSC Gazprom held 29 million and 1,573 million PJSC Gazprom's ordinary shares, respectively, including American depositary receipts in the amount of nil million and 639 million PJSC Gazprom's ordinary shares as of 31 December 2019 and 31 December 2018, respectively, which were accounted for as treasury shares.

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

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

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

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

### Retained Earnings and Other Reserves

Retained earnings and other reserves include the effect of the consolidated financial statements restatement to the Russian Ruble purchasing power equivalent as of 31 December 2002, when the economy of the Russian Federation ceased to be hyperinflationary under IAS 29 Financial Reporting in Hyperinflationary Economies. Also, retained earnings and other reserves include translation differences arising on the translation of the net assets of foreign subsidiaries, associates and joint arrangements in the amount of RUB 672,165 million and RUB 843,598 million as of 31 December 2019 and 31 December 2018, respectively.

Retained earnings and other reserves include a statutory fund for social assets, created in accordance with Russian legislation at the time of privatisation. From time to time, the Group negotiates to return certain of social assets to the balance of local governmental authorities and this process may be continued in the future. Social assets with a net book value of RUB 50 million and RUB 13 million were transferred to governmental authorities in 2018 and 2019, respectively. Cost of assets transferred was recorded as a reduction of retained earnings and other reserves.

## 27. Sales

|  | Year ended<br>31 December |                  |
|--|---------------------------|------------------|
|  | 2019                      | 2018             |
| Gas sales gross of excise tax and customs duties:  |                           |                  |
| Russian Federation                                 | 970,913                   | 954,493          |
| Former Soviet Union (excluding Russian Federation) | 393,526                   | 389,217          |
| Europe and other countries                         | <u>3,163,881</u>          | <u>3,770,291</u> |
|  | 4,528,320                 | 5,114,001        |
| Customs duties                                     | (653,035)                 | (804,987)        |
| Excise tax   | (57,898)                  | (54,681)         |
| Retroactive gas price adjustments <sup>1</sup>     | <u>(16,657)</u>           | <u>49,338</u>    |
| Total gas sales                                    | 3,800,730                 | 4,303,671        |
| Sales of refined products:                         |                           |                  |
| Russian Federation                                 | 1,355,139                 | 1,394,137        |
| Former Soviet Union (excluding Russian Federation) | 126,311                   | 144,658          |
| Europe and other countries                         | <u>629,731</u>            | <u>640,977</u>   |
| Total sales of refined products                    | 2,111,181                 | 2,179,772        |
| Sales of crude oil and gas condensate:             |                           |                  |
| Russian Federation                                 | 62,173                    | 64,645           |
| Former Soviet Union (excluding Russian Federation) | 41,865                    | 38,748           |
| Europe and other countries                         | <u>648,752</u>            | <u>631,560</u>   |
| Total sales of crude oil and gas condensate        | 752,790                   | 734,953          |
| Electric and heat energy sales:                    |                           |                  |
| Russian Federation                                 | 495,581                   | 501,362          |
| Former Soviet Union (excluding Russian Federation) | 3,345                     | 5,090            |
| Europe and other countries                         | <u>19,447</u>             | <u>15,643</u>    |
| Total electric and heat energy sales               | 518,373                   | 522,095          |
| Gas transportation sales:                          |                           |                  |
| Russian Federation                                 | 210,265                   | 220,488          |
| Former Soviet Union (excluding Russian Federation) | 2,690                     | 2,758            |
| Europe and other countries                         | <u>2,380</u>              | <u>2,427</u>     |
| Total gas transportation sales                     | 215,335                   | 225,673          |
| Other sales:                                       |                           |                  |
| Russian Federation                                 | 215,659                   | 210,149          |
| Former Soviet Union (excluding Russian Federation) | 7,490                     | 8,064            |
| Europe and other countries                         | <u>38,065</u>             | <u>39,800</u>    |
| Total other sales                                  | <u>261,214</u>            | <u>258,013</u>   |
| <b>Total sales</b>                                 | <b>7,659,623</b>          | <b>8,224,177</b> |

<sup>1</sup> The effect of retroactive gas price adjustments relate to gas deliveries in previous years for which a price adjustment has been agreed or is in the process of negotiation. The effect of gas price adjustments, including corresponding impact on profit tax, is recorded in the consolidated financial statements when they become probable and a reliable estimate of the amounts can be made. The effects of retroactive gas price adjustments for the years ended 31 December 2019 and 31 December 2018 were recorded as the decrease of sales by RUB 16,657 million and the increase of sales by RUB 49,338 million, respectively. The effects decreasing sales were due to increase in related accruals following agreements reached prior to the issuance of the respective consolidated financial statements. The effects increasing sales were due to recognition of adjustments increasing gas prices for the past periods and due to decrease in related accruals following agreements reached prior to the issuance of the respective consolidated financial statements.

## 27. Sales (continued)

Prepayments received from customers as of the beginning of the corresponding period were recognised within sales in the amount of RUB 90,673 million and RUB 92,253 million for the years ended 31 December 2019 and 31 December 2018, respectively.

## 28. Operating Expenses

|  | Year ended<br>31 December |                  |
|--|---------------------------|------------------|
|  | 2019                      | 2018             |
| Taxes other than on profit   | 1,409,248                 | 1,498,278        |
| Purchased gas and oil  | 1,403,572                 | 1,468,885        |
| Staff costs  | 749,708                   | 600,812          |
| Depreciation   | 715,229                   | 647,993          |
| Transit of gas, oil and refined products                                 | 665,552                   | 650,829          |
| Materials  | 274,821                   | 264,190          |
| Cost of goods for resale, including refined products                     | 253,121                   | 249,911          |
| Repairs and maintenance  | 149,939                   | 137,821          |
| Electricity and heating  | 120,154                   | 114,465          |
| Foreign exchange differences on operating items                          | 78,287                    | (28,029)         |
| Social expenses  | 45,114                    | 42,789           |
| Insurance  | 32,135                    | 32,628           |
| Impairment loss on non-financial assets                                  | 29,382                    | 21,743           |
| Transportation expenses  | 27,541                    | 24,544           |
| Processing services  | 20,718                    | 18,961           |
| Research and development   | 19,226                    | 13,591           |
| Lease  | 16,585                    | 37,177           |
| Derivatives (gain) loss  | (15,225)                  | 1,849            |
| Other  | 515,032                   | 427,990          |
|  | <b>6,510,139</b>          | <b>6,226,427</b> |
| Change in balances of finished goods, work in progress and other effects | (123,068)                 | (45,236)         |
| <b>Total operating expenses</b>  | <b>6,387,071</b>          | <b>6,181,191</b> |

Taxes other than on profit consist of:

|   | Year ended<br>31 December |                  |
|---|---------------------------|------------------|
|   | 2019                      | 2018             |
| MET                                     | 1,115,003                 | 1,163,882        |
| Property tax                            | 148,634                   | 162,928          |
| Excise tax                              | 113,528                   | 157,113          |
| Other                                   | 32,083                    | 14,355           |
| <b>Total taxes other than on profit</b> | <b>1,409,248</b>          | <b>1,498,278</b> |

Gas purchase expenses included within purchased gas and oil amounted to RUB 914,293 million and RUB 976,849 million for the years ended 31 December 2019 and 31 December 2018, respectively.

Staff costs include RUB 32,241 million of expenses and RUB 78,937 million of income for provision for post-employment benefits for the years ended 31 December 2019 and 31 December 2018, respectively (see Note 25).

The impairment loss on assets is presented below.

## 28. Operating Expenses (continued)

| Notes  | Year ended<br>31 December |                |
|--|---------------------------|----------------|
|  | 2019                      | 2018           |
| 10, 17 Impairment loss on trade accounts receivable  | 116,946                   | 125,828        |
| Impairment loss on other accounts receivable and loans receivable                                  | 10,792                    | 5,143          |
| <b>Total impairment loss on financial assets</b>   | <b>127,738</b>            | <b>130,971</b> |
| 13, 14 Impairment loss on property, plant and equipment and assets under construction <sup>1</sup> | 24,731                    | 21,408         |
| Impairment loss on advances paid and prepayments   | 4,789                     | 482            |
| (Reversal of impairment loss) impairment loss on investments in associates and joint ventures      | (292)                     | 306            |
| Impairment loss (reversal of impairment loss) on other assets                                      | 154                       | (453)          |
| <b>Total impairment loss on non-financial assets</b>   | <b>29,382</b>             | <b>21,743</b>  |

<sup>1</sup> Including impairment loss on right-of-use assets.

## 29. Finance Income and Expense

|                              | Year ended<br>31 December |                |
|------------------------------|---------------------------|----------------|
|                              | 2019                      | 2018           |
| Foreign exchange gain        | 563,990                   | 430,439        |
| Interest income              | 90,926                    | 72,652         |
| <b>Total finance income</b>  | <b>654,916</b>            | <b>503,091</b> |
| Foreign exchange loss        | 278,409                   | 762,664        |
| Interest expense             | 76,426                    | 50,378         |
| <b>Total finance expense</b> | <b>354,835</b>            | <b>813,042</b> |

Total interest paid amounted to RUB 171,028 million and RUB 173,174 million for the years ended 31 December 2019 and 31 December 2018, respectively.

