

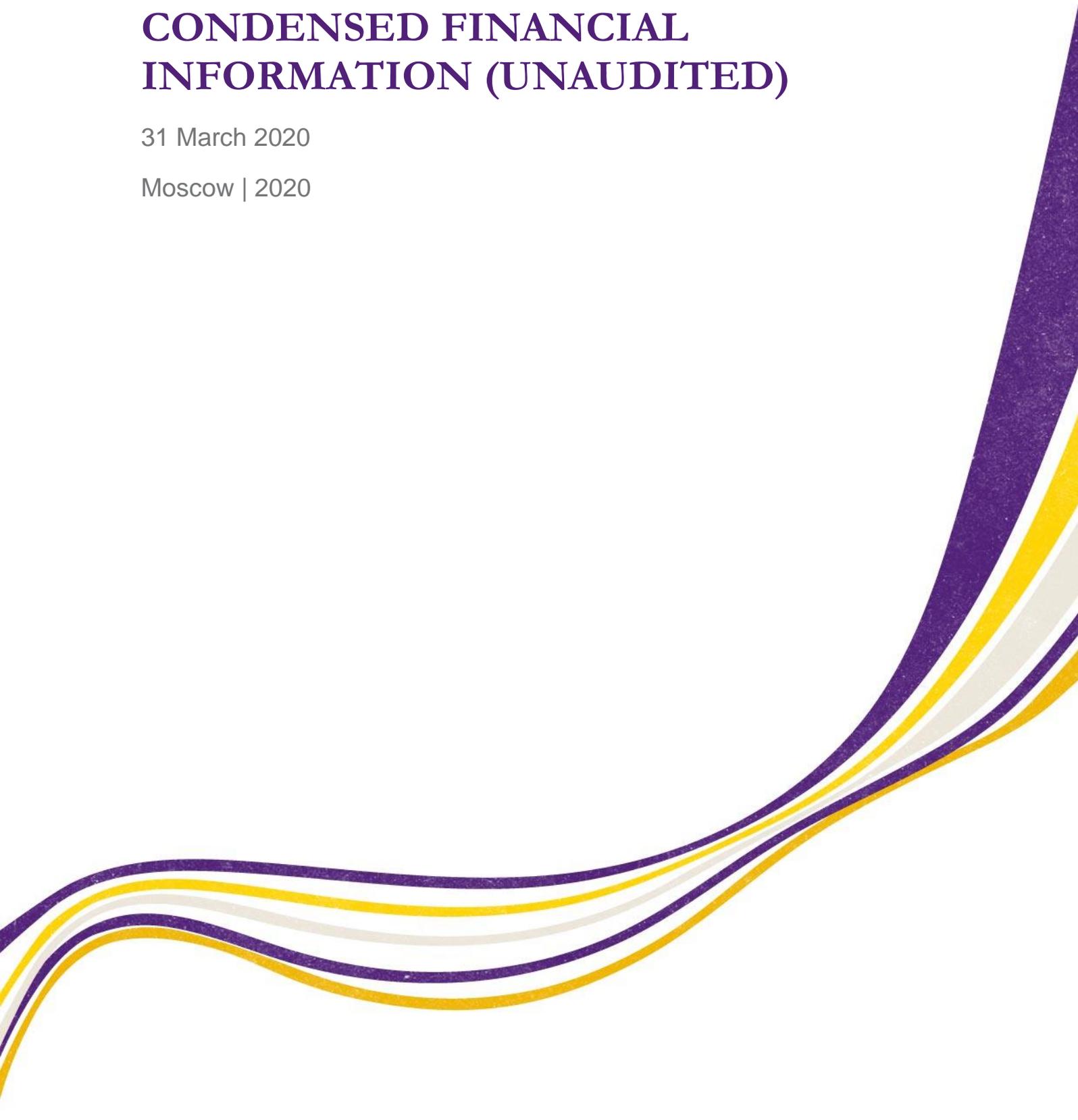
ФБК

PJSC GAZPROM

IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

31 March 2020

Moscow | 2020



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Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders of PJSC Gazprom

Introduction

We have reviewed the accompanying consolidated interim condensed balance sheet of PJSC Gazprom and its subsidiaries as of 31 March 2020 and the related consolidated interim condensed statements of comprehensive income, cash flows and changes in equity for the three months ended 31 March 2020 and notes to the consolidated interim condensed financial information.

Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Accounting Standard 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

ФБК

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

President of FBK, LLC



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

Engagement partner

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

Date of the Report on Review
10 July 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 self-regulatory organization of auditors:

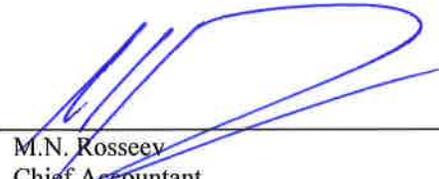
Member of Self-regulatory organization of auditors Association "Sodruzhestvo".

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

PJSC Gazprom
Consolidated Interim Condensed Balance Sheet (Unaudited)
as of 31 March 2020
(in millions of Russian Rubles)

Notes	31 March 2020	31 December 2019
Assets		
Current assets		
6	772,924	696,057
	65,939	57,571
7	1,143,073	1,040,340
8	878,991	946,361
	122,475	142,545
13	<u>819,239</u>	<u>945,279</u>
	3,802,641	3,828,153
Non-current assets		
9	15,357,259	14,856,448
10	213,408	214,244
	132,609	130,028
11	1,315,081	1,182,862
12	911,665	846,735
22	324,849	434,282
13	<u>421,956</u>	<u>389,596</u>
	18,676,827	18,054,195
Total assets	22,479,468	21,882,348
Liabilities and equity		
Current liabilities		
	1,373,217	1,422,116
	15,234	39,709
	296,229	291,449
	<u>665,285</u>	<u>774,202</u>
	2,349,965	2,527,476
Non-current liabilities		
14	3,847,252	3,089,702
21	619,290	606,783
15	638,696	768,448
	231,712	205,493
	<u>104,848</u>	<u>68,759</u>
	5,441,798	4,739,185
Total liabilities	7,791,763	7,266,661
Equity		
16	325,194	325,194
16	(331)	(331)
	<u>13,822,007</u>	<u>13,779,970</u>
	14,146,870	14,104,833
	<u>540,835</u>	<u>510,854</u>
Total equity	14,687,705	14,615,687
Total liabilities and equity	22,479,468	21,882,348

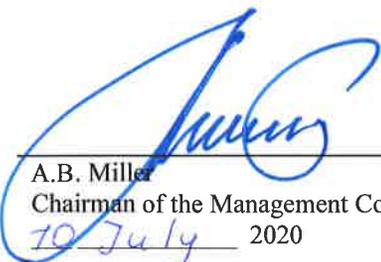

A.B. Miller
Chairman of the Management Committee
10 July 2020

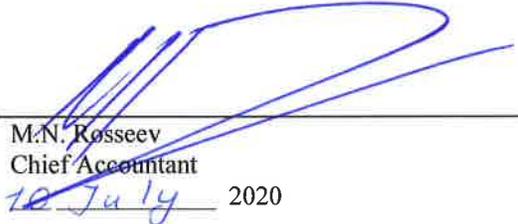

M.N. Rosseev
Chief Accountant
10 July 2020

The accompanying notes on pages 9 to 43 are an integral part of this consolidated interim condensed financial information.

PJSC Gazprom
Consolidated Interim Condensed Statement of Comprehensive Income (Unaudited)
for the Three Months Ended 31 March 2020
(in millions of Russian Rubles)

Notes		Three months ended 31 March	
		2020	2019
17	Sales	1,739,832	2,291,821
	Net gain (loss) from trading activity	10,395	(6,595)
18	Operating expenses	(1,439,701)	(1,782,216)
	Impairment loss on financial assets	(17,067)	(44,248)
	Operating profit	293,459	458,762
19	Finance income	134,966	258,223
19	Finance expense	(682,970)	(68,991)
11	Share of profit of associates and joint ventures	45,825	63,932
	(Loss) profit before profit tax	(208,720)	711,926
	Current profit tax expense	(27,904)	(120,264)
	Deferred profit tax income (expense)	128,542	(32,149)
	Profit tax	100,638	(152,413)
	(Loss) profit for the period	(108,082)	559,513
	Other comprehensive income (loss):		
	Items that will not be reclassified to profit or loss:		
	Loss arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	(106,093)	(23,167)
21	Remeasurement of provision for post-employment benefits	5,199	(24,113)
	Total other comprehensive loss that will not be reclassified to profit or loss	(100,894)	(47,280)
	Items that may be reclassified subsequently to profit or loss:		
	Share of other comprehensive loss of associates and joint ventures	(33,085)	(1,896)
	Translation differences	326,119	(115,965)
	(Loss) gain from hedging operations, net of tax	(11,945)	5,356
	Total other comprehensive income (loss) that may be reclassified subsequently to profit or loss	281,089	(112,505)
	Total other comprehensive income (loss) for the period, net of tax	180,195	(159,785)
	Comprehensive income for the period	72,113	399,728
	(Loss) profit for the period attributable to:		
	Owners of PJSC Gazprom	(116,249)	535,908
	Non-controlling interest	8,167	23,605
		(108,082)	559,513
	Comprehensive income for the period attributable to:		
	Owners of PJSC Gazprom	42,037	383,210
	Non-controlling interest	30,076	16,518
		72,113	399,728
20	Basic and diluted (loss) earnings per share attributable to the owners of PJSC Gazprom (in Russian Rubles)	(4.92)	24.25


A.B. Miller
Chairman of the Management Committee
10 July 2020

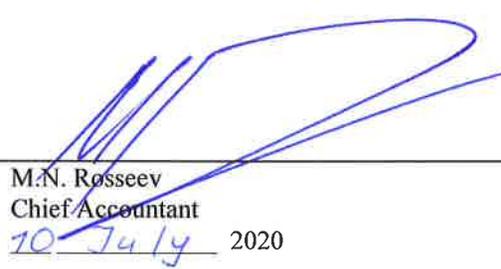

M.N. Rosseev
Chief Accountant
10 July 2020

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PJSC Gazprom
Consolidated Interim Condensed Statement of Cash Flows (Unaudited)
for the Three Months Ended 31 March 2020
(in millions of Russian Rubles)

