



Gazprom Neft Group
Consolidated Financial Statements
as of and for the year ended 31 December 2020

with Independent Auditor's Report

Gazprom Neft Group
Consolidated Financial Statements
as of and for the year ended 31 December 2020

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Independent Auditor's Report

To the Shareholders of Public Joint Stock Company Gazprom Neft

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Revenue recognition

During the audit we specially focused on revenue recognition as the amount of revenue is material and revenue streams are formed in different geographical and operating segments. In addition, revenue streams differ in such terms of recognition as the identification of performance obligations, determination of transaction prices and the pattern of transfer of risks and rewards.

Despite the high level of automation, a large number of contracts and a significant number of transactions pose a risk of misstatement of this item.

Our audit procedures in respect of the risk of material misstatement of revenue included:

- assessing the consistency of the application of the revenue recognition accounting policy in relation to a variety of performance obligations;
- assessing the risk of fraud or error;
- verifying the timeliness of revenue recognition and the right to recognised revenue based on the terms of contracts and other documents;
- receiving confirmation letters from counterparties as of the end of the reporting period.

Based on the results of our audit procedures, we considered the position of the Group's management on revenue recognition to be acceptable.

Information about the approaches to revenue recognition is provided in Note 2 "Summary of significant accounting policies" to the consolidated financial statements, information about revenue figures, including information by geographic segments, is disclosed in Note 39 "Segment information" to the consolidated financial statements.

Assessment of the recoverable amount of non-current assets

Due to the material carrying amount of the Group's non-current assets, continuing volatility of macroeconomic parameters supplemented by political instability in some regions where the Group operates, the impact of the spread of coronavirus, the 2020 oil price drop, sensitivity of impairment models to the assumptions applied by the Group's management as well as the high level of subjectivity of the applied judgements and estimates of the Group's management we consider this matter to be one of most significance in the audit.

The risk of the non-recoverability of the carrying amount of non-current assets primarily relates to production and oil refining assets located in the Russian Federation, oil and gas production and exploration assets located in Iraq, and assets located in Serbia. As at the reporting date, the Group's management measured the recoverable amount of non-current assets for cash-generating units by means of value in use.

Our audit procedures in respect of this area included:

- testing the principles applied to prepare future cash flow forecasts;
- involvement of our valuation experts who:
 - analysed the methodology used by the Group when performing impairment testing of non-current assets and the consistency of its application by the Group;
 - compared the data used by the Group with the information available from independent sources (inflation and income tax rates) as well as with our own assessments in relation to key inputs used in impairment testing (future oil prices and exchange rates, determined discount rates, estimation of oil and gas reserves and its future production and sales volumes);
 - analysed the sensitivity of the models applied for testing purposes to changes in key assumptions.
- analysis and assessment of the disclosures about the conducted impairment testing for compliance with IFRSs.

Based on the results of the audit procedures, we believe that the information and key assumptions applied by the Group's management to calculate the recoverable amount of non-current assets are acceptable and are well in line with current economic environment.

Information about the approaches applied to measure and recognise impairment of non-current assets is provided in Note 2 “Summary of significant accounting policies” and Note 3 “Critical accounting estimates, assumptions and judgements” to the consolidated financial statements, information about the conducted impairment testing is disclosed in Note 11 “Property, plant and equipment” and Note 13 “Goodwill and other intangible assets” to the consolidated financial statements.

Estimation of oil and gas reserves and resources

The estimation of oil and gas reserves and resources is a key audit matter as the Group changed classification and estimation standards applied to oil and gas reserves and resources (provisions of the Petroleum Resources Management System (PRMS) have been used since 1 October 2020 instead of rules promulgated by the US Security and Exchange Commission (SEC)), and as the estimation of oil and gas reserves and resources may have a material impact on the consolidated financial statements, in particular, on the amount of depreciation, depletion and amortisation, provisions for decommissioning of property, plant and equipment, and results obtained from impairment testing of a number of non-current assets.

The main risk is associated with the sensitivity of the estimation of oil and gas reserves and resources to the assumptions and estimates made by the Group’s management.

Our audit procedures in respect of this area included:

- evaluating qualification, expertise and independence of an external expert engaged to estimate oil and gas reserves and resources;
- evaluating assumptions applied by the external expert;
- evaluating inputs used by the external expert;
- analysing changes in the amount of reserves as compared to the previous year;
- analysing an impact of changes in applied reserves classification and estimation standards on items of the consolidated financial statements.

Based on the results of the audit procedures performed we believe that the external expert has all the necessary skills, experience and expertise to estimate oil and gas reserves and resources, and that the information and key assumptions applied to estimate oil and gas reserves and resources are reasonable. We are satisfied that reasonable estimates of reserves and resources were duly recognised in the consolidated financial statements.

Information about the methods used to estimate oil and gas reserves and resources is provided in Note 3 “Critical accounting estimates, assumptions and judgements” to the consolidated financial statements.

Classification and recognition of financial instruments as cash equivalents

Due to the economic importance of cash and cash equivalents, the significance of the cash equivalent balances, and the professional judgement and assumptions applied by the Group’s management in classifying and recognising financial instruments as cash equivalents, we consider this matter to be one of the key audit matters.

The classification and recognition of financial instruments as cash equivalents applied by the Group are based on the significant professional judgement applied by the Group’s management, which is supported by the intention of the Group’s management to use such financial instruments to settle the Group’s short-term cash liabilities. In addition, the Group analyses various factors, including the assessment of liquidity and credit risks, records on cash returns at any point of time without significant loss of interest and penalties.

During our audit procedures regarding the classification and recognition of financial instruments as cash equivalents, we performed the following procedures:

- assessing the appropriateness and consistency of the professional judgements applied by the Group’s management regarding the classification and recognition of financial instruments as cash

equivalents;

- reviewing intentions of the Group's management regarding the use of financial instruments classified as cash equivalents for the purposes of managing the Group's liquidity;
- assessing liquidity and credit risks related to the solvency of counterparties, in particular, under a cash pooling agreement with the Group's parent company;
- analysing agreements and other documents confirming the availability of cash at any point of time without significant loss of interest and penalties because of early redemption.

Based on the results of our procedures, we believe that the key assumptions and professional judgements of the Group's management regarding the classification and recognition of financial instruments as cash equivalents are reasonable and do not contradict the available audit evidence.

Information about the main accounting policies applied to account for cash and cash equivalents is provided in Note 2 "Summary of significant accounting policies" to the consolidated financial statements, and information about the amount of cash and cash equivalents is disclosed in Note 6 "Cash and cash equivalents" to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended 31 December and 30 September 2020 and the years ended 31 December 2020 and 2019 (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, the Annual Report of PJSC Gazprom Neft for 2020 and the Quarterly issuer's report of PJSC Gazprom Neft for the first quarter of 2021, which are expected to be made available to us after the date of this auditor's report.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using



the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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

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

President of FBK, LLC



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

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

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

Date of the independent auditor's report
17 February 2021

Audited entity

Name:

Public Joint Stock Company Gazprom Neft (Gazprom Neft PJSC).

Address of the legal entity within its location:

3-5 Pochtamskaya St, St. Petersburg, 190000, Russian Federation.

State registration:

Registered by the Omsk Registration Chamber on 6 October 1995, statutory registration certificate No. 38606450.

The registration entry was made in the Unified State Register of Legal Entities on 21 August 2002 under primary state registration number 1025501701686.

Auditor

Name:

FBK, LLC.

Address of the legal entity within its location:

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

State registration:

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

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

Membership in a self-regulatory organization of auditors:

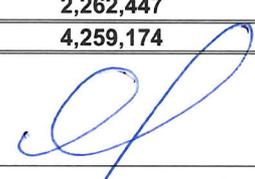
Member of the Self-regulatory organization of auditors Association "Sodruzhestvo".

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

Gazprom Neft Group
Consolidated Statement of Financial Position
in millions of Russian Rubles

	Notes	31 December 2020	31 December 2019
Assets			
Current assets			
Cash and cash equivalents	6	237,011	202,404
Short-term financial assets		1,003	19,906
Trade and other receivables	7	159,270	205,272
Inventories	8	217,414	173,674
Current income tax prepayments		3,658	6,622
Other taxes receivable	9	89,784	104,918
Other current assets	10	53,954	55,052
Total current assets		762,094	767,848
Non-current assets			
Property, plant and equipment	11	2,847,377	2,469,338
Right-of-use assets	12	72,794	79,073
Goodwill and other intangible assets	13	112,765	88,620
Investments in associates and joint ventures	14	377,548	341,115
Long-term trade and other receivables		435	829
Long-term financial assets	16	5,885	11,037
Deferred income tax assets	17	33,427	18,492
Other non-current assets	18	46,849	49,131
Total non-current assets		3,497,080	3,057,635
Total assets		4,259,174	3,825,483
Liabilities and equity			
Current liabilities			
Short-term debt and current portion of long-term debt	19	45,695	30,198
Current lease liabilities		11,633	9,927
Trade and other payables	20	354,915	307,439
Other current liabilities	21	234,390	40,741
Current income tax payable		3,145	2,247
Other taxes payable	22	105,648	96,401
Provisions and other accrued liabilities	23	30,797	23,741
Total current liabilities		786,223	510,694
Non-current liabilities			
Long-term debt	24	738,530	685,030
Non-current lease liabilities		83,696	77,868
Other non-current financial liabilities	25	18,124	21,504
Deferred income tax liabilities	17	165,336	148,253
Provisions and other accrued liabilities	23	127,860	119,004
Other non-current liabilities	26	76,958	49,933
Total non-current liabilities		1,210,504	1,101,592
Equity			
Share capital	27	98	98
Treasury shares	27	(1,170)	(1,170)
Additional paid-in capital		29,494	36,044
Retained earnings		1,944,123	1,943,523
Other reserves		112,093	78,711
Equity attributable to Gazprom Neft shareholders		2,084,638	2,057,206
Non-controlling interest		177,809	155,991
Total equity		2,262,447	2,213,197
Total liabilities and equity		4,259,174	3,825,483


A. V. Dyukov
Chief Executive Officer
PJSC Gazprom Neft
17 February 2021


A. V. Yankevich
Chief Financial Officer
PJSC Gazprom Neft
17 February 2021

The accompanying notes are an integral part of these Consolidated Financial Statements

Gazprom Neft Group
Consolidated Statement of Profit or Loss and Other Comprehensive Income
in millions of Russian Rubles (unless otherwise specified)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
Revenue			
Crude oil, gas and petroleum products sales		1,919,593	2,393,444
Other revenue		80,027	91,864
Total revenue from sales	39	1,999,620	2,485,308
Costs and other deductions			
Purchases of oil, gas and petroleum products		(498,315)	(663,068)
Production and manufacturing expenses		(257,391)	(260,688)
Selling, general and administrative expenses		(115,926)	(125,592)
Transportation expenses		(141,671)	(143,474)
Depreciation, depletion and amortisation	11, 12, 13	(222,151)	(181,372)
Taxes other than income tax	22	(577,390)	(591,193)
Export duties		(40,605)	(71,601)
Exploration expenses		(994)	(1,752)
Total operating expenses		(1,854,443)	(2,038,740)
Operating profit		145,177	446,568
Share of profit of associates and joint ventures	14	48,047	83,906
Net foreign exchange (loss) / gain	30	(23,654)	10,518
Finance income	31	11,378	22,906
Finance expense	32	(28,746)	(32,772)
Other loss, net	29	(8,732)	(23,292)
Total other (expenses) / income		(1,707)	61,266
Profit before income tax		143,470	507,834
Current income tax expense		(22,835)	(52,502)
Deferred income tax expense		(2)	(33,244)
Total income tax expense	33	(22,837)	(85,746)
Profit for the period		120,633	422,088
Other comprehensive income / (loss) - may be reclassified to profit or loss			
Currency translation differences		59,948	(29,674)
Cash flow hedge, net of tax	34	324	319
Other comprehensive income / (loss)		86	(319)
Total other comprehensive income / (loss) - may be reclassified to profit or loss		60,358	(29,674)
Other comprehensive loss - will not be reclassified to profit or loss			
Remeasurement of provision for post-employment benefits		(489)	(2,411)
Total other comprehensive loss - will not be reclassified to profit or loss		(489)	(2,411)
Other comprehensive income / (loss) for the period		59,869	(32,085)
Total comprehensive income for the period		180,502	390,003
Profit attributable to:			
- Gazprom Neft shareholders		117,699	400,201
- Non-controlling interest		2,934	21,887
Profit for the period		120,633	422,088
Total comprehensive income attributable to:			
- Gazprom Neft shareholders		151,081	379,038
- Non-controlling interest		29,421	10,965
Total comprehensive income for the period		180,502	390,003
Earnings per share attributable to Gazprom Neft shareholders			
Basic earnings (RUB per share)		24.95	84.82
Diluted earnings (RUB per share)		24.95	84.82
Weighted-average number of common shares outstanding (millions)		4,718	4,718

The accompanying notes are an integral part of these Consolidated Financial Statements

Gazprom Neft Group
Consolidated Statement of Changes in Equity
in millions of Russian Rubles

	Equity, attributable to Gazprom Neft shareholders						Non-controlling interest	Total equity
	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Other reserves	Total		
Balance as of 1 January 2020	98	(1,170)	36,044	1,943,523	78,711	2,057,206	155,991	2,213,197
Profit for the period	-	-	-	117,699	-	117,699	2,934	120,633
Other comprehensive income								
Currency translation differences	-	-	-	-	33,464	33,464	26,484	59,948
Cash flow hedge, net of tax	-	-	-	-	324	324	-	324
Remeasurement of provision for post-employment benefits	-	-	-	-	(489)	(489)	-	(489)
Other comprehensive income	-	-	-	-	83	83	3	86
Total comprehensive income for the period	-	-	-	117,699	33,382	151,081	29,421	180,502
Transactions with shareholders, recorded in equity								
Dividends to equity holders	-	-	-	(117,099)	-	(117,099)	(8,139)	(125,238)
Transactions with shareholder	-	-	(6,479)	-	-	(6,479)	-	(6,479)
Change of non-controlling interest in subsidiaries	-	-	(71)	-	-	(71)	536	465
Total transactions with shareholders	-	-	(6,550)	(117,099)	-	(123,649)	(7,603)	(131,252)
Balance as of 31 December 2020	98	(1,170)	29,494	1,944,123	112,093	2,084,638	177,809	2,262,447

	Equity, attributable to Gazprom Neft shareholders						Non-controlling interest	Total equity
	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Other reserves	Total		
Balance as of 31 December 2018	98	(1,170)	60,397	1,680,978	99,874	1,840,177	151,642	1,991,819
Effect of changes in accounting policies	-	-	-	(14,565)	-	(14,565)	-	(14,565)
Balance as of 1 January 2019	98	(1,170)	60,397	1,666,413	99,874	1,825,612	151,642	1,977,254
Profit for the period	-	-	-	400,201	-	400,201	21,887	422,088
Other comprehensive income								
Currency translation differences	-	-	-	-	(18,752)	(18,752)	(10,922)	(29,674)
Cash flow hedge, net of tax	-	-	-	-	319	319	-	319
Remeasurement of provision for post-employment benefits	-	-	-	-	(2,411)	(2,411)	-	(2,411)
Other comprehensive loss	-	-	-	-	(319)	(319)	-	(319)
Total comprehensive income / (loss) for the period	-	-	-	400,201	(21,163)	379,038	10,965	390,003
Transactions with shareholders, recorded in equity								
Dividends to equity holders	-	-	-	(123,091)	-	(123,091)	(6,616)	(129,707)
Transactions with shareholder	-	-	(24,353)	-	-	(24,353)	-	(24,353)
Total transactions with shareholders	-	-	(24,353)	(123,091)	-	(147,444)	(6,616)	(154,060)
Balance as of 31 December 2019	98	(1,170)	36,044	1,943,523	78,711	2,057,206	155,991	2,213,197

The accompanying notes are an integral part of these Consolidated Financial Statements

Gazprom Neft Group
Consolidated Statement of Cash Flows
in millions of Russian Rubles

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
Cash flows from operating activities			
Profit before income tax		143,470	507,834
Adjustments for:			
Share of profit of associates and joint ventures	14	(48,047)	(83,906)
Net foreign exchange loss / (gain)	30	23,654	(10,518)
Finance income	31	(11,378)	(22,906)
Finance expense	32	28,746	32,772
Depreciation, depletion and amortisation	11, 12, 13	222,151	181,372
Other non-cash items		308	10,804
Operating cash flow before changes in working capital		358,904	615,452
Changes in working capital:			
Accounts receivable		23,373	(41,927)
Inventories		(32,488)	(23,453)
Other taxes receivable		15,622	(13,531)
Other assets		10,453	(8,165)
Accounts payable		(17,632)	83,185
Other taxes payable		7,025	(1,974)
Other liabilities		199,720	45,370
Total effect of working capital changes		206,073	39,505
Income tax paid		(18,785)	(53,087)
Interest paid		(55,418)	(59,057)
Dividends received		25,318	65,404
Other cash flows from operating activities		965	859
Net cash provided by operating activities		517,057	609,076
Cash flows from investing activities			
Proceeds from sales of subsidiaries		6,323	-
Acquisition of investments in associates and joint ventures		(4,372)	(210)
Bank deposits placement		-	(97,090)
Repayment of bank deposits		15,000	82,000
Acquisition of other investments		(78)	(474)
Proceeds from sales of other investments		-	1,425
Short-term loans issued		(894)	(532)
Repayment of short-term loans issued		2	661
Long-term loans issued		(1,301)	(7,148)
Repayment of long-term loans issued		5,313	1,313
Purchases of property, plant and equipment		(413,526)	(435,242)
Purchases of oil and gas licences, intangible assets		(30,091)	(27,392)
Proceeds from sale of property, plant and equipment, net of tax		42,357	115,710
Interest received		12,697	17,155
Other cash flows from investing activities		(5,595)	(13,765)
Net cash used in investing activities		(374,165)	(363,589)
Cash flows from financing activities			
Proceeds from short-term borrowings		25,451	15,592
Repayment of short-term borrowings		(39,954)	(343)
Proceeds from long-term borrowings		92,854	243,371
Repayment of long-term borrowings		(89,447)	(292,036)
Transaction costs directly attributable to the borrowings received		(589)	(375)
Dividends paid to Gazprom Neft shareholders		(93,494)	(227,120)
Dividends paid to non-controlling shareholders		(8,357)	(6,609)
Proceeds from sale of non-controlling interest in subsidiaries		905	-
Repayment of principal portion of lease liabilities		(11,326)	(9,200)
Net cash used in financing activities		(123,957)	(276,720)
Increase / (decrease) in cash and cash equivalents		18,935	(31,233)
Effect of foreign exchange on cash and cash equivalents		15,672	(13,948)
Cash and cash equivalents as of the beginning of the period	6	202,404	247,585
Cash and cash equivalents as of the end of the period	6	237,011	202,404

The accompanying notes are an integral part of these Consolidated Financial Statements

1. General

Description of business

PJSC Gazprom Neft (the "Company") is a vertically integrated oil company operating in the Russian Federation, the CIS and internationally. The Company and its subsidiaries (together referred to as the "Group") principal activities include exploration, production and development of crude oil and gas, production of refined petroleum products and distribution and marketing operations through its retail outlets.