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

Foreign exchange gain and loss for the years ended 31 December 2019 and 31 December 2018 were recognised as a result of change in the Euro and US Dollar exchange rates against to the Russian Ruble. Gain and loss primarily relate to revaluation of borrowings denominated in a foreign currency.

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

|   | Year ended<br>31 December |                  |
|---|---------------------------|------------------|
|   | 2019                      | 2018             |
| <b>RSA profit for the year per consolidated statutory accounts</b>  | <b>656,522</b>            | <b>1,056,004</b> |
| Effect of IFRS adjustments:   |                           |                  |
| Differences in depreciation of property, plant and equipment and intangible assets  | 372,777                   | 409,273          |
| Borrowing costs capitalised   | 146,978                   | 155,107          |
| Reversal of goodwill amortisation   | 62,930                    | 62,896           |
| Classification of gain arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax | (22,631)                  | (148,963)        |

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

|   |                  |                  |
|---|------------------|------------------|
| Impairment loss on assets and changes in provisions, including provision for post-employment benefits | 30,283           | 45,701           |
| Differences in property, plant and equipment disposal   | 14,531           | (1,316)          |
| Difference in share of profit of associates and joint ventures  | (31,935)         | (20,945)         |
| Write-off of research and development expenses capitalised for RSA purposes                           | (5,045)          | (3,727)          |
| Other   | 45,107           | (25,034)         |
| <b>IFRS profit for the year</b>   | <b>1,269,517</b> | <b>1,528,996</b> |

### 31. Basic and Diluted Earnings per Share Attributable to the Owners of PJSC Gazprom

Basic earnings per share attributable to the owners of PJSC Gazprom have been calculated by dividing the profit for the year attributable to the owners of PJSC Gazprom 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 26).

There were 22.5 billion and 22.1 billion of weighted average number of ordinary shares outstanding, excluding the weighted average number of treasury shares, for the years ended 31 December 2019 and 31 December 2018, respectively.

The Group has no dilutive financial instruments.

### 32. Net Cash from Operating Activities

| Notes   | Year ended<br>31 December |                  |
|---|---------------------------|------------------|
|   | 2019                      | 2018             |
| <b>Profit before profit tax</b>   | <b>1,627,065</b>          | <b>1,852,562</b> |
| <b>Adjustments to profit before profit tax</b>  |                           |                  |
| 28 Depreciation   | 715,229                   | 647,993          |
| 29 Net finance (income) expense   | (300,081)                 | 309,951          |
| 16 Share of profit of associates and joint ventures   | (207,127)                 | (232,483)        |
| Impairment loss on assets and change in provision for post-employment benefits                  | 189,361                   | 73,777           |
| 28 Derivatives (gain) loss  | (15,225)                  | 1,849            |
| Other   | 76,662                    | 17,674           |
| Total effect of adjustments   | 458,819                   | 818,761          |
| Cash flows from operating activities before working capital changes                             | 2,085,884                 | 2,671,323        |
| Increase in non-current assets  | (20,119)                  | (11,307)         |
| Increase in non-current liabilities   | 13,185                    | 2,371            |
|   | 2,078,950                 | 2,662,387        |
| <b>Changes in working capital:</b>  |                           |                  |
| Decrease (increase) decrease in accounts receivable and prepayments                             | 96,617                    | (244,707)        |
| Increase in inventories   | (84,359)                  | (137,799)        |
| Decrease (increase) in other current assets   | 131,098                   | (526,057)        |
| (Decrease) increase in accounts payable, excluding interest, dividends and capital construction | (93,352)                  | 94,669           |
| Settlements on taxes and fees payable (other than profit tax)                                   | (65,354)                  | 69,864           |
| (Increase) decrease in financial assets   | (29,294)                  | 3,759            |
| Total effect of working capital changes   | (44,644)                  | (740,271)        |
| Profit tax paid   | (324,922)                 | (304,732)        |
| <b>Net cash from operating activities</b>   | <b>1,709,384</b>          | <b>1,617,384</b> |

### 32. Net Cash from Operating Activities (continued)

The following taxes and other similar payments were paid in cash during 2019 and 2018:

|   | Year ended<br>31 December |                  |
|---|---------------------------|------------------|
|   | 2019                      | 2018             |
| MET   | 1,142,366                 | 1,146,040        |
| Customs duties                                  | 790,087                   | 931,762          |
| Profit tax                                      | 324,922                   | 304,732          |
| Excise tax                                      | 212,282                   | 270,651          |
| VAT   | 186,481                   | 167,800          |
| Property tax                                    | 152,853                   | 158,905          |
| Insurance contributions                         | 142,193                   | 137,057          |
| Personal income tax                             | 76,072                    | 74,021           |
| Additional income tax for hydrocarbon producers | 10,394                    | —                |
| Other taxes                                     | 39,500                    | 50,015           |
| <b>Total taxes paid</b>                         | <b>3,077,150</b>          | <b>3,240,983</b> |

### 33. Subsidiaries

#### Significant Subsidiaries

| Subsidiary                                  | Country of primary operation | Ownership interest as of<br>31 December <sup>1</sup> |      |
|---|------------------------------|--|------|
|   |                              | 2019   | 2018 |
| LLC Aviapredpriyatie Gazprom avia           | Russia                       | 100  | 100  |
| WIBG GmbH                                   | Germany                      | 100  | 100  |
| WIEH GmbH                                   | Germany                      | 100  | 100  |
| WINGAS GmbH                                 | Germany                      | 100  | 100  |
| OJSC Vostokgazprom                          | Russia                       | 100  | 100  |
| LLC Gazprom aktivy SPG                      | Russia                       | 100  | -    |
| CJSC Gazprom Armenia                        | Armenia                      | 100  | 100  |
| JSC Gazprom gazoraspredelenie               | Russia                       | 100  | 100  |
| LLC Gazprom geologorazvedka                 | Russia                       | 100  | 100  |
| GAZPROM Germania GmbH                       | Germany                      | 100  | 100  |
| Gazprom Gerosgaz Holdings B.V.              | Netherlands                  | 100  | 100  |
| LLC Gazprom dobycha Astrakhan               | Russia                       | 100  | 100  |
| LLC Gazprom dobycha Krasnodar               | Russia                       | 100  | 100  |
| LLC Gazprom dobycha Nadym                   | Russia                       | 100  | 100  |
| LLC Gazprom dobycha Noyabrsk                | Russia                       | 100  | 100  |
| LLC Gazprom dobycha Orenburg                | Russia                       | 100  | 100  |
| LLC Gazprom dobycha Urengoy                 | Russia                       | 100  | 100  |
| LLC Gazprom dobycha shelf Yuzhno-Sakhalinsk | Russia                       | 100  | 100  |
| LLC Gazprom dobycha Yamburg                 | Russia                       | 100  | 100  |
| LLC Gazprom invest                          | Russia                       | 100  | 100  |

### 33. Subsidiaries (continued)

| Subsidiary  | Country of primary operation | Ownership interest as of 31 December <sup>1</sup> |      |
|---|------------------------------|---|------|
|   |                              | 2019  | 2018 |
| LLC Gazprom invest RGK                              | Russia                       | 100   | 100  |
| LLC Gazprom investgazifikatsiya                     | Russia                       | 100   | 100  |
| LLC Gazprom capital                                 | Russia                       | 100   | 100  |
| LLC Gazprom komplektatsiya                          | Russia                       | 100   | 100  |
| JSC Gazprom Space Systems                           | Russia                       | 80  | 80   |
| Gazprom Marketing and Trading Ltd.                  | United Kingdom               | 100   | 100  |
| Gazprom Marketing and Trading Retail Ltd.           | United Kingdom               | 100   | 100  |
| LLC Gazprom mezhregiongaz                           | Russia                       | 100   | 100  |
| LLC Gazprom mezhregiongaz Moskva                    | Russia                       | 100   | 100  |
| JSC Gazprom mezhregiongaz Nizhny Novgorod           | Russia                       | 51  | 51   |
| LLC Gazprom mezhregiongaz Sankt-Peterburg           | Russia                       | 100   | 100  |
| LLC Gazprom neftekhim Salavat                       | Russia                       | 100   | 100  |
| PJSC Gazprom Neft                                   | Russia                       | 96  | 96   |
| Gazprom Neft Badra B.V. <sup>2</sup>                | Netherlands                  | 100   | 100  |
| Gazprom Neft Trading GmbH <sup>2</sup>              | Austria                      | 100   | 100  |
| LLC Gazprom neft shelf <sup>2</sup>                 | Russia                       | 100   | 100  |
| LLC Gazprom Novourengoysky gazohimicheskii kompleks | Russia                       | 100   | 100  |
| LLC Gazprom pererabotka                             | Russia                       | 100   | 100  |
| LLC Gazprom pererabotka Blagoveshchensk             | Russia                       | 100   | 100  |
| LLC Gazprom PKhG                                    | Russia                       | 100   | 100  |
| Gazprom Sakhalin Holdings B.V.                      | Netherlands                  | 100   | 100  |
| LLC Gazprom sotsinvest                              | Russia                       | 100   | 100  |
| JSC Gazprom teploenergo                             | Russia                       | 100   | 100  |
| OJSC Gazprom transgaz Belarus                       | Belorussia                   | 100   | 100  |
| LLC Gazprom transgaz Volgograd                      | Russia                       | 100   | 100  |
| LLC Gazprom transgaz Ekaterinburg                   | Russia                       | 100   | 100  |
| LLC Gazprom transgaz Kazan                          | Russia                       | 100   | 100  |
| LLC Gazprom transgaz Krasnodar                      | Russia                       | 100   | 100  |
| LLC Gazprom transgaz Moskva                         | Russia                       | 100   | 100  |
| LLC Gazprom transgaz Nizhny Novgorod                | Russia                       | 100   | 100  |
| LLC Gazprom transgaz Samara                         | Russia                       | 100   | 100  |
| LLC Gazprom transgaz Sankt-Peterburg                | Russia                       | 100   | 100  |
| LLC Gazprom transgaz Saratov                        | Russia                       | 100   | 100  |
| LLC Gazprom transgaz Stavropol                      | Russia                       | 100   | 100  |
| LLC Gazprom transgaz Surgut                         | Russia                       | 100   | 100  |
| LLC Gazprom transgaz Tomsk                          | Russia                       | 100   | 100  |
| LLC Gazprom transgaz Ufa                            | Russia                       | 100   | 100  |
| LLC Gazprom transgaz Ukhta                          | Russia                       | 100   | 100  |