Notes	Three months ended 31 March	
	2020	2019
	Cash flows from operating activities	
	(208,720)	711,926
	Adjustments to profit before profit tax for	
18	Depreciation	199,564
19	Net finance expense (income)	548,004
11	Share of profit of associates and joint ventures	(45,825)
	Impairment loss on assets and change in provision for post-employment benefits	41,336
18	Derivatives (gain) loss	(454)
	Other	22,536
	Total effect of adjustments	765,161
	Cash flows from operating activities before working capital changes	556,441
	Increase in non-current assets	(5,862)
	Increase (decrease) in non-current liabilities	13,153
	Changes in working capital	96,914
	Profit tax paid	(70,545)
	Net cash from operating activities	590,101
	Cash flows from investing activities	
	Capital expenditures	(419,458)
19	Interest capitalised and paid	(33,656)
	Net change in loans issued	(798)
	Acquisition of subsidiaries, net of cash acquired	-
	Investments in associates and joint ventures	(36,175)
	Interest received	15,910
	Change in long-term financial assets measured at fair value through other comprehensive income	(958)
	Proceeds from associates and joint ventures	530
	Proceeds from the sale of subsidiaries	-
	Placement of long-term bank deposits	-
	Repayment of long-term bank deposits	2,790
	Other	(21,192)
	Net cash used in investing activities	(493,007)
	Cash flows from financing activities	
	Proceeds from long-term borrowings	403,371
	Repayment of long-term borrowings (including current portion of long-term borrowings)	(441,973)
	Proceeds from short-term borrowings	31,032
	Repayment of short-term borrowings	(36,682)
	Repayment of lease liabilities	(12,436)
	Dividends paid	(89)
19	Interest paid	(21,933)
	Other	(34,407)
	Net cash (used in) from financing activities	(113,117)
	Effect of foreign exchange rate changes on cash and cash equivalents	92,890
	Increase in cash and cash equivalents	76,867
6	Cash and cash equivalents at the beginning of the period	696,057
6	Cash and cash equivalents at the end of the period	772,924
		1,053,729


A.B. Miller
Chairman of the Management Committee
10 July 2020


M.N. Rosseev
Chief Accountant
10 July 2020

The accompanying notes on pages 9 to 43 are an integral part of this consolidated interim condensed financial information.

PJSC Gazprom
Consolidated Interim Condensed Statement of Changes in Equity (Unaudited)
for the Three Months Ended 31 March 2020
(in millions of Russian Rubles)

Notes	Equity attributable to the owners of PJSC Gazprom							
	Number of shares out-standing (billions)	Share capital	Treasury shares	Retained earnings and other reserves	Total	Non-controlling interest	Total equity	
Three months ended 31 March 2019								
	Balance as of 31 December 2018	22.1	325,194	(235,919)	13,210,734	13,300,009	476,144	13,776,153
	Effect of changes in accounting policies	-	-	-	(29,316)	(29,316)	(870)	(30,186)
	Balance as of 1 January 2019 (restated)	22.1	325,194	(235,919)	13,181,418	13,270,693	475,274	13,745,967
	Profit for the period	-	-	-	535,908	535,908	23,605	559,513
	Other comprehensive income (loss):							
	Loss arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	-	-	-	(23,167)	(23,167)	-	(23,167)
21	Remeasurement of provision for post-employment benefits	-	-	-	(24,113)	(24,113)	-	(24,113)
	Share of other comprehensive loss of associates and joint ventures	-	-	-	(1,896)	(1,896)	-	(1,896)
	Translation differences	-	-	-	(108,881)	(108,881)	(7,084)	(115,965)
	Gain (loss) from hedging operations, net of tax	-	-	-	5,359	5,359	(3)	5,356
	Comprehensive income for the period	-	-	-	383,210	383,210	16,518	399,728
	Change in non-controlling interest in subsidiaries	-	-	-	753	753	(724)	29
	Dividends declared	-	-	-	-	-	(75)	(75)
	Balance as of 31 March 2019	22.1	325,194	(235,919)	13,565,381	13,654,656	490,993	14,145,649
Three months ended 31 March 2020								
	Balance as of 31 December 2019	23.6	325,194	(331)	13,779,970	14,104,833	510,854	14,615,687
	(Loss) profit for the period	-	-	-	(116,249)	(116,249)	8,167	(108,082)
	Other comprehensive income (loss):							
	Loss arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	-	-	-	(106,093)	(106,093)	-	(106,093)
21	Remeasurement of provision for post-employment benefits	-	-	-	5,199	5,199	-	5,199
	Share of other comprehensive loss of associates and joint ventures	-	-	-	(33,085)	(33,085)	-	(33,085)
	Translation differences	-	-	-	304,194	304,194	21,925	326,119
	Loss from hedging operations, net of tax	-	-	-	(11,929)	(11,929)	(16)	(11,945)
	Comprehensive income for the period	-	-	-	42,037	42,037	30,076	72,113
	Dividends declared	-	-	-	-	-	(95)	(95)
	Balance as of 31 March 2020	23.6	325,194	(331)	13,822,007	14,146,870	540,835	14,687,705

A.B. Miller
Chairman of the Management Committee
10 July 2020

M.N. Rosseev
Chief Accountant
10 July 2020

The accompanying notes on pages 9 to 43 are an integral part of this consolidated interim condensed financial information.

PJSC Gazprom
Notes to the Consolidated Interim Condensed Financial Information
(Unaudited)
31 March 2020
(in millions of Russian Rubles)

1 General Information

Public Joint Stock Company Gazprom (PJSC Gazprom) and its subsidiaries (the “Group” or “Gazprom Group”) operate one of the largest gas pipeline systems in the world, provide for the major part of natural gas production and 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 gas business is subject to seasonal fluctuations with peak demand in the first and fourth quarters of each year. Typically approximately 30 % of total annual gas volumes are shipped in the first calendar quarter.

2 Economic Environment in the Russian Federation

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

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

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

The 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.

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 March 2020 – 77.7325 (of 31 March 2019 – 64.7347);
- as of 31 December 2019 – 61.9057 (as of 31 December 2018 – 69.4706).

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

- as of 31 March 2020 – 85.7389 (as of 31 March 2019 – 72.7230);
- as of 31 December 2019 – 69.3406 (as of 31 December 2018 – 79.4605).

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

3 Basis of Presentation

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

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

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

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

Application of Amendments to Standards

The following interpretation and amendments to current standards became effective after 1 January 2020:

- The amendments to IFRS 3 Business Combinations (issued in October 2018 and effective for annual reporting periods beginning on or after 1 January 2020). These amendments clarify the definition of a business and simplify assessment of whether an acquired set of activities and assets is a group of assets rather than a business.
- The amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (issued in October 2018 and effective for annual reporting periods beginning on or after 1 January 2020). The amendments clarify and bring into line the definition of the term “materiality”, as well as provide recommendations for improving the consistency in its application when referenced in IFRS.

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

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

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

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

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

5 Segment Information

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

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

Based on that information the following reportable segments were determined:

- Production of gas – exploration and production of gas;
- Transportation of gas – transportation of gas within the Russian Federation and abroad;
- Distribution of gas – sales of gas within the Russian Federation and abroad;
- Gas storage – storage of extracted and purchased gas in underground gas storages;
- Production of crude oil and gas condensate – exploration and production of 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 on the basis of the internal financial information. The effects of certain significant transactions and events, such as business acquisitions, and the effects of some adjustments that may be considered necessary to reconcile the internal financial information of the Group to the corresponding data presented in the consolidated interim condensed financial information are reviewed by the Governing bodies on a central basis and not allocated to the reportable segments. Finance income and expense are not allocated to the reportable segments.

PJSC Gazprom
Notes to the Consolidated Interim Condensed Financial Information
(Unaudited)
31 March 2020
(in millions of Russian Rubles)

5 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
Three months ended 31 March 2020									
Sales of segments	<u>228,900</u>	<u>281,455</u>	<u>948,342</u>	<u>13,274</u>	<u>279,815</u>	<u>477,947</u>	<u>158,083</u>	<u>68,720</u>	<u>2,456,536</u>
Inter-segment sales	223,318	225,368	88,318	12,140	158,954	4,988	-	-	713,086
External sales	5,582	56,087	860,024	1,134	120,861	472,959	158,083	68,720	1,743,450
Financial result of segments	4,901	19,467	(109,629)	1,617	68,802	(11,567)	32,611	(43,343)	(37,141)
Depreciation	44,298	126,321	4,557	7,657	44,895	13,228	15,729	11,377	268,062
Share of profit (loss) of associates and joint ventures	1,074	7,748	(799)	-	27,887	(183)	14	10,084	45,825
Three months ended 31 March 2019									
Sales of segments	<u>281,802</u>	<u>270,596</u>	<u>1,395,074</u>	<u>12,622</u>	<u>399,252</u>	<u>509,195</u>	<u>173,413</u>	<u>82,878</u>	<u>3,124,832</u>
Inter-segment sales	275,781	215,095	97,272	11,463	208,863	2,286	-	-	810,760
External sales	6,021	55,501	1,297,802	1,159	190,389	506,909	173,413	82,878	2,314,072
Financial result of segments	22,819	6,329	343,115	927	96,705	9,421	32,975	(70)	512,221
Depreciation	43,909	120,911	4,041	7,565	36,539	11,985	17,380	12,026	254,356
Share of profit of associates and joint ventures	1,988	7,818	726	-	43,483	1,090	24	8,803	63,932

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

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

Notes	Three months ended 31 March	
	2020	2019
Financial result of reportable segments	6,202	512,291
Financial result of other segments	(43,343)	(70)
Total financial result of segments	(37,141)	512,221
Difference in depreciation ¹	68,498	81,704
Income associated with provision for post-employment benefits	11	657
19 Net finance (expense) income	(548,004)	189,232
11 Share of profit of associates and joint ventures	45,825	63,932
18 Derivatives gain (loss)	454	(7,064)
Other	<u>261,637</u>	<u>(128,756)</u>
Total (loss) profit before profit tax in the consolidated interim condensed statement of comprehensive income	(208,720)	711,926

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

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

	Three months ended 31 March	
	2020	2019
External sales of reportable segments	1,674,730	2,231,194
External sales of other segments	<u>68,720</u>	<u>82,878</u>
Total external sales of segments	1,743,450	2,314,072
Differences in external sales ¹	<u>(3,618)</u>	<u>(22,251)</u>
Total sales in the consolidated interim condensed statement of comprehensive income	1,739,832	2,291,821

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

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5 Segment Information (continued)

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
As of 31 March 2020									
Assets of segments	<u>2,817,187</u>	<u>7,256,375</u>	<u>1,688,038</u>	<u>369,472</u>	<u>3,233,856</u>	<u>2,573,260</u>	<u>911,646</u>	<u>1,645,902</u>	<u>20,495,736</u>
Investments in associates and joint ventures	15,524	216,532	41,301	2	616,488	29,721	1,274	394,239	1,315,081
Capital expenditures ¹	48,783	32,644	2,420	1,215	87,027	65,707	24,947	19,587	282,330
As of 31 December 2019									
Assets of segments	<u>2,736,680</u>	<u>7,000,467</u>	<u>1,691,356</u>	<u>370,887</u>	<u>3,053,664</u>	<u>2,555,819</u>	<u>882,264</u>	<u>1,612,910</u>	<u>19,904,047</u>
Investments in associates and joint ventures	15,583	183,176	37,638	2	546,493	22,992	1,100	375,878	1,182,862
Capital expenditures ²	360,215	464,203	25,827	14,268	316,011	437,758	79,001	121,394	1,818,677

¹ Capital expenditures for the three months ended 31 March 2020.