The Company was incorporated in 1995 and is domiciled in the Russian Federation. The Company is a public joint-stock company and was set up in accordance with Russian regulations. PJSC Gazprom, the Group's parent, (the "Parent") owns 95.7% of the shares in the Company. The Russian Federation is the ultimate controlling party.

2. Summary of significant accounting policies

Basis of preparation

The Group maintains its books and records in accordance with accounting and taxation principles and practices mandated by legislation in the countries in which it operates (primarily the Russian Federation). The accompanying Consolidated Financial Statements were primarily derived from the Group's statutory books and records with adjustments and reclassifications made to present them in accordance with International Financial Reporting Standards ("IFRS").

Subsequent events occurring after 31 December 2020 were evaluated through 17 February 2021, the date these Consolidated Financial Statements were authorised for issue.

Basis of measurement

The Consolidated Financial Statements are prepared on the historical cost basis except that derivative financial instruments, equity investments at fair value through other comprehensive income (OCI) and obligations under the Stock Appreciation Rights plan (SAR) are stated at fair value.

Foreign currency translation

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. In accordance with IAS 21 the Group has analysed several factors that influence the choice of functional currency and, based on this analysis, has determined the functional currency for each entity of the Group. For the majority of the entities the functional currency is the local currency of the entity.

Monetary assets and liabilities have been translated into the functional currency at the exchange rate as of the reporting date. Non-monetary assets and liabilities have been translated at historical rates. Revenues, expenses and cash flows are translated into functional currency at average rates for the period or exchange rates prevailing on the transaction dates where practicable. Gains and losses resulting from the re-measurement into functional currency are included in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

The presentation currency for the Group is the Russian Rouble. Gains and losses resulting from the re-measurement into presentation currency are included in Other Reserves line of equity in the Consolidated Statement of Financial Position.

The translation of local currency denominated assets and liabilities into functional currency for the purpose of these Consolidated Financial Statements does not indicate that the Group could realise or settle, in functional currency, the reported values of these assets and liabilities. Likewise, it does not indicate that the Group could return or distribute the reported functional currency value of capital to its shareholders.

Principles of consolidation

The Consolidated Financial Statements include the accounts of subsidiaries in which the Group has control. Control implies rights or exposure to variable returns from the involvement with the investee and the ability to affect those returns through the power over the investee. An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns. An investor is exposed, or has the rights to variable returns from its involvement with investee when the investor's return from its involvement has the potential to vary as a result of the investee's performance. The financial statements of subsidiaries are included in the Consolidated Financial Statements of the Group from the date when control commences until the date when control ceases.

In assessing control, the Group takes into consideration potential voting rights that are substantive. Investments in entities that the Group does not control, but where it has the ability to exercise significant influence over operating and financial policies or exercises joint control with another investor, are accounted for under the equity method except for investments that meet criteria of joint operations, which are accounted for on the basis of the Group's interest in the assets, liabilities, expenses and revenues of the joint operation. All other investments are classified as financial assets measured at fair value through other comprehensive income or through profit or loss.

Business combinations

The Group accounts for its business combinations according to IFRS 3 Business Combinations. The Group applies the acquisition method of accounting and recognises identifiable assets acquired and liabilities and contingent liabilities assumed in the acquiree at the acquisition date, measured at their fair values as of that date. Determining the fair value of assets acquired and liabilities assumed requires Management's judgment and often involves the use of significant estimates and assumptions. Non-controlling interest is measured at fair value (if shares of acquired company have public market price) or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets (if shares of acquired company do not have public market price).

Goodwill

Goodwill is measured by deducting the fair value net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("bargain purchase") is recognised in profit or loss, after Management identified all assets acquired and all liabilities and contingent liabilities assumed and reviewed the appropriateness of their measurement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination, are expensed as incurred.

Non-controlling interest

Ownership interests in the Group's subsidiaries held by parties other than the Group entities are presented separately in equity in the Consolidated Statement of Financial Position. The amount of consolidated net income attributable to the parent and the non-controlling interest are both presented on the face of the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

Disposals of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount of the investment to the entity recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Acquisitions from entities under common control

Business combinations involving entities under common control are accounted for by the Group using the predecessor accounting approach from the acquisition date. The Group uses predecessor carrying values for assets and liabilities, which are generally the carrying amounts of the assets and liabilities of the acquired entity from the Consolidated Financial Statements of the highest entity that has common control for which Consolidated Financial Statements are prepared. These amounts include any goodwill recorded at the consolidated level in respect of the acquired entity. When these transactions represent transactions with owners in their capacity as owners, the effect on such transactions is included in Additional paid-in capital in Equity.

Investments in associates

An associate is an entity over which the investor has significant influence. Investments in associates are accounted for using the equity method and are recognised initially at cost. The Consolidated Financial Statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Joint operations and joint ventures

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Where the Group acts as a joint operator, the Group recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

With regards to joint arrangements, where the Group acts as a joint venturer, the Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Cash and cash equivalents

Cash represents cash on hand and in bank accounts, that can be effectively withdrawn at any time without prior notice.

Cash equivalents include all highly liquid short-term investments with initial maturity within three months that can be converted to a certain cash amount and are subject to an insignificant risk of changes in value. They are initially recognised based on the cost of acquisition which approximates fair value and carried at amortised cost as are readily convertible to known amounts of cash.

The Group uses the additional highly liquid instruments for cash management that are recognised as cash equivalents:

- deposits with initial maturity more than three months if the Group has the right to early withdraw them without significant interest loss and penalties;
- cash transferred under the repurchase agreements with the maturity within one months if the risks and rewards are not transferred to the Group, cash returns at the fixed interest rate and do not linked to the securities market value;
- short-term loans issued to the parent company ("cash pooling") if the Group has the right for early redemption of loans without significant interest loss and penalties.

Non-derivative financial assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset (in the case of the financial asset not at fair value through profit or loss (FVPL)). Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The Group initially recognises financial assets on trade-date (the date on which the Group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

For assets measured at fair value gains and losses will either be recorded in profit or loss or OCI. The classification of financial assets depends on:

- the entity's business model for managing the financial assets and
- the contractual cash flow characteristics of the financial asset.

In particular, debt financial assets in the Group are usually held to obtain contractual cash flows that are solely payments of principal and interest. In rare cases, debt financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed.

Equity securities at initial recognition are usually classified as measured at fair value through other comprehensive income (FVOCI). These are strategic investments and the Group considers this classification to be more relevant.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into three measurement categories:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains / (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the Consolidated Statement of Profit or Loss and Other Comprehensive Income if material. Financial assets at amortised cost comprise trade receivables, other financial assets, cash and cash equivalents.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains / (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains / (losses) and impairment expenses are presented as separate line item in the Consolidated Statement of Profit or Loss and Other Comprehensive Income if material. The changes in fair value will no longer be reclassified to profit or loss when they are impaired or disposed. These assets are non-material for the Group.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains / (losses) in the period in which it arises. These assets are non-material for the Group.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Other equity instruments are recognised at FVPL. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as applicable. The assets are not significant for the Group.

Non-derivative financial liabilities

The Group initially recognises debt securities issued, loans and borrowings on the date that they are originated (in particular, date of bond issue or receiving of cash). Financial liabilities also include bank overdrafts, trade and other payables. These financial liabilities recognised initially on the trade date on which the Group becomes a party to the contractual provisions of the instrument. The financial liabilities are recognised initially at fair value minus (in the case of a financial liability that is not at fair value through profit or loss (FVTPL)) transaction costs that are directly attributable to issuing the financial liability. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Derivative financial instruments

Derivative instruments are recorded at fair value in the Consolidated Statement of Financial Position in either financial assets or liabilities. Realised and unrealised gains and losses are presented in profit or loss on a net basis, except for those derivatives, where hedge accounting is applied.

The estimated fair values of derivative financial instruments are determined with reference to various market information and other valuation methodologies as considered appropriate, however significant judgment is required in interpreting market data to develop these estimates. Accordingly, the estimates are not necessarily indicative of the amounts that the Group could realise in a current market situation.

Hedge accounting

The Group applies hedge accounting policy for those derivatives that are designated as a hedging instrument (commodity and interest-rate swaps).

The Group has designated only cash flow hedges – hedges against the exposure to the variability of cash flow currency exchange rates on a highly probable forecast transaction.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. Changes in the fair value of certain derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity until the forecast transaction occurs. Any ineffective portion is directly recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss on any associated hedging instrument that was reported in equity is immediately transferred to profit or loss.

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

Inventories

Inventories, consisting primarily of crude oil, refined oil products and materials and supplies are stated at the lower of cost and net realisable value. The cost of inventories is assigned on a weighted average basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Intangible assets

Goodwill that arises on the acquisition of subsidiaries is included in intangible assets (IA). Subsequently goodwill is measured at cost less accumulated impairment losses.

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment loss. Amortisation is included within depreciation, depletion and amortisation line in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Intangible assets that have limited useful lives are amortised on a straight-line basis over their useful lives. Useful lives with respect to intangible assets are determined as follows:

<u>Intangible asset group</u>	<u>Average useful life</u>
Licenses and software	1-5 years
Land rights	25 years

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and any impairment. The cost of maintenance, repairs and replacement of minor items of property, plant and equipment are expensed when incurred; renewals and improvements of assets are capitalised. Costs of turnarounds and preventive maintenance performed with respect to oil refining assets are expensed when incurred if turnaround does not involve replacement of assets or installation of new assets. Upon sale or retirement of property, plant and equipment the cost and related accumulated depreciation and impairment losses are eliminated from the accounts. Any resulting gains or losses are recorded in profit or loss.

Oil and gas properties

Exploration and evaluation assets

Acquisition costs include amounts paid for the acquisition of exploration and development licenses.

Exploration and evaluation assets include:

- Costs of topographical, geological and geophysical studies and rights of access to properties to conduct those studies that are directly attributable to exploration activity;
- Costs of carrying and retaining undeveloped properties;
- Bottom hole contribution;
- Dry hole contribution;
- Costs of drilling and equipping exploratory wells.

The costs incurred in finding, acquiring, and developing reserves are capitalised on a 'field by field' basis.

Costs of topographical, geological, and geophysical studies, rights of access to properties to conduct those studies are considered as part of oil and gas assets until it is determined that the reserves are proved and are commercially viable. On discovery of a commercially-viable mineral reserve, the capitalised costs are allocated to the discovery.

If no reserves are found, the exploration asset is tested for impairment. If extractable hydrocarbons are found then it should be subject to further appraisal activity, which may include drilling of further wells. If they are likely to be developed commercially (including dry holes), the costs continue to be carried as oil and gas asset as long as some sufficient/continued progress is being made in assessing the commerciality of the hydrocarbons. All such carried costs are subject to technical, commercial and Management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

Other exploration costs are charged to expense when incurred.

An exploration and evaluation asset is reclassified to property, plant and equipment and intangible assets when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised, before reclassification. Exploration and development licenses are classified as property, plant and equipment after transfer from exploration and evaluation assets.

Development costs

Development costs are incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing oil and gas. They include the costs of development wells to produce proved reserves as well as costs of production facilities such as lease flow lines, separators, treaters, heaters, storage tanks, improved recovery systems, and nearby gas processing facilities.

Expenditures for the construction, installation, or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells are capitalised within oil and gas assets.

Depreciation, depletion and amortisation

Depletion of acquisition and development costs of proved oil and gas properties is calculated using the unit-of-production method based on proved reserves and proved developed reserves. Acquisition costs of unproved properties are not amortised.

Depreciation and amortisation with respect to operations other than oil and gas producing activities is calculated using the straight-line method based on estimated economic lives. Depreciation rates are applied to similar types of buildings and equipment having similar economic characteristics, as shown below:

<u>Asset group</u>	<u>Average useful life</u>
Buildings and constructions	8-35 years
Machinery and equipment	8-20 years
Vehicles and other equipment	3-10 years

Catalysts and reagents mainly used in the refining operations are treated as other fixed assets.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets (including oil and gas properties) that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets. Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs eligible for capitalisation.

Impairment of non-current assets

The carrying amounts of the Group's non-current assets, other than assets arising from goodwill, inventories, long-term financial assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

Goodwill is tested for impairment annually or more frequently if impairment indicators arise. An impairment loss recognised for goodwill is not reversed in a subsequent period.

If any indication of impairment exists, the Group makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets (cash-generating units - CGUs). The carrying amount of the CGUs (including goodwill) is compared with their recoverable amount. The recoverable amount of CGUs to which goodwill is allocated is the higher of value in use and fair value less costs of disposal. Where the recoverable amount of the CGUs to which goodwill has been allocated is less than the carrying amount, an impairment loss is recognised.

An impairment loss is recognised in profit or loss. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Impairment of non-derivative financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk till the initial recognition.

For all trade receivables the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, in respect of credit risk see note 35 for further details.

To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics, type of products or services and the days past due. The Group calculates expected loss rates for trade receivables based on historical data which are a reasonable approximation of current loss rates.

The Group has the following types of financial assets that are subject to the expected credit loss model: trade receivables, debt investments carried at amortised cost and cash and cash equivalents.

The Group recognises any impairment loss and impairment loss reversal in respect of trade and other receivables in the Selling, general and administrative expenses line, and any impairment loss and impairment loss reversal in respect of loans issued and other financial assets, carried at amortised cost in the Other loss line in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Decommissioning obligations

The Group has decommissioning obligations associated with its core activities. The nature of the assets and potential obligations is as follows:

Exploration and production: the Group's activities in exploration, development and production of oil and gas in the deposits are related to the use of such assets as wells, well equipment, oil gathering and processing equipment, oil storage tanks and infield pipelines. Generally, licenses and other permissions for mineral resources extraction require certain actions to be taken by the Group in respect of liquidation of these assets after oil field closure. Such actions include well plugging and abandonment, dismantling equipment, soil recultivation, and other remediation measures. When an oil field is fully depleted, the Group will incur costs related to well retirement and associated environmental protection measures.

Refining, marketing and distribution: the Group's oil refining operations are carried out at large manufacturing facilities that have been operated for several decades. The nature of these operations is such that the ultimate date of decommissioning of any sites or facilities is unclear. Current regulatory and licensing rules do not provide for liabilities related to the liquidation of such manufacturing facilities or of retail fuel outlets. Management therefore believes that there are no legal or contractual obligations related to decommissioning or other disposal of these assets.

Management makes provision for the future costs of decommissioning oil and gas production facilities, wells, pipelines, and related support equipment and for site restoration based on the best estimates of future costs and economic lives of the oil and gas assets. Estimating future asset retirement obligations is complex and requires Management to make estimates and judgments with respect to removal obligations that will occur many years in the future. The Group applies risk-free rate adjusted for specific risks of the liability for the purpose of estimating asset retirement obligations.

Changes in the measurement of existing obligations can result from changes in estimated timing, future costs or discount rates used in valuation.