### 33. Subsidiaries (continued)

| Subsidiary                                     | Country of primary operation | Ownership interest as of 31 December <sup>1</sup> |      |
|--|------------------------------|---|------|
|  |                              | 2019  | 2018 |
| LLC Gazprom transgaz Tchaikovsky               | Russia                       | 100   | 100  |
| LLC Gazprom transgaz Yugorsk                   | Russia                       | 100   | 100  |
| Gazprom Finance B.V.                           | Netherlands                  | 100   | 100  |
| LLC Gazprom flot                               | Russia                       | 100   | 100  |
| Gazprom Holding Cooperatie U.A.                | Netherlands                  | 100   | 100  |
| LLC Gazprom tsentremont                        | Russia                       | 100   | 100  |
| GAZPROM Schweiz AG                             | Switzerland                  | 100   | 100  |
| LLC Gazprom export                             | Russia                       | 100   | 100  |
| JSC Gazprom energosbyt                         | Russia                       | 82  | 58   |
| LLC Gazprom energoholding                      | Russia                       | 100   | 100  |
| Gazprom EP International B.V.                  | Netherlands                  | 100   | 100  |
| LLC Gazpromneft Marine Bunker <sup>2</sup>     | Russia                       | 100   | 100  |
| JSC Gazpromneft-Aero <sup>2</sup>              | Russia                       | 100   | 100  |
| LLC Gazpromneft-Aero Sheremetyevo <sup>2</sup> | Russia                       | 100   | 100  |
| LLC Gazpromneft-Bitumen Materials <sup>2</sup> | Russia                       | 100   | 100  |
| LLC Gazpromneft-Vostok <sup>2</sup>            | Russia                       | 51  | 51   |
| LLC Gazpromneft Corporate Sales <sup>2</sup>   | Russia                       | 100   | 100  |
| JSC Gazpromneft - MNPZ <sup>2</sup>            | Russia                       | 100   | 100  |
| JSC Gazpromneft-Noyabrskneftegaz <sup>2</sup>  | Russia                       | 100   | 100  |
| JSC Gazpromneft - ONPZ <sup>2</sup>            | Russia                       | 100   | 100  |
| LLC Gazpromneft-Orenburg <sup>2</sup>          | Russia                       | 100   | 100  |
| LLC Gazprom Neft Development <sup>2</sup>      | Russia                       | 100   | 100  |
| LLC Gazpromneft Regional Sales <sup>2</sup>    | Russia                       | 100   | 100  |
| LLC Gazpromneft-Lubricants <sup>2</sup>        | Russia                       | 100   | 100  |
| LLC Gazpromneft-Khantos <sup>2</sup>           | Russia                       | 100   | 100  |
| LLC Gazpromneft-Centr <sup>2</sup>             | Russia                       | 100   | 100  |
| LLC Gazpromneft-Yamal <sup>2</sup>             | Russia                       | 100   | 100  |
| LLC Gazpromtrans                               | Russia                       | 100   | 100  |
| OJSC Gazpromtrubinvest                         | Russia                       | 100   | 100  |
| Gazfin Cyprus Limited                          | Cyprus                       | 100   | 100  |
| LLC GPN-Invest <sup>2</sup>                    | Russia                       | 100   | 100  |
| LLC GPN-Finans <sup>2</sup>                    | Russia                       | 100   | 100  |
| PJSC Mosenergo <sup>3</sup>                    | Russia                       | 54  | 54   |
| PJSC MIPC <sup>3</sup>                         | Russia                       | 99  | 99   |
| Naftna Industrija Srbije a.d. <sup>2</sup>     | Serbia                       | 56  | 56   |
| Nord Stream 2 AG                               | Switzerland                  | 100   | 100  |
| PJSC WGC-2 <sup>3</sup>                        | Russia                       | 79  | 80   |
| South Stream Transport B.V.                    | Netherlands                  | 100   | 100  |

### 33. Subsidiaries (continued)

| Subsidiary                          | Country of primary operation | Ownership interest as of 31 December <sup>1</sup> |      |
|-------------------------------------|------------------------------|---|------|
|                                     |                              | 2019  | 2018 |
| OJSC Severneftegazprom <sup>3</sup> | Russia                       | 50  | 50   |
| LLC Sibmetakhim                     | Russia                       | 100   | 100  |
| PJSC TGC-1                          | Russia                       | 52  | 52   |
| JSC Teploset Sankt-Peterburga       | Russia                       | 72  | 75   |
| JSC Tomskgazprom                    | Russia                       | 100   | 100  |
| LLC Faktoring-Finance               | Russia                       | 100   | 100  |
| PJSC Centerenergoholding            | Russia                       | 100   | 100  |

<sup>1</sup> Cumulative share of the Group in share capital of investees.

<sup>2</sup> Subsidiaries of PJSC Gazprom Neft.

<sup>3</sup> Share in voting shares.

### 34. Non-Controlling Interest

| Notes | Year ended 31 December |                |
|-------|------------------------|----------------|
|       | 2019                   | 2018           |
|       | <b>476,144</b>         | <b>386,395</b> |
| 5     | (870)                  | (140)          |
|       | <b>475,274</b>         | <b>386,255</b> |
|       | 66,630                 | 72,726         |
|       | 1,715                  | 79             |
|       | 1,206                  | –              |
| 35    | (5,102)                | –              |
|       | (1,112)                | –              |
|       | (718)                  | 661            |
|       | (229)                  | –              |
|       | (41)                   | 145            |
|       | –                      | 21,279         |
|       | –                      | (2,910)        |
|       | 200                    | 217            |
|       | 14                     | 632            |
|       | (278)                  | 122            |
|       | (15,973)               | (15,135)       |
|       | (10,732)               | 12,690         |
|       | –                      | (617)          |
|       | <b>510,854</b>         | <b>476,144</b> |

<sup>1</sup> Non-controlling interest share of profit of subsidiaries includes share in impairment of assets in the amount of RUB 8,167 million and RUB 7,470 million for the years ended 31 December 2019 and 31 December 2018, respectively.

<sup>2</sup> Subsidiary of PJSC TGC-1.

<sup>3</sup> Subsidiary of LLC Gazprom neftekhim Salavat.

<sup>4</sup> Subsidiary of PJSC Gazprom Neft.

The following table provides information about all subsidiaries that have non-controlling interests that are significant to the Group:

### 34. Non-Controlling Interest (continued)

|   | Country of primary operation | Ownership interest held by non-controlling interest <sup>1</sup> | Profit attributable to non-controlling interest | Accumulated non-controlling interest in the subsidiary | Dividends accrued to non-controlling interest during the year |
|---|------------------------------|--|---|--|---|
| <b>As of 31 December 2019 and for the year ended 31 December 2019</b> |                              |  |   |  |   |
| Gazprom Neft Group <sup>2</sup>                                       | Russia                       | 4%   | 49,711  | 254,700  | 8,320   |
| Naftna Industrija Srbije a.d. Group                                   | Serbia                       | 46%  | 4,712   | 84,041   | 1,852   |
| Mosenergo Group   | Russia                       | 46%  | 2,981   | 109,377  | 3,853   |
| TGC-1 Group   | Russia                       | 48%  | 5,365   | 73,640   | 1,198   |
| WGC-2 Group   | Russia                       | 21%  | 2,062   | 35,278   | 771   |
| <b>As of 31 December 2018 and for the year ended 31 December 2018</b> |                              |  |   |  |   |
| Gazprom Neft Group <sup>2</sup>                                       | Russia                       | 4%   | 47,280  | 224,980  | 7,114   |
| Naftna Industrija Srbije a.d. Group                                   | Serbia                       | 46%  | 7,296   | 92,673   | 2,016   |
| Mosenergo Group   | Russia                       | 46%  | 16,568  | 110,507  | 3,044   |
| TGC-1 Group   | Russia                       | 48%  | 2,163   | 68,355   | 910   |
| WGC-2 Group   | Russia                       | 20%  | 2,201   | 32,329   | 341   |

<sup>1</sup> Effective share held by non-controlling interest in share capital of investments.