² Capital expenditures for the year ended 31 December 2019.

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

Notes	31 March 2020	31 December 2019
Assets of reportable segments	18,849,834	18,291,137
Assets of other segments	<u>1,645,902</u>	<u>1,612,910</u>
Total assets of segments	20,495,736	19,904,047
Difference in property, plant and equipment, net ¹	(1,108,849)	(1,216,329)
Borrowing costs capitalized	943,252	919,491
6 Cash and cash equivalents	772,924	696,057
Short-term financial assets	65,939	57,571
VAT recoverable	122,475	142,545
13 Other current assets	819,239	945,279
10 Right-of-use assets	68,565	73,857
Goodwill	132,609	130,028
22 Long-term financial assets	324,849	434,282
13 Other non-current assets	421,956	389,596
Inter-segment assets	(945,174)	(917,888)
Other	<u>365,947</u>	<u>323,812</u>
Total assets in the consolidated interim condensed balance sheet	22,479,468	21,882,348

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

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

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5 Segment Information (continued)

	31 March 2020	31 December 2019
Distribution of gas	949,365	827,063
Refining	590,423	604,614
Production of crude oil and gas condensate	368,836	371,326
Production of gas	299,621	370,591
Transportation of gas	156,609	282,634
Electric and heat energy generation and sales	109,002	114,430
Gas storage	28,071	28,999
All other segments	<u>256,144</u>	<u>224,718</u>
Total liabilities of segments	2,758,071	2,824,375

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

Notes	31 March 2020	31 December 2019
Liabilities of reportable segments	2,501,927	2,599,657
Liabilities of other segments	<u>256,144</u>	<u>224,718</u>
Total liabilities of segments	2,758,071	2,824,375
Short-term lease liabilities	17,231	20,567
Current profit tax payable	15,234	39,709
Short-term borrowings, promissory notes and current portion of long-term borrowings	665,285	774,202
14 Long-term borrowings, promissory notes	3,847,252	3,089,702
21 Long-term provisions (except for provision for decommissioning and site restoration)	325,856	326,888
15 Deferred tax liabilities	638,696	768,448
Long-term lease liabilities	48,695	50,686
Other non-current liabilities	104,848	68,759
Dividends	4,228	3,667
Inter-segment liabilities	(945,174)	(917,888)
Other	<u>311,541</u>	<u>217,546</u>
Total liabilities in the consolidated interim condensed balance sheet	7,791,763	7,266,661

6 Cash and Cash Equivalents

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

	31 March 2020	31 December 2019
Cash on hand and bank balances payable on demand	573,643	571,715
Term deposits with original maturity of three months or less and other cash equivalents	<u>199,281</u>	<u>124,342</u>
Total cash and cash equivalents	772,924	696,057

7 Accounts Receivable and Prepayments

	31 March 2020	31 December 2019
Trade accounts receivable	747,032	756,746
Other accounts receivable	144,684	104,273
Loans receivable	136,842	103,476
Advances paid and prepayments	<u>114,515</u>	<u>75,845</u>
Total accounts receivable and prepayments	1,143,073	1,040,340

Accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 1,012,441 million and RUB 884,140 million, advances paid and prepayments are presented net of impairment allowance in the amount of RUB 5,728 million and RUB 5,720 million as of 31 March 2020 and 31 December 2019, respectively.

8 Inventories

For inventories with the cost exceeding the net realisable value, the amount of write-down to net realisable value was RUB 12,949 million and RUB 10,779 million as at 31 March 2020 and 31 December 2019, respectively.

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8 Inventories (continued)

In 2019, the Group made borrowings secured by inventories, the carrying value of the pledged inventories amounted to RUB 69,750 million and RUB 70,168 million as of 31 March 2020 and 31 December 2019, respectively.

9 Property, Plant and Equipment

Notes	Operating assets (including production licenses)	Social assets	Assets under construction	Total
As of 31 December 2018				
	16,368,463	88,479	4,476,531	20,933,473
	(6,661,459)	(45,298)	-	(6,706,757)
	<u>(225,956)</u>	<u>-</u>	<u>(191,326)</u>	<u>(417,282)</u>
	9,481,048	43,181	4,285,205	13,809,434
Three months ended 31 March 2019				
Cost				
10	(112,877)	-	-	(112,877)
	6,380	-	342,063	348,443
	212,060	578	(212,638)	-
	(25,435)	(1,182)	(9,640)	(36,257)
	(88,412)	(410)	(81,424)	(170,246)
Accumulated depreciation and impairment allowance				
10	71,795	-	-	71,795
	(165,553)	(607)	-	(166,160)
	13,234	843	1,509	15,586
	41,070	250	5,774	47,094
	-	-	(3,346)	(3,346)
	-	-	(3,346)	(3,346)
	16,360,179	87,465	4,514,892	20,962,536
	(6,705,811)	(44,812)	-	(6,750,623)
	<u>(221,058)</u>	<u>-</u>	<u>(187,389)</u>	<u>(408,447)</u>
	9,433,310	42,653	4,327,503	13,803,466
Nine months ended 31 December 2019				
Cost				
	148,250	-	1,653,772	1,802,022
	1,467,594	3,974	(1,471,568)	-
	(105,598)	(1,482)	(124,176)	(231,256)
	(44,778)	89	(48,145)	(92,834)
Accumulated depreciation and impairment allowance				
	(518,114)	(1,850)	-	(519,964)
	69,903	-	19,998	89,901
	23,695	(183)	(3,419)	20,093
	(25,281)	-	10,301	(14,980)
	(26,433)	-	(35,530)	(61,963)
	1,152	-	45,831	46,983
	17,825,647	90,046	4,524,775	22,440,468
	(7,135,819)	(46,845)	-	(7,182,664)
	<u>(240,847)</u>	<u>-</u>	<u>(160,509)</u>	<u>(401,356)</u>
	10,448,981	43,201	4,364,266	14,856,448

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9 Property, Plant and Equipment (continued)

Notes	Operating assets (including production licenses)	Social assets	Assets under construction	Total
Three months ended 31 March 2020				
Cost				
Additions	33,918	2	316,417	350,337
Transfers	585,343	-	(585,343)	-
Disposals	(10,488)	(102)	(6,846)	(17,436)
Translation differences	328,305	534	159,920	488,759
Accumulated depreciation and impairment allowance				
Depreciation	(188,661)	(650)	-	(189,311)
Disposals	1,555	54	750	2,359
Translation differences	(113,939)	(153)	(5,856)	(119,948)
Change in impairment allowance:	(14,048)	-	99	(13,949)
allowance accrual	(14,048)	-	(25)	(14,073)
allowance release	-	-	124	124
As of 31 March 2020				
Cost	18,762,725	90,480	4,408,923	23,262,128
Accumulated depreciation	(7,423,471)	(47,594)	-	(7,471,065)
Impairment allowance	(268,288)	-	(165,516)	(433,804)
Net book value as of 31 March 2020	11,070,966	42,886	4,243,407	15,357,259

The Group recognised an impairment allowance in the amount of RUB 14,073 million for assets, mainly related to the Production of crude oil and gas condensate segment located abroad, for the three months ended 31 March 2020 and RUB 3,346 million for the three months ended 31 March 2019.

Social assets (rest houses, housing, schools and medical facilities) included in the property, plant and equipment which were vested to the Group at privatisation have a net book value of RUB 40 million and RUB 45 million as of 31 March 2020 and 31 December 2019, respectively.

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10 Right-of-Use Assets

Notes	<u>Operating assets</u>	<u>Social assets</u>	<u>Total</u>
Three months ended 31 March 2019			
	-	-	-
	-	-	-
	148,877	31,408	180,285
9	<u>41,082</u>	<u>-</u>	<u>41,082</u>
	189,959	31,408	221,367
	25,992	(25,992)	-
	(7,634)	(211)	(7,845)
	1,244	-	1,244
	(43)	-	(43)
	<u>(4,150)</u>	<u>-</u>	<u>(4,150)</u>
	205,368	5,205	210,573
As of 31 March 2019			
	212,976	5,416	218,392
	<u>(7,608)</u>	<u>(211)</u>	<u>(7,819)</u>
	205,368	5,205	210,573
Nine months ended 31 December 2019			
	(30,092)	(1,213)	(31,305)
	(6,007)	-	(6,007)
	39,751	3,622	43,373
	(107)	(108)	(215)
	<u>(2,175)</u>	<u>-</u>	<u>(2,175)</u>
	206,738	7,506	214,244
As of 31 December 2019			
	250,471	8,930	259,401
	<u>(43,733)</u>	<u>(1,424)</u>	<u>(45,157)</u>
	206,738	7,506	214,244
Three months ended 31 March 2020			
	(10,308)	(308)	(10,616)
	2,373	156	2,529
	403	59	462
	(2,691)	(240)	(2,931)
	<u>9,720</u>	<u>-</u>	<u>9,720</u>
	206,235	7,173	213,408
As of 31 March 2020			
	262,285	8,845	271,130
	<u>(56,050)</u>	<u>(1,672)</u>	<u>(57,722)</u>
	206,235	7,173	213,408

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 16,639 million and RUB 24,941 million for the three months ended 31 March 2020 and 31 March 2019, respectively.