The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligation at the reporting date based on current legislation in each jurisdiction where the Group's operating assets are located, and is also subject to change because of revisions and changes in laws and regulations and their interpretation. As a result of the subjectivity of these provisions there is uncertainty regarding both the amount and estimated timing of such costs.

The estimated costs of dismantling and removing an item of property, plant and equipment are added to the cost of the item either when an item is acquired or as the item is used during a particular period. Changes in the measurement of an existing decommissioning obligation that result from changes in the estimated timing or amount of any cash outflows, or from changes in the discount rate are reflected in the cost of the related asset in the current period.

Income taxes

Currently some Group companies including PJSC Gazprom Neft exercise the option to pay taxes as a consolidated tax-payer and are subject to taxation on a consolidated basis. The majority of the Group companies do not exercise such an option and current income taxes are provided on the taxable profit of each subsidiary. Most subsidiaries are subject to the Russian Federation Tax Code, under which income taxes are payable at a rate of 20% after adjustments for certain items, that are either not deductible or not taxable for tax purposes. In some cases income tax rate could be set at lower level as a tax concession stipulated by regional legislation. Subsidiaries operating in countries other than the Russian Federation are subject to income tax at the applicable statutory rate in the country in which these entities operate.

Deferred income tax assets and liabilities are recognised in the accompanying Consolidated Financial Statements in the amounts determined by the Group using the balance sheet liability method in accordance with IAS 12 Income Taxes. This method takes into account future tax consequences attributable to temporary differences between the carrying amounts of existing assets and liabilities for the purpose of the Consolidated Financial Statements and their respective tax bases and in respect of operating loss and tax credit carry-forwards. Deferred income tax assets and liabilities are measured using the enacted tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to reverse and the assets recovered and liabilities settled. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that sufficient future taxable profit will be available against which the deductions can be utilised.

Mineral extraction tax and excise duties

Mineral extraction tax and excise duties, which are charged by the government on the volumes of oil and gas extracted or refined by the Group, are included in operating expenses. Taxes charged on volumes of goods sold are recognised as a deduction from sales.

Government grants and excise duties on crude oil materials, dark bunker fuel, middle distillates with appropriate increased deductions

The Group applies accounting policy for excise deductions and demper part that bring economic benefit to the Group by analogy to the government grants and other assistance, i.e. by deducting them from related expenses.

Additional income tax for hydrocarbon producers

Additional income tax for hydrocarbon producers (AIT) is classified as operating expense in line with the mineral extraction tax and included in the Taxes other than income tax line in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Export duties

Export duties, which are charged by the government on the volumes of crude oil and petroleum products transferred abroad by the Group, are included in operating expenses.

Share capital

Share capital represents the authorised capital of the Company, as stated in its charter document. The common shareholders are allowed one vote per share. Dividends paid to shareholders are determined by the Board of Directors and approved at the annual shareholders' meeting.

Treasury stock

Common shares of the Company owned by the Group as of the reporting date are designated as treasury shares and are recorded at cost using the weighted-average method. Gains on resale of treasury shares are credited to additional paid-in capital whereas losses are charged to additional paid-in capital to the extent that previous net gains from resale are included therein or otherwise to retained earnings.

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the Consolidated Financial Statements are authorised for issue are disclosed in the subsequent events note.

Earnings per share

Basic and diluted earnings per common share are determined by dividing the available income to common shareholders by the weighted average number of shares outstanding during the period. There are no potentially dilutive securities.

Stock-based compensation

The Group accounts for its best estimate of the obligation under cash-settled stock-appreciation rights ("SAR") granted to employees at fair value on the date of grant. The estimate of the final liability is re-measured to fair value at each reporting date and the compensation charge recognised in respect of SAR in profit or loss is adjusted accordingly. Expenses are recognised over the vesting period.

Retirement and other benefit obligations

In the normal course of business the Group contributes to the Russian Federation State pension scheme on behalf of its employees, and contributions by the employer are calculated as a percentage of current gross salary payments; such contributions are charged to expense as incurred.

The Group has also recognised defined benefit plans, which cover the majority of employees of the Group. The cost of providing post-employment benefits is accrued and charged to other employee costs and compensation included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income reflecting the cost of benefits as they are earned over the service lives of employees. Actuarial gains and losses on liabilities arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise and are included in Other reserves line of equity in the Consolidated Statement of Financial Position.

Leases

For any new contracts the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To apply this definition, the Group assessed whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset.

The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purposes the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

- The Group has the right to operate the asset; or
- The Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Variable payments are not included in the calculation of lease liability:

- payments under land lease agreements, the calculation of which depends on the cadastral value of the land plot and other coefficients established by government decrees;
- payments for utilities (including well drills) and other services, determined upon the fact of consumption;
- payments that depend on the use of the asset (per unit of volume or revenue received using the asset).

The Group applies a practical expedient and takes into account additional payments not related to the lease, but provided for by the lease agreement along with payments for right to use an asset, for all contracts except for time-charter contracts. Under time-charter contracts, the Group identifies service component not related to the right to use the asset as part of the expenses of the period if the share of such payments can be reliably determined.

The term used to measure a liability and an asset in the form of a right of use is defined as the number of days during which the Group has sufficient confidence that it will lease the asset. Any option for renewal or termination is taken into account when estimating the term. The Group considers monetary and non-monetary aspects to determine the lease term of the contract, such as business plans, past practices and economic incentives to extend or terminate the contract (the presence of inseparable improvements, etc.) and other factors that may affect management's judgment on the lease term.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets.

The Group presents right-of-use assets and lease liabilities in the separate lines in the Consolidated Statement of Financial Position.

Recognition of revenues

Revenue is an income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

The Group recognizes Revenue from sales of crude oil, petroleum products, gas and other products and services when it satisfies a performance obligation and control over goods and services is passed. For the most contracts control over goods or services passes to a customer at point of time and consideration is unconditional because only the passage of time is required before the payment is due. Specifically:

- For export contracts control generally passes to buyer on the border of the Russian Federation, the Group is not responsible for transportation,

- For domestic contracts control generally passes when products are dispatched or delivered to customer. When control passes on delivery to customer transportation is not considered as a distinct performance obligation. In most contracts when control passes on dispatch the Group is not responsible for transportation or transportation is a distinct service provided to customer within a separate contract. In case of sales of petroleum products and transportation by railway performance obligation for transportation is considered to be distinct and excluded from contract price. The Group recognizes this type of revenue within Other revenue line in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The transaction price excludes amounts collected on behalf of third parties such as value added tax and sales related tax. The Group doesn't consider export duties as a part of transaction price and includes expenses with regard to export duties within operating expenses.

Revenue is recognised net of value added tax (VAT), excise taxes calculated on revenues based on the volumes of goods sold and other similar compulsory payments.

The contract liability balance presented as advances received at the beginning of the reporting period was short-term by nature and was recognized as revenue during the period except for the balances of advances received related to the contracts with a long production cycle.

The Group applies a practical expedient which allows entity not to disclose the information of its remaining performance obligations at the end of the reporting period under contracts with a term of less than one year.

Buy / sell transactions

Purchases and sales under the same contract with a specific counterparty (buy / sell transaction) are eliminated under IFRS. The purpose of the buy-sell operation, i.e. purchase and sale of same type of products in different locations during the same reporting period from / to the same counterparty, is to optimise production capacities of the Group rather than generate profit. After elimination, any positive difference is treated as a decrease in transportation costs and any negative difference is treated as an increase in transportation costs.

Transportation costs

Transportation expenses recognised in profit or loss represent expenses incurred to transport crude oil and oil products through the PJSC "AK "Transneft" pipeline network, costs incurred to transport crude oil and oil products by maritime vessel and railway and all other shipping and handling costs.

3. Critical accounting estimates, assumptions and judgments

Preparing these Consolidated Financial Statements in accordance with IFRS requires Management to make judgements on the basis of estimates and assumptions. These judgements affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reporting period.

Management reviews the estimates and assumptions on a continuous basis, by reference to past experiences and other factors that can reasonably be used to assess the book values of assets and liabilities. Adjustments to accounting estimates are recognised in the period in which the estimate is revised if the change affects only that period or in the period of the revision and subsequent periods, if both periods are affected.

Actual results may differ from the judgements, estimates made by the Management if different assumptions or circumstances apply.

Judgments and estimates that have the most significant effect on the amounts reported in these Consolidated Financial Statements and have a risk of causing a material adjustment to the carrying amount of assets and liabilities are described below.

Impairment of non-current assets

The following are examples of impairment indicators, which are reviewed by the Management: changes in the Group's business plans, changes in oil and commodity prices leading to sustained unprofitable performance, low plant utilisation, evidence of physical damage or, for oil and gas assets, significant downward revisions of estimated reserves or increases in estimated future development expenditure or decommissioning costs. In case any of such indicators exist the Group makes an assessment of recoverable amount.

The long-term business plans (models), which are approved by the Management, are the primary source of information for the determination of value in use. They contain forecasts for oil and gas production, refinery throughputs, sales volumes for various types of refined products, revenues, costs and capital expenditure.

As an initial step in the preparation of these plans, various market assumptions, such as oil prices, refining margins, refined product margins and inflation rates, are set by the Management. These market assumptions take into account long-term oil price forecasts by the research institutions, macroeconomic factors such as inflation rate and historical trends.

In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group or CGU and are discounted to their present value using a discount rate that reflects current market assessments of the time value of money.

The spread of the coronavirus pandemic (COVID-19) and the preventive measures which led to decrease in the economic activity of market participants in 2020, as well as significant volatility in the currency, stock and commodity markets since March 2020 (including weakening of the ruble (RUB) against the US dollar (USD) and EURO (EUR)), the decrease in oil prices and its subsequent partial recovery), and the obligations to reduce oil production in accordance with OPEC+ agreement since May 2020, were considered by the Group as indications of possible impairment.

As of 31 December 2020 the Group conducted impairment testing for assets, including oil and gas assets located outside the Russian Federation, the valuation of which is most affected by changes in macroeconomic parameters that are not offset by a decrease in the ruble exchange rate (note 11). The macroeconomic factors mentioned above were taken into account when preparing business plans (models), which were used for measuring the value in use of non-current assets, including when preparing forecasts of oil production volumes, oil price dynamics, as well as when determining the discount rate.

Estimation of oil and gas reserves

Engineering estimates of oil and gas reserves are inherently uncertain and are subject to future revisions on annual basis. Effective 1 October 2020, the Group estimates its oil and gas reserves in accordance with the Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. Previously the Group estimated its oil and gas reserves in accordance with the rules promulgated by the US Securities and Exchange Commission (SEC). The change did not have a significant impact on the Group's financial position and results of operations for the fourth quarter of 2020. The Group also does not expect the significant impact of this change on the Group's financial position and results of operations in the future.

Oil and gas reserves are determined with use of certain assumptions made by the Group, for future capital and operational expenditure, estimates of oil in place, recovery factors, number of wells and cost of drilling. Accounting measures such as depreciation, depletion and amortisation charges that are based on the estimates of proved reserves are subject to change based on future changes to estimates of oil and gas reserves.

Proved reserves are defined as the estimated quantities of oil and gas which geological and engineering data demonstrate recoverability in future years from known reservoirs under existing economic conditions with reasonable certainty. In some cases, substantial new investment in additional wells and related support facilities and equipment will be required to recover such proved reserves. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change over time as additional information becomes available.

Oil and gas reserves have a direct impact on certain amounts reported in the consolidated financial statements, most notably depreciation, depletion and amortisation as well as impairment expenses. Depreciation rates on oil and gas assets using the units-of-production method for each field are based on proved developed reserves for development costs, and total proved reserves for costs associated with the acquisition of proved properties. Moreover, estimated proved reserves are used to calculate future cash flows from oil and gas properties, which serve as an indicator in determining whether or not property impairment is present.

In 2020, the macroeconomic factors mentioned above did not have significant impact on estimation of oil and gas reserves.

Useful lives of property, plant and equipment

Management assesses the useful life of an asset by considering the expected usage, estimated technical obsolescence, residual value, physical wear and tear and the operating environment in which the asset is located. Differences between such estimates and actual results may have a material impact on the amount of the carrying values of the property, plant and equipment and may result in adjustments to future depreciation rates and expenses for the period.

Contingencies

Certain conditions may exist as of the date of these Consolidated Financial Statements are issued that may result in a loss to the Group, but one that will only be realised when one or more future events occur or fail to occur. Management makes an assessment of such contingent liabilities that is based on assumptions and is a matter of judgement. In assessing loss contingencies relating to legal or tax proceedings that involve the Group or unasserted claims that may result in such proceedings, the Group, after consultation with legal and tax advisors, evaluates the perceived merits of any legal or tax proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a loss will be incurred and the amount of the liability can be estimated, then the estimated liability is accrued in the Group's Consolidated Financial Statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed. If loss contingencies can not be reasonably estimated, Management recognises the loss when information becomes available that allows a reasonable estimation to be made. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed. However, in some instances in which disclosure is not otherwise required, the Group may disclose contingent liabilities of an unusual nature which, in the judgment of Management and its legal counsel, may be of interest to shareholders or others.

Accounting for liabilities of the defined benefit pension plan

The assessment of the obligations of the defined benefit plan is based on the use of actuarial techniques and assumptions. Actual results may differ from estimates, and the Group's estimates may be adjusted in the future based on changes in the economic and financial situation. Management uses judgments on selected models, cash flows and their distribution over time, as well as other indicators, including the discount rate. The cost of future benefits is determined on the basis of actuarial techniques and assumptions.

Joint arrangements

Upon adopting IFRS 11 the Group applies judgement when assessing whether its joint arrangements represent a joint operation or a joint venture. The Group determines the type of joint arrangement in which it is involved by considering its rights and obligations arising from the arrangement including the assessment of the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances.

Acquisition of Gazprom Resource Northgas LLC

Gazprom Resource Northgas LLC is a subsidiary of the Group in which the Group holds an 18.2% share. Starting 2015 the Group has obtained control over Gazprom Resource Northgas LLC based on signed management agreement and charter documents which provided the Group with a majority of voting rights which differ from the Group's share in equity.

4. Application of amendments to the existing standards

The following amendments to the existing standards which became effective did not have any material impact on the Consolidated Financial Statements:

- Amendments to the Conceptual Framework for Financial Reporting (issued in March 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of a Business – Amendments to IFRS 3 (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of Material – Amendments to IAS 1 and IAS 8 (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued in September 2019 and effective for annual periods beginning on or after 1 January 2020);
- COVID-19-Related Rent Concessions – Amendments to IFRS 16 (issued in May 2020 and effective for annual periods beginning on or after 1 June 2020);
- Lease Incentives – Amendments to Illustrative Example 13 accompanying IFRS 16 (issued in May 2020).

5. New standards and amendments to the existing standards that are not yet effective

The following new standards and amendments to the existing standards are not expected to have any material impact on the Consolidated Financial Statements when adopted:

- IFRS 17 – Insurance Contracts (issued on 18 May 2017 and amended in June 2020, effective for annual periods beginning on or after 1 January 2023);
- Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 (issued in January 2020 and amended in July 2020, effective for annual periods beginning on or after January 2023);
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Updating References to the Conceptual Framework – Amendments to IFRS 3 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Annual Improvements to IFRS Standards 2018-2020 Cycle (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022):
 - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities – Amendments to IFRS 9;
 - Subsidiary as a First-time Adopter – Amendment to IFRS 1;
 - Taxation in Fair Value Measurements – Amendment to IAS 41;
- Interest Rate Benchmark Reform (Phase 2) – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued in August 2020 and effective for annual periods beginning on or after 1 January 2021);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued in September 2014 and effective for annual periods beginning on or after a date to be determined by IASB).

6. Cash and cash equivalents

Cash and cash equivalents as of 31 December 2020 and 31 December 2019 comprise the following:

	31 December 2020	31 December 2019
Cash on hand	509	587
Cash in bank	131,155	79,669
Bank deposits	50,356	51,485
Cash pooling to the Parent	53,813	43,912
Cash transferred under repurchase agreements	-	24,709
Other cash equivalents	1,178	2,042
Total cash and cash equivalents	237,011	202,404

7. Trade and other receivables

Trade and other receivables as of 31 December 2020 and 31 December 2019 comprise the following:

	31 December 2020	31 December 2019
Trade receivables	155,844	153,738
Other receivables	6,003	53,637
Less credit loss allowance	(2,577)	(2,103)
Total trade and other receivables	159,270	205,272

8. Inventories

Inventories as of 31 December 2020 and 31 December 2019 comprise of the following:

	31 December 2020	31 December 2019
Petroleum products and petrochemicals	52,980	62,891
Materials and supplies	39,004	34,274
Crude oil and gas	26,612	36,341
Other inventories	100,456	41,861
Less write-down	(1,638)	(1,693)
Total inventories	217,414	173,674

Other inventories are primarily comprised of work in progress, some of which relates to a single production cycle with a period of more than 12 months.