<sup>2</sup> Including non-controlling interest in Naftna Industrija Srbije a.d. Group.

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

|   | Gazprom Neft Group <sup>1</sup> | Naftna Industrija Srbije a.d. Group | Mosenergo Group | TGC-1 Group | WGC-2 Group |
|---|---------------------------------|-------------------------------------|-----------------|-------------|-------------|
| <b>As of 31 December 2019 and for the year ended 31 December 2019</b> |                                 |                                     |                 |             |             |
| Current assets  | 734,356                         | 57,323                              | 91,065          | 28,443      | 42,450      |
| Non-current assets  | 3,315,542                       | 241,009                             | 177,152         | 170,266     | 205,500     |
| Current liabilities   | 509,396                         | 38,463                              | 16,743          | 28,312      | 37,065      |
| Non-current liabilities   | 1,143,867                       | 59,218                              | 38,669          | 27,190      | 60,753      |
| Sales   | 2,416,322                       | 166,202                             | 190,843         | 97,415      | 135,228     |
| Profit for the year   | 416,481                         | 9,460                               | 7,939           | 12,136      | 9,835       |
| Comprehensive income for the year                                     | 386,505                         | 9,556                               | 7,877           | 11,961      | 9,564       |
| Net cash from (used in):  |                                 |                                     |                 |             |             |
| operating activities  | 585,288                         | 34,963                              | 30,645          | 23,830      | 31,951      |
| investing activities  | (312,095)                       | (28,594)                            | (47,463)        | (23,370)    | (36,126)    |
| financing activities  | (306,208)                       | (6,500)                             | 12,287          | (6,128)     | (2,201)     |
| <b>As of 31 December 2018 and for the year ended 31 December 2018</b> |                                 |                                     |                 |             |             |
| Current assets  | 652,207                         | 66,310                              | 83,237          | 25,970      | 34,821      |

### 34. Non-Controlling Interest (continued)

|                                   | Gazprom<br>Neft<br>Group <sup>1</sup> | Naftna<br>Industrija<br>Srbije a.d.<br>Group | Mosenergo<br>Group | TGC-1<br>Group | WGC-2<br>Group |
|-----------------------------------|---------------------------------------|--|--------------------|----------------|----------------|
| Non-current assets                | 3,080,495                             | 262,190                                      | 187,880            | 152,490        | 224,191        |
| Current liabilities               | 562,466                               | 37,010                                       | 17,438             | 19,904         | 27,185         |
| Non-current liabilities           | 1,015,841                             | 69,569                                       | 15,681             | 26,325         | 69,208         |
| Sales                             | 2,393,980                             | 176,148                                      | 199,647            | 92,659         | 143,416        |
| Profit for the year               | 394,779                               | 15,166                                       | 21,038             | 85             | 19,979         |
| Comprehensive income for the year | 447,292                               | 15,191                                       | 19,720             | 269            | 20,110         |
| Net cash from (used in):          |                                       |  |                    |                |                |
| operating activities              | 505,017                               | 20,844                                       | 36,220             | 19,554         | 30,940         |
| investing activities              | (352,953)                             | (20,777)                                     | (14,106)           | (11,327)       | (12,262)       |
| financing activities              | (3,470)                               | (7,372)                                      | (26,558)           | (8,651)        | (17,364)       |

<sup>1</sup> Including data of Naftna Industrija Srbije a.d. Group.

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

### 35. 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 and oil industry entities.

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

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

As a result of the transaction, goodwill was recognised in the provisional amount of RUB 22,999 million (see Note 15). The Group's share in the voting shares of the JSC REPH amounted to 72%.

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

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

|                                     | Provisional fair value |
|-------------------------------------|------------------------|
| <b>Current assets</b>               |                        |
| Cash and cash equivalents           | 3,260                  |
| Accounts receivable and prepayments | 7,710                  |
| VAT recoverable                     | 94                     |

### 35. Acquisition of a subsidiary (continued)

|  | Provisional fair value |
|--|------------------------|
| Inventories  | 13,519                 |
|  | <b>24,583</b>          |
| <b>Non-current assets</b>                              |                        |
| Property, plant and equipment                          | 6,784                  |
| Long-term accounts receivable and prepayments          | 252                    |
| Deferred tax assets                                    | 2,399                  |
| Other non-current liabilities                          | 1,368                  |
|  | <b>10,803</b>          |
| <b>Total assets</b>                                    | <b>35,386</b>          |
| <b>Current liabilities</b>                             |                        |
| Accounts payable, provisions and other liabilities     | 11,013                 |
|  | <b>11,013</b>          |
| <b>Non-current liabilities</b>                         |                        |
| Long-term borrowings, promissory notes                 | 42,139                 |
| Deferred tax liabilities                               | 335                    |
|  | <b>42,474</b>          |
| <b>Total liabilities</b>                               | <b>53,487</b>          |
| <b>Non-controlling interest before the acquisition</b> | <b>67</b>              |
| <b>Net assets on the acquisition date</b>              | <b>(18,034)</b>        |
| <b>Compensation payment</b>                            | <b>10,000</b>          |
| <b>Non-controlling interest</b>                        | <b>5,035</b>           |
| <b>Goodwill</b>  | <b>22,999</b>          |

If the acquisition had occurred on 1 January 2019, the Group's sales for the year ended 31 December 2019 would have increased by RUB 10,523 million, and the Group's profit before profit tax for the year ended 31 December 2019 would have decreased by RUB 2,795 million.

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

### 36. Related Parties

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

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

#### Government (Russian Federation)

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

As of 31 December 2019 the Government directly owns 38.373% of PJSC Gazprom's issued shares. JSC Rosneftgaz and JSC Rosgazifikatsiya controlled by the Government own 11.859% of PJSC Gazprom's issued shares.

### 36. Related Parties (continued)

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

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

#### Parties Under the Government Control

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

As of 31 December 2019 prices of natural gas and gas transportation, electricity tariffs in the Russian Federation are regulated by the FAS.

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

As of 31 December 2019 and 31 December 2018 and for the years ended 31 December 2019 and 31 December 2018 the Group's significant transactions and balances with the Government and parties under the Government control are presented below:

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

### 36. Related Parties (continued)

|   | As of 31 December 2018 |             | Year ended<br>31 December 2018 |           |
|---|------------------------|-------------|--------------------------------|-----------|
|   | Assets                 | Liabilities | Income                         | Expenses  |
| <b>Transactions and balances with the Government</b>                        |                        |             |                                |           |
| Current profit tax  | 5,011                  | 26,296      | –                              | 264,017   |
| Insurance contributions   | 1,526                  | 9,449       | –                              | 141,271   |
| VAT   | 304,159                | 140,085     | –                              | –         |
| Customs duties  | 11,187                 | –           | –                              | –         |
| MET   | 118                    | 113,823     | –                              | 1,162,967 |
| Other taxes   | 4,938                  | 59,078      | –                              | 237,566   |
| <b>Transactions and balances with entities under the Government control</b> |                        |             |                                |           |
| Gas sales   | –                      | –           | 144,411                        | –         |
| Electric and heat energy sales  | –                      | –           | 174,512                        | –         |
| Gas transportation sales  | –                      | –           | 45,291                         | –         |
| Other sales   | –                      | –           | 9,271                          | –         |
| Transit of oil and refined products expenses                                | –                      | –           | –                              | 128,723   |
| Interest expense  | –                      | –           | –                              | 10,431    |
| Cash and cash equivalents   | 119,139                | –           | –                              | –         |
| Short-term deposits   | 35,848                 | –           | –                              | –         |
| Long-term deposits  | 9                      | –           | –                              | –         |
| Accounts receivable   | 45,104                 | –           | –                              | –         |
| Short-term financial assets   | 20,315                 | –           | –                              | –         |
| Long-term financial assets  | 4,742                  | –           | –                              | –         |
| Accounts payable  | –                      | 18,671      | –                              | –         |
| Borrowings  | –                      | 206,681     | –                              | –         |

The recognised right-of-use assets amounted to RUB 5,154 million for the year ended 31 December 2019.

See the consolidated statement of changes in equity for returns of social assets to governmental authorities during the years ended 31 December 2019 and 31 December 2018. See Note 13 for the net book values as of 31 December 2019 and 31 December 2018 of social assets vested to the Group at privatisation.