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11 Investments in Associates and Joint Ventures

Notes			Carrying value as of		Share of profit (loss) of associates and joint ventures for the three months ended	
			31 March 2020	31 December 2019	31 March	
					2020	2019
24, 25	Sakhalin Energy Investment Company Ltd.	Associate	243,704	176,333	19,233	19,728
24, 25	Gazprombank (Joint-stock Company) and its subsidiaries ¹	Associate	222,734	211,171	9,237	6,430
24	PJSC NGK Slavneft and its subsidiaries	Joint venture	155,690	159,420	(3,731)	4,627
24	JSC Arcticgas	Joint venture	143,481	136,262	7,219	9,409
24, 25	Nord Stream AG	Joint venture	109,270	83,107	5,064	4,999
24	WIGA Transport Beteiligungs- GmbH & Co. KG and its subsidiaries ²	Joint venture	67,412	52,159	2,506	2,602
24	JSC Messoyakhaneftegaz	Joint venture	49,167	45,350	3,817	6,604
24	JSC Gazstroyprom	Associate	42,653	43,129	(476)	185
24	JSC Achimgaz	Joint venture	38,370	34,888	3,482	4,870
24	JSC EUROPOL GAZ	Associate	35,309	30,117	178	217
21, 24	JSC NPF GAZFOND ³	Associate	32,389	32,729	(340)	2,210
	Wintershall AG	Associate	18,903	15,590	(163)	(67)
24	KazRosGas LLP	Joint venture	14,997	12,949	(1,096)	285
24	CJSC Northgas	Joint venture	11,008	10,526	482	798
24	Wintershall Noordzee B.V.	Joint venture	6,449	5,309	(278)	71
	JSC Latvijas Gaze and its subsidiaries	Associate	4,750	3,481	383	438
	Other (net of allowance for investments impairment in the amount of RUB 24,814 million and RUB 22,037 million as of 31 March 2020 and 31 December 2019, respectively)		<u>118,795</u>	<u>130,342</u>	<u>308</u>	<u>526</u>
			1,315,081	1,182,862	45,825	63,932

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

² In December 2019 WIGA Transport Beteiligungs-GmbH & Co. KG was reclassified from an associate into a joint venture due to amendments made to the company's Articles of Association, accordingly 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.

³ In January 2020 the remaining 25 % of ordinary registered uncertificated shares not allocated at the date of JSC NPF GAZFOND state registration were distributed among its shareholders in proportion to the number of the shares they owned. The Group's voting share in JSC NPF GAZFOND did not changed.

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

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

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11 Investments in Associates and Joint Ventures (continued)

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

	Ownership interest as of 31 March 2020, %	Country of primary operations	As of 31 March 2020		Three months ended 31 March 2020	
			Assets	Liabilities	Revenues	Profit (loss)
Gazprombank (Joint-stock Company) and its subsidiaries ¹	49.88	Russia	7,199,078	6,560,423	64,188	3,597
Sakhalin Energy Investment Company Ltd. ²	50	Russia	1,128,441	641,034	96,755	38,466
PJSC NGK Slavneft and its subsidiaries	49.85	Russia	606,365	289,904	57,805	(7,650)
JSC Gazstroyprom	49	Russia	508,228	421,182	17,203	(972)
Nord Stream AG ^{3, 4}	51	Russia, Germany	499,560	285,303	19,878	9,930
JSC NPF GAZFOND	42	Russia	447,835	369,825	-	(819)
JSC Arcticgas	50	Russia	423,702	161,072	40,913	14,439
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	49.98	Germany	374,232	221,282	14,702	5,160
JSC Messoyakhaneftegaz	50	Russia	225,061	127,145	26,427	7,639
JSC Achimgaz	50	Russia	110,413	33,672	21,398	6,964
JSC EUROPOL GAZ	48	Poland	76,295	2,738	4,863	370
Wintershall AG ⁵	49	Libya	69,958	44,604	-	(332)
Wintershall Noordzee B.V.	50	Netherlands	56,266	46,217	1,427	(557)
CJSC Northgas	50	Russia	45,400	22,449	4,046	965
KazRosGaz LLP	50	Kazakhstan	33,387	3,393	8,584	(2,192)
JSC Latvijas Gaze and its subsidiaries	34	Latvia	28,466	6,567	4,822	1,125

	Ownership interest as of 31 December 2019, %	Country of primary operations	As of 31 December 2019		Three months ended 31 March 2019	
			Assets	Liabilities	Revenues	Profit (loss)
Gazprombank (Joint-stock Company) and its subsidiaries ^{1, 6}	47.87	Russia	6,487,809	5,860,026	72,679	13,434
Sakhalin Energy Investment Company Ltd. ²	50	Russia	934,633	581,966	109,196	39,454
PJSC NGK Slavneft and its subsidiaries	49.85	Russia	602,545	278,667	80,025	9,653
JSC Gazstroyprom	49	Russia	463,598	375,581	14,564	377
JSC NPF GAZFOND ⁶	42	Russia	454,054	375,224	-	5,323
JSC Arcticgas	50	Russia	419,362	171,170	47,565	18,819
Nord Stream AG ^{3, 4}	51	Russia, Germany	392,013	229,056	20,114	9,802
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	49.98	Germany	284,526	173,024	19,652	5,277
JSC Messoyakhaneftegaz	50	Russia	221,692	131,417	32,011	13,208
JSC Achimgaz	50	Russia	103,132	33,354	17,688	9,739
JSC EUROPOL GAZ	48	Poland	64,028	1,287	5,399	463
Wintershall AG ⁵	49	Libya	58,940	36,092	1,766	(137)
Wintershall Noordzee B.V.	50	Netherlands	46,049	37,318	2,827	142
CJSC Northgas	50	Russia	45,993	24,006	5,316	1,596
KazRosGaz LLP	50	Kazakhstan	33,382	7,483	11,009	570
JSC Latvijas Gaze and its subsidiaries	34	Latvia	19,880	5,584	8,462	1,289

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

² Country of incorporation is Bermuda Islands.

³ Country of incorporation is Switzerland.

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

⁵ Country of incorporation is Germany.

⁶ Share in voting shares.

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12 Long-term Accounts Receivable and Prepayments

	31 March 2020	31 December 2019
Advances for assets under construction	537,584	485,791
Long-term accounts receivable	334,248	323,411
Long-term prepayments	21,354	22,525
Sub-lease long-term accounts receivable	<u>18,479</u>	<u>15,008</u>
Total long-term accounts receivable and prepayments	911,665	846,735

Long-term accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 12,424 million and RUB 11,628 million as of 31 March 2020 and 31 December 2019, respectively. Prepayments and advances paid for assets under construction are presented net of impairment allowance in the amount of RUB 8,352 million and RUB 8,305 million as of 31 March 2020 and 31 December 2019, respectively.

13 Other Current and Non-Current Assets

Other current assets are provided in the table below.

Notes	31 March 2020	31 December 2019
Short-term deposits	521,567	673,145
22 Derivative financial instruments	161,976	109,954
Prepaid VAT	86,922	115,775
Prepaid profit tax	29,034	10,247
Other	<u>19,740</u>	<u>36,158</u>
Total other current assets	819,239	945,279

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

Notes	31 March 2020	31 December 2019
Intangible assets	66,364	64,380
22 Derivative financial instruments	46,103	19,770
VAT recoverable related to assets under construction	37,785	41,348
21 Net pension plan assets	25,038	26,547
Long-term deposits	1,022	3,277
Other	<u>245,644</u>	<u>234,274</u>
Total other non-current assets	421,956	389,596

14 Long-Term Borrowings, Promissory Notes

	Currency	Final maturity	31 March 2020	31 December 2019
Long-term borrowings, promissory notes payable to:				
China Construction Bank Corporation, Beijing branch ^{1, 2}	Euro	2034	221,677	-
Loan participation notes issued in February 2020 ³	US Dollar	2030	154,792	-
Loan participation notes issued in November 2013 ⁴	US Dollar	2023	118,977	93,370
Loan participation notes issued in September 2012 ⁴	US Dollar	2022	116,767	93,999
Intesa Sanpaolo Bank Luxembourg S.A. ¹	Euro	2023	103,114	82,865
Gazprombank (Joint-stock Company)	Russian Ruble	2027	102,594	101,018
Loan participation notes issued in March 2007 ⁵	US Dollar	2022	101,491	82,136
Loan participation notes issued in August 2007 ⁵	US Dollar	2037	98,051	79,497
Loan participation notes issued in February 2019 ⁵	US Dollar	2026	97,203	78,246
Loan participation notes issued in April 2004 ⁵	US Dollar	2034	96,697	75,407
J.P. Morgan Europe Limited ¹	Euro	2023	94,543	76,029
Loan participation notes issued in November 2016 ⁵	Euro	2023	86,363	69,210
Loan participation notes issued in November 2018 ⁵	Euro	2024	85,673	70,686
	British Pound			
Loan participation notes issued in April 2017 ^{5, 6}	Sterling	2024	83,677	68,120
Loan participation notes issued in July 2012 ⁵	US Dollar	2022	78,502	63,285

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14 Long-Term Borrowings, Promissory Notes (continued)