9. Other taxes receivable

Other taxes receivable as of 31 December 2020 and 31 December 2019 comprise the following:

	31 December 2020	31 December 2019
Value added tax receivable	76,652	73,387
Prepaid custom duties	3,156	21,045
Other taxes prepaid	9,976	10,486
Total other taxes receivable	89,784	104,918

10. Other current assets

Other current assets as of 31 December 2020 and 31 December 2019 comprise the following:

	31 December 2020	31 December 2019
Advances paid less allowance	29,827	40,413
Other current assets less allowance	24,127	14,639
Total other current assets, net	53,954	55,052

11. Property, plant and equipment

Movements in property, plant and equipment for the years ended 31 December 2020 and 2019 are as follows:

	Oil and Gas properties	Refining assets	Marketing and distribution	Others	Assets under constru- ction	Total
Cost						
<i>As of 1 January 2020</i>	2,321,953	402,565	216,610	28,984	644,964	3,615,076
Additions	4,542	8,720	-	-	455,109	468,371
Changes in decommissioning obligations	17,321	-	-	-	-	17,321
Capitalised borrowing costs	-	-	-	-	31,189	31,189
Transfers	218,073	160,716	18,554	5,434	(402,777)	-
Internal movement	(16,713)	(4,496)	6,030	(654)	15,833	-
Disposal in result of subsidiary sale	(526)	-	-	-	(4,983)	(5,509)
Disposals	(17,293)	(4,962)	(2,515)	(1,755)	(4,894)	(31,419)
Foreign currency translation	100,124	22,937	19,406	749	19,069	162,285
<i>As of 31 December 2020</i>	2,627,481	585,480	258,085	32,758	753,510	4,257,314
Depreciation, depletion and impairment						
<i>As of 1 January 2020</i>	(913,986)	(137,323)	(83,984)	(10,445)	-	(1,145,738)
Depreciation and depletion charge	(153,951)	(21,563)	(15,482)	(3,939)	-	(194,935)
Impairment	(8,859)	-	-	-	-	(8,859)
Internal movement	(189)	1,738	(1,593)	44	-	-
Disposals	4,351	3,004	1,805	1,755	-	10,915
Foreign currency translation	(54,856)	(8,865)	(7,130)	(469)	-	(71,320)
<i>As of 31 December 2020</i>	(1,127,490)	(163,009)	(106,384)	(13,054)	-	(1,409,937)
Net book value						
<i>As of 1 January 2020</i>	1,407,967	265,242	132,626	18,539	644,964	2,469,338
<i>As of 31 December 2020</i>	1,499,991	422,471	151,701	19,704	753,510	2,847,377

Capitalised borrowing costs for the year ended 31 December 2020 include interest expense in the amount of RUB 28.8 billion and exchange losses arising from currency borrowing in the amount of RUB 2.4 billion (RUB 29.0 billion and 1.2 RUB billion for the year ended 31 December 2019, respectively).

During the year ended 2020, the Group identified indicators of impairment in relation to upstream oil and gas assets in foreign regions and performed the impairment test for such assets (no impairment were recognised as of 31 December 2019). The impairment loss is included in Depreciation, depletion and amortisation line item in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. In assessing the possible impairment, the carrying amount is compared with the estimated value in use.

Gazprom Neft Group
Notes to the Consolidated Financial Statements
with Independent Auditor's Report
as of and for the year ended 31 December 2020
in millions of Russian Rubles (unless otherwise stated)

	Oil and Gas properties	Refining assets	Marketing and distribution	Others	Assets under construction	Total
Cost						
As of 31 December 2018	2,084,208	387,099	237,386	27,658	655,772	3,392,123
Effect of changes in accounting policies	(124)	-	(27,145)	-	-	(27,269)
As of 1 January 2019	2,084,084	387,099	210,241	27,658	655,772	3,364,854
Additions	9,014	5,225	-	-	433,655	447,894
Acquisitions through business combinations	221	-	-	-	-	221
Changes in decommissioning obligations	37,259	-	-	-	-	37,259
Capitalised borrowing costs	-	-	-	-	30,230	30,230
Transfers	266,344	24,166	18,575	5,144	(314,229)	-
Internal movement	(5,891)	(323)	249	(2,533)	8,498	-
Disposals	(15,049)	(4,481)	(2,904)	(960)	(161,266)	(184,660)
Foreign currency translation	(54,029)	(9,121)	(9,551)	(325)	(7,696)	(80,722)
As of 31 December 2019	2,321,953	402,565	216,610	28,984	644,964	3,615,076
Depreciation, depletion and impairment						
As of 31 December 2018	(815,875)	(125,189)	(75,809)	(9,181)	-	(1,026,054)
Effect of changes in accounting policies	14	-	1,772	-	-	1,786
As of 1 January 2019	(815,861)	(125,189)	(74,037)	(9,181)	-	(1,024,268)
Depreciation and depletion charge	(130,316)	(18,309)	(14,811)	(3,026)	-	(166,462)
Internal movement	90	13	(717)	614	-	-
Disposals	3,132	2,943	1,925	960	-	8,960
Foreign currency translation	28,969	3,219	3,656	188	-	36,032
As of 31 December 2019	(913,986)	(137,323)	(83,984)	(10,445)	-	(1,145,738)
Net book value						
As of 1 January 2019	1,268,223	261,910	136,204	18,477	655,772	2,340,586
As of 31 December 2019	1,407,967	265,242	132,626	18,539	644,964	2,469,338

Capitalisation rate for the borrowing costs related to the acquisition of property, plant and equipment equals to 6% for the year ended 31 December 2020 (7% for the year ended 31 December 2019).

The information regarding Group's exploration and evaluation assets (part of oil and gas properties) is presented below:

	2020	2019
Net book value as of 1 January	145,466	114,286
Additions	41,283	49,969
Unsuccessful exploration expenditures derecognised	(3,002)	(4,969)
Transfer to proved property	(2,015)	(4,240)
Disposal in result of subsidiary sale	(2,581)	-
Disposals	(6,194)	(4,857)
Foreign currency translation	5,198	(4,723)
Net book value as of 31 December	178,155	145,466

12. Right-of-use assets

Movements in right-of-use assets for the years ended 31 December 2020 and 2019 are as follows:

	Vessels and other vehicles	Land, buildings and premises	Total
Net book value as of 1 January 2020	72,146	6,927	79,073
Additions	581	2,781	3,362
Modification and remeasurement	(50)	21	(29)
Depreciation charge	(7,811)	(2,318)	(10,129)
Foreign currency translation	116	401	517
Net book value as of 31 December 2020	64,982	7,812	72,794
	Vessels and other vehicles	Land, buildings and premises	Total
Net book value as of 1 January 2019	62,455	6,568	69,023
Additions	16,189	2,047	18,236
Modification and remeasurement	(127)	434	307
Depreciation charge	(6,371)	(2,030)	(8,401)
Foreign currency translation	-	(92)	(92)
Net book value as of 31 December 2019	72,146	6,927	79,073

From lease liabilities the Group has excluded expenses related to variable lease payments and payments under short-term lease contracts in the amount of RUB 18.5 billion for the year ended 31 December 2020 (RUB 15.3 billion for the year ended 31 December 2019). The cash outflow from such contracts does not differ significantly from the amount of expenses.

Total cash outflow for leases equals RUB 17.7 billion for the year ended 31 December 2020 and does not include variable lease payments, payments under short-term contracts and payments for non-lease component (RUB 14.8 billion for the year ended 31 December 2019).

13. Goodwill and other intangible assets

The information regarding movements in Group's intangible assets is presented below:

Cost	Goodwill	Software	Land rights	Other IA	Total
As of 1 January 2020	34,388	40,064	16,617	36,052	127,121
Additions	-	1,747	19	24,045	25,811
Internal movement	-	2,753	1	(2,754)	-
Disposals	-	(771)	-	(397)	(1,168)
Foreign currency translation	6,207	2,391	120	389	9,107
As of 31 December 2020	40,595	46,184	16,757	57,335	160,871
Amortisation and impairment					
As of 1 January 2020	(197)	(25,782)	(6,896)	(5,626)	(38,501)
Amortisation charge	-	(6,395)	(647)	(1,103)	(8,145)
Internal movement	-	2,614	-	(2,614)	-
Disposals	-	666	-	201	867
Foreign currency translation	(81)	(1,994)	-	(252)	(2,327)
As of 31 December 2020	(278)	(30,891)	(7,543)	(9,394)	(48,106)
Net book value					
As of 1 January 2020	34,191	14,282	9,721	30,426	88,620
As of 31 December 2020	40,317	15,293	9,214	47,941	112,765

Cost	Goodwill	Software	Land rights	Other IA	Total
As of 1 January 2019	37,027	40,679	16,794	21,583	116,083
Additions	-	1,729	-	17,483	19,212
Internal movement	-	(570)	(23)	593	-
Disposals	-	(792)	(92)	(3,401)	(4,285)
Foreign currency translation	(2,639)	(982)	(62)	(206)	(3,889)
As of 31 December 2019	34,388	40,064	16,617	36,052	127,121
Amortisation and impairment					
As of 1 January 2019	(234)	(22,098)	(6,256)	(7,356)	(35,944)
Amortisation charge	-	(5,235)	(663)	(1,051)	(6,949)
Internal movement	-	(18)	21	(3)	-
Disposals	-	742	-	2,662	3,404
Foreign currency translation	37	827	2	122	988
As of 31 December 2019	(197)	(25,782)	(6,896)	(5,626)	(38,501)
Net book value					
As of 1 January 2019	36,793	18,581	10,538	14,227	80,139
As of 31 December 2019	34,191	14,282	9,721	30,426	88,620

Goodwill acquired through business combinations has been allocated to Upstream and Downstream in the amounts of RUB 33.1 billion and RUB 7.2 billion as of 31 December 2020 (RUB 27.3 billion and RUB 6.9 billion as of 31 December 2019).

The Group has performed impairment test for CGUs to which goodwill related. In assessing whether goodwill has been impaired, the carrying amount is compared with the estimated value in use.

The value in use is determined as the discounted net cash flows based on the forecasts of oil prices and production quantities based on reserve report and confirmed long-term strategic plans. The forecasting period for determining the value in use is in line with the management assumptions for long-term planning and does not exceed the useful life of assets different from goodwill and included in the CGUs.

Key assumptions applied to the calculation of value in use:

- **The discount rate** calculation is based on the Company's weighted average cost of capital adjusted to reflect after-tax discount rate ranged from 7.08-7.97% per annum in 2020 (for the 2019: 7.88%-8.68% per annum in real terms);
- **Oil prices** are based on the available forecasts from globally recognized research institutions such as Wood Mackenzie, Platts/PIRA, Energy Group and others;
- **The estimated annual RSD / USD exchange rate** was forecasted as RSD 109.09 and **the estimated average annual RUB / USD exchange rate** was forecasted as follows:

2021	2022	2023	Average for 2024-2025	Average for 2026-2039	2040 onwards
68.50	59.50	58.40	59.00	57.68	59.20

- **Estimated production volumes** were based on detailed data for the fields and refineries and the field development plans and refineries utilization rates approved by management through the long-term planning process were taken into account.

Goodwill was tested for impairment and no impairment was identified.

14. Investments in associates and joint ventures

The carrying values of the investments in associates and joint ventures as of 31 December 2020 and 31 December 2019 are summarised below:

		Ownership percentage	31 December 2020	31 December 2019
Arcticgas	Joint venture	50.0	160,312	136,262
Slavneft	Joint venture	49.9	136,935	136,792
Messoyakha	Joint venture	50.0	44,387	45,350
Northgas	Joint venture	50.0	12,008	10,307
Others			23,906	12,404
Total investments in associates and joint ventures			377,548	341,115

The principal place of business of associates and the most significant joint ventures disclosed above is the Russian Federation.

Arcticgas

JSC Arctic Gas Company (Arcticgas) is developing oil and gas condensate fields located in the Yamalo-Nenets Autonomous Area of the Russian Federation. The control over Arcticgas is divided equally between the Group and PJSC NOVATEK.

During the year ended 31 December 2020, Arcticgas declared and paid dividends in the total amount of RUB 20.5 billion, of which RUB 10.25 billion is attributable to the Group (RUB 92.0 billion and RUB 46.0 billion for the year ended 31 December 2019 accordingly).

Slavneft

PJSC NGK Slavneft and its subsidiaries (Slavneft) are engaged in exploration, production and development of crude oil and gas and production of refined petroleum products in the Russian Federation. The control over Slavneft is divided equally between the Group and PJSC NK Rosneft.

Northgas

CJSC Northgas (Northgas) is engaged in development of the Severo-Urengoykoye natural gas field. The Group's investment in Northgas is held through LLC Gazprom Resource Northgas which is controlled by the Group and owns a 50% share in Northgas. The control over Northgas is divided equally between the Group and PJSC NOVATEK.

During the year ended 31 December 2019, Northgas declared and paid dividends in the total amount of RUB 1.1 billion, of which RUB 0.6 billion is attributable to the Group.

Messoyakha

JSC Messoyakhaneftegaz (Messoyakha) is developing the Vostochno-Messoyakhskoye and Zapadno-Messoyakhskoye oil and gas condensate fields. The control over Messoyakha is divided equally between the Group and PJSC NK Rosneft.

During the year ended 31 December 2020, Messoyakha declared and paid dividends in the total amount of RUB 20.0 billion, of which RUB 10.0 billion is attributable to the Group (RUB 34.6 billion and RUB 17.3 billion for the year ended 31 December 2019 accordingly).

The summarised financial information for the significant joint ventures as of 31 December 2020 and 31 December 2019 and for the years ended 31 December 2020 and 2019 is presented in the tables below:

31 December 2020	Arcticgas	Slavneft	Messoyakha	Northgas
Cash and cash equivalents	6,123	2,281	3	81
Other current assets	38,757	47,779	31,522	2,526
Non-current assets	391,809	482,409	197,014	41,730
Current financial liabilities	(44,445)	(52,151)	(29,381)	(6,629)
Other current liabilities	(20,376)	(27,605)	(8,711)	(1,297)
Non-current financial liabilities	(30,000)	(118,591)	(85,323)	(3,880)
Other non-current liabilities	(45,570)	(68,327)	(16,772)	(7,139)
Net assets	296,298	265,795	88,352	25,392

31 December 2019	Arcticgas	Slavneft	Messoyakha	Northgas
Cash and cash equivalents	2,978	2,771	2	1,267
Other current assets	34,148	97,774	26,122	3,358
Non-current assets	382,236	428,919	195,568	41,368
Current financial liabilities	(42,499)	(48,343)	(103,883)	(6,243)
Other current liabilities	(12,080)	(40,050)	(10,958)	(1,892)
Non-current financial liabilities	(66,197)	(122,010)	-	(9,701)
Other non-current liabilities	(50,394)	(53,648)	(16,576)	(6,170)
Net assets	248,192	265,413	90,275	21,987

Year ended 31 December 2020	Arcticgas	Slavneft	Messoyakha	Northgas
Revenue	171,095	175,013	97,554	15,293
Depreciation, depletion and amortisation	(23,844)	(37,327)	(30,971)	(1,851)
Finance income	352	113	-	72
Finance expense	(5,192)	(12,618)	(8,045)	(819)
Total income tax (expense) / gain	(7,137)	451	(9,642)	(866)
Profit for the period	68,601	449	18,077	3,399
Total comprehensive income for the period	68,601	420	18,076	3,399

Year ended 31 December 2019	Arcticgas	Slavneft	Messoyakha	Northgas
Revenue	196,395	316,084	141,449	21,136
Depreciation, depletion and amortisation	(22,428)	(39,084)	(27,920)	(2,202)
Finance income	1,214	545	5	161
Finance expense	(8,520)	(12,562)	(12,278)	(1,600)
Total income tax expense	(15,866)	(8,644)	(10,878)	(1,559)
Profit for the period	79,696	24,732	51,632	6,179
Total comprehensive income for the period	79,696	24,212	51,632	6,179

Others

In November 2020 the Group completed deal on disposal of subsidiary interest equal to 50% of share capital of Gazpromneft-Aero Bryansk LLC to third parties. In result of the deal the Group maintained the joint control with the third party over the entity. The remaining share was recognized as investment in joint venture at fair value.

The aggregate carrying amount of all individually immaterial associates and joint ventures as well as the Group's share of those associates' and joint ventures' profit or loss and other comprehensive income are not significant for both reporting dates and periods.

15. Joint operations

Under IFRS 11 Joint Arrangements the Group assessed the nature of its 50% share in joint arrangements and determined investments in JSC Tomskneft VNC (Tomskneft) and Salym Petroleum Development N.V. (SPD) as Joint operations. Tomskneft and SPD are engaged in production of oil and gas in the Russian Federation and all of the production is required to be sold to the parties of the joint arrangement (that is, the Group and its partners).