#### Transactions with JSC FSC

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

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

|   | As of 31 December 2019 |             | Year ended<br>31 December 2019 |          |
|---|------------------------|-------------|--------------------------------|----------|
|   | Assets                 | Liabilities | Income                         | Expenses |
| <b>Transactions and balances with JSC FSC</b> |                        |             |                                |          |
| Electric and heat energy sales                | –                      | –           | 164,247                        | –        |
| Electricity and heating expenses              | –                      | –           | –                              | 24,033   |

### 36. Related Parties (continued)

|                     |       |       |   |   |
|---------------------|-------|-------|---|---|
| Accounts receivable | 5,893 | –     | – | – |
| Accounts payable    | –     | 1,978 | – | – |

|   | As of 31 December 2018 |             | Year ended<br>31 December 2018 |          |
|---|------------------------|-------------|--------------------------------|----------|
|   | Assets                 | Liabilities | Income                         | Expenses |
| <b>Transactions and balances with JSC FSC</b> |                        |             |                                |          |
| Electric and heat energy sales                | –                      | –           | 157,705                        | –        |
| Electricity and heating expenses              | –                      | –           | –                              | 27,032   |
| Accounts receivable                           | 6,920                  | –           | –                              | –        |
| Accounts payable                              | –                      | 1,975       | –                              | –        |

#### Compensation for Key Management Personnel

Key management personnel (the members of the Board of Directors and the Management Committee of PJSC Gazprom) receive short-term compensation, including salary, bonuses and remuneration for serving on the management bodies of the Group's entities, amounted to approximately RUB 3,180 million and RUB 4,312 million for the years ended 31 December 2019 and 31 December 2018, respectively.

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

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

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

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

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

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

#### Associates and Joint Ventures

For the years ended 31 December 2019 and 31 December 2018 and also as of 31 December 2019 and 31 December 2018 the Group's significant transactions and balances with associates and joint ventures are presented below.

|   | Year ended<br>31 December |        |
|---|---------------------------|--------|
|   | 2019                      | 2018   |
| <b>Income</b>                             |                           |        |
| <b>Gas sales</b>                          |                           |        |
| Panrusgas Co.                             | 44,099                    | 62,906 |
| JSV Moldovagaz                            | 29,937                    | 29,421 |
| CJSC Gazprom YRGM Trading <sup>1</sup>    | 18,110                    | 16,709 |
| KazRosGas LLP                             | 17,441                    | 7,762  |
| JSC Gazprom YRGM Development <sup>1</sup> | 12,936                    | 11,935 |



### 36. Related Parties (continued)

|  | Year ended<br>31 December |                 |
|--|---------------------------|-----------------|
|  | 2019                      | 2018            |
| 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           |
| <b>Gas transportation sales</b>                                |                           |                 |
| CJSC Gazprom YRGM Trading <sup>1</sup>                         | 25,336                    | 25,430          |
| JSC Gazprom YRGM Development <sup>1</sup>                      | 18,097                    | 18,164          |
| KazRosGas LLP  | 2,689                     | 2,758           |
| <b>Crude oil, gas condensate and refined products sales</b>    |                           |                 |
| 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           |
| <b>Field operator services sales and other services sales</b>  |                           |                 |
| JSC Messoyakhaneftegas   | 3,467                     | 3,632           |
| PJSC NGK Slavneft and its subsidiaries                         | 2,725                     | 2,612           |
| Sakhalin Energy Investment Company Ltd.                        | 1,521                     | 1,390           |
| <b>Gas refining services sales</b>                             |                           |                 |
| KazRosGas LLP  | 10,993                    | 10,075          |
| <b>Interest income</b>   |                           |                 |
| Gazprombank (Joint-stock Company) and its subsidiaries         | 44,929                    | 37,153          |
| JSC Messoyakhaneftegas   | –                         | 551             |
| <b>Other operating income (rental income)</b>                  |                           |                 |
| Sakhalin Energy Investment Company Ltd.                        | 775                       | 3,301           |
|  |                           | <b>Expenses</b> |
| <b>Purchased gas</b>   |                           |                 |
| CJSC Gazprom YRGM Trading <sup>1</sup>                         | 56,230                    | 62,725          |
| JSC Gazprom YRGM Development <sup>1</sup>                      | 40,189                    | 44,832          |
| 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           |
| <b>Transit of gas</b>  |                           |                 |
| 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          |
| JSV Moldovagaz   | 1,849                     | 3,301           |
| <b>Purchased crude oil and refined products</b>                |                           |                 |
| PJSC NGK Slavneft and its subsidiaries                         | 159,302                   | 156,363         |
| JSC Messoyakhaneftegas   | 70,620                    | 62,747          |
| JSC Arcticgas  | 6,728                     | 27              |
| Sakhalin Energy Investment Company Ltd.                        | 6,620                     | 10,400          |
| KazRosGas LLP  | 2,933                     | 795             |
| <b>Gas and gas condensate production</b>                       |                           |                 |
| JSC Achimgaz   | 47,352                    | 40,018          |
| <b>Processing services</b>                                     |                           |                 |

### 36. Related Parties (continued)

|  | Year ended<br>31 December |        |
|--|---------------------------|--------|
|  | 2019                      | 2018   |
| PJSC NGK Slavneft and its subsidiaries                 | 15,524                    | 14,594 |
| <b>Transit of crude oil and oil refinery products</b>  |                           |        |
| JSC Messoyakhaneftegaz                                 | 6,861                     | 5,432  |
| PJSC NGK Slavneft and its subsidiaries                 | 4,753                     | 3,811  |
| <b>Interest expense</b>                                |                           |        |
| Gazprombank (Joint-stock Company) and its subsidiaries | 11,890                    | 11,129 |

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

Under the agreement of subordinated debt the Group provided cash to Gazprombank (Joint-stock Company) in the amount of RUB 90,000 million and RUB 25,542 million for the years ended 31 December 2019 and 31 December 2018, respectively.

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

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

|  | As of 31 December 2019 |             | As of 31 December 2018 |             |
|--|------------------------|-------------|------------------------|-------------|
|  | Assets                 | Liabilities | Assets                 | Liabilities |
| <b>Short-term accounts receivable and prepayments</b>          |                        |             |                        |             |
| Gazprombank (Joint-stock Company)                              | 13,961                 | –           | 14,739                 | –           |
| JSC Gazstroyprom   | 8,521                  | –           | 46,746                 | –           |
| KazRosGas LLP  | 6,233                  | –           | 2,186                  | –           |
| PJSC NGK Slavneft and its subsidiaries                         | 5,580                  | –           | 4,929                  | –           |
| Wintershall Noordzee B.V.                                      | 4,209                  | –           | –                      | –           |
| Panrusgas Co.  | 3,566                  | –           | 5,990                  | –           |
| Sakhalin Energy Investment Company Ltd.                        | 3,125                  | –           | 1,450                  | –           |
| CJSC Gazprom YRGM Trading                                      | 2,489                  | –           | 2,488                  | –           |
| JSC Gazprom YRGM Development                                   | 1,778                  | –           | 1,777                  | –           |
| LLC National Petroleum Consortium                              | 1,324                  | –           | –                      | –           |
| JSC Messoyakhaneftegaz   | 1,022                  | –           | 1,080                  | –           |
| Prometheus Gas S.A.  | 478                    | –           | 1,468                  | –           |
| <b>Cash and cash equivalents</b>                               |                        |             |                        |             |
| Gazprombank (Joint-stock Company) and its subsidiaries         | 350,674                | –           | 436,061                | –           |
| OJSC Belgazprombank  | 15,621                 | –           | 14,446                 | –           |
| <b>Short-term financial assets</b>                             |                        |             |                        |             |
| Gazprombank (Joint-stock Company)                              | 23,814                 | –           | 30                     | –           |
| <b>Other current assets</b>                                    |                        |             |                        |             |
| Gazprombank (Joint-stock Company) and its subsidiaries         | 612,352                | –           | 705,968                | –           |
| OJSC Belgazprombank  | 2,444                  | –           | 11,610                 | –           |
| <b>Other non-current assets</b>                                |                        |             |                        |             |
| Gazprombank (Joint-stock Company)                              | 1,238                  | –           | –                      | –           |
| <b>Long-term accounts receivable and prepayments</b>           |                        |             |                        |             |
| JSC Gazstroyprom   | 220,604                | –           | –                      | –           |
| TurkAkim Gaz Tasima A.S.                                       | 21,558                 | –           | –                      | –           |
| WIGA Transport Beteiligungs-GmbH & Co. KG and its Subsidiaries | 13,863                 | –           | 15,869                 | –           |
| Sakhalin Energy Investment Company Ltd.                        | 13,455                 | –           | –                      | –           |

### 36. Related Parties (continued)

|  | As of 31 December 2019 |             | As of 31 December 2018 |             |
|--|------------------------|-------------|------------------------|-------------|
|  | Assets                 | Liabilities | Assets                 | Liabilities |
| JSC Sibgazpolymer  | 5,375                  | –           | 353                    | –           |
| JSC Evroteck-Yugra   | 3,168                  | –           | 2,636                  | –           |
| OJSC Belgazprombank  | 2,479                  | –           | 2,479                  | –           |
| CJSC Khanty-Mansiysk petroleum alliance  | 1,201                  | –           | 1,060                  | –           |
| Wintershall Noordzee B.V.  | –                      | –           | 3,842                  | –           |
| <b>Short-term accounts payable</b>   |                        |             |                        |             |
| PJSC NGK Slavneft and its subsidiaries   | –                      | 103,617     | –                      | 52,601      |
| JSC Messoyakhaneftegaz   | –                      | 41,882      | –                      | 35,371      |
| JSC Gazstroyprom   | –                      | 26,794      | –                      | –           |
| CJSC Gazprom YRGM Trading  | –                      | 7,353       | –                      | 9,057       |
| Nord Stream AG   | –                      | 6,200       | –                      | 7,100       |
| JSC Gazprom YRGM Development   | –                      | 5,256       | –                      | 6,469       |
| JSC Achimgaz   | –                      | 4,668       | –                      | 5,054       |
| KazRosGas LLP  | –                      | 4,087       | –                      | 2,362       |
| JSC Arcticgas  | –                      | 2,023       | –                      | 403         |
| JSC EUROPOL GAZ  | –                      | 1,528       | –                      | 2,258       |
| Sakhalin Energy Investment Company Ltd.  | –                      | 1,037       | –                      | 4,746       |
| WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries                   | –                      | 1,020       | –                      | 2,345       |
| <b>Short-term borrowings (including current portion of long-term borrowings)</b> |                        |             |                        |             |
| Gazprombank (Joint-stock Company) and its subsidiaries                           | –                      | 81,406      | –                      | 55,475      |
| <b>Long-term borrowings</b>  |                        |             |                        |             |
| Gazprombank (Joint-stock Company)  | –                      | 181,700     | –                      | 37,905      |

Accounts receivable due from JSV Moldovagaz were RUB nil million as of 31 December 2019 and 31 December 2018 net of allowance for expected credit losses in the amount of RUB 412,258 million and RUB 431,660 million as of 31 December 2019 and 31 December 2018, respectively.