	Currency	Final maturity	31 March 2020	31 December 2019
J.P. Morgan Europe Limited ¹	Euro	2022	73,608	59,150
Loan participation notes issued in February 2013 ⁵	US Dollar	2028	70,488	56,826
Loan participation notes issued in February 2014 ⁵	Euro	2021	64,520	53,590
Loan participation notes issued in November 2017 ⁵	Euro	2024	64,429	51,719
Loan participation notes issued in March 2018 ⁵	Euro	2026	63,919	52,569
Loan participation notes issued in March 2018 ⁵	Swiss Franc	2023	60,318	47,964
UniCredit S.p.A.	Euro	2025	59,644	48,379
Loan participation notes issued in March 2017 ⁵	US Dollar	2027	57,970	46,647
Credit Agricole CIB	Euro	2023	51,542	41,455
	British Pound			
Loan participation notes issued in September 2013 ^{5,6}	Sterling	2020	51,292	41,937
UniCredit S.p.A.	Euro	2022	50,593	44,586
Bank of China Limited, London branch	Euro	2021	48,606	59,461
Loan participation notes issued in November 2011 ⁵	US Dollar	2021	47,168	38,122
Loan issued in December 2018 ⁷	Japanese yen	2028	46,062	36,373
Loan participation notes issued in March 2013 ⁵	Euro	2025	42,926	35,853
MUFG Bank Ltd.	Euro	2023	42,815	34,425
Natixis ¹	Euro	2024	42,666	34,582
PJSC Sberbank	Euro	2023	41,804	33,687
Wintershall Nederland Transport and Trading B.V. ⁸	Euro	2034	40,666	32,378
OMV Gas Marketing Trading & Finance B.V. ⁸	Euro	2034	40,666	32,378
Shell Exploration and Production (LXXI) B.V. ⁸	Euro	2034	40,666	32,378
Uniper Gas Transportation and Finance B.V. ⁸	Euro	2034	40,666	32,378
Engie Energy Management Holding				
Switzerland AG ⁸	Euro	2034	40,665	32,378
Loan participation notes issued in November 2016 ^{5,6}	Swiss Franc	2021	40,227	32,281
Loan participation notes issued in July 2017 ^{5,6}	Swiss Franc	2022	39,390	31,637
Citibank Europe plc ¹	Euro	2023	36,437	29,288
Wintershall Nederland Transport and Trading B.V. ⁸	Euro	2035	34,205	26,775
Uniper Gas Transportation and Finance B.V. ⁸	Euro	2035	34,205	26,775
OMV Gas Marketing Trading & Finance B.V. ⁸	Euro	2035	34,202	26,773
Shell Exploration and Production (LXXI) B.V. ⁸	Euro	2035	34,202	26,773
Engie Energy Management Holding				
Switzerland AG ⁸	Euro	2035	34,202	26,773
ING Bank, a branch of ING-DiBa AG	Euro	2023	34,188	27,606
Credit Agricole CIB	Euro	2022	34,137	34,706
PJSC Sberbank	Russian Ruble	2022	30,096	30,084
JSC ALFA-BANK	US Dollar	2021	28,389	22,607
Russian bonds issued in October 2017 ⁴	Russian Ruble	2022	25,871	25,382
Russian bonds issued in November 2019 ⁴	Russian Ruble	2024	25,175	25,166
Russian bonds issued in March 2018 ⁴	Russian Ruble	2024	25,094	25,542
J.P. Morgan Europe Limited ¹	Euro	2020	22,887	18,308
Gazprombank (Joint-stock Company)	Russian Ruble	2022	22,722	22,700
PJSC Sberbank	Euro	2022	20,961	16,952
Russian bonds issued in December 2019 ⁴	Russian Ruble	2029	20,014	20,012
Gazprombank (Joint-stock Company)	Russian Ruble	2022	19,469	19,450
VTB Bank (Europe) SE	Euro	2027	19,353	15,613
PJSC VTB Bank	Euro	2022	17,143	13,858
China Construction Bank Corporation, Beijing branch ¹	US Dollar	2020	16,806	27,205
Russian bonds issued in April 2017 ⁴	Russian Ruble	2022	15,615	15,289
Russian bonds issued in June 2019 ⁹	Russian Ruble	2022	15,387	15,089
Russian bonds issued in November 2013 ¹⁰	Russian Ruble	2043	15,260	15,081
Russian bonds issued in November 2013 ¹⁰	Russian Ruble	2043	15,260	15,081
Russian bonds issued in July 2019 ⁹	Russian Ruble	2024	15,244	15,535

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14 Long-Term Borrowings, Promissory Notes (continued)

	Currency	Final maturity	31 March 2020	31 December 2019
JSC BANK "ROSSIYA"	Russian Ruble	2022	15,224	15,000
Russian bonds issued in July 2018 ¹⁰	Russian Ruble	2048	15,210	15,513
Russian bonds issued in July 2018 ¹⁰	Russian Ruble	2048	15,210	15,513
Russian bonds issued in August 2017 ⁴	Russian Ruble	2024	15,180	15,487
Russian bonds issued in February 2017 ⁹	Russian Ruble	2027	15,175	15,508
Russian bonds issued in February 2017 ⁹	Russian Ruble	2027	15,175	15,508
Gazprombank (Joint-stock Company)	Russian Ruble	2025	15,000	15,000
Gazprombank (Joint-stock Company)	Russian Ruble	2024	15,000	15,000
PJSC CREDIT BANK OF MOSCOW	Russian Ruble	2024	14,929	14,925
Deutsche Bank Luxembourg S.A.	Euro	2022	13,230	11,772
UniCredit Bank Austria AG	Euro	2021	11,481	11,116
BNP Paribas S.A. ¹	Euro	2022	10,550	8,499
Russian bonds issued in December 2017 ⁴	Russian Ruble	2024	10,217	10,025
Russian bonds issued in July 2018 ¹⁰	Russian Ruble	2033	10,140	10,342
Russian bonds issued in February 2011 ⁴	Russian Ruble	2021	10,131	10,321
Russian bonds issued in August 2016 ⁴	Russian Ruble	2046	10,090	10,324
Russian bonds issued in February 2018 ⁹	Russian Ruble	2028	10,069	10,247
Russian bonds issued in February 2018 ⁹	Russian Ruble	2028	10,069	10,247
Russian bonds issued in February 2020 ⁴	Russian Ruble	2025	10,041	-
Intesa Sanpaolo Bank Luxembourg S.A. ¹	Euro	2020	-	153,452
Loan participation notes issued in March 2013 ⁵	Euro	2020	-	71,183
Loan participation notes issued in February 2013 ⁵	US Dollar	2020	-	50,293
UniCredit S.p.A. ¹	Euro	2020	-	24,257
JSC ALFA-BANK	Russian Ruble	2020	-	10,073
PJSC Promsvyazbank	Russian Ruble	2020	-	10,039
Other long-term borrowings, promissory notes	Various	Various	<u>553,232</u>	<u>499,011</u>
Total long-term borrowings, promissory notes			4,345,314	3,710,079
Less current portion of long-term borrowings			<u>(498,062)</u>	<u>(620,377)</u>
			3,847,252	3,089,702

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

² Loan received within financing the Amur gas processing plant construction.

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

⁴ Issuer of these bonds is PJSC Gazprom Neft.

⁵ 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.

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

⁷ Issuer of these bonds is GazAsia Capital S.A.

⁸ Borrowings were obtained for financing of the Nord Stream 2 project.

⁹ Issuer of these bonds is Gazprom capital LLC.

¹⁰ Issuer of these bonds is PJSC Gazprom.

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

Due for repayment of long-term borrowings, promissory notes	31 March 2020	31 December 2019
Between one and two years	483,431	448,815
Between two and five years	1,675,962	1,637,203
After five years	<u>1,687,859</u>	<u>1,003,684</u>
	3,847,252	3,089,702

Long-term liabilities include fixed rate borrowings with a carrying value of RUB 2,645,890 million and RUB 2,238,028 million and fair value of RUB 2,821,326 million and RUB 2,509,321 million as of 31 March 2020 and 31 December 2019, respectively.

All other long-term borrowings have variable interest rates generally linked to LIBOR and EURIBOR. Their carrying value is RUB 1,699,424 million and RUB 1,472,051 million and fair value is RUB 1,842,682 million and RUB 1,649,878 million as of 31 March 2020 and 31 December 2019, respectively.

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14 Long-Term Borrowings, Promissory Notes (continued)

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

As of 31 March 2020 according to the agreements signed in December 2019 within the framework of financing the construction of the Amur Gas Processing Plant, 99.9 % of interest in the charter capital of LLC Gazprom pererabotka Blagoveshchensk (a subsidiary) was pledged until a full settlement of the secured obligations. As of 31 March 2020 the secured obligations to agent banks China Construction Bank Corporation, Beijing branch, ING Bank N.V., Intesa Sanpaolo S.p.A., London branch, and Banca IMI S.p.A. amounted to RUB 266,447 million. No borrowings were made as of 31 December 2019.

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

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

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

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

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

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

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

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

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15 Profit Tax

Profit tax is recognised based on the estimated average annual effective profit tax rate applied to the profit before profit tax for the three months ended 31 March 2020. Differences between the recognition criteria of assets and liabilities reflected in the IFRS consolidated interim condensed financial information and for the purposes of Russian statutory taxation give rise to certain temporary differences. The tax effect of the movement in these temporary differences is recorded at the applicable statutory rates with the prevailing rate of 20 % in the Russian Federation.

	31 March 2020	Differences recognition and reversals	31 December 2019	31 March 2019	Differences recognition and reversals	Effect of changes in accounting policies	31 December 2018
Tax effects of taxable temporary differences:							
Property, plant and equipment	(965,073)	(11,516)	(953,557)	(895,363)	(22,575)	2,619	(875,407)
Right-of-use assets	(32,570)	754	(33,324)	(30,242)	781	(31,023)	-
Inventories	<u>(15,276)</u>	<u>(10,117)</u>	<u>(5,159)</u>	<u>3,667</u>	<u>(1,578)</u>	-	<u>5,245</u>
	(1,012,919)	(20,879)	(992,040)	(921,938)	(23,372)	(28,404)	(870,162)
Tax effects of deductible temporary differences:							
Financial assets	2,280	158	2,122	1,723	10	-	1,713
Tax losses carried forward	111,006	85,555	25,451	14,238	(2,608)	-	16,846
Retroactive gas price adjustments	30,211	10,789	19,422	6,848	189	-	6,659
Accounts receivable	166,125	68,993	97,132	80,267	(443)	-	80,710
Lease liabilities	42,837	3,105	39,732	33,462	(1,930)	35,392	-
Other deductible temporary differences	<u>21,764</u>	<u>(17,969)</u>	<u>39,733</u>	<u>18,480</u>	<u>2,997</u>	-	<u>15,483</u>
	<u>374,223</u>	<u>150,631</u>	<u>223,592</u>	<u>155,018</u>	<u>(1,785)</u>	<u>35,392</u>	<u>121,411</u>
Total net deferred tax liabilities	(638,696)	129,752	(768,448)	(766,920)	(25,157)	6,988	(748,751)

Taxable temporary differences recognised for the three months ended 31 March 2020 and 31 March 2019 include the effect of depreciation premium on certain items of property, plant and equipment. The positive tax effect on these differences amounted to RUB 30,642 million and RUB 13,296 million and it was offset by the decrease in the current profit tax by the corresponding amount which did not have influence on profit (loss) for the three months ended 31 March 2020 and 31 March 2019.