16. Long-term financial assets

Long-term financial assets as of 31 December 2020 and 31 December 2019 comprise the following:

	31 December 2020	31 December 2019
Long-term loans issued	6,009	9,919
Equity investments measured at fair value through OCI	1,504	1,562
Deposits with original maturity more than 1 year	-	93
Less expected credit loss allowance	(1,628)	(537)
Total long-term financial assets	5,885	11,037

17. Deferred income tax assets and liabilities

Recognised deferred tax assets and liabilities in the Consolidated Financial Statements are attributable to the following:

As of 31 December 2020	Assets	Liabilities	Net
Property, plant and equipment	2,889	(196,739)	(193,850)
Intangible assets	107	(4,380)	(4,273)
Investments	3,160	58	3,218
Inventories	1,689	(1,333)	356
Trade and other receivables	3,142	(23)	3,119
Long-term and short-term debt	-	(216)	(216)
Provisions	23,773	(47)	23,726
Tax loss carry-forwards	28,782	-	28,782
Lease	18,758	(14,071)	4,687
Other	5,344	(2,802)	2,542
Net-off	(54,217)	54,217	-
Total deferred income tax assets / (liabilities)	33,427	(165,336)	(131,909)
As of 31 December 2019			
Property, plant and equipment	3,097	(169,189)	(166,092)
Intangible assets	1	(3,783)	(3,782)
Investments	1,512	(23)	1,489
Inventories	595	(2,877)	(2,282)
Trade and other receivables	1,777	(1)	1,776
Long-term and short-term debt	19	(189)	(170)
Provisions	16,180	(47)	16,133
Tax loss carry-forwards	18,880	(1)	18,879
Finance lease	2,107	-	2,107
Other	8,127	(5,946)	2,181
Net-off	(33,803)	33,803	-
Total deferred income tax assets / (liabilities)	18,492	(148,253)	(129,761)

Movements in temporary differences during the period:

	As of 1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	Other	As of 31 December 2020
Property, plant and equipment	(166,092)	(25,070)	(2,603)	(85)	(193,850)
Intangible assets	(3,782)	(491)	-	-	(4,273)
Investments	1,489	1,858	(129)	-	3,218
Inventories	(2,282)	2,638	-	-	356
Trade and other receivables	1,776	1,161	182	-	3,119
Loans and borrowings	(170)	(47)	1	-	(216)
Provisions	16,133	7,424	166	3	23,726
Tax loss carry-forwards	18,879	9,812	91	-	28,782
Lease	2,107	2,580	-	-	4,687
Other	2,181	133	219	9	2,542
Total deferred income tax assets / (liabilities)	(129,761)	(2)	(2,073)	(73)	(131,909)

	As of 1 January 2019	Recognised in profit or loss	Recognised in other comprehensive income	Other	As of 31 December 2019
Property, plant and equipment	(145,580)	(33,770)	8,409	4,849	(166,092)
Intangible assets	(3,875)	93	-	-	(3,782)
Investments	506	1,063	(80)	-	1,489
Inventories	(855)	(1,427)	-	-	(2,282)
Trade and other receivables	2,580	(746)	(58)	-	1,776
Loans and borrowings	(286)	116	-	-	(170)
Provisions	5,812	10,401	(80)	-	16,133
Tax loss carry-forwards	24,387	(5,499)	(9)	-	18,879
Lease	-	(2,042)	-	4,149	2,107
Finance lease	5,264	-	-	(5,264)	-
Other	3,726	(1,433)	(112)	-	2,181
Total deferred income tax assets / (liabilities)	(108,321)	(33,244)	8,070	3,734	(129,761)

18. Other non-current assets

Other non-current assets are primarily comprised of advances provided on capital expenditures (RUB 41.7 billion and RUB 44.9 billion as of 31 December 2020 and 31 December 2019, respectively).

19. Short-term debt and current portion of long-term debt

As of 31 December 2020 and 31 December 2019 the Group has short-term debt and current portion of long-term debt outstanding as follows:

	31 December 2020	31 December 2019
Current portion of long-term debt	44,634	14,317
Bank loans	-	14,981
Other borrowings	1,061	900
Total short-term debt and current portion of long-term debt	45,695	30,198

20. Trade and other payables

Trade and other payables as of 31 December 2020 and 31 December 2019 comprise the following:

	31 December 2020	31 December 2019
Trade accounts payable	307,997	279,985
Dividends payable	26,694	2,362
Commodity and interest-rate swaps - cash flow hedge	265	-
Other accounts payable	19,959	25,092
Total trade and other payables	354,915	307,439

Other accounts payable are partly represented by the short-term part of a liability to PJSC Gazprom for assets related to the Prirazlomnoye project.

21. Other current liabilities

Other current liabilities as of 31 December 2020 and 31 December 2019 comprise the following:

	31 December 2020	31 December 2019
Advances received	193,880	26,219
Payables to employees	24,025	3,896
Other non-financial payables	16,485	10,626
Total other current liabilities	234,390	40,741

Other current liabilities are primarily comprised of advances received, that contain a significant financing component determined based on the discount rate that would have been applied to a separate financing transaction between the Group and customers at the contract conclusion time and relate to a single production cycle with a period of more than 12 months. Revenue will be recognised at contract completion in 2022.

The amount of unsatisfied performance obligations excluding the financing component equals RUB 192.7 billion and RUB 119.9 billion as of 31 December 2020 and as of 31 December 2019, respectively.

22. Other taxes payable

Other taxes payable as of 31 December 2020 and 31 December 2019 comprise the following:

	31 December 2020	31 December 2019
VAT	47,040	32,098
Mineral extraction tax	26,925	32,849
Excise tax	15,653	14,558
Social security contributions (social taxes)	8,124	7,868
Property tax	3,085	2,591
Additional income tax for hydrocarbon producers	2,896	3,954
Other taxes	1,925	2,483
Total other taxes payable	105,648	96,401

Tax expenses other than income tax expense for the years ended 31 December 2020 and 2019 comprise the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Mineral extraction tax	291,715	464,773
Excise tax	210,349	70,125
Additional income tax for hydrocarbon producers	29,296	14,348
Social security contributions (social taxes)	27,997	25,707
Property tax	13,563	12,580
Other taxes	4,470	3,660
Total taxes other than income tax	577,390	591,193

23. Provisions and other accrued liabilities

Movements in provisions and other accrued liabilities for the years ended 31 December 2020 and 2019 is below:

	Decommissioning provision	Other	Total
Carrying amount as of 1 January 2019	59,630	27,605	87,235
<i>Short-term part</i>	1,771	18,272	20,043
<i>Long-term part</i>	57,859	9,333	67,192
New obligation incurred	10,074	19,122	29,196
Utilisation of provision / accrual	(2,444)	(2,082)	(4,526)
Change in estimates	28,856	-	28,856
Unwind of discount	4,083	-	4,083
Foreign currency translation	(1,146)	(953)	(2,099)
Carrying amount as of 31 December 2019	99,053	43,692	142,745
<i>Short-term part</i>	2,550	21,191	23,741
<i>Long-term part</i>	96,503	22,501	119,004
New obligation incurred	9,701	11,674	21,375
Utilisation of provision / accrual	(3,042)	(22,306)	(25,348)
Change in estimates	9,320	-	9,320
Unwind of discount	5,940	-	5,940
Foreign currency translation	3,586	1,039	4,625
Carrying amount as of 31 December 2020	124,558	34,099	158,657
<i>Short-term part</i>	2,673	28,124	30,797
<i>Long-term part</i>	121,885	5,975	127,860

Change in estimates was mainly caused by revision of discount and inflation rates.

Other provisions and accrued liabilities are primarily comprised of accruals for the bonuses to employees, post-employment benefits provisions, legal proceedings.

24. Long-term debt

As of 31 December 2020 and 31 December 2019 the Group has long-term outstanding debt as follows:

	31 December 2020	31 December 2019
Bank loans	352,827	335,690
Loan participation notes	223,083	186,775
Bonds	199,061	168,918
Other borrowings	8,193	7,964
Less current portion of long-term debt	(44,634)	(14,317)
Total long-term debt	738,530	685,030

Bank loans

In September 2018 the Group borrowed RUB 10.0 billion under long-term facility agreement with Alfa-Bank due payable in September 2023. In February 2020 the Group performed pre-scheduled final principal repayment in the total amount of RUB 10.0 billion.

In February 2019 the Group performed pre-scheduled final principal repayment in the total amount of USD 249.1 million (RUB 16.4 billion) under the Club term loan facility with the syndicate of international banks (facility agent – Mizuho).

In July 2012 the Group signed an ECA-covered term loan facility with the group of international banks (facility agent HSBC) with a final maturity date in December 2022. In June 2019 and December 2019 the Group performed a partial principal repayment in the total amount of EUR 25.8 million (RUB 1.8 billion) according to the payment schedule. In June 2020 and December 2020 the Group performed a partial principal repayment in the total amount of EUR 25.8 million (RUB 2.2 billion) according to the payment schedule.

In the first half 2015 the Group signed several long-term facility agreements with one of the Russian banks with maturity date in August 2019. In February and April 2019 the Group performed pre-scheduled principal repayment in the total amount of USD 202.4 million (RUB 13.3 billion) and USD 496.0 million (RUB 31.9 billion) respectively. The loan is fully repaid as of 31 December 2019.

In December 2018 the Group borrowed RUB 30.0 billion and in January 2019 RUB 20.0 billion under a long-term facility agreement with one of the Russian banks. In December 2019 the Group performed a pre-scheduled final repayment in the total amount.

In February 2019 the Group borrowed EUR 400.0 million (RUB 29.9 billion) under a long-term facility agreement due payable in February 2024. In July 2019 the Group performed pre-scheduled final repayment in to total amount.

In July 2019 the Group borrowed EUR 200.0 million (RUB 14.4 billion) under a long-term facility agreement. In February 2020 the Group borrowed EUR 150.0 million (RUB 10.3 billion) under a long-term facility agreement. The long-term facility agreement is due payable in February 2025.

In September 2019 the Group borrowed RUB 5.0 billion under a long-term facility agreement due payable in September 2024.

In December 2019 the Group borrowed RUB 10.0 billion under a long-term facility agreement due payable in December 2022. In February 2020 the Group performed pre-scheduled final principal repayment in the total amount of RUB 10.0 billion.

In December 2019 the Group borrowed RUB 15.0 billion under long-term facility agreement due payable in December 2024. In July 2020 the Group borrowed RUB 15.0 billion under long-term facility agreement due payable in February 2025.

In December 2019 the Group borrowed RUB 30.0 billion under a long-term facility agreement with one of the Russian banks due payable in December 2022. In July and August 2020 the Group performed pre-scheduled final principal repayment in the total amount of RUB 30.0 billion.

In June-July 2018 the Group signed several long-term facility agreements. In September, November and December 2019 the Group performed pre-scheduled partial principal repayment in the total amount of RUB 70.0 billion. The long-term facility agreements are due payable in August – December 2026.

In December 2020 the Group borrowed RUB 33.0 billion under a long-term facility agreement with one of the Russian banks due payable in February 2025.

The loan agreements contain financial covenant that limits the Group's ratio of "Consolidated financial indebtedness to Consolidated EBITDA". The Group is in compliance with all covenants as of 31 December 2020 and 31 December 2019 and during the year ended 31 December 2020.

Bonds

In June 2016 the Group placed Ruble bonds (BO-03 series) with the total par value of RUB 10.0 billion. In June 2019 the bond holders exercised the put option on Ruble bonds (BO-03 series) with the 100% par value in amount of RUB 8.8 billion.

In November 2019 the Group placed five-year Ruble bonds (003P-01R series) with the total par value of RUB 25.0 billion. The bonds bear interest of 6.85% per annum. The issue has a two-year call option, allowing the early redemption of the bonds at the Group's decision.

In December 2019 the Group placed ten-year Ruble bonds (003P-02R series) with the total par value of RUB 20.0 billion. The bonds bear interest of 7.15% per annum.

In February 2020 the Group placed five-year Ruble bonds (003P-03R series) with the total par value of RUB 10.0 billion. The bonds bear interest of 6.20% per annum.

In December 2020 the Group placed four-year Ruble bonds (003P-04R series) with the total par value of RUB 20.0 billion. The bonds bear interest of 4.75% per annum for the 1st coupon period and the floating rate for coupon periods since the 2nd to the 16th is the Bank of Russia key rate plus 0.50%.

Loan participation notes

On September 2012 the Group has drawn USD 1.5 billion (RUB 46.3 billion) financed by 10 years Loan Participation Notes (LPN) (Series 1 Issue) with 4.375% coupon to be paid semi-annually at par. On November 2013 the Group has drawn USD 1.5 billion (RUB 49.4 billion) financed by 10 years Loan Participation Notes (LPN) (Series 3 Issue) with 6.0% coupon to be paid semi-annually at par.

Outstanding amount under LPN 31 December 2020 is USD 3.0 billion (RUB 223.1 billion).

25. Other non-current financial liabilities

Other non-current financial liabilities as of 31 December 2020 and 31 December 2019 comprise the following:

	31 December 2020	31 December 2019
Deferred consideration	17,554	20,269
Commodity and interest-rate swaps - cash flow hedge	347	1,230
Other liabilities	223	5
Total other non-current financial liabilities	18,124	21,504

Deferred consideration represents a liability to PJSC Gazprom for assets relating to the Prirazlomnoye project. Payments of the principal amount of the liability are presented as financing activities in the Repayment of long-term borrowings line in the Consolidated Statement of Cash Flows.

26. Other non-current liabilities

Other non-current liabilities are primarily comprised of advances received (RUB 76.4 billion and RUB 48.0 billion as of 31 December 2020 and 31 December 2019, respectively). The contract obligations will be carried out from 2021 to 2025 according to the schedule. All contracts are concluded on the market conditions.

27. Share capital and treasury shares

Share capital as of 31 December 2020 and 2019 comprise the following:

	Ordinary shares		Treasury shares	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Number of shares (million)	4,741	4,741	23	23
Authorised shares (million)	4,741	4,741	23	23
Par value (RUB per share)	0.0016	0.0016	0.0016	0.0016
On issue as of 31 December, fully paid (RUB million)	8	8	(1,170)	(1,170)

The nominal value of share capital differs from its carrying value due to the effect of inflation.

On 18 December 2020 the general shareholders' meeting of PJSC Gazprom Neft approved a dividend on the ordinary shares for the nine months ended 30 September 2020 in the amount of RUB 5.00 per share.

On 11 June 2020 the general shareholders' meeting of PJSC Gazprom Neft approved a dividend on the ordinary shares for 2019 in the amount of RUB 37.96 per share including an interim dividend on the ordinary shares in the amount of RUB 18.14 per share.

On 2 October 2019 the general shareholders' meeting of PJSC Gazprom Neft approved an interim dividend on the ordinary shares for the six months ended 30 June 2019 in the amount of RUB 18.14 per share.

On 14 June 2019 the general shareholders' meeting of PJSC Gazprom Neft approved a dividend on the ordinary shares for 2018 in the amount of RUB 30.00 per share including an interim dividend on the ordinary shares in the amount of RUB 22.05 per share.

28. Employee costs

Employee costs for the years ended 31 December 2020 and 2019 comprise the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Wages and salaries	99,494	92,475
Other costs and compensations	10,629	18,130
Total employee costs	110,123	110,605
Social security contributions (social taxes)	28,186	25,707
Total employee costs (with social taxes)	138,309	136,312

29. Other loss, net

Other loss, net for the years ended 31 December 2020 and 2019 comprise the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Disposal of intangible assets, property, plant and equipment	(8,272)	(11,679)
Other loss, net	(460)	(11,613)
Total other loss, net	(8,732)	(23,292)

30. Net foreign exchange (loss) / gain

The net foreign exchange (loss) / gain for the years ended 31 December 2020 and 2019 comprises the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Net foreign exchange (loss) / gain on financing activities, including	(58,849)	32,846
foreign exchange gain	10,482	43,499
foreign exchange loss	(69,331)	(10,653)
Net foreign exchange gain / (loss) on operating activities	35,195	(22,328)
Net foreign exchange (loss) / gain	(23,654)	10,518

31. Finance income

Finance income for the years ended 31 December 2020 and 2019 comprise the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Interest income on cash and cash equivalents	7,199	14,798
Interest on bank deposits	218	2,286
Interest income on loans issued	460	728
Other financial income	3,501	5,094
Total finance income	11,378	22,906

32. Finance expense

Finance expense for the years ended 31 December 2020 and 2019 comprises the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Interest expense	51,600	57,689
Decommissioning provision: unwinding of discount	5,940	4,083
Less capitalised interest	(28,794)	(29,000)
Total finance expense	28,746	32,772

Interest expense includes expenses on lease liabilities in the amount of RUB 6.4 billion for the year ended 31 December 2020, respectively (RUB 5.8 billion for the year ended 31 December 2019, respectively).

33. Income tax expense

The Group's applicable income tax rate for the companies located in the Russian Federation is 20%.