Accounts receivable for gas due from Overgas Inc. AD were RUB nil million as of 31 December 2019 and 31 December 2018 net of allowance for expected credit losses in the amount of RUB 6,511 million and RUB 7,307 million as of 31 December 2019 and 31 December 2018, respectively.

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

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.

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

Information on the acquisition of JSC REPH from Gazprombank (Joint-stock Company) is disclosed in Note 35.

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

Information on financial guarantees issued by the Group for associates and joint ventures is disclosed in Note 39.

## 37. Commitments and Contingencies

### Capital Commitments

The total investment utilisation in accordance with investment programme of the Group for 2020 (for gas, oil, electricity, heat generating and other assets) and current similar intentions of the Group is RUB 1,609,995 million.

### Supply Commitments

The Group has entered into long-term supply contracts for periods ranging from 5 to 30 years with various entities operating in Europe and other countries. The volumes and prices in these contracts are subject to change due to various contractually defined factors. As of 31 December 2019 and 31 December 2018 no loss is expected to result from these long-term commitments.

### Gas Transportation Commitments

The Group is a party to a number of long-term agreements on booking capacity for gas transportation. As of 31 December 2019 these agreements are not expected to be onerous for the Group.

### Other

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

## 38. Operating Risks

### Taxation

The Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. Management believes that its interpretation of the relevant legislation as of 31 December 2019 is appropriate and all of the Group's tax, currency and customs positions will be sustainable.

### 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.

### 38. Operating Risks (continued)

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.

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

### 38. Operating Risks (continued)

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.

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.



### 38. Operating Risks (continued)

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

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

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

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

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

On 4 May 2018 PJSC Gazprom received a notice from Poland's antimonopoly authority 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.

### 38. Operating Risks (continued)

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.

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



### 38. Operating Risks (continued)

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.

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.

### 38. Operating Risks (continued)

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;
- 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.

### 39. Financial Risk Factors

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

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

#### Market Risk

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

### 39. Financial Risk Factors (continued)

#### (a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from assets, liabilities, commercial transactions and financing denominated in foreign currencies.

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

| Notes,                             | Russian Ruble   | US dollar        | Euro             | Other            | Total          |                  |
|------------------------------------|---|------------------|------------------|------------------|----------------|------------------|
| <b>As of 31 December 2019</b>      |   |                  |                  |                  |                |                  |
| <b>Financial assets</b>            |   |                  |                  |                  |                |                  |
| <b>Current</b>                     |   |                  |                  |                  |                |                  |
| 8                                  | Cash and cash equivalents   | 485,874          | 88,839           | 108,610          | 12,734         | 696,057          |
| 12                                 | Short-term deposits   | 497,171          | 31,409           | 139,402          | 5,163          | 673,145          |
| 9                                  | Short-term financial assets (excluding equity securities)                           | 30,407           | 111              | 23,814           | –              | 54,332           |
| 10                                 | Trade and other accounts receivable   | 213,817          | 332,249          | 337,326          | 81,103         | 964,495          |
| <b>Non-current</b>                 |   |                  |                  |                  |                |                  |
| 12                                 | Long-term deposits  | –                | 3,095            | 93               | 89             | 3,277            |
| 17                                 | Long-term accounts receivable   | 298,572          | 3,579            | 35,170           | 1,098          | 338,419          |
| 18                                 | Long-term financial assets (excluding equity securities)                            | 284              | –                | –                | –              | 284              |
| <b>Total financial assets</b>      |   | <b>1,526,125</b> | <b>459,282</b>   | <b>644,415</b>   | <b>100,187</b> | <b>2,730,009</b> |
| <b>Financial liabilities</b>       |   |                  |                  |                  |                |                  |
| <b>Current</b>                     |   |                  |                  |                  |                |                  |
| 19                                 | Accounts payable (excluding derivative financial instruments)                       | 816,992          | 199,701          | 93,092           | 66,462         | 1,176,247        |
| 21                                 | Short-term borrowings, promissory notes and current portion of long-term borrowings | 133,515          | 92,404           | 504,822          | 43,461         | 774,202          |
| <b>Non-current</b>                 |   |                  |                  |                  |                |                  |
| 22                                 | Long-term borrowings, promissory notes  | 800,873          | 737,418          | 1,336,403        | 215,008        | 3,089,702        |
| 14                                 | Long-term lease obligations   | 73,381           | 108,337          | 19,863           | 3,912          | 205,493          |
| <b>Total financial liabilities</b> |   | <b>1,824,761</b> | <b>1,137,860</b> | <b>1,954,180</b> | <b>328,843</b> | <b>5,245,644</b> |
| <b>As of 31 December 2018</b>      |   |                  |                  |                  |                |                  |
| <b>Financial assets</b>            |   |                  |                  |                  |                |                  |
| <b>Current</b>                     |   |                  |                  |                  |                |                  |
| 8                                  | Cash and cash equivalents   | 335,175          | 204,757          | 289,942          | 19,545         | 849,419          |
| 12                                 | Short-term deposits   | 554,724          | 212,156          | 24,170           | 5,090          | 796,140          |
| 9                                  | Short-term financial assets (excluding equity securities)                           | 25,900           | –                | –                | –              | 25,900           |
| 10                                 | Trade and other accounts receivable   | 310,128          | 355,355          | 344,286          | 132,725        | 1,142,494        |
| <b>Non-current</b>                 |   |                  |                  |                  |                |                  |
| 12                                 | Long-term deposits  | –                | –                | –                | 1,432          | 1,432            |
| 17                                 | Long-term accounts receivable   | 110,528          | 1,765            | 37,809           | 1,029          | 151,131          |
| 18                                 | Long-term financial assets (excluding equity securities)                            | 262              | –                | –                | –              | 262              |
| <b>Total financial assets</b>      |   | <b>1,336,717</b> | <b>774,033</b>   | <b>696,207</b>   | <b>159,821</b> | <b>2,966,778</b> |
| <b>Financial liabilities</b>       |   |                  |                  |                  |                |                  |
| <b>Current</b>                     |   |                  |                  |                  |                |                  |
| 19                                 | Accounts payable (excluding derivative financial instruments)                       | 651,391          | 341,204          | 173,789          | 89,975         | 1,256,359        |
| 21                                 | Short-term borrowings, promissory notes and current portion of long-term borrowings | 113,450          | 277,983          | 139,450          | 38,178         | 569,061          |

### 39. Financial Risk Factors (continued)

| Notes                              | Russian Ruble                          | US dollar        | Euro             | Other            | Total          |                  |
|------------------------------------|--|------------------|------------------|------------------|----------------|------------------|
| <b>Non-current</b>                 |  |                  |                  |                  |                |                  |
| 22                                 | Long-term borrowings, promissory notes | 647,937          | 826,125          | 1,529,969        | 290,730        | 3,294,761        |
| <b>Total financial liabilities</b> |  | <b>1,412,778</b> | <b>1,445,312</b> | <b>1,843,208</b> | <b>418,883</b> | <b>5,120,181</b> |

Information on derivative financial instruments is presented in Note 24.

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

As of 31 December 2019, if the Russian Ruble had weakened by 20% against the US dollar with all other variables held constant, profit before profit tax would have been lower by RUB 135,716 million, mainly as a result of foreign exchange loss on translation of US dollar-denominated borrowings partially offset by foreign exchange gain on translation of US dollar-denominated trade receivables. As of 31 December 2018, if the Russian Ruble had weakened by 20% against the US dollar with all other variables held constant, profit before profit tax would have been lower by RUB 134,256 million, mainly as a result of foreign exchange loss on translation of US dollar-denominated borrowings partially offset by foreign exchange gain on translation of US dollar-denominated trade receivables. The effect of related Russian Ruble strengthening against the US dollar would have been approximately the same amount with opposite impact.