16 Equity

Share Capital

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

Treasury Shares

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

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

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

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16 Equity (continued)

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

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

17 Sales

	Three months ended 31 March	
	2020	2019
Gas sales gross of excise tax and customs duties:		
Russian Federation	322,765	348,930
Former Soviet Union (excluding Russian Federation)	90,886	133,950
Europe and other countries	<u>558,452</u>	<u>1,064,207</u>
	972,103	1,547,087
Customs duties	(92,176)	(224,249)
Excise tax	(10,559)	(19,015)
Retroactive gas price adjustments ¹	<u>(3,762)</u>	-
Total gas sales	865,606	1,303,823
Sales of refined products:		
Russian Federation	305,740	305,679
Former Soviet Union (excluding Russian Federation)	30,444	35,450
Europe and other countries	<u>136,775</u>	<u>165,780</u>
Total sales of refined products	472,959	506,909
Sales of crude oil and gas condensate:		
Russian Federation	13,080	16,500
Former Soviet Union (excluding Russian Federation)	-	9,744
Europe and other countries	<u>107,781</u>	<u>164,145</u>
Total sales of crude oil and gas condensate	120,861	190,389
Electric and heat energy sales:		
Russian Federation	152,221	165,514
Former Soviet Union (excluding the Russian Federation)	1,157	97
Europe and other countries	<u>4,705</u>	<u>7,802</u>
Total electric and heat energy sales	158,083	173,413
Gas transportation sales:		
Russian Federation	54,463	54,128
Former Soviet Union (excluding the Russian Federation)	805	770
Europe and other countries	<u>819</u>	<u>603</u>
Total gas transportation sales	56,087	55,501
Other sales:		
Russian Federation	56,192	50,811
Former Soviet Union (excluding the Russian Federation)	1,680	1,758
Europe and other countries	<u>8,364</u>	<u>9,217</u>
Total other sales	<u>66,236</u>	<u>61,786</u>
Total sales	<u>1,739,832</u>	<u>2,291,821</u>

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

The effect of retroactive gas price adjustments for the three months ended 31 March 2020 was recorded as the decrease of sales by RUB 3,762 million.

The effects decreasing sales were due to increase in related accruals following agreements reached prior to the issuance of the respective consolidated interim condensed financial information.

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18 Operating Expenses

	Three months ended 31 March	
	2020	2019
Taxes other than on profit	346,036	376,305
Purchased gas and oil	279,116	403,862
Staff costs	207,057	186,819
Depreciation	199,564	172,652
Transit of gas, oil and refined products	153,904	168,702
Materials	56,926	63,843
Cost of goods for resale, including refined products	51,106	56,066
Electricity and heating	31,495	33,196
Repairs and maintenance	18,383	18,067
Impairment loss on non-financial assets	14,051	2,153
Insurance	8,686	7,522
Transportation expenses	7,477	6,268
Social expenses	7,266	6,793
Processing services	5,730	5,367
Research and development	4,941	5,215
Lease	3,974	7,303
Derivatives (gain) loss	(454)	7,064
Foreign exchange differences on operating items	(115,584)	47,251
Other	91,173	138,612
	1,370,847	1,713,060
Change in balances of finished goods, work in progress and other effects	68,854	69,156
Total operating expenses	1,439,701	1,782,216

Staff costs include RUB 10,218 million and RUB 8,609 million of expenses for provision for post-employment benefits for the three months ended 31 March 2020 and 31 March 2019, respectively (see Note 21).

19 Finance Income and Expense

	Three months ended 31 March	
	2020	2019
Foreign exchange gain	114,624	234,603
Interest income	20,342	23,620
Total finance income	134,966	258,223
Foreign exchange loss	666,020	50,618
Interest expense	16,950	18,373
Total finance expense	682,970	68,991

Total interest paid amounted to RUB 55,589 million and RUB 50,856 million for the three months ended 31 March 2020 and 31 March 2019, respectively.

Interest expense includes interest expense on lease obligations under IFRS 16 Leases at the amount of RUB 4,203 million and RUB 3,985 million for the three months ended 31 March 2020 and 31 March 2019, respectively.

Foreign exchange gain and loss for the three month ended 31 March 2020 and 31 March 2019 were recognised as a result of change in Euro and the US Dollar exchange rates against the Russian Ruble. Gain and loss primarily relate to revaluation of borrowings denominated in foreign currencies.

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

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

There were 23.6 billion and 22.1 billion of weighted average number of ordinary shares outstanding, excluding the weighted average number of treasury shares, for the three months ended 31 March 2020 and 31 March 2019, respectively.

The Group has no dilutive financial instruments.

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21 Provisions

	31 March 2020	31 December 2019
Provision for decommissioning and site restoration	293,434	279,895
Provision for post-employment benefits	287,279	291,684
Other	<u>38,577</u>	<u>35,204</u>
Total provisions	619,290	606,783

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

The net pension plan assets related to benefits provided through JSC NPF GAZFOND are included within other non-current assets in the consolidated interim condensed balance sheet in the amount of RUB 25,038 million and RUB 26,547 million as of 31 March 2020 and 31 December 2019, respectively (see Note 13).

In accordance with IAS 19 Employee Benefits, pension plan assets are recorded at estimated fair value and are subject to certain limitations. As of 31 March 2020 and 31 December 2019 management estimates the fair value of these assets in the amount of RUB 421,003 million and RUB 431,544 million, respectively. The pension plan assets comprise shares of various companies, including shares of PJSC Gazprom and equity in Gazprombank (Joint-stock Company), corporate, state and municipal bonds, investments in mutual funds and other assets held by JSC NPF GAZFOND.

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

	31 March 2020		31 December 2019	
	Pension plan provided through JSC NPF GAZFOND	Other post- employment benefits	Pension plan provided through JSC NPF GAZFOND	Other post- employment benefits
Present value of obligations	(395,965)	(287,279)	(404,997)	(291,684)
Fair value of plan assets	<u>421,003</u>	<u>-</u>	<u>431,544</u>	<u>-</u>
Total net assets (liabilities)	25,038	(287,279)	26,547	(291,684)

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

	Three months ended 31 March	
	2020	2019
Current service cost	5,972	6,869
Net interest expense	<u>4,246</u>	<u>1,740</u>
Total expenses included in the line "Staff costs" within operating expenses	10,218	8,609

The principal assumptions used for the measurement of post-employment benefit obligations for the three months ended 31 March 2020 were the same as those applied for the year ended 31 December 2019 with the exception of the discount rate determined by reference to market yields on government securities. The increase in the discount rate from 6.5 % to 6.9 % resulted in recognition of an actuarial gain in the amount of RUB 23,709 million in other comprehensive income for the three months ended 31 March 2020. The decrease in the discount rate from 8.8 % to 8.5 % resulted in recognition of an actuarial loss in the amount of RUB 15,420 million in other comprehensive income for the three months ended 31 March 2019.

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

	Three months ended 31 March	
	2020	2019
Actuarial gain (loss)	23,709	(15,420)
Expense on plan assets excluding amounts included in net interest expense	(17,168)	(9,051)
Translation differences	<u>(1,342)</u>	<u>358</u>
Total	5,199	(24,113)

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22 Fair Value of Financial Instruments

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

a) Financial instruments included in Level 1

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

b) Financial instruments included in Level 2

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

c) Financial instruments included in Level 3

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

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

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

Notes	31 March 2020				
	Level 1	Level 2	Level 3	Total	
	Financial assets measured at fair value with changes recognised through profit or loss:				
13	Derivative financial instruments	17,501	144,361	114	161,976
	Bonds	29,517	-	-	29,517
	Equity securities	229	-	-	229
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
	Equity securities	-	6,602	-	6,602
	Total short-term financial assets measured at fair value	47,247	150,963	114	198,324
	Financial assets measured at fair value with changes recognised through profit or loss:				
13	Derivative financial instruments	5,151	40,952	-	46,103
	Equity securities	-	-	2,863	2,863
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
	Equity securities	276,970	40,578	4,147	321,695
	Promissory notes	-	291	-	291
	Total long-term financial assets measured at fair value	282,121	81,821	7,010	370,952
	Total financial assets measured at fair value	329,368	232,784	7,124	569,276
	Financial liabilities measured at fair value with changes recognised through profit or loss:				
	Short-term derivative financial instruments	31,432	126,939	709	159,080
	Long-term derivative financial instruments	19,072	27,377	46	46,495
	Total financial liabilities measured at fair value	50,504	154,316	755	205,575

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22 Fair Value of Financial Instruments (continued)

Notes	31 December 2019				
	Level 1	Level 2	Level 3	Total	
	Financial assets measured at fair value with changes recognised through profit or loss:				
13	Derivative financial instruments	8,337	101,447	170	109,954
	Bonds	30,405	-	-	30,405
	Equity securities	229	-	-	229
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
	Equity securities	-	3,010	-	3,010
	Promissory notes	-	2	-	2
	Total short-term financial assets measured at fair value	38,971	104,459	170	143,600
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
13	Derivative financial instruments	2,693	17,077	-	19,770
	Equity securities	-	-	2,447	2,447
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
	Equity securities	386,824	40,578	4,149	431,551
	Promissory notes	-	284	-	284
	Total long-term financial assets measured at fair value	389,517	57,939	6,596	454,052
	Total financial assets measured at fair value	428,488	162,398	6,766	597,652
	Financial liabilities measured at fair value with changes recognised through profit or loss:				
	Short-term derivative financial instruments	9,481	90,000	517	99,998
	Long-term derivative financial instruments	5,622	13,004	-	18,626
	Total financial liabilities measured at fair value	15,103	103,004	517	118,624

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

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

As of 31 March 2020 and 31 December 2019 long-term financial assets measured at fair value with changes recognised through other comprehensive income include shares of PJSC NOVATEK in the amount of RUB 271,859 million and RUB 380,811 million, respectively.

23 Acquisition of a Subsidiary

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

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

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

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

As a result of the transaction, goodwill was recognised in the provisional amount of RUB 22,999 million.

The Group’s share in the voting shares of the JSC REPH amounted to 72 %.