	Year ended 31 December 2020		Year ended 31 December 2019	
	RUB million	%	RUB million	%
Total income tax expense including share of tax of associates and joint ventures	32,053	20	104,652	20
Profit before income tax excluding share of profit before tax of associates and joint ventures	95,424	-	423,928	-
Profit before income tax of associates and joint ventures	57,264	-	102,808	-
Profit before income tax	152,688	-	526,736	-
Tax at applicable domestic tax rate (20%)	30,538	20	105,347	20
Effect of tax rates in foreign jurisdictions	3,322	2	538	-
Difference in statutory tax rate in domestic entities	(4,088)	(3)	(9,335)	(2)
Non-deductible and deductible items (including Intragroup)	4,098	3	7,837	1
Adjustment for prior years	(1,838)	-	(1,137)	1
Change in tax rate	(3)	-	1,341	-
Foreign exchange loss of foreign non-operating units	24	-	61	-
Total income tax expense including share of tax of associates and joint ventures	32,053	21	104,652	20

Reconciliation of effective tax rate:

	Year ended 31 December 2020	Year ended 31 December 2019
Current income tax expense		
Current year	24,394	54,020
Adjustment for prior years	(1,559)	(1,518)
	22,835	52,502
Deferred income tax expense		
Origination and reversal of temporary differences	5	31,903
Change in tax rate	(3)	1,341
	2	33,244
Total income tax expense	22,837	85,746
Share of tax of associates and joint ventures	9,216	18,906
Total income tax expense including share of tax of associates and joint ventures	32,053	104,652

34. Cash flow hedges

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the fair value of the related hedging instrument:

	Fair value	Less than 6 month	From 6 to 12 months	From 1 to 3 years	Over 3 years
As of 31 December 2020					
Commodity and interest-rate swaps					
Liabilities	(696)	(123)	(123)	(450)	-
Total	(696)	(123)	(123)	(450)	-
As of 31 December 2019					
Commodity and interest-rate swaps					
Liabilities	(1,094)	-	-	(1,094)	-
Total	(1,094)	-	-	(1,094)	-

As of 31 December 2020 and 2019 the Group has outstanding forward currency exchange contracts and interest rate swaps for a total notional value of RUB 5.2 billion and RUB 6.5 billion respectively. During the year ended 31 December 2020 loss in the amount of RUB 400 million was reclassified from equity to net foreign exchange (loss) / gain in the Consolidated Statement of Profit or Loss and Other Comprehensive Income (RUB 576 million for the year ended 31 December 2019).

The impact of foreign exchange cash flow hedges recognized in other comprehensive income is set out below:

	2020			2019		
	Before income tax	Income tax	Net of tax	Before income tax	Income tax	Net of tax
Total recognised in other comprehensive (loss) / income as of the beginning of the period	(1,094)	218	(876)	(1,493)	298	(1,195)
Foreign exchange effects recognised during the period	53	(49)	4	(177)	35	(142)
Recycled to Net foreign exchange gain / (loss) on operating activities	400	(80)	320	576	(115)	461
Total recognised in other comprehensive income / (loss) for the period	453	(129)	324	399	(80)	319
Total recognised in other comprehensive (loss) / income as of the closing of the period	(641)	89	(552)	(1,094)	218	(876)

The accumulated foreign exchange loss will be reclassified from other comprehensive income / (loss) to profit and loss in 2022.

The Group uses an estimation of the fair value of forward currency exchange contracts prepared by independent financial institutes. Valuation results are regularly reviewed by the Management. No significant ineffectiveness occurred during the reporting period.

35. Financial risk management

Risk Management Framework

Gazprom Neft Group has a risk management and internal control policy that defines the goals and principles of risk management and internal control in order to make the Group's business more secure in both the short and the long term.

The Group's goal in risk management and internal control is to provide reasonable assurance that Group's business goals can be achieved and appropriate control framework over Group's economic activity is implemented.

The Group's risk management assumes that risk analysis and mitigation methods are applied in all key corporate business processes. Responsibility for risk management and risk reporting is assigned considering linear and functional subordination as well as the level of risk impact. This approach allows to manage responsibility for risks and as a result to provide continuous risk monitoring at all level of management.

Financial Risk Management

Management of the Group's financial risks is the responsibility of employees acting within their respective professional spheres. The Group's Financial Risk Management Panel defines a uniform approach to financial risk management at the Company and its subsidiaries. Activities performed by the Group's employees and the Financial Risk Management Panel minimise potential financial losses and help to achieve corporate targets.

In the normal course of its operations the Group has exposure to the following financial risks:

- market risk (including currency risk, interest rate risk and commodity price risk);
- credit risk; and
- liquidity risk.

Market risk

Currency Risk

The Group is exposed to currency risk primarily on borrowings that are denominated in currencies other than the respective functional currencies of Group entities, which are primarily the local currencies of the Group companies, for instance the Russian Rouble for companies operating in Russia. The currencies in which these borrowings are denominated in are mainly USD and EUR.

The Group's currency exchange risk is considerably mitigated by its foreign currency assets and liabilities: the current structure of revenues and liabilities acts as a hedging mechanism with opposite cash flows offsetting each other. The Group applies hedge accounting to manage volatility in profit or loss with its cash flows in foreign currency.

The carrying amounts of the Group's financial instruments by currencies they are denominated in are as follows:

As of 31 December 2020

	Russian Rouble	USD	EURO	Serbian dinar	Other currencies
Financial assets					
<i>Current</i>					
Cash and cash equivalents	170,698	51,198	8,505	3,373	3,237
Bank deposits	131	-	-	-	-
Loans issued	870	-	-	2	-
Trade and other financial receivables	83,002	50,522	9,764	14,352	1,630
<i>Non-current</i>					
Trade and other financial receivables	376	-	59	-	-
Loans issued	4,813	-	-	-	-
Equity investments at fair value through	1,010	-	-	62	-
Financial liabilities					
Current					
<i>Short-term debt</i>	(36,274)	(2,000)	(7,381)	-	(40)
Trade and other financial payables	(319,430)	(17,255)	(7,298)	(8,927)	(1,740)
Forward exchange contracts	(265)	-	-	-	-
Current lease liabilities	(1,974)	(9,165)	(285)	(12)	(197)
<i>Non-current</i>					
<i>Long-term debt</i>	(388,676)	(221,721)	(128,007)	-	(126)
Forward exchange contracts	(347)	-	-	-	-
Non-current lease liabilities	(4,004)	(78,044)	(953)	(11)	(684)
Other non-current financial liabilities	(17,111)	-	(660)	-	(6)
Net exposure	(507,181)	(226,465)	(126,256)	8,839	2,074

As of 31 December 2019

	Russian Rouble	USD	EURO	Serbian dinar	Other currencies
Financial assets					
<i>Current</i>					
Cash and cash equivalents	135,688	51,483	6,393	4,153	4,687
Bank deposits	15,076	-	-	-	-
Loans issued	4,829	-	-	1	-
Trade and other financial receivables	114,570	74,023	1,276	13,486	1,917
<i>Non-current</i>					
Trade and other financial receivables	696	-	133	-	-
Bank deposits	13	-	78	2	-
Loans issued	9,919	-	-	-	-
Equity investments at fair value through OCI	978	-	-	47	-
Financial liabilities					
<i>Current</i>					
Short-term debt	(26,031)	(1,673)	(2,467)	-	(27)
Trade and other financial payables	(264,299)	(19,830)	(4,506)	(16,765)	(2,039)
Current lease liability	(1,795)	(7,919)	(112)	-	(101)
<i>Non-current</i>					
Long-term debt	(406,858)	(185,819)	(92,223)	-	(130)
Forward exchange contracts	(136)	(1,094)	-	-	-
Non-current lease liabilities	(3,555)	(73,465)	(466)	-	(382)
Other non-current financial liabilities	(20,271)	-	-	-	(3)
Net exposure	(441,176)	(164,294)	(91,894)	924	3,922

The following exchange rates applied during the period:

	Reporting date spot rate	
	31 December 2020	31 December 2019
USD 1	73.88	61.91
EUR 1	90.68	69.34
RSD 1	0.78	0.59

Sensitivity analysis

The Group has chosen to provide information about market and potential exposure to hypothetical gain / (loss) from its use of financial instruments through sensitivity analysis disclosures.

The sensitivity analysis shown in the table below reflects the hypothetical effect on the Group's financial instruments and the resulting hypothetical changes in the Group's profit or loss and equity that would occur assuming change in closing exchange rates and no changes in the portfolio of investments and other variables at the reporting dates.

	<u>Changes in the Group's profit or loss and equity</u>
31 December 2020	
USD/RUB (20% increase)	(50,781)
EUR/RUB (20% increase)	(25,421)
RSD/RUB (20% increase)	5
31 December 2019	
USD/RUB (20% increase)	(40,655)
EUR/RUB (20% increase)	(18,581)
RSD/RUB (20% increase)	(454)

Decrease in the exchange rates will have the same effect in the amount, but the opposite effect on Equity and Profit or loss of the Group.

Interest Rate Risk

Part of the Group's borrowings is at variable interest rates (linked to the Euribor or key rate of the Bank of Russia). To mitigate the risk of unfavourable changes in the Euribor rates, the Group's treasury function monitors interest rates in debt markets and based on it decides whether it is necessary to hedge interest rates or to obtain financing on a fixed-rate or variable-rate basis.

Changes in interest rates primarily affect debt by changing either its fair value (fixed rate debt) or its future cash flows (variable rate debt). However, at the time of any new debts Management uses its judgment and information about current/expected interest rates on the debt markets to decide whether it believes fixed or variable rate (in aggregate with other conditions) would be more favourable.

The interest rate profiles of the Group are presented below:

	<u>Carrying amount</u>	
	<u>31 December 2020</u>	<u>31 December 2019</u>
Fixed rate instruments		
Financial assets	242,827	232,322
Financial liabilities	(588,611)	(678,476)
	<u>(345,784)</u>	<u>(446,154)</u>
Variable rate instruments		
Financial liabilities	(290,943)	(124,547)
	<u>(290,943)</u>	<u>(124,547)</u>

Cash flow sensitivity analysis for variable rate instruments

The Group's financial results and equity are sensitive to changes in interest rates. If the interest rates applicable to floating debt increase by 100 basis points (bp) at the reporting dates, assuming all other variables remain constant, it is estimated that the Group's profit before taxation will change by the amounts shown below:

	<u>Profit / (loss)</u>
31 December 2020	
Increase by 100 bp	(2,909)
31 December 2019	
Increase by 100 bp	(1,245)

A decrease by 100 bp in the interest rates will have the same effect in the amount, but the opposite effect on Profit or loss of the Group.

Commodity Price Risk

The Group's financial performance relates directly to prices for crude oil and petroleum products. The Group is unable to fully control the prices of its products, which depend on the balance of supply and demand on global and domestic markets for crude oil and petroleum products, and on the actions of supervisory agencies.

The Group's business planning system calculates different scenarios for key performance factors depending on global oil prices. This approach enables Management to adjust cost by reducing or rescheduling investment programs and other mechanisms. Such activities help to decrease risks to an acceptable level.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and in connection with investment securities.

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at FVOCI, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

The Group is exposed to credit risk due to sales with deferred payment terms which are usual and customary in the market. There is risk of non-timely receipt of payments for crude oil and petroleum products (risk of tiding up of working capital) and risk of default of counterparty.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions. The Group's trade and other receivables relate to a large number of customers, spread across diverse industries and geographical areas. The Group has taken a number of steps to manage credit risk, including: counterparty solvency evaluation; individual credit limits and payment conditions depending on each counterparty's financial situation; controlling advance payments; controlling accounts receivable by lines of business, etc.

The carrying amount of financial assets represents the maximum credit exposure.

Trade and Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty.

Credit limit is established for each customer individually as maximum amount of credit risk taking into account a number of characteristics, such as:

- financial statements of the counterparty;
- history of relationships with the Group;
- credit profile of the customer;
- duration of relationships with the Group, including ageing profile.

The compliance with credit limits by oil products customers is automatically controlled.

As a rule, an excess of receivables over approved credit limit is secured by either bank guarantee, letter of credit from a bank, pledge or third party guarantee.

The Group regularly assesses the credit quality of trade and other receivables taking into account analysis of ageing profile of receivables and duration of relationships with the Group. To assess whether there is a significant increase in credit risk the Group compares the solvency data occurring as at the reporting date with the same data as at the date of initial recognition. The Group considers available reasonable and supportable forwarding-looking information.

The Management believes that not impaired trade and other receivables are fully recoverable.

The Group recognises an allowance for impairment that represents its best estimate of incurred losses in respect of trade and other receivables.

Trade receivables representing due from customers in the ordinary course of business are short-term by nature and do not contain the significant financial component. Lifetime expected credit loss estimation is equal 12-months measure. The Group makes forward looking information adjustment, if changes between prior year macroparameters' level and its forecast for next 12 months are significant.

Estimated provision matrixes have been prepared for separate portfolios of receivables, homogeneous in terms of credit risk. Types of products sold, geographical specificity of distributional channels, ageing period of receivables and other factors were taken into account to separate individual portfolios.

As of 31 December 2020 and 2019, the ageing analysis of financial receivables is as follows:

	Gross	Impairment	Gross	Impairment
	31 December	31 December	31 December	31 December
	2020	2020	2019	2019
Not past due	154,611	(15)	196,040	(101)
Past due 0 - 30 days	736	(20)	4,280	(1)
Past due 31 - 90 days	110	(4)	3,021	(5)
Past due 91 - 180 days	102	(14)	1,667	(10)
Past due 181 - 365 days	3,112	(278)	127	(23)
Past due more than 1 year	3,611	(2,246)	3,069	(1,963)
	162,282	(2,577)	208,204	(2,103)

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade and other receivables.

The movements in the credit loss allowance for impairment in respect of trade and other receivables during the period was as follows:

	2020	2019
Balance at the beginning of the period	2,103	2,430
Increase during the year	572	201
Amounts written off against receivables	36	(40)
Decrease due to reversal	(527)	(182)
Reclassification to other lines	-	(79)
Other movements	(32)	(30)
Foreign currency translation	425	(197)
Balance at the end of the period	2,577	2,103

Other current assets

The movements in the allowance for impairment in respect of other current assets during the period was as follows:

	2020	2019
Balance at the beginning of the period	1,850	11,727
Increase during the year	146	827
Amounts written off against receivables	(17)	(10,499)
Decrease due to reversal	(55)	(227)
Reclassification to other lines	-	83
Other movements	(2)	(7)
Foreign currency translation	95	(54)
Balance at the end of the period	2,017	1,850

Investments

In relation to investments in securities, the Group limits its exposure to credit risk mainly by investing in liquid financial instruments. Management actively monitors credit ratings and does not expect any counterparty to fail to meet its obligations.

In relation to loans issued, the Group limits its exposure to credit risk mainly by granting loans to the joint ventures the activities of which are jointly controlled by the Group and other participants. The Group assesses the credit ratings of the participants of joint ventures to measure the expected credit losses for loans issued to the joint ventures.

The movements in the allowance for impairment in respect of loans issued during the period was as follows:

	2020	2019
Balance at the beginning of the period	368	-
Increase during the year	5,816	368
Amounts written off against loans issued	(368)	-
Balance at the end of the period	5,816	368

The Group does not have any loans issued measured at amortized cost that were past due but not impaired as of 31 December 2020.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Investment-grade	Non-investment grade	Without rating	Total
As of 31 December 2020				
Cash and cash equivalents	150,525	60,382	26,104	237,011
Short-term loans issued	-	-	5,518	5,518
Less loss allowance for short-term financial assets	-	-	(4,646)	(4,646)
Deposits with original maturity more than 3 months less than 1 year	3	-	128	131
Long-terms loans issued	-	-	5,983	5,983
Less loss allowance for long-term financial assets	-	-	(1,170)	(1,170)
As of 31 December 2019				
Cash and cash equivalents	82,848	87,992	31,564	202,404
Short-term loans issued	-	-	5,198	5,198
Less loss allowance for short-term financial assets	-	-	(368)	(368)
Deposits with original maturity more than 3 months less than 1 year	-	15,039	37	15,076
Deposits with original maturity more than 1 year	-	-	93	93
Long-terms loans issued	-	-	9,919	9,919
Less loss allowance for long-term financial assets	-	-	-	-

The Group uses lifetime expected credit loss approach to measure expected credit losses for most of its financial assets.