As of 31 December 2019, if the Russian Ruble had weakened by 20% against the Euro with all other variables held constant, profit before profit tax would have been lower by RUB 261,953 million, mainly as a result of foreign exchange loss on translation of Euro-denominated borrowings partially offset by foreign exchange gain on translation of Euro-denominated trade receivables. As of 31 December 2018, if the Russian Ruble had weakened by 20% against the Euro with all other variables held constant, profit before profit tax would have been lower by RUB 229,400 million, mainly as a result of foreign exchange loss on translation of Euro-denominated borrowings partially offset by foreign exchange gain on translation of Euro-denominated trade receivables. The effect of related Russian Ruble strengthening against the Euro would have been approximately the same amount with opposite impact.

#### (b) Cash flow and fair value interest rate risk

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

| Notes | Long-term borrowings and promissory notes | 31 December      |                  |
|-------|---|------------------|------------------|
|       |   | 2019             | 2018             |
| 22    | At fixed rate                             | 2,238,028        | 2,709,599        |
| 22    | At variable rate                          | 1,472,051        | 1,079,332        |
|       |   | <b>3,710,079</b> | <b>3,788,931</b> |

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

In 2018-2019 the Group's borrowings at variable rates were mainly denominated in US dollar and Euro.

As of 31 December 2019, if benchmark interest rates on borrowings had been 100 basis points higher with all other variables held constant, profit before profit tax would have been lower by RUB 12,757 million for 2019, mainly as a result of higher interest expense on variable interest rate long-term borrowings. As of 31 December 2018, if benchmark interest rates on borrowings had been 100 basis points higher with all other variables held constant, profit before profit tax

### 39. Financial Risk Factors (continued)

would have been lower by RUB 9,520 million for 2018, mainly as a result of higher interest expense on variable interest rate long-term borrowings. The effect of a corresponding decrease in benchmark interest rates is approximately equal and opposite.

#### (c) Commodity price risk

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

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

The Group's exposure to the commodity price risk is related essentially to the export market. As of 31 December 2019, if the average gas export prices had decreased by 20% with all other variables held constant, profit before profit tax would have been lower by RUB 565,963 million for 2019. As of 31 December 2018, if the average gas export prices had decreased by 10% with all other variables held constant, profit before profit tax would have been lower by RUB 334,918 million for 2018.

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

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

#### (d) Securities price risk

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

As of 31 December 2019 and 31 December 2018, if London Stock Exchange equity index, which primarily affects the major part of Group's equity securities, had decreased by 20% with all other variables held constant, assuming high correlation of the value of these securities with the index, the Group's comprehensive income for the period would have been RUB 87,447 million and RUB 83,473 million lower, respectively.

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

#### Credit Risk

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

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

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

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

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

### 39. Financial Risk Factors (continued)

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

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

| Notes  | 31 December      |                  |
|--|------------------|------------------|
|  | 2019             | 2018             |
| 8 Cash and cash equivalents                  | 696,057          | 849,419          |
| 12 Deposits                                  | 676,422          | 797,572          |
| 9, 18 Debt securities                        | 54,616           | 26,162           |
| 10, 17 Trade and other accounts receivable   | 1,302,914        | 1,293,625        |
| Financial guarantee contracts                | 219,092          | 320,668          |
| Loan commitments                             | 106,500          | –                |
| <b>Total maximum exposure to credit risk</b> | <b>3,055,601</b> | <b>3,287,446</b> |

#### Financial Guarantee Contracts

|  | 31 December    |                |
|--|----------------|----------------|
|  | 2019           | 2018           |
| Guarantees issued for:                     |                |                |
| Nord Stream AG                             | 106,924        | 136,086        |
| Sakhalin Energy Investment Company Ltd.    | 37,022         | 66,317         |
| LLC Stroygazconsulting                     | –              | 87,094         |
| Other                                      | 75,146         | 31,171         |
| <b>Total financial guarantee contracts</b> | <b>219,092</b> | <b>320,668</b> |

In 2019 and 2018 counterparties fulfilled their contractual obligations.

Financial guarantee contracts include financial guarantees denominated in US Dollars of USD 598 million and USD 955 million as of 31 December 2019 and 31 December 2018, respectively, as well as amounts denominated in Euros of EUR 2,292 million and EUR 1,879 million as of 31 December 2019 and 31 December 2018, respectively.

In June 2008 the Group pledged the shares of Sakhalin Energy Investment Company Ltd. to the agent bank Mizuho Bank Ltd. under the loan obligations of Sakhalin Energy Investment Company Ltd.

As of 31 December 2019 and 31 December 2018 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) and RUB 66,317 million (USD 955 million), respectively.

In March 2010 the Group pledged the shares of Nord Stream AG to the agent bank Societe Generale under the obligations of Nord Stream AG under the project financing agreement. As of 31 December 2019 and 31 December 2018 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) and RUB 136,086 million (EUR 1,713 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 and 31 December 2018 the guarantees amounted to RUB nil million and RUB 87,094 million, respectively. In January 2019 the Group terminated guarantees provided to Gazprombank (Joint-stock Company) for LLC Stroygazconsulting under its loan obligations.

#### Liquidity Risk

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

### 39. Financial Risk Factors (continued)

liquidity is managed centrally. The management of the Group monitors the planned cash inflow and outflow.

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

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

|   | Less than 6 months | Between 6 and 12 months | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|--------------------|-------------------------|-----------------------|-----------------------|--------------|
| <b>As of 31 December 2019</b>   |                    |                         |                       |                       |              |
| Short-term and long-term loans and borrowings and promissory notes                  | 617,006            | 327,852                 | 601,060               | 1,953,475             | 1,568,521    |
| Accounts payable (excluding derivative financial instruments and lease liabilities) | 1,027,732          | 106,495                 | –                     | –                     | –            |
| Lease liabilities   | 31,595             | 27,769                  | 47,227                | 105,400               | 145,207      |
| Financial guarantee contracts   | 2,916              | 33,660                  | 47,962                | 4,821                 | 129,733      |
| Loan commitments  | –                  | –                       | –                     | –                     | 106,500      |
| <b>As of 31 December 2018</b>   |                    |                         |                       |                       |              |
| Short-term and long-term loans and borrowings and promissory notes                  | 438,460            | 298,864                 | 754,351               | 1,986,949             | 1,543,052    |
| Accounts payable (excluding derivative financial instruments)                       | 999,534            | 256,825                 | –                     | –                     | –            |
| Financial guarantee contracts   | 7,687              | 832                     | 10,365                | 69,402                | 232,382      |
| Loan commitments  | –                  | –                       | –                     | –                     | –            |

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

### Reconciliation of liabilities arising from financing activities

|  | Borrowings       | Dividends    | Lease liabilities | Other liabilities | Total            |
|--|------------------|--------------|-------------------|-------------------|------------------|
| <b>As of 31 December 2018</b>  | <b>3,863,822</b> | <b>7,586</b> | <b>–</b>          | <b>17,550</b>     | <b>3,888,958</b> |
| Effect of changes in accounting policies                                 | –                | –            | 260,156           | –                 | 260,156          |
| <b>As of 1 January 2019 (changed)</b>                                    | <b>3,863,822</b> | <b>7,586</b> | <b>260,156</b>    | <b>17,550</b>     | <b>4,149,114</b> |
| Cash flows, including:   |                  |              |                   |                   |                  |
| Proceeds from borrowings (net of costs directly related to the receipt)  | 1,160,885        | –            | –                 | –                 | 1,160,885        |
| Additions as a result of new leases and modifications to existing leases | –                | –            | 41,048            | –                 | 41,048           |
| Repayment of borrowings  | (861,126)        | –            | (42,603)          | (1,896)           | (905,625)        |
| Interest paid (in financing activities)                                  | (30,822)         | –            | (16,847)          | (511)             | (48,180)         |
| Dividends paid   | –                | (379,595)    | –                 | –                 | (379,595)        |
| Finance expense  | 36,993           | –            | 16,847            | 511               | 54,351           |
| Dividends declared   | –                | 383,060      | –                 | –                 | 383,060          |
| Change in fair value of hedging operations                               | –                | –            | –                 | (10,603)          | (10,603)         |
| Translation differences  | (388,335)        | –            | (18,524)          | –                 | (406,859)        |
| Acquisition of subsidiary  | 42,139           | –            | –                 | –                 | 42,139           |



### 39. Financial Risk Factors (continued)

|                               | Borrowings       | Dividends    | Lease liabilities | Other liabilities | Total            |
|-------------------------------|------------------|--------------|-------------------|-------------------|------------------|
| Other movements               | 40,348           | (7,384)      | 7,436             | (215)             | 40,185           |
| <b>As of 31 December 2019</b> | <b>3,863,904</b> | <b>3,667</b> | <b>247,513</b>    | <b>4,836</b>      | <b>4,119,920</b> |

|                               | Borrowings       | Dividends    | Other liabilities | Total            |
|-------------------------------|------------------|--------------|-------------------|------------------|
| <b>As of 31 December 2017</b> | <b>3,266,518</b> | <b>5,099</b> | <b>31,065</b>     | <b>3,302,682</b> |