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23 Acquisition of a Subsidiary (continued)

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

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

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

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.

24 Related Parties

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

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

Government (Russian Federation)

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

As of 31 March 2020 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.

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

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

As of 31 March 2020 and 31 December 2019 and for the three months ended 31 March 2020 and 31 March 2019 the Group's significant transactions and balances with the Government and parties under the Government control are presented below.

	As of 31 March 2020		Three months ended 31 March 2020	
	Assets	Liabilities	Income	Expenses
Transactions and balances with the Government				
Current profit tax	25,786	6,003	-	24,317
Insurance contributions	1,226	15,084	-	46,874
VAT	241,333	109,342	-	-
Customs duties	40,703	-	-	-
MET	15	57,732	-	236,213
Other taxes	7,449	83,751	-	88,266
Transactions and balances with entities under the Government control				
Gas sales	-	-	47,116	-
Electric and heat energy sales	-	-	59,661	-
Gas transportation sales	-	-	9,541	-
Other sales	-	-	1,197	-
Transit of oil and refined products expenses	-	-	-	35,775
Interest expense	-	-	-	3,528
Cash and cash equivalents	239,036	-	-	-
Short-term deposits	4,951	-	-	-
Long-term deposits	795	-	-	-
Accounts receivable	56,432	-	-	-
Short-term financial assets	26,883	-	-	-
Long-term financial assets	5,087	-	-	-
Accounts payable	-	26,391	-	-
Borrowings	-	179,642	-	-
Short-term lease liabilities	-	8,599	-	-
Long-term lease liabilities	-	97,951	-	-

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24 Related Parties (continued)

	As of 31 December 2019		Three months ended 31 March 2019	
	Assets	Liabilities	Income	Expenses
Transactions and balances with the Government				
Current profit tax	9,021	31,567	-	116,440
Insurance contributions	1,856	11,708	-	40,560
VAT	297,217	105,070	-	-
Customs duties	26,595	-	-	-
MET	11	86,565	-	299,458
Other taxes	19,855	66,948	-	55,729
Transactions and balances with entities under the Government control				
Gas sales	-	-	54,200	-
Electric and heat energy sales	-	-	63,955	-
Gas transportation sales	-	-	11,151	-
Other sales	-	-	882	-
Transit of oil and refined products expenses	-	-	-	37,197
Interest expense	-	-	-	3,077
Cash and cash equivalents	61,072	-	-	-
Short-term deposits	4,815	-	-	-
Long-term deposits	1,867	-	-	-
Accounts receivable	47,390	-	-	-
Short-term financial assets	27,792	-	-	-
Long-term financial assets	6,002	-	-	-
Accounts payable	-	27,033	-	-
Borrowings	-	195,297	-	-
Short-term lease liabilities	-	7,671	-	-
Long-term lease liabilities	-	84,428	-	-

See the consolidated interim condensed statement of changes in equity for returns of social assets to governmental authorities during the three months ended 31 March 2020 and 31 March 2019. See Note 9 for the net book values as of 31 March 2020 and 31 December 2019 of social assets vested to the Group at privatisation.

Transactions with JSC FSC

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

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

	As of 31 March 2020		Three months ended 31 March 2020	
	Assets	Liabilities	Income	Expenses
Transactions and balances with JSC FSC				
Electric and heat energy sales	-	-	41,745	-
Electricity and heating expenses	-	-	-	5,826
Accounts receivable	11,163	-	-	-
Accounts payable	-	3,577	-	-

	As of 31 December 2019		Three months ended 31 March 2019	
	Assets	Liabilities	Income	Expenses
Transactions and balances with JSC FSC				
Electric and heat energy sales	-	-	47,964	-
Electricity and heating expenses	-	-	-	7,350
Accounts receivable	5,893	-	-	-
Accounts payable	-	1,978	-	-

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24 Related Parties (continued)

Compensation for Key Management Personnel

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

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

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

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

Key management personnel are also entitled to long-term post-employment benefits. These benefits include non-governmental pension benefits provided by JSC NPF GAZFOND, and lump-sum payments from the Group's entities provided upon retirement (see Note 21).

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

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

Associates and Joint Ventures

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

	Three months ended 31 March	
	2020	2019
	Income	
Gas sales		
JSV Moldovagaz	8,456	10,648
CJSC Gazprom YRGM Trading ¹	4,498	4,843
Panrusgas Co.	3,230	12,506
JSC Gazprom YRGM Development ¹	3,213	3,460
Prometheus Gas S.A.	1,238	2,973
KazRosGas LLP	-	3,137
Gas transportation sales		
CJSC Gazprom YRGM Trading ¹	6,392	6,674
JSC Gazprom YRGM Development ¹	4,566	4,767
Crude oil, gas condensate and refined products sales		
Sakhalin Energy Investment Company Ltd.	1,844	1,859
LLC NPP Neftekhimia	1,140	1,176
LLC Poliom	1,121	925
PJSC NGK Slavneft and its subsidiaries	37	8,961
Field operator services sales and other services sales		
JSC Messoyakhaneftegaz	1,285	1,084
Gas refining services sales		
KazRosGas LLP	3,145	3,122
Interest income		
Gazprombank (Joint-stock Company) and its subsidiaries	10,460	12,033

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24 Related Parties (continued)

	Three months ended 31 March	
	2020	2019
	Expenses	
Purchased gas		
CJSC Gazprom YRGM Trading ¹	13,633	17,375
JSC Gazprom YRGM Development ¹	9,744	12,420
JSC Arcticgas	5,799	5,358
KazRosGas LLP	4,606	6,935
Sakhalin Energy Investment Company Ltd.	1,857	5,908
CJSC Northgas	1,382	1,549
Transit of gas		
Nord Stream AG	20,596	20,008
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	10,540	8,904
JSC EUROPOL GAZ	3,193	3,166
Purchased crude oil and refined products		
PJSC NGK Slavneft and its subsidiaries	28,121	40,263
JSC Messoyakhaneftegaz	13,177	15,993
JSC Arcticgas	1,226	945
Sakhalin Energy Investment Company Ltd.	-	3,478
Gas and gas condensate production		
JSC Achimgaz	11,178	14,578
Processing services		
PJSC NGK Slavneft and its subsidiaries	4,062	4,062
Transit of crude oil and oil refinery products		
JSC Messoyakhaneftegaz	1,807	1,531
PJSC NGK Slavneft and its subsidiaries	1,571	987
Interest expense		
Gazprombank (Joint-stock Company) and its subsidiaries	3,433	2,830

¹ 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 40,000 million and RUB 90,000 million for the three months ended 31 March 2020 and 31 March 2019, respectively.

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

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

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24 Related Parties (continued)

	As of 31 March 2020		As of 31 December 2019	
	Assets	Liabilities	Assets	Liabilities
Short-term accounts receivable and prepayments				
Gazprombank (Joint-stock Company)	14,037	-	13,961	-
JSC Gazstroyprom	8,997	-	8,521	-
Wintershall Noordzee B.V.	5,604	-	4,209	-
Sakhalin Energy Investment Company Ltd.	5,150	-	3,125	-
CJSC Gazprom YRGM Trading	4,098	-	2,489	-
TurkAkim Gaz Tasima A.S.	1,825	-	1,071	-
JSC Gazprom YRGM Development	1,695	-	1,778	-
KazRosGas LLP	1,695	-	6,233	-
Panrusgas Co.	1,408	-	3,566	-
LLC National Petroleum Consortium	1,372	-	1,324	-
PJSC NGK Slavneft and its subsidiaries	1,173	-	5,580	-
JSC Messoyakhaneftegaz	886	-	1,022	-
Cash and cash equivalents				
Gazprombank (Joint-stock Company) and its subsidiaries	278,559	-	350,674	-
OJSC Belgazprombank	8,710	-	15,621	-
Short-term financial assets				
Gazprombank (Joint-stock Company)	29,446	-	23,814	-
Other current assets				
Gazprombank (Joint-stock Company)	459,785	-	612,352	-
OJSC Belgazprombank	66	-	2,444	-
Other non-current assets				
Gazprombank (Joint-stock Company)	-	-	1,238	-
Long-term accounts receivable and prepayments				
JSC Gazstroyprom	252,957	-	220,604	-
TurkAkim Gaz Tasima A.S.	26,760	-	21,558	-
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	17,141	-	13,863	-
Sakhalin Energy Investment Company Ltd.	16,573	-	13,455	-
JSC Sibgazpolymer	5,435	-	5,375	-
JSC Evroteck-Yugra	3,440	-	3,168	-
OJSC Belgazprombank	2,479	-	2,479	-
CJSC Khanty-Mansiysk petroleum alliance	1,216	-	1,201	-
Short-term accounts payable				
PJSC NGK Slavneft and its subsidiaries	-	88,453	-	103,617
JSC Messoyakhaneftegaz	-	37,881	-	41,882
Nord Stream AG	-	7,716	-	6,200
JSC Gazstroyprom	-	5,798	-	26,794
CJSC Gazprom YRGM Trading	-	5,480	-	7,353
JSC Gazprom YRGM Development	-	5,090	-	5,256
JSC Achimgaz	-	4,653	-	4,668
JSC Arcticgas	-	2,481	-	2,023
KazRosGas LLP	-	1,736	-	4,087
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	-	1,368	-	1,020
JSC EUROPOL GAZ	-	1,177	-	1,528
Sakhalin Energy Investment Company Ltd.	-	346	-	1,037
Short-term borrowings (including current portion of long-term borrowings)				
Gazprombank (Joint-stock Company) and its subsidiaries	-	97,971	-	81,406

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24 Related Parties (continued)

	As of 31 March 2020		As of 31 December 2019	
	Assets	Liabilities	Assets	Liabilities
Long-term borrowings				
Gazprombank (Joint-stock Company)	-	180,775	-	181,700
JSC Gazstroyprom	-	5,548	-	-

Accounts receivable due from JSV Moldovagaz were RUB nil million as of 31 March 2020 and 31 December 2019 net of allowance for expected credit losses in the amount of RUB 519,649 million and RUB 412,258 million as of 31 March 2020 and 31 December 2019, respectively.

Accounts receivable for gas due from Overgas Inc. AD were RUB nil million as of 31 March 2020 and 31 December 2019 net of allowance for expected credit losses in the amount of RUB 8,176 million and RUB 6,511 million as of 31 March 2020 and 31 December 2019, respectively.