As of 31 December 2020 and 2019 no significant credit loss allowance for impairment in respect of these assets was recognized.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity and monitoring liquidity risks is to ensure that sufficient financial resources (including cash position and available unused credit facilities) are maintained and available to meet upcoming liabilities under normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount	Contractual cash flows	Less than 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Over 5 years
As of 31 December 2020							
Bank loans	352,827	414,312	8,667	13,111	83,303	166,709	142,522
Bonds	199,061	245,958	17,080	21,818	51,580	129,774	25,706
Loan Participation Notes	223,083	250,915	5,634	5,634	122,191	117,456	-
Other borrowings	9,254	10,778	7,471	374	438	1,013	1,482
Other non-current financial	17,777	18,754	13	-	14,557	4,184	-
Lease liabilities	95,329	126,265	8,714	8,554	15,438	40,973	52,587
Trade and other payables	354,915	354,915	335,257	16,424	153	3,069	12
	1,252,246	1,421,897	382,836	65,915	287,660	463,178	222,309
As of 31 December 2019							
Bank loans	350,671	416,818	25,975	10,945	27,395	350,166	2,338
Bonds	168,918	222,472	6,414	6,414	62,450	120,061	27,132
Loan Participation Notes	186,775	220,194	4,818	4,818	9,635	200,924	-
Other borrowings	8,864	9,328	6,538	485	265	650	1,390
Other non-current financial	20,274	32,724	-	-	3	30,175	2,547
Lease liabilities	87,795	118,841	7,724	7,586	14,017	36,030	53,483
Trade and other payables	307,439	307,439	282,108	14,785	10,513	10	22
	1,130,736	1,327,816	333,577	45,033	124,278	738,016	86,912

Reconciliation of liabilities arising from financing activities

The table below sets out the movements in the Group's liabilities from financing activities for each of the years presented. The items of these liabilities are those that are reported as financing in the Consolidated Statement of Cash Flows:

	Short-term and long-term debt	Lease	Other liabilities from financing activities	Total
As of 1 January 2020	715,228	87,795	46,025	849,048
Cash flows, including:	(41,025)	(17,717)	(121,538)	(180,280)
<i>Proceeds from borrowings</i>	118,305	-	-	118,305
<i>Repayment of borrowings</i>	(118,327)	-	(11,074)	(129,401)
<i>Repayment of lease liabilities</i>	-	(11,326)	-	(11,326)
<i>Interest paid</i>	(40,414)	(6,391)	(8,613)	(55,418)
<i>Transaction costs directly attributable to the borrowings received</i>	(589)	-	-	(589)
<i>Dividends paid</i>	-	-	(101,851)	(101,851)
Finance expense	40,703	6,391	3,085	50,179
Dividends declared	-	-	125,238	125,238
Changes in fair values, cash flow hedge	-	-	(244)	(244)
Gain on foreign exchange differences	55,894	15,402	-	71,296
Foreign currency translation	13,574	473	945	14,992
Additions under IFRS 16	-	2,985	-	2,985
Other non-cash movements	(149)	-	6,078	5,929
As of 31 December 2020	784,225	95,329	59,589	939,143

	Short-term and long-term debt	Financial lease / Lease	Other liabilities from financing activities	Total
As of 1 January 2019	775,453	25,483	163,571	964,507
Cash flows, including:	(67,643)	(14,961)	(253,173)	(335,777)
<i>Proceeds from borrowings</i>	258,963	-	-	258,963
<i>Repayment of borrowings</i>	(280,878)	-	(11,501)	(292,379)
<i>Repayment of finance lease liabilities</i>	-	(9,200)	-	(9,200)
<i>Interest paid</i>	(45,353)	(5,761)	(7,943)	(59,057)
<i>Transaction costs directly attributable to the borrowings received</i>	(375)	-	-	(375)
<i>Dividends paid</i>	-	-	(233,729)	(233,729)
Finance expense	45,827	5,761	4,679	56,267
Dividends declared	-	-	129,707	129,707
Changes in fair values, cash flow hedge	-	-	(177)	(177)
Gain on foreign exchange differences	(33,279)	(8,945)	-	(42,224)
Foreign currency translation	(5,591)	(122)	(329)	(6,042)
Implementation of IFRS 16	-	62,223	-	62,223
Additions under IFRS 16	-	18,369	-	18,369
Other non-cash movements	461	(13)	1,747	2,195
As of 31 December 2019	715,228	87,795	46,025	849,048

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide sufficient return for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the Group may revise its investment program, attract new or repay existing loans or sell certain non-core assets.

On the Group level capital is monitored on the basis of the net debt to EBITDA ratio and return on the capital on the basis of return on average capital employed ratio (ROACE). Net debt to EBITDA ratio is calculated as net debt divided by EBITDA. Net debt is calculated as total debt, which includes long and short term loans, less cash and cash equivalents and short term deposits. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortisation, foreign exchange gain (loss), other non-operating expenses and includes the Group's share of profit of equity accounted investments. ROACE is calculated in general as Operating profit adjusted for income tax expense divided by the average for the period figure of Capital Employed. Capital Employed is defined as total equity plus net debt.

The Group's net debt to EBITDA ratios at of 31 December 2020 and 2019 and return on average capital employed for years ended 31 December 2020 and 2019 were as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Long-term debt	738,530	685,030
Short-term debt and current portion of long-term debt	45,695	30,198
Less: cash, cash equivalents and deposits	(237,142)	(217,480)
Net debt	547,083	497,748
Total EBITDA	415,375	711,846
Net debt to EBITDA ratio at the end of the reporting period	1.3	0.7
Operating profit	145,177	446,568
Operating profit adjusted for income tax expense	110,433	356,243
less share of profit of associates and joint ventures	48,047	83,906
Average capital employed	2,759,977	2,615,316
ROACE	5.7%	16.8%

There were no changes in the Group's approach to capital management during the period.

Fair value measurement

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

The different levels of fair value hierarchy have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following assets and liabilities are measured at fair value in the Group's Consolidated Financial Statements: derivative financial instruments, equity investments and Stock Appreciation Rights plan (SARs).

Derivative financial instruments and SARs refer to Level 2 of the fair value measurement hierarchy, i.e. their fair value is determined on the basis of inputs that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices). Equity investments represented by unlisted equity securities and refer to Level 3 of the fair value measurement hierarchy. The Group determines fair value for unlisted equity securities considering different scenarios of future capital distributions for such investments. There were no significant changes in fair values for the reporting period. There were no transfers between the levels of the fair value hierarchy during the years ended 31 December 2020 and 2019. There are no significant assets or liabilities measured at fair value categorised within Level 1 or Level 3 of the fair value hierarchy. The fair value of the foreign exchange contracts is determined by using forward exchange rates at the reporting date with the resulting value discounted back to present value.

As of 31 December 2020 the fair value of bonds and loan participation notes is RUB 443.1 billion (RUB 371.4 billion as of 31 December 2019). The fair value is derived from quotations in active market from external source of financial information and related to Level 1 of the fair value hierarchy. The carrying value of other financial assets and liabilities measured at amortised cost approximates their fair value. The fair values were calculated based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

The table below analyses derivative financial instruments carried at fair value, which refer to Level 2 of the fair value hierarchy.

	<u>Level 2</u>
As of 31 December 2020	
Commodity and interest-rate swaps	(696)
Total liabilities	(696)
As of 31 December 2019	
Commodity and interest-rate swaps	(1,094)
Total liabilities	(1,094)

The Company implements a cash-settled stock appreciation rights (SAR) compensation plan. The plan forms part of the long term growth strategy of the Group and is designed to reward Management for increasing shareholder value over a specified period. Shareholder value is measured by reference to the Group's market capitalisation. The plan is open to selected Management provided certain service conditions are met. The awards are fair valued at each reporting date. The awards are subject to certain market and service conditions that determine the amount that may ultimately be accrued to eligible employees. The expense recognised is based on the vesting period.

The fair value of the liability under the plan is estimated using the Black-Scholes-Merton option-pricing model by reference primarily to the Group's share price, historic volatility in the share price, dividend yield and interest rates for periods comparable to the remaining life of the award. Any changes in the estimated fair value of the liability award will be recognised in the period the change occurs subject to the vesting period. During the reporting period there were no changes in conditions for SAR compensation plan.

The following assumptions are used in the Black-Scholes-Merton model as of 31 December 2020 and 2019:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Volatility	5.8%	3.9%
Risk-free interest rate	4.5%	5.6%
Dividend yield	15.4%	11.9%

In the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the years ended 31 December 2020 and 2019 the Group accrued expenses related to SAR provision due to the growth in the value of Company's shares in the amount of RUB 394 million and RUB 8,111 million, respectively. This expense is presented within selling, general and administrative expenses. In the Consolidated Statement of Financial Position as of 31 December 2020 and 31 December 2019 the Group recognised accrued liability in amount of RUB 13,159 million and RUB 12,764 million, respectively.

36. Commitments and contingencies

Taxes

Russian tax and customs legislation is subject to frequent changes and varying interpretations. The management's treatment of such legislation as applied to the transactions and activities of the Group, including calculation of taxes payable to federal, regional and municipal budgets, may be challenged by the relevant authorities. The Russian tax authorities may take a more assertive position in their treatment of legislation and assessments, and there is a risk that transactions and activities that have not been challenged in the past may be challenged later. As a result, additional taxes, penalties and interest may be accrued. Generally, taxpayers are subject to tax audits for a period of three calendar years immediately preceding the year in which the decision to carry out a tax audit was taken. Under certain circumstances tax audits may cover longer periods. The years 2018-2020 are currently open for tax audit. The management believes it has adequately provided for any probable additional tax accruals that might arise from these tax audits.

Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. This legislation provides for the possibility of additional tax assessments for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's-length basis.

Compliance of the prices of the Group's controllable transactions with related parties with the transfer pricing rules is subject to regular internal control. The management believes that the transfer pricing documentation that the Group has prepared to confirm its compliance with the transfer pricing rules provides sufficient evidence to support the Group's tax positions and related tax returns. In addition, in order to mitigate potential risks, the Group regularly negotiates with tax authorities to enter into advance pricing agreements. Twenty-five agreements regarding major intercompany transactions were concluded in 2012-2020.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While the management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Economic environment in the Russian Federation

The Group operates primarily in the Russian Federation and is therefore exposed to risks related to the state of the economy and financial markets of the Russian Federation. The Russian economy is significantly affected by world oil and gas prices; therefore, a significant prolonged decline in oil prices has a negative impact on the Russian economy. The Russian economy was growing in 2017-2019, after overcoming the economic recession of 2015 and 2016. The development of the coronavirus pandemic (COVID-19) in 2020 and the measures taken in this regard to prevent the spread of coronavirus infection led, among other factors, to a sharp decline in oil prices and the weakening of the Russian ruble. The situation in the financial markets remains unstable. This operating environment has a significant impact on the Group's operations and financial position.

The management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and the management's current expectations and estimates could differ from actual results.

In 2014 the U.S., the EU and certain other countries imposed sanctions on the Russian energy sector that partially apply to the Group. The information on the main restrictions related to the sanctions was disclosed in the Consolidated Financial Statements as of and for the year ended 31 December 2014. In August 2018 the U.S. signed an act to impose further sanctions against the Russian Federation. The Group assessed that the new sanctions do not have a significant impact on its activity.

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its potential obligations under environmental regulation. The management is of the opinion that the Group has met the government's requirements concerning environmental matters, and therefore the Group does not have any material environmental liabilities.

Capital commitments

As of 31 December 2020 the Group has entered into contracts to purchase property, plant and equipment for RUB 654.6 billion (RUB 523.4 billion as of 31 December 2019).

37. Group entities

The most significant subsidiaries of the Group and the ownership interest are presented below:

Subsidiary	Country of incorporation	Ownership interest	
		31 December 2020	31 December 2019
Exploration and Production			
JSC Gazpromneft-NNG	Russian Federation	100%	100%
Gazpromneft-Orenburg LLC	Russian Federation	100%	100%
Gazprom Neft Shelf LLC	Russian Federation	100%	100%
Gazpromneft-Khantos LLC	Russian Federation	100%	100%
Gazpromneft-Yamal LLC	Russian Federation	90%	90%
JSC Uzhuralneftegaz	Russian Federation	87.5%	87.5%
Gazpromneft-Vostok LLC	Russian Federation	51%	51%
Gazpromneft-Salym LLC	Russian Federation	51%	100%
Gazprom Resource Northgas LLC	Russian Federation	18.2%	18.2%
Refining			
JSC Gazpromneft Omsk Refinery	Russian Federation	100%	100%
JSC Gazpromneft Moscow Refinery	Russian Federation	100%	100%
Marketing			
Gazpromneft-Centre LLC	Russian Federation	100%	100%
Gazpromneft Regional Sales LLC	Russian Federation	100%	100%
JSC Gazpromneft-Aero	Russian Federation	100%	100%
Gazpromneft Marin Bunker LLC	Russian Federation	100%	100%
Gazpromneft Corporate Sales LLC	Russian Federation	100%	100%
Gazprom Neft Trading GmbH	Austria	100%	100%
Other Operations			
Gazpromneft-Lubricants LLC	Russian Federation	100%	100%
Gazpromneft-Bitumen Materials LLC	Russian Federation	100%	100%
Gazpromneft NTC LLC	Russian Federation	100%	100%
GPN-Finance LLC	Russian Federation	100%	100%
GPN-Invest LLC	Russian Federation	100%	100%
Gazpromneft Shipping LLC	Russian Federation	100%	100%
Multibusiness companies			
Naftna industrija Srbije A.D. (NIS)	Serbia	56.2%	56.2%

The following table summarises the information relating to the non-controlling interest of Naftna industrija Srbije A.D. and its subsidiaries, Gazpromneft-Vostok LLC, Gazpromneft-Yamal LLC, Gazprom Resource Northgas LLC and Gazpromneft-Salym LLC. The carrying amount of non-controlling interests of all other subsidiaries is not significant individually.

	Carrying amount of non-controlling interest		(Loss) / Profit for the period attributable to non-controlling interest	
	31 December 2020	31 December 2019	Year ended 31 December 2020	Year ended 31 December 2019
Naftna industrija Srbije A.D. and its subsidiaries	100,764	79,636	(3,301)	4,144
Gazpromneft-Vostok LLC	21,946	24,938	(1,522)	2,232
Gazpromneft-Yamal LLC	28,845	28,300	5,744	11,820
Gazprom Resource Northgas LLC	20,171	21,493	1,768	3,119
Gazpromneft-Salym LLC	450	-	(18)	-

The table below summarises financial information for Naftna industrija Srbije A.D. and its subsidiaries, Gazpromneft-Vostok LLC, Gazpromneft-Yamal LLC, Gazprom Resource Northgas LLC and Gazpromneft-Salym LLC as of 31 December 2020 and 2019 and for the years ended 31 December 2020 and 2019:

31 December 2020

	Naftna industrija Srbije A.D. and its subsidiaries	Gazpromneft-Vostok LLC	Gazpromneft-Yamal LLC	Gazprom Resource Northgas LLC	Gazpromneft-Salym LLC
Current assets	50,576	8,824	124,884	16,438	99
Non-current assets	317,934	60,821	380,294	8,230	2,045
Current liabilities	(45,430)	(5,593)	(107,551)	(9)	(1,069)
Non-current liabilities	(68,313)	(19,263)	(109,179)	-	(156)

31 December 2019

	Naftna industrija Srbije A.D. and its subsidiaries	Gazpromneft-Vostok LLC	Gazpromneft-Yamal LLC	Gazprom Resource Northgas LLC	Gazpromneft-Salym LLC
Current assets	57,323	10,718	111,923	15,981	47
Non-current assets	241,009	64,206	363,111	10,307	223
Current liabilities	(38,463)	(5,565)	(26,991)	(13)	(266)
Non-current liabilities	(59,218)	(18,465)	(165,043)	-	(1)

	Naftna industrija Srbije A.D. and its subsidiaries	Gazpromneft-Vostok LLC	Gazpromneft-Yamal LLC	Gazprom Resource Northgas LLC	Gazpromneft-Salym LLC
Year ended 31 December 2020					
Revenue	230,804	26,108	169,817	-	-
(Loss) / profit	(7,513)	(3,106)	57,445	2,161	(37)
Total comprehensive income / (loss)	50,934	(3,106)	57,445	2,161	(37)
Year ended 31 December 2019					
Revenue	258,908	34,851	240,878	-	-
Profit	9,460	4,556	118,198	3,813	1
Total comprehensive (loss) / income	(14,617)	4,556	118,198	3,813	1

The table below summarises net cash flows information for Naftna industrija Srbije A.D. and its subsidiaries, Gazpromneft-Vostok LLC, Gazpromneft-Yamal LLC, Gazprom Resource Northgas LLC and Gazpromneft-Salym LLC for the years ended 31 December 2020 and 2019:

	Naftna industrija Srbije A.D. and its subsidiaries	Gazpromneft- Vostok LLC	Gazpromneft- Yamal LLC	Gazprom Resource Northgas LLC	Gazpromneft- Salym LLC
Net Cash Flows					
Year ended 31 December 2020	(3,314)	(1,476)	(6,435)	457	(22)
Year ended 31 December 2019	(1,771)	(416)	6,791	1,265	-

Dividends paid in 2020 by Gazpromneft-Yamal LLC to the non-controlling share comprised RUB 5.1 billion (RUB 3.0 billion in 2019).

Dividends paid in 2020 by Gazpromneft-Vostok LLC to the non-controlling share comprised RUB 1.5 billion (RUB 1.5 billion in 2019).

Dividends paid in 2020 by Naftna industrija Srbije A.D. to the non-controlling share comprised RUB 1.3 billion (RUB 1.8 billion in 2019).

38. Related party transactions

For the purpose of these Consolidated Financial Statements parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operational 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 Group enters into transactions with related parties based on market or regulated prices. Short-term and long-term loans provided as well as debt are based on market conditions available for not related entities.

The Group has applied the exemption as allowed by IAS 24 Related Party Disclosures not to disclose all government-related transactions, as the parent of the Company is effectively being a government controlled entity. In the course of its ordinary business the Group enters into transactions with natural monopolies, transportation companies and other government-related entities. Such purchases and sales are individually insignificant and are generally entered into on market or regulated prices. Transactions with the state also include taxes which are detailed in notes 9, 22 and 33.