Cash flows, including:

|   |                  |              |               |                  |
|---|------------------|--------------|---------------|------------------|
| Proceeds from borrowings (net of costs directly related to the receipt) | 1,297,462        | –            | –             | 1,297,462        |
| Repayment of borrowings   | (1,178,655)      | –            | (13,288)      | (1,191,943)      |
| Interest paid (in financing activities)                                 | (36,384)         | –            | (1,904)       | (38,288)         |
| Dividends paid  | –                | (188,313)    | –             | (188,313)        |
| Finance expense   | 28,902           | –            | 1,904         | 30,806           |
| Dividends declared  | –                | 192,822      | –             | 192,822          |
| Change in fair value of hedging operations                              | –                | –            | 310           | 310              |
| Translation differences   | 458,206          | –            | 434           | 458,640          |
| Other movements   | 27,773           | (2,022)      | (971)         | 24,780           |
| <b>As of 31 December 2018</b>   | <b>3,863,822</b> | <b>7,586</b> | <b>17,550</b> | <b>3,888,958</b> |

#### Capital Risk Management

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

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

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

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

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

The net debt to adjusted EBITDA ratio as of 31 December 2019 and 31 December 2018 is presented in the table below.

|                                   | 31 December |             |
|-----------------------------------|-------------|-------------|
|                                   | 2019        | 2018        |
| Total debt                        | 3,863,904   | 3,863,822   |
| Less: cash and cash equivalents   | (696,057)   | (849,419)   |
| Net debt                          | 3,167,847   | 3,014,403   |
| Adjusted EBITDA                   | 1,859,679   | 2,599,284   |
| <b>Net debt / Adjusted EBITDA</b> | <b>1.70</b> | <b>1.16</b> |

PJSC Gazprom has an investment grade credit rating of BBB- (stable outlook) by Standard & Poor's and BBB (stable outlook) by Fitch Ratings as of 31 December 2019.



#### 40. Fair Value of Financial Instruments

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

##### (a) Financial instruments included in Level 1

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

##### (b) Financial instruments included in Level 2

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

##### (c) Financial instruments included in Level 3

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

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

As of 31 December 2019 and 31 December 2018 the Group had the following assets and liabilities that are measured at fair value:

| Notes  | 31 December 2019                            |                |                |              |                |
|--|---|----------------|----------------|--------------|----------------|
|  | Level 1                                     | Level 2        | Level 3        | Total        |                |
| <b>Financial assets measured at fair value with changes recognised through profit or loss:</b>             |   |                |                |              |                |
| 12   | Derivative financial instruments            | 8,337          | 101,447        | 170          | 109,954        |
| 9  | Bonds                                       | 30,405         | –              | –            | 30,405         |
| 9  | Equity securities                           | 229            | –              | –            | 229            |
| <b>Financial assets measured at fair value with changes recognised through other comprehensive income:</b> |   |                |                |              |                |
| 9  | Equity securities                           | –              | 3,010          | –            | 3,010          |
| 9  | Promissory notes                            | –              | 2              | –            | 2              |
| <b>Total short-term financial assets measured at fair value</b>  |   | <b>38,971</b>  | <b>104,459</b> | <b>170</b>   | <b>143,600</b> |
| <b>Financial assets measured at fair value with changes recognised through profit or loss:</b>             |   |                |                |              |                |
| 12   | Derivative financial instruments            | 2,693          | 17,077         | –            | 19,770         |
| 18   | Equity securities                           | –              | –              | 2,447        | 2,447          |
| <b>Financial assets measured at fair value with changes recognised through other comprehensive income:</b> |   |                |                |              |                |
| 18   | Equity securities                           | 386,824        | 40,578         | 4,149        | 431,551        |
| 18   | Promissory notes                            | –              | 284            | –            | 284            |
| <b>Total long-term financial assets measured at fair value</b>   |   | <b>389,517</b> | <b>57,939</b>  | <b>6,596</b> | <b>454,052</b> |
| <b>Total financial assets measured at fair value</b>   |   | <b>428,488</b> | <b>162,398</b> | <b>6,766</b> | <b>597,652</b> |
| <b>Financial liabilities measured at fair value with changes recognised through profit or loss:</b>        |   |                |                |              |                |
| 19, 24   | Short-term derivative financial instruments | 9,481          | 90,000         | 517          | 99,998         |
| 24   | Long-term derivative financial instruments  | 5,622          | 13,004         | –            | 18,626         |
| <b>Total financial liabilities measured at fair value</b>  |   | <b>15,103</b>  | <b>103,004</b> | <b>517</b>   | <b>118,624</b> |

#### 40. Fair Value of Financial Instruments (continued)

| Notes  | 31 December 2018                            |                |                |              |                |
|--|---|----------------|----------------|--------------|----------------|
|  | Level 1                                     | Level 2        | Level 3        | Total        |                |
| <b>Financial assets measured at fair value with changes recognised through profit or loss</b>              |   |                |                |              |                |
| 12   | Derivative financial instruments            | 7,238          | 100,041        | 589          | 107,868        |
| 9  | Bonds                                       | 25,868         | –              | –            | 25,868         |
| 9  | Equity securities                           | 207            | –              | 752          | 959            |
| <b>Financial assets measured at fair value with changes recognised through other comprehensive income:</b> |   |                |                |              |                |
| 9  | Promissory notes                            | –              | 32             | –            | 32             |
| <b>Total short-term financial assets measured at fair value</b>  |   | <b>33,313</b>  | <b>100,073</b> | <b>1,341</b> | <b>134,727</b> |
| <b>Financial assets measured at fair value with changes recognised through profit or loss:</b>             |   |                |                |              |                |
| 12   | Derivative financial instruments            | 9,395          | 27,998         | –            | 37,393         |
| 18   | Equity securities                           | –              | –              | 2,131        | 2,131          |
| <b>Financial assets measured at fair value with changes recognised through other comprehensive income:</b> |   |                |                |              |                |
| 18   | Equity securities                           | 365,090        | 43,594         | 5,589        | 414,273        |
| 18   | Promissory notes                            | –              | 262            | –            | 262            |
| <b>Total long-term financial assets measured at fair value</b>   |   | <b>374,485</b> | <b>71,854</b>  | <b>7,720</b> | <b>454,059</b> |
| <b>Total financial assets measured at fair value</b>   |   | <b>407,798</b> | <b>171,927</b> | <b>9,061</b> | <b>588,786</b> |
| <b>Financial liabilities measured at fair value with changes recognised through profit or loss:</b>        |   |                |                |              |                |
| 19, 24   | Short-term derivative financial instruments | 11,776         | 83,493         | 4,221        | 99,490         |
| 24   | Long-term derivative financial instruments  | 11,622         | 42,344         | 529          | 54,495         |
| <b>Total financial liabilities measured at fair value</b>  |   | <b>23,398</b>  | <b>125,837</b> | <b>4,750</b> | <b>153,985</b> |

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

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

During the reporting period, contracts for supply of natural gas with flexible purchase volumes in the amount of RUB 1,674 million, previously assigned to Level 3 of the fair value hierarchy, were transferred to Level 2.

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

#### 41. Offsetting Financial Assets and Financial Liabilities

In connection with its derivative activities, the Group generally enters into master netting agreements and collateral agreements with its counterparties. These agreements provide the

#### 41. Offsetting Financial Assets and Financial Liabilities (continued)

Group with the right to offset, in the event of a default by the counterparty (such as bankruptcy), counterparty's rights and obligations under the agreement or to liquidate and set off collateral against any net amount owed by the counterparty.

The following financial assets and liabilities are subject to offsetting, enforceable master netting agreements and similar agreements:

|   | Gross amounts before offsetting | Amounts offset | Net amounts after offsetting in the consolidated balance sheet | Amounts subject to netting agreements |
|---|---------------------------------|----------------|--|---------------------------------------|
| <b>As of 31 December 2019</b>                                 |                                 |                |  |                                       |
| <b>Financial assets</b>                                       |                                 |                |  |                                       |
| Long-term and short-term trade and other accounts receivable  | 1,670,276                       | 367,362        | 1,302,914  | 34,082                                |
| Derivative financial instruments                              | 658,576                         | 528,852        | 129,724  | 71,143                                |
| <b>Financial liabilities</b>                                  |                                 |                |  |                                       |
| Accounts payable (excluding derivative financial instruments) | 1,543,609                       | 367,362        | 1,176,247  | 34,082                                |
| Derivative financial instruments                              | 647,476                         | 528,852        | 118,624  | 71,143                                |
| <b>As of 31 December 2018</b>                                 |                                 |                |  |                                       |
| <b>Financial assets</b>                                       |                                 |                |  |                                       |
| Long-term and short-term trade and other accounts receivable  | 1,789,206                       | 495,570        | 1,293,636  | 65,643                                |
| Derivative financial instruments                              | 709,935                         | 564,674        | 145,261  | 1,156                                 |
| <b>Financial liabilities</b>                                  |                                 |                |  |                                       |
| Accounts payable (excluding derivative financial instruments) | 1,751,929                       | 495,570        | 1,256,359  | 65,643                                |
| Derivative financial instruments                              | 718,659                         | 564,674        | 153,985  | 1,156                                 |

#### 42. Events After Reporting Period

##### 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

## 42. Events After Reporting Period (continued)

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 financial statements 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.

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 financial statements.

# PJSC Gazprom

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