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

Under the agreements concluded in 2019-2020 on providing a loan facilities the Group has obligations to provide JSC Gazstroyprom loans to repay its loan liability towards the bank in case of late payment. The limit of loan facilities according to the concluded agreements amounted to RUB 123,510 million and RUB 106,500 million as of 31 March 2020 and 31 December 2019, respectively. The loan facilities are valid until 31 December 2027. As of 31 March 2020 and 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 due in 2020 under buyback agreements entered into with Gazprombank (Switzerland) Ltd. and GPB Financial Services Limited. Amounts to be repaid under these borrowings were EUR 923 million and EUR 922 million as of 31 March 2020 and 31 December 2019, respectively.

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

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

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

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

25 Commitments and Contingencies

Taxation

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

Legal Proceedings

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

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

25 Commitments and Contingencies (continued)

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

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

On 22 January 2016 the Antimonopoly Committee of Ukraine rendered a decision to impose a fine on PJSC Gazprom in the amount of 85,966 million Ukrainian hryvnia (at the exchange rate as of 31 March 2020 – RUB 236,589 million) for “violation of economic competition in the form of an act of omission, i.e. failure to take steps to ensure the natural gas transit in pipelines through Ukraine under reasonable terms, that would have been impossible had there been strong competition on the market and that infringed the interests of NJSC Naftogaz of Ukraine (Kiev) in the form of the abuse of the monopolistic (dominant) position on the market for natural gas transit in pipelines through Ukraine as a buyer”. The motions filed by PJSC Gazprom to annul this decision were rejected by Ukrainian judicial authorities.

On 12 May 2017 PJSC Gazprom was served via its Kiev-based Representative office an Order of the Department of the State Executive Service of the Ministry of Justice of Ukraine on institution of enforcement proceedings to recover an amount of 189,125 million Ukrainian hryvnia (at the exchange rate as of 31 March 2020 – RUB 520,497 million), including an execution fee of 17,193 million Ukrainian hryvnia (at the exchange rate as of 31 March 2020 – RUB 47,318 million), and on the seizure of the bank accounts of the Kiev-based representative office of PJSC Gazprom, dividends due to PJSC Gazprom for the participation in JSC Gaztransit, the shares of JSC Gaztransit, the shares of PJSC YUZHNIIGIPROGAZ Institute, equity interests in LLC Gazprom sbyt Ukraine, and LLC International Consortium for the Ukrainian Gas Transmission System Management and Development owned by PJSC Gazprom.

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

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

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

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

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:

25 Commitments and Contingencies (continued)

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

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

On 4 May 2018 PJSC Gazprom received a notice from Poland's antimonopoly authority on the initiation of an investigation over alleged concentration exercised by PJSC Gazprom and foreign investors when implementing the Nord Stream 2 project (on the basis of "the establishment of a joint venture without obtaining the prior consent of the President of the Polish Office of Competition and Consumer Protection"). The notice states that in accordance with the Polish legislation the President of the Polish Office of Competition and Consumer Protection has the right to impose certain sanctions on companies that, in his opinion, exercise concentration without obtaining the consent of the Polish Office of Competition and Consumer Protection (in particular, to impose a fine of up to 10 % of the annual turnover of the company). On 15 June 2018 PJSC Gazprom filed its objections to the position declared by Poland's antimonopoly authority and a motion to terminate the antitrust investigation.

On 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 3 June 2020 PJSC Gazprom received a letter sent by Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) on 6 May 2020 with resolutions about the initiation of an antitrust investigation into PJSC Gazprom's failure to provide the information requested by Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) and acceptance of certain documents as evidence for a new investigation, as well as a request to provide clarifications as to why the information requested earlier had not been provided. On 15 June 2020 PJSC Gazprom replied to that letter. On 22 June 2020 PJSC Gazprom also sent a reply to the request for information from Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) dated 16 June 2020.

On 26 June 2020 PJSC Gazprom received another letter from Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection). On 6 July 2020 PJSC Gazprom sent a reply to that letter.

On 7 May 2019 the European Commission received a complaint from NJSC Naftogaz of Ukraine stating that PJSC Gazprom and its subsidiaries allegedly violated Article 102 of the Treaty on the Functioning of the EU. NJSC Naftogaz of Ukraine brings the following main charges in its complaint:

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

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

25 Commitments and Contingencies (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 20 May 2020 the General Court of the EU declared that the claim of Nord Stream 2 AG was inadmissible on procedural grounds.

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.

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

Sanctions

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

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

1) transacting in, providing financing for, or otherwise dealing with new debt of longer than 90 days maturity (since 28 November 2017 – 60 days) or new equity, property, or interests in property in respect of a number of energy companies, including PJSC Gazprom Neft;

2) transacting in, providing financing for, or otherwise dealing with new debt of longer than 30 days maturity (since 28 November 2017 – 14 days) or new equity, property, or interests in property in respect of a number of Russian companies of the banking sector, including Gazprombank (Joint-stock Company) (PJSC Gazprom is not on the list of restricted entities in this respect);

3) providing, exporting, or reexporting, directly or indirectly, goods, services (except for financial services), or technology in support of potential exploration and production of oil in deep water, Arctic offshore, or shale formations in the Russian Federation, inland or in territorial waters claimed by the Russian Federation with participation of Russian companies, including PJSC Gazprom and PJSC Gazprom Neft. Since 7 August 2015 the restriction has included the Yuzhno-Kirinskoye field located in the Sea of Okhotsk. According to the changes of 31 October 2017 the scope of the stated restriction is extended for projects that meet three criteria at the same time:

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

On 2 August 2017 the U.S. President signed the Countering America's Adversaries Through Sanctions Act (the “Act of 2 August 2017”), which expanded the U.S. sanctions regime against the Russian Federation. The Act of 2 August 2017, inter alia, gives the U.S. President the right to impose certain sanctions in interaction (coordination) with the U.S. allies against any person who after the adoption of the Act of 2 August 2017

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25 Commitments and Contingencies (continued)

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. Assets of the persons indicated in the report submitted by the U.S. Secretary of State under paragraph 2 above that are located in the U.S. would be frozen (including in case of their transfer to third parties) and U.S. persons would be prohibited from entering into transactions with such persons.

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

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

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

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

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.

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25 Commitments and Contingencies (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.

Financial Guarantee Contracts

	31 March 2020	31 December 2019
Guarantees issued for:		
Nord Stream AG	132,663	106,924
Sakhalin Energy Investment Company Ltd.	46,512	37,022
Other	<u>90,044</u>	<u>75,146</u>
Total financial guarantee contracts	<u>269,219</u>	<u>219,092</u>

For the three months ended 31 March 2020 and in 2019 counterparties fulfilled their contractual obligations.

Financial guarantee contracts include financial guarantees denominated in US Dollars of USD 598 million and USD 598 million as of 31 March 2020 and 31 December 2019, respectively, as well as amounts denominated in Euros of EUR 2,289 million and EUR 2,292 million as of 31 March 2020 and 31 December 2019, respectively.

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25 Commitments and Contingencies (continued)

In June 2008 the Group pledged the shares of Sakhalin Energy Investment Company Ltd. to the agent bank Mizuho Bank Ltd. under the loan obligations of Sakhalin Energy Investment Company Ltd. As of 31 March 2020 and 31 December 2019 the amount of Sakhalin Energy Investment Company Ltd. obligations up to the amount of the Group's share (50 %) amounted to RUB 46,512 million (USD 598 million) and RUB 37,022 million (USD 598 million), respectively.

In March 2010 the Group pledged the shares of Nord Stream AG to the agent bank Societe Generale under the obligations of Nord Stream AG under the project financing agreement. As of 31 March 2020 and 31 December 2019 the amount of Nord Stream AG obligations up to the amount of the Group's share (51 %) amounted to RUB 132,663 million (EUR 1,547 million) and RUB 106,924 million (EUR 1,542 million), respectively.

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 1,646,224 million.

Gas Transportation Commitments

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

26 Events After Reporting Period

Borrowings

In April 2020 the subsidiary Nord Stream 2 AG obtained long-term loans from Wintershall Nederland Transport and Trading B.V., OMV Gas Marketing Trading & Finance B.V., Shell Exploration and Production (LXXI) B.V., Engie Energy Management Holding Switzerland AG, Uniper Gas Transportation and Finance B.V. in the amount of EUR 87.5 million within the terms of the long-term financing agreement signed between the parties in April 2017.

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

In April 2020 the Group signed an agreement to obtain long-term loan from UniCredit S.p.A. in the total amount of EUR 270 million at an interest rate of EURIBOR + 2 % due in 2025. In April-June 2020 under that agreement the Group obtained EUR 108 million.

In April-June 2020 the subsidiary LLC Gazprom pererabotka Blagoveshchensk obtained long-term loans in the total amount of EUR 293 million at interest rates from EURIBOR + 1.00 % to EURIBOR + 4.25 % and RUB 28,000 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. The loans were 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 June 2020 the Group issued Russian bonds in the amount of RUB 15,000 million at an interest rate of 5.7 % due in 2025.

In June 2020 the Group issued Russian bonds in the amount of RUB 15,000 million at an interest rate of 5.9 % due in 2027.

In June 2020 the Group obtained a long-term loan from Mizuho Bank Ltd. in the amount of EUR 500 million at an interest rate of EURIBOR + 1.95 % due in 2025.

In June 2020 the Group issued Loan Participation Notes in the amount of USD 1,000 million at an interest rate of 3 % due in 2027 under EUR 30,000 million Programme for the Issuance of Loan Participation Notes.

In June 2020 the Group signed an agreement to obtain long-term loans from Gazprombank (Joint-stock Company) in the total amount of RUB 15,000 million at an interest rate set when the loan is granted in the amount not exceeding the current key rate of the Central Bank of the Russian Federation + 3 % for a variable rate and not exceeding 10 % for a fixed rate due in 2024.

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26 Events After Reporting Period (continued)

In June 2020 the Group signed an agreement to obtain long-term loans from PJSC VTB Bank in the total amount of RUB 30,000 million at an interest rate set when the loan is granted in the amount not exceeding the current key rate of the Central Bank of the Russian Federation + 3 % for a variable rate and not exceeding 10 % for a fixed rate due in 2025.

PJSC Gazprom
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