The tables below summarise transactions in the ordinary course of business with either the parent company or the parent's subsidiaries and associates or associates and joint ventures of the Group.

As of 31 December 2020 and 31 December 2019 the outstanding balances with related parties were as follows:

31 December 2020	The Parent	Parent's subsidiaries and associates	Associates and joint ventures
Cash and cash equivalents	53,813	40,848	-
Short-term financial assets	-	600	265
Trade and other receivables	35,071	13,754	9,603
Other current assets	273	5,726	1,636
Long-term trade and other receivables	-	-	-
Long-term financial assets	-	443	4,935
Other non-current assets	-	1,190	-
Total assets	89,157	62,561	16,439
Short-term debt and other current financial liabilities	-	-	153
Trade and other payables	38,383	19,278	89,022
Other current liabilities	84,420	307	164
Long-term debt and other non-current financial liabilities	16,894	-	-
Total liabilities	139,697	19,585	89,339

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31 December 2019

	The Parent	Parent's subsidiaries and associates	Associates and joint ventures
Cash and cash equivalents	43,912	67,811	-
Short-term financial assets	-	-	4,455
Trade and other receivables	67,564	12,381	11,456
Other current assets	120	4,476	1,737
Long-term financial assets	-	443	9,897
Other non-current assets	-	595	-
Total assets	111,596	85,706	27,545
Short-term debt and other current financial liabilities	-	-	278
Trade and other payables	22,346	3,683	146,493
Other current liabilities	2	360	265
Long-term debt and other non-current financial liabilities	20,269	20,000	-
Other non-current liabilities	35,007	-	-
Total liabilities	77,624	24,043	147,036

As of 31 December 2020 and 2019 trade and other payables to associates and joint ventures are primarily comprised of payables to joint ventures that are due to financial agents in accordance with factoring agreements concluded between joint ventures and financial agencies.

During the years ended 31 December 2020 and 2019 the following transactions occurred with related parties:

Year ended 31 December 2020

	The Parent	Parent's subsidiaries and associates	Associates and joint ventures
Crude oil, gas and petroleum products sales	130	71,704	31,334
Other revenue	8,958	1,377	9,118
Purchases of crude oil, gas and petroleum products	-	50,560	131,381
Production-related services	417	36,634	21,078
Transportation costs	3,133	3,762	13,726
Interest expense	3,085	1,096	10
Interest income	4,651	2,390	488
Other loss	6	1,576	2,815

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Year ended 31 December 2019	The Parent	Parent's subsidiaries and associates	Associates and joint ventures
Crude oil, gas and petroleum products sales	90	92,950	57,741
Other revenue	19,790	2,702	6,886
Purchases of crude oil, gas and petroleum products	-	34,379	228,711
Production-related services	215	30,867	24,954
Transportation costs	2,146	2,460	11,614
Interest expense	4,679	2,069	35
Interest income	6,571	5,098	694

During 2020 the Group has accrued dividends in the total amounts of RUB 117.1 billion to the parent company (during 2019: RUB 123.0 billion).

Transactions with Key Management Personnel

For the years ended 31 December 2020 and 2019 remuneration of key management personnel (members of the Board of Directors and the Management Committee) such as salary and other contributions amounted to RUB 2,130 million and RUB 3,599 million, respectively. Key management remuneration includes salaries, bonuses, quarterly accruals of SAR and other contributions.

39. Segment information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

The Group manages its operations in two operating segments: Upstream and Downstream.

The Upstream segment (exploration and production) includes the following Group operations: exploration, development, production and sale of crude oil and natural gas (including the results of joint ventures), and oil field services. The Downstream segment (refining and marketing) processes crude into refined products and purchases, sells and transports crude oil and refined petroleum products.

The information about the Group's operating segments for the years ended 31 December 2020 and 2019 is presented below:

Year ended 31 December 2020	Upstream	Downstream	Eliminations	Total
Revenue from sales:				
External customers	34,012	1,965,608	-	1,999,620
Inter-segment	933,107	32,726	(965,833)	-
Total revenue from sales	967,119	1,998,334	(965,833)	1,999,620
Adjusted EBITDA	419,928	65,275	-	485,203
Depreciation, depletion and amortisation	168,144	54,007	-	222,151
Impairment of assets	12,924	-	-	12,924
Capital expenditure	289,471	159,741	-	449,212
Year ended 31 December 2019	Upstream	Downstream	Eliminations	Total
Revenue from sales:				
External customers	148,883	2,336,425	-	2,485,308
Inter-segment	1,027,079	31,796	(1,058,875)	-
Total revenue from sales	1,175,962	2,368,221	(1,058,875)	2,485,308
Adjusted EBITDA	640,931	154,198	-	795,129
Depreciation, depletion and amortisation	134,033	47,339	-	181,372
Capital expenditure	283,696	192,703	-	476,399

Inter-segment revenues are based on prices effective for local markets and linked to global market prices.

Eliminations and other adjustments include elimination of inter-segment sales and related unrealised profits, mainly from the sale of crude oil and petroleum products, and other adjustments.

Adjusted EBITDA represents the Group's EBITDA and its share in EBITDA of associates' and joint ventures'. The management believes that adjusted EBITDA represents useful means of assessing the performance of the Group's ongoing operating activities, as it reflects the Group's earnings trends without showing the impact of certain charges. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortisation, net foreign exchange gain (loss), other non-operating expenses and includes the Group's share of profit of associates and joint ventures. EBITDA is a supplementary non-IFRS financial measure used by the management to evaluate operations.

The geographical segmentation of the Group's revenue and capital expenditures for the years ended 31 December 2020 and 2019 is presented below:

Year ended 31 December 2020	Russian Federation	CIS	Export and international operations	Total
Sales of crude oil	64,757	18,713	420,240	503,710
Sales of petroleum products	928,001	77,029	378,834	1,383,864
Sales of gas	31,770	-	249	32,019
Other sales	66,404	2,356	11,267	80,027
Revenues from external customers, net	1,090,932	98,098	810,590	1,999,620
Year ended 31 December 2019				
Sales of crude oil	88,797	41,067	614,696	744,560
Sales of petroleum products	1,046,521	86,752	484,857	1,618,130
Sales of gas	29,891	-	863	30,754
Other sales	79,076	2,749	10,039	91,864
Revenues from external customers, net	1,244,285	130,568	1,110,455	2,485,308

For the years ended 31 December 2020 and 2019 export sales of crude oil include sales from the Upstream segment in the amount of RUB 16.1 billion and RUB 128.8 billion, respectively. The remaining amount of RUB 404.2 billion for the year ended 31 December 2020 (RUB 485.9 billion for the year ended 31 December 2019) represents sales from the Downstream segment.

	Russian Federation	CIS	Export and international operations	Total
Non-current assets as of 31 December 2020	2,727,383	10,299	342,103	3,079,785
Investments in associates and joint ventures as of 31 December 2020	375,943	-	1,605	377,548
Other long-term financial assets as of 31 December 2020	6,198	-	122	6,320
Capital expenditures for the year ended 31 December 2020	430,305	633	18,274	449,212
Impairment of assets for the year ended 31 December 2020	-	-	12,924	12,924
Non-current assets as of 31 December 2019	2,397,649	10,596	277,917	2,686,162
Investments in associates and joint ventures as of 31 December 2019	339,905	-	1,210	341,115
Other long-term financial assets as of 31 December 2019	11,593	-	273	11,866
Capital expenditures for the year ended 31 December 2019	448,512	846	27,041	476,399

Adjusted EBITDA for the years ended 31 December 2020 and 2019 is reconciled below:

	Year ended 31 December 2020	Year ended 31 December 2019
Profit for the period	120,633	422,088
Total income tax expense	22,837	85,746
Finance expense	28,746	32,772
Finance income	(11,378)	(22,906)
Depreciation, depletion and amortisation	222,151	181,372
Net foreign exchange loss / (gain)	23,654	(10,518)
Other loss, net	8,732	23,292
EBITDA	415,375	711,846
less share of profit of associates and joint ventures	(48,047)	(83,906)
add share of EBITDA of associates and joint ventures	117,875	167,189
Total adjusted EBITDA	485,203	795,129

40. Subsequent events

In January 2021 the Group performed final repayment of Rouble bond (series 10) in the total amount of RUB 10.0 billion.

In February 2021 the Group refinanced debt in the equivalent amount of RUB 18.2 billion by borrowing under a long-term facility agreement with one of the Russian banks due payable in February 2025.

Supplementary information on oil and gas activities (unaudited)

The accompanying Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). In the absence of specific IFRS guidance, the Group has reverted to other relevant disclosure standards, mainly US GAAP, that are consistent with practices established for the oil and gas industry. While not required under IFRS, this section provides unaudited supplemental information on oil and gas exploration and production activities.

The Group makes certain supplemental disclosures about its oil and gas exploration and production that are consistent with practices. While this information was developed with reasonable care and disclosed in good faith, it is emphasised that some of the data is necessarily imprecise and represents only approximate amounts because of the subjective judgments involved in developing such information. Accordingly, this information may not necessarily represent the current financial condition of the Group or its expected future results.

Effective 1 October 2020, the Group voluntarily uses the PRMS definition of proved reserves to report proved oil and gas reserves and disclose certain unaudited supplementary information associated with the Group’s consolidated subsidiaries, share in joint operations, associates and joint ventures (previously the Group voluntarily uses the SEC definition of proved reserves). For the accompanying Consolidated Financial Statements purposes the comparative information for the year ended 31 December 2019 and as 31 December 2019 has also been restated to PRMS.

The proved oil and gas reserve quantities and related information regarding standardised measure of discounted future net cash flows do not include reserve quantities or standardised measure information related to the Group’s Serbian subsidiary, NIS, as disclosure of such information is prohibited by the Government of the Republic of Serbia. The disclosures regarding capitalised costs relating to and results of operations from oil and gas activities do not include the relevant information related to NIS.

Presented below are capitalised costs relating to oil and gas producing activities:

	31 December 2020	31 December 2019
Consolidated subsidiaries and share in joint operations		
Unproved oil and gas properties	169,743	136,620
Proved oil and gas properties	2,282,052	2,062,056
Less: Accumulated depreciation, depletion and amortisation	(1,069,808)	(878,357)
Net capitalised costs of oil and gas properties	1,381,987	1,320,319
Group’s share of associates and joint ventures		
Proved oil and gas properties	775,521	706,622
Less: Accumulated depreciation, depletion and amortisation	(285,174)	(257,726)
Net capitalised costs of oil and gas properties	490,347	448,896
Total capitalised costs consolidated and equity interests	1,872,334	1,769,215

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Presented below are costs incurred in acquisition, exploration and development of oil and gas reserves for the years ended 31 December:

	2020	2019
Consolidated subsidiaries and share in joint operations		
Exploration costs	18,715	33,231
Purchases of oil and gas licences	6,101	7,644
Development costs	250,598	209,571
Costs incurred	275,414	250,446
Group's share of associates and joint ventures		
Development costs	68,899	82,777
Total costs incurred consolidated and equity interests	344,313	333,223

Results of operations from oil and gas producing activities for the years ended 31 December:

	2020	2019
Consolidated subsidiaries and share in joint operations		
Revenues:		
Sales	252,712	350,852
Transfers	419,433	581,742
Total revenues	672,145	932,594
Production costs	(107,196)	(111,268)
Exploration expenses	(994)	(1,752)
Depreciation, depletion and amortisation	(153,951)	(130,316)
Taxes other than income tax	(345,786)	(500,630)
Pretax (loss) / income from producing activities	64,218	188,628
Income tax expenses	(32,757)	(59,501)
Results of oil and gas producing activities	31,461	129,127
Group's share of associates and joint ventures		
Total revenues	249,382	319,371
Production costs	(27,622)	(31,621)
Exploration expenses	(246)	(348)
Depreciation, depletion and amortisation	(40,899)	(54,162)
Taxes other than income tax	(82,298)	(131,358)
Pretax income from producing activities	98,317	101,882
Income tax expenses	(13,288)	(15,591)
Results of oil and gas producing activities	85,029	86,291
Total consolidated and equity interests in results of oil and gas producing activities	116,490	215,418

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Proved oil and gas reserve quantities

Proved reserves are defined as the estimated quantities of oil and gas, which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. In some cases, substantial new investment in additional wells and related support facilities and equipment will be required to recover such proved reserves. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change over time as additional information becomes available.

Proved developed reserves are those reserves, which are expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are those reserves which are expected to be recovered as a result of future investments to drill new wells, to recomplete existing wells and/or install facilities to collect and deliver the production from existing and future wells.

As determined by the Group's independent reservoir engineers, DeGolyer and MacNaughton, the following information presents the balances of proved oil and condensate and gas reserve quantities (in millions of barrels and billions of cubic feet respectively):

Proved Oil and Condensate Reserves Quantities - in MMBbl	31 December 2020	31 December 2019
Consolidated subsidiaries and share in joint operations		
<i>Beginning of year</i>	5,180	5,256
Production	(348)	(359)
Change of assets	-	21
Additions	465	-
Revision of previous estimates	264	262
<i>End of year</i>	<u>5,561</u>	<u>5,180</u>
Minority's share included in the above proved reserves	(98)	(105)
Proved reserves, adjusted for minority interest	5,463	5,074
Proved developed reserves	2,573	2,601
Proved undeveloped reserves	2,988	2,579
Group's share of associates and joint ventures*		
<i>Beginning of year</i>	1,719	1,782
Production	(94)	(107)
Change of assets	-	(39)
Revision of previous estimates	81	83
<i>End of year</i>	<u>1,706</u>	<u>1,719</u>
Proved developed reserves	811	781
Proved undeveloped reserves	894	938
Total consolidated and equity interests in reserves - end of year	<u>7,267</u>	<u>6,899</u>

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Proved Gas Reserves Quantities - in Bcf	31 December 2020	31 December 2019
Consolidated subsidiaries and share in joint operations		
<i>Beginning of year</i>	13,783	11,336
Production	(835)	(794)
Change of assets	-	2,103
Additions	21,627	-
Revision of previous estimates	583	1,138
<i>End of year</i>	<u>35,158</u>	<u>13,783</u>
Minority's share included in the above proved reserves	(463)	(456)
Proved reserves, adjusted for minority interest	34,695	13,327
Proved developed reserves	4,375	4,353
Proved undeveloped reserves	30,783	9,430
Group's share of associates and joint ventures*		
<i>Beginning of year</i>	15,291	16,079
Production	(671)	(633)
Change of assets	-	(1,592)
Revision of previous estimates	(295)	1,437
<i>End of year</i>	<u>14,325</u>	<u>15,291</u>
Proved developed reserves	8,708	9,312
Proved undeveloped reserves	5,617	5,979
Total consolidated and equity interests in reserves - end of year	<u>49,483</u>	<u>29,074</u>

*Including 82% NCI share in Gazprom Resource Northgas LLC

Standardised measure of discounted future net cash flows relating to proved oil and gas reserves

Estimated future cash inflows from production are computed by applying average first-day-of-the-month price for oil and gas for each month within the 12 month period before the balance sheet date to year-end quantities of estimated proved reserves. Adjustment in this calculation for future price changes is limited to those required by contractual arrangements in existence at the end of each reporting period. Future development and production costs are those estimated future expenditures necessary to develop and produce year-end proved reserves based on year-end cost indices, assuming continuation of year-end economic conditions. Estimated future income taxes are calculated by applying appropriate year-end statutory tax rates. These rates reflect allowable deductions and tax credits and are applied to estimated future pre-tax cash flows, less the tax bases of related assets. Discounted future net cash flows have been calculated using a 10% discount factor. Discounting requires a year-by-year estimate of when future expenditures will be incurred and when reserves will be produced.

The information provided in tables set out below does not represent Management's estimate of the Group's expected future cash flows or of the value Group's proved oil and gas reserves. Estimates of proved reserves quantities are imprecise and change over time, as new information becomes available. Moreover, probable and possible reserves, which may become proved in the future, are excluded from the calculations. The calculations should not be relied upon as an indication of the Group's future cash flows or of the value of its oil and gas reserves.

	31 December 2020	31 December 2019
Consolidated subsidiaries and share in joint operations		
Future cash inflows	22,616,086	19,200,688
Future production costs	(15,992,167)	(12,147,566)
Future development costs	(1,782,864)	(1,222,975)
Future income tax expenses	(736,612)	(1,523,914)
Future net cash flow	4,104,443	4,306,233
10% annual discount for estimated timing of cash flow	(2,372,275)	(2,234,233)
Standardised measure of discounted future net cash flow	1,732,168	2,072,001
Group's share of associates and joint ventures		
Future cash inflows	4,235,522	4,499,829
Future production costs	(2,632,356)	(2,910,040)
Future development costs	(234,920)	(267,654)
Future income tax expenses	(449,237)	(237,418)
Future net cash flow	919,009	1,084,717
10% annual discount for estimated timing of cash flow	(393,708)	(400,731)
Standardised measure of discounted future net cash flow	525,301	683,986
Total consolidated and equity interests in the standardised measure of discounted future net cash flow	2,257,469	2,755,986

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